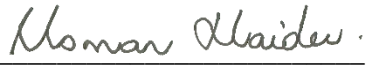


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| <b>Approved by</b>       | <b>Chief Executive Officer</b>   |
| <b>Approval Date</b>     | <b>May 22, 2024</b>  |
| <b>Effective Date</b>    | <b>May 30, 2024</b>  |
| <b>Signing Authority</b> | <br><b>USMAN HAIDER</b><br><b>Chief Executive Officer</b> |

**THE PAKISTAN CREDIT RATING AGENCY LIMITED**

Awami Complex, FB-1, Usman Block, New Garden Town Lahore

Phone: +92 42 3586 9504 - 6

Web: [www.pacra.com](http://www.pacra.com)

## 1 OBJECTIVE

**1.1** To establish Policies and Procedures governing Investment and Trading in Securities and for monitoring the same to prevent Insider Trading, Market Manipulation or any other Market Abuse.

**1.2** To manage Actual, Potential, or Perceived Conflicts of Interest.

**1.3** To protect misuse of Confidential Information and enhance credibility of PACRA's ratings for various stake holders.

## 2 APPLICABILITY

**2.1** This Policy applies to all employees of PACRA and External Rating Committee Members, collectively referred to as "covered person(s)" for the purpose of this Policy. It also applies, in the relevant circumstances, to the family members of the covered persons.

## 3 POLICY STATEMENT

**3.1 Employees and their Family Members:** PACRA prohibits Investment and Trading in all Securities other than Collective Investment Schemes:

- i. For new employees, divestment of securities is compulsory within one month of joining PACRA, however, a waiver may be granted as mentioned in section 04 of this policy. Moreover, said employee would not be involved in the rating of Company in which he/she has investment.

**Securities:** Any instrument of shares, stocks, bonds, commodities and their derivatives (future contracts, options, etc.) that are available through an exchange and any instrument of equity or debt by any client of PACRA.

**3.2 External RC Members:** There are two available options:

- i. Investment and Trading in Securities is allowed provided External RC Members refrain from participating or otherwise influencing the determination of the rating of such entities / instruments
- ii. Divestment of Securities by External RC Members is required one week before External RC Members can participate or otherwise influence the determination of the Rating of such entities / instruments

**3.3 Insider Trading:** Insider trading refers to purchasing or selling a security while aware of material non-public information (MNPI) pertaining to a client, relating to or impacting the price of the security. For the purpose of this policy, transacting in any security while in possession of MNPI or passing along such information to others who are not authorized to have it (i.e., Tipping) is not permitted.

**3.3.1** PACRA signs a Non-Disclosure Agreement (NDA) with its employees and External RC Members, which among other things, includes following:

- i. not to use such non-public information for their personal benefits or for the benefits of any of their relatives, friends and associates or for any other purpose except the conduct of the credit rating company's business.
- ii. not to use or share confidential information for the purpose of trading in securities or for any other purpose except the conduct of the credit rating company's business; and
- iii. to fully adhere to the credit rating company's policy for trading in securities by its employees.

*[For details please refer Non-Disclosure Agreement (NDA) as per annexure I of CRC Regulations, 2016, attached with the Policy for Treatment of Confidential Information].*

#### 4 POLICY WAIVERS

**4.1** There might be circumstances when limited-time waivers to the provisions of this Policy are granted by PACRA Chief Executive Officer (CEO).

**4.2** Till the time a waiver is in place, the Covered Person would be precluded from participating or otherwise influencing the determination of the Rating of such entities / instruments.

#### 5 TASKS

**5.1** Written waiver requests, including all relevant facts in support of the waiver request, must be submitted to the Compliance Officer who if satisfied may forward it to the CEO, who has the sole authority to grant such a waiver.

**5.2** Tasks pertaining to Disclosure and Certification requirements are as follows:

- i. **At the time of joining:** A person, who becomes an employee or External RC Member of PACRA, shall submit a statement of holding of prohibited securities to the Compliance Officer within 7 working days of joining PACRA, either directly or by HR function.
- ii. **After Carrying out the transaction:** Respective covered person shall submit to Compliance Officer, the details of transactions effected within 7 working days from the date of transaction.
- iii. **Client Acceptance Undertaking:** Rating analyst shall provide an undertaking before accepting a rating assignment, stating that he or any of his family member does not have any interest in rating being undertaken.
- iv. **New Covered Person:** Each new Covered Person shall fill and sign the Policy “Certification and Disclosure Form” and fulfill the requisites required therein. *[Attached as Annexure I]*
- v. **Annual Certification:** On an annual basis, each Covered Person shall certify and disclose as to status of ongoing compliance since the prior Certification and Disclosure. Provided that:
  - All declarations are to be made within one month after end of each reporting period.
- vi. **Specific to Members of Rating Committee:** In the case of the members of the Rating Committee, it shall be the responsibility of individual members to declare/disclose upfront interests pertaining to them and their family, in the securities / instruments / facilities pertaining to rating under question before the start of Rating Committee Meeting. If, no such upfront declaration of interest is received by the Compliance Officer, it will be presumed that the concerned member has nothing to declare/disclose.
- vii. **Self-Disclosure:** Covered Person may, at any time, find that a change of circumstances (*such as inheritance of Securities etc.*) creates a violation. In such circumstances, Covered Person must promptly contact the Compliance Officer to make necessary amends for achieving compliance.

#### 6 POLICY VIOLATION

**6.1** Any person who is proven to have violated this Policy may be subject to disciplinary action by PACRA, up to and including termination of employment

and/or could result in civil or criminal penalties imposed by a government agency or a court of law.

**7 POLICY ADMINISTRATION**

**7.1 Interpretation:** Competent Authority is responsible for interpreting and applying the Policy to specific situations when questions arise.

**7.2 Review:** This Policy is subject to review as follows:

| Reviewed by                   | Scope                         | Frequency (Minimum) | Regulation             |
|-------------------------------|-------------------------------|---------------------|------------------------|
| Compliance Officer            | Appropriateness & sufficiency | Annual              | Chapter III   11-B-(k) |
| Firm of Chartered Accountants | Actual vs. Policy             | Semi-Annual         | Chapter III   11-F-(g) |

**7.3 Policy Approval:** This Policy is required to be approved by the board of directors.

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

**7.5 Disciplinary Protocol:** Compliance with all Codes of Conduct and PACRA Policies, including this Policy, is a condition for employment. Compliance with the Codes and PACRA Policies shall be monitored on periodic basis:

- Those who come within the bounds of this Policy shall cooperate fully to provide truthful, accurate information. Template as per annexure “H:(ix)” is attached herewith in pursuance of section 14(3)(g) of CRC regulations 2016.

**Capitalized terms used herein are defined in PACRA Glossary. Moreover, current version of this policy is available on the website:**

[www.pacra.com](http://www.pacra.com)

**8 REGULATORY REQUIREMENTS**

**8.1 PACRA’s compliance to SECP’s regulatory requirements in terms of Investment and Trading in Securities Policy** is as follows:

| PACRA’s Compliance for Investment and Trading in Securities Policy  |   |
|---|---|
| CRC Regulations, 2016   | Policy Reference                        |
| <b>Regulation 11-B-(g):</b> A credit rating company shall: establish policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse;   | Policy developed & disclosed on website |
| <b>Regulation 12-2-(j):</b> The credit rating company shall ensure that: an analyst or any of his family members have any interest in a rating, shall not be involved in such rating process;   | Clause 5.2 (iii)<br>3.1(i)              |
| <b>Regulation 12-2-(k):</b> The credit rating company shall ensure that: the analysts and members of the rating committee including the external members have submitted statement about all the conflicts of interest, including those of their family members, if any, to the officer designated by the credit rating company for the purpose; and | Clause 3.1 & 5.2 (vi),<br>(vii)         |

|  |  |
|--|--|
| <p>Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee;</p>   |  |
| <p><b>Regulation 12-2-(I):</b> The credit rating company shall ensure that: the analysts or any of their 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.</p>  | <p><b>Clause 3.1</b></p>   |
| <p><b>Annexure H:</b> List of Policies to be developed &amp; disclosed by a credit rating company / agency   Regulation 14-3-(g): Policy for investment and trading in securities by employees of a CRA</p>  | <p><i>Policy developed &amp; disclosed on website</i></p>  |
| <p><b>Annexure I: Minimum Contents of the code of conduct for employees of a CRA:   Regulation 11-A-(n):</b></p> <p><b>Regulation (2)</b> The Employees’ Code of Conduct must require the employees to sign a Non-Disclosure Agreement (NDA).</p> <p><b>Regulation (3)</b> The NDA must contain at least the following:</p> <p><b>(i) A clause requiring all the employees:</b></p> <p>(b) not to use such non-public information for their personal benefits or for the benefits of any of their relatives, friends and associates or for any other purpose except the conduct of the credit rating company’s business;</p> <p>(e) not to use or share confidential information for the purpose of trading in securities or for any other purpose except the conduct of the credit rating company’s business; and</p> <p>(f) to fully adhere to the credit rating company’s policy for trading in securities by its employees.</p> <p><b>(ii) A clause prohibiting all the employees from participation or otherwise influence the determination of the credit rating company’s rating of any particular entity or instrument, if the employee;</b></p> <p>(a) owns securities of such entity, other than holdings in diversified collective investment schemes;</p> <p>(b) owns securities of any entity related to such rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes;</p> | <p><b>Clause 3.3.1</b></p> <p><b>Clause 3.3.1 (i)</b></p> <p><b>Clause 3.3.1 (ii)</b></p> <p><b>Clause 3.3.1 (iii)</b></p> <p><b>Clause 3.1 &amp; 3.2</b></p> <p><b>Clause 3.1 &amp; 3.2</b></p> |



INVESTMENT AND TRADING IN SECURITIES POLICY CERTIFICATION AND DISCLOSURE

(As per Credit Rating Companies Regulations, 2016; Annexure H: Item ix)

- i. I have reviewed PACRA Policy for Investment and Trading in Securities, understand it, and agree to be bound by its terms and conditions.
ii. I have not violated PACRA Policy for Investment and Trading in Securities
iii. I am not aware of any suspected violations by others
iv. (For Employees only) I have ensured that my Family Members are aware of the need to comply with PACRA Policy for Investment and Trading in Securities and am not aware of any suspected violations by my Family Members
v. I have agreed to fulfill Divesture Requirements; if any
vi. (For External RC Members only) In case, it is / shall be difficult to comply with Divesture requirements, I have / shall refrain from participating or otherwise influencing the determination of the Rating of such entities / instruments
vii. I have availed policy waivers as mentioned under: Yes [ ] No [ ]

Table with 3 columns: Securities subject to Policy Waiver, Time Duration (Date) (From, To), and Reason. Rows 1, 2, 3.

viii. (For Employees only) I, hereby disclose my dependent Family Members (Name / Relationship):

Table with 4 columns: Name, Relationship, Name, Relationship. Rows 1, 2, 3.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date (dd/mm/yy): \_\_\_\_\_

Hereafter, this certification is to be signed annually for the entire tenor of employment / engagement with PACRA