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Signing Authority	 USMAN HAIDER Chief Executive Officer

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1 OBJECTIVE

- 1.1** To establish a policy regarding rating analysts to an appropriate rotation mechanism that provides for gradual change in rating teams.
- 1.2** To manage actual, potential, or perceived conflicts of interest that may arise from long-standing relationships between rating analysts and clients.
- 1.3** To facilitate capacity building and knowledge assimilation through exposure to multiple sectors within PACRA's rating universe.

2 APPLICABILITY

- 2.1** This policy is applicable to rating analysts.
- 2.1.1** *"Rating Analyst" means an employee of the credit rating company who performs analytical functions that are necessary for the issuing or monitoring of a credit rating or participates in determining credit ratings. [Ref: Annexure F of CRC Regulations, 2016]*
- "Rating Analyst" includes Analyst, Team Lead and Rating Committee Member (internal & external).*
- 2.1.2** **Team Lead:** Only to the extent of this policy team lead is defined as Lead rating analyst responsible for supervising the work of other rating analysts or team members.
- 2.1.3** **Rating Committee Member:** PACRA RC is structured to include both internal (in-house) and external RC members:
- **Internal RC Members:** A PACRA employee who has been formally designated in the position. He may have other responsibilities / functions in PACRA.
 - **External RC Members:** A person who has been nominated in this role by PACRA. External RC member should not have any direct or indirect association with PACRA or any of its Directors and shareholders.
- [Ref: PACRA Glossary]*

3 BACKGROUND

- 3.1** Ratings are assigned by PACRA Rating Committee (RC) and not by any individual rating analyst.
- 3.2** Analyst (by whatever name called) are part of rating teams. At times, a single member rating team may be assigned to undertake the rating of a client.
- 3.3** Analysts shall submit their initial analysis reports along with the initial indicative ratings to the RC. *[Reference: CRC Regulations 2016; clause 11-(C)-(t)]*

4 ROTATION MECHANISM

- 4.1** For each outstanding rating, PACRA will rotate its Rating Analysts, Team Leads and RC Members in the following manner:

Sr. No.	Type of Rating Analyst	Time Period for Rotation
1	Analyst	Continuous period of three (3) years on the same client
2	Team Lead	Continuous period of five (5) years on the same client
3	RC Members	Continuous period of ten (10) years on the same client

4.2 Time period for rotation shall be calculated from the day when rating is being finalized in the rating committee for the first time by the respective analyst, team lead or RC member.

4.3 If rating analyst takes long-term leave - e.g., maternity leave or sick leave or any other long leave - his / her rotation clock(s) will reset if his / her leave is more than the prescribed cooling off period in this policy.

4.4 If rating analyst leaves PACRA and later on rejoins then his / her rotation clock will reset if the period he / she was not part of PACRA was more than cooling off period.

5 COOLING-OFF PERIOD

5.1 The cooling-off Period begins the day after the last day of the Time on Period:

- Rating Analysts shall observe a cooling-off period of a continuous one year or two rating reviews (whichever is longer). The Rating Review is considered complete when an opinion is approved by the RC.
- After the cooling-off period is over, the individual may be assigned to undertake the rating of the same client.

6 TASKS

6.1 The management information technology (MIT) department generates and maintains record that can be generated as a report for any given date as per following specifications:

<i>Rotation of Analyst</i>			
Opinion	Rating Analyst	Date	Duration

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.*

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

www.pacra.com

8 REGULATORY FRAMEWORK

8.1 PACRA's compliance to SECP's regulatory framework in terms of **Rotation of Analyst Policy** is as follows:

PACRA's Compliance for Rotation of Analyst Policy	
CRC Regulation, 2016	Policy Reference
Chap. III; 11-A-(i): A CRC shall consider the adequacy of its staffing strength, use its best endeavor to subject its rating analysts to an appropriate rotation mechanism that provides for gradual change in rating teams;	Clause 1.1
Chap. III; 11-C-(t): A credit rating company shall <i>ensure that</i> the analysts shall submit their initial analysis reports along with the initial indicative ratings to the rating committee.	Clause 3.3
Chap. III; 11-B-(j): A credit rating company shall ensure that all policies are duly approved by its board of directors and shall define clear lines of responsibility, authority and tasks that are adequately assigned to employees;	Clause 7.3 & Cover Page
Annexure H: List of Policies to be developed & disclosed by a credit rating company / agency Policy for rotation of analyst	<i>Policy developed & disclosed on website</i>