

House Code of Conduct

December 2022

Preamble

The efficiency and fairness of financial markets are of utmost importance to market participants and indeed to the proper functioning of our world economy. Because credit ratings reduce the asymmetry of information between investors and their investment targets, the market depends on their thoroughness and objectivity in producing timely, accurate estimates of a rating target's creditworthiness, which is its probability of default and loss given default.

In order to help ensure the integrity, accuracy, and timeliness of our ratings processes, while appropriately maintaining the confidentiality of information provided to us by issuers, we have adopted and published this House Code of Conduct (the "FrancXav Asia Ratings Code" or this "Code").

This Code, as well as the policies referenced, are accessible on FrancXav Asia Ratings public website (www.francxav.com).

It is organized into nine sections:

- A. Quality of the Rating Process
- B. Monitoring and Updating of Ratings
- C. Integrity of the Rating Process
- D. Independence and Avoidance of Conflict - General
- E. Procedures and Policies
- F. Representatives' Independence
- G. Transparency and Timeliness of Rating Disclosure
- H. The Treatment of Confidential Information
- I. Disclosure of the Code of Conduct and Communication with Market Participants

A. Quality of the Rating Process

1. FrancXav Asia Ratings will ensure that all information relevant to any credit rating will be thoroughly analyzed in a manner consistent with the parameters of its credit rating methodologies, and that such analysis will form the basis of its credit rating.

Functions and responsibilities will be systematically allocated, with reporting lines well documented, so as to most effectively and consistently produce high quality credit ratings in a timely manner.

2. FrancXav Asia Ratings will employ and continually develop rigorous, systematic rating methodologies, objectively validated based on historical experience, including back testing where possible, and apply them in a consistent manner.
3. FrancXav Asia Ratings will maintain and execute record retention policies and procedures consistent, at a minimum, with applicable statutory requirements. It will properly maintain records which amply document and support FrancXav Asia Ratings credit ratings. The records will be written in either English or Chinese, maintained for a minimum of 7 years, and properly disposed of after the retention period.
4. As a matter of policy and practice, FrancXav Asia Ratings will ensure that all employees involved in rating processes, whether individually or collectively (such as in committees) are fully qualified in terms of knowledge and experience to provide a credit rating in accordance with the type of rating being prepared; in doing so, they will consistently apply the appropriate FrancXav rating methodology.
5. At all times, credit ratings will be assigned in the name of FrancXav Asia Ratings and not by any individual analyst.
6. FrancXav Asia Ratings will maintain and rigorously apply internal controls to systematically ensure that its ratings do not contain misrepresentations or any content otherwise misleading as to the general creditworthiness of the rating target.
7. FrancXav Asia Ratings will consistently ensure that it devotes sufficient resources to carry out high-quality credit assessments in terms of properly allocated time of properly qualified personnel, as well their ample access to all of the information necessary to formulate a high quality rating. FrancXav Asia Ratings will systematically incorporate steps to vet and ensure the adequacy of such resources as a precondition to continuance of the rating process. If quality and quantity of information does meet standards, FrancXav Asia Ratings will not issue a rating. In cases where a rating involves types of products where there is limited historical data (but FrancXav Asia Ratings still regards the information as adequate), FrancXav Asia Ratings will highlight such limitations prominently in its rating report.

8. In cases where FrancXav Asia Ratings is tasked with providing a credit rating for a financial product which is materially different from structures currently rated, its Methodology Group will vet FrancXav Asia Ratings ability to feasibly provide a high quality credit rating for that product.
9. To foster continual improvement and ensure the quality of its ratings and internal control systems, FrancXav Asia Ratings will institute formal reviews on at least an annual basis of its methodologies and models including those in which material changes have been implemented.

In addition, FrancXav Asia Ratings will conduct annual reviews to evaluate the adequacy and effectiveness of FrancXav Asia Ratings systems and internal control mechanisms.

To ensure that there are no conflicts of interest and properly segregate responsibilities, the function carrying out the review will be well qualified and strictly independent of the business lines responsible for conducting the ratings.

FrancXav Asia Ratings will report findings to the SFC in a timely manner subsequent to completion of the review and will take appropriate measures to address deficiencies.

10. When it is determined that the risk characteristics of the assets underlying a structured finance product have changed materially, FrancXav Asia Ratings will assess whether its presently employed methodologies and models remain adequate. If the models and methodologies no longer adequately meet the changed circumstances, for instance due to complexity of structure or lack of robust data regarding the underlying assets, FrancXav Asia Ratings will either remedy the situation by adjusting the models and methodologies, or refrain from issuing a credit rating altogether.
11. In its allocation of personnel to various rating teams, FrancXav Asia Ratings will strike a balance in maintaining continuity in the teams while instituting a rotation mechanism to gradually incorporate fresh perspectives amongst the teams so as to avoid an element of bias building up in the rating process.

B. Monitoring and Updating of Ratings

12. FrancXav Asia Ratings will allocate adequate personnel and financial resources to monitoring and updating its ratings on a regular and timely basis. Once a rating is published, and while it is in effect, FrancXav Asia Ratings will review the rating target's creditworthiness at least annually, and at any time it becomes aware of developments which might reasonably be expected to bear a material influence on the creditworthiness of the rating target and thus require revision or termination. In that case FrancXav Asia Ratings will update or terminate the rating based on the results of the review.
13. When FrancXav Asia Ratings changes its methodologies, models, or key assumptions, it will apply those changes to both newly assigned ratings as well as to impacted ratings currently in effect. Affected ratings will be reviewed as soon as possible and in any case not later than 6 months after the change, during which period the ratings will be placed under observation.

14. Where FrancXav Asia Ratings uses separate analytical teams for assigning initial ratings and for subsequent monitoring of ratings, each team will have the requisite level of experience and resources to perform their respective functions in a timely manner.
15. Where a rating is made available to the public, FrancXav Asia Ratings will in a timely manner publicly announce if the credit rating is discontinued (except for routine debt maturities, calls, or redemptions). In cases where a rating is made available only to subscribers, FrancXav Asia Ratings will in a timely manner announce to such subscribers if the rating is discontinued. The announcements, as well as any continuing publications of the discontinued rating, will provide the date that the rating was last updated, specify that the rating is no longer being updated, and include all of the reasons for its discontinuation.
16. FrancXav Asia Ratings will not disseminate any private ratings to the public or distribute such ratings by subscription unless it can confirm that the rating has been prepared in full compliance to this code. By prior agreement between FrancXav Asia Ratings and the rated entity, such entity will be prohibited from disseminating such rating unless FrancXav Asia Ratings first confirms in writing that the rating has been prepared in full compliance to this code.

C. Integrity of the Rating Process

17. FrancXav Asia Ratings and its employees will deal fairly and honestly with issuers, investors, other market participants, and the public.
18. FrancXav Asia Ratings will ensure that its employees maintain high standards of integrity. Accordingly, FrancXav Asia Ratings will not employ individuals with demonstrably compromised integrity, subject to its standards as well as applicable law.
19. FrancXav Asia Ratings and its employees will not, either implicitly or explicitly, provide any assurance or guarantee of a particular rating prior to the rating assessment, as this may improperly influence rating targets to pay for credit ratings or other services. However, this limitation does not preclude FrancXav Asia Ratings from developing prospective assessments which would be incorporated into structured finance products and similar transactions.
20. FrancXav Asia Ratings employees who are directly involved in the production of ratings are not allowed to make proposals or provide advice regarding the design of structured finance products which FrancXav Asia Ratings rates.
21. The Compliance Department will bear responsibility for compliance by FrancXav Asia Ratings and its employees with the provisions of this House Code, as well as with any law, rules, regulations, codes or other requirements which are issued, administered or enforced by the SFC or any other regulatory authority or agency. Reporting lines and compensation of this function and all persons operating within it will be independent of FrancXav Asia Ratings rating operations.

22. FrancXav Asia Ratings employees are obligated to report behavior of which they are aware that a reasonable person would have reason to believe may be illegal, unethical, or contrary to FrancXav Asia Ratings code of conduct immediately to the Compliance Department so that proper and appropriate action may be taken. This would include such action required by law, rules, regulations, codes or other requirements which are issued, administered or enforced by the SFC or any other regulatory authority or agency, and by FrancXav Asia Ratings own rules, guidelines or codes. FrancXav Asia Ratings prohibits any retaliation, on its own part as well as from other FrancXav Asia Ratings employees against an employee who makes such a report in good faith.

D. Independence and Avoidance of Conflicts of Interest – General

23. FrancXav Asia Ratings will neither forbear nor refrain from preparing or revising any rating based on the potential effect (economic, political, or otherwise) on it, a rated entity, an investor, or other market participant.
24. FrancXav Asia Ratings and its employees will use care and professional judgment to maintain both the substance and appearance of independence and objectivity.
25. The determination of a credit rating will be influenced only by factors relevant to the credit assessment.
26. The credit rating FrancXav Asia Ratings assigns to a rating target will not be affected by the existence of, or potential for, a business relationship between FrancXav Asia Ratings and the rated entity (or its affiliates), or any other party, or by the non-existence of such a relationship.
27. FrancXav Asia Ratings will not carry on any business which can reasonably be considered to have the potential to give rise to any conflict of interest in relation to its business of providing credit rating services.

FrancXav Asia Ratings will have in place procedures and mechanisms designed to minimize the likelihood of conflicts of interest arising, and to identify any conflict of interest should it arise, in relation to the conduct by it of any ancillary business.

FrancXav Asia Ratings will identify and define any ancillary business which FrancXav Asia Ratings considers not to have the potential to give rise to any conflicts of interest with FrancXav Asia Ratings credit rating business as well as provide explanation as to why it believes there is no potential conflicts of interest.

In any case, FrancXav Asia Ratings will not provide consultancy or advisory services to an entity (or related party thereof) which it rates regarding its corporate or legal structure, assets, liabilities, or activities of that related entity (or related party).

28. FrancXav Asia Ratings will not enter into any contingent fee arrangement for providing credit rating services.

E. Procedures and Policies

29. FrancXav Asia Ratings will adopt written policies and procedures and internal controls to identify, and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the ratings the FrancXav Asia Ratings makes, or the judgment and analyses of the employees who are involved in the preparation of ratings.

FrancXav Asia Ratings have established policies to address and manage the following conflicts, among others, between:

- (a) the desire of FrancXav Asia Ratings to obtain an issuer's business (or a related party's business) may interfere with its duty to provide objective ratings.
 - (b) FrancXav Asia Ratings desire to promote and engage in ancillary lines of business other than rating and its duty to provide objective credit rating services.
 - (c) the interests of a rating target which has investments in FrancXav (or its related company) and FrancXav Asia Ratings ability to produce objective credit ratings.
 - (d) FrancXav Asia Ratings desire to obtain positive feedback from government oversight and its duty to provide objective ratings regarding a government entity exerting that oversight.
 - (e) an individual FrancXav Asia Ratings employee's potential to personally benefit from its interests in a rating target (or related entity) and the integrity the ratings which FrancXav Asia Ratings assigns.
 - (f) incentives to employees to promote the business of FrancXav Asia Ratings and produce objective credit ratings.
 - (g) other interests of an individual employee and FrancXav Asia Ratings ability to produce objective credit ratings.
30. FrancXav Asia Ratings disclosures of actual or potential conflicts of interest of which it is aware will be timely, complete, clear, concise, specific and prominently displayed. FrancXav Asia Ratings will also make full public disclosure of its ancillary services on its website and update such disclosure in a timely manner.
31. FrancXav Asia Ratings will publicly disclose the general nature of its compensation arrangements with rated entities.
- (a) While FrancXav Asia Ratings neither provides consulting services nor receives compensation from rated entities unrelated to its ratings services, if it were to do so, it would disclose the proportion that all such compensation constitutes against the total fees which FrancXav Asia Ratings (and / or its affiliate(s)) receives from the rated entity for the provision of ratings services.

(b) In instances where 5% or more of FrancXav Asia Ratings total annual revenue is received from a single issuer, originator, arranger, client or subscriber and/or any affiliate of such issuer, originator, arranger, client or subscriber, FrancXav Asia Ratings will disclose the party or parties from which such revenue is received.

32. FrancXav Asia Ratings will encourage issuers and originators of structured finance products to publicly disclose all relevant information regarding such products. FrancXav Asia Ratings will ensure that rating announcements include disclosure as to whether the issuer of a structured finance product has informed it that it is publicly disclosing all relevant information about the product being rated, whether the information has not been disclosed, or if it be the case that the issuer has not informed FrancXav Asia Ratings whether public disclosure has been made.
33. FrancXav Asia Ratings will ensure that it and its employees do not engage in any securities or derivatives trading which gives rise (or might be expected to give rise) to conflicts of interest with FrancXav Asia Ratings rating activities.
34. In instances where rated entities (e.g. governments) have, or are simultaneously pursuing, oversight functions related to FrancXav Asia Ratings, the employees of FrancXav Asia Ratings who are involved in the oversight issues will not be allowed to participate in the credit ratings of the entity and / or revisions to such ratings.

F. Independence of Employees

35. Reporting lines for employees and their compensation arrangements will be structured to eliminate or effectively manage actual or potential conflicts of interest.
36. Employees will not be compensated or evaluated on the basis of the amount of revenue that FrancXav Asia Ratings derives from rated entities that the employee rates or is involved in rating, or with which the employee regularly interacts.
37. FrancXav Asia Ratings 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 rating process to ensure that these policies and practices do not compromise the objectivity of its rating process.
38. Employees of FrancXav Asia Ratings who are directly involved in the rating process may not initiate or participate in discussions regarding fees or payments with any entity they rate.
39. Employees will not prepare, participate in or otherwise influence the determination of a rating of any particular rating target if the employee:
 - (a) Owns (or has a family member who owns) securities or derivatives of the rated entity, other than holdings in collective investment schemes;

- (b) Owns (or has a family member who owns) securities or derivatives of any entity related to a rated entity, the ownership of which may cause, or may be perceived as causing, a conflict of interest, other than holdings in collective investment schemes;
 - (c) Has had a recent employment or other significant business relationship with the rated entity that may cause, or may be perceived as causing, a conflict of interest;
 - (d) Has an immediate relation (i.e. a spouse, partner, parent, child, or sibling) who currently works for the rated entity; or
 - (e) Has, or has had, any other relationship with the rated entity or any related party thereof, that may cause, or may be perceived as causing, a conflict of interest.
40. Employees involved in the rating process (or his/her spouse, partner, minor children or any account controlled by the employee in which the employee has a beneficial interest) are not allowed to buy or sell, or engage in any transaction involving, any securities or derivative based on securities issued, guaranteed, or otherwise supported by any entity within such employee's area of primary analytical responsibility, other than holdings in collective investment schemes.
41. FrancXav Asia Ratings employees are prohibited from soliciting money, gifts or favors from anyone with whom FrancXav Asia Ratings does business and are also prohibited from accepting gifts offered in the form of cash or any gifts exceeding a monetary value HKD500.
42. Any FrancXav Asia Ratings employee who becomes involved in any personal relationship that creates the potential for any real 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 the FrancXav Asia Ratings Compliance Department.
43. Where an FrancXav Asia Ratings employee who participates in determining or monitoring Credit Ratings leaves the employ of FrancXav Asia Ratings and joins a rated entity and becomes an employee of a rated entity, FrancXav Asia Ratings will review the employee's work in accordance with applicable laws and regulations. Where required by laws and regulations, FrancXav Asia Ratings will report to the regulatory authorities those instances where FrancXav Asia Ratings becomes aware within the time period specified by the relevant regulatory authority, that a former FrancXav Asia Ratings employee has obtained employment with such an entity after his or her employment with FrancXav Asia Ratings.

G. Transparency and Timeliness of Ratings Disclosure

44. FrancXav Asia Ratings will publicly disclose, in a timely manner, all public or non-private ratings and updates of such ratings. In the case of ratings that are only provided to subscribers, FrancXav will, in a timely manner, disclose all such ratings and updates of such ratings to such subscribers.
45. FrancXav Asia Ratings will ensure that the policies for distributing its ratings and updates are publicly disclosed.

46. For each credit rating, FrancXav Asia Ratings will disclose:
- (a) a clear indication of when it was last updated,
 - (b) a clear and prominent statement identifying the name and job title of the lead rating analyst who is responsible for the rating and the name and the position of the person primarily responsible for approving the rating.
 - (c) an indication if the credit rating concerns newly issued debt securities or preferred securities, and whether FrancXav Asia Ratings is rating such securities for the first time.
 - (d) a reference to the principal methodology or methodology version that was used in determining the rating and where a description of that methodology can be found.

If a rating is based on more than one principal methodology and if a review of only one methodology might cause financial market professionals to overlook other important aspects of the rating, FrancXav Asia Ratings will ensure that this is explained in the ratings announcement, give reference to where the methodologies are explained in detail, and indicate how they were factored into the rating decision.

47. FrancXav Asia Ratings will ensure that sufficient clear and easily comprehensible information is published about its processes, procedures, methodologies and assumptions (including financial statement adjustments that deviate materially from those contained in the rating target's published financial statements and a description of the rating committee process, if applicable) to enable other parties to understand how a rating was determined. 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 used when making a rating decision.

FrancXav Asia Ratings will identify all of the material sources, including the rated entity and, where appropriate, a related party of the rated entity, which were used to prepare the credit rating. An indication will also be given as to whether the credit rating has been disclosed to the rated entity or to its related party and, following such disclosure, whether the credit rating has been amended before being issued.

48. FrancXav Asia Ratings will disclose to what extent it has examined the quality of information used in the rating process and whether it is satisfied with the quality of information it bases its rating on.
49. In rating structured finance products, FrancXav Asia Ratings will ensure that the public (in the case of a rating which is made available to the public) or subscribers (in the case of a rating which is made available only to subscribers) are provided with sufficient information about its loss and cash-flow analysis, and an indication of any expected change in the credit rating, so that an investor with an interest in investing in the product can understand the basis for the rating.



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FrancXav Asia Ratings will disclose, to the extent practicable, the degree to which it analyzes how sensitive a rating of a structured finance product is to changes in the FrancXav Asia Ratings underlying rating assumptions.

FrancXav Asia Ratings will disclose, on a timely and ongoing basis, information concerning all structured finance products submitted to it for its initial review or for a preliminary rating. Such disclosure should be made irrespective of whether the issuer of such a product engages FrancXav Asia Ratings to provide a final rating.

FrancXav Asia Ratings will disclose the level of assessment it has performed concerning the due diligence processes conducted in relation to the underlying finance products, or other assets, of structured finance products, and whether it has undertaken its own assessment of such due diligence processes or whether it has relied on a third-party assessment, and in so doing will indicate how the outcome of such assessment influences the credit rating.

50. FrancXav Asia Ratings will insert “(fi)” into all of its new and existing Credit Ratings of structured finance instruments. The insertion of “(fi)” will appear following the Credit Rating in all of FrancXav Asia Ratings credit rating announcements and research reports -- e.g., “Aa3 (fi)” when referring to a specific Credit Rating.
51. In order to better assist investors in developing a greater understanding of what a credit rating signifies, FrancXav Asia Ratings will clearly indicate the attributes and limitations of each credit rating, the limits to which credit ratings can be put to use vis-à-vis a particular type of financial product that FrancXav Asia Ratings rates, and the limits to which FrancXav Asia Ratings verifies information provided to it by the rated entity.
52. When issuing or revising a credit rating, FrancXav Asia Ratings will explain in its press releases and reports the key elements underlying the rating.
53. Where feasible and appropriate, prior to issuing or revising a rating, FrancXav Asia Ratings will inform the rated entity of the critical information and principal considerations upon which a rating will be based and afford the rated entity an opportunity submit additional factual information no previously available to FrancXav Asia Ratings or to clarify any likely factual misperceptions or other matters that FrancXav Asia Ratings would wish to be made aware of in order to produce an accurate rating. FrancXav Asia Ratings will duly evaluate the rated entity’s response.

Where, in particular circumstances, FrancXav Asia Ratings has not informed the rated entity prior to issuing or revising a rating, FrancXav Asia Ratings will inform the rated entity as soon as practical thereafter and, generally, will explain the reason for the delay.
54. In order to promote transparency and to enable the market to best judge the performance of its ratings, FrancXav Asia Ratings will, when and where sufficient historical data exists, publish information about the historical default rates of each rating category and about ratings transition frequency. In addition, FrancXav Asia Ratings will disclose any changes of default rates of categories over time. This will provide interested parties with valuable insight regarding the historical dynamics of each rating category and foster meaningful comparisons amongst ratings given by different Credit Rating Agencies.

FrancXav Asia Ratings will provide explanations in cases where the nature of a rating, or other circumstances, may make an historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating.

Where practicable, 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.

55. Whenever FrancXav Asia Ratings issues an unsolicited rating, it will state in a prominent place whether it had access to the accounts and / or other relevant internal documents of the rating target.

In these cases, FrancXav Asia Ratings will not accept payment from the rating target and any person acting on behalf of the rating target for a period of not less than one year after the initial publication. FrancXav Asia Ratings will carefully consider the various uses of credit ratings before modifying its methodologies, practices, procedures and processes.

When it does make changes, FrancXav Asia Ratings will fully and publicly disclose the relevant material modifications to its rating methodologies and related significant practices, procedures, and processes in a timely manner, and where feasible and appropriate, prior to such changes going into effect.

When methodologies, models or key rating assumptions used in preparing any of its credit ratings are changed, FrancXav Asia Ratings will immediately disclose the likely scope of credit ratings to be affected by using the same means of communication as was used for the distribution of the affected Credit Ratings.

H. The Treatment of Confidential Information

56. Where FrancXav Asia Ratings receives information shared with it by a rated entity under the terms of a confidentiality agreement or under a mutual understanding that the information is shared confidentially, it will abide by its relevant policies and procedures to protect and preserve the confidentiality of such information in accordance with the confidentiality agreement or mutual understanding. It will refrain from disclosing such information in press releases, through research conferences, to future employers, or in conversations with investors, other issuers or other persons, or otherwise.
57. FrancXav Asia Ratings will use confidential information only for purposes related to its rating activities or in accordance with any confidentiality agreements with the rated entity.
58. FrancXav Asia Ratings will take all reasonable measures to protect all property and records belonging to it, or in its possession, from fraud, theft or misuse.
59. FrancXav Asia Ratings employees and their family members are not allowed to engage in transaction in securities (including derivatives) when they possess confidential information related to the issuer of such securities.

60. FrancXav Asia Ratings employees are required to familiarize themselves with FrancXav's internal securities trading policies and periodically certify their compliance as required by such policies.
61. FrancXav Asia Ratings employees are prohibited from selectively disclosing non-public information about ratings, or the possible future issue or revision of ratings except to the rated entity or its designated agents, or as required by applicable law or regulation.
62. FrancXav Asia Ratings employees will not share confidential information entrusted to them with any affiliates that are not credit rating agencies. Any sharing of information within FrancXav Asia Ratings will be in connection with FrancXav Asia Ratings rating services and on a need to know basis, permitted under the relevant confidentiality agreement or mutual understanding.
63. FrancXav Asia Ratings employees will not use or share confidential information for any purpose except carrying on Type 10 regulated activity.

I. Disclosure of the Code of Conduct and Communication with Market Participants

64. FrancXav Asia Ratings will disclose on a timely basis any changes to this House Code of Conduct and / or how it is implemented and enforced.
65. FrancXav Asia Ratings will maintain functions charged with communicating with market participants and the public regarding questions, concerns, and complaints that it has received.
66. FrancXav Asia Ratings will publish in a prominent position on its home webpage links to: (a) its code of conduct; (b) a description of the methodologies it uses; and (c) information about the FrancXav Asia Ratings historic ratings performance, and any other disclosures required by this code.
67. FrancXav Asia Ratings will disclose the following information about itself to the public on an annual basis:
 - (a) internal control mechanisms adopted to assure the quality of Credit Rating activities;
 - (b) its record-keeping policy; and
 - (c) its management and representative rotation policy.