

EXECUTIVE SUMMARY

- Objective:** To identify and manage potential conflicts of interest that may arise when an analytical employee of Fitch Ratings (defined below) accepts employment with a Rated Entity or Transaction Participant.
- Application:** Analysts employed by Fitch Ratings, Inc. (“Fitch”) or any credit rating affiliate listed in Item 3 of Fitch’s Form NRSRO filed annually with the US Securities and Exchange Commission (collectively, “Fitch Ratings”).
- Effective Date:** 11 April 2019 (replaces version dated 12 March 2018) (non-material change, so no change in version number)

1. OVERVIEW

- 1.1.** This document establishes procedures for the review of the analytical work product, produced during the specified time period, of any Fitch Ratings’ Analyst who accepts subsequent employment with a Rated Entity or Transaction Participant, to determine whether that work product was influenced by a conflict of interest.
- 1.2.** These requirements do not apply to employees participating in assigning ratings or opinions other than Ratings (e.g., servicer ratings).

2. DEFINITIONS

- 2.1. Analyst** shall have the meaning set forth in Bulletin 2: Rating Process Manual.
- 2.2. Analytical Activities** means the evaluation, approval, review and issuance of Ratings, including the analysis of data and information.
- 2.3. Analytical Group** means a sector-specific group of Fitch Ratings that performs Analytical Activities.
- 2.4. Conflicts Review Committee** means an independent review committee convened to review Ratings that a Designated Person has concluded, pursuant to a Further Risk Based Assessment, may have been influenced by a Leaver’s conflict of interest.
- 2.5. Designated Person (“DP”)** means an Analyst titled Senior Director or above appointed by a Managing Director in the Leaver’s Analytical Group to conduct a Further Risk Based Assessment with respect to Leavers from that Analytical Group or, in case of Structured Finance, a Senior Director or above from the Operations, Data and Technology Group (SF ODT) appointed by a Managing Director in SF ODT. DPs appointed for one Analytical Group may also be used to conduct Further Risk Based Assessments for other Analytical Groups.
- 2.6. Further Risk Based Assessment** means a review of a Leaver’s analytical work product with respect to a Rated Entity or Transaction Participant, identified by an Initial Risk Based Assessment, to determine whether there is a possibility that this Leaver’s conflict of interest may have influenced the rating process with respect to such entity.
- 2.7. GOM** means Global Operations Management.

2.8. Initial Risk Based Assessment means a review of the Leaver's analytical work product with respect to a Rated Entity or Transaction Participant to determine whether there is a possibility of a conflict of interest that may have influenced the rating process with respect to such entity.

2.9. Last Committee Participation Date means, during the three-year period prior to the Leaver's Termination Date, the last date, if any, on which the Leaver participated in a rating committee (including appeal committees) as the lead Analyst, the secondary Analyst, the committee chair or another voting member, which rating committee assigned or took action with respect to (i) the Rating(s) of the Leaver's subsequent employer or (ii) a Rating where the Leaver's subsequent employer was a Transaction Participant.

2.10. Leaver means an Analyst whose employment with Fitch Ratings has been terminated.

2.11. Look Back Mailbox means the mailbox (at lookback.mailbox@fitchratings.com) used by GOM to record information regarding Leavers and actions taken pursuant to this Procedure.

2.12. Rated Entity means an entity to which Fitch Ratings has assigned a Rating.

2.13. Rating shall have the meaning set forth in Bulletin 7: Credit Products – Defined; Ratings, Assessments, Opinions and Scores.

2.14. Relevant Period means the period starting from the Leaver's Termination Date and looking back for the longer of (i) the one-year period preceding the relevant Last Committee Participation Date and (ii) the two-year period preceding the Leaver's Termination Date.

2.15. Senior Officer means any named Officer of Fitch Ratings, any member of Fitch Ratings' Executive Committee, or any Global Group Head or Regional Group Head of an Analytical Group.

2.16. Termination Date means the date at which an Analyst's employment by Fitch Ratings is terminated.

2.17. Transaction Participant means the obligor, issuer, arranger, underwriter or sponsor of a security or money market instrument to which Fitch Ratings has assigned a Rating.

3. INITIAL RISK BASED ASSESSMENT

3.1. Human Resources Notification to GOM. Human Resources (HR) shall promptly notify GOM of any Leaver's Termination Date, specifying whether the termination was voluntary or involuntary and the name of that Leaver's supervisor, by emailing the Look Back Mailbox. HR shall ask each Leaver who has voluntarily terminated their employment about their future plans, including intended employment, study, retirement and time off. HR shall promptly send the information obtained to the Look Back Mailbox. If HR obtains this information, from any source, for any Leaver whose employment was terminated by Fitch Ratings, HR shall promptly send this information to the Look Back Mailbox.

3.2. Where Leaver's Subsequent Employer Unknown. If the Leaver does not disclose their subsequent employer or the Leaver's termination is involuntary, GOM will attempt to determine the Leaver's subsequent employer by conducting a LinkedIn search three months after the Leaver's Termination Date. If there are no results from the LinkedIn search or GOM is not otherwise provided with the name of the Leaver's subsequent employer, no further action is required until the annual review process (as described in section 6 below).

3.3. Initial Risk Based Assessment. Within five business days of obtaining or receiving the name of a Leaver's subsequent employer, GOM shall conduct an Initial Risk Based Assessment to determine whether there is a Last Committee Participation Date for that Leaver with respect to the subsequent employer. If there is a Last Committee Participation Date, GOM shall determine whether, during the Relevant Period, the Leaver participated in any other rating committee(s) (including appeal committees) as the lead Analyst, the secondary Analyst, the committee chair or another voting member, which rating committee assigned or took action with respect to (i) the Rating(s) of the Leaver's subsequent employer or (ii) a Rating where the Leaver's subsequent employer was a Transaction Participant. If so,

- a) If the Leaver was the lead Analyst, the secondary Analyst or the committee chair of one or more of those rating committees, GOM shall promptly instruct the DP for the relevant Analytical Group or SF ODT, as applicable, to conduct a Further Risk Based Assessment with respect to the Rating(s) determined at those rating committees, copying the Look Back Mailbox; or
- b) If the Leaver was a voting member but not the lead Analyst, the secondary Analyst or the committee chair of one or more of the relevant rating committees and (x) the decision of one or more of these rating committees was the subject of an appeal, (y) one or more of these rating committees decided on a three notch or more upgrade of the relevant Rating(s) and/or upgraded the relevant Rating(s) to BBB- or higher or (z) GOM otherwise discovers any reason that might indicate that the relevant Ratings(s) may have been influenced by the Leaver's conflict of interest, GOM shall promptly instruct the DP for the relevant Analytical Group or SF ODT, as applicable, to conduct a Further Risk Based Assessment with respect to the Rating(s) determined at those rating committees, copying the Look Back Mailbox.

The instruction to the DP shall also include the following information: (i) the Leaver's name, (ii) the Termination Date, (iii) the subsequent employer, (iv) the Last Committee Participation Date, (v) whether the subsequent employer was the Rated Entity or a Transaction Participant with respect to each such rating committee, (vi) the date of each such rating committee, (vii) whether the Leaver was the lead Analyst, the secondary Analyst, the committee chair or another voting member of each such rating committee and (viii) if there was any other reason for instructing a DP to conduct a Further Risk Based Assessment, details of that reason. If GOM determines that the conditions for referral to a DP are not met, GOM shall document that decision by emailing the Look Back Mailbox, setting forth the reason(s).

3.4. Eligibility of DP. If the DP participated in any of the rating committees specified in GOM's instruction to conduct a Further Risk Based Assessment and/or was the direct supervisor of the Leaver at any time during the 12 months prior to the Leaver's Last Committee Participation Date the DP shall promptly notify a Managing Director in the relevant Analytical Group or SF ODT, as applicable, copying the Look Back Mailbox, and that Managing Director shall select another eligible DP and notify GOM. GOM shall promptly email the new DP, copying the Look Back Mailbox, with the information described in section 3.3 above.

4. FURTHER RISK BASED ASSESSMENT

4.1. If instructed by GOM, the DP shall perform a Further Risk Based Assessment for the Relevant Period. For purposes of determining if a Leaver's conflict of interest may have influenced a Rating, the DP must consider the following factors, among other possible factors:

- a) The emails between the Rated Entity or Transaction Participant and the Leaver (which GOM will obtain from Compliance and forward to the DP);

- b) The Rating(s) of the Rated Entity compared to those of its peers (issued by Fitch Ratings or issued publicly by another rating agency) to assess if the Rating(s) appeared to be outliers based on price characteristics of bonds, CDS or equity based indicators or, in the case of Structured Finance, a review of the Rating(s) compared to relevant peer transactions to assess if the Rating(s) appeared to be outliers;
- c) Exceptions to any Fitch Ratings' policy or procedure granted, such as delayed rating committees, publication of RACs, committee quorums, etc.;
- d) Criteria variations or ratings that vary from implied ratings produced by any rating models used, including whether the rating file clearly documented a reasonable basis or rationale for the variation; and
- e) Outcome of any appeal committee(s).

4.2. In addition, as part of the Further Risk Based Assessment, the DP must assess whether, in the time period between the Last Committee Participation Date and the Leaver's Termination Date, the DP reasonably believes that the Leaver's conflict may have influenced the relevant Rating(s), notwithstanding the fact that the Leaver participated in no further rating committees. The factors to be considered include, but are not necessarily limited to:

- a) Whether the Rating(s) assigned to the Rated Entity or Rating(s) where the Leaver's subsequent employer was a Transaction Participant during this period appeared to be inconsistent with those assigned during the 12 months prior to the Leaver's Last Committee Participation Date; and
- b) The emails described in section 4.1(a) above.

4.3. The DP must complete the Further Risk Based Assessment within the later of (i) 30 days of their appointment and (ii) 30 days of the Leaver's Termination Date. If, based on consideration of relevant factors, the DP concludes that no conflict of interest of the Leaver influenced the Rating(s), the DP shall document the results of the analysis in the Further Risk Based Assessment template and submit the document to the Look Back Mailbox, copying the relevant Global Group Head, the Chief Credit Officer and HR. Once this completed document is submitted, no further action is necessary.

4.4. If, based on consideration of relevant factors, the DP concludes that a conflict of interest of the Leaver may have influenced the Rating(s), the DP shall refer the matter to a Regional Credit Officer and initiate a Conflicts Review Committee as described in section 5. In addition, the DP shall:

- a) Publish within one business day a rating action commentary (RAC) placing the applicable Rating(s) on Rating Watch. Fitch Ratings must disclose in the RAC: (a) that the review was prompted by the Analyst's departure; (b) that the Rating(s) may have been influenced by the Leaver's conflict of interest; and (c) the date and the associated Rating(s) of each prior rating action that Fitch Ratings believes may have been influenced by the Leaver's conflict of interest; and
- b) Send a copy of this RAC to the Look Back Mailbox, with a copy to the relevant Global Group Head, the Chief Credit Officer and HR.

5. CONFLICTS REVIEW COMMITTEE

5.1. A Conflicts Review Committee must be promptly convened by the DP, in consultation with the relevant Regional Credit Officer, to review (and possibly re-rate) all Ratings identified by the DP as potentially influenced by the Leaver's conflict of interest and must complete this review within 15 calendar days of the publication of the RAC referred to in subsection 4.4.1 above.

- 5.1.1** A Conflicts Review Committee quorum shall be composed of at least five members and:
- a) must include at least two Senior Directors who did not participate as rating committee members with regard to the Rating(s) under consideration;
 - b) must include the DP;
 - c) a majority of the Conflicts Review Committee shall not have participated in the original rating committee(s); and
 - d) the chair shall not have participated as a rating committee member with regard to the Rating(s).

5.2. Following the conclusion of the Conflicts Review Committee, the chair shall ensure that a RAC is published, within one business day (but subject to any issuer notification requirements in Bulletin 2: The Rating Process Manual), based on the determination of whether the current Rating(s) must be revised (as applicable), containing the following:

- 5.2.1** A revised Rating, if appropriate, including: (a) a statement that the review was prompted by the Leaver's departure; (b) an explanation that the reason for the action is the discovery that a Rating(s) in one or more prior rating actions was influenced by a conflict of interest; (c) the date and the associated Rating(s) of each prior rating action that Fitch Ratings has determined was influenced by this conflict, if any, and (d) a description of the impact this conflict had on each such prior rating action, if any; or

An affirmation of the Rating, if appropriate, including: (a) a statement that the review was prompted by the Leaver's departure; (b) an explanation of why no rating action was taken with respect to the Rating(s) notwithstanding the conflict of interest; (c) the date and the associated Rating(s) of each prior rating action that Fitch Ratings has determined was influenced by this conflict, if any; and (d) a description of the impact this conflict had on each such prior rating action, if any.

- 5.2.2** A summary report of the Conflicts Review Committee's findings (including a list of impacted Rating(s)) shall be provided to the Chief Compliance Officer within one business day following the conclusion of the Conflicts Review Committee. A copy of the published RAC shall be sent to the Look Back Mailbox.

6. FIVE YEAR SEC REPORTING

6.1. GOM will review the public LinkedIn profile of each Leaver at the end of each December, beginning with the first December following that Leaver's Termination Date, and continuing for a period of five years from that Termination Date, to determine whether, during the 12-month period prior to that Leaver starting work with the subsequent employer, any of the following occurred:

- 6.1.1** If the Leaver was a Senior Officer of Fitch Ratings, the subsequent employer was a Rated Entity or a Transaction Participant;
- 6.1.2** If the Leaver was an Analyst, the subsequent employer was a Rated Entity or a Transaction Participant and that Analyst participated in a rating committee (including appeal committees) as the lead Analyst, the secondary Analyst, the committee chair or another voting member, which rating committee assigned or took action with respect to (i) the Rating(s) of the Leaver's subsequent employer or (ii) a Rating where the Leaver's subsequent employer was a Transaction Participant; and
- 6.1.3** If the subsequent employer was a Rated Entity or a Transaction Participant, the Leaver supervised an Analyst who participated in a rating committee (including appeal committees) as the lead Analyst, the secondary Analyst, the committee chair or another voting member, which rating committee assigned or took action with respect to (i) the Rating(s) of the Leaver's subsequent employer or (ii) a Rating where the Leaver's subsequent employer was a Transaction Participant.

6.2. If, after completing a 12-month review as described in section 6.1 above, GOM determines that any of the fact patterns described in subsections 6.1.1 through 6.1.3 exists, GOM shall promptly prepare a list setting forth the name of each relevant Rated Entity, and specifying which fact pattern applied to that Rated Entity, and provide that list to the Chief Compliance Officer (with a copy to the Look Back Mailbox). The Chief Compliance Officer shall promptly provide that list to the US SEC.

6.3. Additionally, if any of the fact patterns described in subsections 6.1.1 through 6.1.3 exists, GOM shall conduct an Initial Risk Based Assessment. If GOM determines that the conditions for referral to a DP are met: (i) for years one and two, GOM shall instruct a DP to, and the DP shall, conduct a Further Risk Based Assessment and (ii) for years three through five, GOM shall instruct a DP to consider the need for a Further Risk Based Assessment, and the DP shall conduct a Further Risk Based Assessment if the DP has reason to believe that the Leaver's conflict of interest may have influenced the relevant Rating(s).

7. FILE MAINTENANCE

7.1. All documentation relating to the look back review process sent to the Look Back Mailbox will be retained by GOM for the periods specified in Bulletin 11: File Maintenance and Recordkeeping Policy for Analytical Groups, Credit Policy, Global Content Operations and Global Operations Management.

Owners: Karen Skinner and Brett Hemsley

Version: 2

Supplemental Documents: None

APPENDIX

Summary of Changes

12 March 2018

- 1) Remove ALQ questionnaire – replace with email from GOM.
- 2) Designated Person – appointed by MD, not RGH; DPs for SF come from ODT.
- 3) Introduced two-stage review: Initial Risk Based Assessment (conducted by GOM) and Further Risk Based Assessment conducted by the DP.
- 4) Generally streamlined the process.

11 April 2019

- 1) Amend definition of Relevant Period to apply the EU definition globally.
- 2) Removed the definition of “EU Fitch Ratings” as no longer used in the Procedure.