

## Establishment of JCR Code of Conduct for ESG Evaluation Services

Japan Credit Rating Agency, Ltd. (JCR) hereby announces that it has established Code of Conduct for JCR's ESG Evaluation Services, reflecting "the Code of Conduct for ESG Evaluation and Data Providers", published by the Financial Services Agency (FSA), Japan, on December 15, 2022.

Please refer to the following pages for the contents of JCR Code of Conduct and how it complies with the FSA's Code of Conduct.

### Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

# **JCR Code of Conduct (For ESG Evaluation)**

Japan Credit Rating Agency, Ltd. ("JCR") is fully aware of the important role that External Reviewers for ESG related finance play in the financial market and established and complies with the following Code of Conduct in order to ensure the proper operation of its business.

## **Chapter 1: Assurance of Quality**

### **Article 1: *Quality of Information used for ESG Evaluation***

JCR shall establish the necessary procedures for obtaining information to ensure that, when conducting and providing ESG evaluations<sup>1</sup>, it conducts detailed analysis of information that is considered reasonably obtainable.

### **Article 2: *ESG Evaluation Methodology and its Transparency***

JCR shall conduct and provide ESG Evaluations based on a thorough analysis of all available relevant information in accordance with its evaluation methodologies and processes (hereinafter referred to as "Evaluation Methodology, etc.") that have been established in advance for application across the organization and on an ongoing basis. JCR shall disclose them in consideration with its confidentiality and intellectual property rights to determine the scope of contents and subjects to be disclosed.

### **Article 3: *Ensuring Consistency of ESG Evaluation Based on Evaluation Methodology, etc. and Verification***

JCR shall ensure that the evaluation methodologies, etc. are applied consistently across the organization and shall confirm the application of the evaluation methodologies, etc. by a committee consisting of multiple expert members before making a decision on the evaluation. Decisions and major deliberations of the council are recorded to accumulate and share knowledge.

### **Article 4: *Periodic Review of Evaluation Methodologies, etc.***

JCR shall periodically review the evaluation methodologies, etc. to ensure that there are no deviations from the evaluation results, and shall update the methodologies when necessary. Decisions and major deliberations of the council are recorded to accumulate and share knowledge, etc. When the evaluation methodology is updated, the date of such update shall be clearly stated in the evaluation methodology and disclosed in accordance with the disclosure method stipulated in Article 2.

---

<sup>1</sup> ESG Evaluation in this code of conduct is the evaluation provided for issuers' evaluation, ESG related bonds/loans evaluation defined in ESG evaluation data providers code of conduct stipulated by Japan Financial Services Agency, including opinions, verification, certification, rating and GHG emission verification based on ISO 14065. JCR names these evaluation services as "Sustainable Finance Evaluation Business".

**Article 5: *Outsourcing of ESG Evaluation***

JCR shall not, in principle, outsource ESG Evaluations. However, JCR may outsource a part of the evaluation to an external contractor if JCR determines that it lacks knowledge of the subject matter of the evaluation. In such cases, the contractor will take necessary measures to ensure quality, based on the contents listed in Articles 1 through 4.

**Chapter 2: Training of Human Resources**

**Article 6: *Retention of Professional Personnel and Technology***

JCR shall collect and analyze the information necessary to provide all ESG Evaluations provided by JCR, and accumulate the expertise necessary to make decisions on an organization-wide basis. In addition, JCR shall employ personnel with the necessary expertise to ensure that appropriate evaluations are conducted based on such expertise.

**Article 7: *Assignment of Analysts with Professional/Vocational Expertise***

JCR shall assign a team of ESG Evaluation analysts to conduct the ESG Evaluation, and it shall determine whether such analysts have sufficient expertise and skills to provide an appropriate ESG Evaluation, whether they can obtain sufficient information to conduct the ESG Evaluation, and whether they are able to obtain the necessary information to conduct the ESG Evaluation. In addition, we will also confirm that there are no potential conflicts of interest with the subject of the ESG evaluation, and we will pay attention to whether the analyst has any prejudice in conducting the ESG evaluation. Based on the analysis, the ESG Evaluation Team will make recommendations to the ESG Evaluation Committee, which is composed of members with sufficient expertise and skills in ESG Evaluation, and the ESG Evaluation Committee will decide on the ESG Evaluation.

**Article 8: *Personnel Evaluation for High-Quality Human Resource Development***

JCR shall maintain a personnel evaluation system in which personnel who are committed to professional and vocational evaluation and the provision of high quality evaluations are accurately evaluated.

**Article 9: *Recognition by Management for Securing and Developing Human Resources***

JCR's management recognizes that securing and developing human resources is important for continuing to provide high quality evaluations, and shall take steps to ensure that personnel evaluations of ESG evaluation analysts are conducted appropriately.

**Chapter 3: Ensuring Independence and Managing Conflicts of Interest**

**Article 10: *Maintenance of Independence and Objectivity of ESG Evaluations***

JCR and its ESG evaluation analysts shall endeavor to maintain the independence and objectivity of ESG evaluations and to take due care from a professional standpoint to perform their duties fairly and accurately. ESG evaluations will not be affected by the

existence or possibility of a business relationship between JCR and the person being evaluated.

**Article 11:** *Fairness and integrity of officers and employees*

JCR hires faire and honest person as its officers and employees. Among them, it makes ESG evaluation analysts to maintain high level fairness and honesty. JCR and its officers and employees shall deal with issuers, investors, other market participants and the general public in a fair and honest manner. JCR and its officers and employees will not make any promises, express or implied, to any person subject to an ESG evaluation before the ESG evaluation has been determined.

**Article 12:** *Compliance with Laws and Regulations*

JCR and its officers and employees shall comply with this Code of Conduct, internal rules, and all relevant laws and regulations, etc. JCR shall, in accordance with internal rules previously established, appoint a Chief Compliance Officer, who shall be responsible for overall compliance with laws and regulations, from among persons with expert knowledge and sufficient experience in the Company's overall operations including ESG evaluation and who are familiar with laws and regulations or internal rules, etc. The Company shall appoint a Chief Compliance Officer who shall be in charge of matters related to overall compliance with laws and regulations. When an officer or employee becomes aware of an actual or potential violation of laws or regulations within the Company, he or she is obliged to immediately report it to the Chief Compliance Officer, who will immediately take the necessary measures to deal with the situation. The Chief Compliance Officer will immediately take the necessary action. In such cases, the reporting officer or employee will be guaranteed that he or she will not be treated unfavorably.

**Article 13:** *Elimination and Management of Conflicts of Interest*

JCR shall establish internal procedures to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and analyses it makes, or the judgment and analyses of ESG evaluation analysts. In cases where a company receives compensation for ESG evaluations from the assessed party, separate the department in charge of sales promotion and profit management from the department in charge of ESG evaluations.

**Article 14:** *Restrictions on Involvement in ESG Evaluation*

JCR shall exclude officers and employees from being in charge of ESG evaluation analysts and shall not allow them to participate in the deliberations and decisions of the council that determines ESG evaluations analysts, if such matters may impair the independence, neutrality, or expertise of the ESG evaluators.

**Article 15:** *Prohibition of Securities Transactions by ESG Evaluation Analysts*

JCR prohibits any ESG evaluation analysts (including immediate family members who share the same livelihood) from engaging in transactions in securities or other financial instruments for his/her own account or for the account of others. JCR prohibits ESG

evaluation analysts (including immediate family members who share the same livelihood) from buying, selling, or otherwise dealing in securities and derivatives (limited to securities issued by or related to the relevant evaluation target) issued by the relevant evaluation target for themselves or for others. (2) ESG evaluation analysts are prohibited from buying, selling, or otherwise dealing in securities and derivatives (limited to securities issued by or related to the relevant Assessor) issued by the Assessor for themselves or others.

2. ESG evaluation analysts (including immediate family members who share the same livelihood) 2. ESG evaluation analysts (including immediate family members who share the same livelihood) must obtain the prior approval of the Chief Compliance Officer before engaging in any purchase, sale, or other transactions in securities or derivatives that do not fall within the scope of the preceding paragraph. The Chief Compliance Officer, after consulting with the general managers of the relevant departments, shall prohibit such transactions if he/she determines that there is a possibility of a conflict of interest.

**Article 16: *Prohibition of Consulting Services***

When providing ESG Evaluations, JCR and its officers and employees shall prohibit any consulting services with respect to any content that may be deemed to affect such ESG Evaluations.

**Article 17: *Remuneration System***

JCR shall establish a chain of command and personnel evaluation items for its officers and employees to eliminate or effectively manage any actual or potential conflicts of interest. In addition, ESG evaluation analysts shall not negotiate fees with persons subject to evaluation.

**Article 18: *Measures to eliminate undue influence from credit ratings***

In order to eliminate the possibility of undue influence in the provision of ESG evaluations, when providing credit ratings and ESG evaluations for the same client, JCR shall not have the same person act as an analyst for such ratings and evaluations.

## **Chapter 4: Ensuring Transparency**

**Article 19: *Publication of ESG Evaluation Results, etc.***

When an ESG evaluation is determined, JCR shall make it public at an appropriate time based on the consent of the person subject to the evaluation.

**Article 20: *Disclosure of Principles, Guidelines, Evaluation Methodology, etc. Used in ESG Evaluation***

JCR shall disclose the international principles, standards and guidelines used to determine the ESG Evaluation and JCR's Evaluation methodology in the document indicating the Evaluation results, including the timing of any updates. In addition, JCR will disclose the sources of information used in the ESG Evaluation to the extent possible, while paying attention to confidentiality.

**Article 21:** *Disclosure of information on ESG Evaluations*

JCR shall disclose sufficient information regarding the procedures, methods, and assumptions used in its ESG Evaluations to enable external third parties to understand the process by which JCR arrived at its ESG Evaluation decisions. JCR shall also disclose sufficient information regarding any material changes to the ESG Evaluation. In addition, ESG evaluation analysts will provide detailed explanations to the extent possible upon receiving inquiries from companies that have been subject to ESG Evaluations.

## **Chapter 5: Management of Confidential Information**

**Article 22:** *Protection of Confidential Information*

JCR shall manage confidential information obtained in connection with its ESG Evaluation work (hereinafter referred to as "Confidential Information") and shall protect the confidentiality of such Confidential Information. JCR and its officers and employees shall not disclose Confidential Information in any press release, seminar, dialogue with investors, etc., except as permitted under a confidentiality agreement or nondisclosure agreement or as required by law. Even after the resignation of an officer or employee, the obligation to protect confidential information shall be imposed by the contract at the time of resignation.

**Article 23:** *Use of Confidential Information*

JCR shall use confidential information only for ESG evaluation purposes or in accordance with the provisions of the confidentiality agreement with the person being evaluated.

## **Chapter 6: Communication with Companies**

**Article 24:** *Establishment of a department to receive opinions, etc.*

JCR shall establish a department to receive opinions, questions, and complaints from market participants and the general public, and shall establish a system whereby opinions, etc. received by the department are reflected in the formulation of measures related to ESG Evaluation.

**Article 25:** *Confirmation of Factual Misconceptions about a Company*

JCR shall disclose an ESG evaluation if the person subject to the evaluation consents to such disclosure. In such cases, JCR shall ensure that there is sufficient time for the subject of the evaluation to confirm whether there are any material defects, such as factual errors. If the subject of the evaluation makes any material and reasonable findings, such as factual errors, we will take appropriate action in a timely manner, such as correcting the matter in question.

**Article 26: *Procedures for Dialogue with Companies***

JCR shall establish the procedures for dialogue with a company when conducting an ESG evaluation as part of the evaluation process, and shall disclose such procedures on its website.

**Article 27: *Feedback of Evaluation Results***

JCR shall provide the results of ESG evaluations in writing to the persons subject to the evaluation, and upon request, JCR shall explain the background of such Evaluation results to the persons subject to the Evaluation in a timely and appropriate manner.

## **Chapter 7: Publication of this Code of Conduct**

**Article 28: *Review of the Past Work of former ESG Evaluation Analysts of JCR***

JCR shall establish internal rules as necessary to implement this Code of Conduct and shall take measures to ensure that its officers and employees are fully aware of such rules. If any changes are made to this Code of Conduct, JCR will disclose the details of such changes and the measures taken to implement the revised Code of Conduct in a timely manner.

**Article 29: *Disclosures on JCR website***

JCR shall display on its website, in a clear location, links to (1) the JCR Code of Conduct (ESG Evaluation Section) and (2) information on its Evaluation methods, etc.

## **Supplementary provisions**

**Article 1: Definition of terms**

The terms used in this Code of Conduct shall be defined as follows

*1. ESG Evaluation Staff*

An ESG evaluation analyst and a member of the council that decides on the final ESG evaluation.

*2. The persons subject to the evaluation*

A legal entity that requests JCR to conduct an ESG evaluation. 3.

*3. Credit Rating*

Credit Rating" means a credit rating as defined in the Financial Instruments and Exchange Act. 4.

*4. Securities*

Securities" as defined in Article 2 of the Financial Instruments and Exchange Law.

**Article 2: Effective date**

This Code of Conduct is put into effect as of April 1, 2023.

Correspondence between the Financial Services Agency's "Code of Conduct for ESG Evaluation and Data Providing Institutions" and the JCR Code of Conduct (ESG Evaluation Section)

<b>JCR Code of Conduct (ESG Evaluation Division)</b>	<b>FSA Code of Conduct</b>
Article 1 Quality of Information used for ESG Evaluation	Principle 1 Guideline 1
Article 2 ESG Evaluation Methodology and its Transparency	Principle 1 Guideline 2
Article 3 Ensuring Consistency of ESG Evaluation Based on Evaluation Methodology, etc. and Verification	Principle 1 Guideline 3
Article 4 Periodic Review of Evaluation Methodologies, etc.	Principle 1 Guideline 4
Article 4 Periodic Review of Evaluation Methodologies, etc.	Principle 1 Guideline 5
Article 5 Outsourcing of ESG Evaluation	Principle 1 Guideline 6
Article 6 Retention of Professional Personnel and Technology	Principle 2 Guideline 1
Article 7 Assignment of Analysts with Professional/Vocational Expertise	Principle 2 Guideline 2
Article 8 Personnel Evaluation for High-Quality Human Resource Development	Principle 2 Guideline 3
Article 9 Recognition by Management for Securing and Developing Human Resources	Principle 2 Guideline 4
Article 10 Maintenance of Independence and Objectivity of ESG Evaluations Article 11 Fairness and integrity of officers and employees Article 12 Compliance with Laws and Regulations	Principle 3 Guideline 1
Article 13 Elimination and Management of Conflicts of Interest	Principle 3 Guideline 1, 2, 7
Article 14 Restrictions on Involvement in ESG Evaluation	Principle 3 Guideline 1
N.A. as JCR does not conduct any evaluations through questionnaire	Principle 3 Guideline 3
Article 15 Prohibition of Securities Transactions by ESG Evaluation Analysts	Principle 3 Guideline 4
Article 17 Remuneration System	Principle 3 Guideline 5
Article 16 Prohibition of Consulting Services	Principle 3 Guideline 6
Article 18 Measures to eliminate undue influence from credit ratings	Principle 3 Guideline 6
N. A. as JCR conduct issuer pay model only.	Principle 3 Guideline 8
Article 19 Publication of ESG Evaluation Results, etc.	Principle 4 Guideline 1
Article 20 Disclosure of Principles, Guidelines, Evaluation Methodology, etc. Used in ESG Evaluation	Principle 4 Guideline 2, 4
Article 21 Disclosure of information on ESG Evaluations	Principle 4 Guideline 3
Overall Chapter 3	Principle 4 Guideline 5
Article 22 Protection of Confidential Information	Principle 5 Guideline 1
Article 23 Use of Confidential Information	Principle 5 Guideline 2
N. A. as JCR does not conduct any evaluations through questionnaire	Principle 6 Guideline 1
Article 24 Establishment of a department to receive opinions, etc.	Principle 6 Guideline 2
Article 25 Confirmation of Factual Misconceptions about a Company	Principle 6 Guideline 3
Article 25 Confirmation of Factual Misconceptions about a Company	Principle 6 Guideline 4
Article 26 Procedures for Dialogue with Companies	Principle 6 Guideline 5
Article 27 Feedback of Evaluation Results	Principle 6 Guideline 6