

CRA Code of Conduct

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Introduction

EthiFinance Ratings SL, (hereinafter “**EFR**” or the “Agency”), in performing its activity as a Credit Rating Agency, is aware of the possibility that actual or potential conflicts of interest could arise with clients, providers, employees, shareholders or any third party in general who has any connection with the company.

EFR’s mission is to provide objective, independent, comprehensive and high quality information to its clients. With this objective in mind and to protect the integrity of the credit rating process, as well as assuring our rated companies and clients that they will be fairly treated, **EFR** has adopted this *CRA Code of Conduct* (hereinafter the “Code”).

This Code includes the Fundamentals of the Code of Conduct for Credit Rating Agencies of the International Organization of Securities Commissions (“IOSCO Code”) which regulate the activity of credit rating agencies and personnel related to such activities. It specifically adopts the guidelines set out in the report revised in March 2015 by the Technical Committee of the International Organization of Securities Commissions” (IOSCO).

The Code is based on the following principles:

- **Quality and integrity of the credit rating process**

EFR will endeavour to issue opinions that help reduce the asymmetry of information among borrowers, lenders and other market participants.

- **Independence and conflicts of interest**

EFR rating decisions will be independent and free from political or economic pressures and from conflicts of interest arising due to the Agency’s ownership structure, business or financial activities, or the financial interests of the **EFR**’s employees. The Agency will, as far as possible, avoid activities, procedures or relationships that may compromise or appear to compromise the independence and objectivity of credit rating operations.

- **Transparency and timeliness of ratings disclosure**

EFR will make disclosure and transparency an objective of their ratings activities.

- **Confidential information**

EFR will maintain in confidence all non-public information communicated to them by any issuer, or its agents, under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially.

EFR ensures that its employees perform in accordance with this Code and reserves the right to impose legal or disciplinary action on personnel who partially or completely fail to do so. Any aspect or process not included in this document will always be

governed within the framework of the basic principles listed above. Any exception or practice outside of the fundamentals of this document must be approved, in writing, by the **EFR** Audit Committee as the body responsible for the application and interpretation of the Code, and then ratified by the Board of Directors.

The *CRA Code of Conduct* shows the framework and general regulations of action regarding the detection as of situations of actual or potential conflicts of interest to prevent such situations from occurring or, in the case that they cannot be avoided, ensuring a suitable management of the conflicts of interest that could arise, in accordance with the *Procedure for the Identification, Management and Communication of Conflicts of Interest*.

This *CRA Code of Conduct* enters into force as soon as it is published and distributed to the persons affected and will take effect until its modification or appropriate annulment by the Board.

The *CRA Code of Conduct* should not be interpreted as a contract. Therefore, **EFR** assumes no responsibility or obligation towards a third party that could arise from what is expressed here.

EFR reserves the right to amend or modify this document whenever it considers it appropriate.

Section I. Definitions

1. Credit Ratings

Credit ratings are opinions of the ability of an entity to honour its financial obligations (capital and interests) under the terms agreed; therefore, they measure the solvency of entities which are rated by **EFR** and therefore their ability to comply with their payment commitments.

They are the result of the application of different methodologies and different qualitative elements, as well as the aggregation of expert opinions issued by the team of credit rating analysts from **EFR**.

A rating does not involve suggestions or advice from **EFR** on the undertaking of possible credit or other type of transactions with the rated company. It should not be understood either that the result of a rating guarantees that credit obligations will or will not be complied with. These are not recommendations for purchasing, selling or holding any security.

2. Conflicts of Interest

Conflict of interest is understood to mean any situation or event in which the personal interests, direct or indirect, of partners, managers, directors or employees of the company are found to be in opposition with those of the society, interfering with the duties which are their responsibility within society or causing them to act for motives other than the true and honest fulfilment of their responsibilities.

In relation to **EFR**, conflicts of interest are situations whose existence can discredit the principles of objectivity, independence and/or transparency in credit ratings issued by **EFR** in the judgement of a neutral observer.

3. CRA Employees

Personnel who directly participate in the credit rating process, in the credit rating approval process and any other person who provides services to the Agency and who has an influence on the outcome of the said ratings.

4. Connections

People affected could be subject to potential conflicts of interest by virtue of their family, economic or work relationships or for any other cause relating to a specific action, service or operation.

For the purposes of this Code:

- A “economic link” will be considered to be direct or indirect ownership of any financial instrument of an entity, or the direct or indirect participation in its

ownership, other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance.

- The following will be considered a "work link":
 - a) Participation to the administrative or supervisory board,
 - b) Employment relationship (defined as a person discharging managerial responsibilities, having access to privileged information and power to make decisions) or business connection, current or recent, with a rated entity. Recent is understood to mean within the last twelve months.
- Persons closely associated will be considered a "family link" as:
 - a) Spouses or any partner of that person considered by national law as equivalent to the spouse.
 - b) Dependent children.
 - c) Other relatives of the person, who have shared the same household for a minimum period of one year.
 - d) Any legal person, trust or partnership, whose managerial responsibilities are discharged by a person referred to in letters (a), (b) and (c) of this point, or which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.

Having a financial or work connection.

- "Different links" are considered to be those different from those already expressed which, in the judgement of an impartial and external observer, could compromise the impartial action of an employee.

Section II. Scope of Application

5. Affected Person´s

All processes and employees of **EFR** (including shareholders, members of the Audit Committee and members of the Board of Directors) are considered to be affected. Inside employees of **EFR** are included the so-called "CRA employees" and the other employees of the company.

The *CRA Code of Conduct* is also applicable to the following people:

- Executive Committee of EthiFinance SAS, which is the shareholder of EthiFinance Ratings SL and the corporate services provider.
- External advisors who, for any reason, have access to information relating to credit ratings.
- Other individuals who, as a result of an outsourcing contract signed with the agency, provide services to the agency related to their credit rating activities.

EFR has a *Declaration of Conflicts of Interest* form which can be used to report any connection that could lead to an actual or potential conflict of interest (Annex II).

Affected persons must complete the *Declaration of Conflicts of Interest* and submit it to the Compliance Officer upon joining the company; they must also renew it annually and update it as soon as any changes occur regarding their connections.

6. Responsible People

These are the people responsible for the correct and appropriate application of the *CRA Code of Conduct* to areas or persons to which some responsibility described in this Code applies.

The Compliance Function is responsible for verifying compliance with procedures established by the Rating Department for the issuance of credit ratings.

It is also responsible for complying with all points mentioned in this Code, its policies and procedures, as well as the legislation in force, which will be defined within the Manual of Compliance Function.

The Compliance Function must keep an up-to-date list of person´s who must abide by, in a temporary and/or permanent manner, by the *CRA Code of Conduct*.

Human Resources keep the Compliance Function informed of person´s who, through subcontracting or temporary contracts, are considered to be affected person´s, as well as the period of time during which they must continue to abide by the *CRA Code of Conduct*.

The Human Resources Department, together with the Compliance Function, are responsible for ensuring the full independence of remuneration policies for related employees.

The Audit Committee must be notified in writing of any actual or potential discrepancy in this respect.

The Audit Committee is responsible for the approval of all methodologies used for the process of credit rating.

Faced with the detection of a conflict of interest, the *Procedure for the Identification, Management and Communication of Conflicts of Interest* and the *Conflicts of Interest Policy* should be applied in order to manage and eliminate it. In the case that it is not covered by the aforementioned policy, the Audit Committee will propose measures to be adopted.

The **EFR** Board of Directors is the body responsible for approving the *CRA Code of Conduct* as well as its modifications.

Section III. Regulations

The credit ratings issued by **EFR** are the result of the application of rigorous methodologies.

Even so, it is the intention of **EFR** to reinforce the independence of the credit ratings it issues in view of any potential conflict of interest that could arise.

For this reason, the following regulations have been adopted:

7. Quality and Integrity of the Credit Rating Process

A. Quality of the Credit Rating Process

- 7.1 **EFR** establishes, maintains, documents, and enforces a credit rating methodology for each class of entity or obligation for which **EFR** issues credit ratings. Each credit rating methodology is rigorous, capable of being applied consistently, and, where possible, result in credit ratings that can be subjected to some form of objective validation based on historical experience.
- 7.2 Credit ratings reflect all information known and believed to be relevant to **EFR**, consistent with the applicable credit rating methodology that is in effect. Therefore, **EFR** establishes, maintains, documents, and enforces policies, procedures, and controls to ensure that the credit ratings and related reports it disseminates are based on a thorough analysis of all such information.
- 7.3 **EFR** adopts reasonable measures designed to ensure that it has the appropriate knowledge and expertise, and that the information it uses in determining credit ratings is of sufficient quality and obtained from reliable sources to support a high quality credit rating.
- 7.4 **EFR** avoids issuing credit ratings for entities or obligations for which it does not have appropriate information, knowledge, and expertise.
- 7.5 In assessing creditworthiness, analysts involved in the credit rating action use the credit rating methodology established by **EFR** for the type of entity or obligation that is subject to the credit rating action. The credit rating methodology is applied in a manner that is consistent across all entities or obligations for which that methodology is used.
- 7.6 **EFR** defines the meaning of each category in its rating scales and apply those categories consistently across all classes of rated entities and obligations to which a given rating scale applies.
- 7.7 Credit ratings are assigned by **EFR** as an entity and not by an analyst or other employee of **EFR**.

- 7.8 **EFR** assigns analysts who, individually or collectively (through the Rating Committee), have appropriate knowledge and experience for assessing the creditworthiness of the type of entity or obligation being rated.
- 7.9 **EFR** maintains internal records that are accurate and sufficiently detailed and comprehensive to reconstruct the credit rating process for a given credit rating action. The records are retained for as long as necessary to promote the integrity of **EFR**'s credit rating process, including to permit internal audit, compliance, and quality control functions to review past credit rating actions in order to carry out the responsibilities of those functions. Further, **EFR** establishes, maintains, documents, and enforces policies, procedures, and controls designed to ensure that its employees comply with the **EFR**'s internal record maintenance, retention, and disposition requirements and with applicable laws and regulations governing the maintenance, retention, and disposition of the Agency records.
- 7.10 **EFR** establishes, maintains, documents, and enforces policies, procedures, and controls designed to avoid issuing credit ratings, analyses, or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of a rated entity or obligation.
- 7.11 **EFR** ensures that it has and devotes sufficient resources to carry out and maintain high quality credit ratings.

When deciding whether to issue a credit rating for an entity or obligation, **EFR** assesses whether it is able to devote a sufficient number of analysts with the skill sets to determine high quality credit ratings, and whether the analysts have access to sufficient information in order to determine a high quality credit rating.

- 7.12 **EFR** establishes and maintains a Review Function made up of one or more senior managers with appropriate experience to review the feasibility of providing a credit rating for a type of entity or obligation that is materially different from the entities or obligations the Agency currently rates.
- 7.13 **EFR** establishes and maintains a Review Function made up of one or more senior managers responsible for conducting a rigorous, formal, and periodic review, on a regular basis pursuant to an established timeframe, of all aspects of the **EFR**'s credit rating methodologies (including models and key assumptions) and significant changes to the credit rating methodologies. **EFR** assesses whether existing credit rating methodologies and models for determining credit ratings of structured finance products are appropriate when the risk characteristics of the assets underlying a structured finance product change materially.

This function is independent of the employees who are principally responsible for determining credit ratings.

- 7.14 **EFR**, in selecting the analyst or analysts who will participate in determining a credit rating, seek to promote continuity but also to avoid bias in the credit rating process.

- 7.15 **EFR** ensures that sufficient employees and financial resources are allocated to monitoring and updating all its credit ratings. Except for a credit rating that clearly indicates it does not entail ongoing surveillance, once a credit rating is published, the Agency should monitor the credit rating on an ongoing basis by:
- a. reviewing the creditworthiness of the rated entity or obligation regularly;
 - b. initiating a review of the status of the credit rating upon becoming aware of any information that might reasonably be expected to result in a credit rating action (including withdrawal of a credit rating), consistent with the applicable credit rating methodology;
 - c. reviewing the impact of and applying a change in the credit rating methodologies, models or key rating assumptions on the relevant credit ratings within a reasonable period of time;
 - d. updating on a timely basis the credit rating, as appropriate, based on the results of such review; and
 - e. incorporating, where possible, all cumulative experience obtained.
- 7.16 If **EFR** uses separate analytical teams for determining initial credit ratings and for subsequent monitoring of existing credit ratings, each team should have the requisite level of expertise and resources to perform their respective functions in a timely manner.
- 7.17 **EFR** establishes, maintains, documents, and enforces policies and procedures that clearly set forth guidelines for disseminating credit ratings that are the result or subject of credit rating actions and the related reports, and for when a credit rating will be withdrawn.

B. Integrity of the Credit Rating Process

- 7.18 **EFR** and its employees deal fairly and honestly with rated entities, obligors, originators, underwriters, arrangers, and users of credit ratings.
- 7.19 **EFR's** employees respect the highest standards of integrity and ethical behaviour, and **EFR** have policies and procedures in place that are designed to ensure that individuals with demonstrably compromised integrity are not employed.
- 7.20 **EFR** and its employees do not, either implicitly or explicitly, give any assurance or guarantee to an entity subject to a rating action, obligor, originator, underwriter, arranger, or user of the **EFR's** credit ratings about the outcome of a particular credit rating action. This does not preclude the Agency from developing preliminary indications.
- 7.21 **EFR** and its employees do not make promises or threats about potential credit rating actions to influence rated entities, obligors, originators, underwriters,

arrangers, or users of the **CRA's** credit ratings to pay for credit ratings or other services.

- 7.22 **EFR** and its employees do not make proposals or recommendations regarding the activities of rated entities or obligors that could impact a credit rating of the rated entity or obligation, including but not limited to proposals or recommendations about corporate or legal structure, assets and liabilities, business operations, investment plans, lines of financing, business combinations, and the design of structured finance products.
- 7.23 In each jurisdiction in which **EFR** operates, **EFR** establishes, maintains, documents, and enforces policies, procedures, and controls designed to ensure that **EFR** and its employees comply with the *CRA Code of Conduct* and applicable laws and regulations.
- a. **EFR** establishes and maintain a Compliance Function responsible for monitoring and reviewing the compliance of the **EFR** and its employees with the provisions of this *CRA Code of Conduct* and with applicable laws and regulations.
 - b. The Compliance Function is also responsible for reviewing the adequacy of **EFR's** policies, procedures, and controls designed to ensure compliance with this *CRA Code of Conduct* and applicable laws and regulations.
 - c. **EFR** has assign a senior level employee with the requisite skill set to serve as Compliance Officer in charge of the compliance function. The Compliance Officer's reporting lines and compensation are independent of the **EFR's** credit rating operations.
- 7.24 Upon becoming aware that another employee or an affiliate of **EFR** is or has engaged in conduct that is illegal, unethical, or contrary to this *CRA Code of Conduct*, the **EFR** employee should report such information immediately to the Compliance Officer, so proper action may be taken. The **EFR's** employees are not necessarily expected to be experts in the law. Nonetheless, **EFR** employees are expected to report activities that a reasonable person would question. Upon receiving such a report from an employee, **EFR** will take appropriate action, as determined by the laws and regulations of the jurisdiction and the policies, procedures, and controls established, maintained, documented, and enforced by **EFR**. **EFR** prohibits retaliation by the **EFR** or an employee against any employees who, in good faith, make such reports.

8. **EFR Independence and Avoidance of Conflicts of Interest**

A. **General**

- 8.1 **EFR** does not delay or refrain from taking a credit rating action based on the potential effect (economic, political, or otherwise) of the action on the Agency,

a rated entity, obligor, originator, underwriter, arranger, investor, or other market participant.

- 8.2 **EFR** and its employees use care and professional judgment to maintain both the substance and appearance of the Agency's and its employees' independence and objectivity.
- 8.3 **EFR's** determination of a credit rating will be influenced only by factors relevant to assessing the creditworthiness of the rated entity or obligation.
- 8.4 **EFR** assigns to an entity or obligation will not be affected by whether there is an existing or potential business relationship between the Agency (or its affiliates) and the rated entity, obligor, originator, underwriter, or arranger (or any of their affiliates), or any other party.
- 8.5 **EFR** will operationally, legally, and, if practicable, physically separate its credit rating business and its analysts from any other businesses of the Agency that may present a conflict of interest. For other businesses that do not necessarily present a conflict of interest, **EFR** will establish, maintain, document, and enforce policies, procedures, and controls designed to minimize the likelihood that conflicts of interest will arise. **EFR** discloses on its publicly available website the ancillary services it provides according to the Regulation EC 1060/2009 and subsequent amendments and to the Guidelines published by ESMA.

B. EFR Policies, Procedures, Controls and Disclosures

- 8.6 **EFR** establishes, maintains, documents, and enforces policies, procedures, and controls to identify and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the credit rating methodologies, credit rating actions, or analyses of the Agency or the judgment and analyses of the **EFR's** employees. Among other things, the policies, procedures, and controls address the following potential conflicts of interests:
 - a. being paid to issue a credit rating by the rated entity or by the obligor, originator, underwriter, or arranger of the rated obligation;
 - b. being paid by subscribers with a financial interest that could be affected by a credit rating action of the Agency;
 - c. being paid by rated entities, obligors, originators, underwriters, arrangers, or subscribers for services other than issuing credit ratings or providing access to the **EFR's** credit ratings;
 - d. providing a preliminary indication or similar indication of credit quality to an entity, obligor, originator, underwriter, or arranger prior to being hired to determine the final credit rating for the entity, obligor, originator, underwriter, or arranger; and

- e. having a direct or indirect ownership interest in a rated entity or obligor, or having a rated entity or obligor have a direct or indirect ownership interest in the Agency.
- 8.7 **EFR** discloses actual and potential conflicts of interest (including, but not limited to, those conflicts of interest identified in the point above) in a complete, timely, clear, concise, specific, and prominent manner. When the actual or potential conflict of interest is unique or specific to a credit rating action with respect to a particular rated entity, obligor, originator, lead underwriter, arranger, or obligation, such conflict of interest should be disclosed in the same form and through the same means as the relevant credit rating action.
- 8.8 **EFR** discloses the general nature of its compensation arrangements with rated entities, obligors, lead underwriters, or arrangers.
 - a. When the Agency receives from a rated entity, obligor, originator, lead underwriter, or arranger compensation unrelated to its credit rating services, the **EFR** will disclose such unrelated compensation as a percentage of total annual compensation received from such rated entity, obligor, lead underwriter, or arranger in the relevant credit rating report or elsewhere, as appropriate.
 - b. **EFR** will disclose in the relevant credit rating report or elsewhere, as appropriate, if it receives 10 percent or more of its annual revenue from a single client.
- 8.9 **EFR** will disclose in its credit rating announcement whether the issuer of a structured finance product has informed the Agency that it is publicly disclosing all relevant information about the obligation being rated or if the information remains non-public.
- 8.10 **EFR** will not hold or transact in trading instruments presenting a conflict of interest with the Agency's credit rating activities.
- 8.11 In instances where rated entities or obligors (e.g., sovereign nations or states) have, or are simultaneously pursuing, oversight functions related to the Agency, the employees responsible for interacting with the officials of the rated entity or the obligor (e.g., government regulators) regarding supervisory matters will be separate from the employees that participate in taking credit rating actions or developing or modifying credit rating methodologies that apply to such rated entity or obligor.

C. **EFR Employee Independence**

- 8.12 Reporting lines for **EFR** employees and their compensation arrangements are structured to eliminate or effectively manage actual and potential conflicts of interest.
 - a. **EFR** employee who participates in or who might otherwise have an effect on a credit rating action with respect to an entity or obligation will not be

compensated or evaluated on the basis of the amount of revenue that the Agency derives from that entity or obligor.

- b. **EFR** conducts formal and periodic reviews of its compensation policies, procedures, and practices for Agency employees who participate in or who might otherwise have an effect on a credit rating action to ensure that these policies, procedures, and practices have not compromised and do not compromise the objectivity of the **EFR**'s credit rating process.

8.13 **EFR**'s employees who participate in or who might otherwise have an effect on a credit rating action will not initiate or participate in discussions with rated entities, obligors, arrangers, or subscribers regarding fees or payments charged to such rated entity, obligor, arranger, or subscriber.

8.14 **EFR** employee will not participate in or otherwise influence an Agency's credit rating action with respect to an entity or obligation if the employee, an immediate family member of the employee (e.g., spouse, domestic partner, or dependent), or an entity managed by the employee (e.g., a trust):

- a. Holds or transacts in a trading instrument issued by the rated entity or obligor;
- b. Holds or transacts in a trading instrument (other than a diversified collective investment scheme) that itself owns an interest in the rated entity or obligor, or is a derivative based on a trading instrument issued by the rated entity or obligor;
- c. Holds or transacts in a trading instrument issued by an affiliate of the rated entity or obligor, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or **EFR**;
- d. Holds or transacts in a trading instrument issued by a lead underwriter or arranger of the rated obligation, the ownership of which may cause or may be perceived as causing a conflict of interest with respect to the employee or **EFR**;
- e. Is currently employed by, or had a recent employment or other significant business relationship with the rated entity or obligor or a lead underwriter or arranger of the rated obligation that may cause or may be perceived as causing a conflict of interest;
- f. Is a director of the rated entity or obligor, or lead underwriter or arranger of the rated obligation; or
- g. Has, or had, another relationship with or interest in the rated entity, obligor, or the lead underwriter or arranger of the rated obligation (or any of their affiliates) that may cause or may be perceived as causing a conflict of interest.

8.15 **EFR** analyst should not hold or transact in a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility. This would not preclude an analyst from holding or trading a diversified collective

investment scheme that owns a trading instrument issued by a rated entity or obligor in the analyst's area of primary analytical responsibility.

- 8.16 **EFR** employee is prohibited from soliciting money, gifts, or favours from anyone with whom the Agency does business and is prohibited from accepting gifts offered in the form of cash or cash equivalents or any gifts exceeding a minimal monetary value.
- 8.17 **EFR** employee who has a personal interest, (including but not limited to economic, familial, political, associative etc.), either direct or indirect related to a rated entity, obligor, or originator, or the lead underwriter or arranger of a rated obligation), that creates an actual or potential conflict of interest is required under the EFR's policies, procedures, and controls to disclose the personal interest to the Compliance Officer. The personal interest may be past, present or expectable in the future.
- 8.18 **EFR** will review without unnecessary delay the past two-year-work of an analyst who leaves the Agency and joins an entity that the employee participated in rating, an obligor whose obligation the employee participated in rating, an originator, underwriter, or arranger with which the employee had significant dealings as part of his or her duties at EFR, or any of their affiliates.

9. EFR Responsibilities to the Investing Public, Rated Entities, Obligors, Originators, Underwriters, and Arranger

A. Transparency and Timeliness of Credit Ratings Disclosure

- 9.1 **EFR** assists investors and other users of credit ratings in developing a greater understanding of credit ratings by disclosing in plain language, among other things, the nature and limitations of credit ratings and the risks of unduly relying on them to make investment or other financial decisions.
- 9.2 **EFR** discloses sufficient information about its credit rating process and its credit rating methodologies, so that investors and other users of credit ratings can understand how a credit rating was determined.
- 9.3 **EFR** will disclose a material modification to a credit rating methodology prior to the modification taking effect unless doing so would negatively impact the integrity of a credit rating by unduly delaying the taking of a credit rating action. In either case, the Agency will disclose the material modification in a non-selective manner.
- 9.4 **EFR** discloses its policies and procedures that address the issuance of unsolicited credit ratings.
- 9.5 **EFR** discloses its policies and procedures for distributing credit ratings and reports, and for when a credit rating will be withdrawn.

- 9.6 **EFR** discloses clear definitions of the meaning of each category in its rating scales, including the definition of default.
- 9.7 **EFR** differentiates credit ratings of structured finance products from credit ratings of other types of entities or obligations, through the use of different rating symbols. The Agency discloses how this differentiation functions.
- 9.8 **EFR** is transparent with investors, rated entities, obligors, originators, underwriters, and arrangers about how the relevant entity or obligation is rated.
- 9.9 **EFR** informs the rated entity, or the obligor or arranger of the rated obligation about the critical information and principal considerations upon which a credit rating is based prior to disseminating a credit rating that is the result or subject of the credit rating action and afford such rated entity, obligor, or arranger an adequate opportunity to clarify any factual errors, factual omissions, or factual misperceptions that would have a material effect on the credit rating. **EFR** duly evaluates any response from such rated entity, obligor, or arranger.
- 9.10 **EFR** publicly discloses or distributes to its subscribers, a credit rating that is the result or subject of the credit rating action, as soon as practicable after taking such action.
- 9.11 **EFR** publicly discloses or distributes to its subscribers a credit rating that is the result or subject of a credit rating action, on a non-selective basis.
- 9.12 **EFR** discloses with a credit rating that is the result or subject of a credit rating action whether the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation participated in the credit rating process. Each credit rating not initiated at the request of the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation should be identified as such.
- 9.13 **EFR** will clearly indicate the attributes and limitations of each credit rating, and the extent to which the Agency verifies information provided to it by the rated entity, obligor, or originator, or the underwriter or arranger of the rated obligation.
- 9.14 **EFR** indicates in the announcement of a credit rating that is the result or the subject of a credit rating action when the credit rating was last updated or reviewed. The credit rating announcement also indicates the principal credit rating methodology or methodology version that was used in determining the credit rating and where a description of that credit rating methodology can be found. Where the credit rating is based on more than one credit rating methodology, or where a review of only the principal credit rating methodology might cause investors and other users of credit ratings to overlook important aspects of the credit rating, **EFR** explains this fact in the credit rating announcement and indicate where to find a discussion of how the different credit rating methodologies and other important aspects factored into the credit rating decision.

- 9.15 When rating a structured finance product, **EFR** publicly discloses or distribute to its subscribers, sufficient information about its loss and cash-flow analysis with the credit rating, so that investors in the product, other users of credit ratings, and/or subscribers can understand the basis of **EFR**'s credit rating. The Agency also publicly discloses or distribute information about the degree to which it analyses how sensitive a credit rating of a structured finance product is to changes in the assumptions underlying the applicable credit rating methodology.
- 9.16 When issuing or revising a credit rating, **EFR** explains in its announcement and/or report the key assumptions and data underlying the credit rating, including financial statement adjustments that deviate materially from those contained in the published financial statements of the relevant rated entity or obligor.
- 9.17 If **EFR** discontinues monitoring a credit rating for a rated entity or obligation it will either withdraw the credit rating or disclose such discontinuation to the public or to its subscribers, as soon as practicable. A publication by the Agency of a credit rating that is no longer being monitored will indicate the date the credit rating was last updated or reviewed, the reason the credit rating is no longer monitored, and the fact that the credit rating is no longer being updated.
- 9.18 To promote transparency and to enable investors and other users of credit ratings to compare the performance of different CRAs, **EFR** discloses sufficient information about the historical transition and default rates of its credit rating categories with respect to the classes of entities and obligations it rates. Such information is publicly available on ESMA's website (<https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>).

B. The Treatment of Confidential Information

- 9.19 **EFR** establishes, maintains, documents, and enforces policies, procedures, and controls to protect confidential and/or material non-public information, including confidential information received from a rated entity, obligor, or originator, or the underwriter or arranger of a rated obligation, and non-public information about a credit rating action.
- The policies, procedures, and controls prohibit **EFR** and its employees from using or disclosing confidential and/or material non-public information for any purpose unrelated to the Agency's credit rating activities, including disclosing such information to other employees where the disclosure is not necessary in connection with the **EFR**'s credit rating activities, unless disclosure is required by applicable law or regulation.
 - The policies, procedures, and controls require **EFR** and its employees to take reasonable steps to protect confidential and/or material non-public information from fraud, theft, misuse, or inadvertent disclosure.
 - With respect to confidential information received from a rated entity, obligor, originator, underwriter, or arranger, the policies, procedures, and controls prohibit **EFR** and its employees from using or disclosing such information in violation of the terms of any applicable agreement or mutual understanding

that the Agency will keep the information confidential, unless disclosure is required by applicable law or regulation.

- d. With respect to a pending credit rating action, the policies, procedures, and controls prohibit EFR and its employees from selectively disclosing information about the pending credit rating action, except to the rated entity, obligor, arranger, or their designated agents, or as required by applicable law or regulation.

9.20 EFR establishes, maintains, documents, and enforces policies, procedures, and controls designed to prevent violations of applicable laws and regulations governing the treatment and use of confidential and/or material non-public information.

9.21 EFR establishes, maintains, documents, and enforces policies, procedures, and controls that prohibit employees that possess confidential and/or material non-public information concerning a trading instrument from engaging in a transaction in the trading instrument or using the information to advise or otherwise advantage another person in transacting in the trading instrument.

10. Governance, Risk Management, and Employee Training

10.1 EFR's Board of Directors has ultimate responsibility for ensuring that the Agency establishes, maintains, documents, and enforces a Code of Conduct that gives full effect to the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies and compliant with Regulation EC 1060/2009 and subsequent amendments.

10.2 EFR establishes a Risk Management Function made up of one or more senior managers or employees with the appropriate level of experience responsible for identifying, assessing, monitoring, and reporting the risks arising from its activities, including, but not limited to legal risk, reputational risk, operational risk, and strategic risk. The function makes periodic reports to the Audit Committee and senior management to assist them in assessing the adequacy of the policies, procedures, and controls the Agency establishes, maintains, documents, and enforces to manage risks.

10.3 EFR establishes, maintains, documents, and enforces policies, procedures, and controls requiring employees to undergo formal ongoing training at reasonably regular time intervals. The subject matter covered by the training is relevant to the employee's responsibilities and cover, as applicable, the *CRA Code of Conduct*, the credit rating methodologies, the laws governing the Agency's credit rating activities, the policies, procedures, and controls for managing conflicts of interest and governing the holding and transacting in trading instruments, and the policies and procedures for handling confidential and/or material non-public information. The policies, procedures, and controls include measures designed to verify that employees undergo required training.

11. Disclosure and Communication with Market Participants

- 11.1 EFR's disclosures, including those specified in the provisions of the IOSCO CRA Code, are complete, fair, accurate, timely, and understandable to investors and other users of credit ratings.
- 11.2 EFR's *CRA Code of Conduct* is compliant with Regulation EC 1060/2009 and subsequent amendments and implements the provisions of the IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies and the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (collectively, the "IOSCO provisions"). If the EFR's Code deviates from an IOSCO provision, EFR should identify the relevant IOSCO provision, explain the reason for the deviation, and explain how the deviation nonetheless achieves the objectives contained in the IOSCO provisions. EFR should describe how it implements and enforces its code of conduct. The Agency will disclose as soon as practicable any changes to its *CRA Code of Conduct* or changes to how it is being implemented or enforced.
- 11.3 EFR has established and is maintaining a function within its organization charged with receiving, retaining, and handling complaints from market participants and the public. The function is covered by the Compliance Officer who establishes, maintains, documents, and enforces policies, procedures, and controls for receiving, retaining, and handling complaints, including those that are provided on a confidential basis. The policies, procedures, and controls should specify the circumstances under which a complaint must be reported to Senior Management and the Board of Directors.
- 11.4 EFR will publicly and prominently disclose free of charge on its primary website:
- a. the EFR's *CRA Code of Conduct*;
 - b. a description of the EFR's credit rating methodologies;
 - c. any other disclosures specified in the provisions of the IOSCO CRA Code as applicable.
 - d. any other disclosures specified in Regulation EC 1060/2009 and subsequent amendments.

Section IV. Breach of Performance

Breach of Performance with that laid down in the *CRA Code of Conduct* will be considered as a work related fault in the terms established in the legislation in force. **EFR** has a specific procedure for this case procedure called *Procedure for the Infringement of Internal Regulations*.

The previous is understood without prejudice to any offence that could arise from that stipulated in the legislation in force and/or the civil or criminal responsibility which in each case is requirable of the offender.

Glossary

- **Agency (The):** commercial company ETHIFINANCE RATINGS SL.
- **Analyst:** means an employee who performs analytical functions that are necessary for the issuing or monitoring of a credit rating or participates in determining credit ratings, including an employee involved in a credit rating committee.
- **Audit Committee:** a group of experienced employees who supervise and guarantee compliance by the Agency and its employees with the regulations established.
- **Code of Conduct for Credit Rating Agencies of the International Organization of Securities Commissions (“IOSCO Code”):** This is the Code of Conduct issued by the International Organization of Securities Commissions which provides a framework of reference at an international level for credit rating agencies. It has been developed through the cooperation of international securities regulation authorities, credit rating agencies and other market participants.
- **CRA Employees:** personnel who directly participate in the credit rating process, in the credit rating approval process; and any other person who provides their services to the Agency and who has an influence on the outcome of the said ratings.

In accordance with the organisational structure of **EFR**, this definition covers:

- The Rating Department
- The Rating Committee
- **Credit rating or rating:** means an assessment regarding the creditworthiness of an entity or obligation, expressed using an established and defined ranking system.
- **Credit rating action:** means to determine an initial credit rating, an upgrade of an existing credit rating, a downgrade of an existing credit rating (including to a default category), an affirmation of an existing credit rating, or a withdrawal of a credit rating.
- **Credit Rating Agency:** means an entity that is in the business of issuing credit ratings and has been registered by ESMA.
- **Credit rating methodology:** means the procedure by which a EFR determines credit ratings, including the information that must be considered or analyzed to determine a credit rating and the analytical framework used to determine the credit rating, including, as applicable, the models, financial metrics, assumptions, criteria, or other quantitative or qualitative factors to be used to determine the credit rating.
- **Credit rating process:** means all the steps taken with respect to a credit rating action including, but not limited to, the EFR’s selection and assignment of analysts to work on the matter, application of the credit rating methodology, decision-making activities, interaction with the rated entity, obligor, originator, underwriter, or arranger, and as applicable, dissemination of the credit rating publicly or to subscribers.
- **EthiFinance Ratings:** trade name of the company ETHIFINANCE RATINGS SL.
- **IOSCO:** Acronym for “*International Organization of Securities Commissions*”.

- **Economic Link:** Direct or indirect ownership of any financial instrument of an entity company, or the direct or indirect participation in its ownership, other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance.
- **Work Link:** will be considered the:
 - a) Participation to the administrative or supervisory board,
 - b) Employment relationship (defined as a person discharging managerial responsibilities, having access to privileged information and power to make decisions) or business connection, current or recent, with a rated entity. Recent is understood to mean within the last twelve months.
- **Family Link:** will be considered the persons closely associated as:
 - c) Spouses or any partner of that person considered by national law as equivalent to the spouse.
 - d) Dependent children.
 - e) Other relatives of the person, who have shared the same household for a minimum period of one year.
 - f) Any legal person, trust or partnership, whose managerial responsibilities are discharged by a person referred to in letters (a), (b) and (c) of this point, or which is directly or indirectly controlled by such a person, or that is set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such person.

Having a financial or work connection.
- **Different Link:** Connections that are different to those expressed previously which, in the judgement of an impartial and external observer, could compromise the impartial action of an employee.
- **Rating Committee:** a group composed of experienced employees who formally ratify credit ratings which have been supervised and elevated to the Committee by Head Analysts.
- **Solicited Credit Ratings:** credit ratings assigned by EFR in which the credit rating process begins at the request of the issuer or a third party with the directed involvement of the rated entity.
- **Unsolicited Credit Ratings:** credit ratings assigned by EFR in which the issuer takes no part in the credit rating process and is based only on public information.