



CREDIT
RATINGS

Corporate Governance Policy

MFR Credit Ratings

Table of Contents

- 1. Introduction3**
- 1.1. Purpose and Scope of the document3
- 1.2. MFR Credit Ratings overview3
- 1.3. Concepts and principles of Corporate Governance3
- 2. Governance structure4**
- 2.1. Shareholders4
- 2.2. Board of Directors.....4
- 3. Internal Audit, compliance, risk management, review and external audit5**

Abbreviations and definitions

Abbreviations

BoD	Board of Directors
CEO	Chief Executive Officer
CRs	Credit Ratings
INEDs	Independent non-executive Directors
IOSCO	International Organization of Securities Commissions
MFR	Microfinanza Rating S.r.l.
MFR CR	MFR Credit Ratings S.r.l.
MIS	Management Information System
OECD	Organization for Economic Cooperation and Development

Definitions

Board of Directors	Body of individuals appointed by the Shareholders and accountable for the overall activities of the company through the management of MFR CR, for the achievement of the company's corporate mission, and the safeguarding of the company's assets over time.
Corporate Governance	The system of rules, practices, and processes by which MFR CR is directed and controlled.
Credit Rating	Opinion regarding the creditworthiness of an entity or a financial instrument, issued using an established and defined ranking system of rating categories.
Financial instrument	Any of the instruments listed in Section C of Annex I to Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.
Shareholders	Owners: individuals, companies or institutions that provide equity capital for the company.

1. Introduction

1.1. Purpose and Scope of the document

The purpose of this document is to provide an overview of key governance concepts and best practices, while also describing the functioning of the governance structure of MFR Credit Ratings S.r.l. (MFR CR).

1.2. MFR Credit Ratings overview

Mission

MFR CR provides the sustainable finance industry worldwide with independent credit ratings, to enhance transparency, facilitate high impact investments and benchmarking, and promote responsible practices.

Vision

Promote a more transparent and inclusive finance industry, while being at the forefront of the most innovative trends that benefit the underserved, in order to contribute to achieving a more sustainable development worldwide.

The main business activity of MFR CR is the analysis of data and information for the purpose of issuing credit ratings (CRs) about the creditworthiness of financial institutions and financial instruments issued by financial institutions, in compliance with national and international regulations.

1.3. Concepts and principles of Corporate Governance

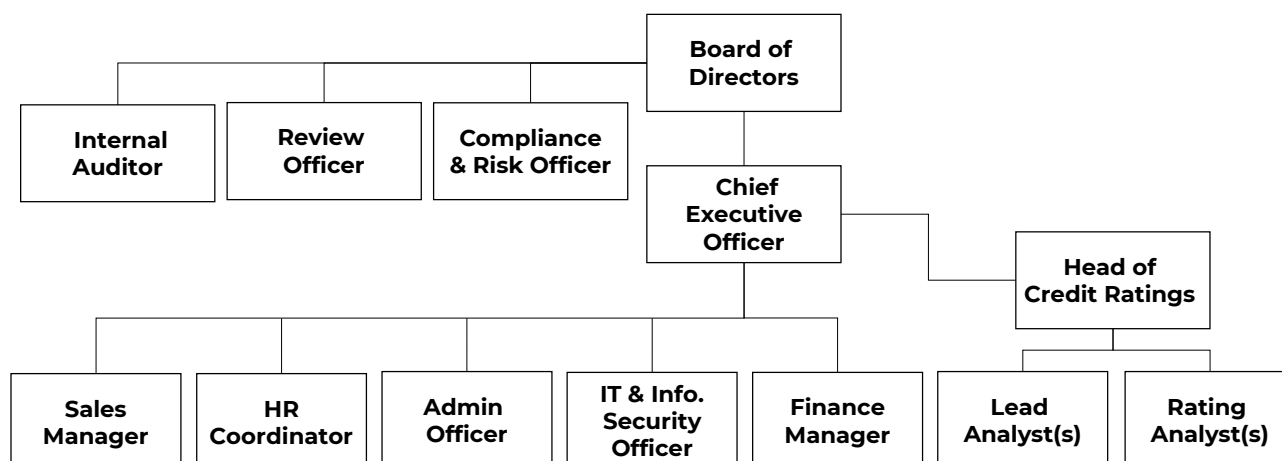
The corporate governance structure consists of a set of relationships between MFR CR's *shareholders, BoD, management* and other *key stakeholders*. It also provides the structure through which MFR CR's goals are set and achieved. At the same time, MFR CR's corporate governance structure puts in place controls and monitoring procedures, so as to ensure that MFR CR's activities are carried out properly and its assets are safeguarded.

MFR CR has shaped its organizational structure in compliance with the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies, while also taking inspiration from the OECD Principles of Corporate Governance (OECD Principles¹). Overall, MFR CR upholds high levels of transparency, accountability, BoD oversight, respect for the rights of shareholders and the role of key stakeholders, which are all essential for a solid and safe corporate governance system. Following the OECD Principles, MFR CR's corporate governance framework ensures the strategic guidance of the company, the effective monitoring of the management by the BoD, and the BoD's accountability to the company and shareholders.

MFR CR understands the importance of creating good governance by achieving the proper balance and separation of roles between the BoD and the management team.

¹ OECD (2015), G20/OECD Principles of Corporate Governance, OECD Publishing, Paris.

2. Governance structure



2.1. Shareholders

Shareholder meetings are regularly held with the presence of a sufficient number of members representing the majority of MFR CR's equity capital. The decisions are passed when there is a favorable vote of the shareholders representing more than 50% of the share capital. Every shareholder has the right to participate in the decisions of the assembly and his/her vote is weighted according to the proportion of his/her equity participation.

2.2. Board of Directors

The number of Directors ranges between three and seven persons, constituting the *Board of Directors, which* is appointed by the Shareholders.

At least one-third of the members of MFR CR's BoD, but no less than two, are independent members who are not involved in credit rating activities.

The majority of BoD members, including the independent ones, have sufficient expertise in financial services.

Non-independent Directors are appointed for a three-year term and may be re-elected multiple times. While the independent Directors are appointed for a pre-agreed fixed period, not exceeding five years, and they cannot be re-elected. The dismissal of the independent Directors by the shareholders can only take place in case of misconduct or professional underperformance.

The BoD is accountable for:

- a) the overall activities of the company through the management of MFR CR;
- b) the achievement of its corporate mission;
- c) the safeguarding of MFR CR's assets over time;
- d) the compliance of MFR CR with all applicable laws and regulations.

The BoD is vested with the widest powers of ordinary and extraordinary management. The BoD is responsible for ensuring the independence of credit rating activities, including from all political and economic influences or constraints, and the proper identification, management and disclosure of eventual conflicts of interest.

In addition to the overall responsibilities of the BoD, the independent members monitor, among others, the development of MFR CR's credit rating policies and methodologies, the effectiveness of the internal quality control system, and the compliance and governance processes, including the efficiency of the Review function.

BoD resolutions are passed when the majority (51%) of BoD members are present in the meeting and vote in favor of the proposal. Each BoD member has the right to exercise one vote. In case of a tie, the Chairperson has the casting vote.

BoD members are constantly informed and trained on relevant new laws, regulations, and context-related risks and opportunities through in-house training and external consultants.

The CEO and Management are required to report to the BoD members any event that is relevant to the BoD as soon as possible after becoming aware of such event. While the BoD, on the other hand, reports annually to the Shareholders Assembly on the overall performance of MFR CR.

Good governance practices require that BoD members are always informed about actual or potential conflicts of interests that might affect MFR CR's operations and/or its full compliance with applicable regulations.

The compensation of the BoD members, including independent members, is not linked to MFR CR's business performance and is arranged so as to ensure the independence of their judgment.

3. Internal Audit, compliance, risk management, review and external audit

The Internal Auditor and the Compliance & Risk Officer are part of the overall internal controls system and directly report to the BoD. The Review Officer is responsible for periodically reviewing credit rating methodologies, models and key rating assumptions, and directly reports to the BoD.

Overall, the officers and employees in charge of internal controls are not involved in the activities relating to the issuance of credit ratings.

The BoD and especially the INEDs are responsible for periodically performing appropriate controls to ensure the identification, management and disclosure of potential conflicts affecting the internal control functions. In case of conflicts of interest identified, the BoD assesses the related risk and, according to this, identifies appropriate preventive measures or actions to remove or adequately mitigate an identified actual or potential conflict. In case the identified conflict of interest remains unsolved, the BoD might decide to suspend and/or substitute the person in charge of internal controls.

In accordance with high-quality auditing standards, an independent, competent and qualified external auditor conducts annual checks of MFR CR's financial statements. The external auditor's mandate is to provide an objective assessment of MFR CR to the BoD and Shareholders of MFR CR by presenting financial statements that fairly describe the financial situation and performance of the company in all material respects.