Disclosures Policy

MFR Credit Ratings

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Abbreviations and definitions

Abbreviations

AO	Admin Officer
BoD	Board of Directors
CEO	Chief executive Officer
CRA	Credit Rating Agency
CRAR	Credit Rating Agency Regulation
ERP	European Rating Platform
ESG	Environmental, Social and Corporate Governance
ESMA	European Securities and Markets Authority
HCR	Head of Credit Ratings
LA	Lead Analyst
MFR CR	MFR Credit Ratings Ltd.
RC	Rating Committee

Definitions

(Credit Rating) Methodology	The term "methodology" refers to a set of models, key rating assumptions, criteria and other technical components which are used to produce a credit rating.
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.
Initial review or preliminary rating	An initial review or a preliminary rating of an entity or debt instrument is provided when the following occurs: (a) it is a creditworthiness assessment in respect of an existing or proposed issuer or debt instrument, (b) this creditworthiness assessment is communicated using the same established and defined rating symbology as it would for a public credit rating (although a prefix or suffix may be used to denote that the assessment differs from a credit rating), and (c) the result of this creditworthiness assessment is not a public credit rating but provides an indication of the public credit rating that would have been assigned to the issuer or debt instrument, following a mandate receipt.
Inside information	Inside information is any information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments. Information which could have a significant effect on the evolution and forming of the prices of a regulated market as such could be considered as inside information which indirectly

	relates to one or more issuers of financial instruments or to one or more related derivative financial instruments[1].
Rated entity	Legal person or financial instrument whose creditworthiness is explicitly or implicitly rated in the credit rating.
Rating Outlook	Opinion regarding the likely direction of a Credit Rating change in the near to medium term.
Related third party	Originator, arranger, sponsor, servicer or any other party that interacts with MFR CR on behalf of a rated entity, including any person directly or indirectly linked to that rated entity by control.

[1] Legislative references: https://db.eurocrim.org/db/en/doc/170.pdf and https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0006&from=EN.

1. Purpose and scope of the document

The purpose of this document is to describe the policy and procedures ensuring that credit ratings, rating outlooks and related information are disclosed by MFR Credit Ratings Ltd. (MFR CR) in accordance with the relevant regulations and guidelines. Additionally, this document includes MFR CR's obligations to comply with other mandatory general and periodic disclosures in compliance with the relevant regulations and guidelines.

2. Rules on disclosure and presentation of Credit Ratings

2.1. Disclosure of Credit Ratings

MFR CR discloses on a non-selective basis and in a timely manner all credit ratings and rating outlooks, including credit ratings distributed by subscription.

The aforementioned requirement also applies in case of the decision to review or change or to discontinue (withdraw) a credit rating. Full reasons for such decisions are included in the disclosure.

Credit ratings and rating outlooks are presented and processed in accordance with the requirements set out in the following paragraph and shall not present factors other than those related to the credit ratings.

2.2. Presentation of Credit Ratings and Rating Outlooks

This paragraph indicates the essential elements that MFR CR includes in the public credit rating report and in the rating announcement. For any credit rating and rating outlook, MFR CR states clearly and prominently:

- the name, job title and contact details of the Lead Analyst;
- the name and position of the person primarily responsible for the credit rating and rating outlook approval; and
- the name and address of the legal entity responsible for the credit rating.

MFR CR explains the key elements underlying the credit rating or rating outlook, which are identified by MFR CR, highlighting the ones which are main drivers of the final output.

MFR CR indicates all substantially material sources used to prepare the credit rating or rating outlook, including the rated entity or, where appropriate, a related third party. Along with this information, MFR CR states whether the credit rating or rating outlook has been disclosed to that rated entity or related third party and amended, based on the analysis of comments or additional documents eventually received, before being published.

The name of the main methodology or version of methodology used in determining the rating is clearly indicated, including a reference (link) to its comprehensive description, alongside dates of applicability or version number. If the credit rating is based on more than one methodology, or in case reference only to the principal methodology, might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, MFR CR explains this fact in the credit rating and indicates how the different methodologies or these other aspects are taken into consideration in the credit rating.

MFR CR indicates the meaning of each rating category, the definition of default or recovery, and any appropriate risk warning, including, if applicable, a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions.

A specific section addresses all factors, actions or events that could lead to an upgrade or downgrade of the credit rating, accompanied by best and worst-case scenario credit ratings. Through the rating outlook, MFR CR indicates the time horizon during which it expects a change in the credit rating.

Additionally, MFR CR indicates for each credit rating the date of its first release for distribution and its last update, including any rating outlooks.

MFR CR informs if the credit rating concerns a newly issued financial instrument and whether it is rating it for the first time.

When publishing credit ratings or rating outlooks, MFR CR includes a reference to the historical default rates published by ESMA in a central repository[2] in accordance with Article 11(2) of CRA Regulation, along with an explanatory statement of their meaning.

MFR CR accompanies the disclosure of rating methodologies, models and key rating assumptions with a guide explaining in a comprehensive manner the assumptions, parameters, limits and uncertainties surrounding the models and methodologies adopted. Moreover, simulations of stress scenarios undertaken when establishing the credit ratings are included, and, where applicable, an indication of any expected change in the credit rating.

MFR CR informs the rated entity, during its working hours and at least one working day prior to the publication, about the credit rating or the rating outlook and the main grounds of its preparation. By doing so, MFR CR gives the rated entity an opportunity to draw attention to any factual errors.

MFR CR states clearly and prominently any attributes and limitations of the credit rating or rating outlook as well as if it considers satisfactory the quality of information available and to what extent the information provided by the rated entity or related third party was verified. Moreover, if a credit rating or a rating outlook involves a type of entity or financial instrument for which historical data is limited, MFR CR makes clear such limitations.

In case the mandatory information to be disclosed by MFR CR would be disproportionate in relation to the length of the Rating Report, MFR CR includes in the Report itself reference to the place where such information can be directly and easily accessed (including a direct web link).

MFR CR indicates the credit rating solicitation status. MFR CR provides only solicited credit ratings.

MFR CR does not use the name of ESMA or any other competent authority such as to suggest their endorsement or approval of credit ratings or rating outlooks.

MFR CR discloses on its webpage and notifies ESMA, on an ongoing basis, information about all entities or financial instruments submitted to MFR CR for their initial review or preliminary rating. Such disclosure is made whether or not issuers contract with MFR CR for a final rating.

If ESG factors are considered a key driver for a credit rating or rating outlook first issuance or change, MFR CR outlines it in the Rating Report.

3. Other general and periodic disclosures

3.1. General disclosures

MFR CR publicly discloses on its website the fact that it is registered in accordance with the CRAR (Regulation EC no. 1060/2009 of the European Parliament and of the Council of 16 September 2009).

Additionally, MFR CR publicly discloses on its website and immediately updates (if needed) the following information:

[2] European Rating Platform (ERP).

- any actual and potential conflicts of interest that may influence the analysis and judgements of MFR CR's rating analysts, employees, or any other natural persons whose services are placed at its disposal or under its control and who are directly involved in credit rating activities and persons approving credit ratings and rating outlooks;
- the names of the rated entities or related third parties from which MFR CR receives more than 5 % of its annual revenue;
- the list of MFR CR's ancillary services, if any;
- the internal policy concerning the publication of credit ratings and other related communications including rating outlooks;
- the general nature of the compensation arrangements;
- the descriptions of rating methodology and models and key rating assumptions such as mathematical or correlation assumptions used in credit rating activities as well as the material changes in rating models and methodology;
- any material modification to MFR CR's systems, resources or procedures; and
- MFR CR's Code of Conduct and Code of Ethics.

MFR CR makes available in a central repository[3] established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on changes in the credit ratings. MFR CR provides the information on a standard form as provided for by ESMA (for the disclosure of this item please refer to the Regulatory and Transparency Reporting Policy and Procedures, namely to the data provided for the purposes of the ERP and for the purposes of ESMA ongoing supervision).

3.2. Periodic disclosures

MFR CR periodically discloses the following information:

- every six months, data about the historical default rates of its rating categories, distinguishing between the main geographical areas of the issuers and whether the default rates of these categories have changed over time;
- annually, by March 31st, to ESMA, the following information:
  - the list of fees charged to each client for individual credit ratings and the pricing policy, including the fees structure and pricing criteria in relation to credit ratings for different asset classes. Refer to the Regulatory and Transparency Reporting Policy and Procedures for further details;
  - the list of those clients whose contribution to the growth rate in the generation of MFR CR's revenue in the previous financial year exceeded the growth rate in the total revenues of MFR CR in that year by a factor of more than 1.5 times. Any such client shall be included on the list only where, in that year, it accounted for more than 0.25 % of the total revenues of MFR CR at global level; and
  - the list of credit ratings issued during the year, indicating the proportion of unsolicited credit ratings among them.

For the purpose of this paragraph, "client" means:

- an entity, its subsidiaries, and associated entities in which the entity has holdings of more than 20%,

- any other entities in respect of which it has negotiated the structuring of a debt issue on behalf of a client and where a fee was paid, directly or indirectly, to MFR CR for the rating of that debt issue.

[3] European Rating Platform (ERP).