

Credit Ratings Issuance and Monitoring Policy

MFR Credit Ratings S.r.l.

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Abbreviations, definitions and legislative references

Abbreviations

CRAR	CRA Regulation
ESMA	European Securities and Markets Authority
HCR	Head of Credit Ratings
LA	Lead Analyst
MFR CR	MFR Credit Ratings Ltd.
RC	Rating Committee
RE	Rated Entity

Definitions

Credit Rating	an opinion regarding the creditworthiness of an entity or a financial instrument, issued using an established and defined ranking system of rating categories.
Day	Calendar day
Full working day	means any time period that comprises at least 24 hours. Such time period must extend over at least one working day in the country where the Rated Entity is domiciled or, if different, where the recipient of the communication of the Credit Rating draft report is located.
Monitoring action	refers to one of the following actions:: <ul style="list-style-type: none">- the assignment or a change of the credit rating grade and/or outlook; or- the affirmation of the rating grade and/or outlook; or- the assignment of a status of credit watch or the change from credit watch to a defined credit rating; or- the withdrawal of a credit rating.
Rated Entity	any entity rated by MFR CR or any entity that issues financial instruments rated by MFR CR.
Rating grade	A letter or combination of letters, including modifiers if applicable, which represents the final output of a credit rating and which is part of a rating scale.
Rating Outlook	an opinion regarding the likely direction of a Rated Entity's Credit Rating over the medium term. Identifies the outlook/trend assigned to a rating by the CRA according to its relevant policy.
RC minute	Minute of the RC meetings, including all relevant discussions behind the final decision regarding the rating grade and outlook.

1. Introduction

1.1. Purpose and Scope of the document

This document sets out an overview of the MFR Credit Ratings S.r.l. (MFR CR) applicable policy regarding the issuance and monitoring of credit ratings, including private and public credit ratings, including the general rules on which its standardised credit rating process is based, describing the main steps performed and the responsible personnel.

2. General principles and analytical personnel

2.1. General principles

MFR CR adopts, implements and enforces adequate measures to ensure that the credit ratings and the rating outlooks issued are based on a thorough analysis of all the information that is available to it and that is relevant to its analysis according to the applicable rating methodology. MFR CR adopts all necessary measures so that the information it uses in assigning credit ratings and rating outlooks is of sufficient quality and from reliable sources, promoting the objectivity and integrity of its credit ratings and the transparency of its operations, in compliance with regulatory requirements.

MFR CR relies on information received from sources believed to be credible. MFR CR does not perform an audit on the information provided by the rated entity (RE), but it conducts a reasonable investigation of data accuracy and obtains reasonable verification of that information from independent sources.

2.2. Minimum and preferred information requirements for credit ratings

MFR CR issues only solicited credit ratings. The information requirements in order to start and/or maintain a solicited credit rating are grouped in the following three parts:

- a) data referring to the context;
- b) documents and data provided by the rated entity (and/or related party).

A credit rating can be produced with limited information, if the rated entity has a limited historical track record. However, MFR CR will define whether the quantity and quality of information are sufficient to produce a credit rating in line with its minimum standards.

2.3. Adequacy and reliability of data used for credit ratings

The credit rating is an analysis based mostly on the data and information directly provided by the rated entity. External data providers are used mostly for the assessment of the context-related risks.

If the analytical personnel of MFR CR consider the information to be of questionable quality, this could lead to the suspension of the credit rating process. In case of lack of reliable data, the complexity of the financial instrument or the quality of information (both public and private) available is not satisfactory, is insufficient to form a rating opinion and raises serious questions regarding the credibility of the credit rating, MFR CR refrains from issuing a credit rating.

MFR CR withdraws an existing credit rating if sufficient information ceases to be available, and an adequate monitoring activity cannot be granted.

2.4. Responsibilities of the analytical personnel

The analytical staff is the one involved in the production, issuance, approval and monitoring of a credit rating. The analytical staff is composed of the Head of Credit Ratings (HCR), the Lead Analysts (LA) and the Analysts (including junior analyst, if any).

The analytical staff has to apply and implement the rating model and methodology of MFR CR in a uniform and consistent manner over time and across the market segments it covers (financial institutions), even though the RE is located in different regions of the world. However, the analytical staff may consider objective reasons for diverging from the rating model and methodology. Those circumstances of divergence shall be duly justified, documented and approved by the Rating Committee (RC).

If MFR CR concludes that the model is not applicable, and no deviation is considered to be appropriate to ensure a high quality credit rating, MFR CR refrains from undertaking that specific credit rating, before the contract signing phase.

The LA is in charge of carrying out all the activities required to produce and monitor a high quality and independent rating report. The LA is in charge of coordinating the entire rating process and participating in the Rating Committee (RC) during the finalization phase.

Analysts participate to all phases of the credit rating process, starting from data collection and analysis until completion of the final report, under the supervision of the LA. Analysts are also in charge of data collection and preliminary analysis during the monitoring of the issued credit ratings.

Analysts are responsible to ensure that they operate with due professionalism and diligence and independently as to ensure the quality of the rating process and to promptly notify to their direct supervisor or the Compliance and Risk Officer any actual or potential conflict of interest which may arise.

The Rating Committee (RC) represents an official meeting meant to assign the rating grade and/or outlook, to issue the final rating report. During the monitoring of a credit rating already issued, the RC is responsible for the reaffirmation or modification of the rating grade and/or of the outlook, or for the decision to withdraw the rating.

The RC's operativity is based on a critical mechanism for promoting the quality, consistency and integrity of the rating process. Each person participating in the RC is responsible for applying his/her own independent judgment in the decision-making process. The RC operativity shall be carried out in compliance with the internal policies and procedures and external regulation.

A periodic review of all the outstanding credit ratings is carried once a year to verify the correct implementation of the rating model and methodology and its consistency across regions, analysts and different types of financial institutions and financial instruments.

2.5. Involvement of the rated entity in the rating process and controls

The rated entity (and the investor when the credit rating is required by it) is involved in different phases of the rating process, starting from the initial contact from the sales staff until the final withdrawal of the credit rating. Main controls are related to potential conflicts of interest and to reliability of data collected from the rated entity and used for the credit rating assessment.

3. Credit Rating production, approval and monitoring

3.1 General description and initial steps

After signing the contract between MFR CR and the RE, MFR CR assigns the rating production to specific analytical personnel. The selection of the analytical team on specific securities is responsibility of the HCR, who possesses the appropriate expertise and the complete overview on the available analytical personnel and their technical skills and knowledge, allowing the HCR to identify the profile which better fits for the specific rating assessment.

In case of sophisticated financial instruments implying complex collaterals, MFR CR can decide not to provide the credit rating if the capacity of the analytical personnel is not enough to ensure adequate analysis and solid credit rating.

The rating model and methodology of MFR CR is applied and implemented consistently across all regions.

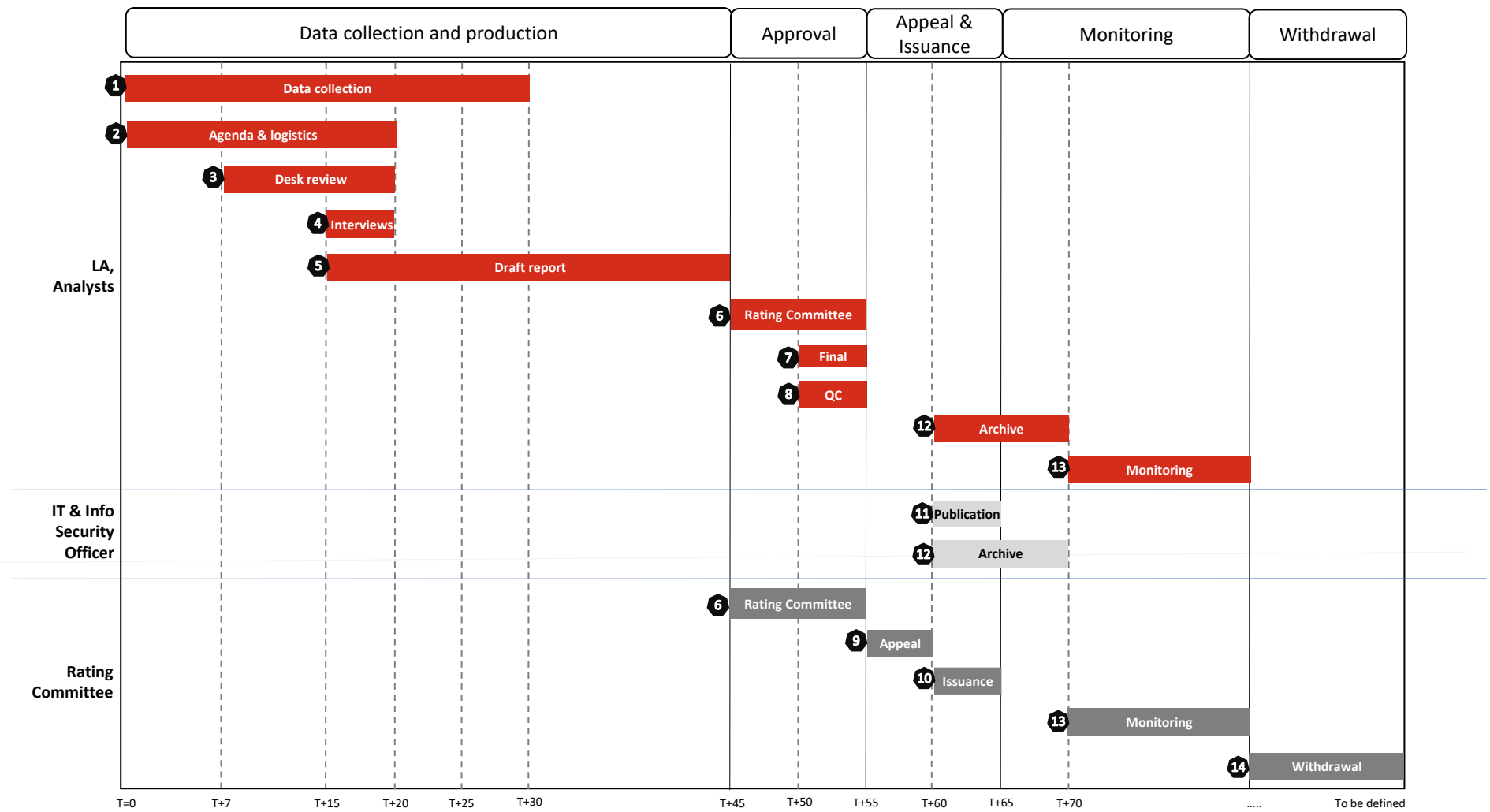
The credit rating process is composed of the following phases:

- Data collection and production
- Approval
- Appeal and Issuance
- Monitoring
- Withdrawal

During the data collection and production phase, interviews with the rated entity may be carried out on- or off-site.

To ensure adequate record-keeping during the whole rating process, all information and documents received and produced during the process are internally stored and it is kept track of each step of the credit rating process.

The following table summarises the timeline of the credit rating process. The timing assigned to each step in the credit rating process shall be taken as reference and MFR CR makes any effort to comply with it to increase the efficiency and productivity of the process. Only the timing assigned to mandatory disclosures and communications with the rated entity (as per CRA Regulation) shall be deemed as binding.



3.2 Disclosures on key elements and ESG

MFR CR identifies the key elements underlying the credit rating or rating outlook.

If ESG factors are considered a key driver for a credit rating or rating outlook first issuance or change, MFR CR outlines (in the rating report) the following elements:

- if any of the key drivers behind the change of the credit rating or rating outlook correspond to ESG factors;
- the key driving factors considered by MFR CR to be ESG factors;
- why these ESG factors were material to the credit rating or rating outlook; and
- a link to either the section of MFR CR's webpage that contains guidance explaining how ESG factors are considered as part of credit ratings, or a document that explains how ESG factors are considered within the methodologies or associated models.

3.3 Insider information and duty of confidentiality

Prior to their public disclosure, credit ratings, rating outlooks and related information are deemed to be insider information as defined in, and in accordance with Directive 2003/6/EC, as repealed by Regulation (EU) No 596/2014. MFR CR and its employees operate in accordance with their duty of confidentiality.

MFR CR identifies and maintains a list of persons who have access to credit ratings, rating outlooks and related information before disclosure and which are required to be compliant with all the rules defined by Section C, Annex I of the CRAR. Compliance with these rules is ensured through ex-ante signature of specific declarations and ex-post periodic controls.

3.4 Data collection and production

The data collection and production process has the following main objectives:

- collect reliable and verified information on the RE and the context in which the RE operates; and
- draft the credit rating report.

Rating analysts base their analysis on a thorough review of the collected information, which include background data, management forecasts, risk reports, performance information or other proprietary information. Rating analysts also consider macroeconomic data, market events and any other information deemed relevant for rating analysis, such as data from the RE's local, regional and international peers. Rating analysts conduct a reasonable investigation on factual information relied upon in its analysis by obtaining reasonable verification of that information from independent sources to the extent such sources are available.

Rating analysts conduct their analysis in a manner consistent with published rating methodologies and criteria, including relevant qualitative and quantitative factors, and adopting the proprietary data analysis tool.

Rating analysts continue to use MFR CR's methodology and quantitative tool unless there is an objective reason for them to be changed or be discontinued.

Reliance on analysis produced by another CRA or other third parties is expected to be limited. MFR CR may use such analysis exclusively as an additional source of information, whose reliability is assessed and confirmed by MFR CR analytical personnel.

The data collection and production process comprises the following steps: data collection, agenda and logistics, desk review, interviews and drafting.

3.5 Approval

The approval process has the following main objective:

- define the rating grade and outlook.

During the Rating Committee, the final rating grade and outlook are approved.

The approval process comprises the following steps: rating committee, completion of the final credit rating report and quality control.

3.6 Appeal and issuance

The appeal and issuance process has the following main objectives:

- issue the final rating grade and outlook, accompanied by the Final Report; and
- publish a rating announcement (public rating only).

MFR CR, sends the executive summary of the Final Report to the RE. For public ratings, the RE shall receive the executive summary of the Final Report at least one full working day before the publication of the credit rating. The RE has the right to appeal the final rating decision if new facts have appeared in the timeframe between the date of completion of the interviews and the receipt of the executive summary of the Final Report.

The appeal and issuance process comprises the following steps: appeal, issuance of the final credit rating report, publication and internal archiving.

3.7 Monitoring

The monitoring process has the objective to review the RE's creditworthiness after credit rating issuance and during the credit rating validity.

In case no relevant changes occur in the operational context of the RE and/or in the operations of the RE, the rating grade and outlook have a validity of maximum 12 months starting from the issuance date, but no more than 15 months after the cut-off date of the quantitative analysis.

During its validity, MFR CR monitors the credit rating, with the aim to confirm or change (upgrade or downgrade) the rating grade and/or the rating outlook or to withdraw the credit rating. Depending on specific circumstances, MFR CR may decide to temporarily place a credit rating on credit watch.

During the monitoring process, MFR CR requires updated qualitative and quantitative information from RE and, if needed, organises off-site or on-site interviews. The objective is to analyse, on a continuous basis, the potential changes occurred in the RE's performance and risk profile after the last credit rating or rating outlook issuance.

The reliance on the analysis produced by another CRA or other third parties is expected to be limited both for the first credit rating issuance and the monitoring process. MFR CR may use such analysis exclusively as an additional source of information, whose reliability is assessed and confirmed by MFR CR analytical personnel.

3.8 Rating withdrawal

MFR CR withdraws a credit rating each time it does no longer rate an issuer and/or issue. A rating withdrawal represents a type of rating action and it is MFR CR's full discretion to determine if and when to withdraw a credit rating.

The proposal to withdraw a credit rating for reasons different from rating validity is always subject to RC's review. A rating withdrawal is accompanied by a communication stating the current credit rating and outlook, the details motivating the withdrawal and, when possible, the likely direction of any rating movement in case it has been maintained.

If the withdrawal decision regards a public credit rating, the decision is announced as a rating action and MFR CR discloses the rationale for the withdrawal and the last rating

grade assigned before withdrawal. However, announcements are not issued for credit ratings that relate to financial obligations that are no longer outstanding or have been redeemed or paid in full.

4. Mandatory disclosures

MFR CR takes all necessary measures to immediately disclose that an existing credit rating/rating outlook is affected by potential conflicts of interest, as defined in the Annex 1, Section B, Point 3 of the CRAR.