

Credit Rating Process

1. Introduction

This document describes the process by which Axesor Rating assigns a credit rating to an issuer/borrower or to a debt issuance. This process is composed of a series of steps that are described in chronological order from the beginning to end.

2. Scope

The following guidelines of the credit rating process are valid for all products of the Agency.

3. Stages in the Rating process

The steps involved in the rating process are listed below in chronological order:

- **Initial Contact.** In the majority of the cases, Axesor Rating is approached by the issuer / borrower in order to request a rating (solicited rating). In the case of unsolicited ratings, the request can be originated by an interested third-party or under the Agency's own initiative.
- **Contractual mandate.** To initiate a rating process, Axesor Rating will sign a services contract with the client. In the case of unsolicited ratings that are undertaken on the sole initiative of the Agency, no contract will exist.
- **“Kick-off” Process.** The Agency's commercial department will send the client's contact information to the corresponding Head who will contact the client via e-mail in order to present the team of analysts assigned and communicate the initiation of the rating process. The e-mail will include the names and contact information of: The analysts involved, the Head of the corresponding asset class and the Chief Rating Officer (CRO). rating book will also be attached which includes all the information that is required in order to perform the analysis. The requested information will vary depending on the characteristics of the entity being rated and on the sector in which it operates. In the case of unsolicited ratings, there will be no information request and the analysis will be made based on available public information pertaining to the issuer. Information sources that will be used include:
 - Financial and qualitative information included in the entity's latest annual accounts deposited in the Mercantile Register
 - Other public information that must be deposited in the Mercantile Register.

- Information concerning judicial hearings within the public administration, civil or labour court jurisdictions all of which can be found in the corresponding official bulletins.
- Payment behaviour as per the different credit bureaus (in Spain: RAI and ASNEF).
- In the case of publicly quoted companies, information disclosed by the Spanish Capital Markets Commission.
- Other public information that can be found in the corporate website of the rated entity.

This information will also be used for solicited ratings along with any confidential information sent by the client.

- **Credit assessment performed by the team of analysts.** The team of analysts will analyse in detail the information received and will value the main aspects that are involved in the credit assessment.
- **Meeting with the company's management.** Once all the available information has been analysed, a meeting will be set up with the company's management in order to resolve any questions that may have arisen during the analysis and to obtain a deeper understanding of the quantitative and qualitative aspects of the client. In order to profit from a more fruitful meeting, the assigned analysts will send the client, with a few days in advance, a list of Q&A. In the case of unsolicited ratings, this meeting will not be part of the process since the involvement of the rated entity is not contemplated.
- **Review of the Report by the Head.** Once the analysis has been completed, a rating report will be drafted by the lead analyst and will be reviewed and corrected by the Head of the corresponding asset class and by the CRO to ensure the proper quality of the report. Once the rating report has been reviewed, a Rating Committee will be convened, and the draft report and all support documentation shall be sent in advance to the members of the Committee for their review.
- **Rating Committee.** The Rating Committee is the body responsible for approving the proposed rating or for modifying it. The Committee is composed of at least 3 members: The Head of the corresponding asset class, the CRO, the lead analyst responsible for the rating being presented and/or an independent member. During the Committee's proceedings, the lead analyst responsible for the report will present the analysed entity and will justify the scores given to each of the analytical factors included in the corresponding methodology. After discussing the main aspects of the credit, the Committee will approve a final rating that will be registered in a Minute which will be sent to the Committee members for their approval. In certain circumstances, the Committee may

delay their approval pending the request of additional information that the team of analysts must procure from the client. Once the additional information has been analysed the Rating Committee will be reconvened for final rating approval.

- **Rating Notification.** Once Committee approval has been obtained the Head of the asset class will notify the assigned rating to the client via a certified e-mail.
- **Client Review.** The client will have a maximum of five business-days to review the rating report in order to correct any factual errors. In certain cases, the client may appeal the rating granted by the Agency. To this end, the client must submit new information and solid arguments that substantiate the appeal and/or have detected significant errors in the analysed data that distort the rating. The analysis department headed by the CRO may accept or deny the appeal on the basis of the arguments and information disclosed by the client. The analytical department will re-submit the rating to the Committee for reconsideration if it believes that the appeal is justified. After reviewal of the new information and arguments, the Committee will approve a final rating of the issuer/issuance which cannot be the object of a new appeal on the part of the client.
- **Final delivery of rating to the client.** Once the rating is reviewed by the client and if applicable, after finalising the appeal process the Head will again send the final and definitive version of the rating report to the client.
- **Rating Publication.** Once the final rating report has been sent, it will be published in the Agency's corporate web. The rating will be published at least 24 hours after the client has been notified unless the rated entity explicitly authorizes its publication prior to the 24 hours waiting period.
- **Monitoring.** Axesor Rating will continually monitor the assigned rating and will assign a new report at least once a year, though the rating may be reviewed at any time if, in the opinion of the analysis department, events have taken place that have a material effect on the rating of the issuer/issuance.