



Transparency Report 2022



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1. Introduction

EthiFinance Ratings SL (formerly Axesor Risk Management SL) and Qivalio SAS (formerly Spread Research) were the first independent Credit Rating Agencies in Spain and France respectively. The Spanish agency was registered by the European Securities and Markets Authority (ESMA) in 2012 and the French agency in 2013.

In January 2022, Axesor Risk Management SL, was acquired by Qivalio SAS and joined the French Group. Upon acquisition, Axesor Risk Management SL was renamed EthiFinance Ratings SL.

Qivalio SAS (now EthiFinance SAS) is the parent company of an innovative European rating, research and advisory Group serving sustainable finance and sustainable development. The Group provides investors, companies, and organisations with solutions to their financing needs as well as on their environmental and societal transformation.

The integration of the two credit rating agencies was carried out throughout 2022. The group decided to combine its credit rating activities under the Spanish licence (EthiFinance Ratings SL) and to create a branch of the agency in France.

The integration process started on 24 January 2022 with the appointment of a new Board of Directors and a new Audit Committee. These governing bodies have closely supervised all merger activities.

Operational integration resulted in redefining the organisational structure, forming new teams, rewriting policies and procedures, and reviewing the methodologies of both agencies. In particular, new versions of corporate methodologies were developed, applying the expertise of the Spanish and French teams and incorporating ESG criteria.

In November, following the approval of the new methodologies, the analytical team, clients, and credit ratings were transferred from Qivalio SAS to the French branch of EthiFinance Ratings SL.

Once the transfer of assets of the credit rating activities from Qivalio SAS to EthiFinance Ratings S.L. was completed, Qivalio SAS formally requested the European Securities and Markets Authority (ESMA) to withdraw its registration as a Credit Rating Agency. The deregistration was effective on 30 January 2023.

In accordance with Article 12 of Regulation (EC) N° 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, EthiFinance Ratings publishes this Transparency Report covering the period from January 1st, 2022, to December 31st, 2022.

2. Transparency Report

2.1. Legal and shareholder structure

2.1.1. Qivalio SAS

Qivalio's legal form is an SAS "Société par Actions Simplifiée". The shareholders' rights are governed by Qivalio SAS' statutes.

The ownership structure as of 31 December 2022 is shown in the table below:

Company	Location	Shareholders	
		Name	Percentage
QIVALIO SAS	France	Andromède	57,11 %
		Club Rating	22,68 %
		Others (Founders & Managers)	20,21 %

As of December 31st, 2022, QIVALIO SAS owns 100% of the shares of EthiFinance Ratings SL.

Following a rebranding process at group level, QIVALIO SAS changed its name to ETHIFINANCE SAS in January 2023.

2.1.2. EthiFinance Ratings SL

The legal nature of the Agency is a corporate "Sociedad Limitada" with the NIF B18550897.

On 11 March 2022 the company's name was changed from Axesor Risk Management SL to EthiFinance Ratings SL.

A branch of the Spanish company EthiFinance Ratings SL was established in France in May 2022. Its legal form is "Société de droit étranger" with RCS number: Lyon B 913 365 607.

The ownership structure as of 31 December 2022 is shown in the table below:

Company	Location	Shareholders	
		Name	Percentage
ETHIFINANCE RATINGS SL	Spain	QIVALIO SAS	100 %
ETHIFINANCE RATINGS SL – Branch	France	ETHIFINANCE RATINGS SL	100 %

2.2. Internal control mechanisms

The various internal control mechanisms in place at EthiFinance Ratings are listed below. The aim of their implementation is to guarantee that the activities undertaken by the company are:

- Reliable
- Transparent
- Developed with integrity and quality

2.2.1. Board of Directors

The Board of Directors is the highest executive body of EthiFinance Ratings SL. Apart from faculties that are specifically reserved for the General Assembly of Shareholders, the Board of Directors has the most far-reaching responsibilities for representing, governing, and administrating the Company.

Amongst its functions, the Board is in charge of developing EthiFinance Ratings' strategic direction and, in a general manner, of supervising and/or approving any structurally important activity that may affect the Agency. In this regard, the Board of Directors has final responsibility for the activities undertaken by EthiFinance Ratings.

The following persons are members of the Board of Directors as of 31 December 2022:

Name	Position
Elie Hériard Dubreuil	Chairman of the Board of Directors
Carol Sirou	Director
Blaise Ganguin	Director
Myriam Fernández de Heredia	Director, Independent
Bruno Díaz Carazo	Director, Independent

The Board of Directors is responsible for the supervision of the Internal Control Functions.

Its members ensure that:

- Credit rating activities are independent, from any political and economic influences or constraints.
- Any conflicts of interest are properly identified, managed, and disclosed.
- The credit rating agency complies with the requirements of all relevant regulations.

2.2.2. Audit Committee

The committee's role is to act on behalf of the Board of Directors to oversee all material aspects of EthiFinance Rating's (the "company's") financial reporting, internal control and audit functions, as well as methodologies and models.

The audit committee's role also focuses on the qualitative aspects of financial reporting, on organizational processes for the management of business/financial risks, as well as compliance with applicable regulatory and legal requirements.

The role also includes maintenance of strong, positive working relationships with management, external and internal auditors, counsel, and other committee advisors.

2.2.3. CRA code of conduct

EthiFinance Ratings' CRA code of conduct describes the policies, procedures, and controls established and implemented to ensure:

- The quality, objectivity and integrity of its credit rating processes.
- Equal and fair treatment of customers and rated companies as well as confidential information.
- Full independence and prevention of any actual or potential conflicts of interests.

The code reflects the principles established in the IOSCO code of conduct for Credit Rating Agencies, with the purpose to reaffirm the commitment of EthiFinance to the key values driving its business: objectivity, integrity, and transparency.

2.2.4. Internal control functions

The internal control functions are in charge of supervising compliance with regulations on the part of the Agency and its employees. To fulfil this goal, the internal control functions operate independently from the rest of the activities undertaken by the Agency and carry out the following tasks:

Compliance Function

EthiFinance Ratings has established and maintains an effective Compliance Function. This function monitors and reports on compliance of the credit rating agency and its employees in accordance with the regulation as reflected in internal policies. The Compliance Officer is responsible for the effective functioning of the Compliance function and for any reporting that regards compliance.

The Audit Committee ensures that the Compliance function has the necessary authority, resources, expertise, and access to all relevant information. The Compliance officer advises and assists the managers, rating analysts, employees, and any other person whose services are placed at the disposal or under the control of the credit rating agency or any person directly or indirectly linked to it, to comply with the regulation.

The compensation of the Compliance officer is not linked to the business performance of the credit rating agency to ensure the independence of his or her judgment.

To ensure independence, the Compliance officer functionally reports to the Chair of the Audit Committee.

The Compliance officer also has risk management responsibility. On an annual basis, he/she reviews the Risk Map that is presented to the Audit Committee and acts on the base of the plan. It should be noted that in January 2023, EthiFinance Ratings has appointed an independent Head of Risk Management.

The Compliance officer reports regularly on his or her duties to the Audit Committee and the Board of Directors.

Review Function

EthiFinance Ratings has established a Review Function responsible for periodically reviewing:

- Its methodologies, models, and key rating assumptions, such as mathematical or correlation assumptions.
- Any significant changes or modifications thereto.
- The appropriateness of those methodologies, models, and key rating assumptions to be used for the assessment of new financial instruments.

The Review Function is also in charge of monitoring the effectiveness of EthiFinance Ratings' policies and procedures regarding the control of methodologies, models, and rating assumptions related to new asset classes.

Any change to a methodology is subject to a review of its impact on existing ratings.

The Review Officer is independent of the business lines responsible for credit rating activities, and presents periodically to the Audit Committee and the Board of Directors.

Internal Audit

The internal audit function's main tasks are:

- To provide an in-depth understanding and analysis of the entire business.
- To determine the business' main risk areas, discover vulnerabilities, and rank these vulnerabilities. A risk-based audit plan allows the Audit Committee of the Credit Rating Agency to ensure periodic oversight and review of all activities and operations.
- To communicate results and monitor follow-up actions: when the internal audit function identifies vulnerabilities or control deficiencies, its role is to inform the respective department and recommend immediate remediations. When the identified vulnerabilities or control deficiencies are assessed to be significant risks for the organisation, the internal audit function must inform the Board of Directors and provide follow-up updates on the progress of remedial actions.

The Board of Directors and management team may also require the internal audit function to conduct ad hoc reviews of identified issues or potential vulnerabilities within the organisation. The Audit committee is in charge of the Internal Audit Function and can rely on internal or external support from subject matter experts or consultants to fulfil its role.

To fulfil its role, the internal audit function has unrestricted access to all of Credit Rating Agency's corporate operations, records, data files, computer programs, property, and personnel.

2.2.5. Credit Rating assignment process

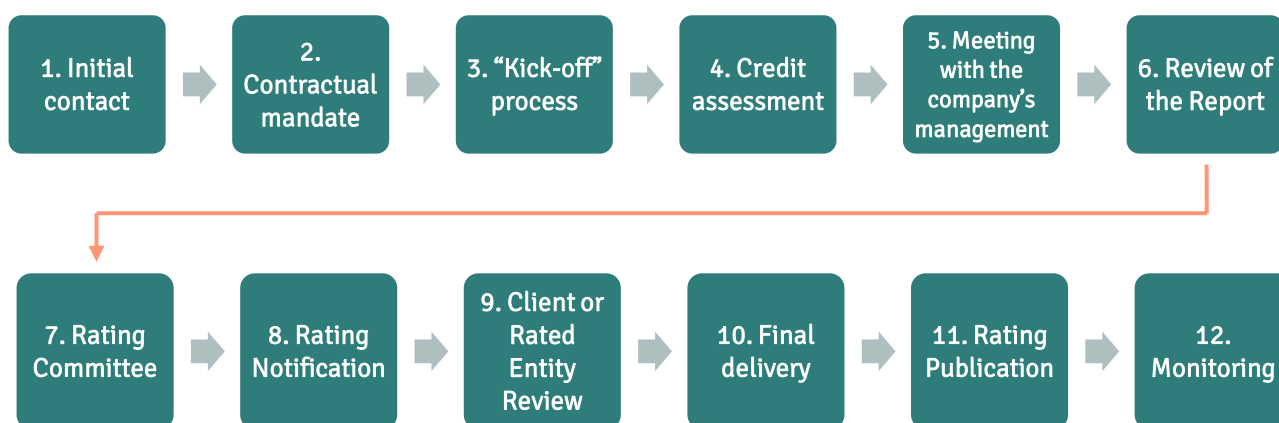
Credit Rating definition

A credit rating is a predictive financial credit analysis resulting in a rating that assesses the risk of default of a debt instrument. These ratings can be solicited by the issuer or unsolicited i.e., requested by a third party.

This analysis is generally based on (i) EthiFinance Ratings’ forecasts of the entity’s accounts for the next three years, (ii) the entity’s business plan (when available), (iii) the last three audited annual accounts and (iv) an analysis of the entity’s economic environment.

Credit Rating process

The process has the following stages:



For further information, please refer to the website section: Credit Rating Agency > Rating Process in www.ethifinance.com.

2.3. Agency staff statistics

The following table presents information regarding the persons involved in the credit rating activities performed by EthiFinance Ratings SL as of December 31st, 2022.

Type of employee	Number of staff
Credit Rating Officer	1
Credit rating analysts	27
Methodologies Development ¹	7
Methodologies Review	1
Senior Management	1

Analysts work both on new ratings and on the surveillance of existing ratings.

¹ Methodology development tasks are conducted by the CRO and the Senior Analysts.

With respect to asset classes, analyst’s team is distributed as follows:

Asset classes	Number of staff
Corporate	21
Structured Finance	4
Sovereign	2

2.4. Record-keeping policy

EthiFinance Ratings will keep the following information on its premises for a minimum of five years:

- All documentation related to each credit rating issued by the Agency including, amongst others:
 - Entry data from its models (financial, qualitative, etc.) as well as any information upon which the rating is based.
 - Identification of employees who have taken part in the rating, including the analyst, the head analyst and Rating Committee participants.
 - Identification of employees who have access to confidential information.
 - Internal documentation, including non-public information and work documents, used as a basis for any credit rating decision.
 - Proof of the communications during the credit rating process between EthiFinance Ratings and the rated entity, as well as any relevant internal communications.
 - Minutes of each Rating Committee.
 - Other information contained in the disclosure of the credit rating (date of issuance, whether the rating was solicited or unsolicited, etc.).
 - Latest version of the rating reports for each of the rated entities.
- In addition to the above, which applies to all asset classes, for the specific case of Structured Financial Instruments: information about the portfolio of assets, the structure, the prospectus, or initial term-sheet, etc. shall be recorded. And for sovereign credit ratings, the calendar with the publication dates for the unsolicited sovereign ratings shall be published and maintained.
- All the information in electronic format, including all electronic mail messages received and sent by EthiFinance Ratings, regardless of their content, will be kept on the Agency’s server, whilst all documents in physical format will be stored and protected by the person in charge of each area.
- Any document that describes the measures, policies, procedures, and methodologies associated with the process of issuing credit ratings.
- Any document that describes the measures, policies, and procedures that are applied by internal control functions.
- The results of the evaluations made by the Internal Control functions as well as the reports presented to the Board of Directors by these functions.
- Information regarding each client, including a description of the services provided, the signed contracts and the accounting information relative to the fees received.

- Copies of the minutes of the Board of Directors, minutes of the Audit Committee, reports drafted by the Internal Control functions and information sent through RADAR for CEREP, diffusion and supervision.

In addition, EthiFinance Ratings maintains a series of control procedures, access right restrictions, as well as backup procedures for the archived information, which provide protection of the documentation in the case of errors of a technological nature or of system failures.

EthiFinance Ratings places the information listed above at the disposal of the relevant authorities.

If EthiFinance Ratings were to be withdrawn from the register, the aforementioned information will be kept for an additional period of at least three years.

2.5. Internal review of the Compliance function

The review of the Compliance function has been delegated by the Board of Directors to the Audit Committee. The Audit Committee evaluates the independence of the Compliance function, the effectiveness and adequacy of oversight of the CRA's regulatory obligations. The Compliance work plan is presented and validated by the Audit Committee on an annual basis. The Compliance work plan details all the controls that the Compliance team checks periodically to ensure compliance with internal rules and regulations. Any deficiencies are presented to the Audit Committee and are subject to remediation plans. This framework allows for an effective oversight by the Audit Committee and ultimately the Board of Directors, further completed by the periodic submissions to ESMA.

2.6. Rotation policy

Given its employee count, EthiFinance Ratings is exempt from the requirement to rotate rating analysts.

2.7. Information on revenues

The definition of the concepts considered in this section in relation to income distribution are as follows:

- **"Credit Rating Services"**: are products or services including credit ratings in accordance with the provisions of Regulation (EU) No. 1060/2009 on credit rating agencies.
- **"Ancillary services"**: are products or services that are not part of credit rating activities and include market forecasts, estimates of economic trends, pricing analysis, and other general data analysis as well as related distribution services; for more information see www.EthiFinance.com.
- **"Other services"**: are products or services different from the credit rating services and ancillary services.

2.7.1. Qivalio SAS

The accounts of Qivalio SAS are closed on a calendar year basis. The figures contained in this document refer to the 10-month period from January 1st, 2022, to October 31st, 2022, when the French CRA activities were transferred to EthiFinance Ratings SL.

QIVALIO SAS – January to October 2022

Activities	Revenues Amount	Share of Revenues
Credit Rating Services	431.873,65 €	9,11%
Corporates	431.873,65 €	9,11%
Ancillary services	4.308.977,28 €	90,89%
Clients of Credit Rating Services	0 €	0,00 %
Non-Clients of Credit Rating Services	4.308.977,28 €	90,89%
Other services	0,00 €	0,00 %
Total	4.740.850,93 €²	100,00%

In terms of asset classes, Qivalio SAS focused its activity on corporate credit ratings, and geographically, revenues were generated in the European Union.

2.7.2. Ethifinance Ratings SL

The accounts of Ethifinance Ratings SL are closed on a calendar year basis. The figures contained in this document refer to the 12-month period from January 1st, 2022, to December 31st, 2022, and include the revenues of the French branch for the months of November and December 2022.

ETHIFINANCE RATINGS SL – January to December 2022

Activities	Revenues Amount	Share of Revenues
Credit Rating Services	991.550,00 €	37,73%
Corporates	713.550,00 €	27,15%
Structured Finance	278.000,00 €	10,58%
Ancillary services	1.636.733,00 €	62,27%
Clients of Credit Rating Services	147.500,00 €	5,61%
Non-Clients of Credit Rating Services	1.489.233,00 €	56,66%
Other services	0,00 €	0,00 %
TOTAL	2.628.283,00 €³	100,00 %

With regard to asset classes, Ethifinance Ratings SL focuses its activity on corporate ratings (covering a wide variety of sectors), and Structured Finance ratings (of different sub-asset classes). All the revenues were generated in the European Union.

² Revenues before audit.

³ The difference of 336,721 € between the income indicated in this table and that included in the financial statements comes from the intercompany invoicing derived from the process of transferring assets between Qivalio SAS and Ethifinance Ratings SL. Revenues before audit.

2.8. Corporate governance statement

This section lists the corporate governance with regards to Article 20, Paragraph 1, of the Directive 2013/34/EU of the European Parliament and of The Council of 26 June 2013.

Article 20, Paragraph 1, section (a):

EthiFinance Ratings SL has adopted a *CRA Code of Conduct* that is established to comply with the principles of the Code of Conduct for Credit Rating Agencies of the International Organisation of Securities Commissions (“IOSCO Code”). The CRA code governs the activities of credit rating agencies and of the staff linked to these activities and is available on the agency's website.

Article 20, Paragraph 1, section (b):

Does not apply.

Article 20, Paragraph 1, section (c):

The Agency's internal risk control and management systems linked to the rating issuance process are described in section 2.2 of the present document.

Article 20, Paragraph 1, section (d):

Does not apply

Article 20, Paragraph 1, section (e):

In addition to the Annual Shareholders Meeting which approves the annual accounts, Extraordinary Shareholders meetings may also be convened for various reasons such as the modification of the share capital, mergers, appointment of auditors, appointment, remuneration, dismissal, renewal of the members of the Board of Directors as described in statutes of EthiFinance Ratings SL.

Article 20, Paragraph 1, section (f):

The composition and functions of the Board of Directors as well as its Committees are described in sections 2.2.1. and 2.2.2 of this document.