



2021 TRANSPARENCY REPORT

Qivalio SAS
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France

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Introduction

Qivalio 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 the challenges of financing as well as environmental and societal transformation. Created in 2017, the Group is the result of the merger between Spread Research and EthiFinance, French financial and extra-financial rating agencies both founded in 2004. In 2021, the Group provides its services to a wide range of leading international clients under the brands Spread Research (independent credit research), Qivalio (credit rating agency), Qivalio Analytics (Risk Modelling), and EthiFinance (extra-financial rating and advisory agency).

Qivalio (formerly Spread Research) is the first independent French Credit Rating Agency, being registered by the European Securities and Markets Authority (ESMA), and the first European Integrated European Rating agency, since its tie-up with EthiFinance/Gaïa Rating, back in 2017.

The rating team comprises experienced credit analysts with deep knowledge and understanding of corporate credit issuers.

During 2021, Qivalio has continued its development and acquired the company Advanced CMA, which performs Risk Modelling activity under the brand Qivalio Analytics as mentioned above.

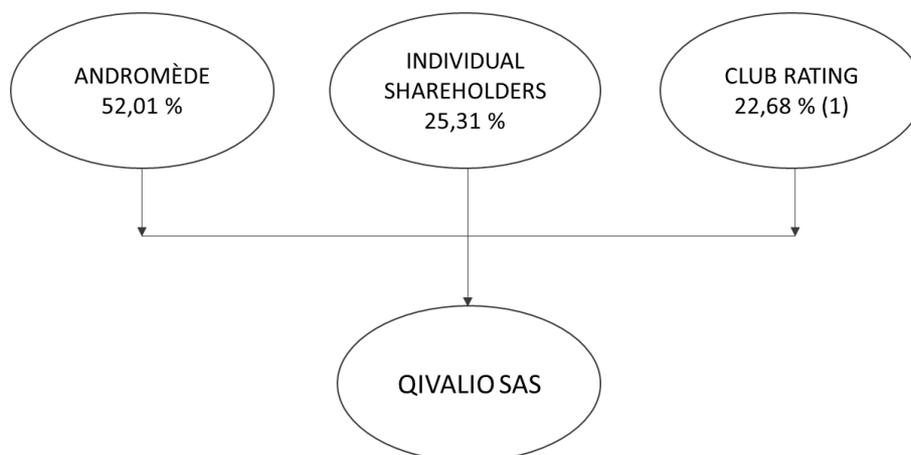
In January 2022, Axesor Rating, the first independent Spanish Credit Rating Agency was acquired by Qivalio and joined the Group. Together, the two companies form EthiFinance and will market their activities under that brand name.

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, Qivalio publishes this Transparency Report covering the period from January 1st 2021 to December 31th 2021.

The accounts of Qivalio SAS (the legal entity) are closed on a calendar year basis. The figures contained in this document refer to the 12-month period from January 1st 2021 to December 31th 2021.

1. Legal structure and ownership of the Credit Rating Agency

1.1 Shareholders' structure



Reporting of indirect Shareholders owning 5% or more of Qivalio SAS:

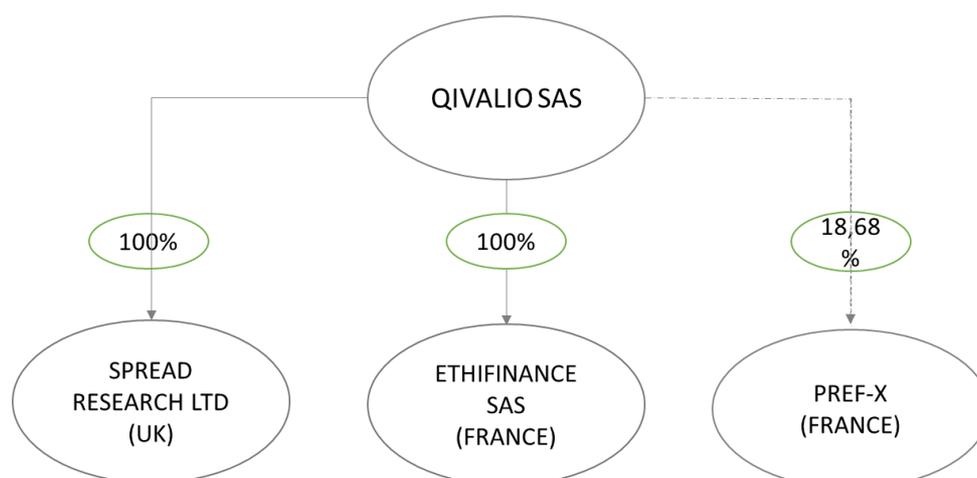
- Andromède : Hériard-Dubreuil's family office
- Club Rating : Apicil Prévoyance, Caisse Régionale d'assurances mutuelles agricoles de Rhône-Alpes Auvergne

Reporting of direct Shareholders owning 5% or more of Qivalio SAS:

- Investalyse (Rémy Estran)
- HFG (Jean-Philippe Guichar)

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

1.2 Subsidiaries and Holdings



1

¹ Club Rating is composed of the following institutional shareholders: Apicil Prévoyance, Caisse Régionale d'assurances mutuelles agricoles de Rhône-Alpes Auvergne, Pactinvest, La Mondiale, Klésia Prévoyance, Eiffel Investment Group, BPIFrance Financement, FIP Ambitions regions N°2, Aviva France ventures

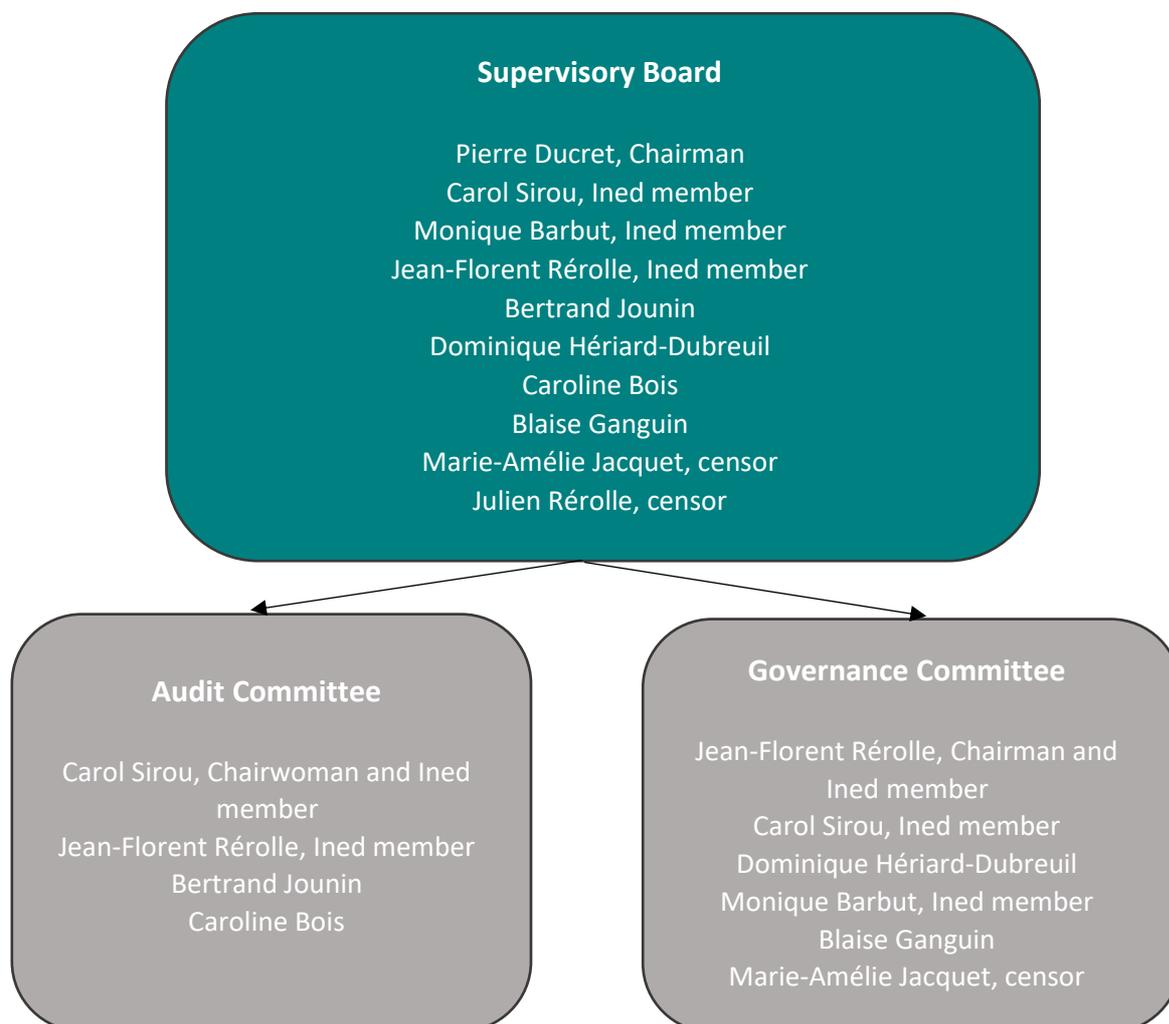
Corporate Name	Percentage of Ownership	Head Office Address
EthiFinance SAS	Subsidiary (100%)	23, rue de Liège 75008 Paris
Spread Research Ltd	Subsidiary (100%)	Capital House 8, Pittman Court, Pittman Way, Fulwood, Preston, Lancashire, PR2 9ZG
Pref-X SAS	Stakeholding (18,68%)	102B, rue de Miromesnil 75008 PARIS

2. Internal control mechanisms

2.1 Supervisory Board

Qivalio's Supervisory Board consists of 10 members of which 3 are independent (called Ined, standing for "Independent Non-Executive Director") and 2 are censors (non-voting members).

Board members were appointed during the Annual General Meeting of Shareholders on June 29th 2020. The Supervisory Board appointed a new CEO, Élie Hériard-Dubreuil on the very same day. The members of the Supervisory Board and its Committees are detailed as follows:



The Supervisory Board is responsible for the supervision of the Internal Review and Compliance Functions.

Its members ensure that:

- (a) credit rating activities are independent, including from all political and economic influences or constraints;
- (b) any conflicts of interest are properly identified, managed and disclosed;
- (c) the credit rating agency complies with the requirements of all relevant regulations.

2.2 Code of conduct

Internal corporate governance policies are governed by Qivalio's Code of conduct.

Qivalio makes sure that all external requirements are fulfilled internally through the endorsement by its employees and collaborators of a code of conduct. This code reflects Qivalio's regulatory requirements and the organisations to which it belongs, directly or indirectly. Qivalio's main guidelines from the Code of conduct are as follows:

- Qivalio is committed to comply with a strict definition of independence in order to avoid or quickly address any conflict of interest;
- No investment recommendation can be performed on issuers that are rated by Qivalio on a solicited way (paid by issuers);
- Qivalio cannot be paid by investors and corporate issuers at the same time for the same issuer;
- Qivalio employees are committed to apply best practices and personal skills to serve the organisation and its clients;
- The compliance officer ensures that any conflict of interest related to the persons involved in the Credit Rating Agency is properly identified, managed and eliminated;
- The compliance officer ensures that collaborators are aware of the rules and regulations that govern the company's activities.

2.3 Internal Review Function

Qivalio 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.

This review function is independent of the business lines which are responsible for credit rating activities and reports to the members of the Supervisory Board referred to in section 2.1.

The review officer performs the following tasks, leading to a semi-annual Review Report which:

- periodically reviews the methodologies;
- conducts back-testing exercises;
- periodically reviews the models;
- periodically reviews the key rating assumptions;
- assesses methodology appropriateness for new financial instruments.

The review function is also in charge of monitoring the effectiveness of Qivalio's policies and procedures regarding the control of methodologies, models, rating assumptions and methodologies related to new instruments.

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

2.4 Compliance Function

Qivalio has established and maintains an effective compliance function which operates independently. This function monitors and reports on compliance of the credit rating agency and its employees in accordance with the regulation.

The compliance officer ensures the following requirements necessary for the effective functioning of the compliance function:

- The compliance function has the necessary authority, resources, expertise and access to all relevant information;
- The compliance officer is appointed and is responsible for the compliance function and any reporting with regard to compliance;
- 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 and is arranged so as 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 for the base of the plan.

The compliance officer reports regularly on the carrying out of his or her duties to the Supervisory Board and the Audit Committee.

2.5 Internal audit

The internal audit function's main tasks are:

- To provide an in-depth understanding and analysis of the entire business:

To ensure the appropriate understanding and analysis of various activities, the internal audit function has unrestricted access to all of Qivalio's corporate operations, records, data files, computer programs, property and personnel.

- To determine the business' principal risk areas, discover vulnerabilities, and rank these vulnerabilities:

An audit plan allows Qivalio to ensure a periodic oversight and review of all activities and operations. The internal audit function uses a risk ranking methodology for identifying the group's main risks in

the following fields: operational risks, financial risks and event risks. The internal audit function reviews the financial, business and functional operations and activities, with a priority focus on high risk. The Supervisory Board and management team may also require the internal audit function to conduct ad hoc reviews of identified issues or potential vulnerabilities within the organisation.

- To communicate results and monitor follow-up actions:

Where the internal audit function identifies vulnerabilities or control deficiencies, its role is to inform the respective department and recommend immediate remediations.

When identified vulnerabilities or control deficiencies are assessed to be significant risks for the organisation, the internal audit function must inform the Supervisory Board and provide follow-up updates on the progress of remedial actions.

The 2021-2022 audit plan was approved by the Audit Committee on 23rd March 2021.

Two audits were conducted in 2021 and three other ones will be performed in 2022.

2.6 Credit Rating Assignment Process

2.6.1 Rating definition

The rating is a predictive financial credit analysis resulting in a rating that assesses the risk of default on payment of amounts due under the debt instruments raised. These ratings can be solicited by the issuer or unsolicited i.e., requested by a third party.

This analysis is essentially based on (i) a projection of the accounts over the next three years based on Qivalio's forecasts and the company's business plan (when available), (ii) the last three audited annual accounts available and (iii) an analysis of the company's economic environment.

2.6.2 Rating process

Responsibilities

The lead rating analyst is responsible for conducting the fundamental credit analysis, formulating a rating proposal based on Qivalio's relevant criteria and methodologies, as described later, and for presenting sufficient and relevant information to the Rating Committee.

Information required

The minimum public information required is:

- the two latest annual reports and their audit certification;
- the latest interim report if any (either quarterly or semi-annual);
- the management's discussions of operating results, including the review of competition and market developments;
- the documentation on public bond instruments;

For solicited ratings, where Qivalio has access to non-public information, the analyst will strive to obtain more specific information such as contractual agreements, governance set up or business plan

for instance. The lead analyst will also be in touch with the company's management or the investor relations department.

Rating production

The unsolicited rating production process is organized through the following steps:

- Step 1: Review of annual reports (at least the two latest) and their audit certification.
- Step 2: Review of the quarterly results and all information available in the investor relations section.
- Step 3: Review of competition and market developments. This can be done on the basis of the company's information on its market position, or information available from its competitors, industry associations or the regulator's database.
- Step 4: Review of the bond preliminary prospectus when available.

=> Steps 1 to 4: For each of these steps, the rating analyst fills in Qivalio's excel model with historical data available, including financial statements, the breakdown of the group's (1) revenues, (2) operating margin, and (3) debt structure, plus the summary of the financial covenants that have been disclosed to Qivalio.

- Step 5: Call with the management, on a case-by-case basis, if the company agrees. In particular, the lead rating analyst pays attention to the company's strategy, its acquisition and dividend policies, as well as its financial leverage target (if any).
- Step 6: The quality of the information received and used through the rating process is assessed and summarized in the "Transparency Index" issued by Qivalio's analysts.

Qivalio produces documents that map key financial ratios for each level of rating (i.e. adjusted EBITDA margins, leverage ratios, coverage ratios), and these documents can be used as a benchmark for the rating assignment exercise.

The solicited rating production process includes the same steps but with substantially more interaction with the management of the company than in the case of unsolicited ratings (under the investor paid model).

2.6.3 Rating methodologies

Our different methodologies are available on the company's website:

LONG-TERM CORPORATE RATING METHODOLOGICAL APPROACH

<https://files.qivalio.net/documents/compliance/long-term-methodology-04March2022.pdf>

SHORT-TERM CORPORATE RATING METHODOLOGICAL APPROACH

<https://files.qivalio.net/documents/compliance/short-term-methodology-04March2022.pdf>

INVESTMENT HOLDINGS CORPORATE RATING METHODOLOGY

<https://files.qivalio.net/documents/compliance/investment-holding-methodology-04March2022.pdf>

SOCIAL HOUSING PROVIDERS' RATING METHODOLOGY

<https://files.qivalio.net/documents/compliance/Credit-Rating-methodology-applied-to-Social-Housing-Providers.pdf>

REAL ESTATE METHODOLOGY

<https://files.qivalio.net/documents/compliance/Commercial%20real%20estate%20transactions%20rating%20methodology.pdf>

RECOVERY AND INSTRUMENT RATING METHODOLOGY

https://files.qivalio.net/documents/compliance/QIVALIO-Recovery-and-instrument-rating-methodology-External_28Oct20.pdf

ESG CONSIDERATIONS

<https://files.qivalio.net/documents/compliance/QIVALIO-ESG-Considerations.pdf>

2.6.4 Rating monitoring

FREQUENCY

Qivalio's ratings are monitored on an ongoing basis in order to capture significant event for the rated entity or its sector or environment.

In addition, Qivalio's ratings must be reviewed (with the publication of a rating report) at least every 12 months.

An update of a methodology with significant impact on existing ratings can also command a review of the ratings.

MONITORING PROCESS

Collection of information

The monitoring is primarily based on the following pieces of information:

- Rated entity's financial information;
- Press articles;
- Financial database;
- Market indicators, where available;
- Available documentation on bonds and bank debts;
- Sector information.

Analysis & assessment of information

Whenever a new financial report of the rated entity is made available (mostly on a quarterly basis, but it can be on a semi-annual or on an annual basis), the financial model is updated and all new results lead to a fresh fundamental review of the issuer.

Qivalio's ratings are forward-looking. Historical data, as well as market forecasts, are used to determine the rated entity's credit trend and risk of default in the near future.

Trigger for a rating change

The lead rating analyst may recommend a change in rating when he/she becomes aware of any financial, business, economical or operational information that he/she thinks might result in a rating action consistent with Qivalio's relevant criteria and methodology.

3. Credit rating personnel distribution

Credit rating personnel	Allocation
Credit rating analysts	4
Rating Committee	4
Methodologies Development	4
Senior Management	3
Credit Rating Support	2

4. Record-keeping and disclosures

Qivalio should keep all documentation used in establishing the ratings, consistent with legal regulations regarding record keep, as described below:

The following documentation is kept on record on a separate and dedicated local network or in a locker for physical documentation accessible to analysts and the compliance officer only:

- All documentation with regard to procedures and methodologies used by the credit rating agency to determine credit ratings.
- All documentation related to issuers, sectors, or market.
- Credit analysis reports, credit assessment reports, private credit rating reports and internal records, including non-public information and work papers, used to constitute the basis of the opinions expressed in such reports.
- All internal and external communications, including electronic communications, received and sent by the credit rating agency and its employees, in relation to credit rating activities.

All documentation related to the credit rating activity is segregated on Qivalio's information systems (Chinese Wall).

The identity of rating analysts determining credit ratings is made available on Qivalio's website and relevant publications. The credit rating report mentions whether a rating is solicited or not. The date of the rating action is disclosed on the Qivalio website.

All reports published to clients are kept on record on the website. The central repository database is the back office of Qivalio's publication platform. No information related to the fees received from any rated entity nor any client appears on the website (these records are kept separately).

All documentation related to the sales/marketing functions is kept on record on a separate and dedicated local network or in a locker for physical documentation, not accessible to analysts. The compliance officer has access to these records.

An automatic back-up of the files and data is performed once a day.

The records of the documentation listed above are kept at the premises of Qivalio and can be made available upon request to the competent authorities. Qivalio commits to keeping these records for at least 5 years. Qivalio also commits to keeping these records for 3 years following any withdrawal of its registration as a credit rating agency.

5. Internal Review of the Compliance Function

The review of the compliance function has been delegated by the Supervisory Board to the Audit Committee. The Audit Committee evaluates the independence of the compliance function, its effectiveness and adequacy of oversight of the CRA regulatory obligations. The validation of the compliance work plan, presented and validated by the Audit Committee on an annual basis allows for an effective oversight, further completed by the periodic submission of the Audit Report to ESMA.

6. Rating analyst rotation policy

Given the number of its employees, Qivalio benefits from a rating analyst rotation policy exemption.

7. Information on Revenues from January 1st 2021 to December 31st 2021

Activities	Turnover amount	Share of turnover
Rating Activities	817 k€	48.60 %
Ancillary Services (Investment recommendations)	864 k€	51.40 %
Total	1 681 k€	100 %

No client represents more than 5% of the annual revenue of Qivalio SAS.
Our customers are based in Europe.

8. Corporate Governance statement

This section lists the corporate governance with regard 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):

Internal corporate governance policies are governed by Qivalio’s Code of Conduct. Qivalio has set up this document in order to provide guidelines regarding best practices in employees’ work both internally and externally, as well as compliance with all applicable regulations. All employees are required to sign the Code in order to protect both themselves and the company against any kind of misconduct. Qivalio’s internal controls and risk management systems in relation to the

financial reporting process are listed and described in section 2 of this transparency report. The Code of Conduct is available on the company’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 2.6 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 Supervisory Board as described in Qivalio’s statutes.
As far as governance is concerned, even though it does not formally apply to Qivalio, the company strives to meet the principles of good governance established by the Code Afep- Medef.

Article 20, Paragraph 1, section (f):
The composition and functions of the Supervisory Board as well as its Committees are described in section 2.1. of the present document.

Contact

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Qivalio has been “registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the Credit Rating Agencies Regulation)”:

Name of CRA	Country of residence	Status	Effective date	Legal entity identifier
QIVALIO SAS (previously Spread Research)	France	Registered	1 July 2013	969500HB6BV M2UJDOC52

Source : <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>