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TRANSPARENCY REPORT

2014



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1. Introduction

axesor was created in Granada in 1996. After having led the national information, scoring and online services market for more than twelve years; it stands out as the leading Spanish credit rating agency, having been registered by the European Securities and Markets Authority (ESMA) in 2012.

As pioneers in the analysis and evaluation of corporate information, our goal is to facilitate the decision-making process and to minimise risk in all types of commercial operations. To achieve this **axesor** carries out an exhaustive analysis of a company's credit quality, reflecting the result of the research in a credit rating, enabling its subscribers to benefit from an informed opinion regarding the solvency of a company of their interest.

axesor has a solid team of professionals who are specialised in putting together solvency reports for companies operating in Spain. **axesor** guarantees its independence, integrity and quality of its services without overlooking the importance of a close relationship and a personalised treatment of its clients.

axesor guarantees an independent process of issuing credit ratings that is separate from the particular interests of the rated companies.

The reports that **axesor** offers to the markets are not limited to the assignment of a rating category of credit quality, but also contain a complete analysis of the researched company that includes the credit history, the macroeconomic environment of the sector in which it operates, as well as other information detailing important characteristics of the rated company.

Below, **axesor** publishes this Transparency Report, which covers the period from 1 January 2014 to 31 December 2014.

2. Transparency Report

2.1 Legal and shareholder structure

The legal nature of the Agency is that of a corporate "*Sociedad Anónima*" with the CIF A18413302. **axesor's** shareholder structure to 31/12/2014 is shown in the following table:

Name	Percentage
Southern Cross Capital B.V.	93,96%
Company executives	5,81%
Own portfolio	0,23%
Total	100%

2.2 Internal control measures

The various internal control measures that are undertaken in **axesor** are listed below. The aim of their implementation is to guarantee that the activities undertaken by the company are:

- Upright
- Reliable
- Transparent
- With quality

2.2.1 Board of Directors

The Board of Directors is **axesor's** most senior executive body. Apart from faculties that are specifically reserved for the General Assembly of Shareholders, the Board of Directors has the most far-reaching faculties for representing, governing and administrating the Company.

Amongst its functions, the Board is in charge of developing **axesor's** strategic direction and, in a general manner, of undertaking any structurally important function that may affect the Agency. In this regard, the Board of Directors has final responsibility for the activities undertaken by **axesor**.

The following persons are members of the Board of Directors:

Name	Position
D. Demetrio Martínez	President of Board of Directors
D. Francisco de Paula Lombardo	Vicepresident of Board of Directors, Independent
D. Manuel Neira López	Member of Board of Directors
D. Eduardo Espiga Pérez	Member of Board of Directors, Independent

2.2.2 Audit Committee

The aim of the Audit Committee is to supervise and guarantee the strict compliance with established regulations on the part of the Agency and of its employees. The Audit Committee has the following functions:

- To review and approve the procedures adopted for detecting, handling and eliminating conflicts of interest.
- To review and guarantee the reliability and accuracy of the Agency's accountancy information.
- To review and guaranteeing the effectiveness of the internal controls established by the Agency.
- To approve, together with the independent members of the Board of Directors, the methodology used for the issuance of credit ratings.

Furthermore, the committee will be in charge of reviewing and approving the documents that have been delegated by the Board of Directors.

2.2.3 Audit and Compliance

The Audit and Compliance Department is in charge of supervising the Compliance with the regulations on the part of the Agency and its employees. To fulfill this goal, the Department operates independently from the rest of the activities undertaken by the Agency and carries out the following functions:

Compliance Function:

- Supervise and regularly evaluate the relevance and efficiency of the policies and procedures of **axesor**'s different areas.
- Guaranteeing the maintenance of a Code of Conduct based on the following basic principles:
 - Objectivity, quality and integrity in the rating processes.
 - Independence in the face of real or potential conflicts of interest.
 - Market Transparency.
 - Compliance with the requirements defined by the International Organisation of Securities Commissions (IOSCO) and the (EC) Regulation 1060/2009 of the European Parliament and Council and subsequent modifications thereof.
- Ensuring Compliance with the Code of Conduct on the part of all of the Agency's employees.
- Guaranteeing that all conflicts of interest are identified and eliminated.
- Reviewing internal control measures and making audit recommendations whenever necessary.

Review Function:

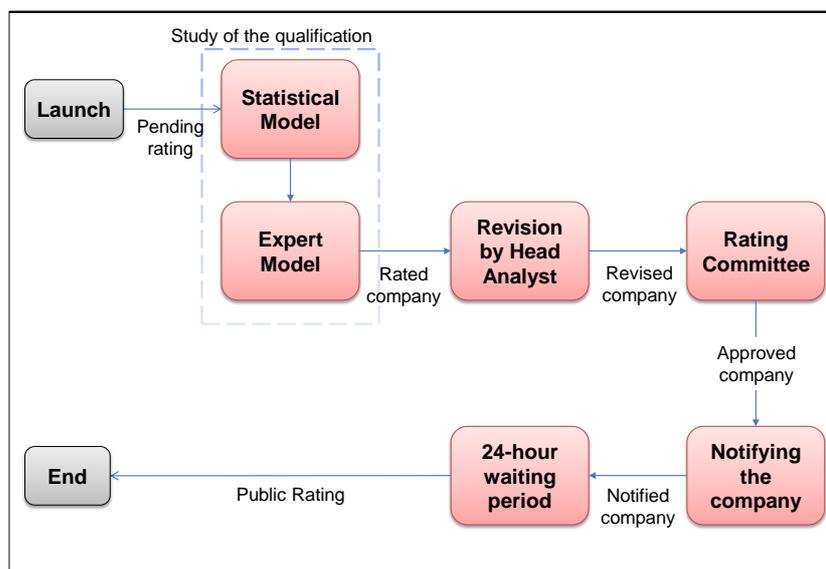
- Regularly verifying the suitability of the models, methodologies and hypotheses involved in the development of credit ratings, as well as reviewing and validating any changes or modifications that these may undergo.
- Monitoring the quality and goodness of fit of the ratings.
- To study the impact of economic factors on the ratings.
- Periodically drafting internal audit reports on the various business areas of the company in which potential shortcomings or scope for improvements are communicated.

2.2.4 Rating assignment process

To evaluate a company's solvency, **axesor** relies on the probability that it will not fulfill its payments with regard to the definition of *default* used by the Agency. To do purpose, the Financial Analysis Area applies a strict methodology that consists of the following phases:

- Quantitative and qualitative study of the company on the part of an analyst.
- Review of the analyst's report by the Head Analyst.
- Approval of the rating by the Rating Committee.
- Notifying the rated company the rating issued.
- Publishing the credit rating.

To make the process easier to understand, the following diagram shows the flow of the aforementioned events as well as the various phases that the rating goes through during the development of the process.



2.2.4.1 Statistical Model

The statistical rating model corresponds to a mathematical equation that allows determining the solvency of a company based on a series of variables amongst which includes the financial information related to the rated company.

The main parameters of statistical models of classification are:

- The rating models have been developed to estimate the probability of default to a year.
- The classification of a company as a result of default is the official publication of an insolvency, bankruptcy or similar.
- The financial position of the company is evaluated by:
 - Indicative of the profitability derived from the deployment of the company's ordinary activity as a consequence of its total investment.
 - The relative importance of the debts contracted with the credit agencies and whose maturity period is of less than one year and the short-term commercial creditors in the total debt that it possesses.
 - The company's liquidity derived from cash and temporary financial investments to deal with the short-term debt with credit agencies and commercial creditors.
 - A ratio that is significant of output (in terms of the value generated by the company as a consequence of its exploitation activity) derived from the net sales and/or service provision figure achieved by the company in the fulfillment of its ordinary activity.
 - The company's ability to fulfill its short-term payment commitments with its liquid assets derived from its stock and billing rights with short-term maturity.
 - The total external funding along with the risk and expenses provisions upon the total amount of the company's obligations.
 - The number of times that the assets are recovered through sales.

The statistical model estimates the probability of default and classifies each company within credit ratings based on the above mentioned. This result will then be used by the expert analysts as a tool in their final assessment.

2.2.4.2 Expert Model

The expert qualification model combines the results obtained by means of the statistical model with those of a qualitative nature enabling the analyst to obtain a more complete and realistic appreciation of the probability of a company not fulfilling its payment obligations.

The qualitative issues to be studied by the analyst from his/her position as an expert financial analyst can be divided into the following categories:

- Sectorial qualification.
- Competitive Strength.
- Company Management.

Additionally, for the issuance of solicited credit ratings, **axesor** proceeds to have an interview with the company in order to meet the management team and deepen the key aspects necessary for valuation.

Once the company's qualitative analysis is complete, next step is to calculate the weighted average of each aspect considered in the rating process. Following this procedure, the analyst determines a rating that will then be passed to a head analyst for validation.

The head analyst studies the rating awarded by the analyst, along with the supporting arguments. If the head analyst agrees with the criteria used by the analyst, the rating is then taken to the Rating Committee for its approval and subsequent publication. If, on the contrary, the head analyst considers that the qualification may be modified in some way, the qualification is returned to the study phase along with the reasoning that justifies this revision.

2.2.4.3 Rating Committee

The Rating Committee is the final body with responsibility for the issuance and review of the ratings issued by **axesor**. The Rating Committee's primary function is to ratify the credit ratings that are issued by the Agency.

Once the head analyst has sent a company's credit ratings to the Rating Committee, this body conducts an analysis and evaluation of these rating reports in order to approve them and to be able to notify the rated company of the rating that it has received. Just as is the previous phase, if the Committee finds any reason for which it considers that a review of the rating is necessary, it will return it along with the proper justifications, to its study phase.

The Rating Committee is made up of the Rating Manager and two independent members, all of whom have extensive and proven experience in the financial practice.

2.2.4.4 Process for communicating the rating to the rated company

As a prior step to being published, **axesor** notifies the company of the rating that it has received, along with the fundamental elements upon which the rating is based. The notification takes place with at least 24 hours previous notice, thus giving the company the opportunity to appeal the rating.

2.2.4.5 Issuance of the final rating

Once 24 hours have passed from the company being notified of the rating issued, **axesor** launches a process by means of which the rating is disclosed to the competent authorities as well as to the market.

From the beginning of the study of the rated company until the publishing of the final rating awarded, the rating must pass a minimum of three different quality filters (the analyst, the head analyst and the Rating Committee), thus guaranteeing the independence and integrity of the rating process undertaken by **axesor**.

2.2.4.6 Monitoring and revision of ratings

With the purpose of guaranteeing the reliability of the published credit ratings, **axesor** conducts a continuous assessment of all the companies for which it has issued a credit rating. In this sense, a system has been developed by means of which all of the situations that may represent a modification to the credit quality of some of the rated companies are identified.

By virtue of the information set out in the previous paragraph, **axesor** has available a series of defined alarms that alert the analyst of any financial update that may entail a modification in the rating of a company. Depending on the nature of the alarm, the analyst will consider the need to review the company's credit rating by means of the previously described process, updating, if necessary, the published rating and notifying the users of this rating as a result of the changes incurred by the company and the reasons for these changes.

axesor carries out a revision of all the ratings that have been published at least once a year.

2.3 Agency staff statistics

The following table presents information regarding the persons who take part in the credit rating activities performed by **axesor**.

Type of employee	2014
Rating Manager	1
Analyst	4
Independent members of the Rating Committee	2
Methodology Development	1
Model Revision	1
Senior Management	4

The analysts perform both activities, issue new credit ratings and revise credit ratings, with regard to the asset classes, **axesor** focuses the activity on corporate.

2.4 Policy for the preservation of documentation

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

- All documentation relating 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.
 - Partial and final results obtained during the methodological rating process.
 - Identification of those agents who have taken part in the rating, including the analyst, the head analyst and persons who have participated in the Rating Committee for its approval.
 - The minutes of each Rating Committee.
 - Other information contained in the disclosure of the credit rating (date of issuance, whether the qualification was solicited or unsolicited, etc.).
 - Documentary proof of the communications having occurred during the credit rating process between **axesor** and the rated company, as well as internal communications that may be relevant for each specific case.
 - A copy of the notification made to the company prior to the publishing of the credit rating as well as any response that may have been received from it.
 - Internal communications made within the Production Department and the Rating Department, as well as those made between these Departments and other Departments within the Agency (Financial Analysis Section, Audit and Compliance Department, etc.).

All the information in electronic format, including all electronic mail messages received and sent by **axesor**, 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 section.

- Information regarding each client, including:
 - A description of the services provided as well as the contract signed by **axesor** and the client, if necessary.
 - Fees received for the service provided.
- Any document that describes the policies, procedures and methodologies applied in the Agency.
- Any document that describes the measures, policies and procedures that are applied by **axesor** within the compliance function.
- The results of the evaluations made by the Audit and Compliance Department as well as the reports presented to the Board of Directors by this department.
- Copies of the following registers:
 - Minutes of the Board of Directors.
 - Minutes of the Management Committee.
 - Minutes of the Audit Committee.
 - Procedures and reports drafted by the Audit and Compliance Department.
 - Information sent to the CEREP.
 - Information sent to the SOCRAT.

To obtain the information listed above, there is a control system that authorises access depending on the functions, responsibilities and job held by each user.

In addition, **axesor** disposes of a series of control procedures, as well as backup procedures for the archived information, that guarantee the protection of the documentation in the case of errors of a technological nature or of system failures.

axesor places the information listed above at the disposal of the relevant authorities when they see fit.

If **axesor** 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 audit report on the Compliance Function

The purpose of this document is to inform the Board of Directors of the Compliance Function performance of the Rating Agency as established by the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council.

The audit review includes an assessment of the Compliance Function and its staff, along with the monitoring of policies and procedures established pursuant to Regulation.

This is a review of the activities of the Compliance Function and the adequacy of the work plan set for 2014.

We verified that the reporting line designed and established by the Compliance Function is independent, which is confirmed through the annual review.

It also verifies that the implementation of the recommendations and suggested changes resulting from the Compliance Function have been implemented or are underway.

The latest report to the Board of Directors refers to the fiscal year 2014.

2.6 Rotation policy

In order to promote the independence of **axesor's** employees with regard to the rated companies, **axesor** makes use of a gradual rotation measure that is applicable to any person who takes part in credit rating activities.

This policy aims to avoid possible prolonged relationships between the rated companies and the analysts in charge of their ratings, thus avoiding potential conflicts of interest that may arise for this reason, guaranteeing the independence and integrity of the rating issuance process performed by **axesor**.

The portfolio rotation policy is carried out gradually, individually and not with the entire team, envisaging and guaranteeing abiding by all the regulatory dispositions to which it is subjected.

Along these lines, and based on the applicable regulation that applies to rating agencies, **axesor** has established a set of policies, procedures and control measures linked to the rotation of portfolios of rated companies in order to guarantee compliance with the following requirements:

- The head analysts who take part in the development of credit ratings cannot take part in credit ratings linked to the same rated company or to related third parties for a period of more than four years.
- Credit rating analysts cannot take part in credit qualification activities linked to the same rated company or to related third parties for a period of more than five years.
- The persons in charge of approving credit ratings cannot take part in credit rating activities linked to the same rated company or to related third parties for a period of more than seven years.

The person who has fulfilled the maximum periods mentioned above with regard to his/her post will not take part in the credit ratings of the corresponding company for a period of two years.

2.7 Income derived from CRA activities and ancillary services

In the fiscal year ended December 31, 2014, the revenue obtained by **axesor** was of € 14,919,006. Below the definition of the considered concepts and the table showing the distribution of this revenue:

"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.axesor-rating.es.

"Other services": are products or services different from the credit rating services and ancillary services.

Revenues	2014
Credit Rating Services	2,3%
Corporates	2,3%
Ancillary services	49,4%
Clients of Credit Rating Services	1,0%
Non-Clients of Credit Rating Services	48,4%
Other services	48,3%

With regard to the asset classes, **axesor** focuses on corporate and geographically the revenues have been generated in Spain.

2.8 Corporate Governance Report

This section lists the corporate governance with regard to Article 46, Paragraph 1, of the Directive 78/660/EEC of 25th July 1978.

Article 46 bis, Paragraph 1, section (a), parts i and ii:

axesor has adopted a code of conduct that contains the foundations of the Code of Conduct for Credit Rating Agencies of the International Organisation of Securities Commissions ("IOSCO Code"). This code regulates the activities of credit rating agencies and of the staff linked to these activities.

Article 46 bis, Paragraph 1, section (c):

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

Article 46 bis, Paragraph 1, section (d):

Does not apply.

Article 46 bis, Paragraph 1, section (e):

axesor abides by the *Código de Buen Gobierno* (Code of Good Governance) established by the *Comisión Nacional del Mercado de Valores* (CNMV – National Securities Market Commission).

Article 46 bis, Paragraph 1, section (f):

The composition and functions of the Board of Directors as well as of the various committees operating within the Agency are presented in sections 2.2.1. and 2.2.2. of the present document.