

# GUIDE TO EXPLAINING SOLICITED RATINGS ESSENTIALS

And, how to switch to a solicited rating from an unsolicited rating

## INDEX

- I. ABOUT THIS GUIDE
- II. OUTCOME AND DELIVERABLES
- III. STANDARD ETHICS RATING: A SYNTHESIS OF THE ISSUANCE PROCESS
- IV. FIVE CHINESE WALLS TO COMPLY WITH
- V. SWITCHING TO A SOLICITED RATING FROM AN UNSOLICITED RATING
- VI. HOW STANDARD ETHICS RATINGS ARE DISCLOSED
- VII. MANAGING POTENTIAL CONFLICTS OF INTEREST

## ABOUT THIS GUIDE

This guide is designed to provide an understanding of the solicited ratings.

This guide:

1. Helps explain the deliverables and the documents that the company under solicited rating will receive at the end of the analysis.
2. Describes the scope and the use of the deliverables for the company.
3. Helps explain the structure of the process set by Standard Ethics to issue a solicited rating.
4. Provides an overview of the Chinese wall to mitigate conflict of interests.
5. Describes how a company under unsolicited rating can request a solicited rating.

## OUTCOME AND DELIVERABLES

The applicant under solicited rating at the end of the assessment process will receive:

- 1) The **Guidelines**;
- 2) The **Standard Ethics Rating**;
- 3) The **Final Report**.

### Guidelines

The **guidelines** are for internal use only and serve to:

1. Guide data collection and observations by Standard Ethics' analysts.
2. Share assessments with the clients and help them become aware of their potential (or gaps), thus offering **Gap Analysis**.

The guidelines, once drafted with observations and notes by Standard Ethics analysts, will offer the client excellent technical support to:

- Improve corporate governance.
- Make communication with stakeholders more efficient.
- Protect corporate assets, particularly corporate reputation.

See the **Score Model Guide** for more details on the Guidelines.

### Standard Ethics Rating (SER)

The deliverable of the work carried out is the **SER** expressed in nine levels from EEE to F (see the document "Sustainability Rating Definitions" for some specifics).

The uses of the **Standard Ethics Rating** for the company are to:

- Attract long-term and strategic investors.
- Be included in the Standard Ethics Indices.
- Measure its reputational risks.
- Measure the gap between the company and the OECD and the international agenda on sustainability and governance.

### **Final Report**

The rating is supported by a thorough **report**, the deliverable with the details explaining the final assessment.

The client can use the **Final Report** for different purposes:

1. As a Risk Analysis (particularly on reputational risks).
2. As an Internal gap analysis on corporate governance with strengths and weaknesses.
3. To improve external communication for investors and stakeholders.
4. To improve internal communication for employees and collaborators.
5. To improve environmental and social approach and reporting.

## STANDARD ETHICS RATING: A SYNTHESIS OF THE ISSUANCE PROCESS

The time required to issue a rating is 5/7 weeks and the steps are:

- Identification of contacts & Planning.
- Data and Information Collection (Analysis and discussions with employees: kick-off and wrap-up meetings).
- Final check of data & Initial «Gap Analysis».
- Initial assignment of values to standards and data sharing with Client.
- Assessment & Issue.

Offices involved in the issuance process are:

- Research Office
- Analysis Unit
- Reviewer
- Communications Office
- Compliance Officer
- Rating Committee

The **Research Office** is the Process Owner and:

1. Selects the Analysis Unit and, according to the Client, it sets the timetable.
2. Notifies the Board, the Analysis Unit, the Compliance Officer, the Rating Committee and the Communications Office on the decisions taken.

The **Communications Office**:

3. Administers and maintains the documents of the issuance process.
4. Manages the publication of reports and ratings.

The **Rating Committee**:

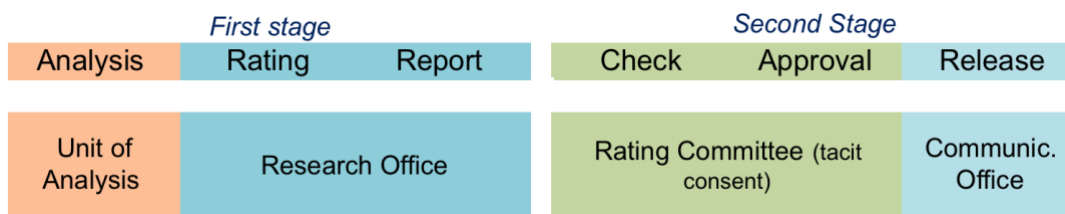
5. Examines the outcome of the analysis and the fairness of the rating given by the Research Office.

The **Compliance Officer**:

- 6. Audits the process.

The whole process is under the assessment of the Compliance Officer and is covered by **7 Procedures**.

The Client can report to the Compliance Officer any alleged violation of the process or of the rules of release.



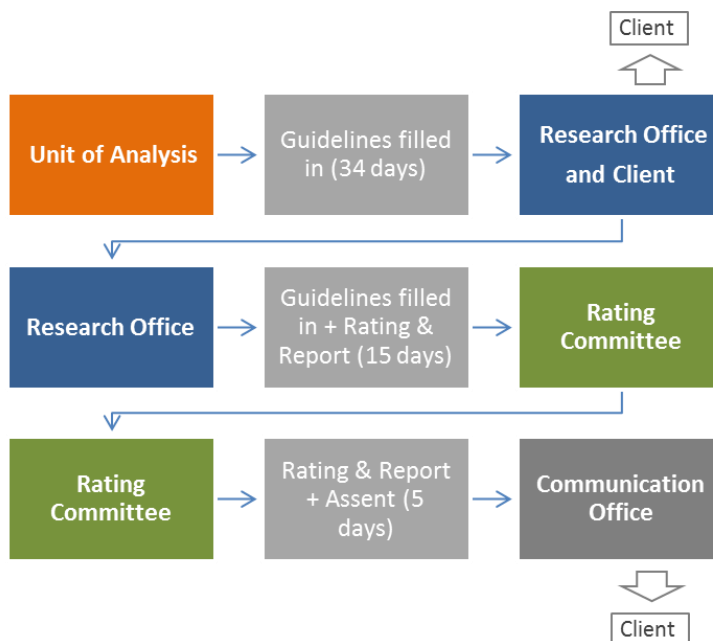
*Compliance Officer's Checkpoint 1 to 4*

The Research Office selects the Analysis Unit and, sets the timetable, follow the **procedure of assignment** and fill in the Checklist for the assignment of the Analysis Unit.

The Analysis Unit is composed of two analysts and a reviewer with different tasks.

The analyst starts the *Analysis, Rating & Report Stage* and – in compliance with the SE Chinese Walls.

At the end of the analysis, the SER Guidelines filled in by the analyst are delivered to the Research Office beginning the *Check, Approval & Release Stage*.



*Compliance Officer's Checkpoint 5 to 6*

The Rating Committee receives the rating and the report from the Research Office. It has a limited time to raise objections or send requests for clarification. During this period the Committee can interrupt the process. At the end of the period, after final approval by the Research Office and the Rating Committee, the Communications Office discloses the final report and the rating to the client.

## **FIVE CHINESE WALLS TO COMPLY WITH**

Standard Ethics adopts a number of Chinese walls in order to:

- Mitigate against potential conflicts of interest.
- Protect the data collected from the company under rating.
- Protect the privacy of the company.

These measures include, for example, a clear separation of function between those who negotiate the business terms for the ratings assignment and the analysts who conduct the analysis and provide the ratings opinions.

All working documents and information collected will be segregated and will not be sold to third parties. They will be disposed of after a predetermined period of time from the last Rating release.

The detailed list of the internal procedures in order to comply with the Chinese walls will be communicated to the company under solicited rating.



## SWITCHING TO A SOLICITED RATING FROM AN UNSOLICITED RATING

Companies under unsolicited rating may request at any time to switch to a solicited rating.

- The Standard Ethics Rating is annual and renewable.
- The cost of the rating depends on the size and type of the Applicant.
- The Standard Ethics Rating belongs to the Applicant.
- The Applicant decides whether to disclose the rating.
- Disclosure of the SER grants access to the Standard Ethics Indices.
- Standard Ethics can deliver different types of reports and various supporting materials to disclose and communicate the rating.
- Standard Ethics uses an analyst-driven rating process, so the work to be carried out does not require applicants to fill out forms and questionnaires or draft other documentation in addition to existing information. Standard Ethics analysts will gather the required data.

For more information about Standard Ethics and its methodology, and to have a general summary of the opinions reflected by the rating please see the **Sustainability Rating Definitions Guide**.



Solicited Sustainability Ratings

---

## HOW STANDARD ETHICS RATINGS ARE DISCLOSED

Standard Ethics does not publish **Solicited Standard Ethics Ratings** because they belong to the Applicant that can decide whether to disclose it or not.

Standard Ethics publish **all Standard Ethics Ratings** of listed companies that are **components** of the Standard Ethics Indices, whether they are solicited or unsolicited.

Standard Ethics follows standard procedures to disclose the ratings. The release of new ratings, downgrades and upgrades are communicated through **press release** and when **stock markets** are **closed**.

## MANAGING POTENTIAL CONFLICTS OF INTEREST

Similarly for credit rating agencies, critics here point out that both models have the potential for conflicts of interest since the entities paying for the rating, investors and companies, may attempt to influence the ratings opinion.

In order to mitigate that, Standard Ethics has taken a number of steps to protect against potential conflicts of interest when paid by applicants.

These measures include, for example, a clear separation of function between those who negotiate the business terms for the ratings assignment and the analysts who conduct the analysis and provide the ratings opinions.

Another safeguard is the **rating committee** process that limits the influence any single person can have on Standard Ethics ratings opinions. The role of the committee is to review and assess the analyst's recommendation for a new rating or a ratings change as well as to provide additional perspectives and checks and balances regarding adherence to the agency's ratings criteria. Standard Ethics client business managers, who respond to applicants' ratings requests and deal with commercial matters such as pricing, contract negotiations, and maintaining client relationships, do not participate or vote in rating committees.

A further safeguard is the appointment of the **Compliance Officer** that has access to all documentation of the Company she/he deems necessary to carry out his controlling and supervisory role and can independently report likely conflicts of interest.

Finally, the **Board of Directors** (complying with the international guidelines on diversity of nationality, professional skills and gender equality) establishes clearly defined policies and procedures. To ensure maximum level of independency, the Board is not involved in the issuing rating process but appoints the compliance officer and the rating committee.



Solicited Sustainability Ratings

---



[www.standardethics.eu](http://www.standardethics.eu)  
[headquarters@standardethics.eu](mailto:headquarters@standardethics.eu)

Important Legal Disclaimer.

All rights reserved. The Standard Ethics Rating (SER) is assigned by Standard Ethics Ltd in accordance with its established methodology on Corporate Social Responsibility and Corporate Governance based on the principles laid down by the European Union, the OECD and the United Nations. More information is provided on [www.standardethics.eu](http://www.standardethics.eu).

**Solicited** Ratings are assigned on a Client's request through a direct and regulated bilateral relationship.

**Unsolicited** Ratings are issued through official press releases only and for statistical or scientific purposes. Currently, to update Indices, as well as OECD countries ranking (including Brazil, China, Russia, India, South Africa, Egypt, Romania, Argentina, Bulgaria and Vatican City).

By issuing a solicited or unsolicited Ratings, or publishing Indices, Standard Ethics Ltd does not supply financial, legal, tax or investment consultancy. The opinions and analyses by Standard Ethics Ltd are not, even indirectly, invitations or solicitations to purchase or sell securities or to make investment decisions. Under no circumstances will Standard Ethics Ltd be liable for damages to, loss, or reduction in the value of shares of companies following or as a result of its analyses, its Indices or Ratings.

Standard Ethics Ltd will be held harmless against any responsibility arising from the use by costumers and/or its assignees of the information and data related to its Standard Ethics Rating. In particular, Standard Ethics Ltd is not answerable in any way whatsoever for any decisions and/or assessments made by companies on the basis of the above-mentioned data related to the Rating service. The Standard Ethics Rating is for information purposes only and companies under Rating will be wholly responsible for any decision made on the basis of the information arising from the Rating itself.

In no event shall Standard Ethics be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of its opinions, analyses and ratings.

The Standard Ethics Rating, if there are no others indications, is valid for twelve months from the date of issue. Standard Ethics reserves the right to modify, suspend or revoke at any time and irrevocably a previously assigned Rating.

The **SER** can be renewed by requesting annual visits by Standard Ethics' analysts without having to start the entire assignment procedure again. Unless updated, the **Rating's** validity ends on its natural expiry date, at which point the Client loses the right to use and publicise the Rating.

The final decision on changes to, or suspension or revocation of, the **Rating** will be communicated to the Client in writing and in a confidential manner. There will also be a request to bear the changes, suspension or revocation in mind in related company communications if the SER had been made public. If the Client does not adequately publicise the changes to the public **SER**, Standard Ethics reserves the right to make the changes, suspension or revocation known.