MARCH 2025

ARC RATINGS, S.A.
2024 TRANSPARENCY REPORT

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DISCLAIMERS

As required in Part III, Section E of Annex I to Regulation (EC) No. 1060/2009 of the European Parliament and of the Council, of 16 September 2009 (Regulation), ARC Ratings, S.A (ARC Ratings)'s Board of Directors hereby discloses ARC Ratings' 2024 Transparency Report.

This report covers the period of 1st January 2024 to 31st December 2024.

I. LEGAL STRUCTURE AND OWNERSHIP OF ARC RATINGS, S.A.

ARC Ratings, S.A. results from the redenomination on 7 October 2013 of Companhia Portuguesa de Rating, S.A. (CPR), a company formed in 1988 as a public limited company.

As at 31 December 2024 ARC Ratings, S.A's sole shareholder is ARC Risk Group. A list of shareholders owning more than 5% of ARC Risk Group's share capital is as follows:

- Enigma Investment Holdings (85.1%);
- Kunal Naik (10%).

Holdings of other shareholders (below 5%) totalled 4.9%

II. DESCRIPTION OF THE INTERNAL CONTROL MECHANISMS INTENDED TO ENSURE THE QUALITY OF THE RISK RATING ACTIVITIES

GOVERNANCE AND ADMINISTRATION BOARD

ARC Ratings, S.A's. Board of Directors is responsible for setting the standards, processes and structures necessary for implementing internal controls across ARC Ratings. The governance structure ensures that ARC Ratings' credit rating activities are conducted in compliance with CRA Regulations, applicable laws, ARC Ratings' Manual of Organisation and Procedures (Manual) and ARC Ratings' Code of Conduct.

The Board, which includes Independent Non-Executive Directors, is responsible for monitoring the compliance of ARC Ratings' internal controls and functions in line with CRA regulation.

INTERNAL RATINGS AUDITOR

The Internal Ratings Auditor (IRA) is independent from both the ARC Ratings' Analytical department and the ARC Ratings Commercial department. The Internal Ratings Auditor works alongside the Compliance Department, but is focused on the technical ratings aspects (as opposed to the Compliance Department's focus on regulatory aspects).

The role of the Internal Ratings Auditor is to provide the Board and Management with independent feedback regarding whether the technical quality of ARC Ratings' ratings analysis is in line with best international standards.

In 2024, the IRA chaired the Methodology Review and Approval Committee (MRAC), which approved the proposals for all new or existing methodologies, models and key rating assumptions that are used in the credit rating process. These were also presented to the Methodology Oversight Board (MOB).

THE METHODOLOGY OVERSIGHT BOARD

The Methodology Oversight Board (MOB) includes the Independent Directors from all ARC Ratings (UK) Limited and ARC Ratings S.A., along with the ARC Ratings' Internal Ratings Auditor and ARC Ratings' Head of Methodology. The MOB has oversight responsibility for all new and existing ARC Ratings' methodologies.

In 2024, the MOB provided oversight on the overall process followed by ARC on new or revised methodologies approved by the MRAC and reviewed whether the MRAC and Methodology department followed all relevant policies and procedures.

METHODOLOGY REVIEW PROCESS

ARC Ratings' Head of Methodology delivers an annual methodology programme at the start of the year, which is presented to the MRAC for review.

The development of new methodologies and review/amendments of existing methodologies the responsibility of the Methodology Department, and is subject to approval by the MRAC, which follows the procedures set out within the ARC Ratings' Manual of Organisation and Procedures and Code of Conduct.

ARC Ratings' criteria are publicly available on the ARC Ratings website. ARC conducts an annual review of all methodologies.

The Methodology Department takes on an Internal Review Function, in accordance with Point 9 Annex I of the Regulation, as it is "responsible for periodically reviewing its methodologies, models and key rating assumptions, such as mathematical or correlation assumptions, and any significant changes or modifications thereto as well as the appropriateness of those methodologies, models and key rating assumptions where they are used or intended to be used for the assessment of new financial instruments".

COMPLIANCE

The Compliance Department's main role is to ensure that ARC Ratings complies with all the regulatory and legal requirements of the jurisdiction in which it operates. It provides training for all staff on any new and existing regulatory updates, as well as the Manual and Code of Conduct, so as to ensure adherence to the written policies and procedures.

The Compliance Department supervises the current activity of ARC Ratings in all its various aspects, through the implementation of a "Compliance Work Plan" which enables the monitoring of analytical process, reporting of breaches, monitoring adherence to all other internal policies and where necessary updating upon regulatory changes.

Compliance oversees that all endorsed ratings are compliant with ARC Ratings' internal processes and procedures.

CONFLICTS OF INTEREST

ARC Ratings, S.A. has strong internal policies in place to eliminate conflicts of interest. Inter alia, each year all staff members sign Declaration of Interests forms, whereby compliance holds a centralised list and will cross reference to new and existing transactions. All staff adhere to the rules set out within the Code of Conduct, ARC Ratings' Independence and the avoidance of Conflicts of Interest.

RISK MANAGEMENT AND REPORTING

It is the responsibility of the ARC Ratings' Risk Committee to report on risk strategy, including the oversight of current and anticipated risk exposures within ARC Ratings, and to understand, question and measure the full spectrum of risks faced, be they operational, methodological, reputational or financial. In addition, the ARC Ratings' Risk Committee is responsible for monitoring the execution of timely action plans to eliminate or manage such risks as and when they occur, as well as to create an effective risk management framework with the aim of embedding a risk-focused culture across the whole of the organisation. This plan and execution are also reported to the Board.

CREDIT RATING PROCESS

ARC Ratings' credit rating activities are conducted in compliance with the CRA Regulation and applicable laws. They follow the procedures set out within the Manual and Code of Conduct, whereby rules are defined on the rating panel composition, approval processes and the level of documentation required to conduct a credit rating.

ARC RATINGS' CODE OF CONDUCT

ARC Ratings' Code of Conduct reflects the measures, procedures and guiding principles followed by Ratings (UK) Limited and ARC Ratings S.A. that assign credit ratings under the brand name "ARC Ratings".

This Code of Conduct applies to ARC Ratings, to all employees, and to all persons and entities that provide services to ARC Ratings and which, by reason of that provision of services, may have access to confidential information held by ARC Ratings, S.A..

The Code of Conduct reflects the Code of Conduct Fundamentals for Credit Rating Agencies issued in December 2004 by the International Organization of Securities Commissions (IOSCO) and its subsequent reviews, and the requirements of Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (Regulation 1060/2009), as amended.

The Manual and Code of Conduct is reviewed at least annually and whenever significant changes occur which impact the rating process or where there have been regulatory amendments.

All ARC Ratings' employees sign an attestation to confirm adherence to the Manual and Code of Conduct.

III. STATISTICS ON STAFF ALLOCATION TO NEW CREDIT RATINGS, CREDIT RATING REVIEWS, METHODOLOGY OR MODEL APPRAISAL AND MANAGEMENT

In 2024, ARC Ratings, S.A. had on average of twenty two employees at its service, with all staff being hired on a permanent basis ("open-ended employment contracts"). Seven were in management/commercial positions, four in compliance, nine in rating analyst positions (being five who work in structured finance and four who work in corporate), two in methodology development and review and the remaining one in support/secretariat functions.

IV. DESCRIPTION OF THE RECORD KEEPING POLICY

With regard to the record keeping and confidential information policy implemented at ARC Ratings, S.A., in 2024 all employees followed the principles set out below, which are included in the Manual and are either established or arise from ARC Ratings' Code of Conduct:

- To maintain records of the elements indicated below for at least five years after the maturity of the financial commitment being rated or after the date when the rating ceased to be valid (withdrawn), whichever comes first, and for a further period of three years if ARC Ratings' registration has been revoked:
  - the records documenting the methodologies and procedures used by ARC Ratings to assign each rating;
  - the internal records and files, including confidential information, work papers, and draft reports for discussion (confidential), used as the basis for the assignment of each rating;
  - copies of the internal and external communications, including electronic communications, received and sent by ARC Ratings and employees in connection to rating activities;
- To take all measures to ensure that the confidential information made available to ARC Ratings by the entities whose financial commitments are being rated as well as information related to the rating processes is adequately kept and cannot be used unduly or in a fraudulent manner;
- not to share ARC Ratings' subsidiary confidential information with employees of companies under a group relationship with ARC Ratings' subsidiary, and only share this information among themselves to the extent necessary for the assignment of ratings;
- forbid the access of the Commercial Department to confidential information received for the analytical process.

For all entities whose financial commitments are rated by ARC Ratings, S.A., confidentiality is guaranteed through Confidentiality Agreements signed within ARC Ratings' employees' employment contracts. Employees are bound to maintain strict and permanent confidentiality under the law about

any information to which they may have access in the course of their activity with regard to any company and shall not use such information to their own advantage or that of others.

V. OUTCOME OF THE ANNUAL INTERNAL REVIEW OF THE INDEPENDENT COMPLIANCE FUNCTION

The Compliance Function within ARC Ratings, S.A. is independent and reports its findings to the ARC Ratings Board of Directors, which also includes Independent Non-Executive Directors (INEDs).

The Compliance Function monitors adherence to compliance by ARC Ratings, S.A. and its employees to regulatory requirements, policies and procedures governing the issuance of credit ratings set out within the Manual and Code of Conduct and in line with regulatory requirements.

ARC Ratings, S.A. has a positive Compliance culture and carries out regular monitoring and surveillance of credit rating activities, identifying risks and potential non-compliance. All potential non-compliance, issues raised during the reporting period followed ARC Ratings' internal reporting structure and where necessary ad hoc reporting was provided to regulators.

ARC Ratings operates within two jurisdictions ARC Ratings, S.A. covering EU operations and ARC Ratings (UK) Limited covering UK operations. ARC Ratings' operating structure (with certain functions operating across both jurisdictions) share the global ARC Ratings' Manual and Code of Conduct. This alignment ensures that our internal processes are mirrored in each jurisdiction and adhere to the CRA Regulation, with minimal variation in policies and controls.

The Compliance Department monitors the endorsed ratings from each subsidiary to ensure consistency with rating processes as part of the annual Workplan, with the assistance of the Internal Ratings Auditor.

Compliance met with ARC Ratings' Independent Non-Executive Directors at regular intervals throughout 2024, reporting on control functions, compliance workplan and advising on changes to CRA regulation and made the necessary amendments to policies and procedures, as and when required. In addition, the Internal Ratings Auditor also met alongside Compliance with the INEDS, advising on key topics of internal processes, workplans and credit rating activities, implementing remedial action where necessary to enhance process and policy.

Focus areas in 2024 included (with further details on each in section below):

- Code of Conduct;
- IT framework and Operational Resilience;
- Application Error Protocol;
- Enhanced Training Programme;
- Private Ratings Disclosures.

During 2024, the ARC Ratings Compliance team conducted a review of the global ARC Ratings' Code of Conduct. This review was to strengthen our processes for handling material non-public information and our gifts and entertainment policy. In addition, we moved our whistleblowing policy from an internal document and incorporated it into the Code of Conduct so that it was public facing. The proposed changes were reviewed and approved by the Risk Committee. This proactive approach ensures that ARC maintains high standards of compliance and governance.

Annually, all employees comply with manual attestations. These attestations confirm their oversight and understanding of ARC's internal processes and procedures. Additionally, employees complete a Declaration of Interest, providing information to manage any potential conflicts of interest.

During 2024, ARC Ratings also reviewed its IT framework in order to align with the EU's Digital Operational Resilience Act (DORA). As part of this initiative, ARC Ratings implemented enhanced Information technology processes, including those related to ICT Risk Management, and ICT-related incident management.

During 2024, ARC Ratings updated its Application Error Protocol. These updates were approved by the Risk Committee.

In 2024 ARC Ratings hired a new Chief Compliance Officer. She reviewed and updated the Compliance training programme.

New regulations on Private ratings entered into force in April 2024. As a result, a new process was brought into effect to align with regulatory expectations. These enhancements ensure that private rating information is communicated securely to relevant stakeholders, maintaining compliance with regulatory requirements.

VI. MANAGEMENT AND ANALYST ROTATION POLICY

Given its size, ARC Ratings, S.A. was granted an exemption from the requirements established in Article 7 (4) of the Regulation concerning the rotation or risk rating analysts.

Concerning the management structure of ARC Ratings, S.A. credit risk rating analysts in 2024, please see point 3) above.

VII. FINANCIAL INFORMATION ON THE REVENUE OF ARC RATINGS, S.A., DIVIDED INTO FEES FROM CREDIT RATING AND NON CREDIT RATING SERVICES AND OTHER ACTIVITIES

For the financial year ended 31 December 2024, ARC Ratings, S.A. turnover was €2.52m, all in respect of credit rating and credit assessment activities. The breakdown of turnover is reflected in the table below:

2024 Revenue Split - ARC Ratings, S.A.	
By Region	
EU	64%
Other	36%
By Activity	
Rating Activities	100%
Ancillary Services	0%

VIII. GOVERNANCE STATEMENT WITHIN THE MEANING OF ARTICLE 46-A OF COUNCIL DIRECTIVE 78/660/EEC OF 25 JULY, CONCERNING THE ANNUAL ACCOUNTS

ARC Ratings S.A. is governed by Portuguese Law and the Articles of Association. None of the Company's shares confer special control rights and there are no restrictions to voting rights. The auditor for ARC Ratings, S.A during 2024 was Moore Stephens.

ARC Ratings S.A. Board meetings are held on a quarterly basis and the composition of the Board in 202~4 was as follows:

- Lindon Neil, Independent Non-Executive Director, who was appointed onto the Board of Directors on 3 June 2019, resigned 28 June 2024;
- Andrew Cunningham, Independent Non-Executive Director, who was appointed to the Board of Directors 1 June 2022, appointed Chair of the Board 16 June 2023;
- Anne Le Hénaff, Independent Non-Executive Director, who was appointed to the Board of Directors 1 July 2023;
- David King, Executive Director, who was appointed onto the Board of Directors on 29 July 2015; and
- Oliver Howard, Executive Director, who was appointed onto the Board of Directors on 31 March 2021.

The Board members shall be elected at a General Meeting for a mandate of a minimum of three years and a maximum of five years. The Independent members of the Board of Directors Terms of Engagement shall be governed by and subject to all the terms and conditions specified in applicable regulations, including Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (Regulation 1060/2009), as amended.

The Chair and the Chief Executive Officer shall be elected by majority of the Board's members.

Other than in the cases foreseen in the law or as required by the interests of the company, the Board of Directors shall meet at least on a quarterly basis.

The quorum for the Board meetings shall only be valid provided that a majority of its members attend the meeting.

Resolutions are passed by absolute majority of the votes.

Directors may confer powers to another Director to act/represent him/her during his/her absence, which shall be presented in a written form and addressed to the Chair of the Board.

Resolutions signed in writing by the requisite quorum of Directors shall be valid and effectual as if passed at a meeting of Directors.

ARC Ratings' shall be legally bound:

a) by the signature of 2 (two) members of the Board of Directors; or

b) by the signature of a single member of the Board of Directors to whom the powers for so doing have been formally delegated; or

c) by the signature of appointed proxies, acting alone or jointly, subject to the scope and in accordance with the terms of the corresponding mandate.

Ordinary acts involved in the day-to-day running of the company shall require only the signature of one member of the Board of Directors or the signature of one appointed proxy, subject to the scope and in accordance with the terms of the corresponding mandate.

Directors shall treat all information and documentation obtained with the necessary discretion and, in the case of classified information, with the appropriate secrecy. Confidential information shall not be disclosed outside the Board, made public or otherwise made available to third parties, even after resignation from the Board.

The responsibility of the Board, among others:

- governing the organisation by establishing broad policies and setting out strategic objectives and guidelines and overseeing its implementation;
- selecting, appointing, supporting and reviewing the performance of the CEO and any other Executive Directors;
- terminating the appointment of CEO or any other Executive Director;
- setting the salaries, compensation and benefits of senior management;

- approving the annual budget;
- choosing the auditor;
- accounting to shareholders and other relevant stakeholders for the 'subsidiary's performance.

In addition to these broader responsibilities, it shall also be part of the Board of Directors responsibilities:

- to approve ARC Ratings' Code of Conduct;
- to approve the Manual of Organisation and Procedures;
- to verify compliance with the principles set out in ARC Ratings' Code of Conduct;
- to take all reasonable steps to satisfy itself that the organisation is compliant with relevant regulatory and legal obligations;
- to maintain contacts with market participants and the public in general about any questions, concerns, complaints or relevant information regarding ARC Ratings' activity.

The skill set of the Independent Non-Executive Directors provides sufficient expertise in financial services and governance and risk and have in-depth knowledge and experience at a senior level of the markets in structured finance instruments.

DISCLAIMERS

ARC Ratings, S.A. is registered as a Credit Rating Agency with the European Securities and Markets Authority (ESMA), within the scope of the Regulation (EC) Nº 1060/2009 of the European Parliament and of the Council, of 16 September, and recognised as an External Credit Assessment Institution (ECAI).

ARC Ratings (UK) Limited is registered as a Credit Rating Agency with the United Kingdom Financial Conduct Authority, within the scope of the Statutory Instrument Nº 266/2019, of 13 February, and recognised as an ECAI.

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