

TRANSPARENCY REPORT 2015



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Introduction

Spread Research is the first French Rating Agency, registered by ESMA (European Securities and Markets Authority) and a leading European Independent Credit Research firm, founded in 2004 and based in Lyon, France.

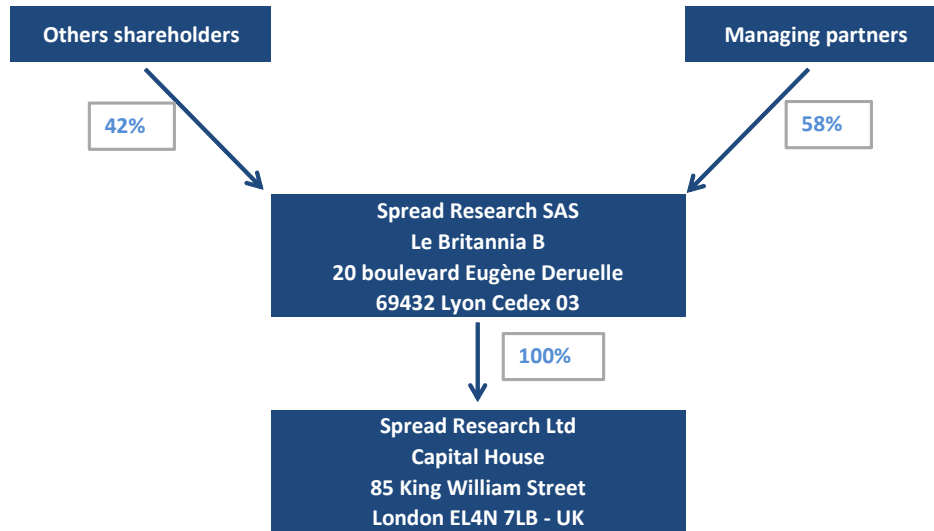
Our experienced team offer key credit research services using a wide range of investment strategies and credit research methodologies for the High Yield, Emerging Markets, Convertible Corporate Bond Issuers.

The team comprises experienced credit analysts with strong knowledge of high yield credits, leverage and project finance. Credit experience within the company averages 11 years and the senior credit analyst team have strong credit backgrounds in investment banking & leverage finance buy-side HY funds.

In accordance with Article 12 of the Regulation (EC) N° 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, Spread Research publishes this Transparency Report covering the period from 01/04/2014 to 31/03/2015 (end of Spread Research's fiscal year).

1. Legal structure and ownership of the credit rating agency

1.1 Shareholder structure



1.2 Participations

Corporate Name	Spread Research Participation	Head Office
LTD	100%	Capital House, 85 King William Street, London EL4N 7BL - UK

2. Internal control mechanisms

2.1 Internal Audit

The internal audit function's main tasks are:

The in-depth understanding and analysis of the whole businesses

To ensure the appropriate understanding and analysis of the whole business, the internal audit function has unrestricted access to all corporate operations, records, data files, computer programmes, property, and personnel to obtain a thorough understanding of Spread Research.

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

A 3-year audit plan is formulated to ensure a systematic coverage of all Spread Research's operations. The internal audit plan is revised annually to reflect any changes in the organisation and in case new services are implemented throughout the year.

The internal audit function uses a risk ranking methodology for drawing the organisation's main risks in the following fields: operating risks, financial risks and event risks. The internal audit function reviews the financial, business and functional operations and activities, with a priority focus on areas with higher risk.

The Supervisory Board and management team may also ask the internal audit function to conduct ad-hoc reviews of identified issues or potential vulnerabilities within the organisation.

To analyse the process and assessing controls

The internal audit function includes the examination of documents, analysis of trend data, and verification of assets.

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 rectification.

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

2.2 Supervisory Board

Spread Research has a supervisory board consisting in 2 members.

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

Its senior management ensures that:

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

2.3 Internal Review Function

Spread Research has established a review function 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.

That 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 point 2.2 of this Section.

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

- periodically reviews the methodologies
- backs testing exercise
- periodically reviews the models
- periodically reviews the key rating assumptions
- methodology appropriateness for new financial instruments

The review function is in charge of monitoring the policies and procedures effectiveness, regarding the control of methodology, models, rating assumptions and methodology related to new instruments. The monitoring of the effectiveness is done by comparing the impact of the review function on the methodology, models, rating assumptions and methodology related to new instruments before and after its report. Regardless of the size of the impact, the reason behind said impact will be a part of the following year report in a specific section assessing how the procedures reached their targets of fulfilling ESMA requirements.

2.4 Compliance Function

Spread Research has established and maintained an effective compliance function department which operates independently. The compliance function monitors and reports on compliance of the credit rating agency and its employees with the credit rating agency's obligations under this Regulation.

The compliance officer complies with the 4 requirements needed for such a position:

- (a) the compliance function has the necessary authority, resources, expertise and access to all relevant information;
- (b) the compliance officer is appointed and is responsible for the compliance function and any reporting with regard to compliance
- (c) the managers, rating analysts, employees and any other natural 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 by control who is involved in the compliance function is not involved in the performance of credit rating activities they monitor;
- (d) 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.

The compliance officer ensures that any conflict of interest relating to the persons placed at the disposal of the compliance function are properly identified and eliminated. The compliance officer reports regularly on the carrying out of his or her duties to the supervisory board.

The compliance function is in charge of monitoring the conflicts of interests, and the application of the code of conduct. The monitoring of the effectiveness is done in assessing the impact of the compliance function as regards disclosures and resolution of realized or potential conflicts.

2.5 Code of conduct

Internal corporate governance policies are governed by Spread Research's code of conduct.

Spread Research 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 Spread Research's regulatory filings and associations it belongs to, directly or indirectly. Spread Research's principal takeaways from the code of conduct are as follows:

- Spread Research is committed to comply with a strict definition of independence in order to avoid any conflict of interest.
- Spread Research cannot be paid by investors and corporate issuers at the same time for the same issuer. No investment recommendations can be performed on solicited ratings paid by issuers.
- Spread Research employees are committed to improve best practices and personal skills to better serve the organization and its clients.
- All contracts with clients make sure that clients have an equal access to research.
- Spread Research Compliance Officer makes sure that collaborators are aware of the rules and regulation that govern the financial market.

2.6 Credit Rating Assignment Process

2.6.1 Rating definition

A rating is Spread Research's measure of the future credit quality of an issuer within a 6- to 12-month horizon, expressed as a Probability of Default (and not an Expected Loss, unlike rating agencies). The Loss Given Default is captured separately by the recovery rate.

2.6.2 Rating process

Responsibilities

The lead rating analyst is responsible for conducting the fundamental credit analysis, formulating a rating recommendation based on Spread Research's relevant criteria and methodology, as described later, and presenting sufficient and relevant information to the rating committee.

Informations required

The minimum public information required is:

- The two latest annual reports and their audit certification;
- The latest interim report of any (either quarterly or semi-annual report);
- The management's discussions on operating results, including the review of competition and market developments;
- The documentation on public bond instruments;
- One access to management during the last twelve months, either through an earnings call or a one-to-one call between Spread Research's rating analyst and the company's management or investor relations department.

In case Spread Research has access to non-public information, it will also require obtaining the main terms and conditions of credit facilities agreement, including financial covenants.

Rating production

The 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 relation section;
- Step 3: Review of competition and market developments. This can be done thanks to 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;
- Step 1-4: For each of the previous steps, the rating analyst fills in Spread Research'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, the summary of the financial covenants that have been disclosed to Spread Research;
- Step 5: Call with the management, when available; 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 summarized in the "Transparency Index" issued by Spread Research's analysts. This index gives a fair assessment of the quality of the information used in the rating methodology.

Spread Research produces documents that are mapping key financial ratios for each level of rating (i.e. adjusted EBITDA margins, leverage ratios, coverage ratios), and these document can serve as a benchmark for the rating assignment exercise.

2.6.3 Rating methodology

Introduction

- Spread Research defines a default as either (i) a missed payment (post-grace period) on a coupon or the debt principal; (ii) an in-court restructuring (e.g. filing for bankruptcy; Chapter 11; in-court restructuring resulting in a debt-for-equity swap; etc.); or (iii) a liquidation.
- Spread Research assigns corporate ratings only, not ratings to debt instruments.
- Spread Research's rating applies to the consolidated group for which audited consolidated accounts are available. Debt located at holding company level (e.g. PIK) above the consolidated group may be factored in on a case-by-case basis depending upon the degree of protection offered by group covenants against cash leakage to service such debt.
- Ratings are forward-looking and thus (i) look in part through the cycle (depending upon its length) and; (ii) incorporate event risk whose likelihood is material and flagged by the analyst.
- Spread Research only assigns local currency ratings i.e. ratings that measure an issuer's ability and willingness to meet its debt obligations regardless of the currency in which such obligations are denominated.

Methodological approach

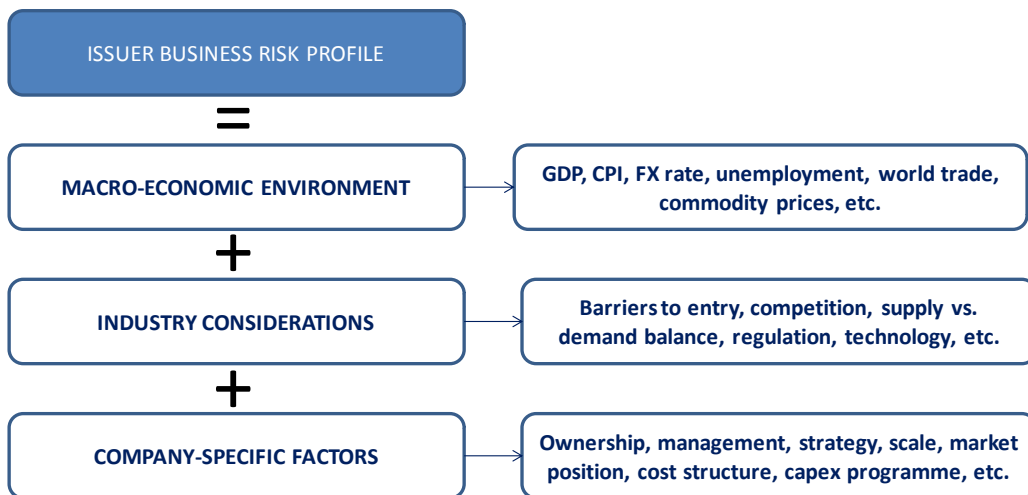
Ratings assigned by Spread Research are based on the analysis of a mix of qualitative factors (business risk profile, management strategy) and quantitative factors (historical and projected credit metrics, liquidity). More specifically, a rating is the combination of an issuer’s business risk profile and of its financial risk profile.

Certain specific credit considerations may subsequently cap such rating to a lower level than originally envisaged. These include among others: country risk, liquidity profile and transparency.



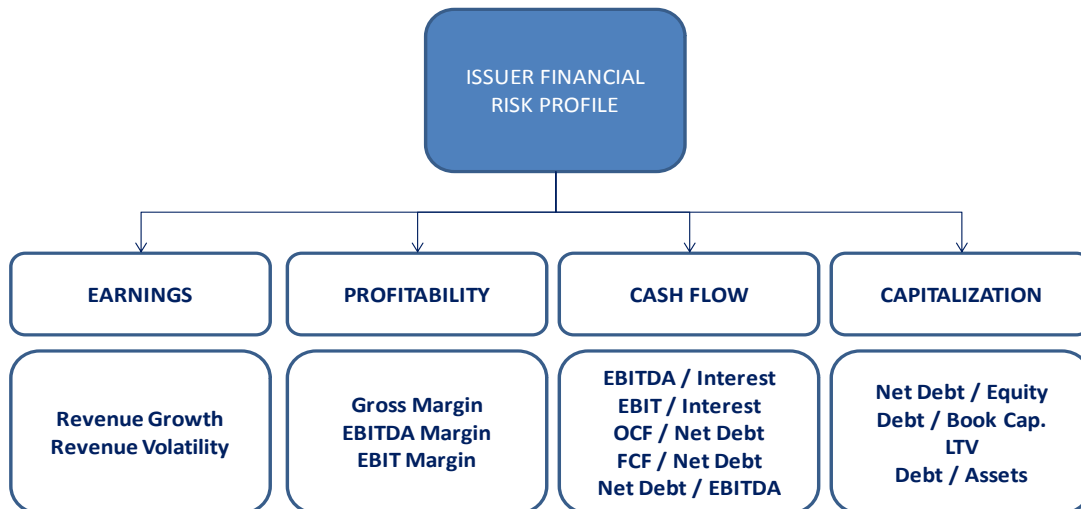
Rating factors: business risk profile

We assess the business risk profile of an issuer based on a number of qualitative factors as per chart below. Typically, our assessment is comprised of three layers of analysis, including (1) the macro-economic environment; (2) industry-specific considerations and; (3) company-specific considerations.



Rating factors : financial risk profile

We assess the financial risk profile of an issuer based on a number of key credit metrics as per chart below. We look at both historical and projected metrics, although ultimately projected metrics carry more weight as long as there is sufficient comfort in those.



2.6.4 Rating monitoring

Frequency

Spread Research's ratings are monitored on an ongoing basis.

In addition, the credit committee must assess the rating of a rated entity at least every 12 months, even if the lead rating analyst recommends maintaining the existing rating.

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 bond and bank debt.
- Sector information.

ANALYSIS & ASSESSMENT OF INFORMATION

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

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

Trigger for a rating change

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

3. Credit rating personnel allocation

Personnel allocation	2014-2015
Credit Ratings	5
Rating Comitee	5
Methodologies Development	4
Senior management	3
Credit Rating support	2
Ancillary services	5
Support Function	2

4. Record-keeping policy

All documentation relating to the sales/marketing functions is kept on record on a separate and dedicated local network or a locker for physical documentation, not accessible to analysts.

All documentation relating to the investment recommendation activity is kept on record on a separate and dedicated local network, not accessible to analysts.

The identity of rating analysts determining credit ratings is kept on the Spread Research website, as the name of the analyst is published on the document posted to our website and sent by email to our subscribing clients. The identity of rating analysts approving the credit ratings is kept on the credit committee form. If a rating is solicited, it will be mentioned on the credit rating report (Spread Research currently does not publish any solicited rating). The date of the rating action is kept on the Spread Research website.

All reports published to our clients are kept on record on our website, which is our central repository database, but there is no information on it related to the fees received from any rated entity nor any client on the website (these records are kept separately).

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

All documentation relating to established procedures and methodologies used by the credit rating agency to determine credit ratings is kept on record on a separate and dedicated local network or a locker for physical documentation, accessible to analysts and the compliance officer only.

All documentation relating to issuers, sectors, market, etc are kept on record on a separate and dedicated local network (not on the website) or a locker for physical documentation, with an automatic back-up once a day on a local hard drive, accessible to analysts and the compliance officer only.

Credit analysis reports, credit assessment reports and private credit rating reports and internal records, including non-public information and work papers, used to form the basis of the opinions expressed in such reports are kept on a separate and dedicated local network or a locker for physical documentation, accessible to analysts and the compliance officer only.

All documentation relating to the records of the procedures and measures implemented by the credit rating agency to comply with this Regulation is kept on record on a separate and dedicated local network or a locker for physical documentation, accessible to only the Managing Partners of the company and its Compliance officer.

All documentation relating to the copies of internal and external communications, including electronic communications, received and sent by the credit rating agency and its employees, that relate to credit rating activities, is kept on record on a separate and dedicated local network or a locker for physical documentation, with an automatic back-up once a day on a local hard drive, accessible to analysts and the compliance officer only.

The records of the documentation cited above are kept at the premises of Spread Research and can be made available upon request to the competent authorities. Spread Research will commit to keep these records for at least 5 years. Spread Research will commit to keep these records for 3 years following the withdrawal of its registration as a credit rating agency.

Contracts with third parties are kept at Spread Research premises. Spread Research currently issues non solicited ratings only. Should it issue solicited ratings, the contract setting out the rights and obligations of Spread Research and the rated entity will be kept on a separate and dedicated local network or a locker for physical documentation, accessible only to the Managing Partners of the company, as well as the compliance officer of the company.

Spread Research currently does not issue solicited rating and therefore does not receive confidential or private information in any part of the rating process. Should any information received from a rated entity be deemed as confidential or private, the recipient would be the lead rating analyst covering the issuer.

5. Internal Review of the Compliance Function

The function of the internal review is, after 2 years (1 July 2013 – 30 June 2015), to review the efforts and results, focusing on Spread Research's efficiency and independence, its compliance to ESMA regulations and the validation of its 2015 work plan. Additionally, the review goal is to validate the company's adequacy with regards to its rating activity and assess compliance functions.

6. Management and rating analyst rotation policy

Given the number of employees, Spread Research made an exemption demand related to the rating analyst rotation policy.

7. Information on Revenues

Activity	01/04/2014 - 31/03/2015
Rating Activities	523 K€
Ancillary Services	862 K€
Total	1 385 K€

8. Corporate Governance statement

This is the governance statement within the meaning of Article 46a(1) of Council Directive 78/660/EEC of 25 July 1978.

Article 46a, paragraph , section (a), parts i and ii

Internal corporate governance policies are governed by Spread Research's code of conduct. In order to give guidelines regarding best practices in employees' work both internally and externally, and regarding the financial community and its regulation, Spread Research has set up his code of conduct. Any employee is required to sign it in order to protect both himself and the organization against any kind of misconduct.

Article 46a, paragraph , section (b)

Not Applicable

Article 46a, paragraph , section (c)

Spread Research's internal controls and risk management systems in relation to the financial reporting process are listed and described in section 2 of this document.

Article 46a, paragraph , section (d)

Not Applicable

Article 46a, paragraph , section (e)

Spread Research's legal entity is SAS « Société Anonyme Simplifiée » and shareholders rights are governed by SAS' statutes.

Article 46a, paragraph , section (f)

The composition and responsibility of the Supervisory Board is detailed in section 2.2 of this document.

Contact

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