

Inventory of Conflicts of Interest

1. Controls as of Policies and Procedures on Conflicts of Interest

Test	Result
a) modefinance, rating analysts, employees of modefinance as well as any other person at the service of modefinance who is directly involved in rating activities directly or indirectly own financial instruments of the rated entity or a related third party or has any other direct or indirect ownership interest in that entity or party, other than holdings in diversified collective investment schemes, including managed funds such as pension funds or life insurance	Potential conflicts were detected with 15 entities as rating analysts, employees of modefinance as well as any other person directly involved in rating activities own financial instruments of those entities or a related third party. <i>For those entities, the rating could be issued while excluding them from participating in any stage of the rating process.</i>
aa) a shareholder or member of modefinance holding 5% or more of either the capital or the voting rights of modefinance or being otherwise in a position to exercise significant influence on the business activities of modefinance, holds 5% or more of either the capital or the voting rights of the rated entity or of a related third party, or of any other ownership interest in that rated entity or third party, excluding holdings in diversified collective investment schemes and managed funds such as pension funds or life insurance, which do not put him in a position to exercise significant influence on the business activities of the scheme	Potential conflicts were detected with 149 entities: entities whose capital is relevantly held by modefinance S.r.l. shareholders (direct or indirect). This section is extended to cases which would require only a disclosure according to Regulation (Point 4 section a) and to cases regarding indirect shareholders (Point 5). <i>All entities included here will not be rated.</i>
b) the credit rating is issued with respect to a rated entity or a related third party directly or indirectly linked to modefinance by control	Potential conflicts were detected with 10 entities: direct or indirect linked to modefinance S.r.l. by control. <i>Those entities will not be rated.</i>
ba) the credit rating is issued with respect to a rated entity or a related third party which holds 10% or more of either the capital or the voting rights of modefinance	Potential conflicts were detected with 16 entities: direct or indirect relevant shareholders of modefinance S.r.l. <i>Those entities will not be rated.</i>

Test	Result
c) rating analysts, employees of modefinance as well as any other person at the service of modefinance who is directly involved in rating activities is a member of the administrative or supervisory board of the rated entity or a related third party	Potential conflicts were detected with 11 entities as two rating analysts are members of the supervisory board of such entities. <i>For these entities the rating could be issued excluding them from taking part in any step of the rating process.</i>
ca) a shareholder or member of modefinance holding 5% or more of either the capital or the voting rights of modefinance or being otherwise in a position to exercise significant influence on the business activities of modefinance, is a member of the administrative or supervisory board of the rated entity or a related third party	Potential conflicts were detected with 1 entity: entities who have in their own administrative or supervisory board a shareholder or member of modefinance holding 5% or more of either the capital or the voting rights of modefinance or being otherwise in a position to exercise significant influence on the business activities of modefinance. This section is extended to cases which would require only a disclosure according to Regulation (Point 4 section b) and to cases regarding indirect shareholders (Point 5). <i>All entities included here will not be rated.</i>
d) a rating analyst who participated in determining a credit rating, or a person who approved a credit rating, has had a relationship with the rated entity or a related third party which may cause a conflict of interests	Potential conflicts were detected with 1 entity as rating analysts had recent close relationships with such entities. <i>For those entities, the rating could be issued while excluding them from participating in any stage of the rating process.</i>
e) tests aa), ba) and ca) extended to: (a) indirect shareholders covered by Article 10 of Directive 2004/109/EC; and (b) companies that control or exercise a dominant influence, directly or indirectly, on modefinance, and which are covered by Article 10 of Directive 2004/109/EC	Conflicts related to indirect shareholders are included in respective points. <i>No other company controls or exercises a dominant influence directly or indirectly on modefinance.</i>
f) modefinance providing consultancy or advisory services to any rated entity or related third parties regarding corporate or legal structure, assets, liabilities or activities of that rated entity or related third party	<i>No actual nor potential conflicts were detected.</i>
g) a relevant shareholder of modefinance providing consultancy or advisory services to any rated entity	No actual nor potential conflicts were detected. <i>modefinance uses its own best efforts to</i>

Test	Result
or related third parties regarding corporate or legal structure, assets, liabilities or activities of that rated entity or related third party	<i>communicate with direct and indirect shareholders and avoid issuance of credit ratings in such cases.</i>
h) the rated entity or a related third party is a buyer of other services provided by modefinance for 1.5% or more of total turnover in the past 12 months	Potential conflicts were detected with 12 entities: buyers of other services provided by modefinance for 1.5% or more of the total revenue in the previous 12 months. <i>All entities above 3% will not be rated, while entities 1.5% might be rated only after an internal review of the conflict.</i>

2. Further controls as of Policies and Procedures on Staffing

Test	Result
a) rating analysts, employees of modefinance as well as any other person at the service of modefinance who is directly involved in rating activities soliciting or accepting money, gifts, favors	Potential conflicts were detected with 1 entity as one rating analyst received gifts, money or material support from such entity. <i>For those entities, the rating could be issued while excluding him from participating in any stage of the rating process.</i>
b) an analyst terminating his or her employment and joining a rated entity	<i>No actual nor potential conflicts were detected.</i>
c) employees or members involved in internal controls having potential or actual conflicts of interest	<i>No actual nor potential conflicts were detected.</i>

3. Summary

A total of **216** potential conflicts of interests were identified, most of which will be avoided or eliminated by not rating the entity involved, or by excluding people who had the conflict from participating in any stage of the rating process, or by withdrawing an existing rating:

- **176** potential conflicts are related to modefinance ownership structure.
- **28** potential conflicts are related to single analysts or other employees.
- **12** potential conflicts are related to clients of modefinance ancillary services which generated a relevant share of turnover in the last 12 months.

modefinance has all the necessary procedures and internal controls in order to avoid, for these entities, or that a rating process may start or, in cases of personal conflicts, that people who had the conflict is excluded from the participation to any stage of the rating process.

modefinance has put in place adequate internal control mechanisms on the collection of information reported in the present inventory of conflicts as well.