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**This document establishes HR Ratings' General Methodological Criteria.**

HR Ratings' General Methodological Criteria describes concepts that are applicable to all the rating assigned to states, issuers, issues, credits and structured products. The common concepts to understand HR Ratings' ratings are the following:

- **HR Ratings' ratings** reflect an evaluation of the credit quality of an entity, issuer, issue, credit or structured product against other similar entities, products or assets and not necessarily a statistical probability of payment default (*page 2*);
- **Default Criteria.** On assigning a rating based on level of default, HR Ratings' methodologies allow the distinction between the default of specific debt Instruments and entities subject to the payment obligation (*page 2*).
- **Liabilities with Specific Accounting Treatment.** There are entities that have lines of credit or liabilities with finance cost that may not be posted in accounting as a banking and/or securities market debt. Notwithstanding, HR Ratings considers any breach or delay of previously agreed debt payment obligations as a default or non-payment (*page 5*).
- **Relationship between Short- and Long-Term Ratings.** Although the ratings on each scale between these concepts have a typically direct relationship, short-term ratings may be in a higher range based on the credit strengths that facilitate short-term funding (*page 5*).
- **HR Ratings' ratings may be assigned on a Local Scale and/or a Global Scale.** Here, the difference is based on that Global Scale ratings consider the sovereign risk of the country in which the entity predominantly operates (*page 5*).
- **Equivalence of Global to Local Scale.** HR Ratings has a process to measure the credit risk of any entity in a country not rated directly by HR Ratings and make an equivalence with the credit risk that another entity may have in a country rated by HR Ratings (*page 6*).
- **Ratings Actions and Attributes:** HR Ratings assigns one of three possible attributes to its ratings: Outlook, Creditwatch or Review in Process (*page 7*).
- **Sovereign, Subnational or Third-Party Support.** HR Ratings may consider that an entity or issue has the backing of a third-party and therefore, both would maintain the same rating (*page 8*).
- **Legal Analysis of Structured Transactions.** In the case of structured transactions, HR Ratings may carry out an evaluation of the legal documents to ensure the proper establishment of the transaction. (*page 9*).
- **Treatment of the Lack of Transparency in the Information Presented or the Low Level of Corporate Governance.** If HR Ratings identifies shortfall in the information provided for analysis or identifies weakness in the Corporate Governance of the rated entity, it may apply an unfavorable qualitative adjustment to the rating (*page 9*);
- **Limited and Preliminary Ratings.** These represent an analysis of credit strength under specific assumptions, these do not have a determined term and are not subject to withdrawal, monitoring or update. Therefore, these ratings are not regulatory (*page 10*).
- **Indicative Evaluations.** Evaluations performed with information provided by an entity to apply the public quantitative parameters established in HR Ratings' methodologies. These evaluations are not regulatory. (*page 12*)
- **Influential Ratings.** This refers to the use of credit ratings assigned by other rating agencies authorized by the relevant authorities and that have an impact of HR Ratings' rating processes (*page 12*)

## 1. HR Ratings' Ratings

HR Ratings' ratings are an evaluation of the credit quality of an entity, issuer, issue, credit or structured product against other similar entities, products or other forms of structured debt. The ratings show the relative position of an asset and entity in its market and do not represent a statistical probability of default; therefore, they are not associated with an evaluation of the risk of non-payment at each rating level. Moreover, credit quality refers to the capacity and intention of complying with the debt obligations (and/or contractual obligations in the case of insurance and bonding institutions) and the time and manner stipulated.

These ratings may be assigned for the Short-Term and/or the Long-Term with their respective scales that reflect the respective risks. These ratings may also be assigned in the Local Scale and the Global Scale and regardless of the lapse they evaluate and the scale in which they are assigned, they may be granted one of the following three attributes: Outlook, Creditwatch or Review in Process.

The credit ratings are dynamic; therefore, HR Ratings will follow-up on and monitor them constantly during the entire time the ratings remain valid.

## 2. Default Criteria

### 2.1. Default: Definitions by level of default

On assigning a rating based on level of default, HR Ratings' methodologies allow the distinction between the default of specific debt Instruments and entity subject to the payment obligation. Additionally, HR Ratings does not limit the default rating to the event of non-payment, but instead extends its analysis to cases in which payments do not meet the conditions originally agreed in terms of time and manner.

In the specific context of debt instruments, HR Ratings defines non-payment or default (HR D) as a delay or suspension in obligatory principal or interest payments, in accordance with the terms, conditions and deadlines originally agreed. In terms of the entity responsible, the assignment of the credit rating depends on the level of credit of all its obligations taken as a whole: When an entity's default covers the "Predominant" part of its debt, the rating is held at HR D. When the default is "Significant", but not necessarily "Predominant", the entity's rating would be assigned as HR DS (selective default). In these cases, the importance and relevance of the debt in default would be considered.

In many cases, an entity may find itself in adverse or stress conditions that affects its intention and/or capacity to meet its payment obligations in accordance with the conditions originally agreed, which may result in a renegotiation of the payment terms between the entity and its creditors. HR Ratings considers a forced restructure as one in which the creditors and the entity agree payment terms other than those previously established and for which, if said modification were not implemented, the entity would not have had the capacity to meet its obligations correctly and promptly. Under these assumptions, HR Ratings would consider the assignment of a rating of HR DT (technical default).

However, based on the evolution of the circumstances (e.g., acceptance by the creditors, the contracting or new debt by the entity), the credit ratings of these instruments may undergo more accelerated improvements, above all in comparison with instruments rated as HR D or HR DS.

In terms of the credit rating of any entity with one or more instruments rated as HR DT, HR Ratings will apply its “Preponderance” criterion to determine if said entity will be granted a rating of HR D or HR DS. The Preponderance of the debt shall be based on the following concepts:

- **Proportion:** This is the magnitude of the debt in debt compared to the debt that is up to date.
- **Timing:** This is the current impact the debt has on default. It is weighted in context: When was it issued? When did it have to be settled? Is it still current for our analysis?
- **Litigation:** It is determined if the debt in default is in legal process to define if the payment could be inadmissible and the considerations around said process.

HR Ratings considers that when default does not represent the “Predominant” part of the entity’s debt, the rating process will be conducted in order to evaluate the result of the analysis qualitatively to then incorporate the effect on the credit quality of the history of the default. HR Ratings will evaluate the “Preponderance” of the debt in default continuously; therefore, the entity’s credit rating of the debt credit and thus, its obligations may change over time.

Ratings of HR D and HR DT would be applied to the default of a debt instrument with any third-party creditor, whether this be an institution, a fund, an individual, either private or public. These ratings would also apply if the creditor is the original or the purchaser of the instrument in the secondary market, except in situations in which there were a non-transfer clause. Ratings of HR D and HR DT may not be applied in cases in which the creditor was not a third party, but instead an entity related intrinsically with the debtor. For example, a debt contracted by and between a country and a development or a social security entity. Table 1 summarizes the types of default in which an entity or an issue may incur:

**Figure 1: Type of Default**

	Issuer	Issue
<b>HR D</b>	Yes	Yes
<b>HR DS</b>	Yes	No
<b>HR DT</b>	Yes	Yes

Source: HR Ratings

In the case of issuers, the movement from one status to another (from default to payment or to modified payment, with all its circumstances) both the level of downgrade of *notches* and the duration of said downgrade will be considered by HR Ratings, which will reduce gradually if the entity shows consistency in its payments.

In cases where a default is identified of an issue not related to the payment capacity and/or intention of the issuer because it is due to the operative failures of an intermediary or any other entity through which cash flows in order to service the debt, HR Ratings will consider the lapse expected for payment to be made and may determine that said default does not require a rating action. This decision will be reported to the market in a press release. However, if this type default is frequent, it will be considered as a weakness of the issue and HR Ratings may assign an unfavorable qualitative adjustment or change in the attribution of the rating through a rating action.

## 2.2. Obligations in compliance in entities with histories of default

An entity, despite having breached certain obligations, may be up to date with the payment of other credits. Therefore, even if the rating of an entity is HR D, HR DS, HR DT or with a penalization for default on certain instrument, it would be possible to proceed with the rating of a debt obligation that in being paid normally within the terms established (in compliance).

The rating process would be conducted in accordance with the methodology relevant to the type of asset. However, if the entity's rating is HR D, HR DT or HR DS, the rating granted to the obligation in compliance may receive a qualitative penalization.

## 2.3. Stage following default for entities

If an improvement is observed in the "Preponderance" of the current debt or even the entire debt that the entity had in default is paid, the qualitative penalization will continue for an indefinite period, and may be progressively less.

When HR Ratings assigns a rating of HR D due to structural or non-structural factors, it will proceed to assign a rating of HR C immediately after having repaid all the financial obligations. However, the criterion to assign higher ratings will vary based on the reasons for falling into default. These criteria are detailed as follows:

- a) The following elements will be considered in the event of a structural default:
  1. A rating of HR D will be assigned in the event of default.
  2. A rating of HR C will be assigned when the default is paid.
  3. HR Ratings' evaluation of the entity's financial situation.
  4. Assignment of a rating considering the entity's financial situation and several adjustment factors. The improvement of the rating will be gradual, as the entity's situation continues to be reflected.
- b) The ratings will be as follows if there is a non-structural default:
  1. A rating of HR D will be assigned in the event of default.
  2. A rating of HR C will be assigned when the default is paid.
  3. There is a Monitoring Period in which the possible effects related to default are evaluated, such as cross-debt maturity, events of advanced or accelerated amortization of credits or debt issues and the possible legal consequences on the entity. This lapse is indefinite.
  4. A Recovery Period that may last for up to six months in which a Rating Adjusted for Default may be assigned. The Rating Adjusted for Default incorporates a certain number of adjustment *notches* because of factors that lead to the non-structural default.
  5. Assignment of a rating without an adjustment for default.

### 3. Treatment of Liabilities with Specific Accounting Treatment

HR Ratings may observe cases in which entities that have lines of credit or liabilities with finance cost operate and that due to the nature of said lines or the accounting treatment used may not be presented as a banking and/or securities market debt. In these cases, HR Ratings considers that these captions represent liabilities with cost regardless of how they are recorded by the borrower in the information presented. Pursuant to this, the entity shall be default or non-payment at the time there is a breach or delay in the previously agreed obligations. Also, default is considered even if the bank or creditor entity does not classify it as past-due portfolio from the beginning, but until the legal period to recognize said account in accounting has elapsed.

### 4. Relationship between Short- and Long-Term Ratings

HR Ratings may grant Short- and Long-Term Ratings to entities depending on the requirement generated. The analysis conducted, in accordance with the relevant methodology, captures the credit risks associated to different factors and their specific impact in these lapses. In general terms, the relationship between the rating scales in different lapses is shown in Table 2:

**Figure 2: Conversions**

Ratings	
Long Term	Short Term
HR AAA	HR+1
HR AA (+/-)	HR1
HR A (+/-)	HR2
HR BBB (+/-)	HR3
HR BB (+/-)	HR4
HR B (+/-)	
HR C (+/-)	HR5

Source: HR Ratings

However, the equivalence shown in this Table 2 is not direct. The Short-Term rating may be higher at Long-Term rating level when the entity or the issue has an immediate source of liquidity. For example, in cases in which certain issuers are recurring and have the capacity to fund themselves in the market in the Short-Term. Also, certain issuers or issues have contingent lines of cash or some form of partial guarantee. For example, if HR Ratings identifies that an entity has any of these strengths, it may assign a Long-Term rating in the range of HR A (+/-), but the Short-Term rating assigned may be HR1.

### 5. Local and Global Scale Ratings

HR Ratings' ratings may be assigned on a Local Scale and/or a Global Scale. The Local Scale refers to an issuer's or issue's credit quality within a specific country. In occasions, HR Ratings will rate entities that have cash flow that originate from multiple currencies. However, the following factors must be considered in order to determine on which Local Scale the rating is to be assigned:

- Country or countries in which the entity operates;

- The composition of earnings and/or income in terms of currency;
- The denomination of the debt obligations, the functional currency in which the financial information is reported;
- The exchange rate risk to which it may be exposed;
- The operating conditions of the entity that may lead to any direct relationship with any jurisdiction.

In general, HR Ratings' models and methodologies assign ratings on the scale because the parametrization of the metrics used in the analysis will have the same validation regardless on the political demarcation where the entity operates.

Moreover, ratings on the Global Scale include the Sovereign Risk, which refers to the risks associated with degradation, convertibility and transferability of the currencies involved in the entity's operation.

To assign a rating on the Global Scale to an entity that only operates in one country, only uses the currency of that country and has only been assigned a rating on the Local Scale, the difference in terms of *notches* between the ratings on the Local Scale and the Global Scale assigned to the respective country will be applied to it.

For entities that have cash flow that originate from multiple currencies, HR Ratings will evaluate to what extent each currency contributes to or mitigates the risk to assign its rating on the Global Scale. In this vein, HR Ratings does not consider that the rating on the Local Scale is a ceiling for the rating on the Global Scale, considering the country in which the entity operates.

## 6. Equivalence of Global to Local Scale

In occasions, HR Ratings must measure the credit risk on the Local Scale of an entity (a subsidiary) that depends on another entity (a holding company) that operates in a different country. An example of this is in cases in which it is determined that the credit risk of a subsidiary applies to the risk of its holding company in another country.

This equivalence would only be necessary when HR Ratings does not have the credit rating of the holding company<sup>1</sup>, and the following elements would be required to apply it:

- i. The holding company's credit rating on the Global Scale<sup>2</sup>.
- ii. The sovereign rating of the country in which the holding company operates<sup>3</sup>.
- iii. The average of the Influential Ratings in the market of the country in which the holding company operates<sup>4</sup>.
- iv. HR Ratings' sovereign rating of the country in which the subsidiary operates.

<sup>1</sup> This equivalence may only be applied when HR Ratings has assigned a rating on the Local Scale and on the Global Scale to the country in which the subsidiary operates.

<sup>2</sup> Since HR Ratings does not have the credit rating of this entity, it must use the lowest Influencing Rating on the market. Influential Ratings are defined in section 11 on page 11 of this document.

<sup>3</sup> In this case, the Influencing Rating of the same rating agency is required.

<sup>4</sup> The Influential Ratings must have been assigned on the Global Scale.

The process to determine the HR Ratings' rating on the Local Scale for these entities is as follows:

1. The difference is measured in terms of *notches* between the average of Influential Ratings (element iii) and the sovereign rating of the entity rated by HR Ratings (element iv).
2. The difference is measured in terms of *notches* between the Influential Rating of the holding company (element i) and the Influential Rating of the country in which the holding company operates (element ii).
3. Based on the differences explained in points 1 and 2, the rating will be assigned to the entity (subsidiary) on the Local Scale of the country rated by HR Ratings.
4. HR Ratings may make adjustments to the rating on the Local Scale of the entity (subsidiary) based on its specific situation.

## 7. Ratings Actions and Attributes of Ratings

HR Ratings defines the term "Rating Action" as all decisions that refer to an assignment, modification, ratification or withdrawal of a rating or to the assignment, modification, ratification or withdrawal of a rating attribute. A rating cannot have an attribute of Review in Process and Creditwatch and/or Outlook at the same time because a Review in Process precedes a Creditwatch or an Outlook.

HR Ratings defines a Rating Attribute as a particular characteristic of a rating and recognizes three types:

- a) **Outlook.** Outlook refers to trends, typically long-term, observed from the rating process, whether macroeconomic, related to an industry, or inherent to the entity or issue rated. The direction of the effect is known; therefore, the Outlook is assigned as: "Positive", "Negative" or "Stable" and in general terms, relates to any Long-Term rating assigned by HR Ratings<sup>5</sup>. However, in cases in which HR Ratings only rates or publishes the Short-Term rating, it will assign an Outlook on the risks it identifies.
- b) **Creditwatch.** A Creditwatch refers to Short-Term events or trends that may have an impact on the rating and its sense is also known. These events or trends are typically inherent to the entity or issue but may also manifest themselves following macroeconomic events or events related to an industry or sector. This type of attribute differs from the Outlook in which the events that cause it would have an effect in the Short-Term.

The Creditwatch period is from zero to nine months and it is HR Ratings' obligation to renew it in accordance with the terms indicated. To do so, a report and/or press release will be issued within a maximum of nine months from the date of the previous Creditwatch, in which said attribute may be modified, ratified, or withdrawn. A rating cannot have an attribute of Creditwatch and/or Outlook at the same time because a Creditwatch precedes an Outlook.

- c) **Review in Process.** This type of attribute differs from the previous attributes because it refers to a structural change of the entity or a specific scenario and above all, the direction and/or the magnitude of the impact cannot always be anticipated. Additionally,

<sup>5</sup> In this section, the direction refers to whether the impact is positive, negative or neutral.



HR Ratings may place any entity or issue into Review in Process following a methodological change.

For example, an acquisition could have been announced with uncertain effects (which in itself may give rise to a Creditwatch action), but there may be uncertainty with regard to the consummation of said acquisition or the case may arise in which an acquisition is arranged to take place, but the method of financing (debt or capital) has yet to be determined or announced. In these cases, a Review in Process action will be assigned if there is no further information.

Generally, a Review in Process lasts for up to nine months with the probability that it may be extended if the events that give rise to said action prevail. Unlike the Creditwatch and the Outlook, the Review in Process is neutral if the details of the possible change or the possibility that they will occur are unknown.

When a Review in Process is assigned, the most-recent rating action must be mentioned, substituting the previous attribute. If this Review in Process is applied, HR Ratings will issue a report and/or press release within a maximum of nine months from the date of the previous review, extending the period by another nine months or the Review in Process may be withdrawn.

## 8. Sovereign, Subnational or Third-Party Support

HR Ratings may consider that an entity or debt instrument has the backing of the sovereign or subnational entity in which it operates and, therefore, would maintain the same rating. In the event that this backing is not explicit, this relationship would be justified when that entity or issue meets any of the following conditions:

1. It provides significant financial support to the relevant sovereign or subnational entity and the inability to pay would imply an immediate decrease in the revenue stream for the Public Sector.
2. In the event of default of the entity or the debt, the economy and the markets would be affected, creating difficulties that would force the entity to support such institution or issue to avoid a default event;
3. It performs strategic activities for the government, such that the authorities must intervene to prevent a default event.

Similarly, there are instances where an entity would have the support of a third party to meet its financial obligations based on the relationship between the two entities and, therefore, the same rating could be granted. This allocation will be justified when the applied analysis reveals one of the following circumstances:

1. The entity has the implicit support of a third party given one of the following conditions:
  - a. It is part of a business or financial group and a high degree of operational dependence can be assumed.
  - b. The entity is an integral part of another parent or holding company, which would assume responsibility for its financial obligations in an adverse scenario.



- c. The entity is an important part of the production chain or maintains important synergies for the third party.
2. The rated entity has the explicit support of a third party where it is clearly stated that it would assume responsibility for the payment of its financial obligations in the event of a stress situation.

## 9. Legal Analysis for Structured Transactions

In the case of structured transactions, such as structured products, issues or loans with a directly assigned source of payment, HR Ratings will consider an evaluation of the legal documentation governing the transaction as part of the analysis process to determine the credit rating. The evaluation is performed to ensure that the legal documents and ancillary legal items used in the rating process are valid in accordance with applicable legislation, that they have all formal requirements to be supported in a judicial process and be enforceable, and that they adequately isolate the resource or asset that will be used to pay the debt. This last point would indicate that in the event that the entity related to the structured transaction were to default, and therefore the entity were to be placed in bankruptcy or liquidation, the assets assigned to pay the transaction would not be considered as part of the entity's estate in the bankruptcy or liquidation process.

This legal assessment may be carried out directly by HR Ratings, be based on an external legal analysis performed by a third party or be requested directly from an independent external law firm. HR Ratings will decide, on a case-by-case basis, which source will be used to carry out the evaluation. The necessary documents for this analysis will vary depending on the transaction or entity, and the guidelines established by the relevant authorities. The documents reviewed by HR Ratings may include, without limitation, the following:

1. Trust Agreement
2. Assignment of Collection Rights
3. Management and Services Contract
4. Operation and Maintenance Contract
5. Financing Agreement
6. Any relevant document established by the applicable law
7. Any other contract or document relevant to the transaction

## 10. Treatment of the Lack of Transparency in the Information Presented or the Low Level of Corporate Governance

There are occasions in which, at HR Ratings' discretion, the information submitted by issuers or entities have a low level of transparency in terms of presentation and/or

consistency. This may include situations in which an entity does to adhere to international accounting standards or sound market practices.

Due to this, HR Ratings may apply a negative adjustment factor to the rating of any issuer or issue when the information submitted lacks transparency. Said adjustment shall consider the following factors, which will determine the extent of the adjustment on the rating assigned:

1. **Severity:** HR Ratings will evaluate the severity of the low level of transparency/lack of adherence in terms of the information submitted, considering the severity as proportional to the impact that the low level of transparency has on the analysis conducted.
2. **Frequency:** HR Ratings will evaluate the frequency with which the information submitted lacks transparency, considering a greater frequency as more severe.
3. **Capacity and Will to React:** After identifying the lack of transparency, HR Ratings will evaluate the efforts made by the issuer or entity to improve its transparency and adherence to the accounting standards. HR Ratings will also evaluate the entity's or issuer's capacity and will to react in terms of the possible adjustments made to the information submitted and the adjustments to be incorporate into future information.

Moreover, there are occasions on which the company or entity shows poor compliance in terms of sound Corporate Governance practices, including the lack of support committees or structures that allow for objectivity, mainly in the sphere of auditing and internal control. To do this, HR Ratings may apply adjustments to the rating, considering factors of severity and capacity to react, as described, in order to establish the impact of said adjustments. This is additional to what the methodology in each case ma weight in relation to Corporate Governance practices.

## 11. Limited and Preliminary Ratings

Limited Ratings are an analysis of credit strength requested by a client in which HR Ratings is asked to evaluate a particular entity, issue or credit under a set of hypothetical or specific characteristics, assumptions or scenarios in order to establish the rating that could be assigned if said characteristics were met or observed.

Moreover, Preliminary Ratings are an analysis of credit strength requested by the entity or issuer in which HR Ratings is asked for a prior or initial evaluation of any transaction that the issuer intends to perform, but does not yet have the information in order to close the transaction. This is generally for the purpose of initiating is sale or prospecting to investors. HR Ratings will evaluate the entity, issue or credit based on the methodologies used for each type of asset.

Limited and Preliminary Ratings have no validity beyond the time they are granted and are not subject to withdrawal, monitoring or update. Therefore, these ratings are not regulatory. However, a Preliminary Rating can be converted into a Regulatory Credit Rating after confirming the conditions applicable to the Preliminary Rating.

It is important to note that a Regulatory Ratings may differ from the Preliminary Rating if on materializing there were any change in the conditions applicable to the Preliminary Rating. Once the Preliminary Rating is converted into Regulatory Credit Rating, it will receive the

same treatment and have the same terms as the rest of the rating and will be subject to withdrawal, monitoring or update.

HR Ratings will explain in the report or communicate that it is in fact a Limited or Preliminary Rating and they may be private or public depending on the requirements of the entity or issuer.

In the case of Limited Ratings, HR Ratings will evaluate the entity, issue or credit based on the methodologies used for each type of asset, considering the assumptions provided by the client; therefore, the rating will be granted based on said assumptions. HR Ratings may incorporate its own assumptions, where appropriate, to conduct the rating process.

The following cases are some examples of the use of a Limited Rating:

- When seeking to analyze an issue or credit under the set of specific hypothetical characteristics (specific level of capacity, coverage, term, amount, payment source, to mention a few).

- When seeking to evaluate the impact in terms of the credit quality of a transaction that an entity may perform (merger, acquisition, a specific purchase, investment projects, refinancing or restructuring process, sale of assets, spin-off of business units, among others).

- When seeking the credit evaluation for transactions without having the final documentation or legal opinions available in order to consider possible changes to issues already in the market. In the light of this, considering the hypothetical changes, the Limited Rating may be a requirement for stockholders' or holders' meetings to approve the modifications proposed.

Preliminary Ratings include assumptions on variables that are known to be relevant but have yet to be determined. Preliminary Ratings are usually required as part of predetermined processes, such as placements or applications to guarantees.

The following cases are some examples of the use of a Preliminary Rating:

- When a public-sector entity or any other institution seeks to evaluate the capacity of a bidder to finance a certain project or transaction.

- When in the case of structured and non-structured transactions, the credit evaluation is sought without having the final documentation.

In order to assign a Limited or Preliminary Rating, the first step will be the express request of the entity or issuer. Then HR Ratings will conduct the analysis to determine said rating with the information and assumptions provided by the entity or issuer (in the case of Limited Ratings). During the analysis process, HR Ratings will not provide any feedback whatsoever on the rating to be assigned or the sensitivity to it. This is because Limited and Preliminary Ratings do not include any financial advice or restructuring service.

In the report or communicate HR Ratings will explain the assumptions taken into consideration for the assignment of the rating, clarifying that it is in fact a Limited or Preliminary Rating and that said rating depends on the assumptions included in the analysis.

The scale used for the Limited Ratings is the same as the one used in the scales relating to each type of asset. However, to indicate that it is a Limited Rating, HR Ratings assigns the

indicative "(L)" to the end of each symbol. The scale used for the Preliminary Ratings is the same as the one used in the scales relating to each type of asset. However, to indicate that it is a Preliminary Rating, HR Ratings assigns the indicative "(P)" to the end of each symbol.

## 12. Indicative Evaluations

Indicative Evaluations can be applied to entities, emissions, or credits. It is done using the public quantitative parameters specified in the corresponding methodology, without considering the additional qualitative information and financial projections that are part of a traditional, limited, or preliminary rating. The object of the evaluation is to present the general parameters used in the quantitative evaluation from the corresponding methodology, without performing a complete evaluation of all the parameters used in the methodology.

Indicative Evaluations are not Credit Risk Ratings, they are for private use and are neither followed-up nor monitored and do not possess the right of reply. If the entity would like to change the original parameters given, this would require a new process of indicative evaluation.

The first step in producing an Indicative Evaluation is for HR Ratings to receive a formal request of the entity to do so. Subsequently, HR Ratings will ask the entity or issuer for the necessary data to proceed with the Indicative Evaluation, the completeness and feasibility of the information provided will not be considered. During the process of analysis, HR Ratings will not provide feedback of the evaluation nor its sensibility because this type of assessment does not cover services of consultancy nor financial structuring.

HR Ratings will detail in its report what parameters that were considered for the evaluation. This is done to clarify that the evaluation only considers the assumptions shown in the delivered analysis.

## 13. Influential Ratings

In certain analysis processes, HR Ratings requires the credit analysis or evaluation of entities that do not maintain a rating assigned. In these cases, a rating issued by another rating agency may be used, which is defined as an Influential Rating. The Influential Ratings must be granted by rating agencies authorized by the regulators in each jurisdiction and in each case HR Ratings may evaluate if it considers or not the Influential Rating in the assignment of the ratings in accordance with the different methodologies applicable.

If an Influential Rating is used, the analysis team must follow-up on it in accordance with the stipulations set forth in its internal policies and procedures to monitor possible changes in said rating and which would affect the analysis performed by HR Ratings.



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