

Key risks of conflicts of interest & mitigation actions

1. Sources of conflicts of interest

- **Organisational structure:** Carbon4 Finance is wholly owned by the legal entity Carbone 4 Holding, which also wholly owns the legal entity Carbone 4; the latter provides consulting services to companies that may present a potential conflict of interest. There is no direct equity relationship between Carbon4 Finance and Carbone 4.
- **Business areas and services:** although Carbon4 Finance's business model is not issuer-paid but user-paid and relies on subscriptions purchased by financial institutions, it may be subject to pressures from its clients that could pose potential conflicts of interest.

2. Key identified conflicts of interest

- **Commercial and financial risk:** potential pressure on analysts, the data or methodology teams, to favour a particular entity for commercial reasons or to respond to client requests.
- **Risk of conflict of interest with the sister company Carbone 4:** potential pressure from the sister company to obtain and influence ratings for commercial reasons.
- **Personnel-related risk:** personal conflicts of interest involving analysts, members of the data or methodology teams, members of senior management, or members of approval bodies.

3. Measures taken to mitigate these risks

- **Separation from its sister company, Carbone 4 Conseil:** in addition to legal separation, there are physical and IT separation measures in place between Carbone 4 and Carbon4 Finance.
- **Separation of internal activities:** physical, IT, and organisational separation measures between functions directly involved in ESG ratings and commercial activities.
- **Policies and procedures:** implementation of procedures, policies, and a code of conduct governing conflicts of interest and the obligations of affected employees

- **Compliance function:** creation of an independent compliance function and a monitoring mechanism to ensure compliance with the measures put in place.
- **Compensation policy:** confirmation that the remuneration of analysts and individuals involved in the rating process is not tied to the revenue generated by the entities they evaluate.

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