



## **Defined Terms Glossary**

29 August 2019

## 1. Introduction and Applicability

This document is supplemental to all policies and procedures of Scope SE & Co. KGaA and its subsidiaries including Scope Ratings GmbH (hereinafter also referred to as “Scope”).

The purpose of this document is to facilitate the application and understanding of Scope’s codes, policies and procedures to all Employees and other associated non-Employees, to which they apply.

This document is published on Scope’s website and made available to Employees on Scope’s intranet.

## 2. Defined Terms

### 2.1. Analyst

An Analyst is any Employee assigned to a ratings team with the title of Associate Analyst or higher whose function is to a) assign or monitor Ratings, b) assist in drafting materials or developing models being considered for rating committees, or c) supervise Scope Employees included in (a) or (b) of this definition.

The definition of Analyst excludes any Employee assigned to a ratings team who: (i) is not involved in the Ratings process or (ii) supports the rating process solely through administrative tasks, such as entering information into internal systems.

### 2.2. Analytical Personnel

Analytical Personnel are Analysts, Managers of Analysts, and any other Scope Ratings Employees in credit rating analytical roles who are involved in credit rating decisions or the analysis or preparation of a Credit Rating. The definition of Analytical Personnel excludes any Employee assigned to a rating team who: (1) is not involved in the Rating process or (2) supports the Rating process solely through administrative tasks, such as entering information into internal systems.

### 2.3. Confidential Information

The term Confidential Information includes all privileged non-public information obtained, accessed or processed or otherwise handled by Employees. This includes all information, regardless of its form of recording, that is not in the public domain and that relates to or is received from customers of Scope, or is a proprietary and financial information of Scope. Please note that information that is already publicly available is not considered to be Confidential Information.

### 2.4. Covered Employees

Covered Employees means all Employees at Scope Ratings and Employees of Scope SE & Co. KGaA with shared functions who provide services to Scope Ratings (including BD and sales staff) or their Employees or Employees otherwise deemed as Covered Employees.

### 2.5. Credit Rating

A Credit Rating is an opinion regarding the creditworthiness of an issuer, a security or an obligation and is issued using an established and defined ranking system of rating categories.

### 2.6. Credit Rating Action

A rating action (preliminary, new, upgrade, downgrade, default, under review, confirmation, affirmation, withdrawal, outlook new or outlook change) on a Credit Rating constitutes a Credit Rating Action.

### 2.7. Credit Rating Activities

Credit Rating Activities means data and information analysis, evaluation, approval, issuance and the review of Credit Ratings and, if applicable, the related rating Outlook or rating Review. Credit Rating Activities do not include: (a) participating but not voting in a rating committee and/or portfolio review; (b) sharing knowledge and providing background information either with regard to the Credit Rating or as part of a comparison and/or

portfolio review; or (c) conducting research including participation in the creation or updating of methodologies, models or assumptions.

### 2.8. Employee Transactions

Transactions for an Employee's own account are all transactions in which he could have an economic interest. Transactions for an employee's own account also refer to transactions by a third party in the name of or for the account of the employee (for example, transactions performed by a third party via a joint securities account or via the employee's securities account using a power of attorney) if the employee is aware of and influenced these transactions or initiated them.

### 2.9. Employees

All Scope employees who are in active (permanent or temporary) employment or in a training or internship relationships with the company. In particular, managers and members of the Executive and Management Boards are also considered Employees. Staff who provide services for Scope and do not qualify as employees (Arbeitnehmer) in terms of labour law (such as freelancers, contractors) are considered Employees only if their engagement with Scope exceeds 3 months, and provided that contractual arrangements provide for protections and control arrangements that are equivalent to a direct employment.

External consultants and counsels who provide project-related services are not deemed to be Employees.

Personnel provided to Scope by way of an agreement with a third party employer (or outsourcing company) and (temporary) employment agency workers (Zeitarbeit, Mitarbeiterüberlassung, Personal leasing) are not deemed to be Employees.

### 2.10. Family Members

The term Family Members refers to the following persons:

- an Employee's spouse or domestic partner (or any other person with whom an Employee cohabits and shares financial responsibilities);
- an Employee's minor or dependent children;
- any other relative sharing the same household as an Employee;
- any persons who do not live in the same household as an Employee but whose Trades in Securities are directed by or are subject to the Employee's influence or control (either direct or Indirect) (such as parents or children living in separate households who consult with the Employee before they Trade); and
- any other natural or legal person, trust, entity or partnership: (i) whose managerial responsibilities are discharged by, (ii) that is set up for the benefit of, (iii) that is directly or indirectly controlled by, or (iv) whose economic interests are substantially equivalent to, the Employee or any Family Member.

### 2.11. Financial Instruments

The term "financial instrument" includes:

- Securities, in particular equity shares, fund shares comparable to shares, certificates representing shares, debt obligations, in particular participatory notes, bearer bonds, registered bonds as well as certificates representing debt obligations;
- Shares in investment assets within the meaning of section 1 (1) of the Capital Investment Code (Kapitalanlagegesetzbuch) (UCITS funds, AIFs);
- Money market instruments (except for payment instruments), especially treasury notes
- (Schatzwechsel) or short-term promissory note bonds (kurzfristige Schuldscheindarlehen);
- Derivatives, in particular:
  - Forward or option transactions related to securities or money-market instruments, foreign currencies or units of account, interest rates or other income or indices of these underlying assets or other financial indices or financial measures,
  - Forward transactions related to goods, freight rates, emission allowances, climatic or other physical variables or other assets,
  - Financial contracts for differences, or
  - Credit derivatives;

- Subscription rights for securities.

### **2.12. Lead Analyst**

Lead Analyst is an Analyst who has been assigned the primary responsibility for assigning a new Credit Ratings or monitoring of an existing Credit Rating and, if applicable, the related rating Outlook or rating Review.

### **2.13. Material Information**

The term “Material Information” has no precise definition and is subject to a variety of interpretations. Accordingly, for purposes of this Policy, “Material Information” refers to any information that:

- might have an effect on the market for a Security generally; or
- might affect an investment decision of a reasonable investor.

Examples of Material Information may include, but are not limited to: Sales results; earnings or estimates (including reaffirmations or changes to previously released earnings information); dividend actions; strategic plans; new products, discoveries or services; important personnel changes; acquisition and divestiture plans; financing plans; proposed securities offerings; marketing plans and joint ventures; government actions; major litigation, litigation developments, or potential claims; restructurings and recapitalizations; the negotiation or termination of major contracts; and potential or pending Scope rating actions. Information about pending or future Scope credit rating actions or other material public announcements (including, but not limited to, research reports) is presumed to be Material Information.

### **2.14. Managing Director**

A Managing Director means those Scope employees who hold that title.

### **2.15. Material Non-Public Information**

The term “Material Non-Public Information” refers to that information that is both Material Information and Non-Public Information.

### **2.16. Methodology Deviation**

Methodology Deviation occurs when a rating committee decides to omit or modify an analytical approach or assumption described in an existing Scope methodology. The aim of the Methodology Deviations is to apply a different analytical approach or assumption which addresses risks and characteristics of an issuer or instrument in a more relevant manner and is based on quantitative or qualitative characteristics specific to that issuer.

### **2.17. Non-Public Information**

Information is considered to be “Non-Public Information” unless it has been publicly disseminated (including through any of the following methods: public filing with a securities regulatory authority; issuance of a press release; disclosure of the information in a national or broadly disseminated financial news service; or the issuance prospectus).

### **2.18. “Own” and “Ownership”**

The terms “Own” and “Ownership” refer to all methods by which an Employee may possess an interest in a Security or an account with a financial services institution, including direct ownership and beneficial ownership (i.e., sole or shared dispositive or voting power over a Security). Direct ownership includes all Securities held in trust (other than a blind trust) and all Securities held in any individual retirement account (“IRA”). Employees are deemed to be the beneficial owner of all Securities held by their Family Members.

### **2.19. Public Official**

The term Public Official includes anyone working in a legislative, administrative or judicial position or working for or on behalf of government-owned or controlled entities or agencies, political parties, party officials and political candidates or for a public international organisation whose members are either a) countries or territories b) government of countries or territories or c) other public international organisations.

Example of government owned or controlled entities include:

- Municipal savings banks;
- State banks;
- Social insurance institutions;
- Occupational pension schemes;
- Organisations, bodies and/or chambers that govern or oversee the conduct and affairs of certain professions;
- State owned television stations or airlines;
- Companies in which any ownership interest is held by governmental or local authorities;
- Supranational organisations such as the United Nations, World Trade Organisation, European Central Bank and other international or intergovernmental organizations;
- Employees of regulatory agencies & self-regulatory organisations.

This term also covers immediate family members (parent, spouse, child, in-law, and sibling of a Public Official) and anyone else to whom the Public Official provides material support.

### 2.20. Quantitative Tool

Quantitative Tool is a numerical algorithm implemented on a variety of platforms (e.g. Excel, Python, R, etc) that is used for: a) the development of methodologies, b) generic or bespoke application of methodologies or c) a bespoke implementation for a specific issuer.

### 2.21. Rating Action Release

Rating Action Release means publication of a Credit Rating Action in a form which meets all necessary regulatory requirements.

### 2.22. Rated Entity(ies)

A Rated Entity means any entity rated by Scope or any entity that issues securities rated by Scope or any entity that is seeking a Credit Rating from Scope.

### 2.23. Related Third Party (RTP)

A Related Third Party means the originator, arranger, sponsor, servicer or any other party that interacts with a credit rating agency on behalf of a Rated Entity, including any person directly or indirectly linked to that Rated Entity by control.

### 2.24. Restricted List

The Restricted List is a current list of securities in which employee transactions are prohibited, it includes the date and time the security was added to the list (and eventually the date and time the security was deleted from the list).

### 2.25. Scope or Scope Group

Scope or Scope Group means Scope SE & Co. KGaA (prev: Scope Corporation AG) and its subsidiaries including Scope Ratings GmbH.

### 2.26. Scope Ratings

Scope Ratings means Scope Ratings GmbH.

### 2.27. Securities Accounts

Securities Accounts are securities accounts as well as all other accounts via which transactions in financial instruments can be booked (e.g. margin accounts, contracts for difference accounts, etc.), cash related accounts (e.g. loan accounts, current accounts, savings accounts) and other accounts via which no financial instruments can be booked are not considered securities accounts.

### 2.28. Securitisation

Securitisation means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching and has both of the following characteristics:

- payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

### 2.29. Security

The term "Security" means any non-deposit financial instrument that is, or is derived from, any equity or fixed income security. This includes, but is not limited to: stocks, bonds, debentures, options, equity securities, convertible securities, warrants, derivative instruments (including swaps, commodities and futures based on or linked to equity or fixed income securities), notes, collective investment schemes, fixed annuities, variable annuities, open- or closed-end mutual funds, Contract for Differences (CFD), exchange traded funds (ETFs) and unit investment trusts (UITs).

### 2.30. Sensitive Counterpart

Sensitive Counterpart is a type of individual or organisation to which specific laws or rules apply governing the giving/receipts of Gifts or Entertainments. It includes Public Officials (including state owned enterprises and state controlled entities) and union officials in all countries.

### 2.31. Structured Finance Instrument

Structured Finance Instrument means a financial instrument or other assets resulting from a securitisation transaction or scheme.

### 2.32. Trade

The term "Trade" refers to any transaction by which a person acquires or divests himself/herself from an interest or position in a Security, including but not limited to purchases, sales, repurchase agreements, short sales, spread betting (and other forms of gambling on Securities) and entering into derivative transactions, including put options, calls and equity swaps as well as liquidating such derivative positions through purchase, sale or exercise.

### 2.33. Watch List

The Watch List are current lists of securities based on each Line of Business in which employee transactions are restricted, it includes the date and time the security was added to the list (and eventually the date and time the security was deleted from the list).



## Defined Terms Glossary

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