



## **Endorsement Policy**

September 2022



## Endorsement Policy

Scope Ratings GmbH & Scope Ratings UK Limited

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<b>Applies to:</b>	Entities		
<input checked="" type="checkbox"/> Covered employees	<input checked="" type="checkbox"/> Scope SE & Co. KGaA		
<input checked="" type="checkbox"/> Compliance	<input checked="" type="checkbox"/> Scope Ratings GmbH		
<input checked="" type="checkbox"/> Rating Operations	<input checked="" type="checkbox"/> Scope Ratings UK Ltd.		
<input checked="" type="checkbox"/> All existing and coming subsidiaries and affiliates of the above			
<input checked="" type="checkbox"/> This document and any future updates or changes are made available on Scope's Intranet.			
<input checked="" type="checkbox"/> This document and any future updates or changes are made available on Scope's website.			
<input checked="" type="checkbox"/> This document contains defined terms made available in the Defined Terms Glossary available on Scope's intranet and Scope website.			



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## Defined terms

Group of CRAs: As per Article 3(1)(m) of CRAR ‘group of CRAs’ means a group of undertakings established in the Union consisting of a parent undertaking and its subsidiaries within the meaning of Articles 1 and 2 of Directive 83/349/EEC as well as undertakings linked to each other by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC and whose occupation includes the issuing of credit ratings. For the purposes of Article 4(3)(a), a group of credit rating agencies shall also include credit rating agencies established in third countries.

## Regulatory Background

EU CRA Regulation means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, the regulatory technical standards issued based on this regulation, and any guidelines or other governance specifications prescribed and implemented by ESMA or any other competent EU regulatory body.

UK CRA Regulation means the Statutory Instrument 2019 No. 266 Exiting the European Union Financial Services and Markets, the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, the Technical Standard FCA 2019/39 Credit Rating Agencies Regulation) (EU Exit) Instrument 2019 and any UK legislation enacted, or rules, procedures, or other governance specifications prescribed and implemented by the FCA or any other competent UK regulatory body.

The Relevant Endorsement Provisions of the CRAR are the requirements set out in Articles 6 to 12 and Annex I of the EU CRA Regulation and UK CRA Regulation respectively except for Articles 6a, 6b, 8a, 8b, 8c, 8d and 11a, point (ba) of point 3 and points 3a and 3b of Section B as well as part III of Section D of Annex I of the EU CRA Regulation and the UK CRA Regulation respectively.

### 1. Preamble

This Endorsement Policy (the “Policy”) sets out Scope Ratings GmbH’s and Scope Ratings UK Ltd.’s approach regarding the endorsement of Regulated Credit Ratings.

Scope Ratings GmbH is the Endorsing Credit Rating Agency (Endorsing CRA) of Regulated Credit Ratings issued by Scope Ratings UK Limited as a credit rating agency based in a third country (a Third Country CRA).

Scope Ratings UK Limited is an Endorsing CRA of Regulated Credit Ratings issued by Scope Ratings GmbH as a Third Country CRA.

### 2. Eligibility of endorsement

#### 2.1. Pre-conditions

ESMA and the FCA respectively (the “Responsible Supervisory Authority” = “RSA”) have both completed the assessment of the legal and supervisory framework of Scope Ratings UK Limited and Scope Ratings GmbH respectively as a precondition for endorsement.

The Endorsing CRA must notify the RSA if it becomes aware that one or more of the conditions initially assessed by the RSA are no longer fulfilled. The internal audit function must regularly review the control environment for endorsement.

#### 2.2. Objective reason

The Endorsing CRA determines and documents for each Rated Entity or rated financial instrument to be endorsed one of the following objective reasons:

- when a rated entity or instrument is not based in the CRA geographical coverage
- when a credit rating relating to an entity or instrument based in the CRA geographical coverage is dependent on the rating of a subsidiary or parent company of the rated entity which based outside.
- When the operational line of business does not exist yet in the CRA and the number of ratings of this type in the CRA geographical coverage is too small to justify the creation of a line of business, when analytical staff specialised in this rating type is based outside. However, the number of outstanding ratings must be monitored and the creation of the line of business must be planned when it

becomes relevant.

- when an event occurs that **temporarily** impacts the allocation of analytical capacity of a group of CRAs, such as in the following cases (the below are examples):
  - A CRA has only recently opened a new office and the staff that have the experience to rate some local entities or instruments not yet based locally.
  - A corporate action such as a takeover or merger, if the rating activity no longer reflects the new corporate structure.
  - Absence of key analytical staff which could not reasonably have been foreseen or planned for.

A temporary situation requires Compliance waiver before assigning the objective reason.

For the purpose of the above, the location of the rated entity defines whether the entity is UK or EU based, and the location of the assets underlying the structured finance transaction defines whether the transaction is UK or EU based.

### 3. Disclosure Requirements

The endorsement status is disclosed on the regulated website of the Endorsing CRA for each Credit Rating using the endorsement categories of either “*UK endorsed*”, or “*EU endorsed*” respectively. Information on the endorsement status of a Credit Rating is also provided in a Credit Rating Action. In case of a change of the endorsement status, the disclosure on the regulated website will be adjusted accordingly.

### 4. Review of endorsement status by the Endorsing CRA

The internal control functions monitor at least annually, and on an ad hoc basis in case of concern, the endorsement status of rated entities or financial instruments, and document and provide the results of the control to the endorsing CRA.

Those actions may include suspending endorsement of new Credit Ratings or the withdrawal of outstanding Credit Ratings which may be affected by the potential breach. The Endorsing CRA will inform the relevant RSA about the measures taken.

### 5. Ongoing monitoring obligations of the Endorsing CRA

The internal control functions of the Endorsing CRA (Compliance, Internal Review Function, Information Security, Internal Audit) must verify and be able to demonstrate on an ongoing basis that the conduct of the Third Country CRA fulfils the Relevant Endorsement Provisions of the CRAR (EU CRA Regulation and UK CRA Regulation respectively), based on the principle that all the Group CRAs have a duty to apply and to align to the same policies and procedures.

### 6. Reporting obligations of the Endorsing CRA

The Endorsing CRA will make available to the RSA, on an ad-hoc or periodical basis, any information which the RSA may need to be able to assess and monitor the compliance of the Third Country CRA with the Relevant Endorsement Provisions of the CRAR.

If the Endorsing CRA identifies any factors outside of its control which may create a limitation to the RSA’s ability to assess and monitor the compliance of the Third Country CRA, for example resulting from third country legislation, the RSA expects that the Endorsing CRA informs the RSA without undue delay. The Endorsing CRA will provide the RSA any information relating to an endorsed Credit Rating or the conduct of the Third Country CRA.



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### Compliance with this Policy and requirements regarding breaches

This Policy reflects the way Scope CRAs implements regulatory requirements.

If case of questions about this Policy or any doubt as to employees' obligations under this Policy, guidance should be sought from Compliance.

Breach of this Policy may lead to breach of regulatory obligations applying to Scope CRAs. As a result, any action by employees to whom this Policy applies which breaches or might reasonably be expected to lead to or result in a breach, of the provisions set forth in this Policy, is strictly prohibited and can result in disciplinary action, up and including, termination of employment. Any potential infringements of these requirements will be investigated and reported to Senior Management to determine appropriate intervention.

Employees must immediately report breaches or suspected breaches of this Policy to Compliance.