



Conflict of Interest Policy

Version 3.0

September 2024



Conflict of Interest Policy

Scope CRAs

Applies to:

Entities

- Scope SE & Co. KGaA
- Scope Ratings GmbH
- Scope Ratings UK Ltd.
- Scope Fund Analysis GmbH
- Scope ESG Analysis GmbH
- Scope Investor Services GmbH



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1. Introduction

1.1 Preamble

In determining actual or potential Conflict of Interest (Col) in relation with the assignment and maintenance of credit ratings, Scope's CRAs take a holistic approach by considering all factors that might pose a perceived or actual Conflict of Interest emerging from Board memberships, shareholders holdings, important sources of revenue and the provision of all services at the Group level and in the CRAs.

A credit rating agency shall identify, eliminate, or manage and disclose, clearly and prominently, any actual or potential Conflicts of Interest that may influence the analyses and judgments of its rating analysts, employees, or any other natural person whose services are placed at the disposal or under the control of the credit rating agency and who are directly involved in credit rating activities and persons approving credit ratings and rating outlooks.

The purpose of this Policy is to ensure that the assignment and maintenance of credit ratings is not influenced by any corporate, business, or individual considerations, unrelated to the creditworthiness of the rated entities or securities being rated.

This Policy shall be read in conjunction with the Conflict of Interest Procedure.

Defined terms

- **Business Introducer:** means any party which is actively introducing any new business to Scope Group including business partnerships.
- **Conflict of Interest** means any situation where the assignment or maintenance of credit ratings is actually or potentially influenced by a corporate, business, or individual consideration unrelated to the creditworthiness of the rated entities or securities being rated.
- **General Management:** means the executive management and members of the executive boards of an entity.
- **Significant Influence:** means the ability of a natural or legal person to possibly influence the business activities of an entity. Significant Influence is stemming from or compared to the influence of a Shareholder and is measured as being equal or above 5% or 10% of capital or voting rights in an entity.
- **Shareholder:** means a physical or legal person that directly or indirectly holds a percentage of capital or voting rights or other ownership interest in Scope CRAs, a rated entities or Related Third Parties, or any non-Scope entity, including potential capital or voting rights provided by convertible securities.

1.2 Scope and Ownership

Identifying and Managing Conflicts of Interest

A credit rating agency shall establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any conflicts of interest It shall arrange for records to be kept of all significant threats to the independence of the credit rating activities, including those to the rules on rating analysts, as well as the safeguards applied to mitigate those threats.

Corporate Conflicts of Interest - Prohibition

The following Corporate Conflicts of Interest are prohibited and, if happening, must be identified, eliminated or managed and disclosed.

- A Shareholder holding 5% or more of capital or voting rights of Scope or a person with significant influence on Scope equal or above 5% either:
 - holds 5% or more of the shares or voting rights in a non-Scope Group CRA,
 - is a member of the administrative, supervisory or equivalent board of a non-Scope Group CRA,
 - has Significant Influence over a non-Scope Group CRA,
 - has the right to appoint or dismiss administrative or supervisory board members in a non-Scope Group CRA.
- A Scope CRA issues or maintains a credit rating when:
 - A Shareholder holding 10% or more of capital or voting rights of Scope or a person with significant influence on Scope equal or above 10% also directly or indirectly holds 10% or more of the capital or voting rights or any other ownership rights in the a rated entity or Related Third Party,

- A Shareholder holding 10% or more of capital or voting rights of Scope or a person with significant influence on Scope equal or above 10% also has significant influence on Scope equal or above 10% in a rated entity or Related Third Party,
- Any Scope Group entity holds financial instruments or any ownership rights in a rated entity or Related Third Party or in a Controlling Shareholder of the rated entity or Related Third Party,
- The rated entity or related Third Party is a Shareholder holding 10% or more of capital or voting rights of Scope,
- A Shareholder holding 5% or more of a Scope CRA, or a person with significant influence on Scope equal or above 5%, provides consultancy or advisory services to a rated entity or a related entity or Related Third Party regarding the corporate or legal structure, assets, liabilities or activities of a rated entity or Related Third Party.

Exceptions to this rule are cases where ownership or voting rights result from diversified collective investment schemes, which do not allow to exercise significant influence on the business activities of the scheme.

Corporate Conflicts of Interest – Management and disclosure

The following Corporate Conflicts of Interest must be identified, eliminated or managed and disclosed:

- A Scope CRA issues or maintains a credit rating when:
 - A Shareholder holding 5% or more of capital or voting rights of Scope, or a person with significant influence on Scope equal or above 5%, also holds 5% or more of the capital or voting rights or any other ownership rights in the rated entity or a Related Third Party or in the Controlling Shareholder of the rated entity or Related Third Party,
 - A Shareholder holding 5% or more of capital or voting rights of Scope or a person with significant influence on Scope equal or above 5%, exercises significant influence on Scope equal to 5% of capital or voting rights in the rated entity or the Related Third Party.

Business Conflicts of Interest – Management and disclosure

The following Business Conflicts of Interest must be identified, eliminated or managed and disclosed managed and disclosed:

- Conflicts of Interest between the role of a rated entity or Related Third Party and the role as Business Introducer for Scope CRAs or Scope Group

The following general situations must be publicly disclosed on Scope's Website:

- Potential Conflicts of Interest related to the Issuance of credit ratings, including but not limited to:
 - Scope CRAs being paid by a rated entity or a Related Third Party for the provision of credit ratings and Ancillary Services
 - The names of the rated entities or Related Third Parties from which Scope receives more than 5 % of its annual revenue.

Individual Conflicts of Interest - Prohibition

The following Individual Conflicts of Interest are prohibited:

- A Scope CRA shall not issue or maintain a credit rating when:
 - An Employee of Scope Group provides consultancy or advisory services to a rated entity or a related entity or Related Third Party regarding the corporate or legal structure, assets, liabilities or activities of that a rated entity or Related Third Party,
 - Analytical Personnel owns securities or derivatives of securities issued, guaranteed, or otherwise supported by the rated entity, its affiliates or a Related Third Party, or has a Family Member who owns such securities in breach of the Personal Account Dealings Policy,
 - Analytical Personnel participated in fee discussions or marketing activities with the rated entity, its affiliates or a Related Third Party, in breach of the Commercial Separation Policy,
 - Analytical Personnel had a recent employment or other significant business relationship with the rated entity, its affiliates or related third parties, that either constitutes an actual or potential conflict of interest or might appear as such or creates the impression of a conflict of interest,
 - Analytical Personnel has a Family Member who works for the rated entity, its affiliates or related third parties, in circumstances where this employment relationship that either constitutes an actual or potential conflict of interest or might appear as such either constitutes a conflict of interest or creates the impression of a conflict of interest
 - Analytical Personnel has received (or has a Family Member who received) gifts, benefits or entertainment from the rated entity, its affiliates or a Related Third Party, that that either constitutes an actual or potential conflict of



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interest or might appear as such either constitutes a Conflict of Interest or creates the impression of a Conflict of Interest, in breach of the Gifts & Entertainment Policy.

If an analyst maintains one or several of the above listed relationships but is not part of a rating committee or not part of the team issuing the rating, such prohibitions do not apply.

Determination of influence

- Significant Influence on a rated entity or Related Third Parties:
The following situations are considered to be significant influence equal or above 5% of capital or voting rights in a rated entity or Related Third Parties:
 - Being a member of a Supervisory Board or equivalent board
 - Having other means of influence equivalent to being a s Supervisory Board member

The following situations are considered to significant influence equal or above 10% of capital or voting rights in a rated entities or Related Third Parties:

- Being a member of the General Management
- Being a member of a Supervisory Board with additional elements of influence, such as ownership, voting rights or other means of influence
- Having other means of influence equivalent to being a member of the General Management

Significant Influence in Scope CRAs or Scope Group

The following situations are considered to be a Significant Influence equal or above 5% of capital or voting rights in Scope CRAs or Scope Group:

- Being a member of a Supervisory Board or equivalent board
- Being a member of a board or equivalent body without executive or supervisory power or nomination power on people with Significant Influence, combined with an ownership of more than 1% but of less than 5% or voting rights
- The following situations are considered to be significant influence equal or above 10% of capital or voting rights in Scope CRAs or Scope Group:
 - Being a member of the General Management
 - Being a member of a Supervisory Board or equivalent board, with additional elements of influence, such as ownership or voting rights
 - Being a member of a board or equivalent body without executive or supervisory power, nor nomination power on people with significant influence, or being a Business Introducer for Scope Group, combined with more 5% ownership or voting rights or more

Identification and follow-up of Conflicts of Interest

The Operational Col management Standard Operating Procedure lays out the processes in place to identify, eliminate or manage and disclose Corporate and Business Conflicts of Interest. Individual Conflict of interest are governed by other Policies including Ancillary Service Policy, Personal Account Dealing Policy, Commercial Separation Policy, Outside Business Interests Policy, and Gifts and Entertainment Policy. Any Conflict of Interest identified outside of the standard business processes must be immediately notified to Compliance.

When a situation has been identified which may qualify as an actual or potential Conflict of Interest or might appear as such Conflict of Interest, an assessment in accordance with the Policies and standard Processes referenced above must be performed in order to determine:

- Whether the situation is an actual Conflict of Interest
- Which mitigation measures shall be taken to eliminate or manage and where necessary to disclose such Conflict of Interest.

Ownership: this Policy is owned by Compliance.

1.3 Application

This Policy and its requirements apply to all Covered Employees. Associated Individuals must acknowledge to abide by this Policy.

1.4 Consequences of non-compliance

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

Any action by Scope Ratings or by any Covered Employee which violates or might reasonably be expected to lead to or result in a violation 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.

2. Stakeholders and Governance

2.1 Stakeholders

- All covered employees: adherence to this Policy
- Ratings Operations (Col Team): handling and monitoring potential Col
- Compliance: Policy implementation, process review, reporting to CRA Management, training and guidance

2.2 Governance

- **Board of Directors**
 - Oversight Responsibility: The Board has ultimate oversight of the conflicts of interest policy, ensuring its effectiveness and compliance with regulatory standards.
 - Policy Approval: Responsible for approving the conflicts of interest policy and any significant amendments.
 - Annual Review: Conducts an annual review of the policy's effectiveness and the agency's compliance with it.
- **Executive Management**
 - Implementation: Executive management is responsible for the implementation and enforcement of the policy.
 - Resource allocation: Ensures adequate resources are allocated for the effective management of conflicts of interest.
 - Reporting to the Board: Provides regular reports to the Board on the status of conflicts of interest and related compliance issues.
- **Compliance Department**
 - Policy administration: Manages the day-to-day administration of the conflicts of interest policy.
 - Training and awareness: Conducts regular training programs for employees on conflicts of interest.
 - Monitoring and Auditing: Performs regular monitoring and auditing of activities to identify potential conflicts of interest.
 - Incident investigation: Investigates reported conflicts of interest and breaches of the policy.
- **Conflicts of Interest Committee**
 - Committee composition: comprises senior representatives from Compliance, legal, human resources, and other relevant departments.
 - Conflict resolution: reviews and resolves conflicts of interest reported by employees or identified through audits.
 - Policy recommendations: Provides recommendations for policy enhancements based on identified trends and issue

3. Regulatory Environment

3.1 Requirements imposed by ESMA

The following texts constitute the legal basis of this Policy: Article 6 point 1 of CRA Regulation, Article 6a of CRA Regulation, Annex I Section A and Section B points 1, 3, 3a, 3b, 4, 5 and 6 of CRA Regulation.

Additionally, ESMA published on 07.12.2023 guidance on Potential conflicts of interest risks in changes to Collateralised Loan Obligation rating methodologies

3.2 Requirements imposed by FCA

No additional requirement imposed by FCA

3.3 Requirements imposed by FINMA

No additional requirements imposed by FINMA



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Compliance with this Policy / Procedure and requirements regarding breaches or suspected breaches

This **Policy / Procedure** reflect the way **Scope CRAs** comply with regulatory requirements.

If case of questions about this **Policy / Procedure** or any doubt as to personal obligations under this **Policy / Procedure**, guidance should be sought from **Compliance** via the Jira Ticketing System.

A breach or suspected breach of this **Policy / Procedure** may lead to breach of regulatory obligations. As a result, any action by persons to whom this **Policy / Procedure** applies which breaches or might reasonably be expected to lead to or result in a breach, of the provisions set forth in this **Policy / Procedure**, is prohibited and can result in disciplinary action, up and including, termination of employment or contract. Any potential infringements of these requirements will be investigated and might be reported to **Senior Management** to determine on intervention, if appropriate.

Any breaches or suspected breaches of this **Policy / Procedure** need to be reported to **Compliance** without undue delay via the Jira Ticketing System or alternatively via email to compliance@scoperatings.com.

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