



Rating Methodologies Governance Policy

Version 1.1

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Rating Methodologies Governance 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

Effective credit rating methodologies are essential to ensuring the accuracy, consistency, and reliability of credit ratings. The Rating Methodologies Governance Policy is established to oversee the development, validation, implementation, and maintenance of rating methodologies within the Scope CRAs. This policy aims to ensure that all rating methodologies adhere to high standards of quality and integrity, reflecting sound analytical principles and regulatory requirements.

For additional explanation on definitions included in this Policy, please refer to the Defined Terms Glossary.

1.2 Scope and Ownership

Scope CRAs' Methodologies set out the generic framework that is used by Scope CRAs' analytical teams to issue and maintain Credit Ratings in a particular class of issuers or class of debt instruments. Scope CRAs further develop and maintain Models that implement a generic modelling framework that is described in the Methodology, where relevant. Methodologies may also set out Key Rating Assumptions (further "KRAs") that are generic qualitative and quantitative assumptions which Scope deems to be relevant to assess the credit worthiness of a particular group of issuers or classes of debt instruments.

In addition, Scope CRAs develop and maintain methodologies for some ancillary services which are used, for instance, to assess portfolio credit quality, among others.

The provisions of this Policy apply to all Credit Rating Methodologies as well as Model issued by Scope CRAs, public or private (including Point In Time ratings)

This Policy is owned by CRA Compliance.

Development and review of Methodologies

The development of Methodologies and, where relevant, Models and/or KRAs is conducted by Scope CRAs' analytical teams while their review and approval is the responsibility of the Review Function. In the development and maintenance of Methodologies, Models and/or KRAs, analytical teams can involve other functions such as Quantitative Analysis & Modelling team (QAM) and Credit Policy.

Scope CRA shall monitor credit ratings and review its credit ratings and methodologies on an ongoing basis and at least annually, in particular where material changes occur that could have an impact on a credit rating.

The review addresses all Methodology content including Model(s) and/or KRA(s), where relevant. The review process covers the validation assessment, a review of potential modifications to a Methodology and, when applicable, a related Model and/or KRA as well as a review of Scope CRAs' Credit Rating universe to which the Methodology was applied.

Validation of Rating Methodologies

All new and existing Methodologies, Models and KRAs are subject to validation. The aim of validation is to assess whether a Methodology, Model and/or KRA are robust, continuous, and systematic. It allows assessing a Methodology's discriminatory and predictive power. Validation may include back-testing, an enhanced universe with test of Credit Ratings, sensitivity analysis and/or qualitative assessments. The Validation of a Methodology includes, where relevant, the validation of Models and/or KRAs.

Material changes to a Methodology, Models and/or KRAs are covered in the validation. Material changes to a Methodology are changes which could have an impact on an active Credit Rating of Scope such as a change in key criteria used, substantial changes to one or more in KRA(s) and key variables, in their weight where applicable, in the way driving assumptions are assessed, or a change that impacts already assigned public, private or subscription credit rating of Scope CRAs.

Validation of Models

New Models or changes to existing Models are subject to verification. The aim of verification is to serve as a mechanism for a Model to be error-free and to correctly implement the modelling framework of the relevant Methodology that contains the description of such modelling framework.

Approval of Methodologies

Reviews of new Methodologies or existing Methodologies with material changes expected to have an impact on existing ratings are approved firstly, by a Methodology committee, secondly by the Review Function and thirdly by the Company Management. The latter has no power to comment on the analytical content of the Methodology.

Reviews of existing Methodologies with material changes which do not have an impact on ratings are approved by a Methodology committee and by the Review Function, while reviews of Methodologies, including related Models and KRAs, with no material changes are approved by the Review Function.

Disclosure of Methodologies

All active Methodologies including, where relevant, descriptions of KRAs, are publicly available on Scope Ratings' website.

Whenever a Scope CRA plans to introduce a new Methodology, Model or KRA, or a material change to an existing Methodology, Model, or KRA, it first publishes the document on its website on a call for comments basis for at least one month inviting stakeholders to submit feedback. It provides an overview of changes and potential impact on the Scope CRA's Credit Ratings, if any.

Active Credit Ratings that are potentially affected by the introduction of, or changes to, a Methodology, Model or KRA are placed under review as soon as practically possible after the publication of the Methodology.

Review Function

The Review Function is responsible for periodically reviewing Scope CRAs' Methodologies, Models and KRAs, as well as any changes or modifications thereto as well as the appropriateness of those Methodologies, Models and KRAs. Furthermore, the Review Function is responsible for the approval of new Methodologies, Models and KRAs.

Additionally, the Review Function monitors on an on-going basis Scope CRAs' credit rating universe with a view to assess whether a Methodology, Model or KRA needs to be reviewed prior to its annual review.

1.3 Application

The Policy applies to the departments responsible for the issuance of Credit Ratings (Analytical teams – Please refer to the Defined Terms Glossary for more details), with the support of the Credit Policy and the Quantitative Analysis & Modelling team (QAM) where relevant and the Review Function.

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.

Compliance along with Scope Ratings Management is responsible for the implementation and the enforcement of this Policy.

2. Stakeholders and Governance

2.1 Stakeholders

The related departments are responsible for the issuance of Credit Ratings.

Scope CRAs' analytical teams with the support of Credit Policy develop rating methodologies and, where relevant, Models involving the QAM team if need be, and/or KRAs while their review and approval as well as the validation are the responsibility of the Review Function.

2.2 Governance

Scope CRAs established the Review Function as a function independent from the business lines that are responsible for the issuance of Credit Ratings. The Review Function shall report to the "members of the administrative or supervisory board" including Independent Non-Executive Directors (INEDs) of Scope CRAs. For additional details, please refer to governance principles stipulated in section 1.2.2.

3. Regulatory Environment

3.1 Requirements imposed by ESMA

Regulation (EC) No 1060/2009, Article 6(2), in conjunction with point 8 of Section A of Annex I, Scope Ratings GmbH, and Scope Ratings UK Ltd. ...

Article 8(3) of the Regulation stipulates that a Credit Rating Agency shall use rating methodologies that are rigorous, systematic, continuous, subject to validation based on historical experience and that may include back-testing, an enhanced universe with test of Credit Ratings, sensitivity analysis and/or qualitative assessments.

3.2 Requirements imposed by FCA

No additional requirements imposed by FCA

3.3 Requirements imposed by FINMA

No additional requirements imposed by FINMA

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.



Rating Methodologies Governance Policy

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