



Rating Methodologies Governance Policy

Scope Ratings GmbH
Scope Ratings UK Ltd.

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Scope Ratings GmbH and Scope Ratings UK Ltd.

1. Introduction

Scope Ratings GmbH and Scope Ratings UK Ltd. (hereinafter referred to as “Scope Ratings”) develop and maintain rigorous, systematic and continuous credit rating methodologies (hereafter “Methodologies”) that are subject to validation including, where possible, back- testing. Scope’s Methodologies set out the generic framework that is used by Scope’s analytical teams to issue and maintain Credit Ratings in a particular class of issuers or class of debt instruments. Scope Ratings further develops and maintains Models that implement a generic modelling framework that is described in the Methodology, where relevant. Methodologies may also set out Key Rating Assumptions (further “KRA’s”) 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 develops and maintains 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 Methodologies as well as models. It also applies to ancillary services methodologies, unless otherwise stated.

2. Applicability

This Policy and its requirements apply to all Covered Employees. Associated non-Employees must acknowledge to abide by this Policy. The contents of this Policy and any future updates or changes are published on Scope’s website and are made available on Scope’s intranet.

For defined terms used in this Policy please see Scope Defined Terms Glossary that is available on Scope’s website and intranet.

3. Policy

3.1 Development and review of Methodologies

The development of Methodologies and, where relevant, Models and/or KRA’s is conducted by Scope Ratings’ analytical teams while their review and approval is the responsibility of the Independent Review Function (IRF).

They are reviewed and approved regularly and, in any case, within 12 months. 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’s Credit Rating universe to which the Methodology was applied.

3.2 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 is robust, coherent, systematic and complete. It allows to assess a Methodology’s discriminatory and predictive power. Validation includes back-testing, an enhanced universe with test 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 KRA 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 Ratings.

3.3 Verification 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.

3.4 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 IRF and thirdly by 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 IRF, while reviews of Methodologies, including related Models and KRAs, with no material changes are approved by IRF.



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3.5 Disclosure of Methodologies

All active Methodologies including, where relevant, descriptions of Models and/or KRA's are publicly available on Scope Ratings' website.

Whenever Scope Ratings 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 Scope'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,.

4. Independent Review Function

Scope Ratings established the IRF as a function that is independent of the business lines that are responsible for the issuance of Credit Ratings. The IRF reports to the Independent Non-Executive Directors of Scope Ratings. The IRF is responsible for periodically reviewing Scope's Methodologies, Models and KRAs, and any changes or modifications thereto as well as the appropriateness of those Methodologies, Models and KRAs. Further, the IRF is responsible for the approval of new Methodologies, Models and KRAs.

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

5. Violation of the Policy

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 are investigated and reported to Senior Management to determine appropriate intervention.

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



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