



## **Code of Business Conduct**

Scope Ratings GmbH  
Scope Ratings UK Ltd.

January 2021



# Code of Business Conduct

Scope Ratings GmbH and Scope Ratings UK Ltd.

## 1. Introduction

Scope Ratings GmbH and Scope Ratings UK Ltd. – both hereinafter referred to as “Scope Ratings” – have defined and adopted the Code of Business Conduct (“CoBC”) which sets forth standards of business conduct at Scope Ratings.

Scope Ratings provides opinions in the form of Credit Ratings, alternative investment fund risk-return ratings and other related research about issuers of securities and their financial obligations. In order to enhance market understanding and confidence in Scope Ratings’ Credit Ratings, Scope Ratings has adopted the CoBC to promote the objectivity and integrity of its business and the transparency of its operations. The CoBC’s requirements emphasize Scope Ratings’ commitment to conducting its business in an ethical manner and with integrity as well as in line with applicable rules and regulations on the conduct of Credit Rating activities.

The CoBC complies with the equivalent standards of the International Organization of Securities Commissions (IOSCO).

## 2. Applicability

The CoBC and its requirements apply to all Covered Employees. Associated non-Employees must acknowledge to abide by this policy.

The contents of this Code and any future updates or changes are published on Scope’s website and are made available on Scope’s intranet.

### Note:

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

## 3. Scope’s Code of Business Conduct

### 3.1 Quality and Integrity of the Rating Process at Scope Ratings

Credit Ratings are based on information obtained by Scope Ratings from sources believed by Scope Ratings to be accurate and reliable, including, but not limited to issuers (and their agents) as well as sources independent of the issuer. Scope Ratings relies on issuers to provide information that is true, accurate, timely, complete and not misleading.

### 3.2 Quality of the Rating Process

- I. Scope Ratings maintains rigorous, systematic and continuous Credit Rating methodologies that are subject to validation. When assessing an issuer’s creditworthiness, Analytical Personnel is required to use and consistently apply the established Scope Ratings’ Credit Rating methodologies.
- II. Scope Ratings’ Credit Ratings are determined by a rating committee structure. The rating committee process facilitates rating decisions that are a collective assessment of Scope Ratings opinion, rather than the view of individual analysts.
- III. Scope Ratings employs Analytical Personnel, but it is the rating committee that makes the final rating decision.
- IV. Scope Ratings takes steps to avoid knowingly issuing any Credit Ratings or reports that contain misrepresentations or that are otherwise misleading as to the general creditworthiness of an issuer or obligation.
- V. Scope Ratings has implemented an Independent Review Function which is responsible for periodically reviewing and, ultimately, approving new and existing methodologies, models and any significant changes made.
- VI. Scope Ratings maintains records to support its Credit Ratings in accordance with applicable laws and regulatory requirements in the jurisdictions in which Scope Ratings conducts business.
- VII. Scope Ratings maintains a sufficient pool of Analytical Personnel to provide timely Credit Ratings of all obligations and issuers it rates. When deciding whether to rate or continue rating an obligation or issuer, Scope Ratings will assess whether it is able to devote sufficient personnel with appropriate skills to make a proper Credit Rating assessment, and whether Analytical Personnel likely will have access to sufficient information needed in order to make such an assessment.
- VIII. Scope Ratings assesses whether existing methodologies and models for determining Credit Ratings of structured products are appropriate when the risk characteristics of the assets underlying a structured product change materially.
- IX. Scope Ratings does not issue or maintain Credit Ratings in cases where the quality of available information is not satisfactory or the complexity or structure of a new type of structured product or the lack of robust data about the assets underlying the structured product raise serious questions as to whether Scope Ratings can determine a credible Credit Rating for the security.
- X. Scope Ratings and Covered Employees will not, either implicitly or explicitly, give any assurance or guarantee of a particular Credit Rating prior to a rating committee. Scope Ratings’ procedures and decision-making supervisory bodies safeguard the independence of rating committees and rating decision whilst mitigating potential conflicts of interest.



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- XI. Scope Ratings monitors its Credit Ratings (with the exception of point-in-time Credit Ratings, which are not monitored by definition) on ongoing basis and dedicates appropriate amount of financial and human resources to this process. Scope Ratings allocates Analytical Personnel with an appropriate level of expertise and of appropriate resources in case of separate teams being responsible for the Credit Rating assignment and its monitoring.
- XII. Scope Ratings introduced the Rating Governance Policy for disseminating of Credit Ratings as a result of Credit Rating Actions and appropriate means to enforce this policy.

### 3.3 Monitoring and Updating

In order for Scope Ratings to provide timely Credit Ratings of all rated industry and product sectors, Scope Ratings monitors its Credit Ratings, as necessary, on an ongoing basis and updates its Credit Ratings in accordance with regulatory requirements and Scope Ratings policies and procedures.

Once a Credit Rating is published, and unless it is withdrawn, Scope Ratings will:

- I. At least once in any twelve-month period, review the creditworthiness of the issuer or other relevant entity or debt or debt-like securities;
- II. Initiate a review of the status of the Credit Rating upon becoming aware of any information that might reasonably be expected to result in a Credit Rating Action (including withdrawing a Credit Rating).
- III. Scope Ratings will update on a timely basis the Credit Rating, as appropriate, based on the results of any such reviews referred to in (I) or (II) above.
- IV. Where practicable, Scope Ratings will leverage available information and expertise in the monitoring process. Scope Ratings will apply updates in relevant key rating assumptions both to current and newly assigned Credit Ratings.
- V. Press releases are published if Credit Rating Actions are taken
- VI. Scope Ratings will publish a Credit Rating announcement if it discontinues a public Credit Rating on an issuer or obligation in accordance with Scope Ratings' policies and procedures regarding the withdrawal of Credit Ratings without undue delay. Such publication will indicate the date of the last update or review of the Credit Rating, the rationale behind discontinuing of the monitoring and information that Scope Ratings ceases to update the Credit Rating.

### 3.4 Integrity of the Rating Process

- I. Scope Ratings requires Covered Employees to work and to deal fairly and honestly with issuers, investors, other market participants and the public.
- II. Scope Ratings holds Covered Employees to standards of integrity and seeks to employ only those individuals who meet these standards. Covered Employees are required to acknowledge to abide by the CoBC and Scope Ratings' internal policies and procedures. New joiners are required to provide their written consent after being hired and before being granted access to any Confidential Information.
- III. On an annual basis Covered Employees need to confirm that they read and understood this code and all applicable Scope policies, and that they have complied with the requirements set forth in this Code and Scope's policies.
- IV. Covered Employees are prohibited from making proposals or recommendations to an obligor or issuer, underwriter or sponsor of a security about the corporate or legal structure, assets, liabilities or activities of an obligor or issuer.
- V. Scope Ratings has appointed a Compliance Officer whose role and responsibilities are to oversee and maintain compliance with all requirements set forth by laws, regulations and internal policies.
- VI. Covered Employees are expected to promptly report any conduct that they reasonably believe is illegal, unethical or contrary to the CoBC to Compliance.
- VII. Scope Ratings' Management and Compliance will prohibit retaliation by any Covered Employee or by Scope Ratings itself against any Covered Employee who, in good faith, reports a possible violation of the law or the CoBC.

### 3.5 Independence and Avoidance of Conflicts of Interest

Scope Ratings has defined procedures and mechanisms designed to minimize the likelihood that conflicts of interest will arise, or to appropriately manage those conflicts that may arise.

Scope Ratings does not refrain from taking a Credit Rating Action, or from initiating or concluding a review of a Credit Rating, based on the potential effect (economic, political, or otherwise) of the Credit Rating Action on Scope, an issuer, an investor or other market participant.

#### Principles:

- Analytical Personnel is required to use care and professional judgment to maintain their independence and objectivity.
- The determination of a Credit Rating is influenced only by factors relevant to the credit analysis or investment funds analysis.

- Scope's organizational structure, the CoBC, the rating committee policy and the Compliance Officer at Scope Ratings help to promote the independence of, and avoidance of conflicts of interest in the ratings process.
- Credit Ratings that Scope Ratings assigns to an issuer are not affected by the existence of or potential for a business relationship between Scope Ratings and the issuer (or its affiliates) or any other party, or the non-existence of such a relationship.
- Scope Ratings does not engage in any other business activities that may present a conflict of interest with its Credit Ratings business, including the provision of consulting or advisory services. Scope Ratings discloses on its website any ancillary services and other services it offers.

Please refer to the "Conflicts of Interests Policy" for more information.

### 3.6 Responsibilities to the Investing Public and Issuers

Scope Ratings distributes all Credit Ratings decisions regarding the entities and securities it rates in a timely fashion

#### 3.6.1 Principles:

- I. Scope Ratings publicly discloses its policies for distributing its Credit Ratings, reports and updates. Scope Ratings provides Credit Rating rationales to support each Credit Rating Action and opinion. Public Credit Ratings are publicly released on Scope Ratings' website.
- II. Except for private Credit Ratings and unpublished Credit Ratings for certain private placement transactions provided only to the issuer, Scope Ratings discloses to the public, on a non-selective basis and at no cost, any Credit Rating regarding publicly issued securities or issuers, as well as any subsequent decisions to discontinue such a Credit Rating.
- III. For each of its public Credit Ratings (initial and monitored public Credit Rating), Scope Ratings will disclose the following information - **including but not limited to** (please refer to the **Disclosure Requirements Policy** for more information):
  - a reference to the date of the last associated Credit Rating announcement - if any;
  - a summary of the key elements of the rationale underlying the Credit Rating as part of a Credit Rating announcement;
  - a summary of the key Credit Rating assumptions/ factors and sensitivity analysis of the relevant key Credit Rating assumptions/ factors;
  - an indication on which substantially material sources of information were used to prepare the Credit Rating;
  - a description of the attributes and limitations of the Credit Rating so as to indicate whether Scope Ratings considers satisfactory the quality of information available on the rated entity and/ or debt;
  - a reference to the principal methodology(ies) and model(s) used to determine the Credit Rating.

#### Note:

- Scope Ratings will explain if a Credit Rating is based on more than one principal methodology and if a review of only one methodology might cause financial market professionals to overlook other important aspects of the Credit Rating.
  - Scope Ratings will also indicate where methodologies and other important aspects factored into Credit Ratings can be found in the Credit Rating announcement. The Credit Rating announcement may refer to documents published on Scope Ratings' website - where applicable.
- IV. Scope Ratings publishes on its website sufficient information about its Credit Ratings, policies, definitions, methodologies, models and key Credit Rating assumptions (including financial statement adjustments that materially deviate from those contained in the issuer's published financial statements) and a description of the Credit Rating committee process so that market participants can understand how Scope Ratings determines its Credit Ratings. This information includes, but is not limited to, adjustments and assumptions made by Scope Ratings with respect to the issuer and its Credit Ratings, as well as the meaning of each Credit Rating category, definition of default and the time horizon Scope Ratings uses when making a Credit Rating decision.

#### Note:

All Scope Ratings public Credit Ratings and all Scope Ratings non-public Credit Ratings are monitored on an ongoing basis to ensure that they remain appropriate as new information becomes available.

- V. In accordance with Scope Ratings' policies and procedures, prior to issuing or revising a Credit Rating, Scope Ratings, where feasible or appropriate and in accordance with jurisdictional requirements, informs the issuer of the critical information and principal considerations upon which the intended Credit Rating Action is based and provides the issuer with an opportunity to clarify any possible factual misperceptions or other matters that Scope Ratings would wish to be made aware of in order to produce appropriate Credit Ratings and research. Analytical Personnel duly evaluate these clarifications and all relevant information.



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### Note:

Scope Ratings is generally prepared to consider an appeal on a case-by-case where the issuer provides material new information to Scope Ratings. Scope Ratings defers issuing the press release and any related report pending disposition of the appeal request and resolution of the appeal, as applicable.

- VI. In order to promote transparency and to enable the market to best judge the performance of the Credit Ratings, Scope Ratings, where possible, publishes sufficient information about the historical default rates of Scope Ratings Credit Rating categories and whether the default rates of these categories have changed over time. This allows interested parties to understand the historical performance of each category and if and how Credit Rating categories have changed, and to be able to draw quality comparisons among Credit Ratings given by different credit rating agencies.
- VII. Scope Ratings will publicly disclose via posting on its website any material modifications to its Credit Rating methodologies and related significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications will be made subject to a "request for comment" from market participants prior to their implementation. Scope Ratings will carefully consider the various uses of Credit Ratings before modifying its Credit Rating methodologies, practices, procedures, and processes.
- VIII. Scope Ratings supports the users of Credit Ratings in developing a deeper understanding of Credit Ratings by disclosing among other things, the nature and limitations of Credit Ratings and the risks of over relying on them by making investment decisions. Scope Ratings in its publications is not implying that the credit ratings authority endorses its Credit Ratings.
- IX. Scope Ratings distinguishes Credit Ratings of structured finance products by using an SF suffix when assigning a Credit Rating.
- X. Scope Ratings remains transparent towards rated entities, investors, originators, obligors, arrangers and underwriters about the Credit Rating of the subject entity or obligation.
- XI. Scope Ratings publishes results of Credit Rating Actions without undue delay.
- XII. Scope Ratings when publishing results of Credit Rating Actions discloses the fact of participation of the rated entity, originator, obligor, arranger or underwriter in the Credit Rating process. Credit Ratings not initiated by the rated entity, originator, obligor, arranger or underwriter will be identified appropriately.
- XIII. Scope Ratings will publish information regarding the loss analysis, when rating a structured finance product, in order to provide the Credit Rating users with a thorough understanding of the basis of a Credit Rating. In addition, Scope Ratings will inform about the extent to which a structured finance Credit Rating is sensitive to changes in the assumptions underlying the applicable methodology.

### 3.6.2 Handling of Confidential Information

Scope Ratings and Covered Employees will protect Confidential Information by imposing restrictions on the disclosure and use of Confidential Information, they will also protect Confidential Information from being disclosed in publications, at conferences or outside events, or in conversations with investors, other issuers, other persons, or otherwise.

Scope Ratings will use issuer Confidential Information only for purposes related to its Credit Rating services or ancillary services.

### Principles:

- I. Scope Ratings and Covered Employees will preserve the confidentiality of issuer Confidential Information communicated to them by an issuer (or its agent) and refrain from publicly disclosing issuer Confidential Information in Credit Rating announcements, or through research, or conversations with investors, other issuers, or any other persons, unless they have received permission from the issuer, or its designated agents.
- II. Covered Employees are required to take all reasonable measures to protect all property and records belonging to or in possession of Scope Ratings from fraud, theft or misuse.
- III. Covered Employees should not share Confidential Information for the purpose of trading securities, or for any other purpose except in the conduct of Scope Ratings business activities.
- IV. Covered Employees should not selectively disclose any material non-public information about Credit Rating opinions or possible future Credit Rating Actions of Scope Ratings, except to the issuer or its designated agents.
- V. Covered Employees should not share Confidential Information entrusted to them with other Scope Employees, except on a "need to know" basis.



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### **4. Violation of the Code of Business Conduct**

Covered Employees must immediately report violations or suspected violations of the CoBC to their manager, and for Scope Ratings Covered Employees 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 the CoBC 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 will be responsible for the implementation and the enforcement of the CoBC.



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