



TRANSPARENCY REPORT 2020

Scope Ratings UK Limited





Introduction

This report is published by Scope Ratings UK Limited (hereinafter referred to as “**SRUK**”). SRUK is a wholly owned subsidiary of Scope Ratings GmbH (hereinafter referred to as “**SRG**”). SRUK as per Part 8, Chapter 2 of the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations is deemed a registered credit rating agency with the Financial Conduct Authority (hereinafter referred to as “**FCA**”).

This report is published under Article 12 and Part III, Section E of Annex I of the Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011 and Regulation (EU) No 462/2013 as implemented by Statutory Instrument 2019 No. 266 Exiting the European Union Financial Services and Markets, the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 (hereinafter referred to as the “**UK CRA Regulation**”) and includes information for the period from January 1, 2020 through December 31, 2020 (hereinafter referred to as the “**Reporting Period**”) on Scoperatings.com website.

The business activities of the London branch of SRG were transferred to SRUK on 1 January 2021. Therefore this transparency report refers mainly to the business activities and operations of °SRG.

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I. Legal Structure and Ownership

As of 1 January 2021, SRUK is a company registered at Companies House with its registered address at 111 Buckingham Palace Road, London SW1W 0SR United Kingdom and the Company No. 11810998. SRUK is a wholly owned subsidiary of SRG.

SRG is registered at the Commercial Register Charlottenburg (Berlin), HRB 192993 B. It is fully owned by its parent, Scope SE & Co. KGaA (hereinafter referred to as “**Scope**”), a company registered at the Commercial Register Charlottenburg (Berlin), HRB 182023 B. SRG is registered as a credit rating agency in accordance with the EU Regulation since 2012.

SRG has its head offices at Lennéstraße 5, 10785, Berlin, Germany and maintains branch offices in Frankfurt (Germany), Paris (France), Milan (Italy) and Oslo (Norway). Until 31 December 2020, SRG maintained a branch office in London.

Scope as the group holding entity together with its wholly owned direct subsidiaries SRG¹, Scope Analysis GmbH, Scope Investor Services GmbH, and Scope ESG Analysis GmbH are hereinafter together referred to as “**Scope Group**”.

II. Internal Control Mechanisms ensuring Quality of SRG's Credit Rating Activities

SRG's internal control mechanisms:

Governance

SRG's governance structures which are set up to meet the requirements of the EU Regulation and other applicable regional and national laws and to provide for appropriate management oversight over SRG's international credit rating activities. SRG has established and maintains an administrative board in accordance with the EU Regulation. This includes oversight by independent non-executive directors, who serve on SRG's administrative board.

The Administrative Board

During the Reporting Period, the Administrative Board of SRG which was composed of two members who were not involved in the day-to-day management of SRG or in SRG's credit rating activities. The Administrative Board oversaw the activities of the Executive Board of SRG.

SRUK has a board consisting of executive directors.

The Independent Non-Executive Directors (“INEDs”)

The INEDs of SRG were specifically responsible for monitoring the:

- Development of the credit rating policy and credit rating methodologies;
- Effectiveness of the internal quality control system;
- Effectiveness of measures and procedures to identify, eliminate, manage and/or disclose conflicts of interest; and
- Compliance and governance processes.

The Independent Review Function

The independent review function (hereinafter referred to as “**IRF**”) is a key part of SRG's internal control framework. IRF operates independently from both the analytic business lines and the business development departments. It is responsible for independently approving and periodically examining and reviewing credit rating methodologies, models and key rating assumptions that are used in the credit rating process. It monitors that these

¹ SRG is the sole shareholder of SRUK.



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credit rating methodologies are robust, rigorous, systematic and continuous, and that they are validated, including back-testing. IRF may attend credit rating committees but has no voting right on credit rating decisions.

The Compliance Function

SRUK's compliance function operates independently from the analytical business lines and the business development departments. The compliance function oversees adherence to regulatory requirements in each jurisdiction in which SRUK operates and for endorsed credit ratings issued by SRG. Its role is to maintain the relationship with regulatory authorities, to advise and provide training to SRUK's employees and managers on regulatory requirements, SRUK's Code of Business Conduct, Code of Ethics amongst others of its policies and internal procedures, and to assess and monitor adherence to those rules. This includes compliance surveillance over SRUK's credit rating activities and compliance investigations in cases of a potential breach of any regulation or other applicable laws as well as regularly updating SRUK's codes, policies or procedures.

The Internal Audit Function

SRUK's internal audit function is outsourced to the group holding entity Scope.

Scope maintains an internal audit function which reports directly to the CFO of Scope. The internal audit function operates independently from the business lines and the business development departments of Scope Group. The internal audit function is responsible for conducting regular reviews of the business activities as well as operational processes and internal controls in each jurisdiction in which Scope and its affiliates operate. Audit reports are provided to INEDS and the Executive Management of SRG.

The Credit Rating Process

The credit rating process is designed to protect the independence, objectivity and integrity of SRUK's credit rating decisions. Credit rating actions are not based on the opinion of a single (lead) analyst but are determined by a credit rating committee. The process to conduct a credit rating committee follows the principles set out in, amongst others, SRUK's Code of Business Conduct, Rating Governance Policy, Rating Process Manual and Confidential Information Management Policy. Further details are governed by internal procedures that provide for minimum process, approval, and documentation requirements that SRUK's analytical employees have to adhere to in conducting credit rating activities.

The Credit Rating Methodology Process

SRUK's credit rating methodologies are publicly available on Scope Ratings' website and govern the analytical components that are applied in SRUK's credit rating analysis. The process for the development of new credit rating methodologies, or for adjustments to existing credit rating methodologies follows the principles set out in, amongst others, SRUK's Code of Business Conduct and SRUK's Methodologies Governance Policy. The credit rating methodology review process includes representatives of the analytical lines of business and of SRUK's Independent Review Function. IRF reviews credit rating methodologies in an independent manner and has final approval authority on SRUK's credit rating methodologies. Further details are governed by internal procedures that provide for minimum process, approval and documentation requirements that SRUK's employees have to adhere to in the context of the credit rating methodology review process. Since its business commencement on 1 January 2021, SRUK has outsourced the IRF function to SRG.

SRUK's Public Codes and Policies

SRUK's public Code of Ethics, SRUK's Code of Business Conduct and several policies set out the principles that all SRUK employees are bound to adhere to. These codes and policies are updated from time to time to reflect changes in applicable rules and regulations as well as guidance of the the FCA. All SRUK employees are required to confirm compliance with these codes and certain of SRUK's policies annually. In addition, internal procedures support and foster the process steps that protect the quality, independence and integrity of SRUK's credit rating activities.

SRUK's Conflicts Management Principles

SRUK's public code(s) and SRUK's policies set out the key principles to prevent, identify, manage and where relevant disclose potential or actual conflicts of interests. SRUK has adopted policies and procedures to prevent, identify and manage conflict of interests. In particular, SRUK has put in place the following:

- SRUK analysts who participate in credit rating activities are operationally and functionally separated from non-credit rating activities that are conducted in other entities of Scope Group.
- As an institution, SRUK does not act as a principal or market maker in securities.
- The group holding entity of SRUK, Scope is responsible for all commercial relationships with issuers, is operationally segregated from any analytical rating group and any involvement in credit rating activities. Analysts are prohibited from participating in fee discussions with issuers or their agents.
- Credit ratings are determined according to Rating Process Manual.
- Analysts are not compensated or evaluated based on the amount of revenue that SRUK derives from issuers that the analyst rates or with which the analyst interacts.
- Employees are obliged to follow specific rules with regard to personal interests of employees, such as personal ownership of and trading in financial instruments, receipt of gifts or outside business activities that are set out in SRUK's Personal Account Dealings Policy, Outside Business Interests Policy, and SRUK's Gifts, Entertainment and Anti-bribery Policy.
- The SRUK's Compliance Department monitors employee conduct regarding potential conflicts of interest.

Risk Reporting and Risk Management

Risk reporting and risk management is overseen by Scope, which is SRUK's group level holding entity. Scope discusses potential financial, strategic, legal, regulatory or operational risks in order to assess the probability of occurrence and the effectiveness of existing protections in place at Scope Group. An internal function is tasked with the risk assessment and risk management process including a standardized risk reporting into Scope's Risk Committee, which provides recommendations for consideration by the board of SRUK.

III. Allocation of Personnel and Senior Management

The below information refers to allocation of staff to credit rating activities, methodology or model appraisal and senior management as well as on the allocation of staff to credit rating activities in the different asset classes for SRG².

Allocation for SRG	Number of staff
New Credit Ratings and Credit Rating Reviews	68
Methodology Appraisal	3.5
Senior Management/Board	3
Total	74.5

² This includes all full-time or part-time employees of Scope. Part-time employees are counted as 0.5 FTE.. The data provided relate to the status as per 31 December 2020.

Allocation for SRUK ⁴	Number of staff
New Credit Ratings and Credit Rating Reviews	4
Senior Management/Board	3
Total	7

Asset Class for SRG	Number of staff
Corporates	22
Structured Finance & Covered Bonds	23
Project Finance	6
Sovereign/Public Finance	9
Financial Institutions	8
Total	68

Asset Class for SRUK ⁶	Number of staff
Structured Finance & Covered Bonds	1
Financial Institutions	3
Total	4

Structure of Rating Teams for SRG

SRG's analytical personnel are organised with regional reporting lines that operate across six rating groups during the Reporting Period: 1) Corporate Finance, 2) Project Finance, 3) Public Finance including sovereign and sub-sovereign issuers, 4) Financial Institutions, 5) Covered Bonds and 6) Structured Finance. The analytical team head of each rating group reports to the Executive Management of SRG. The analytical team heads are generally supported by deputy managers. The cross-border reporting structure results in an escalation and resolution of any rating group issue on a regional basis, irrespective of the country in which the issue may have arisen. Similarly, to the extent possible, decisions made relating to a particular rating group are implemented by the relevant management across jurisdictions or regions.

IV. Members of Management

Since 1 January 2020, Mr. Guillaume Jolivet has been the sole managing director (*Geschäftsführer*) of SRG's Executive Management. SRG during the Reporting Period was responsible for SRG's London branch prior to setting up SRUK as an independent entity in the United Kingdom due to Brexit.

For the Reporting Period SRG's London branch was covered by the management structure of SRG. The Administrative Board of SRG was composed of two INEDs who are not directly involved in SRG's credit rating activities, Mr. Moritz Kraemer and Mr. Markus Schaber were the designated INEDS for SRG.

From 1 January 2021 Debbie Hartley and Michael Baker have been directors of Scope Ratings UK Limited and responsible for the management function.

⁴ Numbers as of 1 January 2021.

⁶ As of 1 January 2021, SRUK has one lead analyst in Financial Institutions and one lead analyst in Structured Finance.

V. Rotation Policy for Analysts

During the Reporting Period SRG maintains an Analyst Rotation Policy which was designed to rotate lead analysts, rating analysts and persons approving credit ratings from rated entities and, where relevant, their related third parties. According to the Analyst Rotation Policy, SRG rotates lead analysts every four years, rating analysts every five years, and persons approving credit ratings every seven years.

Following the rotation, these analysts are subject to a two-year period in which they are not permitted to engage in credit rating activities with the same rated entity and, where relevant, their related third parties.

VI. Record-keeping Policy

SRUK receives information from or about entities that it rates in various forms, including physical documents and electronic formats as a part of the conduct of credit rating activities. SRUK retains all relevant business records that SRUK or in the case of endorsed credit ratings of SRG, receive from external entities or that are prepared internally in relation to the conduct of credit rating activities in line with the requirements of the UK CRA Regulation, applicable corporate laws and other relevant rules and regulations. SRUK adheres to the standards that are set out in its Record Keeping Policy and its Internal Record Keeping Procedures. These internal rules establish best practice standards for the appropriate and consistent handling and retention of such business records, so these are complete and readily available. SRUK established protections around the retention of sensitive information, and employees are required to take all reasonable measures to protect sensitive or confidential information and the records maintained in relation with it. Employees are also required to protect all property and business records belonging to, or in possession of, their employer from fraud, theft or misuse.

VII. Compliance Report

The compliance function oversees adherence by SRUK's and its employees to regulatory requirements and SRUK's policies and procedures in the United Kingdom. It operates independently within SRUK, provides advice to management and employees and monitors internal control structures. During the Reporting Period, regulatory and compliance matters were further addressed on a regular basis with the INEDs of SRG.

During the Reporting Period, various enhancements to compliance policies and procedures were made to address regulatory requirements, new FCA guidance, internal process enhancements and developments in SRUK's business activities.

The Scope Group Code of Ethics was amended to incorporate the aspect of integration of human rights' abidance according to 10 UN Global Compact.

The Scope Ratings Pricing Policy was updated to incorporate a high-level description of pricing models and cost-based pricing factors.

All employees of SRUK acknowledged the policies and procedures that were in place and certified their adherence to SRUK's policies and procedures for 2020. Compliance training was provided to employees joining SRUK on a regular basis and a comprehensive annual compliance training for 2020 was conducted for all employees and managers of SRUK.

Surveillance controls and monitoring reviews over SRG's credit rating activities were conducted by the compliance function independently. Potential issues identified as a result of such compliance controls or by way of notifications submitted to the compliance department were addressed with executive management and, where relevant, the administrative board of SRG. Where allegations for a relevant potential or actual breach of the UK CRA Regulation and other applicable laws, SRUK's codes, policies or procedures were identified by or reported to the compliance function, these were addressed by way of formal compliance investigations and brought up to SRUK's management bodies for decision. Relevant reporting obligations to supervisory authorities such as



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ESMA were undertaken. Going forward, the surveillance controls and monitoring activities will also include credit ratings which are issued by SRG and endorsed by SRUK.

Internal Audit conducted, as a part of its work plan, a review of SRUK's compliance department in the first quarter of 2021. This review covered the activities and measures of the compliance department with a view to the organisational set-up of the department and a focus on the areas of compliance training, compliance policies and procedures and compliance surveillance activities. The overall outcome of this internal audit did not show any material shortcomings.

VIII. Financial Revenues

The below table provides an overview of SRG's revenues in 2020:

2020 - Total Revenues	EUR
Revenues originating from credit rating services	11,641,929
Revenues originating from ancillary services	581,141
Total:	12,223,069

2020 Turnover - Geographical Allocation	EUR
European Union (EU)	8,518,875
Worldwide (non-EU)	3,704,194
Total:	12,223,069

2020 Revenues – credit rating services	EUR
thereof: corporations Non-financial corporations / Sovereigns/Public Finance/ Financial Institutions	5,596,743
thereof: Structured finance/project finance	6,045,186
Total:	11,641,929

2020 Revenues - Ancillary Services	EUR
Revenues originating from ancillary services provided to clients of credit rating services	581,141
Total:	581,141

IX. Governance Statement

During the Reporting Period, SRG did not have any shares listed on any regulated exchange. It is established in compliance with applicable German corporate laws and operates in accordance with relevant international laws and regulations, in particular the EU Regulation.

Since 1 January 2021 SRUK has been a wholly owned subsidiary of SRG.

As of 31. December 2020, SRUK's parent entity SRG was a 100% subsidiary of Scope SE & Co. KGaA. Through their shareholdings in Scope SE & Co. KGaA, the following entities had significant (over 5%) indirect shareholdings in SRUK:

- Florian Schoeller (via holding companies): 20%
- AQTON SE: 16%
- Michael C. Wisser (via holding companies): 7%

Holdings of other minor shareholders (each one below 5,0%) were in total at 57%.

Scope Management SE is the general partner of Scope SE & Co. KGaA. The Executive Board of Scope Management SE manages the business of Scope SE & Co. KGaA and thereby of Scope Group. In addition to their shareholdings in Scope SE & Co. KGaA, Florian Schoeller and Stefan Quandt hold 40% each of the shares of

⁷ Scope, the group holding company, is a so-called limited partnership on shares (KGaA) and combines the rules and set-up of a public limited company ("Aktiengesellschaft") with the corporate structure of a limited partnership ("Kommanditgesellschaft" or "Co. KG"). The acronym "Co. KGaA" reflects the dual character of this corporate structure.



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Scope Management SE. The Scope Foundation has held 20% of the shares of Scope Management SE since May 2020. Scope Foundation has no financial or economic interest in Scope SE & Co KGaA and the main function of the foundation is to preserve the European identity of the shareholder structure of Scope Group. Scope's Investor Relations team maintains close contact with its shareholders to identify, manage, eliminate and disclose any potential conflicts of interest.

SRG's business activities and the members of Executive Management were overseen by the Administrative Board of SRG. SRG's Administrative Board met at least once per quarter. The compensation of the Administrative Board members was not related to the business performance of the company.

Each member of the Administrative Board is sufficiently skilled to perform his or her respective function. The independent members have sufficient expertise in all relevant areas of financial services.

The INEDs were not involved in credit rating activities and are free of any business, family or other relationship with SRG, its controlling shareholders or its executive management that would create a conflict of interests which would impair their judgement. At least one of SRG's INEDs has in-depth knowledge at a senior level of structured finance markets.

Members of SRUK's board governance and management bodies (such as the Executive Management) had the powers conferred on them by English law, the articles of association and applicable bylaws. The articles of association of SRUK may be amended in accordance with applicable national law. The operation of the shareholder meeting, the key powers of the shareholder meeting, and the shareholder rights are provided for in national law and the constitutional documents of SRUK.



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