



Scope  
Ratings

# TRANSPARENCY REPORT 2021

## Scope Ratings GmbH



## Introduction

This report is published by Scope Ratings GmbH (hereinafter referred to as “**SRG**”) in accordance with 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 (hereinafter referred to as the “**EU Regulation**”), and includes information for the period from 1 January 2021 to 31 December 2021 (hereinafter referred to as the “**Reporting Period**”) on the [scooperatings.com](https://www.scooperatings.com) website.

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## I. Legal structure and ownership

SRG is registered at the Charlottenburg Commercial Register (Berlin) with the company number HRB 192993 B. It is fully owned by its parent, Scope SE & Co. KGaA (hereinafter referred to as “**Scope**”), a company registered at the Charlottenburg Commercial Register (Berlin) with the company number 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), Oslo (Norway), Poznan (Poland) and Madrid (Spain). Until 31 December 2020, SRG maintained a branch office in London; on 1 January 2021, Scope Ratings UK Limited (hereinafter referred to as “**SRUK**”), a company registered with the Companies House in the United Kingdom under the company number 11810998, became a wholly owned subsidiary of SRG.

The parent entity Scope together with its wholly owned direct subsidiaries, SRG, SRUK<sup>1</sup>, Scope Analysis GmbH, Scope Investor Services GmbH, Scope ESG Analysis GmbH and Scope Hamburg GmbH are hereinafter referred to together 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 are set up to meet the business standards requirements of a globally operating credit rating agency including EU Regulation and other applicable regional and national laws and to provide appropriate management oversight over SRG's international credit rating activities. SRG maintains an Administrative Board in accordance with the EU Regulation. Independent non-executive directors also serve on the Administrative Board to provide oversight.

#### The Administrative Board

During the Reporting Period, the Administrative Board of SRG was composed of the Independent Non-Executive Directors (“**INEDs**”), as clarified under section IV of this report, and Executive Management (“**Executive Management**”). The Administrative Board oversaw the activities of SRG.

#### The Independent Non-Executive Directors

The INEDs were not involved in the daily management SRG's credit rating activities.

The INEDs were specifically responsible for monitoring:

- The development of the credit rating policy and credit rating methodologies;
- The effectiveness of the internal quality control system;
- The 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 analytical business lines and business development. Within IRF, the methodology policy and model review teams are responsible for independently approving, periodically examining and reviewing credit rating methodologies, models and key rating assumptions used in the

<sup>1</sup> On 1 January 2021, the London branch of SRG was transferred to Scope Ratings UK Limited (company number 11810998) with a registered address at 111 Buckingham Palace Road, London SW1W 0SR.

credit rating process. It makes sure that these credit rating methodologies are robust, rigorous, systematic and continuous and that they are validated, for example, through back-testing. Separately, the Credit Policy team acts as an internal control function at the rating level, ensuring high quality credit ratings as well as the complete and coherent application of credit rating methodologies. IRF teams may attend credit rating committees but has no voting right on credit rating decisions.

### The compliance function

SRG's compliance function operates independently from the analytical business lines and business development. The compliance function oversees adherence to regulatory requirements in each jurisdiction in which SRG operates and from 2022 for its wholly owned subsidiary in the United Kingdom, SRUK<sup>2</sup>. It operates independently within SRG. Its role is to maintain the relationship with regulatory authorities, to advise and provide training to SRG's employees and managers on regulatory requirements, SRG's Code of Business Conduct and Code of Ethics, among other internal policies and procedures, and to assess and monitor adherence to those rules. This includes compliance surveillance over SRG's credit rating activities and compliance investigations in case of a potential breach of the EU Regulation or other applicable laws as well as SRG's codes, policies and procedures. The head of compliance reports to the Executive Management of SRG and to the INEDs on a regular basis to address relevant compliance matters and potential compliance risks. Regulatory and compliance matters and potential compliance risks are further addressed on a regular basis by the INEDs and the compliance function at the level of SRG's parent entity, Scope.

### The internal audit function

SRG's parent entity Scope maintains an internal audit role that reports functionally to Scope SE & Co. KGaA's Supervisory Board ("**the Board**") and in particular to the Chair of the Audit Committee, being a sub-committee of the Board and having specific oversight responsibilities over Internal Audit and the internal control system. The internal audit function operates independently from the analytical business lines and business development at Scope Group. The internal audit function regularly reviews 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 the INEDS and the Executive Management of SRG.

### The credit rating process

The credit rating process protects the independence, objectivity and integrity of SRG'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 credit rating committee follows the principles set out in, among others, SRG's Code of Business Conduct, Rating Governance Policy, Rating Process Manual and Confidential Information Management Policy. Internal procedures cover the requirements over processes, approvals and documentation that SRG's analytical employees have to adhere to in the credit rating process.

### The credit rating methodology process

SRG's credit rating methodologies are available on SRG's public website and govern the analytical components applied in SRG's credit rating analyses. The process for the development of new credit rating methodologies or adjustments to existing credit rating methodologies follows the principles set out in, among others, SRG's Code of Business Conduct and SRG's Methodologies Governance Policy. The credit rating methodology review process involves representatives from the analytical business lines and IRF. IRF reviews the credit rating methodologies independently and has final approval over SRG's credit rating methodologies. Internal procedures cover

<sup>2</sup> SRG endorses credit ratings issued by Scope Ratings UK Limited under Article 4(3) of the EU Regulation.

the requirements over processes, approvals and documentation that SRG's employees have to adhere to in the context of the credit rating methodology review process.

### SRG's public codes and policies

SRG's public Code of Ethics, Code of Business Conduct and other policies set out the principles that all SRG employees are bound to in performing their duties. These codes and policies are updated periodically to reflect changes in applicable rules and regulations as well as guidance from the European Securities and Markets Authority ("ESMA"). Each year, all SRG employees have to confirm compliance with these codes and certain SRG policies. In addition, internal procedures support and foster the steps that protect the quality, independence and integrity of SRG's credit rating activities.

### SRG's conflict management principles

SRG's public codes and policies set out the key principles to prevent, identify, manage and, where relevant, disclose potential or actual conflicts of interest. SRG has adopted policies and procedures that prevent, identify and manage conflicts of interest. In particular, SRG has put in place the following:

- SRG's analysts who participate in credit rating activities are operationally and functionally separated from non-credit rating activities conducted in other Scope Group entities.
- As an institution, SRG does not act as a principal or market maker in securities.
- As the parent entity of SRG, Scope is responsible for all commercial relationships with issuers and is operationally segregated from all analytical rating groups and credit rating activities. Analysts are prohibited from participating in fee discussions with issuers or their agents and from participating in marketing activities.
- The Rating Process Manual Credit governs the rating process.
- Analysts are not compensated or evaluated based on the revenue that SRG derives from issuers that the analyst rates or with which the analyst interacts.
- SRG applies a mechanism for the gradual rotation of relevant analytical staff to protect analytical independence.
- Employees must follow specific rules with regard to their personal interests, such as personal ownership of and trading in financial instruments, receipt of gifts or outside business activities. These rules are set out in SRG's Personal Account Dealings Policy, Outside Business Interests Policy, and SRG's Gifts, Entertainment and Anti-bribery Policy.
- The SRG's compliance department monitors employee conduct regarding potential conflicts of interest.

### Risk reporting and risk management

Scope, SRG's group-level holding entity, oversees risk reporting and risk management. Scope discusses potential financial, strategic, legal, regulatory and operational risks in order to assess the probability of their occurrence and the effectiveness of existing protections at Scope Group. An internal function deals with the risk assessment and risk management process including standardised risk reporting to Scope's Risk Committee, which makes recommendations to the Executive Management of SRG.

### III. Allocation of personnel and senior management

The below information refers to allocation of staff to credit rating activities, methodologies, model appraisals, senior management and credit rating activities in the different asset classes for SRG.<sup>3</sup>

Allocation	Number of Staff
New credit ratings and credit rating reviews	80
Methodology appraisal	4
Senior management/Board	4
<b>Total</b>	<b>88</b>

Asset class	Number of Staff
Corporates	26
Structured Finance & Covered Bonds	30
Project Finance	6
Sovereign/Public Finance	11
Financial Institutions	7
<b>Total</b>	<b>80</b>

#### Structure of rating teams

SRG's analytical personnel are organised through reporting lines by rating groups and operate across six such 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 for 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 issue, irrespective of the country in which the issue may have arisen. Similarly, to the extent possible, decisions relating to a particular rating group are implemented by the relevant management across jurisdictions or regions.

### IV. Members of management

From 1 January 2021 to November 30 2021, Guillaume Jolivet was the sole managing director (*Geschäftsführer*) of SRG's Executive Management. Matthias Böhm was appointed as the second managing director alongside Mr Jolivet as of 1 December 2021.

The Administrative Board of SRG included Markus Schaber and Moritz Kraemer as INEDs from January 2021 to December 2021. Mr Schaber and Mr Kraemer were joined by Paul Mazataud in May 2021. Fernando Mayorga joined in September 2021.

The INEDs were not directly involved in SRG's credit rating activities.

### V. Rotation policy for analysts

SRG maintains an Analyst Rotation Policy, which rotates lead analysts, rating analysts and people 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 people approving credit ratings every seven years.

<sup>3</sup> This includes all full-time and part-time employees of Scope. Part-time employees are counted as 0.5 full-time employees. The data provided relate to the status as per 31 December 2020. Numbers are rounded up or down to the next whole number.

Following the rotation, analysts are not permitted to engage in credit rating activities with the same rated entity and, where relevant, their related third parties for a two-year period.<sup>4</sup>

## **VI. Record-keeping policy**

As part of its credit rating activities, SRG receives information from or about entities that it rates in various forms, including physical documents and electronic formats. SRG retains all relevant business records that SRG – or SRUK in the case of endorsed credit ratings – receives from external entities or that are prepared internally in relation to the conduct of credit rating activities in line with the requirements of the EU Regulation, applicable corporate laws and other relevant rules and regulations. SRG adheres to the standards set out in its Record Keeping Policy and Internal Record Keeping Procedures. These rules establish best practice for the appropriate and consistent handling and retention of such business records that ensure these are complete and readily available. SRG has 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 the possession of their employer from fraud, theft or misuse.

## **VII. Compliance report**

During the Reporting Period, SRG made various enhancements to compliance policies and procedures to address internal process enhancements and developments in SRG's business activities as well as regulatory requirements including new ESMA guidance. These include:

- The update of the Insider List Policy, Commercial Separation Policy and Conflicts of Interests Policy
- The introduction of the Endorsement Policy, Compensation Policy, Corporate Conflict of Interests Policy, Information Separation Policy, Governance Policy, Pricing Policy

All SRG employees acknowledged the policies and procedures that were in place and certified their adherence to SRG's policies and procedures for 2021. SRG regularly provided compliance training to new employees and conducted comprehensive annual compliance training for 2021 for all its employees and managers

The compliance function independently conducted surveillance controls and monitoring reviews over SRG's credit rating activities. Executive Management and, where relevant, the Administrative Board of SRG addressed potential issues identified as a result of such compliance controls or by way of notifications submitted to the compliance department. Where the compliance function identified or received a report of a relevant potential or actual breach of the EU Regulation, other applicable laws, or SRG's codes, policies and procedures, it addressed them by way of formal compliance investigations and brought them to the attention of SRG's management bodies. SRG fulfilled its reporting obligations to supervisory authorities in line with the EU Regulation and as per the Guidelines on the Submission of Periodic Information to ESMA by Credit Rating Agencies – 2nd Edition, issued on 5 February 2019. SRG is a category A credit rating agency with the obligation for scheduled reporting on 31 January, 30 April, 31 July and 31 October or on an ad-hoc basis. Going forward, the surveillance controls and monitoring activities will also include credit ratings issued by SRUK and endorsed by SRG.

The internal audit function conducted a review of SRG's compliance department as a part of its work plan in the first quarter of 2022. 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 organisation and governance, policies and procedure, compliance monitoring plan, training and onboarding, regulations, knowledge and resources as well as Communication and reporting.

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<sup>4</sup> SRUK is exempt from the obligation to maintain an analyst rotation policy.

## VIII. Financial revenues

The table below provides an overview of SRG's revenues in 2021.

2021 total revenues	EUR
Revenues originating from credit rating services	13,593,074
Ancillary services	2,107,871
<b>Total:</b>	<b>15,700,945</b>

2021 turnover – geographical allocation	EUR
European Union (EU)	10,518,106
Worldwide (non-EU)	5,182,839
<b>Total:</b>	<b>15,700,945</b>

2021 revenues – credit rating services	EUR
thereof: Non-financial corporations/Sovereigns/Public Finance/Financial Institutions	5,545,425
thereof: Structured Finance/Project Finance	8,047,648
<b>Total:</b>	<b>13,593,074</b>

2021 revenues – ancillary services	EUR
Revenues originating from ancillary services provided to clients of credit rating services	2,107,871
<b>Total:</b>	<b>2,107,871</b>

## 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.

As of 31 December 2021, SRG is a 100% subsidiary of Scope SE & Co. KGaA<sup>5</sup>. Through their shareholdings in Scope SE & Co. KGaA, the following individuals/entities had significant (over 5%) indirect shareholdings in SRG:

Florian Schoeller (via holding companies): 16.1%  
 AQTON SE: 14.6%  
 AXA S.A.: 6.3%  
 Michael C. Wisser (via holding companies): 5.9%

Holdings of other minority shareholders (each one below 5%) totalled 57.1%.

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 each hold 40% of the shares of

<sup>5</sup> Scope, the group holding company, is a 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.



Scope Management SE. The Scope Foundation has held 20% of the shares of Scope Management SE since May 2020. Scope Foundation has no financial nor 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 Scope's shareholders to identify, manage, eliminate and disclose any potential conflicts of interest relevant to SRG's activities.

SRG's Administrative Board oversaw SRG's business activities and the members of Executive Management. The Administrative Board met at least once per quarter. Compensation of Administrative Board members was not related to SRG's business performance.

Each member of the Administrative Board is sufficiently skilled to perform their respective function. The INEDs 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 interest that could impair their judgement. At least one of SRG's INEDs has in-depth knowledge at a senior level of structured finance markets.

Members of SRG's governance and management bodies such as the Administrative Board and Executive Management have adequate powers conferred to them by the applicable national law, articles of association and applicable bylaws. The articles of association of SRG may be amended in accordance with applicable national law. The operations 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 SRG.



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