



TRANSPARENCY REPORT 2021

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**”). As per Part 8, Chapter 2 of the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations, SRUK is 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 1 January 2021 to 31 December 2021 (hereinafter referred to as the “**Reporting Period**”) on www.scooperatings.com website.

The business activities of the London branch of SRG were transferred to SRUK on 1 January 2021.

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I. Legal structure and ownership

Scope Ratings UK Ltd is a company registered with Companies House with its registered address at 52 Grosvenor Gardens, London SW1W 0AU United Kingdom and the Company No. 11810998. SRUK is a wholly owned subsidiary of Scope Ratings GmbH.

SRG is fully owned by its parent, Scope SE & Co. KGaA (hereinafter referred to as “**Scope**”). SRUK has applied for registration as a credit rating agency in accordance with the UK CRA Regulation. Its parent company has been registered as a rating agency in accordance with the EU CRA Regulation since 2012.

The parent entity Scope as the group holding entity and provider of various central functions to the subsidiaries together with its wholly owned direct subsidiaries SRG¹, SRUK, Scope Analysis GmbH, Scope Investor Services GmbH, and Scope ESG Analysis GmbH, Scope Hamburg GmbH are hereinafter referred to together as “**Scope Group**”.

II. Internal control mechanisms ensuring quality of SRG's and SRUK's credit rating activities

SRG's and SRUK's internal control mechanisms

Governance

SRG's governance structures are set up to meet the requirements of the EU Regulation and 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.

During the Reporting Period, SRUK did not have Independent Non-Executive Directors. SRUK's directors attend the Administrative Board of SRG. SRUK outsources internal control functions to SRG and Scope as described below.

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 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 ensures that these 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 the jurisdiction in which SRUK operates and for endorsed credit ratings issued by SRG. Its role is to maintain the relationship with regulatory authorities, advise and provide training to SRUK's employees and managers on regulatory requirements, SRUK's Code of Business Conduct, and its Code of Ethics amongst other 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 case of a potential breach of any regulation or other applicable laws as well as regularly updating SRUK's codes, policies or procedures.

¹ SRG is the sole shareholder of SRUK.

The internal audit function

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

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 business lines and the business development departments at 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 and the Board of SRUK.

The credit rating process

The credit rating process protects 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. Internal procedures cover the requirements over processes 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 SRG's website and govern the analytical components that are applied in SRUK's credit rating analyses. 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 from the analytical business lines and IRF. 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. These codes and policies are updated from time to time to reflect changes in applicable rules and regulations as well as FCA guidance. All SRUK employees have to annually confirm compliance with these codes and certain SRUK policies. In addition, internal procedures support and foster the steps that protect the quality, independence and integrity of SRUK's credit rating activities.

SRUK's conflict management principles

SRUK's public codes 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.
- Scope, the group holding entity of SRUK, 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 and from participating in marketing activities.
- The Rating Process Manual Credit governs the rating process 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

Scope, SRUK's group-level holding entity, oversees risk reporting and risk management. 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 deals with the risk assessment and risk management process including a standardised 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 the allocation of staff to credit rating activities in the different asset classes for SRUK² and SRG.

Allocation for SRG	Number of staff
New credit ratings and credit rating reviews	80
Methodology appraisal	4
Senior management/Board	4
Total³	80

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 2021. Numbers are rounded up or down to the next whole number.

Allocation for SRUK ⁴	Number of staff
New credit ratings and credit rating reviews	3
Senior management/Board	3
Total	6

Asset class for SRG	Number of staff
Corporates	26
Structured Finance & Covered Bonds	30
Project Finance	6
Sovereign/Public Finance	11
Financial Institutions	7
Total	80

Asset class for SRUK	Number of staff
Financial Institutions	3
Total	3

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 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 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

From 1 January 2021, Debbie Hartley and Michael Baker have been Executive directors of SRUK and responsible for the management function. Dorothee Bruemmer is the UK Compliance Officer.

V. Rotation policy for analysts

During the Reporting Period, SRUK maintains an Analyst Rotation Policy that 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, SRUK rotates lead analysts every four years, rating analysts every five years, and people 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.

⁴ Numbers as of 31 December 2021

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 SRG in the case of endorsed credit ratings – receives from external entities or that are prepared internally in relation to 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, SRG's INEDs participated in further addressing regulatory and compliance matters on a regular basis.

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

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

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

The compliance function independently conducted surveillance controls and monitoring reviews over SRUK'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 relevant potential or actual breach of the UK CRA Regulation and other applicable laws, SRUK's codes, policies or procedures, it addressed them by way of formal compliance investigations and brought them to the attention of SRUK's management bodies. SRUK fulfilled its reporting obligations to supervisory authorities such as ESMA. Going forward, the surveillance controls and monitoring activities will also include credit ratings that are issued by SRG and endorsed by SRUK.

Internal Audit conducted a review of SRUK's compliance department in the first quarter of 2022, as part of its work plan. 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.

VIII. Financial revenues

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

2021 total revenues	GBP	EUR
Revenues originating from credit rating services	-	-
Revenues originating from ancillary services	1,549,455	1,808,171
Total:	1,549,455	1,808,171

2021 turnover – geographical allocation	GBP	EUR
European Union (EU)		
Worldwide (non-EU)	1,549,455	1,808,171
Total:	1,549,455	1,808,171

2021 revenues – credit rating services	GBP	EUR
thereof: corporations non-financial corporations/Sovereigns/Public Finance/ Financial Institutions	-	-
thereof: Structured finance/project finance	-	-
Total:	-	-

2021 revenues – ancillary Services	GBP	EUR
Revenues originating from ancillary services provided to clients of credit rating services	1,549,455	1,808,171
Total:	1,549,455	1,808,171

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 2021, SRUK's parent entity SRG is a 100% subsidiary of Scope SE & Co. KGaA⁵. Through their shareholdings in Scope SE & Co. KGaA, the following individuals/entities had significant (over 5%) indirect shareholdings in SRUK:

- 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 minor shareholders (each one below 5%) totalled 57.1%.

⁵ 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.



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 AQTON SE hold 40% each of the shares of 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.

Each member of the Administrative Board is sufficiently skilled to perform their respective function.

Members of SRUK's board governance and management bodies (such as the Executive Management) had the powers conferred to 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. National law and SRUK's constitutional documents cover the operation of the shareholder meeting, the key powers of the shareholder meeting and shareholder rights.



Transparency Report for the Year Ended 31 December 2021

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