



## **Transparency report 2012**

Scope Ratings

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## 072/01: Introduction

1. Scope Ratings GmbH, hereinafter „Scope Ratings“ and „Rating agency“, is a registered rating agency according to EU regulation No. 1060/2009 of the European Parliament and Council. Scope Ratings focuses on the issuance of independent ratings with an emphasis on corporations and groups of companies and their refinancing issues, financial institutions and their bonds as well as other obligations. In order to provide transparency of its methodologies and processes for investors, companies and the public, Scope compiles a yearly transparency report available on the company website. This report contains:

- Overview of the legal and ownership structure
- Description of internal control mechanisms
- Information on the allocation of personnel
- Summary of the compliance report
- Overview of the management board and the rotation principle of rating analysts
- Short report of the financial development of the company
- Statement of the management board

## 072/02: Legal and ownership structure

2. Scope Ratings GmbH is a German limited liability company. The rating agency is a 100% subsidiary of Scope Holding GmbH based in Berlin.
3. With effect from January 1<sup>st</sup> 2012, 100% of the shares in PSR Rating GmbH were transferred to Scope Holding GmbH and the company's name was changed into Scope Credit Rating GmbH and in line with another change of name into its present name "Scope Ratings GmbH".

## 072/03: Internal control mechanisms

4. Due to the dimensions of Scope Ratings GmbH, the management took advantage of the exceptional rule regarding the compliance function. Despite the decision not to install a compliance function, effective and extensive control mechanisms are established which permanently assure the quality and independence of the rating process and avoid processes which are not in line with the EU regulation No. 1060/2009 of the European Parliament and Council (008.01). These include:

### a) Administrative and supervisory board

The administrative and supervisory board serves as a control and support body and is responsible for assuring independence and quality of the rating agency's implemented assignments. The administrative and supervisory body holds the following tasks:

- Monitoring and reviewing the development of the rating policy
- Monitoring and reviewing the effectiveness of internal quality assurance measures
- Monitoring and reviewing the effectiveness of processes to identify, eliminate or manage and disclose conflicts of interest
- Monitoring and reviewing the effectiveness of the review function or the rating agency

### b) Rating committee

The rating committee is the authority that releases a rating in the rating process. This authority pursues the following goals at Scope Ratings:

- Ratings, preliminary ratings and all other rating actions have to be decided and assigned by a rating committee. The rating committee is furthermore responsible for assuring quality of the ratings with regard to content and form. The composition of the rating committee with the leading analysts and independent members as well as a transparent and consistent voting process, free of conflicts of interests, is the claim.

### c) Review function

The review function has the following responsibilities: regular review of the rating models employed in the rating agency, especially in case of changes and adaptations of rating systems. Here, the review function is integrated within the framework of the regular validation of employed rating models at Scope Ratings. In summary, the field of activity contains:

- 1) Documentation of the changes and developments of the rating systems at Scope Ratings
- 2) Review of the principles which are used as a basis for the adjustment of the calibration of the rating system
- 3) Information search in order to evaluate the current and prospective rating system as a reporting to the administrative and supervisory board

With regular validations of the rating methodologies of Scope Ratings, rating criteria are subject to relevant adjustments to the economic environment. The basis for these adjustments is a result of validation studies which are carried out by the management of Scope Ratings.

Already during the development of the principles for the adjustments of the rating systems, the review function is integrated into the process and exercises an observatory function.

#### d) Process control and documentation

For the purpose of the control and documentation of rating processes, Scope Ratings uses an individually developed software tool. This web-based tool allows for the allocation of responsibilities on a process and work step level as well as for the determination of substitute regulations. Furthermore, the executive board herewith controls the course of rating processes and enables the monitoring and reviewing of the workflow in a simple manner. Besides the control function, the tool particularly fulfills requirements with regard to the documentation of process cycles. This is achieved by recording start and completion of single work steps and phases and archive activities which are documented through the rating team during the rating process.

#### 072/04: Allocation of personnel

5. In the business year 2012, 19.9% of hours worked were accounted for by the management and administration, 77.1% by rating activities and 3.0% by methodology and model evaluations.
6. Scope generally aims at the following distribution of working hours of rating analysts and other employees: 70% operative activities, 20% methodology development and administrative activities and 10% special training.
7. In the context of the rating activities of the business year 2012, Scope Ratings has integrated external resources besides its internal analysts. Here, in due consideration of the special requirements and guidelines of the EU regulation 1060/2009, rating analysts were employed by Scope Analysis GmbH.

#### 072/05: Compliance report

8. Due to the dimensions of Scope Ratings GmbH, the management took advantage of the exceptional rule regarding the compliance function.
9. For 2013, the management board plans to withdraw from this exceptional rule and establish a compliance office according to the guidelines of the EU regulation 1060/2009. A corresponding concept has already been decided upon and submitted to the responsible regulatory body.

#### 072/06: Management board and rotation policy for rating analysts

10. In 2012, managing partner Thomas Morgenstern was the sole executive director of the rating agency.
11. Due to the size of the rating agency, the implementation of a formal rotation was foregone by making use of the exceptional rule according to EU regulation 1060/2009. The internal rules of the code of conduct remain in force.

#### 072/07: Financial information

12. Besides acting as a rating agency, Scope Ratings is active as a developer and marketer of rating software. Despite the very close connection between rating analysis and rating systems, this segment is an auxiliary activity of the agency. The revenues in 2012 are distributed between rating activities with 83,7% and auxiliary activities with 16,3%.

#### 072/08: Statement on the management

13. The executive board of Scope Ratings GmbH pursues the goals of the company under consideration and compliance of the framework defined within the code of conduct of the rating agency. Both transparency of processes and objectivity of the implementation of analyses, free of conflicts of interest, represent the key elements of the management. In line with this objective, the code of conduct of the rating agency is available on the website of the company.



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