FitchRatings

Insurance
Composite Insurance
Netherlands

Achmea B.V.

And Core Operating Subsidiaries

Key Rating Drivers

Very Strong Company Profile: Fitch Ratings ranks Achmea B.V.'s business profile as 'favourable' compared to other Dutch insurance companies, driven by its favourable competitive positioning and business risk profile and its moderate diversification. Achmea is a health and non-life insurance market leader in the Netherlands with Fitch-estimated market shares of 29% and 25%, respectively; however, it has less international activities than some Dutch competitors.

International markets generated 6% of the group's total gross written premiums (GWP) in 2021 (2020: 5%) and accounted for 8% (2020: 4%) of its total operating earnings that year – driven by an improved operating expense ratio. While premiums increased by 14%, operating expenses grew 2% only in 2021.

Very Strong Capitalisation: We regard Achmea's capitalisation as very strong. Its Solvency II (S2) ratio post-dividend increased to 214% in 2021 from 208% in 2020. The Fitch Prism Factor-Based Capital Model (Prism FBM) score was unchanged at 'Very Strong'. The financial leverage ratio (FLR) was stable at 20% at end-2021.

Good Financial Performance: We expect Achmea to improve its profitability due to cost-efficiency programmes, albeit remaining under pressure from inherently low margins in Dutch mandatory health insurance. Achmea's net income return on equity ROE was 5.2% in 2021, down from 7.3% in 2020.

Low Investment Risk: Fitch assesses Achmea's investment and asset risk as low and scores it as 'Very Strong'. The company's risky-assets-to-equity ratio was 36.8% at end-2021 (2020: 31.5%), with the increase being driven by slightly higher equity investments. Investments mainly consist of investment-grade debt securities and a conservative Dutch residential mortgage portfolio.

Rating Sensitivities

Improved Financial Performance: A net income ROE of at least 7% on a sustained basis, while maintaining the Prism FBM score and FLR at levels that are consistent with a 'Very Strong' assessment, could lead to an upgrade.

Weaker Capital, Higher Leverage: The ratings could be downgraded if the Prism FBM score falls below 'Very Strong' for a sustained period.

Weaker Financial Performance: A sustained net income ROE below 3% could result in a downgrade.

Ratings

Achmea B.V.	
Long-Term Issuer Default Rating	A
Achmea Pensioen –en Levensverzekeringen N.V.	
Insurer Financial Strength rating	A+
Achmea Schadeverzekeringen N.V.	
Insurer Financial Strength rating	A+
Achmea Zorgverzekeringen N.V.	
Insurer Financial Strength rating	A+
Long-Term Debt Ratings – Achmea B.V.	
Senior	A-
Subordinated	BBB
Junior Subordinated	BBB-

Outlooks

IDRs and IFS ratings	Stable

Consolidated Financial Data

Achmea B.V.

(EURm)	31 Dec 21	31 Dec 20
Total assets	89,506	93,655
Total gross written premiums	20,026	20,175
Net income	468	642
Net income ROE (%)	5	7
Solvency II ratio (%, ex-dividend)	214	208

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Applicable Criteria

Insurance Rating Criteria (July 2022)

Related Research

Belgian and Dutch Insurers' Prism Factor-Based Capital Model Results (April 2022)

Sound Capitalisation Continues to Underpin Belgian and Dutch Insurer Ratings (April 2022)

Fitch Affirms Achmea Bank's Long-Term IDR at 'A'; Outlook Stable (April 2022)

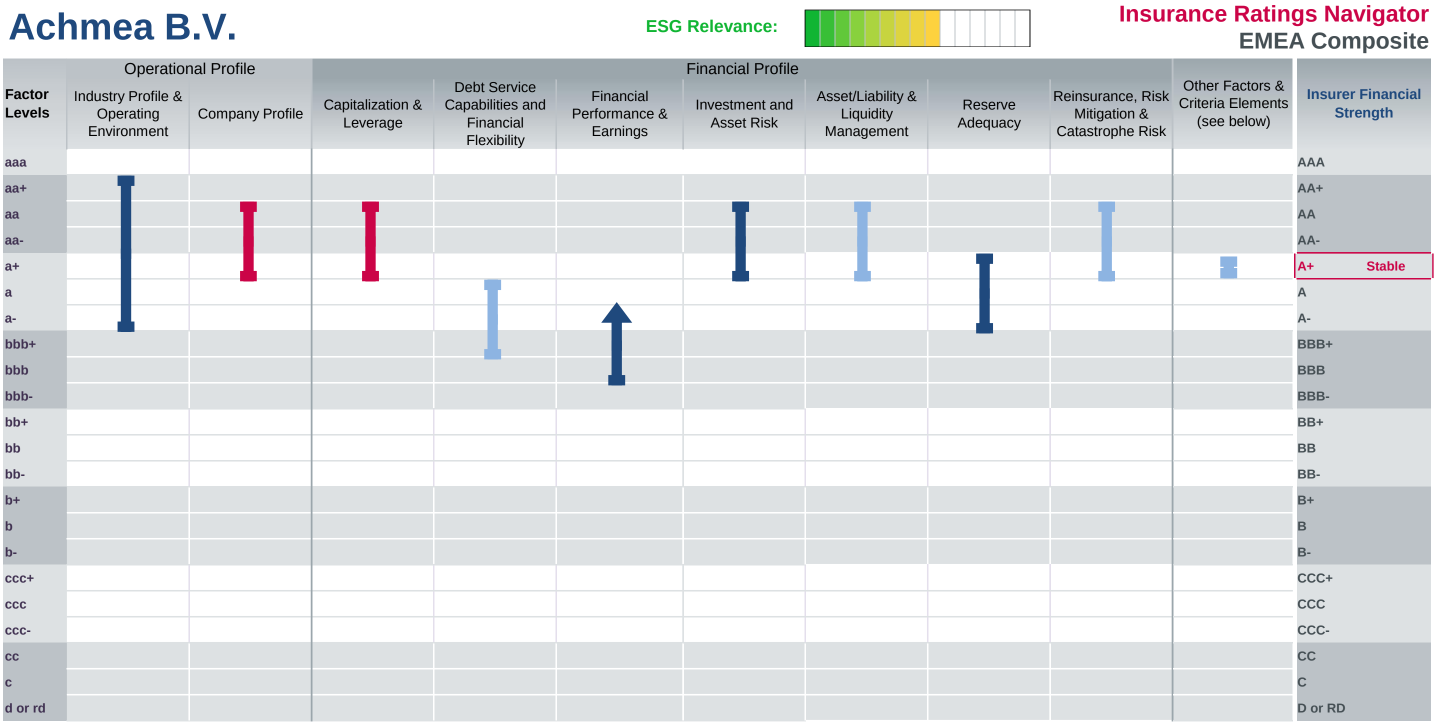
Analysts

Christoph Schmitt
+49 69 768076 121
christoph.schmitt@fitchratings.com

Federico Faccio
+44 20 3530 1394
federico.faccio@fitchratings.com

Key Credit Factors – Scoring Summary

Achmea B.V.



Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				**A+**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Corporate Governance & Management	**Effective**	Some Weakness	Ineffective	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength (IFS)			Final:	**A+**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**A**

Bar Chart Legend

Vertical Bars = Range of Rating Factor

Bar Colors = Relative Importance

- Higher Influence
- Moderate Influence
- Lower Influence

Bar Arrows = Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Latest Developments

- We have revised the Outlook on the credit factor financial performance to "positive" from "stable", which reflects our expectation that Achmea's profitability will improve.
- Based on the maintained stronger fixed-charge coverage, we amended the weighting of the credit factor debt service capabilities to "lower influence" from "moderate influence" and upgraded it to 'a-' from 'bbb+'.

Peer Comparison

Click here for a report that shows a comparative peer analysis of key credit factor scoring.

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

Company Profile

Company Profile Scoring Summary

	Assessment	Sub-score/impact
Business profile assessment	Favourable	aa
Corporate governance assessment	Favourable	0
Company profile factor score		aa

Source: Fitch Ratings

Fitch scores Achmea's company profile at 'aa-' under its credit factor scoring guidelines. This considers Achmea's business profile score as 'Favourable', which is unadjusted given its 'Favourable' corporate governance assessment.

Very Strong Business Profile

Fitch ranks Achmea's business profile as 'favourable' compared to other Dutch insurance companies driven by its favourable competitive positioning, moderate business risk profile and favourable diversification. Given this ranking, Fitch scores Achmea's business profile at 'aa-' under its credit factor scoring guidelines.

Achmea is a leading Dutch insurance and financial services group with activities in health, non-life, and life insurance, as well as banking and asset management. Its 'favourable' competitive positioning score reflects its consistent market-leading positions in its key Dutch insurance market segments.

Achmea was the largest insurer in the Netherlands by GWP in 2021, driven by its significant health insurance franchise, representing a market share of 23%. Achmea is also a health and non-life insurance market leader in the Netherlands, with Fitch-estimated market shares of 29% and 25%, respectively. Achmea Investment Management (Achmea IM), together with Syntrus had EUR247 billion total assets under management (AUM) at end-2021 (2020: EUR227 billion). Achmea IM is a top-200 global asset manager, and the fourth-largest in the Netherlands.

Achmea's business risk profile score of 'moderate' mainly reflects its average risk appetite relative to its Dutch peers. Achmea is exposed to medical expense risk in its health insurance business and to catastrophic events, such as wind- and hail-storms, in the non-life segment. Achmea is focusing on establishing a fee-based franchise in life and pensions insurance, along with the broader trend in the Dutch insurance market. The development of the retirement services is at the heart of the group's growth strategy, while the pension and life service book will run-off in a cost-efficient manner.

Achmea's 'favourable' diversification score reflects both its composite business profile and its geographic focus. Achmea's international activities are limited compared to more diverse Dutch competitors and mainly focus on non-life and health insurance through local brands in Slovakia, Greece, Turkey, Canada and a partnership with Rabobank in Australia. International markets generated 6% of the group's total GWP in 2021 (2020: 5%) and accounted for 8% (2020: 4%) of its total operating earnings in 2021. Achmea may continue to explore new opportunities in foreign markets, but Fitch does not expect this to affect its business profile score in the short term.

Corporate Governance – 'Moderate/Favourable'

Corporate governance and management are 'Moderate/Favourable', and in line with market standards for developed markets, and, as such, are adequate for and neutral to the ratings.

Ownership

Achmea's ownership background is neutral to its rating. Its largest shareholders are Achmea Association (Vereniging Achmea) and Rabobank, which both have cooperative backgrounds, with the former representing all of Achmea's customers. Mutual ownership tends to offer fewer conflicts of owner and creditor interest but typically has lower financial flexibility than a publicly owned organisation.

Capitalisation and Leverage

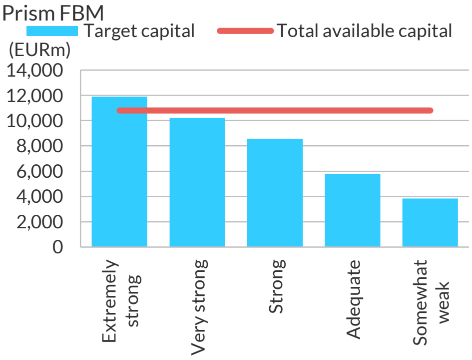
Very Strong Capitalisation and Leverage

Achmea maintained its robust capital position in 2021. The group's post-dividend S2 ratio was little changed (2021: 214%; 2020: 208%), and its Prism FBM score unchanged at 'Very Strong', although with a smaller margin to the 'Strong' score than in 2020.

Achmea's financial leverage ratio was stable at 20% at end-2021 (2020: 20%), which we regard as very strong. Generally, our financial ratios for capital remained stable throughout 2021. The slight increase in Achmea's S2 ratio to 214% in 2021 (2020: 208%) was driven by required capital (-6pp) declining more than available capital (-3pp).

Capitalisation Adequacy

Prism FBM



Source: Fitch Ratings

Financial Highlights

	2021	2020
Prism score	Very Strong	Very Strong
Prism total AC EUR million	10,805	10,975
Prism AC/TC at Prism score (%)	106	110
Prism AC/TC at higher Prism score (%)	91	94

AC – Available Capital, TC – Target Capital
Note: Reported on a consolidated basis.
Source: Fitch Ratings, Ageas.

Fitch typically excludes operating debt raised by Achmea's non-insurance operating subsidiaries from the financial leverage calculation but includes it in the total financing and commitments ratio (TFC), a broader measure of external funding. Debt funding used in Achmea's banking operations explains the high TFC ratio relative to the low FLR.

Fitch Expectations

- Broadly stable financial leverage and capitalisation because of stable debt and capital.

Financial Highlights

(EURm)	31 Dec 21	31 Dec 20
Prism FBM score	Very Strong	Very Strong
Finanical leverage ratio (%)	20	20
Group Solvency II ratio (%)	214	208
TFC ratio (x)	0.8	0.9

Note: Reported on an IFRS basis.
Source: Fitch Ratings; Achmea

Debt Service Capabilities and Financial Flexibility

Strong Debt-Servicing Capability and Financial Flexibility

Achmea's debt-servicing capability and financial flexibility is 'Strong' based on a Fitch-calculated fixed-charge coverage ratio (FCC) of 6.4x in 2021 (2020: 7.4x), continuing market access proven by debt issuance at favourable terms, and robust contingent funding.

We increased our assessment of debt service capabilities and financial to 'Strong' because Achmea's FCC grew to over 5x for 2021 and 2020 after it had been below 5x in former years.

Achmea maintains contingent funding at EUR1 billion with a syndicate of banks. The facility matures in 2026 and was undrawn at end-2021.

There is no refinancing need until at least 2023 (see Debt Maturities table).

Fitch Expectations

- FCC of more than 5x because of maintained improved profitability.

Financial Highlights

(EURm)	31 Dec 21	31 Dec 20
FCC ratio (x, including realised and unrealised gains)	6.4	7.4

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Debt Maturities

(As of 31 December 2021)	(EURm)
2023[a]	500
2025[a]	750
2027	750
2029[a]	750
Total	**2,750**

[a] first call dates.
Source: Fitch Ratings; Achmea

Financial Performance and Earnings

Good and Improving Financial Performance

Achmea's financial performance is under pressure from the inherently low margins in Dutch mandatory health insurance because it adds more than 50% to Achmea's premium income. We believe that the net income ROE will remain below 10%, albeit it has been improving in recent years: it was 6.1% on average for the period 2019–2021, up from 0.6% for 2016–2018. We believe that Achmea's profitability will improve in the medium term, driven by its cost-efficiency programme.

Achmea reported lower operating earnings of EUR585 million (2020: EUR630 million) for 2021, driven by decreased earnings in the mandatory health segment. Excluding the health segment, operating earnings improved to EUR575 million in 2021 (2020: EUR395 million). We believe that Achmea's operating earnings in the non-health segments have improved gradually in recent years, supported by cost savings and premium increases in non-life and health insurance.

We expect this improvement to become sustainable while the health segment's profitability will remain low, driven by competition within the mandatory health insurance market. However, the market's capital resources have declined in recent years, and improving underwriting discipline has become more likely. This may result in an improvement of the health segment's profitability.

Achmea's health book is the largest in the Dutch market. The health book supports Achmea's expense base, driven by economies of scale. We believe that Achmea is one of the most resilient health insurers in the Dutch market. The size of the health segment is also supportive for the expense base of Achmea's other Dutch insurance segments.

Fitch Expectations

- Sustained net ROE higher than 5%, driven by sustained improvements in cost discipline.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Net result (EURm)	468	642
Net income ROE	5	7
Reported non-life combined ratio	93.9	92.9
Reported health combined ratio	100.3	98.3

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Investment and Asset Risk

Low Investment Risk

Fitch assesses Achmea's investment and asset risk as low and scores the credit factor as 'Very Strong'. This view is also reflected in Achmea's excellent risky assets ratio of 37% at end-2021 (2020: 32%). Achmea's exposure to listed ordinary shares increased to EUR1.8 billion from EUR1.3 billion, which explains the slight weakening of the risky assets ratio.

Investments mainly consist of investment-grade debt securities and a conservative Dutch residential mortgage portfolio, which account for 81% of general account investments.

Fitch views Achmea's EUR21 billion (including Achmea Bank) Dutch residential mortgage portfolio as low risk given low historic delinquency rates and a conservative average loan-to-value ratio of around 70%. About 30% (EUR7 billion) of the mortgage portfolio is backed by government guarantees, provided through the Stichting Waarborgfonds Eigen Woningen. The Netherlands' IDR is 'AAA'/Stable. The government guarantee further reduces credit risk in the portfolio.

Achmea has gradually increased its credit risk by shifting to higher-yielding fixed-income assets to improve investment returns in 2021. While this may lead to incremental credit risk and lower average rating of the bond portfolio, this is unlikely to affect our assessment of Achmea's investment and asset risk because the overall credit quality remains strong. At end-2021, 32% of the bond investments were rated 'AAA' (2020: 35%), 16% 'AA' (2020: 16%), 22% 'A' (2020: 20%), 28% 'BBB' (2020: 27%), and only 2% were non-investment grade (2020: 2%).

We believe that a significant decrease in credit quality driven by reinvestments has become unlikely because of the increase in investment yields in 2022. However, credit quality could be negatively affected by ratings migration pending further developments in 2022.

Fitch Expectations

- Risky asset ratio to be broadly stable as company's investment strategy remains stable.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Risky assets to equity	37	32
Unaffiliated shares to equity	29	24
Non-investment grade bonds to equity	8	7

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Asset Liability and Liquidity Management

Effective Interest Rate Hedging; Adequate Liquidity

Fitch assesses Achmea's asset/liability and liquidity management as 'Very Strong'. This is based on the insurer's sophisticated and comprehensive risk-management framework and prudent investment policy. Achmea uses cash flow matching, duration matching and derivatives-based hedging to manage risks in insurance portfolios.

Interest-rate risk arising from the duration mismatch of assets and liabilities is minimised through close cash flow matching and an interest-rate hedging programme for the Dutch life and pensions businesses. The aim of the programme is to minimise S2 volatility of the Dutch business, while the interest-rate risk management of other entities is based on their respective economic positions. The interest-rate sensitivity of Achmea's regulatory solvency (to both parallel and non-parallel shocks) was small at end-2021.

Interest rate risk on an economic basis is higher due to the application of the ultimate forward rate. However, the reduction of the ultimate forward rate to 3.45% in 2022 is only moderately negative for Achmea's S2 ratio, and likely to be more than offset by other positive items. Products with interest-rate or performance guarantees are in run-off and therefore risks associated with these products will gradually decline.

Fitch Expectations

- Asset liability and liquidity management metrics to remain in line with a 'Very Strong' assessment because cash flow matching will be maintained.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Life liquid assets ratio	61	63
Non-life liquid assets to net technical reserves	127	129

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Reserve Adequacy

Favourable Long-Term Reserve Development

Achmea's 'Strong' reserving score reflects overall favourable run-off experience and the absence of material past reserve shortfalls.

Achmea's non-life and health reserve growth exceeded premium growth for the first time after five years of reserve growth below premium growth. However, this improvement was partially at the expense of a reserve strengthening in 2021. Based on triangles provided in the annual report, Achmea's reserve development deteriorated to a loss of EUR160 million in 2021 from a profit of EUR407 million in 2020.

Achmea improved its reserve levels during its solid year of non-life underwriting; the increasing frequency and severity of bodily injury claims result in additional recurring provisioning need in this segment. The trend of increasing bodily injury claims is market-specific to the Netherlands and has affected most insurers operating in the market.

Fitch Expectations

- No significant reserve adjustments needed.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Loss reserves to equity (x; non-life and health)	1.5	1.4
Change in the ratio of loss reserves to earned premiums (non-life and health)	7.0	-2.3
One-year reserve development to prior year equity (non-life and health)	2.5	-2.7
One-year reserve development to prior year loss reserves (non-life)	3.8	-4.0

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Reinsurance, Risk Mitigation and Catastrophe Management

Adequate Reinsurance Protection Limits Catastrophe Risk

Fitch scores Achmea's reinsurance, risk management and catastrophe risk as 'Strong' based on the strong risk-management framework, robust reinsurance protection and the strong credit quality of reinsurance counterparts.

Achmea's risk-management framework is adapted for S2 and its risk appetite is set to ensure sufficient group capitalisation under severe stress events. Fitch believes Achmea's risk-management framework is robust and adequate, underpinned by frequent monitoring of risk exposures and the effectiveness of risk-mitigating tools with emphasis on interest-rate risk, longevity risk and cybersecurity.

Achmea runs a sophisticated reinsurance programme mainly through its internal reinsurer, Achmea Re, to limit non-life earnings volatility. Achmea Re further cedes risks that exceed its limits to the open market. Reinsurers on the reinsurance panel are rated a minimum 'A-' for short-tail contracts, 'A' or higher for collateralised long-tail contracts, and 'A+' or higher for uncollateralised long-tail contracts.

The parameters of the reinsurance programme are continuously optimised. Reinsurance protection performed well in past catastrophic events, significantly reducing Achmea's net loss exposure. Achmea is exposed to catastrophe risks mainly through its property and motor hull lines. The dominant perils are wind and hail in the Netherlands and earthquakes in Greece and Turkey.

Fitch Expectations

- Reinsurance protection to remain adequate for the group's business needs.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Net written premiums to gross written premiums	98	98
Reinsurance recoverables to capital	9	10

Note: Reported on an IFRS basis.
Source: Fitch Ratings, Achmea

Appendix A: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's rating criteria.

Group IFS Rating Approach

Fitch views the group's Dutch life (Achmea Pensioen-en Levensverzekeringen N.V.), health (Achmea Zorgverzekeringen N.V.), and non-life (Achmea Schadeverzekeringen N.V.) insurance subsidiaries as 'Core' to the group due to their strategic importance to the organisation, high degree of integration and common branding with the group. The IFS ratings of Achmea's insurance operating subsidiaries are therefore based on a group rating approach.

Notching

For notching purposes, the regulatory environment of the Netherlands is assessed by Fitch as being 'Effective' and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the implied operating company IDR.
Holding Company IDR
Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.
Holding Company Debt
A baseline recovery assumption of 'Below Average' was applied to Achmea B.V.'s senior debt securities. Standard notching relative to the IDR was used.
Hybrids
For Achmea B.V.'s subordinated notes a baseline recovery assumption of 'Poor' and a non-performance risk of 'Moderate' were used. Notching of minus three was applied relative to Achmea B.V.'s IDR, which was based on minus two notches for recovery and minus one notch for non-performance risk. For the subordinated Restricted Tier 1 notes issued by Achmea B.V. a baseline recovery assumption of "Poor" and a non-performance risk assessment of "Moderate" were used. Notching of four notches was applied relative to Achmea B.V.'s IDR, which was based on two notches for recovery and two notches for non-performance risk.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating.
Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Hybrid – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Grandfathering status	Amount (EURm)	CAR Fitch (%)	CAR Reg. Override (%)	FLR Debt (%)
Achmea B.V.					
5.5% preferred shares	Grandfathered for S2	311	0	100	50
4.625% restricted Tier 1	-	500	100	-	0
6% Tier 2 callable subordinated	Grandfathered for S2	500	0	100	100
4.25% Tier 2 perpetual callable subordinated	Grandfathered for S2	750	0	100	100
2.5% Tier 2 callable subordinated	-	250	0	100	100

CAR – Capitalisation ratio: FLR – Financial leverage ratio. N.A. – Not applicable.
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and after the regulatory override. For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio.
Source: Fitch Ratings

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix B: Environmental, Social and Governance Considerations

FitchRatings **Achmea B.V.**

Insurance Ratings Navigator
EMEA Composite

Credit-Relevant ESG Derivation

Achmea B.V. has 7 ESG potential rating drivers

- Achmea B.V. has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.
- Achmea B.V. has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- Achmea B.V. has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Business Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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