FitchRatings

Insurance
Composite Insurance
Netherlands

Achmea B.V.

And Core Operating Subsidiaries

Key Rating Drivers

Very Strong Business 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 diversification and its moderate business risk profile. Achmea is a health and non-life insurance market leader in the Netherlands with Fitch-estimated market shares of 28% and 25%, respectively; however, its international activities are less diverse than some Dutch competitors.

International markets generated 5% of the group's total gross written premiums (GWP) in 2020 (2019: 5%) and accounted for 4% (2019: 4%) of its total operating earnings in 2020.

Robust Capitalisation: Achmea had robust capitalisation in 2020, despite pandemic-related market weaknesses. Its 2020 Solvency II (S2) ratio was 208% (2019: 214%) post-dividend, and its Prism Factor-Based Capital Model (FBM) score was unchanged at 'Very Strong'. The S2 ratio fell by 6pp, mainly due to the inclusion of Achmea Bank and resumed dividend payments, which more than offset free capital generation (FCG). The financial leverage ratio (FLR) fell to 20% (2019: 21%) due to higher equity and unchanged outstanding debt balances compared to 2019.

Resilient Performance Despite Pandemic: We assess Achmea's financial performance as 'Good' based on our expectation of long-term net income return on equity (ROE) being maintained at 3%–6%. We do not expect ROE to exceed this due to pressure from low margins in Dutch mandatory health insurance. Achmea's 2020 operating earnings improved to EUR630 million (2019: EUR547 million), and ROE to 7% (2019: 6%), mainly due to extraordinary compensation from the government (2020: EUR238 million) for higher health insurance claims related to Covid-19, and a decrease in regular elective care.

Stable Debt-Servicing Capability, Financial Flexibility: We assess Achmea's debt-servicing capability and financial flexibility as 'Good', based on a Fitch-calculated fixed-charge coverage ratio (FCC) of 4.7x in 2020, adjusted for pandemic-related government compensation (unadjusted 6.5x; 2019: 3.9x), continuing market access proven by recent debt issuance on favourable terms, and robust contingent funding. Achmea's 2020 FCC was the highest since 2015 due to strong operating performance. We expect long-term FCC to be maintained at 3x–6x.

Low Investment Risk: Fitch assesses Achmea's investment and asset risk as low and scores the credit factor as 'Very Strong'. Investments mainly consist of investment-grade debt securities and a conservative Dutch residential mortgage portfolio. Achmea is gradually optimising its investment portfolio, mainly by shifting to higher-yielding fixed-income assets, but we expect the overall high credit quality of the investment portfolio to be maintained. The company's risky-assets-to-equity ratio was 38% at end-2020 (2019: 45%).

Rating Sensitivities

Weaker Financial Performance: A negative rating action/downgrade could occur if net income ROE falls below 3% on a sustained basis.

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

Improved Financial Performance: A positive rating action/upgrade could occur if net income ROE increases above 8% on a sustained basis, while maintaining the Prism FBM score and FLR at levels that are consistent with a 'Very Strong' assessment.

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

Senior	A-
Subordinated	BBB
Junior subordinated	BBB-

Outlooks

Stable

Consolidated Financial Data

Achmea B.V.

(EURm)	31 Dec 19	31 Dec 20
Total assets (excl. reinsurance assets)	89,480	92,970
Total gross written premiums	19,949	20,175
Net income	480	642
Net income ROE (%)	6	7
Solvency II ratio (%, ex-dividend)	214	208

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

Applicable Criteria

Insurance Rating Criteria (April 2021)

Related Research

Fitch Affirms Achmea Bank at 'A'; Outlook Stable (May 2021)

Fitch Affirms Netherlands at 'AAA'; Outlook Stable (April 2021)

What's Ahead for European Health Insurance: Netherlands (February 2021)

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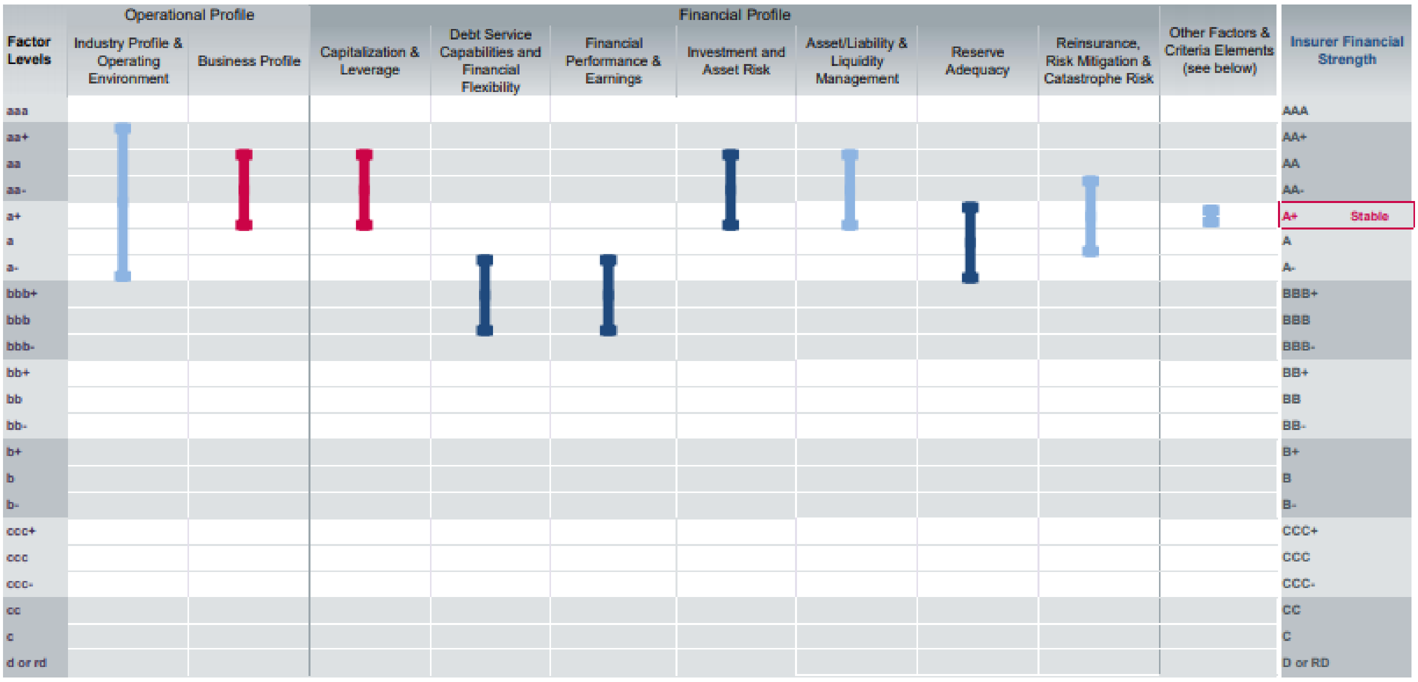
Key Credit Factors – Scoring Summary



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 increased the credit factor score for financial performance and earnings by one notch to 'BBB+' from 'BBB' based on our expectation that Achmea's profitability will stabilise at a stronger level than pre-pandemic. This is mainly due to cost savings, more favourable non-life pricing, and expected lower capital returns to policyholders in the mandatory health insurance segment.
- Achmea acquired Slovakian insurer Postova Poistovna. The transaction is in line with Achmea's international strategy that focuses on further reinforcing its market position in its existing foreign markets. Achmea expects to boost its distribution capacity and the size of both property and casualty (P&C) and health insurance businesses in Slovakia through online and banking channels. The acquisition will not have a material financial impact on the Achmea group.

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.

Business Profile

'Very Strong' Business Profile

Fitch ranks Achmea's business profile as 'Favourable' compared to other Dutch insurance companies. This is driven by Achmea's favourable competitive positioning and diversification, and moderate business risk profile. 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 is a health and non-life insurance market leader in the Netherlands. Fitch estimates its market shares at 28% and 25%, respectively, based on 2019 number of policies for health, and GWP for non-life insurance. It is also the largest insurer in the Netherlands by GWP (2020: EUR20 billion), driven by its significant health insurance franchise. Achmea Investment Management (Achmea IM) and Syntrus combined had EUR227 billion assets under management (AUM) at end-2020 (2019: EUR161 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 compared to its Dutch peers. Achmea is exposed to medical expense risk in its health insurance business and to catastrophic events such as wind and hailstorms in the non-life segment. In life and pensions insurance, along with the broader trend in the Dutch insurance market, Achmea is focusing on establishing a fee-based franchise. The development of the retirement services business, which also includes Achmea's general pension fund (Centraal Beheer APF), is at the centre of the group's growth strategy.

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. They 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 5% of the group's total GWP in 2020 (2019: 5%) and accounted for 4% (2019: 4%) of its total operating earnings in 2020. Achmea may continue to explore new opportunities in foreign markets but Fitch does not expect this to affect its business profile score.

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

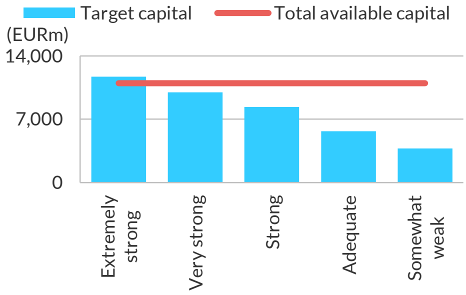
Robust Capital, Decreasing Leverage

Achmea maintained a robust capital position in 2020 despite weakness in financial markets due to the pandemic. The group's S2 ratio had barely changed from the 2019 level (2020: 208%; 2019: 214%) post-dividend, and its Prism FBM score was unchanged at 'Very Strong'.

The lower S2 ratio in 2020 is mainly a result of the inclusion of Achmea Bank (-8pp) and declared dividend payments in 2021 (-5pp). Excluding these items, the S2 ratio would have improved by 7pp to 221%, supported by structural FCG of EUR200 million in 2020. Of this, operating capital generation (OCG; EUR310 million) added 11pp to the S2 ratio, which was weaker than that of other large Dutch insurers. FCG in 2020 was well below 2019 due to unfavourable interest rate and spread movements during the year.

Capitalisation Adequacy

Prism FBM



Source: Fitch Ratings

Financial Highlights

	2020	2019
Prism score	Very strong	Very strong
Prism total AC currency	10,975	10,616
Prism AC/TC at prism score (%)	110	106
Prism AC/TC at higher prism score (%)	94	91

AC – Available Capital, TC – Target Capital
Note: Reported on a IFRS basis
Source: Fitch Ratings, Company

Financial Highlights

(EURm)	31 Dec 19	31 Dec 20
TFC ratio (x)	0.9	0.9
Finanical leverage ratio (%)	21	20
Group S2 ratio (%)	214	208
FCG	546	200

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

The slight decrease in financial leverage resulted from higher equity, while outstanding debt balance was unchanged compared to 2019. Fitch typically excludes 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 relatively high TFC ratio.

Fitch Expectations

- Prism FBM score maintained at least 'Very Strong' over the next 12 months.
- Positive S2 free capital generation maintained.
- Broadly stable financial leverage.

Debt Service Capabilities and Financial Flexibility

Stable Debt-Servicing Capability and Financial Flexibility

Achmea's Fitch-calculated FCC was 4.7x in 2020, adjusted for pandemic-related government compensations (unadjusted 6.5x; 2019: 3.9x). This, together with continuing market access proven by recent debt issuance at favourable terms and robust contingent funding available to the company, support our assessment of 'Good' for Achmea's debt-servicing capability and financial flexibility. Nevertheless, Fitch believes Achmea's financial flexibility as a mutual insurer could be weaker than its publicly listed peers.

Achmea's 2020 FCC was higher than it has been for the past five years due to strong operating performance.

Coupons on all outstanding debt securities were fixed at end-2020 contributing to the stability of annual interest expenses. In May 2020 Achmea successfully pre-financed maturing 2.5% EUR750 million senior notes at a favourable coupon of 1.5%. There is no further refinancing need until 2023 (see Debt Maturities table on right).

Achmea maintains contingent funding at EUR1 billion with a syndicate of banks. The facility matures in 2026 and was undrawn at end-2020.

Fitch Expectations

- FCC to stay at 3x – 6x.
- Financial flexibility and capital market access maintained.

Financial Highlights

(EURm)	31 Dec 19	31 Dec 20
FCC ratio (x, including realised and unrealised gains)	3.9	6.5

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

Debt Maturities

(As of 31 December 2020)	(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

Resilient Financial Performance Despite Pandemic

Our assessment of Achmea's financial performance is based on our expectation of long-term net income ROE being maintained at 3%-6%. We do not expect ROE to materially exceed this range as the group's profitability metrics remain under pressure from the inherently low margins in Dutch mandatory health insurance.

Achmea's pre-tax operating earnings have improved gradually in recent years, supported by cost savings and premium increases in non-life and health insurance. Achmea posted improved operating earnings of EUR630 million (2019: EUR547 million) for 2020. This was mainly due to extraordinary compensations received from the Dutch government (2020: EUR238 million) for higher health insurance claims related to Covid-19, a decrease in regular elective care, and improved non-life earnings in line with the Dutch non-life segment.

Achmea's non-life result strongly improved in 2020, driven by a decline in motor and P&C claims as a result of lockdowns. This more than offset higher claims in other lines such as travel and event cancellations, as well as sickness insurance (income protection). Achmea's non-life combined ratio at 92.9% (P&C: 92.2%; income protection: 96.9%) was among the lowest in the Dutch non-life sector in 2020.

In health insurance, government and solidarity compensations offset higher healthcare costs, which were due to the pandemic, while a decrease in elective treatments also had an offsetting effect. In 2020, Achmea deployed EUR136 million (2019: EUR17 million) of capital reserves to limit premium increases for mandatory health insurance policies, a large increase from previous years. This is explained by Achmea's maintained sound capital buffers and financial performance in the health insurance business in 2020. Fitch believes capital deployments will not significantly exceed EUR100 million in coming years.

Fitch Expectations

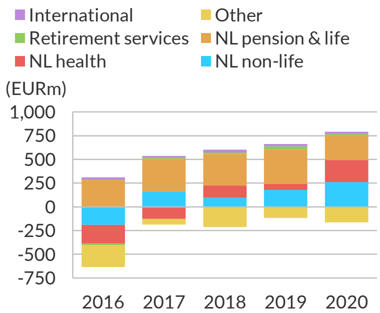
- Operating performance to return to run-rate as the pandemic's impact subsides.
- Continued strong cost discipline to support earnings.

Financial Highlights

(EURm)	31 Dec 19	31 Dec 20
Net result	480	642
Net income ROE (%)	6	7
Pre-tax ROA (%)	0.6	0.9
Group non-life combined ratio (reported; %)	95	92.9
Group health combined ratio (reported; %)	99.5	98.3

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

Operating Result By Segment



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

Achmea is gradually optimising its investment portfolio by shifting to higher-yielding fixed-income assets to improve investment returns. This could lead to incremental credit risk and lower average rating of the bond portfolio, but this is unlikely to affect our assessment of Achmea's investment and asset risk.

Portfolio optimisation could also lead to reduced S2 sensitivity to credit spread changes through better matching with the reference portfolio that EIOPA (European Insurance and Occupational Pensions Authority) uses for the calculation of the S2 volatility adjuster.

Fitch views Achmea's EUR23 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 guarantee, provided through the Stichting Waarborgfonds Eigen Woningen. The Netherlands has an IDR of 'AAA' with a Stable Outlook. Government guarantee further reduces credit risk in the portfolio.

Fitch Expectations

- Risky asset ratio to remain broadly stable.
- Dutch residential mortgages to continue to perform well.

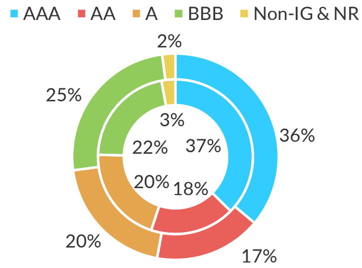
Financial Highlights

(EURm)	31 Dec 19	31 Dec 20
Risky assets to equity (%)	45	38
Unaffilated shares to equity (%)	34	30
Non-investment grade bonds to equity (%)	11	7
Total general account investments	58,000	64,000

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

Bond Investments by Ratings

(Outer: 2020, Inner: 2019)



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-2020.

The planned further reduction of the ultimate forward rate to 3.45% in 2022 from 3.6% in 2021 is only moderately negative to Achmea's S2 ratio, and is 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.

Financial Highlights

(%)	31 Dec 19	31 Dec 20
Liquid assets to policyholder liabilities	82	84
Liquid assets to net technical reserves (life; excluding unit linked)	72	78

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

Reserve Adequacy

Favourable Long-Term Reserve Development

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

Non-life and health reserve growth remained below premium growth in the past five years; however, Fitch believes this was mainly caused by the re-pricing of previously under-priced non-life and health insurance contracts and does not indicate weakening reserve adequacy.

Overall, non-life reserve development has been favourable, although the increasing frequency and severity of bodily injury claims due to the increasing trend of road accidents has resulted in a need for additional recurring provisioning in this segment. The increasing trend of bodily injury claims is market-specific to the Netherlands and has affected most insurers operating in the market.

Fitch Expectations

- No significant reserve adjustments will be needed.

Financial Highlights

(%)	31 Dec 19	31 Dec 20
Loss reserves to equity (x; non-life and health)	2	2
Change in the ratio of loss reserves to earned premiums (non-life and health)	0.2	-2.3
One-year reserve development to prior year equity (non-life)	-2.4	-5.2
One-year reserve development to prior year loss reserves (non-life)	-1.6	-4

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 exceeding 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 19	31 Dec 20
Net written premiums to gross written premiums	98	98
Reinsurance recoverables to capital	11	13

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 ratings 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

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

Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

FitchRatings

Insurance
Composite Insurance
Netherlands

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 Principles 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.