FitchRatings

Insurance
Composite Insurers
Italy

Unipol Gruppo S.p.A.

Ratings

Unipol Gruppo S.p.A.	
Long-Term IDR	BBB+
UnipolSai S.p.A.	
Long-Term IDR	BBB+
Insurer Financial Strength	A-
Outlooks	
Long-Term IDR	Stable

Financial Data

Unipol Gruppo S.p.A.

(EURm)	31 Dec 21	31 Dec 20
Total assets	79,427.2	78,571.2
Total equity and reserves	9,721.5	9,525.3
Total gross written premiums	8,214.3	8,107.5
Net income	626.6	707.0
Solvency II (%)	214	216

Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Applicable Criteria

Insurance Rating Criteria (November 2021)

Related Research

Italian Insurance Dashboard: 2021 Result (April 2022)

Analysts

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Key Rating Drivers

High Exposure to Italy: Fitch Ratings views Unipol Gruppo S.p.A.'s investment policy as prudent, with nearly 83% of the group's investment portfolio invested in good-quality fixed-income instruments at end-2021. However, Unipol's exposure to Italian sovereign debt was high at 2.5x consolidated shareholders' equity at end-2021, albeit down from 2.8x at end-2020 as a result of a de-risking initiative to protect the group's solvency capital from the potential volatility of Italian government spreads. We expect asset concentration risk to be maintained in 2022.

Unipol also reduced its risky assets ratio to 130% as at end-2021 (end-2020: 156%), reflecting a reduction in risky assets and Fitch's upgrade of Italy (IDR: BBB/Stable) in December 2021.

Capitalisation Is Strong: Unipol's capital, as measured by Fitch's Prism Factor Based Model (Prism FBM), slightly deteriorated to the high range of 'Strong' based on end-2021 data from 'Very Strong' in 2020, primarily due to the reduction in subordinated debt, which is given 100% equity credit in Fitch's capital model. Fitch expects Unipol's Prism FBM score to remain stable in 2022. Unipol's solvency coverage was also strong at 214% at end-2021, little changed from 216% at end-2020.

Moderate Financial Leverage: Fitch views Unipol's financial leverage ratio (FLR) as moderate for its rating. In 2021, the FLR improved to 31.6% (2020: 36.6%), following the reimbursement of two subordinated notes totalling EUR562 million, in line with Fitch's expectations. We expect Unipol's FLR to be stable in 2022.

Strong Underlying Insurance Profitability: Fitch assesses Unipol's profitability as 'Strong'. The Fitch-calculated combined ratio deteriorated to 95% in 2021 from 87% in 2020, as claims frequency increased in 2021 due to mobility returning to pre-pandemic levels. Fitch expects Unipol's underlying and net profitability to remain strong in 2022.

Most Favourable Business Profile: Unipol is the largest motor underwriter in Italy and the leader in the use of telematics in motor insurance. Unipol also has also a strong market position in the Italian life insurance sector. The group has a strong franchise and can exploit its pricing power and strong distribution capabilities through its network of agencies and bancassurance agreements.

Rating Sensitivities

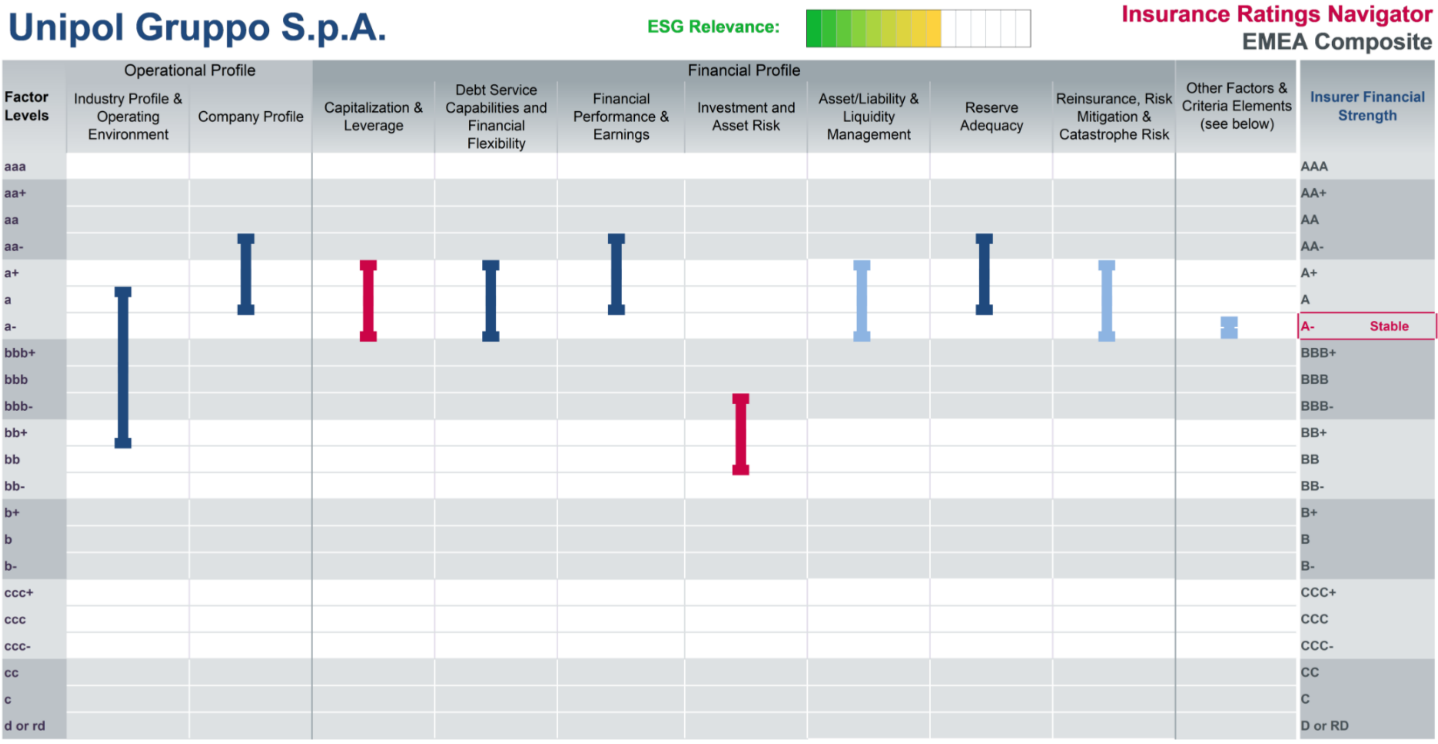
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- A reduction in Unipol's exposure to Italian sovereign debt to below 2.0x consolidated shareholders' equity and a Prism FBM score in the high range of 'Very Strong' (end-2020: 'Very Strong'), both on a sustained basis.
- A one-notch upgrade of Italy's Long-Term Local-Currency IDR.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- A one-notch downgrade of Italy's Long-Term Local-Currency IDR.
- A sustained increase in Unipol's exposure to Italian sovereign debt to above 3.0x consolidated shareholders' equity.
- A decrease in Unipol's Prism FBM score to the lower range of 'Strong', or the FLR weakening to above 35%, on a sustained basis.

Key Credit Factors — Scoring Summary



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

Bar Chart Legend:

Vertical Bars = Range of Factor

Bar Colors = Relative Importance
- Higher Influence
- Moderate Influence
- Lower Influence

Bar Arrows = Factor Outlook
- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- □ Stable

Company Profile

Strong Franchise in Italy Supports Rating

Fitch considers Unipol's business profile as 'Most Favourable'. The group has a well-diversified business mix and is the second-largest non-life insurer in Italy, with a market share of 20% by premiums in 2021. Unipol's market share in life insurance was 4% in 2021. Unipol is also the largest player in health insurance with a share of 24%. In Italy, Unipol has a strong franchise and can exploit its comprehensive distribution capabilities through its agency network, bancassurance agreements and direct channels.

Unipol is the largest motor underwriter in Italy and is a leader in the use of telematics in motor insurance, with more than four million black boxes (devices that track driving behaviour) being installed in vehicles by end-2021. The use of Telematics is core to Unipol's strategy to improve pricing, claims handling and customer satisfaction. We view Unipol's leadership in telematics as a key competitive advantage. In February 2022 an agreement signed by BPER Banca S.p.A. (IDR: BB+/Stable) and Intesa Sanpaolo S.p.A. (IDR: BBB/Stable) in relation to the acquisition of part of Unione di Banche Italiane S.p.A.'s agencies, became legally effective. We believe this will increase Unipol's market share and diversification through the group's distribution partnership with BPER. We also believe Unipol's 'Beyond Insurance' activities, which include the mobility, property and welfare ecosystem, to be supportive of the consolidation of the group's leading position in the Italian market.

Diversified Product Mix

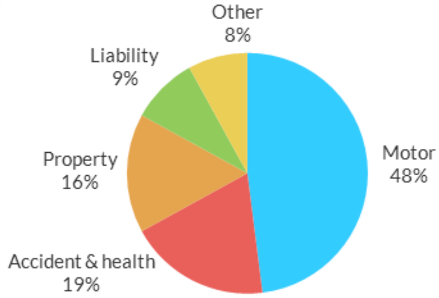
Unipol has a well-balanced and diversified product mix. Consolidated non-life premiums totalled EUR8.2 billion in 2021 (2020: EUR8.1 billion), while life premiums were EUR4.1 billion (EUR3.8 billion). In non-life, Unipol's motor business still accounts for 48% of premiums underwritten. Unipol aims to increase the share of non-motor premium income through new products and good underlying growth in accident and health. In life insurance, traditional savings products remain Unipol's core offering, representing 64% of life premiums in 2021 (2020: 63%). Guarantees on new business are set at close to 0%. Unipol also distributes unit-linked products, emphasising hybrid products (a mixture of traditional savings and unit-linked products) that simultaneously meet clients' demands for safety and are capital light.

Company Profile Scoring

Business Profile Assessment	Most Favourable
Business Profile Sub-Factor Score	a+
Corporate Governance Assessment	Favourable
Corporate Governance Impact (Notches)	0
Company Profile Factor Score	a+

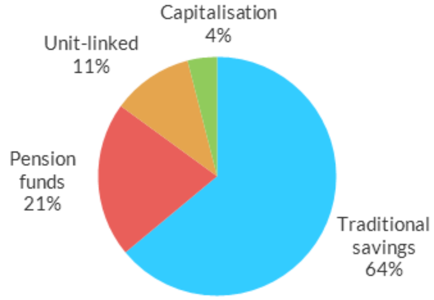
Source: Fitch Ratings

Premium Split - Non-Life
2021



Source: Fitch Ratings, company data

Premium Split - Life
2021



Source: Fitch Ratings, company data

Ownership

Unipol Gruppo is publicly traded and is UnipolSai's ultimate holding company. Its shares are listed on the Milan Stock Exchange; it had a market capitalisation of EUR3.9 billion at end-2021. Coop Alleanza 3.0 (22.246%) and Holmo S.p.A. (6.665%) are Unipol's largest shareholders. UnipolSai, Unipol Gruppo's main insurance operating entity, is also listed on the Milan Stock Exchange. Unipol Gruppo held 84.92% of UnipolSai's shares at end-2021.

Capitalization and Leverage

Strong Capitalisation, Moderate Leverage

Unipol's Prism FBM score, based on end-2021 financials, deteriorated to the high range of 'Strong' (end-2020: 'Very Strong'), primarily due to the reduction in subordinated debt, which is given 100% equity credit in Fitch's capital model. Unipol's consolidated Solvency II ratio was 214% at end-2021 (end-2020: 216%). The ratio is calculated using a partial internal model.

Fitch views Unipol's financial leverage as moderate for its ratings with an FLR of 31.6% at end-2021 (end-2020: 36.6%), as the group completed the scheduled early reimbursement of two subordinated notes in May 2021 totalling EUR562 million, as well as of senior notes and RT1 private placement totalling EUR311 million. This is part of the group's debt management plan.

Financial Highlights

(EURm)	31 Dec 21	31 Dec 20
TFC/total equity	0.5	0.6
Net leverage (x)	3.5	3.5
Gross leverage (x)	3.7	3.7
Asset leverage (x)	13.7	13.5
Net financial leverage (goodwill supported) (%)	31.6	36.6
Regulatory capital ratio (%)	214	216

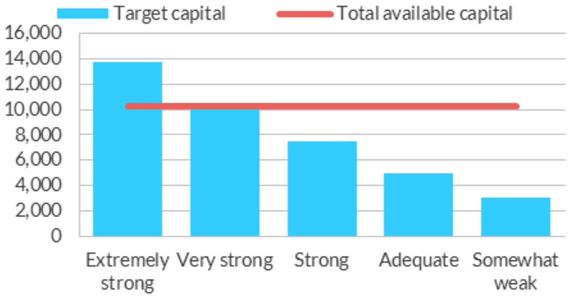
Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch Expectations

- Fitch expects Unipol's capitalisation, both in terms of Prism FBM score and solvency coverage, to remain very strong in 2021.

Capitalisation Adequacy

Prism FBM



Source: Fitch Ratings

Financial Highlights

	2021	2020
Prism Score	Strong	Very Strong
Prism Total AC (EURm)	10,294	10,609
Prism AC/TC at Prism Score (%)	137	104
Prism AC/TC at Higher Prism Score (%)	98	80

AC – Available Capital, TC – Target Capital
Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Debt Service Capabilities and Financial Flexibility

Strong Coverage and Financial Flexibility

Fitch views Unipol's coverage ratio as commensurate with its current ratings with or without realised and unrealised gains and losses. Fitch believes that Unipol's credit profile is adequate to access the debt markets, as shown by its record of subordinated and senior debt issuances. In 1H21, Unipol reimbursed two subordinated notes totalling EUR562 million with maturities in June 2021 and July 2023, respectively. Unipol maintained EUR1.9 billion of cash at the holding company level at end-2021.

Financial Highlights

	31 Dec 21	31 Dec 20
Fixed-charge coverage ratio (including gains and losses)	6.3	7.1
Fixed-charge coverage ratio (excluding gains and losses)	4.5	6.8

Note: Reported on a yearly basis.
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch Expectations

- Fitch expects no changes in Unipol's financing structure.

Financial Performance and Earnings

Very Strong Technical Profits

In 2021, Unipol's Fitch-calculated combined ratio in the non-life business deteriorated to 95% from in 87% in 2020, driven by an increase in claims frequency following the progressive release of coronavirus-related restrictive measures in Italy, which led to mobility recovery.

In non-life, written premiums slightly increased in 2021 by 0.8%, with the decline in motor business of 3.7% from 2020 more than compensated for by an increase in the welfare and property lines. In the life sector, Unipol reported an increase in premiums by 24%, supported by an increase in both traditional savings premiums and, in particular, in unit-linked products. Unipol further cut the minimum average guarantee on traditional products by 14bp to 99bp, leading to the spread reducing by 26bp to 200bp. This reduces balance-sheet risk and improves the profitability of the life segment.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Net income return on equity	8.1	9.9
Pre-tax operating profit return on equity	9.5	15
Pre-tax operating ROA (excluding realised and unrealised gains)	1	1.5
Pre-tax operating ROA (including realised and unrealised gains)	1.4	1.6
Net combined ratio	94.9	87.1
Operating ratio	89.4	82.4
Gross loss ratio	65.6	57.4

Source: Fitch Ratings

Fitch Expectations

- Fitch expect Unipol to maintain a strong profitability in 2021.

Investment and Asset Risk

High Italian Asset Risk

Fitch views Unipol's investment policy as prudent, with 86% of the investment portfolio invested in good-quality fixed-income instruments at end-2021. The quality of Unipol's asset allocation is affected by its high, but reducing, exposure to Italian sovereign debt, which equalled EUR23.9 billion at end-2021 (end-2020: EUR26.2 billion) or 2.5x consolidated shareholders' equity (end-2020: 2.8x). The decrease is part of a publicly announced de-risking plan aimed at protecting the group's solvency capital from government spreads. The still high exposure to Italian debt reflects the group's strong market position in Italy, but means that any deterioration in Italy's creditworthiness could significantly erode the group's capital.

Unipol's risky assets ratio, which measures the ratio between the company's risky assets and its shareholders' capital, improved to 130% at end-2021 (end-2020: 156%), following Fitch's upgrade of Italy's sovereign rating to 'BBB'/Stable from 'BBB-'/Stable in December 2021. This decrease was due to the smaller portion of Unipol's sovereign debt used in the ratio calculation, according to Fitch's Insurance Rating Criteria. Unipol's risky assets ratio also improved to following the de-risking on Italian debt and the growth in shareholders' equity.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Risky assets/capital (total)	129.8	155.5
Unaffiliated shares/capital (total)	24.5	16.3
Non-investment-grade bonds/capital (total)	47.8	32.3
Investments in affiliates/capital (total)	6.6	5.9
Sovereign investments/capital	245.7	275.6
Total liquid assets/non-life loss reserves	439.8	495.5

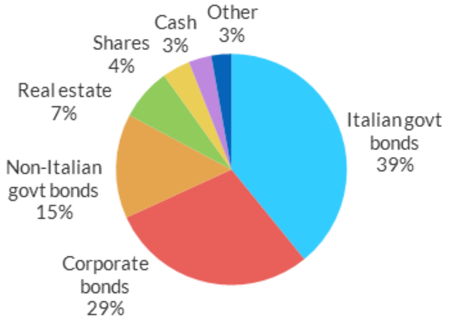
Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch Expectations

- Fitch expects Unipol to maintain a prudent investment policy, although exposure to Italian debt will remain significant.

Investment Split

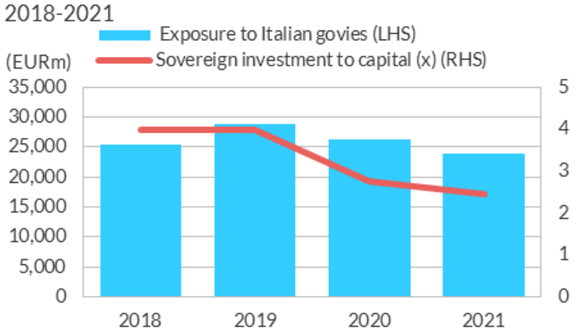
2021



Source: Fitch Ratings, company data

Sovereign Exposure

2018-2021



Source: Fitch Ratings, company data

Asset Liability and Liquidity Management

Low Liquidity and Interest-Rate Risk

Unipol's liquidity is adequate, with 96% of technical reserves invested in bonds. The liquidity is adequate given the composite nature of the business and it allows the group to meet cash calls should there be higher surrender rates or increases in non-life claims. Low interest rates are a risk for Unipol's business, as in-force life reserves carry financial guarantees. However, minimum guarantees on new sales are close to 0% and the legacy portfolios with higher guarantees are gradually running off. Unipol reduced the average of its minimum guarantees to 0.99% at end-2021 (end-2020: 1.13%).

Financial Highlights

	31 Dec 21	31 Dec 20
Liquid assets/net technical reserves – excluding unit linked (total) (%)	93.1	101.7
Liquid assets/net technical Reserves (total) (%)	94.0	101.4
Total liquid assets/non-life loss reserves (%)	439.8	495.5
Duration gap (years)	0.8	0.6

Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch Expectations

- Fitch expects Unipol to maintain a highly liquid investment portfolio. Fitch also expects the minimum guarantees to fall further in 2022.

Reserve Adequacy

Strong Reserving Practice

Fitch views the non-life reserve adequacy of Unipol as strong. Reserve experience has been positive for the past five years. Reserve leverage relative to capital and to incurred losses is a key element of Unipol's reserving profile due to its exposure to long-tail lines, such as motor third-party and general liability. Fitch views the non-life reserve adequacy of Unipol as strong. The ratio of technical reserves/premiums was 179% at end-2021, a level that Fitch views as prudent given Unipol's business mix.

Fitch considers Unipol's approach to reserving as adequate. The group uses generally accepted actuarial methods for projecting ultimate losses and calculating reserves for claims incurred, but not yet reported. The analysis of the outstanding reserve development triangles in 2021 will have a positive development equivalent to 1.7% of equity (2019: 3.3%).

Financial Highlights

	31 Dec 21	31 Dec 20
Reserve development/prior year capital (%)	-1.7	-3.3
Reserve development/prior year loss reserve (%)	-1.6	-2.5
Net technical reserves/net written premiums (%)	179.4	177.1
Net loss reserves/incurred losses (x)	2.1	2.5

Note: Reported on a yearly basis
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch Expectations

- Fitch expects Unipol to maintain adequate reserving levels to meet its insurance obligations.

Reinsurance, Risk Mitigation and Catastrophe Risk

Reinsurance and Risk Management Adequate

Fitch views Unipol's reinsurance programme as comprehensive and adequate for its ratings. The credit quality of Unipol's reinsurers is high, as cover is provided by reinsurers mostly (about 91%) rated 'A-' or above. Fitch views the group's credit risk in this area to be limited.

We view Unipol's reinsurance programme as comprehensive. In particular, the group makes use of reinsurance to protect the motor and property books against any large increase in claims. Reinsurance operations are centralised to realise synergies and economies of scale. Unipol's reinsurance strategy is supported by UnipolRe Riassicurazioni, a company that offers reinsurance services to medium-sized and large companies in Europe. This provides Unipol with first-hand intelligence on developments of rates and coverage within the reinsurance sector.

Financial Highlights

(%)	31 Dec 21	31 Dec 20
Reinsurance recoverables/capital	8.3	8.5
Net written premiums/gross written premiums	94.4	94.6
Reinsurers' share of earned premiums	5.5	5.5

Note: Reported on a yearly basis.
Source: Fitch Ratings, Unipol Gruppo S.p.A.

Fitch Expectations

- Fitch expects Unipol's reinsurance programme and risk-management practices to remain adequate.

Appendix A: Peer Analysis

Peer Comparison

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

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

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

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

Unipol Gruppo is the holding company of the Unipol group. All group data are consolidated at this level. UnipolSai is the main operating entity of the Unipol group and, therefore, is viewed as core to the group under Fitch's *Insurance Rating Criteria*. Its IDR is aligned with the implied IDR of the group as a whole.

Notching

For notching purposes, Fitch views the regulatory environment of Italy as being 'Effective' and classifies it 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.
Operating company debt
Not applicable
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 Unipol's senior unsecured debt. Standard notching relative to the IDR was used.
Hybrids
For the dated subordinated notes XS1784311703 and for the perpetual subordinated notes XS1078235733 issued by UnipolSai, a baseline recovery assumption of 'Below Average' and a non-performance risk assessment of 'Moderate' were used. A notching of '2' was applied relative to the IDR, which was based on '1' for recovery and '1' for non-performance risk. For the perpetual subordinated RT1 notes XS2249600771 issued by UnipolSai, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. A notching of '4' was applied relative to the IDR, which was based on '2' for recovery and '2' for non-performance risk.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating

Source: Fitch Ratings

Debt Maturities

Debt Maturities

As of end-December 2021	(EURm)
2023	160
2024	750
2025	1,000
2027	500
2028	500
2030	1,500
Total	**4,410**

Note: First call year shown for perpetual bonds
Source: Fitch Ratings; Unipol Gruppo S.p.A.

Short-Term Ratings

Not applicable.

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
UnipolSai				
Perpetual subordinated debt (XS1078235733)	750	0	100	100
Dated subordinated debt (XS1784311703)	500	0	100	100
Perpetual subordinated debt (XS2249600771)	500	100	100	0

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 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 D: Environmental, Social and Governance Considerations

FitchRatings **Unipol Gruppo S.p.A.** **Insurance Ratings Navigator** **EMEA Composite**

Credit-Relevant ESG Derivation

Unipol Gruppo S.p.A. has 7 ESG potential rating drivers

- Unipol Gruppo S.p.A. 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.
- Unipol Gruppo S.p.A. 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.
- Unipol Gruppo S.p.A. 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; Company Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	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	Company 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	Company 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	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	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 Consideration

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, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit http://www.fitchratings.com/esg.

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