

Athora Life Re Ltd.

And Other Core Subsidiaries of Athora Holding Ltd.

Key Rating Drivers

'Core' to Group: Fitch Ratings regards Athora Life Re Ltd., Athora Ireland plc, VIVAT N.V. and SRLEV N.V. as 'core' to Athora Holding Ltd. (Athora), the top holding company of the Athora group. Athora acquires and reinsures traditional life portfolios in European markets. Athora Re and Athora Ireland provide intra-group reinsurance to these portfolios, and external reinsurance coverage, and Athora Ireland is Athora's European reinsurance hub.

Higher Investment Risk than Peers: Fitch regards Athora's investment risk as fairly high, but commensurate with the rating. Most of Athora's investments are holdings of investment-grade corporate and sovereign bonds, but the company also invests in private credit assets, alternative investments, collateralised loan obligations (CLOs), commercial mortgage loans (CMLs) and emerging market debt. These investments are typically managed by Apollo Management, L.P. (A/Stable), which has a strong record in these asset classes.

Profitability Good: Athora has set itself a long-term return on equity target of 15%, also reflecting above-average investment risk. In 1H20 Athora reported a strong return on equity of 12%, which was supported by gains from the below-book-value purchase of the acquired VIVAT business, as well as investments gains stemming from tactical changes to the asset allocation. We expect profitability to weaken in 2H20 and 2021 compared to 1H20 figures due to expected integration costs and the potential impact of the coronavirus pandemic.

Improved Business Profile: Athora's business profile improved to 'moderate' following the completion of the acquisition of VIVAT in April 2020. With total assets of around EUR80 billion at end-1H20, Athora's operating scale is now favourable compared to other European insurance groups. Athora's risk profile is less favourable because of the group's focus on traditional life insurance products with relatively high guarantees, above-average investment risk and risks arising from the integration of acquired businesses.

Strong Capitalisation and Leverage: Athora's Prism Factor-Based Capital Model (Prism FBM) score was 'Extremely Strong' at end-2019. Fitch expects capitalisation to decline as the group grows, but that the group's Prism FBM score will remain at least 'Strong'. The group's consolidated financial leverage ratio (FLR) improved to 30% at end-1H20, reflecting that the additional paid-in capital raised as part of the VIVAT acquisition more than offset the increase in the drawn amount of Athora's revolving credit facility.

Strong ALM and Liquidity: Fitch views Athora's ALM and liquidity as strong. This view is based on the group's sophisticated ALM frameworks, duration-matched assets and liabilities and an investment strategy that seeks to minimise capital volatility.

Rating Sensitivities

Coronavirus Impact: A material adverse change in Fitch's rating assumptions with respect to the impact of the pandemic could lead to a downgrade. A positive rating action is prefaced by Fitch's ability to reliably forecast the impact of the pandemic on the European life insurance industry and the group's financial profile.

Successful Integration, Sustained Profitability: Successful integration of SRLEV and a ROE of 8% on a sustained basis could lead to an upgrade – assuming a minimum Prism FBM score of 'Strong'.

Weaker Capitalisation and Leverage: The ratings could be downgraded if Athora's consolidated Prism FBM score weakens to 'Adequate', if the consolidated FLR stays above 30%, or if integration of the acquired businesses leads to a material adverse financial impact.

Ratings

Athora Life Re Ltd.	
Insurer Financial Strength Rating	BBB+
Athora Ireland plc	
Insurer Financial Strength Rating	BBB+
VIVAT N.V.	
Long-Term IDR	BBB
Senior unsecured notes	BBB-
Subordinated notes	BB
Junior subordinated notes	BB-
SRLEV N.V.	
Insurer Financial Strength Rating	BBB+

Outlooks

Long-Term IDR	Stable
Insurer Financial Strength Ratings	Stable

Financial Data

Athora Holding Ltd. (Consolidated)		
(EURm)	2018	2019
Total assets	7,362	16,591
Total shareholders' funds	309	609
Debt (including hybrids)	290	465
Net earned premiums	155	392
Net income	-62	4

Source: Fitch Ratings; Athora Holding

Applicable Criteria

[Insurance Rating Criteria \(August 2020\)](#)

Related Research

- [COVID-19 Mortality Assumptions \(Fitch Updates Stress Values for Life Insurers/Reinsurers\) \(October 2020\)](#)
- [Dutch Insurance Dashboard: Mid-Year Update \(September 2020\)](#)
- [Fitch Rtg's Defines Assumptions for Coronavirus Reviews of Insurance Companies \(April 2020\)](#)
- [German Life Insurance Dashboard: 2020 Outlook \(February 2020\)](#)

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Key Credit Factors – Scoring Summary

Factor Levels	Operational Profile			Financial Profile				Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk	Other Factors & Criteria Elements (see below)	Insurer Financial Strength
	Industry Profile & Operating Environment	Business Profile	Capitalization & Leverage	Debt Service Capabilities and Financial Flexibility	Financial Performance & Earnings	Investment & Asset Risk	Asset/Liability & Liquidity Management				
aaa											AAA
aa+	↑							Credit Factor Not Applicable	Credit Factor Not Applicable		AA+
aa											AA
aa-											AA-
a+	↑	↓	↓	↑							A+
a											A
a-	↓	↓	↓	↑	↓	↓					A-
bbb+										↓	BBB+ Stable
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				BBB+
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	NR	+0
Insurer Financial Strength (IFS)				Final: BBB+
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)				Final: n.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 raised the assessment of Athora’s business profile to ‘a’, reflecting the acquisition of VIVAT, which led to increased size and proved Athora’s favourable competitive position in the European life insurance M&A market.
- We removed the positive trend on the earnings score to reflect current uncertainties stemming from the coronavirus pandemic.

Business Profile

Moderate Business Profile

The Athora group is domiciled in Bermuda, but its main operations are in Europe. We therefore assess the group's business profile based on a comparison with other European insurance groups. We view the Athora group as having a 'moderate' business profile, reflecting favourable competitive positioning, a less favourable business risk profile and moderate diversification.

Fitch regards Athora Re, Athora Ireland, VIVAT and SRLEV as 'core' to Athora. Athora focuses on acquiring or reinsuring traditional life insurance portfolios in various European markets. Athora Re and Athora Ireland provide intra-group reinsurance to these acquired portfolios and external reinsurance coverage. Athora Ireland is the group's European reinsurance hub. Athora Re and Athora Ireland play an integral role in Athora's capital management strategy. SRLEV is a market leader in corporate pension business in the Netherlands and represents over 80% of the group's total assets.

Fitch believes that Athora is well positioned to successfully acquire insurance portfolios in the ongoing restructuring of the European insurance industry. This is shown by the acquisition of Generali Belgium (not rated; now Athora Belgium), which was announced in April 2018 and completed in January 2019, and the acquisition of VIVAT, which was announced in June 2019 and completed in April 2020.

Athora had total assets of around EUR80 billion at end-1H20. Its operating scale improved to favourable compared to other European life insurance groups after the acquisition of VIVAT.

Fitch views the Athora group as having a less favourable risk profile. This is because of the group's focus on traditional life insurance products with fairly high guarantees compared to those of peers and above-average investment risk, and because of the risks arising from the operational integration of acquisitions into the group.

Athora group's diversification is moderate compared to other European life insurance groups. This reflects increasing geographical diversification with operations in Bermuda, Belgium, Germany, Ireland and the Netherlands. Product diversification is quite limited as the group focuses on traditional life insurance products and the share of unit-linked and term life products is relatively small.

Ownership

Fitch regards ownership as neutral to Athora's ratings.

Athora is approximately owned 17% by Athene Holding Ltd., 6% by Apollo and 77% by other institutional investors and management. Fitch views the links to Athene, which includes a business cooperation agreement and knowledge-sharing, and Apollo, which provides asset-management services, as positive for Athora's business profile and ability to source assets to back acquired insurance liabilities.

Capitalisation and Leverage

Strong Capitalisation and Leverage

Fitch views Athora's capitalisation and leverage as strong and as having a moderate influence on the ratings.

Athora's Prism FBM score improved to 'Extremely Strong' at end-2019, including VIVAT, on a pro-forma basis, from 'Strong' at end-2018 reflecting the additional capital raised in advance of the acquisition.

Athora has a medium-term FLR target of 25%. The group's consolidated FLR improved to 31% at end-2019, including VIVAT, on a pro-forma basis from 33% at end-2018. In 1H20 leverage improved further to 30% reflecting the additional paid-in capital that more than offset the increase in the drawn amount of Athora's revolving credit facility.

Athora's total financing and commitments (TFC) ratio of 0.6x at end-1H20 is neutral to the ratings.

Fitch Expectations

- We expect that capitalisation will decline as the company grows its reinsurance business and implements its strategic asset allocation, but that the Prism FBM score will remain at least 'Strong' in the medium term.
- Fitch expects Athora to reduce its financial leverage to 25% in the medium term.

Debt Service Capabilities and Financial Flexibility

Strong Financial Flexibility

Fitch views debt service capabilities and financial flexibility as strong and as having a low influence on the ratings.

Athora's strong financial flexibility is evidenced by the group raising additional paid-in equity in 2019 and in 2020 as part of the acquisitions of Athora Belgium (2019) and VIVAT (2020). The group also received additional capital commitments from its shareholders, which the company can draw at any time, totalling EURO.9 billion at end-1H20.

As part of the financing of both acquisitions Athora also accessed bank debt in the form of term loans and set up a revolving credit facility in 2019.

Athora reported a good fixed-charge coverage of 3x in 1H20. The group's fixed-charge coverage is negatively affected by integration costs with regard to acquired businesses and by relatively high fixed costs.

Fitch Expectations

- Fitch expects Athora to report fixed-charge coverage of at least 5x in the medium-term, reflecting a reduced fixed-cost basis as well as increasing operating income.
- Fitch also believes that Athora will be able to issue subordinated debt or raise new equity if additional capital were required.

Financial Highlights

	2019	1H20
Financial leverage (%)	31	30
Asset leverage (x)	11	11
Operating leverage (x)	8	8
Total financing and commitments ratio (x)	0.6	0.7
Prism FBM score	Extremely Strong	Extremely Strong

^a Including VIVAT on a pro-forma basis
Source: Fitch Ratings; Athora Holding

Financial Highlights

(EURm)	2019 ^a	1H20
Fixed-charge coverage ratio (x)	3	3

^a Including VIVAT on a pro-forma basis
Source: Fitch Ratings; Athora Holding

Debt Maturities

(As of 30 June 2020)	(EURm)
2024	221
2025	650
2041	250
Perpetual debt	1,246
Total	2,367

Source: Fitch Ratings; Athora Holding

Financial Performance and Earnings

Good Financial Performance and Earnings

Fitch regards Athora's profitability as good and as having a high influence on the rating.

Fitch views profitability as in line with the rating level. Athora has set itself a long-term return on equity target of 15%, reflecting above-average investment risk. In 1H20, Athora reported a strong return on equity of 12%, which was supported by gains from the below-book value purchase of the acquired VIVAT business. Investments gains stemming from tactical changes to the asset allocation also aided the strong return on equity.

Athora Re uses a strict pricing policy for the reinsurance of in-force blocks of business. This includes business originating from entering into a reinsurance agreement with a third party, from M&A activities, and instances where Athora Re's subsidiary Athora Ireland acts as the reinsurer and typically retrocedes a portion of the insured risk to Athora Re. The reinsurance pricing process includes a review of profitability and pricing metrics to ensure the transactions meet minimum income thresholds.

Fitch Expectations

- We expect the group's profitability to weaken in 2020 and 2021 compared to 1H20 figures due to expected integration costs associated with the acquisition of VIVAT and the potential impact of the pandemic.
- In the medium-term profitability will benefit from the implementation of the strategic asset allocation, in particular at SRLEV, and from expected cost savings.

Investment and Asset Risk

Investment Risk Commensurate with Rating

Fitch regards Athora's Investment and Asset Risk as good and as having a high weighting on the ratings.

The majority of Athora's investments are holdings of investment-grade corporate and sovereign bonds. The group also invests in private credit assets, alternative investments, CLOs and CMLs through Apollo's Multicredit fund (not rated), and emerging-market debt. Apollo, which manages these assets, has a strong record in these asset classes.

Athora's risky assets ratio improved to 88% at end-2019 on a pro forma basis, reflecting SRLEV's conservative asset allocation.

Fitch Expectations

- Fitch expects Athora's risky assets ratio to increase to high end of the 'bbb' range by end-2022, reflecting the implementation of the strategic asset allocation at SRLEV and Athora Belgium.

Financial Highlights

(%)	2019 ^a	1H20
Net income return on equity	12	12
Net income return on assets	0.5	1.1

^a Including VIVAT on a pro-forma basis
Source: Fitch Ratings; Athora Holding

Financial Highlights

(%)	2019 ^a	1H20
Non-investment-grade bonds to capital	39	55
Equity investments to capital	49	16
Risky assets ^b to capital	88	71

^a Including VIVAT on a pro forma basis
^b Risky assets is the sum of non-investment-grade bonds, unaffiliated equity and affiliates
Source: Fitch Ratings; Athora Holding

Asset Liability and Liquidity Management

Strong ALM and Liquidity Management

Fitch regards Athora's asset liability and liquidity management as strong and as having a moderate effect on the ratings.

Fitch views Athora's asset liability management (ALM) and liquidity management capabilities as strong. This view is based on the company's sophisticated ALM frameworks, duration-matched assets and liabilities and an investment strategy that seeks to minimise capital volatility.

Athora Re's liquidity and duration matching is not dependent on the policies in place for the acquired or reinsured blocks of business. This is because the deals are structured in such way that Athora Re typically receives cash, which it then invests in duration-matching assets, instead of the original assets backing the acquired or reinsured liabilities.

Fitch Expectations

- Fitch expects Athora to maintain a liquid balance sheet and the group's assets and liabilities to continue to be duration-matched well.

Reinsurance, Risk Mitigation and Catastrophe Management

Adequate Reinsurance Programme Mitigates Insurance Risks

Fitch views external reinsurance, risk mitigation and catastrophe risk as neutral to the ratings. Retrocession of biometric and selected other risks to well-established solid reinsurers are a core part of Athora's risk and capital management policy.

Athora's risk management benefits from the company's close links to its shareholders Athene and Apollo.

Fitch Expectations

- Fitch doesn't expect significant changes to Athora's reinsurance and risk management.

Financial Highlights

(%)	2019 ^a	1H20
Liquid assets/net technical reserves (excluding unit-linked)	104	111

^a Including VIVAT on a pro-forma basis
Source: Fitch Ratings; Athora Holding

Appendix A: Peer Analysis

Higher Leverage and Investment Risk than Peers

Athora and Phoenix Group Holdings plc (operating subsidiaries' Insurer Financial Strength (IFS) ratings: A+/Stable) are European life fund consolidators rated by Fitch. Phoenix focuses on acquiring closed life funds in the UK.

Fitch also compares Athora with the Reinsurance Group of America, Incorporated (RGA; operating subsidiaries' IFS ratings: A/Stable), which is a pure life reinsurer that focuses on US business, but also operates in Europe. RGA's business model is primarily based on mortality and longevity risk, although the company's exposure to interest-sensitive lines of business grew significantly in recent years due to a large fixed annuity coinsurance agreement.

Fitch also compares Athora with Utmost Group Limited (operating subsidiaries' IFS ratings: A/Stable). Utmost was founded in 2013 and has grown significantly since then due to acquisitions from several European insurance groups. Utmost Group's business is focused on providing unit-linked-based wealth and inheritance planning products tailored for high-net-worth individuals and on pension savings and life insurance products to multi-national corporates.

Following the acquisition of VIVAT, Athora is the second-largest company of the peer group after Phoenix. Athora's FLR is the highest of the peer group, but is expected to be in line with peers by end-2020 reflecting Athora's plan to draw additional equity capital and repay some of its bank debt. Athora's profitability is broadly in line with that of the peer group. We view Athora's investment risk as the highest of the peer group.

Peer Comparison

(As of November 2020)	IFS Rating	Business profile	Capitalisation & leverage	Debt service & financial flexibility	Financial performance	Investment & asset risk	ALM & liquidity
Athora	BBB+	A	a	a	bbb+	bbb+	a
Phoenix	A+	aa-	aa-	a	a	aa-	aa-
RGA	A	a+	a	a	aa-	a+	a
Utmost	A	A	a+	a-	bbb+	aa	a

Source: Fitch Ratings, company financials

Appendix B: Other Ratings Considerations

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

Group IFS Rating Approach

Athora Re's, Athora Ireland's and SRLEV's ratings are based on an analysis of Athora Holding's consolidated accounts and forecasts. Athora Re, Athora Ireland and SRLEV are regarded as 'core' to Athora under Fitch's group rating methodology. They share the same IFS rating based on the combined assessment of the Athora group.

Notching

For notching purposes, the regulatory environments in Bermuda, as well as in Ireland and the Netherlands, are 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.
Operating company debt
Not applicable
Holding company IDR
Standard notching was applied between the implied 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 VIVAT's senior notes. Standard notching relative to the IDR was used.
Hybrids
For Tier 2 subordinated debt issued by VIVAT, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Three notches were applied relative to the IDR, which was based on two notches for recovery and one notch for non-performance risk. For restricted Tier 1 subordinated debt issued by VIVAT, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Four notches were applied relative to the 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	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
Athora Holding Ltd.				
Preference shares	(EUR369m)	100	100	0
VIVAT				
Restricted tier 1 perpetual callable subordinated	(EUR300m)	100	100	0
Tier 2 perpetual callable subordinated	(USD575m)	0	100	100
SRLEV N.V.				
Restricted tier 1 perpetual callable subordinated	(CHF105m)	0	100	100
Tier 2 callable subordinated	(EUR250m)	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 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.

Appendix C: Industry Profile and Operating Environment

This section discusses the key elements that support Fitch's scoring of Industry Profile and Operating Environment (IPOE) for Athora. IPOE is one of the key credit factors defined in Fitch's master criteria for Insurance industry ratings.

Athora is domiciled in Bermuda, but operates via its subsidiaries in the EU, with the Benelux region and Germany being the group's main markets.

The IPOE Score is 'AA+' to 'A-'.

Regulatory Oversight

Fitch considers regulatory oversight in the EU as very strong. The respective insurance markets are highly regulated, with well-developed regulatory practices and supervision processes. All member countries of the EU adopted the risk-adjusted solvency framework (Solvency II), which came into force on 1 January 2016. All insurance regulators are focused on ensuring that insurance organisations are viable and their conduct of business is appropriate. Fitch considers the regulator's enforcement as effective.

Technical Sophistication of Insurance Market; Diversity and Breadth

The insurance markets in Germany and the Benelux region are among the largest in the world. Fitch believes the markets are technically highly sophisticated. This assessment is underpinned by the use of strong and generally accepted actuarial practices for underwriting analysis, calculating claims reserves and products pricing. In addition, the adoption of risk-based solvency frameworks improved the level of sophistication of enterprise risk management in the markets, especially for smaller insurers. The respective insurance markets are also well diversified with very deep product offerings across all categories. As the markets are highly mature, premium growth is low.

Competitive Profile

Fitch believes the insurance markets in Germany and the Benelux region are very competitive in all insurance segments. Market concentration varies across countries with highly consolidated markets in the Netherlands and more dispersed market shares in Germany. Life insurance companies in Western Europe have successfully repositioned their business to cope with persistently low interest rates, favouring the distribution of capital-light savings products. In non-life, the high level of competition creates pressure on prices and leads to cyclical underwriting performance. Health and protection business represents an area of strategic growth for all insurers.

Financial Markets Development

The western European financial markets are sophisticated and have considerable breadth and depth. The domestic stock and bond markets are among the largest globally, providing sufficient liquidity in most traded products. Companies' and financial institutions' access to capital markets is strong.

Country Risks

Fitch does not publicly rate the sovereign obligations of Bermuda, but does internally monitor its credit risk profile. Fitch generally views Bermuda-based (re)insurance companies as being highly isolated from country-related risks in Bermuda, as business is typically sourced outside Bermuda. Assets are not invested in, or held by, the Bermuda government or Bermuda-based institutions and banking and other financing counterparties are typically outside of Bermuda.

Appendix D: Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Athora Life Re Ltd. has 6 ESG potential rating drivers

- Athora Life Re Ltd. has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk but this has very low impact on the rating.
- Athora Life Re Ltd. 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	6	issues	3		
not a rating driver	2	issues	2		
	6	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	
Energy Management	1	n.a.	n.a.	
Water & Wastewater Management	1	n.a.	n.a.	
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	
Exposure to Environmental Impacts	2	Impact of extreme weather events/natural catastrophes on operations or asset quality; credit concentrations	Financial Performance & Earnings; Investment & Asset Risk	

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.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk	Industry Profile & Operating Environment; Business Profile	
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	
Employee Wellbeing	1	n.a.	n.a.	
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	

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	
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	
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	

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

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3' - ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esp.

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