FitchRatings

Insurance
Life Insurance
Netherlands

Aegon N.V.

And Core Subsidiaries

Key Rating Drivers

Very Strong Business Profile: Fitch Ratings ranks Aegon N.V.'s business profile as 'favourable' compared to other Dutch insurance companies. Geographic diversification is broad; non-Dutch assets account for about 80% of the group's assets. Aegon has a substantial life insurance franchise in the Netherlands focusing on retirement services and savings, where it has top three market positions. It also has significant life and pension operations in the US and the UK.

'Very Strong' Capitalisation and Leverage: Aegon's end-2019 Prism Factor-Based Capital Model (Prism FBM) score was unchanged at 'Very Strong' and the group's Solvency II (S2) ratio was 201%. The S2 ratio improved to 208% in 1Q20 due to the increase of the S2 volatility adjuster (VA), although this was partly offset by adverse market movements in the US. The financial leverage ratio (FLR) decreased to 25% in 2019 on the successful issuance of restricted Tier 1 (RT1) notes during the year.

Good Financial Performance: Aegon's underlying earnings could weaken in 2020 due to the impact of the coronavirus pandemic on US operations, while earnings in Europe are expected to remain more resilient. Aegon's underlying operating earnings are fairly stable but its net result has been volatile due to the frequent recurrence of significant non-operating items. Net income return on equity (ROE) increased to 7% in 2019 on smaller negative non-operating items.

Strong Debt Service Capabilities: Aegon's fixed-charge coverage (FCC) is 'Strong' (five-year average: 5x; 2019: 8x) but has been volatile due to earnings fluctuations. Fitch assesses Aegon's refinancing risk as low given its very strong regulatory capitalisation, robust cash position, and its proven and stable market access at reasonable funding costs.

Investment Risk Is Low: At end-1Q20 credit impairments in Aegon's fixed-income portfolio remained below the long-term average but could increase due to the effects of the pandemic. However, Fitch believes credit deterioration will not be material enough to undermine the group's investment risk metrics. Aegon's non-investment-grade exposure is limited and mainly includes corporate debt and residential mortgage-backed securities issued before 2007.

Rating Sensitivities

Higher FLR, Weaker Capitalisation, ROE: Should the FLR increase above 30% on a sustained basis, or if the Prism FBM score falls below 'Very Strong', or if net income ROE drops below 3%, a negative rating action could occur.

Improved Financial Performance: An upgrade is unlikely over the near-term, but longer-term it could result from a net income ROE in excess of 7% for a sustained period, with a Prism FBM score of at least 'Very Strong'. A positive rating action is prefaced by Fitch's ability to reliably forecast the impact of the coronavirus pandemic on the financial profiles of both the Dutch and US insurance industries and Aegon.

Pandemic Assumptions: A material adverse change in Fitch's rating assumptions with respect to the impact of the pandemic could lead to a negative rating change or downgrade. Conversely, a material positive change in Fitch's rating assumptions with respect to the impact of the pandemic could lead to a positive rating change or upgrade.

Outlook Revision: Aegon maintaining its balance-sheet strength and capitalisation in line with its targets and without material declines in profitability could lead to a revision of the Outlook to Stable from Negative.

Ratings

Aegon N.V.

Long-Term IDR	A-
Short-Term IDR	F2

Scottish Equitable Plc

Insurer Financial Strength Rating	A+

Transamerica Financial Life Insurance Company

Insurer Financial Strength Rating	A+
Short-Term Insurer Financial Strength Rating	WD

Transamerica Life Insurance Company

Insurer Financial Strength Rating	A+
Short-Term Insurer Financial Strength Rating	F1+

Transamerica Premier Life Insurance Company

Insurer Financial Strength Rating	A+
Short-Term Insurer Financial Strength Rating	WD

Note: See additional ratings on page 8.

Outlooks

Negative

Financial Data

Aegon N.V.

(EURm)	2018	2019
Total assets	393,031	441,123
Net income	744	1,528
Net income ROE (%)	4	7
Solvency II ratio (%)	211	201
Financial leverage (%)	27	25

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

Applicable Criteria

Insurance Rating Criteria (March 2020)

Related Research

Aegon Bank N.V. (June 2020)

Aegon Americas (And North American Subsidiaries of Aegon N.V.) (October 2019)

Netherlands (May 2020)

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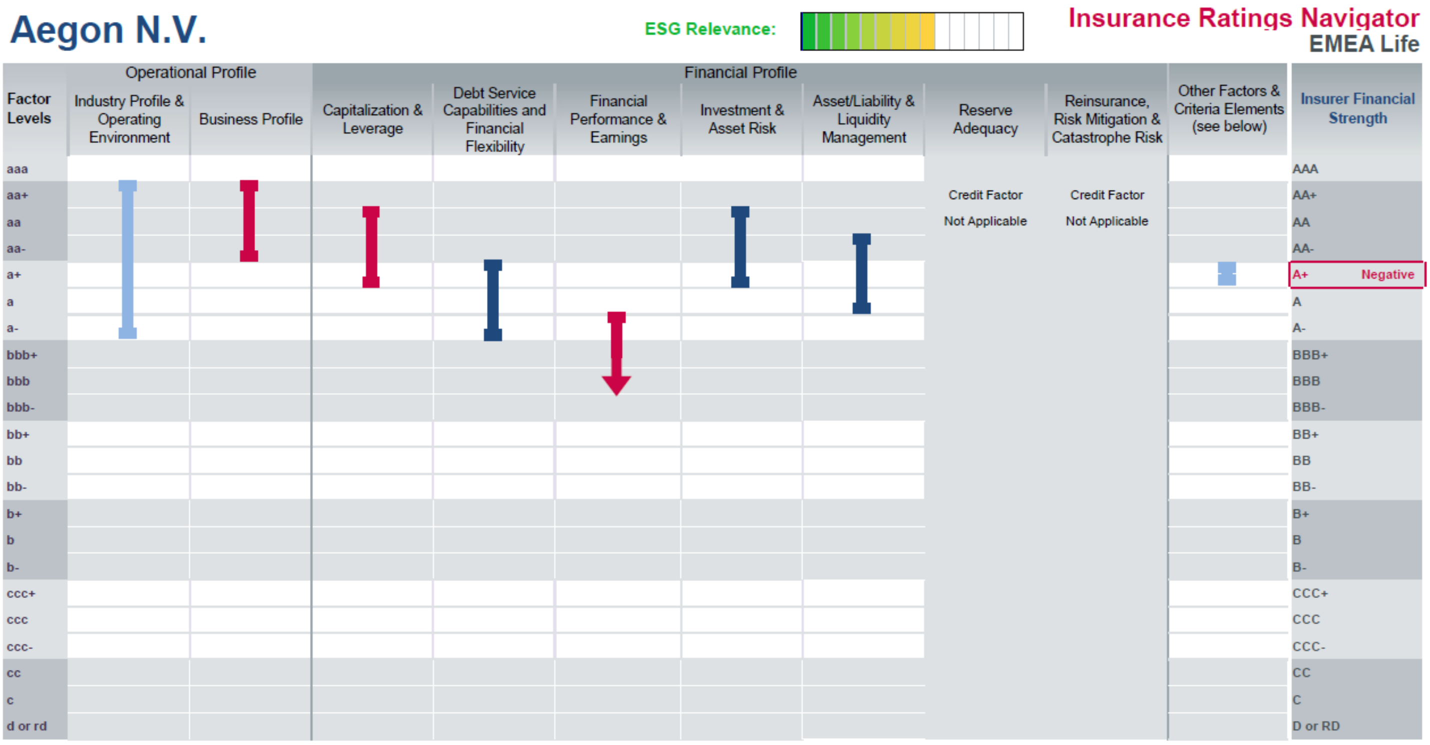
Key Credit Factors – Scoring Summary



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				+0
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

- On 14 May 2020, Fitch revised the Outlook for Aegon N.V., its primary North American life insurance subsidiaries, Transamerica Financial Life Insurance Company, Transamerica Life Insurance Company and Transamerica Premier Life Insurance Company, known collectively as Aegon Americas, and Edinburgh-based Scottish Equitable Plc to Negative from Stable. The Outlook revision reflects the disruption to economic activity and financial markets caused by the coronavirus pandemic.

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

Although the majority of Aegon's operations are in the US, we assess its competitive positioning in a European context and relative to other insurers in the Netherlands. This is due to significant operations in its home country, the Netherlands. However the size and market position of the US and UK operations also inform our assessment.

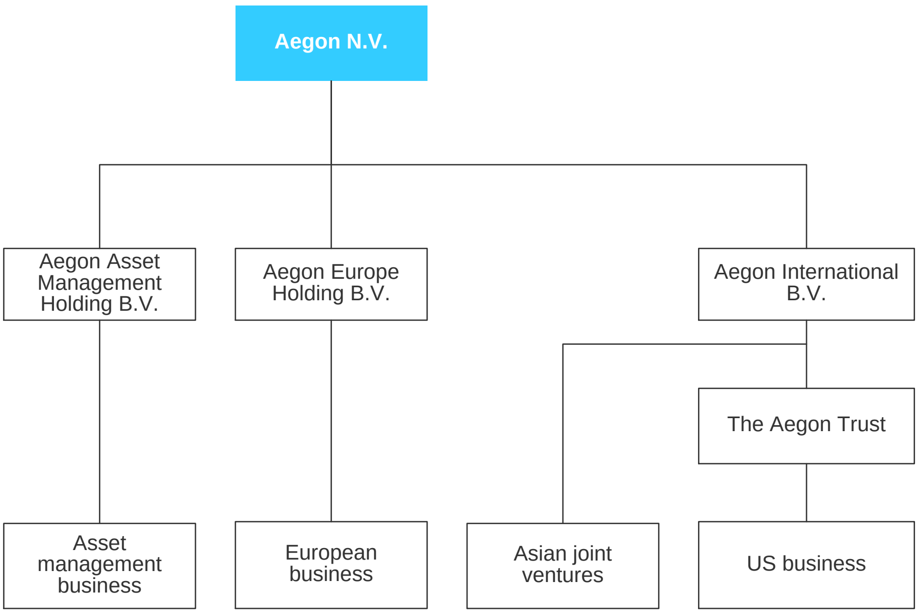
Aegon maintains a substantial life insurance franchise in the Netherlands, focusing on retirement services and savings where it typically has a market position in the top three. Non-life operations, however, remain small. Aegon also has a market-leading position as a savings platform provider in the UK, with a market share of around 23% based on assets under administration. In the US, Aegon is one of the top 10 entities in the not-for-profit defined contribution retirement market, as well as in the sale of individual life products. It is also one of the top five insurers in the US indexed universal life insurance market.

The business risk profile assessment reflects the impact of Aegon America's exposure to legacy long-term care insurance (LTC) and above-average exposure to variable annuities. Fitch views LTC insurance as one of the riskiest products sold by US life insurers due to above-average underwriting and pricing risk, high reserve and capital requirements, and exposure to low interest rates. In the Netherlands, Aegon has continued its strategy of transforming into a capital -light organisation with a predominant focus on pension servicing and banking.

Aegon's diversification ranking reflects its broad geographic diversification compared with other large Dutch insurers, with non-Dutch assets accounting for about 80% of the group's total assets. Aegon has substantial operations in the US and also in the UK.

Ownership

Aegon is publicly listed, and therefore ownership is neutral to its ratings. Aegon's common shares are listed on two stock exchanges: Amsterdam and New York. It has an international shareholder base, with the majority in the US and Europe (including the UK).



Source: Fitch Ratings, Aegon

Capitalisation and Leverage

'Very Strong' Capitalisation and Leverage

Aegon's Prism FBM score was unchanged at 'Very Strong', while its group S2 ratio weakened by 10bp to 201% at end-2019.

Aegon is subject to S2 regulations in Europe and risk-based capital (RBC) in the US. Fitch primarily assesses Aegon's regulatory capital adequacy on a group basis under S2. Aegon entered the coronavirus pandemic with a solid capital position. The group S2 ratio (208%) benefited from the increase of the S2 VA mechanism in 1Q20 (208%; 171% excluding VA)[1], and was partly offset by adverse market movements in the US. The 1Q20 US RBC ratio fell to 376% but remained above the bottom-end of the management's target range.

Financial leverage decreased to 25% on the successful issuance of RT1 notes in 2019. RT1 notes receive 100% equity credit in Fitch's financial leverage calculation. Fitch typically excludes debt securities issued by Aegon's non-insurance operating subsidiaries from the financial leverage calculation. The EUR500 million of senior non-preferred notes issued by Aegon Bank N.V. in June 2019 are therefore excluded from the financial leverage assessment.

The main drivers of the high total financing and commitments (TFC) ratio compared to similarly rated peers are US Regulation XXX and AXXX funding, securitisations to finance mortgage portfolios in the Netherlands, securities lending, Federal Home Loan Bank borrowings, and repurchase agreements. Fitch considers the high TFC ratio as neutral to the capitalisation and leverage assessment as it mainly relates to operational funding of banking activities.

Fitch Expectations

- Prism FBM score to remain 'Very Strong' over the next 12 months.
- Regulatory solvency ratios to remain above Aegon's target range.
- Financial leverage could decrease depending on market conditions.

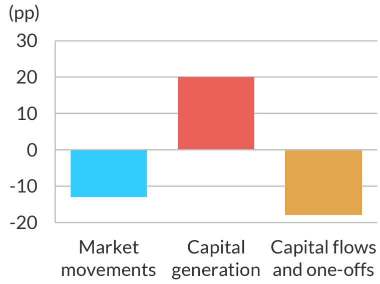
Financial Highlights

(EURm)	2018	2019
Shareholders' equity	19,450	22,477
TFC ratio (x)	1.4	1.4
Financial leverage (%)	27	25
Group solvency II ratio (%)	211	201
US RBC ratio (%)	465	470

TFC: Total financing and commitments
Note: Reported on a IFRS basis
Source: Fitch Ratings; Aegon

Solvency II Variances

(2018-2019)



Source: Fitch Ratings, Aegon

Debt Service Capabilities and Financial Flexibility

Strong Debt Service Capability and Financial Flexibility

Aegon's FCC is strong but has been volatile due to earnings fluctuations. The majority of Aegon's outstanding debt securities are fixed-coupon; however, the low-rate environment is beneficial for interest expenses on securities issued with a coupon reset feature that are typically tied to benchmark rates. Upcoming coupon reset dates are in 2021 and 2024.

Fitch assesses Aegon's refinancing risk as low due to its very strong regulatory capitalisation, robust cash position, and proven stable market access at reasonable funding costs. Market access is underpinned by a USD6 billion debt issuance programme and a EUR2.5 billion commercial paper programme.

Aegon held EUR1.2 billion cash at the holding company (Aegon N.V.) at end-2019. This was in line with Aegon's management's guidelines for the holding company's cash position. To further enhance its liquidity position Aegon also maintains back-up credit facilities with international lenders composed of a EUR2 billion syndicated revolving credit facility and a USD2.4 billion letter of credit facility. The facilities expire in 2025 and 2024, respectively.

Fitch Expectations

- Debt interest expense could decrease due to potential debt redemptions.
- Coupon resets from fixed to floating could also decrease interest expenses in the low-rate environment.
- The FCC could remain volatile due to earnings volatility.

Financial Highlights

(EURm)	2018	2019
Cash in holding companies	1,300	1,200
FCC ratio (x)	5	8

Note: Reported on a IFRS basis
Source: Fitch Ratings, Aegon

Debt Maturities
(Excluding callable securities)

(As of 31 December 2019)	(EURm)
2020	450[a]
2023	500
Total	**950**

[a] USD500m
Source: Fitch Ratings, Aegon

[1] Fitch estimate based on S2 VA sensitivity published by Aegon as at 1Q20.

Financial Performance and Earnings

Good Profitability

Fitch views Aegon's profitability as good, but as a rating weakness. Although earnings are fairly stable on an underlying (operating) basis, net earnings are volatile due to the frequent recurrence of significant non-operating, hedging and fair-value items. Net income reached EUR1.3 billion on EUR366 million underlying earnings in 1Q20, mainly due to fair-value gains in the Dutch business. This is likely to reverse in the rest of 2020 as financial markets return to normal.

Aegon focuses on the sales of lower-margin fee-based business such as asset management, pension administration and unit-linked products. The development of Aegon's revenue-generating investments (RGI) is therefore an important driver of Aegon's earnings. Although RGI increased to EUR898 billion in 2019, underlying earnings have been weaker – mostly due to the impact of low rates on the US life business, higher holding interest expenses, and continued margin pressure on key markets.

The profitability of closed businesses in the Netherlands, the UK and the US are closely managed through cost savings including internal reorganisations, the outsourcing of administrative tasks, and investments in higher-yielding assets, such as mortgages.

Fitch Expectations

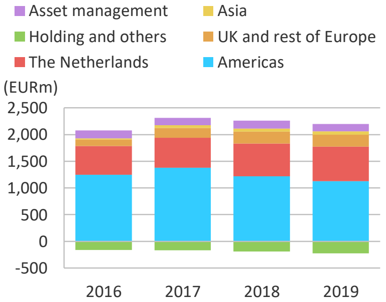
- Underlying earnings could weaken in 2020 as a result of the impact of the pandemic on the US business, while we expect Dutch and UK earnings to remain more resilient.
- Net income to remain volatile, driven by residual hedging results and fair-value changes.
- Continued cost savings to remain supportive to earnings.

Financial Highlights

(EURm)	2018	2019
Net income attributable to shareholders	744	1,528
Net underlying earnings	1,754	1,651
Net income ROE (%)	4	7
Pre-tax operting return on assets (%)	0.3	0.6

Note: Reported on a IFRS basis
Source: Fitch Ratings, Aegon

Pre-Tax Underlying Earnings



Source: Fitch Ratings, Aegon

Investment and Asset Risk

Investment Risk Is Low

Aegon's investment strategy favours high-grade bonds. Non-investment-grade exposure is limited and mainly includes corporate debt and residential mortgage-backed securities issued before 2007. At end-1Q20, credit impairments in the fixed-income portfolio remained below the long-term average, and Fitch believes that Aegon's sensitivity to credit deterioration is limited.

At end-2019, Aegon held EUR9 billion investment assets (excluding assets held on account for policyholders), with valuation based on unobservable data – level 3 as defined by IFRS. These represent potential fair valuation risk but Fitch has not identified shortfalls in this matter. Aegon's auditor has confirmed the valuation concerning EUR4 billion of level 3 real estate, and debt assets were within an acceptable tolerance range at end-2019.

The mortgage book mainly consists of Dutch residential mortgages with some diversification to commercial lines in the US. The US portfolio accounted for 22% of the total balance at end-2019. Fitch assesses the credit risk of both portfolios as low, demonstrated by low delinquency rates and conservative loan-to-value ratios. In addition, 49% of the Dutch portfolio is backed by government guarantee, which is provided by the Stichting Waarborgfonds Eigen Woningen. Fitch expects Aegon to continue increasing its mortgage exposure but views this as neutral to the investment and asset risk assessment.

Fitch Expectations

- Credit losses/impairments could increase, and the credit quality of the bond portfolio could deteriorate as a result of the coronavirus pandemic.
- Investment risk metrics to remain in-line with a 'Very Strong' assessment, and portfolio quality to remain high despite potential credit deterioration.
- Dutch mortgage exposure to continue to increase in general account investments.

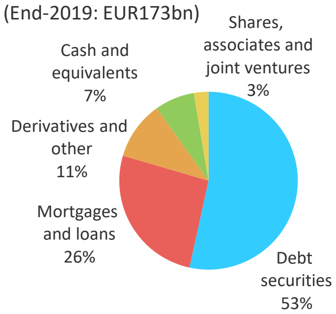
Financial Highlights

(EURm)	2018	2019
Risky assets/equity (%)	67	59
Unaffiliated shares/equity (%)	25	25
Non-investment-grade bonds/equity (%)	31	23
Investments in affiliates/equity (%)	11	11
Mortgage investments at book value	37,000	38,524

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

General Account Investments

(End-2019: EUR173bn)



Source: Fitch Ratings, Aegon

Asset Liability and Liquidity Management

Strong Asset/Liability and Liquidity Management

Fitch assesses Aegon's asset/liability and liquidity management as strong due to its sophisticated and comprehensive risk-management framework and prudent investment policy. Aegon uses cash flow matching, duration matching and derivatives-based hedging to manage risks in insurance portfolios. However, some market risks cannot be perfectly hedged or cannot be hedged at all, which adds to volatility of Aegon's earnings.

As Aegon's business is predominantly life insurance, its main insurance risk is longevity – mostly driven by US and Dutch run-off products such as defined-benefit pensions. Longevity risk is not substantial in the Dutch individual life portfolio and limited in the UK business. Aegon utilises longevity reinsurance and hedging to reduce risk in the Dutch group pension portfolio, but continues to retain the majority of longevity risk. Overall, the sensitivity of Aegon's group S2 ratio to an increase in longevity is limited.

Over the years, Aegon Americas increased LTC reserves to reflect adverse experience as well as changes in our assumptions. Fitch believes there is the potential for future reserve increases for companies with legacy LTC blocks, including Aegon Americas. On an IFRS basis, which reflects best-estimate assumptions, the company's actual-to-expected results were near 100% over recent years. The company's IFRS reserves reflect Aegon's assumption of a 1.5% a year improvement in LTC claims incidence over the next 15 years, and the removal of this assumption would have a USD700 million pre-tax impact. Industry studies are generally inconclusive as to whether this phenomenon exists among the insured population.

Fitch Expectations

- Aegon's asset liability and liquidity management score to remain in line with a 'Strong' assessment.

Financial Highlights

(%)	2018	2019
Liquid assets/policyholder liabilities	95	95

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

Appendix A: Peer Analysis

Well-Positioned Within 'A' Rated Peers

Aegon's capitalisation and leverage compares well with Dutch and international peers in the 'A' rating category. Aegon's net income ROE is generally more volatile than peers' due to recurring non-operating items. In addition, Fitch believes that Aegon's earnings could be more sensitive to the pandemic-related economic fallout. This is driven by its exposure to variable annuities, long-term care and universal life with secondary guarantees in its US business.

This weakness is partly offset by Aegon's geographical diversification and strong market position in its main markets – namely, the US, the Netherlands, and the UK.

Peer Comparison

(EURm, As of 31 December 2019)	IFS rating[a]	Total assets	Shareholders' equity	Gross written premiums	Net income (attributable to shareholders)	Return on equity (%)	Combined ratio (%)	Solvency II ratio (%)	Financial leverage (%)
Aegon N.V.	A+/Negative	441,123	22,457	18,138	1,528	7	90	201	25
Aviva plc[b]	AA-/Stable	538,752	20,738	36,588	2,984	14	97.5	206	24
NN Group N.V.	A+/Stable	248,597	30,768	14,508	1,962	7	95.4	218	26
Achmea B.V.	A+/Stable	89,488	8,932	19,949	547	6	95	214	21
ageas SA/NV	A+/Stable	109,449	11,221	9,384	979	9	95	217	12

[a] Ratings shown for rated core insurance operating subsidiaries
[b] GBP/EUR exchange rate: 1.17
Source: Fitch Ratings, company financials

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

The entities discussed below are considered 'Core' entities under Fitch's insurance group rating methodology.

Aegon Americas' 'Core' status is supported by its scale, operating performance and market position in its chosen markets. Aegon Americas comprises a material portion of the group's revenue and earnings. Fitch believes Aegon N.V.'s management views Aegon Americas as a core operation and a material part of its global presence. There is a record of mutual support in terms of capital contributions, upstream dividends, and capital market transactions supporting the 'Core' status.

Aegon UK's (the main legal entity being Scottish Equitable Plc) 'Core' status is supported by its strategic position in UK as the leading platform savings, investments and pensions provider in the market. Aegon UK's focus on fee-generating business is in line with group strategy, and it shares the Aegon branding. Recent acquisitions by Aegon UK (Cofunds, Blackrock) confirm Aegon N.V.'s strategic investment in the long-term success of Aegon UK.

The operating entities share the same IFS rating based on Fitch's evaluation of the strength of the group as a whole.

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
Notching between the implied insurance operating company and holding company IDRs was expanded by one notch relative to standard notching for a group solvency regulatory environment due to foreign earnings and/or capital being greater than 30% of consolidated group totals.
Holding Company Debt
A baseline recovery assumption of 'Below Average' was applied to senior unsecured debt securities issued by Aegon N.V. Standard notching relative to the IDR was used.
Hybrids
--For NLG450 million 4.26% perpetual callable 03/2021, NLG250 million 1.506% perpetual callable 06/2025, and NLG300 million 1.425% perpetual callable 10/2028 notes issued by Aegon N.V., a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Minimal' were used. Notching of two was applied relative to the IDR, which was based on two notches for recovery and zero notches for non-performance risk. --For all other hybrids issued by Aegon N.V., a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of three was applied relative to the IDR, which was based on two notches for recovery and one notch for non-performance risk. --For perpetual contingent convertible notes issued by Aegon N.V., a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of four was applied relative to the IDR, which was based on two notches for recovery and two notches for non-performance risk. This represents one extra notch compared with our treatment of standard S2 instruments to reflect higher non-performance risk arising from the fully flexible interest cancellation.

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

Long-Term Debt Ratings

Senior Unsecured	BBB+
Subordinated (minimal non-performance risk)	BBB
Subordinated (moderate non-performance risk)	BBB-
Perpetual contingent convertible	BB+

Short-Term Debt Ratings

Senior Unsecured	F2

Short-Term Ratings

The holding company's Short-Term Issuer Default Rating is 'F2', which is standard when the Long-Term IDR is 'A-'.The short-term debt rating of Aegon's CP programme is 'F2', which is standard when the Long-Term IDR is 'A-'.

The Short-Term IFS rating of Transamerica Premier Life Insurance Company is 'Withdrawn' and the Short-Term IFS rating of Transamerica Life Insurance Company is 'F1', which is standard when the IFS rating is 'A+'.

Hybrid – Equity/Debt Treatment

Fitch provides 100% equity credit to restricted Tier 1 securities issued under the S2 regime in line with the regulatory treatment, and therefore no regulatory override applied. Grandfathered perpetual debt securities receive 0% equity credit, either due to their coupon step up feature or due to regulatory override applied for CAR.

Hybrids Treatment

Hybrid	Grandfathering status	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
Aegon N.V.					
4.26% perpetual callable 03/2021	Grandfathered for S2	NLG450m	0	100	100
4% due 04/2044 callable 04/2024	Grandfathered for S2	EUR700m	0	100	100
1.506% perpetual callable 06/2025	Grandfathered for S2	NLG250m	0	100	100
5.5% due 04/2048 callable 04/2028	-	USD800m	0	100	100
1.425% perpetual callable 10/2028	Grandfathered for S2	NLG300m	0	100	100
Floating rate perpetual callable 12/2010	Grandfathered for S2	USD250m	0	100	100
Floating rate perpetual callable 07/2014	Grandfathered for S2	EUR950m	0	100	100
Floating rate perpetual callable 07/2014	Grandfathered for S2	USD500m	0	100	100
5.625% perpetual contingent convertible callable 04/2029	-	EUR500m	100	0	0

CAR – Capitalisation ratio: FLR – Financial leverage ratio
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 B: Environmental, Social and Governance Considerations

FitchRatings **Aegon N.V.** **Insurance Ratings Navigator** EMEA Life

Credit-Relevant ESG Derivation

Aegon N.V. has 6 ESG potential rating drivers

- Aegon N.V. 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.
- Aegon N.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	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.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
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	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 own cyber risk	Industry Profile & Operating Environment; Business Profile	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.