

# Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A.

## Key Rating Drivers

**Exposed to Italian Asset Risk:** The ratings of Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A. (together Unipol) reflect the group's strong underlying insurance financial performance and adequate and resilient capitalisation. These elements are offset by the concentrated, although reduced, exposure to Italian sovereign debt – Italy's Long-Term Foreign-Currency Issuer Default Rating (IDR) is 'BBB-/Stable'. Unipol held EUR27 billion, or 3.3x consolidated shareholders' equity, Italian sovereign debt at end-2019 (end-2019: 3.5x, end-2018: 4.0x).

**Strong Underlying Insurance Profitability:** Fitch Ratings assesses the profitability of Unipol's insurance activities as strong. The Fitch-calculated non-life combined ratio improved to 93% in 2019 (94% in 2018) and dropped to 82% in 1H20 following the reduced claims frequency due to the lockdown period in Italy. Fitch expects an improvement in Unipol's reported results in 2020 as a result of the lower claims experience.

**Capitalisation Is Strong:** Fitch's view on Unipol's capital is driven by the group's score under Fitch's Prism Factor-Based Capital Model (Prism FBM). This improved to 'Strong' from 'Adequate' based on end-2019 data as a result of strong 2019 retained earnings and the completion of the sale of Unipol Banca S.p.A. Fitch expects Unipol's Prism FBM score to remain stable in 2020.

**Moderate Financial Leverage:** Fitch views Unipol's financial leverage ratio (FLR) as moderate for the ratings. At end-2019, the FLR improved to 35% (end-2018: 39%), predominantly due to a significant improvement in Unipol's equity capital, driven by retained earnings and gains in available-for-sale securities. Unipol's FLR increased following the issuance of EUR750 million notes in September 2020. Fitch expects Unipol's FLR in 2020 to slightly increase from 2019, but to reduce in 2021 as the outstanding March 2021 notes mature.

**Strong Franchise in Italy:** Unipol is the largest motor underwriter in Italy and is the market leader in the use of telematics applied to motor insurance. Unipol also has 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

**Coronavirus Pandemic:** The ratings remain sensitive to any material change in Fitch's rating case assumptions with respect to the coronavirus pandemic. A positive rating action is prefaced by Fitch's ability to reliably forecast the impact of the coronavirus pandemic on the financial profiles of the Italian insurance industry and Unipol.

**Weaker Capital or Leverage:** Unipol's ratings could be downgraded should the Prism FBM score decrease to below 'Strong' and the FLR weaken to above 40%.

**Rating of Italian Sovereign:** Unipol's ratings would probably be downgraded by one to two notches if Italy's sovereign rating was downgraded by one notch. Unipol's ratings would probably be upgraded by one notch if Italy's sovereign rating was upgraded by one notch.

**Reduced Sovereign Exposure:** Unipol's ratings would probably be upgraded should Unipol substantially reduce its exposure to Italian sovereign debt.

## Ratings

<b>Unipol Gruppo S.p.A.</b>	
Insurer Financial Strength	BBB
Long-Term Foreign Currency IDR	BBB-

<b>UnipolSai Assicurazioni S.p.A.</b>	
Insurer Financial Strength	BBB
Long-Term Foreign Currency IDR	BBB-

## Outlooks

Insurer Financial Strength	Stable
Long-Term Foreign Currency IDR	Stable

## Financial Data

<b>Unipol Gruppo S.p.A.</b>		
(EURm)	Dec 19	Dec 18
Total assets	75,112	76,599
Total equity	8,305	6,327
Net written premiums	13,443	11,628
Net income	903	401
Solvency II (%)	187	163

Note: Reported on a yearly basis  
Source: Fitch Ratings, company data

## Applicable Criteria

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

## Related Research

[Italian Insurers Remain Resilient to Coronavirus Reviews – Limited Impact of Fitch Rating Case Assumptions on Capitalisation \(June 2020\)](#)

[Italian Non-Life Insurers Diversify Revenues \(December 2019\)](#)

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Key Credit Factors – Scoring Summary

Unipol Gruppo S.p.A.



Insurance Ratings Navigator  
EMEA Composite

Factor Levels	Operational Profile			Financial Profile						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 and Asset Risk	Asset/Liability & Liquidity Management	Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk		
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB Stable
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	AA	+0
<b>Insurer Financial Strength (IFS)</b>				Final: <b>BBB</b>
IFS Recovery Assumption	Good			-1
<b>Issuer Default Rating (IDR)</b>				Final: <b>BBB-</b>

**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

- Unipol’s financial performance was strong in 2019, fuelled by lower combined ratio and higher investment margins. This led to its financial performance and earnings score improving to ‘a+’ from ‘a’. The company also reported strong 1H20 financials, due to the significantly reduced claims charge stemming from the lockdown measures in place in Italy.
- The company’s capitalisation improved in 2019, in terms of both the Prism FBM score and solvency coverage. Unipol’s financial leverage also improved. These combined effects led to an increase of its capitalisation and leverage score to ‘a-’ from ‘bbb+’.
- Unipol’s investment and asset risk deteriorated following Fitch’s downgrade of Italy to ‘BBB-/Stable from ‘BBB’/Negative due to the company’s high exposure to Italian sovereign debt.

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

### Strong Franchise in Italy Supports Rating

Fitch considers the business profile of Unipol as ‘most favourable’. The company has a well-diversified business mix and is the largest non-life company in Italy, with a market share of 21% by premiums in 2019. Unipol also has a leading position in life insurance with a 5% market share 2019 – and is the market leader in health insurance with a market share of 23%. 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 leads in the use of telematics in motor insurance, with more than 4 million black boxes (devices that track driving behaviour) being installed in vehicles in 2019. Telematics is core to Unipol’s strategy to improve pricing, claims handling and customer satisfaction. We consider the Unipol’s leadership in telematics a key competitive advantage.

### Diversified Product Mix

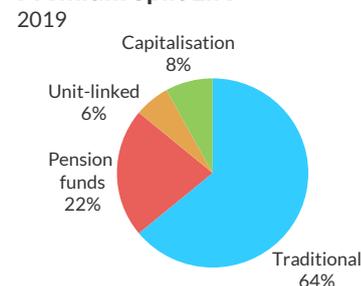
Unipol has a well-balanced and diversified product mix. Consolidated non-life premiums totalled EUR8.5 billion in 2019 (2018: EUR8.2 billion), while life premiums amounted to EUR5.8 billion (2018: EUR4.4 billion).

In non-life, Unipol’s motor business still accounts for 51% 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 2019 (2018: 64%). Guarantees on new business are set close to 0%. Unipol also distributes unit-linked products, emphasising hybrid product (a mixture of traditional savings and unit-linked products), savings policies that simultaneously meet clients’ demands for safety and are capital-light.

## Ownership

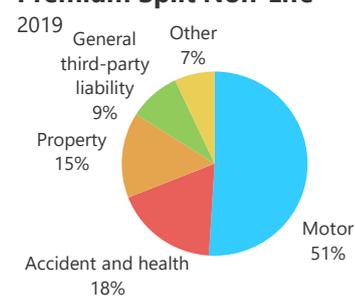
Unipol Gruppo is a publicly traded company and UnipolSai’s ultimate holding company. Its shares are listed on the Milan stock exchange and it had a market capitalisation of EUR2.5 billion at end-June 2020. Unipol’s largest shareholders, who have signed a shareholders’ agreement, represent 30.05% of the shareholders’ capital. Coop Alleanza 3.0 (12.535%) and Holmo S.p.A. (6.665%) are the largest shareholders. UnipolSai, Unipol Gruppo’s main insurance operating entity, is also listed on the Milan stock exchange. Unipol Gruppo held 84.35% of UnipolSai’s shares at 1H20.

### Premium Split Life



Source: Fitch Ratings, Company data

### Premium Split Non-Life



Source: Fitch Ratings, Company data

## Capitalisation and Leverage

### Strong Capitalisation, Moderate Leverage

Unipol's Prism FBM score, based on end-2019 financials, was 'Strong' (end-2018: 'Adequate'). The improvement is due to Unipol's strong 2019 earnings and the completion of the sale of Unipol Banca. Fitch views Unipol's financial leverage as moderate for its ratings with a reduced FLR of 35% at end-2019 (end-2018: 39%).

Unipol's consolidated Solvency II ratio was 187% at end-2019 (end-2018: 163%). The ratio is calculated using a partial internal model. In 1H20, Unipol reported a Solvency II ratio of 188%, substantially unchanged from end-2019.

### Fitch Expectations

- Fitch expects Unipol to maintain strong capitalisation, as measured by both Prism FBM and the Solvency II ratio, and stable financial leverage.

## Debt Service Capabilities and Financial Flexibility

### Strong Coverage and Adequate 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 September 2020 Unipol took advantage of favourable market conditions to issue EUR750 million senior unsecured notes so as to repay outstanding debt. Unipol's next bullet repayments will be in March 2021, whose outstanding amount will be financed by the September 2020 issue. Unipol maintains EUR1 billion of cash at the holding company level.

### Fitch Expectations

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

## Financial Performance and Earnings

### Very Strong Technical Profits

In 2019, Unipol improved its Fitch-calculated combined ratio in the non-life business to 93% (2018: 94%), driven by a lower loss ratio as improvements in claims handling and pricing led to positive results. Written premiums grew broadly in line with the overall market at 2.7%, with the non-motor business as the main factor behind this improvement (+6.0% in 2019). Pre-tax operating earnings grew to EUR1.4 billion in 2019 (2018: EUR989 million). For 1H20 Unipol reported a combined ratio of 82.1% (1H19: 94.6%), following the significantly reduced claims charge due to the effects of the lockdown period in Italy.

In 2019, Unipol reported an increase in life premiums of 36% from 2018. The growth came from all life products except the unit-linked business, which decreased by 25% as a result of largely unfavourable market conditions. Unipol cut the minimum average guarantee on traditional products by 20bp to 125bp, leading to the spread widening by 30bp to 220bp. This reduces balance-sheet risk and improves profitability of the life segment. Underlying life pre-tax profits reduced to EUR236 million (2018: EUR299 million), which was influenced by strong financial income. In 1H20, Unipol reported pre-tax profits of EUR14 million (1H19: EUR139 million) and premiums decreased by 32%, which was in part due to the effects of the pandemic and in part as a result of a prudent commercial strategy.

### Fitch Expectations

- Fitch expects Unipol to improve its technical result in 2020 as a result of the significantly reduced claims charge due to the effects of the lockdown period in Italy. Fitch expects Unipol's profitability to return to pre-pandemic levels in 2021.

### Financial Highlights

	2018	2019
Total equity (EURm)	6,327	8,305
Financial leverage ratio (%)	39	35
Regulatory solvency ratio (%)	163	187
Net premiums written/equity (x)	1.2	1.0
Asset leverage (x)	6	6
Operating leverage (x)	5	5

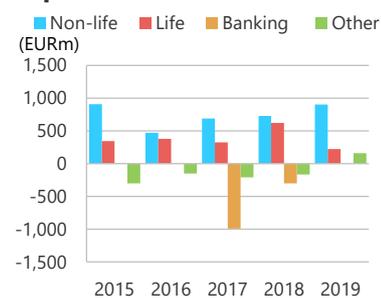
Source: Fitch Ratings, Unipol

### Financial Highlights

(EURm)	2018	2019
Net income	401	903
Net combined ratio (Fitch-calculated)	94	93
Operating ratio (Fitch-calculated)	87	83
Pre-tax operating profit return on assets (incl. realised & non-realised gains)	1.3	1.9

Source: Fitch Ratings, Unipol

### Reported Profit Before Tax



## Investment and Asset Risk

### Low Asset Risk, High Exposure to Italian Sovereign Debt

Fitch views Unipol's investment policy as prudent, with 83% of the investment portfolio invested in good-quality fixed-income instruments at end-2019. Unipol's risky assets ratio, which measures the ratio between the company's risky assets and its shareholders' capital, improved to 170% at end-2019 (end-2018: 200%), but subsequently deteriorated to 239% following Fitch's downgrade of Italy's sovereign rating. This increase was due to the higher portion of Unipol's sovereign debt used in the ratio calculation, according to Fitch's insurance criteria.

The quality of Unipol's asset allocation is affected by its high, but reducing, exposure to Italian sovereign debt, which was EUR27.5 billion at 1H20 (2019: EUR29 billion, 2018: EUR25 billion) or 3.3x consolidated shareholders' equity (2019: 3.5x, 2018: 4.0x). This 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.

### Fitch Expectations

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

## Asset/Liability and Liquidity Management

### Low Liquidity and Interest Rate Risk

Unipol's liquidity is adequate, with 91% of technical reserves invested in bonds. The liquidity is adequate given the composite nature of the business and it allows the company to meet cash calls should there be higher surrender rates or spikes 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 1.25% as at end-2019 (end-2018: 1.45%).

### Fitch Expectations

- Fitch expects Unipol to maintain a highly liquid investment portfolio. Fitch expects the minimum guarantees to fall further in 2020.

## 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 liability and general liability. Fitch views the non-life reserve adequacy of Unipol as strong. The ratio of technical reserves/premiums was 176% at end-2019, 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. Analysis of the outstanding reserve development triangles in 2019 will have a positive development equivalent to 4.6% of equity (2018: 4.6%).

### Fitch Expectations

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

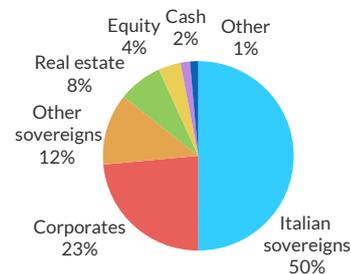
### Financial Highlights

	2018	2019
Risky assets/equity	200	170
Unaffiliated shares/equity	40	27
Non investment-grade bonds/equity	39	34
Sovereign investments/equity	400	346
Liquid assets/net technical reserves	91	91

Source: Fitch Ratings, Unipol

### Investment Portfolio

2018



Source: Fitch Ratings, Unipol

### Financial Highlights

	2018	2019
Loss reserves/current year incurred losses (x)	2.3	2.2
Loss reserves/equity	1.8	1.3
Current year paid /incurred losses (x)	1.1	1.1
Change in loss reserves/earned premiums	-6.1	-5.8
One-year reserve development/prior-year loss reserves	-2.8	-2.6
One-year reserve development/prior-year equity	-4.6	-4.6
Net technical reserves/net earned premiums	184	176

Source: Fitch Ratings, Unipol

## Reinsurance, Risk Mitigation and Catastrophe Management

### 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 87%) rated 'A-' or above. Fitch views the group's credit risk in this area to be limited.

Fitch views Unipol's reinsurance programme as comprehensive. In particular, the company 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- and large-sized companies based in Europe. This provides Unipol with first-hand intelligence on developments of rates and coverage within the reinsurance sector.

### Fitch Expectations

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

## 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

Unipol Gruppo is the holding company of the Unipol group. All group data is 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 methodology. Its IDR is aligned with the implied IDR of the group as a whole.

### Notching

For notching purposes, the regulatory environment of Italy 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.

#### Operating company debt

Not applicable

#### Holding company IDR

Standard notching was applied between the insurance operating company and holding company IDRs for a ring-fenced regulatory environment. No adjustments were made for financial leverage, coverage or significant holding company liquidity.

#### 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. Notching of 2 was applied relative to the IDR, which was based on 1 for recovery and 1 for non-performance risk.

For the dated subordinated notes XS0173649798 and XS0130717134 issued by UnipolSai, a baseline recovery assumption of 'Below Average' and a non-performance risk assessment of 'Minimal' were used. Notching of 1 was applied relative to the IDR, which was based on 1 for recovery and 0 for non-performance risk.

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

### Short-Term Ratings

Not applicable.

Hybrid – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
<b>UnipolSai</b>				
Perpetual subordinated debt (XS1078235733)	750	0	100	100
Dated subordinated debt (XS0173649798)	261.7	0	100	100
Dated subordinated debt (XS0130717134)	300	0	100	100
Dated subordinated debt (XS1784311703)	500	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 B: Environmental, Social and Governance Considerations

### 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

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

### Governance (G)

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

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, 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 [www.fitchratings.com/eshg](http://www.fitchratings.com/eshg).

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