FitchRatings

Insurance
Composite Insurers
Germany

# DEVK Deutsche Eisenbahn Versicherung

## Ratings

**DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**

| | |
|---|---|
| Insurer Financial Strength | A+ |

**Subsidiaries**

| | |
|---|---|
| Insurer Financial Strength | A+ |

Note: See additional ratings on page 8.

**Outlooks**

| | |
|---|---|
| Insurer Financial Strength | Stable |

## Financial Data

**DEVK Deutsche Eisenbahn Versicherung**

| (EURm) | 2021 | 2020 |
|---|---|---|
| Total assets | 23,194 | 21,716 |
| Total equity | 2,535 | 2,424 |
| Total gross written premiums | 4,117 | 3,918 |
| Net combined ratio (%) | 96.3 | 92.0 |
| Net income | 98 | 87 |

Source: Fitch Ratings, DEVK

## Applicable Criteria

Insurance Rating Criteria (July 2022)

## Related Research

Germany's Non-Life Insurers Demonstrate Their Resilience (June 2022)

German Non-Life Insurance Dashboard: Mid-Year Update 2022 (July 2022)

Echo Rueckversicherungs-AG (August 2022)

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## Key Rating Drivers

**Strong Company Profile:** Fitch Ratings assessment of DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn's (DEVK) company profile reflects its strong market position in German property and casualty market, its well-diversified earnings across all primary insurance segments in Germany and international reinsurance business and its moderate size. DEVK wrote total premiums of EUR4 billion in 2021 and recorded total assets of EUR23 billion.

DEVK is headed by non-life insurer DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn (DEVK Non-Life) and life insurer DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn (DEVK Life).

**Very Strong Capitalisation:** Our assessment of capital is driven by the DEVK group's 'Extremely Strong' score under our Prism Factor-Based Capital Model (FBM) and its group Solvency II (S2) ratio, without transitional measures, of 197% at end-2021 (173% at end-2020). The improvement of the S2 ratio was driven by higher market interest rates. Fitch expects the S2 ratios to improve further in 2022 as market yields continue to increase.

**Strong Financial Performance:** Our assessment of profitability is based on the group's strong Fitch calculated net combined ratio with an average of 95.2% over 2017-2021. However, DEVK group's focus on motor insurance constrains overall profitability due to the competitive German motor insurance market. DEVK's Fitch-calculated group net combined ratio based on German GAAP deteriorated to 96.3% in 2021 from 92.0% in 2020. This was driven by two large weather-related losses, a flood in July that caused DEVK's largest ever losses, and a windstorm in June.

We expect the net combined ratio to improve slightly in 2022 if the lower level of catastrophe losses is maintained, partly offset by higher claims driven by elevated inflation in Germany.

**Very Strong Reserve Adequacy:** The company has a long history of strong prior-year reserve adjustments and large claims reserve redundancies. Fitch believes that DEVK Non-Life's claims reserving buffers are strong enough for the insurer to withstand competitive pressures in the Germany's motor insurance sector without losing market share or seeing deterioration in capitalisation.

**Core Strategic Status:** Fitch views all DEVK-branded operating entities as 'Core' to DEVK and rates them based on the credit profile of the group as a whole.

## Rating Sensitivities

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

- A substantial improvement in the market position of the DEVK group.

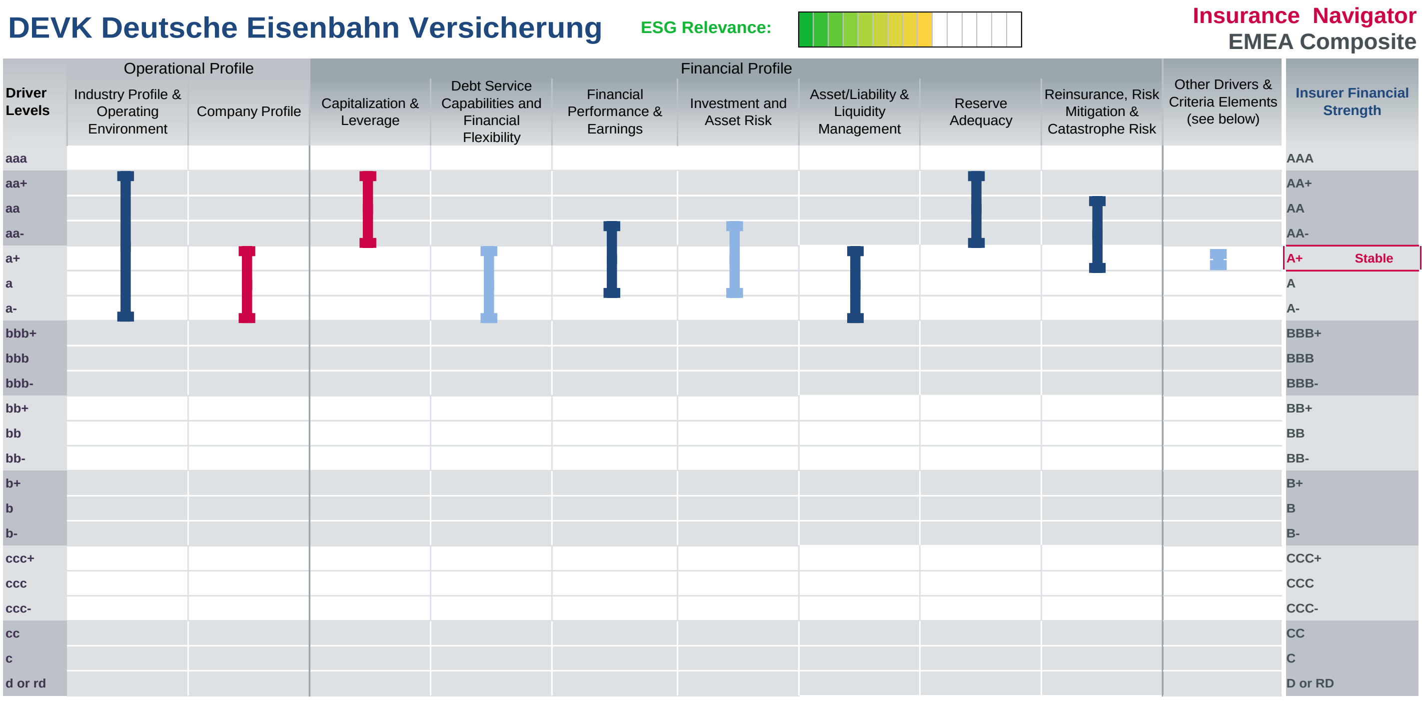
### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Sustained material erosion in capital, as reflected, for example, by the DEVK group's Prism FBM score falling to the low end of the 'Very Strong' category.
- Significant weakening in the DEVK group's reserving methodologies, as shown by a large reduction in reserve redundancies.

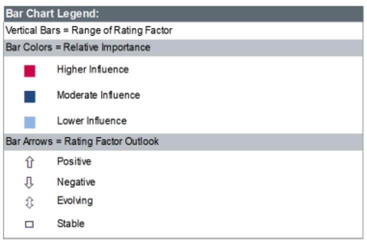
## Latest Developments

- In 1Q22, DEVK group's motor new business premium declined by about 25% from 1Q21, leading to a total premium decline of about 1% in this line. We believe this was due to the company's prudential underwriting methods in the very competitive and price-driven motor market. Nonetheless, we expect the motor business to remain one of group's most important segments in the coming years.
- Elevated inflation in Germany will lead to higher average claims and therefore put pressure on underwriting profitability. We expect the high inflation to negatively affect the company's 2022 result but that DEVK will reflect rising costs in its pricing strategy from 2023.

## Key Rating Drivers - Scoring Summary




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



# Company Profile

## Strong Company Profile

Fitch ranks DEVK's company profile as 'Moderate' compared to that of all other German composite insurance companies due to its 'Moderate' operating scale, 'Moderate' competitive positioning and 'Favourable' business risk profile. Given this ranking, Fitch scores DEVK's business profile at 'a' under its credit factor scoring guidelines.

DEVK's gross written premiums (GWPs) grew by 5.1% to EUR4,117 million in 2021 (2020: EUR3,918 million). The five-year compound annual growth rate (CAGR) for 2017-2021 was 5.1%, above the German primary insurance market five-year CAGR of 3.2%. DEVK's premium growth in 2021 was driven by strategic growth in reinsurance premium to achieve a more diversified portfolio. Fitch believes that premium growth will continue to be driven by reinsurance business.

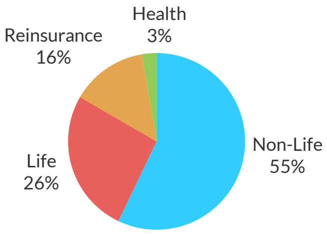
DEVK has a strong market position in the motor line, with almost half of its non-life premiums coming from the motor business at end-2021. Measured by GWP, we estimate DEVK to be the 11th-largest insurance companies in motor business. We expect the company to maintain its market position in 2022.

In the life business, DEVK's premium growth has been weak in recent years due to a decline in traditional life products. We expect the growth in life premium to remain weak in short term due to the continuing difficult market condition and the company's strategy of prioritising growth in the non-life segment.

We regard the German non-life sector's business risk profile to be favourable on average, as reflected by historically strong underwriting performance and very high reserve adequacy. Due to its reserving standards and its focus on individual cover, we believe that DEVK's business risk profile is slightly stronger than the German non-life sector on average.

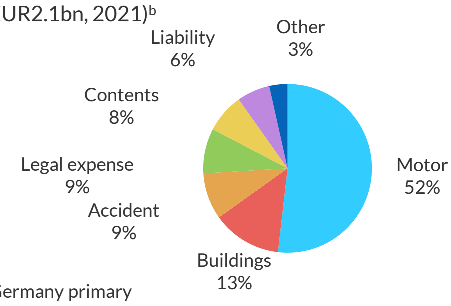
Fitch assess DEVK's corporate governance as 'Moderate/Favourable'. Our assessment is driven by its group structure, which is in line with the market norms, as well as independent and effective management board and transparent and timely financial disclosures. We expect no change in company's corporate governance.

### Total Premium
(EUR4.1bn, 2021)[a]




[a]Including SADA Assurances S.A. figures
Source: Fitch Ratings, DEVK

### Non-Life Premium[a]
(EUR2.1bn, 2021)[b]




[a]Germany primary
[b]Excluding SADA Assurances S.A. figures
Source: Fitch Ratings, DEVK

# Ownership

DEVK is a mutual insurance group owned by DEVK Non-Life's and DEVK Life's policyholders. We regard ownership as neutral to the ratings.

## Capitalization and Leverage

### Very Strong Capitalisation

DEVK scored 'Extremely Strong' in Fitch's Prism FBM model, based on end-2021 results. We expect DEVK to maintain this score at end-2022. DEVK's capitalisation benefits from its prudent reserving standards since the company's significant reserve redundancies on its balance sheet are partly considered capital in our capital model.

The insurer reported a strong regulatory group S2 ratio of 197% at end-2021 (2020: 173%), without transitional measures on technical provisions. The improvement in the S2 ratio in 2021 was driven by the increase in market interest rate and we expect the group S2 ratio to increase further in 2022 due to the further rise in the market yield.

DEVK reported very strong and stable non-life net leverage between 2.0x and 2.2x in the past five years. Life operating leverage remained stable and very strong at 10.4x in 2021 (2020: 10.4x).

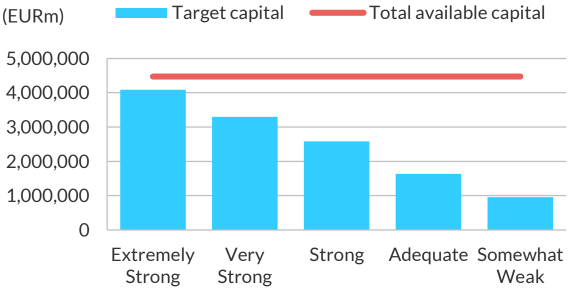
### Financial Highlights

| | 2021 | 2020 |
|---|---|---|
| Group solvency ratio[a] (%) | 197 | 173 |
| Non-life net written premium to equity[b] (x) | 0.9 | 0.9 |
| Non-life net leverage (x) | 2.1 | 2.0 |
| Life operating leverage (x) | 10.4 | 10.4 |

[a] Without transitional measures.
[b] Equity including claims equalisation reserve.
Note: Reported on a consolidated basis.
Source: Fitch Rating, DEVK

### Capitalisation Adequacy

PRISM FBM




Source: Fitch Ratings

### Financial Highlights

| | 2021 | 2020 |
|---|---|---|
| Prism score | Extremely Strong | Extremely Strong |
| Prism total AC (EURm) | 4,464,917 | 3,803,924 |
| Prism AC/TC at Prism score (%) | 110 | 102 |
| Prism AC/TC at higher Prism score (%) | n.a. | n.a. |

AC – Available capital. TC – Target capital
Note: Reported on a yearly basis.
Source: Fitch Ratings, DEVK

### Fitch Expectations

DEVK will maintain very strong capitalisation over the next 12 to 24 months, with a Prism FBM score of at least 'Very Strong' due to the expected moderate growth and strong retained earnings.

## Debt Service Capabilities and Financial Flexibility

### No Financial Leverage

DEVK had no outstanding debt at end-2021 and we do not expect the company to arise any debt in the medium term. We regard DEVK group's financial flexibility at 'a' category, since Fitch believes DEVK could raise funds if necessary.

### Fitch Expectations

We do not expect the group to require any external capital resources over the two-year rating horizon.

## Financial Performance and Earnings

### Strong Profitability, Dependent on Germany's Competitive Motor Market

DEVK has a strong combined ratio with an average of 95.2% in 2017-2021. However, DEVK's focus on motor insurance constrains the overall profitability due to the high competitiveness of the German motor insurance market.

DEVK's combined ratio deteriorated to 96.3% in 2021 (2020: 92.0%), driven by a flood from storm Bernd in July 2021, the largest claims event in DEVK's history, and the windstorm Volker in June 2021. We expect DEVK's net combined ratio to improve slightly about 1pp in 2022, due to lower incurred losses from weather-related events, partly offset by higher claims due to the current high inflation.

Despite the deteriorated combined ratio in 2021, DEVK's operating ratio slightly improved to 89.2% in 2021 (2020: 89.9 %), due to an increase in investment income. Fitch regards DEVK's operating ratio as strong and expects it to be maintained in 2022. The ratio has remained below 90% since at least 2008.

### Financial Highlights

| (%) | 2021 | 2020 |
|---|---|---|
| Net combined ratio | 96.3 | 92.0 |
| Operating ratio | 89.2 | 89.9 |
| Operating pre-tax return on equity | 7.9 | 4.8 |
| Life asset growth | 5.0 | 2.4 |
| Non-life gross written premium growth | 5.7 | 7.2 |

Note: Reported on a consolidated basis.
Source: Fitch Ratings, DEVK

### Fitch Expectations

- Fitch expects the net combined ratio to slightly improve in 2022, due to expected lower cat losses partly offset by higher inflation, and the 2022 operating ratio to improve due to the higher investment income.

## Investment and Asset Risk

### High Exposure to Risky Investments Mitigated by Very Strong Capitalisation

Equity investments have accounted for 9.9% at end-2021 (end-2020: 9.2%), a level that exceeds the German non-life insurance industry's average. We expect the equity portion of the investments to remain over the market average in the near future.

Despite its relatively high equity investment, DEVK has a strong risky assets ratio, which has been less than 75% in the past five years. DEVK's unaffiliated equities ratio increased to 37.0% at end-2021 (end-2020: 33.3%), a level that leaves it adequately positioned to withstand equity market shocks, in Fitch's view. However, significant equity market declines would be likely to lead to below-market-average investment returns for DEVK.

DEVK's fixed-income investments, that made up for more than 60% of group's total investments, were of strong credit quality at end-2021. According to the group's consolidated annual report, 52.3% were 'AA' rated and better, 30.4% were 'A' rated, 15.3% were 'BBB' rated, and only 2.0% were unrated or non-investment-grade bonds.

### Financial Highlights

| (%) | 2021 | 2020 |
|---|---|---|
| Risky assets ratio | 64.9 | 55.1 |
| Unaffiliated common stocks ratio | 37 | 33 |
| Non-investment-grade bonds ratio | 3.7 | 3.2 |
| Return on investment | 3.2 | 2.0 |

Note: Reported on a consolidated basis.
Source: Fitch Ratings, DEVK

### Fitch Expectations

- Investment risk to remain manageable over the two-year rating horizon due to a stable investment strategy, despite a modest rise in equity investments over the next two years.

## Asset/Liability and Liquidity Management

### Strong Asset/Liability Management; Low Liquidity Risk

We regard DEVK's duration gap in life business as being in line with the 'bbb' category (Fitch's duration gap guideline range for the 'bbb' rating category is three to 4.9 years). DEVK's duration of liabilities in the life segment is longer than the duration of the related assets, as is typical of a German life insurance operation, so it is exposed to reinvestment risk when bond yields fall. In 2021, DEVK's duration gap deteriorated slightly due to shorter asset duration and slightly longer liability duration. The current increase in the market interest rate will lower DEVK's reinvestment risk although the company will remain sensitive to the changes of the market yield.

A large part of DEVK's liabilities are from traditional life insurance products with guaranteed investment rate (GIR) payments to policyholders. Liabilities with GIR can become a negative rating factor in a low interest rate environment. However, we consider DEVK's risk arising from GIR policies as moderate, since about half of its insurance liabilities are related to non-life products or life products with no guarantees.

Fitch considers liquidity risk to be low for DEVK because Fitch's key liquidity metrics score is 'Very Strong'. The company has reported steady growth in recent years and its liquidity needs are covered by premium income.

#### Financial Highlights

| (%) | 2021 | 2020 |
|---|---|---|
| Liquid assets to policyholder liabilities (life) | 78.1 | 80.1 |
| Liquid assets to loss and loss adjustment expense reserves (non-life) | 169.5 | 178.5 |
| Cash and cash equivalents to technical reserves | 3.2 | 3.3 |

Note: Reported on a yearly basis.
Source: Fitch Ratings, DEVK

#### Fitch Expectations

- The duration gap could improve to 'A' category, supported by rising interest rates.

## Reserve Adequacy

### Very Strong Reserve Adequacy

Fitch believes DEVK follows a conservative reserving policy with large claims reserve redundancies, which exceeded the German non-life market average at end-2021, based on its long history of reserve releases.

DEVK reported strong prior-year reserve adjustments (PYRAs), averaging 6.5% between 2017 and 2021, which is in line with the German non-life market average PYRA of 6.4%. Fitch believes DEVK's high PYRA indicates strong non-life claims reserve adequacy overall, which mitigates risks associated with the high proportion of motor business on DEVK's books.

According to DEVK's Solvency and Financial Condition Report at end-2021 and an S2 best estimate calculation, the group's reported reserves based on German GAAP accounting were significantly higher than the required reserves.

#### Financial Highlights

| (%) | 2021 | 2020 |
|---|---|---|
| Loss reserve development/surplus | -4.8 | -5.2 |
| Loss reserve development/net earned premiums | -5.3 | -5.4 |
| Net technical reserves/net earned premiums | 130.0 | 123.3 |
| Prior-year reserve adjustment/prior-year reserve | 4.8 | 4.8 |

Note: Reported on a consolidated basis.
Source: Fitch Ratings, DEVK

## Reinsurance, Risk Mitigation and Catastrophe Risk

### Catastrophe Risks Limited by Adequate Reinsurance Programme

DEVK focuses on individual cover in primary insurance, which limits catastrophe risk. Its reinsurance strategy includes ceding larger risks and purchasing adequate excess cover. Extensive aggregate excess-of-loss cover is bought for the primary and reinsurance operations, which limits DEVK's one-in-250-year probable maximum loss to 4% of its non-life capital. The success of the company's reinsurance strategy was demonstrated in 2021, when total combined ratio remained under 100% despite a high level of weather-related losses. Fitch considers DEVK's catastrophe risk to be low – DEVK falls into the 'AA' category under Fitch's median value for probable maximum losses.

The credit quality of DEVK's reinsurers is strong. The 20 largest reinsurers' ratings by ceded premiums had an average rating of 'A+'.

### Fitch Expectations

- We expect the credit quality of reinsurers to remain strong because there is no indication of change in important reinsurance partner.

# Appendix A: Peer Analysis

### Peer Comparison

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

# Appendix B: Industry Profile and Operating Environment

### Industry Profile and Operating Environment (IPOE)

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

# Appendix C: Other Rating Considerations

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

### Group Insurance Financial Strength (IFS) Rating Approach

Fitch views all DEVK-branded entities as 'Core' to DEVK, as defined in the agency's insurance rating methodology, and has applied its insurance group rating methodology to assign an 'A+' IFS rating to these entities, based on a combined group assessment.

Fitch views Echo Re as 'Very Important' to DEVK as it represents the group's reinsurance operations outside Europe. Echo Re's rating incorporates a three-notch uplift from its Standalone Credit Quality (for more details see the separate rating report of Echo Re).

| Name | Type | Rating | Outlook |
|---|---|---|---|
| DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn | IFS | A+ | Stable |
| DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn | IFS | A+ | Stable |
| DEVK Rueckversicherungs- und Beteiligungs-Aktiengesellschaft – DEVK RE | IFS | A+ | Stable |
| DEVK Allgemeine Versicherungs-Aktiengesellschaft | IFS | A+ | Stable |
| DEVK Allgemeine Lebensversicherungs-Aktiengesellschaft | IFS | A+ | Stable |
| DEVK Rechtsschutz-Versicherungs-Aktiengesellschaft | IFS | A+ | Stable |
| DEVK Krankenversicherungs-Aktiengesellschaft | IFS | A+ | Stable |
| Echo Rueckversicherungs-AG | IFS | A- | Stable |

Source: Fitch Ratings, DEVK

## Notching

For notching purposes, Fitch assesses Germany's regulatory environment 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** |
| Not applicable. |
| **Holding company debt** |
| Not applicable. |
| **Hybrids** |
| Not applicable. |

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

## Debt Maturities

Not applicable.

## Short-Term Ratings

Not applicable.

## Hybrid – Equity/Debt Treatment

Not applicable.

## Hybrids Treatment

Not applicable.

## Recovery Analysis and Recovery Ratings

Not applicable.

## Recovery Ratings

Not applicable.

## Transfer and Convertibility Risk (Country Ceiling)

Not applicable.

## Criteria Variations

Not applicable.

# Appendix D: Environmental, Social and Governance Considerations

FitchRatings DEVK Deutsche Eisenbahn Versicherung

Insurance Navigator
EMEA Composite

### Credit-Relevant ESG Derivation

DEVK Deutsche Eisenbahn Versicherung has 7 ESG potential rating drivers

- DEVK Deutsche Eisenbahn Versicherung 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.
- DEVK Deutsche Eisenbahn Versicherung 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.
- DEVK Deutsche Eisenbahn Versicherung has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

| | | | Overall ESG Scale |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 7 | issues | 3 |
| not a rating driver | 2 | issues | 2 |
| | 5 | issues | 1 |

### Environmental (E)

| General Issues | E Score | Sector-Specific Issues | Reference | E Scale |
|---|---|---|---|---|
| GHG Emissions & Air Quality | 1 | n.a. | n.a. | 5 |
| Energy Management | 1 | n.a. | n.a. | 4 |
| Water & Wastewater Management | 1 | n.a. | n.a. | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 2 | Underwriting/reserving exposed to asbestos/hazardous materials risks | Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk | 2 |
| Exposure to Environmental Impacts | 3 | Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations | Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk | 1 |

### Social (S)

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

### Governance (G)

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

**How to Read This Page**
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

**The Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

**Sector references** in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

**CREDIT-RELEVANT ESG SCALE**

**How relevant are E, S and G issues to the overall credit rating?**

| | |
|---|---|
| 5 | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator. |
| 4 | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator. |
| 3 | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | Irrelevant to the entity rating but relevant to the sector. |
| 1 | Irrelevant to the entity rating and irrelevant to the sector. |

## ESG Consideration

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 w ay in which they are being managed by the entity.

For more information on our 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.