

# NN Group N.V.

## Key Rating Drivers

**Very Strong Capital:** NN Group N.V. reported a very strong Solvency II (S2) ratio of 192% at end-1H24 (end-2023: 197%), which is at the upper end of the 150%-200% target range. The group scored 'Extremely Strong' on Prism Global model at end-2023 under IFRS 17 (end-2022: 'Very Strong' under IFRS 4). Fitch Ratings expects NN to maintain very strong capital metrics in 2H24, supported by sustained operating capital generation.

**Low Leverage:** The Fitch-calculated financial leverage ratio (FLR) fell to 15.4% at end-1H24 from 17.8% at end-2023 due to the combined effect of restricted Tier 1 (RT1) notes new issue, and the repurchase and redemption of undated subordinated notes in 1H24. In 2023, the FLR had improved from 19.4% at end-2022 (under IFRS 17), primarily due to EUR500 million senior debt maturing and not being replaced. Fixed-charge coverage is strong, while the group's financial flexibility is demonstrated in the recent capital management actions.

**Resilient Operating Performance:** NN's strong profitability is underpinned by resilient group operating earnings. The main driver of earnings growth is European (mostly life) business outside the Netherlands (known as Insurance Europe). In contrast, the Dutch life business, which accounted for 55% of operating result in 2023, weighted on earnings growth in 2023 and 1H24. The pre-tax return on operating assets was robust at around 1% at end-2023. Net income return on equity (ROE) was 6% at end-2023, down from 8% at end-2022, which Fitch considers low for the rating.

**Very Strong Company Profile:** In the Netherlands, NN is the largest insurer in life and pensions and the second largest in property and casualty (P&C), and disability and accident (D&A). International operations (ie, Europe and Japan), accounted for about 26% of the operating result in 2023.

**Low Investment Risk:** We assess NN's investment and asset risk as low. Investments excluding banking mainly comprised debt securities (52% of insurance investments at end-2023). The group has a fairly high exposure to the property market, with high-quality Dutch residential mortgages comprising 28% of the investment portfolio, and real estate 8%. Equity investments accounted for a low 3%. Fitch expects exposure to higher-risk assets to remain commensurate with the ratings.

**Very Strong Asset and Liability Management:** NN uses cash-flow matching, duration matching and derivatives-based hedging to manage interest rate risk. The group's exposure to longevity risk reduced in 2023 as a result of two significant reinsurance transactions on around EUR13 billion of Dutch pension liabilities.

## Ratings

<b>NN Group N.V.</b>	
Long-Term IDR	A+
<b>Subsidiaries</b>	
Insurer Financial Strength	AA-

## Outlooks

Long-Term IDR	Stable
Insurer Financial Strength	Stable

## Debt Ratings

Subordinated Long-Term Rating	BBB+
Senior Unsecured Long-Term Rating	A

## Financial Data

<b>NN Group N.V.</b>		
(EURm)	End-2023	End-2022
Total assets	208,941	207,024
Total equity	21,119	21,101
Total revenue	10,427	10,453
Net income	1,172	1,634
Solvency II (%)	197	197

Note: Reported under IFRS.  
Source: Fitch Ratings, NN Group N.V.

## Applicable Criteria

[Insurance Rating Criteria \(March 2024\)](#)

## Related Research

[Dutch Pension Reform a Growth Opportunity for Life Insurers \(June 2023\)](#)

[NN Group N.V. - Update \(August 2024\)](#)

[Dutch Insurance Dashboard: 1H24 Results \(October 2024\)](#)

[NN's Ratings Unaffected by Unit-Linked Dutch Court Ruling \(October 2023\)](#)

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## Rating Sensitivities

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

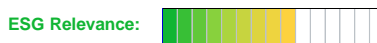
- Sustained weakening of operating earnings, leading to an ROE consistently below 5%.
- The S2 ratio below 170% on sustained basis.
- FLR consistently above 24%.

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

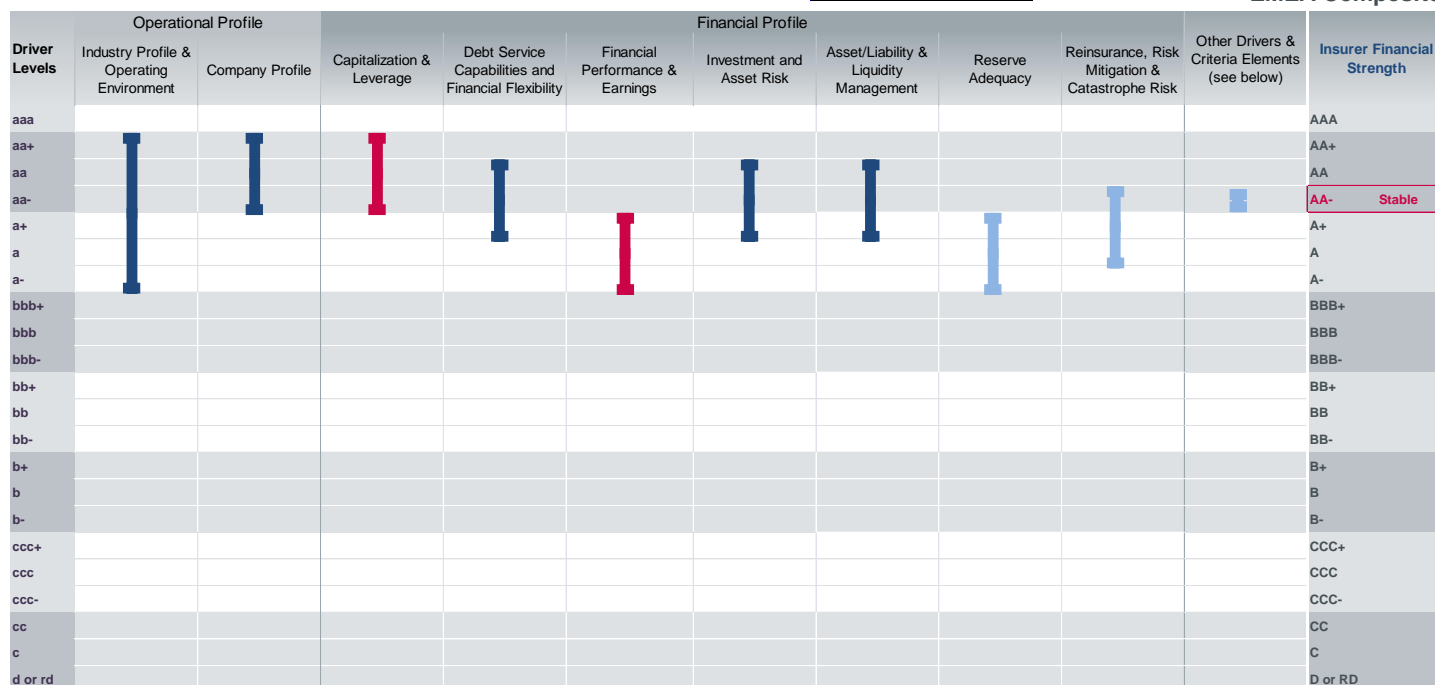
- Sustained operating earnings growth leading to ROE consistently above 15%.
- The S2 ratio above 200% and FLR below 16%, both on a sustained basis, are prerequisite for an upgrade.

## Key Rating Drivers - Scoring Summary

### NN Group N.V.



### Insurance Navigator EMEA Composite



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

Bar Chart Legend:	
Vertical Bars = Range of Driver	
Bar Colors = Relative Importance	
<span style="color: red;">■</span>	Higher Influence
<span style="color: blue;">■</span>	Moderate Influence
<span style="color: lightblue;">■</span>	Lower Influence
Bar Arrows = Driver Outlook	
↑	Positive
↓	Negative
↕	Evolving
□	Stable

## Company Profile

### Very Strong Company Profile

Fitch ranks NN's business profile as 'Favourable' compared with other insurance companies in the Netherlands. This is driven by its 'Most Favourable' competitive positioning, 'Favourable' business risk profile and 'Favourable' diversification. Corporate governance is neutral to the rating. Given these rankings, Fitch scores NN's company profile at 'aa' under its rating driver scoring guidelines.

The 'Most Favourable' competitive positioning ranking is underpinned by NN's leading position in the Dutch insurance market with activities in life and non-life insurance, as well as banking. NN is the largest insurer in life and pensions in the Netherlands and holds a number two position in P&C and D&A. In non-life, NN had market shares of 27% in D&A and 21% in the P&C segment, while in life it had a 40% share in group pensions, both based on 2022 GWP. NN's asset-management arm was sold in April 2022.

The 'Favourable' business risk profile score reflects NN's business focus on established insurance lines in both life and non-life mature insurance markets, which we believe represents lower risk than the average of its main competitors. The group is predominantly exposed to longevity risk and, to a lesser extent, mortality and morbidity, which provides a natural hedge. NN discontinued sales of most traditional individual life insurance products in the Netherlands, and of variable annuity products in Japan. NN is establishing a fee-based pension insurance business, as is the broader Dutch life insurance market in connection with the Dutch pension reform aiming to make all occupational pension schemes defined-contribution by 2028. NN is the market leader in Dutch pension, which positions the group well to capture related growth opportunities.

The 'Favourable' diversification score reflects the group's diversification, both by business lines and by geographies. NN's international operations are well established and accounted for about 30% of NN's 2023 operating result. NN has a significant franchise in Japan life, where it is a provider of the corporate-owned life insurance (COLI) niche sector. COLI products offer protection, savings and pensions insurance for the owners and employees of small and medium-sized enterprises (SMEs) and represent about 20% of the Japanese life market. In Europe outside the Netherlands, NN mainly offers life insurance and pension products to retail and SME clients in Belgium, central and eastern Europe and Spain. NN has a top three position in most central and eastern European markets.

### Corporate Governance – 'Neutral'

Fitch ranks NN's governance as 'Neutral'. We view NN's group and governance structure, as well as its financial transparency, as better than or in line with the norm.

NN expects to complete in 2025 the settlement agreed in January 2024 of about EUR300 million (in addition to approximate EUR1 billion already paid) on the issue of some unit-linked products sold in the Netherlands in the 1990s and early 2000s. We therefore believe the unit-linked mis-selling litigation risk in the Netherlands has considerably reduced for NN. The Japanese Financial Services Agency has required improvement of internal controls, governance and compliance in relation to local sales practices. This has weighed on NN's sales over the past 18 months, but Fitch expects normalisation in sales activity and organic capital generation by end-2025, as NN has already completed most of the work to comply with the regulation.

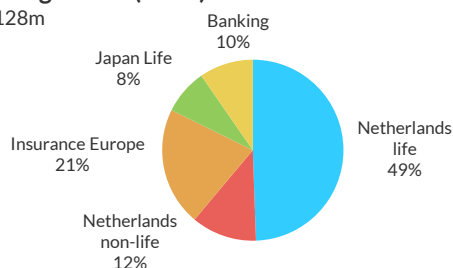
### Company Profile Scoring

Business profile assessment	Favourable
Business profile sub-factor score	aa
Corporate governance assessment	Neutral
Corporate governance impact (notches)	0
Company profile factor score	aa

Source: Fitch Ratings

### Operating Result (2023)

EUR1,128m



Source: Fitch Ratings, company data

## Ownership

### Neutral Ownership

NN's ownership is neutral to its rating. The company has been listed on the Euronext Amsterdam stock exchange since July 2014 and has a fragmented shareholder structure. No single shareholder has a majority stake.

## Capitalisation and Leverage

### Very Strong Capitalisation, Low Financial Leverage

Fitch's assessment of NN's capitalisation remains 'Very Strong'. The group scored 'Extremely Strong' on Fitch's Prism model based on end-2023 results under IFRS 17 (end-2022: 'Very Strong' under IFRS 4). The group's S2 ratio remained very strong at 192% at end-1H24, a slight decrease from 197% at end-2023 (2022: 197%). Capital generation in 1H24 could not fully offset the deduction of the 2024 interim dividend and the EUR300 million share buyback programme as well as the adverse effect of various regulatory and model changes. NN's capital returns to shareholders are amongst the highest in the sector. The 15bp reduction of the ultimate forward rate for the euro at the start of 2024 had a modestly negative effect on the S2 ratio.

Sensitivity to shock scenarios remain within acceptable limits. Key stress scenarios are higher credit spreads for government bonds and mortgages, as well as shocks to equity and real estate prices. NN's tight asset-liability management through cash flow matching significantly reduces sensitivity to interest rate risk arising primarily from its guaranteed back-book. The balance sheet is therefore nearly immunised and a +/- 50bp parallel interest rate shock would result in a +/- 2pp change to the S2 ratio.

FLR fell to an estimated 15.4% at end-1H24 from 17.8% at end-2023 due to the combined effect of RT1 notes new issue, and the repurchase and redemption of undated subordinated notes in 1Q24. In 2023, the FLR had improved from 19.4% at end-2022, primarily due to EUR500 million senior debt maturing and not being replaced.

In 1Q24, NN completed the purchase of EUR287 million of the tendered EUR750 million undated subordinated notes and in June 2024 additionally redeemed EUR128 million of these notes. In March 2024, NN Group issued EUR750 million in perpetual RT1 notes and in April called EUR335 million of dated Tier 2 debt. The debt management actions had a positive effect on FLR ratio due to the equity credit given to the RT1 notes in our FLR calculation, while the existing undated subordinated notes received no equity credit.

### Financial Highlights

(%)	End-2023	End-2022
TFC/total equity (x)	0.6	0.7
Gross leverage (x)	5.6	5.2
Financial leverage (goodwill supported)	17.8	19.4
Regulatory capital ratio	197	197

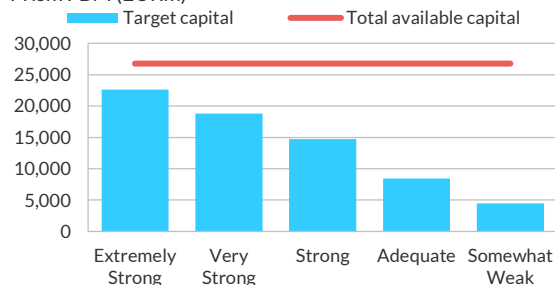
Gross leverage: (Gross revenue + gross insurance liabilities)/ equity capital  
Source: Fitch Ratings, NN Group N.V.

### Fitch's Expectations

- NN's capitalisation to remain 'Very Strong' and the group's S2 ratio to remain at around 200% in the next 12 months.
- Strong operating capital generation on the back of steady operating capital generation to broadly offset capital returns to shareholders.
- The group's FLR to remain stable or decrease in the next 12 months from 1H24 level, with the company not issuing debt in the period other than for refinancing.

### Capitalisation Adequacy

Prism FBM (EURm)



Source: Fitch Ratings

### Financial Highlights

	2023	2022
Prism score	Extremely Strong	Very Strong
Prism total AC (EURm)	26,768	22,799
Prism AC/TC at Prism score (%)	118	113
Prism AC/TC at higher Prism score (%)	n.a.	93

AC – Available capital. TC – Target capital  
Note: 2023 figures are under IFRS 17, 2022 under IFRS 4.  
Source: Fitch Ratings, NN Group N.V.

## Debt Service Capabilities and Financial Flexibility

### Very Strong Financial Flexibility

NN has very strong fixed-charge coverage ratio (IFRS 17 2023: 7x; IFRS 4 three-year average: 9x), stable market access, and financial flexibility that is underpinned by adequate cash reserves and contingent funding.

Holding company had cash reserves of EUR1.4 billion at end-1H24 (end-2023: EUR1.0 billion), repurchase agreements and revolving credit facilities of EUR1.9 billion further support the group's financial flexibility in stress events.

We expect the strong financial performance of subsidiaries to support cash remittances to the holding company in 2024 and that there will not be a need for significant cash to be downstreamed over the next year.

NN maintains stable market access as demonstrated in the debt management actions of 2024 (see *Capitalisation and Leverage*). It has over EUR1 billion issuance headroom under S2 with no maturity or calls until 2026.

### Financial Highlights

(x)	End-2023	End-2022
Fixed-charge coverage ratio (including gains and losses)	7	0
Fixed-charge coverage ratio (excluding gains and losses)	6	14

Source: Fitch Ratings, NN Group N.V.

## Financial Performance and Earnings

### Strong and Improving Financial Performance

Fitch assesses NN's profitability as 'Strong' based on the long-term improving trend in the group's operating performance. Pre-tax operating earnings rose to EUR2.53 billion in 2023 from EUR2.35 billion in 2022, driven by its Insurance Europe and banking operations. This more than offset lower technical result for Netherlands Life and lower result for Netherlands Non-Life. The pre-tax return on operating assets remained robust at 0.9% at end-2023.

Net income ROE was 6% at end-2023, down from 8% at end-2022 under IFRS 17, which Fitch considers low for the rating. The fall is mainly due to a EUR360 million provision for the final unit-linked settlement costs and the absence of exceptional profit from the 2022 sale of NN Investment Partners. 1H24 Net income increased by 11% year on year. The five-year IFRS 4 ROE to end-2022 averaged 6.7%.

Operating profit fell by 5% year on year in 1H24 primarily driven by lower results in Netherlands life, attributed to the adverse effect of interest rates movements and refinements to the operating investment result. This was partly offset by the stronger performance of the Insurance Europe segment, reflecting robust business growth and profits in the pension business. The new business contractual service margin (CSM) slightly surpassed its release, while CSM stock was broadly stable.

1H24 non-life combined ratio for Netherlands non-life deteriorated to 92.2% (90.1%) as a result of an overall less favourable claim experience in disability than in 1H23 and large fire claims in 1Q24. However, the ratio remains at a very strong level, within the 91%-93% guideline range.

### Financial Highlights

(%)	End-2023	End-2022
Net income return on equity	5.6	7.8
Pre-tax operating profit return on assets	0.8	1.1
Net combined ratio (Netherlands non-life)	95.0	91.2

Source: Fitch Ratings, NN Group N.V.

### Fitch's Expectations

- Stable to slightly higher operating earnings in 2024 and 2025 thanks to higher earnings in the segments Insurance Europe and Netherlands non-life, offsetting decreasing earnings in Netherlands run-off life business.

## Investment and Asset Risk

### Low Investment Risk

Fitch assesses NN's investment and asset risk as low, based on its low risky-assets ratio (RAR) of 47% in 2023, a predominantly investment-grade debt portfolio and a well-collateralised Dutch residential mortgage portfolio. Fitch excludes Dutch residential mortgage loans from RARs and consider these assets as low risk. NN's strategic asset allocation remained broadly unchanged in 2024.

The group has a fairly high exposure to the property market, with high-quality Dutch residential mortgages representing 28% of the investment portfolio, and real estate 9% at end-1H24. Like other Dutch insurers, NN therefore has a higher exposure to illiquid assets, which is consistent with the high share of insurance liabilities that are also illiquid in nature.

Fitch assesses the credit risk of NN's EUR38 billion residential mortgage portfolio as 'Low' given low historic delinquency rates and strong collateralisation. The book is concentrated on Dutch residential mortgages with some diversification in Belgium, although the Belgian portfolio is small. At end-1H24, the average loan/value ratio was favourable at 56% (1H23: 55%), providing a good buffer against decrease in home prices. About 22% (1H23:25%) of the total exposure was backed by government guarantees, provided through the Stichting Waarborgfonds Eigen Woningen (Netherlands IDR: 'AAA'). In addition, 77% of the portfolio had a fixed-rate period of more than 10 years, reducing the risk of more expensive instalments for mortgage holders.

High yield investments represented 14% of the corporate bond and loan portfolio at end-1H24. Equities, accounted for a low 3% of total investment portfolio, including a negligible allocation to private equities.

NN's investment property portfolio has a strong focus on prime real estate. Commercial real estate exposures are well diversified by type, such as offices, retail and industrial properties.

### Financial Highlights

(%)	End-2023	End-2022
Risky-assets/capital (total)	47	50
Unaffiliated shares/capital (total)	26	30
Non-investment-grade bonds/capital (total)	21	20

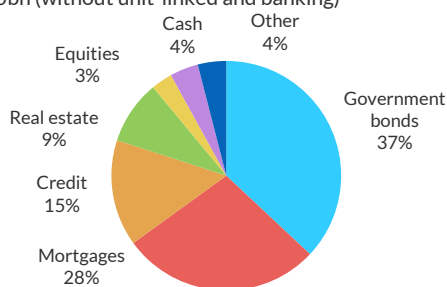
Source: Fitch Ratings, NN Group N.V.

### Fitch's Expectations

- No significant change to the asset allocation in 2024 and 2025.

### Investment Split 1H24

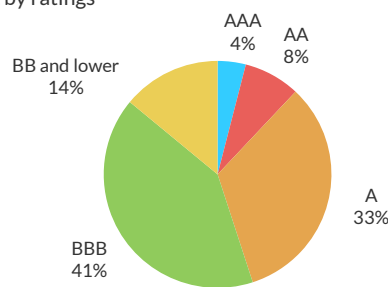
EUR135bn (without unit-linked and banking)



Source: Fitch Ratings, company data

### Corporate Bonds and Loans

1H24, by ratings



Source: Fitch Ratings, company data

## Asset/Liability and Liquidity Management

### Very Strong Asset Liability and Liquidity Management

Fitch assesses NN's asset-liability and liquidity management as 'Very Strong', based on a comprehensive risk-management framework, prudent investment policy and effective hedging.

NN uses cash-flow matching, duration matching and derivatives-based hedging to manage interest rate risk. Residual interest rate risk mainly arises from the application of the ultimate forward rate under S2, used for maturities exceeding 20 years.

Fitch believes market risks arising from guarantees provided to policyholders in separate account businesses, such as the variable annuity portfolio, the Dutch group pension business, and some unit-linked products, are adequately managed and hedged resulting in only moderate net hedge result each year. NN does not separately hedge market risks related to performance guarantees on some unit-linked policies.

Risks associated with guarantees are declining gradually as defined-benefit pensions shift to defined contributions, and the Japan closed block variable annuity portfolio runs off. Variable annuities include embedded guarantees, which give rise to risks that are long-tailed and difficult to hedge and reserve for, in Fitch's view.

NN maintains a sound liquidity profile based on Fitch's assessment of the insurer's liquidity ratios and NN's liquidity stress-test results. Repo lines with external counterparties and a EUR1.9 billion committed revolving credit facility with a syndicate of banks provide additional sources of liquidity.

### Financial Highlights

(%)	End-2023	End-2022
Non-life liquid assets/non-life loss reserves	193	186
Life liquid assets/life technical reserves	68	69

Source: Fitch Ratings, NN Group N.V.

## Reserve Adequacy

### Favourable Reserve Development

NN's 'Strong' reserving score reflects an overall favourable run-off experience over a five-year horizon and the absence of material past reserve shortfalls. The high inflation environment has required the upward revision of wage assumptions in D&A in 2022 and, to a lesser extent, in 2023.

### Financial Highlights

(%)	End-2023	End-2022
Reserve development/prior-year capital	-2	n.a.
Reserve development/prior-year loss reserve	-1	n.a.
Net technical reserves/net revenue	1.7	2.0 <sup>a</sup>

<sup>a</sup> Net technical reserves/net written premiums, under IFRS 4.  
Source: Fitch Ratings, NN Group N.V.

## Reinsurance, Risk Mitigation and Catastrophe Risk

### Adequate Reinsurance Protection

Fitch scores NN's reinsurance, risk management and catastrophe risk as 'Strong' based on the group's strong risk-management framework, robust reinsurance protection and the strong credit quality of reinsurance counterparts.

NN's risk framework is calibrated predominantly to maintain solvency coverage above 100% in a one-in-20 combined stress scenario without having to raise equity capital or sell assets. The company manages its risk profile by allocating risk limits to each business unit based on outputs from NN's internal risk model. Increased longevity in the Dutch pension business is among the non-market risk scenarios modelled by NN. It has a longevity hedge arrangement for its life insurance subsidiary, based on life and health expectations of its insured population. The group's exposure to longevity risk reduced in 2023 as a result of two significant reinsurance transactions on around EUR13 billion of Dutch pension liabilities.

The insurer is exposed to catastrophe risk in both life and non-life. It runs a sophisticated reinsurance programme mainly through its captive internal reinsurer to limit non-life earnings volatility. The captive reinsurer further cedes risks exceeding its limits to the open market. The credit quality of the reinsurance panel is strong, with all external reinsurance counterparts rated in the 'A' category or above.

Overall, Fitch views NN's maximum risk retention as conservative relative to its capital.

### Financial Highlights

(%)	End-2023	End-2022
Reinsurance recoverables/ non-life capital	18	22
Net revenue/gross revenue (non-life)	95	95

Source: Fitch Ratings, NN Group N.V.



## Appendix A: Peer Analysis

### Peer Comparison

Click [here](#) for a report that shows a comparative peer analysis of key rating driver scoring.

## Appendix B: Industry Profile and Operating Environment

### Industry Profile and Operating Environment (IPOE)

Click [here](#) for a link to a report that summarises the main factors driving the above IPOE score.

## Appendix C: Other Rating Considerations

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

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

Fitch views the group's Dutch life insurance subsidiary (Nationale-Nederlanden Levensverzekering Maatschappij N.V.) as 'Core' to the group due to its strategic importance, high degree of integration and common branding with the group. The IFS rating of NN's life insurance operating subsidiary is therefore based on a group rating approach.

### Notching

For notching purposes, Fitch assesses the Dutch regulatory environment as being 'Effective' and classified as following a group solvency approach.

### Notching Summary

<b>IFS ratings</b>
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.
<b>Operating company debt</b>
Not applicable.
<b>Holding company IDR</b>
Standard notching was applied between the insurance operating company and holding company IDRs for a group solvency regulatory environment.
<b>Holding company debt</b>
A baseline recovery assumption of 'Below Average' was applied to senior debt securities issued by NN Group N.V. Standard notching relative to the IDR was used.
<b>Hybrids</b>
For the RT1 issued by NN, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of minus three was applied from NN's IDR, based on minus two for recovery and minus one for non-performance risk.
IFS – Insurer Financial Strength. IDR – Issuer Default Rating Source: Fitch Ratings

### Debt Maturities

As of end-September 2024	(EURm)
2027	600
2031 and beyond	2,950
Perpetual	1,750
<b>Total</b>	<b>5,300</b>

Source: Fitch Ratings, NN Group N.V.

### Short-Term Ratings

Not applicable.

**Hybrid - Equity/Debt Treatment**

Fitch does not provide equity credit for perpetual callable subordinated notes due to their coupon step-up feature at the time of issuance.

**Hybrids Treatment**

Hybrid	Amount (m)	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
<b>NN Group N.V.</b>				
XS2616652637, call 2033, 2043	EUR1,000	0	100	100
XS2526486159, call 2032, 2043	EUR500	0	100	100
XS1550988643, call 2028, 2048	EUR850	0	100	100
XS1028950290, call 2026, perpetual	EUR1,000	0	100	100
XS2602037629, call 2030, perpetual	EUR750	100	100	100

CAR – Capitalisation 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

**Recovery Analysis and Recovery Ratings**

Not applicable.

**Transfer and Convertibility Risk (Country Ceiling)**

None.

**Criteria Variations**

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings		NN Group N.V.		Insurance Navigator EMEA Composite	
<b>Credit-Relevant ESG Derivation</b>					
NN Group N.V. has 7 ESG potential rating drivers NN Group N.V. 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. NN Group N.V. 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. NN Group 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.					
key driver	0	issues	5	Overall ESG Scale	
driver	0	issues	4		
potential driver	7	issues	3		
not a rating driver	2	issues	2		
	5	issues	1		
<b>Environmental (E)</b>					
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	
<b>Social (S)</b>					
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	
<b>Governance (G)</b>					
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 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

## SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

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