FitchRatings

Insurance
Life Insurers
United States

Pacific LifeCorp

Ratings

Pacific LifeCorp	
Long-Term IDR	A
Senior Unsecured	A–
Subsidiaries	
Insurer Financial Strength	AA–
Outlook	
Long-Term IDR	Stable

Financial Data

Pacific LifeCorp

($ Mil.)	2020	2021
Total Assets	[illegible]	[illegible]
Shareholders' Equity	17,094	16,615
Net income	(671)	1,102
Operating ROE (%)	1.6	7.7
Financial Leverage Ratio (%)	19	13

Note: Reported on a GAAP basis.
Source: Fitch Ratings, Pacific LifeCorp.

Applicable Criteria

Insurance Rating Criteria (July 2022)

Related Research

Fitch Ratings 2022 Mid-Year Outlook: Global Insurance (June 2022)

Key Rating Drivers

Favorable Company Profile: Pacific LifeCorp (PLC) is one of the leading providers of individual life insurance and retirement savings products in the U.S. The company maintains a strong competitive position within the affluent market and benefits from an extensive distribution network. PLC has made meaningful progress in diversifying its revenues and earnings away from legacy variable annuities (VAs).

Very Strong Statutory Capital: Fitch Ratings views the capitalization of Pacific Life Insurance Company (PLIC), PLC's key operating subsidiary, as very strong based on its RBC ratio of 586% and a Prism score of 'Extremely Strong' at YE 2021. PLIC's total adjusted capital (TAC) increased 6% through YE 2021 to $12.6 billion. PLC's financial leverage ratio dropped modestly to 18%. PLC's total financing and commitments (TFC) ratio was flat at 0.8x at YE 2021.

Reduced RBC Volatility: PLC diversified and de-risked its product portfolio and strengthened its VA hedging program, which should diminish its capital impact from significant equity market deterioration. The company also reinsures a portion of its VA business to third-party reinsurers.

Strong Earnings: In 2021, Pacific Mutual Holding Company reported net income of $1.102 billion, up from a loss of $671 million in 2020. The results reflect strong investment performance, offset by assumption changes and higher claims due to the pandemic.

Moderate Investment Risk: Fitch views the overall quality of PLC's investment portfolio as generally good, but notes the company's above-average exposure to corporate bonds rated 'BBB' could have a material effect on earnings and capital in a severe credit market downturn. PLC also maintains material exposure to commercial mortgage loans, although Fitch believes the company has substantial headroom for losses as a result of pandemic-related disruptions.

Macroeconomic Environment. Sustained macroeconomic disruptions, including sustained equity market volatility, rapidly rising interest rates, and the potential for increased credit losses and impairments, would have a negative, but modest, impact on PLC, although Fitch does not expect a material impact to either earnings or capital over the near term.

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Rating Sensitivities

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

- A material change in the business risk profile that indicates a risk appetite lower than the life insurance sector as a whole;
- ROE above 10% and a GAAP based fixed-charge coverage maintained at or above 10x;
- Financial leverage of 15% or less.

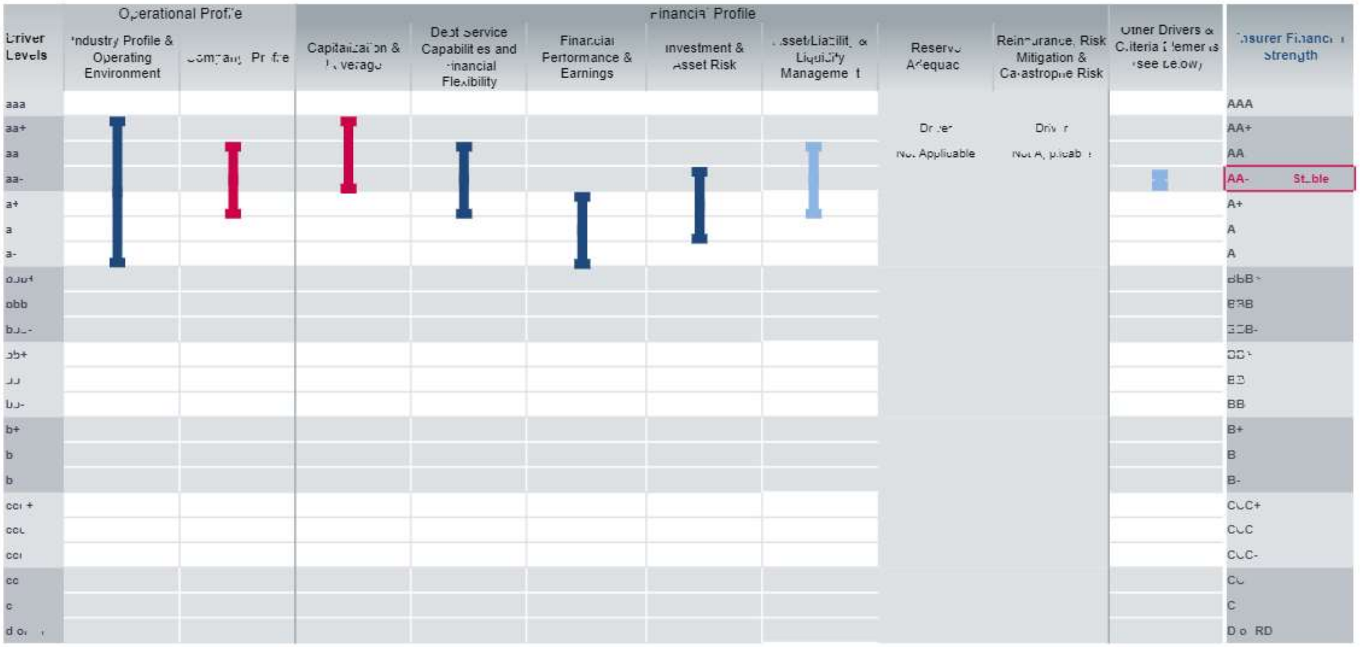
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Deterioration in the Prism capital model score below 'Very Strong';
- A financial leverage ratio sustained at or above 23%;
- Significant earnings and capital volatility, such as a 10% or more drop in TAC;
- The short-term ratings could be downgraded if the corresponding long-term ratings are downgraded. The short-term ratings could also be downgraded if either of PLIC's short-term debt service capabilities and financial flexibility and short-term asset/liability and liquidity management below 'aa'.

Latest Developments

In September 2022, PLC issued $750 million of senior unsecured notes with the proceeds used for general corporate purposes, including redemption or repayment of certain of its outstanding indebtedness, together with the 7.90% surplus notes due 2023.

Key Rating Drivers — Scoring Summary



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
Insurer Financial Strength Rating			Final:	**AA-**
IFS Recovery Assumption	Good			-1
Issuer Default Rating (IDR)			Final:	**A+**

Bar Chart Legend:

Vertical Bars = Range of Driver

Bar Colors = Relative Importance

- Higher Influence
- Moderate Influence
- Lower Influence

Bar Arrows = Driver Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ☐ Stable

Company Profile

Favorable Business Profile

PLC is a well-diversified company, with substantial size and competitive positioning, all attributes Fitch views as "favorable" (i.e. consistent with the 'aa' rating category). These favorable attributes are partially offset by a "moderate" (i.e. consistent with the 'a' rating category) business risk profile. Fitch believes PLC's business risk profile is improving as more volatile product lines are replaced with less volatile products. Overall, Fitch considers PLC's business profile to be favorable.

PLC has a substantive business franchise with many competitive advantages. The company ranks among the 20 largest U.S. life insurers, measured in terms of admitted assets or surplus. PLC's YE 2021 total assets were $186 billion while surplus exceeded $11 billion. PLC is a top 10 U.S. annuity writer, remaining in the top 10 for VAs and fixed annuities (FAs) through the first six months of 2022. PLC is also a top 10 writer of individual life insurance. The company has a solid competitive position in the affluent and emerging affluent markets, and is establishing a presence in the middle market.

Fitch considers PLC's risk appetite to be on par with the industry as a whole. In recent years, the company changed its focus to more established, less volatile lines of business.

PLC diversified its product portfolio by reducing its exposure to legacy VAs with more feature-rich guarantee riders and increasing its emphasis on FAs, investment-only VAs and indexed universal life (IUL) products, as well as growing its institutional and life reinsurance business. PLC's life insurance sales are predominantly IUL, followed by variable UL and life insurance with long-term care benefits. Universal life with no-lapse guarantee (ULNLG) sales account for only a minimal amount of total life sales. PLC's institutional business offers pension risk transfer, institutional annuities, stable value and institutional investment products.

Fitch believes PLC is well diversified by business line, geography and distribution channel. PLC focuses on diverse, third-party, independent distribution channels as opposed to captive distribution. In addition to direct sales of products in the U.S. market, Pacific Life Re International Limited, a wholly owned indirect subsidiary of PLC, through its branches and subsidiaries, reinsures mortality, morbidity and longevity risks primarily in Europe, Asia and Australia.

Moderate/Favorable Corporate Governance and Management

Overall Fitch scores PLC's corporate governance and management as moderate/favorable and as such does not make any adjustments to the company's business profile score when scoring company profile. PLC's group structure is in line with industry norms and related-party transactions are relatively limited and in line with the broader industry. PLC's governance structure is in line with peers and encompasses industry best practices regarding board independence and structure. The company files statutory statements regularly with its state regulators and also publishes audited annual GAAP financials to its public website. Additionally, there are no outstanding criminal or civil legal issues that affect Fitch's view of corporate governance and management.

Company Profile Scoring Summary

	Assessment	Subscore/Impact
Business Profile Assessment	Favorable	aa
Corporate Governance Assessment	Moderate/ Favorable	0 notches
Company Profile Factor Score	—	aa−

Source: Fitch Ratings.

Ownership

PLC is an intermediate holding company formed in 1997 as the result of the conversion of PLIC to a mutual holding company structure. PLC is owned by Pacific Mutual Holding Company, a mutual holding company formed as a part of the conversion. Pacific Mutual Holding Company must always own at least 51% of PLC, and PLC must always own 100% of PLIC.

Fitch believes a mutual ownership structure has fewer conflicts in owner and creditor interests and generally has allowed management to hold more conservative levels of capital. During the financial crisis, mutual insurers generally benefited from having a stronger capital buffer than stock insurers more focused on growth and return targets.

Capitalization and Leverage

Capitalization and Leverage Remain Very Strong

PLC's insurance subsidiaries are very strongly capitalized on a statutory basis. Financial leverage is consistent with the rating category.

The statutory capitalization of PLC's insurance subsidiaries exceeds expectations for the rating level. As of Dec. 31, 2021, the company reported TAC of $12.6 billion, representing a four-year CAGR of 6.1%. This was primarily driven by improved operating results and unrealized investment gains. The company's Prism capital model score was 'Extremely Strong' based on YE 2021 data.

Fitch views PLC's financial leverage as consistent with rating expectations. In September 2022, PLC issued $750 million of senior unsecured notes with the proceeds going towards general corporate purposes, including redemption or repayment of certain of its outstanding indebtedness such as the 7.90% surplus notes due 2023. As of Dec. 31, 2021, the ratio of surplus notes to TAC was 10%, below Fitch's tolerance of 15%. As a result, the ratings on the surplus notes reflect standard notching.

PLC's TFC ratio of 0.9x at YE 2021 was flat relative to 2020. PLC's TFC ratio declined substantially at YE 2019 following the sale of its aircraft leasing subsidiary Aviation Capital Group (ACG). The TFC ratio also includes $1.737 billion of financing instruments outstanding for Pacific Alliance Reinsurance Company of Vermont (PAR Vermont), PLRL and Pacific Baleine Reinsurance Company.

Financial Highlights

($ Mil.)	2020	2021
Total Adjusted Capital	11,842	12,561
RBC (%)	628	586
Asset Leverage (x)	14	15
Operating Leverage (x)	8	8
Financial Leverage (%)	19	18

Note: Reported on a statutory basis, except financial leverage, which is GAAP basis.
Sources: Fitch Ratings, Pacific LifeCorp, S&P Global Market Intelligence.

Fitch Expectations

- Financial leverage may increase modestly over the next 12–24 months and remain in line with established rating sensitivities.

2021 Prism Score — Pacific LifeCorp

(%)	2021
Prism Score	Extremely Strong
AC/TC at Prism Score	11[illegible]
Target Capital Contributors	
Life Insurance	38
Annuity	61
Accident and Health	0
Portfolio Scaling Adjustment	4
Operational Risk	9
Diversification Benefit	(11)

AC – Available capital. TC – Target capital. Note: Shaded area represents the high and low of AC due primarily to unrealized bond gains and surplus notes.
Source: Fitch Ratings.

Debt Service Capabilities and Financial Flexibility

Strong Coverage and Adequate Financial Flexibility

PLC's interest coverage is in line with expectations. The company has adequate financial flexibility and limited refinancing risk. Backup liquidity is in place.

PLC's GAAP interest coverage is strong for the current rating level, in the 9x–10x range. Based on statutory dividend rules, PLIC's maximum dividend capacity to its parent without regulatory approval in 2022 is $769 million, which Fitch considers to be a very strong source of debt-servicing capability. Additionally, PLC targets holding company cash levels equivalent to at least 2x interest expense, which Fitch views favorably.

Given its ownership structure, Fitch views PLC's future financial flexibility as somewhat constrained given the limited access to external equity capital. The company has demonstrated the ability to access debt markets through its issuance of surplus notes and senior debt.

PLC has no near-term refinance risk, with the majority of its debt maturing after 2030. The company's next debt maturity is $134 million of surplus notes due 2023, and in September 2022, the company raised additional debt capital that may be used to refinance these notes. Other liquidity sources include a $1 billion revolving credit facility in place through 2026.

PLIC maintains a $700 million CP program, which is backed by the $1.0 billion credit facility. As of Dec. 31, 2021, there were no outstanding borrowings under either of these facilities. The insurance companies have access to funding from the Federal Home Loan Banks of Topeka and San Francisco.

Financial Highlights

($ Mil.)	2020	2021
Adjusted Interest Expense	128	145
GAAP Interest Coverage (x)	3.1	[illegible].6
Maximum Statutory Dividend Capacity	769	769
Statutory Interest Coverage (x)	6	5.3

Note: GAAP interest coverage consists of pretax operating earnings before interest divided by adjusted interest expense. Statutory interest coverage consists of maximum statutory dividend capacity divided by adjusted interest expense, less interest paid on surplus notes. Adjusted interest expense excludes loss on debt extinguishment and interest on operating debt and match-funded debt.
Source: Fitch Ratings, Pacific LifeCorp.

Financial Performance and Earnings

Less Volatile Earnings Profile

PLC's product diversification reduces earnings volatility. The company has a sizable, but shrinking, legacy VA block of business.

Fitch views PLC's earnings profile as moderate and in line with rating guidelines at the current level. The company's earnings remain exposed to market volatility and low interest rates remain a modest drag on returns. However, business growth in less market-sensitive products and businesses and enhanced hedging strategies reduce earnings volatility. Fitch expects earnings levels to be constrained by hedging costs and lower investment yields. GAAP ROE is expected to remain in the 6%–8% range in the intermediate term. For 2021, PLC reported a GAAP operating ROE of 7.7%, benefiting from strong returns on the company's alternative investment portfolio.

Longer term, Fitch expects PLC's policyholder account balances to become more balanced between interest rate, mortality and equity market risk. PLC remains focused on growing protection risk through primary insurance or reinsurance and increasing fee-based revenue by growing its asset management business.

PLC's large VA exposure contributed to GAAP and statutory earnings volatility during prior years, due to reserve increases associated with equity market volatility and declining interest rates. Fitch believes risk mitigation practices will limit losses in a severe scenario.

Financial Highlights

($ Mil.)	2020	2021
Pretax Gain from Operations	264	1,2[illegible]4
Core Operating Income	209	983
Operating ROE	1.6	7.
Operating Return on TAC (%)	(0.1)	(6.0)
Growth in Revenue Before Realized Gains (%)	(7)	20

TAC – Total adjusted capital. Note: Reported on a statutory accounting basis.
Source: Fitch Ratings, Pacific LifeCorp, S&P Global Market Intelligence.

Fitch Expectations

- Variability in reported earnings is expected to continue, although it is expected to subside as the company's block of legacy VAs continues to shrink.

Investment and Asset Risk

Moderate Investment Risk

PLC has a high-quality corporate bond portfolio and below-average risky assets. PLC's commercial mortgages and real estate investments continue to perform well despite pandemic-related volatility.

PLC's bond portfolio is heavily weighted toward corporates, with only a modest amount of the portfolio invested in below-investment-grade securities. PLC's above-average exposure to corporate bonds rated 'BBB' make it susceptible to credit migration in a market downturn. Fitch believes the corporate portfolio is well diversified between sectors.

PLC's investment strategy for commercial mortgage loans and real estate emphasizes niche property types, exhibiting stable fundamental characteristics and allow PLC to employ conservative underwriting standards. PLC's largest exposures within the commercial mortgage portfolio are apartment and office buildings, and retail and capital losses as a percentage of mortgage assets remain lower than the industry. Fitch believes the company has substantial headroom for losses as a result of pandemic-related disruptions. Fitch believes the portfolio is well managed and diversified by property type.

PLC's risky asset ratio is broadly in line with the life insurance industry, reflecting PLC's exposure to equities; below-investment-grade bonds; and Schedule BA assets, including private equity investments and hedge funds. PLC's risky asset ratio increased in 2021 after declining materially at YE 2019 following the sale of ACG, which was recorded in the statutory financial statements as a Schedule BA asset. The company's investment strategy largely reflects asset/liability management (ALM) considerations.

Financial Highlights

	2020	2021
Cash and Invested Assets ($ Mil.)	97,293	108,385
Below-Investment-Grade Bonds/TAC (%)	33	37
Risky Assets Ratio (%)	69	81
Investment Yield (%)	3.6	3.4
Average NAIC Rating on Bonds	1.7	1.7

TAC – Total adjusted capital. Note: Reported on a statutory accounting basis.
Source: Fitch Ratings, Pacific LifeCorp, S&P Global Market Intelligence.

Asset/Liability and Liquidity Management

Asset/Liability and Liquidity Management Are Very Strong

Fitch positively views PLC's strengthened VA hedging program, which should lessen the capital impact and smooth GAAP net income if equity markets experience significant deterioration. The company has a VA dynamic hedging program to reduce GAAP earnings volatility. The company's fixed-indexed annuities hedge program utilizes both static and dynamic hedging.

PLIC uses wholly owned subsidiaries, PAR Vermont and Pacific Baleine, to reinsure certain reserves related to the ULNLG business and takes reserve credits that enhance the company's capital position. Statutory reserves ceded to PAR Vermont are supported by an excess of loss reinsurance arrangement with an unrelated third party. Statutory reserves ceded to Pacific Baleine are supported by a note facility, which is credit enhanced by a third-party reinsurer, and held in a reinsurance trust for the benefit of PLIC.

Fitch views PLC's ALM practices to be strong. For 2021 cash flow testing, both insurance operating companies passed all "New York 7" interest rate scenarios, and PLC's net duration mismatch in aggregate remained within its target limit of less than 1.5 years.

Fitch believes PLC's fixed products are well protected against product withdrawal risks due to contract provisions, duration and cash flow matching, and disciplined investment processes. Approximately 85% of the company's general account annuity reserves and deposit liabilities are subject to market value adjustments, surrender charges equal to or above 5%, or are not subject to discretionary withdrawal, discouraging surrender and protecting PLC from liquidity risks.

Financial Highlights

(%)	2020	2021
Liquidity Ratio	60	56
Operating Cash Flow Coverage (x)	1.3	1.3
Public Bonds/Total Bonds	56	53
Total Adjusted Liabilities ($ Mil.)	155,119	173,588

Note: Reported on a statutory accounting basis.
Source: Fitch Ratings, Pacific LifeCorp, S&P Global Market Intelligence.

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 (IPOE)

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarizes 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's rating on Pacific Life & Annuity Company (PL&A) is based on the relationship with PLIC, and reflects Fitch's view that PL&A is a Core operating company within the organization. The two entities share common management, resources and branding.

PLC owns London-based Pacific Life Re Limited (PLRL). To help support PLRL, a guarantee agreement exists between PLRL and PLC. In the agreement, obligations of PLRL align with the senior unsecured obligations of PLC. A second guarantee agreement was put in place between PLIC and PLRL in March 2010 that would only be triggered in the event of nonperformance by both PLRL and PLC. PLRL's ratings are tied to PLIC's ratings based on this support agreement.

Notching

For notching purposes, the regulatory environment of the U.S. is assessed by Fitch as being Effective and classified as following a Ring-Fencing 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 operating company IDR.
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 and nonperformance risk of Minimal were applied to the senior unsecured debt. Standard notching relative to the IDR was used.
Hybrids
Since PLIC's financial leverage ratio is below 15%, its surplus notes were notched down by one from the IDR of the insurance company on an assumption of Below Average recoveries (one notch), and Minimal nonperformance risk (zero notches). Regulators historically have appeared hesitant to impose deferrals on these instruments, except under relatively severe stress.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating.

Debt Maturities

($ Mil., as of Oct. 4, 2022)	
2022	0
2023	134
2024 and Later	3,536
Total	**3,670**

Source: Fitch Ratings, Pacific LifeCorp.

Short-Term Ratings

The holding company Short-Term Issuer Default Rating (IDR) was notched using standard long-term and short-term rating equivalencies, per Fitch criteria. The CP program is supported by bank backup facilities.

The operating company's Short-Term IDR was notched using standard long-term and short-term ratings equivalencies, per Fitch criteria.

Hybrid — Equity/Debt Treatment

PLC's surplus notes are treated as 100% debt in its calculations of financial leverage but are also included in Fitch's capital adequacy ratios.

Hybrids Treatment

Hybrid	Amount ($ Mil.)	CAR Fitch %)	CAR Reg. Override %)	FLR Debt %)
Pacific Life Insurance Company				
Surplus Notes	1,268	0	100	100

CAR – Capitalization ratio: FLR – Financial leverage ratio. Note: CAR % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override. FLR % shows portion of hybrid value included as debt in numerator of leverage ratio.
Source: Fitch Ratings.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings — Pacific LifeCorp — Insurance Navigator — Life Insurance (US)

Credit-Relevant ESG Derivation

Pacific LifeCorp has 6 ESG potential rating drivers

- Pacific LifeCorp has exposure to compliance risk, treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk [illegible] has very low impact on the rating
- Pacific LifeCorp has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations [illegible] 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	[illegible]	issues	4
potential driver	6	issues	3
not a rating driver	[illegible]	issues	2
not a rating driver	[illegible]	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
[illegible] Emissions & Air Quality	[illegible]	n.a.	n.a.	5
Energy Management		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; Company Profile	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. [illegible]
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. [illegible] 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. [illegible]
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

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