Cooperatieve Rabobank U.A.

Key Rating Drivers

Risk Profile Supports Ratings: Cooperatieve Rabobank U.A.'s ratings are underpinned by its modest risk profile. This includes conservative capital management, which should remain central to the bank's strategy. The ratings are also supported by Rabobank's leading market position in Dutch retail banking, complemented by a solid franchise in global food and agriculture (F&A) sectors, and its sound funding and liquidity profile. The Viability Rating (VR) is one notch above the 'a' implied rating, driven by a risk profile adjustment assessed at 'a+'.

Pandemic Risks Reducing: The Stable Outlook on Rabobank's Long-Term Issuer Default Rating (IDR) reflects Fitch Ratings' view that downside risks to the bank's profitability, asset quality and capitalisation have receded, supported by the expected strong economic recovery in the Netherlands, despite continuing risks related to the pandemic, supply chain disruptions, and rising energy prices.

Resilient Asset Quality: Rabobank's asset quality is supported by the bank's large exposure to high-quality, resilient residential mortgage loans and small aggregate exposure to the sectors most affected by the pandemic. The impaired loans ratio continued to improve despite the pandemic. We expect an increase in defaults in the next 12-24 months, but it should be manageable within the current 'a-' asset quality score.

Adequate Profitability: Rabobank has a good record of generating adequate profitability with a long-term operating profit/risk weighted assets (RWAs) ratio typically around 1.5%. Rabobank's sound earnings generation is underpinned by its leading domestic franchises in the Netherlands and globally in F&A. Rabobank's operating profitability recovered strongly in 1H21, but we expect it to revert to the long-term average as we believe that the strong 1H21 revenue growth is unsustainable and as loan impairment charges (LICs) will start to normalise.

Capitalisation a Rating Strength: Rabobank's common equity Tier 1 (CET1) ratio increased to a solid 17.2% at end-June 2021, up from 16.8% at end-2020. We expect Rabobank's CET1 ratio will remain above 15% in the next 12-24 months. This is despite the expected RWAs inflation from the Dutch central bank’s a floor on the risk-weighting of residential mortgage loans from 1 January 2022, and the increase in credit risk RWAs due to negative internal rating migration.

Sound Liquidity: Rabobank's funding mix is diversified and benefits from the bank's strong deposit franchise in the Netherlands and sound access to the wholesale market. The liquidity buffer is ample and has increased to 22% of total assets at end-June 2021.

Rating Sensitivities

Weaker Financial Metrics: Rabobank's ratings would come under pressure if its CET1 ratio fell materially below 14%, together with a deterioration in leverage without a credible plan to restore them.

A sharper-than-expected weakening in asset quality, with Rabobank's impaired loans ratio increasing above 4% on a sustained basis, or a decline in the bank's operating profit/RWAs ratio below 1.5% due to structural challenges, would also likely lead to a downgrade.

Limited Upside Potential: The upgrade potential of Rabobank's ratings is limited and would require a significant and structural improvement in profitability and asset quality.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Derivative Counterparty Rating	AA-(dcr)
Viability Rating	a+
Government Support Rating	No Support
Sovereign Risk	
Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Global Economic Outlook (December 2021)

Fitch Ratings 2022 Outlook: Western European Banks (December 2021)

Fitch Revises Outlook on Rabobank to Stable; Affirms at 'A+' - November 2021

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Debt Rating Classes

Rating level	Rating
Deposits	AA-/F1+
Senior preferred debt	AA-/F1+
Senior non-preferred debt	A+
Tier 2 subordinated debt	A-
Additional Tier 1 notes and legacy Tier 1 debt	BBB

Source: Fitch Ratings

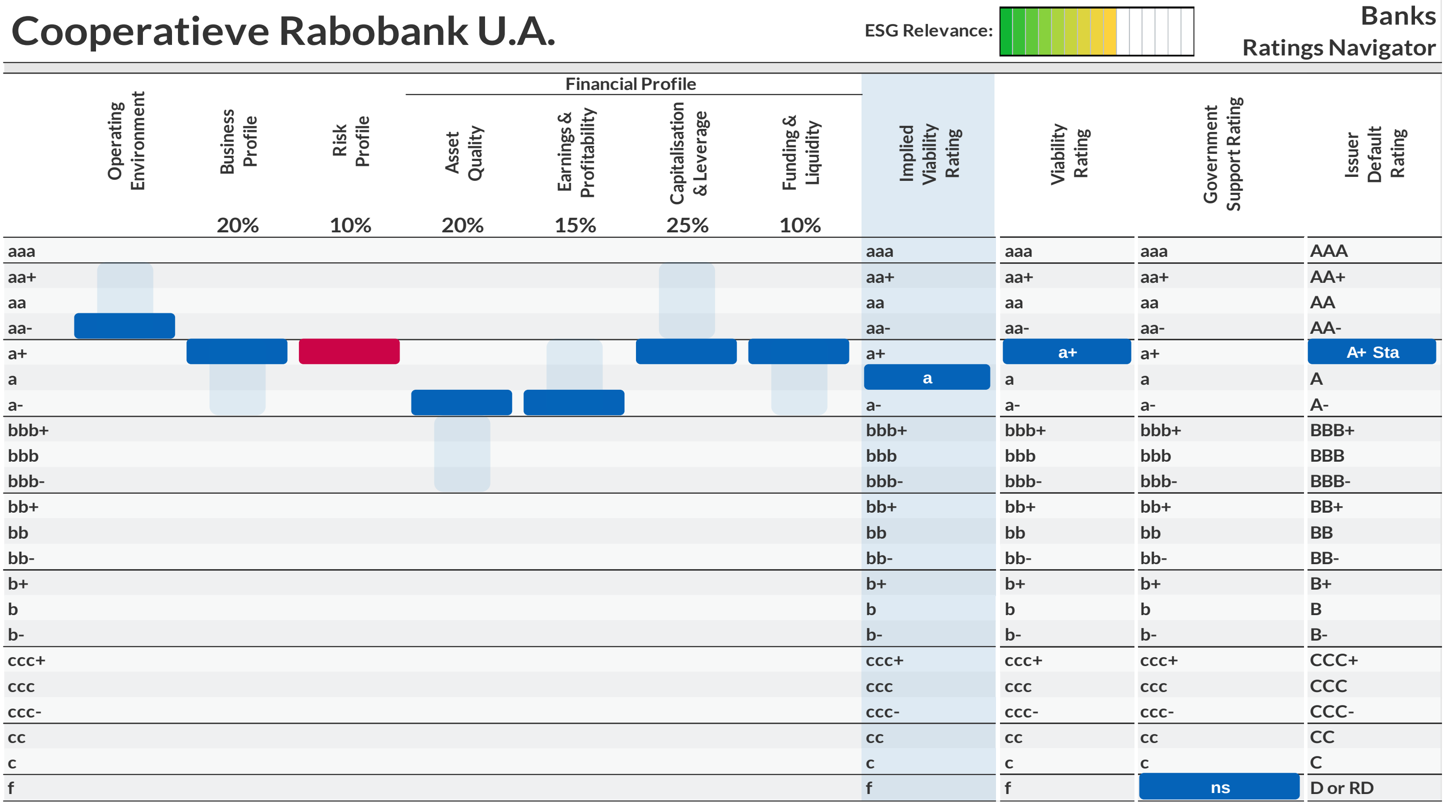
Rabobank's Derivative Counterparty Rating (DCR) and long-term senior preferred debt and deposit ratings are one notch above the bank's Long-Term IDR. This reflects the protection offered to preferred creditors by the resolution buffers of equity and more junior debt. Rabobank is subject to the minimum requirement for own funds and eligible liabilities (MREL), with a binding requirement of 27.6% of RWAs starting 1 January 2022. The bank has publicly stated that it intends to meet its MREL using subordinated and senior non-preferred (SNP) instruments only. At end-June 2021, the buffer of subordinated MREL eligible instruments (excluding senior preferred debt) was 30.1% of RWAs, and additional MREL issuance needs are low.

Rabobank's subordinated Tier 2 debt is rated two notches below its VR. This is in line with Fitch's baseline notching for loss severity as we expect recoveries to be poor for this type of debt in the event of default/non-performance of the bank.

Additional Tier 1 instruments with fully discretionary coupons and legacy hybrid debt with partly discretionary coupons are rated four notches below the VR, in line with the baseline notching for this type of debt. This comprises two notches each for loss-severity and two notches for non-performance risk. Our assessment is based on the fact that there is significant distance between the bank's CET1 ratio and mandatory coupon omission triggers.

Ratings Navigator

Cooperatieve Rabobank U.A.



We have adjusted upwards the implied asset quality score to reflect Rabobank's prudent classification of impaired loans (as highlighted, for example, by the low 19% share of past due loans in total impaired loans at end-2020). The capitalisation & leverage score was adjusted downwards from the implied score to factor in our expectation that RWAs inflation from remaining regulatory measures will result into a lower run-rate CET1 ratio of around 15%.

Sovereign Support Assessment

Commercial Banks: Government Support Rating (GSR) KRDs	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A+ to A-
Actual country D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

Legend

Ratings Navigator: The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Arrows – KRD Outlook
- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Support Assessment: the colours indicate the weighting of each KRD in the assessment.
- Higher influence
- Moderate influence
- Lower influence

Rabobank's Government Support Rating 'No Support' (ns) reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support.

Significant Changes

Punitive Enforcement Procedure on AML Control Failings

In October 2021, Rabobank received a draft instruction from the Dutch central bank (DNB) to remedy outstanding deficiencies in relation to compliance to Dutch Anti-Money Laundering (AML) and Anti-Terrorist Financing Act. Deficiencies relate to recording and outsourcing client due diligence, transaction monitoring, and the reporting of suspicious transactions. This regulatory action may reflect DNB's view that efforts made by Rabobank in the last few years to strengthen its “know-your-customer” (KYC) framework were not sufficient and that the bank is not yet in full compliance with the Dutch AML regulation. Rabobank has invested substantially in improving its KYC framework in recent years, and staff dedicated to compliance increased to about 4,500 people.

A punitive enforcement procedure has also been launched against Rabobank**.** The final outcome of this procedure is difficult to predict, but Rabobank's ratings reflect our expectation that any financial impact will be manageable and the bank's capitalisation will not be adversely affected. Two other large Dutch banks have been subject to similar procedures concluding in a settlement. In April 2021, ABN AMRO Bank N.V. paid a EUR300 million fine and EUR180 million disgorgement at the end of an investigation that revealed serious shortcomings in the bank's KYC framework. ING Bank N.V had to settle for a EUR775 million fine and disgorgement in 2018 following similar investigations by the Dutch public prosecutor office. Both banks have demonstrated since then progress in addressing weaknesses in their KYC processes.

Brief Company Summary

Strong Domestic Retail-Banking Franchise Supported by Cooperative Roots

Rabobank is one of the three leading banks in the Netherlands, benefiting from very strong franchises in the Dutch retail and SME segments, and a well-entrenched global franchise in the F&A sector. Rabobank has leading Dutch market shares in household savings (over 30%), residential mortgage loans (about 20%), SME lending (about 40%) and agricultural lending (about 85%). Its business model is geared towards traditional retail and commercial banking.

Rabobank is a leading financer of F&A domestically and abroad, and has a long record in the sector. F&A account for about a quarter of the bank's total net loans to the private sector. About 60% of F&A loans were granted internationally. Non-F&A international presence has decreased as Rabobank has ceased retail banking operations abroad and optimised its wholesale banking operations. Rabobank maintains some exposure to international corporates, including in trade and commodity finance.

Stable and Diverse Business Model

Net interest income (NII) dominates the bank's revenue and is complemented by net fees and commissions (15%-20% of revenue in recent years). Domestic retail banking is the main profit contributor for the bank. The contribution of the wholesale and international rural business line is typically 20%-25% of total pre-tax profit. The balance mainly comprises the growing leasing business carried out through subsidiary DLL.

Experienced Management, Consistent Strategy

Fitch believes Rabobank's management has a high degree of depth and experience. The bank saw some senior management turnover in recent years, but we believe it is manageable. The chief executive officer will leave the bank in the second half of 2022. The succession is being prepared sufficiently in advance to allow for a smooth transition, in our view. Corporate governance is generally effective across the group. Rabobank's strategy is consistent, well-articulated and reflects long-term goals. Since the well-executed merger of the cooperative banks, Rabobank has focused on rationalising the business and reducing staff, which helped contain costs despite investments in digitalisation and regulatory costs. The bank's near-term profitability targets have been revised downwards due to persistently low interest rates but longer-term ambitions remained intact.

Conservative Underwriting Standards

Rabobank has a low-to-moderate risk appetite and has demonstrated a prudent approach to risk-taking. Underwriting standards benefit from the bank's focus on sectors and products where it has extensive expertise. Lending is predominantly secured, with conservative haircuts applied to collateral values. Strict concentration limits are in place.

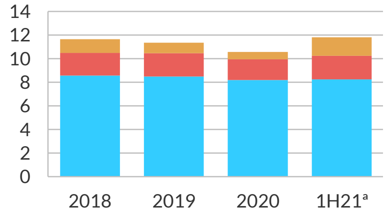
Underwriting standards in Dutch mortgage lending focus on affordability, including under stressed interest rates, and are low-risk. Risk controls are centralised and merging into one bank has strengthened this feature. Rabobank, like other Dutch banks, has been working on strengthening its customer due diligence and transaction monitoring controls given increased regulatory scrutiny. This area is likely to require continued substantial investment in the near term.

Modest Market Risk Mainly Stems from Interest Rate Risk in the Banking Book

Rabobank's structural interest-rate risk is controlled and managed using earnings at risk and modified duration of equity, complemented by regular scenario analysis. At end-2020, earnings at risk were minus EUR74 million (below 1% of 2020 NII) in the worst of several scenarios of decreasing rates.

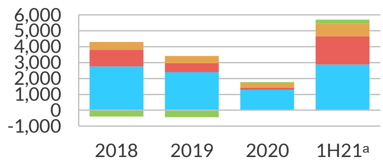
The bank hedges its currency risk to minimise the impact of currency fluctuations on its CET1 ratio. Market risk from customer-driven trading activities is low. The highest value-at-risk (one-day holding period/97.5% confidence) recorded in 2020 was EUR7.5 million. The most significant equity investment at end-June 2021 was the 29% stake in Achmea B.V (A/Stable), one of the leading Dutch insurance companies with cooperative roots. As part of the sale of RNA (a former full-service US subsidiary operating in the south-western states in the US), Rabobank also received a 9.9% stake in the buyer, California-based Mechanics Bank.

Operating Income Dominated by NII



[a] Annualised
Source: Rabobank, Fitch Ratings

Profit Before Tax by Division



[a] Annualised
[b] Property development, central functions and cons.
Source: Fitch Ratings, Rabobank

Financial Targets

(%)	2024 target[a]	LT target	End-2020/ 2020[b]	End-June 2021/ 1H21[b]
CET1 ratio	>14	>14	16.8	17.2
ROE	6-7	>8	2.7	10.4
Cost/ income	low 60	mid 50	65.8	58.0

[a] 2022 targets were postponed to 2024 due to persisting low interest rates
[b] As calculated by Rabobank
Source: Fitch Ratings, Rabobank

Summary Financials and Key Ratios

	30 Jun 21		31 Dec 20	31 Dec 19	31 Dec 18
	6 months - interim	6 Months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	4,908	4,130	8,184	8,483	8,559
Net fees and commissions	1,180	993	1,780	1,989	1,931
Other operating income	1,175	989	799	1,070	1,411
Total operating income	7,263	6,112	10,763	11,542	11,901
Operating costs	4,213	3,545	7,090	7,599	7,924
Pre-impairment operating profit	3,051	2,567	3,673	3,943	3,977
Loan and other impairment charges	-326	-274	1,913	975	190
Operating profit	3,376	2,841	1,760	2,968	3,787
Other non-operating items (net)	n.a.	n.a.	-264	73	119
Tax	809	681	400	838	902
Net income	2,567	2,160	1,096	2,203	3,004
Other comprehensive income	264	222	-663	49	110
Fitch comprehensive income	2,831	2,382	433	2,252	3,114
Summary balance sheet					
Assets					
Gross loans	505,690	425,522	423,527	430,894	427,397
- Of which impaired	14,210	11,957	13,507	15,090	15,993
Loan loss allowances	4,943	4,159	4,700	3,940	3,735
Net loans	500,748	421,363	418,827	426,954	423,662
Interbank	30,759	25,883	5,580	6,594	9,116
Derivatives	28,047	23,601	29,638	23,584	22,660
Other securities and earning assets	46,998	39,547	57,535	58,126	49,830
Total earning assets	606,552	510,394	511,580	515,258	505,268
Cash and due from banks	147,114	123,792	108,466	63,086	73,335
Other assets	19,978	16,811	12,212	12,254	11,834
Total assets	773,644	650,997	632,258	590,598	590,437
Liabilities					
Customer deposits	446,915	376,065	360,478	338,504	337,397
Interbank and other short-term funding	90,636	76,267	84,873	51,975	54,139
Other long-term funding	150,763	126,862	108,228	125,086	123,481
Trading liabilities and derivatives	26,039	21,911	29,400	24,473	24,327
Total funding and derivatives	714,353	601,105	582,979	540,038	539,344
Other liabilities	8,987	7,562	8,647	9,213	8,857
Preference shares and hybrid capital	4,777	4,020	4,482	5,264	7,046
Total equity	45,528	38,310	36,150	36,083	35,190
Total liabilities and equity	773,644	650,997	632,258	590,598	590,437
Exchange rate		USD1 = EUR0.841468	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057

Source: Fitch Ratings, Fitch Solutions, Rabobank

Summary Financials and Key Ratios

	30 Jun 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.7	0.9	1.4	1.9
Net interest income/average earning assets	1.6	1.6	1.7	1.7
Non-interest expense/gross revenue	60.0	67.0	67.0	68.0
Net income/average equity	11.7	3.0	6.2	8.8
Asset quality				
Impaired loans ratio	2.8	3.2	3.5	3.7
Growth in gross loans	0.5	-1.7	0.8	0.5
Loan loss allowances/impaired loans	34.8	34.8	26.1	23.4
Loan impairment charges/average gross loans	-0.1	0.5	0.2	0.1
Capitalisation				
Common equity Tier 1 ratio	17.2	16.8	16.3	16.0
Tangible common equity/tangible assets	5.7	5.6	5.9	5.8
Basel leverage ratio	7.1	7.0	6.3	6.4
Net impaired loans/common equity Tier 1	21.5	25.4	33.2	38.2
Funding and liquidity				
Gross loans/customer deposits	113.2	117.5	127.3	126.7
Liquidity coverage ratio	229.0	193.0	132.0	135.0
Customer deposits/total non-equity funding	64.3	64.5	64.9	64.6
Net stable funding ratio	132.0.	128.0	119.0	119.0

Source: Fitch Ratings, Fitch Solutions, Rabobank

Key Financial Metrics – Latest Developments

Expected Increase in Impaired Loans is Manageable

Rabobank's main source of credit risk stems from its customer loan book, which represents about two-thirds of the bank's total assets. Rabobank's impaired loans/gross loans ratio (as calculated by Fitch), continued to improve despite the pandemic and decreased to 2.8% at end-June 2021 from 3.2% at end-2020 on limited inflows in impaired loans and as a result of an active problem loan work-out management. Specific coverage of Stage 3 loans (23% at end-June 2021) is low relative to European peers. This reflects the highly secured nature of the loan book and availability of collateral and low historical credit losses, but exposes Rabobank's earnings to fluctuations in collateral values.

Rabobank's stock of impaired loans has been consistently declining for the last few years, and the pace of reduction has accelerated since 2018, as the bank has taken a more active approach to work-outs in anticipation of provisioning backstop regulation and in line with supervisory expectations on impaired loan coverage. We expect some increase in impaired loans following the withdrawal of pandemic-related support measures. But the impact on Rabobank's asset quality metrics should be cushioned by the bank's high exposure to resilient Dutch residential mortgage loans, and by small aggregate exposure to the sectors most affected by lockdowns and social distancing rules (about 3% of total loans at end-June 2021).

Exposure to the F&A industry accounted for about a quarter of total loans at end-June 2021. While F&A is inherently a more volatile sector exposed to weather conditions and commodity prices, companies in the food supply chain appear less affected by the current pandemic because of strong demand and rising soft commodity prices.

Operating Profitability Should Return to Pre-Crisis Level

Rabobank's operating profit/RWAs ratio rebounded strongly in 1H21 to an unsustainable 2.7% from about 0.9% in 2020, supported by healthy fee income growth from market activities, positive revaluation of the bank's equity participations, and a EUR298 million net release of loan loss allowances (-14bp of gross loans on an annualised basis). Rabobank's operating profitability appears weaker than most of its similarly rated peers, although it has narrowed the gap through an ambitious restructuring programme and strengthened pricing discipline throughout the group. We believe Rabobank's profitability has to be assessed against its lower risk profile.

We expect that the Rabobank's four-year average operating profit/RWAs ratio will remain around 1.5% in the next two years. Revenue pressure from low interest rates should be partly offset by higher business volumes in the context of continued sound economic growth, and also some structural cost savings from the ongoing efficiency programmes. Rabobank may need to absorb a fine related to AML issues, but it should be manageable in our view.

Solid Capitalisation

Rabobank's capital and leverage ratios compare well with those of similarly rated peers. We expect capitalisation to remain a rating strength, and believe the bank is well-prepared for regulatory-driven RWAs inflation. At end-June 2021, Rabobank estimated that Basel III end-game rules' impact on RWAs would be at the lower end of the 15%-18% range (down from 25%-28% at end-2019), resulting in a solid pro-forma CET1 ratio of 14.6%-15.0%. Risk-weight floors on mortgage loans from 2022 effectively front-load part of the final Basel III end-game impact.

Strong Deposit Base, Prudent Liquidity

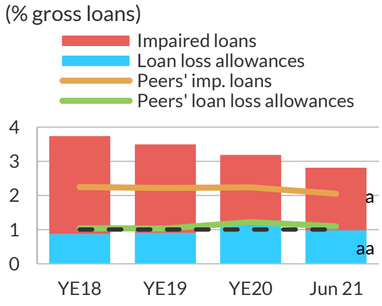
Customer deposits are Rabobank's main funding source and the bank has a strong franchise in the Netherlands. The bank has benefited from deposits inflows since the pandemic outbreak . Rabobank maintains some reliance on wholesale funding although this has been reduced in recent years as its balance sheet has decreased. The bank enjoys sound market access in various instruments and currencies. The bank has also particpated in ECB's TLTRO III for EUR55 billion.

Liquid assets (EUR143 billion at end-June 2021) are of high quality, mainly consisting of cash with central banks, and comfortably cover short-term debt and upcoming long-term debt maturities. The liquidity coverage ratio and the net stable funding ratio (229%, and 132% respectively at end-June 2021) have improved in 1H21 and we expect them to remain elevated in the near term given Rabobank's cautious liquidity management.

Black dashed lines in the charts represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

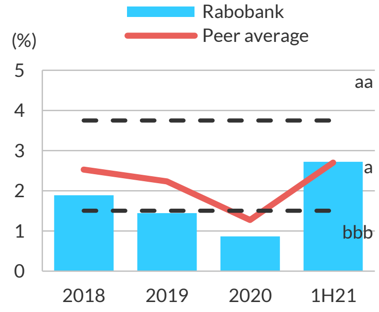
Peer average includes Cooperatieve Rabobank U.A. (VR: 'a+'), Nordea Bank Abp (aa-), Swedbank AB (a+), Lloyds Banking Group plc (a), Credit Agricole (a+), ING Groep N.V. (a+), Groupe BPCE (a+) and ABN AMRO Bank N.V. (a).

Asset Quality



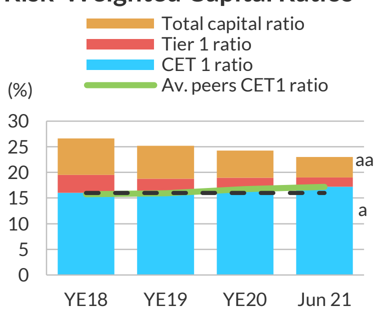
Source: Fitch Ratings, banks

Operating Profit/RWAs



Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Environmental, Social and Governance Considerations

FitchRatings **Cooperatieve Rabobank U.A.** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Cooperatieve Rabobank U.A. has 5 ESG potential rating drivers

- Cooperatieve Rabobank U.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) 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	5	issues	3
not a rating driver	4	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	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	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	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	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.

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

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