FitchRatings

Groupe BPCE

Key Rating Drivers

Moderate Rating Headroom: The Rating Watch Negative (RWN) on Groupe BPCE's (GBPCE) ratings reflects limited rating headroom, in particular compared with its French cooperative banking group peers, in a scenario in which Fitch Ratings no longer expects an improvement in earnings and asset quality. Fitch expects a material GDP contraction in the eurozone in 2020 due to the coronavirus pandemic, the fallout of which creates downside risks to our assessment of GBPCE's operating environment, asset quality and earnings.

Downside Asset-Quality Risk: GBPCE's impaired loans ratio improved to 3.0% at end-2019 but we expect this trend to reverse. About 20% of the group's loan book is to professionals and SMEs, which will suffer the most from the crisis. The exposure of Natixis S.A., its partially listed subsidiary, to energy and aviation, two sectors under significant stress, will negatively affect asset quality. The coverage of impaired loans by loan-loss provisions was average at about 60% at end-2019 and does not provide a cushion to absorb significant additional losses.

Profitability Is Under Pressure: GBPCE's operating profit/risk-weighted assets (RWAs) ratio of 1.3% in 2019 is lower than expected for the rating and we expect it to deteriorate in 2020. Profitability is nevertheless resistant against the low interest rate environment, owing to the group's diversified business model and high resulting proportion of non-interest income (close to 65% of revenue in 2019).

Solid Risk-Weighted Capital Ratios: Capitalisation is solid and provides an ample buffer above regulatory requirements. The group's fully loaded common equity Tier 1 (CET1) ratio was 15.5% at end-March 2020, in line with the group's 2020 target. GBPCE's capitalisation is supported by a contained dividend payout ratio and regular issuance of cooperative shares. Natixis has indicated that it will not pay a dividend on 2019 profits.

Cooperative Structure: GBPCE is a cooperative banking group bound by a legally established cross-support mechanism comprising its 14 Banques Populaires (BPs), 15 Caisses d'Epargne et de Prevoyance (CEPs), its central body BPCE S.A. and many other affiliates, the largest being Natixis S.A., Credit Foncier de France S.A. (CFF) and Banque Palatine S.A. Fitch has the same IDRs for GBPCE, BPCE S.A., the regional banks, Natixis, CFF and Banque Palatine.

Large French Banking Group: GBPCE mainly operates in France, where it is the second-largest in retail and commercial banking. GBPCE has a universal bancassurance business model. Natixis has a significant global franchise in asset management and is a recognised niche company in corporate and investment banking (CIB). The ratings reflect the group's strong company profile, low risk appetite and adequate liquidity.

Rating Sensitivities

Marked Deterioration in Financial Profile: GBPCE's ratings are primarily sensitive to the near-term risks arising from the coronavirus outbreak. We would downgrade GBPCE's ratings if the group suffers a combination of pronounced deterioration in asset quality together with lower coverage of impaired loans by loan-loss allowances, and a significant and sustained reduction of its profitability, which is already lower than at similarly rated peers.

We expect to resolve the RWN in the near term, when the impact of the coronavirus outbreak on the bank's credit profile becomes more apparent.

Risk Controls: Additional failures in risk controls as recently experienced at Natixis in Asia and H2O Asset Management or deterioration in the group's CET1 ratio below our expectations constitute additional downgrade triggers.

Ratings

Groupe BPCE	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF
Watches	
Long-Term IDR	RWN
Viability Rating	RWN
Sovereign	
Long-Term Foreign- and Local-Currency IDR	AA
Country Ceiling	AAA
Outlooks	
Sovereign Long-Term Foreign- and Local-Currency IDR	Negative

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Large French Banks: 2019 Results (March 2020)

Coronavirus Rating Impact: Western European Banks (April 2020)

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Related Issuer Ratings

Rating level	Rating
BPCE S.A.	
Long-Term IDR	A+/RWN
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)/RWN
Natixis S.A.	
Long-Term IDR	A+/RWN
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)/RWN
Credit Foncier de France S.A.	
Long-Term IDR	A+/RWN
Short-Term IDR	F1
Banque Palatine S.A.	
Long-Term IDR	A+/RWN
Short-Term IDR	F1

Source: Fitch Ratings

GBPCE publishes consolidated accounts and the entities affiliated to BPCE S.A. share a common strategy and coordinated marketing activities. Risk management is also centralised. We consequently assign group ratings in accordance with Annex 4 of our *Bank Rating Criteria* and have the same IDRs for the entities in the above table and the 14 BPs and 15 CEPs.

Debt Rating Classes

Rating Level	Rating
BPCE S.A.	
Senior preferred	A+/RWN/F1
Senior non-preferred	A/RWN
Subordinated Tier 2	A-/RWN
Natixis S.A.	
Senior preferred	A+/RWN/F1
Subordinated Tier 2	A-/RWN
Credit Foncier de France S.A.	
Senior Preferred	A+/RWN
Banque Palatine S.A.	
Senior Preferred	A+/RWN/F1
Credit Coopératif[a]	
Senior Preferred	A+/RWN/F1

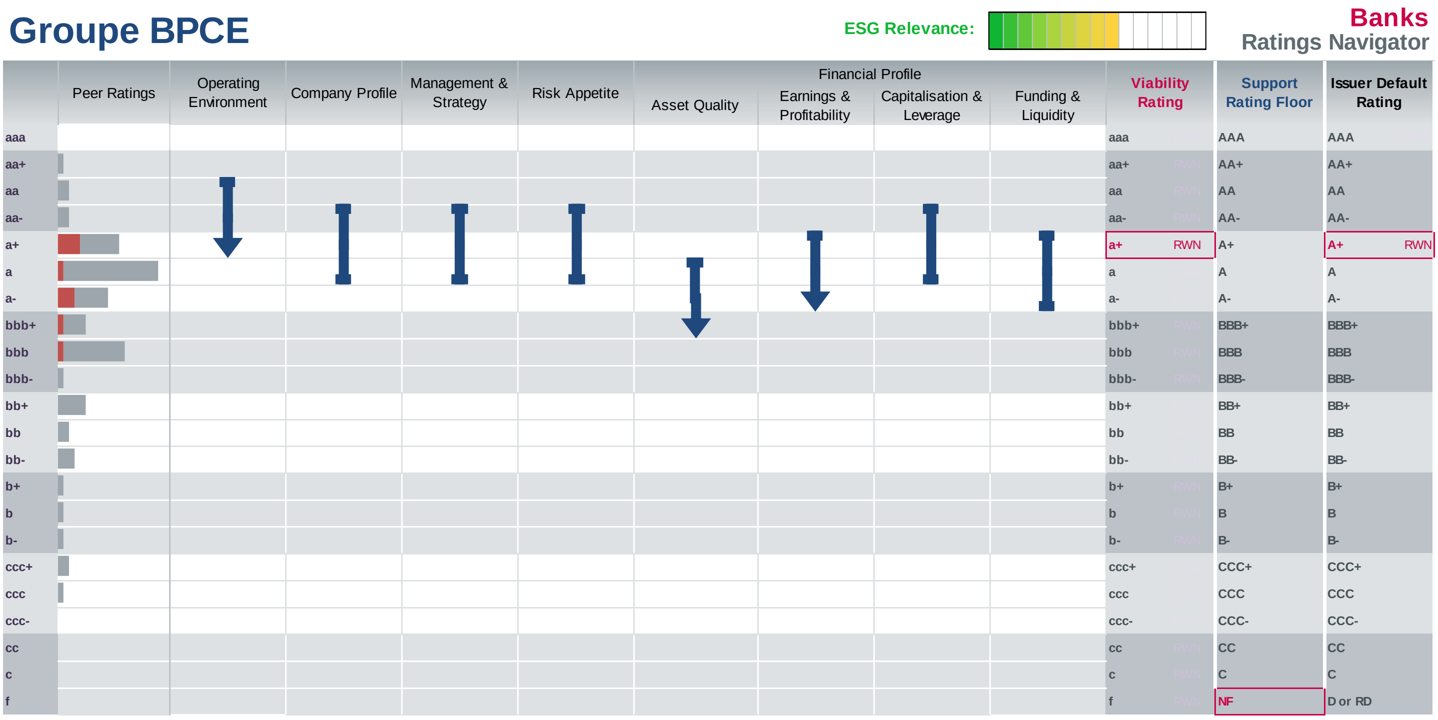
[a] Credit Cooperatif is a Banque Populaire
Source: Fitch Ratings

Fitch rates the senior preferred debt of GBPCE's group entities in line with their IDRs (A+/RWN/F1) because of the risk of below-average recoveries arising from the possible use of senior preferred debt to meet the group's minimum requirement for own funds and eligible liabilities (MREL) over the medium term and buffers of subordinated and senior non-preferred debt being unlikely to exceed 10% of RWAs on a sustainable basis.

Senior non-preferred notes issued by BPCE S.A. are rated one notch below the central body's Long-Term IDR at 'A'/RWN for the same reason.

BPCE S.A.'s and Natixis's subordinated Tier 2 debt ratings are two notches below the group's Viability Rating (VR) for loss severity as we expect recoveries to be poor for this type of debt in case of default/non-performance of the bank.

Ratings Navigator



Significant Changes

Deterioration in Operating Environment

Fitch revised the outlook of the French operating environment to negative from stable in March 2020, in the context of the coronavirus outbreak and material downward revision in our GDP forecasts for France and the eurozone. We expect a significant deterioration in the conditions in which French banks operate in 2020 as for other western European banking systems.

Fitch forecasts a GDP fall of about 7% in both France and the eurozone in 2020 as a result of lockdown measures, followed by a sharp recovery in 2021. Uncertainties surrounding these forecasts are high and risks are on the downside. The final impact on GDP will depend on the length of the lockdown relaxation, which is progressively lifted after eight weeks.

Government support measures enacted by the French government are large in relation to GDP (17%). Budgetary measures include full payment of temporary jobless indemnities up to 4.5x the minimum salary for employees of companies that have reduced or stopped their activity, suspension of social contributions and corporate tax payments for businesses, and a fixed indemnity for self-employed people or small businesses having faced a significant decline in revenue.

The French state will also guarantee up to 90% of ultimate credit losses up to EUR300 billion of new loans originated by banks until end-2020 (close to 30% of loans to non-financial corporates at end-2019).

We expect these measures to support GBPCE's asset quality and cushion the increase in loan impairment charges in the short to medium term.

Asset Management Partnership

Natixis Investment Managers plans to combine its euro fixed-income activities with La Banque Postale Asset Management under a 55%/45% partnership. The transaction, which is expected to close in 2H20, would allow Natixis to reach its 2020 strategic objective of EUR1,000 billion in assets under management and generate significant economies of scale.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative

⇳ Evolving ▫ Stable

Company Summary and Key Qualitative Assessment Factors

Strong Domestic Franchise

GBPCE is France's fourth-largest banking group by total assets, but the second-largest in retail and commercial banking with strong market shares of about 21% for loans and 22% for deposits and savings. The group operates the two large branch networks of the BPs and CEPs, which are in direct competition but have complementary strengths. The BPs have a notable franchise with professionals and SMEs, while the CEPs have historically focused more on individuals customers and public-sector entities.

Market shares in insurance are still below the group's natural market shares but are growing. Since January 2016, all new life insurance savings contracts have been offered by Natixis Assurances, except for one BP. In non-life insurance, BPCE Assurances is rolling out its product offering to individual customers of the BPs in addition to the CEPs.

GBPCE has a strong global franchise in asset management with Natixis Investment Managers, which is among the top 20 global asset managers by assets under management (EUR828 billion at end-March 2020 including a negative market effect of -EUR100 billion in 1Q20) and the top 10 in terms of revenue due to a focus on higher-margin active fund management (30bp average margin excluding performance fees in 2019).

CIB activities are predominantly in Europe, with a selective approach in the Americas and Asia. Natixis has strong positions in asset-based financing (energy, aviation, infrastructure and commercial real estate), where it follows an originate-to-distribute strategy. Market activities are modest and are 70/30 split between fixed income and equity derivatives.

Consistent Strategic Execution

GBPCE's top management team has a high degree of depth, credibility and experience, and has successfully reshaped the group since its creation in 2009. GBPCE's management is subject to some market scrutiny as Natixis is listed. There are frequent transfers of senior staff between BPCE S.A., the BPs and CEPs, and Natixis, which we view positively. BPCE S.A.'s board of directors has three independent members, which provide outside perspective. As a cooperative, GBPCE is exposed to a limited level of short-term return pressure.

GBPCE's 2020 strategic plan is well on track and aims at maintaining a strong market position in retail and commercial banking in France by developing revenue synergies, mainly through insurance and specialised financial services. We expect expansion in Europe to be prudent and through consumer finance, leasing or factoring.

Improving Risk Controls

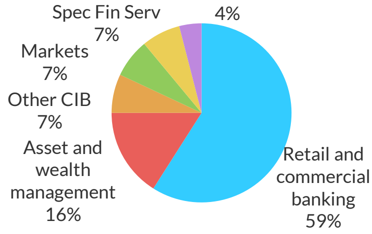
GBPCE's risk controls are centralised and improving. At Natixis Investment Managers and its affiliates, a dedicated chief risk officer function is now separated from the chief compliance officer. Market risk monitoring was also strengthened following inadequate hedging modelling of Korean equity derivatives in 4Q18.

Housing loans are conservatively underwritten. Origination is based on borrowers' capacity to pay, in line with French banking peers, and loans generally have a fixed rate over their term and are fully amortising. Consumer finance loans are mainly originated to existing clients and present limited risk. The CEPs have a significant share of their loan book to very low-risk local authorities and social housing companies.

Underwriting criteria for professionals and corporates are average compared with French peers. Outside France, most of the lending business is conducted by Natixis and is mainly to large corporates or in asset financing.

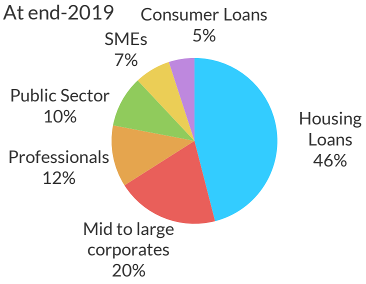
Non-trading market risk mainly arises from interest rate risk in the group's banking book and GBPCE maintains conservative interest rate sensitivity limits. Interest rate risk from insurance activities is mitigated by a low average minimum guaranteed rate of 0.15% on life insurance guaranteed savings contracts and a slightly higher share of unit-linked contracts than the market (25%). The policyholder participation reserve is lower than other French bancassurer due to a recent development, but GBPCE's life insurance business is smaller in size.

Revenue: Breakdown Per Business Lines[a]
2019



[a] Excluding Corporate Centre
Source: Fitch Ratings, GBPCE

Loans to Customers
At end-2019



Source: Fitch Ratings, GBPCE

Summary Financials and Key Ratios

	Year end (USDm) Audited - unqualified	31 Dec 19 Year end (EURm) Audited - unqualified	31 Dec 18 Year end (EURm) Audited - unqualified	31 Dec 17 Year end (EURm) Audited - unqualified	31 Dec 16 Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	9,920	8,830	8,760	10,489	11,141
Net fees and commissions	10,768	9,585	9,568	9,451	8,781
Other operating income	6,915	6,155	5,956	4,056	4,495
Total operating income	27,602	24,570	24,284	23,996	24,417
Operating costs	19,752	17,582	17,687	17,099	16,673
Pre-impairment operating profit	7,850	6,988	6,597	6,897	7,744
Loan and other impairment charges	1,536	1,367	1,299	1,384	1,423
Operating profit	6,315	5,621	5,298	5,513	6,321
Other non-operating items (net)	-93	-83	-1	3	49
Tax	2,023	1,801	1,478	1,811	1,882
Net income	4,198	3,737	3,819	3,705	4,488
Other comprehensive income	909	809	-45	-564	-328
Fitch comprehensive income	5,107	4,546	3,774	3,141	4,160
Summary balance sheet					
Assets					
Gross loans	785,824	699,501	663,380	654,438	634,319
- Of which impaired	23,508	20,926	21,433	22,918	23,427
Loan-loss allowances	14,391	12,810	12,617	11,777	12,278
Net loans	771,433	686,691	650,763	642,661	622,041
Interbank	95,067	84,624	84,684	78,118	81,258
Derivatives	72,472	64,511	59,507	62,773	75,614
Other securities and earning assets	410,759	365,637	340,691	319,020	296,088
Total earning assets	1,349,731	1,201,463	1,135,645	1,102,572	1,075,001
Cash and due from banks	90,147	80,244	76,458	94,702	83,919
Other assets	63,312	56,357	61,823	62,576	76,320
Total assets	1,503,189	1,338,064	1,273,926	1,259,850	1,235,240
Liabilities					
Customer deposits	623,159	554,705	523,469	509,173	481,515
Interbank and other short-term funding	302,893	269,620	260,328	266,106	254,546
Other long-term funding	214,419	190,865	181,092	178,658	192,085
Trading liabilities and derivatives	91,935	81,836	81,591	89,752	95,312
Total funding	1,232,406	1,097,026	1,046,480	1,043,689	1,023,458
Other liabilities	183,558	163,394	153,706	144,639	142,325
Preference shares and hybrid capital	511	455	1,169	1,434	2,743
Total equity	86,715	77,189	72,571	70,088	66,714
Total liabilities and equity	1,503,189	1,338,064	1,273,926	1,259,850	1,235,240
Exchange rate		USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382	USD1 = EUR0.9487

Source: Fitch Ratings, Fitch Solutions, Groupe BPCE

Summary Financials and Key Ratios

	31 Dec 19	31 Dec 18	31 Dec 17	31 Dec 16
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.3	1.4	1.4	1.6
Net interest income/average earning assets	0.8	0.8	1.0	1.1
Non-interest expense/gross revenue	72.3	73.7	72.1	69.0
Net Income/average equity	5.0	5.4	5.4	7.0
Asset quality				
Impaired loans ratio	3.0	3.2	3.5	3.7
Growth in gross loans	5.4	1.4	3.2	5.4
Loan-loss allowances/impaired loans	61.2	58.9	51.4	52.4
Loan impairment charges/average gross loans	0.2	0.2	0.2	0.2
Capitalisation				
Common equity Tier 1 ratio	15.7	15.8	15.3	14.1
Fully loaded common equity Tier 1 ratio	15.7	15.9	15.4	14.2
Tangible common equity/tangible assets	5.3	5.2	5.1	4.9
Basel leverage ratio	5.3	5.3	5.1	5.0
Net impaired loans/common equity Tier 1	12.3	14.2	18.9	20.2
Funding and liquidity				
Loans/customer deposits	126.1	126.7	128.5	131.7
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.
Customer deposits/funding	53.6	53.0	51.8	50.4
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, Groupe BPCE

Key Financial Metrics – Latest Developments

Probable Increase in Impaired Loans

GBPCE's impaired loans/gross loans ratio was moderate at end-2019, although slightly higher than that of peers. We expect the ratio to increase in 2020 due to the sharp deterioration in the global economy, although this will be partly cushioned by government support measures. GBPCE received EUR22 billion (about 3% of gross loans) of application for state-guaranteed loans at of end-April 2020. We expect the increase in impaired loans to be acute for professional and SME lending, notably in the sectors of tourism, hotels and restaurants, which accounted for 20% of CET1 capital at end-2019 or retail distribution (about 40% of CET1).

Retail and local authorities' exposures traditionnally perform well, with the exception of CFF's housing loan book placed into run-off (about 7% of gross loans), as the lender targeted low income borrowers. We do not expect the performance of these to deteriorate materially. Most people in stable employment to which banks traditionnally lend are seing their remuneration maintained or almost fully maintained during the lockdown. Layoffs are generally freezed and we expect the increase in unemployment to be progressive for these borrowers.

Despite a focus on larger corporates, Natixis's impaired loans ratio is above group average (4% at end-2019). Through Natixis, GBPCE has a significant exposure to the cyclical oil and gas, commercial real estate and transportation sectors (including aviation), which were about 30%, 20% and 10% of group CET1 at end-2019 (excluding commodity trade finance for oil and gas).

Profitability Is Under Pressure

GBPCE's earnings have historically been recurring but moderate. The development of insurance and asset management supports the significant share of revenue coming from non-interest income, which limits the impact of low interest rates on revenue. In 2019, the BPs were able to again moderately increase revenue as loan growth offset lower interest margin and lower incident fees charged to vulnerable clients as per the sector's commitment.

GPBCE's profitability will deteriorate in 2020. GBPCE reduced but positive net income in 1Q20 has been impacted by higher loan impairment charges (35bp of gross loans excluding a positive methodological effect) and the negative revenue of Natixis's equity derivatives business was affected by the cancellation of already announced 2019 dividends from corporates, wider bid-ask spreads and increased costs of hedging. This has been partly mitigated by a strong quarter for the fixed-income flow business (+46% yoy). GBPCE's cost/income ratio remains high compared with peers (above 70% in 2019), despite a first decline in costs recorded during the year, and cannot act as a buffer for lower revenue. The group aims at further cost control in 2020.

Solid Capitalisation

The group's CET1 ratio already complies with its end-2020 target of at least 15.5% and is a rating strength. Capitalisation is supported by a modest payout ratio (about 25% on average over 2015-2018, according to Fitch's calculations) as the remuneration of cooperative shares placed with retail customers is capped by law. GBPCE also regularly issues cooperative shares (+40bp impact on CET1 over 2019). Regulatory leverage ratio is satisfactory at above 5%.

GBPCE's total loss-absorbing capacity ratio was above 23.4% at end-March 2020 without reliance on senior preferred debt, above the 21.5% requirement expected for 2022. The solvency ratio of GBPCE's insurance subsidiary was adequate at 168% at end-2019, but it incorporates a generous phased-in Solvency 2 requirement for the life insurance business.

Diversified Funding Sources

Only about 55% of GBPCE's total funding consists of deposits despite its strong retail franchise. The loans/customer deposits ratio is also higher than most French peers' at above 125% at end-2019.

The group nevertheless has a strong and diversified access to the wholesale funding market in terms of products and currencies. GBPCE tested the wholesale market shortly after the start of the global market stress triggered by the coronavirus outbreak with a covered bond in March. The group's end-of-month liquidity coverage ratio averaged a strong 141% in 2019 (138% in 1Q20).

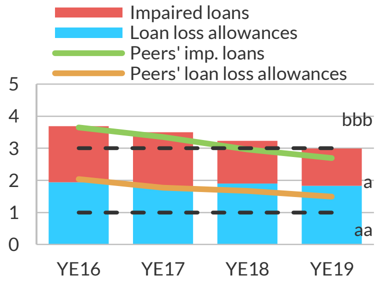
Note on Charts

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

Peer average includes GBPCE (VR: a+/RWN), BNP Paribas S.A. (a+/RWN), Credit Agricole (a+), Credit Mutuel Alliance Federale (a+), Societe Generale S.A. (a/RWN), Cooperatieve Rabobank U.A. (a+/RWN), ING Groep N.V. (a+/RWN), Lloyds Banking Group plc (a), Nordea Bank Abp (aa-/RWN).

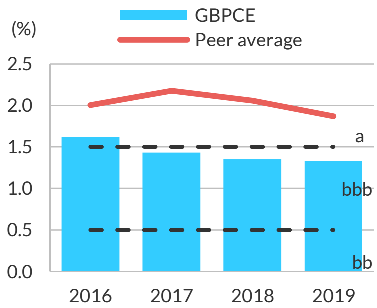
Asset Quality

(% gross loans)



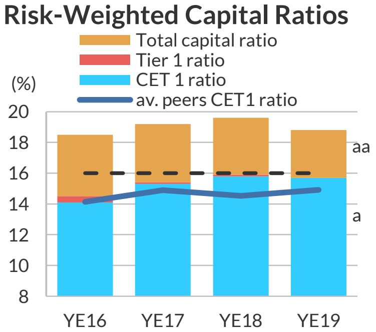
Source: Fitch Ratings, Banks

Operating Profit/ RWAs



Source: Fitch Ratings, Banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, Banks

Sovereign Support Assessment

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A or A-
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)	✓		
Sovereign propensity to support system			
Resolution legislation w ith senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ow nership		✓	
Specifics of bank failure		✓	

No Reliance on Sovereign Support

GBPCE's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that although possible, sovereign support cannot be relied upon. Legislative, regulatory and policy initiatives, including the implementation of the EU's Bank Recovery and Resolution Directive, have substantially reduced the likelihood of sovereign support for EU commercial banks in general. This implies that senior creditors would probably be required to participate in losses, if necessary, instead of, or ahead of, the bank receiving sovereign support, despite GBPCE's systemic importance.

Environmental, Social and Governance Considerations

FitchRatings **Groupe BPCE**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Groupe BPCE has 5 ESG potential rating drivers

- Groupe BPCE 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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

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	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

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

GBPCE's 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.

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.