FitchRatings

Groupe BPCE

Key Rating Drivers

Strong, Diversified Company Profile: Groupe BPCE's (GBPCE) ratings reflect its strong franchise and diversified business model, strong regulatory capitalisation metrics and a focus on generally low-risk business. Asset quality and profitability are relative rating weaknesses compared with other 'A+' rated peers and Fitch Ratings expects increased pressure on both factors in the near term as a result of the economic fallout from the coronavirus pandemic.

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 domestic player in retail and commercial banking. GBPCE has a universal bancassurance business model. Its partially listed subsidiary Natixis is a niche player in corporate and investment banking (CIB), but is a significant global player in asset management through its 24 affiliates (including H2O Asset Management).

Strong Capitalisation: GBPCE's common equity Tier 1 (CET1) ratio is a key rating strength. GBPCE has established a long record of maintaining its capital metrics well above regulatory requirements, and we expect the CET1 ratio (15.9% at end-September 2020) to remain in line with the group's target of at least 15.5% at end-2020.

Downside Asset Quality Risk: GBPCE's impaired loan ratio is broadly in line with other French cooperative banks', at just above 3%. The stock of Stage 3 loans has moderately increased year-to-date as extensive government support schemes in France have provided relief to many private sector borrowers. However, we expect GBPCE's asset quality to deteriorate in the next 18 months, but not materially higher than a Stage 3 loans ratio of 4% by end-2021.

Profitability Under Pressure: We expect GBPCE's profitability to be weaker than previously anticipated, at least until end-2021. We expect the bank will only return to an operating profit/risk-weighted assets (RWAs) ratio closer to 1.5% during 2022 on renewed revenue growth, realised cost savings and normalising loan impairment charges (LICs). To reach profitability levels more in line with that of similarly rated peers, further cost savings while continuing to grow its revenue organically are important.

Diversified Funding Sources: GBPCE benefits from the strong deposit franchise of its regional banks in France, but only about half of total funding consists of deposits as its two largest subsidiaries (Natixis and CFF) are mostly wholesale-funded. GBPCE's market funding is diversified by instrument, currency and investor base.

Rating Sensitivities

Negative Outlook: The Negative Outlook on GBPCE's Long-Term Issuer Default Rating (IDR) reflects downside risks to the group's financial profile. A slowdown in, or material delays to, the economic recovery in France would exacerbate these downside risks.

Weaker Profitability and Asset Quality: We would likely downgrade GBPCE's ratings if its asset quality deteriorates faster than expected, meaning that the impaired loans ratio would remain above 4% for an extended period, or in the case of setbacks to our expectation of an improved operating profit/RWAs to levels close to 1.5% by 2022. In such an event, we would also consider whether GBPCE's CET1 ratio remained commensurate with its credit risk profile.

Ratings

Groupe BPCE	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Support Rating	5
Support Rating Floor	No Floor
Sovereign Risk	
Long-Term Foreign-and Local-Currency IDR	AA
Long-Term Local-Currency IDR Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign- and Local-Currency IDRs	Negative

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Large French Banks:1H20 Results (September 2020)
Large European Banks Quarterly Credit Tracker - 2Q20 (September 2020)
French Banks' Structured Equity Derivative Losses Highlight Earnings Risks
Economics Dashboard: Global GDP Forecast Update (November 2020)

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Related Issuer Ratings

BPCE S.A.	Rating
Long-Term IDR	A+
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)
Natixis S.A.	
Long-Term IDR	A+
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)
Credit Foncier de France S.A.	
Long-Term IDR	A+
Short-Term IDR	F1
Banque Palatine S.A.	
Long-Term IDR	A+
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+/F1
Senior non-preferred	A
Subordinated Tier 2	A-
Natixis S.A.	
Senior preferred	A+/F1
Subordinated Tier 2	A-
Credit Foncier de France S.A.	
Senior preferred	A+/F1
Banque Palatine S.A.	
Senior preferred	A+/F1
Credit Cooperatif [a]	
Senior preferred	A+/F1

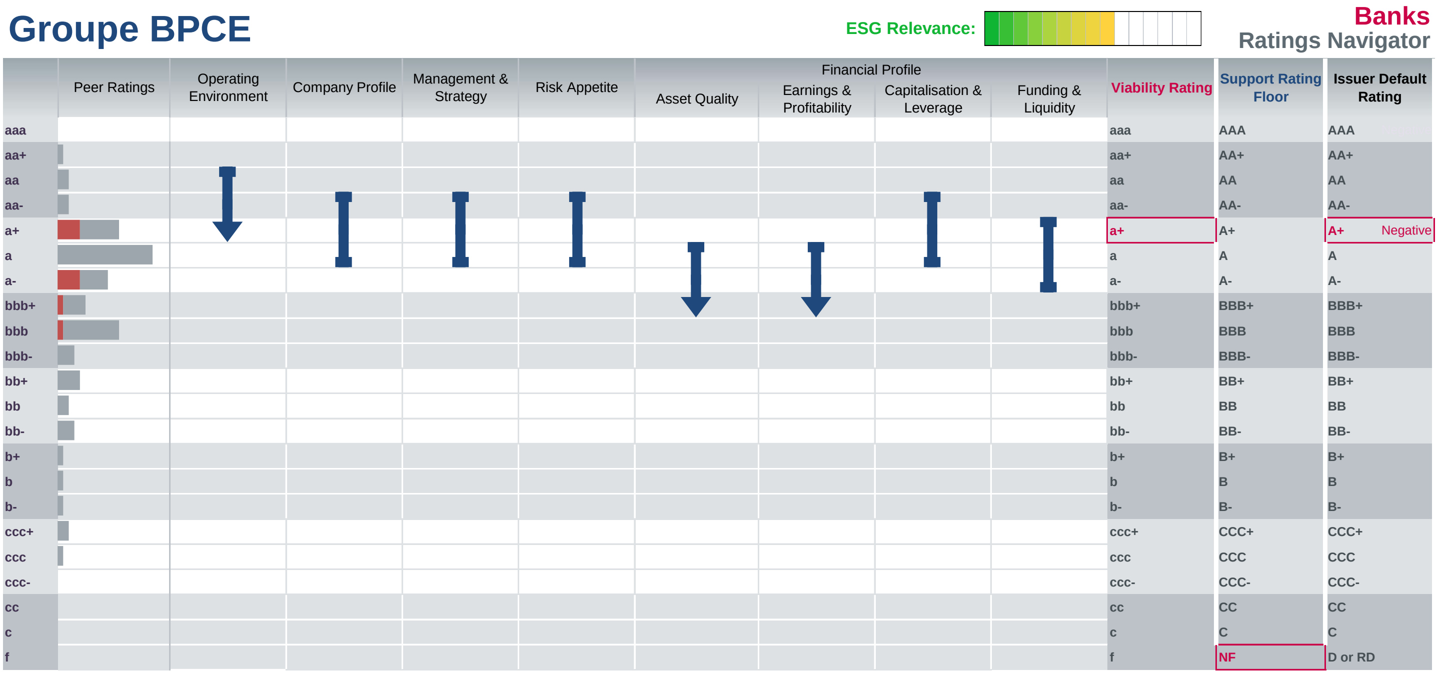
[a] Credit Cooperatif is a Banque Populaire
Source: Fitch Ratings

Fitch rates the senior preferred debt of GBPCE's group entities in line with their IDRs (A+/Negative/F1). This is because GBPCE is expected to use senior preferred debt to meet its minimum requirement for own funds and eligible liabilities (MREL) over the medium term, and buffers of subordinated and senior non-preferred debt are unlikely to exceed 10% of RWAs on a sustainable basis.

Senior non-preferred notes issued by BPCE S.A. are rated 'A' or one notch below the central body's Long-Term IDR. This is to reflect the risk of below-average recoveries on these instruments in a resolution scenario.

BPCE S.A.'s and Natixis's subordinated Tier 2 debt ratings are rated two notches below GBPCE's Viability Rating (VR) 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.

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 pandemic and material downward revisions in our GDP forecasts for France and the eurozone.

Fitch forecasts a GDP fall of about 10.2% in France and 9% in the eurozone in 2020 as a result of lockdown measures, followed by a sharp recovery of 4.5% and 5.5% respectively, in 2021. Although we have seen some signs of improvement as illustrated by a strong growth in 3Q20 (+18% quarter-on-quarter), risks remain on the downside, especially due to the new lockdown measures from end-October, which increase uncertainties on the path to economic recovery in 2021. Government support for the private sector has been strong in France, and continues throughout the second lockdown, which has mitigated French banks' asset quality deterioration in 2020.

Strategic Changes, Risk Reduction at Natixis

The poor 2020 performance of Natixis has triggered a review of the equity derivatives (EQD) business and a willingness from management to reduce volatility and risks, notably through the exit of shale oil and gas. Natixis also reduced its trade finance exposure by 35% over 9M20.

Natixis will refocus its EQD activity on key CIB clients and on the group's French retail networks, and will reduce the complexity of products. This will decrease the annual revenue run rate of the equity business to EUR300 million (from around EUR400 million). Natixis also announced another EUR350 million of recurring cost savings (about 2% of 2019 total group operating expenses) to be realised by 2024.

Expected Divestment of H2O AM

GBPCE no longer views the controversial affiliated asset manager H2O AM as a strategic asset. Natixis is launching discussions on the possible and orderly unwinding of this partnership, which completion is aimed by end-2021, subject to a credible exit path and regulatory approvals.

We expect that the unwinding of the H2O AM partnership, if executed according to Natixis's plans, will have a limited financial impact while reducing reputational risks for GBPCE over the medium term.

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 ranks as second-largest domestic player in retail and commercial banking with strong market shares of about 21% for loans and 22% for deposits and savings. The two large branch networks of the BPs and CEPs are in direct competition but have complementary strengths. The BPs have a relevant franchise with small businesses and SMEs, while the CEPs have historically focused more on individual 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.

Natixis Investment Managers is among the top 20 global asset managers by assets under management (EUR1,060 billion at end-September 2020 pro forma the merger of Ostrum Asset Management with La Banque Postale Asset Management). It ranks among the top 10 by revenue due to a focus on higher-margin active fund management.

The CIB activities carried out by Natixis 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 small and were around 70/30 split between fixed income and equity before the announcement of the restructuring of the EQD business.

Consistent Strategic Execution

GBPCE's senior management has a high degree of depth, credibility and experience, and has successfully reshaped the group since its creation in 2009. The group's strategy is to expand its market positions primarily through organic growth and revenue synergies from cross-selling between group entities. Natixis has recently faced execution challenges. We expect these issues, which are mainly concentrated in the EQD business and in some lending segments, to be dealt with in line with recent strategic announcements.

As a cooperative group, GBPCE is exposed to a limited level of short-term return pressure, but its management is subject to some market scrutiny as Natixis is listed. There are frequent transfers of senior staff among group entities as recently seen with the prompt replacement of Natixis' former CEO who had unexpectedly left due to disagreements regarding strategic options for Natixis' upcoming plan.

Conservative Risk Appetite

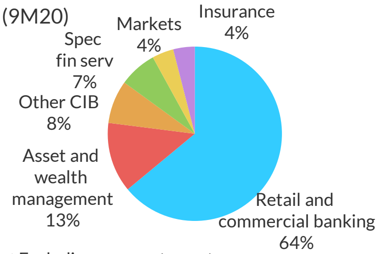
GBPCE's low risk appetite reflects the group's cooperative nature, its focus on France, limited exposure to consumer finance and the absence of retail and commercial banking activities in peripheral European countries. GBPCE is mainly exposed to credit risk. Risk controls are centralised and continue to improve.

Housing loans are conservatively underwritten. Origination is based on borrowers' repayment capacity, in line with French 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' loan books have a significant proportion of loans to very low-risk local authorities and social housing companies.

Underwriting criteria for small businesses and corporates in France are average. Outside France, most of the lending business is conducted by Natixis and mainly relates to large corporates or asset financing, where risk appetite has recently tightened.

As per other French banks active in structured products, Natixis experienced material losses in 1H20 in equity derivatives. Fitch does not view these losses as evidence of material risk management deficiencies. They were mainly due to material reductions or the cancellation of already announced dividends from corporates and financial institutions (EUR273 million), higher costs in readjusting hedges in a volatile environment, and wider bid/ask spreads to value assets held against the guaranteed notional of structured products.

Revenue: Breakdown Per Business Line[a]
(9M20)



[a] Excluding corporate centre
Source: Fitch Ratings, GBPCE

Summary Financials and Key Ratios

	30 Jun 20		31 Dec 19	31 Dec 18	31 Dec 17
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Unaudited	Unaudited	Audited – unqualified (emphasis of matter)	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	4,944	4,415.0	8,830.0	8,760.0	10,489.0
Net fees and commissions	4,943	4,414.0	9,585.0	9,568.0	9,451.0
Other operating income	2,199	1,964.0	6,155.0	5,956.0	4,056.0
Total operating income	12,086	10,793.0	24,570.0	24,284.0	23,996.0
Operating costs	9,387	8,383.0	17,582.0	17,687.0	17,099.0
Pre-impairment operating profit	2,699	2,410.0	6,988.0	6,597.0	6,897.0
Loan and other impairment charges	1,662	1,484.0	1,367.0	1,299.0	1,384.0
Operating profit	1,037	926.0	5,621.0	5,298.0	5,513.0
Other non-operating items (net)	-271	-242.0	-83.0	-1.0	3.0
Tax	431	385.0	1,801.0	1,478.0	1,811.0
Net income	335	299.0	3,737.0	3,819.0	3,705.0
Other comprehensive income	-267	-238.0	809.0	-45.0	-564.0
Fitch comprehensive income	68	61.0	4,546.0	3,774.0	3,141.0
Summary balance sheet					
Assets					
Gross loans	818,380	730,827.0	699,501.0	663,380.0	654,438.0
- Of which impaired	25,453	22,730.0	20,926.0	21,433.0	22,918.0
Loan loss allowances	15,191	13,566.0	12,810.0	12,617.0	11,777.0
Net loans	803,189	717,261.0	686,691.0	650,763.0	642,661.0
Interbank	100,057	89,353.0	84,624.0	84,684.0	78,118.0
Derivatives	82,039	73,262.0	64,511.0	59,507.0	62,773.0
Other securities and earning assets	389,304	347,655.0	365,637.0	340,691.0	319,020.0
Total earning assets	1,374,589	1,227,531.0	1,201,463.0	1,135,645.0	1,102,572.0
Cash and due from banks	164,759	147,133.0	80,244.0	76,458.0	94,702.0
Other assets	65,764	58,728.0	56,357.0	61,823.0	62,576.0
Total assets	1,605,112	1,433,392.0	1,338,064.0	1,273,926.0	1,259,850.0
Liabilities					
Customer deposits	688,100	614,485.0	554,705.0	523,469.0	509,173.0
Interbank and other short-term funding	333,878	298,159.0	269,620.0	260,328.0	266,106.0
Other long-term funding	218,416	195,049.0	190,865.0	181,092.0	178,658.0
Trading liabilities and derivatives	97,424	87,001.0	81,836.0	81,591.0	89,752.0
Total funding	1,337,818	1,194,694.0	1,097,026.0	1,046,480.0	1,043,689.0
Other liabilities	181,929	162,466.0	163,394.0	153,706.0	144,639.0
Preference shares and hybrid capital	510	455.0	455.0	1,169.0	1,434.0
Total equity	84,855	75,777.0	77,189.0	72,571.0	70,088.0
Total liabilities and equity	1,605,112	1,433,392.0	1,338,064.0	1,273,926.0	1,259,850.0
Exchange rate		USD1 = EUR0.893017	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, Groupe BPCE

Summary Financials and Key Ratios

	30 Jun 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.4	1.3	1.4	1.4
Net interest income/average earning assets	0.7	0.8	0.8	1.0
Non-interest expense/gross revenue	78.2	72.3	73.7	72.1
Net income/average equity	0.8	5.0	5.4	5.4
Asset quality				
Impaired loans ratio	3.1	3.0	3.2	3.5
Growth in gross loans	4.5	5.4	1.4	3.2
Loan loss allowances/impaired loans	59.7	61.2	58.9	51.4
Loan impairment charges/average gross loans	0.4	0.2	0.2	0.2
Capitalisation				
Common equity Tier 1 ratio	15.4	15.7	15.8	15.3
Fully loaded common equity Tier 1 ratio	15.4	15.7	15.9	15.4
Tangible common equity/tangible assets	4.8	5.3	5.2	5.1
Basel leverage ratio	4.9	5.3	5.3	5.1
Net impaired loans/common equity Tier 1	13.8	12.3	14.2	18.9
Funding and liquidity				
Loans/customer deposits	118.9	126.1	126.7	128.5
Liquidity coverage ratio	156.0	141.0	129.7	n.a.
Customer deposits/funding	54.6	53.6	53.0	51.8

Note: Average monthly LCR in 2Q20 for data at end-June 2020 and average monthly LCRs for 2019 and 2018.
Source: Fitch Ratings, Fitch Solutions, Groupe BPCE

Key Financial Metrics – Latest Developments

Loan Quality to Deteriorate in 2021

GBPCE's impaired loan ratio showed resilience through the cycle as it reached a moderate peak of 4.1% at end-2013, before gradually declining to about 3%. The stock of Stage 3 loans increased by about EUR2 billion in 9M20 (+10%), mainly coming from Natixis' loan portfolio. GBPCE has significant exposure to industries highly affected by the lockdown measures and resulting economic recession and this has resulted in materially higher LICs in 2020.

The group has exposure (below 10% of group exposure) to sectors such as aviation (EUR4.4 billion net EAD), tourism/hotels/catering (EUR13.8 billion of gross exposure), wholesale and non-food retail trade (EUR16.2 billion), automobile distribution (EUR9.8 billion) and oil and gas (EUR10 billion net EAD). About 25% of the oil and gas exposure is sensitive to oil price trends.

We expect that lending to small businesses and to SMEs (about 20% of consolidated loans to customers) will be more vulnerable than other parts of GBPCE's loan book in the downturn, and show signs of manageable deterioration by 2021, when government support measures gradually start to be phased out.

Residential home loans and exposure to local authorities (about 55% of customer loans) have performed well, and we do not expect a material weakening, despite a rising unemployment rate in France. Most borrowers in stable employment to which banks traditionally lend have seen their remuneration broadly maintained since March, which is supportive for asset quality.

Profitability Under Pressure

GBPCE's structural profitability has been stable but moderate (10-year average operating profit/RWAs of about 1.4%), partly reflecting a low risk appetite and limited market pressure on profitability given the group's cooperative structure, but also lower cost efficiency than peers. Profitability materially decreased in 9M20 mainly due to higher LICs and losses in the EQD business and we expect profitability to remain under pressure in 2021.

The development of insurance and asset management supports a significant share of revenue coming from non-interest income (generally about 65% of total revenue), which make GBPCE less vulnerable to the low interest rate environment than some European cooperative peers.

GBPCE's cost/income ratio remains structurally high compared with peers (above 70%), despite a decline in costs in 2019 and 9M20, which was not large enough to offset lower revenue in 2020. This is partly a consequence of GBPCE's business model as 30% of operating revenue come from businesses (CIB and asset management) which generally have high cost/income ratios. But it also results from a less streamlined structure than some peers', driven by the co-existence of two retail banking networks.

Solid Capitalisation

At end-September 2020, the CET1 ratio was strong at 15.9%, and increased 50bp qoq mainly on lower RWAs and CET1 deductions. GBPCE had close to 660bp of excess capital above its CET1, and about 540bp above the total capital Supervisory Requirement and Evaluation Process requirements, one of the largest buffers among large European banks.

The group's capitalisation is supported by a contained dividend pay-out ratio and regular issuance of cooperative member shares in the retail networks. GBPCE's regulatory leverage ratio was satisfactory at 5.5% at end-September 2020, including the benefit from the temporary exclusion of eurosystem exposures.

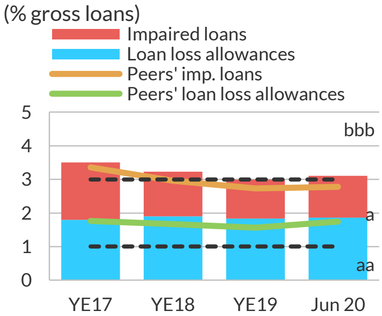
Diversified Funding Sources

The loans/customer deposits ratio has slightly improved in 2020, but remains higher than most French peers' at about 119% at end-June 2020. GBPCE's higher reliance on short-term funding than similarly rated peers is mitigated by its well-established access to market funding, which is diversified by instrument, currency and investors.

GBPCE's liquidity management is adequate. GBPCE has an ample liquidity buffer (EUR331 billion at end-September 2020), which covers wholesale and interbank funding maturing over the next 12 months. High-quality liquid assets amounted to about 17% of total assets excluding insurance assets.

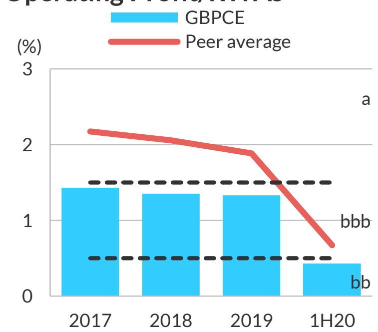
Note on Charts
Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category like France.
Peer average includes GBPCE (VR: a+), BNP Paribas S.A. (a+), Credit Agricole (a+), Credit Mutuel Alliance Federale (a+), Societe Generale S.A. (a-), Cooperatieve Rabobank U.A. (a+), ING Groep N.V. (a+), Lloyds Banking Group plc (a), Nordea Bank Abp (aa-).

Asset Quality



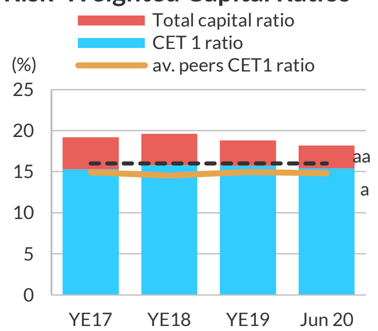
Source: Fitch Ratings, banks

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 with 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		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

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 Priniciples 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.