FitchRatings

Groupe BPCE

Ratings

Foreign Currency

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 IDRs	AA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Foreign- and Local Currency IDRs	Negative

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Fitch Affirms Groupe BPCE at 'A+'; Negative Outlook (October 2021)

Large European Banks Quarterly Credit Tracker (September 2021)

Global Economic Outlook (September 2021)

Large French Banks: Recovery Gains Momentum (September 2021)

Key Rating Drivers

Strong, Diversified Company Profile: Groupe BPCE's (GBPCE) ratings reflect a strong franchise and diversified business model, strong capitalisation and a focus on generally low-risk businesses. The ratings also reflect asset quality and profitability that are weaker than at most 'A+' rated peers. They further factor in Fitch Ratings' expectation that one-off transformation costs related to the group's 2021-2024 strategic plan and weaker cost-efficiency than at many peers will put pressure on GBPCE's profitability in the short term.

Cooperative Structure: GBPCE is a cooperative banking group bound by a mutual-support mechanism comprising its 14 Banques Populaires (BPs), 15 Caisses d'Epargne et de Prevoyance (CEPs), its central body BPCE S.A., and many affiliates, the largest of which are Natixis, Credit Foncier de France (CFF) and Banque Palatine. The group publishes consolidated accounts and affiliated entities share a common strategy and central risk management functions. Fitch consequently has the same Issuer Default Ratings (IDRs) for all these entities.

Large French Banking Group: GBPCE mainly operates in France, where it is the second-largest domestic retail and commercial bank. The group primarily operates through the two large networks of the BPs and the CEPs and has a universal bancassurance business model. Its subsidiary Natixis is a niche corporate and investment bank (CIB), but has significant global asset management operations.

Strong Capitalisation: Capitalisation is strong and underpins the group's ratings. The common equity Tier 1 (CET1) ratio was 15.8% at end-September 2021, a level already in line with the medium-term target of above 15.5%. GBPCE has established a long record of maintaining capital well above requirements and we expect further capital accretion over the medium term.

Moderate Risks to Asset Quality: GBPCE's impaired loans ratio is higher than that of similarly rated European banks, but broadly in line with other French cooperative banks following material improvements prior to the pandemic. The impaired loans ratio remained below 3% in 2021 and we expect a slight increase above 3% by end-2022. Fitch believes asset quality risks are mitigated by effective state-support measures to the private sector in France and GBPCE's adequate loan loss allowance coverage of impaired loans.

Downside Risks to Profitability: GBPCE's profitability has been stable but moderate relative to that of European peers, in part due to a low risk appetite but also weaker cost efficiency and tighter net interest margins. We expect a rebound in 2021-2022 to levels slightly above GBPCE's long-term average. However, we see material downside risks from potentially higher-than-expected loan impairment charges (LICs) and setbacks to GBPCE's revenue trajectory.

Diversified Funding Sources: GBPCE benefits from the strong deposit franchise of its regional banks in France. However, its loans/deposits ratio remains higher than that of large French peers, as Natixis and CFF, GBPCE's two largest subsidiaries, are mostly wholesale-funded. GBPCE's market funding is diversified by instrument, currency and investor base.

Rating Sensitivities

Weaker Profitability and Asset Quality: We would likely downgrade GBPCE if we no longer saw a medium-term path for the group to improve its operating profit/risk-weighted assets (RWAs) to close to 1.5%. The ratings would also come under pressure if we expected the impaired loans ratio to rise above 4%.

Sustained Improvements in Earnings: The Outlook on the Long-Term IDR could be revised to Stable in the event of sustained improvements in earnings metrics indicating GBPCE is able to deliver an operating profit/RWAs of close to 1.5%.

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Related Issuer Ratings

BPCE S.A.	Rating
Long- and Short-Term IDRs	A+/Negative/F1
Derivative Counterparty Rating	A+(dcr)
Natixis S.A.	
Long- and Short-Term IDRs	A+/Negative/F1
Derivative Counterparty Rating	A+(dcr)
Credit Foncier de France S.A.	
Long- and Short-Term IDRs	A+/Negative/F1
Banque Palatine S.A.	
Long- and Short-Term IDRs	A+/Negative/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 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+
Banque Palatine S.A.	
Senior preferred	A+/F1
Credit Cooperatif[a]	
Senior preferred	A+/F1

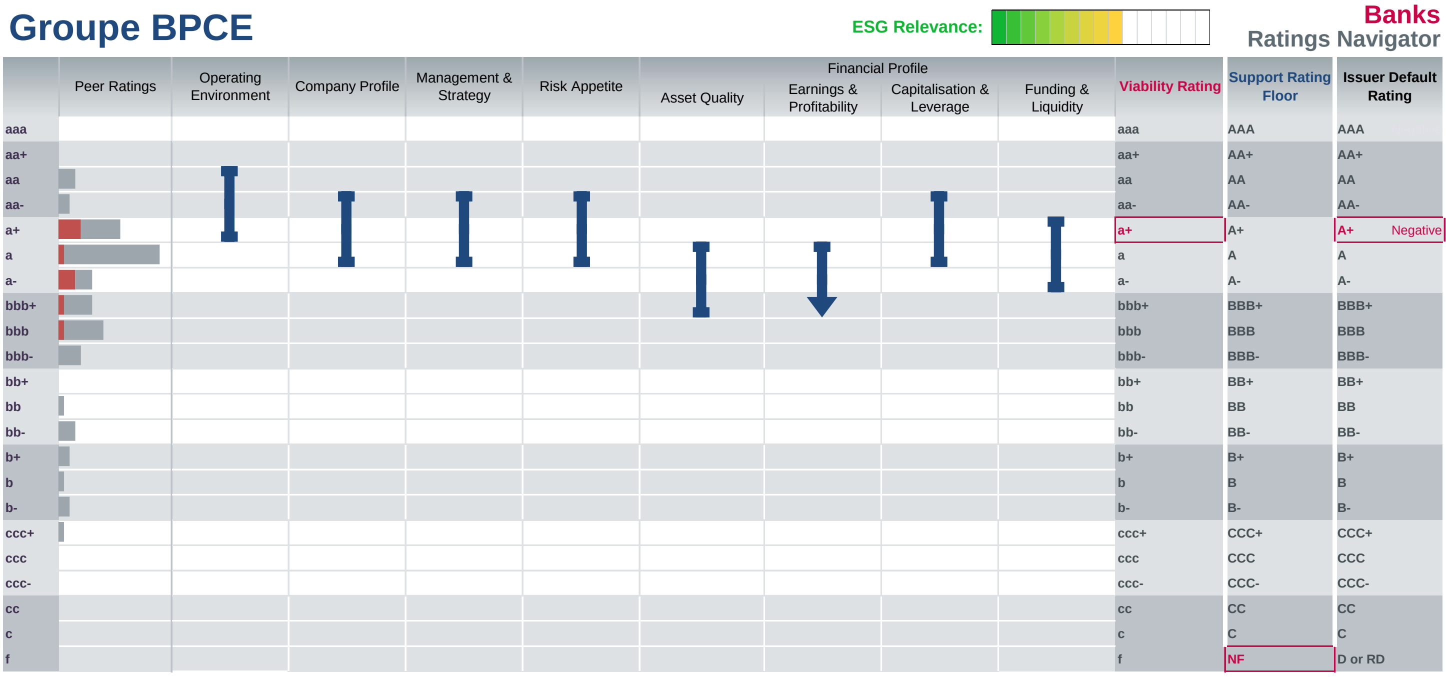
[a] Credit Cooperatif is a Banque Populaire
Source: Fitch Ratings

Fitch rates the senior preferred debt of GBPCE's group entities in line with their IDRs. 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 sustained 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.

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 a default or non-performance by the bank.

Ratings Navigator



Significant Changes

2024 Strategic Plan to Focus on Profitability Improvements and Simplification

We welcome GBPCE's objectives to improve its profitability, which remains a rating weakness compared with peers. However, achieving these targets will rely more on the bank's ability to increase its revenue base and maintain a fairly benign level of LICs, than on a strong reduction of its rigid cost base, making execution potentially more difficult than at peer institutions.

The new plan targets a relatively strong revenue growth including through further development in non-life insurance, consumer finance and in the segment of medium-sized enterprises in France. Natixis' development plan also includes increasing geographic and sector diversification in CIB, and asset and wealth management, which we expect will lower revenue volatility if executed within a tighter risk appetite framework than in the past.

GBPCE is committed to maintaining a CET1 ratio at a high level (above 15.5%), in line with the previous target, while maintaining a EUR8 billion management buffer above the target. We estimate that this could result in a CET1 ratio close to 17% by end-2024. We therefore expect capitalisation to remain a clear rating strength. Part of the buffer could be opportunistically spent on bolt-on acquisitions in asset management, consumer finance or leasing.

We view positively the cost/income ratio target of below 65%, as it is in line with levels already seen at other large European banks. However, this target looks ambitious given GBPCE's four-year average cost/income ratio of 73% as estimated by Fitch. The improvement in this ratio is to be largely achieved through an increase in revenue, although the plan includes EUR800 million of annual cost savings to be achieved by 2024.

Fitch views as moderately positive the recent organisational structure changes at GBPCE. GBPCE finalised Natixis' delisting in July 2021. The insurance and payment divisions, currently held by Natixis, will be transferred to BPCE S.A., strengthening the group's centralisation. GBPCE also recently announced it will sell to La Banque Postale S.A. (LBP) the 16.1% minority stake it owns in CNP Assurances SA and is in negotiation to acquire LBP's minority interests in two asset management joint-ventures. The sale is expected to lead to a moderately positive impact on GBPCE's capital ratios while being broadly neutral for profitability.

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

Main Financial Targets

	9M21 or end-Sep. 21[a]	2024 target
Operating income	EUR25.0bn	~EUR25.5bn
Cost/ income ratio (%)	68.9	<65
LICs/gross loans[b]	20bp	<25bp
Net income group share	EUR4.2bn	>EUR5bn
CET1 ratio[c] (%)	15.8	>15.5
TLAC ratio (%)	23.3	>23.5

[a] Annualised as appropriate
[b] As estimated by GBPCE
[c] Does not include the +17bp expected net impact from the sale of the stake in CNP Assurances SA and the acquisition of minority interests in Ostrum AM and AEW Europe
Source: Fitch Ratings, GBPCE

Company Summary and Key Qualitative Assessment Factors

Strong Domestic Franchise, Universal Bancassurance Model

GBPCE is France's fourth-largest banking group by assets but ranks as the second-largest domestic retail and commercial bank with strong market shares of about 22% for loans and for deposits and savings. The two large branch networks of the BPs and CEPs are in competition but have complementary strengths. The BPs have relevant franchises with small businesses and SMEs, while the CEPs have higher penetration of individual clients and public sector entities.

Market shares in insurance are still below the group's natural market shares but are growing steadily. GBPCE has been increasing cross-selling in life insurance and continues rolling out its non-life insurance product offering in its retail banking networks. We expect the simplification of the group's structure and the internal transfer of insurance activities from Natixis to BPCE S.A. will help improve cross-selling and synergies with the BPs and CEPs as outlined in GBPCE's updated medium-term strategic plan.

Natixis Investment Managers, which operates a fairly decentralised multi-affiliate model, is among the top 20 global asset managers by assets under management (EUR1.2 trillion at end-September 2021). It ranks among the top 10 by revenue due to a focus on higher-margin active fund management which compensates for its low-margin, but stable, life insurance mandates.

The CIB activities carried out by Natixis are predominantly in Europe, with a selective expansion 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, but is a second tier player in major debt issuance league tables. Capital markets-related activities make only a small contribution to group earnings. Natixis is developing a small multi-boutique financial advisory franchise.

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. The updated plan also prioritises cost efficiency measures.

As a cooperative group, GBPCE is exposed to a limited level of short-term return pressure. We think the recent de-listing of Natixis will improve the management's focus and simplifies the group's organisational structure while strengthening cohesiveness. We also believe the reorganisation will help better align each business line's strategy with that of the broader group and ultimately with that of the regional banks.

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. Fitch believes risk controls and culture will gradually benefit from Natixis' de-listing.

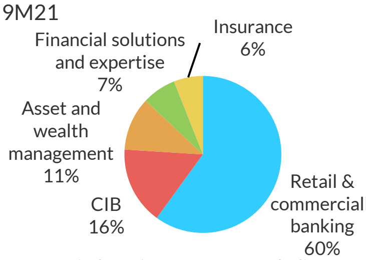
Housing loans are conservatively underwritten and represent a material share of GBPCE's loan portfolio. Origination is based on borrowers' repayment capacity, in line with French peers, and loans generally have a fixed rate over their term and are fully amortising. Consumer finance loans are mainly offered to existing clients and present limited risk, although GBPCE has ambitions to grow in this segment in the next few years. The CEPs' loan books have a significant proportion of loans to very low-risk local authorities and social housing companies, which we believe is supportive of asset quality.

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.

GBPCE has an overall modest appetite for traded market risks and we do not expect the loss experience in equity derivatives and structured products in 2018 and 2020 to recur given the reduced complexity and the repositioning of this business since 2020.

Pre-Tax Profit Split by Business

9M21



Source: Fitch Ratings, GBPCE; excluding corporate centre

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)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified(emphasis of matter)	Audited - unqualified
Summary income statement					
Net interest and dividend income	5,919	4,981.0	9,308.0	8,830.0	8,760.0
Net fees and commissions	5,653	4,757.0	9,187.0	9,585.0	9,568.0
Other operating income	3,414	2,873.0	4,225.0	6,155.0	5,956.0
Total operating income	14,987	12,611.0	22,720.0	24,570.0	24,284.0
Operating costs	10,465	8,806.0	16,644.0	17,582.0	17,687.0
Pre-impairment operating profit	4,522	3,805.0	6,076.0	6,988.0	6,597.0
Loan and other impairment charges	977	822.0	2,998.0	1,367.0	1,299.0
Operating profit	3,545	2,983.0	3,078.0	5,621.0	5,298.0
Other non-operating items (net)	-13	-11.0	-289.0	-83.0	-1.0
Tax	1,093	920.0	1,045.0	1,801.0	1,478.0
Net income	2,439	2,052.0	1,744.0	3,737.0	3,819.0
Other comprehensive income	519	437.0	-144.0	809.0	-45.0
Fitch comprehensive income	2,958	2,489.0	1,600.0	4,546.0	3,774.0
Summary balance sheet					
Assets					
Gross loans	911,210	766,754.0	753,446.0	699,501.0	663,380.0
- Of which impaired	26,609	22,391.0	21,479.0	21,552.0	21,433.0
Loan loss allowances	16,187	13,621.0	13,538.0	12,810.0	12,617.0
Net loans	895,023	753,133.0	739,908.0	686,691.0	650,763.0
Interbank	115,044	96,806.0	87,863.0	84,624.0	84,684.0
Derivatives	63,686	53,590.0	58,782.0	64,511.0	59,507.0
Other securities and earning assets	417,451	351,272.0	356,027.0	365,637.0	340,691.0
Total earning assets	1,491,205	1,254,801.0	1,242,580.0	1,201,463.0	1,135,645.0
Cash and due from banks	179,877	151,361.0	153,403.0	80,244.0	76,458.0
Other assets	55,003	46,283.0	50,286.0	56,357.0	61,823.0
Total assets	1,726,085	1,452,445.0	1,446,269.0	1,338,064.0	1,273,926.0
Liabilities					
Customer deposits	766,412	644,911.0	625,732.0	554,705.0	523,469.0
Interbank and other short-term funding	357,715	301,006.0	313,799.0	269,620.0	260,328.0
Other long-term funding	232,301	195,474.0	191,635.0	190,865.0	181,092.0
Trading liabilities and derivatives	80,436	67,684.0	75,255.0	81,836.0	81,591.0
Total funding	1,436,864	1,209,075.0	1,206,421.0	1,097,026.0	1,046,480.0
Other liabilities	197,445	166,144.0	161,133.0	163,394.0	153,706.0
Preference shares and hybrid capital	541	455.0	455.0	455.0	1,169.0
Total equity	91,235	76,771.0	78,260.0	77,189.0	72,571.0
Total liabilities and equity	1,726,085	1,452,445.0	1,446,269.0	1,338,064.0	1,273,926.0
Exchange rate		USD1 = EUR0.841468	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057

Source: Fitch Ratings, Fitch Solutions, GBPCE

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	1.4	0.7	1.3	1.4
Net interest income/average earning assets	0.8	0.8	0.8	0.8
Non-interest expense/gross revenue	70.7	73.8	72.3	73.7
Net income/average equity	5.3	2.3	5.0	5.4
Asset quality				
Impaired loans ratio	2.9	2.9	3.1	3.2
Growth in gross loans	1.8	7.7	5.4	1.4
Loan loss allowances/impaired loans	60.8	63.0	59.4	58.9
Loan impairment charges/average gross loans	0.2	0.4	0.2	0.2
Capitalisation				
Common equity Tier 1 ratio	15.6	16.0	15.7	15.8
Fully loaded common equity Tier 1 ratio	15.6	16.0	15.7	15.9
Tangible common equity/tangible assets	4.8	4.9	5.3	5.2
Basel leverage ratio	5.7	5.6	5.3	5.3
Net impaired loans/common equity Tier 1	12.8	11.5	13.3	14.2
Funding and liquidity				
Loans/customer deposits	118.9	120.4	126.1	126.7
Liquidity coverage ratio	164.0	156.0	141.0	n.a.
Customer deposits/funding	55.5	54.2	53.6	53.0

Source: Fitch Ratings, Fitch Solutions, GBPCE

Key Financial Metrics – Latest Developments

Moderate Loan Quality Deterioration

We expect a moderate deterioration in GBPCE's asset quality in the next 18 months. GBPCE's Stage 2 loans estimated at 9% of gross loans at end-June 2021 are average and present moderate asset quality risks. GBPCE has some risk concentration to industries highly affected by the lockdown measures and resulting economic recession in 2020. These exposures include sectors such as tourism, hotels and catering (EUR15.7 billion of gross exposure at end-September 2021), wholesale and non-food retail trade (EUR16.6 billion) and automotive (EUR10.5 billion) altogether representing about 3% of group exposures. However, more than 20% of these exposures are state-guaranteed loans, on which expected credit losses are limited. Oil and gas exposures are significant but are suffering less owing to the rapid rise in commodity prices.

Lending to professionals and to SMEs (about 8% of gross exposures at end-September 2021) will be more vulnerable than other parts of GBPCE's loan book in a downturn and could show signs of manageable deterioration by end-2022. In contrast, French home loans and exposure to local authorities and central administrations (about 35% of gross exposures at end-September 2021) have traditionally performed well through the cycle, and we do not expect a material weakening. We also expect GBPCE to continue with its proactive management of the stock of impaired loans and avoid significant deterioration in asset quality metrics.

Downside Risks to Profitability

GBPCE's operating profitability has been stable but moderate relative to European peers (with a 10-year average operating profit/RWAs of about 1.3%). The development of insurance and asset management businesses supports a significant share of revenue coming from non-interest income, which makes GBPCE less vulnerable to the prolonged period of low interest rates than some other European cooperative banking groups.

We expect GPBCE's operating profitability will rebound in 2021-2022 to levels slightly above its long-term average and reach an operating profit/RWAs just below 1.5% (0.7% in 2020). The group's 9M21 performance was in line with these expectations and benefited from strong revenue growth in retail banking, asset management and in all CIB activities, including in the equities business, which recovered from the large losses incurred last year.

Although 9M21 performance puts GBPCE on track with its 2024 targets, we see potential downside risks from higher-than-expected LICs, which we expect to remain in the region of 20bp-30bp of gross loans over 2021-2022. Setbacks to GBPCE's ambitious medium-term revenue trajectory could undermine profitability if the group fails to deliver on cost savings.

GBPCE's cost/income ratio is weaker than that of peers (estimated by Fitch at about 69% in 9M21), partly because of the relatively large CIB and asset management units, which generally have high cost/income ratios. It also results from a group structure that is less streamlined than at some peers, driven by the co-existence of two retail banking networks.

Solid Capitalisation

With a CET1 ratio of 15.8% (and about 16% pro forma of the expected transactions with LBP) at end-September 2021, GBPCE had 649bp of excess capital above its CET1 capital requirement, one of the largest buffers among large European banks. Capitalisation is supported by low shareholder distributions and regular issuance of cooperative-member shares. The regulatory leverage ratio was satisfactory at 5.8% at end-September 2021, including 73bp of temporary benefit from the exclusion of central bank reserves.

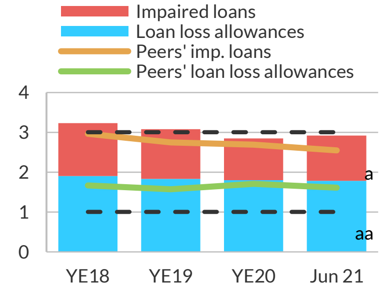
Diversified Funding Sources

The loans/customer deposits ratio has slightly improved, but remains higher than that of most French peers at about 119% at end-June 2021. GBPCE's reliance on wholesale funding, which is higher than that of some similarly-rated French peers, is mitigated by its well-established access to market funding. GBPCE's liquidity management is adequate. GBPCE maintains a comfortable liquidity buffer, which covers wholesale, net repo and interbank funding maturing over the next 12 months. High-quality liquid assets amounted to an adequate 15% of total assets, excluding insurance.

Note on Charts:

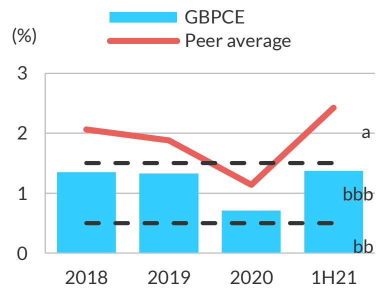
Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in 'aa' category environments.
Peer average includes GBPCE (VR: a+), BNP Paribas S.A. (a+), Credit Agricole (a+), Credit Mutuel Alliance Federale (a+), Societe Generale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

Asset Quality
(% gross loans)



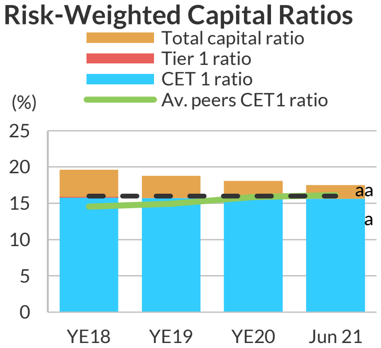
Source: Fitch Ratings, banks

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 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		✓	

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 on. 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. 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.