FitchRatings

Pacific LifeCorp

Key Rating Drivers

Favorable Company Profile: Pacific LifeCorp (PLC) is one of the leading providers of individual life insurance and retirement savings products in the U.S. The company maintains a strong competitive position within the affluent market and benefits from an extensive distribution network. PLC continues to make meaningful progress in diversifying its revenues and earnings away from legacy variable annuities (VAs) and has seen material growth its global life reinsurance and institutional products over the last several years.

Very Strong Statutory Capital: Fitch Ratings views the capitalization of Pacific Life Insurance Company (PLIC), PLC's key operating subsidiary, as very strong based on its RBC ratio of 486% and a Prism score of 'Very Strong' at YE 2022. Despite the decline in the company's reported RBC ratio, PLIC's total adjusted capital (TAC) increased 3% in 2022 to $12.8 billion. PLC's financial leverage ratio increased modestly to 20% but remains in line with Fitch's rating expectations.

Strong Financial Performance: In 2022, Pacific Mutual Holding Company (PMHC) reported consolidated net income attributable to the company of $763 million, down from $1.102 billion in 2021. These results reflect continued strong investment performance, offset somewhat by higher interest rates and equity market volatility net of the company's hedging program and assumption and model changes.

Favorably, PLC has diversified and de-risked its product portfolio and strengthened its VA hedging program, which should diminish a potential capital impact from significant equity market deterioration.

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

Macroeconomic Environment: Sustained macroeconomic disruptions, including sustained equity market volatility, a further rapid rise in interest rates, and the potential for relatively short and mild recession, would have a negative, but modest, impact on PLC. However, Fitch does not expect a material impact to earnings or capital over the near term. While current levels of interest rates are expected to be a tailwind for the industry, a prolonged or severe downturn as a result, would likely be a negative for the industry and PLC.

Ratings

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

Financial Data

Pacific Mutual Holding Company

($ Mil.)	2021	2022
Total Assets	209,486	199,324
Shareholders' Equity	16,615	6,208
Net Income	1,102	763
Operating ROE (%)	7.7	7.3
Financial Leverage Ratio (%)	18	20

Note: Reported on a GAAP basis.
Source: Fitch Ratings, Pacific Mutual Holding Company

Applicable Criteria

Insurance Rating Criteria (July 2023)

Related Research

Global Insurance Mid-Year Outlook 2023 (June 2023)

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Rating Sensitivities

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

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

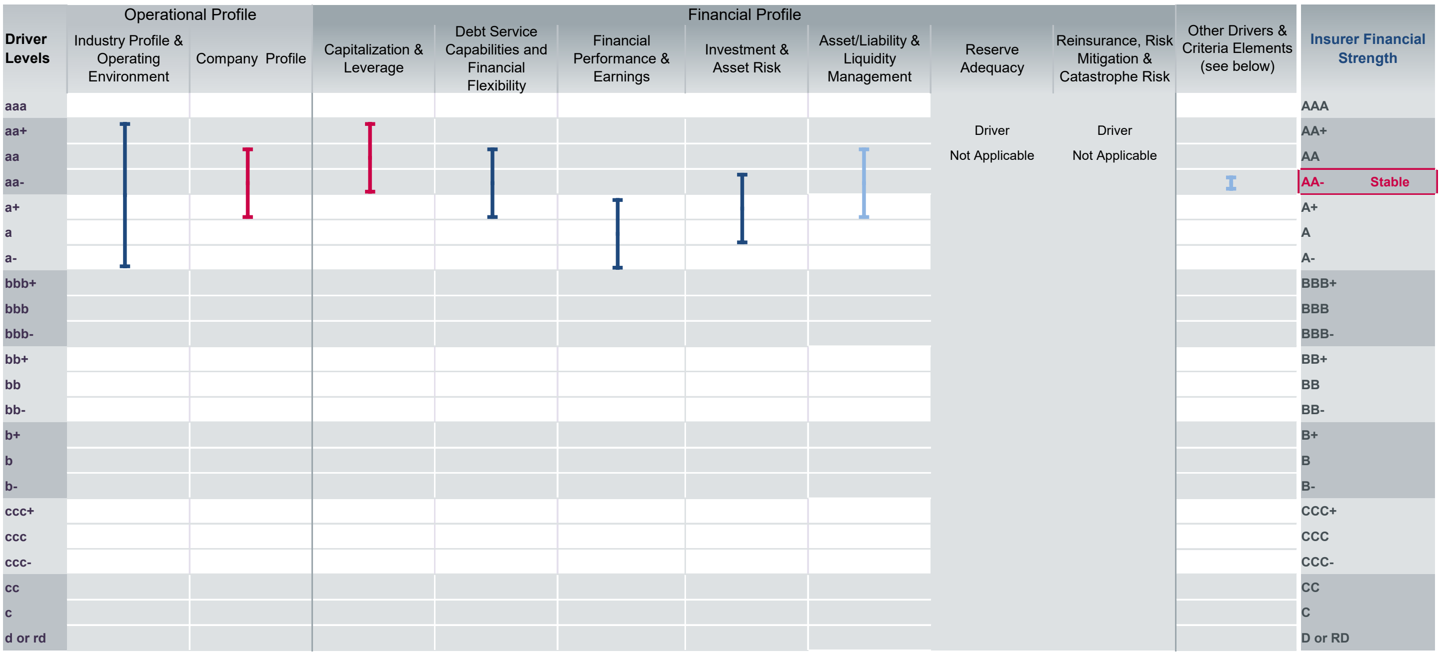
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

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

Latest Developments

In April 2023, PLC sold Pacific Asset Management LLC, which managed approximately $20 billion in assets, to Aristotle Capital Management, LLC, which rebranded the Pacific Asset Management LLC to Aristotle Pacific Capital, LLC.

Key Rating Drivers — Scoring Summary



Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				AA-
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength Rating			Final:	AA-
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	A+

Bar Chart Legend:	
Vertical Bars = Range of Rating Factor	Bar Arrows = Rating Factor Outlook
Bar Colors = Relative Importance	⇧ Positive
Higher Importance	⇩ Negative
Average Importance	⇳ Evolving
Lower Importance	◻ Stable

Company Profile

Favorable Business Profile

Overall, Fitch considers PLC's business profile to be favorable, and scores the company at the 'aa–' level. PLC is well-diversified, with substantial operating scale and is well positioned competitively, all attributes that Fitch views as favorable. These favorable attributes are partially offset by a moderate business risk profile, which Fitch believes has been modestly improving as the company continues to diversify and deemphasize more volatile liabilities.

PLC has a substantive business franchise with many competitive advantages. The company ranks among the 20 largest U.S. life insurers, measured in terms of admitted assets or surplus. Statutory admitted assets in 2022 totaled $187 billion and surplus exceeded $12 billion. PLC is a top 10 U.S. annuity writer, remaining in the top 10 for VAs and fixed annuities (FAs) through the first six months of 2023. PLC is also a top 10 writer of individual life insurance. The company has a solid competitive position in the affluent and emerging affluent markets, and is establishing a presence in the middle market.

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

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

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

Moderate/Favorable Corporate Governance and Management

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

Company Profile Scoring Summary

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

Source: Fitch Ratings

Ownership

Neutral to Rating

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

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

Capitalization and Leverage

Capitalization and Leverage Remain Very Strong

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

The statutory capitalization of PLC's insurance subsidiaries exceeds expectations for the rating level. As of Dec. 31, 2022, the company reported TAC of $12.8 billion, representing a four-year CAGR of 4.8%. This was primarily driven by improved operating results offset somewhat by realized investment losses in 2022. The company's Prism capital model score was 'Very Strong' based on YE 2022 data, which is consistent with companies rated in the 'aa' category.

Fitch views PLC's financial leverage as consistent with rating expectations. In September 2022, PLC issued $750 million of senior unsecured notes with the proceeds going towards general corporate purposes, including redemption or repayment of certain of its outstanding indebtedness such as the 7.90% surplus notes due 2023. As of Dec. 31, 2022, the ratio of surplus notes to TAC was 9%, below Fitch's tolerance of 15%. As a result, the ratings on the surplus notes reflect standard notching.

PLC's total financing and commitments (TFC) ratio of 0.8x at YE 2022 was flat relative to 2021. PLC's TFC ratio declined substantially at YE 2019 following the sale of its aircraft leasing subsidiary Aviation Capital Group (ACG). The TFC ratio also includes $1.6 billion of financing instruments outstanding for Pacific Alliance Reinsurance Company of Vermont (PAR Vermont), and Pacific Baleine Reinsurance Company based on a review of YE 2022 statutory filings.

Financial Highlights

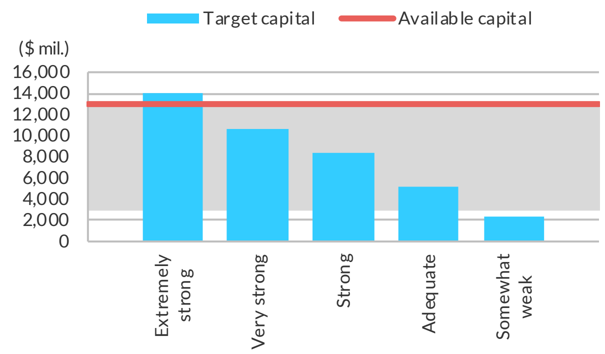
	2021	2022
Total Adjusted Capital ($ Mil.)	12,561	12,879
RBC (%)	586	486
Asset Leverage (x)	15	15
Operating Leverage (x)	8	9
Financial Leverage (%)	18	20

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

Fitch's Expectations

- Capital and leverage are expected to remain near current levels, although Fitch notes leverage may decline modestly following the maturity of $134 million of surplus notes in 2023.

2022 Prism Score — Pacific LifeCorp



(%)	2022
Prism Score	Very Strong
AC/TC at Prism Score	123
Target Capital Contributors	
Life Insurance	34
Annuity	65
Accident and Health	0
Portfolio Scaling Adjustment	8
Operational Risk	9
Diversification Benefit	-16

AC – Available capital. TC – Target capital. Note: Shaded area represents the high and low of AC due primarily to unrealized gain/loss on fixed-income securities.
Source: Fitch Ratings

Debt Service Capabilities and Financial Flexibility

Strong Coverage and Adequate Financial Flexibility

PLC's interest coverage is in line with expectations and the prior year. The company has adequate financial flexibility and limited refinancing risk. Backup liquidity is robust and spans several sources.

PLC's GAAP interest coverage was 11.3x at YE 2022 and is considered strong for the current rating level. Based on statutory dividend rules, PLIC's maximum dividend capacity to its parent without regulatory approval in 2023 is $1.1 billion, which Fitch considers to be a very strong source of debt-servicing capability. Additionally, PLC targets holding company cash levels equivalent to at least 2x interest expense, which Fitch views favorably.

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

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

PLIC maintains a $1 billion CP program, which is backed by the $1.0 billion credit facility. As of Dec. 31, 2022, there were no outstanding borrowings under either of these facilities. The insurance companies have access to funding from the Federal Home Loan Banks of Topeka and San Francisco.

Financial Highlights

($ Mil.)	2021	2022
Adjusted Interest Expense	145	122
GAAP Interest Coverage (x)	9.6	11.3
Maximum Statutory Dividend Capacity	769	769
Statutory Interest Coverage (x)	5.3	5.3

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

Financial Performance and Earnings

Stable Financial Performance

Fitch views PLC's earnings profile as strong, but somewhat muted, and in line with rating guidelines at the current level. In 2022, PMHC reported consolidated net income of $763 million, down from $1.102 billion in 2021, but reflecting continued strong investment performance, offset by somewhat by higher interest rates and equity market volatility net of the company's hedging program as well as assumption and model changes.

The company's earnings remain exposed to market volatility. However, business growth in less market-sensitive products and businesses and enhanced hedging strategies have reduced earnings volatility. Fitch expects earnings levels to be constrained by hedging costs, but will ultimately benefit from the current higher rate environment as new money rates exceed those of maturing assets. GAAP ROE is expected to remain in the 6%–8% range in the intermediate term.

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

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

Financial Highlights

($ Mil.)	2021	2022
GAAP Pretax Gain from Operations	1,244	1,256
GAAP Core Operating Income	983	992
GAAP Operating ROE	7.7	7.3
Statutory Return on TAC (%)	-6	9
GAAP Growth in Revenue Before Realized Gains (%)	20	0

TAC – Total adjusted capital
Source: Fitch Ratings, Pacific Mutual Holding Company, S&P Global Market Intelligence

Fitch Expectations

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

Investment and Asset Risk

Moderate Investment Risk

PLC has a generally high-quality corporate bond portfolio, and PLC's commercial mortgages and real estate investments continue to perform well despite continued pandemic-related volatility.

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

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

PLC's risky asset ratio has risen in recent years and now modestly exceeds the broader life insurance industry average, reflecting an increased allocation to Schedule BA assets, including private equity investments and hedge funds, and some migration within the company's commercial mortgage loan portfolio. The company's investment strategy largely reflects asset/liability management (ALM) considerations.

Financial Highlights

	2021	2022
Cash and Invested Assets ($ Mil.)	108,385	121,888
Below-Investment-Grade Bonds/TAC (%)	37	34
Risky Assets Ratio (%)	81	112
Investment Yield (%)	3.4	3.2
Average NAIC Rating on Bonds	1.7	1.6

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

Asset/Liability and Liquidity Management

Asset/Liability and Liquidity Management Are Very Strong

Fitch positively views PLC's strengthened VA hedging program, which should lessen the capital impact in a more severe equity downturn and has somewhat smoothed GAAP net income during recent market volatility. The company's fixed-indexed annuities hedge program utilizes both static and dynamic hedging.

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

Fitch views PLC's ALM practices to be strong. For 2022 cash flow testing, both insurance operating companies passed all "New York 7" interest rate scenarios, and PLC's net duration mismatch in aggregate remained within its target limit of less than 1.5 years.

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

Financial Highlights

(%)	2021	2022
Liquidity Ratio	56	52
Risk-Weighted Liquidity Ratio	163	147
Public Bonds/Total Bonds	53	48
Total Adjusted Liabilities ($ Mil.)	173,588	174,335

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

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarizes the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

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

Notching

For notching purposes, the regulatory environment of the U.S. is assessed by Fitch as being Effective and classified as following a Ring-Fencing approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of Good applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the operating company IDR.
Holding Company IDR
Standard notching was applied between the insurance operating company and holding company IDRs for a ring-fenced regulatory environment. No adjustments were made for financial leverage, coverage or significant holding company liquidity.
Holding Company Debt
A baseline recovery assumption of Below Average and nonperformance risk of Minimal were applied to the senior unsecured debt. Standard notching relative to the IDR was used.
Hybrids
Since PLIC's financial leverage ratio is below 15%, its surplus notes were notched down by one from the IDR of the insurance company on an assumption of Below Average recoveries (one notch), and Minimal nonperformance risk (zero notches). Regulators historically have appeared hesitant to impose deferrals on these instruments, except under relatively severe stress.

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

Debt Maturities

($ Mil., as of June 30, 2023)	
2023	134
2024	0
2025	0
2026 and Later	3,515
Total	**3,649**

Source: Fitch Ratings, Pacific Mutual Holding Company

Short-Term Ratings

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

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

Hybrid – Equity/Debt Treatment

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

Hybrids Treatment

Hybrid	Amount ($ Mil.)	CAR Fitch (%)	CAR Reg. Override (%)	FLR Debt (%)
Pacific Life Insurance Company				
Surplus Notes	1,183	0	100	100

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

Recovery Analysis and Recovery Ratings

Optional section 'Recovery Analysis and Recovery Ratings (text, manual input)' has been hidden. It can be displayed and enabled for authoring by re-enabling it via the side-bar.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings **Pacific LifeCorp**

Insurance Navigator
Life Insurance (US)

Credit-Relevant ESG Derivation

Pacific LifeCorp has 6 ESG potential rating drivers

- Pacific LifeCorp has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk but this has very low impact on the rating.
- Pacific LifeCorp has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	2	issues	2
	6	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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/natural catastrophes on operations or asset quality; credit concentrations	Financial Performance & Earnings; Investment & Asset Risk	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to own cyber risk	Industry Profile & Operating Environment; Company Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Company Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.
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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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