FitchRatings

Banks
Universal Commercial Banks
Colombia

Banco Agrario de Colombia S.A.

Key Rating Drivers

Support Driven IDR: Banco Agrario de Colombia S.A.'s (Banagrario) Issuer Default Rating [IDRs] reflect Fitch Ratings' expectations of support from the bank's sole shareholder, the Colombian government (BBB–/Negative), should it be needed. The Negative Outlook on Banagrario's IDRs mirrors Colombia's sovereign Negative Rating Outlook and highlights downside potential from a sovereign downgrade. Although the bank's ratings are based purely on Fitch's assessment of government support, the financial profile is relevant to the agency's belief that such support would be forthcoming.

Capital Contribution: In December 2019, Banagrario contributed part of its capital to Grupo Financiero Bicentenario, the state-owned holding company created to achieve efficiencies among development financial institutions. With this organizational change, Banagrario continues to be 99% owned by the Colombian government. Fitch will assess any changes in the policy role of Banagrario and the Colombian government's ability and propensity to support the bank.

Worsening Operating Environment: Fitch believes Colombia's sovereign rating and broader operating environment considerations highly influence Banagrario's Viability Rating (VR). As a result of the social distancing measures to contain the spread of the coronavirus, lower oil prices and a global recession, Fitch expects the Colombian economy to contract by at least 6.9% in 2020, while unemployment will increase to 16.0%. This will contribute to material asset quality deterioration and weigh on profitability over the next 12 to 24 months. However, the authorities' prudential measures will cushion the impact in the near term.

Key Policy Role: Banagrario's business model is concentrated as its policy role is to promote the consistent and sustainable development of the agricultural sector. The bank maintains a clear focus and a strong franchise in the small- and medium-sized agricultural producer markets. However, its overall market share in the Colombian banking system is moderate, at about 3% of total loans and deposits at the end of June 2020.

Weak Asset Quality: Banagrario entered the coronavirus crisis with weak asset quality metrics compared to the Colombian banking system and international peers (similarly rated regional banks). The NPL ratio increased to 7.9% as of September 2020 (December 2019: 7.5%), mainly due to credit deterioration in the microfinance segment, which is one of the most sensitive to the crisis. Fitch highlights that the bank's recovery of loans with forbearance measures is sound. However, Fitch expects NPLs to moderately increase at YE20 due to the economic recession.

Pressure on Profitability: Operating profit-to-risk-weighted assets ratio decreased to 1.9% at 1H20 from 4% at YE19. However, Fitch notes that pressure on profitability is the result of voluntary provisioning. Even though regulatory measures do not require the reclassification of deferred loans, the bank has anticipated potential deterioration and adopted a conservative approach in terms of provisioning. Fitch expects profitability to remain under pressure in 2020 due to high credit costs.

Early Adoption of Basel III: Banagrario's regulatory capital ratio fell to 10.3% at YE19, as it was the main contributor to the holding company's capital base. However, this ratio increased to 14.6% at August 2020, with the early adoption of Basel III regulation as of July 2020. In Fitch's opinion, Banagrario's capital position is commensurate with its rating level and risk exposure, due to the Colombian government's support and is of moderate importance for the bank's ratings. Also, the data under Basel III are still under evaluation by the banking regulator.

Stable Funding: Funding is stable and diversified, and costs are below the system's average, with a balanced mix of deposits and financial resources from state agencies or government

Ratings

Foreign Currency	
Long-Term IDR	BBB–
Short-Term IDR	F3
Local Currency	
Long-Term IDR	BBB–
Short-Term IDR	F3
Viability Rating	bb
Support Rating	2
Support Rating Floor	BBB–
National	
Sovereign Risk	
Long-Term Foreign-Currency IDR	BBB–
Long-Term Local-Currency IDR	BBB–
Country Ceiling	

Outlooks

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

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Colombian Banks:1H20 Performance (October 2020)

Fitch Affirms Banco Agrario de Colombia's IDRs at 'BBB-'; Outlook Negative (October 2020)

Financial Data

Banco Agrario de Colombia S.A.

(COP Bil.)	6/30/20	12/31/19
Total Assets (USD Mil.)	7,540.0	7,754.1
Total Assets	28,342.0	25,542.4
Total Equity	1,751.7	1,949.9

Source: Fitch Ratings, Fitch Solutions, Banagrario.

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funds. Total loans are funded mostly through customer deposits as the loan to deposits ratio at June 2020 was 87%.

Rating Sensitivities

Factors that could, individually or collectively, lead to a negative rating action/downgrade:

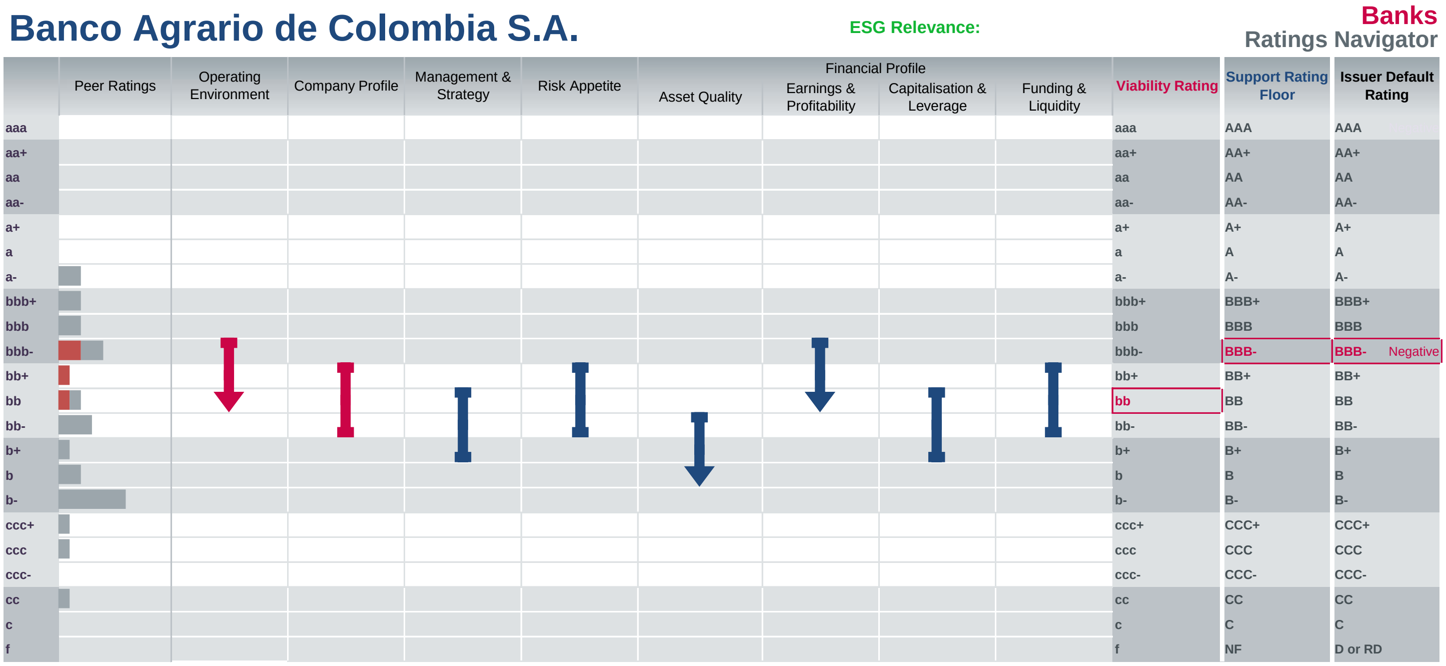
IDRS, VR, SR and SRF

- The bank's IDRs, Support Floor (SR) and Support Rating Floor (SRF) are potentially sensitive to any change in assumptions as to the propensity or ability of the Colombian government to provide timely support to the bank.
- IDRs are also sensitive to changes in the sovereign rating. Any negative rating action on the sovereign would also lead to a similar action on the Foreign Currency and Local Currency IDRs.
- An extended period of economic disruption as a result of the coronavirus pandemic that leads to a material increase in NPLs and results in a sustained deterioration of loss absorption buffers may trigger a downgrade in its VR.

Factors that could, individually or collectively, lead to a positive rating action/upgrade:

- The ratings currently have a Negative Outlook, which makes an upgrade highly unlike in the near future as the bank's IDRs are constrained by the sovereign rating, while the VR is constrained by the worsening operating environment.
- Rating actions on the bank's IDRs would mirror those of the sovereign. An upgrade could occur if there is an upgrade of the sovereign rating, which is not likely as its Outlook is currently Negative.
- The VR could be upgraded if the bank sustains its impaired loans/gross loans ratio below 5% and its tangible common equity/tangible assets ratio above 10%.

Ratings Navigator



Sovereign Support Assessment

Although the Colombian government does not explicitly guarantee Banagrario's liabilities, its key role in the development of the government's agricultural policy results in an equalization of its SRF with the sovereign's LT IDR of 'BBB–'. Additionally, Fitch believes the government's willingness to support Banagrario, should it be required, is strong given its substantial stake in the bank. The ability of support is reflected in the Republic of Colombia's ratings and underpins the bank's SR of '2'.

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			BBB- to BB
Actual country D-SIB SRF			BB+
Support Rating Floor:			**BBB-**
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	✓		

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

Company Profile

Banagrario is 100% owned by the Colombian government through Grupo Financiero Bicentenario, the development financial institutions holding in Colombia. The bank's key policy role is to promote the consistent and sustainable development of the agricultural sector. The bank maintains a clear focus and a strong franchise in the small- and medium-sized agricultural producer markets. However, its overall market share in the Colombian banking system is moderate at about 3% of total loans and deposits at the end of June 2020. The bank's other key policy roles include the administration of several trusts for special purposes and the payment and distribution of government subsidies through its large branch network.

The bank has a less diverse business model than the largest Colombian banks; it is focused on agricultural and traditional commercial lending. As of June 2020, the loan portfolio accounted for 51% of total assets, while the investment portfolio accounted for 35% of total assets and was mainly represented by held to maturity instruments issued by the government. The net interest income has accounted on average for 46% of total net operating revenues over the past four years. Other relevant sources of income for the bank are revenues from the valuation of held to maturity portfolio; fees and commissions for trust fund administration; and the distribution of government subsidies.

Management and Strategy

Banagrario's management team is solid. Most senior managers have a long track record of experience from the private banking sector. The corporate governance framework is effective and compliant with banking system guidelines. However, similar to other state-owned entities in the region, the bank is not isolated from the risks of political interference in its operations, as it has a key role in executing the government's objectives for the agricultural segment.

In Fitch's view, Banagrario's strategy is consistent with its identity and corporate culture. The strategic plan seeks to maintain leadership in agricultural sector financing, rank among the three banks with a larger presence in the microfinance sector, and be the most important bank for the rural customers. The bank also seeks to contribute to the development of the agricultural sector, which is part of its policy role.

Banagrario has implemented sector analysis strategies, following up on agricultural product international prices and assessing the challenges of each particular sector. The bank is also focused on the sales force and strengthening collections, highlighting sound results amid the crisis, by involving commercial areas in the collection process.

Risk Appetite

The bank's focus on the riskier segment of small and medium-sized agricultural producers determines a higher risk profile for the loan portfolio compared to larger and more diversified commercial banks. The loan portfolio's high risk is mitigated by elevated collateralization. Fitch views this as a strong mitigating factor for the risk inherent to the agricultural segment.

Underwriting standards are based on integral knowledge of the client and the project to be financed, sectorial and product analysis, customer's ability to pay, historical payment behavior, projected cash flow, solvency, indebtedness, assets, and equity quality. Moreover, specialized officers in the agricultural sector perform fieldwork, visit customers, and actively collect. The bank has adequately segregated origination, approval, and collections. Credit limits are set by local regulation and outlined in the internal credit policy approved by the board of directors.

Balance sheet growth of 11% during 1H20 was similar to the financial system's assets growth of 11.9%. It reflected the ample liquidity at Banagrario resulting from deposit growth, as well as from liquidity provided by the monetary authorities to the banking system. The loan portfolio expanded by 4.5% at 1H20, reflecting business opportunities in the agricultural segment, wich was not so sensitive to the crisis compared with other sectors. According to management estimations, loan portfolio growth will be moderate at roughly 8% at YE20 (96% of the original budget), benefited by sound liquidity and business opportunities in the bank's core business.

Summary Financials and Key Ratios

(COP Bil., as of Dec. 31)	June 30, 2020 Six Months — Interim USD Mil. Not Disclosed	June 30, 2020 Six Months — Interim Not Disclosed	2019 Year End Not Disclosed	2018 Year End Not Disclosed	2017 Year End Not Disclosed
Summary Income Statement					
Net interest and Dividend Income	133	500.8	929.4	906.7	823.2
Net fees and Commissions	26	96.4	246.1	201.3	254.9
Other Operating Income	86	324.1	663.2	634.2	721.8
Total Operating Income	245	921.3	1,838.7	1,742.2	1,799.9
Operating Costs	124	464.3	986.8	1,049.5	1,009.8
Pre-Impairment Operating Profit	122	457.0	851.9	692.7	790.1
Loan and Other Impairment Charges	84	317.5	268.8	314.2	201.4
Operating profit	37	139.5	583.1	378.5	588.7
Other non-operating items (net)	1	2.6	-4.4	14.2	13.4
Tax	12	44.8	191.3	146.6	241.5
Net Income	26	97.3	387.4	246.1	360.6
Other Comprehensive Income	1	4.7	-6.5	8.5	4.5
Fitch Comprehensive Income	27	102.0	380.9	254.6	365.1
Summary Balance Sheet					
Assets					
Gross Loans	3,862	14,517.4	13,889.5	12,942.3	12,925.1
- of Which Impaired	285	1,072.7	1,047.1	990.2	975.1
Loan Loss Allowances	403	1,514.6	1,305.5	1,281.8	1,198.3
Net Loans	3,459	13,002.8	12,584.0	11,660.5	11,726.8
Interbank	102	382.9	162.0	246.6	65.7
Derivatives	0	0.9	0.2	0.1	1.5
Other Securities and Earning Assets	3,275	12,309.4	10,516.8	9,786.0	9,503.0
Total Earning Assets	6,836	25,696.0	23,263.0	21,693.2	21,297.0
Cash and Due from Banks	410	1,540.5	1,335.4	1,582.0	1,374.6
Other Assets	294	1,105.5	944.0	847.5	933.7
Total Assets	7,540	28,342.0	25,542.4	24,122.7	23,605.3
Liabilities					
Customer Deposits	4,450	16,728.0	14,379.6	13,866.9	13,808.4
Interbank and Other Short-Term Funding	301	1,131.7	1,908.1	790.7	631.1
Other Long-Term Funding	1,868	7,023.1	6,652.9	6,432.1	6,068.0
Trading Liabilities and Derivatives	0	1.0	0.1	0.0	0.0
Total Funding	6,620	24,883.8	22,940.7	21,089.7	20,507.5
Other Liabilities	454	1,706.5	651.8	518.0	656.8
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total Equity	466	1,751.7	1,949.9	2,515.0	2,441.0
Total Liabilities and Equity	7,540	28,342.0	25,542.4	24,122.7	23,605.3
Exchange Rate		USD1 = COP3758.91	USD1 = COP3294.05	USD1 = COP3275.01	USD1 = COP2971.63

N.A. – Not available.
Source: Fitch Ratings, Fitch Solutions, Banagrario.

Summary Financials and Key Ratios

(As of Dec. 31)	June 30, 2020	2019	2018	2017
Ratios (% Annualized as Appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	1.9	4.0	2.8	4.3
Net Interest Income/Average Earning Assets	4.2	4.1	4.2	3.8
Non-Interest Expense/Gross Revenue	50.4	53.7	60.2	56.1
Net Income/Average Equity	10.8	16.2	9.9	15.4
Asset Quality				
Impaired Loans Ratio	7.4	7.5	7.7	7.5
Growth in Gross Loans	4.5	7.3	0.1	-1.7
Loan Loss Allowances/Impaired Loans	141.2	124.7	129.5	122.9
Loan Impairment Charges/Average Gross Loans	3.8	1.6	1.9	0.9
Capitalization				
Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	11.7	13.5	18.4	17.8
Tangible Common Equity/Tangible Assets	6.2	7.6	10.4	10.3
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Fitch Core Capital	(25.4)	(13.3)	(11.7)	(9.2)
Funding and Liquidity				
Loans/Customer Deposits	86.8	96.6	93.3	93.6
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Funding	67.2	62.7	65.8	67.3
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.

N.A. – Not available.
Source: Fitch Ratings, Fitch Solutions, Banagrario.

Key Financial Metrics — Latest Developments

Weak Asset Quality

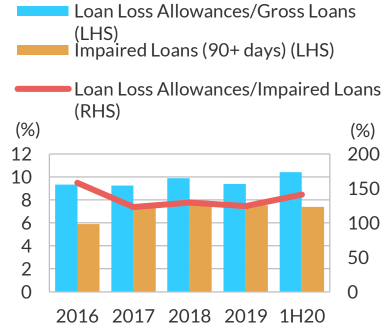
Banagrario entered the coronavirus crisis with weak asset quality metrics compared to the Colombian banking system and international peers (similarly rated regional banks). The NPL ratio increased to 7.9% as of September 2020 (December 2019: 7.5%), mainly due to credit deterioration in the microfinance segment (50% of total portfolio). Although recovery of loans with forbearance measures has been sound, Fitch still expects NPLs to moderately increase at YE20 as a result of the economic recession.

Given the regulatory forbearance measures, Banagrario deferred 17% of total loans, particularly in the agricultural and commercial segments, which have the largest participation in the portfolio. Deferred loan recovery is sound at 87.4% as of September 2020.

Loan loss allowances for impaired loans improved to 141% at June 2020 (December 2019: 125%), reflecting voluntary provisioning. Fitch deems this improvement in coverage as positive considering that chargeoffs are low at 0.7%, restructured loans have decreased to 5% of total loans at 1H20 (YE19: 6%), and losses are mitigated by high collateral coverage. Obligor concentrations are moderate; as of June 2020, the 20 largest credit exposures by economic group accounted for 8.6% of total loans, equivalent to 0.7x of the bank's total equity.

In Fitch's opinion, the bank's asset quality will have moderate pressure, given its important exposure to the agricultural and livestock sectors (47% of total loans), which are among the less affected sectors amid the crisis.

Asset Quality



Source: Fitch Ratings, Fitch Solutions, Banagrario.

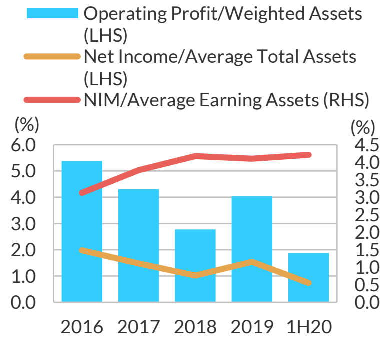
Pressure on Profitability

Banagrario's operating profit-to-risk-weighted assets ratio decreased to 1.9% at 1H20 from 4% at YE19. However, Fitch notes that pressure on profitability is the result of voluntary provisioning. Even though regulatory measures do not require the reclassification of deferred loans, the bank has anticipated potential deterioration and adopted a conservative approach in terms of provisioning. Therefore, loan loss provisions absorbed 69% of operating profit before provisions at June 2020, compared to 32% at December 2019. Fitch expects profitability to remain under pressure in 2020 due to high credit costs. According to the bank's projections, loan impairment charges are expected to be lower in 2021.

Profitability benefits from the significant proportion of income from the valuation of held to maturity instruments and from the zero- risk weighting received by the large public-sector investment portfolio. Both compensate for the low net interest margin resulting from the high proportion of assets allocated in debt instruments issued by the government. These assets are held to maturity and contribute to income diversification and profit stability; however, Fitch believes that profitability still remains vulnerable to changes in asset quality that may increase credit costs.

Efficiency is sound considering the large need for resources required to attend the agricultural segment. The bank aims to contain operating expenses, although this will not be enough to offset the sharp drop in earnings. The non-interest expenses to gross revenues ratio was 50% at 1H20 compared to the 47% average for the banking system.

Operating Profitability



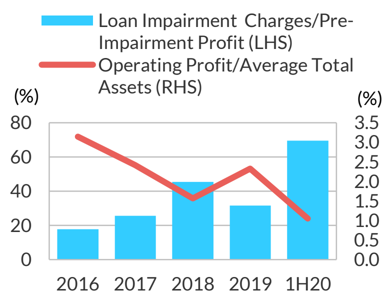
Source: Fitch Ratings, Fitch Solutions, Banagrario.

Early Adoption of Basel III

The creation of a state-owned financial holding company for development banks, Grupo Bicenterio, in December 2019, resulted in a reduction of Banagrario's regulatory capital ratio to 10.3% at YE19, as it was the main contributor to the holding company's capital base. However, this ratio increased to 14.6% at August 2020, with the early adoption of Basel III regulation as of July 2020. In light of Banagrario's high exposure to the public sector, which receives zero risk weighting, Fitch prefers to use the tangible common equity to tangible assets ratio for comparison purposes among peers. The entity's tangible common equity-to-tangible assets ratio of 6.1% at 1H20 lagged the banking system average of 12.6% at the same date.

Under the current scenario, the bank is unlikely to require capital injections in the short term, absent a drastic increase in RWAs. In Fitch's opinion, Banagrario's capital position is commensurate with its rating level and risk exposure despite comparing unfavorably to its

Loan Impairment Charges



Source: Fitch Ratings, Fitch Solutions, Banagrario.

rating category benchmarks, due to the Colombian government's support and is of moderate importance for the bank's ratings. Also, the data under Basel III are still under evaluation by the banking regulator.

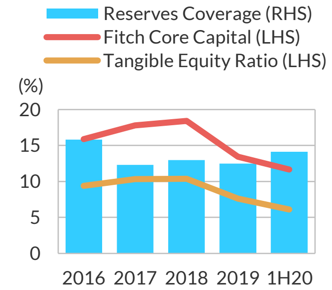
The FCC ratio fell to 11.7% at 1H20 from 13.5% at YE20, as risk-weighted assets increased due to the deterioration of the loan portfolio. In Fitch's opinion, Banagrario's capitalization is sufficient to maintain assets growth, which is projected to be moderate in 2020. Capitalization is supported by sound profitability and historically moderate dividend payments (cash dividends averaging 60% of net income over the past four years).

Stable Funding

Liquidity improved at 1H20, mostly reflecting that 50% of the funds contributed to Grupo Bicentenario were left at the bank as liquidity. Furthermore, liquidity improved following measures implemented by the monetary authorities to mitigate liquidity pressures amid the crisis. Banagrario's loans to deposits ratio declined to 87% at end-June 2020 (YE19: 97%) as deposits increased by 16%.

Banagrario's funding structure is diversified among customer deposits (67% of total funding as of 1H20), which include judicial deposits (33% of total deposits) and financial resources from state agencies or government funds, mainly Fondo para el Financiamiento del Sector Agropecuario (FINAGRO). This funding structure allows the bank to maintain funding costs below the banking system. Funding from FINAGRO also provides a proper matching of maturities with the agricultural loan portfolio.

Loss Absorption Capacity



Source: Fitch Ratings, Fitch Solutions, Banagrario.

Environmental, Social and Governance Considerations

FitchRatings **Banco Agrario de Colombia S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco Agrario de Colombia S.A. has 7 ESG potential rating drivers

- Banco Agrario de Colombia S.A. has exposure to impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations but this has very low impact on the rating.
- Banco Agrario de Colombia S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Banco Agrario de Colombia S.A. has exposure to 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 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	7	issues	3
not a rating driver	2	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	3	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	3	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.

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.