

# Euroclear Bank

## Key Rating Drivers

**Leading Position, Very Strong Finances:** Euroclear Bank's ratings reflect its leading franchise in the international post-trade securities services industry, in particular in settlement and custody services. The ratings also reflect resilient revenue, very limited exposure to credit risk, low risk appetite, strong capitalisation, and prudently managed liquidity.

**Strong Capitalisation Is Key:** Capitalisation is strong in the context of high but well managed exposure to operational risk and daily balance sheet volatility. The bank's common equity Tier 1 (CET1) capital ratio (42% at end-2018) has been consistently above that of its closest peer, Clearstream Banking SA (AA/Stable). Regulatory capital is small considering business volumes, but maintained at a healthy margin above minimum regulatory requirements.

**Very Strong Risk Controls:** The bank by its nature is exposed to operational risk, and in particular system failures. The risk-control framework is strong, and the management continues to prioritise investments in risk management, including IT infrastructure and cyber resilience. Euroclear Bank has a strong corporate culture with high risk awareness.

**Low Risk Appetite:** The bank's risk appetite is low, reflecting its market infrastructure role. It has very low credit-risk exposure given that granted credit facilities are predominantly intraday, collateralised credit lines with commercial counterparties that are used for post trade settlement. Uncollateralised lending exposure is limited to well-rated supranational entities and central banks with very few exceptions.

**Prudent Liquidity Management:** Liquidity management is prudent and reflects the short-term nature of the balance sheet. Liquidity needs are mostly intraday and transaction-driven. The bank has set up dedicated debt programmes to comply with the EU's Central Securities Depositories Regulation (CSDR) requirement of holding sufficient liquidity to cover the defaults of its two largest counterparties.

**Resilient Revenue:** Safekeeping and settlement revenues represent the bank's primary sources of income. While this income stream is sensitive to client transaction volumes and to a lesser extent changes in asset prices, it has proved resilient over time. Diversification into ancillary businesses such as fund management services and collateral management is gradual, further strengthening Euroclear Bank's strong position in post-trade securities services.

## Rating Sensitivities

**Limited Upside Potential:** The Stable Outlook reflects Fitch's view that Euroclear Bank's established franchise will allow it to continue to report sound profitability while maintaining its low risk appetite and profile. Upside potential is limited given the high rating.

**Operational Risk:** The ratings are sensitive to outsized operational losses, to a sustained drop in revenue arising from adverse reputational developments, to an inability to adapt to regulatory changes, and to a higher risk appetite, which could all lead to negative rating action. Maintaining sound risk-weighted capital ratios is key for the ratings and a reduction in the absolute capital base would put pressure on them.

**Rated Above the Sovereign:** A downgrade of the Belgium sovereign to the 'A' category could trigger a downgrade of the bank's ratings. This is because, in accordance with Fitch's ratings criteria, the potential uplift of bank ratings above the sovereign in the eurozone is typically limited to a maximum of two notches.

## Ratings

### Foreign Currency

Long-Term IDR	AA+
Short-Term IDR	F1+

Viability Rating	aa+
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Support Rating	5
Support Rating Floor	NF

### Sovereign Risk

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

### Outlooks

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

## Applicable Criteria

[Bank Rating Criteria \(October 2018\)](#)

[Short-Term Ratings Criteria \(May 2019\)](#)

## Related Research

[Euroclear Bank - Ratings Navigator \(September 2019\)](#)

[Fitch Ratings 2020 Outlook: Financial Market Infrastructure Companies \(November 2019\)](#)

## Analysts

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## Related Issuer Ratings

Rating level	Euroclear Investments SA
Long-Term IDR	AA
Short-Term IDR	F1+
Outlook	Stable
Senior unsecured debt	AA
Dated hybrid notes	A+

Source: Fitch Ratings

Euroclear Investments SA's (EINV's) 'AA' Long-Term Issuer Default Rating (IDR) is one notch below Euroclear Bank's Long-Term IDR, which we have used as the anchor rating because Euroclear Bank is by far the largest operating entity in the Euroclear group.

Luxembourg-based EINV is indirectly fully owned by Euroclear Holding, the holding company of the group. EINV is the 99.9% owner of Belgium-based Euroclear SA (ESA), which in turn owns Euroclear Bank as well as the group's domestic central securities depositories (CSDs).

The one-notch difference between EINV's and Euroclear Bank's Long-Term IDRs is principally because EINV is not under the direct supervision of Euroclear Bank's lead regulator, the National Bank of Belgium. This gives the management somewhat more flexibility in EINV's capital and liquidity planning compared with the group's directly regulated entities. EINV's double leverage ratio was 112% at end-2018, below Fitch's typical threshold of 120% for adding an additional notch for high double leverage.

## Debt Rating Classes

Rating level	Euroclear Bank
Senior unsecured debt	AA+/F1+
Certificates of deposit	F1+

Source: Fitch Ratings

The short-term and long-term senior unsecured debt ratings of Euroclear Bank are in line with its IDRs.

Ratings Navigator – Standalone Assessment

Euroclear Bank



Banks  
Ratings Navigator

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+ Stable
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Significant Changes

Full Implementation of CSDR Expected in 2020

Euroclear Bank is tightly regulated, being subject to both CSDR and to banking regulation. To cover its liquidity requirements under CSDR, Euroclear Bank has opted for a conservative approach and established two dedicated bond programmes with the proceeds being reinvested in highly liquid and well rated securities. Euroclear Bank complies with the regulation and it received its licence to operate under CSDR in December 2019.

Gradual Changes in User-Owned Shareholder Structure

The Euroclear group (through Euroclear Holding) is owned by 116 shareholders, mainly comprising financial institutions which also use the group’s services. There are some gradual changes in the group’s shareholder structure with some existing shareholders willing to exit, either through an IPO or a private sale, due to the capital consumption of the holding of shares.

Legal Restructuring Driven by Brexit

To ensure the smooth continuity of operations post-Brexit, Euroclear has moved its ultimate holding company (Euroclear Holding) from the UK to Belgium at the end of 2018. The change did not affect daily operations in the UK or Ireland. The Irish market will continue to be serviced during a transitional period by Euroclear Bank’s sister company Euroclear UK & Ireland, which is based in the UK, before being transferred to Belgium-based Euroclear Bank.

Integrating Disruptive Technologies

Euroclear is potentially vulnerable to technological disruption, in particular to the Distributed Ledger Technology (DLT) and blockchain. The bank developed a blockchain solution for the issuance and settlement of European commercial papers in 1H19. Fitch does not consider a replacement of the current settlement regime by DLT a likely scenario over the short to medium term due to legal and regulatory issues as well as prevailing operational uncertainty and security concerns.

**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

### Solid Franchise in Post-Trade Securities Services

Euroclear Bank has a leading franchise in the global post-trade services industry. It is one of the two international central security depositories (ICSDs) in Europe, focusing on settlement and custody services for domestic and international securities transactions. It services on its platform securities from over 40 countries including bonds, equities, investment funds and derivatives. Euroclear estimates it settles about 60% of the Eurobond market.

Revenues are principally fee-based depending on settlement volumes and assets under custody. Euroclear had EUR30.6 trillion of assets under custody (of which EUR14.6 trillion was at Euroclear Bank) and settled about 179 million transactions (after netting) in 9M19.

Although Euroclear concentrates on settlement and custody (accounting for about 80% of revenue in 2018) it also has a wider franchise in terms of products and markets it covers. The bank's services include securities lending and borrowing, collateral management, including treasury services and credit lines to clients on an uncommitted, secured basis. Euroclear Bank's global collateral management service ('the Collateral Highway') managed collateral of a daily average of about EUR1.3 trillion in 3Q19.

Euroclear Bank is the largest operating entity of Euroclear, representing more than 90% of the consolidated balance sheet and around 70% of 2018 group revenue. The bank's sister companies include six domestic CSDs in Western and Northern Europe.

### Customer-Driven Growth Strategy

The group's strategy aims to leverage its significant coverage of the European bond and equity markets to expand into new markets and into ancillary services such as collateral management and fund services. Maintaining relevance and critical mass are key for Euroclear. Connections are being built globally, including with growing emerging markets, as development in legislative frameworks permits. To facilitate the growth, further joint ventures or bolt-on acquisitions of specialised financial institutions cannot be ruled out.

Euroclear is also part of the initiatives to reshape the European exchange-traded funds (ETFs) industry, which is highly fragmented (unlike its US peer), with multi-listings and therefore settled through various CSDs.

### Low Risk Appetite, Exposure to Operational Risk but Low Losses

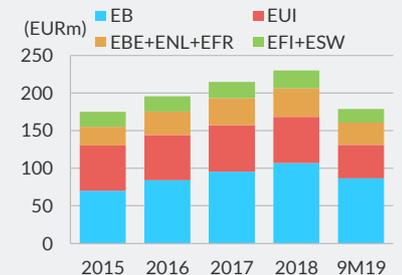
Euroclear has a very cautious approach to risk and this is crucial for the group given the complexity of its operations and its international expansion into new markets. The implementation of the CSDR has contributed to the lowering of Euroclear Bank's already low risk profile. It does not face material counterparty risk as it typically intervenes after transactions have been cleared and executed. Euroclear Bank is primarily exposed to operational risk, mainly system failures, reflecting its reliance on effective IT systems. Operational losses have been low to date.

The unpredictable nature of certain risks, in particular legal, compliance and regulatory risks could expose the bank to large one-off costs. The high risk awareness within Euroclear and its comprehensive policies and procedures, as well as its cash-generating capacity combined with its equity base, provide a cushion against potentially unexpectedly high operational losses.

System risk appears well managed. Euroclear Bank experienced a system shut-down in late 2018 resulting from exceptionally high volumes in the collateral triparty repo system. The incident was proactively managed with corrective actions taken quickly, allowing operations to resume the same day. Financial and reputational repercussions were limited because of timely communication with clients. The incident has not triggered a regulatory capital add-on.

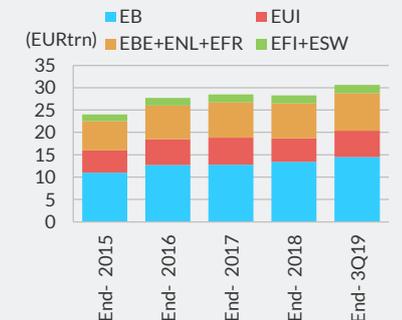
Settlement risk is mitigated by use of the delivery versus payments (DvP) system and pre-settlement matching of instructions. Operational risk arises also from Euroclear Bank's custody activity, with securities being held by sub-custodians or depositories on behalf of the bank and its clients. Custodians are selected based on expertise and creditworthiness, their ability to protect deposited assets, service and pricing. Once appointed, depositories are monitored continuously.

### Number of Transactions After Netting



Source: Fitch Ratings, Euroclear

### Value of Securities Held



Source: Fitch Ratings, Euroclear

### Average Daily Collateral Outstanding



Source: Fitch Ratings, Euroclear

### Abbreviations

EB: Euroclear Bank  
EUI: Euroclear UK & Ireland  
EBE: Euroclear Belgium  
ENL: Euroclear Netherlands  
EFR: Euroclear France  
EFI: Euroclear Finland  
ESW: Euroclear Sweden

Summary Financials and Key Ratios

	31 December 2018	31 December 2017	31 December 2016	31 December 2015
	Year end	Year end	Year end	Year end
	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
<b>Summary income statement</b>				
Net interest & dividend income	289.8	195.0	151.6	122.8
Net fees and commissions	648.4	618.1	590.6	569.1
Other operating income	-12.2	-2.2	-23.8	-28.7
Total operating income	926.0	810.9	718.4	663.2
Operating costs	506.9	507.0	458.6	429.7
Pre-impairment operating profit	419.1	303.9	259.8	233.5
Loan & other impairment charges	0.7	-2.2	10.6	1.8
Operating profit	418.4	306.1	249.2	231.7
Other non-operating items (net)	-0.1	32.8	-121.2	0.5
Tax	129.9	97.1	42.7	67.7
Net income	288.4	241.8	85.3	164.5
Other comprehensive income	n.a.	n.a.	n.a.	0.0
Fitch comprehensive income	288.4	241.8	85.3	164.5
<b>Summary balance sheet</b>				
<b>Assets</b>				
Gross loans	2,539.1	2,536.2	3,349.8	3,968.8
- Of which impaired	n.a.	n.a.	0.0	0.0
Loan loss allowances	n.a.	n.a.	n.a.	n.a.
Net loans	2,539.1	2,536.2	3,349.8	3,968.8
Interbank	16,195.1	11,660.6	13,982.9	13,484.6
Derivatives	n.a.	n.a.	n.a.	n.a.
Other securities & earning assets	6,479.9	5,058.3	2,630.8	2,184.5
Total earning assets	25,214.1	19,255.1	19,963.5	19,637.9
Cash and due from banks	0.0	0.1	0.0	0.0
Other assets	192.0	157.3	164.1	118.5
Total assets	25,406.1	19,412.5	20,127.6	19,756.4
<b>Liabilities</b>				
Customer deposits	4,954.9	3,623.2	4,415.6	5,105.0
Interbank and other short-term funding	15,629.8	13,788.2	13,896.6	12,957.5
Other long-term funding	2,707.2	0.0	0.0	0.0
Trading liabilities and derivatives	n.a.	n.a.	n.a.	n.a.
Total funding	23,291.9	17,411.4	18,312.2	18,062.5
Other liabilities	414.7	395.0	283.1	246.9
Pref. shares and hybrid capital	n.a.	n.a.	n.a.	n.a.
Total equity	1,699.5	1,606.1	1,532.3	1,447.0
Total liabilities and equity	25,406.1	19,412.5	20,127.6	19,756.4

	31 December 2018 Year end (EURm) Audited - unqualified	31 December 2017 Year end (EURm) Audited - unqualified	31 December 2016 Year end (EURm) Audited - unqualified	31 December 2015 Year end (EURm) Audited - unqualified
<b>Ratios (annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/RWAs	10.4	7.3	6.2	6.9
Net Interest Income/average earning assets	1.3	1.0	0.8	0.6
Non-interest expense/gross revenues	54.7	62.5	63.8	64.8
Net Income/average equity	17.5	15.4	5.7	11.5
<b>Asset quality</b>				
Impaired loans ratio	n.a.	n.a.	0.0	0.0
Growth in gross loans	0.1	-24.3	-15.6	-7.3
Loan loss allowances/impaired loans	n.a.	n.a.	n.a.	n.a.
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0
<b>Capitalisation</b>				
Fitch Core Capital ratio	42.0	38.5	38.1	43.1
Tangible common equity ratio	6.7	8.3	7.6	7.3
CET 1 ratio	42.0	38.3	36.5	38.1
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.
Net impaired loans/FCC	n.a.	n.a.	n.a.	n.a.
<b>Funding &amp; liquidity</b>				
Loans/customer deposits	51.2	70.0	75.9	77.7
LCR	202.0	135.0	178.0	n.a.
Customer deposits/funding	21.3	20.8	24.1	28.3
NSFR	1,182.0	805.0	197.0	n.a.

Source: Fitch Ratings, Fitch Solutions

## Key Financial Metrics – Latest Developments

### Strong Asset Quality

Euroclear Bank exhibits stable and strong asset quality. Credit facilities are granted to sustain efficient settlement and the associated credit risk is low given that exposures are predominantly to investment grade rated counterparties, well collateralised and short-term (mostly intraday). Euroclear Bank has no history of credit losses. Unsecured exposure is restricted under CSDR to central banks and supranational entities and was marginal in 2018. The peak intraday monthly average credit exposure from Euroclear Bank's settlement business was around EUR50 billion in June 2019.

Client end-of-day cash balance are invested mainly overnight in reverse repo and to counterparties rated 'A-' or above, within allocated credit limits and preferably collateralised. The investment book consists of highly rated government or supranational euro-denominated bonds rated internally at least 'AA-'.

### Sound Profitability, Performance Driven by Custody and Settlement Volumes

Euroclear Bank has consistently achieved solid profitability, driven by fee income, essentially volume-driven and tight cost control. Fitch expects the bank to maintain its sound performance levels in the mid-term. The continued expansion into ancillary services such as fund management services and into new markets through new connections with local CSDs should help diversify income. Net income increased by 13% in 1H19, supported by growth in assets under custody.

Costs are driven by necessary investments in IT and infrastructure to protect the bank's client franchise, but also regulatory-driven projects and cyber security initiatives. The benefits of the relocation of some support operations to Poland are starting to feed through and support cost-efficiency.

Euroclear Bank's net income is usually largely upstreamed as dividends to its parent to facilitate Euroclear Holding's dividend payments.

### Maintaining High Capitalisation Is Key

Euroclear Bank has strong capitalisation, but this is necessary to support the bank's operational risks, large intraday balance sheet, and significant daily balance-sheet volatility. The bank's ratings are sensitive to maintaining capital ratios at present levels. The CET1 ratio of 42% at end-2018 was comfortably above the 31.4% regulatory requirement including combined capital buffers, of which 23.6% related to Pillar 2 requirement. The management targets a CET1 ratio above 35%. The bank's tangible equity/assets ratio of around 7% in the past few years is not strong but liability-driven and mitigated by the short-term nature of the assets.

Euroclear Holding had consolidated equity of EUR3.8 billion (13.6% equity/assets) and a CET1 ratio of 38% at end-2018.

### Liabilities Driven by Very Short-Term Client Deposits

Most of the funding consists of overnight cash in clients' deposit accounts. Euroclear Bank's daily cash flows are typically matched, but additional liquidity may be provided to customers to facilitate the payment process during the day. The client eligibility process, backed by secured credit and contingency procedures, is crucial for liquidity.

In line with CSDR regulation, the bank stresses its ability to withstand the liquidity shock from simultaneous defaults of its two largest clients. Its liquidity management system enables it to conduct intraday liquidity checks before transaction execution.

To raise liquidity, Euroclear Bank can issue under its various debt programmes and use its investment portfolio and treasury book comprising ECB-eligible securities. In addition, it has a committed syndicated multi-currency back-stop facility of EUR1.3 billion. According to contractual terms, the bank can use clients' collateral pledged in its system to generate liquidity at central banks or at other market participants.

	Euroclear Bank	Clearstream Banking SA
(%)	2018	2018
Operating expenses/net fees	78	86
Net fees/revenue	70	70
Net interest income/revenue	31	22
Operating profit/RWAs	10	5
	End-2018	End-2018
CET1 ratio	42	22
Equity/total assets	7	7
CET1 (EURbn)	1.7	1.1

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		
<b>Support Rating Floor:</b>		<b>NF</b>		
Support Factors	Positive	Neutral	Negative	
<b>Sovereign ability to support system</b>				
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)		✓		
<b>Sovereign propensity to support system</b>				
Resolution legislation with senior debt bail-in			✓	
Track record of banking sector support		✓		
Government statements of support		✓		
<b>Sovereign propensity to support bank</b>				
Systemic importance	✓			
Liability structure of bank		✓		
Ownership		✓		
Specifics of bank failure		✓		
<b>Policy banks</b>				
Policy role				
Funding guarantees and legal status				
Government ownership				

As a licensed bank, Euroclear Bank is subject to the EU Bank Resolution and Recovery Directive, which provides a resolution framework under which it is likely senior creditors will be required to participate in losses if necessary instead of, or ahead of, the bank receiving sovereign support.

We believe that, while sovereign support for Euroclear Bank is possible, it cannot be relied on. Euroclear Bank's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors cannot rely on receiving extraordinary support from the sovereign if the bank becomes nonviable.

## Environmental, Social and Governance Considerations

### Credit-Relevant ESG Derivation

Euroclear Bank has 5 ESG potential rating drivers		Overall ESG Scale		
<ul style="list-style-type: none"> <li>▶ Euroclear Bank 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.</li> <li>▶ Governance is minimally relevant to the rating and is not currently a driver.</li> </ul>	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
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
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



### 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 left-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.

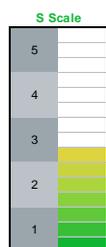
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general 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 and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

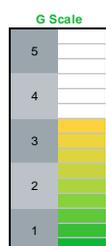
### Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
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
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
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
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



### Governance (G)

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



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 "low er" 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 highest level of ESG credit relevance is a score of '3' - ESG issues are credit-neutral or have only 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 our ESF Relevance Scores, visit <https://www.fitchratings.com/site/esg>

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