Pacific LifeCorp

Key Rating Drivers

Favorable Company Profile: Pacific LifeCorp (PLC) is a leading provider of individual life insurance and retirement savings products in the U.S. It 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 from legacy variable annuities (VAs) and it launched its workplace benefits business in 2023, which should continue to grow in 2024. PLC's global life reinsurance and institutional products continue to expand.

Very Strong Capital Position: Fitch Ratings views PLC's capitalization as very strong based on a Prism capital model score of 'Very Strong' at YE 2023, an NAIC risk-based capital (RBC) ratio of 508% at its core operating subsidiary Pacific Life Insurance Company (PLIC), and increase in PLIC's total adjusted capital (TAC) to $13.2 billion. PLC's financial leverage ratio decreased modestly to 19% and remains in line with Fitch's expectations.

Strong Financial Performance: Financial performance continues to be strong, and in 2023 Pacific Mutual Holding Company (PMHC) reported consolidated net income attributable to the company of $875 million, up from $763 million in 2022. Operating results continued to reflect strong investment performance and the benefits of the higher interest rate environment, while also benefitting from very strong life and annuity sales. Results remain sensitive to changes in equity markets due to the hedge program associated with PLC's VA business.

PLC continued to diversify and de-risk its product portfolio and strengthened its VA hedging program, which is expected to minimize any potential capital impact from significant equity market deterioration or prolonged or severe recession.

Moderate Investment Risk: Fitch views the overall quality of PLC's investment portfolio as strong. The company maintains an above-average exposure to assets that Fitch considers fairly risky but historical performance has been strong and only reported minimal impairments in 2023. PLC also maintains material exposure to commercial mortgage loans, although Fitch believes the company has substantial headroom for losses before capital or ratings would be materially affected.

Macroeconomic and Regulatory Environment: We view the current levels of interest rates as a tailwind for both PLC and the broader industry, however, the potential for relatively short and mild recession remains. Under that scenario, Fitch expects a negative, but modest, impact on PLC. However, we do not expect a material effect on earnings or capital over the near term.

The regulatory environment remains dynamic with several initiatives regarding both insurer's investments and capital requirements being considered or adopted in both the US and Bermuda. While the ultimate impact to the broader industry remains to be seen, Fitch believes that PLC is well positioned to navigate any enacted reforms.

Ratings

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

Financial Data

Pacific Life

($ Mil.)	2022	2023
Total assets	199,324	217,386
Shareholders' equity	6,728	9,767
Net income	763	875
Operating ROE (%)	7.3	8.8
Financial leverage ratio (%)	20	19

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

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

Global Insurance Mid-Year Outlook 2024 (June 2024)

Analysts

Douglas Baker
+1 312 368 3207
douglas.baker@fitchratings.com

Zachary Shutts
+1 312 368 2098
zachary.shutts@fitchratings.com

Rating Sensitivities

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'.

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;
- Return on equity (ROE) above 10% and a GAAP-based fixed-charge coverage ratio maintained at or above 10x;
- Financial leverage of 15% or less.

Latest Developments

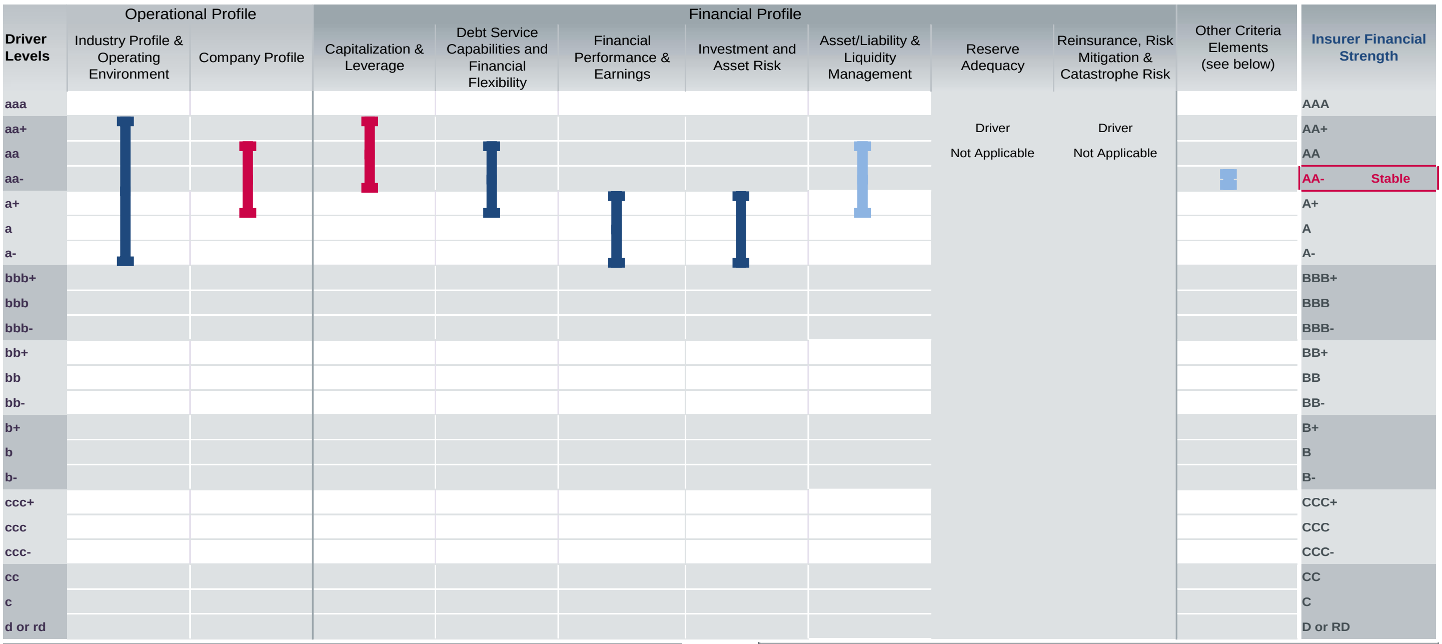
PLC continues to perform in line with Fitch's expectations and as such both the scoring and weight of the company's key rating drivers are unchanged from the prior year.

Key Rating Drivers - Scoring Summary

Pacific LifeCorp

ESG Relevance:

Insurance Navigator
Life Insurance (US)



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

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 positioned well competitively, all attributes that Fitch views positively. Partially offsetting this is PLC's moderate business risk profile, which Fitch believes has been improving as the company continues to diversify and de-emphasize more volatile liabilities.

PLC has a substantive business franchise and benefits from substantial 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 2023 totaled $203 billion and surplus exceeded $13 billion. PLC is a top 10 U.S. annuity writer, remaining in the top 10 for VAs and fixed annuities (FAs) through 1Q24. It is also a top 10 writer of individual life insurance and was the number two overall based on annualized premiums as of March 31, 2024. 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. In 2023, it fully established a workplace benefits segment, which provides supplemental life and health products including critical illness, hospital indemnity and accident insurance.

PLC has made significant progress diversifying its product portfolio by increasing its emphasis on FAs, investment-only VAs, indexed universal life (IUL) products, as well as continuing to grow its institutional and global reinsurance business. As a result, exposure to legacy VAs with more feature-rich guarantee riders has decreased significantly as that block of business has continued to age. PLC's life insurance sales are predominantly indexed-universal life (IUL), followed by variable universal life 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. PLC's global reinsurance business offers solutions across several liabilities and geographies, and is expected to continue to grow within the organization.

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.

Neutral Corporate Governance and Management

Fitch scores PLC's corporate governance and management as 'Neutral' and as such does not make any adjustments to the company's business profile score. 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. 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	Neutral	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 part of the conversion. PMHC must always own at least 51% of PLC and PLC must always wholly own 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 and its insurance subsidiaries are very strongly capitalized when considering both risk and non-risk adjusted metrics. Financial leverage is consistent with the rating category and down modestly year-over-year.

The statutory capitalization of PLC's insurance subsidiaries exceeds expectations for the rating level. As of Dec. 31, 2023, PLIC reported TAC of $13.2 billion, representing a four-year CAGR of 4.1%. Growth in TAC has been driven by net operating results offset somewhat by the recapture of certain reinsurance contracts. The company's Prism capital model score was 'Very Strong' based on YE 2023 data, which is consistent with companies rated in the 'aa' category.

Fitch views PLC's financial leverage as consistent with rating expectations. The company last accessed the capital markets in September 2022, when 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 7.9% surplus notes that matured in 2023. As of Dec. 31, 2023, the ratio of surplus notes to TAC was 8%, below our 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 2023 was flat from 2022. PLC's TFC ratio. The TFC ratio was driven by the company's outstanding indebtedness and securities lending program and 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 2023 statutory filings.

Financial Highlights

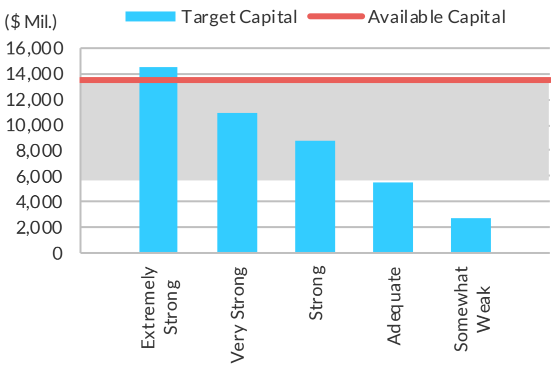
	2022	2023
Total adjusted capital ($ Mil.)	12,879	13,220
Risk-based capital (%)	486	508
Asset leverage (x)	15	15
Operating leverage (x)	9	10
Financial leverage (%)	20	19

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 to remain near current levels.

2023 Prism Score — Pacific Life



(%)	2023
Prism Score	VERY STRONG
AC/TC at Prism Score	124
Target Capital Contributors	
Life Insurance	24
Annuity	69
Accident and Health	0
Portfolio Scaling Adjustment	13
Operational Risk	9
Diversification Benefit	(15)

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 is available from several sources.

Its GAAP interest coverage was 10.2x at YE 2023, which is strong for the current rating level. Based on statutory dividend rules, PLIC's maximum dividend capacity to its parent without regulatory approval in 2024 is $782 million, which Fitch considers to be a reliable source of debt-servicing capability, and represented more than 4x 2023 interest expense. PLC also 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 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. Other liquidity sources include a $1 billion revolving credit facility in place through 2026, and access to borrowing from the Federal Home Loan Banks of Topeka and San Francisco.

PLIC maintains a $1 billion CP program, which is backed by the $1.0 billion credit facility. As of Dec. 31, 2023, there were no outstanding borrowings under either of these facilities.

Financial Highlights

($ Mil.)	2022	2023
Adjusted interest expense	122	176
GAAP interest coverage (x)	11.3	10.2
Maximum statutory dividend capacity	769	782
Statutory interest coverage (x)	5.3	4.4

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 match-funded and operating debt.
Source: Fitch Ratings, Pacific Mutual Holding Company

Financial Performance and Earnings

Stable Operating Results

PLC's earnings profile is viewed as strong, but somewhat muted due to the company's mutual holding company strategy. In 2023, PMHC reported consolidated net income of $875 million, up from $763 million in 2022. Operating results continued to reflect strong investment performance, as well as the benefits of the higher interest rate environment, while also benefitting from very strong life and annuity sales.

The company's earnings remain exposed to market volatility as a result of certain legacy lines of business, although PLC continues to focus on growth in less market-sensitive products and has enhanced its hedging strategies. Fitch expects earnings levels to be modestly constrained by hedging costs, but will ultimately benefit from the current higher-rate environment as new money rates exceed those of maturing assets. We expect GAAP ROE to remain in the mid-to-high 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. The planned growth of the fairly new workplace solutions business is expected to contribute materially over the long run.

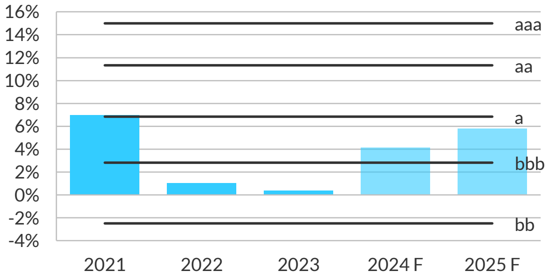
PLC's large VA exposure contributed to GAAP and statutory earnings volatility during prior years, due to reserve increases associated with equity market volatility and declining interest rates. Fitch believes risk mitigation practices will limit losses, and any impact to capital in all but a severe tail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

Financial Highlights

($ Mil.)	2022	2023
GAAP pretax gain from operations	1,256	1,614
GAAP core operating income	992	1,275
GAAP operating ROE	7.3	8.8
Statutory return on TAC (%)	9	-9
GAAP growth in revenue before realized gains (%)	0	11

Source: Fitch Ratings, Pacific Mutual Holding Company, S&P Global Market Intelligence

Performance: Return on Total Adjusted Capital (Life)



Source: Fitch Ratings, Company data

Fitch's Expectations

- Variability in reported earnings to continue, although at reduced levels due to enhanced hedge program.

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 stress, particularly among the office sub-class. 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 some migration within the company's commercial mortgage loan portfolio. The company's investment strategy largely reflects asset/liability management (ALM) considerations, and Fitch notes the portfolio has performed well historically.

The company's bond portfolio is heavily weighted toward corporates, with a below-average amount of the portfolio invested in below-investment-grade securities. Its above-average exposure to corporate bonds rated 'BBB', 47% of bonds at YE 2023, 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, to a lesser extent, office buildings capital losses as a percentage of mortgage assets remain lower than the industry, and Fitch believes the company has substantial headroom for losses as a result of pandemic-related disruptions. We believe the portfolio is well managed and diversified by property type.

Financial Highlights

(%)	2022	2023
Cash and invested assets ($ Mil.)	121,888	130,592
Below-investment-grade bonds/total available capital	34	33
Risky-assets ratio	112	117
Investment yield	3.2	3.3
Average NAIC rating on bonds	1.6	1.6

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 views PLC's strengthened VA hedging program favorably and expects it to lessen the capital impact in a severe equity market downturn. The enhanced program has also smoothed reported GAAP net income during recent periods of market volatility. The company's fixed-indexed annuities hedge program uses 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 2023, 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. About 70% 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

(%)	2022	2023
Liquidity ratio	52	52
Risk-weighted liquidity ratio	147	166
Public bonds/total bonds	48	46
Total adjusted liabilities ($ Mil.)	174,335	189,968

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, Fitch assesses the U.S. regulatory environment 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.
Source: Fitch Ratings

Debt Maturities

($ Mil., as of June 30, 2024)	
2024	0
2025	0
2026	0
2027 and later	3,516
Total	**3,516**

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 commercial paper 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's 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	1,049	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

Not applicable.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

About Fitch Forecasts

The forecasts shown in the main body of this report reflect Fitch's forward views from a credit perspective. They are based on a combination of Fitch's macroeconomic forecasts and viewpoints, outlook at the sector level and company-specific considerations developed by Fitch. As a result, Fitch's forecasts may differ, at times materially, from earnings and other guidance provided by a rated entity to the market. To the extent Fitch is aware of material, nonpublic information on likely future events, such as a planned recapitalization or M&A activity, Fitch will not reflect these likely future events in its forecasts. This practice is to assure that such material nonpublic information is not inadvertently disclosed. However, as relevant, such information is considered by Fitch as part of the broader ratings process.

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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