FitchRatings

Banks
Universal Commercial Banks
Australia

Macquarie Group Limited

Key Rating Drivers

Low Double Leverage: Fitch Ratings aligns Macquarie Group Limited's (MGL) ratings with the consolidated group assessment to reflect modest common equity double leverage and sound liquidity management. We expect MGL's double leverage ratio to be managed below 120% and for liquidity management at the operating and bank holding company level to remain strong.

Internationally Diversified Operations: We take a blended approach to assign operating environment scores for MGL given the extensive international operations. MGL's score reflects the heavy weighting of its assets and exposures in jurisdictions where we score the operating environment in the 'aa' range.

Growth in Annuity-Style Business: MGL's business model and earnings stability have improved over the past decade, driven by growth in banking operations and Macquarie Asset Management, which generates substantial fees on assets under management.

We expect Macquarie Bank Limited (MBL, A+/Stable/a) to continue expanding market share in Australian lending and deposits, maintaining its strong position among domestic banks outside the four majors. Mortgage growth is focused on low-risk segments without compromising underwriting standards, which should support MBL's financial profile through economic cycles.

Robust Risk-Control Framework: MGL's centralised risk management framework and oversight of its subsidiaries through a dedicated risk group have underpinned a strong risk-management culture and robust financial outcomes over a sustained period. This offsets the group's larger risk appetite than at most other Australian banking groups.

Moderate Asset Quality Weakening: We expect asset quality at MGL to deteriorate modestly over 2025, driven by the impact of high interest rates, a subdued operating environment and rising unemployment. We forecast the stage 3 loans/gross loans ratio to peak at around 1.7% for MGL.

Diversified Earnings Profile: The diversity of MGL's operations and revenue has supported sound profitability for an extended period and we expect this trend to continue. The group's operating profit dropped by 30% in the financial year ended March 2024 (FY24), as market conditions that drove the FY23 result were not repeated, but it was still among the group's strongest results historically. We anticipate a moderate earnings improvement in FY25 on robust loan and customer growth, which should offset margin compression.

Robust Capital Buffers: We expect capital ratios to remain sound and continue to support the 'a' factor score for MGL. MGL's capital surplus to regulatory minimums was AUD10.7 billion, or about 37% above the regulatory requirement, at FYE24. MGL does not report a CET1 ratio, so we place greater weight on other capitalisation metrics, such as tangible common equity/tangible assets, to assess the group's capitalisation and leverage.

Sound Liquidity Management: We expect funding and liquidity to remain well managed for the group over the next 12 months. This offsets some of the risk stemming from a greater reliance on wholesale funding than at international peers.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a
Government Support Rating	ns
Sovereign Risk	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
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

Non-Bank Financial Institutions Rating Criteria (January 2024)

Bank Rating Criteria (March 2024)

Related Research

Macquarie Bank Limited (September 2024)

Fitch Affirms Macquarie Group at 'A' and Macquarie Bank at 'A+'; Outlook Stable (September 2024)

Fitch Upgrades Macquarie Bank Limited to 'A+'; Stable Outlook (May 2024)

Global Economic Outlook (September 2024)

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Rating Sensitivities

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

MGL's ratings may be downgraded if the common equity double leverage exceeds 120% for a sustained period, although Fitch does not expect this to occur.

MGL's Viability Rating (VR) and Long-Term Issuer Default Rating (IDR) are sensitive to the same factors as MBL's ratings, as a downgrade at MBL could result in an overall weaker consolidated group rating to which MGL is aligned.

A downgrade of MGL's Short-Term IDR to 'F2' would require the Long-Term IDR to be downgraded by at least two notches to 'BBB+' or by one notch to 'A-' combined with the funding and liquidity score also being lowered to at least 'a-'.

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

MGL's ratings are broadly sensitive to similar factors as MBL's VR, as an upgrade of MBL's VR could result in a higher consolidated group rating to which MGL is aligned.

Other Debt and Issuer Ratings

Rating Level	Rating	Outlook
Senior Unsecured: Long Term	A	n.a.
Senior Unsecured: Short Term	F1	n.a.

Source: Fitch Ratings

Senior Unsecured

MGL's senior debt ratings are equalised with its IDRs, as there is a large buffer of holding company senior debt and group junior debt, which exceeds 10% of Fitch's estimated group risk-weighted assets. Moreover, MGL has highly diversified and reasonably sized subsidiaries.

Short-Term IDR

The Short-Term IDRs of MGL is at the lower of the two options available at a Long-Term IDR of 'A' because the 'a' funding and liquidity score is lower than the minimum 'aa-' score to achieve the higher option of 'F1+'.

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

Short-Term IDR

A downgrade of MGL Short-Term IDRs would occur if the Long-Term IDRs are downgraded to 'A-' or below and the funding and liquidity score is revised to below 'a'.

Senior Unsecured Instruments

MGL’s senior unsecured instrument ratings would be downgraded if its IDRs were downgraded. MGL's senior debt ratings are also sensitive to a significant reduction in its bank holding company senior and group junior debt buffers.

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

Short-Term IDR

MGL’s Short-Term IDR could be upgraded if the Long-Term IDRs are upgraded to 'AA-', or the funding and liquidity score is revised to 'aa-' or above if there is no change to the Long-Term IDR.

Senior Unsecured Instruments

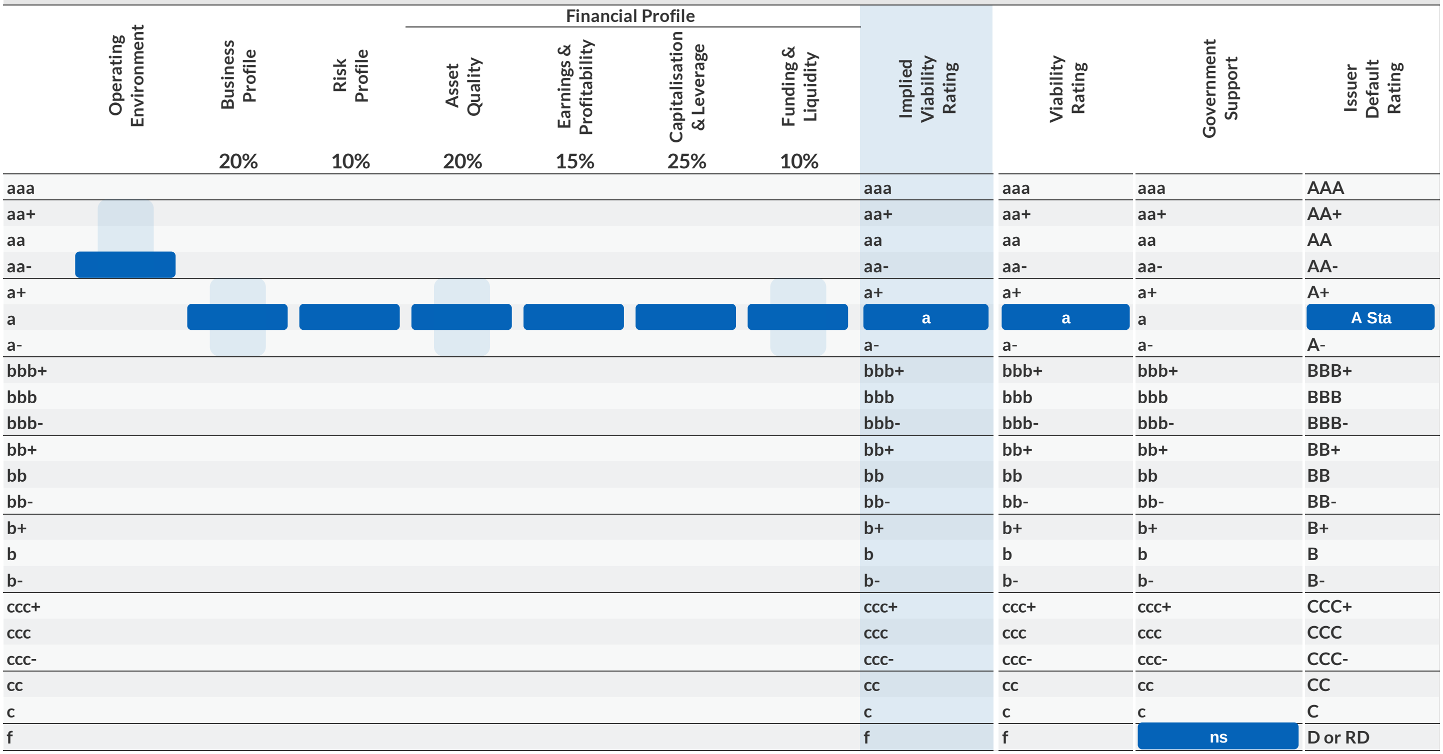
The long-term senior unsecured instrument ratings will be upgraded if MG’s Long-Term IDR is upgraded.

Ratings Navigator

Macquarie Group Limited

ESG Relevance:

Banks
Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

Company Summary and Key Qualitative Factors

Operating Environment

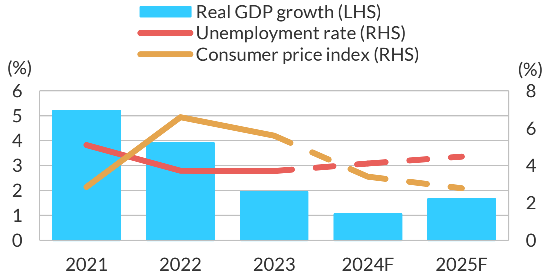
MGL is the most internationally active among the Australian banking groups that Fitch rates. Offshore revenue accounted for around 65% of total income at FYE24. North America (mainly the US), Europe and Asia are the main non-domestic markets. A significant proportion of group earnings and assets are situated in jurisdictions that Fitch assesses in the 'aa' range, which supports an OE score of 'aa-' for both MGL and MBL, the group's main operating subsidiary.

Prudential regulation in Australia remains focused on the protection of bank depositors rather than group creditors, which is one of the key reasons why MBL's VR is assessed on a standalone basis and may be differentiated from the group VR, although they are currently at the same level.

We expect the economic environment in Australia to remain challenging for banks for the remainder of 2024 and into 2025 although we don't expect conditions to worsen. Our base case is for the Reserve Bank of Australia (RBA) to maintain stable interest rates until late 2024 to address inflation concerns – this should continue to weigh on economic growth and result in higher unemployment. However, unemployment should remain lower than historical levels, preventing a sharp deterioration in asset quality across the system, although pockets of borrowers will likely come under stress.

Australian Economy

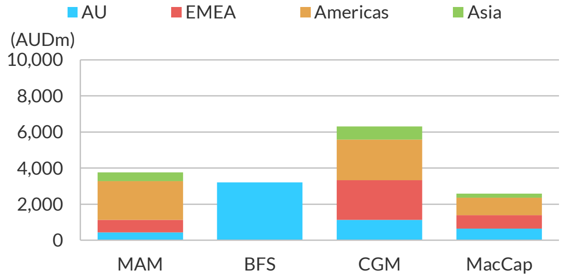
Year average (GDP year end)



Source: Fitch Ratings, Fitch Solutions

Geographic Diversity

FYE24 revenue by region



Source: Fitch Ratings, MGL

Business Profile

MGL is the listed non-operating holding company parent of the Macquarie group. Its three main subsidiaries are MBL, which undertakes more traditional banking operations, Macquarie Financial Holdings Pty Limited (MFHL, A/Stable) and Macquarie Asset Management Holdings Pty Limited. Both MFHL and Macquarie Asset Management carry out most of the non-banking operations. The group offers a full suite of banking services in Australia while targeting niche and non-traditional banking activities offshore.

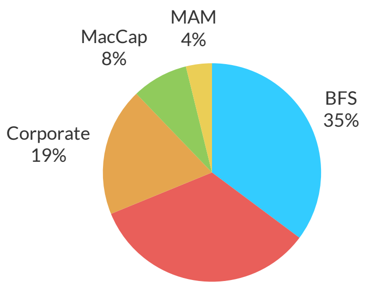
The group's business model has remained stable, with expansion typically focused on existing areas of expertise. MGL operates through four main divisions: two capital-markets-facing businesses, Macquarie Capital (MacCap) and Commodities and Global Markets (CGM), and two businesses with more stable earnings, Macquarie Asset Management (MAM) and Banking and Financial Services (BFS). These divisions are supported by centralized risk management, treasury, IT, finance services, legal, and governance functions.

Fitch considers MGL's management to be highly skilled and experienced, contributing to a consistent group culture and effective strategic execution, resulting in strong financial performance over time. Residential mortgage and business lending in Australia remain strong, with the group targeting niche areas where it has expertise and competitive advantages rather than mass-market segments.

MGL can at time be acquisitive but remains disciplined in transactions. Business expansion usually ties into existing operations, with significant acquisitions funded through debt and capital raisings. The group is willing to sell, restructure, or exit businesses that do not meet return thresholds.

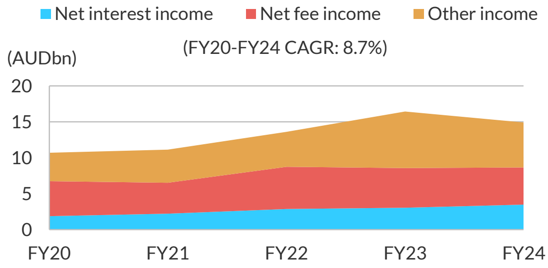
MGL Segment Assets

FYE24



Source: Fitch Ratings, MGL

Revenue Breakdown



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, MGL

Risk Profile

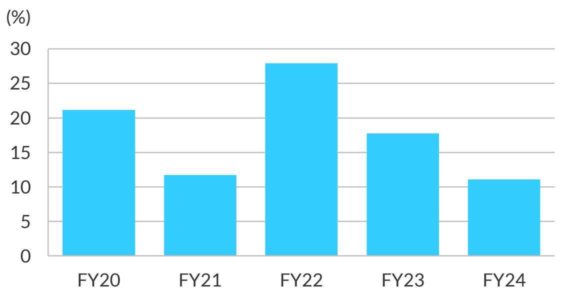
MGL has a larger risk appetite than most Australian banking groups, which tend to be heavily oriented towards retail and traditional banking activities. A consistent and strong risk management culture through the years has helped to offset MGL's risk appetite, reflected in a long, successful record of execution. MGL's risk framework is centralised and applied throughout the group entities.

The group uses tail-risk scenarios to analyse exposures and assess proposed business decisions. MGL will manage exposures or not proceed with businesses if potential losses can threaten the group's viability under these worst-case scenarios. This approach provides additional protection to the group in the event of another downturn or heightened volatility.

Strong loan growth above system levels over the past five years has largely been driven by the banking operations, most notably in residential mortgages. This growth has been supported by investment in technology, broker relationships, and faster processing times relative to peers, rather than weaker underwriting standards, such as high loan-to-value ratio loans or interest-only lending.

MBL has the largest balance sheet within the group, comprising the majority of MGL's risk exposure. For details on underwriting, growth, and market risk, refer to our rating report on MBL.

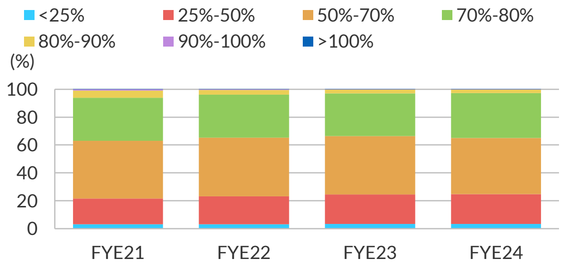
Loan Growth



Source: Fitch Ratings, Fitch Solutions, MGL

Australian Mortgage LVR

% of total



Source: Fitch Ratings, MBL

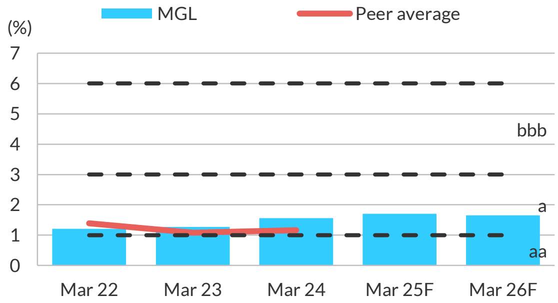
Financial Profile

Asset Quality

MGL has greater exposure to commercial and non-loan assets than most domestic peers, which may leave its asset quality more susceptible to deterioration through the cycle. Loans made up only 44% of MGL's assets at FYE24, significantly lower than most domestic banking group peers. Historically, asset quality has been stronger in MGL's non-loan financial assets (mostly investment-grade on MGL's internal scale) and residential mortgage book (68% of total loans) than in its corporate, commercial, and other lending, and this trend should continue.

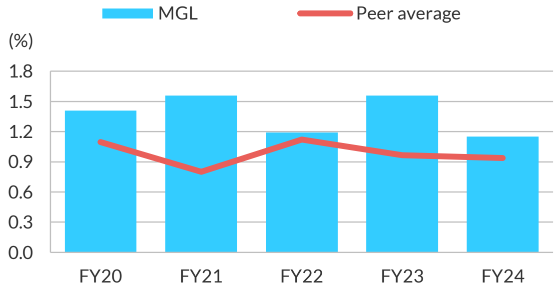
The bulk of MGL's remaining assets at FYE24 were mainly cash collateral lending, reverse repos, derivative, financial investments, and trading assets. Derivative assets tend to show more volatility in terms of their size on the balance sheet, depending on client activity and mark-to-market movements. Trading assets consist mainly of government debt securities, listed equities and commodities, while financial investments are mostly debt securities held as liquid asset holdings.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Average Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Relative to domestic peers, MGL generates a significant proportion of non-interest income, such as net fee and commission income and net trading income, which combined accounted for 69% of operating income at FYE24. We view some of the fee income, such as base fees from the asset management business, to be reasonably stable as they are largely tied to the volume and value of assets under management, which has continued to steadily increase. Trading and derivatives income in CGM and deal-related fee income in MacCap have shown greater variability, although this has mostly been on the upside during periods of high commodity price volatility.

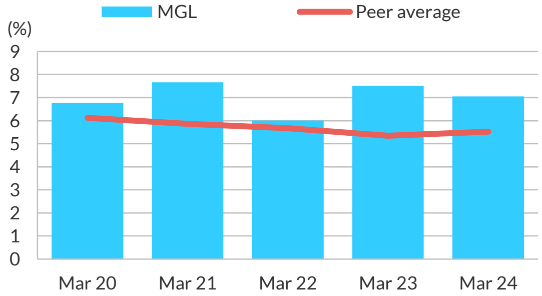
Fitch mainly focuses on the operating profit/average total assets metric when assessing MGL's earnings, as only the banking operation is required to calculate risk-weighted assets under Australia's regulatory framework. MGL also regularly generates significant non-operating revenue through the sale of assets and businesses, and Fitch also considers the return on equity metric when analysing MGL's earnings to capture this. Both these metrics compare favourably with similarly rated domestic and international peers with broadly comparable OE scores.

Capitalisation and Leverage

MGL's sound capital management over a sustain period is reflected in robust capital surplus relative to regulatory minimums. The minimum Tier 1 requirement was AUD28.7 billion at FYE24, with the group holding around 37% surplus to this level. The minimum assumes an 10.25% Tier 1 ratio for the banking group using the Australian Prudential Regulation Authority's Basel III rules. Fitch considers strong capital buffers appropriate given the higher risk profile and complexity of MGL's operations. These buffers provide greater protection from unexpected risks relative to what domestic peers with simpler business models would face.

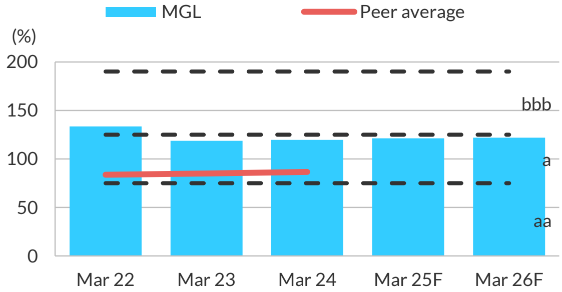
MGL is not required to report risk-weighted regulatory capital ratios, but is instead required to hold a nominal capital amount that is calculated by aggregating the minimum capital requirements of the group's banking and non-banking operations. In assigning MGL's factor score, we also consider un-risk-weighted capital ratios, such as tangible common equity/tangible assets, where MGL compares favourably against similarly rated international peers. Common-equity double leverage remains below MGL's internal management limits and we do not expect it to be maintained above 120% for a sustained period.

Tangible Equity/Tangible Assets



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

MGL relies on wholesale funding to finance its non-banking group operations, as it does not have a banking licence and is therefore prevented from gathering deposits – this activity is undertaken by MBL. The group manages its wholesale funding well, with a suitable average maturity and, given the longer-term nature of the asset profile in the non-bank operations, there is an appropriate mix of currencies, investors and products.

MGL's liquidity management policies are set so that it can meet all of its liquidity obligations over a 12-month period, assuming no access to funding markets. Policies for MBL assume limited market access. MGL and MBL account for most of the debt instruments issued to external investors.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or M&A activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

The peer average includes Westpac Banking Corporation (VR: a+), Commonwealth Bank of Australia (a+), Australia and New Zealand Banking Group Limited (a+), National Australia Bank Limited (a+), BNP Paribas SA (a+), JPMorgan Chase & Co. (aa-), Morgan Stanley (a+), Bank of America Corporation (aa-), Citigroup Inc. (a).

Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Financial year-end for Westpac Banking Corporation, Australia and New Zealand Banking Group Limited, National Australia Bank Limited is 30 September. Financial year-end for Commonwealth Bank of Australia is 30 June. Latest average uses FY24 data for Commonwealth Bank of Australia.

Financials

Summary Financials

	31 Mar 24		31 Mar 23	31 Mar 22	31 Mar 21
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(AUDm)	(AUDm)	(AUDm)	(AUDm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	2,259	3,459.0	3,028.0	2,860.0	2,195.0
Net fees and commissions	3,382	5,178.0	5,530.0	5,858.0	4,297.0
Other operating income	4,448	6,810.0	9,583.0	5,297.0	5,679.0
Total operating income	10,090	15,447.0	18,141.0	14,015.0	12,171.0
Operating costs	7,197	11,018.0	11,121.0	9,835.0	7,988.0
Pre-impairment operating profit	2,893	4,429.0	7,020.0	4,180.0	4,183.0
Loan and other impairment charges	-88	-134.0	388.0	250.0	369.0
Operating profit	2,981	4,563.0	6,632.0	3,930.0	3,814.0
Other non-operating items (net)	172	263.0	360.0	2,609.0	93.0
Tax	843	1,291.0	1,824.0	1,586.0	899.0
Net income	2,309	3,535.0	5,168.0	4,953.0	3,008.0
Other comprehensive income	229	350.0	1,623.0	52.0	-1,789.0
Fitch comprehensive income	2,538	3,885.0	6,791.0	5,005.0	1,219.0
Summary balance sheet					
Assets					
Gross loans	115,999	177,586.0	159,888.0	135,775.0	106,157.0
- of which impaired	1,804	2,762.0	2,025.0	1,644.0	2,024.0
Loan loss allowances	794	1,215.0	1,316.0	1,031.0	1,131.0
Net loans	115,206	176,371.0	158,572.0	134,744.0	105,026.0
Interbank	n.a.	n.a.	n.a.	n.a.	n.a.
Derivatives	15,721	24,067.0	36,114.0	84,891.0	20,642.0
Other securities and earning assets	75,829	116,088.0	99,569.0	81,275.0	72,197.0
Total earning assets	206,755	316,526.0	294,255.0	300,910.0	197,865.0
Cash and due from banks	20,808	31,855.0	45,656.0	52,754.0	18,425.0
Other assets	35,941	55,023.0	47,961.0	45,512.0	29,363.0
Total assets	263,503	403,404.0	387,872.0	399,176.0	245,653.0
Liabilities					
Customer deposits	96,945	148,416.0	134,714.0	101,667.0	84,199.0
Interbank and other short-term funding	26,100	39,957.0	44,477.0	16,947.0	4,542.0
Other long-term funding	65,881	100,859.0	90,845.0	118,021.0	75,894.0
Trading liabilities and derivatives	20,007	30,629.0	37,600.0	89,754.0	23,784.0
Total funding and derivatives	208,933	319,861.0	307,636.0	326,389.0	188,419.0
Other liabilities	28,535	43,685.0	40,363.0	39,066.0	30,557.0
Preference shares and hybrid capital	3,829	5,862.0	5,767.0	4,915.0	4,324.0
Total equity	22,206	33,996.0	34,106.0	28,806.0	22,353.0
Total liabilities and equity	263,503	403,404.0	387,872.0	399,176.0	245,653.0
Exchange rate		USD1 = AUD1.530925	USD1 = AUD1.489869	USD1 = AUD1.336541	USD1 = AUD1.315443

Source: Fitch Ratings, Fitch Solutions, MGL

Key Ratios

	31 Mar 24	31 Mar 23	31 Mar 22	31 Mar 21
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	n.a.	n.a.	n.a.	n.a.
Net interest income/average earning assets	1.1	0.9	1.1	1.1
Non-interest expense/gross revenue	73.9	67.6	72.4	71.9
Net income/average equity	10.5	16.4	19.7	14.0
Asset quality				
Impaired loans ratio	1.6	1.3	1.2	1.9
Growth in gross loans	11.1	17.8	27.9	11.7
Loan loss allowances/impaired loans	44.0	65.0	62.7	55.9
Loan impairment charges/average gross loans	-0.1	0.2	0.1	0.3
Capitalisation				
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	n.a.	n.a.	n.a.	n.a.
Tangible common equity/tangible assets	7.1	7.5	6.0	7.7
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	n.a.	2.5	2.6	4.8
Funding and liquidity				
Gross loans/customer deposits	119.7	118.7	133.6	126.1
Gross loans/customer deposits + covered bonds	n.a.	117.8	n.a.	n.a.
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.
Customer deposits/total non-equity funding	49.5	48.0	41.2	48.1
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, MGL

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Negative
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

MGL's Government Support Rating (GSR) of 'ns' (no support) reflects our view that there is no reasonable assumption that support will be forthcoming from the Australian authorities. We believe that if support were provided to the group, it would most likely be through the regulated bank, MBL.

Subsidiaries and Affiliates

Core and Integral Subsidiaries

MFHL's Long-Term IDR, which is driven by its Shareholder Support Rating (SSR), is equalised with that of its direct parent, MGL. MFHL's SSR reflects its status as a key and integral part of the group's business, undertaking core non-banking activities. In addition, if MFHL were to default, it would have a huge impact on the reputation of MGL and damage the group's franchise.

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

A downgrade in the IDRs of MGL would be reflected in the IDRs of MFHL, assuming no change to Fitch's assumption around the propensity of support. In addition, a reduction in the role and relevance of MFHL to the group could lead to a downward revision of its SSR and therefore the IDRs.

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

An upgrade in the IDRs of MGL would be reflected in the IDRs of MFHL, assuming no change to our assumption around the propensity of support.

Environmental, Social and Governance Considerations

FitchRatings **Macquarie Group Limited**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Macquarie Group Limited has 5 ESG potential rating drivers

- Macquarie Group Limited has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
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) 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 on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	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 reflect a negative impact unless indicated with a '+' sign for positive impact.h 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), 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.

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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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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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