ASSESSMENT
3 October 2024

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Commercial International Bank (Egypt) SAE

Second Party Opinion – Green Bond Framework Assigned SQS3 Sustainability Quality Score

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Summary

We have assigned an SQS3 Sustainability Quality Score (good) to Commercial International Bank (Egypt) SAE's (CIB) green bond framework, received on 2 October 2024. CIB has established its use-of-proceeds framework with the aim of financing projects across eight eligible green categories: energy efficiency; renewable energy; clean transportation; green buildings; sustainable water and wastewater management; climate change adaptation; circular economy adapted products, production technologies and processes; and pollution prevention and control. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1). The framework demonstrates a moderate contribution to sustainability.

Sustainability quality score

SQS3

SQS5	SQS4	SQS3	SQS2	SQS1
Weak	Intermediate	Good	Very good	Excellent

Alignment with principles

USE OF PROCEEDS

Overall alignment

Not aligned	Partially aligned	Aligned	Best practices

FACTORS	ALIGNMENT
Use of proceeds	
Evaluation and selection	
Management of proceeds	
Reporting	

Contribution to sustainability

Overall contribution

Poor	Limited	Moderate	Significant	High

Expected impact
Relevance and magnitude

ADJUSTMENTS

ESG risk management	No adjustment
Coherence	No adjustment

POINT-IN-TIME-ASSESSMENT

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of CIB's green bond framework, including alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1). Under the framework, CIB plans to issue use-of-proceeds green bonds with the aim of financing projects comprising eight green categories, as outlined in Appendix 2 of this report. Our assessment is based on the framework provided by the issuer on 2 October 2024, and our opinion reflects our point-in-time assessment of the details contained in these materials, and other public and nonpublic information provided by the company.

We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

Commercial International Bank (Egypt) SAE (CIB), a private-sector bank headquartered in Egypt, provides retail, corporate and investment services to individuals, companies, and small and medium-sized enterprises (SMEs). The bank reported total assets of EGP835 billion ($27 billion) as of December 2023 and held a market share of around 5%-7% for loans and deposits. CIB is a joint stock company, with its largest shareholders, Alpha Oryx Ltd and Fairfax Financial Holdings, accounting for about 19% and 7% of the total shares, respectively.

CIB's portfolio is exposed to the Egyptian economy's high environmental risks, which are particularly acute for sectors affected by accelerating climate change and transition risks, including the oil and gas, manufacturing and agricultural sectors. In response, CIB is establishing a climate risk management approach, which it will incorporate into its enterprise risk management framework. Under this approach, the bank is developing its climate-related scenario analysis and stress testing capabilities to assess the impact from transition and physical risks on its key portfolios.

CIB has been reporting on its carbon and ecological footprint since 2018, and is currently developing its portfolio decarbonization plan. So far, the bank has set 2030 targets to reduce financed scope 1 and 2 emissions within its portfolio for the commercial and residential real estate sector's tCO_2e per megawatt-hour by 49% and the power generation sector's absolute tCO_2e by 44%. In addition, the bank is a signatory of the Net-Zero Banking Alliance, a group of global banks committed to financing the transition to net-zero greenhouse gas (GHG) emissions by 2050. To address the growing environmental challenges related to climate change, the bank has been developing its risk management and climate risk reporting frameworks.

Strengths

» Several projects aim to reduce GHG emissions across high-emitting sectors, supporting Egypt's advancement toward its nationally determined contribution (NDC).

» Certain investments to promote water resource efficiency could help address the Egyptian economy's high exposure to acute water management risks and contribute to national climate adaptation goals.

» Robust and transparent selection and evaluation process follows best practices, including verification of project compliance with eligibility criteria and procedures to undertake mitigating actions when needed through the life of the financial instruments.

Challenges

» Waste-to-energy projects under the pollution prevention and control category do not have carbon intensity thresholds for the energy produced or plant efficiency rates, creating uncertainties related to their environmental benefits. However, the bank will conduct due diligence assessments of the projects to help mitigate the potential for a negative environmental impact.

» Certain project categories do not have well-defined criteria for eligible technologies, industries or thresholds, which obscures visibility on their potential contribution to sustainability objectives.

» Projects that obtain the minimum green building certification levels are likely to result in only modest GHG emissions reductions. However, they still represent a significant advancement for Egypt's nascent green building market.

Alignment with principles

CIB's green bond framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1):

- [x] Green Bond Principles (GBP)
- [ ] Social Bond Principles (SBP)
- [ ] Green Loan Principles (GLP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Clarity of the eligible categories – ALIGNED

The issuer has communicated the nature of expenditures and clearly defined the eligibility and exclusion criteria for the majority of the eight eligible green categories. In particular, the waste-to-energy projects under the pollution prevention and control category do not specify any minimum plant efficiency or carbon intensity thresholds required to be eligible for financing.

As of June 2024, CIB approved a portfolio of 22 projects for financing under this framework. The list of projects comprises four EDGE certified green buildings, including CIB's new headquarters, six energy efficiency projects, seven special climate projects, two water management and desalination projects, and three ISO 50001 energy management systems. About 5.2% of the proceeds will go toward refinancing new transactions within its portfolio. All eligible projects will be located in Egypt.

Clarity of the environmental or social objectives – ALIGNED

CIB has clearly outlined the environmental objectives for the majority of the eight eligible categories. These objectives include climate change mitigation, pollution prevention and control, climate change adaptation and natural resource conservation. Most of the eligible categories are relevant to the respective environmental objectives to which they aim to contribute. However, pertinent environmental objectives have not been identified for certain eligible projects under the pollution prevention and control category. Overall, the objectives are coherent with recognized international standards, including the United Nation's (UN) Sustainable Development Goals (SDGs), and the projects are likely to contribute to the advancement of SDG 6 – Clean Water and Sanitation, SDG 7 – Affordable and Clean Energy, SDG 9 – Industry, Innovation and Infrastructure, SDG 11 – Sustainable Cities and Communities, SDG 12 – Responsible Consumption and Production, and SDG 13 - Climate Action.

Clarity of the expected benefits – ALIGNED

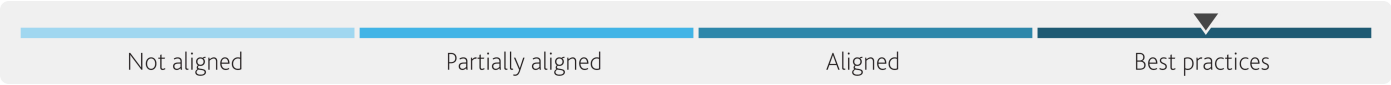
CIB has identified clear and relevant expected environmental benefits for most of the eligible categories based on the projects that are likely to be financed under each category. In general, several project categories, especially the pollution prevention and control category, have loosely defined eligibility criteria, which creates uncertainty around their potential expected benefits. The bank has identified measurable indicators for most of the eligible categories, which will be quantified in the reporting.

The bank has confirmed that the proceeds from its green bonds can be used to finance new projects at origination or to refinance existing projects — up to a maximum of 50% for each issuance — under the condition that they are capped at $50 million with a maximum look-back period of no more than two years.

Best practices identified - use of proceeds

- Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of process for defining eligible projects – BEST PRACTICES
CIB has established a clear and structured decision-making process for determining the eligibility of projects and assets in its framework, which will be disclosed in the framework and published on its website. The traceability of the decision-making process is ensured throughout the evaluation and selection process.

Internal departments within the bank identify and select potential eligible projects, which are reviewed and validated by specialists in the bank's Sustainable Finance division. The latter team assesses the projects' eligibility and GHG emissions savings using the International Finance Corporation's (IFC) Climate Assessment for Financial Institutions (CAFI®) tool. The Green Bond Task Force (GBTF) ensures the pre-selected green assets comply with the eligibility criteria outlined in the framework, and CIB's Environmental and Social Risk Management Policy, which includes its exclusion list of controversial activities. The GBTF is chaired by the Head of Sustainable Finance and comprises representatives from the Treasury department and business lines.

The GBTF will monitor and annually review the continued compliance of the financed green assets with the eligibility criteria until the maturity of the bond. For any financed project that is no longer compliant, an action plan will be developed between the bank and the borrower to mitigate any potential negative impacts and avoid its recurrence.

Environmental and social risk mitigation process – BEST PRACTICES
CIB has established an adequate environmental and social risk identification and mitigation process to manage risks related to the eligible projects. This process is outlined in the framework, which will be published on the bank's website.

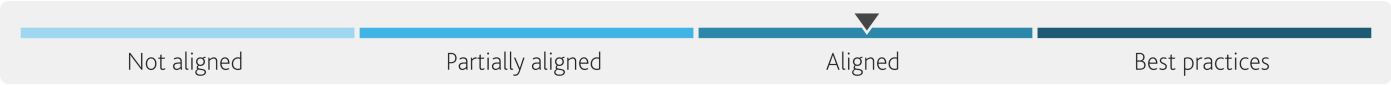
The bank conducts a risk assessment for the eligible projects under its environmental and social risks management system to identify and monitor ESG risks associated with financed projects. An environmental and social due diligence assessment will be conducted for all financed projects for their alignment with national and international standards, such as the International Finance Corporation's (IFC) Performance Standards on Environmental and Social Sustainability, the European Bank for Reconstruction and Development's (EBRD) Performance Requirements and Guidance, and the Equator Principles.

CIB has committed to monitoring for potential ESG risks and controversies associated with the financed projects until maturity of the bond at least annually. In the event an ESG risk or controversy is identified, the bank will implement an action plan in agreement with the client to mitigate the negative impact and avoid it from recurring.

Best practices identified - process for project evaluation and selection

- The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- The process for project evaluation and selection is traceable
- Material environmental and social risks for most project categories are identified
- Presence of corrective measures to address environmental and social risks across projects
- ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – ALIGNED

CIB has defined a clear process for the management and allocation of proceeds, which is detailed in its framework that will be publicly available on the website. Net proceeds from the green bond issuance covered by the framework will be held in a subaccount, which the bank monitors as part of its accounting and credit management system. The funds will be tracked to ensure they are only used for eligible projects, and the balance of the tracked proceeds will be adjusted quarterly to match the amount allocated to the eligible projects financed from the green bond issuance. The bank has committed to allocating net proceeds within 36 months.

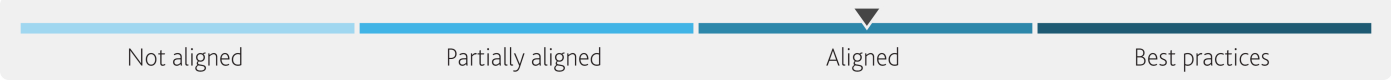
Management of unallocated proceeds – ALIGNED

CIB will place any temporarily unallocated proceeds in either SME loans or in interbank placements that exclude investment in government securities. Although the bank commits to not investing temporary unallocated proceeds in GHG emission-intensive, high environmental impact or otherwise controversial activities, no exclusion criteria for the SME loan beneficiaries' sector or activities have been provided. In the event of a project's cancellation, divestment or noncompliance with the eligibility criteria, the bank will reallocate an equal amount of the funds to other projects eligible under the framework within 24 months.

Best practices identified - management of proceeds

- Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – ALIGNED

CIB will report annually on the use of proceeds issued under the framework and in the event of material developments. Until full allocation of the proceeds, the bank will publish an allocation report that includes details and brief descriptions on the financed eligible projects or categories, the amount of proceeds allocated at the project or category level, and the outstanding amount of unallocated net proceeds. Moreover, CIB has committed to reporting any material developments, including issues or controversies related to the projects.

The bank will publish an impact report on its website that includes the expected environmental impact indicators related to the green projects financed. The bank has identified relevant environmental reporting indicators for nearly all the eligible categories, which are detailed in the framework. The only project category for which reporting indicators have not been specified is the circular economy adapted products, production technologies and processes category. The calculation methodologies and assumptions used to report on the environmental impacts and metrics will not be made publicly available.

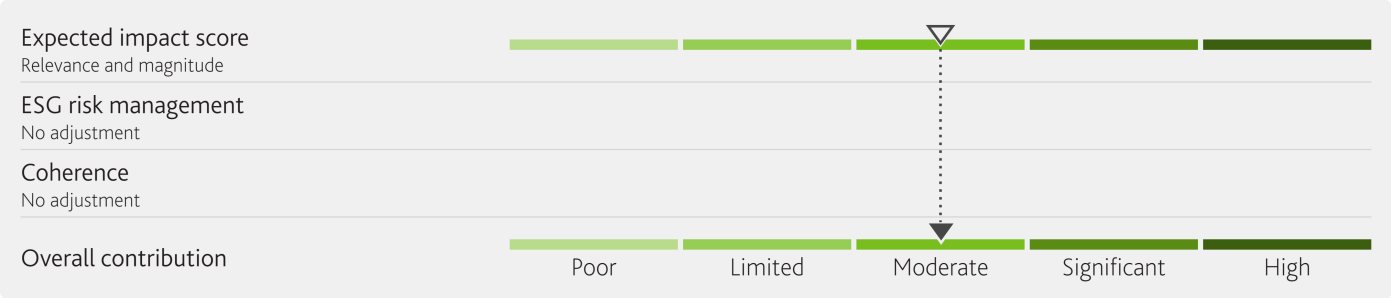
External auditors will verify the total outstanding amount reported in the annual report and its allocation to the eligible projects. The bank will apply the IFC's CAFI® tool to measure the environmental benefits associated with the financed projects, which will be independently reviewed by the IFC.

Best practices identified - reporting

- Reporting covers material developments and issues related to the projects or assets
- Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

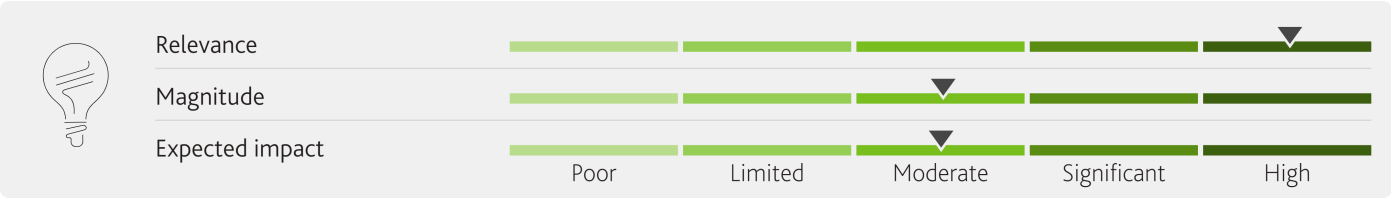
The framework demonstrates a moderate overall contribution to sustainability.



Expected impact

The expected impact of the eligible projects on environmental objectives is moderate. Based on information provided by the issuer, we expect the share of proceeds from forthcoming issuances to be allocated evenly across the eight eligible project categories when assessing the overall framework's contribution to sustainability. A detailed assessment by eligible category is provided below.

Energy efficiency



Investment to improve energy efficiency is highly relevant for reducing Egypt's GHG emissions while meeting the increasing energy demand from its developing economy. Egypt's energy mix is heavily dependent on fossil fuels, which account for about 90% of the electricity generated.[1] Under Egypt's National Climate Change Strategy 2050, maximizing efficiencies across energy-intensive sectors to curb emissions is a core component for supporting the economy's sustainable development. Moreover, investment in energy efficiency projects is particularly relevant for CIB, because it could help reduce its portfolio's exposure to carbon-intensive sectors, such as oil and gas, and manufacturing.

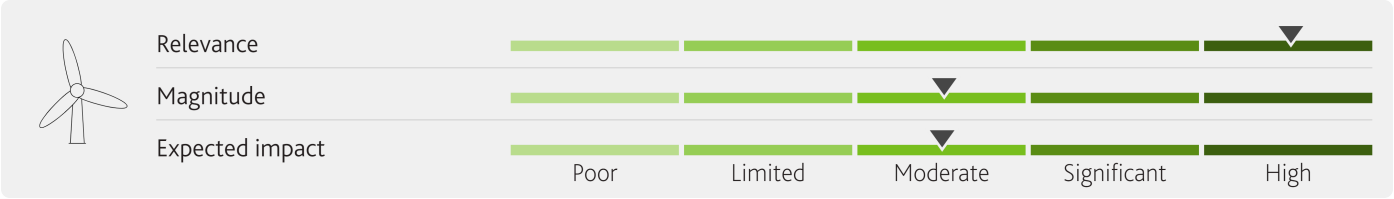
Overall, the broad range of projects to be financed under this category will generate a moderate improvement in energy efficiency and climate change mitigation related to Egypt's industrial, buildings and transportation sectors, which are major sources of GHG emissions. However, the potential for reducing GHG emissions varies across projects. The projects with clear energy efficiency gains include the retrofit or replacement of electric vehicle (EV) and rail fleets, as well as the ISO 50001 energy management systems to help companies monitor and manage energy consumption.

Although the project selection process includes GHG emission assessments using the IFC's CAFI® tool, certain eligible projects do not have well-defined eligibility criteria, which obscures visibility on their potential contribution to climate change mitigation. The industries eligible for energy efficiency projects have not been specified. Therefore, the extent to which the 20% energy consumption

reduction target would generate a material impact in GHG emissions for a specific sector is uncertain. A comprehensive list of industries eligible for the waste-heat recovery projects was not provided. However, the bank has excluded the oil and gas sector, which reduces the risk of lock-in effects from fossil fuels. Although energy efficiency improvements for buildings, including retrofitting of lighting, appliances and cooling systems, aim to reduce energy consumption by at least 20%, the project omits specific GHG emissions reduction criteria for cooling system refrigerants. Moreover, the broadly defined range of energy-efficient equipment or products for which manufacturers and suppliers would be eligible does not have specific energy efficiency verification criteria or minimum thresholds.

Projects to transition cooling agents in conditioning and refrigeration systems for industrial, commercial and residential infrastructure to ammonia-based alternatives present a highly efficient application for reducing the global warming potential of emissions. However, the projects do not aim to reduce energy consumption across the entire cooling system, which most likely will continue to rely on the same energy sources, including fossil fuels. Moreover, the projects do not outline criteria for ammonia production in terms of the types of eligible technologies or the carbon intensity threshold.

Renewable energy



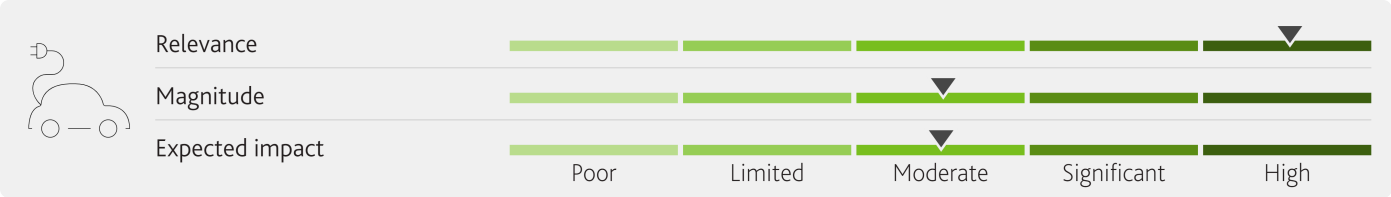
Expanding renewable energy capacity is highly relevant for Egypt, which aims to increase the share of renewables in its energy mix from less than 10% to 42% by 2035.[2] Investments in renewable energy will play a critical role in decarbonizing Egypt's electricity grid and help the country achieve its 2022 NDC to reduce GHG emissions from the electricity sector by 33% by 2030 while meeting the rising demand for energy from its developing economy and urban population.[3] An increase in investments in renewable energy projects is also highly relevant for the financial sector. It provides opportunities for banks to meet the growing demand for financing these projects while also shifting their portfolio composition toward more clean energy assets.

The projects in this category aim to increase renewable energy generation in Egypt. This will have a moderate impact on decarbonizing the country's energy mix. Although the projects could help boost renewable energy capacity, vaguely defined eligibility criteria for certain projects weigh on their potential to mitigate climate change.

Projects to finance wind and solar technologies are effective in scaling up renewable energy capacity, and include measures to mitigate any potential marine biodiversity risks related to offshore wind turbines. Meanwhile, the biomass energy generation projects in this category are likely to have a moderately positive impact. The eligible feedstock, which is limited to rejected municipal solid waste, sludge and agricultural waste and excluding forestry and woody products, meets internationally recognized standards. This ensures a reduction in GHG emissions compared with fossil fuels and prevents risks related to deforestation and food competition. However, the issuer has not defined a minimum GHG emissions reduction threshold compared with alternative fuels. In addition, the biomass incineration units for heat and electricity generation do not have specific thresholds for methane leakage systems, which, if not sufficiently contained, could offset the projects' overall GHG emissions reductions. Moreover, there are no maximum emissions thresholds for the biomass cook stove project, which clouds visibility on its potential benefits.

The heat production and renewable energy application projects include solar water heating technologies, which are accompanied by water use management systems to avoid exacerbating the region's high levels of water stress. However, co-generation technologies are also eligible, which could create significant lock-in effects if the waste heat is recovered from carbon-intensive industries or activities. While no exhaustive list of industries eligible for cogeneration or maximum carbon intensity thresholds have been provided, the oil and gas sector has been specifically excluded, partially curbing the negative impact. Projects to bolster the renewable energy supply chain, by providing financing to manufacturers and suppliers of equipment and products, including raw materials, are open to a wide range of potential technologies that can vary in terms of achieving meaningful reductions in GHG emissions.

Clean transportation

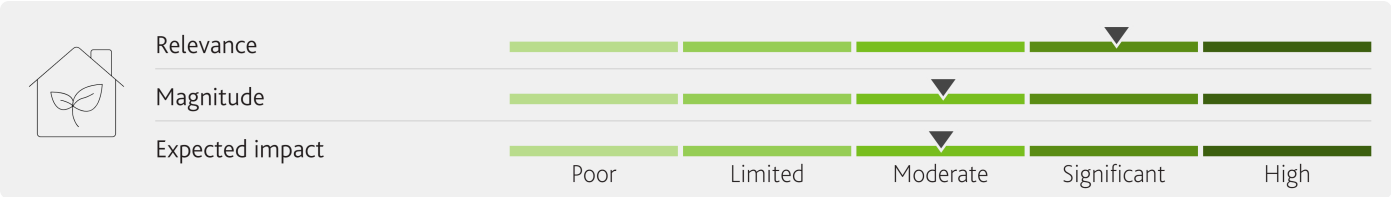


Tackling CO_2 emissions from the transportation sector, which accounts for 19% of Egypt's total CO_2 emissions, will be essential for achieving the government's 2030 target to cut transport-related emissions by 7% below its 2015 baseline, as part of its overarching NDCs.[4] Investments in clean urban transportation solutions and initiatives to shift consumer preferences toward alternative, lower-carbon modes of transportation are particularly relevant because of Egypt's expanding urban population, which is estimated to grow 77% by 2050.[5] Moreover, investing in EV manufacturing will help expand the market domestically and internationally through exports and is in line with the government's Egyptian Automotive Industry Development Program that provides incentives for local manufacturers and consumers of EVs. Financing clean transportation projects is also highly relevant for the banking sector, given its role in channeling capital toward green economic activities to cut emissions and the growing focus on decarbonizing banks' portfolios.

Overall, projects to promote clean transportation under this category will moderately contribute to reducing the country's GHG emissions. Initiatives to develop clean urban transportation, along with promoting the use of public transportation and pedestrian mobility, can be very effective in lowering the transportation sector's GHG and pollution emissions. Although a comprehensive list of the types of projects eligible for financing has not been provided, and specific emissions reductions or energy efficiency thresholds for the projects have not been set, the bank confirms that any infrastructure projects financed will be dedicated to zero tailpipe transportation. Moreover, as part of the selection process, the bank will apply the IFC's CAFI® tool to determine whether the project could produce vehicle efficiency benefits.

The eligibility criteria for providing financing to EV manufacturers and suppliers also include hybrid and hydrogen fuel-cell vehicles, which are less effective in reducing emissions than EV technology. Without pertinent information on the hybrid vehicles' maximum carbon intensity thresholds and share of the total proceeds, the project's potential GHG emissions reduction remains uncertain. However, because of the nascent stage of the EV market in Egypt and the insufficient availability of charging infrastructure, investing in all three technologies is an important step toward EV transition.

Green buildings



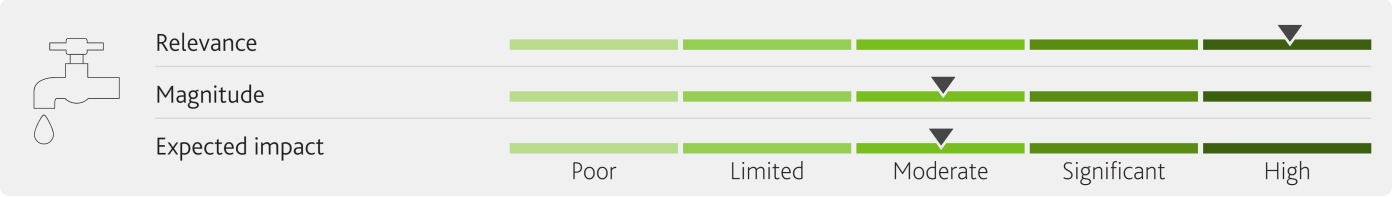
Developing the green buildings sector is significantly relevant for Egypt to help meet the growing population's demand for housing amid increasing environmental risks related to climate change, which will accelerate the need for more energy- and resource-efficient buildings. In an effort to achieve its national climate goals, the government is supporting initiatives to reduce emissions related to the buildings sector, one of its largest energy consuming and GHG emitting sectors, by promoting green building certifications such as the Green Pyramid Rating System (GPRS). The GPRS aims to reduce emissions across the full life cycle of buildings. Moreover, financing green buildings is highly relevant for the banking sector, because investments in this sector can help expand banks' portfolios of green assets.

Projects to improve the energy efficiency of residential and commercial buildings will moderately contribute to lowering GHG emissions related to Egypt's building sector. Although the new and retrofit buildings meet either international or local certification standards, the minimum certification levels required are relatively basic in terms of their potential for energy and water consumption efficiency. The minimum building certification requirement for the constructed buildings is the LEVEL 1: EDGE Certified, which takes into consideration a building's full life-cycle emissions, and requires 20% reduction in energy demand, water consumption and embodied emissions from materials and construction. However, there are no minimum requirements for a building's overall energy

performance, which could create lock-in effects from potential investments in high-emitting buildings that continue to consume increased levels of energy, particularly considering the Egyptian grid's heavy reliance on fossil fuels.

In light of Egypt's low penetration of green buildings, the adoption of the aforementioned green building certification could still generate significant improvements in GHG emissions reductions and water efficiency. Two projects, comprising EDGE Advanced certified buildings that have already been approved for financing under this framework achieved significant cuts in GHG emissions and water consumption, which have been verified by an auditor. The first green building project reduced energy consumption by 46%, water consumption by 54% and embodied emissions by 30%, while the second project, which includes seven buildings, lowered energy consumption by about 40%, water consumption by 33% and embodied emissions by about 22%.

Sustainable water and wastewater management

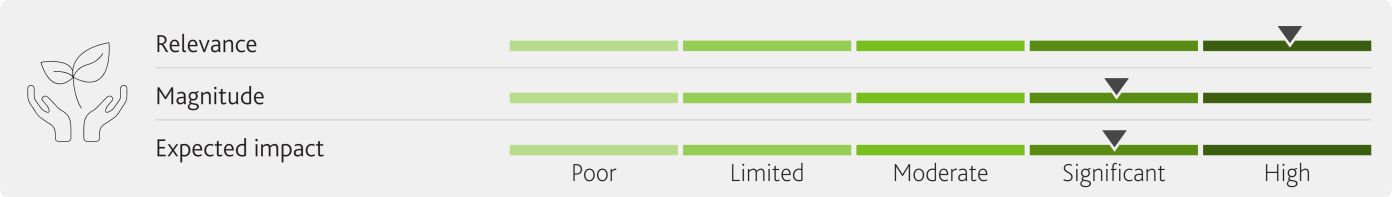


Improvements in water management are highly relevant for Egypt. This is because of the country's high exposure to water risk and the agricultural sector's dependence on the Nile River, which has been affected by the decreasing rate of annual rainwater and the recently established Grand Ethiopian Renaissance Dam on the Nile. The continuous availability of fresh water will be critical for ensuring Egypt's food security and the economic well-being of its growing population, because the agricultural sector accounts for about 25% of the country's labor force. The government has highlighted the strategic importance of addressing its water-related challenges with its National Water Resources Strategy 2017-2037, which includes expanding its wastewater recycling capacity. In addition, investment in water management is highly relevant for the banking sector because it plays an increasingly important role in financing large-scale infrastructure projects. The exposure of CIB's portfolio to borrowers in the agricultural sector who are vulnerable to water shortages makes water risk a particularly salient environmental issue for the bank.

Eligible projects financed under this category to reduce water consumption while expanding water capacity will have a moderate impact on advancing sustainable water and wastewater management in Egypt. Projects to optimize irrigation techniques, recycling systems and water distribution networks, as well as wastewater treatment aim to significantly increase water efficiency gains by 20%. Despite the absence of certain eligibility criteria, including emissions and energy consumption thresholds for water use efficiency projects and the net methane reduction target for wastewater treatment, given Egypt's critical levels of water stress, the projects are likely to have a positive impact on water management objectives.

Insufficient eligibility criteria regarding the desalination plants, such as the types of technologies that could be financed, create uncertainty around the project's contribution to sustainable water management. Moreover, the desalination plants can operate on renewable energy, grid electricity or fossil fuels with maximum thresholds of 5 kWh/m^3 for energy consumption and 1.9 kg CO_2/m^3 (380 g CO_2/kWh) for carbon intensity, which are higher than the average for plants with sustainable performance in the market with an energy consumption threshold between 2 kWh/m^3 and 3 kWh/m^3 and a carbon intensity less than 100 g CO_2/kWh. The project's brine management complies with Egyptian regulations, which include maximum thresholds for brine salinity and other dissolved solids discharged, as well as continued monitoring for contamination levels. Although an environmental impact assessment is required if the contamination levels reach the maximum threshold, specific measures for continuously monitoring risks to marine biodiversity loss have not been outlined.

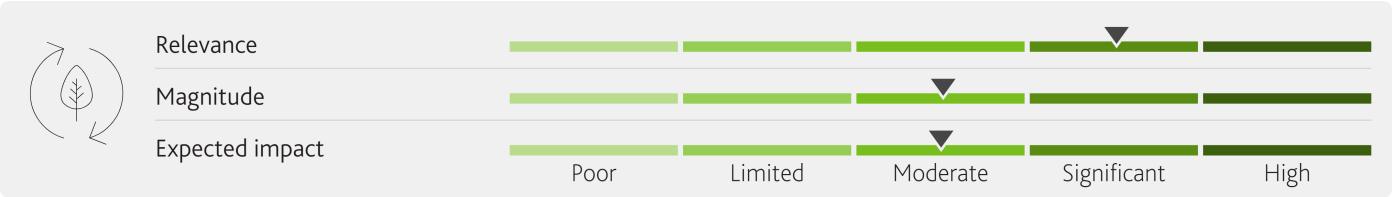
Climate change adaptation



Investment to strengthen Egypt's climate change adaptation capacity is highly relevant for the country's sustainable economic growth and the population's long-term well-being. Egypt is highly vulnerable to the environmental risks associated with climate change, which threaten the country's food security and economic stability. The physical effects of climate change are particularly pronounced in the areas surrounding the Nile Delta and valley, Egypt's main economic hub where nearly 95% of the population resides and 80% of agriculture is produced.[6] Importantly, the adverse impact of climate change on the agricultural sector, which accounts for 11% of the country's GDP and 20% of employment, is estimated to reduce food production by at least 30% by 2030, threatening Egypt's food security and economic growth.[7] To contend with these challenges, the government has outlined measures in its most recent NDC to advance agriculture adaptation policy actions. Moreover, the country's National Climate Change Strategy 2050 proposes an agriculture production strategy that promotes resilient crops, expands the biodiversity of strategic crops and livestock, and improves agricultural water use. Financing climate adaptation projects is highly relevant for the banking sector, considering its increasingly critical role in channeling private capital to help narrow the climate finance gap in emerging economies.

The projects to develop water efficiency solutions would make a significant contribution to advancing climate adaptation goals. Investments in efficient irrigation systems for the agricultural sector, which aim to achieve a minimum 20% water efficiency rate, would generate long-term improvements in water security for the region, as agricultural activities consume about 80% of the country's total water budget.[8] In addition, the water recycling projects, which draw on gray water and rainwater to be treated and used for crops and buildings, also target a 20% reduction in water consumption. Although the full range of activities and technologies eligible under this category has not been specified, the financing of large-scale infrastructure, such as the construction of dams, is excluded, which limits the potential for negative environmental externalities. Furthermore, the projects will follow local water and irrigation regulations to help mitigate any risks of underground water stock depletion associated with rainwater harvesting.

Circular economy adapted products, production technologies and processes



Investment to integrate circular economy practices into manufacturing production technologies and processes is significantly relevant for Egypt, because of the importance of its manufacturing sector, which accounts for 16% of GDP and nearly 48% of the country's exports.[9] The success of the country's long-term National Programme for Economic and Social Reform will hinge on its ability to expand its manufacturing output while also making production less energy and resource intensive. Transitioning to more circular production processes that meet internationally recognized standards will increase the competitiveness of Egyptian exports among its trading partners in certain jurisdictions, such as the EU. Moreover, implementing technologies that focus on durability and resource management will also help reduce waste from the local consumption of domestically produced goods. Investment in circular economy production is highly relevant for the banking sector, because providing financing for manufacturing processes that reduce natural resource and energy consumption can broaden banks' sustainability strategies and reduce their overall environmental footprint.

Projects under this category to enable investments in circular production technologies and eco-efficient products will have a moderate impact on natural resource conservation and climate mitigation. The circular design production processes and eco-efficient products that promote the substitution of virgin materials with recycled materials, enhancements in product durability and increased energy efficiency would acquire internationally recognized certifications and labels for sustainable production. However, the expected environmental benefits from these projects could vary widely, because the minimum certification levels are not indicated. Moreover,

a comprehensive list of the types of projects eligible for financing has not been provided, leaving the eligibility criteria for this project category open to a vast range of potential activities and products that may produce negative environmental externalities.

Pollution prevention and control

Improving Egypt's waste management system is highly relevant for addressing the country's exposure to environmental and health risks associated with high volumes of waste and pollution, which are likely to rise with urban population expansion and consumption growth. The government's 2020 Waste Management Law intends to address Egypt's significant share of unmanaged waste, which is amassed on streets or illegal dumping sites, by improving waste collection, treatment and storage, as well as incentivizing the private sector's participation in these initiatives. Financing waste management systems is also relevant for the banking sector, because channeling private capital toward national efforts to tackle waste and pollution risks could help broaden the sectors' sustainability strategies and environmental impact.

Investment in waste management facilities with material recovery and waste-to-energy processing capabilities would make a poor contribution to pollution prevention in Egypt. The construction of new material recovery facilities for processing solid waste into recycled materials could help reduce reliance on landfills. However, the eligible technologies include waste-to-energy processes without detailed eligibility criteria related to the plant efficiency rate or the average carbon intensity of the produced electricity or heat during the plants' life span, raising uncertainties around the environmental benefits of this project. The feedstock includes biomass agricultural waste, used tires, dried sewage sludge, industrial solid waste, refuse-derived fuel and medical waste, which, without clear visibility on the carbon intensity threshold for the produced energy, could generate high environmental externalities that would outweigh any potential benefits. The technology will be applied to cement manufacturing processes, and all bottom ash and metal will be recovered and incorporated into the cement produced. Although the bank commits to conducting due diligence assessments for the projects, occasionally with an independent reviewer, it does not fully address the potential for a negative environmental impact. Additionally, the projects to renovate existing facilities target a 15% increase in material recovery rate. However, they do not aim to lower the facilities' overall net emissions. While the landfill project's minimum gas recovery rate meets internationally recognized standards, the landfills will be open to accept more waste, which could prolong their usage and deter the global waste management goal of a zero-landfill future.

ESG risk management

We have not applied a negative adjustment for environmental, social and governance (ESG) risk management to the Expected Impact score. CIB's operations in Egypt include an environmental and social (E&S) policy that complies with the IFC's E&S guidelines, the EBRD's E&S guidelines, and national regulations. CIB has internal processes and guidelines to ensure the eligible projects are assessed against ESG risks. The process of reviewing, analyzing and financing a green project includes E&S considerations and the exclusion list, with a review carried out by the Sustainable Finance team. The latter assesses project eligibility and GHG emissions savings with the use of IFC's CAFI® tool, a digital, web-based platform that enables banks and other financial institutions to assess the climate eligibility of the projects they intend to finance and measure the projects' GHG emissions impact.

Coherence

We have not applied a negative adjustment for coherence to the Expected Impact score. CIB's green bond framework, and the associated eligible categories, coherently align with the bank's strategic sustainability priorities and contribute to achieving its sustainable commitments and goals. Since 2018, CIB has been conducting its Carbon Footprint Report, and was the first Egyptian bank to quantify and publish its GHG emissions. The bank has reduced its scope 1, 2 and 3 emissions related to its internal operations by 22% since 2018. In 2019, CIB became one of the 30 founding signatories to the United Nations Environment Program Financial Initiative's Principles for Responsible Banking. In January 2022, CIB's board of directors approved a new sustainability finance strategy as part of its overarching corporate strategy.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The eight eligible categories included in CIB's framework are likely to contribute to six of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 6: Clean Water and Sanitation	Sustainable water and wastewater management, and Climate change adaptation	6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
		6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	Energy efficiency and Green building	7.3: Double the global rate of improvement in energy efficiency
	Renewable energy	7.B: Expand infrastructure and upgrade technology for sustainable energy services to all in emerging markets
		7.2: Increase substantially the share of renewable energy in the global energy mix
GOAL 9: Industry, Innovation and Infrastructure	Energy efficiency and Green building	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
		9.A: Facilitate sustainable infrastructure development in emerging markets through financial and technical support
GOAL 11: Sustainable Cities and Communities	Energy efficiency and Clean transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Energy efficiency, Green building and Sustainable water and wastewater management	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 12: Responsible Consumption and Production	Circular economy adapted products, production technologies and processes	12.2: Achieve the sustainable management and efficient use of natural resources
	Sustainable water and wastewater management, and Climate change adaptation	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil
	Sustainable water and wastewater management, Climate change adaptation, Circular economy adapted products, production technologies and processes and Pollution prevention and control	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	Sustainable water and wastewater management and Climate change adaptation	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
		13.B: Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries

The mapping of the UN's SDGs in this SPO considers the eligible project categories and associated sustainability objectives documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

Appendix 2 - Summary of eligible categories in CIB's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Energy efficiency	- Brownfield energy efficiency in industry improvements though the installation of more efficient equipment and processes and reduction of heat losses and/or increased waste heat recovery with a minimum requirement of reducing absolute energy consumption by at least 20% - Brownfield energy efficiency in commercial and residential building sectors including energy-efficiency improvement in lighting, appliances and equipment and substitution of existing heating and cooling systems with a minimum requirement of reducing absolute energy consumption by at least 20% - Vehicle energy efficiency for existing electric vehicles and rail fleet retrofit or replacement - Financing of manufacturers and suppliers directly manufacturing or supplying energy-efficient technology equipment or appliance; The energy efficient equipment or products should either be: (i) verified as energy-efficient based on a reasonable benchmark in the market of the technology or product being sold, or (ii) directly supplied to energy efficient projects (per definition of eligible EE equipment above - Energy management systems compliant with ISO 50001 or equivalent certification and the financing or refinancing of activities including working capital or assets for specific client facilities certified under ISO 50001 - Air conditioning and refrigeration retrofit of existing industrial, commercial and residential infrastructure that transition to a ammonia cooling agent with lower global warming potential	Climate change mitigation	- Energy consumption reduction - GHG emission saved
Renewable energy	- Electricity generation via wind, solar, sustainable biomass, rehabilitation/construction of biomass units for heat and/or electricity generation; Minimum requirement: the feedstock for biomass/biofuels assets only include rejected municipal solid waste, sludge and agriculture waste - Heat production or other renewable energy application including solar water heating and other thermal applications of solar power, heat recovery applications, wind-driven pumping systems, thermal applications of sustainably produced bioenergy, fabrication/distribution of biofuels from sustainable biomass improved cook stoves for biofuels; Minimum requirement: the feedstock for biomass/biofuels assets only include rejected municipal solid waste, sludge and agriculture waste - Financing manufacturers and suppliers of equipment or products intended for renewable energy projects; Minimum requirement: the eligible sub-project should be directly manufacturing or supplying a component exclusively for the purpose of producing or supporting renewable energy	Climate change mitigation	- Energy produced - GHG emission saved - Installed capacity (MW)
Clean transportation	- Urban transport modal transition to non-motorized transport such as bicycles and pedestrian mobility - Transport oriented urban development, including Integration of transport and urban development planning, leading to a reduction in the use of passenger cars - Inter-urban transport demand management measures to reduce GHG emissions, such as speed limits, high-occupancy vehicle lanes, congestion charging/road pricing, parking management, restriction or auctioning of license plates, car-free city areas - Financing manufacturing and production for EVs and supporting products	Climate change mitigation, Pollution prevention and control	- Number of vehicles financed
Green buildings	- Greenfield energy efficiency in commercial and residential building sectors that comply with green buildings standards as evidenced by IFC's Excellence in Design for Greater Efficiencies (EDGE) certificate, Local Green Buildings Certification system (if applicable), or Leadership in Energy and Environmental Design (LEED) certificate, or Building Research Establishment Environmental Assessment Method (BREEAM) certificate); Minimum requirements: EDGE or BREEAM (good or higher) or LEED certification (silver or higher)	Climate change mitigation, Natural resource conservation	- Certification type - GHG emission reduction

Sustainable water and wastewater management	- Water use efficiency including optimized irrigation techniques, installation of water re-use/recycling system, rehabilitation of water distribution networks, diversification of water provision resources and installation of water production installation, with a minimum requirement to decrease water utilization by at least 20% - Wastewater treatment other than a regulatory requirement (e.g. to achieve a performance standard or safeguard) if net methane reductions can be demonstrated, with a minimum requirement of decreasing water consumption by at least 20% - Water treatment desalination plants with the energy consumption meeting one of the following criteria: • Renewable energy • Other forms of energy, such as grid electricity and fossil fuels with the following conditions: 1- Energy demand per unit of fresh water generated must not exceed 5 kWh/m3 2- CO2 intensity per unit of fresh water generated must not exceed 1.9 kg CO2/m3	Pollution prevention and control	- Annual water savings (m3/ year) - Water reduction consumption (%) - Gross volume of treated wastewater - Reused or avoided wastewater (m3 or %)
Climate change adaptation	- Efficient irrigation systems for farmers in affected regions - Affordable water recycling of gray water and harvesting rainwater for crops and everyday human uses	Climate change adaptation	- Annual water savings (m3/ year) - Water reduction consumption (%) - Gross volume of recycled/reused water
Circular economy adapted products, production technologies and processes	- Circular design and production projects for sustainable production and/or use of materials, components and products that are reusable, recyclable or certified compostable and also support the circular economy through increasing the functionality, durability, modularity and ease of repair. Substitution of virgin materials with secondary raw materials and by-products, with a minimum requirement to obtain internationally recognized benchmark standards, including current EU standards for the quality of materials/products as well as use of chemical substances (e.g. REACH), Cradle to Cradle Product Institute's C2C Guideline, the ISCC Certification System, or APR Postconsumer Resin (PCR) Certification Program - Eco-efficient products awarded an internationally recognized eco-label, or energy, eco-efficiency or other relevant environmental certification such as the Nordic eco-label, EU eco-label, FSC PEFC, Cradle to Cradle Blue Angel and ISO 14021, which recognizes the products' smaller environmental footprint over their lifecycle compared to similar products	Natural resource conservation, Climate change mitigation	- Amount of recycled materials - Number of recycled materials - Recycled materials per unit product - Reduction in materials (%) - GHG emission reduction (%)
Pollution prevention and control	- Construction or operation of greenfield facilities for material recovery from solid waste projects applying mainly mechanical processes to process waste into secondary materials in preparation for recycling only if net emission reductions can be demonstrated; Minimum requirement: the activity should be principally aimed at recovering secondary materials from waste for reuse or recycling and recovered materials including but not limited to metals, glass, plastics, paper and cardboard, wood, textiles and textile fibers, bricks and other inert construction materials - Modification, replacement or upgrading of brownfield facilities for material recovery from solid waste -- including the installation of equipment for optical, ballistic, or magnetic separation -- that enable higher rates of recovery or improved output quality as well as net emission reductions; Minimum requirement: the activity should be principally aimed at recovering secondary materials from waste for reuse or recycling and recovered materials, including but not limited to metals, glass, plastics, paper and cardboard, wood, textiles and textile fibers, bricks and other inert construction materials, are suitable for reuse or recycling - Waste-to-energy projects including incineration, pyrolysis, gasification, anaerobic digestion, and landfilling with gas recovery	Pollution prevention and control, Natural resource conservation	- Amount of goods produced with recovery, recycling or waste-to-energy generation processes - Main usage of recovered materials - Amount of treated solid waste - Reduction in resource consumption (%)

Endnotes

1 IEA Country Profile: Egypt.
2 Egypt National Climate Change Strategy (NCCS) 2050.
3 Egypt's climate change policies: State of play ahead of COP27, 2022.
4 Egypt's First Updated Nationally Determined Contributions, Government of Egypt, 2022.
5 World Urbanization Prospects, UN DESA, 2018.
6 Egypt's First Updated Nationally Determined Contributions, Government of Egypt.
7 World Bank Open Data.
8 Egypt's First Updated Nationally Determined Contributions, Government of Egypt.
9 Production Transformation Policy Review of Egypt: Embracing Change, Achieving Prosperity, OECD, 2021.

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REPORT NUMBER 1400693