

## CREDIT OPINION

12 January 2024

### Update



Send Your Feedback

### RATINGS

#### Walsall Housing Group Ltd

Domicile	United Kingdom
Long Term Rating	A2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

### Contacts

Maylis Chapellier +44.20.7772.1429  
 AVP-Analyst  
[maylis.chapellier@moody's.com](mailto:maylis.chapellier@moody's.com)

Sinan Li +44.20.7772.8652  
 Ratings Associate  
[sinan.li@moody's.com](mailto:sinan.li@moody's.com)

Sebastien Hay +34.91.768.8222  
 Associate Managing Director  
[sebastien.hay@moody's.com](mailto:sebastien.hay@moody's.com)

### CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

# Walsall Housing Group Ltd (UK)

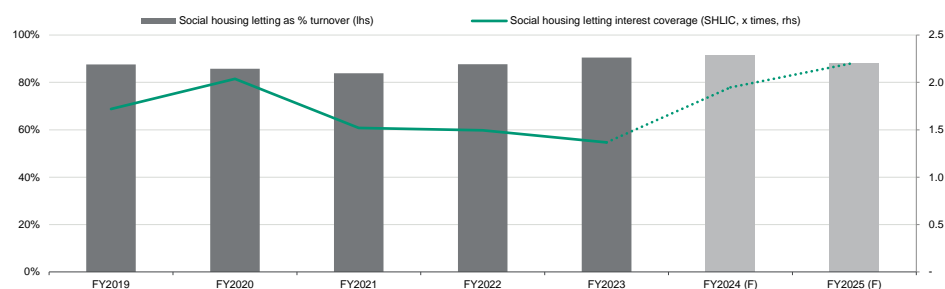
## Update to credit analysis

### Summary

The credit profile of [Walsall Housing Group Ltd](#) (whg, A2 stable) reflects its low-risk business model focused on social housing lettings and strong operating performance, as well as its moderate development ambitions and the high investment required to improve the energy efficiency of its stock. The sector benefits from the strong regulatory framework governing English housing associations and our assessment of a strong likelihood that the government of the [United Kingdom](#) (UK, Aa3 stable) would intervene in the event that whg faced acute liquidity stress.

Exhibit 1

**Social housing lettings (SHL) remain high as a proportion of revenues, which underpins the strong social housing lettings interest coverage (SHLIC)**



F: Forecast.

Source: whg and Moody's Investors Service

### Credit Strengths

- » Solid operating performance and strong interest coverage ratios
- » Strong financial management and sustained concentration on low-risk SHL
- » Supportive institutional framework in England

### Credit Challenges

- » Increased capital spending due to moderate development ambitions and increased investment in stock
- » Increasing debt burden, mitigated by substantial liquidity

## Rating Outlook

The stable outlook reflects Moody's expectation that the expected gradual reduction in inflation will alleviate pressures on the cost base and that the proactive risk reduction measures taken by Walsall in a weaker operating environment will limit development risk.

## Factors that Could Lead to an Upgrade

Upward pressure on the ratings could result from a marked improvement in debt metrics, coupled with a maintained good operating performance, even while meeting the nationwide retrofitting ambitions.

## Factors that Could Lead to a Downgrade

Downward pressure on the ratings could result from a weakening in financial performance metrics, including interest coverage ratios at levels close to or below 1x, a ramp-up in risk appetite, including a higher exposure to market sales than the moderate level currently projected, or an increase in indebtedness, including gearing sustained at levels above 60%. A weakening of the regulatory framework or dilution of the overall level of support from the UK government could also lead to downward pressure on the ratings.

## Key Indicators

Exhibit 2

Walsall Housing Group							
	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24 (F)	31-Mar-25 (F)
Units under management (no.)	21,065	21,364	21,619	21,933	22,076	22,529	23,240
Operating margin, before interest (%)	29.1	25.5	27.4	26.6	24.1	24.1	28.6
Net capital expenditure as % turnover	22.2	34.1	15.5	6.9	27.1	48.3	36.1
Social housing letting interest coverage (x times)	1.7	2.0	1.5	1.5	1.4	1.9	2.2
Cash flow volatility interest coverage (x times)	2.3	2.1	2.0	2.1	2.7	3.0	3.5
Debt to revenues (x times)	3.7	3.9	3.2	3.8	3.3	3.0	2.9
Debt to assets at cost (%)	63.4	61.7	55.2	49.2	45.7	50.7	52.0

F: Forecast.

Source: whg, Moody's Investors Service

## Detailed Credit Considerations

The credit profile of whg, as expressed in an A2 stable rating, combines (1) a baseline credit assessment (BCA) of a3 and (2) a strong likelihood of extraordinary support coming from the national government in the event that the entity faced acute liquidity stress.

### Baseline Credit Assessment

#### Solid operating performance and strong interest coverage ratios

Whg's operating margin is expected to remain above peers, averaging at 27% of turnover over the next three years (median of 27% for A2-rated peers). Whg is planning efficiencies to maintain its margin and will benefit from the rent increase of 7.7% in fiscal 2025. However, the HA decided to invest in its repairs and void teams to reduce its backlog, which will drive costs upwards and limit the margin improvement.

Whg's operating margin decreased to 24% in fiscal 2023 (still above the A2-rated peer median of 22%) from 27% the year before mainly due to inflationary pressures on repairs and maintenance and service charges, as well as increases in management costs.

Whg's solid interest cover metrics will remain above A2-rated peers. SHLIC continued to perform strongly at 1.4x in fiscal 2023, in line with the A2-rated peer median. We expect this metric to improve to an average 2.1x over the next three years, thanks to whg's lower interest charges, following refinancing exercises.

Whg's cash flow volatility interest cover (CVIC) is expected to remain strong, averaging 3.1x over the next three years relative to the A2-rated peer median of 2.5x, reflecting its stable operating cash flows derived from low-risk social housing lettings (SHL) activities.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

### **Strong financial management and sustained concentration on low-risk SHL**

Whg continues to focus on its core business of managing and delivering social and affordable housing. SHL constituted 90% of turnover in fiscal 2023, compared to the A2-rated peer median of 79%.

The strong focus on SHL means that whg is less exposed to more volatile and often less profitable revenue streams such as market sales. Market sales (FTSO and outright sales) will only account for 6% of turnover over the next three years, in line with fiscal 2023. Including the HA's joint venture and associated outright sales activities, the exposure would be higher, 14% of turnover in fiscal 2023, averaging 10% over the next three years. This remains a moderate exposure.

In order to ensure it has sufficient financial resilience, whg established 9 financial Golden Rules. These include: 1) a minimum level of 130% on its interest cover covenant with a trigger at 135% (headroom and trigger we deem as tight), 2) a minimum of £20 million of liquidity held with a trigger at £30 million, 3) headroom of unencumbered assets at 10% of charged security with a trigger of 15%, 4) liquidity to meet net capital commitments (excluding sales proceeds) and debt repayments over the next 18 months, with a review at 24 months, 5) sales turnover capped at 20% of turnover net of sales with a trigger of 15%, 6) open market sales capped at £20 million with a trigger at £17.5 million, 7) net development costs capped at 75% of turnover with a 70% trigger, 8) a rule to maintain gearing at 60% with a trigger at 55% (headroom we deem as tight, trigger as sufficient) and 9) to maintain SHLIC at 1.5x with a trigger at 1.6x.

Those rules are broader and tend to be more stringent when compared to peers. Whg's management put in place multivariate stress testing to provide assurance of financial viability under a range of adverse scenarios, as well as tolerance testing, which assesses to what extent a variable can change before it causes a covenant breach.

Whg's sound financial management is illustrated by the recent reduction in development targets and in development of planned market sales because of inflationary pressures and the housing market downturn. Whg also worked on minimising its cost of funding. The HA expects to deliver a £5 million net interest expense saving in fiscal 2024, thanks to its refinancing exercises.

### **Supportive institutional framework in England**

The sector's credit quality will continue to benefit from the strong institutional framework governing English housing associations (HAs) reflected in an Operating Environment score of a3 and a Regulatory Framework score of a1. These scores are assigned at a national level and reflect the following credit considerations:

The regulator maintains strong oversight through quarterly returns, long-term business plans, annual reviews, and by undertaking biennial In-Depth Assessments (IDAs) for large and complex HAs. The regulator has a strong track record of intervention in cases of mismanagement or financial stress with powers to provide financial assistance and/or make manager appointments where there has been a breach of regulatory standards.

The operating environment for English HAs remains supportive. Demand for social housing remains very high and the government has committed to increased capital grant on more flexible terms for new social housing. English HAs retain some expenditure flexibility and have a track record of reducing costs to mitigate lower income.

However, due to high rates of inflation in 2022, the government implemented a 7% ceiling on social rent increases from April 2023 for one year. The ceiling of 7% results in an adverse differential between rental income and cost growth, which we expect will drive lower margins and interest coverage across the sector in fiscal 2024, although whg is expected to mitigate this through efficiencies. The UK government has confirmed that the English sector will return to rent increases of consumer price inflation (CPI) plus 1% in fiscal 2025, which will be favourable resulting in a rent increase of 7.7% in April 2024, compared to the recent reduction of CPI to 3.9% in November 2023.

### **Increased capital spending due to moderate development ambitions and increased investment in stock**

Whg's net capital expenditure will increase to an average of 38% of turnover over the next three years, from 27% in fiscal 2023. The increase will be driven by its development programme as well as retrofitting works.

Whg plans to build 1,776 units over the next five years (8% of its current units), as well as 132 outright sale units through a joint venture. This will represent an average of 355 new units a year, in line with the last two year's average. The developed units will mostly

be SHL, with only 182 shared ownership units and 22 units for outright sales. Whg chose to decrease its development programme compared to last year and in particular to reduce its market sales exposure, a mitigant against the weakening operating environment.

In addition to development, whg is increasing capex to retrofit its social housing units to EPC-C. The HA has a relatively low percentage of units at EPC-C or above (55%), however the business plan continues to demonstrate capacity to fund retrofitting. Retrofitting costs will represent £65 million over fiscal 2024-28.

### Increasing debt burden, mitigated by substantial liquidity

Under whg's 2023 business plan, we expect whg's debt to increase to £474 million in fiscal 2026, compared to £395 million in fiscal 2023, to fund development and retrofitting projects.

Following the debt increase, gearing is expected to increase to 49% by fiscal 2026, matching the A2-rated peer median. Whg strengthened its balance sheet over the past five years, with gearing now in line with A2 rated peers at 46% in fiscal 2023. Debt to revenues is expected to remain lower than peers, despite the debt increase.

Whg reports a simple debt structure with immediate low risk as all the drawn debt is at fixed rates and to be repaid after five years. Besides, whg reports solid covenant headrooms.

As of September 2023, whg has immediately available liquidity sufficient to cover 2.2x of its two year cash needs. Whg's unencumbered assets position is also strong with £361 million of additional borrowing capacity as of September 2023, which compares positively with its net funding needs. Whg recently improved its unencumbered asset position by switching to MVS-TT (Market Value Subject to Tenancy) valuation.

### Extraordinary Support Considerations

The strong level of extraordinary support factored into the rating reflects the wide-ranging powers available to the regulator in cases of financial distress, with the possibility of a facilitated merger or a transfer of engagements. However, the process can be protracted and is reliant on HAs agreeing to merge, which could be more challenging in a weakening operating environment. Recent history has shown that the UK government is willing to support the sector, as housing remains a politically and economically sensitive issue. The strong support assumption also factors increasing exposure to non-core social housing activities in the sector, that add complexity to HA operations, and the weakening of the sovereign's financial resilience, making an extraordinary intervention slightly more challenging. In addition, our assessment that there is a very high default dependence between whg and the UK government reflects their strong financial and operational linkages.

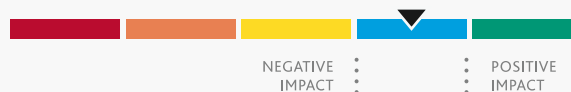
## ESG considerations

### Walsall Housing Group Ltd's ESG credit impact score is CIS-2

Exhibit 3

#### ESG credit impact score

CIS-2



ESG considerations do not have a material impact on the current rating.

Source: Moody's Investors Service

Whg's **CIS-2** indicates that ESG risks have a limited impact on its rating. Although carbon transition risks and social risks are prevalent we consider that whg has the ability to effectively mitigate them through its strong governance and management practices. We also consider that the supportive regulatory framework for the sector offsets some ESG risks.

Exhibit 4

#### ESG issuer profile scores



Source: Moody's Investors Service

#### Environmental

Whg has a material exposure to environmental risks (**E-3**) relating to a significant proportion of its stock requiring retrofit to meet energy efficiency standards by 2035 (carbon transition risks), leading to increased expenditure.

#### Social

Whg has a material exposure to social risks (**S-3**) through sector-wide legislative requirements to improve the safety of existing housing stock (responsible production risks) which weighs on expenditure and operating margins, and the impacts of cost of living or affordability pressures on social tenants (demographic and societal trends) which led to the UK government capping social rent increases below inflation in fiscal 2024 in England, which will also have a negative impact on margins.

#### Governance

Whg has limited governance risks (**G-2**). Its governance is fit for purpose, with strong financial management policies and processes, detailed reporting and a simple organisational structure. The regulatory framework also supports good governance in the sector.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

#### Rating Methodologies and Scorecard Factors

The assigned BCA of a3 is in line with the scorecard-indicated BCA of a3.

The methodologies used in this rating were the [European Social Housing Providers](#) rating methodology, published in April 2018, and the [Government-Related Issuers](#) rating methodology, published in February 2020.

Exhibit 5

## Fiscal 2023

## Walsall Housing Group

Baseline Credit Assessment	Sub-factor Weighting	Value	Score
<b>Factor 1: Institutional Framework</b>			
Operating Environment	10%	a	a
Regulatory Framework	10%	a	a
<b>Factor 2: Market Position</b>			
Units Under Management	10%	22,076	a
<b>Factor 3: Financial Performance</b>			
Operating Margin	5%	24.1%	baa
Social Housing Letting Interest Coverage	10%	1.4x	baa
Cash-Flow Volatility Interest Coverage	10%	2.7x	a
<b>Factor 4: Debt and Liquidity</b>			
Debt to Revenue	5%	3.3x	baa
Debt to Assets	10%	45.7%	ba
Liquidity Coverage	10%	2.2x	aa
<b>Factor 5: Management and Governance</b>			
Financial Management	10%	a	a
Investment and Debt Management	10%	baa	baa
Scorecard - Indicated BCA Outcome			<b>a3</b>
Assigned BCA			<b>a3</b>

Source: whg, Moody's Investors Service

## Ratings

Exhibit 6

Category	Moody's Rating
<b>WALSALL HOUSING GROUP LTD</b>	
Outlook	Stable
Baseline Credit Assessment	a3
Issuer Rating -Dom Curr	A2
<b>WHG TREASURY PLC</b>	
Outlook	Stable
Senior Secured -Dom Curr	A2

Source: Moody's Investors Service

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454