

ASSESSMENT

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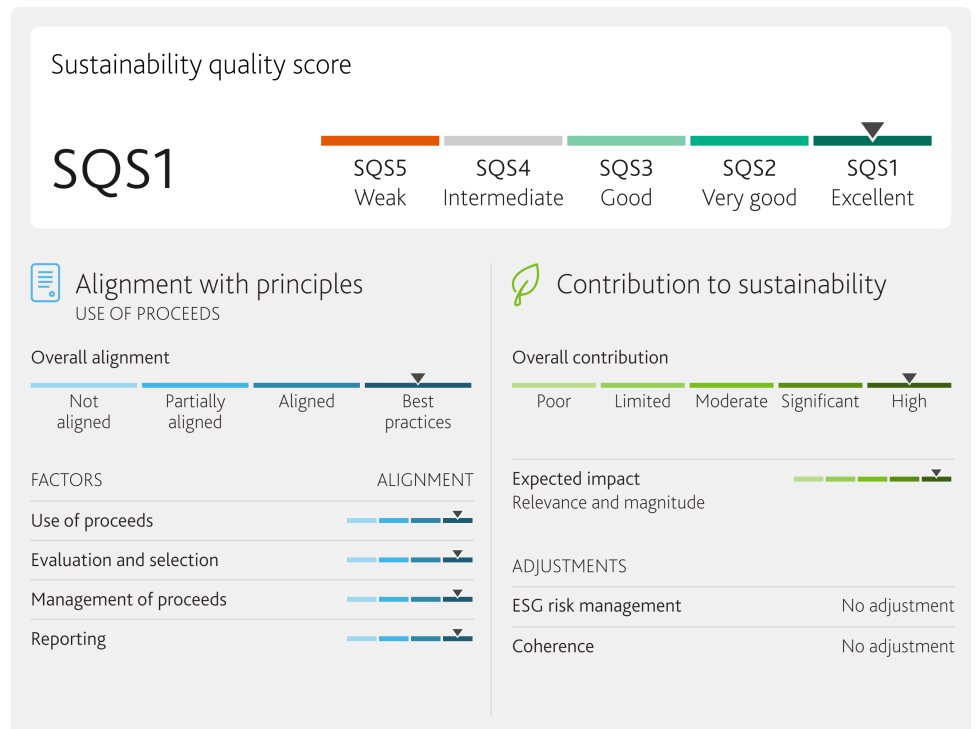
# Avangrid Inc.

## Second Party Opinion – Green Financing Framework Assigned SQS1 Sustainability Quality Score

### Summary

We have assigned an SQS1 sustainability quality score (excellent) to Avangrid, Inc. (Avangrid)'s framework for green financing dated November 2023. The issuer has established a use-of-proceeds framework with the aim of financing projects across three eligible green categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), the Green Loan Principles (GLP) 2023 of the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association (LMA/APLMA/LSTA), and the issuer has also incorporated MIS-identified best practices for all four components. The framework demonstrates a high contribution to sustainability.

Limited to our scope, two out of three activities across one out of three eligible categories adhere to the EU Taxonomy criteria. The issuer adheres to eight out of eight assessed technical screening criteria, as detailed in Appendix 3.



## Scope

We have provided a second party opinion (SPO) on the sustainability credentials of Avangrid's framework for green financing, including the framework's alignment with the ICMA's GBP 2021 (with June 2022 Appendix 1) and the GLP 2023 of the LMA/APLMA/LSTA. Under the framework, Avangrid, Inc., Avangrid Networks, Inc. and Avangrid Renewables Holdings, Inc. (together, the issuing entities) plan to issue use-of-proceeds green bonds or loans (together, the instruments) to finance projects across three green categories as outlined in Appendix 2 of this report. We have also provided a supplementary opinion considering whether the eligible categories adhere to the technical screening criteria ("TSC") set out in Annex I of the Commission Delegated Regulation (EU) 2021/2139 (the "EU Climate Delegated Act") and the Minimum Safeguards ("MS") set out in Regulation (EU) 2020/852 (the "Taxonomy Regulation"), jointly referred to as the EU Taxonomy criteria. Our assessment is based on information provided by the Issuer and performed at the economic activity level for Substantial Contribution and Do no Significant Harm criteria ("DNSH"), and at the entity level for the Minimum Safeguards. Our work does not constitute a verification or audit of taxonomy alignment.

Our assessment is based on Avangrid's framework for green financing dated November 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, and other public and non-public 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

Avangrid, Inc is an energy holding company headquartered in Orange, CT operating in 24 US states through two primary subsidiaries: Avangrid Networks Inc. (Networks) and Avangrid Renewables (Renewables). The company recorded \$41 billion in assets as of fiscal year end 2022 (31 December 2022). Iberdrola, S.A. is the majority owner with 81.6% holdings of the outstanding common stock of the company. The remaining outstanding shares are owned by various shareholders with approximately 18.4% of Avangrid's outstanding shares publicly traded on the New York Stock Exchange.

The Networks segment is comprised of eight regulated utilities involved in electric transmission and distribution (T&D) – as well as local distribution of natural gas across four states in the Northeast: New York, Connecticut, Maine and Massachusetts – serving more than 3.3 million customers for a combined rate base of \$10.7 billion. The Renewables segment includes around 8.7 gigawatts (GW) of renewable electric capacity, primarily through wind and solar power and is geographically diversified across 22 US states.

The regulated utilities sector is exposed to the effects of carbon transition and physical climate risks on operations. The sector plays an important role to support the decarbonization and electrification of the broader economy, particularly for heating, transportation, and industrial processes. The shift to clean energy and investments in climate adaptation measures are crucial to offset the environmental risks on business operations and to advance state and federal climate and energy goals. The company is committed to delivering clean energy solutions through its network investments to connect renewables to the grid as well as through the expansion of its solar and wind generation assets to achieve its carbon neutrality goal for scopes 1 and 2 emissions by 2030.

## Strengths

- » Financing of best-in-class wind and solar assets that will drive substantial greenhouse gas (GHG) emissions reduction in the sector
- » Clear, structured and detailed process for project evaluation and selection including relevant internal expertise
- » Robust environmental and social risk mitigation place covering all eligible projects
- » External verification is carried out on the allocation of funds and the reported environmental benefits

## Challenges

- » Expected benefits are slightly obscured by the inclusion of a ten-year eligibility period for transmission and distribution assets to align with the EU taxonomy's technical screening criteria for activity 4.9.1

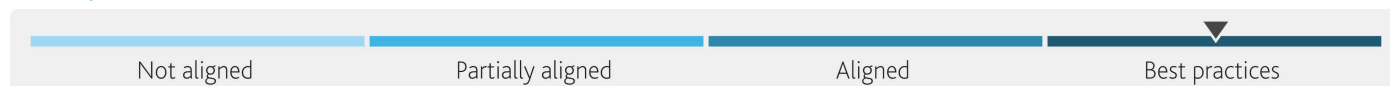
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## Alignment with principles

Avangrid's framework for green financing is aligned with the four core components of the ICMA's GBP 2021 (with June 2022 Appendix 1), the GLP 2023 of the LMA/APLMA/LSTA, and is in line with MIS-identified best practices:

- 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 – BEST PRACTICES

Avangrid has clearly communicated the nature of the eligible expenditures, and the project eligibility and exclusion criteria is clear for all eligible categories. Eligible projects will be located in states participating in the New York Independent System Operator (NYISO) and Independent System Operator- New England (ISO-NE) systems, namely New York, Connecticut, Maine and Massachusetts. The company employs the EU taxonomy's technical screening criteria as a selection tool for projects eligible for (re)financing. The company has shared its intention for eligible activities under EU taxonomy activity 4.9.1 to become taxonomy-aligned within a ten-year period and is committed to providing justification in instances where the extension beyond the initial five year period is needed. A detailed point-in-time assessment on the project's adherence to the EU taxonomy is provided in Appendix 3.

### Clarity of the environmental or social objectives – BEST PRACTICES

The company has clearly outlined a coherent and relevant environmental objective associated with the three eligible green categories. The objective is climate change mitigation, and all eligible categories are relevant to the objectives to which the company aims to contribute. The framework references relevant EU taxonomy economic activities, as well as relevant UN Sustainable Development Goals (SDGs)—SDG7 (Affordable and clean energy), SDG9 (Industry, innovation and infrastructure) and SDG13 (Climate action)—in the articulation of the objective of the eligible green categories, which are coherent with international standards.

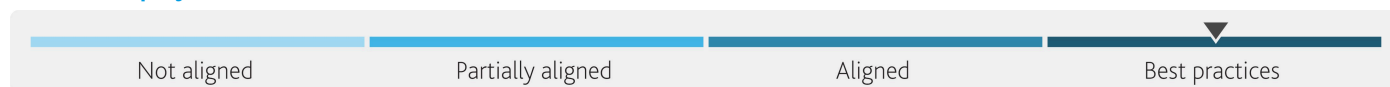
### Clarity of expected benefits – BEST PRACTICES

The company has identified clear expected environmental benefits for the eligible categories. Avangrid has disclosed quantitative impact indicators that it intends to report for each eligible project category in its annual sustainability reports. In the case of refinancing, the company commits to disclose the share of refinancing and will transparently communicate the lookback period to investors on demand. The company commits to specify details on the lookback period including the operating dates of assets at a project level in the annual sustainability reports.

### Best practices identified - use of proceeds

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » 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

Avangrid's decision-making process for the evaluation and selection of projects is clear and structured. Avangrid's Green Financing Committee (GFC) is in charge of the screening and selection process of projects to identify eligible assets for green financing. The committee ensures that eligible projects adhere to all eligibility criteria as specified in the framework, including EU taxonomy criteria. The process also includes provisions to finance eligible projects that are unencumbered by third party financing including allocations through a green financing instrument within the Iberdrola Group. This process limits potential double counting risks.

The GFC includes relevant internal expertise from both the Networks and Renewables business segments. The committee is also responsible for the continued monitoring of the eligibility of the selected projects through the life of the green financing instruments. In case a project is no longer compliant with the eligibility criteria, the company commits to substitute for an eligible project. Traceability of the process is ensured through an internal tracker and committee meeting minutes.

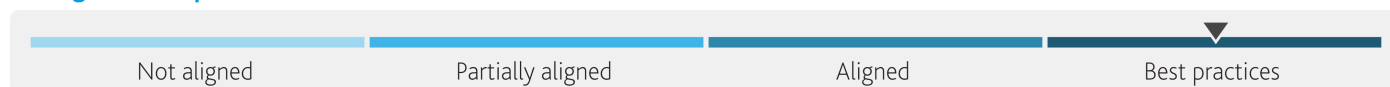
### Environmental and social risk mitigation process – BEST PRACTICES

The company has established a comprehensive environmental and social risk mitigation process, including monitoring for controversies, and the identification and management of environmental and social risks. All eligible projects must undergo an environmental impact assessment to ensure that environmental risks are appropriately identified and mitigated. Projects are covered by the company's environmental and social risk policies as outlined in its governance and sustainability system, which is publicly disclosed. Potential environmental and social controversies are monitored through the company's relevant policies, including corporate governance regulatory policies, social responsibility policies, and compliance policies. The company's policies will be applied throughout the life of the instruments issued under the framework.

### 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 – BEST PRACTICES

The company has defined a clear process for the management and allocation of proceeds in its framework. Net proceeds from issuances under the framework will be placed in the company's general corporate treasury account and will be tracked in the company's accounting and management reporting systems. In the event that net proceeds are not allocated at financial closing, the company will track and report on proceeds disbursement in its sustainability reports until all net proceeds are disbursed. Periodic adjustments of

proceeds will be conducted annually and the company will ensure that proceeds are matched to eligible projects. Avangrid commits to allocate net proceeds within 24 months of each issuance, in line with the market best practice.

#### Management of unallocated proceeds – BEST PRACTICES

The company has shared that unallocated proceeds will be invested in liquid short-term investment instruments such as cash and time deposits with banks, and excludes placement in GHG intensive or controversial activities. For project financings, Avangrid will place unallocated funds in separate accounts and the funds will be invested in liquid short-term instruments or will be used to temporarily reduce the company's short-term borrowings. In the event that a project is postponed, canceled or otherwise becomes ineligible, the company has indicated that it will reallocate the funds to other eligible projects under the framework, and will disclose the reason for substitution in its annual sustainability reports.

#### 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
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

#### Reporting



#### Transparency of reporting – BEST PRACTICES

The company has committed to provide reporting of the allocation of proceeds for each outstanding green financing instrument in its annual sustainability reports until maturity. The report will be publicly available on Avangrid's website and will include reporting indicators, such as the total outstanding net proceeds from green instruments; balance of unallocated proceeds; the expected environmental benefits; the refinancing percentage share, as well as any known material developments, issues or controversies related to the projects or assets. The calculation methodologies and assumptions used to report on environmental benefits will be disclosed within the annual report. Both the allocation and impact reporting will be verified by an accredited independent party on an annual basis until full allocation. The post-issuance verification reports will be publicly available on Avangrid's website.

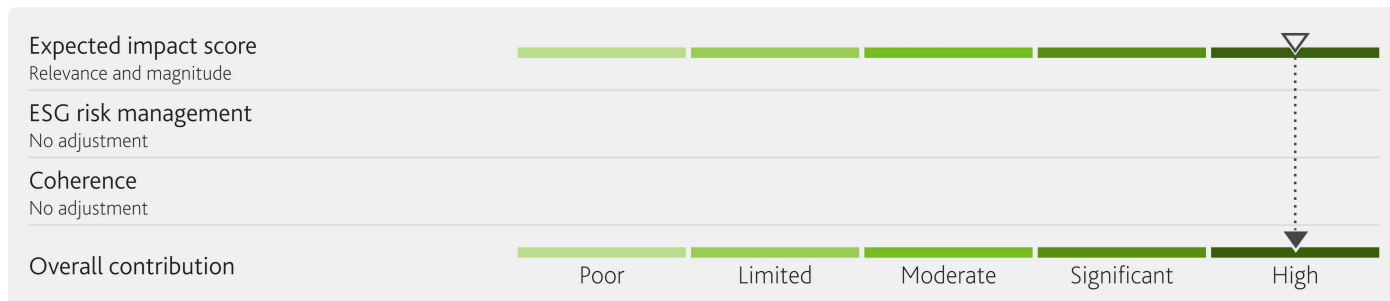
Avangrid is an experienced green bond issuer and has provided timely and transparent disclosure of proceeds allocation and impact reporting in its sustainability reports. The information disclosed is in line with the commitments outlined in prior frameworks, indicating the company's strong commitment to providing transparent reporting disclosures on its green financing program for the benefit of investors.

**Best practices identified - reporting**

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » 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**

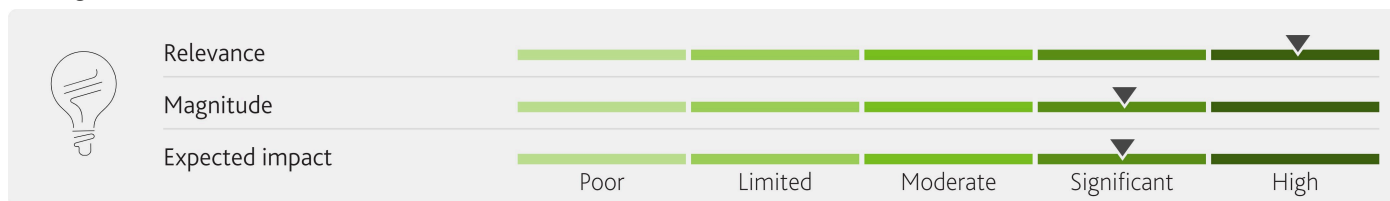
The framework demonstrates a high overall contribution to sustainability.



**Expected impact**

The expected impact of the eligible projects on environmental objectives is high. Based on the importance of the project categories to the issuing entities' business activities and information provided by the company, we expect the majority of proceeds from forthcoming issuances to be allocated to the renewable capacity, followed by the smart grids and electric mobility categories. Therefore, we have assigned appropriate weights to these categories in our assessment of the overall framework's contribution to sustainability. A detailed assessment by eligible category is provided below.

**Smart grids**



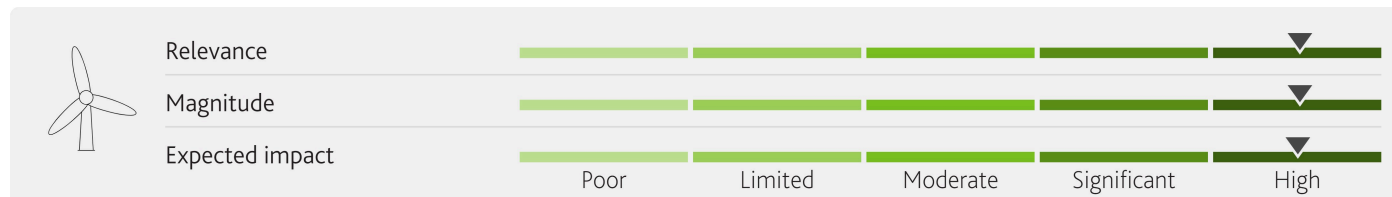
Projects that support the energy transition to renewable sources are critical investments to enable the decarbonization of the utility sector and to support the clean electrification of the broader US economy. According to the International Energy Agency, [almost 90% of global electricity generation should come from renewable sources](#), with wind and solar sources accounting for the majority share

under a net zero by 2050 scenario. Smart grid and T&D assets can increase the connectivity of renewables to the grid and provide enhanced grid reliability through supply and demand side energy management strategies. These measures provide the supporting infrastructure for the transition to renewables as utility operators race to meet US federal and state energy goals. For example, [New York's Clean Energy Standard](#), through the 2019 Climate Leadership and Community Protection Act (CLCPA), includes ambitious climate goals to achieve 70% renewable energy by 2030 and 100% carbon free electricity by 2040.

The projects are likely to have a significant magnitude to reduce emissions, reflecting the use of best available technologies and avoidance of lock in effects. The eligible projects include activities that adhere to the EU taxonomy's technical screening criteria for activity 4.9 which are likely to contribute substantially to climate change mitigation. Eligible T&D assets are required to adhere to at least one of the screening criteria under activity 4.9.1 in the EU taxonomy. Projects include smart meters and demand side response systems to increase controllability and observability of the electricity system. Avangrid also plans to expand transmission and distribution assets to maximize access to renewable generation sources that are projected to occur at a rapid pace in the NYISO and ISO-NE systems over a rolling five-year period. Based on internal documents, the company has shared that T&D capital expenditures through 2027 are likely to exceed the criteria of new renewable additions of more than 67% in the system, and would therefore comply with the 100gCO<sub>2</sub>e/kWh threshold.

The company has included a ten-year period for eligible assets under EU taxonomy activity 4.9.1 to ultimately align with the taxonomy criteria as more renewable capacity is added. The significant magnitude reflects the inclusion of assets that may not comply with the criteria in the interim period as well as the absence of minimum energy efficiency performance level associated with smart grid assets. External risk factors outside of Avangrid's control from renewable project cancellations to changes in state energy policies may also hamper the company's ability to comply with the taxonomy criteria. This is mitigated by Avangrid's internal processes to ensure projects remain compliant to the framework as well as an exclusion criteria for the transportation of fossil fuels. Additionally, each of the state's net zero commitment serves as a mitigant. Still, network assets are important long-term investments to increase access and transmission of renewable power in the electric grid.

**Renewable capacity**

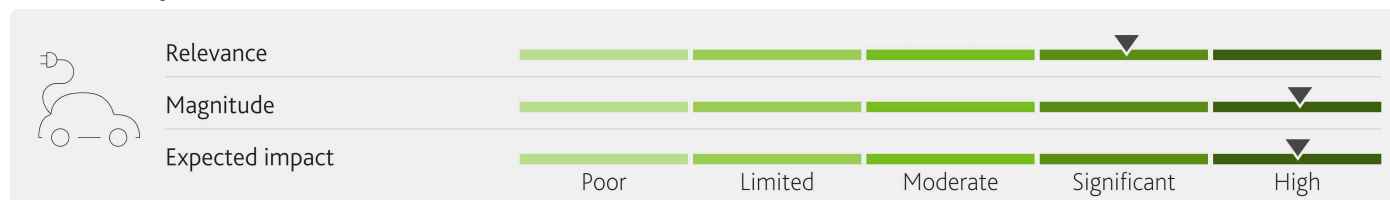


The rapid transition to renewable energy is a key decarbonizing strategy to materially reduce sector and grid emissions in the US. The electric power sector is responsible for 25% of US GHG emissions, of which 60% comes from fossil fuel sources. Within the New York Control Area in the NYISO market, 47% of energy is produced from fossil sources while renewables such as hydropower and wind generate close to a third of energy sources.<sup>1</sup> Across the states within ISO-NE, renewables and hydropower are responsible for a fifth of net generations, while gas sources make up 52% of total generation.<sup>2</sup> The relatively smaller share of renewables highlights the need to make rapid investments to decarbonize the energy sector, which in turn support the clean electrification of other sectors such as transport and industry.

The magnitude is high because the investments in wind and solar energy for electricity generation are best-in-class technologies that can deliver deep emission reductions within the sector. Wind and solar photovoltaic energy are recognized by the EU taxonomy as activities that can substantially mitigate the effects from climate change and support the advancement of each state's renewable portfolio standard. The projects avoid carbon lock in. Additionally, environmental externalities related to biodiversity are sufficiently mitigated through compliance with relevant federal and state permits and completion of environmental impact assessments for each financed project.



### Electric mobility



The relevance of the projects is significant. Although the projects do not address the most material sustainability issues in the utilities sector, the transition to electric vehicles is still important to decarbonize transportation emissions, which is the largest share of emissions in the US, at 28% of 2021 emissions.<sup>3</sup> Additionally, according to the IEA, increasing the electrification of road vehicles is a key decarbonizing lever in a net zero scenario to combat against emissions from rising passenger travel, the latter of which is projected to double by 2050.<sup>4</sup>

The magnitude is high because the charging stations and associated infrastructure are complementary investments to support regulatory initiatives to increase the uptake of electric vehicles. Avangrid has shared that eligible associated infrastructure include conduits and conductors to accommodate fast chargers. These supportive infrastructures are crucial for the electrification of road vehicles and are recognized by the EU taxonomy as activities that can contribute substantially to climate change mitigation. The high magnitude also reflects the avoidance of carbon lock in and use of best available technologies to decarbonize the transportation sector.

### ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. Avangrid has robust ESG risk management systems in place for all its operations. Eligible projects from issuing entities are subject to Avangrid's governance and sustainability system, which are internal policies, procedures, and commitments for the monitoring of compliance and performance related to environmental, social, and corporate governance risks, such as business conduct and ethics, supplier relations, biodiversity, climate action, human rights, and health and safety. All eligible projects proceed under applicable environmental permits and undergo environmental impact assessments in compliance with federal and state laws and regulations. Furthermore, Avangrid's environmental health and safety management system follows the internationally recognized ISO 45001 and ISO 14001 standards.

### Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The eligible categories of the framework contribute to one or more of the company's goals which include achieving carbon neutral scope 1 and scope 2 emissions by 2030. This goal is aligned with Iberdrola's emissions goals, the latter of which have been certified by the Science-Based Targets Initiative. Other relevant goals include a 70% reduction in emissions intensity by 2030 compared to a 2015 baseline and increasing emissions free installed capacity by 190% by 2030 compared to a 2015 baseline. These targets contribute to achieving Iberdrola's net zero emissions by 2040 goal.

Avangrid's scope 3 emissions represent the company's largest share of emissions, stemming from the distribution of natural gas which serves about a third of its customer base. The company has looked into several strategies to tackle scope 3 emissions. The New York Public Service Commission's gas planning order requires natural gas local distribution companies (LDC) operating in the state to file a long-term plan every three years to meet the state's CLCPA climate goal. The order requires LDCs, such as Avangrid's New York State Electric & Gas and Rochester Gas and Electric companies, to include non-pipeline alternatives such as conservation and demand side management strategies as part of the gas investment planning process to cut GHG emissions through reduced gas usage. The commission has also directed utilities to include an assessment of the GHG impacts of capital expenditure investments in future rate filings.



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

The three eligible categories included in Avangrid's framework are likely to contribute to three of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	<i>Electric mobility;</i> <i>Renewable capacity;</i> <i>Smart grids</i>	7.1: Ensure universal access to affordable, reliable and modern energy services
		7.2: Increase substantially the share of renewable energy in the global energy mix
		7.3: Double the global rate of improvement in energy efficiency
GOAL 9: Industry, Innovation and Infrastructure	<i>Electric mobility</i>	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 13: Climate Action	<i>Renewable capacity;</i> <i>Smart grids</i>	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

## Appendix 2 - Summary of eligible categories in Avangrid's framework

Eligible categories	Project Description	Sustainability Objectives	EU Taxonomy Activities	Impact Reporting
Smart grids	<ul style="list-style-type: none"> <li>- IT systems supporting network control, demand side response and distributed generation dispatching</li> <li>- Smart equipment</li> <li>- Projects intended to support access to electricity, especially in areas of lower penetration or isolated</li> <li>- Demonstration projects of distributed generation, off-grid management, applied R&amp;D</li> <li>- General networks investment Networks projects that facilitate the full decarbonization of the system as defined by the EU Taxonomy are eligible on the basis that they are absolutely necessary to foster widespread renewable generation, providing reliability to the system and connecting renewable facilities with customers</li> </ul> <p>When a network does not yet fulfill either of the two previous technical screening criteria, but its capital expenditure strategy contributes to the fulfilment of those in the period of 10 years or less, the associated investment in Regulatory Asset Base can be financed in green format as well.</p>	Climate change mitigation	<p><b>4.9.2.e Transmission and distribution of electricity.</b> Equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources.</p> <p><b>4.9.2.f / 4.9.2.g Transmission and distribution of electricity</b> Equipment such as, but not limited to, future smart metering systems or those replacing smart metering systems able to carry information to users for remotely acting on consumption, including customer data hubs.</p> <p>Equipment to allow for exchange of specifically renewable electricity between users.</p> <p><b>4.9.2.d Transmission and distribution of electricity</b> Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation.</p> <p><b>4.9.1.b / 4.9.1.c Transmission and distribution of electricity</b> The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:</p> <ul style="list-style-type: none"> <li>• more than 67% of newly enabled generation assets on the system comply with the 100gCO<sub>2</sub> e/kWh threshold (over a rolling 5-year period), or</li> <li>• the grid's average emissions factor is less than 100gCO<sub>2</sub> e/kWh (over a rolling 5-year average period)</li> </ul>	<p>Per project:</p> <ul style="list-style-type: none"> <li>- T&amp;D lines (total and attributable miles of lines)</li> <li>- IT Capex</li> <li>- Telecommunicated substations (total and attributable number)</li> <li>- Smart meters (total and attributable number)</li> <li>- Number of new connections</li> <li>- In case of lines related to new renewable capacity: <ul style="list-style-type: none"> <li>• When applicable and possible, amount of renewable generation capacity connected by the T&amp;D asset (MW)</li> <li>• Related annual renewable energy produced by the capacity connected by the T&amp;D asset (MWh)</li> <li>• Annual GHG emissions avoided by the renewable generation capacity connected by the T&amp;D asset (tCO<sub>2</sub>e per year)</li> </ul> </li> </ul>
Renewable capacity	<ul style="list-style-type: none"> <li>- Wind onshore</li> <li>- Wind offshore</li> <li>- Solar (photovoltaic)</li> </ul>	Climate change mitigation	<p><b>4.1 Electricity generation using solar photovoltaic technology</b> The activity generates electricity using solar PV Technology.</p> <p><b>4.3 Electricity generation from wind power</b> The activity generates electricity from wind power.</p>	<p>Per installation:</p> <ul style="list-style-type: none"> <li>- Installed capacity (GW) or lifetime extension (years)</li> <li>- Attributable capacity (GW) or attributable lifetime extension (years) to the financing instrument</li> </ul> <p>For each category:</p> <ul style="list-style-type: none"> <li>- Annual attributable renewable energy produced (GWh)</li> <li>- Annual attributable GHG emissions avoided (MT CO<sub>2</sub>e per year)</li> </ul>
Electric mobility	<ul style="list-style-type: none"> <li>- Charging stations and associated infrastructure</li> </ul>	Climate change mitigation	<p><b>4.9.2.b Transmission and distribution of electricity</b> Infrastructure for the electrification of transport, construction and operation of Electric Vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport.</p>	<p>Per project:</p> <ul style="list-style-type: none"> <li>- Number of charging stations</li> <li>- kW installed at charging stations</li> </ul> <p>For the category:</p> <ul style="list-style-type: none"> <li>- Annual attributable GHG emissions avoided (tCO<sub>2</sub>e per year)</li> </ul>

### Appendix 3 - Adherence to the EU taxonomy

We have provided a supplementary opinion on the framework's adherence to the EU Taxonomy criteria, as defined in the Scope section of this report. As detailed in the tables below, we consider two out of three economic activities in one out of three eligible categories to adhere to the EU Taxonomy criteria. Our assessment is based solely on information provided by the issuer.

For the economic activity 4.9 transmission and distribution of electricity included in the smart grids category, all criteria adhere to the EU Taxonomy except the DNSH criterion for pollution prevention and control, as it relates to the alignment of construction site activities following the IFC's General Environmental, Health, and Safety Guidelines. All non-adhering activities are detailed in the tables below.

Limited to the eligible projects that adhere to the EU taxonomy, the issuer has implemented processes to ensure that all selected projects adhere to TSC and MS as applicable under the EU Taxonomy regulation. The issuer has concluded a detailed screening of the EU Taxonomy criteria for each of the economic activities and identified where existing national law is likely to cover the requirements and where it needs to be complemented by additional measures. This process is described in the "Project evaluation and selection" section, under Alignment with Principles.

Exhibit 1

**Substantial contribution criteria- Climate change mitigation (CCM)**

Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.9

Eligible Category	Eligible Sub-category	Economic Activity	Adherence to Substantial Contribution criteria	Related issuer information
Smart grids	IT systems supporting network control, demand side response and distributed generation dispatching		Adhere	<b>Criteria CCM 2e:</b> Avangrid's activities include equipment to improve the controllability and observability of the electricity system to foster the development and integration of renewable energy sources in the grid. These include sensors and measurement tools to detect anomalies and outages in the system for enhanced grid reliability and resiliency.
	Smart equipment		Adhere	<b>Criterion CCM 2e, 2f, 2g:</b> Avangrid's activities include installation of smart metering systems including advanced distribution management systems and distributed energy resource management systems to enable real time operations control for the enhancement of grid reliability.
	Projects intended to support access to energy, especially in areas of lower penetration or isolated		Adhere	<b>Criteria CCM 2d:</b> Avangrid's network transmission investments are intended to increase the use and connection of renewable energy to the grid, particularly in areas with lower penetration.
	Demonstration projects of distributed generation, off-grid management, applied R&D		Adhere	<b>Criteria CCM 2d and 2e:</b> The issuer confirms that the main objective of this sub-category is pursuing an increase of the generation or use of renewable electricity generation and integration of renewable energy sources. Activities include communication and control tools such as advanced software for voltage management at distribution centers.
		<a href="#">4.9. Transmission and distribution of electricity</a>	<b>Adhere*</b>	<b>Criterion CCM 1b:</b> Avangrid's activities include integrated networks projects that facilitate the connection of renewable power to the ISO-NE and NYISO systems. Based on information shared by the company, more than 67% of the new generation installed or to be installed in the ISOs over a rolling 5-year moving average period will likely be below 100 gCO <sub>2</sub> e/kWh threshold.  *However, we note that the framework allows for the financing of assets that may not yet fulfill either of the technical screening criteria, and we do not have information at this time on renewable additions beyond the 2027 timeframe. The company is committed to ensure network assets under the 2023-2032 capital expenditure plan comply with the criteria within a period of ten years or less, which is supported by ambitious state decarbonization policies in the ISO-NE and NYISO systems. The company has implemented planning and monitoring processes to ensure project adherence to the applicable technical screening criteria, and commits to providing justification in instances where an extension beyond five years is required, in accordance with the Commission Delegated Regulation 2021/2178 of 6 July 2021.
	General networks investment Networks projects that facilitate the full decarbonization of the system as defined by the EU Taxonomy are also eligible, as they are absolutely necessary to foster a widespread renewable generation, providing reliability to the system and connecting renewable facilities with the customers			
Renewable Energy	Wind onshore	<a href="#">4.3. Electricity generation from wind power</a>	Adhere	Avangrid's activities include the construction and operation of electricity generation facilities that produce electricity from wind power (onshore and offshore).
	Wind offshore	<a href="#">4.3. Electricity generation from wind power</a>	Adhere	
	Solar (photovoltaic)	<a href="#">4.1 Electricity generation using solar photovoltaic technology.</a>	Adhere	Avangrid's activities include the construction and operation of electricity generation facilities that produce electricity using solar photovoltaic technology.
Electric Mobility	Charging stations and associated infrastructure	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	<b>Criteria CCM 2b:</b> Avangrid's activities include the construction and operation of electric vehicle charging stations and supporting electric infrastructure for the electrification of transport.

Source: Moody's Investors Service &amp; Avangrid

Exhibit 2

**Do No Significant Harm- Climate change adaptation****Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.9**

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Smart Grids	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	All eligible projects across CCM activities 4.1., 4.3., 4.9., adhere to Appendix A.
Renewable Energy	<a href="#">4.1 Electricity generation using solar photovoltaic technology</a>	Adhere	Avangrid, a subsidiary of Iberdrola, follows the parent entity's General Risk Control and Management System to identify and manage risks across its business activities. Th identification and mitigation of climate change risk on company assets is managed through a climate risk assessment process. The assessment includes the identification of the degree of exposure of assets to climate hazards based on the location and climate projections for the area, as well as a sensitivity analysis of each activity to different physical threats. The steps to conduct a climate risk and vulnerability assessment (part of the Environmental Impact Assessments (EIA)) include: (a) Screening of the activity to identify the relevant physical risk. Risks with the highest exposure to Avangrid's assets include extreme temperatures, precipitation, flooding, extreme wind risks. (b) Assessing the materiality of the physical climate risks on the economic activity. (c) Assessing adaptation solutions aimed at reducing the identified physical climate risk. The application of such solutions is activity-dependent. An example of adaptation solutions deployed include moving substations out of flood zones to reduce flooding vulnerabilities as well as grid hardening upgrades to increase resiliency to ice hazards as well as extreme wind events such as hurricanes.
	<a href="#">4.3 Electricity generation from wind power</a>	Adhere	
Electric Mobility	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	

The climate change adaptation (CCA) analysis considers the proportionality of the assessment by applying climate risk projection scenarios consistent with the expected lifespan of projects. For projects with an expected life of less than 10 years, the assessment will be carried out using projections at the smallest scale. An assessment using projection scenarios of between 10 and 30 years will be applied for major investments. Location-related characteristics of assets are included in the analysis in order to account for the specific climate risk characteristics.

The CCA analysis makes reference to best practices for climate projections and includes state-of-the-art sciences. References to best practices and available guidance depend on the scenario type:

- (a) Baseline: Sustainable Development Scenario and the Announced Pledges Scenario published by the International Energy Agency in the World Energy Outlook (WEO '21 and '22) and the Consumer Transformation Scenario published by the National Grid in the Future Energy Scenarios set (FES '22).
- (b) Slowdown in transition: forecast published by the WEO '22 for the Stated Policies Scenario (STEPS)
- (c) Acceleration in transition: estimates in the Net Zero Scenario (WEO '22)

In addition, based on sensitivity and on the expected evolution of climate threats at the regional level, references are done to the RCP 8.5 climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC).

Adaptation solutions (physical and non-physical) with corresponding implementation measures, intended at reducing the most important physical risks, are applied for both existing and newly built assets in a period of less than 5 years, and in the designing and constructing phase of projects. Before applying adaptation measures, the risk level is estimated based on the extent of an asset's exposure to climate variables. Assets with an estimated risk level of medium or high are in scope for adaptation measures. Avangrid ensures that the adaptation solutions do not adversely affect other adaptation efforts, and are consistent with local, sectoral, regional, and national adaptation strategies. In November 2023, Avangrid's subsidiaries, NYSEG & RG&E, submitted climate change vulnerability studies to the state's utility regulator, the NYS Public Service Commission, in accordance with state law requirements. The studies were completed through a multi-stakeholder approach and identified resiliency strategies to mitigate climate change risks on assets. The solutions cited include enhanced vegetation management to minimize impact of fallen trees on wirelines in extreme wind events.

Source: Moody's Investors Service & Avangrid

Exhibit 3

**Do No Significant Harm- Sustainable use and protection of water and marine resources****Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.9**

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Smart Grids	<a href="#">4.9. Transmission and distribution of electricity</a>	Not applicable	N/A
Renewable Capacity	<a href="#">4.1 Electricity generation using solar photovoltaic technology</a>	Not applicable	N/A
	<a href="#">4.3 Electricity generation from wind power</a>	Adhere	For offshore wind projects, the eligible activities will be subject to EIA ensuring that appropriate measures are taken to ensure the achievement of good environmental status as defined by the Marine Strategy Framework Directive of the European Parliament and of the Council. Avangrid has provided the example of the Vineyard Wind 1 Offshore project in which the project has completed an EIA that considers the impacts on water quality. The project has received federal permitting from the Bureau of Ocean Energy Management, as well relevant state, regional and local permitting to minimize environmental impacts.
Electric Mobility	<a href="#">4.9. Transmission and distribution of electricity</a>	Not applicable	N/A

Source: Moody's Investors Service &amp; Avangrid

Exhibit 4

**Do No Significant Harm- Transition to circular economy****Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.9**

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Smart Grids	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	Avangrid has established a waste management plan through its environmental policy that ensures the circularity of its business activities and through its supply chain. The policy outlines the sustainable use of natural resources, the application of the waste hierarchy and the use of recycled materials through the life cycle of its assets. Avangrid's standard operating procedure for waste related to transmission and distribution assets includes compliance with relevant state and federal law to ensure minimal environmental impact.
Renewable Energy	<a href="#">4.1 Electricity generation using solar photovoltaic technology</a>	Adhere	Avangrid's waste management for renewables incorporates applicable requirements from the Environmental Protection Agency and Department of Transportation. The plan includes the classification of waste and the proper disposal of hazardous waste. The circularity of solar panels is ensured through Avangrid's PV panel management system as well as a requirement for contractors to prioritize the recovery and recyclability of materials. The waste management plan is set in accordance with Iberdrola's circular economy model that optimizes the reusability of resources across business activities.
	<a href="#">4.3 Electricity generation from wind power</a>	Adhere	The Vineyard Wind 1 project, in which Avangrid has a 50% ownership stake, has completed an EIA and has put in place an environmental management plan. The project also includes a waste management plan that prioritizes the reduction, reusability and recyclability of materials related to the wind farm.
Electric Mobility	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	The adherence for the DNSH to the TCE criteria is the same as presented above for the economic activity 4.9. To summarize, all projects under this perimeter of activity have a waste management plan in place.

Source: Moody's Investors Service &amp; Avangrid

Exhibit 5

**Do No Significant Harm- Pollution prevention and control (PPC)****Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.9**

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Smart Grids	<a href="#">4.9. Transmission and distribution of electricity</a>	Do not adhere	<p>The company could not demonstrate that the principles of the IFC General Environmental, Health, and Safety Guidelines are followed for construction site activities. Nevertheless, the company's environmental, health and safety management system covers the majority of requirements for construction site activities, and is in alignment with industry standards ISO 45001 and 14001. Iberdrola's transformer assets that also includes Avangrid's, are in compliance with electromagnetic field standards and follow state and federal guidelines. Additionally, Central Maine Power Company, a subsidiary of Avangrid Networks Inc., has conducted an analysis of risk exposure of electromagnetic radiation from transmission lines.</p> <p>The company was unable to demonstrate that the activities do not currently use polychlorinated biphenyls (PCBs), since PCBs are contained in the oil of transformers that were put in operation before 2000. However, following the Stockholm Convention on the elimination of equipment containing PCB, a plan has been set for its complete elimination by December 2025. A monitoring process is in place to ensure the full elimination of PCB equipment by the deadline.</p>
Renewable Energy	<a href="#">4.1 Electricity generation using solar photovoltaic technology</a>	Not applicable	N/A
	<a href="#">4.3 Electricity generation from wind power</a>	Not applicable	N/A
Electric Mobility	<a href="#">4.9. Transmission and distribution of electricity</a>	Do not adhere	The evidence for the DNSH to PPC criteria is the same as presented above for the economic activity 4.9. In summary, there is a lack of evidence of compliance with the IFC General Environmental, Health, and Safety Guidelines for construction site activities.

Source: Moody's Investors Service &amp; Avangrid

Exhibit 6

**Do No Significant Harm- Protection and restoration of biodiversity and ecosystems (PBE)****Adherence assessment for EU Taxonomy activities 4.1, 4.3, 4.9**

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Smart Grids	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	<p>Economic activities 4.9 adhere to the criteria under Appendix D.</p> <p>The PBE requirements are linked to the assessment of impacts on the environment. The Iberdrola Group, in which Avangrid is a member, uses an environmental management system that acts as a common framework in the coordination of different plans and measures. The evaluation of impacts on biodiversity is carried out in environmental impact studies and/or in the ISO 14001 certified process for the identification and evaluation of environmental aspects associated with biodiversity, which is applied in all facilities.</p> <p>The environmental monitoring plan forms the basis for a mitigation and compensation plan for environmental protection. In cases where a substantial environmental aspect is identified, potential measures are evaluated and other corrective actions are determined, based on the technical and economic viability of solutions.</p> <p>For sites/operations located in or near biodiversity-sensitive areas, risks and opportunities are identified and analyzed through the environmental monitoring plan. A corrective action plan is determined to mitigate risks. Furthermore, Iberdrola has established a Biodiversity Plan 2030, which outlines its commitment to the protection of biodiversity and sustainable use of natural capital.</p>
Renewable Energy	<a href="#">4.1 Electricity generation using solar photovoltaic technology</a>	Adhere	<p>The evidencing for the DNSH to PBE criteria of the economic activities 4.1., 4.3. is the same as for the economic activity 4.9. presented above.</p> <p>For offshore wind projects, the activity does not hamper the achievement of good environmental status. Vineyard Wind, the Natural Resources Defense Council, the National Wildlife Federation and Conservation Law Foundation have entered into an agreement to protect critically endangered North Atlantic right whales. The agreement includes curtailed turbine construction in the presence of whales, comprehensive monitoring as well as reduced construction noise to prevent disturbance from the migratory path of whales. The agreement also includes strict vessel speed limits to ensure biodiversity protection.</p>
	<a href="#">4.3 Electricity generation from wind power</a>	Adhere	
Electric Mobility	<a href="#">4.9. Transmission and distribution of electricity</a>	Adhere	The evidence for the DNSH to PBE criteria is the same as presented above for the economic activity 4.9. In summary, all requirements of Appendix D are fulfilled.

Source: Moody's Investors Service &amp; Avangrid



Exhibit 7

**Minimum Safeguards****Assessment at the issuer level**

Minimum Safeguards	Adherence to Minimum Safeguards	Related issuer information
Human Rights	Adhere	<p>Avangrid has established a human rights policy that is guided by, consistent with, and reflects international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact, the United Nations Guiding Principles of Business and Human Rights, the Children's Rights and Business Principles, and the Sustainable Development Goals (SDGs). Avangrid is committed to protecting the rights of children, ethnic minorities, indigenous peoples, immigrants, migrant workers, and local communities. The company respects its employees' rights to associate and engage in collective bargaining. Furthermore, Avangrid's principles on human rights prohibit the use of child labor, forced labor, prison, labor, slavery, human trafficking, and any other form of slavery. The adherence to the process is enshrined in all businesses and activities at the Avangrid Group level.</p> <p>There are currently no labor or human rights convictions pending. Avangrid has no outstanding complaints or cases with the OECD National Contact Point (NCP). Furthermore, there are currently no allegations against the company with the Business and Human Rights Resource Centre (BHRRC).</p>
Corruption	Adhere	<p>Avangrid has anti-corruption processes in place, including the publicly available Anti-Corruption Policy and Compliance and Ethics Program, which consider all applicable anti-bribery laws and regulations from relevant federal, state, and local jurisdictions. As part of the Iberdrola group, Avangrid is supported by Iberdrola's compliance procedures and measures which are presented in the publicly available Compliance System Transparency Report 2022.</p> <p>An analysis of various Global Reporting Initiative (GRI) indicators, including incidents of corruption and actions taken (GRI 205-3), indicated that there was no case in which the Minimum Safeguards associated with corruption have been neglected in the past. The results are publicly available in the 2022 Avangrid GRI Report. There are currently no court convictions for corruption pending.</p>
Taxation	Adhere	<p>Avangrid commits to ensure compliance with applicable tax laws and regulations and to ensure appropriate coordination of tax practices. The issuer is committed to complying with tax rules in the various jurisdictions in which it operates. The details on the application of good tax practices are publicly available in the Corporate Tax Policy 2022.</p> <p>An analysis of various Global Reporting Initiative (GRI) indicators, including tax governance, control, and risk management (GRI 207-2), indicated that there was no case in which the Minimum Safeguards associated with taxation have been neglected in the past. The results are publicly available in the 2022 Avangrid GRI Report. There are currently no court convictions for taxation pending.</p>
Fair Competition	Adhere	<p>Avangrid is committed to a fair competition on markets in accordance with applicable federal and state laws and regulations. The principles of conduct are administered under Avangrid's Compliance and Ethics Program and presented in the publicly available Code of Business Conduct and Ethics 2023. Avangrid's suppliers are also held accountable to relevant standards of conduct. Fair competition and antitrust principles related to suppliers are publicly available in the Supplier Code of Business Conduct 2023.</p> <p>Avangrid has measures in place to promote employee awareness of the importance of compliance with all applicable competition laws and regulations. The company is committed to implementing appropriate ethics and compliance training programmes and communication plans for company employees. Employees undergo Code of Business Conduct and Ethics training annually.</p> <p>An analysis of Global Reporting Initiative (GRI) indicators, including legal actions for anti-competitive behavior, anti-trust, and monopoly practices (GRI 206-1), indicated that there was no case in which the Minimum Safeguards associated with fair competition have been neglected in the past. The results are publicly available in the 2022 Avangrid GRI Report. There are currently no court convictions pending for violations of competition laws.</p>

Source: Moody's Investors Service & Avangrid

**Endnotes**

- 1 NYISO, [2021-2040 System & Resource Outlook](#), accessed December 2023
- 2 ISO-NE, [Key Grid and Market Stats](#), accessed December 2023
- 3 US Environmental Protection Agency, [Sources of Greenhouse Gas Emissions](#), accessed December 2023
- 4 International Energy Agency, [Net Zero by 2050](#), accessed December 2023

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