

**Announcement: Moody's Investors Service Assigns GB1 (Excellent) Green Bond Assessment to the Government of Nigeria's Green Notes**

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**First time assessment assigned to Africa's maiden sovereign green bond**

New York, December 13, 2017 -- Moody's Investors Service ("Moody's") has assigned a Green Bond Assessment of GB1 (Excellent) to the Government of Nigeria's senior unsecured green notes. The Series 1 green bond issuance is expected to launch during the week commencing 18 December 2017 for the amount of NGN10.69 billion, with precise coupons and maturities to be determined at the time of closing. The green notes will represent the Nigerian government's debut offering under its NGN150 billion green bond program and is expected to be listed on the Nigerian Stock Exchange (NSE). It will also mark the first sovereign green bond issuance in Africa, and the fourth on record globally.

"In preparation for Africa's maiden sovereign green bond, the Government of Nigeria has put in place a comprehensive governance structure and framework that is aligned with the country's domestic green bond guidelines and international best practices," says Rahul Ghosh, a Moody's Senior Vice President.

"Robust disclosure practices, including expectations of ongoing and granular reporting over the life of the bond, will facilitate the implementation of Nigeria's Paris Agreement commitments," adds Charles Berckmann, Assistant Vice President and lead analyst in Moody's Green Bond Assessment team.

**ASSESSMENT RATIONALE**

The GB1 grade is supported by a full allocation of proceeds to renewable energy and afforestation projects that qualify under Nigeria's domestic green bond guidelines and international green bond taxonomies, including the Green Bond Principles and Climate Bond Initiative's (CBI) Climate Bond Standard. The projects financed through the green notes will also support the country's national commitments to the Paris Agreement on Climate Change. The government has received pre-issuance assurance from an independent verifier (DNV GL) that the green notes are compliant with the CBI's Climate Bond Standard Version 2.1. The issuer expects to receive a formal certification letter from the CBI.

Further bolstering the GB1 grade is the government's comprehensive organization and governance structure, which includes a formal green bond framework and explicit guidelines on eligible categories, project evaluation and selection criteria, and oversight from internal bodies and external organizations. To support the green bond initiative, the government has set up a Green Bond Private Public Sector Advisory that is comprised of external development partners, independent regulators, capital market operators and relevant ministries. The development partners include the World Bank, International Finance Corporation, African Development Bank, the United Nations Environment Program (UNEP) and the CBI.

The disclosure on use of proceeds practices are robust overall, providing a strong level of detail on project descriptions, applied methodologies, and intended benefits. The government has provided portfolio-level technical reports for each of the three programs that will be financed with the green bond proceeds. Each report contains comprehensive program descriptions, assessments of the environmental, financial and economic impacts and an evaluation of safeguards and social implications. The funding in place to complete the projects appears adequate, despite the government's weak fiscal position and recent track record of enacting significant capital expenditure cuts.

The Nigerian authorities have adopted a clear internal process and formal set of administrative policies designed to manage the segregation and tracking of green bond proceeds. This includes the creation of a centralized Green Bonds Proceeds Account held at the Central Bank of Nigeria, and individual sub-accounts for specific environmental projects. Any unallocated proceeds will be held in accordance with the government's normal liquidity management policy, which comprises of investments in cash, short-term deposits and other short-term liquidity instruments. One area of slight weakness is the lack of an unequivocally independent internal audit of the centralized and sub-accounts.

The government has committed to bi-annual reporting, initially within one year of the issuance and

subsequently until full allocation of the proceeds. Furthermore, it has signaled its intention to provide ongoing disclosure over the life of the bond, and potentially afterwards given that green project metrics will be used to track the annual performance of Nigeria's nationally determined contribution (NDC) under the Paris Agreement, which runs until 2030. While the NDC targets will be reported on an aggregated basis, the authorities have indicated that reporting on the green bonds will be provided at a project level. The government has also indicated that the annual reports will be segregated by the relevant green bond and, as such, subsequent issuances would be covered in separate annual reporting.

Nigeria is the largest economy in Africa, generating a gross domestic product of US\$405.9 billion, in nominal terms, last year. The country is also the continent's most populous, with an estimated population of over 180 million. Nigeria has been actively engaged in international climate policy negotiations since it became a Party to the United Nations Convention on Climate Change in 1994, and is a signatory to the Paris Agreement on Climate Change.

The principal methodology used in this analysis was Green Bonds Assessment (GBA) published in March 2016. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

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