GCR

RATINGS

Jurisdictional Supplement for Criteria

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1. GCR Ratings ("GCR") is occasionally required to qualify credit ratings issued within specific markets or jurisdictions to reflect any divergent or market related nuances which have the potential to detract from the comparability of GCR credit ratings across jurisdictions within which GCR provides credit rating services.
2. As of April 2023, GCR wishes to bring to the public's attention on an ongoing basis the following qualifications:

a) Zimbabwe: At the time of this publication, the Zimbabwean government and some her agents continue to fail to honour obligations in foreign currency ("FCY") in a timely manner and restrict the free use of FCY for domestic transaction. Therefore, GCR believes the risk of honouring such obligations are severely impaired for all rated and non-rated entities operating in the country.

To maintain a credit hierarchy, which allows investors to assess risk most accurately on a relative basis, GCR does not reflect the non-payment of FCY lines as a default event for national scale ratings on entities operating in Zimbabwe. This is only if the default is purely that of transfer and convertibility and not of general liquidity, i.e., the rated entity must continue to prove that it has the local currency equivalent to pay a foreign currency obligation(s), but not necessarily in the originally contracted currency, to avoid a default rating. Consequently, whilst GCR's Zimbabwean national scale ratings continue to reflect the relative creditworthiness of the rated entities within the country, they overlook elements of currency control and deposit freeze that would otherwise possibly warrant a lower credit rating, as per GCR's Rating Scales, Symbols and Definitions.

Furthermore, Zimbabwe is going through a period of hyperinflation and has witnessed above regional average monetary and exchange control policy changes over the last 12-18months. Government issued directives dictating accounting treatment on the part of rated and non-rated entities resulted in deviation from some International Financial Reporting Standards. These combined factors have resulted in several audited accounts often being qualified. We believe therefore, that audited accounts could be open to unusually high volatility from one period to another, and comparability challenges. Due to the reliance (by any credit rating agency) on audited accounts, we expect Zimbabwean ratings to be volatile versus other markets.

As a result, in our opinion, the risk scores on Zimbabwean entities are not directly comparable other markets. Furthermore, outlook statements may fail to capture forward looking trends due to the high volatility in the operating environment and audited opinions.

GCR will continue to reflect a default event, for both foreign and local currency obligations, for the international issuer and issue scale ratings of Zimbabwean entities. This can lead to dislocations between the international and national scale ratings on a Zimbabwean entity on a GCR risk score or GCR definitions basis.

b) Sovereign Ratings with the WAEMU Region

At the time of this publication, sovereign ratings in the West African Economic and Monetary Union (WAEMU) region are exclusively assigned by the office and staffing located within that region. It is worth noting that GCR does not assign sovereign ratings in any other jurisdiction.

The processes and criteria utilized to assign sovereign ratings in the WAEMU region are specifically designed and operationally conducted by the GCR West Africa team, which is based in Senegal. The criteria is not overseen by the wider ratings group oversight function and the ratings processes are operationally distinct. Consequently, the WAEMU sovereign ratings cannot be considered comparable to the broader GCR Ratings universe.

As a result, sovereign ratings in the WAEMU region are denoted by the suffix "Sov." Furthermore, these ratings are not included in the GCR transition and default study, nor are they utilized in the creation of Country Risk Scores, which feed into the legal entity ratings under the GCR Ratings Framework. It is important to note that no rating dependencies rely on these ratings.

For additional information regarding the criteria for assigning sovereign ratings in the WAEMU region, please contact Moro Kamara at morok@gcrratings.com.

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