

ASSURANCE REPORT

- Green Bond -

NSP-SPV Powercorp Plc



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1. EXECUTIVE SUMMARY

North South Power Company Limited (Sponsor) was established in 2012 to own and operate a diverse and growing portfolio of electricity generation businesses across Africa. Apart from operating the 600 MW Shiroro Hydroelectric power plant.

NSP-SPV Powercorp Plc (the Issuer) was incorporated in Nigeria in 2017 as a public limited company.. The issuer is wholly owned by the sponsor and its purpose is to issue green bonds.

The issuer strongly believes that there is great merit in issuing a Green Bond to re-finance existing assets and finance new assets, which are in the pipeline. The issuance of a green bond aligns with the issuer's objectives towards maintaining a sustainable low carbon environment and commitment to the integration of environmental and social considerations into their business activities as well as contributions to sustainable development.

Terms of Engagement

TÜV NORD CERT were engaged by North South Power Company Limited to provide assurance, that the bond to be issued complies with the Green Bond Framework developed by the Issuer.

The assurance was conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 Assurance of Engagement Other Than Audits or Reviews of Historical Financial Information (ISAE 3000), using a limited Level of Assurance.

It should be noted that members of the assessment team are not involved in any other projects or activities that would cause a conflict of interest with regard to this engagement.

Our Opinion

During the audit process, the issuer has provided evidence, by way of documents and interviews, to enable an opinion to be formed on whether the Green Bond to be issued is in line with the statements made in the Green Bond Framework.

1. Use of Proceeds

The bond to be issued is ₦10bn, 64% of which will be used to refinance existing debt. A further 25% will be used for refurbishing turbine 4 of the Hydro-electric plant. The remaining 11% will be used for a reserve account as well as transactional costs.

This is in compliance with the Use of Proceeds section of the Issuer's Green Bond Framework.

2. Process for Project Evaluation and Selection

Within the prospectus, a clear process is described on how to determine whether the project to be funded by the green bond fits within the eligible green project categories of the Green Bond Principles. Therefore, a set of eligibility criteria has been developed and documented. The process also considers the environmental and sustainability objectives as well as project related risks.

This is in compliance with the Process for Project Evaluation and Selection section of the Issuer's Green Bond Framework.

3. Management of Proceeds

As stated within the prospectus, a separate, ring-fenced account has been opened with Zenith Bank, into which the proceeds from the green bond will be placed. A separate bank account has been opened by the sponsor with Zenith Bank into which the funds will be transferred from the account held by the issuer.

A robust accounting system (Microsoft Dynamics NAV) is used to manage the funds, so that the proceeds can be tracked accurately and in real time. Within the accounting system an account has been created within the Vendor section, which tracks any of the funds which have been provided to third party organisations for services rendered. This will ensure, that the proceeds from the green bond will only be used for this Hydro-electric project and furthermore will not be contaminated by other, non-green proceeds.

Unallocated proceeds will also be kept within a ring-fenced account at Zenith Bank and will be invested in accordance with NSP's Treasury Policy.

This is in compliance with the Management of Proceeds section of the Green Bond Framework.

4. Reporting

The prospectus clearly documents the reporting process which will be followed. The reporting process will provide up to date information on the use of proceeds, which will be reported annually until full allocation. Additionally, the annual report will contain a brief description of the project and the amounts allocated.

The impacts of the project to be funded by the green bond will also be reported annually and according to the required Key Performance Indicators recommended by ICMA.

This is in compliance with the Reporting section of the Green Bond Framework.

Conclusion

Based on our limited assurance procedures, as described in this report, nothing has come to our attention that the proposed use of proceeds, process for project evaluation and selection, management of proceeds and reporting in relation to Issuer's green bond issuance does not meet the criteria outlined in the Issuer's Green Bond Framework, in all material aspects.

Essen, 09.05.2019



Dr. Tahsin Choudhury
Lead & Senior Auditor



Andreas Backs
Senior Auditor

Disclaimer

For the sake of clarity, it should be noted, that the Assurance Report is solely based on conformance or non-conformance of the Green Bond with the Green Bond Framework and does not in any way constitute purchase or investment recommendations. TÜV NORD CERT has no responsibility and liability in this regard and remains the sole responsibility of the issuer. The Issuer shall hold TÜV NORD CERT harmless from and against any claim including but not limited third party claims raised against TÜV NORD CERT in connection with bonds such as but not limited to the economic profitability and credit worthiness of the bonds.

2. VERIFICATION TEAM

The engagement described in this report was conducted by the following employees of TÜV NORD CERT GmbH:

Name	Role
Dr. Tahsin Choudhury	Lead Auditor and Technical Expert
Andreas Backs	Lead Auditor

It should be noted that members of the assessment team are not involved in any other projects or activities that would cause a conflict of interest with regards to this engagement

3. TERMS OF ENGAGEMENT

TÜV NORD CERT were engaged by North South Power Company Limited to provide assurance, that the bond to be issued complies with the Green Bond Framework developed by the Issuer.

The assurance was conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 Assurance of Engagement Other Than Audits or Reviews of Historical Financial Information (ISAE 3000), using a limited Level of Assurance.

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4. METHODOLOGY

The engagement was carried out from 17/09/2018 until 22/11/2018. It consisted of the following steps:

- Review of documentation
- Interviews with selected management and team members
- Verification audits
- Background investigation
- Assurance reporting.

The people listed in the following table participated in the audit. It should be noted, that whilst all of the people participated in the audit, it is not necessarily the case that all of them were involved in the discussions related to all of the topics listed.

Table 4-1: Interviewed persons and interview topics

Interviewed Persons	Interview topics
18.09.2018 to 19.09.2018 – Abuja, Nigeria	
<ul style="list-style-type: none"> - Omokolapo Joseph - Norman Kapambalala - Ikechukwu Okoli - Isaac Mate - Titus Arannilewa - Abiola Majaro - Nsemeke Elette - Oyediran Olanrewaju 	<ul style="list-style-type: none"> - Company Background - Sustainability and Environment Strategy - Motivation for Issuing Green Bonds - Use of Proceeds - Process for Project Evaluation and Selection - Management of Proceeds, including Accounting System - Reporting - Technical and environmental aspects of project

Table 4.2 below provides a list of the evidence which was reviewed during the audit.

Table 4-2: Evidence reviewed during the audit

GBP Component	Evidence reviewed
General Information	<ul style="list-style-type: none"> • Green Bond Framework • Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus) • General Company Presentation • Mission statement • Environmental & Social policy, October 2017 • Sustainability Management Plan, January 2017 • NSP CSR Profile, November 2013 • Certificate by Federal Ministry of Environment, September 2016 • Loan Summary Document, August 2018 • Motivation for issuing a Green Bond.
Use of Proceeds	<ul style="list-style-type: none"> • Green Bond Framework • Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus) • Use of Proceeds Document, November 2018 • Loan Summary Document, August 2018 • Environmental Benefits of Project, October 2018
Process for Project Evaluation and Selection	<ul style="list-style-type: none"> • Green Bond Framework • Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus) • Social & Environmental Presentation, September 2018 • NSP ESIA Process (provided by Federal Ministry of Environment) • Sustainability Management Plan, January 2017 • NSP Policy for Project Evaluation and Selection, October 2018.
Management of Proceeds	<ul style="list-style-type: none"> • Green Bond Framework • Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus) • Interview with Norman Kapambalala (General Manager Accounting Services) • Microsoft Dynamics NAV Financial Accounting System • NSP Treasury Operations Management • NSP Process for Management of Funds from Green Bond, October 2018 • Schematics of the proceeds from the bond issuance • Vendor account within Microsoft Dynamics NAV Financial Accounting System • Bank account with Zenith Bank shown within Microsoft Dynamics NAV Financial Accounting System • Sponsor’s bank account held with Zenith Bank. • Issuer’s bank account held with Zenith Bank.



GBP Component	Evidence reviewed
Reporting	<ul style="list-style-type: none">• Green Bond Framework• Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus)• NSP Internal Reporting Policy

5. OVERVIEW OF ISSUER

The green bond will be issued by NSP-SPV Powercorp Plc, which is wholly-owned by North South Power Company Ltd.

NSP-SPV Powercorp Plc was incorporated in Nigeria in 2017 as a public limited company. NSP-SPV Powercorp Plc is wholly owned by North South Power Company Limited and its purpose is to issue green bonds.

6. OUR OPINION

Based on the work performed both on and off-site, the following sections contain a summary of our findings. All of our conclusions have been supported by the evidence provided in Table 4-2 as well as statements made in the Green Bond Framework.

6.1. Use of Proceeds

Use of Proceeds Review	
Topic	Conclusion
Environmental benefits	The designated project to be (re)financed by the green bond provides a clear environmental benefit by generating renewable energy. It also supports community development projects.
Type of financing	The bond to be issued will be for ₦10bn, 64% of which will be used to refinance the existing debt. 25% of the green bond proceeds will be used to cover the cost of the overhaul required 8% of the green bond proceeds will be allocated to a minimum reserve account, which will be managed by a Security Trust. Any investments, which the Security Trust makes for these unallocated proceeds, will be in line with the NSP Treasury Policy, which is also applicable to the SPV. These unallocated proceeds investments will be in full compliance with the requirements of the GBP.
Green Projects	The designated asset to be funded from the green bond, will be a 600 MW Hydro-electric plant. This clearly fits within the Renewable Energy category of the GBP.

6.2. Process for Project Evaluation and Selection

Process for Project Evaluation and Selection Review	
Topic	Conclusion
Environmental Sustainability Objectives	The bond prospectus documents the environmental sustainability objectives of the project to be funded. This is in line with various Sustainable Development Goals.
Process by which the issuer determines how the projects fit within the eligible Green Projects categories	The bond prospectus documents the process by which the issuer determines how the project to be funded by the green bond fits within the eligible green project categories of the GBP. This includes an assessment by the issuer's technical and commercial departments.
Eligibility criteria	The bond prospectus clearly describes the eligibility criteria and exclusions.

6.3. Management of Proceeds

Management of Proceeds Review	
Topic	Conclusion
Management of funds	<p>As stated within the prospectus, a separate, ring-fenced account has been opened with Zenith Bank, into which the proceeds from the green bond will be placed. Evidence has been seen in the form of opening bank statements, which clearly demonstrate, that the separate, ring-fenced account has been opened. A separate bank account has been opened by the sponsor with Zenith Bank into which the funds will be transferred from the account held by the issuer. Evidence has also been seen of this.</p> <p>A robust accounting system (Microsoft Dynamics NAV) is used to manage the funds, so that the proceeds can be tracked accurately and in real time. Within the accounting system an account has been created within the Vendor section, which tracks any of the funds which have been provided to third party organisations for services rendered. This will ensure, that the proceeds from the green bond will only be used for this Hydro-electric project and furthermore will not be contaminated by other, non-green proceeds.</p> <p>Unallocated proceeds will also be kept within a ring-fenced account at Zenith Bank</p>

	<p>and will be invested in accordance with NSP's Treasury Policy.</p> <p>This will ensure, that the proceeds from the green bond will only be used for this Hydro-electric project and furthermore will not be contaminated by other, non-green proceeds.</p>
Outstanding Funds	<p>At the time of financial close, a minimum reserve account will be created, into which 8% of the bond proceeds will be placed. This will be managed by a Security Trust. and it will be ensured, that should these unallocated proceeds be invested, it will be in line with the NSP Treasury Policy.</p> <p>25% of the bond proceeds will be used for overhauling turbine 4 of the Hydro-electric plant. Any unallocated proceeds from this will be placed in a separate, ring-fenced account, and could be invested in line with the NSP Treasury Policy.</p> <p>So long as the Green Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p>
Tracking of proceeds	<p>The proceeds from the green bond will be placed in a ring-fenced account and the balance and activity of the account can be tracked at any point in time using Microsoft Dynamics NAV Accounting System.</p> <p>The methodology above also covers the tracking of unallocated proceeds from the green bond, which have been invested according to the NSP Treasury Policy.</p>

6.4. Reporting

Reporting Review	
Topic	Conclusion
Reporting requirements & impact assessment	<p>The prospectus clearly documents the reporting process which will be followed and which is in line with the Green Bond Framework. The reporting process will provide up to date information on the use of proceeds, which will be reported annually until full allocation. Additionally, the annual report will contain a brief description of the project and the amounts allocated.</p> <p>The impacts of the project to be funded by the green bond will also be reported annually and according to the required Key Performance Indicators recommended by ICMA.</p>

7. ASSURANCE CONCLUSION

Based on our limited assurance procedures, as described in this report, nothing has come to our attention that the proposed use of proceeds, process for project evaluation and selection, management of proceeds and reporting in relation to Issuer's green bond issuance does not meet the criteria outlined in the Issuer's Green Bond Framework, in all material aspects.