

# POST ISSUANCE ASSURANCE REPORT

- Green Bond -

## NSP-SPV Powercorp Plc



DATE: 26/08/2020

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## CONTENT INDEX

POST ISSUANCE ASSURANCE REPORT .....	1
NSP-SPV POWERCORP PLC .....	1
1. EXECUTIVE SUMMARY .....	3
2. VERIFICATION TEAM .....	6
3. TERMS OF ENGAGEMENT .....	6
4. METHODOLOGY .....	7
5. OVERVIEW OF ISSUER .....	10
6. OUR OPINION .....	11
6.1. Use of Proceeds .....	11
6.2. Process for Project Evaluation and Selection .....	13
6.3. Management of Proceeds .....	13
6.4. Reporting .....	14
7. ASSURANCE CONCLUSION .....	16

## 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.

A Green Bond of ₦8.5bn was issued on the 27/02/2019 and the funds received by the issuer on the 01/03/2019. The funds were used for the following purposes:

- Fees related to the bond issuance.
- Refinance existing debt.
- Placement within a minimum reserve account.
- Rehabilitation of overhead cranes and system/control upgrades.
- Purchase of the 30MW Gurara Hydro Electric Power Plant.

### **Terms of Engagement**

TÜV NORD CERT were engaged by North South Power Company Limited to provide the first post issuance report confirming that the use of proceeds and management of the funds were used in line with what has been stated in the bond issuance documents and that the four core components of the Green Bond Principles have been adhered to. It should be noted that due to the COVID-19 Pandemic and the consequent travel restrictions, the audit was carried out remotely using video conferencing methods.

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 which was issued is in line with the statements made in the Green Bond Framework and the third party assurance report dated 09-05-2019.

#### **1. Use of Proceeds**

The bond issued was for ₦8.5bn and was used for payment of the fees related to the bond issuance, refinancing existing debt, placement within a minimum reserve account, rehabilitation of the cranes and control systems and purchase of the 30MW Gurara Hydro Electric Power Plant.

This is in compliance with the Use of Proceeds requirements of the Green Bond Principles.

## 2. Process for Project Evaluation and Selection

The issuer has a clear process which describes how, the project which was 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 process was followed for the current issuance.

This is in compliance with the Process for Project Evaluation and Selection requirements of the Green Bond Principles.

## 3. Management of Proceeds

The Green Bond was issued on the 27/02/2019 and the funds were transferred to a separate, ring-fenced account which has been opened with Zenith Bank. A reserve account was also opened with Zenith Bank. Unallocated proceeds were held by 6 fund managers and they have confirmed that the unallocated proceeds will not be invested in GHG intensive activities. This has ensured 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.

This is in compliance with the Management of Proceeds requirements of the Green Bond Principles.

## 4. Reporting

The annual report provided by the issuer clearly documents that the report has been written in line with the Green Bond Framework.

Furthermore, evidence regarding the amount of electricity exported was provided and which substantiates the data used in the emissions mitigation calculations.

The client has referred to CDM Methodology ACM0002: Consolidated baseline methodology for grid-connected electricity generation from renewable sources --- Version 12.3.0 for guidance with regards to the inclusion of the methane emissions within the project emissions. The methodology clearly states that if the Power Factor is greater than 10 W/m<sup>2</sup>, then these emissions can be excluded. Evidence has been seen from ERM dated the 25/10/2018 in which it has been stated that the Power Factor is 44.9 W/m<sup>2</sup>. Whilst this factor has not been verified, given that it has been provided by another credible organization and signed by a Partner, this has been accepted. Therefore the project emissions are zero.

The report provides up to date information covering the use of proceeds and how they have been allocated. Furthermore, the impacts of the project have been provided and which are in-line with the KPI metrics required by ICMA.

The impacts are as follows:

### Core Indicator 1: GHG Emissions avoided (tCO<sub>2</sub>e)

01/03/2019 to 31/12/2019: 958,343

01/01/2020 to 31/07/2020: 520,716

### Core Indicator 2: Renewable Generation (MWh)

01/03/2019 to 31/12/2019: 2,314,837

01/01/2020 to 31/07/2020: 1,257,769

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Core Indicator 3: Capacity of renewable energy plant constructed or rehabilitated (MW)


0- The project is an existing facility and was not rehabilitated.

This is in compliance with the Reporting requirements of the Green Bond Principles.

**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 and as set out by the ICMA Green Bond Principles, in all material aspects.

Essen, 26.08.2020



Dr. Tahsin Choudhury  
Lead & 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 the Green Bond Principles 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

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 the first post issuance report confirming that the use of proceeds and management of the funds were used in line with what has been stated in the bond issuance documents and that the four core components of the Green Bond Principles have been adhered to.

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.

### Disclaimer

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## 4. METHODOLOGY

The engagement was carried out from 11/08/2020 until 12/08/2020. Due to the COVID-19 pandemic and the resultant travel restrictions, the audit was carried out remotely using a video conference facility. 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
<b>11.08.2020 to 12.08.2020 (inclusive) – Remote Audit</b>	
<ul style="list-style-type: none"> <li>- Abiola Majaro</li> <li>- Kehinde Fanimokun</li> <li>- Titus Arannilewa</li> <li>- Timothy Aluko</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Project update</li> <li>- Sustainability and Environment Strategy</li> <li>- Motivation for Issuing Green Bonds</li> <li>- Use of Proceeds</li> <li>- Process for Project Evaluation and Selection</li> <li>- Management of Proceeds, including Accounting System</li> <li>- Reporting</li> <li>- Technical and environmental aspects of project</li> </ul>

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

It should be noted that due to confidentiality reasons, the names of the investors and financial companies where the unallocated proceeds have been invested have not been disclosed. Evidence from these organisations was reviewed as part of the audit process.

**Table 4-2:** Evidence reviewed during the audit

GBP Component	Evidence reviewed
General Information	<ul style="list-style-type: none"> <li>• Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus)</li> <li>• General Company Presentation including update on project</li> <li>• Mission statement</li> <li>• Environmental &amp; Social policy, October 2017</li> <li>• Sustainability Management Plan, January 2017</li> <li>• NSP CSR Profile, November 2013</li> <li>• Motivation for issuing a Green Bond.</li> </ul>
Use of Proceeds	<ul style="list-style-type: none"> <li>• Green Bond Framework</li> <li>• Evidence providing breakdown of finance raised.</li> <li>• Evidence confirming that the bond was raised and the date of issuance.</li> <li>• Evidence from the Securities Exchange Committee confirming change in use of proceeds.</li> <li>• Evidence from investors agreeing to change in use of proceeds.</li> <li>• Evidence from Fund Managers confirming use amounts and use of unallocated proceeds</li> <li>• Audited accounts for the year 2019. Dated 28<sup>th</sup> July 2020.</li> <li>• Evidence for acquisition of Gurara 30MW hydro power plant</li> <li>• Evidence for the cost of the bond issuance.</li> <li>• Evidence confirming repayment of Naira and US dollar facilities (original finance)</li> <li>• Evidence confirming cost of Rehabilitation of cranes and control systems.</li> <li>• SEC Quarterly reports</li> <li>• Use of Proceeds Document, November 2018</li> </ul>
Process for Project Evaluation and Selection	<ul style="list-style-type: none"> <li>• Green Bond Framework</li> <li>• Social &amp; Environmental Presentation, September 2018</li> <li>• NSP ESIA Process (provided by Federal Ministry of Environment)</li> <li>• Sustainability Management Plan, January 2017</li> <li>• NSP Policy for Project Evaluation and Selection, October 2018.</li> </ul>
Management of Proceeds	<ul style="list-style-type: none"> <li>• Green Bond Framework</li> <li>• Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus)</li> <li>• Interviews with Abiola Majaro and Kehinde Fanimokun (Corporate Finance Team).</li> <li>• Evidence from Fund Managers confirming amounts and use of unallocated proceeds</li> <li>• Evidence from Zenith Bank documenting the flow of the proceeds received.</li> <li>• Statement showing the utilization of the funds.</li> </ul>





GBP Component	Evidence reviewed
	<ul style="list-style-type: none"> <li>• Audited accounts for the year 2019. Dated 28<sup>th</sup> July 2020.</li> </ul>
Reporting	<ul style="list-style-type: none"> <li>• Green Bond Framework</li> <li>• NSP Internal Reporting Policy</li> <li>• NSP Annual Report</li> <li>• Microsoft Excel Spreadsheet showing raw data and impact calculations</li> <li>• Evidence for power generated in 2019 and 2020.</li> <li>• Evidence of methodology used to calculate the impacts reported.</li> <li>• Evidence for the GEF used.</li> <li>• Interviews with Titus Arannilewa and Timothy Aluko</li> </ul>

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## 5. OVERVIEW OF ISSUER

The green bond was 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, 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 during the audit.

### 6.1. Use of Proceeds

Use of Proceeds Review	
Topic	Conclusion
Environmental benefits	The designated project which has been wholly refinanced by the green bond provides a clear environmental benefit by generating renewable energy. It also supports community development projects.
Type of financing	<p>Due to a change in requirements, the bond which was issued was for ₦8.5bn, rather than ₦10bn. Of the proceeds received 53%, rather 64% as previously disclosed, was used to refinance the existing debt. The overhaul of the turbines as mentioned in the bond issuance documents, were financed from other sources and instead, 8% of the green bond proceeds were used to cover the cost of the rehabilitation of overhead cranes and control system upgrades.</p> <p>9% rather than 8%, as previously mentioned, of the green bond proceeds were allocated to a minimum reserve account, which is managed by a Security Trust.</p> <p>The unallocated proceeds were invested with 6 fund managers. Evidence was seen in the form of investment statements from the 6 fund managers confirming that the funds were placed with them and that the funds would be invested in line with the requirements of the GBP and not in any GHG intensive activities.</p> <p>Approximately, 28% of the proceeds received have been used to purchase the Gurara 30MW hydro electric power plant.</p> <p>A letter was seen dated the 09/05/2019 from the guarantor to the issuer confirming that the investors in the bond consented to some of the funds being used to purchase the Gurara hydro electric power plant.</p> <p>Evidence has been seen dated the 15/05/2019 from the bond trustees to the issuer requesting that they seek SEC approval for some of the proceeds to be used for the purchase of the Gurara hydro electric plant.</p> <p>A letter from the issuer to the SEC dated the 22/05/2019 was seen in which permission was requested that some of the funds raised could be utilized for the purchase of the Gurara hydro electric plant.</p> <p>A letter dated the 08/07/2019 from the SEC to the issuer was seen in which confirmation of the request was accepted.</p>



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Green Projects	<p>The designated asset which was funded from the green bond was the 600 MW Hydro-electric plant. Evidence was seen in the form of bank statements conforming that this was the case.</p> <p>Additionally, some of the proceeds were used to finance the purchase of the 30 MW Gurara Hydroelectric power plant. It should be noted that this plant is not yet operational and it is expected to come on stream in Q2, 2021.</p> <p>This clearly fits within the Renewable Energy category of the GBP.</p>
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## 6.2. Process for Project Evaluation and Selection

Process for Project Evaluation and Selection Review	
Topic	Conclusion
Environmental Sustainability Objectives	<p>It was established during the audit that the documents reviewed during the audits carried out for the SPO and the Assurance remain the same and that there have not been any changes.</p> <p>The bond prospectus documents the environmental sustainability objectives of the project to be funded. This is in line with various Sustainable Development Goals.</p>
Process by which the issuer determines how the projects fit within the eligible Green Projects categories	<p>It was established during the audit that the documents reviewed during the audits carried out for the SPO and the Assurance remain the same and that there have not been any changes.</p> <p>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.</p>
Eligibility criteria	<p>It was established during the audit that the documents reviewed during the audits carried out for the SPO and the Assurance remain the same and that there have not been any changes</p> <p>The bond prospectus clearly describes the eligibility criteria and exclusions.</p>

## 6.3. Management of Proceeds

Management of Proceeds Review	
Topic	Conclusion
Management of funds	<p>The Green Bond was issued on the 27/02/2019 and the funds were transferred to a separate, ring-fenced account which has been opened with Zenith Bank, on the 01/03/2019. A bank statement from Zenith Bank relating to this account (NSP-SPV Power Corp PLC- Series 1 Bond) was seen showing a total of 14 credits made on the 01/03/2019 from the issuing houses and totaling ₦8.5bn.</p> <p>On the 01/03/2019, ₦8.3bn was transferred from NSP-SPV Powercorp PLC Series 1 Bond to NSP-SPV Powercorp Plc (Issuer's Pass through Account) while the same ₦8.3bn was transferred from the Issuer's Passthrough Account to NSP Naira Bond Account (Project/Operations Account). Evidence has been seen in the form of bank statements showing the movement of these funds.</p> <p>On the 04/03/2019, the amount specified was transferred to the reserve account and evidence in the form of a bank statement from Zenith Bank was seen confirming this.</p> <p>Unallocated proceeds were held by 6 fund managers. Evidence of the amounts</p>

	<p>managed by each of the fund managers, along with confirmation that the funds would not be invested in GHG intensive activities was seen. On the 20/05/2020, the unallocated proceeds and the interested earned were transferred back to the operational project account</p> <p>The above has ensured 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>Outstanding Funds</p>	<p>At the time of financial close, a minimum reserve account was created into which 9% of the bond proceeds was placed. This is being managed by a Security Trust and it will be ensured that these unallocated proceeds be invested in line with the NSP Treasury Policy.</p> <p>The unallocated proceeds were held by 6 fund managers. Evidence of the amounts managed by each of the fund managers, along with confirmation that the funds would not be invested in GHG intensive activities was seen. This is in compliance with the requirements of the GBP.</p> <p>It was previously expected that 25% of the bond proceeds will be used for overhauling turbine 4 of the Hydro-electric plant. However, it was decided that the cost of this activity would not be covered from the bond proceeds rather than by another source of funds. Instead, 8% of the bond proceeds was used for the rehabilitation of the cranes and control systems within the hydro electric facility. Evidence was seen, in the form of a bank statement from Zenith Bank, confirming that the contractor responsible for the rehabilitation works was remunerated for the work on the 20/05/2020.</p>
<p>Tracking of proceeds</p>	<p>Clear evidence has been seen from primary sources (bank statements, fund manager statements, documents from the issuing houses and the audited financial statement provided by KPMG) which were used to comprehensively track the use of proceeds.</p> <p>The issuer uses Microsoft 365 Finance and Operations as their accounting software. The sub-account which has been opened for the project operational activities is visible within the software and hence the funds can be tracked at any point in time and in real time.</p>

## 6.4. Reporting

Reporting Review	
Topic	Conclusion
<p>Reporting requirements &amp; impact assessment</p>	<p>The annual report provided by the issuer clearly documents that the report has been written in line with the Green Bond Framework.</p> <p>Details regarding the make, model and serial number of the main and back meters were provided and checked. The calibration frequency of the meters was provided and well as details when the last calibrations were carried out. The meters are operating in line with the calibration requirements.</p> <p>Furthermore, evidence regarding the amount of electricity exported, which is in-</p>

	<p>line with the audited financial statements, was provided and which substantiates the data used in the emissions mitigation calculations. An Excel spreadsheet has been presented which provides the calculations used to report the impacts of the project.</p> <p>The client has referred to CDM Methodology ACM0002: Consolidated baseline methodology for grid-connected electricity generation from renewable sources --- Version 12.3.0 for guidance with regards to the inclusion of the methane emissions within the project emissions. The methodology clearly states that if the Power Factor is greater than 10 W/m<sup>2</sup>, then these emissions can be excluded. Evidence has been seen from ERM dated the 25/10/2018 in which it has been stated that the Power Factor is 44.9 W/m<sup>2</sup>. Whilst this factor has not been verified, given that it has been provided by another credible organization and signed by a Partner, this has been accepted. Therefore the project emissions are zero.</p> <p>The report provides up to date information covering the use of proceeds and how they have been allocated. Furthermore, the impacts of the project have been provided and which are in-line with the KPI metrics required by ICMA.</p> <p>The impacts are as follows:</p> <p><b>Core Indicator 1: GHG Emissions avoided (tCO<sub>2</sub>e)</b> 01/03/2019 to 31/12/2019: 958,343 01/01/2020 to 31/07/2020: 520,716</p> <p><b>Core Indicator 2: Renewable Generation (MWh)</b> 01/03/2019 to 31/12/2019: 2,314,837 01/01/2020 to 31/07/2020: 1,257,769</p> <p><b>Core Indicator 3: Capacity of renewable energy plant constructed or rehabilitated (MW)</b> 0 The project is an existing facility and was not rehabilitated.</p>
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## **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 and the Project Populus – Series 1 Supplementary Prospectus, dated 18.11.18 (Green Bond Prospectus).