

# REPOWER GREEN BOND

## FRAMEWORK OVERVIEW AND SECOND PARTY OPINION BY SUSTAINALYTICS

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## 1. INTRODUCTION

Repower AG (“Repower”) is an international energy company headquartered in Poschiavo (Canton Graubünden, Switzerland). The group operates along the entire electricity value chain. It engages in the generation, management, trading, sale, transmission, and distribution of electricity. The company currently generates electricity using own hydro, gas and wind power plants. Furthermore, Repower holds interests in nuclear power resources. Repower’s key markets are Switzerland and Italy.

Repower has identified adjusting its energy mix as one of the key strategic changes for the company in the coming years. In 2015, Repower realigned its strategy in response to changes in the energy market. In its 2025 Strategy, Repower sets the intention to 100% renewable energy generation, and commits to a closer focus on services and sales, concentration on the Swiss and Italian markets, and the delisting of Repower’s securities from the stock exchange.

Repower’s 2025 strategy also signals the company’s efforts to shift from nuclear power and fossil fuels to renewable energy resources. In addition to Repower’s objective to generate 100% renewable energy, the company is currently considering the sale of its nuclear power interests and its majority holding in the Teverola combined-cycle gas turbine plant in southern Italy. Repower also intends to consolidate and develop its portfolio of hydropower assets, the backbone of its own generation capacity representing 52% of the electricity generated by Repower<sup>1</sup>.

In alignment with Repower’s 2025 Strategy and sustainability vision, the company is considering to issue a green bond to finance or refinance the company’s investments in renewable energy, namely expenditures related to the acquisition and development of wind and hydropower plants. These projects include four wind parks located in Italy and Germany and two hydropower plants located in Switzerland.

## 2. PREFACE

Repower plans to issue a Green Bond or *Schuldscheindarlehen/ Namensschuldverschreibung* (“Green SSD”) to finance or refinance the company’s investments in renewable energy, namely expenditures related to the acquisition, development, operation and maintenance of wind parks and hydropower plants. Repower has engaged Sustainalytics to provide an external review of its Green SSD framework, its alignment with the transparency and reporting requirements of the International Capital Market Association 2016 Green Bond Principles (“GBP”)<sup>2</sup> as well as the Green SSD’s environmental impact. As part of this engagement, Sustainalytics held conversations with various members of Repower’s treasury and sustainability teams to understand the company’s sustainability vision and performance, the planned use and management of proceeds and reporting associated with estimated positive impacts. Sustainalytics also reviewed relevant public and internal documents. This document contains two sections: Framework

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<sup>1</sup> 2015 data; refers to energy generated through own generation assets, interests and purchase rights.

<sup>2</sup> The Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market. They provide issuers guidance on the key components involved in launching a credible green bond and aid investors by ensuring availability of information necessary to evaluate the environmental impact of their green bond investments.

Overview – summary of Repower’s Green Bond framework; and Sustainalytics’ Opinion – a review of the framework.

## 3. FRAMEWORK OVERVIEW

For the issuance of Repower’s Green SSD, a framework has been created in alignment with market practices and investors’ expectations. This framework follows the International Capital Market Association (ICMA)’s 2016 Green Bond Principles (“GBP”). The four pillars of the GBP are:

- Use of Proceeds
- Project Evaluation and Selection Process
- Management of Proceeds
- Reporting

### 3.1 Use of Proceeds

Repower will use the net proceeds of the Green SSD to finance or refinance the company’s investments in renewable energy. Expenditures include activities related to the acquisition, development, operation and maintenance of wind parks and hydropower plants developed or acquired since 2007, which are eligible as per the criteria specified below.

#### *Eligibility Criteria*

For a project to be financed or refinanced through Repower’s Green SSD proceeds, it must meet the following eligibility criteria:

#### **i. Renewable energy production – Wind Parks and Hydropower Projects**

Capital and operational expenditures allocated to acquisition, development, operation and maintenance of wind parks and run-of-river hydropower projects. Such expenditures include:

- a. Land acquisition and notary costs
- b. Project studies (e.g. technical wind power potential reports)
- c. Environmental impact reports
- d. Construction work (including electrical installation, related building structures, supporting facilities during construction phase, etc.)
- e. Acquisition of wind turbines
- f. Acquisition of electrical equipment (e.g. transformers, cables, special illumination for obstacle, etc.)
- g. Acquisition of (other) equipment (e.g. waterproofing materials, water pressure pipes, etc.)
- h. Commissioning expenses<sup>3</sup> (costs of configuration, security - HSE, etc.)
- i. Legal counseling
- j. Risk insurances

<sup>3</sup> Commissioning covers activities after all components of the wind turbine are installed. Commissioning tests will usually involve standard electrical tests for the electrical infrastructure as well as the turbine, and inspection of routine civil engineering quality records.

Please see Appendix 2 for a full list of projects that meet the eligibility criteria (project portfolio). For a description of each project see Appendix 3.

### Exclusionary Criteria

Proceeds of the Green SSD may not be used to finance or refinance activities related to:

- (i) Large-scale hydropower plants that have a generation capacity of over 15MW;
- (ii) Nuclear power plants.

## 3.2 Project Evaluation and Selection Process

Projects refinanced through the Green SSD proceeds are evaluated and selected based on compliance with eligibility criteria. Selected portfolio projects (see Appendices 2 and 3) were approved by Repower's board of directors.

Repower has confirmed to Sustainalytics that all eligible projects have been subject to environmental impact assessments as required by Swiss, Italian, German and other applicable domestic legislation. For example, for Swiss hydropower plants a UVP (Umweltverträglichkeitsprüfung) 1 is required for the environmental impact during the construction and a UVP 2 for the impact during operation. Each project in Switzerland requires approval from relevant public authorities such as the communes, the canton and the '*Federal Office for Environment*' (BAFU). For hydropower projects, the office for '*Fishery and Prevention of water pollution*' and forest officials are also involved. In addition, non-governmental organizations are consulted before final project approval by governmental authorities.

## 3.3 Management of Proceeds

Proceeds from the Green SSD will be managed and allocated by Repower's Treasury team. While project evaluation and selection is carried out on a project basis (i.e. individual projects are evaluated and selected based on eligibility criteria), the management of proceeds will be done by Repower on a portfolio basis (i.e. proceeds will be allocated to the entire eligible renewable energy project portfolio developed or acquired since 2007 rather than to specific projects).

Before issuance, Repower will verify that the actual book value of the assets<sup>4</sup> included in the project portfolio (see Appendix 2) equals or exceeds the net proceeds of the total amount of Green SSDs outstanding at time of issuance. This information will be verified by Repower's external auditor.

Repower will use the net proceeds of the Green SSD in part to refinance a CHF 200 million bond that reached maturity and that has also funded renewable energy investments. The proceeds of the issuance by Repower will be immediately allocated towards refinancing eligible projects (see Appendix 2), in line with the book value of each project as per end of 2016. Repower's total investment made in wind parks and hydropower plants over the past years significantly exceeds the net proceeds of this Green SSD.

<sup>4</sup> Repower will consider the book value of the eligible projects (as per end of 2016) instead of initial investment costs. As the book value is usually lower than the development value, using book value for acquired assets ensures that there is no excess of funds resulting from a discrepancy between development costs and acquisition value.

## 3.4 Reporting

### Allocation Reporting

Repower will disclose allocation reporting which, on a portfolio basis, will include:

- (i) Project descriptions of all acquired or developed projects after 2007 (as relevant);
- (ii) Verification by Repower's external auditor that the total book value<sup>5</sup> of the assets included in the project portfolio (see Appendix 2) equals or exceeds the net Green SSD's proceeds at time of issuance. Book values will match Repower's participation in each project.

The external auditor will only confirm the aforementioned amounts (namely the book values of the eligible projects as of 31.12.2016 presented by Repower and the amount of proceeds of the Green SSD) without performing any kind of reviews on project costs/investments.

Given that the Green SSD proceeds will be fully allocated upon issuance, there will be one-time allocation reporting for the financial year 2017. In this allocation reporting, book values (reflecting Repower's participation in each project) as per end of 2016 will be used. The allocation reporting, due to confidentiality clauses, will be available only to the current investors of the Green SSD.

### Impact Reporting

Repower has committed to quantitatively disclosing, on a portfolio basis, Repower's share of the:

- (i) Net annual installed capacity in MW per EUR invested;
- (ii) Estimated GHG emissions avoided annually in tonnes of CO<sub>2</sub> avoided per EUR invested;
- (iii) Total net annual installed capacity in MW for the eligible project portfolio.

This information will be gathered and the carbon impact will be reported on a best-effort basis.

Impact reporting will be disclosed to the Green SSD's investors once, for the financial year 2017. Given that the project portfolio is defined, impact indicators will be static throughout the life of the Green SSD. The report will be available only to investors in the Green SSD.

<sup>5</sup> Book value as of 31.12.2016

## 5. SUSTAINALYTICS' OPINION

### Sustainability Performance of Repower

#### ***Alignment of the Green SSD framework with Repower's business strategy***

Sustainalytics has a positive view on Repower's 2025 Strategy and on how the company integrates environmental considerations into its operations. Repower's intention to generate 100% renewable energy (hydro, wind and photovoltaic) and sell its majority holdings in gas power plants signals the company's leadership in a necessary industry transition towards low-carbon solutions. This vision is also evident in the company's product development strategy. Repower offers several green power products, energy intelligence solutions and electric vehicle services (e.g. charging stations).

Furthermore, Repower has a certified environmental management system (ISO 14001:2004), in line with best practices, and the company states that it strives to continually improve its environmental footprint.

Considering the above, Sustainalytics considers that Repower's Green SSD framework is in alignment with the company's strategy and will positively contribute to its efforts to support the transition to a low-carbon economy and improve the company's environmental footprint.

#### ***Well positioned to address common wind and hydropower plants development challenges***

Sustainalytics is of the opinion that Repower has a robust environmental risk assessment process that mitigates possible project development concerns related to wind and hydropower plants (e.g. biodiversity impacts). This is also ensured by strong governance and regulatory systems of the countries where Repower operates. Repower has shown evidence that eligible projects comply with Environmental Impact Assessment (EIA) requirements. EIAs reviewed by Sustainalytics conclude that Repower has measures in place to adequately address and manage potential risks. The EIAs performed, evaluated the projects on numerous parameters including listing potential environmental impacts, with a focus on effects for water ecosystems, namely the risk of water contamination during construction for hydropower plants. In addition, potential impacts on fauna, agriculture, and archeological sites were also assessed.

Furthermore, most of the projects being refinanced through the proceeds of this Green SSD are complete and operational (with the exception of Taschinas II, which is still in development). Sustainalytics has reviewed all projects, and found no evidence of environmental or social controversies associated with these projects. Furthermore, for Taschinas II, the non-governmental organization WWF has reported evidence of a positive correlation between healthy populations of sea trout (previously threatened) and solutions implemented at Taschinas II in the catchment area<sup>6</sup>. This is a partnership under WWF's "Living Alpes" environmental platform.

<sup>6</sup> <http://www.wwf-gr.ch/themen-projekte/artenvielfalt/seeforelle/>.

## Sustainalytics' Opinion on Repower's Green SSD framework

### ***Sustainalytics' opinion on the use of proceeds***

Renewable energy is recognized by the GBP as an eligible green project category, offering clear environmental benefits. However, the eligible projects under Repower's Green SSD include projects developed or acquired from 2007 onwards. While there is a clear ongoing environmental benefit in continued renewable energy generation, there is limited additionality given that proceeds are refinancing assets that have been in operation for a significant period of time.

### ***Operational Expenditures***

Proceeds of Green SSD might be allocated to OPEX (operational expenditures) specific to eligible projects. Sustainalytics considers that Repower has a reliable process to track OPEX to eligible projects, by using a software (SAP) that registers costs for each power plant. This register will include all OPEX and maintenances procedures. Furthermore, given the nature of the projects, Sustainalytics believes that OPEX will be important to maintain projects and will contribute to sustaining positive environmental impacts.

### ***Sustainalytics' opinion on reporting***

Sustainalytics has a positive view on the valuation approach implemented by Repower for its allocation reporting:

- (i) Using book value for eligible acquired and developed assets;
- (ii) Repower expressed the intention to include a buffer in the presented valuation to compensate for further depreciation of the assets.

Sustainalytics considers using the book value to be a meaningful and robust valuation approach that accurately reflects the value of the eligible assets under this Green SSD framework. Despite the fact that the company does not disclose valuations due to their confidential nature, Sustainalytics believes that having an external auditor verifying that the total book value of the assets included in the project portfolio equals or exceeds the net Green SSD's proceeds at time of issuance is a sound approach.

With respect to impact reporting, Sustainalytics is of the opinion that Repower's initiative to report on impact by disclosing the share of impact created per monetary unit is generally strong, as it directly links impact created to proceeds of the Green SSD. Sustainalytics recognizes that this approach does not disclose impact created throughout the life of the asset.

***Alignment with Green Bond Principles (GBP) 2016:*** Sustainalytics has determined that Repower's Green SSD aligns with the four pillars of the ICMA 2016 Green Bond Principles. Please see Appendix 4 for details.

## Impact of use of proceeds: the importance of renewable energy in Europe

In 2007, the EU set its 2020 Strategy<sup>7</sup> for smart, sustainable and inclusive growth. One of the key focus areas is 'Climate change and Energy'. Three binding 2020 targets have been defined: (i) greenhouse gas emissions 20% lower than 1990 levels; (ii) 20% of energy from renewables; (iii) 20% increase in energy efficiency. This has caused a significant increase in renewable energy generation which is expected to continue the coming decade.

In addition, the reduction of carbon dioxide (CO<sub>2</sub>) emissions is one of the key commitments made by national governments in the framework of the UN Climate Change Convention and particularly since the 2015 Paris Agreement. Meeting these objectives will require switching to low-carbon energy sources.

According to governmental sources<sup>8</sup>, Switzerland also pursues an active policy on reducing greenhouse gases. The Swiss government's target for 2020 is to reach a renewable energy production equal to 24% of total energy consumption. The expansion of hydropower (in particular small-scale, below 10 MW) and new renewable energies is one of the emphasis of the country's Energy Strategy 2050<sup>9</sup>.

Given this context, Sustainalytics considers that Repower's Green SSD, under which proceeds will be used to finance and refinance wind and small-scale hydropower plants, aligns and provides a positive contribution to Europe's strategic objectives on the reduction of CO<sub>2</sub> emissions and increasing energy security.

## Conclusion

Repower's Green SSD framework provides clarity regarding use of proceeds and the outcomes of the investments. Repower's Green SSD intends to refinance the company's investments in renewable energy, which is recognized by the GBP as an eligible green project category, offering clear environmental benefits. In the context of Europe's 'Climate change and Energy' priorities, Repower's strategy and focus on the development, acquisition, operation and maintenance of wind parks and hydropower plants contribute to important national priorities and to Europe's transition to a low-carbon economy. Furthermore, in Sustainalytics' view, Repower's approach to present allocation reporting based on the end-of-year book value of the eligible assets provides increased transparency to investors.

Based on the above, Sustainalytics is of the opinion that Repower's Green SSD is credible, robust and in line with the GBP.

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<sup>7</sup> [https://ec.europa.eu/info/european-semester/framework/europe-2020-strategy\\_en](https://ec.europa.eu/info/european-semester/framework/europe-2020-strategy_en).

<sup>8</sup> Swiss climate policy (<http://www.bafu.admin.ch/klima/13877/14510/index.html?lang=en>).

<sup>9</sup> <http://www.bfe.admin.ch/pursuesenergiestrategie2050/index.html?lang=en>.

## APPENDICES

### Appendix 1: Documents reviewed

Sustainalytics reviewed the following documents for the purposes of writing this report

Number	Document Name
1	Analysis of 2007-2012 Repower renewable energy projects Nachhaltigkeit – Projekte bei Repower - Analyse der Jahre 2007 bis 2012 bzw. Status Quo
2	2015 Repower Management Review for the certified management system for occupational safety and environment
3	Repower occupational safety and environmental policy
4	Repower 2015 Annual Report
5	Repower at a Glance
6	<a href="http://www.repower.com">www.repower.com</a>

## Appendix 2: List of Eligible Projects (project portfolio)

Wind Parks	Generation Capacity (MW)	Annual production expected (GWh)	Activity	Participation Repower*	Repower's share on generation capacity (MW)
WKW Lucera	26.0	56.0	Developed	100%	26.0
WKW Giunchetto	30.0	52.0	Co-developed	39%	11.6
WKW Prettin	10.0	19.0	Acquired	57%	5.7
WKW Lübbenau	16.0	40.0	Acquired	57%	9.1

Hydropower Plants	Generation Capacity (MW)	Annual production expected (GWh)	Activity	Participation Repower*	Repower's share on generation capacity (MW)
KW Taschinas	11.5	41.0	Developed	57%	6.6
KW Taschinas II* <sup>10</sup>	1.6		In development		1.6

Repower will consider the book value of the eligible projects instead of initial investment costs or acquisition value. As the book value is usually lower than the development value, using book value for acquired assets ensures that there is no excess of funds resulting from a discrepancy between development costs and acquisition value. Book values will match Repower's participation in each project.

### \* Note on Repower's participation

Repower offers Swiss utility companies the opportunity to participate in a diversified production portfolio. Since January 1<sup>st</sup>, 2012, the production company *Repartner Produktions AG* has been investing in geographically and technologically diversified production capacities for this purpose. The shareholders of this company receive subscription rights from the generating facilities in which they invest, whereby they are free in the exploitation of the subscription rights. This gives small and medium-sized Swiss utility companies access to diversified electricity production. A maximum of 49% of the shares in Repartner Produktions AG are open to energy companies. The remaining 51% (minimum) is owned by Repower. Apart from Repower, nine partners - predominantly Stadtwerke - are also involved in Repartner Produktions AG.

The current electricity production for Repartner Produktions AG comes from Swiss hydroelectric power (Taschinas) and two wind parks in Germany (Lübbenau and Prettin).

<sup>10</sup> The book values for Taschinas II are not yet available, given that this plant is currently in development.

## Appendix 3: Description of Eligible Projects

### 1. Lucera Wind Farm (Italy)

The Repower windfarm in Lucera comprises 13 wind turbines with a capacity of 2 MW each. In total, the wind farm has an installed capacity of 26 MW. From that, an annual electricity production of 56 GWh can be expected. This corresponds roughly to the electricity requirements of a city with 12,000 households. Construction began in August 2011. By the end of September 2012 all wind turbines were in production and commercial start-up took place in November of the same year. The ground on which the farm is located, lies in the south part of the town Lucera (about 35,000 residents), 200 meters above sea level in a barely populated, predominantly agricultural area with good wind conditions. Repower sees further potential in the area where this wind farm is located. Repower has invested around 45 million euros in this project.

### 2. Giunchetto Wind Farm (Italy)

The wind farm has 35 wind turbines, each with a potential of 0.85 MW. The annual wind energy production is about 52 GWh. Repower has a 39% stake in this wind farm (11.6 MW). The completion of the farm took place in 2009, connection to the grid in the summer of 2010. The turbines are located at an altitude of 900 meters on the municipalities of Nicosia, Leonforte and Nissoria in the province of Enna.

### 3. Prettin Wind Farm (Germany)

In May 2010, Repower acquired a wind farm in Prettin (in the southern Saxony-Anhalt on the Elbe), which consists of a total of 5 wind turbines, each with 2MW capacity. The plants in Prettin are in a region with good wind conditions and have been in operation since December 2006. The annual production of the acquired plants is about 19 GWh. This wind power plant is part of *Repartner Produktions AG* portfolio (see note in Appendix 2). Repower holds a participation of 57% for this asset.

### 4. Lübbenau Wind Farm (Germany)

Also in May 2010, Repower took over the new wind farm of Lübbenau, which was put into operation in the same period with an installed capacity of 16 MW. The plant comprises 8 wind turbines, each with 2MW capacity and the expected annual electricity production is around 40 GWh. Lübbenau is located in the district of Oberspreewald-Lausitz in the south of Brandenburg, about 25 kilometers west of Cottbus, where there are good conditions for generating electricity from wind power. This wind power plant is part of *Repartner Produktions AG* portfolio (see Appendix 2). Repower holds a participation of 57% for this asset.

### 5. Taschinas I hydropower plant (Switzerland)

The hydropower station located in Prättigau, was connected to the electricity network in May 2011. It uses the hydro potential of the river Taschinas between the junction of river Cani with the Valser and Grüschi. The water is collected at an altitude of 1028m and led via a 3.2km long tunnel to the location of Plileisch. From this location, the water is transferred under pressure via a pipe to Kavernenzentrale (at 640m). The nominal output of the electricity generation is 11.5 MW, the nominal voltage is 10.5 kV. The concession communities are: Fanas, Seewis i. Pr. and Grüschi.

Taschinas benefits from a 'KEV' (Kostendeckende Einspeisevergütung = cost covering feed-in remuneration). This was provided for 25 years and covers 12.2 Rappen/kWh approximately the effective

production cost. This hydropower plant is part of *Repartner Produktions AG* portfolio (see note in Appendix 2). Repower holds a participation of 57% for this asset.

#### **6. Taschinas II hydropower plant (Switzerland, in development)**

The powerstation Taschinas II (currently under development) will use the difference in altitude between the powerstation Taschinas I and the river Landquart to generate power. The planned installed capacity is 1.55 MW. The 1550-meter-long pressure pipe of the Taschinas II hydropower plant near Grüşch / Seewis, which was laid in 2010, is a wooden pressure pipe. Due to the low internal pressure it was chosen for a natural wood pipeline. The approx. 4.3 meters long and 150mm wide wooden boards were made of finely knitted pinewood with the stone rings individually on the construction site. These were then assembled by the employees directly on the spot. The plant is expected to start operating in 2018 or 2019.

## Appendix 4: Adherence to the Green Bond Principles 2016

### Green Bond / Green Bond Programme External Review Form

#### Section 1. Basic Information

**Issuer name:** Repower AG

**Review provider's name:** Sustainalytics

**Completion date of this form:** November 21<sup>st</sup>, 2016

#### Section 2. Review overview

##### SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Repower Green Bond Framework and Second Opinion document above.

### Section 3. Detailed review

#### 1. USE OF PROCEEDS

**Overall comment on section (if applicable):**  
Repower will use the net proceeds of the Green SSD to finance or refinance the company’s investments in renewable energy. Expenditures include activities related to the acquisition, development, operation and maintenance of wind parks and hydropower plants developed or acquired since 2007.

Sustainalytics considers that the use of proceeds is in alignment with the company’s strategy and will positively contribute to its efforts to support the transition to a low-carbon economy and improve the company’s environmental footprint. Sustainalytics recognizes that while there is a clear ongoing environmental benefit in continued renewable energy generation, there is limited additionality given that proceeds are refinancing assets that have been in operation for a significant period of time.

**Use of proceeds categories as per GBP:**

- Renewable energy
- Pollution prevention and control
- Terrestrial and aquatic biodiversity conservation
- Sustainable water management
- Eco-efficient products, production technologies and processes
- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Energy efficiency
- Sustainable management of living natural resources
- Clean transportation
- Climate change adaptation
- Other (please specify):

If applicable please specify the environmental taxonomy, if other than GBPs: N/A

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Overall comment on section (if applicable):

Projects refinanced through the Green SSD proceeds are evaluated and selected based on compliance with eligibility criteria. Selected portfolio projects were approved by Repower's board of directors. Selected projects have been subject of environmental impact assessment studies and have received approval by government prior to construction.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories <sup>11</sup> |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification <sup>12</sup> | <input checked="" type="checkbox"/> In-house assessment <sup>13</sup> |
| <input type="checkbox"/> Other (please specify):   |   |

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section (if applicable):

Proceeds from the Green SSD will be allocated and managed by Repower's Treasury team. Management of proceeds will be done by Repower on a portfolio basis (i.e. proceeds will be allocated to the entire eligible renewable energy project portfolio developed or acquired since 2007).

For this issuance, Repower will use the net proceeds of the Green SSD in part to refinance a CHF 200 million bond reaching maturity which has also funded renewable energy investments. The proceeds of the issuance will be immediately allocated towards refinancing eligible projects, in line with the book value of each project as of December 31<sup>st</sup>, 2016. Repower's total investment made in wind and hydropower plants over the past years significantly exceeds the net proceeds of this Green SSD.

Proceeds of Green SSD might be allocated to OPEX (operational expenditures) specific to eligible projects. Sustainalytics considers that Repower has a reliable process to track OPEX to eligible projects. The proceeds will be immediately allocated, hence there is no need for future segregation of proceeds or ring-fencing.

<sup>11</sup> By Sustainalytics.

<sup>12</sup> By Sustainalytics.

<sup>13</sup> Approval by Repower's board of directors.

**Tracking of proceeds:**

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

**Additional disclosure:**

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input type="checkbox"/> Allocations to both existing and future investments  |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements   |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input checked="" type="checkbox"/> Other <i>(please specify)</i> : Allocation to refinance existing investments only |

**4. REPORTING**

**Overall comment on section *(if applicable)*:**  
Repower will disclose Allocation Reporting which, on a portfolio basis, will include: (i) Project descriptions of all acquired or developed projects after 2007 (as relevant); (ii) Repower’s external auditor verification that the total book value of the assets included in the project portfolio equals or exceeds the net Green SSD’s proceeds at time of issuance. Book values will match Repower’s participation in each project.

Sustainalytics considers using the book value to be a meaningful and robust valuation approach that accurately reflects the value of the eligible assets under this Green SSD framework. Despite the fact that the company does not disclose valuations due to their confidential nature, Sustainalytics believes that having an external auditor verifying that the total book value of the assets included in the project portfolio equals or exceeds the net Green SSD’s proceeds at time of issuance is a sound approach.

With respect to impact reporting, Sustainalytics is of the opinion that Repower’s initiative to report on impact by disclosing the share of impact created per monetary unit is generally strong, as it directly links impact created to proceeds of the Green SSD. Sustainalytics recognizes that this approach does not disclose impact created throughout the life of the asset.

Given that the Green SSD proceeds will be fully allocated upon issuance, there will be one-time allocation and impact reporting for the financial year 2017.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Annual  | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Since all proceeds will be immediately allocated, allocation reporting will take place all at once at the end of year 2017. Book values as per 31.12.2016. This will not be publicly available. |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input type="checkbox"/> Annual  | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Since all proceeds will be immediately allocated, impact reporting will take place all at once at the end of the year year 2017. This will not be publicly available. |                                      |

**Information reported (expected or ex-post):**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings              | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): |   |

**Means of Disclosure**

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report   |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Reporting will be made available for Green SSD investors only. |

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

Please see Appendix 1 – Relevant documents reviewed

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
- Verification / Audit
- Other (please specify):
- Certification
- Rating

**Review provider(s):** N/A      **Date:**

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## ABOUT SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.



In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.

**SUSTAINALYTICS**  
At a Glance

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4,500 Issuers
- Corporate Governance Research  
4,000 Issuers
- Global Compact Research  
20,000+ Issuers
- Product Involvement  
40,000 Issuers
- Controversial Weapons Radar  
40,000 Issuers
- Sector Research  
42 Peer Groups

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Michael Jantzi, CEO

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