

# SENVION GREEN BOND

## DNV GL SECOND PARTY OPINION

### Scope and Objectives

DNV GL Business Assurance Services Limited ("DNV GL") has been commissioned to provide a second party opinion on the green bond ("Senvion Green Bond") to be issued to partly finance the acquisition of Senvion GmbH ("Senvion"). The bond has a planned duration of 5 ½ years and an amount of an estimated EUR 400 million.

Senvion's activities include the development, manufacture, assembly, instalment, and marketing of onshore and offshore wind turbine generators ("WTGs"). Senvion also offers services for the operation and maintenance of WTGs.

We were commissioned to provide an assessment of the alignment of the bond with the Green Bond Principles. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide an independent assurance or other audit activity.

DNV GL's approach was two-fold:

- Firstly, we have adapted our green bond assessment methodology, based on the Green Bond Principles<sup>1</sup>, to create a Senvion-specific Green Bond Framework (see Schedule 1 below).
- Secondly, we have used this Framework to give an opinion as to whether the bond meets the criteria established in the Framework.

No assurance is provided regarding the financial performance of the bond, the value of any investments in the bond, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the bond has met the criteria established on the basis set out below.

### Responsibilities of the Management of Senvion and DNV GL

The management of Senvion has provided the information and data used by DNV GL to evaluate that the conditions established by the framework are met. Our statement represents an independent opinion and is intended to inform Senvion management and other interested stakeholders in the Senvion green bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by Senvion. DNV GL is not responsible for any aspect of the assets referred to in this opinion and cannot be held liable if estimates, findings, opinions or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by Senvion's management and used as a basis for this assessment were not correct or complete.

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<sup>1</sup> The Green Bond Principles are a set of voluntary process guidelines for issuing green bonds, initially developed by 13 leading international banks and issued in January 2014, and now supported by a large number of financial institutions.

## Basis of DNV GL's opinion

A Framework has been developed to establish a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits". The criteria against which the Servion Green Bond has been reviewed are grouped under the four Green Bond Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

The criteria for each principle, used by DNV GL to assess whether the principle has been met, are set out in Schedule 1 to this Opinion.

## Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by Servion in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- The creation of a Servion-specific Green Bond Framework, based on the Green Bond Principles, as described above and in Schedule 1 to this Opinion;
- We used this Servion-specific Green Bond Framework to assess the documentary evidence provided by Servion on the bond, on Servion and on its assets and activities, supplemented by a high-level media review.
- To check the alignment of the evidence we gathered with the principles/requirements of the Servion-specific Green Bond Framework, we undertook a range of activities in relation to each document. These included cross checks between externally published documents and internal analyses, comparison with external benchmarks and guidelines, checks using information gathered through interviews with Servion managers, and research using media and other sources of information on ESG risks relating to the activities of the company including Rating Reports.
- We documented our findings against each element of the criteria in the Framework. Our opinion as detailed below is a summary of these findings.

## Findings and DNV GL's opinion

DNV GL's findings are listed below, as per the four Green Bond Principles.

- 1. Principle One: Use of Proceeds.** Senvion's sole purpose is to produce and service wind turbine generators. As such, we consider Senvion to be "pure-play green"<sup>2</sup>. The proceeds are expected by Senvion to provide the platform necessary to facilitate the continued expansion of Senvion's manufacturing and customer base, contributing to market competitiveness in the sector and assisting in the growth of wind-based energy generation. As stated above, DNV GL provides no assurance regarding the financial performance of the bond, the value of any investments in the bond, or the effects of the transaction.
- 2. Principle Two: Process for Project Evaluation and Selection.** As the proceeds of the bond will be put towards a one-off transaction, there is no need for the issuer to establish a process for project evaluation and selection. Senvion states that as per 31 December 2014, the cumulative installed nameplate capacity of Senvion's WTGs is globally approximately 12 GW. Senvion furthermore holds Operation and Maintenance contracts that cover an approximate cumulative nameplate capacity of 9 GW.
- 3. Principle Three: Management of Proceeds.** The proceeds will be deposited in an escrow account and released to the selling party within three months of completion of the transaction. The financing needs of the transaction are approximately EUR 1 billion, which exceeds the planned size of the bond issuance.
- 4. Principle Four: Reporting.** Senvion has stated that it is committed to transparency and will provide an annual update on the expected environmental impacts of Senvion's activities in a corporate and sustainability report. We understand that Senvion plans that this report will outline key performance indicators, highlighting the contribution of Senvion's business to the overall transition toward lower-carbon intensive energy generation, and will be available on Senvion's website.

We understand that that the bond will finance Senvion's general corporate undertakings. Senvion is a company whose sole purpose is to develop WTGs and provide services related to wind energy, and as such is wholly dedicated to the realization of environmental benefits through low-carbon electricity. On the basis of the information provided by the issuer and the work undertaken, it is DNV GL's opinion that the Senvion Green Bond is in line with the stated definition of green bonds within the Green Bond Principles, which is to "enable capital-raising and investment for new and existing projects with environmental benefits", and that the bond meets the criteria established in the Senvion-specific Green Bond Framework.

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<sup>2</sup> We consider a company to be "pure-play green" if >90% of its revenues come from business activities that are considered to have clear environmental benefits.

**for DNV GL Business Assurance Services UK Limited**

London

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**About DNV GL**

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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## SCHEDULE 1: DNV GL'S ASSESSMENT CRITERIA, BASED ON THE GREEN BOND PRINCIPLES (GBP)

Principle	Criteria / Requirements	Work undertaken	Findings
1	Type of Bond: There are currently four types of Green Bonds included in the Green Bonds Principles: Green Use of Proceeds Bond, Green Use of Proceeds Revenue Bond, Green Project Bond, and Green Securitised Bond.	We interviewed selected personnel from Servion senior management, and reviewed the specified evidence to understand how the structure of the Bond, as defined in the Offer Memorandum, meets the categorisation of the GBPs.	The evidence we gathered showed that the Servion Bond falls within the category: Green Use of Proceeds Bond.
	Green project categories: The issuer should declare the eligible green project categories in the use of proceeds section in the legal documentation for the security.	We reviewed the specified evidence to understand how the structure of the Bond, as defined in the Offer Memorandum, meets this requirement of the GBPs.	The Issuer declares the eligible purposes of the proceeds of its green bond to be wind energy.
	Environmental benefits: All designated green bond categories should provide clear environmental benefits that can be described and, where feasible, quantified or assessed.	<p>We reviewed the specified documentation, conducted research and undertook interviews with Servion managers to establish the environmental benefits of the eligible green bond category.</p> <p>We did not undertake activities to assess the operational environmental performance of the company e.g. relating to existing manufacturing processes.</p>	<p>The Company's activities include the development, manufacture, assembly, instalment, and marketing of onshore and offshore wind turbine generators ("WTGs"). In addition to the above, the Company offers services for the operation and maintenance of WTGs. As such, all of the Company's activities contribute to a competitive wind energy market.</p> <p>Wind energy is a clean energy source with clear environmental benefits over fossil fuels.</p> <p>The environmental benefits of wind energy can be quantified and assessed in a number of ways, including renewable energy produced (MWh), CO<sub>2</sub> emissions avoided when compared to fossil fuels (tonnes), or installed nameplate capacity (MW).</p>
2	Impact objectives: If possible, issuers should work to establish impact objectives from the projects selected.	We interviewed selected personnel from Servion senior management, and reviewed the specified	The Company is considered a pure-play green company <sup>3</sup> , as all of the Company's business activities are considered "green". As such, the Company's overall

<sup>3</sup> We consider a company to be "pure-play green" if >90% of its revenues come from business activities that are considered to have clear environmental benefits, as described under criterion 1C.

Principle	Criteria / Requirements	Work undertaken	Findings
		evidence to establish the Installed Capacity (MW).	<p>environmental benefits can be considered as the impact objectives. These are quantified through installed nameplate capacity of WTG's developed by the Company, as well as the nameplate capacity covered by the Company's O&amp;M contracts.</p> <p>As per 31 December 2014, the cumulative installed nameplate capacity of the Company's WTG's is globally approximately 12 GW. It holds O&amp;M contracts that cover an approximate cumulative nameplate capacity of 9GW.</p>
	Investment's overall environmental profile: Where applicable, the issuer should, as a first step, review the investments' overall environmental profile. The issuer should operate in accordance with relevant national and/or international laws, regulations, and agreements.	We interviewed selected personnel from Senvion senior management, and reviewed the specified evidence to check there is no evidence that the company is not operating in accordance with environmental national and/or international laws, regulations, and agreements	<p>The Company is incorporated in Germany and therefore is subject to the laws and regulations of Germany, a country with high statutory standards on the environment, as per their OECD status and EU membership.</p> <p>The Company has a clearly expressed commitment in their Code of Conduct to follow all the laws of the countries of operation.</p> <p>Given the history and strategy of the Company, its current high market share in the instalment of onshore and offshore wind turbines, and its current product offering, DNV GL concludes that nothing currently suggests that the Company, over the tenor of the bond to be issued, would develop business activities that are not considered "green".</p> <p>We have also carried out a high-level media review of the Company and a selection of installed WTGs developed by the Company. We have found no evidence to suggest that the Company or any of the assets are or have been operating in breach of national or local environmental regulations.</p>
	Issuer's environmental and social and governance framework: In addition to the Green Bond process, criteria and assurances that an issuer provides, many Green Bond investors may also take into consideration an issuer's overall environmental and social and governance	We reviewed the specified documentation and interviewed selected personnel from Senvion senior management, to understand Senvion's overall ESG and sustainability profile.	<p>The Issuer has been acquired by the Equity Investors as an acquisition vehicle. The Issuer's activities have related only to entering into contracts in connection with the Transactions.</p> <p>Upon the completion date, the Issuer can be contacted through the Company's address and staff. Therefore we consider this criterion to apply to the Company instead of the Issuer.</p>

Principle	Criteria / Requirements	Work undertaken	Findings
	framework.		Based on the evidence reviewed, we found nothing to suggest that the Company’s environmental, social and governance framework is not in line with the industry in which it operates. We have observed the following to support this conclusion: Explicit reference to protecting human life and the environment in its Code of Conduct, its commitment to the development of clean energy as underpinned by its corporate vision, the requirement of suppliers to adhere to the supplier Code of Conduct. For future years, we recommend that Servion considers publicly disclosing information related to its sustainability performance.
3	The net proceeds of Green Bonds should be moved to a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for projects.	We interviewed selected personnel from Servion senior management, and reviewed the specified evidence to understand how the structure of the Bond, as defined in the Offer Memorandum, meets the GBPs tracking procedure	The net proceeds from the bond will be deposited within an escrow account thereby ensuring traceability of the proceeds until release to the Seller.  The full proceeds of the bond will be released from the escrow account to the Seller directly when the conditions to its release are met.
	Pending such investments, it is recommended that the issuer make known to investors the intended types of eligible instruments for the balance of unallocated proceeds.	We reviewed the specified evidence to understand how the structure of the Bond, as defined in the Offer Memorandum, meets the GBPs requirements for eligible instruments for unallocated proceeds.	The net proceeds from the bond will be deposited within an escrow account.
	The value of the bond should be smaller than or equal to the financing needs of the nominated projects. A comparison of the outstanding principal of the bond to the value of the financing needs of the nominated projects. The bond should be “over-collateralised” and/or a replacement project list should be drawn up.	We interviewed selected personnel from Servion senior management, and reviewed the specified evidence to understand how the structure of the Bond, as defined in the Offer Memorandum, meets the GBPs requirements relating to the financing needs of the assets, including the loan tenors.	The estimated proceeds of the notes will be approximately €400 million.  The total purchase price of the Acquisition equals €1.0 billion and we therefore conclude that the value of the bond is smaller than the Acquisition.
4	Reporting: Issuers should report at least annually, if not semi-annually, via	We interviewed selected personnel from Servion senior management, and	For so long as any Notes remain outstanding, Servion has confirmed it will provide holders of the Notes an annual update on the expected

Principle	Criteria / Requirements	Work undertaken	Findings
	newsletters, website updates or filed financial reports on the specific investments made from the Green Bond proceeds, detailing wherever possible the specific project and the dollars invested in the project.	reviewed the specified evidence to establish Servion's commitment to report on qualitative/quantitative performance indicators relating to its activities	environment impact of its activities in a corporate and sustainability report.