

## ALPERIA SPA GREEN BOND

### DNV GL ELIGIBILITY ASSESSMENT

#### Scope and objectives

Alperia SpA (“Alperia” or “Issuer”), an Italian Energy company, was founded in 2016 after the merger of AEW and SEL.

Alperia is considering the issuance of a bond in EURO (henceforth referred to as “BOND”) and would like to label them as a “Green Bond” as defined within the Green Bond Principles (GBP).

The proposed Bond is to be multiple note issues up to a notional value of Euro 375 million.

Alperia intends to use the proceeds of the BOND to refinance the debts used for the partial acquisition of the SE Hydropower Srl (40%), Hydros Srl (40%) and Sel Edison SpA (42%) assets.

DNV GL Business Assurance Italia Srl (henceforth referred to as “DNV GL”) has been commissioned by Alperia to provide a Green Bond eligibility assessment of the BOND. Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the BOND, the value of any investments in the BONDS, 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.

The scope of this DNV GL opinion is limited to the Green Bond Principles, 2015. DNV GL also considered the requirements of the Climate Bond Standard Version 2.0 during its assessment, however at the time of review, no Technical Criteria for Hydropower was available for Issuer use. No opinion of conformance with the Standard is provided here and no Certification has been applied for at this time. Any future application for Certification under the Climate Bond Standard would be at the discretion of the Issuer, Alperia.

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

The management of Alperia has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform Alperia management and other interested stakeholders in the 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 Alperia. DNV GL is not responsible for any aspect of the nominated 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 Alperia’s management and used as a basis for this assessment were not correct or complete.

## Basis of DNV GL's opinion

To provide as much flexibility for the issuer, Alperia as possible, we have adapted our Green Bond Principles and Climate Bond Standard assessment methodologies, which incorporates the requirements of the Green Bond Principles, to create a Alperia-specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol"). The Alperia-specific Protocol has the capacity for potential application of the Bond under the Climate Bond Standard should Hydropower Technical Criteria under the Standard become available. Our Protocol includes 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".

As per our Protocol, the criteria against which the BOND has been reviewed are grouped under the four 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 Sustainability 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.

## 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 Alperia 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:

- Creation of an Alperia-specific Protocol, adapted to the purpose of the BOND, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Alperia on the BOND and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Alperia management, and review of relevant documentation;
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## Findings and DNV GL's opinion

DNV GL's findings are listed below:

- 1. Principle One: Use of Proceeds.** Alperia plans to use the proceeds of the BOND to refinance Alperia's partial acquisition of hydropower renewable energy assets as defined in Schedule 1 of this Opinion. DNV GL undertook an analysis of the location and power density of the large scale hydropower assets to determine eligibility of these projects as "Green". DNV GL determined that as existing, Temperate Zone, large hydro assets with power densities greater than 10 W/m<sup>2</sup>, and existing, Temperate Zone, small scale hydro assets, the nominated assets present a low risk of GHG emissions relative to fossil fuel usage and meet the requirements for inclusion under the Green Bond Principles.
- 2. Principle Two: Process for Project Evaluation and Selection.** The BOND's proceeds will be allocated solely to refinance the assets as defined in Schedule 1. DNV GL has reviewed evidence that demonstrates that Alperia regularly assesses opportunities for improvement and devises action plans and initiatives to mitigate negative environmental and social impacts from its operations.
- 3. Principle Three: Management of Proceeds** DNV GL has reviewed evidence showing how Alperia plans to trace the proceeds from the Bond, from the time of issuance to the time of disbursement. The full amount of the proceeds will be deposited into a Sub Account, and thereafter disbursed in accordance with the debt obligation. The details of the disbursement and the outstanding value will be tracked using Alperia's internal financial reporting system. At the end of each financial period, Alperia will review the outstanding balance of the BOND. 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.
- 4. Principle Four: Reporting.** Alperia has confirmed that it will include a dedicated section on the Green Bond in its Sustainability Report. This will include description of the project and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. Alperia plans to report on the total annual MWh renewable energy generated by the hydro assets on an annual basis in a dedicated "Green Bond" Section of its Sustainability Report.

On the basis of the information provided by Alperia and the work undertaken, it is DNV GL's opinion that the BOND meets the criteria established in the Protocol and that it is aligned 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".

### for DNV GL Business Assurance Italia Srl

Vimercate (MB – Italy), 27 June 2016



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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.

**SCHEDULE 1: DESCRIPTION OF NOMINATED ASSET TO BE REFINANCED THROUGH ALPERIA BONDS**

Name of Hydro Portfolio	Location	Hydro Scale	Number of assets	Total installed of Hydro Portfolio (MW)
SE Hydropower Srl	BZ, Italy	Large	9	485
		Small	9	18
Hydros Srl	BZ, Italy	Large	7	249
Sel Edison SpA	BZ, Italy	Large	2	192

## SCHEDULE 2: INVESTOR HOLDCO-SPECIFIC GREEN BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of bond	<p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> <li>• Green Use of Proceeds Bond</li> <li>• Green Use of Proceeds Revenue Bond</li> <li>• Green Project Bond</li> <li>• Green Securitized Bond</li> </ul>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Term Sheet</li> <li>- Alperia Green Bond Framework</li> </ul> <p>Discussions with Alperia management</p>	<p>The reviewed evidence confirms that the BOND falls in the category: Green Use of Proceeds Bond.</p>
1b	Green Project Categories	<p>The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Term Sheet</li> <li>- Alperia Green Bond Framework</li> </ul> <p>Discussions with Alperia management</p>	<p>As identified by the BOND Term Sheet the purpose of the BOND is to use the proceeds to repay in full all existing credit facilities of the Issuer related to the SE Hydropower Srl (40%), Hydros Srl (40%) and Sel Edison SpA (42%) <b>hydropower renewable energy assets</b>.</p> <p>Specifically, the use of proceeds for the proposed Alperia Green Bond are to include small scale hydropower (&lt;3 MW) and large scale hydropower (&gt;3 MW) in Northern Italy.</p> <p>The nominated assets are located in a temperate zone and are either existing small scale hydro or existing large scale hydro with reservoir power densities &gt;10W/m2. DNV GL's assessment concluded that these assets would present a low risk of GHG emissions relative to fossil fuels and qualify for inclusion under the Green Bond Principles within the Renewable Energy category.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Term Sheet</li> <li>- Alperia Green Bond Framework</li> <li>- Alperia Asset Specifications</li> <li>- Public domain statistics on hydropower reservoir footprints</li> <li>- Geospatial mapping data of reservoirs</li> </ul> <p>Discussions with Alperia management</p>	<p>DNV GL notes that large scale hydro electric reservoirs can present risks of Green House Gas emissions through the decay of organic matter releasing Methane to the atmosphere. As such DNV GL undertook an analysis of the location and power density of the large scale hydropower assets to determine eligibility of these projects as "Green".</p> <p>DNV GL concluded that as Temperate Zone, existing hydro assets with power densities greater than 10 W/m<sup>2</sup> and the small scale hydro assets present a low risk of GHG emissions relative to fossil fuels and qualify for inclusion under the Green Bond Principles within the Renewable Energy category.</p>
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Term Sheet</li> <li>- Bond disclosure documentation</li> <li>- BOND Proceeds and reporting framework</li> </ul> <p>Discussions with Alperia management</p>	The proceeds of the BOND, in their entirety, will be used to refinance the SE Hydropower Srl (40%), Hydros Srl (40%) and Sel Edison SpA (42%) hydropower assets.

## 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision	The issuer of a Green Bond should outline the decision-making process	<p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND Term Sheet</li> </ul>	As per the Alperia Green Bond Framework, the issuer has set out the following criteria for project selection:

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
	process	<p>it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles;</li> <li>• The criteria making the projects eligible for using the Green Bond proceeds; and</li> <li>• The environmental sustainability objectives</li> </ul>	<ul style="list-style-type: none"> <li>- Alperia Green Bond Framework</li> </ul>	<p><b>“Eligible Green Projects”</b> means hydroelectric plants which:</p> <ul style="list-style-type: none"> <li>• are located in the North-East of Italy;</li> <li>• have been purchased by the Issuer (or the entities which have been incorporated into the Issuer with effect from 1<sup>st</sup> January 2016) through a series of transactions over the years 2015 and 2016;</li> <li>• are in operation and are producing continuous renewable energy for customers in the in the North-East of Italy; and</li> <li>• fully comply with the Relevant Eligibility Requirements.</li> </ul> <p><b>“Relevant Eligibility Requirements”</b> consists, with respect to hydroelectric plants, in the followings:</p> <ul style="list-style-type: none"> <li>• Existing hydro electricity assets/projects;</li> <li>• Temperate (non tropical) project locations;</li> <li>• “small scale” hydroelectric plants (Authorized Nominal Power &lt; 3MW);</li> <li>• “large scale” hydroelectric plants (Authorized Nominal Power &gt; 3MW) with power densities (power output / m<sup>2</sup> of reservoir area) of &gt;10W/m<sup>2</sup>;</li> <li>• availability of third parties certifications including:               <ul style="list-style-type: none"> <li>○ UNI ISO 14001:2004;</li> <li>○ EMAS (every hydroelectric asset company has been certified);</li> <li>○ BS OHSAS 18001 (sets out the minimum requirements for occupational health and safety management best practice);</li> <li>○ ISO 9001 for Engineering (Development and Consulting) and for production and sales of electricity from hydro power plants.</li> </ul> </li> </ul>
2b	Issuer’s environmental and	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances,	<p>Review of:</p> <ul style="list-style-type: none"> <li>- Alperia Environmental Policy</li> <li>- Alperia Green Bond</li> </ul>	DNV GL notes that Alperia is a new company created by the merger of AEW and SEL in early 2016. As a result, Alperia has not yet published its first sustainability report. Alperia provided

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
	social and governance framework	Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<p>Framework</p> <p>Discussions with Alperia management</p>	<p>DNV GL the sustainability report from the previous entity SEL for historical context in addition statements from Management regarding future Alperia Sustainability Reporting information.</p> <p>Alperia management have stated that the upcoming Sustainability report is scheduled for Q3 2017 and will follow the EU Corporate Social Responsibility model. In addition Alperia has indicated it may publish interim Green Bond data on its website in the lead-up to the official Sustainability Report.</p> <p>While DNV GL acknowledges the limited information available from Alperia at this time due to its recent incorporation, based on the evidence reviewed, we conclude that Alperia's overall environmental, social and governance framework appears to promote positive ESG behaviour in line with the historical SEL entity. In the Project Evaluation and Selection criteria within the Alperia Green Bond Framework, Alperia also make a commitment for assets included to acquire and maintain certifications and regulatory compliance.</p> <p>DNV GL notes that the performance of the nominated assets within the Bond pool is to be reported as a part of Alperia's periodic Sustainability reporting as per the Alperia Green Bond Framework.</p> <p>The selected reporting performance metrics for the nominates assets of kWh renewable energy generated and where possible, the number of customers provided with the renewable energy, are in line with the social and environmental governance framework demonstrated by Alperia within the information provided.</p> <p>We have also carried out a high-level media review of Alperia. We have found no evidence to suggest that Alperia or any of the assets are or have been operating in breach of national or</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
				<p>local environmental regulations.</p> <p>Based on the evidence reviewed and the discussion we had with senior managers, we found nothing to suggest that Alperia’s environmental, social and governance framework is not in line with good practice of the industry in which it operates.</p>

**3. Management of proceeds**

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green Projects.	<p>Review of:</p> <ul style="list-style-type: none"> <li>- BOND term sheet</li> <li>- BOND Proceeds and reporting framework</li> </ul> <p>Discussions with Alperia management</p>	<p>The evidence reviewed shows how Alperia plans to trace the BOND’s proceeds, from the time of issuance to the time of disbursement.</p> <p>The full amount of the proceeds will be deposited into a Sub Account, and thereafter disbursed in accordance with the debt obligations.</p> <p>The details of the disbursement and the outstanding value will be tracked in Alperia’s internal financial system. At the end of each financial period, the outstanding balance of the BOND will be reviewed.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3b	Tracking procedure	So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	Review of: <ul style="list-style-type: none"> <li>- BOND term sheet</li> <li>- Alperia Green Bond Framework</li> </ul> Discussions with Alperia management	The evidence reviewed shows that Alperia plans to trace the proceeds from the BOND, from the time of issuance to the time of disbursement, and reduce the net balance of proceeds by amounts in line with the assets debt repayment schedule. At the end of each financial period, the outstanding balance of the Bond will be reviewed.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Review of: <ul style="list-style-type: none"> <li>- BOND Proceeds and reporting framework</li> </ul> Discussions with Alperia management	The net proceeds of the Bond will be placed in a dedicated Sub Account and will be fully and immediately disbursed where possible or held in equivalent green investments or cash equivalent until disbursement to the nominated assets as per the Alperia Green Bond Framework.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Discussions with Alperia management	Alperia will include a dedicated section on the Green Bond in its Sustainability Report. This will include description of the project and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts. Alperia plans to report on the total annual MWh generated by the Hydro Assets on an annual basis.