

ASSURANCE REPORT

- Green Bond -

The Federal Government of Nigeria



DATE: 26/06/2020

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1. EXECUTIVE SUMMARY

The Federal Government of Nigeria (the issuer) has issued its second Sovereign Bond which has an offer for Subscription of ₦15,000,000,000. As with the first Sovereign Bond, the funds will be used to fund projects which support the climate mitigation ambitions of the Government as well as support the commitments made under the country's Nationally Determined Contributions (NDC's).

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

The funds will be managed by six Ministries, which will in turn allocate the funds to eligible projects within the Ministry. The projects are managed by MDA's which are the monitoring teams for each project and which are charged with ensuring that the projects are implemented correctly and which also covers the allocation of funds for the projects. The MDA's report into the Green Bond Secretariat which in turn reports to the Climate Change Department.

Terms of Engagement

TÜV NORD CERT were engaged by FSD Africa to provide assurance, that the bond issued complies with the Green Bond Framework developed by the Issuer.

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

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

Our Opinion

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

1. Use of Proceeds

The bond which has been issued will be used to fund various projects under the management of six Ministries. The project types can be broadly classified into two groups; Mitigation and Adaptation. Within the mitigation category the projects relate to Energy Efficiency, Resource Efficiency, Renewable Energy and Clean Technology. Sustainable Forest Management are the only project types which fall within the Adaptation classification.

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

2. Process for Project Evaluation and Selection

The issuer documents, within the bond prospectus and supporting documentation, provide details of the environmental sustainability objectives of the projects to be funded.

Documentation by which the issuer determines eligibility of certain projects is provided in the form of a Green Bond project evaluation and selection criteria document (May 2020).

Within the documents, a clear process is described, which allows the issuer to determine eligibility and inclusion into the Green Bond. The Green Bond project evaluation and selection criteria document (May 2020) clearly states criteria, as well as exclusions, for project eligibility.

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

3. Management of Proceeds

As stated within the prospectus, separate ring fenced accounts would be created by the Central Bank of Nigeria (CBN) and which would be opened in the name of the various Ministries. The funds are managed via the REMITA platform whereby sub-accounts under the Treasury Single Account are opened for each project. All of the sub-accounts are visible within the REMITA system and so it can be ensured the proceeds can be tracked accurately and in real time.

Unallocated proceeds will remain in the sub-accounts for use by the project and will not be invested or used for any other purpose than for the projects which they are used to fund.

The entire Management of Funds process has been comprehensively documented in the Administrative Process for Green Bond Issuance document.

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

4. Reporting

The prospectus clearly documents the reporting process which will be followed and which is in line with the Green Bond Framework. The reporting process will provide up to date information on the use of proceeds, which will be reported annually until full allocation. A document has been developed which describes how the reporting template should be completed and is primarily focused on the impact reporting aspect.

The impacts of the project to be funded by the green bond will be reported annually and according to the required Key Performance Indicators recommended by ICMA. The reporting template also includes details of how the impacts from the projects will be reported.

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

Conclusion

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

Essen, 26.06.2020



Dr. Tahsin Choudhury
Lead & Senior Auditor



Andreas Backs
Senior Auditor

Disclaimer

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

2. VERIFICATION TEAM

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

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

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

3. TERMS OF ENGAGEMENT

TÜV NORD CERT were engaged by FSD Africa to provide assurance, that the Second Sovereign bond issued by the Federal Government of Nigeria (the issuer) complies with the Green Bond Framework developed by the Issuer.

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

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4. METHODOLOGY

The engagement was carried out over two days; the first being on the 26/05/2020 and the second on the 28/05/2020. Due to the current situation with COVID-19, it was carried out remotely with the auditors being based in Europe and the Auditees in Nigeria.

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
26.05.2020 and 28.05.2020 – Abuja, Nigeria	
<ul style="list-style-type: none"> - Dr. Peter Tarfa - Ms. Halima Bwari - Mr. Sule James - Ms. Adesola Olatunde - Mrs. Benny Ojiofor - Mr. Oladele Afolabi - Mr. Sam Okpo 	<ul style="list-style-type: none"> - Issuer Background - Sustainability and Environment Strategy - Motivation for Issuing Green Bonds - Use of Proceeds - Process for Project Evaluation and Selection - Management of Proceeds, including Accounting System - Reporting - Technical and environmental aspects of project

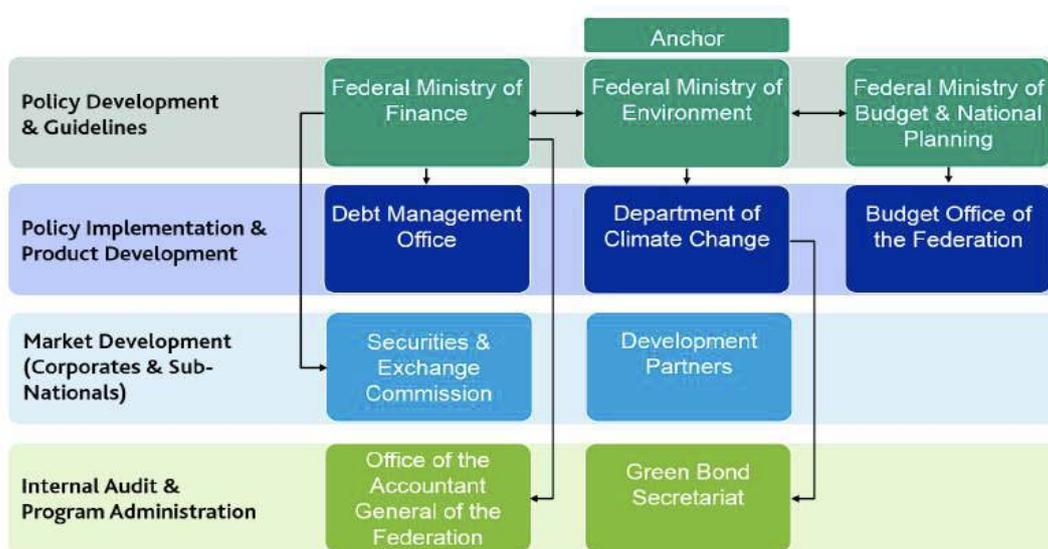
Table 4.2 below provides a list of the evidence which was reviewed during the audit.

Table 4-2: Evidence reviewed during the audit

GBP Component	Evidence reviewed
Use of Proceeds	<ul style="list-style-type: none"> • Green Bond Framework, May 2020 • FGN N15bn Green Bond Series II Prospectus- • Green Bond project evaluation and selection criteria, May 2020 • NSGB Eligible Sectors, May 2020 • Letter to CBN on Transfer of 2018 Green Bond Proceeds for Fed Min of Agric • Letter to CBN on Transfer of Proceeds
Process for Project Evaluation and Selection	<ul style="list-style-type: none"> • Green Bond Framework, May 2020 • FGN N15bn Green Bond Series II Prospectus- • Green Bond project evaluation and selection criteria, May 2020 • NSGB Eligible Sectors, May 2020
Management of Proceeds	<ul style="list-style-type: none"> • Green Bond Framework May 2020. • FGN N15bn Green Bond Series II Prospectus • DMO Green Bond Account Statement • Letter to OAGF on Opening of Subsidiary Accounts for Projects • Letter to CBN on Transfer of 2018 Green Bond Proceeds for Fed Min of Agric • Letter to CBN on Transfer of Proceeds • Letter to HMF on Request to Warehouse N15 Bn Green Bond Proceeds • Letter to OAGF on Request to Warehouse 2018 Green Bond Proceeds • OAGF - Re approval to open naira accounts with the CBN in favour of MDAS (1) • OAGF Re approval to open naira accounts with the CBN in favour of MDAS (2) • Ack Copy OAGF FGN Green Bond - Opening of Subsidiary Accounts for Projects • Letter to CBN on Transfer of Green Bond Proceeds to Subsidiary Accounts • OAGF Request to Open Accounts with CBN Abuja in favour of MDAs
Reporting	<ul style="list-style-type: none"> • Green Bond Framework May 2020 • FGN N15bn Green Bond Series II Prospectus • GB Annual reporting template • Nigeria Sovereign Green Bond Reporting Guidelines

5. OVERVIEW OF ISSUER

The Second Sovereign Green Bond was issued in June 2019 by the Federal Government of Nigeria. As with the first Sovereign Bond, the funds will be used to fund projects which support the climate mitigation ambitions of the Government as well as support the commitments made under the country's Nationally Determined Contributions (NDC's).



The diagram above presents the various internal stakeholders who are involved in the allocation and management of the proceeds.

The funds themselves will be allocated to six ministries who are responsible for allocating them to the individual projects, within those Ministries, and which have been listed in the prospectus.

6. OUR OPINION

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

6.1. Use of Proceeds

Use of Proceeds Review																	
Topic	Conclusion																
Environmental benefits	<p>The designated projects to be (re)financed by the green bond provide clear environmental benefits via</p> <ul style="list-style-type: none"> - Generation of renewable energy - Carbon emissions reduction - Provision of clean transportation - Sustainable Forest Management <p>as well as provision of various socio-economic benefits within the regions in which the projects will be realised.</p>																
Type of financing	<p>The bond to be issued will be for ₦15bn, which will be allocated to various institutions for the implementation of eligible projects.</p> <table border="1"> <thead> <tr> <th>Institution</th> <th>Funding [₦]</th> </tr> </thead> <tbody> <tr> <td>Federal Ministry of Power, Works & Housing</td> <td>8.26 bn</td> </tr> <tr> <td>Federal Ministry of Environment</td> <td>1.22 bn</td> </tr> <tr> <td>Federal Ministry of Agriculture and Rural Development</td> <td>0.60 bn</td> </tr> <tr> <td>Federal Ministry of Transport</td> <td>0.50 bn</td> </tr> <tr> <td>Federal Capital Territory Authority</td> <td>1.60 bn</td> </tr> <tr> <td>Federal Ministry of Water Resources</td> <td>2.82 bn</td> </tr> </tbody> </table>		Institution	Funding [₦]	Federal Ministry of Power, Works & Housing	8.26 bn	Federal Ministry of Environment	1.22 bn	Federal Ministry of Agriculture and Rural Development	0.60 bn	Federal Ministry of Transport	0.50 bn	Federal Capital Territory Authority	1.60 bn	Federal Ministry of Water Resources	2.82 bn	
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Green Projects	<p>The designated assets to be funded from the green bond fit into a variety of eligible project categories as described by the Green Bond Principles (June 2018):</p> <table border="1"> <thead> <tr> <th>Institution</th> <th>Project Type</th> <th>Eligible Project Category</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Federal Ministry of Power, Works & Housing</td> <td>10 MW Katsina Wind Farm</td> <td rowspan="4">Renewable Energy</td> </tr> <tr> <td>Construction of Off-Grid Renewable Energy</td> </tr> <tr> <td>Solar Mini Grids</td> </tr> <tr> <td>Rural Electrification Access Program in Fed. Universities</td> </tr> <tr> <td rowspan="4">Federal Ministry of Environment</td> <td>Afforestation/Reforestation in nine states and Federal Capital Territory</td> <td rowspan="4">Environmentally sustainable management of living natural resources and land use</td> </tr> <tr> <td>Establishment of Acacia Senegal Plantation in the frontline states</td> </tr> <tr> <td>Establishment of woodlots in the arid zone</td> </tr> <tr> <td>Ecological restoration of degraded areas</td> </tr> </tbody> </table>		Institution	Project Type	Eligible Project Category	Federal Ministry of Power, Works & Housing	10 MW Katsina Wind Farm	Renewable Energy	Construction of Off-Grid Renewable Energy	Solar Mini Grids	Rural Electrification Access Program in Fed. Universities	Federal Ministry of Environment	Afforestation/Reforestation in nine states and Federal Capital Territory	Environmentally sustainable management of living natural resources and land use	Establishment of Acacia Senegal Plantation in the frontline states	Establishment of woodlots in the arid zone	Ecological restoration of degraded areas
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		Restoration of degraded areas in various National Parks	
		National Afforestation Programme	
		Dry lands restoration through massive afforestation	
	Federal Ministry of Agriculture and Rural Development	Establishment of pilot demonstration on Agro-Forestry Farmers Managed Regeneration and Conservation Agriculture practices for improved food security and livelihoods	Environmentally sustainable management of living natural resources and land use
	Federal Ministry of Transport	Solar-powered tricycle	Clean Transportation
	Federal Capital Authority	Abuja Rail Mass Transit Project Lot 1 & 3	Clean Transportation
	Federal Ministry of Water Resources	Supply and installation of pressurized/centre pivot irrigation systems nationwide	Environmentally sustainable management of living natural resources and land use
		Tada-Shonga Irrigation Project	
		Construction of Middle Ogun Irrigation Project	
		Rehabilitation of Adani Irrigation Project	
<p>Evidence has been seen, dated 27-08-2019 and 09-01-2020 from the DMO to the CBN, asking for the project sub accounts to be credited with the amounts disclosed in the Green Bonds Prospectus. The accounts numbers and amounts are consistent with the Green Bond Prospectus, as well as the Request to Warehouse evidence.</p>			

6.2. Process for Project Evaluation and Selection

Process for Project Evaluation and Selection Review	
Topic	Conclusion
Environmental Sustainability Objectives	The issuer documents, within the bond prospectus and supporting documentation, the environmental sustainability objectives of the projects to be funded. Support of various Sustainable Development Goals (SDGs) by the projects to be implemented is demonstrated within the NSGB Eligible Sectors document (May 2020).
Process by which the issuer determines how the projects fit within the eligible Green Projects categories	Documentation by which the issuer determines eligibility of certain projects is provided in the form of a Green Bond project evaluation and selection criteria document (May 2020). Within the documents, a clear process is described, which allows the issuer to determine eligibility and inclusion into the Green Bond.
Eligibility criteria	The Green Bond project evaluation and selection criteria document (May 2020) clearly states criteria, as well as exclusions, for project eligibility. Each project is screened regarding <ul style="list-style-type: none"> - Green Credentials - Readiness and Robustness - Financial Viability The process for project evaluation and selection is headed by the Federal Ministry of Environment and is supported by representatives from various MDAs during inter-agency coordination meetings.

6.3. Management of Proceeds

Management of Proceeds Review	
Topic	Conclusion
Management of funds	As stated within the prospectus, separate ring fenced accounts will be created by the Central Bank of Nigeria (CBN) and which will be opened in the name of the various Ministries. The funds are managed via the REMITA platform whereby sub-accounts under the Treasury Single Account are opened for each project. The funds within these accounts will be used to fund the relevant projects, which are managed by the MDA's. Evidence has been seen, dated 11/06/2019, from the OAGF to the DMO confirming that the sub-accounts have been opened and the account numbers provided. These account numbers are consistent with those shown in the evidence requesting warehousing of the funds. A robust accounting system REMITA is used to manage the funds. All of the sub-accounts are visible within the REMITA system and so it can be ensured the proceeds can be tracked accurately and in real time.

	<p>Unallocated proceeds will remain in the sub-accounts for use by the project and will not be invested or used for any other purpose than for the projects which they are used to fund.</p> <p>The entire Management of Funds process has been comprehensively documented in the Administrative Process for Green Bond Issuance document.</p>
Outstanding Funds	<p>It is well understood by the Issuer that so long as the Green Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p> <p>It has been confirmed by the DMO that there will not be any temporary placement of any unallocated proceeds and that they will remain in the sub-accounts until they have been fully utilised.</p> <p>Evidence has been seen, dated the 24/05/2019, from the DMO to the Honorable Minister of Finance requesting that the proceeds from the Green Bond be warehoused (ring fenced) to ensure that the funds are only spent on eligible green projects and those listed in the prospectus.</p>
Tracking of proceeds	<p>The proceeds from the Green Bond have been placed in separate ring fenced accounts of all which are visible within the REMITA system. Evidence for these accounts, dated 11/06/2019, has been provided during the audit and which confirms that the accounts have been opened.</p>

6.4. Reporting

Reporting Review	
Topic	Conclusion
Reporting requirements & impact assessment	<p>The prospectus clearly documents the reporting process which will be followed and which is in line with the Green Bond Framework. The reporting process will provide up to date information on the use of proceeds, which will be reported annually until full allocation. A document has been developed which describes how the reporting template should be completed and is primarily focused on the impact reporting aspect.</p> <p>Additionally, the annual report will contain a brief description of the project and the amounts allocated. Evidence has been seen for the reporting template which will be used and it is in-line with the Green Bond Framework.</p> <p>The impacts of the project to be funded by the green bond will also be reported annually and according to the required Key Performance Indicators recommended by ICMA. The reporting template also includes details of how the impacts from the projects will be reported.</p>

7. ASSURANCE CONCLUSION

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