



Indian Railway Finance Corporation Limited's Green Financing Framework for Green Debt

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- The Government of India, as part of its Nationally Determined Contributions (NDCs), has set a target of 33% emissions intensity reduction
 - ✓ Transport sector being one of the key sectors with substantial mitigation potential.
- The INDC document submitted by India in October 2015, was widely discussed at the 21st Conference of Parties (CoP 21) organized by the UNFCCC in Paris, in November 2015
- The INDC was ratified by India the following year, and India now had an officially mandated target of activities for meeting its INDC commitments for 2030
- One of the most vital transportation emissions mitigation strategies agreed to by the Government of India was increasing the share of Indian Railways in the movement of freight from the current ~ 35-36% to 45% by 2030
- Conference of Parties to the UNFCCC in its sixteenth session (COP-16) had decided that developing countries should also submit Biennial Update Report (BUR)
 - ✓ India furnished its first Biennial Update Report (BUR-1) in January 2016.
 - ✓ India's second Biennial Update Report (BUR-2) was submitted to UNFCCC in December 2018 which included updates on part of Indian Railways coordinated by EnHM directorate.

Introduction-2/2

Indian Railways/IR's Role in India's NDC for combating Climate Change

- Reducing emission intensity by 33% up to 2029-30 over 2004-05.
- Indian Railways(IR) should aim to enhance the share of the Railways in the overall land based freight transport from the present 36% to 45% by the year 2030.
- IR should target setting up of Dedicated Freight Corridors (DFCs) across the country. The first two corridors are already under construction
 - ✓ This first phase of the project alone is estimated to reduce emissions by about 457 million ton CO₂ over a 30 year period.
- Increase the share of renewable energy in its energy mix.
- Railways to further improve its energy efficiency for both diesel and electric traction thereby facilitating the reduction of GHG emissions for the country.
- Use of 5% blending of biofuels in traction diesel fuel.
- Improve water use efficiency by 20% up to 2030.
- Tree Plantation to increase Carbon Sink.
- Waste Management and Pollution Control
- Adopting the good practices on Green Buildings, Industrial Units and other establishments
- Role in 'Swachh Bharat Mission'

Indian Railway Finance Corporation Limited(IRFC)

IRFC was incorporated on 12th December, 1986

Registered as NBFC-ND-SI and IFC

IRFC is the dedicated fund raising arm of MoR

Majority shares held by GOI/Ministry of Railways (MoR)

Listed on Indian stock exchanges since January, 2021

Finance leasing of Rolling stock and Railway projects

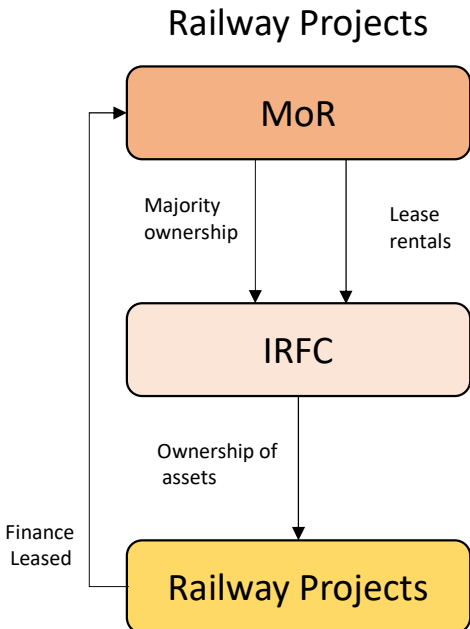
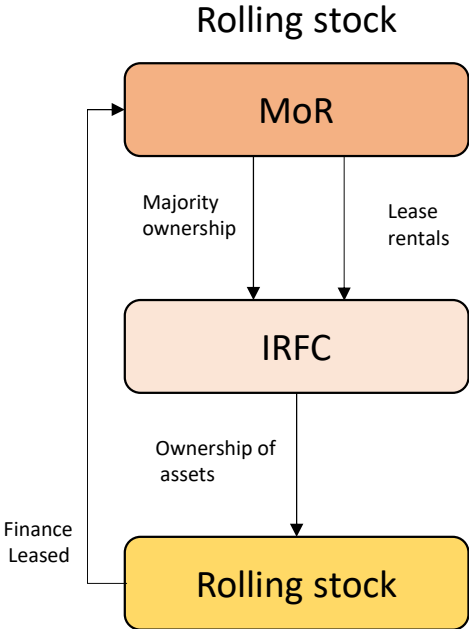
Funding substantial portion of the capex requirement of Indian Railways

Strategic relationship with MoR

Objectives of IRFC's Green Framework

- IRFC is a leading Government owned NBFC in India exclusively dedicated to Indian railways sector
- IRFC has been playing a crucial role in development of railway sector by means of
 - ✓ Meeting the capex requirements of Indian Railways
 - ✓ For the FY 21 more than 50% of the capex requirements of Indian railway's capex was met by IRFC
- For the FY 2020-21 IR electrified
 - ✓ Sections totalling to 6,015 Route Kilometres
- For the FY 2020-21 IRFC financed Electric locos representing
 - ✓ 89% in numbers and 84% in value of the total portfolio of locomotives financed by IRFC
- In line with Indian Railway's commitment to assist the Government of Indian in meeting its INDC Targets set for 2030
 - ✓ IRFC is committed to promote green strategies and initiatives of Indian Railways

IRFC's Business



Assets Finance leased by IRFC to Ministry of Railways (MoR)

Green Initiatives taken/Proposed by Indian Railways/MoR

Target of becoming "Green Railway" by 2030(Net Zero Carbon Emission)

Electrification of all routes on Broad Gauge by December 2023

Solar and wind energy to power the Railway electricity grid in a big way

Electrification of more than 40,000 RKM (63% of BG routes)

18,605 km electrification during 2014-20 compare to 3,835 km in 2009-14

100 MW of Solar plants commissioned on roof-tops including 900 stations

400 MW of Solar energy are under different stages of execution

51,000 hectare of land potential of installing 20 GW land based solar plants

1.7 MW at Bina in collaboration with BHEL has already been installed

Green Initiatives taken/proposed by Indian Railways/MoR

103 MW wind-based power plants already been commissioned

200 MW wind energy plants in next 2 years in Tamil Nadu, Gujarat, Rajasthan and Karnataka)

100 per cent LED illumination of buildings and stations

505 pairs of trains have been converted to HOG unleashing approx. 70 million liter diesel

69,000 coaches have been fitted with 2, 44,000 bio-toilets

Index of IRFC's Green Financing Framework

IRFC's Green Financing Framework prepared as Climate Bonds Standard Version 3.0

Section number	Name of Section
I	Use of Proceeds/Eligible Assets
II	Project Evaluation and Selection Process
III	Management of Proceeds
IV	Reporting
V	Assurance

Note:

IRFC's Green Financing Framework is aligned with the ICMA Green Bond Principles 2021 as well.



Section I: Use of Proceeds/Eligible Assets

Section I:Use of Proceeds/Eligible Assets

Eligible asset have been defined as per the Version 2 of the Low Carbon Transport Criteria

Freight Lines

- All Electrified Rolling stock including Locomotives, Wagons, Coaches, cranes, all other attachments that are propelled through such electrified Rolling stock and Equipment/components relating to Electrified Rolling stocks
- All infrastructure, infrastructure upgrades and freight rolling stock for non-electrified projects meeting the universal freight threshold¹

Public Passenger Transport

- All Electrified Rolling stock including Locomotives, Wagons, Coaches, cranes, all other attachments that are propelled through such electrified Rolling stock and Equipment/components relating to Electrified Rolling stocks
- All infrastructure, infrastructure upgrades and rolling stock for non-electrified projects meeting the universal passenger threshold¹

Railway Projects

- Railway Electrification and all allied activities linked to electrification of Railway lines

¹ Universal Threshold limit as defined in Sector Criteria(<https://www.climatebonds.net/standard/transport>)



Section II: Project Evaluation and Selection Process & Section III: Management of Proceeds

Section II: Project Evaluation and Selection Process

Green Debt Working Group

1. An internal group of officers of IRFC in conjunction with MoR shall assist in identifying the Eligible Assets as defined in Section I of IRFC's Green framework
2. Proceeds from Green Debt to be utilized for identified Eligible Assets as mentioned in Section I read with Usage of proceeds as per Section II of IRFC's Green framework

Section III: Management of Proceeds

The funds raised under IRFC's Green Financing Framework shall be utilized for

1. Financing the Eligible assets mentioned in Section I of IRFC's Green framework
2. Refinancing of any debt used for financing Eligible assets mentioned in Section I of IRFC's Green framework. For any refinancing, the lookback period of the Eligible Assets will be set at a period of [48] months.
3. All proceeds will be allocated towards the above uses within a period of [6 months] from receipt. Any unallocated proceeds will be held in cash or cash-equivalent instruments and will be earmarked for future application towards an Eligible Asset.
4. Debt proceeds will be received in the IRFC's current account
 - ✓ Money Trail for transfer to MoR shall be available
 - ✓ Document trail iterating transfer for nominated assets shall also be available
5. IRFC will invest proceeds in Eligible Assets only as defined in Section I.

Section III: Management of Proceeds

6. Allocation of Bond/Loan/Debt proceeds raised under the Green framework shall not exceed
 - ✓ Investment value or
 - ✓ Market value of the nominated projects & assets or
 - ✓ Issuer's investment exposure to the proposed nominated projects & assets

7. Other labeled instruments shall not finance the same assets unless distinct and easily identifiable portions are financed by different instruments and properly documented.



Section IV: Reporting & Section V: Assurance

Section IV. Reporting

1. IRFC's Green framework shall be available in public domain on IRFC's official website(IRFC.NIC.IN)
2. Post issuance assurance shall be done for the Green Debt issued under the IRFC's approved Green framework
3. For repeat Green Debt transaction for the Eligible assets only Post issuance certification to be done in the year of issuance/raising
4. Update report to be submitted as per the requirements of Climate Bonds Standard Version 3.0 till the time issued Green Debt is outstanding. The update report shall include the following:
 - Amount of Funds raised under Green Financing Framework
 - Certificate confirming the end uses as per Section I of the Green Financing Framework
 - Amount of funds deployed as per uses defined in Section I
 - List of assets after the end of the Financial Year for which the funds have been deployed

Section V. Assurance

1. IRFC's Green Framework shall be published on the IRFC's official website (IRFC.NIC.IN)
2. IRFC's Green Framework shall be verified by Independent second party assurance provider as per Climate Bonds Standard V3.0
3. Post issuance assurance shall be done for the Debt issued under the IRFC's Green framework approved by Climate Bonds Initiative
4. For repeat Green Debt transactions under IRFC's Green framework approved by Climate bonds Initiative Post issuance certification to be done in the year of such Green Debt transaction

Disclaimer

The certification of the **Bonds/Debt** as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the **Bonds/Debt** or any Nominated Project, including but not limited to the Information Memorandum, the transaction documents, the Issuer or the management of the Issuer.

The certification of the **Bonds/Debt** as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the Issuer and is not a recommendation to any person to purchase, hold or sell the **Bonds/Debt** and such certification does not address the market price or suitability of the **Bonds/Debt** for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bond Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or the Issuer. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the **Bonds/Debt** and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the **Bonds/Debt** and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.



End of the Framework