

Independent Assurance Report

Introduction

This is an independent post-issuance assurance report of loan aggregating up to USD 1,100 mn or INR 8,274.23 Cr. (“Green Loan”) by Indian Railway Finance Corporation Limited. (“Issuer”) in accordance with the post-issuance requirements of “Limited Assurance” under Climate Bonds Standard Version 3 (“the Standard”) and the sectoral Transport Criteria Version 2.

Assurance scope and level of assurance

The scope of this assessment includes verification of information on the material aspects of the Green Bonds in accordance with post-issuance criteria including General and Technical Eligibility requirements of Standard. The following areas have been covered in the assessment:

1. Use of Proceeds
2. Process for Evaluation and Selection of Projects
3. Management of Proceeds
4. Reporting

Activities undertaken

A number of activities have been undertaken for this verification, maintaining the independence and objectivity of the verifier. We have relied on interviews with key staff and reviews of internal and public documents that were carried on the following aspects:

- a. Use of proceeds;
- b. Process of selecting eligible projects;
- c. Reporting requirements, other internal processes and controls including the processes to track and earmark the proceeds of Green Bonds;
- d. Environmental objectives of Green Bonds;
- e. Investment areas for bond proceeds and temporary investment instruments for the management of unallocated proceeds;
- f. Use of proceeds, process of project selection and their conformance with the eligibility requirements specified in Part C of the Standard

Conclusions

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that in material respects the proposed Green Loan is not in conformance with the Standard’s post-issuance verification requirements.

Limitations & exclusions

The verification does not:

- Suggest or assist in implementing in any recommendations of any sort.
- Assess data and information beyond the defined reporting boundary and period.
- Set any expectations of the Green Bonds issuance except as per Standard.

- Verify, evaluate or consider any attributes of any general risks of this Green Bonds issuance.
- Verify the financial standing, economic performance and credit rating of the prospective issuer.
- Verify statements by Issuer that describe opinions, beliefs, aspirations, expectations, aims or intentions.
- Confirm that any representations made by the Issuer are complete, accurate or reliable; the Issuer is solely and fully responsible for any statements, misrepresentations and/or omissions made by them and/or their representatives during the verification process and any likely outcome of those.
- Make any assessment of the environmental, social, or governance impact of the proposed projects/investments, except to the extent required for compliance to the Standard.
- Assess whether the proposed projects or investments comply with applicable national and international regulations.

Independence

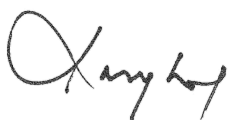
The verification has been carried out by experts of environment, social, climate change and sustainability areas. Neither Verifier nor any member of the verifier team is involved in any way in the issuance or management of the Green Bonds. Verifier has applied internal procedures to confirm no conflicts of interest for this verification engagement. Verifier team has completed this assessment in line with *ISAE 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information* requirements to the extent applicable for such limited assurance engagements.

Issuers' responsibility

The Issuer is responsible to ensure the compliance of Green Bonds with the Standard.

Verifier's responsibility

The report is intended to inform the Issuer about the compliance status of the Green Bonds with the post-issuance criteria of the Standard.



Atul Sanghal

Lead Verifier

Emergent Ventures India Pvt. Ltd. (Gurgaon, India)

23 May 2022



Annex 1: List of Nominated Projects & Assets

Issuer previously issued in January 2022 Green Bonds amounting USD 500mn or INR 3,729.935 Cr and now raised loan amounting USD 1,100 mn or INR 8,274.23 Cr in March 2022. Together the amount from the green bonds and green loan has been used for refinancing and financing of Electric Locomotives acquired between April 01, 2021 and March 31, 2022. This verification report pertains to green loan amounting USD 1,100 mn.

Table: List of Nominated assets

| Month | Electric Locomotives | | | | | | | | | |
|--------------|----------------------|----------------|-----------|---------------|------------|----------------|-----------|---------------|---------------|----------------|
| | CLW | | DLMW | | BLW | | CR | | ECR Madhepura | |
| | No. | INR Cr. | No. | INR Cr. | No. | INR Cr. | No. | INR Cr. | No. | INR Cr. |
| Apr-21 | 21 | 226.80 | 8 | 92.72 | 14 | 156.80 | 0 | 0.00 | 6 | 205.78 |
| May-21 | 10 | 109.71 | 1 | 10.96 | 20 | 212.00 | 13 | 151.32 | 10 | 345.89 |
| Jun-21 | 39 | 422.90 | 9 | 101.57 | 32 | 328.40 | 3 | 34.92 | 10 | 350.05 |
| Jul-21 | 44 | 479.59 | 7 | 81.08 | 32 | 320.00 | 2 | 23.38 | 2 | 70.01 |
| Aug-21 | 46 | 496.80 | 8 | 87.72 | 33 | 330.00 | 4 | 47.80 | 7 | 253.18 |
| Sep-21 | 25 | 272.68 | 12 | 133.02 | 33 | 330.00 | 2 | 24.05 | 11 | 388.98 |
| Oct-21 | 56 | 646.95 | 11 | 127.07 | 25 | 250.00 | 3 | 36.47 | 9 | 326.19 |
| Nov-21 | 42 | 484.82 | 12 | 138.62 | 30 | 300.00 | 4 | 50.77 | 9 | 341.25 |
| Dec-21 | 50 | 591.12 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 11 | 426.12 |
| Jan-22 | 50 | 580.02 | 0 | 0.00 | 0 | 0.00 | 4 | 52.07 | 6 | 232.43 |
| Feb-22 | 50 | 585.73 | 12 | 135.87 | 35 | 350.00 | 3 | 39.40 | 18 | 720.16 |
| Mar-22 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 11 | 476.66 |
| Total | 433 | 4897.12 | 80 | 908.63 | 254 | 2577.20 | 38 | 460.19 | 110 | 4136.72 |

Total number of Rolling stocks: 915

Value of Electric Rolling stocks in INR Cr.: 12,980

Notes:

CLW – Chittaranjan Locomotive Works

DLMW – Diesel-LoCo Modernization Works

BLW – Banaras Locomotive Works

CR – Central Railway zone

ECR – East Central Railway zone

Annex 2: Testing procedures

| Clause No. of the Standard | Post Issuance Requirement as per the Standard | Assurer's Assessment | Reference/Supporting Documents |
|----------------------------|--|--|----------------------------------|
| 5 | Use of Proceeds | | |
| 5.1 | The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets. | The issuer has used the loan proceeds for refinancing of domestic loans used for Electric Rolling Stock acquired during the period from 01/04/2021 to 31/03/2022. | Chartered Accountant Certificate |
| 5.2 | All nominated Projects & Assets shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard. | The nominated assets are Electric Rolling Stocks with no direct GHG emissions and hence meet Part C of Climate Bonds Standard Version 3.0. | - |
| 5.3 | The Issuer shall allocate the Net Proceeds to Nominated Projects & Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects & Assets. Net proceeds may be reallocated to other Nominated Projects & Assets at any time while the Bond remains outstanding. | The proceeds for a total of USD 1,100mn or INR 8,274.23 Cr. were received in IRFC account on 24/03/2022. Issuer submits that all proceeds have been allocated in March 2022 to the nominated assets which is within 24 months of the issuance. | Chartered Accountant Certificate |
| 5.4 | Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labeled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that: | | |



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| 5.4.1 | <i>Distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labeled instruments or;</i> | Issuer previously issued in January 2022 Green Bonds amounting USD 500mn or INR 3,729.935 Cr and now raised loan amounting USD 1,100 mn or INR 8,274.23 Cr in March 2022. Together the amount from the green bonds and green loan has been used for refinancing and financing of Electric Locomotives acquired between April 01, 2021 and March 31, 2022. This verification report pertains to green loan amounting USD 1,100 mn. | Chartered Accountant Certificate |
| 5.4.2 | <i>The existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</i> | The total amount of the green bonds and green loan is USD 1,600 mn or INR 12,004.17 Cr. which is less than the asset value of 951 rolling stocks financed which is INR 12,980 Cr. | |
| 5.5 | Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects & Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets. | The use of proceeds is verified from end use certificate from Chartered Accountant. The proceeds in full are allocated for refinancing of domestic loans used for financing of Electric Rolling Stock. | Chartered Accountant Certificate |
| 5.6 | The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1. | The proceeds for a total of USD 1,100mn or INR 8,274.23 Cr. were received in IRFC account on 24/03/2022. Issuer submits that all bond proceeds have been allocated in March 2022 to the nominated assets. | Chartered Accountant Certificate |
| 5.7 | The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects & Assets, or the relevant proportion of the total Market Value of the Nominated Projects & Assets which are owned or financed by the Issuer. | Issuer previously issued in January 2022 Green Bonds amounting USD 500mn or INR 3,729.935 Cr and now raised loan amounting USD 1,100 mn or INR 8,274.23 Cr in March 2022. Together the amount from the green bonds and green loan has been used for refinancing and financing of Electric Locomotives acquired between April 01, 2021 and March 31, 2022. This verification report pertains to green loan amounting USD 1,100 mn. | Chartered Accountant Certificate |



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| | | The total amount of the green bonds and green loan is USD 1,600 mn or INR 12,004.17 Cr. which is less than the asset value of 951 rolling stocks financed which is INR 12,980 Cr. | |
| 5.8 | Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond's objective as set out in Clause 6.1.1. | | |
| 5.8.1 | <i>Where additional Nominated Projects & Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier's Report covering at least the conformance of the additional Nominated Projects & Assets with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.</i> | The proceeds are allocated for refinancing of domestic loans used for financing of Electric Rolling Stock. | Climate Bonds Information Form Chartered Accountant Certificate |
| 6 | Process for Evaluation and Selection of Projects & Assets | | |
| 6.1 | The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation: | | |
| 6.1.1 | <i>A statement on the climate-related objectives of the Bond;</i> | In the green bond framework, Issuer has mentioned that [the Ministry of Railways (MoR) has set a target for becoming a "Green Railway by 2030". Accordingly, Issuer has listed down a number of | Green Bonds Framework |



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| | | green initiatives which have been undertaken over time under the Green Bonds Framework which further demonstrates the intent of the issuer towards addressing climate related concerns. | |
| 6.1.2 | <i>How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</i> | The MoR has set a target of becoming a "Green Railway by 2030". Accordingly, the proposed green loan proposes to utilize proceeds to finance and refinance projects & assets which either do not induce any direct GHG emissions or are within the Universal Emission Threshold as mentioned in "Transport Criteria" Version 2. | Green Bonds Framework |
| 6.1.3 | <i>The Issuer's rationale for issuing the Bond;</i> | MoR has set a target of becoming a "Green Railway by 2030". The proposed green bonds/debt proposes to utilize proceeds to finance and refinance projects & assets which either do not induce any direct GHG emissions or are within the Universal Emission Threshold as mentioned in "Transport Criteria" Version 2. | Green Bonds Framework |
| 6.1.4 | <i>A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard;</i> | Issuer has provided in the Green Bonds Framework that a "Green Debt Working Group", an internal group of officers, identifies eligible projects & assets. This group selects projects & assets which fall under the eligible project categories. | Green Bonds Framework |
| 6.1.5 | <i>Other Information provided by the issuer as described in Clause 2.2</i> | The green bonds/debt informs to utilize proceeds to finance and refinance projects & assets which either do not induce any direct GHG emissions (electrified) or are within the Universal Emission Threshold as mentioned in "Transport Criteria" Version 2 for the non-electrified. | Green Bonds Framework |
| 7 | Management of Proceeds | | |
| 7.1 | The Net Proceeds of the Bond shall be credited | The proceeds for a total of USD 1,100mn or INR 8,274.23 Cr. were | Chartered Accountant |



| Clause No. of the Standard | Post Issuance Requirement as per the Standard | Assurer's Assessment | Reference/Supporting Documents |
|----------------------------|--|--|---|
| | to a sub account, moved to a sub- portfolio otherwise identified by the Issuer in an appropriate manner, and documented. | received in IRFC account on 24/03/2022. Issuer submits that all the proceeds have been allocated instantly to the nominated assets. | Certificate |
| 7.2 | The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets as described in Clause 3.1.3 | Issuer mentions in the Green Bond Framework that all proceeds will be allocated towards the nominated projects & assets within a period of [6 months] from receipt of proceeds. The process has been followed for this issuance and allocation of proceeds has been made instantly to the nominated assets. | Green Bonds Framework Chartered Accountant Certificate |
| 7.3 | While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects & Assets. Pending such allocations to Nominated Projects & Assets, the balance of unallocated Net Proceeds shall be: | Issuer has confirmed that the proceeds have been fully allocated soon after having received in Issuer's account. | Chartered Accountant Certificate |
| 7.3.1 | <i>Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</i> | - | - |
| 7.3.2 | <i>Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</i> | - | - |
| 7.3.3 | <i>Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</i> | - | - |
| 8 | Reporting | | |



| Clause No. of the Standard | Post Issuance Requirement as per the Standard | Assurer's Assessment | Reference/Supporting Documents |
|----------------------------|--|---|--------------------------------|
| 8.1 | The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding. | The allocation of loan proceeds was completed on 24/03/2022 and hence is yet to complete a full year. Issuer has submitted that an update report shall be prepared and published annually and for the loan validity period. | - |
| 8.1.1 | <i>The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.</i> | | |
| 8.1.2 | <i>The Update Report shall be made available to the public.</i> | | |
| 8.1.3 | <i>The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments.</i> | | |
| 8.2 | The Update report shall include: | | |
| 8.2.1 | <i>Allocation Reporting</i> | | |
| 8.2.2 | <i>Eligibility Reporting, where eligibility reporting is relevant for the Nominated Projects and Assets</i> | | |
| 8.2.3 | <i>Should include Impact Reporting</i> | | |
| 8.3 | The Allocation Reporting shall include, without limitation: | | |
| 8.3.1 | <i>Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the proposed EU Green Bond</i> | | |



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| | <i>Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc;</i> | | |
| 8.3.2 | <i>A statement on the climate-related objectives of the Bond;</i> | - | |
| 8.3.3 | <i>The list of Nominated Projects & Assets to which Net Proceeds have been allocated (or re-allocated);</i> | - | |
| 8.3.4 | <i>The amounts allocated to the Nominated Projects & Assets;</i> | - | |
| 8.3.5 | <i>An estimate of the share of the Net Proceeds used for financing and refinancing, and which Nominated Projects & Assets have been refinanced. This may also include the expected look-back period for refinancing Nominated Projects & Assets;</i> | - | |
| 8.3.6 | <i>The geographical distribution of the Nominated Projects & Assets.</i> | - | |
| 8.4 | The Eligibility Reporting shall include, without limitation: | - | |
| 8.4.1 | <i>Confirmation that the Nominated Projects & Assets continue to meet the relevant eligibility requirements specified in Part C of the Climate Bonds Standard;</i> | - | |
| 8.4.2 | <i>Information on the environmental characteristics or performance of Nominated</i> | - | |



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| | <i>Projects & Assets which is prescribed by the relevant Sector Eligibility Criteria.</i> | | |
| 8.5 | Where there are limits to the amount of detail that can be made available in the Update Report about specific Nominated Projects & Assets (as per Clause 8.3), information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1. Issuers shall include in the Update Report an explanation of why detail on Nominated Projects & Assets is limited. | - | |
| 8.6 | The Impact Reporting shall, without limitation, | - | |
| 8.6.1 | <i>Provide the expected or actual outcomes or impacts of the Nominated Projects & Assets with respect to the climate-related objectives of the Bond;</i> | - | |
| 8.6.2 | <i>Use qualitative performance indicators and, where feasible, quantitative performance measures of the outcomes or impacts of the Nominated Projects & Assets with respect to the climate-related objectives of the Bond;</i> | - | |
| 8.6.3 | <i>Provide the methods and the key underlying assumptions used in preparation of the performance indicators and metrics.</i> | - | |
| 8.7 | The Issuer shall make available to the public any Verifier Reports or other relevant material which supports the Update Report. | - | |



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|----------------------------|--|----------------------|--------------------------------|
| 8.8 | Information about the Nominated Projects & Assets and the Management of Proceeds shall be provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard. | - | |

----End of report----