

**Green Bond Allocation
and Impact Report
FY 2025-26**

NIFRA

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1. Purpose of the Report

This Green Bond Allocation Report is prepared in accordance with the Nepal Infrastructure Bank Limited (NIFRA) Green Bond Framework (GBF) to fulfill post-issuance reporting commitments to our investors and stakeholders. The purpose of this report is to provide transparent documentation regarding the formal allocation of the Green Bond proceeds, highlighting the specific eligible infrastructure projects financed during the reporting period. Furthermore, this document outlines the expected or actual environmental impacts generated by these investments, demonstrating NIFRA's ongoing commitment to driving sustainable, low-carbon growth across Nepal.

2. NIFRA Overview

Nepal Infrastructure Bank Limited (NIFRA) is the nation's first and only dedicated national-level infrastructure development bank. Established under a public-private partnership (PPP) model, the current shareholding composition includes Government of Nepal as the largest shareholder with 10% ownership, five Class 'A' commercial banks with 20.43%, eleven Insurance companies with 19.42%, thirteen different Public and private companies with 5.15%, twenty Individuals and Entrepreneurs with 5.00% and around 0.92 million General Public Shareholders (IPO Subscribers and buyers from secondary market) with 40% ownership. Licensed by Nepal Rastra Bank, NIFRA is uniquely mandated to bridge Nepal's infrastructure financing gap by deploying long-term capital into infrastructure projects. This green bond issuance acts as a critical bridge to fulfill Nepal's long-term sustainable financing needs. By channeling resources directly into climate-resilient infrastructure, NIFRA actively advances the country's Nationally Determined Contributions (NDCs) targets, enhances energy security through the clean development of run-of-river hydropower and solar energy, and directly drives the transformation towards an inclusive, low-carbon economy. Further, the Bank is a signatory to Partnership for Carbon Accounting Financials (PCAF) enabling to assess and disclose greenhouse gas emissions associated with financial activities.

3. Green Bond Framework Overview

The NIFRA Green Bond Framework is structured around the four core pillars of the International Capital Market Association (ICMA) Green Bond Principles. It explicitly aligns with the Nepal Green Finance Taxonomy. Under this framework, net proceeds are exclusively earmarked for eligible green project categories, focusing primarily on Renewable Energy (such as run-of-river hydroelectricity projects upto 25MW and grid-connected solar energy projects). Project evaluation and selection follow a strict, dual-layered governance process managed by NIFRA's Sustainable Committee to ensure compliance with strict environmental criteria and a defined list of excluded



harmful activities. For the management of proceeds, NIFRA utilizes a best-practice tracking system where funds are ring-fenced into a dedicated "Green Account" and overseen by the Treasury Team until full allocation. NIFRA is fully committed to transparency, publishing an annual Green Bond Allocation and Impact Report until bond maturity. To provide further market assurance, the framework has undergone an independent external review, securing an "Excellent" Second-Party Opinion (SPO) rating by Sustainable Fitch.

4. Issuance Summary

NIFRA successfully executed the country's first ever Green Bond issuance to mobilize targeted capital for sustainable infrastructure. The key financial and structural details of the issuance are summarized in the table below:

Particulars	Issuance Details
Instrument Name	NIFRA GREEN ENERGY DEBENTURE 6% - 2088/89
Amount Issued & Outstanding	NPR. 5,000,000,000.00
Currency	Nepalese Rupee (NPR)
Issue Date	01/06/2025
Allotted Date	12/06/2025
Maturity Date	11/06/2032
Coupon / Interest Rate	6%
Issuance Status	Fully Subscribed and Closed
Issuer Credit Rating	[ICRANP-IR] BBB+ (by ICRA Nepal)
SPO Rating on Green Bond Framework	Excellent
Security Identification Details	NPE369A11011

The total net proceeds available for allocation equaled the full issuance amount establishing a dedicated green fund of 5,000,000,000 to be strictly deployed towards eligible green assets.

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5. Allocation Report

As of the reporting date, NIFRA has successfully mapped the transition of bond proceeds from liquidity to active asset financing. To ensure absolute transparency for investors, this section clearly distinguishes between approved/signed financing commitments and the actual disbursed proceeds allocated to active projects.

5.1 Process for Project Selection and Evaluation

NIFRA has established Sustainable Committee to ensure a structured and efficient evaluation process. The committee is responsible for overseeing project selection, ensuring regulatory compliance, and aligning investments with sustainable finance principles.

Sustainable Committee Members and Roles:

- Ms. Smriti Sharma – Sustainability & Infrastructure Eco-System (Coordinator)
- Mr. Jeeva Nath Sapkota – Treasury (Regulatory Compliance & Financial Oversight)
- Mr. Dinesh Pandey – Risk and Compliance with Financial Reporting (E&S Compliance)
- Mr. Ashish Purush Dhakal – Infrastructure Investment (Technical & Project Assessment)
- Ms. Anwiti Bhattarai – Infrastructure Investment (Project Pipeline Development)

The committee follows a structured approach to project selection and evaluation:

- Initial Screening – Identify potential projects that align with Green Bond Principles and Nepal's Green Finance Taxonomy.
- Eligibility Assessment – Conduct internal assessment and due diligence with various departments to confirm eligibility.
- Project Pipeline Development - Prepare a pipeline of green projects that meet environmental, social, and financial sustainability criteria.
- Regulatory Compliance - Ensure projects comply with Nepal Rastra Bank's guideline and Securities Board of Nepal's green bond requirements.
- Stakeholders Engagement – Engage with government bodies, investors, and environmental experts for validation and feedback.
- Approval and Documentation - Finalize project selection for internal approval.
- Impact Monitoring and Reporting – Track and report on the impact of funded projects post-issuance to ensure accountability and transparency.

5.2 Allocation of Proceeds to Eligible Green Project Categories

38.8% of the allocated Green Bond proceeds were deployed exclusively under the Renewable Energy category (specifically targeting run-of-river hydropower and solar PV plants). This contributes to helping reduce greenhouse gas emissions and strengthen transition towards low-carbon energy sources.

Anwiti Bhattarai
Jeeva Nath Sapkota

5.3 Allocation by Project / Portfolio

The table below details the allocation of the green bond proceeds at the portfolio level:

Amount in NPR Million

S.N.	Green Bond	Green Category	Energy Type	Installed Capacity (MW)	Approved Loan	Allocated Amount
1	NIFRA GREEN ENERGY DEBENTURE 6% - 2088/89	Renewable Energy	Hydro	55.30	4,695.00	250.00
2		Renewable Energy	Solar	166.50	3,350.00	1,688.12
			Total	221.80	8,045.00	1,938.12

5.4 Unallocated Proceeds

Any balance of unallocated proceeds that has not yet been disbursed to eligible green projects is invested temporarily by NIFRA's Treasury. In strict compliance with internal treasury policies and the Green Bond Framework, these temporary funds are held in low-risk, highly liquid short-term instruments, such as government securities or deposits with Class 'A' commercial banks, ensuring capital preservation until final deployment.

6. Impact Report

6.1 Impact Reporting Approach

This subsection explains how NIFRA reports the environmental impact of the projects financed by the Green Bond. The impact figures are reported at portfolio level, and the figures are based on expected estimates.

6.2 Core Impact Indicators

As per NIFRA Green Bond Framework, key impact reporting metrics are Installed renewable energy capacity, estimated annual renewable energy generation and estimated annual GHG emissions avoided.

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Ganesh
Kumar

6.3 Renewable Energy Portfolio Impact Summary

The table below details the impact of the green bond proceeds at the portfolio level:

S.N.	Green Bond	Green Category	Energy Type	Installed Capacity (MW)	Estimated Annual Energy (MWh)	Estimated Avoided Emissions (tCO ₂ /kWh)
1	NIFRA GREEN ENERGY	Renewable Energy	Hydro	55.30	301,036.72	3,475.17
2	DEBENTURE 6% - 2088/89	Renewable Energy	Solar	166.50	299,208.64	20,104.96
			Total	221.80	600,245.36	23,580.13

Similarly, the table below details the impact of the green bond proceeds at the project level:

Amount in NPR Million

UoP	Project	Amount allocated	Project Cost	Share of financing (%)	Annual Energy Generation (MWh)	Project Emissions Avoided (tCO ₂ e)	Financed Emissions Avoided (tCO ₂ e)
Hydropower	Project A	250	1,980.00	12.63%	61,027.38	27,523.35	3,475.17
Solar	Project E	257.67	3,625.28	7.11%	99,996.04	43,898.26	3,120.11
Solar	Project F	281.07	1,787.65	15.72%	49,729.59	21,831.29	3,432.51
Solar	Project G	512.97	2,094.23	24.49%	59,922.98	26,306.19	6,443.55
Solar	Project H	39.24	1,025.07	3.83%	29,839.80	13,099.67	501.46
Solar	Project I	310.9	1,184.76	26.24%	29,863.66	13,110.15	3,440.31
Solar	Project J	286.27	1,184.76	24.16%	29,856.58	13,107.04	3,167.01
Total		1,938.12				158,875.95	23,580.13

6.4 Methodological Notes and Data Summary

The project's environmental impact was quantified by calculating the Estimated Avoided Emissions using the following methodology:

Estimated Avoided Emissions = Estimated Annual Energy * Grid Emission * Attribution Factor

The baseline energy potential was derived from verified data within the project's Power Purchase Agreement (PPA) and Feasibility Report. The Grid Emission Factor of 439 gCO₂/kWh for solar projects and 451 gCO₂/kWh for hydropower projects (as per Avoided Emissions Principles (AEP) methodology) was applied, ensuring a precise assessment of the displaced grid emissions.

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7. Annexures

To maintain a concise and high-level narrative in the main body of this report, this section provides comprehensive supporting technical information, detailed underlying calculations, and explicit project eligibility evidence. These appendices ensure absolute transparency by allowing investors and stakeholders to verify the technical assumptions, data methodologies, and environmental baselines used to determine both the allocation of proceeds and the resulting impact metrics.

Annex 7.1: Project Eligibility & Compliance Matrix

- **Documentation of Alignment:** Detailed assessment for each financed project against the NIFRA Green Bond Framework, the ICMA Green Bond Principles, and the Nepal Green Finance Taxonomy by Green Bond Working Committee.

Annex 7.2: Impact Assessment Methodology & Key Assumptions

- **Grid Emission Factor:** The Grid Emission Factor of 439 gCO₂/kWh for solar projects and 451 gCO₂/kWh for hydropower projects (as per Avoided Emissions Principles (AEP) methodology) was utilized to calculate avoided greenhouse gas (GHG) emissions in Nepal's integrated power system.
- **Attribution Factor:** NIFRA's portion of financing / Total project cost
- **Estimated Annual Energy:** Derived from verified data within the project's Power Purchase Agreement (PPA) and Feasibility Report.

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