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LOAN NUMBER 4271-PAK

LOAN AGREEMENT  
(Ordinary Operations)

(Second Power Transmission Enhancement Investment Program – Project 4)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 15 DECEMBER 2022

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PAK 48078

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 15 DECEMBER 2022 between the ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) by a framework financing agreement dated 15 July 2016 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Second Power Transmission Enhancement Investment Program;

(B) by a periodic financing request dated 6 October 2022, the Borrower has applied to ADB for a loan from ADB's ordinary capital resources for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) the Project will be carried out by NTDC, and for this purpose the Borrower will make available to NTDC the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and NTDC.

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2022 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in ADB's Ordinary Operations Loan Regulations, dated 1 January 2022 have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms have the following meanings:

- (a) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (b) "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

- (c) "EMP" means the environmental management plan for a Subproject, including any update thereto, incorporated in the IEE for such Subproject;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;
- (f) "FFA" means the framework financing agreement dated 15 July 2016 between ADB and the Borrower with respect to the Facility;
- (g) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Borrower and ADB;
- (h) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (i) "IEE" means the initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;
- (j) "Investment Program" means the Second Power Transmission Enhancement Investment Program;
- (k) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (l) "kV" means kilovolt;
- (m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2022, as amended from time to time);
- (n) "MVA" means mega volt ampere;
- (o) "NEPRA" means the National Electric Power Regulatory Authority of the Borrower, or any successor thereto;
- (p) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (q) "NTDC" means the National Transmission and Despatch Company Limited, or any successor thereto acceptable to ADB;
- (r) "PAM" means the Project administration manual dated 7 November 2022 and agreed between the Borrower and ADB, as updated from time to time

in accordance with the respective administrative procedures of the Borrower and ADB;

- (s) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 6 October 2022;
- (t) "PMU" means the Project management unit established by NTDC and designated by it to manage the implementation of the Project;
- (u) "Procurement Plan" means the procurement plan for the Project dated 7 November 2022 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (v) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (w) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (x) "Project facilities" means the facilities to be extended, augmented, rehabilitated, constructed, installed or otherwise provided under the Project;
- (y) "Relending Letter of Agreement" means the relending letter of agreement issued by the Borrower and the letter of acknowledgement issued by NTDC, satisfactory to ADB, referred to in Section 3.01(a) of this Loan Agreement;
- (z) "Relending Policy" means the memorandum dated 8 February 2021 entitled "Policy for Relending of Foreign Loans 2020" issued by the Debt Management Wing of the Ministry of Economic Affairs of the Borrower;
- (aa) "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;
- (bb) "RP" means the land acquisition and resettlement plan (as the case may be) for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;
- (cc) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMPs and the RPs (as applicable), including any corrective and preventative actions;

- (dd) "Services" means Consulting Services and Nonconsulting Services;
- (ee) "SPS" means ADB's Safeguard Policy Statement (2009);
- (ff) "Subproject" means each of the subprojects, under the Project, which are listed and described in subparagraph 2(a) of Schedule 1 to this Loan Agreement; and
- (gg) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred eighty-nine million Dollars (\$189,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 25 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) SOFR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(e) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### ARTICLE III

#### Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to NTDC under a Relending Letter of Agreement upon conditions as prescribed by the Relending Policy as may be satisfactory to ADB.

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 23 August 2026 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents as it relates to the Project.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable NTDC to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Relending Letter of Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Relending Letter of Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations: the Borrower or NTDC shall have failed to perform any of its obligations under the Relending Letter of Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## ARTICLE VI

### Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: ADB has received a certified copy of the duly executed and effective Relending Letter of Agreement.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## ARTICLE VII

### Delegation of Authority

Section 7.01. The Borrower hereby designates NTDC as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.04 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by NTDC pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on NTDC under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

## ARTICLE VIII

### Miscellaneous

Section 8.01. The Secretary of the Economic Affairs Division of the Ministry of Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

#### For the Borrower

The Secretary  
Economic Affairs Division



Ministry of Economic Affairs  
Government of Pakistan  
Islamabad, Pakistan

Facsimile Number:

(0092 51) 910-4016

For ADB

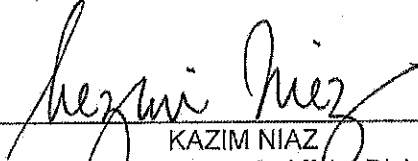
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:


(632) 8636-2444  
(632) 8636-2301.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF PAKISTAN

By   
KAZIM NIAZ  
Secretary, Economic Affairs Division  
Ministry of Economic Affairs

ASIAN DEVELOPMENT BANK

By   
ASAD ALEEM  
Authorized Representative

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is improved coverage, reliability, and quality of the power transmission service in the Project areas.
2. The Project shall consist of the following:
  - (a) Component 1: Augmenting and expanding the transmission system capacity:
    - (i) Subproject 1: construction of approximately 70 km of 220kV double circuit transmission lines for the looping in/out of the proposed Hala Road – Jamshoro single circuit transmission line at 220kV Mirpur Khas New substation;
    - (ii) Subproject 2: construction of approximately 20 km of 220kV double circuit transmission lines for the looping in/out of one circuit of the existing Jamshoro - T.M.Khan double circuit transmission line at 220kV Hala Road substation;
    - (iii) Subproject 3: procurement of goods for the addition and augmentation of the following six existing grid substations: (A) 500kV Dadu substation; (B) 500kV Faisalbad West substation; (C) 500kV Lahore (Sheikpura) substation; (D) 500KV New Multan substation; (E) 500KV Rahim Yar substation; and (F) 220kV Guddu substation;
    - (iv) Subproject 4: procurement of goods to supply the construction of: (A) a new 220kV Jamrud grid station at Peshawar; and (B) approximately 20km of new 220kV Jamrud-Sheikh Muhammadi transmission lines between the 220kV Sheikh Muhammadi grid station and the new 220kV Jamrud grid station;
    - (v) Subproject 5: procurement of goods for the: (A) construction of approximately 105km in new 220kV double circuit transmission line between the 220kV Dharki grid station and the 220kV Rahim Yar grid station; (B) construction of approximately 150km of new 220kV transmission line between 220kV Rahim Yar grid station and the 220kV Bahawalpur grid station; and (C) extension of 220kV Dharki substation, 500/220kV Rahim Yar Khan substation, 220kV Bahawalpur substations for interlinking the 220kV Dharki – Rahim Yar Khan and Bahawalpur grid stations;
    - (vi) Subproject 6: procurement of goods for the operation and maintenance of NTDC assets to reduce substation breakouts, including 550kV, 245kV, and 145kV circuit-breakers and auto-transformer bank for the existing 500 kV Rawat grid station; and

- (b) Component 2: strengthening gender capacity of NTDC management and staff through the provision of support to: (i) incorporate effective gender mainstreaming into NTDC's human resources management and policy; (ii) strengthen NTDC's existing internship programs focusing on women; and (iii) design and implement a technical training program for NTDC's staff addressing existing gender gaps.

3. The Project is expected to be completed by 30 June 2026.

## SCHEDULE 2

### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 December 2027	2.500000
15 June 2028	2.500000
15 December 2028	2.500000
15 June 2029	2.500000
15 December 2029	2.500000
15 June 2030	2.500000
15 December 2030	2.500000
15 June 2031	2.500000
15 December 2031	2.500000
15 June 2032	2.500000
15 December 2032	2.500000
15 June 2033	2.500000
15 December 2033	2.500000
15 June 2034	2.500000
15 December 2034	2.500000
15 June 2035	2.500000
15 December 2035	2.500000
15 June 2036	2.500000
15 December 2036	2.500000
15 June 2037	2.500000
15 December 2037	2.000000
15 June 2038	2.000000
15 December 2038	2.000000
15 June 2039	2.000000
15 December 2039	2.000000
15 June 2040	2.000000
15 December 2040	2.000000
15 June 2041	2.000000
15 December 2041	2.000000
15 June 2042	2.000000

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 December 2042	2.000000
15 June 2043	2.000000
15 December 2043	2.000000
15 June 2044	2.000000
15 December 2044	2.000000
15 June 2045	2.000000
15 December 2045	2.000000
15 June 2046	2.000000
15 December 2046	2.000000
15 June 2047	2.000000
15 December 2047	1.000000
15 June 2048	1.000000
15 December 2048	1.000000
15 June 2049	1.000000
15 December 2049	1.000000
15 June 2050	1.000000
15 December 2050	1.000000
15 June 2051	1.000000
15 December 2051	1.000000
15 June 2052	1.000000
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date

following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**SCHEDULE 3****Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category "Interest and Commitment Charges" is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.



Retroactive Financing

6. Withdrawals from the Loan Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with Goods and Works, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Works (Turnkey) and Goods	157,000,000	100% of total expenditures claimed*
2	Interest and Commitment Charges	10,810,000	100% of amounts due
3	Unallocated	21,190,000	
	<b>TOTAL</b>	<b>189,000,000</b>	

\* Exclusive of taxes and duties imposed within the territory of the Borrower.

**SCHEDULE 4****Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower shall ensure, and cause NTDC to ensure, that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail. Without limiting the generality of Section 4.01 of this Loan Agreement, in the event that the Loan Closing Date is not extended beyond 23 August 2026, the Borrower and NTDC shall continue to comply with their obligations under Schedule 4 to this Loan Agreement and the Schedule to the Project Agreement (with detailed arrangements in the PAM) until the Project is completed while ADB shall continue to oversee Project implementation until such time.

2. The Borrower shall ensure, and cause NTDC to ensure, that the PMU is adequately staffed and equipped in accordance with, and as contemplated by, the PAM, and that the PMU is fully functioning until the completion of the Project. The Borrower shall further ensure, and cause NTDC to ensure, that at all times during the implementation of the Project, the PMU shall be staffed with personnel, each of whom is fully qualified to carry out his assigned functions and responsibilities and is familiar with, and knowledgeable about, the details of the Subprojects for which he is responsible, and all of whom together are familiar with, and knowledgeable about, the requirements of the applicable policies, rules and regulations of ADB including, but not limited to, the Procurement Regulations, Procurement Policy, SPS and Loan Disbursement Handbook.

Procurement

3. The Borrower shall ensure, and cause NTDC to ensure, that:
- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
  - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
  - (c) (i) all Goods and Works procured and Services obtained (including all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if

appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

4. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until:

- (a) the Borrower has obtained the final approval of the IEE for each Subproject has been obtained from the relevant Environmental Protection Agency; and
- (b) the relevant provisions from the EMP for such Subproject have been incorporated into the Works contract for such Subproject.

5. Subject to paragraph 8, the Borrower shall not award any Works contract for a Subproject involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the detailed design of such Subproject, and obtained ADB's clearance of such RP.

6. The Borrower may award a contract for Works for a Subproject involving involuntary resettlement impacts prior to the final RP for such Subproject having been submitted to and cleared by ADB provided that the contract:

- (a) is of a "design and build" or "turnkey" type under which the design of the Subproject must be completed before the RP is finalized; and
- (b) expressly provides that the installation and construction phase (and commencement thereof) is strictly conditional upon: (i) except with respect to Subproject components relating to transmission lines, the final RP based on the detailed design of the Subproject having been submitted to, and cleared by, ADB; and (ii) the Borrower having notified the contractor and ADB in writing that due consultation, compensation payments and other entitlements have been provided to affected people fully in accordance with the final RP.

#### Environment

7. The Borrower shall ensure, and cause NTDC to ensure, that the preparation, design, construction, implementation, operation and decommissioning of each Subproject comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP of such Subproject, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

8. The Borrower shall ensure, and cause NTDC to ensure, that all land and all rights-of-way required for each Subproject involving resettlement impacts are made available to the Works contractor for such Subproject in accordance with the schedule agreed under the Works contract for such Subproject and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP for such Subproject, and

any corrective or preventative actions set forth in a Safeguards Monitoring Report. For the avoidance of doubt, the Borrower shall ensure, and cause NTDC to ensure, that no land is acquired, for the purpose of any Subproject, under the emergency acquisition provisions of the Borrower's Land Acquisition Act (1894), as amended from time to time.

9. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RPs, the Borrower, in connection with any Subproject involving involuntary resettlement impacts, shall not hand over possession of rights-of-way (full or partial) to the contractor and shall ensure, and cause NTDC to ensure, that no physical or economic displacement takes place until:

- (a) the final RP based on the detailed design of the Subproject by the turnkey contractor having been submitted to, and cleared by, ADB;
- (b) compensation and other entitlements have been provided to affected people in accordance with the ADB-approved updated RP (including the three-tier compensation mechanism and a phased construction approach) developed by NTDC based on the detailed design and the final route of the relevant transmission line;
- (c) a comprehensive income and livelihood restoration program has been established in accordance with the final RP;
- (d) NTDC has submitted to ADB (i) an RP completion report that describes progress with the implementation of, and compliance with, the final RP; and (ii) external monitoring reports confirming that the actions set forth in subparagraphs (b) and (c) above have been completed;
- (e) NTDC has obtained ADB's no-objection to the commencement of physical or economic displacement; and
- (f) for any preceding section, NTDC has (i) obtained an external monitoring report confirming that compensation and other entitlements have been provided as set forth in subparagraph (a) above and in accordance with any corrective action plan and (ii) issued a written notice to the contractor to proceed to the next section.

#### Indigenous Peoples

10. The Borrower shall ensure, and cause NTDC to ensure, that the Project does not have any indigenous peoples impact, within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take or cause NTDC to take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.

#### Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower shall make available, or cause NTDC to make available, necessary budgetary and human resources to fully implement the EMPs and the RPs.

Safeguards -- Related Provisions in Bidding Documents and Works Contracts

12. The Borrower shall ensure, and cause NTDC to ensure, that all bidding documents and contracts for the Works for each Subproject contain provisions that require the contractor for such Subproject to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE and the EMP for such Subproject, and in the RP for such Subproject (if any) to the extent they concern impacts on affected people during construction, and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of such Subproject that were not considered in the IEE or the EMP for such Subproject, or in the RP for such Subproject (if any);
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

13. The Borrower shall do the following, or shall cause NTDC to do the following:

- (a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEEs, the EMPs or the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) engage qualified and experienced external experts or qualified NGOs under a selection process and terms of reference acceptable to ADB, to verify information relating to Involuntary Resettlement Safeguards produced through the Project monitoring process and implementation of RPs, engage additional external experts as necessary to ensure sufficient capacity of the external experts to undertake the foregoing verification activities and all verification activities set forth in the RF relating to other projects under the Investment Program, and facilitate the carrying out of any verification activities by such external experts;

- (d) for Subproject components relating to transmission lines, ensure that NTDC obtains an external monitoring report for each section of transmission line prior to issuing a notice to the contractor to proceed to the next section; and
- (e) report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs or the RPs promptly after becoming aware of the breach.

#### Prohibited List of Investments

14. The Borrower shall ensure, and cause NTDC to ensure, that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Labor Standards, Health and Safety

15. The Borrower shall ensure, and cause NTDC to ensure, that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall include, or cause NTDC to include, specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

16. The Borrower shall strictly monitor, or cause NTDC to strictly monitor, compliance with the requirements set forth in paragraph 15 above and provide ADB with regular reports.

#### Gender and Development

17. The Borrower shall ensure, and cause NTDC to ensure, that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

#### Counterpart Support

18. The Borrower shall make available, or cause NTDC to make available, adequate counterpart funds and other resources in addition to the proceeds of the Loan, and have such counterpart funds and resources released in a timely manner, for the successful implementation of the Project. The Borrower shall ensure that NTDC has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

Financial Covenants

19. Except as ADB may otherwise agree, the Borrower shall cause NTDC to ensure that, for the fiscal year beginning 1 July 2025 and for each fiscal year thereafter, (a) the free cash flows of NTDC shall be at least 1.2 times the debt service requirements on all debt based on NTDC's financial statements; and (b) the free cash flows of NTDC from operations after debt service requirements is at least 20% of the average capital expenditure. For the purposes of this paragraph 19:

- (a) the term "capital expenditures" means all expenditures incurred on fixed assets, including interest charged to construction, related to operations;
- (b) the term "debt" means any indebtedness of NTDC maturing by its term more than 1 year from the date on which it was originally incurred;
- (c) the term "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments and lease payments under finance leases), whether or not actually paid, and interest and other charges on debt, provided that interest and other charges on debt that are incurred in financing capital expenditure that will be capitalized are excluded;
- (d) the term "free cash flows" means the difference between (i) the sum of cash flows from all sources related to operations, sale of assets, miscellaneous income, decrease in working capital other than cash; and (ii) the sum of all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes (excluding the provision for depreciation, other non-operating charges and taxes), all cash dividends paid, increase in working capital other than cash, other than capital expenditures; and
- (e) the term "working capital other than cash" means the difference between current assets excluding cash and cash equivalents, and current liabilities, at the end of each fiscal year.

20. The Borrower shall cause NTDC to ensure that, for the fiscal year 1 July 2025 to 30 June 2026, and for each fiscal year after that until this Loan Agreement has terminated, the accounts receivable of NTDC as at the end of such fiscal year divided by the annual revenues of NTDC for that fiscal year multiplied by 360 days shall be less than 180 days based on the audited financial statements of NTDC. For the purposes of this paragraph 20:

- (a) "accounts receivable" means amounts due from others for goods and services delivered in the normal course of business; and
- (b) "annual revenues" means the inflows of assets from selling goods and providing services to customers within the current fiscal year, including the reduction of liabilities from selling goods and providing services to customers.



Operational and Sector Performance Covenants

21. The Borrower shall ensure, and cause NTDC to ensure, that: (a) the extension, augmentation, rehabilitation, construction and installation of all Project facilities are done in accordance with design specifications and construction norms; and (b) construction, supervision, quality control and contract management are performed in accordance with best international industry practices.

22. The Borrower shall cause NTDC to operate, maintain and manage all Project facilities extended, augmented, rehabilitated, constructed and installed under the Project in accordance with NTDC's transmission license, the Borrower's national grid code, the NEPRA Performance Standards Transmission Rules and other applicable standards, and (in all other respects not covered by the said license, grid code, transmission rules and other standards) best international industry practices. The Borrower shall cause NTDC to provide proper technical supervision and adequate funds for this purpose and all funds required shall be allocated annually and released promptly.

23. The Borrower shall ensure, and cause NTDC to ensure, that ADB's written consent is obtained at least 6 months' prior to the implementation of any of the following: (a) change of ownership in any asset, facility or structure financed under the Project; (b) sale, transfer, or assignment of interest or control in any asset, facility or structure financed under the Project; or (c) lease or other contract or modification of the functions and authority of NTDC over the operation and maintenance of any asset, facility or structure financed under the Project. The Borrower shall cause NTDC to promptly notify ADB of any proposal to implement any such changes and include in such notification sufficient details regarding the change to be implemented. The Borrower shall ensure, and cause NTDC to ensure, that any such changes will be carried out in a legal and transparent manner.

24. The Borrower shall cause NTDC to promptly submit tariff petitions when and as required in order to maintain NTDC's financial viability. Following any tariff determination by NEPRA, the Borrower shall promptly issue a public notice regarding the tariff determination and, in any case, by the dates prescribed by applicable law. The Borrower shall ensure that any and all tariffs formulated for NTDC are adequate to cover the operating costs, maintenance, depreciation and financing costs of NTDC and allow an acceptable return on its equity.

25. The Borrower shall cause NTDC to submit the following documents to ADB no later than 31 December 2023, and within 270 days after the end of each calendar year until this Loan Agreement has been terminated (each date on which NTDC makes a submission of documents to ADB under this paragraph 25 called a "date of submission" in subparagraphs (a) to (c) below):

- (a) the investment plan/s of NTDC, as required under the NEPRA Investment Standards and Procedures (Transmission and Distribution) Rules, 2015, as of the date of submission;
- (b) the short-term (1 year) investment report of NTDC for each of the last 5 years prior to the date of submission; and
- (c) the forecasts of NTDC as to load growth for the next 5 years after the date of submission.

26. The Borrower shall ensure, and cause NTDC to ensure, that NTDC preserves its legal, operational and financial autonomy and further, that its Board of Directors operates effectively and discharges its fiduciary responsibilities fully, in accordance with the Memorandum and Articles of Association of NTDC.

27. The Borrower shall ensure, and cause NTDC to ensure, that any change in ownership of NTDC or sale, transfer or assignment of the Borrower's interest or shares in NTDC will be formally approved and implemented only after consultation with ADB at least 3 months' prior to the change, sale, transfer or assignment. The Borrower shall ensure that the proceeds of the Loan remain available to NTDC on the same terms and conditions in the event that NTDC is privatized.

28. The Borrower shall ensure, and cause NTDC to ensure, that ADB is kept informed of the Borrower's policies and programs related to the power sector, particularly those that relate to the power transmission sector, tariff regulation, or any policy or program that could materially affect the financial viability of NTDC or the Project.

29. The Borrower shall cause NTDC to furnish to ADB, no later than 30 June 2024, copies of the audited financial statements of NTDC for the fiscal year 1 July 2022 to 30 June 2023, including the auditor's opinion thereon, all in the English language.

#### Governance and Anticorruption

30. The Borrower and NTDC shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

31. The Borrower and NTDC shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

32. The Borrower shall cause NTDC to provide updated information on the Project on its website, including information on the business opportunities, bidding process and guidelines and outcome of biddings.