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Independent Assurance Statement

To the management of Axis Bank Limited, Axis House, C-2 Wadia International Centre, P.B. Marg, Worli, Mumbai - 400025, India.

Introduction

We were engaged by Axis Bank Limited ('Company') to provide independent assurance on their Green Bond Framework (framework) to be used for issuance of green bonds in Financial Year 2016-17. Our responsibility was to provide "limited assurance" on conformance of their framework with the pre-issuance requirements of the Climate Bonds Standard Version 2.0.

Assurance Standards

We conducted our engagement in accordance with requirements of 'Limited Assurance' as per International Federation of Accountants' (IFAC) International Standard on Assurance Engagements [ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information].

Assurance scope and level of assurance

Our scope of assurance included providing assurance on the information on material aspects of the green bond framework based on the pre-issuance requirements of the Climate Bonds Standard Version 2.0 as listed below:

- Selection of Nominated Projects & Assets
- Internal Processes & Controls
- Reporting Prior to Issuance

Specific limitations and exclusions

Our assurance process was subject to the following limitations as we have not been engaged to:

- Determine which, if any, recommendations should be implemented
- Provide assurance on information outside the defined reporting boundary and period
- Verify the Company's financial statements & economic performance
- Verify the Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects provided by the Company

Work undertaken

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in more detail below, were based on our professional judgment and included, as appropriate, inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of reporting policies and agreement or reconciliation with



underlying records. We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

To reach our conclusion we:

- Conducted interviews with management and key staff responsible for the green bond to obtain an understanding of the processes, systems and controls in place for management of bond funds;
- Checked the Company's Green Bond Framework that has been attached as an Annexure to this statement and includes processes, systems and controls in place for management of bond proceeds; investment areas for green bond proceeds and intended types of temporary investment instruments for the management of unallocated proceeds; and
- Checked the list of type of projects which are proposed to be associated with the green bond and their conformance with eligibility requirements specified in Part B of the Climate Bonds Standard.

Conclusions

The following conclusion is based on the work performed and evidence obtained and the scope of our assurance engagement described above.

Nothing has come to our attention to suggest that the Green Bond Framework to be used for issuance of green bonds by the Company in Financial Year 2016-17, is not, in all material respects, conforming to the Pre-Issuance requirements of the Climate Bonds Standard.

Independence

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard. Our work was performed in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants, which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, in relation to the scope of this assurance engagement. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The firm applies ISQC 1 and the practitioner complies with the applicable independence and other ethical requirements of the IESBA code.

Management's responsibility

The Management of the Company is responsible for ensuring that the Company and their green bond complies with the requirements of the Climate Bonds Standard. This responsibility includes designing, implementing and maintaining systems and processes relevant for the management of green bond proceeds.

The Management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that Company complies with laws and regulations applicable to its activities.

Our responsibility

Our responsibility is to report in the form of an independent limited assurance conclusion in relation to the above scope based on the procedures performed and the evidence obtained. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard.



This assurance report is made solely to Company in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to Company those matters we have been engaged to state in this assurance report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Company for any purpose or in any context. Any party other than Company who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Company for our work, for this independent limited assurance report, or for the conclusions we have reached.

A handwritten signature in black ink, appearing to read 'Santhosh Jayaram', with a long horizontal line extending to the right.

Santhosh Jayaram

Partner

KPMG India

02 May 2016

ANNEXURE

<p>Introduction</p>	<p>Sustainability is an integral part of Axis Bank's ethos. The Bank believes in creating enduring value for all its stakeholders while contributing to environmental sustainability and societal development.</p> <p>In 2014 the bank developed a Sustainability Framework. The framework integrates stakeholder focus into the banks long term vision and strategy. It is built on 5 pillars:</p> <ul style="list-style-type: none"> - Environment <i>-promote environmental sustainability and reduce impacts on the environment of own and customers operations.</i> - Communities <i>-create and sustain a mechanism that will propagate sustainable livelihoods and contribute back to society</i> - People <i>-provide safe and ethical work environment with a diverse cultural base</i> - Customers <i>-consistently enhance service by focusing on experience, innovation and quality to deliver superior banking experience</i> - Shareholders & Providers of Capital <i>-actively engage to create enduring value</i> <p>(for more detail please visit: http://www.axisbank.com/csr/BRsustainability.aspx)</p> <p>The Sustainability Framework has a strong governance structure at Board's Committee of Whole-time Directors and Management Committee level overseeing the sustainability agenda and implementation of the Sustainability Framework respectively.</p> <p>Starting 1st April 2016, we have implemented a Sustainable Lending Policy and Procedures (SLPP) which has been developed in cognizance of 'The Equator Principles, 2013', 'IFC Performance Standards Framework 2012 for Environmental and Social Sustainability', 'The World Bank Group EHS guidelines' and other multilateral conventions ratified by India. The policy categorizes project and corporate loans on the basis of their environmental and social impact. Post categorization, Environmental and Social Due diligence process is followed as required by respective category.</p>
<p>Framework Overview</p>	<p>This Green Bond Framework (framework) sets out how Axis Bank proposes to raise Green Bonds and to use the proceeds of those issuances to invest in renewable energy, urban mass transport and energy efficient buildings in a manner that is consistent with the banks sustainable values.</p> <p>This framework is constructed in accordance with the Climate Bonds Standard version 2.0 (for more details please visit: http://www.climatebonds.net/standards/standards-V2.0)</p> <p>This framework also adheres to the Green Bond Principles (GBP), in such that we have addressed the 4 pillars of the GBP and committed to annual reporting on the use of proceeds for the lifetime of any bond issued under this guide.</p>
<p>Use of Proceeds</p>	<p>The proceeds from the issuance of Axis Bank Green Bonds will be applied to finance investments in:</p> <ol style="list-style-type: none"> 1. Renewable Energy projects: <ul style="list-style-type: none"> • Solar <ul style="list-style-type: none"> ○ Eligible activities <ul style="list-style-type: none"> ▪ Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following

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activities:

- Solar electricity generation facilities where a minimum of 85% of electricity generated from the facility is derived from solar energy resources
- Wholly dedicated transmission infrastructure for solar electricity generation facilities.

- **Wind**

- Eligible activities

- Eligible Project & Assets relating to wind energy generation shall be projects & assets that operate or are under construction to operate in one or more of the following activities:

- The development, construction and operation of wind farms
- Operational production or manufacturing facilities wholly dedicated to wind energy development
- Wholly dedicated transmission infrastructure for wind farms

- **Small Hydro and Run of the River water power**

- We note that the CBI Standards on this asset class are a work in progress at the date of this framework being constructed.
- These assets will be included post completion of Climate Bond Initiatives standards for Small Hydro and Run of the River water power.

At such time we will update this Green Bond Framework and make it public on our website.

2. Low Carbon Transport

- Eligible activities:

- All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport, including electrified rail, trams, trolleybuses and cable cars. Buses with no direct emissions (electric and hydrogen).

- Bus Rapid Transit (BRT) Systems– Components of any BRT project meeting Bronze, Silver or Gold score under the BRT Standard, as developed by the Institute of Transportation and Development Policy

3. Low Carbon Buildings

- For Commercial Buildings located in cities:

- Have achieved LEED gold or platinum certification, or equivalent under other building standards such as BREEAM and Green Star, within the last 5 years and\ or

Achieve a minimum 30% emissions improvement against ASHRAE 90.1 criteria (a part of the LEED standard) or equivalent stringency of additional emissions improvements under other building standards

- Meet the carbon hurdles set in the IFC's **Edge** tool



	Ongoing monitoring as required by the relevant building standard will also be undertaken as necessary.
Selection and Evaluation	<p>Axis Bank's Corporate Credit Group will perform the credit assessment and due diligence of Axis Bank projects.</p> <p>For any project identified in the above Use of Proceeds categories (and therefore potentially eligible for an Axis Bank Green Bond), the Corporate Credit team will also undertake a preliminary assessment of projects on the basis of above framework criteria (see Use of Proceeds Eligible Activities).</p> <p>If the criteria are met, the respective project / asset will be nominated for green bond allocation.</p> <p>A Green Bond Committee will be established to approve the nomination made by Corporate Credit Group. The Committee consists of; Head of Treasury, Head of ALM/ Funding, Head of Ethics and Sustainability Department, Head of Sustainable Lending in Corporate Credit Group. Each project requires sign off from all committee members to be considered eligible for an Axis Bank green bond.</p> <p>Similarly, the bank's own investment in the green assets will also be reviewed and, nominated if satisfying the criteria above, by the respective teams and approved by the Green Bond Committee as defined above.</p> <p>Post issuance, KPMG will provide assurance that the nominated pool of assets is in alignment with the Green Bond Framework for the inaugural Green Bond Issue.</p> <p>Any green bonds issued and subsequent amendments made to the initial pools of assets will undertake the same selection and nomination process and be verified by the committee.</p>
Earmarking of Funds	<p>Axis Bank will maintain a dedicated register for tracking the Use of Proceeds for each green bond issuance. The register will contain the following details: Bond isin, amount sanctioned, amount disbursed, category of asset, project description, loan id etc of all the assets approved by the Green Bond Committee for being eligible for 'Use of Proceeds' of Green Bond.</p> <p>Each use of proceeds will have a unique identification number assigned to it to prevent double counting of proceeds uses in future green bond issuances.</p> <p>Unallocated proceeds: Unallocated proceeds will be invested in Money Market Instruments and T Bills/Government Securities</p>
Reporting	<p>Axis bank will report the Use of Proceeds for each green bond issued through a separate section in the Annual Sustainability Report.</p> <p>This report is published on Axis Bank website at http://www.axisbank.com/investor-corner/business-responsibility.aspx.</p> <p>Wherever possible we will also report the environmental impact of our investments and reduction in Green House Gases achieved.</p>

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<p>Assurance</p>	<p>Axis Bank Green Bond Framework will be reviewed by KPMG and certified by Climate Bonds Initiative for the Inaugural Green Bond Issue.</p> <p>This will be published on Axis Bank website at [http://www.axisbank.com/investor-corner/business-responsibility.aspx].</p> <p>We will also get post issuance certification from the Climate Bonds Initiative to assure the Use of Proceeds allocation, ongoing eligibility of the projects and assets, adequacy and output of issuer's internal control and systems and use of funds not yet allocated are as per the framework established.</p> <p>Post issuance Certification will be completed within one year after issuance of bond and published on Axis Bank website at [http://www.axisbank.com/investor-corner/business-responsibility.aspx].</p>
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Yousuf Syed
Head of IR & Investor Relations
29/April/2016
Treasury & Markets