

# GREEN BOND FRAMEWORK

## INTRODUCTION

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.

In 2014 the bank developed a Sustainability Framework. The framework integrates stakeholder focus into the bank's long term vision and strategy. It is built on 5 pillars:

- Environment: *Promote environmental sustainability and reduce impacts on the environment of own and customers operations.*
  - Communities: *Create and sustain a mechanism that will propagate sustainable livelihoods and contribute back to society*
  - People: *Provide safe and ethical work environment with a diverse cultural base*
  - Customers: *Consistently enhance service by focusing on experience, innovation and quality to deliver superior banking experience*
  - Shareholders & Providers of Capital: *Actively engage to create enduring value*
- (for more detail please visit: <http://www.axisbank.com/csr/BRsustainability.aspx>)

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.

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.

## FRAMEWORK OVERVIEW

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 bank's sustainable values.

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>)

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.

## USE OF PROCEEDS

The proceeds from the issuance of Axis Bank Green Bonds will be applied to finance investments in:

### 1. RENEWABLE ENERGY PROJECTS

- Solar
  - o Eligible activities
    - > 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 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

- o 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

- o We note that the CBI Standards on this asset class are a work in progress at the date of this framework being constructed.

- o 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

- o 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

- o 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

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

OR

- > 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

Axis Bank's Corporate Credit Group will perform the credit assessment and due diligence of Axis Bank projects. 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). If the criteria are met, the respective project / asset will be nominated for green bond allocation.

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.

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.

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.

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.

### EARMARKING OF FUNDS

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.

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.

Unallocated proceeds: Unallocated proceeds will be invested in Money Market Instruments and T Bills/Government Securities

### REPORTING

Axis bank will report the Use of Proceeds for each green bond issued through a separate section in the Annual Sustainability Report.

This report is published on Axis Bank website at

<http://www.axisbank.com/investor-corner/business-responsibility.aspx>.

Wherever possible we will also report the environmental impact of our investments and reduction in Green House Gases achieved.

### ASSURANCE

Axis Bank Green Bond Framework will be reviewed by KPMG and certified by Climate Bonds Initiative for the inaugural Green Bond Issue.

This will be published on Axis Bank website at

[<http://www.axisbank.com/investor-corner/business-responsibility.aspx>].

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.

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>].