

Second-Party Opinion

Axis Bank Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Axis Bank Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, Social Loan Principles 2021, ASEAN Social Bond Standard 2018, ASEAN Green Bond Standard 2018, and ASEAN Sustainability Bond Standards 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles and Social Bond Principles and ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 2, 3, 4, 5, 7, 8, 9, 11, 12 and 14.



PROJECT EVALUATION / SELECTION Axis Bank Limited's internal process in identifying and monitoring projects² will be carried out by the ESG Working Group (ESGWG), which is composed of representatives from different departments and will give the final approval on the selected assets/ portfolios to be eligible for the outstanding issuances. Sustainalytics considers the project selection process in line with market practice



MANAGEMENT OF PROCEEDS Axis Bank Limited's ESG Working Group will use the Bank's internal information system to track the use of proceeds. Unallocated proceeds will be temporarily held in line with the Axis Banks liquidity management policy, in the forms of cash and cash equivalents. This is in line with market practice.



REPORTING Axis Bank Limited intends to report on allocation of proceeds on the Bank's website on an annual basis until full allocation. Allocation reporting will include the aggregate amount allocated, the remaining unallocated balance and type of temporary investment and project examples where feasible. In addition, Axis Bank is committed to reporting on relevant impact metrics. Sustainalytics views Axis Bank Limited's allocation and impact reporting as aligned with market practice.

Alignment with the ASEAN Green Bond Standards

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible sustainable bond within Southeast Asia. Sustainalytics is of the opinion that the green and social categories under the Framework align with the ASEAN Sustainability Bond Standards.

Evaluation date	August 04, 2021
Issuer Location	Mumbai, India

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¹Renewable Energy, Waste Management, Clean Transportation, Green Buildings, Sustainable Agriculture, Socio-Economic Advancement and Empowerment, Health, Healthcare and Wellbeing, Employment generation, MSME financing and microfinance, Education and Vocational Training, Affordable Housing and Social Infrastructure

² The term "projects" for this purpose is defined on page 4 under section 1

Introduction

Axis Bank Limited (“Axis Bank”, or the “Bank”) is an Indian private bank headquartered in Mumbai, India. The Bank provides services in: (i) retail banking, (ii) wholesale banking, (iii) transaction banking, (iv) digital banking, and (v) treasury services. As of March 2021, Axis Bank has 4,594 branches with over 78,000 employees in India while operating overseas operations through seven international offices and one overseas subsidiary in the UK (in process of sale).

Axis Bank has developed the Axis Bank Sustainable Financing Framework (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that facilitate the transition to a low-carbon economy and advance socio-economic development in India.

The Framework defines green eligibility criteria in five areas:

1. Renewable Energy
2. Waste Management
3. Clean Transportation
4. Green Buildings
5. Sustainable Agriculture

Furthermore, the Framework defines social eligibility criteria in five areas:

1. Socio-Economic Advancement and Empowerment
2. Health, Healthcare and Wellbeing
3. Employment generation, MSME financing and microfinance
4. Education and Vocational Training
5. Affordable Housing and Social Infrastructure

Axis Bank engaged Sustainalytics to review the Axis Bank Sustainable Financing Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG)³, Green Bond Principles 2021 (GBP)⁴, Social Bond Principles 2021 (SBP)⁵, Green Loan Principles 2021 (GLP)⁶, Social Loan Principles 2021 (SLP)⁷, the ASEAN Green Bond Standards 2018 (ASEAN GBS)⁸, the ASEAN Social Bonds Standards 2018 (ASEAN SBS)⁹, and the ASEAN Sustainability Bonds Standards 2018 (ASEAN SUS)¹⁰. This Framework has been published in a separate document.¹¹

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent¹² opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

³ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>

⁴ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

⁵ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-100621.pdf>

⁶ The Green Loan Principles are administered by the Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA) at https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

⁷ The Social Loan Principles are administered by the Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA) at <https://www.lsta.org/content/social-loan-principles-slp/>

⁸ The ASEAN Green Bond Standards are administered by the ASEAN Capital Markets Forum, and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards>

⁹ The ASEAN Social Bonds Standards are administered by the ASEAN Capital Markets Forum, and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-social-bond-standards>

¹⁰ The ASEAN Sustainability Bonds Standards are administered by the ASEAN Capital Markets Forum, and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-sustainability-bond-standards>

¹¹ The Axis Bank Sustainable Financing Framework is available on Axis Bank Limited’s website at: <https://www.axisbank.com/csr>

¹² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, Green Loan Principles 2021 and Social Loan Principles 2021 (SLP), as administered by LMA and APLMA and the ASEAN GBS 2018, ASEAN SBS 2018, and ASEAN SUS 2018, as administered by ACMF;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Axis Bank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Axis Bank representatives have confirmed (1) they understand it is the sole responsibility of Axis Bank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Axis Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Axis Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Axis Bank Sustainable Financing Framework

Sustainalytics is of the opinion that the Axis Bank Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP, SLP, ASEAN GBS, ASEAN SBS, and ASEAN SUS. Sustainalytics highlights the following elements of Axis Bank's Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Waste Management, Clean Transportation, Green Buildings, Sustainable Agriculture, Socio-Economic Advancement and Empowerment, Health, Healthcare and Wellbeing, Employment Generation, MSME Financing and Microfinance, Education and Vocational Training, Affordable Housing and Social Infrastructure – are aligned with those recognized by the SBG, GBP, SBP, GLP, SLP, ASEAN GBS, ASEAN SBS, and ASEAN SUS.

- The proceeds may finance and/or refinance eligible projects, delivered up to 36 months prior to issuance. Axis Bank has confirmed that all eligible projects mentioned in the Framework will be carried out in India.
- Under the Framework, Axis Bank intends to use part of the proceeds for project-based lending and part for general purpose loans for pure-play businesses that derive at least 90% of revenues from activities identified in the eligible categories. While Sustainalytics recognizes that the GBP, SBP and SBG prefer project-based lending and financing, and that there is, in general less transparency with non-project-based lending, nevertheless, Sustainalytics notes that the financing of pure-play companies through green/social bonds is commonly accepted as an approach which can generate positive impact.
- Under the Renewable Energy category, Axis Bank may provide loans to finance and/or refinance new or ongoing renewable energy generation projects and transmission projects infrastructure projects that are wholly dedicated to renewable energy. Renewable energy will include solar, hydropower, and offshore and onshore wind.
 - Projects related to wind and solar power may include manufacturing facilities that are wholly dedicated to components for solar and wind energy assets and transmission infrastructure for windfarms or solar electricity generation facilities.¹³ The Bank explicitly mentions that Balsa wood, if used in its manufacturing process, is responsibly sourced.
 - Sustainalytics notes the financed hydropower projects will be small scale (<25 MW). The Bank has confirmed to Sustainalytics that new hydroelectric projects will be subject to environmental and social impact assessment (ESIA) in accordance with the Indian Environmental Law (EIA). Sustainalytics further notes, however, that, under the EIA notification 2006 released by the Ministry of Environment and Forests, hydropower projects smaller than 25 MW may be exempt of an ESIA. Sustainalytics considers the development of hydropower projects without an ESIA to be a deviation from market practice and encourages the Bank to pursue environmental and social impact assessment as much possible and to report on outcomes achieved by the financed activities.
- Under the Waste Management category, Axis Bank may provide loans to finance and/or refinance the development, operation and upgradation of waste prevention and collection, waste recycling facilities, waste to energy, as well as remediation of hazardous waste or contaminated soil.¹⁴ Axis Bank has confirmed that waste collection and waste to energy projects will support the segregation of waste at source.
- Under the Clean Transportation category, Axis Bank may finance and/or refinance expenditures related to the following:
 - Infrastructure upgrades for electrified public transport such as electrified rail, trams, trolleybuses, and cable cars.
 - Axis Bank may finance Bus Rapid Transit (BRT) systems. Sustainalytics recognizes that some Bus Rapid Transit (BRT) systems may deploy fossil fuel-powered vehicles; although electrified transit provides the greatest environmental benefits, the expansion of mass transit more broadly has an overall positive impact regardless of fuel source. The Framework states that components of eligible BRT system will be certified under the Institute for Transportation & Development Policy's BRT Standard,¹⁵ at the level of Bronze, Silver or Gold and will meet the direct emission threshold of <50gCO₂e/p-km according to the WLTP (worldwide harmonized light duty vehicle test procedure). Sustainalytics is of the opinion that these qualifications will ensure effective transit infrastructure and maximize the environmental benefits of the projects developed.
 - The development, manufacture, and acquisition of low-carbon land transport such as passenger cars and commercial vehicles restricted to those with zero direct emissions, and hybrid vehicles are restricted to those with tailpipe CO₂ emissions below 75gCO₂ per passenger-kilometer.

¹³ Axis Bank notes that a minimum of 85% of electricity generated from the facility is expected to be derived from solar energy.

¹⁴ Axis Bank has confirmed that the beneficiary of the loan that carries the soil remediation project is not the polluting entity that has caused the need for soil remediation project.

¹⁵ The Bus Rapid Transit (BRT) Standard assesses BRT systems on a number of metrics which have been established to demonstrate international best practice and is recognized by the Climate Bonds Initiative as part of the Low-Carbon Transport Criteria. More information can be found at: <https://www.itdp.org/library/standards-and-guides/the-bus-rapid-transit-standard/>

- Development of infrastructure for low-carbon land transport, both private and public (including station upgrade, improved signaling equipment), electric charging stations, electricity connection upgrade. Infrastructure for zero direct emission water transport and infrastructure support for the BRT system such as bus stops, dedicated bus lanes, safety apparatus etc.
- Under the Green Building category, Axis Bank may finance and/or refinance buildings¹⁶ that meet the following third-party green building certification levels: LEED (Gold or above), BREEAM (Excellent or above), Green Star (5 star or above), Green Rating for Integrated Habitat Assessment (4 star and above), Indian Green Building Council (Gold and above), and IFC Edge. The Bank may also finance buildings that achieve a minimum 30% energy efficiency improvement or carbon emissions reduction, compared to the building's baseline performance under ASHRAE 90.1. Sustainalytics views the above-mentioned certifications as credible, and the levels selected as impactful and in line with market practice. (Please see Appendix 1 for overview of these certification.)
- Under the Sustainable Agriculture category, Axis Bank may provide loans for implementation of sustainable agriculture techniques and production which includes soil remediation and restoration,¹⁴ minimal or no use of synthetic fertilizer and pesticide, crop rotation, no-till farming, drip irrigation, precision farming¹⁷ and zero-budget natural farming.¹⁸ Sustainalytics encourages Axis Bank to promote holistic deployment of conservation agriculture practices¹⁹ through its lending criteria for agriculture projects.
- Under Socio-Economic Advancement and Empowerment, Axis Bank may provide loans to micro, small and medium-sized enterprises (MSMEs)²⁰ that generate employment and work opportunities for persons with disabilities, youth and population that is identified as the most backwards districts in India.²¹ In addition, the Bank intends to finance or refinance women-owned MSMEs²⁰ where more than 50% female ownership to encourage female entrepreneurship and reduce inequalities. Axis Bank may finance Self-Help Groups (SHG) and Joint Liability Groups (JLG) under this category. The SHG are provided to a group of 10-20 women involved in entrepreneurial activities and have the intent to grow their business, while the JLG are also offered to a group of 4-10 women and terms are put in place to ensure that predatory lending does not occur. The SHG and JLG are common forms of microfinance lending practices in India and provide financial access of the most underserved groups in rural and urban India.²²
- Under Health, Healthcare and Wellbeing, Axis Bank intends to finance and/or refinance the construction, equipment or operation of (i) public and private healthcare facilities and centers (ii) vaccine manufacturing and distribution (iii) disease control/prevention support during natural disasters including pandemic. The Bank has confirmed that public healthcare facilities and vaccine manufacturing financed under the Framework are expected to grant healthcare access to all regardless of their ability to pay. For financing provided to private healthcare facilities, the Bank has identified a target population of Economically Weaker Sections²³ as defined by the Government of India. All private healthcare facilities financed under the Framework are expected to provide access to the population under the Economically Weaker

¹⁶ Axis Bank shall not lend to any green building designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels

¹⁷ Precision farming is an integrated crop management system which uses remote sensing (RS), GPS, and geographical information system (GIS) to monitor the crop field at ground level. It involves precise utilization of agricultural inputs depending upon the crop, soil, and weather requirement to optimize the use of fertilizers, pesticide, and irrigation requirements for maximum productivity.

¹⁸ Zero budget natural farming is a form of chemical-free organic farming that draws from traditional Indian farming practices. This is actively promoted by the Indian Government. For this, a farmer may take an initial loan to accumulate the natural ingredients (and even livestock) that are supposed to then turn it into a self-sustaining eco-system.

¹⁹ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

²⁰ Axis Bank has defined MSMEs as per the definition of Government of India (GoI), Gazette Notification S.O. 2119, at: [IndianGazette02072020.pdf](https://www.indiangazette02072020.pdf) (rbi.org.in) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD. MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time

²¹ List of India's least developed Districts, a list of about 100 districts identified by NITI aayog called aspirational districts at : https://my.msme.gov.in/MyMsme/List_of_AspirationalDistricts.aspx

²² Academia, "The Best Model for Micro-Lending: Self Help group or Joint Liability Group", (2014), at: https://www.academia.edu/5344123/The_Best_Model_for_Micro_lending_Self_Help_Group_or_Joint_Liability_Group

²³ Economically weaker sections are defined as persons whose family has a gross annual income below Rs 800,000 (EUR 9,072) are not covered under the scheme of reservation for scheduled castes, scheduled tribes and other backward classes. More information can be found here: <https://dopt.gov.in/sites/default/files/ewsf28ft.PDF>

Sections regardless of their ability to pay. Other projects under this section include the financing of medical and nursing education facilities that are expected to provide free to subsidized education that is accessible to all regardless of the ability to pay.

- Under Employment generation, MSME financing and microfinance category, Axis Bank intends to provide loans to MSMEs²⁴ affected by the economic downturn triggered by COVID-19 crisis, especially to micro enterprises and cooperatives belonging to artisans in the cottage industry.²⁴ In addition, the Bank may provide loans to eligible entities under the Emergency Credit Line Guarantee Scheme (ECLGS)²⁵ in line with the regulations laid out by the Government of India and Reserve Bank of India. While Sustainalytics notes positively Axis Bank's efforts to prioritize and provide loans to MSMEs that face significant adversity as a result of a natural or health disaster including COVID-19, Sustainalytics encourages the Bank to concentrate its efforts on targetted segments of MSMEs in order to maximize the social benefit of such financing.
- Under Education and Vocational Training category, Axis Bank intends to finance and/or refinance activities related to the construction, equipment or operation of public and private educational infrastructure and facilities. To support private delivery of education, the Bank has identified a target population of Economically Weaker Sections²³ as defined by the Government of India. All private education facilities financed under the Framework are expected to provide educational access to the population under the Economically Weaker Sections regardless of their ability to pay. Sustainalytics positively notes the financing of activities aimed at increasing accessing to education for underserved target populations.
- Under Affordable Housing and Social Infrastructure category, Axis Bank may provide loans for setting up schools, drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and water improvements at household level and affordable housing projects. Additionally, Axis Bank may provide loans for affordable housing²⁶ projects to a defined target population from the economically weaker section as per The Pradhan Mantri Awas Yojana²⁷ eligibility criteria and belonging to areas/states in housing need. Additional schemes may apply and vary across local authorities. The Bank has confirmed affordability thresholds for affordable housing as set by Reserve Bank of India's guidelines on Priority Sector Lending.²⁸
- The Framework includes an exclusionary list of activities excluded from its green, social and sustainability issuances. Sustainalytics views the exclusion of activities that have potential negative environmental or social impacts, to further strengthen Axis Bank's Framework.
- Project Evaluation and Selection:
 - The Bank's internal process in evaluation and selection of eligible projects is managed by the ESG Working Group (ESGWG), which is comprised of representatives from Risk Management, Credit, Wholesale Banking, Retail Banking, Corporate Affairs, Finance & Accounts and Treasury experts on trimonthly basis. The ESGWG meets on a 3-month basis to review and select all eligible projects.
 - The Bank will conduct its credit assessment and due diligence of projects in accordance with its routine processes.
 - The list of projects identified as eligible by ESGWG shall require the subsequent approval from Head, Treasury & Wholesale Banking Products; Executive Director (Wholesale Banking), Chief Risk Officer (CRO) and Chief Credit Officer (CCO).
 - Based on the establishment of ESG Working Group, Sustainalytics considers this process to be in line with market practice.

²⁴ A cottage industry is a small-scale decentralized manufacturing business operated out of a home rather than a factory or facility. More information can be found here: <https://www.investopedia.com/terms/c/cottage-industry.asp>

²⁵ Emergency Credit Line Guarantee Scheme (ECLGS) at: <https://www.axisbank.com/business-banking/avail-msme-and-corporate-financing/emergency-credit-line-guarantee-scheme/features-benefits>

²⁶ As per RBI Circular, Lending to affordable housing for individual units is defined as Housing loans eligible to be classified under priority sector lending (as updated from time to time) and housing loans to individuals for acquiring dwelling units within the prescribed threshold under the affordable housing definition in the HML. As per Ministry of Finance, Government of India, "Affordable Housing" is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area@ of not more than 60 square meters.

²⁷ Pradhan Mantri Awas Yojna at : <https://www.axisbank.com/retail/loans/home-loan/pradhan-mantri-awas-yojna/eligibility>

²⁸ Loans to individuals upto Rs. 35 lakh (~USD 46.9k) in metropolitan centers (with population of ten lakh and above), and upto Rs 25 lakh (~USD 33.5k) in other centers for purchase/construction of a dwelling unit per family, provided the overall cost of the dwelling unit in the metropolitan center and at other centers does not exceed Rs. 45 lakh (~USD 60.3k) and Rs. 30 lakh (~USD 40k), respectively.

- **Management of Proceeds:**
 - The Bank's process for booking of proceeds is overseen by the Finance team while the management of proceeds post this is overseen by the ESGWG. All proceeds from issuances under this Framework will be tracked by the bank through a separate register. The register will include relevant funding transaction information, as well as description of projects financed, the allocation of proceeds, balance of unallocated proceeds and information on temporary investment for unallocated proceeds.
 - Pending allocation, unallocated proceeds will be temporarily held in line with the bank's liquidity management policy, in the forms of cash and cash equivalents.
 - The Bank is committed to fully allocating net proceeds to eligible projects within 12 months of the date of issuance.
 - Based on the use of internal tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - Axis Bank is expected to report on the allocation of net proceeds and associated impact metrics on the Bank's website annually until full allocation. Allocation reporting will include the confirmation that eligible assets included in the portfolio comply with the framework, total amount of eligible assets, list of green, social or sustainability bonds issued with their outstanding amount, breakdown of eligible assets by eligible category and geographic location, share of new financing and refinancing, balance of unallocated proceeds at the reporting end-period.
 - Axis Bank may, where possible, report on relevant impact indicators including, annual GHG emissions avoided, annual amount of waste diverted from landfill, and number of affordable housing units built or refurbished. For an exhaustive list of impact metrics, please refer to Appendix 3.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021,

Sustainalytics has determined that the Axis Bank Sustainable Financing Framework aligns with the four core components of the SBG, GBP, SBP, GLP and SLP. For detailed information please refer to Appendix 3: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Alignment with ASEAN Sustainability Bond Guidelines 2021

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible sustainable bond within Southeast Asia. Sustainalytics is of the opinion that the green and social categories under the Axis Bank Sustainable Finance Framework align with the ASEAN Sustainability Bond Standards. For detailed information please refer to Appendix 2: Alignment to the ASEAN Sustainability Bond Standards.

Section 2: Sustainability Performance of Axis Bank / Sustainability Strategy of Axis Bank

Contribution of Framework to Axis Bank Limited's sustainability strategy

Sustainalytics is of the opinion that Axis Bank demonstrates a commitment to sustainability through its mission of "achieving sustainable, profitable growth for the organization while catalyzing positive economic, social, and environmental value creation for its stakeholders".²⁹ Axis Bank's sustainability strategy is focused on the following areas: (i) a lending portfolio in positive impact sectors, and (ii) offering products and services under Priority Sector Lending (PSL).²⁹

In order to build a focused lending portfolio, Axis Bank's strategy is to finance sectors such as renewable energy generation, mass transport, low carbon infrastructure and waste management. As on March 2020, the Bank's overall exposure to positive impact sectors stood at INR 64 billion.³⁰

²⁹ Axis Bank, "Sustainability at Axis", at: <https://www.axisbank.com/csr>

³⁰ Axis Bank, "Sustainability Report 2019-20" (p87), at: <https://www.axisbank.com/docs/default-source/default-document-library/axis-bank-sustainability-report-fy-2019-20.pdf>

The Bank also provide financing to priority sectors, such as the agriculture sector, micro and small enterprises (MSMEs) loans to certain weaker sections,³¹ housing and education finance, among others. In India, the Reserve Bank of India (RBI) sets targets and sub-targets³² for banks to allocate 40% of the net credit for PSL.³³ As on March 2020, lending to priority sectors was accounted for 41.77% of Axis Bank's net credit.³⁴ At the same time, total lending to SMEs provided by the Bank was INR 619 billion.³⁵ To drive the PSL sub-target achievements, the Bank has increased its focus on product offerings to MSMEs, in the agriculture sector and weaker sections, such as crop loans to the Small and Marginal Farmers (SMFs) and microfinance targeted at women borrowers from low income households.³⁶

Sustainalytics is of the opinion that the Axis Bank Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities. While Sustainalytics recognizes the sustainability-focused efforts of Axis Bank, Sustainalytics encourages Axis Bank to set and communicate timebound quantitative targets for future sustainable financing and encourages the establishment of such targets.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects include environmental risks, land use and biodiversity issues related to the construction of infrastructure projects, occupational health and safety risks, and community-related issues.

Sustainalytics is of the opinion that Axis Bank is able to manage and/or mitigate potential risks through implementation of the following policies, processes, and regulations:

- Axis Bank has Environment, Social and Governance (ESG) Policy that integrates environmental and social risk assessment into the Bank's credit appraisal mechanism. The ESG Policy is adapted from international frameworks such as the IFC Performance Standards Framework for Environmental and Social Sustainability, and the World Bank Group General Environment, Health & Safety (EHS) Guidelines.³⁷ The credit appraisal mechanism applies to all new funding projects and is managed by the Company's Environmental and Social Monitoring Group (ESMG). As part of the credit appraisal process, after the project is initially screened against the exclusion list, it is screened for the sector, location, and inherent environmental and social impacts to assess the project's risk categorization. This risk categorization of credit proposals is adapted from IFC's Sustainability Framework.³⁸
- In order to better manage environmental and biodiversity risks, the ESG Policy also includes an exclusion list wherein the Bank refrains from lending for the following: (i) dealing in banned wildlife related products, (ii) polluting industries, unless the units have clearance from pollution control authorities and have installed effluent treatment plants, (iii) setting up of new units consuming/producing Ozone Depleting Substances (ODS) like Chlorofluorocarbons (CFC), Halons and units manufacturing aerosol products that have CFCs, (iv) production or trade in radioactive materials and unbonded asbestos fibers, and (v) drift net fishing in the marine environment using

³¹ Priority sector loans to the following borrowers will be considered as lending under Weaker Sections category:

Small and Marginal Farmers, artisans, village and cottage industries where individual credit limits do not exceed INR 1 lakh, beneficiaries under the Government sponsored schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS), Scheduled Castes and Scheduled Tribes, beneficiaries of Differential Rate of Interest (DRI) scheme, Self Help Groups, distressed farmers indebted to non-institutional lenders, distressed persons other than farmers, with loan amount not exceeding INR 1 lakh per borrower to prepay their debt to non-institutional lenders, individual women beneficiaries up to INR 1 lakh per borrower, persons with disabilities, and minority communities as may be notified by Government of India from time to time.

Reserve Bank of India, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification", at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

³² Under PSL, the RBI sets the sub targets, such as: (i) 18% of the net credit for the SMFs, (ii) 7.5% of the net credit for MSMEs, and (iii) 12% of the net credit for weaker sections.

Reserve Bank of India, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification", at:

https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

³³ Reserve Bank of India, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification", at:

https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

³⁴ Axis Bank, "Annual Report 2019-20" p(73), at: https://www.axisbank.com/annual-reports/2019-2020/pdf/Axis_Bank_AR20.pdf

³⁵ Axis Bank, "Annual Report 2019-20" p(78), at: https://www.axisbank.com/annual-reports/2019-2020/pdf/Axis_Bank_AR20.pdf

³⁶ Axis Bank, "Sustainability Report 2019-20" (p44), at: <https://www.axisbank.com/docs/default-source/default-document-library/axis-bank-sustainability-report-fy-2019-20.pdf>

³⁷ Axis Bank, "Environment, Social and Governance (ESG) Policy", at: <https://www.axisbank.com/docs/default-source/default-document-library/esg-policy-and-procedure.pdf>

³⁸ Axis Bank, "Sustainability Report 2019-20" (p87), at: [axis-bank-sustainability-report-fy-2019-20.pdf \(axisbank.com\)](https://www.axisbank.com/docs/default-source/default-document-library/axis-bank-sustainability-report-fy-2019-20.pdf)

nets in excess of 2.5 km in length; and (vi) production or trade of wildlife or products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora.³⁷ To mitigate land use risks, the Bank assess all projects for environmental and social related permits as may be required by applicable regulations.³⁷ The Bank's sustainability imperatives are aligned to the principles of Business Responsibility as prescribed under the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by Ministry of Corporate Affairs, Government of India.³⁹ Under Environmental Impact Assessment Notification 2006, all projects or activities included as Category A⁴⁰ in the Schedule, including expansion and modernization of existing projects shall require prior environmental clearance.⁴¹ In regard to land acquisition, the Indian Land Acquisition, Rehabilitation and Rehabilitation Act 2013 mandated all projects to carry out a social impact assessment prior to seeking consent of land holders.⁴²

- Under PSL, the Bank is a significant lender to the agriculture and allied sectors, which have a high risk to crop failures or disruptions in production, through floods, draughts, cyclones, and other natural disasters. The Bank has in place the requisite risk assessment systems for the agriculture and allied sectors which consider the climate-related risks of changing weather conditions and increased occurrences of natural disasters. In addition, the Bank engages with rural communities and supports best practices in the farming sector to increase the resilience against climate change.⁴³

Based on these policies, processes, and regulations, Sustainalytics is of the opinion that Axis Bank has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All ten use of proceeds categories are aligned with those recognized by SBG, GBP, SBP, GLP, SLP, ASEAN GBS, ASEAN SBS, and ASEAN SUS. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Contribution of affordable housing and social infrastructure towards India's housing needs

In India, rapid urbanization and migration to cities have caused severe urban housing shortages and pressure on basic amenities like water and sanitation. India's urban housing shortage is primarily driven by the economically weaker sections (EWS) and low-income groups (LIG). A study estimates that EWS households accounted for 97.4% of the total housing shortage in 2018.⁴⁴ Moreover, in 2018, the country was facing an urban housing shortage of about 29 million homes, increasing 54% from 18.78 million in 2012.⁴⁵ It is estimated that 95% of this shortage is in the affordable housing segment.⁴⁶ Developments in affordable housing have been limited due to the unavailability of low-cost land, delay in project approvals, and low-profit margin.⁴⁷ To address the growing affordable housing deficit, the Government of India has launched Pradhan Mantri Awas Yojana- Urban (PMAY-U) in 2015, with an aim to provide housing for all in urban areas by 2022.⁴⁸ Under PMAY-

³⁹ Axis Bank, "Business Responsibility Report 2019-20", at: [business-responsibility-report-for-the-year-2019-2020.pdf](https://www.axisbank.com/business-responsibility-report-for-the-year-2019-2020.pdf) (axisbank.com)

⁴⁰ Category A projects include mining of minerals, hydroelectric power generation, irrigation projects, highways, thermal power plants, nuclear power projects, Petro-chemical industries, among others.

Ministry of Environment and Forests, "Environmental Impact Assessment Notification 2006", at: <http://www.environmentwb.gov.in/pdf/EIA%20Notification,%202006.pdf>

⁴¹ Ministry of Environment and Forests, "Environmental Impact Assessment Notification 2006", at: <http://www.environmentwb.gov.in/pdf/EIA%20Notification,%202006.pdf>

⁴² Legislative Department, "Land Acquisition, Rehabilitation and Resettlement Act, 2013", at: <https://legislative.gov.in/sites/default/files/A2013-30.pdf>

⁴³ CDP, "Axis Bank's Annual Responses 2020", at:

https://www.cdp.net/en/formatted_responses/responses?campaign_id=70692136&discloser_id=853146&locale=en&organization_name=Axis+Bank&organization_number=1321&program=Investor&project_year=2020&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2F6sc15v4h%2F94243&survey_id=68887525

⁴⁴ Roy, D. et al. (2018), "Housing For India's Low-Income Urban Households: A Demand Perspective", ICRIER, at: http://icrier.org/pdf/Working_Paper_402.pdf

⁴⁵ Business World, "India's Urban Housing Shortage Rises 54% To 29 Million In 2018", at: <http://www.businessworld.in/article/India-s-Urban-Housing-Shortage-Rises-54-To-29-Million-In-2018-Report/23-12-2020-357300/>

⁴⁶ Ministry of Housing and Urban Poverty Alleviation, "Report of the Technical Urban Group on Urban Housing Shortage 2012-17", at: <http://nbo.nic.in/pdf/urban-housing-shortage.pdf>

⁴⁷ Reserve Bank of India, "Affordable Housing in India", at: <http://nbo.nic.in/pdf/urban-housing-shortage.pdfhttps://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/AFFORDABLE609D506CB8C247DAB526C40DAF461881.PDF>

⁴⁸ Ministry of Housing and Urban Poverty Alleviation, "Pradhan Mantri Awas Yojana (Urban)-PMAY (U)", at: <https://pmaymis.gov.in/>

U, the Government set a target of building 10 million affordable houses by 2022.⁴⁹ As of June 2021, around 5 million affordable houses have been constructed.⁵⁰

In addition to limited affordable housing, many Indian households still lack basic amenities such as drinking water and sanitation. About 80% of households were without piped water connection, and 25% of rural households didn't have access to sanitation in 2018.⁵¹ Moreover, a wide disparity exists in access to drinking water and sanitation across social groups, with more than 90% of urban residents having access to sanitation facilities compared to only 39% in rural India.⁵² In order to ensure access to water and sanitation services for all, the national government has launched initiatives such as the Swachh Bharat Abhiyan (Clean India Mission)⁵³ and Jal Jeevan Mission (JJM).⁵⁴ Under JJM, the government aims to provide functional household tap connection to every rural household by 2024.⁵⁵

Considering the above, and highlighting Axis Bank's investments under the Framework, Sustainalytics is of the opinion that the affordable housing and social infrastructure use of proceeds category will create positive social impact by increasing the availability and accessibility of affordable housing with basic amenities in India, including for low-income groups, economically weaker sections and rural communities.

Impact of socioeconomic advancement and empowerment towards reducing inequalities in India

In India, socio-economic development has been inconsistent, and the non-inclusiveness of economic growth has given rise to large socio-economic disparities. In 2017-18, the per capita income of the five richest states was three times higher than that of the bottom five states.⁵⁶ Moreover, one in four Indians lives in deprived areas.⁵⁷ The Indian Government identified 112 most poorest districts under the Aspirational Districts Programme (ADP)⁵⁸ in 2018, with an attempt to push for substantial growth across various socio-economic parameters in areas that remain distant from inclusive development.⁵⁹ Under this program, the government is committed to ensuring inclusive growth through financial inclusion, institutional financing for small businesses, skill development, and employment generation.⁶⁰

Despite the annual GDP growth rate averaging nearly 7% from 2010 to 2018, the Indian economy did not generate enough employment.⁶¹ The labor force participation rate has declined from 39.5% in 2011-12 to 36.9% in 2017-18.⁶² While the working age population grows by 16 million every year, the pace of job creation remains far below with fewer than two million jobs are being created annually.⁶³ Furthermore, India needs to create 100 million more jobs by 2030 to sustain its economic growth.⁶⁴ In order to create significant employment in India, facilitating the growth of MSMEs will be a priority for the government. MSMEs have provided 30% of total employment generation in 2019.⁶⁵ To create employment opportunities for youth and ensure decent working conditions, the Government of India is promoting development-oriented policies that

⁴⁹ Business Standard, "Sanction of 10 mn houses under PMAY(U) momentous achievement: PM Modi", at: https://www.business-standard.com/article/pti-stories/sanction-of-over-1-crore-houses-under-pmay-u-momentous-achievement-pm-119122701080_1.html

⁵⁰ Pradhan Mantri Awas Yojana- Urban, "PMAY-U Achievement- As on 25th June 2021", at: <https://pmay-urban.gov.in/uploads/progress-pdfs/60d5c09cb0a8d-WEB-1.pdf>

⁵¹ Ministry of Statistic and Programme Implementation, "NSS Report No. 584: Drinking Water, Sanitation, Hygiene and Housing Condition in India", at: http://mospi.nic.in/sites/default/files/NSS7612dws/Report_584_final.pdf

⁵² United Nations in India, "Health, Water and Sanitation", at: <https://in.one.un.org/health-water-and-sanitation/>

⁵³ PM India, "Swachh Bharat Abhiyan (Clean India Mission)", at: https://www.pmindia.gov.in/en/major_initiatives/swachh-bharat-abhiyan/

⁵⁴ Department of Drinking Water and Sanitation, "About: Jal Jeevan Mission", at: <https://jaljeevanmission.gov.in/content/about-jjm>

⁵⁵ Department of Drinking Water and Sanitation, "Jal Jeevan Mission", at: <https://jalshakti-ddws.gov.in/>

⁵⁶ Mint, "The regional disparity challenge", at: <https://www.livemint.com/news/india/india-s-growing-regional-inequality-challenge-1566980280456.html>

⁵⁷ Smart City, "NITI Aayog selects Oracle to strengthen IT infra in 112 backward districts", at: <https://smartcity.eletsonline.com/niti-aayog-selects-oracle-to-strengthen-it-infra-in-112-backward-districts/>

⁵⁸ NITI Aayog, "About The Aspirational Districts Programme", at: <http://niti.gov.in/about-aspirational-districts-programme>

⁵⁹ Business Standard, "The ADP was launched in January 2018 in 112 most backward districts", at: https://www.business-standard.com/article/current-affairs/niti-aayog-fine-tuning-indicators-for-ranking-most-backward-districts-kant-120092801444_1.html

⁶⁰ Niti Ayog, "Aspirational Districts - Unlocking Potentials", at: <https://niti.gov.in/sites/default/files/2018-12/AspirationalDistricts-Book.pdf>

⁶¹ EPW, "The Unemployment Paradox: Looking at Growth Without Jobs", at: <https://www.epw.in/engage/article/unemployment-jobs-growth-india>

⁶² Mint, "Jobless Growth 2.0: NDA govt's and India's challenge", at: <https://www.livemint.com/opinion/columns/opinion-jobless-growth-2-0-nda-govt-s-and-india-s-challenge-1549215724446.html>

⁶³ McKinsey Global Institute Report, "India's Labour Market: A New Emphasis on Gainful Employment", at:

<https://www.mckinsey.com/~media/mckinsey/featured%20insights/employment%20and%20growth/a%20new%20emphasis%20on%20gainful%20employment%20in%20india/indias-labour-market-a-new-emphasis-on-gainful-employment.ashx>

⁶⁴ Financial Express, "The Right Support: Creating the 100 million jobs India needs", at: <https://www.financialexpress.com/opinion/the-right-support-creating-the-100-million-jobs-india-needs/2116839/>

⁶⁵ Employment News, "MSME Sector-A Force to Reckon With As the Biggest Job Creator", at: <http://employmentnews.gov.in/newemp/MoreContentNew.aspx?n=Editorial&k=30199>

support productive activities, decent job creation, entrepreneurship, MSMEs, agriculture and informal sectors of the economy.⁶⁶

Indian women are another key demographic group that is left behind due to the non-inclusiveness of economic growth. Women-owned enterprises represented only 20% of all enterprises in 2019.⁶⁷ Further, women-owned enterprises face multiple difficulties, such as gender bias in access to finance, delayed or rejected loan applications, and lack of awareness of relevant financing schemes.⁶⁸ According to the IFC, empowering women-owned enterprises and increasing financial access to women will unleash significant growth potential while reducing gender inequalities.⁶⁹

Based on this context, Sustainalytics is of the opinion that Axis Bank's financing to companies in deprived areas, women founded start-ups or MSMEs, microfinance for women, and support to projects aiming a productive employment and decent work for persons with disabilities and young people will bring positive social impacts by reducing regional disparities, providing access to finance, and supporting female entrepreneurship.

Importance of renewable energy in achieving India's Climate Goals

India is the fourth-largest global energy consumer and fossil fuels currently account for 75% of India's total primary energy demand.⁷⁰ Considering its heavy dependence on fossil fuel-based sources, India has prioritized the diversification of its energy mix and security of energy supply. Between 2010 and 2019, renewable energy generation nearly doubled.⁷¹ Despite this growth, renewable energy still accounts for only 23% of the total energy supply, highlighting the considerable scope for India to target more ambitious growth in renewables.⁷² In 2015, the Indian Government set a target of installing 175 gigawatts (GW) of renewable energy capacity by 2022, which includes 100 GW from solar, 60 GW from wind, 10 GW from bio-power, and 5 GW from small hydropower.⁷³ Additionally, in its Intended Nationally Determined Contribution (INDC), the government aimed to increase the share of renewable energy resources to 40% of installed electric power capacity by 2030.⁷⁴ As of April 2021, India's installed renewable energy capacity is about 95 GW, including 40.5 GW of solar power.⁷⁵

Moreover, the energy sector in India is a major contributor to greenhouse gas (GHG) emissions, accounting for 75% of total GHG emissions in 2015.⁷⁶ According to International Renewable Energy Agency, the use of renewable energy sources⁷⁷ can deliver 60% of energy-related CO₂ emission reductions.⁷⁸ Thereby, transitioning to a clean energy infrastructure can help in achieving India's energy and climate objectives. Accelerating the renewable energy deployment requires significant investments to support and finance new renewable power projects. In 2019, the annual investments in India's clean energy market were USD 9.3 billion and will require total investments of USD 250 billion by 2030 to achieve climate-related objectives.⁷⁹

In this context, Sustainalytics is of the opinion that Axis Bank's financing of renewable energy projects is expected to support India's climate ambitions while contributing to the transition towards a low-carbon economy.

⁶⁶ Lok Sabha Secretariat, "Research Note on SDG 8: Achieving Full and Productive Employment and Decent Work for All", at: http://164.100.47.193/Refinput/Research_notes/English/04122019_171911_102120495.pdf

⁶⁷ The 2019 Google-Bain report, "Women Entrepreneurship in India", at: https://www.indiaspend.com/uploads/2021/02/21/file_upload-418657.pdf

⁶⁸ IndiaSpend, "Women Run Fewer Than 13% Of India's Small Businesses. Here's Why", at: <https://www.indiaspend.com/women/women-run-fewer-than-13-of-indias-small-businesses-heres-why-731610>

⁶⁹ IFC, "Entrepreneurship", at:

https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Gender+at+IFC/Priorities/Entrepreneurship/

⁷⁰ IEA, "India Energy Outlook 2021", at: https://iea.blob.core.windows.net/assets/1de6d91e-e23f-4e02-b1fb-51fdd6283b22/India_Energy_Outlook_2021.pdf

⁷¹ IEA, "Electricity generation by source, India 1990-2019", at: <https://www.iea.org/fuels-and-technologies/electricity>

⁷² IEA, "Total energy supply (TES) by source, India 1990-2018", at: <https://www.iea.org/data-and-statistics/data-browser?country=INDIA&fuel=Energy%20supply&indicator=TPESbySource>

⁷³ Partnerships for the SDGs, "India plans to produce 175 GW of renewable energy by 2022", at:

<https://sustainabledevelopment.un.org/partnership/?p=34566>

⁷⁴ Ministry of Environment, Forest and Climate Change, "India's Intended Nationally Determined Contributions – Towards Climate Justice", at:

<http://moef.gov.in/wp-content/uploads/2018/04/revised-PPT-Press-Conference-INDC-v5.pdf>

⁷⁵ Climate Action Tracker, "India- Pledge and Targets", at: <https://climateactiontracker.org/countries/india/pledges-and-targets/>

⁷⁶ GHG Platform India, "Energy Sector", at: <http://www.ghgplatform-india.org/energy-sector>

⁷⁷ International Renewable Energy Agency, "Global energy transformation: A roadmap to 2050 (2019 edition)", at:

<https://www.irena.org/publications/2019/Apr/Global-energytransformation-A-roadmap-to-2050-2019Edition>

⁷⁸ International Renewable Energy Agency, "How to transform energy system and reduce carbon emissions", (2019), at:

<https://www.irena.org/DigitalArticles/2019/Apr/How-To-Transform-Energy-System-And-Reduce-Carbon-Emissions>

⁷⁹ Shakti Foundation, "Clean Energy Finance", at: <https://shaktifoundation.in/work/clean-energy-finance/>

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Axis Bank Sustainable Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Waste Management	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Clean Transportation	9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Sustainable Agriculture	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
Socio-Economic Advancement and Empowerment	5. Gender Equality 8. Decent work and economic growth	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
Health, Healthcare and Wellbeing	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and

		access to safe, effective, quality and affordable essential medicines and vaccines for all.
Employment generation, MSME financing and microfinance	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
Education and Vocational Training	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.
Affordable Housing and Social Infrastructure	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Conclusion

Axis Bank has developed the Axis Bank Sustainable Financing Framework under which it may issue sustainability bonds and loans with the proceeds being used to fund loans to companies or projects with environmental and social benefits in areas of renewable energy, waste management, clean transportation, green buildings, sustainable agriculture, socio economic advancement and empowerment, healthcare and wellbeing, employment generation through MSME financing and microfinancing, educational and vocational training and affordable housing. Sustainalytics is of the opinion that the assets described by the Framework will support Axis Bank in creating long term positive environmental and social impact in India through their lending activities.

The Axis Bank Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Axis Bank Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 2, 3, 4, 5, 7, 8, 9, 11, 12 and 14. Additionally, Sustainalytics is of the opinion that Axis Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Axis Bank Limited is well-positioned to issue sustainability bonds and loans and that that Axis Bank Sustainable Financing Framework is robust, transparent, and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, Social Loan Principles 2021, ASEAN Social Bond Standard 2018, ASEAN Green Bond Standard 2018, and ASEAN Sustainability Bond Standards 2018.

Appendices

Appendix 1: Certification schemes for Green Buildings

	BREEAM⁸⁰	LEED⁸¹	Green Star⁸²	IGBC⁸³	EDGE⁸⁴	GRIHA⁸⁵
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	Green Star is an environmental (design) rating system developed by the Green Building Council of Australia (GBCA). Based on the elements of BREEAM as well as LEED, Green Star was developed with tailored considerations to the local climate and the building standards and regulations. It assesses several environmental factors related to the building design.	The Indian Green Building Council (IGBC), part of the Confederation of Indian Industry (CII) was formed in the year 2001. IGBC rating system is an Indian Certification System for new and existing buildings.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.	Green Rating for Integrated Habitat Assessment (GRIHA) was developed by The Energy and Resources Institute (TERI) in 2005 and was adopted as the national rating system for green buildings by the Government of India in 2007.
Certification levels	• Pass • Good • Very Good • Excellent • Outstanding	• Certified • Silver • Gold • Platinum	For existing buildings only (new buildings can achieve 4- 6 Star Green Star certifications only): • 1-star Green Star (Minimum Practice) • 2-stars Green Star (Average Practice) • 3-stars Green Star (Good Practice) • 4-stars Green Star (Best Practice) • 5-stars Green Star (Australian Excellence) • 6-stars Green Star (World Leadership)	• Certified • Silver • Gold • Platinum	• Certified/ non-certified	• One Star • Two Star • Three Star • Four Star • Five Star
Areas of Assessment	• Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality	• Management • Indoor environmental quality • Energy • Transport • Water • Materials • Land use and ecology • Emissions • Innovation	• Energy • Water • Materials and resources • Sustainable architecture and design • Site Selection and Planning • Indoor environmental quality	• Climatic Conditions of the Location • Building Type and Occupant Use • Design and Specifications	• Sustainable Site Planning • Construction Management • Energy Efficiency • Occupant Comfort • Water Management • Solid Waste Management • Sustainable Building Materials

⁸⁰ BREEAM, Building Research Establishment LTD, at: <https://breeam.com/>

⁸¹ USGBC, LEED, at: www.usgbc.org/LEED

⁸² Green Star, Green Building Council of Australia, at: <https://new.gbca.org.au/rate/green-star/>

⁸³ IGBC, Indian Green Building Council, at: <https://igbc.in/igbc/>

⁸⁴ EDGE, International Finance Corporation, at: <https://www.edgebuildings.com/marketing/edge/>

⁸⁵ GRIHA, Green Rating for Integrated Habitat Assessment, at: <https://www.grihaIndia.org/griha-rating>

		- Innovation in Design - Regional Priority		- Innovation and design - Health and comfort	Calculation of the End Use Demand	- Life Cycle Costing - Socio-Economic Strategies - Performance Metering and Monitoring - Innovation
Requirements	Prerequisites depending on the levels of certification and credits with associated points This number of points is then weighted by item¹⁸ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites independent of level of certification, and credits with associated points. These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	There are conditional as well as minimum requirements in several credits, based on the rating tool, that are required to be selected for compliance. There are several rating tools within Green Star. Each rating tool is designed to apply to a specific sector with specific eligibility criteria for each of them (e.g. Green Star – Design & As Built; Green Star – Interiors; and Green Star – Performance)	To achieve the IGBC rating, the project must satisfy all the mandatory requirements and the minimum number of credit points. There are several different rating systems within IGBC. Each rating system is designed to apply to a specific sector (e.g. New Buildings, Existing Buildings, Schools, Factory Building, Green Townships, Landscapes and Mass Rapid Transit System).	To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.	GRIHA rating is a performance-oriented system where points are earned for meeting the intent (appraisals) of the criteria. Each criterion has a number of points assigned to it. To achieve the GRIHA rating, the project must satisfy all the mandatory and the optional criteria. Different levels of certification (one star to five stars) are awarded based on the number of points earned. There are several different rating systems within GRIHA. Each rating system is designed to apply to a specific sector (e.g. New Buildings, Existing Buildings, Affordable Housing, Existing Day Schools, Large Developments, and Cities).
Performance display						

Appendix 2: Alignment to the ASEAN Sustainability Bond Standards

ASEAN SUS Criteria	Alignment with the ASEAN SUS	Sustainalytics' comments on alignment with the ASEAN SUS
Eligibility	Yes	The ASEAN SUS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. Axis Bank intends to finance projects in India.
Use of Proceeds	Yes	The ASEAN SUS offers specific clarification that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapon are excluded. Axis Bank has included exclusion criteria in the Framework to this effect.
Process for Project Evaluation and Selection	Yes	The ASEAN SUS specifies information that must be clearly communicated to investors before issuance regarding project selection. Axis Bank has established the ESG Working Group (ESG WG), which will be responsible for reviewing and selecting projects in line with the Framework's eligibility criteria. All the department heads and Chief Credit Officer (CCO) will be responsible for approving eligible expenditures.
Management of Proceeds	Yes	The ASEAN SUS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within the Framework, the Bank disclosed that the Finance team will maintain a register to track and manage the allocation process. Pending allocation, unallocated proceeds will be held in cash and cash equivalent.
Reporting	Yes	The ASEAN SUS requires annual reporting on the allocation of funds and the expected impacts. The Bank states that it will provide an annual allocation report until full allocation and report on the impact of the use of proceeds.
Annual Review	Yes	The ASEAN SUS encourages, but does not require, annual reviews. As of 2021, Axis Bank does not intend to provide annual reviews.

Appendix 3: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Axis Bank Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Axis Bank Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 04, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds Renewable Energy, Waste Management, Clean Transportation, Green Buildings, Sustainable Agriculture, Socio-Economic Advancement and Empowerment, Health, Healthcare and Wellbeing, Employment generation, MSME financing and microfinance, Education and Vocational Training, Affordable Housing and Social Infrastructure are aligned with those recognized by the Green Bond Principles and Social Bond Principles and ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 2, 3, 4, 5, 7, 8, 9, 11, 12 and 14.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| ☒ Renewable energy | ☐ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☒ Other (please specify): Sustainable Agriculture, Waste Management |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| ☐ Affordable basic infrastructure | ☐ Access to essential services |
| ☐ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☒ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☒ Other (please specify): Health, Healthcare and Wellbeing, Education and Vocational Training, Affordable Housing and Social Infrastructure |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Axis Bank Limited's internal process in identifying and monitoring projects will be carried out by the ESG Working Group (ESGWG), which is composed of representatives from different departments and will give the final approval on the selected assets/ portfolios to be eligible for the outstanding issuances. Sustainalytics considers the project selection process in line with market practice

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☐ Summary criteria for project evaluation and selection publicly available | ☐ Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☐ In-house assessment |
| ☐ Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Axis Bank Limited's ESG Working Group will use the Bank's internal information system to track the use of proceeds. Unallocated proceeds will be temporarily held in line with the Axis Banks liquidity management policy, in the forms of cash and cash equivalents. This is in line with market practice

Tracking of proceeds:

- | |
|---|
| ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☐ Allocation to individual disbursements | ☒ Allocation to a portfolio of disbursements |

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Axis Bank Limited intends to report on allocation of proceeds on the Bank's website on an annual basis until full allocation. Allocation reporting will include the aggregate amount allocated, the remaining unallocated balance and type of temporary investment and project examples where feasible. In addition, Axis Bank is committed to reporting on relevant impact metrics. Sustainalytics views Axis Bank Limited's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Sustainability Bond financed share of total investment

☒ Other (please specify):
 Breakdown of Eligible Assets by geographic location, share of new financing and refinancing, where feasible, case studies of projects financed

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☒ Energy Savings

☐ Decrease in water use

☒ Number of beneficiaries

☒ Target populations

☒ Other ESG indicators (please specify): Total renewable Capacity, Energy generated per year, Waste diverted from landfill per year, New clean transportation infrastructure built, Number of electric or

low emission land and water transport vehicles produced, New clean transportation infrastructure built, Number of electric or low emission land and water transport vehicles produced, Building assets by type and green building certification levels, Area covered by sustainable agricultural land management practices

Frequency:

- ☒ Annual
 ☐ Semi-annual
☐ Other (please specify):

Means of Disclosure

- ☐ Information published in financial report
 ☐ Information published in sustainability report
☐ Information published in ad hoc documents
 ☒ Other (please specify): report in the public domain
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- ☐ Consultancy (incl. 2nd opinion)
 ☐ Certification
☐ Verification / Audit
 ☐ Rating
☐ Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally

entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named

2015: Best SRI or Green Bond Research or Rating Firm
 2017, 2018, 2019: Most Impressive Second Opinion Provider



The
Green Bond
 Principles



The
Social Bond
 Principles