

Putting ESG at Our Core

We are consistently working towards institutionalising our ESG-focused leadership and governance. We have strengthened our decision-making process through the ESG lens and swiftly enabled their translation into impactful action on ground.

During FY 2021-22, we made great strides in our ESG journey, which included formalising our ESG governance at the highest levels, introducing and expanding ESG-aligned policies and taking ESG-aligned commitments that support the Sustainable Development Goals (SDGs) and the Paris Agreement. This year has also been significant as we have begun integrating ESG risks and opportunities, including climate-related risks, into our risk architecture.



KEY MILESTONES IN ESG IN FY 2021-22

Aug' 21	Sept' 21	Nov' 21	Jan' 22	Mar' 22	Apr' 22
Established the ESG Committee of the Board	Announced ESG-aligned commitments Launched #ComeAsYouAre Diversity Charter Issued US\$ 600 mn ESG AT1 Notes	Announced US\$ 300 mn guarantee platform with GuarantCo	Great Place to Work certified	Committed US\$ 150 mn SAMRIDH Healthcare Blended Finance to Strengthen India's Healthcare Infrastructure	Signed US\$ 150 mn Deal for Sustainable Supply Chains with ADB

The integration of ESG into regulatory and corporate action is gaining impetus around the world. This demonstrates how globally, stakeholders consider ESG as an effective and non-negotiable factor for achieving sustained, equitable and inclusive growth. Stakeholders today, expect businesses to adopt responsible oversight and long-term vision and demonstrate ESG-aligned decision-making processes.

Our ESG strategy is strongly aligned with our Growth Profitability Sustainability (GPS) strategy.

GPS STRATEGY

One Axis

Growth

Continue to grow deposits, payments, advances, and our subsidiaries to reach leadership positions across our businesses

Profitability

Optimise business mix, improve operating efficiency, sweat existing infrastructure and reduce credit cost below long-term average

Sustainability

Work towards driving execution excellence, continue to strengthen risk management, build a compliance culture and strengthen the core (Technology, Operations and Process Excellence)

Sustained, consistent financial outperformance

Deliver world class customer experience

Build India's most profitable Bharat banking franchise



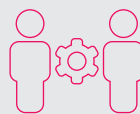
Customer Centricity



Ethics



Transparency



Teamwork



Ownership

ESG Governance

While our leadership has provided a broader oversight and direction to our ESG strategy for over a decade, it was only in FY 2020-21 when ESG was formally included in the Charter of the CSR Committee of the Board. In the same year, at the management level, we had established the ESG Steering Committee comprising senior officials from the Bank that support the Board and champion ESG imperatives across the organisation.

Significantly, we also adopted our purpose statement, 'Banking that leads to a more inclusive and equitable economy, a thriving community and a healthier planet' in FY 2021-22. We shall endeavour to align our decision-making and activities to this purpose. The theme of this Report has also been derived from our Purpose Statement.

ESG COMMITTEE

During the year, we became the first Bank in the Indian banking sector to constitute a standalone ESG Committee of the Board, working towards enabling a strategic vision and direction for ESG, pan-Bank ESG integration and affording a 360-degree monitoring and review. The Committee is chaired by an Independent Director and has met thrice during the reporting year.

Axis Bank becomes the first Indian Bank to constitute a standalone ESG Committee of the Board

THEMATIC MANAGEMENT GROUPS

To drive action on focused themes under the larger ESG agenda, specific groups have been set up at the management level. These include the ESG Working Group to drive sustainable financing initiatives and the Diversity, Equity & Inclusion (DEI) Council to drive our focus on diversity.

KEY POLICIES

We have also introduced, revised and made publicly available, key ESG-aligned policies that demonstrate our commitment to our stakeholders. These include Policy on Environmental Management, Human Rights Policy, Diversity Equity and Inclusion Policy, Sustainable Lending Policy and Procedures, Tax Policy and Anti-Corruption and Anti-Bribery Policy.

➔ These can be accessed online on our website at www.axisbank.com.

ESG COMMITMENTS SUPPORTING GLOBAL AND NATIONAL ESG AGENDA

As a financial institution, we are cognizant of our role in furthering equitable and sustainable economic growth in the country. In September 2021, under the oversight of the ESG Committee, we announced a series of commitments to achieve the Sustainable Development Goals (SDGs) and bolster India's commitments under the

Paris Agreement. These commitments were announced ahead of the United Nations Climate Change Conference (COP26) at Glasgow, UK.

We report on the progress against these commitments every quarter, to the ESG Committee of the Board.

ESG Commitments, Progress and Aspiration

ESG-aligned Commitments	Progress in FY 2021-22	Aspiration for FY 2022-23
Incremental financing of ₹30,000 crores under Wholesale Banking to sectors with positive social and environmental outcomes by March 2026	We achieved a disbursement of ₹10,414 crores in FY 2021-22, exceeding the target disbursement of ₹7,500 crores for the year	Target disbursement for FY 2022-23: ₹15,000 crores cumulatively
Making 5% of our retail Two-Wheeler loan portfolio as electric by March 2024	Electric vehicle penetration of 0.82% of the overall two-wheeler business achieved, as of March 2022	Achieve over 2% EV penetration
Incremental disbursement of ₹10,000 crores by FY 2023-24 March 2024 under Asha Home Loans, for affordable housing; increasing share of women borrowers from 13.9% to 16.9%	The Bank achieved a disbursement of ₹4,710 crores Share of women borrowers increased to 15.86% as of March 2022	Target disbursement for FY 2022-23: ~₹4,700 crores for the year
Scaling down exposure to carbon-intensive sectors	We have committed to scaling down our exposure in four identified carbon-intensive sectors – Coal (mining, logistics and trade), thermal power, shipping and aviation)	Glide path shall be finalised
Reaching 30% female representation in our workforce by March 2027	Our overall diversity stood at 24.6% as of March 2022 while the hiring diversity was 27.6% 10,673 women were hired during the year	Achieving 30% diversity in hiring by March 2023
Planting 2 million trees by March 2027 across India towards contributing to creating a carbon sink	MoUs with all implementation partners are in place and site preparation has begun across targeted geographies	~8,75,000 saplings to be planted in FY 2022-23 across five states

*The Russia-Ukraine crisis in 2022 has impacted commodity prices and hit energy security as well as the transition to clean energy, globally. In addition, the heat wave in India in April-May 2022 triggered an acute energy crisis that forced the country to respond by scaling up its coal-fired thermal power production and ramping up its coal stocks. The Bank is closely watching these developments and under the advice of the ESG Committee, has chosen to making public the contours of its commitment at a more appropriate time.

➔ The Bank's commitments may be accessed online at <https://www.axisbank.com/about-us/press-releases/axis-bank-commits-to-positive-climate-action-and-sustainable-development-goals>.

Climate Risk and Opportunities

We have a Comprehensive Risk Management Framework to strengthen our risk identification and mitigation capabilities. The Board is the apex governance body on all matters of risk management, driven by an independent Risk function led by the Chief Risk Officer.



The Risk Governance structure of the Bank can be accessed on page 115 -118 Risk Governance, in its Annual Report 2021-22.



Embedding ESG into Risk Management

In FY 2021-22, we have worked towards strengthening the governance layer over ESG Risk Management and have firmly and formally placed it at the Board level. Apart from the guidance of the Board on the Bank's larger ESG strategy, three of the Board-level committees are providing oversight and guidance on specific aspects of ESG risk management.

In August 2021, we became the first Indian bank to establish a standalone ESG Committee of the Board. Having a Board-level Committee unifies our overall ESG strategy and direction at the highest level of the organisation.

Under the Committee's oversight, we have announced a series of ESG commitments that aim to support the expansion of our lending portfolio towards positive climate action and sustainable developments, strengthen our climate-related risk management capabilities at the enterprise level, strengthen our organisational core, and contribute to India's larger climate goals.

We have also strengthened the integration of ESG risks into our overall risk management frameworks that are under the oversight of the Risk Management Committee (RMC). The Bank's ICAAP now includes enhanced ESG-linked assessments that are presented to the RMC.

The Committee of Directors (COD) is the approving Committee for the ESG Policy for Lending, which was strengthened and expanded during the year.

Additionally, the discussion and approval of large proposals at the Committee of Directors now includes a review of the environment and social due diligence of the eligible proposals.

We have also made efforts towards strengthening our own capacity and capabilities in ESG Risk Management, providing training and awareness interventions for pertinent departments.

Our Approach to Managing Climate-related Risks and Opportunities

Under the oversight of the ESG Committee of the Board, we have been working towards a more informed and comprehensive approach towards transitioning to a low-carbon economy. We are cognizant of the wider economic, technological, social and physical shifts taking place globally, in response to the climate change and are weaving them into our decision-making and longer-term strategy.

In the Sustainability Report for FY 2020-21, we had announced our action plan to strengthen our ESG-related Risk Management capabilities at the enterprise level. We continue to make steady progress on this action plan and an update on its key aspects is presented in the following section.

Key Aspects of ESG-related Risk Management



A INCLUDING CLIMATE-RELATED RISKS AND OPPORTUNITIES IN THE ICAAP

From this fiscal, we have started incorporating ESG- and climate-related risks and opportunities as part of our annual ICAAP assessment (Internal Capital Adequacy Assessment), which is a primary tool for the RBI in conducting its supervisory review and evaluation process.

We recognise that risks related to climate change play out primarily through credit, operational, market and reputational risks, among others. We are also cognizant of the fact that environmental and social risks to our business operations, portfolio and personnel, including those due to climate change, are material and warrant due recognition and independent assessment.

As a part of our assessment, we have attempted to identify the impact that physical and transition risks related to climate change can have on our business operations and the current controls in place to manage them.

Our assessment also recognises that climate change is an opportunity for the global economy to transition to a low-carbon, equitable pathway. Under the ESG Committee's oversight, we have announced key commitments that aim to expand our financing activities towards projects and sectors with a stronger environmental and social impact, while scaling down our financial activities in highly carbon-intensive sectors. We align our business and non-business activities, systems and policies to the pertinent Sustainable Development Goals and to India's commitments under the Paris Agreement.

Our ESG-aligned commitments and progress towards each have been highlighted in respective sections of this Report, and a summary has been provided on

 [PG 25](#)



B STRENGTHENING THE ESG POLICY FOR LENDING

We put in place an 'ESG Policy for Lending' in 2015, integrating environmental and social risk assessment into our credit appraisal mechanism. The Policy, which was until recently called the 'Sustainable Lending Policy and Procedures', conforms to the IFC Performance Standards Framework 2012, among other national and international guidelines and is implemented by the Environmental and Social Management Group, a team of specialists housed in the Credit vertical at the Bank.

With the guidance of the ESG Committee, we have expanded the scope and boundary of the ESG Policy for Lending during the year. The updated policy has lowered the coverage threshold for all project/non-project loans and NCDs and all incremental exposures (including NCDs) and assesses all proposals in four risk categories of A, B+, B and C, in line with the IFC Performance Standards. The Policy also covers overseas funding and syndicated funding as applicable.

The updated policy has further lowered the threshold for incremental exposures in identified high risk sectors such as coal mining, coal-based power plants, and hazardous chemicals, among others and such exposures shall now mandatorily require scrutiny under the Policy.

Key Developments in FY 2021-22

From this year on, the discussion on large value proposals at the Board level includes an assessment of their environmental and social due diligence. During FY 2021-22, a total of 292 proposals were assessed under the Policy, with 210 cases discussed at the Board-level. Two cases were rejected subject to non-compliance with the Exclusion List of the Policy.

During the year, we undertook a self-assessment under the IFC's ESMS Diagnostic Tool that is designed to assess or self-assess the quality of an environmental and social management system (such as our ESG Policy for Lending) and benchmark it against IFC's performance standards and good market practices. The Diagnostic tool assesses any system on nine parameters including the policy document, due diligence process, organisational structure, capacity and control environment and categorises them into 'State of the Art', 'Developed' and 'Emerging'. Our ESG Policy for Lending scored 'State of the Art' on four parameters and 'Developed' on three parameters, and we are currently embedding the learnings into our processes.

➔ The summary of overall process under ESG Policy for Lending is also accessible here: <https://www.axisbank.com/docs/default-source/default-document-library/esg-policy-and-procedure.pdf>

C ADOPTING THE SUSTAINABLE FINANCING FRAMEWORK

In July 2021, we launched the Sustainable Financing Framework with an aim to reinforce our capabilities and experience in financing sectors with a strongly positive social and environmental impact.

We had in place a Green Bond Framework under which we issued US\$ 500 million green bonds in 2016 and the US\$ 40 million privately placed green bonds in 2019. The Sustainable Financing Framework aims to provide a more comprehensive and contemporary framework that is clearly aligned with the pertinent UN Sustainable Development Goals as well as India's commitments under the UN Paris Agreement.

The Framework is aligned with the 2021 ICMA Principles for Green, Social and Sustainability Bonds, the 2021 Green Loan Principles, as well as the ASEAN Standards for Green, Social and Sustainability Bonds. The Framework is the first such in India to receive a Second Party Opinion, which it received from Sustainalytics, thus ensuring the Framework conforms to globally accepted norms and definitions.

As part of the adoption of the Framework, we also established an ESG Working Group that includes representatives from various functional areas including Risk, Credit, Wholesale Banking, Retail Banking, Finance and Accounts, Treasury and Sustainability. Among its overall responsibilities, the ESG Working Group is responsible for ensuring all existing and future sustainability issuances comply with the Framework, including the management of the use of proceeds.

Green and social project categories included in Sustainable Financing Framework



Eligible Green Projects

Renewable Energy: Solar, Wind, Small Hydro and Run of the River Water Power

Waste Management

Clean Transportation

Green Buildings

Sustainable Agriculture



Eligible Social Projects

Socioeconomic advancement and empowerment

Health, healthcare and wellbeing

Employment Generation, including through the potential effect of SME financing and microfinance (including ECLGS)

Education and Vocational training

Affordable housing (focusing on Pradhan Mantri Awas Yojna- PMAY) and Social infrastructure

➔ Additionally, the Framework also includes a list of industries that are excluded from consideration.

The Framework can be accessed online on the Bank's website at <https://www.axisbank.com/docs/default-source/default-document-library/axis-bank-sustainable-financing-framework.pdf>.

D ALIGNING TO THE TCFD

We acknowledge the role of the TCFD in developing globally acceptable climate-related financial disclosures. Its recommendations around the four pillars of Governance, Strategy, Risk Management and Metrics, and Targets are now being widely adopted by regulators, investors and financial institutions to guide climate-related disclosures within their respective geographies or portfolios, as the case may be.

The Task Force also recommends undertaking climate-related scenario analysis as a way for reporting organisations to further strengthen their longer-term strategy. Under the guidance of the ESG Committee, we continue to work towards developing our capabilities to conduct climate-related stress testing and scenario analysis for our lending portfolio, as a part of our long-term action plan.

We believe that we are steadily strengthening our alignment to the TCFD recommendations and have put in the necessary levers around each of the four core elements of Governance, Strategy, Risk Management and Metrics and Targets. We are also participating in the wider discussion on Climate Risk Management at the national level and have engaged with our peers, industry associations and regulators. We have called for a unified and equal approach that provides all stakeholders a level-playing field while helping move the needle on climate action.

E CAPACITY BUILDING

Key members from our Risk, Corporate Credit and Sustainability verticals participated in an intense training programme on ESG/Climate Risks under the UK PACT a Government of the UK initiative that aims to help developing economies in Asia, Latin America and Africa accelerate their low-carbon transition. The training programme was conducted by ESG/climate experts from ODI, Climate Bonds Initiative and AuctusESG.



Alignment with Global Sustainable Development Agenda

The principles of equitable and sustainable development are the most prominent tenets guiding global economic activity today. As large organisations move from 'profit' to 'purpose' and investors, regulators and civil society rapidly adopt the principles of E, S and G, we remain cognizant of our responsibility to actively participate in and nudge forward India's equitable and sustainable economic transition. We have aligned pertinent business and non-business activities to the Sustainable Development Goals.

SDG	Axis Bank Programs	Output and Outcome*	Page #
	Coverage of national social security schemes under Axis Sahyog programme	12.8 lakhs savings accounts under PMJDY 9.9 lakhs+ borrowers under MUDRA Scheme	47
	Building rural resilience under ABF's Sustainable Livelihoods Programme	1.03 million households reached under ABF's Mission 2 Million Across 12,436 villages where ABF is active	
	Strengthening India's Healthcare Infrastructure through SAMRIDH Healthcare Blended Finance	150 Million to SAMRIDH Healthcare Blended Finance to Strengthen India's Healthcare Infrastructure	49 & 50
	Axis DilSe Programme in Manipur	300+ students	81
	Axis Bank Scholarship Programme at Ashoka University	10 women Axis Bank Scholars	
	Museum of Solutions for children at Mumbai	Under construction, scheduled to open in FY 23	82
	Axis Bank Scholarship Programme at Plaksha University	16 Axis Bank Scholars	82
	CSR programme in Financial Literacy and Financial Inclusion under Axis Sahyog	13.7 lakhs+ participants reached	82
	Retail Loans in Education sector	~23,000 customers	49
	Women-led SHGs under Axis Sahyog Microfinance Programme	18.7 lakhs+ women borrowers	47
	Diversity, Equity, and Inclusion at Axis Bank	Axis Women in Motion programme We Lead initiative D, E & I Policy launched ComeAsYouAre Charter Launched	61 & 63
	POSH Policy and governance mechanisms	Mandatory, Bank-wide POSH training in place	66
	Solar power generation and renewable energy procurement at branches and offices	7.05 MW in-house solar capacity	87
	Wholesale Lending and financing Portfolio in renewable energy	~₹12,255 crores green corporate lending portfolio	49
	Internal energy efficiency initiatives	~ 9745 tCO₂e emission avoided	89

SDG	Axis Bank Programs	Output and Outcome*	Page #
	Skill development interventions under Sustainable Livelihoods Programme by ABF	~38,000 Youth Trained ~14,000 PwDs Trained	77
	Lending and financing to greener infrastructure, including mass transport and green buildings	~₹12,255 green corporate lending portfolio	49
	Axis Sahyog Microfinance programme	~3.6 lakhs new ₹3,074 crores disbursed	47 & 48
	Lending to the affordable housing sector by Axis Bank	~69,000 customers, with outstanding portfolio of ~₹7,800 crores	48 & 49
	Urban Development partnerships under Government Coverage	Pan-India mandates under Aadhar-enabled services, Smart-Cities Mission, Government e-Marketplace, FDMS	55 & 56
	Lending to Mass Rapid Transport and green buildings under sustainable portfolio	~₹12,255 crores green corporate lending portfolio	49
	Promoting sustainable agricultural practices, watershed development and soil conservation under ABF's Sustainable Livelihoods programme	Management of natural resources among rural communities	
	Waste management initiatives in Axis Bank offices	31.29 tonnes of wet and dry waste processed from 13 large offices across India 83.12 tonnes of e-waste responsibly disposed	
	Lending and financing to Renewable energy sectors under sustainable finance portfolio	₹ 12,255 green corporate lending portfolio	49
	Climate resilience interventions under Sustainable Livelihoods programme by ABF	Watershed management Conservation and regeneration of natural resources	
	Interventions under Rural Livelihoods by ABFs	BOOSTING ACCESS TO NATURAL RESOURCES Developing rural economies Ensuring long-term impact Empowering future generations	75 & 77

* As on March 31, 2022 or in FY 2021-22, as applicable