Axis Bank issued its inaugural Green Bond of USD 500 mn (ISIN XS1410341389) in June 2016. The bond was the first external-party certified Green Bond by an Asian Bank – Axis Bank’s Green Bond was certified by Climate Bonds Initiative standards. It was also the first bond issued from India to be listed on the London Stock Exchange.

The Bank issued the bond under the ‘Green Bond Framework’ established by the Bank. The framework defined the bond’s use of proceeds, selection and evaluation of projects, monitoring the utilisation of proceeds and reporting. The framework was assured by KPMG to be in compliance with the Climate Bonds Initiative standards.

Accordingly, the proceeds of the Green Bond were allocated to renewable energy projects, low carbon transport projects and energy efficient buildings. In order to monitor the proceeds, a Green Bond Committee was constituted during the year. Proceeds are tracked monthly and shortfall, if any, was timely parked in government securities and other money market instruments.

Post the issuance we engaged KPMG to provide assurance that the utilisation of proceeds and the internal controls for tracking the allocation are as per our Green Bond framework.

KPMG has conducted their review and assessment in March 2017 and the Assurance Report of KPMG is provided in the appendix to this report. We have also obtained certification from Climate Bonds Initiative for same.

### Green Bond Allocation Details

<table>
<thead>
<tr>
<th>Sector</th>
<th>Allocation as of 31st March 2017 (USD mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Building</td>
<td>118.19</td>
</tr>
<tr>
<td>Solar</td>
<td>55.98</td>
</tr>
<tr>
<td>Urban Mass Transport</td>
<td>29.74</td>
</tr>
<tr>
<td>Wind</td>
<td>188.13</td>
</tr>
<tr>
<td>Total</td>
<td>392.04</td>
</tr>
</tbody>
</table>

### Number of Projects to which the funds have been allocated

<table>
<thead>
<tr>
<th>Sector</th>
<th>Count of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar</td>
<td>11</td>
</tr>
<tr>
<td>Wind</td>
<td>11</td>
</tr>
<tr>
<td>Urban Mass Transport</td>
<td>1</td>
</tr>
<tr>
<td>Energy Efficient Building</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
</tr>
</tbody>
</table>
Impact Assessment from the projects to which funds are allocated

**Unutilised Proceeds**
As per the Green Bond Framework, any shortfall in allocation of Green Bond proceeds is permitted to be invested in money market instruments and government securities.
Accordingly, as on 31st March 2017, the Bank has USD 107.96 mn of ‘unutilised proceeds’, which have been temporarily parked into liquid Government of India Bonds.

**Select Case Studies**

**A. Doddanavar Global Energy**
Some regions in the state of Karnataka suffer from acute power shortage. Conventional sources of energy were unfeasible due to rising fuel costs, and the resultant pollution.
Doddanavar Energy therefore decided to harness wind energy, which is found in abundance in the region. The Government also supported the project by permitting ‘Wheeling and Banking of Wind Energy’ which helps in supplying of power directly to industries making sale of power easy and more profitable.
The group has already commissioned a 15MW wind energy project and are in process to commission another 32 MW wind energy project.
Apart from the Head Office, preference is also given for green features in the leased premises for our branches and other offices. Overall Axis bank has 5 MW of rooftop solar capacity. We have installed total of 5 MW of solar energy across all our operations which translates to an annualized reduction in emissions of 3,377 tCO₂e.

Our corporate office building ‘Axis House’ is platinum-rated LEED (Leadership in Energy and Environment Design) certified green building. The building has incorporated a multitude of green features at the design stage to help lower its environmental impacts. Some of the key features of the building include:

- maximum use of natural light
- use of renewable energy for part energy load requirement
- recycling and reuse of waste-water through sewage treatment plant
- rainwater harvesting system
- ‘Greenguard’ compliant furniture/fixtures
- low toxicity levels of carpets and furniture.

Heating Ventilation and Conditioning (HVAC)’ system in Axis House was optimised and retrofit of Air Handling Unit (AHU) at NPC II was completed.

Apart from the Head Office, preference is also given for green features in the leased premises for our branches and other offices. Overall Axis bank has 5 MW of rooftop solar capacity. We have installed total of 5 MW of solar energy across all our operations which translates to an annualized reduction in emissions of 3,377 tCO₂e.

Notes

1) The Central Electricity Authority, a statutory body under Ministry of Power, Govt. of India has published CO2 baseline database for the Indian power grid under the Clean Development Mechanism (CDM) of UNFCCC Kyoto Protocol. The CO2 emission factor of Indian power grid indicates the carbon intensity of the grid. ([http://www.cea.nic.in/reports/others/thermal/tpece/cdm_co2/user_guide_ver11.pdf](http://www.cea.nic.in/reports/others/thermal/tpece/cdm_co2/user_guide_ver11.pdf))

2) As per Energy Modelling Report for baseline conventional building of similar size and capacity as that of Axis House, the baseline electricity consumption is 7,878 MWh. This data is as per submission made to the US Green Building Council (USGBC) for LEED Certification of Axis House premises. However, the actual electricity consumption for the premises during FY16-17 is 6388 MWh. The difference in electricity consumption is multiplied with CO2 emission of Indian power grid to arrive at the CO2 emission reduction achieved by Axis House.
Certification

This is to certify that the
First green senior unsecured term notes to be issued under the Global Medium Term Notes programme

Issued by

Axis Bank Ltd.

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative

Sean Kidney
Chair of the Climate Bonds Standard Board

14.05.2016
Independent Assurance Statement

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

Introduction

Axis Bank Limited (issuer) has issued a green bond for USD 500 million on 1 June 2016. We were engaged by the issuer to confirm that they and their bond are in conformance with the post-issuance requirements of the Climate Bonds Standard Version 2.1.

Assurance Standards

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

Assurance scope and level of assurance

Our scope of assurance included information on material aspects of the green bond based on post-issuance requirements of the Climate Bonds Standards Version 2.1 as listed below:

Part A: General Requirements
- Nominated projects and assets
- Use of proceeds
- Non-contamination of proceeds
- Confidentiality
- Reporting

Part B: Eligible Projects & Assets
- Climate Bonds Taxonomy
- Technical Criteria

Part C: Requirements for Specific Bonds Types
- Project Holding
- Settlement Period
- Earmarking

Specific limitations and exclusions

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

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

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

To reach our conclusion we:

- Checked the Issuer’s Green Bond Framework that includes processes, systems and controls in place for management of bond proceeds; investment areas for green bond proceeds and intended types of temporary investment instruments for the management of unallocated proceeds;
- Read sections of the bond disclosure documentation that also support the objects of the green bond issue, investment areas, earmarking of proceeds, reporting on use of proceeds and intended types of temporary investment instruments for the management of unallocated proceeds;
- Conducted interviews with management and key staff responsible for the green bond to understand how the processes, systems and controls defined in the Green Bond Framework have been implemented post issuance of the bond;
- Checked the list of projects to which bond proceeds have been allocated and their conformance with the criteria defined in the Green Bond Framework, bond disclosure documentation and Part B of the Climate Bonds Standard;
- Checked a sample set of loan proposal documents approved by Issuer’s management for disbursement to project developers that includes the description of the nominated projects and assets and purpose of the loan disbursed;
- Confirmed the amount of bond proceeds allocated to nominated projects and assets through examination of Issuer’s internal system for tracking use of proceeds and subsequently reported in the Issuer’s Green Assets Register;
- Confirmed the investment of unallocated bond proceeds to government securities through examination of Issuer’s internal systems; and
- Recalculated estimated annualized greenhouse gas (GHG) emission reductions from projects using information collected by the Issuer.

Conclusions

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

Nothing has come to our attention to suggest that the Issuer and their green bond issued on 1 June 2016 are not, in all material respects, conforming to the post-issuance requirements of the Climate Bonds Standard Version 2.1.

Independence

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

Management’s responsibility

The Management of the Issuer is responsible for ensuring that the Issuer and their green bond complies with the requirements of the Climate Bonds Standard Version 2.1. This responsibility includes designing, implementing and maintaining systems and processes relevant for the management of green bond proceeds.

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

Our responsibility

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

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

Santhosh Jayaram
Partner
KPMG India
31 March 2017