

# Green Bond Impact Report 2019-20

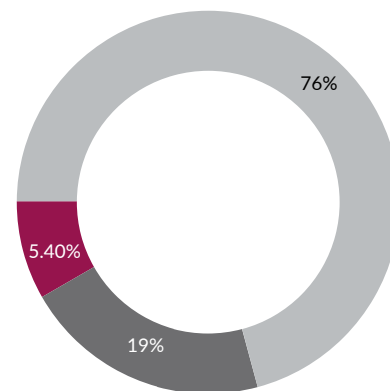
Axis Bank issued its inaugural Green Bond of USD 500 Mn (ISIN XS1410341389) in June 2016. The bond was the first certified Green Bond by an Asian Bank – Axis Bank’s Green Bond was certified under Climate Bonds Initiative standards version 2.1. It was also the first bond issued from India to be listed on London Stock Exchange.

The proceeds of the Bond are being managed as per the ‘Green Bond Framework’ created by the Bank that defines the use of proceeds, criteria for selection and evaluation of projects, monitoring the utilisation of proceeds and reporting guidelines. In line with the post-issuance requirements under Climate Bonds Version 2.1, the Bank engaged a competent third party to independently review and assure the framework put in place prior to issuance as well as the post-issuance process. The Independent Assurance Report by KPMG is provided as an annexure to this Report.

As on 31<sup>st</sup> March, 2020, the proceeds of the Green Bond have been allocated to renewable energy production, urban mass transportation and green buildings. As per the issuance covenants, any shortfalls, if any, was merely parked in government securities and other money market instruments. The proceeds are monitored and reported monthly under a Green Bond Asset Register that is reviewed and approved up till the Board Member level.

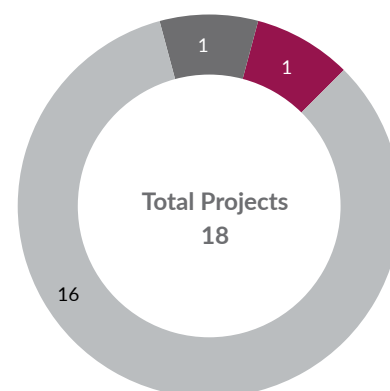
As on 31<sup>st</sup> March 2020, bank had allocated approximately 79% of its total proceeds, as detailed below, with the shortfall temporarily invested into government securities, in line with the post-issuance requirements. The shortfall in allocation was also due to the paying down of previous loans during the reporting period.

## Sector-wise allocation of the allocated proceeds as on 31 March 2020 (in %)



■ Wind and Solar ■ Urban Mass Transport  
■ Energy Efficient Buildings

## Number of Projects to which Proceeds have been allocated, as on 31 March 2020



■ Wind and Solar ■ Urban Mass Transport  
■ Energy Efficient Buildings



The Bank issued its second green bond, of USD 40 million, in April 2019 through its GIFT City Branch, which have been subsequently added to the Bank’s Green Bond Asset Register with proceeds being tracked cumulatively.

## Impact Assessment of the projects to which funds are allocated



**1.52 Million  
tCO<sub>2</sub>e\***

Emissions avoided  
from renewable  
power generation



**1.85 Billion  
units\*\***

Of renewable power  
generated



**118 tonnes**

Of wet and dry  
waste recycled at  
Axis House, Mumbai



**~2,000 KL**

Of rain water  
harvesting at Axis  
House annually

The impact numbers highlighted above have been externally assured by DNV GL as part of the assurance of the Bank's annual Sustainability Report 2019-20.

*\* The emissions have been calculated from units generated from the wind and solar power generation projects in the Green Bond Asset Register of the Bank as on 31 March 2020.*

*\*\* This number includes the power export figures from the pertinent wind and solar projects only, and does not consider T&D losses or auxiliary consumption.*

## Case Study - Financing Green Buildings



Axis House, the corporate headquarters of Axis Bank at Mumbai is a certified Green building by Indian Green Building Council (IGBC). The Bank has invested in Axis House towards incorporating technologies and solutions that improve energy, water and waste management of the premises. In addition, the Bank has invested in solar rooftop installations that support lowering the building's carbon footprint.

- Renewable energy generation: As on March 2020, the Bank has an overall installed solar power capacity of 7.05 MW across 245 locations, that includes Axis House, Mumbai and a 2 MW plant at Solapur, Maharashtra. The building has 220 KW capacity of roof top solar installations, generating electricity to meet the energy requirement of the building, and the Bank also offsets its grid power consumption with the clean electricity generated at the Solapur facility.
- Energy and Resource efficiency: Axis House deploys several energy efficiency measures that help reduce the building's energy consumption and carbon emissions associated with it. Some of the measures include replacement of all conventional lightings with LED light fittings, installation of motion sensors at workstations and common area lighting, and maintenance of unity power factor through APFC panels in auto mode for optimum use of power.

**Waste management:** The building has a centralised and robust waste management system to segregate, collect, transport and recycle different categories of waste generated. In the reporting period, 118 tonnes of dry and wet waste such as printing papers, newspapers, magazines, paper cups, food waste etc were recycled. Dry waste is converted into usable stationery items such as notebooks and notepads and wet waste is converted into compost through a composting machine within the premises. The Bank has agreements in place with authorized and government empanelled vendors for disposal of e-waste items from across all its locations, including Axis House.

The Bank has also invested in making Axis House a water-efficient facility and has taken several steps to minimise consumption and increase recycling. These include use of aerator taps and sensors to optimize water flow at washrooms and bio-blocks at the urinals. Axis house recycles 150 KL of water daily through its sewage treatment plant with the treated water used for gardening and landscaping purposes. Axis House also harvests close to 2,000 KL of rain water annually for the building's use.



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## Independent Assurance Statement

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

### Introduction

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 Bond 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