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**Axis Bank**

**Sustainable Financing Framework**

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**July 2021**

## Table of Contents

<b>1. Introduction.....</b>	<b>3</b>
1.1 Company Overview.....	3
1.2 Sustainability strategy and vision .....	3
1.2.1 Axis Bank’s and Sustainable Finance .....	4
1.2.2 Sustainable Lending Portfolio .....	4
1.2.3 Priority Sector Lending.....	5
1.2.4 Direct Environmental Impacts .....	5
<b>2. Axis Bank Sustainable Financing Framework Overview .....</b>	<b>7</b>
2.1 Use of Proceeds .....	8
2.1.1 Eligible Green Project Categories .....	9
2.1.2 Eligible Social Project Categories .....	11
2.1.3 Exclusions .....	14
2.2 Process for Project Evaluation and Selection.....	14
2.3 Management of Proceeds .....	15
2.3.1 Type of Funding Transaction .....	15
2.3.2 Allocation of Use of Proceeds .....	15
2.4 Reporting .....	16
2.4.1 Allocation Reporting.....	16
2.4.2 Impact Reporting .....	16
<b>3. External Review .....</b>	<b>17</b>
<b>Appendix: .....</b>	<b>18</b>

## 1. Introduction

### 1.1 Company Overview

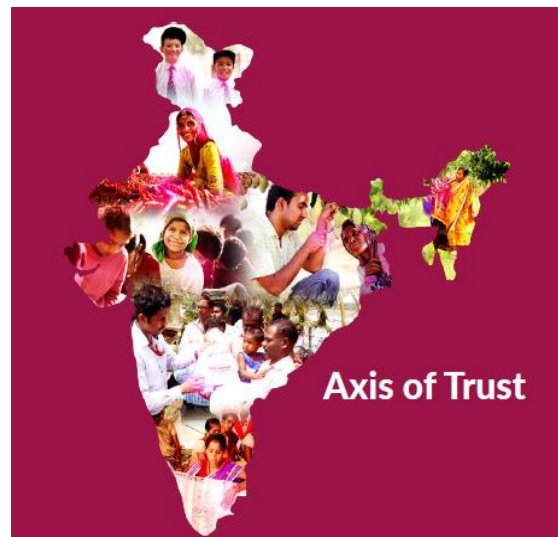
Axis Bank is one of the leading private sector banks in India, offering a wide range of products and services to corporate, government and retail customers through a variety of delivery channels. The Bank commenced operations with the opening of its first branch in Ahmedabad in April 1994 and since then has emerged as one of India's leading financial conglomerates with a presence across diverse segments of the economy.

For over 27 years, Axis Bank has strived to stand by its customers and other stakeholders as a trustworthy and supportive partner, helping them fulfil their financial aspirations and realising their personal ambitions.

Axis Bank has presence across 28 states and 8 union territories in India, operating 4,594 branches and extension counters in 2,596 centres in 667 districts, as on 31<sup>st</sup> March 2021.

The Bank has overseas branches at Singapore, DIFC - Dubai and an Offshore Banking Unit at the International Financial Service Centre (IFSC), Gujarat International Finance Tec-City (GIFT City). It also has representative offices in Dubai, Abu

Dhabi, Sharjah, and Dhaka and a subsidiary in London. The Bank has entered into an agreement with OpenPayd Holdings for sale of Axis Bank UK Limited, its subsidiary in London.



### 1.2 Sustainability strategy and vision

As the global banking landscape changes to be more aligned with the universal developmental goals and ambitions, the true purpose of financial institutions is emerging to catalyze actions that can help create long term, positive impacts across society through their banking and lending activities. Axis Bank remains cognizant of the criticality of adopting the principles of ESG (Environmental, Social and Governance) into its business strategy and conduct; and is working towards strengthening the pillars to build a future-proof and high-impact ESG strategy.

During the year, the Bank formed an ESG Steering Committee chaired by its Executive Director (Corporate Centre) and comprising of senior officials, with the mandate to guide and support the Board and business divisions of the Bank, in matters of sustainability. The Charter of the CSR Committee has been amended to facilitate review of the initiatives taken by the Bank from a sustainability perspective.

### 1.2.1 Axis Bank and Sustainable Finance

As a leading financial institution, Axis Bank facilitates financial flows into diverse aspects of the Indian economy, touching myriad sections of society. In alignment with the global sustainable development agenda led by the Sustainable Development Goals and the Paris Agreement, the Bank has strived to strengthen its sustainable financing practices and portfolio, lending to 'green' sectors including renewable energy generation, mass transport, low carbon infrastructure and waste management, as well as strengthening its overall environmental and social (E&S) risk assessment capabilities.

As on 31 March 2020, the Bank's overall exposure to such 'sustainable' sectors including renewable energy (including large hydro), urban mass transport, and green buildings, stood at ₹64.47 Billion, up from ₹54.98 Billion in the previous reporting year.

In March 2020, the Government of India declared large hydropower projects to be classified as renewable energy source and the Bank's reported sustainable sectors portfolio as on 31 March, 2020 includes the Bank's large hydro exposure.

In 2016, Axis Bank launched India's first certified, dollar-denominated green bond by an Asian bank, raising USD 500 million. Towards ensuring transparency in the use of proceeds and improving impact measurement, the Bank released its Green Bond Framework in alignment with Climate Bonds Initiative's Standard version 2.1. The total funded green exposure under the Green bond issuance was ₹46.05 Billion as on 31 March, 2021.

### 1.2.2 Sustainable Lending Portfolio

The Bank has in place the Environment, Social and Governance (ESG) Policy<sup>1</sup> that integrates environmental and social risk assessment into its credit appraisal mechanism. Environment, Social & Governance (ESG) Policy is applicable, subject to certain internal criteria/thresholds, to project loans/corporate loans/lines of credit (including working capital term loans); Bridge loans provided by Axis Bank pending final sanction of the project loan by Axis Bank; Overseas funding, Consortium / multiple banking; Syndicated by other banks; Refinance transactions.

Axis Bank recognises that international risk management frameworks, adopted by financial institutions, have promoted convergence around common environmental and social standards for lending and project finance. We have thus developed the ESG Policy in cognizance of the following Standards for Environment & Social Risk Assessment of Lending Portfolio:

- ❖ Applicable Indian national, state and local regulatory requirements;
- ❖ The IFC Performance Standards (PS1 to PS8) Framework 2012 for Environmental and Social Sustainability;

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<sup>1</sup> ESG Policy may be subjected to internal review and modification from time to time.

- ❖ The World Bank Group General Environment, Health & Safety (EHS) Guidelines and Sector Specific Guidelines;
- ❖ Relevant multilateral environmental, social, labor and biodiversity conventions ratified by India;
- ❖ National Voluntary Guidelines, Ministry of Corporate Affairs, 12th July 2011; and
- ❖ G4 Sector Disclosure for Financial Services.

The risk categorisation of credit proposals is primarily adapted from IFC's Sustainability Framework, and is used to identify the key areas/themes to focus the scope of the Environmental and Social Due Diligence (ESDD). During FY 2020-21, a total of 37 proposals were assessed under ESG Policy. A summary of the Policy can be accessed on the [Bank's website](#).

### **1.2.3 Priority Sector Lending**

In line with the Priority Sector Lending ("PSL") guidelines by the Reserve Bank of India<sup>2</sup>, Priority Sector advances include loans to the agriculture sector, micro and small enterprises, financial inclusion sector, microfinance loans, loans to certain weaker sectors, housing and education finance up to certain ceilings, and loans to fund the purchase of eligible assets and investments in eligible securitised assets.

The Bank has focused on increasing its emphasis on its product offerings to MSMEs, Agri Sector and economically weaker segments, increasingly deploying digital lending channels to facilitate quicker turnaround time for sanction and disbursement of loans to various segments. The Bank is also working on developing newer platforms that will help reach out to potential borrowers and offer our solutions seamlessly. It continues to focus on augmenting the small ticket size loans with competitive features and products such as crop loans to small and marginal farmers (Definition provided in Appendix 2). Microfinance business, targeted at women borrowers from low income households, is being scaled up. Notably, the Bank has been working towards increasing its presence in specific rural and semi urban geographies across India, especially where it perceives to have lesser penetration in agricultural advances and MSME lending. In addition, it continues to undertake activities promoting financial literacy and awareness aimed at the under banked.

### **1.2.4 Direct Environmental Impacts**

As a service sector organisation with a nation-wide presence and an employee strength of close to 80 thousand employees, the Bank's direct environmental footprint primarily revolves around the resources that it consumes to conduct its day to day operations, such as electricity and paper,

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<sup>2</sup> Priority Sector Lending (PSL) from the Reserve Bank of India (RBI): [https://www.rbi.org.in/Scripts/BS\\_ViewMasDirections.aspx?id=11959](https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959)

resources required for business related travel of any kind, and the resources consumed by and for its employees.

Being a service-oriented industry, the primary energy source contributing to the carbon footprint is purchased electricity from the grid and use of diesel generator sets for on-site power generation as a secondary source. In order to reduce the consumption of fossil fuel-based energy, the Bank has strived to increase adoption of renewable energy sources, such as installation of roof top solar panels across offices and branches, entering into power purchase agreements with renewable power suppliers, and investing in energy efficiency and resource efficiency initiatives.

The Bank has a Policy on Environmental Management which guides its environment-related actions across all its operational locations in India. Important areas of intervention incorporated within the policy include rationalisation of resource consumption, reduction in waste output, increased adoption of clean energy, strengthening employee awareness and participation, among other such guiding principles. The overall installed renewable energy capacity at the Bank was 7.05 MW as on 31 March 2020, generating approximately 102,484 GJ of electricity. The Bank has taken an aspirational target of reducing its specific carbon emissions (Scope 1 and Scope 2 emissions per FTE) by 5% year on year, from FY 2020-21 onwards.

## 2. Axis Bank Sustainable Financing Framework Overview

Axis Bank's Sustainable Financing Framework ("The Framework") was developed with the objective of reinforcing Axis Bank's capabilities in financing green and social projects<sup>3</sup>, which contribute to the UN SDGs as well as the Paris Agreement. Axis Bank has already issued a Green Bond in 2016 under its Green Bond Framework, and now aims to create a Sustainable Financing Framework in order to raise investments for financing/ refinancing environmental and Social Projects, as well as projects with both social and environmental impact. Through this new Framework, Axis Bank aims to mobilise investors to contribute capital towards the realisation of the UN SDGs.

Sustainable Financing Transactions ("SFT") will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Projects as defined in this Framework.

- With respect to bonds, bonds issued under this Framework will be aligned with the ICMA principles<sup>4</sup>: 2021 Green Bond Principles ("GBP"), 2021 Social Bond Principles ("SBP") and 2021 Sustainability Bond Guidelines ("SBG") or as they may subsequently be updated, as well as the ASEAN Green Bond Standards, Social Bond Standards and Sustainability Bond Standards.
- With respect to loans, loans issued under this Framework will be aligned with the 2021 Green Loan Principles ("GLP"), 2021 Guidance on Green Loan Principles<sup>5</sup>, or as they may subsequently be amended. Should the loan be used for projects that deliver green and/or social benefits, the loan will be labelled as "sustainable".
- Other SFT may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

SFTs do not place restriction on the tenor and currency; and can include other terms and conditions including covenants, to reflect the financing strategy and plans of Axis Bank as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

SFTs may be executed in any jurisdiction and market reflecting Axis Bank's current and future business needs.

For each SFT, Axis Bank management asserts that it will adopt the following core components of the GBP, SBP, SBG and GLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

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<sup>3</sup> Wherever mentioned, the term "project(s)" refers to project-based lending and general purpose loans for pure-play businesses that derive at least 90% of revenues from activities identified in the eligible categories

<sup>4</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

<sup>5</sup> <https://www.lsta.org/content/green-loan-principles/>

The Framework also covers External Review.

The Framework will be in force as long as there is SFTs outstanding. Axis Bank may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting. Axis Bank commits to communicate any changes made to the framework with investors on its official website (<https://www.axisbank.com/>)

## **2.1 Use of Proceeds**

The net proceeds of the SFTs will be used to finance or refinance, in whole or in part, new or existing Eligible Green Project Categories and Eligible Social Project Categories (“Eligible Project Categories”).

- The proceeds of a Green Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 2.1.1 below.
- The proceeds of a Social Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Social Project Categories set out in Section 2.1.2 below.
- The proceeds of a Sustainability Bond/Loan issued under this Framework will be applied to projects that fall under the Eligible Green Project Categories set out in Section 2.1.1 and Eligible Social Project Categories set out in Section 2.1.2



Eligible Assets may include:

- Loans to businesses and projects for which the use of proceeds meet the Eligibility Criteria;
- Loans to businesses which derive 90 per cent or more of their revenues from activities which meet the Eligibility Criteria; and
- Axis Bank’s own operating or capital expenditures for which the use of proceeds meets the Eligibility Criteria

Eligible Project Categories may include the projects Axis Bank funded during the 36 months prior to the issuance or signing date of the respective SFTs and during the life of the SFTs.



## 2.1.1 Eligible Green Project Categories

Eligible Project Category	Eligible Criteria and Description	UN SDGs
<p><b>Renewable Energy</b></p> 	<ul style="list-style-type: none"> <li>● <b>Solar:</b> <ul style="list-style-type: none"> <li>- Solar energy generation in operation or under construction for:               <ul style="list-style-type: none"> <li>○ Solar electricity generation facilities where a minimum of 85% of electricity generated from the facility is derived from solar energy resources</li> <li>○ Wholly dedicated transmission infrastructure for solar electricity generation facilities<sup>6</sup>.</li> </ul> </li> </ul> </li> <li>● <b>Wind:</b> <ul style="list-style-type: none"> <li>- Wind energy generation in operation or under construction for:               <ul style="list-style-type: none"> <li>○ The development, construction and operation of wind farms</li> <li>○ Operational production or manufacturing facilities<sup>7</sup> wholly dedicated to wind energy development</li> <li>○ Wholly dedicated transmission infrastructure for wind farms</li> </ul> </li> </ul> </li> <li>● <b>Small Hydro and Run of the River Hydro Power<sup>8</sup>:</b> <ul style="list-style-type: none"> <li>- Production, transmission and distribution of renewable energy from hydropower below 25 MW capacity.</li> </ul> </li> </ul>	<p><b>SDG 7.2:</b> By 2030, increase substantially the share of renewable energy in the global energy mix</p>
<p><b>Waste Management</b></p> 	<ul style="list-style-type: none"> <li>● Projects that contribute to waste prevention and collection, waste reduction and waste recycling such as:           <ul style="list-style-type: none"> <li>○ The development, operation and upgrade of recycling facilities for metals, plastic or paper</li> <li>○ Collection<sup>9</sup>, treatment or remediation<sup>10</sup> of hazardous waste or contaminated soil</li> </ul> </li> </ul>	<p><b>SDG 11.4:</b> Strengthen efforts to protect and safeguard cultural and national heritage</p> <p><b>SDG 12.7:</b> Promotion of sustainable procurement practices in accordance with</p>

<sup>6</sup> Covers manufacturers of solar panels and other related accessories

<sup>7</sup> In lending to entities involved in manufacturing of wind turbine blades, Bank shall ensure a confirmation from the manufacturer that Balsa wood, if used in its manufacturing process, is responsibly sourced

<sup>8</sup> For all new hydropower projects, all the conditions as required under the Indian Environment laws for various kind of assessment with respect to the Hydro project will be followed for the Environment & Social risk assessment and their compliances.

<sup>9</sup> Waste segregation is to be done as per the type of waste generated from different sources and as per the requirement of prevalent waste management laws.

<sup>10</sup> The recipient of the loan towards carrying out soil remediation shall not be any entity that itself has caused the need for soil remediation.



- Recycling or composting to divert waste from landfill or improve the efficiency of waste processing (waste to energy<sup>11</sup> including using biomass<sup>12</sup> as feedstock)

national policies and priorities

### **Clean Transportation**



- All infrastructure, infrastructure upgrades, rolling stock and vehicles for electrified public transport, including electrified rail, trams, trolleybuses and cable cars. Buses with no direct emissions (electric and hydrogen).
- Bus Rapid Transit (BRT) Systems- Components<sup>13</sup> of any BRT project meeting Bronze, Silver or Gold score under the BRT Standard<sup>14</sup> as developed by the Institute of Transportation and Development Policy
- Development, manufacture and acquisition of low-carbon land transport such as passenger cars and commercial vehicles - zero tailpipe emission vehicles (e.g., hydrogen, fuel cell and electric vehicles) and hybrid vehicles with tailpipe CO<sub>2</sub> emissions below 75 gCO<sub>2</sub> per passenger-kilometre (pkm)
- Development of infrastructure for low-carbon land transport (private and public) - projects related to capacity or energy efficiency improvement (e.g., station upgrade, improved signaling equipment), electric charging stations, and electricity grid connection upgrade
- Infrastructure for zero direct emission water transport - batteries, hydrogen fueling facilities

**SDG 9.1:**  
Quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being

**SDG 11.6:**  
Reduced adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

### **Green Buildings**



- For Buildings located in cities<sup>15</sup>
- Have achieved LEED gold or above certification, or equivalent certifications under other internationally recognized building standards such as BREEAM (excellent to outstanding)\* and Green Star (5 star and 6 star)\*\* , within the last 5 years

And

- Achieve a minimum 30% emissions improvement against ASHRAE 90.1 criteria (a part of the LEED standard) or equivalent stringency of additional emissions improvements under other building standards

Or

- Meet the carbon hurdles set in the IFC's Edge tool<sup>16</sup>
- Meet the GRIHA 4 to 5 Star Rating & IGBC Gold standards

**SDG 11.6:**  
Reduced adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

<sup>11</sup> Waste to energy (W2E) projects in India are primarily municipal projects, run directly by an urban local body or government entity, or it may also be run by private parties under PPP or outsourcing agreements. Modern W2E projects segregate waste prior to incineration and have systems in place for proper disposal of post incineration waste.

<sup>12</sup> Only include projects with feedstock not competing with food source and non-virgin.

<sup>13</sup>The bank shall strive to ensure that any BRT system it funds under this framework shall follow the direct emission threshold of <50gCO<sub>2</sub>e/p-km as identified by WLTP (Worldwide Harmonised Light duty vehicle Test Procedure).

<sup>14</sup> <https://www.itdp.org/library/standards-and-guides/the-bus-rapid-transit-standard/the-scorecard/>

<sup>15</sup> Under the framework, the Bank shall not lend to any green building designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels

<sup>16</sup> <https://edgebuildings.com/certify/>

\* <https://www.breeam.com/discover/how-breeam-certification-works/>

\*\* <https://qbca-web.s3.amazonaws.com/media/documents/introducing-green-star.pdf>

**Sustainable  
Agriculture**





- Sustainable management of agriculture via implementation of sustainable agriculture techniques and sustainable agricultural production<sup>17</sup>.
- Sustainable agriculture techniques may include:
  - Remediation and restoration of degraded soil
  - Minimum or no use of synthetic fertilizer and pesticide
  - Crop rotation
  - No-till farming
  - Precision farming
  - Drip irrigation
  - Zero Budget Natural Farming

**SDG 15.5:**

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

**2.1.2 Eligible Social Project Categories**

Eligible Project Category	Eligible Criteria and Description	UN SDGs
<p><b>Socioeconomic advancement and empowerment</b></p>  	<ul style="list-style-type: none"> <li>• Loans to companies in deprived areas<sup>18</sup></li> <li>• Support projects aiming a productive employment and decent work for all, including for persons with disabilities and young people, and equal pay for work of equal value.</li> <li>• Gender equality – microfinance for women SHGs/onward MF companies. Bank has significant JLG portfolio already</li> <li>• Women founded start-ups/MSMEs<sup>19</sup> which are majority-owned or majority-managed (at the most senior level) by women (where majority means more than 50%)</li> </ul>	<p><b>SDG 5.5:</b> Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p> <p><b>SDG8.5:</b> 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</p>

<sup>17</sup> Including Farm Credit, lending for Agriculture Infrastructure and Ancillary Activities as specified in PSL

<sup>18</sup> List of India’s least developed Districts, a list of about 100 districts identified by NITI aayog called aspirational districts. [https://www.business-standard.com/article/current-affairs/niti-aayog-fine-tuning-indicators-for-ranking-most-backward-districts-kant-120092801444\\_1.html](https://www.business-standard.com/article/current-affairs/niti-aayog-fine-tuning-indicators-for-ranking-most-backward-districts-kant-120092801444_1.html)

<sup>19</sup> The definition of MSMEs will be as per Government of India (Gol), Gazette Notification S.O. 2119 (E) 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. [IndianGazzate02072020.pdf](http://IndianGazzate02072020.pdf) (rbi.org.in)

### Health, Healthcare and Wellbeing



- Financing related to the construction, equipment or operation of activities that expand access to healthcare such as<sup>20</sup>:
  - Public hospitals, clinics and healthcare centres
  - Private hospitals<sup>21</sup> which are not for profit
- Financing to support vaccine manufacturing<sup>22</sup> and distribution
- Medical, healthcare, education, financial services support for natural disaster (including pandemic)
- Supports for medical colleges and nursing colleges with purpose of enhancing basic medical care

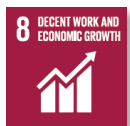
#### **SDG 3.8:**

Health coverage and access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all

#### **SDG 3.C:**

Increase in health financing and the recruitment, development, training and retention of the health workforce in developing countries

### Employment generation, including through the potential effect of MSME financing and microfinance



- MSME<sup>23</sup> financing and microfinance: support MSMEs who suffer from natural disaster (including pandemic<sup>24</sup>):
  - Providing loans at discounted rate and enlarged lending volume
  - Waiving collateral requirement with accelerated process
- Loans to entities involved in assisting the decentralized sector in the supply of inputs and marketing of output of artisans, village and cottage industries<sup>25</sup>.

#### **SDG 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

- Financing related to the construction, equipment or operation of activities that expand access to education<sup>26</sup> such as:
  - Tertiary or vocational education that is public or not for profit

#### **SDG 4.4:**

Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

<sup>20</sup>Including loans up to a limit of ₹10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres. up to a limit of ₹10 crore per borrower for building health as specified in PSL

<sup>21</sup> In financing the eligible projects/ entities, the Bank shall require a confirmation of accessibility to all, including those from economically weaker sections (as defined by Government of India)

<sup>22</sup> In financing towards supporting vaccine manufacturing, the Bank shall require a confirmation from the manufacturer that its manufactured vaccines are accessible to all

<sup>23</sup> The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) 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. [IndianGazzate02072020.pdf](http://IndianGazzate02072020.pdf) ([rbi.org.in](http://rbi.org.in))

<sup>24</sup> This includes lending under ECLGS (Emergency Credit Line Guarantee Scheme) launched by Government of India. This additionally includes sectors which are identified by RBI as eligible for ON TAP TLTRO facility in order to ease stress for the economy under COVID-19.

<sup>25</sup> The Bank shall strive to ensure that funding in this category is provided only to eligible entities as defined by the GoI and RBI.

<sup>26</sup> Including activities that improve educational infrastructure. In financing the eligible entities or projects, the Bank shall require a confirmation of accessibility to all, including those from economically weaker sections (as defined by Government of India).



- o Activities that improve educational infrastructure, such as construction of campuses or training facilities

**SDG 4.7:**

Learners to acquire knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development



**SDG 10.2:**

Social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

**Affordable Housing and Social Infrastructure**



- Bank loans for affordable housing projects in India with carpet area up to 60 sq. m<sup>27</sup>
- Bank loans up to a limit of ₹5 crore per borrower for setting up schools, drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and water improvements at household level, etc.

**SDG 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

The aforementioned project categories/criteria may provide direct or indirect benefit(s) to one or more of the following target population:

- Low income households/Population below poverty line<sup>28</sup>
- Rural communities
- Women
- Children
- Youth
- Elderly

<sup>27</sup> 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.

**PSL criteria:** Loans to Individuals upto Rs. 35 lakh in metropolitan centres (with population of ten lakh and above), and upto Rs 25 lakh in other centres for purchase/construction of a dwelling unit per family, provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs. 45 lakh and Rs. 30 lakh, respectively.

In addition to above, the Bank will focus on one of the following criteria under this framework:

1. The target groups as per the [Pradhan Mantri Awas Yojna \(PMAY\)](#) (and various similar schemes, which may vary from time to time and from state to state) for the Economically Weaker Sections. The details of eligibility under the same can be found at: <https://www.axisbank.com/retail/loans/home-loan/pradhan-mantri-awas-yojna/eligibility>
2. Housing in Less developed areas/ states

<sup>28</sup> \$1.90 per day as defined by the World Bank: <https://www.worldbank.org/en/topic/poverty>

- Person with disabilities
- Scheduled Tribes and Scheduled Castes
- Unemployed
- Students under the age of 21
- Poor households living in urban peripheries
- Micro, Small and Medium Enterprises (MSMEs)
- Weaker Sections<sup>29</sup>

### **2.1.3 Exclusions**

The following industries are excluded from consideration for eligibility (“Exclusions”):

- Large-scale hydropower projects (>25 MW capacity)
- Electricity transmission infrastructure / systems where 25 per cent or more of electricity transmitted to the grid is generated using fossil fuels
- Extraction, refining or transportation of fossil fuels
- Nuclear energy
- Agricultural or afforestation operations on land designated as primary forest, high conservation value areas, or legally preserved areas
- Production and refining of palm oil
- Payday loans and predatory lending activities
- Adult entertainment
- Alcohol / alcoholic beverages
- Tobacco products
- Gambling
- Weapons and small arms.

## **2.2 Process for Project Evaluation and Selection**

Axis Bank will perform the credit assessment and due diligence of projects/ assets in accordance with its routine processes already laid down. For any project identified in the above Use of Proceeds categories (and therefore potentially eligible for an Axis Bank Sustainable Bond), the ESG Working Group (as defined below) will undertake a preliminary assessment for inclusion of projects on the basis of above framework criteria. If the criteria are met, the respective project/ asset will be nominated for sustainable bond allocation.

Under Axis Bank’s Sustainable Financing Framework, Eligible Projects are identified and selected via a process that involves participants from various functional areas. An ESG Working Group (“ESGWG”) will be set up, composed of representatives from the below departments with the required level of expertise and seniority:

- Risk Management
- Credit
- Wholesale Banking
- Retail Banking

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<sup>29</sup> Section 16 of PSL, extracted in Appendix I

- Corporate Affairs
- Finance & Accounts (F&A)
- Treasury

The ESGWG will meet once in 3 months to review and select eligible projects/ loan categories according to the criteria outlined in Sections 2.1.1 and 2.1.2 mentioned above. The same will be presented to Head, Treasury & Wholesale Banking Product; Executive Director (Wholesale Banking), Chief Risk Officer (CRO) and Chief Credit Officer (CCO) for approval.

Axis Bank reserves the right to modify the ESGWG in future and/ or add any other relevant departments, as needed.

The ESGWG will ensure that the selected Eligible Project to comply not only with the section of Use of Proceeds but also the environmental and social guidelines under Green Bond Principles and Social Bond Principles which are applicable within Axis Bank.

In addition, the ESGWG will be responsible for managing any future updates of the Framework, including any expansion of requirements of use of proceeds.

Eligible Projects may include new projects, projects under construction or in Axis Bank's portfolio, with a disbursement date no older than 36 months.

## **2.3 Management of Proceeds**

The net proceeds from each SFT issued will be managed by Axis Bank's finance team and the proceeds of each bond will be deposited in the general funding accounts. An amount equal the net proceeds will be earmarked for allocation to Eligible Projects, in accordance with Axis Bank's Sustainable Financing Framework.

Axis Bank's ESGWG will maintain a register to keep track of the use of proceeds for each SFT. The register will contain the following information including:

### **2.3.1 Type of Funding Transaction**

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction.

### **2.3.2 Allocation of Use of Proceeds**

- Name and description of Eligible Projects to which the proceeds of the SFTs have been allocated in accordance with the Framework
- Allocation of the proceeds of SFTs to Eligible Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

Axis Bank is committed to allocating all proceeds from the SFT to Eligible Project on a best effort basis within one year of the Bond issuance in accordance with the evaluation and selection process set out above.

Axis Bank will monitor the allocation to Eligible Project and track the net proceeds through its internal accounting system. Pending allocation, the net proceeds from the SFT(s) issued may be invested in cash or cash equivalents, or other liquid marketable instruments with Axis Bank's treasury and in accordance with its liquidity policies.

During the life of the SFT issued, if the designated Projects cease to fulfil the Eligibility Criteria, or if the Eligible Asset matures before the life of the bond, as may be the case with a Perp AT1, the net proceeds will be re-allocated to replacement Projects that comply with the Eligibility Criteria, as soon as reasonably practicable or can be replaced by investment in liquid marketable instruments.

## **2.4 Reporting**

Axis Bank will report on the allocation of net proceeds and associated impact metrics of its SFT(s) annually until maturity, which will be available in the public domain, and as necessary in the event of material development. Axis Bank may consolidate information of all SFT(s) into one single report.

The information will contain at least the following details:

### **2.4.1 Allocation Reporting**

Axis Bank will provide the following information for the net proceeds of all the SFTs during the reporting period:

- 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
- Share of new financing and refinancing
- Balance of unallocated proceeds at the reporting end-period
- Where feasible, case studies of projects financed<sup>30</sup>.

### **2.4.2 Impact Reporting**

Where possible, Axis Bank will make best efforts to report on the environmental and social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s).

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<sup>30</sup> Subject to confidentiality constraints



Subject to the nature of Eligible Projects and availability of information, Axis Bank aims to include, but not limited to, the following Impact Indicators:

Eligible Project Category	Impact Indicators – Examples
<b>Green Eligible Assets</b>	
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Total renewable Capacity (in MW)</li> <li>Energy generated per year (MWh)</li> <li>GHG emissions avoided per year, reported in tonnes CO2-equivalent (tCO2e)</li> </ul>
<b>Waste Management</b>	<ul style="list-style-type: none"> <li>Waste diverted from landfill per year (tonnes)</li> </ul>
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>GHG emissions avoided per year (tCO2e)</li> <li>New clean transportation infrastructure built (km)</li> <li>Number of electric or low emission land and water transport vehicles produced</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>Building assets by type and green building certification level</li> <li>Energy savings per year (MWh)</li> <li>GHG emissions avoided per year (tCO2e)</li> </ul>
<b>Sustainable Agriculture</b>	<ul style="list-style-type: none"> <li>Area covered by sustainable agricultural land management practices (hectares)</li> </ul>
<b>Social Eligible Assets</b>	
<b>Socioeconomic advancement and empowerment</b>	<ul style="list-style-type: none"> <li>Number of beneficiaries, by gender</li> <li>Number of locations reached (number of villages, blocks or towns)</li> </ul>
<b>Health, Healthcare and Wellbeing</b>	<ul style="list-style-type: none"> <li>Number of beneficiaries/ potential beneficiaries</li> <li>Number of locations reached</li> </ul>
<b>Employment generation, including through the potential effect of SME financing and microfinance</b>	<ul style="list-style-type: none"> <li>Number of jobs created, by gender</li> <li>Number of SMEs and start-up supported or funded</li> </ul>
<b>Education and Vocational Trainings</b>	<ul style="list-style-type: none"> <li>Number of beneficiaries/potential beneficiaries</li> <li>Number of locations reached</li> </ul>
<b>Affordable Housing and Social Infrastructure</b>	<ul style="list-style-type: none"> <li>Number of housing units built or refurbished</li> <li>Amount of housing/social infrastructure loans disbursed to qualifying borrowers</li> </ul>

### 3. External Review

Axis Bank has engaged Sustainalytics to provide an external review on its Sustainable Financing Framework.

Opinion from the external reviewer will be available at [www.axisbank.com](http://www.axisbank.com)

## Appendix:

### Appendix 1 - Weaker Sections from PSL

(i)	Small and Marginal Farmers
(ii)	Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh
(iii)	Beneficiaries under 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)
(iv)	Scheduled Castes and Scheduled Tribes
(v)	Beneficiaries of Differential Rate of Interest (DRI) scheme
(vi)	Self Help Groups
(vii)	Distressed farmers indebted to non-institutional lenders
(viii)	Distressed persons other than farmers, with loan amount not exceeding ₹1 lakh per borrower to prepay their debt to non-institutional lenders
(ix)	Individual women beneficiaries up to ₹1 lakh per borrower (For UCBs, existing loans to women will continue to be classified under weaker sections till their maturity/repayment.)
(x)	Persons with disabilities
(xi)	Minority communities as may be notified by Government of India from time to time.

### Appendix 2 – Definition of small and marginal farmers (SMF), as defined by RBI:

“Farmers with landholding of up to 1 hectare (Marginal Farmers).

Farmers with a landholding of more than 1 hectare and up to 2 hectares (Small Farmers).

Landless agricultural laborers, tenant farmers, oral lessees and share-croppers whose share of landholding is within the limits prescribed for SMFs.”