

Sustainability-Linked Bond Framework

Adani Electricity Mumbai Limited

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MUFG is the Sustainability-Linked Bond Structuring Agent to AEML for this Framework.

1. Introduction

Adani Group at a Glance

Adani Group is a diversified organization in India with combined market cap of \$126 billion (as of 2nd June 2021) comprising of 6 publicly traded companies. It has created world class transport and utility infrastructure portfolio with a pan-India presence. Adani Group is headquartered in Ahmedabad, in the state of Gujarat, India. Over the years, Adani Group has positioned itself as the market leader in the transport logistics and energy utility sectors focusing on large scale infrastructure development in India with O&M practices benchmarked to global standards. With five Investment Grade rated Issuers in its stables, the Adani Group is the only Investment Grade issuer in India in the infrastructure sector.

About Adani Transmission Limited (“ATL”)

ATL is one of the largest power transmission and distribution companies operating in the private sector in India, based on operational ckms of transmission lines. Through its power transmission business, ATL establishes, commissions, operates and maintains transmission systems across India. It has been granted licenses under the Electricity Act for transmission of electricity, as specified under individual licenses. In the financial year ended March 31, 2021, ATL had an average residual concession life of 31 years in transmission projects. As of March 31, 2021, ATL owns, maintains and operates 13,027 ckms of electric transmission lines with a total transformation capacity of 18,455 MVA, and has 23 Transmission Lines with presence in 12 states. ATL also owns 33 substations with a capacity of approximately 18,455 MVA. ATL also has under-construction pipeline of 4,249 ckms transmission network taking total network to 17,276 and transformation capacity to 30,405 MVA.

About Adani Electricity Mumbai Limited (“AEML”)

Since AEML’s inception in 1926, they have been the primary suppliers of electricity to Mumbai, serving approximately 67% of its population and approximately 85% of its geographic area. AEML services consumers in suburban Mumbai and the Mira-Bhayander Municipal Corporation area in the Thane District (adjoining Mumbai), spanning an area of over 400 sq. km. Their integrated electricity generation, transmission and distribution utility, provides electricity to over 3.06 million households connections with an outreach to over 12 million consumers of Mumbai and an annual energy requirement of over 11,600 MUs.

AEML’s integrated electricity supply system also includes 572 ckms of 220 kV transmission lines, consisting of overhead and underground cable systems, eight 220/33 KV extra high voltage (“EHV”) stations, 117no. 220KV bays and 395no. 33KV bays, with installed transformation capacity of 3,250 MVA and embedded 500 MW of power generation. AEML’s ‘grid-to-switch’ integrated platform makes them one of the largest private integrated electric utilities in India.

AEML was 100% owned by ATL, at the time of acquisition of Reliance Infrastructure Limited's integrated Generation, Transmission and Distribution utilities powering Mumbai city. In Financial Year (FY) 2020, a subsidiary of Qatar Investment Authority (QIA) – Qatar Holding LLC, completed the acquisition of 25.10% stake in Adani Electricity Mumbai Ltd (AEML) from Adani Transmission Ltd (ATL). QIA is a marquee investor with multiple investments in infrastructure assets globally, including minority holdings in Iberdola S.A. (Baa1 stable), EDP - Energias de Portugal, S.A. (Baa3 stable) and The Hongkong Electric Company (A- stable).

2. Approach to Sustainability

India is the third-largest producer and consumer of electricity in the world, with a total power generation of 1,381.83 billion units in FY2021¹. The power sector is undergoing a significant transformation over the last few years to ensure procurement of power from clean and sustainable sources. Renewable energy is rapidly growing as a major power source. India has achieved a cumulative installed renewable energy capacity (excluding large hydro) of 92.54 GW out of which 5.47 GW was added in the period April 2020 till January, 2021. During the period from April 2014 to January 2021, the installed RE capacity of India has increased by a multiple factor of 2.5, and in the same period, the installed solar energy capacity has increased a multiple factor of 15. Globally, today India stands 4th in Renewable Energy power capacity, 4th in Wind power, and 5th in Solar Power capacity. India has one of the highest rates of growth for renewable energy in the world. As per Global Trends in Renewable Energy Investment 2020 report, during the period 2014-2019, renewable energy programmes and projects in India attracted an investment of US\$ 64.2 billion (Rs 4.7 lakh crore)². Further, the Government's emphasis on attaining 'Power for all' has accelerated the pace of capacity addition in the country, in turn, broadening the industry outlook. Besides, a relatively sustained economic growth momentum shall continue to drive electricity demand.

In this backdrop, AEML is committed to achieving excellence in environmental performance, preservation and promotion, to maintain a clean and healthy environment. Sustainability is not a philosophy alongside the business strategy; it is hard-wired into what AEML does, and it drives AEML's overall performance and success.

Safety is an integral part of the Adani work culture. AEML has successfully applied behaviour-based safety initiatives which included conducting regular safety audits, awareness campaigns, trainings and assessment programs. The outcome of these initiatives resulted in carrying out safe operations across its areas with the least number of lost time injuries and no fatalities.

¹ Source: Ministry of Power, Government of India

² Source: Ministry of Renewable Energy Annual Report FY21

As AEML strides forward, it will continue undertaking and accomplishing initiatives that shall help enhance the quality of services to its consumers and improve the quality of life of the communities that we engage with.

AEML's Commitment to the UN Sustainable Development Goals ("SDGs")

AEML has centered its business strategy around the achievement of SDGs across all of its activities, with SDG 7 on Affordable and Clean Energy as the cornerstone.

AEML is committed to decarbonising production, transmission and distribution of power, in an effort to tackle climate change as well as providing access to affordable and clean energy, in line with SDG 7.

AEML's role as a transmission provider and distributor of energy is also in line with SDG 11 on Sustainable Cities and Communities, as it provides resilient infrastructure and ensures access to a consistent and secure electricity for the communities. AEML's target to reduce carbon intensity and the promotion of sustainable initiatives as well as innovative solutions contribute to SDG 13 on Climate Action.



Environmental

AEML actively encourages various stakeholders such as its consumers, business partners, suppliers and contractors to contribute towards these practices. AEML conducts Energy Efficiency and Energy Conservation sessions which have been attended by approximately 35,700 participants. Also, every year, AEML celebrates World Environment Day (June), Coastal Clean-up Day (September) and Energy Conservation Week (December). AEML's initiatives under the realm of environment-preservation have been outlined as follows:

- AEML is committed to increasing the share of renewable power procurement from the current 3% to 30% by FY2023 and 60% by FY2027
- Tied up with hybrid (solar + wind) 700 MW PPA with minimum guaranteed Capacity Utilisation Factor of 50%
- Replacement of High-pressure Sodium Vapour (HPSV) lamps with LED lamps in streetlights
- Use of non-carcinogenic biodegradable silica gel in our transformers
- Replace existing fleet with electric vehicles
- Replacement of oil type switch gears with dry type maintenance-free switch gears
- Use of environmental-friendly ester filed transformers

- Encouraging consumers to opt for Green power voluntarily in the city of Mumbai
- Single Use Plastic (SUP) free environment in AEML
- Aim to achieve Zero Waste to Landfill in AEML
- Water efficiency management by recharging of ground water, through rain water harvesting by 35km³ by FY2024

Health and Safety

- AEML is committed to ensuring the health and safety of its employees by providing and maintaining safe and healthy workplace through implementation of EHS management systems in order to minimize health and safety hazards
- AEML proactively monitors the EHS management systems, integrates EHS procedures and best practices into its operations, conducts IER/HERA review and EHS training activities and undertake periodic reviews of standard operating procedures in order to mitigate health and safety risks
- AEML has documented a Disaster Management Plan in order to ensure the safety of life and protection of property with minimum disruption of power
- AEML regularly invests in disaster management equipment such as owning and leasing mobile generation sets, increasing the height of its substations to ground plus one and power rubber boats to be used during water logging

Community

AEML is actively involved in various corporate social responsibility (CSR) activities and committed to sustainable socio-economic development. AEML intends to invest each year in furtherance of its CSR initiatives. As part of its CSR policy, AEML intends to focus on the core areas of Education, Health care, Sustainable livelihood development and Community infrastructure development. Accordingly, the following are some of the key initiatives:

- **Education:** Constructed school buildings and provided e-learning kits to 31 government schools for 3,100 students in Dahanu Taluka
- **Health Development:** Collaborated with medical agencies such as M/s. Tiya Healthcare to provide medical checkup in local neighborhoods (surrounding villages of ADTPS) of Dahanu, free of charge
- **Skill Development Program:** Trained over 1,100 individuals in tailoring training programs of which 1,035 became employed in garments industry
- **Tribal Development Program:** In association with NABARD covering 11 villages of Dahanu and 1,000 land-owning families to provide support for livelihood for landless laborers
- **Community Infrastructure:** AEML had installed Drinking water Filtration Plant at Agwan village of capacity 5m³/hr, where around 5,500 people benefited

3. Rationale for Issuance

Through the issuance of Sustainability-Linked Bonds (“**SLBs**”), AEML aims to address environmental issues where it has the ability to effect positive change. AEML hopes that the issuance of these SLBs will inspire other similar companies to do the same.

4. Alignment with the Sustainability-Linked Bond Principles, 2020

The Sustainability-Linked Bond Principles (“SLBP”), as administered by the International Capital Market Association (“ICMA”), are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the SLB market by clarifying the approach for issuance of a SLB. Any SLB is in alignment with the five core components of the SLBP.

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

SLBs are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability / ESG objectives. In that sense, issuers are thereby committing explicitly (including in bond documentation) to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business. SLBs are forward-looking performance-based instruments. The proceeds of SLBs are intended to be used for general purposes, hence the use of proceeds is not a determinant in its categorization.

4.1 Selection of KPIs

AEML's strategy is in line with India's national targets set out in its Nationally Determined Contributions (NDC), which included significant technology-specific renewable energy targets (short term target of 100 GW of solar and 60 GW of wind by 2022 and a long-term target of installing over 400 GW of wind and solar electricity generation by 2030) and a commitment to a 40% target for installed generation capacity from non-fossil fuel sources by 2030³.

AEML has selected the following two KPIs, which are core, relevant, and material to their business and measure the sustainability improvements of AEML:

KPI #1: Increase Renewable power mix in the overall power purchase mix (proportion that Renewable Power Purchase represents of Total Power Purchased, expressed as a percentage), contributing to SDG7 (Affordable and Clean Energy)

Rationale: KPI #1 supports AEML's commitment to supply sustainable and affordable power to the financial capital of India.

Intermediate and long-term goals:

AEML plans to increase its renewable power procurement mix percentage to 30% by FY2023, as compared to the FY2019 (31 March 2019) baseline of 3%. AEML's ultimate goal is to reach a renewable power mix of 60% by end of FY2027 (31 March 2027).

End of Financial Year	Renewable Power Mix in Power Procurement
2019 (Baseline)	3%
2023	30%
2027	60%

Historical Performance

End of Financial Year	Renewable Power Mix in Power Procurement
2019	3.01%
2020	2.91%
2021	2.74%

³

<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/India%20First/INDIA%20INDC%20TO%20UNFCCC.pdf>

7 AFFORDABLE AND CLEAN ENERGY

KPI #1 contributes to the following SDGs:

7.2 By 2030, substantially increase the share of renewable energy in the global energy mix.

KPI #2: Reduction in GHG Emission Intensity (Scope 1 and 2)⁴ (measured by t CO₂ divided by EBITDA⁵ of AEML)

Rationale: AEML is committed in playing an important role in the transition to a low carbon economy. AEML plans to reduce its carbon footprint and achieve 30% procurement from renewable sources by FY2023. We are embracing the transition to a low-carbon economy and are moving towards our goal of becoming a leader in the transmission and distribution of reliable, clean power and improving our emission intensities. We measure intensity expressed as the carbon dioxide equivalent (CO₂) per unit of AEML’s economic value add using EBITDA as a metric for economic value add. This helps provide a measure of how much economic value AEML creates for every ton of GHG emitted.

The GHG emission intensity indicator is calculated based on EBITDA rather the physical electricity generation and/or supply. One of the important factors for EBITDA is the tariff, which is regulated by the Maharashtra Electricity Regulatory Commission (MERC). The MERC or similar regulatory bodies also regulate our peers in India. The selected KPI is relevant allows benchmarking with our peers to a certain degree.

Intermediate and long-term goals:

With the FY2019 baseline GHG Emission Intensity of 2,254 t CO₂ per INR Cr, AEML intends to achieve a 40% reduction in GHG emission intensity by end of FY2025 (31 March 2025), 50% reduction by end of FY2027 (31 March 2027) and 60% reduction by end of FY2029 (31 March 2029).

End of Financial Year	Reduction in GHG Emission Intensity
2025	40%
2027	50%
2029	60%

⁴ Scope 1 emissions are defined as direct emissions from owned or controlled sources while Scope 2 emissions are defined as indirect emissions from the generation of purchased energy, in line with GHG Protocol


⁵ As defined under AEML’s GMTN Programme

Historical Performance

End of Financial Year	Total GHG Emission Intensity (t CO ₂ / EBITDA per INR Cr)
2019	2,254
2020	1,791
2021	1,541

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CLIMATE ACTION



KPI #2 contributes to the following SDGs:

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

4.2 Calibration of Sustainability Performance Targets (SPTs)

SPT #1: Attain at least 60% of renewable power procurement mix by end of FY2027

FY2019 Baseline Renewable Power Mix: 3%

Target Observation Date for SPT: AEML will report SPT #1 on the Target Observation Date of 30 June 2027 and no later than 30 September 2027 as of the end on the Financial Year preceding the Target Observation Date.

Factors/Actions that support the achievement of the target:

1. AEML has entered into a PPA of 700 MW for hybrid power (solar + wind) with minimum guaranteed capacity utilization factor of 50%, from FY2022 onwards, for 25 years
2. Indian Government promoting green / clean energy generation

Risks to the target:

1. Force majeure events affecting the start date of renewable energy production from the plant
2. Grid restrictions on accepting higher quantum of renewable power
3. Decrease in production and extreme events, such as pandemics
4. Equipment failure, among other operational factors
5. Timely receipts of regulatory approvals and continuity in government policies

SPT #2: Reduce GHG Emission Intensity (Scope 1 and 2) by 60% by end of FY2029, compared with FY2019

FY2019 Baseline GHG Emission Intensity: 2,254 t CO₂ per INR Cr

Target Observation Date for SPT: AEML will report the SPT #2 on the Target Observation Date of 30 June 2029 and no later than 30 September 2029 as of the end on the Financial Year preceding the Target Observation Date.

Factors that support the achievement of the target:

1. AEML is making concerted efforts to increase the share of renewable power in its power mix
2. High-pressure Sodium Vapour (HPSV) lamps have been replaced with LED lamps in streetlights

Risks to the target:

1. Equipment failure, among other operational factors
2. Timely receipts of regulatory approvals and continuity in government policies

4.3 Bond Characteristics

AEML's SLBs have a sustainability-linked feature that will result in a one-time adjustment of the interest rate of AEML's SLBs if AEML's performance does not achieve the relevant SPT:

- failure by AEML to achieve SPT #1 as of the Target Observation Date for SPT #1 will result in the rate of interest of AEML's SLBs to increase by 0.15 per cent. per annum; and
- failure by AEML to achieve SPT #2 as of the Target Observation Date for SPT #2 will result in the rate of interest of AEML's SLBs to increase by 0.15 per cent. per annum.

If the SPTs are achieved, there will be no adjustment to the interest rate of the SLB.

(A) Subject to Paragraph (B) below, failure to satisfy any SPT as of the respective Target Observation Date (such affected SPT being "**Affected SPT**") will not trigger an adjustment in the rate of interest of the SLB when, based on expert determination, AEML is of the opinion that the Affected SPT is no longer an appropriate SPT for the purpose of the rate of interest adjustment in respect of the SLB where the Affected SPT cannot be calculated or observed in a satisfactory manner taking into consideration the Exception Events.

(B) For the purpose of Paragraph (A) above, if an Exception Event occurs in relation to an Affected SPT:

- (a) such Exception Event shall have resulted in any one or more of the following ("Exception Event Consequence(s)"):
 - i. material delays in the calculation of the relevant KPI; and/or
 - ii. material delays in restatement of the relevant SPT; and/or
 - iii. material delays in pro-forma adjustments of baselines or the scope of the Affected KPI,

and

- (b) pursuant to (a) above, such Exception Event Consequence(s) shall have had a material impact on the ability of AEML to achieve the Affected SPT.

For the purpose of Paragraphs A and B above:

"**Exception Events**" shall mean any one or more of the following:

- 1) MERC not approving and/or issuing directions which materially impact the implementation of the SPTs; and/or

- 2) the occurrence of any force majeure event; and/or
- 3) a change in, or amendment, to the applicable laws, regulations, rules, directives or policies (together, the “**Applicable Laws and Rules**”) or any change in the application or official interpretation of such Applicable Laws and Rules.

Further details of AEML’s SLB will be specified in the relevant documentation of the specific transaction (e.g. Pricing Supplement of the SLB).

4.4 Reporting

Annually, and in any case for the dates/periods relevant for assessing the trigger of the SPT performance leading to a potential coupon adjustment, such as a step-up of AEML's SLB characteristics, AEML will publish and keep readily available a SLB update in the 'Sustainability' section of its Annual Report which will be easily accessible on its website. This update will include:

- i. Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- ii. A verification assurance report relative to the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a bond's financial performance; and
- iii. Any relevant information enabling investors to monitor the progress of the SPT.

Information may also include when feasible and possible:

- i. Qualitative or quantitative explanation of the contribution of the main factors, behind the evolution of the performance/KPI on an annual basis;
- ii. Illustration of the positive sustainability impacts of the performance improvement; and/or
- iii. Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

Any reporting will last until the maturity of the SLB.

4.5 Verification

Annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential coupon adjustment, such as a step-up of the Sustainability-Linked Bond financial characteristics, until after the SPT trigger event of a bond has been reached, AEML will seek independent and external verification of our performance level against the SPT for the stated KPI by the External Verifiers.

An “External Verifier” means any independent accounting or appraisal firm or other independent expert of internationally recognized standing appointed by AEML, in each case with the expertise necessary to perform the functions required to be performed by the External Verifier.

The verification of the performance against the SPT will be made publicly available on our website on an annual basis until the maturity of the SLB.

This Framework has been reviewed by Vigeo Eiris who provided a Second Party Opinion (the “SPO”), confirming the alignment with the SLBP administered by the ICMA. The SPO will be available on AEML’s website.

Amendments to this Framework

AEML will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. AEML will also review this Framework in case of material changes in the perimeter, methodology, and/or the SPT’s calibration. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of AEML and the relevant SPO provider. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Verifier. The updated Framework, if any, will be published on AEML’s website and will replace this Framework.

Disclaimer

This Sustainability-Linked Bond Framework (this “Framework”) is intended to provide non-exhaustive, general information. The information contained in this Framework does not purport to be comprehensive. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by AEML and, unless differently specified in this Framework, the information contained in this Framework has not been independently verified by any independent third party. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by AEML as to the fairness, accuracy, reasonableness or completeness of such information.

This Framework may contain statements about future events and expectations that are forward-looking statements. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates or prospects in this Framework should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the Framework. You are cautioned not to place undue reliance on the forward-looking statements (as well as information and opinions) contained herein, which are made only as of the date of this document and are subject to change without notice.

No representation is made as to the suitability of any Sustainability-Linked securities to fulfil environmental and sustainability criteria required by prospective investors.

This Framework is not intended to be and should not be construed as providing legal or financial advice or as a recommendation regarding any securities of AEML. It does not constitute or form part of, and should not be construed as, an offer or invitation to sell securities of AEML, or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities of AEML, and nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority.

This Framework is not, does not constitute, nor it should be interpreted as, or form part of, any offer or invitation to underwrite, subscribe for or otherwise acquire or dispose of, any solicitation of any offer to underwrite, subscribe for or otherwise acquire or dispose of, any securities issued or to be issued by AEML in the U.S. or any other jurisdiction. This Framework does not constitute a prospectus or other offering document and no securities have been or will be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state of the U.S. or any other jurisdiction. This Framework is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons who might come into possession of this Framework must inform themselves about and comply with any applicable legal or regulatory restrictions.

Any securities that may be issued by AEML from time to time, including any sustainability-linked bonds, shall be offered by means of a separate prospectus or offering document in accordance with all applicable laws. Any decision to purchase any such securities should be made solely on the basis of the information contained in any such prospectus or offering document provided in connection with the offering of such securities, and not on the basis of this Framework.

Prospective investors are required to make their own independent investigation and appraisals prior to any investment decisions and are solely liable for any use of the information contained herein. Neither AEML shall be liable for any damages, direct, indirect or otherwise and whether arising in tort, contract or

otherwise, resulting from the use of, failure to implement or comply with or achieve the goals and intentions set out in and/or otherwise in connection with this Framework

The information contained herein is provided as at the date of this Framework and is subject to change without notice and neither AEML assume any responsibility or obligation to update or revise such information, regardless of whether such information is affected by the results of new information, future events or otherwise.

Under no circumstances will AEML or its affiliates, representatives, directors, officers and employees have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this Framework or its contents or otherwise arising in connection with this Framework or its contents.