

SECOND PARTY OPINION

on Adani Electricity Mumbai Limited's Sustainability-Linked Bond

V.E is of the opinion that Adani Electricity Mumbai Limited's Sustainability-Linked Bond is aligned with the core components of the Sustainability-Linked Bond Principles (SLBP) 2020

Issuance

	Weak	Limited	Robust	Advanced	Characteristics	
KPIs' Relevance					Audit of the Data	Yes
Targets' Ambition					Three-year Historical Data	Yes
SDG Mapping					Nature of the Impacts on the Bond's Characteristics	Financial
					Disclosure of measures to achieve the SPTs	Yes

Sustainability Performance Targets (SPTs)

KPI 1: Increase Renewable power mix in the overall power purchase mix

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

KPI 2: Reduction in GHG Emission Intensity (Scope 1 and 2)

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

	FY2019 (Baseline)	FY2023	/	FY2027*
KPI 1	3.01%	30%	/	60%
	FY2019 (Baseline)	FY2025	FY2027	FY2029*
KPI 2	/	40%	50%	60%

*Trigger event

Note: the financial year (FY) ends on March 31st

Issuer

Controversial Activities*

- | | | | |
|---|---|---|--|
| <input type="checkbox"/> Animal welfare | <input checked="" type="checkbox"/> Fossil Fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Cannabis | <input checked="" type="checkbox"/> Coal | <input type="checkbox"/> Human Embryonic Stem Cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Civilian firearms | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Alcohol | | | |

*THIS SPO WAS REPUBLISHED ON JULY 21ST, 2021 TO INCLUDE INVOLVEMENT IN THE COAL AND FOSSIL FUELS INDUSTRY AS CONTROVERSIAL ACTIVITIES OF THE ISSUER. THIS INFORMATION DOES NOT IMPACT V.E'S ANALYSIS OF THE SUSTAINABILITY CREDENTIALS OF THE BOND.

ESG Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

Keys findings

V.E is of the opinion that Adani Electricity Mumbai Limited's Sustainability-Linked Bond is aligned with the core components of the Sustainability-Linked Bond Principles (SLBP) 2020.

Selection of Key Performance Indicators (KPIs) – aligned with the SLBP

- The KPIs are relevant and material from an environmental standpoint.
- The KPIs are measurable, externally verifiable and can be benchmarked.
- The KPI's definition, the rationale behind their selection, the calculation methodologies and coverage are clearly defined.

Calibration of Sustainability Performance Targets (SPTs) – aligned with the SLBP

- The SPTs demonstrate a robust level of ambition.
- The timeline, baseline and trigger events are clearly disclosed.
- The means to achieve the SPTs are clearly disclosed.

Bond Characteristics – aligned with the SLBP

- The nature of the bond characteristics' variation is clearly disclosed.
- The Issuer commits to disclose the actual financial impact in the bond documentation. For this issuance, it is a one-time adjustment to increase the rate of interest of the SLB by 0.15 per cent per annum for failure to achieve each SPT as of the respective Target Observation Date.

Reporting– aligned with the SLBP and best practices identified by V.E

- The internal control and reporting processes are relevant, transparent and support the provision of reliable data.
- The Issuer commits to annual reporting on all relevant information related to the KPIs and its associated SPTs, including results, underlying methodologies and assumptions.

Verification– aligned with the SLBP and best practices identified by V.E

- The KPIs will be externally verified on an annual basis until after the last SPT trigger event of the bond has been reached.
- The achievement of the SPTs will be externally verified at least on an annual basis and the verification assurance reports will be made publicly available.

Type of External Reviews supporting this Issuance

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of KPI(s) reported data
<input checked="" type="checkbox"/>	Independent verification of SPT(s) achievement		

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the integration of two environmental factors to the Sustainability-Linked Bond (the “Bond”) to be issued by Adani Electricity Mumbai Limited’s (“AEML” or the “Issuer”) in compliance with the Sustainability-Linked Bond Framework (the “Framework”) created to govern its issuance. The Framework aims to highlight both the Issuer’s sustainability strategy and sustainable finance strategy while demonstrating its alignment with the ICMA’s Sustainability-Linked Bond Principles. In addition, the Framework includes the Issuer’s commitment to achieve two specific targets (“Sustainability Performance Targets” or “SPTs”) regarding two environmental key performance indicators (hereafter the “KPIs”) proposed as part of its sustainability strategy.

The Bond is intended to finance general corporate purposes, as opposed to other sustainable financial instruments such as green/social bonds or green/social loans. The facilities are agnostic on how funds are used. The main feature of this type of financing is the variation of the bond’s financial characteristics, depending on whether the Issuer achieves predefined sustainability performance objectives.

For the so-called Sustainability-Linked Bond, the selected KPIs to be linked to the variation of the Bond’s financial characteristics are the following:

- KPI 1: Increase renewable power mix in the overall power purchase mix, with the following target and trigger event:
 - SPT 1: Attain at least 60% of renewable power procurement mix by end of FY2027
- KPI 2: Reduction in GHG Emission Intensity (Scope 1 and 2), with the following target and trigger event:
 - SPT 2: Reduce GHG Emission Intensity (Scope 1 and 2) by 60% by end of FY2029, compared with FY2019

Our opinion is established using V.E Environmental, Social and Governance (“ESG”) assessment methodology and the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (“SLBP”), voluntary guidelines, published in June 2020. This opinion is strictly limited to the integration of two environmental factors in the Bond. This opinion does not cover the integration of broader sustainability factors (i.e., social and governance), or the labelling of the Bonds where the final decision is left to AEML. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

1. Issuance: we assessed the Bond’s alignment with the core components of the SLBP 2020.
2. Issuer¹: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities².

Our sources of information are multi-channel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from V.E exclusive ESG rating database, and (iii) information provided by the Issuer through documents.

We carried out our due diligence assessment from May 25th to July 11th, 2021. We consider that we were provided with access to all the appropriate documents we solicited. Reasonable efforts have been made to verify data accuracy.

¹ The Issuer is not part of our ESG performance rating universe.

² The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

ISSUANCE

The Issuer has described the main characteristics of the Bonds within a formalised Framework which covers the core components of the SLBP 2020 (the last updated version was provided to V.E on July 11th, 2021). The Issuer has committed to make this document publicly accessible on its website³ at the issuance date, in line with good market practices.

Alignment with Sustainability-Linked Bond Principles

Selection of Key Performance Indicators (KPIs)



COHERENCE

V.E considers that the selected KPIs are coherent with AEML's strategy and priorities in terms of sustainability.

AEML is a subsidiary of Adani Transmission Limited (ATL) (74.9% ownership)⁴. Climate change has been identified as one of the most material long-term topics in ATL's materiality map, which covers ATL and its subsidiaries including AEML.⁵ ATL as a whole, has also set "moderate carbon footprint" as part of its ESG commitments and "focus[ing] on power procurement from renewable energy sources" as part of its strategic priorities under "ESG integration".

AEML, in its own Annual Report 2019-20, highlighted "purchasing power from renewable energy sources" as one of its environmental-preservation initiatives and set "the commitment to raise the share of renewable power procurement...to 30% till 2023 and 50% till 2025". Moreover, AEML also "targeted 30% of consumption from renewable sources" and "has tied up a hybrid (solar+wind) 700MW PPA"⁶, as part of its initiatives to promote renewable energy and reduce its carbon footprint.⁷

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 2030.⁸

In addition, the Maharashtra Electricity Regulatory Commission (MERC) in Mumbai launched a green power tariff in June 2021 whereby power users have the option to go 100% renewable by paying an extra 66 paise per kWh. The order is applicable for all utilities supplying power including AEML⁹. Since the official launch, AEML disclosed that they have received a good response to the recent appeal for green energy and +400 high-end consumers have already opted in for the green power tariff.

In line with India's national environmental targets and its own environmental strategy, AEML has selected two relevant KPIs for its first issuance of a Sustainability-Linked Bond (SLB) with an expected amount of USD 300 million.

³ <https://www.adanielectricity.com/>

⁴ <https://www.adanitransmission.com/-/media/Project/Transmission/Investor/documents/Compliance-Certificates-Latest/AEML-Obligor-group-Compliance-Certificate.pdf>, page 4

⁵ https://www.adanitransmission.com/-/media/Project/Transmission/Investor/documents/Annual-Report/ATL_Annual-Report_FY21.pdf, page 119

⁶ PPA=power purchase agreement

⁷ https://www.adanielectricity.com/-/media/Project/Electricity/Regulatory/Adani_AR_2019-20.pdf?la=en, page 17 & 29

⁸ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/India%20First/INDIA%20INDC%20TO%20UNFCCC.pdf>

⁹ <https://timesofindia.indiatimes.com/city/mumbai/mumbai-400-adani-users-opt-for-green-power-tariff-scheme/articleshow/83495060.cms>

SDG CONTRIBUTION

The selected KPIs are likely to contribute to two of the United Nations’ Sustainable Development Goals (“SDGs”), namely:

KPI	SDG	SDG TARGETS
KPI 1		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
KPI 1 KPI 2		<i>Take urgent action to combat climate change and its impacts</i>

Table 1. Analysis of the KPI(s) selected by the Issuer

KPI 1: INCREASE RENEWABLE POWER MIX IN THE OVERALL POWER PURCHASE MIX	KPI 2: REDUCTION IN GHG EMISSION INTENSITY (SCOPE 1 AND 2)
<p>MATERIALITY</p> <p>V.E considers that the selected KPIs are relevant, core and material to the company's business strategy for its current and future operations and reflect the most material challenges for its sector (i.e., Electric & Gas Utilities).</p> <p>The Electric & Gas Utilities sector has a major role to play regarding climate change and energy efficiency through the promotion of renewable energy sources, energy efficiency and reduction in greenhouse gas emissions from power plants. Companies are expected to set ambitious climate change strategies, backed by relevant targets and widespread environmental management systems. Indeed, with two-thirds of greenhouse gas (GHG) emissions coming from the energy sector, the Intergovernmental Panel on Climate Change (IPCC) highlights the need for a transformation of the world's energy system with an immediate, large-scale shift to renewable energy and energy efficiency. Companies are also expected to dismiss their carbon-intensive means of production, meaning dismissing their fossil fuel powered plants. One of the major environmental issues for the electricity production sector is Scope 1 GHG emissions linked to the production of electricity through the combustion of fossil fuels (coal, gas and oil).</p> <p>In addition, according to a report¹⁰ published by the International Renewable Energy Agency (IRENA), the rapid adoption of renewable energy combined with energy efficiency strategies is a reliable pathway to achieve over 90% of energy related CO₂ emissions reductions needed to meet National climate pledges.</p> <p>India emitted 3.2 billion metric tons of CO_{2e} in 2016, or 6% of annual global greenhouse gas emissions, placing it third after China and the United States with primary energy demands expecting to double by 2040 compared to 2017.¹¹ In response to growing national energy demands, India's NDCs included a commitment to a 40% target for installed generation capacity from nonfossil fuel sources by 2030.</p> <p>Adani Transmission Limited (ATL) (Parent company of AEML) conducted a materiality analysis crossing internal business and external perspectives and was disclosed in their latest annual report FY2020-21.¹² The materiality matrix has identified climate change as high priority for both internal and external perspectives and is classified as having long term impacts. In addition, the key aspects of ATL's strategy include (i) reducing operational GHG emissions and (ii) increasing share of renewable energy, which are appropriately reflected by the two KPIs.</p>	
<p>AEML has previously committed to increase its renewable power mix procurement percentage to 30% by 2023 and 50% till 2025.</p>	<p>AEML is committed to achieve a 40% reduction in GHG emission intensity by FY2025, 50% reduction by FY2027 and 60% reduction by FY2029.</p> <p>According to ICMA's "Illustrative examples for the selection of KPIs", the suggested KPI related to carbon emissions for the power sector is scope 1 and 2 GHG emissions reduction (in carbon intensity per MWh or absolute).</p> <p>The selected KPI 2 is a GHG emission intensity indicator, however it is calculated based on EBITDA of AEML, 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 government bodies also regulate AEML's peers in India. The selected KPI is considered relevant and could allow benchmarking with AEML's peers to a certain degree.</p>

¹⁰ https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jun/IRENA_G20_climate_sustainability_2019.pdf

¹¹ <https://www.pnas.org/content/118/13/e2008128118#ref-1>

¹² https://www.adanitransmission.com/-/media/Project/Transmission/Investor/documents/Annual-Report/ATL_Annual-Report_FY21.pdf

MEASURABILITY AND VERIFICATION

Both KPIs are measurable on a consistent methodological basis. The Issuer has disclosed historical data for FY2019-FY2021, which has been externally verified by Deloitte Haskins & Sells LLP (for KPI 1) and BSI Group India Pvt. Ltd. (for KPI 2), respectively.

The Issuer commits to review the Framework in case of material changes in the perimeter, methodology, and in particular KPIs and/or the SPTs' calibration.

CLARITY

The definition, perimeter and underlying methodologies for the selected KPI is defined in the Framework and in internal documentation.

The KPI's definition relies on external references and allows for its benchmark. The KPI definition can be confirmed from the Maharashtra Electricity Regulatory Commission (MERC) Fuel Adjustment Charges (FAC), while the KPI data are disclosed publicly on a monthly basis.¹³

The rationale and process for the selection of the KPI is considered relevant and is clearly disclosed within AEML's Framework.

The definition, perimeter and underlying methodologies for the selected KPI is defined in the Framework and in internal documentation.

Overall, we consider this KPI's definition relies on external references and allows for its benchmark:

- For the numerator of KPI 2 (Scope 1 and 2 GHG emissions of AEML), the Issuer reports that it refers to the GHG Protocol for the calculation; and
- For the denominator of KPI 2 (EBITDA of AEML), it is a common financial measurement and its historical figures for 2018-19 and 2019-20 have been disclosed in the previous annual report, where the standalone financial statements have been audited by Deloitte Haskins & Sells LLP. The Issuer also reports that EBITDA will be defined in Bond document.

The rationale and process for the selection of the KPI are considered relevant and are clearly disclosed within AEML's Framework.

EXHAUSTIVENESS

AEML is an electricity supplier and both KPIs cover 100% of the company's business activities.

For KPI 2, V.E does not have visibility on the exact share of Scope 1 and 2 GHG emission in AEML's total GHG emissions (scope 1, 2 and 3). According to a guidance from SBTi for electric utilities, Scope 3 emissions mainly come from electricity that is purchased and sold.¹⁴ According to figures in the verification report for KPI 1 issued by Deloitte Haskins & Sells LLP, electricity that is purchased and sold represented 64%-68% of the total electricity procured by AEML between FY2019 and FY2021. As a result, it is reasonable to believe that Scope 3 GHG emissions is not negligible in AEML's total GHG emissions, although the exact share is unknown.

The Issuer reports that the coverage of both KPIs will not be subject to modifications.

¹³ <https://preprod.adanielectricity.com/-/media/FB01B112DC7D406E891EB616A4B7D70F.pdf?la=en>

¹⁴ <https://sciencebasedtargets.org/resources/files/SBTi-Power-Sector-15C-guide-FINAL.pdf>

BEST PRACTICES

- ⇒ The company has disclosed its materiality matrix and the KPIs reflect the most material issues identified by the company in the materiality matrix
- ⇒ The Issuer is communicative on the rationale and process for KPI selection, which are considered clearly defined
- ⇒ The Issuer commits to conduct a post-issuance review (which will be made available to bondholders) in case of material changes to the KPIs' coverage, calculation methodology, and in particular the SPTs' calibration
- ⇒ The KPIs' definition relies on external references allowing their benchmark

Calibration of Sustainability Performance Targets (SPTs)



AMBITION

KPI 1: INCREASE RENEWABLE POWER MIX IN THE OVERALL POWER PURCHASE MIX

By using the percentage of renewable energy in the overall power purchase mix over the years, the data set should fairly show positive or negative KPI trend and reflect the Issuer's commitment to fighting climate change, thus enabling investors to make an appropriate assessment of the overall environmental performance.

Table 1 – Increase renewable power mix in the overall power purchase mix (measured in percentage)

KPI	REPORTED DATA			OBJECTIVES		
	FY2019 (Baseline)	FY2020	FY2021	FY2023	FY2025	FY2027*
	3.01%	2.91%	2.74%	30%	50%	60%
Annual variation	NA	-0.10%	-0.17%			
Total variation (%)	-0.27%			30%		
			57%			
Procurement of electricity from the eligible renewable energy sources (Units in Million)	280.73**	275.25**	218.86**			
Total electricity procured (Units in Million)***	9,313.64**	9,444.77**	7,999.41**			

*Trigger event

** The figures stated originate from Deloitte Haskins & Sells LLP's verification report dated July 9th, 2021

*** As per the above-mentioned verification report, the figures also include utilisation of electricity through embedded captive generation as per power purchase arrangement

Note: the financial year (FY) ends on March 31st.

Based on several points of comparison, we consider that AEML's target demonstrates an advanced¹⁵ level of ambition.

¹⁵ VE scale of assessment: Weak / Limited / Robust / Advanced

The SPT is consistent with the Issuer's existing targets set in its overall sustainability strategy. The SPT is to "attain at least 60% of renewable power procurement mix by end of FY2027", which is an extension of the Issuer's existing targets set in its overall sustainability strategy: "to raise the share of renewable power procurement...to 30% till 2023 and 50% till 2025".

Business-as-usual Trajectory Benchmark Analysis

The SPT demonstrates an advanced level of ambition compared to the Issuer's BaU. The Issuer has provided historical data on the KPI, which indicates significantly lower percentage of renewable energy in the overall power purchase mix. Compared to the baseline level in FY2019, the SPT will be a 57% increase by FY2027 and doubles the percentage from the FY2023 level (not part of the trigger event). Between FY2019 and FY2021, the share of renewable power mix in the overall power purchase mix was between 2.74-3.01% and is expected to increase by about 10 times in two years by FY2023.

V.E considers that the achievement of the SPT will represent a material improvement compared to its BaU trajectory.

Sector Peers Benchmark

The SPT shows an advanced level of ambition compared to sector peers' performances.

The following two companies have been identified as the most relevant peers for the comparison. The Tata Power Company Limited operates in the same Maharashtra State as AEML, under the licencing regulation of MERC.¹⁶

Table 2: Sector Peers Benchmark for KPI 1

Company Name	Main Market	Target (A)	Baseline Year (B)	Baseline Level (C)	Total Increase (A-C)	Timeframe (A-B)
AEML	Mumbai, India	Attain at least 60% of renewable power procurement mix by FY2027	FY2019	3%	57%	8 Years
The Tata Power Company Limited	India	Attain at least 40-50% by FY2025 and 80% by FY2030	FY2019	30%	15%	6 Years (for 2025 target)
JSW Energy Limited	India	Attain at least 55% of renewable power procurement mix by FY2023	FY2021	30%	25%	2 Years

One of the best performers from the Electricity utilities sector in India includes the Tata Power Company Limited, which has set a target to increase their share of renewable capacity by 40-50% by FY2025, against a 2019 baseline of 30%. This represents a ~15% increase in 6 years, while AEML targets to increase their share of renewable by 57% in 8 years. Compared to JSW Energy Limited, the share increase per number of years is lower but AEML aims to achieve the same 55% share of renewable capacity 4 years after JSW Energy Limited.

Overall, V.E considers that AEML's SPT for KPI 1 goes beyond the average performance of its sector peers.

Official International Targets and Scenarios Benchmark Analysis

V.E recognises that the SPT is higher than India's national target for installed generation capacity from non-fossil fuel sources by 2030, which is 40%.¹⁷. However, there is no applicable sector standard or scenarios benchmark for the specific SPT. As a result, this benchmark analysis has been deactivated.

¹⁶ <http://www.mercindia.org.in/Aboutus.htm>

¹⁷ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/India%20First/INDIA%20INDC%20TO%20UNFCCC.pdf>

MEASURES TO ACHIEVE THE SPT

The means to achieve the SPT are disclosed in the Framework and credible. The SPT will be achieved through two main strategies:

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

The new PPA was disclosed in AEML's Annual Report 2019-2020 and highlighted as one of its key environmental strategies/initiatives of the company. Relevant national policies and targets in India have been analysed under the Coherence section above.

In addition, AEML also highlighted in the Framework the following four risks related to the target:

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

AMBITION

KPI 2: REDUCTION IN GHG EMISSION INTENSITY (SCOPE 1 AND 2)

By using the percentage of GHG emissions intensity reduction over the years, the data set should fairly show positive or negative KPI trends and reflect the Issuer's commitment to fighting climate change, thus enabling investors to make an appropriate assessment of the overall environmental performance.

Table 3 – Reduction in GHG Emission Intensity (Scope 1 and 2) (measured in t CO₂ per INR Cr of EBITDA)

KPI	REPORTED DATA			OBJECTIVES		
	FY2019 (<u>Baseline</u>)	FY2020	FY2021	FY2025	FY2027	FY2029*
	NA	-20%	-31%	-40%	-50%	-60%
GHG emission intensity (t CO ₂ per INR Cr of EBITDA)	2,254	1,791	1,541	1,352	1,127	902
Average annual variation (CAGR)	-17%			-10%		
	-9%					
GHG Emission (tCO ₂) – verified by BSI	3,750,069**	3,370,013**	3,202,020**			
Annual variation (%) based on BSI-verified data	NA	-10%	-5%			
EBITDA of AEML (INR Cr)	1,664***	1,882***	2,078***			
Annual variation (%)	NA	13%	12%			
GHG Emission (tCO ₂) – calculated by V.E	3,750,656 [±]	3,370,662 [±]	3,202,198 [±]			

*Trigger event

Note: the financial year (FY) ends on March 31st.

** The figures stated originate from BSI Group India Pvt. Ltd.'s verification report dated July 7th, 2021

*** Data were previously disclosed in the Audited financials as well as the Annual Reports of AEML, audited by Deloitte Haskins & Sells LLP

[±] The figures are calculated based on the verified KPI data and the EBITDA data previously disclosed in the annual reports. They differ slightly from the figures verified by BSI (difference<0.02%), likely due to decimal points

Based on several points of comparison, we consider that AEML's target demonstrates a robust¹⁸ level of ambition.

¹⁸ VE scale of assessment: Weak / Limited / Robust / Advanced

The SPT is consistent with the Issuer's existing targets set in its overall sustainability strategy. The SPT is to reduce GHG Emission Intensity (Scope 1 and 2) by 60% by end of FY2029, compared with FY2019. The SPT is in line with the Issuer's overall sustainability strategy in reducing its carbon footprint, although specific targets have not been previously set and disclosed.

Business-as-usual Trajectory Benchmark Analysis

The SPT demonstrates a robust level of ambition compared to the Issuer's BaU. The Issuer has provided historical data on the KPI, which indicates that there has been a continuous decrease of GHG emissions intensity over the years. The historical data show that between FY2019 and FY2021 (the latest reported and verified data), the average annual variation (calculated in CAGR) of GHG emissions intensity is -17%, driven by both the reduction in absolute GHG Emission (-10% between FY2019 and FY2020) and the increase in AEML's EBITDA (13% between FY2019 and FY2020). The FY2029 target would mean an average annual decrease of -10% between FY2025 and FY2029, and an average annual decrease of -9% between FY2019 and FY2029.

Although the expected average annual variation from FY2021 onwards seem to be lower than the past three years, V.E considers that the achievement of the SPT will still require continued improvement to its BaU trajectory, due to the fact that the future trend of EBITDA is not fully within the company's control.

Sector Peers Benchmark

The SPT shows a robust level of ambition compared to sector peers' performances.

Table 4: Sector Peers Benchmark for KPI 2

Company Name	Main Market	Target (A)	Baseline Year (B)	Type of GHG Emission Reduction Target	Timeframe (A-B)
AEML	Mumbai, India	Reduce GHG Emission Intensity (Scope 1 and 2) by 60% by FY2029	2019	Intensity Reduction*	10 Years
The Tata Power Company Limited	India	Reduce absolute GHG emissions by 20% by FY2030 and by 35% by FY2040	2021	Absolute Reduction**	9 Years (for 2030 target)
JSW Energy Limited	India	Reduce absolute GHG emissions by 50% by FY2030	2020	Absolute Reduction	10 Years

* Intensity Reduction: Volume of emissions reduction per INR

** Absolute Reduction: Total emission reduction

While AEML indicates the largest percentage reduction overall a similar period, it must be noted that AEML's target is in terms of GHG emission reduction per INR Cr of EBITDA (intensity reduction) whereas the other two Indian counterparts have targets on total GHG emission reduction (absolute reduction). The different targets do not allow for direct comparison but indicate that AEML's target reduction follows a similar timeline with other Indian utility companies. Moreover, the two peers didn't specify the scopes of their GHG emission reduction. For Tata Power, according to its disclosure, Scope 3 GHG emissions are negligible (accounting for 0.0035% of its total GHG emissions).¹⁹

In other parts of Asia, V.E.'s analysis of other utility companies in Japan, Singapore and Hong Kong indicate that these companies have set absolute targets of 25-50% absolute GHG emissions reduction (scope 1 and 2) within a 5 to 17-year

¹⁹ <https://www.tatapower.com/investor-relations/tata-power/natural-capital.html>



range. As a result, targets set by Indian utility companies including AEML are coherent and in line with other industry players in Asia-Pacific.

Overall, V.E considers that AEML's SPT for KPI 2 is in line with the average performance of its sector peers.

Official International Targets and Scenarios Benchmark Analysis

Due to the specific definition of the KPI 2, there is no applicable sector standard or scenarios benchmark for the specific SPT. As a result, this benchmark analysis has been deactivated.

MEASURES TO ACHIEVE THE SPT

The means to achieve the SPT are disclosed in the Framework and credible. The SPT will be achieved through two main strategies:

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

In addition, AEML also highlighted in the Framework the following two risks to the target:

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

Bond Characteristics



V.E. confirms that the sustainability-linked bond issued under this Framework will be subject to variations in the financial and characteristics depending on the achievement of the defined trigger events. The exact mechanism and impacts will be publicly disclosed in the relevant documentation of the specific transaction (e.g., pricing supplement).

The communicated trigger events are the following:

1. Attain at least 60% of renewable power procurement mix by end of FY2027 (i.e., March 31st, 2027)
2. Reduce GHG Emission Intensity (Scope 1 and 2) by 60% by end of FY2029 (i.e. March 31st, 2029)

The Target Observation Date will be on June 30th and no later than September 30th, following the respective trigger event date.

AEML has disclosed in the Framework that failure to achieve the relevant SPT as of the respective Target Observation Date could result in a one-time adjustment of the interest rate of AEML's SLBs:

- 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.

In addition, AEML has also disclosed in the Framework that in case an "Exception Event" occurs, failure to satisfy any SPT as of the respective Target Observation Date will not trigger an adjustment in the rate of interest of the SLBs. The definition of "Exception Events" and relevant conditions are disclosed in the Framework.

*V.E considers that, as of today, there is insufficient information and market precedent to appropriately assess the potential best practices regarding the bond characteristics' variation. In this sense, the "Aligned" level is currently considered to be the highest level to be achieved by Issuers on this pillar. In addition, the meaningfulness of the variation of the financial characteristics of the Bond cannot be assessed due lack of comparison data.

Reporting

Not Aligned

Partially Aligned

Aligned

Best Practices

KPI 1: INCREASE RENEWABLE POWER MIX IN THE OVERALL POWER PURCHASE MIX

KPI 2: REDUCTION IN GHG EMISSION INTENSITY (SCOPE 1 AND 2)

REPORTING PROCESS

The Issuer commits to publish annually and keep readily available and easily accessible on its website a Sustainability-Linked Bond update included in the 'Sustainability' section of its Annual Report. The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements (i.e., Information on performance of the KPI, ambition of the SPT, impact on financial characteristic).

CONTROL

While KPIs related data are externally verified, an area for improvement consists in ensuring that the KPI related data are also appropriately monitored and controlled through a formal internal process.

ACCESSIBILITY OF RESULTS

All relevant information is disclosed by the Issuer in public documentation. The Issuer's reporting will include, at least, (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; (iii) any relevant information enabling investors to monitor the progress of the SPT.

Information may 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 (iii) any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope.

The reporting will be published annually and for any material changes, until the maturity of the Sustainability-Linked Bonds.

BEST PRACTICES

- ⇒ KPI data undergo both internal and external verification
- ⇒ The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements
- ⇒ The reporting on the KPIs will be published annually until maturity of the bond

Verification



The Issuer commits to undergoing an external verification of the performance of each KPI against each SPT, and the related impact, and timing of such impact, on the bond's financial characteristics.

The verification will be conducted annually and in case of material changes impacting the SLB's financial characteristics (such as a trigger event) until bond maturity.

The verification assurance report will be publicly available.

ISSUER

Adani Electricity Mumbai Limited (AEML) owns and operates Adani Transmission Limited's integrated utility business in Mumbai, which ATL acquired from Reliance Infrastructure in August 2018. AEML's integrated utility business includes power generation, distribution and transmission networks, as well as an electricity retail business. All of AEML's businesses are regulated by Maharashtra Electricity Regulatory Commission (MERC), the state regulator for the power industry in the state of Maharashtra on an aggregate revenue requirement (ARR) basis.

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against AEML over the last four years.

Involvement in Controversial Activities²⁰

The Issuer appears to have major involvements in two of the 17 controversial activities screened under our methodology:

- Coal: Adani Electricity Mumbai Ltd. has an estimated turnover from fossil fuels which is less than 5% of total turnover. This turnover is derived from fossil fuel-powered electricity generation. Adani Dahanu Thermal Power Station (ADTPS) operates a 2 x 250 MW coal-fired power plant, which generated 3,347 million units in 2019-20.
- Fossil Fuels industry: Same as above, Adani Electricity Mumbai Ltd. has an estimated turnover from fossil fuels which is less than 5% of total turnover. This turnover is derived from fossil fuel-powered electricity generation. Adani Dahanu Thermal Power Station (ADTPS) operates a 2 x 250 MW coal-fired power plant, which generated 3,347 million units in 2019-20.

The Issuer does not appear to be involved in any of the other 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

²⁰ This SPO was republished on July 21st, 2021 to include involvement in the coal and fossil fuels industry as controversial activities of the issuer. This information does not impact V.E's analysis of the sustainability credentials of the bond.

METHODOLOGY

In V.E' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E' Scientific Council. All employees are signatories of V.E' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

ISSUANCE

Alignment with the Sustainability-Linked Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Bond has been evaluated by V.E according to the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer overall sustainability strategy and with the Issuer sector's main sustainability challenges. KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the KPI's coverage.

Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, disclosure and credibility of the means for achievement (including scope and geographical coverage of the means).

Bond characteristics

Disclosure of the bond characteristics' variation, meaningfulness of these variation.

Reporting

Reporting process formalisation and verification, data's accessibility.

Verification

Verification of the performance against the SPTs and disclosure of the assurance reports.

ISSUER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable²¹ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, V.E' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

²¹ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

V.E'S ASSESSMENT SCALES

Scale of assessment of the KPI(s) materiality and the associated SPT(s) ambition.		Scale of assessment of financial instrument's alignment with Sustainability-Linked Bond and Loan Principles	
Advanced	The selected KPI(s) reflects the most material issues for the Issuer's core sustainability and business strategy and address the most relevant environmental, social and/or governance challenges of the industry sector.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles by adopting recommended and best practices.
	An advanced ambition is achieved when the SPT(s) can demonstrate the following: (i) alignment with the 2D scenario/recognized sector standards (when available) (ii) a top performance in comparison to sector peers, and (iii) an improvement of the company's performance.		
Robust	The selected KPI(s) reflects material issues for the Issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector.	Aligned	The Instrument has adopted all the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles.
	A robust ambition is achieved when the SPT(s) can demonstrate at least two out of three of the following items: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.		
Limited	The selected KPI(s) does not appropriately reflect material issues for the Issuer's core sustainability and business strategy and partially address relevant environmental, social and/or governance challenges of the industry sector.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles, but not all of them.
	A limited ambition is achieved when the SPT(s) can demonstrate only one out of three of the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.		
Weak	The selected KPI(s) does not reflect material issues for the Issuer's core sustainability and business strategy and do not address relevant environmental, social and/or governance challenges of the industry sector.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the Loan Market Association's Sustainability-Linked Loan Principles.
	A weak ambition is achieved when the SPT(s) (i) is not aligned the 2D scenario/recognized sector standards (ii) is below the average performance of its sector peers, and (iii) shows a negative trend in the company's performance.		

Statement on V.E's independence and conflict-of-interest policy

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This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

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