August 2021

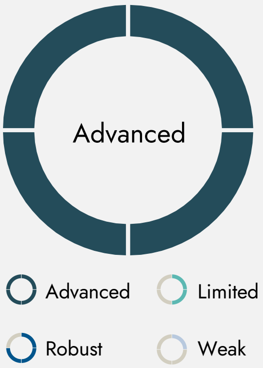
SECOND PARTY OPINION

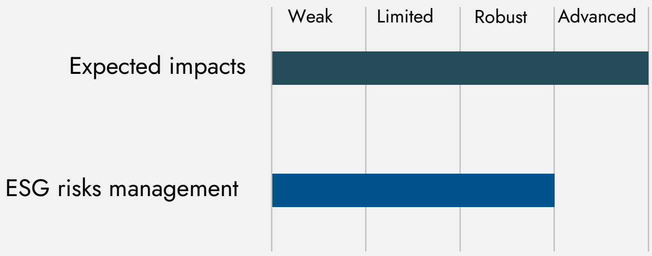
on the sustainability of Adani Green Energy Limited's Green Financing Framework

V.E considers that Adani Green Energy Limited's Green Financing Framework is aligned with the four core components of ICMA's Green Bond Principles 2021 ("GBP") and LMA's Green Loan Principles 2021 ("GLP") and is in line with best practices identified by V.E.

Framework

Contribution to Sustainability:





SDG Mapping

Characteristics of the Framework

Green Project Categories	⇒ Solar projects or assets ⇒ Wind projects or assets ⇒ Hybrid projects or assets
Project locations	India
Existence of framework	Yes
Share of refinancing	0% for the first issuance; to be disclosed prior to each issuance for future ones.
Look back period	N/A

Issuer

Controversial Activities

The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology:

☐ Alcohol	☐ Fossil fuels industry	☐ High interest rate lending	☐ Pornography
☐ Animal welfare	☐ Coal	☐ Human embryonic stem cells	☐ Reproductive medicine
☐ Cannabis	☐ Gambling	☐ Military	☐ Unconventional oil and gas
☐ Chemicals of concern	☐ Genetic engineering	☐ Nuclear power	☐ Tobacco
☐ Civilian firearms			

ESG Controversies

Number of controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Coherence

- Coherent
- Partially coherent
- Not coherent

V.E considers that the Framework is coherent with Adani Green Energy Limited's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

V.E considers that Adani Green Energy Limited's Green Financing Framework is aligned with the four core components of the GBP and GLP and best practices identified by V.E.

Use of Proceeds – aligned with GBP and GLP and best practices identified by V.E

- Eligible Projects/Assets are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Projects/Assets.
- The Environmental Objective is clearly defined. It is relevant for all the Eligible Projects/Assets and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefit is clear and precise. It is considered relevant, measurable, and will be quantified for all the Eligible Projects/Assets in the reporting.
- There is no refinancing for the first issuance. In case of refinancing for future issuances, the Issuer has committed to disclose the percentage of proceeds expected to be utilised for refinancing by instrument prior to each issuance. The look-back period for refinanced projects/assets will be equal or less than 24 months from the issuance date, in line with good market practices.

Evaluation and Selection - aligned with GBP and GLP and best practices identified by V.E

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of Eligible Projects/Assets). The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the herewith SPO.
- Eligibility criteria (selection and exclusion) for project/asset selection have been clearly defined and detailed by the Issuer for all Eligible Projects/Assets.
- The process applied to identify and manage potentially material E&S risks associated with the Eligible Projects/Assets is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification and corrective measures for all Eligible Projects/Assets (see detailed analysis on page 15 – 17).

Management of Proceeds - aligned with GBP and GLP and best practices identified by V.E

- The Process for the Management and Allocation of Proceeds is clearly defined and is publicly available in the framework and SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the GFIs will be placed in Escrow Accounts and tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the GFI is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects/Assets made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the green financing framework within 24 months.

Reporting - aligned with GBP and GLP and best practices identified by V.E

- The Issuer has committed to report on the Use of Proceeds annually, until GFI maturity. The report will be publicly available until GFI maturity.
- The reporting will cover relevant information related to the allocation of GFI proceeds and to the expected sustainable benefits of the Eligible Projects/Assets. The Issuer has also committed to report on material developments/issues/controversies related to the Eligible Projects/Assets .
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Projects/Assets will be publicly disclosed
- An external auditor will verify the tracking and allocation of funds to Eligible Projects/Assets, as well as the indicators used to report on environmental benefits of the Eligible Projects/Assets, until GFI maturity.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of the Green Financing Instruments[1] ("GFI") to be issued by Adani Green Energy Limited ("AGEL" or the "Issuer") in compliance with the Green Financing Framework (the "Framework") created to govern their issuances.

Our opinion is established according to V.E's Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the ICMA's Green Bond Principles ("GBP") - edited in June 2021 - and the Loan Market Association's Green Loan Principles ("GLP") – edited in February 2021 - voluntary guidelines (referred together as the "GBP & GLP").

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

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the GFI's potential contribution to sustainability and its alignment with the four core components of the GBP 2021 and GLP 2021.
- Issuer[2]: we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities[3].

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E's exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer's managers and stakeholders involved in the GFI issuance, held via a telecommunications system.

We carried out our due diligence assessment from July 22nd to August 24th, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Type of External Reviews supporting this Framework

☒	Pre-issuance Second Party Opinion	☒	Independent verification of impact reporting
☒	Independent verification of funds allocation	☐	Climate Bond Initiative Certification

[1] The "Green Financing Instrument" is to be considered as the bonds, loans and any other financial instruments to be potentially issued, subject to the discretion of the Issuer. The name "Green Financing Instrument" has been decided by the Issuer: it does not imply any opinion from V.E.

[2] The Issuer Is not part of our ESG performance rating universe.

[3] The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with AGEL's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

The transformation of the global energy system needs to accelerate substantially to meet the objectives of the Paris Agreement to limit the rise in average global temperatures to well below 2°C, and ideally to 1.5°C. Renewable energy supply, increased electrification of energy services, and energy efficiency can deliver more than 90% of global emission reductions needed in the energy sector.[4]

According to International Energy Agency (IEA), India is the world's third-largest energy consuming country, thanks to rising incomes and improving standards of living. The country's energy use has doubled since 2000, with 80% of demand still being met by coal, oil and solid biomass. On a per capita basis, India's energy use and emissions are less than half the world average, as are other key indicators such as vehicle ownership, steel and cement output.[5]

In its first Nationally Determined Contribution (NDC), the Government of India set the target to increase the share of non-fossil-based energy resources to 40% of installed electric power capacity by 2030. It also aims to achieve the targets of 60 GW of wind power installed capacity and 100GW of solar power by 2022.[6] Renewable energy companies can contribute to climate change mitigation and energy transition by increasing India's share of renewable energy production capacity and by reducing national greenhouse gas (GHG) emissions.

Currently, renewable energy penetration is highly variable by state in India, posing system integration challenges in some states. The share of solar and wind in India's ten renewables-rich states is significantly higher than the national average of 8.2%. A recent report from IEA, with support from NITI Aayog, highlights that potential sources of power system flexibility in renewables-rich Indian states can be implemented in the short to medium term until 2030, which include demand-side flexibility, power plant flexibility, storage (pumped-storage hydro and batteries) and grid flexibility, as well as policy, market and regulatory solutions.[7]

Since its inception in 2015, AGEL, a subsidiary of the Adani Group, has focused on adding capacities and improving operational efficiencies to deliver reliable and affordable power to energise the nation's rapid economy growth. Climate change has been identified as one of the most material long-term topics (out of a total of 14 topics covered) in AGEL's materiality matrix, according to key internal and external stakeholder concerns.

AGEL, in its Annual Report 2020-2021, highlighted its vision "*to become the world's largest solar power company by 2025 and the largest renewable power company by 2030*".[8] To achieve that goal, AGEL aims to have a portfolio of 25GW of renewable projects by FY25.[9] In May 2021, AGEL announced that it will acquire 100% of SB Energy India, which will boost AGEL's energy capacity by 4.9GW and help the group achieve its 25GW renewable energy target ahead of the target timeline.[10] AGEL's strategy is in line with India's national targets set out in its NDC, especially the technology-specific renewable energy targets by 2022.

By creating a Framework to finance or refinance, in whole or in part, new or existing investments and/or acquisitions in the three Renewable Energy Eligible Categories, AGEL coherently aligns with its sustainability strategy and commitments and addresses the main issues of the sector in terms of sustainable development.

[4] https://www.irena.org/financeinvestment/Investment-Needs
[5] https://www.iea.org/reports/india-energy-outlook-2021
[6] https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/India%20First/INDIA%20INDC%20TO%20UNFCCC.pdf
[7] https://www.iea.org/reports/renewables-integration-in-india
[8] https://www.adanigreenenergy.com/-/media/Project/GreenEnergy/Investor-Downloads/Annual-Reports/AR-2020-21.pdf
[9] https://database.globalreporting.org/reports/80913/
[10] https://www.businessinsider.in/business/corporates/news/adani-green-energy-to-acquire-sb-energy-india/articleshow/82759578.cms

FRAMEWORK

The Issuer has described the main characteristics of the GFIs within a formalised Green Financing Framework which covers the four core components of the GBP 2021 and GLP 2021 (the last updated version was provided to V.E on August 24th, 2021). The Issuer has committed to make this document publicly accessible on AGEL's website, in line with good market practices.

Alignment with the Green Bond Principles and Green Loan Principles

Use of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices

The net proceeds of the GFIs will exclusively finance or refinance, in part or in full, projects/assets falling under three Green Project/Asset Categories ("Eligible Categories"), as indicated in Table 1.

- Eligible Projects/Assets are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Projects/Assets.
- The Environmental Objective is clearly defined. It is relevant for all the Eligible Projects/Assets and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefit is clear and precise. It is considered relevant, measurable, and will be quantified for all the Eligible Projects/Assets in the reporting.
- There is no refinancing for the first issuance. In case of refinancing for future issuances, the Issuer has committed to disclose the percentage of proceeds expected to be utilised for refinancing by instrument prior to each issuance. The look-back period for refinanced eligible categories/projects/assets will be equal or less than 24 months from the issuance date, in line with good market practices.

BEST PRACTICES

⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories
⇒ Relevant environmental benefits are identified and measurable for all project categories
⇒ The Issuer has committed to transparently communicate the estimated share of refinancing by instrument prior to each issuance
⇒ The look-back period for refinanced assets is equal or less than 24 months, in line with good market practices

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: capital expenditures, investments and/or acquisitions
- Location of Eligible Projects/Assets: India

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Solar projects or assets	- Wholly dedicated evacuation infrastructure for solar electricity generation facilities. Solar electricity generation facilities (expected to be onshore solar photovoltaic assets) where 100% of electricity generated from the facility is derived from solar energy resources; and - Wholly dedicated evacuation infrastructure for solar electricity generation facilities.	<u>Climate Change Mitigation</u> Avoidance of greenhouse gas emission	The Eligible Categories are clearly defined. The issuer has communicated the nature of the expenditures, and the location of Eligible Projects. - Under this Framework, AGEL explicitly excludes use of proceeds for non-renewable energy projects/assets. The environmental objective is clearly defined and set in coherence with sustainability objectives defined in international standards. The expected environmental benefit is clear. It is considered relevant, measurable, and will be quantified in the reporting.
Wind projects or assets	- Wind electricity generation facilities where 100% of electricity generated from the facility is derived from wind energy resources; and - Wholly dedicated evacuation infrastructure for wind electricity generation facilities.		
Hybrid projects or assets	- Hybrid electricity generation facilities where 100% of electricity is generated from the facility is derived from a combination of solar and wind energy resources. For the avoidance of doubt, AGEL does not plan to utilize the proceeds under this Framework for non-renewable energy assets but may tie-up with other companies if non-renewable assets are involved in hybrid projects; and - Wholly dedicated evacuation infrastructure for hybrid electricity generation facilities.		

SDG Contribution

The Eligible Categories are likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORIES	SDG	SDG TARGETS
Solar projects or assets	7 AFFORDABLE AND CLEAN ENERGY	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Wind projects or assets		
Hybrid projects or assets		
Solar projects or assets	13 CLIMATE ACTION	*Take urgent action to combat climate change and its impacts*
Wind projects or assets		
Hybrid projects or assets		

Evaluation and Selection of Eligible Projects/Assets

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of Eligible Projects/Assets). The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the herewith SPO.
- Eligibility criteria (selection and exclusion) for project/asset selection have been clearly defined and detailed by the Issuer for all Eligible Projects/Assets.
- The process applied to identify and manage potentially material E&S risks associated with the Eligible Projects/Assets is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification and corrective measures for all Eligible Projects/Assets (see detailed analysis on page 15 – 17).

Process for Project Evaluation and Selection

- For the purpose of the GFI, proposed projects/assets will be evaluated and selected based on (i) AGEL Group's ESG framework, (ii) qualification of the project as an Eligible Green Project/Asset, and (iii) feasibility analysis (including off-taker profile, location of project/asset, capacity, timelines, and other technical and commercial conditions).
- AGEL's Board of Directors evaluates the Eligible Green Projects/Assets in line with AGEL's strategy and based on criteria set in the Framework.
- Risks associated with the Eligible Projects are identified and evaluated at different level within the company. At the Board level, the Risk Management Committee ("the Committee") is composed of majority of independent directors including Risk experts, industry experts and gender diversity. At the management level, the following are also involved in risk identification and evaluation:
    - Managing Director (MD) / Chief Executive Officer (CEO)
    - Chief Risk Officer
    - Function Heads
    - Functional Risk Committees (Cross functional teams involving representation from Finance, Regulatory and other key functions)
    - Employees
- The Committee is responsible for identifying risks on an ongoing basis with special focus on regulatory and ESG Risk. All risks are classified either as Operational or Strategic based on set criteria. Operational risks are generally managed at the management level and strategic risks are taken up to the board level, if significant.
- The Board of Directors has empowered the MD/CEO to validate projects and final approval of all Eligible Projects/Assets is done by the Chair of Management, i.e. the MD/CEO.

- The traceability and verification of the selection and evaluation of the Eligible Projects/Assets is ensured throughout the process:
    - AGEL's Risk Committee will be responsible for monitoring until the maturity of the GFIs and AGEL's system raises early warning signs of any breach of compliance.
    - If any eligible project/asset contains strategic risks which remain significant after their mitigation plans by the management, such project along with its risk rating and mitigation plan shall be put up to the Board for approval.
    - Periodic reviews of Functional Risk Committees, Business Risk Committee and Risk Management Committee for the purpose of project evaluation are held and decisions are recorded as meeting minutes.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- The exclusion criteria for the use of proceeds include non-renewable power generation projects (mentioned in section 4.2 of the Framework), which is considered clear and relevant to ensure that all the proceeds are used for the Eligible Projects/Assets.

BEST PRACTICES

⇒ Eligibility and exclusion criteria for project/asset selection are clearly defined and detailed for all of the Eligible Categories

⇒ The Issuer reports that it will monitor compliance of selected Projects/Assets with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content/ frequency/duration and on procedure adopted in case of non-compliance

⇒ The Issuer reports that it will monitor potential ESG controversies associated with the Projects/Assets throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project/asset

Management of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for the Management and Allocation of Proceeds is clearly defined and is publicly available in the framework and the herewith SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the GFIs will be placed in Escrow Accounts and tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the GFI is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects/Assets made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the green financing framework within 24 months.

Management Process

- With the exception of Green Project Loans or Bonds ("Project Finance Instruments") where ring-fenced Escrow Accounts are expected to be created in accordance with the requirements under the relevant agreements, the proceeds of the GFIs will be deposited in the Escrow Accounts.
- The funds, once released from the Escrow accounts, will be used in accordance with India's External Commercial Borrowing (ECB) Guidelines. As per ECB Guidelines, an ECB borrower is required to obtain a loan registration number ("LRN") from the Reserve Bank of India (RBI) before an issuance of Notes. Any ECB borrower is also required to submit an ECB-2 return form on a monthly basis to the RBI, where use of proceeds information against each LRN will be included. Proceeds will be tracked and monitored by AGEL's Finance and Account team in a formal internal system to make sure funds are utilised or earmarked as per the requirements of the identified Eligible Projects.
- Until such time as the relevant portion of the proceeds has been allocated, such amounts will be kept in temporary investment instruments that are cash, demand or time deposit accounts with select scheduled commercial banks in India, certificates of deposit and debt mutual funds, maturing not more than one year after the date of acquisition thereof, which invest solely in companies organised under the laws of India.
- Surplus Proceeds will be invested in the permitted cash and cash equivalent instrument as per project account deed until the time of project postponement or divestment. In case of reallocation to other eligible projects, it will be reallocated within 12 months' period and same will be disclosed as part of annual disclosure.

BEST PRACTICES
⇒ The allocation period is 24 months or less
⇒ The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the Framework within 24 months
⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in fossil fuel related businesses and/or funds

Monitoring & Reporting

Not Aligned	Partially Aligned	Aligned	**Best Practices**

- The Issuer has committed to report on the Use of Proceeds annually, until GFI maturity. The report will be publicly available until GFI maturity.
- The reporting will cover relevant information related to the allocation of GFI proceeds and to the expected sustainable benefits of the Eligible Projects/Assets. The Issuer has also committed to report on material developments/issues/controversies related to the Eligible Projects/Assets .
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Projects/Assets will be publicly disclosed
- An external auditor will verify the tracking and allocation of funds to Eligible Projects/Assets, as well as the indicators used to report on environmental benefits of the Eligible Projects/Assets, until GFI maturity.

Indicators

The Issuer has committed to transparently communicate instrument by instrument, at the category Level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds covers all the relevant information

REPORTING INDICATORS
⇒ the use of proceeds (list of projects, project type, capacity, location and amounts allocated) for each Green Financing Instrument issued ⇒ the current allocated and outstanding amounts (or percentages) and contractual maturity dates, including the types of temporary unallocated amounts placements and uses ⇒ percentage of amounts allocated for financing and refinancing (if applicable)

The Issuer has stated in the Framework that no co-financing will be undertaken in respect of the Eligible Green Projects.

- Environmental benefits: the indicators selected by the Issuer to report on the environmental benefits are clear, relevant and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS
Solar projects or assets	• Renewable energy generated (in MWh) and carbon dioxide emission avoidance (in t CO_2) achieved by each category of Eligible Green Projects financed under AGEL's Framework which are commissioned; and • Emission avoidance in Green House Gases (GHG) achieved for the projects which are commissioned
Wind projects or assets	
Hybrid projects or assets	

BEST PRACTICES

⇒ The Issuer will report on the Use of Proceeds until GFI maturity

⇒ The issuer report will be publicly available

⇒ The reporting will cover relevant information related to the allocation of GFI proceeds and to the expected sustainable benefits of the Projects/Assets. The Issuer has also committed to report on material development related to the Projects, including ESG controversies

⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting

⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Projects/Assets

⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible Projects/Assets will be disclosed publicly

⇒ Environmental benefits and impacts will be externally verified until GFI maturity

Contribution to sustainability

Expected Impacts

The potential positive Impact of the Eligible Projects/Assets on environmental objective is considered to be advanced.

ELIGIBLE CATEGORIES	EXPECTED IMPACT	ANALYSIS
Solar projects or assets Wind projects or assets Hybrid projects or assets	ADVANCED	The Eligible Projects/Assets will help increase India's installed capacity of renewable energy as well as its share in the domestic energy mix, through the construction and/or acquisition of onshore solar PV assets, wind assets (onshore or offshore), a hybrid of both types of electricity generation facilities, and their wholly dedicated evacuation infrastructure. According to a report[11] 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 CO_2 emissions reductions needed to meet National climate pledges. Although despite mitigation measures, there may be some short-term negative impacts during the construction and operational phase (e.g. pollution and energy usage during construction, waste, etc.), the Eligible Projects/Assets overall will bring very positive impacts in terms of avoidance of GHG emissions and mitigating climate change. The Eligible Projects/Assets are also expected to directly contributes to India's renewable energy targets set in its NDC.

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

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects/Assets are considered robust.

Environmental Management System

AGEL has established an Environmental and Social Management System (ESMS), which helps in eliminating adverse environmental impacts or reducing the residual impacts to the acceptable limits. AGEL also implements ISO 9001 (Quality Management System), ISO 14001 (Environment Management System), ISO 45001 (Safety Management System), ISO 50001 (Energy Management System) and ISO 55001 (Asset Management) at all sites.

For the Eligible Projects/Assets, AGEL's Environmental and Social Management Plan (ESMP) consists of the set of mitigation measures, management, monitoring and institutional arrangements to be taken during the implementation and operations of projects. As part of the ESMP, the potential environmental and social impacts that will be identified through the Environmental and Social Impact Assessment's (ESIA) or any other source of records will be reflected in the Management Plans. Initial identification of social and environmental aspects and potential impacts associated with renewable energy facility development, operations, decommissioning and closure operations will be documented separately for each project activity. The Scope of Work for ESIA, as well as Environmental and Social Due Diligence (ESDD), of Solar and Wind projects, are provided in Annex 1 and 2 of AGEL's ESMS document.[12]

The social and environmental impacts so identified will be summarized and documented in a project-specific list or register, which will be evaluated on at least on a half-yearly basis. The input provided by local/external stakeholders will also be identified and specifically considered in the evaluation of social and environmental aspects and impacts. Any necessary changes in the aspects/impacts register will be reflected in appropriate modification or additions to the Project's Management Plans or other performance improvement measures.

Eco-Design and end-of-life impact

AGEL has policies in place with regards to eco-design and end-of-life impact of solar projects and wind turbines:

- *Solar Electricity Generation Facilities:* AGEL is implementing waterless cleaning solutions, to reduce usage of water in their operations.
- *Wind Electricity Generation Facilities:* AGEL has policies in place to bring back the land to some beneficial use at the end of the project life cycle. AGEL has identified decommissioning of wind turbines as an environmental aspect in their Integrated Management System (IMS) as per ISO 14001. The decommissioning disposal process and cost including scrap value are covered in AGEL's Detailed Project Report (DPR).

Protection of Biodiversity

AGEL has established its own Biodiversity Policy. One of the key focus areas of the policy is to ensure a minimum of No Net Loss (NNL) of biodiversity in all operations. Furthermore, AGEL became a signatory in the India Business & Biodiversity Initiative (IBBI) on July 23rd, 2020.[13] The objective of this initiative is to sensitise and mentor Indian business organizations for biodiversity conservation and enhancement. AGEL commits to integrating the biodiversity aspects in its management systems to create a sustainable and positive impact on the surroundings. To this end, the company is currently assessing and mapping the biodiversity at its operation sites and identifying impacts, if any.

For example, a Biodiversity Action Plan has been prepared for 1690 MW Hybrid Power Projects in Rajasthan which addresses the migration of critically endangered avifauna including migratory birds. The plan is currently under implementation and includes long term bird and bat monitoring.

[12] https://www.adanigreenenergy.com/sustainability/social-health-environment-and-safety-management
[13] https://www.adanigreenenergy.com/sustainability

Energy efficiency and reduction of GHG emissions

AGEL has developed an application Performance Management (APM) tool for condition-based monitoring of all critical elements and predictive analytics. AGEL has already implemented ISO 50001 in Energy Management System (EMS) and annual continual improvements are in place to further reduce energy consumption. Category specific examples include:

- *Solar Electricity Generation Facilities*: AGEL has developed selection criteria to improve energy efficiency using latest available technology and preference for globally reputed Original Equipment Manufacturers (OEMs) and within minimum threshold of 20% eco-efficiency as per present available technology
- *Evacuation infrastructure:* AGEL has an in-house technical team which ensures that there is a minimum voltage drop to get better efficiency by selecting different types of conductors, optimised route selection, etc.

At the company level, in 2020, AGEL received a score of D in CDP's assessment, which is a Disclosure band (equivalent as the Asian regional average of D and lower than the Renewable power generation sector average of B).[14]

For the transmission and distribution infrastructure, AGEL will be using non-SF6 circuit breaker for higher voltage levels as and when commercially available. AGEL has allocated an annual budget for internal pilots and external Research & Development (R&D) for adopting SF6 free circuit breakers.

Prevention and mitigation of pollution and inconveniencies

AGEL measures and monitors both air pollution and water resources conservation. For air pollution, AGEL monitors its air emissions to ensure compliance with local regulations where they operate and has policies in place to act when required. For water resources conservation, it adopts sustainable water management techniques to limit its water footprint and ensure that no water bodies are affected due to their operations.

AGEL has developed an Environmental & Social Management Plan which is under implementation and includes mitigation practices of dust, noise pollution, water pollution and impacts due to construction waste.

Specifically, for waste management, AGEL aims to generate less waste and strives to reuse and recycle materials for the same purpose or for secondary use. It reports that its sites comply with all applicable EHS requirements to ensure that any materials are sent for disposal in the most environmentally sound manner. It also reports that it is in compliance with the prescribed permissible limits as per India's Central Pollution Control Board (CPCB) / State Pollution Control Board (SPCB) for discharge of solid and hazardous waste generation and disposal. Category specific examples include:

- *Solar Electricity Generation Facilities:* All projects of AGEL are designed for re-powering rather than re-placing solar panels to account for degradation.
- *Wind Electricity Generation Facilities:* AGEL has systems in place to engage and authorise waste handlers to handle components of wind turbine after project decommissioning.

Fundamental human and labour rights

AGEL is a signatory of the UN Global Compact.[15] At the company level, human resources, grievance redressal mechanisms, anti-fraud, anti-bribery and ethics procedure and policies are as per World Bank Group and International Labour Organization (ILO) standards. AGEL aligns with Adani Group's Human Rights policy which aligns to the ILO's core principles, including freedom of association and collective bargaining, health and safety of our workforce, eradication of child or forced labour and harassment or intimidation in the workplace. AGEL's acquisitions, mergers and investment decisions take human rights related clauses into consideration.

[14] https://www.adanigreenenergy.com/-/media/Project/greenenergy/Sustainability/CDP/2020_Climate_Change_Adani_Green_Energy
[15] https://www.unglobalcompact.org/what-is-gc/participants/137637-Adani-Green-Energy-Limited

Health and safety of the workers and users

At all project sites of the company, conformance to environmental norms, safety, occupational health of the employees (permanent / contract) is considered a priority. AGEL is working towards zero incidents across all plants. It also has Risk Identification and management framework across all operations and corporate office.

AGEL has a group of Operational Health and Safety (OHS) procedures to address predicted hazards and OHS risks. Work area specific risks that will need to be addressed as the project progresses will be evaluated and documented in a periodically updated register or risks and mitigation measures. AGEL receives regular Environmental, Health and Safety (EHS) inspections and audits (internal and external).

Promoting local social and economic development

Social impact is considered a major factor in the design and development of projects. AGEL's approach includes ensuring land procurement based on willing buyer-seller arrangement, fairness of pay and negotiation for land price, in good faith. AGEL is committed to build long-term mutually beneficial relationships with local stakeholders by organizing structured meetings at regular intervals.

As per AGEL's Environmental and Social Management System, the Head of EHS (Environment, Health and Safety) assumes the lead role in the investigation and resolution of any community relations issues that may occur in the course of an Eligible Project. A Corporate Social Expert also coordinates with the EHS team to develop/revise and to avail the Stakeholder and Community Relation Management Plan to the site management.

Integration of environmental and social factors in supply chain

AGEL has established its Supplier Code of Contract, which forms an integral part of contract conditions.[16] As disclosed by AGEL in its Annual Report 2020-21, its supplier assessment is carried out during the initial registration process, and further through internal audits. The supplier onboarding process covers environmental and social parameters, including human rights.[8] AGEL's techno-commercial team also coordinates with the Manager-EHS and Corporate Social Expert as necessary to ensure that appropriate environmental, social, OHS, and safety behavioural controls are included in the service/purchase orders or contracts issued to suppliers and contractors. The contract documents require contractors, sub-contractors and suppliers to comply with policies, codes and guidelines pertaining to ESG requirement, employ management systems for ESG risks and opportunities and commit to continuous improvements, ensure fair terms and conditions of employment for its sub-contractors, employees and personnel, assess and mitigate health, safety and environmental risks. However, we lack visibility on enforcement of such clauses and actions in case of non-compliance.

Business ethics

AGEL has policies in place to ensure that the company representatives contribute to public policy through industry associations and public consultations. The annual audit scope agreed by AGEL's stakeholders and audit conducted by Management Audit & Assurance Services Team (MAAs) covers every aspect mentioned in the Code of Conduct policy which comprises of: Internal finance controls, document controls, access controls, asset utilisation, adherence to delegation of authority, tendering bidding and procurement process, related party transactions, statutory compliances. The audit reports are transparently shared with auditees and Corrective Action & Preventive Action plans are taken.

[16] https://www.adanigreenenergy.com/-/media/Project/GreenEnergy/Sustainability/CDP/AGELSupplier%20Code%20of%20Conduct%20Final

ISSUER

AGEL is a public company that is part of the Adani Group and is one of the largest renewable companies in India with a project portfolio of 13,990 MW across 11 Indian states. It develops, builds, owns, operates and maintains utility-scale grid connected solar and wind farm projects. In May 2021, AGEL announced that it will acquire 100% of SB Energy India.

Management of ESG Controversies

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

Involvement in Controversial Activities

The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, 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.

METHODOLOGY

In V.E's 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 company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green Bond Principles and Green Loan Principles

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

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and the Loan Market Association's Green Loan Principles – February 2021 ("GLP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;[17]

ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;

iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable[18] 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 company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).

[17] The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

[18] '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.

- 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 company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's 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 company's involvement in any of them. The company'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 company.

V.E'S ASSESSMENT SCALES

Scale of assessment of financial instrument's Contribution to sustainability	
Advanced	An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.
Robust	A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.
Limited	A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.
Weak	A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.

Scale of assessment of financial instrument's alignment with Green Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green Bond Principles and of the Loan Market Association's Green Loan Principles.

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

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for AGEL. No established relation (financial or commercial) exists between V.E and the AGEL. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond/Loan, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer/Borrower'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 V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E 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 V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E 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 V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

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