

# 1. Leadership Reflections

## 1.1 Message from Chairman

Dear Stakeholders,

In FY 2022-23, we have focused on strengthening our leadership team, expanding business volumes, enhancing collections, elevating asset quality and integrating ESG into business operations. We not only met but exceeded expectations in all these areas. As a result, our customer outreach grew to an impressive 76.9 lacs, with an addition of 12 lacs in the past year alone. We achieved a remarkable year-on-year growth of 50% in total income and a staggering 133% year-on-year growth in operating profits. This robust performance enabled us to generate substantial economic value and extend our physical and portfolio presence across the nation.

As we transition from the accomplishments in the previous years, we are now embarking on our next set of objectives, viewing it as our responsibility, given our significant growth in the Indian banking sector and our ability to create positive impact. I am proud to announce that our future growth will be intertwined with a profound sense of responsibility toward our planet, our people, and the communities we serve.

This year marks a significant milestone as we unveil our inaugural strategy on sustainability, Environmental, Social, and Governance (ESG), corporate climate goals and climate risk management, in close alignment to global best practices, adherence to regulatory requirements, and meeting stakeholder expectations. Our approach to sustainability will follow the principles of a Common but Differential Responsibility based on one's capacity (CBDR principle), principle of double materiality and the principle of triple bottom line. To that effect, our journey is structured around six key pillars: Sustainable Operations, Empowering Communities, Human Capital Development, Effective Governance, Customer Centricity, and Responsible Finance.

I am also proud and pleased to announce, our ESG goals and targets, set for 2030, on the 6 pillars as part of the maiden report on sustainability. The focus areas under each pillar, along with their associated goals, are disclosed in the report below and I encourage all stakeholders to read, monitor, track, and critique our progress, as we firmly believe that this transparency will help us in steering through uncharted and emerging territories and aid in accomplishing even more.

In another milestone this year, we have taken significant steps to address climate induced financial risks. In a bid to set the 'tone at the top', the Bank has enhanced the charter of its Risk Management Committee of the Board (RMCB) to have an oversight on sustainability, ESG, corporate climate goals and climate risk management. Recognizing the potential impact of climate change on its credit portfolio and business operations, the Board has deemed it appropriate to classify climate induced financial risks as a material risk in its ICAAP. The Bank has initiated capacity building internally and has adopted a research-based approach which will eventually culminate into policy advocacy. Considerable progress has been made in understanding the exposure to climate induced physical risks such as floods, cyclones, droughts, and heatwaves. These initial findings will be analyzed further for developing detailed mitigation plans over short, medium and long term horizons, On the transition risks, the Bank is increasingly exploring suitable guard rails in its lending/investment strategy to address the same. The Bank is also cognizant of the opportunities entailing environmental risk adaptation and mitigation. Going forward, these opportunities will be analyzed for leveraging the same as part of business strategy.

Our Governance structure is designed to support our ESG strategy and mitigate associated risks, with objectives that include defining strategic direction, managing stakeholders effectively, and fostering a culture of sustainability. This structure aims to facilitate the strategic execution of sustainable practices while providing robust oversight to ensure compliance, track progress on internal goals and targets and add a meaningful impact in environmental conservation, social responsibility, and ethical governance.

We are proud to continue our efforts in our ongoing commitment to societal well-being through our CSR endeavors. Our flagship initiative, Chote Kadam, has positively impacted over 31,58,590 individuals since its inception, setting the tone for our other multifaceted initiatives across vital sectors such as livelihood development, healthcare, education, Disaster Relief, and Aid programs. We continue to foster a robust corporate culture centered around CSR, integrating social values with our business objectives. All of us at USFB are honored to be a part of an organization that believes success is intertwined with the welfare of the society, and it is with this belief that we will continue to impact every individual we have the opportunity to serve.

Reflecting on our sustainability journey this year, encompassing ESG aspects within our business has been enlightening. We understand where we stand currently, we recognize the positive impact we can make on the planet and its people, and we acknowledge the long journey ahead. With this perspective, I extend a warm welcome to you all to the inaugural Sustainability Report of Ujjivan Small Finance Bank—a starting point for a larger journey that we are eager to share with you.

Sincerely,

B. A. Prabhakar (Chairman)

Ujjivan Small Finance Bank