



UJJIVAN

UJJIVAN SMALL FINANCE BANK

Build a Better Life

Sustainability Policy

Corporate office:

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Sustainability Policy

1 Introduction

Ujjivan Small Finance Bank Limited has embarked on its journey towards sustainability as a reflection of its commitment towards environment, social and governance (ESG) principles.

At the outset, the bank carried out materiality assessment to identify issues that have a substantial influence on the banks' business performance, reputation, and stakeholder interests. This exercise was carried out in consultation with internal and external stakeholders to enhance Ujjivan's ability to determine its strategy and prioritize efforts, resources, and reporting on the material issues. The Bank's sustainability framework is based on a clear understanding of the material issues identified by materiality assessment.

Ujjivan SFB aims to balance financial performance with social responsibility and environmental stewardship. The sustainability approach of the bank defines its strategy and action to align its operations with ESG trends, regulatory requirements, and stakeholder expectations. Sustainable banking practices contribute to a more resilient financial system, help address environmental and social challenges, and support the transition to a sustainable and inclusive economy.

This Policy sets out the broad framework guiding the Bank's ESG activities. The Policy also outlines the governance structure that oversees the ESG aspects of the bank, showcases the ESG framework and highlights the key ESG indicators & outlays the commitments for strict adherence. Furthermore, it lays out the RACI Matrix and the reporting mandates.

2 Key Definitions

1. **Sustainable development:** A concept that aims to meet the needs of the present generation without compromising the needs and demands of future generations. It emphasizes the integration of economic, social, and environmental considerations to create a balanced and equitable approach to development.
2. **Resource Efficiency:** The practice of using fewer resources to achieve the same or better results. It involves using resources (energy sources, water, paper, etc.) more efficiently to reduce waste generation and minimize the environmental impacts associated with resource consumption. Resource efficiency plays a crucial role in promoting sustainability, mitigating climate change, and ensuring the responsible use of resources.
3. **Waste Management:** Implementing strategies and practices to minimize waste generation, reduce environmental impact, and promote sustainability in banking operations. While the banking industry might not generate as much physical waste as some other sectors, there are still several areas where waste management principles can be applied to contribute to greener and more responsible banking.
4. **Supply Chain Sustainability:** The inclusion of environmental, social, and ethical components in the product lifecycle starting from the extraction of raw materials through the disposal of the waste generated. Sustainability in the supply chain aims to maximize societal benefits while minimizing adverse effects on society.
5. **Diversity & Inclusion:** The interconnected concepts that emphasize creating environments where individuals of various backgrounds, identities, and perspectives are valued, respected, and empowered. These concepts are crucial in workplaces, communities, and society at large, as they promote equality, fairness, and the enrichment of perspectives.

6. **Ethical Business:** Conducting business activities in a manner that aligns with moral principles, values, and social norms. It involves making decisions and taking actions that consider the well-being of all internal and external stakeholders Ethical business practices go beyond legal requirements and strive to create positive impacts while avoiding any adverse effects.

7. **Financial Inclusion:** Accessibility of financial services, products, and resources to all segments of a population, including the people underserved or excluded from the formal financial system. The goal is to ensure that individuals and communities have access to essential financial tools and services that can help improve their economic well-being and overall quality of life.

3 Document Reference

All Regulatory guidelines issued until September 2023 have been incorporated in this document. This document was approved in the ERMC dated 19th Dec 2023 & Risk Management committee of the board on 29th Feb 2024. This document shall be effective from 29th Feb 2024.

4 Version Control

(Mandatory Section- Summarise the historical references / Institutional Memory of the document.)

Version No.	Effective Date	Approved on	Summary of major Changes
1.0	29.2.2024	29.2.2024	

5 Sustainability so far at Ujjivan

At Ujjivan Small Finance Bank, we reflect a commitment to not only enhance financial growth but also to attain a future filled with sustainable growth for all. Ujjivan SFB aims to promote financial inclusion by extending financial services and support to underserved segments of society including people from low-income backgrounds, women, rural populations, and marginalized communities.

As a mass-market bank, Ujjivan offers a wide range of financial services and a personalized customer experience. Ujjivan has identified the relevant issues to the banking sector and adopted the best benchmarking practices aligned with the UNSDG goals. Ujjivan also follows the applicable guidelines provided by SEBI/RBI. With technology as a key enabler, Ujjivan has expanded its reach and enhanced the customer experience. With 629+ banking touchpoints across 248 districts, 24 states, and Union Territories,

Ujjivan aims to provide accessible financial services to a broad range of people. The bank focuses on providing literacy training and capacity-building programs to its customers. Ujjivan prioritizes social impact and measures success not only in financial terms but also in terms of positive social outcomes.

6 Scope

This policy is applicable to all banking products, operations, and related services.

7 Objective

At Ujjivan, we recognize the significant role we play in fostering sustainable development, as well as the far-reaching influence that the banking industry can have on society and the environment. Aligned with our mission statement which emphasizes providing financial services to the unserved and underserved sections as a responsible mass market bank, with a focus on building a sustainable tomorrow, we commit to fostering progress and contributing towards the creation of an inclusive and sustainable society.

As a responsible financial institution, we are dedicated to seamlessly integrating sustainability into our banking products, operations, and services. Furthermore, we ensure that the policy commitments outlined below are effectively disseminated to all employees, stakeholders, and relevant parties through diverse channels of communication.

8 Governance Structure

The implementation of a 4-tier sustainability governance structure within the Bank is a commendable approach to effectively integrate and monitor Environmental, Social, and Governance (ESG) principles. This structure demonstrates a comprehensive commitment to sustainability by covering various aspects of responsible business practices. The ESG governance structure includes the Board of Directors, Risk Management Committee of the Board, Enterprise Risk Management Committee, and Implementation Team (Working group).

The Board shall function as the ultimate authority & approver for all sustainability interventions – including strategy & sustainability reports.

The Risk Management Committee of the Board shall ensure that all the current and future material risk exposures of the Bank including ESG risks are assessed, identified, quantified, appropriately mitigated and managed. It is also responsible to approve and oversee the implementation of the Bank level policy on the ESG parameters.

The Enterprise Risk Management Committee shall advise the Board on company policies, strategies, and programs, focusing on strategy development, goal setting, resource allocation, performance review, and sustainability goals improvement.

The Implementation team shall identify ESG opportunities, implement improvements, and take action. The Implementation Team shall implement the ESG programs across the organization.

9 ESG Framework – The Six pillars

Dividing the sustainability pillar into focused areas is a strategic approach that allows the Bank to effectively address specific goals and targets within its sustainability initiatives. This approach provides clarity and structure, enabling the Bank to allocate resources, track progress, and achieve meaningful outcomes. The six pillars of the ESG framework are as follows:

1. Sustainable Operations

4. Effective Governance

- | | |
|---------------------------|------------------------|
| 2. Empowering Communities | 5. Responsible Finance |
| 3. Human Capital | 6. Customer Centricity |

1. **Sustainable Operations** - To minimize environmental impact, maximise resource utilisation, and contribute to long-term social and environmental well-being, sustainable operations refer to the strategic integration of environmentally conscious practises into an organization's daily activities and processes.
2. **Effective Governance** – Effective governance involves robust governance, transparency, and a conducive environment, ensuring no compromise on ethics and values amidst externalities.
3. **Empowering Communities** - Creating a more equitable and inclusive society by delivering holistic sustainable values across the communities we operate. Supporting essential workers and vulnerable sections of society through focused interventions like education, skilling, healthcare.
4. **Responsible Finance** – Responsible finance focuses on creating positive environmental impact and fostering an inclusive baking ecosystem, improving access, usage, and quality.
5. **Human Capital** - Human capital is a critical aspect, ensuring fair and respectful treatment of employees, providing opportunities for growth and development, promoting diversity and inclusion, creating a safe and healthy work environment, and attracting and retaining top talent.
6. **Customer Centricity** - Customer centricity is an organizational approach that places the customer at the core of business operations, emphasizing the development and maintenance of strong customer relationships through effective communication, personalized services, and a deep understanding of customer needs and preferences.

ESG aspects cutting across

1. **Transparency & disclosure and Stakeholder engagement** - Comprehensive approach that encompasses transparent and effective communication practices within an organization, Ensuring data completeness, accountability, and data transparency to all relevant stakeholders and available in a timely manner.
2. **Stakeholder engagement** – Stakeholder engagement Focus on engaging with internal and external stakeholders and creating value for them involving proactively sharing relevant and accurate information with stakeholders in a timely manner, promoting open dialogue, and fostering meaningful engagement.
3. **Digital Transformation** - Digital transformation involves a customer-driven, digital-first approach to business, transforming models, experiences, processes, and operations. Integrating digital technology significantly impacts organizational functions and benefits.

10 Key ESG Indicators

Below listed are the key ESG indicators:

Environment	Social	Governance
GHG Emission reduction	Corporate Social Responsibility	Compliance
Sustainable by design	Talent Management	Data Privacy and Cyber Security
Green Finance	Human Rights	Risk Management
	Diversity and Inclusion	Governance Structure
	Health & Safety	Digital transformation
	Inclusive Finance	Transparency and disclosure
	Customer centricity	Stakeholder engagement

The performance of the above indicators shall be audited through an internal audit team and actions shall be planned for continuous improvement across all ESG space.

11 Sustainability at Ujjivan:

Through this policy, we aim to adhere to the below commitments:

- Ensure full compliance with all relevant rules and regulations related to sustainability.
- Ensure efficient consumption of natural resources such as paper, energy, and water that are utilized in our operations.
- Ensure effective waste management (collection, segregation, and disposal) at our operations in an environment-friendly manner.
- Encourage the adoption of eco-friendly products across all our operations, wherever feasible.
- Ensure the reduction of greenhouse gas emissions through energy efficiency measures, renewable energy sources, and cleaner technological alternatives.
- Uphold and advocate for human rights, both within our organization and across our supply chain in accordance with the UNGC Human Right Principles.
- Explore opportunities to integrate sustainability aspects into the vendor procurement processes, working towards establishing a sustainable supply chain.
- Foster equal opportunities for all by promoting diversity, equality, and inclusivity within our workforce.
- Ensure the observance of ethical business practices and treat all stakeholders with fairness, respect, and dignity.
- Proactively engage with business areas, addressing needs and improving quality of life, collaborating with stakeholders, supporting regional efforts, and promoting communication to address social issues.

- Prioritize the safety and well-being of our employees, customers, and communities by fostering a safe and hygienic working environment.
- Ensure safeguarding the privacy and confidentiality of information concerning our customers and employees by implementing robust security measures that prevent unauthorized access to data.
- Ensure that we provide pertinent environmental and social information on sustainability endeavours to all our stakeholders.
- Ensure to maintain stakeholder trust by consistently delivering on our sustainability commitments and customer loyalty through ethical and transparent business practices.
- Embrace digital transformation wherever feasible, driving efficiency, enhancing customer experiences, and reducing our carbon footprint.
- Focus on enhancing financial services and inclusive financing for underserved groups and marginalized communities by offering fair and transparent pricing, a diverse portfolio, and financial education & literacy programs.
- Ensure to pursue efforts to address climate change, by supporting and funding low-carbon and climate-resilient projects, wherever feasible.

12 Responsible, Accountable, Consulted & Informed (RACI) Matrix

An ESG RACI matrix can be particularly useful for ESG-related initiatives because they often involve various departments, stakeholders, and levels of the organization. The matrix helps to ensure that everyone understands their role and contribution to the overall ESG strategy. It promotes transparency, accountability, and effective communication throughout the ESG implementation process.

Activities	Responsible	Accountable	Consulted	Informed
Ultimate authority & approver of strategy	Board of Directors	Board of Directors	Risk Management Committee & Enterprise Risk Management Committee	Implementation Team
Data Monitoring and Reporting	Implementation Team	Implementation Team	Enterprise Risk Management Committee	Risk Management Committee
Stakeholder Engagement	Implementation Team	Implementation Team	Enterprise Risk Management Committee	Risk Management Committee
Audits/Assessments	Enterprise Risk Management Committee	Enterprise Risk Management Committee	Implementation Team	Risk Management Committee

Activities	Responsible	Accountable	Consulted	Informed
Performance Reviews	Enterprise Risk Management Committee	Enterprise Risk Management Committee	Implementation Team	Board of Directors & Risk Management Committee
Reporting to External Stakeholders	Enterprise Risk Management Committee	Enterprise Risk Management Committee	Risk Management Committee & Implementation team	Board of Directors
Disclosures (GRI/BRSR)	Implementation Team & Enterprise Risk Management Committee	Implementation Team & Enterprise Risk Management Committee	Risk Management Committee	Board of Directors

13 Reporting Requirements

Identifying relevant ESG issues for Ujjivan's banking operations is a crucial step in creating a comprehensive sustainability commitment. Creating a sustainability policy that encompasses these issues demonstrates Ujjivan's commitment to transparency, accountability, and making a positive impact on the ESG aspects. It also provides a framework for reporting and measuring progress in these areas over time, which can be valuable for building trust with stakeholders, investors, customers, and the community.

14 Disclosures and External Requirements

As responsible banking, Ujjivan's disclosure includes the non-financial aspects. Disclosures include the Business Responsibility and Sustainability Report (BRSR) and Global Reporting Initiative (GRI). They help in understanding and integrating Environmental, Social, and Governance (ESG) factors into our operations and decision-making processes.

Ujjivan believes that developing a sustainability frame to disclose sustainability performance is a necessary step toward nation-building. Such reports serve as a transparent communication channel through which Ujjivan can share the progress, achievements, and areas for improvement related to ESG initiatives. This transparency helps build trust with stakeholders, including customers, investors, employees, and the broader community. The data reported in the disclosures shall be verified through an internal expert or through a third party, whichever is feasible.

The above-stated content shall be reviewed annually and shall be updated if required.

15 Sign-off

Proposed by:

Name	Designation	Signature
Srividhya Durairajan	Manager – Corporate Social Responsibility	

Recommended by:

Name	Designation	Signature
Mr. Martin P. S	Chief Operating Officer	

Approved by:

Enterprise Risk Management Committee & The Risk Management committee of Board