

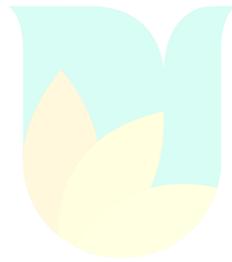


ABOUT THE REPORT

TCFD Disclosures, the 3rd disclosure by Ujjivan Small Finance Bank provides a structured approach adopted by the Bank for disclosing climate related risk and opportunities

Table of Contents

1. FOREWORD:	2
2. BACKGROUND:	4
3. REGULATORY EXPECTATIONS:	4
4. OVERVIEW OF THE TCFD FRAMEWORK:	5
5. PRINCIPLES AND APPROACH:	6
6. GOVERNANCE	7
7. STRATEGY	10
8. RISK MANAGEMENT	18
9. METRICS AND TARGETS	20



UJJIVAN

Ujjivan Financial Services Limited
Ujjivan Finance Company Limited
Ujjivan Finance Company Limited

1. FOREWORD:

Climate change is rapidly emerging as a core financial risk, with far-reaching implications for financial stability, asset quality, and long-term economic resilience. For the banking sector, this necessitates a structured and forward-looking approach to identifying, assessing, and managing climate-related financial risks.

In line with the evolving regulatory landscape, the Reserve Bank of India (RBI) has issued comprehensive guidance on climate risk and sustainable finance, including the **Draft Disclosure Framework on Climate-related Financial Risks (February 2024)**, aligned with the globally accepted **Task Force on Climate-related Financial Disclosures (TCFD)** recommendations. These guidelines mark a significant step towards enhancing transparency, comparability, and consistency in climate-related disclosures across the banking system.

At our Bank, we have proactively initiated the integration of climate risk considerations into our Enterprise Risk Management Framework. Over the past year, we have strengthened our governance architecture by clearly delineating oversight responsibilities at both Board and management levels. Climate-related risks are now embedded within our ICAAP processes, supported by dedicated oversight from the Risk Management Committee and the CSR & Sustainability Committee.

In alignment with RBI's expectations and TCFD pillars, our approach is structured across four key dimensions:

Governance: Strengthening Board and senior management oversight on climate-related risks and opportunities.

Strategy: Assessing the impact of climate risks—on our business model, operating playbook, including scenario analysis and sectoral sensitivities.

Risk Management: Integrating climate risk into credit appraisal, portfolio monitoring, operations and stress testing frameworks, with specific focus on vulnerable geographies and sectors.

Metrics & Targets: Developing measurable indicators such as financed emissions, sectoral exposures, and green asset ratios, climate risk scores, alongside progress towards sustainability-linked targets.

Recognizing the unique nature of our portfolio, particularly in microfinance and rural lending, we have prioritized the assessment of physical risks, including exposure to climate-vulnerable districts. At the same time, we are progressively building capabilities to evaluate transition risks, including policy, regulatory, and market shifts associated with the move towards a low-carbon economy.

We also acknowledge the challenges in terms of data availability, methodological standardization, and evolving global practices. To address this, we are investing in capacity building, leveraging industry collaborations, and aligning with emerging frameworks such as those issued by the Basel Committee on Banking Supervision (BCBS) and the Regulator.

Furthermore, in line with RBI's guidance on green finance, including the framework for acceptance of green deposits, we are exploring opportunities to support environmentally sustainable projects while maintaining prudent risk management standards. We have introduced Electric Vehicle(EV) financing as a focused initiative to support the transition towards cleaner mobility. Building on this, we are

exploring additional green and sustainable finance products. These initiatives are being pursued while ensuring adherence to robust credit underwriting and prudent risk management standards, thereby aligning sustainability objectives with long-term portfolio resilience.

Our TCFD-aligned disclosures reflect our commitment to transparency and continuous improvement. As regulatory expectations evolve from voluntary to more standardized and potentially mandatory disclosures, we remain committed to enhancing the depth, accuracy, and reliability of our climate-related reporting.

We believe that effective climate risk management is not only a regulatory imperative but also a strategic opportunity. By aligning our risk practices with sustainability objectives, we aim to build a resilient portfolio while contributing meaningfully to India's transition towards a low-carbon and climate-resilient economy.

We look forward to engaging with all stakeholders as we continue to strengthen our approach in this critical area.

Sincerely,

Brajesh Joseph Cherian

Chief Risk Officer

Ujjivan Small Finance Bank



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A Small Finance Bank

2. BACKGROUND:

The Financial Stability Board (FSB) established the Taskforce for Climate related Financial Disclosures (TCFD) to develop a globally consistent framework for disclosure of climate related financial risk and opportunities. The objective is to enable investors, lenders and other stakeholders to make informed decisions by improving transparency, comparability, and reliability to climate-related information. Given its remit from the Financial Stability Board, the TCFD is committed to market transparency.

The TCFD recommendations have gained widespread global acceptance and provide a structured approach for integrating climate related risks and opportunities into organisation's risk management and strategic planning processes. With increasing adoption – both physical and transition risks are being systemically incorporated into financial decision-making.

In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. Further, on February 28, 2024, RBI has also published the Draft Disclosure framework on Climate-related Financial Risk which underscored the need for a better, consistent and comparable disclosure framework for REs, as inadequate information about climate-related financial risks can lead to mispricing of assets and misallocation of capital.

In compliance to the Regulatory guidelines, the Bank's TCFD disclosures are also structured around the recommended four thematic areas that represent core elements of how banks operate viz. governance, strategy, risk management, and metrics and targets. The four themes are supported by baseline and enhanced disclosures with information that should help stakeholders understand the Bank's progress and assess climate-related risks and opportunities inherent thereof. The approach reflects the Bank's commitment to aligning with evolving regulatory expectations while strengthening transparency and long-term sustainability.

3. REGULATORY EXPECTATIONS:

As a regulated entity, the Bank is required to adopt a structured and transparent approach for disclosing climate-related financial information in line with evolving regulatory expectations. The RBI has emphasized the need for banks to progressively align their disclosures with globally accepted frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD).

At a minimum, the Bank is expected to provide climate-related disclosures that enhance transparency, consistency, and comparability, both within the domestic financial system and in alignment with global best practices. Adoption of the TCFD framework enables stakeholders to better assess the Bank's exposure to climate-related risks and opportunities, and supports informed decision-making.

The Bank proposes to publish its climate-related disclosures on an annual basis, as part of its Sustainability or Annual Report, aligned with established reporting frameworks such as GRI, while also making standalone TCFD disclosures available in the public domain to facilitate ease of access and reference for stakeholders.

Given the evolving nature of regulatory guidance and industry practices, the Bank follows a "comply or explain" approach, ensuring that disclosures are proportionate to the nature, size, complexity, and

materiality of climate-related risks within its portfolio. This approach allows for progressive enhancement of disclosures while maintaining alignment with regulatory expectations.

The Bank remains committed to continuously strengthening its disclosure practices, incorporating emerging regulatory guidance, improving data quality, and enhancing methodologies for assessing climate-related risks. This ongoing evolution ensures that disclosures remain relevant, decision-useful, and reflective of the Bank's risk profile and strategic priorities.

4. OVERVIEW OF THE TCFD FRAMEWORK:

The TCFD recommendations on climate-related financial disclosures are widely adoptable and applicable to organizations across sectors and jurisdictions. They are designed to solicit decision-useful, forward-looking information that can be included in mainstream financial filings. The recommendations are structured around four thematic areas that represent core elements of how organizations operate under:



The four thematic areas are further expanded into 11 recommendations for disclosures.

This document provides a report on the progress made in complying to the minimum expectations laid out in the TCFD disclosure framework as at March 31, 2025 and updated as at December 31, 2025. All exposure related figures quoted in the document are 'Rs. in crores', unless otherwise specifically stated. For the purpose of reporting, the Bank has referred to the guidance note for *implementation the recommendations of the Taskforce on Climate Related Financial Disclosures published in October 2021*¹ and the RBI *draft disclosure framework on Climate-related financial risks* dated February 28, 2024, on a best effort basis

¹ <https://www.fsb-tcfid.org/>

5. PRINCIPLES AND APPROACH:

The Bank, as a relatively new entrant in India's banking sector, has embedded Responsible Banking at the core of its strategy and operations. This commitment reflects its focus on financial inclusion, economic equity, and long-term sustainable value creation. In line with evolving global best practices, the Bank integrates climate-related considerations into its governance, strategy, risk management, and disclosure processes, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures.

The Bank recognizes climate change as a strategic risk and opportunity that requires strong governance oversight. Senior management is responsible for integrating climate-related considerations into business strategy, risk frameworks, and operational policies. The Bank is progressively strengthening internal capabilities to ensure that climate-related risks and opportunities are identified, assessed, and managed effectively across functions.

The Bank's contribution to environment management and adaptation/mitigation follows the principle of Common But Differentiated Responsibilities (CBDR) and respective capabilities as laid out by the United Nations Framework Convention on Climate Change (UNFCCC) **(Principle 1)**.

The Bank acknowledges that climate change presents both physical risks (arising from extreme weather events and long-term climate shifts) and transition risks (stemming from policy, regulatory, technological, and market changes associated with the transition to a low-carbon economy). These risks may impact the Bank's portfolios, operations, and financial performance over the short, medium, and long term.

To address this, the Bank adopts a phased strategic approach **(Principle 2)**:

- **Outside-in perspective:** The Bank evaluates how climate-related risks and opportunities may affect its financial position, operations, lending portfolio, and investment decisions. This includes assessing sectoral vulnerabilities and potential impacts on asset quality, credit risk and business disruptions/continuity issues.
- **Inside-out perspective:** The Bank is gradually enhancing its focus on understanding and managing the environmental impact of its financing activities and operations. This includes integrating sustainability considerations into product offerings, operational processes, and stakeholder engagement.

The Bank's portfolio strategy emphasizes financial inclusion and retail lending, with limited exposure to carbon-intensive sectors such as transportation, power generation, and heavy industry. This positioning supports a lower transition risk profile while contributing to inclusive economic growth.

Risk Management

Recognizing the limitations of traditional risk assessment methods in capturing forward-looking climate risks, the Bank adopts a forward-looking and research-driven approach. This includes:

- Developing internal capacity for climate risk identification and assessment
- Incorporating qualitative and scenario-based analyses to evaluate potential impacts
- Integrating climate-related considerations into existing risk management frameworks over time

The Bank also acknowledges the inherent uncertainty and non-linearity of climate risks, necessitating continuous monitoring, data enhancement, and methodological evolution.

Metrics and Targets

While the Bank is in the early stages of formalizing climate-related metrics and targets, it is guided by the principles of transparency, relevance, and comparability in its disclosures. The Bank is working towards aligning its reporting practices with TCFD recommendations, including:

- Enhancing climate-related disclosures over time
- Improving data quality and availability
- Establishing appropriate indicators to monitor exposure to climate-related risks

Guiding Principles and Sustainability Approach

The Bank's approach to climate and environmental management is guided by the principle of Common but Differentiated Responsibilities (CBDR) under the United Nations Framework Convention on Climate Change (UNFCCC). This ensures that its actions are aligned with its capabilities and developmental context.

In addition, the Bank follows the triple bottom line approach (**Principle 3**), balancing financial performance with social impact and environmental responsibility. It also promotes sustainable practices among stakeholders, including the adoption of initiatives such as Lifestyle for Environment (LiFE), to encourage environmentally responsible behaviour.

Specific to disclosures and reporting, the Bank is guided by the principles laid out in the TCFD-Implementing the Recommendations of the Task Force of Climate-related Financial Disclosures, covering:

Principle	Description
1.	Disclosures should present relevant information
2.	Disclosures should be specific and complete
3.	Disclosures should be clear, balanced, and understandable
4.	Disclosures should be consistent over time
5.	Disclosures should be comparable among organizations within a sector, industry, or portfolio
6.	Disclosures should be reliable, verifiable, and objective
7.	Disclosures should be provided on a timely basis

6. GOVERNANCE

6.1. Describe the Board's oversight of climate-related risks and opportunities

The Bank's Risk Management Committee of the Board (RMCB) has an oversight on the Bank's approach to Climate Risk Management. However, the Bank has deemed it appropriate to transfer the oversight function on sustainability, ESG, corporate climate goals to the CSR and Sustainability Committee. Both the committees monitors the progress achieved on internal strategy, targets, and initiatives taken by the Bank in furthering the respective goals. The Board believes that improvement of the Bank's efforts in the Environmental and Social parameters and upholding highest levels of Governance is critical in the Bank's journey ahead, and hence, with a view to delineate the sustainability and ESG related initiatives of the Bank and reporting, the Terms of Reference (ToR) for the CSR & Sustainability Committee of the Board were enhanced to include :

- The CSR and Sustainability Committee shall oversee the planning, implementation, and evaluation of CSR, Sustainability and Financial Literacy initiatives, ensuring alignment with the bank's overall strategy and objectives.
- The Board Committee shall provide support and guidance to both the Sustainable Banking Department and the CSR and Sustainability Committee, ensuring adequate resources and alignment with organizational goals.

Particulars	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 (YTD up to Dec 2025)
Number of times RMCB met during the year	5	5	6	5
Number of instances where climate related aspects were discussed	2 (RMCB dated Oct 19, 2022; Feb 1, 2022)	2 (RMCB dated Oct 25, 2023; Nov 21, 2023)	2 (RMCB dated May 16, 2024; June 18, 2024)	1 (RMCB dated June 20, 2025)

The Bank's RMCB is also aided by a separate reporting to the CSR and sustainability committee of the Board, where measures taken to further the UN SDGs through CSR initiatives are deliberated. Reporting at Board level is undertaken at least on semi-annual basis. The Bank's' CSR and Sustainability Committee also has an oversight on the Bank's efforts in furthering Corporate Social Responsibility initiatives. During FY 2024-25, this Committee met twice and 1 time during the current FY2025-26(Till Dec'25).

The organizational structure for reporting at Board and management level is as below:



Prior to reporting at Board level, the Bank has put in place an internal review process at management levels/ committees, wherein progress achieved on the goals pertaining to sustainability, ESG, corporate climate goals and climate risk management are first deliberated. To that effect, the Bank has

undertaken a gap analysis and put in a place a roadmap for its implementation along with timelines. The Board monitors and oversees progress against goals and targets for addressing climate-related issues through review of the roadmap and its progress thereof.

The RMCB has endorsed that climate related issues and climate induced financial risks are material to the Bank, albeit in the long run. While the risk posture is concluded to increase on a decadal scale, the Committee has endorsed its inclusion to the Risk Register in ICAAP and classifying the same as a 'material risk' warranting a periodic review. The RMCB considers climate related issues as material when reviewing and guiding strategy, risk management policies, annual budgets and business plans as well as setting the Bank's performance objectives, and in monitoring implementation and performance. This is evidenced through the Committee's direction vide its meeting dated February 1, 2023 where:

- The Committee endorsed the materiality of physical risks in the Bank's business and directed to incorporate limits/caps at district or state level as part of the annual business planning exercise. Further, the Committee also directed to review and make recommendations to the existing policy framework on changes warranted to adequately capture climate risk in its day to day operations.
- On the governance aspects, the Committee provided its approval in enhancing the charter of the RMCB to include climate change and associated risks at the oversight level. Further, the Committee also directed to enhance the RMCB charter to include ESG and ESG related risks for oversight purposes.
- The Committee also directed to enhance the charter of RMC- management level (now Enterprise Risk Management Committee) to have an oversight on the day to day operations and management of the same.
- To ensure that the management of these emerging risks is undertaken in a structured and formal manner, the Committee approved the proposal to put in place a small team of personnel within the Risk management unit to exclusively have an oversight on enterprise wide risks.

6.2. Describe management's role in assessing and managing climate-related risks and opportunities

At a management level, the Bank's Enterprise Risk Management Committee (ERMC) is empowered to have an oversight on all emerging risks affecting the Bank's operations. This includes promoting a prudent risk culture in the Bank and in assessing the severity and posture levels on all material risks, which includes sustainability, ESG and climate associated risks.

Likewise, measures and attempts in furthering UN-SDG goals through CSR initiatives is deliberated at the CSR & sustainability Committee at a management level. Both these Committees are chaired by the Managing Director and Chief Executive Officer (MD & CEO) and report to the sub-committees of the Board (i.e., RMCB and CSR & sustainability Committee of the Board). A short description on the organization structure of these management level committees is furnished as below:

6.2.1. Description of the Enterprise Risk Management Committee (ERMC)

The Enterprise Risk Management Committee (ERMC) was mandated by the RMCB to play the crucial role in providing targeted governance and oversight for all emerging risks affecting business

operations, particularly climate induced financial risks. The Committee's primary objective is to actively have an oversight on strategic risks and take note of the interplay between current and emerging risks and in reviewing the adequacy of risk management systems/frameworks thereof. On climate risk, the Committee evaluates risks and opportunities on account of climate change perspective and ensures preparedness for future regulations/developments. Climate-related risks are also reviewed annually as part of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and are presented to both the ERMC and RMCB. Through these measures, the Bank ensures that climate and ESG risks are governed with diligence and accountability. The Committee comprises of senior management personnel and is chaired by the Managing Director and Chief Executive Officer; thereby providing the required impetus to pursue research driven policy advocacy and in that process, reinforces the tone at the top.

6.2.2. Description of the CSR & sustainability committee- management level

The detailed description of the CSR & sustainability committee- management level is disclosed in Bank's annual Sustainability Report.

ERMC is supported by the Bank's risk management vertical. Specifically, the ERM unit is responsible for implementation of the enterprise-wide risk framework, aggregation of risks and undertake materiality assessment. This unit is specifically mandated to have an oversight on emerging risks within the Bank which include risks arising on account of sustainability, ESG, corporate climate goals and climate risk management. Given that climate risk is transverse in nature, its assessment thereof, can also be deliberated at traditional forums such as the CRMC, ORMC and ALCO where subject specific inputs are required for further deliberation.

7. STRATEGY

7.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

The Bank takes into cognisance that climate related issues often manifest themselves over the medium and longer terms. This is also evidenced in risk posture classification being 'increasing on a decadal scale' as part of the Bank's ICAAP process. For the purpose of climate risk management, the Bank has defined the following timelines as short, medium and long term time horizons. The table below also provides a description of climate-related issues and its material financial impact on an overall basis.

Time frame	From (years)	To (years)	Description of specific climate-related issues having a material financial impact	Material Financial impact on the Bank
Short-term	1	3	<p>Risk:</p> <ul style="list-style-type: none"> Increased severity of extreme weather events such as cyclones and floods. <p>Opportunities:</p> <ul style="list-style-type: none"> Use of more efficient modes of transport Use of recycling 	<p>Risk</p> <ul style="list-style-type: none"> Reduced revenue, negative impact on workforce, loan defaults and write-offs. <p>Opportunities:</p> <ul style="list-style-type: none"> Business expansion and risk diversification

			<ul style="list-style-type: none"> • Use of lower emission sources of energy 	<ul style="list-style-type: none"> • Reduced operating costs (through efficiency gains and cost reductions) • Reduced operational costs (e.g., through use of lowest cost abatement)
Medium-term	3	10	<p>Risk:</p> <ul style="list-style-type: none"> • Changes in precipitation patterns and extreme variability in weather patterns. • Rising mean temperatures • Enhanced emissions-reporting obligations • Substitution of existing products and services with lower emissions options • Unsuccessful investment in new technologies • Changing customer behaviour • Shifts in consumer preferences • Stigmatization of sector (s) <p>Opportunities:</p> <ul style="list-style-type: none"> • Use of more efficient production and distribution processes (100% automation and paperless banking) • Reduced water usage and consumption • Use of new technologies in energy sources • Shift toward decentralized energy generation (harness solar energy) • Development and/or expansion of low emission goods and services • Development of climate adaptation and insurance risk solutions for customers 	<p>Risk</p> <ul style="list-style-type: none"> • Reduced revenue, negative impact on workforce, loan defaults and write-offs. • Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism) • Increased operating costs (e.g., higher compliance costs, increased insurance premiums) • Costs to adopt/deploy new practices and processes. • Reduced revenue from decreased demand for goods/services <p>Opportunities:</p> <ul style="list-style-type: none"> • Increased production capacity, resulting in increased revenues. • Benefits to workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs • – Reduced operational costs (e.g., through use of lowest cost abatement). • Increased revenue through demand for

			<ul style="list-style-type: none"> • Development of new products or services through R&D and innovation. • Ability to diversify business activities • Participation in renewable energy programs and adoption of energy efficiency measures 	<p>lower emissions products and services.</p> <ul style="list-style-type: none"> • – Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Long-term	10	50	<p>Risk:</p> <ul style="list-style-type: none"> • Rising sea levels • Mandates on and regulation of existing products and services • Increased stakeholder concern or negative stakeholder feedback <p>Opportunities:</p> <ul style="list-style-type: none"> • Participation in carbon markets • Access to new markets • Use of public-sector incentives • Costs to transition to lower emissions technology 	<p>Risk:</p> <ul style="list-style-type: none"> • Write-offs and early retirement of existing assets (e.g., damage to property and assets in “high-risk” locations) • Increased operating costs (e.g., higher compliance costs, increased insurance premiums). • Reputational loss <p>Opportunities:</p> <ul style="list-style-type: none"> • Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon • Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks) • Reduced operating costs (e.g., through efficiency gains and cost reductions)

The Bank has commenced building resilience for climate related financial risks and working towards deploying processes to determine risks and opportunities which could have a material financial impact on the Bank. Particularly on the environmental and climate risks, the Bank's approach is aligned to the principles of double materiality i.e., how its business is affected by sustainability issues (outside in) and how its activities can impact society and the environment. Since capacity building is a prerequisite in understanding this subject, the Banks' initial focus is on data source identification, gap analysis and

a qualitative understanding of the risks. Climate related opportunities will be explored within the contours of the triple bottom line. The Bank has chalked out an internal plan over a short, medium and long term horizon.

7.1.1. Concentration of credit exposure to carbon- related assets

While every industry could experience potential financial impacts from climate-related risks and opportunities, the Task Force (TCFD) had identified a select list of non-financial industries (and their related supply and distribution chains) which are more likely to be financially impacted than others due to their exposure to certain transition and physical risks around greenhouse gas (GHG) emissions, energy, or water dependencies associated with their operations and products. These non-financial industries are grouped into four key areas (referred to as non-financial groups): Energy; Transportation; Materials and Buildings; and Agriculture, Food, and Forest Products.

It is pertinent to note that the term “carbon-related assets” is not well defined². The Task Force encourages banks to use a consistent definition to support comparability and banks should describe which industries they include and exclude. The licensing guidelines to Small Finance Banks (SFBs)³ overtly mandates to undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities. Further, the SFBs are required to extend 60% of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as Priority Sector Lending (PSL) by the Reserve Bank. Business operations targeted to these population groups aide in furthering the UN-SDGs of no poverty, gender equality, decent work and economic growth, reduces inequalities and partnerships for the goals.

Given that the objectives of setting up an SFB is to further financial inclusion through provision of savings and credit facilities to the population segment(s) as above, the Bank shall exclude such exposures which are eligible for categorization under Regulatory Retail⁴ as per the Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025 dated November 28, 2025 issued by the Regulator for the purpose of reporting exposure to carbon-related assets. The exposure to carbon related assets as at March 31, 2025⁵ is as follows:

Rs. in crores				
Exposure to carbon-related assets	Fund based exposure	Non-Fund based exposure	Investment Exposure	Total Exposure
Energy	-	-	-	-
- Oil and gas	-	-	-	-
- Coal	-	-	-	-
- Electric utilities	-	-	-	-
Transportation	-	-	-	-
- Air freight	-	-	-	-

² Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures

³ https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=32614

⁴ Clause 5.9 of **Master Circular – Basel III Capital Regulations dated April 1, 2024**

⁵ For the purpose of reporting exposure in carbon sensitive assets, the Bank shall report exposure as at year end date for ease of comparison.

- Passenger air transportation	-	-	-	-
- Maritime transportation	-	-	-	-
- Rail transportation	-	-	-	-
- Trucking services	-	-	-	-
- Automobile and components	-	-	-	-
Materials and Buildings (manufacturing)	-	-	-	-
- Metals and mining	-	-	-	-
- Chemicals	-	-	-	-
- Construction materials	-	-	-	-
- Capital goods	-	-	-	-
- Real Estate management and development ⁶	49.88	-	-	49.88
Agriculture, Food and forest products				
- Beverages	-	-	-	-
- Agriculture ⁷	-	-	-	-
- Packaged foods and Meats	-	-	-	-
- Paper and forest products	-	-	-	-
Total	49.88	-	-	49.88

7.2. Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.

Empirical evidence demonstrates that the Bank's microfinance portfolio and to some extent, the exposure in the informal segments of Housing and MSME, are exposed to what may be classified as event risks. Historically, natural disasters or physical risks have affected credit portfolio performance. The Bank has experienced temporary spikes in the delinquency levels due to floods and cyclones in the past. Various reports from the scientific community indicate that the frequency and severity of such physical risk events are expected to increase with climate change and increase in Green House Gas (GHG) emissions. By virtue of being a new bank and focused on retail segment, transition risks by way of changes in policy, technology, legal and consumer sentiments are low since policy advocacy and research today is largely focused on carbon-intensive industry(s), where the exposure is currently

⁶ Commercial Real Estate exposure as at reporting date

⁷ The Bank's exposure to agriculture at a borrower level qualifies for classification under Regulatory Retail attracting 75% risk weight. Further, since Agriculture is a Priority Sector Lending as per RBI guidelines, they are not considered as 'Carbon Sensitive Assets'.

nil. As at reporting date, transition risks in the Bank's existing portfolio is negligible. However, the Bank takes cognisance of the build-up of transition risks as the Bank now seeks to ramp up its MSME and Vehicle Loans segments.

The Bank has rolled out ESG framework surrounding People, Process and Product with Sustainable operations, Empowering Communities, Human Capital, Effective Governance, Customer Centricity, Responsible Finance and other aspects cutting across being the focus pillars as explained below:

S. No.	Pillar	Focus Areas	Goals 2030	Performance in FY 2023-24	Performance in FY 2024-25	
1	 Sustainable Operations	Sustainable by Operations	20% reduction in power consumption	<ul style="list-style-type: none"> 100% of the offices are replaced with energy-efficient lighting systems 100% of the employees were provided awareness sessions on energy and water conservation practices 	<ul style="list-style-type: none"> Successfully rolled out Sanchaya Program across Regional & Corporate offices in October 2024 and achieved a savings of 8% from that of FY 2023-24 (Q3 & Q4) in energy consumption 	
		Sustainable by Design	10% of total office area (Ujjivan offices) to achieve Green Building certification	<ul style="list-style-type: none"> Every new infrastructure has been given due consideration on the green aspects such as Polycarbonate boards as a substitute for glass and Ricron sheets in place of wood which are 100% recyclable; Fitted with 5-star rated ACs and LED bulbs throughout 	<ul style="list-style-type: none"> Installed solar panels of capacity 5KW at Adanoor, Shyagale & 11KW at Sudarshan Moore Branches in this reporting year. Around 14,192 kWh (0.078%) of renewable energy has been used from solar panels in FY 2024-25 Guidelines on Green Buildings formulated 	
2	 Empowering Communities	Corporate Social Responsibility	Disclose the social value through Social Return on Investment study	<ul style="list-style-type: none"> 102% increase in the beneficiaries impacted through livelihood development programs from that of FY 2022-23 6,494 employees were engaged in the volunteering programs which is 119% from that of 2019-20 	<ul style="list-style-type: none"> 16% of CSR projects were implemented in economically weaker geographies A total of 7,280 employees participated in volunteering programs, which represents a 12% increase from that of FY 2023-24 	
3	 Human Capital	Talent Management	34 hours per employee training	<ul style="list-style-type: none"> 35.27 average training hours spent per employee in the reporting year 	<ul style="list-style-type: none"> 38.91 average training hours spent per employee in the reporting year 	
		Diversity, Equity & Inclusion	Achieve gender diversity up to 30%	<ul style="list-style-type: none"> Achieved 20% gender diversity ratio with the addition of 2,507 women employees during the year with 349 women under "Unpause", an opportunity for the women on career break to resume their career 	<ul style="list-style-type: none"> Achieved 55% board gender diversity with 5 women representatives out of total 9 directors 	
		Health, Safety and Wellness	Zero Accidents – Ujjivan SFB office locations	<ul style="list-style-type: none"> Policies on Occupational Health and Safety (OHS) and Human Rights were formulated Awareness programs conducted on road safety 	<ul style="list-style-type: none"> Awareness programs conducted to prevent road accidents Launched wellness app 'Aalizwell' for employees which is further extended to their family members 	
4	 Effective Governance	Governance	Robust Governance Structure, beyond compliance	<ul style="list-style-type: none"> Rebranded the CSR Committee as the CSR & Sustainability Committee of the Board 	<ul style="list-style-type: none"> Engagement with 74 investors & 37 sell-side analysts during FY 2024-25 	
		Data Privacy and Cyber Security	Zero Data Security Breaches	<ul style="list-style-type: none"> Zero Data Breaches Obtained ISO 27001:2022 certification for Information Security Management System 	<ul style="list-style-type: none"> Zero Data Breaches Successfully completed the sustenance Audit from BSI and have received the confirmation of continuation of ISO 27001:2022 certification for 2nd year 	
		Ethics and Compliance	Zero fines/penalties	No legal penalties	No legal penalties	No legal penalties
		Risk Management	Achieve transformative stage in the risk maturity ladder	<ul style="list-style-type: none"> Disclosure of maiden voluntary TCFD report Set an exposure limit of 5% in districts with heightened physical climate risks 	<ul style="list-style-type: none"> Second TCFD Report published Ujjivan has commenced building resilience for climate-related financial risks and working towards deploying processes to conduct granular climate risk assessments 	

S. No.	Pillar	Focus Areas	Goals 2030	Performance in FY 2023-24	Performance in FY 2024-25
5	 Customer Centricity	Customer Relationship Management	Top quartile in Customer Satisfaction Survey Score	<ul style="list-style-type: none"> Improvement from previous Bank level service index levels (from 85 to 89) Digitisation and Review of ongoing C-SAT surveys initiated, shall be completed by FY 2024-25 	<ul style="list-style-type: none"> There was a 4-point improvement in the Bank's service index levels, rising from 89 to 93 In FY 2024-25, the Bank surveyed 11% of customers to assess service quality and plans to digitise CSAT and NPS surveys in Q1 FY 2025-26
6	 Responsible Finance	Green Finance	Exploring the green finance opportunities specific to MSME sector and Electric Vehicle (EV) financing	<ul style="list-style-type: none"> Exploring the options of introducing loans for solar projects Initiated financing for EV two-wheelers 	<ul style="list-style-type: none"> EV financing is currently concentrated on two-wheelers Supported MSMEs through government-led schemes such as MSE GIFT and MSE SPICE
		Inclusive Finance	Expanding reach & impact	<ul style="list-style-type: none"> Introduced "Loan acknowledgement" feature in Hello Ujjivan Application, to streamline the loan processing experience for customers Launched a dedicated loan program for Scheduled Castes (SC) and Scheduled Tribes (ST) WASH Loans in place 	<ul style="list-style-type: none"> Introduced a secured livestock loan under its Individual Loan portfolio, allowing customers to access credit by hypothecating cattle Provided loans to SC/ST customers under government-backed PM Vishwakarma Yojana
7	 Aspects cutting across	Transparency and Disclosures	Aspire to reach top quartile on S&P Global CSA (Formerly DJSI)	<ul style="list-style-type: none"> Launched dedicated webpage on Sustainability with essential disclosures Disclosure of maiden voluntary Sustainability report 	<ul style="list-style-type: none"> Disclosure of 2nd Sustainability Report (GRI aligned) along with BRSR as per SEBI requirements
		Stakeholder Engagement	100% digital invoices from suppliers with spend of 10 Mn or higher	18-20% invoices digitalised	20-25% invoices digitalised
		Digital Transformation	Bringing 10 Mn customers into digital banking space and achieve digital transactions (volume) of 1,000 Mn	<ul style="list-style-type: none"> Launched Digital Savings Account and Digital Fixed Deposit for both Existing-To-Bank (ETB) and New-To-Bank (NTB) customers 34 Lakh unique digital customers were introduced to the digital banking space as of March 31, 2024, indicating a 42% YoY growth compared to FY 2023 Total Digital Transactions volume during FY24 stands at 370 Mn+ with 88.59% transactions happening digitally in Mar'24 100% of vendor contracts were executed digitally during FY 2023-24 	<ul style="list-style-type: none"> Achieved a digital customer base of 42.86 Lakhs (IB/MB/UPI), exceeding the target of 40 Lakhs, marking a 23% YoY growth 99% of the contracts (approx. 1,870 contracts) were digitally executed, saving 18,700 number of papers Exceeded the target with 53 Crores digital transactions, representing 92.40% of total bank transactions through phone banking

7.2.1. Strategy on GHG emissions and targets: The energy consumption pattern within the Bank is actively monitored and energy usage is efficiently managed along with the Greenhouse Gas (GHG) emissions. The electricity consumption is monitored periodically and aggregated in line with the billing cycle for all offices at the corporate level. By categorizing emissions into Scope 1 and Scope 2, a comprehensive approach is adopted for addressing the environmental impact. The Bank is currently developing the required tracking and management systems to monitor its Scope 3 emissions, which will be reported in the subsequent years. As generally observed in the banking sector, the usage of grid electricity is for offices and ATMs and diesel generators are used to generate electricity during power outages. These activities fall under the categories of Scope 2 and Scope 1 emissions, respectively, as per the Greenhouse Gas (GHG) emission classification. The Bank's emissions are calculated as per the GHG protocol and relevant factors are derived from The

Intergovernmental Panel on Climate Change (IPCC). The details of Scope 1 and 2 emissions are furnished in the Bank's Sustainability Report. On setting GHG emission targets, emissions intensity and exploring on net-zero goals, it is imperative that the Bank undertakes a detailed review of its current and projected emissions. To that effect, the Bank has onboarded a knowledge partner who will be working closely with the Bank.

7.3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

A report of the Ministry of Earth Sciences⁸, Government of India had concluded that since the middle of the twentieth century, India has witnessed a rise in average temperature; a decrease in monsoon precipitation; a rise in extreme temperature, droughts, and sea levels; as well as increase in the frequency and intensity of severe cyclones. There is compelling scientific evidence that human activities have influenced these changes in regional climate. These developments pose challenges for humanity and warrant an immediate, large-scale and rapid reduction in GHGs. The complexities are exacerbated on account of the uncertainties in the timing and severity of climate-related and environmental risk which can threaten the safety, soundness and resilience of the Bank. The Bank is closely following the progress made in achieving the 2015 Paris climate goals⁹. As per the IPCC's Sixth Assessment Report (AR6), there is a more than 50% chance that global temperature rise will reach or surpass 1.5 degrees C (2.7 degrees F) between CY2021 and CY2040 across studied scenarios, and under a high-emissions pathway, specifically, the world may hit this threshold even sooner — between CY2018 and CY2037. Global temperature rise in such a carbon-intensive scenario could also increase to 3.3 degrees C to 5.7 degrees C (5.9 degrees F to 10.3 degrees F) by 2100.

The Bank is cognizant of the inverse relationship shared between physical risks and transition risks. To that effect, the Bank has made a preliminary analysis on how climate change (physical risk) and climate policy and technology trends (transition risk) could evolve in different futures using the scenarios prescribed by the Network for Greening the Financial System (NGFS)¹⁰. The analysis was largely linked to credit losses, in that, the pathways assumed in each scenario on default rates and loan collection trends were stressed using basic sensitivity analysis. While these results were not used in any strategy setting, it helped the Bank in establishing a roadmap to project the term structure in default estimates under various scenarios. The Bank intends on enhancing these risk assessment models in line with industry practices.

In FY 2021-22, the Bank had created a Floating Provision amounting to Rs. 250 crores to act as an umbrella cover for any future instances of stress affecting repayment behaviour. In line with RBI guidelines, the Bank has identified extra ordinary situations which refer to losses which do not arise in the normal course of business and are exceptional and non-recurring nature. The extra ordinary circumstances include instances of natural calamities and financial losses attributable to climate change. The presence of these floating provisions provide the necessary resilience to financial losses

⁸ This refers to June 2020 report titled, "Assessment of Climate Change Over the Indian Region", available at <https://reliefweb.int/report/india/assessment-climate-change-over-indian-region-report-ministry-earth-sciences-moes>

⁹ Its overarching goal is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels."

¹⁰ <https://www.ngfs.net/ngfs-scenarios-portal/>

on account of physical risks in the short term irrespective of NGFS pathways. It is imperative that the Bank develop necessary frameworks to manage physical risk over a medium- and long-term horizon.

In FY 2023-2024, the Bank had taken a major step in the direction of limiting the financial losses on account of climate induced physical risks. The Bank introduced exposure capping on the Microfinance business on certain districts which are assessed to be highly vulnerable to extreme weather event like flood and cyclones. An Internal study was conducted to assess the historic impact of extreme weather events in these districts. An effort was made to limit the impact on the financial losses arising out of physical risk. These limits will be monitored Q-o-Q by Enterprise Risk of Bank, in case of any breach, RMCB of the Bank will be notified. Bank has also put in place necessary capacity building especially for these vulnerable districts.

While transition risks are low as at reporting date, the Bank take cognizance of the future build up in transition risks as it seeks to expand its product offerings, particularly in the MSME segment. The Bank is currently adopting a research based approach in putting in place a suitable framework to manage the same. Transition risks are expected to be higher in the scenarios of divergent net zero and delayed transition pathways.

In FY 2025-26, preliminary work on embedding environmental risk assessment in the Branch expansion plan was undertaken. The Bank intends to test the risk assessment framework and inculcate policy advocacy on the same, after a review of severity and posture.

8. RISK MANAGEMENT

8.1. Describe the organization's processes for identifying and assessing climate-related risks

Climate-related risks are transverse risk, in that, they are not a standalone risk but one that impact the traditional risk categories such as credit risk, operational risk and reputational risks etc. Given that this is a relatively new concept and that industry consensus on risk identification and measurement is yet to be achieved, the Bank has adopted a research driven approach in putting in place a process for the same. To identify and assess climate risk drivers, the Bank is increasingly dependent on publications made by TCFD, NGFS, the Regulator and industry associations. Risk identification is largely through the grapevine approach where reliable information/newsfeeds are deliberated at internal forums for its materiality on impact/severity. Depending on the nature of the information received, the Bank then maps the risks which are likely to be impacted. As a next step, a gap analysis on the policy aspects is undertaken to identify areas for improvement.

In the initial stages, the Bank intends to focus on physical risks due to its materiality in credit performance and its business continuity. The Bank intends to leverage on its Probability of Default (PD) and Loss Given Default (LGD) estimates to develop stress testing outcomes. Likewise, scenarios using the NGFS framework are planned for usage in assessing an estimate on the unexpected losses. On the basis of outcome, the Bank shall undertake suitable risk management actions.

8.2. Describe the organization's processes for managing climate-related risks

Apart from risk identification and assessment, the Bank intends on using a combination of risk mitigation strategies such as risk acceptance with suitable controls, risk avoidance through policy

making, risk limits through portfolio monitoring and EWS signals or risk transfer using tools such as insurance and securitization.

Since inception, the Bank's credit policy has adopted a risk avoidance strategy towards exposures classified as 'negative' as per the International Finance Corporation (IFC) checklist. The Bank refrains from lending to the following occupations:

- Gambling (Social)
- Alcohol (Social)
- Illegal business activities (Social)
- Business employing child labour (Social)
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES (Environment and Social)
- Production or trade in weapons and munitions (Social)
- Production or trade in alcoholic beverages (excluding beer and wine) (Social)
- Production or trade in tobacco. (Social)
- Gambling, casinos and equivalent enterprises. (Social)
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded. (Environment)
- Production or trade in unbounded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%. (Environment)
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length (Environment)
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour (Social)
- Commercial logging operations for use in primary tropical moist forest (Environment)
- Production or trade in wood or other forestry products other than from sustainably managed forests (Environment)
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products (Environment)
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such people (Social).
- As part of Climate Risk Management, Bank has introduced an update in its branch opening policy. The Bank studied the **GUIDELINES FOR UPDATION OF COASTAL ZONE MANAGEMENT PLAN (CZMP) issued by Ministry of Environment, Forest and climate change, Government of India (MOEFCC)** and buffer zones prescribed. As policy, at the time of branch opening, review of these buffer zones will form part of due diligence.

8.2.1. Bank's policy on financing/investment in coal and unconventional oil and gas industries:

With respect to energy, the Bank, by virtue of it being a Small Finance Bank, is mandated to ensure 60% of its ANBC to be directed toward Priority Sector Lending. The Bank's policy prohibits taking exposure in entities involved in the extraction and refinement of coal, conventional energy companies (generation, distribution and transmission activities) except through renewable energy sources and those entities involved in extraction/refining or processing of unconventional oil and gas. For energy related supply and distribution chains (petrol pumps/gas stations), the Bank shall cap its exposure as a percentage to capital funds at 10%.

Definition of unconventional oil and gas for the purpose of strategy setting: In the oil and gas industry, the term "unconventional oil" refers to crude oil that is obtained through methods other than traditional vertical well extraction. Examples of such methods include developing oil sands, directional drilling, and hydraulic fracturing (colloquially known as "fracking"), among others.

The Bank is currently in the process of limiting its exposure to Physical risk through introduction of internal credit exposure limits. This is expected to be implemented in the ensuing financial year. For climate risk and business continuity, the Bank intends on commencing a Risk and Control Self-Assessment (RCSA) to understand the interactions of natural disasters and inherent control framework.

8.3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

In compliance to the Discussion paper on climate risk and sustainable finance by RBI, the Banks has factored climate related risks while preparing its Internal Capital Adequacy Assessment Process (ICAAP) document under Pillar 2 as prescribed under the Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025 dated November 28, 2025, as updated from time to time. Climate risk is now classified as a material risk and approved by the Board vide meeting dated June 29, 2023(ICAAP). The Bank recognises that climate-related financial risks will have to be incorporated into ICAAPs iteratively and progressively, as the methodologies and data used to analyse these risks mature over time and analytical gaps are addressed.

9. METRICS AND TARGETS

9.1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

The following are the metrics used by the Bank to assess climate-related risks and opportunities:

Metric category	Unit of measure	Rationale for inclusion
GHG Emissions: - Absolute Scope 1, Scope 2, and Scope 3 (work in progress) - emissions intensity	MT of CO ₂ e	Disclosure of GHG emissions is crucial for users to understand the Bank's exposure to climate-related risks and opportunities. Disclosure of both absolute emissions and relevant emissions intensity provides insight into how the Bank may be affected by policy, regulatory, market, and

		technology responses to limit climate change.
Transition Risks: Amount and extent of assets or business activities vulnerable to transition risks	Amount or percentage	Disclosure of the amount and extent of the Bank's assets or business activities vulnerable to climate-related transition risks allows users to better understand potential financial exposure regarding such issues as possible impairment or stranding of assets, effects on the value of assets and liabilities, and changes in demand for products or services.
Physical Risks: Amount and extent of assets or business activities vulnerable to physical risks	Amount or percentage	Disclosure of the amount or extent of the Bank's assets or business activities vulnerable to material climate-related physical risks allows users to better understand potential financial exposure regarding such issues as impairment or stranding of assets, effects on the value of assets and liabilities, and cost of business interruptions.
Capital Deployment: Amount of capital expenditure, financing, or investment deployed toward climate related risks and opportunities	Reporting currency	Capital investment disclosure by financial organizations gives an indication of the extent to which long-term enterprise value might be affected.

Other metrics which will be deployed over time: climate related opportunities, internal carbon pricing and executive remuneration linked to climate considerations.

9.2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

As at March 2025, total scope 1 and scope 2 emission per crore of turnover was 1.93 (2.30 as on March 2023). The Bank is striving to reduce Greenhouse Gas (GHG) generation in its facilities. The Bank has a project related to reducing Greenhouse Gas (GHG) emissions. The Bank operates a 3 KW solar power plant under the Operational Expenditure (OPEX) model, which contributed to energy consumption of 0.077 GJ in the fiscal year 2022-23 and 9.58 GJ in FY 2023-24 which increased tremendously to 51.09 in FY2024-25. The bank is also actively exploring the feasibility of implementing rooftop solar panels at relevant office locations. For the year ending FY2024-25, the Bank is able to generate 14,192 kWh from its onsite rooftop solar panels. Rooftop solar panels with a combined capacity of 24 kW have been installed across four branches (Krishnapura, Adanoor, Shyagale, and Sudarshan More). The Bank does not operate in any ecologically sensitive areas.

GHG emissions: During the reporting period, the Bank analysed and accounted all of its Scope 1 and Scope 2 emissions. The Bank's emissions are calculated as per GHG protocol and relevant factors are derived from The Intergovernmental Panel on Climate Change (IPCC). Details of Scope 1 & 2 emissions are presented in the table below. The Bank intends to initiate accounting for Scope 3 emissions, creating a more robust GHG inventory progressively:

Sl.No.	Parameter	Unit	FY2024-25	FY 2023-24	FY 2022-23
1	Total Scope 1 emissions	<i>MtCO2e</i>	611.52	887.73	591.15
2	Total Scope 2 emissions	<i>MtCO2e</i>	13,270.24	13995.74	10,279.02
3	Total Scope 1 & Scope 2 emissions per crore of turnover	<i>MtCO2e</i>	1.93	2.30	2.28
4	Emission intensity per employee	<i>MtCO2e/Employee</i>	0.49	0.574	0.608

Progress in energy consumption from renewable source: The Bank has strived to increased its energy consumption from renewable sources. Energy consumption from renewable sources has increased from FY 2022-23 of 0.077 GJ to FY 2023-24 9.58 GJ and FY2024-25 at 51.09 GJ. At the branches, DG sets type provided by the vendor is 'PECH 25' which has been approved by ARAI for noise and pollution norms. At Unbanked Rural Centres (URCs) branches, 25 kVA DG sets are used while 5 kVA DG sets are being used at non- URC branches.

9.3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

The Bank has onboarded a knowledge partner in assisting the Bank with the ESG project and further refining its GHG and emission intensity metrics and targets. The partner will also assist in materiality/ gap assessments, setting an ESG strategy and roadmap, data management, reporting and disclosures and communication strategy.
