



Natural Capital Part I:

UBI's Strategic Environmental Governance and Stewardship



To achieve country's net-zero emissions by 2070, UBI will align its ambitious goals with the Paris Climate Agreement and the UN Sustainable Development Goals.

At UBI, our commitment to environmental stewardship is deeply ingrained in our philosophy. We are seamlessly integrating cutting-edge technology with a steadfast dedication to sustainable practices. Our approach to natural capital reflects a proactive stance, recognising both the imperative to mitigate climate risks and the opportunity to champion green initiatives. This mindset drives us to support our customers and communities in their sustainability journey while minimising our environmental footprint.

UNSDG:



Strategic Pillars:



Business Model Canvas:



Material Issues

1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18

GRI Alignment

201, 203, 205, 302, 303, 305, 306, 401, 403, 404, 406, 413, 418



Union Bank has made a steadfast commitment to environmental leadership, with a bold aim to achieve net-zero emissions by 2070. This ambitious goal aligns with the global standards of the Paris Climate Agreement and the United Nations Sustainable Development Goals (UNSDGs). Recognising the importance of addressing climate change and promoting sustainable development, Union Bank has established a comprehensive governance structure to oversee its Environmental, Social, and Governance (ESG) commitments.

This robust and multifaceted governance structure ensures the Bank's environmental strategies are effectively implemented and monitored. Key components of this structure include the Stakeholders Relationship Committee (SRC) and the Risk Management Committee (RMC), both of which play pivotal roles in managing ESG and climate-related risks. The ESG Steering Committee (ESGSC), comprising executive directors and heads of various business verticals, meets quarterly to guide the Bank's transition towards sustainability. This committee provides recommendations to the Board and ensures that all verticals of the Bank are aligned with the ESG objectives.

By integrating these governance mechanisms, Union Bank ensures that its environmental stewardship is not just a policy but a core aspect of its operational ethos, driving the Bank towards a sustainable and resilient future.

₹23,059 crores

Renewable Energy Financing: Total amount sanctioned for renewable energy projects.

₹462 crores

Electric Vehicle Financing: Amount sanctioned under the Union Green Miles scheme.



Our commitment to environmental stewardship at UBI is not just policy but a core aspect of our operational ethos, driving us towards a sustainable and resilient future.



Natural Capital Part I:

GRI

305 - Emissions Disclosure

Environmental Commitment

Summary of Union Bank's environmental goals and strategies for achieving net-zero emissions:

Union Bank is committed to achieving net-zero emissions by 2070. This ambitious goal is pursued through a structured approach led by the ESG Steering Committee (ESGSC). The ESGSC comprises Executive Directors and heads of various business and control verticals, meeting quarterly to discuss ESG transitions and submit recommendations to relevant committees for approval. The Risk Management Committee (RMC) and the Board regularly update the Bank's progress.

The ESGSC's terms of reference include guiding verticals on ESG initiatives, adopting best practices for ESG transition, executing the Bank's transition plan to become a carbon-neutral bank, identifying and monitoring ESG impacts on the business environment, and building ESG capacity within the Bank. Additionally, all verticals have designated points of contact for ESG and climate risk matters, ensuring smooth implementation across the organisation. This approach aligns with the GRI 305: Emissions standard, which focuses on disclosing greenhouse gas (GHG) emissions. By adhering to GRI 305, the Bank ensures transparent reporting of its emissions, facilitating accountability and continuous improvement in its environmental performance. This standard supports the Bank's goal of reducing its carbon footprint and aligns with its broader ecological objectives.

Alignment with Paris Climate Agreement and UNSDGs:

Union Bank's environmental strategies are meticulously aligned with international standards such as the Paris Climate Agreement and the United Nations Sustainable Development Goals (UNSDGs). By adhering to these global frameworks, the Bank ensures that its operations contribute positively to mitigating climate change and promoting sustainable development. This alignment addresses regulatory compliance and positions the Bank as a proactive leader in global sustainability efforts. Integrating these standards into the Bank's strategies underscores its commitment to a sustainable future and enhances its credibility and accountability in environmental stewardship. This comprehensive approach satisfies the GRI 305: Emissions disclosure requirement by detailing how the Bank's emissions reduction strategies align with global ecological goals.

Climate Strategy and Governance:

Management of climate-related risks and opportunities:

Union Bank manages climate-related risks and opportunities through a robust governance framework centred on the ESG Steering Committee. This committee is integral in identifying, assessing, and addressing physical and transition risks related to climate change. The Bank recognises climate-related issues can significantly impact its business prospects, strategy, and financial performance. To build resilience, the Bank monitors exposure to high-emission sectors, increases lending to green projects, and invests in capability building. The Bank has identified transition finance as a key opportunity, especially in hard-to-abate sectors, and is developing focused products for these areas. This governance framework aligns with the GRI 102: General Disclosures standard, which requires organisations to provide comprehensive information about their governance structure, including the roles and responsibilities of committees.

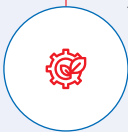
GRI

305 - Emissions Disclosure


GRI

102 - General Disclosures


UBI's Climate Strategy



❖ We are facilitating a sustainable shift by equipping our customers and communities to navigate climate-related challenges and prospects.



❖ We are addressing climate risks impacting our Company, including physical and transitional factors.



❖ We are minimising our environmental impact through the use of renewable energy, enhancing energy efficiency, and implementing various operational improvements across our organisation.

Governance structure and roles of committees:

Union Bank's governance structure for managing environmental strategies includes several vital committees. The Stakeholders Relationship Committee (SRC), a board-level committee, oversees all non-risk ESG-related matters and reports directly to the Board. The Risk Management Committee (RMC), a sub-committee of the Board, oversees ESG and climate risk-related matters. The ESG Steering Committee (ESGSC) drives the Bank's ESG transition and ensures alignment with strategic goals. Sub-committees focused on specific areas, such as net-zero emissions and sustainable finance, further support these efforts. The ESGSC guides various verticals on ESG initiatives, adopts best practices for ESG transition, and monitors the Bank's ESG impacts. By adhering to the GRI 102: General Disclosures standard, Union Bank ensures transparency and accountability in its governance practices, supporting its overall strategy to effectively manage climate-related risks and opportunities.

GRI

102 - General Disclosures

Sustainable Financing

Achievements and Future Plans:

Details of achievements in sustainable finance, particularly in renewable energy:

Union Bank has made significant strides in sustainable financing, strongly emphasising renewable energy projects. In FY2024, the Bank has achieved notable milestones that reflect its commitment to supporting the transition to a low-carbon economy. Specific achievements include financing various solar and wind energy projects, which have contributed to the generation of clean energy.

For instance, Union Bank has sanctioned ₹ 23,059 crores for the renewable energy sector as of March 31, 2024. This significant investment demonstrates the Bank's proactive approach to fostering sustainable energy solutions. Additionally, under the Union Green Miles scheme, which finances electric vehicles, the Bank has sanctioned ₹ 462 crores. These accomplishments align with the GRI 201: Economic Performance standard, emphasising the economic implications of an organisation's sustainability efforts and the financial contributions made towards sustainable development.

Targets and achievements in the FY2024 plan for expanding green financing:

Looking ahead, Union Bank has set ambitious targets for expanding its green financing portfolio. The Bank aims to increase its investments in renewable energy and other sustainable projects, significantly boosting its overall loan portfolio's proportion of green financing. This forward-looking strategy is encapsulated in the

GRI

201 - Economic Performance

50%

Renewable Energy Usage: Target percentage of energy requirements met through renewable sources.

8,466

Branch Network: Total branches integrating renewable energy projects, with 58% in rural and semi-urban areas.

Natural Capital Part I:



By seamlessly integrating cutting-edge technology with sustainable practices, UBI champions green initiatives while mitigating climate risks.

Bank's Sustainable Financing Framework, which CRISIL has validated through a Second Party Opinion. The framework includes innovative financial products such as green deposits, green bonds, and sustainability-linked loans.

The Bank is also setting time-bound targets to enhance its sustainable finance offerings. This includes launching new products like the Union Green Home Loan and Union Green Corporate Deposit, designed to support environmentally sustainable practices among its clients. By integrating these targets, Union Bank aims to meet the GRI 201: Economic Performance requirements by demonstrating its sustainability initiatives' financial viability and economic impact. These measures ensure transparency in the Bank's economic performance related to sustainability, highlighting its role in promoting sustainable economic growth and supporting clients in their ESG transitions.

Transition to a Sustainable Future

Union Bank of India's business strategy embraces an inclusive, sustainable path forward, recognising that capital can be a force for positive change. Our approach to sustainability aims to improve our customers' lives and enhance community well-being. We are committed to identifying, accelerating, and promoting the development of climate and sustainable finance growth opportunities across all our businesses, products, and services.

Financing the Transition

The transition to a low-carbon economy presents significant opportunities for innovation and growth. Union Bank is poised to play a leading role in climate change-related financing to support this transition. We are investing in new green technologies and infrastructure projects to build low-carbon capacity and capabilities. Our commitment to helping customers and communities achieve a low-carbon, sustainable future includes providing products and services that meet their evolving needs and supporting more sustainable and inclusive solutions.

The table below highlights the Union Bank of India's achievements in sustainable finance targeting the renewable energy sector:

Sustainable Financing	Achievement till FY2022	Achievement till FY2023	Achievement till FY2024
Renewable Energy Sector	₹7,164 Crore	₹10,370 Crore	₹23,059 Crore

These achievements underscore the Union Bank of India's commitment to supporting the renewable energy sector through sustainable finance, actively contributing to the nation's transition towards a cleaner and greener future.

Climate Risk and Green Finance

Integration of Climate Risk Management and Green Finance

Union Bank of India's strategic focus on integrating climate risk management and promoting green finance demonstrates its commitment to sustainability and environmental stewardship. These initiatives enhance the Bank's resilience to climate risks and contribute to the broader goal of a sustainable and inclusive economy.

GRI

201 - Economic Performance;
302: Energy; 305: Emissions;
307: Environmental Compliance;
and 301: Materials

Recognising the significant impact of climate change on its portfolio and overall business model, UBI has proactively incorporated climate risk management into its business strategy and operations. To support this, UBI has implemented a robust ESG Risk Management Framework that includes comprehensive processes for identifying, assessing, managing, and disclosing climate-related risks.

This framework, based on principles from ICMA, LMA, APLMA, LSTA, and RBI's guidelines on green deposits, covers risk measurement, internal control, risk reporting, metrics, targets, and disclosures. UBI assesses both physical and transition risks across its portfolio and operations, employing sector-level heatmaps and district-level physical risk vulnerability indexes. To ensure thorough evaluation, ESG and climate risk assessments are now integrated into the credit appraisal process.

UBI is also implementing a Climate Risk Management Solution to assist in ESG scoring, measuring financed emissions, assessing physical and transition risks, and developing decarbonisation pathways at both the customer and portfolio levels. Portfolio-level analyses help assess climate risk impacts on the overall credit risk profile, with the Bank having computed its financed emissions for FY 2022-23 and FY 2023-24 to gain insights into sectoral contributions and monitor exposures to high-risk sectors.

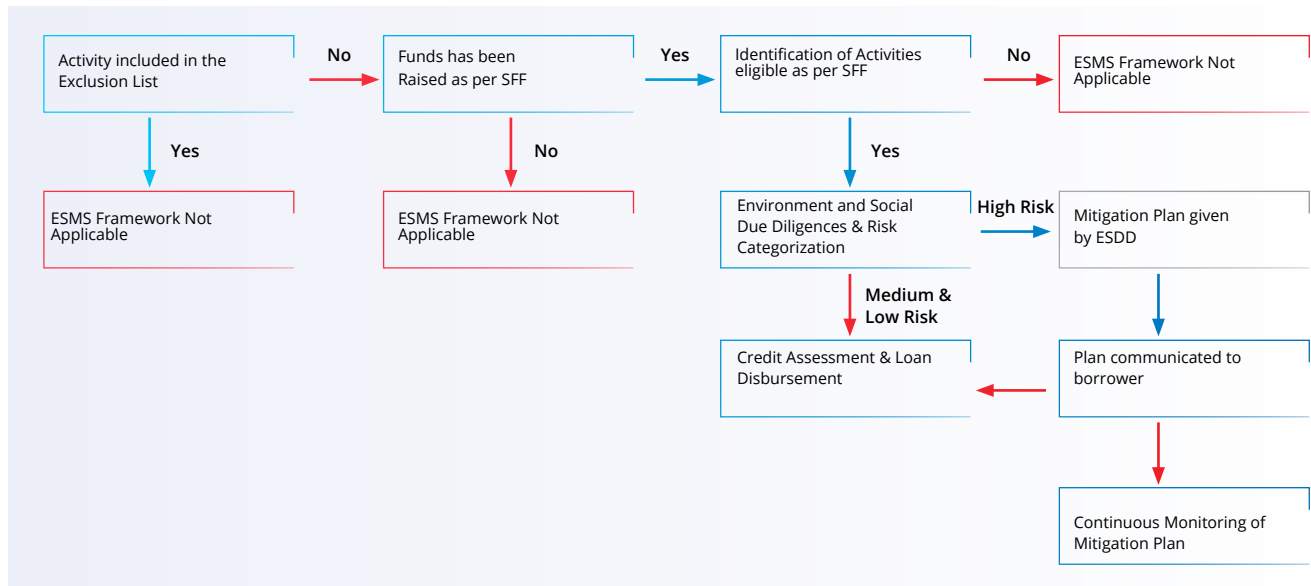
Lending Portfolio

When making lending decisions, the Union Bank of India considers several environmental factors, such as ecological clearance, pollution control, waste disposal, and the potential loss of natural habitats. These considerations are integral to addressing the adverse impacts on biodiversity and nature. Moreover, the Bank is committed to integrating environmental and social considerations into its lending operations through the Environmental and Social Management System (ESMS). This system ensures that the Bank's lending practices support sustainable development and minimise environmental and social risks.

1.11^{MT}

Waste Managed: Total amount of e-waste managed.

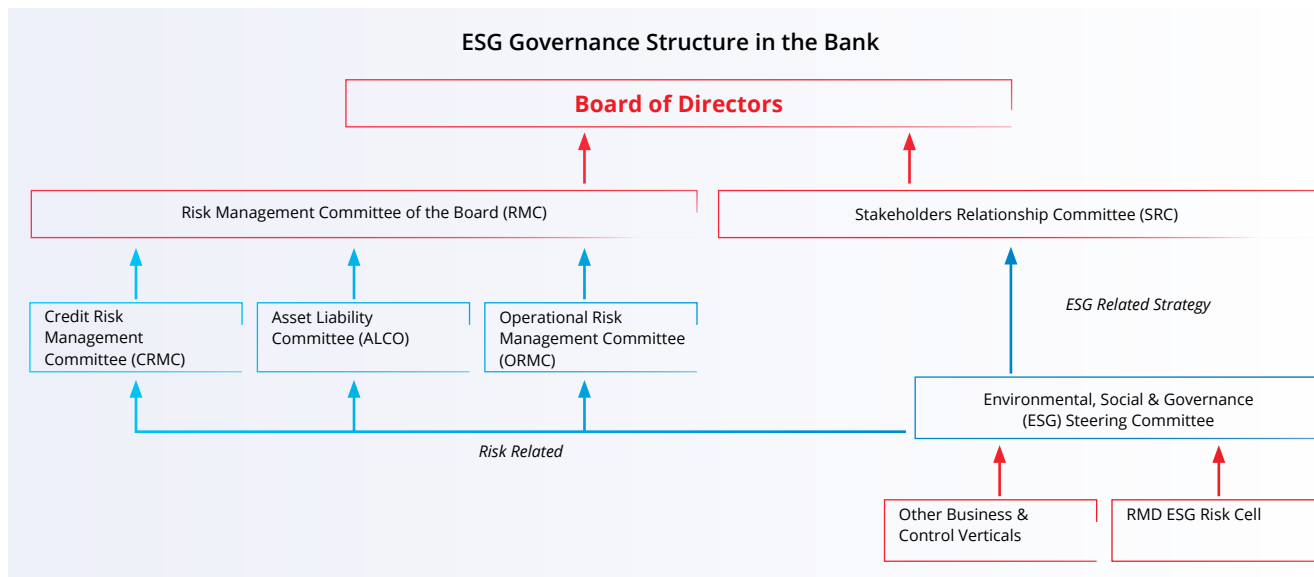
Environmental and Social Management System (ESMS) Framework Flow Chart



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Governance

Union Bank of India (UBI) demonstrates its commitment to sustainability and environmental stewardship through its strategic focus on integrating climate risk management and promoting green finance. These initiatives enhance the Bank's resilience to climate risks and contribute to a sustainable and inclusive economy.



Board Oversight

UBI has established a robust governance structure to oversee and manage climate-related risks and opportunities. The Bank's Board recognises the need to address the impact of ESG and climate change risk. The Stakeholders Relationship Committee (SRC), a Board-level committee, addresses all non-risk ESG-related matters and reports directly to the Board. The Risk Management Committee (RMC), a sub-committee of the Board, oversees all ESG and climate risk-related matters of the Bank.

Management's Role

UBI has formed an ESG Steering Committee (ESGSC) comprising Executive Directors (EDs) and Heads of business and control verticals to drive ESG transition in the Bank. The ESGSC meets quarterly to discuss various aspects of ESG transition and submits its recommendations to relevant committees for approval. The RMC and the Board regularly update the progress. The ESGSC's terms of reference include guiding verticals on ESG initiatives, adopting best practices for ESG transition, executing the Bank's transition plan to become a carbon-neutral bank, identifying and monitoring ESG impacts on the business environment, and building ESG capacity within the Bank. All verticals have identified points of contact for ESG and climate risk-related matters to ensure smooth implementation of the ESG strategy across the organisation.

Sub-committees

A sub-committee on net-zero emissions in its own operations includes representatives from verticals managing the Bank's premises, IT, and operations. Another sub-committee on sustainable finance consists of members from all credit verticals to drive the Bank's efforts in this area.



UBI's proactive approach to addressing climate risks and opportunities demonstrates our leadership in global sustainability efforts.

Policies and Frameworks

UBI has formulated a Board-approved ESG Risk Framework and Climate Risk Policy. An ESG Risk Cell has been established under the Risk Management Department to address risk and opportunity-related activities. As notified by SEBI, UBI also discloses its ESG performance per the Business Responsibility and Sustainability Reporting (BRSR) framework.

Strategy

Climate-related Risks and Opportunities

UBI recognises climate-related issues can significantly impact its business prospects, strategy, and financial performance. The Bank identifies climate risks and opportunities over short-, medium-, and long-term horizons.

Impact on Business, Strategy, and Financial Planning

UBI expects transition risks related to changes in policies, regulations, market sentiment, and the physical risks of climate change to impact its lending portfolio, credit risk profile, and overall business strategy. To build resilience, UBI monitors exposure to high-emission sectors, increases lending to green projects, and invests in capability building. The Bank has identified transition finance as an opportunity, especially in hard-to-abate sectors, and is working on focused products for these sectors. UBI aims to capture opportunities in sustainable finance strategically and has developed dedicated green lending products. It is also exploring ESG advisory services as a new business avenue.

Resilience of Strategy

UBI has started assessing physical and transition risks in its credit underwriting process and has incorporated ESG and Climate Risk into its ICAAP. The Bank plans to further integrate ESG considerations into its decision-making processes and business planning. UBI intends to sign up for key initiatives like the Principles for Responsible Banking to align its strategy with global best practices.

Risk Management

Processes for Identifying and Assessing Climate-related Risks

UBI has put in place an ESG Risk Management Framework to identify, assess, monitor, and manage climate and environmental risks. The framework adopts a five-pronged approach covering risk measurement, internal control, risk reporting and monitoring, metrics and targets, and disclosures. The Bank assesses the impact of both physical and transition risks across its portfolio and operations. Sector-level heatmaps rank industries based on their climate risk exposure, and the geographical location of collaterals is mapped to a district-level physical risk vulnerability index. At a counterparty level, UBI has started incorporating ESG and climate risk assessments into the credit appraisal process.

Processes for Managing Climate-related Risks

UBI is implementing a Climate Risk Management Solution to assist in ESG scoring, measuring financed emissions, assessing physical and transition risks, and developing decarbonisation pathways at the customer and portfolio levels. Portfolio-level analysis is conducted to assess the impact of climate risk on the overall credit risk profile. UBI has computed its financed emissions for the entire lending portfolio for FY 2022-23 and FY 2023-24, providing insights into sectoral



UBI leads the way in sustainability by proactively addressing climate risks and opportunities, embedding ESG principles into our core business strategies for a resilient and inclusive future.

contributions. Exposures to high-risk sectors are monitored as part of climate risk assessment.

Integration into Overall Risk Management

Climate risk is integrated into UBI's internal capital adequacy assessment process (ICAAP). The Bank has developed capabilities for climate stress testing at the customer level using a dynamic balance sheet approach, employing a mix of top-down and bottom-up stress testing methodologies. UBI aims to progressively embed climate risk considerations across its enterprise risk management framework. Stress testing frameworks are being strengthened to evaluate the resilience of UBI's business model to climate-related disruptions.

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Union Bank of India's proactive approach to climate risk management and green finance underscores our commitment to operational sustainability and reducing our environmental impact.

Metrics and Targets

Metrics to Assess Climate-related Risks and Opportunities

UBI tracks several metrics to assess its exposure to climate risks and monitor progress on ESG. As part of its BRSR disclosures, the Bank reports Scope 1 and Scope 2 GHG emissions from its own operations, along with metrics on energy consumption, renewable energy usage, water consumption, and waste management. At a portfolio level, the Bank has computed its financed emissions for FY 2022-23 and FY 2023-24, adopting the PCAF methodology and allocating emissions based on each borrower's exposure size. UBI aims to enhance this computation by providing a sector-wise breakdown of financed emissions across Scope 1, 2, and 3 categories and increasing the data maturity level.

Physical and Transition Risk Measurement

UBI measures its exposure to physical risks by assessing the vulnerability of collaterals at a district level and evaluating the impact of extreme weather events on its operations. Transition risks are measured through sector-level emissions intensity analysis and assessment of borrower-level vulnerability to climate policy and technology shifts.

Targets

UBI has formulated a Sustainable Finance Policy and obtained a Second Party Opinion from CRISIL, which guides its target setting and product development efforts in this space. The Bank is currently working on setting a time-bound target for increasing its portfolio of sustainable finance. UBI is working with external experts to study the feasibility of becoming carbon neutral in its operations. The Bank is converting its premises into green buildings, increasing renewable energy usage, and enhancing energy efficiency to reduce its Scope 1 and 2 GHG emissions.

Green Finance Initiatives

UBI's initiatives in green finance are designed to support the conservation and restoration of natural capital. By financing renewable energy projects and sustainable practices, the Bank aims to reduce its environmental footprint and foster the development of resilient, sustainable communities.

UBI is committed to supporting the transition to a low-carbon economy through its Sustainable Financing Framework. This framework, validated by CRISIL's Second Party Opinion, encompasses various products promoting green and social projects, aligning with the UN Sustainable Development Goals (SDGs) and the Paris Agreement. This framework enables the issuance of Green Bonds, Rupee Green Deposits, and other green financial products. The Bank's green financing initiatives include:

Union Roof Top Solar Scheme: Financing rooftop solar installations for individual households.

Union Green Miles Scheme: Financing electric vehicles for individuals and corporates, with ₹ 462 crore sanctioned upto March 2024.

Union Solar Scheme: Financing MSMEs and businesses to set up rooftop and ground-mounted solar units.

PM KUSUM Scheme: Central Sector Scheme for financing renewable energy equipment.