

Natural Capital Part II:

Driving Operational Sustainability



In addressing our environmental impact, Union Bank of India better prepares for future changes by reducing our exposure and risk to decarbonisation, energy market volatility, and potential carbon pricing scenarios.

Reducing our environmental and carbon footprint has been a critical component of our sustainability program over the past few years.

In FY2024, the Union Bank of India sets critical sustainability goals to enhance its environmental efforts. These goals focus on reducing energy use and location-based GHG emissions, minimising water consumption, decreasing waste sent to landfills, and increasing the purchase of renewable power. UBI aims to significantly reduce waste and conserve water, continuously improving material usage and recycling efforts.

Natural Capital Part II:

2.2_{MW}

Rooftop Solar Panels: Installed capacity generating significant annual energy savings.

Recognising the global acceleration of nature loss, UBI is committed to conserving and restoring natural assets vital to society, business, and finance. The Bank has implemented various eco-friendly measures, including rainwater harvesting, water conservation, renewable energy utilisation, efficient electrical equipment, air emission control, waste segregation, and proper disposal. Additionally, UBI integrates biodiversity conservation into its operations and adopts sustainable practices to mitigate adverse impacts on biodiversity and nature. These initiatives reflect UBI's dedication to environmental stewardship and sustainable development.

Specific Initiatives and their Impacts:

Renewable Energy Integration:

Initiative	Description	Impact
Rooftop Solar Panels	Installation of rooftop solar panels on major branches and offices.	Significant reduction in dependence on fossil fuels, lowering CO2 emissions and electricity costs.
Energy Efficiency Measures: LED Lighting	Replacing traditional lighting systems with energy-efficient LEDs.	Enhanced energy efficiency, reduced energy consumption, and operational costs.
Energy Efficiency Measures: HVAC Upgrades	Implementing high-efficiency HVAC systems to optimise heating and cooling processes.	Improved energy efficiency, reduced energy use, and operational costs.

Water Conservation Efforts:

Initiative	Description	Impact
Rainwater Harvesting Systems	Installing systems in key bank premises to capture and utilise rainwater for non-potable purposes.	Promotes sustainable water management and reduces reliance on municipal water.
Water-efficient Fixtures	Introducing low-flow faucets, dual-flush toilets, and other water-efficient fixtures across branches.	Reduces water usage and promotes efficient water management practices.

Waste Reduction Initiatives:

Initiative	Description	Impact
Recycling Programs	Implementing comprehensive recycling programs for paper, plastic, and electronic waste.	Reduces waste sent to landfills and promotes recycling.
Waste Segregation	Establishing waste segregation systems in all branches for proper disposal and recycling.	Improves recycling efficiency and reduces contamination.

GRI

302 - Energy & 305 - Emissions



Through fintech innovations and digital transformation, UBI reduces its environmental footprint and enhances natural capital, setting benchmarks in sustainable banking.

By adopting these sustainability initiatives, Union Bank of India aims not only to meet its environmental targets but also to set a benchmark for operational sustainability in the banking sector. These efforts reflect the Bank's dedication to creating long-term value for its stakeholders while contributing to global sustainability goals.

Details of Greenhouse Gas Emissions

Scope 1 and Scope 2 Emissions & Intensity

Parameter	Unit	FY 23-24	FY 22-23	FY 21-22
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	272,216	274,042	283,485
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	180,387	241,884	193,187
Total Scope 1 and Scope 2 emissions per Cr of turnover	Metric tonnes / Cr	3.90	6.39	7.02
Total Scope 1 and Scope 2 emission intensity (optional)-the entity may select the relevant metric	Metric tonnes / FTE	5.96	4.16	6.27

Scope 1 emissions are calculated based on the total air conditioning tonnage per square foot area, the leakage rate of 5%, and diesel consumed in bank-owned cars and DG sets.

Scope 2 emissions are calculated based on the electricity consumed from the utility.

Details of Total Energy Consumption and Energy Intensity

Parameter	Unit	FY 23-24	FY 22-23	FY 21-22
Total electricity consumption (A)	in GJ	705,864	769,900	755,951
Total fuel consumption (B)	in GJ	103,775	110,348	102,140
Energy consumption through other sources (C)	in GJ	9,855	12,339	14,515
Total energy consumption (A+B+C)	in GJ	819,494	892,587	872,606
Energy intensity per Cr of turnover	Metric tonnes / Cr	7.07	11.05	12.84
Energy intensity (optional) - the relevant metric may be selected by the entity (per Full Time Employee FTE)	Metric tonnes / FTE	10.80	11.81	11.48

Procured electricity consumption is calculated considering the average rates of different states based on the amount spent.

Diesel consumption in litres is calculated considering the average rate and the amount spent data.

GRI

305-1: Direct (Scope 1) GHG emissions; 305-2: Energy indirect (Scope 2) GHG emissions; and 305-4: GHG emissions intensity



By adopting renewable energy and enhancing energy efficiency, UBI significantly reduces its carbon footprint, setting new standards in operational sustainability.

Natural Capital Part II:



GRI

302 - Energy & 305 - Emissions



UBI's commitment to operational sustainability includes ambitious goals for reducing energy use, minimising water consumption, and increasing the use of renewable power.

Renewable Energy Adoption

Union Bank of India acknowledges the critical role of renewable energy in decarbonising the broader economy. By reducing the energy intensity of our operations, we support environmental sustainability and prepare our organisation for future changes and mitigate risks associated with energy market volatility and potential carbon pricing scenarios.

Key Achievements in Renewable Energy

Union Bank of India has made noteworthy progress in expanding its renewable energy initiatives and energy conservation measures. As of March 31, 2024, the Bank's extensive branch network, comprising 8,466 branches including two overseas branches in Sydney, and Dubai DIFC, has integrated various renewable energy projects. Notably, 58 percent of these branches are strategically positioned in rural and semi-urban areas, ensuring financial inclusion and accessibility for diverse communities.

Initiative	Description	FY2024 Achievement
Rooftop Solar Panels	Installation of rooftop solar panels on major branches and offices to meet energy requirements.	Installed 2 MW capacity, generating 3,427,597 units annually, saving 3,153 metric tons of CO ₂ emissions.
Solar Power Plants	Installation of grid-connected solar power plants at key facilities.	Completed installations of 60 KWp in Vijayawada and 12 KWp in Mumbai, saving 70.52 and 14.1 metric tons of CO ₂ emissions, respectively. Additionally, a 430 KWp plant in Mangalore will save 690 metric tons of CO ₂ emissions.

Initiative	Description	FY2024 Achievement
Indoor Ornamental Plants	Providing indoor ornamental plants in office premises for air purification.	Contributed to environmental improvement through air purification.

Strategic Goals

Union Bank of India aims to further its commitment to sustainability with targeted initiatives for FY2025. These goals include:

Expanding Solar Energy Usage:

- ❖ Increase the use of solar energy across all branches to achieve at least 50% of energy requirements through renewable sources.
- ❖ Plan additional solar installations to cover more branches, contributing significantly to reducing GHG emissions.

Enhanced Energy Efficiency:

- ❖ Continue upgrading lighting and HVAC systems across all branches to improve energy efficiency.
- ❖ Monitor and optimise energy consumption to achieve further reductions in energy intensity.

Comprehensive Water Conservation:

- ❖ Extend water conservation measures to additional branches, including rainwater harvesting systems and water-efficient fixtures.
- ❖ Aim for a substantial reduction in water usage, supporting broader environmental goals.

Encouraging the Adoption of Non-Polluting Vehicles

Union Bank of India continues to champion environmental sustainability by promoting the adoption of non-polluting vehicles among its employees. Building on the initiatives started in FY2022, the Bank has reinforced its commitment to reducing carbon emissions by supporting the use of CNG, electric, and hybrid vehicles. Union Bank of India has implemented a robust reimbursement program to make the transition to non-polluting vehicles more appealing. This program covers conveyance expenses for employees using these environmentally friendly vehicles, thereby offsetting their running costs and making them an economically viable option.

The initiative has seen a positive response from employees, contributing to a reduction in the overall carbon footprint of the Bank's operations. By facilitating the adoption of non-polluting vehicles, the Bank supports its sustainability goals and aligns with broader environmental objectives. Looking ahead, Union Bank of India aims to expand this program further, encouraging even more employees to switch to non-polluting vehicles. The Bank remains committed to enhancing its sustainability efforts through innovative and impactful initiatives.

GRI

302 - Energy & 305 - Emissions



Through comprehensive waste reduction and recycling programs, UBI leads by example in creating a sustainable operational model that benefits the environment and our communities.



Natural Capital Part II:

GRI

306: Waste; 301: Materials and 308: Supplier Environmental Assessment

Reducing Waste & Enhancing Supply Chain Sustainability

Our procurement teams have been instructed to increase the coverage of sustainably sourced paper significantly for an extended period. Beginning in FY2022, we explored opportunities to continue the elimination of single-use plastics. As we move forward, our focus will shift towards transitioning our waste management approach and material usage to align with circular economy principles. This strategic shift underscores our commitment to reducing the volume of waste we produce and maximising the use of materials in our buildings.

Waste Management Details

(in MT)

Table with 3 columns: Waste Type, FY 2023-24, FY 2022-23. Rows include Plastic waste, E-waste, Battery waste, and Total Waste.

Waste Recovery Efforts (metric tonnes)

Table with 3 columns: Category of Waste, FY 2023-24, FY 2022-23. Row includes Recycled Battery.

Valuation Notes:

Battery waste weight is calculated based on the sale value of ₹85 per kg.

E-waste weight is determined based on the sale value of ₹50 per kg.

Recycling metrics specifically pertain to battery waste.

Plastic waste per capita generation figures are derived according to the Central Pollution Control Board report.

Strategic Goals for Future Waste Management

In alignment with our strategic direction, we aim to divert all waste from landfills and incineration across all our branches. We plan to achieve a 100% rate of reusing, repurposing, or recycling waste within our facilities. This objective will be pursued through the implementation of our Zero Waste Strategy, scheduled to commence in FY2024.

Further, we are engaging our procurement teams to work closely with our supply chain partners. These efforts aim to reduce the volume of packaging delivered to our offices. We encourage our suppliers to join our Zero Waste Supply Chain Charter, which advocates for eliminating transit packaging, supplying goods in reusable containers, and exploring opportunities for backhauling packaging waste in subsequent deliveries.

Reducing the Use of Paper

At your Bank, we have continued our migration from paper-based services to digital platforms across various financial services, including Bulk Collections, Payments, MIS, and Channel Finance. This transition has significantly reduced our paper usage. Below are the volumes of digital transactions conducted by the Bank over the past years:



UBI is committed to sustainability by enhancing supply chain practices, reducing waste, and avoiding plastics, demonstrating our dedication to environmental stewardship and operational efficiency.

Year	Number of Transactions	Amount (in crore)
FY2023	15,95,01,642	8,93,524.67
FY2024	16,54,45,023	10,45,876.77

UBI's Commitment to Plastics Avoidance

Aligned with the aspirations and vision of "Planet vs Plastics" 2025, the Union Bank of India (UBI) is dedicated to significantly reducing plastic waste as part of its broader commitment to environmental sustainability. This initiative reflects UBI's proactive stance in response to the urgent call for action highlighted during World Earth Day.

"Planet vs. Plastics" is a global initiative led by EARTHDAY.ORG that calls for a 60% reduction in global plastic production and the elimination of single-use plastics. The campaign aims to unite individuals, businesses, and governments in the fight against plastic pollution, emphasising the health risks and environmental damage caused by plastics.

By championing efforts to minimise single-use plastics within its operations, UBI aims to lead by example in fostering a greener future. The Bank's comprehensive plastics avoidance strategy includes eliminating plastic from its facilities, promoting eco-friendly alternatives, and engaging stakeholders in sustainability practices.

Through these measures, UBI contributes to reducing plastic pollution and aligns with global efforts to protect our planet, ensuring a cleaner and healthier environment for future generations.

Enhancing our Digital Network for Operational Efficiencies

The Bank maintains a dedicated Digitization Vertical to drive our digital transformation journey, encompassing the Digital Journeys, Digital Banking Department, and Digital Interactions & Partnerships. This vertical has successfully implemented several digital initiatives, enhancing the efficiency of our operations and customer service while supporting our environmental objectives by reducing the reliance on paper-based processes:



Natural Capital Part II:



Union Bank of India leverages fintech innovations to enhance natural capital, promoting sustainable practices and improving operational efficiency through advanced digital solutions.

GRI

301: Materials 302: Energy; 305: Emissions; 306: Waste; and 307: Environmental Compliance

Digital Initiatives and Achievements

Digital Initiative	Description	Results FY2024
Digital Savings Account	Online account opening with Video-KYC and Aadhaar verification: introduced a next-generation digital savings account opening process featuring Video-KYC and online Aadhaar and PAN verification.	3012 accounts opened digitally
Digital Union Kisan Tatkal	Emergency agricultural loans for KCC borrowers: provide emergency agricultural loans to existing KCC borrowers, with fully automated decision-making and digitised sanction within minutes.	1573 applications, ₹6.49 crore sanctioned
Digital PMSVANidhi	Loans for street vendors: aims at aiding street vendors by sanctioning loan applications digitally.	8400 applications, ₹9.29 crore sanctioned

Progress through Digital Channels

Union Bank of India has been at the forefront of embracing digital transformation to enhance operational efficiency and reduce environmental impact. The integration of digital channels has been instrumental in reducing the Bank's paper usage and contributing positively to natural capital.

Channels	31.03.2022	31.03.2023	31.03.2024	Annual Growth (%)
Mobile Banking Users	1.65 crore	2.13 crore	2.68 crore	25.82%
Internet Banking Users	0.68 crore	0.74 crore	0.86 crore	16.21%



Digital Transformation and Its Impact on Natural Capital

The Bank's journey towards digitalisation began in earnest with the implementation of various digital services that drastically cut down the need for physical documentation and in-branch transactions. Here's a snapshot of the digital transformation initiatives and their scale by FY 2023-24:

Digital Transactions: Over 649 million monthly UPI transactions were recorded, highlighting customers' widespread adoption of digital payments.

Digital Savings Accounts: The introduction of online savings accounts, complete with Video-KYC and online Aadhaar and PAN verification, enabled the Bank to mobilise 3,012 savings accounts digitally without the customer ever having to visit a branch.

Digital Loan Disbursements: The Digital Union Kisan Tatkal and Digital PMSVANidhi schemes mobilised thousands of loan applications through completely digital processes, totalling significant amounts in sanctioned loans.

Key Digital Channels and Their Contributions

VYOM App: Rebranded and enhanced, the VYOM app offers more than 400 features and has facilitated over 5.52 million new user logins in a single fiscal year, demonstrating its robust engagement with users.

Internet Banking and CRM: Advanced Internet banking features and an integrated CRM solution have streamlined customer interactions and financial transactions, making them more secure and efficient.

CBDC Implementation: As one of the pioneering banks, Union Bank implemented the Digital Rupee, enhancing the financial ecosystem's security and efficiency.

Environmental Impact

The shift to digital has significantly reduced the Bank's carbon footprint by decreasing the reliance on paper, a critical component of natural capital. This reduction conserves forests and reduces waste and energy consumption associated with paper production and disposal.

Paper Reduction: The transition to digital statements and online transaction facilities has led to a marked decrease in paper usage across all bank operations.

Energy Efficiency: Digital processes have streamlined operations, reducing the need for physical infrastructure and consequently lowering energy consumption.

Enhancing Natural Capital Through Fintech Innovations

Union Bank of India's strategic integration with fintech in FY2024 exemplifies a robust model for sustainable banking, effectively merging financial services with environmental conservation. Through its proactive approach to digital transformation, the Bank has deepened its commitments to Natural Capital, utilising fintech partnerships to align technological advancements with environmental goals. This integration not only boosts operational efficiency and enhances customer experience but also significantly contributes to preserving and enhancing natural resources. As Union Bank continues to expand its digital footprint, it reaffirms its role as a responsible steward of the environment, paving the way for a more sustainable future in the banking industry.

649^{MN}

Monthly UPI Transactions: Highlighting widespread adoption of digital payments.

3,012

Digital Savings Accounts: Number of accounts opened digitally with Video-KYC and online verification.

GRI

301: Materials 302: Energy;
305: Emissions; and
307: Environmental
Compliance



Natural Capital Part II:

84

Fintech Collaborations: Total number of innovative companies empaneled to support sustainable financial services.

58.18 MN

VYOM App Engagement: Annual logins reflecting robust user engagement with digital banking solutions.

Strategic Fintech Partnerships for Sustainability

During FY2024, Union Bank of India expanded its fintech collaborations, empanelling a total of 84 innovative companies. This initiative is part of the Bank's broader strategy to harness technology to reduce environmental impacts and improve efficiency. These empanelment align with the Bank's commitment to environmental sustainability, ensuring a continuous influx of green and efficient solutions, and focus on directly and indirectly contributing to conserving natural resources:

GRI

301: Materials 302: Energy; 305: Emissions; and 307: Environmental Compliance

Development and Integration of Digital Journeys: Reducing the need for physical banking infrastructure, thereby decreasing the Bank's carbon footprint.

Wealth Management and Insurance Solutions: Offering digital platforms that support investments in green and sustainable assets.

Agricultural Lending: Enhancing support for sustainable agriculture practices through targeted financial products.

UI/UX Development & Customization: Improving customer experience on digital platforms, reducing the need for paper-based processes.

Analytics using AI and Machine Learning: Optimising resource use and reducing waste through better data management and predictive analytics.

Intelligent Virtual Assistants (Chatbots): Providing 24/7 customer service that minimises the need for physical branch visits.

Digital Marketing: Leveraging digital channels to promote paperless banking and awareness of environmental initiatives.

Cash Management, Trade, and Supply Chain Financing: Supporting the adoption of sustainable practices among corporate clients by facilitating green supply chains.

Impact on Natural Capital in FY2024

Union Bank's fintech initiatives have been pivotal in advancing the Bank's Natural Capital goals:

Reduction in Paper Usage: The transition to digital channels has significantly reduced paper consumption across banking operations, contributing to forest conservation.

Energy Efficiency: The Bank has lowered its energy usage and greenhouse gas emissions by optimising digital processes and reducing reliance on physical infrastructure.

Support for Sustainable Practices: Financial products tailored for sustainable development, such as green bonds and eco-friendly loans, have been promoted extensively through fintech platforms.

Advancing Natural Capital through IT Architecture and Fintech Integration

Union Bank of India is enhancing its IT architecture to provide high-performance access to business systems and cloud-based applications, ensuring compliance with regulatory norms and robust security. These improvements are pivotal for operational excellence and environmental stewardship, as the Bank leverages technology to minimise its ecological footprint in diverse, dynamic, and complex environments.

Account Aggregator System

The Bank continues to lead in the account aggregator ecosystem, a key component of the government's digital initiatives to improve credit delivery while reducing

the need for physical documentation. This system uses digital data, obtained with customer consent, enabling the Bank to offer seamless services that significantly lower paper usage and associated environmental impacts. Compliance with the Reserve Bank Information Technology (ReBIT) guidelines ensures the highest data privacy and security standards, further aligning with sustainable practices.

Blockchain Technology

As an active participant in the “Indian Banks Blockchain Infrastructure Company (IBBIC)”, Union Bank collaborates with 18 other banks to enhance banking services using blockchain technology. This initiative significantly digitises banking operations, reducing the need for physical infrastructure and materials, thus contributing to transparency and efficiency and reducing environmental impact.

AI/ML and Analytics

The Bank’s Analytics Center of Excellence employs AI and ML technologies for comprehensive business modelling, improving risk management and customer interactions while enhancing resource efficiency. The deployment of AI-driven systems like the Early Warning Signal (EWS) across retail, agriculture, and MSME sectors advances financial analytics and supports environmentally responsible lending practices.

Robotic Process Automation (RPA)

In partnership with leading fintech firms, the Bank is expanding its RPA capabilities to automate processes such as daily report generation, ATM reconciliation, and payment settlements. This reduces the need for energy-consuming physical operations, thus enhancing efficiency and lowering the Bank’s carbon footprint.



Fintech Absorption for Enhanced Environmental Services

The Bank’s proactive fintech policy drives the empanelment of innovative companies that support sustainable financial services. In FY2024, 24 new fintechs were added, focusing on areas like digital journey development, wealth management, and agricultural lending, all of which contribute to the Bank’s sustainability goals by reducing environmental impact and supporting green finance.

Strategic Initiatives and Digital Transformation for Natural Capital

Union Bank’s strategic focus on digital technology in FY2024 is more pronounced, with initiatives like cloud adoption, personalised video banking solutions, and advanced CRM systems. These efforts ensure a superior digital experience for customers and reduce the Bank’s ecological footprint, reinforcing its role as a digital banking innovation and environmental conservation leader.



Union Bank of India is advancing natural capital by integrating IT architecture and fintech solutions, enhancing operational efficiency, and promoting environmental sustainability.



Natural Capital Annexure 1:

ISS SB1 and SB2 Sustainability Disclosures

This Annexure provides a detailed account of Union Bank of India's (UBI) compliance with ISS SB1 and SB2 sustainability disclosure requirements, per the IFRS S1 and S2 standards. It outlines the Bank's governance structure, strategic initiatives, risk management processes, and performance metrics related to environmental, social, and governance (ESG) factors. UBI's efforts include robust oversight by the Board and dedicated committees, a proactive approach to identifying and managing climate-related risks, and establishing clear, measurable targets to drive sustainable finance and operational efficiency. These disclosures highlight UBI's commitment to transparency and accountability in advancing its sustainability agenda. This overall commitment can be summarised in the "Environmental Commitment" and "Transition to a Sustainable Future" sections of this chapter.)

Governance

1. Board Oversight

- ❖ **Structure and Responsibilities:** The Board of Union Bank of India (UBI) has established robust governance structures to oversee and manage climate-related risks and opportunities. The Stakeholders Relationship Committee (SRC) 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. (This information is detailed in this chapter's "Climate Strategy and Governance" sections.)

2. Management's Role

- ❖ **ESG Steering Committee:** UBI has formed an ESG Steering Committee (ESGSC) composed of Executive Directors (EDs) and Heads of business and control verticals to drive ESG transitions in the Bank. The ESGSC meets quarterly to discuss various aspects of ESG transition and submits 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. (Refer to this chapter's "Climate Strategy and Governance" sections for more details.)
- ❖ **Sub-committees:** A sub-committee on net-zero emissions in 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. (Detailed in this chapter's "Climate Strategy and Governance" sections.)

3. 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. (This can be found in this chapter's "Environmental Commitment" section.)

Strategy

1. Climate-related Risks and Opportunities

- ❖ **Identification and Management:** UBI recognises climate-related issues can significantly impact its business prospects, strategy, and financial performance. The Bank identifies short, medium, and long-term climate risks and opportunities. (Information on this is available in this chapter's "Climate Risk and Green Finance" sections.)

2. 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. (Detailed in this chapter's "Climate Risk and Green Finance" sections.)

3. 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 Internal Capital Adequacy Assessment Process (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. (Refer to this chapter's "Climate Risk and Green Finance" sections for more details.)

Risk Management

1. Processes for Identifying and Assessing Climate-related Risks

- ❖ **ESG Risk Management Framework:** 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. (Detailed in this chapter's "Climate Risk and Green Finance" sections.)

2. Processes for Managing Climate-related Risks

- ❖ **Climate Risk Management Solution:** 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 contributions. Exposures to high-risk sectors are monitored as part of climate risk assessment. (Refer to this chapter's "Climate Risk and Green Finance" sections.)

3. 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. (This is detailed in this chapter's "Climate Risk and Green Finance" sections.)

Metrics and Targets

1. Metrics for Risk and Opportunity Assessment

- ❖ **ESG and GHG Metrics:** 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. (Detailed in the "Details of Greenhouse Gas Emissions" and "Metrics and Targets" sections.)

2. 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. (This can be found in this chapter's "Climate Risk and Green Finance" sections.)

3. Targets

- ❖ **Sustainable Finance and Carbon Neutrality:** 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. (Refer to the "Sustainable Financing" and "Environmental Commitment" sections of this chapter.)