



Utkarsh Small Finance Bank

Aapki Ummeed Ka Khaata

Sustainable Finance Framework

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1. Introduction

Utkarsh Small Finance Bank Limited (hereinafter referred to as USFBL), (NSE/BSE UTKARSHBNK) was incorporated on April 30, 2016, and is engaged in providing banking and financial services with a focus on providing microfinance to the underserved and unserved sections of the country. The Bank is headquartered at Varanasi, Uttar Pradesh. The Bank's lending activities are primarily focused in rural and semi-urban locations of the country while its other services are spread across the country. The Bank commenced its operations on January 23, 2017, pursuant to the small finance banking license granted by RBI on November 25, 2016.

The Bank extends microfinance loans based on Joint Liability Group (JLG) model to individuals, other retail asset loans including Micro, Small and Medium Enterprise (MSME) Loans, Housing Loans (HL), Personal Loans, Commercial Vehicle Loans, Construction Equipment Loans and Wholesale Lending to borrowers. The Bank also offers a slew of digital services such as Internet and Mobile Banking, Digi-On-Boarding, and an online account opening facility for clients, besides a range of ATMs and Micro ATMs for ease of transactions, amongst others.

Our vision is to be the most trusted, digitized bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions. Our mission is to be the preferred financial institution across all customer segments through technology enabled solutions that are sustainable, inclusive, and scalable, supported by a work culture that centers on passion, values, and corporate ethics to deliver best in class customer experience.

USFBL is also committed to environmental and social sustainability and is making continuous efforts in contributing to a sustainable future for the nation.

2. Integrating Sustainability at USFBL

USFBL was established with a mission to promote financial inclusion for the underserved population of India. Over the years, we've witnessed the transformative power of financial access, empowering millions to build a brighter future. USFBL recognizes that it has widened its business scope over the years and that the activities of its borrowers under this widened scope have the potential to cause both adverse and beneficial Environmental, Social and Governance (ESG) impacts. This journey has instilled in us a deep commitment to not only fostering financial well-being but also environmental and social sustainability.

USFBL remains cognizant of the criticality of adopting the principles of ESG into its business strategy and conduct and is working towards strengthening the pillars to build a future-proof and high-impact ESG strategy.

The system for integrating Sustainability in Bank's business operations consists of the following:

1. Environmental, Social & Governance (ESG) Policies[^]
2. Environmental, Social & Governance Management System (ESG-MS) Manual

The ESG Policy states USFBL's intentions on environmental, social and governance aspects of the business and can be circulated with USFBL's stakeholders. The Environmental, Social & Governance Management System (ESG-MS) manual has been developed to enable implementation of the ESG Policies and Principles of USFBL. The ESG-MS Manual articulates the operational procedures to be adopted by USFBL for each loan transaction. The ESG-MS is an operational level document that shall remain dynamic in nature and is internal to the Bank.

[^]The ESG policy of the bank is available on <https://www.utkarsh.bank/>

3. The Growing Imperative for Sustainable Finance

Climate change remains one of the defining challenges of our time, but it is not the only pressing issue. Social inequities, access to essential services, and ethical governance are equally critical in shaping a sustainable future. USFBL is committed to addressing these challenges comprehensively. The government's Net Zero target, alongside its alignment with the UN Sustainable Development Goals (SDGs), has placed a renewed focus on the need for sustainable finance solutions.

The financial sector plays a pivotal role in addressing not only environmental challenges but also advancing social equity, inclusiveness and governance standards. Regulatory emphasis, growing investor interest in ESG-compliant portfolios, and rising customer demand for sustainable financial services highlight the need for action. People increasingly seek ways to align their financial decisions with their values, encompassing environmental, social, and ethical considerations. Business as usual is no longer an option, and the banking sector must act as a catalyst for transitioning to a sustainable future.

Recognizing this, USFBL acknowledges the need to redefine its role in promoting sustainability holistically. Developing a Sustainable Finance Framework is crucial to maximizing impact and addressing the interconnected challenges of our era.

3.1) Scope of this Framework

This Sustainable Finance Framework (hereby referred to as “the Framework”) will enable USFBL to deliver sustainable finance solutions that promote environmental stewardship, social equity, and strong governance practices. By establishing the Sustainable Finance Framework, USFBL reaffirms its commitment to the SDGs, addresses evolving customer demands for sustainable financial products, and positions itself as a leader in responsible banking practices.

The Bank intends to use this Framework for the following Sustainable Finance instruments and products only:

- ❖ Debt instruments (bonds and loans)
 - Green Bond/Loan
 - Social Bond/Loan
 - Sustainable Bond
- ❖ Deposits
 - Green Deposits
- ❖ General Corporate/ Corporate level financing
 - Sustainability-Linked Finance

3.2) Alignment with global frameworks and principles

USFBL's Sustainable Finance Framework is developed in strict adherence to the following sustainable finance principles and guidelines:

- With respect to bonds, bonds issued under this Framework shall be aligned with the International Capital Market Association ("ICMA") Green Bond Principles (GBP) 2021¹, Social Bond Principles (SBP) 2021², Sustainability Bond Guidelines (SBG) 2021³, Sustainability-Linked Bond Principles 2023⁴, or as they may subsequently be updated.
- With respect to loans, loans issued under this framework shall be aligned with the Loan Market Association ("LMA"), the Asia Pacific Loan Market Association (APLMA), and the Loan Syndications & Trading Association (LSTA)'s Green Loan Principles (GLP) 2025⁵, Social Loan Principles (SLP) 2025⁶, and Sustainability-Linked Loan Principles 2023⁷, or as they may subsequently be updated.
- With respect to deposits, Green deposits issued under this Framework shall be aligned with guidelines from Reserve Bank of India (RBI) Framework for acceptance of Green Deposits, April, 2023⁸

This shall ensure transparency, accountability, and align the Bank's efforts with national sustainability goals.

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability-Linked-Bond-Principles-June-2024.pdf>

⁵ <https://www.lsta.org/content/green-loan-principles/>

⁶ <https://www.lsta.org/content/social-loan-principles-slp/>

⁷ <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

⁸ <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12487&Mode=0>

4. Sustainable Finance Framework

4.1) Overview of the Framework

USFBL is committed to fostering a sustainable business through responsible banking practices. This Sustainable Finance Framework outlines the methodology and procedures the Bank shall implement to classify financial products and lending services as “Sustainable Finance,” aligning with relevant guidelines and principles such as administered by ICMA, LMA and RBI.

Transactions carried out within the gamut of this Sustainable Finance Framework shall be categorized under the umbrella term of ‘Sustainable Financing transaction(s)’. The SFT will involve the issuance of Green, Social, or Sustainable instruments (Bonds and/or Loans and/or Deposits) to support environmentally and socially beneficial projects. The proceeds from these issuances will be allocated to financing or refinancing, in whole or in part, new and/or existing projects that meet the eligibility criteria, as outlined in the framework, thereby advancing USFBL's sustainability strategy and contributing to India's sustainable development.

4.2) Objective of the Sustainable Finance Framework

The Sustainable Finance Framework aims to ensure all USFBL Sustainable Finance products and services are designed and operated in alignment to the International Capital Market Association (“ICMA”) Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, and Sustainability-Linked Bond Principles 2023, with respect to bonds, and to the Loan Market Association (“LMA”) Green Loan Principles 2023, Social Loan Principles 2023, and Sustainability-Linked Loan Principles 2023 with respect to loans.

The Sustainable Finance Framework will guide the selection and evaluation of eligible projects for financing or accepting deposits earmarked for eligible list of projects/activities. The Sustainable Finance Framework will also promote transparency and accountability in the Bank’s sustainable finance activities by clearly defining lending and reporting criteria.

The Sustainable Finance Framework is part of the Bank’s business strategy to mitigate potential environmental, social and credit risks associated with its lending activities by focusing on projects with positive environmental and social impact.

For each SFT, USFBL shall adopt the following core components of the GBP, SBP, GLP, and SLP:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds; and
4. Reporting

This Framework will remain in effect for as long as any SFTs issued under it remain outstanding. USFBL reserves the right to update this framework from time to time and undertakes to maintain or enhance the

current level of transparency and reporting in any revised version. Any changes to the framework will be promptly communicated to investors through USFBL's official website⁹

The Framework also aims to align with the Framework for acceptance of Green Deposits established by the Reserve Bank of India (RBI) dated 11th April 2023, or as they may subsequently be updated.

The Bank shall issue green deposits as cumulative/non-cumulative deposits. On maturity, the green deposits would be renewed or withdrawn at the option of the depositor. The green deposits shall be denominated in Indian Rupees only. The tenor, size, interest rate and other terms and conditions as defined in the Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016 dated March 03, 2016, as amended from time to time, shall also be applicable to green deposits mutatis mutandis.

The Bank shall put in a comprehensive Board-approved Policy on accepting Green Deposits that outlines the aspects related to issuance and allocation of green deposits as per the RBI notification, dated 11th April 2023, on Framework for acceptance of Green Deposits.

Green Deposits offered by USFBL will be aligned with its core components as mentioned below:

- A. Purpose/ Rationale
- B. Green Deposit Framework
- C. Financing Framework
- D. Use of Proceeds
- E. Third-party verification/ Assurance and Impact Assessment
- F. Reporting Disclosures

The Framework also covers External Review.

4.3) Use of Proceeds

The net proceeds of the SFTs will be used to finance and/or refinance, in whole or in part, new or existing eligible project categories.

- Proceeds from Green Bond and/or Green Loan shall be used exclusively for project categories enlisted under “Eligible Activities/Projects” in section 4.3.1
- Proceeds from Social Bond and/or Social Loan shall be used exclusively for project categories enlisted under “Eligible Activities/Projects” in section 4.3.2
- Proceeds from Sustainable Bond and/or Sustainable Loan shall be used exclusively for project categories enlisted under “Eligible Activities/Projects” in section 4.3.1 and section 4.3.2
- Proceeds from Green Deposits shall be used exclusively for project categories enlisted under “Eligible Activities/Projects” in section 4.3.1

The proceeds under the Sustainable Finance Framework will be applied to projects/activities that fall under the eligible green and social projects/activities as set out in [Table-1 and Table 2](#).

⁹ <https://www.utkarsh.bank>

The list captures various types of projects in alignment with ICMA, LMA and RBI's principles and guidelines.

Allocation of Proceeds

USFBL shall allocate, on a best effort basis, all the proceeds within 24 months from the date of issuance of Green, Social or Sustainable instruments under this framework.

In case of refinancing, eligible projects or assets that have been financed up to 24 months prior to the issuance date of the relevant Green, Social, or sustainable instruments shall qualify.



Unallocated proceeds, if any, shall be invested or allocated in liquid money market instruments such as RBI Standing Deposit Facility (SDF), interbank call and notice money, Treasury Bills, high quality (AAA) liquid Commercial Papers up to maximum original tenure of one year.

Eligibility Criteria

4.3.1) List of Eligible Green Projects/activities

These green activities/projects encourage energy efficiency in resource utilization, reduce carbon emissions and greenhouse gases, prevents and controls pollution, promote climate resilience and/or adaptation and value and improve natural ecosystems and biodiversity.

Table 1. List of Eligible Green Projects/activities

Sr. No.	Eligible Green Project Categories	Description	Linkage with UNSDGs
1	Renewable Energy (including production, transmission, and distribution)	<p>Investments, expenditure and financing/ refinancing related to projects including renewable energy such as:</p> <ul style="list-style-type: none"> ❖ Ground-mounted solar power and grid connected rooftop solar power (photovoltaic and concentrated solar power)¹⁰ ❖ Wholly dedicated transmission infrastructure for solar electricity generation facilities (Manufacturing of components such as Modules, Ingots-Wafers, Solar Cells, Polysilicon) 	 

¹⁰ At least 85% of the electricity generated from the facility will be derived from solar energy resources, and non-renewable energy back up will be limited to 15% of the facility's electricity production






		<ul style="list-style-type: none"> ❖ Wind energy (The development, construction, and operation of onshore and offshore projects) ❖ Dedicated transmission infrastructure and support facilities (e.g., transformers, backbone, transmission terminus, grid connections, dedicated facilities for support vessels and vehicles) ❖ Hydro energy (generating less than 25MW, or run-of-river projects without artificial reservoir)¹¹ ❖ Waste-to-energy projects that recover energy from Agri/forestry waste or Municipal Solid Waste (MSW) with the condition that majority of recyclables (especially plastics) are segregated before energy conversion ❖ Geothermal energy for electricity generation (limited to direct emissions of <100g CO₂e/KWh) ❖ Bioenergy¹² (e.g., oil seed crops, sugar crops, wood pellets, excluding peat and palm oil) for electricity generation (limited to life-cycle emissions of <100g CO₂e/kWh) ❖ Projects that integrate renewable energy generation and storage 	<div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
2	Energy Efficiency	<p>Investments, expenditure and financing/ refinancing related to projects and technologies that are designed to enable energy and emissions reductions that aim to achieve energy savings. Examples include:</p> <ul style="list-style-type: none"> ❖ To include projects bringing energy efficiency relating to battery storage for renewable energy sources ❖ Smart grids technologies¹³ ❖ Building technologies such as LED lighting, smart meters for households and replacement of boilers to improve energy performance 	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>

¹¹ Regardless of the size, an environmental and social impact assessment done by a credible body be required per project, and there should be no significant risk or expected negative impact identified. The eligible projects operational after 2019 will have a power density greater than 10W/m², whereas for projects operational before 2019, a power density greater than 5 W/m² will be ensured.

¹² Biomass/fuel that is derived from sources of high biodiversity, that competes with food sources or that depletes carbon pools is excluded

¹³ Development, Manufacturing, Installation of technologies/components that enable more efficient transmission and distribution under smart grid technologies category. This may include SCADA system, communications, and sensors technologies such as Wide Area monitoring System (WAMS), advance/smart meters, monitoring and control automation devices, big data or computing platforms



		<ul style="list-style-type: none"> ❖ Supporting construction of new low-carbon buildings as well as energy-efficiency retrofits to existing buildings ❖ Energy management systems (upgrades, modifications, service and improvements to industrial and manufacturing processes that result in an increase in energy efficiency, decrease in Specific Energy consumption due to Technological upgradation including product design, service, redesign, addition and modification of features that have specific purpose of increasing energy efficiency)¹⁴ 	
3	Clean Transportation	<p>Investments, expenditure and financing/ refinancing related to projects aiming at developing/ manufacturing low-carbon passenger and freight transportation or related infrastructure, including:</p> <ul style="list-style-type: none"> ❖ For passenger non-public transportation (e.g., passenger cars and commercial vehicles), either zero direct emissions (fully electric or hydrogen) or with tailpipe emissions of below 75g CO₂e/km until 2025 (non-eligible thereafter) ❖ For passenger public transportation (e.g., light rail transit, metro, tram, trolleybus, bus and rail), either zero direct emissions (fully electric or hydrogen) or with tailpipe emissions of below 50g CO₂e/km per passenger until 2025 (non-eligible thereafter) ❖ Projects related to capacity or energy efficiency improvement (e.g., station upgrade, improved signaling equipment), electric vehicle charging stations, battery swapping stations, hydrogen-fueling stations, and electricity grid connection upgrade ❖ For freight rail¹⁵ (trains), either zero direct emissions (fully electric or hydrogen) or with tailpipe emissions at or below (\leq) 25g CO₂e/t-km (tonne-kilometer), 	 

¹⁴ Expenditures within this category exclude energy-efficient technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels, such as: Oil or gas-fired boilers, cogeneration and CHP units as well as production processes in heavy industries, such as steel, cement, aluminum

¹⁵ Fossil fuel freight must not be more than 25% of the freight transported (in tonne/km)



		<ul style="list-style-type: none"> ❖ For road freight, zero direct emissions (electric or hydrogen). <p>Investments, expenditure and financing/ refinancing related to development, manufacturing and recycling of rechargeable batteries and fuel cells for clean transportation.</p> <p>Investments, expenditure and financing/ refinancing related to consumer loans towards electric vehicles and electric rickshaws</p>	
4	Climate Change Adaptation	<p>Investments, expenditure and financing/ refinancing related to projects including data driven systems for monitoring and / or forecasting:</p> <ul style="list-style-type: none"> ❖ Temperature related climate hazards, ❖ Wind related climate hazards, ❖ Water related climate hazards, and/or ❖ Land related climate hazards for reducing or avoiding weather-related damage and/or disruption <p>Investments, expenditure and financing of Climate change adaptation activities related projects:</p> <ul style="list-style-type: none"> ❖ Infrastructures for reducing/avoiding weather related damages/ disruption¹⁶ 	
5	Sustainable Water and Waste-water Management	<p>Investments, expenditure and financing/ refinancing related to projects, including, developing/ manufacturing infrastructure, equipment and technology for activities that improve water quality¹⁷:</p> <ul style="list-style-type: none"> ❖ Water treatment facilities including water recycling systems, sewer networks and manure and slurry treatment facilities ❖ Upgrades to wastewater treatment plants to remove nutrients ❖ Wastewater discharge infrastructure 	

¹⁶ Activities that increase resilience of ecosystems such as integrated watershed management. Projects to improve water resilience to climate change may include construction of climate resilient water tanks that are used to store water in buildings, roofing structure improvements, rainwater harvesting facilities, Heavy rain drainage systems, flood prevention projects, flood defense systems, sluice gates, tunnels and channels and elevation of existing infrastructure Use of climate resilient crops (e.g. drought resistant seeds), drip irrigation technology, stormwater storage, grain storage, soil rehabilitation), etc.

¹⁷ All the projects related to water and wastewater infrastructure will exclude integrated water and power plant (IWPP) with fossil fuel power



		<ul style="list-style-type: none"> ❖ Desalination plants powered by electricity with an average carbon intensity at or below 100gCO₂e/kWh over the residual asset life or desalination plants¹⁸ primarily powered by low-carbon sources, such as renewables <p>Investments, expenditure and financing/ refinancing related to projects, including, developing/ manufacturing infrastructure, equipment and technology for activities that improve water-use efficiency:</p> <ul style="list-style-type: none"> ❖ Water recycling and reuse ❖ Rainwater harvesting systems and development of ponds ❖ Horticulture (drip and sprinkler irrigation methods development of water monitors and taps with fixed with low-flow water fixtures) ❖ Sanitation infrastructure projects 	
6	Pollution Prevention and Control	<p>Investments, expenditure and financing/ refinancing related to projects including:</p> <ul style="list-style-type: none"> ❖ Waste Management Projects (waste collection/ processing/recycling)¹⁹ ❖ Pollution Control Projects. (projects that are approved by India's Commission for Air Quality Management (CAQM) related to reducing air emissions through installation of smoke-stack scrubbers, or process upgrades, installation of sensors to monitor/test emission control/compliance)²⁰ ❖ Projects targeting reduction of air emissions, greenhouse gas control, soil remediation, waste management, waste prevention, waste 	

¹⁸ Expenditure within this category exclude desalination projects without appropriate waste management plans for brine disposal and desalination plants with dedicated on-site fossil fuel power

¹⁹ For waste collection activities, source segregation will be ensured. For recovery and processing, segregation of recyclables for waste to energy facilities will be ensured. The activity will exclude chemical recycling of plastics. In case of e-waste recycling, robust waste management plan to be in place to mitigate associated risks.

²⁰ Financing will exclude air pollution prevention from fossil fuel production; and prevention of air pollution that results directly from technologies that are inherently reliant on fossil fuels as an energy source



		<p>recycling, waste reduction and energy/emission-efficient waste-to-energy²¹</p> <ul style="list-style-type: none"> ❖ Development of recycling facilities that process <ol style="list-style-type: none"> recyclable waste into secondary raw material, mixed residual waste to produce feedstock for waste to energy plants, food and/or green/ garden/yard waste to produce compost 	
7	Green Buildings	<p>Investments, expenditure and financing/ refinancing related to projects including green buildings²² certified under:</p> <ul style="list-style-type: none"> ❖ EDGE, BREEAM, IGBC, LEED, Green Mark, GRIHA²³ ❖ Building renovation which have achieved or will achieve any green building certifications with corresponding levels that ensure building energy efficiency gains of at least 30% over the ASHRAE 90.1 or local building codes and meeting carbon hurdles set in the IFC EDGE tool²⁴ 	
8	Sustainable Management of Living Natural Resources and Land Use	<p>Investments, expenditure and financing/ refinancing related to projects including:</p> <ul style="list-style-type: none"> ❖ Programs encouraging sustainable land use and sustainable agriculture, including climate-smart agriculture which considers climate mitigation and adaptation measures ❖ Sustainable aquaculture and fisheries²⁵ ❖ Investment in integrated cropland-livestock²⁶ forestry systems and agroforestry systems targeted at smallholder farmers with sustainable forestry management plans in place such as FSC or PEFC²⁷ 	

²¹ Feedstock will primarily include Sewage, manure, wastewater, bagasse, biomass, wood pellets, etc.

²² Development or acquisition of new buildings or retrofit/upgrade/renovation of existing buildings provided such retrofit/upgrade/renovation leads to at least 30% improvement in energy efficiency, or results in improving building certification levels




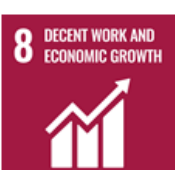


²³ Edge – Certified or higher; LEED – Gold or Platinum; BREEAM – Excellent or above; IGBC – Gold or above; Green Mark – Gold plus and above, GRIHA - 4 to 5-star rating

²⁴ <https://edgebuildings.com/certify/>

²⁵ Sustainable aquaculture and fisheries projects - Certified by a recognized and credible third-party standard and have achieved the minimum rating requirement. (for e.g. ASC for farm level certification, Global G.A.P for Aquaculture.)

²⁶ Exclusion - Livestock management projects for industrial-scale meat processors or producers

²⁷ FSC: <https://fsc.org/en/find-the-right-certification-or-licence>; PEFC: <https://www.pefc.org/standards-implementation>

			
9	Terrestrial and Aquatic Biodiversity Conservation	<p>Investments, expenditure and financing/ refinancing related to projects including:</p> <ul style="list-style-type: none"> ❖ Preserving terrestrial / marine natural habitats²⁸ ❖ Landscape conservation/restoration Including Reducing Emissions from Deforestation and Forest Degradation (REDD)²⁹ 	 
10	Circular Economy and/or Eco-Efficient Projects	<p>Investments, expenditure and financing/ refinancing related to projects including, environmental and sustainability benefits of circular economy and/or eco-efficient projects:</p> <ul style="list-style-type: none"> ❖ Production of bio-based resource-efficient/ low-carbon products that are RSB certified ❖ Production of products using recycled/waste products³⁰ 	  

²⁸ Restoration, preservation or conservation of natural habitats and landscapes likes marshes, creeks and coastal ecosystem; restoration or preservation of biological diversity in urban areas such as parks. Such activities are expected to use only local tree-species well adapted to the site conditions and a sustainable management plan in place certified to FSC/PEFC

²⁹ For afforestation / reforestation activities, projects financed should use tree species that are well adapted to the site condition and there should be a sustainable management plan in place certified to FSC or PEFC

³⁰ Recycling of plastic except chemical recycling. Only recycled plastic will be used for manufacturing of these products with below criteria:

- I. At least 90% of the recycled plastic will be considered for production using plastic.
- II. At least 90% of the final product is not intended for single use product and final product is recyclable.







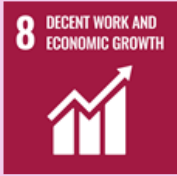
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4.3.2) List of Eligible Social Projects/activities

These social activities/projects aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a targeted population(s).

Table 2. List of Eligible Social Projects/activities

Sr. No.	Eligible Social Project Categories	Description	Linkage with UNSDGs
1	Access to Essential Services³¹	<p>Investments, expenditure and financing/ refinancing related to projects including:</p> <p>Healthcare</p> <ul style="list-style-type: none"> ❖ Financing related to the construction, equipment or operation of activities that expand access to healthcare³² ❖ R&D, manufacture, logistics and distribution of medical products and supplies (including masks, respirators, medicines, etc.) essential to emergency medical response, support for natural disaster (including pandemic) and vaccinations ❖ Healthcare facilities which are exclusively towards treatment of Cancer ❖ Healthcare facilities which derive at least 50% of their revenue from Government funding (either through direct subsidies or through various insurance schemes - CGHS / ESI etc.) ❖ Healthcare facilities / hospitals which operate on a "not for profit" basis ❖ Public healthcare facilities, facilities primarily serving the Economically Weaker Sections (EWS), Lower Income Group (LIG) the elderly/disabled <p>Education</p> <ul style="list-style-type: none"> ❖ Education loans to individuals including vocational courses up to ₹20 lakh³³ ❖ Loans for building social infrastructure (e.g.: construction of Schools) up to a limit of ₹5 crore per borrower 	    

³¹ In financing the eligible projects/ entities, the Bank shall require a confirmation of accessibility to all, including those from economically weaker sections (as defined by Government of India)

³² Including loans up to a limit of ₹10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centers. up to a limit of ₹10 crore per borrower for building health as specified in PSL

³³ Special emphasis will be given to students coming from Low-Income / Economically Weaker Sections



		<ul style="list-style-type: none"> ❖ Loans qualifying under Central Government Interest Subsidy Schemes ❖ Educational loans to EWS or SC/ST/OBC Loans qualifying under Central Government Interest Subsidy Schemes <p>Financing</p> <ul style="list-style-type: none"> ❖ Loans to NBFCs for on-lending to MSME³⁴s as per RBI's definition ❖ Loans to housing finance companies as per affordable housing criteria mentioned in "Affordable Housing" category ❖ Loans to registered NBFC-MFIs³⁵ and other MFIs (Societies, trusts etc.) which are members of RBI recognized Self- Regulatory Organization for the sector, for on-lending to low-income individuals³⁶ and households and also to members of Self-help groups (SHGs) and Joint liability groups (JLGs), primarily comprising of women 	
2	Affordable basic Infrastructure (Water, electricity and transportation)	<p>Investments, expenditure and financing/ refinancing related to projects including:</p> <p>Water</p> <ul style="list-style-type: none"> ❖ Construction, maintenance and equipment for water supply infrastructure³⁷ ❖ Water, Sanitation and Hygiene (WaSH) projects will be limited to providing potable water and not industrial water <p>Electricity</p>	

³⁴ The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. IndianGazette02072020.pdf (rbi.org.in)

³⁵ Non-banking Financial Company - Microfinance Institution (NBFC-MFI) is required to have minimum 85 per cent of its net assets as 'qualifying assets'. NBFC-MFIs must lend at least 75 per cent of the total assets as microfinance loans

In order to be classified as a 'qualifying asset', a loan is required to satisfy the following criteria:

(i) Loan which is disbursed to a borrower with household annual income not exceeding ₹1,25,000 and ₹2,00,000 for rural and urban/semi-urban households, respectively

(ii) Loan amount does not exceed ₹75,000 in the first cycle and ₹1,25,000 in subsequent cycles

(iii) Total indebtedness of the borrower does not exceed ₹1,25,000 (excluding loan for education and medical expenses)

(iv) Minimum tenure of 24 months for loan amount exceeding ₹30,000

(v) Collateral free loans without any prepayment penalty

(vi) Minimum 50 per cent of aggregate amount of loans for income generation activities; and




(vii) Flexibility of repayment periodicity (weekly, fortnightly or monthly) at borrower's choice

³⁶ A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children. All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursement (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans. To ensure collateral-free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower

³⁷ Framework will include "Loans up to a limit of ₹5 crore per borrower for building social infrastructure for drinking water facilities and sanitation facilities including construction/ refurbishment of household toilets and household level water improvements in Tier II to Tier VI centers"

Exclusion: Desalination projects without appropriate waste management plans for brine disposal, Desalination plants with dedicated on-site fossil fuel power



		<ul style="list-style-type: none"> ❖ Development of transmission and distribution infrastructure aimed at improving access to electricity to areas where there is no access or access is substantially inadequate³⁸ (e.g. projects under the National Energy Policy addressing access to electricity for all households, including in rural areas) <p>Transportation</p> <ul style="list-style-type: none"> ❖ Development of roads in areas that lack connectivity, or in areas lacking infrastructure in underdeveloped regions³⁹ ❖ Vehicles including buses that enables mobility for public in rural and underserved areas with no access or inadequate access to transportation⁴⁰ 	    
3	Affordable Housing	<ul style="list-style-type: none"> ❖ Loans to individuals for purchase or construction of their houses⁴¹ ❖ Loans to individuals for renovation of an existing house⁴² 	

³⁸ **Exclusion** - Transmission grid connected to a dedicated fossil fuel power plant (coal/oil/ natural gas)

³⁹ **Exclusion** – Financing major roads and highway

⁴⁰ Vehicles financed and/or refinanced will also be subjected to relevant international environmental standards. Eligibility includes vehicles that are fully electric only

⁴¹ Reserve Bank of India, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification (Updated as on October 20, 2022)", (2022), at: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11959

⁴² RBI's Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) wherein for renovation of an existing house the loan amount will be up to INR 1 million in metropolitan centers and up to INR 600,000 in other centers



		<ul style="list-style-type: none"> ❖ Loans for construction and development of affordable housing projects⁴³ including individual loans ❖ The individual loans will be prioritized to EWS, LIG and first-time home buyers in case of MIG1⁴⁴ 	
4	Employment Generation including through SME Financing/Microfinance	<p>Investments or projects related to providing employment generation, including:</p> <ul style="list-style-type: none"> ❖ Loans to MSMEs⁴⁵ as defined by the Government of India. Further, such MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service 	
5	Food Security	<ul style="list-style-type: none"> ❖ Investments or projects related to Investment in infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation or improve connectivity in the food chain to avoid food losses 	
6	Socioeconomic Advancement and Empowerment	<p>Investments or projects related to enabling socioeconomic advancement and empowerment, including</p> <ul style="list-style-type: none"> ❖ Lending to the agriculture sector shall include Farm Credit (short term crop loans and 	

⁴³ As per RBI's Master Directions - Priority Sector Lending – Targets and Classification (updated as on October 20, 2022) and as per Ministry of Finance, Government of India, "Affordable Housing" is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters

⁴⁴ (i) Economically weaker sections are defined as persons whose family has a gross annual income below INR 800,000 and are not covered under the scheme of reservation for scheduled castes, scheduled tribes and other backward classes. <https://pib.gov.in/PressReleaseSelfFramePage.aspx?PRID=1781353>

(ii) EWS households are defined as households having an annual income up to Rs.3,00,000 (Rupees Three Lakhs) hfa_Guidelines.pdf (pymis.gov.in)

LIG - <https://pmay-urban.gov.in/uploads/guidelines/62381c744c188-Updated-guidelines-of-PMAY-U.pdf>

MIG1 - <https://pmay-urban.gov.in/uploads/guidelines/62381c744c188-Updated-guidelines-of-PMAY-U.pdf>

⁴⁵ Bank restricts lending to MSMEs that are involved in carbon-intensive or controversial sectors, such as weapons, mining, tobacco or conflict minerals, or that engage in child, forced or unfair labour practices by obtaining certifications from MSMEs



		<p>medium/long term credit to farmers), and ancillary activities as set out in Table in the Annexure 8</p> <ul style="list-style-type: none"> ❖ Loans provided directly to individuals and individual members of SHG/JLG satisfying the criteria as prescribed in Master Direction on Regulatory Framework for Microfinance Loans Directions, dated March 14,2022 ❖ Loans not exceeding ₹2.00 lakh provided to SHG/JLG for activities other than agriculture or MSME, viz., loans for meeting social needs, construction or repair of house, construction of toilets or any viable common activity started by SHGs. ❖ Loan to Weaker Sections: <ul style="list-style-type: none"> - Artisans, village and cottage industries where individual credit limits do not exceed ₹1 lakh. - Beneficiaries under Government Sponsored Schemes such as National Rural Livelihood Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS) - Scheduled Castes and Scheduled Tribes - Beneficiaries of Differential Rate of Interest (DRI) scheme - Individual women beneficiaries up to ₹1 lakh per borrower - Persons with disabilities - Minority communities as may be notified by Government of India from time to time 	<div>2 ZERO HUNGER</div> <div>4 QUALITY EDUCATION</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>10 REDUCED INEQUALITIES</div>
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By mapping eligible projects/ activities to relevant UNSDGs⁴⁶ (United Nations Sustainable Development Goals), the framework ensures that the bank's sustainable finance initiatives contribute to globally recognized development goals, enhancing both impact and investor confidence.

⁴⁶ The Sustainable Development Goals (SDGs) are a set of 17 global goals adopted by the United Nations (UN) in 2015 as part of the 2030 Agenda for Sustainable Development. These goals address economic, social, and environmental challenges and serve as a global blueprint for sustainable growth. As industry best practice, financial institutions map their sustainable finance activities to SDGs to demonstrate alignment with international sustainability priorities

4.3.3) Target population for Social Project Categories

The social project categories/criteria mentioned in [Table 2.](#) may provide direct or indirect benefit(s) to one or more of the following target populations:

- Economically Weaker Sections (EWS)
- Low-income households
- Rural communities
- Elderly Person with disabilities
- Scheduled Tribes and Scheduled Castes
- Micro, Small and Medium Enterprises (MSMEs⁴⁷)
- Any other marginalized community notified under government schemes

⁴⁷ The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4 /06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. IndianGazzate02072020.pdf (rbi.org.in)

4.3.4) List of projects/activities excluded from the Sustainable Finance Framework

In any case, eligible activities/projects exclude the industries and activity categories mentioned below:

- ✓ Projects involving new or existing extraction, production, and distribution of fossil fuels, including improvements and upgrades; or where the core energy source is fossil-fuel based.
- ✓ Nuclear power generation.
- ✓ Direct waste incineration.
- ✓ Alcohol, weapons, tobacco, gaming, or palm oil industries.
- ✓ Renewable energy projects generating energy from biomass using feedstock originating from protected areas.
- ✓ Landfill projects.
- ✓ Hydropower plants larger than 25 MW.
- ✓ Luxury sectors such as precious metals, precious artworks & antiques, golf course services and hospitality groups,
- ✓ Agricultural or deforestation operations located on land designated as primary forest, rich biodiversity, high conservation value areas, or legally preserved areas
- ✓ Production or trade of any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans

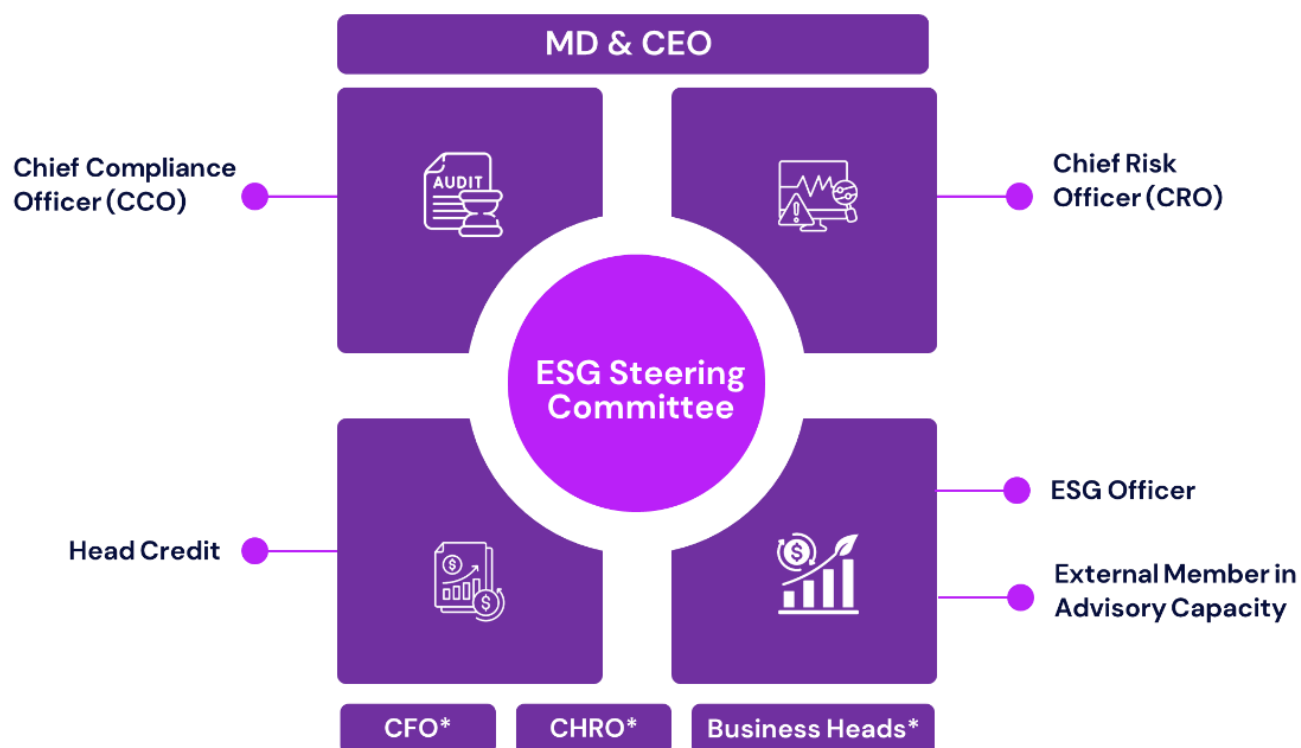
Any transactions made for activities/projects not in the list of eligible green and/or social activities ([Table-1](#) and [Table 2](#)) will not be considered as Sustainable Finance transactions under the purview of this framework.

4.4) Process for Project Evaluation and Selection

USFBL shall perform the credit assessment and due diligence of projects/ assets in accordance with its existing lending & retail offering processes. All projects/activities that fall under the eligible green and/or social projects/activities as set out in [Table-1 and Table 2](#), under this Sustainable Finance Framework shall have to go through the Bank's due diligence framework and only upon being sanctioned by the competent authority shall be reckoned for allocation under green/social/sustainable product.

USFBL has in place an ESG Steering Committee (ESG-SC), with responsibility of oversight on SFTs. The ESG-SC comprises of representatives from various departments to oversee the implementation of ESG-related aspects including SFTs. The composition of ESG-SC is depicted below:

Chart 1. Composition of ESG Steering Committee



USFBL reserves the right to modify the ESGSC in future and/ or add any other relevant departments, as needed.

*Permanent Invitees

For any project identified by the Sales Team under the eligible Use of Proceeds categories (and therefore potentially qualifying for SFT allocation), the Credit Team will conduct a preliminary assessment, along with the Bank's due diligence and credit process, to evaluate its alignment with the Sustainable finance framework criteria. The Operations Team will review the quality of documentation and flag any issues to the relevant teams. If the project meets the defined criteria and receives approval from the Credit Team, it will be nominated for SFT allocation. The Audit Team will subsequently review the documentation and

processes to ensure compliance with the framework. The detailed process for project selection and evaluation is provided in [Annexure 1 to 3](#).

The Terms of Reference (ToR) of the ESG Steering Committee are as mentioned below:

MD & CEO	<ul style="list-style-type: none"> - Approve and oversight on Sustainable Finance Framework by reviewing its suitability and effectiveness - Function as the chair of ESG Steering Committee (ESG-SC) - Seek board's approval for the successful roll out of the Sustainable Finance Framework
Chief Compliance Officer (CCO)	<ul style="list-style-type: none"> - Ensure the implementation of the relevant compliances related to sustainable finance issued by regulatory authorities such as RBI and SEBI
Chief Risk Officer (CRO)	<ul style="list-style-type: none"> - Ensure implementation of process for ESG risk assessment for the loans disbursed under the purview of this Sustainable Finance Framework - Formulate strategies to manage various risks with reference to sustainable lending
Head Credit	<ul style="list-style-type: none"> - Ensure that the loan disbursement is in line with the Use of Proceeds defined in the Sustainable Finance Framework - Ensure implementation of the Sustainable Finance Framework for SFTs such that it covers aspects like offerings, rate of interest, tenure of maturity, raising funds appetite, raising modes - Ensure that 3rd party assurance of the Use of Proceeds is conducted in accordance with relevant frameworks such as administered by ICMA, LMA and RBI guidelines - Support in conducting 3rd party impact assessment for all the loans disbursed under the purview of the Sustainable Finance Framework - Ensure Tagging of transactions to corresponding 'Sustainable' lending/deposits - Ensure temporary allocation of proceeds, pending their allocation to the eligible activities/projects as per RBIs Framework for acceptance of Green Deposits
ESG Officer	<ul style="list-style-type: none"> - Undertake overall responsibility of the Sustainable Finance product by reviewing and providing revised policy and Sustainable Finance Framework for approval - Review ESG risk assessment of transactions by coordinating with the concerned teams to obtain required information - Ensure that the loan disbursement is in line with the Use of Proceeds defined in the Sustainable Finance Framework

	<ul style="list-style-type: none"> - Conduct capability building workshops on ESG, Climate related briefing & clarification on evolving Sustainable Finance. - Steer Impact Assessment Exercise jointly with Credit team. - Support in disclosures as per relevant frameworks
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The ESG-SC shall meet at quarterly intervals to discuss on different aspects of ESG and submit its recommendations to Risk Management Committee (RMC) or its relevant sub-committees for information/ approval. ESG-SC shall update the progress to RMC/ Board half-yearly. At USFBL, risk management is an independent function, which monitors Credit Risk, Market and Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk and other risks including ESG and Climate Risk. All decisions related to risk mitigation are reviewed by the RMC.

Identification and management of risks associated with the relevant project:

USFBL prioritizes a robust risk management framework to ensure the sustainability and success of the business operations. Project level evaluation and risk assessment shall be carried out by the respective departments / operating units in line with the roles and responsibilities assigned and as per existing internal guidelines provided through [Annexure 1 to 3](#). This project level evaluation shall then be presented to the ESG-SC during a meeting occurring every three months for review.

USFBL has implemented and maintained systems for assessing and managing E&S risks and opportunities to ensure compliance as well as add value through appropriate procedures, resource allocation, monitoring, and reporting. The ESG-SC shall ensure that the selected projects will comply with the use of proceeds and process of project evaluation and selection, as well as with USFBL's ESG Policy & Environmental, Social & Governance Management System (ESG-MS) which offers risk management tools to mitigate related ESG risks. Under the ESG-MS, procedures and tools for ESG risk identification, management and monitoring are developed and integrated with the loan cycle. The institutional structure with roles and responsibilities of various departments towards implementation of the ESG-MS is defined.

In addition, the ESG-SC will also be responsible for managing any future updates of the Sustainable Finance Framework, including any expansion of requirements of use of proceeds.

4.5) Management of Proceeds

The Bank shall establish a process wherein the net proceeds from the SFTs will be managed by the Credit Department and credited to a designated sub-account. This sub-account will be earmarked for allocation to eligible projects/activities in alignment with USFBL's Sustainable Finance Framework.

To enable effective tracking of the use of proceeds, the Bank shall develop a loan tagging mechanism. This system will facilitate the identification and monitoring of key details within the sustainable finance portfolio, such as borrower account number, borrower name, use of proceeds, sanctioned amount, disbursed amount, loan maturity, and other relevant information, ensuring that the aggregate allocation of proceeds can be accurately recorded.

The following information on the allocation of proceeds of the green deposit portfolio shall be monitored:

- ❖ Name and description of Eligible Projects to which the proceeds of the green deposits have been allocated in accordance with the framework.
- ❖ Allocation of the proceeds of green deposits to Eligible Projects
- ❖ Amount of unallocated proceeds.
- ❖ Information regarding temporary investment for unallocated proceeds.

4.6) Third Party verification and assurance

The allocation of funds raised through green and/or social instruments during a financial year shall be subject to an independent Third-Party Verification/Assurance which shall be done on an annual basis. This independent Third-Party Verification/Assurance Report shall be published on the Bank's website.

The Third Party shall, at the minimum, cover the following aspects:

- ❖ Use of the proceeds to be in accordance with the eligible green and/or social activities/projects as indicated in [Table-1 and Table 2](#) of this Framework. The Bank shall monitor the end-use of funds allocated against the deposits/bonds/loans raised.
- ❖ Policies and Internal Controls including, inter-alia, project evaluation and selection, management of proceeds, and validation of the sustainability information provided by the borrower according to the eligible activities/projects indicated in [Table-1 and Table 2](#) of this Framework and Reporting and Disclosures.

4.7) Impact Assessment

USFBL, with the assistance of external firms, shall assess the impact associated with the funds lent for or invested in sustainable finance activities/projects indicated in [Table-1 and Table 2](#) of this Framework through an Impact Assessment Report on an annual basis. This Impact Assessment Report shall be published on the Bank's website. An illustrative list of impact indicators is attached in [Annexure-5 and Annexure 6](#).

4.8) Reporting and Disclosure

A review report shall be placed by USFBL before its Board of Directors within three months of the end of each financial year which shall, inter-alia, cover the following details:

1. Amount raised under Sustainable Finance Framework during the previous financial year.
2. List of green and/or social activities/projects to which proceeds have been allocated, along with a brief description of the projects.
3. The amounts allocated to the eligible green activities/projects.
4. A copy of the Third-Party Verification/Assurance Report and the Impact Assessment Report

USFBL shall make appropriate disclosures in its Annual Financial Statements on the portfolio-level information regarding the use of the proceeds as per the proforma attached in [Annexure-7](#).

4.9) Amendments to the framework

This Framework document shall be reviewed annually based on current benchmark market practices, any revision in RBI guidelines and global frameworks (referred to in [section 3.2](#) above) or earlier as warranted for its suitability and amended as necessary. In the event of amendments, the Bank will obtain a Second Party Opinion (SPO) on the updated version of this Framework. Any future revised and updated version of this Framework along with the corresponding SPO document shall be published on Bank's website and will replace this Framework.

4.10) External Review

The Bank has engaged an external independent party to provide an external review of its Sustainable Finance Framework. Opinions from the external reviewer will be available on our website.

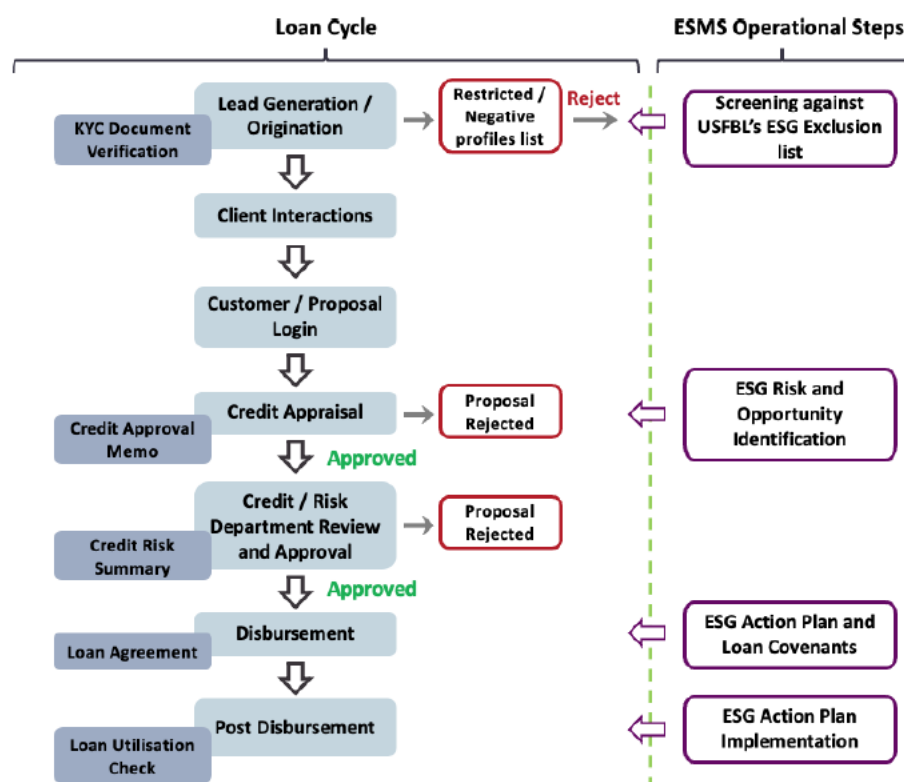
**All the Disclosures & Reports will be made available on <https://www.utkarsh.bank/>*

The Sustainable Finance Framework shall be guided by the ESG policy/framework of the bank, wherever applicable, for the aspects not covered in this framework.

5. Annexure

Annexure 1: Process for Environmental, Social and Governance Risk Management in Transactions

A four-step procedure has been developed for management of ESG risks in USFBL's loan products. The procedure has been integrated with the existing loan appraisal cycle of USFBL and is described in the subsequent sub-sections. The business team of each loan product along with the credit team will be responsible for implementation of the requirements under the ESGMS.



ESG Screening at Lead Generation

The borrower's business will be verified against USFBL's ESG Exclusion List during Lead Generation / origination by the Sales Team for each product. USFBL will not extend loans to businesses featured in the Exclusion List. Refer [Annexure 4](#) for the Exclusion List. For transactions that are evaluated beyond the screening stage, it will be formally recorded that the borrower's business clears the ESG Exclusion List using the format provided in [Annexure 4](#).

ESG Risk Identification

The key ESG risks associated with the transaction will be identified and suitably factored in the verification process at the credit underwriting stage. The risk assessment process will be commensurate to the ticket size, duration for the particular transaction and ESG risks resulting from the borrower's

business activity. The bank provides sector-specific checklists for assessing borrower's compliance to ESG requirements related to the reference framework. The ESG Risk Assessment checklists have been developed for five (5) sectors based on the sectors to which USFBL provides loans:

1. Non-Banking Financial Companies
2. Micro, Small and Medium Enterprises
3. Trading and Warehousing
4. Loan against Property
5. Commercial and Construction vehicle finance

The assessment will be carried out for all loan products classified under 'Full' and 'Partial' application as presented in [Annexure 2](#) and [Annexure 3](#) of this document.

ESG Loan Covenants

Covenants on ESG aspects will be included in the loan agreement. The loan covenants include statements of compliance to the Exclusion List and ESGMS process requirements and include two sets of covenants which are developed to distinguish between the intensity of interaction of the loan products with ESG aspects.

The first set is applicable for those businesses with 'Full Application' and 'Partial Application' and include the following loan products and loan sizes:

- Non-Banking Financial Companies (NBFC's) – loans > INR 2 Crore
- Housing Finance Corporations (HFC's)
- Non-NBFCs – loans > INR 2 Crore
- Micro, Small and Medium Enterprises – loans > INR 2 crore
- Trading and Warehousing
- Commercial & Construction Vehicle Finance – loans > INR 2 crore

The second set of ESG loan covenants are applicable to all other remaining loan products classified under 'Minimal Application'. The ESG loan covenants are not applicable for products classified under 'Nil Application' level.

ESG Action Planning

For loans provided to those businesses with 'Full Application' an ESG Action Plan (ESAP) will be developed to address the non-compliances identified during ESG Risk Assessment. The guidance provided against each checkpoint in the ESG Risk Assessment checklist will be referred for drafting the action plan.

USFBL's ESG Policy & Environmental, Social & Governance Management System (ESG-MS) offers risk management tools to mitigate related ESG risks. Under the ESG-MS, procedures and tools for ESG

risk and opportunity identification, management and monitoring are developed and integrated with the loan cycle.

Annexure 2: Applicability of ESG Assessment to Loan Products

Based on nature of business and extent of interaction with ESG aspects, the ESGMS is applied to the loan products in a differential manner as presented in the subsequent sub-sections.

The level of application of the ESGMS to loan products is classified as:

- a) Full application
- b) Partial application
- c) Minimal application
- d) Nil application

The ESGMS procedures that will be implemented for each of the above-mentioned four levels are as presented below:

Level of application	Details on Application
Full Application	The potential interaction of the sectors with ESG aspects to which this level will be applicable is expected to be higher. The size of loan to borrowers is comparatively large. Hence the following risk assessment and management procedures of the ESG-MS will be applicable: Step 1: Screening against Exclusion List Step 2: ESG Risk and Opportunity Identification Step 3: ESG Loan Covenants Step 4: ESG Action Plan Step 5: ESG Action Plan Implementation
Partial Application	The potential interaction of the sectors with ESG aspects to which this level will be applicable is expected to be lower. The size of loan to borrowers is smaller. Hence the following risk assessment and management procedures of the ESG-MS will be applicable: Step 1: Screening against Exclusion List Step 2: ESG Risk and Opportunity Identification Step 3: ESG Loan Covenants
Minimal Application	The size of loan to borrowers is small. The potential interaction of the sectors with ESG aspects to which this level will be applicable is expected to be minimal. Hence the following risk assessment and management procedures of the ESG-MS will be applicable: Step 1: Screening against Exclusion List Step 2: ESG Loan Covenants
Nil Application	The loans and loan products to which this level will be applicable are not envisaged to interact with ESG aspects and hence only screening against exclusion list and client protection requirements will continue to be fulfilled along with applicable requirements of the RBI's Fair Practice Code.



Annexure 3: Loan Products & Level of Application:

Loan Product	Level of Application			
	Full application	Partial application	Minimal application	Nil
Wholesale Lending	<ul style="list-style-type: none"> • Non-Banking Financial Companies (NBFC's) – loans > INR 30 crore • Housing Finance Corporations (HFC's) – loans > INR 30 crore 	<ul style="list-style-type: none"> • Non-Banking Financial Companies (NBFC's) – loans > INR 2 crore up to 30 crores • Housing Finance Corporations (HFC's) – loans > INR 2 crore up to 30 crores • non-NBFCs – loans > INR 2 crore 	<ul style="list-style-type: none"> • Business Correspondent (Other than JLG) • Non-Banking Financial Companies (NBFC's) – loans < INR 2 crore • Housing Finance Corporations (HFC's) – loans < INR 2 crore • Non-NBFC - loans < INR 2 crore 	<ul style="list-style-type: none"> • Business Correspondent - JLG
Retail Lending	<ul style="list-style-type: none"> • Micro, Small and Medium Enterprises – loans > INR 30 crore • Trading and Warehousing – loans > INR 30 crore 	<ul style="list-style-type: none"> • Micro, Small and Medium Enterprises – loans > INR 2 crore up to 30 crores • Trading and Warehousing – loans between INR 2 crore to 30 crores • Loan Against Property – loans > INR 2 crore 	<ul style="list-style-type: none"> • Micro, Small and Medium Enterprises – loans > INR 50 lakh up to 2 crores • Trading and Warehousing – loan > INR 1 crore up to 2 crores • Loan Against Property – loan > INR 1 crore up to 2 crores 	<ul style="list-style-type: none"> • Personal loans • Housing Finance (Individual home loans) • Trading and Warehousing – loans < INR 1 crore • Micro, Small and Medium Enterprises – loans < INR 50 lakh • Loan Against Property – loans < INR 1 crore
Commercial and construction vehicle finance	<ul style="list-style-type: none"> • Commercial & Construction Vehicle Finance – loans > INR 30 crore 	<ul style="list-style-type: none"> • Commercial & Construction Vehicle Finance – loans > INR 2 crore to 30 crores 	<ul style="list-style-type: none"> • Commercial & Construction Vehicle Finance – loans > INR 50 lakh to 2 crores 	<ul style="list-style-type: none"> • Commercial & Construction Vehicle Finance – loans < 50 lakh • Two-wheeler loans
Micro-finance	-	-	-	<ul style="list-style-type: none"> • Micro banking business loans (MBIL) • Joint Liability Group Loans

Annexure 4: ESG Screening Checklist

USFBL shall not invest/lend in any activity that features in the exclusion list defined below as a part of Sustainable Finance Framework:

1. 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's, wildlife or product regulated under CITES.
2. Production of, or trade in, arms (i.e., weapons, munitions, or nuclear products, primarily designated for military purposes)
3. Production or trade in alcoholic beverages (excluding beer and wine)
4. Gambling, gaming casinos and equivalent enterprises
5. Tobacco or tobacco related products
6. Pornography
7. Drift net fishing in the marine environment using nets in excess of 2.5 KM in length
8. Production of, use of, or trade in, unbonded asbestos fibers
9. Production of, or trade in, radioactive materials
10. Production or activities involving harmful or exploitative forms of forced labour/harmful child labour.
11. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals such as gasoline, kerosene, and other petroleum products
12. Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
13. Prostitution
14. Projects involving new or existing extraction, production, and distribution of fossil fuels, including improvements and upgrades; or where the core energy source is fossil-fuel based.
15. Nuclear power generation.
16. Direct waste incineration.
17. Renewable energy projects generating energy from biomass using feedstock originating from protected areas.
18. Landfill projects.
19. Hydropower plants larger than 25 MW.

Annexure 5: Illustrative list of Impact Indicators for Green activities/projects

Sectors	Indicators
Renewable Energy	<ul style="list-style-type: none"> ✓ Annual Green House Gas (GHG) emissions reduced/avoided (tCO₂eq p.a.) ✓ Annual renewable energy generation ✓ Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy Efficiency	<ul style="list-style-type: none"> ✓ Annual energy savings ✓ Annual GHG emissions reduced/avoided (tCO₂eq p.a.) ✓ Number of people who benefitted
Clean Transportation	<ul style="list-style-type: none"> ✓ Annual GHG emissions reduced/avoided (tCO₂eq p.a.) ✓ Passenger-kilometers constructed, Reduction of air pollutants ✓ Number of clean vehicles deployed (e.g., electric) ✓ Estimated reduction in car/truck use in number of kilometers driven or as share of total transport ridership. ✓ Estimated reduction in fuel consumption
Climate Change Adaptation	<ul style="list-style-type: none"> ✓ Increase in grid resilience, energy generation, transmission/distribution and storage in MWh ✓ Reduction in the number of wildfires, and/or in the area damaged by wildfires in km² ✓ Reduction in repair costs due to storms ✓ Reduction in the number of customers/employees suffering loss of power/transport services ✓ Reduction in the number of power lines incapacitated due to storms. Reduction in flood damage costs, Reduction in number of operating days lost to floods ✓ Reduction in land-loss from inundation and/or coastal erosion
Sustainable Water and Waste Management	<ul style="list-style-type: none"> ✓ Annual water uses before and after the project, reduction in water use in % ✓ Annual amount of wastewater treated, reused or avoided before and after the project ✓ Number of people with access to clean drinking water, improved sanitation facilities under the project ✓ Number of people and/or enterprises benefitting from measures to mitigate the consequences of floods and droughts
Pollution Prevention and Control	<ul style="list-style-type: none"> ✓ Percentage amount of waste minimized, reused or recycled (%) ✓ Annual GHG emissions reduced/avoided (tCO₂eq p.a.) ✓ Annual energy generation from non-recyclable waste ✓ Net Energy recovered from waste p.a. ✓ Annual amount of waste that is separated and/or collected and treated (including composted) or disposed of
Green Buildings	<ul style="list-style-type: none"> ✓ Energy use reduced; Renewable energy generated on site ✓ Annual GHG emissions reduced/avoided in tonnes of CO₂ equiv. ✓ % of carbon emissions reduced/avoided
Sustainable Management of Living	<ul style="list-style-type: none"> ✓ Number of sustainable fisheries and aquaculture activities financed



Natural Resources and Land Use	
Terrestrial and Aquatic Biodiversity Conservation	<ul style="list-style-type: none">✓ Maintenance/ safeguarding/ increase of protected area, Natural Landscape area.✓ Number of predefined target organisms and species per km² before and after the project✓ Number of protected sensitive species in conserved area before and after the project
Circular Economy and/or Eco-Efficient Projects	<ul style="list-style-type: none">✓ % of Single use products replaced by reusable products.✓ % increase in reusable, recyclable, and/or certified compostable materials, components & products✓ Increased proportion of circular materials produced as a % of the total material production of the project✓ Waste that is prevented, minimized, reused or recycled before and after the project✓ Virgin raw materials that are substituted by secondary raw materials and by-products from manufacturing processes



Annexure 6: Illustrative list of Impact Indicators for Social activities/projects

Sectors	Indicators
Access to Essential Services	<ul style="list-style-type: none"> ✓ Number of beneficiaries ✓ Number of people reached with improved healthcare ✓ Number of Medical Centers constructed ✓ Amount of outstanding loans for educational infrastructure
Affordable basic Infrastructure	<ul style="list-style-type: none"> ✓ Number of beneficiaries ✓ Number of drinking water/sanitation facilities installed ✓ Number of vehicles finance that enable public mobility ✓ Number of road infrastructure projects financed that serve underdeveloped areas ✓ Number of loans granted for construction/refurbishment of drinking water and sanitation facilities
Affordable Housing	<ul style="list-style-type: none"> ✓ Amount of outstanding loans for indemnificatory housing programs ✓ Number of housing units constructed/ preserved ✓ Number of individuals benefitted
Employment Generation	<ul style="list-style-type: none"> ✓ Number of jobs created ✓ Number of SMEs financed/supported ✓ Number of employees of SMEs supported
Food Security	<ul style="list-style-type: none"> ✓ Reduced number of food insecure people ✓ Reduced malnourishment ✓ Number of people provided with safe, nutritious and sufficient food ✓ Number of warehouses infrastructure financed
Socio-Economic Advancement and Empowerment	<ul style="list-style-type: none"> ✓ Number of people benefiting from the eligible financial support ✓ Number of small/marginal farmers benefiting from the eligible financial support



Annexure 7: Portfolio-level information on the use of funds raised from green deposits

Particulars	Current Financial Year (Amount in ₹ crore)	Previous Financial Year (Amount in ₹ crore)	Cumulative* (Amount in ₹ crore)
Total green deposits raised (A)			
Use of green deposit funds:			
(1) Renewable Energy			
(2) Energy Efficiency			
(3) Clean Transportation			
(4) Climate Change Adaptation			
(5) Sustainable Water and Waste Management			
(6) Pollution Prevention and Control			
(7) Green Buildings			
(8) Sustainable Management of Living Natural Resources and Land Use			
(9) Terrestrial and Aquatic Biodiversity Conservation			
Total Green Deposit funds allocated (B = Sum of 1 to 9)			
Amount of Green Deposit funds not allocated (C = A – B)			
Details of the temporary allocation of green deposit proceeds pending their allocation to the eligible green activities/projects			

* This shall contain the cumulative amount since USFBL started offering green deposits. For example, if USFBL has commenced raising green deposits from June 1, 2023, then the annual financial statement for the period ending March 31, 2025, would contain particulars of deposits raised and allocated from June 1, 2023 till March 31, 2025.

**Under each category, USFBL may provide sub-categories based on the funds allocated to each sub-sector. For example, USFBL may provide sub-categories like solar energy, wind energy, etc. under “Renewable Energy”.

Annexure 8: Agricultural Finance

Sectors	Indicators
Farm Credit	<p>Loans to:</p> <ul style="list-style-type: none"> • Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of farmers, • Small/Marginal Farmers • Farmer Co-operatives of Small/marginal Farmers <p>Directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This shall include:</p> <p>(i) Crop loans to farmers, which shall include traditional/non-traditional plantations and horticulture, and loans for allied activities,</p> <p>(ii) Medium and long-term loans to farmers for agriculture and allied activities, (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.)</p> <p>(iii) Loans to farmers for harvesting, sorting, grading and transporting of their own farm produce,</p> <p>(iv) Loans to farmers up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months,</p> <p>(v) Loans to distressed farmers indebted to non-institutional lenders,</p> <p>(vi) Loans to farmers under the Kisan Credit Card Scheme,</p> <p>(vii) Loans to small and marginal farmers for purchase of land for agricultural purposes</p>
Agriculture Infrastructure	<p>Loans to individual farmers, Self Help Groups (SHGs) or Joint Liability Groups (JLGs) and/or corporate farmers, farmers' producer organisations, partnership firms & Co-operatives of farmers limited to Small/Marginal farmers for:</p> <p>(i) Soil conservation and watershed development,</p> <p>(ii) Plant tissue culture and Agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting.</p>
Ancillary Activities	<p>(i) Loans up to ₹5 crore to co-operative societies of farmers for disposing of the produce of members</p> <p>(ii) Loans for setting up of Agri-clinics and Agri-business Centers</p> <p>(iii) Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture</p>