Nurturing Natural Capital

Union Bank's Commitment to Environmental Stewardship

» *UNSDGs:*

» *Strategy Blueprint:*

» *Business Model Components:*

3

» *Material Issues:*

1, 3, 4, 6, 8, 9, 26, 27, 28, 30, 32, 33.

Union Bank of India is committed to addressing climate change and accelerating the transition to a low-carbon economy. With a vision of achieving net-zero emissions by 2070 and aligning its financing portfolio with the goals of the Paris Climate Agreement, your Bank actively oversees social and environmental matters through dedicated committees. By integrating environmental sustainability into its business strategy, Union Bank supports the development of green technologies, offers sustainable finance solutions, and strives to meet the evolving needs of its customers. Your Bank 's achievements in sustainable finance, including surpassing targets in renewable energy lending, reflect its dedication to a cleaner and greener future..

Climate Strategy

As the impacts of climate change continue to be felt around the world, we are observing significant changes emerge in the way many of our customers do business. These changes are driving a larger economic shift as the push towards decarbonization accelerates. For many, it is no longer about whether this change will happen but how quickly it will transpire.

The Board directly supervises social and environmental matters, including climate change. The Board recognised that Union Bank can, and should, make a real contribution to tackling climate change and help to accelerate the transition to a low-carbon economy.

Supporting a sustainable transition

by helping our customers and communities prepare for climate related risks and opportunities.

Managing climate-related risks

facing our Company, including those related to physical and transition risks.

Reducing our environmental footprint

through renewable energy, energy efficiency and other operational improvements across our enterprise.

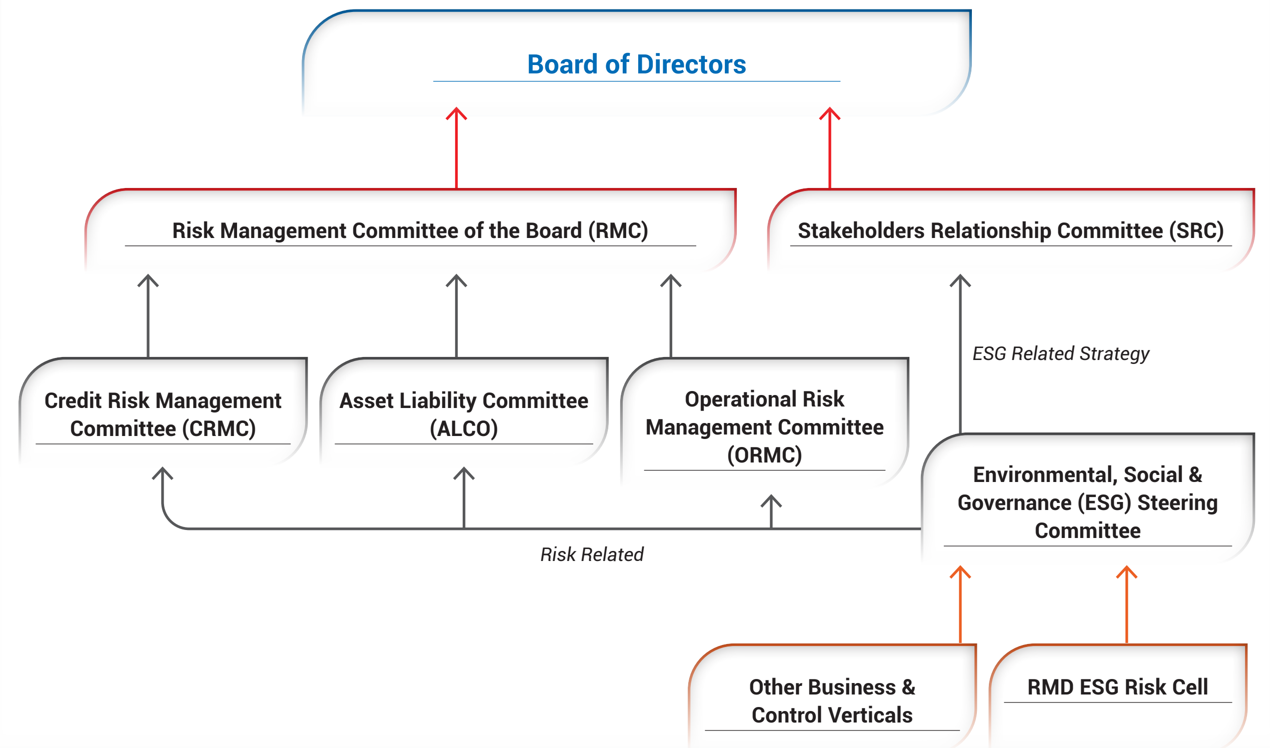
Nurturing Natural Capital

Union Bank's Commitment to Environmental Stewardship

We maintain a steadfast ambition to be net zero by 2070, and our commitment to align our financing portfolio to the goals of the Paris Climate Agreement. We aim to align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

During FY2022, the Board of the Bank decided to entrust the Stakeholders Relationship Committee of the Board to be responsible for overseeing the ESG commitments and implementations of the Ban through the formation of a dedicated ESG Steering Committee at the Executive Management Level, constituting of members from the Board and the Senior Executive Management team. The ESG Steering Committee will, in turn, form an ESG Cell at the Bank's Operational Level, with members within the Bank with domain expertise and departmental responsibilities for research, goal setting and implementation of various ESG aspects..

ESG Governance Structure in the Bank



Union Bank of India has historically committed to environmental leadership in the financial services sector. That commitment is rooted in our desire to build strong communities, serve our customers well and achieve our vision to be your Bank people most value and trust. We are driven by our understanding that integrating environmental sustainability into all aspects of our business creates long-term value and strengthens the communities we serve. We recognize the need for financial service providers to support the transition toward a more sustainable future. Banking is key to supporting the development of new technologies, financing new infrastructure and helping customers transition their operations.

At Union Bank of India, our ambition is clear - net zero by 2070. Through sustainable practices, we're fostering a future that people trust and value, leading the transition towards a more environmentally conscious world.

Transition to a Sustainable Future

Our business strategy embraces an inclusive, sustainable path forward. We believe that capital can be a force for positive change. Our Bank's purpose drives our approach to sustainability: to improve our customers' lives and our community's well-being. We intend to identify, accelerate, and promote the development of Union Bank's climate and sustainable finance growth opportunities for our customers and clients across all our businesses, products, and services.

Financing the Transition

The transition to a low-carbon economy is today's defining opportunity for innovation and growth. There is a significant opportunity for Union Bank to play a leading role in helping to meet the demand for climate change-related financing to support the transition. We are directing investment into new green technologies and infrastructure projects to build up low-carbon capacity and capability.

Union Bank is committed to helping our customers and communities move to a low-carbon, sustainable future and achieve positive social outcomes. We seek to provide our customers with products and services to help them meet their evolving needs. We hope to inspire and support our communities to drive toward more sustainable and inclusive solutions. We recognize the financial sector plays a crucial role in making the changes necessary to adapt to a changing planet and create more resilient communities.

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

Sustainable Financial Target	Achievement in FY2022	Achievement in FY2023
Renewable Energy Sector	₹ 7,164 crore	₹ 10,370 crore

These achievements highlight Union Bank of India's commitment to supporting the renewable energy sector through sustainable finance. By surpassing targets in both fiscal years, your Bank actively contributes to the nation's transition towards a cleaner and greener future.

Climate Risk

Union Bank is providing the green and sustainable finance required to transform the economies we serve. Our strategy is underpinned by how we assess and manage our exposure to climate-related risk. Since 2022, climate risk is being treated as a Principal Risk under Union Bank's Enterprise Risk Management Framework. Today, Union Bank of India is one of the premier institutions in the Indian Financial sector and is committed to building a sustainable and climate-risk-resilient organization. The smooth integration of ESG factors in Business Strategy, Business Processes, Internal Governance (Business Verticals, Risk Management & Compliance, and Independent Audit), Policies, Credit Rating/Assessment, Disclosure framework, Data Management and Risk culture of the Bank is of prime importance.

Nurturing Natural Capital

Union Bank's Commitment to Environmental Stewardship

1. **Details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity**

Parameter	Unit	FY 22-23(Current Financial Year)	FY 21-22 (Previous Financial Year)
Total Scope 1 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tonnes of CO_2 equivalent	274042	283485
Total Scope 2 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Metric tonnes of CO_2 equivalent	241884	193187

Parameter	Unit	FY 22-23(Current Financial Year)	FY 21-22 (Previous Financial Year)
Total Scope 1 and Scope 2 emissions per Cr of turnover	Metric tonnes / Cr	6.39	7.02
Total Scope 1 and Scope 2 emission intensity (optional)–the relevant metric may be selected by the entity	Metric tonnes / FTE	4.16	6.27

» Scope 1 emission is calculated based on the total Air conditioning tonnage based on per square feet area and the leakage rate of 5% and Diesel consumed in bank owned cars and DG sets.

» Scope 2 emission is calculated based on the electricity consumed from the utility.

2. Details of total energy consumption (in Joules or multiples) and energy intensity

Parameter	FY 22-23(Current Financial Year)	FY 21-22 (Previous Financial Year)
Total electricity consumption(A) in GJ	769900	755951
Total fuel consumption (B) in GJ	110348	102140
Energy consumption through other sources (C) in GJ	12339	14515
Total energy consumption A+B+C) in GJ	892587	872606
Energy intensity per Cr of turnover (Total energy consumption/ turnover in Cr)	11.05	12.84
Energy intensity (optional)–the relevant metric may be selected by the entity (per Full Time Employee FTE)	11.81	11.48

» Procured electricity consumption: Average rates of different states are considered in arriving at the consumption figures using spent amount data.

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

The Bank is committed to reducing the carbon footprint of its operations. The Bank shall endeavour to achieve carbon-neutral status by 2030 and is focusing on aligning its products and services with the United Nations Sustainable Development Goals (SDGs). Apart from that, the Bank is committed to identifying and mitigating climate-related risks and opportunities across all aspects of the Bank's lending, investments and operations.

The primary aim of the Climate Risk Management Policy of the Bank is to work towards embedding sustainability into business and ensuring a smooth transition towards low carbon and climate-resilient operations and investments. To achieve this objective, the Bank is committed to the following:

i. Taking system-wide action to ensure both – the resilience of the financial system to Climate risk and support of the financial system in a Climate Risk–sensitive manner by integrating climate-related risk (and opportunity) considerations within day-to-day operations, lending portfolios and overall decision-making.

ii. Assessing climate-related risk drivers that might lead to increasing strategic, reputational, and regulatory compliance risk, as well as liability costs associated with climate-sensitive investments and businesses.

iii. Identify, monitor and manage all climate-related financial risks that could materially impair the financial condition, including the capital resources and liquidity positions and incorporate climate-related financial risks into the overall business strategies and risk management frameworks.

iv. Identifying and quantifying climate-related financial risks and incorporating them into the internal capital and liquidity adequacy assessment processes.

v. Appropriate policies, procedures and controls are to be implemented across the organization to ensure effective management of climate-related financial risks.

vi. Identify responsibilities for climate-related risk management throughout the organizational structure and clearly assign climate-related responsibilities to members and committees and exercise effective oversight of climate-related financial risks.

vii. Incorporating applicable India's national, state and local regulatory requirements and: relevant environmental, social, labour and biodiversity conventions ratified by India.

viii. Implementing climate risk assessment approach following internationally accepted guidelines such as Taskforce on Climate-related Financial Disclosures (TCFD), Climate Risk.

The proactive approach towards Climate risk management under this Policy necessitates the understanding of multi-point impacts of climate risk vis-ä-vis ensuring the resilience of the financial system to Climate risk and support of the financial system in Climate Risk in a sensitive manner by integrating climate-related risk (and opportunity) considerations within day-to-day operations, lending and investment portfolios and overall decision-making.

Environmental

» Physical
» Acute
» Chronic
» Transition
» Policy Changes
» Technological Changes
» Behavioural Changes

Social

» Evironmental Risk
» Change in Social Policy
» Change in Market Sentiment

Governance

» Inadequate Management of E & S Risks
» Non Compliance with Corporate Governance Framework

→

» Lower Profitability
» Lower Collateral Value
» Lower Household Wealth
» Increasd Cost of Compliance
» Increased legal Cost

→

» Credit Risk
» Market Risk
» Operational Risk
» Liquidity Risk and Funding Risk
» Reputational Risk

Strategy, Model & Capitals
Notice
Statutory Reports
Financial Statements

Nurturing Natural Capital

Union Bank's Commitment to Environmental Stewardship

Climate Change Risk Management

Risk Governance

Bank is adopting a solid system of Governance, with effective and robust controls for climate risk mainstreaming. The system of Governance is proportionate to the nature, scale and complexity of the operations across the Bank's businesses. The Board of Directors, the Risk Management Committee (RMC), the Stakeholders Relationship Committee (SRC) and senior management shall be the senior most decision-making authorities on climate risk-related matters.

The Board of Directors and senior management shall clearly assign climate-related responsibilities to members and committees and effectively oversee climate-related financial risks. The Bank's well-established, existing risk governance structure shall be utilized for assessing and managing climate-related risks, wherein assessment and monitoring of climate risks and opportunities shall take place through each level of the existing governance structure.

Climate-related Opportunities

While Climate change poses a significant risk for the Bank but at the same time, it also offers several business opportunities. The low-carbon transition creates opportunities for efficiency, innovation and growth for the Bank. There is increasing demand for capital to finance long-term projects in emerging markets where economic growth and lower carbon intensity policies are intertwined with the urgent need to strengthen climate resilience. Adjustment to climate change and shifting climate zones creates demand for new and different products and services. That will require investment in measures to enhance the resilience of infrastructure, water-intensive industries, and agriculture. Climate, resilient technologies and practices in agriculture and food security include drought-tolerant seeds, improved irrigation systems, and more sustainable land management practices. Water management to address higher rainfall variability ranges from harvesting rainwater by households to ecosystem-based adaptation of entire watersheds. Disaster risk reduction entails deploying tools such as risk and vulnerability assessments, climate information and early warning systems. There is an increase in demand for low-carbon investment that Bank can support. There are multiple opportunities banks can explore, including:

- Energy Efficiency, which has a positive impact on profitability and competitiveness while at the same time reducing or deferring the pressure of putting additional power generation capacity on the grid.
- Renewable Energy Renewable energy, and solar photovoltaic generation in particular, is poised to disrupt conventional electricity systems worldwide. Many opportunities for the Bank to develop innovative financing schemes to either support direct investments by households or businesses or to provide loans to energy service providers. Rooftop solar systems offer millions of households and companies the potential to produce electricity. Financing opportunity exists in combining home mortgage loans with solar home systems loans, which has the potential to make solar financing easier while also allowing financial institutions to benefit from mortgage securitization.

Encouraging cleaner technologies via digital banking for MSMEs

One notable initiative is the introduction of digital banking solutions that enable MSME customers to apply for loans digitally. Through Straight Through Processing (STP) Kishore and Tarun Mudra Loans, businesses can conveniently access financing up to ₹ 10.00 Lacs. Additionally, Union Nari Shakti and GST Gain loans, also available digitally, provide financial support for women entrepreneurs and facilitate the adoption of cleaner technologies. In FY2023, the Bank disbursed around ₹ 1,25,022 crore under these methods to MSMEs.

Digital banking solutions are revolutionizing the financial landscape, offering convenient financing options for MSMEs and women entrepreneurs. These initiatives are not only fostering economic empowerment but also encouraging the adoption of cleaner technologies.

Union Solar

To further promote sustainability, Union Bank has launched Union Solar, a specialized product aimed at financing the installation of solar power plants for captive use. By encouraging borrowers to transition to non-conventional energy sources, your Bank contributes to the reduction of carbon emissions and the promotion of renewable energy. The Union Solar product offers attractive features, such as a waiver of collateral requirements and concessional interest rates, making it an appealing and cost-effective choice for borrowers. In FY2023, the Bank sanctioned around ₹ 105 crore under the Union Solar programme.

These initiatives underscore Union Bank of India's commitment to environmental responsibility and sustainable practices, promoting the efficient utilization of resources and supporting the transition towards a greener and more sustainable future.

Risk Management Measures and Strategies

Risk Appetite: The direction and effectiveness of Climate Risk Management are closely linked to the Bank's corporate goals, risk appetite and risk culture. The Climate risk management framework consists of five distinct building blocks, i.e., a) Risk measurement, b) Internal control, c) Risk reporting and monitoring, d) Metrics & Targets, and e) Disclosures.

Risk Measurement: The TCFD has provided a valuable lexicon of climate-related risks and opportunities, outlining the transition (Policy, market, technology, and reputation) and physical (chronic and acute) risks that can impact an organization's long-term sustainability and financial performance. These risks and opportunities can be broken down further and put into the context of the business being assessed. The Bank will be using different metrics to assess the impact of (transition and physical) climate-related risks on the lending and other financial intermediary business activities in the short, medium and long term. Metrics may relate to credit exposure, equity and debt holdings, or trading positions, broken down by Industry, Geography, Credit quality (e.g., investment grade or non-investment grade, internal rating system), Average Tenor, among others.

Financial Type	Category gets Impacted	Impacts
Balance Sheet	» Assets » Liabilities » Capital and Financing	**Impacts on Assets** » Increase in earnings from giving loans to companies which follow proper Climate Risk Management in their business operation. » Increase in earnings due to funding Projects which have potential for sustainable finance like Renewable Energy, Clean Transportation, Green buildings, Sustainable Agriculture, Waste management etc. » Loss of earnings due to various disruptions caused by acute Physical Risks. **Impacts on Liabilities** » There may be an increase in liabilities related to legal recourse caused due to Climate Change litigations. » The liquidity may get impacted due to the sudden mass withdrawal of deposits by depositors due to Climate-Related Hazards. **Impacts on Capital and Financing** » The Bank's Capital reserve may get affected due to loss caused by Climate-related Risk or an increase in the expenditure of the Bank.
Income Statement	» Revenues » Expenditures	**Impacts on Revenues** **Impacts on Expenditure**