

**BADLAAV
HUMSE HAI**



ON A FOREVER JOURNEY

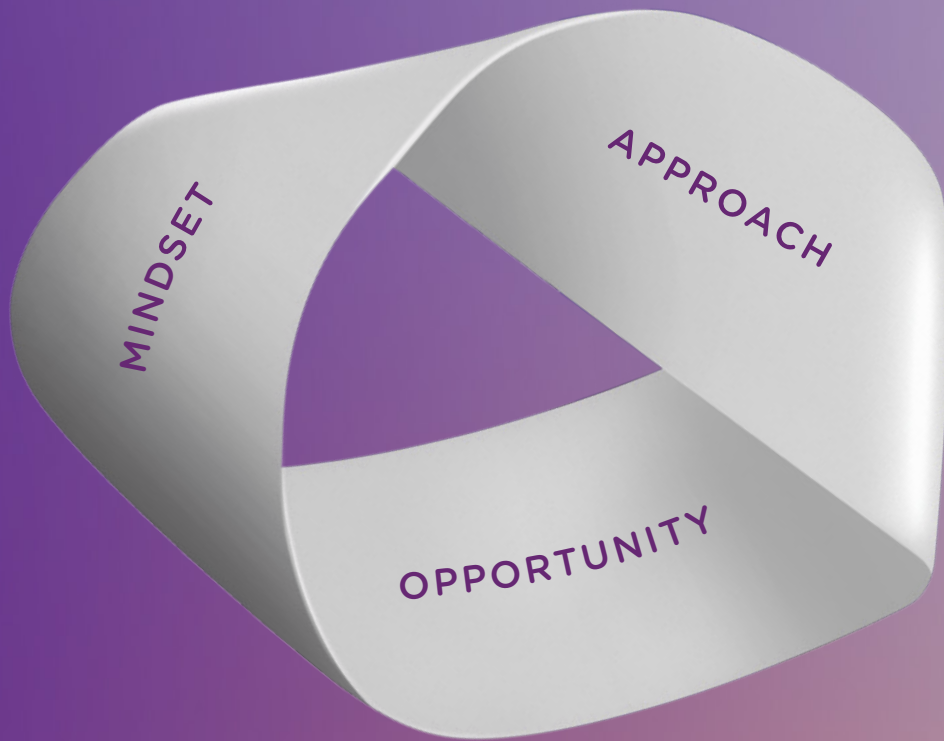
Preserve. Promote. Practice.



PlanetFirst

**SUSTAINABILITY REPORT 2022-23
GRI STANDARDS**

ON A FOREVER JOURNEY



Building a 'Forever Bank' requires promoting social equity, preserving environment & bolstering Climate Health, and practicing Sustainability as a way of life with 'Planet First' mindset in our approach.

And then repeating it all over again with an innovative mindset, newer opportunities, and calibrated approach. Much like a Möbius strip, continuous interconnectivity is our approach to banking. It represents an endless cycle of growth and improvement.

We strive to innovate, adapt, and evolve to cater to our customers' ever-changing needs. We are on a Forever journey to build a Bank that not only meets present requirements but is also capable of serving future generations.

Contents

ESG Overview

About this Report	1
ESG Score Card	2
Performance Snapshot	3

Key Messages

Chairman's Message	5
Message from the Sustainability Committee of the Board	6
Message from MD & CEO	7
Executive Director's Message	9

Corporate Profile

Organisation Overview	10
Our Strategic Business Units	12
Our Approach to Banking	14
Managing our Risks	16
Sustainability Governance Structure	20
Sustainability Policy	21

Stakeholder Engagement & Materiality

Consulting Stakeholders	22
Materiality Assessment	25



Sustainability Strategy & Framework

Our Sustainability Strategy	32
Sustainability Framework	34



Climate Resilience
› Page 35



People
› Page 40

Inclusive Prosperity
› Page 47



Responsible Banking
› Page 55

Customer Centricity
› Page 58

The Way Forward	61
-----------------	----

Reporting Index

GRI Data Matrix	62
GRI Content Index	64
Business Responsibility and Sustainability Report (BRSR) Linkage	69

Independent Assurance Statement	72
---------------------------------	----

Employee Sustainability Impact Stories	74
--	----

Carbon Neutral AGM & Board Meetings FY23	75
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Group of Udyogini's

About this Report

At AU Small Finance Bank, we are committed in communicating our sustainability approach and performance to our stakeholders clearly and transparently. Our approach towards sustainability reporting is centred around stakeholder inclusiveness.



<https://www.aubank.in/sustainability-awareness>

This report communicates the vision of the bank and the way it creates value for society, stakeholders, and the environment through its sustainable inclusive banking procedures and ESG practices. The Environment, Social and Governance indicators are aptly presented in Green, Blue and Brown shades, respectively.

Reporting Frameworks and Cycle

This is our second annual Sustainability Report developed in line with the Global Reporting Initiative framework – Sustainability Reporting Standards (GRI Standards 2021). It covers the period from 1st April 2022 to 31st March 2023, unless otherwise specified, and includes all businesses under our operational control. The report is our endeavour to articulate our sustainability approach and present our performance to our stakeholders. Our report covers sustainability topics relevant to our business as well as our stakeholders in line with GRI reporting principles of stakeholder inclusiveness and materiality.

Reporting Scope and Boundary

Our scope and boundary of operations include 796 units which include offices and branches across 21 states and 3 Union Territories in India. We do not have any company which is our subsidiary or associate. Hence, the reporting scope and the boundary relevant to the present sustainability report are applicable to an individual entity with no subsidiaries.

Data Compilation Methodology

The data published in our Sustainability Report is collected through various internal reporting systems specifically related to this report, most of which are different from those applicable to the financial

information presented in our Financial Statements (as listed in the Financial Statements from the Annual Report for FY 2022–23). We utilise a range of systems and practices to ensure regular and reliable tracking of a variety of data related to our sustainability performance. We have pointed out significant limitations in the information presented in the report, where applicable. We reserve the right to change our internal guidelines regarding the inclusion of data in the Sustainability Report; however, any such changes will be communicated in a timely manner. The major indicators related to governance have also been covered in this report.

Assurance

Limited assurance on certain agreed/identified sustainability indicators in this report has been provided by Price Waterhouse Chartered Accountants LLP, in accordance with the International Standards on Assurance Engagements (ISAE) 3000 (revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and the ISAE 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board. The subject matter, criteria, procedures performed and limited assurance conclusion are presented in the assurance report attached at the end of this report.

Suggestions and Feedback

We welcome any feedback and/or suggestions on the report's content and flow.



Please send your comments to sustainability@aubank.in

Aligning with ESG Ratings

AU SFB understands that ESG will continue to forge the future path of sustainable business and responsible finance in this ever-shifting landscape. Various global metrics like Sustainalytics, MSCI, FTSE, Refinitiv offer the framework to disclose material ESG topics, and we have been constantly rated on these metrics. These platforms have brought a sustainability connect and a good amount of visibility to existing and emerging sustainability concerns.

ESG scores from Refinitiv are designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across multiple themes (emissions, environment, innovation, etc.) based on publicly-reported data.

Refinitiv ESG scores reflect the underlying ESG data framework and are a transparent, data-driven assessment of companies' relative ESG performance.

Sustainalytics, a Morningstar Company, is a leading independent ESG and corporate governance research, ratings and analytics firm and a global leader in the fields of responsible investing and sustainable finance.

Sustainalytics uses two research frameworks to calculate the ESG Risk Ratings for companies within their coverage universe: Comprehensive, designed for larger companies; and Core applied to smaller companies. Supported by

a robust materiality framework, Sustainalytics' ESG Risk Ratings provide a quantitative and absolute measure of unmanaged ESG risk.

The score represents units of unmanaged ESG risk with lower scores representing less unmanaged risk. Unmanaged risk is measured on an open-ended scale starting at zero (no risk) and, for 95% of cases, a maximum score below 50. Based on their quantitative scores, companies are grouped under one of five risk categories: Negligible, Low, Medium, High and Severe.

We understand that sustainable and long-term value creation resonate with each other. Our bank's performance is a result of the collaborative efforts undertaken by cross-functional teams. We scored an ESG risk rating of 21.3 (the lower the better) and have done decently well in corporate governance, data privacy, product governance, business ethics and human capital. The scores reflects that we have a decent understanding that the societal needs, environmental concerns, global customer's expectations are evolving and can be addressed by being more sustainable. This participation has also made us aware towards the under-researched and under-reported material topics. We acknowledge that there is going to be a decisive mandate for the companies to disclose their sustainability performance on various platforms going forward, and our active participation in Sustainalytics proves that we have chosen to be responsible in our ESG disclosures and will continue to do so.

ESG Scorecard

Medium
Rating in ESG risk



AA
Rated by MSCI in ESG



**Constituent of FTSE
Emerging ESG Index**



Good relative ESG performance



Source - <https://www.sustainalytics.com/knowledge-hub/methodologyabstract-esg-risk-ratings>
<https://www.refinitiv.com/en/sustainable-finance/esg-scores?esg=AU+Small+Finance+Bank+Ltd>

Performance Snapshot

Environment



Energy Consumption (within the organisation)
(GJ)

81,678.38
61,784.5



Emissions (Scope 1 and 2)
(in tonnes CO₂ e)

15,645.96
13,150.37



Energy Intensity (within the organisation) Per FTE
(GJ/FTE)



Emissions Intensity Per FTE
(kg/FTE)



Economic/Governance

Deposits
(in crore)

69,365
(as at 31st March 2023)

52,585
(as at 31st March 2022)



Profit After Tax
(in crore)



Total Assets
(in crore)



Direct Economic Value Generated (in crore)



Economic Value Distributed (in crore)



Economic Value Retained (in crore)



FY23 FY22

FY23 FY22

Social

Employees

Total employees

28,320
27,817



Women diversity

2,353
1,930



Training hours per full-time employee

21.48
17.76



Employees at Leadership Level

439
347



Financial and Digital Inclusion



Increasing usage to financial services

8,10,000+

Customers provided Financial Services under Jan Dhan Yojana

5,33,000+

1,88,000+

UPI Transacting customers in Unbanked rural centers

49,000+

Improving access to financial services

311

Touchpoints in Unbanked Rural Centers

278

1,62,000+

AU0101 Registration in Unbanked rural centres

39,000+

Enhancing quality to financial services

1,700+

Financial Literacy Camps at Rural Branches

600+

19,900+

Employees trained through Digital Literacy Modules

20,000+

Corporate Social Responsibility

Beneficiaries in CSR



AU Ignite (Nos.)



AU Bano Champion (Nos.)



AU Udyogini (Nos.)



■ FY23 ■ FY22

Chairman's Message



We at the AU SFB, have dedicated ourselves to the Cause of Sustainability, as we strive to contribute to the society at large in terms of 'Badlaav' towards Zero Carbon, Zero Economic Gap, Zero Pay Gap & Zero Poverty."

Dear Stakeholders,

Namaskar 

As I write this note, a lot is happening across the globe that has significant ramifications for us and the entire globe, the lives on the planet and the livings. The challenges faced by our society have not only reinforced the need for us to step up our efforts in this field, but have also brought home the vital truth and the critical importance of 'sustainability' on a global scale. Climate change has a profound impact on all of us, and it is, without a second thought, that if allowed to continue unabated, an environmental socio-economic crisis, as it unfolds, will impact the livelihoods of billions of people. Lower crop yields, poor water quality, and life-threatening extreme weather events are becoming increasingly common throughout the year. The scientific study of Shared Socio-economic Pathways (SSPs) indicates the plausible physical and transitional risks of climate change.

At AU SFB, our ESG agenda is an integral part of our business model and embedded in the products and services we offer.

The AU family has been built on the foundational ethos of being an institution, responsible and concerned about the impact on the nature and the climate, and society at large that the developmental and banking initiatives can bring. In this background, our bank has embraced the policy of sustainability, as we have systemically, redefined all our developmental agenda and banking products and services incorporating the so very critical social and environmental factors to preserve the future and improve the present. We reinvigorated our approach to sustainability to be more comprehensive and focussed. Scenarios such as the implementation of GST, demonetisation, the pandemic, and evolving regulations have tested our agility and resilience. With the support of our stakeholders, we have navigated these adversities and challenges successfully adapting ourselves to the dynamically evolving conditions. We have modelled our business with the objective to provide a holistic financial solution to the members of the community and empower them with a sense of financial security and financial stability. 'Badlaav Humse Hai' reiterates our commitment towards making every stakeholder live a life of pride and fulfilment.

Combating climate change cannot be done by any company or country alone. We need businesses to make the right financing opportunities available through sustainable lending and sustainable deposits. This will help us achieve the necessary shift in customer behaviour and will generate climate consciousness and passion among the customers.

AU SFB plays an important role in addressing the key aspects of financial upliftment in the larger context of the growth and development of the nation. Bank has successfully channelised people's resources into promising financial activities that support local and regional economic and social growth in the short and long term, with due regard to safety, productivity and sustainability of its business. The bank is well poised to achieve significant scales in its social and environmental initiatives bringing about all round development and progress.

With Diversity, Equity & Inclusion as the bedrock of the Bank's business model, we have aligned our efforts to focus on gender and special ability aspects of our business and individuals. Through CSR initiatives, our Bank has made a credible endeavour towards social development, aspiring to build a better society by ensuring and improving livelihood options, through a slew of measures empowering women, skills enhancement, financial literacy and promoting sports.

Fostering the best Corporate Governance philosophy is our foundation that is built around the principles of integrity, transparency and accountability in line with 'AU DHARMA'. The robust governance framework and its constant oversight protects the interest of all our stakeholders and enables sustainable value creation. We at the AU SFB are very conscious and proud of these factors, deeply embedded in the Vision and Mission of the Bank.

While our efforts on sustainability will continue to evolve to reflect the new 'Badlaav,' we will stay rooted in our commitment to transparency and accountability in our journey 'Forever'. We express our gratitude to all our Stakeholders, Regulators and Business Partners, and deeply acknowledge their unwavering support and cooperation to the Bank in this journey.

Raj Vikash Verma
Chairman

Message from the Sustainability Committee of the Board



The cost of climate change adaptation far exceeds the cost of mitigation. The time to embrace a sustainable transformation is now - or pay dearly in the future."

Sustainability is a foundational pillar of the global economy, and as such, this has encouraged us to rethink the way in which we conduct our business at a fundamental level. Elevating the status quo and delivering on all three dimensions of Sustainability by Preserving Environment, Promoting Social inclusion & Practising highest level of Governance, is, however, a highly complex task that presents a multitude of challenges. These challenges have not only reinforced the need for us to step up, but also highlighted the criticality of thriving with 'sustainability' on a global scale.

India has committed to becoming net zero by 2070. Achieving this will require tectonic shifts in the way businesses operate and effect appropriate and rapid improvements in clean power generation, energy efficiency, sustainable mobility, green infrastructure and severely reduce carbon emissions. The clock is ticking, calling for immediate action in terms of investment, transition, and deployment on a large scale.

A sharper focus on the dual aspects of climate and economy requires greater cooperation at a global level. This is essential to foster synergy across borders and among companies, all working towards a sustainable future and interwoven economic opportunities. Doing so will require, among other things, the strengthening of public and private institutions to mainstream sustainability. Rather than wait for regulators to set the guardrails, businesses must move beyond compliance and ingrain responsible and sustainable principles into their DNA to be able to withstand disruption and build resilience, while remaining competitive.

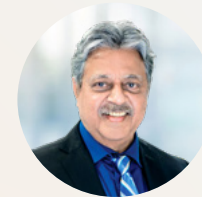
Pursuant to policy measures by RBI, SEBI & other authorities and through continuous innovation, ESG-blended financing and climate risk-modelling, we strive to lead the community towards a sustainable tomorrow.

At AU SFB, our ESG agenda reflects the responsibility we have assumed to solve many of society's deep-rooted climate and economic challenges. Sustainability is part of our business model and is embedded in the products and services we offer. As we continue to transform to address the ever-changing realities, we remain committed to sharing our progress - we believe transparency and accountability are key to success. We bring sustainable 'Badlaav' through constant advocacy, extensive communication, and meticulous training measures. We strive to make every individual of the AU SFB family to be a 'Sustainability Ambassador'.

As we evolve, we are confident that AU SFB is well positioned to contribute and lead as a steward for an Inclusive Transition that will make us a Sustainable Bank, for Sustainability.



Ms. Malini Thadani
Chairperson



Mr. Raj Vikash Verma
Member



Mr. H. R. Khan
Member



Mr. Kamlesh Vikamsey
Member



Mr. Sanjay Agarwal
Member

Message from MD & CEO



Sanjay Agarwal
Managing Director
& CEO

Dear Stakeholders,

Namaskar 

I would like to sincerely thank each one of you for your unwavering support and confidence in our business, which has helped it achieve monumental success and advancement for yet another incredible year. In response to the lessons learned from the pandemic, the world began a systemic journey to reshape economies and society in the global landscape of FY 2023. We all understood that the banking sector is an indispensable and perennial service industry.

AU SFB stands on the principles of building a “Forever Bank” that is to serve the generations to come. As a Bank we are driven by the virtue of environmental wellness. Sustainability by default and definition is in our foundation. It is the brick and bolt that we laid and held.

Sustainable by Design

We are sustainable by design and our journey as a Small Finance Bank (SFBs) was conceived with the intent of driving financial inclusion for the unbanked and the underbanked section of the economy. It was the basis for our inclusive banking which has helped us receive our licenses so far. As a small finance bank, our requisite was to give 75% loans to priority sector, 50% loans should be less than 25 lakhs rupees and 25% of our branches shall be in unbanked rural centres. We have surpassed our requirements by achieving:

- 94% lending in priority sector,
- 62% of our loans are less than 25 lakhs; and
- 31% of our touchpoints are in unbanked rural centres.

Valuing the power this stature brings and being grateful for the trust bestowed on us, we embrace the responsibility that comes through, with pride and devotion.

Built on a Strong Governance

We have a high focus on integrating ESG considerations across the length & breadth of the organization so that they become usual practices in business.

We believe in “Badlaav Humse Hai”, we stand for “Badlaav in Banking”. Taking a step forward, we have a Board level Sustainability Committee in place. I am delighted to be part of this important committee. The Sustainability Steering committee helps us to implement the directions of the Board Committee.

Converting emerging risks to opportunities

We have a robust risk management structure in place which monitors Credit Risk, Market & Liquidity Risk, Operational Risk, IT & Cyber Security Risk and Compliance Risk. We are cognizant of the fact that climate plays a crucial role in the emerging risk that we face today and might face in the future if corrective measures are not administered.

Engage, Interact, Create - Our Actions for stakeholder inclusion

ESG is not merely a tick box for us and we strongly stand on our AU Dharma to ‘Communicate’. In line with the same, we engage with all our stakeholders. Interactions happen daily and in multiple segments, including sharing information, holding structured dialogues, town halls, anticipation & reflection platforms.



We aim for and have the mindset to build AU that outlives us all and grows through eternity. This is how I envision “AU Forever.” Together, we plan a legacy that will endure forever. We are committed to creating a Bank for All, because “I have promises to keep and miles to go before I sleep.”

Message from MD & CEO

This allows us to focus on our materiality and constantly evolve our sustainability framework to make them robust & relevant. In these communications we focus on the GRI standards which were externally assured in our last sustainability report.

Post one such stakeholder engagement exercise we added the 'Appropriateness of the Product offered to the Customer' in our sustainability framework.

Serving the aspirational needs of our customers.

Our business only excels when our customers succeed. We have always focused on building a secure, easy, and relationship-led banking experience for our customers. Maintaining access to banking services, providing guidance and lending responsibly are critical to us. We know that access to inclusive financial services is critical to achieving Sustainable Development Goals (SDGs), particularly for the underserved and unbanked sections of the society.

With growing consciousness, customers are more aware about the impacts of our products. As per our sustainability focus, we will continue to traverse the path of economic and social upliftment, while having a positive impact on the environment.

An Employer of Choice with focus on Diversity, Equity & inclusion.

People being the strongest pillar of sustainability, our approach is more employee centric. Our aim has always been to value people, and welcome diversity from all spheres. We believe in building a workplace that is inclusive and versatile. We want to encourage

a dynamic culture where our colleagues feel equal and welcomed. To that extent we provide local employment and hometown posting. Approx. 90% of the population is placed in their domicile states.

We seek innovative ways that encourage and provide opportunities for our people to lead a career they aspire to. There is higher longevity of employees working in top leadership positions. The average age of our bank employees is 31 years old where we have young and agile minds effortlessly running the daily functions and proving innovative suggestions to excel. We have accelerated our efforts to onboard a diverse team of people who are reflective of the society in which the company exists and functions.

We have also adopted an integrated approach, wherein we target recruitment initiatives, education and training, career development and mentoring programmes to increase and retain workforce heterogeneity within the organization. Employees come from educationally diverse backgrounds like IIT, IIMs top notch engineers, management students, CAs, CFAs, etc. Our workforce stands at 28320 with 2353 women employees. We have witnessed a positive growth in workforce diversity indicating our inclusive culture and employee-centric approach.

Responsible towards the community where we operate.

We have made commendable attempts in building a better society through our CSR initiatives by ensuring youth empowerment through AU Ignite, women empowerment through AU Udyogini, and contributing towards healthier India through promoting sports by our AU Bano Champion program.

Financial and Digital inclusion is instrumental in reducing disparities and uplifting individuals. All our initiatives are in line with the three dimensions of the national strategy of Improving Access in unbanked rural centres, Increasing Usage in unbanked rural centres, and Enhancing Quality through financial education.

The Journey Ahead of us

We are on our voyage of sustainability and together with all the support from our stakeholders, will continue our journey toward environmental sustainability, social and economic advancement. Our enhanced ratings on sustainability platforms (Sustainalytics, MSCI, Refinitiv etc.) and the testimony from our investors, boosts our confidence and consolidates the fact that we are on right path of sustainability.

Our sustainable and inclusive revolution is the dawn of a new era with one ambition of Sustainable Planet, Sustainable AU. We are committed to creating a Bank for All, because "I have promises to keep and miles to go before I sleep"!

Sanjay Agarwal
Managing Director & CEO

Executive Director's Message



Dear Stakeholders,

Namaskar 

The present time is pivotal in choosing what type of planet we want to leave behind for our future generations. We realise the importance of environmental protection, empowerment of people and robust governance to build a sustainable business. These aspects are not just a part of our business perspective; they are deeply ingrained in our values.

Our commitment to sustainability is underpinned by over two decades of consistent efforts in reaching out to last-mile customers and introducing them into the economic mainstream. Our journey has been centred around creating value for the society, with a strong emphasis on sustainable and inclusive banking, economic empowerment at the grassroots level, and catering to the under-banked and unbanked segments.

FY 2022-23 was a successful year for AU Small Finance Bank, not only in terms of the financial performance, but also in terms of our Environmental (E), Social (S) and Governance (G) initiatives. As we recognize the pivotal role of banks in combating climate change, we aim to be a role-model through environmentally responsible operations, inclusive practices, and sound governance. We are actively working towards introducing environmentally positive products to delight our valued customers by placing 'Planet First' approach in all our endeavours. We also sense a great deal of enthusiasm and

acceptance among our employees, as they are proud to work for an institution that is actively shaping sustainable 'Badlaav'. Our customers and employees are true ambassadors of the sustainable change we want to see in our society, and act as multipliers by inspiring their own ecosystems.

Transparency and consistent communication with our internal and external stakeholders are paramount to drive awareness in order to bring in the change. We consider it our responsibility to regularly communicate about our journey of sustainability and climate action and value their perspectives and feedback, as they contribute significantly to shaping our actions towards a sustainable journey.

As you are aware, AU Small Finance Bank's business model is focused on priority sector lending and retail-focused granular loans. We remain committed in contributing towards the socio-economic growth in India's Bharat - Tier 2 and beyond geographies. As a leading small finance bank in India, we undertake a larger role by driving financial & digital literacy in Bharat through physical camps.

I invite you to learn more about our ESG initiatives in this report. Re-iterating that our ESG agenda is not a separate layer that is above what we do every day but an integral part of who we are as an organization, reflecting our steadfast commitment to sustainability and being a responsible 'Forever' Bank.

Uttam Tibrewal
Executive Director



We embody the ethos of 'Planet First' across all our endeavors in the Bank to strengthen our Environment (E), Society (S) & Governance (G) initiatives, to drive the vision of a 'FOREVER' Bank."

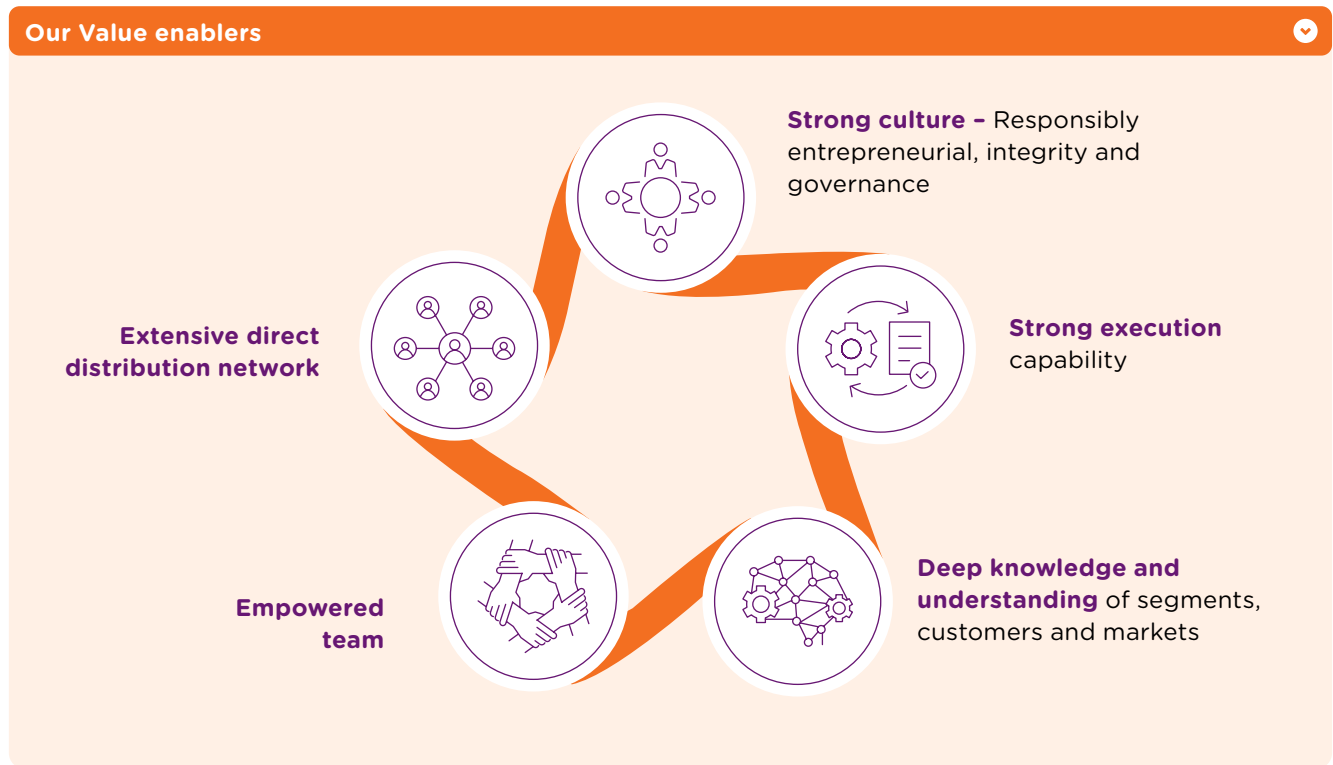
Organisation Overview

AU Small Finance Bank is engaged in providing comprehensive banking services to a diverse set of customers with simplicity and convenience. Headquartered in Jaipur, Rajasthan, we are a Fortune India 500 Company and a Scheduled Commercial Bank. Capitalising on our nearly three-decade rich expertise as a Non-Banking Financial Company, we are committed to contributing India’s growth story. We will continue to move forward by leveraging our brand’s outreach, digital capabilities, balance sheet strength and pricing power to generate positive outcomes for all our stakeholders sustainably.

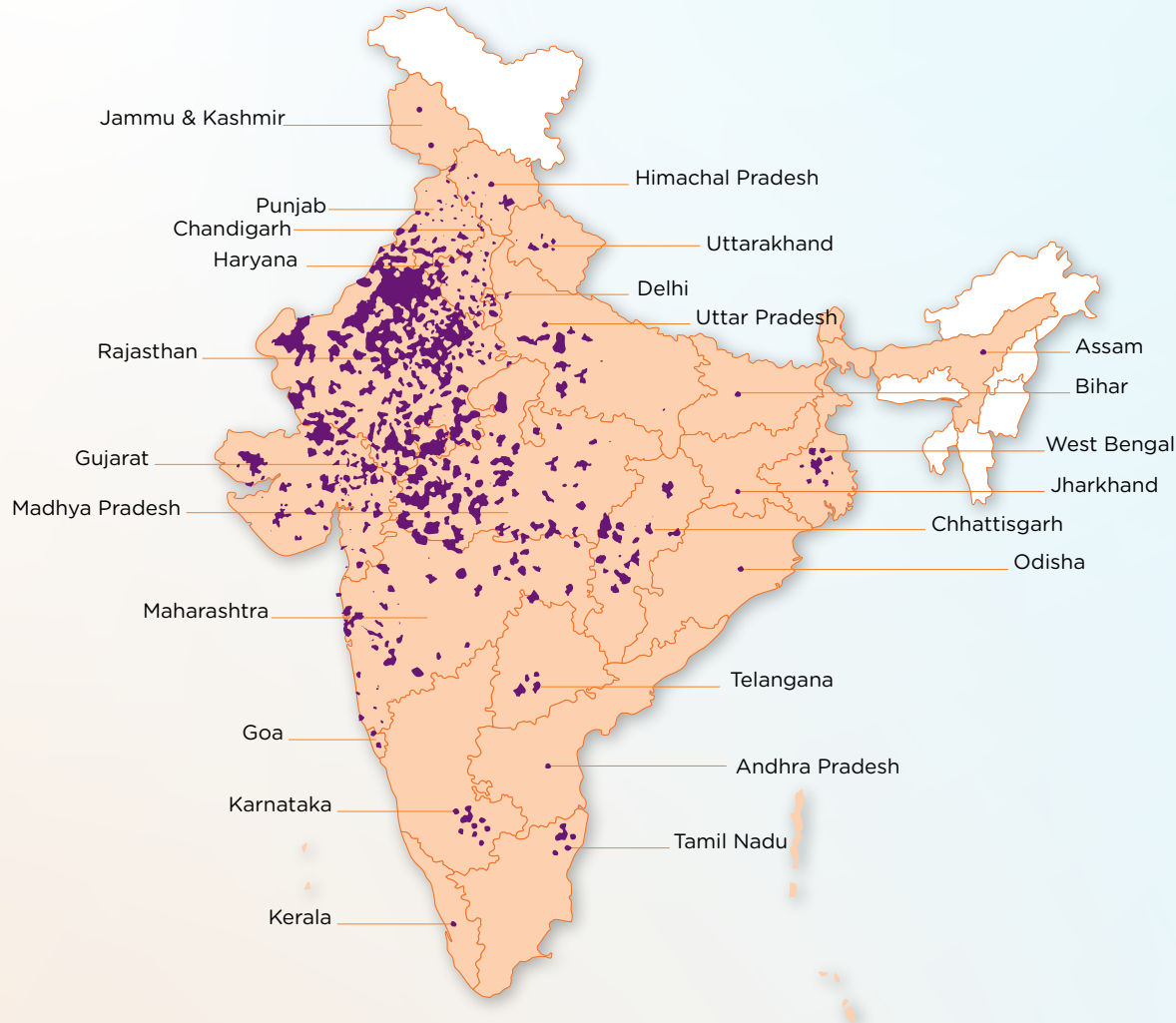
For over two decades, we have provided funding to customers primarily in the segments of vehicle loans, business loans and housing loans, while organically spreading our geographical presence. In 2015, when the Reserve Bank of India (RBI) introduced the licensing guidelines for Small Finance Banks, AU emerged as the most formidable brand among the 72 applicants. As a result of our established presence and track record, we were honoured with this coveted license. Au Financiers transformed into AU Small Finance Bank in April 2017, and that very year, we registered a stellar listing while earning the trust of renowned investors.

As a retail-focused bank constantly innovating to make banking simple for its customers, we are now moving towards growing as a digitally led and tech-enabled Bank with a pan-India presence. We continue to move ahead with foresight and with the interest of our communities at our heart.

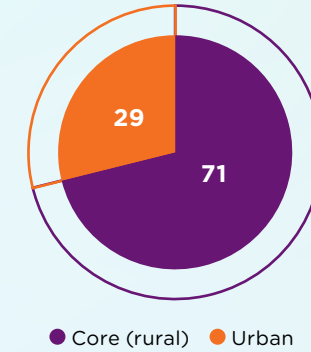
At AU SFB, we are optimising the mix of physical infrastructure and digital capability (‘Phygital’) to expand our network. As we customise our services as per our target audience in the markets, we continue to strengthen our offerings.



Our presence



Touchpoints Break-up




311 Unbanked Rural Centres	76 Unbanked Branches	235 BOs	13 Smart BCs + 1 Corporate BCs
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Note: Map not to scale. For representation purpose only

1,027 Touchpoints	241 Districts
711 Locations	493 ATMs
474 Branches	228 Asset Centres
21 States	3 UTs


Our Strategic Business Units

We formulated 10 SBUs, each with its own verticals, with the objective of streamlining our banking operations through dedicated verticals and vertical heads enabling diversification & de-risking of our core businesses.



**> 01
Branch Banking**

Branch banking is a key pillar of our banking franchise. It is powered by the expansion of our branch network and growing retail contribution of the deposit portfolio, focus on optimised CASA mix and emphasis on building an engaged customer base.



**> 02
Secured Business Loans (SBL)**

SBL is one of our core offerings through which we cater to various business requirements of micro and small segments of the economy, majorly in the rural geographies, with primary focus over the potential and growth prospects of the customer, secured by way of underlying assets.




**> 03
Commercial Banking**

Our objective is to provide holistic and complete banking to MSMEs, NBFCs and real estate developers. We offer a broad suite of product offerings to meet both asset and liability needs of customers including Working Capital, Term Lending, Trade Finance, and Cash Management Solutions. We also offer complete ecosystem banking such as Staff Salary accounts, family banking, Insurance and investment to our customers.



**> 04
Wheels**

Vehicle loan has been one of our flagship products and the most seasoned book in our portfolio. We offer one of the widest product ranges in the industry and extend credit for 2 to 22-wheeler vehicles for personal and commercial use. We also provide loans for new and pre-owned vehicles across several categories.



**> 05
Housing Loans**

Our objective is to provide a comprehensive range of home loan products to accommodate every home buyer's loan needs (plot purchase plus construction, self-construction, purchase of flat/house, extension/renovation, and takeover/top-up), with a focus on the affordable housing segment.

Our Strategic Business Units



> 06 Digital Banking

We are promoting a culture of innovation by building agile capabilities and in-house technology talent with niche skills, driving our digital strategy across the bank.



> 07 Credit Cards

It is our objective to make credit available to all. Our customers range from salaried employees to new to bank/ first time credit card holders. We have created segment focused products and multi-channel distribution like branch, direct sales teams, outbound calling centre and digital channel to support the credit card scale.



> 08 Financial and Digital Inclusion

The vision of the financial and digital Inclusion SBU is to build a society where every individual is financially included in a way that enhances livelihoods and drives sustainable development.



> 09 Merchant Solutions Group

Merchant Solution Group caters to all banking and financial needs of the merchant segment (MSMEs). Merchant acquiring is an integral part of acceptance, processing, and settlement of payment transaction processing. Merchant acquirers provide merchants with the necessary infrastructure to accept payments (card (POS)/UPI QR/PG) and providing authorisation, clearing and settlement, dispute management, and information services to merchants.



> 10 Treasury, DCM and Wholesale Liability

The treasury at the bank is primarily responsible for Asset Liability Management (ALM). It actively involves in effective fund planning and positioning, day-to-day liquidity and fund management. It is also responsible for managing statutory reserves in adherence to statutory guidelines and judiciously handling investments and trading portfolio, according to regulatory and internal policy frameworks.



Customer at our Banking Outlet



Merchant Solutions

Our Approach to Banking

As a purpose-driven bank founded on the AU Dharma, our strategy is defined by our purpose to create long-term value. To achieve this, we are guided by some key principles that help us manage our business in a balanced way.



Responsible Financing

Our financing initiatives are aligned towards directing capital flows and unlocking opportunities that support sustainable development. We stand by our customers who are motivated to make a positive impact on sustainability. As stakeholders' expectations for businesses to deliver sustainable solutions for our planet increase, we look for opportunities to offer banking solutions that can help meet those expectations. We seek to address

the ESG challenges by providing credit, and facilitating trade and investment flows responsibly. We place great emphasis on incorporating impact and risk assessment into our product development strategy, with a strong focus on rolling out responsible products and offerings. To enhance customer satisfaction, we provide regular training to our employees, enabling them to have a deep understanding of products and their benefits.

Investing in core tech for a future-ready sustainable banking institution

- 01** Enabling cloud journey for applications using right technology, process and maturity.
- 02** Scalable platform on the cloud and analytics-based insights.
- 03** Developer portal for payments and onboarding.
- 04** Cyber resilience through real-time transaction monitoring, threat intelligence tools, cyber breach and vulnerability assessments.

Succeeding through strengths

- 01** Granular, sticky liability franchise that continues to grow.
- 02** Robust growth in loan book and disbursements.
- 03** Underwriting expertise ensuring strong asset quality.
- 04** Profitable franchise delivering consistent returns.

Our Approach to Banking



Priority Sector Lending

Priority Sector Lending (PSL) has been one of the most popular and efficient channels for disseminating formal credit to the underserved. This category includes loans to farmers, agriculture and allied activities, food processing, Micro, Small and Medium Enterprises (MSMEs), housing, social infrastructure, education and loans to certain weaker sections of society, with a mandatory minimum threshold to be achieved in certain PSL categories. With an objective of financial inclusion and ascertaining formal credit flow to the bottom of the pyramid of the population, SFBs have been entrusted to achieve at least 75% of their advances to PSL norms. With our Bank's strong footprints in rural and semi-urban areas and product offerings designed keeping in view the requirement of the rural population and MSMEs, we are inherently equipped to generate PSL advances and are contributing more than the regulatory requirement.

Tax Transparency

Our approach to managing the tax policy is built to maintain on highest standards of integrity with respect to tax compliances, which includes the following -

- Tax is considered as a core part of corporate responsibility and is overseen by the Board of Directors.
- Compliant with the tax legislation of the country, paying the right amount of tax at the right time and respecting the underlying policy intent.
- Transparency with all stakeholders and support with information regarding our approach and taxes paid.
- Strong governance to abide by our tax principles and manage Tax Risk Appetite.
- Acting with integrity and not indulging in artificial arrangements to avoid tax through the use of 'Tax Havens'.

We observe all applicable laws, rules and regulations in meeting our tax compliances and reporting responsibilities. The tax policy is reviewed on a periodical basis by the management. AU SFB which adheres to the compliance monitoring approach through the maker, checker, and reviewer methodology. Further, our approach towards the automation we also streamline the tax compliance governance workflow in a holistic manner based on the automation approach. This includes complying with all tax laws in the jurisdictions in which the Bank operates and ensuring the payment of taxes and filing tax returns within due dates and the timely

submission of the notice's response are followed. We aim to maintain transparent and collaborative relationship with tax regulators by responding them on timely basis.

To follow timelines, we adhere to internal SOPs and a compliance due date calendar with specified TATs to fulfil the tax compliances. We consistently keep our stakeholders informed about our taxation approach, which involves a thorough analysis of relevant laws, judicial precedents, and consultations with tax practitioners and counsels. We also take into account the historical approach adopted by our Bank. By implementing an automated process for taxation, we aim to enhance the Tax compliances throughout our organisation. Presenting complete, fair, accurate, and relevant disclosures in financial statements, reports and documents that we file or submit to relevant authorities and in other public communications is crucial to us. We consider tax authorities to be one of our main stakeholders, and hence, we ensure honesty and transparency in all our dealings with them. Where recourse to the litigation/dispute resolution mechanisms is required to resolve disagreements, we maintain a collaborative and professional interaction throughout the process. AU SFB actively participates in public forums on tax issues and policy matters that are in the interest of our stakeholders and Banking industry fraternity.

Our approach to managing our Tax matters is in accordance with our corporate purpose, strategy, priorities and its culture.

Managing our Risks

At AU SFB, risk management is an independent function that relies on robust tools to monitor Credit Risk, Market and Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk, ESG Risk and others. The responsibility of examining risk mitigation policies and procedures, ensuring adherence to risk parameters, compliances and setting prudent limits for various departments lies with the Risk Management Committee of the Board.

To gain a comprehensive outlook on risks, our Bank follows an integrated risk approach where various risks and its monitoring are handled by the Chief Risk Officer (CRO). There is a robust mechanism of focused training throughout the organisation on risk management principles within the purview of applicable regulations. Open communication

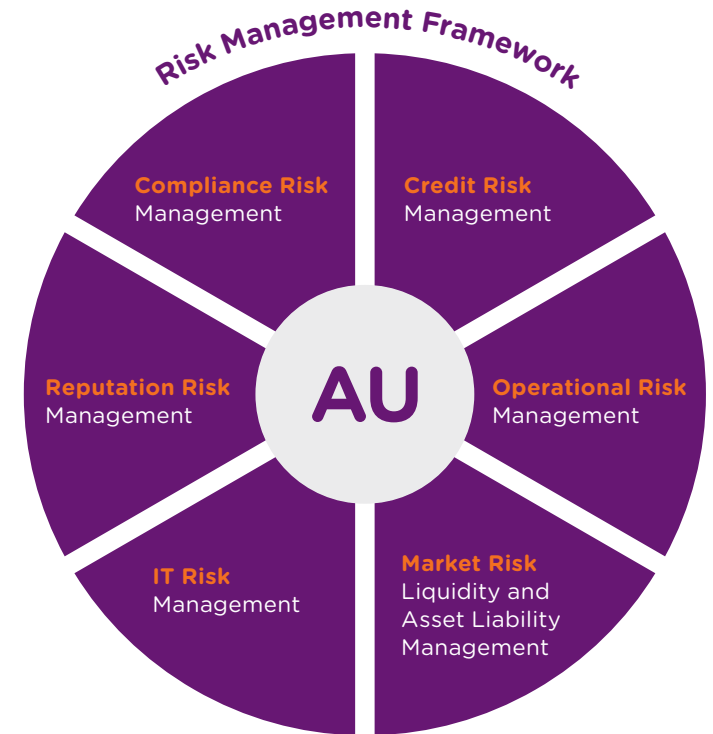
channel and other measures allow employees to proactively report potential risks. Risk management practices are continuously improved based on the feedback received from employees. A proper structure and process is available which facilitates incorporating risk criteria in the product development and approval process.



Chief Risk Officer at an event




Risk culture

Risk is the most critical element in the banking industry as banks are the custodians of public deposits. The nature of risk ranges from Credit Risk, Market & Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk and others. Our Bank has adopted a multi-layered risk management process to identify, assess, monitor, and manage the various risks through the effective use of processes, information, and technology. For the prudent management of risks, we have an integrated risk management function that is independent of other business functions. We seek to promote a strong risk culture throughout the organisation as it encourages a holistic approach to risk management and safeguarding of our reputation.



Emerging ESG Risks and Opportunities




Environment

Risk 	Opportunity 	Mitigation 
<p>Climate Change Increase in the frequency of physical climate risks resulting in erratic weather patterns.</p>	<p>Explore renewable and sustainable technology (solar energy) to limit the impact. Explore initiatives to perform climate risk assessment of locations as a long-term action.</p>	<p>Encouraging financing towards solar and other clean technology.</p>
<p>Anticipated Climate Regulations Such regulations can cause incremental cost in transitions and several assets to become stranded.</p>	<p>Explore propositions on Sustainable finance.</p>	<p>Keeping a proactive eye on regulatory movements with an alert stance.</p>
<p>Technology shift from Internal Combustion Engine (ICE) Vehicles to EVs EV sales replacing the traditional Internal Combustion Engine sales.</p>	<p>Explore new financing models in our lending portfolio such as lending propositions for EV charging infra.</p>	<p>In-house efforts to curate attractive financing models to assist customers in making successful EV purchases.</p>
<p>Operations in Water-stressed Regions Migration of population from water-deficit regions.</p>	<p>To utilise technology and implement low water- consumption initiatives across our branches and offices.</p>	<p>Implemented low-flow volume taps at locations. Continuous sensitising of the workforce through water awareness initiatives and communication.</p>

Emerging ESG Risks and Opportunities

Social



Risk 	Opportunity 	Mitigation 
<p>Black Swan Events</p> <p>The pandemic has seen customers shying away from visiting branches</p>	<p>Explore more innovative ways to create value for customers</p>	<p>Further strengthened digital propositions like AU0101 super app, video banking etc.</p> <p>Enabled digital payments, online document collection, paperless withdrawals and deposits.</p>
<p>Workforce Falling ill Post-pandemic/Any Other Reason</p> <p>Labour challenges leading to the workforce staying away from work for long periods</p>	<p>Developing labour-centric policies and addressing their inherent needs</p>	<p>Supporting employees through a comprehensive wellness programme; PCS.</p> <p>Supporting the workforce and their families in unfortunate circumstances.</p> <p>Enhanced medical assistance, along with financial support.</p>
<p>A Shift in Spending Patterns by Customers</p> <p>Customers wanting to delay certain discretionary purchases/transactions</p>	<p>Identify ways of delivering greater value to customers</p>	<p>Attractive offers planned for customers including competitive interest rates in deposits & lending.</p>

Emerging ESG Risks and Opportunities

Governance

Risk	Opportunity	Mitigation
<p>Economic Uncertainty Globally Deferred spending, Decline in consumption by customers, impact on loan book and subsequent impact on business.</p>	<p>Explore opportunities such as preventive measures for all risk types via detailed specifications.</p>	<p>Innovative and futuristic product solutions & offerings.</p>
<p>Potential Cyber-attacks Cyberattacks can lead to loss of valuable information, unauthorised access to data systems and other events of intrusion.</p>	<p>IT infrastructure to be strengthened by scaling up the system security across locations.</p>	<p>Deployed measures such as taking, awareness mailings, internet protocol security and secure sockets layer tools, preventing from phishing emails, etc. Further strengthened cyber insurance.</p>
<p>Social Media There are various risks posed by social media which includes reputational risk, liquidity risk, operational risk, compliance risk, legal risk etc.</p>	<p>Bank also leverages social media channels to promote its products and services and engage with their customers.</p>	<p>Bank has effective public relations strategy and controls in place to monitor social media risk.</p>

Sustainability Governance Structure

The Sustainability Committee of the Board is the apex body that provides inputs on the entire sustainability agenda to steer our bank towards inclusive transition and becoming a sustainable institution.

To further strengthen our focus on ESG and execute sustainability initiatives across various functions, we have established a Sustainability Steering Committee, which is a management-level committee comprising of CXOs and Business Heads across major functions at our Bank.



Sustainability at AU SFB is driven from the top by our Sustainability Committee of the Board & Sustainability Steering Committee, and is embedded at every level of our organization.

The Bank’s efforts in sustainability were further strengthened with setting up of a dedicated team to lead the Bank’s sustainability-related actions and initiatives under the supervision of Head of Sustainability.

Sustainability Policy

We, as a banking institution, are strong supporters of promoting social upliftment, a climate conscious approach, embedding sustainability into our business, and aligning ourselves with the UN Sustainable Development Goals (SDGs).

We understand that Sustainability engenders taking into account various intangible and non-financial risks. The financial landscape is exposed to visible climate risks that can have a severe effect and, in time, turn into a systemic threat to the business.

In alignment with the vision of the Bank, through its sustainability initiatives, the Bank will continue to enhance value creation in society, steer itself towards resilience and sustainable growth. The Bank shall promote growth for society and the community to fulfil its role as a responsible corporate and always ensure the highest focus on sustainable value creation.

As we usher in an era of sustainable transformation, we have imbued our Sustainability Framework with the core elements of Climate Resilience, People, Inclusive Prosperity, Responsible Banking, and Customer-centricity.

We are also aligning our efforts in line with the directions of our regulators and authority (Reserve Bank of India, Securities and Exchange Board of India, Ministry of Corporate Affairs and all other authorities)

This Sustainability Policy sets the guiding principles for driving the Bank’s sustainability initiatives, and to foray into the world of sustainable finance by focussing on Green & ESG based offerings. This is aligned with Bank’ belief of “On a FOREVER JOURNEY” for serving our customers.



This can be accessed at - <https://www.aubank.in/sustainability-awareness>

Consulting Stakeholders

Stakeholder perspectives are valued throughout the process of developing the Sustainability Strategic Framework. Our approach involves engaging in open dialogues with our diverse set of stakeholders to understand their viewpoints and inputs on sustainability and its implications for our business and the broader ecosystem.

Throughout the year, we maintain an effective two-way communication with our stakeholders. There are various channels available within our bank to capture stakeholders' inputs, and these include communication through sustainability email ID, focused group webinars, leadership talks, conference, periodic sessions with new joiners and sustainability related workshops.

Advocacy & Participations

Our Bank actively participates in public forums on issues and policy matters that are in the interest of our stakeholders and the industry. The advocacy is primarily centred around climate change, environment sustainability and policy framework, all of which can boost the industry and benefit the community. We collaborate with the Indian Banks' Association, Association of Small Finance Banks of India, Confederation of Indian Industry, and Federation of Indian Chambers of Commerce and Industry to focus on agendas that focus on societal upliftment, issues circling around sustainability and regulatory reforms.







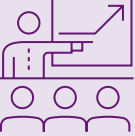



Stakeholder engagement event

Consulting Stakeholders

Stakeholder group 	Key focus areas 	Modes of engagement 	Frequency of engagement 
<p>Customers</p> 	<ul style="list-style-type: none"> • Access to safe, non-discriminatory, and responsible banking services with transparent pricing • Products and services that meet customer needs • Seamless transactions across different platforms • Convenient access to banking (channel of choice) 	<ul style="list-style-type: none"> • Over the counter: Branch and Offices, ATMs, BOs and BCs. • Tele Banking- Phone Banking, IVR, Customer care. • Digital Channels: Mobile Banking, net banking, WhatsApp, social media platform, Auro chatbot and video banking. • Customer satisfaction surveys and feedback. • Written and verbal communication. 	<p>Continuous engagement as per requirement</p>
<p>Investors and Shareholders</p> 	<ul style="list-style-type: none"> • Sound risk management and compliance • Sustainable shareholder value • Strong governance and transparency • Responsible business practices • Effective and timely communication 	<ul style="list-style-type: none"> • Quarterly financial updates • Investor meetings and presentation • Public disclosures • Annual General Meetings • Analyst Meets • Annual Report 	<p>Quarterly/Annual</p>
<p>Regulator and Government</p> 	<ul style="list-style-type: none"> • Facilitating financial and digital inclusion • Implementation of various social security schemes • Compliance with all relevant laws and regulations • Responsiveness towards regulatory changes • Customer privacy and data security • Contribution to national priorities 	<ul style="list-style-type: none"> • Regular on-site and off-site meetings • Policy updates, circulars, guidelines, and directives • Mandatory filings of information Regulatory and need based • Various Government schemes and policies 	<p>Continuous engagement as per requirement</p>

Consulting Stakeholders

Stakeholder group 	Key focus areas 	Modes of engagement 	Frequency of engagement 
Employees 	<ul style="list-style-type: none"> Employee health, safety, and well-being Foster culture of high performance through meritocracy, innovation, empathy and integrity. Professional development of employees Diverse and inclusive workplace 	<ul style="list-style-type: none"> Workplace safety through safety drills. Comprehensive wellness incentives including wellness app, health check-ups, donation camps etc. Holistic training and development programme for performance improvement and enhancement. Timely goal setting, followed by feedback sessions and performance discussions. 	Continuous engagement
Partners, Vendors and Associates 	<ul style="list-style-type: none"> Ensure effective communication for quality and efficient service. High governance standards with policies around corruption, child labour, human rights. Maintain transparency in all the disclosures and interactions. Resolution mechanisms and frameworks for handling of differences and disputes. 	<ul style="list-style-type: none"> Regular hybrid interactions and surveys are conducted with partners to ensure regular feedback. Holistic conferences and workshops held. 	Continuous engagement
Society 	<ul style="list-style-type: none"> Contribution towards various causes/ programmes for skill development, financial and digital literacy, safe and drinking water, education, healthcare. Proactive involvement in community development and upliftment of unbanked rural regions. 	<ul style="list-style-type: none"> CSR initiatives at multiple locations Social activities through the AU Foundation Social media communication Regular meetings and interventions Financial Literacy Programme Project monitoring and reviews 	Continuous engagement
Environment 	<ul style="list-style-type: none"> Integration of ESG factors into business decisions. To use our resources to promote social and environmental issues, and other common agendas to build a thriving society. Ensure that the end-use of products offered by our Bank is in consonance with environment. 	<ul style="list-style-type: none"> Social media Internal and town hall meetings Campaigns and promotions Reports and publications National and international forums 	Continuous engagement

Materiality Assessment

Materiality in the context of our sustainability reporting is based on the updated Global Reporting Initiative (GRI) Material Topics Universal Standards 2021.

This year, in consideration of the global sustainability reporting developments, we enhanced our approach with the Inward-Outward Materiality concept. Topics identified under our sustainability assessment are material for our reporting. They do not necessarily represent matters that would be considered material for financial statement reporting that is based on the accounting standards of a country. We reserve the right to update our materiality based on the evolving regulatory landscape and business requirements.

During FY 2022-23, the material topics were revisited to align with the GRI standards effective from 1st January 2023. In addition to stakeholder input and emerging ESG risk assessments, materiality maps and frameworks from external sources are used to confirm that relevant areas are included with the right prioritisation. The process is summarised as:

Deep-dive into Sustainability Impacts and Material Topics

We identified our sustainability-related impacts based on several sources, such as:

- Workshops with Sustainability Committee of the Board, key management personnel, employees, partners and customers
- Reports from global ESG platforms, consultancy research, sustainability reporting standards
- Analysis of topics relevant to AU SFB
- Review of company policies, and reporting disclosures
- Review of sustainability-related material issues from external ESG experts

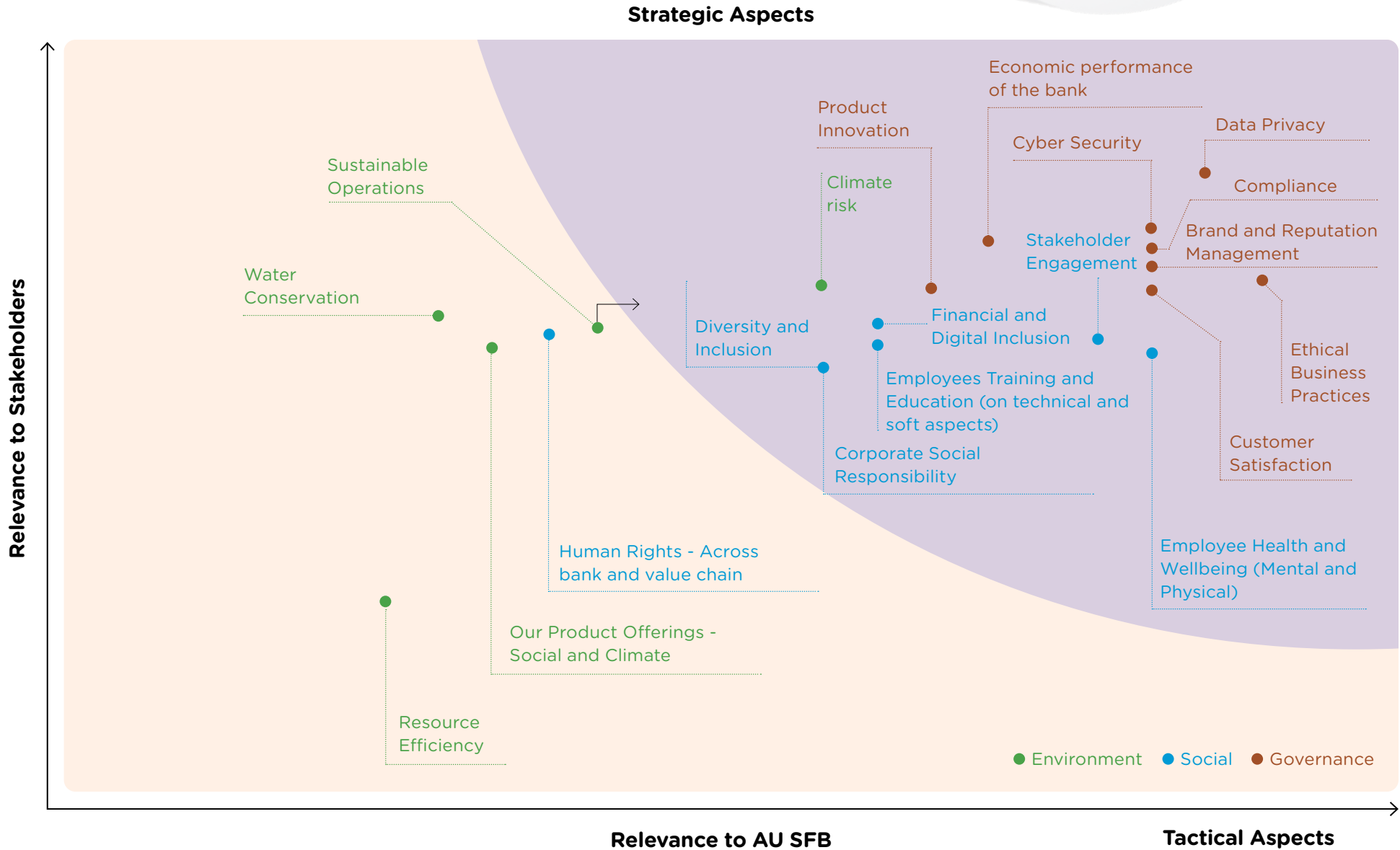
Assessment and Prioritisation of Sustainability Material Topics

We have evaluated and prioritised the effects of our operations on the economy, environment, and people. This assessment was conducted based on the findings of a materiality exercise that identified strategic and tactical material aspects. In addition, we leveraged our integrated risk management systems to support this process. All positive and negative impacts were deemed significant according to the GRI definition and were consolidated into 20 material topics through a consolidated impact score (not beyond a score of 5) and prioritisation order. The 20 material issues are linked to the overarching indicator with our Sustainability Strategic framework.



Materiality Assessment





Materiality Matrix




Materiality Assessment

Materiality with Inward - Outward Impact







Impact Score is calculated after due deliberations with relevant stakeholders, ESG experts, consultation papers by authorities and proposed policies/frameworks on ESG by regulators. Post the deliberations, The indicators are given high priority and are enlisted in the table.

Climate Resilience	Inward - Outward Materiality	Impact Heads			Actions and their effectiveness
		Economic	Environmental	People (including Human Rights)	
Climate Risk		Climate risk impacts communities repayment capabilities due to severe climate disasters like floods, droughts etc.	Severe Environmental Degradation, erratic weather patterns	Threat to human survival, uncontrolled migration More impact on female health. May cause some vulnerability in some sections on human rights	Exploring propositions around 'Sustainable Finance'
		Critical to operations in branches located in areas prone to physical risks, associated cost of adaptation is relevant	Severe Environmental Degradation, erratic weather patterns	Communities are directly impacted by climate change. Source of income will be largely impacted and vulnerable communities will bear catastrophic impacts due to severe climate events.	
Sustainable Operations		Sustainable Infrastructure in operations are cost effective	Lesser carbon being thrown in the atmosphere	There is no material impact to any stakeholder.	Explore new concepts such as green buildings.
		Enhance economic variables such as optimised fuel & energy cost	Speed up transition to net zero future.	Creates awareness on sustainability.	


 Potential impacts by AU Small Finance Bank on stakeholders

 Potential impacts on AU Small Finance Bank





Materiality Assessment

People	Inward - Outward Materiality	Impact Heads			Actions and their effectiveness
		Economic	Environmental	People (Including Human Rights)	
Diversity, Equity & Inclusion		AU is perceived as a diversity pro brand and a responsible corporate	No negative impact on environment	Strengthening the social fabric through women & specially abled enablement & empowerment	Consider targets around 'Female diversity in workforce'
		Sustainability in employee turnover and relatively lesser cost in talent acquisition & grooming	As per research, Greater Female diversity is attributed to creating good impact on climate change.	Support in creating a future ready workforce	
Upskilling & Development		An upskilled workforce (person) is more alert & conscious in their endeavours	The workforce is sensitised towards environment & planet sustainability	Making our employee stay relevant with evolution in their skill set to cater to updated job profiles	This aspect is a necessity of business and is always in our line of sight as an important priority
		Reduction in the effort of 'talent hunt' beyond the company's four walls	An alert employee is more proactive and careful about environment sustainability	Evolving the current workforce to a 'future ready workforce'	
Well-being & Safety		Stakeholders are aware of their safety and the kind economic impact in case of lapse in safety	An alert stakeholder is concerned about surviving and thriving in an environment that is safe and sustainable	The stakeholder's interests are safeguarded on safe working environment	This aspect is a necessity of business and is always in our line of sight as a important priority
		Greater productivity and no compromise in day-to- day work	No negative impact on environment	AU is perceived as a responsive, responsible & an employee caring corporate	


 Potential impacts by AU Small Finance Bank on stakeholders

 Potential impacts on AU Small Finance Bank







Materiality Assessment

Inclusive Prosperity	Inward - Outward Materiality	Impact Heads			Actions and their effectiveness
		Economic	Environmental	People (Including Human Rights)	
Financial & Digital Inclusion		Bringing the unbanked communities in the banking arena	Encouraging use of digital tech. by large section of communities minimises environment impact	Stakeholders have better & greater access to their capital protection & growth	Explore working around target setting on including 'X number of people under financial inclusion'
		Increase in the book size and overall revenue	No negative impact on environment	Distinct & diverse customer base provides ample opportunities to scale	
Corporate Social Responsibility		Regulated capital flow to needy/deprived institutions/areas/people enhances standard of living	Initiatives on water, soil and renewable have good impact on environment sustainability	Livelihood creation and self-independent communities.	This is a compliance aspect + top focus area
		No such economic impact	No negative impact on environment	Exposure to greater community provide potential customer(s)	


 Potential impacts by AU Small Finance Bank on stakeholders

 Potential impacts on AU Small Finance Bank







Materiality Assessment

Responsible Banking	Inward - Outward Materiality	Impact Heads			Actions and their effectiveness
		Economic	Environmental	People (including Human Rights)	
Financial Performance		Contribution in GDP of the country and sector	The capital gets deployed to environmental projects	Sustainable wealth creation for stakeholders	This is a survival aspect and is always on our topmost priority
		Sustainability of the organisation & business continuity	Enhanced stakeholder confidence that AU is a climate conscious brand	Enhanced stakeholder confidence that AU is a customer friendly bank	
Compliance & Ethical Practices		No opacity in business conduct	No environmental law violations enhance environment protection	Enhanced trust & confidence from stakeholders	This is a survival aspect and is always on our topmost priority
		Increase in business growth	Enhanced stakeholder confidence that AU considers environment protection as 'fiduciary'	Enhanced trust & confidence by stakeholders brings more business by 'word of mouth'	
Cyber Security & Data Privacy		Strengthening transition to digital solutions that are immune to cyber threats	No negative impact on environment	Improved customer confidence	This is a survival aspect and is always on our topmost priority
		Cyber resilient company	No negative impact on environment	100% protection of sensitive data of customers	


 Potential impacts by AU Small Finance Bank on stakeholders

 Potential impacts on AU Small Finance Bank

Materiality Assessment

Customer Centricity	Inward - Outward Materiality	Impact Heads			Actions and their Effectiveness
		Economic	Environmental	People (including Human Rights)	
Customer Delight		No negative impact	No negative impact	Customer satisfaction through customised solutions	Customer centricity is our AU Dharma and is a priority
		Business Growth & profitability	No negative impact on environment	Enhanced customer reach & strengthened by 'word of mouth'	
Innovation		Innovation is the driver of economy and always an disruptive opportunity area	Innovative technologies used by AU contribute to environment sustainability	Stakeholders are confident of 'new age offerings' which are relevant and in sync with evolving times	Innovation is strategic area and is important for our business to scale and grow
		Business Sustainability & De-risking	No negative impact on environment	Brings new customers to the bank with distinct financial needs	
Brand & Reputation		No negative impact	Environment & climate - conscious Corporate	Stakeholders are sensitised towards climate change	This is a survival aspect and is always on our topmost priority
		Business sustainability & continuity	No negative impact	Enhanced customer trust and increase in customer base	

 Potential impacts by AU Small Finance Bank on stakeholders

 Potential impacts on AU Small Finance Bank

Our Sustainability Strategy

Motivated by our Aspiration

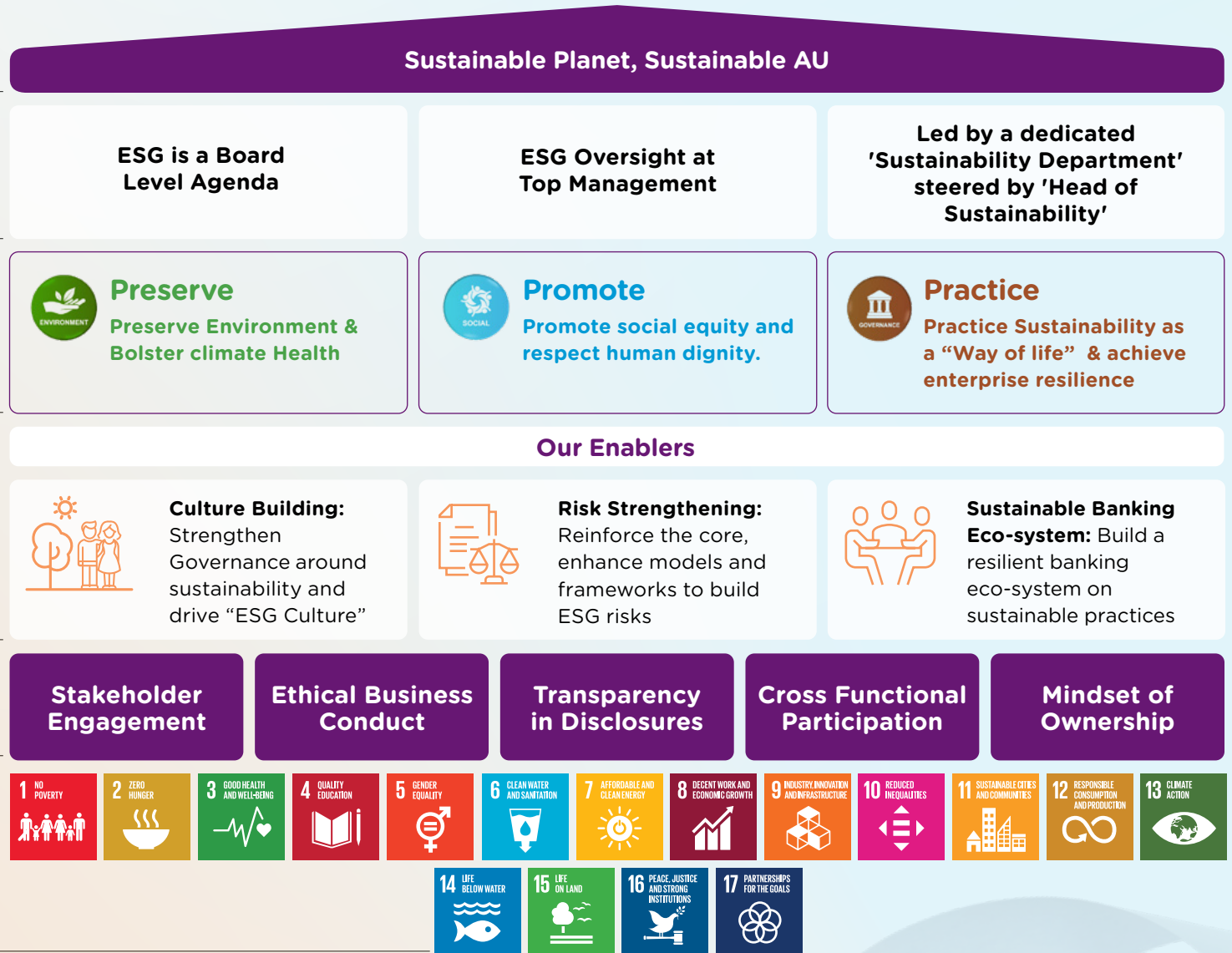
Through Strong Governance

Empowered by our ESG priority areas

Inspiring the organization towards

Cemented by

Aligned with UNSDGs



Our Sustainability Strategy



What does it imply

How to do

Preserve

Deploy initiatives with an aim to 'Preserve Environment & Bolster Climate Health'

Climate change is the most critical threat to the planet, our economy and well-being. We are addressing this threat by being more efficient with the resources we use and scaling 'digital' over 'physical'. Addressing climate change also presents opportunities like new jobs, new technologies and new services. Our role as a bank is to help create an enabling financial system that directs capital towards sustainable purposes through various modes and channels.

Promote

Constructive engagement on promoting social equity and respecting human dignity

Every strategy formulation exercise (for our employees and external stakeholders including community) is done keeping in mind the elements of social equity and human dignity. Equity in the workplace is about levelling the playing field and giving every employee access to opportunities. We are continuously engaged in fostering an equitable workplace that cultivates a safe environment with room for open discussions and understanding.

Our offerings to customers and CSR endeavours are also designed to consider all individuals as unique beings, with equity, dignity and inclusion being the overriding principles in our day-to-day dealings.

Practice

Cultivate a culture of resilience with the objective to achieve sustainability as a way of life

We understand that employees shape a company's culture. While the company's mission and values provide a glimpse into its culture, it extends far beyond that. Culture is embedded in the way employees engage with each other and with top management, as well as in their approach to daily tasks and responsibilities. The culture sits high up in our external ecosystem (suppliers, partners) as well. We actively involve internal and external stakeholders in our sustainability initiatives to integrate sustainability into their daily lives. This involves focusing on the impacts, both internal and external, and highlighting the benefits of structured sustainability governance.

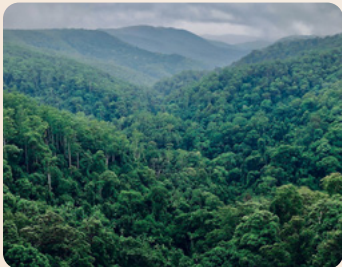
Sustainability Framework

A culture of sustainability is advanced most efficiently if it is guided by a comprehensive framework. As we move into the era of sustainable transformation, sustainability will continue to gather momentum and present a plethora of exciting opportunities, enabling us to achieve scale in whatever we do. The sustainability framework becomes an automatic fit in our overall model.

Structured Governance around Sustainability

Climate Resilience

Climate Risk
Sustainable Operations



People

Diversity, Equity & Inclusion
Upskilling & Development
Well-being & Safety



Inclusive Prosperity

Financial & Digital Inclusion
Corporate Social Responsibility



Responsible Banking

Financial Performance
Compliance & Ethical Practices
Cyber-security and Customer Privacy



Customer Centricity

Customer Delight with sustainable offerings
Appropriateness of the Product offered to the Customer
Innovation in process & product design
Brand & Reputation



Stakeholder Engagement and Insights Communication and Advocacy

Climate Resilience

The ability of societies and economies to thrive in the future hinges upon today’s actions. Climate change is here, and we are experiencing its effects through increasingly frequent heatwaves, floods, and fires that are costing lives, impacting economies, and damaging natural ecosystems.

Climate Risk

Climate change is, without a second thought, an enviro-socio-economic crisis that impacts billions of people, as it has an adverse effect on crop harvests, the availability of clean water, and triggers life-threatening weather events. Companies and

institutions are certainly going to face the economic and financial ramifications of climate change in various ways. These impacts will depend on factors such as the vulnerability of assets to extreme weather events, market trends, and the evolving policy environments.

In a series of UN reports, thousands of scientists and government reviewers agreed that limiting global temperature rise to no more than 1.5°C would help us avoid the worst climate impacts and maintain a liveable climate.

The magnitude of climate risk is severe, causing physical (acute and chronic) and transitional (changing technologies, regulations, policies, and stakeholder expectations) risks.

While the challenge is massive, we have identified several ways to manage the crisis. We also have global frameworks and agreements such as the Sustainable Development Goals, the UN Framework Convention on Climate Change and the Paris Agreement that guide us to progress. Several climate change solutions can deliver economic benefits while improving lives and protecting the environment. The three broad categories of action are: Cutting emissions through mitigation; adapting to climate impacts; and financing required adjustments. The global community has made good progress in the fight to mitigate climate change but it is equally critical to address the challenges of adapting to climate change and strive to be resilient to its impact. Adapting to climate impacts involves transforming structures and processes to better withstand the effects of climate change. It is about building

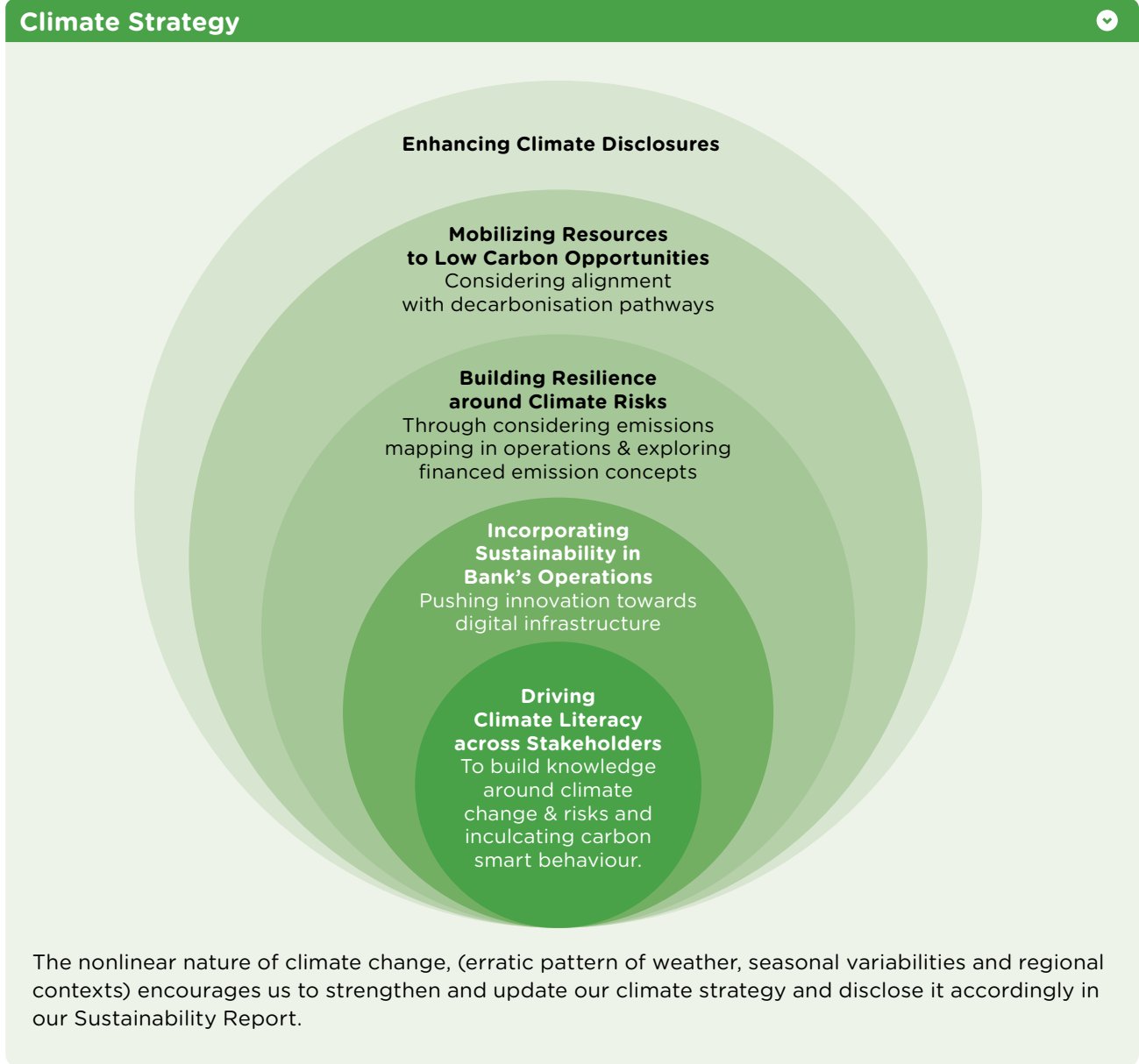


Climate Resilience

resilience to manage the risks and disruptions (current and potential) that come with extreme weather events, to protect people, homes, businesses, livelihoods, infrastructure, and natural ecosystems.

Climate action requires significant financial investments but climate inaction is vastly more expensive. We can pay the bill now, or pay dearly in the future. In fact, without decisive action(s) on a global scale, climate change perhaps poses the biggest risk to us and the banking sector.

Having recognised the importance of understanding the cascading impacts, AU SFB is committed to prudent mitigation and orderly adaptation. Systemic change remains critical to us in our journey of climate resilience, and, we are recalibrating ourselves to address risks through feasible measures. Pursuing our vision to be a sustainable banking institution, we are exploring propositions that reinforce our belief that ambitious climate goals will generate value for our stakeholders.

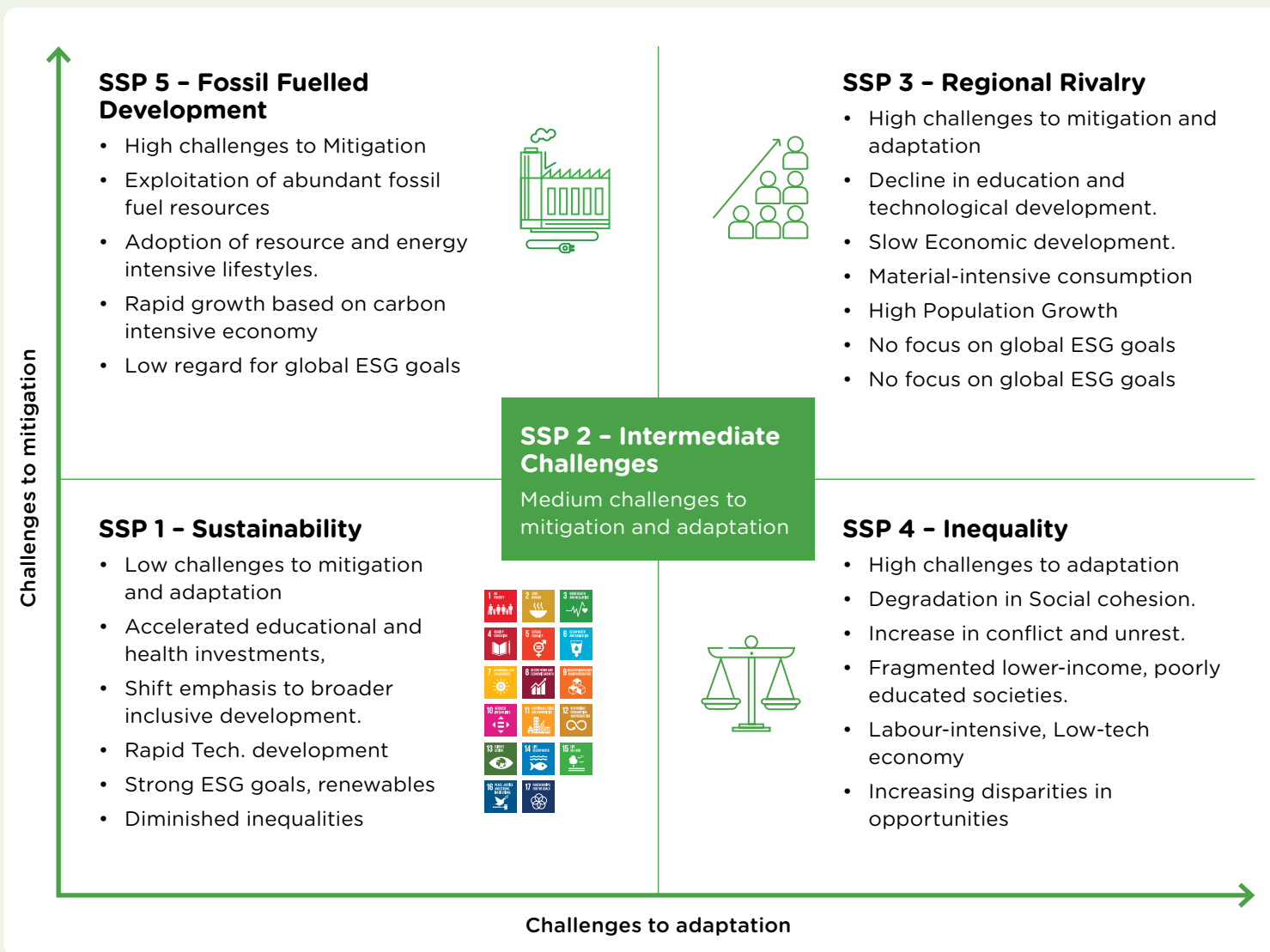


Climate Resilience

Climate Scenario Analysis

Methods to work out climate risk and their relationship with financial risk parameters, are in nascent stage and are being extensively explored. There are challenges that need to be addressed in terms of climate related data availabilities (such as the nature & pattern of climate events, impact on sector), availability of regional climate impact scenarios and holistic climate modelling decarbonization pathways. We have also initiated exploring various available scenario pathways. One such decarbonization pathway is Shared socio-economic pathways (SSPs) and we are developing our understanding.

We are exploring solutions to develop a set of fact-based scenarios from the best available data on projected temperatures/pathways. We understand that there should be, of course, no easing up on action to mitigate climate change, but we are also actively keen to address this challenge on a second front—adaptation and resilience. The bank reserves the right to change its stance on climate risk as the subject is evolving and will align as per regulatory landscape & business requirements.



Source - https://report.ipcc.ch/ar6/wg2/IPCC_AR6_WGII_FullReport.pdf

Climate Resilience

Sustainable Operations

Dedicated to being an environmentally conscious bank, we have launched a gamut of initiatives that are a testimony to our intent towards simplifying banking. To eliminate superfluous steps, streamline customer onboarding and minimise our ecological footprint, we have undertaken the following green initiatives -



Digital Banking

AU SFB witnessed strong growth with the adoption of tab-based account opening, Android-based mobile banking, WhatsApp Banking (24x7 banking solutions), and net banking, thus minimising paper usage, reducing waste generation, and achieving improved waste management.



Video Banking

We launched video banking to make our services available via virtual chats with branch executives, thus eliminating the need for branch visits. This has a two-fold benefit: Promotes digital banking and encourages our customers to adopt a more environmentally sustainable banking channel.



AU 0101 App

Our customers can bank from anywhere and speak to our branch executives through video chats. This eliminates travel and helps in reducing our carbon footprint.



E-receipts Culture

E-receipts at ATMs, followed by a detailed SMS on the last transaction and bank balance sent to the customer's registered mobile number results in reduced wastage of paper.



Clean Mobility & Clean Energy Portfolio

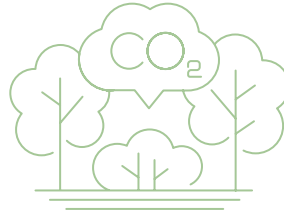
With a decent portion of our wheels book covered under the green portfolio, we are focusing on customising loan products exclusively for Electric Vehicle (EV) customers.

Climate Resilience

Greenhouse Gas (GHG) Emissions

Scope 1: In this category, we account for the burning of fuel – High Speed diesel (HSD) – in diesel generator sets.

Scope 2: This category includes all emissions from the energy generation we purchase from state electricity boards.

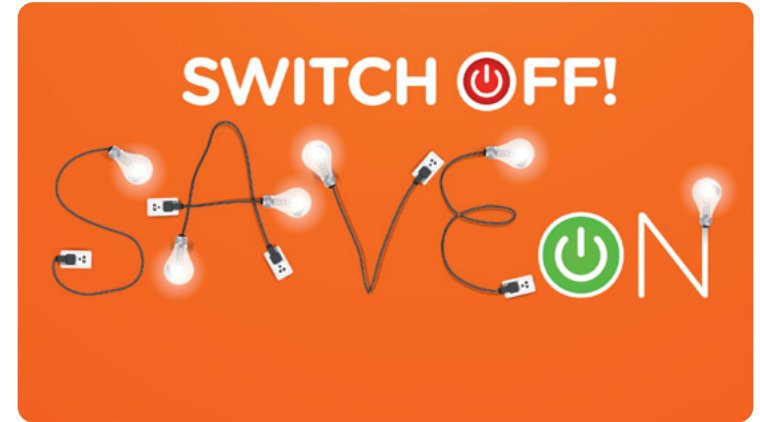


Water Conservation

We have contributed to conserving water by adopting mindful architectural design in our premises. We are expanding this design thinking across all our operations, and we are promoting the use of sensor-based taps at all locations.

Waste Management

We responsibly recycle electronic devices like laptops/desktops, thereby ensuring the e-waste is disposed through authorised recyclers. Our commitment to sustainability includes no single-use plastic, opting for recyclable and biodegradable alternatives. In addition, we also procure electronic devices from manufacturers who provide certifications and are compliant with the regulations on disposal of hazardous substances.



Energy

We have taken extensive measures to reduce energy consumption in our operations, including regulating equipment efficiency, installing energy-saving equipment, and promoting renewable energy usage.

Some of our key energy conservation measures are:

- Using energy-efficient star-rated appliances and equipment.
- LED light in all our offices, branches, and outlets.
- Power Factor Correction capacitors in all-electric panels across all branches.
- Optimal usage of natural ventilation and sunlight through engineered architectural designs.
- Installed 1.25 MW solar plant in Rajasthan to aid in building our renewable portfolio.

People

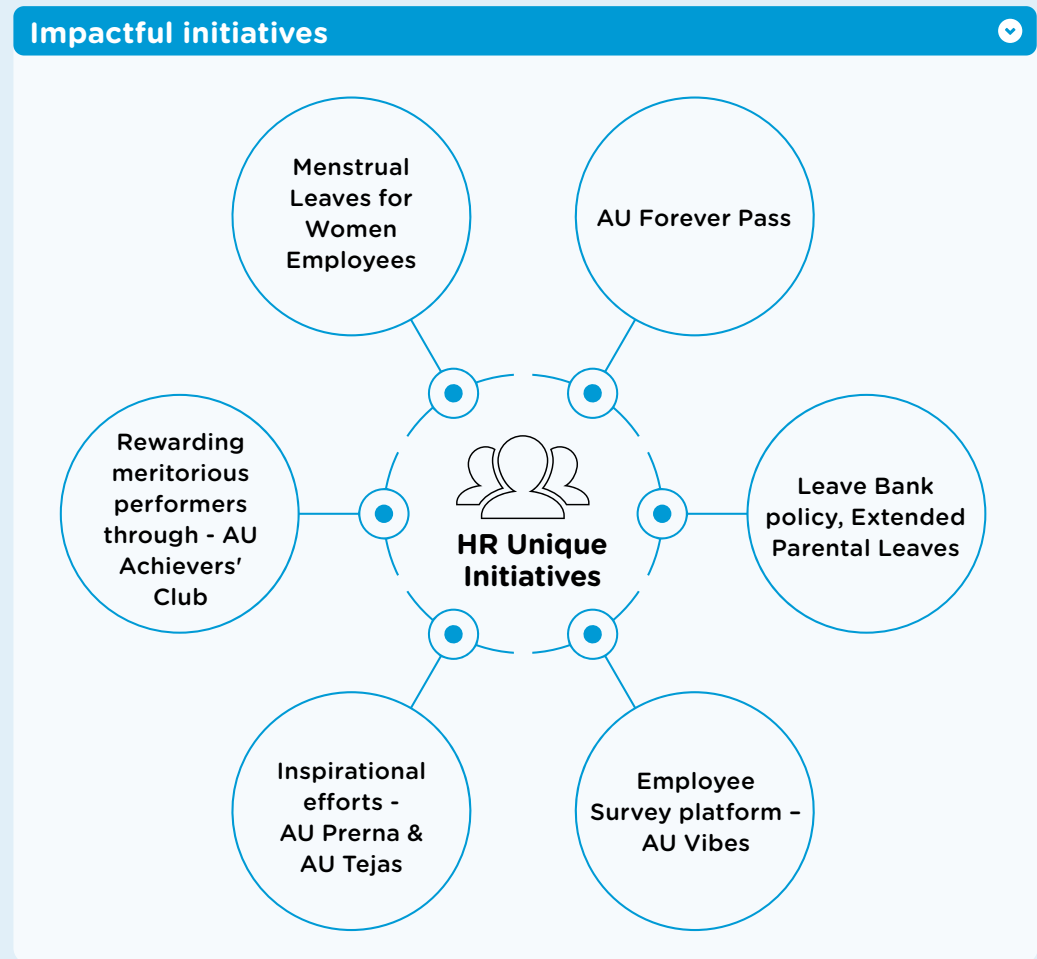
The main lead of our story is our people. At AU SFB, we appreciate the dreams and aspirations of everyone who is connected to us. Whether it is the people in the unbanked sector or the communities we operate in, we believe in not just doing a job but transforming the nation by creating a wealth of opportunities for everyone.

Social Responsibility to bring Badlaav

As we advance towards 'Inclusive Growth,' we welcome each individual as they are, with a clear objective of delivering exceptional and sustainable results. To sail through the evolving business scenario, we focus on hiring diverse people, including freshers and experienced professionals, and creating a pool of diverse talent to ensure sustainable growth across all business segments. We are creating the next generation of leaders with diverse experiences and unique perspectives.

Our people are the key to delivering a superior customer experience, which further improves our business performance. Hence, our focus is on fostering teamwork, partnerships, inclusion, and trust to bring out the best in our employees and ensure each one of us will go beyond the set standards to achieve excellence.

We strive to create a positive and engaging work environment with our shared philosophies of **prudence** (समझदारी), **responsibility** (ज़िम्मेदारी) and **honesty** (ईमानदारी). This is an essential element for our Bank to exist forever.



People



Leadership Development program

Upskilling and Development

As we develop our workforce, the skills of our existing employees need to be supplemented with new capabilities. We have the training needs identification framework that flags the gaps in skill in defined job roles through a survey-based methodology.

In contrast to traditional learning methods, we focus on innovative programmes with a holistic and engaged approach to learning, and a strong focus on knowledge, skills, and mindset. This year, we dedicated our efforts to inculcate the right mix of

products, processes, sales-oriented, soft skills and behavioural training, delivered through our ILT - instructor led training.

Our primary emphasis lies on providing our employees with ample digital learning opportunities and fostering the development of digital skills. By offering best-in-class training and education opportunities, we equip our employees with all the skills that will make them future-ready. We have initiated certain web-based training that are facilitated through the Skill-Soft Academy.

Apart from this, we also launched certain gamified, and GIF-based learnings on our internal platforms. These include the POSH training module and additional mandatory training.

Continuous learning inspires innovation and creativity. Our employees receive educational assistance to pursue courses through accredited institutions for higher learning and professional development programmes. This further helps in accelerating their careers at AU SFB. We are empanelled with many prestigious institutes for leadership and management development programmes.

AU SFB is an employee-centric organisation that focuses on the growth of its employees. We conduct career aspiration discussions to understand our employees' career goals and interests. This enables us to design a suitable path for their long-term career growth and development.



A Training Program

People

Reward Framework

AU SFB has a 360-degree reward framework consisting of quarterly reward and recognition platforms, SPOT awards and VALUE awards.

At AU SFB, we truly believe that our success belongs to our people. We treasure the hard work and commitment of our employees who have been performing extraordinarily. Our reward philosophy is meritocratic and this year was eventful with the launch of the 'AU Achievers Club'. Created for the high-potential employees of our Bank, we identified 1400+ employees who made it to the club based on their ratings.

The organisation prioritises AU Achievers club members, providing them with targeted interventions throughout the year. These interventions aim to equip the members for additional responsibilities, be future-ready and take up higher roles in the organisation.

Additionally, with our enhanced focus on Diversity & Inclusion, the annual appraisal for women employees who embraced motherhood were treated distinctly.

We continued our Milestone reward programme this year as well and employees were rewarded for their association and completion of important milestone years with our Bank as of 31st March of the performance year. Long-service employees receive loans at subsidised rates and are given the benefit of paid sabbatical leaves as well.

Apart from that, in FY 2022-23, more than 1,900 employees were awarded ESOPs during the appraisal cycle, with 870 employees being first-time recipients.

7,010
employees got grade promotions during the year



We also provide fast-track promotion opportunities to employees in sales functions, and this year, 7010 employees were promoted.

As a bank, all our initiatives were focused on our employees' well-being and long-term retention. Our endeavour is roll out several such initiatives to keep our people engaged and motivated to perform their best.

Transforming Young Minds

Building a 'Winning Team' by attracting new talent and retaining the right mix of employees is a priority for the Bank.

Our campus programme 'AURIFY' received appreciation from the industry. The core objective behind this programme is to nurture young talent from campuses and transform them into future leaders within the organisation.

We have a structured programme in place to make the transition from campus to corporate easy. Our key leadership team addresses them during a seven-day in-house induction, buddies and mentors are assigned to offer help and advice on their daily work.

People



Women's Day Celebration

Diversity, Equity & Inclusion

AU SFB has been in existence for over 2 decades and with Diversity, Equity & Inclusion (DEI) in our DNA, we have built an inclusive institution with the combined strength of our diverse workforce.

AU SFB is a true believer of the fact that a diverse workforce is an essential asset, it acknowledges the individual strengths of each employee along with the diverse potential they bring. Embracing unique perspectives ensures that our employees have a high morale and instils a desire to be their best.

In our transition from a NBFC to a scheduled commercial bank, we have scaled the women diversity significantly to 2353 in FY23. Along with women diversity we are also enhancing our prowess in academic, geographic, and specially abled diversity.

Moreover, as we aspire to be a 'forever bank', we are expanding our reach PAN India by increasing our touchpoints, which will significantly increase our diversity in all categories including gender diversity.

AU SFB has made a long-standing commitment to human rights, and this is reflected in our Code of Conduct. We have policies that ensure all the needs of our employees are met. We are an equal-opportunity employer, and at AU SFB, merit is directly linked to rewards, remuneration and promotions.

Diversity at AU SFB comes from the mix of various talents, attitudes, perspectives, strengths, abilities and characteristics of our employees and stakeholders. This encourages creativity, innovation and business success. The uniqueness of our 28,000+ employees is our strength and building a workforce that reflects the diversity of our 3 million+ customers is vital to our long-term prosperity.

Embracing diversity improves decision-making and enables us to support the diverse customers we serve. We are strengthening workforce diversity and inclusion through a range of targeted initiatives and policy improvements. AU SFB is currently focusing on three major areas: Women diversity; inclusion of specially abled employees; and widening Academic Diversity by including people from diverse education backgrounds.

D&I Performance

We started extending greater focus to Diversity & Inclusion in FY 21-22. In that period, our women manpower was close to 6.94%, while in this financial year, we have crossed 8%. Apart from this, the organisation has a different segment of diversity - with around 62% millennials and 32% Gen Zs, for the first time in the history of AU SFB.



Welcome from maternity break by Head - HR

People

Menstrual leave policy

Inclusion' has been at the peak of AU SFB's operations and with the introduction of the menstrual leave policy, our Bank aims at building an inclusive workplace for women by offering them one day of additional paid leave every month under this policy.

Sabbatical Leave Policy

We aim to make it easier for our employees to balance their careers and personal life. We launched Sabbatical policy for our employees with long service in our Bank and new mothers returning from maternity (over and above the 182 days paid leave).

Enhanced Paternity Leave & Pre-Approved Leaves

The paternity leave has been increased to 7 days, in addition to regular leaves. We also rolled out 'pre-approved leaves, for birthdays and anniversaries, to facilitate our employees enjoy important life events with their families.

AU Forever Pass

An industry-first initiative, we also launched the 'AU Forever Pass' for employees leaving the organisation after 3 years. At the time of exit, we select high-performing employees - based on their gold-standard service records and exceptional contributions to our Bank's growth - and award them the 'AU Forever Pass' membership that allows them the opportunity to join AU SFB whenever they wish. The idea is to increase belongingness within the organisation.



AU Khelotsav - Women Badminton Tournament

As we are working towards increasing the ratio of women at all levels, ensuring their safety is our prime focus. With this thought we launched the SheMatters guidelines that ensure women do not stay back post office hours and, in the case of an exception, cab facility is duly provided.

Awareness sessions on Unconscious Bias, Diversity Digest, Diversity blogs on social media by senior leaders, AU Prerna - an inspirational series for women employees - and AU Tejas - an inspirational series for specially-abled employees - are few of the many initiatives introduced by us to enhance inclusivity.



One of the high points for this year was 'AU Khelotsav: The Sports Festival' in which cricket, badminton and table tennis tournaments were organised for employees to promote inclusiveness and health.

This year, we also launched programmes like 'What's Your Idea?' which is an initiative to brainstorm ideas and implement the ones that will benefit the organisation. The objective is to reward employees who exhibit the zeal to deliver creative solutions to complex problems. This initiative is aligned to our Bank's belief that innovation is key to our institution's 'forever'.

People



Celebration with MD & CEO

Employee Voice & Engagement

Our people being the most important asset, we always believe in taking their feedback for constant improvement basis their voice. This year, we introduced AU Vibes, an Annual Engagement Survey. Powered by AI, this pulse module allows us to gather comprehensive data on employee perceptions and views across various dimensions such as managers, work, career, and our Bank. We reached out to over 25,000 employees and saw an impressive 80% participation rate, resulting in an overall happiness index score of 88. This outcome reinforces our commitment to people-centric practices.

Based on the survey findings, we are conducting workshops with managers to help them identify areas for improvement. We aim to achieve managerial excellence and foster a trusting environment within our Bank. Moving forward, we plan to incorporate this survey into our regular practices by conducting quarterly pulse check-ins. The insights gained will inform our future strategies, policy development, and framework enhancements, enabling us to build a more inclusive workplace.

Attracting and Retaining Talent ▼

Despite the changing industry trends and abundance of talent in the market, we are developing the next-generation workforce in science, technology, engineering and mathematics (STEM):

2.80%
of employees on STEM

Our workforce increased by

26.51%
Vice President and above level

28000+
Overall manpower

People

Culture of Open Communication and Collaboration

As we work continuously to ensure our banking services are delivered in the most impactful manner, we also believe our employees must be informed, engaged, and have the opportunity to provide feedback. For this, we introduced the new value of ‘Communicate’ as the 7th Dharma, as a part of our existing values during our 5th year Banking anniversary.

At AU SFB, our leadership goes beyond titles and positions. It is the way one leads and inspires. We also have multiple channels through which our leaders share their thoughts and convey inclusive practices across our organisation.

Employee Engagement Initiatives

Our quarterly practice of ‘Reflection & Anticipation’ by our MD & CEO took on new avatars with the themes of ‘Sholay’ and ‘Aap ki Adalat’. We believe these engagement efforts keep our employees informed about our strategy, culture, and purpose so that they feel motivated to do their best work.

‘Decaf’ is another initiative launched for our HR department which is a skip-level meeting for teams to directly interact with the Head of HR to share their aspirations, questions and feedback. Similar initiatives are done in different cohorts by various Strategic Business Units (SBU) heads and department heads.



Well-being & Safety

Our company is concerned with the health and vitality of our employees and we are sincere in our attempts to keep them and their families safe. To ensure their well-being, we offer a broad range of initiatives thereby: promoting our employees’ health (via wellness app webinars on breast cancer awareness, seminars on nutrition, health check-ups, and others).

The wellness application provided by us extends to our employees and six family members. The service includes online doctor consultations with medical health check-ups at subsidised rates. We launched the PCS (Prevention, Cure & Security) programme during the pandemic, and it is still applicable for employees with fatal diseases.

We provided compassionate employment to the spouses of two employees who lost their lives while they were employed with us. We also provide an education allowance to the kids of deceased employees.

We participate in blood donation drives every year. On 8th February 2023, blood donation drive was organised at 14 locations across India where 1500+ units of blood were donated.

Benefits Provided to full-time Employees:

1. **Insurance:** Group Accidental Guard Policy (GPA)
Group Term life insurance policy
 2. **Healthcare:** Prevention, Cure & Security (PCS) Programme
Group Medical Cover Insurance
Wellness app
 3. **Parental Leave:** Maternity and Paternity Leave
Increase in Paternal leave from 4 days to 7 days
 4. **Retirement Provisions:** The gratuity and PF are as per governing laws.
 5. **Others:** Vehicle Loan Policy
Personal Loan
Leave Bank Policy
Education Assistance Programme (EAP)
- The above benefits are applicable to FTEs at all our locations.

Inclusive Prosperity



Beneficiary of IGUCCY scheme

Financial and Digital Inclusion

Building an Inclusive Nation

Vasudhaiva Kutumbakam (One Earth, One Family, One Future) underlines the importance of equitable growth and a shared future for all. Recognised as the key driver to enabling economic development, Financial & Digital Inclusion plays a crucial role in progressively building our nation with a focus on enhancing the quality of life of our people. AU SFB is determined to challenge the status quo and bring *Badlaav* to the lives of vulnerable communities by serving their transformative journeys. We have strategically designed our business model to focus on Priority Sector Lending (PSL) with PSL achievement of 94%, against the 75% mandate, and extending 62% of our portfolio against the mandate

of 50% to financing entrepreneurs, entities, and businesses with loan requirements of less than ₹25 lakhs.

COVID-19 pandemic showed the world that there is an ever-emerging need to focus on the financial well-being of every individual to be able to withstand such crisis. With Financial Inclusion being instrumental in augmenting opportunities with access to essential financial services, safety nets, and resources to navigate economic uncertainties, it subsequently results in reducing disparities and upliftment of individuals. Further, the National Strategy of Financial Inclusion (NSFI) serves as a beacon to Financial Inclusion vision of building a

sustainable society that prioritizes the prosperity of the people in a harmonious manner. All our initiatives are in line with the three dimensions of the national strategy of Improving Access, Increasing Usage, and Enhancing Quality of financial services. With all three aspects being addressed, AU SFB has been able to create prospects of growth for its customers and enabled them to contribute towards the all-inclusive development of the nation.

ACCESS to Financial Services

With 65% of the Indian population residing in the rural lands of the country, going beyond cities is paramount for achieving financial inclusion. With a 30% presence in Unbanked Rural Centres (URC), we are committed to bridging gaps of financial services and nurturing the development of the hinterlands of India.

We understand that our collective actions combined with innovative strategies can transform the multidimensional realities of the vulnerable section and lead to attain inclusive growth and sustainable human development. Therefore, we have divided our location orientations into two defined provisions: Unbanked Rural Centers (URC) and Special Focus Districts (SFD), comprising both physical and digital modes of banking to enhance the financial well-being of rural India.

Our physical distribution channels include Rural Branches and Banking Outlets (BO), serving the deep interiors of the country. Such structures are designed to cater to locations where the population is less than 9,999. Committed to our vision, we increased our touchpoints to 311 with 76 rural branches and 235 BOs in FY'23. Following an inclusive approach, we have established our reach in Special Focus Districts (SFD) with 92 touchpoints in 52 districts, categorised

Inclusive Prosperity



our bankers to extend a limitless experience to their customers, along with the convenience of door-to-door banking services.

With the introduction of UPI and entrance of multiple players, digital banking and payment systems have been elevated significantly in the nation. However, there still exists a segment of society that needs access and systematic intervention to onboard the digital banking wagon. Through our coherent campaigns to improve the acceptability of digital services, we have onboarded over 1 lakh individuals on our digital banking platform AU0101, while 58,000+ merchants' businesses were digitised through QR code and POS deployment.

as Aspirational Districts (24), Hill State (13), LWE Affected Districts (14) and North-eastern Districts (1).

As we moved towards being omnipresent to gap the financial inequalities in the system, we realize that digital infrastructure is a salient element. Therefore, AU has adopted digitisation at a rapid pace, and it is now the primary enabler facilitating the responsible delivery of services for the financially excluded and underserved. Through a robust technology platform and Tab-based banking in rural and semi-urban regions, we mitigate longer turnaround times and provide an efficient service network. It has enabled

Our digital inclusion initiatives have not only helped us in promoting digital banking but also assisted our customers in adopting a more sustainable banking channel.

USAGE of Financial Services

We recognise the significance of providing appropriate financial products to support a sustainable financial journey tailored to different needs. Our goal is to serve fairly and consistently by understanding requirements and product offerings that foster resilient financial conditions and promote sustainable prosperity. Designed to simplify banking for new

entrants, the Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced as a transformative initiative by Government of India. It has played a vital role in empowering the unbanked population, bringing them on par with those who have access to banking services. From a zero-balance, Basic Savings & Bank Deposit Account (BSBDA) designed to encourage savings, micro-insurance (PMJJBY and PMSBY) and micro-pension schemes (APY), the *Yojana* has brought many households into the banking system, offering them opportunities for financial growth.

Bank has received several Awards by Pension Fund Regulatory and Development Authority (PFRDA) viz.

- **'Par Excellence Award'** for maintaining 138% of the target in FY'23.
- **'Diamond Club Certificate'** under Power to Persist for maintaining 75% persistency of APY Accounts in FY'23.
- **'Amazing Achievers Award'** for 166 Branches achieving targets in Q4 FY'23.
- **'Numero Uno Award of Excellence'** for achieving 298% of the targets in February-March 2023.

Beneficiaries in Jan Dhan Yojana

Particulars	BSBDA	MUDRA	PMJJBY	PMSBY	APY
Count	3,26,800+	2,75,700+	57,300+	83,900+	66,600+

Received Direct Benefit Transfer of ₹ 8.7+ Cr in FY23 in Aadhaar seeded accounts.

- URCs - Unbanked Rural Centres
- BSBDA - Basic Savings Bank Deposit Account
- MUDRA - Micro Units Development & Refinance Agency
- PMJJBY - Pradhan Mantri Jeevan Jyoti Bima Yojana
- PMSBY - Pradhan Mantri Suraksha Bima Yojana
- APY - Atal Pension Yojana
- PMJDY - Pradhan Mantri Jan Dhan Yojana

Inclusive Prosperity



Beneficiary of PM SVANidhi

India is home to millions of micro-entrepreneurs encompassing a diverse range of activities, including street vending, micro manufacturing, agriculture, and services, which cater to the daily needs of a large section of the population. They further play a crucial role in fostering innovation, nurturing entrepreneurship, and promoting economic inclusivity. However, the segment still struggles to access formal credit, social security, and basic amenities due to lack of formal documentation, which restrict their growth potential.

IGUCCY - Indira Gandhi Urban Credit Card Yojana

PM SVANidhi - Prime Minister Street Vendor's AtmaNirbhar Nidhi

AU Small Finance Bank Limited

We understand that capital fuels the engine of enterprises and further ripples social benefits such as generating employment in their locales. Through expanding finance to the missing middle under micro-lending schemes like PM SVANidhi and IGUCCY, we are leveraging the status of MSMEs to help them realise their scope and take advantage of market opportunities to take forward the *Vocal for Local* mission. The nature of the loans under the government-backed schemes is non-collateral based, which makes it an ideal choice for micro-entrepreneurs to harness business growth and expansion through the means without any hassle of excessively complicated paperwork.

In the quest to serve right, we meticulously understand the needs of our customers, provide financial mentorship, and identify promising borrowers through intensive field research before approving loans. Additionally, we lend based on a comprehensive gap analysis of the industry and business of the customer, and their future potential. This enables the enterprises to flourish rather than being transfixed by the burden of debts.

Beneficiaries in Various Schemes

PM SVANidhi	Supported 800+ street vendors
IGUCCY	Supported 580+ micro-entrepreneurs

Inclusive Prosperity

As digitisation gained momentum and going digital was imperative to ensure business readiness, we equipped our customers with the necessary skills to leverage the digital banking ecosystem to build prosperity. With each sanctioned loan under PM SVANidhi and IGUCCY, we made every vendor-customer digitally available to accept online payments through the deployment of UPI QR codes.

AU SFB working with RBiH

Acknowledging the power of digitisation, we leveraged the developments in the fin-tech space and working together with the Reserve Bank Innovation Hub (RBiH) to digitise loan disbursements for street vendors as another humble effort to empower the vulnerable sections. This digital and consent-based architecture has enabled seamless digital onboarding and disbursement of PM SVANidhi loans within a few hours. The pilot is focused on empowering street vendors and helping them thrive and build themselves a sustainable livelihood.

Success Story of Micro Entrepreneurs

“I am Living my Dream”, Ghanshyam

These are the words of Ghanshyam, a beneficiary of the IGUCCY loan from the bank. In his early days, Ghanshyam worked at his uncle’s shop and dreamt of becoming a business owner. Overcoming daily challenges, Ghanshyam persevered and fulfilled his dream of opening his own bakery shop in 2020. He was determined to expand his business. When he learned about the Indira Gandhi Urban Credit Card Yojana, Ghanshyam wasted no time in applying for the scheme. Shortly after, he received a call from AU, opening doors to new opportunities.

With the loan, his business grew exponentially. Ghanshyam invested in increasing the inventory to serve his customers a variety of bakery items. Now, Ghanshyam and his brother handle the business and are living the life Ghanshyam once dreamed of as a child.

QUALITY of Financial Services

As a bank, it is our prime responsibility to make financial services accessible at affordable costs to all individuals and businesses, regardless of their net worth and size. With the financial sector constantly evolving, there is an urgent need for financial literacy among communities. Among the rural and urban population, certain segments rely on someone else to take their financial decisions, sometimes inspite being formally educated. This is a widespread problem, and it needs to be dealt with through conscientious structures such as our own Financial Literacy Camps. To address the prevalent challenges, we designed financial literacy modules based on established communication theories, which led to behavioural change in our target segments. These tools are highly effective for sensitisation and awareness building and have been quite impactful in creating a lot of interest in rural, semi-urban and urban locations.

Education is a tool that holds the power to transform lives most sustainably, hence, to ignite the minds of the masses we adopted differentiated learning techniques for different target segments to holistically educate them on financial aspects. Our focus segments include women, students, senior citizens, small and micro-entrepreneurs including street vendors. Every month, our partner NGOs conduct camps to educate different communities about the ever-evolving banking ecosystem, and the products that shall benefit in building financial stability and encourage them to bank prudently.

Inclusive Prosperity

NABARD - Financial Inclusion Fund

Collaboration and cooperation are pivotal to success in the Decade of Action and the sustainability journey, which demands an alliance of institutions to achieve the agenda of sustainable financial inclusion. NABARD initiated Financial Inclusion Fund (FIF) subsidises literacy efforts and capacity-building initiatives in rural regions of financial institutions. With the aid of FIF, AU has been further able to expand its horizons to impart financial wisdom through financial literacy in the hinterlands and metropolitan societies in an all-inclusive manner.



Financial Literacy Camp witnessed by Board of Director

RBI Financial Literacy Initiatives

RBI's annual **Financial Literacy Week** focuses on good banking habits and educating the masses on the importance of digital banking. This year's topic was 'Good Financial Behaviour, Your Saviour'. It was a week-long event (13-17 February 2023), wherein we conducted 60 Financial Literacy Camps at our rural touchpoints and ran a company-wide special edition series to spread awareness on money-wise habits.

AU also participated in **RBI's Intensive Awareness Week** and collaborated with them to produce a Financial Literacy Camp video to highlight the importance of financial inclusion of unbanked individuals and how it would help one transcend the socio-economic structure and lead to a decent life.

Learning is an Ongoing Process

Financial literacy can simply be defined as “the ability to make informed judgments and to take effective decisions regarding the use and management of money.” While we educate the masses at large, we realised that AUites can also benefit from gaining financial wisdom, which led to AU FinShorts - a financial literacy series designed to pivot advanced financial planning concepts such as savings, insurance, investment, and tax planning.

The series has been designed in a comic format, with two employees discussing different financial subjects and exploring ways to build financial stability in the long run. Through the series, we have been able to inculcate an in-depth understanding of financial independence and wisdom to over 30,000 AUites for making financially sound decisions.

We understand that collective actions combined with ingenious strategies can revolutionize the lives of vulnerable sections, and we are dedicated to reimagining development that champions decent living and economic growth opportunities. With the vision to build a society where every individual is capacitated to benefit from the formal financial services, we at AU, are passionately formulating scalable solutions to driving prosperity & peace for our people & planet.

Inclusive Prosperity

Corporate Social Responsibility (CSR)

AU SFB works dedicatedly to unleash the potential of India's unbanked and underserved communities. Our commitment to financial inclusion extends beyond our core business operations and encompasses a range of high-impact CSR initiatives that strive to enhance the livelihoods of marginalised and vulnerable populations. As part of our CSR projects, we place special emphasis on Skills Development, Women Entrepreneurship, and Sports in rural and semi-urban areas, among other initiatives, to have a positive impact on the communities we serve. Our CSR initiatives are designed to be long-term and implemented in phases, spanning different locations in Rajasthan and beyond. To ensure effective execution, a dedicated CSR committee, established by our Board of Directors, closely monitors these initiatives. We place great importance on evaluating the effectiveness of our projects, therefore we conduct assessments as per MCA regulations, to ensure we are creating a meaningful impact.

Our programmes have had a positive impact on numerous citizens. As of 31st March 2023, our community initiatives have successfully provided secure employment to 6,182 youths and nurtured 370 women entrepreneurs. Furthermore, we have set up a 24/7 hotline to provide community members a platform to voice their concerns, along with a strong social media presence too. Our primary objective is to foster sustainable development in the communities we serve through our inclusive financing and impactful CSR initiative.

Centre of Excellence - AU Ignite: Skills Development Programme

AUSFB has been working in the skills domain since 2018. In September 2021, the Bank launched AU Ignite - 'Unlocking You,' as its flagship CSR programme. The programme focuses on livelihood promotion, and helping young people develop skillsets that will foster the economic growth of the nation from the grassroots level. AU Ignite offers short-term industry-led courses in areas such as Banking, Financial Services and Insurance (BFSI), Healthcare, Tourism and Hospitality, and IT/ ITeS, and conducts outreach for marginalised communities to ensure inclusivity.

During FY 2022-23, 18 skill training centres spread across 13 districts of Rajasthan imparted training to 7,693 youth, and 6,182 of them have been linked with employment. AU SFB measures the performance of this programme by tracking the number of people who complete the training and those linked with employment. Since 2018, 13,290 youths were benefitted through this initiative.

AU Ignite aims to support more than 28,000 youth by March 2025 from disadvantaged communities and transform them into industry-ready professionals.



Beneficiaries of CSR - AU Ignite

Success Story

Empowered by Skill, Inspired to Soar

Sunita (name changed), born in Bihar, faced an uncertain start in life as she was abandoned and left in the care of Balika Grah, an orphanage in Hindaun, Rajasthan. When she turned 18, she met Ms. Pragya Mishra, the caretaker and owner of the home who encouraged her to pursue her education.

One day, Ms. Mishra learned about AU Ignite from an acquaintance in Jaipur and enrolled Sunita in AU's Food & Beverage Steward programme. After completing her training, Sunita landed a job at Devi Ratn, where she now earns a monthly salary of ₹ 12,000 along with food and accommodation.

With the support of AU Ignite and the encouragement of her caretaker, Sunita is finally fulfilling her dreams. The programme empowers youth to build sustainable careers and lead purposeful lives.

Inclusive Prosperity

AU Udyogini – Women Entrepreneurship

AU Small Finance Bank places a significant emphasis on empowering women and promoting their participation through the AU Udyogini (Women Entrepreneurship) programme. This initiative is designed to support community-based enterprises, self-help groups, and individual businesses by providing education, training, and mentorship. In FY 2022-23, the AU Udyogini programme successfully engaged over 2,187 women members through self-help groups, with 165 of them generating regular income through community enterprises. Moreover, 470 individual women entrepreneurs initiated small businesses and achieved sustained incomes despite challenging business environments, including decentralized processing units and intense market competition.

To overcome the difficulties incurred on the ground, we started improvising the project activities by various techniques like strengthening the internal monitoring system for better validation, registering an FPO, white labelling of products etc.

This initiative has not only helped improve family incomes but also provided opportunities for women to engage in small businesses, crafts, and gain market linkages.

The CSR programmes are curated as 'self-sustainable' and also promise self-reliance of the beneficiaries. Maa Annapurna is one such programme which has boosted the entrepreneurial spirit while also ensuring sustenance of community.

Customer Success Story ▼

Unleashing the Potential of Entrepreneurial Spirit

Manju Saini's journey exemplifies the transformative impact of the AU Udyogini programme, dedicated to empowering rural women economically. Hailing from Dadi Gas Kaan in Paota, Rajasthan, Manju belonged to a family that faced financial hardships.

Fortunately, Manju found support through the AU Udyogini programme, which enabled her to establish a cosmetics shop as well as to leverage her sewing skills. With an investment of ₹ 12,500, Manju now earns a monthly income of approximately ₹7,000, enabling her to provide for her family's needs and pursue her own aspirations.



Group of Udyoginis

Inclusive Prosperity

Bano Champion – AU SFB Sports Initiative

Bano Champion is a first-of-its-kind initiative to create a culture of sports in the country, addressing the critical gap related to the accessibility of guided sports training among rural children. This initiative aims to bring games and playfulness to life and realise the positive impact of sport in improving mental and physical well-being.

The programme was launched in October 2021 across 30 locations of the state, and, today, has evolved into an effective platform, providing 6,963 children access to guided sports training across 60 locations in Rajasthan. By reinvigorating sports at the grassroots and improving the skills of young children, the programme contributes in building champions of tomorrow.

To energise the ecosystem at the grassroots and promote sportsmanship, annual tournaments at village, district, and state levels are organised. A three-day state level sports tournament was held at SMS stadium, in which 1,700+ participants from across 60 villages were exposed to international standard platform and facilities.

Children trained under the Bano Champion programme have shown exemplary results at State, National and Khelo India platforms.

117 positions have been secured by children at recognized State Level competitions. 29 children have qualified for National Level Tournament of which 15 have won medals. 5 children qualified for Khelo India Youth Games.

With the immense support of government and the active participation of experts associated with the Olympic and Commonwealth games, among others, the programme is growing multi-fold, bringing in desired social transformation and reviving the resilient rural spirit.



Beneficiaries of CSR - AU Bano Champion

Responsible Banking

Our foundation is built on the conviction that an institution can flourish only when it is backed by strong future-ready governance architecture. Our accommodative policies, overarching risk management, and an alert stance on evolving scenarios overseen by an experienced diverse Board have facilitated us in our quest to scale new heights.

Financial Performance

As an SFB, we serve the unbanked and underserved regions. A stable and sustainable economic performance allows us to attract investors and the best talent which amplifies our efforts to serve these segments. It also helps us build credibility, and trust, and generate confidence in our offerings. In a bid to deliver stable and sustainable growth, we are constantly innovating and adapting at every level of the organisation. FY 2022-23 once again affirmed our ability to deliver sustainable performance amid challenges. On the back of stable asset quality and spreads, our balance sheet grew to ₹ 90,216 crore. We recorded a profit of ₹ 1,428 crore.

Compliance and Ethical Practices

Our Bank has a dedicated Compliance Department that continuously monitors new developments and updates the Bank's Board and senior management about their implications. The Bank has a strong compliance culture and well-articulated policies about conduct, Vigil Mechanism, AML and KYC, and engagement with third-party vendors. Compliance & Risk departments update the status of compliance and control to the Audit Committee of the Board (ACB) regularly to review and advise on the implementation of measures for AML and KYC risk mitigation, along with effective Transaction Monitoring.



At AU SFB, the work to incorporate best-in-class governance practices and maintain the highest levels of compliance is constant. We promote awareness of compliance obligations and ethical values to strengthen our compliance culture.

Key Policies of the Compliance Department

- Compliance Policy
- Know Your Customer/Anti-Money Laundering Policy

Robust compliance is managed via a 6-step plan

- Identification and dissemination of new regulatory guidelines

- Compliance risk assessment
- Identifying changes in processes
- Compliance Monitoring and testing plans, including Sustenance & Self-Certifications
- Identifying breaches
- Reporting to Board level committees/Board

Our Compliance Obligations

Statutory compliance: Instituting required controls and monitoring mechanisms to ensure that the Bank is following all applicable rules. Centralised monitoring of all statutory compliances – ‘Compliance Charter’.

Regulatory compliance: Establishing required controls and monitoring mechanisms to ensure that the Bank is following all applicable instructions issued by various regulators.

Compliance with internal policies: Putting in place required monitoring mechanisms to check and maintain the required level of compliance in our Bank about its internal policies.

Responsible Banking

Anti-bribery and Anti-corruption

We have implemented robust measures to identify and prevent corruption, ensuring compliance with antibribery and anti-corruption laws, and safeguarding against internal and external fraud. To this end, our Bank has established an Anti-Bribery and Anti-Corruption Policy, which reflects our unwavering commitment to a zero-tolerance stance on bribery and corruption. We have put in place effective systems to counter bribery, encompassing risk assessment, due diligence, controls and monitoring, reporting, and guidelines pertaining to Financial and Non-financial benefits, gifts, services, job offers, loans, travel expenses, and entertainment.

Our Bank has an internal system to detect corruption, assigns managerial responsibility for bribery and corruption, provides mechanisms for employees to seek consultation on ethical issues, and offers guidelines addressing record-keeping, approval procedures, risk assessments, and regular training on bribery and corruption. The Anti-Bribery and Anti-Corruption policy holds significant priority within our Bank's governance structure. Therefore, the Responsible Director, a Whole-Time Director who is part of the Board of Directors, oversees the policy's application. The Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, and Chief Vigilance Officer of our Bank support the Responsible Director in implementing this policy.

We have established both a Supervisor/Head of the concerned department and a whistle-blower route as channels for employees to raise complaints related to bribery and corruption. All our Bank employees undergo mandatory training to familiarise themselves with their responsibilities in preventing -corruption and -bribery practices as outlined in the policy. Furthermore, their employment contracts include obligations relevant to the policy. Additionally, we leverage advanced technologies to automate processes and minimize manual intervention, ensuring optimal efficiency.

Whistle Blower Policy and Vigil Mechanism

Our Bank encourages its employees to voice their concerns related to suspected or occurrence of illegal, unethical inappropriate actions, potential misconduct and related concerns, fraudulent transactions, suspicions etc without fear of retribution or victimisation, to the employee raising the concern through its whistle-blower policy. This accords with our Bank for its commitment to adhering to the highest standards of ethical, moral, and legal conduct of business operations including but not limited to transparency, clean business transactions, professionalism, and other procedures to curb opportunities for corruption. - We are constantly striving to incorporate best-in-class governance practices and maintain the highest levels of compliance. We promote awareness of compliance obligations and ethical values to strengthen our

compliance culture. The whistle-blower programme is proactively communicated to employees with proper structure in place to process whistle-blower aspects.

Ethical Code of Conduct

Our Code of Conduct specifically includes the aspects of corruption and bribery, discrimination, the confidentiality of information, conflicts of interest, antitrust/anti-competitive practices, money-laundering and/or insider trading/dealing, environment, health and safety, whistleblowing and covers employees, service providers, value chain, subsidiaries, joint ventures. We have checks and balances in place to ensure the effective establishment and implementation of a culture opposing money laundering and terrorism financing.

Responsible Banking

Cybersecurity & Customer Privacy

We have established robust information and cyber security framework for securing its IT infrastructure and systems covering 100% of our operations. The Chief Information Security Officer is responsible for monitoring the information security risks covering all aspects of data security for our Bank and reports to Chief Risk Officer (CRO). There is a robust mechanism on Data privacy & security which comprises Clear terms involving the collection, use, sharing and retention of user data including data transferred to third parties. Our Bank is committed to collect and process user data that is limited to the stated purpose, implement leading data protection standards and notify stakeholders in a timely manner in case of policy changes.

We review and assess protocols & security at every stage of transaction and provide transparent protection of personal sensitive information. We also strive to utilise digital interventions ethically. There is a proper governance structure in place for privacy management and our Bank conducts regular privacy risk assessments on technologies & practices with strong focus on regular employee training on data privacy.

We have continuously strengthened our cyber security and data privacy policies, systems, and processes. We have a cyber security operation centre which monitors real time cyber security threats. We

are accredited with ISO 27001:2013 certification for our robust cyber security capabilities. There were no/zero Substantiated complaints including any from outside parties and regulatory bodies concerning breaches of customer privacy and losses of customer data.

Sustainable Procurement

We, at AU Small Finance Bank, have always focused on growing the right way to build a sustainable banking institution. We have emerged stronger on the strength of our character that we have built over the years, driven by the guiding principles of prudence (samajhdaari), responsibility (zimmedari), and honesty (imaandaari).

In the entire journey, AU SFB firmly adhered to its values of building relationships with its supply chain partners with a personalised touch and, most importantly, 'engaging with responsibility'.

We understand that we need to lead by example in the way we do our business. We seek to reinforce integrity by striving to improve the service that we provide, making responsible decisions, and proactively managing the social and environmental impacts of what we do. Our goal is to drive excellence and sustainable approach in these areas throughout our own organization, and to support and influence positively the development of these aspects in our supply chain. This is our responsibility to maintain

highest standards while dealing with our Supply Chain Partners and inspire them to join Sustainability Journey. Supply Chain is often multitiered, sometimes spanning multiple geographies and rely on other parties for parts or services. As the complexity of a supply chain increases, so does the potential for a lack of transparency and limited visibility on sustainability aspects.

We expect our supply chain partners as well to demonstrate commitment on sustainability and align on ESG aspects. Sustainable Procurement Guidelines (hereinafter, the 'SPG') is an effort to spread and promote the sustainability across supply chain. SPG will be advisable to suppliers providing goods & services, contractors, and third-party collaborators.

SPG can be accessed at <https://www.aubank.in/sustainability-awareness>

Customer Centricity







We, at AU Small Finance Bank, are driven to support a more environmentally friendly, socially conscious and quality governance ecosystem. It is our endeavour to help customers generate long-term wealth. We also offer a comprehensive suite of ESG based mutual funds of leading Asset management companies in India. Customers can conveniently invest in those ESG Mutual Funds through AU 0101 app & net banking.



Branch Banking

Customer Delight through Sustainable Offerings

Ever since our inception, AU SFB has taken pride in challenging the status quo for enhancing customer delight. It has embodied 'Badlaav Humse Hai' by way of:

- | | | | |
|---|--|---|--|
|  | High-interest rate and monthly interest on Savings Accounts and Fixed Deposits |  | Video-KYC as well as a loaded suite of Video Banking services |
|  | No-form filling to make deposits at our branches easier |  | MF, insurance, IPO (DEMAT), do everything with one single bank/app |
|  | Credit Cards, for every income bracket |  | Extended banking hours |

Customer Centricity



Video Banking

For ease of access and higher customer delight, we built digital distribution of our Bank through our AU0101 app that practically brings our Bank to customers' handsets. Through video banking, our customers can access multiple services at their convenience.

Our customers are delighted with our flagship features like monthly interest payout on Savings Accounts, extended banking hours and no deposit or withdrawal slip, and competitive and

customer-friendly interest rates on Savings Accounts and deposits. We capture customer feedback through different channels such as phone calls, SMS and QR Codes, while monitoring metrics of customer experience such as NPS, CSAT and CES.

Innovation in Process and Product Design

Taking ahead our 'Badlaav Humse Hai' commitment, AU Small Finance Bank has associated with Reserve Bank Innovation Hub to extend digital lending to women street vendors across India under the PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme. PM SVANidhi scheme was launched by Government of India during the pandemic to empower Street Vendors by not only extending collateral free working capital loans to them, but also for their holistic development and economic upliftment. Since the introduction of the PM SVANidhi scheme, AU Small Finance Bank has been working towards extending it by providing small working capital loans to street vendors.

AU SFB has launched the Royale programme designed to cater to the everyday banking requirements of the affluent segment. While we have been already offering customised premium products for HNIs and NRIs, now it has launched niche products, 'AU Royale Salary' and 'AU Royale Business', specially curated for the salaried and business class respectively with innovative features like family banking, merchant solutions (QR, PoS, Payment gateway), preferential pricing on banking products to name a few.

Brand and Reputation

Building a Scalable & Sustainable Brand

In today's business landscape, building a scalable brand with sustainable marketing practices is becoming utmost important. Further, it's equally critical to consider the impact that marketing practices have on the environment and society. Planting saplings, distributing sustainable AU branded plant-pots, eco-friendly bags as part of our plastic-free campaign are some of the sustainable marketing initiatives that prioritise social and environmental responsibility. Our bank's well-recognized franchises like AU Jaipur Marathon, AU Cyclothon, and AU HealthOn, actively promote health and well-being, establishing a brand that's scalable and deeply rooted in sustainability.

Another key aspect of sustainable and responsible marketing is transparency. Consumers today are more conscious of the impact that their banking decisions have on the environment and society. By fostering clear and transparent communication, we are building trust with our customers and are committed to making a positive impact.

Finally, in addition to sustainable marketing practices, it's important to focus on scalability. We strategically design our marketing initiatives that bring delight and satisfaction to the existing and prospective customers. This includes collaborating with health institutions to organise health check-up camps, working with traffic police to send out road safety messages through barricades and police gumtis, and partnering with schools to distribute notebooks to the needy children to promote education and many more.

Customer Centricity



Effective Digital Customer Acquisition and Onboarding

We are tapping potential customers all over India through a variety of digital channels, including social media, search engines, websites, OTT platforms and mobile apps. There is a wealth of information available about customers, including their interests, behaviours and demographics that helps us tailor digital advertising and customer acquisition campaigns to the specific and personalised needs of their target audience. So, we are reaching the right audience with the right message, resulting in more effective customer acquisition. Moreover, we adjust our ad campaigns in real time, making it easy to scale up or down based on the needs of the business.

Driving Customer Conversations and Service through Social Media

The time we spend online has become an integral part of our lives, and every business is taking notice. Conversing with customers on social media platforms like Twitter is a highly effective platform for us to provide efficient and quick customer service. First, social media platforms offer us an opportunity to engage with customers in real time. Customers are increasingly turning to social media platforms to reach out to us with their questions, complaints, or feedback. Secondly, social media provides us with a platform to monitor customer feedback and sentiment. By tracking keywords and hashtags related to brands, products or services, we gather valuable insights into what customers are saying about us. This information is helping us identify areas of improvement(s).

Nurturing a long-term mindset, our strategies are aligned with our vision of building a new Bharat. This means being patient and investing in the brand over time, rather than looking for quick wins or short-term gains.

Celebrating & Recognising the Efforts of Changemakers

Our Dharma 'Biased for action' is firmly rooted in an unbiased mindset. One way in which brand AU has taken a stand to bring change in society with our brand philosophy of 'Badlaav Humse Hai' is by recognising and supporting changemakers - social workers who are bringing change to our communities in their own capacities.

Network18 along with our bank launched a six-month-long initiative in August 2022 with a goal to bring forth the journeys of some remarkable humanitarian-led efforts by unsung changemakers across the country in the spheres of health, sanitation, education, women and child welfare, and environment to name a few. We brought their initiatives to the forefront through a series of 20 videos on-aired on CNN-News18 and TV18 along with a microsite hosting articles. The changemakers were also recognised on a national platform through a televised event broadcasted on leading news channels, in the distinguished presence of several Nobel Laureates.

The Way Forward

Sustainable Finance

The financial sector holds enormous power in funding and bringing awareness to issues of sustainability. We believe banking platforms as a strong platform to influence sustainable outcomes. Banks have an important role in redefining business as usual, helping to support the climate transition to restoring nature. Financing sustainable business has strong financial as well as broader societal benefits, which is why sustainable finance continues to gain traction. We are thankful to RBI & SEBI for their constant encouragement on Sustainable finance and we are considering the various frameworks proposed by RBI & SEBI to capture this opportunity.

Aspirational ESG targets

Setting sustainability targets is an intrinsic element of our sustainability strategy and provides the fuel and direction to the sustainability journey. The target-setting exercise is an intensive one and requires multi-stakeholder deliberations, consultations with experts, the trajectory where the banking sector is moving, contextual perspectives (including regional and global aspects, regulatory alignment and in alignment with business requirements) and the right platforms for ESG data consolidation. Our Bank is also working towards its 'Strategic priorities' to chart a course and arrived at a conclusive state with all relevant departments to come up with 'SMART' ESG targets in subsequent years. And in doing so, we will continue aligning with the global ESG frameworks.



GRI Data Matrix

302-1 & 302-3

Indicators	FY 2023
Energy Consumption (within the organisation) Data in Gigajoule	
HSD	3,766.68
Grid Power	77,911.70

HSD - High Speed Diesel

The energy intensity (within the organization) per full time employee (FTE) for FY 2023 was 2.88 GJ/FTE

305-1 & 305-2

Indicators	FY 2023
CO2 Emissions in tonnes CO₂ e	
Scope 1	
High Speed Diesel (HSD)	280.04
Scope 2	
Grid Electricity	15,365.92

The carbon emission per full time employee (FTE) for FY 2023 was 552.5 Kg/FTE.

401-1

Employee Hire & Turnover*

Indicators	Total no. of employees as on 31st Mar 2023	Employee Hire	Hire rate	Employee Turnover	Turnover rate
Male	25,967	12,195	46.96%	12,110	46.64%
Female	2,353	1,585	67.36%	1,167	49.60%
<30 years	13,078	8,258	63.14%	6,951	53.15%
Between 30-50 years	15,155	5,514	36.38%	6,317	41.68%
>50 years	87	8	9.20%	9	10.34%

401-3

Parental Leaves indicators

Parental Leaves indicators	Male	Female
Total number of employees that were entitled to parental leave	25,967	2,353
Total number of employees that took parental leave	1,679	85
Total number of employees that returned to work in the reporting period after parental leave ended	1,676	84
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	994	13

Return to Work Ratio	(%)
Male	99.82
Female	98.82

Retention Ratio	(%)
Male	59.20
Female	39.39

* Turnover percentage for employees also includes attrition on account of death, superannuation, disciplinary action and exit of employees on account of low performance.

Bank's overall headcount at the end of FY 2022-23 was 28,320 employees compared to 27,817 employees at the end of FY 2021-22. During the year, the Bank continued its focus on enhancing efficiency and productivity levels and there has been some increase in turnover rate as the overall base of employees remained at similar levels.

GRI Data Matrix

404-1 Training Programmes for Employees

Category	Average Training Hours per Employee
Male	21.37
Female	22.77
Associate	21.47
Middle Management	22.15
Senior Management	19.15
Top Management	14.55

21.48 Average training hours per employee per year for FY 2022-23

405-1 Diversity of Governance Bodies and Employees

Indicators	Associate		Middle Management		Senior Management		Top Management	
	Employee Count	% Employee Count (X/Y)	Employee Count	% Employee Count (X/Y)	Employee Count	% Employee Count (X/Y)	Employee Count	% Employee Count (X/Y)
Male	22,934	91.47%	2,605	92.74%	365	97.07%	63	100.00%
Female	2,138	8.53%	204	7.26%	11	2.93%	0	0.00%
<30 years	12,933	51.58%	144	5.13%	1	0.27%	0	0.00%
Between 30-50 years	12,111	48.30%	2,634	93.77%	363	96.54%	47	74.60%
>50 years	28	0.12%	31	1.10%	12	3.19%	16	25.40%
Total (Y)	25,072	NA	2,809	NA	376	NA	63	NA

GRI Content Index

Statement of use	AU Small Finance Bank has reported the information cited in this GRI content index for the period 01-04-2022 to 31-03-23 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 2: General Disclosures 2021	2-1 Organisational details	Organisation Overview, Page no. 10 - 13
	2-2 Entities included in the organisation's sustainability reporting	About the report, Page no. 01
	2-3 Reporting period, frequency and contact point	01-04-2022 to 31-03-2023/Annual/sustainability@aubank.in
	2-4 Restatements of information	No restatement
	2-5 External assurance	Independent Assurance Statement, Page no.
	2-6 Activities, value chain and other business relationships	Organisation Overview, Page no. 10 - 13
	2-7 Employees	People, Page no. 62
	2-8 Workers who are not employees	Not Applicable
	2-9 Governance structure and composition	Compliance & Ethical Practices - Corporate Governance, Page no. 55 - 56
	2-10 Nomination and selection of the highest governance body	Also available in Integrated Annual Report 2022-2023, 'Board's Report' section Page 106 - 131
	2-11 Chair of the highest governance body	
	2-12 Role of the highest governance body in overseeing the management of impacts	
	2-13 Delegation of responsibility for managing impacts	

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 2: General Disclosures 2021	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance Structure, Page no. 20
	2-15 Conflicts of interest	Compliance & Ethical Practices, Conflict of interest Page no. 56
	2-16 Communication of critical concerns	sustainability@aubank.in
	2-17 Collective knowledge of the highest governance body	Regular quarterly meetings and Session with Head of Sustainability
	2-18 Evaluation of the performance of the highest governance body	Available in Integrated Annual Report 2022-2023 in 'Board's Report' Page 106 - 131
	2-19 Remuneration policies	https://www.aubank.in/investors/secretarial-policies
	2-20 Process to determine remuneration	Available in Annual Report in 'Report on Corporate Governance' Page 132-185
	2-21 Annual total compensation ratio	Available in Annual Report in 'Report on Corporate Governance' Page 132-185
	2-22 Statement on sustainable development strategy	Our Sustainability Strategy, Page no. 32 - 34
	2-23 Policy commitments	https://www.aubank.in/investors/secretarial-policies
	2-24 Embedding policy commitments	https://www.aubank.in/investors/secretarial-policies
	2-25 Processes to remediate negative impacts	Materiality Assessment, Page no. 27-31
	2-26 Mechanisms for seeking advice and raising concerns	Available in Annual Report in 'General Shareholder information' Page 160-161
2-27 Compliance with laws and regulations	Available in Annual Report in 'General Shareholder information, Other Disclosures' section	
2-28 Membership associations	Advocacy & participations, P section age no. 22	

GRI Content Index

GRI Standard	Disclosure	Location, Page No./Remarks
	2-29 Approach to stakeholder engagement	Stakeholder Engagement, Page no. 22-24
	2-30 Collective bargaining agreements	Not Applicable
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality Assessment, Page no. 25 - 31
	3-2 List of material topics	Materiality Assessment, Page no. 25 - 31
	3-3 Management of material topics	Materiality Assessment, Page no. 25 - 31
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Performance Snapshot, Page no. 03
	201-2 Financial implications and other risks and opportunities due to climate change	Climate Resilience – Climate Risks section, Page no. 35 - 37
	201-3 Defined benefit plan obligations and other retirement plans	Not Applicable
	201-4 Financial assistance received from government	Not Applicable
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	People, Well Being & Safety, Page no. 40-46
	202-2 Proportion of senior management hired from the local community	People, Well Being & Safety, Page no. 40-46
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	We are doing our CSR activities + investments and lending/financing services in line with applicable regulations & compliances
	203-2 Significant indirect economic impacts	Covered in CSR Section of this report. Page no. 52-54
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Available in Integrated annual report Business Responsibility and Sustainability Report Page 196

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	All our locations are compliant and function in accordance with the norms set by the regulator and are regularly updated. No other activities are carried out.
	205-2 Communication and training about anti-corruption policies and procedures	Available in Annual Report in 'Business Responsibility & Sustainability Reporting' section page 186 - 219
	205-3 Confirmed incidents of corruption and actions taken	Available in Annual Report in 'Business Responsibility & Sustainability Reporting' section
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No such action
GRI 207: Tax 2019	207-1 Approach to tax	Tax Transparency, Page no. 15
	207-2 Tax governance, control, and risk management	
	207-3 Stakeholder engagement and management of concerns related to tax	
	207-4 Country-by-country reporting	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Given the nature of our Bank's business activities, our products and services are intangible in nature. We have limited scope for using recycled material as processed inputs. The Bank disposes of its waste such as paper, dustbin bags through state's municipal authorities and disposing e-waste through authorised vendors. We reduce the usage of plastics in our offices and branches with the alternatives. Our Bank procures furniture from authorised suppliers made from recyclable materials.
	301-2 Recycled input materials used	
	301-3 Reclaimed products and their packaging materials	

GRI Content Index

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	GRI Data Matrix, Page no. 62
	302-2 Energy consumption outside of the organisation	There are outside the boundary.
	302-3 Energy intensity	GRI Data Matrix, Page no. 62
	302-4 Reduction of energy consumption	As we are an expanding across the country, our absolute energy consumption is on increasing trend. We have deployed several energy efficient technologies as and where applicable.
	302-5 Reductions in energy requirements of products and services	Given the nature of our Bank's business activities, our products and services are intangible in nature. There is no such mapping available.
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	The consumption of water is only limited to drinking and sanitation purpose.
	303-2 Management of water discharge-related impacts	Given the nature of the Bank's business operations, water consumption and discharge is not material to the business. Water consumption is limited to drinking and domestic consumption.
	303-3 Water withdrawal	
	303-4 Water discharge	
	303-5 Water consumption	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No such sites come under the areas of high biodiversity protected areas. We operate through offices and branches that owned or are rented properties with all applicable compliances in place.
	304-2 Significant impacts of activities, products and services on biodiversity	
	304-3 Habitats protected or restored	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GRI Data Matrix, Page no. 62
	305-2 Energy indirect (Scope 2) GHG emissions	GRI Data Matrix, Page no. 62
	305-3 Other indirect (Scope 3) GHG emissions	GRI Data Matrix, Page no. 62
	305-4 GHG emissions intensity	GRI Data Matrix, Page no. 62
	305-5 Reduction of GHG emissions	GRI Data Matrix, Page no. 62
	305-6 Emissions of ozone-depleting substances (ODS)	Not Applicable.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Available in Annual Report in 'Business Responsibility & Sustainability Reporting - Principle 6' section
	306-2 Management of significant waste-related impacts	Sustainable Operations, Page No. 38
	306-3 Waste generated	Available in Annual Report in 'Business Responsibility & Sustainability Reporting - Principle 6' Page 209 - 214
	306-4 Waste diverted from disposal	Not Applicable
	306-5 Waste directed to disposal	Not Applicable
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	We have sustainable Procurement guidelines in place which is a holistic document covering ESG aspects for our suppliers..
	308-2 Negative environmental impacts in the supply chain and actions taken	https://www.aubank.in/Sustainability%20pdf-Website%20Copy%20-%20Sustainable%20Procurement%20(1).pdf

GRI Content Index

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	GRI Data Matrix, Page no. 62
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	People - Upskilling & Development + Diversity & Inclusion & Well Being & Safety, Page no. 40 - 46
	401-3 Parental leave	GRI Data Matrix, Page no. 62
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	We have a robust business contingency plan in place. In case of any relocation/closure/opening of a branch, the concerned employee(s) are informed well in advance for him/her to accommodate in such operational changes. We are drafting several employee centric guidelines including 'Minimum notice period for operational changes'. Same will be disclosed in subsequent years.
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	People (Well-being & Safety), Page no. 45
	403-2 Hazard identification, risk assessment, and incident investigation	
	403-3 Occupational health services	
	403-4 Worker participation, consultation, and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8 Workers covered by an occupational health and safety management system	
	403-9 Work-related injuries	Not Applicable
	403-10 Work-related ill health	Not Applicable

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	GRI Data Matrix, Page no. 63
	404-2 Programmes for upgrading employee skills and transition assistance programmes	People (Upskilling & Development), Page no. 41
	404-3 Percentage of employees receiving regular performance and career development reviews	People (Well-being & Safety), Page no. 42
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	GRI Data Matrix, Page no. 63
	405-2 Ratio of basic salary and remuneration of women to men	Covered in Sustainability Report FY22. https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/Sustainability_Report.pdf
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No such incidents.
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Not Applicable
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Not Applicable
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	All our employees are given applicable training including coverage on Human Rights aspects as per our training calendar.
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving the rights of Indigenous people	Not Applicable

GRI Content Index

GRI Standard	Disclosure	Location, Page No./Remarks
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	Covered in the CSR Section of this report. Page no. 52 - 54
	413-2 Operations with significant actual and potential negative impacts on local communities	No such negative impacts
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	We have sustainable Procurement guidelines in place which is a holistic document covering ESG aspects for our suppliers.
	414-2 Negative social impacts in the supply chain and actions taken	https://www.aubank.in/Sustainability%20pdf-Website%20Copy%20-%20Sustainable%20Procurement%20(1).pdf
GRI 415: Public Policy 2016	415-1 Political contributions	Not Applicable
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Given the nature of our Bank's business activities, our products and services are intangible in nature. We follow all the compliance and assessment requirements set by the regulator.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No such incidents
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	Not Applicable
	417-2 Incidents of non-compliance concerning product and service information and labelling	
	417-3 Incidents of non-compliance concerning marketing communications	No such incidents
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such complaints

Business Responsibility and Sustainability Report (BRSR) Linkage

S. No.	Disclosure description	Page No.
Section A	General Disclosures	
	Details of business activities	10 -15
	Products sold/services offered by the entity	10
	Details of employees and workers	40, 62
	Participation/inclusion/representation of women (including people with disabilities)	62
	Turnover rate for permanent employees and workers	62
	Holding/subsidiary/associate companies/ joint ventures	01
	Grievance redressal mechanism for stakeholders	Annual Report – Business Responsibility & Sustainability Report Section
Overview of the entity’s material responsible business conduct and sustainability issues	14-15, 25-31	
Section B	Management and Process Disclosures	
	Specific commitments, goals and targets set by the entity along with performance, if any	61
	Statement by Director responsible for the report to highlight ESG issues	05 - 09
	Highest authority responsible for implementation and oversight of the Business Responsibility policy(ies)	Mr. Sanjay Agarwal, MD & CEO
	Does the entity have a specified Committee of the Board/Director responsible for decision-making on sustainability-related issues? (Yes/No)	Sustainability Committee of the Board https://www.aubank.in/about-us/board-committee
Section C: Principle-Wise Performance Disclosure		
Principle 1	Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent, and accountable.	
	Details of fines/penalties/punishment/awards/compounding fees/settlement amounts	NIL
	Details of anti-corruption or anti-bribery policy	https://www.aubank.in/Notice-Slider-5-9-anti-bribery-and-anti-corruption-policy.pdf
	Processes to avoid/manage conflict of interests involving members of the Board/ KMPs	56

S. No.	Disclosure description	Page No.
Principle 2	Businesses should provide goods and services in a manner that is sustainable and safe.	
	Sustainable sourcing	We have sustainable Procurement guidelines in place which is a holistic document covering ESG aspects for our suppliers. https://www.aubank.in/Sustainability%20pdf-Website%20Copy%20-%20Sustainable%20Procurement%20(1).pdf
	Processes in place to reclaim products for reuse, recycle and safe disposal of products at the end of life	Given the nature of the Bank’s business activities, our products and services are intangible in nature. The Bank has limited scope for using recycled material as processed inputs. The Bank disposes of its waste such as paper, dustbin bags through state’s municipal authorities and disposing e-waste through authorised vendors. The Bank is reducing the usage of plastics in its offices and branches with the alternatives. The Bank procures furniture from authorised suppliers made from recyclable materials.
	EPR plan	Not Applicable
	Life cycle assessment	Not Applicable
	Recycled or reused input material as a percentage of total input material	Not Applicable
	Reclaimed products and their packaging materials (as a percentage of products sold) for each product category	Not Applicable

Business Responsibility and Sustainability Report (BRSR) Linkage

S. No.	Disclosure description	Page No.
Principle 3	Businesses should respect and promote the well-being of all employees, including those in their value chains.	
	Measures for the well-being of employees and workers	45
	Accessibility of workplaces	45
	Return to work and retention rates of permanent employees/workers that took parental leave	62
	Details of training imparted to employees and workers on health and safety measures and skill upgradation	40 - 46
	Details of performance and career development reviews imparted to employees and workers	42
	Health and safety management system	45
	Details of safety-related incidents	45
	Measures taken by the entity to ensure a safe and healthy workplace	45
	Rehabilitation and suitable employment of employees/workers	45
Principle 4	Businesses should respect the interests of and be responsive to all their stakeholders.	
	Process for identification of key stakeholders	22
	Key stakeholder groups	23-24
	Using stakeholder consultation to support the identification and management of environmental and social topics	25-31
	Details of instances of engagement with and actions taken to address the concerns of vulnerable/marginalised groups	23-24

S. No.	Disclosure description	Page No.
Principle 5	Businesses should respect and promote human rights.	
	Training on human rights issues and policies	40-46
	Details of remuneration/salary/wages (including for people with disabilities)	Annual Report - Business Responsibility & Sustainability Report Section
	Disclosure of complaints made by employees and workers on sexual harassment, discrimination at the workplace, child labour, forced labour/ involuntary labour, wages, or other human rights-related issues	Annual Report - Business Responsibility & Sustainability Report Section
Principle 6	Businesses should respect and make efforts to protect and restore the environment.	
	PAT scheme of the Government of India	Given the nature of the Bank's business operations, this is not applicable to the Bank.
	Details of total water withdrawn, consumed and water intensity ratio	Water consumption is limited to drinking and domestic consumption and the Bank has not measured water consumption so far, however, we are exploring on tracking water consumption at some of our large offices.
	Zero Liquid Discharge policy	
	Disclosure of air emissions	Not Applicable
	Details of Scope 1 and Scope 2 GHG emissions and GHG intensity	62
	Details of waste generated, recycled, reused, and disposed of	Annual Report - Business Responsibility & Sustainability Reporting
	Description of waste management practices	39
	Details of EIA	Not Applicable
	Breakdown of the total energy consumed from renewable and non-renewable sources	62
	Details of water discharged	Not Applicable
	Details of water withdrawn, consumed, and discharged in areas of water stress	Not Applicable
	Scope 3 emissions	Not Applicable
	Impact on biodiversity	Not Applicable

Business Responsibility and Sustainability Report (BRSR) Linkage

S. No.	Disclosure description	Page No.
Principle 7	Businesses, when engaging in influencing public and regulatory policies, should do so in a manner that is responsible and transparent.	
	Details of public policy positions advocated by the entity	22
Principle 8	Businesses should promote inclusive growth and equitable development.	
	Details of Social Impact Assessments (SIA)	52 - 54
	Describe the mechanisms to receive grievances of the local community	52 - 54
	Percentage of input directly sourced from MSMEs/small producers	Not Applicable
	CSR projects undertaken in aspirational districts	52 - 54
	Details of the benefits derived and shared from the intellectual properties owned or acquired by the company based on traditional knowledge shared	Not Applicable
Principle 9	Businesses should engage with and provide value to their consumers in a responsible manner.	
	Details of instances of product recall on account of safety issues	Not Applicable
	Channels/platforms where information on goods and services of the business can be accessed	https://www.aubank.in/

Independent Assurance Statement

Price Waterhouse Chartered Accountants LLP

Independent practitioner's limited assurance report on Identified Sustainability Indicators in AU Small Finance Bank Limited's Sustainability Report

To the Board of Directors of AU Small Finance Bank Limited

We have undertaken to perform a limited assurance engagement for AU Small Finance Bank Limited (the 'Company' or AUSFBL) vide our Engagement Letter dated April 6, 2023, and subsequent addendum dated July 6, 2023, in respect of the agreed parameters listed below (the "Identified Sustainability Indicators"). These parameters are as included in the "GRI content index" on pages no. 64 to 68 of the Sustainability Report of the Company for the year ended March 31, 2023 (the Sustainability Report').

Identified Sustainability Indicators

The Identified Sustainability Indicators for the year ended March 31, 2023 are summarised in Appendix 1 to this report.

Our limited assurance engagement was with respect to the year ended March 31, 2023 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the Sustainability Report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by AUSFBL are the Global Reporting Initiatives Standards ("GRI Standards") 2021 as set out under Appendix 1 to this report, to prepare Identified Sustainability Indicators for inclusion in the Sustainability Report.

Management's Responsibility

The Company's Management is responsible for identification of key aspects of Sustainability Report, engagement with stakeholders, content, and presentation of the Sustainability Report in accordance with the Criteria mentioned above. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the Sustainability Report, and measurement of Identified Sustainability Indicators, which are free from material misstatement, whether due to fraud or error.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial indicators allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, Greenhouse gas ("GHG") quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



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Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAG-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/NS50016 (ICAI registration number before conversion was 012754N)

Our firm applies International Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Indicators based on the procedures we have performed and evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and International Standard on Assurance Engagements 3410 'Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Indicators are free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Criteria as the basis for the preparation of the Identified Sustainability Indicators, assessing the risks of material misstatement of the Identified Sustainability Indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of quantification methods and reporting policies and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed below, we:

- Obtained an understanding of the identified sustainability indicators and related disclosures.
- Obtained an understanding of the assessment criteria and their suitability for the evaluation and /or measurements of the identified sustainability indicators.
- Made enquiries of Company's Management, including those responsible for Sustainability/ Environment Social Governance (ESG), Human Resources (HR) etc., and those with responsibility for managing the Company's Sustainability Report.
- Obtained an understanding and performed an evaluation of the design of the key systems, processes and controls for managing, recording and reporting on the Identified Sustainability Indicators including at the branches/ offices covered.
- Based on above understanding and the risks that the identified sustainability indicators may be materially misstated, determined the nature, timing and extent of further procedures.
- Checked the consolidation for various branches and offices under the reporting boundary, as mentioned in the Sustainability Report, for ensuring the completeness of data being reported.
- Performed limited substantive testing on a sample basis of the Identified Sustainability Indicators at sample branches/offices visited (JPO- Jaipur, Jaipur Central Office Mansarovar, Sanpada and BKC Bombay Corporate Office) to verify that data had been appropriately measured with underlying documents recorded, collated, and reported. This included assessing records and performing testing including recalculation of sample data.



Independent Assurance Statement

- Assessed the level of adherence to GRI Standards by the company in preparing identified sustainability indicators in the Sustainability Report.
- Assessed the Sustainability Report for detecting, on a test basis, any major anomalies between the information reported in the Sustainability Report on performance with respect to identified sustainability indicators and relevant source data/information.
- Obtained representations from Company's Management.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Identified Sustainability Indicators have been prepared, in all material respects, in accordance with the Criteria.

Exclusions

Our limited assurance scope excludes the following and therefore we do not express a conclusion on the same:

- Testing the operating effectiveness of management systems and controls.
- Performing any procedures over other information/operations of the company/aspects of the report and data (qualitative or quantitative) included in the Sustainability Report not agreed under our engagement letter/ Scope of Assurance
- The statements that describe expression of opinion, belief, aspiration, expectation, aim, or future intentions provided by the Company and testing or assessing any forward-looking assertions and/or data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that AU Small Finance Bank Limited's Identified Sustainability Indicators included in the Sustainability Report for the year ended March 31, 2023, are not prepared, in all material respects, in accordance with the criteria.

Restriction on Use

Our limited assurance report including the conclusion has been prepared and addressed to the Board of Directors of the AU Small Finance Bank Limited at the request of the company solely to assist the Company in reporting on the Company's Sustainability performance and activities. Accordingly, we accept no liability to anyone, other than the Company. Our deliverables should not be used for any other purpose or by any person other than the addressees of our deliverables. The Firm neither accepts nor assumes any duty of care or liability for any other purpose or to any other party to whom our Deliverables are shown or into whose hands it may come without our prior consent in writing.

For Price Waterhouse Chartered Accountants LLP
Firm Registration No: 012754N/500016

H. Sabharwal

Heman Sabharwal
Partner
Membership Number: 093263
UDIN: 23093263BGWPNL6045

Place: Gurugram
Date: July 13, 2023

Appendix 1

Identified Sustainability Indicators

Sr.no.	GRI Indicator Number	Description of Indicator
1	302-1	Energy consumption within the organization
2	302-3	Energy intensity
3	305-1	Direct (Scope 1) GHG emissions
4	305-2	Energy indirect (Scope 2) GHG emissions
5	401-1	New employee hires and employee turnover
6	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
7	403-6	Promotion of worker health
8	404-1	Average hours of training per year per employee
9	404-2	Programs for upgrading employee skills and transition assistance programs
10	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data



Employee Sustainability Impact Stories



Passion for Plantation

As per my personal life, till now I have planted 300+ trees & still counting. Huge of them are now become very tall. My Sundays are fixed for Trees & nature . I am doing this from my childhood. My Grandfather told me various stories about nature & till now I remember all of her words . Some of them I am writing below for you all.

दशकूपसमा वापी दशवापीसमो हृदः।
दशहृदसमो पुत्रो दशपुत्रसमो द्रुमः ॥
अर्थात्-

दस कुएँ के समान एक जलकुंड ।
दस जलकुंड के समान एक सरोवर ।
दस सरोवर के समान एक पुरुषोत्तम पुत्र ।
और दस पुरुषोत्तम पुत्र के समान एक वृक्ष हैं।

We all have ONE life,
use it for some **BADLAAV**.

अहो एषां वरं जन्म सर्वप्राण्युपजीवनम्।
सुजनस्यैव येषां वै विमुखा यान्ति नार्थिनः॥

भावार्थः ब्रह्मों के कारण ही सभी जीव जीवित हैं॥

Varun Sharma
Secured Business Loans



Waste to Wealth

I am Ajay Jangid, and I have been associated with AU Small Finance Bank since 2020.

One day during a coffee break, while I enjoyed my coffee, I noticed the huge heap of little cups in the dustbin and wondered about the number of trees and water splurged to manufacture these cups. Upon researching more I realised the disadvantages of using single-use cups and how they would eventually contribute to greenhouse gases when recycled.

I realised that it requires more to be able to drive change. The very next day I went ahead and bought a ceramic mug and little spoons for my daily dose of coffee. This little change in my life has helped me save up to 700+ single-use paper cups in a year and reduce my carbon footprint exceptionally.

We all have to remember that there is no planet B, but there are 25 different ways to contribute toward a green world because Badlaav Humse Hai.

Ajay Jangid
Financial & Digital Inclusion



Fitness & Well-being

Using staircase daily till 7th floor instead of lift.

Since the time I have joined the organization, I prefer mostly to use staircase instead of lift. Using a staircase instead of a lift is a simple and effective initiative towards sustainability. It can have a significant impact on reducing energy consumption by not using lifts, carbon emissions, and overall health benefits including reducing anxiety.

Rishika Gupta
F&A Projects and Internal Control

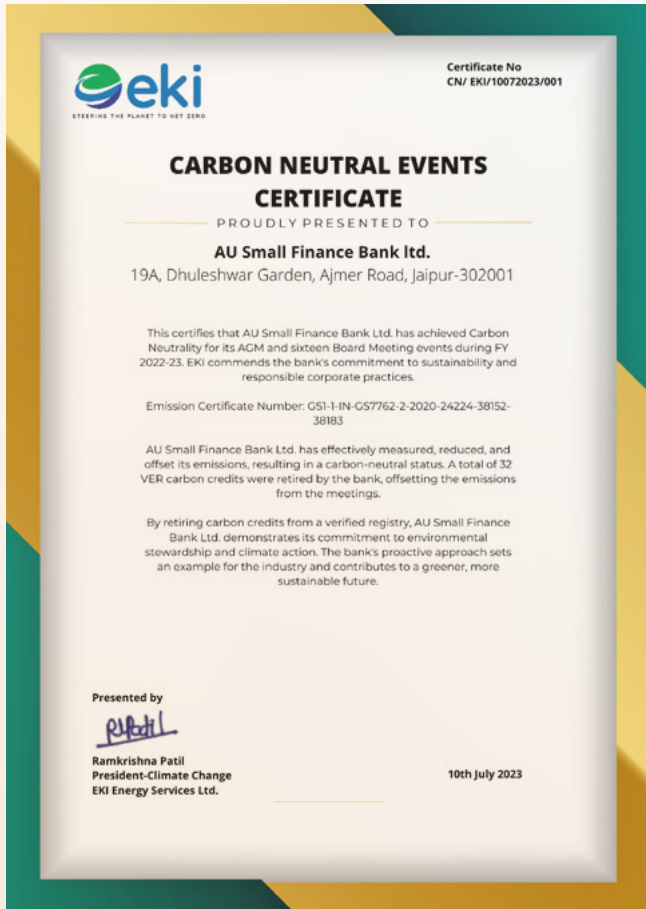


Nurturing Team Sustainably

I have joined AU small finance bank 6th Feb 2017 as Team Leader CASA in Liabilities. One day, upon receiving call on 5th May 2019 from management I reached Jaipur. The Bank Management gave me the charge of Bandikui Branch as Branch Manager from immediate effect. This incident changed my life and inspired that good work is always appreciated by management. I built my team and nurtured them sustainably. My 1 teammate became branch manager last year. I am proud of my team. My mission is that people should grow working with me. It gives me contentment from my heart. Now I am handling newly opened branch Gangapur city.

Dalpat Singh.Rajput
Branch Banking

Carbon Neutral AGM & Board Meetings FY23



Contributing towards Positive Impact and Climate Awareness

AU Small Finance Bank's carbon neutral event initiative, achieved through the purchase of 32 tons of carbon credits from the Gold Standard Certified Project 27 MWP Solar PV Project by MH Technique Solaire India Private Limited, represents a significant step towards sustainability and spreading climate literacy.

By actively engaging in the carbon credits market and investing in a verified renewable energy project, AU Small Finance Bank demonstrates its support towards the transition to a low-carbon economy. The purchased carbon credits effectively offset the total emissions associated with the bank's Annual General Meeting (AGM) and sixteen Board Meetings, ensuring a carbon neutral status for these events. The bank achieves this through the retirement of carbon credits generated from a verified registry under voluntary carbon credit mechanism.

UN SDGs Impacted



Carbon calculation & Offset by EKI Energy Services.

<https://registry.goldstandard.org/batch-retirements/details/145057>

Key Aspects -

- Carbon Calculation & offsetting is done by **EKI Energy Services Ltd. (EKI)**.
- Carbon Offset Platform : **Gold Standard**.
- Project : 27 MWP Solar PV Project by MH Technique Solaire India Private Limited, Maharashtra.
- Calculation Methodology : DEFRA (Department for Environment, Food and Rural Affairs).
- Total **32 Ton of CO2** was emitted. Neutralized by retiring carbon credits



**BADLAAV
HUMSE HAI**

AU SMALL FINANCE BANK LIMITED

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