

Sustainability
Report
2021-22
GRI Standards



Rooting for Sustainable Change





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About this Report

We are committed to communicating our sustainability approach and performance to our stakeholders in a transparent manner. AU Small Finance Bank (AU SFB) has established the process for sustainability reporting, and our reporting approach reporting is based on the principles of stakeholder inclusion.

This report communicates the vision of the bank and the way it creates value for society, stakeholders, and environment through its sustainable on inclusive banking procedures and ESG practices. Our stance on sustainability strategy and performance is depicted by Environment, Social and Governance metrics and is reflected in our sustainability framework as well. Environment, Social and Governance indicators are aptly presented in green, blue and light brown shades, respectively.

This is our first annual Sustainability Report developed in line with the Global Reporting Initiative framework – Sustainability Reporting Standards (GRI Standards core option). It covers the period from 1st April, 2021 to 31st March, 2022 unless otherwise specified and includes all businesses under our operational control. The report is our endeavour to articulate our sustainability approach and transparently disclose and communicate 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.

Our scope and boundary of operations include all 692 banking branches and 16 offices across 20 states in India. We do not have subsidiaries or associates. Hence,

the reporting scope and the boundary relevant to the present sustainability report are applicable to individual entity with no subsidiaries.

Since this is the first sustainability report from the bank there is

no probability for restatements. However, the rational assumptions-based expectations report consists of advanced statements that are based on bank’s strategies, targets, rational assumptions-based expectations and previous performance.

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 2021–22). 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 any 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 clearly communicated in a timely fashion. 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 comments and/or suggestions on the report’s content and flow. Please send your comments to sustainability@aubank.in

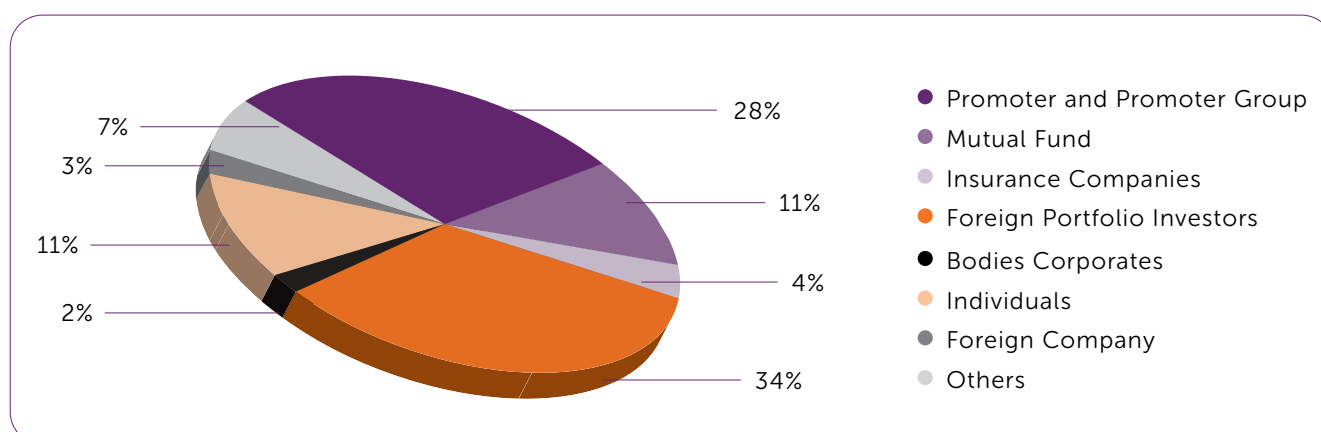
Sustainable Journey of 27 Years

Sustainable Journey of 5 years as a SFB

	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18
No. of states and UTs	20	17	12	12	11
No. of touchpoints	919	744	647	558	474
No. of employees (FTEs/Full time employees)	27,817	22,484	17,112	12,623	11,151
No. of unique customers (in lakh)	27.5	20.2	17.2	12.3	7.5
Disbursements (Funded: ₹ crore)	25,407	17,590	17,718	16,065	10,790
Economic					
Direct economic value generated (₹ in crore) – (A)	6,915.42	6,370.98	4,991.98	3,411.04	2,155.25
Economic value distributed (₹ in crore) – (B)	5,424.62	4,530.86	4,034.00	2,887.46	1,730.65
Economic value retained (₹ in crore) – (A-B)	1,490.80	1,840.12	957.98	523.58	424.60

AU SFB has always looked at the lending business based on first principles – lend in unserved and underserved markets, price the risk adequately, expand contiguously, and build solutions around customers' needs and limitations. In the last 27 years as a financial institution, and in the past five years as a bank, we have made significant strides in our journey towards becoming a more sustainable, tech-led and retail-focused Banking institution. Our presence in underserved retail segments along with our secured lending products have helped us grow sustainably.

Our shareholding pattern as on 31 March, 2022



Sustainability @ AU Small Finance Bank

The very foundation of AU SFB was laid for empowering the economically weaker sections by providing them better access to credit. Our business model is aligned with the UN Sustainable Development Goals (SDGs) as we have been lending to underserved segments. Our purpose of 'Empowering India' begins with scaling prosperity and reducing inequalities while striving to build an inclusive society to address the social, occupational, and residential vulnerabilities.



Over the last decade, environmental, social and governance (ESG) risks have gradually risen to the top of the global community's agenda. Evolving from socially responsible investing, ESG has now progressed to not just capturing sustainable business practices, but also accounting for intangible and non-financial risks. Today, the investment landscape is exposed to numerous indirect and direct risks that can have a severe trickling effect and, with time, turn into a systemic threat. ESG analysis is thus crucial in identifying these to ensure the long-term security of assets and funds.

With Sustainability in the DNA, we have built an institution which has re-defined societal impact through our deepening roots in the remotest of geography. The trust of our stakeholders has empowered us to manoeuvre the scenarios and has made us stand tall as we are today.

We have enhanced inclusivity by facilitating solutions such as crediting of monthly interest in savings accounts, doing away with deposit and withdrawal slips in our branches to people irrespective of their economic status.



One of the most prominent circumstantial drivers is 'Climate Change' and its waxing effect on multiple fronts of human life. Climate changes and its rippling effects have changed the way businesses operate and have given way to emerging risks and opportunities that do not fit into the traditional risk management frameworks and approaches.

As investors, regulators, employees, customers, and other relevant stakeholders are paying closer attention to the ESG performance of companies, it has become imperative for business leaders to proactively alleviate stakeholder concerns.

At AU SFB, we have always believed in challenging the status quo and have never shied away from taking brave steps and walking the path less travelled. Starting a capital-intensive business with very little funding available, we have successfully brought value to the customers and made banking more convenient for them. As we usher in an era of sustainable transformation, we have orchestrated our sustainability strategy with the core elements of Climate resilience, People, Inclusive prosperity, Responsible banking and Customer-centricity at the front.

Message from the Board



Mr Raj Vikash Verma
Chairman



Mr H.R. Khan
Independent Director



Ms Jyoti Narang
Independent Director



Mr Kamlesh Shivji Vikamsey
Independent Director



Mr Krishan Kant Rathi
Independent Director



Ms. Malini Thadani
Independent Director*



Prof M.S. Sriram
Independent Director



Mr Pushpinder Singh
Independent Director



Mr V.G. Kannan
Independent Director



Mr Sanjay Agarwal
Managing Director
and CEO



Mr Uttam Tibrewal
Whole-Time Director

* with effect from November 25, 2022

Sustainability is not a destination but an ongoing journey of resilience and empowerment. Therefore, as the world moves towards embracing a self-reliant and sustainable ecosystem, it is imperative to recognise the scale of development and assist the community in their journey to prosperity, sustainably.

We are in the decisive decade. We envision a plethora of opportunities from the emerging risk landscape the world faces today (as per the global risk report, 2022). The top risks the world faces today are centred around social (mental well-being, geopolitical unrest) and environment (climate change, water security) aspects.

It is estimated that global temperatures have risen by around 1°C since 1850 and could exceed 4°C by the end of this century if no action to limit emissions is taken. For this reason, over 190 countries signed the Paris Agreement in 2015, which sets out a comprehensive framework to tackle the risks associated with climate change. It is evident that climate changes pose substantial challenges – physical risks to which we need to adapt and systemic risks to which we should align our banking and financial eco-system.

'eye on the horizon' approach with the belief that sustainability is the right metric to measure the ESG intent and is core to being a responsible company. With this outlook, we are positive that we can continue to offer unique solutions and experiences based on a sustainable business model for generations and deliver value to our stakeholders.

With unparalleled innovation and business excellence, we are working to inspire the community towards a sustainable and liveable planet and transforming to a resilient business eco-system. We are, after all, in the midst of 'transformation' and understand that 'Sustainability' is the catalyst for 'Badlaav'. And by acting now, we can build a more sustainable and inclusive economy for today's generation and the next.

Board of Directors

We are mindful of the social and climate opportunities with our

“ We are in the decisive decade. ”

Message from the Chairman



Our brand tagline, *'Badlaav Humse Hai'* reiterates our commitment towards making every stakeholder live a life of pride.



Dear Stakeholders,

We are in the VUCA world surrounded by wide ranging challenges. Volatile macroeconomics, Uncertain emerging global scenarios, Complex climate risks and Ambiguous geo-political situations are pushing us to re-evaluate and re-calibrate our strategies and plans to meet the challenges and mitigate the risks and emerge as our "better self". In this VUCA world, it is therefore imperative that our policies and actions abundantly reflect the emphasis we intend to place on Sustainability as viewed and perceived by stakeholders.

While we, the AU family continue to reaffirm our commitment to the cause of Sustainability as responsible and caring corporate citizens of the world, we also clearly recognize that our policies and actions will have profound impact on the future of the world. Sustainability is therefore an inseparable part of AU's strategy and plans of doing business and preserving and promoting the business value. We are deeply inspired by the global movement and our own nation's commitment towards fostering sustainability as an important component of the business model. We strive to bring renewed thrust and focus on Environmental and Sustainability aspects of doing business. The pandemic tested our agility and resilience. Jointly with our stakeholders, we collectively and successfully navigated through numerous adversities and re-calibrated our approach to deliver value to our stakeholders, without compromising on the safety of our stakeholders and sustainability and continuity of the service.

With digitization in the DNA, we have come a long way in fulfilling our customer's aspirations. This has been reflected in our financial performance through strong profits and revenues scaling up.

Our business is to provide holistic financial solutions to community to empower them to achieve their goals and imbibe sense of

financial security. Our brand tagline, *'Badlaav Humse Hai'* reiterates our commitment towards making every stakeholder live a life of pride. To this effect, AU Small Finance Bank (AU SFB or AU herein after) is committed to sustainable business practices and understand that sustainability and long-term value creation are mutually complementary and synergic to each other.

Environment: As an overarching Goal, our efforts are circled around building a sustainable future for our planet through responsible business practices. Our initiatives to reduce carbon footprint through optimization in consumption, carbon – smart technology and proactive ways to reduce, reuse, recycle waste, are some of the important activities and initiatives that will help us in achieving our Goal.

Social: AU SFB plays an important role in addressing the key aspects of financial upliftment of the economically and socially disadvantaged population through numerous programmes and initiatives aimed at better financial and economic inclusion. We also play a vital role in the growth and promotion of the national developmental programmes and schemes that support economic growth in the short and long term with due regard to the financial parameters viz. safety, profitability and sustainability of business

together with the social impact. The bank's focus on diversity, equity and inclusion as its priorities, have resulted in visible positive impact on, gender and geographical diversity as also support to special ability candidates. Through CSR initiatives, the Bank has made a creditable endeavour for social development, building a better society by ensuring livelihood options, empowering women, skills enhancement, financial literacy and promoting sports.

Governance: Fostering best Corporate Governance philosophy are our foundational pillars based on the principles of integrity, transparency and accountability in line with "AU DHARMA". We firmly believe that robust governance practices protect the interest of all our stakeholders and promote and foster sustainable value creation.

Finally, I would like to thank our valued stakeholders for their trust and confidence reposed in us and appreciate our entire AU family for the great dedication and commitment they have always shown in their service to all our stakeholders. Their extraordinary efforts have, above everything else, made us what we are today – and will define what we become tomorrow.

Raj Vikash Verma
Chairman

Message from the Managing Director and CEO

Dear friends,

I am happy to present the first Sustainability Report of AU Small Finance Bank taking you through our journey of compassionate care, of taking banking to all, and of being a catalyst in bringing positive change to lives of the communities we work with.

2022 has been a very special year for us, as it marked our successful completion of 5 years as a Small Finance Bank, and we formally begun our journey towards sustainability reporting.

The very foundation of AU Small Finance Bank was laid for empowering the economically weaker sections by providing them better access to credit. Our business model is aligned with the UN Sustainable Development Goals (SDGs) as we have been lending to the underserved segments for the last 27 years. Our purpose of Empowering India begins with eradicating poverty which contributes to SDG 1 and reducing inequalities as per SDG 10 while striving to build an inclusive society to address the social, occupational, and residential vulnerabilities.

We recognise the banking platform as a public good and as an intermediary between Savers and Borrowers. We play this role uniquely and efficiently by garnering deposits from urban markets and disbursing in rural markets. Approximately 75% of our liabilities comes from the urban market and approximately 65% of our lending happens in rural market.

For us, financial inclusion is a vision of building a society where every individual has access to financial services irrespective of their socio-economic background. With

a systematic approach, we have segmented our financial inclusion efforts in 3 key dimensions i.e., improving Access, increasing Usage, and enhancing Quality through financial education. The Access, Usage, and Quality framework approach is adopted from the RBI's National Strategy of Financial Inclusion (NSFI).

While Financial Inclusion is providing a strong social perspective to business at AU, the AU Foundation is continuously working towards community development. Through our CSR wing we have made attempts in building a better society by ensuring youth empowerment through AU Skills academy and livelihood enhancement, women empowerment through AU Udyogini, and contributing towards healthier India through promoting sports.

Our tag line 'Badlaav Humse Hai' aptly captures our efforts of going extra mile in doing small things 'differently' and making a positive difference in the society at large. Last year, we created a unique property with Network18, bringing to light the journeys of twenty changemakers, who have been walking on a new path towards effective humanitarian service and making significant difference in the lives of individuals and communities in India. From education to employment, providing free medical aid to empowering people with self-sustainable initiatives, the campaign brings to light some of the most pertinent societal issues persisting in the community.

Further through our efforts in digital and digitization, we have been able to positively impact the environment by reducing our

carbon footprints. Our digital customer onboarding journeys have led to positive externalities in terms of reducing paper and fuel usage. Strong governance has been the backbone of our growth since the start of our journey, which has been validated time and again by markets, regulators, and rating agencies.

AU Small Finance Bank is a place where ordinary people have come together to do ordinary things in extraordinary ways. We have built the organisation on a bedrock of steady values. These values define who we are, who do we serve and how we do business. AU Dharmas, inculcated in every AUite, has laid a solid foundation for operating our business in an ethical manner which is deep rooted in our DNA. Our values make us cognizant of the numerous sustainability issues across our ecosystem and fuel our commitment to address these as part of our business strategy.

We understand that the new reality will require us to pivot our finances towards greener, responsible, and more sustainable areas while maintaining a strong asset book and ensuring growth for all our stakeholders.

As per our sustainability strategy, we will strive to continuously better our performance across the Triple-Bottom-Line. We will continue to traverse the path towards economic and social upliftment and creating a positive impact on the environment. While we know the journey is long, we are committed to building a Bank for All.

Thank You.

Sanjay Agarwal
Managing Director and CEO
AU Small Finance Bank



ESG is not merely a tick-box for us rather it comes very naturally, as we are a platform for public good. Sustainability and inclusivity are the basic premise of banking, such that everything we do helps our stakeholders to build a better future. It is an automatic fit in our overall model, and we shall ensure to imbibe it in our journey of 'FOREVER'.



Message from the **Whole-Time Director**



“ We want to build a diverse and inclusive culture, which celebrates our heritage, tradition and values, where everyone feels respected, valued and relevant. ”

Dear Stakeholders,

As we continue to evolve and transform ourselves, we are committed to doing so sustainably and responsibly. Operating a sustainable business in all its dimensions – environmental, economic and social – is not objective, but a habit developed from our hearts.

The development of new and advanced financial solutions, which respond to the ever-evolving requirements for greater awareness on sustainable ‘*Badlaav*’ remains on top of our mind.

We also take our broader responsibilities towards our communities, employees, customers, partners, and regulators, seriously, and we want our stakeholders to be proud of their choice of AU SFB. Doing business responsibly, taking care of our communities and our employees, and operating as an ethical corporate citizen has cemented our strategies. We want to build a diverse and inclusive culture, which celebrates our heritage, tradition and values, where everyone feels respected, valued and relevant.

In our endeavour to contribute to nation building and prepare for ESG based regulatory environment, we have constituted a dedicated function on ‘Sustainability’ with the inclusion of a role of ‘Head of Sustainability’.

Now, as we ready ourselves for the next leap, we are consciously capitalising on the mega scale of opportunities in the Indian market. The tailwinds of a young population, rising smartphone penetration and substantial government support for inclusive growth programmes, focus on sustainability, further set us up in a sweet spot.

I thank every stakeholder, including our investors, regulators and the RBI, customers, employees, mentors and others who continue to be a part of our eventful journey. As we take new strides, I’m positive that our sustainable efforts will help us reach greater heights and set new benchmarks in Indian banking.

Uttam Tibrewal
Whole-Time Director



Vision

To be the world's most trusted retail bank and coveted employer that is admired as the epitome of financial inclusion and economic success, where ordinary people do extraordinary things to transform society at large, thereby guaranteeing Trust, Confidence and Customer Delight.

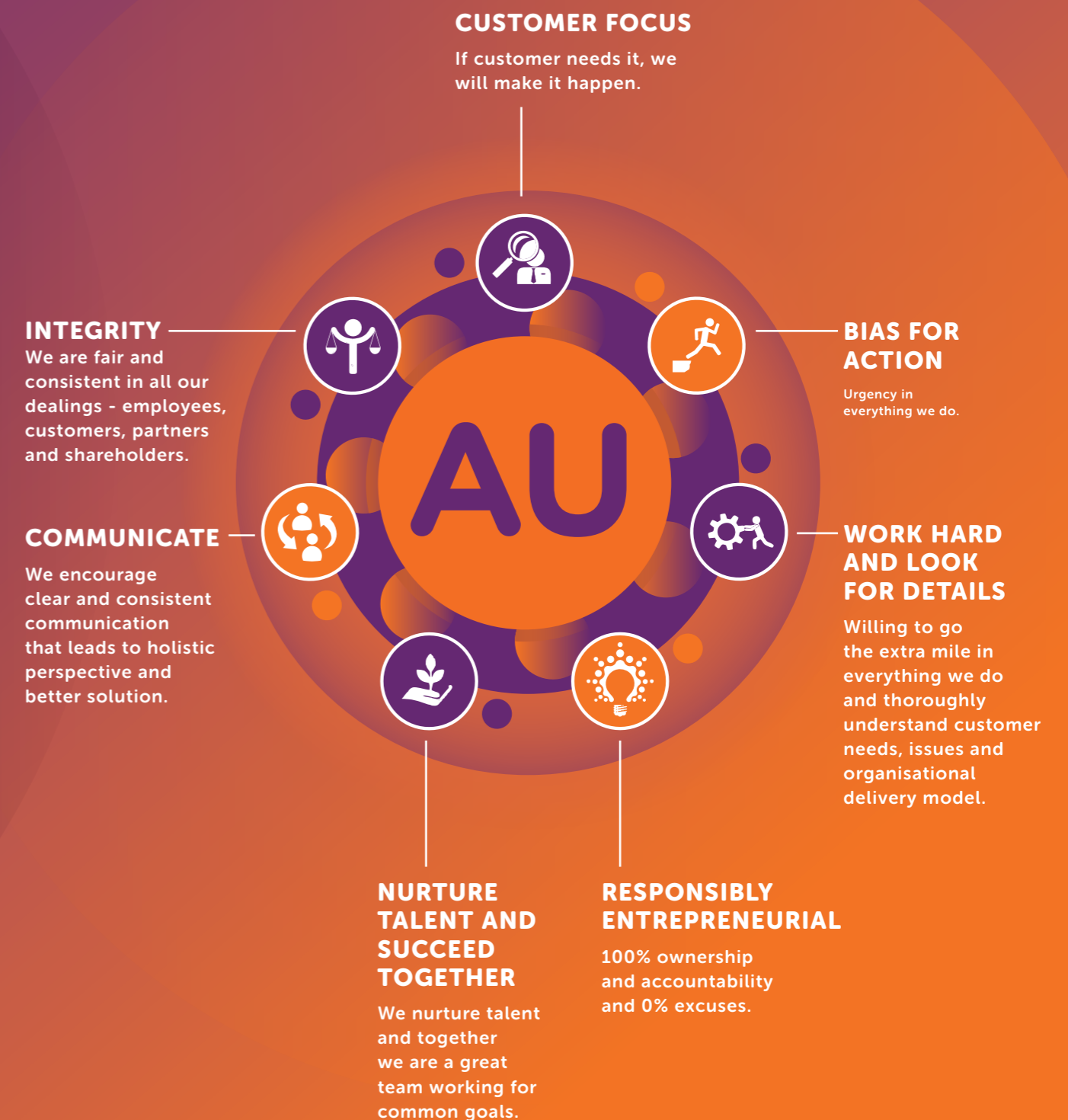


Mission

To build one of India's largest retail franchise that is admired for:

- Making every customer feel supreme while being served
- Aspiring that no Indian is deprived of banking
- Bias for action, dynamism, detail orientation and product & process innovation
- Globally respected standards of integrity, governance, and ethics
- Being an equal opportunity employer, providing a collaborative and rewarding platform to all its employees

7 pillars of AU Dharma

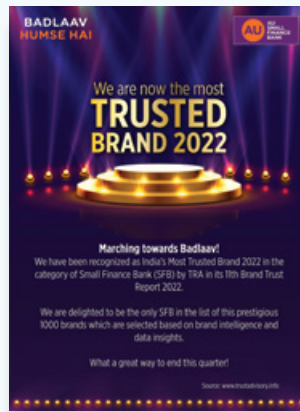


Awards and Accolades

Winning an award is always a special and momentous occasion that needs to be shared with everyone. It is always our pleasure at AU SFB to share all the wonderful moments with our customers, stakeholders, and employees. We believe that by sharing these, we inspire our employees to continue to make a difference.



India's Best Small Finance Bank:
Annual Business Today-KPMG Survey



Listed in Most Trusted Brands 2022: in Brand Trust Report of 1,000 brands by TRA



Listed in ET Best BFSI Brands 2022: by The Economic Times



Listed among Top 30 BFSI Brands: by Great Place To Work in 2021



Great Place to Work™: for Dec 2021 to Dec 2022



Best Practice in Digital Transformation: at DX Awards 2021



Best Small Finance Bank: FE Best Banks Awards 2020-21



Best Financial Inclusion Initiatives of the Year: at ETBFSI Excellence Awards 2021



Business Transformation of the Year: Elets 6th BFSI Leadership Summit



Most Effective Bank-Fintech Partnership: IBS Intelligence Global FinTech Innovation Awards 2021



Listed in Dun and Bradstreet's 'leading BFSI and Fintech companies-2021'



Winner Golden Peacock Award for Corporate Social Responsibility 2021

Our Progress Story

AU was started 27 years ago by Mr Sanjay Agarwal, a merit holder Chartered Accountant and a first-generation entrepreneur. Founded in Jaipur as Au Financiers, a non-deposit taking Non-Banking Finance Company (NBFC), it effectively worked on funding economic growth, especially for the underserved and unserved low and middle-class individuals.



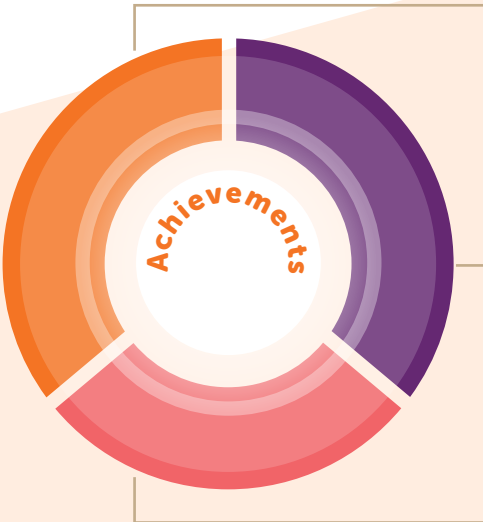
For over two decades we provided secured funding to customers primarily in vehicle loan, business loan and housing loan segments while organically spreading our geographical presence. In 2014, when RBI came out with the Small Finance Bank licensing guidelines, Au Financiers was the strongest of the 10 selected entities out of 72 applicants to receive this coveted

license, thanks to its strong foothold and proven track record. Au Financiers transformed into AU Small Finance Bank in April 2017 and the same year we registered a stellar listing while earning trust of renowned investors.

Today, we stand tall as a scheduled commercial bank and a Fortune India 500 Company that

is enabling a convenient banking experience with several industry-first initiatives. As a retail-focused bank constantly innovating to make banking simple for its customers, AU SFB is now moving towards being a digitally-led bank with pan-India presence. As we grow, we continue to be farsighted and align the interest of our community at large.

Sustainable by Design



87% achievement in loans to the priority sector against a **requirement of 75%**

31% of the touchpoints are in unbanked rural areas against a **requirement of 25%**

63% of loans are with ticket size less than 25 lakh against a **requirement of 50%**

With the evolution of technology and adoption of digital channels, traditional definition of 'Trust' is being redefined. The age of an institution no longer guarantees the trust and loyalty of its customers. The new-age customer is ever more demanding and seeks convenience, consistency, and reliability. The exponential rise of ecommerce and start-ups is a testimony to this emerging trend. Thus, as a tech-led bank with a focus on retail assets and liabilities, we are well-positioned to earn the 'Trust' of our customers and stakeholders.

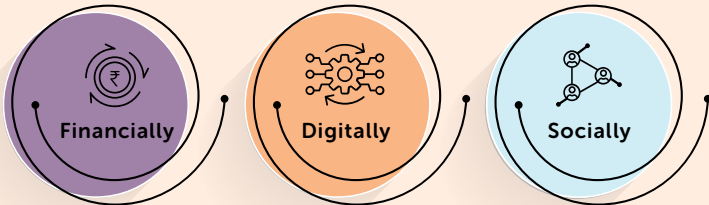
At AU SFB, we are optimising the mix of physical infrastructure and digital capability ('Phygital') to expand our network and become a pan-India bank. As we customise our services in accordance with the personas of our target audience in the urban markets, we continue to strengthen our offerings for our core centres.

Our strong presence in rural and semi-urban markets enables us to deliver essential banking services to the last-mile customer and our urban branches act as a catalyst for bringing efficiency in intermediation between savers and borrowers. Our community intervention, propelled by AU Foundation, primarily focuses on livelihood enhancement, sports for development, and financial and digital literacy. As we move forward, we will continue to leverage our brand's outreach, digital capabilities, local insights, strong balance sheet and pricing power to optimise the risk-return metrics and generate positive outcomes for all our stakeholders.

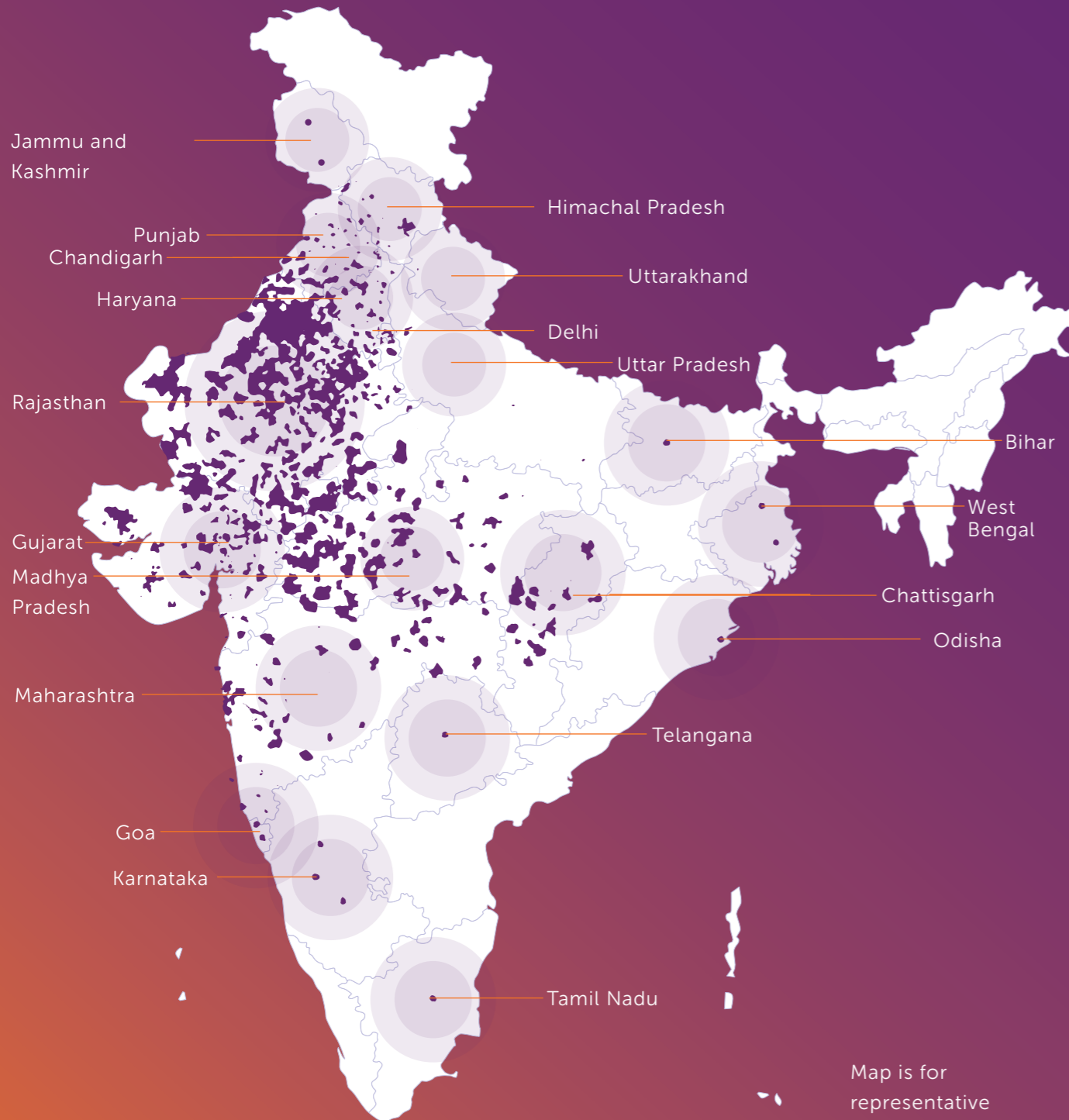
Throughout our journey we have focused on solutions, completely aligned with our customers' needs. Our transformation, from being a finance company to a bank, which provides a place for safe keeping, is a reflection of many things that AU stands for:

Our Purpose

Empowering India



Our Presence



Map is for representative purpose only. Not to scale.

Business highlights and performance as on 31 March, 2022

27,817 Full time employees - FTEs	~27.5 Lakh Customer base	10.5 Lakh Digital customers
233 Urban market presence	686 Core market presence	514 ATMs
919 Touch points	18 States 2 Union territories Operational footprint	

Each location has its own diversified market base, and customer needs and requires its own unique way of delivery. This year we are committed to playing on our strengths and delighting our customers.

Our Strategic Business Units (SBUs)



1

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.



2

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.



3

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.



6

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.



7

Credit Card

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.



8

Merchant Solution 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



4

Home Loans

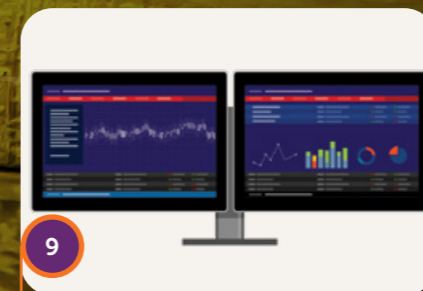
Our objective is to provide a comprehensive range of home loan products to accommodate every home buyer's loan needs (plot purchase plus construction, self-construction, purchase of flat/ house, extension/renovation, and takeover/top-up), with a focus on the affordable housing segment.



5

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.



9

Treasury, DCM and Wholesale Liability

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



10

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.

Priority sector lending

Informal lending at higher interest rates is still an existing challenge attributed to lack of formal banking services for a significant portion of the country and therefore, financial inclusion of the deprived has always been Government's priority. Priority Sector Lending (PSL) has been one of the most popular and efficient channels for disseminating formal credit to the deprived. PSL include loans to farmers, agriculture and allied activities, food processing, Micro, Small and Medium Enterprises (MSME), housing, social infrastructure, education and loans to certain weaker sections, with a minimum threshold to be mandatorily achieved under certain PSL categories. With an objective of Financial Inclusion and ascertain formal credit flow to the bottom of pyramid of the population, Small Finance Banks have been entrusted to achieve at least 75% of their advances to Priority Sector Lending (PSL) norms.

While achievement of Priority Sector Lending is a regulatory requirement, AU Small finance Bank has taken it as an opportunity to serve the unbanked and underserved for fulfilling their credit requirements and achieve PSL targets simultaneously. With Bank's

strong footprints in rural and semi-urban areas and product offerings designed keeping in view the requirement of rural population and micro entrepreneurs, Bank's inherent model helps to generate PSL advances. Small ticket size loans in unbanked locations pose an inherent credit risks, but with Bank's extensive knowledge and insights gained while lending to various type of micro and small businesses over the years, Bank has been able to create and deliver product offerings with minimised risks.



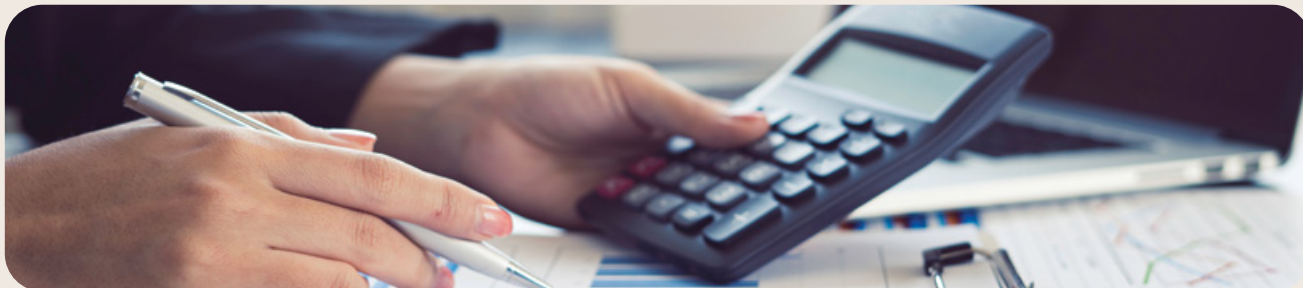
We at AU, always choose to serve the unserved and underserved sections of the society, with no formal document for income proof and no document to prove the intention of borrower for graduating to the next level.

By the very design of a small finance bank, It is thoroughly wired within us to provide access to the sectors that are a priority to nation building and imparting economic prowess. More than 75% of our lending activities (by regulation) are centered around unserved community which has removed stereotypes about banking and has enhanced social equity. The unserved are an indispensable part our banking eco-system through which we channelise capital for uplifting financial well-being from the grassroots.



Tax Transparency

Our approach in handling taxes, underpinned by the 'AU Dharma' and code of conduct is based on the following :



1

Tax is a core part of corporate responsibility and is overseen by the board of directors.

2

Compliance with the tax legislation of the country, paying the right amount of tax at the right time and respecting the underlying policy intent.

3

Transparency with all stakeholders and supporting with information regarding our approach and taxes paid.

4

Strong governance to abide to our tax principles and manage tax risk.

5

Acting with integrity and not indulging in artificial tax arrangements to avoid tax through the use of 'tax havens'.

Advocacy and Participations



The Bank actively participates in public forums on issues and policy matters that impact the interest of our stakeholders and industry.

The advocacy is primarily centred around climate change, environment sustainability and policy framework which can boost the industry benefitting the community at large. We engage with Indian Banks' Association, Association of Small Finance Banks of India, Confederation of Indian Industry, Federation of Indian Chambers of Commerce and Industry on agendas targeted at societal upliftments, regulatory reforms. Our Head of Sustainability regularly engages with Academia. In one of such engagements, He presented his insights at one of the premier institutes of management in India on 'Demystifying Climate Finance'. The intent was to root this aspect from the academia level in order to extract a fresh outlook on blending sustainability and finance.

Our perspective on linkages between **ESG and sustainability**

While the ESG factors became the hallmark of sustainable finance in today's corporate world, AU SFB, through its Sustainability Report, strives to present the way it reinvents itself and ascertains socially responsible practices through integrating sustainability in risk management while boosting sustainable investments in its lending portfolio. It reports the way the bank maintains business continuity while focusing on customer satisfaction along with its exemplary services. Besides, the bank also presents various initiatives adopted by the bank for sustenance of the planet.





Humanity journeyed through the evolutionary charts to attain the epitome of cognitive abilities ever achieved in the history of Earth. With men in the labs and voyages across the seven seas, the humans mapped the lands to build a fortune for generations over time. From agriculture to the industrial revolution, earth's resources have been subjugated to fit the needs of the growing population and suffice the wants of a highbrow society.

Over the past decade, human serendipity and menace have led to the creation of indented environmental threats that are set to damage future generations unless reversed. Hostage to an inordinate danger, the world together needs to take punitive actions to safeguard the needs of future generations without compromising on our present needs. The need to formulate policies with an inclusive approach

to address economic, social, and environmental goals globally and locally gave birth to UN Agenda 2030 – Sustainable Development Goals (SDG). A global policy framework that encompasses goals centering on various hierarchies of universal growth. Built upon the achievements of the Millennium Development Goals and seeking to address their unfinished business, Sustainable Development Goals are designed to achieve long-term sustainability in every sphere of human activity.

The preamble of Agenda 2030 highlights the three driving forces of life,— Planet, People, and Prosperity. While we only have one Earth, there also is only a single chain of life, therefore, humans need to learn that nurturing is not complex and will always lead to prosperity. While growth has been the fundamental motive of every action in the past, the SDGs

seek to explore avenues in the three dimensions of sustainable development— the economic, social, and environmental over the years in areas of critical importance for humanity and the planet.

Committed to revolutionising the orthodox banking practices, we pioneered industry-first initiatives by opening a savings account on WhatsApp, making all deposit account variants available on tab including current account and fixed deposit, and providing an end-to-end digital journey for those seeking loans on two-wheelers. In addition, we are the first and only small finance bank to launch credit cards and have started lending based on QR code transactions history, a first of its kind for any small finance bank. With the recent launch of our super app, AU 0101, we have further simplified banking. Now, we offer banking from home with

our video banking service, much to the delight of our customers.

India, a country with a young populace and sharper minds, has charted a growth graph that has been commendable globally. With a population so large and global contribution at its peak, it becomes imperative for such a nation to align itself to the SDGs at every stage and translate it into actions at the national and sub-national levels. Over the years, India has moved forward complying with international norms while designing policies to benefit not only nationally but universally, however, this requires us to accelerate our actions majorly against eradicating poverty, gender equality, climate change, marginalisation, and closing the finance gap, as identified by NITI Aayog, the nodal institution for SDG. We are aware of the complexities that each SDG highlights, that must be overcome in order to carve a nation with the vision of 'Sabka Saath, Sabka Vikas, Sabka Vishwas'.

Our prudent strategies on economic and social upliftment, along with leaving a positive impact on the environment, have always been the bedrock of our inclusive growth.

The Bank's responsibility of conducting ethical business is deep-rooted in our DNA and in our people. We have structured and inculcated our AU Dharma in the entire ecosystem of our Bank, thereby laying a solid foundation for business ethics.

Our seamless, advanced, integrated technology framework enables the users to bank digitally, thereby enhancing customer delight and saving the cost and time of our customers.

There were zero complaints concerning breaches of customer privacy and losses of customer data in FY22.

As a purpose-driven bank founded on AU Dharma. Our strategy is guided by a sense of purpose to create value for the long term, by managing our business in a balanced way and some of the key core principles guiding us in our journey are:



Integrity and ethics

We deliver products and services that promote sustainable development and conduct our business in a fair and professional manner.



Sustainable business conduct

We are an institution which is sustainable by design.



Delivering social value

We seek to be a positive force for good by supporting social enterprises and communities and giving back to the communities in which we operate.



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 enhance their expectations for businesses to deliver sustainable solutions for our planet, we locate opportunities to offer banking solutions that can help meet those expectations. We seek to address the environmental, social and governance (ESG) challenges by providing credit and facilitating trade and investment flows responsibly.

Managing Our Risks

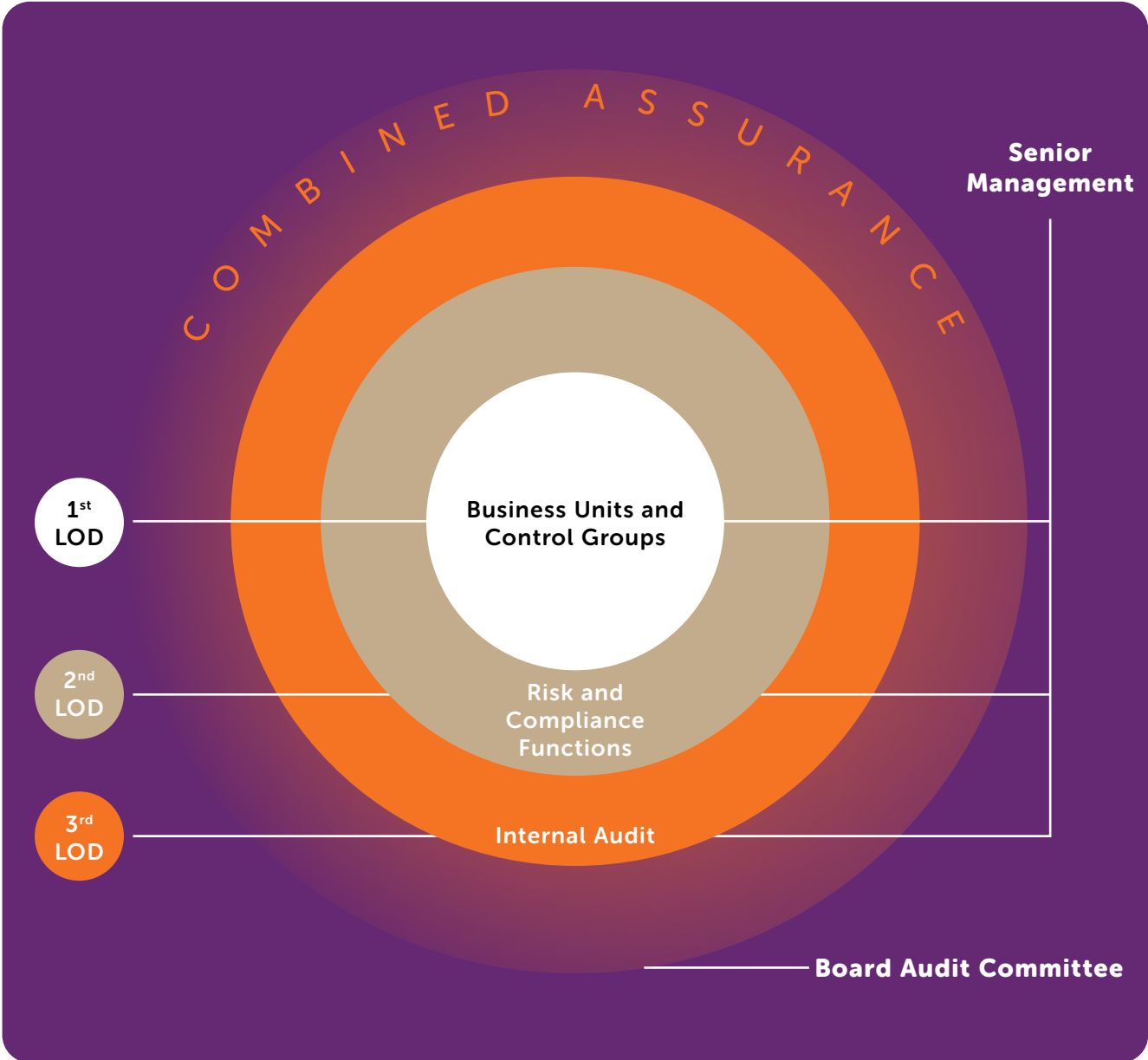
We believe a strong risk management culture is fundamental to our success. It ensures that our activities and impact are consistent with our overall strategy and priorities. Our risk approach aims to instill conscious risk assessment and control throughout the Bank as we pursue our identified growth opportunities. Our well-developed risk management framework and clear risk appetite, which describes the levels of risk we are willing to accept in executing our progress strategy, ensures a consistent focus on robust risk management.

At AU SFB, risk management is an independent function, which monitors Credit Risk, Market and Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk and other risks including ESG Risk with robust tools and know-how. Our risk management philosophy and approach are designed to protect the interests of our customers and investors as well as the Bank's reputation and strength. All decisions related to risk mitigation are taken by the Risk Management Committee of the Board, which is responsible

for examining risk mitigation policies and procedures, ensuring adherence to risk parameters, compliances and setting prudent limits for various departments through its sub-committees. With a view to having a comprehensive view on risks, our bank follows an integrated risk approach where various risks and its monitoring fold into 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. There are open channel communications

and other measures that allow individual employees to proactively identify and report potential risks throughout the organisation. Structured mechanisms are also available allowing continuous improvement in risk management practices through the involvement of employees in structured feedback process. A proper structure and process is available which facilitates incorporating risk criteria in the product development and approval process.

Risk governance structure with three Lines of Defence (LOD)



Risk Culture

Risk is the most critical element for the bank and in the banking industry this element becomes even more critical considering the Bank is the custodian of public deposits. The nature of risk in a banking industry has a wide array which evolves around Credit Risk, Market and Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk and other risks. Our bank has adopted a

multi-layered risk management process to identify, assess, monitor, and manage risks through the effective use of processes, information, and technology. The bank has an integrated risk management function, which is independent of business functions and is entrusted with the responsibility of managing risks prudently.

The bank seeks to promote a strong risk culture throughout the organisation. A strong risk culture is designed to help reinforce the bank's efforts by encouraging a holistic approach to the management of risk and return throughout the organisation as well as the effective management of the bank's risk, capital and reputation.

The bank shall be involved in risks in connection with its businesses and the following principles underpin risk culture within the organisation:

1

Every risk taken needs to be approved within the risk management framework.

2

Risk is taken within a defined risk appetite.

3

Risk should be continuously monitored and managed.

4

Each business vertical is responsible for the development and execution of business plans that are aligned with the Company's risk management and are accountable for the risks they incur.

5

Management team ensures that the inherent risks in each business vertical are comprehensively evaluated, mitigating controls built into the underwriting process and remedial measures put in place.

6

Documented policies and procedures along with regular training programmes and reviews ensures that these are uniformly understood by all employees across the organisation.

ESG frameworks assist organisations in ensuring good business and reputation. ESG reporting is a framework considering environmental, social and governance factors alongside financial factors in the investment decision-making process. Strong ESG policies can help organisations in reducing carbon footprint, water, and waste costs and in allocating resources strategically. There are various sustainable reporting frameworks, which helps organisations to evaluate the above mentioned parameters.

Global Reporting Initiative (GRI):

is a network-based multinational non-profit organisation. It creates free sustainability reporting guidelines to make it possible for all businesses to report on their ESG performance.

Sustainability Accounting Standards Board (SASB):

The Sustainability Accounting Standards Board is a non-profit organisation to develop sustainability accounting standards. We have aligned our emerging risks and opportunities with the SASB sector specific materiality framework.

There is an increasing focus of Indian regulatory authorities such as Securities and Exchange Board of India (SEBI) and Ministry of Corporate Affairs (MCA) pertaining to companies' disclosure of ESG-related information through introduction of Business Responsibility and Sustainability Reporting (BRSR), which is reflective of the intent of such regulatory authorities to set up an ESG disclosure regime. The setting up of the Sustainable Finance Group (SFG) by the Reserve Bank of India (RBI), recognition by RBI of the importance of green finance in India.

ESG also poses risks if not assessed properly. the **Global Risks Report, 2022**, published by the World Economic Forum, presents the results of the latest Global Risks Perception Survey (GRPS) and an analysis of key risks resulting from recent developments in economic, societal, environmental, and technological fields. According to the survey, over the next five years, respondents signal societal and environmental risks to be of foremost concern. Over a 10-year horizon,

environmental risks are perceived to be the most critical long-term threats to the world as well as the most potentially damaging to people and planet, with 'climate action failure', 'extreme weather', and 'biodiversity loss' ranking as the top three most severe risks.

In India, as per the latest annual report by the India Meteorological Department (IMD), 2021 was not only the fifth warmest year since 1901, but also the warmest decade on record from 2012 to 2021. Moreover, 11 of the 15 warmest years on record were between 2007 and 2021. The rise in average temperatures could have a cascading effect on extreme weather events, crop patterns and urban disaster management.

A report of the Ministry of Earth Sciences, Government of India, has concluded that since the middle of the twentieth century, India has witnessed a rise in average temperature; a decrease in monsoon precipitation; a rise in extreme temperature, droughts, and sea levels; as well as increase in the frequency and intensity of severe cyclones. There is compelling scientific evidence that human activities have influenced these changes in regional climate.

These developments pose challenges for humanity and warrant an immediate, large-scale and rapid reduction in GHGs

Climate change is being recognised globally as a source of financial risk for banks. The uncertainty about the timing and severity of climate-related and environmental risk certainly threatens the safety, soundness and resilience of individual Regulated Entities (REs) and, in turn, the stability of the overall financial system.

It is therefore recognised that the REs should steadily manage the risks and opportunities that may arise from climate change and environmental degradation. Further, with the increasing threat of climate change and the associated physical damage, change in market perception and shift in preferences towards more environment-friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent.

Risk Management framework

The Risk Management framework is a layered structure and broadly consists of the following aspects for effective risk management across the Bank:

Credit

Risk Management



Risk

Credit risk arises from business operations that give rise to actual, contingent, or potential claims against any counterparty, borrower, or obligor. The scope of the Credit Risk unit includes measuring, assessing, and monitoring credit risk within the Bank through strengthening underwriting norms, keeping close watch on asset quality trends and concentrations at individual exposures as well as at the portfolio level.

Mitigation

Bank has Credit Committee and Credit Risk & NPA Management Committee (CRNPAC) that oversees and reviews the credit risk and is responsible for prudential limits on large credit exposures, asset concentration, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. All aspects of credit risk are governed by the Credit Risk Management Policy and other Policies.

Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Loan administration and monitoring is carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio

Review, and Annual Monitoring of High Value Customers.

Credit Risk and NPA Committee follow the guiding principles listed below:

- Ensure that a governance framework is established for an effective oversight, segregation of duties, monitoring and management of Credit Risk in the Bank.
- Ensure that the sourcing and approval of credit proposals are as per the defined strategies, systems, and processes.
- Ensure that guiding principles shall be laid down for the setting up and monitoring of the credit and credit risk appetite and limits.
- Establish standards to facilitate effective identification and assessment of credit risks in the Bank.
- Establish standards for effective measurement and monitoring of credit risk.
- Ensure adherence to the guidelines/policies related to credit, credit risk and NPA management as issued by the Reserve Bank of India (RBI) from time to time.

Operational

Risk Management



Risk

Operational Risk has been defined by the RBI as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk.

Mitigation

The Bank has the Board delegated Operational Risk Management Committee ("ORMC") to oversee implementation of the operational risk management framework across the Bank and advise on implementation of measures for risk mitigation which further reports to Risk Management Committee of the Board. The Bank follows an integrated risk approach, where operational risks and its monitoring folds into Chief Risk Officer (CRO) and ORMC. The Bank has in place a board approved Operational Risk Management Policy which includes a comprehensive Operational Risk Management Framework for documenting, assessing, and periodic monitoring of various risks and controls linked to various processes across all business verticals.

The Board Delegated Credit Committees submit their updates to Risk Management Committee of the Board at regular intervals.

The Bank also has Risk Containment Unit (RCU) that is guided by a Board approved Fraud Risk Management Policy.

Fraud cases reported in the Bank are appraised to the Audit Committee and the Board and fraud cases in excess of ₹ 1 crore or more are specifically reported and dealt by the Special Committee for Fraud Monitoring ("SFMC") of the Board. The Bank is continuously strengthening its systems, operational practices and processes, procedures, controls, and review mechanism so that fraud-prone areas are sanitised against internal and external breaches and by continuously monitoring that these control measures are operating effectively.

With the launch of Digital Banking, the Bank has seen significant milestones in both at customer facing technologies and internal digitisation. To ensure safe and secure transactions and improve the customer experience at the digital fronts, the Bank monitors the transactions on an ongoing basis. As Bank prepares for the next step in the world of Digital Banking, it is confident that its technological capabilities will propel the next phase of growth in the coming years

The Bank has in place a comprehensive Outsourcing Risk Policy in line with RBI guidelines released on time-to-time basis keeping in view the extensive use of outsourcing by the Bank. Board shall have the ultimate responsibility for the outsourced activity. However, for ease of functioning, the powers have been delegated to the Risk Management Committee of the Board ("RMCB") of the Board and Committee for Outsourcing of IT and Financial Services. The outsourcing policy document of the Bank lays down the framework adopted by the Bank for reviewing and approving outsourcing of services that includes plans and procedures to evaluate, assess, approve, review, control and monitor the risks and materiality of all its vendor/outsourcing activities and serve as a guidance to the Bank to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities.

The Bank has in place a comprehensive Business

Continuity Management (BCM) plan, policy, and procedures in place to ensure continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. The Bank’s business continuity Programme is developed considering the criticality of the functions performed and the systems have been designed to minimise the operational, financial, legal, and other material consequences arising from such a disaster and focus is on ensuring faster recovery of and minimising

impact on the IT systems of the Bank. The Bank activated its BCP plans even before the lockdown was announced and employees started working remotely from 22nd March 2020. This empowered us to deliver sustenance in our customer offerings and a high degree of uptime in the digital channels. Bank hereby report that the Bank’s Business Continuity Management was operating effectively throughout the year.

The Bank has responded to the COVID-19 pandemic adequately

through robust Business continuity management, by promptly catering to customer and other stakeholder’s requirements without fail. The Bank make sure that the lessons learnt from the pandemic are not lost and are evolving BCP learnings on the go. Bank has been constantly working to simplify the business processes to become even more customer centric during these tough times. Further, Bank has Cyber Crisis Management Plan in place to address any disruption due to cyber events.

Market

Risk, Liquidity and Asset Liability Management



Risk

Market Risk for the Bank originates from investment and trading in securities, which are undertaken both for the customers and on a proprietary basis. The market risk management framework of the Bank sets benchmark for market risk exposures, the performance of portfolios vis-à-vis the market risk limits and comparable benchmarks, which provide guidance to optimise the risk- adjusted rate of return of the Bank’s investment portfolio. Liquidity risk refers to Bank’s inability to fund an increase in assets or withdrawal of liabilities and meet both expected and unexpected cash & collateral obligations at reasonable cost without adversely impacting its financial condition.

Mitigation

Market risk management is guided by well-defined policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures

against various risk limits set in accordance with the risk appetite of the Bank. The Bank utilises the analytical tools for the market risk management of its trading and investment portfolios.

The Asset Liability Management (ALM) Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is able to meet its liquidity obligations as well as to withstand

a period of liquidity stress from Bank-level factors, market-wide factors, or a combination of both. The Board approved policy captures the risk appetite around the liquidity and market risk of the Bank and helps to put in place defined governance structure in

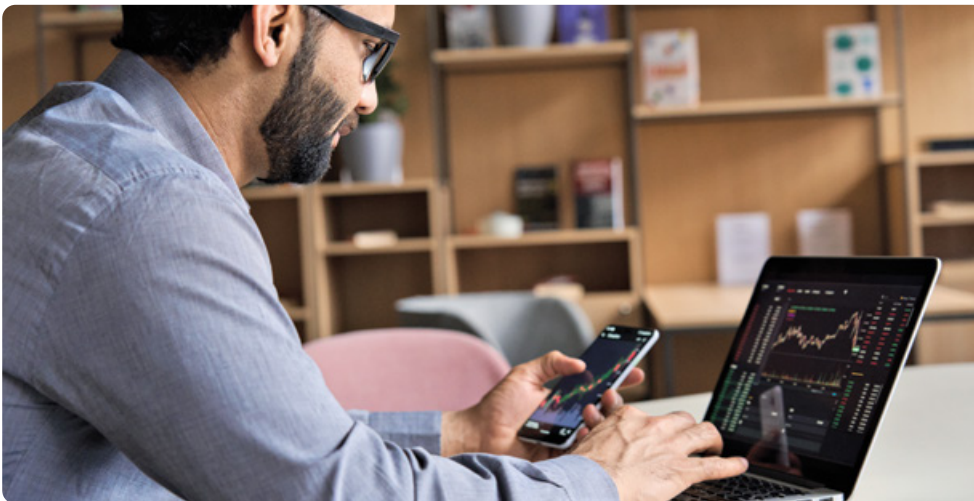
consonance with the Bank's Risk Appetite.

The Asset Liability Management Committee (ALCO) of the Bank oversees the framework for identification, measurement and management of market risk,

interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory prudential limits and operate within the approved risk appetite by the Board

IT

Risk Management



Risk

Bank is growing with digitisation and aimed at leveraging digital technology to provide a best-in-class experience for its customers while simultaneously enhancing productivity and improve on IT risk management. Risk of cyber-attacks on Bank's systems arises among others from computer viruses, malicious or destructive code, phishing attacks, denial of service or information, application vulnerability and other security breaches resulting in disruption of its services or theft or leak of sensitive internal data or customer information.

Mitigation

The Bank has established a robust information and cyber security framework for securing its IT infrastructure and systems. IT Steering Committee and Information Security Risk Management committee reports to Board level IT Strategy & Information Systems Security Committee. This committee reviews and monitors IT security infrastructure and vigilance over

IT related vulnerabilities against emerging cyber security risks. The Chief Information Security Officer ("CISO") is responsible for monitoring the information security risks covering all aspects of data security for the Bank who reports to Chief Risk Officer (CRO). Cyber Security Operation Center (CSOC) with qualified professionals is reporting to CISO for monitoring of real-time cyber security glitches.

Bank has also deployed advanced controls at various layers to ensure that cyber security risk in minimized

Further, Bank has a cyber security management framework, a combination of technologies, processes and practices designed to protect networks, computers, programmes and data from cyber-attacks, damage, or unauthorised access.

Reputation

Risk Management



Risk

Reputation risk can negatively impact the Bank’s ability to attract or retain customers and expose it to litigation and regulatory action.

Mitigation

Bank communicates with its stakeholders regularly through appropriate engagement mechanisms to address

stakeholder expectations and assuage their concerns, if any. There is Zero tolerance for knowingly engaging in any

activities that are not consistent with values, Code of Conduct, or policies of the Bank.

Compliance

Risk Management



Risk

The adoption of effective KYC/AML standards is an essential part of Banks’ Risk Management practices. Banks with inadequate Compliance (AML/KYC) risk management programmes may be subject to significant risks, especially legal and reputational risk. Sound Compliance (AML/KYC) policies and procedures not only contribute to a Bank’s overall safety and soundness and also protect the integrity of the banking system by reducing the likelihood of Banks becoming vehicles for money laundering, terrorist financing and other unlawful activities. Recent initiatives to reinforce actions against terrorism in particular have underlined the importance of Banks’ ability to monitor their customers wherever they conduct business.

Mitigation

The Bank has a dedicated Compliance Department that continuously monitors new developments and updates the Bank's Board and senior management about its implications. The Bank has a strong

compliance culture and have well-articulated policies with regard to conduct, Vigil Mechanism, AML& KYC, and engagement with third party vendors. Compliance & risk department updated status of compliance & controls to

Audit Committee Board (ACB) on regular basis to review and advise on implementation of measures for AML /KYC risk mitigation along with effective Transaction monitoring

Enterprise Risk Management (ERM)

We have developed an enterprise risk model (overall risk assessment scorecard) which is designed to strengthen our capability to identify, measure, monitor, mitigate and report all the risks in a timely and comprehensive manner

This covers both financial and non-financial risks

The results of this ERM model are presented to the RMCB on a quarterly basis.

The ERM model covers 7 broad risk categories, which are further divided into 18 risk factors, based on 53 risk parameters; each risk parameter as well as risk factor is allocated defined weights and is subject to periodic review

The 7 key risks are:



Credit Risk



Operational Risk and Fraud Risk



Balance Sheet Risk



People Risk



IT and IS Risk



Liquidity & Market Risk

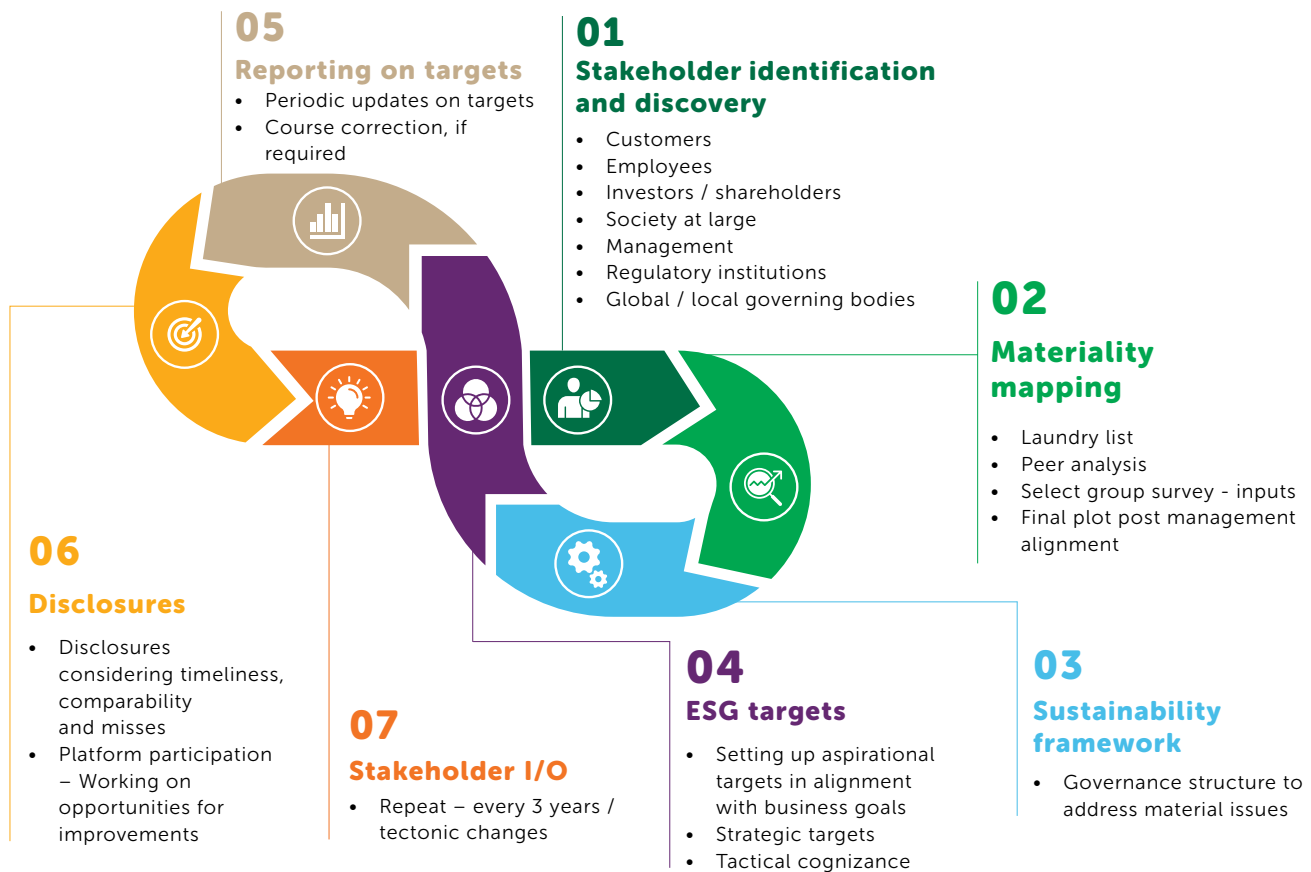


Compliance Risk

Overall Bank's risk management philosophy and approach are designed to protect the interests of our customers and investors as well as the Bank's reputation and strength. The Bank is having a strong asset quality with major part of its advances as secured. Bank is also focusing towards emerging ESG risks. Bank has robust risk management policies and practices to take timely corrective action, mitigate the risk and reduce its likely impact.


Sustainability Approach







Our sustainability framework was developed using stakeholder insights. A stakeholder is someone who is impacted by and has an impact on our business.



Stakeholder Engagement

Our key stakeholder groups, focus areas and modes of engagement are summarised in the table below.

Stakeholder group	Key focus areas	Modes of engagement	Frequency of engagement
 Customers	<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 	Continuous engagement as per requirement

Stakeholder group	Key focus areas	Modes of engagement	Frequency of engagement
Investors and shareholders 	<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 	Quarterly / Annual
Regulator & Government 	<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 meetings - onsite and offsite • Policy updates, circulars, guidelines, and directives • Mandatory filings of information –regulatory and need based • Various government schemes and policies 	Continuous engagement as per requirement
Employees 	<ul style="list-style-type: none"> • Employee health, safety, and well-being • Create a culture that encourages ethical practices, promotes meritocracy, and rewards high performance • Professional development of our employees through nurturing and providing growth opportunities • Diverse and inclusive workplace 	<ul style="list-style-type: none"> • Internal meetings and town halls • Performance discussions and periodic reviews • Training and development workshops • Learning initiatives like AU Excellence Academy and knowledge series • Workplace safety, health, and engagement initiatives • Employees connect initiatives like - Anticipation & Reflection platform sessions with MD&CEO + Head of HR, Coffee with CIO, Seedhi baat MD ke Saath. • Feedback and surveys 	Continuous engagement
Partners 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 and so on. • 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 online and offline meetings • Phone calls, surveys • Workshops, conferences 	Continuous engagement
Society 	<ul style="list-style-type: none"> • Contribution towards various causes/ programmes for skill development, women entrepreneurship, financial and digital literacy, safe and drinking water, education, healthcare and so on. • The financial assistance and support that the bank provided is providing to customers, clients, and communities during Covid-19 • Proactive involvement in community development and upliftment of unbanked rural regions 	<ul style="list-style-type: none"> • CSR initiatives at multiple locations direct or through implementing agencies • Social activities through AU Foundation • Social media communication • Regular meetings and interventions • Financial literacy programmes • 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 as well as other common agendas to build a thriving society • Build an operating ecosystem to track and measure energy consumption • Ensure end use of products offered by the Bank is in consonance with environment policies 	<ul style="list-style-type: none"> • Social media • Internal and town hall meetings • Campaigns and promotions • Reports and publications • National and International forums 	Regular

Materiality Assessment

Materiality assessment is a strategic enabler and is substantial for long-term value creation. We revisited our materiality to identify sustainability issues that impact our business and actively respond as needed, sharing our progress with stakeholders in a transparent manner through our sustainability report.

हमारा बैंक मैटेरियलिटी को मज़बूत करने की प्रक्रिया में जुटा हुआ है। मैटेरियल इश्यूज वो होते हैं जिनमें हमारी संस्था को प्रभावित करने की क्षमता होती है एवं इनकी उत्पत्ति सामाजिक-पर्यावरण-आर्थिक परिस्थितियों के द्वारा होती है। इन इश्यूज को पहचानने के लिए बैंकिंग एवं अन्य बिज़नेस क्षेत्रों के मापदण्डों को तैयार करना आवश्यक है।

We pooled and reviewed all relevant issues based on media reports, peer benchmarking, global standards and initiatives in sustainability management, and expert opinions. Based on a comprehensive analysis of the level of impact on our stakeholders from economic, social, and environmental perspectives as well as the business impact, including revenues, costs and reputation, we identified and prioritised the most meaningful and relevant material issues.



Shortlisting the material aspects

Material Issues are issues which have potential to impact our organisation and are derived from current socio-enviro-economic conditions.

We zeroed on a pool of relevant issues relevant to our nature of business based on media reports, peer benchmarks(banks both Indian and global, Non-banking financial institutions, auto OEMS, companies engaged in financing home loans, vehicle loans lending firms), global standards and initiatives (UN SDGs, TCFD, GRI, SASB, WEF metrics). Post this exercise, a laundry list of material issues was created.

To refine the laundry list, a survey was conducted with a select group and their insights were factored in to 20 probable material issues.



Assigning significant priority

1. Relevance to stakeholder (Y – axis)

We assessed the economic, social, and environmental impact on stakeholders (customers, shareholders, investors, employees, suppliers, local communities, NGOs, industry organisations, industry experts, the government regulators and the media).

2. Relevance to business (X – axis)

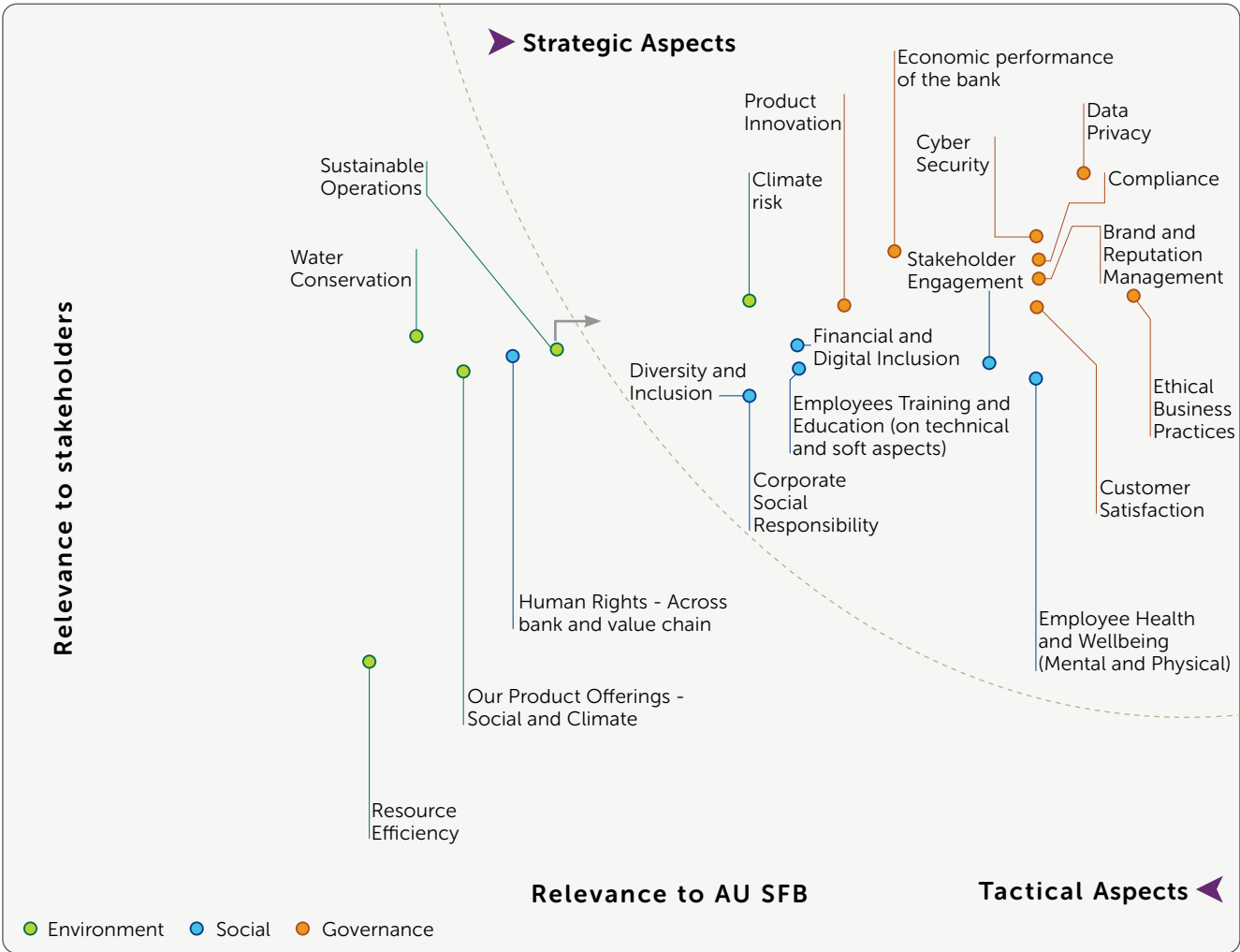
The inputs from the Board and the senior leadership formed the relevance to business.



Review and arriving at strategic and tactical material indicators

The aggregated inputs from the management (Leadership + Board) were combined to arrive at 'Relevance to AU SFB' as rated by Management on X axis and cumulative weighted average scores for other stakeholders (investors, academia, value chain, peers) on the Y axis, several topics were in upper right quadrant. The aggregated inputs from the senior management were combined to arrive at AU SFB's materiality map as shown below.

Materiality matrix



Feedback from our stakeholders



Leadership

This is really vast and diversified subject, as an organisation, it becomes extremely important to think and execute in our plans and actions.



Industry

Good initiative to include extended stakeholders for materiality exercise.



Employee

Each employee can be given a sustainability target in addition to business target.



Customer

Excellent Customer service.



The financial sector is key socio-economic driver in limiting the transition upto 1.5° to 2.1° by appropriately channelizing flow of capital.

In the last 27 years as a financial institution and 5 years as a bank, we have made significant strides in our journey towards social elevation & financial inclusion of the community through a sustainable tech-led and retail-focused Bank.

Over the last couple of years, environmental, social and governance (ESG) aspects have acquired significant prominence in the finance community.

Typical Life of infrastructure is around 25 - 30 years. Financing right assets today will transform towards a sustainable tomorrow.

One of the most prominent circumstantial drivers is 'Climate Change' and its waxing effect on multiple fronts. Climate changes has changed the way businesses operate and have given way to emerging scenarios that do not fit into the conventional business approach. Cost of Mitigation is certainly lesser than the cost of adaptation to climate change.

With the recently concluded COP27, The launch of 'loss & damage fund' would act as a constructive enabler to address ESG concerns.

While consistently 'rooting for sustainable change', we continue to play a pivotal role in exploring synergies to promote socio-economic development.

– **Rajesh Sharma**
Head of Sustainability



Basis the outcome of the materiality assessment, we have classified our material aspects into the following categories

Strategic aspects

These are the aspects which have a strategic intent on the overall business and will pave the way to steer ourselves in the changing paradigm. At the same time, these aspects shall also enable us to set aspirational targets on sustainability that would resonate with long-term value creation for stakeholders and will facilitate sustainable growth.

Tactical aspects

These aspects would certainly be in line of our sight as they are integral to the business and have intrinsic value. These aspects have a strong possibility to migrate into strategic focus on account of evolving business needs and changing stakeholder expectations.

Sustainability Framework

Understanding hidden evolving risks and capturing opportunities depend on determining the relevance of material indicators with regular reviews.

The Materiality matrix acts as the spine of our sustainability approach, with 360-degree alignment to implement systemic change.

As a direct output of the Materiality exercise, we are formulating. This framework would lay the foundation for our future strategic initiatives in the ESG domain. The framework is pivoted on five pillars namely – Climate Resilience, People, Inclusive

Prosperity, Responsible banking, Customer centricity.

Sustainable operations are critical to our business and are included in the overarching framework (shifted from tactical to strategic). As we move closer to becoming a 'future ready organisation,' upskilling and development of our employees through education and training is important. Customer satisfaction is covered in 'Customer Delight' pillar under customer- centricity as

we are an aspirational institution aiming towards customer delight through innovation in our services and products.

Compliance & Ethical business practices are clubbed together in order to bring a comprehensive wrap as these two elements form the basis for operations and growth.

We are further strengthening our non-financial data capturing and recording mechanism.





Overarching sustainability framework

Structured governance around sustainability



Climate resilience

- Climate risk
- Sustainable operations



People

- Diversity, equity and inclusion
- Upskilling and development
- Well-being and safety



Inclusive prosperity

- Financial and digital inclusion
- Corporate social responsibility



Responsible banking

- Financial performance
- Compliance and ethical practices
- Cyber-security and data privacy



Customer centricity

- Customer delight
- Innovation
- Brand and reputation

Stakeholder engagement and insights

Communication and advocacy

Climate Resilience



Climate Risk

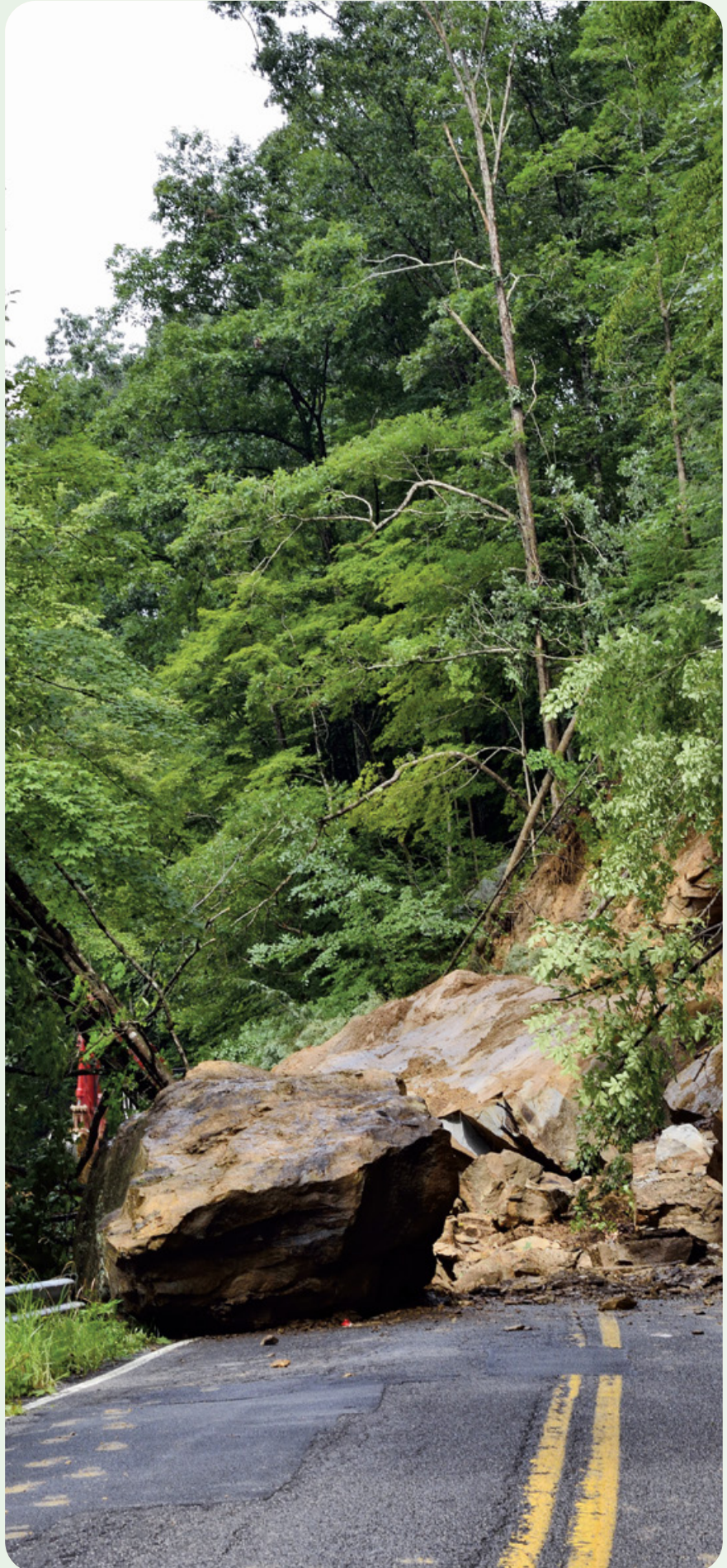
- Climate change is increasingly being recognised globally as a source of financial risk for banks.
- The uncertainty about the timing and severity of climate risk threaten the safety of the financial system. Central banks and financial regulators across the globe have started to factor in climate change.

Physical risks

- Cash flows may be stressed on the occurrence of a local / regional weather event.
- Chronic flooding or landslides are a risk to the value of the collateral that have been taken as security against loans.
- Severe weather events may damage a owned or leased physical property and data centres.

Transitional risks

- Technological innovations may decrease the value of assets dependent on the older technologies or fossil based technologies (the stranded assets) causing losses on investment and reduction in cash flow.
- Customers may request that their savings or investments be directed towards businesses with more climate-friendly policies.





Sustainable Operations

Since inception, AU SFB has operated responsibly towards environment sustainability. We are addressing our emissions footprint through digital interventions, and emission reductions wherever possible, including by investing in low carbon fuel innovation and exploring the option of powering our operations with zero carbon electricity. We endeavour to balance any remaining emissions with investments in high quality, verified emissions reductions (carbon credits or carbon offsets) from projects around the world that promote improved land management, reforestation, and the protection and restoration of natural ecosystems. We are also committed to reducing our greenhouse gas emissions beyond our direct operations to include the production and delivery of our products and services, commonly referred to as Scope 3 emissions.

Our approach towards digitisation of our products and services

Digitisation touches almost every aspect of people's lives. Changing customer preferences and the need for personalised services are driving the shift from traditional banking channels to digital banking. On our journey towards being an environmentally conscious bank, we have launched a gamut of initiatives that are a testimony to our intent towards simplifying banking by eliminating unnecessary steps and enabling smooth onboarding of customers while reducing negative impact on the environment. Furthermore, we have created a robust technology platform to build a new-age digital banking ecosystem enabled by tab-based infrastructure. These products and services help us reduce customers' valuable time and energy which in turn has invariably resulted in reducing paper consumption.

We are investing in initiatives and innovations to building a digital gateway to a sustainable lifestyle. Our investments in digital technologies have simplified banking and enabled a smoother customer journey. In addition, we have created a robust technology platform as part of the new-age digital banking ecosystem. We are using tab-based banking and video banking, thereby reducing customers' branch visits and our own carbon footprint. We have undertaken the following green initiatives:

Digital banking: Over 90% of our deposit accounts are opened through digital platforms, with the main one being Tab Banking. Expanding our capabilities, we are adding more end-to-end customer on-boarding journeys on this platform like Secured Business Loan (SBL), Home Loan, 2-wheeler and 4-wheeler Loan, Credit Card, and Insurance. The bank witnessed strong growth in the adoption of tab-based account opening, Android-based mobile banking, WhatsApp banking (24/7 banking solutions), and Net banking, thus minimising paper usage, reducing waste generation, and achieving improved waste management.

Video banking: We launched video banking in the previous financial year during the pandemic with a vision to offer all our services virtually through video-enabled chat with branch executives, eliminating the need for branch visits. This initiative helped us two-fold in promoting digital banking and inspiring our customers to adopt a more environmentally sustainable banking channel.

Launch of AU 0101: The app enables our customers to bank from home and which contributes to reducing carbon footprint; seamless video banking enables customers to avail all our services virtually through a video-enabled chat with branch executives, eliminating the need to travel to the branch.

We encourage customers to choose electronic receipts at ATMs, then send them a detailed SMS on their most recent transaction and bank balance to their registered mobile number to reduce paper usage.

We also teamed up with the transport department of Haryana to automate the ticketing process, allowing for the conservation of natural resources.





Green portfolio

With our Wheels portfolio, we are steering towards funding the adoption of electric vehicles. With 9% of our Wheels book covered under the green portfolio, we are focusing on customising loan products to cater exclusively to Electric Vehicle (EV) customers. Further, in the quest to build a sustainable community, we are investing in green energy as part of our long-term sustainability plan.

We are optimistic about a shift to solar, wind, and other renewable energy sources and mass adoption of EVs in the coming years. We have started participating in the PMKUSUM (Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyan) scheme, whereby we have initiated funding solar energy projects. We have installed a 1.25 MW solar plant in Jaipur.

GHG action strategy

Our GHG reduction plan is based on a 3-pronged strategy on these aspects –

- **Energy efficiency enhancement:** Optimising energy consumption through efficiency improvement projects, LEDs, proximity sensors, and automation is our prime focus.
- **Afforestation strategy:** AU SFB is focused on enhancing its green cover in offices and beyond the periphery.

Existing fixed infra

Increasing our efficiency efforts in our existing buildings and assets has been, and will continue to be, a core part of our climate strategy. In the past, these efforts have ranged from replacements and lighting

retrofits, to installing intelligent energy management devices. Our standards for operational retrofits will align with sustainability.

New fixed infra

New assets provide us an opportunity to avoid emissions altogether – making choices that minimise our environmental footprint for the life of the asset, while reducing consumption of non-renewable resources, conserving water, minimising material use and waste.

Greenhouse gas (GHG) protocols

Scope 1: In this category we are accounting our major emission source, that is the burning of fuel (High Speed diesel (HSD) in the Diesel generator sets at office locations.

Scope 2: includes all emissions due to energy generation we purchase from



external sources, such as electricity from state electricity boards.

Scope 3 : The GHG protocol specifies a total of 15 categories of Scope 3 emissions. The determination of Scope 3 emissions is based on comprehensive methodological considerations and includes upstream + downstream emissions. Out of the 15 indicators, business travel by air is being mapped and disclosed for select period as we are streamlining the inventory process of Scope 3. We have also initiated deploying standees having QR code to capture employee commute data on a routine basis at our offices. The emissions per person in case of business travel by air is 83.12 kilogram per passenger.

We are working towards contributing to SDGs and the national commitment of becoming net-zero by 2070. We have undertaken several steps to minimise emissions, which include wide adoption of digital banking channels, energy efficiency measures and paper conservation. This stands as testimony to our commitment towards addressing climate change impacts and



managing our environmental footprint. We continue to focus on energy and emissions reduction measures in all our operational outlets. Virtual meetings and embedding digital and paper-

less banking have significantly reduced direct emissions from our operations. It has also helped decrease our traveling and conveyance expenditure.



Energy Management

We have undertaken various green initiatives to ensure a healthy and sustainable ecosystem within and beyond. Thus, we are investing in energy-efficient alternatives to methodically manage our carbon footprint. We are constantly making efforts to build and nurture a nature-friendly environment for our working staff in all our operational branches. Efficient usage of energy and sensitivity towards climate change are vital for us. Our long-term goal is to promote renewable energy, be sustainable by limiting direct emissions from our operations, and reduce the effects of climate change.

Our efforts in responsible energy consumption

We endeavour to improve energy efficiency and systematically manage our energy consumption without compromising on customer experience. We have been working extensively to reduce our energy consumption across operations by regulating energy-efficiency of existing equipment, installing energy-saving equipment, and promoting renewable energy, among others.

Some of our key energy conservation measures until FY22 are:

- Replacement of DG sets by lithium-ion batteries/invertors at our branches helps us to reduce our direct energy consumption and corresponding carbon emissions.
- Efficient usage of air conditioning systems by :
 - Installing British Thermal Units (BTU) metres in chilled water system for air conditioning
 - Minimal usage of cooling materials to reduce our reliance on ACs



- Installing insulation in our offices to reduce heat at the workplaces resulting in less energy consumption
 - Installed energy efficient star-rated appliances and equipment to minimise electricity consumption
 - Adopting energy-efficient lighting systems by installing LED light in all our offices, branches, and outlets
 - Installation of Automatic Power Factor Correction (APFC) capacitors in all-electric panels across all branches and implemented power factor system in those panels to utilise electricity efficiently
 - Optimal usage of natural ventilation/sunlight through modern architectural designs in our offices
 - Installation of 1.25 MW solar plant in Jaipur, Rajasthan helps us expand our portfolio of renewable energy sources.
- We are re-defining our practices to embed technological and environment-friendly interventions in our internal operations to minimise our environmental footprint. These efforts include elevator scheduling, installing sensor-based lights and signages, among others.
- Server virtualisation process where data is being migrated from physical servers to software based virtual machines. This remains the most effective way for us to



reduce energy consumption while boosting system efficiency and agility.

- Variable Refrigerant Flow (VRF) and Variable Refrigerant Volume (VRV) systems are integrated and installed in our ACs in all our offices. This modern technology helps in circulating only the minimum quantity of refrigerant required for a single heating and cooling cycle in the ACs allowing

end-users to individually regulate air conditioning zones at the same time.

- Installation of automated timer for electricity consumption in all our offices helps in cut-off electricity at designated time and glow signages during electricity cut-off
- Control electricity pilferage by installing I Touch Manager. I

Touch Manager is an intelligent touch manager that alerts us of which areas, or appliances, or equipment consume more energy, so that we take appropriate steps to cut down on that consumption.

- Activation of interlock feature, which turns off units while windows are open, to help us save more energy.



Furthering water security

Many of our premises are designed with a mindful architecture that contributes to conserving water. We also have water harvesting systems installed to save and reuse the rainwater for daily activities. We are expanding this design thinking across our operations,

especially in the water-stressed areas. Use of sensor-based taps is being encouraged at all locations. Since the AU Jal Bank's inception, we have installed 300+ water ATMs and developed drinking water infrastructure in various locations around our operational geographies.

We have also constructed community water tanks in eight remote villages of Rajasthan, benefiting **more than 240 families**.



Some of our key waste management measures until FY22 are:

- Introducing digital visiting cards aiding in reducing paper wastage while discontinuing and discouraging printing of physical visiting cards since FY22. We have also engaged with our representatives to discourage them from usage of physical visiting cards.
- Replacement of single use plastic bottles with refillable glass bottles in all our offices.
- Responsible usage of compressed wood modulars in our offices which are environmentally benign, reusable, and recyclable.

AU Foundation promotes the Nirjhari Women Artisan Company, a women’s collective that was initially established for making home-furnishing products. In our quest to put less stress on the environment and reduce the emission of harmful chemicals, the need for making eco-friendly products has been patronised.

Efficient waste management in our operations

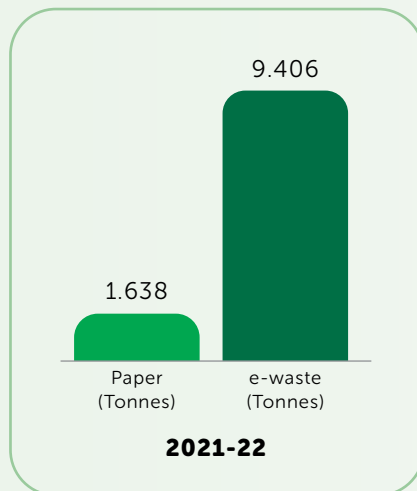
As a responsible banker we are constantly working towards minimising our waste footprint by reducing the amount of waste generation and effectively managing resources across operations.

E-waste is the most significant waste generated in the banking sector. With our operations and network expanding every year, management of e-waste is a significant area of focus. We are constantly exploring opportunities to recycle generated e-waste. The e-waste generated from our operations is disposed of in a structured manner only through authorised entities and authorised recyclers.

We make every effort to reuse our electronic devices like laptops/ desktops and we dispose the e-waste generated through

authorised recyclers. We follow no single-use plastic policy and have substituted single-use plastic articles with recyclable and biodegradable alternatives.

We also procure electronic devices from manufacturers with proper certification to ensure they are complying with the necessary regulations on the disposal of hazardous substances.





Supporting 'Save the Soil' movement

Having recognised environment as our key stakeholder last year, we supported the Save the Soil international campaign, augmenting global attempts to replenish soil quality.



Usage of certified green-wood furniture

Sustainable green practices have now become an integral aspect of total performance. Improving sustainability in our office furniture and reducing environmental impact also become our priorities. We think that a healthy balance of environmental responsibility, financial stability, and community involvement is the key to long-term success. We take responsibility for recycling old furniture in whatever way we can, and we make sure to utilise only certified green-wood furniture that can be created responsibly. All our locations now have certified green-wood furnishings.

Biodiversity initiatives

Some green efforts that we have implemented for the benefit of our environment, as well as our commitment to these activities, are not insignificant. We organised a plantation drive to raise environmental consciousness among the public, and we planted more than 10,000 trees in various parts of India, which we consider a huge achievement for our organisation. To demonstrate our commitment, we promoted green plants and gardens on the grounds. We also created a traffic barrier as part of our green project. Presents in the form of desk plants are something we support.

To combat the blazing heat of summer, we supplied many AU-branded water containers/ feeders for birds as part of co-habitats initiatives.

All individuals **looking to live a healthier lifestyle** will appreciate the wonderful contribution of outdoor training equipment or an open gym.



People





Sustainability is an integral part of our Bank’s culture and Human resource remains a core contributor in the journey of sustainability, as it is our people at AU SFB who turn abstract goals into measurable achievements. Our philosophy remains as “People First” at all times and all our initiatives are planned around the same.

The Financial Year 2021-22 completely changed our focus towards the way we operate and manage things at workplace. Effective communication and prioritizing the health and wellbeing of our employees were the main pillars of our People strategy. As we moved into the second year

of the pandemic, we monitored the increase in the number of the COVID-19 cases where we took immediate measures to communicate the situation transparently and took the right actions to keep our employees safe ensuring business continuity.

We developed and implemented business strategies through a robust business continuity plan catering to all the stakeholders. Our strategy of operating was designed to be a fine balance of both digital and physical i.e. “**Phygital**”, we focused sturdily on getting the right people at the right place. While we needed employees on ground to ensure our business run smoothly throughout

the year with minimum disruption, we also built strong talent in our digital space who were responsible for constantly innovating so that we remain best in the market.

To achieve this, we hired more than 10,000 employees in the year and around 85 employees joined us at grade Vice President and above. We hired around 250 employees in IT and digital.

We put our employees at the center of everything we do and we are committed to promoting their professional and personal development and by helping them maintain a good work-life balance.

Upskilling and Development

Our commitment towards continuous upskilling and learning of our employees helps us in becoming the best version of ourselves.

At AU SFB, we have been investing our significant resources in talent development which contributes to our Bank’s growth and the implementation of our long-term strategy. We offer our employees several tools to help them in

their personal and professional development, including assistance in education, e-learning programmes, and in-house learning opportunities.

We have also brought in paradigm shift in our approach to learning & development (L&D) by establishing Diversified Digital Training Need and Assessment model. This model helps in aligning employee training need with business priorities.

We have also introduced several talent development and certification programmes aimed at building the leadership capabilities of our middle management team so that they will be able to spearhead our organizational objectives to the next level of success and achievement. AU Bank is working on strengthening the data recording mechanism related to training imparted to its employees.



Further, we strengthened our offerings of professional development for our employees, below are few of the L&D highlights

Top notch trainings to our leadership team in association with external training institutes aimed at Developing leadership and communication skills to inspire and motivate others.

'DISHA' a program aimed at middle management levels, focus on inspiring and inflaming a passion to stretch beyond limit and sprouting as role model.

'Winning Team and Management Development Program' delivers key competencies and management essentials for frontline managers to enhance their effectiveness.

'Eklavya' delivers key competencies and essentials of customer experience for frontliners to enhance effectiveness.

'Faculty Development Program' in association with Indian Institute of Banking and Finance (IIBF) a program aimed at developing ability to conduct meaningful sessions.

'Credit Risk Management and credit culture' delivered by Senior Ex. Banker, aimed to credit employees, and focus on building functional competencies towards managing credit risk.

FIRST TIME MANAGERS - A program to help our employees in their transition from Officer to Manager and further elevation in career.

SAKSHAM - A program that helps employees to get the right skills for delivering their KRA and sharing an enabler for growth.

'AURA' in association with Manipal Academy, a Programme emphasis on developing crucial competencies of Relationship Managers to deal efficiently with Bank customers.

Strengthened our **Digital Learning**, Targeting the next generation of employees, with this we facilitate self-paced, learner-led modules on the go in a virtual setting. This also facilitated us with an alignment of our **Phygital strategy** and our digital learning experience with businesses, functions, and geographies.

Diversity Equity and Inclusion

While we continue to demonstrate progress in the diverse representation of our workforce, we seek to continuously improve in this area. To ensure this, we have a dedicated D&I committee which itself is a diverse mix of employees consisting of 14 members where there are women employees, business leaders, and specially abled employees. The committee regularly reviews the progress of our initiatives to maintain the diverse culture in the organization.

One of our primary aims is to increase women's representation in the workforce and to encourage them to take up challenging roles which in turn will minimize the

difference in the gender gap. We have been undertaking several upskilling initiatives to nurture talent and leadership abilities. We have also identified certain women-oriented institutions at the regional level for campus hirings and have seen a positive shift in the percentage of women employees in the bank.

To further increase and attract the women talent pool, we launched a campaign on social media called 'Sheroes' for lateral hiring of talented women in the Bank. We have launched various initiatives to increase women hiring and inclusivity in the Bank. 'AU Prerna' is one of the popular series through which we share inspiring stories of women employees in the Bank.

We drive inclusion by launching various policies and initiatives. We have identified job roles for specially abled employees. In our endeavor to provide opportunity to specially-abled resources, we have associated ourselves with several institutes of repute such as the National Career Service Centers for specially Abled (a wing of the Ministry of Labor and Employment), and other similar foundations. We have hired four specially abled people from these institutes.

We believe in celebrating employees' success, which gives them a sense of purpose and makes them feel valued as a member of the organization. Our focus is centered around people agendas like nurturing, attracting, retaining and engaging talent.

FY 2021-22

Particulars	
Percentage of female employees	6.94%
Percentage of women in Board of Directors	11%



27,817

Total employees



1,930

Women employees



66%

Millennials



33%

Local recruits

Rewards and Appraisals

We have a robust 'Rewards and Recognition' framework that aids in building and promoting a positive culture of appreciation. "Town halls" are conducted every month across all our branches and as a gesture of gratitude employees completing milestone years with the bank are recognized and provided additional rewards in terms of extra salary and ESOPs as per the Milestone Reward Programme of the Bank. To name a few impactful R&R awards conducted on regular basis-

SPOT awards & AU Dharma Cards to employees who are "Living our Core Values" & exhibiting it in day-to-day work at AU

Top Performers of the month are published on AU Family Webpage (Intranet page for all employees)

Emerging Star to employees who are performing exceptionally in 6 months of their journey with AU.

BRAVO for recognizing the accuracy in work and exceeding the expectations of the manager

Celebrating festivities at AU is one of the most critical employee engagement initiatives. These celebrations not only bring employees together, but it also helps in creating a more inclusive environment across departments and boosts the morale of employees. These festivities include **employee birthday celebrations, Diwali celebration**

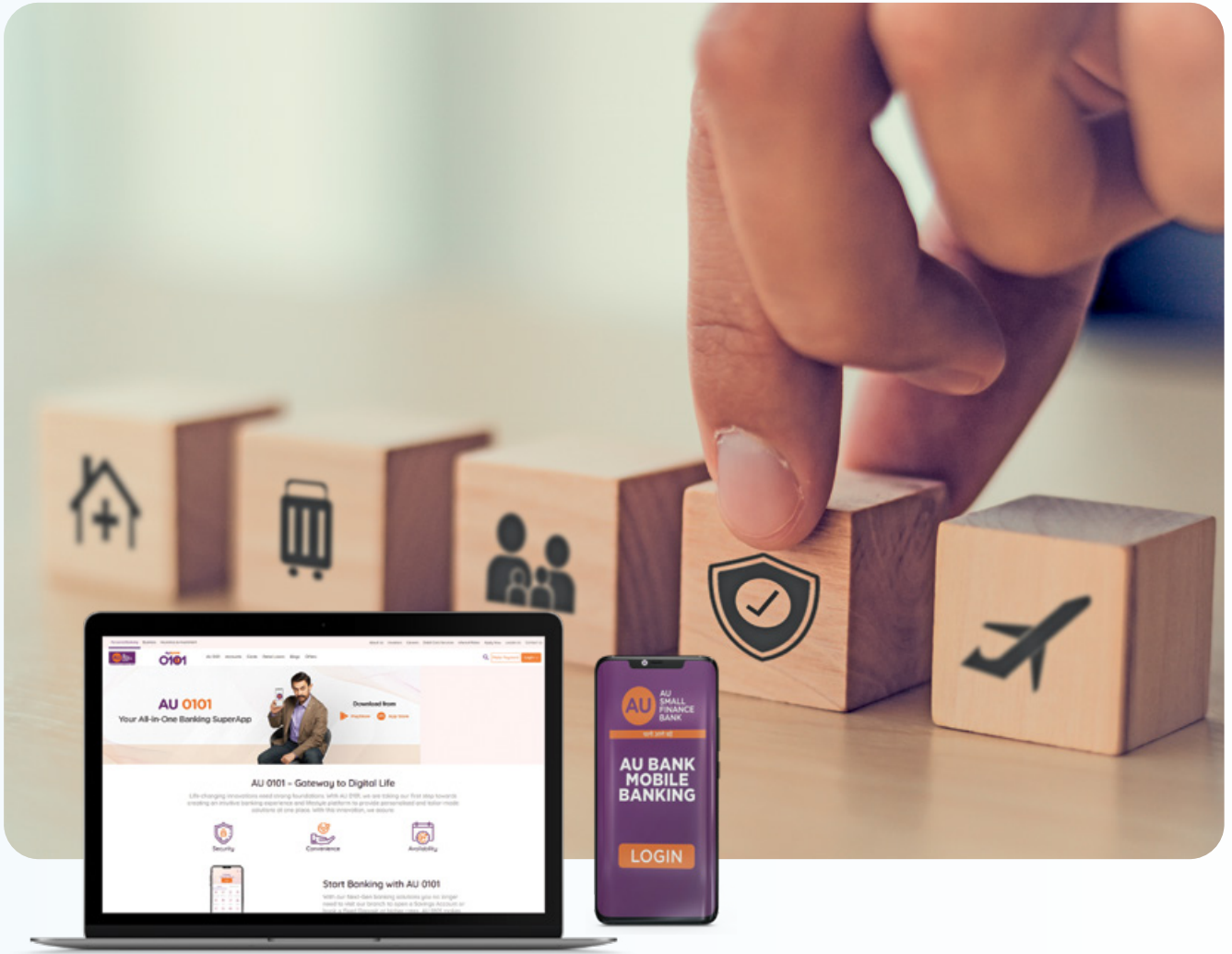
As a part of our reward philosophy, we give rewards in form of annual appraisals based on performance of the employee. The idea is to ensure that each employee is provided with adequate feedback and suggested course correction, if required, at each level.

As a testimony of our engagement, we have received external

validation in form of Great Place to Work certificate second year in a row, along with position amongst the top 30 Best Places to Work in the Banking and Financial Industry (BFSI). We have been a recipient of Asia Trail blazer award for "Excellence in Talent Management" and People First HR excellence award for "Response to Pandemic".

We are committed to work towards maintaining better pay parity across all employee categories. AU bank presently has reported on average monthly remuneration on pay parity. We are further strengthening our data management system to report on basic pay ratio from subsequent years as per GRI standards.





Well-being and Safety

Health and wellbeing are of paramount importance at AU Bank. We have a strong focus towards ensuring that our employees remain healthy especially during the pandemic times. Taking overall care of our employees does not only help us to achieve our goal but also provides them a sense of belongingness and helps to improve employee engagement.

To ensure that the employees focus on their health, we keep launching different initiatives like:

Employee wellness programmes

We have designed a monthly engagement calendar to create awareness on healthy body and mind. We conduct regular

workshops to make employees cognizant of how they can follow a healthy lifestyle

Medical assistance

We provide all types of covers such as Group Term Life Insurance, Group Medclaim Cover, Personal Accidental Insurance and so on.

Well-being application

We have a tie-up health & wellness app for all AU employees under which they can access unlimited doctor consultations, lab tests, medicines at subsidized costs and all-round medical support. The app not only covers employees but also covers his/her 5 family members.

Health camps, blood donations

We have always worked consciously to contribute to the well-being of our community as an organization. To ensure the safety of the community we provided medical supplies and safety equipment. We also held blood donation and health camps on a regular basis **covering not only employees but the society at large** and we also used outdoor social messages to encourage happiness in remote areas.

Yoga and Zumba Sessions

We held live yoga and Zumba sessions during covid for infected employees and their families.

We conducted physical fitness awareness for the society by conducting cyclothon and Marathon at state level. We laid equal importance on employees' physical health by conducting various sessions on health and wellness under the guidance of doctors and specialists. In 2021-2022 we organized Nutrition Health & Wellness Session, Health talk on 'Handling lifestyle and sports-related injuries' on World Physical Therapy Day, Live yoga sessions for employees and their families etc. to help employees and their family understand their health issues in more detail.

Parental Benefits

The women employees get **182 days paid leave** for delivery to take care of the baby in the initial phase and recover from the maternity phase. The expecting mothers are being worked with and each of them are supported with concrete, realistic work goals that allows them to focus on the most critical deliverables while delegating other duties, and teammates pitch in to make sure duties weren't neglected or dropped. We also appreciate the importance of male members and acknowledge that it is important for them to support their spouse during childbirth. AU Bank has a provision of **Paternity leaves** of 5 days over which are granted to expecting fathers to spend time with their family and newborn during this phase of their life. Financial support at the time of delivery is part of the medical policy provided by the organization to each employee as per Group Medical cover subject to the terms and conditions of the policy. Additionally, we present the employees with a gift hamper containing baby care products (by the health brand Himalaya) after being informed about the employees being blessed with the baby. Greetings are sent to women employees proceeding on Maternity Leave and a welcome is given to employees to the returning mothers as a part of the inclusive culture.



PCS programme

To tide through the COVID times with less difficulty during the second wave of the pandemic, a comprehensive employee well-being programme: Prevention, Cure and Security (PCS) programme was launched to protect employee and their families from COVID and safeguard their physical, mental, and financial wellness.

Under this programme we provided financial assistance to our employees suffering from COVID-19; personal loans, additional financial aid and interest-free salary advances have also been given out on need basis; We also supported the families of deceased employees by providing education assistance to the children till graduation and livelihood allowance i.e. which is salary for 2 years is paid to the family which benefited 13 families and 17 children till March '22.

In November 2021, the purview of the programme was extended to employees suffering from chronic illness. The education assistance has been extended to employees who have lost their lives while working with the Bank. AU SFB endeavors to provide all round support for all employees associated with the Bank by providing physical, mental and financial security at all times.

Reforms in operations during the pandemic

The pandemic was an unprecedented time for India and the world at large. The period taught us some invaluable lessons and also helped us evolve significantly in improving our wellness programs. As a people centric organization, our endeavor was to protect our employees and the entire focus was on their well-being. This was the core reason of launching our PCS Programme.

We worked on a stakeholder focused strategy covering three key stakeholders – Customers, Employees and Community. This year, as part of our social responsibility, we took urgent steps to spread awareness and to protect our employees from getting infected by the virus.

A couple of initiatives to tackle COVID were undertaken with renewed zeal and for a prolonged period in the wake of the second wave. Our engagement initiatives were targeted towards all our employees. The families of the employees were also encouraged to participate in a variety of these initiatives like festival celebrations, Health webinars etc.

This year, as part of our social responsibility, we took urgent steps to operationalize our long-term programmes aimed at meeting the livelihood needs of youth and women.



HR digitalisation

As a tech-led Bank, we accord special focus on digital and technology adoption. To increase accuracy, transparency and reduce manual interventions, we have opted for best-in-class tech support from Oracle systems, which is both safe and compliance-friendly. Under digital adoption, we have provided the following platforms to our employees:

- **E-offer and onboarding process:** The entire process of extending employment offer and onboarding of candidates is conducted online.
- **Employee self-service:** Employees can update/modify their personal and professional information through this module.
- **HCM mobile app:** Our HR portal is accessible through a mobile app, which allows employees to perform all basic HR-related transactions on their mobile phones.
- **Employee separation module:** We have an online employee separation checklist module through which employees who are leaving the organisation can get their full and final clearance.
- **Human Capital Management (HCM) Mobile App:** A one-stop solution for AU's ex-employees

Number of Specially abled Employees 2021-2022

Particulars	Male	Women	Total
Permanent Employees	11	1	12

where they can get their payslips, relieving letter and Form 16 and other basic documents at one click.

Employee feedback

'Communicate' is one of our AU Dharmas and we believe that constant communication is extremely important with employees, who are our key stakeholder. We conduct regular internal and external surveys to understand the pulse of our employees and new initiatives are planned according to the feedback received from the employees.

AU Vibes is one such platform which we utilize to assess employee engagement and

commitment. We scored 93% in this survey and this satisfaction score is an indicator of the trust an individual has on the institution and the leadership team. We also participated in the Great Place To Work survey and was certified as a top workplace for the second year in a row. We also received the Retail Banker Asia Trailblazer Awards 2022 in the category 'Excellence in Employee Engagement'. Basis the feedback received from employees, we launched several initiatives recently like Education Assistance programme home loan, vehicle loan, personal loan etc. revamped for employees.





Inclusive Prosperity



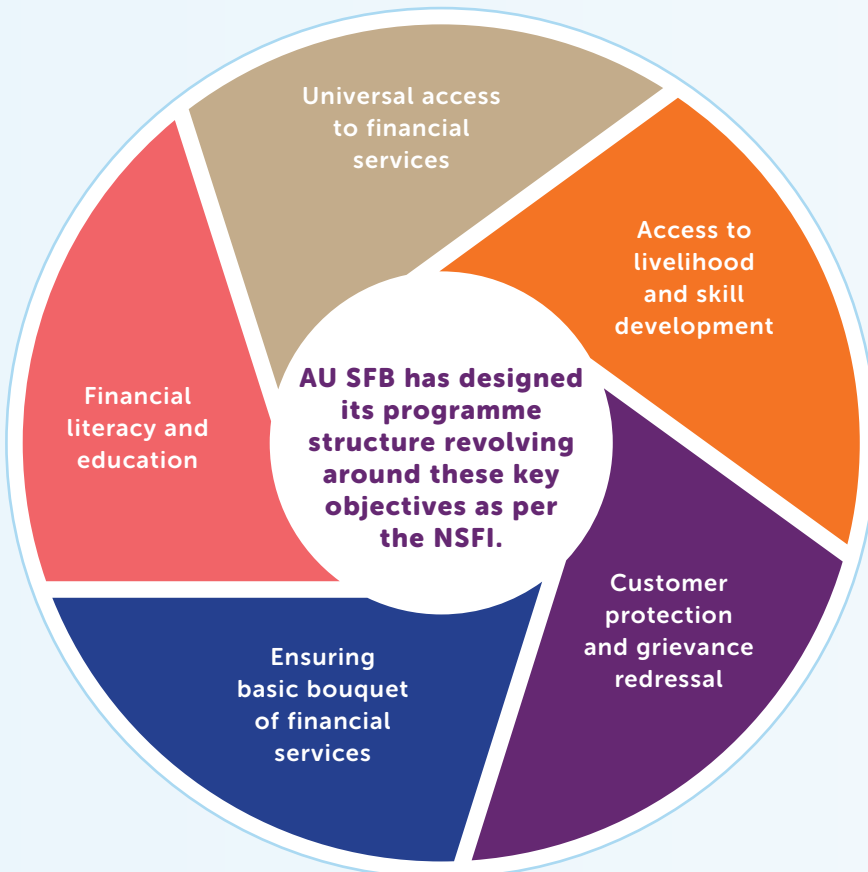
Financial and Digital Inclusion

A nation is financially inclusive in the true sense when every working adult has effective access to formal financial services. AU SFB is one of the ambassadors of the inclusivity mission and actively builds solutions to combat financial exclusion through financial market development. To facilitate better decision-making and effective money management, we empower people by imparting financial

education. We, at AU SFB, are committed to helping people navigate through the course of financial well-being. With over two decades of championing inclusion and exploring multiple layers of what it could mean by extending innovative solutions to manifold socio-economic issues and enabling sustainable growth while eradicating poverty, contributing to SDG 1, and reducing inequalities as per SDG 10.

With a systematic approach aligned with the National Strategy of Financial Inclusion (NSFI), we have segmented our Financial and Digital Inclusion SBU into 3 key dimensions i.e., Improving Access, Increasing Usage, and Enhancing Quality through financial education. In the last two decades, we have focused our resources on enabling the population in backward India and improving the financial prospects for the underserved and unserved.

	Improving access (to financial services)	Increasing usage (of financial services)	Enhancing quality (of financial services)
Financial inclusion	31% Branches in unbanked rural centers	1,93,000+ Customers provided financial services under Jan Dhan Yojana	600+ Financial literacy camps at rural branches
Digital inclusion	39,000+ AU 0101 registration in unbanked rural centres	49,000+ UPI transacting customers in unbanked rural centers	20,000+ merchants onboarded on UPI QR codes in unbanked rural centers



Access

The positive correlation between financial inclusiveness and sustainable development makes it imperative for us to design a well-defined financial system to reach the masses beyond urbanization. Expanding outreach is the key

foundation for a successful financial inclusion strategy. With 30% of our touchpoints are in the Unbanked Rural Centers (URC) for SFBs against the 25% mandate, we serve two defined provisions, i.e., 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.

The physical infrastructure comprises two defined structures to provide access in rural areas which are Rural Branches and Banking Outlets. The locations with a population of less than 9,999 host such compact banking touchpoints to meet the banking needs of the populace holistically. Given the Small Finance Bank status, we are commissioned to transform such territories and develop banking ecosystems in



such areas. In FY22, we opened 17 branches and 33 Banking Outlets (BO), taking the total touchpoints to 278 in URC.

While addressing the regional development disparity, the Government of India has recognized Special Focus Districts (SFDs) comprising Aspirational Districts, Left-Wing Extremist (LWE) districts, and districts of Hill states, A&N Islands, and the North-eastern Region. Following an inclusive approach, we are committed to improving the lives in the special focus districts with the presence of 78 touchpoints in such districts, the transformation of SFDs and their people are on our priority list.

In the era of new-age banking, digitalization is enabling financial inclusion in a comprehensive yet sustainable manner. Owing to our learnings through the pandemic, the most imperative one was Going Digital; therefore, we have been effectively working to build and enable a safe, reliable, and low-cost provision of digital financial services to all relevant geographical areas, especially underserved rural areas.

Usage

The usage of financial services plays a prominent role in building an inclusive nation. 25 years of serving the underserved, we understand that it is our principal responsibility to make the usage of financial services easier for the masses. We transcended the conventional obstacles like lack of formal identification documents, high

transaction costs, and unavailability of relevant products with the help of savings account (BSBD Account), micro-insurance (PMJJBY and PMSBY) and micro-pension services (APY). We continue to be the catalyst in the income generation of sectors under the Priority Sector, including agriculture, education, housing, and food for the unserved population.

Quality

Financial stability, financial integrity and financial consumer protection lie at the core of our financial inclusion agenda. We firmly believe that financial literacy is an unparalleled enabler of financial inclusion and our focus on conducting good quality financial literacy programs acts as an impetus to real-time financial awareness and prevents the underserved population from financial distress, debt, and poverty. The Financial Literacy Program is designed uniquely using conventional communication tools such as puppet shows, folk dance, and street play to create awareness of good banking habits important financial concepts, products and consumer protection while going digital. Our financial curriculum focuses on process literacy which not only preaches about the services but makes them future-ready to access, use and benefit from the available financial products in the market. These tools are highly effective for sensitization and awareness building, especially for the illiterate rural population.

Banking for All - All for Banking

Individual Social Responsibility (ISR) is defined as one's duty towards the community. We as bankers, inherit the privilege of financially empowering the vulnerable population. Therefore, we devised the ISR campaign with the motto - Banking for All and All for Banking; encouraging every AUiets to financially enable unbanked or underbanked individuals through opening a BSBD Account, enrolling them under the social security schemes, and educating them financially. The campaign aimed at the following:

Financial inclusion: Assist any individual not associated with a bank, especially one belonging to the EWS category, in opening an account

Financial independence: Teach about and assist an individual in the digital banking journey

Financial empowerment: Educate and inform about the three social security schemes (PMJJBY, PMSBY, and APY) and help individuals enrol under them.

We were awarded the BFSI Best Financial Inclusion Initiative of the Year 2021-22 for Individual Social Responsibility Initiative.

Financial Inclusion impacts the economy in a justified manner, breaking socio-economic barriers for the unbanked communities to bring them on the pedestal equivalent to the privileged communities.

Corporate Social Responsibility

AU SFB has been financing the entrepreneurship aspiration of the unreached and unbanked masses of India. This has been further adopted in designing and implementing high impact CSR projects aimed at improving livelihoods of marginalised and vulnerable segment of the society. The CSR portfolio of the AU SFB plays significant focus

on Skills Development, Women Entrepreneurship, Rural Sports, among others, all of which have a profound positive impact on the target communities.

The CSR activities are primarily focused in the state of Rajasthan. Our CSR activities and funds are monitored by the CSR committee

formed by the Board of Directors. Further, assessing the impact of these project is a key activity that would be carried out in the upcoming years.

As of 31st March 2022, we had twelve programmes with 1,689 volunteers supporting our initiatives for making India a better place to live. Around 5,79,712 citizens received benefits

from our programmes. We also have a 24*7 hotline and presence on social media for community members to register their grievances.

The impact assessment of CSR activities are proposed to be carried in subsequent years.

Out of total 708 locations, at around 43% of locations, local community development programmes are being carried out.

AU skills development SPACE ALIGN – our flagship initiative

AU Ignite - 'Unlocking You', our CSR flagship programme, was launched in September 2021 to empower unemployed youth, meet their skills and livelihood needs and inspire people for a positive change. As part of this project AU encourages underprivileged youth staying in slum areas and rural areas to take up skill development training. Today, the programme is implemented through a hub and spoke model, and aims to support 25,000 youth in the next three years from disadvantaged communities and transform them into industry ready professionals. The programme caters to short term market-led courses in areas such as Healthcare, Tourism and Hospitality, Banking, Financial Services and Insurance Sector (BFSI), and IT/ITeS. The programme ensures that demand-driven training programmes are conducted, appropriate courses are selected offering career progression, improved quality of skills is delivered, and increased value is delivered through the training platform, while building clarity around future skills. During FY22, 14 skill training centres spread across 12 districts of Rajasthan have imparted training to 2,764 youth and linked 2,270 with employment. Since 2018, 5,500+ youth have been trained and 4,300+ of them have secured jobs.



AU Udyogini – Women entrepreneurship

AU Udyogini is part of strategic initiative under which AU has launched multiple initiatives creating job opportunities as well as self-help groups to educate, train and mentor enterprising women to start small business thus improving economic wellbeing. AU Udyogini Programme has grown around promoting 'two community-based enterprises self-help groups' and supporting women entrepreneurs in setting up individual businesses.

AU's interventions strive to empower women from distressed backgrounds and improve family incomes through its initiatives around masala business, craft, and market linkages.

During FY22, 1300 women members of self-help groups were engaged as part of programme. Our aim is to unleash the potential of collective enterprises, build entrepreneurial qualities and skills of women members, thereby ensuring the growth of enterprises.





Bano Champion – AU SFB sports initiative

Bano Champion is a first-of-its-kind initiative to create a culture of sports in the country. The objectives are address the critical gap related to accessibility of guided sports training among rural children. This movement is just as much about bringing in games, sports and playfulness into life and about realising the impact the sports has on our mental and physical well-being. Incepted in 30 locations across Rajasthan in October 2021, the AU Bano Champion has currently touched base upon 36 new locations with over 6,000 students enrolled under 66 professionally trained coaches By reinvigorating sports

at the grassroots and improving the skills of young children, we are also enabling them to become champions of tomorrow. Further, every year AU SFB Organises tournaments at District, State and National levels to energise the atmosphere. With the immense

support of government officials and 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 revive the resilient rural spirit.



Response to Pandemic

With the second wave of Covid-19 and an expected third wave, we took urgent steps to safeguard the most vulnerable and distressed community members. In addition to our continued support in slums and rural areas around Jaipur, we provided critical support to tribal areas of Rajasthan and Maharashtra.

Our efforts in safeguarding vulnerable citizens included:

- Facilitated vaccination of 50,800 vulnerable community members, mostly poor and elderly.
- Strengthening health of Anganwari workers by distributing 20,000 Covid diagnostic kits in 15 blocks of Udaipur, Dungarpur and Yatmal (Maharashtra).
- Providing medical equipment and power back-up unit for remote tribal areas of Udaipur, Rajasthan.

AU Jal Bank

Considering the water scarcity and water safety issues we have installed water ATMs across Rajasthan providing safe drinking water and clean sanitation.

Stakeholder speak



Identifying and engaging with key stakeholders, including public representatives, has been an integral part of our programmes. This has helped us receive timely feedbacks leading to an effective implementation.

The very first day I joined as a Sarpanch of Navrangpura, I noticed vulnerable condition of women in my gram panchayat. The first issue I came across was the lack of livelihood opportunities and women were forced to put in hard physical

labour with very low earning. Then I learnt about AU Udyogini programme promoting women entrepreneurship. Within five days of my interaction, the AU team were at my village to support women entrepreneurship. I'm blessed to have this support which will secure the future of my community, especially women and help them become Aatmnirbhar.

Meenakshi Devi
Sarpanch, Navrangpura.



Responsible Banking



Financial Performance

As a small finance bank, we serve the unbanked and underserved regions. A stable and a sustainable economic performance allows us to attract investors and best talent which amplifies our efforts to serve these segments. It also helps us build credibility, 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. Fiscal 2022 once again affirmed our ability to deliver sustainable performance amid challenges. On

the back of stable asset quality and spreads, our balance sheet grew 34% YoY. We recorded a 20% YoY increase of shareholders' fund. The granularity of deposits was reflected in the improvement of the CASA ratio to 37%, which helped bring down the cost of funds by 88 bps YoY to 5.9% from 6.8% last year. We have invested ahead of time in our people, infrastructure and technology giving us an edge over competition.

We serve a wide spectrum of customers ranging from the urban millennial to the residents in the

hinterlands of India – Tier 5 and Tier 6 cities.

We have created a complete phygital ecosystem catering to a wide variety of customers with different needs. Key area of focus is creating simplified and customised processes for customers by going the extra mile and creating a best-in-class omni channel experience while keeping convenience at the centre and looking forward to stellar financial performance.



Compliance and Ethical Practices

A sound corporate governance and compliance culture provides the necessary oversight and accountability, strengthens internal and external relationships, builds trust, and promotes long-term sustainability of the institution. Banks operate in a highly regulated environment. Therefore, secure environment and self-compliance as well as self-governance are a matter of great importance to us. We have a robust governance structure whilst compliance is part of our DNA. Control groups and business units are the first layer of defence supplemented by Risk and Compliance function as the second layer, Internal Audit is the third layer of defence providing independent review and objective

assurance on the quality and effectiveness of the Bank's internal control systems.

Along with these layers we have an independent Board of Directors that keeps a check on functioning of the Bank via various Board committees and Board delegated committees. We believe good corporate governance is an essential foundation for strong performance. It provides proper oversight and accountability, strengthens internal and external relationships, builds trust with our stakeholders, and promotes the long-term interests of shareholders. A comprehensive corporate governance framework will address oversight of the

Company's performance and the contribution to corporate success from the Board of Directors in the context of the Company's strategic goals and objectives. Our code of conduct specifically includes the aspects – Corruption and bribery, Discrimination, Confidentiality of information, Conflicts of interest, Antitrust/anti-competitive practices, Money-laundering and/or insider trading/ dealing, whistleblowing, Environment, Health & Safety. It covers employees, service providers, value chain, subsidiaries and joint ventures. We did not incur any fines or settlements related to anti-competitive practices in the past four fiscal years.



Our foundation has been laid on the conviction that an institution can flourish only when it is backed by strong future-ready governance architecture. This has enabled us to deliver stellar performance amid unprecedented economic and social events.

Our accommodative policies, overarching risk management, an alert stance on evolving scenarios overseen by an experienced diverse Board has facilitated us in our quest to scale new heights. Starting 27 years back, we have further strengthened ourselves inch by inch and enhanced our disclosures that has made us public listed entity.

Board of Directors

Besides, governance structure entails 'the Board' (Board of Directors) that is duly constituted with an optimal mix of Independent, Non-Executive, and Executive Directors. As of the date of this report, the Board has eleven (11) Directors with nine (9) Independent Directors including two (2) woman Independent Directors and two (2) Executive Directors. The chair of highest governance body at the bank is Mr. Raj Vikash Verma. The Board composition is in accordance with various regulatory requirements as required such as Banking Regulation Act 1949, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Companies Act, 2013 and the relevant rules made thereunder. The Board is supported by its Board committees, and this enables the Board of Directors to direct more of their time towards strategic and forward-thinking agenda items. The Board and its committees are responsible for strategic decisions and supervision tasks for bank activities.

Corporate Governance philosophy and governance structure

Corporate governance (CG) refers to the structure of rules / principles, practices, and process for managing a company, while encompassing its operations and performance. This CG is determined by legislators and owners of the organisation. AU SFB greatly respects its fiduciary role and responsibility towards

its shareholders and stakeholders and appropriately presents its governance philosophy, essentially aiming at value creation. Accordingly, the bank creates its corporate governance structure. The specific structure is the responsibility of the Management Board and the Supervisory Board.

The corporate governance philosophy of the AU SFB forestalls to safeguard the interests of all its stakeholders, through mutual recognition of economic, environmental, and social issues in its strategic planning thereby sustaining the proper balance of governance cardinal principals- fair and timely disclosures, trustworthiness, responsibility, sustainability, and transparency etc. The Board of Directors of the Bank has adopted a code of conduct for its Directors and Senior Management Personnel, along with an adopted Code of conduct for employees.

We have checks and balances in place to ensure the effective establishment and implementation of a company culture opposing money-laundering and terrorism financing. There is robust procedure available which is

regularly updated with the evolving scenario to conduct Customer due diligence (CDD). The mechanism include customer verification based on reliable, independent source documents, identification of beneficial owner, conducting ongoing due diligence on business relationships, non-face-to-face customers, formal searches against lists of known or suspected terrorists issued by competent authorities in a jurisdiction, diligence on politically exposed persons (PEPs), record keeping of all transactions.

We have specific trainings related to our anti-money laundering and anti-terrorism financing policies in place which includes mandatory trainings, refresher courses and case studies based trainings as well across the length and breadth of the group.

At AU SFB, we consistently work towards protecting our customers from any type of frauds which may occur during banking transactions resulting into wrongful gain to any unauthorised person. We urge our customers to do proper due diligence while doing any banking transactions/ interacting with the Bank's representatives.



As on 19th April 2022, AU SFB completed 5 years of operations as a small finance bank. In order to achieve our longterm objectives we have focused on executing 7 key strategic priorities.

Our long-term objectives

- Build a credible, trustworthy and sustainable bank that inspires generations to come

- Act as a responsible catalyst to serve financial needs of the unserved and unreached
- Bring efficiency in intermediation between savers and borrowers
- Unlock human potential

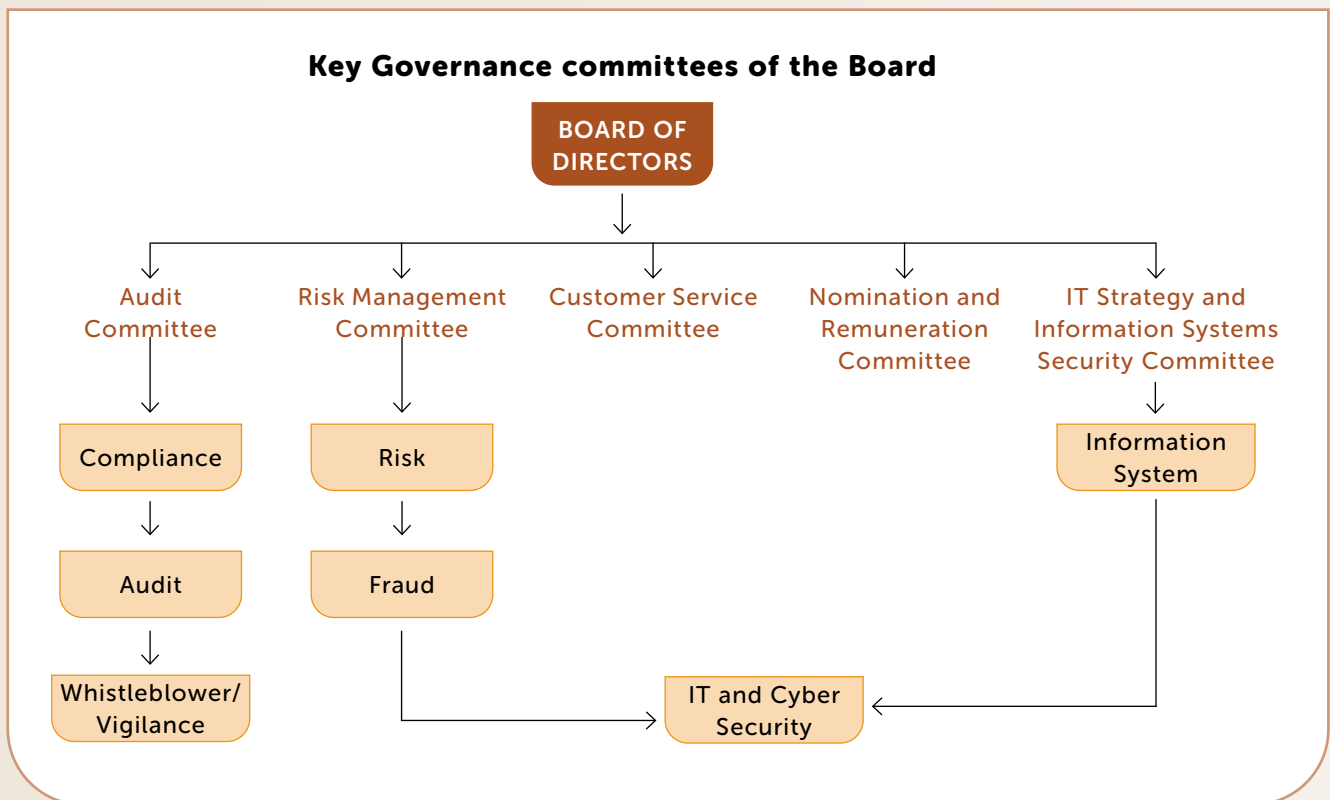
Our strategic priorities

- Scale retail focused sustainable liability franchise

- Sustainable growth from existing asset products and segments
- Build a tech-led ecosystem
- Best-in-class risk management and controls
- Develop a highly empowered and capable team
- Create strong brand identity
- Strengthen our ESG commitments

Committees

The Board delegated committees make recommendations and strategic guidance particularly in relation to compliance, risk appetite, internal audits, and business units through 13 board committees that laydown the policies, principles and advises on matters of strategic and operational significance. The Committee Chairs report to the Board on the activities of the Committee at each Board meeting. The bank has 158 members strong corporate governance team.



Conflicts of interest

A potential conflict of interest between banks and its clients, employees, and clients, has become an inherent practice in today’s financial system. It’s quite

important to comprehend the natural emotions of customers / clients / employees thereby respond with required empathy. There are no cases or incidents of conflict of interest or corruption observed during the reporting

period. In case of any cases or incident that may arise in the future, the Bank has appropriate policies and procedures in place to take corrective actions.



Anti-bribery and Anti-corruption

AU SFB as a financial institution is potentially exposed to variety of financial crimes and risks that include bribery and corruption owing to its broad range of products and services. The bank aims to develop structures to identify and prevent corruption and ensure compliance with anti-bribery and anti - corruption laws, along with preventing internal and external fraud. Consequently, the bank has established Anti-Bribery and Anti-Corruption Policy that reiterates the bank's zero tolerance to bribery and corruption and its commitment to enforce effective systems to counter bribery. The bank's Anti-Bribery and Anti-corruption Programme embodies risk assessment, due diligence, controls and monitoring, reporting, gifts, services, job offers, loans, travel expenses and entertainment requirements. Anti-bribery and Anti-corruption policy of the board attracts great priority within the

bank's governance structure and therefore Whole-Time Director of the bank ('Responsible Director'), who is part of the Board of Directors, shall be responsible for overseeing the application of this policy. The Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer and Chief Vigilance Officer of the bank support Responsible Director in implementation of this policy. The bank has established both Supervisor/ Head of concerned department and whistle-blower route to as respective channels to raise complaints related to bribery and corruption.

All the employees of the bank are provided with mandatory training to make them aware about their responsibilities regarding prevention of anti-corruption and anti-bribery under the policy. Furthermore, they are informed about the obligations pertinent to the policy as part of their employment contract. As well the bank tries to make best use of advanced technologies to leverage technology and automating the process to ensure there is limited manual intervention. and leaves very limited room for any fraudulent activity.



Grievance redressal mechanism

We follow a comprehensive policy on Customer Grievance Redressal which governs the redressal procedure for handling customer complaints. The policy is well-designed in adherence with applicable regulatory obligations, which ensures set roles and responsibilities of stakeholders and applies to all employees of the organisation, regardless of location or business unit. We have a further 4-tiered governance framework that ensures prompt and responsive complaint resolution and ensures confidentiality of complainants' information.

- Branch Level Customer Service Committee conducts monthly meetings with customers to study customer grievances, cases of delay, and other difficulties faced by the customers.

- Standing Committee on Customer Service is chaired by the Executive Director comprising of Senior Management team.
- Customer Service Committee of the Board is chaired by the designated Independent Director of the Board comprising the Heads of various department.

Nodal Department/Official for Customer Service in the Head

Office/Regional Office/ Corporate Office, is responsible for the implementation of customer grievance redressal mechanism and complaint handling. There is Stakeholder relationship committee for Investor grievances and Customer service committee for customer grievances.

Strong grievance mechanism is in place so that women employees can raise their voice against any kind of workplace harassment.



Whistle-blower policy and vigil mechanism

The Bank encourages its employees to voice their concerns if any related to suspected or occurrence of illegal, unethical inappropriate actions, potential misconduct and related concerns, fraudulent transactions, suspicions etc without fear of retribution or fear of reprisal or victimisation, to the employee raising the concern through its whistle-blower policy. This accords the bank for its commitment for adhering to the highest standards of ethical, moral, and legal conduct of business operations such as but not limited to transparency, clean business transactions, professionalism, and other procedures to curb opportunities for corruption. Besides, identifying and reporting potential risks allows the bank to act proactively to evaluate rapidly and eliminate, as necessary. The audit committee of the bank shall review the implementation of whistle blower policy along with assessing the effectiveness of the vigil mechanism. Besides, the independent directors shall ensure that any person who exercises the whistle-blower policy mechanism is not prejudicially affected, and the director will make sure that the bank has an adequate and functional vigil mechanism in place.

The employees or the stakeholders may report anonymously through protected disclosures for whistle-blower compliance function. The protected disclosure can be anything between receipt of information about corruption, malpractice, or misconduct on the part of employees, and it can be from any source as prescribed in the policy. AU SFB has established various communication channels for submissions of protected disclosures either through submitting in a closed and secured envelope or through email at Whistleblower@aubank.in or phone, SMS at 7073585858, mobile applications or any other modes as

permitted by the bank from time to time. In case of repeated frivolous Protected Disclosures being filed by a director or an employee or any other stakeholders, the audit committee or the director nominated to play the role of Audit Committee shall take suitable action against the concerned director or employee. The Chief Vigilance Officer of the Bank shall investigate the protected disclosures as applicable, and he / she shall report to the Audit Committee on the vigilance activities, disciplinary cases, and related investigation reports. He shall also perform in the role of special Assistant / Advisor to the Managing Director (MD) of the Bank in the discharge of the vigilance functions as required.

At AU SFB, we are constantly striving to incorporate best-in-class governance practices and maintain the highest levels of compliance. We promote awareness on compliance obligations and ethical values to strengthen our compliance culture.

Key policies of the Compliance Department

- Compliance Policy
- Anti -Money Laundering Policy
- Know your Customer Policy

Robust compliance is managed via a 6-step plan

- New regulatory identification and dissemination
- Compliance risk assessment
- Identifying changes in processes
- Monitoring and testing plans
- Identifying breaches
- Reporting to Board

Our compliance obligations

- Statutory compliance: Instituting required controls and monitoring mechanisms to ensure that the bank is following all applicable rules
- 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 the bank with regard to its internal policies.

During FY22, we introduced a few other initiatives under compliance:

- Compliance sustenance testing
- Centralised monitoring of all statutory compliances – ‘Compliance Charter’
- Further strengthening the monitoring mechanism of compliance through self-certifications

Ethical code of conduct

Directors and SMPs

AU SFB also has a Board-approved Code of Conduct for its directors and senior management. The code

is aimed at ensuring Directors and SMPs accomplish their functions in good faith and integrity in business judgment for advancing the Bank’s objectives and fulfil their fiduciary obligations while safeguarding the interest and safety of their stakeholder. In accordance with Code of Conduct for Directors and SMPs, they shall act responsibly as per good corporate governance practices, and there by protect the bank’s properties, brand equity and image. Furthermore, the Code lays down regulations to eliminate any conflicts of interest, and safeguard the interests, safety and welfare of customers, employees, other stakeholders, the community and for the protection of environment. The Company Secretary shall be the Compliance Officer for the purpose of this Code.

For employees

The code of conduct depicts bank’s commitment towards ethics and integrity as it articulates standards of conduct that is expected from all its employees and to ensure that the bank performs its operations

responsibly. It further serves as guiding principle to the employees as they work with multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom they are connected or interact to make right decisions as they perform their duties while adhering to compliance with regulatory guidelines. The bank’s core values—integrity, data privacy and safety, dismissing banks conflict of interest, sustainable performance, client centricity, discipline, zero tolerance approach to bribery and corruption, prevention of insider trading dictate and accordingly are articulated in the Code of Conduct. Besides, it underpins a system for detecting and reporting for any regulatory violations or any unacceptable ethical and social behaviours within the organisation. In addition to its employees the code forms the basis for practice for entire subsidiary’s and the outsourcing vendors of AU SFB. The bank has zero tolerance for any circumvention of its code of conduct, and appropriate investigation followed by an action shall be instigated if any breach

of code of conduct are observed. AU SFB demonstrates that we understand these obligations fully by ensuring all colleagues complete mandatory training every year. The code of conduct shall be affected through a mechanism for disciplinary actions and procedures at three levels viz. the Disciplinary Committee at the Board level, the Chief Vigilance Officer and immediate supervisor at department level.

Managing ESG risks in our value chain

Sustainable actions are important to make sure we have and will continue to have, water, materials, and resources to protect human health and our environment.

Commencing towards a low-carbon economy, sustainable industry practices across value chain need to be acknowledged and deployed. Therefore, we have identified processes, methodologies, and tools that will be needed to manage climate risks effectively and embed climate factors into the risk and credit frameworks.

As the bank recognises that human rights are inherent to all human beings and upholds the dignity of every individual associated with it, the bank's policies, and code of conduct with the stakeholders ensures the Bank's philosophy of upholding human rights. The bank procures goods and services from certified vendors. The procedures

and decision-making process of the Social Environmental and Management System (SEMS) are systematically incorporated in our business processes and awareness is also created among vendors and customers to comply with applicable social, environmental laws and protection of human rights to inculcate right practices in their operations.

With the determination to adapt to climate change and achieve climate resilience, We are reviewing our strategy and will disclose plans in more detail for various contexts after carrying out specific scenario analysis exercises for limiting global warming temperatures within 1.5° or 2° in subsequent years.





Cybersecurity and Customer Privacy

At AU SFB, we have established robust information and cyber security framework for securing its IT infrastructure and systems. The Chief Information Security Officer ('CISO') is responsible for monitoring the information security risks covering all aspects of data security for the Bank and reports to Chief Risk Officer (CRO). Further, the Cyber Security Operation Center (CSOC) with qualified professionals reports to CISO for monitoring of real-time cyber security threats.

Customers aspirations are centred around flawless and seamless connectivity, security, and easy access to a growing range of products and services in an increasingly digital world, especially accelerated by the social disruptions brought on by the pandemic. We understand that protecting personal information at the highest security level is paramount. That is why we review and assess protocols and security at every stage of transaction and provide transparent protection of personal sensitive

information. We also strive to utilise digital interventions ethically. We consistently explore new ways to create greater accessibility and inclusivity so that everyone can enjoy our products/services and elevate themselves.

We have continuously strengthened our cyber security and data privacy policies, systems, and processes.

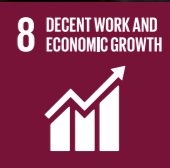
We have a cyber security operation centre which monitors real time cyber security threats. We are accredited with ISO 27001:2013 certification for our robust cyber security capabilities.

There were no complaints concerning breaches of customer privacy and losses of customer data.





Customer Centricity



Serving over 2.7 million distinct customers has been possible due to our transformative strategies. We have always believed in challenging the status quo by leveraging technology and innovation to bring the change that the banking industry needs. We take ahead this mission of Badlaav with customer centric products, prioritising quality of book over quantity, and by following distinct approaches to tap the urban and rural markets.

Customer Delight

AU SFB aspires to make the banking experience a simple and sharper process to its customers and intends to evolve into resilient enterprise. Today, working with a mission of ensuring that no Indian is deprived of banking service, it stands tall as a scheduled commercial bank and a Fortune India 500 Company encompassing many industry-first initiatives all along its services. As a retail banking franchise primarily, AU SFB has been advancing along with the digital and technological advancements within fintech sector while expanding and reshaping 'phygitaly.'

We are building one of India's best-in-class retail banking franchise with the goal to make the banking experience of customers much simpler and sharper. For over 27 years, we have built ourselves

and accomplished numerous milestones, and now, the power and responsibility of the banking platform attained in the last 5 years is helping us evolve significantly. We have made significant strides in our journey of becoming a tech-led, retail-focused Bank with a sustainable business model supported by strong regulatory guidelines. As the world fast-tracks digital adoption, we are reimagining processes, capturing customers' imagination, and building contemporary digital infrastructure to become a more resilient enterprise. We are automating routine operations and making complex decisions simpler by adapting to changing realities and leveraging technology.

We are on a mission to build a Bank which our customers always desired. By listening to their

requirements, paying attention to their expectations, and catching their imagination, we have been taking consistent steps and are continuously focusing on deepening our understanding with customers. We restructured our product portfolio in line with our customers' perspectives – Personal Banking and Commercial Banking.

We take care to listen to what our customers are saying through a comprehensive customer survey, helping us measure customer satisfaction while gaining a better understanding of their expectations. 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.

Total no. of feedback received	CSAT = Positive sentiment/ Total feedback	NPS = Promotor% - Detractor%
9,53,438	93%	89





Innovation

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. In a span of one year, we have seen encouraging response from customers on our digital proposition with AU0101 app crossing 1 million registered users and more than 1 lakh Savings accounts getting acquired through video banking. We are continuously working on enriching the 0101 platform and adding more features for our users. We are also building similar offerings for our merchant and MSME customers this year.

Credit Card

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. We have always believed in challenging the status quo by leveraging technology and innovation to bring the change that the banking industry needs. With our newly launched Credit Card portfolio, we take ahead this mission of Badlaav with customer centric products and a steadfast commitment to deliver best-in-class customer service.

Merchant solution group

This Strategic Business Unit (SBU) caters to all banking and financial needs of the merchant segment (MSMEs). Merchant and MSME segments have been very important and constitute significant numbers both in liabilities and assets at AU SFB, and to fulfil their financial needs and solutions

around this, we are strengthening our value propositions including various payment solutions, digital applications and transaction-based lending. Also, we are acquiring new to bank customers through

UPI. Towards our aspiration of becoming a wholesome digital bank, we are also implementing OCEN framework and other such initiatives.

Brand and Reputation

AU SFB understands that, when managed well, brand and reputation are one of the most significant levers to influence perceptions and create requisite momentum for an organisation. The organisation is committed towards ethical branding and marketing practices.

Building a responsible brand drives growth. New customers who join us and become 'brand ambassadors' will become repeat customers. We believe brand and reputation as an overarching indicator of important metrics, namely:

- Trust
- Advocacy
- Likelihood to repeat transaction with us

We understand that brand and reputation are often tied to emotions, trust and gut reactions towards an organisation, they have significant potential for value creation and a positive perception towards a brand becomes a self-sustaining machine.

At AU SFB, we conduct our business operations and activities in a fair, transparent and accountable manner. We have implemented suitable monitoring mechanisms and controls to ensure adherence to all our ethical marketing practices. We lay special attention on the fact that even in all our day-to-day workings our brand and reputation reflect our understanding of our social fabric and speak of our mission of making banking simple and accessible for all are adhered to without any compromises.



Way Forward



Setting up aspirational ESG targets

As we accelerate on our ESG journey, we shall be developing our aspirational targets. The aspirations necessitates envisioning a tomorrow beyond the limited conventional paradigms of good financial and environmental key performance indicators.

Our intent on sustainable finance

As a responsible financial institution, AU has always focussed on sustainable financing and financial inclusion serving the unserved and underserved in unbanked rural and semi-urban India.

Strengthening stakeholder communications, reporting and continuous improvement

The way we impact our stakeholders and they, in turn, impact us forms the basis of dual and mutual value creation. We will continue working with our stakeholders to create positive exogenous value for them and create an ecosystem to get positive endogenous inputs. Steady focus on emerging climate risks will enable us to find climate opportunities. With the objective to learn and improve, we would consider aligning with the below frameworks.

ESG Platforms under consideration



GRI Data Matrix

302-1 and 302-3

Indicators	FY22
Energy Consumption Data in Gigajoule	
HSD	2806.38
Grid Power	58978.12

HSD - High Speed Diesel

The energy intensity based on total energy consumed within the organisation per full time employee (FTE) for FY 2022 was 2.22 GJ/FTE

305-1 and 305-2

Indicators	FY22
CO2 Emissions in tonnes	
Scope 1	
High Speed Diesel (HSD)	207.95
Scope 2	
Grid Electricity	12942.42

The carbon emission per full time employee (FTE) for FY 2022 was 472.74 Kg/FTE.

401-1

Indicators	Employee Hire	Hire rate	Employee Turnover	Turnover rate
Gender Wise				
Male	14,455	56%	9,807	38%
Female	1,510	78%	825	43%
Age Wise				
<30 years	9,876	71%	6,459	46%
Between 30–50 years	6,080	44%	4,171	30%
>50 years	9	10%	2	2%

This calculation has been updated as per GRI Standards.

401 -3

Parental Leaves indicators	Male	Female
Total number of employees that were entitled to parental leave	25,887	1,930
Total number of employees that took parental leave	1,679	52
Total number of employees that returned to work in the reporting period after parental leave ended	1,678	24
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	518	15

Return to Work Ratio

- Male – 99.94%
- Female – 100%

Retention Ratio

- Male – 63.25%
- Female – 51.72%

This calculation has been updated as per GRI Standards.

404-1**Training Programmes for Employees**

A breakdown of average training hour per employee per year is shown in the table below:

Category	Average Training hours per employee
Male	17.76
Female	17.72
Associate	17.73
Middle Management	19.03
Senior Management	12.21
Top Management	6.41

17.76 Average training hours per employee per year for FY22

405-2

Ratio of Average Remuneration of women to men

- Associate - 1.19
- Middle Management - 0.96
- Senior Management - 0.86

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 limited assurance engagement for AU Small Finance Bank Limited (the 'Bank' or the 'Company') vide Engagement Letter dated November 25, 2022 and subsequent addendum dated January 4, 2023 in respect of the agreed indicators/ parameters listed below (the "Identified Sustainability Indicators"). These indicators/ parameters are as included in the "Global Reporting Initiative (GRI) content index" on pages 93-99 in the Sustainability Report of the Company for the year ended March 31, 2022 ('the Sustainability Report').

Identified Sustainability Indicators

The Identified Sustainability Indicators are summarized in Appendix 1 to this report.

Our limited assurance engagement was with respect to the year ended March 31, 2022, 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 the Company is Global Reporting Initiatives Standards ("GRI Standards") as stated in section "About this report" on page 2 of the Sustainability Report (the 'Criteria').

Management's Responsibility

The Company's Management is responsible for identification of key aspects, 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 value needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants 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 behavior.



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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 AAC-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/NS00016 (ICAI registration number before conversion was 012754N)

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control 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. 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 risk 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 judgment 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 above, we:

- Made enquiries of Company's management, including the various teams such as Environment team, Corporate Social Responsibility (CSR) team, Human Resource team, etc., and those with responsibility for managing Company's Sustainability Report.
- Understood and evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting on the Identified Sustainability Indicators for the sites covered.
- Checked the consolidation for entities under the reporting boundary for ensuring the completeness of data being reported.
- Performed limited substantive testing on a selective basis of the Identified Sustainability Indicators at corporate head office in Mumbai - India, and in relation to sample of sites (JPO - Jaipur, Indore Asset Centre – Indore and Urban Estate –Gurgaon), to check that data had been appropriately measured with underlying documents, recorded, collated and reported.
- Reviewed the level of adherence to GRI Standards as the case maybe, the reporting framework followed by the Company in preparing the Sustainability Report.
- Reviewed 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 Indicators/ parameters 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:

- Operations of the Company other than those mentioned in the "Scope of Assurance"
- Testing the operating effectiveness of management systems and controls
- Aspects of the Report and the data/information (qualitative or quantitative) other than the identified Sustainability indicators.
- Data and information outside the defined reporting period i.e. April 1, 2021 to March 31, 2022.
- The statements that describe expression of opinion, belief, aspiration, expectation, aim or future intentions provided by the Company
- 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 the Company's Identified Sustainability Indicators included in the Sustainability Report for the year ended March 31, 2022, are not prepared, in all material respects, in accordance with the Criteria.

Restriction on Use

Our limited assurance report has been prepared and addressed to the Board of Directors of the Company 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/N500016
Chartered Accountants

Heman Sabharwal
Partner
Membership Number: 093263
UDIN: 23093263BGWPMW9063

Place: Gurugram
Date: 06/01/2023

Appendix 1**Identified sustainability indicators**

Sr. No.	GRI Indicator Reference	Indicator description
1	302-1	Energy consumption within the organization
2	302-3	Energy intensity
3	305-1	Scope 1 : Direct GHG emissions
4	305-2	Scope 2 : Electricity indirect 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	401-3	Parental leave
8	403-6	Promotion of worker health
9	404-1	Average hours of training per year per employee
10	404-2	Programs for upgrading employee skills and transition assistance programs
11	405-2	Ratio of basic salary and remuneration of women to men
12	413-1	Operation with local community engagement, impact assessments, and development programs
13	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data



GRI Content Index

General Disclosures

GRI Standard	Disclosure	Section	Page No./ Reference URL
Organisational Details			
2-1	Name of the organisation	About This Report	02
2-2	Entities included in the organisation's sustainability reporting	About This Report	02
2-3	Reporting Period, frequency and contact point	About This Report	02
2-4	Restatements of Information	About This Report	02
2-5	External assurance	Independent Assurance Statement	90
2-6	Activities, value chain and other business relationships	Our Progress Story Our Presence Our Strategic Business Units (SBUs)	18 -25
2-7	Employees	People	58
2-8	Workers who are not employees	People	58
2-9	Governance Structure	Responsible Banking	72 - 82
2-10	Nominating and selecting the highest governance body	Responsible Banking	72 - 82
2-11	Chair of the highest Governance body	Message from the Chairman	08
2-12	Role of the highest governance body in overseeing the management of impacts		
2-13	Delegation of responsibility for managing impacts	Responsible Banking	74 -75
2-14	Role of highest governance body in setting purpose, values, and strategy		
2-15	Conflicts of interest		76
2-16	Communication of critical concerns		https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 48 - 49
2-17	Collective knowledge of highest governance body	Available in our Annual report	https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 158 - 161

GRI Standard	Disclosure	Section	Page No./ Reference URL
2-18	Evaluation of the performance of the highest governance body		https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 167 - 168
2-19	Remuneration policies		https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 168 - 169
2-20	Process to determine remuneration		https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 168 - 169
2-21	Annual total compensation ratio		https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 168 - 169
2-22	Statement on sustainable development strategy	Our Sustainability Strategy	44
2-23	Policy commitment	Our Overarching Strategy	26
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2-25	Processes to remediate negative impacts	Managing our risks	30
2-26	Mechanisms for seeking advice and raising concerns	Stakeholder engagement	40
2-27	Compliance with laws and regulations	Responsible Banking	72 - 74
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2-29	Approach to stakeholder engagement	Stakeholder engagement	40
3-2	Material Topics	Materiality Assessment	42-43

TOPIC SPECIFIC DISCLOSURES

GRI Standard	Disclosure	Section/ Chapter	Page No./ Reference URL
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201-1	Direct economic value generated and distributed		
201-2	Financial implications and other risks and opportunities due to climate change	Sustainable Journey of 5 years	03
201-3	Defined benefit plan obligations and other retirement plans		
201-4	Financial assistance received from government		
Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Our Presence	20 - 21
202-2	Proportion of senior management hired from the local community		
Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Inclusive Prosperity	68 - 71
203-2	Significant indirect economic impacts		
Procurement Practices			
204-1	Proportion of spending on local suppliers	Managing risks in Value Chain	80
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205-1	Operations assessed for risks related to corruption	Responsible Banking	76
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207-3	Stakeholder engagement and management of concerns related to tax	Tax Transparency	25
207-4	Country-by-country reporting	Available in our Annual report	https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 230 - 241

GRI Standard	Disclosure	Section/ Chapter	Page No./ Reference URL
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301-2	Recycled input materials used		
301-3	Reclaimed products and their packaging materials	Not Applicable for our business	92, 148, 211
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302-1	Energy consumption within the organisation	GRI Matrix	88 - 89
302-2	Energy consumption outside of the organisation	GRI Matrix	88 - 89
302-3	Energy intensity	GRI Matrix	88 - 89
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302-5	Reductions in energy requirements of products and services	Climate Resilience	54 - 55
Water And Effluents			
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303-2	Management of water discharge-related impacts	Not Applicable	
303-3	Water withdrawal		
303-4	Water discharge		
303-5	Water consumption	Climate Resilience	
Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No such locations are in high biodiversity value outside protected areas	
304-2	Significant impacts of activities, products, and services on biodiversity	Not Applicable	
304-3	Habitats protected or restored	Not Applicable	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not Applicable	
Emissions			
305-1	Direct (Scope 1) GHG emissions	GRI Matrix	88 - 89
305-2	Energy indirect (Scope 2) GHG emissions	GRI Matrix	88 - 89
305-3	Other indirect (Scope 3) GHG emissions	Climate resilience	48 - 57
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GRI Standard	Disclosure	Section/ Chapter	Page No./ Reference URL
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401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	People	62 - 65
401-3	Parental Leave	GRI Matrix	88 - 89
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403-10	Work-related ill health	Not Applicable	
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404-1	Average hours of training per year per employee	GRI Matrix	88 - 89
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404-3	Percentage of employees receiving regular performance and career development reviews	People	60 - 62
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406-1	Incidents of discrimination and corrective actions taken	Available in our Annual report	https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 219
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407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable	
Child labour			
408-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Available in our Annual report	https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 219

GRI Standard	Disclosure	Section/ Chapter	Page No./ Reference URL
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Security practices			
410-1	Security personnel trained in human rights policies or procedures		
Rights of Indigenous peoples			
411-1	Incidents of violations involving rights of Indigenous peoples	Available in our Annual report	https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 219
Local communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Corporate Social responsibility	69 - 71
413-2	Operations with significant actual and potential negative impacts on local communities	Corporate Social responsibility	69 - 71
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414-2	Negative social impacts in the supply chain and actions taken	Way Forward	86

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FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		https://objectstorage.ap-mumbai-1.oraclecloud.com/n/aubank2/b/Marketing/o/AU_BANK_AR_21_22_single_02082022.pdf 94 – 96, 101 - 103
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	Does the entity have a specified Committee of the Board/Director responsible for decision-making on sustainability-related issues? (Yes/No)	https://www.aubank.in/notice-board
SECTION C: PRINCIPLE-WISE PERFORMANCE DISCLOSURE		
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