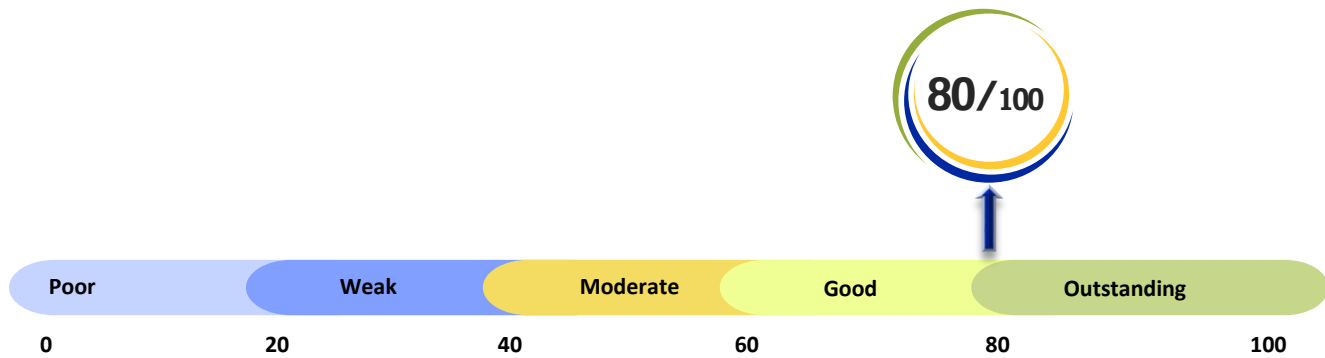


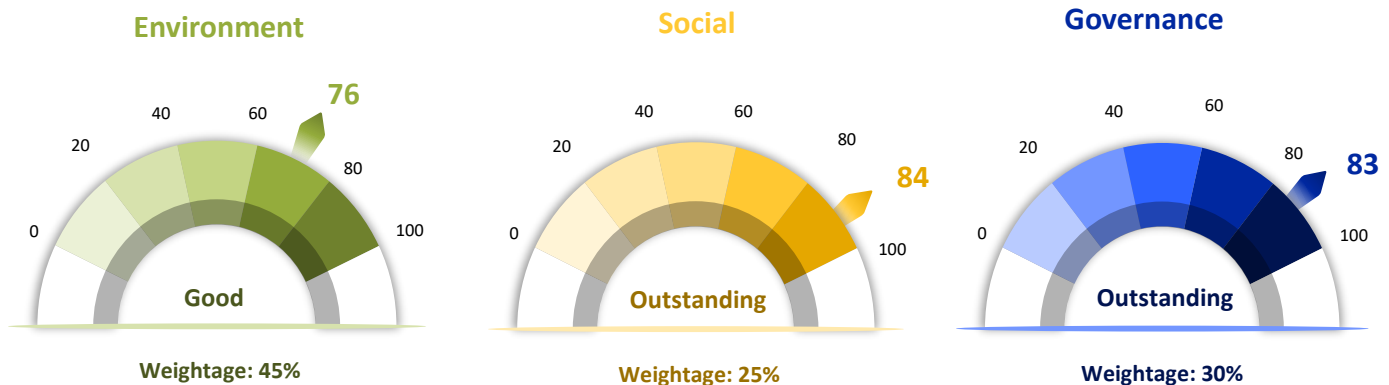
September 10, 2025

## Ujjivan Small Finance Bank Limited: Rating assigned



## Summary of rating action

Ujjivan Small Finance Bank Limited	Previous Score	Current Score	Rating Symbol	Rating Movement
ESG Impact Rating	-	80	Outstanding	-



## Rationale

The ESG Impact Score of **80 (Outstanding)** assigned to Ujjivan Small Finance Bank Limited (USFB) reflects its strong governance structure, inclusive social practices, and emerging environmental initiatives. The bank benefits from a diverse and independent board, transparent disclosures including a pioneering Task Force on Climate-related Financial Disclosures (TCFD) report, and sustainability driven lending focused on underserved communities. Its CSR strategy is well-structured, with diverse thematic spending and active employee volunteering. While the company's environmental footprint remains relatively low, factors such as limited adoption of renewable energy and the absence of time-bound environmental targets present areas for improvement. Socially, the bank demonstrates strong employee welfare and grievance mechanisms. However, challenges such as safety incidents—particularly road-related accidents among frontline workers—remain areas for attention.



## Environment

**76 (Good)**

USFB's environmental performance reflects a modest operational footprint, consistent with its financial sector peers, but also highlights opportunities for deeper sustainability integration. The leased nature of most branches limits the scope for infrastructure-level interventions like installation of roof top solar and water treatment. While energy-efficient technologies such as LED lighting, sensor-based taps, and Variable Refrigerant Volume (VRV) air conditioning have been adopted and energy intensity remains low, renewable energy usage remains low at just 0.07%, and the Bank is yet to get formal certifications in energy management such as ISO 50001. ICRA ESG has noted that the company is currently exploring alternative options like green tariff and RECs to expand its renewable energy adoption. On climate accountability, USFB has disclosed Scope 1 and 2 emissions totalling 13,870.76 MT CO<sub>2</sub>e and initiated Scope 3 reporting across categories like business travel, capital goods, and partial financed emissions. While the same reflects the focus towards value chain impacts, the same needs to be matured to cover all material categories, especially under financed emissions.

Air and dust emissions are minimal, primarily arising from the limited use of diesel generator (DG) sets, with 50% of these managed by a single vendor. While USFB has obtained certification for the vendor-managed DG sets to ensure effective air emission control, the absence of a comprehensive policy and strategy to manage emissions across all locations—especially considering future expansion—remains to be addressed. Water consumption is modest at 155,682 KL for FY2025, used primarily for drinking and domestic purposes, due to operational constraints there is no effective mechanism to track the recycling of water discharged. Waste generation is modest, comprising dry, wet, and electronic waste. Dry and wet waste are segregated at source and handed over to designated municipal collectors, while e-waste is responsibly disposed of through authorised recyclers. The company's digitalisation initiatives have led to substantial paper savings, contributing not only to environmental conservation but also enhancing operational efficiency. However, formal waste reduction targets and comprehensive tracking across all waste categories are currently not in place. ICRA ESG notes ongoing efforts to map municipal waste disposal to avoid landfill use but emphasizes the need for effective tracking to understand disposal methods. Biodiversity impact is minimal, with some indirect contributions through Corporate Social Responsibility (CSR) initiatives such as lake rejuvenation, tree plantation, and animal welfare projects. With business expansion, evaluating the impact on biodiversity in core business activities may become crucial going forward.

USFB's ESG approach also extends to procurement and sustainable finance. The bank has implemented a Supplier Code of Conduct and embedded ESG clauses in contracts, with 47% of procurement inputs sourced sustainably. However, supplier audits and engagements remain limited. There is a growing focus on aligning lending portfolios with the United Nations Sustainable Development Goals (UN SDGs) for responsible finance. USFB operationalises these frameworks across its products and policies, embedding ESG considerations into its credit strategy and exclusion list. It offers water and sanitation loans aligned with the Swachh Bharat Mission, finances electric vehicles (EVs) to promote green mobility, and intend to support sustainable agriculture through loans for solar energy and drip irrigation systems. Furthermore, bank is planning to introduce housing loans for Green Rating for Integrated Habitat Assessment (GRIHA)-certified buildings, reinforcing its commitment to eco-friendly infrastructure and climate-conscious development. The Bank is in the process of introducing Green Deposit products to mobilize funds to meet its ESG goals on the lending/investment side.

In summary, USFB's environmental profile is marked by low operational emissions and a growing commitment to sustainability. Key areas for progress include expanding renewable energy usage across branches and data centers, establishing formal targets for reducing emissions and resource consumption, and investing in green infrastructure and climate-resilient operations to drive sustainability-focused growth.



## Social

**84 (Outstanding)**

USFB shows a clear focus on social sustainability through its efforts in employee welfare, human rights, community development, and supply chain practices. The bank provides health and accident insurance for permanent employees and partial coverage for non-permanent staff, along with maternity, paternity and health check-ups benefits. The bank has good training and career development programmes. USFB has an active grievance redressal system, including Human Resources (HR) helpdesks, whistleblower channels, and disciplinary committees. Despite the above positives, the bank faces challenges in the safety of its frontline employees mainly due to road accidents involving field staff. These incidents contributed to a Lost Time Injury Frequency Rate (LTIFR) of 2. While the bank has limited control over off-premises incidents, it has introduced road safety training programmes and real time tracking mechanisms to address these risks. However, the absence of external occupational health and safety audits limits independent oversight. The social score favourably factors in a modest income inequality metric while the wage gap remains lower but closer to 1. While the organization has made progress in fostering gender diversity and inclusion, opportunities remain to expand initiatives that support people with disabilities.

The bank has established a multi-tier grievance redressal system, offering customers accessible channels such as mobile apps, telecalling, and video calling. A dedicated service quality department ensures timely resolution of complaints within defined turnaround time (TAT). The bank has also maintained a strong cybersecurity track record, with no reported data breaches in recent years, supported by regular staff training and simulations. While these initiatives have helped reduce customer complaints, the large operational scale continues to generate a high volume of grievances. Additionally, employee-led fraud cases and a notable number of legal proceedings present reputational and operational considerations that warrant ongoing attention. However, ICRA ESG notes that the number of fraud cases has reduced by 21.45% in the last two years due to the efforts taken by USFB.

USFB's strong community development strategy is closely tied to its lending portfolio, which targets underserved groups such as women, low-income households, and rural communities. In FY2025, the bank spent Rs.17.56 crore on CSR initiatives, reaching over 12 lakh beneficiaries through programmes in infrastructure development, education, healthcare, sanitation, and livelihoods. Notably, 16% of Village Social Responsibility (VSR) spending was directed toward aspirational districts. While formal impact assessments are planned from FY2026, the current absence of third-party evaluations presents an opportunity to enhance transparency, though such assessments are not mandated by regulation. Procurement from (Micro, Small and Medium Enterprises) MSMEs and small producers stands at 12.85%, supporting local businesses. However, due to USFB's limited presence in rural and semi-urban areas, only 3.4% of wages are disbursed in these regions, indicating potential for deeper engagement. The bank's lending portfolio also contributes to social impact, with products aligned to multiple UN SDGs, including poverty alleviation, gender equality, and clean water access. Group and individual loans are designed to support micro-entrepreneurs, women, and low-income households, reinforcing USFB's mission of inclusive finance.

In summary, USFB's social performance reflects a strong foundation in social and financial inclusion and community outreach, supported by systems such as grievance redressal and cybersecurity training. However, challenges persist in workplace safety and diversity. While grievances and fraud cases continue to reflect the scale of USFB's operations and its presence in the unsecured lending space, it is encouraging to note a consistent decline in fraud incidence over the years—demonstrating the effectiveness of ongoing risk mitigation efforts. Going forward, prioritizing measures to reduce workplace injuries—such as enhanced safety protocols and training—alongside strengthening external safety audits, and formalising CSR impact measurement will be important to improve the organization's social performance.



## Governance

**83 (Outstanding)**

USFB exhibits a mature governance framework characterised by strong board independence, gender diversity, and transparent oversight mechanisms. The board comprises 75% independent directors, with 50% female representation, wherein the Chairperson is an Independent Director, ensuring separation of powers and balanced decision-making. All statutory board committees are in place, and the CSR & Sustainability Committee provides strategic direction on ESG matters. The corporate structure also remains simple with no group entities and related parties. The bank has demonstrated leadership in sustainability governance by being the first Small Finance Bank in India to publicly disclose its TCFD report, reflecting its proactive approach to climate risk management. The company has an effective risk monitoring mechanism to track and mitigate climate risks arising from floods and cyclones using appropriate exposure limits. USFB also uses a RegTech system to monitor regulatory risks. It has also mapped its operations and lending practices to 14 out of the 17 UN (SDGs), embedding global sustainability priorities into its core business.

Executive remuneration is linked to sustainability performance, reinforcing accountability on the long-term ESG goals. However, the bank does not seek external assurance for its ESG disclosures, which limits the credibility of its reporting over its peers who undergo third-party validation. While the USFB has made notable progress in ESG integration, it is yet to evidence formal alignment with global frameworks such as UN Global Compact, Global Reporting Initiatives (GRI) for ESG, corporate climate goals and sustainability. However, the Bank has voluntarily aligned its climate risk disclosures to TCFD framework and RBI draft guidelines on climate risk disclosures.

The governance score also reflects past regulatory penalties from the Reserve Bank of India (RBI), particularly related to customer transparency lapses during the Covid-19 period. ICRA ESG notes that most legal complaints were adjudged in favour of the bank, the track record will remain monitorable. Although corrective actions were taken, these instances underscore the need for stronger compliance and operational controls.

In summary, USFB's governance profile is healthy in structure and intent, with strong initial strides in ESG integration.

## Key Rating Drivers



### STRENGTHS

- Low environmental footprint, growing ESG alignment in financing portfolio:** Operationally, USFB maintains a low environmental footprint given the service nature of its business and a commitment to reduce 20% power consumption by 2030. Particularly the company has limited carbon and air emissions. In addition, the bank is increasingly looking at integrating sustainability into its lending strategy by focusing on inclusive, climate-conscious finance. Its secured lending portfolio is gradually diversifying with growth in green housing, MSME, agriculture, and vehicle finance portfolios, with targeted products for low- and middle-income households. Recent partnerships with GRIHA and Water.org promote green housing and sanitation-linked loans. The bank also finances electric two wheelers, especially for underserved borrowers in semi-urban and rural areas, supported by digital loan journeys and risk-based pricing. These efforts reflect its alignment with SDGs such as Clean Energy, Sustainable Cities, and Climate Action which will improve green impact in addition to the existing social impact of the bank's lending.
- Diverse CSR spending and structured employee volunteering, with business targeting unbanked communities:** USFB's CSR strategy in FY2025 reflects a deeply inclusive and impact-driven approach, aligning with 14 of the 17 UN SDGs, with a total spend of Rs.17.56 crore across more than 138 projects, reaching over 1.2 million beneficiaries across 230 districts. The bank's CSR is focused on areas such as infrastructure development, education, healthcare, environment, livelihood, and disaster relief, with special emphasis on marginalised communities including women and persons with disabilities. Notably, 20% of CSR projects were implemented in economically challenged geographies out of which 16% is in aspirational districts which favourably impact the social score. Moreover, the bank's 'CSR Connect' platform ensures transparency and efficiency, while over 7,200 employees contributed over 14,560 volunteering hours. In addition, USFB's business is naturally aligned to create high social impact through financial inclusion of communities in rural and semi urban regions (4.6 million microfinance customers in FY2025)
- Sound governance structure with an independent board, senior leadership, and transparent disclosures:** USFB's governance practices demonstrate transparency, diversity, and strategic oversight. The Board of Directors comprises 75% independent members, bringing decades of experience across banking, finance, law, and risk management. Notably, the bank has achieved 50% board gender diversity, with four out of eight directors being women—reflecting its commitment to inclusive leadership. At the Key Managerial Personnel (KMP) level, 25% representation is female. The Chairperson is an independent director, ensuring impartial oversight, while the roles of Chairperson and Managing Director are clearly separated to uphold governance integrity. USFB also links executive remuneration to sustainability performance to an extent. In terms of transparency, USFB publishes its ESG Databook and Sustainability Report and has made its TCFD report publicly available. These disclosures outline its approach to climate-related risks and provide stakeholders with visibility into its ESG-related practices.

## WEAKNESSES



- Limited renewable energy use and target setting:** While USFB has initiated some long-term environmental commitments, such as a 20% power reduction target by 2030 its current environmental performance remains limited across key operational areas. In FY2025, only 0.07% of total electricity consumption came from renewable sources, with rooftop solar panels installed at four branches. Water consumption intensity stood at 21.62 KL per Rs. crore of revenue, but the bank lacks formal policies and reduction targets due to operational challenges and infrastructural limitations. Waste management systems such as segregation and disposal through authorised vendors are in place, yet effectiveness monitoring and measurable reduction goals are limited. Overall, while foundational systems are in place, the bank's environmental strategy would benefit from stronger governance, clearer targets, and broader implementation to drive meaningful impact. ICRA ESG notes that implementation remains constrained owing to dispersed operational footprint with remotely located small and leased offices/branches. The bank's ability to integrate best practices in upcoming locations will remain crucial for its ESG journey.
- Customer disputes, and frontline safety concerns:** USFB operates in a sector inherently exposed to operational risks such as customer disputes, frauds and frontline safety concerns. Through the implementation of pre-emptive and preventive control systems, the bank has achieved a marked reduction in the incidence of fraud over the years, even as cases continue to be reported—reflecting the scale and complexity of operations. Customer grievances, though reduced to 15,553, remain high partly owing to the scale of operations, with ATM and digital banking issues accounting for a significant share. Similarly, fraud cases point to the need for continued attention to maintain customer satisfaction and smooth operation of the bank's business. The bank also has a sizeable volume ongoing of legal cases, outcomes of which remains monitorable. Additionally, frontline safety remains a concern, against a backdrop of 4 employee fatalities and 51 high-consequence injuries, primarily due to road accidents involving field staff. While the bank has initiated mitigation measures such as road safety awareness and wellness programmes, the rising LTIFR, and the lack of ISO 45001 certification highlight the need for strengthening occupational health and safety systems.
- Nascent stage of sustainability governance and frameworks:** The bank has a dedicated team for integrating sustainability in its operations which has been implementing various initiatives. Given the current level of ESG maturity, the bank is yet to commence external assurance for its ESG disclosures, which can enhance the credibility and transparency of its sustainability reporting. It is yet to evidence formal alignment with global sustainability frameworks such as UN Global Compact, Principles for Responsible Investment (PRI), Global Reporting Initiatives (GRI), Carbon Disclosure Report (CDP) etc.

## Rating Sensitivities



### Positive Factors:

USFB's ESG rating could improve with greater adoption of renewable energy, enhanced waste recycling, and clear, time-bound targets for environmental Key Performance Indicators (KPIs) including emissions and waste reduction. Environmental initiatives like biodiversity conservation and sustainable sourcing would further strengthen its profile. On the social front, introducing occupational health and safety systems, reducing frontline safety incidents, addressing gender wage gaps, and assessing CSR impact would be beneficial. Sustainability governance improvements such as third-party assurance of ESG disclosures, alignment with global frameworks like SBTi, and increased diversity in key management roles would also support a stronger ESG standing.



### Negative Factors:

USFB's ESG rating may be downgraded if it fails to show progress in key sustainability areas. Continued reliance on non-renewable energy and increased resource consumption could negatively affect its environmental score. On the social front, rising attrition, rising workplace fatalities and LTIFR, reduced CSR spending, and adverse customer grievances may weaken its social profile. From a governance perspective, decline in diversity in the board and key management personnel, emergence of major legal cases with unfavorable outcomes, delays in financial disclosures, and instances of regulatory non-compliance or penalties could lower the bank's overall ESG standing.

## Analytical Approach

Analytical Approach	Comments
Rating methodology	<a href="#">ESG Impact Rating Methodology</a>
Rating scale	<a href="#">ESG Rating Scale</a>
Last review date	NA
Data Availability	Excellent
Rating boundaries	For arriving at the rating, ICRA ESG has considered the standalone operations of Ujjivan Small Finance Bank Limited, and the sustainability aspects disclosed through its Annual Report, ESG Policies, and other sustainability related policies and disclosures, along with inputs received during discussions in management meetings.

## About the company

Ujjivan Small Finance Bank is a scheduled commercial bank incorporated on July 4, 2016. The bank commenced operations from February 1, 2017, following the transfer of assets and liabilities from Ujjivan Financial Services Limited (UFSL), a Bengaluru-based Non-Banking Financial Company - Microfinance Institution (NBFC-MFI) established in 2005. UFSL was focused on urban microfinance lending through the Joint Liability Group (JLG) model, targeting salaried and self-employed women. USFB was one of the 10 entities granted “in-principle” approval by the RBI in 2015 to set up a small finance bank under the guidelines issued in 2014. The bank was listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) on December 12, 2019, with UFSL holding 83.32% post-listing. In May 2024, the bank completed its reverse merger with UFSL after receiving all necessary regulatory approvals, including the final approval from the National Company Law Tribunal (NCLT) on April 19, 2024.

On February 4, 2025, USFB submitted a formal application to the RBI for a Universal Banking License under the “on tap” licensing guidelines for universal banks in the private sector.

As of August 2025, USFB operated a network of 758 branches across 26 states. USFB’s product portfolio includes micro banking loans, affordable housing loans, personal loans, vehicle loans, small business loans, and deposit products such as savings accounts, current accounts, fixed deposits, and recurring deposits. The bank has implemented digital solutions across its operations, including mobile-based loan origination and automated internal processes.

In FY2025, USFB reported total income of Rs.7,201 crore and net profit of Rs.726 crore with a return on assets of 1.6 %, return on equity of 12.4 % and net non-performing assets of 0.5%. As on March 31, 2025, gross advances amounted to Rs.31,390 crore and deposits to Rs.37,631 crore

## Key ESG Indicators

Parameters	Unit	FY2025
<b>Environment indicators</b>		
Energy intensity	MJ/ Rs. crore	10252.86
Renewable energy consumption	%	0.07
Water consumption intensity	m <sup>3</sup> / Rs. crore	21.62
Waste generation intensity	tonnes/ Rs. crore	0.01
<b>Social indicators</b>		
Employee turnover	%	31
POSH complaints reported	Number	16
Income inequality ratio	Ratio	45.3
CSR inhouse volunteers	Yes/No	Yes
<b>Governance indicators</b>		
Presence of reg-tech system	Yes/No	Yes
% of women in BOD	%	50
% of women in KMP	%	25
Average attendance in board meetings	%	98.70
Emission reduction target aligned with 1.5 dc pathway	Yes/No	No

Source: Company, ICRA ESG’s analysis

**Common Directors (if any):** None



## Source of Information

While assigning the ratings, ICRA ESG has considered the annual and sustainability reports of the company along with company policies, additional information, and comments provided by the company.

**Status of non-cooperation with previous ERP:** Not applicable

## Rating history for past three years

S. No.	Current Rating		Previous Rating		
	Parameter	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023
		September 10, 2025	-	-	-
1	ESG Impact Rating	80, Outstanding	-	-	-

Source: ICRA ESG Ratings

## ANALYST CONTACTS

**Sheetal Sharad**

+91 124 4545 815

[sheetal.sharad-esg@icraindia.com](mailto:sheetal.sharad-esg@icraindia.com)

**Sunil K S**

+91 804 3326400

[sunil.ks-esg@icraindia.com](mailto:sunil.ks-esg@icraindia.com)

**Harshit Pandey**

+91 124 4545 816

[harshit.pandey-esg@icraindia.com](mailto:harshit.pandey-esg@icraindia.com)

**Anshita Khandelwal**

+91 124 4545 822

[anshita.khandelwal-esg@icraindia.com](mailto:anshita.khandelwal-esg@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[l.shivakumar-esg@icraindia.com](mailto:l.shivakumar-esg@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info-esg@icraindia.com](mailto:info-esg@icraindia.com)

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## ICRA ESG RATINGS LIMITED

### Registered Office:

B-710, Statesman House 148, Barakhamba Road, New Delhi – 110001  
Tel: +91 11 23357940/45

### Branch Offices:

**Gurugram:** Building No.8, Second Floor, Tower A, Cyber City, Phase II, Gurugram, Haryana - 122002  
Tel: +91 124 4545 800

**Mumbai:** Fourth Floor, Electric Mansion, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400025

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