

SUSTAINABLE FINANCE FRAMEWORK



2026

FINANCING TODAY
FOR A SUSTAINABLE TOMORROW



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1. Introduction

AU Small Finance Bank (AU SFB) is a scheduled commercial bank with over three decades of experience in inclusive finance. Evolving from AU Financiers to a Small Finance Bank in 2017 and recently receiving RBI's approval to become a Universal Bank, AU SFB has scaled responsibly by broadening its product offerings and strengthening digital capabilities, all while building a resilient balance sheet grounded in stakeholder trust. The Bank is committed to prudent, long-term value creation, guided by sustainability principles and transparent stakeholder engagement.

This Sustainable Finance Framework (the Framework) sets out AU SFB's approach to mobilizing capital for sustainable development, embedding Environmental, Social, and Governance (ESG) considerations across business strategy, risk management, and operations. It aligns with globally recognized standards, including the International Capital Market Association (ICMA) **Green Bond Principles (2025)**¹, **Social Bond Principles (2025)**², and **Sustainability Bond Guidelines (2021)**³, the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA), and the Loan Syndications and Trading Association ("LSTA") **Green Loan Principles (2025)**⁴ and **Social Loan Principles (2025)**⁵, as well as relevant **Reserve Bank of India (RBI)** guidance and **Securities and Exchange Board of India (SEBI)** disclosure requirements⁶ for sustainable finance.

1.1 Company Overview

AU SFB is India's largest Small Finance Bank. Since its transition to a bank in 2017, AU SFB has built a diversified retail banking model, offering deposits, loans (including vehicle, MSME, and home loans), credit cards, investment products, and insurance, supported by digital innovations such as 24x7 Video Banking, the AU 0101 App, and WhatsApp Banking. With over 2790 banking touchpoints across 21 States and 4 Union Territories, AU SFB serves more than 12.2 million customers and employs over 59,207 people. AU SFB's customer base spans underserved regions and diverse demographics, and its portfolio consistently exceeds regulatory requirements for Priority Sector Lending (PSL)⁷. The Bank's growth is anchored in its mission to deliver responsible, inclusive, and sustainable banking solutions.

1.2 Sustainability Strategy and Vision

The Bank's sustainability strategy is to embed responsible practices across all business activities and operations, creating environmental and social value alongside financial performance. This strategy is delivered through a four-pillar Sustainability Framework:

- (i) **Sustainable Finance** – channeling capital to activities with measurable environmental and social impact
- (ii) **Sustainable Operations** – improving climate and resource efficiency across facilities and processes

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

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

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

⁴ <https://www.lsta.org/content/green-loan-principles/>

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

⁶ https://www.sebi.gov.in/legal/circulars/feb-2023/revised-disclosure-requirements-for-issuance-and-listing-of-green-debt-securities_67837.html

⁷ https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12799

- (iii) **Sustainable Communities** – strengthening inclusion and resilience through targeted community development programs
- (iv) **Sustainability Reporting & Governance** – upholding transparency, ethics, and stakeholder trust through robust governance structures and disclosures.

Together, these pillars support India's climate goals and social inclusion objectives while reinforcing the bank's long-term value creation.

1.2.1 Sustainable Finance

Sustainable finance underpins AU SFB's approach to responsible banking, aligning growth with environmental stewardship, social equity, and durable economic outcomes. The Bank deploys capital to national priorities such as **renewable energy, livelihood generation, and financial inclusion**, through initiatives focused on **Green Finance, Digital Inclusion, and Digital Banking**. For example, AU SFB offers *Planet First – AU Green Deposits*, specialized financing for loans for **renewable energy** (including solar panels under PM-KUSUM), and financing for **electric vehicles**.

AU SFB is strengthening climate-risk practices through **physical risk assessment** (using Intergovernmental Panel on Climate Change – IPCC scenarios), **transition risk modelling** (using Network for Greening the Financial System – NGFS frameworks), and **financed emissions measurement** (per the Partnership for Carbon Accounting Financials – PCAF standards). For larger exposures, the Bank has introduced ESG risk screening and a scorecard-based categorisation, beginning with an Environmental and Social Management System (ESMS) assessment for assets funded by AU Green Deposits. Furthermore, AU SFB is mindful of ensuring a *just transition* – as the Bank finances climate solutions. It also seeks to support livelihoods and equitable growth for communities affected by the low-carbon transition.

1.2.2 Sustainable Operations

AU SFB advances sustainability within its own operations by prioritising climate resilience and resource efficiency. The Bank conducts annual monitoring of its operational greenhouse gas (GHG) emissions and implements measures to reduce its environmental footprint through **green infrastructure and renewable energy solutions**. Resource-efficiency measures include energy-efficient equipment and appliances, LED lighting, sustainable building materials, and water conservation practices across facilities.

Operational sustainability efforts also extend to **employee well-being, responsible supply chain management**, and the upholding of **human rights** in business operations. The bank leverages digital innovation and low-carbon strategies (e.g. paperless banking, virtual meeting tools) to enhance productivity while reducing travel-related emissions. Ethical standards and accountability are enforced within the bank and across the value chain to keep sustainability central to day-to-day business practices.

1.2.3 Sustainable Communities

Beyond its core banking operations, the bank is committed to community development, focusing on economic empowerment, social equity, and overall community well-being. The Bank delivers targeted interventions in areas such as **livelihood creation, education, sports, healthcare, and environmental stewardship**, creating pathways for individuals and communities to prosper.

These programs are anchored in three areas: microfinance for livelihoods, financial literacy, and through the bank's Corporate Social Responsibility (CSR) programs designed to enable progress that is both meaningful and enduring. By investing in community initiatives (like skills training for youth, sports for development, livelihood for women, healthcare camps, and tree plantation drives), AU SFB extends its positive impact and helps build more inclusive, resilient communities that can participate in and benefit from India's growth.

1.2.4 Sustainability Reporting & Governance

Transparency, ethical governance, and accountability are integral to AU SFB's approach. Oversight for sustainability is provided through a multi-tier structure comprising a **Board-level CSR & Sustainability Committee**, a **Sustainability Steering Committee** of senior management, and a dedicated **Sustainability Department** supported by external experts. Cross-functional teams drive ESG implementation across the Bank.

AU SFB's reporting practices go beyond regulatory compliance by integrating sustainability into strategic decision-making and risk management processes. The Bank aligns its disclosures with SEBI's Business Responsibility and Sustainability Reporting (BRSR) requirements and follows RBI guidelines on climate and ESG risk. All disclosures are subject to independent assurance for accuracy. Rigorous frameworks enable effective Board oversight of sustainability performance, while data protection and customer privacy safeguards uphold stakeholder trust. Collectively, these practices ensure credible communication of progress and continuous accountability for AU SFB's sustainability commitments.

2. Sustainable Financing Framework

The **Framework** has been developed to guide the bank in attracting and deploying capital (via deposits, loans, and bonds) to further the Bank's sustainability agenda. The Framework's primary objectives are to:

- **Mobilise Green and Social Capital:** Provide access to dedicated funding through the issuance of green bonds/loans, social bonds/loans, and Sustainability bonds/loans, thereby diversifying the Bank's funding sources and supporting growth in green and inclusive lending portfolios.
- **Adopt Best Practices:** Align with international frameworks and best-in-class market practices to improve transparency and disclosures, build investor confidence, enhance brand value, and strengthen market credibility.
- **Ensure Regulatory Readiness:** Anticipate and comply with emerging requirements from regulators (e.g. RBI's evolving ESG/climate risk guidelines and SEBI's enhanced disclosure norms for ESG securities), positioning the Bank as a leader in sustainable finance compliance.
- **Integrate ESG in Strategy:** Reinforce alignment with the Bank's internal ESG risk integration policies in lending, thus supporting portfolio decarbonization targets and climate risk management efforts.

Scope: This Framework applies to AU Small Finance Bank and all its current and future branches and subsidiaries. It governs any Sustainable Financing Transactions (SFTs) executed by the Bank, including bonds and loans that contribute to sustainable development by allocating proceeds

exclusively to Eligible Green and/or Eligible Social Projects as defined herein. Under this Framework, AU SFB may issue:

- **Green Bonds/Loans:** Financing instruments where the proceeds are used to finance or refinance eligible green assets or projects (see Section 2.2.1 for categories).
- **Social Bonds/Loans:** Instruments where proceeds are used to finance or refinance eligible social assets or projects (see Section 2.2.2 for categories).
- **Sustainability Bonds/Loans:** Instruments financing a combination of both Green and Social Eligible Projects (a mix of categories from Sections 2.2.1 and 2.2.2).

SFTs can be issued in any jurisdiction, currency, tenor or format, reflecting AU SFB's financing strategy and investor demand. Any such instruments will follow the applicable guidelines of this Framework regardless of specific terms or markets.

Alignment with Market Standards: All bonds issued under this Framework will align with the **ICMA's Green Bond Principles (2025), Social Bond Principles (2025), and Sustainability Bond Guidelines (2021)** (together, the **ICMA Principles**), as may be updated from time to time. AU SFB will also adhere to the ASEAN Green, Social, and Sustainability Bond Standards for any issuance in ASEAN markets and comply with SEBI's regulations for issuance and listing of green debt securities in India. Likewise, loans issued under this Framework will align with the LMA/APLMA/LSTA **Green Loan Principles (2025)** and **Social Loan Principles (2025)** (including their guidance notes), or any updated versions thereof. In the case of any Sustainability loan (financing both green and social projects), the loan will be aligned to the spirit of both GLP and SLP. All such loans will also meet any relevant RBI guidelines for sustainable finance and related disclosures.

This Framework is structured around the four core components of the ICMA and LMA principles: **(1) Use of Proceeds; (2) Process for Project Evaluation and Selection; (3) Management of Proceeds; (4) Reporting** and includes a section on **External Review**. The Framework will remain in effect as long as any SFTs are outstanding. AU SFB may update the Framework to reflect developments in the sustainable finance market or regulations; any new version will maintain or enhance the current level of transparency and reporting and will be published on the Bank's website.

2.1 Scope of Use of Proceeds

The net proceeds of any SFT (Green, Social, or Sustainability bond/loan) will be used to finance and/or refinance, in whole or in part, new or existing projects and assets that meet the eligibility criteria set out in this Framework ("Eligible Projects").

Eligible Assets may include:

- Loans or credit facilities to businesses, individuals, or projects, where the use of proceeds meets the Eligibility Criteria (as specified in Sections 2.2.1 and 2.2.2).
- Portions of the Bank's lending portfolio that correspond to Eligible Projects funded in the 3 years prior to issuance of an SFT (for refinancing purposes), as well as projects financed during the life of the SFT, provided they meet the criteria of this Framework.

- The Bank's own investments in projects (or operating expenditures) that meet the Eligibility Criteria – for example, installation of solar panels on AU SFB buildings could be an Eligible Green Project under Renewable Energy.

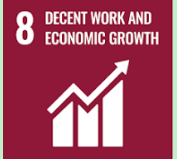
All Eligible Projects financed by an SFT must comply with the Bank's internal credit approval process and due diligence, including environmental and social risk assessments (see Section 2.3). Projects that do not meet the criteria or are associated with activities listed under Exclusions (Section 2.2.3) will not be eligible for allocation of SFT proceeds.

2.2 Use of Proceeds – Eligible Categories and Criteria

2.2.1 Eligible Green Assets

These are projects, assets, or activities that contribute to environmental objectives, such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity protection, and pollution prevention. Each category below is mapped with one or more SDGs⁸ and ICMA GBP's Environmental Objectives⁹, indicating the broader sustainable development goal it supports.

Eligible Green Project Categories and Criteria:

S. No.	Eligible Project Category	Eligibility Criteria and Description	Linkage with SDGs
1	Renewable energy Objective: <i>Climate Change Mitigation</i> <i>To increase the supply of clean energy and reduce greenhouse gas emissions by displacing fossil fuel-based power generation</i>	Eligible Activities: Financing for generation, transmission, and distribution of renewable energy and associated infrastructure, including: • Solar Energy: Development, construction, acquisition, operation of solar power generation facilities (photovoltaic or concentrated solar power). The facility should derive ≥85% of its electricity output from solar resources¹⁰. Any CSP project would need an adequate water supply plan that does not compete with critical community or agricultural needs. Includes ancillary infrastructure wholly dedicated to solar (e.g. solar panel manufacturing, or transmission lines for solar farms). • Wind Energy: Development, construction, acquisition, operation of onshore and offshore wind farms. Includes dedicated manufacturing of key components (turbines, blades) and transmission infrastructure primarily servicing wind generation. AU SFB intends to finance only those offshore wind	    

⁸ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Green-Social-and-Sustainability-Bonds-A-High-Level-Mapping-to-the-Sustainable-Development-Goals-June-2023-220623.pdf>

⁹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Project-Mapping-June-2021-100621.pdf>

¹⁰ https://www.climatebonds.net/files/documents/Solar_Energy_Criteria_April-2023_2025-03-18-151137_aikr.pdf

projects that demonstrate robust biodiversity safeguards and have obtained all relevant environmental and statutory approvals from competent authorities.

- **Small Hydro and Run-of-River Hydro:** Development, construction, acquisition, operation of Hydropower projects with capacity <25 MW. For facilities in operation in 2020 or after, lifecycle GHG emission intensity should be < 100gCO₂e/kWh or power density >= 10 W/m² ¹¹. In case of riverine projects, detailed assessment of river diversion and downstream flow impacts, biodiversity and aquatic ecosystem impacts, and potential loss of land and livelihoods. All hydropower projects must undertake environmental and social risk assessments and implement mitigation measures (per international best practices) to qualify.
- **Biomass Power:** Electricity generation from biomass or biogas (e.g. crop waste, agricultural residues, biofuels, or organic waste), with lifecycle GHG emissions <100gCO₂e/kWh. Biomass feedstocks must be sustainably sourced (e.g. agricultural or forestry waste; no palm oil or peat). Only waste wood is permitted as timber feedstock. Priority will be given to biomass projects supported by recognised sustainability certifications ¹² (such as ISCC Plus or equivalent sustainable forestry standards). In the absence of formal certification, documented evidence of sustainable sourcing, consistent with the principles of emerging national biofuel and biomass certification frameworks, is required. For biofuels, there should be 80% GHG emission reduction compared to fossil fuel baselines and the energy efficiency achieved must be at least 80% ¹³.
- **Geothermal Energy:** Power generation using geothermal resources, provided lifecycle GHG emissions <100 g CO₂e/kWh.

¹¹ https://www.climatebonds.net/files/documents/Sector-Criteria/Climate-Bonds_Hydropower_Brochure_Mar-2021.pdf

¹² https://www.ieabioenergy.com/wp-content/uploads/2018/01/Task_43_Overview_report_2013.pdf

¹³ <https://www.climatebonds.net/expertise/taxonomy/climate-bonds-mitigation-taxonomy>

		• Ocean Energy: Projects harnessing marine energy (offshore wind, tidal, wave, or ocean thermal energy conversion) for power generation. Offshore wind projects must demonstrate robust biodiversity safeguards and obtain all relevant environmental and statutory approvals from competent authorities to be eligible. Exclusions: • Small Hydro and Run-of-River Hydro: The Bank shall not finance or refinance large hydropower projects with an installed capacity of 25 MW or above. • Biomass Power: The Bank shall not finance bio-based energy projects where feedstock is sourced from woody mass or wood pellets, recently deforested or converted land, non-certified palm oil, food-grade crops used for industrial purposes, illegal or untraceable biomass sources, or activities impacting protected areas or regions of high biodiversity value.	
2	Energy Efficiency Objective: <i>Climate Change Mitigation</i> <i>To achieve at least 30% energy savings (or equivalent GHG reduction) by reducing energy consumption or losses in systems and infrastructure.</i>	Eligible Activities: • Smart Grid Technologies: Development, installation, or upgrade of smart grids, smart meters, and grid automation systems to improve electricity transmission/distribution efficiency and enable better integration of renewables. • Industrial Energy Efficiency: Upgrades to industrial processes or equipment (e.g. more efficient motors, drives, boilers, kilns, cooling systems, waste heat recovery units) that result in significant energy use reduction per output unit. These include interventions like energy management systems, process optimisation, and technological upgrades. • Building Energy Efficiency: Energy-saving retrofits in commercial/residential buildings (LED lighting, improved insulation, efficient HVAC systems, building energy management systems). Replacement of old equipment with energy-efficient alternatives (e.g. high-efficiency chillers) also qualifies. • Telecom and IT Efficiency: Modernisation of telecom and IT infrastructure, including 3G to 4G/5G upgrades, copper-to-fibre migration, network optimisation, and energy-efficient data centers, aimed at	

		reducing energy consumption per unit of data. Telecom networks achieve a minimum ~30% improvement in energy intensity (e.g. kWh/TB) based on pre- and post-upgrade assessments, and data centers meeting recognised efficiency benchmarks such as a PUE¹⁴ of ~1.3 or lower (with more stringent thresholds for new or green-labelled facilities), ensuring material system-level efficiency improvements even as data traffic grows. • Efficient District Heating/Cooling: Systems or infrastructure upgrades that enable heating/cooling networks powered ≥50% by renewable energy, waste heat, or a combination thereof¹⁵. Exclusions: • Industrial Energy Efficiency: The Bank shall not finance grid or energy efficiency projects that are materially linked to or dependent on fossil-fuel-intensive infrastructure.	
3	Clean Transportation -Low carbon mobility solution Objective: Climate Change Mitigation; Pollution Prevention & Control <i>To reduce transport-related emissions and pollution by expanding low-carbon and zero-emission mobility solutions.</i>	Eligible Activities: • Electric Vehicles: Financing for zero tailpipe emission vehicles (battery electric vehicles, fuel-cell vehicles) or ultra-low emission vehicles. Passenger cars and commercial vehicles with tailpipe CO₂ emissions <75 g/km (threshold valid up to 2025; only zero-emission vehicles eligible thereafter). • Charging and Fueling Infrastructure: Installation of electric vehicle charging stations¹⁶, hydrogen fueling stations, battery swapping networks, and related grid upgrades to support e-mobility. • Non-Motorised Transport: Projects that encourage walking and cycling: dedicated bicycle lanes, pedestrian zones, bike-sharing programs, etc., particularly in urban planning for sustainable mobility. • EV and Component Manufacturing: Establishment of manufacturing facilities dedicated to producing electric vehicles, EV batteries, fuel cells, or critical components for clean transport. Green logistics infrastructure (e.g. electrified rail freight corridors) and long-term leasing	

¹⁴ <https://www.iso.org/standard/30134-2>

¹⁵ https://www.ca-eed.eu/wp-content/uploads/2021/10/JRC_CA-EED_EDHC-to_share.pdf

¹⁶ <https://e-amrit.niti.gov.in/standards-and-specifications>

		or financing facilities that accelerate the adoption of electric buses or trucks. Retail financing for individual purchase of electric scooters, cars, or related charging equipment is included under this category. Exclusions: • Electric Vehicles: The Bank shall not refinance assets related to internal combustion engine (ICE) vehicles, including vehicles meeting interim low-emission thresholds (i.e., below 75 gCO₂/km). • Non-Motorised Transport: The Bank shall not finance non-motorised transport projects involving significant greenfield construction that may result in material environmental or land-use impacts.	
4	Climate Change Adaptation & Resilience Objective: <i>Climate Change Adaptation</i> <i>To increase resilience of communities, infrastructure and ecosystems to climate change impacts, thereby reducing vulnerability to extreme weather events, variability, and long-term climate shifts.</i>	Eligible Activities: • Flood Defense and Storm Resilience: Construction or enhancement of flood barriers, sea walls, levees, urban stormwater drainage systems, storm surge protection systems, and flood early warning systems. Upgrades to existing infrastructure (roads, bridges, culverts) to make them flood-resilient (e.g. elevating structures, increasing drainage capacity) are included. Projects must deliver meaningful; context-specific water savings based on local climate and hydrological conditions and are assessed in alignment with the Climate Bonds Resilience and Adaptation Taxonomy (CBRT)¹⁷ and relevant national and state climate frameworks (NAPCC / SAPCCs)¹⁸. • Drought Resilience and Water Security: Projects ensuring water security in drought-prone areas – rainwater harvesting systems, small water reservoirs, community water storage tanks, drip irrigation systems for farmers, drought-resistant crop cultivation support, and other water management interventions aimed at conserving water and sustaining agriculture under changing rainfall patterns. These interventions are required to be aligned with NAPCC missions, relevant SAPCC / SPCC	

¹⁷ <https://www.climatebonds.net/expertise/resilience-finance>

¹⁸ https://moef.gov.in/uploads/2018/04/NAP_E.pdf

		priorities, and are assessed to ensure alignment with CRBT principles, where applicable. • Climate-Smart Agriculture: Implementation of farming practices and technologies that improve resilience to climate variability – such as introducing climate-resilient crop varieties (notified by the Indian Council of Agricultural Research (ICAR))¹⁹, integrated pest management adapting to shifting pest ranges, sustainable land management to prevent desertification, or installation of weather shelters for livestock. This also covers financing farmers for crop insurance or diversification to reduce climate risk. • Ecosystem & Nature-Based Adaptation: Conservation or restoration of ecosystems that provide natural protection against climate risks. For instance, mangrove restoration along coastlines (for storm surge protection), wetland restoration (for flood water retention), afforestation or reforestation on hill slopes (to prevent landslides and soil erosion), and urban greening projects (to reduce heat island effects and manage stormwater). • Public Health Adaptation: Projects addressing health risks exacerbated by climate change, e.g. heatwave early warning and response systems, cooling centers for vulnerable populations during extreme heat, mosquito control in regions with expanding vector-borne diseases, etc. Many adaptation projects also yield co-benefits, such as supporting livelihoods or protecting biodiversity, which align with AU SFB's social and environmental objectives. The Bank also intends to apply the Climate Bonds Resilience and Adaptation Taxonomy (CBRT) to assess climate risk relevance and resilience outcomes, ensuring that financed projects meaningfully reduce physical climate risks and associated E&S impacts. Exclusions: • Resilience Projects: The Bank shall not finance projects where climate change	
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¹⁹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2099489>

		adaptation or resilience building is not the primary objective, or where adaptation benefits are incidental or marginal. • Adaptation Projects: The Bank shall not finance adaptation projects that increase exposure or result in maladaptation risks, including hard infrastructure that transfers climate or flood risks to downstream or adjacent areas without adequate safeguards.	
5	Sustainable Water and Waste Management Objective: Climate Change Adaptation; Pollution Prevention & Control <i>To promote sustainable water use and access to safe water/ sanitation, while improving water quality and efficiency for environmental and social benefits.</i>	Eligible Activities: • Water Supply Infrastructure: Construction or upgrade of water intakes, treatment, desalination, and distribution systems to provide safe drinking water and reduce losses. Eligible projects include NRW reduction initiatives targeting material leakage reductions, and desalination plants that are powered by near full renewable energy supply (GHG footprint of less than 50g CO₂e/kWh or power density greater than 10W/m²)²⁰. Desalination projects must meet best-practice energy efficiency benchmarks, implement robust brine management, and ensure treated water complies with ISO 10500:2012 and, where applicable, WHO drinking-water standards. • Wastewater Treatment: Development, expansion, or upgrade of sewage systems and wastewater treatment facilities, leading to improved treatment standards (like nutrient removal) and safe discharge or reuse of treated water. Includes infrastructure for recycling wastewater (e.g. treatment for industrial reuse or groundwater recharge). • Sanitation Systems: Building or improving sanitation infrastructure especially in underserved areas – public toilets, sanitation facilities, and solid sludge management – to ensure safe sanitation and reduce water contamination in compliance BIS Design Codes. • Water Efficiency and Reuse: Projects that promote water conservation in agriculture (drip irrigation, micro-	

²⁰ https://www.climatebonds.net/files/documents/Sector-Criteria/Climate-Bonds_Hydropower_Brochure_Mar-2021.pdf

		sprinklers), industry (water recycling in processes, cooling towers), or municipal use (rainwater harvesting, greywater reuse systems in buildings) having water savings of minimum 20%. Installation of water-saving devices and smart irrigation systems also qualifies. Exclusions: • Water Supply Infrastructure: The Bank shall not finance water supply, desalination, or wastewater projects that do not comply with applicable national laws, standards, and permits, including CPCB norms, CPHEEO manuals, BIS standards, or relevant Pollution Control Board consents.	
6	Pollution Prevention and Control Objective: <i>Pollution Prevention and Control</i> <i>To reduce pollution and waste through prevention, control and recycling initiatives, supporting a cleaner environment and public health.</i>	Eligible Activities: • Air Pollution Control: Installation of high-efficiency FGD, SCR/SNCR, electrostatic precipitators, fabric filters and similar systems achieving ≥90% SO₂ removal, ~75–90% NO_x reduction, and ≥99% PM capture in line with IFC EHS Guidelines and national standards, as well as selective support for CCS in hard-to-abate sectors such as cement or power where projects achieve ~90% CO₂ capture, ensure emissions reduction, secure transport and permanent geological storage, and maintain long-term monitoring. Eligible sectors include regulated emissions-intensive industries such as cement, steel, power generation, textiles and allied sectors where pollution control upgrades deliver material reductions in harmful emissions. • Waste Management & Recycling: Infrastructure for solid waste management including waste collection, segregation systems, material recovery facilities, recycling plants for paper, plastic, metal, glass, e-waste recycling, composting facilities for organic waste, and modern landfill facilities with methane capture. The projects must be subject to minimum material recovery thresholds (~70–80% for plastics, ~80–90% for metals, ~60–75% for paper/glass) aligned with EPR and IFC guidance. Projects must comply with CPCB regulations and enforce the waste	

		hierarchy as a binding condition. Composting is limited to 100% source-segregated organic waste with negligible methane leakage and defined beneficial use. Landfill gas projects must achieve $\geq 70\%$ methane capture with energy utilisation or safe flaring. Waste-to-Resource Initiatives: Projects that convert waste streams into useful products or energy (Direct emissions must be $< 100 \text{ g CO}_2\text{e/kWh}$ for the energy produced.) This includes bio-methanation plants (with 50-70% lower emissions than fossil-fuel based alternatives) using proven anaerobic digestion technologies such as CSTR or UASB systems with sealed operations, full gas capture, and controlled digestate management, composting of organic waste to produce fertiliser, landfill gas capture, and facilities that recycle construction & demolition debris into usable material. Technologies financed under this category (e.g. crushers, sorting systems, optical separators) must be commercially proven and comply with applicable regulatory and environmental performance standards. Soil and Water Remediation: Cleanup of contaminated sites using in-situ and ex-situ technologies that measurably reduce pollutants to statutory or IFC-aligned thresholds, excluding cases where the polluter is merely complying with regulation. Eligible methods such as bioremediation, soil washing, stabilisation and thermal desorption must demonstrate $\geq 60\text{--}90\%$ contaminant reduction for organics, $\geq 70\%$ removal for metals or persistent pollutants, or $\geq 99\%$ destruction efficiency for volatile/semi-volatile organics, supported by pre- and post-remediation sampling. Projects must prepare a Remediation Action Plan with baseline contamination data, a monitoring grid (e.g., one sample per 500 m^2), and documented compliance with CPCB/IFC cleanup standards. All projects must include a post-remediation land-use plan confirming safe reuse and ensuring the intervention does not extend the operational life of polluting assets.	
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		• Pollution Monitoring Systems: Deployment of air and water quality monitoring systems, pollution sensors and data systems that enable better pollution management by city or industry authorities. Exclusions: • Air Pollution & Control: The bank shall not finance projects that extend the operational life of fossil-fuel-dependent assets, pollution-control installations that do not meet minimum removal thresholds, and CCS projects lacking verified long-term containment pathways. • Waste Management & recycling: The Bank shall not finance waste management or recycling projects involving illegal waste handling, import, transport, or disposal, or projects that generate secondary pollution through uncontrolled emissions, effluents, or residual waste. • Composting or bio-methanation projects: The Bank shall not finance composting or bio-methanation projects that use mixed or non-segregated waste, result in measurable methane leakage, or lack clearly defined and beneficial use of outputs.	
7	Green Buildings Objective: Climate Change Mitigation; Climate Change Adaptation <i>To reduce energy use and environmental impacts in the built environment by developing buildings to high energy-efficiency or green certification</i>	Eligible Activities: • Green Certified Buildings: Buildings (commercial, residential, or institutional) that have obtained or will obtain internationally recognized green building certifications at high levels. For example: LEED Gold or Platinum, BREEAM Excellent or Outstanding, IGBC Gold/Platinum, or GRIHA 4-star/5-star. Certification should be current (within the last 5 years for existing buildings) and demonstrate holistic environmental performance (energy, water, materials, indoor air quality, etc.). Compliance with IFC EDGE or meeting the carbon intensity hurdles set by EDGE (or similar tools) also qualifies. Preference is given to new buildings, infrastructure, renovations demonstrating quantified reductions or alignment with progressive decarbonization pathways (e.g., ~40% reduction in embodied carbons trajectory by 2030 and/or net zero embodied	

	standards, thereby cutting GHG emissions.	carbons)²¹ and integration of carbon management within advanced certification frameworks. • Energy Efficient Buildings: Buildings designed or upgraded to achieve significant energy and emissions reductions. New buildings should demonstrate at least 30% lower energy consumption (or CO₂ emissions) than prescribed national building code benchmarks (e.g. surpassing ECBC or ASHRAE 90.1). Renovated buildings should achieve ≥30% energy savings in Primary Energy Demand (PED) compared to pre-retrofit performance. • This category also encompasses affordable green housing projects if they meet the above criteria, thus bridging environmental and social benefits. All green building projects financed will be expected to provide relevant performance data or certification to verify eligibility.	
8	Circular Economy Objective: Natural Resource Conservation To foster efficient use of resources and waste reduction by supporting business models centered on reuse, recycling, and extending product lifecycles.	Eligible Activities: • Recycling-Based Manufacturing: Production of goods by using at least 20–50% recycled content, depending on sector and material type, or equivalent substitution of virgin materials (for instance, manufacturing packaging from recycled plastic or paper, producing construction materials from industrial waste or demolition debris). The processes should demonstrate net environmental benefits (e.g. lower energy use or emissions than conventional production) evaluated using IFC circular economy finance guidelines²². • Bio-based and Sustainable Products: Production of bio-based, biodegradable, or compostable materials that can replace traditional fossil-based materials (for example, bioplastics produced from certified sustainable feedstock, or textiles made from organic/recycled fibers (20–50%)). Certification by schemes like the Roundtable on Sustainable Biomaterials (RSB), ISCC PLUS for bio-products is a positive indicator of sustainability. Where applicable, lifecycle GHG emissions must	

²¹ <https://worldgbc.org/climate-action/embodied-carbon/>

²² <https://www.ifc.org/en/insights-reports/2025/harmonized-circular-economy-finance-guidelines>

		be at least 50% lower than the fossil-based equivalent. • Product Life-cycle Extensions: Projects that facilitate the repair, refurbishing, or remanufacturing of products to extend their useful life (such as facilities for refurbishing used electronics or machinery, furniture refurbishing businesses, etc.), or platforms enabling the sharing or second-hand resale of goods (thus reducing new production). • Circular Supply Chain Initiatives: Businesses or technologies that close resource loops, e.g. systems for manufacturers to take back used products (take-back schemes) and recycle components, or marketplaces for industrial by-products so that one industry's waste becomes another's input. Exclusions: • Recycling-Based Manufacturing: The Bank shall not finance activities that result in down-cycling, where materials are locked into low-value or non-recoverable uses without demonstrable resource efficiency or emissions-reduction benefits. • Bio-based and Sustainable Products: The Bank shall not finance bio-based products using feedstock sourced from recently deforested or converted land, non-certified palm oil, food-grade crops for industrial use, illegal biomass sources, or activities impacting protected or high-biodiversity-value areas. • The Bank shall not finance projects involving illegal import, handling, or disposal of waste, including non-compliance with the Basel Convention, Hazardous Waste Rules, or CPCB norms.	
9	Sustainable Management of Living Natural Resources and Land/ Water Use	Eligible Activities: • Sustainable Forestry: Afforestation, reforestation, or improved forest management projects certified by credible schemes like the Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC) ²³. This can also include	

²³ https://www.ieabioenergy.com/wp-content/uploads/2018/01/Task_43_Overview_report_2013.pdf

	Objective: <i>Biodiversity; Natural Resource Conservation</i> <i>To support sustainable agriculture, forestry, fisheries, and biodiversity conservation, protecting ecosystems while improving livelihoods.</i>	conservation of existing forests and preventing deforestation. The objective must be to enhance carbon sinks, preserve biodiversity, or produce timber in an environmentally sustainable way. • Sustainable Agriculture: Financing agricultural practices and techniques that increase productivity while reducing environmental impact. This includes organic farming, climate-smart agriculture techniques (minimal tillage, crop rotation, integrated pest management, drip irrigation), bio-fertiliser and bio-pesticide usage, precision farming technology that optimises resource use. Projects may also cover restoration of degraded land to productive use through regenerative farming methods. Micro-loans or financing programs enabling small farmers to adopt sustainable practices can be counted here if tied to specific eligible expenditures (like solar pumps or organic inputs). • Fisheries and Aquaculture: Sustainable fishery projects that have certifications such as Marine Stewardship Council (MSC) for wild catch, ensuring fish stocks are managed responsibly. Sustainable aquaculture projects, certified by a recognized and credible third-party standard and have achieved the minimum rating requirement. (For e.g. ASC for farm level certification, B.A.P for Aquaculture.) • Biodiversity Conservation: Projects focused on preserving or restoring natural habitats and ecosystems – such as funding for conservation parks, wildlife reserves, mangrove restoration, coral reef protection, pollution reduction, water interception or marine litter prevention programs. This also includes sustainable management of coastal and marine areas (supporting SDG 14) and research or initiatives aimed at protecting endangered species or critical ecosystems. Exclusions: • Sustainable Forestry: The Bank shall not finance land-use projects that do not comply with the Forest (Conservation) Act, the Wildlife Protection Act, or projects	11 SUSTAINABLE CITIES AND COMMUNITIES  12 RESPONSIBLE CONSUMPTION AND PRODUCTION  14 LIFE BELOW WATER  15 LIFE ON LAND 
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		lacking mandatory environmental or forest clearances. • Sustainable Agriculture: The bank shall not finance techniques and technologies of Intensive Livestock Farming projects for industrial-Scale meat processors or producers. • Biodiversity Conservation: The bank shall not fund large-scale coastal infrastructure due to their involvement in biodiversity risks that may outweigh their contribution to sustainability.	
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Note: Each Green Project must also adhere to the general Exclusion criteria (Section 2.2.3). For example, a renewable energy project with significant associated deforestation would be disqualified. AU SFB will ensure that all financed activities under the Green categories meet not only the technical criteria above but also do not cause significant harm to other environmental or social objectives (the “Do No Significant Harm” principle).

2.2.2 Eligible Social Assets

These are projects, assets, or activities that directly aim to address social challenges or provide significant social benefits, especially vulnerable, marginalized, or underserved populations.

The goal is to promote greater socioeconomic empowerment, equality, and improved quality of life for target groups. Each category below is aligned with key SDGs focused on poverty reduction, health, education, and reducing inequalities.

Eligible Social Project Categories and Criteria:

S. No.	Eligible Project Category	Eligibility Criteria and Description	Linkage to SDGs
1	Employment Generation Objective: Quality Education; Gender Equality; Decent Work & Economic Growth <i>To create and preserve jobs by providing capital to micro, small and medium enterprises, thereby supporting livelihoods in underserved communities.</i>	Eligible Activities: • Loans to MSMEs (as defined by the Government of India’s MSME criteria) to start, expand, or modernise their businesses. This includes working capital loans, equipment financing, or project loans to small businesses in any productive sector (manufacturing or services). Emphasis is on MSMEs operating in regions or communities with high unemployment or underemployment, thereby enabling local job creation. • Microfinance Loans: Small loans (typically up to ₹ lakh) provided to micro-entrepreneurs, self-help groups (SHGs), or joint liability groups (JLGs) for income-generating activities. These are often women-led or group-based enterprises in rural or semi-urban areas (e.g. cottage industries, artisan	 

		groups, small trade). Such financing empowers individuals who lack access to traditional banking to start or grow businesses, thereby creating self-employment and potentially employing others.	
2	Socio-Economic Advancement and Empowerment Objective: To advance equal economic opportunity for underserved groups (such as women, disadvantaged castes, tribal communities, disabled persons, etc.) by financing initiatives that foster inclusion, skills, and entrepreneurship.	Eligible Activities: • Loans in “Aspirational Districts”: Financing businesses or development projects in India’s Aspirational Districts²⁴ (identified by NITI Aayog as particularly underdeveloped) to spur economic activity and job opportunities in those lagging regions. • Employment or Entrepreneurship for Vulnerable Populations: Initiatives that create meaningful jobs or training for target groups such as women, tribal communities, scheduled castes/scheduled tribes, differently abled persons, or the youth. For example, lending to a company that establishes a manufacturing unit predominantly employing women from an underprivileged community; or funding a social enterprise that trains and hires tribal youth. • Support for Artisans and Cottage Industries: Loans to entities (cooperatives, NGOs, small companies) that assist traditional artisans, craft workers, or cottage industries in marketing their products, improving their production or accessing markets. This helps preserve cultural livelihoods and increase incomes for those artisans, who are often from rural or marginalized backgrounds. • Street Vendor Loans: Credit to street vendors and hawkers under schemes like PM SVANidhi, which enables them to expand their micro-business and secure their livelihoods. • Women’s Economic Empowerment: Loans targeted at women-owned enterprises (businesses where ≥51% ownership or majority management is by women). This also includes	

²⁴ <https://www.niti.gov.in/sites/default/files/2023-07/List-of-112-Aspirational-Districts%20%281%29.pdf>

		microfinance loans to women borrowers, and financing for organisations that provide skills training or job placement for women, ensuring gender-inclusive economic growth. • Support for Disabled or Special Groups: Projects benefitting persons with disabilities (e.g. funding small businesses run by differently abled individuals, or assistive technology solutions), and other marginalized segments (e.g. transgender entrepreneurs) to advance their socio-economic participation.	
3	Access to Essential Services Objective: <i>Good health & well-being; Quality Education; Sustainable Cities and Communities</i> <i>To expand affordable access to fundamental services such as education, healthcare, housing, clean water, sanitation, energy, and digital connectivity for low-income and underserved populations.</i>	Eligible Activities: 1. Education: • Student Loans: Education loans or scholarships to students from Economically Weaker Sections (EWS) or disadvantaged backgrounds for pursuing school, college or vocational training. • Affordable Educational Infrastructure: Financing the construction or expansion of schools, colleges, skill development centers or other educational facilities that serve low-income communities or remote areas. This includes schools built under public-private partnership for rural education, or vocational training centers enhancing youth employability in underdeveloped regions. 2. Healthcare: • Healthcare Facilities: Financing for Financing the construction, upgrade, or equipment purchase for hospitals, clinics, primary healthcare centers, and diagnostic facilities that primarily serve vulnerable populations. Examples: a new clinic in a rural village, a charitable hospital wing for low-income patients, a cancer treatment center offering subsidised care. • Public Health and Emergency Response: Funding for manufacturing or distribution of essential medicines and medical supplies (including vaccines, masks, ventilators)	

		especially for public health programs or pandemic response. Also includes R&D and infrastructure to improve healthcare delivery in low-resource settings. • Inclusive Healthcare Programs: Supporting entities that provide healthcare access to EWS/LIG individuals, such as not-for-profit healthcare providers, mobile medical units for remote areas, maternal and child health programs, or health initiatives for the elderly or disabled. Also, healthcare facilities which derive a significant portion ($\geq 50\%$) of revenues from government schemes (e.g. CGHS, ESI) or operate on a not-for-profit basis to serve the poor qualify as eligible. 3. Affordable Housing: • Affordable Housing Development: Loans to developers or public agencies for the construction of affordable housing projects, particularly under the Pradhan Mantri Awas Yojana (PMAY) or similar schemes. Projects must be intended for EWS or Low-Income Group (LIG) households, with unit sizes and pricing within the affordable housing definition set by government policy. • Housing for Low-Income Groups: Corporate loans for projects that include mandated units for low-income households (such as slum rehabilitation projects or housing developments reserving a portion of units for EWS/LIG). • Housing Finance for the Poor: Home loans or micro-mortgages to individuals from low-income segments to buy or build their first home, typically for properties in the affordable segment. Also includes small loans for home improvements or expansion in poor communities, as well as financing to housing finance companies (HFCs) specifically for on-lending towards affordable housing. • Basic Infrastructure for Housing: Development of essential services for	       
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		housing communities – clean drinking water connections, sewage and sanitation systems, internal roads, and electrification – particularly in low-income housing projects or rural housing schemes. 4. Other Essential Infrastructure: • Clean Water and Sanitation: Investments to provide safe drinking water and sanitation in underserved regions (overlaps with Water category in green but counted as social when primary aim is community health). E.g., installing community water filters, rural water supply schemes, or household toilets under Swachh Bharat Abhiyan for those without access. • Electricity Access: Projects expanding electricity access to unelectrified or poorly electrified areas, such as rural electrification programs, off-grid renewable energy solutions for remote villages, or new connections for poor urban households. (Excludes any transmission lines evacuating power from fossil fuel plants; if a grid project, it should demonstrably improve access for previously unserved communities.) • Telecommunication and Digital Inclusion: Projects to extend telecom networks or internet connectivity to unconnected or under-connected communities (e.g., building mobile towers in tribal areas, providing broadband to rural schools), thereby bridging the digital divide. • Rural Roads and Transport: Construction or improvement of roads in remote, rural, or underdeveloped areas to improve all-weather connectivity for those communities (excluding major highways). For example, last-mile rural roads that connect villages to main roads, facilitate access to markets, schools, and hospitals.	
4	Agriculture Finance and Food	Eligible Activities:	

Security Objective: To enhance agricultural productivity, climate resilience, and food security by providing affordable finance to farmers, producer groups, agri-MSMEs, and agri-value chains. Impact will be assessed through number of farmers supported, climate-smart acreage, yield gains, added storage capacity, and reduced post-harvest losses.	• Food Storage and Distribution: Investments in warehouses, cold storage facilities, and food logistics infrastructure to reduce post-harvest losses and improve market access for farmers. By providing adequate storage, these projects help stabilise food supplies and prices, benefiting both producers and consumers. • Agriculture Value Chain Finance: Lending to support the agricultural economy as defined under Priority Sector Lending – including farm credit (for crop production and farm development), agricultural infrastructure, and ancillary activities. Examples: - <i>Farm Credit:</i> Loans to small and marginal farmers (often via SHGs or JLGs) for crop cultivation, purchase of agricultural inputs, farm equipment, irrigation systems, or allied activities like dairy, poultry, beekeeping, etc. This includes short-term crop loans and medium/long-term loans for farm improvements. - <i>Post-harvest Finance:</i> Loans to farmers for activities like sorting, grading, and transporting their produce to markets, or against storage receipts to avoid distress selling right after harvest. - <i>Loans to Distressed Farmers:</i> Credit to farmers to help pay off high-interest informal debt, thereby freeing them from debt traps (as per schemes for indebted farmer relief). - <i>Kisan Credit Card (KCC) loans:</i> ensuring timely credit for farm needs. - <i>Land Purchase for Agriculture:</i> Loans to small/marginal farmers for buying or leasing agricultural land, enabling landless or tenant farmers to own land and improve their livelihood security. - <i>Solar for Agriculture:</i> Financing for Financing solar pumps and solar power plants for farms, aiding reliable irrigation and additional income (consistent with PM-KUSUM scheme components).	
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		• Agriculture Infrastructure: Loans to construct or upgrade facilities that directly benefit agriculture: for example, soil conservation projects (watershed development), plant tissue culture labs, seed production units, bio-fertiliser and bio-pesticide plants, vermicomposting facilities. These help improve agricultural productivity and sustainability. • Ancillary Activities: Financing farmer cooperatives, FPOs, or PACS for on-lending to members or for activities like setting up agri-clinics, agri-business centers, purchase of milk collection equipment, or other services that support farmers in getting better market linkages and prices for their produce. Exclusions: • Agriculture Infrastructure: The Bank shall not finance large agribusinesses, speculative land acquisition, or export-oriented trading activities that do not demonstrate clear local or community-level benefits. • This includes activities involving banned crops or agro-chemicals, including those covered under the NDPS Act.	
5	Livelihood Finance Objective: To strengthen household resilience and improve incomes of low-income and underserved populations by providing finance for income-generating activities, micro-enterprises, self-employment, and rural non--farm livelihoods.	Eligible Activities: • Microfinance to Individuals and SHGs: Loans given directly to individuals or to members of Self-Help Groups (SHGs) or Joint Liability Groups (JLGs) under RBI's Master Directions for Microfinance (March 2022). These loans, typically not exceeding 2 lakh, fund livelihood activities (small trade, services, production) or essential needs (housing repairs, education, etc.) for borrowers without collateral. They often target women and low-income households, as per RBI's definition of households with annual income not exceeding prescribed limits (e.g. ₹3 lakh for microfinance eligibility). • Micro-loans for Social Needs: Small loans (up to ₹2 lakh) provided to SHGs/JLGs for purposes other than	 The image shows two Sustainable Development Goal (SDG) icons. The top icon is for SDG 1, 'No Poverty', featuring a family of four (two adults and two children) in white silhouettes against a red background. The bottom icon is for SDG 8, 'Decent Work and Economic Growth', featuring a white bar chart with an upward-pointing arrow against a red background.

	<i>Impact evaluation will consider beneficiaries reached, income uplift, women-led enterprises supported.</i>	agriculture or MSME – e.g., to meet emergency household needs, housing improvements, construction of toilets, or any viable group enterprise. These improve quality of life and have indirect livelihood benefits by freeing up income or enabling work (like a household toilet improving health and productivity). • Weaker Section Lending: Credit extended to categories identified as “weaker sections” by RBI’s Priority Sector norms, which includes: artisan and village cottage industries with individual credit limits ≤ ₹1 lakh; beneficiaries of government poverty alleviation schemes (like NRLM, NULM, SRMS); Scheduled Castes and Scheduled Tribes; beneficiaries under the Differential Rate of Interest (DRI) scheme; individual women borrowers up to ₹1 lakh; persons with disabilities; minority communities in line with government notification. These loans help marginalized individuals engage in livelihood activities or meet essential needs, thereby reducing vulnerability.	
6	Impact Financing Objective: Support enterprises delivering measurable social and environmental outcomes. The impact of these activities will be measured through beneficiaries served, CO₂ emissions avoided, affordable health/education access enabled, impact enterprises funded.	Eligible Activities: • On-lending to NBFCs for MSMEs: Loans or credit lines provided to Non-Banking Financial Companies (NBFCs) for the explicit purpose of on-lending to MSMEs. The NBFCs must use the funds to extend credit to MSME borrowers as per RBI’s MSME definition, thereby indirectly supporting small business growth and employment (aligning with the Employment Generation category). This allows AU SFB’s funds to reach broader markets or geographies where those NBFCs operate. • On-lending to Housing Finance Companies (HFCs): Loans to HFCs, with the understanding that the proceeds will finance affordable housing loans or projects (meeting the affordable housing criteria defined under “Access to Essential Services – Housing”). This helps channel capital	  

		into affordable housing via specialist intermediaries. • On-lending to Microfinance Institutions (MFIs): Loans to registered NBFC-MFIs or other microfinance institutions (societies, trusts, etc. that are members of an RBI-recognised self-regulatory organisation). These institutions on-lend to low-income individuals, women in SHGs, or JLGs for micro-enterprises and livelihoods (as per the Microfinance and Livelihood Finance categories). This wholesale lending expands microfinance outreach by leveraging the networks of MFIs, while ensuring funds benefit the target segment of women and low-income households. Exclusions: • The Bank shall not refinance existing debt, except where such refinancing is explicitly permitted under applicable laws or regulatory guidelines.	
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For all the above social categories, **Target Populations** primarily include (but are not limited to): low-income individuals and households (including those below the poverty line), small and marginal farmers, MSME entrepreneurs, rural populations, undereducated or unemployed youth, women and women-led enterprises, scheduled caste/scheduled tribe communities, other historically disadvantaged groups (such as tribal populations, minorities), persons with disabilities, migrants or displaced people, elderly people without social support, and communities deprived of basic services. The financing is intended to benefit those who are traditionally underserved by mainstream financial services or infrastructure provisions, and who stand to gain improved well-being and economic empowerment from these projects.

2.2.3 Exclusions

AU SFB has identified certain sectors and activities that are **excluded** from financing under this Sustainable Finance Framework. Even if a project might superficially fit within an eligible category, it will not be considered Eligible (and will not receive proceeds from SFTs) if it involves any of the following Excluded activities or industries.

Green Categories:

- **Deforestation and Unsustainable Land Use:** Operations that involve significant conversion or degradation of sensitive or protected ecosystems. Specifically, commercial activities in primary tropical forests, officially designated conservation areas, or high biodiversity value habitats are excluded. Financing for large-scale commercial logging is only permissible if it's certified sustainable (otherwise excluded). Any palm oil production that isn't certified for sustainability is excluded, as is any agriculture on land recently converted from critical natural habitats.

- **Environmentally Harmful Projects:** Projects that involve the introduction of harmful substances into the environment or unsustainable resource use, such as drift-net fishing in the marine environment, trade in wildlife or wildlife products contrary to CITES, or production of ozone-depleting substances banned by international agreement. Projects that do not comply with applicable national environmental regulations, including CPCB norms, Pollution Control Board consents, or relevant waste-management rules.
- **Fossil Fuels:** Exploration, extraction, production, transportation, or refining fossil fuels (coal, oil, and natural gas). This includes new thermal power plants, expansion of existing coal or oil-based power generation, crude oil refining, natural gas liquefaction, new pipelines primarily transporting fossil fuels, or any project whose primary purpose is supporting the fossil fuel industry.
- **Gambling and Adult Entertainment:** Businesses involved in casinos, betting operations, online gambling, or the production of adult entertainment materials (pornography) are excluded from financing.
- **Harmful Labour Practices:** Companies or projects known to employ child labour (contrary to ILO standards and local law) or forced labour, or those with a record of gross violations of labour rights, are not eligible for funding. (This is more of a counterparty exclusion; the Bank's due diligence will screen out such entities from its eligible portfolio.)
- **Landfills and Incinerators (Without Energy Recovery):** Stand-alone landfill projects (for solid waste disposal) are excluded unless they incorporate modern waste management best practices and only receive non-recyclable waste; even then, preference is to avoid landfills in favour of recycling. Direct waste incineration facilities that do not have energy recovery or adequate emission controls are also excluded (due to pollution concerns).
- **Nuclear Energy:** Nuclear power generation, nuclear fuel production, or related nuclear facilities are excluded due to waste and safety concerns.
- **Transmission linked to Fossil Fuel Plants:** Electricity transmission or distribution infrastructure dedicated primarily ($\geq 25\%$ of transmitted electricity) to evacuating power from fossil fuel generation sources. For example, a grid substation serving a large coal plant would be excluded.

Social Categories:

- **Intermediary Eligibility:** AU SFB avoids intermediaries that do not demonstrate clear and measurable benefits to end beneficiaries.
- **Beneficiary Eligibility:** Facilities with beneficiary profiles skewed away from low-income groups are subject to enhanced scrutiny or exclusion.
- **Predatory Lending:** The Framework's proceeds will not fund any lending activities that could be considered exploitative, such as payday lending operations that charge usurious interest rates to vulnerable borrowers.
- **Tobacco and Alcohol:** Production or distribution of tobacco products is entirely excluded. Likewise, production or wholesale of alcoholic beverages is excluded (this does not apply to small retail businesses selling alcohol as part of general trade, which might still access MSME loans; but the Framework's use-of-proceeds would not deliberately fund expansion of alcohol manufacturing).

- **Weapons and Defence:** Manufacture or trade of weapons, firearms, small arms, ammunition, or military armaments is excluded. The Bank will not use sustainable financing to support any defence-related contracts or companies primarily engaged in weapons manufacturing.

The Bank's internal screening will ensure that none of the SFT proceeds are allocated to any project or entity involved in the above activities. If an otherwise eligible project has any component that touches on an exclusion (for instance, a smart grid project that also connects a new coal plant), that component will cause the project to be dropped or the exclusionary part carved out such that our funds only support the qualifying elements. In case of any doubt, the Sustainability Steering Committee will be on the side of caution and exclude the project from the eligible pool.

2.3 Process for Project Evaluation and Selection

Every project or asset that is proposed for funding via an SFT undergoes a rigorous evaluation and selection process to ensure it meets the criteria of this Framework and is consistent with AU SFB's sustainability objectives and risk management standards. The process integrates existing credit risk appraisal with additional ESG scrutiny and is overseen by dedicated governance bodies to uphold accountability.

Initial Identification: Business units across the bank (such as Retail Lending, MSME Banking, Corporate Banking, etc.) identify loans and investments that appear to fit the Eligible Green or Social categories. This includes both loans in the current portfolio (for refinancing) and pipeline loans for new disbursement. To facilitate this, the Bank's credit teams are guided to flag potential green or social deals during the due diligence phase. Additionally, the dedicated Sustainability team may proactively scan the Bank's portfolio for assets that qualify under the Framework's criteria.

Standard Credit Appraisal: All identified projects first must pass through the normal credit due diligence and approval process of the Bank. This involves Know-Your-Customer (KYC) checks, creditworthiness analysis, collateral evaluation (if applicable), and will be sanctioned by the appropriate credit committee as per AU SFB's lending policies. There is no compromise on credit quality: a project will only be considered for the Sustainable Finance pool if it is financially sound and approved under existing risk frameworks.

ESMS and ESG Risk Review: In parallel, each potential Eligible Project is evaluated for environmental and social risks using AU SFB's **Environmental and Social Management System (ESMS)** policy and ESG risk assessment tools. The Bank's risk team (with input from the Sustainability team) assesses factors such as environmental permits and compliance status of the borrower, land acquisition or community impact issues, labour and safety practices, and any reputational risks. Projects with high ESG risks (Category A under IFC standards or equivalent) undergo enhanced due diligence. If a project is found non-compliant with the Bank's ESG risk policies or if it falls under any Exclusion, it will be removed from eligibility regardless of its category fit.

Labelling and Tagging: Once a loan/project is approved internally and disbursed, and it appears to meet the Framework criteria, it is "tagged" in the Bank's systems as Green, Social, or

Sustainable, as appropriate. This tagging captures key information: the loan account number, borrower name, loan amount, disbursement date, maturity date, purpose of loan (use of proceeds), and which eligible category it falls into. This creates a preliminary universe of potentially Eligible assets. Tagging ensures traceability of assets for later allocation and reporting.

Sustainability Team Shortlisting: The Sustainability Department then reviews the tagged list of projects against the Framework's detailed eligibility criteria and exclusions (essentially a quality control step). They may request additional information from business teams or clients to verify compliance (e.g. a green building certification proof, or details on target beneficiaries for a social project). They will remove any projects that don't fully satisfy the criteria for closer examination. The result is a shortlist of candidate Eligible Projects.

Sustainability Steering Committee Approval: The shortlisted portfolio of Eligible Projects is then submitted to the **Sustainability Steering Committee (SSC)** – the apex internal body for ESG matters. The SSC comprises senior executives including the Managing Director & CEO (as Chair), the Chief Risk Officer, Chief Financial Officer, relevant Business Heads, and the Head of Sustainability, among others. This Committee convenes to discuss and approve the inclusion of projects in the Sustainable Finance Portfolio. They will evaluate:

- **Eligibility Confirmation:** The Committee confirms that each proposed project clearly meets the eligibility definitions, and any applicable technical criteria set out in the Framework. This includes validation of alignment with the relevant use-of-proceeds categories (e.g., confirmation that a renewable energy project is predominantly renewable-based, or that an MSME loan qualifies under the defined target sectors).
- **ESG Risk and Impact:** It assesses whether any residual environmental, social, or governance risks remain following due diligence, and whether such risks are adequately mitigated. It also evaluates the credibility of the expected environmental or social impacts, including how such impacts will be measured and monitored over time. Priority is given to projects demonstrating strong, measurable benefits and no material unresolved ESG concerns.
- **Strategic Alignment:** The Committee reviews the overall balance and composition of the Sustainable Finance Portfolio, including the mix between green and social categories, sectoral distribution, and project tenors. This assessment ensures that portfolio construction remains aligned with the Bank's broader sustainability strategy, risk appetite, and long-term commitments, including climate-related goals where applicable.

The SSC meeting minutes will document the approved list of Eligible Projects and any conditions or recommendations (for example, the Committee might ask for an annual update on a large project's progress or impacts). Projects not approved by the SSC are excluded from the Sustainable Finance pool (though they can still be financed by the Bank's regular funds if they are viable for projects – they simply won't be associated with SFTs).

Ongoing Monitoring and Review: Post-approval, the Sustainability team maintains an **Eligible Sustainable Project Register** (portfolio of all projects approved by SSC for SFT allocation). This register is monitored **quarterly**. The Sustainability team will update the SSC (and also the Asset-Liability Committee, ALCO) on a quarterly basis regarding the status of the portfolio: any loans that have matured or been prepaid, any new disbursements that could be added (subject to SSC

okay), and overall alignment of allocations vs. outstanding SFT proceeds. The SSC thus has continuous oversight and can approve additions or removals of projects from the portfolio over time, ensuring the pool remains robust and compliant.

On an annual basis, a summary of the Sustainable Finance Portfolio (use of proceeds and impacts) is reported to the Board of Directors (through the Board CSR & Sustainability Committee), providing top-level governance and accountability.

Governance Structure:

Governance Body / Role	Members/Composition	Responsibilities in Framework
Board-level Oversight	Board CSR & Sustainability Committee (a subset of Board members focusing on ESG) or the full Board via periodic updates.	Provides strategic direction and oversight for the Bank's sustainability performance. Receives annual (or more frequent) reports on the Sustainable Finance Portfolio and its impact. Ensures that the Framework and its execution align with the Bank's broader mission and stakeholders' expectations. Approves major changes to the Framework if needed.
Sustainability Steering Committee (ESG Committee)	MD & CEO (Chair); Chiefs of Risk, Finance, and other key functions; Business Heads; Head of Sustainability.	Ultimate internal approval body for Eligible Projects. Reviews and approves the list of projects/assets to be financed via SFTs, ensuring they meet criteria and risk standards. Monitors allocation of proceeds and portfolio composition quarterly. Also approves any updates to the Framework and oversees overall ESG strategy integration.
Sustainability Department/Team	ESG and sustainability specialists report to senior management.	Coordinates the Framework implementation. Screens and shortlists eligible projects, prepares documentation for Committee approval, and maintains the Sustainable Finance register. Also responsible for data collection on use of proceeds and impact, and preparation of annual reporting. Serves as a liaison for external reviews (e.g., providing data to Second Party Opinion provider or verifiers).

In addition, the Bank's **Internal Audit** and **Risk Management** functions provide a second line of review by checking that processes are followed. For example, internal audits may periodically verify that projects tagged as green or social indeed have necessary documentation (like an LEED certificate on file, or proof of lending to target group). This internal control complements the formal governance of bodies in maintaining the integrity of project selection.

Through this multi-layered process, the bank ensures that the funds raised via Green, Social, or Sustainability instruments are allocated only to high-quality projects with clear environmental or social benefits, and that any risks are properly managed. This robust evaluation and selection mechanism is critical for maintaining investor confidence and achieving the intended positive impacts of the Sustainable Finance Framework.

2.4 Management of Proceeds

AU SFB will manage the proceeds of Sustainable Financing Transactions in a systematic and transparent manner. The goal is to ensure that funds are allocated to Eligible Projects in a timely way and are carefully tracked, with clear reporting on their use. Key aspects of our approach to managing proceeds are detailed below:

Segregation and Tracking: Upon issuance of an SFT (whether a bond or loan), the net proceeds will be credited to a segregated sub-account or otherwise earmarked. The Bank will maintain a **Sustainable Finance Register** that records all allocations of proceeds to Eligible Projects. This register is essentially a ledger with entries for each SFT and the corresponding assets funded. It includes details such as the SFT issuance date, type of instrument, amount raised, and for each project allocation – the project name/description, the category (green or social), the amount allocated, and the date of allocation. Each project entry will also reference an internal loan or investment ID for traceability, and a brief note on the intended use-of-proceeds (e.g., “solar farm, 50 MW, Tamil Nadu” or “microfinance loans – rural women entrepreneurs”).

Allocation Timeline: AU SFB commits to allocating an amount equal to the net proceeds of each SFT to Eligible Projects as soon as possible, with the aim of full allocation **within 24 months** of issuance. If an issuance is intended to refinance an existing pool of assets, allocation may even be immediate upon issuance (since those assets are already in the books). The allocation status will be reported annually, so investors will be informed of any unallocated balances.

Management of Unallocated Proceeds: Pending allocation to Eligible Projects, any unallocated proceeds will be held in accordance with AU SFB's normal liquidity management guidelines, but subject to certain sustainable considerations. Specifically, unallocated funds may be temporarily invested in **cash, cash equivalents, or high-quality liquid instruments** such as:

- Deposits with RBI or other scheduled commercial banks (within approved counterparty limits);
- Government securities (e.g., Government of India T-bills or sovereign bonds);
- Money market funds or instruments with high credit rating (AAA/P1 or equivalent), primarily investing in short-term Government or quasi-government securities.
- Other liquid fixed-income instruments that are not counter to the spirit of this Framework (the Bank will avoid investing these proceeds in securities of companies

operating in the excluded sectors listed in 2.2.3, such as fossil fuel companies or tobacco companies).

Unallocated proceeds will **not** be used to finance carbon-intensive or otherwise ineligible business activities. For green deposit products (if any), the RBI's specific guidelines on placement of unallocated green deposit funds (which similarly restrict investments to Government securities etc.) will be adhered to.

Allocation Process: As loans in the Eligible Project portfolio are disbursed or identified, the Sustainability team will formally allocate a portion of the SFT proceeds to those assets in the register. Each SFT may be allocated to multiple projects and conversely one large project funding may come from multiple SFTs, but the register will ensure there's no "double counting" – i.e., the same ₹1 of project assets can only be allocated once.

If an SFT is issued and there is an existing pool of qualifying assets (refinancing), allocation will occur very shortly after issuance, as those assets are simply tagged against the new funds. For new financing, the Bank may initially allocate the bond/loan proceeds to a placeholder of eligible assets (or temporarily park them as described) and then swap in the new projects as they are disbursed.

Monitoring and Adjustments: The use-of-proceeds allocation will be reviewed quarterly by the Sustainability team and reported to the ESG Committee (as noted in Section 2.3). If any allocated project exits the portfolio (for instance, an underlying loan is repaid early, or a bond investment matures, or a project no longer qualifies due to changed circumstances), the proceeds originally allocated to it will be *reallocated* to other Eligible Projects. The Bank maintains a buffer or surplus of Eligible Assets (targeting $\geq 105\%$ of outstanding SFT proceeds) to facilitate such reallocation. This ensures the total eligible assets always meet or exceed the total outstanding SFT proceeds. In practice, AU SFB expects a continuous flow of new qualifying loans, so any dropouts can be replaced promptly. In the event a project no longer meets the eligibility criteria (per the loss-of-eligibility protocol), its allocation will be suspended and reallocated at the next opportunity, with this change reflected in the next allocation report.

During the life of an SFT, the Bank will not intentionally over-allocate funds to projects beyond the net proceeds amount – it will always maintain the one-to-one relationship (proceeds = allocations + any temporary unallocated portion). If for some reason suitable projects are not available and some proceeds remain unallocated for 36 months, this will be clearly disclosed in the annual report, with an explanation and the intended allocation plan.

Tracking System: The Bank's core banking will have a label or code for each eligible loan, which rolls into summary reports. Sustainable Finance Register effectively acts as a sub-ledger, and internal Finance controls ensure that the sum of allocations in that register equals the proceeds for each instrument. The register is subject to internal audit review and annual external verification (see Section 4). The labelling in the system captures details like ISIN (for bonds) or loan reference, and all necessary data to produce an audit trail from the bond issuance to the ultimate deployment in loans.

2.5 Reporting

Transparency is a key element of this Sustainable Finance Framework. AU SFB commits to provide regular reporting to investors and other stakeholders on both the allocation of SFT proceeds and the impact resulting from the Eligible Projects financed. This reporting will be provided at least annually, until full allocation of the proceeds (and thereafter in case of material changes or for continued impact reporting). All reports will be publicly available (e.g. via the Bank's website and/or in the Annual Report).

The reporting will consist of two main parts: **Allocation Reporting** and **Impact Reporting**, along with accompanying qualitative descriptions and case studies where appropriate.

2.5.1 Allocation Reporting:

Each year, typically as part of the Bank's Annual Report or a dedicated Sustainable Finance report, AU SFB will disclose how the proceeds of outstanding SFTs have been allocated. The allocation report will include:

- **Total amount raised** under each category of instrument (Green, Social, Sustainability) and the amount of proceeds that have been allocated to Eligible Projects. If multiple SFTs are outstanding, the report may consolidate the information for simplicity (e.g., presenting one aggregated total for all Green Bonds rather than bond-by-bond breakdown), but will ensure clarity that all proceeds are accounted for.
- **Allocation by Category:** A breakdown of the allocation of funds across the different Eligible Project categories. This could be presented in a table or chart, for example: X% to Renewable Energy, Y% to Affordable Housing, Z% to MSME loans, etc. It will also indicate which SDGs are supported by each category.
- **Examples of Projects Financed:** A description of a few representative projects funded by the SFT proceeds, to illustrate the kinds of investments made.
- **Geographical distribution (if relevant):** The Bank may include info on regions – e.g., % of projects in rural areas, or a map of India highlighting where major funded projects are, to emphasize inclusion.
- **Unallocated Proceeds:** The report will state if any portion of the proceeds remains unallocated as of the reporting date, and what the plan is for those funds. It will also confirm how unallocated funds are being held.
- **Financing vs Refinancing:** The proportion of proceeds used for financing new projects versus refinancing existing projects will be disclosed.
- **Cumulative figures (if applicable):** If the framework has been in operation for some time, the Bank might also report cumulative amounts since inception for context, though annual snapshot is the primary focus.
- **Verification:** The Bank will appoint an independent third-party expert to verify the internal tracking and the allocation of Eligible Green and Social Projects funded by SFTs.

This allocation of information will be reviewed by the internal ESG Committee and noted by the Board, ensuring top-level oversight of the use of proceeds.

2.5.2 Impact Reporting:

In addition to the financial allocation, AU SFB will report on the environmental and social impacts resulting from the Eligible Projects financed. Recognizing that measuring impact is crucial to demonstrate the effectiveness of sustainable finance, the Bank will endeavor to provide quantitative indicators and metrics wherever feasible. An **Impact Report** will continue annually throughout instrument maturity or loan payback, even after full allocation and may include:

- **Overview of impact by category:** For each major category of Eligible Projects, the report will present one or more relevant impact metrics. The Bank has developed an *indicative set of impact indicators*, as shown in the table below, which will guide reporting.

Indicative Impact Indicators:

Green Category	Indicative Impact Metrics ²⁵
Renewable Energy (Clean Energy)	• Total renewable energy capacity installed (MW) • Annual renewable energy generated (MWh per year) • GHG emissions avoided annually (tons of CO₂ equivalent per year)
Energy Efficiency	• Energy savings achieved per year (MWh saved) • GHG emissions avoided annually due to savings (tCO₂e)
Clean Transportation	• Number of electric or low-emission vehicles financed (and/or produced) • New clean transportation infrastructure built (km of rail, BRT, bike lanes, etc.) • Estimated GHG emissions avoided annually by the transport projects (tCO₂e)
Pollution Prevention & Control	• Waste processed or recycled annually (tons) • GHG or pollutant emissions reduced/avoided per year (e.g., tCO₂e or NOx/SOx reduced) • Increase in recycling rate or waste diverted from landfill (%) • Waste diverted from landfill per year (tonnes)
Climate Change Adaptation	• Number of people benefitting from improved resilience (e.g., flood protection) • Area of land made more resilient (hectares protected from flood/drought) • Specific indicators per project: e.g., volume of floodwater storage added (m³), number of climate-resilient seedlings distributed, etc.
Green Buildings	• Number of green buildings financed, by certification level (e.g., X buildings LEED Gold) • Floor space of green buildings (sqm) • Energy savings from green buildings (MWh/year) or reduction in energy use (%) vs typical buildings • GHG emissions avoided due to building efficiency (tCO₂e/year)

²⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

Circular Economy	- Quantity of recycled materials produced or used (tons/year) - Waste diverted from landfill due to projects (tons/year) - Number of products reused or refurbished (if applicable) - Reduction in virgin resource use (tons or %) achieved by the project
Afforestation / Reforestation (if applicable under natural resources)	- Area reforested or afforested (hectares) - Estimated carbon sequestration achieved (tCO₂e/year or over project life) - Number of trees planted (if relevant)
Sustainable Water & Wastewater	- Volume of water treated, saved, or reused (liters/year or cubic meters/year) - Improvement in water quality indicators (if available, e.g., reduction in BOD/COD in wastewater) - Number of people given access to clean water or sanitation (if a direct outcome)
Sustainable Management of Living Natural Resources & Land Use	- Avoided and/or sequestered GHG emissions (tCO₂ -e p.a) - Area of land under sustainable management (hectares of farmland/forest certified or improved) - Increase in yield or income for farmers (if measurable through programs) - Area of habitats protected or restored (hectares of forest conserved, marine area protected, etc.) - Biodiversity metrics (e.g., number of trees of native species planted, reduction in soil erosion in project area)
Social Category	Indicative Impact Metrics²⁶
Employment Generation (MSMEs)	- Number of MSMEs financed (count) - Number of jobs created or supported in those MSMEs (if data obtainable via surveys or estimates) - Volume of MSME loans disbursed (₹) - Average loan size, indicating reach to very small businesses
Socio-economic Advancement	- Number of individuals from target groups reached (e.g., number of women entrepreneurs financed, number of artisans supported, number of SC/ST beneficiaries) - Increase in income or assets for beneficiaries (where measurable through program data) - Number of microfinance loans disbursed to women or marginalised communities - No. of locations reached (number of aspirational districts)
Access to Education	- Number of students receiving education loans (and % from target low-income groups) - Number of schools or training centers built/upgraded

²⁶ https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf

	• Number of textbooks and teaching materials supplied • Number of people provided with skill development and/or vocational training ideally for in demand subjects (breakdown by gender) • No. of locations reached (number of villages, towns, districts)
Access to Healthcare	• Number of patients treated at facilities financed (annually) • Number of new healthcare facilities built or upgraded • Number of units of medical equipment purchased • Number of health-related R&D programs funded • Beds added (if hospital projects) or % increase in capacity • Number of people provided with improved healthcare access (e.g., through mobile clinics) • No. of locations reached (number of villages, towns, districts)
Affordable Housing	• Number of affordable housing units constructed or financed • Number of low-income families housed • Floor area of affordable housing built (sqft) • Reduction in housing cost for beneficiaries (if data exists, e.g., difference vs market rent) • Improvement in essential services post financing
Basic Infrastructure (Water, Sanitation, Energy, Transport)	• Number of people gaining access to clean water/new sanitation (for water/sanitation projects) • Number of new household water connections • Population benefitting from new electricity connections or off-grid solutions • Length of sustainable road construction with equitable access • Number of residents benefitting from basic infrastructure new/upgraded which is otherwise not accessible (i.e. rail transportation, development road) • Improvement in service (e.g., hours of electricity available per day increased from X to Y in village)
Food Security (Agri finance)	• Number of farmers financed (by agricultural practice; especially small/marginal farmers) • Number of Farmers provided with fair prices • Increased storage capacity built (tons) reducing food waste • Number of people benefitting from agricultural projects and using improved farming technology • % reduction in post-harvest loss in project area (if measured) • Increase in crop yield or income for farmers benefitting (if tracked via agribusiness programs)
Livelihood Finance (Microfinance)	• Number of beneficiaries (especially weaker sections, gender, and household income)

	• Number of micro-loans disbursed and number of unique borrowers (especially women borrowers) • Average loan size (to indicate depth of outreach to poorest) • Portfolio at Risk (to monitor health, but impact perspective is more on outreach) • Qualitative case studies: e.g., profiles of micro-entrepreneurs empowered
Impact Finance (On lending)	• Total amount on-lent via intermediaries to target sector (₹) – e.g., ₹X crore channeled to affordable housing via HFCs • Indirect metrics: number of end-beneficiaries reached through these intermediaries (the intermediary may provide data, e.g., NBFC reported 500 MSME sub-loans made using our line of credit) • Improvement in financial access: e.g., an MFI entering a new district with our funding, reaching new borrowers.

The Bank will choose the most applicable and material indicators for each category, and the table above serves as a guide. Not every metric will be relevant for every project, and some projects might have unique indicators. The impact report will clearly define each metric and, where possible, provide context or benchmarks (for instance, “the renewable energy funded is equivalent to avoiding X kg CO₂ per ₹1 lakh invested, or powering Y households”).

Third-Party Impact Assessment: The Bank will appoint an independent third-party expert to conduct an impact evaluation of the SFT-financed portfolio and provide an Impact Assessment report. This could involve validating data and calculations or even doing a deeper analysis of select projects’ outcomes. The findings of such assessments will be summarized in the Bank’s reporting to enhance credibility and stakeholder confidence in the reported impacts.

Frequency: Reporting will occur annually until full allocation of proceeds, and likely annually for impact as long as the instruments remain outstanding. If an instrument matures or is redeemed and all proceeds were already allocated and reported, the Bank may decide to cease separate reporting for that instrument, but given the expectation of continuous issuance, reporting is expected to be on a rolling portfolio basis.

Verification: As detailed in the next section, AU SFB will engage external auditors to verify the allocation of proceeds annually. Their verification statement may be published alongside the allocation report, providing assurance that the funds have been managed as stated.

3. External Review

AU SFB recognises the importance of external, independent review to enhance the credibility of its Sustainable Finance Framework and the subsequent issuances. Two levels of external review will be utilised:

3.1 Pre-Issuance (Second Party Opinion or Certification): Prior to issuing its first Green/Social/Sustainability Bond under this Framework (and for any major updates to the

Framework), AU SFB will engage an independent expert firm to review the Framework. Typically, this takes the form of a **Second Party Opinion (SPO)** from an environmental, social, and governance research firm or rating agency with expertise in sustainable finance. This Second Party Opinion will be made publicly available on AU SFB's website alongside the Framework document, so investors and stakeholders can read the independent assessment.

3.2 Post-Issuance (Annual Verification): On an annual basis, until full allocation of the proceeds, AU SFB will engage an independent auditor or qualified third-party assurer to verify the management of proceeds and the allocation of funds to Eligible Projects. This could be done by the Bank's financial auditors with a separate assurance report, or by a specialized firm. The verification will check that:

- The Sustainable Finance Register accurately records the allocation of proceeds and that the total allocation equals the total proceeds (or appropriately accounts for any temporary unallocated portion).
- The projects listed as funded by the SFT indeed fall within the Framework's defined eligible categories. This may involve sample-checking project files for supporting evidence (e.g. checking a loan document to ensure it was for a solar project, or that a borrower qualifies as MSME, etc.).
- The unallocated funds (if any) are invested in permitted instruments as stated.
- The data in the Allocation Report is fair and true in all material respects.

3.3 External Review Publication: All external review documents, including the Second Party Opinion, any annual verification/assurance reports, and any certifications – will be published on AU SFB's official website (Investor Relations or Sustainability section). Investors in AU SFB's SFTs will be notified of their availability. By doing so, the Bank ensures transparency and allows stakeholders to rely on, not just the Bank's word but also, independent assessments of its sustainable finance activities.

4. Amendments to the Framework

The Sustainable Finance Framework is intended to be a living document that will evolve in line with the Bank's strategy, regulatory developments, and market innovations in sustainable finance. AU SFB commits to reviewing the Framework on a regular basis (at least every few years, or sooner if significant developments warrant) to ensure it remains relevant and aligns with the latest best practices, standards, and definitions.

Any updated Framework will be communicated to stakeholders. The Bank values stakeholder feedback and may also consider input from investors or Second-Party Opinion providers when making improvements to the Framework.

ASSESSMENT

14 August 2026



Send Your Feedback

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AU Small Finance Bank Limited

Second Party Opinion – Sustainable Finance Framework Assigned SQS2 Sustainability Quality Score

Summary

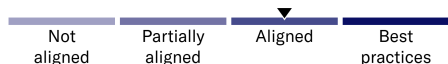
We have assigned an SQS2 Sustainability Quality Score (very good) to AU Small Finance Bank's (AU SFB) sustainable finance framework, dated July 2026. The bank has established its framework with the aim of financing projects across nine eligible green categories and six eligible social categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025, Social Bond Principles (SBP) 2025 and Sustainability Bond Guidelines (SBG) 2021, and the Loan Market Association, Asia Pacific Loan Market Association, and Loan Syndications and Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2025 and Social Loan Principles (SLP) 2025. The framework demonstrates a significant contribution to sustainability.

Sustainability quality score



Alignment with principles USE OF PROCEEDS

Overall alignment



FACTORS

ALIGNMENT

Use of proceeds	
Evaluation and selection	
Management of proceeds	
Reporting	

Contribution to sustainability

Final contribution to sustainability



Preliminary contribution to sustainability

Relevance and magnitude

Additional considerations **No adjustment**

POINT-IN-TIME ASSESSMENT

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of AU SFB's sustainable finance framework, including the framework's alignment with the ICMA's GBP 2025, SBP 2025 and SBC 2021, and the LMA/APLMA/LSTA's GLP 2025 and SLP 2025. Under the framework, the bank plans to issue use-of-proceeds sustainable financing transactions (SFTs) to finance projects across nine green categories and six social categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 14 July 2026, and our opinion reflects our point-in-time assessment¹ of the details contained in this version of the framework, as well as other public and non-public information provided by the bank.

We produced this SPO based on our [Assessment Framework: Second Party Opinions on Sustainable Debt](#), published in October 2025.

Issuer profile

AU Small Finance Bank Limited (AU SFB) is India's largest small finance bank and a scheduled commercial bank. Founded in 1996 in Jaipur, Rajasthan as a vehicle financing non-banking financial company, the bank transitioned into a small finance bank in April 2017 and has since grown into a diversified retail banking institution. The bank is a listed entity, with its equity shares listed on BSE Limited and the National Stock Exchange of India Ltd.

Following the successful merger with Fincare Small Finance Bank, AU SFB now operates with a network of over 2,790 banking touchpoints across 21 states and 4 union territories, serving over 12.2 million customers. In fiscal year (FY) 2024-25, the bank applied for a universal bank licence with the Reserve Bank of India (RBI), marking a significant milestone in its evolution. As of 31 March 2025, the bank's total assets stood at INR1,578.46 billion, with a gross loan portfolio of INR1,157.04 billion and total deposits of INR1,242.69 billion.

Strengths

- » Eligible categories address key environmental and social (E&S) challenges relevant to the national context
- » The framework clearly outlines the processes governing project evaluation and selection, as well as the management of proceeds
- » Independent verification will be conducted for both allocation and impact reporting

Challenges

- » Certain categories remain broadly defined, limiting the ability to fully assess the projects' sustainable impact

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Alignment with principles

AU SFB's sustainable finance framework is aligned with the four core components of the ICMA's GBP 2025, SBP 2025 and SBL 2021, and the LMA/APLMA/LSTA's GLP 2025 and SLP 2025. For a summary alignment with principles scorecard, please see Appendix 1.

- | | |
|---|---|
| ☒ Green Bond Principles (GBP) | ☒ Green Loan Principles (GLP) |
| ☒ Social Bond Principles (SBP) | ☒ Social Loan Principles (SLP) |
| ☐ Sustainability-Linked Bond Principles (SLBP) | ☐ Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – **ALIGNED**

AU SFB has clearly communicated the nature of the expenditures under the framework, which include loans to businesses and projects that meet established eligibility criteria for the use of proceeds, as well as the bank's operating and capital expenditures aligned with eligible categories. The eligibility and exclusion criteria for nearly all eligible green and social project categories are clearly defined in the framework. However, some categories remain broad and do not consistently specify project-level parameters, including energy efficiency, sustainable water and waste management, and circular economy, among others. The bank has specified that eligible projects will be located in India.

Clarity of the environmental or social objectives – **BEST PRACTICES**

AU SFB has clearly outlined the E&S objectives for all eligible categories under its sustainable finance framework. The respective E&S objectives are relevant to the eligible green and social categories. The bank has referenced the United Nations Sustainable Development Goals (UN SDGs) in articulating the objectives of the eligible categories, and the stated objectives are coherent with these recognised international standards.

Clarity of expected benefits – **BEST PRACTICES**

AU SFB has identified clear and relevant E&S benefits for all eligible categories based on the projects to be financed. The benefits are measurable and will be quantified in the annual reporting. In addition, AU SFB has indicated that it will disclose the estimated share of refinancing to investors prior to each issuance and will report the actual share of refinancing as part of its ongoing reporting. The framework further specifies a look back period of no longer than three years from the time of issuance for refinancing of eligible assets.

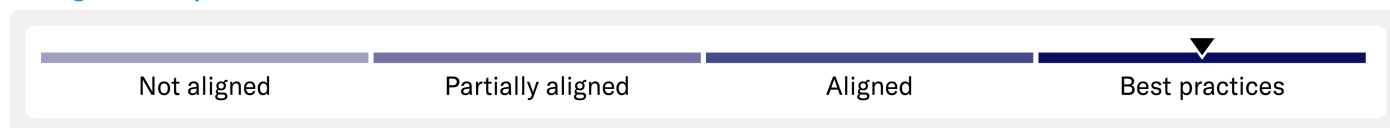
Process for project evaluation and selection



Transparency and clarity of the process for defining and monitoring eligible projects – **BEST PRACTICES**

AU SFB's decision-making process for the selection and evaluation of projects is clearly structured and outlined in its public framework. All eligible projects undergo a systematic evaluation, which includes initial identification, standard credit appraisal, ESG risk assessment, labelling and tagging, and shortlisting by the sustainability team. The bank has established a sustainability steering committee (SSC), composed of senior management, to oversee and approve projects according to criteria set forth in the framework. The SSC continuously monitors compliance with both eligibility and exclusion criteria throughout the duration of any SFT, utilising quarterly and annual reviews supported by internal audit, risk management, and Board-level oversight. If a project no longer meets the eligibility criteria, it will be removed from the portfolio and the proceeds will be reallocated to other eligible projects at the earliest opportunity. AU SFB has established an E&S risk mitigation process, which is also publicly disclosed in the framework.

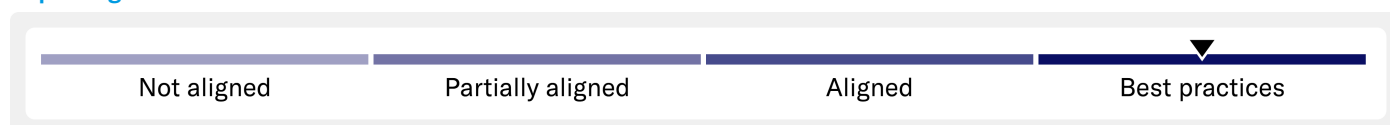
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

AU SFB has defined a clear process for the management of proceeds in its public framework. The proceeds of each SFT will be placed in a segregated sub-account or otherwise earmarked for allocation to eligible projects. AU SFB has established a formal tracking mechanism through a sustainable finance register to keep track of the use of proceeds of each SFT. Allocation reviews are conducted quarterly to confirm continued alignment between allocations and eligible projects funded during the period. AU SFB is committed to allocating an amount equal to the net proceeds to eligible projects within 24 months of issuance. Any unallocated proceeds will be managed in accordance with the bank's liquidity management guidelines, temporarily invested in cash, cash equivalents, or other high-quality liquid instruments, and will not be directed towards carbon-intensive or otherwise ineligible business activities.

Reporting



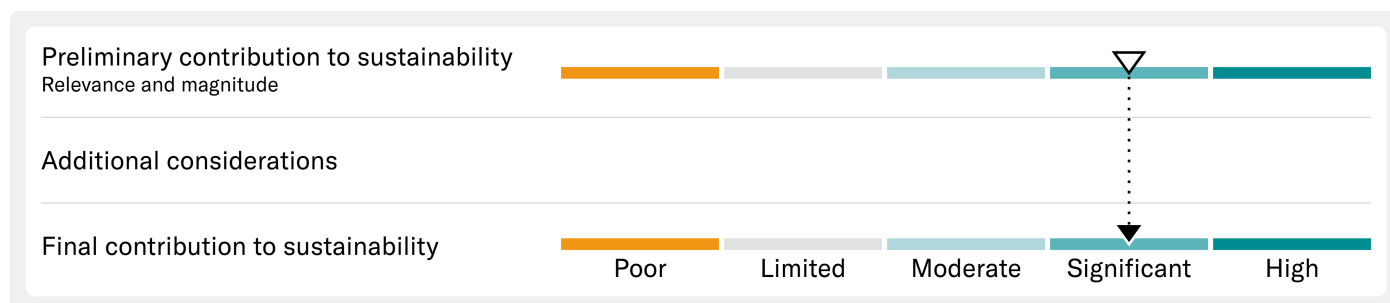
Reporting transparency – BEST PRACTICES

AU SFB will publish both allocation and impact reports annually, either within its annual report or on its website. Allocation reporting will continue until all proceeds are fully allocated, and subsequently in the event of material changes; impact reporting will be provided annually until the SFT reaches maturity. The allocation report will include comprehensive information, including the aggregate amount of proceeds allocated to eligible project categories, the amount of unallocated proceeds and the types of temporary investments, the share of financing versus refinancing, and examples of eligible projects.

The bank has identified relevant E&S reporting indicators for each eligible category within its framework. It will disclose the methodologies and assumptions applied in measuring and reporting E&S impacts within the impact reports. Furthermore, AU SFB will obtain independent external verification for both tracking and allocation of proceeds, as well as for the reported E&S metrics related to the financed projects.

Contribution to sustainability

The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.

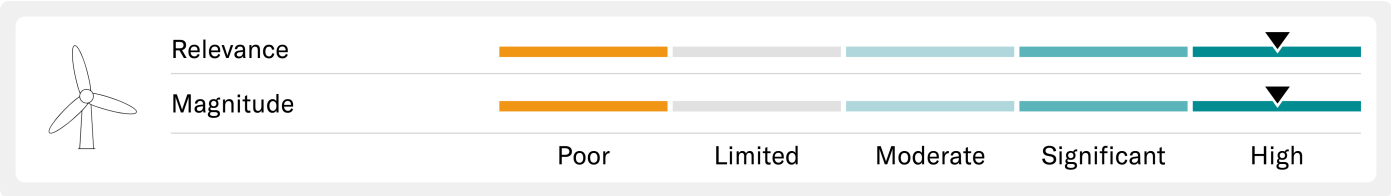


Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. Based on information provided by AU SFB, we expect proceeds from upcoming issuances to be evenly split between green and social categories, with a slight emphasis on social categories. Among green categories, renewable energy, energy efficiency, clean transport,

and sustainable water and wastewater are likely to receive higher allocations. Our assessment reflects these weightings in evaluating the framework's overall contribution to sustainability. A detailed assessment by eligible category has been provided below.

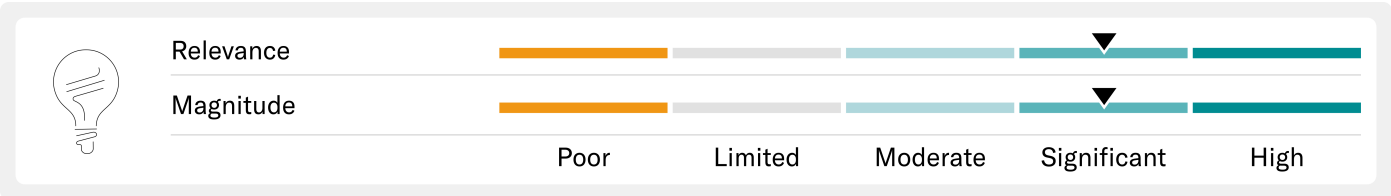
Renewable energy



The category is highly relevant for AU SFB, the banking sector and the local context as the renewable energy expenditures address climate change mitigation. Investments are strongly aligned with India's structural transition needs, where coal accounted for over 70% of electricity generation in 2024, highlighting the critical role of renewable energy in decarbonising the energy mix. The relevance is further reinforced by India's ambition to increase non-fossil energy capacity to 500 GW by 2030,² up from around 214 GW in 2024,³ implying substantial capital deployment needs in the coming years. At the issuer level, renewable energy is positioned as a priority use of proceeds, with a significant share of green finance allocations directed to this category, supporting its strategic importance.

Projects financed under this category are expected to highly contribute to climate change mitigation. The magnitude is driven by the expectation that most proceeds will be allocated to solar and wind projects, which are considered among the cleanest energy technologies and are aligned with national energy transition pathways. These investments are expected to deliver long-term emissions reductions by displacing fossil fuel-based generation, while avoiding carbon lock-in effects. Solar photovoltaic systems are likely to account for the largest share of financing, reflecting their scalability and widespread deployment, while wind projects, particularly onshore developments, are expected to further support the transition to a low-carbon energy mix. The category also includes other eligible technologies—such as geothermal, hydropower, biomass, and ocean energy—subject to defined technical criteria and safeguards. While the hydropower eligibility threshold (<100gCO₂e/kWh) is less stringent than leading market standards, the bank has indicated that run-of-river projects will constitute the core of its hydropower portfolio. For biomass projects, feedstocks will be sustainably sourced, primarily comprising residual materials.

Energy efficiency

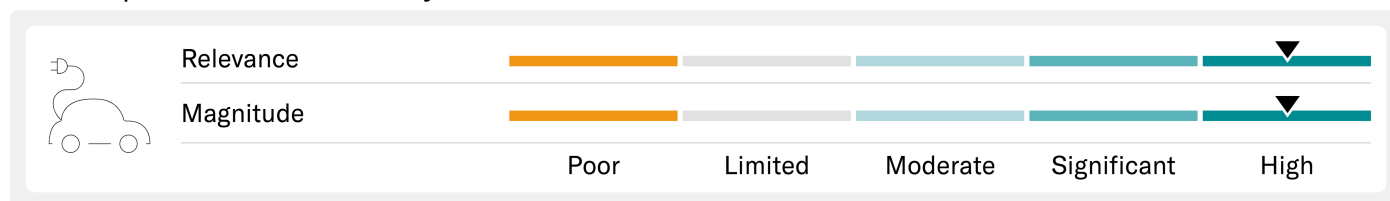


Expenditures into energy efficiency are significantly relevant in addressing climate change mitigation. Energy efficiency is a cross-cutting decarbonisation lever that reduces energy consumption and associated emissions across multiple sectors, including industry, buildings and infrastructure, thereby supporting India's transition toward its net-zero by 2070 target. This is particularly important given the country's rapidly increasing energy demand, which heightens the importance of improving energy productivity alongside expanding renewable capacity. The category spans both retail-oriented financing, such as efficient appliances, and larger-scale commercial projects linked to the bank's commercial lending segment, thereby reinforcing its systemic relevance across business lines.

Projects financed under this category are expected to significantly contribute to climate change mitigation. The overall magnitude across the five subcategories is supported by a minimum energy efficiency improvement requirement of 30%, aligning with market best practices. The financed activities are expected to reduce energy consumption and emissions across industrial processes, buildings and infrastructure, including the deployment of smart grids, energy-efficient equipment and grid optimisation technologies that facilitate both efficiency gains and integration of renewable energy. The majority of proceeds are expected to be allocated to industrial and building projects. Eligible industrial projects may include energy management systems, process optimisation and technology upgrades that reduce specific energy consumption. Importantly, the category excludes industrial projects linked to fossil fuel-intensive processes, such as oil- or gas-fired boilers, thus mitigating carbon lock-in risks. Data center assets financed under this category are expected to receive a minor allocation, if any, and will target a power usage effectiveness (PUE) of 1.3 or lower, in line with stringent

market standards like the Climate Neutral Data Centre Pact.⁴ However, visibility on water consumption and lifecycle emissions of the assets remains unclear.

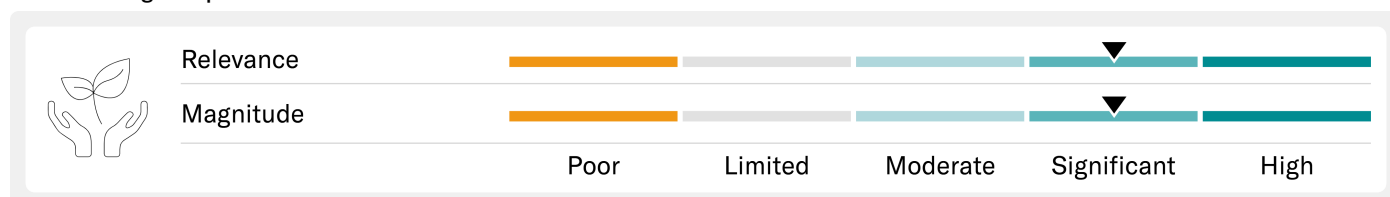
Clean transportation - low carbon mobility solution



Investments in low-carbon mobility solutions address pollution prevention and control and climate change mitigation, which is highly relevant to AU SFB given its significant exposure to vehicle financing. The "wheel" segment represents approximately 32% of its total lending book, indicating a material linkage to financed emissions and scope 3 exposure. At the sector and country level, the transport sector is a major contributor to India's emissions profile, accounting for nearly 12% of total greenhouse gas (GHG) emissions,⁵ emphasising the importance of decarbonising mobility systems. Strong policy support—such as the national target to increase electric vehicle (EV) sales to 30% of total vehicle sales by 2030—reinforces the strategic importance of financing low-carbon transport solutions, while the banking sector plays a critical role in enabling adoption of EVs and associated infrastructure.

Projects financed under this category are expected to highly contribute to climate change mitigation and pollution prevention and control. The magnitude is driven by the expectation that a substantial share of proceeds will be allocated to zero tailpipe emission vehicles, electrified rail systems and supporting infrastructure, which are considered best available technologies and are expected to deliver meaningful long-term emissions reductions. The category excludes financing of hybrid vehicles and internal combustion engine-related assets as confirmed by the bank, thereby avoiding reliance on transitional technologies and limiting carbon lock-in risks. Financing may also include enabling infrastructure such as EV charging networks, which, while potentially offering lower short-term impact in fossil fuel-dependent grids, are expected to generate stronger long-term benefits as grid decarbonisation progresses. In addition, non-motorised transport projects are expected to be small-scale and integrated within existing infrastructure, reducing E&S externalities.

Climate change adaptation

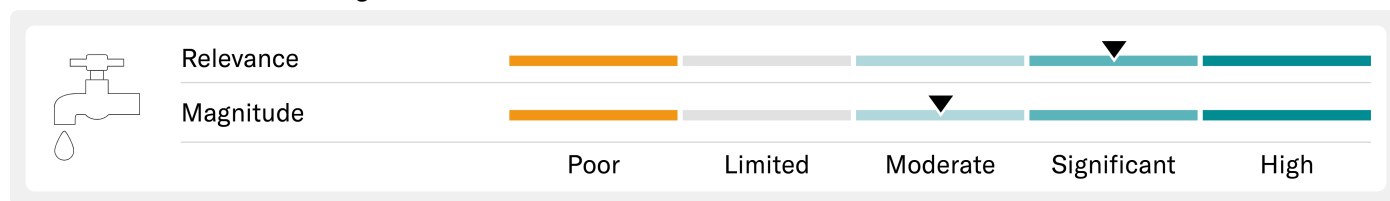


Projects financed under this category address climate change adaptation objectives, which are significantly relevant for small finance banks operating in India's rural and agricultural economy. India's geographic and climatic context further underpins this relevance, with a large number of districts exposed to high or very high flood and drought risks, alongside increasing incidences of heatwaves and climate-related natural disasters that adversely affect rural livelihoods. The relevance is reinforced by India's policy framework, which explicitly prioritises climate adaptation within its Nationally Determined Contribution for 2031–2035.⁶ However, while we expect that proceeds under this category will be primarily allocated to agriculture-related projects—supporting its relevance to the bank—AU SFB's current exposure to broader adaptation activities remains limited.

This category is expected to significantly contribute to climate change adaptation objectives. The financed projects are expected to be closely aligned with India's national and state-level adaptation policies, and the bank intends to apply the Climate Bonds Resilience Taxonomy as the main tool to assess whether projects clearly address physical climate risks. Financing is expected to focus on priority areas such as water security, drought resilience, and climate-smart agriculture. Eligibility criteria require projects to demonstrate clear climate risk exposure and a primary objective of improving resilience, supported by risk and vulnerability assessments. The focus on nature-based and small-scale flood protection measures, adaptive water efficiency solutions, and selective climate-smart agriculture practices supports long-term resilience benefits with generally limited E&S risks. Larger-scale flood protection projects are expected to remain limited and subject to enhanced E&S safeguards. However, the absence of detailed project pipelines and the lack of clearly

defined quantitative thresholds for water savings and resilience outcomes constrain the ability to fully assess and maximise the scale and consistency of expected impacts.

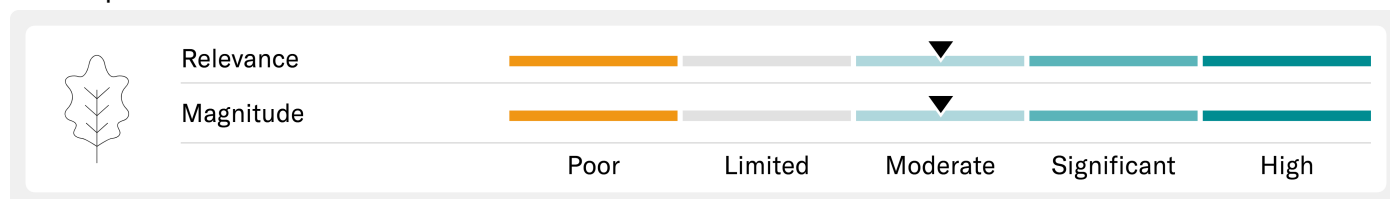
Sustainable water and waste management



Financed projects are significantly relevant in light of both India's national context and the business model of small finance banks. India's severe water stress and widespread water pollution create strong local and social relevance for this category. Acute groundwater depletion, rising water demand, and the large share of untreated urban sewage underscore the scale of water-related challenges and their broader economic and public health implications. However, AU SFB's customer base is concentrated in households, farmers, and micro, small, and medium enterprises (MSMEs), while large-scale water and sanitation infrastructure is less consistent with its lending model and currently accounts for a limited share of its portfolio.

Projects financed under the sustainable water and waste management category are expected to moderately contribute to the stipulated environmental objectives, with the assessment largely driven by the inclusion of desalination projects that meet good, but not best-in-class, technical criteria. Eligible desalination projects will use reverse osmosis technology and be powered almost entirely by renewable energy, sourced either from dedicated on-site generation or long-term power purchase agreements (PPAs). They must also meet minimum energy efficiency levels of around 3.5–4.0 kWh/m³, achieve recovery rates of approximately 40%–50%, and implement brine management measures in line with regulatory requirements. Near-full renewable energy sourcing through on-site generation or long-term PPAs is viewed positively; however, other technical parameters, including specific energy consumption and recovery rates, appear to fall short of leading practice. Details on brine minimisation and dispersion strategies are also limited. Other water and sanitation investments—including water supply, wastewater treatment, sanitation, non-revenue water reduction, and water reuse—are supported by compliance with national standards and defined efficiency benchmarks, which should deliver tangible local environmental benefits.

Pollution prevention and control

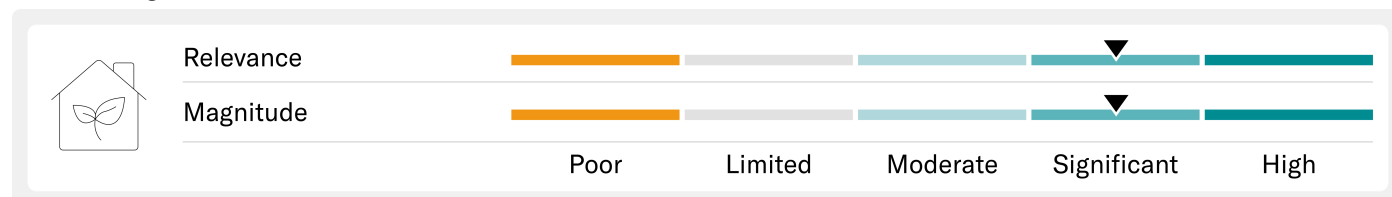


Pollution prevention and control initiatives are moderately relevant given both India's context and their connection to the bank's core activities. India faces significant challenges related to air pollution, waste management, and industrial emissions, which underscores the broader environmental and public health importance of this category. However, typical eligible projects under this category—such as industrial pollution control systems, waste facilities, and soil remediation—generally involve longer tenors, higher capital requirements, and specialised technical expertise that are more commonly associated with infrastructure-focused financiers. As a result, while the environmental need is substantial, the alignment of this category with the bank's current mandate and business model remains limited. Its relevance could increase over time as the bank transitions from a small finance bank to a universal bank. The moderate relevance assessment also reflects the potential eligibility of carbon capture and storage (CCS) technologies in the power generation sector, although the bank does not currently have an active pipeline.

Projects financed under this category are anticipated to moderately contribute to pollution prevention and control. The assessment is primarily driven by potential lock-in risks associated with industrial pollution control and CCS financing. While industrial abatement measures are subject to clearly defined removal efficiency thresholds and are limited to pollution control only—excluding capacity expansion or life extension of carbon-intensive assets—such interventions may still support the continued operation of emissions-intensive facilities. Similarly, CCS financing is expected to remain pilot-scale and subject to stringent capture, leakage, storage, and

monitoring requirements; however, uncertainty around downstream applications and reliance on existing fossil-based processes may constrain long-term decarbonisation outcomes. At the same time, the category also supports a range of other initiatives with clearer environmental benefits and lower transition risks. These include MSME-scale circular economy projects, waste reduction and recycling activities with defined recovery benchmarks, landfill gas capture at closed sites, composting of source-segregated organic waste, bio-methanation projects delivering meaningful life-cycle GHG savings, construction and demolition waste recycling, and soil and water remediation aligned with regulatory standards. These activities are supported by explicit technical criteria and safeguards—including the exclusion of financing for new or operational landfill facilities—and are expected to deliver localised environmental improvements.

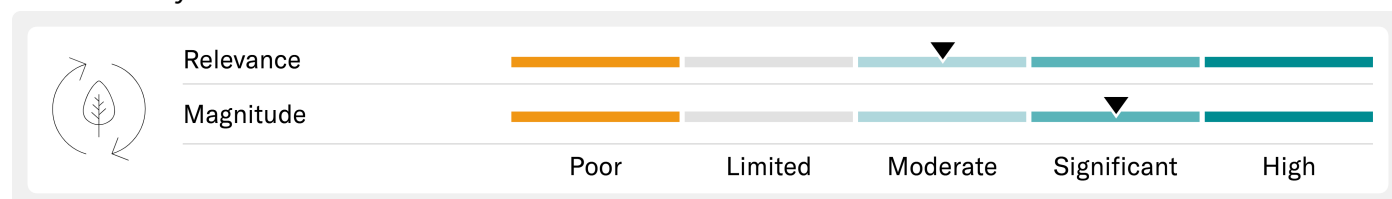
Green buildings



This category is significantly relevant, which is driven primarily by strong sectoral and geographic needs but moderated by lower relevance at the issuer level. The building sector accounts for around 31% of India's total electricity consumption and approximately 32% of national GHG emissions, underscoring its importance for decarbonisation and resource efficiency.⁷ In addition, around 40% of the building stock expected over the next two decades has yet to be constructed, highlighting the need to embed sustainability in new developments. Rapid urbanisation further increases pressure on infrastructure, energy demand and resource use, reinforcing the relevance of green building investments. However, this relevance is constrained at the issuer level, as green building activities currently represent only a limited share of AU SFB's lending portfolio, reducing their immediate materiality for the bank.

Projects financed under this category are expected to make a significant contribution to the stated objectives, supported by the robust energy performance requirements applied to eligible buildings. AU SFB has confirmed that all eligible green building projects are required to obtain one of the certifications specified in the framework as well as demonstrate either a minimum 30% improvement in whole-building energy efficiency relative to applicable national building codes for new construction, or a minimum 30% reduction in primary energy demand for renovation projects. While most of the eligible green building certifications are based on point-based assessment systems and do not systematically require minimum energy use intensity thresholds, the additional energy performance criteria help ensure a consistent level of operational energy efficiency improvement across financed buildings. Nevertheless, the eligibility criteria do not represent the most stringent market standards aligned with a net-zero pathway. In addition, for new construction, reliance on selected green building certifications to address embodied carbon considerations, without explicit thresholds, limits transparency regarding the lifecycle emissions performance of the financed assets.

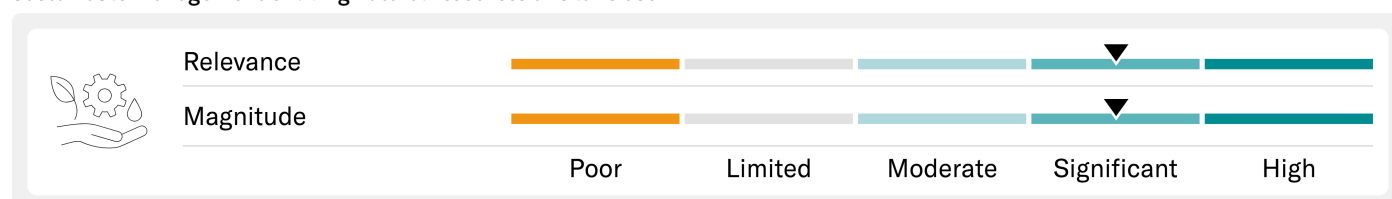
Circular economy



Projects financed are moderately relevant given strong local environmental needs but limited alignment with AU SFB's current activities. India faces significant waste management challenges, generating approximately 170,338 tonnes of solid waste per day, of which only around 91,512 tonnes is treated, indicating substantial gaps in recycling and material recovery systems.⁸ This underscores the importance of circular economy initiatives, which are further supported by national priorities such as the National Circular Economy Framework and sectoral roadmaps led by NITI Aayog. However, the relevance to AU SFB is more limited, as the bank's current exposure to waste management activities remains modest. Despite its transition to a universal bank, industrial financing, particularly in manufacturing and production segments linked to waste generation and circularity solutions, is not expected to be a focus in the near term, constraining the alignment with its core business activities.

Projects financed under this category demonstrate significant contributions to natural resource conservation. The bank expects a larger share of proceeds to be directed toward recycling-based manufacturing and product life-cycle extension. Product life-cycle extension activities, such as repair and reuse, are expected to deliver higher environmental benefits, as they rank higher in the waste hierarchy by reducing waste generation at source. Recycling-based manufacturing supports material circularity by incorporating at least 20% recycled content without downcycling, which is considered meaningful in the Indian context given the prevalence of low-value material recovery. Additional eligible activities, including bio-based products with lower lifecycle emissions and circular supply chain initiatives, further support resource efficiency and emissions reduction. While platform-based activities that promote sharing or second-hand resale are primarily enabling in nature, the framework provides limited detail on their performance metrics or end-use outcomes. More broadly, the absence of material-specific recycling thresholds and the relatively general description of certain subcategories limit visibility on the consistency of environmental outcomes. These constraints are partly mitigated by safeguards embedded in the framework, including the exclusion of downcycling, harmful biomass sourcing and illegal waste handling practices, alongside a broader "Do No Significant Harm" approach aimed at reducing potential negative externalities.

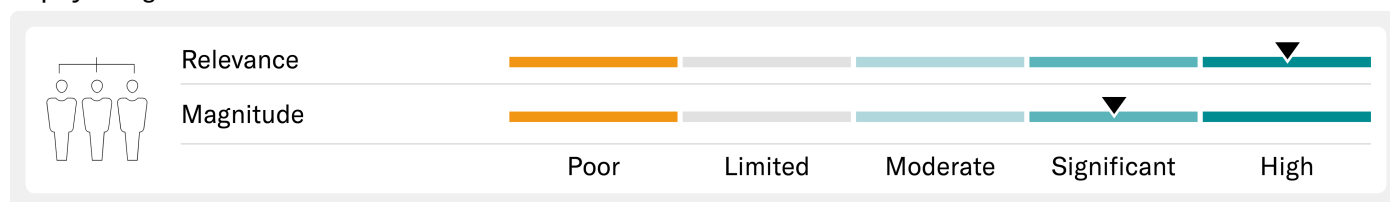
Sustainable management of living natural resources and land use



The relevance of this category is significant. Projects funded for sustainable forestry, agriculture, fisheries, and biodiversity conservation address biodiversity and natural resource conservation and have strong national environmental and socio-economic priorities, despite showing moderate alignment with the bank's lending profile. These sectors are critical for India's ecological and economic stability, underpinning food security, rural livelihoods and climate resilience, while facing increasing pressures from overexploitation, pollution and habitat loss. The importance of this category is reinforced by national policy frameworks, such as India's updated National Biodiversity Strategy and Action Plan, which sets 23 national targets aligned with the Kunming–Montreal Global Biodiversity Framework.⁹ The relevance is further supported by the material exposure of small finance banks to agriculture and rural lending segments, which directly connect to sustainable agriculture activities. However, relevance is moderated by the broader scope of the category, as sub-categories such as forestry, fisheries, and biodiversity conservation are more specialised and are expected to represent a smaller share of the bank's overall loan origination compared with its core MSME and agriculture financing channels.

The financed projects are expected to significantly contribute to biodiversity and natural resource conservation, as they are likely to generate meaningful and long-lasting environmental benefits supported by clearly defined eligible activities and the use of recognised standards. Sustainable agriculture is expected to receive the largest allocation of proceeds. Practices such as organic farming, climate-smart agriculture, and precision farming are designed to support improvements in land use efficiency, ecosystem integrity, and resource productivity. The bank has confirmed that sustainable agriculture projects will either align with recognised national and international standards that prescribe explicit technical requirements, or rely on audited process- and outcome-based indicators; the sub-category explicitly excludes intensive livestock farming, reducing potential significant negative environmental externalities. The requirement for recognised certifications such as Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), and Marine Stewardship Council (MSC) for forestry and aquaculture projects provides reasonable assurance regarding sustainable management practices. In addition, biodiversity conservation and ecosystem restoration activities, including mangrove restoration and protection of natural habitats, are expected to enhance long-term ecological resilience. However, the broadly defined nature of eligible activities and the limited disclosure of quantitative thresholds or minimum performance benchmarks may reduce visibility on the consistency and measurability of environmental outcomes across financed projects.

Employment generation

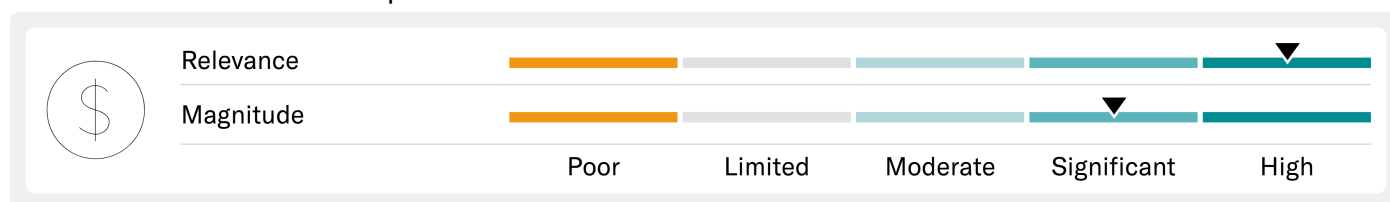


The relevance is high because the category is closely aligned with the mandate of small finance banks, which are designed to serve MSMEs and financially excluded segments, especially in rural and semi-urban areas. MSMEs play a critical role in India's economic structure, acting as a key source of job creation, entrepreneurship and financial inclusion. Despite MSMEs contributing 30% to India's GDP, less than 11% access formal credit, leading to a \$530 billion financing gap.¹⁰ This gap largely reflects limited availability of traditional collateral, insufficient formal data for credit assessment, and a higher perceived risk among formal financial institutions. Within the issuer context, MSME financing represents a significant share of its Priority Sector Lending (PSL) portfolio, and accounts for around 24% of its gross loan portfolio, reinforcing the direct relevance of this category to AU SFB's core business model and its role in supporting employment and livelihood creation.

The magnitude is expected to be significant, supported by the bank's strong focus on directing a substantial share of lending toward MSMEs—particularly micro-enterprises in underserved regions—thereby driving both direct and indirect employment. Financing through microloans and MSME lending is likely to support business formation, expansion and income-generating activities, especially in semi-urban and rural areas, including aspirational districts with limited access to traditional banking services. Beyond MSME lending, the bank plans to offer microfinancing via self-help groups (SHGs) and joint-liability group (JLG) models, thereby empowering financially excluded women in rural communities.

The bank offers competitive interest rates for social loans, aligned with market rates and generally lower than informal credit. Average MSME loan sizes of INR1.5–1.6 million target small and emerging businesses. To prevent over-indebtedness, the bank requires rigorous credit checks, income assessments, and adherence to RBI limits, and provides grievance-redressal mechanisms, including helpline and escalation frameworks. The bank focuses on sectors with stable demand and significant livelihood impact, such as retail, food services, agri-processing, dairy, repair services, tailoring, manufacturing, education, and healthcare, although inclusion of livestock activities may introduce certain environmental externalities.

Socio-economic advancement and empowerment

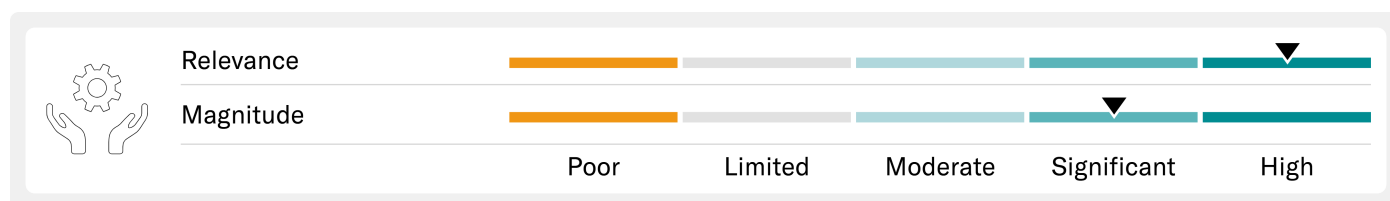


The category is highly relevant for AU SFB's mandate to serve the unbanked and underbanked, promoting financial inclusion and equitable economic development. In India, structural constraints in access to formal finance remain significant, particularly in aspirational districts characterised by limited market access and inadequate infrastructure. In addition, specific population segments, including people with disabilities, youth, and women, face heightened barriers related to workforce participation, gender disparities, and financial literacy. For AU SFB, microfinance customers—comprising over 2.5 million of its over 11.3 million customer base—represent a substantial segment, highlighting the bank's role in providing financial services to low-income individuals who lack access to traditional banking.

The magnitude is significant because the majority of allocation of proceeds are expected to go toward individuals, particularly those running informal or family-operated businesses with limited access to formal credit. Each loan sub-category is designed to advance financial inclusion, income stability, and economic participation among these underserved segments. Loans in aspirational districts are aligned with the NITI Aayog Aspirational Districts Programme, supporting development-oriented activities across priority themes. In lending to entrepreneurship, artisan and cottage industries, and women-owned enterprises, governance safeguards are in place for the bank to monitor the impact of loans, ensuring additionality in terms of end-use utilisation and the meaningful employment of

underserved individuals across its initiatives. In terms of affordability, the bank offers competitively priced social loans that align with market rates and comply with RBI regulations.

Access to essential services



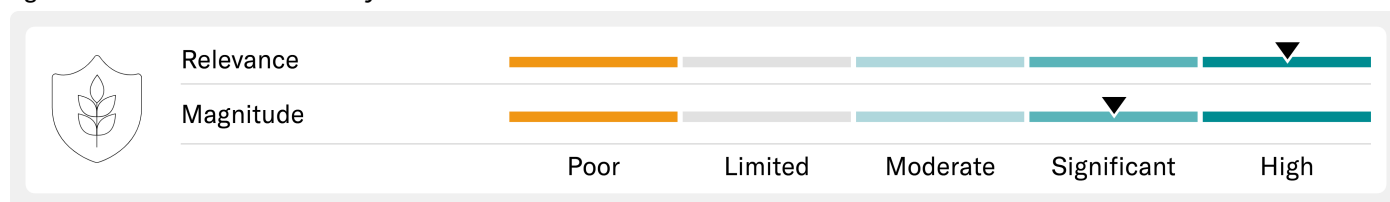
Projects financed under this category are highly relevant for AU SFB, the banking sector, and the regional context. Access to education, healthcare, housing, and basic infrastructure, sits at the core of the mandate for small finance banks in India, which were established by the RBI to expand credit access to underserved individuals, micro enterprises, and unorganised sectors and are required to allocate a substantial share of lending to priority sectors that explicitly include these social categories. AU SFB's business model is directly oriented toward lower- and middle-income households and micro and small businesses with limited access to formal finance, making these activities closely aligned with its strategic focus and operating model. The relevance is further reinforced by India's pronounced social needs, including large affordable housing deficits, gaps in education financing and awareness, limited access to healthcare services—particularly in rural areas—and uneven coverage of basic water and transport infrastructure. These structural challenges underscore the materiality of social financing for both development outcomes and the bank's core client base, supporting a high relevance assessment.

Projects financed under this category are anticipated to significantly contribute to the improved access to essential services, reflecting the scale of expected allocations and the focus on underserved populations, affordability, and minimum quality safeguards. Affordable housing is expected to receive a significant share of proceeds and is the main driver of impact, given its primary focus on economically weaker sections (EWS) and low-income groups. Affordability is supported through mandatory compliance with PSL criteria, including unit cost and loan size caps, prudent equated monthly instalment-to-income assessments, and, where applicable, interest subsidies under government programmes such as Pradhan Mantri Awas Yojana–Urban (PMAY-U). Quality considerations are addressed through requirements for basic services and amenities and compliance with national building, safety, and resilience standards, supporting durable improvements in living conditions for vulnerable households.

Healthcare and education are expected to receive the next largest shares. Education financing targets highly vulnerable populations defined by the government, including EWS and disadvantaged groups such as scheduled castes, scheduled tribes, and other backward classes students, through student loans with moratoria, extended tenors, and access to government subsidy schemes, as well as financing of institutions with embedded affordability features. While private institutions may be supported, eligibility is limited to those with substantial free or subsidised seats or low-fee structures for low-income students, and quality is anchored in compliance with applicable regulatory and accreditation standards and the use of inclusion and completion indicators. Healthcare financing focuses primarily on facilities serving low-income and rural populations, with affordability mechanisms such as regulated pricing, cross-subsidisation, or reimbursement through government schemes, and a preference for trust-based or not-for-profit models. Quality is supported through adherence to recognised clinical, safety, and infrastructure standards, although national capacity constraints mean access and service levels may remain uneven for the most vulnerable.

Select investments in essential infrastructure, including water, sanitation, clean energy access, and connectivity, further extend benefits to underserved communities, with affordability typically ensured through subsidised or regulated tariffs and reduced upfront connection costs, and quality anchored in scheme-specific service benchmarks. While the bank's role as a financier limits direct influence over service delivery, the application of defined eligibility screening for target populations, affordability, and minimum quality supports a significant overall contribution to social outcomes.

Agriculture finance and food security

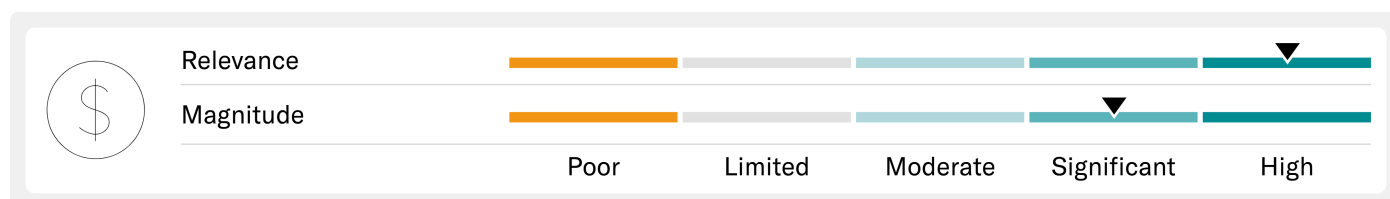


Agriculture finance and food security projects are highly relevant for AU SFB and India's economic context. Agriculture is a key source of employment and income in India and is a core priority sector under the RBI's framework for small finance banks. As a result, lending to agriculture is closely aligned with AU SFB's regulatory obligations and core business model, particularly its focus on smallholder and marginal farmers, who make up the majority of farm households in the country. The relevance is further strengthened by pronounced national and local needs in the sector, including limited access to affordable institutional credit, weaknesses in storage and logistics, low adoption of productivity-enhancing technologies, and high vulnerability of predominantly rainfed agriculture to monsoon variability.

Projects financed under this category are anticipated to significantly contribute to the targeted social objectives. A substantial share of proceeds will go toward food storage, distribution infrastructure, and allied farm credit, which directly benefit small and marginal farmers, SHGs, JLGs, farmer producer organisations (FPOs), farmer cooperatives, MSMEs, and agri-startups that face persistent barriers to affordable finance. In terms of affordability, the bank has confirmed that pricing will align with formal market rates that are materially lower than informal credit, be subject to interest caps and subventions under schemes such as the Kisan Credit Card (KCC), and incorporate the pass-through of applicable government subsidies, helping to stabilise farm incomes and reduce debt servicing pressures. The expected impact is further supported by responsible lending practices, including mandatory credit-bureau checks, income and repayment capacity assessments, RBI-prescribed exposure limits, grievance-redressal mechanisms, and flexible tenors or moratoria for distressed farmers, which together reduce over-indebtedness risks. Capacity building and financial literacy initiatives, often delivered in partnership with NGOs, complement financing and strengthen borrower capability and inclusion.

E&S risks are mitigated through defined exclusions—such as large agribusinesses, speculative land acquisition, banned crops and agrochemicals, export-oriented trading without local benefit, and activities linked to deforestation or regulatory violations—as well as technical and governance requirements for cold storage, agricultural infrastructure, and land purchase. While these safeguards limit higher-risk exposures, the framework does not fully rule out the financing of certain unsustainable agricultural practices at smaller scales.

Livelihood finance

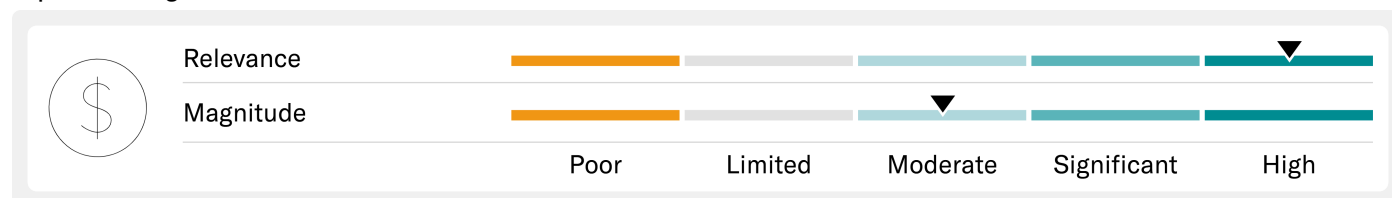


This category is highly relevant because livelihood finance addresses socio-economic advancement and financial inclusion, which reflects strong national development needs and high alignment with the bank's core activities. Livelihood finance supports access to credit for low-income and underserved populations, which is critical in India where nearly 90% of the workforce is informally employed and relies on small-scale agriculture, microenterprises, and other informal activities lacking formal contracts or social protection.¹¹ Access to formal finance remains limited for these segments, constraining productivity, income stability, and resilience. The category is also highly relevant to AU SFB, as the bank has a strong focus on PSL, with around 79% of its credit portfolio directed toward agriculture, MSMEs, and weaker segments, exceeding regulatory requirements.

The magnitude of this category is significant. Loans financed under this category are expected to support resilience-enhancing activities that sustain livelihoods, including health, sanitation, housing repair, and income-generating activities such as trade, services, livestock, and artisanal work—thereby strengthening financial resilience among low-income and underserved populations. Targeted beneficiaries include women and households with annual incomes below INR0.3 million, which are identified as among the most financially excluded segments. Loans are expected to be priced at market-aligned rates that are typically lower than informal lending, supporting

affordability. Borrower protection mechanisms—including credit bureau checks, repayment capacity assessments, and adherence to regulatory exposure limits—help mitigate over-indebtedness risks. Furthermore, the bank applies structured monitoring mechanisms, including loan utilisation checks and ongoing field-level verification, to ensure funds are used for productive purposes. However, the fungible nature of microloans and the broad range of eligible uses may limit visibility over allocation and consistency of outcomes, although group lending structures and peer monitoring frameworks provide additional safeguards.

Impact financing



Projects financed under this category are highly relevant, given strong national development needs and alignment with the bank's focus on PSL and financial inclusion. The category supports key policy priorities—including MSME development, affordable housing, and poverty reduction—addressing persistent constraints in access to formal credit in India. On-lending to non-banking financial companies (NBFCs), housing finance companies (HFCs), and microfinance institutions (MFIs) extends financing to underserved regions—particularly rural and semi-urban areas—by leveraging these intermediaries' distribution networks and cost efficiencies to deliver small-ticket loans. At the issuer level, the category is highly relevant, as it complements the bank's mandate to direct a large share of lending toward priority sectors and underserved populations, while enabling broader outreach beyond its direct lending capabilities.

The magnitude of this category is moderate. The use of intermediaries such as NBFCs, HFCs and MFIs enhances geographic reach and scale, particularly in underserved and rural areas, thereby improving the breadth of impact. The bank has confirmed that at least 50% of end-borrowers under NBFCs on-lending are expected to be micro and small enterprises, supporting employment generation and economic participation, while lending through HFCs and MFIs targets affordable housing aligned with PMAY-U/NHFL norms and microloans compliant with RBI requirements. In addition, the framework restricts refinancing of existing debt, except where explicitly permitted under applicable laws or regulatory guidelines, which supports the additionality of financing directed toward vulnerable populations. A three-layer governance structure, including intermediary selection, defined eligible uses, and post-disbursement monitoring, supports alignment with market practices on affordability and impact outcomes. However, the indirect structure of financing limits the bank's visibility and control over key factors such as borrower selection, loan pricing and end-use monitoring at the ultimate beneficiary level, constraining the depth of impact and moderating the overall magnitude.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

AU SFB has outlined a structured due diligence process to identify, assess, and manage E&S risks associated with the activities financed under its sustainable finance framework. The framework describes a multi-step process under which eligible projects are subject to the bank's standard credit appraisal alongside a parallel E&S risk assessment conducted under its environmental and social management system (ESMS). Projects with higher E&S risk profiles are subject to enhanced due diligence.

The framework is coherent with AU SFB's sustainability strategy, which is structured around four core pillars: sustainable finance, sustainable operations, sustainable communities, and sustainability reporting and governance. The bank has identified three primary focus areas for its sustainable finance efforts: green finance, financial inclusion, and digital banking. Through this sustainable finance framework, the bank seeks to direct capital toward activities that are closely associated with these key priorities. The framework is also consistent with AU SFB's role as a financing channel for government-sponsored credit schemes targeting vulnerable populations, as several social categories include subsidy-linked lending under programmes such as Pradhan Mantri Mudra Yojana, PM Vishwakarma and various other state sponsored schemes.

Appendix 1 - Alignment with principles scorecard for AU SFB's sustainable finance framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Aligned	Aligned
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	No		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	Best practices
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Best practices	Best practices
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
Overall alignment with principles score:					Aligned

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The 15 eligible categories included in AU SFB's framework are likely to contribute to 14 of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	Socio-Economic Advancement and Empowerment; Access to Essential Services; Livelihood Finance	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
	Climate Change Adaptation and Resilience	1.5: Build the resilience of those in vulnerable situations and reduce exposure to climate-related events and other disasters
GOAL 2: Zero Hunger	Socio-Economic Advancement and Empowerment; Agriculture Finance and Food Security	2.3: Double agricultural productivity and incomes of small-scale farmers through equal access to resources and opportunities
	Sustainable Management of Living Natural Resources and Land/Water Use	2.4: Ensure sustainable food production systems that improve productivity and support ecosystems and climate change adaptation
GOAL 3: Good Health and Well-being	Access to Essential Services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
	Pollution Prevention and Control	3.9: Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution
GOAL 4: Quality Education	Access to Essential Services	4.3: Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
	Socio-Economic Advancement and Empowerment	4.4: Increase the number of youth and adults with technical and vocational skills for employment and entrepreneurship
GOAL 6: Clean Water and Sanitation	Sustainable Water and Waste Management	6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy Efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	Employment Generation; Socio-Economic Advancement and Empowerment; Impact Financing	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
	Climate Change Adaptation and Resilience	8.4: Improve global resource efficiency and endeavour to decouple economic growth from environmental degradation
	Socio-Economic Advancement and Empowerment	8.5: Achieve full, productive employment and decent work for all women and men, and equal pay for work of equal value

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 9: Industry, Innovation and Infrastructure	Access to Essential Services	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
	Employment Generation; Impact Financing	9.3: Increase SMEs' access to finance, and their integration into value chains and markets, particularly in emerging markets
	Renewable Energy; Energy Efficiency	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 10: Reduced Inequality	Access to Essential Services; Socio-Economic Advancement and Empowerment; Impact Financing	10.2: Empower and promote the social, economic and political inclusion of all
GOAL 11: Sustainable Cities and Communities	Access to Essential Services	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Clean Transportation -Low carbon mobility solution	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Sustainable Water and Waste Management; Pollution Prevention and Control; Circular Economy	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 12: Responsible Consumption and Production	Sustainable Management of Living Natural Resources and Land/Water Use	12.2: Achieve the sustainable management and efficient use of natural resources
	Agriculture Finance and Food Security	12.3: Halve global food waste at the retail and consumer levels and reduce food losses along production and supply chains
	Sustainable Water and Waste Management; Pollution Prevention and Control	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil
	Circular Economy	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	Climate Change Adaptation and Resilience	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 14: Life Below Water	Sustainable Management of Living Natural Resources and Land/Water Use	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
GOAL 15: Life on Land	Sustainable Management of Living Natural Resources and Land/Water Use	15.2: Promote the implementation of sustainable management of all types of forests

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's finance framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in AU SFB's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable energy	Financing for generation, transmission, and distribution of renewable energy and associated infrastructure, including: - Solar Energy: Development, construction, acquisition, operation of solar power generation facilities (photovoltaic or concentrated solar power). The facility should derive ≥85% of its electricity output from solar resources. Any CSP project would need an adequate water supply plan that does not compete with critical community or agricultural needs. Includes ancillary infrastructure wholly dedicated to solar (e.g. solar panel manufacturing, or transmission lines for solar farms). - Wind Energy: Development, construction, acquisition, operation of onshore and offshore wind farms. Includes dedicated manufacturing of key components (turbines, blades) and transmission infrastructure primarily servicing wind generation. AU SFB intends to finance only those offshore wind projects that demonstrate robust biodiversity safeguards and have obtained all relevant environmental and statutory approvals from competent authorities. - Small Hydro and Run-of-River Hydro: Development, construction, acquisition, operation of Hydropower projects with capacity <25 MW. For facilities in operation in 2020 or after, lifecycle GHG emission intensity should be < 100gCO₂e/kWh or power density ≥ 10 W/m². In case of riverine projects, detailed assessment of river diversion and downstream flow impacts, biodiversity and aquatic ecosystem impacts, and potential loss of land and livelihoods. All hydropower projects must undertake environmental and social risk assessments and implement mitigation measures (per international best practices) to qualify. - Biomass Power: Electricity generation from biomass or biogas (e.g. crop waste, agricultural residues, biofuels, or organic waste), with lifecycle GHG emissions <100gCO₂e/kWh. Biomass feedstocks must be sustainably sourced (e.g. agricultural or forestry waste; no palm oil or peat). Only waste wood is permitted as timber feedstock. Priority will be given to biomass projects supported by recognized sustainability certifications (such as ISCC Plus or equivalent sustainable forestry standards). In the absence of formal certification, documented evidence of sustainable sourcing, consistent with the principles of emerging national biofuel and biomass certification frameworks, is required. For biofuels, there should be 80% GHG emission reduction compared to fossil fuel baselines, and the energy efficiency achieved must be at least 80%. - Geothermal Energy: Power generation using geothermal resources, provided lifecycle GHG emissions <100 g CO₂e/kWh. - Ocean Energy: Projects harnessing marine energy (offshore wind, tidal, wave, or ocean thermal energy conversion) for power generation. Offshore wind projects must demonstrate robust biodiversity safeguards and obtain all relevant environmental and statutory approvals from competent authorities to be eligible. Exclusions: - Small Hydro and Run-of-River Hydro: The Bank shall not finance or refinance large hydropower projects with an installed capacity of 25 MW or above. - Biomass Power: The Bank shall not finance bio-based energy projects where feedstock is sourced from woody mass or wood pellets, recently deforested or converted land, non-certified palm oil, food-grade crops used for industrial purposes, illegal or untraceable biomass sources, or activities impacting protected areas or regions of high biodiversity value.	Climate change mitigation	- Total renewable energy capacity installed (MW) - Annual renewable energy generated (MWh per year) - GHG emissions avoided annually (tons of CO₂ equivalent per year)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Energy efficiency	- Smart Grid Technologies: Development, installation, or upgrade of smart grids, smart meters, and grid automation systems to improve electricity transmission/distribution efficiency and enable better integration of renewables. - Industrial Energy Efficiency: Upgrades to industrial processes or equipment (e.g. more efficient motors, drives, boilers, kilns, cooling systems, waste heat recovery units) that result in significant energy use reduction per output unit. These include interventions like energy management systems, process optimisation, and technological upgrades. - Building Energy Efficiency: Energy-saving retrofits in commercial/residential buildings (LED lighting, improved insulation, efficient HVAC systems, building energy management systems). Replacement of old equipment with energy-efficient alternatives (e.g. high efficiency chillers) also qualifies. - Telecom and IT Efficiency: Modernisation of telecom and IT infrastructure, including 3G to 4G/5G upgrades, copper-to-fibre migration, network optimisation, and energy-efficient data centers, aimed at reducing energy consumption per unit of data. Telecom networks achieve a minimum ~30% improvement in energy intensity (e.g. kWh/TB) based on pre- and post-upgrade assessments, and data centers meeting recognised efficiency benchmarks such as a PUE of ~1.3 or lower (with more stringent thresholds for new or green-labelled facilities), ensuring material system-level efficiency improvements even as data traffic grows. - Efficient District Heating/Cooling: Systems or infrastructure upgrades that enable heating/cooling networks powered ≥50% by renewable energy, waste heat, or a combination thereof. Exclusions: - Industrial Energy Efficiency: The Bank shall not finance grid or energy efficiency projects that are materially linked to or dependent on fossil-fuel intensive infrastructure.	Climate change mitigation	- Energy savings achieved per year (MWh saved) - GHG emissions avoided annually due to savings (tCO₂e)
Clean transportation - Low carbon mobility solution	- Electric Vehicles: Financing for zero tailpipe emission vehicles (battery electric vehicles, fuel-cell vehicles) or ultra-low emission vehicles. Passenger cars and commercial vehicles with tailpipe CO₂ emissions <75 g/km (threshold valid up to 2025; only zero-emission vehicles eligible thereafter). - Charging and Fueling Infrastructure: Installation of electric vehicle charging stations, hydrogen fueling stations, battery swapping networks, and related grid upgrades to support e-mobility. - Non-Motorised Transport: Projects that encourage walking and cycling: dedicated bicycle lanes, pedestrian zones, bike-sharing programs, etc., particularly in urban planning for sustainable mobility. - EV and Component Manufacturing: Establishment of manufacturing facilities dedicated to producing electric vehicles, EV batteries, fuel cells, or critical components for clean transport. Green logistics infrastructure (e.g. electrified rail freight corridors) and long-term leasing or financing facilities that accelerate the adoption of electric buses or trucks. Retail financing for individual purchase of electric scooters, cars, or related charging equipment is included under this category. Exclusions: - Electric Vehicles: The Bank shall not refinance assets related to internal combustion engine (ICE) vehicles, including vehicles meeting interim low-emission thresholds (i.e., below 75 gCO₂/km). - Non-Motorised Transport: The Bank shall not finance non-motorised transport projects involving significant greenfield construction that may result in material environmental or land-use impacts.	Climate change mitigation, Pollution prevention and control	- Number of electric or low-emission vehicles financed (and/or produced) - New clean transportation infrastructure built (km of rail, BRT, bike lanes, etc.) - Estimated GHG emissions avoided annually by the transport projects (tCO₂e)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Climate change adaptation and resilience	- Flood Defense and Storm Resilience: Construction or enhancement of flood barriers, sea walls, levees, urban stormwater drainage systems, storm surge protection systems, and flood early warning systems. Upgrades to existing infrastructure (roads, bridges, culverts) to make them flood-resilient (e.g. elevating structures, increasing drainage capacity) are included. Projects must deliver meaningful; context-specific water savings based on local climate and hydrological conditions and are assessed in alignment with the Climate Bonds Resilience and Adaptation Taxonomy (CBRT) and relevant national and state climate frameworks (NAPCC / SAPCCs). - Drought Resilience and Water Security: Projects ensuring water security in drought prone areas – rainwater harvesting systems, small water reservoirs, community water storage tanks, drip irrigation systems for farmers, drought-resistant crop cultivation support, and other water management interventions aimed at conserving water and sustaining agriculture under changing rainfall patterns. These interventions are required to be aligned with NAPCC missions, relevant SAPCC / SPCC priorities, and are assessed to ensure alignment with CRBT principles, where applicable. - Climate-Smart Agriculture: Implementation of farming practices and technologies that improve resilience to climate variability – such as introducing climate-resilient crop varieties (notified by the Indian Council of Agricultural Research (ICAR)) , integrated pest management adapting to shifting pest ranges, sustainable land management to prevent desertification, or installation of weather shelters for livestock. This also covers financing farmers for crop insurance or diversification to reduce climate risk. - Ecosystem & Nature-Based Adaptation: Conservation or restoration of ecosystems that provide natural protection against climate risks. For instance, mangrove restoration along coastlines (for storm surge protection), wetland restoration (for flood water retention), afforestation or reforestation on hill slopes (to prevent landslides and soil erosion), and urban greening projects (to reduce heat island effects and manage stormwater). - Public Health Adaptation: Projects addressing health risks exacerbated by climate change, e.g. heatwave early warning and response systems, cooling centers for vulnerable populations during extreme heat, mosquito control in regions with expanding vector-borne diseases, etc. Many adaptation projects also yield co-benefits, such as supporting livelihoods or protecting biodiversity, which align with AU SFB's social and environmental objectives. The Bank also intends to apply the Climate Bonds Resilience and Adaptation Taxonomy (CBRT) to assess climate risk relevance and resilience outcomes, ensuring that financed projects meaningfully reduce physical climate risks and associated E&S impacts. Exclusions: - Resilience Projects: The Bank shall not finance projects where climate change adaptation or resilience building is not the primary objective, or where adaptation benefits are incidental or marginal. - Adaptation Projects: The Bank shall not finance adaptation projects that increase exposure or result in maladaptation risks, including hard infrastructure that transfers climate or flood risks to downstream or adjacent areas without adequate safeguards.	Climate change adaptation	- Number of people benefitting from improved resilience (e.g., flood protection) - Area of land made more resilient (hectares protected from flood/drought) - Specific indicators per project: e.g., volume of floodwater storage added (m³), number of climate-resilient seedlings distributed, etc.

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Sustainable water and waste management	- Water Supply Infrastructure: Construction or upgrade of water intakes, treatment, desalination, and distribution systems to provide safe drinking water and reduce losses. Eligible projects include NRW reduction initiatives targeting material leakage reductions, and desalination plants that are powered by near full renewable energy supply (GHG footprint of less than 50g CO₂e/kWh or power density greater than 10W/m²). Desalination projects must meet best-practice energy efficiency benchmarks, implement robust brine management, and ensure treated water complies with IS 10500:2012 and, where applicable, WHO drinking - water standards. - Wastewater Treatment: Development, expansion, or upgrade of sewage systems and wastewater treatment facilities, leading to improved treatment standards (like nutrient removal) and safe discharge or reuse of treated water. Includes infrastructure for recycling wastewater (e.g. treatment for industrial reuse or groundwater recharge). - Sanitation Systems: Building or improving sanitation infrastructure especially in underserved areas – public toilets, sanitation facilities, and solid sludge management – to ensure safe sanitation and reduce water contamination in compliance BIS Design Codes. - Water Efficiency and Reuse: Projects that promote water conservation in agriculture (drip irrigation, micro-sprinklers), industry (water recycling in processes, cooling towers), or municipal use (rainwater harvesting, greywater reuse systems in buildings) having water-savings of minimum 20%. Installation of water-saving devices and smart irrigation systems also qualifies. Exclusions: - Water Supply Infrastructure: The Bank shall not finance water supply, desalination, or wastewater projects that do not comply with applicable national laws, standards, and permits, including CPCB norms, CPHEEO manuals, BIS standards, or relevant Pollution Control Board consents.	Climate change adaptation, Pollution prevention and control	- Volume of water treated, saved, or reused (liters/year or cubic meters/year) - Improvement in water quality indicators (if available, e.g., reduction in BOD/COD in wastewater) - Number of people given access to clean water or sanitation (if a direct outcome)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Pollution prevention and control	- Air Pollution Control: Installation of high-efficiency FGD, SCR/SNCR, electrostatic precipitators, fabric filters and similar systems achieving $\geq 90\%$ SO₂ removal, $\sim 75\text{--}90\%$ NO_x reduction, and $\geq 99\%$ PM capture in line with IFC EHS Guidelines and national standards, as well as selective support for CCS in hard-to-abate sectors such as cement or power where projects achieve $\sim 90\%$ CO₂ capture, ensure emissions reduction, secure transport and permanent geological storage, and maintain long-term monitoring. Eligible sectors include regulated emissions-intensive industries such as cement, steel, power generation, textiles and allied sectors where pollution control upgrades deliver material reductions in harmful emissions. - Waste Management & Recycling: Infrastructure for solid waste management including waste collection, segregation systems, material recovery facilities, recycling plants for paper, plastic, metal, glass, e-waste recycling, composting facilities for organic waste, and modern landfill facilities with methane capture. The projects must be subject to minimum material recovery thresholds ($\sim 70\text{--}80\%$ for plastics, $\sim 80\text{--}90\%$ for metals, $\sim 60\text{--}75\%$ for paper/glass) aligned with EPR and IFC guidance. Projects must comply with CPCB regulations and enforce the waste hierarchy as a binding condition. Composting is limited to 100% source-segregated organic waste with negligible methane leakage and defined beneficial use. Landfill gas projects must achieve $\geq 70\%$ methane capture with energy utilisation or safe flaring. - Waste-to-Resource Initiatives: Projects that convert waste streams into useful products or energy (Direct emissions must be <100 g CO₂e/kWh for the energy produced.) This includes bio-methanation plants (with 50-70% lower emissions than fossil-fuel based alternatives) using proven anaerobic digestion technologies such as CSTR or UASB systems with sealed operations, full gas capture, and controlled digestate management, composting of organic waste to produce fertiliser, landfill gas capture, and facilities that recycle construction & demolition debris into usable material. Technologies financed under this category (e.g. crushers, sorting systems, optical separators) must be commercially proven and comply with applicable regulatory and environmental performance standards. - Soil and Water Remediation: Cleanup of contaminated sites using in-situ and ex-situ technologies that measurably reduce pollutants to statutory or IFC-aligned thresholds, excluding cases where the polluter is merely complying with regulation. Eligible methods such as bioremediation, soil washing, stabilisation and thermal desorption must demonstrate $\geq 60\text{--}90\%$ contaminant reduction for organics, $\geq 70\%$ removal for metals or persistent pollutants, or $\geq 99\%$ destruction efficiency for volatile/semi-volatile organics, supported by pre- and post-remediation sampling. Projects must prepare a Remediation Action Plan with baseline contamination data, a monitoring grid (e.g., one sample per 500 m²), and documented compliance with CPCB/IFC cleanup standards. All projects must include a post-remediation land-use plan confirming safe reuse and ensuring the intervention does not extend the operational life of polluting assets. - Pollution Monitoring Systems: Deployment of air and water quality monitoring systems, pollution sensors and data systems that enable better pollution management by city or industry authorities. Exclusions: - Air Pollution & Control: The bank shall not finance projects that extend the operational life of fossil-fuel-dependent assets, pollution-control installations that do not meet minimum removal thresholds, and CCS projects lacking verified long-term containment pathways. - Waste Management & recycling: The Bank shall not finance waste management or recycling projects involving illegal waste handling, import, transport, or disposal, or projects that generate secondary pollution through uncontrolled emissions, effluents, or residual waste. - Composting or bio-methanation projects: The Bank shall not finance composting or bio-methanation projects that use mixed or non-segregated waste, result in measurable methane leakage, or lack clearly defined and beneficial use of outputs.	Pollution prevention and control	- Waste processed or recycled annually (tons) - GHG or pollutant emissions reduced/avoided per year (e.g., tCO₂e or NO_x/SO_x reduced) - Increase in recycling rate or waste diverted from landfill (%) - Waste diverted from landfill per year (tonnes)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Green buildings	- Green Certified Buildings: Buildings (commercial, residential, or institutional) that have obtained or will obtain internationally recognized green building certifications at high levels. For example: LEED Gold or Platinum, BREEAM Excellent or Outstanding, IGBC Gold/Platinum, or GRIHA 4-star/5-star. Certification should be current (within the last 5 years for existing buildings) and demonstrate holistic environmental performance (energy, water, materials, indoor air quality, etc.). Compliance with IFC EDGE or meeting the carbon intensity hurdles set by EDGE (or similar tools) also qualifies. Preference is given to new buildings, infrastructure, renovations demonstrating quantified reductions or alignment with progressive decarbonization pathways (e.g., ~40% reduction in embodied carbons trajectory by 2030 and/or net zero embodied carbons) and integration of carbon management within advanced certification frameworks. - Energy Efficient Buildings: Buildings designed or upgraded to achieve significant energy and emissions reductions. New buildings should demonstrate at least 30% lower energy consumption (or CO₂ emissions) than prescribed national building code benchmarks (e.g. surpassing ECBC or ASHRAE 90.1). Renovated buildings should achieve ≥30% energy savings in Primary Energy Demand (PED) compared to pre-retrofit performance. - This category also encompasses affordable green housing projects if they meet the above criteria, thus bridging environmental and social benefits. All green building projects financed will be expected to provide relevant performance data or certification to verify eligibility.	Climate change mitigation, Climate change adaptation	- Number of green buildings financed, by certification level (e.g., X buildings LEED Gold) - Floor space of green buildings (sqm) - Energy savings from green buildings (MWh/year) or reduction in energy use (%) vs typical buildings - GHG emissions avoided due to building efficiency (tCO₂e/year)
Circular economy	- Recycling-Based Manufacturing: Production of goods by using at least 20–50% recycled content, depending on sector and material type, or equivalent substitution of virgin materials (for instance, manufacturing packaging from recycled plastic or paper, producing construction materials from industrial waste or demolition debris). The processes should demonstrate net environmental benefits (e.g. lower energy use or emissions than conventional production) evaluated using IFC circular economy finance guidelines. - Bio-based and Sustainable Products: Production of bio-based, biodegradable, or compostable materials that can replace traditional fossil-based materials (for example, bioplastics produced from certified sustainable feedstock, or textiles made from organic/recycled fibers (20-50%)). Certification by schemes like the Roundtable on Sustainable Biomaterials (RSB), ISCC PLUS for bio-products is a positive indicator of sustainability. Where applicable, lifecycle GHG emissions must be at least 50% lower than the fossil-based equivalent. - Product Life-cycle Extensions: Projects that facilitate the repair, refurbishing, or remanufacturing of products to extend their useful life (such as facilities for refurbishing used electronics or machinery, furniture refurbishing businesses, etc.), or platforms enabling the sharing or second-hand resale of goods (thus reducing new production). - Circular Supply Chain Initiatives: Businesses or technologies that close resource loops, e.g. systems for manufacturers to take back used products (take-back schemes) and recycle components, or marketplaces for industrial by products so that one industry's waste becomes another's input. Exclusions: - Recycling-Based Manufacturing: The Bank shall not finance activities that result in down-cycling, where materials are locked into low-value or non-recoverable uses without demonstrable resource efficiency or emissions-reduction benefits. - Bio-based and Sustainable Products: The Bank shall not finance bio-based products using feedstock sourced from recently deforested or converted land, non-certified palm oil, food-grade crops for industrial use, illegal biomass sources, or activities impacting protected or high-biodiversity-value areas. - The Bank shall not finance projects involving illegal import, handling, or disposal of waste, including non-compliance with the Basel Convention, Hazardous Waste Rules, or CPCB norms.	Natural resource conservation	- Quantity of recycled materials produced or used (tons/year) - Waste diverted from landfill due to projects (tons/year) - Number of products reused or refurbished (if applicable) - Reduction in virgin resource use (tons or %) achieved by the project

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Sustainable management of living natural resources and land/water use	- Sustainable Forestry: Afforestation, reforestation, or improved forest management projects certified by credible schemes like the Forest Stewardship Council (FSC) or Program for the Endorsement of Forest Certification (PEFC). This can also include conservation of existing forests and preventing deforestation. The objective must be to enhance carbon sinks, preserve biodiversity, or produce timber in an environmentally sustainable way. - Sustainable Agriculture: Financing agricultural practices and techniques that increase productivity while reducing environmental impact. This includes organic farming, climate-smart agriculture techniques (minimal tillage, crop rotation, integrated pest management, drip irrigation), bio-fertiliser and bio-pesticide usage, precision farming technology that optimises resource use. Projects may also cover restoration of degraded land to productive use through regenerative farming methods. Micro-loans or financing programs enabling small farmers to adopt sustainable practices can be counted here if tied to specific eligible expenditures (like solar pumps or organic inputs). - Fisheries and Aquaculture: Sustainable fishery projects that have certifications such as Marine Stewardship Council (MSC) for wild catch, ensuring fish stocks are managed responsibly. Sustainable aquaculture projects, certified by a recognized and credible third-party standard and have achieved the minimum rating requirement. (For e.g. ASC for farm level certification, B.A.P for Aquaculture.) - Biodiversity Conservation: Projects focused on preserving or restoring natural habitats and ecosystems – such as funding for conservation parks, wildlife reserves, mangrove restoration, coral reef protection, pollution reduction, water interception or marine litter prevention programs. This also includes sustainable management of coastal and marine areas (supporting SDG 14) and research or initiatives aimed at protecting endangered species or critical ecosystems. Exclusions: - Sustainable Forestry: The Bank shall not finance land-use projects that do not comply with the Forest (Conservation) Act, the Wildlife Protection Act, or projects lacking mandatory environmental or forest clearances. - Sustainable Agriculture: The bank shall not finance techniques and technologies of Intensive Livestock Farming projects for industrial-scale meat processors or producers. - Biodiversity Conservation: The bank shall not fund large-scale coastal infrastructure due to their involvement in biodiversity risks that may outweigh their contribution to sustainability.	Biodiversity, Natural resource conservation	- Avoided and/or sequestered GHG emissions (tCO₂ -e p.a) - Area of land under sustainable management (hectares of farmland/forest certified or improved) - Increase in yield or income for farmers (if measurable through programs) - Area of habitats protected or restored (hectares of forest conserved, marine area protected, etc.) - Biodiversity metrics (e.g., number of trees of native species planted, reduction in soil erosion in project area)
Employment generation	- Loans to MSMEs (as defined by the Government of India's MSME criteria) to start, expand, or modernise their businesses. This includes working capital loans, equipment financing, or project loans to small businesses in any productive sector (manufacturing or services). Emphasis is on MSMEs operating in regions or communities with high unemployment or underemployment, thereby enabling local job creation. - Microfinance Loans: Small loans (typically up to ₹ lakh) provided to micro-entrepreneurs, self-help groups (SHGs), or joint liability groups (JLGs) for income-generating activities. These are often women-led or group-based enterprises in rural or semi-urban areas (e.g. cottage industries, artisan groups, small trade). Such financing empowers individuals who lack access to traditional banking to start or grow businesses, thereby creating self-employment and potentially employing others.	To create and preserve jobs by providing capital to micro, small and medium enterprises, thereby supporting livelihoods in underserved communities.	- Number of MSMEs financed (count) - Number of jobs created or supported in those MSMEs (if data obtainable via surveys or estimates) - Volume of MSME loans disbursed (₹) - Average loan size, indicating reach to very small businesses

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Socio-economic advancement and empowerment	- Loans in "Aspirational Districts": Financing businesses or development projects in India's Aspirational Districts (identified by NITI Aayog as particularly underdeveloped) to spur economic activity and job opportunities in those lagging regions. - Employment or Entrepreneurship for Vulnerable Populations: Initiatives that create meaningful jobs or training for target groups such as women, tribal communities, scheduled castes/scheduled tribes, differently abled persons, or the youth. For example, lending to a company that establishes a manufacturing unit predominantly employing women from an underprivileged community; or funding a social enterprise that trains and hires tribal youth. - Support for Artisans and Cottage Industries: Loans to entities (cooperatives, NGOs, small companies) that assist traditional artisans, craft workers, or cottage industries in marketing their products, improving their production or accessing markets. This helps preserve cultural livelihoods and increase incomes for those artisans, who are often from rural or marginalized backgrounds. - Street Vendor Loans: Credit to street vendors and hawkers under schemes like PM SVANidhi, which enables them to expand their micro-business and secure their livelihoods. - Women's Economic Empowerment: Loans targeted at women-owned enterprises (businesses where ≥51% ownership or majority management is by women). This also includes microfinance loans to women borrowers, and financing for organisations that provide skills training or job placement for women, ensuring gender-inclusive economic growth. - Support for Disabled or Special Groups: Projects benefitting persons with disabilities (e.g. funding small businesses run by differently abled individuals, or assistive technology solutions), and other marginalized segments (e.g. transgender entrepreneurs) to advance their socio-economic participation.	To advance equal economic opportunity for underserved groups (such as women, disadvantaged castes, tribal communities, disabled persons, etc.) by financing initiatives that foster inclusion, skills, and entrepreneurship.	- Number of individuals from target groups reached (e.g., number of women entrepreneurs financed, number of artisans supported, number of SC/ST beneficiaries) - Increase in income or assets for beneficiaries (where measurable through program data) - Number of microfinance loans disbursed to women or marginalised communities - No. of locations reached (number of aspirational districts)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Access to essential services	Education: - Student Loans: Education loans or scholarships to students from Economically Weaker Sections (EWS) or disadvantaged backgrounds for pursuing school, college or vocational training. - Affordable Educational Infrastructure: Financing the construction or expansion of schools, colleges, skill development centers or other educational facilities that serve low-income communities or remote areas. This includes schools built under public-private partnership for rural education, or vocational training centers enhancing youth employability in underdeveloped regions. Healthcare: - Healthcare Facilities: Financing for the construction, upgrade, or equipment purchase for hospitals, clinics, primary healthcare centers, and diagnostic facilities that primarily serve vulnerable populations. Examples: a new clinic in a rural village, a charitable hospital wing for low income patients, a cancer treatment center offering subsidised care. - Public Health and Emergency Response: Funding for manufacturing or distribution of essential medicines and medical supplies (including vaccines, masks, ventilators) especially for public health programs or pandemic response. Also includes R&D and infrastructure to improve healthcare delivery in low-resource settings. - Inclusive Healthcare Programs: Supporting entities that provide healthcare access to EWS/LIG individuals, such as not-for-profit healthcare providers, mobile medical units for remote areas, maternal and child health programs, or health initiatives for the elderly or disabled. Also, healthcare facilities which derive a significant portion (≥50%) of revenues from government schemes (e.g. CGHS, ESI) or operate on a not-for-profit basis to serve the poor qualify as eligible. Affordable Housing: - Affordable Housing Development: Loans to developers or public agencies for the construction of affordable housing projects, particularly under the Pradhan Mantri Awas Yojana (PMAY) or similar schemes. Projects must be intended for EWS or Low-Income Group (LIG) households, with unit sizes and pricing within the affordable housing definition set by government policy. - Housing for Low-Income Groups: Corporate loans for projects that include mandated units for low-income households (such as slum rehabilitation projects or housing developments reserving a portion of units for EWS/LIG). - Housing Finance for the Poor: Home loans or micro-mortgages to individuals from low-income segments to buy or build their first home, typically for properties in the affordable segment. Also includes small loans for home improvements or expansion in poor communities, as well as financing to housing finance companies (HFCs) specifically for on-lending towards affordable housing. - Basic Infrastructure for Housing: Development of essential services for housing communities – clean drinking water connections, sewage and sanitation systems, internal roads, and electrification – particularly in low-income housing projects or rural housing schemes. Other Essential Infrastructure: - Clean Water and Sanitation: Investments to provide safe drinking water and sanitation in underserved regions (overlaps with Water category in green but counted as social when primary aim is community health). E.g., installing community water filters, rural water supply schemes, or household toilets under Swachh Bharat Abhiyan for those without access. - Electricity Access: Projects expanding electricity access to unelectrified or poorly electrified areas, such as rural electrification programs, off-grid renewable energy solutions for remote villages, or new connections for poor urban households. (Excludes any transmission lines evacuating power from fossil fuel plants; if a grid project, it should demonstrably improve access for previously unserved communities.) - Telecommunication and Digital Inclusion: Projects to extend telecom networks or internet connectivity to unconnected or under-connected communities (e.g., building mobile towers in tribal areas, providing broadband to rural schools), thereby bridging the digital divide. - Rural Roads and Transport: Construction or improvement of roads in remote, rural, or underdeveloped areas to improve all weather connectivity for those communities (excluding major highways). For example, last-mile rural roads that connect villages to main roads, facilitate access to markets, schools, and hospitals.	To expand affordable access to fundamental services such as education, healthcare, housing, clean water, sanitation, energy, and digital connectivity for low income and underserved populations.	Access to Education: - Number of students receiving education loans (and % from target low-income groups) - Number of schools or training centers built/upgraded - Number of textbooks and teaching materials supplied - Number of people provided with skill development and/or vocational training ideally for in demand subjects (breakdown by gender) - No. of locations reached (number of villages, towns, districts) Access to Healthcare: - Number of patients treated at facilities financed (annually) - Number of new healthcare facilities built or upgraded - Number of units of medical equipment purchased - Number of health-related R&D programs funded - Beds added (if hospital projects) or % increase in capacity - Number of people provided with improved healthcare access (e.g., through mobile clinics) - No. of locations reached (number of villages, towns, districts) Affordable Housing: - Number of affordable housing units constructed or financed - Number of low-income families housed - Floor area of affordable housing built (sqft) - Reduction in housing cost for beneficiaries (if data exists, e.g., difference vs market rent) - Improvement in essential services post financing Basic Infrastructure (Water, Sanitation, Energy, Transport): - Number of people gaining access to clean water/new sanitation (for water/sanitation projects) - Number of new household water connections - Population benefitting from new electricity connections or off-grid solutions - Length of sustainable road construction with equitable access - Number of residents benefitting from basic infrastructure new/upgraded which is otherwise not accessible (i.e. rail transportation, development road) - Improvement in service (e.g., hours of electricity available per day increased from X to Y in village)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Agriculture finance and food security	- Food Storage and Distribution: Investments in warehouses, cold storage facilities, and food logistics infrastructure to reduce post-harvest losses and improve market access for farmers. By providing adequate storage, these projects help stabilise food supplies and prices, benefiting both producers and consumers. - Agriculture Value Chain Finance: Lending to support the agricultural economy as defined under Priority Sector Lending – including farm credit (for crop production and farm development), agricultural infrastructure, and ancillary activities. Examples: Farm Credit: Loans to small and marginal farmers (often via SHGs or JLGs) for crop cultivation, purchase of agricultural inputs, farm equipment, irrigation systems, or allied activities like dairy, poultry, beekeeping, etc. This includes short-term crop loans and medium/long-term loans for farm improvements. Post-harvest Finance: Loans to farmers for activities like sorting, grading, and transporting their produce to markets, or against storage receipts to avoid distress selling right after harvest. Loans to Distressed Farmers: Credit to farmers to help pay off high-interest informal debt, thereby freeing them from debt traps (as per schemes for indebted farmer relief). - Kisan Credit Card (KCC) loans: ensuring timely credit for farm needs. Land Purchase for Agriculture: Loans to small/marginal farmers for buying or leasing agricultural land, enabling landless or tenant farmers to own land and improve their livelihood security. Solar for Agriculture: Financing solar pumps and solar power plants for farms, aiding reliable irrigation and additional income (consistent with PM-KUSUM scheme components). - Agriculture Infrastructure: Loans to construct or upgrade facilities that directly benefit agriculture: for example, soil conservation projects (watershed development), plant tissue culture labs, seed production units, bio-fertiliser and bio-pesticide plants, vermicomposting facilities. These help improve agricultural productivity and sustainability. - Ancillary Activities: Financing farmer cooperatives, FPOs, or PACS for on-lending to members or for activities like setting up agri-clinics, agri-business centers, purchase of milk collection equipment, or other services that support farmers in getting better market linkages and prices for their produce. Exclusions: - Agriculture Infrastructure: The Bank shall not finance large agribusinesses, speculative land acquisition, or export-oriented trading activities that do not demonstrate clear local or community-level benefits. - This includes activities involving banned crops or agro-chemicals, including those covered under the NDPS Act.	To enhance agricultural productivity, climate resilience, and food security by providing affordable finance to farmers, producer groups, agri-MSMEs, and agri-value chains. Impact will be assessed through number of farmers supported, climate-smart acreage, yield gains, added storage capacity, and reduced post-harvest losses.	- Number of farmers financed (by agricultural practice; especially small/marginal farmers) - Number of Farmers provided with fair prices - Increased storage capacity built (tons) reducing food waste - Number of people benefiting from agricultural projects and using improved farming technology - % reduction in post-harvest loss in project area (if measured) - Increase in crop yield or income for farmers benefitting (if tracked via agribusiness programs)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Livelihood finance	- Microfinance to Individuals and SHGs: Loans given directly to individuals or to members of Self-Help Groups (SHGs) or Joint Liability Groups (JLGs) under RBI's Master Directions for Microfinance (March 2022). These loans, typically not exceeding 2 lakh, fund livelihood activities (small trade, services, production) or essential needs (housing repairs, education, etc.) for borrowers without collateral. They often target women and low-income households, as per RBI's definition of households with annual income not exceeding prescribed limits (e.g. ₹3 lakh for microfinance eligibility). - Micro-loans for Social Needs: Small loans (up to ₹2 lakh) provided to SHGs/JLGs for purposes other than agriculture or MSME – e.g., to meet emergency household needs, housing improvements, construction of toilets, or any viable group enterprise. These improve quality of life and have indirect livelihood benefits by freeing up income or enabling work (like a household toilet improving health and productivity). - Weaker Section Lending: Credit extended to categories identified as “weaker sections” by RBI's Priority Sector norms, which includes: artisan and village cottage industries with individual credit limits ≤ ₹1 lakh; beneficiaries of government poverty alleviation schemes (like NRLM, NULM, SRMS); Scheduled Castes and Scheduled Tribes; beneficiaries under the Differential Rate of Interest (DRI) scheme; individual women borrowers up to ₹1 lakh; persons with disabilities; minority communities in line with government notification. These loans help marginalized individuals engage in livelihood activities or meet essential needs, thereby reducing vulnerability.	To strengthen household resilience and improve incomes of low-income and underserved populations by providing finance for income-generating activities, micro-enterprises, self-employment, and rural non--farm livelihoods. Impact evaluation will consider beneficiaries reached, income uplift, women-led enterprises supported.	- Number of beneficiaries (especially weaker sections, gender, and household income) - Number of micro-loans disbursed and number of unique borrowers (especially women borrowers) - Average loan size (to indicate depth of outreach to poorest) - Portfolio at Risk (to monitor health, but impact perspective is more on outreach) - Qualitative case studies: e.g., profiles of micro entrepreneurs empowered
Impact financing	- On-lending to NBFCs for MSMEs: Loans or credit lines provided to Non-Banking Financial Companies (NBFCs) for the explicit purpose of on-lending to MSMEs. The NBFCs must use the funds to extend credit to MSME borrowers as per RBI's MSME definition, thereby indirectly supporting small business growth and employment (aligning with the Employment Generation category). This allows AU SFB's funds to reach broader markets or geographies where those NBFCs operate. - On-lending to Housing Finance Companies (HFCs): Loans to HFCs, with the understanding that the proceeds will finance affordable housing loans or projects (meeting the affordable housing criteria defined under “Access to Essential Services – Housing”). This helps channel capital into affordable housing via specialist intermediaries. - On-lending to Microfinance Institutions (MFIs): Loans to registered NBFC-MFIs or other microfinance institutions (societies, trusts, etc. that are members of an RBI-recognised self-regulatory organisation). These institutions on-lend to low-income individuals, women in SHGs, or JLGs for micro-enterprises and livelihoods (as per the Microfinance and Livelihood Finance categories). This wholesale lending expands microfinance outreach by leveraging the networks of MFIs, while ensuring funds benefit the target segment of women and low-income households. Exclusions: - The Bank shall not refinance existing debt, except where such refinancing is explicitly permitted under applicable laws or regulatory guidelines.	Support enterprises delivering measurable social and environmental outcomes. The impact of these activities will be measured through beneficiaries served, CO₂ emissions avoided, affordable health/education access enabled, impact enterprises funded.	- Total amount on-lent via intermediaries to target sector (₹) – e.g., ₹X crore channeled to affordable housing via HFCs - Indirect metrics: number of end-beneficiaries reached through these intermediaries (the intermediary may provide data, e.g., NBFC reported 500 MSME sub-loans made using our line of credit) - Improvement in financial access: e.g., an MFI entering a new district with our funding, reaching new borrowers.

Endnotes

- ¹ Point-in-time assessment is applicable only on date of assignment or update.
- ² Press Information Bureau - Ministry of Power: [500 GW non fossil capacity by 2030, Net Zero Emissions by 2070](#), 5 February 2026.
- ³ Government of India: Press Information Bureau - [Record Growth for Non-Fossil Fuel Energy in India](#), 13 December 2024.
- ⁴ Climate Neutral Data Center Pact: [Self Regulatory Initiative](#), accessed on 14 July 2026.
- ⁵ IEA - Executive summary: [Transitioning India's Road Transport Sector](#), accessed on 11 June 2026.
- ⁶ PM India: [Cabinet approves India's Nationally Determined Contribution \(2031-2035\) to be communicated to the United Nations Framework Convention on Climate Change](#), 25 March 2026.
- ⁷ Global Alliance for Buildings and Construction: [Building Market Brief - India, Residential](#), February 2025.
- ⁸ Press Information Bureau - Ministry of Environment, Forest and Climate Change: [Waste generation in the country](#), 8 February 2024.
- ⁹ Press Information Bureau - Ministry of Environment, Forest and Climate Change: [India launches updated National Biodiversity Strategy and Action Plan \(NBSAP\) at COP 16 to the Convention on Biological Diversity \(CBD\), in Colombia](#), 3 November 2024.
- ¹⁰ PwC India: [Bank-FinTech collaborations for promoting financial inclusion](#), April 2024.
- ¹¹ International Labour Organization: [India Employment Report 2024: Youth employment, education and skills](#), 29 March 2024.

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