



A JOINT PARTNERSHIP WITH
FMO
Entrepreneurial
Development
Bank
The Netherlands

Member of
Global Alliance for
Banking on Values

The Banker
Bank of the Year, ASIA 2021
Bank of the Year, Nepal
2017, 2018, 2020 & 2021
ASIA

 **PCAF** Partnership for
Carbon Accounting
Financials



NMB BANK LIMITED

Carbon Footprint Accounting

2022

CLIMATE RELATED Disclosure Report 2022

GHG Emissions: Business Loans & Project Financing Exposure

Method

Source: Partnership for Carbon Accounting Financials (PCAF)

The Bank has used the Global GHG Accounting and Reporting Standard for the Financial Industry to estimate and disclose greenhouse gas emissions for its Business Loans and Project Financing portfolios.

Date of data: January 2022.

Overview

NMB Bank has a focused approach towards Sustainable Banking Practices and has considered 'sustainability' as a strategic intent in bank's 5-year plan. Additionally, the bank is also a member of the Global Alliance for Banking on Values (GABV), hence adopts six guiding principles of GABV i.e., i) Social and Environmental Sustainability and Impact; ii) Real Economy; iii) Transparency; iv) Long Term Resiliency; v) Client Centered and vi) Culture. Bank is committed to contribute towards broader 17 SDGs of the United Nations including Paris Agreement in the country.

NMB is also conscious towards Environmental & Social responsibilities and Climate risk management. The bank has an internationally accepted Exclusion List that backs *climate risk management* by avoiding financing to sectors sensitive to environmental risks like Ozone depletion, PCB, hazardous chemicals and wildlife protection, etc. Further, bank has a major ambition to reduce its *carbon footprint* by financing in green projects, exploring probable carbon offset in loan portfolio and reducing carbon emissions in its own operations as well.

On disclosure side, the bank strives to be transparent and prudent. In bank's continuous effort towards being transparent, it is also beginning disclosure of carbon emissions in the Business and Project Financing loan portfolios. As of 2nd quarter of Nepali Fiscal Year (Mid-January, 2022), Business Loans and Project Finance portfolio (including Hydro Projects) outstanding comprised **57.7% and 12.7% of the bank's total loan portfolio** respectively.

The absolute Scope 1 emissions for Business Loans and Project Finance combined is 186,320 tons of CO₂ equivalent and Scope 2 emissions is 4,670 tons of CO₂ equivalent. Due to lack of availability of information, Scope 3 emission data is not included.

Calculation Methodology

The analysis is based on the following primary calculation methodology taking reference of PCAF Global GHG Accounting Standards for Financial Industry:

Emission Factor Type	Emissions
Emission Factor Option	Economic-activity based
Country	ROW (Rest of the World) Asia Pacific since Scope 1 and Scope 2 Emission Factors data specific to Nepal are not available.
Emission Factor Source/ Year	PCAF Database 2015

Climate impact by industry 2022

INDUSTRY	Exposure (USD million)	SCOPE 1 tCO2e	SCOPE 2 tCO2e	TOTAL tCO2e	Climate impact intensity tCO2e/\$ mil
Business Loans	871.3	121,010	3,107	124,117	142.45
Project Finance	192.3	65,310	1,563	66,872	347.82
Grand Total	1,063.6	186,320	4,670	190,989	179.48

Results

- Total tCO2e of business loan is calculated at 124,117 tons wherein, two major GICS sectors **Construction Materials** and **Agricultural Products** is reported to have the higher emission intensity. These two segments alone comprise of about 60% of total CO2 equivalent emission of Business Loan Portfolio.
- Whereas, in Project Financing, Construction Materials take about 92.6% of total CO2 equivalent emission.

Lending to Agriculture sector is a regulated lending as per Nepal's Central Bank where commercial banks are required to finance in this sector up to 11% of their lending portfolio. Nevertheless, the bank shall be mindful in monitoring these high emissions sectors and work on possible solutions to minimize emissions. We intend to focus more and facilitate green and climate financing opportunities with priority.

Data Quality Score of Scope 1 & 2 emissions:

Referring to the PCAF classification methodology, data quality is considered **Score 5** and Option to estimate financed emission **3b**.

Additional Details:

ABSOLUTE EMISSIONS (tCO2e) - BUSINESS LOANS PORTFOLIO

The result details:	GICS Sector Code	Sectors	Scope 1&2 Emissions (tCO2e)
	10	Energy	990.02
• Total financed emissions of the Business Loans portfolio aggregated on highest sector levels:	15	Materials	48,386.41
• Scope 1&2: 124,117 tCO2e	20	Industrials	3,247.87
	25	Consumer Discretionary	14,544.86
	30	Consumer Staples	53,546.53
• Consumer Staples (due to Agricultural Products) has the highest number of financed emissions; followed by Materials (due to Construction Materials).	35	Health Care	996.74
• Data quality score is 5. (Corresponds with Option 3b)	40	Financials	56.17
	45	Information Technology	123.20
	50	Communication Services	11.01
	55	Utilities	2,031.83
	60	Real Estate	182.01
	Total (tCO2e)		124,116.64

$\sum_c \text{Outstanding amount}_c \times \frac{\text{GHG emissions}_s}{\text{Assets}_s}$

ABSOLUTE EMISSIONS (tCO2e) - PROJECT FINANCING PORTFOLIO

The result details:	GICS Sector Code	Sectors	Scope 1&2 Emissions (tCO2e)
• Total financed emissions of the Business Loans portfolio aggregated on highest sector levels:	15	Materials	63,579.46
• Scope 1&2: 66,872 tCO2e	20	Industrials	67.16
	25	Consumer Discretionary	722.09
	30	Consumer Staples	10.95
• Materials (due to Construction Materials) has the highest number of financed emissions.	35	Health Care	279.77
	55	Utilities	2,070.02
• Data quality score is 5. (Corresponds with Option 3b)	60	Real Estate	142.99
	Total (tCO2e)		66,872.45

$\sum_c \text{Outstanding amount}_c \times \frac{\text{GHG emissions}_s}{\text{Assets}_s}$

EMISSION INTENSITY - BUSINESS LOANS PORTFOLIO

The result details:	GICS Sector Code	Sectors	Emission Intensity (tCO2e/\$ M Loaned)	
			Scope 1&2	
The most carbon-intensive sector is Materials (due to Construction Materials); followed by Utilities, Consumer Staples and Energy.	10	Energy	117.03	
These insights on emission intensity per sector shall be a base for developing a decarbonization strategy (e.g. less loans/investments in carbon-intensive sectors) or influence clients to decarbonize	15	Materials	461.51	
	20	Industrials	45.02	
	25	Consumer Discretionary		
	30	Consumer Staples	196.62	
	35	Health Care	72.08	
	40	Financials	1.12	
	45	Information Technology	39.32	
	50	Communication Services	18.76	
	55	Utilities	209.25	
	60	Real Estate	30.13	
	Total (tCO2e)		142.45	

EMISSION INTENSITY - PROJECT FINANCING PORTFOLIO

The result details:	GICS Sector Code	Sectors	Emission Intensity (tCO2e/\$ M Loaned)	
			Scope 1&2 Emissions	
The most carbon-intensive sector is Materials due to Construction Materials.	15	Materials	1,121.20	
These insights on emission intensity per sector shall be a base for developing a decarbonization strategy (e.g. less loans/investments in carbon-intensive sectors) or influence clients to decarbonize	20	Industrials	33.42	
	25	Consumer Discretionary	34.60	
	30	Consumer Staples	43.59	
	35	Health Care	65.98	
	55	Utilities	20.01	
	60	Real Estate	30.13	
	Total (tCO2e)		347.82	

NMB's Sustainability Strategy

The bank's 2025 Strategy envisage the Sustainability Goals viz. i) Building major assets in Real Economy, ii) Financing in additional 100+ sustainable projects, iii) 10,500 tons of carbon reduction and iv) Full implementation of Environmental and Social Management System in line with IFC Performance Standards.

NMB's Climate Ambitions

The strategy document of the bank also reads our Climate ambitions, which include:

- i. Having a robust in-house climate impact measuring methodology including Carbon Accounting.
- ii. Carbon Neutrality in our own operations.
- iii. Based on the outcome of carbon measurement, pursue an alignment strategy in line with best practices thus to contribute in building climate resilient economy.

Production : NMB BANK LIMITED, NEPAL

Published : MARCH 2022

Contact : For any queries on the report, please contact climatedisclosure@nmb.com.np

References:

PCAF (2020). The Global GHG Accounting & Reporting Standard for the Financial Industry. First edition.