



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



NMB BANK LIMITED

Carbon Footprint Accounting 2022



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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 tCO ₂ e	SCOPE 2 tCO ₂ e	TOTAL tCO ₂ e	Climate impact intensity tCO ₂ e/\$ 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 (tCO_{2e}) - BUSINESS LOANS PORTFOLIO

The result details:	GICS Sector Code	Sectors	Scope 1&2 Emissions (tCO _{2e})
<ul style="list-style-type: none"> Total financed emissions of the Business Loans portfolio aggregated on highest sector levels: Scope 1&2: 124,117 tCO_{2e} Consumer Staples (due to Agricultural Products) has the highest number of financed emissions; followed by Materials (due to Construction Materials). Data quality score is 5. (Corresponds with Option 3b) $\sum_c \text{Outstanding amount}_c \times \frac{\text{GHG emissions}_s}{\text{Assets}_s}$	10	Energy	990.02
	15	Materials	48,386.41
	20	Industrials	3,247.87
	25	Consumer Discretionary	14,544.86
	30	Consumer Staples	53,546.53
	35	Health Care	996.74
	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 (tCO_{2e})	124,116.64

ABSOLUTE EMISSIONS (tCO_{2e}) - PROJECT FINANCING PORTFOLIO

The result details:	GICS Sector Code	Sectors	Scope 1&2 Emissions (tCO _{2e})
<ul style="list-style-type: none"> Total financed emissions of the Business Loans portfolio aggregated on highest sector levels: Scope 1&2: 66,872 tCO_{2e} Materials (due to Construction Materials) has the highest number of financed emissions. Data quality score is 5. (Corresponds with Option 3b) $\sum_c \text{Outstanding amount}_c \times \frac{\text{GHG emissions}_s}{\text{Assets}_s}$	15	Materials	63,579.46
	20	Industrials	67.16
	25	Consumer Discretionary	722.09
	30	Consumer Staples	10.95
	35	Health Care	279.77
	55	Utilities	2,070.02
	60	Real Estate	142.99
			Total (tCO_{2e})

EMISSION INTENSITY - BUSINESS LOANS PORTFOLIO

The result details:	GICS Sector Code	Sectors	Emission Intensity (tCO ₂ e/\$ M Loaned)
			Scope 1&2
<ul style="list-style-type: none"> The most carbon-intensive sector is Materials (due to Construction Materials); followed by Utilities, Consumer Staples and Energy. 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 	10	Energy	117.03
	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 (tCO ₂ e/\$ M Loaned)
			Scope 1&2 Emissions
<ul style="list-style-type: none"> The most carbon-intensive sector is Materials due to Construction Materials. 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	1,121.20
	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



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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.

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References:

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