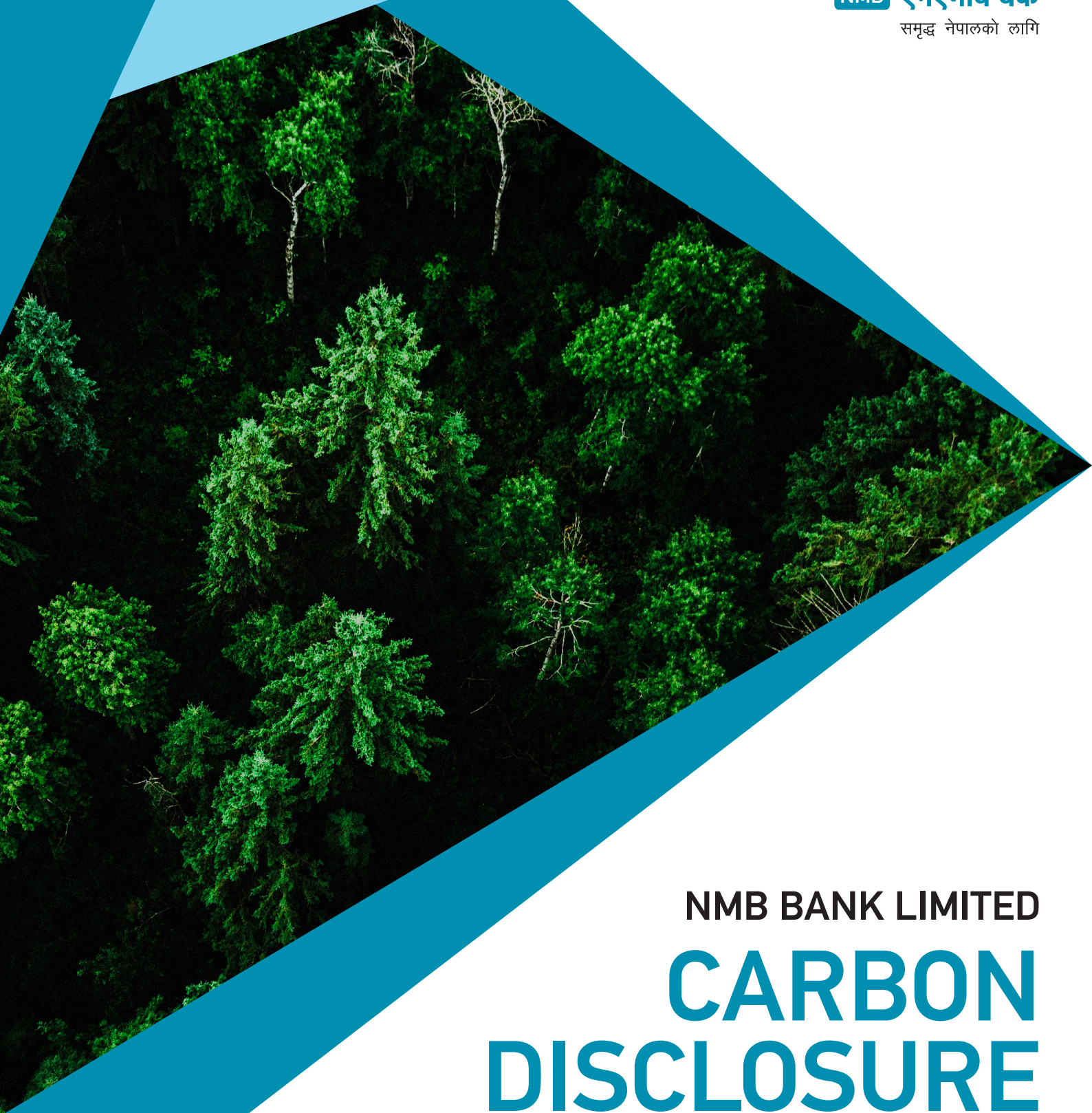




NMB BANK
एनएमबि बैंक

समृद्ध नेपालको लागि



NMB BANK LIMITED

CARBON DISCLOSURE REPORT

FY 2023/24



PCAF

Partnership for
Carbon Accounting
Financials

BACKGROUND

Nepal continues to make significant progress towards achieving its 17 Sustainable Development Goals (SDGs), currently ranked 95th globally with an overall score of 67.07. The country has made commendable strides in its mid-term and 2030 goals.

Nepal has made noteworthy progress in several areas of SDG 13 (Climate Action) as well. The country has significantly reduced greenhouse gas emissions from the transport, industrial, and commercial sectors, surpassing the 2022 targets. However, challenges persist in certain areas. Greenhouse gas emissions from the agriculture and energy sectors have shown setbacks, deviating from the intended targets.

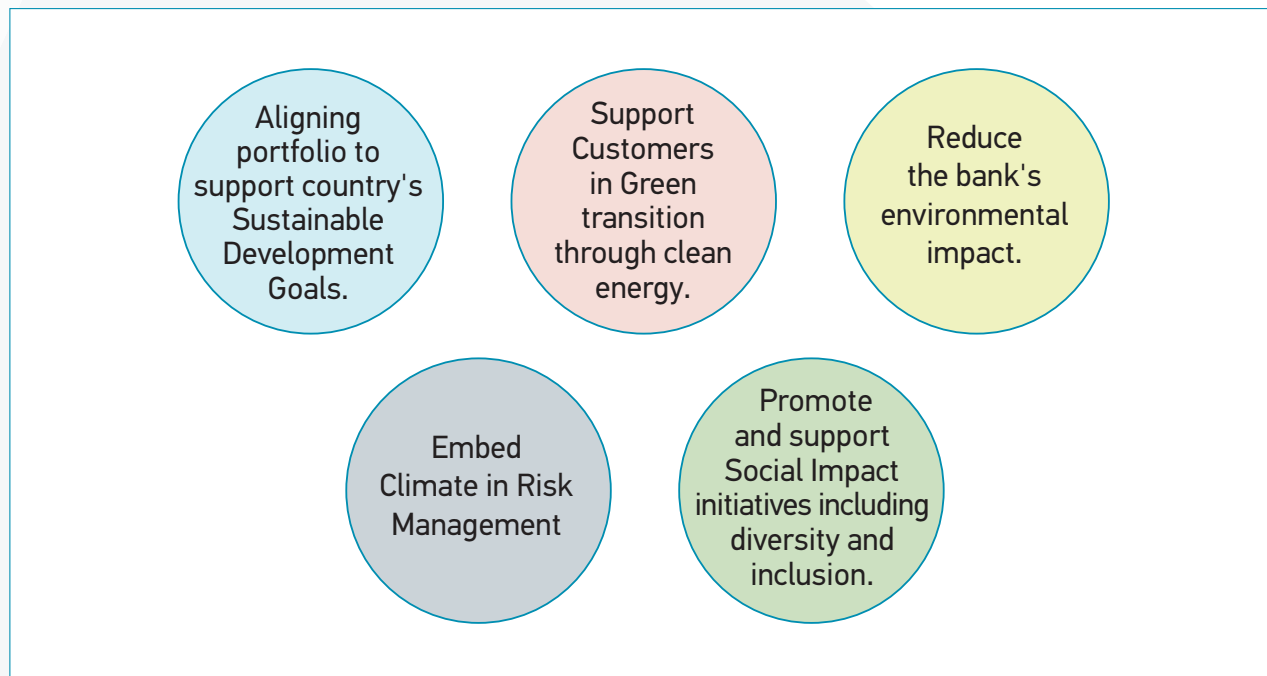
In line with global climate commitments, due focus and priority is also needed towards three primary goals of the country's COP26 agenda: Achieving Net Zero emissions by 2045; Halting deforestation while increasing forest cover to 45% by 2030; and ensuring that at least 15% of the total energy demand is met through clean energy sources.

NMB Bank remains steadfast in its commitment to sustainability, aligning with the nation's ambitions and adhering to the Paris Agreement. The bank's dedication to sustainable banking practices is evident in its comprehensive 5-year strategic plan, which emphasizes environmental, social, and governance (ESG) principles.



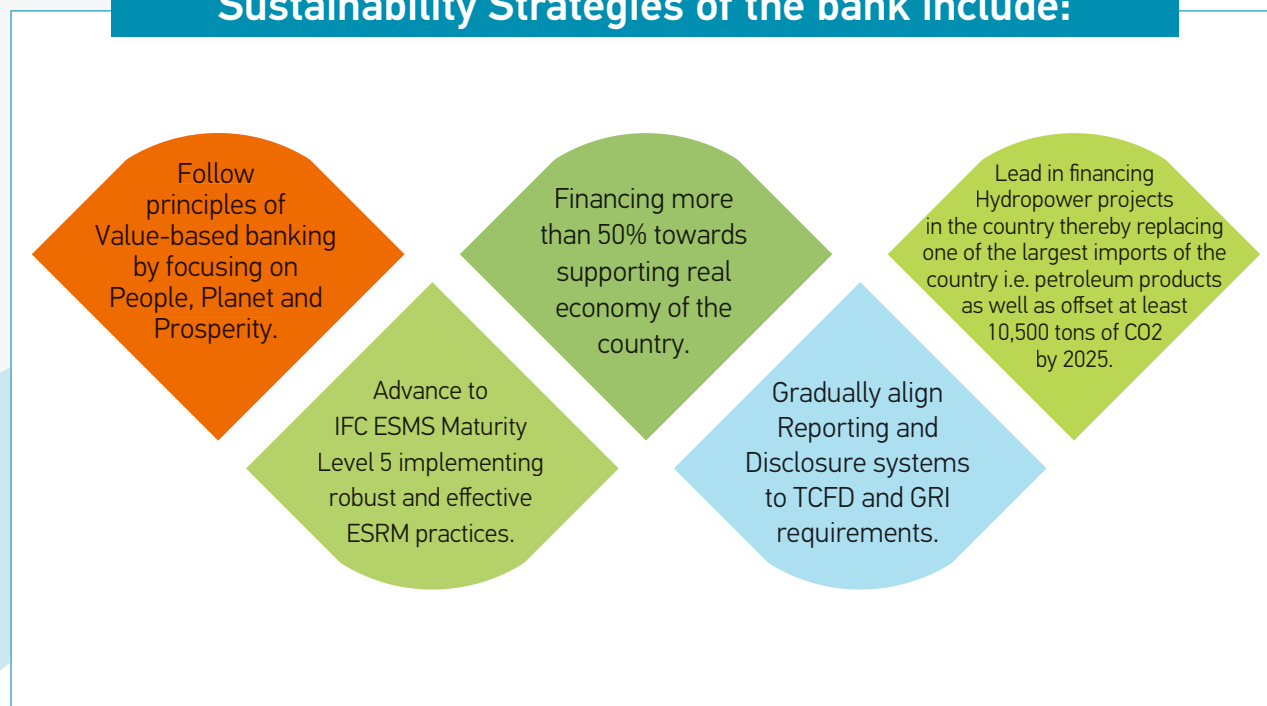
SUSTAINABILITY COMMITMENTS

Recognizing the imperative role that financial institutions play in fostering sustainable development, our bank is steadfast in its commitment to environmental and social responsibility.



SUSTAINABILITY STRATEGIES

Sustainability Strategies of the bank include:



FISCAL HIGHLIGHTS 2023/24

COUNTRY

Nepal's **GDP** growth for the fiscal year 2023/24 was **3.87%** compared to **2%** the previous fiscal year. Some major highlights include:

01

The services sector was the primary driver, driven by a **30.7% increase in tourist arrivals**, which stimulated growth in transportation, accommodation and food services.

02

The agriculture sector grew by **3.05%**, the industry sector by **1.25%**, and the services sector by **4.50%**.

03

Installed Capacity of Hydropower Project is increased by 452 MW (from 2538 MW to 2990 MW).

04

Remittance inflows increased to a **nine-year high**.

05

Average headline inflation moderated to **5.4 percent** in the FY, down from **7.7 percent** in the previous FY.

During the fiscal year, Nepal faced several climate change challenges. The country experienced its hottest summer on record, with temperatures reaching 43.8°C in the Terai region. This extreme heat led to a significant increase in forest fires, with over 5,500 incidents reported throughout the year. The fires not only caused extensive damage to forests but also contributed to severe air pollution in urban areas.

Additionally, Nepal encountered unseasonal rainfall and flooding, which resulted in landslides and loss of lives and properties. The monsoon season brought heavy rains outside the usual timeframe, causing floods and landslides in various districts. These climate-induced disasters highlighted the urgent need for enhanced climate resilience and adaptation measures to protect vulnerable communities and infrastructure.

Nepal experienced some frequent changes in government during the FY. Despite these shifts, the coalition managed to maintain a degree of stability and focus on economic and geopolitical goals.

BANK

The bank demonstrated a strong commitment to its Sustainable Banking objectives, strengthening risk management through robust ESG practices. It took initiatives on:

- ✓ Implementing Environmental and Social Management System aligned to IFC principles.
- ✓ Supporting its clients' E&S capacity building through knowledge sharing and trainings.
- ✓ Advocating with stakeholders for robust E&S practices.
- ✓ Integrate climate risk assessments and management.
- ✓ Promote sustainable lending, with a focus on hydropower, solar and other renewables, as well as key sectors such as agriculture, education, tourism, infrastructure development, and healthcare.
- ✓ Signed the Fossil Fuel Non-Proliferation Treaty Initiative.

In its continued efforts to reduce emissions, the bank focused on lowering its carbon footprint by financing green projects, exploring potential carbon offset options, and minimizing emissions within its internal operations.

Some of the major highlights for the year were:

01

Year-on-year growth Renewable Energy (including Hydropower) and Tourism portfolios grew by **USD 47M**. Conversely, Manufacturing portfolio, primarily Cement and Iron & Steel, reduced by approximately **USD 6M**.

Maintained a forefront position in attracting international financing to the country, securing a total FCY funding of **USD 86.3 million** from various seven Development Financial Institutions.

02

03

The bank has prioritized growth in Solar Financing (Individual, Institutional and Utility Scale Grid-connected) and Electric Vehicles financing.

VALUE-BASED BANKING:

As committed members of the Global Alliance for Banking on Values (GABV), we fully embrace and uphold the six core principles of Value-Based Banking. Our dedication is evident in our ongoing efforts to:

- i) integrate social and environmental impact and sustainability into our business model;
- ii) serve communities and the real economy;
- iii) build strong client relationships;
- iv) ensure long-term resilience;
- v) maintain transparent and inclusive governance; and
- vi) foster a culture deeply rooted in these fundamental values.

This steadfast commitment reinforces our mission to drive positive change and promote ethical banking practices.

CARBON DISCLOSURE REPORT FY 2023/24



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: Nepali Fiscal Year-end 15th July 2024.

USD NPR mid rate: 133.75

OVERVIEW

This is the third Carbon Footprint Report of the bank in its financed portfolios for Business and Project Financing loans. Emissions from our Retail Loan portfolio is not included in this disclosure, as our initial focus has been on high-emission sectors. We shall gradually explore incorporating Retail portfolio data as well in our future assessments.

The disclosure is based on the following parameters:



Exiobase Sector Classification 2019 database available with PCAF – Partnership for Carbon Accounting Financials



Referring to emissions related to Emerging Economies

Nepal specific Emission Factors are still not available, hence the disclosure continues to be relative. With this disclosure, the bank continues on its efforts to be transparent and prudent.

PORTFOLIO DETAILS

The bank's Business Loans and Project Finance portfolio (including Hydro Projects and excluding Retail/Consumer Loans) comprised 57.74% and 18.37% respectively of the bank's total loan portfolio respectively. (Previous year reporting: 16th July 2023 amounted to 58.8% and 15.3%)

CALCULATION METHODOLOGY

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

Classification Type	Exiobase Sector Classification
Methodology Option	Option 3B
Activity Variable	Assets
Country	Emerging Economies Emission Factors data as Nepal specific data are not available.
Emission Factor Source/Year	PCAF Database 2019



CLIMATE IMPACT BY PORTFOLIO

INDUSTRY	EXPOSURE (USD million)	SCOPE 1 (tCO ₂ e)	SCOPE 2 (tCO ₂ e)	TOTAL SCOPE 1 & 2 (tCO ₂ e)	CLIMATE IMPACT INTENSITY (tCO ₂ e/USD million)
Business Loans	883.22	123,160	37,954	161,114	182.42
Project Finance	281.04	130,906	5,703	136,609	486.08
Grand Total	1,164.26	254,066	43,657	297,723	255.72

RESULTS

Portfolio growth

Year-on-year Business Loans has remaining almost at same level while Project Finance portfolio has increased by 22.67%.

A. Business Loans Emissions

- ✓ **Trading, Agriculture and Manufacturing** are the top three sectors contributing to highest emissions in Business Loans portfolio. They comprise 40.7%, 31.3% and 24.8% respectively of the overall portfolio emissions. The outstanding exposure of these sectors comprise 76.6% of overall portfolio however their emissions contribution sums up to 96.8%.
- ✓ In terms of Emission Intensity, Agriculture and Manufacturing segments have high intensities of 722.49 and 229.89 tCO₂e/\$ million respectively. While Trading segment has comparatively much lesser intensity of 151.47 tCO₂e/\$ million.

PORTFOLIO STRATEGY

Considering these are major industry sectors contributing to the real economy of the country, the bank's strategy is to continue its investments in these sectors. Nonetheless, it is closely assessing the areas of environmental challenges including high emissions and working together with clients for energy-efficiency and emission reduction solutions for their businesses.

B. Project Financing Emissions

- ✓ In Project Financing portfolio, Manufacturing segment which primarily includes cement, iron and steel factories and metal products contributes for more than 94.2% of total emission of the portfolio.
- ✓ Within Manufacturing portfolio, Cement Industry contributed 94.8% of the portfolio emission while Iron & Steel and Fabricated Metal contributed 5.1% and 0.1% respectively.

PORTFOLIO STRATEGY

Portfolio management for Emission reduction and Energy Transition Financing

In continuation to the previous year, the bank continues the gradual reduction in portfolio exposure with high emissions thus resulting in reduction in overall carbon emissions. **Hydropower portfolio** continued consecutive 2nd year grow of **USD 40.31 million increase (previous year growth: USD 29M)**, **coupled with a strategic reduction in the Cement manufacturing portfolio contributing a 28K tCO₂e reduction in Scope 1&2 emissions**. These deliberate moves continue to contribute to our strong dedication to environmentally conscious practices and emission control.

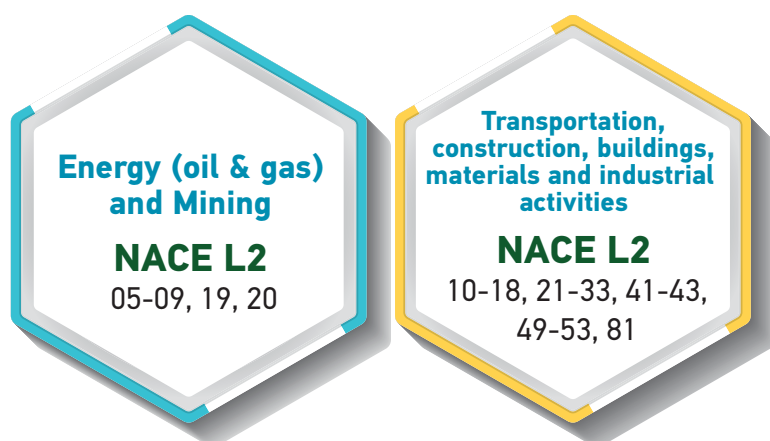
OVERALL STRATEGY

As part of our commitment to sustainability and climate action, we continue to enhance our portfolio's contribution to Nepal's energy transition. Recognizing the country's abundant hydropower potential and the growing momentum in renewable energy, we are strategically aligning our financing to support low-carbon development and contribute to Nepal's climate goals. Building on our existing support for hydropower projects, we are expanding our efforts to finance solar energy, e-mobility, e-cooking, green housing and other green solutions. Additionally, we are actively promoting energy efficiency initiatives and greenhouse gas (GHG) reduction solutions for businesses, helping them transition to more sustainable operations.

By leveraging green finance opportunities, including the Nepal Green Taxonomy and emerging climate finance mechanisms, we aspire to play a catalytic role in reducing the country's dependence on fossil fuels. Through these efforts, we are not only fostering economic growth but also ensuring that our financial decisions align with long-term environmental and social sustainability.

SCOPE 3 EMISSIONS

PCAF guidelines directs to follow a phase-in approach for Scope 3 as well as separately disclose the emission. Covering the following NACE L2 sectors as guided by PCAF Reporting Standard Part A:



Scope 3 Emissions for the above-mentioned sectors only is reported as follows:

INDUSTRY	SCOPE 3 (tCO ₂ e)
Business Loans	140,795
Project Finance	33,206
Total	174,001

DATA QUALITY SCORE OF SCOPE 1, 2 & 3 EMISSIONS

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

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

ADDITIONAL DETAILS

ABSOLUTE EMISSIONS (tCO₂e) – BUSINESS LOANS PORTFOLIO

The results details Total Section-wise financed emissions under Business Loans portfolio:	NACE GROUP	NACE SECTIONS	SCOPE 1 & 2 Emissions (tCO ₂ e)	Percentage
<p>► Though Emission Factor for Wholesale & Retail Trade is relatively low, Financed Emission under the section has amounted highest due to outstanding loan volume which comprises 40.7% of Business Loan Portfolio.</p> <p>► Agri, Forestry & Fishing and Manufacturing Sections are the other two high emission sections due to their nature of business.</p>	1, 2, 3	Agri Forestry & Fishing	50,426.58	31.3%
	7, 8	Mining & Quarrying	2,208.79	1.4%
	10-11,13-14, 17-18, 20, 22-27,31	Manufacturing	39,980.50	24.8%
	35	Electricity, Gas, Steam & Air Conditioning	447.81	0.3%
	42	Construction	423.38	0.3%
	45-47	Wholesale & Retail Trade	65,515.02	40.7%
	49, 52	Transportation & Storage	198.80	0.1%
	55	Accommodation, Food Service	245.99	0.2%
	59	Information & Communication	6.15	0.0%
	64	Financial & Insurance	72.04	0.0%
	68	Real State	16.37	0.0%
	70	Professional, Scientific & Technical	408.11	0.3%
	84	Public Administration & Defence	785.38	0.5%
	85	Education	379.51	0.2%
		Total (tCO₂e)	161,114.43	100%

ABSOLUTE EMISSIONS (tCO₂e) – PROJECT FINANCE PORTFOLIO

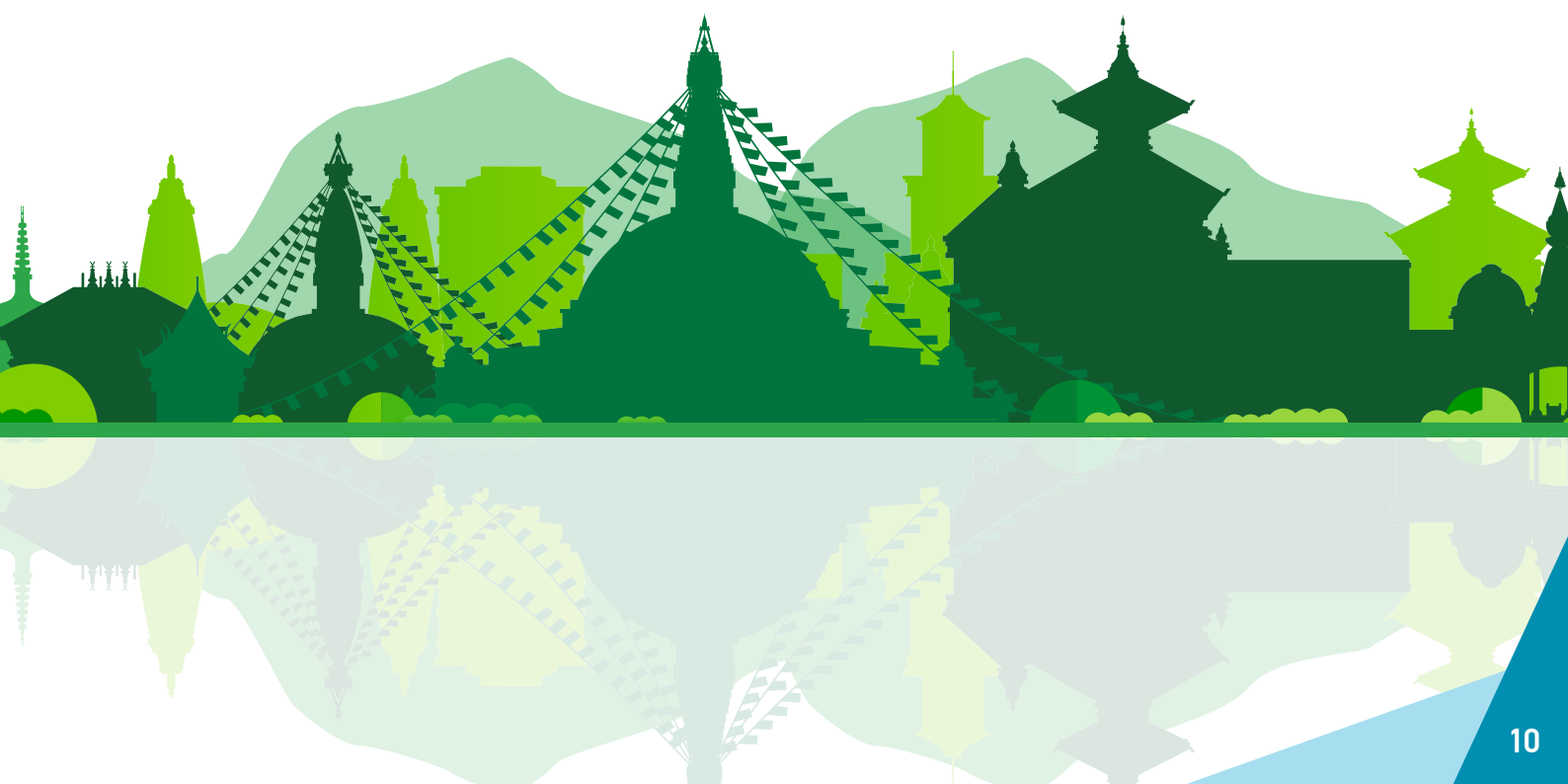
The results details Total Section-wise financed emissions under Project Finance portfolio:	NACE GROUP	NACE SECTIONS	SCOPE 1 & 2 Emissions (tCO ₂ e)	Percentage
<p>► The most carbon-intensive section/sector is Manufacturing as it includes Cement and Iron & Steel industries. Though it comprises only 13.3% of the portfolio, emission Intensity is high.</p> <p>► Almost 61.5% of the portfolio pertains to Hydropower financing which significantly contributes to emission reduction by replacing usage of fossil fuel.</p>	23-25	Manufacturing	128,651.61	94.2%
	35	Electricity, Gas, Steam & Air Conditioning	3,606.23	2.6%
	42	Construction	27.51	0.0%
	47	Wholesale & Retail Trade	1,376.00	1.0%
	49, 52	Transportation & Storage	2,291.04	1.7%
	55	Accommodation, Food Service	298.59	0.2%
	64	Financial & Insurance	2.51	0.0%
	68	Real Estate	37.35	0.0%
	70	Professional, Scientific & Technical	0.51	0.0%
	84	Public Administration & Defense	317.55	0.2%
		Total (tCO₂e)	136,608.90	100%

SCOPE 3 EMISSIONS (tCO₂e) – BUSINESS PORTFOLIO

The results details Section-wise Scope 3 Emissions:	NACE GROUP	NACE SECTIONS	SCOPE 3 Emissions (tCO ₂ e)	Percentage
<p>▶ Manufacturing Section in this portfolio is the major emission contributor; within which Food Processing, Metal related, Brick Kilns, Textile, Rubber and Plastic makes up to 90% of sector's emission.</p> <p>▶ Business Loans portfolio has more Scope 3 Emissions compared to Project Financing as the high emission Manufacturing Section is 92.8% (USD 130.6M) of overall Business Loan portfolio.</p>	42	Construction	8,082.47	5.7%
	10, 11, 13, 14, 17, 18, 20, 22-27, 31	Manufacturing	130,603.17	92.8%
	7, 8	Mining & Quarrying	1,871.01	1.3%
	49, 52	Transportation & Storage	237.93	0.2%
		Total (tCO₂e)	140,794.58	

SCOPE 3 EMISSIONS (tCO₂e) – PROJECT FINANCE PORTFOLIO

The results details Section-wise Scope 3 Emissions:	NACE GROUP	NACE SECTIONS	SCOPE 3 Emissions (tCO ₂ e)	Percentage
<p>▶ High emission NACE Section in Project Finance portfolio is Manufacturing which primarily comprises of Cement, Iron and Steel industries.</p>	42	Construction	525.11	1.41%
	23-25	Manufacturing	30,299.64	81.42%
	49, 52	Transportation & Storage	2,381.38	6.40%
		Total (tCO₂e)	33,206.13	



AVOIDED EMISSIONS

In alignment with national priorities, the bank actively supports renewable energy development particularly in hydropower, alongside solar, biogas, and waste-to-energy initiatives. Given hydropower's dominant role in Nepal's energy mix and its importance to national development, the bank has built a significant portfolio in this sector. Several of these projects are now operational, allowing the bank to credibly report its contribution to avoided greenhouse gas emissions.

Methodology for Calculating Avoided Emissions

The bank calculated avoided emissions for FY 2023/24 in alignment with the globally recognized standards of the Partnership for Carbon Accounting Financials (PCAF), using an attribution-based approach.

TABLE: AVOIDED EMISSIONS BY SECTOR

NACE/Exiobase Code	Industry Sector	Avoided Emissions (tCO ₂ e)	Bank's Exposure (USD million)
35.11/ S11	Production of Electricity (Hydropower)	4,514	92.0
35.11/ S11	Production of Electricity (Grid Solar)	145	3.9
	Total	4,659	95.9

Note: Avoided emissions are calculated using the actual energy generation of each project, adjusted by the bank's Attribution Factor and multiplied by Nepal's national Grid Emission Factor. The Grid Emission Factor used is sourced from the **Transport Climate Report 2022**, jointly developed by the Asian Transport Outlook, UNCRD, AIIB, and ADB.

GENERAL DISCLOSURE

Our organization uses the financial control approach to report emissions from our financed portfolio reported herein. This approach includes 100% of emissions from our financed activities where we have significant financial influence and the potential to benefit economically. We have chosen this approach as it aligns with the PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry and the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

RECALCULATION POLICY

Our organization has established a recalculation policy for our GHG emissions disclosure, designating 2024 as our base year. We will recalibrate our assessment including our base year emissions in circumstances where changes exceed a 5% significance threshold, in alignment with the Corporate GHG Protocol's materiality guidelines. This includes significant changes in business operations, methodological improvements, and corrections of errors. As we currently focus on reporting our portfolio emissions, any recalculations impacting our data will be clearly explained along with the factors driving these changes.

NMB'S CLIMATE AMBITIONS

As we stand at the forefront of financial stewardship, NMB Bank Limited is unwaveringly committed to a transformative journey towards sustainability and climate resilience. Guided by a profound sense of responsibility, our climate ambitions encompass a multifaceted approach.

- ✓ **Reduction of Carbon Footprint:** We are dedicated to reducing our carbon footprint through strategic investments in renewable energy, particularly emphasizing hydropower projects that replace fossil fuel consumption.
- ✓ **Sustainable Financing Framework:** Our sustainability strategy is driven by a robust sustainable financing framework that promotes green, social, and sustainable investments. By integrating Environmental, Social, and Governance (ESG) principles, we ensure our investments support the well-being of our planet and communities.
- ✓ **Community and International Collaboration:** Our commitment extends beyond internal operations. By integrating climate considerations into our risk management, supporting climate-resilient infrastructure, and fostering international collaborations, we aim to build a robust climate resilience framework as well as to extend experience sharing, awareness building, and advocacy efforts on climate cooperation.
- ✓ **Sustainability Themes:** Our efforts are guided by four key themes:
 - Grow:** Increase our positive impact through sustainable practices and investments.
 - Transition:** Adopt renewable resources and support clients in sustainable practices.
 - Transform:** Align our business aspirations with sustainable goals to drive meaningful change.
 - Reduce:** Minimize our negative impacts on the environment and society.
- ✓ **Climate Change Resilience and Sustainable Solutions:** We are committed to enhancing climate change resilience by investing in projects that support mitigation and adaptation actions to address climate change.

Our climate ambitions are not mere aspirations; they are a testament to our unwavering commitment to a sustainable and equitable future.



Production :

NMB BANK LIMITED, NEPAL

Published :

JUNE 2025

Contact :

For any queries on the report,
please contact esrm@nmb.com.np

References :

Financed Emissions.
The Global GHG Accounting & Reporting Standard.
Part A.
Second edition 2022.