NMB BANK
एनएमबि बैंक
समृद्ध नेपालको लागि

CARBON DISCLOSURE REPORT

FY 2024/25

PCAF Partnership for Carbon Accounting Financials

BACKGROUND

Nepal continues to make steady progress towards achieving the 17 Sustainable Development Goals (SDGs), currently ranking 90th globally with an overall score of 68.7. The country has demonstrated gradual improvement in its SDG performance and continues to make progress toward its 2030 targets.

Nepal has made progress toward SDG 13 (Climate Action) through strengthened policy commitments and sectoral initiatives. However, despite contributing only around 0.1% to global greenhouse gas (GHG) emissions, national emissions have risen modestly over the past decade, indicating that economic growth remains closely linked to increased emissions.

Emissions across key sectors remain uneven, with reductions in parts of transport and industry driven by electric mobility and energy efficiency, while agriculture remains a major source, particularly from livestock. At the same time, rising fossil fuel use in transport and industry is increasing emissions in the energy sector. Although Nepal shows progressive performance in renewable electricity generation, mainly hydropower, the overall energy mix still depends significantly on traditional biomass and imported fossil fuels, highlighting the need for a broader energy transition.

Aligned with its international commitments, Nepal aims to achieve net-zero carbon emissions by 2045 and maintain approximately 45–46% forest cover, as outlined in its latest Nationally Determined Contribution (NDC) 3.0. The NDC further strengthens mitigation ambitions and the energy transition agenda by expanding renewable energy capacity and promoting electrification across key sectors. However, achieving these targets, many of which depend on international financial and technical support, will require strengthened institutional and implementation capacity, accelerated adoption of clean energy solutions, and targeted mitigation of emissions from agriculture and fossil fuel use.

NMB Bank remains committed to sustainability, aligning its practices with Nepal's national climate ambitions and the Paris Agreement. This commitment is reflected in its five-year strategic plan, which integrates progressive implementation of ESG principles. As a signatory to Partnership for Carbon Accounting Financials (PCAF) since 2020, the Bank adopts globally recognized methodologies for carbon accounting, with a particular focus on Scope 3 Category 15 (financed emissions), which represent the largest share of emissions for financial institutions. This approach is increasingly being adopted across the Nepali banking sector, with a growing number of institutions joining PCAF to enhance GHG emissions transparency and accountability. Reflecting this broader commitment, the Bank also endorsed the Fossil Fuel Non Proliferation Treaty (FFNPT) initiative in 2024, supporting global efforts to limit fossil fuel expansion and advance the transition to sustainable energy.

SUSTAINABILITY COMMITMENTS

Recognizing the imperative role of financial institutions in advancing sustainable development, the Bank remains firmly committed to upholding environmental and social responsibility. This commitment is reflected in our strategic priorities to:

- Align our portfolio with the country's Sustainable Development Goals (SDGs);
- Support clients in their transition towards green and low-carbon operations;
- Minimize the Bank's own environmental footprint;
- Integrate climate considerations into risk management frameworks; and
- Promote and strengthen social impact initiatives, including diversity and inclusion.

SUSTAINABILITY STRATEGIES

The Bank's sustainability strategy is operationalized through the following key strategic actions:

- Adopting the principles of value-based banking, with a strong focus on People, Planet, and Prosperity;
- Financing more than 50% towards supporting real economy of the country;
- Leading the financing of hydropower projects, thereby contributing to reducing reliance on petroleum products, one of the country's largest imports;
- Advancing towards IFC ESMS Maturity Level 5 through the implementation of robust and effective environmental and social risk management (ESRM) practices; and
- Gradually aligning reporting and disclosure systems with both national requirements and international good practices.

As an active member of the Global Alliance for Banking on Values (GABV), the Bank is committed to advancing inclusive, transparent, and values-based banking that supports the real economy and promotes sustainable economic, social, and environmental well-being.

FISCAL HIGHLIGHTS 2024/25

COUNTRY

Nepal's GDP growth for fiscal year 2024/25 increased to approximately 4.61%, compared to 3.67% in the previous fiscal year. Key highlights include:

- The agriculture sector grew by 3.28%, the industry sector by 4.53%, and the services sector by 4.21%;
- Sectoral composition of GDP comprised 25.16% from agriculture, 12.83% from industry, and 62.01% from services;
- Total number of tourist arrivals increased by 1.7%, reaching 1.15 million;
- Installed hydropower capacity increased by 400 MW, from 2,990 MW to 3,390 MW;
- Remittance inflows grew by 19.2%; and
- Average headline inflation moderated to 4.06% during the fiscal year, down from 5.44% in the previous FY.

During the fiscal year, Nepal faced significant climate change challenges, marked by floods, landslides, and glacial lake outburst floods that caused considerable socio-economic impacts. Erratic weather patterns also led to drought-like conditions in some regions, disrupting agriculture and livelihoods. Additionally, unprecedented rainfall and flooding, particularly in September 2024, resulted in widespread damage to infrastructure and loss of lives.

These events underscored the country's growing vulnerability to climate change and the urgent need to strengthen resilience and adaptation measures.

BANK

Continuing its sustainable banking journey, the Bank accelerated its impact by scaling low-carbon financing, strengthening governance and risk frameworks, and strengthening its Environmental and Social Management System (ESMS).

The Bank remains focused on delivering measurable impact through:

- Scaling financing for renewable energy projects, with a strong emphasis on hydropower and solar;
- Collaborating with international partners to develop innovative and blended finance solutions that mobilize capital into Nepal; and
- Advancing toward international best practices through strengthened ESMS, robust climate risk assessment, deeper GESI integration, and digital transformation - leveraging end-to-end platforms to improve client access, reduce transaction costs, and lower operational footprint

Some of the major highlights were:

- Year-on-year, the Renewable Energy (including hydropower) and Tourism portfolios recorded an increase of USD 56.8 million, while the Cement and Iron & Steel portfolio grew by approximately USD 6.05 million (around 15.06 %).
- The Bank has prioritized expansion in large-scale Peaking Run-of-River (PRoR) hydropower projects, having achieved financial closure of one such project, alongside solar financing across individual, institutional, and utility-scale grid-connected segments, as well as electric vehicle financing.

MEASURING OUR FINANCED EMISSIONS FOR FY 2024/25

Scope 3 GHG Emissions (Category 15: Investments)[1] – Business Loans and Project Financing Portfolio

OVERVIEW

This is the Bank's Fourth disclosure of indirect GHG emissions related to its financed portfolio, focusing on Business[2] and Project Financing[3] loans. Emissions from the retail loan portfolio have been excluded from this disclosure, as the initial focus has been on higher-emitting sectors. The Bank intends to progressively assess and incorporate Retail portfolio emissions in future disclosures.

In the previous three disclosures, the Bank relied on emission factor datasets from Rest of the World and Emerging Economies due to the unavailability of country related data for Nepal. With the availability of Nepal-specific datasets for the base year 2022, the current disclosure has been developed using the following parameters sourced from the PCAF portal:

- BEA Sectoral Classification
- Nepal-related dataset covering clients' Scope 1, Scope 2, and Scope 3 emissions[4]

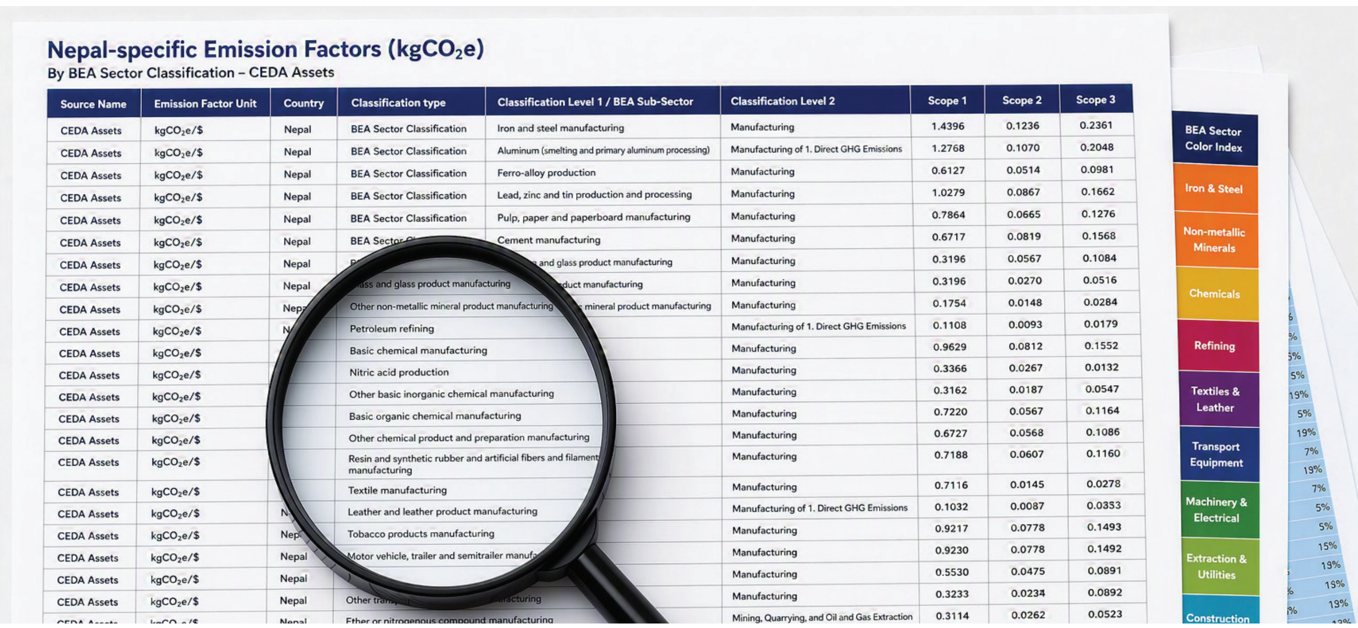
Through this disclosure, the Bank reinforces its commitment to globally aligned reporting, ensuring consistent, transparent, and comparable financed emissions' disclosures across institutions.

GENERAL DISCLOSURE

The Bank applies a financial control–based approach to measure and report greenhouse gas (GHG) emissions from its financed portfolio, covering business loans and project financing. Under this approach, emissions are attributed in proportion to the Bank's share of financing in each financed activity. This approach is aligned with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry and the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard, ensuring consistent and comparable reporting of financed emissions.

MEASUREMENT APPROACH

The Bank has adopted the Global GHG Accounting and Reporting Standard for the Financial Industry developed by Partnership for Carbon Accounting Financials (PCAF) to quantify and disclose Scope 3 Category 15 (Investments) emissions associated with its business loan and project financing portfolio.



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[1]Indirect GHG emissions from the Bank's financing and investment activities, reflecting its proportional share of clients' Scope 1, Scope 2, and, where relevant, Scope 3 emissions, excluding emissions already accounted under the Bank's Scope 1 and 2.

[2]Business loans are extended to entities other than individuals for business purposes and exclude personal loans to individuals and exposures managed by the Bank's Project Financing and Hydropower units.

[3]Project financing loans are extended the financing of long-term infrastructure, industrial projects and public services, in which project debt and equity used to finance the project are paid back from the cash flow generated by the project i.e. all greenfield, enhancement and in-operation businesses catered by Project Financing and Hydro Power units of the Bank.

[4]Scope 1: Direct GHG emissions from owned or controlled sources; Scope 2: Indirect emissions from purchased energy (electricity, steam, heat, cooling); Scope 3: All other indirect emissions across the value chain (upstream and downstream), excluding Scope 2.

CALCULATION METHODOLOGY

Financed emissions for the reporting period have been calculated in line with the PCAF Standard. The analysis uses Nepal-specific data for the reference year 2022, based on CEDA (Comprehensive Environmental Data Archive)[5] estimates incorporated into the PCAF database, and applies BEA sector classifications mapped with the Bank's relevant industry sectors. Emission factors, expressed as $kgCO_2e/\$$[6] of economic activity, are applied to the outstanding exposure of financed assets, which serves as a proxy for economic activity, to estimate financed emissions.

The parameters applied in the calculation are provided in the table below.

Emission Factor Source	PCAF Database (CEDA Assets)
Dataset Reference Year	2022
Data Quality Score	5
Methodology Option	PCAF Option 3C
Emission Factor Unit	$kgCO_2e/\$$
Scope 3 Emission Data	Upstream only (Downstream not available)
Region	Asia- Pacific
Country	Nepal
Sector Classification	BEA (Bureau of Economic Analysis)

Data as of: Nepali fiscal year-end (15 July 2024)
Exchange rate: USD/NPR mid-rate of 137.3

RECALCULATION APPROACH

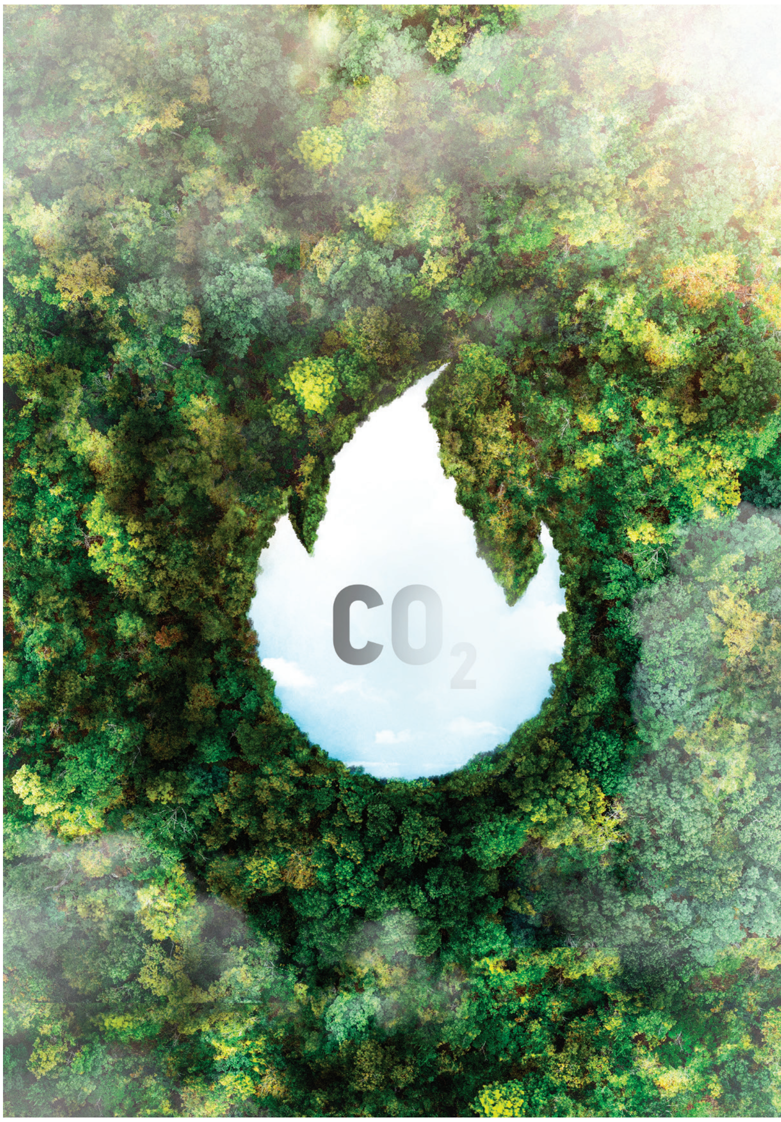
The Bank has adopted a recalculation approach for its GHG emissions disclosure, with FY 2023/24 as the base year. In line with the GHG Protocol Corporate Standard, base year emissions are recalculated for material changes that affect consistency and comparability. The Bank may apply an internally defined 10% materiality threshold to determine when recalculations are required. Where changes in total reported financed emissions (Scope 1, 2 and 3) exceed this threshold due to changes in business operations, updates in data sources, methodological improvements, or error corrections, both current and base year emissions are recalculated. Recalculation is also undertaken for significant methodological updates, including the use of more relevant country-level data, irrespective of the threshold.

Recalculations are not undertaken for changes resulting solely from normal business activities, such as portfolio growth, contraction, or shifts in portfolio composition or strategy. As the Bank currently reports financed (portfolio) emissions, any recalculations and their underlying drivers are clearly disclosed.

[5]CEDA, developed by Watershed provides Nepal-related emissions intensity estimates derived using proxy data and contextual assumptions to address gaps in country-level datasets.
[6]A carbon intensity metric expressed as the kilograms of CO_2 equivalent emissions generated per unit of economic value (e.g., revenue, loans, or output); where CO_2e represents total greenhouse gas emissions converted into equivalent CO_2 using global warming potential (GWP). In this document, the term tCO_2e is used to denote tonnes of carbon dioxide equivalent.

PORTFOLIO DETAILS

The Bank's Business Loans and Project Finance portfolios (including hydropower projects and excluding retail/consumer loans) accounted for 56.51% and 17.94% of the total loan portfolio, respectively. In the previous reporting period (as of 15 July 2024), these accounted for 57.74% and 18.37% of the total loan portfolio, respectively. Both portfolios also recorded growth of approximately 13% each compared to the previous reporting period.



RESULTS AND ANALYSIS

PCAF's third edition of the Financed Emissions Standard[7] requires financial institutions to report the absolute Scope 1, Scope 2, and Scope 3 emissions of borrowers and investees across all sectors, while separately disclosing Scope 3 emissions from Scope 1 and Scope 2 emissions. Furthermore, following the completion of the phased approach to Scope 3 reporting, financial institutions are required to report such emissions across all sectors from 2025 onwards.

In the previous reporting year, the Bank applied the 2019 Exiobase sector classification database and proxy emission factors for Emerging Economies due to the absence of Nepal-specific data, which limited the comparability of financed emissions for the reporting period. Scope 3 emissions were reported only for selected NACE Level 2 sectors, in line with PCAF's third edition of the Financed Emissions Standard, including:

- Energy (oil & gas) and mining (NACE L2: 05–09, 19, 20)
- Transportation, construction, buildings, materials, and industrial activities (NACE L2: 10–18, 21–33, 41–43, 49–53, 81)

Financed Emissions and Carbon Intensity by Asset Class - FY 2024/25

Asset Class	Exposure (USD million)	Scope 1 (tCO_2e)	Scope 2 (tCO_2e)	Scope 3 (tCO_2e)	Carbon Intensity[8] (tCO_2e/USD million)
Business Loans	1,001.3	46,723	23,867	116,352	186.70
Project Finance	317.9	120,273	8,542	32,725	508.20
Grand Total	1,319.2	166,996	32,409	149,077	264.17

During the reporting period, the Bank updated its financed emissions estimation methodology by incorporating Nepal-specific 2022 emission factor data, improving the relevance and accuracy of emissions estimates. In line with the Bank's recalculation approach, aligned with GHG Protocol requirements for material methodological changes, base year emissions (FY 2023/24) have been recalculated to ensure consistency and comparability over time.

In addition, the reporting boundary for Scope 3 emissions (upstream) has been expanded across all sectors for both reporting years. Following these updates, total financed emissions (Scope 1, 2 and 3) for business loans and project finance increased by 7% compared to the base year, primarily reflecting growth in the Bank's lending portfolio. Key findings are summarized below.

[7] *PCAF (2025). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Third Edition.*
[8] *Carbon intensity is calculated as total financed emissions (Scope 1, 2, and 3) of an asset class divided by its exposure.*

Asset Class and Metrics	FY 2023/24	FY 2024/25	% Change from Previous FY
Business Loans			
Exposure (USD million)	883.9	1,001.3	13%
Scope 1 (tCO_2e)	39,113	46,723	19%
Scope 2 (tCO_2e)	21,826	23,867	9%
Scope 3 (tCO_2e)	102,625	116,352	13%
Carbon Intensity (tCO2e/USD million)	185.0	186.7	0.9%
Project Finance			
Exposure (USD million)	281.1	317.9	13%
Scope 1 (tCO_2e)	125,526	120,273	-4%
Scope 2 (tCO_2e)	8,446	8,542	1%
Scope 3 (tCO_2e)	29,593	32,725	11%
Carbon Intensity (tCO_2e /USD million)	581.87	508.20	-13%
Business Loans + Project Finance			
Total Exposure (USD million)	1,165.0	1,319.2	13%
Total Scope 1 (tCO_2e)	164,639	166,996	1%
Total Scope 2 (tCO_2e)	30,272	32,409	7%
Total Scope 3 (tCO_2e)	132,219	149,077	13%
Carbon Intensity (tCO_2e /USD million)	280.8	264.2	-6%
Total Financed GHG emission (Scope 1+ 2 + 3): tCO_2e	**327,130**	**348,482**	**7%**

Key Comparative Analysis (FY 2024/25 vs FY 2023/24)

- Total portfolio exposure increased from USD 1,165.0 million to USD 1,319.2 million (+13%), while carbon intensity declined from 280.8 to 264.2 tCO_2e / USD million (-6%). This indicates that exposure to high-carbon sectors grew at a slower rate than the overall portfolio, while renewable energy, service, and other lower-emission-intensity sectors increased their share of the portfolio. However, the observed trend should be considered in light of data limitations, as it is based on proxy emission factors and may not fully represent actual emission performance at the client level.
- Total financed emissions (Scope 1, 2, and 3) increased modestly by 7%, primarily driven by overall 13% portfolio growth in Business and Project Financing loans and a 13% increase in Scope 3 emissions.
- Business Loans exhibited emissions growth broadly in line with exposure growth (primarily concentrated in sectors such as Finance and Insurance, Construction, Manufacturing, and Wholesale Trade) with carbon intensity remaining largely stable (+0.9%), indicating limited change in emission efficiency within this segment.
- In contrast, Project Finance demonstrated a notable improvement in emission efficiency despite increase in exposure (primarily in Hydro, Hotel business and Retail Trade), supported by a reduction in Scope 1 emissions and a decline in carbon intensity (-13%). Although the Manufacturing and Transportation & Warehousing sectors have relatively high combined Scope 1, 2, and 3 emission factors, a decline in portfolio exposure to these sectors during the reporting year contributed to a reduction in financed emissions.

A. BUSINESS LOANS EMISSIONS

Table 1: Total Scope 1, 2 & 3 Emissions – Business Loans Portfolio

BEA INDUSTRY SECTOR	EXPOSURE USD MILLION	TOTAL SCOPE 1 & 2 EMISSIONS (tCO_2e)	SCOPE 3 EMISSIONS (tCO_2e)	TOTAL SCOPE 1, 2 & 3 EMISSIONS (tCO_2e)
Manufacturing	262.58	36,262.82	67,195.63	103,458.46
Wholesale Trade	276.37	14,429.74	24,936.17	39,365.90
Retail Trade	179.23	10,912.49	13,097.67	24,010.16
Agriculture, Forestry, Fishing and Hunting	37.29	4,605.32	2,434.75	7,040.07
Construction	46.23	511.76	3,936.59	4,448.35
Transportation and Warehousing	6.77	1,536.07	719.28	2,255.35
Accommodation and Food Services	24.04	360.49	1,067.24	1,427.73
Utilities	5.77	629.98	556.28	1,186.27
Health Care and Social Assistance	5.45	318.56	381.73	700.29
Unknown (All other Retail)	5.09	262.70	400.67	663.38
Educational Services	29.66	71.18	560.54	631.72
Other Services	11.58	160.74	348.12	508.86
Finance and Insurance	101.11	52.16	326.59	378.75
Administrative and Support and Waste Management and Remediation Services	1.94	185.37	120.58	305.94
Real Estate and Rental and Leasing	3.61	149.75	107.53	257.28
Professional, Scientific, and Technical Services	2.90	40.17	83.48	123.65
Arts, Entertainment, and Recreation	0.88	31.09	45.58	76.66
Government	0.63	54.22	20.23	74.45
Mining, Quarrying, and Oil and Gas Extraction	0.15	15.65	13.14	28.80
Total	**1,001.29**	**70,590.27**	**116,351.82**	**186,942.08**

- Manufacturing, Wholesale Trade, and Retail Trade are the top three BEA Industry sectors contributing the highest financed emissions within the Business Loans portfolio, accounting for 55.3%, 21.1%, and 12.8%, respectively. While these sectors represent 71.7% of the total outstanding exposure, they collectively contribute a significantly higher 89.2% of the overall portfolio emissions.
- In terms of emission intensity, Manufacturing and Transportation & Warehousing exhibit relatively high intensities of 394.0 and 333.4 tCO_2e/ USD million, respectively. In contrast, Wholesale Trade and Retail Trade demonstrate comparatively lower intensities of 142.4 and 134.0 tCO_2e / USD million, respectively.

Portfolio Strategy:
Given that these sectors are key contributors to the country's real economy, the Bank remains committed to financing them. At the same time, it is actively identifying and addressing associated environmental challenges, including high emissions, and is working collaboratively with clients to promote energy efficiency and implement emission reduction measures in their operations.

B. PROJECT FINANCING EMISSIONS

Table 2: Total Scope 1, 2 & 3 Emissions – Project Finance Portfolio

BEA INDUSTRY SECTOR	EXPOSURE USD MILLION	TOTAL SCOPE 1 & 2 EMISSIONS (tCO_2e)	SCOPE 3 EMISSIONS (tCO_2e)	TOTAL SCOPE 1, 2 & 3 EMISSIONS (tCO_2e)
Manufacturing	36.53	104,906.79	9,898.41	114,805.20
Utilities	201.60	21,833.08	19,575.18	41,408.25
Accommodation and Food Services	44.53	518.02	1,128.84	1,646.87
Retail Trade	11.11	695.27	811.89	1,507.17
Health Care and Social Assistance	10.60	620.24	743.22	1,363.46
Construction	4.39	44.98	367.32	412.30
Real Estate and Rental and Leasing	4.21	174.57	125.35	299.92
Transportation and Warehousing	1.35	8.66	34.35	43.01
Other Services	0.72	11.42	23.67	35.09
Finance and Insurance	2.73	1.64	14.20	15.84
Administrative and Support and Waste Management and Remediation Services	0.03	0.16	1.53	1.69
Educational Services	0.07	0.17	1.31	1.48
Total	**317.87**	**128,814.99**	**32,725.28**	**161,540.27**

- In Project Financing portfolio, Manufacturing segment which primarily includes cement, iron and steel mills, and other fabricated metal manufacturing contributes for more than 71.1% of total emission of the portfolio.
- Within Manufacturing portfolio, Cement Industry contributed 89.1% of the portfolio emission while Iron and steel mills and Other Fabricated Meta manufacturing contributed 9.9% and 0.9% respectively.
- Utilities (covering Hydropower projects) contributed to 25.6 % of total financed emissions.

Portfolio Strategy:

Energy Transition Financing through Renewable Portfolio Expansion: In continuation of the previous year, the Bank's portfolio exposure to cement manufacturing decreased by 6%. Concurrently, the hydropower portfolio grew for the second consecutive year, increasing by USD 33.4 million (previous year: USD 40.31 million). The reduction in the cement manufacturing portfolio contributed to an estimated decrease of 6,119 tCO_2e across Scope 1, 2, and 3 emissions. The continued expansion of the hydropower portfolio reflects the Bank's strategic focus on renewable energy financing and supports emission management through the generation of clean energy and associated avoided emissions.

OVERALL STRATEGY

As part of its sustainability and climate approach, the Bank continues to align its portfolio with Nepal's energy transition priorities. It is strengthening its engagement in hydropower projects, including peaking run-of-river (PRoR) initiatives, in line with national policy directions, to support improved energy availability and gradually reduce reliance on fossil fuels. The Bank also continues to explore opportunities to support transmission infrastructure, recognizing its role in strengthening grid capacity and enabling greater integration of renewable energy.

The Bank has undertaken proactive measures specifically in relation to coal based brick industries by discouraging the financing of new such projects. In line with the NRB ESRM Guideline, the Bank continues to assess clients' preparedness for adopting energy-efficient technologies and progressing toward GHG emissions disclosure, and is committed to strengthening this approach over time. It aims to enhance its monitoring processes to track client-level progress on a continual basis. Recognizing Nepal's evolving E&S landscape, the Bank continues to engage with clients to build awareness, support gradual emissions measurement and disclosure, and promote practical improvements in energy efficiency and pollution control.

Additionally, the Bank is developing a diversified pipeline of green and climate-aligned assets across sectors such as clean transportation, green buildings and infrastructure, sustainable tourism, energy efficiency, climate adaptation, the circular economy, and emerging clean technologies, including green hydrogen and energy storage.

Data Quality Score of Scope 1, 2 & 3 Emissions:

In accordance with the PCAF classification methodology, the data used for estimating financed emissions is assigned a data quality score of 5, indicating a high level of estimation and reliance on proxy data. Financed emissions are estimated using Option 3C based on sector-level emission intensity factors, as illustrated in the formula below.

$$\sum_{c} \text{Outstanding amount}_c \times \frac{\text{GHG emissions}_S}{\text{Assets}_S}$$

where c = client, S = sector, and GHG emissions-to-assets represents the sector-level emission intensity factor ($kgCO_2e/\$$).

ADDITIONAL DETAILS

TABLE 3: AVERAGE EMISSION FACTOR (SCOPE 1 & 2) – TOP 15 BEA INDUSTRY SECTORS

	BEA INDUSTRY SECTOR	AVG. SCOPE 1 & 2 EF ($kgCO_2e/\$$)
1	Mining, Quarrying, and Oil and Gas Extraction	0.346
2	Agriculture, Forestry, Fishing and Hunting	0.257
3	Transportation and Warehousing	0.145
4	Utilities	0.141
5	Real Estate and Rental and Leasing	0.111
6	Manufacturing	0.083
7	Retail Trade	0.062
8	Unknown (All other Retail)	0.052
9	Administrative and Support and Waste Management and Remediation Services	0.050
10	Wholesale Trade	0.038
11	Health Care and Social Assistance	0.029
12	Information	0.027
13	Accommodation and Food Services	0.026
14	Government	0.023
15	Professional, Scientific, and Technical Services	0.022

TABLE 4: AVERAGE SCOPE 3 EMISSION FACTOR – TOP 15 BEA INDUSTRY SECTORS

	BEA INDUSTRY SECTOR	AVG. SCOPE 3 EF ($kgCO_2e/\$$)
1	Manufacturing	0.247
2	Construction	0.182
3	Mining, Quarrying, and Oil and Gas Extraction	0.118
4	Accommodation and Food Services	0.102
5	Mining	0.100
6	Real Estate and Rental and Leasing	0.079
7	Unknown (All other Retail)	0.079
8	Retail Trade	0.073
9	Utilities	0.072
10	Wholesale Trade	0.071
11	Agriculture, Forestry, Fishing and Hunting	0.070
12	Transportation and Warehousing	0.069
13	Health Care and Social Assistance	0.068
14	Information	0.068
15	Administrative and Support and Waste Management and Remediation Services	0.065

TABLE 5: TOTAL AVERAGE EMISSION FACTOR (SCOPE 1+2+3) – TOP 15 BEA INDUSTRY SECTORS

	BEA INDUSTRY SECTOR	AVG. SCOPE 3 EF ($kgCO_2e/\$$)
1	Mining, Quarrying, and Oil and Gas Extraction	0.46
2	Manufacturing	0.33
3	Agriculture, Forestry, Fishing and Hunting	0.33
4	Transportation and Warehousing	0.21
5	Utilities	0.21
6	Construction	0.20
7	Real Estate and Rental and Leasing	0.19
8	Retail Trade	0.13
9	Unknown (All other Retail)	0.13
10	Accommodation and Food Services	0.13
11	Mining	0.12
12	Administrative and Support and Waste Management and Remediation Services	0.12
13	Wholesale Trade	0.11
14	Health Care and Social Assistance	0.10
15	Information	0.09

TABLE 6: ABSOLUTE SCOPE 1 & 2 EMISSIONS – BUSINESS LOANS PORTFOLIO

The results outline total financed emissions (Scope 1 & 2) across BEA industry sectors within Business Loans portfolio:

- Manufacturing sector contributes the highest financed Scope 1 and 2 emissions, despite representing the second-largest share of the business loan portfolio and having a lower average emission factor than five other sectors (Refer to Table 3 above).
- Manufacturing sector covers industries such as Food Processing, Lumber and Wood Products/Furniture, Plastic, Fabricated Metal Products, Textile Production & Garments, Other construction related, Animal and Poultry Feeds, Motor Vehicles, Parts & Accessories, and Metals-Basic Iron & Steel Plant.
- Although Wholesale Trade and Retail Trade have lower average consolidated Scope 1 and 2 emission factors than the Agriculture, Forestry, Fishing and Hunting sector, they constitute the second- and third-largest financed emissions, respectively, due to their substantial representation in the business loan portfolio, accounting for 28% and 18% of total exposure.

BEA INDUSTRY SECTOR	SCOPE 1 & 2 EMISSIONS (tCO_2e)	PERCENTAGE
Manufacturing	36,262.8	51.4%
Wholesale Trade	**14,429.7**	**20.4%**
Retail Trade	**10,912.5**	**15.5%**
Agriculture, Forestry, Fishing and Hunting	4,605.3	6.5%
Transportation and Warehousing	1,536.1	2.2%
Utilities	630.0	0.9%
Construction	511.8	0.7%
Accommodation and Food Services	360.5	0.5%
Health Care and Social Assistance	318.6	0.5%
Unknown (All other retail)	262.7	0.4%
Administrative and Support and Waste Management and Remediation Services	185.4	0.3%
Other Services	160.7	0.2%
Real Estate and Rental and Leasing	149.8	0.2%
Educational Services	71.2	0.1%
Government	54.2	0.1%
Finance and Insurance	52.2	0.1%
Professional, Scientific, and Technical Services	40.2	0.1%
Arts, Entertainment, and Recreation	31.1	0.0%
Mining, Quarrying, and Oil and Gas Extraction	15.7	0.0%
TOTAL	**70,590.3**	**100.0%**

TABLE 7: ABSOLUTE SCOPE 3 EMISSIONS – BUSINESS LOANS PORTFOLIO

The results outline total financed emissions (Scope 3) across BEA industry sectors within Business Loan portfolio:	BEA INDUSTRY SECTOR	SCOPE 3 EMISSIONS (tCO_2e)	PERCENTAGE
• Manufacturing sector is the largest contributor to Scope 3 emissions, followed by Wholesale Trade, Retail Trade, and Construction. • Business loans contribute more to Scope 3 emissions than project financing, reflecting their larger share (around 57%) of the total portfolio and exposure to emission-intensive sectors such as manufacturing and construction (Refer to Tables 1 & 2 above).	**Manufacturing**	**67,195.6**	**57.8%**
	Wholesale Trade	24,936.2	21.4%
	Retail Trade	13,097.7	11.3%
	Construction	**3,936.6**	**3.4%**
	Agriculture, Forestry, Fishing and Hunting	2,434.8	2.1%
	Accommodation and Food Services	1,067.2	0.9%
	Transportation and Warehousing	719.3	0.6%
	Educational Services	560.5	0.5%
	Utilities	556.3	0.5%
	Unknown (All other retail)	400.7	0.3%
	Health Care and Social Assistance	381.7	0.3%
	Other Services	348.1	0.3%
	Finance and Insurance	326.6	0.3%
	Administrative and Support and Waste Management and Remediation Services	120.6	0.1%
	Real Estate and Rental and Leasing	107.5	0.1%
	Professional, Scientific, and Technical Services	83.5	0.1%
	Arts, Entertainment, and Recreation	45.6	0.0%
	Government	20.2	0.0%
	Mining, Quarrying, and Oil and Gas Extraction	13.1	0.0%
	TOTAL	**116,351.8**	**100.0%**

TABLE 8: ABSOLUTE SCOPE 1 & 2 EMISSIONS – PROJECT FINANCE PORTFOLIO

The results outline total financed emissions (Scope 1 & 2) across BEA industry sectors within Project Finance portfolio:	BEA INDUSTRY SECTOR	SCOPE 1 & 2 EMISSIONS (tCO_2e)	PERCENTAGE
• Manufacturing sector, primarily comprising cement, iron & steel, and food processing industries, accounts for a relatively high share of financed emissions under combined Scope 1 and 2, representing approximately 11.5% of the total project financing portfolio. • Utilities sector, largely consisting of hydropower projects, accounts for approximately 63.4% of the portfolio and is the second-largest contributor to financed emissions, while also enabling substantial avoided emissions during operation.	**Manufacturing**	**104,906.8**	**81.4%**
	Utilities	**21,833.1**	**16.9%**
	Retail Trade	695.3	0.5%
	Health Care and Social Assistance	620.2	0.5%
	Accommodation and Food Services	518.0	0.4%
	Real Estate and Rental and Leasing	174.6	0.1%
	Construction	45.0	0.0%
	Other Services	11.4	0.0%
	Transportation and Warehousing	8.7	0.0%
	Finance and Insurance	1.6	0.0%
	Educational Services	0.2	0.0%
	Administrative and Support and Waste Management and Remediation Services	0.2	0.0%
	TOTAL	**128,815.0**	**100.0%**

TABLE 9: ABSOLUTE SCOPE 3 EMISSIONS – PROJECT FINANCE PORTFOLIO

The results outline total financed emissions (Scope 3) across BEA industry sectors within Project Finance portfolio:	BEA INDUSTRY SECTOR	SCOPE 3 EMISSIONS (tCO_2e)	PERCENTAGE
• Scope 3 emissions are primarily driven by Utilities, Manufacturing, and Accommodation and Food services sectors, with portfolio exposures of approximately 63.4%, 14.0%, and 11.5%, respectively, within the project financing portfolio.	**Utilities**	**19,575.2**	**59.8%**
	Manufacturing	**9,898.4**	**30.2%**
	Accommodation and Food Services	**1,128.8**	**3.4%**
	Retail Trade	811.9	2.5%
	Health Care and Social Assistance	743.2	2.3%
	Construction	367.3	1.1%
	Real Estate and Rental and Leasing	125.4	0.4%
	Transportation and Warehousing	34.4	0.1%
	Other Services	23.7	0.1%
	Finance and Insurance	14.2	0.0%
	Administrative and Support and Waste Management and Remediation Services	1.5	0.0%
	Educational Services	1.3	0.0%
	TOTAL	**32,725.3**	**100.0%**

AVOIDED EMISSIONS

Aligned with national priorities, the Bank actively supports renewable energy development, with a strong focus on hydropower, complemented by investments in solar, biogas, and waste-to-energy initiatives. Given hydropower's central role in Nepal's energy mix and its significance to national development, the Bank has built a substantial portfolio in this sector. With several hydropower projects and one grid-connected solar project now operational, the Bank is able to credibly demonstrate its contribution to avoided greenhouse gas emissions.

METHODOLOGY FOR CALCULATING AVOIDED EMISSIONS

The Bank calculated financed avoided emissions for FY 2024/25 in alignment with PCAF, using an attribution-based approach consistent with the previous reporting period. Operational renewable energy projects (hydropower and grid-connected solar) are included in gross financed emissions in accordance with PCAF methodology, while simultaneously contributing to avoided emissions by displacing electricity generated from grid-based or fossil fuel sources.

Avoided emissions are estimated using actual project-level energy generation, adjusted by the Bank's attribution factor and multiplied by Nepal's national grid emission factor sourced from the Transport Climate Report 2022 (Asian Transport Outlook, UNCRD, AIIB, and ADB).

TABLE 10: AVOIDED EMISSIONS BY BEA SUB-SECTOR

BEA SECTOR CLASSIFICATION CODE	BEA SUB-SECTOR	AVOIDED EMISSIONS (tCO_2e)	EXPOSURE USD MILLION
221100	Electric power generation, transmission, and distribution (Hydropower)	7,915	138.1
221100	Electric power generation, transmission, and distribution (Grid-connected Solar)	153	3.5
TOTAL		**8,068**	**141.61**

Compared to the previous reporting period, avoided emissions increased by 73% during the current reporting period, primarily driven by multiple hydropower projects with a combined installed capacity of approximately 130 MW becoming operational.

NMB'S CLIMATE AMBITIONS

As a leading bank in Nepal, NMB Bank Limited continues to promote sustainability and aims to strengthen climate resilience in alignment with national priorities and global climate goals. Its climate ambitions provide a clear direction for its future climate actions.

- **Carbon Footprint Reduction:** The Bank aims to support low-carbon development by expanding financing for renewable energy projects, particularly hydropower, contributing to Nepal's transition away from fossil fuel dependence.
- **Sustainable Financing:** The Bank aspires to scale its sustainable financing by promoting green, social, and sustainable investments, while continuing to integrate Environmental, Social, and Governance (ESG) principles into its financing decisions.
- **Stakeholder and International Collaboration:** Our commitment extends beyond internal operations by integrating climate considerations into risk management, supporting the development of climate-resilient infrastructure, and fostering international partnerships. The Bank aims to progressively enhance the accuracy of financed emissions through improved client-level data collection. Through these efforts, we seek to strengthen climate resilience while promoting knowledge sharing, awareness, and advocacy for climate cooperation.
- **Sustainability Themes:** The Bank's climate ambitions are guided by four key pillars:
  - **Grow:** Scaling positive impact through sustainable financing),
  - **Transition:** Supporting clients in adopting low-carbon practices),
  - **Transform:** Aligning business strategy with sustainability objectives), and
  - **Reduce:** Minimizing environmental and social risks).
- **Climate Resilience and Sustainable Solutions:** The Bank intends to enhance its role in financing climate-resilient projects and supporting clients in building adaptive capacity, contributing to Nepal's efforts to address climate change impacts.

These climate ambitions reflect the Bank's long-term vision to support Nepal's transition towards a sustainable, low-carbon, and inclusive economy by promoting broader access to finance and enabling more equitable economic opportunities.

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