



CLIMATE TARGETS

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Promoting the decarbonization of the economy by 2050






Banpro
Grupo Promerica


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Grupo Promerica



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Glossary

Absolute Emissions: Greenhouse gas emissions attributed to a financial institution's lending and investing activity, expressed in metric tons of CO₂ equivalent (tCO₂e). (tCO₂e).

Attribution Factor: The share of total greenhouse gas emissions of the borrower or investee that are allocated to the loan or investments (tCO₂e).

B2DS: The below 2°C degrees Scenario aims to limit with a 50% probability the increase in global temperature to 1.75°C above preindustrial levels.

CO₂e: The equivalent carbon dioxide is a universal measurement to show in terms of CO₂, the equivalent of each one of the greenhouse gas effects with respect to its potential of global warming.

Carbon Footprint: It is an environmental indicator that intends to reflect the totality of the greenhouse gas effects, emitted by the direct or indirect effect of an individual, organization, event or product. The impact is measured by conducting a GHG emissions inventory.

DEG: Is a German institution that offers development funding and grants loans for long-term projects in developing countries and emerging markets. DEG has worldwide presence in Africa, Asia, Latin America, as well as in Central, Eastern and Southeastern Europe.

EDGE: Excellence in Design for Greater Efficiencies, is a certification system for sustainable construction focused on making more efficient buildings. EDGE is an innovation by the International Finance Corporation (IFC), member of the World Bank Group.

Emission Intensity: Emissions per a specific unit, for example: tCO₂e/\$million invested, tCO₂e/MWh, tCO₂e/ton produced, tCO₂e/\$million company revenue.

Financed Emissions: Absolute emissions that Banks and investors finance through their loans and investments. Financed emissions can be calculated and shown at an asset class

GFANZ: The Glasgow Financial Alliance for Net Zero is a global coalition of leading financial

institutions led by professionals of the financial sector institutions and its sectoral alliances that work together to accelerate the global transition to GHG for 2050 and achieve the objective of the Paris Agreement to limit global warming to no more than 1.5 degrees centigrade.

GHG: The seven gases covered by the United Nations Framework Convention on Climate Change (UNFCCC) – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), Sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃).

IEA: The International Energy Agency; its work encompasses energy safety, data and statistics, analysis of energy policies, energy efficiency and the increasing use of clean energy technologies.

IPCC: The Intergovernmental Working Group of Experts on Climate Change or Intergovernmental Panel on Climate Change, (known for its English acronym IPCC), is the United Nations body whose mission is to provide the world with objective and scientific opinions on climate change, its impacts and natural, political, and economic risks, as well as the options of possible responses.

LEED: Leadership in Energy and Environmental Design is a certification system for the design, construction, maintenance and operation of sustainable constructions.

Net Zero Emissions: Net Zero Emissions, for a company, means reaching a state in which the activities conducted within the value chain do not cause any net impact on the climate due to GHG emissions. This aim is achieved by reducing GHG emissions from the value chain, in accordance with the 1.5°C trajectories, and the remaining emissions are compensated responsibly.

NZBA: The Net Zero Banking Alliance, led by the banking industry and convened by the United Nations, brings together a group of banks that are globally committed to aligning their loan and investment portfolios with net zero emissions by 2050.

PACTA: The Paris Agreement Capital Transition Assessment is a methodology that enables users to measure the alignment or compliance of corporate portfolios with different climate scenarios of the

Paris Agreement. It analyzes prospective production plans of customers' assets by technology and by sector while mapping the alignment with climate scenarios.

PCAF: The Global Alliance for Accounting for Financed Emissions from Financial Institutions aims to establish an international standard for measuring and reporting financed GHG emissions. The objective is to quantify the climate impact of the portfolios.

PRB: The Principles for Responsible Banking are voluntary standards, promoted by the United Nations Environment Program Finance Initiative (UNEP FI), to support banks in aligning their business strategy with the Sustainable Development Goals (SDGs) and the Paris Agreement.

GHG Protocol: The Green House Gas Effect Protocol is a standard for calculating the Organization's Carbon Footprint. It allows accounting for the six types of GHG gases (CO₂, CH₄, N₂O, HFC, PFC and SF₆) focusing only on the accounting and reporting of emissions.

SBTI: Science-Based Targets Initiative are emission reduction targets based on climate science.

Scope 1: Emissions from operations that are owned or controlled by the reporting company.

Scope 2: Emissions from the generation of purchased or gained electricity, steam, heating, or cooling consumed by the reporting company.

Scope 3: All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

SDA: The Sectoral Decarbonization Approach is a method for companies to reduce their emissions following previously set sectoral targets to avoid an increase of more than 2°C in global temperature.

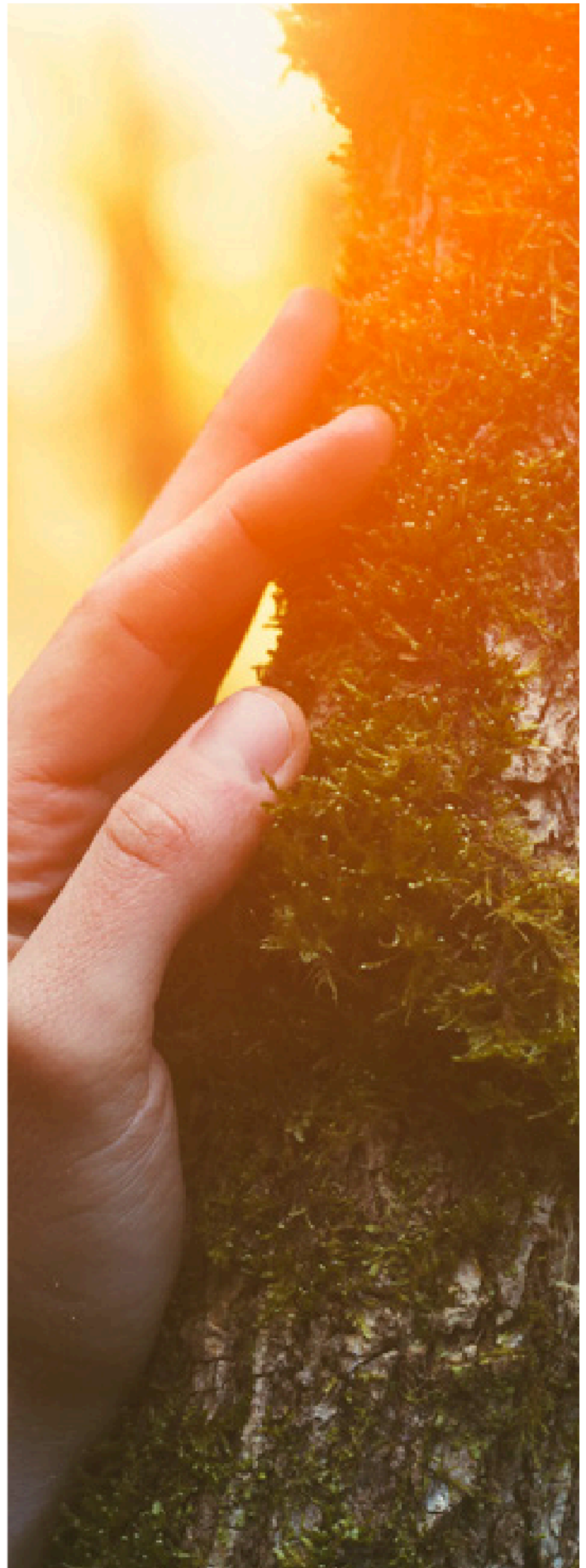
TCFD: Task Force on Climate-related Financial Disclosures, is a working group to encourage companies to inform their investors about the risks related to climate change and the way in which they are managed.



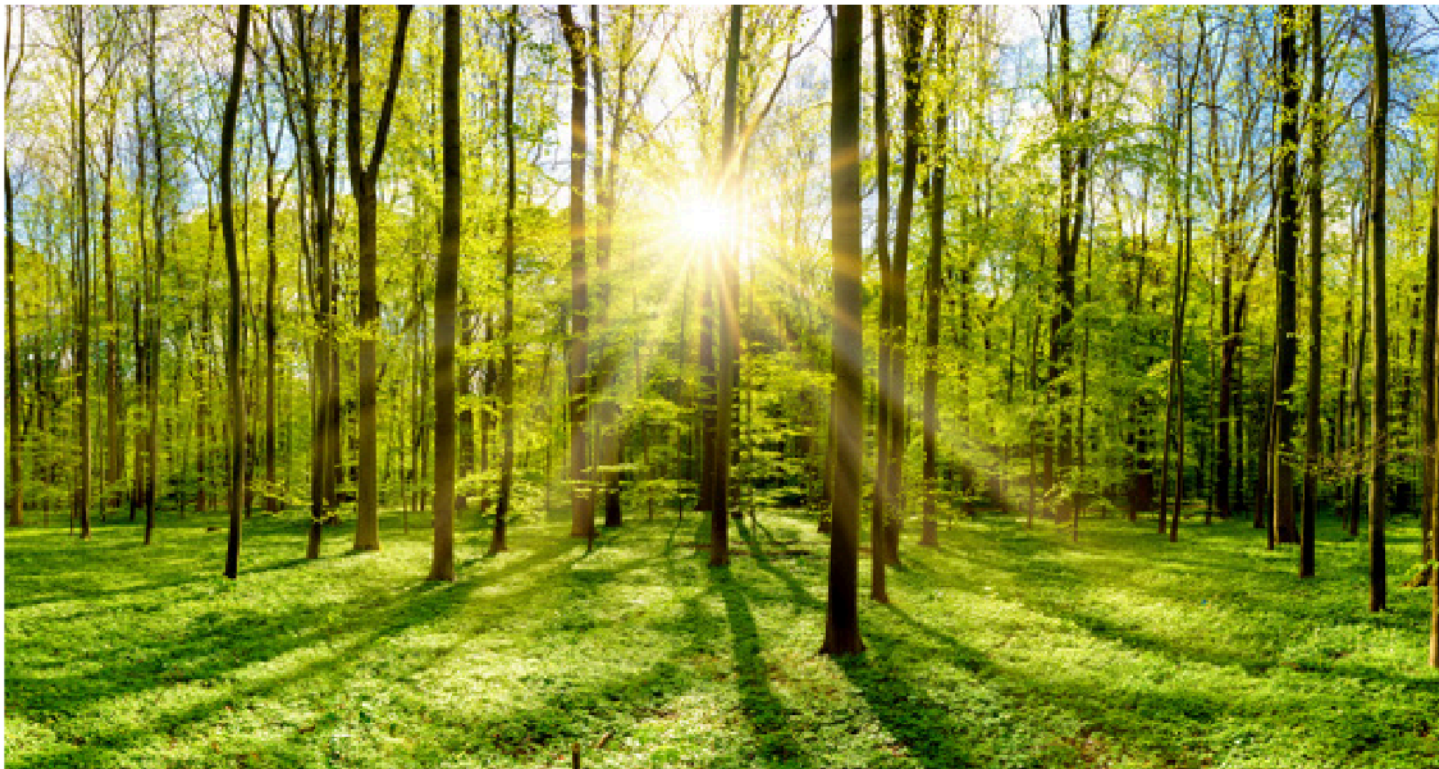
UNEP FI: The United Nations Environment Program Finance Initiative is a global partnership set up between the United Nations Environment Program and the financial sector.

UNFCCC: The United Nations Framework Convention on Climate Change was adopted in New York on May 9, 1992 and allows, among other things, to reinforce political awareness, on a global scale, of the problems related to climate change. The 197 countries that have ratified the Convention are called Parties to the Convention.

WTW: Well-to-wheel is used to assess the life cycle of fuels, including all phases, from raw material extraction to use.



I. Introduction



The role of the financial sector in decarbonizing the economy is becoming increasingly relevant, both in helping the climate transition of their clients and in the shared responsibility for financing carbon-intensive sectors.

Financial institutions, particularly banks, will need to review more than the emissions generated by their operations. These must measure and report the emissions generated by the different sectors of the credit and investment portfolio. Quantifying the carbon footprint of the portfolio is a key element in understanding climate risks, and how they affect the assets and companies in which it invests.

In 2020, Banpro Grupo Promerica performed a first impact analysis of its credit portfolio in order to set up actions aimed at increasing the positive impacts and reducing the negative ones. The analysis found Climate and Resource Efficiency as priority matters, to a great extent associated with the financing of real estate activities.

As a member of the Net Zero Banking Alliance (NZBA), in September, Banpro set its first round of climate targets with support from DEG through its Business Support Services Facility, co-financed by the Ministry of Economic Cooperation and Development of the Federal Republic of Germany (BMZ), and with the technical support of the international climate consultancy ECOACT, specialist in delivering personalized sustainable business solutions for a low carbon world.

The Board of Directors approved the emissions reduction targets covered by Scopes 1 and 2, presented in intensity units for the Power Generation, Mortgage, Commercial Real Estate and Transportation sectors with a time horizon to 2030.

It used the Sectoral Decarbonization Approach (SDA) of the SBTi (Science Based Targets Initiative) framework for the financial sector to set the targets. This framework enables financial institutions, including banks, insurance companies, pension funds and investors, to set science-based climate targets to align their credit and investment portfolios with global climate targets.

As a starting point, the sectoral method implied the establishment of a robust baseline for the four sectors assessed. Chapter V presents the results of the baseline in absolute terms and intensity following the criteria of the PCAF (Partnership

for Carbon Accounting Financials) standard for the 2021 period. Chapter VI presents the sectoral climate targets with their decarbonization trajectories to 2030.



II. Net Zero Emissions

Climate science is clear: we are emitting more greenhouse gases (GHG) than the world can absorb, and this creates a pollution blanket around the Earth that is causing increased global warming. All of this is contributing to the increasing severity and frequency of natural disasters, deadly levels of air pollution and permanent damage to the ecosystems (UNFCCC, 2021).

The Intergovernmental Panel on Climate Change, (IPCC), is the United Nations body for assessing the science related to climate change defines Net Zero, as follows:

“When anthropogenic CO2 emissions are balanced globally by anthropogenic CO2 removals over a specific period.”

Achieving this balance requires a blunt reduction in GHG emissions to emit as close to zero as possible and offset the unreduced emissions by removing or sequestering an equivalent amount of GHG from the atmosphere. In the transition to net zero, institutions must prioritize reducing emissions and offset those that are not feasible to eliminate.



III. Net Zero Banking Alliance



The banking industry-led, UN-convened Net-Zero Banking Alliance brings together a global group of banks, which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

The commitment specifies that the signatory banks set intermediate **targets of net zero, to achieve them by 2030 (or sooner) and 2050**, no later than eighteen (18) months after joining. This will require using the best scientific knowledge available, including the IPCC findings.

In addition, the alliance plays a **key role as an accelerator of climate subject-matters of the Principles of Responsible Banking (PRB)**. It also arises as a subsector of the Glasgow Financial Alliance for Net Zero (GFANZ).

The **commitment encompasses the disclosure of absolute and intensity emissions**, providing high-level transparency, and the adoption of a broad approach by covering nine highly intensive sectors of the economy (UNEP, 2022).

IV. Methodologies for Setting Climate Targets

A number of different methodological approaches exist for target setting in the different fields, be they economic or social. In climate matters, on the other hand, we do not have specific methodologies that “should” be used for goal setting, specially in the financial sector (WWF, 2021).

The methodologies and initiatives regularly used by the financial industry in accounting for emissions and setting targets based on climate science are listed below:

1

- Methodologies Based on Carbon Accounting (PCAF and SBTI): measure the direct and indirect emissions of customers that are attributed to the financial entity. The GHG Protocol provides a framework that classifies a company's emissions into Scope 1, 2, and 3. For banks, most absolute emissions come from Scope 3, mainly from the credit and investment portfolio. The objective of the method is that the sum of the emissions that are associated with the customers (in tons of CO₂e), align with a scenario consistent with the objectives of the Paris Agreement.

3

- Methodologies based on Temperature (SBTI-FI Tool): This method makes it possible to transform corporate objectives for reducing GHG emissions into temperature scores at the objective, company or portfolio level. The method can be used to generate temperature scores for individual climate targets and bring them down to a common metric (temperature degrees).

2

- Capacity-based Methodologies (PACTA): the vast majority of emissions come from production processes and the use of energy. When we look at the technology mix of customers, we are looking at the assets they produce or the use energy. Different technology mixes (more renewable energy and less fossil fuels) produce different climate outcomes (1.5°C, 2°C, etc.). This methodology is based on the measurement of three metrics 1) Technology/fuel mix, which focuses on technology changes; 2) Production volume trajectory that measures production trends and 3) Emission intensity that compares the current and projected emission intensity of a portfolio.

4

- Climate Technical Criteria: refers to a percentage of companies that meet a science-based requirement or a technical criterion, for example, percentage of companies in a portfolio aligned with the European Union (EU) taxonomy, percentage of companies with science-based objectives, percentage of companies with transition plans aligned to the Paris Agreement.

V. Quantification of Financed Emissions





During this phase, the NZBA member banks should at least quantify the emissions of the carbon-intensive sectors of the portfolio. Banpro included the Energy Generation, Commercial Real Estate, Mortgages and Transportation sectors .

The quantification of the financed emissions (Base Line) was obtained following the criteria of the Global GHG Accounting & Reporting Standard for Financed Emissions based on the Greenhouse Gas

Protocol for Category 15 Loans and Investments (PCAF, 2020).

Table 5.1 presents the results of the four sectors assessed for the established baseline year (2021). Notice that the energy portfolio`s carbon footprint is zero due to the fact that 100% of the credits for electricity generation correspond to solar, wind, hydroelectrical, or biomass energy projects.

Table 5.1
Quantification of the emissions financed by sector to 2021 (Scope 1 and 2)

Portfolio Sectors	Types of Assets	Financed Emissions Tons of CO2e	Intensity of the Carbon Sector (Baseline)
 Intensity of Energy Generation	Loans for the construction and operation of a power plant with electrical application.	0.00*	0.00
 Mortgages	Loans for the purchase and refinancing of homes. The property is used for residential purposes and not for income generating activities**	1,558.00	13.7 kgCO2e/m ²
 Commercial Real Estate	Loans for the purchase or refinancing of real estate for commercial use.	566.00	54.59 kgCO2e/m ²
 Transportation	Loans or credit lines to finance all types of vehicles for commercial or personal use.	1,984.00	199 gCO2e/km ²
Total		4,108.00	

* Power generation portfolio is 100% based on renewable sources.

** Excludes renovations and construction for the mortgage and commercial real estate portfolio

The total financed emissions for the Commercial Real Estate, Mortgage and Transportation sectors amounted to 4,107.81 tons of CO2 equivalent for 2021 (Scope 1 and 2). Annex 1 describes the calculation method for each of the assets.

¹Banpro is not exposed to the Coal, Oil, Aluminum, Cement, Iron and Steel sectors. Therefore, these sectors were not considered for the carbon quantification of the portfolio.

²In the case of the transportation portfolio (100% internal combustion), scopes 1 and 3 were considered, due to the Well to Wheel (WTW) approach used for the use of fuel.

VI. Climate targets

6.1 Sectoral Decarbonization Approach

SDA is a method for companies to reduce their emissions following previously set sectoral target to avoid an increase of more than 2°C in global temperature. According to the method, a company within a specific sector can derive its emission reduction targets based on its relative contribution to the total activity of the sector; and its carbon intensity compared to the intensity of the sector in the base year (SBTI, 2018, p22).

Using the International Energy Agency (IEA) sector scenarios it is possible to estimate the carbon intensity compatible with a 2°C scenario for any sector by dividing the total direct emissions of the sector in any given year by the total activity of the sector in the same year. For example, for the energy sector, a common indicator of intensity is the amount of kg or ton of CO₂e per kilowatt hour (kWh) generated. The assumption is that the carbon intensity of each company converges or aligns with the projected carbon intensity (2°C) for the sector in 2030 (Intermediate Goal) and 2050 (Net Zero).

Following the UNEP FI financial sector guidelines for setting climate targets, decarbonization

scenarios must come from documented sources and with reasonable assumptions. Models are recommended based on social, commercial and technological innovations that result in lower energy demand until 2050 while increasing the living standards of the general population (UNEP FI, 2021).

Within the real estate sector, the IEA subdivides the activity into residential and commercial buildings conducting an independent model. The method requires the use of the buildings' built surface for both subsectors with the purpose of deriving the metric of the emissions intensity (KgCO₂/m² of construction).

In the case of the transportation portfolio, the SDA tool is based on WTW (Well-to-Wheel) emissions, which includes direct use emissions from fuel burning (Scope 1), electricity generation for electric vehicles (Scope 2) and the upstream emissions generated by obtaining the fuel (Scope 3). Emissions in terms of intensity are expressed in grams of carbon per vehicle kilometer (gCO₂e/km) traveled with a WTW scope (SBTI, 2018, p13).

WTW Emissions =

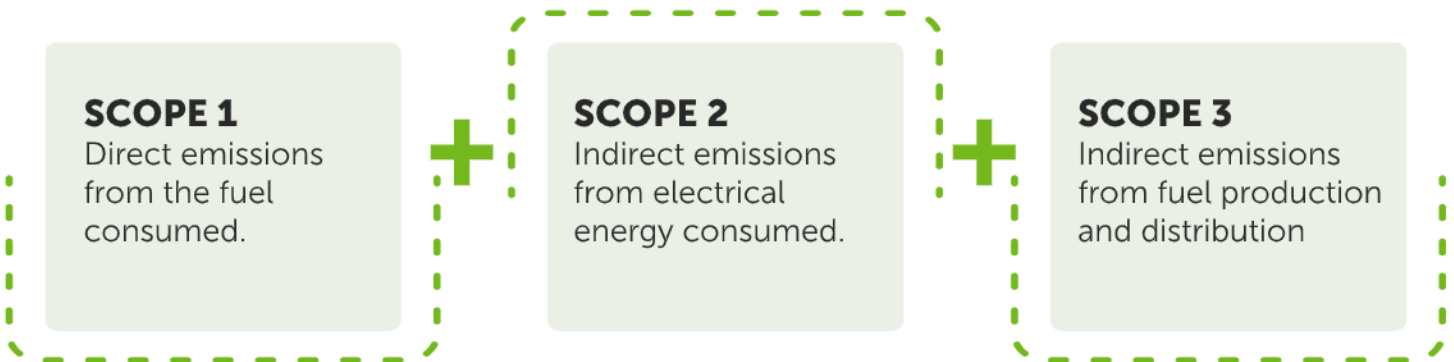






Figure 6.1 Scope to obtain WTW emissions for the transportation sector.

6.2 Decarbonization Targets by Sector

Banpro instituted its first climate targets to 2030 for four sectors of the credit portfolio. Emissions reductions cover Scopes 1 and 2 in intensity units.

Table 6.1
Emissions Reduction Targets to 2030 (Scopes 1 and 2)

Portfolio Sectors	Baseline 2021	Targets to 2030	% Of reduction to 2030	Scenario
 Energy Generation	0.00 kgCO ₂ e/KWh	0.00	0%	SDA Power - IEA 1.5°C
 Mortgages	13.7 kgCO ₂ e/m ²	8.13 KgCO ₂ e/m ²	41%	IEA B2DS ETP 2017, Residential Mortgages an CRE SBT tool.
 Commercial Real Estate	54.59 kgCO ₂ e/m ²	30.09 KgCO ₂ e/m ²	45%	
 Transportation	199 gCO ₂ e/km	137 gCO ₂ e/km	31%	SDA Transport - IEA B2DS

6.2.1 Mortgages

The analysis of the mortgage portfolio included 2,839 properties with an area of 113,740 m² attributed to the bank. 100% of the area concentrates in residences provided by project developers or urban developers. The quantification of emissions for Scopes 1 and 2 was 1,558 tons of CO₂e for 2021.

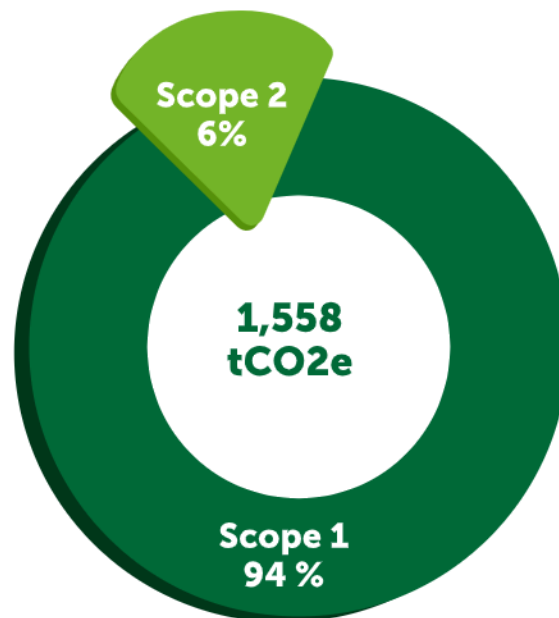


Figure 6.2 Distribution of mortgage portfolio emissions by scope.

The targets set for the mortgage and commercial real estate portfolio focused on the purchase of new and existing buildings. Loans for construction were excluded. The method to calculate the emissions associated with construction financing is not available. For this reason, the NZBA requires the setting of targets for this sector up to 2024.

Graph 6.3 presents the decarbonization trajectory of the mortgage portfolio to reach the intensity target of 8.13 kg CO₂e/m² by 2030.

Carbon Intensity Target (Scope 1 y 2)

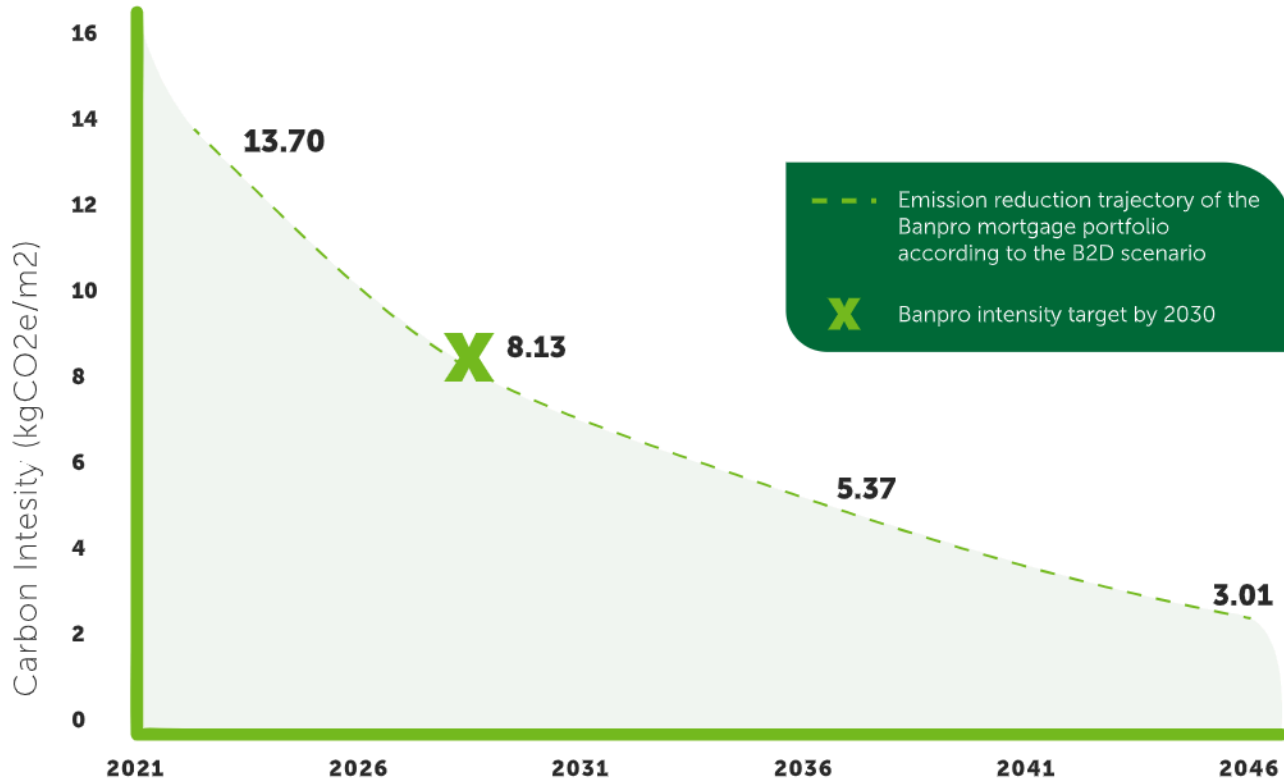


Figure 6.3 Trajectory for the decarbonization of the mortgage portfolio by 2030

Banpro commits to reducing the emission intensity of the mortgage portfolio by 41% by 2030 compared to the base year 2021.

6.2.2 Commercial Real Estate

Sixty-seven (67) assets with an area of 10,370 m² attributed to the bank in 2021 were analyzed.

Productive homes represented 37% of the total area, followed by hotels with 20% and commerce (retail) with 18%. Figure 6.4 shows the total distribution.

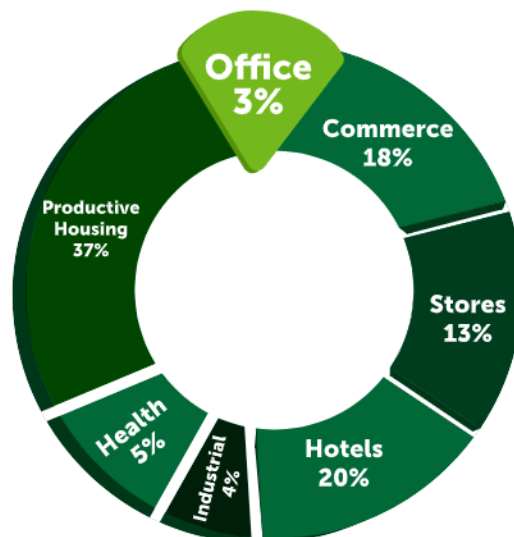


Figure 6.4 Distribution of the area attributed by type of asset, CRE portfolio

Emissions for the commercial real estate sector for Scopes 1 and 2 amounted to 566 tons of CO₂ for 2021.

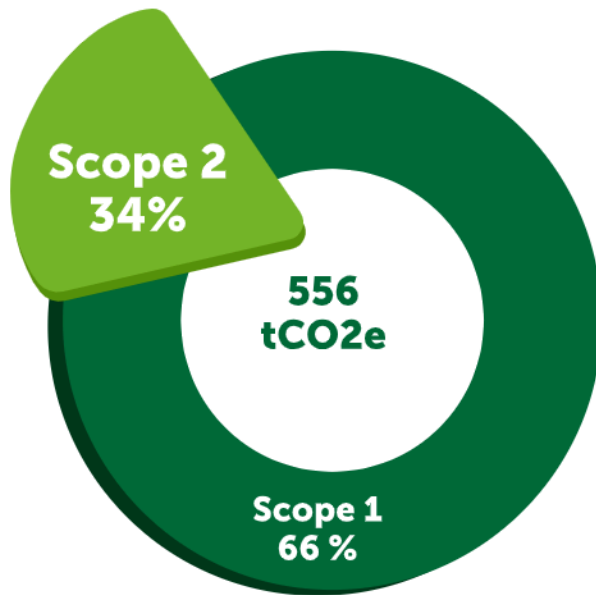


Figure 6.5 Distribution of emissions from the commercial real estate portfolio by Scope

Below is the decarbonization trajectory of the commercial real estate portfolio to reach the intensity goal of 30.09 Kg CO₂e/m² by 2030.

Carbon intensity target (Scopes 1 y 2)



Figure 6.6 Trajectory for decarbonization of the transportation portfolio to 2030

Banpro commits to reducing the emissions intensity of the commercial real estate portfolio by 45% to 2030 compared to the base year 2021

6.2.3 Transportation

3,225 vehicle loans were assessed, estimating 33.4 million kilometers traveled by said fleet in 2021, of which 9.9 million (29%) are attributed to the bank

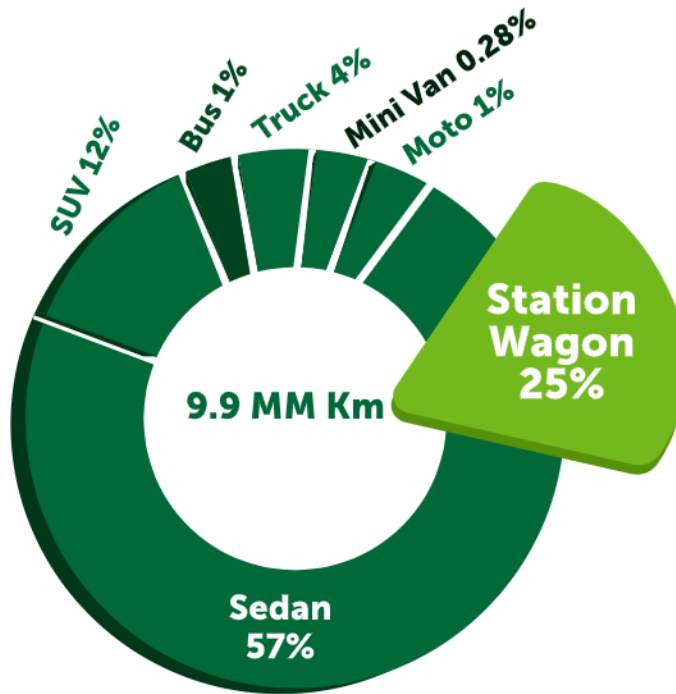


Figure 6.7 Distribution of the distance attributed to the bank by type of vehicle.

To quantify the emissions from the vehicle portfolio, WTW (Well-to-Wheel) emissions were considered, which are used to assess the life cycle of fuels, from the extraction of raw materials to their use (See section 6.1). This approach includes the combustion of vehicles (Scope 1), electricity generation in the

case of electromobility (Scope 2), and indirect emissions from fuel extraction (Scope 3). In the particular case of Banpro, Scopes 1 and 3 were quantified because there are no electrical vehicles in the portfolio.

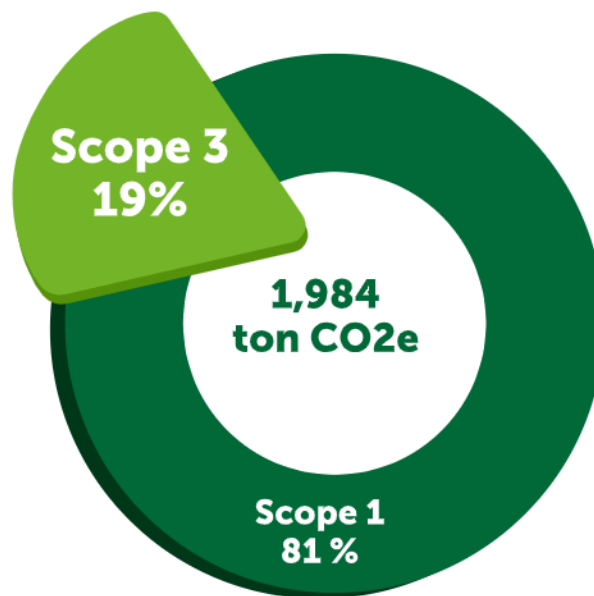


Figure 6.8. Distribution of emissions from the transportation portfolio by Scope

Figure 6.9 shows the decarbonization trajectory of the transportation portfolio to reach the intensity target of 137 gCO₂e/km by 2030 using the WTW approach.

WTW Carbon intensity target (Scopes 1 y 3)

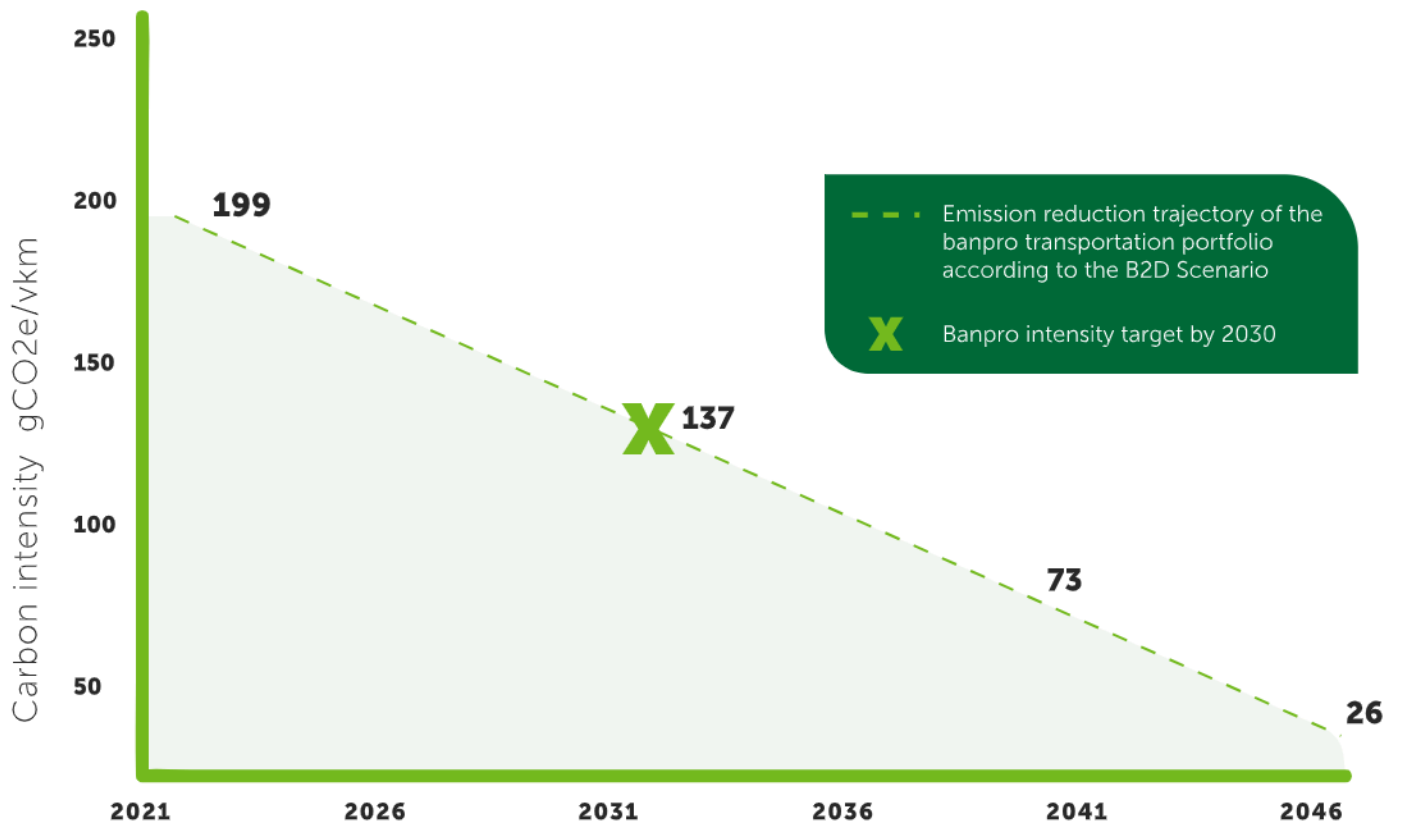


Figure 6.9 Trajectory for decarbonization of the transportation portfolio to 2030.

Banpro commits to reducing emissions intensity of the transportation portfolio by 31% to 2030 compared to the base year 2021



VII. Recommendations

Improvements found focused on the information gathering and data quality processes. The following recommendations apply to the mortgage and commercial real estate portfolios:

**Prioritize compilation of 100% of the surfaces (m2) to improve the level of reliability of the data, in addition to showing what percentage of that area covers communal areas.*

**In the case of buildings with green certifications, gather information of the energy labels.*

**When possible, record the clients' real energy consumption through the Nicaraguan Energy Institute (INE for its Spanish acronym) database using the service identification number (NIS for its Spanish acronym).*

**The assumptions used to estimate energy consumption by building type are based on outdated academic or industry reports. To overcome this barrier, it is necessary*

to promote, together with the interested parties, the implementation of studies that improve the quality of the information.

**Promote the climate transition of the real estate sector through the transfer of knowledge of low-carbon technology, energy audits and the structuring of financial products focused on energy renovation and automation, application of green standards (EDGE, LEED, etc.), as well as the use of clean energy sources.*

**Train credit executives on financing for green buildings and mortgages, in addition to proposing an internal policy that promotes placement of low carbon loans in all of the bank's segments.*

The following recommendations are for the vehicle portfolio:

**Data on the vehicle make, model, year of manufacture and type of fuel are currently available. However, the data on efficiency and the level of emissions is a challenge that can only be addressed by conducting a study aimed at deciding the fuel efficiency (liters/km) or the intensity of emissions (gCO₂e/km) by model type, in addition to estimating the kilometers travelled by geographical area with greater precision.*

**Raise awareness among customers about the benefits of using more efficient and low-emission vehicles through the organization of seminars and the performance of comparative studies that generate a taxonomy of models eligible for green financing.*

**Train credit executives on efficient vehicles or with low emissions (for example, hybrids and electrical).*

**Establish alliances with regulators, importers and other stakeholders to promote the demand for efficient vehicles or with low emissions (micro-mobility, lightweight vehicles, hybrids, electrical, etc.).*

**Direct financing flows towards electric vehicle infrastructure, including smart grids and charging infrastructure, as well as participation in incentive mechanisms for electromobility through public-private alliances.*

**For all evaluated sectors, recommendations include updating the scenarios, assumed and realistic, as long as the methodologies recommended by NZBA allow it.*

VIII. Next Steps

***Publication of the “Climate Transition Plan” in the Third Quarter of 2023**

The plan will aim to helping the climate transition of clients and the bank itself, by capacity building and promotion of low-carbon investments within the most intensive sectors of the credit portfolio.

The plan should prioritize actions according to their level of feasibility, specifying the year of potential implementation, the level of ambition, those responsible, and monitoring indicators.

Decarbonization Pillars: Banpro Grupo Promerica

Internal Capacity Building and Strengthening: Training processes for credit executives, analysts, managers and members of the board of directors on climate-related risks, climate financing as a business opportunity and the improved practices for the decarbonization of the credit and investment portfolio.

Carbon Neutrality and Emissions Reduction Financed: Implement an action plan focused on reducing absolute emissions from operations (corporate footprint); and in the decarbonization of the mortgage, commercial real estate, and transportation sectors by 2030, considering the technical recommendations of the consulting team, for both approaches.

Climate Risk Management: Integrate climate-related risks in the credit processes from a social and environmental risk assessment approach.

Governance and Transparency: Align climate management to the TCFD recommendations so as to find the material risks and opportunities, as well as good practices for the dissemination of climate transition goals and plans.

*** Validate the Process for Setting Decarbonization Targets in 2023.**

As a signatory of the Principles of Responsible Banking (PRB), validation by a third party is needed, both for setting targets and for progress reported at the end of the fourth year (2023).

*** Inclusion of New Sectors**

Start the targets setting process for the following sectors in accordance with NZBA guidelines, as long as the methodologies are available.

*** Progress Report**

Publish annual progress reports on the targets with respect to 2030.

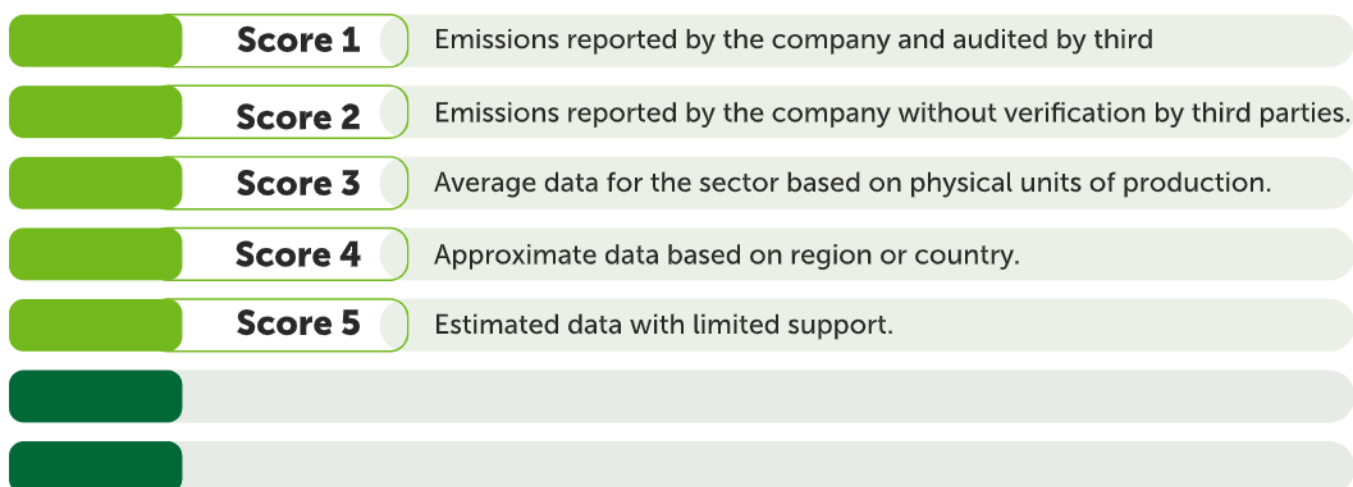
IX. Annexes

1. Methodology for the Quantification of Financed Emissions (Baseline)

The method applied by ECOACT is based on the guidelines of the PCAF standard, which aims to supply a standardized approach to quantify the financed emissions (Baseline) by type of asset in a transparent and comparable manner over time. Quantifying the portfolio's emissions is a necessary input for setting decarbonization targets.

The standard sets up various levels of quality for the data used by financial institutions. The criterion considers the availability and reliability of the data and measures it based on a scale from 1 to 5. That is, the lower the quality of the data, the score is in a range greater than or tending to 5. Financial institutions must use the highest quality available for each asset class and, where proper, improve the quality of the data over time (PCAF, 2020).

Certain



Uncertain

Figure 9.1 Overall data quality score

According to the method, the information gathering process receives a score based on the quality of the data, following the hypotheses and estimates that had to be used to obtain the emissions data.

• Energy Generation

Definition of the type of asset: Financing for the construction and operation of a power plant (Renewable or non-renewable). Emissions related to existing activities outside the project and associated with the company are not reflected.

• Emissions coverage

The absolute emissions of Project Scope 1 and 2 will be reported. Scope 3 emissions must cover

the oil, gas and mining sectors, as long as the methodologies allow it (UNEP FI, 2021).

To calculate the financed emissions of the Power Generation portfolio, the following input data was used for each project:

- Amount disbursed and credit balances in dollars.
- Loan opening and termination dates.
- Total Project investment in dollars (CAPEX).
- Annual (estimated) electricity production per project (kWh) classified by type of project. (e.g., Bunker, Gas, Solar, Aeolic, Biomass) etc.
- Project location (country, department and municipality).

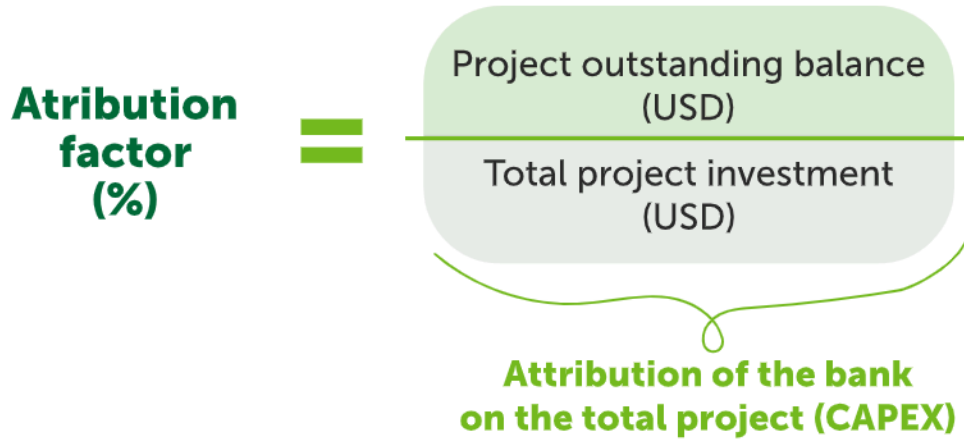


- Emission factors by type of Project and by Scope (1 and 2).

annual emissions of the total project, decided by the amount disbursed (numerator) and the total amount of the project (CAPEX) in percentage terms as of the established date or cut-off.

- **Bank attribution factor over the total project:**

In the case of the attribution over the total project, the bank is only attributed the portion of the



The financed emissions of each of the projects in the energy portfolio were calculated by multiplying the attribution factor by the energy production in

physical units (KWh/year) by the emission factors by the type of energy source (KgCO₂/KWh) .

Financed emissions (ton CO₂e) =

$$\frac{\text{Attribution factor (\%)} \times \text{Energy production (Kwh/año)} \times \text{Emissions factors (KgCO}_2\text{e/Kwh)}}{1,000,000}$$

In the case of projects disbursed in the same year of the quantification (2021), and that have less than one year in force in the portfolio, a temporary apportionment is made, so that the amount of energy counted is proportional to the months of validity of the credit.

The carbon footprint of the energy portfolio was estimated based on kWh/year, type of project and location, that is, it has a level 3 quality for emissions based on physical activity.

³ Los factores de emisión por tipo de fuente energética se tomaron de la base de datos Carbone ADEME 2021.

Mortgages and Commercial Real Estate (SBTI, 2020, p 113-130)

Definition of the Type of Asset:

* *Mortgages: Loans for the purchase and refinancing of homes. The property is used for residential purposes and not for income generating activities (This excludes renovations and constructions).*

* *Commercial Real Estate: Loans to buy or refinance real estate for commercial use (This excludes construction).*

Emissions Coverage:

Absolute Project emissions of Scope 1 and 2 will be reported.

To calculate the financed emissions of the real estate and mortgage portfolio, the following input data (internal and external) was used for each loan:

- * Amount disbursed and credit balances in dollars,
- * Loan opening and termination dates,
- * Total value of the property on the date of loan origination,

- * Location of the project (country, department and municipality),
- * Type of property (house, hotel, office, hospital, etc.),
- * Property Surface in m²,
- * Average energy performance by type of property (Proxy data from Mexico used, source CRREM, 2021),
- * Percentage distribution of energy consumption by type of source (MEM 2019, National Energy Balance),
- * Emission factors for each energy source for Scope 1 and 2 (Source: Carbone ADEME).

Bank attribution factor on the property:

The attribution is equal to the ratio of the outstanding balance at the time of GHG quantification with the total value of the property at the time of origination of the loan. When it is not possible to obtain the original property value, the last listed property value should be used.

Attribution factor (%)



Outstanding balance (USD)

Property value at origination (USD)

The formula to quantify emissions from mortgage and real estate loans considers the bank's attribution factor on the total value of the property multiplied by the annual energy consumption of the property in KWh by the emission factors of each energy source used by the property (Kg CO₂e/kWh).

In the case of Nicaragua, the average energy consumption by type of property was not available; it was necessary to use approximate data from the Carbon Risk Real Estate Monitor 2021 for the calculation. Also, a percentage distribution by type of energy source was established to help obtain emission factors by scopes.

Financed emissions (tonCO₂e)



Attribution factor (%) **X** Energy consumption (Kwh/año) **X** Emission factors (KgCO₂e/Kwh)

1,000,000

Property energy consumption (KWh/año)

Property surface in m2 **X** Property's average energy consumption Kwh $\frac{\text{año}}{\text{m}^2}$

Type of property KWh/m2/año

Residential

Offices

Hotel






Industries

Others






Source: Carbon Risk Real Estate Monitor 2021

The data presented in the tables were used as a reference to show the calculation of emissions by type of energy source for the different scopes.

Like the energy portfolio, a temporary apportionment was made for the loans disbursed during the same year of the quantification (2021), and that have been valid for less than one year in the portfolio.

Type of source	%
 Electricity	80
 Liquid gas	10
 Diesel	5
 Firewood	3
 Others	2

X

Type of source	Emissions factors per scope		
	1	2	3
 Electricity	-	0.30	0.06
 Liquid gas	0.21	-	0.03
 Diesel	0.24	-	0.06
 Firewood	0.53	-	0.8
 Others	0.20	-	0.04

Source: MEM 2019 Energy Balance

Source: IEA (electricity), Carbon Base (Fuel Wood), DEFRA, (LPG and others)



Transportation (PCAF,2020)

Definition of the type of asset: Loans and lines of credit for companies and consumers that finance one or more vehicles; by this we refer to passenger vehicles, motorcycles, light commercial trucks, medium and heavy commercial trucks, recreational vehicles, buses, etc.

Emissions Coverage: Coverage for the vehicle portfolio considers emissions for the complete cycle (Well-to-Wheel), which includes emissions from direct use of fuel combustion (Scope 1), electricity generation for electric vehicles (Scope 2), and upstream emissions generated by obtaining fuel (Scope 3). Emissions in terms of intensity are expressed in grams of carbon per vehicular kilometer (gCO₂e/km) traveled within a WTW range.

For calculations of the transportation portfolio's financed emissions, the following input data (internal and external) was used for each loan:

* Amount disbursed and outstanding loan balance in dollars,

* Loan opening and termination dates,

* Total value of the vehicle on the date of loan origination,

* Type of vehicle (make, model, year of manufacture and fuel) and type of travel (urban/rural),

* Estimated kilometers traveled by type of vehicle and type of urban/rural travel,

* Estimation of kilometers travelled by vehicle during the year.

Attribution factor: A part of the annual emissions of the vehicle portfolio is accounted for according to the relationship between the outstanding balance (numerator) and the total value of the vehicle at the time of the loan origination (denominator).

Financed emissions from a vehicle loan are calculated by multiplying the attribution factor by the vehicle's emissions.

$$\text{Attribution factor (\%)} = \frac{\text{Outstanding balance (USD)}}{\text{Value of the vehicle at the origination (USD)}}$$

For the calculation of vehicle emissions, it was necessary to estimate the distance traveled by the vehicle (e.g., km) by the fuel efficiency of the vehicle (e.g., l diesel/km, kWh electricity/km) by the specific vehicle fuel type emission

factors (e.g., kg CO₂e/Km). The estimation of the kilometers traveled and the emission factors for the transportation portfolio were based on data from the SBT, INSEE, Base Carbone, DEFRA, RITEVE and EcoAct.

$$\text{Financed emissions (tonCO}_2\text{e)} = \text{Attribution factor} \times \text{Vehicle emissions}$$



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