



Sanima Bank



CARBON DISCLOSURE REPORT 2023

(PROJECT FINANCE
PORTFOLIO)



PCAF

Partnership for
Carbon Accounting
Financials



Overview

Sustainable finance has been one of the major developments in the banking sector in recent times. Amidst global warming and climate-change concerns that has been gripping today's world leaders, sustainable finance plays a crucial role in environment risk mitigation. In the present global scenario, greenhouse gas (GHG) emission is a major environmental concern which has led to global warming and climate change. Hence, with the viewpoint to address GHG emission impact of its financial activities, Sanima bank has collaborated with Partnership for Carbon. Accounting Financials (PCAF) for assessing and disclosing its GHG emission figures.

Sanima Bank is committed to sustainable development and is proactively helping communities in achieving financial goals through its increasingly sustainable business model. Furthermore, Sanima Bank is committed toward Environmental and Social responsibilities and has adopted Environmental and Social Risk Management Guidelines. It strictly follows environmental and social risk management lending decisions, and incorporates sustainable financing as the company's core business values. Moreover, the bank has tied-up inclusive lending toward Deprived and Priority Sector for promoting economic growth and reducing poverty. Additionally, the bank has contributed to carbon offsetting and carbon footprint reduction through its investment in Clean Energy Hydropower portfolio under Project Finance: which accounted for about 10.44% of the bank's total loan portfolio in the review period.

Sanima bank became a member of PCAF in September, 2022 with the intent of measuring and disclosing greenhouse gas (GHG) emissions from the bank's financing activities. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose GHG emissions associated with their loans and investments. Though Sanima bank has GHG emission from its own internal operational activities, such emission is not considered significant. However, the indirect GHG emission (Scope 1 and Scope 2 emission) arising from bank's loan and investment activities, i.e., financed emission, is relevant.



Portfolio Details

Sanima bank has used Project Finance portfolio for accessing and measuring its financed emission for FY2022/23. Project Finance portfolio comprises of 16.08% of the bank's total loan exposure. As of July, 2023 (i.e., reporting period end), loan exposure of the bank in Project Finance portfolio comprising of Construction Materials (cement) amounted to € 14.73 Million, Health Care Providers & Services amounted to € 4.00 Million, Hotels amounted to € 9.42 Million, Passenger Airlines amounted to € 1.40 Million, and Hydropower amounted to € 54.18 Million.

Emission Details

Scope 1 absolute emission of Project Finance portfolio is 47,452 ton of CO₂ equivalent, and scope 2 absolute emission is 538 ton of CO₂ equivalent for FY2022/23. *Total Absolute Emission* is 47,990 ton of CO₂ equivalent. Scope 3 emission is not calculated due to unavailability of data but the bank plans to include it in the next reporting cycle. Furthermore, the *Avoided Emission* from hydropower investments of the bank is 9,102 ton of CO₂ equivalent for FY2022/23.

Data Quality Score of Scope 1 & 2 emission

In line with PCAF classification methodology, data quality score for *absolute emission* for scope 1 and 2 emission is 'Score 4', and the methodology option used is 'Option 3a'. Whereas, data quality score for *avoided emission* is 'Score 3', and the methodology option used is 'Option 2b'



Method

Source: Partnership for Carbon Accounting Financials (PCAF)

The bank has used Global GHG Accounting and Reporting Standards for Financial Industry to measure and disclose greenhouse gas emissions for its Project Finance and Corporate Loan portfolios.

Date of data: 17th July, 2022 to 16th July, 2023

Calculation Methodology

GHG emission calculation is based on PCAF Global GHG Accounting Standards for the Financial Industry:

| | |
|------------------------------|---|
| Classification Type | Exiobase Sector Classification |
| Emission Option | Economic Activity Based |
| Activity Variable | Revenue |
| Region/ Country | RoW (Rest of the World) Asia Pacific is used for absolute emission since Nepal-specific emission factors are not available. However, Nepal-specific emission factor is used for avoided emission. |
| Emission Factor Source/ Year | PCAF Database 2019 |

Result: Absolute Emission

Below is the disclosure of absolute emission arising from different sectors that fall under Project Finance Portfolio of the bank:

| Asset Class | Global Industry Classification Standard (GICS) | Bank's Exposure (€ '000) | Absolute Emission (tCO ₂ e) | | Total Absolute Emission, tCO ₂ e (Scope 1 + Scope 2) | Emission Intensity (tCO ₂ e/ € M) | Weighted Data Quality Score |
|-----------------|--|--------------------------|--|------------------|---|--|-----------------------------|
| | | | Scope 1 Emission | Scope 2 Emission | | | |
| Project Finance | Construction Material (cement) | 14,730.38 | 46,842.75 | 477.50 | 47,320.25 | 3,212.43 | Score 4, Option 3a |
| | Health Care Providers & Services | 4,002.67 | 20.72 | 9.98 | 30.70 | 0.00001 | Score 4, Option 3a |
| | Hotels | 9,423.33 | 47.34 | 42.56 | 89.90 | 9.54 | Score 4, Option 3a |
| | Passenger Airlines | 1,402.67 | 541.35 | 8.10 | 549.45 | 391.72 | Score 4, Option 3a |
| Total | | 29,559.05 | 47,452.16 | 538.14 | 47,990.30 | | |

- ▶ Absolute Emission Result shows that Construction Materials (cement) sector has the highest CO₂ equivalent emission which accounts for 98.60% of the total absolute emission. It is followed by Passenger Airlines sector that accounts for 1.15% of the total absolute emission. Thirdly, Hotels sector accounts for 0.19% of the total absolute emission. And lastly, Health Care Providers & Services sector accounts for only 0.06% of the total absolute emission.

Result: Avoided Emission

Below is the disclosure of avoided emission from Hydropower sector that falls under Project Finance Portfolio of the bank:

| Global Industry Classification Standard (GICS) | Bank's Exposure (€ in '000) | Avoided Emission (tCO ₂ e) | Weighted Data Quality Score |
|--|-----------------------------|---------------------------------------|-----------------------------|
| Renewable Electricity (Hydropower) | 54,180.98 | 9,101.52 | Score 3, Option 2b |

- ▶ Avoided Emission is calculated using the difference between Nepal's GHG emission from Total Energy Supply and GHG emission from run-of-river Hydropower. Nepal's total energy supply comprises of coal, oil, biofuel and waste, hydropower, and other sources.
- ▶ Besides the 14 operational hydropower projects that were used to calculate the bank's avoided GHG emission, Sanima Bank has invested in additional 17 hydropower projects that are under construction and has additional 6 hydropower projects under its pipeline. Therefore, the bank forecasts an increased amount of avoided emission in the future as more financed hydropower projects become operational thereby increasing the bank's avoided emission.

Conclusion

Sanima bank has incorporated various loan projects in cement, health care providers and services, hotels, passenger airlines, and hydropower for measuring and disclosing its GHG emissions. It aims to further expand its GHG disclosure portfolio by including Retail Loan portfolio (home mortgage and motor vehicle) and Corporate Loan portfolio in the future. Furthermore, Sanima bank is committed to include scope 3 emission of its loan portfolios starting from the next reporting cycle. Total absolute emission arising from bank's Project Finance portfolio for FY2022/23 is 47,990 ton of CO₂ equivalent, and the avoided emission arising from bank's hydropower investment for FY2022/23 is 9,102 ton of CO₂ equivalent. Sanima bank intends to reduce its net carbon emission by restructuring and reallocating bank's loans and investments, and by expanding the bank's clean energy portfolio in hydropower and solar.

Production : SANIMA BANK LIMITED, NEPAL

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References : • PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry. First Edition.

• PCAF Database, 2019

