



Greenhouse Gas Emissions of Siddhartha Bank's Project Finance and Business Loan Portfolio

For Nepalese Fiscal Year 2080/81

Reporting Year: 17th July 2023 to 15th July 2024



Source: Partnership for Carbon Accounting Financials (PCAF)

Portfolio: Project Finance & Business Loan Portfolio

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OVERVIEW

As a continued efforts towards quantifying its greenhouse gases (GHG) emissions, Siddhartha Bank Limited presents its GHG emissions disclosure for reporting year 2023/24 following the guidelines of Partnership for Carbon Accounting Financials (PCAF) of its Scope 3 Category 15 (Financed Emissions). Following the previous disclosure, this emission disclosure is from the Bank's investment in assets classes "Project Finance" and "Business Loans and Unlisted Equity" which covers 74.32% of the Bank's total portfolio.

The Bank has not disclosed its emission from other assets classes due to the limited data availability and resources constraints. The Bank shall try to expand its scope of emission to include other assets classes in its future disclosures.

DISCLOSURE METHOD

The Bank has referred International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 Industry Classification to Exiobase Industry Classification. The analysis is based on regional emission factors at industry level of ISIC Code available from the PCAF database last updated on September 2024. The Exiobase Industry Classification 2019 database has been referred with Emerging Economies, Regional average database values due to unavailability of country specific data. The Bank has used financial control consolidation approach as its general disclosure criteria as under the methodology option 5 (3b), only the Bank financed portfolio outstanding has been considered.



ASSUMPTIONS

The calculations are made based on the methodology as defined by the PCAF Global GHG Accounting and Reporting Standard.

| Classification Type | Exiobase Sector Classification |
|---|--|
| Emission Options | Economic Activity Based Emissions |
| Activity Variable | Assets |
| Country | Emerging Economies Emission/Regional Averages |
| Emission Factor Source/Year | PCAF Database 2019 |
| Inflation Correction for emission factors | Year 2024 |
| Currency Exchange Rate | 1 Euro = 146.54 NPR as on reporting date of 15 th July 2024 |

DATA QUALITY SCORE

Based on the PCAF methodology, Emission Factor Option used for calculating emission was 'Economic Activity' based emission option with activity variable as 'Assets'. Hence, the Data Quality Score considered is Score 5 and Data Option considered is 3b. Siddhartha Bank shall endeavor to improve its Data Quality Score in the future.

| Asset Class | Data Quality Score | Data Option |
|------------------------------------|--------------------|-------------|
| Project Finance | 5 | 3b |
| Business Loans and Unlisted Equity | 5 | 3b |

PORTFOLIO DETAILS



Exposure to Energy Projects is 108.69 Euro million, representing 7.82% of the total portfolio.



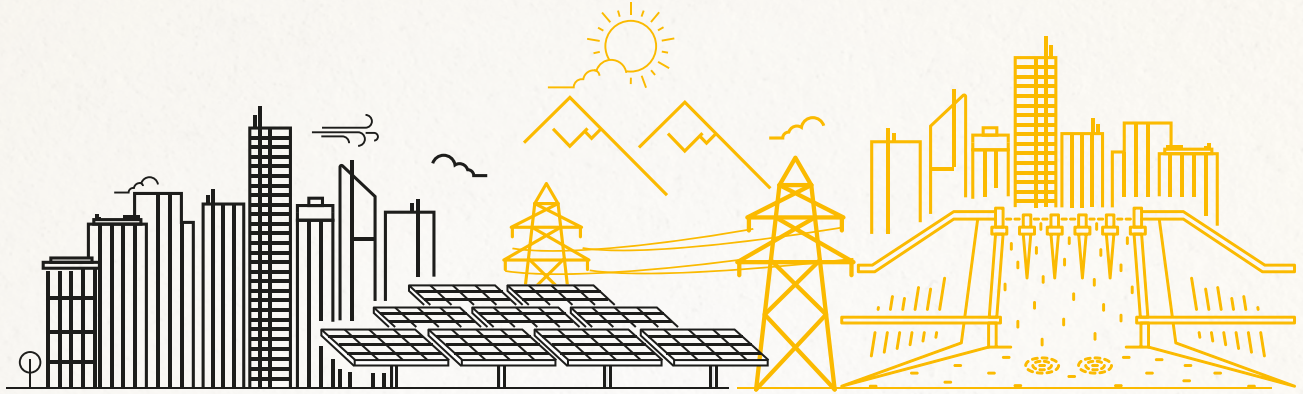
Exposure to Project Finance is 130.99 Euro million, representing 9.43% of the total portfolio.



Exposure to Business Loans is 792.77 Euro million, representing 57.07% of the total portfolio.

Total industry exposure amounts to 1,032.44 Euro million, covering 74.32% of the total portfolio of 1,389.11 Euro million.

As on 15th July 2024, Siddhartha Bank's Energy portfolio mainly consisting of Energy Projects (hydropower projects) comprised 7.82%, Project Finance portfolio comprised 9.43% and Business Loans comprised 57.07% of its total loan portfolio respectively.



DISCLOSURE RESULTS

Absolute Emission (except Renewable Energy)

| Industry | Exposure (Euro Million) | Scope 1 (tCO ₂ e) | Scope 2 (tCO ₂ e) | Total Emission (tCO ₂ e) | Emission Intensity (tCO ₂ e/ Euro Million) | Data Quality Score |
|-----------------|-------------------------|------------------------------|------------------------------|-------------------------------------|---|----------------------|
| Project Finance | 189.46 | 209,838.90 | 2,889.80 | 212,728.70 | 1,122.82 | Score 5, Option 3(b) |
| Business Loans | 792.77 | 123,498.33 | 56,653.06 | 180,151.39 | 227.24 | Score 5, Option 3(b) |
| Total | 982.22 | 333,337.23 | 59,542.86 | 392,880.09 | 399.99 | |

tCO₂e = Tonnes of Carbon Dioxide equivalent

The total GHG Emission from the Project Finance portfolio of the Bank totalled to be 212,728.70 tCO₂e while the emissions from the Business Loans portfolio of the Bank totalled to be 180,151.39 tCO₂e making the total GHG Emission for the reporting period for the assets classes to be 392,880 tCO₂e. The emission intensity for Project Finance portfolio and Business Loans portfolio of the Bank totalled 399.99 tCO₂e / Million Euro.

The emission is noted to be 75.76% increment in total absolute emission from the last reporting with a notable 11.24% increment in the total portfolio considered for the disclosure. This has been contributed to the inclusion of under construction hydropower projects in the Project Finance portfolio which previously had not been included. This inclusion has resulted in increment in the absolute emission. The growth in the other sectors in the Project Finance asset class has been minimal with even decrease in the portfolio of cement sector. Furthermore, the Business Loans portfolio have shown a marginal increase of 5.04% while the emission in the

asset class have shown a marginal decline. This change in absolute emissions shall reflect the various portfolio and sectors the Bank decides to include in its disclosure now and in the future. Some variation are also contributed by the revision in the emission factor on the latest version of the PCAF database updated by PCAF on the latest information available.

Asset Class wise GHG Emissions

Sector wise breakdown of the absolute emission for the Project Finance portfolio

| Sectors | Scope 1 (tCO ₂ e) | Scope 2 (tCO ₂ e) | Absolute Emission (tCO ₂ e) |
|--|------------------------------|------------------------------|--|
| Hydropower Projects (Under construction) | 141,009.52 | - | 141,009.52 |
| Airlines | 4,455.90 | 161.56 | 4,617.45 |
| Cement | 40,542.49 | 1,646.74 | 42,189.24 |
| Steel | 23,298.05 | 722.69 | 24,020.74 |
| Health Service | 347.31 | 234.93 | 582.24 |
| Hospitality | 185.64 | 123.88 | 309.51 |
| Total | 209,838.90 | 2,889.80 | 212,728.70 |

Findings

The highest emitter in the project finance sector are hydropower projects which are presently under construction with 141,009.52 tCO₂e and have not yet started generating electricity. Additionally, Siddhartha Bank also has substantial exposure in construction sector especially cement and steel industries consequently those sectors were the highest emitter after hydropower plants amongst the project finance portfolio with a combined absolute emission of 66,209.98 tCO₂e. The total absolute emission from the project finance assets class for the Bank totaled to 212,728.70 tCO₂e.



Sector wise breakdown of the absolute emission for the Business Loans portfolio

| Sectors | Scope 1 (tCO ₂ e) | Scope 2 (tCO ₂ e) | Absolute Emission (tCO ₂ e) |
|----------------------|------------------------------|------------------------------|--|
| Agriculture | 74,174.41 | 30,045.58 | 104,219.99 |
| Mining | 3,680.25 | 486.29 | 4,166.55 |
| Manufacturing Units | 19,664.64 | 17,302.94 | 36,967.58 |
| Construction | 193.61 | 46.39 | 239.99 |
| Energy | 440.73 | 14.98 | 455.72 |
| Metal Products | 381.36 | 301.15 | 682.51 |
| Communication | 148.35 | 63.79 | 212.13 |
| Wholesaler & Retail | 24,177.77 | 8,001.73 | 32,179.49 |
| Tourism | 88.51 | 41.02 | 129.53 |
| Educational Services | 367.69 | 205.17 | 572.86 |
| Financial Services | 181.01 | 144.02 | 325.04 |
| Grand Total | 123,498.33 | 56,653.06 | 180,151.39 |

Findings

Of the business portfolio of Siddhartha Bank, the three highest emitter of GHG emissions include Agriculture sector with 104,219.99 tCO₂e, Manufacturing sector with 36,967.58 tCO₂e followed by Wholesale and Retail sector with 32,179.49 tCO₂e absolute emissions. In comparison to these three sectors, the other sectors have minimal GHG emissions.



AVOIDED EMISSIONS FROM RENEWABLE ENERGY

Siddhartha Bank has a significant exposure in hydropower sector which is a move towards investment in renewable energy that will ultimately reduce the use of fossil fuel. Some projects are under construction which shall generate electricity in the near future replacing the use of fossil fuel resulting in avoidance of emission. Siddhartha Bank's exposure in hydropower portfolio including only those projects which have already started generating electricity as a renewable source of energy and the corresponding avoidance of emission can be reflected as below:



| Industry | Portfolio (In Euro Million) | Avoided Emissions (tCO ₂ e) | Emission Intensity (tCO ₂ e/Euro Million) | Data Quality Score |
|---|--------------------------------|--|---|-----------------------|
| Electricity Generation from Hydropower | 50.215 | 2,629.69 | 52.37 | Score 3, Option (2b) |

SCOPE 3 EMISSIONS

Following the PCAF guidelines, the scope 3 emissions are to be separately disclosed from the absolute emissions. Since the Bank has considered assets classes 'Project Finance' and 'Business Loans and Unlisted Equity' the Scope 3 Emissions have been disclosed as below:



The Project Finance portfolio has an exposure of 189.46 Euro million, with Scope 3 emissions totaling 94,742.27 tCO₂e. The emission intensity stands at 500.07 tCO₂e per Euro million, The data quality is rated as Score of 5, Option 3(b)



The Business Loans portfolio has an exposure of 792.77 Euro million, with Scope 3 emissions totaling 264,183.92 tCO₂e. The emission intensity stands at 333.24 tCO₂e per Euro million, The data quality is rated as Score of 5, Option 3(b)

The total exposure amounts to 982.22 Euro million, with Scope 3 emissions totalling 358,926.19 tCO₂e. The emission intensity stands at 365.42 tCO₂e per Euro million.

Sector wise segregation of the Scope 3 emissions are as below

PROJECT FINANCE

| Sectors | Exposure (Euro Million) | Scope3 (tCO ₂ e) | Emission Intensity (tCO ₂ e/Euro Million) | Data Quality Score |
|---|----------------------------|--------------------------------|---|-----------------------|
| Hydropower Projects (Under construction) | 58.47 | 58,938.16 | 1,007.99 | Score 5, Option 3(b) |
| Airlines | 20.17 | 3,608.70 | 178.94 | Score 5, Option 3(b) |
| Cement | 13.14 | 8,163.89 | 621.41 | Score 5, Option 3(b) |
| Steel | 29.49 | 17,623.82 | 597.66 | Score 5, Option 3(b) |
| Health Service | 26.64 | 3,688.86 | 138.47 | Score 5, Option 3(b) |
| Hospitality | 41.55 | 2,718.83 | 65.43 | Score 5, Option 3(b) |
| Total | 189.46 | 94,742.27 | 500.07 | |

BUSINESS LOANS

| Sectors | Exposure (Euro Million) | Scope3 (tCO ₂ e) | Emission Intensity (tCO ₂ e/Euro Million) | Data Quality Score |
|-----------------------|----------------------------|--------------------------------|---|-----------------------|
| Agriculture | 112.27 | 55,017.27 | 490.03 | Score 5, Option 3(b) |
| Mining | 4.24 | 1,964.75 | 463.73 | Score 5, Option 3(b) |
| Manufacturing Units | 172.06 | 88,761.87 | 515.88 | Score 5, Option 3(b) |
| Construction | 23.46 | 4,581.55 | 195.26 | Score 5, Option 3(b) |
| Energy (except Hydro) | 1.69 | 1,069.95 | 633.3 | Score 5, Option 3(b) |
| Metal Products | 17.11 | 7,598.76 | 444.01 | Score 5, Option 3(b) |
| Communication | 7.64 | 1,626.95 | 212.86 | Score 5, Option 3(b) |
| Wholesaler & Retail | 325.36 | 99,157.67 | 304.76 | Score 5, Option 3(b) |
| Tourism | 10.82 | 755.66 | 69.83 | Score 5, Option 3(b) |
| Educational Services | 31.13 | 2,382.71 | 76.55 | Score 5, Option 3(b) |
| Financial Services | 86.98 | 1,266.77 | 14.56 | Score 5, Option 3(b) |
| Total | 792.77 | 264,183.92 | 333.24 | |

EMISSIONS RECALCULATION AND SIGNIFICANCE THRESHOLD

The Bank may consider recalculation of the base year emissions guided by the consideration of the Corporate GHG Protocol, under certain circumstances such as:

1. 10% change in the emissions inventory threshold if deemed necessary as per the circumstances
2. Structural changes in the organization such as merger and acquisitions
3. Changes in the calculation methodology or improvement in the accuracy of emission factors or activity data that may pose a significant impact on the base year emission data or change in the consideration of base year emission depending on the calculation methodology and data availability
4. Discovery of significant errors, or a number of cumulative errors, that are collectively significant

CONCLUSION

This is the continuation to the disclosure of GHG emissions of the Bank that presently covers the “Project Finance” and “Business Loans and Unlisted Equity” assets classes. The Bank shall endeavor to include additional asset classes and better data quality for computing its GHG emissions in the future.

In alignment to its strategic vision, Siddhartha Bank is dedicated to establishing a comprehensive and resilient Environmental, Social, and Governance (ESG) system. This includes aligning internal policies and procedures with ESG principles, streamlining operational processes to support carbon reduction goals, and implementing a robust reporting mechanism to assess the environmental and social performance of the Bank, its clients, and other stakeholders. Furthermore, Siddhartha Bank aims to enhance its business operations through the adoption of sound corporate governance practices, thereby reinforcing its commitment to long-term sustainability.





Head Office: Naxal, Kathmandu, Nepal
P.O.Box: 13806, Phone: +977 1 5970720
Fax: 977 1 4442921, SWIFT: SIDDNPKA
info@sbl.com.np