



# Siddhartha Bank Limited

## Greenhouse Gas Emissions of SBL's Project Finance and Business Loan Portfolio

For Nepalese Fiscal Year 2079/80  
Reporting Year: 17<sup>th</sup> July 2022 to 16<sup>th</sup> July 2023

## Overview

Siddhartha Bank runs with a vision to be the digital first Bank for sustainable growth and its mission statement is Customer delight by offering diverse products and services digitally for stakeholder's prosperity and sustained growth. Lately, the Bank has emphasized ESG as one of its important pillars for sustainability. It's been nearly one and half year that the Bank has established a separate ENS Division within the Credit Risk Department for focused environmental and social activities both within its operation and credit function.

Siddhartha Bank Limited is making its first attempt at disclosing its GHG emission from its financed investments as a crucial step towards transparency and accountability in addressing climate change. With the country already setting the target for Net-zero emission by 2045 it became a necessity for the Bank to disclose its Green House Gas Emission. While the Bank is responsible for its Scope 1 and Scope 2 emission from its direct operations, the GHG emissions arising from the Bank's financed investments are significantly higher than its own direct emissions. Understanding the impact of the Bank's financed investment's impact on GHG emissions, Siddhartha Bank Limited became a signatory for Partnership for Carbon Accounting Financials (PCAF) standard to attempt to disclose its financed emissions in July 2023. Hence, this emission disclosure is from the Bank's investment in assets classes "Project Finance" and "Business loans and Unlisted Equity" comprising the Scope 3 for Category 15 emissions disclosure under the PCAF standard.

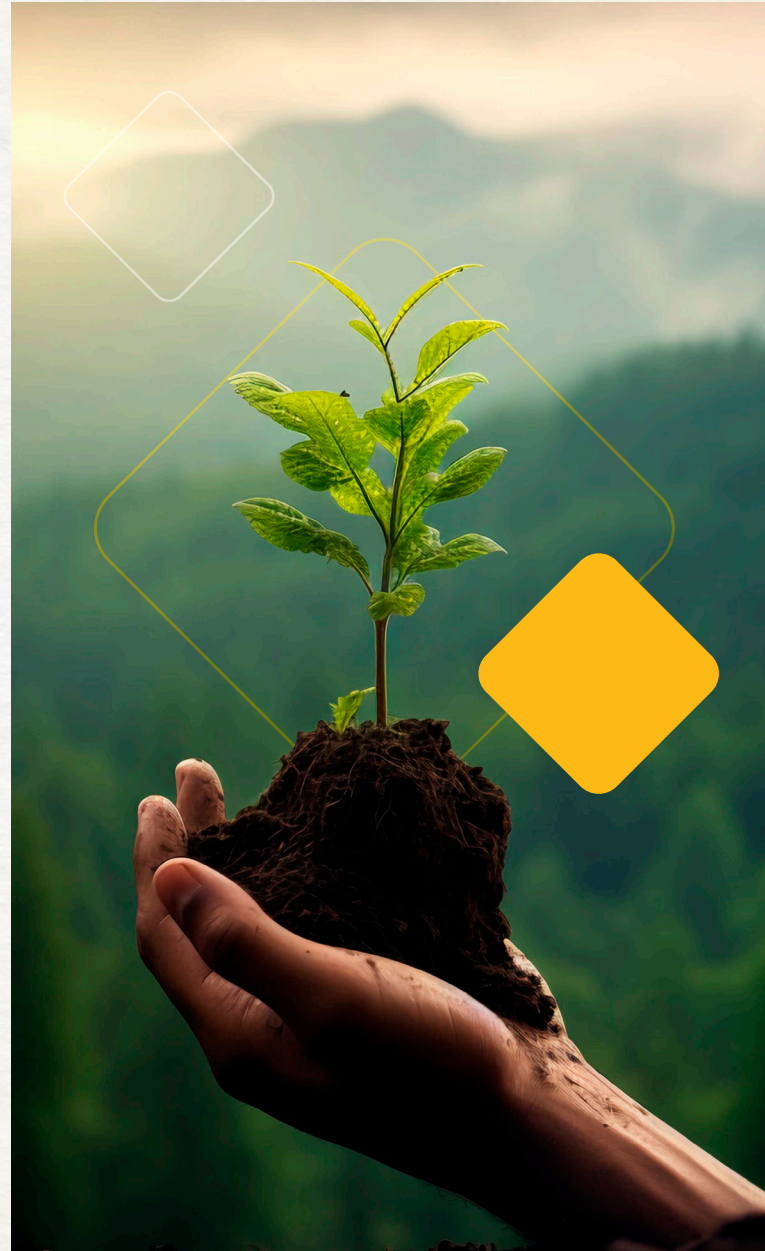
The Bank is initiating with disclosure of its "Project Finance" and "Business Loans and Unlisted Equity" asset classes due to limited data availability for other assets classes. The Bank shall try to include the emissions from the other assets classes in its future disclosures. This disclosure shall also form the base year disclosure for the Bank for future disclosure comparisons.

## 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 2023. The Exiobase Industry Classification 2019 database has been referred with Emerging Economies, Regional average database values due to unavailability of country specific data.

## 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 2022
Currency Exchange Rate	1 Euro / NPR 148.20 as on reporting date of 16th July 2023

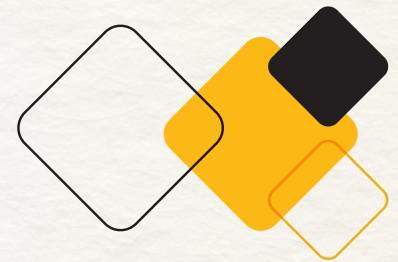
## Data Quality Score

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

Industry	Exposure (Euro Million)	Total Portfolio	% Covered
Energy Projects	87.58		6.80%
Project Finance	128.45		9.97%
Business Loans	754.75		58.59%
Total	970.78	1,288.13	75.36%



As on 16<sup>th</sup> July 2023, Siddhartha Bank's Energy portfolio mainly comprising of Hydropower Projects comprised 6.80%, Project Finance portfolio comprised of 9.97% and Business Loans comprised of 58.59% of its total loan portfolio respectively.



## Disclosure Results (except Renewable Energy)

### Absolute Emission

Asset Class	Exposure (Euro Million)	Scope 1 tCO <sub>2</sub> e	Scope 2 tCO <sub>2</sub> e	Total Emission (tCO <sub>2</sub> e)	Emission Intensity (tCO <sub>2</sub> e/M. Euro)
Project Finance	128.45	39,748.70	2,706.35	42,455.05	330.53
Business Loans	754.75	158,669.69	22,406.09	181,075.79	239.91
Grand Total	883	198,418	25,112	223,531	253.15

The total GHG Emission from the Project finance portfolio of the Bank totaled to be 42,455.05 tCO<sub>2</sub>e while the emissions from the Business Loans Portfolio of the Bank totaled to be 181,075.79 tCO<sub>2</sub>e making the total GHG Emission for the reporting period for the assets classes to be 223,531 tCO<sub>2</sub>e. The emission intensity for Project Finance portfolio and Business Loans portfolio of the Bank totaled 253.15 tCO<sub>2</sub>e / Million Euro.

### Asset class wise GHG emissions

Sector wise breakdown of the absolute emission for the Project Finance Asset class portfolio:

Sectors	Scope 1 tCO <sub>2</sub> e	Scope 2 tCO <sub>2</sub> e	Absolute Emission tCO <sub>2</sub> e
Airlines	8,985.19	41.49	9,026.68
Cement	18,283.41	929.86	19,213.27
Steel	11,612.12	1,149.63	12,761.75
Health Service	257.85	120.34	378.19
Hospitality	610.12	465.04	1,075.16
Total	39,748.70	2,706.35	42,455.05

#### Findings:

Siddhartha Bank has substantial exposure in construction sector especially cement and Steel Industries consequently those sectors were the highest emitter amongst the project finance portfolio with absolute emission of 19,213.27tCO<sub>2</sub>e and 12,761.75 tCO<sub>2</sub>e making the total for the construction sector to be 31,975.02 tCO<sub>2</sub>e. The second highest emitter of GHG is the airlines industry with 9,026.68 tCO<sub>2</sub>e. The total absolute emission from the project finance assets class for the Bank totaled to 42,455.05 tCO<sub>2</sub>e.

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

Sectors	Scope 1 tCO <sub>2</sub> e	Scope 2 tCO <sub>2</sub> e	Absolute Emission tCO <sub>2</sub> e
Agriculture	119,068.47	7,904.62	126,973.09
Mining	2,271.88	288.23	2,560.11
Manufacturing Units	14,114.44	6,811.16	20,925.60
Construction	770.00	108.20	878.20
Energy	899.25	52.48	951.73
Metal Products	644.65	277.22	921.86
Communication	392.90	143.38	536.27
Wholesaler & Retail	18,008.73	5,886.78	23,895.51
Tourism	171.83	130.00	301.83
Educational Services	451.31	277.93	729.24
Financial Services	1,876.23	526.11	2,402.34
Grand Total	158,669.69	22,406.09	181,075.79

#### Findings:

Of the business portfolio of Siddhartha Bank, the three highest emitter of GHG emissions include Agriculture with 126,973 tCO<sub>2</sub>e, Wholesale and Retail sector with 23,895.51 tCO<sub>2</sub>e followed by Manufacturing Industries with 20,925.60 tCO<sub>2</sub>e absolute emissions. In comparison to these three sectors, the other sectors have minimal GHG emissions.

## Avoided Emissions from renewable energy

Siddhartha Bank limited has a significant exposure in hydropower sector which is a move towards investment in renewable energy that will ultimate reduce the use of fossil fuel. These hydropower projects generates electricity that shall replace the use of fossil fuel resulting in avoidance of emission. Siddhartha Bank’s exposure in hydropower portfolio as a renewable source of energy and the corresponding avoidance of emission can be reflected as below:

Sectors	Portfolio (In Euro Million)	Avoided Emissions (tCO <sub>2</sub> e)	Emission Intensity (tCO <sub>2</sub> e/M. Euro)
Electricity Generation from Hydropower	87.58	3,798.49	43.37

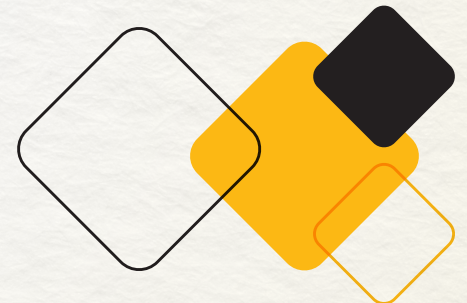
## Scope 3 Emissions

Following the PCAF guidelines, the scope 3 emissions are to be separately disclosed from the absolute emissions. For reports published from 2023 onwards, Scope 3 emissions for the below listed sectors are to be separately disclosed:

- At least Energy (oil & Gas) mining.
- At least transportation, construction, buildings, materials and industrial activities.

Since, the Bank’s considered portfolio for this disclosure only includes assets classes “Project Finance” and “Business Loans and Unlisted Equity”, the scope 3 emission for Energy, Mining, Construction and Manufacturing (industrial activities) sectors are disclosed as below:

Industry	Portfolio (In Euro Million)	Scope 3 Emission
		tCO <sub>2</sub> e
Energy (Oil and Gas)	1.77	468.78
Mining	4.23	1,553.16
Construction	22.35	5,987.89
Manufacturing (Cement)	18.88	10,818.29
Manufacturing (Steel)	26.24	13,029.72
Manufacturing (Other)	158.88	1,553.16
Grand Total		33,411



## Conclusions

This is the Bank's first attempt at disclosing its GHG Emissions and the Bank shall endeavor to include GHG emissions of other assets classes in the future. The Bank shall also try to improve its data quality score in the future with client engagements.

The accounting of the GHG emission of the Bank's portfolio shall help establish a robust strategy towards achieving net zero. We have been focusing on financing of electric vehicles as a medium on increasing our climate finance portfolio. Furthermore, we have also been focusing on minimizing our carbon footprints by going digital on as many platforms as possible for Bank's internal operations, reducing the use of paper. The Bank has also been emphasizing in environmentally friendly resources in the office premises and is focusing on building a Green DNA amongst its staff in order to instill the sustainable practices within the organization culture as sustainability has also been emphasized as one of the strategic pillars of the Bank.

Way ahead, SBL aims to have a robust ESG system in place by aligning its policies and procedures, streamlining of Bank's operation towards achieving carbon minimization, robust reporting mechanism to analyze E&S status of the Bank, its clients, other stakeholders for further improvement, Refined Business Operations by good Corporate Governance Practices and a green DNA instilled in its stakeholders for way forward towards sustainability.





**Siddhartha**Bank

Relationship Forever

