Net Zero Emission Target Setting Disclosure

Our path to

Supporting Bangladesh’s transition to a low-carbon economy
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List of abbreviations

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<tr>
<th>Abbreviation</th>
<th>Descrition</th>
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<tbody>
<tr>
<td>ATM</td>
<td>Automated teller machine</td>
</tr>
<tr>
<td>APIs</td>
<td>Active Pharmaceutical Ingredients</td>
</tr>
<tr>
<td>BaU</td>
<td>Business-as-Usual</td>
</tr>
<tr>
<td>BAPI</td>
<td>Bangladesh Association of Pharmaceutical Industries</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<tr>
<td>CBL</td>
<td>The City Bank Limited</td>
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<tr>
<td>CCUS</td>
<td>Carbon Capture, Usage and Storage</td>
</tr>
<tr>
<td>CDM</td>
<td>Cash Deposit Machine</td>
</tr>
<tr>
<td>DGDA</td>
<td>Directorate General of Drug Administration</td>
</tr>
<tr>
<td>E&amp;S</td>
<td>Environment &amp; Social</td>
</tr>
<tr>
<td>GFANZ</td>
<td>Glasgow Financial Alliance for Net Zero</td>
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<tr>
<td>GHG</td>
<td>Greenhouse Gases</td>
</tr>
<tr>
<td>GWh</td>
<td>Gigawatt hours</td>
</tr>
<tr>
<td>IEA</td>
<td>International Energy Agency</td>
</tr>
<tr>
<td>ktCO₂e</td>
<td>kilotons of carbon dioxide equivalence</td>
</tr>
<tr>
<td>MWh</td>
<td>Megawatt Hour</td>
</tr>
<tr>
<td>NZBA</td>
<td>Net-Zero Banking Alliance</td>
</tr>
<tr>
<td>NZE</td>
<td>Net Zero Emissions</td>
</tr>
<tr>
<td>PCAF</td>
<td>Partnership for Carbon Accounting Financials</td>
</tr>
<tr>
<td>RMG</td>
<td>Readymade Garments</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosures</td>
</tr>
<tr>
<td>tCO₂e</td>
<td>Tonnes of Carbon dioxide equivalence</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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</table>
Executive Summary

Climate change has emerged as one of the most pressing challenges of our time. With global consensus through agreements like the Paris Climate Agreement and the Glasgow Climate Pact, the urgency of addressing this challenge has become increasingly clear. These agreements call for limiting global warming to 1.5°C above pre-industrial levels and achieving net-zero greenhouse gas (GHG) emissions by 2050. The government of Bangladesh has submitted its Nationally Determined Contribution (NDC) in alignment with the Paris Agreement, outlining targets for reducing carbon emissions. At City Bank, a responsible financial institution, we are not only dedicated to reducing our own GHG emissions but also to enabling our clients to decrease their carbon footprint.

In 2022, City Bank joined the UN’s Net-Zero Banking Alliance (NZBA), signifying our commitment to achieving net-zero emissions. As an NZBA signatory, we’ve set targets for Scope 3 financed emissions, guiding a shift from high-emission to low-carbon financing. Recognized as a top sustainable bank for three consecutive years (2020, 2021 & 2022) by Bangladesh Bank, the central bank of Bangladesh, and awarded for our sustainable practices by the German Agency for International Cooperation (GIZ) and Bangladesh Institute of Bank Management (BIBM), and as the Best Sustainable Finance Bank in Bangladesh by Global Finance, a US-based leading financial publication, in 2022, we've shown unwavering dedication to sustainability. City Bank thus voluntarily setting these targets as a committed and good corporate citizen of the planet earth.

City Bank’s Net Zero ambition

City Bank is deeply committed to addressing climate change, recognizing the urgency of additional measures. Aligned with the Paris Agreement, our goal is to contribute to this global initiative of limiting global warming to 1.5°C above pre-industrial levels and achieve net-zero greenhouse gas (GHG) emissions by 2050. We approach this with careful planning and well-defined targets, understanding the intricacies and challenges.

Our commitment involves setting quantifiable, time-bound GHG reduction targets across our operations and financing activities. We actively engage in discussions and actions to expedite global efforts by 2030 towards net-zero by 2050. We've outlined our net-zero trajectory and targets for three major sectors namely Power, RMG & Textile, and Pharma, focusing on sector-specific goals. By adhering to these targets, we're driving the transition to sustainability, fostering growth, and protecting stakeholders from climate risks, positioning them to benefit from this global shift.

Our vision is to lead as a sustainable bank, but success depends on our clients' actions in reducing their carbon footprint. We plan to measure annual progress, periodically review targets, and integrate them into our financing and client engagement through our tailor made advisory and external consultations. Through these measures, we aim to make a lasting contribution to the global initiative for a sustainable future.
City Bank is committed to playing its part by contributing to a 1.5-degree net zero pathway.
1. Introduction

The world must limit global warming to 1.5°C above pre-industrial levels to avoid the worst effects of climate change, which will require global greenhouse gas (GHG) emissions to decline by nearly half (from 2010 levels) by 2030.

Financial institutions, integral to the real economy, bear a significant climate change responsibility. Their direct GHG emissions are noteworthy, but even more critical are their indirect emissions linked to asset ownership and transactions. By aligning with the Paris Accord, financial institutions can drive systemic change needed to achieve net-zero emissions. Initiatives like the Glasgow Financial Alliance for Net Zero (GFANZ), Task Force on Climate-related Financial Disclosures (TCFD), and Partnership for Carbon Accounting Financials (PCAF) are gaining traction.

In this landscape, City Bank has pledged to align net zero initiative, reinforcing its commitment to green and ethical banking. CBL's sustainable finance disbursement in 2022 reached 19.30% of total loan disbursement, with green finance at 5.90% of total term loan disbursement. CBL is also reducing emissions through digitalization and responsible lending, actively considering environmental and social risks in its credit assessments.

CBL's entry into the Net-Zero Banking Alliance (NZBA) aligns with its commitment to a greener planet and a sustainable financial institution model in Bangladesh. CBL is developing a 2050 net-zero roadmap for operational and lending portfolio emissions, extending its efforts to enhance energy efficiency and reduce energy consumption.

Beyond addressing its own emissions, CBL aims to support clients in reducing GHG emissions in their financed operations. The next phase of CBL's net-zero journey involves planning and setting targets to reduce emissions in identified priority sectors. Using the Partnership for Carbon Accounting Financials (PCAF) standard, CBL has calculated its financed emissions across sectors for the relevant borrowers.

2. About City Bank

City Bank is a significant financial institution in Bangladesh with a 40-year history of driving positive change and adapting to evolving customer needs.

City Bank primarily operates within Bangladesh, boasting a network of 133 branches, 12 sub-branches, 32 Sustainable Finance Help-Desk units, and 116 SME-S unit offices and 351 live ATMs spanning the nation. Additionally, the bank extends its services digitally through its unique digital nano loans that can be accessed by an eligible customer via their bKash app and directly credited to their bKash wallet. CBL has been actively supporting female entrepreneurs by its women banking wing known as City Alo.

Beyond their core banking offering, City Bank also provides brokerage services (through City Brokerage Limited, a fully owned subsidiary) and investment/merchant banking services (via City Bank Capital Resources Limited, a fully owned subsidiary).

City Bank also has a global presence through its subsidiaries, including CBL Money Transfer Sdn. Bhd. in Malaysia, specializing in money transfer services from Malaysia to Bangladesh, and City Hong Kong Limited, offering comprehensive trade finance services to corporate customers.

Readymade garments, energy and power industry, textile spinning & weaving mills, cement, steel, SME and retail sectors are the major lenders of City bank.
Some of the major factors that set City Bank apart from other banks in Bangladesh include:

Figure: Factors that make city Bank different from other banks in Bangladesh

3. Overview of the scopes

The GHG Protocol Corporate Standard divides a company’s emissions into direct and indirect emissions.

- **Direct emissions** are emissions from sources that are owned or controlled by the reporting company.
- **Indirect emissions** are emissions that are a consequence of the activities of the reporting company but occur at sources owned or controlled by another company.

Emissions are further divided into three scopes (see table below). Direct emissions are included in scope 1. Indirect emissions are included in scope 2 and scope 3. While CBL has control over its direct emissions, it has influence over its indirect emissions. A complete GHG inventory therefore includes scope 1, scope 2 and scope 3. By definition, scope 3 emissions occur from sources owned or controlled by other entities in the value chain. The emissions from the city bank borrowers/lenders falls under scope 3 emissions of the bank.

Table: Overview of the scopes

<table>
<thead>
<tr>
<th>Emissions type</th>
<th>Scope</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct emissions</td>
<td>Scope 1</td>
<td>Emissions from operations that are owned or controlled by City Bank</td>
</tr>
<tr>
<td>Indirect emissions</td>
<td>Scope 2</td>
<td>Emissions from the generation of purchased or consumed electricity by City Bank</td>
</tr>
<tr>
<td></td>
<td>Scope 3</td>
<td>All indirect emissions (not included in scope 2) that occur in the value chain of City Bank, including both upstream and downstream emissions and the financed emissions from the city bank borrowers.</td>
</tr>
</tbody>
</table>

As an NZBA signatory, CBL commits to establishing robust targets for financed emissions tied to lending and investments, including clients’ Scope 1, Scope 2, and Scope 3 emissions where reliable data is available. This aligns with the Paris Climate Agreement’s objectives.
4. GHG emissions from the City Bank’s operations

Our direct environmental footprint is attributed to the resources we consume to effectively run our operations and serve our customers and other stakeholders. This primarily includes purchased electricity from the grid and the use of diesel generator sets at our branches in case of power outages.

City Bank monitors and tracks the key resources it uses in its operations, undertakes measures to minimize its consumption and reports its impacts and progress on an annual basis. Given its nature of business, CBL’s highest environmental impacts come from its Scope 1, Scope 2, and Scope 3 GHG emissions, as part of operating a pan Bangladesh physical and digital presence of 133 Branches, 12 sub-branches, 1 Principal office and 1 Head office, and 415 ATMs & CDMs. In the year 2022, CBL’s total carbon emission for scope 1, scope 2 & scope 3 (daily employee commute only) stood at 9.7 kilo ton of CO₂e, which includes diesel and electricity consumption.

For reducing carbon emission from our internal operation, our key priorities are:

- Opt for Green building features (e.g., LEED certified Green Building)
- Integration of Renewable Energy (e.g., Installation of Solar Panel)
- Using Building Envelope (e.g., Fiberglass insulation, light-colored coatings on the roof)
- Air Conditioning System (e.g., Use of Unitary Air Conditioner)
- Lighting & Controls (e.g., LED lighting, use of sensors)
- Using Energy Efficiency Appliances (e.g., use of energy-efficient labeled appliances)

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1 Source: Greenhouse Gas Protocol, Corporate Value Chain (Scope 3) Accounting and Reporting Standard
Our approach to targets:
Our approach to align with our net zero commitment
5. Our approach to setting targets for CBL Lending Portfolio

Our plan to achieve net zero

Our roadmap is driven by our purpose: unlocking potential in people and businesses through sustainable finance for today and future generations. It’s built on years of engagement, shaping our actions and setting intermediate net-zero targets.

Our target-setting has taken the following aspects into consideration:

- The overall objectives of the Paris Agreement – near-term (2030) and long-term (2050)
- Recommendations and methodologies from leading industry associations and scientific research
- City Bank’s overall strategic direction and net-zero ambition

Our Approaches

We’ve conducted a thorough and thoughtful examination of the routes that economies, industries, and businesses, including our own, can take to achieve net-zero emissions by 2050 to decide which course to follow moving ahead. Our strategy entails seven steps that will allow us to achieve carbon reductions across the Bank’s financing activities in a transparent manner.

Key principles of target setting

In this study, we have considered Scope 1, 2 and 3 emissions approach to identify the sectors responsible for the emissions and for setting up the targets.

6. Our net zero aligned emissions reduction targets

Overview of our emissions reduction targets

In our lending portfolio, we’ve pinpointed the Power, RMG & Textile, and Pharma sectors as major GHG contributors, making them our primary targets for emissions reduction by 2030. This targeted approach underscores our dedication to minimizing the environmental impact of these sectors, as they play a pivotal role in shaping the sustainability of our financial operations and the broader ecosystem.

<table>
<thead>
<tr>
<th>Net zero aligned pathways set for three sectors (Based on IEA NZE Scenarios)</th>
<th>Target reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2030</td>
</tr>
<tr>
<td>1. Power</td>
<td>47%</td>
</tr>
<tr>
<td>2. RMG &amp; Textile</td>
<td>55%</td>
</tr>
<tr>
<td>3. Pharma</td>
<td>45.80%</td>
</tr>
</tbody>
</table>
Electricity plays pivotal role in the economic growth through development of sustainable infrastructure as well as poverty eradication. Reliable electricity supply is a vital issue for the world today. Future economic growth crucially depends on the long-term availability of electricity, which are affordable, available, and environmentally friendly. Climate change and public health are closely interrelated with electricity. In line with this aspect, Bangladesh Government designed an extensive power generation plan to create sustainable growth of power sector and for overall development of the country economy.

Total generation installed capacity 24,263 MW and annual increment of generation capacity was 7.9%. The highest peak generation was 14,782 MW in April 2023.

The figure below showcases the energy mix of the country in 2022:

![Energy Mix Graph]

However, to reduce dependency on fossil fuels, initiatives of renewable and nuclear-based power generation have been considered to ensure generation of clean energy. Also, if Bangladesh intends to reach net zero emissions by 2050, power sector more than any other industry needs to decarbonize.

Power sector is responsible for major CO₂ emissions, approximately 35 % of all emissions in Bangladesh, making it the single largest source of carbon emissions, mostly because of the combustion of natural gas, oil and coal in fossil-fuel based energy production. Therefore, a substantial shift in the power generation process is required, to create energy leading to reduced GHG emissions.

Here in City Bank, we are adopting the Global landmark International Energy Agency's Net Zero Emissions (IEA NZE) scenario as the reference road to set commitments to attain net zero consistent levels of emissions intensity for our financing of the power industry. For this industry, an absolute emission target, expressed in tons of CO₂e emissions (tCO₂e), has been set.

City Bank’s targets for the Power sector

City Bank provides numerous services to clients in power sector. The financing covers the whole value chain starting from power equipment manufacturer to profound power generation, to transmission, grids, and downstream distributors all of it.

In alignment with the IEA NZE scenario, our dedication is unwavering in achieving a 47% reduction in carbon emissions by 2030 compared to our 2022 baseline. We are aware that this goal is challenging, especially considering our significant presence in a nation where power demand is projected to rise exponentially, and where the national plan for achieving net zero extends beyond 2050.

Nevertheless, City Bank remains resolutely committed to achieving net zero emissions by 2050, and we will take proactive steps to channel our financial support toward initiatives that reduce emissions in the Power sector, as outlined in the following key commitments:

1. We will encourage and support our clients in setting and achieving their decarbonisation targets.

2. We will increase the share of renewable activities in our Power portfolio (i.e., BPACs, renewable energy, through specific purpose lending to renewable activities, or to the renewable subsidiaries of parent corporates).

Projections:

Utilizing the financed emissions data calculated from our power sector lending portfolio, for the base year 2022, which is representing our business as-usual (BaU) scenario, we have projected CO₂e emissions trends leading up to the interim year 2030 and the ultimate target year 2050. Furthermore, in alignment with the IEA NZE scenario specific to the power sector, we have computed emissions for the corresponding years. The graph below provides a visual representation of both the BaU Scenario and the IEA NZE Scenarios. Notably, the NZE scenario shows our commitment to finance environment friendly sustainable projects.
6.2 Ready-made Garments & Textiles Sector

The garments and textile sector plays a significant role in global carbon emissions, underscoring the urgency of aiding clients in their transition toward more sustainable and eco-friendly practices. Attaining a net-zero carbon footprint in the garments and textile industry is paramount within the broader context of combating climate change. In order to support our lending clients within this sector on their journey towards sustainability, City Bank has formulated a comprehensive strategic roadmap as follows:

**Strategic action plan to steer CBL’s RMG & Textile sector lending portfolio towards achieving net-zero emissions**

The garments and textile sector plays a significant role in global carbon emissions, underscoring the urgency of aiding clients in their transition toward more sustainable and eco-friendly practices. Attaining a net-zero carbon footprint in the garments and textile industry is paramount within the broader context of combating climate change. In order to support our lending clients within this sector on their journey towards sustainability, City Bank has formulated a comprehensive strategic roadmap as follows:

**Net Zero Action Plans for RMG & Textile Sector**

<table>
<thead>
<tr>
<th>Year</th>
<th>BAU Scenario</th>
<th>NZE Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Projections:**

Utilizing the financed emissions data calculated from our RMG & Textile sector lending portfolio, for the base year 2022, which is representing our business-as-usual (BAU) scenario, we have projected CO₂ emissions trends leading up to the interim year 2030 and the ultimate target year 2050. Furthermore, in alignment with the International Energy Agency’s Net Zero Emissions (IEA NZE) scenario specific to the RMG & Textile sector, we have computed emissions for the corresponding years. The graph below provides a visual representation of both the BAU Scenario and the IEA NZE Scenarios. Notably, based on these scenario results, it is evident that our lending portfolio emissions are on track to reach net-zero status by the year 2050, underscoring our commitment to environmental sustainability.

**RMG & Textile Sector Emission Reduction Targets**

<table>
<thead>
<tr>
<th>Year</th>
<th>BAU Scenario</th>
<th>NZE Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>193</td>
<td>193</td>
</tr>
<tr>
<td>2030</td>
<td>135</td>
<td>0</td>
</tr>
<tr>
<td>2050</td>
<td>319</td>
<td></td>
</tr>
</tbody>
</table>

These interventions represent critical steps in our ongoing efforts to support our clients and the industry at large in their pursuit of sustainable and environmentally responsible practices.
Climate change clearly impacts health and health systems, and yet the pharmaceutical industry itself has been fuelling the climate crisis. While it may not get as much attention as some industries, the sector is responsible for 4.4% of global emissions and its CO\(_2\) footprint is forecast to triple by 2050 if left unchecked.

Net zero in Pharma

The pharmaceutical industry, just like any other sector, contributes to environmental effects, and given the urgent climate crisis, it bears a duty to discover methods to lessen this adverse influence. According to a recent Data survey, 43% of those surveyed identified environmental concerns as the pharmaceutical industry’s top priority to tackle. At each step of the pharmaceutical supply chain, there is an associated carbon footprint, extending even to the initial stages where the raw materials for active pharmaceutical ingredients (APIs) are procured.

Becoming "Net Zero" in the pharmaceutical sector requires a concerted effort across the entire value chain, from research and development to manufacturing and distribution. It is a long-term commitment that not only reduces emissions but also aligns the sector with global climate goals and demonstrates corporate responsibility in the face of climate change.

City Bank’s targets for the Pharma sector

In the midst of the escalating climate crisis, the scrutiny of corporate efforts to address environmental sustainability challenges intensifies. The pharmaceutical (pharma) industry’s role in these issues is intricate, spanning the entire product value chain and presenting a multifaceted landscape of opportunities and challenges. While navigating the complexity of this landscape is no small task, it is equally true that it presents numerous opportunities for hastening the rate of progress and uncovering novel business prospects that can pave the way for the pharmaceutical sector to achieve a “Net Zero” status.

City Bank is on track to become a significant global center for producing high-quality, affordable generic medicines and vaccines in the near future.¹

¹ Source: Pharmaceutical Industry of Bangladesh, The multi-billion Dollar Industry

By implementing this strategic action plan, City Bank can actively support its pharmaceutical industry sector clients in achieving net-zero emissions, contributing to the global effort to combat climate change and promote sustainability in the pharmaceutical sector.
Our Path to NET ZERO
Supporting Bangladesh's transition to a low carbon economy

THE WAY FORWARD
7. Way Forward

1. Engagement with our clients:
Assisting our clients in their journey towards sustainability is integral part of our net zero commitment. The effectiveness of our own net zero goals is closely intertwined with the success of our clients’ transition plans. This is why we are unwavering in our dedication to collaborating with our clients and empowering them to transform their businesses through sustainable and transition financing.

2. Periodic Monitoring:
In line with our commitment as a signatory to NZBA, we maintain our dedication to transparency. Periodically, we will monitor the sectors in which we’ve established emissions reduction targets.

3. Reviewing Pathway:
Regularly reviewing and, when relevant, adjusting our goals and methodologies is a vital part of our strategy. We acknowledge that the reference scenarios used to establish our emissions reduction targets will continue to develop over time, we will review our pathway where necessary and possible. This approach lays a solid foundation for our upcoming round of target setting, giving us greater confidence in our strategy.