



CLIMATE ACTION

REPORT 2025

CLIMATE ACTION

REPORT 2025

TABLE OF CONTENTS

Chairman's Foreword	5
CEO's Strategic Perspective	6
CRO's Climate Vision	7
1. Introduction: A Commitment to Climate-Resilient Banking and Sustainable Value Creation	9
1.1 Navigating the National Context	10
1.2 Report Structure	10
2. Pillar I: Governance — Embedding Climate Accountability from the Boardroom to Business Lines	11
2.1 Board Oversight of Climate-Related Risks and Opportunities	12
2.2 Management's Role In Assessing and Managing Climate-Related Issues	13
3. Pillar II: Strategy — Navigating the Transition to a Low-Carbon Economy	15
3.1 Climate-Related Risks and Opportunities Over the Short, Medium, and Long Term	16
3.1.1 Physical Risks	16
3.1.2 Transition Risks	16
3.1.3 Climate-Related Opportunities	16
3.2 Impact on Businesses, Strategy, and Financial Planning	17
3.3 Resilience of the Bank's Strategy Under Different Climate-Related Scenarios	17
4. Pillar III: Risk Management — A Framework for Proactive Climate Risk Mitigation	19
4.1 Processes for Identifying and Assessing Climate-Related Risks	20
4.2 Processes for Managing Climate-Related Risks	20
4.3 Integration Into Overall Risk Management	21
5. Pillar IV: Metrics and Targets — Measuring and Driving Our Performance	22
5.1 Metrics Used to Assess Climate-Related Risks and Opportunities	23
5.2 Targets Used to Manage Climate-Related Risks and Opportunities and Performance	24
6. Conclusion: A Forward-Looking Perspective on Our Climate Journey	25
Appendix A — Methodology in Detail	27

List of Tables

Table 1: Climate Governance and Oversight Responsibilities	14
Table 2: Summary of Climate-Related Scenario Analysis and Potential Financial Impacts	18
Table 3: GHG Emissions Inventory (tCO ₂ e)	23

CHAIRMAN'S FOREWORD



In an era where climate change presents both systemic risks and unprecedented opportunities, our commitment is to create enduring value for our customers, shareholders, employees, and the nation of Bangladesh.

As Prime Bank PLC. reflects on a transformative chapter in its 30-year journey, it is with a profound sense of purpose that we present our 2025 Climate-Related Financial Disclosures. Our theme, “Transforming Together,” encapsulates our unwavering dedication to modernizing financial services, pioneering digital advancements, and, most critically, embedding climate action into the core of our strategy. In an era where climate change presents both systemic risks and unprecedented opportunities, our commitment is to create enduring value for our customers, shareholders, employees, and the nation of Bangladesh. We believe that robust financial performance and a steadfast commitment to sustainability are not mutually exclusive but are, in fact, mutually reinforcing. This growth is a testament to our strategic vision, prudent risk management, and our ability to adapt and thrive within an evolving financial and environmental ecosystem.



CEO'S STRATEGIC PERSPECTIVE

**At Prime Bank,
we firmly believe
that responsible
banking is not
only essential for
the environment
and society
but is also
fundamental
to creating
long-term,
sustainable
value for our
shareholders.**

This report, prepared in alignment with IFRS Climate Related Disclosures Standards, incorporating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and Bangladesh Bank requirements, represents a critical milestone in our sustainability journey. At Prime Bank, we firmly believe that responsible banking is not only essential for the environment and society but is also fundamental to creating long-term, sustainable value for our shareholders. Our leadership in this domain has been recognized by the regulator as we are among the top 10 sustainable bank and as well as on a global stage. Consecutively last 3 years we are recognized as “Best Bank for ESG” award from Asiamoney¹. This accolade is not an endpoint but a catalyst, reinforcing our concerted efforts to integrate Environmental, Social, and Governance (ESG) considerations into every facet of our operations. This disclosure details the governance structures, strategic imperatives, risk management frameworks, and performance metrics that underpin our commitment to navigating the complexities of climate change and supporting Bangladesh’s transition to a low-carbon, climate-resilient future.

¹ <https://thefinancialexpress.com.bd/trade/prime-bank-named-best-bank-for-governance-in-2023>

CRO'S CLIMATE VISION



By understanding and pricing climate risk correctly, we can confidently steer capital towards the solutions and technologies that will power Bangladesh's sustainable future, transforming potential liabilities into profitable, long-term assets.

Our vision for Prime Bank is to build a risk management framework that is not only compliant with emerging regulations but is predictive, proactive, and deeply integrated into our core business.

Our guiding principle is the complete integration of climate risk into our Enterprise Risk Management (ERM) framework. Climate considerations must be woven into the fabric of every credit decision, every portfolio review, and every strategic plan. This means moving beyond high-level policy to granular, data-driven assessments of both physical and transition risks across our entire balance sheet, ensuring that climate is a core competency from our front-line relationship managers to our Board-level Risk Management Committee.

This integrated approach serves a dual mandate. First, it is about defense: protecting the Bank's capital and our clients' assets from the escalating threats of extreme weather and a disorderly economic transition. Second, it is about offense: recognizing that the effective management of climate risk is the key that

unlocks the immense opportunities of the green economy. By understanding and pricing climate risk correctly, we can confidently steer capital towards the solutions and technologies that will power Bangladesh's sustainable future, transforming potential liabilities into profitable, long-term assets.

Realizing this vision depends on two pillars: sophisticated analytics and empowered people. We are committed to investing in the state-of-the-art tools, data, and scenario analysis capabilities necessary to quantify

complex climate risks. Equally, we are dedicated to fostering a culture of climate awareness across the Bank, equipping our teams with the knowledge and skills to act as trusted advisors to our clients on their own transition journeys.

Ultimately, our ambition is to build a truly climate-resilient institution—a bank that not only weathers the coming changes but thrives within them, safeguarding shareholder value and contributing to a stable, prosperous, and sustainable Bangladesh for the long term.

1.

INTRODUCTION:

A Commitment to Climate-Resilient
Banking and Sustainable Value
Creation

1.1 Navigating the National Context

Prime Bank's climate strategy is not formulated in isolation. It is deeply intertwined with and supportive of Bangladesh's national agenda. As a nation on the frontline of climate change, ranked the seventh most at-risk country globally², Bangladesh has become a forerunner in climate adaptation and disaster preparedness. Our strategy is aligned with key national initiatives, including the Bangladesh Climate and Development Platform (BCDP), a collaborative effort between the government and international partners to generate a robust pipeline of climate projects³. We see a clear role for Prime Bank in facilitating the deployment of large-scale climate fund from multinational institutions⁴. Furthermore, our approach is guided by the pioneering policies of Bangladesh Bank, which has been instrumental in promoting sustainable finance and has mandated the adoption of TCFD-aligned disclosure standards based on IFRS S1 and S2, starting from 2024.

1.2 Report Structure

This report is structured around the four core pillars: Governance, Strategy, Risk Management, and Metrics & Targets. It builds upon our long-standing commitment to transparency, evidenced by our history of publishing sustainability reports in accordance with the Global Reporting Initiative (GRI) Standards. As the global reporting landscape evolves, we are committed to meeting the highest standards of disclosure, ensuring our stakeholders have a clear and comprehensive understanding of how we are managing climate-related financial risks and capitalizing on the opportunities of the green transition.

2 <https://www.afi-global.org/opinion/in-bangladesh-financial-inclusion-is-driving-climate-resilience/>

3 <https://www.imf.org/en/News/Articles/2023/12/03/bangladesh-launch-climate-development-platform-to-leverage-adaptation-and-mitigation-investments>

4 <https://www.worldbank.org/en/news/press-release/2024/12/19/bangladesh-receives-1-16-billion-world-bank-financing-for-inclusive-and-climate-resilient-development>

2.

PILLAR I: GOVERNANCE

Embedding Climate Accountability
from The Boardroom to Business Lines

A robust governance framework is the bedrock of an effective climate strategy. At Prime Bank, accountability for climate-related issues is embedded at all levels of the organization, ensuring that these considerations receive the highest degree of strategic attention and rigorous oversight.

2.1 Board Oversight of Climate-Related Risks and Opportunities

The Board of Directors holds ultimate responsibility for the bank's long-term strategy, risk appetite, and overall performance, which explicitly includes the oversight of climate-related risks and opportunities. The Board's mandate, as defined in its official terms of reference and related policies, is to provide strategic direction to Management for achieving the bank's vision while ensuring compliance with

all regulatory and ESG requirements. This includes direct oversight of the setting of climate-related targets, such as those for financed emissions reduction and green financing, and monitoring the bank's progress against these commitments. Please refer to our sustainability report for more details.

To ensure the Board is equipped to discharge these duties effectively, a formal information flow has been established. The Board is briefed on a quarterly basis by the Chief Risk Officer (CRO) and the Head of the Sustainable Finance Unit on the bank's climate risk profile, the performance of its sustainable finance initiatives, and the findings from climate scenario analyses. This regular, structured reporting ensures that climate considerations are systematically integrated into the Board's oversight of the bank's strategy, major transaction approvals, and overall risk management processes.

The Board executes its oversight function through a dedicated committee structure



Risk Management Committee (RMC):

This Board-level committee is directly responsible for overseeing the integration of climate risk into the bank's comprehensive Enterprise Risk Management (ERM) framework. The RMC reviews and scrutinizes the methodologies and outputs of climate risk assessments, including scenario analysis and stress testing, and recommends the climate risk appetite statement to the Board of Directors for approval.



Board/Executive Committee:

Board/Executive committee provides the final layer of oversight and approval for transactions categorized as "High Risk" under the bank's Guidelines on Environmental & Social Risk Management (ESRM). This ensures that transactions with the most significant potential climate impact receive scrutiny and approval at the highest level of the organization, following a detailed review by the CEO.

The maturity of this governance framework is a key institutional strength. The establishment of dedicated committees like the Sustainable Finance Committee and the integration of ESRM into credit processes were proactive measures that pre-date the formal issuance of guidelines by Bangladesh Bank in December 2023. This proactive, strategic approach to governance, rather than a merely compliant one,

is a core reason for the bank's recognition as a top sustainable bank by the central bank for three consecutive years and its receipt of prestigious governance awards. This established track record and robust governance posture also position Prime Bank as a credible and preferred partner for international financial institutions and development partners seeking to channel climate finance into Bangladesh.

2.2 Management's Role in Assessing and Managing Climate-Related Issues

While the Board provides oversight and strategic direction, the management team is responsible for the day-to-day execution of the climate strategy and the management of associated risks and opportunities.

This is led by a dedicated management-level governance structure:



Sustainable Finance Committee (SFC):

Chaired by the Deputy Managing Director & Chief Risk Officer (CRO), the SFC is the central coordinating body for executing the bank's climate and sustainability agenda. Comprising cross-departmental representation, the SFC is responsible for setting annual objectives for the Sustainable Finance Unit, recommending sustainable finance policies, and monitoring performance against targets.



Sustainable Finance Unit (SFU):

This unit is the operational engine of our sustainability efforts. The SFU coordinates sustainability initiatives across the bank, provides expert guidance to business teams on E&S matters, conducts independent reviews of transactions under the ESRM policy, and works with clients to identify risk mitigation opportunities and develop corrective action plans⁵. The SFU's work is complemented by Sustainable Finance Help Desks in each branches and sub branches, who act as champions to embed sustainability practices in daily operations.

Executive leadership is central to this framework. The CEO holds overall responsibility for the bank's performance and the successful execution of the climate strategy as set by the Board.

Chief Risk Officer (CRO) plays a critical dual-hatted role, chairing both the SFC and the Sustainability Reporting Committee. This structure creates a seamless and powerful link between climate strategy formulation, risk management, and transparent public disclosure.

To ensure accountability, climate-related controls and procedures are integrated into the bank's existing internal control framework. In line with best practices and the recommendations of Bangladesh Bank, performance against key climate metrics is being progressively incorporated into the performance scorecards and remuneration policies for relevant senior executives and business line heads.

5 <https://www.primebank.com.bd/sustainable/sustainable-finance>

Table 1: Climate Governance and Oversight Responsibilities

Governance Body/ Role	Key Responsibilities	Frequency of Engagement	Key Supporting Documents/Policies
Board of Directors	Ultimate oversight of climate strategy, risk appetite, and performance. Approves key policies and targets.	Continuous	Risk Management Guideline for Banks, Bank Company Act 1991.
Risk Management Committee (RMC)	Oversees integration of climate risk into ERM. Reviews scenario analysis and recommends risk appetite.	Quarterly	RMC Terms of Reference, Risk Management Guideline for Banks.
CEO	Overall responsibility for execution of climate strategy and bank performance.	Continuous	-
Chief Risk Officer (CRO)	Chairs SFC and Reporting Committee. Ensures integration of climate risk into ERM. Reports to the Board.	Continuous	Climate Strategy Document, Risk Management Guideline for Banks.
Sustainable Finance Committee (SFC)	Management-level oversight. Sets objectives, approves policies, monitors SFU performance.	Monthly	SFC Terms of Reference, Guidelines of Environment & Social Risk Management
Sustainable Finance Unit (SFU)	Operational execution. Conducts ESRM reviews, client engagement, capacity building, and reporting.	Daily/As needed	Guidelines of Environment & Social Risk Management

3.

PILLAR II: STRATEGY

Navigating the Transition to
A Low-Carbon Economy

Prime Bank's strategy acknowledges that climate change presents a duality of profound risks and significant opportunities. Our approach is to proactively manage the risks to our portfolio and our clients, while strategically positioning the bank to finance the transition to a low-carbon, climate-resilient economy in Bangladesh.

This effort is strongly supported by the Board, by steering the implementation of regulatory reforms aimed at addressing climate change. Recognizing the global challenge of transitioning from traditional hydrocarbons to clean energy sources, the Bank actively promotes financing for infrastructure that supports carbon dioxide capture, transportation, utilization, and storage. Prime Bank wires the adoption of green fuels and works collaboratively with stakeholders to finance large-scale renewable energy projects. The Bank actively supports Public-Private Partnership (PPP) initiatives aimed at developing low greenhouse gas (GHG) logistics corridors, while also facilitating access to dedicated funds and grants for carbon reduction efforts. The Bank recognizes organizations making significant strides toward net-zero emissions.

3.1 Climate-Related Risks and Opportunities Over the Short, Medium, And Long Term

3.1.1 Physical Risks

As an institution deeply embedded in the Bangladeshi economy, Prime Bank is exposed to the acute and chronic physical risks associated with climate change.

Acute Risks (Short, medium, long term): Bangladesh is highly susceptible to an increasing frequency and intensity of extreme weather events. Tropical cyclones, storm surges, and severe flooding pose a direct threat to the physical collateral underpinning our loans, particularly in sectors like agriculture, real estate, and manufacturing located in coastal and flood-plain regions. These events can cause significant business interruption for our borrowers, leading to an immediate increase in credit risk and potential for higher loan defaults.

Chronic Risks (Medium to long term): Gradual-onset climate impacts present a more profound, long-term threat. Sea-level rise is projected to inundate significant portions of Bangladesh's low-lying coastal areas, including major industrial and economic hubs like Chattogram. This could lead to the permanent loss of productive land and physical assets, creating

stranded assets within our portfolio. Concurrently, salinity intrusion into freshwater sources and agricultural land threatens the viability of the agro-based sector, a key component of the national economy and the bank's lending portfolio. These chronic risks translate into a long-term degradation of portfolio quality and a structural increase in non-performing loans (NPLs) if not managed proactively.

3.1.2 Transition Risks

The global and national response to climate change creates a different set of risks, known as transition risks, which arise from policy, legal, technological, and market changes.

- **Policy & Legal Risk (Medium-term):** The Government of Bangladesh is actively developing policies to support a greener economy, including measures to reduce air pollution, enhance environmental enforcement, and potentially introduce carbon pricing mechanisms. As these policies become more stringent, clients in carbon-intensive sectors (e.g., textiles, steel, power generation) will face higher operating costs and capital expenditure requirements. Failure to support our clients in this transition could expose the bank to significant credit risk.
- **Technology Risk (Medium-term):** The falling cost and increasing efficiency of renewable energy and green technologies could disrupt existing business models. For example, assets such as gas-fired power plants, which form a part of the country's energy mix and the bank's portfolio, could face the risk of becoming economically uncompetitive or "stranded" before the end of their expected life.
- **Market Risk (Short- to Medium-term):** We are witnessing a definitive shift in market preferences. International buyers of Bangladeshi ready-made garments (RMG), a cornerstone of the nation's exports, are increasingly demanding greener and more sustainable supply chains. Banks that fail to finance this green transition for their clients risk losing market share as their clients, in turn, become less competitive.
- **Reputational Risk (Short-term):** As a member of the UN-convened Net-Zero Banking Alliance (NZBA), Prime Bank is held to a high standard of public accountability. There is increasing scrutiny from investors, civil society, and the public on the financing of high-emission sectors. Any perceived gap between our public commitments

and our financing activities could result in significant reputational damage and a loss of stakeholder trust.

3.1.3 Climate-Related Opportunities

While the risks are substantial, the transition to a climate-resilient economy presents immense opportunities for growth and value creation.

- **Sustainable Finance Products (Short-term):** There is a rapidly growing market for financial products that support environmental objectives. Prime Bank is actively capitalizing on this by developing and promoting a suite of green financing solutions for renewable energy, energy efficiency, sustainable agriculture, and waste management.
- **Transition Financing (Medium-term):** A core part of our strategy is to finance the decarbonization of economically vital sectors that are hard to abate, such as textiles and steel. By providing the necessary capital, advisory services, and financial expertise, we can help our clients navigate their transition journey. This not only mitigates risk in our portfolio but also strengthens client relationships and solidifies our position as a strategic partner in their long-term success.
- **Access to International Climate Finance (Medium-term):** The formation of the BCDP and the significant climate finance pipelines from the World Bank (USD 1.16 billion) and the ADB (USD 5.5 billion) along with DFIs like BII who are also deploying climate finance through financial institutions, represent a monumental opportunity. Prime Bank's mature governance framework, robust risk management processes, and clear climate strategy make it an ideal local partner for these international institutions to deploy capital effectively, potentially through innovative structures like risk-sharing facilities, on-lending programs, or blended finance platforms.
- **Financial Inclusion and Resilience (Long-term):** Initiatives like our Prime Agrim microloan product and our expanding Agent Banking network can be powerful channels for delivering climate adaptation and resilience finance to the most vulnerable communities. This aligns with national goals of using financial inclusion to drive climate resilience and opens up new, socially impactful markets for the bank.

3.2 Impact on Businesses, Strategy, and Financial Planning

The identified climate risks and opportunities are having a tangible impact on our business, strategy, and financial planning. The creditworthiness of borrowers in key sectors like agriculture, textiles, and coastal real estate is now inextricably linked to their climate resilience. Consequently, our financial planning incorporates the potential for higher loan-loss provisions for portfolios with high exposure to unmitigated physical and transition risks.

This reality has catalyzed a strategic pivot. The bank's commitment to "Greening Finance" is no longer a peripheral corporate social responsibility activity but a core strategic imperative designed to de-risk our existing portfolio and capture new, sustainable growth avenues. This is reflected in our capital allocation strategy, which is being progressively tilted to favor green and transition-aligned projects. Our financial forecasts now explicitly model the revenue streams from new green products and the positive impact of a more climate-resilient portfolio on our long-term risk profile. This builds on a solid foundation, with the bank having already financed over BDT 28.5 billion in green projects as of June 2025, a figure that is set to grow exponentially in the coming years.

3.3 Resilience of the Bank's Strategy Under Different Climate-Related Scenarios

To test the resilience of our strategy against a range of plausible futures, Prime Bank has conducted its first iteration of climate-related scenario analysis. This forward-looking exercise focused on our high-impact portfolios in the Power, Steel, and Textiles sectors. The analysis utilized a combination of globally recognized scenarios and bespoke narratives tailored to the specific context of Bangladesh.

- **Scenario 1: Orderly Transition (1.5°C Pathway):** This Network for Greening the Financial System (NGFS) scenario, aligned with the International Energy Agency's (IEA) Net Zero Emissions by 2050 (NZE) pathway, assumes early, ambitious, and globally coordinated policy action to limit warming to 1.5°C.
- **Scenario 2: Disorderly Transition (Below 2°C Pathway or close to the upper end of the Paris Agreement):** This NGFS scenario assumes

that policy action is delayed or divergent across regions, leading to a more abrupt, disruptive, and costly transition later in the decade. SSP2-4.5 scenario (Middle of the Road) by Intergovernmental Panel on Climate Change (IPCC) was used to conduct the physical risks assessment under this scenario.

- Scenario 3: Physical Risk Dominant (3°C+ Pathway):** This “Hothouse World” scenario assumes insufficient global mitigation action, leading to severe and widespread physical climate impacts, such as frequent catastrophic flooding and significant sea-level rise, by mid-century. SSP5-8.5 scenario (Fossil-Fuelled Development) by Intergovernmental Panel on Climate Change (IPCC) was used to conduct this assessment.

The analysis revealed that under an Orderly Transition, our current strategy proves highly resilient. Our proactive pivot towards green finance and engagement with clients on their

transition plans allow us to capitalize on emerging opportunities. A Disorderly Transition presents greater challenges, exposing the bank to heightened credit risk from clients who are unable to adapt to sudden and sharp policy shocks. This underscores the importance of proactive client engagement and continuous monitoring of policy signals. The Physical Risk Dominant scenario poses the most severe threat, particularly to our agricultural and coastal real estate portfolios, with analysis projecting an increase in the negative impact on our portfolio exposed to these risks.

The strategic implications of this analysis are clear. It validates our dual-pronged strategy of aggressively growing our green finance portfolio while simultaneously engaging with carbon-intensive sectors to support their transition. It also highlights a critical need to accelerate the development of adaptation finance products and to invest further in enhancing our physical risk data analytics and modelling capabilities.

Table 2: Summary of Climate-related Scenario Analysis and Potential Financial Impacts

Scenario	Key Assumptions	Impacted Portfolios	Potential Financial Impact (Directional)	Strategic Response
Orderly Transition (1.5°C)	Early, ambitious carbon pricing; rapid adoption of green tech.	Power, Steel, Textiles, Transport	Increased revenue from green/transition finance. Moderate credit risk in legacy portfolios.	Accelerate green product rollout and client engagement on transition plans.
Disorderly Transition (<2°C)	Delayed, abrupt policy shocks; market volatility.	All carbon-intensive sectors	Heightened credit risk from clients unable to adapt quickly. Potential for stranded assets.	Enhance monitoring of policy signals. Stress test portfolios for policy shocks.
Physical Risk Dominant (3°C+)	Insufficient mitigation; frequent, severe weather events; sea-level rise.	Agriculture, Real Estate, Infrastructure	Significant increase in loan-loss provisions due to physical damage and business interruption.	Develop adaptation finance products. Integrate physical risk heat maps into lending decisions. Explore risk transfer mechanisms.

4.

PILLAR III: RISK MANAGEMENT

A Framework for Proactive
Climate Risk Mitigation

Prime Bank has established a comprehensive and integrated framework for identifying, assessing, and managing climate-related risks. This framework ensures that climate considerations are not treated as a separate category of risk but are woven into the fabric of our overall risk management processes.

4.1 Processes for Identifying and Assessing Climate-Related Risks

The cornerstone of our approach is the Guidelines on Environmental & Social Risk Management (ESRM) which is fully integrated into the bank's standard credit appraisal and due diligence process.

- **Risk Identification:** The process begins at the transaction origination stage. Every proposed financing is first screened against a list of exclusion list. If a transaction involves an excluded activity, it is not considered for financing. For all other transactions, relationship managers and credit analysts conduct a detailed due diligence process to identify specific physical and transition risks. This involves gathering data from the client, conducting sector-level research.
- **Risk Assessment and Categorization:** Following this due diligence, each transaction is assigned a risk rating of High, Medium, or Low based on its potential for adverse environmental or social impacts.
 - o High Risk is assigned to transactions with potentially significant and complex risks, such as a new industrial facility in a designated flood-prone zone without adequate mitigation plans, or a company in a high-emission sector with no credible transition strategy.
 - o Medium Risk applies to transactions where identifiable risks are present but can be readily mitigated through standard measures.
 - o Low Risk is assigned to transactions with minimal or no identifiable E&S risks.
- **Materiality Assessment:** On a regular basis, the bank conducts a formal materiality assessment, engaging with key stakeholders to identify the climate-related risks and opportunities that are most significant to our business and the communities we serve. This process, which aligns with GRI reporting standards, helps to

focus our risk management efforts on the most critical issues.

4.2 Processes for Managing Climate-Related Risks

Once a risk is identified and assessed, a clear process for management and mitigation is triggered.

- **Risk Mitigation and Control:** A key feature of our guideline on ESRM is the development of a time-bound Corrective Action Plan (CAP) for all transactions with identified medium or high risks. This CAP is developed collaboratively with the client and outlines the specific risk, the agreed-upon mitigation measures, a clear implementation timeline, and assigned responsibilities. Crucially, the CAP and its covenants are incorporated as legally binding clauses within the final loan documentation, making risk mitigation an enforceable commitment.
- **Client Engagement:** Our primary approach is one of engagement rather than wholesale divestment. For clients in high-impact sectors, we see our role as a partner in their transition. The Sustainable Finance Unit offers guidance and advisory services, helping clients to understand their climate risks and develop credible transition plans that align with our NZBA commitments.
- **Escalation and Approval:** The framework includes a clear escalation path. All transactions categorized as High Risk are subject to an enhanced review by the Sustainable Finance Unit and senior management. The final decision to approve these transactions rests with the Board/Executive Committee, ensuring that the bank's most significant climate-related risk exposures receive oversight at the highest level.

The successful operationalization of this framework is a key differentiator for Prime Bank. By translating high-level climate commitments into granular, auditable risk management procedures—from initial screening to legally binding CAPs and Board-level escalation—we have made climate risk a tangible and manageable component of our core credit risk function. This provides a clear, documented trail of how risk is managed from origination to oversight, reducing the likelihood of unexpected climate-related credit losses and providing strong evidence to counter any potential claims of greenwashing.

4.3 Integration Into Overall Risk Management

Climate risk is not managed in a silo. The guideline on ESRM and its outputs are critical inputs into the bank’s overall Enterprise Risk Management system.



Enterprise-Wide Integration:

The bank is looking at climate risk integration into the bank’s comprehensive Internal Capital Adequacy Assessment Process (ICAAP), which will be conducted under the second pillar of the Basel III framework.



Alignment with Financial Risk:

To make climate risk tangible for our relationship managers and risk managers, the bank is looking to link environmental and social vulnerabilities to traditional financial risk metrics.



Role of the CRO and RMC:

The Chief Risk Officer (CRO) is responsible for ensuring this integration is robust, consistent, and effective across the organization. The Board-level Risk Management Committee (RMC) provides ultimate oversight, regularly reviewing the bank’s climate risk dashboard, and the overall effectiveness of the integrated risk management framework.

5.

PILLAR IV: METRICS AND TARGETS

Measuring and Driving Our
Performance

To manage climate-related risks and opportunities effectively, Prime Bank employs a comprehensive set of metrics and has established ambitious, net zero targets. This allows us to measure our performance, track our progress, and hold ourselves accountable to our stakeholders.

5.1 Metrics Used to Assess Climate-Related Risks and Opportunities

Our measurement framework includes our own operational footprint and, most importantly, the impact of our financing activities.

- **GHG Emissions Inventory:** We conduct an annual inventory of our greenhouse gas (GHG) emissions across all three scopes. The 2023

baseline provides a clear foundation for our reduction targets.

- o **Scope 1 (Direct Emissions):** Primarily from stationary combustion in generators and mobile combustion in our vehicle fleet.
- o **Scope 2 (Indirect Emissions):** From the generation of purchased electricity for our branches and offices.
- o **Scope 3 (Other Indirect Emissions):** This is the most significant category for a financial institution, dominated by Category 15: Financed Emissions, which represent the emissions associated with our lending and investment portfolios.

Table 3: GHG Emissions Inventory (tCO2e)

Scope	Category	2023 (tCO2e)	2024 (tCO2e)
Scope 1	Total	574.06	557.1
	Stationary Combustion	258	225
	Mobile Combustion	316	332
	Fugitive Emissions	0.06	0.10
Scope 2	Total (Location-based)	7,785	5,444
Scope 3	Total (Category 15: Financed Emissions)	703,332	758,597

- **Financed Emissions Methodology:** Calculating financed emissions is a complex but critical task. Prime Bank has adopted the globally recognized methodology and data quality framework developed by the Partnership for Carbon Accounting Financials (PCAF). This involves allocating a share of a client’s GHG emissions to our portfolio based on an attribution factor, which is the ratio of our outstanding financing to the client’s total enterprise value. In line with PCAF standards, we prioritize the use of high-quality, client-reported emissions data, engaging directly with our clients to obtain this information wherever possible.
- **Portfolio-Level Metrics:** In addition to absolute financed emissions, we track a range of other key metrics:
 - o Green/Sustainable Finance Volume: The total value (in BDT) and percentage of our total loan book dedicated to projects that meet our green and sustainable finance criteria.
 - o Sectoral Exposure: The total exposure, measured in BDT and as a percentage of the portfolio, to carbon-intensive sectors such as power generation, steel, and textiles.
 - o Emissions Intensity: This key metric, used for target-setting, measures the financed emissions per unit of economic output (e.g., kgCO2e/BDT) or physical output (e.g., kgCO2e/tonne of steel). This allows us to track the decarbonization progress of our clients and our portfolio.

5.2 Targets Used to Manage Climate-Related Risks and Opportunities and Performance

Our metrics inform a clear set of targets that guide our strategy and drive performance.

- **Overarching Commitment:** As a signatory to the Net-Zero Banking Alliance (NZBA), Prime Bank has made a public and firm commitment to align its lending and investment portfolios with pathways to net-zero emissions by 2050.
- **Interim Decarbonization Targets (2030)⁶:** To ensure we are on a credible path to our 2050 goal, we have set interim 2030 decarbonization targets for three priority sectors, using 2023 as our baseline year. These sectors were chosen based on their strategic importance to the Bangladeshi economy, their climate impact, and the availability of robust target-setting methodologies.
 - **Power:** We will target a reduction of 54% in the economic emissions intensity (gCO₂e/BDT) of our power generation portfolio, aligning with the IEA's NZE 1.5°C pathway. Our current exposure is largely to gas-based power, with no exposure to coal, oil, or gas exploration, providing a strong starting point.
 - **Steel:** We will target a reduction of 21% in the economic emissions intensity (kgCO₂e/BDT) of our steel portfolio, aligning with the IEA's NZE pathway for the sector.
 - **Textiles:** We will target a reduction in the financed emissions intensity of our textile portfolio, aligning with the Science Based Targets initiative (SBTi) pathway for the apparel and footwear sector, which calls for an absolute reduction of 4.2% annually.
- **Green Finance Targets:** We have established annual targets to grow our green and sustainable finance portfolio, building on our strong track record and aligning with the Bangladesh Bank guideline for all banks to direct at least 5% of their total funded loans to green finance.

The establishment of these concrete, science-based targets moves our commitment from aspiration to action. It provides a clear, measurable, and credible roadmap that our investors, regulators, and other stakeholders can use to track our performance year-on-year. By aligning our targets with internationally recognized pathways from the IEA and SBTi, we demonstrate that our ambition is grounded in climate science, fulfilling a key requirement of our NZBA membership.

Table 4: Sector-specific Decarbonization Targets and Pathways (2030/2050)

Priority Sector	Target Metric	Baseline (2023)	2030 Target	Alignment Pathway
Power	Economic Emissions Intensity (gCO ₂ e/BDT)	12.3	54%	IEA Net Zero Emissions by 2050 (NZE) 1.5°C Scenario
Steel	Economic Emissions Intensity (kgCO ₂ e/BDT)	6.51	21%	IEA NZE 1.5°C Scenario
Textiles	Economic Emissions Intensity (kgCO ₂ e/BDT)	2.93	26%	SBTi Apparel & Footwear Sector Pathway
All Portfolios	Absolute Financed Emissions	-	-	Net Zero by 2050

⁶ <https://www.primebank.com.bd/assets/sustainable/climate-strategy/Prime-Bank-Climate-Strategy.pdf>

6.

CONCLUSION

A Forward-Looking Perspective
on Our Climate Journey

This report marks a significant step forward in Prime Bank's journey to embed climate considerations into our core identity. In the past year, we have formalized our Climate Strategy, established our first set of net zero interim targets, and continued to earn recognition as a national leader in sustainable finance. This progress provides a strong foundation, but we recognize that our work is far from complete. The path to a net-zero future requires continuous effort, innovation, and collaboration.

Our strategic priorities for the next one to three years are clear and focused:

- **Data & Analytics:** We will continue to enhance the quality and coverage of our financed emissions data through intensified direct client outreach. Simultaneously, we will invest in more sophisticated climate scenario analysis and physical risk modelling capabilities to better understand and manage future risks.
- **Product Innovation:** We will accelerate the development and launch of new sustainable finance products, with a particular focus on financing climate adaptation and resilience for the critical CMSME and agriculture sectors, which are the backbone of the Bangladeshi economy.

- **Target Expansion:** In line with our NZBA commitments, we will work to set decarbonization targets for the next tranche of material sectors within our portfolio, progressively expanding coverage across our entire balance sheet.
- **Capacity Building:** We will deepen our investment in our people, continuing to provide training and tools for our staff, especially credit officers and relationship managers, to enhance their skills in climate risk assessment and the identification of green finance opportunities.

As we move forward, Prime Bank reaffirms its unwavering commitment to supporting a just and orderly transition to a low-carbon, climate-resilient economy for Bangladesh. We understand that the challenges are immense, but so are the opportunities. By working hand-in-hand with our clients, regulators, partners, and the community, we are confident that we can navigate the complexities of climate change and fulfil our mission of “Transforming Together” to build a more prosperous and sustainable future for all.

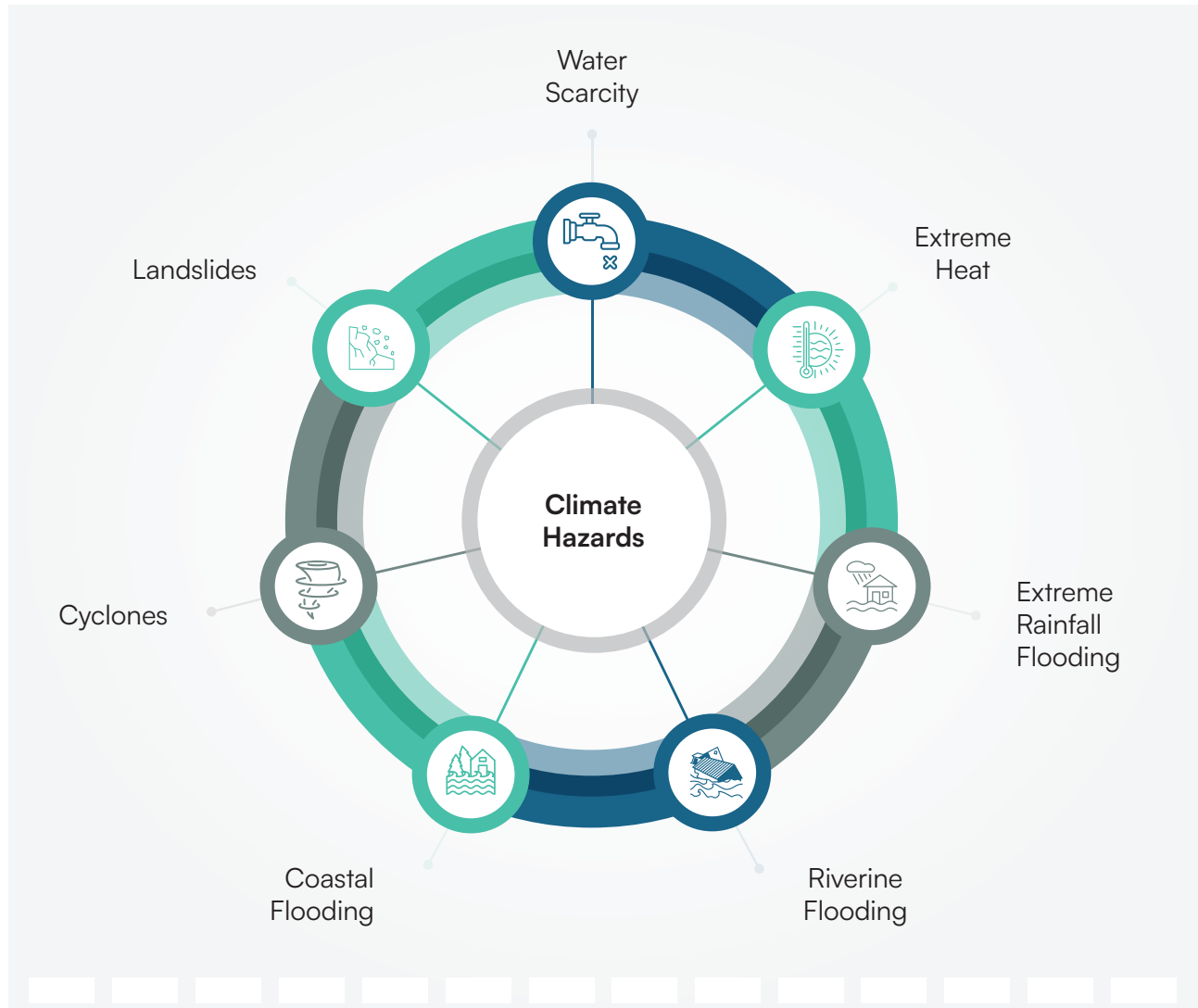
7.

APPENDIX A: METHODOLOGY IN DETAIL

PHYSICAL RISKS

Methodology used to conduct climate change driven physical risks assessment is shared below.

Natural Hazards Covered Under the Present Study



Approach for Preliminary Physical-CCRA Screening

A screening level CCRA is an initial evaluation that aims to identify and prioritize areas or assets that may be vulnerable to the physical impacts of climate change. It provides a broad understanding of potential risks.

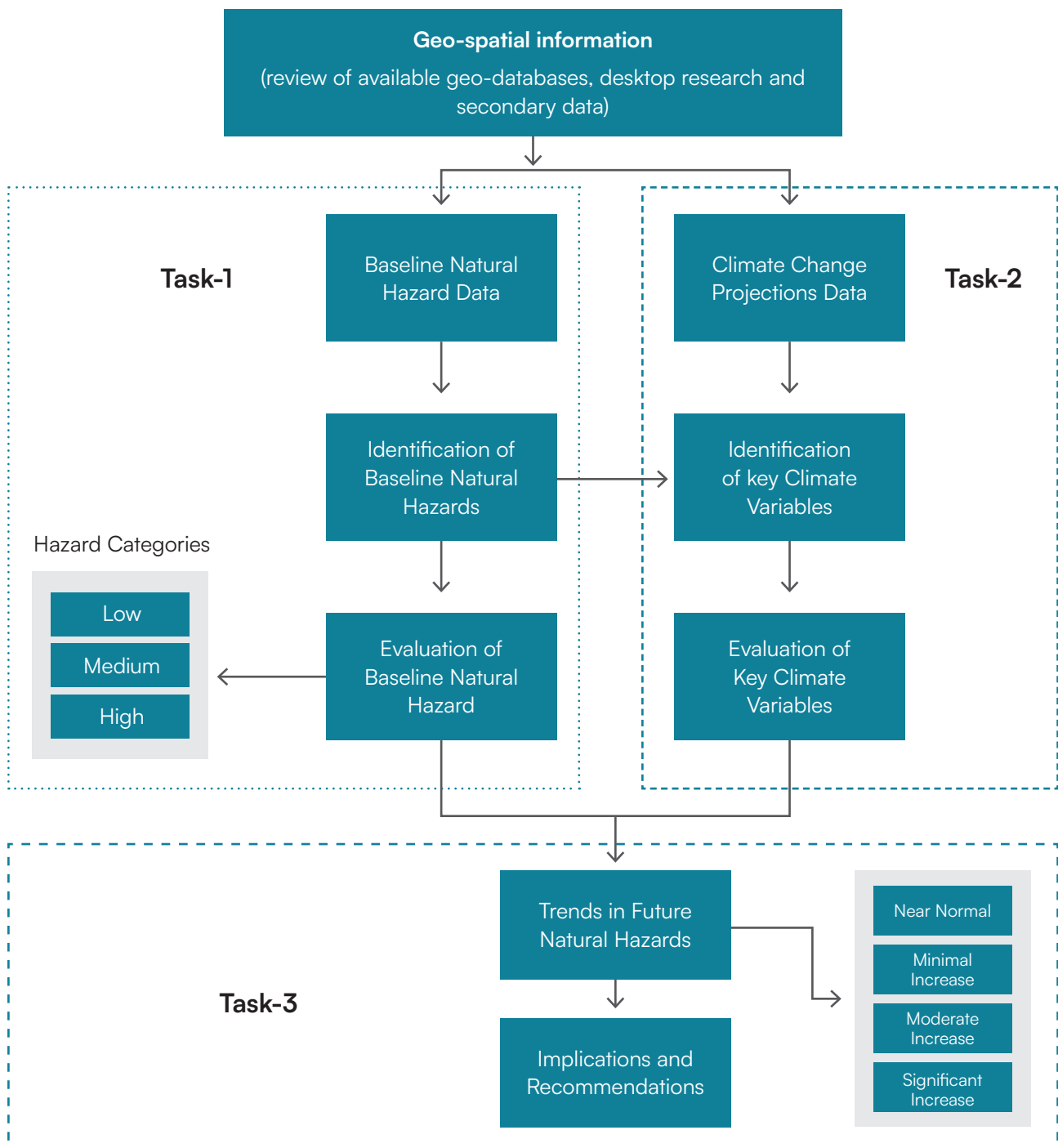
The approach starts with the collection of geospatial information for the Site under consideration. Based on the geospatial information, baseline natural hazards and the climate change projection data are assessed. It should be noted that the present

assessment utilizes readily available data from open and paid sources. A brief description of the various steps performed in this study are outlined below:

- The first step involves assessing global tools to gather historical data on natural hazards for the Site under consideration. It helps to determine the presence and severity of identified natural hazards. This baseline assessment is performed qualitatively based on the availability of historical data in the global tools. The potential impact of each natural hazard is evaluated on a three-level scale: Low, Medium, and High. The hazard categorization is based on the potential impact

- on the asset type or geographical location, considering the intensity/magnitude and/or the hazard frequency.
 - The second step constitutes evaluating climate hazards in future time horizons for selected scenarios to assess the extent of changes in climatic variables such as precipitation, temperature, etc. using global tools.
 - The third step involves assessing the trends in climate parameters to determine the direction and magnitude of the projected change in hazard on a qualitative basis as compared to the baseline. Based on the findings, a high-level implication of the hazards and the relevant recommendations are provided.
- The overall methodology of CCRA is given below:

Figure 6-1: Key Steps of Physical Climate Change Risks Assessment



Baseline Natural Hazard Evaluation: Use of Global and National Climate Databases

The various data sources used in the present assessment to evaluate the baseline natural hazards are listed in table below.

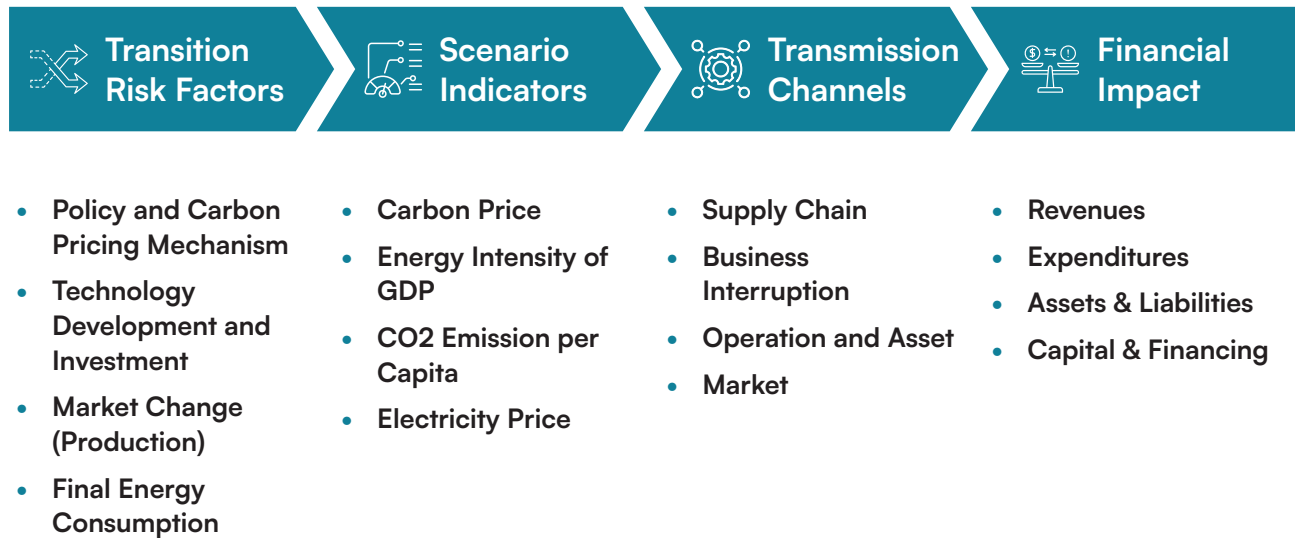
Data Sources Used for Baseline Natural Hazard Evaluation

Natural Hazard	Factors Assessed	Data Sources
Water Scarcity	Water Stress	S. Kuzma, M. F. P. Bierkens, S. Lakshman, T. Luo, L. Saccoccia, E. H. Sutanudjaja, and R. V. Beek (2023) "Aqueduct 4.0: Updated decision-relevant global water risk indicators." Technical Note. Available at: https://www.wri.org/research/aqueduct-40-updated-decision-relevant-global-water-risk-indicators
Riverine Flood	Flood Inundation Depth	P. J. Ward, H. C. Winsemius, S. Kuzma, M. F. P. Bierkens, A. Bouwman, H. De Moel, A. D. Loaiza, D. Eilander, J. Englhardt, G. Erkens, E. T. Gebremedhin, C. Iceland, H. Kooi, W. Ligtoet, S. Muis, P. Scussolini, E. H. Sutanudjaja, R. V. Beek, B. V. Bommel, J. V. Huijstee, F. V. Rijn, B. V. Wesenbeeck, D. Vatvani, M. Verlaan, T. Tiggeloven, and T. Luo (2020) "Aqueduct Floods Methodology". Available at: https://www.wri.org/data/aqueduct-floods-hazard-maps
Extreme Rainfall Flood	Percentage Change	IPCC Risk Atlas (2022) Available at: IPCC WGI Interactive Atlas
Coastal Flood	Flood Inundation Depth	P. J. Ward, H. C. Winsemius, S. Kuzma, M. F. P. Bierkens, A. Bouwman, H. De Moel, A. D. Loaiza, D. Eilander, J. Englhardt, G. Erkens, E. T. Gebremedhin, C. Iceland, H. Kooi, W. Ligtoet, S. Muis, P. Scussolini, E. H. Sutanudjaja, R. V. Beek, B. V. Bommel, J. V. Huijstee, F. V. Rijn, B. V. Wesenbeeck, D. Vatvani, M. Verlaan, T. Tiggeloven, and T. Luo (2020) "Aqueduct Floods Methodology". Available at: https://www.wri.org/data/aqueduct-floods-hazard-maps
Landslides	Rainfall Induced Landslides	https://datacatalog.worldbank.org/search/dataset/0037584 (Global Landslide Hazard Map, Updated in 2022)
Extreme Heat	Maximum Temperature	IPCC Risk Atlas (2022) Available at: IPCC WGI Interactive Atlas
	Maximum of Maximum Temperature	
	No. of Days > 35°C	
Cyclones	Cyclone Tracks	K. R. Knapp, H. J. Diamond, J. P. Kossin; M. C. Kruk, C. J. Schreck III (2018). International Best Track Archive for Climate Stewardship (IBTrACS) Project, Version 4. NOAA National Centers for Environmental Information. https://doi.org/10.25921/82ty-9e16 .

Transition Risks and Opportunities

The climate change related transition risks and opportunities assessment begins with an identification of the transition risk factors/scenario indicators in NGFS scenarios, followed by a climate financial driver analysis (CFDA) at the sector

level such as Market, Operation and Asset. The transition risk will transmit to potential financial impacts through four (4) categories (i.e. Revenue, Expenditure, Assets & Liabilities, Capital & Financing) in the financial statements of obligors for each selected high-carbon emission industries.



Transition Risks Factor Scoring

Considering the variety of sectoral characteristics, each industry's attribution of transition risk factors would be different. For example, high-carbon emission industries are usually affected by policies and carbon pricing; the profitability of the energy sector is mainly driven by primary and secondary energy production, electricity market, and final energy consumption. Therefore, relevant transition risk factors will be selected to reflect the transmission pathway from the market to the corresponding financial impacts at an individual business level. The selection of transition risk factors/scenario indicators is based on the following criteria:

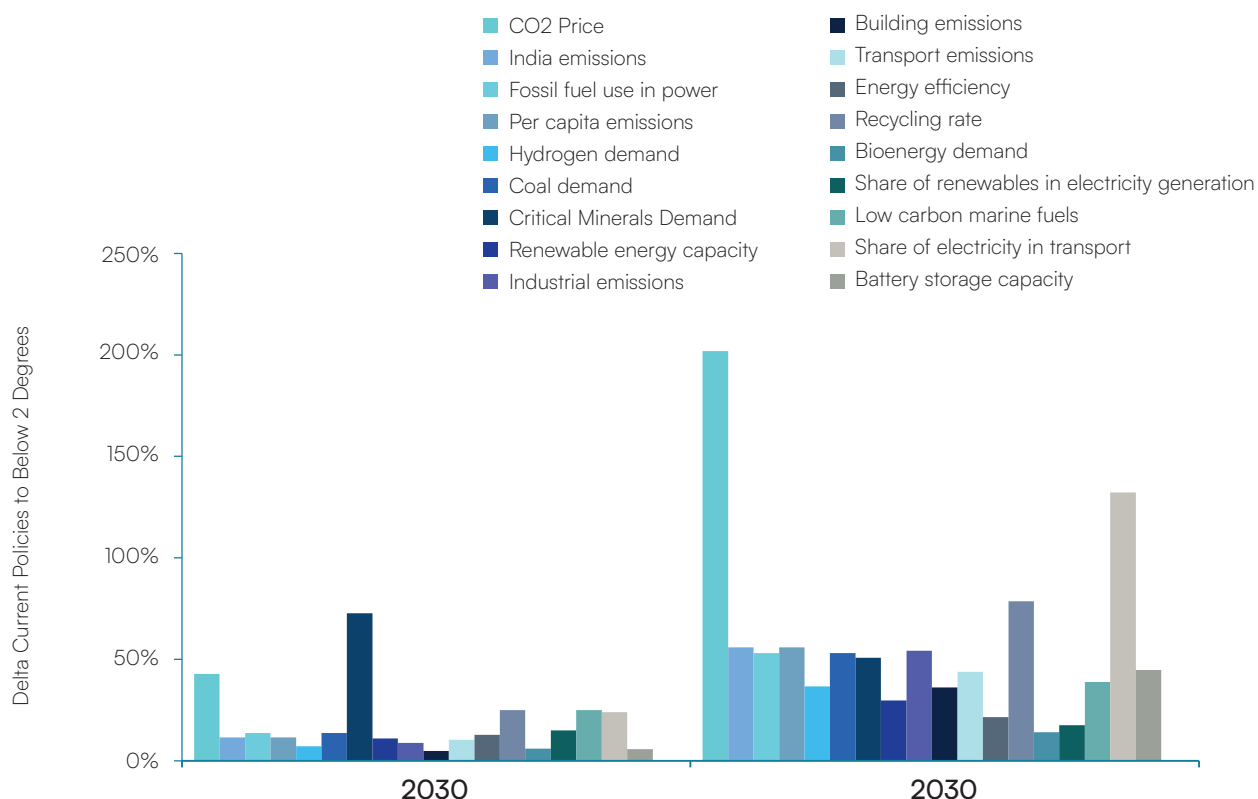
- The relevance of transition risk factors to the industry subjected to climate policies/initiatives
- Whether the risk factor can be quantifiable based on variable list provided in NGFS

After the scenario indicators are chosen, the difference (referred to as delta or Δ) between the values of the indicator between the two scenarios at specific time intervals. Following the NGFS transition scenarios detailed earlier, the two-time horizons chosen representing short/ medium and long term are 2030 and 2050. This is such that the assessment aligns with the RBI and IFRS S2 guidelines that organizations assess climate-related risk exposures over the short/medium and long term.

The chart in the figure below shows the difference between scenario indicator values for NGFS Current Policies, and below 2 degrees scenarios. The higher the percentage, the greater difference between scenarios, and greater potential impact on the portfolio sector.

The greater the delta between the scenarios, the greater the inferred potential risk (or opportunity) associated with this scenario indicator, subject to its relevance to the portfolio sector (see immediately below).

Evolution of Scenario Indicators



Indicator Scenario Delta Regional Normalization

All indicator deltas are normalized to 100 so that they are on the same 0 to 100 scale (with the largest delta being normalized to 100). This is so that the sector average risk/ opportunity score is on a relative scale to 100%, such that the risk/ opportunity ratings categories can be applied consistently within the sector, as discussed in point below.

Apply Sector Relevance Weightings

Sector Relevance Weightings are a qualitative, expert-judgement informed scaling factor applied to each Scenario Indicator, depending on the relevance to each sector when broadly considering the quantum of potential financial risk/opportunity (i.e. impact to revenue and cost).

Sector relevance weightings are applied by ERM, based upon sector information, combined with

ERM's understanding of the scenario indicators. Weightings are then reviewed and validated by client. To ensure the methodology being applied is as consistent as possible, rules have been applied. For each sector, a maximum number of ten and minimum number of four scenario indicators have sector relevance weightings applied.

Weightings range from high risk (-1) to high opportunity (1); if a particular indicator is considered an even balance of risk and opportunity for that sector, or is not considered relevant to the sector, a neutral score (0) is applied.

Sector Risk/Opportunity Scoring

The risk/ opportunity scores for each indicator (scenario delta multiplied by the relevance weighting assigned to the indicator) are shown in the transition risk heatmap for each sector.



SIMPLETREE ANARKALI, HOLDING NO: 89, PLOT NO: 03
BLOCK: CWS(A), GULSHAN AVENUE, GULSHAN, DHAKA-1212, BANGLADESH