

Banking Regulation and Policy Department  
Bangladesh Bank  
Head Office  
Dhaka

BRPD Circular No.01

January 30, 2011  
Date -----  
Magh 17, 1417

Chief Executives  
All Scheduled Banks in Bangladesh

Dear Sir

**[Guidelines on Environmental Risk Management\(ERM\)](#)**

You are aware that the state of environment in Bangladesh is deteriorating significantly. The key areas of deterioration include land degradation, water pollution and scarcity, air pollution, biodiversity resources and impacts of natural disasters. Rapid population growth, improper use of land, poor resource management and uncontrolled discharge of pollutants are the major causes. In addition, Bangladesh is one of the most climate change vulnerable countries and floods, tropical cyclones, storm surges, droughts are likely to become more frequent and severe in the coming years. Banks/FIs in Bangladesh need to protect their financing from the risks arising out of the deteriorating environmental scenario and climate change.

In view of the above, Bangladesh Bank has prepared the Guidelines on ERM to streamline solutions for managing the environmental risks in the financial sector. These guidelines were prepared in a consultative manner with several rounds of inputs/discussions from Banks and FIs.

There are four parts to these Guidelines: (1) Introduction, (2) Organizational Requirements, (3) Technical Manual and (4) Technical Annexes. The first part provides the overall context, defines environmental and climate change risks, outlines the purpose, links with credit risk management and provides information about how these guidelines were developed and are to be used. The second part covers the organizational requirements that includes policies, roles, responsibilities and authorities and procedures. The third part is the technical manual that provides directions on conducting a preliminary review (with due diligence checklists) and also the detailed environmental review. The fourth and last part includes the technical annexure that includes General Environmental Due Diligence Checklist and the various Environmental Due Diligence Checklists covering 10 sectors [Agri-business (Poultry & Dairy), Cement, Chemicals (Fertilizers, Pesticides and Pharmaceuticals), Engineering and basic metal, Housing, Pulp & paper, Sugar & distilleries, Tannery, Textile and apparels, Ship breaking]. Banks/FIs may go for more Environmental Due Diligence Checklists for other sectors as and when required.

Now, for the awareness and preparedness for easy adoption and smooth compliance of [ERM guidelines](#) by June 30, 2011, a soft copy of [ERM guidelines](#) has been made available in the BB website: [www.bangladesh-bank.org](http://www.bangladesh-bank.org) or [www.bangladeshbank.org.bd](http://www.bangladeshbank.org.bd).

Banks are advised to give suggestions if they face problem in the implementation of the guidelines by March 31, 2011. BB will continue its support and facilitate banks by conducting exclusive training programme, seminar or workshop upon the request from the banks for their capacity building on ERM issue.

Since development is a continuous process, there will always be scope for making adjustment to develop ERM guidelines. These Guidelines are dynamic documents, which will be revised as and when required and at least once in every three years. The structure of the guidelines provide the minimum that needs to be in place and are intended to make available a common platform from which individual banks and financial institutions can launch their own environmental risk assessment framework.

Please acknowledge receipt.

Yours sincerely

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