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ব্যবস্থাপনা পরিচালক/প্রধান নির্বাহী কর্মকর্তা  
বাংলাদেশে কার্যরত সকল তফসিলি ব্যাংক ও আর্থিক প্রতিষ্ঠান

প্রিয় মহোদয়,

**Sustainable Finance Policy প্রণয়ন প্রসঙ্গে।**

বাংলাদেশ ব্যাংক কর্তৃক জারিকৃত বিআরপিডি সার্কুলার নং- ০২/২০১১ এবং জিবিসিএসআরডি সার্কুলার নং- ০৪/২০১৩ এর প্রতি আপনাদের দৃষ্টি আকর্ষণ করা যাচ্ছে।

২। আর্থিক খাতে আন্তর্জাতিক স্ট্যান্ডার্ড নির্ধারণকারী সংস্থাসমূহের কার্যক্রমের ফলে পরিবেশবান্ধব ব্যাংকিং, জলবায়ু অর্থায়ন, কার্বন ফাইন্যান্স, গ্রিনবন্ড ও টেকসই অর্থায়ন এবং সিএসআর-এর প্রভাব পর্যালোচনা ও নীতি-পরামর্শ প্রণয়ন; বাংলাদেশ সরকারের ঘোষিত বিভিন্ন কর্মপরিকল্পনা যেমন- Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy, অষ্টম পঞ্চবার্ষিকী পরিকল্পনা, Intended Nationally Determined Contributions (INDCs), Bangladesh Delta Plan 2100, এবং Sustainable Development Goals প্রভৃতি বাস্তবায়নের আবশ্যিকতা বিবেচনায় নিয়ে বৃহৎ পরিসরে ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের জন্য প্রণীত “Sustainable Finance Policy” (রিপোর্টিং ফরম্যাটসহ) এতদ্বারা জারি করা হ’ল। জারিকৃত নীতিমালার নির্দেশনাসমূহ অনুসরণের জন্য আপনাদেরকে পরামর্শ দেয়া যাচ্ছে।

৩। এ সার্কুলারের সাথে সংযোজনীসমূহ (Sustainable Finance Policy ও রিপোর্টিং ফরম্যাট) সার্কুলারের অবিচ্ছেদ্য অংশ মর্মে গণ্য হবে। সংযোজিত ফরম্যাট অনুযায়ী রিপোর্টিং প্রতি ত্রৈমাস অন্তে পরবর্তী মাসের শেষ কর্মদিবসের মধ্যে এ বিভাগে দাখিল করতে হবে।

৪। ব্যাংক কোম্পানি আইন, ১৯৯১ এর ৪৫ ধারা এবং আর্থিক প্রতিষ্ঠান আইন, ১৯৯৩ এর ১৮(ছ) ধারায় প্রদত্ত ক্ষমতাবলে এ নির্দেশনা জারি করা হ’ল, যা অবিলম্বে কার্যকর হবে।

সংযোজনী : বর্ণনা মোতাবেক।

আপনাদের বিশ্বস্ত  


(খন্দকার মোরশেদ মিল্লাত)

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**Sustainable Finance Policy  
for  
Banks and Financial Institutions**



**Bangladesh Bank  
Sustainable Finance Department**

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## Sustainable Finance Policy for Banks and Financial Institutions

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### Preamble

Sustainability has become one of the mainstream considerations in the financial sector. There is however a need for convergence on terminology among market participants and wider stakeholders. The objective of Sustainable Finance Policy is to ensure that all participants and stakeholders are using a common and transparent vocabulary of Sustainable Finance arena. It has also been designed as a contribution to other ongoing efforts in the financial industry to develop a consensus around key terms and definitions in sustainable finance.

Sustainability in this context means the quality of not being harmful to the environment or depleting natural resources, and thereby supporting long-term ecological, social balance and governance (ESG). To attain the global targets set through the Paris Agreement and the broader United Nations Sustainable Development Goals (SDGs), Bangladesh Bank (BB) has started this Sustainable Finance Policy initiative. The idea behind this initiative is that the financial service sector, Banks & FIs, as an important economic player, must make an appropriate contribution to sustainability. Bangladesh Bank as a pioneer financial regulatory body has been addressing sustainability issues in its policies and regulations and guide Banks and FIs to accommodate Environmental, Social and Governance (ESG) issues in their financing portfolio and credit/investment management. Recognizing that the financial sector can play a catalytic role in speeding up adoption of environmentally friendlier output practices in the real economy; Bangladesh Bank has launched in 2011 a comprehensive green banking initiative to support and promote environmentally responsible financing; issuing guidance inter alia for environmental risk assessment of borrowing proposals and for greening of internal processes and practices within banks and FIs. Introduction of the Green Transformation Fund (GTF) in 2016 and guidance note on GTF in 2020; ESRM guidelines in 2017; recent guidelines on BB refinance scheme for 55 green products/projects/initiatives belong to 9 green categories in 2020 are some of BB's green initiatives over the time. These green initiatives and practices led to defining **Sustainable Finance** and introduction of **Sustainable Finance Policy**.

Sustainable Finance needs a harmonized and sound policy and regulatory framework that ensures clarity of purpose, protects consumers, supports market development, and facilitates transition in key economic sectors. Sustainable Finance Policy has not been confined to only Green Taxonomy but also Sustainable Finance Taxonomy. Green Taxonomy includes green banking activities, green finance policy, ESDD, utilization of Climate Risk Fund, internal environmental management including carbon footprint measurements, green marketing, disclosures etc., whereas Sustainable Finance Taxonomy contains Sustainable Agriculture, CMSME, Socially Responsible Financing and identification process of sustainable linked finance, R&D for sustainable product innovation, marketing, awareness, capacity building and sustainable finance disclosure for banks & FIs etc.

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## **Sustainable Finance Policy for Banks and Financial Institutions**

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There is a thirst for tracking and hunting products/projects/initiatives linked to sustainability through proper justification. In this regard a standard identification process has been introduced to include green ones along with Sustainable Agriculture, CMSME and Socially Responsible Finance (SRF) Products/Projects/Initiatives linked to sustainability. All these components have been structurally placed in Sustainable Finance Taxonomy.

‘Sustainable Finance Policy for Banks and Financial Institutions’ has been structurally arranged in six chapters where Chapter A contains Introduction and Rationale, Chapter B and C cover Sustainable Taxonomy and Green Taxonomy respectively, Chapter D includes Target of Green Finance and Sustainable Finance, Chapter E states Exclusion List and Inclusion Criteria for inclusion of new products/projects/initiatives for Sustainable Finance, Chapter F about Conclusion and lastly characteristics of Green Featured Buildings and a List of Applicable National Regulations & International Treaties has been incorporated as Annexure in Chapter G.

### Foreword

Government's development plan, its global commitment for sustainability and Bangladesh Bank's strategic goals are the major drivers to formulate a comprehensive policy for sustainable finance by the Sustainable Finance Department of Bangladesh Bank. This policy has come through a long process of drafting, rigorous multi-step consultation with Banks and FIs as well as development partners. The policy includes Sustainable Finance Taxonomy along with a country perspective Green Taxonomy. The Green Finance and the Sustainable Linked Finance together comprise the Sustainable Finance. Comprehensive lists of green products/projects/initiatives and identical areas of sustainable linked finance have been included in the policy. This policy addresses the essential clarity and guidance to identify green and Sustainable Linked Finance. Sustainable Finance contains Green Finance, which is one of its components along with Agriculture, CMSME and Socially Responsible Finance linked to sustainability. It is very encouraging that we the team received as many as 45 comments/ feedback on the draft document from concerned national stakes and international agencies/ organizations. We have gone through the comments, reviewed and adjusted accordingly those seems to be relevant and justified. I would like to extend my heartfelt thanks and gratitude to the banks, FIs, other concerned national and international organizations/agencies/offices for their feedback on the draft SFP.

I am grateful to the honorable Governor for his kind instructions and approval on the strategic decisions and work plan. Our humble submission to the honorable Deputy Governor for his timely guidance and support he extended. Besides, a number of times I had an opportunity to know their views, valuable advice and guidance while updating. We the team expresses our heartiest gratitude to our Advisor of our team who had been with us in our prime need and guided us with his close and keen observation on our proceedings. Last but not the least, I feel very happy about my colleagues that we the team worked day-night for preparing the draft in the last few months with such feelings that we belong to the same family.

Banks and FIs will have to allocate budget separately on their previous year's net outstanding basis – one allocation for sustainable finance including the amount of green finance and the other allocation for only green finance. It is expected that banks and FIs will play active role in attaining target of green finance and sustainable finance as per instructions issued by Sustainable Finance Department of Bangladesh Bank. It is also expected that all the concerned stakes including banks and FIs will be passionate, proactive and they will concentrate on Sustainable Finance Policy with due consideration in a collaborative and collective manner for making any challenge (if any) into opportunities.



**Khondkar Morshed Millat**  
**General Manager**

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## **List of Abbreviations**

AAC	Autoclaved Aerated Concrete
BB	Bangladesh Bank
BIFFL	Bangladesh Infrastructure Finance Fund Limited
BoD	Board of Directors
BREEAM	Building Research Establishment Environmental Assessment Method
BSEC	Bangladesh Securities and Exchange Commission
CASBEE	Comprehensive Assessment System for Built Environment Efficiency
CBI	Climate Bonds Initiative
CCEs	Certified Carbon Emissions
CERs	Carbon Emission Reductions
CFF	Climate Fiscal Framework
CITES	Convention on International Trade in Endangered Species (CITES)
CMSME	Cottage, Micro, Small & Medium Enterprises
CO <sub>2</sub>	Carbon dioxide
CSE	Chittagong Stock Exchange
CSR	Corporate Social Responsibility
DoE	Department of Environment
DSE	Dhaka Stock Exchange
ECA	Environment Conservation Act
ECR	Environmental Conservation Rules
EDGE	Excellence in Design for Greater Efficiencies
ERM	Environmental Risk Management
ESG	Environmental, Social and Governance
ESRM	Environmental & Social Risk Management
ETP	Effluent Treatment Plant
EU	European Union
FCK	Fixed Chimney Kiln
GHG	Green House Gas
GoB	Government of Bangladesh
GRIHA	Green Rating for Integrated Habitat Assessment
GTF	Green Transformation Fund
HHK	Hybrid Hoffman Kiln
ICT	Information and Communication Technology
IDCOL	Infrastructure Development Company Limited
IDRA	Insurance Development and Regulatory Authority of Bangladesh
IEA	International Energy Agency
IFC	International Finance Corporation

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INDC	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
LEED	Leadership in Energy and Environmental Design
MANCOM	Management Committee
MFI	Micro Credit Financial Institution
MoEF&CC	Ministry of Environment, Forest and Climate Change
MRA	Micro Credit Regulatory Authority
NBR	National Board of Revenue
NGO	Non-Governmental Organizations
PFI	Participating Financial Institutions
R&D	Research and Development
RMC	Risk Management Committee
SDGs	Sustainable Development Goals
SFU	Sustainable Finance Unit
SMESPD	SME and Special Programs Department
SREDA	Sustainable and Renewable Energy Development Authority
SRF	Socially Responsible Finance
SWOT	Strength, Weakness, Opportunity and Threat
ToR	Terms of Reference
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
USGBC	U.S. Green Building Council
VERs	Voluntary Carbon Emission Reductions

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## Chapter-1: Sustainable Finance

### 1. Introduction

The definitions of Sustainable Finance in accordance with concerned international stakes such as EU, UNEP and IFC look like the followings:

Sustainable finance generally refers to the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector. More specifically, environmental considerations may refer to climate change mitigation and adaptation, as well as the environment more broadly, such as the preservation of biodiversity, pollution prevention and circular economy. Social considerations may refer to issues of inequality, inclusiveness, labor relations, investment in human capital and communities, as well as human rights issues. The governance of public and private institutions, including management structures, employee relations and executive remuneration, plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.

Sustainable finance looks at environmental, social and governance (ESG) factors in both market practice and policy frameworks for banking, capital markets, investment and insurance.

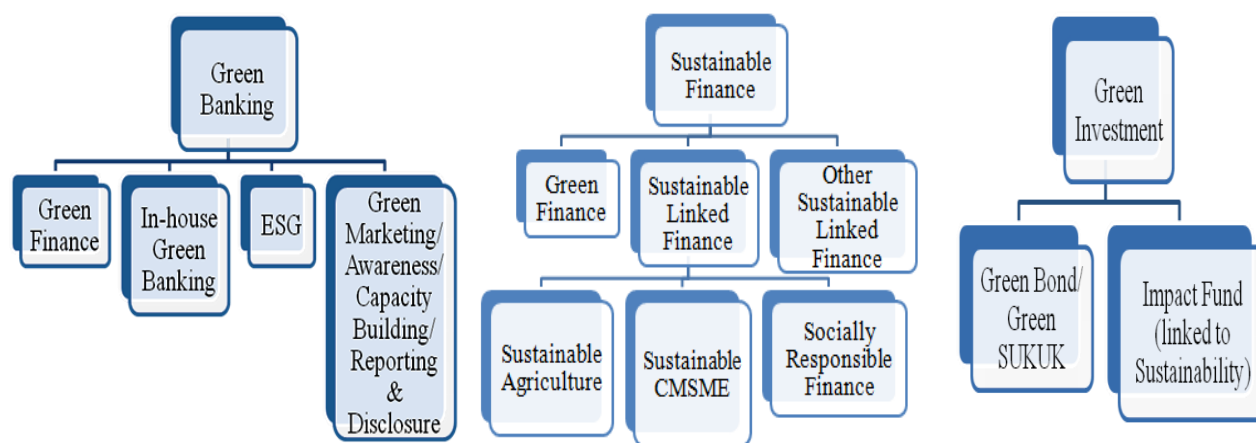
Sustainable Finance aims at introducing environmental, social, and governance standards, as well as risk management to the lending practices of banks and FIs to promote stability of financial systems in developing countries, and channel finance to responsible entities.

UNFCCC defined climate finance as part of Sustainable Finance as:

“finance that aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.”

Bangladesh Bank defines Sustainable Finance in a broader manner taking above definitions and Bangladesh scenario in due consideration as well as in conformity with the international norms and standards.

*Sustainable finance refers to any form of financial service that includes investment, insurance, banking, accounting, trading, economical and financial advice integrating environmental, social and governance (ESG) criteria into the business or investment decisions for lasting benefits of both clients and society at large. Sustainable Finance is about Green Banking, Sustainable Agriculture, Sustainable CMSME, CSR that includes Socially Responsible Finance activities with respect to sustainability.*



Sustainable Finance includes Green Finance or in other way Green Finance is a subset of a wider definition of Sustainable Finance. Sustainable Finance Department of Bangladesh Bank has taken an effort to prioritize of the priorities based on their contribution towards sustainability with respect to environmental, social, economic and governance issues those are in conformity with Sustainable Development Goals (SDGs), Perspective Plans (2010-2021), recent 8<sup>th</sup> Five Year Plan, Vision 2041, Intended Nationally Determined Contributions (INDCs), Bangladesh Delta Plan 2100, Govt. issued Rules/Regulations/Guidelines/Instructions/Notifications and nevertheless international benchmark/norms/standard.

### 2. Rationale














Sustainable Finance Policy is for sustainability considerations in order to mobilize finance towards sustainable growth. Monetary Policy of Bangladesh Bank ingrains priority on Green Finance as a part of Sustainable Finance. Sustainable Finance Policy has been formulated to guide banks and FIs for their participation and contribution in the implementation of the INDCs for attaining respective SDGs. In the INDC, Bangladesh is committed to reduce GHG emissions by 5% unconditionally from Business as Usual (BaU) levels by 2030 or a conditional 15% reduction in GHG emission from BaU levels by 2030. Sustainable Finance Policy has incorporated target both for green finance and sustainable finance for the banks and FIs which is linked to GHG emissions reductions and strengthened climate resilience as well.

Sustainable Finance is a work-stream to support the delivery on the objectives of Green Products/Projects/Initiatives by channeling private investment into the transition to a climate-neutral, climate-resilient, low-carbon, more resource-efficient, green, competitive and inclusive sustainable economy. Sustainable Finance has a key role to play in mobilizing the necessary capital to deliver on the policy objectives as national and international commitments on climate and sustainability objectives. It has to go with the UN 2030 agenda and SDGs and the Paris Climate Agreement. It has to go with the 8<sup>th</sup> 5YR plan and other perspective plans.

The Conventions of the Kyoto Protocol and the Paris Agreement call for financial assistance from member countries with more financial resources to those that are less endowed and more vulnerable. This recognizes that the contribution of countries to climate change and their capacity to prevent it and cope with its consequences vary enormously.

### 3. Alignment of Sustainable Finance with SDGs and INDC

Bangladesh has already completed many significant upfront activities for starting the Sustainable Development Goals (SDGs) implementation. The responsibilities of ministries and agencies against each goal and target of the 2030 Agenda have been mapped out. Bangladesh is also one of the signatory parties which outlined what post-2020 climate actions they intended to take as part of INDCs under Paris Agreement to reduce global average temperature and to achieve net zero emissions. Accordingly, Sustainable Finance Components and Sectors under this policy have been aligned with relevant goals and targets of SDGs and INDC's commitment of Bangladesh in the following manner:

SDGs	SDGs Targets	Sustainable Finance Components	Sustainable Finance Sectors	INDC of Bangladesh
     	1.3, 1.4, 1.5, 1.b, 2.3, 5.a, 6.1, 8.1, 8.2, 8.3, 8.9, 9.2, 9.3	Sustainable Linked Finance	1. Sustainable Agriculture 2. Sustainable CMSME 3. Socially Responsible Finance	1. Mitigation contribution: <ul style="list-style-type: none"> <li>Reduction of GHG emissions by 5% by 2030 in the power, transport and industry sectors (unconditional)</li> <li>Reduction of GHG emissions by 15% by 2030 in the power, transport and industry sectors (conditional)</li> </ul>
     	6.3, 6.4, 7.2, 7.3, 7.a, 8.1, 8.4, 8.5, 9.2, 9.3, 9.4, 12.5, 13.2, 13.a, 17.14, 17.17, 17.18	Other Sustainable Linked Finance	1. Working Capital 2. Priority Green Products for Trading Sector 3. Priority Eco-Friendly Products for Trading Sector	2. Adaptation component: <ul style="list-style-type: none"> <li>To protect the population, enhance their adaptive capacity and livelihood options, and to protect the overall development of the Bangladesh in its stride for economic progress and wellbeing of the</li> </ul>
		Green Finance	1. Renewable Energy 2. Energy Resource Efficiency 3. Alternative Energy 4. Liquid Waste Management 5. Solid Waste Management 6. Recycling & Manufacturing of	

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SDGs	SDGs Targets	Sustainable Finance Components	Sustainable Finance Sectors	INDC of Bangladesh
			Recyclable Goods 7. Environment Friendly Brick Production 8. Green/Environment Friendly Establishments 9. Green Agriculture 10. Green CMSME 11. Green SRF	people.
		Green Investment	1. Green Bond/Green SUKUK 2. Impact Fund (linked to Sustainability)	

## Chapter-2: Sustainable Finance Taxonomy

**1. Sustainable Finance Taxonomy** means classification of Sustainable Finance. It is a structured mechanism for identifying and recognizing a product/a project/an initiative belongs to green and other products of Agriculture, CMSME or Socially Responsible Financing Category linked to sustainability. Sustainable Finance Taxonomy includes not only Green Taxonomy but also Sustainable Finance Policy including CSR Policy, Economic and Governance (Good Governance and Green Governance), Green Finance based on (i) Climate Change Mitigation (ii) Climate Change Adaptation (iii) Other Environmentally sustainable Implementations and Impact on Inclusive Sustainable Green Growth.

### 2. Objectives/Focus/Purpose of Sustainable Finance Taxonomy

Sustainable finance taxonomy has been structured in this Sustainable Finance Policy incorporating a green taxonomy containing green finance policy, CSR, SRF, agriculture and CMSME all these issues related to green and sustainability. Sustainable finance frameworks are crucial for making future development more sustainable. Forming Sustainable Finance Taxonomy are very much essential and within the broader scope of sustainable development agenda of a country like Bangladesh. The policy actions and operations have been included in the taxonomy to provide a comprehensive understanding for concerned stakeholders regarding sustainable finance.

### 3. Features of Sustainable Finance Taxonomy





### 3.1. Identification of Sustainable linked finance



#### 3.1.1. Sustainable Agriculture

**Finance to Sustainable Agriculture** is linked to Sustainable Finance. Sustainable Finance aims at promoting Sustainable Agriculture through climate change adaptation measures. Agriculture productivity needs to be enhanced especially in rain-fed areas focusing on integrated farming, soil health management, and synergizing resource conservation. Conservation agriculture by promoting location specific integrated/composite farming systems; soil and moisture conservation measures; comprehensive soil health management and rain-fed technologies can make agriculture sector more productive, sustainable, remunerative, and climate resilient. All these components of conservation agriculture have significant role in achieving SDGs.

#### Sustainable Agriculture Sectors\Areas

- a) Crops
- b) Irrigation equipment
- c) Agro-equipment
- d) Live-stock and poultry farming
- e) Fisheries
- f) Grain Storage and marketing
- g) Poverty Alleviation
- h) Others (time-to-time as recognized by Bangladesh Bank)

Along with the aforementioned products, financing for Integrated Farming System (IFS) in the specific sectors like horticulture, livestock, fishery, agro-forestry, apiculture etc. to enable farmers not only in maximizing farm returns for sustaining livelihood, but also to mitigate the impacts of drought, flood or other extreme weather events with the income opportunity from allied activities during crop damage.

#### 3.1.2. Sustainable CMSME

**Finance to Sustainable CMSME** (cottage, micro, small & medium as defined by SMESPD, BB) is linked to Sustainable Finance. Inclusive Sustainable Finance in CMSME aims to advance financial inclusion among the most vulnerable by building resilience and enabling mitigation to climate change. This is especially the case for the transition to a low-carbon, circular and sustainable economy. Banks and FIs should have targeted initiatives to scale up finance for CMSMEs, with a focus on specific sustainable/inclusive sectors. Sustainable linked CMSME financing decisions upon environmental, social and governance (ESG) considerations will address issues of inequality, inclusiveness, investment in human capital and communities with respect to preservation of biodiversity, pollution prevention and circular economy.

### **A. Sustainable CMSME areas**

1. Women entrepreneur based project financing
2. Rural Based business enterprises project financing
3. New entrepreneur project financing
4. Cluster Based project financing
5. Agricultural product processing industry

### **B. Sustainable CMSME industries/projects**

- (i) Herbal cosmetic manufacturing industries
- (ii) 100% local ingredients-based milk processing industry
- (iii) Handicrafts, Handloom and alike
- (iv) Agro feed manufacturing industry
- (v) Jute made products manufacturing industry
- (vi) Unani/Ayurvedic/Homeopathic manufacturing industries
- (vii) Rice processing industry
- (viii) Agro equipment manufacturing industry
- (ix) Production of bio pesticide, production of organic fertilizer
- (x) Bran wood projects
- (xi) Horticulture processing industry

### **C. Sustainable Finance to other CMSME Priority Projects**

- a) Helpless/distressed/underprivileged/Marginal group/area-based project financing
- b) Project Financing for the sustainability of Third gender, Physically/Mentally challenged person, Tribal people

### **3.1.3. Socially Responsible Financing**

**Finance to Socially Responsible Products/Projects/Initiatives/Sectors** is linked to Sustainable Finance. Socially Responsible Finance (SRF) is financing that supports actions mitigating or addressing a specific social issue and/or seeking to achieve positive social outcomes especially but not exclusively for a target population(s). SRF project categories include but are not limited to, providing and/or promoting affordable basic infrastructure, access to essential services (such as health and healthcare), affordable housing, employment generation through the potential effect of SME financing and microfinance, food security, and socioeconomic advancement and empowerment.

#### **Socially Responsible activities/projects linked to Sustainable Finance**

- a) Financing/Investment through MFI(MRA Regulated)/NGO(Govt. Approved) Linkage Mode for capacity building, employment generation including self employment
- b) Financing in trading of green and agro products using ICT/online/e-business platform (as recognized by Bangladesh Bank)
- c) Financing in Orphanage/Child Rehabilitation Center/Old Age Home

### 3.2 Identification of other Sustainable linked finance

#### 3.2.1. Working Capital

Financing for wages/direct labor cost under continuous loan and financing for procurement of raw materials under demand loan for the following green products/initiatives/projects will be considered as sustainable linked finance.

#### A. Sector - Renewable Energy

Subsector-Solar Energy:

- Solar Photovoltaic (PV) Assembly/ Manufacturing Plant
- Solar Photovoltaic (PV) Power Plant
- Solar Cooker Assembly /Manufacturing Plant
- Solar Water Heater Assembly/Manufacturing Plant
- Solar Air Heater & Cooling System Assembly/Manufacturing Plant

Subsector-Bio Gas:

- Large size biogas having capacity 26 to 200 cubic meter gas production per day and above

Subsector-Wind Power:

- Wind power plant

Subsector- Hydro Power:

- Hydropower Plant (Pico, Micro, Mini)

#### B. Sector-Energy & Resource Efficiency

- Auto sensor power switch assembly Plant
- Energy efficient Cook Stove Assembly Plant
- LED Bulb/Tube Manufacturing/Assembly Plant

#### C. Sector-Alternative Energy

- Pyrolysis Processed Oil/Bio-crude Oil/Bio Fuel Manufacturing Plant

#### D. Sector-Solid Waste Management

- Compost Production from City/Municipal Waste Plant

#### E. Sector-Recycling and Manufacturing of Recyclable Goods

- PET Bottle Recycling Plant
- Plastic Waste (PVC, PP, LDPE, HDPE,PS) Recycling Plant
- Paper Recycling Plant
- Recyclable Bag Manufacturing Plant
- Recyclable Poly Propylene Thread and Bag Manufacturing Plant
- Battery (Solar/Led Acid/Lithium Ion) Recycling Plant

### **F. Sector-Environment Friendly Brick Production**

- Compressed Block-Brick
- Foam Concrete Brick
- Auto-Green Bricks
- Autoclaved Aerated Concrete (AAC) Bricks
- Brick Kiln Industry (as defined by MoI)/Environment Friendly Brick Kiln Efficient Project (Hybrid Hoffman Kiln, Tunnel Kiln)

### **G. Sector-Green/Environment Friendly Establishments**

- Green Industry established or being established under green-building rating system certified by appropriate authority (In Bangladesh - SREDA, Internationally - USGBC-LEED, BREEAM, CASBEE, EDGE, GRIHA)

**H. Financing against Work Order** related to Liquid/Solid Waste Management/Disposal Project by Govt./Local Govt. entity

### **3.2.2. Priority Green Products for Trading Sector**

Trading of following Green Products for continuous and demand loan will be considered as Sustainable linked finance

#### **A. Sector - Renewable Energy**

Subsector-Solar Energy:

- Solar Panel/Solar Home System
- Solar Pico Grid
- Solar Nano Grid
- Solar Micro Grid
- Solar Mini Grid
- Net Metering Rooftop Solar System
- Solar Irrigation Pumping System
- Solar Photovoltaic (PV)
- Solar Cooker
- Solar Water Heater
- Solar Air Heater & Cooling System

Subsector-Bio Gas:

- Bio Gas Plant Accessories

#### **B. Sector-Energy & Resource Efficiency**

- Waste Heat Recovery System/Unit
- Auto sensor power switch
- Energy efficient Cook Stove
- LED Bulb/Tube

### C. Sector-Alternative Energy:

- Pyrolysis Processed Oil/Bio-crude Oil/Bio Fuel

#### 3.2.3. Priority Eco-Friendly Products for Trading Sector

Eco-friendly products usually contain materials recycled or gathered from natural sources which are easy to replace and minimally damaging to harvest. Eco-friendly products contribute to green living or practices that help conserve resources like water and energy and also prevent contributions to air, water and land contamination.

1. Jute-made products e.g. crafts, shopping bags, packaging bag
2. Cane made products e.g. craft, furniture
3. Biodegradable Waste Bag
4. Reusable Grocery Bags
5. Solar lantern
6. Biodegradable Garden Pots
7. Compostable Cutlery (Forks, Spoons, Knives and Tasters)
8. Compostable Plates
9. Portable Solar Charging Station
10. Stainless Steel, Bamboo, Thermal Water Bottle
11. Rechargeable batteries
12. Reusable coffee filters
13. Solar powered phone charger
14. Reusable, non-plastic meal prep containers
15. Wool footwear and runners
16. Biodegradable toilet towels, tissues and women hygiene
17. Compostable and Biodegradable Baby Diapers
18. Solar Powered Outdoor Speakers
19. Natural stain remover and cleaner
20. Reusable Coffee Cups
21. Recycled Floor Mats
22. Compostable Bowls
23. Recycling & Recyclable Goods

### 3.3. Screening and Monitoring

#### 3.3.1. Screening

Setting of screening criteria is essential to avoid significant harm to climate change mitigation and adaptation, and to environmental and social harmony. The technical screening criteria will determine whether an activity can be considered to substantially contribute to one of the following six environmental objectives not doing any significantly harm to the other environmental objectives.

### Six environmental objectives-

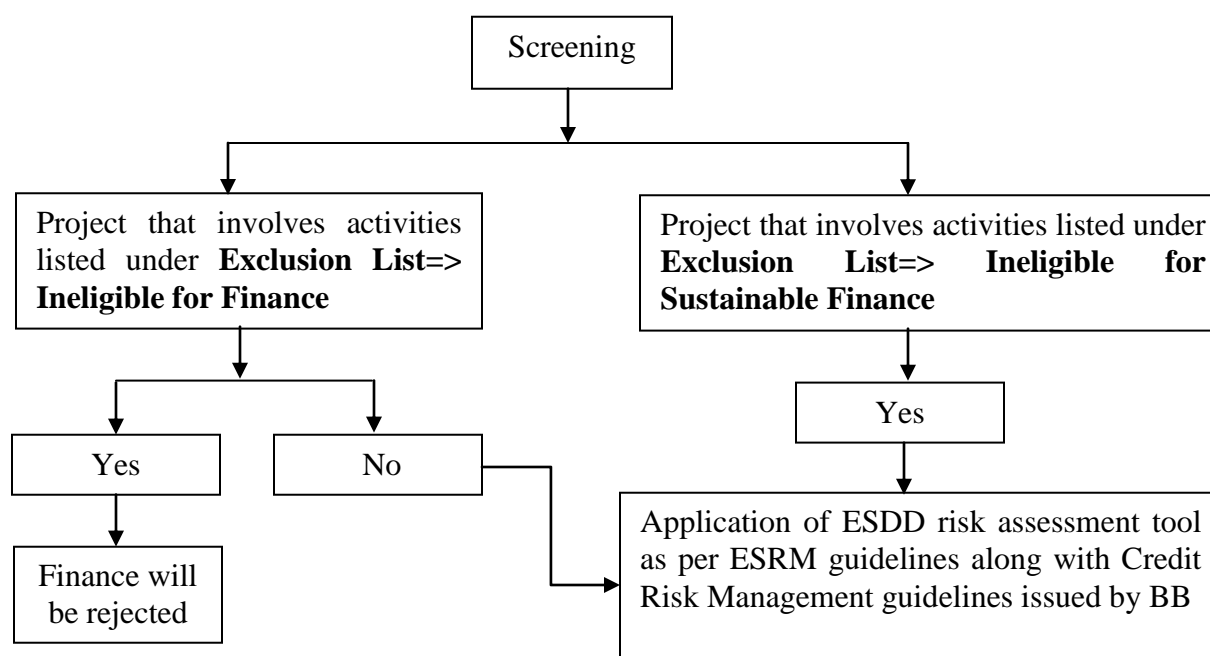
- 1) Climate change mitigation
- 2) Climate change adaptation
- 3) Sustainable protection of water and marine resources
- 4) Transition to a circular economy, waste prevention and recycling
- 5) Pollution prevention and control
- 6) Protection and restoration of biodiversity and healthy ecosystems

### Performance thresholds-

- 1) Make a substantive contribution to one of six environmental objectives
- 2) Do No Significant Harm (DNSH) to the other five, where relevant;
- 3) Meet minimum social and governance safeguards

### 3.3.2. Steps of Screening

All loan proposals will have to be first screened against the exclusion list.



### 3.3.3. Monitoring

Monitoring must move on in a structured manner immediately after asset creation by the banks and FIs for the maintenance of the standard quality of the assets. Screening on Environmental, Social and Governance issue is essential for the pre-evaluation of a project with respect to sustainability, but the permanence in sustainability will only be ensured if stricter monitoring in both offsite and onsite manner is carried on with regular intervention.

The purpose of monitoring a client's ESG performance (on the basis of ESDD risk assessment tool as per ESRM guideline) is to assess existing and emerging ESG risks associated with a client's operations during the transaction. Once a finance proposal has been approved, the Bank/FI needs to monitor the client's ongoing compliance with the ESG clauses stipulated in the legal agreement. The monitoring process generally involves a review of periodic ESG performance reports submitted by the client and regular site visits of the client's operations. Special attention should be paid to:

- Assessing implementation of any mitigation measures specified in the corrective action plan
- Monitoring for valid ESG permits or licenses
- Any fines and penalties for non-compliance with ESG regulations
- Recent reports from the relevant regulator or inspection authority confirming compliance with specified laws, including any emissions measurements proving that emissions are below the permitted limits
- ESG occurrences including major accidents or incidents associated with a client's operations such as worker injuries and spills
- Media attention to ESG issues related to the client
- Any complaints submitted by stakeholders about a client

If Bank/FI staff identifies ESG issues, such as a client's non-compliance with the ESG clauses stipulated in the legal agreement, they should follow up with the client to resolve the issues without undue delay.

### **3.4. Inclusion of Technological Advancement**

Minimization of waste, emissions and reduction in materials and energy inputs are the most important environmental aims. Sustainable technological advancement and innovations have been playing a major role in the long-term initiation of sustainable production which ultimately facilitates sustainable growth. Sustainable finance taxonomy features include financing for the inclusion of technological advancement and innovations leading to sustainable production including Green Production or not yet recognized as green but definitely a sustainable one.

Financing for technological inclusion and featured machineries/technologies include for the followings-

1. Core manufacturing/production
2. Energy efficiency and renewable energy
3. Business process engineering/Business process automation
4. Operations management
5. Waste management
6. Air management
7. Heat management
8. Working environment (fire defense and health care)

9. Water use management
10. Human resources development and management
11. Accounting, inventory management, marketing, sales and security management automation

### **3.5. Sustainable Finance Strategic Planning, R&D for Product Innovation, Product Marketing, Awareness and Capacity Building, Impact Assessment/ Review**

#### **3.5.1. Formation of Sustainable Finance Committee**

- Committee formation<sup>1</sup>
- Developing Terms of Reference (ToR)
- Establishing Sustainable Finance Unit (SFU)
- Establishing Dedicated Sustainable Finance Help Desk<sup>2</sup>

#### **3.5.2. Linking of Banks'/FIs' Vision, Mission and Objectives with Sustainability**

- Economic contribution
- Environmental contribution
- Social contribution
- Governance (Good Governance, Green Governance)

#### **3.5.3. Developing Sustainable Finance Policy**

Banks/FIs will develop their own Sustainable Finance Policy which must be approved by the competent authority. Board's approval will be required upon the RMC's approach in case of all scheduled commercial banks. Regional Office or MANCOM's approval is required for foreign banks operating in Bangladesh. Sustainable Finance Policy of a Bank/FI must be in conformity with the Sustainable Finance Policy of Bangladesh Bank. Banks and FIs can go for more sophisticated model and develop further as they progress.

#### **3.5.4. Identification and evaluation of funding sources**

- Bank's/FI's own fund
- BB support funds
- Development partners' fund

#### **3.5.5. Time Bound Action Plan**

- Assessment of business portfolio in conformity with regulatory requirement
- Setting of phase-wise financing targets

#### **3.5.6. Research and Development**

- Product Innovation
  - Assessing areas of sustainable finance

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<sup>1</sup> SFD Circular No-02/2016

<sup>2</sup> SFD Circular Letter No-05/2020



- Analysis of market demand and supply
- Proposition for products/projects

### 3.5.7. Marketing

A Bank or a Financial Institution must broaden their product portfolio considering product to product area approach involving/engaging, potential borrowers, suppliers, service providers, associations, different chambers of commerce and surroundings. In this way banks and FIs will be able to build an effective database of product based potential borrowers, suppliers, service providers, associations and chambers, vendors, manufacturers, certified energy auditors and concerns for a better contribution to green business and green economy.

### 3.5.8. Awareness and Capacity Building

Awareness and Capacity Building for Sustainable Finance including Green Finance, Green Banking and Sustainable CSR activities as a part of Sustainable Finance is a must for all concerns and needs to be ensured by the SFU with the support from the competent authority (BoD/Regional Office or MANCOM of Foreign Commercial Bank). Awareness and Capacity Building for sustainable financing including green products/projects/initiatives will be moving on parallel with Marketing for Green and Sustainable Products. Banks and FIs will arrange events/programs involving all management level executives/officials (head office, zonal/regional office, branches, units, Sustainable Finance Dedicated Helpdesks), customers, entrepreneurs' associations, suppliers and service providers for following capacity building initiatives:

- Developing time bound action plan that addresses-
  - Information dissemination and awareness building
  - Training/seminar/workshop and knowledge sharing session
  - Maintaining training calendar
  - Establishing Knowledge Hub

### 3.5.9. Impact Assessment & Review

- Assessment of asset quality
- Assessment of environmental, social and economic contribution of projects/initiatives
- Assessment of governance issue
- Review of achievement/attainment of bank's/FI's own target and regulatory target
- Revision of the strategy

### 3.6. Sustainable Finance Disclosure

Banks and Financial Institutions should disclose the initiatives/practices taken by them time to time in their respective websites. The following disclosure should be made and updated by all Banks and FIs:

- i. Banks/FIs should start publishing independent Sustainability Report as the standard set by BB
- ii. Updated and detailed information regarding Banks'/FIs' environmental activities and performances of major clients should be disclosed.
- iii. Banks/FIs shall keep their annual reports and websites updated with the disclosures on Sustainable Financing initiatives/activities.
- iv. Banks/FIs should incorporate a section/dropdown/tab for their existing Sustainable products/projects/initiatives in their website.
- v. A customer complaint/feedback option should be in their website for any query in this regard.
- vi. Brief information regarding **BB Support Funds** should be disclosed on the website in a displayable tab.

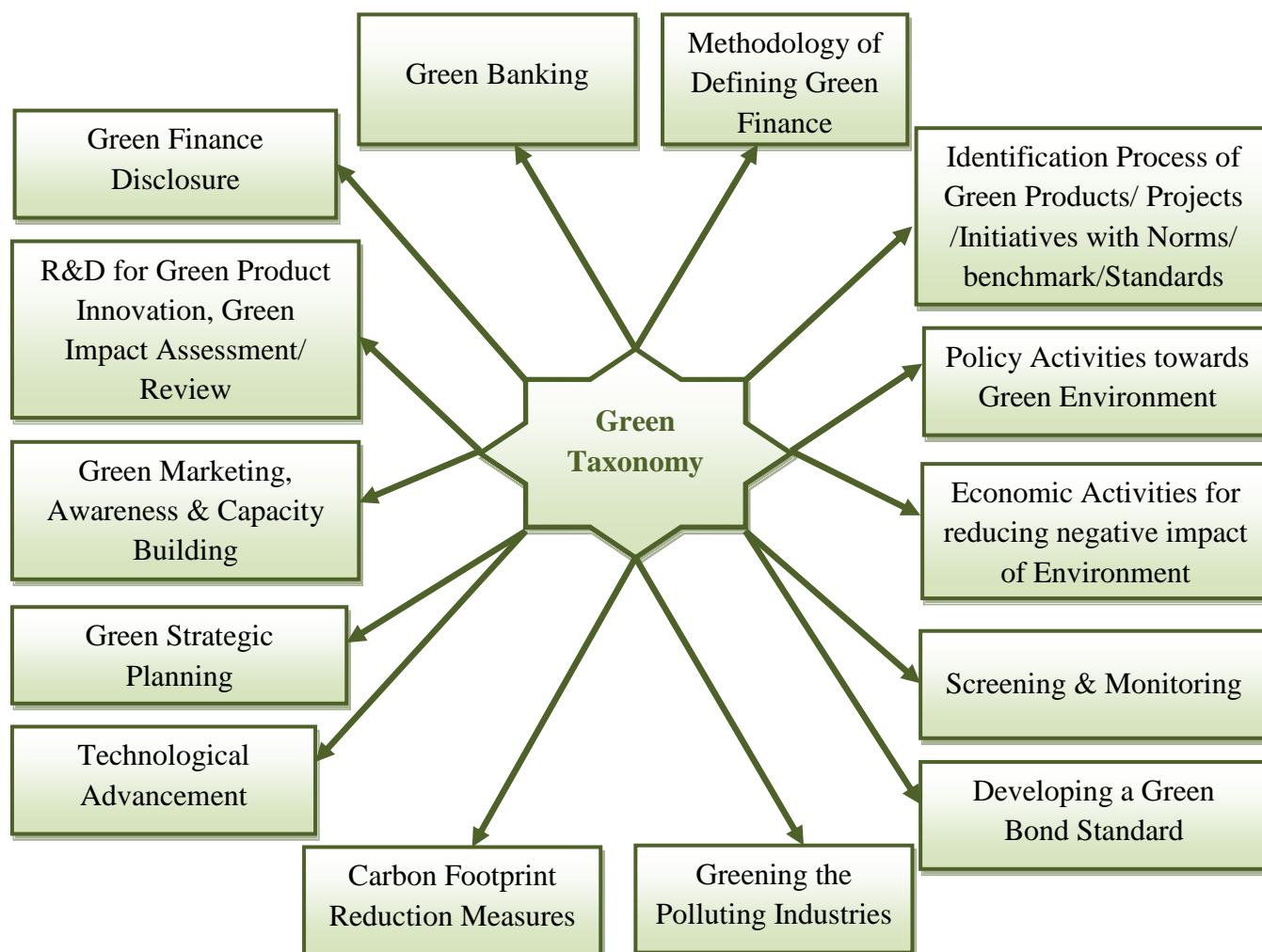
## Chapter-3: Green Taxonomy

**1. Green Taxonomy** is a structured mechanism for identifying and recognizing a product/a project/an initiative as a green one through a set of activities belong to some green featured applications.

### 2. Objectives/Focus/Purpose of Green Taxonomy

First and Foremost objective of Green Taxonomy should be aligned with Climate Finance for Sustainability where finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts. Green Taxonomy will focus not only on purely green sectors, but also encourages the greening of polluting sectors. Particularly, the focus is on activities that contribute substantially to environmental objectives. The taxonomy will also include economic activities with a negative impact on the environment, where these activities have substantially reduced their negative impact.

### 3. Features of Green Taxonomy



### 3.1. Green Banking

Green Banking activities addresses five key work-streams - (i) Green Finance (ii) In-house green activities covering Carbon Footprint Measurements (iii) ESG (iv) Green Marketing/Awareness/Capacity Building (v) Reporting and disclosure on green issues. The term "green banking" generally refers to banking practices that foster environmentally responsible financing practices and environmentally sustainable internal processes minimizing GHG emissions. Green banking thus involves a two-pronged approach. Firstly, green banking focuses on the green transformation of internal operations of all banks and FIs. It means all the banks and FIs should adopt appropriate ways of utilizing different green product/projects/initiatives, automation and other measures to minimize carbon footprint from activities by banks and FIs. Secondly, all banks and FIs should adopt environmentally responsible financing; weighing up environmental risks of projects before making financing decisions; and in particular supporting and fostering growth of upcoming 'green' initiatives and projects.

### 3.2. Methodology of Defining Green Finance

Green Finance is a part of ethical financing and subsequently of Sustainable Finance. It is a means of promoting environment and resource conservation by reducing consumption of resources (e.g., electricity, water, moving away from paper-based transactions, etc.) through its operations. Banks/FIs aiming to green themselves adopt cleaner energy sources such as solar power. Green Finance encourages 'environment-friendly initiatives everywhere by incorporating the spirit of green banking in its financing decisions as well, leading to greening in other sectors. Green Finance should promote the usage of greener technology in other sectors through its lending products. It refers to banks'/FIs' lending to projects which reduces negative externality or promotes positive externality within the scope of the environment, thus endorsing or supporting green initiatives through financial instruments of banks/FIs.

Green finance is defined as one of a number of terms used to label activities related to the two-way interaction between the environment and finance and investment. Related terms include: environmental, social and governance (ESG), sustainable finance and climate finance. Green finance is used to increase level of financial flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities.

Importance of Green Finance is out-of-question - as it promotes and supports the flow of financial instruments and related services towards the development and implementation of sustainable business models, investments, trade, economic, environmental and social projects and policies. In fact, it is a part of Sustainable Finance. Green Finance refers to targeted financing - to Green Technologies/activities/products/projects/initiatives, to Green Companies or Institutions with good/better than average environmental performance and/or compliance with norms and standards and for a Green Project where the selection of the portion of Working

Capital Loan is set in the project in such a justified manner which could be recognized as a part of Green Project Loan as Green Finance. Moreover, financing/funding for Research/Innovation /Marketing/Capacity Building/Awareness and digging out/hunting/recognizing new green or environment friendly products/ projects/initiatives will be treated as Green Finance.

An exhaustive Green Finance Policy has been thought for boosting Green Finance as part of Sustainable Finance to ensure and establish Sustainability. Moreover, BB intends to broaden space and scope of Green Finance through identifying nationwide green products/projects/initiatives in consultation with concerned/competent national authorities like SREDA, DoE under MoEF&CC. BB also considers suggestions, opinions or concepts on potential green products/projects/initiatives received from banks, FIs, potential borrowers, suppliers, service providers, associations, different chamber of commerce and surroundings.

### 3.3. Identification Process of Green Products/Projects/Initiatives with Norms/Benchmark/Standards

- **Consultation and Review** of National Rules, Regulations, Guidelines, Perspective Plans (2010-2021), 8th Five Year Plan, Policies, Guidance Notes, applicable SDGs and International Standards.
- **Climate Fiscal Framework (CFF)** – a govt. proclamation published in 2014 aiming at→ Establishing greater national ownership of climate finance; Promoting Government – NGO-Private Sector Partnership Harmonization; Enhancing result management; Increasing mutual accountability; Broadening the opportunity for resilient development and green growth in Bangladesh.
- **Environmental Conservation Rules (ECR) 1997** for water and air quality standards, Standard Guidelines for Sludge and Waste management, Environment Friendly Brick kilns Guidance for Compressed Block Bricks, Foam Concrete/Non Fire Bricks/Auto Cleaved Concrete(ACC), Environment friendly brick kiln efficiency improvement systems - Hybrid Hoffmann Kiln (HKK), Tunnel Kiln (most environment friendly brick kiln efficiency improvement system in Bangladesh). This needs to be mentioned that Hybrid Hoffmann Kiln (HKK) and Tunnel Kiln have been declared as “Industry” by the Ministry of Industry (MoI), Govt. of Bangladesh. Bangladesh Environment Conservation (Amendment) Act, 2010; The ECA-2010 has stipulated the principle of sustainable development, intergenerational equity, polluter pays principle and precautionary principles those are in the core of the environmental jurisprudence worldwide.
- **Sustainable and Renewable Energy Development Authority (SREDA)’s policy/Guidelines** for identifying Renewable and Resource Efficiency Products/Projects/Initiatives.

- **Consultation, Experience Shared, Lessons Learned** with Practitioners, Product Specific and Industry Specific Association Experts such as Textiles and Garments sectors etc. and Technical Service Providers with a Business Case PP/Concept Notes and thereafter necessary review for an agreeable decision approved by the competent respective authority.
- **BB Refinance Scheme's (BDT 04 billion)** low cost/ supporting to Participating Financial Institutions (PFIs) (Banks/FIs) against their financing of renewable energy generation and other environmentally benign projects. The size of the fund has been increased from BDT 02 billion to BDT 04 billion due to the growing demand for financing of environment friendly products/Projects/initiatives. The scheme includes 55 green products/projects/initiatives under 09 categories<sup>3</sup>.
- **Green Transformation Fund (GTF)<sup>4</sup> Guidance Note of BB** is in place to guide BB GTF USD 200 (two hundred) million Refinance Scheme for all export-oriented industries for importing Green Machineries belong to (i) Water use efficiency in wet processing (ii) Water conservation and management (iii) Waste management (iv) Resource efficiency and recycling (v) Renewable energy and Energy efficiency (vi) Heat and temperature management and (vii) Air ventilation and circulation efficiency category.

BB GTF Euro 200 (two hundred) million Refinance Scheme is another window applicable for all export-oriented industries for importing Green Machineries belong to the above-mentioned green categories with an extension facility to solar energy and renewable energy under power sector. BB GTF Euro has also given scope for importing green capital machinery and accessories (including Buyer's Credit) and also can be used to import (only Buyer's Credit) industrial raw materials used in all manufacturing enterprises including both export oriented and deem exporters.

### 3.3.1. List of Green Products/Projects/Initiatives applicable for Term Finance

#### A. Renewable Energy

1. Solar Home System
2. Solar Pico Grid
3. Solar Micro Grid
4. Solar Park
5. Solar Irrigation Pumping System
6. Solar Photovoltaic (PV) Assembly/Manufacturing Plant
7. Solar Water Heater Assembling/Manufacturing Plant
8. Solar Nano Grid
9. Solar Mini Grid
10. Net Metering Rooftop Solar System

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<sup>3</sup>SFD Circular No.02/2020

<sup>4</sup>FE Circular No. 02/2016, 20/2020 and SFD Circular No. 04/2020

11. Solar Pump for Drinking Water
12. Solar Cooker Assembly/Manufacturing Plant
13. Solar Air Heater & Cooling System Assembly/Manufacturing Plant
14. Solar Powered Cold Storage
15. Small size biogas plants<sup>5</sup> - 1.2, 1.6, 2.0, 2.4, 3.2 and 4.8 cubic meter gas production per day.
16. Medium size biogas plant<sup>6</sup> - capacity 6 to 25 cubic meter gas production per day
17. Large size biogas plant<sup>7</sup> - capacity 26 to 200 cubic meter gas production per day and above.
18. Integrated Cow Rearing and Setting up of Bio-gas Plant
19. Wind Power Plant
20. Hydropower Plant

### **B. Energy & Resource Efficiency**

21. Installation of Energy Auditor Certified machineries including boiler in industries for following purposes:
  - i. Energy efficiency
  - ii. Resource efficiency
  - iii. Heat and temperature management
  - iv. Air ventilation and circulation efficiency
  - v. Waste Heat Recovery System/Unit
22. Auto Sensor Power Switch Assembly Plant
23. Energy Efficient Cook Stove Assembly Plant
24. LED Bulb/Tube Manufacturing/Assembly Plant
25. Energy Efficient Lime Kiln
26. Improved Rice Parboiling System

### **C. Alternative Energy**

27. Pyrolysis Processed Oil/Bio-crude Oil/Bio Fuel Manufacturing Plant

### **D. Liquid Waste Management**

28. Biological ETP
29. Combination of Biological and Chemical ETP
30. Conversion of Chemical ETP into Combination of Biological and Chemical ETP
31. Central ETP
32. Waste Water Treatment Plant
33. Sewage Water Treatment Plant

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<sup>5</sup> Establishment of Biogas Plant using following raw materials:

- (i) Agricultural residues
- (ii) Community (City/Municipality) based wastes
- (iii) Industrial wastes

<sup>6</sup> Ibid

<sup>7</sup> Ibid

**E. Solid Waste Management**

- 34. Methane Recovery and Power Production from City/Municipal Waste Plant
- 35. Compost Production from City/Municipal Waste Plant
- 36. Hazardous Waste Management Unit/Plant
- 37. Medical Waste Management Unit/Plant
- 38. E-Waste Management Unit/Plant
- 39. Sludge Management Unit/Plant

**F. Recycling & Manufacturing of Recyclable Goods**

- 40. PET Bottle Recycling Plant
- 41. Plastic Waste (PVC, PP, LDPE, HDPE, PS) Recycling Plant
- 42. Paper Recycling Plant
- 43. Recyclable Bag Manufacturing Plant
- 44. Recyclable Poly Propylene Thread and Bag Manufacturing Plant
- 45. Battery (Solar/Led Acid/Lithium Ion) Recycling Plant

**G. Environment Friendly Brick Production**

- 46. Compressed Block-Brick
- 47. Foam Concrete Brick
- 48. Environment Friendly/Brick Kiln Efficiency Improvement Project (Tunnel Kiln and HHK)

**H. Green/Environment Friendly Establishments**

- 49. Establishment of Green Industry certified by appropriate authority (In Bangladesh - SREDA, Internationally - USGBC-LEED, BREEAM, CASBEE, EDGE, GRIHA)
- 50. Establishment of Green Building certified by appropriate authority (In Bangladesh - SREDA, Internationally - USGBC-LEED, BREEAM, CASBEE, EDGE, GRIHA)
- 51. Establishment Green Featured Buildings (Characteristics have been given in **Annex-1**)
- 52. Concerning Factory working environment and safety (Fire defense system, disaster defense and prevention system, workers' health safety system)

**I. Green Agriculture**

- 53. Earthworm compost manure (Vermicompost) production
- 54. Palm oil production
- 55. Organic manure production from slurry
- 56. Forestation (Social/integrated/Agro)
- 57. Organic Farming
- 58. Rooftop Agriculture/Vertical Farming or Gardening
- 59. Fish cultivation in cage
- 60. Biofloc fish cultivation
- 61. Integrated Recycling System (IRS) fish cultivation/Bottom clean fish cultivation
- 62. Financing in coastal aquaculture
- 63. Floating system cultivation, Hydroponic cultivation/farming



### **J. Green CMSME**

64. Financing in Cottage Industry

### **K. Green SRF**

65. Community Investment for addressing Climate Resilience and Disaster Management in a concessional rate (finance to clean air, clean water, minimizing industrial and municipal waste, recovery and protection of water bodies, marshy lands, expansion of green coastal belt, water purification, sustainable sanitation, water blockage mitigation, soil and water salinity mitigation, river erosion prevention)

66. Financing in Green/Clean transportation projects (cycles, green vehicles those run on wind, solar energy, electricity, bio-fuels etc.)

67. Financing in Sand-witch Panel (Floating or Movable Houses in coastal areas or climate vulnerable zone)

68. Financing in Govt. approved Eco-tourism project

### **3.4. Policy Activities towards Green Environment**

- Bangladesh Bank issued Green Banking Policy Guideline for Banks<sup>8</sup> in 2012.
- In 2013, Policy Guidelines for Green Banking<sup>9</sup> was also issued for the Financial Institutions (FIs)<sup>10</sup> and for the banks scheduled in 2013. Through these guidelines all banks and FIs were brought under the structured reporting system.
- Besides, to expedite the ongoing initiatives of banks and FIs at faster pace, from January 2016 onwards minimum target of direct green finance was set at 5% of the total funded loan disbursement/investment for all banks and FIs<sup>11</sup>.
- Bangladesh Bank instructed all banks and FIs to establish Sustainable Finance Unit and Sustainable Finance Committee by abolishing both Green Banking and CSR units<sup>12</sup>.
- Bangladesh Bank started its policy intervention on environment friendly banking practices by issuing Environmental Risk Management (ERM) Guidelines for Banks and FIs<sup>13</sup> in 2011. Guidelines on Environmental and Social Risk Management (ESRM) for Banks and FIs<sup>14</sup> in Bangladesh along with an Excel-based Risk Rating Model have been issued in 2017 which became enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent.

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<sup>8</sup> BRPD Circular 02/2011

<sup>9</sup> GBCSR Circular No. 04/2013 and GBCSR Circular Letter No. 05/2013

<sup>10</sup> Financial Institutions licensed under Financial Institutions Act, 1993.

<sup>11</sup> GBCSR Circular No. 04/2014

<sup>12</sup> SFD Circular No. 02/ 2016

<sup>13</sup> BRPD Circular No.01/2011

<sup>14</sup> SFD Circular No. 02/2017

- A comprehensive list of product/initiatives of Green Finance for banks and FIs<sup>15</sup> has been circulated in September 2017.
- To ensure the movement towards sustainability, Banks and FIs were instructed to form a 'Climate Risk Fund'<sup>16</sup> having allocation at least 10% of their Corporate Social Responsibility budget for Climate Risk Fund. This funding can be done in both ways- by providing grants or financing at reduced rate of interest.
- Banks & FIs have been instructed to set up Solid Waste Management System, Rainwater Harvesting and Solar Power Panel in their newly constructed or arranged building infrastructure<sup>17</sup>.
- By the direction of Honorable Prime Minister, and Bangladesh Bank's instruction in conformity with that, all the banks & FIs must ensure the establishment and activeness of Effluent Treatment Plant (ETP) during financing to all possible clients<sup>18</sup>.

### 3.5. Economic activities for reducing negative impact on environment

Increased consumption of non-renewable resources, higher levels of pollution, global warming and the potential loss of environmental habitats are included in the environmental impact of economic growth. Also, economic growth caused by improved technology can enable higher output with less pollution.

Environment provides land, water, air, energy resources, coal, oil, forests, minerals and metals and so many other natural resources which are essential for the economic development of the economy. It provides services which are directly used by the consumers i.e. air we breathe and water we drink as a liquid of life.

Negative impact on the environment can be reduced through:

- 1) Use energy more efficiently
- 2) Install renewable
- 3) Conserve water
- 4) Reduce, reuse, recycle
- 5) Travel less
- 6) Consider near sourcing
- 7) Ship goods more efficiently

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<sup>15</sup> SFD Circular No. 04/2017

<sup>16</sup> GBCSRD Circular No. 04/2015

<sup>17</sup> SFD Circular No. 01/2016

<sup>18</sup> SFD Circular No 03/2016

### 3.6. Screening & Monitoring

Pre disbursement Screening for Potential investments of Banks and FIs are essential in both quantitative and qualitative judgments as well as stricter onsite and offsite monitoring immediate after disbursement must go on to maintain the quality of the assets remain unclassified.

- ESRM Guidelines (December 2017) issued by Bangladesh Bank (prepared in consultation and in conformity with international standards) and Off-site Reporting Format in place. On-site check list for Sustainable Financing including Green Finance will also be in place.
- Product/Project/Priority Sector Specific ESDD screening as it deems fit.
- Green Transformation Fund (GTF) Guidance Note of Bangladesh Bank is in place to guide BB GTF USD 200(two hundred) million and BB GTF Euro 200 (two hundred) Refinance Scheme for all export-oriented industries for importing Green Machineries belong to (i) Water use efficiency in wet processing (ii) Water conservation and management (iii) Waste management (iv) Resource efficiency and recycling (v) Renewable energy and Energy efficiency (vi) Heat and temperature management and (vii) Air ventilation and circulation efficiency category. Machineries imported for export-oriented industries under GTF need to go through eligible certified energy and resource efficiency audits.
- Green Buildings and Green Industries require authenticated Certification for such as Gold, Silver, Platinum gradation.
- Methodology for Sustainability Rating of the banks and FIs in process (considering sustainable finance, green finance, green refinance and CSR activities, green governance and compliance issues addressing sustainability).

### 3.7. Developing a Green Bond Standard

Green Bonds are bonds where proceeds from fixed-income and liquid financial instruments are applied and specifically earmarked to raise money, in part or in full, new and/or existing eligible climate-mitigation and adaption projects and other environmentally beneficial activities. These bonds are typically asset-linked and backed by the issuing entity's balance sheet.

For both the issuer and the investor - a bond is a very beneficial instrument. By issuing a bond - the issuer gets the required fund whereas the investors will receive interest and the principal amount. Bond Issuers may be the firms, governments, banks/FIs, supernatural entities, and city corporations, local municipalities/entities, SPVs, etc. The issuer of green bonds borrows the money from bond investors to mitigate climate change and adapt the same to build climate resilience projects and other environmentally beneficial activities. Green Bonds issued by bank/FI will be treated as “Green equity”.

Standard of Climate Bonds through a Climate Bond Taxonomy contains **Energy** (solar, Hydropower, Bio-energy, Wave & Tidal, Energy Distribution and Management, Dedicated Transmission); **Transport** (Rail, Vehicles, Mass Transit, Bus Rapid Transport, Water Bourne Transport, Alternative Fuel Infrastructure); **Low Carbon Buildings** (Residential, Commercial, Retrofit, Products for building Carbon efficiency) **IT& Communication** (Power management, Broadband, Resource Efficiency, Tele/Video conferencing); **Waste & Pollution Control** (Recycling, Other Recovery, Disposal, Prevention); **Nature Based Assets**(Agricultural Land, Forests (Managed or Unmanaged), Wet Lands, Degraded Lands, Other Land uses (managed and unmanaged), Fisheries and Aquaculture, Coastal Infrastructure, Land Remediation); **Industry & Energy Intensive Commercial** (Manufacturing, Energy efficiency processes, Energy Efficiency Products, Retail and wholesale, Data centres, Process and fugitive emission, Energy Efficient Appliances, Combined Heat and Power).

Green Bond financing is a huge growth area especially post 2020. Accredited verifiers under the Climate Bonds Initiative (CBI) can certify a Green Bond which is issued under the CBI standard. The Climate Bonds Taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 2-degree global warming target set by the COP 21 Paris Agreement. It has been developed based on the latest climate science including research from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), and has benefited from the input of hundreds of technical experts from around the world. It can be used by any entity looking to identify which assets and activities, and associated financial instruments, are compatible with a 2-degree trajectory.

Key stakeholders in Bangladesh for green bonds are -

1. Ministry of Finance: Responsible for state budget, taxation and economic policy.
2. Bangladesh Bank: Sets (green) policies for Banks and FIs.
3. SREDA: Sets framework to develop pipeline sustainable energy projects.
4. BSEC: Sets regulations concerning trade of fixed income products.
5. NBR: Sets tax policy on fixed income products.
6. DSE & CSE: Stock exchanges where listed share/bonds are traded.
7. IDRA: Sets regulations for the insurance sector.

Banks and FIs, Ministry of Finance, Development Banks (e.g. BIFFL, IDCOL, etc.) are the possible issuers of green bonds in Bangladesh. On the other hand, possible investors for green bonds are - Pension Fund, Large corporate, Insurance companies, Asset managers, banks and FIs as well as International investors.

BB, in collaboration with BSEC and IDRA with buy-in from the Ministry of Finance, must lead the development and publication of a set of national guidelines and standards on green bonds covering both the technical specification of the instrument as well as eligible project activities. The next foundation for green bond pipeline development is the identification of a list of priority

projects, for which BB can only take a supportive role as it will need to be aligned with both Bangladesh's INDC and broader development strategies. However, BB can play a key role in communicating this list to investors (especially international) in partnership with SREDA and the Ministry of Finance.

### **3.8. Green Investment**

Green Investments are focused on products/projects/initiatives committed to the conservation of natural resources, the production and discovery of alternative energy sources, the implementation of clean air and water projects, or other environment-friendly business practices. Green investments belong to following categories:

#### **A. Investment in Green Bond/Green SUKUK**

Bangladesh is highly vulnerable to climate change risk. In this context, GoB has developed a master plan to combat the impending threats. Accordingly, it is necessary to build-up eco-friendly industries/concerns, infrastructures and plants for green energy production. All those projects require long-term mega investments. As issuance concerns, green bond/green SUKUK issuers commit to provide investors with detailed information on the projects and infrastructure supported with the proceeds. These are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers' other debt obligations.

#### **B. Investment in Impact Fund**

Bangladesh Bank issued a guideline in 2015 for the scheduled banks and another in 2016 for the financial institutions for investing in Special Purpose Vehicle, funds not listed in the capital market, Alternative Investment Fund or any such funds registered by the Bangladesh Securities and Exchange Commission (BSEC)<sup>19</sup>. Investment by scheduled banks and financial institutions in any impact fund which is registered under the BSEC (Alternative Investment) Rules, 2015 and formed for the following sectors/purposes will be considered as Green Investment<sup>20</sup>:

1. Resource Efficiency
2. Air Emission and Quality Efficiency
3. Resource Recycling
4. Waste Management (both solid and liquid)
5. Renewable Energy
6. Land Contamination Prevention/Mitigation
7. Energy Efficiency
8. Land Acquisition and Resettlement Management
9. Water Management and Conservation
10. Labour and Working Condition Management

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<sup>19</sup> DOS circular No.-02/ 2015, DFIM circular No.-04/ 2016

<sup>20</sup> SFD Circular No.:01/2019

11. Water Use Efficiency
12. Community Health and Safety Management
13. Waste Water and Effluent Treatment Management
14. Indigenous People and Cultural Heritage
15. Heat and Temperature Management
16. Women and Child Right Protection
17. Air Ventilation and Circulation Efficiency
18. Environment/Climate Friendly Industry/Building/Brick Kiln
19. Environment/Climate Friendly Transportation/Vehicle
20. Nature Conservation
21. Environment Friendly Agriculture
22. Any other deemed Eligible by BB

### **3.9. Greening the Polluting Industries**

As per ECR 1997 issued by DoE under MoEF&CC, all industrial units are categorized into Green, Orange A, Orange B and Red category with respect to pollution level. Among these industrial units, Orange B is considerably more polluted and Red category units belong to the most polluting industries. Sector Specific ESDD Screening for some more or most polluting priority industries like Textile, Steel, Cement, Brick Kiln, Tannery, Power Plant etc. will be required to go under dedicated ESDD screening checks for greening those industrial units through fulfillment of required work conditions & compliances of DoE and accordingly installations/introductions of Green Products/Machineries/Projects for reducing emission to a required extent and thus green transformation will happen to these polluting industrial units.

### **3.10. Carbon Footprint Reduction Measures & Carbon Finance**

**Carbon Footprint Reduction Measures-** A carbon footprint is the total amount of greenhouse gas emissions that originates from the production, use and end-of-life of a product or service. It includes carbon dioxide, the gas most commonly emitted by humans and others, including methane, nitrous oxide, and fluorinated gases, which trap heat in the atmosphere, causing global warming. Bangladesh Bank has already published its HQ's first annual carbon footprint report, 2014<sup>21</sup> on carbon footprint measurement as a part of their sustainability commitment to produce and publish own carbon footprint.

As a result, BB has been encouraging other organizations of Bangladesh, especially Banks & FIs to measure and publish their own (internal) carbon footprint. Now BB intends to collect & assess the energy consumption related data of Banks & FIs on a yearly basis for taking necessary steps to reduce the internal carbon emission of Banks & FIs; this will be done in a gradual manner where the Banks and FIs will be required to calculate and report the carbon footprint of their Headquarter and later other branches

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<sup>21</sup> [https://www.bb.org.bd/pub/annual/carbon/report\\_2014.pdf](https://www.bb.org.bd/pub/annual/carbon/report_2014.pdf)

In addition to this, the Banks and FIs will gradually be encouraged to measure and report the carbon emission of their loan portfolio (existing or new loans, other financial products etc.). It is advisable and will be implemented gradually, that all the projects will be assessed on their ‘green-merit’ for financing and re-financing and assessed by a 3<sup>rd</sup> party (recommended or enlisted by Bangladesh Bank) subject matter expert prior to selection of green projects.

The Banks and FIs should develop a comprehensive GHG Inventory of their own operation across all locations and later develop GHG abatement and offset strategy to reduce carbon emission. A framework for this will be developed and published soon.

**Carbon Finance-** There are many ways and efforts underway to reduce carbon emissions and promote activities which help to convert into a tradeable financial instrument and made carbon reduction a valuable economic commodity. To find a common unit for this commodity all GHGs are converted to CO<sub>2</sub> equivalents (CO<sub>2</sub>-eq). The CO<sub>2</sub>-eqs or Certified Carbon Emission Reductions (CERs) or Voluntary Carbon Emission Reductions (VERs) Certificates are traded on carbon markets. Carbon Finance is earned by making investments in generation of greenhouse gas emission reductions that can be traded in carbon markets. Common Carbon Finance project types include cleaner production projects and projects that increase energy efficiency or generate power from renewable resources.

Banks & FIs could participate actively in carbon markets in various ways:

- Offering advisory services to clients entering or active in carbon markets, including marketing, structuring, transacting, and sales of carbon;
- Offering targeted financing to companies with GHG emission reductions projects and programs that generate a stream of carbon finance income;
- Selling emission reductions in the carbon market which they aggregate and purchase from portfolios of clients with smaller-scale GHG emission reductions projects;
- Making equity investments in companies that originate and transact GHG emission reduction projects and programs that earn carbon finance payments, and
- Receiving emission reductions in addition to interest payments as part of upside-sharing agreed with clients that generate carbon credits.

BB intends to introduce Carbon Finance as on demand in the financial market of Bangladesh. There are existing internationally accredited carbon reduction projects in Bangladesh in which the banks can participate to ensure sustainability and additional revenue for the project.

### 3.11. Technological Advancement for Inclusiveness in Green Activities and Green Growth

“Technological Advancement for Inclusiveness in Green Activities and Green Growth” is well covered in “Inclusion of Technological advancement” of Sustainable Finance Taxonomy and the theme is not required to mention separately again.



### **3.12. Green Strategic Planning, R&D for Green Innovation, Product Marketing, Awareness and Capacity Building, Green Impact Assessment /Review**

Green Taxonomy has been included as part of Sustainable Finance Taxonomy. As such Green Strategic Planning, R&D for Green Innovation, Product Marketing, Awareness and Capacity Building, Green Impact Assessment /Review have been taken in due consideration while discussing earlier in Sustainable Finance Taxonomy.

### **3.13. Green Finance Disclosure**

Green Taxonomy has been included as part of Sustainable Finance Taxonomy. Banks and Financial Institutions should disclose the initiatives/practices time to time taken by them in their respective websites. The following disclosure should be made and updated by all Banks and FIs:

- i. Updated and detailed information regarding Banks'/FIs' environmental activities and performances of major clients should be disclosed.
- ii. Banks/FIs shall keep their annual report and websites updated with the disclosures on Green Banking initiatives/activities.
- iii. Banks/FIs should incorporate a section/dropdown/tab for their existing Green products/projects/initiatives in their website.
- iv. A customer complaint/feedback option should be in their website for any query made in this regard.
- v. Brief information regarding **BB Support Funds** should be disclosed on website in a displayable tab.



## **Chapter-4: Target, Rating & Rewards**

### **1. Fixation of Green Finance Target and Sustainable Finance Target including Green Finance**

All Banks and Financial Institutions shall determine their annual target on the basis of their immediate previous year's net outstanding amount and declare their yearly budget allocation both for Green Finance and Sustainable Finance at the beginning of the calendar year. Banks and FIs will determine their Green Finance and Sustainable Finance target on the basis of immediate previous year's Net Outstanding of loans and advances (Total Outstanding less staff loans and total classified loans). In conformity with BB's guidelines, Banks and Financial Institutions shall set target of Green Finance and Sustainable Finance considering all potential area and product/projects with required justification.

### **2. Attainment of Green Finance and Sustainable Finance Target**

Banks and FIs will report on their attainment of Green Finance and Sustainable Finance on Quarterly basis. Sustainable Finance Department will determine Green Finance attainment of all Banks and FIs on the basis of Term Loan Disbursement (excluding staff loan), and attainment of Sustainable Finance on the basis of Total Loan Disbursement (excluding staff loan). Attainment of Green Finance and Sustainable Finance should be maintained in conformity with relevant instructions issued by BB.

### **3. Sustainability Rating**

Banks and FIs will be rated under sustainability rating considering their performance on environmental, social and governance attributes especially their policies and performance. This Rating will include their performance in four major components; (i) Sustainable Finance (ii) CSR (iii) Green Refinance and (iv) Core Banking Sustainability. Banks and FIs will be rated once a year.

### **4. Compliance and Non-compliance**

Banks/FIs while financing and reporting will meticulously comply with the guidelines mentioned in this policy as well as credit norms and instructions of concerned regulators/competent authorities. Necessary actions will be taken against respective banks/FIs for any non-compliance of the said guidelines/credit norms/instructions and returns as per Bank Company Act 1991 and Financial Institutions Act 1993.

### **5. Reward and Incentives**

Sustainable Finance of banks/FIs will enhance their credibility in reducing systemic risk, strengthening risk management, ensuring prudential decision making and comfortably coping with the transition towards sustainable development. Bangladesh Bank will recognize top performing banks and FIs on basis of Sustainability Rating. Besides, Bangladesh Bank will consider other incentives for top performing banks and FIs in due course of time.

## **Chapter-5: Exclusion List & Inclusion Criteria of Products/Projects/Initiatives for Sustainable Finance**

### **1. Exclusion List=> Ineligible for Finance**

All loan proposals will have to be first screened against this exclusion list. Financing in any activity/area in the following list is not to be considered for financing.

Sector	Activities/ Areas
1. Agriculture	Production or trade in any product or activity deemed illegal under laws or regulations of Government of Bangladesh or international conventions and agreements, or subject to international bans, such as
2. CMSMEs and Large Industry (Manufacturing and Service)	pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES). A list of applicable national regulations and international treaties for this policy has been given in <b>Annex-2</b> .
3. Trade and Commerce	<p>➤ Ship breaking/trading activities refers to:</p> <ul style="list-style-type: none"> <li>➤ Ships with prevalent asbestos use (for e.g. passenger cruise);</li> <li>➤ Ships listed on the Greenpeace blacklist*;</li> <li>➤ Ships not certified “gas free” for hot work</li> </ul>
	Drift net fishing, deep sea bottom trawling, or fishing with the use of explosives or cyanide
	Hydraulic horn and >75 decibel horns, polypropylene and polythene bags, two stroke engines.
	Operations impacting UNESCO World Heritage Site and/or Ramsar site
	Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests
	Production or activities involving forced labor/ child labor
	<p>➤ Production or trade in:</p> <ul style="list-style-type: none"> <li>➤ Weapons and munitions</li> <li>➤ Tobacco</li> <li>➤ Gambling, casinos</li> <li>➤ Pornography (goods/stores/web/app-based)</li> <li>➤ Brick production through Fixed Chimney Kiln (FCK)</li> </ul>
	➤ Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
* <a href="http://www.greenpeace.org/international/en/campaigns/oceans/pirate-fishing/Blacklist1/">http://www.greenpeace.org/international/en/campaigns/oceans/pirate-fishing/Blacklist1/</a>	

## **2. Exclusion List=> Ineligible for Sustainable Finance**

Any finance falls in the following list will not be eligible as sustainable finance.

Sector	Activities/ Areas
1. Agriculture 2. CMSMEs and Large Industry (Manufacturing and Service) 3. Trade and Commerce	<p>If does significant harm to natural reserves, scenic spots, drinking water source reserves, basic farm land reserves, forest parks, geo parks, important wet lands, natural forests, important habitats for wildlife, key protected places for growth and reproduction of wild plants, natural spawning grounds, feeding grounds, wintering ground and migration channels for important aquatic organisms, natural fishing grounds, water and soil.</p>
	<p>Use of thermal coal, high toxic and high residual/chemical pesticides/fertilizer, use of livestock and poultry food not approved by the government.</p>
	<ul style="list-style-type: none"> <li>• Upstream fossil fuel extraction and production (including gas, coal and oil)</li> <li>• New standalone fossil fuel electricity production</li> <li>• projects that lead to an increase in CO<sub>2</sub> emissions (through capacity expansion and increased output as a result of the project/investment)</li> <li>• Processing, storing, marketing of gas, and oil</li> <li>• Refining of oil</li> <li>• Nuclear power generation and related assets</li> <li>• Distribution or transport of fossil fuels</li> <li>• Construction, maintenance or expansion of roads</li> <li>• Heavy duty vehicles, infrastructure for fossil fuels (e.g., fuel stations) or bunker fuelled shipping infrastructure</li> </ul>
	<p>Projects supported by the activities involving heavy metal contaminated soil.</p>
	<p>The projects do not support the processing, recycling and other activities of waste (solid and liquid).</p>
	<p>The projects do not maintain standard bio-safety level, fire defense system, workers health safety equipments.</p>
	<p>The projects include the storage, logistics and distribution of toxic, harmful and dangerous goods.</p>
	<p>The projects endanger local livelihoods; decrease the quality life of indigenous people.</p>
	<p>The projects do not include gender equality, freedom of association and right to bargaining of company employee/workers.</p>
	<p>The projects threaten community/public health</p>

### 3. Inclusion Criteria of Products/Projects/Initiatives for Sustainable Finance

Banks and FIs will apply to General Manager, Sustainable Finance Department, Bangladesh Bank, Head Office through the letter signed by the respective Managing Director/Chief Executive Director for the approval before financing to any new products/projects/initiatives as Sustainable Finance (Green Finance or Sustainable linked finance) beyond the products/projects/initiatives mentioned in this policy. A report must be attached with the application evaluating Financial Profitability, Environmental and Social Feasibility and Pre-Risk Assessment of new products/projects/initiatives for Sustainable Finance. Upon the approval by Bangladesh Bank the proposed products/projects/initiatives will be considered suitable for Sustainable Finance.

Aspects of products/projects/initiatives for the inclusion in the list of Bangladesh Bank for Sustainable Finance:

#### 3.1. Financial Profitability

- 1) Activity/ Operating Efficiency
- 2) Liquidity
- 3) Solvency
- 4) Profitability
- 5) Valuation

#### 3.2. Environmental and Social Feasibility

- 1) Resource Efficiency
- 2) Resource Recycling
- 3) Renewable Energy
- 4) Energy Efficiency
- 5) Water Management and Conservation
- 6) Water Use Efficiency
- 7) Waste Water and Effluent Treatment Management
- 8) Heat and temperature management
- 9) Air ventilation and circulation efficiency
- 10) Air emission and quality efficiency
- 11) Waste (liquid and solid) Management
- 12) Land Contamination Prevention/Mitigation
- 13) Land Acquisition and Resettlement Management
- 14) Labor and Working Condition Management
- 15) Community Health and Safety Management
- 16) Indigenous People and Cultural Heritage

### **3.3. Pre-Risk Assessment**

- 1) Cash Flow Forecasting (Net Present Value, Internal Rate Return, Discounted Payback Period and others)
- 2) Collateral Requirement
- 3) SWOT Analysis
- 4) Market (Domestic/Export-oriented) Analysis
- 5) Fiscal Aspects

### Conclusion

It is evident that "Policy Guidelines for Green Banking" issued on February 27, 2011 by Bangladesh Bank has gradually changed the mindset of the traditional bankers. Green Banking Policy has covered mostly all the issues on Green Banking activities, most importantly green finance, a part of sustainable finance. It is also apparent that banks and FIs were long-awaiting to contribute to Sustainable and Green Finance in a structured and transparent manner and recognition there-in. Reporting on Sustainable Finance has been structured in such a manner that contribution by a bank or a financial institution towards sustainable finance including green finance is justified and recognized. It is not required to mention that Sustainable Finance Policy has not only broaden the scope of Sustainable and Green financing for the participating banks and FIs but also has enabled them to be rated better and recognized well in the sustainability rating of BB.

The concern for environmental sustainability and inclusive growth has given mass recognition to the concept of corporate social responsibility and inclusive finance. In an emerging economy like Bangladesh, environmental management needs to be the key focus area of the business fraternity especially the banking industry being the major intermediary. Addressing environmental and social risks associated with financing activities by banks/FIs is a “must do” step in overall Credit Rating for credit approval. Stricter monitoring thereafter disbursement must go on. Accordingly, Bangladesh Bank has also integrated issues of socially responsible initiatives along with core activities of banks/FIs driving towards sustainable finance strategies.

Sustainability is the issue never ever be compromised with anything. Where ever we go, where ever we may be, if we are there, if we exist, if anything persists it is because of sustainability. It is our struggle, it is our untiring effort, the best we can do for the survival on earth- the contribution we can minimize pollution, environmental threats, resilience to climate change with respect to climate change mitigation and climate change adaptation; resilience to inequality, imbalance, fight against all evils, inconsistency, corruption, fight for helpless, distressed, non privileged, the CSR community investment with a view to preserving the basic rights of human being, addressing gender equity for women empowerment. Ensuring food security, establishing green building and green industries; sandwich panels for the habitation of the coastal people, impactful investment and so many footmarks, achievements and measures- all these for future generations, for every breath they will take. The world at large is now experiencing the devastating effects of the global climate crisis including droughts, floods, tsunami, water scarcity, and rising sea level. These consequences of climate change threaten the sustainable living on this planet which calls for an urgent and collective response from both developed and developing nations, especially countries like Bangladesh. On that standpoint, we need to take necessary steps for our sustainability in the long run.

## Annexure

### 1. Annexe-1: Characteristics of Green Featured Building

Sl	Equipment Name	Specification					
01	Air Conditioning System	Air-conditioning accounts for more than 50% of the total electricity costs in a centrally air-conditioned building. Hence the efficiency of a HVAC system is of prime importance. The heart of the HVAC system is the chiller and hence it is important to procure an efficient chiller system. The cooling equipment shall meet or exceed the minimum efficiency requirement as stated in the table below.					
		Description	Capacity	COP	IPLV	Input kW/TR	Test procedure
		Air cooled chillers including the condenser	All Capacities	2.8	3.05	1.25	ARI 550/590
		Air cooled chillers without the condenser	All Capacities	3.1	3.45	1.13	ARI 550/590
		Water cooled, electrical operated positive displacement (Reciprocating)	All capacities	4.20	5.05	0.83	ARI 550/590
		Water cooled electrical operated positive displacement (rotary screw and scroll)	<150 TR	4.45	5.2	0.79	ARI 550/590
			≥150 TR and 300 TR	4.90	5.6	0.71	
			≥300 TR	5.5	6.15	0.64	
		Water cooled electrically operated centrifugal	<150 TR	5.0	5.25	0.70	ARI 550/590
			≥150 TR and 300 TR	5.55	5.9	0.63	
			≥300 TR	6.1	6.4	0.57	

Table–Minimum efficiency requirements for water chilling packages

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SI	Equipment Name	Specification					
		Air cooled absorption single effect	All Capacities	0.60			ARI 560
		Water cooled absorption single effect	All Capacities	0.70			ARI 560
		Water cooled absorption double effect (indirect fired)	All Capacities	1.0	1.05		ARI 560
		Water cooled absorption double effect (Direct fired)	All Capacities	1.0	1.0		ARI 560
		Table– Minimum efficiencies requirements for air cooled air-conditioning equipment					
		Equipme nt type	Refrigerant output	Seasonal coefficient of performance (SCOP) kW/kW		Testing procedure	
		Air-cooled air conditioner	<19 kW	2.84 (COPc)		ARI 210/240	
			≥ 19 kW and < 40 kW	3.16 (COPc)		ARI 340/360	
			≥ 40 kW and < 70 kW	3.04 (COPc)			
			≥ 70 kW	2.72 (COPc)			
		Evaporati ng water-cooled air condition ers	<19 kW	3.35 (COP)		ARI 210/240	
≥ 19 kW and < 40 kW	3.37 (COP)		ARI 340/360				
≥ 40 kW and < 70 kW	3.22 (COP) 3.02 (IPLV)						
≥ 70 kW	2.70 (COP)						
Air-cooled condense r units	≥ 40 kW	2.96 (COP) 3.28 (IPLV)		ARI 365			



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Sl	Equipment Name	Specification			
		Water-cooled or evaporating condenser units	$\geq 40$ kW	3.84 COP	
		<p>NOTES:</p> <ul style="list-style-type: none"> <li>- AC coefficient of performance: COP = Refrigerant output / power input (kW/ kW);</li> <li>- Condenser unit, including the compressor and condenser coils;</li> <li>- Minimum coefficients of performance listed in Table 2 are calculated at 100% of the refrigerant output. To calculate the coefficient of performance of AC units running for one year, ARI 340/360 uses the following formula:  <math display="block">IPLV = 0.01A + 0.42B + 0.45C + 0.12D</math> Where:  IPLV – The Integrated Chapter Load Value- coefficient of performance of the AC unit operating for one year at various Chapter loads.  A = COP – coefficient of performance of the AC unit (W/W) at full load;  B = COP – coefficient of performance of the AC unit (W/W) at 75% load;  C = COP – coefficient of performance of the AC unit (W/W) at 50% load;  D = COP – coefficient of performance of the AC unit (W/W) at 25% load;  ARI – American Refrigerant Institute</li> </ul>			
02	Lift / Escalator	<p>Escalator–the escalator must be fitted with controls &amp; Sensors to reduce speed or auto stop when no traffic is detected. Escalators shall be designed with one of the energy-saving features as described below:</p> <ol style="list-style-type: none"> <li>1. Reduced speed control: The escalator shall change to a slower speed when no activity has been detected for a period of a maximum of three (3) minutes. Detection shall be by photocell activation or similar sensor at the top and bottom landing areas.</li> <li>2. Use on demand: The escalator shall shut down when no activity has been detected for a period of a maximum of fifteen (15) minutes. Use on demand escalators must be designed with energy efficient soft start technology. The escalator shall start automatically when required; the activation shall be by photocells or sensor installed in the top and bottom landing areas.</li> <li>3. Use of AC Variable-Voltage and Variable-Frequency (VVVF) drives</li> </ol> <p>B. Elevator (lift) - Elevator (lift) must be provided with controls to reduce the energy demand. To meet this requirement, the following features must be incorporated in traction drive elevators:</p> <ol style="list-style-type: none"> <li>1. Use of AC Variable-Voltage and Variable-Frequency (VVVF) drives</li> </ol>			

## Sustainable Finance Policy for Banks and Financial Institutions

Sl	Equipment Name	Specification																				
		<p>on non-hydraulic elevators.</p> <p>2. The lift car uses energy-efficient lighting and display lighting i.e. an average lamp efficacy, across all fittings in the car, of &gt;55 lamp lumens/ circuit watt and lighting switches off after the lift has been inactive for a period of a maximum of five (5) minutes.</p> <p>3. The lifts operate in a stand-by condition during off-peak periods. For example, the power side of the lift controller and other operating equipment such as lift car lighting, user displays, and ventilation fans switch off when the lift has been inactive for a period of a maximum of five (5) minutes.</p>																				
03	Solar power system	3% of Energy of use for Lift and Escalator																				
04	Fresh air supply & mechanical Vent	Mechanical ventilation and Blower in Basement Floors and Fresh air supply system in habitable floor *Variable speed derive fan & motor unit																				
05	Lighting	<p>Limitation of Lighting Power Density (LPD) will help to design the lighting system in the most efficient way and reduce the lighting and cooling load in the buildings. The following table sets the average LPD limits for each building type:</p> <table><tr><td>Space</td><td>LPD (W/m<sup>2</sup>)</td></tr><tr><td>Business</td><td>9</td></tr><tr><td>Mercantile</td><td>13</td></tr><tr><td>Hotels</td><td>9</td></tr><tr><td>Hospitals/Health care</td><td>11</td></tr><tr><td>Residential</td><td>7</td></tr><tr><td>Schools</td><td>11</td></tr><tr><td>Covered parking</td><td>3</td></tr><tr><td>Open and outdoor parking</td><td>1.6</td></tr><tr><td>Industries</td><td>As per requirement for the specific task preferably LED lights</td></tr></table>	Space	LPD (W/m <sup>2</sup> )	Business	9	Mercantile	13	Hotels	9	Hospitals/Health care	11	Residential	7	Schools	11	Covered parking	3	Open and outdoor parking	1.6	Industries	As per requirement for the specific task preferably LED lights
Space	LPD (W/m <sup>2</sup> )																					
Business	9																					
Mercantile	13																					
Hotels	9																					
Hospitals/Health care	11																					
Residential	7																					
Schools	11																					
Covered parking	3																					
Open and outdoor parking	1.6																					
Industries	As per requirement for the specific task preferably LED lights																					
06	Sensors	Occupancy Sensors , Day light sensors, Co2 Sensor at least 10 no of sensors (single or different type)																				
07	Automation	Building Management System (BMS) or Energy Management System (EMS): An EMS/BMS reduces energy use in buildings by monitoring conditions and controlling energy-consuming equipment. Frequently used for building loads such as lighting and space conditioning, an EMS/BMS is versatile enough to provide energy savings in process operations in manufacturing facilities. Control functions include everything from basic stop/start functions to more complex, chiller optimization routines.																				
08	Ceiling Fans	Energy consumption ≤ 65 watt (at least 5 fans) Energy Efficient Ceiling fan: An energy efficient ceiling fan can save around 35% energy with compared to regular ceiling fan.																				
09	Rain water Collection and Discharge	Rain water collection and use system 2000 L/ Day capacity tank and Underground Discharge system for over flow water.																				

## Sustainable Finance Policy for Banks and Financial Institutions

Sl	Equipment Name	Specification																		
10	WTP	Water Treatment Plant including recycling and reuse system with energy efficient pumping system (5KLD) minimum																		
11	Hot Water system	Solar Water Heater: Solar water heating systems use solar panels, called collectors, fitted to roof. (200 Liter/hour) minimum																		
12	Motor Usage	<p>Variable Frequency Drive: VFDs (Variable Frequency Drives) are basically a green energy savings product that matches the amount of work or load on a motor to the amount of energy it needs to power that amount of work. This reduces excess energy from being wasted.</p> <p>Soft Starter: A soft starter is a device used with motors to temporarily reduce the load and torque during startup. It applies a gradually increasing voltage to the motors resulting in smooth acceleration of the motor and coupled load.</p>																		
13	Water Fixture	<p>Water efficient fittings include faucets, showerheads and flushes that use less water in order to perform the same function of cleaning as effectively as standard models. Water efficiency is an important aspect, especially as fresh water resources are increasingly getting depleted at a rate faster that they are replenished.</p> <p>Use of efficient plumbing fixtures, sensors, auto control valves, aerators, flow control and pressure-reducing devices can result in significant reduction in water consumption.</p> <p>The following low flow fixtures shall be used:</p> <table border="1"> <thead> <tr> <th>Type of fixtures</th><th>Quantity</th><th>Unit</th></tr> </thead> <tbody> <tr> <td>Water closets</td><td>Dual Flush (6/4)</td><td>liters/flushing cycle (full/low)</td></tr> <tr> <td>Shower</td><td>9.5</td><td>liters/min at 500 kPa</td></tr> <tr> <td>Urinals</td><td>Auto Sensor</td><td>--</td></tr> <tr> <td>Hand wash taps</td><td>6 Auto Sensor/Push system</td><td>liters/min at 400 kPa</td></tr> <tr> <td>Kitchen/pantry faucets</td><td>6</td><td>liters/min at 400 kPa</td></tr> </tbody> </table>	Type of fixtures	Quantity	Unit	Water closets	Dual Flush (6/4)	liters/flushing cycle (full/low)	Shower	9.5	liters/min at 500 kPa	Urinals	Auto Sensor	--	Hand wash taps	6 Auto Sensor/Push system	liters/min at 400 kPa	Kitchen/pantry faucets	6	liters/min at 400 kPa
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14	Masonry Materials	<p>Concrete Hollow Blocks / Interlocking Concrete Block/ lightweight Cellular Concrete/ Clay Brick of Auto Brick factory with efficient kiln. (at list 60% of total Masonry wall)</p> <ul style="list-style-type: none"> <li>The Factory should have energy audit report from national/International Certifying agency</li> </ul>																		
15	Steel	<p>Reinforcement steel from the energy efficient factories</p> <ul style="list-style-type: none"> <li>The Factory should have energy audit report from national/International Certifying agency</li> <li>&gt;10% Recycle Materials content</li> </ul>																		
16	Ready mix concrete	<ul style="list-style-type: none"> <li>Natural Stone chips as course aggregate</li> <li>The Factory should have energy audit report from</li> </ul>																		

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		national/International Certifying agency <ul style="list-style-type: none"> <li>Should have recycle content or fly ash.</li> </ul>
17	Paint	Low Volatile Organic Compounds (VOC) paint (VOC level <10g/L ) <ul style="list-style-type: none"> <li>The Factory should have energy audit report from national/International certifying agency</li> </ul>
18	Low- E-Glass	Solar Heat Gain Coefficient (SHGC) 0.4 (maximum) or Shading Coefficient (SC) 0.46 (maximum) Visible Light Transmittance (VLT) of the glazed element should not be lower than 35%. Double Glazing Window: Energy-efficient glazing keeps home or office cooler and quieter as well as reducing our energy bills. That might mean double or triple-glazing, secondary glazing, or just heavier curtains. Double-glazed windows have two sheets of glass with a gap in between, usually about 16mm, to create an insulating barrier.
19	UPVC window frame	Window frame made of UPVC (all Curtain and Sliding windows of a building) <ul style="list-style-type: none"> <li>The Factory should have energy audit report from national/International Certifying agency</li> </ul>
20	Insulation	Roof top Insulation & heat reflective paint (Solar Radiation Index value >78) or Insulation blokes

### 2. Annexe-2: List of Applicable National Regulations and International Treaties

Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
<ul style="list-style-type: none"> <li>National Environmental Policy, 1992</li> <li>Environment Pollution Control Ordinance, 1977</li> <li>Environmental Quality Standards for Bangladesh, 1991</li> <li>National Environment Management Action Plan (NEMAP), 1995</li> <li>Environment Conservation Act, 1995 and amended in 2002</li> <li>Environment Conservation Rules, 1997 and amended in 2003</li> <li>EIA Guidelines For Industry, 1997</li> <li>Labour Policy 2012</li> <li>Bangladesh Labour Act, 2006</li> <li>Labour Welfare Foundation law 2006</li> <li>Bangladesh Labour (Amended) Law, 2013</li> </ul>	<ul style="list-style-type: none"> <li>Occupational Hazards Due to Air Pollution, Noise and Vibration (Geneva), 1977</li> <li>Prevention and Control of Occupational Hazards (Geneva), 1974</li> <li>Occupational Safety and Health in Working Environment (Geneva), 1981</li> <li>Occupational Health Services (Geneva), 1985</li> <li>International Convention on Climate Change (Kyoto Protocol), 1997</li> <li>UN Framework Convention on Climate Change (New York), 1992</li> <li>International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969</li> <li>Convention on Oil Pollution (London), 1990</li> <li>UN Convention on the Law of the Sea (Montague Bay), 1982</li> </ul>

<b>Relevant local regulation</b>	<b>Relevant international treaties and conventions for which Bangladesh is a signatory</b>
<ul style="list-style-type: none"> <li>• Labour Relations under Labour Laws, 1996</li> <li>• National Child Labour Elimination Policy, 2010</li> <li>• Bangladesh Factory Act, 1965</li> <li>• Bangladesh Factory Rules, 1979</li> <li>• OSH Policy, 2011</li> <li>• The Employees State Insurance Act, 1948</li> <li>• The Employer's Liability Act, 1938</li> <li>• Maternity Benefit Act, 1950</li> <li>• Workmen's Compensation Act, 1923</li> <li>• The Employment of Children Act, 1938</li> <li>• Bangladesh Industrial Act 1974</li> <li>• National 3-R Strategy, 2010 (3R: Reduce, Reuse and Recycle)</li> <li>• Ship-Breaking and Hazardous Waste Management Rules, 2010</li> <li>• Biomedical Waste Management Rules, 2008</li> <li>• Draft National Solid Waste Management Rules, 2010</li> <li>• Draft National River Conservation Act, 2011</li> <li>• Disaster Management Act, 2012</li> <li>• Public Health Emergency Provisions Ordinance, 1994</li> <li>• Climate Change Act, 2010</li> <li>• National Plan for Disaster Management 2010-2015</li> <li>• Sound Pollution Law, 2006</li> <li>• Water Supply and Sewerage Authority Ordinance, 1963</li> <li>• Noise Control Rules</li> <li>• National Health Policy, 2011</li> <li>• National Land Use Policy</li> <li>• The Land Acquisition Act, 1894</li> <li>• The Acquisition and Requisition of Immovable Property Ordinance, 1982</li> </ul>	<ul style="list-style-type: none"> <li>• Civil Liability on Transport of Dangerous Goods (Geneva), 1989</li> <li>• Protocol on Biological Safety (Cartagena Protocol), 2000</li> <li>• International Plant Protection Convention (Rome), 1951</li> <li>• World Cultural and Natural Heritage (Paris), 1972</li> <li>• Convention Relative to the Preservation of Fauna and Flora in Their Natural State (London), 1933</li> <li>• International Convention for the Protection of Birds (Paris), 1950</li> <li>• Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar), 1971</li> <li>• Convention on The Conservation of Migratory Species of Wild Animals (Bonn), 1979</li> <li>• Convention on Biological Diversity (Rio de Janeiro), 1992</li> <li>• Convention on International Trade in Endangered Species of Wild Fauna and Flora</li> <li>• UN Convention on The Law of The Sea (Montague Bay), 1982</li> </ul>

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<ul style="list-style-type: none"> <li>• National Biodiversity Strategy and Action plan (2004)</li> <li>• Bangladesh Wildlife Conservation and Security Act, 2012</li> <li>• Bangladesh Wild Life (Preservation) Act, 1974</li> <li>• Bio Safety Rules, 2012</li> <li>• Forest (Amendment) Act, 2012</li> <li>• Forest Policy, 1994</li> <li>• Social Forestry Rules, 2004</li> <li>• National Forest Policy and Forest Sector Review (1994,2005)</li> <li>• Draft Tree Conservation Act, 2012</li> <li>• The Private Forests Ordinance Act, 1959</li> <li>• Forest Transit Rule, 2011</li> <li>• Deer Rearing Policy, 2009</li> <li>• The Protection and Conservation of Fish Act 1950</li> <li>• Draft Wetland Policy, 1998</li> <li>• The Protection and Conservation of Fish Rules (1985)</li> <li>• The Protection and Conservation of Fish Act, 1950</li> <li>• National Conservation Strategy, 1992</li> <li>• Private Fisheries Protection Act 1889</li> <li>• Marine Fisheries ordinance 1983</li> <li>• Revised National Conservation Act, 2010</li> <li>• The Antiquities Act, 1968</li> </ul>	