

**Green Banking and CSR Department
Bangladesh Bank
Head Office
Dhaka**

GBCSRD Circular Letter No- 05

Date: September 11, 2013

Vadro 27, 1420

Managing Directors/Chief Executives

NRB Commercial Bank Limited/South Bangla Agricultural and Commerce Bank Limited/Union Bank Limited/Meghna Bank Limited/Midland Bank Limited/The Farmers Bank Limited/NRB Bank Limited/Modhumoti Bank Limited/NRB Global Bank Limited

Dear Sir,

Policy Guidelines for Green Banking

Please refer to BRPD Circular No.02 dated February 27, 2011 and BRPD Circular Letter No. 07 dated July 22, 2012 on the captioned subject. Through the circular and circular letter, Policy Guidelines for Green Banking for banks and a reporting format were issued.

Now, it has been decided to issue a policy guideline for Green Banking for the banks scheduled in 2013 in the following manner:

Introduction

You are aware that global warming is an issue that calls for a global response. The rapid change in climate will be too great to allow many eco-systems to suitably adapt, since the change have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. society demands that business also take responsibility in safeguarding the planet. Green finance as a part of Green Banking makes great contribution to the transition to resource-efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to save environment. The state of environment in Bangladesh is rapidly deteriorating. The key areas of environmental degradation cover air pollution, water pollution and scarcity, encroachment of rivers, improper disposal of industrial, medical and household waste, deforestation and loss of open space and loss of biodiversity. In addition, Bangladesh is one of the most climate change vulnerable countries. In line with global development and response to the environmental degradation, financial sector in Bangladesh should play important roles as one of the key stake holders.

In response to the above, urgent measures are required by stake holders for sustainable development and thereby save the planet. Banks as financial intermediary hold a unique position in an economic

system that can affect production, business and other economic activities through their financing activities and thus may contribute to pollute environment. Moreover, energy and water efficiency and waste reduction are of high concern for banks. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business.

Adopting Green Banking Policy

Now it is the high time for the banks to adopt a comprehensive Green Banking Policy in a formal and structured manner in line with global norms so as to protect environmental degradation and ensure sustainable banking practices. With a view to developing green banking practices in the country, an indicative Green Banking Policy and Strategy framework has been developed for the banks in the following manner:

Green Banking Policy needs to be covered through time frame work which will be segregated into 3 phases.

1. Phase-I

Banks are to develop green banking policies and show general commitment on environment through in-house performance. The time lining for the actions to be taken under Phase-I should not exceed June 30, 2014.

1.1 Policy Formulation and Governance

Banks shall formulate and adopt broad environmental or Green Banking policy and strategy approved by their Board of Directors. A high powered Committee comprises of directors from the Board in should be responsible to review the banks' environmental policies, strategies and program. Banks shall approve a considerable fund in their annual budget allocation for green banking. Banks are required to establish a separate Green Banking Unit or Cell having the responsibility of designing, evaluating and administering related green banking issues of the banks. A senior executive should be assigned with the responsibility of heading the unit. The unit will report to the high powered committee time to time.

1.2 Incorporation of Environmental Risk in CRM

Banks shall comply with the instructions stipulated in the detailed guidelines on Environmental Risk Management (ERM) in consideration of a part of the Green Banking Policy. Bank shall incorporate Environmental and Climate Change Risk as part of the existing overall credit risk methodology prescribed to assess a prospective borrower from both credit and environmental risk point of view. This will include integrating environmental risks in the checklists, audit guidelines and reporting formats. All of this will help to mainstream Environmental Risk that cover possible sources of Environmental Risk such as Land use, Climate change related events (cyclone, drought), animal diseases/pathogens such as avian influenza, solid waste including waste feed, animal waste, carcasses, sediments, wastewater discharges, hazardous materials, etc will be reviewed under Environmental Due Diligence (EDD) checklists.

1.3 Initiating In-house Environment Management

Banks shall prepare an inventory of the consumption of water, paper, electricity, energy etc. by its offices and branches in different places. Then it should take measures to save electricity, water and paper consumption. A 'Green Office Guide' or at least a set of general instructions should be circulated to the employees for efficient use of electricity, water, paper and reuse of equipments. In place of relying on printed documents, online communication should be extensively used (where possible) for office management and make sure that the printers are defaulted to duplex for double-side printing to save papers. Banks may apply Eco-font in printing to reduce use of ink, use scrap paper as notepads and avoid disposable cups/glasses to become more eco- friendly. Installation of energy efficient electronic equipments and automatic shutdown of computers, fans, lights, air coolers etc. will help reducing electricity consumption. Energy saving bulbs should replace normal bulbs in branches/offices of the banks. Banks should make plan to use solar energy at their premises to save electricity. Banks should take steps to save energy from corporate business travel and encourage employees to purchase energy efficient cars (that consume less fuel) can reduce gas and petroleum consumption. Banks should give more emphasis to make the easiest way to help environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses.

As per BRPD Circular No. 18 dated November 29, 2012, solar energy system has to be in place in SME/Agricultural branch.

1.4 Introducing Green finance

Eco friendly business activities and energy efficient industries will be given preference in financing by banks. Environmental infrastructure such as renewable energy project, clean water supply project, wastewater treatment plant, solid and hazardous waste disposal plant, bio-gas plant, bio-fertilizer plant should be encouraged and financed by banks. Consumer credit programs may be applied for promoting environmental practices among clients.

1.5 Creation of Climate Risk Fund

Banks should finance the economic activities of the flood, cyclone and drought prone areas at the regular interest rate without charging additional risk premium. However, banks should assess their environmental risks for financing the sectors in different areas for creating a Climate Change Risk Fund. This will be used in case of emergency. Banks would ensure regular financing flows in these vulnerable areas and sectors. The fund could be created as part of banks' CSR expenditures.

1.6 Introducing Green Marketing

Green marketing is the marketing of products that are presumed to be environmentally safe. Green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. It refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in itself or produced and/or packaged in an environmentally friendly way. Banks should use environmental causes for marketing their services to consumer. Green marketing is expected to help awareness development among common people.

1.7 Online Banking

Online banking is the practice of making bank transactions or paying bills via the Internet on a secure website of the respective bank that allows the customers to make deposits, withdrawals and pay bills.

Banks should give more emphasis to make the easiest way to help environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses.

1.8 Supporting Employee Training, Consumer Awareness and Green Event

Employee awareness development and training on environmental and social risk and the relevant issues should be a continuous process as part of the banks' Human Recourse Development. Awareness development among consumers and clients would be a continuous job of a bank under its public relation department.

1.9 Disclosure and Reporting of Green Banking Activities

Banks shall report on the initiatives/practices to Green Banking and CSR Department of Bangladesh Bank in specified format (Annexure-A) on quarterly basis and disclose in their respective websites. Banks have to submit the report within the next 15 days of each quarter.

2. Phase-II

The time lining for the actions to be taken under Phase-II should not exceed December 31, 2014.

2.1 Sector Specific Environmental Policies

Banks need to formulate strategies to design specific policies for different environmental sensitive sectors such as Agriculture, Agri-business (Poultry and Dairy), Agro farming, Leather(Tannery), Fisheries, Textile and Apparels, Renewable Energy, Pulp and Paper, Sugar and distilleries, Construction and Housing, Engineering and Basic Metal, Chemicals (Fertilizers, Pesticides and Pharmaceuticals), Rubber and Plastic Industry, Hospital/Clinic, Chemical Trading, Brick Manufacturing, Ship breaking etc.

2.2 Green Strategic Planning

A bank should determine green targets to be attained through strategic planning. Banks should determine a set of achievable targets and strategies, and disclose these in their annual reports and websites for green financing and in-house environment management as well. For in-house environment management, the target areas should cover attaining energy efficiency in the form of the use of renewable energy, reduction of electricity, gas, and petrol consumption, reduction of Green House Gas (GHG) emissions, issuance of e-statements, electronic bill pay, saving papers, environment friendly office buildings etc. For Green Financing, the target areas should cover reducing loans for certain environmentally harmful activities, attaining a particular percentage of environmental loans as percentage of total, introducing eco-friendly financial products etc.

2.3 Setting up Green Branches

A Green Branch should be featured by the provision of the maximum use of natural light, use of renewable energy, use of energy saving bulbs and other equipments, reduced water and electricity use, use of recycled water etc. Such a branch of a bank would be specifically designated as a 'Green

Branch'. A Green Branch will be entitled to display a special logo approved by Bangladesh Bank. The criteria for certification of a 'Green Branch' will be circulated by Bangladesh Bank in due course of time.

2.4 Improved In-house Environment Management

Strategy of reuse, recycling of materials and equipments, and source reduction and waste minimization strategy should be part of in-house environmental management in Phase-II. Banks should increasingly rely on virtual meeting through the use of video conferencing in lieu of physical travel which would help saving cost and energy.

2.5 Formulation of Bank Specific Environmental Risk Management Plan and Guidelines

A bank should develop and follow an environmental risk management manual or guidelines in their assessment and monitoring of project and working capital loans. In addition to the compliance of national regulation the banks may set internationally accepted higher environmental standards. In this connection, Green initiatives by a group of banks will not only be effective but will also offer competitive advantage. Banks' alliances may prepare standard and guidelines for themselves for improving Green Banking practices.

2.6 Rigorous Programs to Educate Clients

Clients and business houses should be encouraged and influenced to comply with the environmental regulations and undertake resource efficient and environmental activities. Banks should introduce rigorous programs to educate clients.

2.7 Disclosure and Reporting of Green Banking Activities

Banks should start publishing independent Green Banking and Sustainability reports showing past performances, current activities, and future initiatives. Updated and detailed information about banks' environmental activities and performances of major clients should be disclosed.

3. Phase-III:

A system of Environmental Management should be in place in a bank before the initiation of the activities of Phase-III. Banks are expected to address the whole eco-system through environment friendly initiatives and introducing innovative products. Standard environmental reporting with external verification should be part of the phase. The time lining for the actions to be taken under Phase-III should not exceed June 30, 2015.

3.1 Designing and Introducing Innovative Products

Alongside avoiding negative impacts on environment through banking activities, Banks are expected to introduce environment friendly innovative green products to address the core environmental challenges of the country.

3.2 Reporting in Standard Format with External Verification

Banks should publish independent Green Annual Report following internationally accepted format like Global Reporting Initiatives (GRI) targeting their stakeholders. There should be arrangement for verification of these publications by an independent agency or acceptable third party.

4. Reporting Green Banking Practices on Quarterly Basis

Banks shall report their initiatives/activities under the said program to Green Banking and CSR Department of Bangladesh Bank in specified format (Annexure-A) on quarterly basis. Banks shall submit their first quarterly report on September 30, 2013 basis within October 15, 2013 and similarly they will be required to continue to submit reports on the subsequent quarters within the next 15 days of the respective quarter end.

Banks shall keep their annual report and websites updated with the disclosures on green banking initiatives/activities.

5. The compliant banks practicing Green Banking will have the following preferential treatments:

- (i) BB will award points to banks on Management component while computing CAMELS rating where there will ultimately be a positive impact on overall rating of a bank.
- (ii) BB will declare the names of the Top Ten banks for their overall performance in green banking activities in the BB websites.
- (iii) BB will actively consider green banking activities/practices of a bank while according permission for opening new bank branch.

Please acknowledge receipt.

Yours sincerely,



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(Name of the FI)
Statement on Green Banking as of dd/mm/yyyy

1.1 Policy Formulation and Governance								
1.1.1	Formulation and Board/Regional Head approval of Green Banking Policy	Yes	No	Remarks				
1.1.2	Allocation of Fund in the Budget for Green Banking (in million Taka)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks	
	Green Finance							
	Climate Risk Fund							
	Marketing, Training and Capacity Building							
1.1.3	Utilization of Funds (in million Taka)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks	
	Green Finance							
	Climate Risk Fund							
	Marketing, Training and Capacity Building							
1.1.4	Formation of Green Banking Unit	Yes	No	Composition (Name, Designation & Deptt.)		Remarks		
1.2 Incorporation of Environmental Risk in Core Risks Management (CRM)								
1.2.1	No. of Projects applicable for Environmental Due Dilligence (EDD)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks	
1.2.2	No. of Projects Rated (Environmental Risk Rating)							
	Low							
	Moderate							
	High							
1.2.3	Rated Projects financed	Total Number						
		Low						
		Moderate						
		High						
		Total Amount Disbursed (in million Taka)						
		Low						
		Moderate						
		High						
		Loan classification as of Quarter End						
			UC (standard)	SMA	SS	DF	BL	
	No. of projects							
	Amount(in million taka)							

1.3 Initiating In-house Environment Management

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
1.3.1	No. of Branches and Booths (Data in each quarter will reflect the cumulative figure)						
1.3.2	No. of Branches powered by Solar Energy (Data in each quarter will reflect the cumulative figure)						
1.3.3	No. of Booths powered by Solar Energy (Data in each quarter will reflect the cumulative figure)						
1.3.4	Introduction of Green Office Guide or General Instructions	Yes	No	Remarks			
1.3.5	Pin Points of Green Office Guide or General Instructions						
1.3.6	Inventory Details	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
Consumption of Water (in million Taka)							
Consumption of Paper (in million Taka)							
Energy Consumption (in million Taka)	Electricity						
	Gas						
	Fuel						
1.3.7	Others (Please Specify)						

1.4 Introducing Green Finance

Amount in million Taka

		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total		Remarks
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
ETP	For Installation of ETP (Amount Disbursed)											
	Projects financed having ETP(Full amount disbursed)											
Bio-gas Plant												
Solar Panel/Renewable Energy Plant												
Bio-fertilizer Plant												
Hybrid Hoffman Kiln (HHK)												
Others (Please specify)												
Green Finance at reduce rate of interest												

1.5 Utilization of Climate Risk Fund

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
1.5.1	Fund for part of CSR activities (event) related to Climate Change (in million Taka)						
1.5.2	Fund for part of CSR activities (Project) related to Climate Change (in million Taka)						

1.6 Introducing Green Marketing

1.6.1	Introduction of Green Banking Products (Please Specify)	
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1.7 Online Banking

			Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Remarks
1.7.1	No. of ATM (Data in each quarter will reflect the cumulative figure)	Own						
		Shared						
1.7.2	Online Banking	No. of Total Branches						
		No. of Branches with online coverage						
	No. of Total Accounts							
1.7.3	Internet Banking	No. of Accounts facilitated with Internet Banking						
		% of Accounts facilitated with Internet Banking						
1.7.4	Mobile/SMS Banking	No. of Accounts facilitated with Mobile/SMS Banking						
		% of Accounts facilitated with Mobile/SMS Banking						
1.7.5	Others (Please specify)							

1.8 Disclosure of Green Banking Activities

Disclosure in			
	Annual Report		
	Website		
	Media		
Preparation of Independent Green Banking & Sustainability Report			

2.1 Sector Specific Environment Policy

	Formulation of Sector Specific Environment Policy (Under Phase 2) (If yes, please give the pin points in a separate sheet)	Yes	No	Remarks
2.1.1				
2.1.2	Name of the Sectors for which Specific Environment Policy Formulated			

2.2 Green Strategic Planning

	Formulation of Green Strategic Planning (If yes, please describe in a separate sheet)	Yes	No	Remarks
2.2.1				

2.3 Environment Risk Management Plan

	Formulation of Banks Specific Environment Risk Management Plan and Guideline	Yes	No	Remarks
2.3.1				