

Green Banking Policy

of

South Bangla Agriculture & Commerce Bank Limited

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1. Commencement:

Needless to tell that the Global warming, which is one of the most burning & discussed issues, has the worst impact on the climate of the planet as a whole. The rapid change in climate will be too great to be adapted by the eco-systems, since the change have already made direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. As such, issue of global warming calls for a global response. Due to unusual weather pattern, rising greenhouse gas, declining air quality etc. society demands that business also take responsibility in safeguarding the planet.

The main areas of environmental degradation cover air pollution, water pollution, surface water scarcity, encroachment of rivers, improper disposal of industrial, medical and house-hold waste, deforestation, loss of open space, loss of biodiversity and many other issues. In addition, Bangladesh is one of the most vulnerable countries of the world due to climate change. In line with global development and response to the environmental degradation, financial sector in Bangladesh in part has already started playing their roles as one of the key stake holders to address the issue properly.

The climate of Bangladesh has already been exposed to global warming due to environmental pollution followed by climate degradation although she can't be accused to be responsible for these issues. However, the climate of the country is rapidly deteriorating due to recklessness of her citizens and inefficient & ineffective use of natural/semi-natural/manufactured/processed/transformed resources. Natural disasters like cyclone, flood, draught and earthquake become very frequent. As such, state of environment in Bangladesh needs proper attention and up-gradation for ensuring a better future for our successors.

2. Background

In response to increasing awareness over climate change, environmental degradation, urgent measures for sustainable development have been addressed by some of the stake holders all over the world. Banking system hold a unique position in an economy that can affect production, business and other economic activities through their procedure for financing activities which would in turn contribute to protect environment/climate from pollution. Moreover, efficiency in energy use, water consumption and waste reduction may significantly contribute for operating cost of many of the large banks of the country.

Projects/Businesses those include waste prevention and resource efficiency systems in a wide range of sectors including community, commercial and business organizations - such as shopping centers, regional airports, hospitals, construction, farms, a university, public organizations, and educational organizations are receiving enhanced attention these days.

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 the climate/environment. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other businesses.

The growing financial sector especially banks in Bangladesh can play key role as one of the important stake-holders of the economy enforcing the businessmen/industrialists of the country to design their strategy/action plan keeping in mind the vital environmental issues.

3. Objectives of the policy

The main objective of the policy will be to contribute to the national/global interest through establishing an environment friendly banking business system which may be achieved through proper utilization of human & physical resources and encouraging channeling of fund to projects/businesses those expose no or very little risk to the environment/climate.

The objectives of the policy will be:

- i) To take active initiatives for environment friendly financing for conservation of environment for the future generation .
- ii) To promote sustainable environment friendly initiatives undertaking through adoption of a set of principles and strict adherence to those principles.
- iii) To contribute to the national/global interest through avoidance of financing in specific industry(ies)/project(s)/process(es)/business(es), being harmful or tend to be causing harm to the environment even if they are financially viable;
- iv) To create an atmosphere for the bank and/or its both existing and potential clients to work within an ideal business environment through innovative marketing of innovative banking products;
- v) To encourage the employees, the existing and potential clients and other stakeholders to develop, practice & promote for developing & using Environment friendly /Green Technology/products/production process;
- vi) To develop the attitude among the employees to motivate, encourage the stakeholders through initialization of appropriate in-house environmental risk management system through introduction of appropriate technology;
- vii) To sponsor awareness programs for environment friendly products/technology through practice of Corporate Social Responsibilities (CSR);

4. Covenants of the Policy

The perception towards environmental norms and standards is changing over time. Adhering to environmental norms and standards were considered costly and as a bottleneck to development. However, if the economic benefits of these in terms of health care, productivity and insurance were considered the benefit would have been much higher than the cost. If all the impacts of environmental degradation are considered and costs are measured, then economic benefits which these protection measures fetch would have been huge.

As formulating & adopting Green Banking policy will be ultimately befitting for the climate/environment, formulation of effective policy through designing effective strategy needs to be addressed quickly & properly. Promises of potential cost savings from no-cost or low-cost resource efficiency or waste prevention measures need to be clearly demonstrated before they will be more widely adopted. This is the high time for the bank to formulate this policy for confirming its stance towards safety of environment.

4.1 Policy formulation and governance

- A High-Powered Committee comprising of the director(s) from the Board of the Directors of the bank shall review environmental policies, strategies and programs of the bank.
- The bank allocates considerable fund in their annual budget for implementing & practicing green banking.
- The bank has established a separate Green Banking Policy Implementation Unit (GBPIU) which has been assigned responsibility for designing, evaluating and administering related Green Banking issues of the bank. A senior executive has been assigned with the responsibility of heading the unit and a permanent position playing the role of coordinator of the unit shall be created. The unit will report to the high powered committee time to time.
- This policy ensures that **services** to be provided by all of the credit delivery points of the bank shall comply Green Banking Policy and activities to be designed within the Green Banking Policy implementation strategy.
- The stakeholders of the bank are encouraged to reduce their consumption & wastage of physical resources like raw materials, water and energy to make sure that the best value is received from the resources they use through formulating effective strategies with the boundaries of the policy.

4.2 Incorporation of Environmental Risk in CRM (Core Risk Management)

The bank conforms the instructions stipulated in the detailed guidelines on Environment Risk Management (ERM) of Bangladesh Bank in consideration of a part of the Green Banking policy.

4.3 Initiation and Continual Improvement of in-house Environment Management

Strategy for reusing & recycling of waste materials, careful handling of machinery & equipments, reducing energy at sources and minimizing wastage of materials has been formulated & circulated to the divisions/branches/booths/sales outlets as part of in-house environmental management in phase-I.

General Services Division **monitors & supervises** the branches along with all the divisions of Head Office premises, IT & Training Institute premises, Collection Booths in accordance with Green Banking Policy for reducing usage and consumption of physical & other resources like paper, printer cartridges, electricity, water, gas etc.

The General Services Division prepares specific format for ensuing inventory management of the branches/divisions/sales centers, located at different places of the country, for monitoring uses of consumption of paper, printer cartridges, carbon granules for photocopying, electricity, water, gas, energy etc. on unit consumption basis. Then it shall take measures to save electricity, water, and paper consumption.

A “Green Office Guide” or at least a set of general instructions shall be prepared & circulated to the employees for efficient use of consumables and refurbishment for reuse of paper/machinery/equipments.

4.4 Introducing Green Finance

Financing in eco friendly and environmentally sustainable business activities and energy efficient industries shall be extended through preference by all the credit delivery points. Environmental infrastructures such as renewable energy project(s), clean water supply project(s), waste water treatment plant(s), solid and hazardous waste disposal plant(s), bio-gas plant(s), bio-fertilizer plant(s) are encouraged those will be financed by the bank.

Viability of environmental infrastructures for financing shall be assessed in line with the environmental issues i.e. how the purpose of the project(s)/ business(es) & to what extent this/these is/are rewarding to the environment. Most viable project(s)/business(es)/ sector(s) shall be prioritized for financing to position the bank gradually as a “**Carbon Neutral Bank**” first & then as a “**Climate Positive Bank**”.

4.5 Creation of Climate Risk Fund

The bank addresses environmental issues & assesses environmental risks (high/moderate/low) of projects/businesses of different sectors in different areas those are financed by the bank and create climate risk fund. A comprehensive risk exposure matrix shall be developed for assessing environmental risks and reported to different credit committees of the bank by the branches in the risk exposure matrix.

The fund to be allocated/created for “Green Banking” may be used as a part of CSR activities at the time of emergency.

4.6 Introducing Green Marketing

Green Marketing incorporates a broad range of activities, including products/services design, engineering, modification, new product innovation, changes to the production process & packaging encouraging the potential clients for designing Green Project as well as modifying advertising. Besides, bank effectively uses green marketing channels more for widening target markets of usual products. Bank takes steps that will help building awareness among common people for promoting products/services which cause least harm to the environment. **R&D Division shall plan for developing & marketing Green Banking products for offer.**

4.7 Ensuring all out “Online Banking practices”

As the bank started its business by opening every branch with on-line banking facilities to operate its regular transactions, it won't be difficult to adopt paperless banking practices. As such, the GBPIU shall accentuate the process of commencing e-banking related to processing of proposals avoiding the use of physical resources like paper, printer cartridge etc. with the help of IT & MIS Division of the bank.

MIS Division is responsible for preparing effective communication strategy while IT Division provides software support & necessary training to the employees of the bank in a manner that all of employees are trained in “Online Banking practices”.

4.8 Use of appropriate technologies

The bank addresses the use of appropriate technologies through installation of energy efficient machinery/equipments that will up grade & expand its ATM services and introduce SMS services & e-mail to its customers for providing better and paperless services to its customers.

4.9 Supporting employee training, Consumer Awareness and Green Event

Exclusive training programs or specialized/befitting classes in foundation or other credit related courses for incorporating Green Banking Policy Guidelines as a part of awareness building among the employees of the Bank are arranged in consultation with GBPIU by the Training. Training programs on environmental and social risk and employee awareness development should have to be implemented by the Training Institute as a continuous process.

4.10 Sector specific Environmental Policies

The bank shall formulate strategies to design specific policies for different environmentally sensitive sectors such as agriculture, agri-business (poultry and dairy), agro farming etc. The bank shall make the provision for installing water treatment and effluent treatment plants mandatory for clients having textile, spinning, dyeing, leather processing factories to qualify themselves for receiving financial support from the Bank. As per The Environment Conservation Rules, 1997, the Industrial Units are classified in to 04 categories – A) Green (22 Industries), B) Orange – A (26 Industries), C) Orange – B (69 Industries) & D) Red (69 Industries). The Detailed list is shown in the Annexure – I. The Bank should address the issues of the Industries fallen in different categories and formulate specific guidelines for financing the Industries.

4.11 Pricing Strategy

The bank shall formulate its pricing strategy for its products inline with the global green banking issues. The clients complying green policy of the bank and adopting appropriate technology for addressing ERM issues from their part shall be eligible for receiving facilities at a reduced rate than the usual rate of the bank.

Premium pricing strategy shall be adopted and practices for the clients to reduce carbon/heat emission, waste materials, energy utilization, hazardous by-products and increase productivity, efficient use of materials, preservation of natural water stream & water resources.

4.12 Green strategic planning:

The bank shall determine green targets to be attained through specific planning. It shall determine a set of achievable targets and strategies, and disclose these in their annual reports and web sites for green financing and in-house environment management as well. IT Division shall time to time **up-date the Website** of the bank with new and easy navigation slots or publish a separate webpage for the purpose of marketing/advertising green banking products of the bank.

4.13 Setting up Green Branches

The bank shall set up Green Branches which will be featured by the provision of using natural light, renewable energy and surface & recycled water to the highest possible extent and implementing energy efficient lighting & cross ventilation air movement system and replacing gradually the less energy efficient machinery/equipments by higher energy efficient machinery/equipments. The branches shall be decorated in such a manner that will promote the activities of “Environmental”/”Green Banking” issues to the people.

4.14 Incorporation of Environmental Risk Management plan and guidelines

The bank incorporates **Environmental Risk Management (ERM)** section in the Credit Risk Management guidelines of the bank for evaluating/sanctioning new as well existing loan proposals through **Assessment of Environmental Impact (EIA)** of those projects/businesses. As such, the bank shall follow the Environmental Risk Management manual, provided by Bangladesh Bank, for assessing project/business proposals and monitoring of project(s)/business(es) & working capital loans until it develops an ERM manual or guidelines of its own.

Environmental Risk Management (ERM) Guidelines, issued by Bangladesh Bank, shall be handy for use as a reference manual. However, this policy keeps the provision for all future regulatory directives, to be issued by different authorities of the Government of Bangladesh, to be taken into cognizance for addressing concurrent Environmental risk issues and incorporating those issues in the policy matters without any change in the policy.

4.15 Initiation of Programs for educating clients

The bank formulates effective strategies for introducing programs to educate existing & potential clients (both personal/corporate level) so that they are and/or will be equipped to comply environmental regulations, imposed or to be imposed time to time by the regulatory authorities.

4.16 Disclosure and reporting of Green Banking activities

The bank shall start publishing independent Green Banking and sustainability reports showing past performances, current activities and future initiatives.

4.17 Designing and introducing innovative products

The bank shall introduce environment friendly innovative green products addressing the core national/global environmental challenges. Research & Development (R&D) Division of the bank shall formulate plan for **developing & marketing** Green Banking products to offer for public.

4.18 Eco Landscaping

The bank shall prepare eco landscaping of its branches/sales offices for encouraging environmental infrastructures such as renewable energy project(s), clean water supply project(s), waste water treatment plant(s), solid and hazardous waste disposal plant(s), bio-gas plant(s), bio-fertilizer plant(s) and implement the “Green Banking Policy” effectively.

4.19 Reporting in Standard Format with External verification

- Bank has to publish independent Green Annual Report following internationally accepted format like Global Reporting Initiative (GRI) targeting their stakeholders.
- Bank shall report its initiatives/activities under the said program to the department of off-site supervision of Bangladesh Bank on quarterly basis as instructed by Bangladesh Bank within the next 15 days of the respective quarter end.

5. Provision for co-opting intermediary regulations/guidelines

There will be provision for co-opting intermediary guidelines and/or restrictions on financing in a specific sector/industry, to be dictated by organizations of Government of Bangladesh and regulatory bodies, related to Green Banking issues without changing any of the clauses of the policy just by initiating note within the discretion of the Management when the guidelines and/or restrictions will be considered befitting for the environment.

Classification of industrial units or projects based on its location and impact on environment

(A) GREEN Category:

1. Assembling and manufacturing of TV, Radio, etc.
2. Assembling and manufacturing of clocks and watches.
3. Assembling of telephones.
4. Assembling and manufacturing of toys (plastic made items excluded).
5. Book-binding.
6. Rope and mats (made of cotton, jute and artificial fibers).
7. Photography (movie and x-ray excluded).
8. Production of artificial leather goods.
9. Assembling of motorcycles, bicycles and toy cycles.
10. Assembling of scientific and mathematical instruments (excluding manufacturing).
11. Musical instruments.
12. Sports goods (excluding plastic made items).
13. Tea packaging (excluding processing).
14. Re-packing of milk powder (excluding production).
15. Bamboo and cane goods.
16. Artificial flower (excluding plastic made items).
17. Pen and ball-pen.
18. Gold ornaments (excluding production) (shops only).
19. Candle.
20. Medical and surgical instrument (excluding production).
21. Factory for production of cork items (excluding metallic items).
22. Laundry (excluding washing).

Foot Notes:

- (a) Units of all kinds of cottage industries other than those listed in this Schedule shall remain outside the purview of Environmental Clearance Certificate (Unit of cottage industry means all industrial units producing goods or services in which by full-time or part-time labour of family members are engaged and the capital investment of which does not exceed Taka 5 (five) hundred thousand).
- (b) No industrial unit listed in this Schedule shall be located in any residential area.
- (c) Industrial units shall preferably be located in areas declared as industrial zones or in areas where there is concentration of industries or in vacant areas.
- (d) Industrial units likely to produce sound, smoke, odor beyond permissible limit shall not be acceptable in commercial areas.

(B) ORANGE-A Category:

1. Dairy Farm, 10 (ten) cattle heads or below in urban areas and 25 cattle heads or below in rural areas.
2. Poultry (up to 250 in urban areas and up to 1000 in rural areas).
3. Grinding/husking of wheat, rice, turmeric, pepper, pulses (up to 20 Horse Power).
4. Weaving and handloom.
5. Production of shoes and leather goods (capital up to 5 hundred thousand Taka).
6. Saw mill/wood sawing.
7. Furniture of wood/iron, aluminum, etc.,(capital up to 5 hundred thousand Taka).
8. Printing Press.
9. Plastic & rubber goods (excluding PVC).
10. Restaurant.
11. Cartoon/box manufacturing/printing packaging.
12. Cinema Hall.
13. Dry-cleaning.
14. Production of artificial leather goods (capital up to 5 hundred thousand Taka).
15. Sports goods.
16. Production of salt (capital up to 10 hundred thousand Taka).
17. Agricultural machinery and equipment.
18. Industrial machinery and equipment.
19. Production of gold ornaments.
20. Pin, U Pin.

21. Frames of spectacles.
22. Comb.
23. Production of utensils and souvenirs of brass and bronze.
24. Factory for production of biscuit and bread (capital up to 5 hundred thousand Taka).
25. Factory for production of chocolate and lozenge. (capital up to 5 hundred thousand Taka).
26. Manufacturing of wooden water vessels.

Foot Notes:

For industrial units and projects falling in the Orange – A, Orange categories, firstly a Location Clearance Certificate and thereafter an Environmental Clearance Certificate shall be issued

(C) ORANGE-B Category

1. PVC items.
2. Artificial fiber (raw material).
3. Glass factory.
4. Life saving drug (applicable to formulation only).
5. Edible oil.
6. Tar.
7. Jute mill.
8. Hotel, multi-storied commercial & apartment building.
9. Casting.
10. Aluminum products.
11. Glue (excluding animal glue).
12. Bricks/tiles.
13. Lime.
14. Plastic products.
15. Processing and bottling of drinking water and carbonated drinks.
16. Galvanizing.
17. Perfumes, cosmetics.
18. Flour (large).
19. Carbon rod.
20. Stone grinding, cutting, polishing.
21. Processing fish, meat, food.
22. Printing and writing ink.
23. Animal feed.
24. Ice-cream.
25. Clinic and pathological lab.
26. Utensils made of clay and china clay/sanitary wares (ceramics).
27. Processing of prawns & shrimps.
28. Water purification plant.
29. Metal utensils/spoons etc.
30. Sodium silicate.
31. Matches.
32. Starch and glucose.
33. Animal feed.
34. Automatic rice mill.
35. Assembling of motor vehicles.
36. Manufacturing of wooden vessel.
37. Photography (activities related to production of films for movie and x-ray).
38. Tea processing.
39. Production of powder milk/condensed milk/dairy.
40. Re-rolling.
41. Wood treatment.
42. Soap.
43. Repairing of refrigerators.
44. Repairing of metal vessel.
45. Engineering works (up to 10 hundred thousand Taka capital.)
46. Spinning mill.
47. Electric cable.
48. Cold storage.
49. Tire re-treading.
50. Motor vehicles repairing works (up to 10 hundred thousand Taka capital).

51. Cattle farm: above 10 (ten) numbers in urban area, and above 25 numbers in rural area.
52. Poultry: Number of birds above 250 in urban area and above 1000 in rural area.
53. Grinding/husking wheat, rice, turmeric, chilly, pulses – machine above 20 Horse Power.
54. Production of shoes and leather goods, above 5(five) hundred thousand Taka capital.
55. Furniture of wood/iron, aluminum, etc., above 5(five) hundred thousand Taka capital.
56. Production of artificial leather goods, above 5(five) hundred thousand Taka capital.
57. Salt production, above 10(ten) hundred thousand Taka capital.
58. Biscuit and bread factory, above 5 (five) hundred thousand Taka capital.
59. Factory for production of chocolate and lozenge, above 5(five) hundred thousand Taka capital.
60. Garments and sweater production.
61. Fabric washing.
62. Power loom.
63. Construction, re-construction and extension of road (feeder road, local road).
64. Construction, re-construction and extension of bridge (length below 100 meters).
65. Public toilet.
66. Ship-breaking.
67. G.I. Wire.
68. Assembling batteries.
69. Dairy and food.

Foot Notes:

- (a) No industrial unit included in this list shall be located in any residential area.
- (b) Industrial units shall preferably be located in areas declared as industrial zones or in areas where there is concentration of industries or in vacant areas.
- (c) Industrial units likely to produce sound, smoke, odor beyond permissible limit shall not be acceptable in commercial areas.
- (d) For industrial units and projects falling in the Orange – A, Orange categories, firstly a Location Clearance Certificate and thereafter an Environmental Clearance Certificate shall be issued

(D) RED Category

1. Tannery.
2. Formaldehyde.
3. Urea fertilizer.
4. T.S.P. Fertilizer.
5. Chemical dyes, polish, varnish, enamel.
6. Power plant.
7. All mining projects (coal, limestone, hard rock, natural gas, mineral oil, etc.)
8. Cement.
9. Fuel oil refinery.
10. Artificial rubber.
11. Paper and pulp.
12. Sugar.
13. Distillery.
14. Fabric dying and chemical processing.
15. Caustic soda, potash.
16. Other alkalis.
17. Production of iron and steel.
18. Raw materials of medicines and basic drugs.
19. Electroplating.
20. Photo films, photo papers and photo chemicals.
21. Various products made from petroleum and coal.
22. Explosives.
23. Acids and their salts (organic or inorganic).
24. Nitrogen compounds (Cyanide, Cyanamid etc.).
25. Production of plastic raw materials (PVC, PP/Iron, Polyesterin etc.)
26. Asbestos.
27. Fiberglass.
28. Pesticides, fungicides and herbicides.
29. Phosphorus and its compounds/derivatives.
30. Chlorine, fluorine, bromine, iodine and their compounds/derivatives.
31. Industry (excluding nitrogen, oxygen and carbon dioxide).
32. Waste incinerator.

33. Other chemicals.
34. Ordnance.
35. Nuclear power.
36. Wine.
37. Non-metallic chemicals not listed elsewhere.
38. Non-metals not listed elsewhere.
39. Industrial estate.
40. Basic industrial chemicals.
41. Non-iron basic metals.
42. Detergent.
43. Land-filling by industrial, household and commercial wastes.
44. Sewage treatment plant.
45. Life saving drugs.
46. Animal glue.
47. Rodenticide.
48. Refractories.
49. Industrial gas (Oxygen, Nitrogen & Carbon-dioxide).
50. Battery.
51. Hospital.
52. Ship manufacturing.
53. Tobacco (processing/cigarette/Biri-making).
54. Metallic boat manufacturing.
55. Wooden boat manufacturing.
56. Refrigerator/air-conditioner/air-cooler manufacturing.
57. Tyre and tube.
58. Board mills.
59. Carpets.
60. Engineering works: capital above 10 (ten) hundred thousand Taka.
61. Repairing of motor vehicles: capital above 10 (ten) hundred thousand Taka.
62. Water treatment plant.
63. Sewerage pipe line laying/relaying/extension.
64. Water, power and gas distribution line laying/relaying/extension.
65. Exploration/extraction/distribution of mineral resources.
66. Construction/reconstruction/expansion of flood control embankment, polder, dike, etc.
67. Construction/reconstruction/expansion of road (regional, national & international).
68. Construction/reconstruction/expansion of bridge (length 100 meter and above).
69. Murate of Potash (manufacturing).

Foot Notes:

- (a) No industrial unit included in this list shall be allowed to be located in any residential area.
- (b) Industrial units shall preferably be located in areas declared as industrial zones or in areas where there is concentration of industries or in vacant areas.
- (c) Industrial units likely to produce sound, smoke, odor beyond permissible limit shall not be acceptable in commercial areas.
- (d) After obtaining location clearance on the basis of Initial Environment Examination (IEE) Report, the Environmental Impact Assessment (EIA) Report in accordance with the approved terms of reference along with design of ETP and its time schedule shall be submitted within approved time limit.