

# Disclosure on Green Banking

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Ecological preservation and sustainable development are recognized globally as overriding imperatives for protection of our planet from the ill-effects of global-warming and climate change. Banks and financial institutions can play a major role in global efforts to mitigate environmental risks and make this planet a better place to live. Organizations are now increasingly interested in implementing strategies which will help in addressing environmental issues and contribute towards sustainable development. One step in this direction is Green Banking. Green banking is a broad term which refers to those practices and guidelines that make banks environmentally, economically and socially responsible. It means that banking business should be conducted in such areas and in such a manner which would help in the overall reduction of external carbon-emission and internal carbon footprint.

The Stone Age didn't end because we ran out of stones. It ended because there were better ideas about how to meet society's needs.



Similarly, the end of our current "oil age" won't end because we will run out of oil. It will end because we have better ways to meet our energy needs. Those better ways are proven, cost-effective and have multiple benefits to individuals and society. Bangladesh has one of the lowest levels of per capita consumption of commercial energy in South Asia, where it has a large unsatisfied demand for energy, which is growing by 10 percent annually, the concern is our country's power generation system is almost entirely dependent on fossil-fuel. This at one side is causing fast depletion of gas reserves at the same time deteriorating the Mother Nature. We know the burning of fossil fuels produces carbon dioxide, but the concern is, it is estimated that natural processes can only absorb about half of that amount. So what happens to the remaining?! Under such circumstances the only savior that can protect us from the detriments of environmental degradation is afforestation.

## **Purpose and scope:**

The purpose of this disclosure is to demonstrate our banking philosophy that we adhere to in our daily operation. At the same time it is also a part of regulatory compliance. Our green banking practices are comprehensively in line with the regulatory guideline and international best practices. In the year 2016, we have explored some uncharted territories and took new strides in the field of green banking. New initiatives have been taken to bolster the economy of our nation in a more sustainable manner,

keeping in mind the bottom line of the bank, the key stakeholders and the shareholders.

### **Introduction:**

The most complicated issue that the world is facing today is climate-change. There have been continuous endeavors across the world to measure and mitigate the risk of climate change caused by human activities. Many countries, including Bangladesh, have made commitments necessary to do so. As socially responsible corporate citizens, Bangladeshi banks have a major role and responsibility in supplementing government efforts towards substantial reduction in carbon emission. Although banks are considered environment friendly and do not impact the environment greatly through their own “internal” operations, the “external” impact on the environment through their customers’ activities is substantial. The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment. “Green banking” refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, banks should finance green technology and pollution reducing projects.

### **Environment Related Initiatives:**

We all know that trees are the longest living organisms on the planet and one of the

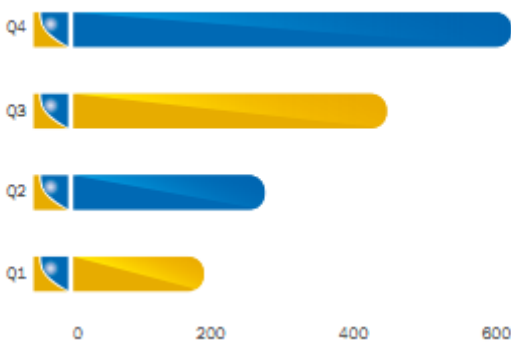
earth's greatest natural resources. They keep our air supply clean, reduce noise pollution, improve water quality, help prevent erosion, provide food and building materials, create shade, and help make our landscapes look beautiful. Interestingly enough, many of us might not be aware that a mature tree removes more pollution than a newly planted tree. Precisely, two mature trees can supply enough oxygen annually to support a family of four! The undisputed significance of trees is ubiquitous. Not only trees create buffers to reduce noise, its roots stabilize soil and prevent erosion. Moreover, trees lower air temperature by evaporating water in their leaves. Being a banking financial organization all we can do by functioning within the periphery of our operation, we can put sincere effort for a sustainable banking. Having started its journey last year with representatives from different divisions, our Green Banking Unit (GBU) has allotted more than BDT 5000 million under **green budget for the year 2016**, whereby the achievement rate is way more. It comprises green financing, climate risk fund, Marketing, Training and Capacity Building. Also worth mentioning, the number of Projects applicable for Environmental Due Diligence (EDD) and Projects being rated (i.e. **Environmental Risk Rating**) has been increasing appreciably over time. Environmental risk rating is an integral part of our credit appraisal process.

Moreover, the consumption of water, paper and energy has been optimum where we always strive to utilize these resources more efficiently. Whereby, as far as our in-house green management is concerned, we cautiously adhere to the guideline prescribed in our Green Office Guide. We have extensively gone for indirect green financing

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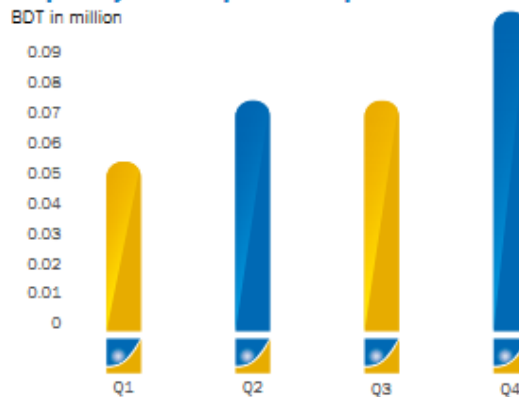
especially Projects financed, having Effluent Treatment Plant (ETP). Also part of our Corporate Social Responsibility (CSR) activities, BRAC Bank Ltd. made donation to the Prime Minister's Relief Fund to help the flood affected people as climate change is often attributed to causing flood. We extended support to Chittagong Metropolitan Police's public awareness campaign about the prevention of formalin and chemical in fruits and food. BRAC Bank Ltd., in partnership with The United States Agency for International Development (USAID), organized a University

### Number of Staff Covered



Film Contest on Biodiversity Conservation. The initiative was aimed at creating climate change awareness and importance of biodiversity conservation among university students who took part in the contest. While considering society's welfare, BRAC Bank donated bicycles to 10 school going students in Nilphamari. The environment friendly mode of transport will be beneficial to the nature as it does not create any pollution. This year we launched an Energy Efficiency Loan Product, "Planet Solutions". It is Bangladesh's first ever Energy Efficiency Financing Loan that will assist readymade garments and textile industries to invest in energy efficiency technology. BRAC Bank Ltd. also extended support to the 6<sup>th</sup> Biochemistry Olympiad at Dhaka University. The day long science festival tried to find environment friendly ways to recycle solid waste like plastic and finding

### Capacity Development Expense



scientific ways to minimize damage of oil leakage incident in forest.

For continuous capacity building of our human resource, exclusive training sessions on "Green Banking" were arranged to garner best practices and enhance knowledge. All newly recruited employees have been taken under the purview of Green Banking in their Orientation Programs. This year, around **1,100 employees** have been enlightened with Training Programs/Seminars exclusively conducted for Green Banking. It is also to be borne in mind that, as the development of sector specific environmental risk policies is already underway, our credit appraisal process inherently considers the environmental aspect of the borrowers. Moreover, with the constant support and guidance from our regulators, we always strive to incorporate better practices and norms in the business operation. We are a sustainable bank and we vouch to remain so as long as the glorious sun continues to endow its dazzling beam on us.

### Green Finance:

"Without necessarily naming it 'green', some day in the future, all finances will be green. At the same time there are barriers to green finances which are more generally about attracting and allocating capital. So when we talk about green finance we are really talking

about strengthening our core financial systems.”- UNEP.

### What is Green Financing?



Green financing is not defined well as there are lots of arguable concepts. Simply let's start from 3P; Planet, People and Profit. Green Financing is nothing but to ensure this 3P bottom line. Green financing is a wide-ranging term that can be referred to financial investment flowing in to sustainable development projects and initiatives, environmental products and policies that encourage the development of a more sustainable economy.

### Why Green Financing:

Combating climate change and environmental pollution are, without any doubt, issues that are at the front and centre of the global policy discourse, encapsulated in the COP21 declaration in Paris in December, 2015 and consequently in COP22. The success of the international community is that they are intrinsically tied to politics, economics and other disciplines, making them not only some of the most complex subject matters, but also issues that require the highest priority. By all accounts, Bangladesh remains one of the highly vulnerable nations to be affected by climate change and environmental pollution. There are specific sectors of Bangladesh that require intervention, namely, crops and fisheries, the textile and leather industry, brick

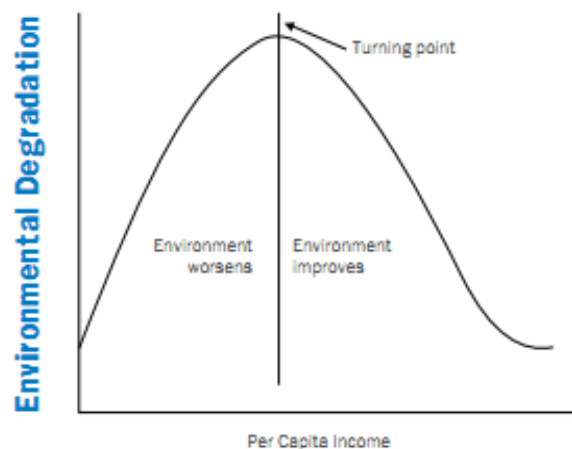
manufacturing and exploration of renewable energy.

### Sustainable Bangladesh:

There is simple co relation between industrialization and environmental pollution. Examples in USA, UK, Germany, China and India. Bangladesh is on the way to achieve 8.0% GDP to meet its target to be the middle income country by 2030 and developed country by 2041 by using its demographic dividend.

So, there is no way to strengthen the industrial sector to ensure the employment of this large population. At the same time, this development should be sustainable. So, first focus should be given to sustainable development of our industries. Experiments show that, industries with wet processing affect the environment badly than any other regarding water pollution. Buriganga and Shitalakkha are the best examples as how a river dies for the negligence of people.

According to IPCC in Bangladesh, leather and textile industry is liable for 45% of total water pollution. Automobile, Ship breaking, chemical, power plant and fertilizer are also responsible for environmental pollution.



## **BRAC Bank Green Financing:**

BRAC Bank is always aligned with 3Ps bottom line. We emphasize on green financing and also try to exceed the green financing target set by the management from time to time.

It financed around BDT 700 million in green sector. Investment areas are as follows:

- LEED certified Green Industry
- ETP Construction.
- Energy Efficient Capital Machineries.
- Fire Door, & Fire Fighting System.
- LED Bulb Manufacture
- Plastic Recycling Plant
- Hoffman Klin Auto Brick Fields.
- Bio gas plant.

In RMG and Textile Sector, BRAC Bank is trying to make its client understand the necessity of being energy efficient for long run beneficiary.

**Pact Program of IFC:** World Bank is working with BRAC Bank to boost financing in this field. We formed a dedicated Green Financing Unit for:

- Technical support to internal resources related to financing.



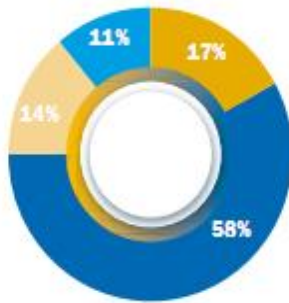
- Technical support to clients (if required)
- Perusing existing clients for Green Financing.
- Hunting new clients for Green Financing.
- Assessing the Green Project Value and Scopes.

Around BDT 700 million is disbursed in green financing and if we analyze our financing, it is observed that almost 58% has gone into purchase and construction of ETP machineries. Other than this, approx. 14% is used in worker safety aspect like fire-fighting equipment and fire hydrant systems. In SME segment green finance is used for LED light manufacturer plant, Plastic Pet Bottle Recycling Plant, Bio gas plant and so on.

We aim to flourish in this green arena more than ever before as we proceed forward with new hope and targets in coming days.

## Green Financing

- ETP machineries & Consturction
- Fire Door, & Fire Fighting System
- LED Bulb Manufacture
- Plastic Recycling



Fire Door

### Some Green Financing:



ETP



Auto Brick Field


### Textile Industries in Bangladesh




Energy Efficient Capital Machineriies

**EXAMPLE OF ENERGY/WATER EFFICIENT PROCESS**


Dyeing machines with high to low liquor ratio  
water and steam reduction; smaller ETP



External winch




Air jets



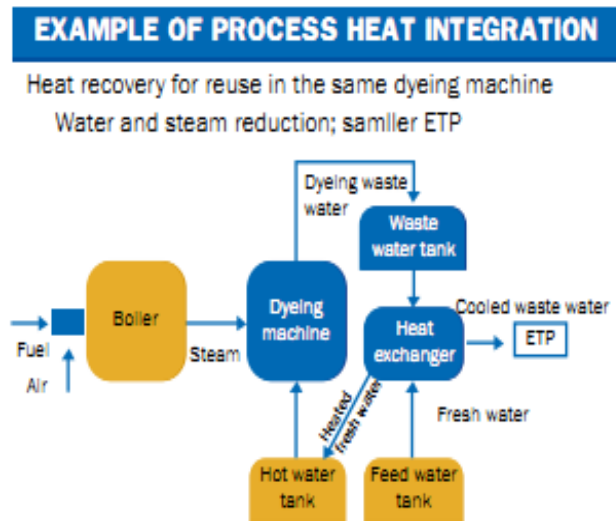
Internal winch

**EXAMPLE OF PROCESS HEAT INTEGRATION**

Heat recovery from stenter exhaust for water/air heating  
Less steam demand, less heat rejected to the surrounding



Highly efficient lamellar heat exchangers with non-stick coating  
Optimum ease of maintenance due to handy, drawer-sized heat exchanger modules  
During the cleaning reserve-heat exchangers are used, therefore almost no downtimes  
Optimum performance, considerably higher than with the usual tubular heat exchanger



**Alternate Banking:**

As a part of our 3P (People, Planet & Profit) Philosophy, we continuously strive to provide people and planet friendly solutions for our customers. In our endeavor to promote Green Banking and to help preserve our planet's environment, we continuously take various initiatives to enroll our customers to green services.

**SMS Banking:**

BRAC Bank's SMS Banking is a service that allows customers to access their account information via any mobile phone. Through BRAC Bank SMS Banking, a BRAC Bank account holder can access his/her account's latest information such as account balance, the last few transactions and a range of other financial information by typing a pre-defined key letter (Like 'A' for Account Balance and 'T' for the last few Transactions).

**e-Statement:**

An e-Statement is an electronic version of a bank account statement which is sent to a customer's registered email address every month. E-Statements are a safer, faster and greener alternative to paper statements. BRAC Bank e-Statement service is completely

**Incorporation of Environmental Risk in CRM:**

Also worth mentioning, the number of Projects applicable for the Environmental Due Diligence (EDD) and the Projects being rated (i.e. Environmental Risk Rating), have been increasing appreciably over time.

Environmental risk rating is an integral part of our credit appraisal process. Our prudent Credit Risk Management team has put up a

magnificent end to end process for the appraisal of borrowers. Bangladesh Bank vide ERM Guideline stated, that Environmental risk rating is to be done for all the individual customers (corporate, institutional, personal, small and medium enterprise) whose aggregate facilities are above the following financing thresholds:

- For Small and Medium Enterprises (SMEs), financing > BDT 2.5 million
- For Corporate, financing > BDT 10 million, and
- For real estate financing > BDT 10 million

Secured (Password Protected), Easier, Faster and FREE of cost. In our endeavor to promote Green Banking solutions, we have taken several initiatives to enroll our accountholders to e-Statement service instead of sending paper based account statements. This initiative is expected to incur significant cost savings as well as help to improve our service quality.

allows users to monitor accounts in real time, transfer funds, pay bills, make credit card payments, check transactions, etc. This application also has state-of-the-art security feature such as two factor authentication using OTP and e-Signature.

**300K +**  
Active Accounts with  
SMS Banking (Pull Service)

**92k+**  
e-Statement  
Subscribers

**2K+**  
Staff Accounts enrolled  
to e-Statement service

**10K+**  
Mobile  
Application Users

**59K+**  
Active Internet  
Banking Users

### **Internet Banking:**

BRAC Bank Internet banking enables its customers to avail various services such as Fund Transfer, Credit Card Bill Payment, Utility Bill Payment, Account Statement checking, etc. through the bank's website. Our Internet Banking platform is secured by state-of-the-art two factor authentication system.

### **BRAC Bank Mobile Banking Application:**

With BRAC Bank Mobile's state-of-the-art mobile banking application, customers can avail banking services from their Smart Phones anytime, anywhere. This application

### **Conclusion:**

Banks are responsible corporate citizens. We should believe that every small 'GREEN' step taken today would go a long way in building a greener future and that each one of us can work towards a better environment. Our proactive initiatives will assist to reduce carbon-footprint as well as in building awareness and consciousness about the environment, nation and society. Green banking or ethical banking is indeed a good way for people to be more aware about global warming and will contribute a lot to the environment and make this earth a better place to live for future generations. There is



definitely a huge opportunity in clean, renewable energy technologies, emissions reduction and reduced-carbon transportation that can be slowly but surely be achieved, if we get cooperation from all the sectors of the economy; and banks being an integral part of our economy must lead from the front. Currently, in Bangladesh, the concept of green banking is catching up and banks are actively looking for ways to portray themselves as a Green Bank.

Human being is the paragon of virtue. They are to behave in such a manner that others can look up to them as an emblem of sheer perfection. So it is our responsibility to act in such a way that is rational and ethical. The human civilization has evolved from pre-historic era to utter modernization and has come a long way. We have learnt to improve and use resources with great optimization. This world has limited resources and if we want to attain sustainable growth, care should be taken before taking even one step ahead. Our actions today will have a lasting impact for our next generation. So we should make hay while the sun shines. Mother Nature cannot voice her agonies but by actions she expresses her grievances. The natural calamities are the perfect examples of her wrath and via this, we should be able to understand the warning signals. So, our actions should be measured, calculated and cautiously undertaken.