

GREEN BANKING POLICY



National Housing Finance And Investments Ltd.

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CHAPTER : 1

INTRODUCTION

1.1 Background – Green Banking

The world is concerned and worried about climate change, global warming, environment pollution and their bad impacts. Environmental pollution and climate change leading to global warming has the worst impact on the climate of the planet as a whole. The key 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.

Green banking is a simple word but its magnitude is significantly wide covering social environment and economical aspects. Green banking is a device that considers social and ecological factors to protect environment and conserve natural resources. If we protect environment, we protect ourselves. Green bankers think to protect environment and conserve power and energy in order to ensure a safer world for the next generation. Green banking is not only a tool to acquire reputation but also ensure social responsibility.

The geographic location of Bangladesh makes it one of the most climate vulnerable regions of the world. 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.

This situation can only be improved through coordinated efforts from the government, private sector, and individuals. And banks and FIs are well positioned to act as catalysts to support and supplement these efforts aimed at a greener environment.

Recently Bangladesh Bank has issued a circular to practice green banking activities in all financial institutions. Welcoming the initiatives, National Housing Finance And Investments Limited (**National Housing**) introduces its “**Green Banking (GB) Policy**” as per Bangladesh Bank guidelines to follow the green banking practices & also ensure social responsibility.

1.2 Scope & Objectives

The Green Banking Policy of National Housing has prepared in light of the “Policy Guidelines for Green Banking” issued by the GB&CSR Department of Bangladesh Bank (GBCSRD Circular No. 4) dated August 11, 2013.

The main objective of this policy is to institutionalize Green Banking across the company by focusing on the following major aspects:

- i) To promote sustainable environment friendly initiatives undertaking through adoption of a set of principles and strict adherence to those principles.
- ii) 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;
- iii) 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;
- iv) 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;
- v) To develop the attitude among the employees to motivate, encourage the stakeholders through initialization of appropriate in-house Environmental Risk Management (ERM) system through introduction of appropriate technology;
- vi) To sponsor awareness programs for environment friendly products/technology through practice of Corporate Social Responsibilities (CSR);

1.3 Other Benefits

In addition to the inherent benefits of better environmental management; new business opportunities; responsible resource consumption & reduced Green House Gas emission and reduce capital expenditure and operational costs, compliance with the Green Banking Policy shall entitle National Housing to the following benefits:

- (i) Bangladesh Bank shall award points on Management component while computing CAMELS rating, which will have a significant impact on the overall rating of each financial institution.
- (ii) Bangladesh Bank shall declare the names of the top ten (10) financial institutions for their overall performance in green banking activities in the Bangladesh Bank website.
- (iii) Bangladesh Bank shall actively consider green banking activities/ practices of any financial institution while according permission for opening new branch of the financial institution.

1.4 Implementation

As per the “Policy Guidelines for Green Banking” issued by the GB&CSR Department of Bangladesh Bank (GBCSRD Circular No. 4) dated August 11, 2013, the implementation of Green Banking activities has to be accomplished under three (3) following phases:

A. Phase I : by June 30, 2014

To develop green banking policies and show general commitment on environment through in-house performance. These activities should be done by June 30, 2014.

B. Phase II : by December 31, 2014

To educate clients and publishing independent Green Banking & Sustainability Report. These issues should be completed by December 31, 2014.

C. Phase III : by June 30, 2015

To design & introduce innovative products and reporting in standard format with external verification. These actions should be accomplished by June 30, 2015.

CHAPTER : 2

PHASE – I

2.1 Policy Formulation and Governance

- A High-Powered Committee comprising of the director(s) from the Board of the Directors of the financial institution will review environmental policies, strategies and programs of the financial institution.
- Considerable fund for implementing & practicing green banking should be allocated in the annual budget of the company. National Housing should also focus on availing relevant refinancing facilities from Bangladesh Bank.
- A separate Green Banking Policy Implementation Unit (GBPIU) has to be established which is to be assigned responsibility for designing, evaluating and administering related Green Banking issues of the financial institution. 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.
- The stakeholders of the company are encouraged to reduce their consumption & wastage of physical resources through formulating effective strategies with the boundaries of the policy.

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

The company should conform 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.

Accordingly appropriate internal policies, due diligence checklists, audit guidelines and reporting formats has been prepared and shall be updated regularly.

2.3 Initiation for 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.
- A “Green Office Guide (GOG)” 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 (already circulated).
- A 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.
- Going forward, we shall focus on the reduction and reuse of materials and equipments as well, where feasible. Facilities such as virtual meetings through video conferencing; server virtualization; state-of-the-art branch connectivity systems; online operational, approval and payment systems, e-statement generation, SMS service & e-mail for employees and clients for reducing paper consumption.
- Procure more environment-friendly technologies aimed at greater work efficiency; reduction of electricity, paper, energy consumption, and reduced capital expenditure in terms of IT infrastructure.

2.4 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 company.
- 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 his/these is/are rewarding to the environment.

2.5 Creation of Climate Risk Fund

- National Housing should addresses environmental issues & assesses environmental risks (high/ moderate/ low) of projects/ businesses of different sectors in different areas and create climate risk fund. The fund to be allocated/ created for “Green Banking” may be used as a part of CSR activities at the time of emergency.
- The target area of “Climate Risk Fund” would be climate-vulnerable areas, namely flood, cyclone and draught prone areas in Bangladesh. Areas also may include, but not be limited to, post-disaster rehabilitation; skills development and alternative livelihood; climate adaptability; climate resilient housing facilities etc.

2.6 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. National Housing should initiates steps that will help building awareness among common people for promoting products/ services which cause least harm to the environment.

Green Marketing may engage the following activities :

- (i) Adding value to the existing product by including environmental features &
- (ii) Using environmental themes and/or causes in marketing and promotional activities.

2.7 Supporting employee training, consumer awareness and green event

Exclusive training programs or other credit related courses for incorporating Green Banking Policy Guidelines as a part of awareness building among the employees to be arranged.

2.8 Disclosure and reporting of green banking activities

- Past performances, current activities and future initiatives relating to green banking should be published and also disclosed on the website of the company.
- As per instruction of Bangladesh Bank, a detailed report on green banking activities should be submitted on quarterly basis within the next 15 days of the respective quarter end.

CHAPTER : 3

PHASE – II

3.1 Sector specific Environmental Policies

Strategies should be formulated to design specific policies for different environmentally sensitive sectors. The environmentally sensitive sectors may be listed as follows:

- Agriculture
- Agri-Business (Poultry & Dairy)
- Agro Farming
- Leather (Tannery)
- Fisheries
- Textile & Apparels
- Renewable Energy
- Construction & Housing
- Rubber & Plastic Industry
- Light Engineering & Basic metal
- Brick Manufacturing
- Sugar & Distilleries
- Ship Breaking
- Pulp & Paper
- Hospital/Clinic
- Chemical Trading
- Chemicals (Fertilizers, Pesticides & Pharmaceuticals) etc.

3.2 Green Strategic Planning

A set of achievable green targets and strategies should be determined through specific planning. These should be disclosed in the annual report and web sites of the company.

IT department will time to time up-date the website of the institution or publish a separate webpage for the purpose of marketing/ advertising green banking products of National Housing.

3.3 Setting up Green Branches

Strive to make both the existing and new branches “Green” by focusing on the two basic Parameters as follows :

- a) Source reduction and waste minimization strategy in terms of resources like electricity, water, paper, energy (petrol / gas / octane / diesel) etc.
- b) Adopting the 3R principle of Reduce, Reuse and Recycle, in terms of both materials and equipments; and

Initiatives in this regard will include, but not be limited to, the following:

- a) Maximum use of sunlight / natural light during day time.
- b) Use of more renewable energy in office premises, such as solar panels etc.
- c) Installation of energy efficient devices, such as energy saving bulbs, air conditioning systems etc.
- d) Installation of spring taps/ sensory taps to reduce water consumption, in both washrooms and dining rooms and
- e) More use of recycled water and paper, where feasible.

3.4 Incorporation of Environmental Risk Management Plan and Guidelines

Environmental Risk Management (ERM) Guidelines, issued by Bangladesh Bank, shall be followed for assessing project/business proposals and monitoring of project(s)/ business(es) & working capital loans until National Housing develops an ERM manual or guidelines of its own. Meantime, ERM Guidelines of 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.

3.5 Initiation of Programs for Educating Clients

Formulate 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.

National Housing may arrange, individually and/or jointly, and sponsor seminars, workshops or events aimed at improving understanding and awareness on Environment & Social issues by clients and other stakeholder groups, and minimizing negative environmental impacts.

CHAPTER : 4

PHASE – III

4.1 Designing and Introducing Innovative Products

Besides mitigating the negative environmental impacts, environment friendly innovative green products should be introduced alongwith the existing products and services. National Housing may design and introduce innovative green products addressing core environmental and climate change issues of Bangladesh. Design of such products shall be done upon consultation with the GB&CSR Department of Bangladesh Bank, and as per international best practices.

4.2 Reporting in Standard Format with External verification

Independent Green Annual Report should be published following internationally accepted format like Global Reporting Initiative (GRI). For external assurance of these publications a third party assurance provider can be appointed subject to consultation with Bangladesh Bank.

CHAPTER : 5

PROVISION FOR AMENDMENT

This “Green Banking Policy” is subject to revision, amendment, change and adoption to be compatible with changing market scenario and business prospects that requires the approval from the Board of Directors.

Any section or sub-section of this policy may be amended with the intention of better service of National Housing Finance And Investments Ltd. with approval of the Board of Directors whenever required. This Green Banking Policy should be put before the Board of Directors for review or renewal whenever required.

THE END
