

A Sustainable Banking Network (SBN)  
Flagship Report  
Addendum to SBN Global Progress Report

October 2019

# Country Progress Report

## Bangladesh



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# 1. Country progress summary – Bangladesh



**SBN Member:** [Bangladesh Bank \(BB\)](#) (member since 2012)

**SBN Working Group:** Measurement Working Group, IDA taskforce, and Green Bond Working Group

**Key policy documents:**

- ❑ Policy Guidelines for Green Banking (Bangladesh Bank, 2011)
- ❑ Guideline on ESRM (Environmental and Social Risk Management) for Banks and Financial Institutions (FIs) in Bangladesh (Bangladesh Bank, 2017)

**Key milestones since 2018 SBN Report:**

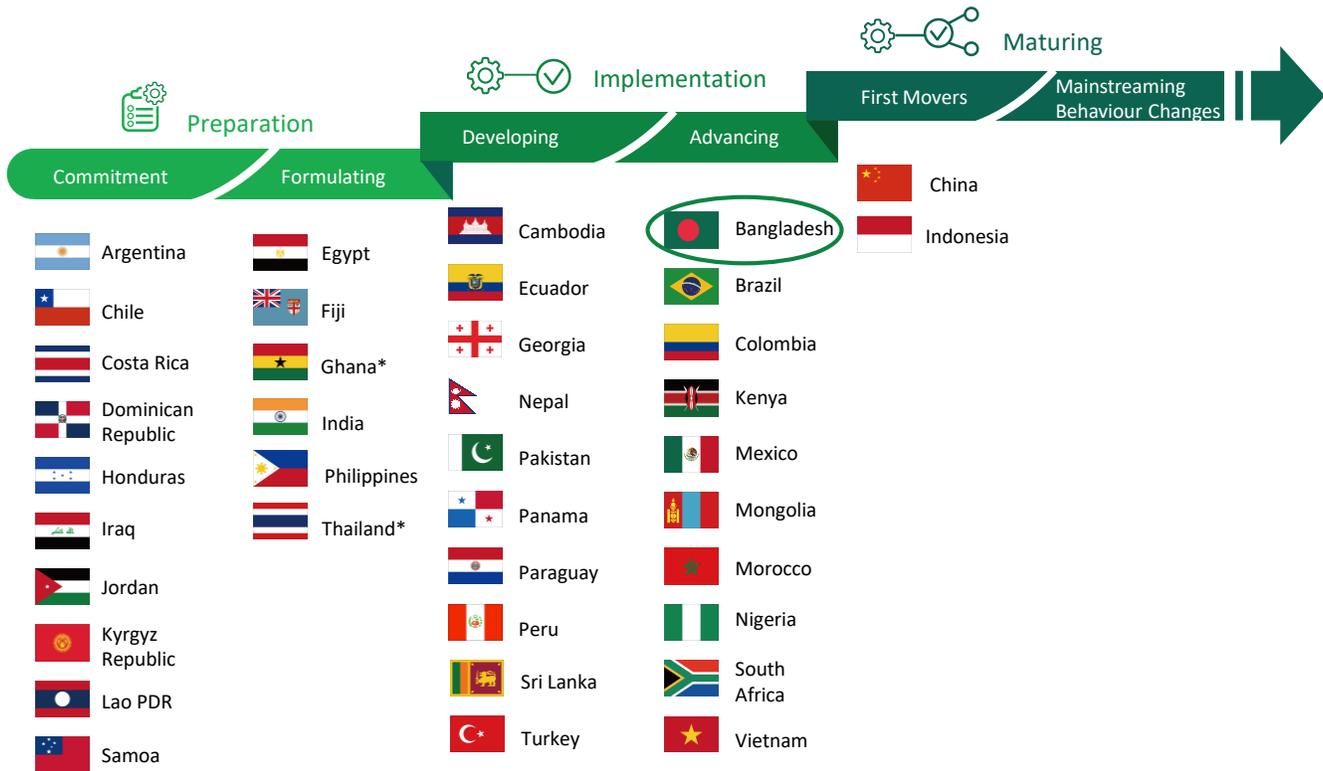
- ❑ Launch of ESDD (Environmental and Social Due Diligence) Risk Assessment Tool (Bangladesh Bank, 2018)
- ❑ Launch of Green Banking Reporting template (Bangladesh Bank, 2018)
- ❑ In 2018, BB made extensive revisions to the green banking reporting template provided to FIs, with the goal of improving sustainability and impact reporting and aligning more closely with international standards.

**Ambitions for next phase:** BB aims to provide guidelines in future on how FIs should report on the environmental benefits of their investments.

**SBN and IFC role:** IFC has provided technical support and advisory services to BB in relation to policy development, implementation, and capacity building. Through SBN, BB has consistently shared its experience with other SBN members and benefited from the collective knowledge base.

**Figure 1: SBN Progression Matrix with Assessment Results<sup>1</sup>**

Assessment based on progress up to and as of June 2019<sup>2</sup>

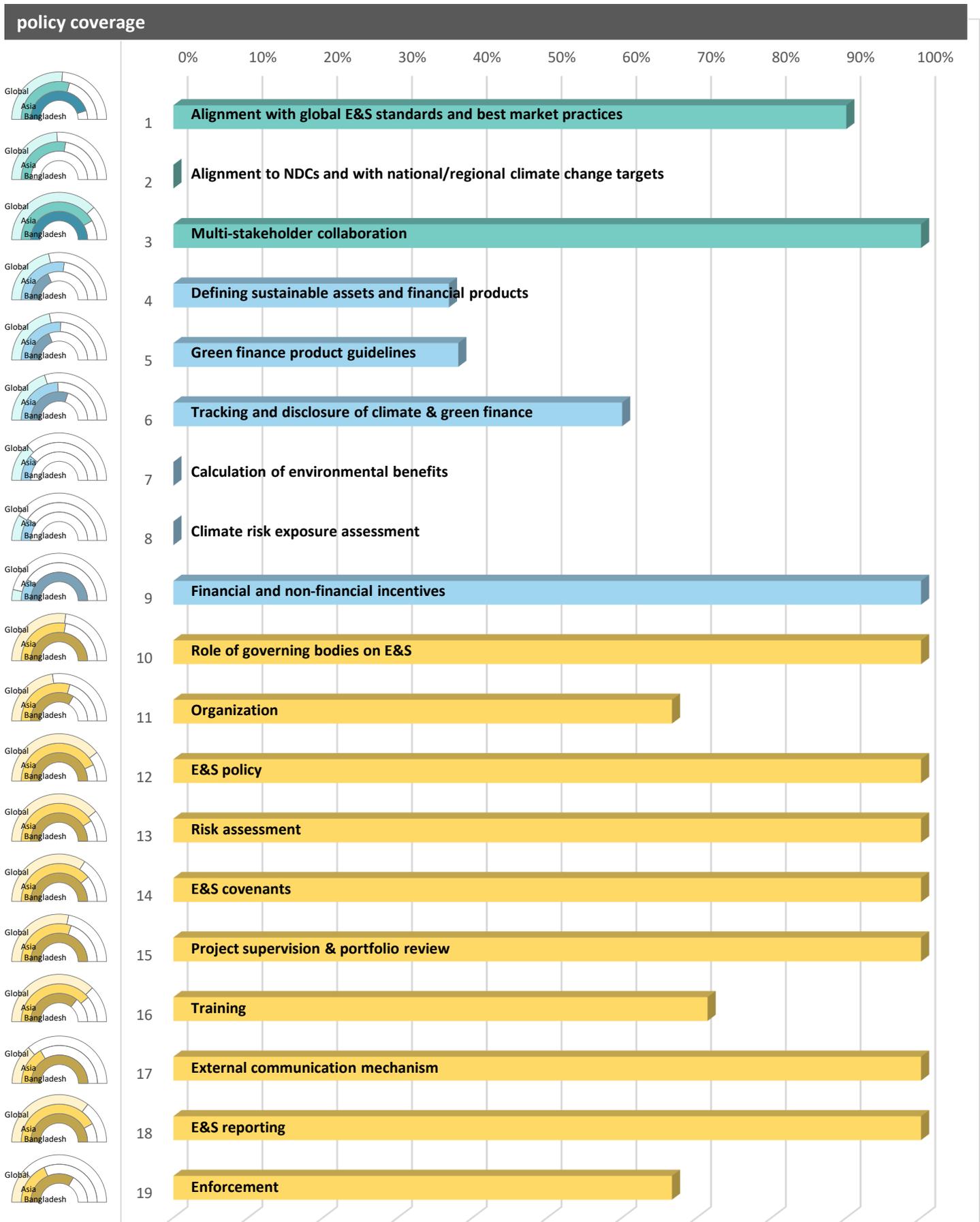


**Note:**

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

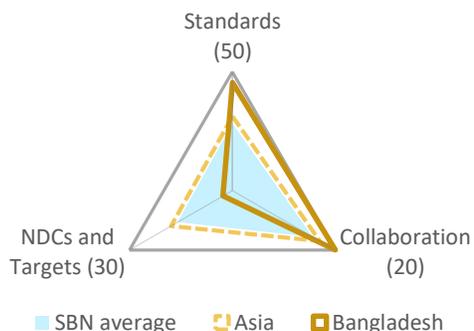
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

## 2. Overview of policy coverage by indicators



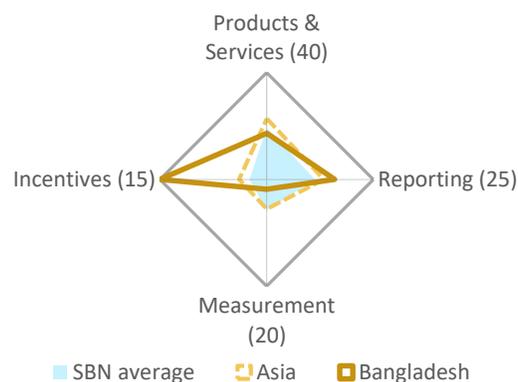
### 3. Policy coverage developed

#### Pillar I: Strategic Alignment



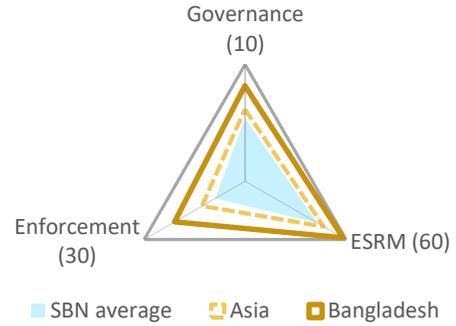
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
<b>Indicator 1</b>	<p>The current framework of guidelines and tools is one of the most comprehensive in the SBN network and is well aligned with global standards.</p> <p>For instance, the Guidelines on Green Banking require banks to publish independent green annual reports in accordance with the Global Reporting Initiative. External verification is also recommended.</p> <p>The Guideline on ESRM recommends adherence to the IFC’s Performance Standards in cases of large project financing.</p>	<p>Policy Guidelines for Green Banking (Bangladesh Bank, 2011) - Page 5 - 3.2.</p> <p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 11 - 5.</p>
Alignment to NDCs and with national/regional climate change targets		
<b>Indicator 2</b>	-	-
Multi-stakeholder collaboration		
<b>Indicator 3</b>	<p>The policy framework was developed in close consultation with FIs. BB also collaborated with a local research institute in the development of its policies.</p>	<p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 3 - Message from Governor</p>

## Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
<b>Products and services</b>		
<b>Indicator 4, 5</b>	The Guidelines on Green Banking direct FIs to create Climate Risk Funds, and, since 2009, BB has provided revolving refinancing schemes largely focused on renewable and clean energy. The Guidelines list and define green products eligible for these schemes.	Policy Guidelines for Green Banking (Bangladesh Bank, 2011) - Page 3 - 1.4.
<b>Climate and green investment reporting</b>		
<b>Indicator 6</b>	A circular from BB requires FIs to submit quarterly information on green finance flows, using a standardized reporting format. In 2014, BB set a target for green finance flows to reach 5% of the total loan disbursement of all FIs. The same circular requires FIs to report on green finance; green marketing; training and capacity development; utilization of climate risk funds; strategic plans and steps for green banking; sector specific green finance policies, and other topics.	GBCSRD Circular No- 04 on Policy Guidelines for Green Banking, dated August 11, 2013 (Bangladesh Bank, 2013)  SFD Circular No. 01/2018 (Bangladesh Bank, 2018)
<b>Measurement</b>		
<b>Indicator 7, 8</b>	The ESDD checklist includes criteria relating to the identification of environmental opportunities, such as greenhouse gas reductions.	-
<b>Incentives</b>		
<b>Indicator 9</b>	BB provides both financial and nonfinancial incentives for green finance: i) BB has refinancing schemes for projects related to energy efficiency, kiln efficiency, and textile and leather production; ii) sustainability performance affects the management component of each banks' supervisory 'CAMELS' rating; iii) BB also monitors FIs' progress towards its 5% target (see above), using a Monitoring & Evaluation tool; and iv) the licensing of new bank branches is fast-tracked for banks that have adopted environmental and social (E&S) risk management best practices.	Policy Guidelines for Green Banking (Bangladesh Bank, 2011) - Page 6 - 5.

# Pillar III: ESG Integration



Indicator	Policy requirement	Reference
<b>Governance of E&amp;S</b>		
<b>Indicator 10, 11</b>	<p>The ESRM Guidelines apply to all bank activities and indicate that senior management must approve and support E&amp;S policies, with the Risk Management Committee of the Board responsible for monitoring ESRM activities.</p> <p>The ESRM Guidelines state that roles and responsibilities must be clearly defined, and they outline which staff should be involved. For example, each Bangladeshi bank is asked to have a Sustainable Finance Unit, headed by the bank’s Credit Risk Management Division/Unit. The Guidelines also provide an example of E&amp;S risk governance.</p>	<p>Policy Guidelines for Green Banking (Bangladesh Bank, 2011) - Page 2 - 1.1.</p> <p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 13 - B.</p> <p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 13 - B.</p>
<b>E&amp;S risk management</b>		
<b>Indicator 12 - 18</b>	<p>The Guidelines on Green Banking require banks to publish independent green annual reports (see Pillar I). Banks must also create strategies for different environmentally sensitive sectors and consider climate risks when assessing a borrower or loan.</p> <p>The ESRM Guidelines provide further details regarding environmentally sensitive sectors, including an exclusion list to be used when starting to apply the ESDD. The ESRM Guidelines are also accompanied by a generic and sector-specific ESDD checklist providing eight typical steps for conducting an appraisal. The same Guidelines advocate building E&amp;S requirements into legal agreements and provide specific definitions and examples of the areas generally addressed by such clauses.</p> <p>The ESRM Guidelines call on banks to categorize transactions using E&amp;S risk ratings generated by the ESDD checklist; to conduct periodic risk reviews, and to introduce corrective action plans and undertake site visits whenever necessary. One step for applying the ESDD is to escalate transactions to the relevant authority, depending on their E&amp;S risk rating.</p>	<p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 7 – 2 &amp; 3</p> <p>ESDD Risk Assessment Tool (Bangladesh Bank, 2018)</p> <p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 18 - G. and page 38</p> <p>Guideline on ESRM for Banks and FIs in Bangladesh (Bangladesh Bank, 2017) - Page 7 - 2. &amp; 3. and Page 18 – H &amp; F.</p>
<b>Enforcement</b>		
<b>Indicator 19</b>	<p>By using the penalties for noncompliance provided for by the Bank Company Act of 1991 and Financial Institutions Act of 1993, BB enforces ESRM as a mandatory requirement.</p> <p>Furthermore, all banks have a Sustainable Finance Unit, with whom BB engages closely.</p>	<p>Policy Guidelines for Green Banking (Bangladesh Bank, 2011) - Page 2 - 1.2.</p>

## 4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
<b>Pillar I: Strategic Alignment</b>	Alignment with global E&S standards and best market practices	10%	➤ Reference to international climate finance reporting standards
	Alignment to NDCs and with national/regional climate change targets	100%	➤ Alignment with national NDCs or other national/regional climate policies ➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	0%	-
<b>Pillar II: Climate and Green Finance</b>	Products & services	63%	➤ Comprehensive taxonomy for green assets ➤ Definition/examples for social/sustainable assets ➤ Guidelines for issuance of green bonds ➤ Reference to existing standards ➤ Recommendation of external party verification
	Climate & green investment reporting	40%	➤ Requirement of report on portfolio climate risk exposure
	Measurement	100%	➤ Requirement to calculate investments' environmental benefits ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, templates to measure/report impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	0%	-
<b>Pillar III: ESG Integration</b>	Governance of E&S	20%	➤ Requirement to define role competencies
	E&S risk management	3%	➤ Training for front officers, second lines of defense, E&S experts
	Enforcement	33%	➤ Sanctions/penalties/warnings for noncompliance

Access the SBN Global Progress Report and Country Reports at:  
[www.ifc.org/SBN2019Report](http://www.ifc.org/SBN2019Report)

