

**DHAKABANK**  
L I M I T E D  
GREEN BANKING UNIT

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L I M I T E D

**GREEN BANKING POLICY  
OF  
DHAKA BANK LIMITED**

## **1.0 Introduction:**

Global warming also called as "Green House Effect" is a global issue that calls for a global response. The warming is the effect of certain man-made gas emissions such as carbon-dioxide, methane, nitrous oxide and hydro-fluro carbon is found responsible for distortion in climate changes. The rapid change in climate will probably be too great to allow many eco systems to suitable adapt, since the changes have direct impact on bio diversity, agriculture, forestry, dry land, water resources and human health. However, there is general lack of adequate awareness on the above issues and hence there is urgent need to promote certain urgent measures for sustainable development and corporate social responsibility.

Green Banking is a component of the global initiative by a group of stakeholders to save environment. Bangladesh is one of the most climate change vulnerable countries. Inline with global development and response to the environmental degradation, financial sector in Bangladesh should play an important role as one of the key stakeholders.

### **Bangladesh Bank's Initiatives:**

Bangladesh Bank is well aware of the environmental degradation situation as mentioned and has already given time to time directions to all schedule banks. Commercial banks are now required to ensure necessary measures to protect environmental pollution while financing a new project or providing working capital to the existing enterprises.

## **2.0 Green Banking:**

Climate change is the most complicated issue the world is facing. Across the globe there have been continuous endeavors to measure and mitigate the risk of climate change caused by human activity. Many countries the world over have made commitments necessary to mitigate climate change. As socially responsible corporate citizen, Bangladeshi banks have a major role and responsibility to support and supplement the government effort towards substantial reduction in carbon emission.

Normally we can consider the banks as environment friendly with their operational activities but it is important that the environment can be effected greatly by the activities of their customers. The banking sector is one of the major sources of financing industrial projects such as Steel, Paper, Cement Chemicals Fertilizer, Power, Textiles etc., which cause maximum carbon emission. Therefore, the banking sector can play intermediary role between economic development and environment protection, for promoting environmentally sustainable and social 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, bank should finance green technology and pollution reducing projects. Internally the banking operations have considerably increased the

carbon footprint of banks due to their massive use of energy e.g. lighting, air conditioning, electronic / electrical equipments, IT, high paper wastage, lack of green buildings etc. Therefore, to adopting green banking, bank should adopt technology, process, and products which result in substantial reduction of their carbon footprint as well as develop sustainable business.

### **3.0 Importance of Green Banking:**

Green banking is very important in mitigating the following risk involving the banking sector:

#### **3.1 Credit Risk:**

Due to climate change and global warming, there have been direct as well as indirect costs to banks. It has been observed that due to global warming, there have been extreme weather conditions which affect the economic assets financed by the banks, thus leading to high incidence of credit default. Credit risk can also arise indirectly when banks lead to companies whose business is adversely affected due to changes in environmental regulation.

#### **3.2 Legal Risk:**

Banks, like other business entities, face legal risk if they do not comply with relevant environmental regulation. They may also face risk of direct lender liability for cleanup costs or claims for damages in case they actually take possession of polluted causing assets.

#### **3.3 Reputation Risk:**

Reputation and image are very important for the bank. It is important to demonstrate that the bank acts responsibly at all the times and this is particularly important when providing finance for major business activities. Not considering environmental impacts arising from a borrower's operations can result in negative publicity for both the borrower and the Bank. Reputation risk is present in financing transactions particularly where the bank considering a large exposure. The bank's reputation can be damaged if there is a failure of the business due to environmental reasons.

#### **3.4 Security Risk:**

Bank might be exposed due to poor quality of the security / collateral e.g. contaminated land or disposal of hazardous chemicals, in case of default. This is a direct risk.

### **4.0 Green Banking Strategies:**

Dhaka Bank Ltd. adopts the green banking business model for sustainable banking by launching the following strategies:

- a) **Carbon Credit Business:** Clean Development Mechanism (CDM) provides for co-operation between developed and developing countries. The operational mechanism of CDM's involves an investment by a legal entity from a developed country to developing country, which results in emission reduction. These emission reductions have to be certified by an appropriate authority and these Certified Emission Reductions (CERs) which are commonly known as Carbon Credits. The banks can involve themselves in



b) **Green Banking Financial Products:** Dhaka Bank Ltd. will develop innovative green banking financial products which can directly or indirectly contribute to the carbon emissions. Dhaka Bank will introduce "Green Fund" to provide finance climate conscious customers the option of investing in environmental friendly projects. Besides introducing specific green banking products bank will incorporate an Environmental Impact Assessment (EIA) in the project appraisal while financing any project to measure the nature and magnitude of environmental risk mitigation measures.

c) **Green Mortgages:** Dhaka Bank Ltd. will offer special discount to the borrower who will provide mortgage of land and buildings which are greener. This initiative will induce use of more energy-efficient materials and building plans.

Bank will not allow the land as mortgage that is prone to environmental impacts by virtue of its geographical location and polluted by the operation business activities. The building plans with energy efficient items such as solar panels and improved insulation.

d) **Carbon Footprint Reduction:** Carbon foot-print is a measure of the impact of our activities on the environment. It relates to the amount of GHG we are producing in day-to-day business while burning fossil fuels for electricity, heating, transportation etc. Dhaka bank will take the following measures to reduce the carbon footprint:

- 1) **Paperless Banking:** As the bank is computerized with all branches, there is ample scope for doing paperless or less-paper banking. Normally banks use huge quantity of papers for office correspondence, recording public transactions and reporting, etc. Dhaka bank will switch over to electronic correspondence and reporting more effectively and the customer would be encouraged and popularize e-statements.
- 2) **Energy Consciousness:** Developing energy – consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Dhaka bank has also adopted the policy to use their branches the energy savings lights, to use renewable energy such as solar panels and time management in all their branches.
- 3) **Using Mass Transportation System:** Bank will take the policy for mass transportation for staffs working in one place.
- 4) **Green Building:** Dhaka Bank gradually will build their office building as per the code of green building to reduce their carbon footprint as well as to save the cost.

e) **Social Responsibility Services:** As part of the green banking strategies, Dhaka Bank has initiated a number of social responsibility services like tree plantation campaign, park development, pollution checkup camps etc. As a token of the initiatives Dhaka Bank Ltd. has already been developed a green square in front of the High Court named "Kadam Fountain" and another small park in front of the Dhaka Bank head office. Dhaka Bank also decorated the road island from Central Idgah to Kakrail Mosque with plantation of tree and flower plant as part of the Government beatification program.

**5.0 Salient Feature of the Policy:**

The following salient features of the Green Banking Policy are outlined:

- (1) As a responsible private sector financial institution of the country Dhaka Bank Ltd. will play a crucial role in addressing the issue and in all activities like financing and social responsibility and CSR activities.
- (2) In consideration of the financing of new project Dhaka Bank, Credit Division will take care of the following points:
  - i. any operation of the project will not cause carbon emission and if so, what are the remedies have been taken for reduction of it;
  - ii. finance to ETP (effluent treatment plant) project would be encouraged;
  - iii. projects those are environment friendly would be given preference; and
  - iv. credit risk assessment will include environmental risk in considering the financing.
- (3) Dhaka Bank will also consider environment friendly aspect of a project at the time renewal.
- (4) Dhaka Bank Ltd. Will not finance any Brick Field without having environment friendly kiln for firing bricks.
- (5) Agriculture is the thrust sector for Green Banking financing. From the very beginning Dhaka Bank has been financing agriculture sector. Bangladesh Bank has fixed a target of Tk.128 crore to finance in the sector for Dhaka Bank in the FY 2011-12. Special Credit Unit, Dhaka Bank has taken very intensive program to full fill the target.
- (6) To consider finance to any renewable energy plant (solar panel, wind mill etc.), bio-gas plant, organic fertilizer plant etc. as priority sector;
- (7) Paperless banking through using modern computer software, effective e-mail service for official correspondence. Dhaka Bank has already been using a robust core banking software and e-mail for intra bank official correspondence and with the other organization those have same connectivity.
- (8) Dhaka Bank also has taken initiative for use of energy savings light and rational use of air conditioner in its all offices for reducing electricity consumption.
- (9) Dhaka Bank also thinking to install solar panel in their rural branches as a source of electricity.
- (10) Dhaka bank also thinking to take coverage of Green Travel Insurance for the carbon emission caused by it.

**6.0 Conclusion:**

Green banks and environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business. Dhaka Bank will always take necessary initiative to be a green bank and will discharge its responsibility towards environment.