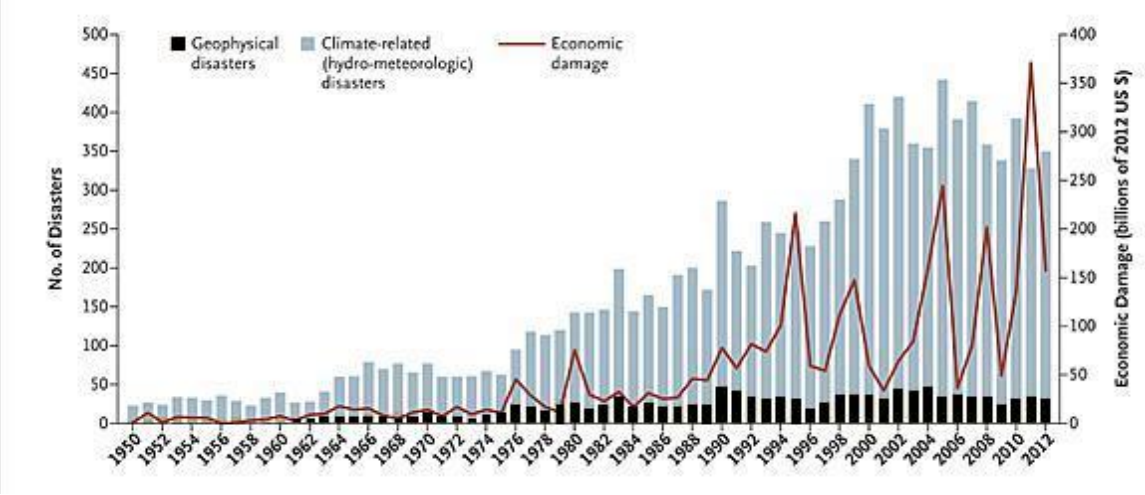
Green Banking: An Approach for Sustainable Banking
2015 Performance

The worldwide incidences of climate-related (hydro-meteorological) natural disasters have increased many folds, especially since the 1970's. It is attributed to the environmental degradation and recognized worldwide as the most critical challenges ever faced, which is mainly due to the increasing Green House Gases (GHGs) emissions in the atmosphere day by day. There were three times as many natural disasters from 2000 through 2009 as there were from 1980 through 1989. A vast majority (80%) of this growth is due to climate-related events.

Since 1990, natural disasters have affected about 217 million people every year. As a result, the amount of biotic and economic damage has been seen a steady upturn[1,2] as depicted in the following graph.



Major responsible GHGs are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulfur hexafluoride (SF_6), per fluorocarbons (PFCs) and hydro fluorocarbons (HFCs).

To tackle the climate change, United Nations Framework Convention on Climate Change (UNFCCC), a framework for intergovernmental efforts, has been working with the aim to stabilize greenhouse gases concentrations "at a level that would prevent dangerous anthropogenic interference with the climate system"

The World Meteorological Organization- Global Atmosphere Watch (WMO- GAW) Program annual Greenhouse Gas Bulletin 2015 shows that between 1990 and 2014 there was a 36% increase in radioactive forcing – the warming effect on our climate – because of CO_2, CH_4 and N_2O, the major heat-trapping long-lived gases. These three gases alone contribute about 88% of the increase in radioactive forcing of the atmosphere since the beginning of the industrial age (since 1750)[3]. Contribution of CO_2, mainly from fossil fuel-related emissions is maximum, accounted for 83% of this increase[4].

"We can't see CO_2. It is an invisible threat, but a very real one. It means hotter global temperatures, more extreme weather events like heatwaves and floods, melting ice, rising sea levels and increased acidity of the oceans. This is happening now and we are moving into uncharted territory at a frightening speed," said WMO Secretary-General, Michel Jarraud.

On the above backdrop, banks with a view to playing their role as part of the global communities need to run their activities in environmentally and socially responsible manner which is called Green Banking. It is a process exercised by the banks in order to reduce carbon footprint through their activities and make the earth environmentally genial and safe for habitation of the species on it. A Green Bank considers all the social and environmental/ecological factors in its banking operations with an aim to protect the environment and conserve natural resources.

Green Banking activities involve a wide variety of activities, which warrant the firm pledge of the workforce of an organization to carry out every activity taking the environment and society into account.

With an attempt to reduce carbon footprint from the banking activities and that of clients, IBBL undertakes the following initiatives:

Areas of Green Banking

1. **General banking**
   The Bank uses the state-of-the art technology to provide various banking services on E-commerce platform. These products are like i-Banking, Phone banking, Visa Debit Card, Khidma Credit Card, mCash, Call centre and so on (detailed report in this regard may be referred to ICTW report). These help reduce carbon footprint from clients' physical movement to and from the branch offices, save paper uses and plants that absorb carbon from the atmosphere.
2. **Green investment**
   Green Investment implies investment to the economic activities that helps recover the environmental degradations, prevent deterioration of the environment and are not harmful to the environment. Green Investment includes both Direct and Indirect Green Investment.

   2(i) **Direct green investment:** Investment to the businesses to procure/purchase/set up Green Products, establish Green Industry and transform existing traditional ones to environment friendly ones.

   2(ii)**Indirect green investment:** Working capital investment to environment friendly plants/ industry/products to carry out their businesses.

   The total disbursement in green investment in 2015 and 2014 were respectively Tk. 78,000.09 million and Tk. 54,751.12 million, i.e. 42.46% growth in 2015. The following chart presents a brief disbursement scenario of green investments of the Bank for the year 2014 and 2015:

The chart presents that in respect of Indirect Green Investment, the growth of 2015 was 47.49% whereas Direct Green Investment had negative growth.

3. Environmental risk management (ERM)

The Bank in its business decision considers Environmental Risk Management alongside the Investment Risk Management system and carries Environmental Risk Rating (EnvRR) of the investment proposals within the following applicable investment limits/thresholds:

- For Small and Medium Enterprises (SMEs), financing > BDT 2.5 million
- For Corporate, financing > BDT10 million and
- For real estate financing > BDT10 million.

In 2015, 2286 number of investment projects were rated out of 2628 applicable investments where as in 2014, 2031 number of investment projects were rated out of 2757 applicable investments.

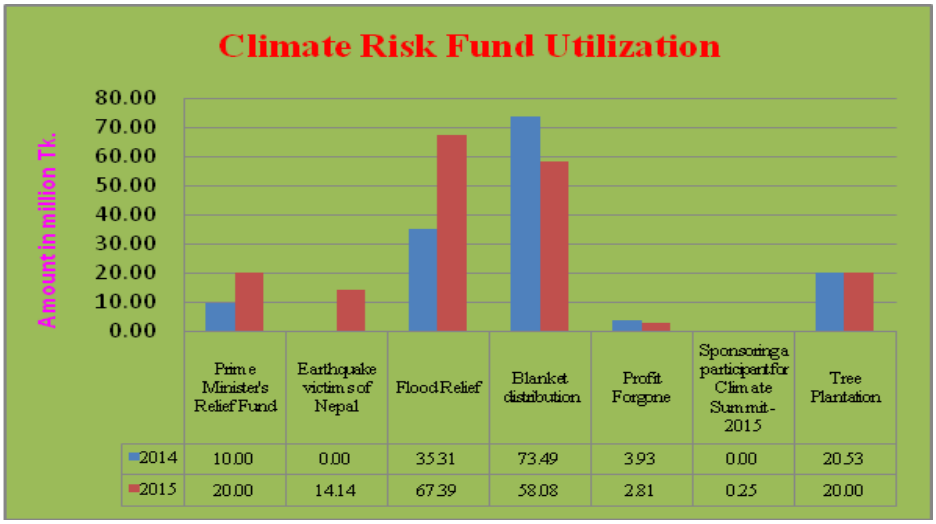
4. Climate risk fund (CRF)

CRF as a part of CSR is used under Environment Friendly Banking for the activities related to prevention of environmental pollution and degradation, mitigation and adaptation of climate change issues, reduction of carbon emission rate, disaster management (prevention & rehabilitation) etc.

The fund is also used as donation as well as investment at reduced rate of return (Rate of return is less than the weighted average cost of fund) for the climate change vulnerable people.

The total CRF utilization of 2015 and 2014 were Tk. 182.67 million and Tk. 122.57 million respectively, i.e. 49.03% growth in 2015. The percentage of CRF in 2015 in relation to the total CSR activities was 31.65% much more above the regulatory requirement (10.0%).

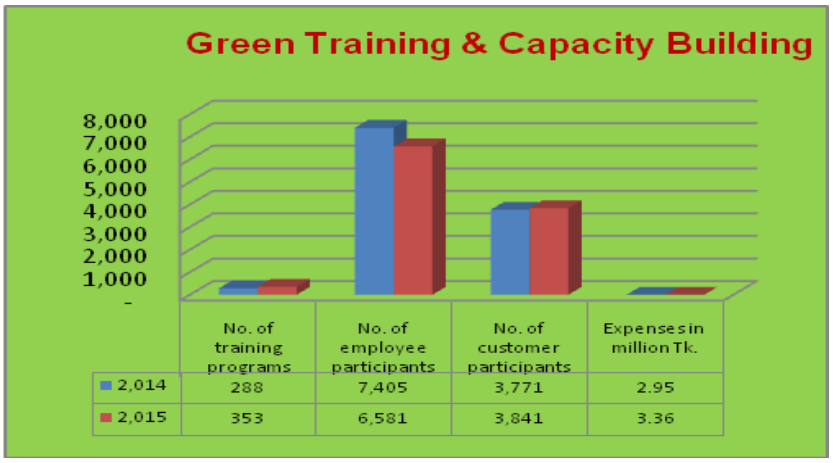
The following chart presents a brief scenario of uses of climate risk fund for the year 2014 and 2015:



The chart shows that the Bank increased its Climate related CSR activities in 2015 in relation to the year 2014. It is to be noted that the Bank sponsored Tk. 0.25 million for a Bangladeshi Reporter who participated in the World Climate Summit-2015 in Paris.

5. Green training, capacity building and awareness development

Green banking training and capacity building for the employees in the form of (a) Green Events like seminars, symposiums, discussion meetings etc. are arranged by all the operational units and (b) Academic training and workshops on green banking, environmental & social risk management were arranged by IBTRA and HRD.



The following chart presents a brief scenario of green banking training and capacity building for the year 2014 and 2015. In 2015, the Bank increased its green training and capacity building activities in relation to 2014.

6. Green marketing and awareness development

For the marketing of the Bank's green products and awareness development of the clients and public on environmental issues, the following steps were undertaken:

- Motivation: Clients were motivated for making their products, productions & packaging process environment friendly.
- Advertisements: Advertisements were given in both print and electronic media on green banking products/issues.
- Publications: The Bank published various publications exclusively on green banking products and issues.
- Public Events: The Bank arranged events publicly on green banking.

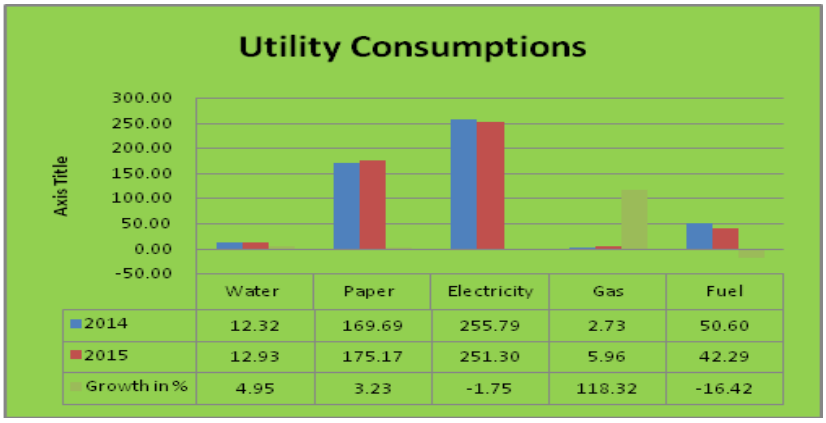
The chart shows the Bank's vigorous efforts for green marketing and awareness development programs and relevant expenses. The growth in 2015 of Green marketing and awareness development programs was 98.22% over 2014.

7. In-house environmental management

The Bank manages its in-house activities in environment friendly ways to reduce its own carbon footprint by exercising the direction of the Holy Qur'an "And do not spend wastefully. Do not be a spendthrift because the spendthrifts are the brethren of Satan and Satan has been ungrateful to his Lord." Surah Bani Israil-26-27. Different areas of in-house environment management are given below:

A. Utility consumptions

Responsible usage of utilities is a primary commitment of the Bank. The following chart presents a brief scenario of utility consumptions of the Bank for the year 2014 & 2015. Electricity and fuel consumptions had negative growth, i.e. despite the growth of establishments and business volume; the workforce used them very responsibly. Other cases, due to the growth of offices and business, had positive growth.



	Water	Paper	Electricity	Gas	Fuel
2014	12.32	169.69	255.79	2.73	50.60
2015	12.93	175.17	251.30	5.96	42.29
Growth in %	4.95	3.23	-1.75	118.32	-16.42

B. Waste management

The Bank emphasizes in waste minimization of its resources and centrally collects its e-wastes and other solid wastes from every operational unit and disposes centrally through tender auction that are environmentally friendly and safe. In 2015, the Bank earned Tk.2.40 million from sale of its e-wastes.

C. Renewable energy

The Bank has strong commitment to use renewable energy resources in its operations and as such installed solar panels at Head Office and 34 branches.

D. Green travel

IBBL always encourages its employees to undertake Green travel for personal as well as business travel and has the arrangements of hybrid autos and car pooling system.

E. Ethical banking

The Bank aims to run in such a way that does not have any negative impact on either society or the environment. The principles of the Bank based on Islamic Shari'ah have a direct impact on how it invests and utilizes its resources. It does not finance enterprises that deal in morally questionable businesses.

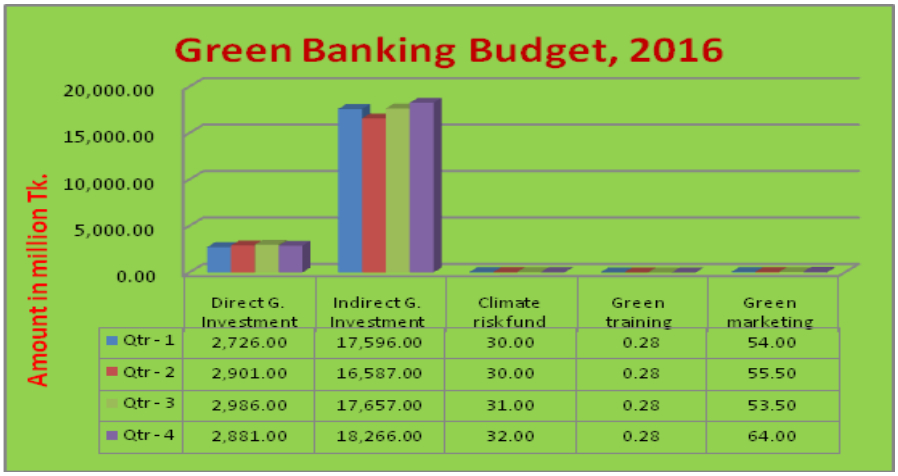
The Bank attempts to maximize social welfare, reduce any type of environmental degradation and hazards through its operational activities and protect the nature. Moreover, the Bank's core principle is the protection of resources for the future generation.

8. Green targets, strategic plan and budget

The Green banking requires annual targets, strategic plan and budget at the relevant activities duly approved by the competent authority.

a. Targets : Each year the Bank is required to determine a set of yearly green targets.
b. Strategic plan :It includes required means of materializing the actions, supervision, monitoring, evaluating the achievement, training/ awareness development (with numbers and nature) and promotion programs.
c. Budget : Necessary budget for pursuing the strategic plan and the targets is also drawn.

The green banking budget for the year 2016 covering the related areas of green banking activities of the Bank is presented in the chart.



	Direct G. Investment	Indirect G. Investment	Climate riskfund	Green training	Green marketing
Qtr - 1	2,726.00	17,596.00	30.00	0.28	54.00
Qtr - 2	2,901.00	16,587.00	30.00	0.28	55.50
Qtr - 3	2,986.00	17,657.00	31.00	0.28	53.50
Qtr - 4	2,881.00	18,266.00	32.00	0.28	64.00

The quarterly segmented budgets of various areas of green banking show that Indirect Green Investments have the largest budget followed by Direct Green Investment. The Green Training has the smallest allocation, i.e. only Tk. 1.12 million.

Priorities for 2016

The Bank will pursue all the relevant areas of green banking with the special focus on the following areas of Green Initiatives in 2016:

- 5.0% of total disbursed funded investments in Direct Green Investments.
- Expansion of i-Banking and ADC products coverage.
- Use of Video Conferencing instead of physical movement.
- Lesser paper use and use of on net communication.
- E-tendering and E-recruitment.
- Careful use of paper, water, electricity, gas and other materials to reduce own carbon footprint as well as cost.

The bank believes that Green Banking or Environment friendly banking assures sustainable growth of the institutions and the country. The Bank by its morale exercises the environment friendly banking from its very inception. Nowadays it gained a new shape of budget, target and disclosure based on national and international demand. We are to go to the optimum level in the formal manner. The green banking concepts and its practices are to be internalized by the all workforce.

Ref:

1. http://www.accuweather.com/en/weather-blogs/climatechange/steady-increase-in-climate-rel/19974069
2. http://www.nejm.org/doi/full/10.1056/NEJMra1109877?query=featured_home
3. https://www.wmo.int/pages/prog/arep/gaw/ghg/GHGbulletin.html,
4. http://library.wmo.int/pmb_ged/ghg-bulletin_11_en.pdf