

# GREEN BANKING POLICY



**INDUSTRIAL & INFRASTRUCTURE DEVELOPMENT  
FINANCE COMPANY (IIDFC) LIMITED**

## **1.0 Introduction**

Sustainable development denotes “the development that does not reduce the possibilities and choices for the future generations, at the same time ensuring continuity of economic progress for the present generation”. It requires that decisions taken today do not compromise options for the future - this issue is central to any serious commitment to sustainability. It also involves balancing economic interests with the communities’ social aspirations and minimizing environmental impacts. Sustainable development transcends matters of ethics, corporate social responsibility and the environment although they are all related. For business as a whole, how these factors are linked differs according to sectors, regulatory regimes, and how the policies relating to these areas are implemented.

To ensure sustainable development while not compromising with climate change, the governments, policy makers, environmentalists and researchers, based on prolonged research and discussions, are devising time befitting policies and are seeking global cooperation. One of the outcomes of these research and discussions is the socially and environmentally acceptable banking, i.e., green banking. While we note that the activities of the financial institutions produce very little carbon emission but adopting a green banking policy and maintaining it will help reduce environmental pollution by financing the greener projects and creating awareness about the importance of it.

## **2.0 Sustainable and Green Banking**

The process of sustainable development involves all sectors of the economy including the financial sector. Although financial institutions as such do not impact the environment much through their own ‘internal’ operations, the external’ impact on the environment through users of the financial products is substantial. Taking all these matters into consideration, Bangladesh Bank has issued guidelines for all the Banks & NBFIs to formulate and maintain a green banking policy. IIDFC, as one of the leading NBFIs of Bangladesh, has already been involved in financing green projects and will further emphasize on promoting and financing green projects.



### **3.0 Objective:**

The main objective/purpose of this policy will be to finance projects, which pose no or little threat to the environment compared to the baseline practice, and to reduce carbon footprint produced as an outcome of the operational activities of the organization.

### **4.0 Green Banking Strategies**

IIDFCL has already adopted the green banking strategies as outlined below:

#### **4.1 CDM projects**

IIDFC has introduced the Hybrid Hoffman Kiln (HHK) technology, which is approximately 50% more energy efficient compared to the traditional Fixed Chimney Kiln (FCK) and as such, approximately 50% less polluting, in the highly carbon emitting brick making sector. Under the clean development mechanism projects titled “Improving Kiln Efficiency in the Brick making Industry in Bangladesh (bundle-1 & bundle-2)”, IIDFC has been implementing 16 environment friendly HHK brick kilns to reduce an estimated 80,000 ton of CO<sub>2</sub> per annum. Environmental and Social safeguard measures, for example, safety gears, sanitation facilities etcetera, which are non-existent in the FCKs, have also been incorporated in these brick kilns.

Out of these 16 HHKs, IIDFC has financed several HHKs, which are first of its kind in the country. This has encouraged different banks and financial institutions to finance HHK brick projects.

IIDFC has also signed an Emission Reduction Purchase Agreement (ERPA) with the World Bank and the Danish Ministry of Energy and Climate Change to sell the emission reduction achieved from these 16 brick kilns.

Considering the number of FCKs and very high level of CO<sub>2</sub> emission from these kilns, IIDFC will increase its exposure in the financing of energy efficient brick kilns, i.e., HHK and Tunnel Kilns, under its green banking activities.



#### **4.2 Industrial Energy Efficiency**

IIDFC, under a Technical Assistance (TA) Advance from the Asian Development Bank has engaged a consulting firm to identify and scope of and measures for reducing energy consumption in 120 industries of six target sectors, i.e., steel, ceramics, textile, chemicals, glass and agro-based industries. These energy efficiency measures will be financed by IIDFC for which a US\$ 6.00 million term loan facility agreement has already signed between IIDFC and ADB. Once these projects are implemented, it is expected that the energy consumption and associated greenhouse gas emission will be significantly reduced and business competitiveness will be increased.

#### **4.3 Renewable Energy**

IIDFC has started focusing on financing different renewable energy projects, especially in SME Sector and have sanctioned funds for installation of Solar Home System (SHS), Solar Roof Top system, installation of Solar Irrigation Pump as well as import and marketing of various Solar Power Products.

#### **4.4 Incorporation of Environmental Risk in CRM**

IIDFC has taken measures to incorporate environmental risk while financing an eligible project. Environmental Due Diligence is conducted before financing a project with the risk rating. This has been included in the credit risk management. All these procedures are carried out in compliance with the Bangladesh Bank's Environmental Risk Management guidelines. This will help mainstream environmental risks, such as land use, climate change related events (e.g. cyclone), solid waste discharge, waste water discharge, hazardous material disposal etc, which will be reviewed under the environmental due diligence checklist.

#### **4.5 In-House Carbon Footprint Reduction**

The In-House Carbon Footprint Reduction activities of IIDFC will stand on the following measures:

**1. Paperless/less-paper banking:**

Paperless banking is practically impossible to implement; however, less-paper banking is certainly possible. IIDFC, in line with that, has significantly reduced the use of paper by using electronic mail for correspondence with clients and by using IP message system to transfer documents/data of any size/volume for management or peer review.

**2. Efficient use of energy:**

IIDFC will gradually implement the following measures to ensure efficient use of energy:

**i. Turning off computer monitor:**

Employees of IIDFC will be encouraged to turn off their computer monitors, if they are away from their desks for more than 30 minutes.

**ii. Switching off office equipments/appliances:**

All office equipments/appliances, which consume energy, will remain switched off after the office hours and on during weekends and holidays.

**iii. Thinking before taking print-outs:**

Employees of IIDFC will be suggested to rethink before taking print-outs whether printing is actually needed or can be avoided.

**iv. Using energy efficient compliances:**

IIDFC has already switched to compact fluorescent lights (CFL) to reduce energy consumption and will look into other areas where energy savings can be achieved.

#### **4.6 Corporate Social Responsibility**

IIDFC has laid down policy of corporate social responsibility and would regularly take part in different social activities as a responsible organization of the country.



### **5.0 Salient Features of the policy:**

The salient features of the Green Banking Policy are as follows:

1. While financing a project, IIDFC will conduct environment risk management due diligence;
2. IIDFC will further encourage environment friendly brick kilns and similar other projects i.e. HHK and Tunnel Kilns.
3. IIDFC will promote Industrial Energy Efficiency Financing and a beginning has already been made in this direction.
4. IIDFC will consider financing feasible renewable energy projects;
5. IIDFC will continue using its resources efficiently to reduce its own carbon footprint.

### **6.0 Conclusion:**

As a financial intermediary, financial institutions hold a unique position in an economic system. This unique position provides them with leverage for addressing environmental challenges while financing different projects. As a socially responsible financial institution, IIDFC will take necessary initiatives to encourage green financing and to reduce its own carbon footprint.

