বাংলাদেশ কৃষি ব্যাংক
প্রধান কার্যালয়
৮৩-৮৫, মতিঝিল বা/এ, ঢাকা-১০০০।
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নং-প্রকা/ক্রেবি(শাখা-৩)প্রক্রেবি-৩(৭৯)/২০২৩-২০২৪/ ১০১৫(১২০০) তারিখঃ ০২/১১/২০২৩

বিষয়ঃ <u>Sustainable Finance Policy প্রসঙ্গে।</u>

উপর্যুক্ত বিষয়ে বাংলাদেশ ব্যাংক কর্তৃক জারিকৃত এসএফডি সার্কুলার নং-০৩, তারিখঃ ২২ অক্টোবর ২০২৩ এর প্রতি সদয় দৃষ্টি আকর্ষণ করা যাচ্ছে।

০২। আর্থিক খাতে আন্তর্জাতিক স্ট্যান্ডার্ড নির্ধারণকারী সংস্থাসমূহের কার্যক্রমের ফলে পরিবেশবান্ধব ব্যাংকিং, জলবায়ু অর্থায়ন, কার্বন ফাইন্যান্স, গ্রিনবন্ড ও টেকসই অর্থায়ন এবং CSR-এর প্রভাব পর্যালোচনা ও নীতি পরামর্শ প্রণয়ন; বাংলাদেশ সরকারের ঘোষিত বিভিন্ন কর্মপরিকল্পনা যেমন- Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy, অষ্টম পঞ্চবার্ষিকী পরিকল্পনা, Intended Nationally Determined Contributions (INDCS), Bangladesh Delta Plan 2100, এবং Sustainable Development Goals প্রভৃতি বাস্তবায়নের আবশ্যকতা বিবেচনায় নিয়ে বৃহৎ পরিসরে ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের জন্য প্রণীত "Sustainable Finance Policy" জারি করা হয়।

০৩। আলোচ্য পলিসিকে আরও যুগোপযোগী করার লক্ষ্যে gender aspect অন্তর্ভুক্তকরণ, বিদ্যমান List of Green Products/Projects/Initiatives-কে পরিবর্ধন/পরিমার্জন, পরিবেশ সংরক্ষণ বিধিমালা ২০২৩, "Mujib Climate Prosperity Plan 2021-2041", National Adaptation Plan সহ সংশ্লিষ্ট বিষয়সমূহকে বিবেচনায় নিয়ে পরিবেশবান্ধব ব্যাংকিং ও জলবায়ু অর্থায়ন সম্পর্কিত বিষয়সমূহ অন্তর্ভুক্ত করে এ সার্কুলার জারি করা হলো যা এসএফডি সার্কুলার নং- ০৫/২০২০, তারিখ: ৩০ ডিসেম্বর ২০২০ এর স্থলে প্রতিস্থাপিত হবে।

০৪। এ সার্কুলারের সাথে সংযোজনী (Sustainable Finance Policy) সার্কুলারের অবিচ্ছেদ্য অংশ মর্মে গণ্য হবে।

০৫। এমতাবস্থায়, বাংলাদেশ ব্যাংক কর্তৃক জারিকৃত এসএফডি সার্কুলার নং-০৩, তারিখঃ ২২ অক্টোবর ২০২৩ অপর পৃষ্ঠায় হুবহু মুদ্রণ করা হলো। উক্ত সার্কুলারের নির্দেশনা যথাযথভাবে অনুসরণের জন্য সংশ্লিষ্টদের অনুরোধ করা হলো।

আপনার বিশ্বস্ত,

০২/১১/২০২৩

সংযুক্তিঃ বর্ণনামতে।

(আনন্দ মোহন গোপ)
উপমহাব্যবস্থাপক
ফোনঃ ০২২২৩৩-৮৮৯৪৯
ই-মেইল: dgmpid@krishibank.org.bd

বিতরণঃ

০১। মহাব্যবস্থাপক, বিভাগীয় কার্যালয়সমূহ/স্থানীয় মুখ্য কার্যালয়, ঢাকা।
০২। উপমহাব্যবস্থাপক, কর্পোরেট শাখাসমূহ।
০৩। সকল মুখ্য আঞ্চলিক/আঞ্চলিক ব্যবস্থাপক।
০৪। সকল শাখা ব্যবস্থাপক (মুখ্য আঞ্চলিক/আঞ্চলিক ব্যবস্থাপকের মাধ্যমে), বাংলাদেশ কৃষি ব্যাংক।

চলমান পাতা-০২

বিষয়ঃ Sustainable Finance Policy প্রসঙ্গে।

নং-প্রকা/ক্রেবি(শাখা-৩)প্রক্রেবি-৩(৭৯)/২০২৩-২০২৪/ তারিখঃ ঐ

সদয় অবগতি ও প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য অনুলিপিঃ

০১। চীফ স্টাফ অফিসার, ব্যবস্থাপনা পরিচালক মহোদয়ের সচিবালয়, বাংলাদেশ কৃষি ব্যাংক, প্রধান কার্যালয়, ঢাকা।

০২। স্টাফ অফিসার, উপব্যবস্থাপনা পরিচালক মহোদয়গণের সচিবালয়, বাংলাদেশ কৃষি ব্যাংক, প্রধান কার্যালয়, ঢাকা।

০৩। স্টাফ অফিসার, মহাব্যবস্থাপক মহোদয়ের দপ্তর, বাংলাদেশ কৃষি ব্যাংক, প্রধান কার্যালয়/স্টাফ কলেজ, ঢাকা।

০৪। স্টাফ অফিসার, মহাব্যবস্থাপক মহোদয়ের দপ্তর, সকল বিভাগীয় কার্যালয়, বাংলাদেশ কৃষি ব্যাংক।

০৫। সকল উপমহাব্যবস্থাপক, বিভাগীয় প্রধান, বাংলাদেশ কৃষি ব্যাংক, প্রধান কার্যালয়, ঢাকা। আইসিটি সিস্টেমস, কার্ড ও মোবাইল ব্যাংকিং বিভাগকে উপরোক্ত পরিপত্রটি ওয়েব-সাইটে আপলোড করার জন্য অনুরোধ করা হলো।

০৬। বিভাগীয় নিরীক্ষা কর্মকর্তা, সকল বিভাগীয় নিরীক্ষা কার্যালয়, বাংলাদেশ কৃষি ব্যাংক।

০৭। আঞ্চলিক নিরীক্ষা কর্মকর্তা, সকল আঞ্চলিক নিরীক্ষা কার্যালয়, বাংলাদেশ কৃষি ব্যাংক।

০৮। নথি/মহানথি।

০২/১১/২০২৬

(আফরোজা ইসলাম শিমুল)

সহকারী মহাব্যবস্থাপক

সাসটেইনেবল ফাইন্যান্স ডিপার্টমেন্ট
বাংলাদেশ ব্যাংক
প্রধান কার্যালয়
ঢাকা।

Website: www.bb.org.bd

এসএফডি সার্কুলার নং: ০৩

তারিখ: ২২ অক্টোবর ২০২৩ / ০৬ কার্তিক ১৪৩০

ব্যবস্থাপনা পরিচালক/প্রধান নির্বাহী কর্মকর্তা
বাংলাদেশে কার্যরত সকল তফসিলি ব্যাংক ও আর্থিক প্রতিষ্ঠান

প্রিয় মহোদয়,

Sustainable Finance Policy প্রসঙ্গে।

১। বাংলাদেশ ব্যাংক কর্তৃক জারিকৃত এসএফডি সার্কুলার নং- ০৫, তারিখ: ৩০ ডিসেম্বর ২০২০ এর প্রতি আপনাদের দৃষ্টি আকর্ষণ করা যাচ্ছে।

২। আর্থিক খাতে আন্তর্জাতিক স্ট্যান্ডার্ড নির্ধারণকারী সংস্থাসমূহের কার্যক্রমের ফলে পরিবেশবান্ধব ব্যাংকিং, জলবায়ু অর্থায়ন, কার্বন ফাইন্যান্স, গ্রিনবন্ড ও টেকসই অর্থায়ন এবং CSR-এর প্রভাব পর্যালোচনা ও নীতি-পরামর্শ প্রণয়ন; বাংলাদেশ সরকারের ঘোষিত বিভিন্ন কর্মপরিকল্পনা যেমন- Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy, অষ্টম পঞ্চবার্ষিকী পরিকল্পনা, Intended Nationally Determined Contributions (INDCs), Bangladesh Delta Plan 2100, এবং Sustainable Development Goals প্রভৃতি বাস্তবায়নের আবশ্যকতা বিবেচনায় নিয়ে বৃহৎ পরিসরে ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের জন্য প্রণীত "Sustainable Finance Policy" জারি করা হয়।

৩। আলোচ্য পলিসিকে আরও যুগোপযোগী করার লক্ষ্যে gender aspect অন্তর্ভুক্তকরণ, বিদ্যমান List of Green Products/Projects/Initiatives-কে পরিবর্ধন/পরিমার্জন, পরিবেশ সংরক্ষণ বিধিমালা ২০২৩, Mujib Climate Prosperity Plan 2021-2041, National Adaptation Plan সহ সংশ্লিষ্ট বিষয়সমূহকে বিবেচনায় নিয়ে পরিবেশবান্ধব ব্যাংকিং ও জলবায়ু অর্থায়ন সম্পর্কিত বিষয়সমূহ অন্তর্ভুক্ত করে এ সার্কুলার জারি করা হলো যা এসএফডি সার্কুলার নং- ০৫/২০২০, তারিখ: ৩০ ডিসেম্বর ২০২০ এর স্থলে প্রতিস্থাপিত হবে।

৪। এ সার্কুলারের সাথে সংযোজনী (Sustainable Finance Policy) সার্কুলারের অবিচ্ছেদ্য অংশ মর্মে গণ্য হবে।

৫। ব্যাংক কোম্পানি আইন, ১৯৯১ এর ৪৫ ধারা এবং আর্থিক প্রতিষ্ঠান আইন, ১৯৯৩ এর ১৮(ছ) ধারায় প্রদত্ত ক্ষমতাবলে এ নির্দেশনা জারি করা হ'ল, যা অবিলম্বে কার্যকর হবে।

আপনাদের বিশ্বস্ত,

(চৌধুরী লিয়াকত আলী)
পরিচালক (এসএফডি)
ফোন: ৯৫৩০৩২০

সংযুক্তি: Sustainable Finance Policy

Sustainable Finance Policy
for
Banks and Financial Institutions

Bangladesh Bank
Sustainable Finance Department

October 2023

Preamble

Sustainability has become one of the mainstream considerations in the financial sector. There is, however, a need for convergence on terminology among market participants and wider stakeholders. The objective of Sustainable Finance Policy is to ensure the use of a common and transparent language in Sustainable Finance arena. It has also been designed as a contribution to other ongoing efforts in the financial industry to develop a consensus around key terms and definitions in sustainable finance.

Sustainability in this context means the quality of not being harmful to the environment or depleting natural resources, and thereby supporting long-term ecological, social balance and governance (ESG). Bangladesh Bank (BB) has started the Sustainable Finance initiative to attain the global targets set through the Paris Agreement and the broader United Nations Sustainable Development Goals (SDGs). The idea behind this initiative is that the financial service sector, Banks & FIs, as an important economic player, must make an appropriate contribution to sustainability. BB as a pioneer financial regulatory body has been addressing sustainability issues in its policies and regulations and guide Banks and FIs to accommodate Environmental, Social and Governance (ESG) issues in their financing portfolio. Recognizing that the financial sector can play a catalytic role in speeding up adoption of environment friendly output practices in the real economy; BB has launched a comprehensive green banking initiative in 2011 to support and promote environmentally responsible financing; issuing guidance inter alia for environmental risk assessment of borrowing proposals and for greening of internal processes and practices within banks and FIs. BB has defined Sustainable Finance through the Sustainable Finance Policy in 2020. The Policy has not been confined to only Green Taxonomy but also Sustainable Finance Taxonomy. Green Taxonomy includes green banking activities, green finance, ESDD, utilization of Climate Risk Fund, internal environmental management including climate financing, carbon footprint measurements, carbon financing, green marketing, disclosures etc., whereas Sustainable Finance Taxonomy contains Sustainable Agriculture, MSME, Socially Responsible Financing and identification process of sustainable linked finance, R&D for sustainable product innovation, marketing, awareness, capacity building and sustainable finance disclosure for banks & FIs etc.

There is a thirst for tracking and hunting new products/projects/initiatives through proper justification. In this regard, the list of Green Products/Projects/Initiatives has been re-explored in this policy.

In order to promote more inclusive and equitable approach to economic and environmental development and to ensure gender equality, gender aspect has been addressed in this policy.

This policy has been designed to establish a framework prioritizing key initiatives that align with sustainability objectives across environmental, social, economic, and governance dimensions in accordance with various national and international frameworks, including SDGs, Perspective Plan 2021-2041, 8th Five Year Plan, Vision 2041, Intended Nationally Determined Contributions (INDCs), Mujib Climate Prosperity Plan 2021-2041, Bangladesh Delta Plan 2100, etc.

Table of Contents

List of Abbreviations

AAC	Autoclaved Aerated Concrete
BB	Bangladesh Bank
BIFFL	Bangladesh Infrastructure Finance Fund Limited
BoD	Board of Directors
BREEAM	Building Research Establishment Environmental Assessment Method
BSEC	Bangladesh Securities and Exchange Commission
CASBEE	Comprehensive Assessment System for Built Environment Efficiency
CBI	Climate Bonds Initiative
CCEs	Certified Carbon Emissions
CERs	Carbon Emission Reductions
CFF	Climate Fiscal Framework
CITES	Convention on International Trade in Endangered Species (CITES)
CO_2	Carbon dioxide
COP	Conference of the Parties
CSE	Chittagong Stock Exchange
CSR	Corporate Social Responsibility
DoE	Department of Environment
DSE	Dhaka Stock Exchange
ECA	Environment Conservation Act
ECR	Environmental Conservation Rules
EDGE	Excellence in Design for Greater Efficiencies
ERM	Environmental Risk Management
ESG	Environmental, Social and Governance
ESRM	Environmental & Social Risk Management
ETP	Effluent Treatment Plant
EU	European Union
FCK	Fixed Chimney Kiln
GHG	Green House Gas
GoB	Government of Bangladesh
GRIHA	Green Rating for Integrated Habitat Assessment
GTF	Green Transformation Fund
HHK	Hybrid Hoffman Kiln
ICT	Information and Communication Technology
IDCOL	Infrastructure Development Company Limited
IDRA	Insurance Development and Regulatory Authority of Bangladesh
IEA	International Energy Agency
IFC	International Finance Corporation

INDC	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
LEED	Leadership in Energy and Environmental Design
MANCOM	Management Committee
MFI	Micro Credit Financial Institution
MoEF&CC	Ministry of Environment, Forest and Climate Change
MRA	Micro Credit Regulatory Authority
MSME	Micro, Small & Medium Enterprises
NBR	National Board of Revenue
NGO	Non-Governmental Organizations
PFIs	Participating Financial Institutions
R&D	Research and Development
RMC	Risk Management Committee
SDGs	Sustainable Development Goals
SFU	Sustainable Finance Unit
SMESPD	SME and Special Programs Department
SREDA	Sustainable and Renewable Energy Development Authority
SRF	Socially Responsible Finance
SWOT	Strength, Weakness, Opportunity and Threat
ToR	Terms of Reference
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
USGBC	U.S. Green Building Council
VERs	Voluntary Carbon Emission Reductions

Chapter-1: Sustainable Finance

1.1. Introduction

The definitions of Sustainable Finance in accordance with concerned international stakes such as EU, UNEP and IFC look like the followings:

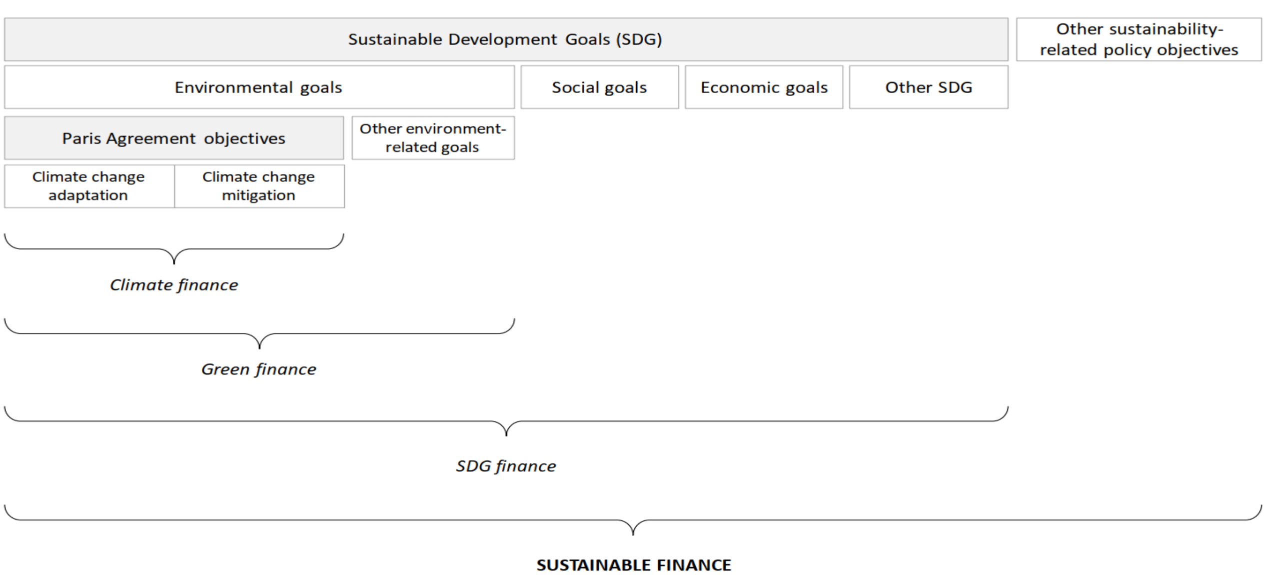
> Sustainable finance generally refers to the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector. More specifically, environmental considerations may refer to climate change mitigation and adaptation, as well as the environment more broadly, such as the preservation of biodiversity, pollution prevention and circular economy. Social considerations may refer to issues of inequality, inclusiveness, labor relations, investment in human capital and communities, as well as human rights issues. The governance of public and private institutions, including management structures, employee relations and executive remuneration, plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process.

> Sustainable finance looks at environmental, social and governance (ESG) factors in both market practice and policy frameworks for banking, capital markets, investment and insurance.

> Sustainable Finance aims at introducing environmental, social, and governance standards, as well as risk management to the lending practices of banks and FIs to promote stability of financial systems in developing countries, and channel finance to responsible entities.

UNFCCC defined climate finance as part of Sustainable Finance as:

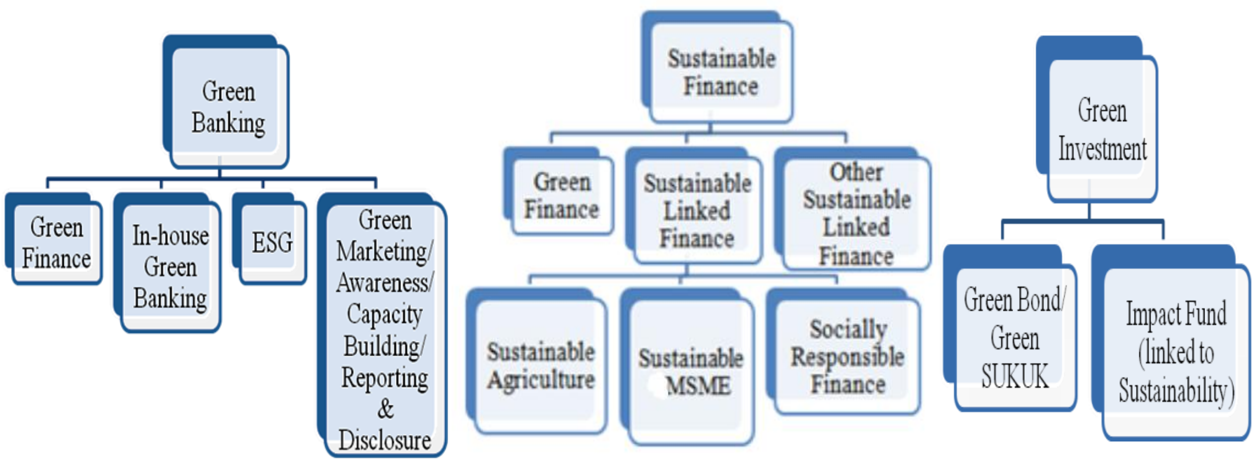
"Finance that aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts."



In brief, sustainable finance is the process of taking social, environmental, climatic and governance considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects.

Bangladesh Bank defines Sustainable Finance in a broader manner taking above definitions and Bangladesh scenario in due consideration as well as in conformity with the international norms and standards.

Sustainable finance refers to any form of financial service that includes investment, insurance, banking, accounting, trading, economical and financial advice integrating environmental, social and governance (ESG) criteria into the business or investment decisions for lasting benefits of both clients and society at large. Sustainable Finance is about Green Banking, Sustainable Agriculture, Sustainable MSME, CSR that includes Socially Responsible Finance activities with respect to sustainability.



Sustainable Finance includes Green Finance or in other way Green Finance is a subset of a wider definition of Sustainable Finance. It also includes a strong focus on gender-equality as a goal of these policy platforms. Sustainable Finance Department of Bangladesh Bank has taken an effort to prioritize the contribution towards sustainabilitywith respect to environmental, social – including gender equality, economic and governance issues those are in conformity with Sustainable Development Goals (SDGs), Perspective Plans (2021-2041), recent 8th Five Year Plan, Vision 2041, Intended Nationally Determined Contributions (INDCs), Mujib Climate Prosperity Plan 2021-2041, Bangladesh Delta Plan 2100, Govt. issued Rules/Regulations/Guidelines/Instructions/Notifications and nevertheless international benchmark /norms /standard.

1.2. Rationale

Sustainable Finance Policy is for sustainability considerations in order to mobilize finance towards sustainable growth. Monetary Policy of Bangladesh Bank ingrains priority on Green Finance as a part of Sustainable Finance. Sustainable Finance Policy has been formulated to guide banks and FIs for their participation and contribution in the implementation of the INDCs for attaining respective SDGs. In the INDC, Bangladesh is committed to reduce GHG emissions by 5% unconditionally from Business as Usual (BaU) levels by 2030 or a conditional 15% reduction in GHG emission from BaU levels by 2030. Sustainable Finance Policy has incorporated target both for green finance and sustainable finance for the banks and FIs which is linked to GHG emissions reductions and strengthened climate resilience as well.

Sustainable Finance is a work-stream to support the delivery on the objectives of Green Products/Projects/Initiatives by channeling private investment into the transition to a climate-neutral, climate-resilient, low-carbon, more resource-efficient, green, competitive and inclusive sustainable economy. Sustainable Finance has a key role to play in mobilizing the necessary capital to deliver on the policy objectives as national and international commitments on climate and sustainability objectives. It has to go with the UN 2030 agenda and SDGs and the Paris Climate Agreement. It has to go with the 8th 5YR plan and other perspective plans.

The Conventions of the Kyoto Protocol and the Paris Agreement call for financial assistance from member countries with more financial resources to those that are less endowed and more vulnerable. This recognizes that the contribution of countries to climate change and their capacity to prevent it and cope with its consequences vary enormously.

1.3. Alignment of Sustainable Finance with SDGs and INDC

SDG

The Sustainable Development Goals (SDGs) is a global call to action to end poverty, protect the earth's environment and climate, and ensure that people everywhere can enjoy peace and prosperity.

The UN and its partners in Bangladesh are working towards achieving the SDGs: 17 interconnected Goals which address the major development challenges faced by people in Bangladesh and around the world. In line with 2030 Agenda for Sustainable Development and UN Development System Reform (UNDS), the UN agencies in Bangladesh have been working together in a new and coherent way to support government to implement the SDGs and to enhance the development impact. The UN in Bangladesh has been supporting the government as one of development partners in various projects in the field of sustainable development solutions, poverty alleviation, disaster management, peace, good governance, police reform, human rights, environment, climate change, reproductive health, family planning, population, children & mother's development, immunization, maternal and child nutrition, food security, adolescence, youth development, empowerment of women, education, literacy, culture, communication, heritage, labour standards and employment, migration, refugees, drugs and crime, industrial development, capacity development, project services, peacekeeping, volunteerism, counter-terrorism, agricultural development, health care and research, HIV-AIDS, trade, atomic energy, inclusive finance transformation, infrastructure and resilience, human settlement and communication and advocacy services. Goal 13 of SDG is on climate action to combat climate change and its impacts including mobilization of climate finance.

Nationally Determined Contribution (NDC), 2015, 2021

In anticipation of reaching an agreement at COP21, Parties were invited to communicate their post-2020 climate change adaptation and mitigation targets and commitments ahead of the conference through Intended National Determined Contributions (INDCs). This represented significant progress, as more than 190 developed and developing countries submitted emission reduction and adaptation commitments in the form of INDCs during 2015. For most countries, INDCs define GHG emission reduction targets in the energy, industry, agriculture, waste, land use and forestry, and transport sectors for 2020–2030, but the sectoral focus and time frames vary from country to country. When countries formally ratify the Paris Agreement, their INDCs are converted into their NDC, unless the Party expressly states otherwise.

NDCs are at the heart of the Paris Agreement and the achievement of these long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement (Article 4, paragraph 2) requires each Party to prepare, communicate and maintain successive NDCs that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions. NDCs are submitted every five years to the UNFCCC secretariat. In order to enhance the ambition over time the Paris Agreement provide that successive NDCs will represent a progression compared to the previous NDC and reflect its highest possible ambition. Parties already submitted their updated NDC by 2021. Bangladesh also submitted its updated NDC in August, 2021 and to meet the unconditional NDC it needs 20 billion USD and conditional NDC, it needs 125 billion USD up to 2030.

Parties are requested to submit the next round of NDCs (new NDCs or updated NDCs) in five years thereafter (e.g. 2025, 2030), regardless of their respective implementation time frames. Estimation of financial needs to implement the NDC and the sources of financing are important aspects of every NDCs.

Bangladesh has already completed many significant upfront activities for starting the Sustainable Development Goals (SDGs) implementation. The responsibilities of ministries and agencies against each goal and target of the 2030 Agenda have been mapped out. Bangladesh is also one of the signatory parties which outlined what post-2020 climate actions they intended to take as part of INDCs under Paris Agreement to reduce global average temperature and to achieve net zero emissions. Accordingly, Sustainable Finance Components and Sectors under this policy have been aligned with relevant goals and targets of SDGs and INDC’s commitment of Bangladesh in the following manner:

SDGs	SDGs Targets	Sustainable Finance Components	Sustainable Finance Sectors	INDC of Bangladesh
	1.3, 1.4, 1.5, 1.b, 2.3, 5.a, 6.1, 8.1, 8.2, 8.3, 8.9, 9.2, 9.3	Sustainable Linked Finance	1. Sustainable Agriculture 2. Sustainable MSME 3. Socially Responsible Finance	1. Mitigation contribution: • Reduction of GHG emissions by 6.73% by 2030 inthe power, transport and industry sectors (unconditional) • Reduction of GHG emissions by 15.12% by 2030 in the power, transport and industry sectors (conditional) 2. Adaptation component: • To protect the population, enhance their adaptive capacity and livelihood options, and to protect the overall development of the Bangladesh in its stride for economic progress and wellbeing of the people.
	6.3, 6.4, 7.2, 7.3, 7.a, 8.1, 8.4, 8.5, 9.2, 9.3, 9.4, 10.2, 10.3,10.4, 12.5, 13.2, 13.a, 14.1,14.2, 14.4,14.5, 14.6,14.a, 14.c, 17.14, 17.17, 17.18	Other Sustainable Linked Finance	1.Low Risk Rated Projects/Initiatives using ESDD checklist (other than Green Finance, Sustainable Agriculture, Sustainable MSME, SRF and Working capital and demand loan of Green Products) 2.Working capital and demand loan of Green Products/ projects/ initiatives	
		Green Finance	1. Renewable Energy 2. Energy &Resource Efficiency 3. AlternativeEnergy 4. Liquid WasteManagement 5. Solid WasteManagement 6. Circular Economy & Eco-Projects Financing 7. Environment Friendly BrickProduction 8. Green/ Environment FriendlyEstablishments 9. Green Agriculture 10. Green CMSME 11. Green SRF 12. Blue Economy Financing 13. Information and Communication Technology 14. Miscellaneous	
		Green Investment	1. Green Bond/GreenSUKUK 2. Impact Fund (linked toSustainability)	

1.4. Alignment with other national policies

Perspective plan (2021 - 2041)

The Perspective Plan 2021-2041 has been prepared to translate the policies and programmes enshrined in the Vision 2041 into development strategies. This document is the development vision of the government of a prosperous Bangladesh, a strategic description of the goals and objectives and a roadmap for its implementation. Perspective Plan 2021-2041 will be a landmark document over the next twenty years as it paves for Bangladesh the way of becoming an upper middle income country by 2031 and a prosperous country by 2041 in the platinum jubilee of its birth. The strategic goals and milestones of the plan include industrialization with export-oriented manufacturing; paradigm shifts in agriculture to enhance productivity, a service sector of the future-providing the bridge for the transformation of the rural agrarian economy to a primarily industrial and digital economy; the urban transition - an essential part of the strategy to move to a high-income economy primarily motivated by the agenda of the government -"our village, our town"; efficient energy and infrastructure; building a Bangladesh resilient to climate change and other environmental challenges; and establishing Bangladesh as a knowledge hub.

8th Five Year Plan (8th FYP), 2021-2025

The 8th five year plan is the latest five year plan of Bangladesh encompassing years from 2021-2025. It particularly gives emphasis to integrate environmental, climatic and other social issues into the planning and development process.

Delta plan, 2100

The GoB has formulated a comprehensive development plan - the Bangladesh Delta Plan (BDP, 2100), focusing on economic growth, environmental conservation, and enhanced climate resilience. The plan lays out holistic and cross-sectoral action needed to improve productivity and minimize disaster risks. Implementing BDP, 2100 goals will require a sustained and long-term effort. These included managing investments; aligning the planning, implementation, and financing process; improving inter-agency and inter-sectoral coordination. Addressing the issues of water sector and climate change are important aspects of BDP 2100 and these sectors have strong linkage with the issues of sustainability.

BCCSAP, 2009

The Bangladesh Climate Change Strategy and Action Plan (BCCSAP) is a strategic document of GoB covering climate change adaptation, mitigation, and loss & damage. It sets out 44 Programmes to be taken by Bangladesh over the short, medium, and long term within six strategic areas – food security, social protection and health; comprehensive disaster management; infrastructure; research and knowledge management; mitigation and low carbon development; and capacity building and institutional strengthening. BCCSAP highlighted the importance of exploring the source of climate finance to address all the issues of climate change mentioned in the BCCSAP 2009.

National Adaptation Programme of Action (NAPA) 2005, 2009

The purpose of the NAPA is the development of a countrywide programme that encompasses the immediate and urgent adaptation activities that addresses the current and anticipated adverse effects of climate change, including extreme events. The goal of the NAPA is the provision of a framework to guide the coordination and implementation of adaptation initiatives in the country, through a participatory approach and building synergies with related programmes. To implement the projects and programmes sustainably, Bangladesh needs to generate huge amount financial resources.

National Adaptation Plan (NAP), 2022

Bangladesh has prepared its NAP under the leadership of MoEFCC. It tries to cover every sector linked with climate change adaptation including the financial sector. Bangladesh NAP highlighted the importance of sustainability in terms of the strength and the life span of the different activities under the NAP. For implementation of NAP up to 2050, Bangladesh needs 230 billion USD. Financial resources including sustainable finance could be the most important window to implement the project/programme under NAP. BB is aligning its Green Bond Financing policy with NAP.

The Bangladesh Climate Fiscal Framework (CFF) 2014, 2020

The CFF, published by the Ministry of Finance, provides principles and tools for climate fiscal policy-making (CFP), helping to identify the demand and supply sides of climate fiscal funds (expenditures vis-à-vis revenue or finance, respectively), and to ensure that CFF is transparent and sustainable in the longer term.

The CFF determines:

- The equitable division of climate funds and their allocation to relevant sectors
- The division of services, identification of the demand for climate fund, and expenditure areas of financial authority for raising revenue, for national and international financing options, and for fiscal tools
- A governance framework for climate change funds under national fiscal policy

The CFF also recommends a set of climate codes designed to (i) track climate change expenditures for policy analysis and reporting, and (ii) estimate long-term climate finance needs by identifying potential climate-related public expenditures across government ministries. The Bangladesh Climate Fiscal Framework 2020 has been developed as an updated version of Climate Fiscal Framework 2014 by Finance Division.

Mujib Climate Prosperity Plan 2021-2041

The Mujib Climate Prosperity Plan (MCPP) includes a number of ambitious new and strengthened adaptation efforts to build resilience in populations and ecosystems through investment this decade to contribute to 2041 outcomes. Minimizing and averting climate-induced losses and damages is also an international financing priority of this Plan. The MCPP was launched under Bangladesh’s second tenure as president of the Climate

Vulnerable Forum (CVF). It works to counteract climate induced damage and losses by equipping vulnerable communities, industry, and the government with the Mujib vision supported by optimized financing tools and models that will be key to the new risk management paradigm to bring about resilience and stability, especially for small businesses, vulnerable populations, and the economy.

The MCPP expects investment opportunities in resilient pathways including energy, water, transport, supply chains and agriculture value chains, to reach USD 90 billion over the next decade. Optimized financing structures to attract foreign direct investment and mobilize domestic private sector capital include the use of public-private partnerships (PPP) as a key solution to climate investment. Different tools to incentivize investment in low-carbon and climate resilient infrastructure, including preferential refinancing rates, differentiated capital requirements such as a fossil fuel penalizing factor commensurate with risk and higher capital requirements for non-low-carbon and non-climate-resilient projects can be used by financial sector. The MCPP aims 30% optimal variable RE by 2030, lower energy intensity by 20% by 2030, and 40% RE by 2041. It also aims US$ 10 billion in RE generation by 2030, US$ 1.7 billion fossil fuel subsidy savings by 2030, around 12000 jobs by 2025 and around 40000 jobs by 2030.

1.5. Alignment with International Policies

Environmental and Social safeguard policy of GCF

In carrying out its mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development, GCF effectively and equitably manages environmental and social risks and impacts and improve outcomes of all GCF financed activities. This is facilitated by a set of management processes and procedures that allow GCF to identify, analyze, avoid, minimize, and mitigate any potential adverse environmental and societal impacts of its activities, to maximize environmental and social benefits, and to consistently improve the environmental and societal performance of GCF and its activities over time. This system of processes and procedures is an overarching framework for improving environmental and societal outcomes while addressing any unintended adverse impacts of GCF-financed activities. GCF incorporates environmental and societal considerations into its decision-making and operations and identifies opportunities to "do good" and improve environmental and societal outcomes. The GCF Environment and Social Policy is an essential element of this system, elaborating the commitment of GCF to integrate environmental and social issues into its decision-making and outcomes, and establishes the principles, requirements, and responsibilities to deliver on these commitments. Through this policy, GCF will require that all GCF-supported activities will commit to enhancing equitable access to development benefits; and giving due consideration to vulnerable populations, groups, and individuals (including women, children, and people with disabilities, and people marginalized by virtue of their sexual orientation or gender identity), local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by GCF-financed activities.

United Nations Framework Convention on Climate Change (UNFCCC), 1992

The UNFCCC entered into force on 21 March 1994. Today, it has near-universal membership. The 198 countries that have ratified the Convention are called Parties to the Convention. Preventing "dangerous" human interference with the climate system is the ultimate aim of the UNFCCC.

The UNFCCC secretariat is the United Nations entity tasked with supporting the global response to the threat of climate change. The Convention is the parent treaty of the 2015 Paris Agreement. The main aim of the Paris Agreement is to ensure the global average temperature increase in this century is as close as possible to 1.5 degrees Celsius above pre-industrial levels. The UNFCCC is also the parent treaty of the Kyoto Protocol, 1997. The ultimate objective of all three agreements under the UNFCCC is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system, within a time frame which allows ecosystems to adapt naturally and enables sustainable development. Article 11 of the UNFCCC and article 9 of the Paris Agreement described about the financial mechanism and modalities of climate financing instrument both for adaptation and mitigation. Sustainable finance and climate finance guideline should have direct linkage with the financial mechanism of UNFCCC and the article 9 of the Paris Agreement.

Kyoto protocol, 1997

The Kyoto Protocol was adopted on 11 December 1997. Owing to a complex ratification process, it entered into force on 16 February 2005. Currently, there are 192 Parties to the Kyoto Protocol. In short, the Kyoto Protocol operationalize the UNCCC by committing industrialized countries and economies in transition to limit and reduces greenhouse gas (GHG) emissions in accordance with agreed individual targets. The Convention itself only asks those countries to adopt policies and measures on mitigation and to report periodically. The Kyoto Protocol is based on the principles and provisions of the Convention and follows its annex-based structure. It only binds developed countries, and places a heavier burden on them under the principle of "common but differentiated responsibility and respective capabilities", because it recognizes that they are largely responsible for the current high levels of GHG emissions in the atmosphere.

The Kyoto Protocol sets binding emission reduction targets for 37 industrialized countries and economies in transition and the European Union. Overall, these targets add up to an average 5 per cent emission reduction compared to 1990 levels over the five year period 2008–2012 (the first commitment period).In Doha, Qatar, on 8 December 2012, the Doha Amendment to the Kyoto Protocol was adopted for a second commitment period, starting in 2013 and lasting until 2020. As of 28 October 2020, 147 Parties deposited their instrument of acceptance; therefore, the threshold of 144 instruments of acceptance for entry into force of the Doha Amendment was achieved. The amendment entered into force on 31 December 2020.

One important element of the Kyoto Protocol was the establishment of flexible market mechanisms, which are based on the trade of emissions permits. Under the Protocol, countries must meet their targets primarily through national measures. However, the Protocol also offers them an additional means to meet their targets by way of three market-based mechanisms. Kyoto Protocol facilitates the financing for climate change adaptation by supporting the Adaptation Fund.

The Paris Agreement, 2015

In December 2015, at the 21st Conference of Parties (COP21) to the UNFCCC, Parties to the UNFCCC adopted the Paris Agreement, a global framework to tackle climate change. Through the Paris Agreement, all Parties acknowledged the need to contribute to achieving ambitious and collective goals to fight climate change. The Paris Agreement is the result of almost a decade of negotiations under the UNFCCC. A formal mandate was adopted in Durban in 2011 to "develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties."

The Paris Agreement entered rapidly into force on 4 November 2016, within a year from its adoption in December 2015. This represents an unprecedented accomplishment for an international environmental agreement and marks a unique experience for UN treaties. It reinforces the renewed global commitment to addressing climate change and acknowledges the importance of countries place on an international framework. The mitigation goals of the Paris Agreement are set out in Article 2, to hold the increase in global average temperature to well below 2 degrees Celsius (°C) above pre-industrial levels and to pursue efforts to limit it to 1.5°C; and Article 4, to reach a balance between anthropogenic emissions by sources and removals of sinks of greenhouse gases (GHG) in the second half of the century, sometimes referred to as net zero emissions or carbon neutrality. The Paris Agreement also aims to increase Parties' ability to adapt to the adverse impacts of climate change, foster climate resilience and low GHG emissions development, and make finance flows consistent with a pathway toward low GHG emissions and climate resilient development.

The Global Reporting Initiative (GRI) Standards

The GRI Standards are a modular system comprising three series of standards: the GRI Universal Standards, the GRI Sector Standards, and the GRI Topic Standards. These standards reflect global best practice for sustainability reporting, helping organizations respond to emerging information demands from stakeholders and regulators. These standards also help understand and reporting format to exhibit on the impacts on the economy and on environment and people in a comparable and credible way over time and in relation to other organizations, thus increases transparency on contribution to the sustainable development. Institutions can use the Standards to report on the impacts in a credible way that is comparable. The Standards also help stakeholders and authorities understand the report of the organization and can use the information in multiple ways. For example, the GRI Topic Standards contain disclosures for providing information on topics on sustainable finance and its impacts on society, economy climate and environment.

The UN global Compact

United Nations Global Compact simultaneously provides a policy platform and a practical framework for creating a sustainable and inclusive global economy with the alignment of business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. They address environmental risks and leverage opportunities; manage social impact and opportunities affecting employees; support the economic development of the country; and ensure sustainable development.

Chapter-2: Sustainable Finance Taxonomy

2.1 Sustainable Finance

Taxonomy means classification of Sustainable Finance. It is a structured mechanism for identifying and recognizing a product/a project/an initiative belongs to green and other products of Agriculture, MSME or Socially Responsible Financing Category linked to sustainability. Sustainable Finance Taxonomy includes not only Green Taxonomy but also Sustainable Finance Policy including CSR Policy, Economic and Governance (Good Governance and Green Governance), Green Finance based on (i) Climate Change Mitigation (ii) Climate Change Adaptation (iii) Other Environmentally sustainable Implementations and Impact on Inclusive Sustainable Green Growth.

2.2 Objectives/Focus/Purpose of Sustainable Finance Taxonomy

Sustainable finance taxonomy has been structured in this Sustainable Finance Policyincorporating a green taxonomy containing green finance policy, CSR, SRF, agriculture and MSME all these issues related to green and sustainability. Sustainable finance frameworks are crucial for making future development more sustainable. Forming Sustainable Finance Taxonomy are very much essential and within the broader scope of sustainable development agenda of a country like Bangladesh. The policy actions and operations have been included in the taxonomy to provide a comprehensive understanding for concerned stakeholders regarding sustainable finance.

2.3 Features of Sustainable Finance Taxonomy

2.3.1 Identification of Sustainable linked finance

Sustainable Agriculture
Sustainable MSME
Socially Responsible Finance

2.3.1.1 Sustainable Agriculture

Finance to Sustainable Agriculture is linked to Sustainable Finance. Sustainable Finance aims at promoting Sustainable Agriculture through climate change adaptation measures. Agriculture productivity needs to be enhanced especially in rain-fed areas focusing on integrated farming, soil health management, and synergizing resource conservation. Conservation agriculture by promoting location specific integrated/composite farming systems; soil and moisture conservation measures; comprehensive soil health management and rain-fed technologies can make agriculture sector more productive, sustainable, remunerative, and climate resilient. All these components of conservation agriculture have significant role in achieving SDGs.

Sustainable Agriculture Sectors\Areas

i. Crops
ii. Pisciculture
iii. Crop Storage
iv. Livestock
v. Poverty Alleviation
vi. Irrigation Tools
vii. Agricultural Tools
viii. Others (time-to-time as recognized by BB)

Along with the aforementioned products, financing for Integrated Farming System (IFS) in the specific sectors like horticulture, livestock, fishery, agro-forestry, apiculture etc. to enable farmers not only in maximizing farm returns for sustaining livelihood, but also to mitigate the impacts of drought, flood or other extreme weather events with the income opportunity from allied activities during crop damage.

2.3.1.2 Sustainable MSME

Finance to Sustainable MSME (micro, small & medium as defined by SMESPD, BB) is linked to Sustainable Finance. Inclusive Sustainable Finance in MSME aims to advance financial inclusion among the most vulnerable by building resilience and enabling mitigation to climate change. This is especially the case for the transition to a low-carbon, circular and sustainable economy. Banks and FIs should have targeted initiatives to scale up finance for MSMEs, with a focus on specific sustainable/inclusive sectors. Sustainable linked MSME financing decisions upon **environmental, social and governance (ESG) considerations will** address issues of inequality, inclusiveness, investment in human capital and communities with respect to preservation of biodiversity, pollution prevention and circular economy. Banks and FIs should set priority areas financing to Sustainable MSME concentrating on Women entrepreneur based project financing, Rural Based business enterprises project financing, New entrepreneur project financing, Cluster Based project financing, Agricultural product processing industry, Helpless/ distressed/underprivileged/Marginal group/area-based project financing, Project Financing for the sustainability of Third gender, Physically/Mentally challenged person, Tribal people etc.

A. Sustainable MSME industries/projects

- Low Risk Rated (as per ESDD) Micro, Small and Medium enterprises financing with special focus to:

  (i) Herbal cosmetic manufacturing industries
  (ii) 100% local ingredients-based milk processing industry
  (iii) Handicrafts, Handloom and alike
  (iv) Agro feed manufacturing industry
  (v) Jute made products manufacturing industry
  (vi) Unani/Ayurvedic/Homeopathic manufacturing industries
  (vii) Rice processing industry
  (viii) Agro equipment manufacturing industry
  (ix) Production of bio pesticide, production of organic fertilizer
  (x) Bran wood projects
  (xi) Horticulture processing industry

2.3.1.3 Socially Responsible Financing

Finance to Socially Responsible Products/Projects/Initiatives/Sectors is linked to Sustainable Finance. Socially Responsible Finance (SRF) is financing that supports actions mitigating or addressing a specific social issue and/or seeking to achieve positive social outcomes especially but not exclusively for a target population(s). SRF project categories include but are not limited to, providing and/or promoting affordable basic infrastructure, access to essential services (such as health and healthcare), affordable housing, employment generation through the potential effect of SME financing and microfinance, food security, and socioeconomic advancement and empowerment.

Socially Responsible activities/projects linked to Sustainable Finance

i. Financing/Investment through MFI (MRA Regulated)/NGO (Govt. Approved) Linkage Mode for capacity building, Education, employment generation including self employment
ii. Financing in trading of green and agro products using ICT/online/e-business platform (as recognized by BB)
iii. Financing in Orphanage/Child Rehabilitation Center/Old Age Home

2.3.2 Identification of other Sustainable linked finance

1. Low Risk Rated Projects/Initiatives using ESDD checklist (other than Green Finance, Sustainable Agriculture, Sustainable MSME, SRF and Working capital and demand loan of Green Products)
2. Working capital and demand loan of Green Products/projects/initiatives

2.3.3 Screening and Monitoring

2.3.3.1 Screening

Setting of screening criteria is essential to avoid significant harm to climate change mitigation and adaptation, and to environmental and social harmony. The technical screening criteria will determine whether an activity can be considered to substantially contribute to one of the following six environmental objectives not doing any significantly harm to the other environmental objectives.

Six environmental objectives-

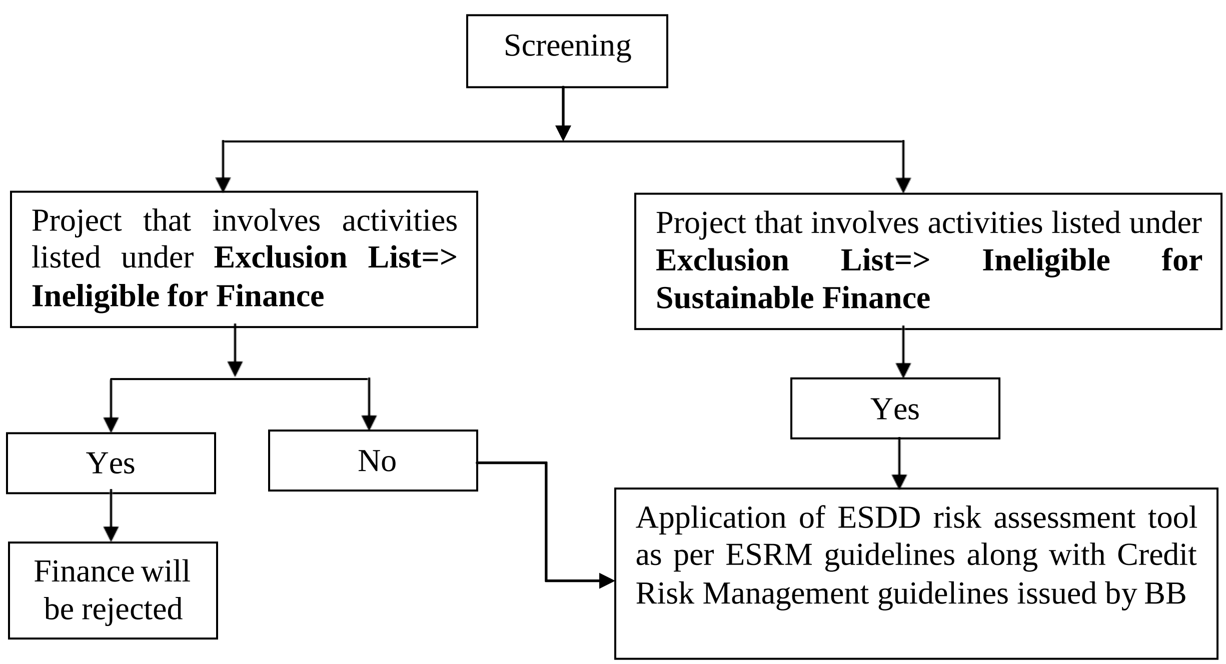
i. Climate change mitigation
ii. Climate change adaptation
iii. Sustainable protection of water and marine resources
iv. Transition to a circular economy, waste prevention and recycling
v. Pollution prevention and control
vi. Protection and restoration of biodiversity and healthy ecosystems

Performance thresholds-

1) Make a substantive contribution to one of six environmental objectives
2) Do No Significant Harm (DNSH) to the other five, where relevant;
3) Meet minimum social and governance safeguards

2.3.3.2 Steps of Screening

All loan proposals will have to be first screened against the exclusion list.



2.3.3.3 Monitoring

Monitoring must move on in a structured manner immediately after asset creation by the banks and FIs for the maintenance of the standard quality of the assets. Screening on Environmental, Social and Governance issue is essential for the pre-evaluation of a project with respect to sustainability, but the permanence in sustainability will only be ensured if stricter monitoring in both offsite and onsite manner is carried on with regular intervention.

The purpose of monitoring a client's ESG performance (on the basis of ESDD risk assessment tool as per ESRM guideline) is to assess existing and emerging ESG risks associated with a client's operations during the transaction. Once a finance proposal has been approved, theBank/FI needs to monitor the client's ongoing compliance with the ESG clauses stipulated in the legal agreement. The monitoring process generally involves a review of periodic ESG performance reports submitted by the client and regular site visits of the client's operations. Special attention should be paid to:

- Assessing implementation of any mitigation measures specified in the corrective actionplan
- Monitoring for valid ESG permits or licenses
- Any fines and penalties for non-compliance with ESG regulations
- Recent reports from the relevant regulator or inspection authority confirming compliance with specified laws, including any emissions measurements proving that emissions are below the permitted limits
- ESG occurrences including major accidents or incidents associated with a client's operations such as worker injuries and spills
- Media attention to ESG issues related to the client
- Any complaints submitted by stakeholders about a client

If Bank/FI staff identifies ESG issues, such as a client's non-compliance with the ESG clauses stipulated in the legal agreement, they should follow up with the client to resolve the issues without undue delay.

2.3.4 Inclusion of Technological Advancement

Minimization of waste, emissions and reduction in materials and energy inputs are the most important environmental aims. Sustainable technological advancement and innovations have been playing a major role in the long-term initiation of sustainable production which ultimately facilitates sustainable growth. Sustainable finance taxonomy features include financing for the inclusion of technological advancement and innovations leading to sustainable production including Green Production or not yet recognized as green but definitely a sustainable one.

Financing for technological inclusion and featured machineries/technologies include the followings-

i. Core manufacturing/production
ii. Energy efficiency and renewable energy

iii. Business process engineering/Business process automation
iv. Operations management
v. Waste management
vi. Air management
vii. Heat management
viii. Working environment (fire defense and health care)
ix. Water use management
x. Human resources development and management
xi. Accounting, inventory management, marketing, sales and security managementautomation

2.3.5 Sustainable Finance Strategic Planning, R&D for Product Innovation, ProductMarketing, Awareness and Capacity Building, Impact Assessment/ Review

2.3.5.1 Formation of Sustainable Finance Committee

- Committee formation[1]
- Developing Terms of Reference (ToR)
- Establishing Sustainable Finance Unit (SFU)
- Establishing Dedicated Sustainable Finance Help Desk[2]

2.3.5.2 Linking of Banks'/FIs' Vision, Mission and Objectives with Sustainability

- Economic contribution
- Environmental contribution
- Social contribution
- Governance (Good Governance, Green Governance)

2.3.5.3 Developing Sustainable Finance Policy

Banks/FIs will develop their own Sustainable Finance Policy which must be approved by the competent authority. Board's approval will be required upon the RMC's approach in case of all scheduled commercial banks. Regional Office or MANCOM's approval is required for foreign banks operating in Bangladesh. Sustainable Finance Policy of a Bank/FI must be in conformity with the Sustainable Finance Policy of Bangladesh Bank. Banks and FIs can go for moresophisticated model and develop further as they progress.

2.3.5.4 Identification and evaluation of funding sources

- Bank's/FI's own fund
- BB support funds
- Development partners' fund

[1] SFD Circular No-02/2016
[2] SFD Circular Letter No-05/2020 & 02/2022

2.3.5.5 Time Bound Action Plan

- Assessment of business portfolio in conformity with regulatory requirement
- Setting of phase-wise financing targets

2.3.5.6 Research and Development

- Product Innovation
  - Assessing areas of sustainable finance
  - Analysis of market demand and supply
  - Proposition for products/projects

- Gender Inclusiveness
  - Improve quality and availability of sex-disaggregated data
  - Conduct a periodic mapping of BB's contribution to gender based finance
  - Conduct baseline assessment at banks and FIs to identify current gaps and opportunities related to gender financing, including a definition of gender finance
  - Increase availability of and access to financial products, including digitally enabled solutions for women and women-owned/-led MSMEs
  - Improve other financial infrastructure, such as collateral registries and factoring platforms
  - Incentivize banks and FIs to develop gender policies and products and services that meet women's needs
  - Facilitate information exchange roundtables on gender-related topics.

2.3.5.7 Marketing

A Bank or a Financial Institution must broaden their product portfolio considering product to product area approach involving/engaging, potential borrowers, suppliers, service providers,associations, different chambers of commerce and surroundings. In this way banks and FIs will be able to build an effective database of product based potential borrowers, suppliers, service providers, associations and chambers, vendors, manufacturers, certified energy auditors and concerns for a better contribution to green business and green economy.

2.3.5.8 Awareness and Capacity Building

Awareness and Capacity Building for Sustainable Finance including Green Finance, Green Banking and Sustainable CSR activities as a part of Sustainable Finance is a must for all concerns and needs to be ensured by the SFU with the support from the competent authority (BoD/Regional Office or MANCOM of Foreign Commercial Bank). Awareness and Capacity Building for sustainable financing including green products/projects/initiatives will be moving on parallel with Marketing for Green and Sustainable Products. Banks and FIs will arrange events/programs involving all management level executives/officials (head office, zonal/regional office, branches, units, Sustainable Finance Dedicated Helpdesks), customers, entrepreneurs' associations, suppliers and service providers for following capacity building initiatives:

- Developing time bound action plan that addresses-
  - Information dissemination and awareness building
  - Training/seminar/workshop and knowledge sharing session
  - Maintaining training calendar
  - Establishing Knowledge Hub
  - Conducting gender diagnostics and awareness sessions across all levels, including training on how to apply a gender lens in green finance and how to conduct gender impact assessments.
  - Facilitating information exchange roundtables on gender-related topics.
  - Providing technical assistance and support for gender-sensitive operations.

2.3.5.9 Impact Assessment & Review

- Assessment of asset quality
- Assessment of environmental, social and economic contribution of projects/initiatives
- Assessment of governance issue
- Review of achievement/attainment of bank's/FI's own target and regulatory target
- Revision of the strategy

2.3.6 Sustainable Finance Disclosure

Banks and Financial Institutions should disclose the initiatives/practices taken by them time to time in their respective websites. The following disclosure should be made and updated by all Banks and FIs:

i. Banks/FIs should start publishing independent Sustainability Report as the standard setby BB
ii. Updated and detailed information regarding Banks'/FIs' environmental activities andperformances of major clients should be disclosed.
iii. Banks/FIs shall keep their annual reports and websites updated with the disclosures onSustainable Financing initiatives/activities.
iv. Banks/FIs should incorporate a section/dropdown/tab for their existing Sustainable products/projects/initiatives in their website.
v. A customer complaint/feedback option should be in their website for any query in thisregard.
vi. Brief information regarding **BB Support Funds** should be disclosed on the website in a displayable tab.

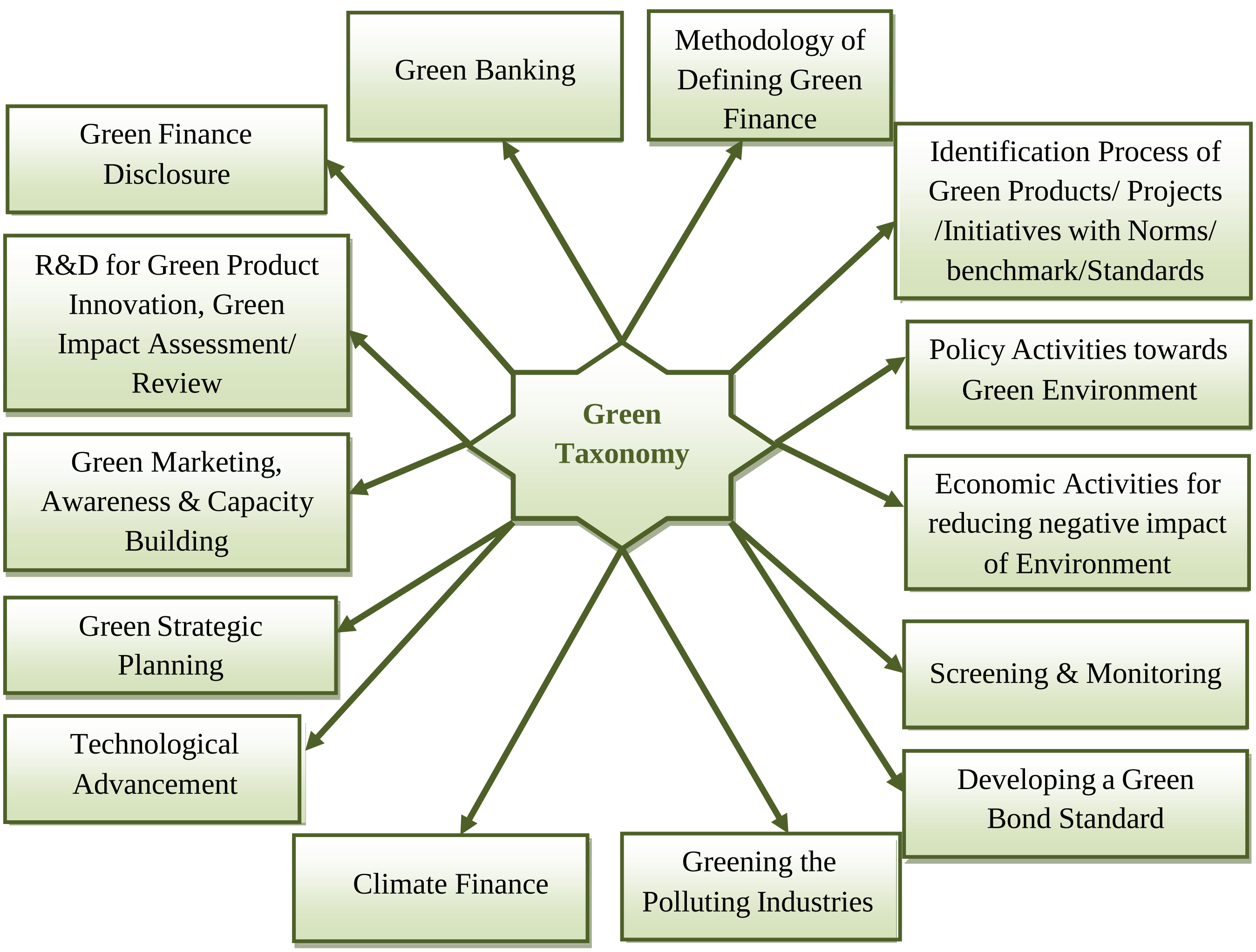
Chapter-3: Green Taxonomy

3.1 Green Taxonomy is a structured mechanism for identifying and recognizing a product/a project/an initiative as a green one through a set of activities belong to some green featured applications.

3.2 Objectives/Focus/Purpose of Green Taxonomy

First and Foremost objective of Green Taxonomy should be aligned with Climate Finance for Sustainability where finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts. Green Taxonomy will focus not only on purely green sectors, but also encourages the greening of polluting sectors. Particularly, the focus is on activities that contribute substantially to environmental objectives. The taxonomy will also include economic activities with a negative impact on the environment, where these activities have substantially reduced their negative impact.

3.3 Features of Green Taxonomy



3.3.1 Green Banking

Green Banking activities addresses five key work-streams - (i) Green Finance (ii) In-house green activities covering Carbon Footprint Measurements (iii) ESG (iv) Green Marketing/Awareness/Capacity Building (v) Reporting and disclosure on green issues. The term "green banking" generally refers to banking practices that foster environmentally responsible financing practices and environmentally sustainable internal processes minimizing GHG emissions. Green banking thus involves a two-pronged approach. Firstly, green banking focuses on the green transformation of internal operations of all banks and FIs. It means all the banks and FIs should adopt appropriate ways of utilizing different green product/projects/initiatives, automation and other measures to minimize carbon footprint from activities by banks and FIs. Secondly, all banks and FIs should adopt environmentally responsible financing; weighing up environmental risks of projects before making financing decisions; and in particular supporting and fostering growth of upcoming 'green' initiatives and projects.

3.3.2 Methodology of Defining Green Finance

Green Finance is a part of ethical financing and subsequently of Sustainable Finance. It is a means of promoting environment and resource conservation by reducing consumption of resources (e.g., electricity, water, moving away from paper-based transactions, etc.) through its operations. Banks/FIs aiming to green themselves adopt cleaner energy sources such as solar power. Green Finance encourages „environment-friendly initiatives everywhere by incorporating the spirit of green banking in its financing decisions as well, leading to greening in other sectors. Green Finance should promote the usage of greener technology in other sectors through its lending products. It refers to banks'/FIs' lending to projects which reduces negative externality or promotes positive externality within the scope of the environment, thus endorsing or supporting green initiatives through financial instruments of banks/FIs.

Green finance is defined as one of a number of terms used to label activities related to the two-way interaction between the environment and finance and investment. Related terms include: environmental, social and governance (ESG), sustainable finance and climate finance. Green finance is used to increase level of financial flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities.

Importance of Green Finance is out-of-question - as it promotes and supports the flow of financial instruments and related services towards the development and implementation of sustainable business models, investments, trade, economic, environmental and social projects and policies. In fact, it is a part of Sustainable Finance. Green Finance refers to targeted financing - to Green Technologies/activities/products/projects/initiatives, to Green Companies or Institutions with good/better than average environmental performance and/or compliance with norms and standards and for a Green Project where the selection of the portion of Working

Capital Loan is set in the project in such a justified manner which could be recognized as a part of Green Project Loan as Green Finance. Moreover, financing/funding for Research/Innovation /Marketing/Capacity Building/Awareness and digging out/hunting/recognizing new green or environment friendly products/ projects/initiatives will be treated as Green Finance.

An exhaustive Green Finance Policy has been thought for boosting Green Finance as part of Sustainable Finance to ensure and establish Sustainability. Moreover, BB intends to broaden space and scope of Green Finance through identifying nationwide green products/projects/initiatives in consultation with concerned/competent national authorities like SREDA, DoE under MoEF&CC. BB also considers suggestions, opinions or concepts on potential green products/projects/initiatives received from banks, FIs, potential borrowers, suppliers, service providers, associations, different chamber of commerce and surroundings.

3.3.3 Identification Process of Green Products/Projects/Initiatives with Norms/Benchmark/ Standards

- **Consultation and Review** of National Rules, Regulations, Guidelines, Perspective Plans (2010-2021), 8th Five Year Plan, Policies, Guidance Notes, applicable SDGs and International Standards.
- **Climate Fiscal Framework (CFF)** – a govt. proclamation published in 2014 aiming at→ Establishing greater national ownership of climate finance; Promoting Government – NGO-Private Sector Partnership Harmonization; Enhancing result management; Increasing mutual accountability; Broadening the opportunity for resilient development and green growth in Bangladesh.
- **Environmental Conservation Rules (ECR) 1997 & 2023** for water and air quality standards, Standard Guidelines for Sludge and Waste management, Environment Friendly Brick kilns Guidance for Compressed Block Bricks, Foam Concrete/Non Fire Bricks/Auto Cleaved Concrete(ACC), Environment friendly brick kiln efficiency improvement systems - Hybrid Hoffmann Kiln (HKK), Tunnel Kiln (most environment friendly brick kiln efficiency improvement system in Bangladesh). This needs to be mentioned that Hybrid Hoffmann Kiln (HKK) and Tunnel Kiln have been declared as "Industry" by the Ministry of Industry (MoI), Govt. of Bangladesh. Bangladesh Environment Conservation (Amendment) Act, 2010; The ECA-2010 has stipulated the principle of sustainable development, intergenerational equity, polluter pays principle and precautionary principles those are in the core of the environmental jurisprudence worldwide.
- **Sustainable and Renewable Energy Development Authority (SREDA)**'s **policy/Guidelines** for identifying Renewable and Resource Efficiency Products/Projects/Initiatives.

- **Consultation, Experience Shared, Lessons Learned** with Practitioners, Product Specific and Industry Specific Association Experts such as Textiles and Garments sectors etc. and Technical Service Providers with a Business Case PP/Concept Notes and thereafter necessary review for an agreeable decision approved by the competent respective authority.

- **Refinance Scheme for Environment Friendly Products/Projects/Initiatives (BDT 04 billion)[3]** has been established for availing fund at low cost for Participating Financial Institutions (PFIs) (Banks/FIs) against their financing of renewable energy generation and other environmentally benign projects. The size of the fund has been increased from BDT 02 billion to BDT 04 billion due to the growing demand for financing of environment friendly products/Projects/initiatives. The scheme includes 70 green products/projects/ initiatives under 12 categories.

- **Green Transformation Fund (GTF)[4]** Bangladesh Bank established USD 200 million and Euro 200 million Refinance Scheme under Green Transformation Fund for all export-oriented industries for importing Green Machineries belong to a) Water use efficiency in wet processing; b) Water conservation and management; c) Waste management; d) Resource efficiency and recycling; e) Renewable energy; f) Energy efficiency; g) Heat and temperature management; h) Air ventilation and circulation efficiency; and i) Work environment improvement initiatives. To accelerate sustainable growth in export and manufacturing oriented sectors conducive to transformation of green economy in the country, BDT 50 billion Refinance Scheme under Green Transformation Fund[5] has been introduced in 2022.

- **Technology Development/Up-gradation Fund[6]** Bangladesh Bank introduced a Refinancing Fund (Revolving in nature) of BDT 10 billion to offer refinance facility for the Modernization and Technological Development/Up-gradation of Export Oriented Industries in Bangladesh. To expedite the Vision-2021, Promotion from LDC within 2024, Attainment of SDGs within 2030 and Vision-2041 of becoming a developed country, it is necessary to increase Per Capita Export Income and the portion of Export Income in GDP in a notable amount. In this process, there is no alternative of modernization and technological development/up-gradation of export oriented industries. Considering the situation, Bangladesh Bank has introduced TDF/TUF refinance facility through the publication of SFD Circular No-2 dated 17 January 2021.

[3] SFD Circular No. 02/2023
[4] FE Circular No. 02/2016, 20/2020, SFD Circular No. 04/2020
[5] SFD Circular No. 07/2022
[6] SFD Circular No. 02/2021

3.3.3.1 List of Green Products/Projects/Initiatives applicable for Term Finance

A. Renewable Energy

1. Solar Home System
2. Solar Grid
3. Solar Park
4. Solar Irrigation Pumping System
5. Solar Photovoltaic (PV) Assembly/Manufacturing Plant
6. Solar Water Heater Assembling/Manufacturing Plant
7. Net Metering Rooftop Solar System
8. Solar Pump for Drinking Water
9. Solar Cooker Assembly/Manufacturing Plant
10. Solar Air Heater & Cooling System Assembly/Manufacturing Plant
11. Solar Powered Cold Storage
12. Biogas Plants[7]
13. Integrated Cow Rearing and Setting up of Bio-gas Plant
14. Wind Power Plant
15. Hydro Power Plant
16. Portable Solar Charging Station

B. Energy & Resource Efficiency

17. Installation of Energy Auditor Certified machineries including boiler in industries for following purposes:
    i. Energy Efficiency
    ii. Resource Efficiency
    iii. Heat and temperature management
    iv. Air ventilation and circulation efficiency
    v. Business process automation
    vi. Operations management
    vii. Waste management
    viii. Water use management
    ix. Human resources development and management
    x. Accounting, inventory management, marketing, sales and security management automation
18. Auto Sensor Power Switch Assembly Plant
19. Energy Efficient Cook Stove Assembly Plant
20. LED Bulb/Tube Manufacturing/Assembly Plant
21. Energy Efficient Lime Kiln
22. Improved Rice Parboiling System

[7] Establishment of Biogas Plant using following raw materials:
(i) Agricultural residues
(ii) Community (City/Municipality) based wastes
(iii) Industrial wastes

C. Alternative Energy

23. Pyrolysis Processed Oil/Bio-crude Oil/Bio Fuel Manufacturing Plant
24. Lithium Battery Manufacturing Plant

D. Liquid Waste Management

25. Biological ETP
26. Combination of Biological and Chemical ETP
27. Conversion of Chemical ETP into Combination of Biological and Chemical ETP
28. Central ETP
29. Waste Water Treatment Plant
30. Sewage Water Treatment Plant

E. Solid Waste Management

31. Methane Recovery and Power Production from City/Municipal Waste Plant
32. Compost Production from City/Municipal Waste Plant
33. Hazardous Waste Management Unit/Plant
34. Medical Waste Management Unit/Plant
35. E-Waste Management Unit/Plant
36. Sludge Management Unit/Plant

F. Circular Economy & Eco-Projects Financing

37. PET Bottle Recycling Plant
38. Plastic Waste (PVC, PP, LDPE, HDPE, PS) Recycling Plant
39. Paper Recycling Plant
40. Recyclable Bag Manufacturing Plant
41. Recyclable Poly Propylene Thread and Bag Manufacturing Plant
42. Battery (Solar/Led Acid/Lithium Ion) Recycling Plant
43. Recycling & Recyclable Goods Manufacturing Plant
44. Biodegradable/ Reusable/ Compostable Items Manufacturing Plant
45. Solar powered/used Items Manufacturing Plant
46. Eco-industrial parks
47. Jute Products Manufacturing Plant

G. Environment Friendly Brick Production

48. Compressed Block-Brick
49. Foam Concrete Brick
50. Environment Friendly/Brick Kiln Efficiency Improvement Project (Tunnel Kiln, HHK and other eco-friendly bricks)

H. Green/Environment Friendly Establishments

51. Establishment of Green Industry certified by appropriate authority (In Bangladesh - SREDA, Internationally - USGBC-LEED, BREEAM, CASBEE, EDGE, GRIHA)

52. Establishment of Green Building certified by appropriate authority (In Bangladesh - SREDA, Internationally - USGBC-LEED, BREEAM, CASBEE, EDGE, GRIHA)
53. Establishment Green Featured Buildings (Characteristics have been given in **Annex-1**)
54. Concerning Factory working environment and safety (Fire defense system, disaster defense and prevention system, workers' health safety system)
55. Affordable Green Housing

I. Green Agriculture

56. Earthworm compost manure production
57. Palm oil production
58. Organic manure production from slurry
59. Forestation (Social/integrated/Agro)
60. Organic Farming
61. Rooftop Agriculture/Vertical Farming or Gardening
62. Fish cultivation in cage
63. Bio-flock fish cultivation
64. Integrated Recycling System (IRS) fish cultivation/Bottom clean fish cultivation
65. Financing in coastal aquaculture
66. Floating system cultivation, Hydroponic cultivation/farming

J. Green CMSME

67. Financing in Cottage Industry

K. Green SRF

68. Community Investment for addressing Climate Resilience and Disaster Management in a concessional rate (finance to clean air, clean water, minimizing industrial and municipal waste, recovery and protection of water bodies, marshy lands, expansion of green coastal belt, water purification, sustainable sanitation, water blockage mitigation, soil and water salinity mitigation, river erosion prevention)
69. Financing in Green/Clean transportation projects (cycles, hybrid car, green vehicles those run on wind, solar energy, electricity, hydrogen, bio-fuels etc.)
70. Financing in Sand-witch Panel (Floating or Movable Houses in coastal areas or climate vulnerable zone)
71. Financing in Govt. approved Eco-tourism project
72. Health and Healthcare Services
73. Digital Loan/credit using MFS or other digital medium
74. Financing in educational institutions, scholarship programs, or edtech startups that aim to improve access to quality education and workforce development.
75. Financing projects and businesses that promote gender equality, such as those supporting women entrepreneurs, addressing gender-based violence, and promoting women's rights.
76. Financing projects that promote cultural preservation, arts, and heritage conservation.
77. Natural ecosystem protection and restoration

L. Blue Economy Financing:

78. Marine sustainable Fisheries
79. Mariculture
80. Coastal Ecotourism
81. Marine Plastic Pollution
82. Coastal Renewable Energy
83. Maritime Transport
84. Green Shipyard (Ship building and ship breaking) certified by appropriate authority (compliant with the International Maritime Organization (IMO) Guidelines for Safe and Environmentally Sound Ship Recycling under the Hong Kong Convention)
85. Eco Port
86. Marine protection

M. Information and Communication Technology

87. Hi-Tech Park
88. Broadband Networks and IT solutions
89. Internet of Things (IOT)
90. Artificial Intelligence
91. Robotics

N. Miscellaneous

92. Research and development for Sustainable Activities
93. Sustainable Supply Chain management
94. Manufacture and assembly of green building products

3.3.4 Policy Activities towards Green Environment

- Bangladesh Bank issued Green Banking Policy Guideline for Banks in 2011[8].
- In 2013, Policy Guidelines for Green Banking[9] was also issued for the Financial Institutions (FIs)[10] and for the banks scheduled in 2013. Through these guidelines all banks and FIs were brought under the structured reporting system.
- Besides, to expedite the ongoing initiatives of banks and FIs at faster pace, from January 2016 onwards minimum target of direct green finance was set at 5% of the total funded loan disbursement/investment for all banks and FIs[11]. In 2021[12], minimum Green Finance target is set at 5% of total term loan disbursement and Sustainable Finance target is 20% of total loan disbursement.

[8] BRPD Circular 02/2011
[9] GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013
[10] Financial Institutions licensed under Financial Institutions Act, 1993.
[11] GBCSRD Circular No. 04/2014
[12] SFD Circular No. 01/ 2021

- Bangladesh Bank instructed all banks and FIs to establish Sustainable Finance Unit and Sustainable Finance Committee by abolishing both Green Banking and CSR units[13].
- Bangladesh Bank started its policy intervention on environment friendly banking practices by issuing Environmental Risk Management (ERM) Guidelines for Banks and FIs[14] in 2011. Guidelines on Environmental and Social Risk Management (ESRM) for Banks and FIs[15] in Bangladesh along with an Excel-based Risk Rating Model have been issued in 2017 which became enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent. BB issued sector specific ESRM Guidelines in 2022[16].
- A comprehensive list of product/initiatives of Green Finance for banks and FIs[17] has been circulated in September 2017.
- To ensure the movement towards sustainability, Banks and FIs were instructed to form a 'Climate Risk Fund'[18] having allocation at least 10% of their Corporate Social Responsibility budget for Climate Risk Fund. This funding can be done in both ways-by providing grants or financing at reduced rate of interest.
- Banks & FIs have been instructed to set up Solid Waste Management System, Rainwater Harvesting and Solar Power Panel in their newly constructed or arranged building infrastructure[19].
- By the direction of Honorable Prime Minister, and Bangladesh Bank's instruction in conformity with that, all the banks & FIs must ensure the establishment and activeness of Effluent Treatment Plant (ETP) during financing to all possible clients[20].
- To promote Sustainable Finance, Bangladesh Bank publishes Sustainability Rating of Banks and FIs[21] every year from 2021.
- Bangladesh Bank issued Green Bond Policy for Banks and FIs[22] in 2022.

[13] SFD Circular No. 02/ 2016
[14] BRPD Circular No.01/2011
[15] SFD Circular No. 02/2017
[16] SFD Circular No. 03/2022
[17] SFD Circular No. 04/2017
[18] GBCSRD Circular No. 04/2015
[19] SFD Circular No. 01/2016
[20] SFD Circular No. 03/2016
[21] SFD Circular No. 06/2020
[22] SFD Circular No. 05/2022

3.3.5 Economic activities for reducing negative impact on environment

Increased consumption of non-renewable resources, higher levels of pollution, global warming and the potential loss of environmental habitats are included in the environmental impact of economic growth. Also, economic growth caused by improved technology can enable higher output with less pollution.

Environment provides land, water, air, energy resources, coal, oil, forests, minerals and metals and so many other natural resources which are essential for the economic development of the economy. It provides services which are directly used by the consumers i.e. air we breathe and water we drink as a liquid of life.

Negative impact on the environment can be reduced through:

1) Use energy more efficiently
2) Install renewable
3) Conserve water
4) Reduce, reuse, recycle
5) Travel less
6) Consider near sourcing
7) Ship goods more efficiently

3.3.6 Screening & Monitoring

Pre disbursement Screening for Potential investments of Banks and FIs are essential in both quantitative and qualitative judgments as well as stricter onsite and offsite monitoring immediate after disbursement must go on to maintain the quality of the assets remain unclassified.

- ➢ ESRM Guidelines 2022 issued by Bangladesh Bank (prepared in consultation and in conformity with international standards) and Off-site Reporting Format in place. On-site check list for Sustainable Financing including Green Finance will also be in place. Product/Project/Priority Sector Specific ESDD screening as it deems fit.
- ➢ Green Transformation Fund (GTF) of BDT 50 Billion, USD 200 million and Euro 200 million Refinance Scheme has been established for all export-oriented industries for importing Green Machineries belong to (i) Water use efficiency in wet processing (ii) Water conservation and management (iii) Waste management (iv) Resource efficiency and recycling (v) Renewable energy and Energy efficiency (vi) Heat and temperature management and (vii) Air ventilation and circulation efficiency category. Machineries imported for export-oriented industries under GTF need to go through eligible certified energy and resource efficiency audits.
- ➢ Green Buildings and Green Industries require authenticated Certification for such as Gold, Silver, Platinum gradation.
- ➢ Methodology for Sustainability Rating of the banks and FIs has been issued in 2020 considering sustainable finance, green finance, green refinance and CSR activities, green governance and compliance issues addressing sustainability.

3.3.7 Developing a Green Bond Standard

Green Bonds are bonds where proceeds from fixed-income and liquid financial instruments are applied and specifically earmarked to raise money, in part or in full, new and/or existing eligible climate-mitigation and adaption projects and other environmentally beneficial activities. These bonds are typically asset-linked and backed by the issuing entity's balance sheet.

For both the issuer and the investor - a bond is a very beneficial instrument. By issuing a bond - the issuer gets the required fund whereas the investors will receive interest and the principal amount. Bond Issuers may be the firms, governments, banks/FIs, supernatural entities, and city corporations, local municipalities/entities, SPVs, etc. The issuer of green bonds borrows the money from bond investors to mitigate climate change and adapt the same to build climate resilience projects and other environmentally beneficial activities. Green Bonds issued by bank/FI will be treated as “Green equity”.

Standard of Climate Bonds through a Climate Bond Taxonomy contains **Energy** (solar, Hydropower, Bio-energy, Wave & Tidal, Energy Distribution and Management, Dedicated Transmission); **Transport** (Rail, Vehicles, Mass Transit, Bus Rapid Transport, Water Bourne Transport, Alternative Fuel Infrastructure); **Low Carbon Buildings** (Residential, Commercial, Retrofit, Products for building Carbon efficiency) **IT& Communication** (Power management, Broadband, Resource Efficiency, Tele/Video conferencing); **Waste & Pollution Control** (Recycling, Other Recovery, Disposal, Prevention); **Nature Based Assets**(Agricultural Land, Forests (Managed or Unmanaged), Wet Lands, Degraded Lands, Other Land uses (managed and unmanaged), Fisheries and Aquaculture, Coastal Infrastructure, Land Remediation); **Industry & Energy Intensive Commercial** (Manufacturing, Energy efficiency processes, Energy Efficiency Products, Retail and wholesale, Data centers, Process and fugitive emission, Energy Efficient Appliances, Combined Heat and Power). Green Bonds should also implement a Gender focused element, so that they are aligned with Sustainable Development Goal 5 (gender equality).

Green Bond financing is a huge growth area especially post 2020. Accredited verifiers under the Climate Bonds Initiative (CBI) can certify a Green Bond which is issued under the CBI standard.The Climate Bonds Taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 2-degree global warming target set by the COP 21 Paris Agreement. It has been developed based on the latest climate science including research from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), and has benefited from the input of hundreds of technical experts from around the world. It can be used by any entity looking to identify which assets and activities, and associated financial instruments, are compatible with a 2-degree trajectory.

The policy on Green Bond Financing was circulated on 20 September 2022. The objective of the Policy on Green Bond Financing for Banks and FIs is to facilitate sustainable investment by banks and financial institutions with a focus on climate change mitigation and adaptation, energy and resource efficiency, and a green economy. Taxonomy for financing in green bond also occupies an important part of the policy. Sustainable Development Goals (SDGs), Fifth Year Plans, National Sustainable Development Strategy, Perspective Plan 2041, and Delta Plan 2100 are covered policies in this documents.

Eight sectors have been given a standard identification process:

1. Low-carbon electricity, heating, and cooling;
2. Green establishments and built environments;
3. Energy and resource efficiency industry;
4. Low-carbon transportation;
5. Circular economy;
6. Waste water and water management;
7. Agriculture and land use;
8. Activities to enhance climate resilience not elsewhere classified; and Services to support the low-carbon, climate-resilient, and green economy.

In 88 activities, each of these elements has been structurally put in the Green Bond Taxonomy.

Gender focused green bonds

Green bonds should have a gender component, both in the aims of the associated projects, and in the overall understanding of what makes a green bond gender focused.

3.3.8 Green Investment

Green Investments are focused on products/projects/initiatives committed to the conservation of natural resources, the production and discovery of alternative energy sources, the implementation of clean air and water projects, or other environment-friendly business practices. Green investments belong to following categories:

A. Investment in Green Bond/Green SUKUK

Bangladesh is highly vulnerable to climate change risk. In this context, GoB has developeda master plan to combat the impending threats. Accordingly, it is necessary to build-up eco-friendly industries/concerns, infrastructures and plants for green energy production. All those projects require long-term mega investments. As issuance concerns, green bond/green SUKUK issuers commit to provide investors with detailed information on the projects and infrastructure supported with the proceeds. These are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same creditrating as their issuers' other debt obligations.

B. Investment in Impact Fund

Bangladesh Bank issued a guideline in 2015 for the scheduled banks and another in 2016 for the financial institutions for investing in Special Purpose Vehicle, funds not listed in the capital market, Alternative Investment Fund or any such funds registered by the

Bangladesh Securities and Exchange Commission (BSEC).[23] Investment by scheduled banks and financial institutions in any impact fund which is registered under the BSEC (Alternative Investment) Rules, 2015 and formed for the following sectors/purposes willbe considered as Green Investment[24].

1. Resource Efficiency
2. Air Emission and Quality Efficiency
3. Resource Recycling
4. Waste Management (both solid and liquid)
5. Renewable Energy
6. Land Contamination Prevention/Mitigation
7. Energy Efficiency
8. Land Acquisition and Resettlement Management
9. Water Management and Conservation
10. Labour and Working Condition Management
11. Water Use Efficiency
12. Community Health and Safety Management
13. Waste Water and Effluent Treatment Management
14. Indigenous People and Cultural Heritage
15. Heat and Temperature Management
16. Women and Child Right Protection
17. Air Ventilation and Circulation Efficiency
18. Environment/Climate Friendly Industry/Building/Brick Kiln
19. Environment/Climate Friendly Transportation/Vehicle
20. Nature Conservation
21. Environment Friendly Agriculture
22. Any other deemed Eligible by BB

3.3.9 Greening the Polluting Industries

As per ECR 1997 and 2023 issued by DoE under MoEF&CC, all industrial units are categorized into Green, Orange A, Orange B and Red category with respect to pollution level. Among these industrial units, Orange B is considerably more polluted and Red category units belong to the most polluting industries. Sector Specific ESDD Screening for some more or most polluting priority industries like Textile, Steel, Cement, Brick Kiln, Tannery, Power Plant etc. will be required to go under dedicated ESDD screening checks for greening those industrial units through fulfillment of required work conditions & compliances of DoE and accordingly installations/introductions of Green Products/Machineries/Projects for reducing emission to a required extent and thus green transformation will happen to these polluting industrial units.

[23] DOS circular No.-02/ 2015, DFIM circular No.-04/ 2016
[24] SFD Circular No.:01/2019

3.3.10 Climate finance

UNFCCC defined climate finance as the part of Sustainable Finance that: "aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts". Climate finance refers to local, national or transnational financing drawn from public, private and alternative sources of financing that seeks to support mitigation (reduce of GHG emission) and adaptation actions that will address climate change. The public sector and civil society play a crucial role in climate finance, yet the private sector and impact investors in particular, play a crucial role as well. The UN Framework Convention, the Kyoto Protocol and the Paris Agreement call for financial assistance from Parties with more financial resources to those that are less endowed and more vulnerable. This recognizes that the contribution of countries to climate change and their capacity to prevent it and cope with its consequences vary enormously. Climate finance is needed for mitigation because large-scale investments are required to significantly reduce GHG emissions. Climate finance is equally important for adaptation, as significant financial resources are needed to adapt to the adverse effects and reduce the impacts of changing climate.

In accordance with the principle "common but differentiated responsibility and respective capabilities" set out in the UNFCCC, developed country Parties are to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC. The Paris Agreement reaffirms the obligations of developed countries, while encouraging voluntary contributions by other Parties. Developed country Parties should also continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments, and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.

It is important for all governments and stakeholders to understand and assess the financial needs of developing countries, as well as to understand how these financial resources can be mobilized. Provision of resources should also aim to achieve a balance between adaptation and mitigation.

Overall, efforts under the Paris Agreement are guided by its aim of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Assessing progress in provision and mobilization of support is also part of the global stock take under the Agreement. The Paris Agreement also places emphasis on the transparency and enhanced predictability of financial support. Impact investors seek to generate positive, measurable social and environmental impact alongside a financial return. Mobilizing capital from institutional investors will be a key lever in driving the change needed to fill this funding gap and address the climate crisis.

Climate Finance Markets and the Real Economy, proposed a starting point for defining the topic of Climate Finance and Climate-Aligned Finance: Climate Finance is defined as financing that supports the transition to a climate-resilient economy by enabling mitigation actions, especially the reduction of GHG emissions, and adaptation initiatives promoting the climate resilience of infrastructure and general social and economic assets.

Component of Climate Finance

Climate Change Adaptation	Climate Change Mitigation	Climate Change Loss and Damage
A. Adaptation initiatives promoting the Climate resilience of infrastructure as well as of social and economic assets more broadly.	B. Zero-carbon or near-zero carbon activities C. “Transition activities” that contribute to transition to net-zero emissions economy but not currently close to net-zero carbon: Associated financing typically referred to by market as “Transition Finance”	D. Loss and damage address the economic and non-economic loss and damage by the impacts of climate change.

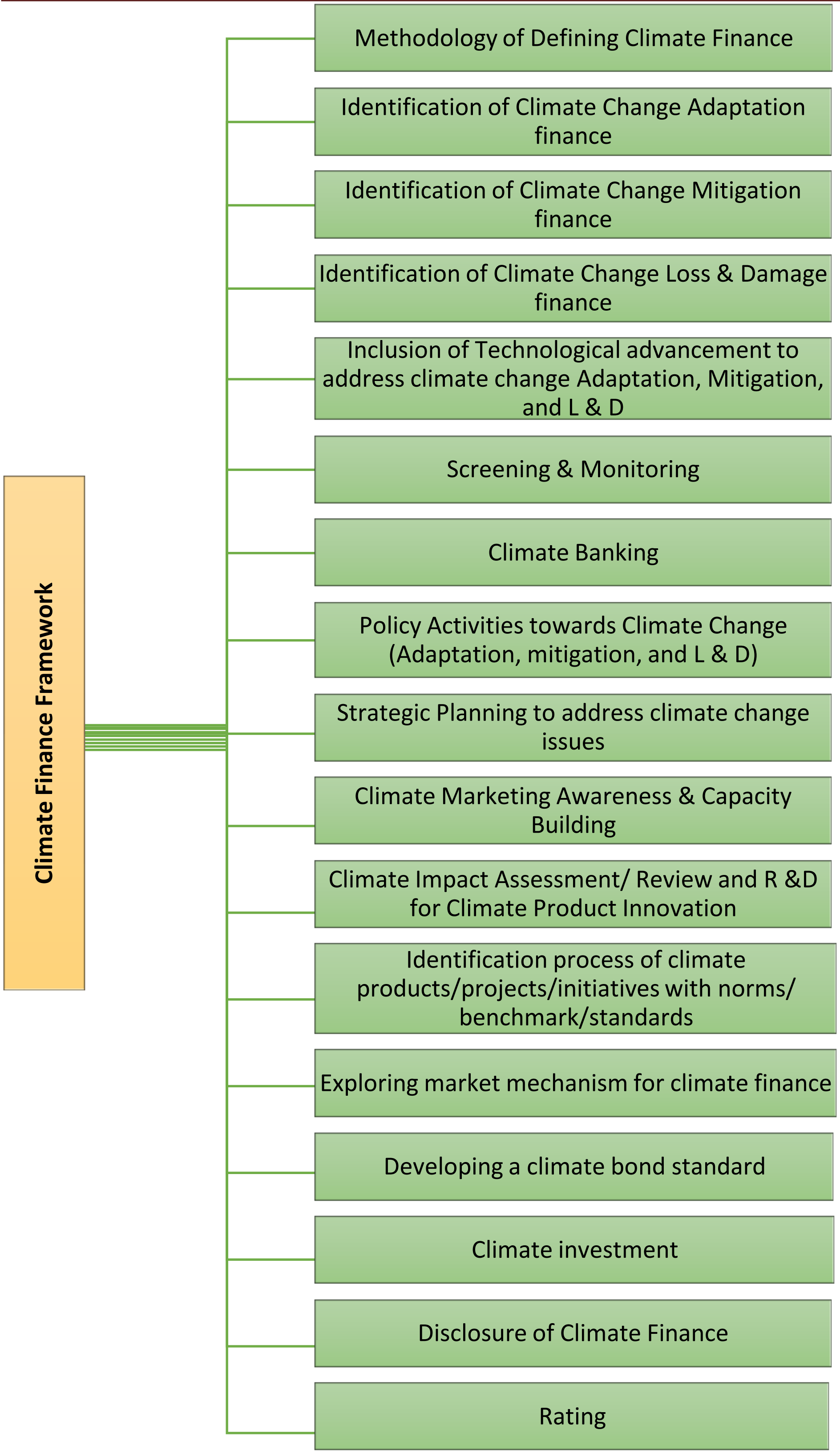
3.3.10.1 Climate finance framework

Climate Finance Framework means classification of climate finance and its dimension. It is a structured mechanism for identifying and recognizing a product/a project/an initiative belongs to climate finance. Climate finance framework includes:

(i) Climate change mitigation
(ii) Climate change adaptation
(iii) Climate change induced loss & damage

3.3.10.2 Objectives/focus/purpose of climate finance framework

Climate finance framework has been structured by considering all the dimension of climate change. Forming Climate Finance Framework is very much essential and within the broader scope of sustainable development agenda of a country like Bangladesh. The policy actions and operations have been included in the framework to provide a comprehensive understanding for concerned stakeholders regarding climate finance.


Climate Finance Framework
Methodology of Defining Climate Finance
Identification of Climate Change Adaptation finance
Identification of Climate Change Mitigation finance
Identification of Climate Change Loss & Damage finance
Inclusion of Technological advancement to address climate change Adaptation, Mitigation, and L & D
Screening & Monitoring
Climate Banking
Policy Activities towards Climate Change (Adaptation, mitigation, and L & D)
Strategic Planning to address climate change issues
Climate Marketing Awareness & Capacity Building
Climate Impact Assessment/ Review and R &D for Climate Product Innovation
Identification process of climate products/projects/initiatives with norms/ benchmark/standards
Exploring market mechanism for climate finance
Developing a climate bond standard
Climate investment
Disclosure of Climate Finance
Rating

3.3.10.3 Identification of climate change adaptation finance

Adaptation refers to adjustments in ecological, social, or economic systems in response to actual or expected climatic stimuli and their effects or impacts. It refers to changes in processes, practices, and structures to moderate potential damages or to benefit from opportunities associated with climate change. In simple terms, countries and communities need to develop adaptation solution and implement action to respond to the impacts of climate change that are already happening, as well as prepare for future impacts.

3.3.10.4 Identification of climate change mitigation finance

Climate change mitigation consists of actions to limit global warming and its related effects. This involves reductions in human emissions of greenhouse gases as well as activities that reduce their concentration in the atmosphere. It is one of the ways to respond to climate change, along with adaptation.

As there is a direct relation between global average temperatures and the concentration of greenhouse gases in the atmosphere, the key for the solution to the climate change problem rests in decreasing the amount of emissions released into the atmosphere and in reducing the current concentration of CO_2 by enhancing sinks (e.g. increasing the area of forests). Efforts to reduce emissions and enhance sinks are referred to as “mitigation”.

3.3.10.5 Identification of climate change Loss & Damage (L&D) finance

Loss and damage is a term that is used to describe total losses, such as death and land lost due to climate induced sea-level rise, and repairable damage, such as destroyed infrastructure. While loss and damage typically refers to the economic consequences of climate change, the term can also apply to cultural and traditional practices that are lost due to climate impacts.

3.3.10.6 Carbon Footprint Reduction Measures & Carbon Finance

Carbon Footprint Reduction Measures- A carbon footprint is the total amount of greenhouse gas emissions that originates from the production, use and end-of-life of a product or service. It includes carbon dioxide, the gas most commonly emitted by humans and others, including methane, nitrous oxide, and fluorinated gases, which trap heat in the atmosphere, causing global warming. Bangladesh Bank has already published its HQ's first annual carbon footprint report, 2014[25] on carbon footprint measurement as a part of their sustainability commitment to produce and publish own carbon footprint.

[25] https://www.bb.org.bd//pub/annual/carbon/report_2014.pdf

As a result, BB has been encouraging other organizations of Bangladesh, especially Banks & FIsto measure and publish their own (internal) carbon footprint. Now BB intends to collect & assess the energy consumption related data of Banks & FIs on a yearly basis for taking necessary steps to reduce the internal carbon emission of Banks & FIs; this will be done in a gradual manner where the Banks and FIs will be required to calculate and report the carbon footprint of their Headquarter and later other branches

In addition to this, the Banks and FIs will gradually be encouraged to measure and report the carbon emission of their loan portfolio (existing or new loans, other financial products etc.). It is advisable and will be implemented gradually, that all the projects will be assessed on their 'green-merit' for financing and re-financing and assessed by a 3rd party (recommended or enlisted by Bangladesh Bank) subject matter expert prior to selection of green projects.

The Banks and FIs should develop a comprehensive GHG Inventory of their own operation across all locations and later develop GHG abatement and offset strategy to reduce carbon emission. A framework for this will be developed and published soon.

Carbon Finance- There are many ways and efforts underway to reduce carbon emissions and promote activities which help to convert into a tradeable financial instrument and made carbon reduction a valuable economic commodity. To find a common unit for this commodity all GHGs are converted to CO_2 equivalents (CO_2-eq). The CO_2-eqs or Certified Carbon Emission Reductions (CERs) or Voluntary Carbon Emission Reductions (VERs) Certificates are traded on carbon markets. Carbon Finance is earned by making investments in generation of greenhouse gas emission reductions that can be traded in carbon markets. Common Carbon Finance project types include cleaner production projects and projects that increase energy efficiency or generatepower from renewable resources.

Banks & FIs could participate actively in carbon markets in various ways:

- Offering advisory services to clients entering or active in carbon markets, including marketing, structuring, transacting, and sales of carbon;
- Offering targeted financing to companies with GHG emission reductions projects andprograms that generate a stream of carbon finance income;
- Selling emission reductions in the carbon market which they aggregate and purchasefrom portfolios of clients with smaller-scale GHG emission reductions projects;
- Making equity investments in companies that originate and transact GHG emission reduction projects and programs that earn carbon finance payments, and
- Receiving emission reductions in addition to interest payments as part of upside-sharingagreed with clients that generate carbon credits.

BB intends to introduce Carbon Finance as on demand in the financial market of Bangladesh. There are existing internationally accredited carbon reduction projects in Bangladesh in which the banks can participate to ensure sustainability and additional revenue for the project.

3.3.11 Technological Advancement for Inclusiveness in Green Activities and Green Growth

"Technological Advancement for Inclusiveness in Green Activities and Green Growth" is well covered in "Inclusion of Technological advancement" of Sustainable Finance Taxonomy and thetheme is not required to mention separately again.

3.3.12 Green Strategic Planning, R&D for Green Innovation, Product Marketing, Awareness and Capacity Building, Green Impact Assessment /Review

Green Taxonomy has been included as part of Sustainable Finance Taxonomy. As such Green Strategic Planning, R&D for Green Innovation, Product Marketing, Awareness and Capacity Building, Green Impact Assessment /Review have been taken in due consideration while discussing earlier in Sustainable Finance Taxonomy.

3.3.13 Green Finance Disclosure

Green Taxonomy has been included as part of Sustainable Finance Taxonomy. Banks and Financial Institutions should disclose the initiatives/practices time to time taken by them in their respective websites. The following disclosure should be made and updated by all Banks and FIs:

i. Updated and detailed information regarding Banks'/FIs' environmental activities andperformances of major clients should be disclosed.
ii. Banks/FIs shall keep their annual report and websites updated with the disclosures onGreen Banking initiatives/activities.
iii. Banks/FIs should incorporate a section/dropdown/tab for their existing Greenproducts/projects/initiatives in their website.
iv. A customer complaint/feedback option should be in their website for any query made inthis regard.
v. Brief information regarding **BB Support Funds** should be disclosed on website in adisplayable tab.

Chapter-4: Target, Rating & Rewards

4.1 Fixation of Green Finance Target and Sustainable Finance Target including Green Finance

All Banks and Financial Institutions shall determine their annual target on the basis of their immediate previous year's net outstanding amount and declare their yearly budget allocation both for Green Finance and Sustainable Finance at the beginning of the calendar year. Banks and FIs will determine their Green Finance and Sustainable Finance target on the basis of immediate previous year's Net Outstanding of loans and advances (Total Outstanding less staff loans and total classified loans). In conformity with BB's guidelines, Banks and Financial Institutions shall set target of Green Finance and Sustainable Finance considering all potential area and product/projects with required justification.

4.2 Attainment of Green Finance and Sustainable Finance Target

Banks and FIs will report on their attainment of Green Finance and Sustainable Finance on Quarterly basis. Sustainable Finance Department will determine Green Finance attainment of all Banks and FIs on the basis of Term Loan Disbursement (excluding staff loan), and attainment of Sustainable Finance on the basis of Total Loan Disbursement (excluding staff loan). Attainment of Green Finance and Sustainable Finance should be maintained in conformity with relevant instructions issued by BB.

4.3 Sustainability Rating

Banks and FIs will be rated under sustainability rating considering their performance on environmental, social and governance attributes especially their policies and performance. This Rating will include their performance in four major components; (i) Sustainable Finance (ii) CSR (iii) Green Refinance and (iv) Core Banking Sustainability. Banks and FIs will be rated once a year.

4.4 Compliance and Non-compliance

Banks/FIs while financing and reporting will meticulously comply with the guidelines mentioned in this policy as well as credit norms and instructions of concerned regulators/competent authorities. Necessary actions will be taken against respective banks/FIs for any non-compliance of the said guidelines/credit norms/instructions and returns as per Bank Company Act 1991 and Financial Institutions Act 1993.

4.5 Reward and Incentives

Sustainable Finance of banks/FIs will enhance their credibility in reducing systemic risk, strengthening risk management, ensuring prudential decision making and comfortably coping with the transition towards sustainable development. Bangladesh Bank will recognize top performing banks and FIs on basis of Sustainability Rating. Besides, Bangladesh Bank will consider other incentives for top performing banks and FIs in due course of time.

Chapter-5: Exclusion List & Inclusion Criteria of Products/Projects/Initiatives for Sustainable Finance

5.1 Exclusion List=> Ineligible for Finance

All loan proposals will have to be first screened against this exclusion list. Financing in any activity/area in the following list is not to be considered for financing.

Sector	Activities/ Areas
1. Agriculture 2. MSMEs and Large Industry (Manufacturing and Service) 3. Trade and Commerce	Production or trade in any product or activity deemed illegal under laws or regulations of Government of Bangladesh or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES). A list of applicable national regulations and international treaties for this policy has been given in **Annex-2**.
	➢ Ship breaking/trading activities refers to: ➢ Ships with prevalent asbestos use (for e.g. passenger cruise); ➢ Ships listed on the Greenpeace blacklist*; ➢ Ships not certified “gas free” for hot work
	Drift net fishing, deep sea bottom trawling, or fishing with the use of explosives or cyanide
	Hydraulic horn and >75 decibel horns, polypropylene and polythene bags, two stroke engines.
	Operations impacting UNESCO World Heritage Site and/or Ramsar site
	Illegal logging, and logging operations or conversion of land for plantation use in primary tropical moist forests
	Production or activities involving forced labor/ child labor
	➢ Production or trade in: ➢ Weapons and munitions ➢ Tobacco ➢ Gambling, casinos ➢ Pornography (goods/stores/web/app-based) ➢ Brick production through Fixed Chimney Kiln (FCK)
	➢ Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples
*http://www.greenpeace.org/international/en/campaigns/oceans/pirate-fishing/Blacklist1/	

5.2 Exclusion List=> Ineligible for Sustainable Finance

Any finance falls in the following list will not be eligible as sustainable finance.

Sector	Activities/ Areas
1. Agriculture 2. MSMEs and Large Industry (Manufacturing and Service) 3. Trade and Commerce	If does significant harm to natural reserves, scenic spots, drinking water source reserves, basic farm land reserves, forest parks, geo parks, important wet lands, natural forests, important habitats for wildlife, key protected places for growth and reproduction of wild plants, natural spawning grounds, feeding grounds, wintering ground sand migration channels for important aquatic organisms, natural fishing grounds, water and soil.
	Use of thermal coal, high toxic and high residual/chemical pesticides/fertilizer, use of livestock and poultry food not approved by the government.
	• Upstream fossil fuel extraction and production (including gas, coal and oil) • New standalone fossil fuel electricity production • projects that lead to an increase in CO_2 emissions (through capacity expansion and increased output as a result of the project/investment) • Processing, storing, marketing of gas, and oil • Refining of oil • Nuclear power generation and related assets • Distribution or transport of fossil fuels • Construction, maintenance or expansion of roads • Heavy duty vehicles, infrastructure for fossil fuels (e.g., fuel stations) or bunker fuelled shipping infrastructure
	Projects supported by the activities involving heavy metal contaminated soil.
	The projects do not support the processing, recycling and other activities of waste (solid and liquid).
	The projects do not maintain standard bio-safety level, fire defense system, workers health safety equipments.
	The projects include the storage, logistics and distribution of toxic, harmful and dangerous goods.
	The projects endanger local livelihoods; decrease the quality life of indigenous people.
	The projects do not include gender equality, freedom of association and right to bargaining of company employee/workers.
	The projects threaten community/public health

5.3 Inclusion Criteria of Products/Projects/Initiatives for Sustainable Finance

Banks and FIs will apply to General Manager, Sustainable Finance Department, Bangladesh Bank, Head Office through the letter signed by the respective Managing Director/Chief Executive Director for the approval before financing to any new products/projects/initiatives as Sustainable Finance (Green Finance or Sustainable linked finance) beyond the products/projects/initiatives mentioned in this policy. A report must be attached with the application evaluating Financial Profitability, Environmental and Social Feasibility and Pre-Risk Assessment of new products/projects/initiatives for Sustainable Finance. Upon the approval by Bangladesh Bank the proposed products/projects/initiatives will be considered suitable for Sustainable Finance.

Aspects of products/projects/initiatives for the inclusion in the list of Bangladesh Bank for Sustainable Finance**:**

5.3.1 Financial Profitability

i. Activity/ Operating Efficiency
ii. Liquidity
iii. Solvency
iv. Profitability
v. Valuation

5.3.2 Environmental and Social Feasibility

i. Resource Efficiency
ii. Resource Recycling
iii. Renewable Energy
iv. Energy Efficiency
v. Water Management and Conservation
vi. Water Use Efficiency
vii. Waste Water and Effluent Treatment Management
viii. Heat and temperature management
ix. Air ventilation and circulation efficiency
x. Air emission and quality efficiency
xi. Waste (liquid and solid) Management
xii. Land Contamination Prevention/Mitigation
xiii. Land Acquisition and Resettlement Management
xiv. Labor and Working Condition Management
xv. Community Health and Safety Management
xvi. Indigenous People and Cultural Heritage

5.3.3 Pre-Risk Assessment

i. Cash Flow Forecasting (Net Present Value, Internal Rate Return, Discounted PaybackPeriod and others)
ii. Collateral Requirement
iii. SWOT Analysis
iv. Market (Domestic/Export-oriented) Analysis
v. Fiscal Aspects

Conclusion

It is evident that "Policy Guidelines for Green Banking" issued on February 27, 2011 by Bangladesh Bank has gradually changed the mindset of the traditional bankers. Green Banking Policy has covered mostly all the issues on Green Banking activities, most importantly green finance, a part of sustainable finance. It is also apparent that banks and FIs were long-awaiting to contribute to Sustainable and Green Finance in a structured and transparent manner and recognition there-in. Reporting on Sustainable Finance has been structured in such a manner that contribution by a bank or a financial institution towards sustainable finance including green finance is justified and recognized. It is not required to mention that Sustainable Finance Policy has not only broaden the scope of Sustainable and Green financing for the participating banks and FIs but also has enabled them to be rated better and recognized well in the sustainability rating of BB.

The concern for environmental sustainability and inclusive growth has given mass recognition to the concept of corporate social responsibility and inclusive finance. In an emerging economy like Bangladesh, environmental management needs to be the key focus area of the business fraternity especially the banking industry being the major intermediary. Addressing environmental and social risks associated with financing activities by banks/FIs is a “must do” step in overall Credit Rating for credit approval. Stricter monitoring thereafter disbursement must go on. Accordingly, Bangladesh Bank has also integrated issues of socially responsible initiatives along with core activities of banks/FIs driving towards sustainable finance strategies. By integrating gender aspect into sustainable finance initiatives and policies, Banks and FIs can contribute to a more holistic and inclusive approach to sustainability, recognizing that gender equality is a fundamental component of social and environmental balance and governance (ESG).

Sustainability is the issue never ever be compromised with anything. Where ever we go, where ever we may be, if we are there, if we exist, if anything persists it is because of sustainability. It is our struggle, it is our untiring effort, the best we can do for the survival on earth- the contribution we can minimize pollution, environmental threats, resilience to climate change with respect to climate change mitigation and climate change adaptation; resilience to inequality, imbalance, fight against all evils, inconsistency, corruption, fight for helpless, distressed, non privileged, the CSR community investment with a view to preserving the basic rights of human being, addressing gender equity for women empowerment. Ensuring food security, establishing green building and green industries; sandwich panels for the habitation of the coastal people, impactful investment and so many footmarks, achievements and measures- all these for future generations, for every breath they will take. The world at large is now experiencing the devastating effects of the global climate crisis including droughts, floods, tsunami, water scarcity, and rising sea level. These consequences of climate change threaten the sustainable living on this planet which calls for an urgent and collective response from both developed and developing nations, especially countries like Bangladesh. On that standpoint, we need to take necessary steps for our sustainability in the long run.

Annexure

1. Annexe-1: Characteristics of Green Featured Building

Sl	Equipment Name	Specification
01	Air Conditioning System	Air-conditioning accounts for more than 50% of the total electricity costs in a centrally air-conditioned building. Hence the efficiency of a HVAC system is of prime importance. The heart of the HVAC system is the chiller and hence it is important to procure an efficient chiller system. The cooling equipment shall meet or exceed the minimum efficiency requirement as stated in the table below.

Description	Capacity	COP	IPLV	Input kW/TR	Test procedure
Air cooled chillers including the condenser	All Capacities	2.8	3.05	1.25	ARI 550/590
Air cooled chillers without the condenser	All Capacities	3.1	3.45	1.13	ARI 550/590
Water cooled, electrical operated positive displacement (Reciprocating)	All capacities	4.20	5.05	0.83	ARI 550/590
Water cooled electrical operated positive displacement (rotary screw and scroll)	<150 TR	4.45	5.2	0.79	ARI 550/590
	≥150 TR and 300 TR	4.90	5.6	0.71	
	≥300 TR	5.5	6.15	0.64	
Water cooled electrically operated centrifugal	<150 TR	5.0	5.25	0.70	ARI 550/590
	≥150 TR and 300 TR	5.55	5.9	0.63	
	≥300 TR	6.1	6.4	0.57	

Table–Minimum efficiency requirements for water chilling packages

Sl	Equipment Name	Specification

Air cooled absorption single effect	All Capacities	0.60			ARI 560
Water cooled absorption single effect	All Capacities	0.70			ARI 560
Water cooled absorption double effect (indirect fired)	All Capacities	1.0	1.05		ARI 560
Water cooled absorption double effect (Direct fired)	All Capacities	1.0	1.0		ARI 560

Table– Minimum efficiencies requirements for air cooled air-conditioning equipment

Equipment type	Refrigerant output	Seasonal coefficient of performance (SCOP) kW/kW	Testing procedure
Air-cooled air conditioner	<19 kW	2.84 (COPc)	ARI 210/240
	≥ 19 kW and < 40 kW	3.16 (COPc)	ARI 340/360
	≥ 40 kW and < 70 kW	3.04 (COPc)	
	≥ 70 kW	2.72 (COPc)	
Evaporating water-cooled air conditioners	<19 kW	3.35 (COP)	ARI 210/240
	≥ 19 kW and < 40 kW	3.37 (COP)	ARI 340/360
	≥ 40 kW and < 70 kW	3.22 (COP) 3.02 (IPLV)	
	≥ 70 kW	2.70 (COP)	
Air-cooled condenser units	≥ 40 kW	2.96 (COP) 3.28 (IPLV)	ARI 365

<table>
<tr><th>Sl</th><th>Equipment Name</th><th colspan="4">Specification</th></tr>
<tr><td></td><td></td><td>Water-cooled or evaporating condenser units</td><td>≥ 40 kW</td><td>3.84 COP</td><td></td></tr>
<tr><td></td><td></td><td colspan="4"></td></tr>
<tr><td></td><td></td><td colspan="4">NOTES:
- AC coefficient of performance: COP = Refrigerant output / power input (kW/ kW);
- Condenser unit, including the compressor and condenser coils;
- Minimum coefficients of performance listed in Table 2 are calculated at 100% of the refrigerant output. To calculate the coefficient of performance of AC units running for one year, ARI 340/360 uses the following formula:
IPLV= 0.01A+0.42B+0.45C+0.12D
Where:
IPLV – The Integrated Chapter Load Value- coefficient of performance of the AC unit operating for one year at various Chapter loads.
A = COP – coefficient of performance of the AC unit (W/W) at full load;
B = COP – coefficient of performance of the AC unit (W/W) at 75% load;
C = COP – coefficient of performance of the AC unit (W/W) at 50% load;
D = COP – coefficient of performance of the AC unit (W/W) at 25% load;
ARI – American Refrigerant Institute</td></tr>
<tr><td>02</td><td>Lift / Escalator</td><td colspan="4">Escalator–the escalator must be fitted with controls & Sensors to reduce speed or auto stop when no traffic is detected. Escalators shall be designed with one of the energy-saving features as described below:
1. Reduced speed control: The escalator shall change to a slower speed when no activity has been detected for a period of a maximum of three (3) minutes. Detection shall be by photocell activation or similar sensor at the top and bottom landing areas.
2. Use on demand: The escalator shall shut down when no activity has been detected for a period of a maximum of fifteen (15) minutes. Use on demand escalators must be designed with energy efficient soft start technology. The escalator shall start automatically when required; the activation shall be by photocells or sensor installed in the top and bottom landing areas.
3. Use of AC Variable-Voltage and Variable-Frequency (VVVF) drives
B. Elevator (lift) - Elevator (lift) must be provided with controls to reduce the energy demand. To meet this requirement, the following features must be incorporated in traction drive elevators:
1. Use of AC Variable-Voltage and Variable-Frequency (VVVF) drives</td></tr>
</table>

<table>
<tr><th>Sl</th><th>Equipment Name</th><th>Specification</th></tr>
<tr><td></td><td></td><td>on non-hydraulic elevators.
2. The lift car uses energy-efficient lighting and display lighting i.e. an average lamp efficacy, across all fittings in the car, of >55 lamp lumens/ circuit watt and lighting switches off after the lift has been inactive for a period of a maximum of five (5) minutes.
3. The lifts operate in a stand-by condition during off-peak periods. For example, the power side of the lift controller and other operating equipment such as lift car lighting, user displays, and ventilation fans switch off when the lift has been inactive for a period of a maximum of five (5) minutes.</td></tr>
<tr><td>03</td><td>Solar power system</td><td>3% of Energy of use for Lift and Escalator</td></tr>
<tr><td>04</td><td>Fresh air supply & mechanical Vent</td><td>Mechanical ventilation and Blower in Basement Floors and Fresh air supply system in habitable floor
*Variable speed derive fan & motor unit</td></tr>
<tr><td>05</td><td>Lighting</td><td>Limitation of Lighting Power Density (LPD) will help to design the lighting system in the most efficient way and reduce the lighting and cooling load in the buildings. The following table sets the average LPD limits for each building type:
<table>
<tr><td>Space</td><td>LPD (W/m²)</td></tr>
<tr><td>Business</td><td>9</td></tr>
<tr><td>Mercantile</td><td>13</td></tr>
<tr><td>Hotels</td><td>9</td></tr>
<tr><td>Hospitals/Health care</td><td>11</td></tr>
<tr><td>Residential</td><td>7</td></tr>
<tr><td>Schools</td><td>11</td></tr>
<tr><td>Covered parking</td><td>3</td></tr>
<tr><td>Open and outdoor parking</td><td>1.6</td></tr>
<tr><td>Industries</td><td>As per requirement for the specific task preferably LED lights</td></tr>
</table></td></tr>
<tr><td>06</td><td>Sensors</td><td>Occupancy Sensors , Day light sensors, Co2 Sensor
at least 10 no of sensors (single or different type)</td></tr>
<tr><td>07</td><td>Automation</td><td>Building Management System (BMS) or Energy Management System (EMS): An EMS/BMS reduces energy use in buildings by monitoring conditions and controlling energy-consuming equipment. Frequently used for building loads such as lighting and space conditioning, an EMS/BMS is versatile enough to provide energy savings in process operations in manufacturing facilities. Control functions include everything from basic stop/start functions to more complex, chiller optimization routines.</td></tr>
<tr><td>08</td><td>Ceiling Fans</td><td>Energy consumption ≤ 65 watt
(at least 5 fans)
Energy Efficient Ceiling fan: An energy efficient ceiling fan can save around 35% energy with compared to regular ceiling fan.</td></tr>
<tr><td>09</td><td>Rain water Collection and Discharge</td><td>Rain water collection and use system
2000 L/ Day capacity tank and Underground Discharge system for over flow water.</td></tr>
</table>

<table>
<tr><th>Sl</th><th>Equipment Name</th><th>Specification</th></tr>
<tr><td>10</td><td>WTP</td><td>Water Treatment Plant including recycling and reuse system with energy efficient pumping system (5KLD)minimum</td></tr>
<tr><td>11</td><td>Hot Water system</td><td>Solar Water Heater: Solar water heating systems use solar panels, called collectors, fitted to roof.
(200 Liter/hour) minimum</td></tr>
<tr><td>12</td><td>Motor Usage</td><td>Variable Frequency Drive:
VFDs (Variable Frequency Drives) are basically a green energy savings product that matches the amount of work or load on a motor to the amount of energy it needs to power that amount of work. This reduces excess energy from being wasted.
Soft Starter:
A soft starter is a device used with motors to temporarily reduce the load and torque during startup. It applies a gradually increasing voltage to the motors resulting in smooth acceleration of the motor and coupled load.</td></tr>
<tr><td>13</td><td>Water Fixture</td><td>Water efficient fittings include faucets, showerheads and flushes that use less water in order to perform the same function of cleaning as effectively as standard models. Water efficiency is an important aspect, especially as fresh water resources are increasingly getting depleted at a rate faster that they are replenished.

Use of efficient plumbing fixtures, sensors, auto control valves, aerators, flow control and pressure-reducing devices can result in significant reduction in water consumption.

The following low flow fixtures shall be used:
<table>
<tr><td>Type of fixtures</td><td>Quantity</td><td>Unit</td></tr>
<tr><td>Water closets</td><td>Dual Flush (6/4)</td><td>liters/flushing cycle (full/low)</td></tr>
<tr><td>Shower</td><td>9.5</td><td>liters/min at 500 kPa</td></tr>
<tr><td>Urinals</td><td>Auto Sensor</td><td>--</td></tr>
<tr><td>Hand wash taps</td><td>6 Auto Sensor/Push system</td><td>liters/min at 400 kPa</td></tr>
<tr><td>Kitchen/pantry faucets</td><td>6</td><td>liters/min at 400 kPa</td></tr>
</table></td></tr>
<tr><td>14</td><td>Masonry Materials</td><td>Concrete Hollow Blocks / Interlocking Concrete Block/ lightweight Cellular Concrete/ Clay Brick of Auto Brick factory with efficient kiln.
(at list 60% of total Masonry wall)
• The Factory should have energy audit report from national/International Certifying agency</td></tr>
<tr><td>15</td><td>Steel</td><td>Reinforcement steel from the energy efficient factories
• The Factory should have energy audit report from national/International Certifying agency
• >10% Recycle Materials content</td></tr>
<tr><td>16</td><td>Ready mix concrete</td><td>• Natural Stone chips as course aggregate
• The Factory should have energy audit report from</td></tr>
</table>

Sl	Equipment Name	Specification
		national/International Certifying agency • Should have recycle content or fly ash.
17	Paint	Low Volatile Organic Compounds (VOC) paint (VOC level <10g/L) • The Factory should have energy audit report from national/International certifying agency
18	Low- E-Glass	Solar Heat Gain Coefficient (SHGC) 0.4 (maximum) or Shading Coefficient (SC) 0.46 (maximum) Visible Light Transmittance (VLT) of the glazed element should not be lower than 35%. Double Glazing Window: Energy-efficient glazing keeps home or office cooler and quieter as well as reducing our energy bills. That might mean double or triple-glazing, secondary glazing, or just heavier curtains. Double-glazed windows have two sheets of glass with a gap in between, usually about 16mm, to create an insulating barrier.
19	UPVC window frame	Window frame made of UPVC (all Curtain and Sliding windows of a building) • The Factory should have energy audit report from national/International Certifying agency
20	Insulation	Roof top Insulation & heat reflective paint (Solar Radiation Index value >78) or Insulation blokes

2. Annexe-2: List of Applicable National Regulations and International Treaties

Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
• National Environmental Policy, 1992 • Environment Pollution Control Ordinance, 1977 • Environmental Quality Standards for Bangladesh, 1991 • National Environment Management Action Plan (NEMAP), 1995 • Environment Conservation Act, 1995 and amended in 2002 • Environment Conservation Rules, 1997 and 2023 • EIA Guidelines For Industry, 1997 • Labour Policy 2012 • Bangladesh Labour Act, 2006 • Labour Welfare Foundation law 2006 • Bangladesh Labour (Amended)Law, 2013	• Occupational Hazards Due to Air Pollution, Noise and Vibration (Geneva), 1977 • Prevention and Control of Occupational Hazards (Geneva), 1974 • Occupational Safety and Health in Working Environment (Geneva), 1981 • Occupational Health Services (Geneva), 1985 • International Convention on Climate Change (Kyoto Protocol), 1997 • UN Framework Convention on Climate Change (New York), 1992 • International Convention on Civil Liability for Oil Pollution Damage (Brussels), 1969 • Convention on Oil Pollution (London), 1990 • UN Convention on the Law of the Sea (Montague Bay), 1982

Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
• Labour Relations under Labour Laws, 1996 • National Child Labour Elimination Policy, 2010 • Bangladesh Factory Act, 1965 • Bangladesh Factory Rules, 1979 • OSH Policy, 2011 • The Employees State Insurance Act, 1948 • The Employer's Liability Act, 1938 • Maternity Benefit Act, 1950 • Workmen's Compensation Act, 1923 • The Employment of Children Act, 1938 • Bangladesh Industrial Act 1974 • National 3-R Strategy, 2010 (3R: Reduce, Reuse and Recycle) • Ship-Breaking and Hazardous Waste Management Rules, 2010 • Biomedical Waste Management Rules, 2008 • Draft National Solid Waste Management Rules, 2010 • Draft National River Conservation Act, 2011 • Disaster Management Act, 2012 • Public Health Emergency Provisions Ordinance, 1994 • Climate Change Act, 2010 • National Plan for Disaster Management 2010-2015 • Sound Pollution Law, 2006 • Water Supply and Sewerage Authority Ordinance, 1963 • Noise Control Rules • National Health Policy, 2011 • National Land Use Policy • The Land Acquisition Act, 1894 • The Acquisition and Requisition of Immovable Property Ordinance, 1982	• Civil Liability on Transport of Dangerous Goods (Geneva), 1989 • Protocol on Biological Safety (Cartagena Protocol), 2000 • International Plant Protection Convention (Rome), 1951 • World Cultural and Natural Heritage (Paris), 1972 • Convention Relative to the Preservation of Fauna and Flora in Their Natural State (London), 1933 • International Convention for the Protection of Birds (Paris), 1950 • Convention on Wetlands of International Importance Especially as Waterfowl Habitat (Ramsar), 1971 • Convention on The Conservation of Migratory Species of Wild Animals (Bonn), 1979 • Convention on Biological Diversity (Rio de Janeiro), 1992 • Convention on International Trade in Endangered Species of Wild Fauna and Flora • UN Convention on The Law of The Sea (Montague Bay), 1982

Relevant local regulation	Relevant international treaties and conventions for which Bangladesh is a signatory
• National Biodiversity Strategy and Action plan (2004) • Bangladesh Wildlife Conservation and Security Act, 2012 • Bangladesh Wild Life (Preservation) Act, 1974 • Bio Safety Rules, 2012 • Forest (Amendment) Act, 2012 • Forest Policy, 1994 • Social Forestry Rules, 2004 • National Forest Policy and Forest Sector Review (1994,2005) • Draft Tree Conservation Act, 2012 • The Private Forests Ordinance Act, 1959 • Forest Transit Rule, 2011 • Deer Rearing Policy, 2009 • The Protection and Conservation of Fish Act 1950 • Draft Wetland Policy, 1998 • The Protection and Conservation of Fish Rules (1985) • The Protection and Conservation of Fish Act, 1950 • National Conservation Strategy, 1992 • Private Fisheries Protection Act 1889 • Marine Fisheries ordinance 1983 • Revised National Conservation Act, 2010 • The Antiquities Act, 1968	