

Green Banking Policy

December, 2011

UCB

United Commercial Bank Ltd.

UNITED COMMERCIAL BANK LTD.

Credit Risk Management Division

Corporate Head office, Dhaka

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All Branches

Sub: Green Banking Policy

The globe is encompassing immense environmental effects due to the activities of business, industries and financial houses. Moreover, the effects of climate change also create specific environmental issues for the enterprises and living beings at large. On the other hand, in-house consumption and use of paper, electricity, water, fuel, stationeries, equipments, technologies, etc. of the business and financial institutions pollutes the environment in different ways and capacities. As such, the society demands that the Banks and financial institutions should take responsibility for keeping the environment green and safeguarding the planet.

Bangladesh is enormously affected from the events of environmental and climate change in recent years. Realizing the fact, the Board of Directors in its 325th meeting held on 28.12.2011 has approved a Green Banking Policy for the Bank.

The Audit committee of the Board of Directors will act as the high-powered committee, which will supervise the overall activities of the Green Banking Unit/Cell and review the policies, strategies and programs of the Bank. A separate Green Banking Unit/Cell has also been established comprising members from General Banking and Development Division, Corporate Affairs Division, Corporate Banking Division, Credit Risk Management Division, General Services Division, Human Resources and Management Division and Information and Technology Division and headed by a Deputy Managing Director. The Unit/Cell will have the responsibility of designing, evaluating and administering related green banking issues of the bank. The Unit/Cell will report to the high-powered committee of the Board as well as to Bangladesh Bank quarterly. As the phase-based activities of Green Banking cover wide range of area, responsibilities of different Divisions are specified in the Policy.

The purposes of Green Banking Policy of the Bank are to ensure necessary measures to protect environmental pollution while providing service or financing customers as well as to improve in-house environment management through efficient use of various resources (i.e. reduce usage of paper, water, use energy efficient lights and equipments, etc.) at Head Office, Branches and other link offices.

Apart from enrichment of the external environment, Green Banking will help improve the performance of the Bank in the following ways:

- i. Improve the image of the Bank by showing and serving its commitment to the environment
- ii. Significantly reduce operational cost due to less consumption of office stationeries, energy and water.
- iii. Enhance productivity as well as efficiency of the employees through skilled & optimum usage of technology

- iv. Reduce possible health hazards by installing eco-friendly equipments
- v. Save significant portion of Forestry by reducing paper usage
- vi. Lessen emission of Green House Gases (GHGs) through making less corporate travelling through teleconferencing as well as arranging transport pool for the employees
- vii. Help develop customer's consciousness on environment by arranging awareness development program
- viii. Reduce the extent of Non-Performing Loans (NPLs) if investment goes to less risky projects

The Green Banking Policy, which comprises of five chapters, is to be implemented in 3 (three) phases within December 31, 2013 as per the direction of Bangladesh Bank from time to time and will continue further. Apart from an introduction and an ending chapter, activities under different phases are elaborated in three chapters.

The Green Banking Policy also encompasses the Environmental Risk Management Policy and covers the overall environmental concerns – arising out of both external or internal sources and the respective measures to manage it.

All concerned Divisions are, therefore, advised to exercise all out efforts for effective implementation of Green Banking Policy to improve in-house environmental management through efficient use of various resources (i.e. reduce usage of paper, water, use energy efficient lights and equipments, technologies, etc.) as well as to protect environmental pollution while financing.

The Green Banking Policy is annexed herewith for your ready reference.

Please acknowledge receipt of the circular and ensure meticulous compliance of the Policy.



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(Mamun-Ur-Rashid)
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Distribution to:

1. All Divisional Heads, UCBL, Corporate Head Office, Gulshan, Dhaka.
2. The Senior Vice President, Board Audit Cell, UCBL, Corporate Head Office, Gulshan, Dhaka.
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5. P.A. to Additional Managing Directors, UCBL, Corporate Head Office, Gulshan, Dhaka.
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Table of Contents

Particulars	Page
Chapter – 1: Introduction	03 – 05
Chapter – 2: Policy formulation and Initial In-house Environment Management	06 – 09
Chapter – 3: Sector-specific Policies and Strategic Planning	10 – 12
Chapter – 4: Green Product and Reporting	13 – 14
Chapter – 5: Amendment and Compliance	15 – 16

Chapter – 1: Introduction

1.1. Background

The environment and climate change effect on human existence as well as the planet are now a global concern because the changes have direct impact on biodiversity, agriculture, forestry, dry land, water resources and human health. The key areas of environmental degradation cover air pollution, water pollution and scarcity, encroachment of rivers, improper disposal of industrial medical and house-hold waste, deforestation, loss of open space and loss of biodiversity. The state of environment of Bangladesh is rapidly deteriorating. Moreover, Bangladesh is one of the most climate change vulnerable countries.

In line with global development and response to the environmental degradation, financial sector/Banks in Bangladesh can play important roles as one of the key stakeholders. Banks hold a unique position in an economic system that can affect production, business and other economic activities through their business activities and thus may contribute to pollute environment. Moreover, energy and water efficiency and waste reduction are of high concern for Banks.

1.2. Green Banking

Green banking in general refers to the efforts of the Banking sector to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policy, decisions and activities pertaining to banking service, business and in-house operational activities. Green banking may be seen as a component of the global initiative from Banks end to save environment. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business.

1.3. Purpose

The purpose of Green Banking Policy will be to ensure necessary measures to protect environmental pollution while providing service or financing customers as well as to improve in-house environment management through efficient use of various resources at Head Office, Branches and other link offices.

1.4. Scope

This policy document will be applicable for issues related to Green Banking with respect to activities of the Bank and its customers that have impact on the environment.

1.5. Benefits

Apart from enrichment of the external environment, Green Banking may also help improve the performance of the Bank in the following ways:

- i. Improve the image of the Bank by showing and serving its commitment to the environment
- ii. Significantly reduce operational cost due to less consumption of office stationeries, energy and water.
- iii. Enhance productivity as well as efficiency of the employees through skilled & optimum usage of technology

- iv. Reduce possible health hazards by installing eco-friendly equipments
- v. Save significant portion of Forestry by reducing paper usage
- vi. Lessen emission of Green House Gases (GHGs) through making less corporate travelling through teleconferencing as well as arranging transport pool for the employees
- vii. Help develop customer's consciousness on environment by arranging awareness development program
- viii. Reduce the extent of Non-Performing Loans (NPLs) if investment goes to less risky projects

1.6. Implementation

The Green Banking Policy of the Bank will be implemented in 3 (three) phases as per the direction of Bangladesh Bank from time to time. Activities under different phases are elaborated on later chapters.

Chapter – 2: Governance and Initial In-house Environment Management

Phase – I

Activities under Phase – I are to be completed by December 31, 2011 or within extended time allowed by Bangladesh Bank. This phase includes developing Green Banking policies and shows general commitments on environment through in-house performance.

2.1. Policy formulation and Governance

The Audit Committee of the Board of Directors of the Bank will act as the high powered committee, who will be responsible for reviewing the banks environmental policies, strategies and program every year.

A separate Green Banking Unit/Cell has already been established headed by a senior executive. The Unit/Cell will have the responsibility of designing, evaluating and administering related green banking issues of the bank and will report to the high powered committee of the Board time to time. The formation of the Cell/Unit is enumerated as under:

Green Banking Unit/Cell

Sl.	Nominated Senior Executives	Designation
01.	DMD of General Banking and Development Division	Chairman
02.	Head of General Banking and Development Division	Member – Secretary
03.	Head of Corporate Affairs Division	Member
04.	Head of Corporate Banking Division	Member
05.	Head of Credit Risk Management Division	Member
06.	Head of General Services Division	Member
07.	Head of Human Resources and Management Division	Member
08.	Head of Information Technology Division	Member

To ensure proper implementation of Green Banking activities, the Bank will approve a considerable fund in the annual budget.

2.2. Incorporation of Environment Risk in CRM

The Bank will comply with the instructions stipulated in the detailed guidelines on Environmental Risk Management (ERM) in consideration of a part of the Green Banking Policy. With a view to incorporating Environmental and climate risk as part of existing credit risk methodology to assess a prospective borrower, Bank's ERM Policy has been designed in line with Bangladesh Bank guidelines. From now Environmental and Climate Change Risk will be considered as part of the existing credit risk methodology of the Bank to assess a prospective borrower. In this connection, specific check list should be followed by all concerned and be also included in the audit guidelines and reporting formats. Such incorporation will help review possible sources of Environmental Risk under Environmental Due Diligence (EDD) checklists.

Bank's Credit Marketing Division and CRM Division will implement the above policy.

2.3. Initiating In-house Environment Management

An inventory of water, paper, electricity, energy etc used by officers and executives at offices and branches of the Bank will be prepared by the General Services Division and submit the same to the Green Banking Unit/Cell quarterly. The Inventory Report submitted by the General Services Division will help the Bank to use it as a yardstick to measure the improvement of the Bank regarding implementation of Green Banking Guidelines.

General Services Division will formulate a 'Green Office Guide' or at least a set of general instructions to be followed by the employees of the Bank for efficient use of electricity, water, paper and reuse of equipments. In place of relying on printed documents, on line communication will be extensively used (where possible) for office management to save papers. For this purpose, the Information Technology Division will take appropriate initiatives, e.g. introduction of Digital Signature.

Initiatives will be taken to apply Ecofont in printing to reduce use of ink, use scrap paper as notepads and avoid disposable cups/glasses and to install energy efficient electronic equipments and automatic shutdown of computers, fans, lights, Air Coolers, etc. that will help the Bank to reduce electricity consumption. Occupancy Sensors may be used in places, i.e. meeting room, dining room, guest room, etc., not requiring consistent lighting. Energy saving bulbs will be replaced by normal bulbs in branches/offices of the Bank. An extensive plan will be made to use solar energy at the Bank premises to save electricity.

Steps will be taken to save energy from corporate business travel and employees will be encouraged to purchase energy efficient cars (that consume less fuel) to reduce gas and petroleum consumption. The General Services Division will execute the above activities in collaboration with the Information Technology Division and other Divisions where necessary.

2.4. Introducing Green Finance

Preferences will be given in financing eco-friendly business activities and energy efficient industries. Investment will be encouraged in building environmental infrastructure such as renewable energy project, clean water supply project, wastewater treatment plant, solid & hazardous waste disposal plant, bio gas plant, bio-fertilizer plant etc. Bank's retail and consumer loan programs will promote environmental practices among clients.

Bank's credit marketing Division and CRM Division will look into this area.

2.5. Creation of Climate Risk Fund

Financing to the economic activities of the flood, cyclone and drought prone areas will be made at the regular interest rate without charging additional risk premium. A Climate Change Risk Fund will be created for financing in different areas after assessing the risks involved and the fund will be used in case of emergency. Regular financing flows will also be ensured in these vulnerable areas and sectors. The above Climate Change Risk Fund will be a part of the Bank's CSR expenses.

Bank's Credit Marketing Division, CRM Division, Finance and Accounts Division and Corporate Affairs Division will look into this area.

2.6. Introducing Green Marketing

Green marketing is the marketing of products that are presumed to be environmentally safe. Green marketing may incorporate a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. It refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in itself or produced and/or packaged in an environmentally friendly way.

The Bank will use environmental causes for marketing their services to consumer and to create awareness among the mass people.

This part will be executed by the Public Relations Department of Corporate Affairs Division and the General Banking and Development Division of the Bank.

2.7. Online banking

Online banking is the practice of making bank transactions or paying bills via the Internet on a secure website of a bank that allows the customers to make deposits, withdrawals and pay bills. The Bank has been providing such services to its large base of customers throughout the country for long.

The Bank will emphasize more to make available to the customers the easiest way that help environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses.

This part will be executed by the Information Technology Division of the Bank.

2.8. Employee Training, Consumer Awareness and Green Event

Training and campaign on employee awareness and environmental and social risk and the relevant issues will be taken continually as part of the Bank's Human Recourse Development. The Public Relations Department under Corporate Affairs Division of the Bank will continually arrange necessary campaign and programs to create awareness among consumers and clients.

This part will be executed by the Training Institution of Human Resources Division and the Corporate Affairs Division of the Bank (as the case may be).

2.9. Disclosure and Reporting Green Banking Activities

The Report on the initiatives/activities as part of implementation of Bangladesh Bank's "Policy Guidelines for Green Banking" will be submitted on quarterly basis to the respective Department of Bangladesh Bank. The Report will also be published on the website of the Bank and in the Annual Report.

This part will be executed by the General Banking and Development Division, the Information Technology Division and the Corporate Affairs Division of the Bank.

Chapter – 3: Sector-specific Policies and Strategic Planning

Phase – II

Activities under Phase – II are to be completed by December 31, 2012.

3.1 Sector specific environmental policies

Strategies will be formulated to design specific policies for different environmental sensitive sectors such as Agriculture, Agri-business (Poultry & Dairy), Agro farming, Leather (Tannery), Fisheries, Textile and Apparels, Renewable Energy, Pulp and Paper, Sugar and distilleries, Construction and Housing, Engineering and Basic Metal, Chemicals (Fertilizers, Pesticides and Pharmaceuticals), Rubber and Plastic Industry, Hospital/Clinic, Chemical Trading, Brick Manufacturing, Ship breaking etc.

This part will be executed by Credit Marketing Division and CRM Division.

3.2 Green Strategic Planning

A set of achievable targets and strategies will be determined, and disclosed in the Annual Report and on the website of the Bank for green financing and in-house environment management.

For in-house environment management, the target areas will cover attaining energy efficiency in the form of the use of renewable energy, reduction of electricity, gas, and petrol consumption, reduction of GHG emissions, issuance of e-statements, electronic bill pay, saving papers, environment friendly office buildings etc.

For Green Financing, the target areas will cover reducing loans for certain environmentally harmful activities, attaining a particular percentage of environmental loans as percentage of total, introducing eco-friendly financial products etc.

This part will be executed by General Services Division, Information Technology Division, Corporate Affairs Division, Credit Marketing Division and Credit Risk Management Division (as the case may be).

3.3 Setting up Green Branches

Branches of the Bank will be featured by the provision of the maximum use of natural light, use of renewable energy, use of energy saving bulbs and other equipments, reduced water and electricity use, use of recycled water etc. Such Branches will be entitled to display Green Logo upon approval by Bangladesh Bank.

This part will be executed by the General Banking and Development Division of the Bank.

3.4 Improved In-house Environment Management

Strategy of reuse, recycling of materials and equipments, and source reduction and waste minimization strategy will be part of in-house environmental management of the Bank. Virtual meeting will be carried out through video conferencing in lieu of physical travel which would help saving cost, energy as well as time.

This part will be executed by General Services Division and General Banking and Development Division.

3.5 Bank specific Environmental Risk Management Plan and Guidelines

An environmental risk management manual or guidelines will be developed and followed in its assessment and monitoring of project and working capital loans and other matters.

In addition to the compliance of national regulation, internationally accepted higher environmental standards may also be set through forming a Green Alliance by a group of banks that will prepare guidelines for themselves for improving Green Banking practices.

This part will be executed by General Services Division and General Banking and Development Division with all relevant Divisions.

3.6 Educating the clients

Clients and business houses of the Bank will be encouraged and influenced to comply with the environmental regulations and undertake resource efficient and environmental activities through rigorous programs.

This part will be executed by the General Services Division and the Corporate Affairs Division of the Bank.

3.7 Disclosure and reporting of Green Banking activities

Independent Green Banking and Sustainability reports showing past performances, current activities, and future initiatives will be published through Annual Report and website of the Bank. Updated and detailed information about the Bank's environmental activities and performances of its major clients will also be disclosed.

This part will be executed by the General Services Division, the Information Technology Division and the Corporate Affairs Division and all other relevant Divisions.

Chapter – 4: Green Product and Standard Report

Phase – III

Activities under Phase – III have to be completed by December 31, 2013. At this phase, the Bank will introduce Green Products and submit report based on international standard.

4.1. Designing and introducing innovative products

Alongside avoiding negative impacts on environment through banking activities, the Bank will introduce environment friendly innovative green products to address the core environmental challenges of the country.

4.2. Reporting in standard format with external verification

The Bank will publish independent Green Annual Report following internationally accepted format like Global Reporting Initiatives (GRI) upon verification by an independent agency or acceptable third party.

4.3. Reporting Green Banking Practices to Bangladesh Bank

The Bank will report its initiatives/activities under the said program to the Department of Off-site Supervision of Bangladesh Bank on quarterly basis and as instructed by Bangladesh Bank.

Chapter – 5: Amendment and Compliance

5.1. Amendment of the Policy

In view of the dynamic nature of the banking business and the changing pattern of the environment, the Bank's Green Banking Policy should be subject to ongoing review, modification and revision. This Policy will be amended, revised as and when warranted to accommodate the changes in the environment condition, government policy, central bank regulation and experience of the Bank while dealing with Green Banking.

5.2. Compliance

The compliant banks practicing Green Banking will have the following preferential treatments:

- i. Bangladesh Bank will award points to banks on Management component while computing CAMELS rating where there will ultimately be a positive impact on overall rating of a bank.
- ii. Bangladesh Bank will declare the names of the Top Ten Banks for their overall performance in green banking activities in the BB websites.
- iii. Bangladesh Bank will actively consider green banking activities/practices of a bank while according permission for opening new bank branch.

In view of the above, all concerned Divisions of the Bank must put their sincere efforts to make UCB a compliant Bank.