

এসএফডি সার্কুলার নং: ০৪

তারিখ: ২২ অক্টোবর ২০২৩
০৬ কার্তিক ১৪৩০

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

প্রিয় মহোদয়,

Sustainability Rating of Banks and Financial Institutions প্রসঙ্গে।

সাসটেইনেবল ফাইন্যান্স ডিপার্টমেন্ট কর্তৃক জারিকৃত এসএফডি সার্কুলার নং- ০৬, তারিখ: ৩১ ডিসেম্বর ২০২০ ও এসএফডি সার্কুলার লেটার নং-০৫, তারিখ: ১৭ আগস্ট ২০২১ এর প্রতি আপনাদের দৃষ্টি আকর্ষণ করা যাচ্ছে।

২। বিদ্যমান List of Green Products/Projects/Initiatives-কে পরিবর্ধন/পরিমার্জন, Gender aspect অন্তর্ভুক্তকরণ, পরিবেশ সংরক্ষণ বিধিমালা ২০২৩, Mujib Climate Prosperity Plan 2022-2041, National Adaptation Plan সহ সংশ্লিষ্ট বিষয়সমূহকে বিবেচনায় নিয়ে পরিবেশবান্ধব ব্যাংকিং ও জলবায়ু অর্থায়ন সম্পর্কিত বিষয়সমূহ অন্তর্ভুক্ত করে Sustainable Finance Policy যুগোপযোগী করা হয়েছে।

৩। Sustainable Finance Policy-তে বর্ণিত নির্দেশনা বাস্তবায়নে ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের Performance যাচাইক্রমে Sustainability Rating নির্ণীত হবে। উক্ত নীতিমালার নির্দেশনা এবং Sustainable Development Goals (SDGs)-১, ২, ৫, ৬, ৭, ৮, ৯, ১০, ১২, ১৩, ১৪ ও ১৭ বিবেচনায় নিয়ে Sustainability Rating নির্ণয়কল্পে component হিসেবে Sustainable Finance Indicators, CSR Activities, Green Refinance, Core Banking Sustainability ও Banking Service Coverage-কে নির্ধারণ করা হয়েছে।

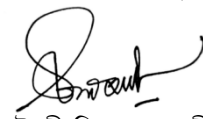
৪। ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের Sustainability Rating ডিসেম্বর ভিত্তিক তথ্যের আলোকে পরবর্তী বছরে নির্ণীত হবে। উক্ত রেটিং এর ভিত্তিতে নির্ণীত শীর্ষ ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহের তালিকা প্রতি বছর বাংলাদেশ ব্যাংকের ওয়েবসাইটে প্রকাশ করা হবে।

৫। ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহে Gender Equality নিশ্চিতকল্পে Sustainability Rating নির্ণয়ের component সমূহে gender aspect অন্তর্ভুক্ত করে এ সার্কুলার জারি করা হলো যা এসএফডি সার্কুলার নং- ০৬/২০২০, তারিখ: ৩১ ডিসেম্বর ২০২০ এর স্থলে প্রতিস্থাপিত হবে।

৬। এ সার্কুলারের সাথে সংযোজনী (Components of Sustainability Rating) সার্কুলারের অবিচ্ছেদ্য অংশ মর্মে গণ্য হবে।

৭। 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: Components of Sustainability Rating

Sustainability Rating of Banks and Financial Institutions

1. Components of Sustainability Rating

1.1. Sustainable Finance Indicators

It is a structured mechanism for financing a product/a project/an initiative a sustainable one, not only belong to green or climate finance based on (i) Climate Change Mitigation (ii) Climate Change Adaptation (iii) Other Environmental sustainable Implementations and Impact on Inclusive Sustainable Green Growth but also other products belong to Agriculture, Cottage and MSME or Socially Responsible Financing Category with respect to sustainability. Banks'/FIs' green governance, Environment and Social Risk Management (ESRM) and intra-institutional green banking practices are very important sustainability issues. Sustainable Finance Indicators include Banks'/FIs' sustainable finance performance including green finance, priority sustainable Agriculture, Cottage and MSME finance, access to sustainable finance for women, in-house green banking performances, ESRM compliance, participation in green investment etc. Timely required intervention by the Board of Directors (in case of SOCBs, PCBs or SDBs) or Competent Authority (in case of FCBs) in any sustainable finance (including Risk Management or ToR of SFU) issues, capacity building initiatives, sustainable finance disclosures etc will also be evaluated in the rating. Sustainability in core banking practices should be gauged not only in terms of financial performance but also in terms of their contribution to gender-equitable practices. The evaluation must also include access to sustainable finance for women, gender-responsive risk management, and participation in green investments that advance gender equity.

A. Quantitative Components

Sl.	Components
<i>Sustainable Finance</i>	
1.	Green Finance (GF) as % of Total Term Loan Disbursed
2.	Sustainable Finance (SF) as % of Total Loan Disbursed
3.	Number of Borrowers with SF as % of Total Borrowers
4.	Number of Borrowers with GF as % of Total SF Borrowers
5.	SF in rural areas as % of Total SF
6.	Number of Women Borrowers with SF as % of Total Borrowers with SF
7.	Sustainable Agriculture as % of Total Loan Disbursed with SF
8.	Sustainable CMSMEs as % of Total Loan Disbursed with SF
9.	SRF as % of Total Loan Disbursed with SF
10.	Number of Categories belong to GF
11.	Number of Products/Projects/Initiatives belong to GF
12.	ESDD Rated project finance as % Total Finance
13.	NPLs in SF as % of Total NPLs
14.	NPLs in SF as % of Total Outstanding
15.	Number of Beneficiaries of concessional loans under CRF
<i>In-house Green Banking practices</i>	
16.	Electricity Consumption per employee
17.	Water Consumption per employee

Sustainability Rating of Banks and Financial Institutions

Sl.	Components
18.	Paper Usage per employee
19.	Transport expenses for official purpose per employee
20.	Solar powered branches as % of total branches
21.	Branches with rainwater harvesting as % of total branches
22.	Branches with solid waste management system as % of total branches
23.	Solar powered ATM booth as % of Total ATM booth
24.	MFS accounts as % of Industry's MFS accounts
25.	Online branches as % of Total branches
26.	App-based Banking Accounts as % of Total Accounts
27.	Internet Banking Accounts as % of Total Accounts
Green Investment	
28.	Green Investment as % of Total Investments
29.	Green Equity as % of Shareholders' Equity

B. Qualitative Components

Sl	Factors
1.	Any decision taken by the BoD/(Regional Office/SMT in case of FCBs) in SF? Yes/No
2.	Any decision taken by the BoD/(Regional Office/SMT in case of FCBs) in GF? Yes/No
3.	Any decision taken by the BoD/(Regional Office/SMT in case of foreign banks) in Green Banking activities other than GF? Yes/No
4.	Any decision taken by the Risk Management Committee of BoD/(Regional Office/SMT in case of foreign banks) in SF? Yes/No
5.	MIS for ESRM? Yes/No
6.	MIS for SF? Yes/No
7.	MIS for CRF? Yes/No
8.	Review the SF policies/strategies as per ICC guidelines of BB? Yes/No
9.	Steps taken for capacity building of employee? Yes/No
10.	Steps taken for awareness building of customers? Yes/No
11.	Does the institution's website contain a specific section separated for Sustainable Finance/Banking related issue? Yes/No
12.	Does the institution's annual report contain a specific section separated for Sustainable Finance/Banking related issue? Yes/No
13.	Reporting to SFD/Compliance with time to time SFD instructions in due time? Yes/No
14.	Gender diversity in leadership roles within the institution. Yes/No
15.	Existence of policies that prevent gender-based discrimination within the institution. Yes/No
16.	The institution's board and leadership ensure meaningful representation of women. Yes/No

Sustainability Rating of Banks and Financial Institutions

Sl	Factors
17.	Representation of women in leadership positions within the green banking initiatives or Sustainable Finance Units or Departments. Yes/No
18.	Gender-responsive policies in the workplace, such as maternity leave, flexible work arrangements, and initiatives that promote a conducive environment for women's career growth. Yes/No
19.	Provision of gender-sensitive training programs for employees, raising awareness about gender issues, unconscious bias, and promoting an inclusive work environment. Yes/No
20.	Internal policies that support work-life balance, enabling women to thrive in both their professional and personal roles. Yes/No

1.2. CSR Activities

CSR activities linked to sustainability help banks/FIs to be socially accountable. Merely philanthropy of CSR activities will have no scope for evaluation. Bangladesh Bank has policy intervention and monitoring initiatives with a view to mainstreaming of CSR activities in the financial sector into a broad range of direct and indirect CSR engagements including humanitarian relief and disaster response; widening of advancement opportunities for disadvantaged population segments with support in areas of Healthcare, Education and Climate Risk Fund (CRF) putting importance on environment and climate change mitigation and adaptation etc. The CSR expenditure in the area of Health, Education and CRF of banks/FIs in accordance with the policy and guidelines provided by Bangladesh Bank will be evaluated in sustainability rating. The rating also includes evaluating CSR governance, gender equity and in-house CSR performance of banks/FIs.

CSR activities should be explicitly linked to promoting gender equity and empowering women, while aligning with sustainability goals. It is essential to move beyond mere philanthropy and integrate strategies that uplift disadvantaged segments, particularly women, by providing support in areas such as Healthcare and Education. Climate Risk Fund (CRF) interventions should also focus on gender-responsive approaches to environment and climate change mitigation and adaptation. Evaluating CSR expenditure should consider the proportion dedicated to gender-sensitive initiatives. Moreover, CSR governance should encompass gender mainstreaming, gender-equitable governance, and performance indicators that demonstrate the institution's commitment to promote gender equality.

A. Quantitative

Sl.	Components
1.	Education
2.	Health
3.	Utilization of CRF Grant

B. Qualitative

Sl.	Components
<i>Policy</i>	
1.	Due Diligence check list for CSR project, Yes/No

Sustainability Rating of Banks and Financial Institutions

Sl.	Components
2.	Any undue intervention by the BoD for CSR approval? Yes/No
3.	Penalty imposed for non-compliance of CSR issues? Yes/No
4.	Minimum (20%) women employees in the work place? Yes/No
5.	Separate transportation facilities for women employees? Yes/No
6.	Harassment policy in the work place, reviewed or not? Yes/No
7.	Participation in Daycare Center; Own/Combined? Yes/No
8.	Minimum (25%) of CSR Expenditure in rural areas? Yes/No
9.	CSR Activities assess the representation of women beneficiaries, ensuring that projects address the specific needs of women and their communities. Yes/No
10.	CSR Activities promote education and training opportunities for women in sustainable industries? Yes/No
<i>Disclosure</i>	
11.	CSR Activities Disclosed in Annual Report? Yes/No
12.	CSR Activities Disclosed in Print/Electronic Media? Yes/No
13.	Transparent disclosure of gender-related initiatives showcases the institution's commitment to gender equity. Yes/No
14.	The institution reports on its progress in promoting gender equality within its Annual Report? Yes/No
<i>In House CSR Activities</i>	
15.	Scholarship for employee's children? Yes/No
16.	Medical facilities for employee's dependents? Yes/No
17.	Safety measures in the work place? Yes/No
18.	Measures taken to ensure the safety and security of women employees within the workplace.

1.3. Green Refinance

Bangladesh Bank has proactively come forward to complement refinance facility with a view to broadening financing avenues for green products/projects/initiatives such as solar energy, bio-gas plant, effluent treatment plant, recycling, energy efficiency etc. In this rating, the performance of PFIs will depend upon availing refinance facility for a number of green products/projects/initiatives belong to different categories/sectors. Similarly the performance of PFIs will also depend upon availing refinance facility on utilizing USD component and Euro component under Green Transformation Fund (GTF) will have a positive impact over this rating. Green Refinance initiatives prioritize projects that promote gender equality and the empowerment of women. Funding avenues include projects such as renewable energy systems that have a positive impact on women's lives by improving access to energy and reducing their workload. The utilization of refinance facility and transformation funds should align with gender-responsive goals.

Sustainability Rating of Banks and Financial Institutions

SI	<i>Refinance Schemes</i>	Factors
i.	Refinance Scheme for Environment Friendly Products/ Projects/Initiatives	1. Annual percentage of refinance taken of the total disbursement 2. Sector wise Refinance 3. Product wise Refinance
ii.	Technology Development/ Up-gradation Fund	1. Annual percentage of refinance taken of the total disbursement
iii.	Green Transformation Fund <ul style="list-style-type: none"> • BDT Component • USD Component • EURO Component 	1. Annual percentage of refinance taken of the total disbursement

1.4 Core Banking Sustainability

The term ‘Sustainability’ is well integrated into core banking practices. The concept of sustainable banking has gradually been created by banking practices that are environment friendly. This assists the financial sector to play a role in supporting development goals and to facilitate the transition to a green and low carbon economy. Evaluating performance of banks and FIs in sustainable finance or any other aspect requires analyzing their core banking activities. Generally, the core banking includes deposit, loan/investments and credit processing. Among the integral core banking services are floating new accounts, servicing loans, calculating interests, processing deposits and withdrawals, and customer relationship management activities. But in this case, the methodology includes performance regarding maintenance of asset quality, capital adequacy, proper liquidity, regulatory compliance, practice of governance etc. Sustainability of core banking practices is equally important as practice of sustainable financing.

SI	Factors
A. Quantitative	
1.	Total NPL rate
2.	Capital Ratio against Risk Weighted Assets (CRAR)
3.	Liquidity Coverage Ratio (LCR)
4.	Net Stable Funding Ratio (NSFR)
5.	Core Risk Assessment
6.	Return on Asset (ROA)
7.	Return on Equity (ROE)
8.	Net Interest Margin (NIM)
9.	Efficiency Ratio
10.	Net NPL Rate
11.	Core Capital (Tier-1) against Risk Weighted Assets
12.	Provision Maintenance Ratio
13.	Net CMSME Loans and Advances Outstanding to Net Loans and Advances Outstanding Ratio

Sustainability Rating of Banks and Financial Institutions

SI	Factors
B. Qualitative	
10.	Failure in maintaining adequate provision against loans and advances? Yes/No
11.	Failure in maintaining adequate CRR? Yes/No
12.	Maintaining ADR/IDR Requirement? Yes/No
13.	Exceeding of Single Borrower Exposure Limit? Yes/No
14.	Penalty imposed for non-compliance with CRR & SLR? Yes/No
15.	Penalty for regulatory non-compliance (other than CRR & SLR)? Yes/No
16.	Exceeding Foreign Exchange open position? Yes/No
17.	Undue intervention by BoD for loan approval? Yes/No
18.	Exceeding Large Loan Portfolio Ceiling against Bank's Total Loans & Advances
19.	The institution is committed to providing equal access to financial services for women, especially in terms of loans and credit. Yes/No
20.	The institution has gender-sensitive risk assessment methodologies, recognizing that women entrepreneurs may face unique challenges. Yes/No

1.5 Banking Services Coverage

The Banking Services Coverage measures the scope or extent of banking services that are covered by a bank or a financial institution. In this rating, the component will assess the extent to which banking services are accessible and available to individuals and communities, particularly those who are underserved or unserved in the traditional financial system. It assesses the inclusivity of banking services, aiming to ensure that a broader population has access to essential financial services.

SI	Factors
A. Quantitative	
1.	Number of Branches
2.	Number of Sub-Branches
3.	Number of Deposit A/C
4.	Number of Loan A/C
5.	Number of Agent Outlet
6.	Number of ATMs