

HSBC helping firms to transition to sustainable future

Kevin Green, country head of wholesale banking of HSBC Bangladesh, speaks about the international lender's activities and plans about sustainability

HSBC is a global leader in sustainability space. The bank is also actively working in Bangladesh to support its customers to transition and help achieve their sustainability goals. It has arranged the country's first sustainability linked loan and is working to raise awareness about sustainability financing. Kevin Green shares more in an email interview with The Daily Star.

DS: How is the acceleration towards sustainability affecting our businesses in Bangladesh?

Kevin Green: Sustainability is integral to the future of Bangladesh's economy for two reasons. First, Bangladesh is highly vulnerable to the impacts of climate change and second, foreign investment increasingly tied to ESG practices is critical to supporting future economic growth. The good news is that regulators, businesses and other supply chain partners are already taking steps towards building a resilient future for the country.

The government is committed to achieving the Sustainable Development Goals. The recently-published Climate Prosperity Plan announced at the COP26 by our prime minister leads to opportunities to explore growth verticals while building a better future.

Industry regulators are also keen on promoting the sustainability agenda. A great example of which is Bangladesh Bank's Sustainable Finance Policy requiring financial institutions to focus on long-term Environmental, Social and Governance (ESG), make key contribution to achieve the SDGs, adopt green banking, and prioritise financing sustainably in Bangladesh.

Even our customers' customers are very aware about climate change. The textile and garment industry, for example, has reached a point where transitioning to net zero being sustainable is not a nice to have but a necessity and often a key differentiator. Traceability and circular fashion are the new race tracks for competition.

Supply chain partners are a new front in the battle to combat climate change and more support is needed given the interdependency of firms and the need for a holistic economy-wide transition, from incentives to work collaboratively to changes to product/business models and organisational culture. This is an opportunity for the SMEs in Bangladesh to get more support from the industry bodies to the transition towards the 'Net Zero Supply Chains'.

Bangladesh is a frontier market that is starting to get to grips with governance and social factors. Many investors will be surprised to know Bangladesh already has detailed corporate governance codes and is heading in the right direction in terms of meeting many of the UN's 17 SDGs.

In summary, the focus and investment Bangladesh businesses are directing to sustainability will provide a long-term competitive advantage in the global markets whilst helping to preserve the environment for generations of Bangladeshis to come.

DS: How is HSBC unlocking the next-generation solutions to help businesses and the community achieve sustainability?

Kevin Green: HSBC takes a holistic view of sustainability in Bangladesh, from supporting our customers to transition to a low carbon future to supporting the country's wider environmental, social and governance-related sustainable goals.

As Bangladesh's leading international bank, we are well-positioned to support our customers as well as wider industry and government stakeholders to understand and embed global best practice in this space.

In 2020, HSBC arranged Bangladesh's first sustainability linked loan with Square Group, encouraging rooftop solar investments. The total facility of \$118 million worth of sustainable finance has been



Kevin Green

structured to align Square Group to achieve more efficient long-term renewable energy usage.

Sustainability linked loans aim to improve the borrower's sustainability profile by aligning loan terms to the borrower's performance against pre-determined sustainability performance target (SPT) benchmarks. For example, the interest rate under the relevant loan agreement may be reduced where the borrower satisfies a pre-determined SPT threshold or vice versa. By linking the loan terms to the borrower's sustainability performance, borrowers are economically incentivised to make improvements to their sustainability profile over the term of the loan.

This year we structured a working capital facility to another sustainability linked loan for apparel sector player DBL Group, where the organisation will receive interest rate reductions as they increase the proportion of female supervisors. The solution also supports the SDG 5, which is related to gender equality.

DS: What are the key initiatives

by HSBC Bangladesh towards this transition?

Kevin Green: To encourage dialogue to support the apparel sector's sustainable transition, HSBC Bangladesh kicked off its ESG webinar series in October this year with an event on "Circular Fashion". This is a fast-growing movement to reuse and recycle all materials, eliminating waste and pollution and regenerating the environment in a "circular model".

This rethink of the fundamentals of how the industry operates is gaining traction among sustainable fashion brands. These trends are signaling a transformation of the retail landscape and major shifts in the demographics of consumption. Today, the goal is to make fashion traceable, transparent and more sustainable for businesses, consumers and the planet.

Whilst supporting our clients with Sustainable finance solutions, we will also focus on building awareness on key issues and helping build the knowledge capital in other sectors as well through the ESG Webinar Series.

And we moved on in working with

key institutions in making a greener environment for trade. We have recently partnered with the Bangladesh Economic Zones Authority and Brac to grow mangrove plantations. The collaboration will see over 40,000 mangrove plantations across 10 acres of coastal land in the Bangabandhu Sheikh Mujib Shilpa Nagar.

Mangroves are capable of taking up carbon dioxide from the atmosphere several times more quickly than forests on dry land. This plantation is estimated to capture 492 tonnes of carbon each year. This is the very first mangrove initiative by the private sector in the economic zones in Bangladesh and it will play an important part in ecological development of the area.

Internally, we aim to achieve net zero in our own operations and supply chain by 2030 or sooner. Our offices and branches are energy-efficient with the usage of LED lights, sensors and Energy Star office equipment. We have installed smart energy metres and part of our operations do operate with solar power.

DS: What can we expect from HSBC Bangladesh in coming days?

Kevin Green: We will intensify support for our customers to switch to more sustainable ways of doing business. We plan to bring in innovative new solutions and introduce leading global solutions like green, social and sustainability linked bonds and green deposits.

We will continue to play a thought leadership role in sharing best practices and developing the ecosystem through our ESG series. We are engaging with the government of Bangladesh and state-owned entities to support sustainable projects. And finally, we aim to further reduce our carbon footprint.

DS: Tell us about the sustainable strategy of the bank.

Kevin Green: We want to do more than simply play our part in

the transition to a more sustainable world. This pillar of our strategy outlines how we will help to lead it. We have committed to: becoming a net-zero bank; supporting our customers to transition to a low carbon future, especially in carbon challenged industries; accelerating new climate solutions; and inspiring our customers to invest to support positive change.

DS: What can we do to further galvanise the sustainable finance sector of Bangladesh?

Kevin Green: The government has already set out the Mujib Prosperity Plan 2030, the Delta Plan 2100, and the Bangladesh Bank Sustainable Finance policy in this regard. However, we need to create clear structure around how mobilisation of funds will take place to enable these plans, how global investors can participate etc.

Financial institutions need to bring innovative solutions to support the transition of businesses to low carbon economies. For example, our recent sustainability linked Loans have enabled the RMG sector to mobilise the funds in an innovative way to achieve the SDGs.

A major proportion of global sustainable finance funding is done through bonds, therefore supporting a strong, tradeable bond market with the help of the Bangladesh Securities and Exchange Commission would make a difference.

And that takes me to the final point, which is the need for a coordinated effort between the public and private sector. We must ensure that our efforts are effective and well-coordinated. So, financial institutions and businesses should form a committee to mobilise sustainable finance and support Bangladesh's ambitions to achieve net zero. The committee will work closely with government bodies to ensure the right policy changes and business practices to drive the agenda.

Grab investment opportunities in Bangladesh

PM Hasina to global investors

UNB

Prime Minister Sheikh Hasina yesterday urged the investors from across the world to invest in Bangladesh, making the best use of the opportunities the government is offering for foreign investment.

"I believe investors will be able to learn more about the potential of different investment sectors in Bangladesh through this conference. New markets will particularly be created for Bangladeshi products, and Bangladesh will be able to attract the desired investment," she said.

The prime minister said this while addressing the inaugural session of the two-day International Investment Summit 2021 organised by the Bangladesh Investment Development Authority (Bida) at the Radisson Blu Water Garden Hotel to brand new Bangladesh among investors from around the world.

She joined the programme virtually from her official residence Ganobhaban.

Hasina said the government has identified 11 potential investment sectors, including infrastructure, capital markets, financial services, information technology, electronics manufacturing, leather, automotive and light engineering, agro-products and food processing, healthcare and medicine, jute textiles, and blue economy.

The prime minister said the importance of Bangladesh in terms of political stability, creation of a skilled workforce, liberal investment policy through attractive incentives, and geographical position between the huge markets of South and Southeast Asia is increasing day by day.

"More than 60 per cent of foreign direct investment is coming through reinvestment."

Hasina said the government has formulated sector-wise industrial development policies along with the National Industrial Policy, passed the Labour (Amendment) Act, 2018, considering environmental protection in taking up every project, and automating bond management for the growth of the export-oriented industry.

The prime minister also said the government has built 39 high-tech parks and is building 100 economic zones in phases.

"We've received investment proposals of \$27.07 billion in the economic zones."



Prime Minister Sheikh Hasina

She mentioned that the government is building "Bangabandhu Sheikh Mujib Industrial City" in Mirsarai, Sonagazi, and Sitakunda upazilas while the Japanese Economic Zone in Araihaazar has already attracted investment proposals of \$1 billion.

Currently, about \$30 billion investment proposal is awaiting implementation at 79 public private partnership projects.

Hasina said the government has been working since 2019 to provide 154 investment services of 35 companies online through One-Stop Service.

"We prioritise economic diplomacy and work towards concluding bilateral and regional preferential trade agreements, free trade agreements, and integrated economic partnership agreements. We signed a PTA with Bhutan."

She added: "We're preparing to reap maximum benefits from the Fourth Industrial Revolution by creating a skilled workforce with state-of-the-art technology. We aim to export \$5 billion worth of IT products by 2025."

Prime minister's adviser Salman Fazlur Rahman, Saudi Arabia's minister for transport and logistics Engineer Saleh Nasser Al-Jasser, FBCCI president Md Jashim Uddin, and Bida Executive Chairman Md Sirazul Islam also spoke at the programme.

Ambassador of Japan to Bangladesh Ito Naoki read out the written message of Parliamentary Vice-Minister for Foreign Affairs Honda Taro.

Stock market opens week with old wounds

Major indices continue to bleed amid shaky investor confidence

STAR BUSINESS REPORT

Stocks continued to bleed yesterday as investors are concerned about the potential outcome of an ongoing tussle between the Bangladesh Bank and the market regulator.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 78 points, or 1.41 per cent, to hit 6,773.

Having shed 65 points in the previous trading session, this marked the fifth day in a row that the index has been on a downward trend.

The Bangladesh Securities and Exchange Commission (BSEC) and the central bank are currently at odds over several market-related issues.

"Their tussle is very clear to the public eye, so it had an adverse effect on investor confidence," said a stock broker preferring anonymity.

The Bangladesh Bank recently sent letters to several asset management companies, inquiring about their investment activities. But responding on behalf of these asset management firms, the BSEC said that such inquiries should have been placed

through the market regulator.

"This incident and other similar issues caused a panic among investors," the stock broker said.

"So, they decided not to buy shares at the moment, which is not a good sign for the market," he added.

A senior official of the BSEC told The Daily Star that they are set to hold a meeting with central bank officials tomorrow in a bid to remove all disagreements on this issue.

Under this backdrop, the Dhaka bourse passed another bearish session yesterday as cautious investors continued their selling spree in fears of further erosion in the value of their investments, said International Leasing Securities in its daily market review.

Besides, growing concerns over the new coronavirus variant have only worsened investor confidence.

In addition, the increasing inflation rate coupled with a liquidity crunch in the money market gave rise to even more panic in the market. This put most investors in a selling mood, it added.

The top 10 traded stocks captured around 47.9 per cent of the day's trade with Beximco Ltd contributing 11.2 per cent to the total. On the DSE, 66 stocks advanced, 291 declined, and 15 remained unchanged.

Sena Kalyan Insurance kept topping the gainers' chart, rising 9.78 per cent, followed by Acme Pesticides, Emerald Oil, Aziz Pipes, and Alltex Industries.

LR Global Mutual Fund One shed the most, dropping 9.87 per cent, followed by Shyampur Sugar Mills, National Tea, KDS Accessories and The Peninsula Chittagong.

Stocks of Beximco Ltd traded the most, worth Tk 91 crore, followed by One Bank, IFIC Bank, Paramount Textile, and First Security Islami Bank.

Turnover at the country's premier bourse stood at Tk 836 crore, down from Tk 849 crore a day earlier.

The Chittagong Stock Exchange also edged down yesterday as the CASPI, the main index of the bourse in the port city, slid 201 points, or 1.09 per cent, to 19,838. Among 266 stocks traded, 53 rose, 192 fell, and 21 remained the same.

Profits up for Bangas, Peninsula

STAR BUSINESS REPORT

Bangas Ltd and The Peninsula Chittagong reported higher profits in the first quarter of the current financial year while Hakkani Pulp & Paper Mills Ltd has been in the red since FY2020-21.

Earnings per share (EPS) of Bangas, a fast-moving consumer goods company that deals in chips, biscuits, bread and the like, stood at Tk 0.06 in the July-September period while it was Tk 0.12 in the negative last year, according to the company's unaudited financial statement.

The Peninsula Chittagong, a business class hotel in Chattogram, posted an EPS of Tk 0.31 for the first quarter, up 14.81 per cent year-on-year from Tk 0.27.

The company said its core business was interrupted due to the Covid-19 pandemic and subsequent curbs on public movement that stymied tourism during the quarter.

Meanwhile, Hakkani Pulp & Paper Mills reported a negative EPS of Tk 1.28 for the financial year that ended on June 30 due to a decrease in sales.

However, the company's EPS was Tk 0.07 in the positive in the previous financial year when demand was stable.

Give priority to local firms for govt infrastructure projects: FBCCI

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has urged the government to discourage foreign companies from taking part in national infrastructure projects.

"Most projects in the country are being implemented by foreign companies. As Bangladesh becomes a developing country, it needs to increase its reliance on local construction companies," FBCCI President Md Jashim Uddin said yesterday.

The FBCCI will take as many initiatives as possible for local organisations to make progress in this regard, he added.

Uddin was addressing a meeting at the FBCCI office, where the FBCCI Standing Committee for Construction Sector tried to decide



A view of the Dhaka Metro Rail project.

how to complete various projects amid the rising price of construction materials. The price of every construction material, including rods, stone, bricks, sand, glass and aluminum products, has risen by over 20 per cent to 25 per cent in the last four to five months, officials said.

The recent price hike has made it impossible to complete the construction work as per the pre-agreed price, they added.

In addition, the government's fiscal policy, including advanced income tax and value-added tax, is often changed after tenders are submitted, according to the committee. The committee members suggested including a price verification clause in government tenders.

They also proposed imposing an interest on payments made 56 days after the deadline.