

# “Working diligently to introduce green bonds”

In conversation with Arif Quadri, Managing Director & CEO, United Commercial Bank PLC

**We aim to expand our sustainable finance efforts in green shipyards, shipbreaking, solar panel production, waste management, and plastic recycling projects.**

**The Daily Star (TDS):** Your bank has been recognized as one of the Top Banks and Financial Institutions in 'Sustainability Rating 2022' by the Bangladesh Bank. What are the most innovative and impactful sustainable financing products or strategies you have adopted to achieve this recognition?

**Arif Quadri (AQ):** United Commercial Bank PLC has been recognized as one of the top Banks in the realm of "Sustainability Rating 2022" by demonstrating a heightened level of commitment through the adoption of innovative and impactful products and strategies.

Our bank's leadership, including the Board of Directors and Risk Management Committee, strongly believes in sustainable finance. They provide valuable guidance and support to our Sustainable Finance Unit (SFU). We have adopted the central bank's Environment & Social Risk Management (ESRM) Policy to identify, assess, mitigate, and manage environmental and social risks associated with our lending activities.

We actively promote and fund energy-efficient and sustainable projects, green building initiatives, and the procurement of green equipment. Additionally, we have adopted green practices within our daily operations, such as reducing paper, energy, and fuel consumption.

**(TDS): How does your bank assess the creditworthiness and risk associated with sustainable financing projects compared to traditional projects?**

**(AQ):** In addition to the traditional credit risk assessment tools, the bank has adopted a systematic assessment matrix for appraising projects under sustainable finance, integrating Environment, Social & Governance (ESG) factors as an integral part

of the credit evaluation process. At the very outset, prospective projects are screened and categorized in line with the Department of Environment (DoE) categorization. Environmental & Social Due Diligence (ESDD) is conducted, and corrective action plans are communicated through the escalation matrix. Furthermore, a checklist has been developed based on which environmental & social (E&S) performance is meticulously monitored to detect any non-compliance on a regular basis.

**(TDS): How are you utilizing the Green Transformation Fund and the green refinancing program that Bangladesh Bank offers?**

**(AQ):** Regarding the Green Transformation Fund (GTF), we prioritize helping our eligible clients avail credit in local and foreign currency for procuring green machinery under this scheme. We do this through various business channels such as branches and business teams at the Corporate Office. In 2022, we had a total exposure of Tk. 912.40 million under the Green Transformation Fund (GTF) in the ready-made garment (RMG) and backward linkage industries. Additionally, we provide Green Transformation Fund (GTF) local currency facilities for environment-friendly projects. We've also signed agreements for all of Bangladesh Bank's refinancing programs and have actively participated in many of their initiatives.

**(TDS): What is your plan for future to guide your bank with this sustainable spirit?**

**(AQ):** In the future, we have some notable plans. We aim to expand our sustainable finance efforts in green shipyards, shipbreaking, solar panel production, waste management, and plastic recycling projects. We are also working diligently to introduce Green Bonds as a source of sustainable finance. We will conduct more

awareness programs to create consciousness among all stakeholders. Finally, we plan to conduct an in-depth analysis of all direct and indirect environmental and social impacts of all financial services offered by the bank to its clients.

**(TDS): What do you expect from the government to make the banking sector more sustainable?**

**(AQ):** The central bank has been immensely instrumental and has played a pivotal role in promoting sustainable finance by providing a policy framework, regulations, guidelines, and various schemes and funds. These initiatives encourage us to move away from a profiteering mindset and play an environmentally and socially responsible role.

What we truly expect from the Government is that they will continue to provide support in the form of special funds and schemes with more favorable terms. Further recognition from the government will encourage banks in this regard. Moreover, large-scale applied research on various aspects of sustainable finance should be conducted under the patronage of the government, and the research findings may be disseminated to all relevant entities.



# “We aim for a significant national impact”

In conversation with Kanti Kumar Saha, Chief Executive Officer, Alliance Finance PLC (Former Lankan Alliance Finance Limited)

**The Daily Star (TDS):** Your institution has been recognized as one of the Top Banks and Financial Institutions in 'Sustainability Rating 2022' by the Bangladesh Bank. What were the most innovative and impactful sustainable financing products or strategies you adopted to achieve this recognition?

**Kanti Kumar Saha (KKS):** Despite our relatively recent establishment in 2018 and the obstacles presented by the COVID pandemic in recent years, we express gratitude for the sustainability rating bestowed upon us by the central bank in 2022. Presently, our primary emphasis lies in making contributions to the national economy and tackling global climate-related concerns.

We have worked closely with the central bank, securing funds in advance for our projects due to our strong portfolio, which they have approved. We refer to our approach as "sustainable project financing" rather than "sustainable financing products." Since we do not have many branches, we have partnered with MFIs (Microfinance Institutions) that help us connect with farmers and small projects in rural areas. Even though we are not a large organization, we aim for a significant national impact.

Our first project involved e-financing from the central bank for a green brick manufacturing plant. The goal was to achieve zero carbon emissions, which we accomplished by switching from wood to gas as fuel, thus protecting the environment.

**TDS: How does your institution assess the creditworthiness and risk associated with sustainable financing projects compared to traditional projects?**

**KKS:** We prioritize thorough risk analysis and environmental benefits for our clients. We secured 15-year World Bank funding at slightly over 6% interest for an economic zone. Our focus extends beyond finance, emphasizing a positive social impact and ecological balance while mitigating risks.

We also prioritize credit analysis and risk management, selecting clients through a forward selection process, and we aim to expand our sustainable and green financing.

Our corporate social responsibility budget supports climate awareness, education for elderly citizens, and intergenerational learning on sustainability and climate change.

**TDS: How are you utilizing the Green Transformation Fund and the green refinancing programs that Bangladesh Bank offers?**

**KKS:** This year, we entered into a significant agreement with the central bank, focusing our efforts on projects that benefit not only businesses but also the climate. One of these projects involves a state-of-the-art treatment plant for a large exporter, ensuring 100% reuse of drainage water. This approach directly reduces water waste and environmental impact.

Another project partners with an export-oriented industry that utilizes laser cutting machines, enhancing precision and efficiency while minimizing material waste. These machines are energy-efficient, contributing to a greener future by conserving electricity and reducing carbon emissions. Our commitment to such projects underscores our dedication to sustainability and climate protection.

**TDS: What is your plan for future to guide your institution with this sustainable spirit?**

**KKS:** We are actively moving towards establishing a dedicated finance team to arrange substantial long-term funds for green financing, including World Bank funding. Our approach involves various strategies such as preferential rates and syndication to facilitate eco-friendly projects. The shared goal of the Central Bank of Bangladesh and the World Bank is to safeguard the environment through sustainable financing that protects the climate.

Our future plans include continued growth and self-education, with a strong emphasis on employee training. We aspire to make meaningful contributions not only to Bangladesh but also to the global environment.

**TDS: What do you expect from the government to make the banking sector more sustainable?**

**KKS:** Increasing campaigns and awareness are crucial, especially within the domestic corporate sector, where many companies are not fully informed about sustainability. While export-oriented industries are more aware due to foreign audits, broader domestic awareness is needed. The government should lead awareness campaigns, extending sessions beyond the banking sector to consult with ministries like industry and commerce, collaborating with trade bodies to play a vital role in spreading awareness. Every entrepreneur should prioritize sustainability and ensure their projects do not harm the climate. Government and entrepreneurs must collaborate for this collective goal.

*The interview was taken by Md Fozlay Rabby Ansary*