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Bangladesh Bank
Head Office
Dhaka

Sustainable Finance Department

SFD Circular No. 05

Date: 18 September 2022
০৩ আশ্বিন ১৪২৯

Managing Director/Chief Executive
All Scheduled Banks and Financial Institutions in Bangladesh

Dear Sir,

Policy on Green Bond Financing for Banks and Financial Institutions (FIs)

Government of Bangladesh prioritizes achieving Sustainable Development Goals (SDGs) which requires significant sustainable investment in infrastructure sectors. Intended Nationally Determined Contribution (INDC) of Bangladesh prioritizes the energy, transport and industrial sectors setting out a number of quantified targets with a view to reducing Green House Gas (GHG) emissions by 5% within 2030 compared to a business as usual scenario. Furthermore, Perspective Plan 2021-2041 and Bangladesh Delta Plan 2100 sets out an ambitious plan for sustainable economic growth highlighting the need for climate change mitigation and adaptation. Sustainable investment including green areas has a key role to play in mobilizing the necessary capital to deliver on the government's national and international commitments towards sustainability objectives.

2. In this backdrop, **Policy on Green Bond Financing for Banks and FIs** has been formulated with a view to facilitating green focused sustainable investment of Banks and FIs through on climate change mitigation and adaption. The Policy is being issued vide this circular under the authority given through Section 45 of Bank Company Act, 1991 and Section 18 (Cha) of Financial Institutions Act, 1993.

This circular will come into force with immediate effect.

Yours sincerely,

(Khondkar Morshed Millat)
Director (SFD)
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Bangladesh Bank

Policy on Green Bond Financing for Banks and FIs

Sustainable Finance Department

September 2022

Policy on Green Bond Financing for Banks and FIs

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Table of Contents

Foreword

Government's growth plan, its global commitment to sustainability, and Bangladesh Bank's strategic objectives are the primary catalysts those have been taken into due consideration in designing the Policy on Green Bond Financing for Banks and FIs. This policy has undergone a lengthy process of preparation and consultation with banks and financial institutions as well as development partners. The policy contains a taxonomy that came out of mapping of Bangladesh's green investment targets to international standards. 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. The strategy efforts included a series of consultations with international development partners and Advisory Committee comprising representatives from the relevant regulatory bodies, ministries, and other government institutions/agencies. It is quite encouraging that the team (Sustainable Finance Department, Bangladesh Bank) has received comments/feedback on the draft document from International Finance Corporations, Ministry of Agriculture, Ministry of Environment, Forest and Climate Change, Ministry of Finance (Financial Institution Division, Finance Division and Economic Relation Division), Ministry of Energy, Sustainable and Renewable Energy Development Authority (SREDA), Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Bangladesh Securities and Exchange Commission (BSEC), Insurance Development & Regulatory Authority(IDRA), Bangladesh Climate Change Trust and the three members of Banks and FIs. The comments have been rigorously analyzed and adjusted which seemed justified. We are grateful to the honorable Governor for his directives and approval of the strategic decisions. This Policy on Green Bond Financing for Banks and FIs was created with a goal of promoting green-focused sustainable investment by Banks and FIs through the mitigation and adaptation to climate change while availing every options of green finance. In the long run the policy should assist the development of a vibrant green bond market with an impact of growth for national economy. It is also anticipated that all the concerned stakeholders, including banks and FIs, will be passionate, proactive, and will focus on the Policy on Green Bond Financing for Banks and FIs with due consideration in a coordinated and collaborative manner in order to transform any potential challenges into opportunities.

Abu Farah Md. Nasser
Deputy Governor &
The chair of the Advisory Committee

Acknowledgment

The formulation process of Policy on Green Bond Financing for Banks and FIs is highly indebted to Sheikh Hasina, Honourable Prime Minister of the Government of the People's Republic of Bangladesh for her vision and guidance towards sustainability. Honourable Governor of Bangladesh Bank has strong leadership over the financial sector sustainability which inspired the team for hunting the scopes for the participation of Banks and FIs on Green Bond. The policy is gratified with the technical assistance from International Finance Corporation for the preparation of Green Bond Taxonomy.

The Policy on Green Bond Financing for Banks and FIs has come into light with prudent reviews and guidance of the Chair and the members of the Advisory Committee, concerned regulatory authorities, ministries and other government institutions/agencies.

Acronyms

BREEAM	Building Research Establishment Environmental Assessment Method
BDT	Bangladeshi Taka
FIs	Financial Institutions
BRT	Bus Rapid Transit
BSEC	Bangladesh Securities and Exchange Commission
BSTI	Bangladesh Standards and Testing Institution
CASBEE	Comprehensive Assessment System for Built Environment Efficiency
DNSH	Do No Significant Harm
EDGE	Excellence in Design for Greater Efficiencies
EEDI	Energy Efficiency Design Index
ESG	Environmental, Social and Governance
FSC	Forest Stewardship Council
FI	Financial Institution
GHG	Greenhouse Gas
GOTS	Global Organic Textile Standard
GSTC	Global Sustainable Tourism Council
ICMA	International Capital Market Association
IFC	International Finance Corporation

ILO	International Labour Organization
IMO	International Maritime Organization
IPCC	Intergovernmental Panel on Climate Change
ISCC	International Sustainability & Carbon Certification
ISO	International Organization for Standardization
IUCN	International Union for Conservation of Nature
LED	Light Emitting Diode
LEED	Leadership in Energy and Environmental Design
MPA	Marine Protected Area
INDC	Intended Nationally Determined Contribution
PEFC	Programme for the Endorsement of Forest Certification
PM	Particulate Matter
PV	Photovoltaic
RD&I	Research, Development and Innovation
RSB	Roundtable on Sustainable Biomaterials
RTRS	Roundtable on Responsible Soy Association
SDG	Sustainable Development Goals
SFI	Sustainable Forestry Initiative
SREDA	Sustainable And Renewable Energy Development Authority

Chapter-1

1. Introduction

Global interest in green bonds has been driven by the need to finance projects that will reduce greenhouse gas emissions, mitigate environmental degradation and contribute to sustainable development. The geographical and demographical landscape of Bangladesh is acutely vulnerable to climate change and environmental degradation. Sustainable Development Goals (SDGs), Fifth Year Plans, National Sustainable Development Strategy, Perspective Plan 2041 and Delta Plan 2100 of the Government of Bangladesh indicate moving towards climate mitigation and adaptation, environmental and social protection and promoting all the alternatives of green finance. Bangladesh is one of the pioneers whose Central Bank (Bangladesh Bank) issued regulatory policies for Green Banking, Guidelines on Environmental and Social Risk Management and Sustainable Finance Policy for Banks and FIs. Bangladesh Bank has provided the Policy on Green Bond Financing for Banks and FIs with a view to further accelerating the green finance initiatives towards green finance and investments on climate resilience, environmental and social safeguard.

2. Definition of the Green Bond

EU defines green bond as a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers‟ other debt obligations.

International Capital Market Association (ICMA) defines Green Bonds as any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects provided by transparent green credentials.

IFC defines Green Bonds as the financial instruments that finance green projects and provide investors with regular or fixed income payments.

Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 states „Green bond‟ as a debt securities or Islamic Shariah based Securities (IBS) or Asset Backed Securities (ABS), the fund or proceeds of which is for investments in such project or company or organization to generate a measurable and beneficial climate or environmental impact in addition to financial returns.

However, Green bond is a long term fixed income securities/instrument to finance or refinance the projects or activities which are recognized as green under the Green Bond Taxonomy stipulated in this policy.

3. Rationale

In order to meet the SDGs, Bangladesh requires an additional significant investment in infrastructure sectors (water, electricity, telecom, ports, airports, rail and road) to match the performance of its best performing peers in 2030. Bangladesh‟s Intended Nationally Determined Contribution (INDC) prioritizes the energy, transport, and industrial sectors. Bangladesh has ratified an ambitious and progressive INDC, which sets out a number of quantified targets to reduce greenhouse gas emissions by 5% by 2030 compared to a business as usual scenario or 15% conditional on mobilizing international finance and support from international sources. While the priority action sectors are

energy, transport and industry, the INDC action plan also lists conditional measures in other sectors such as buildings, agriculture, waste, land use and forestry sectors. Furthermore, the Bangladesh Delta Plan 2100 sets out an ambitious plan for economic growth to support the country‟s ambition to reach upper-middle income status by 2030 while highlighting the need for climate resilience and climate change adaptation. Sustainable investment 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.

4. Bangladesh capital market context

Bangladesh Bank has been at the forefront of driving a financial sector in Bangladesh that supports sustainable and green capital flows. Key milestones include:

- The establishment of Green Banking Policy Guidelines in 2011.
- The introduction Climate Risk Fund in 2015 and allocation of at least 10% of their Corporate Social Responsibility budget by Banks and FIs.
- A requirement from 2016 that all banks and FIs establish a sustainable finance unit and sustainable finance committee.
- The publication of a Green Bond Market Landscape report in October 2019.
- The adoption of a Sustainable Finance Policy for Banks and FIs in December 2020.

In recent years BSEC has facilitated a significant increase in finance for green projects in Bangladesh and broader capital market development. Since the introduction of the green lending requirements in January 2016, green finance from Banks and FIs has increased from around BDT 30 billion per year to over BDT 100 billion per year since 2018. More recently, a range of reforms have driven an uptick in bond issuances, reaching BDT 90 million in 2020. These recent developments include:

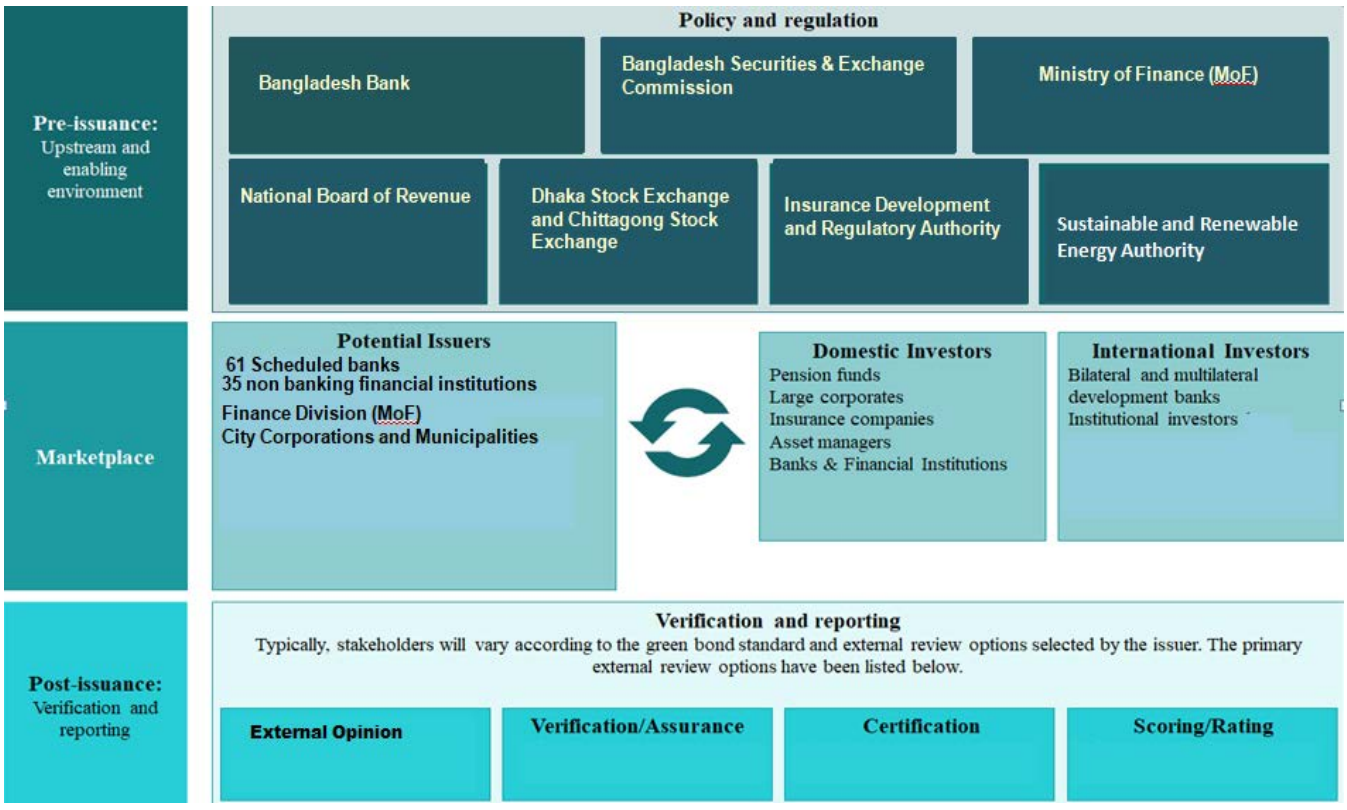
- The National Board of Revenue reducing stamp duty on BSEC approved bond issuances from 2% to 0.5%.
- Development of benchmark yield curve by Bangladesh Bank in November 2020, made up of a list of 30 treasury bonds.
- Listing and trading of government bonds on the major stock exchanges. In November 2020, BSEC announced government treasury bonds and bills can be traded through the public markets which will allow retail participation in the bill/bond market.
- The International Finance Corporation issuing its first „Bangla Bond‟ in BDT November 2019, raising the equivalent of almost US$ 10 million.
- The Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 opened the scopes for green bond financing.
- Issuance of SUKUK, first of its kind in Bangladesh has brought an example of development in green finance.

5. Key National Stakeholders

Respective legislations and regulations as issued by different regulatory agencies must be considered in case of issuance and placement in green bond (please see Figure 1) Bangladesh Bank is mandated to formulate monetary policy and regulate financial systems as well as promoting green banking and green finance policies. BB is responsible for overseeing the whole banking industry as well as non-bank financial institutions in order to avoid irresponsible or fraudulent behaviour.

Trading rules for securities including green bonds are governed by the Bangladesh Securities and Exchange Commission (BSEC). The BSEC's key responsibilities include developing and maintaining transparent and efficient securities markets as well as ensuring appropriate securities issuance. The Debt Securities Rules control all bond issuances in Bangladesh including Sukuk. However, according to The Public debt Act 2022 BB is responsible for the issuance and management of government securities. This act also gives the authority to establish and to maintain Depository of Government securities by BB.

Figure 1: Key stakeholders in the Bangladesh green bond market



6. Alignment of Green Bond Financing with SDGs and INDC

Sectors of Green Bond Financing 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	Sectors of Green Bond Financing	INDC Priority Area
	2.4, 6.5, 7.1, 7.2, 7.a	Low-carbon electricity, heating and cooling	Power
	7.3, 9.1, 9.2, 9.4, 12.5	Green establishments and built environment	Industry and Commercial Buildings
	7.1, 7.2, 7.3, 7.a, 8.4, 8.8, 9.4, 11.6	Energy and resource efficiency in industry	Industry (energy-related)
	11.2, 14.2	Low-carbon transportation	Transport
	3.9, 6.1, 6.3, 6.4, 6.5, 12.4, 12.5	Circular economy, wastewater and water management	Waste and Land use
	2.3, 2.4, 15.2, 15.4	Agriculture and land use	Agriculture (non-energy related)
	8.9, 14.2, 11.b	Climate Resilience and Climate Change Adaptation Measures	Land use and land use change and forestry
	7.a, 9.b	Services Associated with the Low Carbon, Climate Resilient and Green Economy	Industry

Chapter-2

1. Green Bond Taxonomy

Green bond taxonomy is a classification of economic activities based on some environment related standardized thresholds that are consistent with the goal of creating a low-carbon, climate resilient and green economy and that might be financed through issuing green bonds. The green bond taxonomy relates the context in Bangladesh and will support the development of the emerging green bond market in Bangladesh and hence enable financial flows by banks and FIs towards the country‟s objectives of transitioning to a low-carbon climate resilient and environmentally sound economy. Green Bond Taxonomy in this regard has been developed for the banks and FIs for issuance of and investment in Green Bond (Chapter-2/section-6). The taxonomy lays out a list of actions for investors such as banks and financial institutions (FIs) aligned with the country's green investment goals as well as worldwide green bond standards and investor expectations. It has been developed on the basis of Bangladesh's green investment priorities, international standards, the Climate Bond Standards and a series of reviews by an advisory committee comprised of representatives from the concerned regulatory authorities, ministries and other government institutions/agencies. It provides banks and financial institutions with a list of nationally appropriate projects and activities that meet the required criteria for ensuring their climate and/or environmental credibility acknowledging the principle of shared but differentiated responsibilities and capabilities.

2. Goals

The taxonomy will serve two purposes: (1) it will assist issuers in identifying suitable projects and activities for which green bond proceeds can be used and (2) it will aid in communicating the green credentials of a green bond issuance and prospectus to potential investors. It will ensure consistency by establishing a strong and transparent framework that is in line with the country's low-carbon development, climate resilience, environmental and social sustainability goals.

3. Objectives of the Green Bond Taxonomy

For issuers such as banks and FIs, it describes green investment priorities that could be supported by the proceeds of a green bond. Issuance of green bond is also a good business case yielding good return. The taxonomy provides a comprehensive list of projects and activities that could be supported by a green bond, and which corresponds to the significant green investment priorities and opportunities in the coming decades. The taxonomy both (1) helps issuers identify eligible projects and activities where proceeds of green bonds can be used, and (2) helps communicate the underlying green credentials of a green bond issuance and prospectus for potential investors. It provides consistency with a robust transparent framework, aligned to the country‟s low-

Figure 2: Objectives supported by the Bangladesh Green Bond Taxonomy

carbon development, climate resilience and environmental sustainability objectives.

For investors such as banks and FIs, it sets out a list of activities that entitle the nation‟s green investment needs and priorities with international green bond standards and investor expectations. The taxonomy has been developed based on a mapping of Bangladesh‟s green investment priorities to international standards and in particular the ICMA Green Bond Principles, the Climate Bonds Standards and Certification requirements and series of reviews by advisory committee represented by concerned government institutions. It provides banks and FIs with a list of nationally appropriate projects and activities meeting clear criteria to ensure their climate and/or environmental credibility while recognising the principle of common but differentiated responsibilities and respective capabilities. The taxonomy aims to provide clarity and transparency that their capital will be allocated to genuinely green projects and activities, making it easier for them to commit capital to bonds whose proceeds are aligned with this taxonomy, with lesser transaction costs.

4. Policy Landscape for green finance and green investment

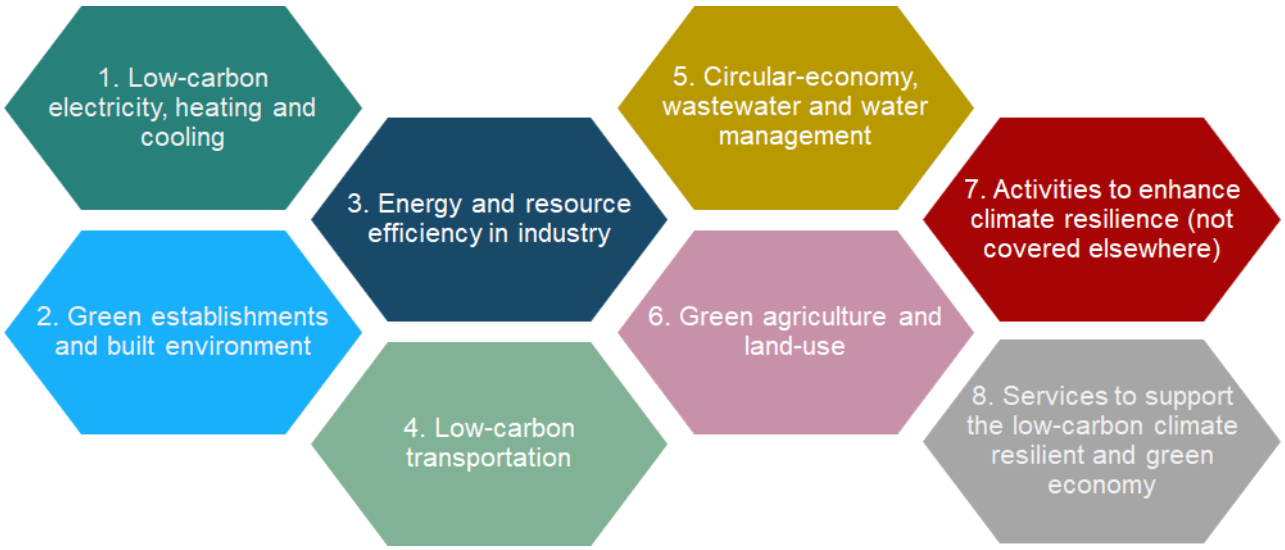
Sustainable Finance Policy published by Bangladesh Bank in December 2020 supports this Green Bond Taxonomy. The Sustainable Finance Policy is an overarching strategy document covering issues such as green financial disclosure, carbon foot-printing methodologies, green and sustainable finance definitions etc. Importantly, it also includes clearly defined exclusion criteria for eligible projects, which apply equally to the activities set out in this Green Bond Taxonomy. The specific role of this Green Bond Taxonomy is to focus on establishing a list of activities appropriate for green bond finance; that is activities that (1) align to national green and low-carbon transition priorities, and (2) meet international green standards. The Sustainable Finance Policy covers 68 green products/initiatives/projects for banks and FIs.

BSEC enacted the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 which includes a list of eligible sectors for green bond financing and additional requirements for issuance of green bond under private offer or public issue or offer. Both the existing green product list in sustainable finance policy and the list of eligible sectors of BSEC rules 2021 have been addressed in the Policy on Green Bond Financing for Banks and FIs.

5. Key sectors and policy targets

The taxonomy has been structured into 8 sectors. The sectors have been informed by current Bangladesh Bank product list and the eligible sectors provided by BSEC, while aligning to Bangladesh policy targets and international practice to support investor familiarity.

Figure 3: Eight sectors covered by the Bangladesh Green Bond Taxonomy



Each of these sectors is important in the Bangladeshi economy and has an important role to play in meeting Bangladesh‟s policy targets for green and resilient growth. As a rapidly developing economy, Bangladesh has set ambitious policy goals covering all six of the environmental objectives specified above in many of sectors identified in the Green Bond taxonomy. Table 1 provides more detail on the importance of each sector in the taxonomy to Bangladesh and some of the relevant policy targets.

Table-1 Policy targets underpinning the Green Bond Taxonomy Sectors

Sector	Importance of the sector and selected policy targets
Low-carbon electricity, heating and cooling	• Bangladesh has access to a range of renewable energy resources including solar, wind, hydro and geothermal energy. The country has already achieved considerable success in using solar energy to increase energy access and support agricultural communities. • The 2100 Delta Plan sets a target that 30% of installed power capacity should be from renewable sources by 2041 while future versions of the New Power Sector Master Plan may lead to additional targets being set.
Green establishments and built environment	• Previous market assessments identify a $110billion investment opportunity in green establishments in Bangladesh with rapid growth in green building activity since 2015. • The Energy Efficiency and Conservation Master Plan targets a 20% improvement in primary energy consumption per unit of GDP between 2014 and 2030, with important contributions from green buildings and establishments.

Sector	Importance of the sector and selected policy targets
Energy and resource efficiency in industry	• The share of industry value added in GDP has risen from 22% in 2000 to 30% by 2019, providing significant market opportunities for energy and resource efficient industrial applications. Key sectors include textiles (including jute) and leather, as well as brick, paper and cement manufacturing • As above, the Energy Efficiency and Conservation Master Plan targets a 20% improvement in primary energy consumption per unit of GDP between 2014 and 2030.
Low-carbon transportation	• Hybrid vehicles have become increasingly popular in Bangladesh and electric vehicles are expected to penetrate the market in the near future, mass transit schemes are planned in Dhaka and Chittagong, and further potential for inter-city rail links. • The 2041 Perspective Plan targets a major shift of freight and passenger transport away from roads by 2041, and for all major cities to have urban mass transit schemes by 2041. The 2100 Delta Plan targets modernizing 24 inland ports and maintaining the navigability of 88 river routes.
Circular economy, wastewater and water management	• Bangladesh‟s extreme flood risk makes water and wastewater management exceptionally important for the country. • Looking forward, the 2041 Perspective Plan targets an increase of 42% to 100% (urban households) and 0 to 50% (rural households) of households with water-sealed sanitary toilets by 2041. It also envisages that all urban water bodies comply with water quality standards by 2041. • The 2100 Delta Plan establishes flood risk management and fresh water National Investment Strategies.
Agriculture and land use	• Despite a steady decline, agriculture is still estimated to account for around 38% of total employment in Bangladesh, making it the single most important sector in terms of employment. • The 2041 Perspective Plan recognizes the importance of increased conservation agriculture, organic farming and urban agriculture as well as enhanced irrigation efficiency using digital technology and drip irrigation. • The 2041 Perspective Plan also envisages an increase in forest cover from 14.1% to 15.2% by 2025 and 20% by 2040.
Activities to enhance climate resilience not elsewhere classified	• Bangladesh has been identified as one of top 10 countries in the world most affected by extreme weather events between 2000 and 2019 according to the Global Climate Risk index. • The National Plan for Disaster Management identifies 34 core targets to help improve the country‟s disaster preparedness and disaster management capacity.

Sector	Importance of the sector and selected policy targets
Services to support the low-carbon, climate-resilient and green economy	• Services account for more than half of Bangladesh‟s GDP. • Efficiency service delivery can support delivery of all environmental objectives across all of the sectors above.

6. Sector Activity, Definition and Criteria

The taxonomy describes eligible activities and eligibility criteria (details are included in Annex-1) where appropriate, to deliver on its primary environmental objective. These criteria are used to ensure that the taxonomy drives a high standard of environmental ambition across the six environmental objectives and that any concerns regarding „green washing‟ are avoided. At the same time, they are intended to take account of the specifics of undertaking activities in the country context. The nature of some activities means that there are no direct criteria that would need to be met as the activities are inherently consistent with Bangladesh‟s green ambitions; in such cases the taxonomy records the direct criteria that need to be met as „none‟.

In addition, there is a possibility that some activities might support one environmental objective but lead to harm against other environmental objectives. In such cases, the overall environmental credibility of the activity might be called into question. To avoid this risk would require compliance with a series of generic „do no significant harm‟ (DNSH) criteria. These criteria are that the activity should:

1. Only proceed when an Environmental and Social Due Diligence (ESDD) assessment is undertaken, and conditions complied with, and an Environmental Clearance Certificate acquired.
2. Meet the relevant standards relating to air quality, water quality, noise, emissions from motor vehicles or mechanized vessels, odour, sewage discharge, waste from industrial units, gaseous emissions, industrial effluent and emissions.
3. Only proceed after a climate risk vulnerability screening and/or assessment has been undertaken and any requirements to improve climate resilience have been incorporated.
4. Identify and manage issues around water quality and water stress in consultation with stakeholders.
5. Only proceed once a waste management plan has been developed and implemented, in accordance with the waste hierarchy.

All criteria related to emissions/energy use reductions or thresholds would need to be undertaken using a recognized methodology by an independent third party. Except where specified, emissions intensities of products and services should be measured on a lifecycle basis. This measures the emissions associated with three phases of the product lifecycle:

- Upstream: the emissions associated with material acquisition and pre-processing of materials
- Production: the emissions associated with producing the good or service
- Downstream: the emissions associated with distribution and storage, use and end-of-life

Lifecycle emissions assessments should be based on ISO 14067 or the GHG Protocol Product Life cycle Accounting and Reporting Standard, or other methodology approved by the concerned ministry of the government.

7. Developing Green Bond Financing Policy by Banks/FIs

Banks/FIs will develop their own Green Bond Financing Policy which must be approved by its 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. Green Bond Financing Policy of a Bank/FI must be in conformity with the Policy on Green Bond Financing for Banks and FIs as well as Bangladesh Securities and Exchange Commission (Investment Sukuk) Rules, 2019 and relevant Islamic Shariah principles, Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 of BSEC including its other concerned policy guidelines.

Chapter-3

1. Proceeds of Green Bond

The utilization of the proceeds of the bond for Green projects which should be appropriately aligned with the described sector activities. Proceeds or fund raised by issuance of green bond shall be invested in such project, company or organization which is engaged in activities with intension to generate a measurable and beneficial environment and climate impact for the society in addition to financial returns as justified with criteria with respect to particular defined activity mentioned in the Chapter-2/section-6 of this policy. A summary report on benefits of environmental and climate impact as well as social benefits will be included in the Information Memorandum.

2. Green Bond Assessment

Assessment by the expert verifiers and certification provides investors with immediate and credible assurance that the green bond achieves recognized standard. The standards of Green Bond Initiatives set following five step certification process:

2.1. Preparation

In the first instance, the issuer will need to determine how it will use the proceeds of the bond issuance. In particular, what „green" assets will be the bond be used to finance or refinance. For certification and verification, these will need to conform to defined sector standards. The issuer may also prepare a Green bond framework which explains to investors how the proceeds will be spent and how the bond aligns with the issuer"s business strategy.

2.2. Pre-issuance Verification

A pre-issuance review process includes review of project evaluation and selection criteria including project activity eligibility verification for Green Bond financing. This gives investors a confidence that robust processes and policies are in place for the issuer to allocate proceeds to eligible green projects. The green projects should be properly assessed, quantified and verified by an eligible expert (for example the expert"s eligibility as approved by BSEC).

2.3. Certification

An independent third party certifier, for reviewing/certifying the pre-issuance process including project evaluation and selection criteria including project activity eligibility verification for Green Bond financing will lend credibility to the issuance of Green Bonds as well as financing in Green Bonds. BSEC is the competent authority to set the eligibility criteria for third party certification of Green Bond.

2.4. Post-issuance Verification

After the bond has been issued and the bond proceeds are allocated to the underlying assets, the issuer needs to update information on the bond to clearly highlight and agree any variance to the use of proceeds after the bond issuance. The external verifier confirms that the management and allocation of proceeds continue to meet the certification requirements.

3. Management of Proceeds

The proceeds of the Green Bond should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by the issuer in an approved internal process linked to the issuer‟s lending and investment operations for eligible Green Projects. BSEC prescribes the proceeds or fund of the green bond shall be placed in a separate account (escrow or specified bank account for corporate company) and utilization of such proceeds or fund shall also be made from this account.

4. Reporting by Bond Issuer

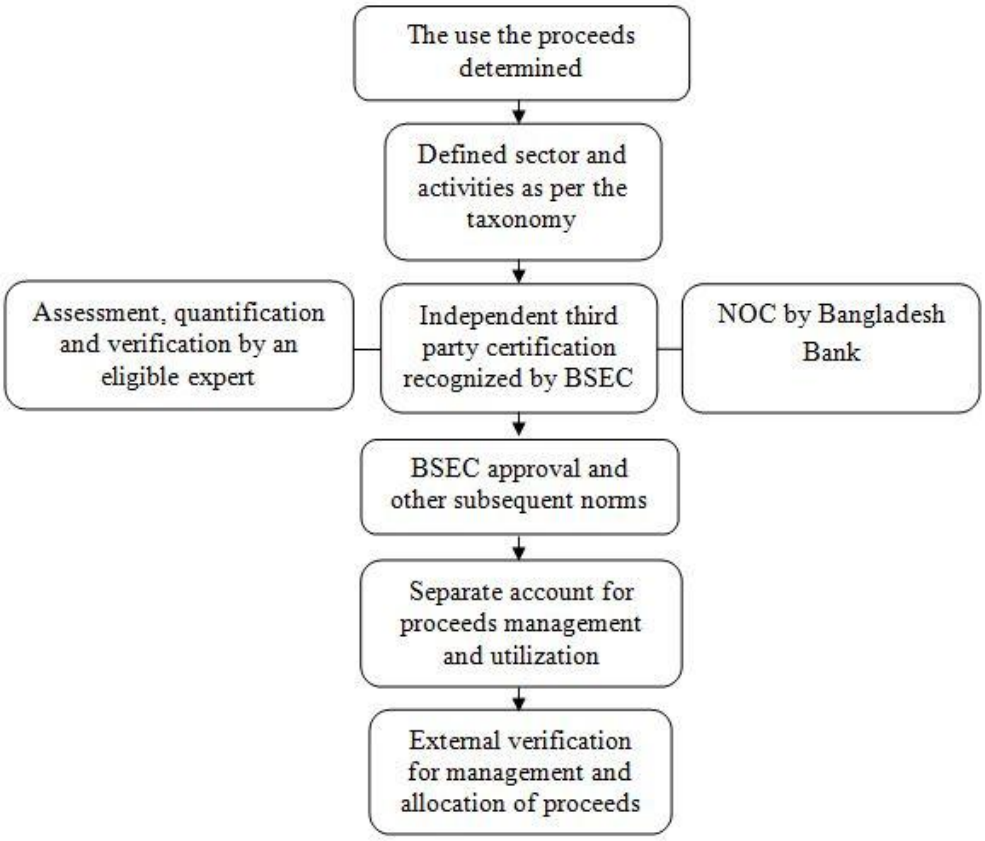
The issuer should provide periodical reports to BSEC (half yearly/annually as prescribed by BSEC) throughout the term of the bond and ideally publish these. The purpose of these short reports is to provide transparent confirmation and communication that the bond continues to meet the standards and should include particular environmental impact indicators.

Chapter-4

1. Procedure of Green Bond Issuance by Banks and FIs

Banks/FIs may issue green bond (being approved by the Board of directors) to raise its capital with a view to financing the proceeds in environmentally eligible projects. The eligible projects will be aligned with the sector activities definition and specified criteria mentioned in the Chapter-2/Section-6 of this policy. Apart from this eligible projects alignment Banks/FIs will be obliged to comply all the regulatory compliance set by BSEC regarding the issuance, verification, certification, proceeds management and other subsequent norms. Green Bonds issued by bank/FI will be treated as "Green equity".

Figure 4: Green Bond Issuance Process flow



1.1. Preparation

The issuing banks/FIs will need to determine how it will use the proceeds of the bond issuance and what „green" assets will be the bond be used to finance or refinance. The issuing bank/FI will submit required documents, verification and certification as per BSEC Rules time to time enacted. A Green bond framework explaining the procedure from issuance, fund management, proceeds utilization to bond settlement reflect issuer's overall business plan.

1.2. Fund Management and Proceeds Utilization

The proceeds or funds obtained through the issuance of green bonds will be invested in environment-friendly projects. Eligible projects/activities may also cover social co-benefits where the issuer determines and discloses the use of proceeds based on the underlying projects' primary objectives.

The steps under fund management and proceeds utilizations are as follows:

i. **Account Management:** The proceeds or fund of the green bond shall be placed in separate account and utilization of such proceeds or fund shall also be made from this account. The issuing bank/FI will testify through in an approved internal procedure related to lending and investment activities for eligible projects/activities.
ii. **Proceeds Utilization:** In compliance with Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021, the proceeds or funds raised through the issuance of a green bond shall be invested in a project/activities having a goal of generating a measurable and positive environmental and climate impact for society, in addition to financial returns as justified by criteria with respect to a specific defined activities. Banks/FIs will determine the project/activities as stipulated in the Green Bond Taxonomy.
iii. **Settlement of the Bond:** According to Bangladesh Securities Exchange Commission (Debt securities) Rule 2021 the bank/FI will repay to the bond holder as per repayment schedule mentioned in the prospectus/information memorandum.

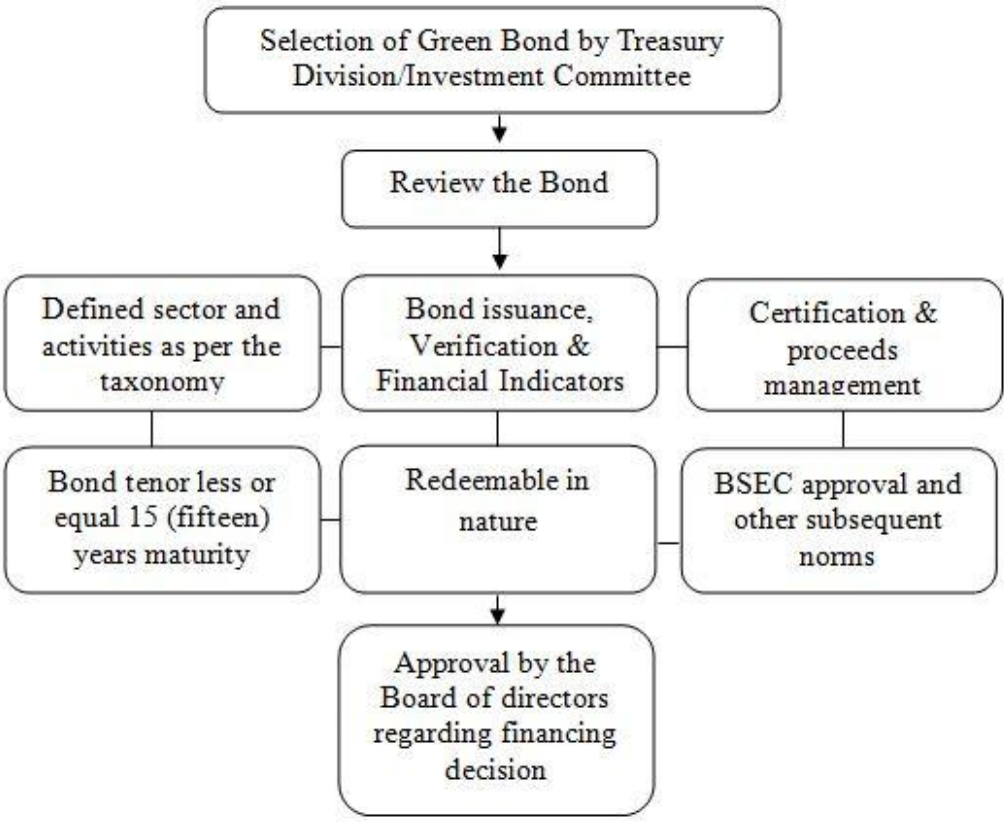
2. Appointment of Underwriters, Issue Manager and Trustee

The use of proceeds and the method for managing the funds must be disclosed to investors in the prospectus prior to the issuing of a Green Bond. Banks/FIs will prepare the prospectus and appoint the underwriters and issue manager as per Bangladesh Securities Exchange Commission (Debt securities) Rule 2021. Banks/FIs will also prepare the trust deed and appoint the trustee as per Bangladesh Securities Exchange Commission (Debt securities) Rule 2021.

3. Procedure of Green Bond Financing by Banks and FIs

Banks/FIs may invest in green bond (being approved by the Board of directors) authorized by BSEC regarding the issuance, verification, certification, proceeds management and other subsequent norms. Banks/FIs will ensure the particular proceeds of the green bond should be in alignment with the sector activities definition and specified criteria mentioned in the Chapter-2/Section-6 of this policy. The green bond tenor should not exceed 15 (fifteen) years maturity and should be redeemable in nature.

Figure 5: Green Bond Financing Process flow



4. Compliance

The banks/FIs shall adhere to Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 in case of issuance of Green Bond. The issuer shall comply ruling regarding Approval of Information Memorandum and Publication of information in Media, obligor, issue size, coupon rate, Use of Proceeds, Asset Backed Securities, Secured Debt Instrument, Special Purpose Vehicle, Unsecured Debt Instrument, Conversion or Exchange Options, Consent fee, Subscription procedure, Arbitration and Contravention.

All general conditions under Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021 shall be applicable to issuance of green bond as well as Shariah Based Islamic Green Bond/Sukuk.

5. Eligibility Criteria of Bank and FIs

5.1. Issuing Green Bond

a. NPL must be less than 10% (Excluding State Owned Commercial Banks);
b. Minimum Capital Adequacy including CCB (Capital Conservation Buffer) shall not be less than the prescribed ratio for the last eight consecutive periods,
c. No provision Shortfall for the last two years;
d. No shortfall in maintaining Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR)for the last two years;
e. CAMELS rating shall not be less than 2;
f. Minimum acceptable rating grade 2 of BB or equivalent for long term;
g. Minimum acceptable rating grade S2 of BB or equivalent for short term;
h. Must be Nonconvertible.

5.2. Financing in Green Bond

a. Minimum Investment Grade of the instrument shall be equivalent to:
    i. Long term- BB rating Grade 2;
    ii. Short term- BB Rating Grade S3;
b. Not more than 5% of the sum of paid-up capital, statutory reserve, retained earnings and Share premium account as time to time prescribed by BB;
c. Single Borrower Exposure Limit shall be maintained as prescribed by BB;
d. CIB status of the Borrower shall be verified through CIB database of BB;
e. The instrument must be nonconvertible and also non perpetual.

6. Monitoring

Monitoring must move on in a structured manner immediately after the bond being issued or financed by the banks and FIs for the maintenance of the defined criteria proceeds management and utilization. Screening on Environmental, Social and Governance issue is essential for the review of a green bond 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.

i. Banks/FIs will track and mitigate risks which may arise from the development or operation of green projects.
ii. Monitoring for valid ESG permits or licenses
iii. Any fines and penalties for non-compliance with ESG regulations
iv. Recent reports from the relevant regulator or inspection authority confirming compliance with specified laws
v. Emission level within the permissible limit
vi. ESG occurrences including major accidents or incidents associated with a project‟s operations such as worker injuries and spills
vii. Complaints submitted by the stakeholders regarding project‟s operation

7. Reporting

Banks/FIs will report to Bangladesh Bank on quarterly basis regarding list of the projects to which green bond proceeds have been assigned or being financed, a brief description of the projects, the amounts allocated and estimated effect. Banks/FIs will also submit any other reports as and when required by Bangladesh Bank.

8. Disclosure

Banks and FIs should disclose the green bond 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‟ green bond exposure and performances of major green projects should be disclosed.
ii. Banks/FIs shall keep their annual report and websites updated with the disclosures on green bond exposure.
iii. Disclosure on how unforeseen deviations from compliance with eligibility criteria will be dealt with, to enhance integrity and so investor comfort. For instance, operational assets continuously failing to fulfil any of the qualifying criteria over a specified period will be removed from the portfolio and substituted with similar green assets of equivalent or better credit quality.

9. Rating

Banks and FIs are being rated once a year under sustainability rating considering their performance on environmental, social and governance attributes especially their policies and performance. This Rating includes their performance on green investment component under sustainable finance indicator where issuance of green bond will be considered as green equity and financing in green bond as green investment.

10. Capacity Building

Awareness and capacity building for green bond financing, including green goods, projects, and activities, will run concurrently with marketing for green and sustainable investments. For the following capacity building initiatives, banks and FIs will organize events/programs involving all management level executives/officials (head office, zonal/regional office, branches, units).
Creating a time-bound action plan that includes:

1. Dissemination of information and raising awareness
2. Knowledge exchange session and training/seminar/workshop
3. Keeping track of the training schedule
4. Creating a Knowledge Hub
5. Evaluation of project/initiative contributions to the environment, society, and economy
6. Evaluation of the governance issue
7. Examining the bank's/internal FI's and regulatory targets for achievement/attainment

Conclusion

It is evident that government of Bangladesh is making untiring efforts to contribute to inclusive sustainable green growth and towards attaining sustainability. Bangladesh is particularly vulnerable to climate change and environmental degradation due to its population density and geographical location. The Government of Bangladesh's Sustainable Development Goals (SDGs), Fifth Year Plans, National Sustainable Development Strategy, Perspective Plan 2041, and Delta Plan 2100 all point toward advancing climate mitigation and adaptation, environmental and social protection, and promoting all available options of green finance. Nevertheless, Green bonds, which are relatively new to the market, is a potential financial instrument in an echo system. The Policy on Green Bond Financing for Banks and FIs will facilitate drawing a considerable amount of domestic and foreign capital raised for building confidence and trust for the bond market. Moreover, Bangladesh will have to establish a vibrant green bond market in view of the expansion of the underlying economy and the country's imminent graduation from the LDC category. After the adoption of the Policy on Green Bond Financing for Banks and FIs, the major ecosystem participants will be able to quickly develop a vibrant green bond market that will make a significant contribution to the economy of Bangladesh.

Annexure

Annex-1: Sector Activity, Definition and Criteria for Green Bond

The tables below present the taxonomy of green activities in of the eight sectors.

1. Low-Carbon Electricity, Heating and Cooling

The taxonomy focuses on those energy technologies that can both help meet Bangladesh‟s energy demand and are domestically and internationally recognized as supporting green objectives.

#	Activity	Definition	Criteria
1	Generation of electricity using solar PV technology	Construction or operation of facilities that generate electricity from solar power including solar minigrids, solar microgrids, solar nanogrids, solar picogrids, solar parks, Rooftop Solar Systems, Solar Irrigation Systems.	No more than [15]% of electricity generated from non-renewable sources (where relevant). AND For rooftop solar PVs (as per Net Metering Guideline), the minimum threshold is 10% of total electricity. All equipment must meet national solar equipment standards as defined by the Bangladesh Standards and Testing Institution (summary available on the SREDA website).
2	Wind powered electricity, heating and cooling	Construction or operation of facilities that generate electricity, heating or cooling from wind power	Wind turbines where maximum emission level 20 g/kwh Co2 emission OR Activity delivers [80]% GHG emission reduction relative to fossil fuel comparator on a lifecycle basis.
3	Hydropower electricity, heating and cooling	Construction or operation of facilities that produce electricity, heating or cooling from hydropower, including mixed pumped hydropower storage	Activity delivers [80]% emission reduction relative to fossil fuel comparator. AND must perform an assessment, based on recognized best practice guidelines of environmental and social risks and incorporate measures to address risks. International Hydropower Association‟s (IHA) Hydropower Sustainability ESG Gap Analysis tool can be a ready reference.
4	Ocean powered electricity, heating and cooling	Construction or operation of facilities that produce electricity, heating or cooling through tidal or wave generation facility or the use of ocean thermals.	Activity delivers [80]% GHG emission reduction relative to fossil fuel comparator on a lifecycle basis.

#	Activity	Definition	Criteria
5	Bio energy for electricity, heating and cooling	Construction and operation of facilities that produce electricity, heating or cooling from bio energy (Biomass, Biogas and Biofuels)	Activity delivers [80]% emission reduction relative to fossil fuel comparator. Facilities use feedstock which met the criteria associated with the manufacture of the feedstock.
6	Hybrid renewable powered electricity, heating and cooling	Construction or operation of facilities that produce electricity, heating or cooling through a combination of solar PV, wind power, hydropower, ocean power and bioenergy	Activity delivers [80]% GHG emission reduction relative to fossil fuel comparator on a lifecycle basis; AND The criteria in this taxonomy associated with each of the individual renewable energy resources used within the hybrid facility are satisfied.
7	Manufacture of biomass (and biogas not covered elsewhere)	Manufacture of biomass (and biogas not covered elsewhere)	Feedstock production has been certified under one of the following standards: RSB, RTRS, FSC or ISCC Plus; AND For facilities producing biomass as a final product, the subsequent use of that biomass will deliver an [80%] reduction in GHGs; AND Any anaerobic digestion facilities have a methane leakage monitoring plan and all digestate is used for fertiliser use
8	Solar thermal heat	Construction of operation of facilities that produce heat/cool from solar thermal	Automatically eligible
9	Waste heat recovery	Construction or operation of facilities that produce heat/cool from waste heat	Automatically eligible
10	Manufacture of renewable energy technologies	Manufacture of products, key components and machinery that are essential for renewable energy technologies including hydropower, concentrated solar power, solar PV, solar heaters for water or space heating, solar cooling systems, solar cookers, solar pumps, wind energy, ocean energy, bioenergy (that meets the relevant criteria) and hydrogen production (that meets relevant criteria)	Manufacture must be of equipment that meets mandatory Bangladeshi standards as defined by the Bangladeshi Standards and Testing Institute (BSTI) and available on the SREDA website

#	Activity	Definition	Criteria
11	Installation etc. of renewable energy technologies (excluding solar pumps)	Installation, maintenance and repair of renewable energy technologies on site including rooftop solar and solar home systems and ancillary technical equipment, solar hot water panels and ancillary technical equipment, wind turbines and ancillary technical equipment, thermal or electric energy storage units, micro-Combined Heat and Power, solar cooking appliances	Assembly must be of equipment that meets mandatory Bangladeshi standards as defined by the Bangladeshi Standards and Testing Institute (BSTI) and available on the SREDA website.
12	Solar pumps, irrigation system	Installation, maintenance and repair of solar pumps	Must meet national standards, for example must have capacity to meet at least 5 lakh to 6 lakh litres of water extraction, AND have solar panel capacity: of at least 8 KWp per pump, and comply with the net metering guidelines for grid integration where relevant.

#	Activity	Definition	Criteria
13	Electricity transmission and distribution	Construction and operation of transmission, distribution systems that transport electricity on extra high-voltage, high-voltage, medium-voltage and low-voltage distribution Systems. Construction and operation of interconnections that transport electricity between separate systems	Establishes a direct connection to any renewable electricity generation technology identified elsewhere in the taxonomy; OR Facilitates the electrification of the transport fleet; OR the main objective is an increase in generation of use of renewable electricity generation that is or is expected to be consistent with the taxonomy; OR enables the development or integration of renewable energy sources; OR activity/equipment allows for carrying information to users for remotely acting on consumption; OR activity/equipment allows for exchange of renewable electricity between users OR more than [67%] of newly connected generation is below [100gCO2e/kWh] over a rolling five year period on a lifecycle basis; OR the average grid emissions factor on a lifecycle basis is below [100gCO2e/kWh] over a rolling five year period.
14	Electricity and thermal energy storage	Construction and operation of facilities that store electricity or thermal energy and return it at a later time, in the form of electricity or other vectors (except hydropower pumped storage which is covered elsewhere)	Automatically eligible
15	Nuclear power plants electricity generation		

2. Green Establishments and the Built Environment

#	Activity	Definition	Criteria
16	Construction of new green buildings	Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.	SREDA Building Energy Efficiency and Environment Rating exceeds [100] points; OR Buildings are EDGE certified; OR LEED certified to [gold or platinum] standard; OR BREEAM certified to [Very good] standard; OR Green Rating for Integrated Habitat Assessment of [86 points or more]; OR CASBEE Rating of [4 stars] or more, OR GRIHA certification
17	Renovation of buildings	Renovation of existing residential or non-residential buildings by bringing together financial, technical and physical means to realise the building projects on own account for sale or on a fee or contract basis.	Renovation leads to the buildings obtaining the standard specified in relation to 'Construction of new green buildings'; OR Renovation lead to a [20%] reduction in lifecycle GHG emissions; AND *(in both cases)* Any removal of existing building materials that contain asbestos is carried out by trained personnel; Bangladesh National Building Code to be referred in this regard.
18	Manufacture and/or assembly of green building products	Manufacture and/or assembly of green building/energy efficiency materials, equipment, products and appliances for deployment in the construction or operation of buildings	Products being manufactured reach the [top] standard in SREDA's energy efficiency labelling standards for ceiling fans, LED lamps, air conditioners and refrigerators; OR Manufacturing air conditioning systems, lifts/escalators, fresh air supply and mechanical vents, lighting, sensors, automated systems, ceiling fans, rainwater collection and use systems, motors, water fixtures, (including sensor water taps), glass and windows, and insulation materials meet the domestic regulatory standards OR Manufacturing facade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation;

19	Installation of EE equipment	Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment	Installation is of a product that meets the standards for manufacturing specified in „Manufacture of green building product" or „Manufacture of energy efficiency products"; AND Building components and materials do not contain asbestos and any removal of existing building materials that contain asbestos is carried out by trained personnel.

3. Energy and Resource Efficiency in Industry

#	Activity	Definition	Criteria
20	Industrial energy efficiency	Investment in and operation of energy efficiency or other process improvements associated with emission reductions in existing industrial facilities through the installation of more efficient equipment, changes in processes and management, reduction in heat losses and/or utilization of residual heat and pressure, including through new motors, pumps, fans, etc.	Lifecycle GHG emissions and/or energy use reduced by [20]% over the lifetime of the change
21	Co-generation plants	Construction and/or operation of co-generation plant that generate electricity as well as heating or cooling	Lifecycle impacts for producing 1 kWh of electricity from the cogeneration facilities are lower than [100] gCO2e
22	Manufacturing and/or assembly of energy efficient product/technology	Manufacturing and/or assembly of products that, when applied other sectors of the Bangladeshi economy, will allow significant lifecycle GHG emission reductions compared to standard market practice. This includes auto-sensor power switch assembly plant, energy efficient cook stove manufacture, improved rice parboilers, and LED bulb/tube manufacturing, LED Bulb Panels, Solar PV, Energy Efficient Fan, Energy efficient AC, Fridges, Ovens manufacturing and Sensor water taps	The energy efficiency products deliver lifecycle GHG emission reduction or applicable for the product that satisfy Minimum Energy Performance Standard if applicable.

#	Activity	Definition	Criteria
23	Cement manufacturing	Construction or upgrade and operation of manufacturing facilities for the manufacture of cement clinker, cement or alternative binders	For clinker production, lifecycle emissions intensity is less than [0.766tCO2e/tonne clinker]; For combined clinker and cement production, lifecycle emissions intensity is less than [1tCO2e/t cement]; AND An ISO-standard environmental management system is in operation; AND The facility does not use refuse derived fuels; AND production facilities incorporating dry process, efficient point and non-point air pollution control systems.
24	Lime manufacturing	Construction or upgrade and operation of manufacturing facilities for the manufacture of lime or dolime	Lifecycle emissions intensity for lime production is less than [1.25tCO2e/tonne]or for do lime the lifecycle emissions intensity is less than [1.4 tCO2e/tonne]; AND An ISO-standard environmental management system is in operation; AND The facility does not use refuse derived fuels
25	Textile (including jute) and leather manufacturing	Construction or upgrade and operation of manufacturing facilities for the manufacture of textiles including leather; AND Production facilities incorporating high resource productivity, improved product safety, reduced air and water emission and sufficient occupational health and safety measures	The facility incorporates high resource productivity, high product safety, low air and water emissions and robust occupational health and safety measures as certified by the Leather Working Group, the Sustainable Textile & Leather Production (STeP) by OEKO- TEX, the RMG Sustainability Council, the Global Organic Textile Standard (GOTS) or any certifying organisation approved by the DOE; AND BSTI Standard must be compliant. AND Any other compliance certificates as approved or acknowledged by the RMG Sustainability Council Bangladesh.
26	Pulp and paper manufacturing	Construction or upgrade and operation of facilities for the manufacture of pulp, paper and paper products	Facilities have received FSC, PEFC or SFI certification; AND Production facilities incorporating efficient pulping process, bio refineries and use of recyclers; AND installed 100% black liquor boiler & de-inking plant.

#	Activity	Definition	Criteria
27	Green construction brick manufacturing	Construction or upgrade and operation of manufacturing facilities for the manufacture of environmentally friendly bricks, specifically autoclaved aerated concrete, fly ash and concrete blocks, Tunnel Kiln and HHK	The activity meets the rules specified for brick manufacture specified in the Environmental Conservation Rules, 1997 and/or the Environmental Conservation Amendment Act 2010.
28	Eco-industrial parks	Construction or upgrade and operation of an eco-industrial park	The standards identified by the World Bank/UNIDO/GIZ in their 'Framework for Eco-Industrial Parks' have been complied with, with independent verification; OR third party ESIA compliance report as the regulatory standards.
29	Industrial air pollution Control	Construction or operation of industrial air pollution treatment, exhaust gas and effluent reducing or desulfurization and de-nitration facilities	Automatically eligible
30	Capture of CO2 emissions	Construction and operation of a facility that captures CO2 emissions preventing their release into the atmosphere	The captured CO2 emissions will, after transportation as necessary, be stored in a taxonomy-compliant sequestration facility. An environmental management system, consistent with ISO 14001, is in place; AND The activity meets the rules specified in the Environmental Conservation Rules 1997
31	Transportation of CO2 emissions	Transportation of CO2 emissions by pipeline, ship or rail	The CO2 emissions are being transported to a taxonomy eligible sequestration facility. Leakage between the collections of the CO2 to injection in the sequestration facility is less than 0.5%. An environmental management system, consistent with ISO 14001, is in place
32	Sequestration of CO2 emissions	Construction and operation of a permanent CO2 emissions storage facility	Facility complies with ISO 27914:2017 for geological storage of CO2.

4. Low-Carbon Transport

#	Activity	Definition	Criteria
33	Rail infrastructure	Construction, operation and maintenance of railways and subways as well as bridges and tunnels, and traffic management systems including the provision of architectural services, engineering services, drafting services, building inspection services and surveying and mapping services and the like as well as the performance of physical, chemical and other analytical testing of all types of materials and products	The trackside infrastructure allows for the use of electrified trains, or where there is a plan for such electrification within [15] years of the start of activity; *OR* The infrastructure is dedicated to transhipping freight between modes; *OR* The infrastructure is dedicated to the transfer of passengers from other modes to rail; AND *(in all cases)* The infrastructure is not dedicated to the transportation of fossil fuels.
34	Passenger rail transport	Retrofit, upgrade or operation of transport of passengers using railroad rolling stock on mainline networks, spread over an extensive geographic area, passenger transport by interurban railways and operation of sleeping cars or dining cars as an integrated operation of railway companies	The trains and passenger coaches have exhaust emissions of less than [50g] CO2e per passenger km; OR The passenger transport services are intended to allow a reduction in emissions of [30%] on a passenger km basis compared to a baseline (i.e. relevant alternative mode of transport in Bangladesh) in which the activity does not proceed;
35	Freight rail transport	Retrofit, upgrade or operation of freight transport on mainline rail networks as well as short line freight railroads	The trains and wagons have zero tailpipe exhaust emissions or these emissions are below [25g] CO2 per tonne kilometre; *OR* The freight transport services are intended to allow a reduction in exhaust emissions of [30%]compared to a baseline (i.e. relevant alternative mode of transport in Bangladesh)in which the activity does not proceed; *AND (in both cases)* The trains and wagons are not dedicated to the transport of fossil fuels.
36	Bus Rapid Transit	Retrofit, upgrade or operation of bus rapid transit	BRT projects meets gold, silver or bronze score under the BRT Standard

#	Activity	Definition	Criteria
37	Other commuter transport services	Construction or upgrade and operation of urban and suburban transport systems for passengers where transport is carried out on scheduled routes following a fixed time schedule.	The exhaust CO2 emissions of the vehicles are below [50]gCO2e per passenger km
38	Infrastructure for water transport	Construction and operation of waterways, harbour and rivers works, pleasure ports, locks, dams and dykes and other as well as the dredging of waterways, including the provision of architectural services, engineering services, drafting services, building inspection services and surveying and mapping services and the like as well as the performance of physical, chemical and other analytical testing of all types of materials and products	The infrastructure is dedicated towards the operation of either passenger or freight vessels that will comply with the requirements related to those vessels specified in this taxonomy; *OR* The infrastructure is dedicated to the provision of electrical power for vessels at berth; *OR* The infrastructure is dedicated to the performance of the port's own operations with direct CO2 emissions; *OR* The infrastructure is dedicated to transhipping freight between transport modes; *AND* The infrastructure is not dedicated to the transport of fossil fuels; *AND*
39	Passenger inland waterway transportation	Transport of passengers on inland waters, involving vessels that are not suitable for sea transport.	The exhaust GHG emissions of the vehicles are below [50]gCO2e per passenger km;*OR* The passenger transport services are intended to achieve a reduction in exhaust emissions of [30%] on a passenger km basis compared to a baseline in which the activity does not proceed
40	Freight inland waterway transportation	Transport of freight on inland waters, involving vessels that are not suitable for sea transport	The exhaust GHG emissions of the vehicles are below [25g] CO2e per tonne kilometre *OR* the vessels are intended to allow a reduction in exhaust emissions of [30%] on a tonne-kilometre basiscompared to a baseline in which the activity does not proceed; *AND* (in both cases) vessels are not dedicated to the transport of fossil fuels;

#	Activity	Definition	Criteria
41	Retrofitting of inland water passenger and freight transport	Retrofit and upgrade of vessels for transport of freight or passengers on inland waters, involving vessels that are not suitable for sea transport	The retrofitting reduces fuel consumption, measured in litres of fuel per tonne kilometre, by [10]%; *AND* The retrofitted or upgraded vessels are not dedicated to the transport of fossil fuels.
42	Sea and coastal passenger transport services	Transport of passengers overseas and coastal waters, whether scheduled or not as well as renting of pleasure boats with crew for sea and coastal water transport	The exhaust GHG emissions of the vehicles are below [50]gCO2e per passenger km;*OR* The passenger transport services are intended to allow a reduction in exhaust GHG emissions of [30%] on a passenger km basis compared to a baseline in which the activity does not proceed; *OR* The vessels have an attained Energy Efficiency Design Index (EEDI) value [10%] below the EEDI requirements; *AND* (*in all cases)* the ship is operated in line with regulations pertaining to IMO Marpol Convention and IMO Guidelines for the Reduction of Underwater Noise.
43	Sea and coastal freight transport services	Transport of freight on vessels designed for operating on sea or coastal waters, and of vessels required for port operations, such as tugboats, mooring vessels, pilot vessels	The exhaust GHG emissions of the vehicles are below [25g] CO2e per tonne kilometre; *OR* the vessels are intended to allow a reduction in exhaust GHG emissions of [30%]compared to a baseline in which the activity does not proceed; *OR* the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements; *AND(in all cases)* vessels are not dedicated to the transport of fossil fuels; *AND(in all cases)* the ship is operated in line with regulations pertaining to IMO Marpol Convention and IMO Guidelines for the Reduction of Underwater Noise

#	Activity	Definition	Criteria
44	Retrofitting of sea and coastal freight and passenger water transport	Retrofit and upgrade of vessels for the transport of freight or passengers on vessels designed for operating on sea or coastal waters, and of vessels required for port operations, such as tugboats, mooring vessels, pilot vessels	The retrofitting activity reduces fuel consumption of the vessel by at least [10]% expressed in grams of fuel per deadweight tons per nautical mile; *AND* vessels are not dedicated to the transport of fossil fuels; *AND* The ship is operated in line with regulations pertaining to IMO Marpol Convention and IMO Guidelines for the Reduction of Underwater Noise
45	Infrastructure for pedestrians and cyclists	Construction and operation of infrastructure for personal mobility, including the construction of roads, bridges and tunnels and other infrastructure that are dedicated to pedestrians and bicycles, with or without electric assist.	Automatically eligible
46	Low-carbon road transport infrastructure	Construction and operation of motorways, streets, roads, other vehicular and pedestrian ways, surface work on streets, roads, highways, bridges or tunnels and construction of airfield runways, including the provision of architectural services, engineering services, drafting services, building inspection services and surveying and mapping services and the like as well as the performance of physical, chemical and other analytical testing of all types of materials and products.	Dedicated towards the operation of road vehicles with zero tailpipe CO2 emissions e.g. electric vehicles including electric charging points and ensuring battery management, electricity grid connection upgrades etc.; *OR* dedicated to transhipping freight between modes; *OR* Dedicated to public passenger transport; *AND(in all cases)* not dedicated to the transport of fossil fuels.
47	Low carbon vehicle manufacture, assembly, supply, retrofit	Manufacture, assembly and supply of low-carbon transport vehicles	Vehicles which, if used for transportation services, would meet this taxonomy's requirements for such services[1]

[1]Note that the vehicles do not have to be used to provide these services, just that *if* the vehicles were used for such services, they would meet the associated standards. This implies for road vehicles, for instance, vehicles with CO2 tailpipe emissions of less than [150]gCO2/km would meet the criteria.

#	Activity	Definition	Criteria
48	Road passenger transport services	Provision of passenger transportation services using road vehicles	Vehicles have CO2 tailpipe emissions of less than [50]gCO2e/km using the World-Harmonised Light Vehicle Test Procedure.
49	Road freight transport services	Provision of freight transport services by road including Electric Vehicle (EV)	Vehicles providing the freight transport service provide a [30%] reduction in exhaust GHG emissions compared to the most commonly used alternative; AND EV having life cycle emission less than 40g CO_2/km and ensuring battery management
50	Low-carbon transport planning activities	Activities that facilitate the integration of transport and urban development e.g. urban land use changes that facilitate a reduction in the use of motorised vehicles through dense development and active transport	Activities are expected to lead to a reduction in lifecycle GHG emissions

5. Circular Economy, Wastewater and Water Management

The taxonomy identifies a wide range of activities that support Bangladesh move towards more circular production and consumption practices; reduce the health, safety and environmental risks associated with wastes; improve its ability to withstands extremes of water (both too much and too little); or some combination of these benefits.

#	Activity	Definition	Criteria
51	Waste collection, transportation and sorting activities	Separate collection and transport of non-hazardous waste in single or comingled fractions aimed at preparing for reuse and/or recycling.	Waste collection is with the aim of preparing for reuse and/or recycling.
52	Material recovery and recycling plants	Construction and operation of facilities for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials involving a mechanical transformation process (including, but not limited to, PET bottles, plastic waste, paper, batteries, steel, aluminium, glass, plastics etc.)	Activity converts [50]%, by weight, of the waste into secondary raw materials that can be substituted for virgin materials in production processes. AND secondary raw materials (such as steel, aluminum, glass, plastics) cease to be waste and are sold to be used as secondary raw material

#	Activity	Definition	Criteria
53	Manufacturing using recycled materials	Investment, retrofit or operation of manufacturing plants using recycled materials for their primary feedstock	Activity uses [50]%, by weight, of its primary feedstock from recycled (secondary raw) materials or can otherwise demonstrate that the percentage of recycled (secondary raw) materials is at least equal to current best practice in Bangladesh.
54	Landfills with gas capture	Construction and operation of sanitary landfills where the landfill gas is captured	Methane emissions from landfill and leakages from landfill gas collection and utilization facilities are controlled by a monitoring plan; *OR* The landfill gas is used for the generation of electricity or heat, upgraded to biomethane for gas combustion in vehicles or industry, or used as an industrial feedstock.
55	Hazardous waste	Construction and operation of facilities for the management and/or treatment and/or disposal of explosive, flammable, toxic, or corrosive waste	Activity complies with all rules and standards of the Bangladesh Environment Conservation Act, 1995 and subsequent amendments as applicable, and the Ship-Breaking and Hazardous Waste Management Rules 2010; *AND* The prior transport of the hazardous waste and its disposal complies with the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
56	Medical waste	Construction and operation of facilities for the management and/or treatment and/or disposal of hazardous medical wastes including infectious, pathological, sharps, chemical, pharmaceutical, and cytotoxic wastes.	Activity complies with all rules and standards of the Bangladesh Environment Conservation Act, 1995 and subsequent amendments as applicable, and the Biomedical Waste Management Rules, 2008.

#	Activity	Definition	Criteria
57	E-waste	Construction and operation of facilities for the management and/or treatment and/or disposal of electronic products	Activity complies with all rules and standards of the Bangladesh Environment Conservation Act, 1995 and subsequent amendments as applicable, and the Hazardous Waste (e-waste) Management Rules 2021
58	Radioactive waste	Construction and operation of facilities for the disposal of radioactive waste	Management and disposal is consistent with International Atomic Energy Agency (IAEA) standards
59	Composting	Construction and operation or on-site installation of dedicated facilities that process bio-waste by aerobic digestion for the production and utilization of compost.	Bio-waste is source segregated and collected separately; *AND* the compost is used as fertiliser or soil improver; *AND* there is a system in place to prevent leachate reaching groundwater; *AND* Resulting compost complies with safe limits of heavy metal content as defined by the Bangladesh Technical Sub-Committee of Fertiliser Standardization
60	Anaerobic digestion of sewage sludge	Treatment of sewage sludge in wastewater treatment plants or construction/operation of other dedicated installation with the resulting production and utilization of biogas	Methane leakage from relevant facilities is controlled by a monitoring plan; *AND* Biogas is used for the generation of electricity or heat, upgraded to biomethane for gas combustion in vehicles or industry, or used as an industrial feedstock.

#	Activity	Definition	Criteria
61	Anaerobic digestion of biowaste	Construction and operation of facilities for the treatment of bio-waste through anaerobic digestion with the resulting production and utilization of biogas and digestate and/or chemicals, including integrated cow rearing and biogas plant	Bio-waste is source segregated and collected separately; *AND* Methane leakage from facilities is controlled by a monitoring plan; *AND* Biogas is used for the generation of electricity or heat, upgraded to biomethane for gas combustion in vehicles or in industry as an industrial feedstock; *AND* Digestate is used as a fertiliser or soil improver (potentially after further treatment); complying with safe limits of heavy metal content as defined by the Bangladesh Technical Sub-Committee of Fertiliser Standardization; *AND* In dedicated bio-waste treatment plants, bio-waste accounts for at least [70]% by weight of the feedstock over the course of the year;
62	Waste to energy	Waste-to-energy plants (e.g. incineration, gasification, pyrolysis and plasma). Facilities for solid waste treatment with production of electricity or heat as a by-product	Minimum 80% pollution (PM2.5) reduction compared to coal baseline; *OR* Plant efficiency >= [25%]; *AND* Bottom ash recovery; *AND* >= 90% recovery of metal from ash; *AND* Average GHG intensity of electricity and/ or heat over the life of the plant <= waste management allowance; *AND* capacity of the plant does not exceed the calculated residual waste at any time in the plant‟s life

#	Activity	Definition	Criteria
63	Investment in centralized wastewater and sewage collection and treatment facilities	Construction, extension and operation of centralized waste water and sewage systems including collection (sewer network) and treatment	New wastewater and sewage treatment substitutes for a more GHG emissions intensive alternative on a lifecycle basis including pit latrines, septic tanks etc.; *AND* Measures to avoid and mitigate sewer overflow in cases of heavy rainfall have been introduced.
64	Upgrade/renewal of centralized wastewater and sewage collection and treatment facilities	Renewal of centralized waste water and sewage systems including collection (sewer network) and treatment	Renewed facility reduces energy use by [10]% as established using an ISO methodology and confirmed through independent verification; *AND* Measures to avoid and mitigate sewer overflow in cases of heavy rainfall have been introduced.
65	Decentralized sanitation	Manufacture and/or installation of decentralized sanitation solutions e.g. composting toilets, container-based toilets	Installation will result in lifecycle GHG emission reductions of [20%]
66	Water distribution and storage - new assets	Construction and operation of water distribution and storage systems or individual distribution and storage assets including infiltration ponds, aquifer storage	For individual new assets, these have no net impact on lifecycle GHG emissions; *OR* In the case of a new front-to-end water supply system, this has an high degree of energy efficiency such that the average energy consumption of the system from abstraction to distribution and supply is less than [0.5]kWh per m3;
67	Water distribution and storage - renewal	Renewal of water distribution and storage systems or individual assets including leakage reduction, infiltration ponds, aquifer storage	The renewed system or assets reduce energy consumption by [10]% as established using an ISO methodology and confirmed through independent verification.
68	Water treatment	Construction and operation or renewal of facilities for the treatment of water including water recycling and effluent treatment facilities	There is no net increase in lifecycle GHG emissions

#	Activity	Definition	Criteria
69	Irrigation systems	Construction or upgrade and operation of water distribution systems to support agricultural production including rainwater harvesting, drip irrigation systems, gravity fed canal systems	There is no net increase in lifecycle GHG emissions
70	Stormwater management systems	Construction or upgrade and operation of systems and management methods that are intended to reduce the impacts of intense rainfall including permeable services, erosion control	There is no net increase in lifecycle GHG emissions
71	Flood defence	Construction or upgrade and operation of flood defence mechanisms against pluvial or fluvial flooding including surge barriers, pumping stations, levees	Automatically eligible
72	Drought defence	Construction or upgrade and operation of facilities, systems and management methods that are expected to reduce the vulnerability of people and/or assets/crops to droughts including, for example, pumps to transfer water to/from natural aquifers	Automatically eligible
73	Water monitoring	Manufacturing, assembly or installation of technologies and systems that improve monitoring of water resources including stormwater warning systems, floodwater monitoring systems, water quality monitoring systems and devices	Automatically eligible
74	Water saving technologies	Manufacturing, assembly or installation of technologies and systems that are intended to support lower water consumption or otherwise save water	Automatically eligible

6. Green Agriculture and Land Use

#	Activity	Definition	Criteria
75	Climate smart crop production	Growing of perennial and/or non-perennial crops	There is a reduction in GHG emissions (tCO2e) associated with production of [20%] over the lifetime of the investment and above and below ground carbon stocks are increased progressively; *OR* A verified farm management plan demonstrates that a series of crop cultivation best practices are being followed; *AND (applies in all cases)* There is no conversion of high carbon stock lands; *AND(applies in all cases)* There is no production on wetlands, continuously forested areas (including mangroves), or peat land and any permanent grassland remains maintained; *AND(applies in all cases)* Efforts have been taken to reduce the application of fertilisers and prevent nitrogen pollution; *AND (applies in all cases)* Any organic fertilizer used complies with safe limits of heavy metal content as defined by the Bangladesh Technical Sub-Committee of Fertiliser Standardization; *AND (applies in all cases)* There are efforts to prevent soil erosion and run off of soil into water courses, AND *(applies when either GHG or farm management plan being followed)* ***AND "Where relevant, carbon and nitrogen sequestrations increase in soil."*** Actions do not lead to conversion or fragmentation or areas of high biodiversity or the deterioration of legally protected habitats.

#	Activity	Definition	Criteria
76	Climate smart livestock management	Raising (farming) and breeding of all animals, except aquatic animals	There is a reduction in GHG emissions (tCO2e) associated with production of [20%] over the lifetime of the investment and above and below ground carbon stocks are increased progressively; *OR* A verified farm management plan demonstrates that a series of livestock management best practices; *AND(applies in all cases)* there is no conversion of high carbon stock lands; *AND(applies in all cases)* There is no production on wetlands, continuously forested areas (including mangroves), or peatland and any permanent grassland remains maintained; AND *(applies in all cases)* Efforts have been taken to reduce the application of fertilisers and prevent nitrogen pollution; *AND(applies in all cases)* Any organic fertilizer used with safe limits of heavy metal content as defined by the Bangladesh Technical Sub-Committee of Fertiliser Standardization; *AND (applies in all cases)* There are efforts to prevent soil erosion and run off of soil into water courses, *AND(applies in all cases)* Actions do not lead to conversion or fragmentation or areas of high biodiversity or the deterioration of legally protected habitats
77	Organic agriculture and livestock management	Raising (farming) and breeding of all animals, except aquatic animals and or growing of perennial or non-perennial crops	Produce has been certified as organic by a standard that is recognized in the International Federation of Organic Agriculture Movements Family of Standards; *AND* There has been no conversion of high carbon stock lands; *AND* There is no production on wetlands, continuously forested areas (including mangroves), or peatland and any permanent grassland remains maintained; *AND* There are efforts to prevent soil erosion and run off of soil into water courses; *AND* Actions do not lead to conversion or fragmentation or areas of high biodiversity or the deterioration of legally protected habitats.

#	Activity	Definition	Criteria
78	Climate smart aquaculture and fishing	Climate smart aquaculture and fishing and manufacture, assembly and supply of products and technologies for this exclusive purpose	Activities have been certified for sustainable management, for example such as by the blue MSC label of the Marine Stewardship Council; *OR* There is a reduction in GHG emissions (tCO2e) associated with production of [20%] over the lifetime of the investment
79	Afforestation and reforestation	The establishment or re-establishment of forest through planting and/or deliberate seeding on land either that was previously classified as having a different use (afforestation) or land that is already classified as forest (reforestation).	The forest is FSC or PEFC certified; *OR* There is a forest management plan in place for [10] years or longer, and regularly updated, covering soil health, water management, fire management, riparian areas protection, biodiversity management, species selection, chemical use and forest protection; *AND* An analysis of the impact of the plan by an independent third party verifier demonstrates that it will lead to a decrease in net GHG emissions over a period of [20] years or longer, using IPCC guidelines for emissions accounting; *AND (applies in all cases)* (In cases of afforestation) that conversion to forest was not from a natural landscape e.g. peatland; *AND (applies in all cases)* Free, prior and informed consent for afforestation has been obtained from indigenous peoples or local communities using an international standard (e.g. ILO 169, FSC, PEFC, etc.)
80	Ecosystem conservation and management	Conservation and management interventions in forests, grasslands, mangroves, wetlands or other natural ecosystems.	There is an ecosystem management plan in place for [10] years or longer, which is regularly updated, covering, as relevant, soil health, water management and hydrological conditions, pedological conditions, fire management, riparian areas protection, biodiversity management, species selection, chemical use and ecosystem protection; *AND* An analysis of the impact of the restoration plan by an independent third party verifier demonstrates that it will lead to a decrease in net GHG emissions over a period of [20] years or longer, using IPCC guidelines for emissions accounting; *AND* The land is protected by law from conversion to other land uses.

#	Activity	Definition	Criteria
81	Ecosystem restoration	Intentional activity that initiates or accelerates the recovery of an ecosystem (including forests, grasslands, wetlands) from a degraded state	There is an ecosystem restoration plan in place for [10] years or longer, which is regularly updated, covering, as relevant, soil health, water management and hydrological conditions, pedological conditions, fire management, riparian areas protection, biodiversity management, species selection, chemical use and ecosystem protection; *AND* An analysis of the impact of the restoration plan by an independent third party verifier demonstrates that it will lead to a decrease in net GHG emissions over a period of [20] years or longer, using IPCC guidelines for emissions accounting, *AND* The land is protected by law from conversion to other land uses.

7. Climate Resilience and Climate Change Adaptation Measures

#	Activity	Definition	Criteria
82	Marine protection	The establishment and maintenance of a Marine Protected Area.	MPA is verified as meeting the IUCN's global standard of success for Marine Protected Areas (consisting of the IUCN Green List of Protected and Conserved Areas Standard plus relevant positions taken in IUCN Resolutions, Recommendations and Guidance Documents)
83	Disaster risk reduction	Intentional investments in disaster risk reduction for resilience (Sendai priority 3) that aim to reduce risks in relation to hydro-meteorological hazards e.g. investment in shelters; design, manufacture, supply and operation of early warning systems	Investment is consistent with the National Plan for Disaster Management; *AND* The investments have been assessed relative to the forward-looking physical climate hazards that can be expected over their lifetime and it can be demonstrated that they will continue to be 'fit-for purpose' over that lifetime.
84	Ecotourism	Provision of services for tourism including hotels, travel services and the management and operation of individual sites	The hotel, tour operator or destination has been certified, by an accredited body, as either meeting the Global Sustainable Tourism Council (GSTC) criteria, or the criteria of an alternative sustainable standard or system that has been deemed by the GSTC to be equivalent to the GSTC criteria.

8. Services Associated with the Low Carbon, Climate Resilient and Green Economy

The taxonomy identifies the most important areas of service provision that can support these goals covering international technology/digital services, financial services in the form of insurance, research and development activities and the provision of technical services.

#	Activity	Definition	Criteria
85	Computer programming, consultancy and related activities	Providing expertise in the field of information technologies including: collecting, transmitting, storing data and its modelling; writing, modifying, testing and supporting software; planning and designing computer systems that integrate computer hardware, software and communication technologies; on-site management and operation of clients‟ computer systems or data processing facilities; and other professional and technical computer-related activities;	These activities are predominantly aimed at the provision of data and analytics for decision making (by the public and private sector) enabling GHG emission reductions; *OR* these activities are predominantly aimed at the provision of data and analytics for decision making (by the public and private sector) enabling a reduction in climate risks.
86	Research, development and innovation (RD&I)	Research, applied research, experimental development in natural sciences and engineering of solutions, processes, technologies and other products dedicated to the reduction, avoidance or removal of GHG emissions, or adaptation solutions or enhanced environmental performance (RD&I).	The RD&I activity enables activity that satisfies the criteria elsewhere in this taxonomy; *OR* The RD&I activity has the potential to materially reduce impacts from climate risks; *OR* The RD&I activity delivers improved environmental outcomes compared to alternatives already available or delivers equivalent environmental outcomes but with significant new advantages (i.e. lower cost, higher quality, reduced time); *AND* The outcomes associated with the RD&I have been demonstrated in a relevant 'real-world' context;
87	Insurance	Provision of non-life insurance services covering climate-related perils (including wildfire, flood, subsidence, sea level rise, heat stress) for people, incomes or assets	Modelling associated with the provision of insurance services integrates forward looking scenarios of climate change; *AND* The design and structure of the insurance product provide incentives for the reduction of climate risks; *AND* Insurance is not being provided for activities related to the extraction, storage, transportation or manufacture of fossil fuels or vehicles or assets related to these activities.

#	Activity	Definition	Criteria
88	Other green services	Professional services associated with a low-carbon, climate resilient or robust environmental outcomes	The activity undertakes technical consultations (e.g. project management, training) related to any of the activity specified in this taxonomy; OR the activity supports the development of compliance-grade carbon assets and mechanisms; *OR* The activity improves understanding of and/or reduces the risks associated with climate change through the development of models, the undertaking of climate risk assessments, the removal of barriers to adaptation, or the development or application of climate proofing guidelines in the built environment; *OR* The activity results in the assessment of the environmental performance of an activity or asset identified in this taxonomy; The activity supports developers to understand the opportunities for using green technologies, including as part of a project feasibility study; OR The provision of energy management services; *OR* The provision of energy performance contracts; *OR* The provision of energy services provided by energy service companies; AND *(in all cases)* The services are not provided to those extracting or transporting fossil fuels.