

Communication on Engagement (COE) Report



Bangladesh Bank
January, 2019

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Secretary-General
United Nations
New York, NY 10017
USA

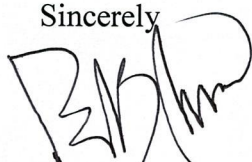
Dear Mr. Secretary General,

I am pleased to confirm that Bangladesh Bank patronizes all the ten principles of the Global Compact and believes that these Principles would help to promote the critical issues in regards to Labour Standards, Human Rights, Environment and Anti-corruption.

Bangladesh Bank has been engaged in the promotion and outreach of the UNGC Principles in policies, strategies and practices. It has been working towards a multi-stakeholder approach to consistently engage in both program/projects and capacity building initiatives to advance SDGs at national, regional and global context following the principles of UNGC.

In this Communication on Engagement, we describe the latest initiatives that our organization has taken supporting the UN Global Compact and its Principles as suggested for an organization like ours. We also commit to keep following these principles in our policies, strategies and practices in the coming days.

Sincerely



Ahmed Jamal
Deputy Governor
Bangladesh Bank

1. About Bangladesh Bank

Bangladesh Bank, the central bank and apex regulatory body for the country's monetary and financial system, was established in Dhaka as a body corporate vide the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) with effect from 16 December 1971. At present it has ten offices located at Motijheel, Sadarghat, Chittagong, Khulna, Bogra, Rajshahi, Sylhet, Barisal, Rangpur and Mymensingh in Bangladesh.

1.1 Functions

The Bangladesh Bank performs all the functions that a central bank in any country is expected to perform. Such functions include maintaining price stability through economic and monetary policy measures, managing the country's foreign exchange and gold reserve, and regulating the banking sector of the country. Like all other central banks, Bangladesh Bank is both the Government's Bank and the Banker's Bank, a "lender of last resort". Bangladesh Bank, like most other central banks, exercises a monopoly over the issue of currency and banknotes. Except for the one- two and five-taka notes, it issues all other denominations of Bangladeshi taka.

Vision

To develop continually as a forward-looking central bank with competent and committed professionals of high ethical standards, conducting monetary management and financial sector supervision to maintain price stability and financial system robustness, supporting rapid broad based inclusive economic growth, employment generation and poverty eradication in Bangladesh.

Mission

Bangladesh Bank is carrying out following main functions as the country's central bank:

- Formulating monetary and credit policies;
- Managing currency issue and regulating payment system;
- Managing foreign exchange reserves;
- Regulating and supervising banks and financial institutions, and advising the government on interactions and impacts of fiscal, monetary and other economic policies.

2. UN Global Compact in Bangladesh & its Principles

The Global Compact was launched in a high-level ceremony in Singapore on 16 September 2005 by UN. Leading business executives, government representatives and other stakeholders convened at Singapore's NTUC Auditorium for the event. A special address on behalf of the United Nations was delivered by Andrew Toh, Assistant to the then Secretary-General Kofi Annan.

The Global Compact Local Network was launched in Bangladesh on 26th January 2009, at a ceremony jointly organized by the Bangladesh Enterprise Institute (BEI), the CSR Centre, and the UNDP Dhaka office.

Since its launch the Global Compact Network Bangladesh has been able to build awareness on Global Compact and the issue of Corporate Social Responsibility (CSR) not only among the signatories but also among the leading business houses and companies doing business in Bangladesh. The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

3. Initiatives of Bangladesh bank on UNGC's Principle

As a voluntary initiative, the UN Global Compact seeks wide participation from a diverse group of companies. As a participant in the Global Compact, a company can adopt the Global Compact principles into day-to-day operations and undertake partnership projects in support of broad UN goals. As a participant of UN Global Compact, Bangladesh Bank patronages the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

3.1 Human Rights.

As the Central Bank of Bangladesh, BB is working continuously to establish the human rights in its own premises as well as in the financial sector (Banks & FIs). BB has already established several residential areas for its staffs with all sorts of necessary facilities; it has also provided medical and education facilities for its staffs and their family. Total number of working force of BB is 5664 till June 30, 2017. During the financial year of 2016-17, 1122 of the total workforce were promoted to their next higher grade. During FY 2016-17, an amount of BDT 5.79 million was provided to the children of the officials and staffs as scholarship and an amount of BDT 0.10 million was given as medical assistance from the Karmachary/ Karmakarta Kallyan Tahbil, established under the auspicious of the Governor. Besides, an amount of BDT 94.87 million was allotted to Bangladesh Bank Schools, Clubs, Day Care center, Freedom Fighters' Welfare Units, mosque, religious program etc. to carry out their recreation, welfare activities and Religious activities.

At the end of FY 2016-17, 67 officials of the Bank were deputed at different institutions both in the country and abroad. 16 officials were on lien, of which 4 were working in the country and 12 abroad.

A number of 338 officials of the Bank participated in different training courses/ seminars/ workshops in abroad during FY 2016-17. Moreover, 27 officials were undergone on deputation /study leave in abroad. During FY 2016-17, a total of 123 officials of the Bank participated in different training courses/seminars/workshops within the country organized by different institutions. Moreover, 17 officials were allowed to leave for higher study within the country during FY 2016-17. On the other hand, Bangladesh Bank Training Academy (BBTA) conducts a wide range of activities to attain objectives of transforming itself into a world-class center of excellence for imparting quality training to the officials of Bangladesh Bank as well as commercial banks, financial institutions, Government and non-government organizations. In view of enhancing the capacity of the faculty members and updating them with the changing knowledge frontiers in various fields relating to economics, finance and banking, BBTA also arranges various programs for the trainers with the help of trained personnel of advanced and specialized institutions at home and abroad. Keeping these in mind, BBTA conducted a total of 128 training courses, workshops and seminars during FY 2016-17 of which 71 of them were held at the BBTA premises and 57 were held at other offices of Bangladesh Bank. A total of 6346 participants participated in various courses related to economics, finance and banking.

Besides these, BB has sanctioned BDT 53.7 million in the FY 2017-18 from the 'Bangladesh Bank Disaster Management & Corporate Social Responsibility fund' for different projects addressing health, education, environment and human resources development/capacity building, financial inclusion and women empowerment etc as its own CSR activities.

Outside its own premises, Bangladesh Bank is working to ensure human rights in the financial sector (Banks & FIs). As per the direction of BB (through several circulars & CSR Guideline for Financial Sector), All the scheduled banks of Bangladesh has spent BDT 10,491.30 million as their CSR expenditure during FY 2017-18. Most of this total amount has been spent on i) financial inclusion of less privileged population segments and underserved economic sectors, ii) promotion of health, education and cultural/recreational activities for advancement and well being of underprivileged population segments, and iii) capacity building of the less privileged population.

Promoting gender equality in the workplace in terms of ensuring basic human rights and as a prerequisite for inclusive socio economic growth, BB has included gender equality related performance indicators in the half yearly CSR reporting by banks from December 2011 onward, with a view to monitoring year on year changes for assessing whether performance is improving or otherwise. The banking sector of Bangladesh absorbs a significant portion of the female workforce. In 2013, Bangladesh Bank directed all banks to establish a Daycare Centre, solely or in joint venture in suitable locations. Bangladesh Bank has established its own daycare centre in 2006 which has expanded rapidly over time, from 32 seats in 2006 to more than 70 seats at present. Recently, 5 state owned commercial banks and 21 Private Commercial Banks have established 2 separate daycare centre in Motijheel commercial area and both the centre have 60 seats. 9 private commercial Banks & Foreign Banks have their arrangement at Gulshan area. Moreover few financial institutions have their own day care centre.

3.2 Labour

Bangladesh has enjoyed a period of relative macroeconomic stability, with a stable inflation around 5.5 per cent. With respect to price stability, the BB is trying to bring the inflation rate down further through the credit/money channels. In recent years, BB has widened its developmental role to play

its part in the national strategy of “inclusive growth” to align its own goal with SDGs and 7th Five Year Plan of Bangladesh Government, and is seeking to model itself as a developmental central bank. BB has solid reasons to engage in multiple mandates, especially in financial structure development and financial inclusion initiatives. These, apart from serving the national strategy of social inclusion, could potentially lead to strengthening and deepening of the financial sector and, hence, support both price stability and employment creation.

Sharecroppers as a vulnerable group have historically been outside the financial system because of lack of collateral. In 2010, BB introduced a special refinance facility (of about US\$72 million) exclusively for landless sharecroppers. This is being conducted in collaboration with BRAC, which has to date, provided loans to nearly half a million sharecroppers. BB has taken a novel initiative to facilitate the opening of bank accounts for poor farmers, wage labourers and other vulnerable groups, with an amount as small as 10 taka (USD12 cents). These new accounts, which have reached nearly 13 million of the under banked population, are being used as a savings and payments medium, as well as to receive various input subsidies and social safety net payments from the government.

Bangladesh Bank circulated BRPD Circular No 05/2014 to bring poor and underprivileged people under banking service for developing their livelihood. Pursuant to this Circular, children should be able to make deposits and withdraw money from all commercial banks in the country. Banking services for street and working children is the scheme offered by the bank for children to open accounts by depositing only BDT10. This initiative will benefit small working children, adolescent living at home, street, in train stations, bus stands, launch terminals and footpaths with greater welfare by allowing them to make savings, protect their earnings, and minimize the likelihood that they will spend their money on unsavory purposes by bringing them within the formal banking sector and therefore improving their financial wellbeing.

3.3 Environment

'Sustainability' is the key word for BB to patronize the Environment related principles of UNGC. Sustainable banking is a banking approach that creates long-term resilient and sustainable economic, social and environmental value by having a 'green', 'responsible' and 'inclusive' strategy and taking into consideration the every dimension of how a business operates in the environmental, social and economic environment. BB has been integrating 'sustainability' into core banking practices through green banking, corporate social responsibility, financial inclusion and financial education. Thus BB has been pursuing policy and instructions in all possible areas of sustainable banking for banks and Non-Bank Financial Institutions (NBFIs) to sustainable banking activities.

Green Banking

Bangladesh Bank has set examples for others by pioneering environmental friendly or green banking initiatives while BB has been proactively guiding the banks and NBFIs for diverse sustainable banking initiatives since 2011. Environmental Risk Management Guidelines for banks and Financial Institutions (FIs) issued vide BRPD Circular No.01/2011 to assess environmental risk in their credit and Policy Guidelines for Green Banking for banks issued vide BRPD Circular 02/2011. In 2012, Bangladesh Bank introduced a uniform reporting format for reporting green banking activities in a structured manner for banks. In 2013, Policy Guidelines for Green Banking was also issued (GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013) to the

FIs and the banks scheduled in 2013 where they were brought under the structured reporting system as well. To expedite the ongoing initiatives of banks and FIs at faster pace for sustaining the environment compatible to climate change risk, minimum target of direct green finance is set at 5% of the total loan disbursement/investment from January 2016 onwards for all banks and FIs (GBCSRD Circular No. 04/2014). Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh along with an Excel-based Risk Rating Model have been issued vide SFD Circular No. 02/2017 which will be enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent.

Banks and FIs were instructed to form a 'Climate Risk Fund' according to the above mentioned policy guidelines for green banking. To ensure the movement towards sustainability against the climate change, banks and FIs shall allocate at least 10% of their Corporate Social Responsibility budget for Climate Risk Fund & this funding can be done in both ways- by providing grants or financing at reduced rate of interest (GBCSRD Circular No. 04/2015). Total amount of utilization from climate risk fund by banks and FIs were Taka 1,518.25 and 1.82 million respectively in FY 2017-18. Meanwhile, Banks & FIs have been instructed to set up Solid Waste Management System, Rainwater Harvesting and Solar Power Panel in their newly constructed or arranged building infrastructure (SFD Circular No. 01/2016). A total amount of Taka 71.35 billion has been disbursed directly as green finance during FY17-18 by 31 Banks out of 57 and 8 FIs out of 34.

Environmental Risk can be a facilitating element of credit risk because of its connectivity with environmental condition and climate change. Environmental & Social Risk Rating (ESRR) is obligatory as mentioned in guidelines on ESRM for banks and FIs. The number of projects rated by Environmental & Social Due Diligence (ESDD) during FY 2017-18 is 77,428. Total amount of Taka 2,821.40 billion disbursed in 66,930 rated projects in FY 2017-18.

BB's In house Environmental Management:

BB installed solar power system on its rooftop for energy efficiency and chiller based central air conditioning system for reducing CFC emission. BB initiated the process to measure the Carbon Footprint of its own. E-Recruitment, Documentation Management System, Leave Management System, Online Salary and Account Statement, Personal file update system, Online Office Orders, Electronic pass for visitors and many have been introduced through BB intranet. All the departments of Bangladesh Bank Head Office and its nine Branch offices have already been brought under a computer network (LAN/WAN). Bangladesh Bank has introduced open data initiative for all through its dynamic website which is updated at all time. Most of the regulatory reporting from banks and FIs are collected through web upload and Enterprise Data Warehouse (EDW) system. Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Credit Information Bureau and Enterprise Resources Planning (ERP) have started online operation. Bangladesh Bank has also started e-tendering and e-procurement.

BB Refinance Scheme of TK. 2.00 billion for Renewable Energy and Green Products:

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB introduced a revolving refinance scheme amounting to Tk. 2 billion from its own fund for six green products in 2009. At present, BB enhanced the product line under this scheme from 6 to 51 and segregated these products into 11 categories which are: Renewable Energy, Energy Efficiency, Solid Waste Management, Liquid Waste Management, Alternative

Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Ensuring Safety & Work Environment of Factories and Miscellaneous. The cumulative amount refinanced under the scheme up to June, 2018 stood at Taka 3797.25 million. Total disbursement of refinance scheme for green products through BB was BDT 665.47 million in FY17-18.

Refinance scheme for Shariah based banks and FIs:

In September 2014, BB introduced a refinance scheme funded by liquidity of Shariah based banks and FIs in excess of their requirement which will be explicitly utilized for direct green finance of the said banks and FIs. These banks and FIs can utilize this fund for financing in the 51 products identified under BB refinance scheme.

ADB Supported 'Financing Brick Kiln Efficiency Improvement Project':

To improve the efficiency of the brick kiln through efficient use of technology and energy including reducing Green House Gas (GHG) and Suspended Particulate Matter (SPM), a relending facility namely "Financing Brick Kiln Efficiency Improvement Project" was established in BB financed by Asian Development Bank (ADB) in 2012. BB has disbursed USD 22.75 million or equivalent BDT 177.39 Crore till June 2018 to eight Participatory Financial Institutions (PFIs) against their financing in eleven sub-projects.

Green Transformation Fund (GTF):

The latest step of Bangladesh bank in fostering sustainable finance is to create Green Transformation Fund. In January 2016, BB has announced its intention to create a new longer term refinancing window naming Green Transformation Fund (GTF) of 200 million USD. The fund will be used to ensure sustainable growth in export oriented textile, leather and jute sectors conducive to transformation of green economy in the country. The initiatives under this facility include Water use efficiency in wet processing; water conservation and waste management, resource efficiency, recycling, and renewable energy and energy efficiency, heat and temperature management, air ventilation and circulation efficiency and work environment improvement initiatives. The disbursement from GTF upto FY 2017-18 is USD 130,477.00 in 2 projects.

3.4 Anti-Corruption

Bangladesh Bank has taken various initiatives and steps to prevent corruption in financial sector, money laundering and financing of terrorism throughout the country. Bangladesh Financial Intelligence Unit (BFIU) was established in June 2002, in BB named as 'Anti Money Laundering Department'. To enforce and ensure the operational independence of FIU, Anti Money Laundering Department has been transformed as Bangladesh Financial Intelligence Unit (BFIU) in 25 January, 2012 under the provision of Money Laundering Prevention Act, 2012 and has been bestowed with operational independence. BFIU has also achieved the membership of Egmont Group in July, 2013.

BFIU is the central agency of Bangladesh responsible for analyzing Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs) & information related to money laundering (ML)/financing of terrorism (TF) received from reporting agencies & other sources and disseminating information/intelligence thereon to relevant law enforcement agencies. The main objective of BFIU is to establish an effective system for prevention of money laundering, combat financing of terrorism and proliferation of weapons of mass destruction.

BFIU issued circulars for the scheduled banks and financial institutions for proper compliance of the instructions regarding prevention of Money Laundering (ML) & Terrorist Financing (TF) on 28/12/2014 and 29/06/2015 respectively. BFIU circulated Money Laundering and Terrorist Financing Risk Assessment Guidelines for Banking Sector on 08/01/2015 instructing all the banks to assess the associated risk of ML/TF regarding their respective banks.

BFIU continues its effort to create awareness among the officials of different reporting organizations and thus encourages the reporting organizations to conduct a number of training programmes for their officials. Besides, it has arranged workshops for other law enforcing agencies. Apart from these, BFIU has been maintaining continued engagement with all concerned international bodies such as APG, Egmont Group, FATF and BIMSTEC to boost international efforts in this arena.

Besides these initiatives of BFIU, BB has advised all concerned to strengthen cyber security and adopt the best practice measure to check cyber crime in the country's financial sector. The central Bank has warned Bangladeshis against making online transactions in illegal currencies. Moreover, citizens were asked to refrain from performing, assisting and advertising all kinds of transactions through the virtual currencies such as Bitcoin, Ethereum, Ripple and Litecoin to avoid financial and legal risks. BB also instructed all the banks & FI to include their expense on 'corruption prevention activities' into their CSR expenditure through GBCSRD Circular Letter No. 10/2015. By giving this instruction, BB is trying to motivate the financial sector to promote the activities related to Anti-corruption.
