

Luxembourg, 21.03.2025

## Environmental and Social Data Sheet

### Overview

Project Name:	<i>BRAC BANK GREEN LOAN FOR MSMES</i>
Project Number:	<i>2024-0407</i>
Country:	<i>Bangladesh</i>
Project Description:	<i>Green credit line to BRAC Bank to accelerate the transition to sustainable and circular production in the Bangladeshi private sector across the ready-made garment, textile and other export-focused sectors.</i>
EIA required:	<i>Some projects may require an ESIA.</i>
Project included in Carbon Footprint Exercise:	<i>No</i>

### Environmental and Social Assessment

The proposed operation consists of a MBIL and a Framework Loan (FL) for EUR 60 million to BRAC Bank in Bangladesh (the “Financial Intermediary”, or “FI”).

The MBIL targets microenterprises implementing sub-projects aligned with climate action and/or environmental sustainability objectives.

The multisector FL targets projects in Bangladesh eligible for Climate Action and Environmental Sustainability (CA&ES), including renewable energy, energy efficiency, wastewater treatment and circular economy for companies operating mainly in ready-made-garment and textile sectors.

The FI will be requested to identify, assess and manage the ECS risks and impacts associated with the underlying investments in line with the EIB’s E&S requirements, thus leaving no significant negative residual effects. Some key environmental and social (E&S) risks associated with the eligible projects include: i) emissions, wastewater, hazardous materials and waste management; ii) labour relationships and working conditions; iii) occupational health and safety; iv) gender and v) child and forced labour.

#### Environmental Assessment

According to the Bangladesh Environment Conservation Rules (ECR) from 1997 and its subsequent amendments<sup>1</sup>, all industrial units or projects must obtain “Environmental Clearance” from the Department of Environment. For this purpose, all industrial units and projects have been divided into four categories<sup>2</sup> (Green, Orange A, Orange B and Red) depending on environmental impact and location. In order to obtain Environmental Clearance, industries within these categories must submit applications containing several forms of documentation, including a full Environmental and Social Impact Assessment (ESIA) report for red category. Once Environmental Clearance has been granted it is valid for a period of 3 years for Green Category industries and 1 year for all other Categories.

Projects will vary considerably in size and nature and some of them may be subject to an ESIA process in line with national law and/or EIB’s E&S standards. For investments subject to an ESIA and/or biodiversity assessment as defined by national legislation and/or in line with EIB E&S Standards, the FI shall ensure that the mitigation measures identified by the ESIA are

<sup>1</sup> The Environmental Conservation Act 1995 and Environmental Conservation Rules 1997 form the legal basis for environmental protection in Bangladesh, outlining standards for emissions, waste management, and conservation.

<sup>2</sup> A list of business categories is available in Schedule 1 of the Environment Conservation Rules (ECR), 1997 and its subsequent amendments.



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carried out as required and the related public consultation is undertaken in accordance with national legislation.

BRAC Bank is a founding member of the Global Alliance for Banking on Values whose collective goal is to make the banking system more transparent and support economic, social and environmental sustainability.

BRAC Bank has established a comprehensive Environmental and Social Risk Management (ESRM) framework, aligning with Bangladesh Bank's "Guidelines on ESRM for Banks and Financial Institutions in Bangladesh"<sup>3</sup> (the BB Guidelines), updated in June 2022. This framework ensures that environmental and social considerations are integral to the BRAC's lending activities ensuring adequate identification, assessment, management, monitoring and reporting of E&S related risks and impacts throughout the credit cycle. The BB Guidelines include sector guidance to identify, assess and manage the E&S risk and impacts that are specific to key industries, such as textile and apparel, tanning and leather finishing, cement, ceramic tile manufacturing, power generation, to mention a few.

The ESRM framework applies to all financing activities, including corporate, retail, and Small and Medium Enterprise (SME) lending. After an initial screening to determine if the activities of the potential client are an excluded activity, BRAC Bank's categorizes transactions according to the DoE's categorization (Red, Orange A, Orange B, or Green) as it gives a sense whether the transaction is in a high-risk sector. This classification determines the extent of due diligence required.

For all business loans proposals exceeding specific thresholds in sensitive sectors defined in the BB Guidelines, BRAC Bank conducts Environmental and Social Due Diligence (ESDD) to identify potential environmental and social risks. This process includes evaluating the borrower's compliance with national environmental regulations and social standards when required (DoE clearance certificate, fire license, etc.). Based on the results of the ESDD Checklist, the E&S risk rating will be automatically generated to determine the level of risk associated with the transaction (low, medium and high). For High and Medium Risk transactions, a time bound Environmental and Social Action Plan (ESAP) and relevant covenants have to be included in the loan documentation. Post-disbursement, BRAC Bank monitors clients' adherence to environmental and social covenants (including ESAPs), ensuring ongoing compliance and addressing any issues that arise.

The BB Guidelines provide a list of applicable national regulations and international treaties where Bangladesh is a signatory, including ILO Standards, as well as best practice in the different sector specific guidance annexes (referred to as Good International Industry Practices or GIIP). If clients have management systems in place as per international frameworks such as ISO 14001 for environmental management, OHSAS 18001 for occupational health and safety, SA8000 for socially acceptable practices in the workplace then it will be considered as good practices. Although the BB Guidelines consider adherence to IFC Performance Standards (IFC-PS) in case of large project financing as a demonstration of good practice and optional requirement, BRAC Bank has made the application mandatory in its current ESMR.

BRAC Bank organizes regular training programs to enhance employees' understanding of its ESRM, ensuring effective integration into lending practices. Also, following the BB Guidelines, BRAC Bank has created a Sustainable Finance Committee (SFC) and a Sustainable Finance Unit (SFU). Operating under the SFC chaired by the COO, the SFU is dedicated to implementing environmentally and socially responsible initiatives, integrating these considerations into product design, strategic planning, and policy formulation.

EIB may support the operation to identify gaps between the E&S applicable legislations and BRAC Bank's E&S risk management methodology vis-a-vis the requirements of EIB's E&S standards (Gap Analysis) in relation to the scope of EIB's investments. If any gaps were

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<sup>3</sup> Bangladesh Bank's [Guidelines](#) on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh

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identified, an action plan will be developed and agreed between the parties to remediate them and ensure alignment with EIB's E&S Standards.

Overall, the projects to be financed are expected to generate positive environmental benefits by contributing to pollution prevention, resource efficiency and climate change mitigation. Therefore, the operation is considered to be Paris aligned and qualifies as 100% Climate Action in accordance with Climate Mitigation Action criteria.

### **EIB Paris Alignment for Counterparties (PATH) Framework**

BRAC Bank was screened in for high vulnerability and screened out for high emissions.

BRAC Bank's public disclosures include sufficient information on their capacity to manage physical climate risk. The counterparty therefore meets the PATH requirements.

### **Social Assessment**

The textile and apparel sector in Bangladesh is a cornerstone of the country's economy, accounting for a significant share of GDP, exports, and employment. However, it is also associated with considerable social risks, which include the following key factors related to: (i) labour rights and conditions, such as low wages, excessive working hours, child labour, lack of union representation; (ii) worker safety, such as building safety issues, fire and hazard risks; (iii) gender inequality, such as women occupying lower-paid and lower-skilled positions, workplace harassment; (iv) forced labour and exploitation, such as debt bondage, lack of contracts; (v) community impact, such as poor living conditions, inadequate infrastructure for workers and health risks linked to limited access to healthcare and poor sanitation.

Due to these associated social risks in the RMG sector in Bangladesh, BRAC will identify, manage and mitigate labour-related impacts in accordance with the requirements of EIB Standard 8.

In case of concern of forced labour within the supply chain of solar PVs, BRAC will implement mitigation measures including: enhanced due diligence, on a reasonable effort basis and commensurate to the risk and size of the project, ensuring that relevant obligations are passed on in supplier contracts. Where relevant, BRAC Bank will be required to request promoters to establish an appropriate grievance redress mechanism ("GRM") at project level to align with the requirements of EIB's E&S standards. The GRM will be commensurate with the level of E&S impacts and risks of the underlying project and will be designed to ensure that any individual or community affected by a project is able to file a grievance or complaint using the grievance process.

### **Public Consultation and Stakeholder Engagement**

Public Consultation is not ensured by the current legislation<sup>4</sup>. There is no legal requirement in the ECRs for public consultation during EIA process or to provide information to affected people. However, different guidelines such as the water sector guidelines suggest public participation at the early stage of the EIA process and recognise the need to consider socio-cultural, physical and biological impacts. As per the EIA guidelines for industries, opportunities for the public to participate are under the discretion of the Director General of DoE. Stakeholder engagement will also be assessed as part of the Gap Analysis, if applicable.

## **Conclusions and Recommendations**

The social and environmental risks and impacts and mitigation measures for the projects to be financed with EIB resources will be assessed by the financial intermediary and, when relevant, will be reviewed by the Bank. Considering that BRAC Bank's ESMS and its capacity to implement is deemed adequate, and that it will be required to

<sup>4</sup> [ESIA/SEA profile Bangladesh](#)

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- Integrate E&S considerations into the financing decision-making and monitoring processes in compliance with: (i) EIB list of excluded activities, (ii) national legislation, and (iii) EIB E&S Standards.
- Request promoters to apply the standards define by the BB Guidelines as Good International Industry Practices and other good practices certifications/frameworks, whenever possible.
- Request promoters to adequately dispose of the old machinery being replaced by energy efficient technologies, especially when there could hazardous substances such as ozone depleting substances in refrigeration systems.
- For projects requiring an ESIA, require the promoters to establish an appropriate GRM commensurate with the level of E&S impacts and risks of the underlying project.
- Undertake reasonable efforts to mitigate in case of concern against the risk of forced labour in the supply chain.
- Exclude projects or companies with significant negative social or environmental impacts.
- Exclude projects that involve involuntary resettlement of persons or have a potentially adverse impact on indigenous or traditional communities and/or peoples.
- Undertake reasonable efforts and leverage to identify, manage and mitigate labour-related impacts in sensitive sectors in Bangladesh, such as the Ready-Made Garment sector, in accordance with EIB Standard 8, the Fundamental Conventions of the ILO and the European Pillar of Social Rights.
- Not commit any EIB funds against projects that require an ESIA report or biodiversity assessment according to national law without, prior to commitment, receiving the consent from the competent authority, and the Non-Technical Summary of the ESIA having been made available to the public and stakeholder consultation has been carried out.
- Verify that the projects obtain, maintain and comply with the requirements of environmental and social permits or authorisations provided by competent authorities, including the mitigating measures resulting from the ESIA process.
- For sub-projects listed in Annex I or Annex II of the EIA Directive, for which the competent authority does not require an ESIA, should EIB determine that a full ESIA report would be required in line with its EIB E&S Standards, the completion of the ESIA process or the remaining steps to complete the ESIA process will be required.
- Ensure access to the Bank to all relevant documents related to the sub-project upon request, including environmental and social studies and plans related to the ESIA process, where applicable, such as Stakeholder Engagement Plan (SEP), E&S Risk Report and that those are in line with EIB's E&S standards.

Under these conditions, it is considered that the assessment, management and monitoring procedures carried out for individual projects will appropriately address E&S risks and impacts and ensure that the projects to be financed under this operation are implemented in accordance with the Bank's requirements. Subject to the conditions mentioned above, the operation is considered acceptable for the EIB in environmental and social terms.