



# **Sustainability and CSR Activities in Banking Sector of Bangladesh: The Creation of a CSR Rating Mechanism for Bangladesh Bank**

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# Background

- Traditionally banks used to finance projects and analyze the projected revenue
- But, many projects have substantial adverse impact on local communities and environment
- IFC & WB developed guidelines to mitigate social & environmental impacts
- Bangladesh expose to great risk due to environmental pollution and climate change



# Problem Statement

- Bangladesh Bank has issued circulars & guidelines on CSR since 2008
- BB publishes annual report on CSR activities of commercial banks
- BB proposed to include CSR performance in CAMELS rating of banks (BRPD circular 02/2011)
- So, CSR rating mechanism is essential to integrate CSR performance in CAMELS rating



# Objectives of the Research Project

- To create a CSR Rating mechanism to be used by BB
- Recent research found that more regulated country context lead to higher quality disclosure in banking sector.
- It support the inclusion of CSR activities of banks in BB's regulatory regime
- Rating should enhance efficiency of banks in CSR activities with benefits to the social and environmental conditions of Bangladesh.



# Analysis of CSR Guidelines

CSR Guidelines Reviewed:

- **Global Reporting Initiative (GRI)**
  - Financial Services Sector Supplement (FSSS)
- **Equator Principles (EP)**
- **IFC Performance Standards**
- **WB's Envi., Health & Safety Guidelines**
- **UN Global Compact**
- **ISO 26000**



# CSR Models & Rating Practices

- **SEE Model/TBL Approach**

- Economic, Environmental, Social performance  
(Dow Jones Sustainability Index)

- **SEEG Model**

- Economic, Environment, Social & Governance performance

- **ESG Model: Environ, Social & Governance**

- **Stakeholder Model**

- The company should be driven by the interest of its stakeholders, not by stockholders alone.

# Model Development

- The **SEEG & Stakeholder Models** adopted
- KPIs identified from CSR guidelines & practices
- Total numbers of indicators: 121

	Theme			
	Social	Economic	Environ.	Govern.
<b>Product CSR (External)</b>	20	8	23	7
<b>Organization CSR (Internal)</b>	23	11	15	14
<b>TOTAL</b>	<b>43</b>	<b>19</b>	<b>38</b>	<b>21</b>

# Rating Calculation Spread Sheet

## Columns in spread sheet

1	2	3	4	5
SL No.	Title	Source	Country/ Sector Context	CSR Standard Descriptor
6	7	8	9	10
Detailed Description	Contribution to Sustainability	Sustainability Impact Score (5-1)	Bank's performance (4-0)	Impact X Performance



# CSR Performance Score

## Formula for Performance Measurement

### # Performance in specific theme:

$$= \frac{\sum (\text{Sustainability impact score} \times \text{Performance score})}{(\sum \text{Sustainability impact score} \times 4^*)}$$

\*Upper limit of Performance scale

### # CSR Performance score:

$$= \sum (\text{Individual Theme Score} \times \text{Weight of the Theme})$$



Microsoft Office  
Excel Worksheet

# CSR Performance Rating

<b>CSR RATING</b>						
<b>RATING</b>	<b>BANK NAME</b>	<b>CSR SCORE</b>	<b>THEME PERFORMANCE</b>			
			<b>SOCIAL</b>	<b>ECONOMIC</b>	<b>ENVIRON.</b>	<b>GOVERN.</b>
Weight of theme		100%	25%	25%	25%	25%
<b>1</b>	Bank C	73.84%	67.50%	67.72%	69.0%	91.1%
<b>2</b>	Bank A	70.14%	50.00%	75.00%	83.0%	72.6%
<b>3</b>	Bank D	69.03%	66.00%	76.27%	58.8%	75.0%
<b>4</b>	Bank B	67.39%	63.50%	79.75%	76.3%	50.0%





# Recommendations & Conclusion

1. Before piloting the CSR rating, dialogue with stakeholders and consensus is essential.
2. Identifying key performance indicators, assigning impact score for each indicator and weight of each theme must be broadly agreed by the stakeholders.
3. BB can make public disclosure of CSR Rating of all banks or only Top 10 performers.



# Recommendations & Conclusion

4. BB can incorporate the CSR score in CAMELS rating.
5. BB can introduce Bronze, Silver, Gold and Platinum Standards of CSR performance rating in phase with necessary updates.

If BB can successfully introduce the CSR rating system and can prove its effectiveness to the sustainability of Bangladesh, then it would be a model for the regulators of emerging markets.



# Thanks

## Q & A