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Banks/DFIs should adopt sustainable banking practices: Mr. Saeed Ahmad, Deputy Governor, SBP

Mr. Saeed Ahmad, Deputy Governor, State Bank of Pakistan chaired the meeting to initiate Baseline Survey on Environmental and Social Risk Management (ESRM) in Pakistan being conducted by International Finance Corporation in collaboration with State Bank of Pakistan.

The Deputy Governor emphasized that environmental and social parameters are significant sources of credit, liability and/or reputational risks and may seriously affect economic performance and long term sustainability of a financial institution, if not properly & timely managed. He further said that green and sustainable banking may support Government in its efforts to overcome current electricity shortfall and help increase economic productivity.

The ESRM Survey is being conducted in 17 countries. State Bank has partnered with IFC for completion of survey in Pakistan. The results of the survey will provide insights to State Bank for streamlining its regulatory and developmental initiatives for encouraging incorporation of environmental and social considerations in banking practices and products.

The Deputy Governor informed the participants that State Bank has taken up green and sustainable banking as a special developmental area for promotion of environment and social considerations in the banking practices. This is in line with the adoption of sustainable banking practices in other central banks in the region and globally.

He further informed that State Bank has recently joined Sustainable Banking Network – an informal association of regulators established by IFC for knowledge exchange and learning on sustainable banking. He said that State Bank is also exploring the possibility of issuing green banking guidelines including environmental risk management practices for the banks/ DFIs.

The Deputy Governor recalled and appreciated the Environmental and Social Risk Management Guidelines prepared by Pakistan Banks Association (PBA) in 2010 and emphasized that Banks/DFIs may build on its initial spadework to develop their Internal ESRM Systems and adopt sustainable banking practices.

He further remarked that State Bank has also taken a number of initiatives for promotion of infrastructure financing of banks and reiterated commitment of State Bank to provide necessary support for promotion of green banking. He apprised the participants that



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State Bank is working with a number of multilateral agencies to undertake joint initiatives on improving financing to energy efficiency and renewable energy projects.

Dr. Afifa Raihana of IFC said that the ESRM Survey is being conducted in several countries all over the Globe. She highlighted that the objective of the Survey is to take a stock of capacity, business potential as well as current sustainability practices, identify drivers and bottlenecks, assess market demand and recommend an action plan for promotion of sustainable banking.

Mr. Aamir Irshad, Head of Corporate & Investment Banking in Habib Bank Limited briefed the participants that HBL started environmental and social measures within its corporate banking two years back and the bank is now establishing its own ESRM set-up. He commented that the implementation of ESRM systems is quite simple and has huge potential to provide a framework for properly managing credit, legal and operational risks.

Mr. Suhail Yaqoob Khan, Chief Risk Officer of Bank Alfalah also shared a number of recent examples of businesses in Pakistan and globally who suffered due to non-compliance with environmental and social standards. He said that banks have the responsibility to avoid investments in environmentally or social hazardous businesses not only as part of their corporate responsibility to the society but also to avoid unwanted sources of risk.
