

# GREEN BANKING

Green Banking is defined as promoting environmental-friendly practices and reducing carbon footprint from banking activities. Green banking thus involves a two pronged approach. Firstly, green banking focuses on the green transformation of internal operations of all banks. It means all the banks should adopt appropriate ways of utilizing renewable energy, automation and other measures to minimize carbon footprint from banking activities. Secondly, all banks should adopt environmentally responsible financing; weighting up environmental risks of project, before making financing decisions; and in particular supporting and fostering growth of upcoming green initiatives and projects.

## Mercantile Bank's Initiatives in line with Bangladesh Bank Guidelines

- Established Sustainable Finance Unit (SFU) under CRMD
- Established Sustainable Finance Committee chaired by Additional Managing Director & Chief Risk Officer
- Ascertained Terms of Reference (TOR) set by Bangladesh Bank for Sustainable Finance Unit and Sustainable Finance Committee in the Bank.
- Empowered Risk Management Committee (RMC) of the Board of Directors to approve policies, strategies and programs related to Sustainable Banking and Sustainable Finance (Green Banking & CSR) programs.

## Mercantile Bank's Green Banking Policy

Mercantile Bank Ltd. has formulated its Green Banking Policy with general commitment on safeguarding environment through in-house performance. The Risk Manage Committee of the Bank, comprising the members of Board of Directors, is performing as High Power Committee to review the bank's green or environmental policies, strategies and program for governing the overall green banking activities of the bank.

## Key Highlights of Green Banking

- 162 ATMs and 138 branches are operating online among which 54 branch powered by solar energy
- Digital attendance
- SMS banking
- Crore invested in solar, biogas, waste management plan
- Large number of Internet banking users
- Card E-statements delivered to customers
- E-mail correspondences.

## Phase-I

**Policy Formulation and Governance:** Green Banking Unit naming "Sustainable Finance Unit" headed by a Senior Executive of the Bank with members from different Division/ Department of the Bank, is working for designing, evaluating and implementation of relevant green banking issues across the organization within the stipulated time, as well as for reporting to the High Power Committee time to time.

**Incorporation of Environmental Risk in CRM:** MBL has incorporated Environmental and Climate Change Risk in Core Risk Management (CRM) as part of its overall credit risk methodology to assess a prospective borrower from both side credit risk & environmental risk perspectives.

**Initiating In-house Environment Management:** MBL is improving its in-house environment management continuously by reviewing the strategies of reuse, recycling of materials & equipments and source reduction & waste minimization.

**Green Finance:** MBL focuses on financing in the environment-friendly sectors and/or projects and energy efficient industries. Preferences is being given to environmental infrastructure projects including, but not limited to, adoption of renewable energy and/or energy-efficient technology; supply of clean water; establishment of effluent and/or waste water treatment plant, solid and hazardous waste disposal plant, bio-gas plant, bio-fertilizer plant etc.

MBL is also financing in the sectors/sub-sectors of renewable energy and environment-friendly projects under the refinance scheme of Bangladesh Bank such as:

- Solar Energy
- Bio-gas
- Liquid Waste Management
- Solid Waste Management
- Energy Efficiency, Hydro-Power
- Wind-Power
- Alternative Energy
- Fire Burnt Brick
- Non Fire Block Brick
- Recycling & Recyclable Products etc.

**Creation of Climate Risk Fund:** Based on the assessment of environmental risks of financing in climate-vulnerable areas, namely flood, cyclone and draught prone areas in Bangladesh, every year MBL allocates a Climate Risk Fund for financing in those climate-vulnerable areas. The Fund is created as part of Bank's CSR expenditures.

**Green Marketing:** Green Marketing refers to the marketing and promotion of products and services that are presumed to

be environmentally friendly themselves, or are positioned or marketed in an environment-friendly manner.

**Online Banking:** Online banking refers the practice of making bank transactions or paying bills via the Internet on a secure website of the respective bank that allows the customers to make deposits, withdrawals and pay bills.

MBL is providing online banking services through its all branches with giving more emphasis on saving the environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses.

**Employee Training, Consumer Awareness and Green Event:** Mercantile Bank Training Institute is conducting training program of Green Banking for the employees of the Bank throughout the year as an integral part of the bank's human resource development process.

MBL is also organizing different green events on a continuous basis to develop awareness among the clients and other stakeholder groups on various environmental and social risk related issues through leaf-let, electronic media, print media etc.

## Phase-II

**Sector Specific Environmental Policies:** In this regard, Bank has adopted Sector Specific Environmental Policies for financing in any of the following sectors:

- Agriculture
- Agri-business (Poultry and Dairy)
- Agro farming
- Leather(Tannery)
- Fisheries
- Textile and Apparels
- Renewable Energy
- Pulp and Paper
- Sugar and Distilleries
- Construction and Housing
- Engineering and Basic Metal
- Chemicals (Fertilizers, Pesticides and Pharmaceuticals)
- Rubber and Plastic Industry
- Hospital/Clinic
- Chemical Trading
- Brick Manufacturing
- Ship Breaking

## Green Strategic Planning:

- Adding value to existing product portfolio by inserting environmental features.
- Using environmental themes, slogans and/or in marketing and promotional activities.
- Highlighting eco-benefits from financing the green products.

**Setting up Green Branches:** MBL is striking to make its existing branches and new branches "Green" emphasizing on three basic

strategies:

- Source reduction and waste minimization strategy in terms of resources like electricity, water, paper, energy (Petrol / Gas / Octane / Diesel) etc.
- Adopting necessary steps for Reducing, Reusing and Recycling, in terms of both materials and equipments.
- Improving understanding and awareness development among the employees on various environmental and social risk related issues and green banking aspects.

## Improved In-house Environment Management:

In this regard, MBL will resort to more environment-friendly technologies aimed at greater work efficiency; reduction of electricity, paper and energy consumption, and subsequent GHG emission; and reduced CapEx in terms of IT infrastructure. Facilities such as virtual meetings through video conferencing in lieu of physical travel, e-statement generation for employees and clients for reducing paper consumption etc. shall be in place.

## Phase-III

**Designing and introducing Innovative Products:** MBL has introduced various product such as "MBL Shakti" to finance for installation of ETP, Solar Energy & Bio-Gas plant and MBL Hybrid Hoffman Kiln (HHK) for environment friendly Brick Field Finance

**Adopting GRI Standards:** As GRI standard effective from mid of 2018 we are on the process to adopt GRI Standard phase by phase

**Reporting Green Banking Practices:** Every year MBL is publishing its Annual Report with "Green Banking and Sustainability Report" highlighting on past performance, current activities & initiatives and future strategies. Moreover, MBL has disclosed its Green Strategic Planning with a set of achievable targets and strategies for green financing and in-house management as well in a brief manual in the website of the Bank.

MBL is reporting its initiatives/practices and progress in terms of implementing green banking activities to Bangladesh Bank as per format prescribed on a quarterly basis.

## Outlook 2019

MBL believes that the nature plays a big role in our business operations. Every action towards the natural environment has a direct impact; therefore, natural capital management strategy is a vital component of long-term and sustainable value creation of the Bank. Banks can play a crucial role in safeguarding the planet for livable by green transformation of internal operations and promoting environmentally sustainable and socially responsible investment. To ensure Efficient and effective management of our Natural Capital (Water, Energy, Materials) 3R Approach (Reduce, Re-use and Recycle) should be applied in our day-to-day operations.