

4th PRB Self-Assessment Report of IDLC

Reporting requirements	Example
<p>Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	
<p>1.1 Business model</p> <ul style="list-style-type: none"> • main customer segments served • types of products and services • the main sectors and types of activities • the technologies financed across the main geographies 	<p>IDLC is a leading financial institute in Bangladesh, which offers products and services in the Corporate, SME, Retail, and Capital Market business segments, and our Portfolio composition stands around 29% Corporate, 40% SME and 31% Retail (Consumer) customers.</p> <p>For Corporate segment customers offered financial products and services are comprised with Lease financing, Term Loan financing, Commercial Vehicle financing, Project financing, Supply Chain Finance, Corporate Advisory, etc. Arrangement of Syndication financing, Bond issuance, etc. are offered as Structured Finance solutions.</p> <p>Customers in SME segment are offered with financial products and services of Term Loan financing, Lease financing, Women Entrepreneur Loan, etc. who are mostly in Trading and Agriculture businesses.</p> <p>For Retail segment offered products are Home Loan, Car Loan, Personal Loan, Loan Against Deposit (LAD), and Fixed Deposits.</p> <p>Moreover, in Corporate and SME segments, financing at concessional rates are offered for Green and Sustainable projects/initiatives, especially focusing on Renewable Energy, Green Establishments, Energy/ Resource Efficiency, Solid/ Liquid Waste Management, Occupational Health & Safety across the country. IDLC maintains Environmental and Social Governance (ESG) in the process and conducts Environmental & Social Due Diligence (ESDD) for respective finances as per the Environment & Social Risk Management (ESRM) Guidelines and Sustainable Finance Policy of the Central Bank (Bangladesh Bank) and other relevant national guidelines & policies are also followed.</p>
<p>1.2 Practiced/practicing/planned to practice strategies aligned with</p> <ul style="list-style-type: none"> • SDG • Paris Climate Agreement 	<p>Our Sustainability Strategy sets out the areas where we believe we can create sustainable, long-term value for our stakeholders, aligning with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. We remain strongly committed to the underlying principles of sustainable development - contribute to the economic prosperity, promote environmental sustainability, and propagate equitable and inclusive societal development.</p>

<ul style="list-style-type: none"> National/ regional frameworks 	<p>Building on this, we are working to align our business strategy with the most relevant goals in the SDGs, the Paris Climate Agreement, and relevant national frameworks. We came to the conclusion that the primary factors influencing our business strategy and subsequent financial decisions include economic disparities nationwide, access to inexpensive housing, career opportunities that are respectable, air and water pollution, and climate change.</p> <p>We have identified and reviewed other relevant intra-regional and national frameworks and policy documents effective in our country, which include the Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy, 8th Five Year Plan, Nationally Determined Contributions (NDC), Bangladesh Delta Plan 2100 and Sustainable Development Goals (SDG), Sustainable Finance Policy introduced by our Central Bank (Bangladesh Bank). Accordingly IDLC has taken initiatives to comply with aforementioned policies, frameworks, guidelines, initiatives. We periodically analyze our portfolio to assess how we could strategically contribute to these priority goals and challenges.</p>
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Principle 2: Impact and Target Setting

We will work to continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

<p>2.1</p> <p>a) Impact analysis</p> <ul style="list-style-type: none"> Scope Scale of Exposure Context & Relevance Scale and intensity/salience of impact <p>b) Areas of the most significant impact</p> <p>c) Strategic business opportunities</p>	<p>To undertake impact analysis, we have used a methodology combining three methods which are</p> <ul style="list-style-type: none"> Scoping, Qualitative Quantitative analysis. <p>Through that, we have analyzed our portfolio to understand our involvement in most impactful sectors, and redesigned our products, services and activities in the corporate and SME banking segments. The major sectors in our portfolio are Garments and Knitwear & Textiles (12.29%), Industries associated with Apparel & Textile (0.81%) Professional Services (0.19%), Food & Beverage (6.78%), Chemicals (0.96%), Iron. Steel & Engineering (3.34%), Agriculture, Fishing & Livestock (0.78%), Information Technology (1.76%), Building & Construction Materials (4.72%),Pharmaceutical & Healthcare products (1.57%), and Power & Energy (0.84%), Jute Industry (0.17%) Leather & Leather Products (0.52%).</p> <p>Our portfolio is also somewhat concentrated in real estate (31.07%), and there is also some exposure in car & personal loans. We also provide loans for our employees which make up for a small share for the portfolio. In the course of our analysis, we determined that these portfolios were strongly associated with impacts that include climate change</p>
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	<p>(Greenhouse Gas (GHG) emissions), air and water pollution, biodiversity loss and degradation, and decent employment.</p> <p>To determine the scale and salience/intensity of these areas of impact, we analyzed our portfolio to identify the industries that were the primary contributors to these impact areas. We determined the intensity of GHG emissions in our portfolio was attributable to energy consumption through manufacturing industries, mostly RMG and other energy intensive manufacturing concerns.</p> <p>Garments and Knitwear & Textiles, particularly through energy intensive machineries for productions and other relevant purposes (and through the release of wastewater without complying the national standards into the environment), and project finance activities (construction of heavy infrastructure, resettlement, grievance mechanism, etc.) are amongst the leading contributors to climate impact, biodiversity loss and degradation. Therefore, we concluded that climate change and loss of were IDLC’s areas of most significant impact.</p> <p>We will work with our clients in high impact sectors, i.e. energy efficient technologies, renewable energy, and identify viable transition opportunities, and support them by securing concessional financing facilities that enables them to transform their businesses and align with climate and nature positive transition pathways.</p>
<p>2.2</p> <ul style="list-style-type: none"> • Two SMART targets addressing at least two of the most significant impact • A baseline assessed against a particular year • Link of the targets with SDG/ the Paris Agreement/ other relevant international, national or regional frameworks • Acknowledgment of the significant negative impacts of the set targets on other dimensions and corrective actions 	<p>SMART Target – 01: Mitigation of Loss of Biodiversity</p> <p>We have significant exposure in the Garments & Knitwear, Textiles, Iron, Steel & Engineering, leather and leather products. These industries are manufacturing industries and are responsible for releasing chemicals in the atmosphere and surrounding water bodies. At present, there are about 4,296 factories in Bangladesh's textile industry according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA). There are a very few industries which practice sustainable practices and use Biological/Bio-chemical Effluent Treatment Plant (ETP) for mitigating the negative impacts due to their own waste.</p> <p>It goes without saying that the industrial revolution is a terrific engine to accelerate a country's economic growth, especially one that is developing like Bangladesh. It is of considerable concern that these companies' production processes are alarmingly polluting the water bodies at a time when industrialization is bolstering a nation's economic progress. Untreated industrial effluent has harmful effects on the ecosystem that might cause extinction and harm to biodiversity. Nevertheless, depending on the industry, industrial effluents comprise a range of elements. Some</p>

effluent contains hazardous substances while others contain oils and grease. Since industrial waste water contains a variety of impurities, some parameters like Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), pH, Total Dissolved Solids (TDS), and Total Suspended Solids (TSS) must be below tolerance limits before being discharged into the open environment. The ETP Plant processes waste water from many industrial sectors, including chemicals, medications, pharmaceuticals, refineries, dairy, ready-mix industries, and textiles, among others, using a variety of physical, chemical, biological, and membrane processes. There is no substitute for ETPs since, for instance, an ETP can reduce the BOD & COD level of waste water by up to 70%-80% within a day.

To mitigate the impact of that sector we have taken the mentioned target (Mitigation of Loss of Biodiversity) is associated with (Clean Water and Sanitation), SDG-7 (Affordable and Clean Energy) and SDG-13 (Climate Action). So to have a positive impact on the climate and mitigating the loss of biodiversity, IDLC, as a responsible banking institution, set the goal of investing approximately **5.61 million USD** (3 times more than sanctioned in 2022) in biological/biochemical ETPs in the garment and knitwear, textile, iron, steel, and engineering sectors by 2025. We are happy to report that from the beginning of 2022 to the end of 2023 IDLC Finance PLC provided financing for biological and biochemical ETPs totaling **USD 2.12 million** in order to mitigate the effects of the toxic chemicals on the water bodies generated by these industrial sectors. These projects are contributing in processing the waste water at a rate of **700 m³/hour**.

SMART Target 02: Climate Mitigation

IDLC is a signatory of Net Zero banking Alliance of UNEP FI since 2021. In this regard, we have on boarded 1 (one) third party consultant for measuring GHG emission due to our internal operations and loan portfolio considering 2022 as the base year. As per their calculation, the GHG emission of IDLC stands at **247,777.11 tCO₂e** (internal operations: 1,672.16 tCO₂e and loan portfolio: 246,104.95 tCO₂e). After assessing our loan portfolio, we have taken and disclosed the following targets to reach net zero emission in **5 (five)** of our most significant sectors [See here](#). We intend to monitor and revisit our declared targets to ensure alignment with the NZBA guidelines and also to reduce the negative impacts of climate change.

Sl. No.	Sectors	Baseline Year (2022) Emission (tCO2e)	Estimated Emission Reduction Target (%) for 2030	Estimated Emission Reduction Target (%) for 2050	IEA NZE Scenarios 2050
1	Food	36,841.21	45	100%	IEA Scenario Used
2	Textile & RMG	25,004.88	54		
3	Agriculture	24,215.23	55		
4	Motor Vehicle	1,566.79	47		
5	Power	14,454.41	49		

2.3

- List of actions and milestones to meet the set targets.
- Plans to measure and monitor progress against the set targets (KPI, any changes in KPI, and any rebasing of baselines should be transparent).

Measures and actions we plan to put in place include:

- Developing and putting effective policies and processes in place regarding Green and Sustainable finances, engaging with companies in key sectors i.e. RMG, Pharmaceuticals, Steel, Cement, Traders of SME businesses, etc.
- Holding rigorous training sessions and increasing awareness among both the internal and external stakeholders.
- Introducing ourselves to different lucrative refinancing schemes for onboarding clients.
- Increasing focus for increasing exposure in environment friendly projects:
 - Renewable Energy
 - Energy Efficient Machineries
 - Green Building/Industry
- Exploration of low cost financing solutions for the green projects/initiatives
- Increasing tree plantation through CSR fund
- Increased financing in climate mitigation/adaptation projects through Climate Risk Fund (CRF)
- Regular calculation of GHG emission and developing & monitoring strategies to reach net zero by 2050

Our key performance indicators include:

	<ul style="list-style-type: none"> • Periodically review and updating our Credit Policy in line relevant regulatory instructions; • Practicing Environmental Social Impact Analysis (ESIA) for impactful projects like economic zone, etc. • Practicing ESAP for respective clients as per our ESRM guidelines; • Engaging with relevant national & international stakeholders; and • Financing in projects/ initiatives defined as Green projects and Sustainable business of 5% and 20% respectively against our yearly disbursement.
<p>2.4</p> <ul style="list-style-type: none"> • Implemented actions for the previous targets 	<p>IDLC had previously set targets focusing on climate change and loss of biodiversity. In this regard, we have put concentrated effort in educating clients and increasing the investments in Energy Efficient Technology, Biological/Bio-chemical ETP and Green Agriculture. IDLC has surpassed the target for Biological/Biochemical ETP and has revised the target in order to ensure long term sustainability through its financing decisions.</p> <p>IDLC has developed one (1) Sustainable Finance Help Desk in each of its 10 (ten) out of its 32 (thirty two) branches, including the Corporate Head Office, for ensuring clients engagement and capacity building at the client’s end. Moreover, IDLC has dedicated Green Desk for educating client on climate change and thus providing environment friendly solutions.</p> <p>Energy, natural resources, transportation, and agriculture are among of the high impact sectors that we have identified clients in and are beginning to engage with them to discuss their transition strategies and discover possibilities to support them. To do this, we first trained and equipped our staff members who deal directly with clients to increase client engagement and ensure knowledge sharing, particularly those in high-impact industries.</p> <p>Looking at our portfolio makes it abundantly evident that our clients' interest in renewable energy and energy-efficient solutions has gradually grown. Through the continuous support and guidance of the regulatory body, Bangladesh Bank and by arranging time to time awareness programs, in 2023, IDLC Finance PLC has disbursed green loan of 12.85% of its total long term loan (against target of 5%) and sustainable finance of 30.30% of its total loan (against target of 20%). IDLC intends to increase this exposure in the coming days for building a sustainable portfolio.</p>

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

<p>3.1 Policies and practices to promote responsible relationships with customers</p>	<p>IDLC is steadfast in incorporating the environmental, social and governance criteria in its every business decisions. In order, to ensure long term sustainability, IDLC in line with the Bangladesh Bank’s guidance has developed its own first Board Approved Sustainable Finance Policy in 2022 which was later updated in 2023. Moreover, in 2022, for achieving internal sustainability and promoting green behavior through its banking operation, IDLC has updated its internal Green Banking Policy and Green Office Guideline.</p> <p>IDLC has always put conscious effort in conserving natural resources and promoting green technologies. The aforementioned policies not only ensure green practices internally rather also supports green & responsible behavior towards the customers. In addition to that, IDLC has collaborated with one of the country’s leading Mobile Financial Services (MFS) for supporting micro savings and thus ensuring financial inclusion.</p> <p>Aligned with stakeholder identification, the sustainable business objectives are designed considering the stakeholder’s expectation. By assessing the objectives, we have formulated strategies that complement our business model with the value creation process that targets stakeholders’ expectations. Periodically our Human Resource Department (HRD) conducts staff training programme to ensure that staff are adequately trained on treating customers fairly and unconscious bias. Alongside different incentive campaigns and remuneration policies are in place for sales departments, and senior management strongly discourages any mis-selling, and other unfair practices.</p>
<p>3.2 Plans to work with customers to encourage sustainable practices</p>	<p>Since 2014 we have been offering concessional finance for Green projects/ initiatives to our clients, and creating awareness amongst them to adopt such environment-friendly technology/ approaches. To do so, we have first trained our employees who are client-facing, and capacitated them to engage with clients, especially those in high impact sectors. We have started to see some incremental changes in adoption of environment-friendly technologies i.e. certified Green Building, energy/ resource efficient technologies, waste management technologies, etc. We have identified clients in high impact sectors which include energy, natural resources, transport, agriculture, and are starting to engage with them to discuss their transition plans and identify opportunities to support them. We keep encouraging our clients to conduct investment-grade energy audit, different certifications, and accordingly we are claiming refinance facility offered by Central Bank of Bangladesh (Bangladesh Bank).</p>
<p>Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.</p>	
<p>4.1</p>	<p>As part of the process of undertaking our impact analysis, we follow the regulatory instructions from respective authorities and periodically consult with them regarding challenges and priorities, i.e. Central Bank of Bangladesh (Bangladesh Bank), Department of Environmental (DoE), Sustainable and Renewable Energy Development Authority</p>

<p>Stakeholders (consulted, engaged, collaborated or partnered) to implement PRB including-</p> <ul style="list-style-type: none"> • Identification process • Addressed issue 	<p>(SREDA), etc. related to Sustainable Development Goals (SDGs). We identified these stakeholders through a stakeholder mapping exercise considering relevant national policies and guidelines. We are also engaged with different associations and forums e.g. BGMEA, BKMEA, IFC-PACT, etc. to address industry specific issues.</p>
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Principle 5: Governance & Culture
We will implement our commitment to these Principles through effective governance and a culture of responsible banking

<p>5.1 Relevant governance structures, policies and procedures to manage impacts</p>	<p>At IDLC, we view the governance and oversight of our distinctive business model and prudent strategy as key to the ongoing creation and delivery of value to our stakeholders, particularly in an economic environment that remains both uncertain and challenging. Our Board’s primary role is to provide leadership, ensure that it is appropriately managed and deliver long-term shareholder value. It also sets the Group’s strategic objectives and provides direction as a whole. A number of key divisions are reserved for and may only be made by the Board, which enables it and the executive management to operate within a clear governance framework. IDLC also established and embraced – both in letter and spirit – the Code of Conduct, signed by each and every employees as an acceptance to adhere to the principles of the Code during all business dealings. The Code also sets out guidance on best practices in the form of principles and provisions on how we should adopt and follow good governance practices. It has been the Board’s view that the Company’s governance regime has been fully compliant with the best practices set out in the Code during the year under review. Our CEO & MD overseeing the integration and implementation of the Principles, and reporting progress to the Executive Committee, quarterly submitted by Sustainable Finance Unit (SFU).</p>
<p>5.2 Initiatives and measures to foster responsible banking culture among its employees including-</p> <ul style="list-style-type: none"> • Remuneration structures and performance management • Leadership • Communication 	<p>Our approach to responsible and sustainable banking is led by our CEO & MD, who is a passionate advocate and regularly addresses employees on the topic. Periodical in-house training sessions are organized for employees about sustainability, including the Principles for Responsible Banking, Collective Commitment to Climate Action, and stakeholders across the company are now acquainted with it. Currently the Principles are under integration in all relevant businesses and strategic decisions across IDLC.</p> <p>IDLC’s employees are reviewed against their job objectives set in online performance appraisal system, which are reviewed semi-annually and annually. The appraisal system enables us to emphasize on the growth of our employees as well as identify their learning and career development needs. As a part of this process, through constructive dialogue, our employees are also encouraged to work on areas where there is scope of improvement. Senior management is now considering to start reviewing the KPIs in employees’ performance appraisals, and to include key performance indicators related in implementing the Principles.</p>

	<p>Our robust organizational leadership structure is composed of diversity that enables us to foster and converge a range of opinions and perspectives that are aligned with the long-term interests of the Company. Our highest levels of compliance with all the statutory and regulatory requirements and uncompromised stance with regards to ethics in our day-to-day business have led to the creation of a robust governance structure that ultimately delivers sustainable stakeholder value.</p> <p>Aligned with our focus to foster responsible banking culture, we periodically communicate with our employees and also with other financial institutes operating in the country.</p>
<p>5.3 Governance Structure for-</p> <ul style="list-style-type: none"> • Target-setting with actions • Remedial action for unachieved/ negative impacts 	<p>Our Sustainable Finance Unit (SFU) is working under close supervision of senior management to define the targets with actions in line with the Principles, monitoring progress towards their achievement to ensure we are on track, and identifying and addressing any unexpected negative impacts.</p> <p>Our senior management is to determine remedial action where targets are not on track, or where measures need to be put in place to address unforeseen negative impacts. Moreover, IDLC has developed its own Environmental and Social Management (ESMS) Team for assessing and implementing different regulatory policies for managing environmental and social risks.</p>
<p>Principle 6: Transparency & Accountability We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>	
<p>6.1</p> <ul style="list-style-type: none"> • Progress • Priorities and ambitions to align with good practices • Changes in existing practices 	<p>Our Sustainable Finance Unit (SFU) and Credit Risk Management (CRM) teams are working together to align business strategy with necessary guidance from senior management, and gradually will be focusing more on environment and social betterment. Meantime, updated our Credit Policy in line with 6 principles of the PRB, CCCA, ESRM Guidelines, Green & Sustainable Finance Policy, and other national level policy and frameworks. We are also aligning our MIS to report on PRB and CCCA in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, in order to understand our climate risk.</p> <p>We maintain our Board approved Code of Conduct and IDLC Pulse, which guides every employee to maintain IDLC culture, uphold its norms and values. IDLC senior management always encourages women employees to come forward, and driving towards equality and gender balance. IDLC employees shows highest ethical standards and acts with integrity by maintaining better balance between work and personal life.</p>

Through the Corporate Social Responsibility (CSR), in 2023, IDLC has provided Financial Aid for Disadvantaged Female Students to Pursue BSc in Nursing. In addition to that, offering Scholarships to economically disadvantaged female students, construction of a primary school in the remote village, Education Support for Students with Special Needs, Introduction of Chemotherapy Services, Installation of Safe Drinking Water System in 3 Government Primary Schools, Financial Support for Facilitating Treatment of Childhood Cancer and tree plantation are some of the noteworthy initiatives of IDLC in ensuring positive social and environmental impact.

We have adopted 10 UNGC principles, and conducting Environmental and Social Due Diligence (ESDD) for applicable finances to ensure that the standards of Environmental, Social and Governance (ESG) are practiced. We also follow the Guidelines on Environmental and Social Risk Management (ESRM) directed by the Central Bank of Bangladesh (i.e. Bangladesh Bank) for finances in Corporate and SME business segments.

For details please go through our [Audited Annual Report 2023](#) and [Annual Sustainability Report 2023](#)