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Principles for
Responsible Banking

Responsible Banking Progress Statement for PRB Signatories



Summary template

IDLC Finance PLC 2025

Principle 1: Alignment	Principle 2: Impact & Target Setting	Principle 3: Clients & Customers
<p>IDLC Finance PLC (IDLC) a leading financial institution in Bangladesh having business exposure in Corporate, SME, Consumer and Capital Market operations. Our sustainability strategy is reflected in our business processes and is aligned with Sustainable Development Goals (SDGs) and the Paris Climate Agreement (PCA). We are also aligned with several national frameworks including the Perspective Plan of Bangladesh 2010-2021, National Sustainable Development Strategy, 8th Five Year Plan, Nationally Determined Contributions (NDC) and Bangladesh Delta Plan 2100. We also adopted the guidance of Sustainable Finance Policy that was set by Bangladesh Bank (the central bank of Bangladesh).</p> <p>For promoting sustainability, we have set the priority areas to focus on in 2022 and we are still pursuing those to fulfill our strategy.</p>	<p>IDLC undertook its first impact analysis initiative in 2022 based on methodologies combining 3 (three) key aspects- scoping, qualitative analysis and quantitative analysis. We identified 2 (two) areas of most significant impact namely (i) mitigation of loss of biodiversity and (ii) climate mitigation. We also took SMART targets in these areas to reduce their impacts on environment.</p> <p>In 2024, we performed another impact assessment to measure our progress towards the set targets. We adopted GHG Protocol Corporate Reporting Standard and Partnership for Carbon Accounting Finance (PCAF) as our methodologies for estimating the direct and indirect emissions. UK emission factors from DEFRA 2022 have been considered in calculation as emission factors for Bangladesh is still unavailable. For debt investment, 'Economic Activity Based' emission factors were used in calculation.</p>	<p>IDLC is always keen to support its clients and customers in ways that preserve both their business purposes and ours along with value creation and societal impacts. We recognize the importance of implementing Environmental, Social and Governance (ESG) framework in customer relations. Hence, we put conscious effort in conserving natural resources, promoting green technologies, offer green and sustainable financial solutions, and financial inclusion aligning with the SDGs.</p> <p>In 2024, we disbursed BDT 5,855.45 million (USD 48.79 million*) in green finance which accounts for 13.47% of total term loan disbursement and BDT 22,366.71 million (USD 186.39 million) in sustainable finance solutions which accounts for 37.82% of total loan disbursement.</p> <p>*USD 1 = BDT 120 as of 1 January 2025</p>
<p>Links & references</p> <p>IDLC_Annual_Sustainability_Report_2024 (pages 18-31, 59-62)</p>	<p>Links & references</p> <p>4th_PRB_Self_Assessment_Report_2024 IDLC_Annual_Sustainability_Report_2024 (pages 64, 67-68)</p>	<p>Links & references</p> <p>IDLC_Annual_Sustainability_Report_2024 (pages 55-57, 61-62, 76-80)</p>

Principle 4: Stakeholders	Principle 5: Governance & Culture	Principle 6: Transparency & Accountability
<p>IDLC acknowledges the importance of engaging with its external (customers, investors, regulatory bodies and agencies, local and foreign associations etc.) and internal (Board of Directors, Senior Management and employees) on a regular and proactive manner. We periodically consult with our external stakeholders regarding challenges, priorities and impacts of sustainability matters. With our internal stakeholders, we conduct learning and engagement sessions, meetings, discussion forums, and knowledge dissemination sessions to identify strengths, weaknesses, opportunities and threats in road to sustainability.</p>	<p>At IDLC, we have a robust governance system that embraces the PRB. We have functioning Sustainable Finance Unit (SFU) and Sustainable Finance Committee (SFC) to ensure adoption of sustainability in our business operations. We also promote a culture of responsible banking within our employees and workplace. Just like in the previous years, in 2024, we conducted training sessions for our employees to keep them updated about sustainability trends and regulations.</p>	<p>We remain vigilant in maintaining transparency and ensuring proper accountability in fulfilling our commitment towards PRB. Our SFU and Credit Risk Management (CRM) teams are continuously working with the supervision of the senior management to align our business practices with sustainability.</p> <p>We adopted Global Reporting Initiative (GRI) standards in our reporting that focuses on transparency, accountability and continuous improvement in disclosing sustainability related information. We also integrated UNGC principles, and guidelines and recommendations from Bangladesh Bank to ensure the ESG standards in our work processes.</p>
Links & references IDLC_Annual_Sustainability_Report_2024 (pages 49-57)	Links & references 4th_PRB_Self_Assessment_Report_2024 IDLC_Annual_Sustainability_Report_2024 (pages 48, 62)	Links & references 4th_PRB_Self_Assessment_Report_2024 IDLC_Annual_Sustainability_Report_2024 (page 44)

Supplements templates

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.

Business Model

IDLC Finance PLC (IDLC) is a leading financial institute in Bangladesh, which offers products and services in the Corporate, SME, Retail, and Capital Market business segments. In 2024, our portfolio composition stands at around 30% Corporate, 39% SME and 31% Retail (Consumer) lending products. For Corporate segment, customers are offered with financial products and services which include Lease financing, Term Loan financing, Commercial Vehicle financing, Project financing, Supply Chain Finance, Corporate Advisory, Working Capital financing etc. Arrangement of Syndication financing, Bond issuance, etc. are offered as Structured Finance solutions. Customers in SME segment are offered with financial products and services of Term Loan financing, Lease financing, Women Entrepreneur Loan, Working Capital financing etc. who are mostly in Trading and Agriculture businesses. Products offered for Retail (Consumer) segment customers are Home Loan, Car Loan, Personal Loan, Affordable Housing Finance Solution, Loan Against Deposit (LAD), Fixed Deposits etc. 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.

Strategy Alignment

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 (PCA). 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. Our sustainability pillars include furthering economic prosperity, driving inclusive growth and sustainable business practices.

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.

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 Bangladesh Bank (the central bank of Bangladesh).

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.

Risk Management

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 Bangladesh Bank. Moreover, other relevant national guidelines and policies are also followed. We have updated Sustainable Finance Policy in place and Sustainable Finance Committee (SFC) in action with the responsibilities of strategic planning, implementation and evaluation of activities concerning sustainability.

Links & references

[4th_PRB_Self_Assessment_Report_2024](#)

[IDLC_Annual_Sustainability_Report_2024](#)

Response

Principle 2: Impact & Target Setting

We will 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.

Impact Analysis

Methodologies

We used GHG Protocol Corporate Reporting Standard methodology in measuring our direct and indirect GHG emissions. Because of unavailability of specific emission factors in Bangladesh, UK emission factors from DEFRA 2022 was used in all calculation. GHG Protocol Category-15 was used for calculating GHG emission from debt investment and DEFRA SIC emission factors was used in calculation. GHG emission was calculated considering the Economic Activity Based approach.

Scope

Our scope of impact analysis covers the products, services and activities in the Corporate, SME and Retail (Consumer) banking portfolio. Investment categories include debt investment, motor vehicle loan, commercial real estate and mortgage loan. We adopted both qualitative and quantitative methods in impact analysis and target setting.

Portfolio Composition

The major sectors of Corporate and SME lending portfolio at IDLC consist of (i) Trade and commerce (26.3%), (ii) Garments and knitwear (8.2%), (iii) Food production and processing industry (5.1%), (iv) Textile (3.3%), (v) Pharmaceuticals and chemicals (2.8%), (vi) Transport and aviation (2.1%), (vii) Electronics and electrical products (2.1%), (viii) Iron, steel and engineering (1.6%), (ix) Telecommunication and information technology (1.1%), (x) Cement and allied industry (1.0%), (xi) Agro-based industry (1.0%), (xii) Glass, glassware and ceramic industry (0.9%), (xiii) Power, gas, water and sanitary services (0.6%), (xiv) Leather and leather goods (0.5%), (xv) Paper, printing and packaging (0.4%) etc.

Our Retail (Consumer) lending portfolio is primarily concentrated in housing finance (29.7%) along with some exposure in vehicle (car) loan and personal loan. We also provide lending facilities to our employees which make up for a small portion of our portfolio.

Context

In the context of Bangladesh, there are many relevant issues that challenge the progress towards sustainability. Notable among them are climate change, air and water pollution, greenhouse gas (GHG) emission, natural disasters, deforestation, loss of biodiversity, poverty and unemployment, urbanization and overpopulation etc. We have prioritized GHG emission, loss of biodiversity and climate change as our primary areas to focus. In determining these priorities, we have reviewed various resources pertinent to the future development of Bangladesh. These resources include 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 Bangladesh Bank (the central bank of Bangladesh). We are also aligned with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement (PCA). In addition to that, we regularly engage with various stakeholders (e.g. Bangladesh Bank, Sustainable and Renewable Energy Development Authority (SREDA), Japan International Cooperation Agency (JICA), etc.) to expand our scope and knowledge.

Impact Results

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 that the intensity of GHG emissions in our portfolio was attributable to energy consumption through manufacturing industries, mostly Ready-made Garments (RMG), Textile and other energy intensive manufacturing concerns. Garments, knitwear and textile industries, particularly through the uses fossil fuels along with 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.

Agriculture also exerts various impacts on our environment. Use of pesticides, chemicals and fertilizers in cultivation can pollute the soil, water and surrounding local establishments. Excessive use of water in irrigation can result into shortage of water and reduction of underground water table level. Use of fossil fuels in power generation and transportation (motor vehicles) can introduce significant amount of GHG gases in the atmosphere causing air pollution. Therefore, we concluded that GHG emission, loss of biodiversity and climate change were IDLC's areas of most significant impact.

Performance Measurement

We have conducted assessment for gross direct and indirect GHG emission using various relevant methodologies. Portfolio emission calculation within the indirect GHG emission uses GHG Protocol Category-15 method for debt investment and Partnership for Carbon Accounting Finance (PCAF) for rest of the investment categories. Emission intensity was also calculated in tCO₂e/million BDT.

We used IEA NZE Scenarios 2050 to assess the emission reduction targets by the year 2050 and check our alignment with the PCA. The results of our performance measurement constitute our baseline for achieving net-zero emission within 2050. In subsequent years, we also plan to incorporate climate impacts in our lending portfolio (where applicable).

The details of our direct and indirect emission estimation is provided in the table below:

Emission Type	Covered Activities	GHG Emission (tCO ₂ e)	Total GHG Emission (tCO ₂ e)	% of Total Emission
Scope 1 (Direct)	Fuel combustions	77.77	282.39	0.07%
	Owned vehicles	101.57		
	Fugitive emissions	-		
	Others	103.05		
Scope 2 (Indirect)	Purchased electricity	1,716.78	1,716.78	0.43%
Scope 3 (Indirect)	Loan portfolio	393,004.34	393,010.33	99.49%
	Others	5.99		

Target setting

Alignment

As stated before, we have determined the Paris Climate Agreement (PCA) and the Sustainable Development Goals (SDGs) as relevant international guidelines for alignment. We have also aligned ourselves with GHG Protocol Corporate Reporting Standard and Partnership for Carbon Accounting Finance (PCAF) for measuring the targets and establishing a baseline.

Baseline and Targets

We have also identified 2 (two) SMART targets that address areas of significant impact in our portfolio. These are:

SMART Target 01: Mitigation of Loss of Biodiversity- 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 4,212 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.

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 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 USD 5.61 million (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 gladly report that, from the beginning of 2022 to the end of 2024, we have disbursed USD 5.69 million in various ETPs around the industries to mitigate the effects of toxic chemicals in surrounding water bodies.

SMART Target 02: Climate Mitigation- IDLC is a signatory of Net Zero banking Alliance of UNEP FI since 2021. In this regard, we opted to measure the direct and indirect GHG emission of our organization. In 2022, we hired an external consultant for measuring the GHG emission and set a baseline for detailed analysis and comparison. As per their calculation, the GHG emission of IDLC in 2022 stands at 247,777.11 tCO₂e (Scope 1: 242.56 tCO₂e, Scope 2: 1,279.26 tCO₂e and Scope 3: 246,255.29 tCO₂e). Our loan portfolio accounts for 246,104.95 tCO₂e GHG emission under Scope 3 emissions across various sectors. 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 ([Link 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		
Action/Transition Plan <p>IDLC, as a responsible financial institute, has already adopted a range of short-term and long-term broad action plans to reduce the GHG emission in the above mentioned sectors. Short-term action plans include offering green financing options (often at concessional rate), encouraging sustainability adoption, promoting recycling and reusing, limiting finance in certain sectors, integrating additional screening criteria for sorting sustainable projects etc. On the other hand, long-term plans consist of encouraging customers to introduce sustainability reporting conforming to national and international standards, suggesting technical guidance to customers, engaging with customers, suppliers and other stakeholders on regular interval for discussing action plans, barring certain financing options etc.</p> <p>In 2024, IDLC has disbursed BDT 5,855.46 million (USD 48.79 million*) in green finance and BDT 16,511.25 million (USD 137.59 million) in sustainable linked finance solutions. Moreover, within the green finance, BDT 3,703.57 million (USD 30.86 million) was offered in concessional rate for our customers. We consistently exceed the yearly disbursement targets in green and sustainable finance solutions set by our regulator, the Bangladesh Bank.</p> <p>As for transition plan, we are planning to map one in accordance with relevant national and international guidance (e.g. TCFD).</p> <p>* USD 1 = BDT 120 as of 1 January 2025</p>					
Links & references IDLC_Annual_Sustainability_Report_2024					
Response					

Principle 3: Clients & 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.

Client and Customer Engagement

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. These policies will be reviewed in 2025 to align them with the latest trends and practices.

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 and 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. Till now, we have on boarded around 1.5 million customers through our MFS micro savings service.

Our 5 (five) sectors to primarily focus on consist of Food, Textile & RMG, Agriculture, Motor Vehicle and Power. As Bangladesh is mainly an export-oriented ready-made garments manufacturing country, we put special emphasis on engaging with clients at Textile & RMG sector. We periodically have meetings with them through our business units to discuss about their future transition plan and encourage them to target for sustainability and energy efficiency while ensuring preservation of nature. We also inform them about the requirements and benefits of green funds as well as how to avail those funds through us. We keep encouraging our clients to conduct investment-grade energy audit coupled with appropriate certifications so that we can claim various refinance schemes offered by Bangladesh Bank.

Since 2014, we have been offering concessional finance for green projects and initiatives to our clients, and creating awareness amongst them to adopt such environment-friendly technology/ approaches. To be successful in this venture, we have trained our internal employees within the business units with the necessary knowledge and expertise to ensure proper knowledge sharing with our clients. As a result, in recent years, we are observing an increasing trend in our customers' interest towards energy and resource efficiency machineries technologies, green buildings, sustainable agriculture, sustainable CMSME etc. To further facilitate our customers, we have established 10 (ten) sustainable finance help desks in various locations to cater the needs of both our existing and walk-in customers.

Business Opportunities

Based on our impact analysis and further studies, we figured out that our corporate clients (involved in various factories and industries) are particularly interested in concessional financing solutions for implementing their transition and sustainability plans. Hence, we reach out to Bangladesh Bank to avail their refinancing schemes that foster lower GHG emission, energy efficiency, renewable energy, waste management, green industry etc. for our customers. We also guide our customers to maintain the compliance with the requirements of those refinance schemes. Our portfolio information in 2024 is depicted below:

2024	Green Finance	Sustainable Finance
Total disbursement	BDT 5,855.46 million (USD 48.79 million)	BDT 22,366.71 million (USD 186.39 million)
YoY disbursement growth	(12.36%)	16.23%
Portfolio size	BDT 12,479.79 million (USD 103.99 million)	BDT 39,874.50 million (USD 332.29 million)
YoY Portfolio growth	32.11%	(6.02%)

Within our green finance portfolio, the following segments have noteworthy contribution:

Segment	Portfolio Size
Energy & resource efficiency	BDT 5,287.56 million (USD 44.06 million)
Green/Environment friendly establishments	BDT 2,234.10 million (USD 18.62 million)
Renewable energy	BDT 1,087.87 million (USD 9.07 million)

(USD 1 = BDT 120 as of 1 January 2025)

IDLC is always ambitious in expanding business in green and sustainable finance solutions. Each year we set a definite target in those financing solutions as per Bangladesh Bank's guidance and regulations. In 2025, based on our outstanding portfolio, we have set a disbursement target of 5% in green finance and 40% in sustainable finance. These daunting milestones proves our steadfast commitment towards sustainability and societal welfare.

Links & references

[IDLC_Annual_Sustainability_Report_2024](#)

Response

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Stakeholder Identification and Consultation

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, priorities and future developments. Our regulatory stakeholders include Bangladesh Bank, Department of Financial Institutions and Markets (DFIM), Department of Environmental (DoE) etc. We also closely interact with Sustainable and Renewable Energy Development Authority (SREDA) as their expertise in sustainability proves to be a valuable asset.

As our corporate customers are mainly concentrated in the Textile & RMG sector, we are also engaged with different associations and forums e.g. BGMEA, BKMEA, IFC-PACT, etc. to address industry specific issues. We can also get an idea of current and expected future trends in various sectors through stakeholder engagement which enables us to map our sustainability plans.

IDLC also acknowledges the significance of civil society as a stakeholder. Periodically, we engage with them by participating in community events, offering grants/non-profit sponsorships/scholarship/donation to further the causes of sustainability and promote social inclusion. Our initiatives with the civil society reflect our commitment towards SDG 4, 5 and 6.

Links & references

[IDLC_Annual_Sustainability_Report_2024](#)

Response

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Governance Structure for Implementation of the Principles

At IDLC, we view the governance and oversight of our distinctive business model and prudent strategy as keys 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. IDLC has formulated Sustainable Finance Committee (SFC) and Sustainable Finance Unit (SFU) with the purpose of implementing the sustainability principles as well as reporting to internal and external stakeholders. Both the SFC and SFU are led by our Chief Risk Officer (CRO). The members of SFC and SFU include a mix of employees from various divisions of IDLC such as Business units, Corporate, Internal Control & Compliance, Human Resource Management, Marketing & CSR, IT etc. SFC is tasked with strategic planning, implementation and evaluation of relevant activities of SFU. Additionally, SFU is responsible for deciding annual targets and budget, stakeholder communication, and internal/external/regulatory reporting.

Promoting a Culture of Responsible Banking:

Our CEO & MD expedites the integration and implementation of the principles, and reporting progress to the Executive Committee through quarterly submitted reports from SFU. As a passionate advocate of responsible and sustainable banking, he also addresses our employees to aim for sustainability in their approaches. 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.

Employees at IDLC 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 Key Performance Indicators (KPIs) in employees' performance appraisals, and to include KPI related to implementing the PRB. We are also considering adding a remuneration based link towards the achievement of PRB implementation, if that deems necessary in future.

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. 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.

Risk and Due Diligence Processes and Policies

We have established Sustainable Finance Policy (SFP), Green Banking Policy (GBP) and Green Office Guidelines (GOG) with the objectives of incorporating sustainability in our financing decisions and our workplace respectively. The SFP follows the instructions from Environmental and Social Risk Management (ESRM) guideline of Bangladesh Bank and is also aligned with global initiatives like Paris Climate Agreement (PCA) and Sustainable Development Goals (SDGs). We have also adopted 10 (ten) UNGC principles in conducting our Environmental and Social Due Diligence (ESDD) for applicable financing solutions to ensure ESG standards are fulfilled.

Additionally, we use the risk assessment toolkit provided by Bangladesh Bank in assessing the risk type and level associated with our new and existing clients/projects.

Links & references

[IDLC_Annual_Sustainability_Report_2024](#)

Response

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.

Disclosure Frameworks

IDLC is following the GRI standards in sustainability reporting, and materiality and impact assessment of its Economic, Social and Environmental aspects. 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. In the meantime, we 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 related risks.

In disclosing our direct and indirect emissions (Scope 1, 2 and 3 emissions), we adopted the GHG Protocol Corporate Reporting Standard methodology and Partnership for Carbon Accounting Finance (PCAF). In 2024, we also incorporated the guidelines on Sustainability and Climate-related Financial Disclosure mandated by Bangladesh Bank and started reporting the disclosure following the rules and regulations complying with IFRS S1 and S2 standards.

Assurance

We acquired external/third-party assurance in our impact analysis, baseline establishment and target setting by appointing an independent external consultant to assess those parameters. Our assurance is also derived from timely reporting to our regulator following the prescribed formats and strict adherence to the guidance from regulators.

Links & references

[IDLC_Annual_Sustainability_Report_2024](#)