



Setting
Smart Target
to Reach
Net Zero Emission
by 2050



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EXECUTIVE SUMMARY

There is a clear scientific consensus on climate change: the world must achieve net-zero GHG emissions soon to keep the global temperature rising to below 1.5°C and minimize irreversible environmental damage. To achieve net-zero, all sectors of the real economy will need to follow science-based transition pathways to reduce their GHG emissions. This will require significant investments. As providers and facilitators of financing, the banking sector has an opportunity to play a pivotal role in supporting the transition, which will need to be enabled by supportive policy conditions.

In this report, IDLC Finance PLC discloses its GHG emissions and its targets to achieve net-zero goal by 2050. This report provides an insight of GHG emitting activities within the assessment boundaries of IDLC resulting from fossil fuel combustion, fugitive emission, purchased electricity, investment portfolio and other business activities. The GHG inventory of IDLC has been calculated and reported in compliance with GHG Protocol and PCAF. The overall GHG emission of IDLC Finance PLC is 247,777.11 tCO_{2e}, where Scope-1 direct emission is 242.56 tCO_{2e} representing 0.10 % of the total GHG emissions, Scope-2 indirect emission is 1,279.26 tCO_{2e} representing 0.52% of the total GHG emission and Scope-3 indirect emission is 246,255.30 tCO_{2e} representing 99.39% of the total GHG emissions.

ABOUT IDLC

What started as a single-product lease finance company back in 1985 with five staff members, 39 years down the line, emerged as the largest multi-product, multi-segment Non-Banking Financial Institution in the country. As one of the most respected financial brands in the industry, IDLC Finance PLC. holds a strong and diversified footing in Corporate, SME, Retail, and Capital Market segments.

IDLC marks its presence in over 20 districts, represented by 40 branches across the country. As of December 31, 2023, the portfolio of IDLC Finance PLC. stands at BDT 113,339 million comprising 31% from Consumer Division, 40% from SME Division, 26% from Corporate Division and 3% from Supply Chain Finance Division.

1. INTRODUCTION

To stay within the 2°C goal outlined in the Paris Agreement, the world will need to move towards net-zero emissions as quickly as possible and protect tropical forests that are essential to maintaining the climate. Despite the imperative to prepare for a low-carbon economy, banks and other financial institutions have continued to lend to invest in and underwrite the industries fueling climate change.

Being a responsible banking unit, IDLC has been affiliated with United Nations Environment Programme Finance Initiative (UNEP FI) since 2010, and from 2019, it has signed up for multiple initiatives - Principles for Responsible Banking (PRB), Collective Commitment to Climate Action (CCCA), Tobacco-Free Portfolio and Net-Zero Banking Alliance (NZBA) with an ambition of aligning itself with the global targets of reducing carbon emission and ensuring sustainability in the economy.

2. SCOPE OF GHG EMISSION CALCULATION

One of the foremost and challenging steps in the development of a GHG emission inventory is the definition of the boundaries of the inventory. These boundaries refer to the coverage and extent that will be taken into account for the inventory process and determine what is included and what is not.

Organizational Boundaries

Any business operations vary in their organizational structures; they include wholly owned operations, incorporated and non-incorporated joint ventures, subsidiaries, and others. Organizational boundaries determine which business units (core, subsidiaries, franchises, etc.), facilities, or physical places of operation, owned or controlled by the reporting company, are included in the carbon footprint.

Operational Boundaries

Operational boundaries determine the business activities of the reporting company that generate emissions, which of these activities should be included in the calculation, and how these activities should be included in the calculation, and how these activities should be classified (i.e., direct, or indirect emissions).

Scope- 1 Emission

Scope-1 emissions are direct greenhouse gas emissions that occur from sources that are controlled or owned by an organization. Some of the categories of Scope-1 emissions are fuel consumption, biofuel consumption, air conditioning, refrigerator, and owned vehicles.

Scope- 2 Emission

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although Scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use.

Scope- 3 Emission

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain. Scope 3 emissions include all sources not within an organization's Scope 1 and 2 boundaries. Examples of some Scope-3 emissions are- Material Used, Employee Commuting, Business Travel (Air), Hotel Stay, Water Supply, Investments etc.

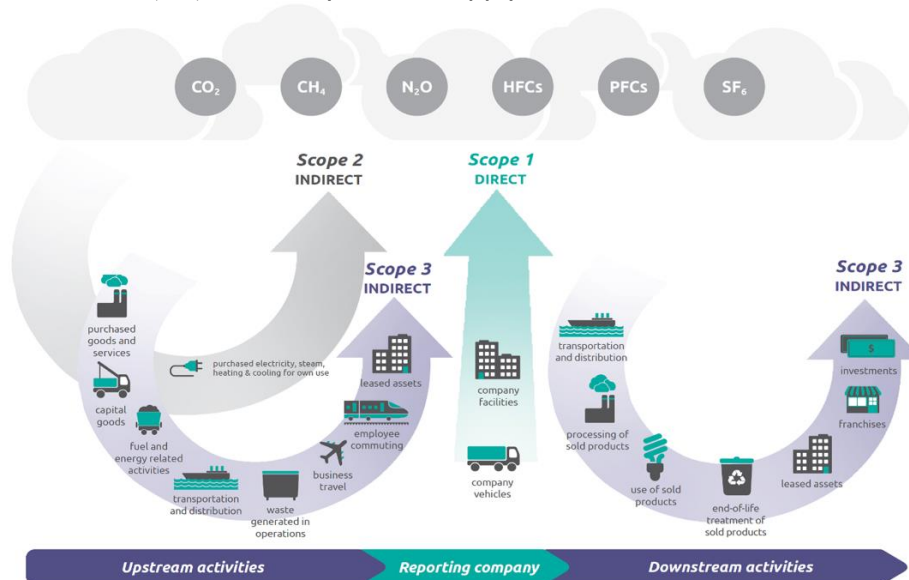


FIGURE 1: SCOPES OF GHG EMISSIONS

3. OVERVIEW OF IDLC'S SCOPES

IDLC Finance PLC. has measured the GHG emissions from the internal operational activities (fuel consumption, owned or controlled vehicles, refrigerants uses, purchased electricity, material uses, employee commuting, business travelled, hotel stays, and water supply), and the portfolios investment activities {debt investment (corporate), debt investment (SME), debt investment (CSF), motor vehicle (corporate), motor vehicle (consumer), motor vehicle (SME), motor vehicle (CSF), commercial real-estate, mortgage.

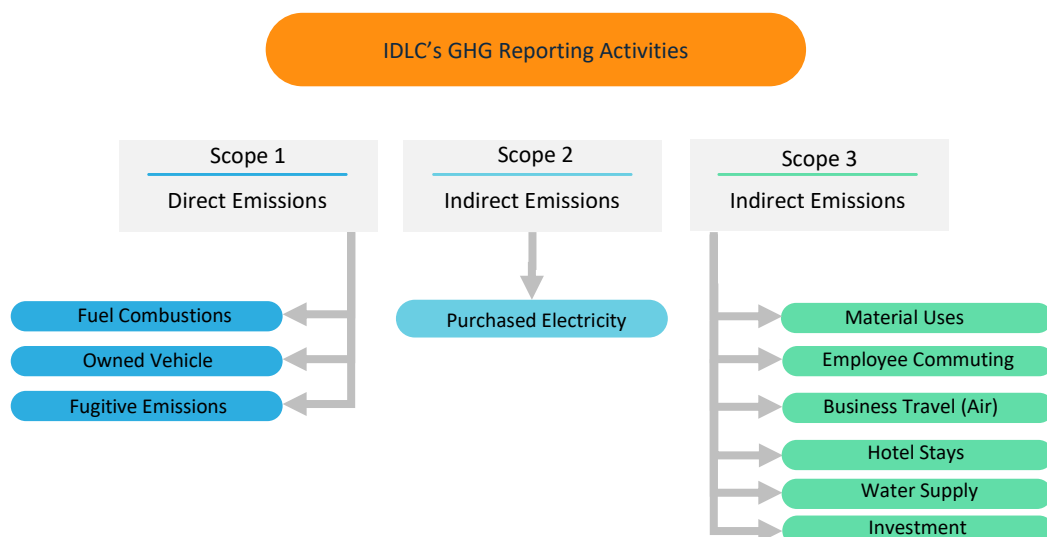


FIGURE 2: IDLC'S GHG REPORTING ACTIVITIES

4. METHODOLOGY

For calculation of internal GHG emissions of IDLC Finance PLC, GHG Protocol Corporate Reporting Standard methodology has been used. Due to unavailability of specific emission factor data for Bangladesh, UK emission factors from DEFRA 2022 have been considered for calculation.

The formula of this calculation is GHG emissions = Activity x Emission Factors.

For calculating the GHG emissions of the Loan Portfolio, 'GHG Protocol Category-15' has been used for calculating debt investment and 'Partnership for Carbon Accounting Finance (PCAF)' has been used for calculating rest of the investment categories of IDLC Finance PLC. DEFRA SIC emission factors and PCAF emission factors have been used for calculation. For debt investment 'economic activity based' emission factors have been used.

Investment Categories	Formula
Debt Investment	Emissions from debt investment = $\sum ((\text{Investee company total revenue (\$)} \times \text{emission factor for investee's sector (kg CO}_2\text{e/ \$ revenue)} \times \text{share of debt (\%))}$.
Motor Vehicle Loan	Financed emissions = $\sum [(\text{Outstanding amount (v)}) / (\text{Property value at origination (v)}) \times \text{Distance travelled (l)} \times \text{Efficiency (v,f)} \times \text{Emission factor (f)}]$
Commercial Real-estate Mortgage Loan	Financed emission = $\sum [(\text{Outstanding amount (b)}) / (\text{Property value at origination}) \times \text{Estimated energy consumption from energy label (b,e)} \times \text{Floor area} \times \text{Average Emission factor (e)}]$

Table 1: Calculation Formula of Loan Portfolio of GHG Emissions

5. GHG EMISSION OF IDLC FINANCE PLC

IDLC has measured GHG emission from its internal operations as well as its loan portfolio. Results from both parts are described here.

5.1 Internal Operations

The total GHG emissions from IDLC's internal operation is 1,672.16 tCO_{2e}, where Scope 1 is 242.56 tCO_{2e} representing 14.51% of the total internal operation's GHG emissions, Scope 2 is 1,279.26 tCO_{2e} representing 76.50% of the total internal operation's GHG emissions and the Scope 3 is 150.35 tCO_{2e} representing 8.99% of the total internal operation's GHG emissions.

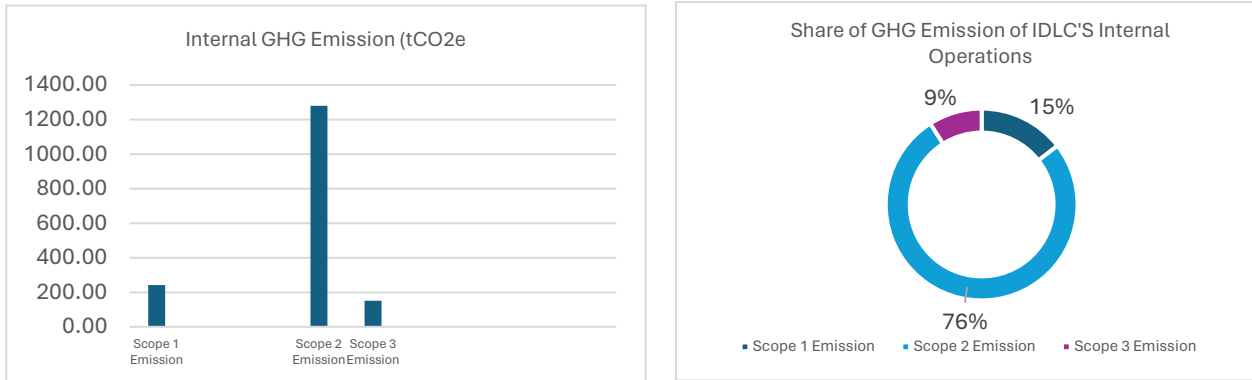


FIGURE 3: GHG EMISSIONS FROM INTERNAL OPERATIONS.

5.2 Loan Portfolio

In this report the GHG emission has been calculated from a total of four categories of investment (Debt Investment, Motor Vehicle Loan, Commercial Real-estate, and Mortgage Loan) of IDLC's loan portfolio. The total GHG Emissions from the Loan Portfolio Investment is 246,104.95 tCO_{2e} and the emission intensity is 2.81 tCO_{2e}/Million BDT. From the total GHG emissions of IDLC's Loan Portfolio, the maximum 97.65% comes from the Debt Investment.

Sl. No.	Investment Categories	GHG Emissions (tCO _{2e})	Emission Intensity (tCO _{2e} /Million BDT)	Share of Emissions (%)
1	Debt Investment	240,315.64	4.03	97.65
2	Motor Vehicle Loan	1,566.79	0.25	0.64
3	Commercial Real-estate	604.76	0.36	0.25
4	Mortgage Loan	3,617.76	0.14	1.47
	Total	246,104.95	2.62	100

Table 2: GHG Emissions from IDLC's Loan Portfolio Investment

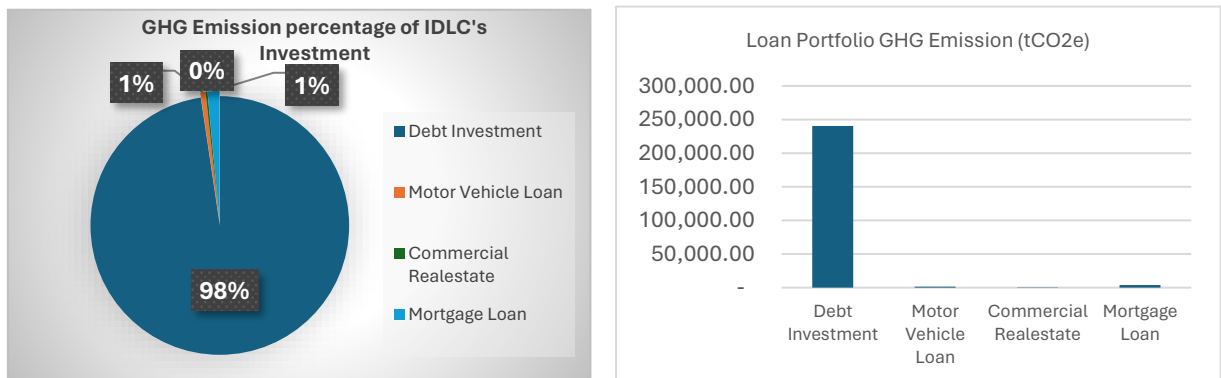


FIGURE 4: GHG EMISSIONS FROM LOAN PORTFOLIO INVESTMENT

6. AN INSIGHT INTO NET ZERO TARGET SETTING OF VARIOUS FINANCIAL INSTITUTIONS ACROSS THE GLOBE

A desktop study has been carried out on the net-zero target setting process of a few banks and financial institutions globally and the Nationally Determined Contribution (NDC) disclosure of the Government of Bangladesh 2021 - these climate target reports are considered as a reference to set IDLC's net-zero target.

A group of leading global banks are committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emission by 2050. To align with Net Zero Banking Alliance's 1.5°C Scenario, banks set targets to reduce their carbon emission from the highest emitting sectors by the year 2030 and become net-zero by 2050. Firstly, banks focus on the most carbon intensive sector- the highest emission of the bank's lending portfolio are mainly power sector, automotive sector, oil and gas, real-estate, and construction sector. Through a desktop study, a few banks across the globe have been shortlisted and reported on the highest emitting sectors and the targets they set to reduce GHG emission by 2030. Amongst the highest emitting sectors, power, automotive and oil & gas sectors emit the most GHG from their operations. The table below shows the target set by some banks to reduce their emission by 2030 and become net zero from the highest emitting sectors.

Name of the Bank	Sectors	Estimated Emission Target for 2030 (%)	Estimated Emission Target for 2050 (%)
Royal Bank of Canada	Power	11-27%	Net Zero
	Oil & Gas	35%	
	Automotive	54%	
United Overseas Bank (Singapore)	Steel	20%	92%
	Construction	31%	85%
	Real estate	36%	97%
	Automotive	58%	100%
	Power	61%	98%
Amalgamated Bank (New York)	Mortgage	47%	96%
	Real Estate	50%	100%
Mitsubishi UFJ Financial Group, Inc. (MUFG)	Oil & Gas	15%-28%	Net Zero
Barclays Bank (London, England)	Cement	20%-26%	Net Zero
	Steel	20%-40%	
	Energy	40%	
	Power	50%-69%	
Deutsche Bank (Germany)	Shipping	0%	0%
	Oil & Gas	23%	90%
	Cement	29%	98%
	Steel	34%	92%
	Coal mining	49%	97%
	Automotive	59%	100%
	Power	69%	100%
Robeco (Netherlands)	Investment	50%	Net Zero

Table 3: Net zero target of various financial institutions

7. TARGETS TO REDUCE NET ZERO EMISSION BY 2050

IDLC has considered five major GHG contributing sectors to set interim emission reduction targets by 2030 and long-term emissions reduction targets by 2050. All targets have been aligning with IEA Net Zero Emission Scenarios. In the long run the emissions from business as usual (BaU) scenario of IDLC will be increased. The reduction targets have been set based on projected BaU Scenario of 2030 and 2050.

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

Table 4: Net Zero Emission targets

7.1 Food Sector

Bangladesh is a global leader in the production of rice and other important commodities including wheat, jute, and pulses. It has a strong agricultural foundation. This abundance in agriculture feeds the growing food processing sector, which turns a wide range of fruits, vegetables, seafood, meat, and dairy products into goods with added value. Rising wages and changing lifestyles are driving a spectacular expansion of the ready-to-eat market, which is driven by a growing demand for convenience foods, especially in metropolitan areas.

Any food whose total carbon emissions have been determined to be captured from the atmosphere and then stored in plants, trees, or some other carbon-sequestering system can be classified as having net zero carbon emissions. Methane, which is produced by dung and the digestion of plant matter by ruminant animals like sheep and cows, is the primary emission from the food sector. Like all wetlands, rice paddies produce a sizable amount of methane. Roughly half of all emissions from agriculture are CH₄. The production of food accounts for over one-third of greenhouse gas emissions worldwide. Food production, processing, transportation, packaging, consumption, and disposal all have a significant negative impact on the environment. Emissions from the food industry's supply chain are increasing concurrently.

IDLC's Emissions and its Reduction Target in Food Sector

The total GHG emission of the food production sector is 36,841.21 tCO₂e, representing 13.89% percentage of overall total emissions. In the long run the emissions from business as usual (BaU) scenario of IDLC will be increased. For achieving net-zero by 2050 in this sector, IDLC has set its interim target to reduce its GHG emissions 45% by 2030, and 100% by 2050 from the projected BaU scenario of 2030 and 2050.

Strategies to Reduce Emissions from Food Sector towards Achieving Net Zero

Strategies for 2030	Strategies for 2050
<ul style="list-style-type: none"> Implement Environmental Criteria for Loans: IDLC will establish environmental criteria that food manufacturing companies must meet to be eligible for loans. 	<ul style="list-style-type: none"> Reward Sustainable Practices: IDLC will consider offering financial incentives or rewards to food manufacturers that demonstrate a commitment to reducing the carbon footprint.
<ul style="list-style-type: none"> Offer Green Financing Options: IDLC will offer specialized financing options or incentives for food manufacturers that adopt environmentally friendly practices. 	<ul style="list-style-type: none"> Collaborate with Sustainable Suppliers: IDLC will encourage food manufacturers to source ingredients and materials from suppliers committed to sustainability.
<ul style="list-style-type: none"> Encourage Sustainability Reporting: IDLC will encourage food manufacturing companies to 	

¹ A study has been conducted to see what Net Zero Target similar type of financial institutions is setting up for their own goal setting; these are: Royal Bank of Canada United Overseas Bank (Singapore), Amalgamated Bank (New York), Mitsubishi UFJ Financial Group, Inc. (MUFJ), Barclays Bank (London, England), Deutsche Bank (Germany), Robeco (Netherlands) etc.

provide regular sustainability reports detailing their environmental impact.	
<ul style="list-style-type: none"> Provide Expertise and Support: IDLC will offer expertise and advisory services to help food manufacturing companies implement sustainable practices. 	

7.2 Textile Sector

The textile sector in Bangladesh is a significant contributor to the country's economy, being one of the largest in the world. This sector contributes 40% of the industrial employment and 85% of the export earnings. It encompasses a wide range of activities including spinning, weaving, dyeing, printing, and garment manufacturing. Textile manufactured in numerous steps, including spinning, weaving, dyeing and finishing. These techniques transform raw materials such as cotton, wool, silk and synthetic fibers into fabrics. To create the finished textile product, each stage requires the use of specialized technology and experienced workers.

Bangladesh is particularly known for its ready-made garment (RMG) industry, which accounts for a large portion of the country's export earnings. Textile sector is an integral part of developing the economy of Bangladesh.

This sector is continuously developing the economy. The sector has faced various challenges such as labor rights issues, safety concerns, and environmental sustainability, but efforts are being made to address these issues through regulatory measures and initiatives from both government and industry stakeholders.

The textile industry plays a sustainable role in contributing to worldwide carbon emissions, with estimates suggesting it contributes between 6% and 8% of the total global carbon emissions, equivalent to approximately 1.7 billion metric tons of carbon emissions annually. It creates job opportunities especially for women with sustainable goals and emphasizes environmental benefits.

IDLC's Target for Textile Sector

The textile sector is the highest GDP earning sector for Bangladesh, as a result, IDLC has a large investment towards this sector- starting from producing raw material to various stages in the production, distribution and retail. The textile industry contributes to climate change profoundly throughout their manufacturing process mainly in chemical treatments and energy intensive operations.

IDLC has set the targets in the textile sector aligning with the IEA NET ZERO EMISSION pathway and as a reference used other banks and financial institution's reports to achieve a net zero by 2050. IDLC's total GHG emission of this sector is 25,004.88 tCO_{2e}, representing 9.42% of overall GHG emission. In the long run the emissions from business as usual (BaU) scenario of IDLC will be increased. IDLC has set its interim target to reduce 54% by 2030 and 100% by 2050 from the projected BaU scenario of 2030 and 2050.

Net Zero in Textile Sector

Achieving net zero emissions in the textile sector in Bangladesh necessitates a holistic approach involving industry stakeholders, government agencies, and international partners. This endeavor involves investing in renewable energy sources like solar and wind power, alongside improving energy efficiency through the adoption of advanced technologies and production processes. Promoting sustainable practices, including the use of organic cotton and recycled fibers, and implementing water-saving measures are also pivotal.

Enhancing transparency across the supply chain and collaborating with international entities to share best practices and access funding for sustainability initiatives are critical. Additionally, advocating for supportive policy frameworks, such as carbon pricing mechanisms and environmental standards, can incentivize businesses to prioritize sustainable practices. Through these concerted efforts, the textile industry in Bangladesh can make significant strides towards achieving net zero emissions while advancing economic growth and sustainable development objectives.

IDLC's Action Plan towards Achieving Net Zero Emission in Textile Sector

The textile industry should shift towards more environmentally friendly and sustainable practices because it massively contributes towards climate change due to the GHG emissions. In the larger framework of addressing climate change, achieving a net-zero carbon footprint in the textile sector is critical. To assist the lending clients in this industry on the path to sustainability, IDLC has developed a thorough strategic roadmap that given in below:

Strategies for 2030	Strategies for 2050
<ul style="list-style-type: none"> ▪ Encourage Investment in Sustainable Technologies: Provide loans with favorable terms to textile manufacturers for adopting sustainable and energy-efficient technologies. This might include financing for machinery and equipment that reduces energy consumption, water usage, and waste generation in the manufacturing process. ▪ Promote Recycling and Circular Economy: Provide financing for initiatives that promote a circular economy within the textile industry. This could involve supporting textile recycling facilities, encouraging manufacturers to use recycled materials in their production processes, or investing in technologies that enable the recycling of textile waste. ▪ Reduce investment in companies who use coal fired broilers for their operations. 	<ul style="list-style-type: none"> ▪ IDLC will no longer provide loans to the companies who will be associated with using coal fired broilers and encourage those who will shift towards renewable energy. ▪ Provide loans or financial incentives for textile companies that set and achieve specific greenhouse gas emission reduction targets. Rewarding and supporting companies that actively work to reduce their carbon footprint can be an effective strategy. ▪ Provide guidance and financial support for textile manufacturers to conduct energy audits and implement energy-efficient practices in their facilities.

7.3 Agriculture Sector

A wide range of agricultural goods, including rice, wheat, corn, legumes, fruits, vegetables, seafood, meat, and dairy products, are produced in Bangladesh. The primary food staple of Bangladeshi cuisine is rice. A large group of rural people are dependent on agriculture. Their main source of income comes from this sector. It also plays an important role in the economic development of Bangladesh. Through agricultural activities, the GHG emission that is caused cannot be ignored.

Greenhouse gas (GHG) emissions from agricultural activities primarily result from various biological and chemical processes involved in crop and livestock production. The main greenhouse gases associated with agriculture include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). Some of the keyways in which agricultural activities contribute to GHG Emissions are energy use, burning of agricultural use, land use changes etc.

IDLC's Emissions and its Reduction Target in Agriculture Sector

Investing in the agricultural sector is also responsible for causing GHG emission. IDLC's total GHG emission of this sector is 24,215.23 tCO₂e, representing 9.13% of overall GHG emission. For achieving Net-Zero by 2050 in this sector, IDLC has set its interim target to reduce its GHG emissions 55% by 2030, and 100% by 2050 from the projected BaU scenario of 2030 and 2050.

Strategies to Reduce Emissions from Agriculture Sector towards Achieving Net Zero

Strategies for 2030	Strategies for 2050
<ul style="list-style-type: none"> ▪ Sustainable Finance Policies: Encourage clients to adopt sustainable agricultural practices and provide financial incentives for initiatives that reduce GHG emissions. ▪ Loan Criteria and Screening: Integrate environmental criteria into the loan approval process, ensuring that potential borrowers adhere to 	<ul style="list-style-type: none"> ▪ Financial Incentives for Sustainable Practices: Offer reduced interest rates or financial incentives for clients adopting sustainable farming and animal production practices that contribute to lower GHG emissions. ▪ Advanced Crop Breeding: Develop and promote crops that are more resistant to pests, diseases, and

sustainable agricultural practices that minimize GHG emissions.	extreme weather conditions, reducing the need for chemical input.
<ul style="list-style-type: none"> Improve agricultural practices: Implement precision agriculture techniques, including the use of sensors, GPS technology, and data analytics to optimize resource use, reduce waste, and enhance efficiency. 	

7.4 Motor Vehicle/Transport Sector

The transport sector contributes approximately one quarter of all energy related greenhouse gas (GHG) emissions. Today's transport sector is predominantly based on the combustion of fossil fuels, making it one of the largest sources of both urban and regional air pollution.

While transportation is just one sector responsible for CO₂ emissions, it is a significant one. According to the Emissions Database for Global Atmospheric Research, the transportation sector ranked second worldwide only after the power industry in 2022.

Cars and vans account for 48 percent of global transport carbon dioxide emissions in 2022, according to an analysis by Statista based on International Energy Agency data (IEA). This made the sub-sector the most emissions-laden mode of transport worldwide. As the following infographic shows, car and van emissions were over four times that of international shipping (10 percent) and even air travel (11 percent). Meanwhile, medium and heavy freight vehicles made up roughly a quarter of transportation emissions last year, despite representing a smaller share of vehicles. Altogether, the transportation sector is producing more than seven billion metric tons of carbon dioxide a year.

In Bangladesh, the transport sector contributes significantly to greenhouse gas (GHG) emissions, although the country's overall emissions are relatively low compared to many other nations. The transportation sector in Bangladesh primarily consists of road transportation, with a smaller but growing presence of other modes such as waterway transport and aviation.

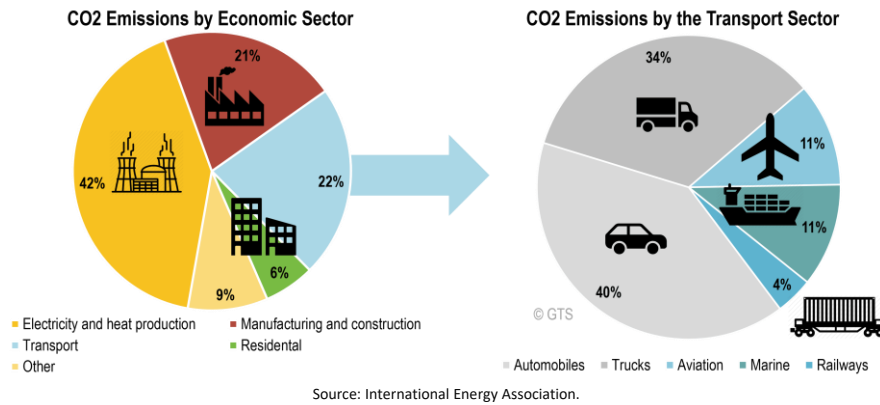


FIGURE 5: GHG EMISSION SCENARIO OF TRANSPORT SECTOR

IDLC's Targets for The Transport Sector

The Net Zero Scenario requires transport sector emissions to fall by around a quarter by 2030, even as transport demand continues to grow. IDLC has set the targets in the transport sector aligning with the IEA NET ZERO EMISSION pathway and as a reference used other banks and financial institution's reports to achieve a net zero by 2050. IDLC has set its interim target to reduce 47% by 2030 compared to its BaU Scenario of 2022.

For Achieving this target policies need to encourage shifting to less carbon-intensive travel options, such as walking, cycling, and public transport, as well as to more efficient technologies, like electric cars and trucks.

Strategies to Reduce Emissions from Transport Sector towards Achieving Net Zero

This plan involves collaboration with motor vehicle clients, adoption of sustainable financing practices, and a commitment to monitoring and reporting progress. Here's a strategic action plan:

Strategies for 2030	Strategies for 2050
<ul style="list-style-type: none"> ▪ Encourage the clients to improve the fuel efficiency for the transport sub sector. 	<ul style="list-style-type: none"> ▪ Offer financial incentives to clients who have strong commitment to sustainability.
<ul style="list-style-type: none"> ▪ Increasing finance in less emission-based transport system. 	<ul style="list-style-type: none"> ▪ Assess the financial risks and opportunities associated with the scenarios.
<ul style="list-style-type: none"> ▪ Develop and support for improving the Inland Transport System. 	<ul style="list-style-type: none"> ▪ Regularly review and update the action plan based on various sustainability standards.
<ul style="list-style-type: none"> ▪ Investing in such clients who are working on developing advanced vehicle technologies such as hybrid vehicles and electric vehicles that can store energy from braking and use it for power later. 	<ul style="list-style-type: none"> ▪ Engaged with international sustainability initiatives to align the bank's efforts with global goals.
<ul style="list-style-type: none"> ▪ Financing on vehicles that are fueled by compressed natural gas rather than gasoline or diesel. 	
<ul style="list-style-type: none"> ▪ Collaborate with clients to use energy efficient products. 	
<ul style="list-style-type: none"> ▪ Encourage the adoption of low carbon transportation systems. 	

By implementing this strategic action plan, IDLC can actively support its transport sector clients in achieving net-zero emissions, contributing to the global effort to combat climate change and promote sustainability in the transport sector.

7.5 Power Sector

Electricity is the major source of power for most of the country's economic activities. The largest energy consumers in Bangladesh are industries and the residential sector, followed by the commercial and agricultural sectors. Electricity generation in Bangladesh largely depends on fossil fuels as compared to all other energy fuels. Almost 63% of the total power is primarily generated from natural gases, while the rest of it comes from coal, liquid fuel (imported), and hydropower. Though over 90% of the total population of Bangladesh has connected to the electricity network, the electricity consumers can only use the electricity in their daily life on a roaster basis due to the lack of continuous power supply. The immense supply of electricity is a vital issue in this country. Human health and climate change are closely interrelated with electricity.

Bangladesh is entering a critical stage. The nation must radically restructure its sectoral organization for electricity generation. It has to decarbonize, become less dependent on imported fossil fuels, greatly increase the amount of renewable energy it produces, and upgrade its electrical infrastructure. The nation faces several threats if these issues are not effectively addressed.

The energy sector is the source of around three-quarters of greenhouse gas emissions today and holds the key to averting the worst effects of climate change, perhaps the greatest challenge humankind has faced. Reducing global carbon dioxide (CO₂) emissions to net zero by 2050 is consistent with efforts to limit the long-term increase in average global temperatures to 1.5 °C. This calls for nothing less than a complete transformation of how we produce, transport and consume energy.

IDLC is taking initiatives to reduce the emission from the investment of the power sector, by setting targets and goals for themselves as well as for the clients. As a reference, to set the commitments IDLC used the Global Landmark International Energy Agency's Net Zero Emissions (IEA NET ZERO EMISSION) scenario and other International Bank's reports to attain net zero consistent levels of emissions intensity for their financing of the

power industry. For this industry, an absolute emission target, expressed in tons of CO₂e emissions (tCO₂e), has been set.

IDLC's Target for The Power Sector

IDLC has invested in the power sector and has been providing services to clients. To reduce the emission by 2030, IDLC have set the target in alignment with IEA NET ZERO EMISSION pathway. IDLC set a 2030 interim target to reduce the financed emissions lending intensity by 49% from its BaU Scenario of 2030. Since the demand for power in Bangladesh is increasing day by day, it will be challenging to achieve the set target and become net zero by 2050. To achieve this, IDLC will need to take some action for their clients to reduce emissions.

IDLC's Action Plan towards Achieving Net Zero Emission in the Power Sector

To achieve net-zero emissions in the power sector by 2050, a comprehensive action plan has been devised for IDLC with clear milestones as follows-

Promote Green Bonds in Portfolios.

Increase the investments in sustainable business areas.

Increase the investment in renewable energy sectors, solar PV and wind energy.

Decrease the investments in oil fired power plants in the 2030s.

Stop new funding for fossil fuel-based power companies.

Provide financial incentives, tax credits, and subsidies to encourage the adoption of low-carbon technologies and renewable energy sources.

Support research and development efforts aimed at advancing cleaner energy technologies, energy storage solutions, and innovative methods to reduce emissions in electricity and HVAC systems.

8. CONCLUSION

Banks will face opportunities and challenges in aligning their portfolios with pathways to net zero. Due to the diverse nature of their business, different teams in different geographies will have the opportunity to solve unique problems and support a variety of client needs. Each Bank's journey will depend on the sectors it finances, as these sectors will reduce emissions at different speeds and to varying degrees, given technology constraints. Guidance for banks on building a net zero strategy is developing rapidly, with an increasing need for specificity and convergence in methodology. IDLC Finance PLC should also develop more strategies for facing the net zero targets by 2050. This report underscores the critical importance of addressing environmental sustainability within the operations of the institution. While the report identifies areas where carbon footprint is most significant, it also serves as a catalyst for positive change. By acknowledging the environmental impact, IDLC have taken the first step towards a more sustainable future. It is imperative that IDLC continue to prioritize and implement measures to reduce carbon emissions, enhance energy efficiency, and promote responsible practices across all facets of operations. By integrating sustainability into the business strategy, IDLC can contribute to the broader transition towards a low-carbon economy. Engaging stakeholders, fostering innovation, and adopting best practices will be essential in achieving the carbon reduction targets and promoting a positive environmental legacy for future generations. In conclusion, this carbon footprint report serves as a roadmap for the journey towards a greener, more sustainable future. It is a call to action, urging them to embrace the responsibility it bears in mitigating climate change and fostering a healthier planet. Through concerted efforts and continuous improvement, IDLC can not only reduce their carbon footprint but also inspire positive change within the financial industry and contribute to the global movement towards a more sustainable and resilient world.

9. REFERENCES

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10. ANNEXURE

1. December 31, 2022, portfolio data have been taken into consideration. For loans disbursed before 2022 and across whom latest data are not available, 15% Y-o-Y growth of both revenue, debt, and investment considered till Dec-2022.
2. Due to the unavailability of specific Bangladesh data, Defra and PCAF data are considered for the maximum calculations of this report.
3. National Grid Emission Factor that published by Department of Environment, Bangladesh is considered for calculating scope 2 GHG emissions.
4. Local Statistical Data is considered for distance traveled of Motor Vehicles published by Bangladesh Road Research Laboratory (BRRL).
5. During the calculation of Mortgage Section, sixty percent (60%) loan is considered for Multi Family House (MFH) loan and forty percent (40%) loan is considered for Single Family House (SFH) loan.
6. December 31, 2022, portfolio data have been taken into consideration. For loans disbursed before 2022 and across whom latest data are not available, 15% Y-o-Y growth of both revenue, debt, and investment considered till Dec-2022.
7. For calculating GHG emissions of Mortgage Loan and CRE Loan, Building's EPC (Energy Performance Certificate) rating is considered as 'D'.
8. The emission from Motor Vehicles Loan was re-calculated and changed from 19,127.22 tCO_{2e} to 1,566.79 tCO_{2e}. This is because in the previous disclosure report provided to IDLC, the GHG emission was calculated considering the emission factor (DEFRA 2022) of the Vehicle's fuel type/usage, whereas, in this updated disclosure report, it has been calculated using the emission factor (DEFRA 2022) of passenger vehicles.