

Summary Note for PRB reporting

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 20.51% Corporate, 45.78% SME and 33.71% Retail 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, finances at concessional rates are offered for Green and Sustainable projects/ initiatives, especially focusing on Renewable Energy, Energy/ Resource Efficiency, Solid/ Liquid Waste Management, Occupational Health & Safety across the country. IDLC maintains ESG in the process and conducts Environmental & Social Due Diligence (ESDD) for respective finances as per the Environment & Social Risk Management (ESRM) Guidelines, Sustainable Finance Policy of 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 • national/ regional frameworks 	<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> <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 determined that climate change, air and water pollution, decent employment, access to affordable housing, and economic inequalities across our country are the main considerations to align our business strategy and take further financial decisions.</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, Intended Nationally Determined Contributions (INDC), 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 policy, frameworks, guidelines, initiatives. We periodically analyzing our portfolio to assess how we could strategically contribute to these priority goals and challenges.</p>

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 Scoping, Qualitative and Quantitative analysis. 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 main sectors in our portfolio are Garments and Knitwear & Textiles (10.05% of our portfolio), Food Production, Processing & Rice Mills (3.53%), Agriculture (2.58%), Telecommunication & Information Technology (2.18%), Plastic & Rubber Industry (1.43%), Iron. Steel & Engineering (1.48%), Pharmaceuticals & Chemicals (1.64%), Power, Gas, Petroleum, Water & Sanitary (0.48%) and Service (15.36%).</p> <p>Our portfolio is also somewhat concentrated in residential real estate (31.35%), and there is also some exposure in car & personal loans (1.89%). 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 (Greenhouse Gas (GHG) emissions), air and water pollution, biodiversity loss and degradation, and decent employment.</p> <p>We also identified 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, Intended Nationally Determined Contributions (INDC), Bangladesh Delta Plan 2100, Sustainable Development Goals (SDGs), Sustainable Finance Policy (SFP) introduced by our Central Bank (Bangladesh Bank).</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, 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 biodiversity loss and degradation. Therefore, we concluded that climate change and biodiversity degradation and loss 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	<p>We have significant exposure in the Garments & Knitwear, Textile, Iron, Steel & Engineering and Agriculture. These industries are manufacturing industries and are responsible for releasing chemicals in the atmosphere and surrounding water bodies. 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. Releasing chemicals into the water bodies significantly hamper the biodiversity and adversely impact the climate. In 2021, IDLC Finance Limited has financed 0.382 million USD worth of Biological & Bio-chemical ETPs for reducing the impact of the harmful chemicals released by these industrial sectors. Thus, being a responsible banking institution IDLC has taken the target to invest around 1.53 (4 times than invested in 2021) million USD in Biological/Bio-chemical ETPs in Garments & Knitwear, Textile, Iron, Steel & Engineering</p>

<ul style="list-style-type: none"> • Acknowledgment of the significant negative impacts of the set targets on other dimensions and corrective actions 	<p>Sector by 2025 for positively impacting the climate and mitigating the loss of biodiversity. This target can be associated with (Clean Water and Sanitation), SDG-7 (Affordable and Clean Energy) and SDG-13 (Climate Action).</p> <p>IDLC has 2.85% exposure in Agriculture and among this there have been projects which were green agricultural projects. However, the percentage of green agricultural projects (green agriculture refers to projects like – Earthworm compost manure production, Palm Oil Production, Organic Manure Production from Slurry, Forestation, Organic Framing, Rooftop Agriculture, Fish Cultivation in Cage, Bio-Flock Fish Cultivation, Integrated recycling system (IRS) fish cultivation/Bottom Clean, Financing in coastal aquaculture, Floating system cultivation, Hydroponic cultivation/Farming) were only 0.41% of the total portfolio. Bangladesh is an agriculture based country and cannot survive without developing/investing in this sector. The 0.41% makes up for the 14.41% of the total exposure in the Agriculture. As there are options to encourage green agriculture to reduce the carbon emission and sustain the climate, by 2025 IDLC would invest in green agriculture in such a manner so that the green agriculture portfolio is 20% of the exposure in the agriculture sector.</p> <p>GHG emission has become a rising a concern in today’s world and organizations around the globe are concentrating their efforts to minimize the carbon emission from different sources and entities for mitigating global warming and climate change. In 2021, IDLC has invested 1.90 million USD in energy efficient machineries for reducing carbon emission of 2,847.88 tons of GHG emission in Textile and Steel Sectors. As Garments & Knitwear, Telecommunication & Information Technology (2.18%), Plastic & Rubber Industry (1.43%), Iron. Steel & Engineering (1.48%), Pharmaceuticals & Chemicals (1.64%) are some of the most impactful sectors of IDLC Finance Limited, by 2025 we would invest around million USD 7.60 (4 times of present exposure) in Energy Efficient Machineries with an aspiration of reducing GHG emission of at least 5,000 tons.</p>
<p>2.3</p> <ul style="list-style-type: none"> • 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). 	<p>Measures and actions we plan to put in place include:</p> <ul style="list-style-type: none"> • 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. • Finance in environment-friendly approaches and technologies, and ultimately keep increasing lending in our corporate & SME portfolio. • Holding rigorous training sessions and increasing awareness among both the internal and external stakeholders. • Introducing ourselves to different lucrative refinancing schemes for onboarding clients. <p>Our key performance indicators include:</p> <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>Through the continuous support and guidance of the regulatory body, Bangladesh Bank and by arranging time to time awareness programs, in 2021, IDLC Finance Limited has disbursed green loan of 7.30% of its total long term loan (against target of 5%) and sustainable finance of 20.99% of its total loan (against target of 20%). IDLC intends to increase this exposure in the coming days for building a sustainable portfolio.</p>
<p>Principle 3: Clients and Customers</p>	

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.	
3.1 Policies and practices to promote responsible relationships with customers	We identify our stakeholders under three faceted sustainability dimensions – economic, social and environmental. 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.
3.2 Plans to work with customers to encourage sustainable practices	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 are starting 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).
Principle 4: Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.	
4.1 Stakeholders (consulted, engaged, collaborated or partnered) to implement PRB including- <ul style="list-style-type: none"> • Identification process • Addressed issue 	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 (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.
Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking	
5.1 Relevant governance structures, policies and procedures to manage impacts	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).
5.2 Initiatives and measures to foster responsible banking culture among its employees including-	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 assistant managers and above across different business areas are now acquainted with it. Currently the Principles are under integration in all relevant businesses and strategic decisions across IDLC.

<ul style="list-style-type: none"> • Remuneration structures and performance management • Leadership • Communication 	<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.</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> <p>IDLC's CSR activities of 2021 include prestigious scholarship programs designed to sponsor the education of disadvantaged meritorious female students who are the first in their family to pursue university level education, emergency food support for the ultra-poor families impacted by COVID-19, donating Ambulance to Provide Burial Service to the Underprivileged, community tree plantation program, building a solar powered village and Free Surgical Repair of Fistula of Poor and Marginalized Women.</p>

	<p>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.</p>
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