

PROGRESSING TOGETHER

Annual Sustainability Report 2015





IDLC is committed to sustainable development by creating long-term value – value for our stakeholders, value for the environment and value for the community.

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IDLC CSR Highlights 2015

1,500

School children participated in the Environmental Awareness Campaign

1,000

Saplings planted under the Tree Plantation Program

58

Marginalised women trained and facilitated with employment

103

Blood bags donated to Thalassemia Samity for treatment of patients

30

Intellectually disabled youth given vocational training

273

Ready-made garment working mothers trained on infant care and breastfeeding

Abbreviations

ADB	Asian Development Bank
AML	Anti Money Laundering
AUM	Asset Under Management
BB	Bangladesh Bank
BGMEA	Bangladesh Garments Manufacturers and Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers & Exporters Association
Bn	Billion
CAGR	Compound Annual Growth Rate
CDM	Clean Development Mechanism
CDMP	Comprehensive Disaster Management Programme
CEO	Chief Executive Officer
CoFI	Cost of Fund Index
CRMS	Customer Relationship Management System
CSE	Chittagong Stock Exchange
CSR	Corporate Social Responsibility
CP	Cerebral Palsy
DFID	Department of International Development
DFIM	Department of Financial Institutions and Markets
DKAP	Dealers' Knowledge Advancement Programme
DO	Development Organisation
DPM	Discretionary Portfolio Management
DSE	Dhaka Stock Exchange
DTE	Directorate of Technical Education
ECR	Environmental Conservation Rules
EEEF	European Energy Efficient Fund
EEK	Energy-Efficient Brick Kiln
EnvRR	Environmental Risk Rating
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management System
ETP	Effluent Treatment Plant
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FI	Financial Institutions
GB & CSR	Green Banking and Corporate Social Responsibility
GCPF	Global Climate Partnership Fund
GDP	Gross Domestic Product
GHG	Green House Gas
GRI	Global Reporting Initiative
GTSC	Gazipur Technical School and College
HNW	High Net Worth
ICC	Internal Control & Compliance
ICF	International Climate Fund
IDCOL	Infrastructure Development Company Limited
IDLC IL	IDLC Investments Limited
IDLC LF	IDLC Ladies' Forum

IDLC SL	IDLC Securities Limited
IFC	International Finance Corporation
IFG	International Factoring Group
IIDFC	Industrial and Infrastructure Development Company Limited
ILO	International Labour Organisation
IPFF	Investment Promotion and Financing Facility
IPO	Initial Public Offering
IT	Information Technology
JICA	Japan International Cooperation Agency
LEADS	Livelihood Education and Development Services
LDC	Least Developed Country
ManCom	Management Committee
MIS	Management Information System
Mn	Million
MoU	Memorandum of Understanding
NBFI	Non-Banking Financial Institution
NAPA	National Adaptation Programme of Action
NGO	Non-Governmental Organisation
NPS	Net Promoter Score
NRB	Non-Resident Bangladeshis
OJT	On-the-Job Training
PBT	Profit Before Tax
PPP	Public-Private Partnership
REHAB	Real Estate and Housing Association of Bangladesh
RMG	Ready-Made Garments
RMF	Risk Management Forum
RPO	Repeat Public Offering
SBBN	Small Business Banking Network
SHS	Solar Home System
SME	Small and Medium Enterprise
SOP	Standard Operating Procedure
SREDA	Sustainable and Renewable Energy Development Authority
TAHN	Training & Assistance for Health & Nutrition
TAT	Turn Around Time
TVET	Technical and Vocational Education and Training
UNDP	United Nations Development Programme
VAS	Value Added Service
WEL	Women Entrepreneur Loan

Statement of the Chairman of the Board



Aziz Al Mahmood |
Chairman

At IDLC Finance Limited, as one of the most trusted financial brands of Bangladesh, we recognise that our customers have placed their faith on us – and we must uphold this confidence relentlessly every single day. This is the context of our corporate values influencing every aspect of our culture and business activities and we recognise that values are best achieved when integrated into day-to-day practices.

It is with this spirit that our vision, mission and ethics are developed in conjunction with our operational businesses and help improve the way we initiate customer relationships and sustain them across their lifecycle. Our priority areas comprise business ethics, anti-bribery, corruption and human rights. To better reflect the focus which our values have within our organisation and the importance we place upon ethics and sustainability, we continue to remain the only NBFi in our industry to have an integrated CSR reporting framework which is led by our Annual Report and Accounts.

I am happy to note that our employees are vibrant examples of our success in ingraining the cultural fabric of our organisation deep into their conscience. We dovetail our focus of business growth as much as on our pursuit of serving the communities we operate. We have chosen to select areas where, leveraging collaborative and constructive partnerships, we can create the maximum impact.

We invite you to learn more about us and our CSR practices through the following pages.

Best wishes,

Aziz Al Mahmood
Chairman
IDLC Finance Limited



Statement of the CEO and Managing Director



At IDLC Finance Limited, as a growing institution, we have become more responsible in sharing the benefit of our growth with the communities we serve with more and more of our resources being invested in such 'foundation-building' programmes as education, vocational training, capacity building and healthcare. I am happy to share with you that in the past year alone, we actively supported the work of several organisations by contributing time, talent, material and funds to their respective causes. While the hours, assistance and supplies we gave cannot be fully enumerated, our financial contributions exceeded Taka 9.93 million in 2015. Our mission is to eliminate poverty by placing people on the path to prosperity. This builds strong local economies and makes sustainable progress possible. We focus our efforts on basic human needs that encompass education and the environment.

With the help of our philanthropic and strategic partners, we are committed to enhance the quality of lifestyle among our countrymen and ensure that our nation comes to be counted as a responsible, emerging economy in the world.

Warm regards

Arif Khan
CEO & Managing Director
IDLC Finance Limited

Reporting parameters

Reporting period

January 1 –
December 31, 2015

Reporting cycle

Annual

Report edition

5th

GRI-G4 level

'In Accordance' –
Core

Publication date of the most recent previous report

April 2015

METHODOLOGY AND MATERIALITY

GRI-G4 guidelines require stakeholder engagement to identify the material CSR and sustainability aspects for inclusion in the report. Accordingly, IDLC has identified priority issues through a small survey conducted involving selected stakeholders and discussions.

The stakeholders revealed the following that influence IDLC's economic, environmental and social performance and guide its perception among them in the long run:

- Corporate governance, ethics and compliance
- Social and environmental obligations towards the society and the marginalised
- Superior customer experience through continuous improvement

Creating an enabling environment for all IDLC staff based on these issues, relevant material aspects were identified from the G4 guidelines and the necessary information was provided against specific performance indicators, detailing how IDLC manages these concerns through its strategies and operations.

The process and list of material aspects have been detailed in the chapter "Stakeholder Engagement for Reporting".

SCOPE

The core focus of this report is the CSR initiatives of IDLC. In addition, issues affecting the long-term sustainability of the company's overall operations have also been covered that are not limited to CSR only.

BOUNDARY

The report details how IDLC addresses the material issues stated above and how these significantly influence performance both within and outside the organisation.

LIMITATION

Although sustainability reporting is gradually gaining ground among financial institutions and other industries, the concept and publication is still new in Bangladesh. As IDLC publishes this report in-house, following the GRI guidelines, it is not always possible to gain insights or receive guidance from similar publications locally.

Moreover, the reporting methodology from G3.1 to G4 has undergone a paradigm shift, the biggest challenge being engaging stakeholder groups to understand their expectations from the organisation. For this report, IDLC has not applied advanced engagement techniques such as FGDs but only a survey using close-ended questions.

CONTACT INFORMATION

We encourage and appreciate feedback from all our internal and external stakeholders. Your suggestions are vital to help us improve the quality of our reporting.

Please email your suggestions and opinions to hayesha@idlc.com, or contact Ayesha Haque, Head of CSR, IDLC Finance Limited at +88-0173-0374585 for further information.



THE WORLD OF IDLC

Chapter 1 | The world of IDLC

We are a brand that Bangladesh is proud of

IDLC is one of the most trusted and respected non-banking financial institutions (NBFI) of Bangladesh

The Company is engaged in the country's economic progress through fostering entrepreneurship by disbursing loans to SME and arranging and disbursing loans to corporate customers

IDLC provides a better standard of living to the country's citizens by disbursing a wide range of retail loans

The Company ensures the financial security of a large population cross-section by providing access to high-quality, interest-yielding deposits

We have focused on our niche to remain competitive

The very ethos of IDLC is to walk the path that few choose to take. Being an entrepreneurial organisation driven by the spirit of enterprise, the Company's salubrious risk assessment and appraisal systems enables it to cater to segments of the economy that are typically considered to be risk-prone.

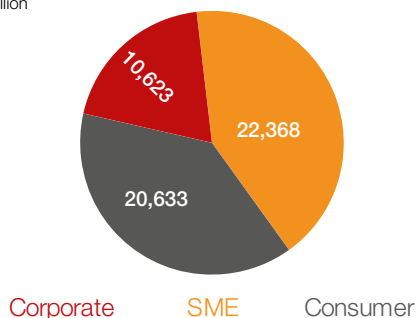
It is here where IDLC identifies its niche, provides a wide range of targeted and specific solutions and creates the platform for mutual benefit and growth.

Take for example IDLC's SME loan book that has reported a sharp 40% Compounded Annual Growth Rate (CAGR) over the past five years, among the highest in the segment in the country.

Or for instance IDLC's Consumer loans division that grew a respectable 17.78% in size in 2015, led by good growth in car and home loan financing. Driven by significant 64.86% growth in fund raised by structured finance department, the Company's corporate loan book also grew 10.72% during the year under report.

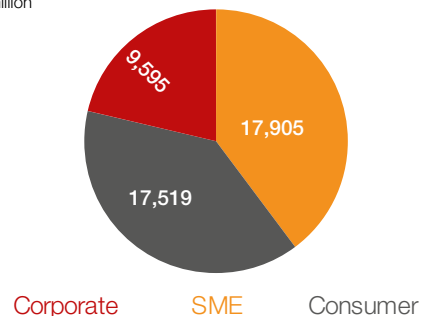
Total loan book, 2015

Taka in million



Total loan book, 2014

Taka in million



We have remained ambitious yet conservative with risk

We are ambitious, yet recognise that it is discipline that will take us far. This prudent blend has always let us keep our eyes on qualitative growth and not chase growth for the sake of growth itself.

Our ability to weigh and price risks has allowed us to not only grow our portfolio but do so oriented towards profitable and balanced growth.

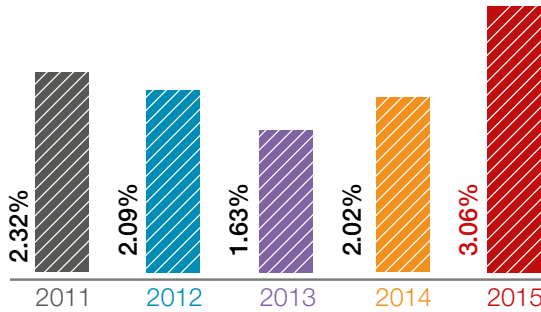
In our journey, as in the path of most businesses engaged in financial services, we reported NPLs, though controlled and with the necessary provisions provided for under prescribed regulatory ambits.

Through this approach, we have grown our loan book, positioned it towards segments fetching us higher weighted average risk-return ratios and consolidated our position as a profitably sustainable enterprise.



Non-Performing Loans

In percentage

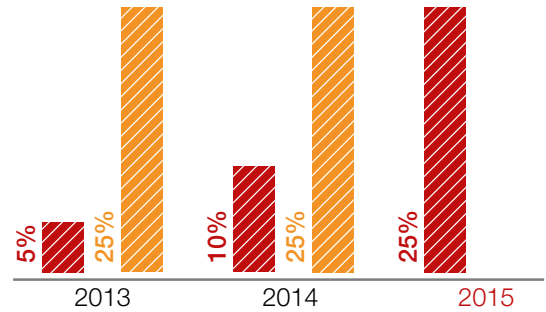


104 bps increase in 2015 over 2014

Dividend per Share

In percentage

■ Cash dividend
■ Stock dividend



We have consistently enriched shareholder value

Beyond its financial assets, a financial institution needs to have certain intangible qualities if it wants to deliver sustainable returns to shareholders.

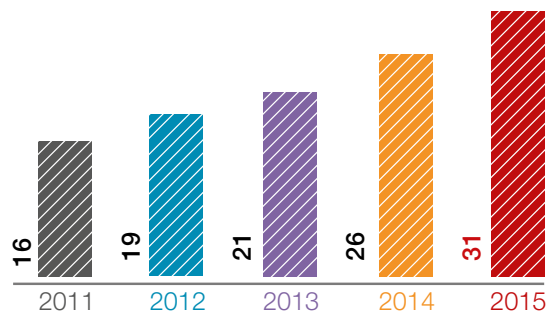
At IDLC, we believe that our ability to spot opportunities faster than the market and providing for specific needs within this niche in the best possible way results in value creation.

Take for example IDLC Purnota. This is a loan within our SME segment that is exclusively targeted to women entrepreneurs in Bangladesh. In addition to loan disbursements, it provides a comprehensive set of advisory and capacity-building services. Introduced in June 2015, IDLC Purnota accelerated the growth in financing extended to women entrepreneurs which closed the year with a healthy book size of Taka 2,376.61 million.

While we are disciplined in identifying ways where we can add our financial resources and expertise to our customers' aspirations so they can become a reality, we also value the investment and trust of our shareholders and workhard towards achieving sustainable success of our businesses.

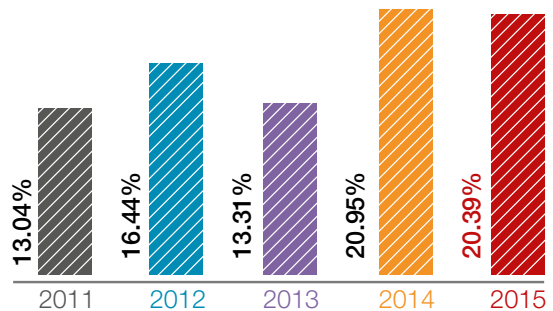
Net Asset Value per Share

Taka



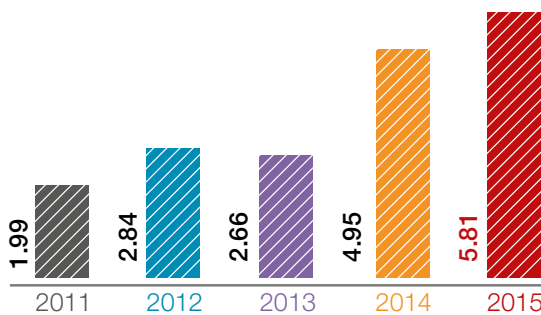
Return on Shareholders' Equity

In percentage



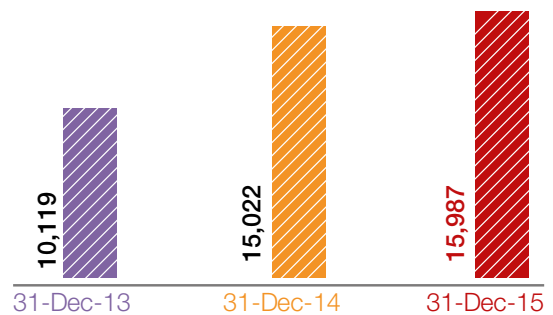
Earnings per Share

Taka



Market Capitalization (in Dhaka Stock Exchange)

Taka in million



Our philosophies –the backbone of our enterprise

Strategic objectives

- Grow and develop our talent pool
- Fully leverage the core banking platform
- Optimize distribution points
- Grow and diversify funding sources
- Continue growing the SME portfolio
- Further grow sales and service capabilities in the Consumer division
- Focus on top-tier clients and maintain industry relationships in the Corporate segment
- Expand capital market operations and enhance capabilities
- Embrace internationally-accepted corporate governance standards and sustainable business practices

Core Values

- Integrity
- Customer Focus
- Trust and Respect
- Equal Opportunity
- Eco-friendly
- Passion
- Simplicity

Code of conduct and ethics

In accordance with the approved and agreed Code of Conduct, IDLC employees shall:

- Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and the public
- Act and encourage others to behave in a professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC at large
- Strive to maintain and improve the competence of all in the business
- Use reasonable care and exercise independent professional judgment
- Not restrain others from performing their professional obligations
- Maintain knowledge of and comply with all applicable laws, rules and regulations
- Disclose all conflicts of interest
- Deliver professional services in accordance with IDLC policies and relevant technical and professional standards
- Respect the confidentiality and privacy of customers and people with whom we do business
- Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on our honesty, trustworthiness or professional competence

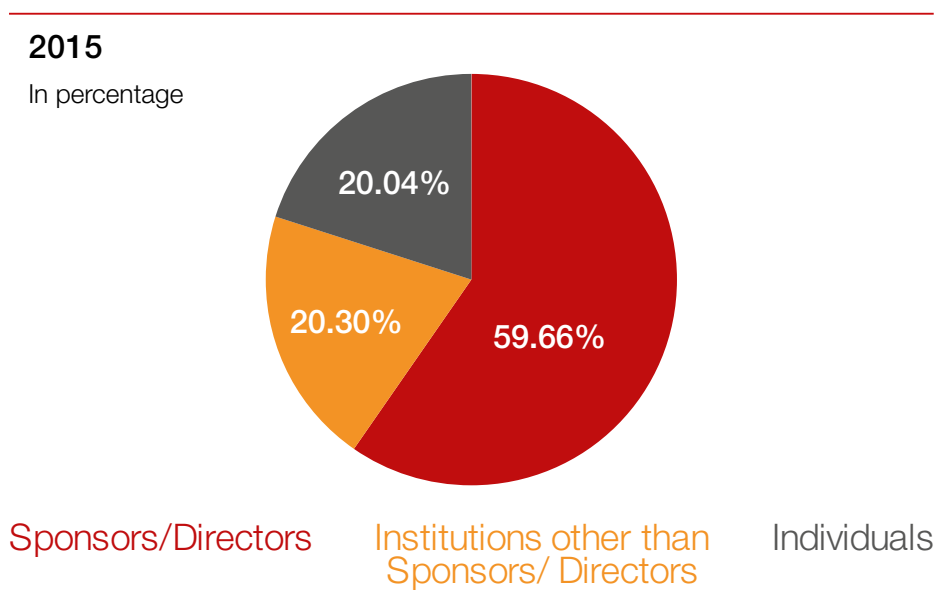
IDLC employees have an obligation to know and understand not only the guidance contained in the Code of Conduct but also the spirit on which it is based.



Shareholding structure

IDLC was incorporated in 1985 as a pioneering leasing enterprise in Bangladesh, under the collaboration of the International Finance Corporation (IFC), German Investment and Development Company (DEG), Kookmin Bank, Korea Development Financing Corporation, The Aga Khan Fund for Economic Development, The City Bank Limited, IPDC of Bangladesh Limited and Sadharan Bima Corporation. At present, it is a 100% locally-owned company, having a presence across the country through 32 branches, 2 booths and a workforce of more than 1200.

As of December 31, 2015, IDLC has 251,367,187 shares outstanding, as per the following



Our business model

IDLC Finance Limited is one of Bangladesh's fastest-growing Non-Bank Financial Institutions (NBFI) with its Assets Under Management (AUM) reporting a 19% CAGR over the past five years. The company's business model has been structured around meeting customer needs – both on the lending and deposit front – and meeting their growth expectations on the basis of trust and respect.

As an enterprise that has pioneered the Bangladeshi NBFI industry, the company has consistently created value for its entire stakeholder ecosystem. Leading the critical anchors of fostering the sense of governance and transparency, IDLC presents integrated reporting of its business model that include such key facets as:

- Inputs
- Business activities
- Output
- Outcomes

A brief description of each of these is provided below.

Inputs

Acquaintance with the business

- IDLC enjoys almost 31 years of rich experience in the NBFI business
- During this tenure, the company has witnessed several market cycles and created a business model that is not just resilient but also risk-mitigated
- The company's rich intellectual capital accretion is reflected in the low turn-over rate of its employees

Resources

- One of the company's significant competitive advantages comprises its robust human resource pool
- The company recruited a net 682 members during 2015 with the result that its total workforce grew to 1,227 members by the close of the year
- Constant productivity enhancement programmes have resulted in a better output from employees. Our human resources are highly sought-after in the market and IDLC prides itself in being able to consistently recruit high-calibre talent and make it even better through unlocking our human resource potential.

Financial capital

- The company possesses an experienced asset-liability management team that is continually appraising and analysing key trends including interest rates
- The result of this is that the company has been able to report a healthy and sustainable net interest margin (NIM) of 4.14% during 2015
- The company enjoys a healthy CRR that is much above the limits stipulated by the Bangladesh Bank

IT

- IDLC possesses a robust IT backbone that enhances business sustainability not just in terms of facilitating quick decision making but also with regards to quicker loan TAT thanks to a leverage of technology
- A strong IT infrastructure also results in enhancing transparency, helps detect bad accounts early and also enables environmental preservation through the optimized use of paper etc.
- Investments in IT stood at 1.17% and 1.47% of income in 2014 and 2015, respectively

Product and business exposure

- The company offers a wide range of lending products across corporate and SME clients and for retail customers that enables it to meet the tailor-made requirements of a wide demographic
- On the deposit side, IDLC offers a wide range of long and medium term savings products that enables it to meet the financial security and liquidity goals of a number of consumers
- IDLC also operates two wholly-owned subsidiaries (IDLCIL and IDLC SL) that offers a vast range of capital market products and solutions

Business activities

IDLC Group provides financial solutions as non-banking financial institution through IDLC Finance Limited and capital market solutions through its subsidiaries. IDLC Finance as an NBFI, offers loans across its three well-structured and focused divisions:

- **Corporate:** This segment effects lending to a large number of corporate customers across Bangladesh in a variety of industries and sectors. The typical loan size categorised under this division is Taka 37.49 million and above
- **SME:** IDLC is among the fastest growing NBFIs in the country's SME segment. Assets under this division have grown at 24.92% year-on-year and loan size is typically classified as between Taka 2.70 million
- **Consumer:** The Company offers retail and home loans under this segment, thereby meeting the lifestyle requirements of its customers. Average loan sizes under this segment comprises of Taka 3.58 million for Home Loan and Taka 1.76 million for Car Loan
- **Capital markets:** IDLC Investments and IDLC Securities are two of IDLC's fully-owned subsidiaries engaged in providing brokerage, merchant banking and a wide range of capital market services



Business segment review

SME (Small and Medium Enterprises) division

IDLC's SME division is a priority business segment for the Company. Sound business strategies, focused customer acquisition efforts, high-quality service and a superior risk-adjusted appetite enabled SME portfolio CAGR of 40% over the last five years, clearly one of the fastest growth rates in the industry. Significant investments in human resources and infrastructure – the two most critical building blocks – have resulted in the creation of a robust structure that will facilitate sustainable growth, going forward.

In one of the most pioneering initiatives in the sector, the SME division launched a pilot under the automated credit appraisal system, a mechanism that will not only reinforce the quality of our services but also save paper and contribute to environmental preservation. The system will be synced with a data warehousing system and front end customer relationship management which will facilitate lead management, prospect management and help in information-driven business decisions.

At the SME division, our vision is to be the best SME financier in the country. We will continue to innovate and launch newer products and services to serve the SME market, which is both underserved and un-served in many areas. We believe that technology is at the forefront of our priorities and by the end of 2016 we hope to integrate online appraisal system into smartphones to be used by all our relationship managers for faster and more accurate decision-making. We will continue to focus on extending the ambit of non-financial services and invest significantly in the capacity development of our talent pool.

Core developments

The year 2015 witnessed a host of new products and services added to the SME basket. A thorough diagnostic test was run by the IFC (International Finance Corporation) to gauge the level of services offered by the division to women entrepreneurs. Thereafter, a comprehensive solution for women entrepreneurs under IDLC Purnota was launched in June 2015. Along with subsidised financial products, women entrepreneurs are also offered various non-financial value-added services including business facilitation services that help them obtain/ renew all kinds of regulatory documents. Moreover, Purnota insurance provides coverage from unwanted events such as road bullying, rape and death during pregnancy, at a minimal cost. Also, the Purnota Club arranges training and health awareness programmes among women entrepreneurs across Bangladesh.

In spite of its excellent performance over the past and tremendous growth potential in the future, the IT sector has traditionally been avoided by the banking sector due to an inherent lack of understanding of the business model and unpredictable revenue patterns. To target this particular segment, IDLC, in collaboration with BASIS (Bangladesh Association of Software and Information Services), launched IDLC Udbhabon, a comprehensive solution for ICT

(information-communication-technology) entrepreneurs. This unique product is a first-of-its-kind in Bangladesh and we hope it will help boost the ICT sector and thereby increase employment and grow contribution to the national economic output.

It has been discovered that a vast portion of SME clients are new to banking. Hence, in order to make the process of repayment easier, a new wing under the name of CCMC (central customer monitoring cell) has been introduced. The function of this team is to actively monitor loan performance, communicate with clients on an ongoing basis and provide early warning signals. The team welcomes new clients and also keeps a track of the relationship managers' customer service levels.

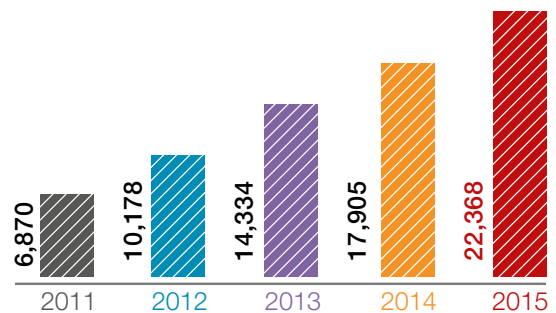
During the year 2015, the SME division signed a MoU with the SME Foundation to reenergise the light engineering sector in Old Dhaka. To date, over 30 clients have received financing through this window. We also signed-up for two refinancing schemes offered by Bangladesh Bank, one for start-ups and the other for marginalised dairy farmers. We have financed over 130 clients through the two refinancing schemes in 2015.

To further strengthen our distribution network and widen our footprint, three new branches were inaugurated in Habiganj, Mymensingh and Kushtia. Habiganj has been an economically-vibrant catchment due to its excellent connectivity with the rest of the country. The government intends to establish a special economic zone (SEZ) that will further foster the region's growth and development potential. The government has recently declared Mymensingh as a new division. The city is the divisional headquarters and connects five districts. In alignment with our strategic positioning of business centres and the need to come closer to growth pockets, we inaugurated a new branch in Mymensingh. Kushtia is one of the most important business zones of the Khulna division, widely considered as the country's agro hub, and our establishment of a branch in Kushtia will enable us to capitalise on the growth potential.

Key financials

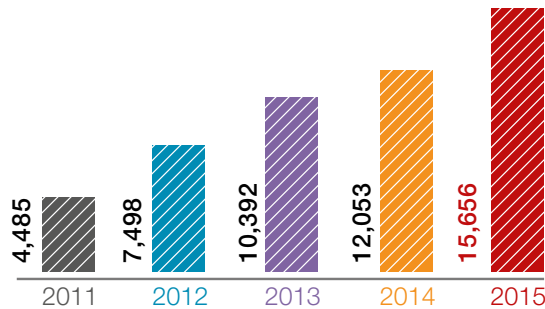
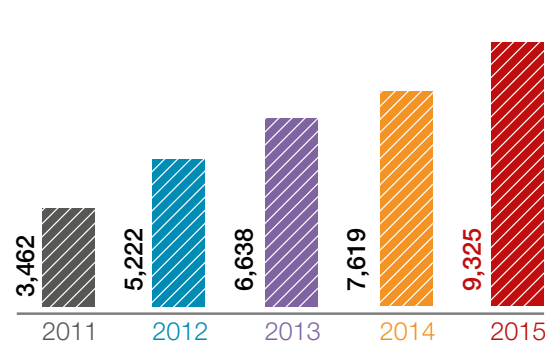
SME Loan Portfolio

Taka in million



SME Loan Disbursements

Taka in million

**SME Division Active Customer Base****Sector review – defining the potential of SMEs in Bangladesh**

The financial sector of Bangladesh has reported a great 2015 despite the gloomy start amidst the political chaos. Rise in remittance inflows broke all previous records and led to sound growth of foreign currency reserves. With a y-o-y growth of 2.47% in remittance inflows, foreign currency reserves stood at \$27.5 billion in December 2015. Exports, especially by the readymade garments sector (RMG), has witnessed a y-o-y growth of 8%. By October 2015, reserves had touched a level of \$27 billion, enough to support imports for seven months. On the other hand, because of a sharp downturn in oil prices from over \$100 a barrel to a low of \$30, punctuated by the concurrent decline in international commodity prices, imports witnessed a de-growth in 2015. Overall, a vibrant environment prevailed in the financial sector much through the year.

The biggest game-changer in the financial services sector comprised mobile financial services. Real-time money transfers became easier in remote areas thanks to mobile financial services. On the other hand, the emergence of RTGS (real-time gross settlement) made internet banking even more important and widespread. National Payment Gateway, a strong initiative by the Bangladesh Bank, has enabled withdrawals from any ATM regardless of the bank, thereby enhancing user convenience.

Small and medium enterprises (SMEs), the bedrock and engine of Bangladesh's economic growth, did well throughout 2015. Realising its potential, both the government and the Bangladesh Bank are putting significant emphasis on SMEs by providing various stimulation initiatives. Put together, all the banks and NBFIs disbursed a total of Taka 1.16 trillion in

2015, exceeding the target set by the Bangladesh Bank by 10.79% and thus served 60 SME sectors in such industries as light engineering, handicraft, flower and fish processing, handloom, rice mills, jamdani, Rajshahi silk, khadi, biogas and compost fertilizer, among others.

However, private sector credit growth remained gloomy and fell short of targets at the close of 2015. Excess liquidity was a constant phenomenon for all the major players in the banking sector. Lack of credit demand forced the financial industry to reduce both lending as well as deposit rates. At the year end, average deposit rates fell way below the inflation rate and thus turned real return rates negative. To spur investments, entrepreneurs were insistent on getting financing facilities at single digit interest rates. The average lending rate fell throughout the year and stood at 11.18% in December 2015 and is expected to decline to single digits, going forward. In this prevailing scenario, only those banks/ NBFIs with strong fundamentals, good corporate governance frameworks, highly qualified human capital, robust asset quality and regular innovation will triumph.

As a front-line player in SME financing, IDLC's SME division has played a significant role in fostering growth and has created consistent value for shareholders.

Outlook 2016

On the back of the political stability witnessed in the country for last few months of 2015 and the expansionary monetary policy adopted by the Central Bank, 2016 promises to be a significant year in terms of economic growth in Bangladesh. Both private and public sector investments are expected to flourish, positively impacting the SME entrepreneurs spread throughout the country. IDLC is well positioned to support these SME businesses with quick and hassle free financing. To better enable us to provide the SMEs with world class service, below are some of the initiatives to be taken in 2016:

- Focus on business growth along with maintaining asset quality and strengthening the IDLC SME brand in SME financing
- Strengthen human capital to increase productivity to optimal levels through extensive training and coaching
- Expand our footprint by establishing new branches and exploring new business opportunities in markets of our existing presence
- Implement online credit appraisal across all our branches which will not only hasten decision-making but also reduce the loan turnaround time
- Launch new products and modify the existing basket to align with market demand
- Implement web/ app-based client service tool to better serve our customers as well as create an institutional memory
- Tie-up with local and multi-lateral agencies to work towards the development of marginal sectors with significant embedded growth potential
- Introduce a customer loyalty program based on customer segmentation
- Establish an objective-based performance evaluation model for all SME sales staff



Consumer division

IDLC's Consumer division is one of the key drivers of sustainability. The division enjoys a proven track record in Bangladesh's consumer finance industry and enjoys a high recall for its superior service standards, high levels of transparency, dedicated sales force and robust customer experience. The division has not only been a frontline player in the national consumer market but has also contributed to the corporate bottom-line significantly over the last few years. The division's two-pronged functions include funds mobilisation for the company as per requirements and grow the asset business sustainably.

Core developments

The Consumer division offers term deposit products to cater to the needs of various individuals as well as institutions. It also offers consumer loans to its targeted customer segments. As a result of continuous and focused efforts, the division possesses a significant market-share in home loans and car loans businesses. The division has been able to consistently grow its home and car loan portfolios due to its sound business strategy, faster loan processing time and other unique selling propositions.

On account of these factors, the division registered the highest-ever volume of home loan disbursement in a Calendar year in 2015. Yet another landmark was achieved when the asset portfolio crossed the Taka 2,000 crore mark during the same year. It must be noted that very few players (including banks and NBFIs) have been able to achieve such a milestone. Moreover, this remarkable achievement was not at the cost of compromising quality of the book.

Product strength

- In the year 2015, the consumer division launched a variable rate car loan to meet the needs of the customers and widen its product basket
- During the year, the division introduced the country's most transparent variable rate home and car loans pricing model with the interest rate aligned with the benchmark rate. At IDLC, we consider the Cost of Fund Index (CoFI) for NBFIs, which is published and updated on the website of Bangladesh Bank on a regular basis. This chart is available for all, accessible from anywhere in the world through the web and is highly transparent. At the time of rate revision (of these variable rate loans), customers enjoy the outcome of the updated CoFI (as per policy), which is added to the spread, offered to respective customer segments. This spread remains unchanged throughout the tenor of the loan
- The division introduced pre-owned (registered) car loans and a few other product solutions in response to the demands of the marketplace
- Based on the prevailing market environment and business strategy, the division focused on variable rate products (rather than fixed rate products) during the year

People strength

- The Consumer division's pride is its people. The division emphasized on recruiting the best possible talent

(including fresh graduates and experienced resources with lateral entry) throughout the year. Today, the division has a solid employee base with expertise in sales, customer service, customer acquisition and vendor relationship management and products & marketing, among others. It ensured continuous training and development initiatives, clear communication strategies with proper guidance and year-round employee engagement to retain the qualified and dedicated team members as well as to enhance productivity

- The division empowers its people with the objective of developing their decision-making, leadership and entrepreneurial capabilities
- During the course of the year, over 45 training and development initiatives were conducted for the employees

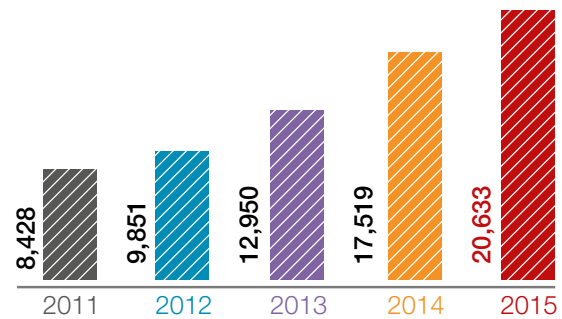
Performance strength

- In 2015, the Consumer division invested significant efforts towards increasing the customer acquisition through its outstation (out of Dhaka city) branches by embracing several new initiatives. As a result, some of these branches performed quite well including those in Sylhet, Khulna, Bogra and Savar. The division expects to widen its geographical coverage to venture into other potential territories in the current and coming years

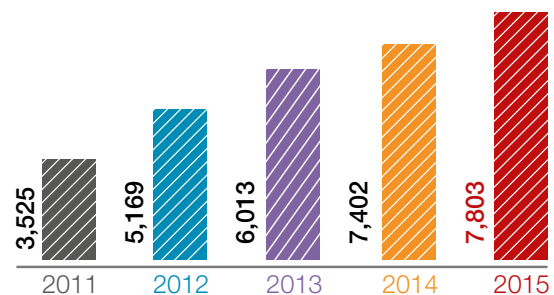
Key financials

Consumer Loan Portfolio

Taka in million

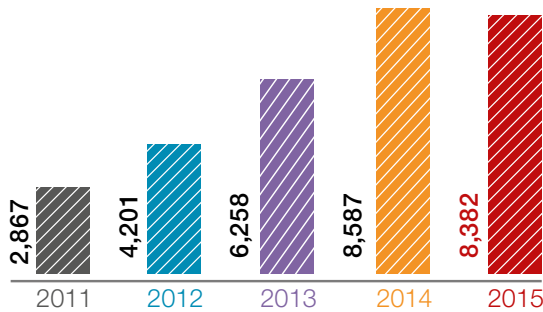


Number of Loan Customers of Consumer Division

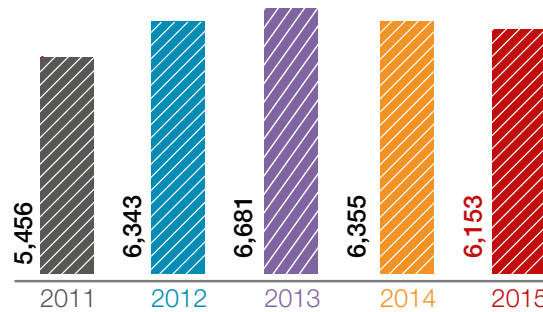


Consumer Loan Disbursements

Taka in million

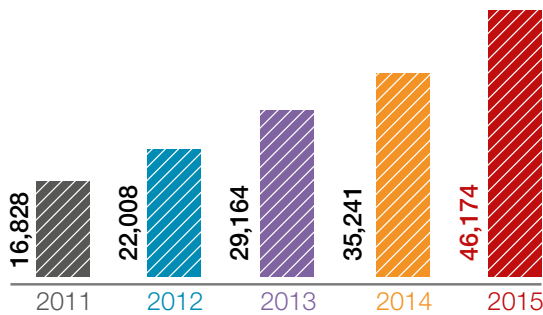


Number of Deposit Customers of Consumer Division



Term Deposits Balance

Taka in million



Initiatives planned for 2016

- Establish two new branches outside Dhaka to expand our geographical coverage and come closer to our customers.
- Increase financing for meeting construction requirements by launching specific and targeted products, thereby widening our customer base
- Emphasise on portfolio retention, especially in the wake of rising competitive intensity
- Increase employee productivity
- Assign profit-based targets to branch managers
- Introduce new home loan products by concentrating on special rates of interest
- Restructure our existing organogram to make the business flow more efficient. Assign different projects and job responsibilities to enhance current job role across key positions
- Develop effective employee retention plans by proper guidance and motivating them towards career advancement

Corporate division

Overview

IDLC's Corporate division has made significant inroads into the confederation of local corporate conglomerates, large corporate houses and multinationals. This was made possible by our integrated relationship management approach, strong customer orientation, innovative product offerings and superior service delivery. Progressively, the division has also widened its geographical coverage, deepening its niche market comprising established corporate houses and upcoming enterprises. In parallel, the division also diversified its product basket to cater to specific customer funding requirements comprising, but not limited to:

- Establishment of greenfield projects
- Capacity augmentation programmes
- Commercial space acquisition
- Meeting seasonal demand through working capital

Our wide array of products includes simple lease finance, term loans, working capital finance (with suitable tenor), asset finance, project finance, green finance under

Bangladesh Bank schemes and participation in syndication arrangements, among others.

The robust infrastructure and resources that we have created helped our operations remain relatively insulated from economic headwinds and even domestic unrest (most visible during the beginning of 2015). Resultantly, our division posted positive growth during the year under review. In the backdrop of our focus on sustainable growth is embedded our integrated relationship approach, deep understanding of business dynamics and customer risk profile and the growth aspirations of our clients.

Our expertise and innovative solutions to partner our customers in their journey is supported by several USPs including:

- Faster service
- Customised solutions
- Competitive rates
- In-depth industry knowledge
- Transparency
- Trust and credibility



Key strengths

Unique client approach: Our distinguished client approach has enabled us to break the typical myth associated with being a non-banking financial institution. As an outcome, our Corporate clients have come to respect and trust our tailor-made solutions (within the regulatory ambit) delivered within the shortest possible time, backed by quick financing decisions from the management. We also take pride in sharing the latest market developments, sustainable business practices and prevalent low-cost financing avenues to remain as the most preferred growth partner for our clients rather than being a mere financial associate.

Diversified portfolio and solid customer base: Our Corporate portfolio is well-diversified across major sectors and industries that include apparels and accessories, textiles, pharmaceuticals and healthcare, building and construction, food and beverages, telecommunications, financial services, iron and steel and micro finance institutions, among others. Our diversified and rightly balanced portfolio helps mitigate concentration risks and ensures the sustenance of a quality credit portfolio.

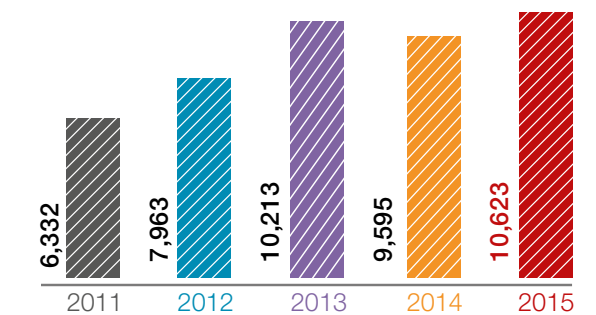
High workplace standards: Our division's time-tested workplace practices emphasised our reform agenda on the pillars of corporate governance. We have set the highest quality threshold and continually raise the bar in terms of regulatory compliance and accountability and always look for ways to strengthen our relationship with both our internal as well as external stakeholders.

Strong resource base: Our core strength is reflected in the intellect, dynamism and energy of our workforce that comprises a mix of experience and youth. The division's strategic initiatives serve their quest for exposure on market and business mechanisms. Besides, career progression is encouraged through regular ongoing training programmes and other professional development tools.

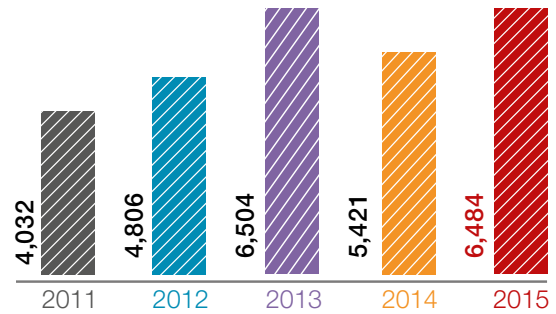
Strategic alliance: Our division works closely with other banks, NBFIs and developmental organisations along with IDLC's own subsidiaries and business units to ensure the delivery of full-fledged and the most cost-effective financing solutions to our clients.

Key financials

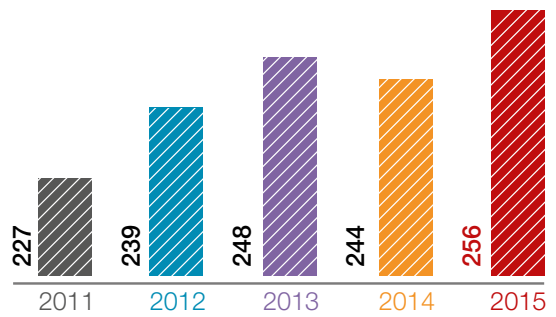
Corporate Loan Portfolio
Taka in million



Corporate Loan Disbursements
Taka in million



Corporate Division Active Customer Base
in number



Outlook 2016

- Focus on need-based financing to fuel the growth appetite of our corporate clients
- Foster business growth by providing long and short term financing among some of the country's fastest growing corporate houses
- Review the targeted niche market and growth sectors influenced by the macro and micro economic indicators and Government policies
- Structure bundled solutions comprising traditional as well as non-traditional financing products
- Initiate strategic alliances with banks and developmental organisations to tap various business avenues to serve corporate clients with cost-effective solutions
- Continue to invest in people resources and technology to enhance productivity
- Explore green financing avenues to promote sustainable business practices among existing as well as potential clients
- Attain operational efficiency within the framework of regulations to render flexible and delightful client services
- Achieve stable but quality growth through maintaining low NPLs

Structured finance department

(Unit of the Corporate Division)

Providing Innovative Financing Solution to Customers

The Structured Finance Department (SFD) is a specialised business unit of IDLC under the Corporate Division and it was established with a purpose to facilitate syndication arrangements, arranging onshore as well as offshore financing, agency and trusteeship services and corporate advisory services. The department commenced operations through loan syndication in the year 2000 to meet the increasing demands for large industrial and infrastructure project financing. Over the years, the department has continued to arrange syndication deals in the form of term loans and working capital facilities.

At present, SFD is involved in deals that necessitate various modes of financing. Being one of the leading structured finance solution providers of the country, the department arranges financing through a wide range of products that include term-loans (both local and foreign currency), working capital facilities, Investment Promotion and Financing Facility (IPFF), subordinated bonds for Tier-II regulatory capital requirement of commercial banks, zero-coupon bond, commercial paper, etc. The department also provides corporate advisory services depending on the needs of the customers.

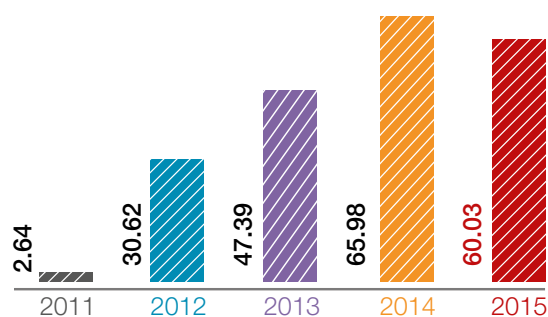
Our Key Competence - Making us a valued partner of our clients

- Successfully leveraging strategic relationships in order to provide the most appropriate and comprehensive structured financial solutions to clients
- Concentrating on niche customers diverse needs and providing unique solutions through a multiproduct portfolio
- Experienced and highly knowledgeable team members with excellent track record in pioneering transactions and providing innovative customer-centric financial solutions
- Strong network with corporate houses and in-house industry research help in the selection of the right clientele, which ensures growth and profitability as well as the preservation of a quality credit portfolio
- Focusing on new products that include short term fund arrangement through commercial paper, arrangement of zero-coupon bond for corporate houses and foreign currency sourcing through IPFF and multilateral agencies
- Support from the IDLC management coupled with a strong Corporate Governance framework
- Reputation of IDLC contributes immensely for booking loan syndication deals from large corporate houses of the country

Business and Financial Overview

Particulars	2011	2012	2013	2014	2015
Total Funds Raised	Taka 9,550 million	Taka 2,280 million and USD 30 million	Taka 11,895 million and USD 40 million	Taka 6,375 million	Taka 10,510 million and USD 10.20 million
Total Fee Income	Taka 2.64 million	Taka 30.62 million	Taka 47.39 million	Taka 65.98 million	Taka 60.03 million
Number of Deals	1	2	4	4	10
Major Clients	Summit Bibiyana Power Project	ECPV Chittagong Limited	BSRM Steel Mills and Best Holdings Ltd.	Karnafuly Dry Dock Limited; The City Bank Tier-2 bonds and Mercantile Bank Tier-2 bonds	United Commercial Bank Limited, Fareast Spinning Industries Limited, Confidence Steel Limited, KYCR Coil Industries Limited, Bangla Trac Limited and ACI Limited

SFD Fee income
Taka in million



Looking Back - Achievements in 2015

In 2015, SFD realised sluggish business income because of adverse market scenario. While many other players in the industry were struggling to survive, the department focused on new products and managed to end up at a point which was satisfactory for 2015. A significant portion of fee income was due to arranging Tier-II subordinated bonds for commercial banks. The department arranged Taka 5.00 billion in the form of coupon bearing Tier-II subordinated bonds for one of the largest banks in the country in order to fulfill their regulatory capital requirement under the BASEL-II framework. The department also arranged Taka 3.55 billion as commercial paper for 4 (four) eminent corporate houses of the country.



In addition to the regular business, the SFD sponsors several knowledge sharing events. The department arranged "IDLC Presents - BLUEPRINTS 1.0" which is a platform where participants can apply their financial knowledge into analysis and decision making, work with templates of actual financial models, get opportunities to interact with industry professionals, and build their skills as aspiring financial analysts.

Moving Forward – Strategies for 2016

In 2016, the department will strive to expand its product portfolio and include all possible structured finance products. It also plans to introduce new products like asset securitization and corporate advisory services for mergers and acquisitions. The department also intends to

provide support to banks through its advisory services on compliance-related issues regarding BASEL-III accord.

The department is also planning to introduce an Islamic bond (Sukuk) to support clients who prefer the Islamic banking framework. For 2016, the department will also focus on developing new products, smaller deals, arrangement of foreign currency financing, product-wise cross-selling programs, and green banking products in the financing mix.

The vision of the department is to be the most-preferred partner in loan syndication in Bangladesh and to achieve its goal, the department intends to fortify its human resources, accelerate its productivity, introduce new products in the market and develop the best in class operating culture to give its clients an outstanding service experience that will be inimitable in the country.

Green banking

(Unit of the Corporate Division)

Overview

Sustainable development and preservation of environment are now recognised globally as overriding imperatives to protect our planet from the ravages inflicted on it by mankind. Various global initiatives are underway to counter the ill effects of development such as global warming and climate change. Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. Green Banking is comparatively a new development in the financial world. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. Incentives by way of offering cheaper funds, one stop solution and availability of grant for initial boosting for adopting green technologies will have a long term beneficial impact on the environment. The sole objective for such initiative is to reduce carbon footprint from banking activities as well as from financed projects.

Focusing sustainable growth: national and international initiatives

The motto "Going Green" came in front in late 19th century when mankind first realized that over exploitation of natural resources and environmental degradation shall dim the effect of rapid industrialisation. It was first institutionalised in 1992 through Rio Declaration. It is considered as first

binding international legal instrument to address the issue acknowledged by 170 countries. The creation of UNFCCC (United Nation Framework Convention on Climate Change), UNEP FI (United Nation Environment Program for Financial Institution), Earth Summit, Signing of Kyoto Protocol strengthen the commitment of international community.

Bangladesh, the largest delta in the world, is vulnerable to the impacts of climate change. In order to undertake appropriate adaptation and mitigation measures, government of Bangladesh institutionalise it through NAPA (National Adaptation Program of Action), CDMP (Comprehensive Disaster Management Programme), ECR (Environmental Conservation Rules) etc. The creation of SREDA (Sustainable and Renewable Energy Development Authority) and implication of clean energy in Renewable Energy Policy, Sixth Five Year Plan etc embedded the path towards sustainability.

Understanding the gravity of the situation, Bangladesh Bank created a refinance scheme of Taka 200 crore for financing environment friendly products comprising five different items of Renewable Energy and Waste Management back in 2009. Later in 2011, Bangladesh Bank provided all FIs with a guideline on Environmental Risk Management which was subsequently revised in 2015 with Environmental and Social Risk Management Guideline. Also the number of green products eligible for refinance extended to 50 from just five within 2015.

Capital market operations

IDLC Finance Limited's capital market operations have so far been covered by its two wholly-owned subsidiaries, IDLC Securities Limited (IDLC SL) and IDLC Investments Limited (IDLC IL). Going forward, the Capital Market Operations will further be strengthened by the newly formed IDLC Asset Management Limited. Though the Group's capital market businesses were significantly impacted in the melt down of 2010 and the challenges that were brought forth by several global events, the operations have come out stronger since then with the full absorption of the impairment losses suffered on account of certain open exposures in the margin lending portfolio. Today, all the businesses have created robust platforms in terms of technology, processes, practices and human resources and are rightly positioned to capture the upturn as and when the political climate becomes harmonious and stable.

Subsidiary review - IDLC Securities Limited

Brokerage services

Overview

IDLC SL, one of the top brokerages of Bangladesh, commenced operations in 2006. The Company provides brokerage services to more than 13,900 retail, institutional and foreign investors through sophisticated and reliable trading platforms of both the Dhaka and Chittagong stock exchanges. It also serves around 2,500 customers of its enlisted merchant banks as a panel broker. It possesses a proven track record of delivering quality-led customer services in strict compliance with prevailing rules and regulations. It maintains high standards for both corporate and employee ethics.

The Company also offers premium brokerage services to High Net Worth (HNWs), Institutional and foreign investors. Premium brokerage services is a prime bundle of research and advisory support in addition to execution brokerage.

Moreover, the Company has the most reliable online trading system under its in-house developed Order Management Unit (OMU), which was launched in 2010 with the principal objective is to facilitate those investors who prefer online trading, thereby democratising market access.

Products

- Cash Account
- Margin Account through IDLC Investments Limited and other enlisted merchant banks
- Easy IPO
- Premium brokerage for HNWs, Institutions and Foreign Investors

Services

- Trade execution through the Dhaka and Chittagong stock exchanges
- Custodial and CDBL services
- Bloomberg terminal for foreign clients
- Research and advisory services

Key strengths

- Strong Brand Equity
- Skilled traders with professional market insights
- Dedicated relationship manager for every investor
- Top notch sell side research team
- Wider branch network with reliable and user friendly online trading infrastructure
- Culture of confidentiality and secured custodianship of clients' assets
- Performance management model that drives business and its quality

Key Achievement in 2015

- Scaled up size of the business without additional capital investment
- Tuned up business model to achieve higher efficiency
- Expanded sell side research coverage
- Deciphered knowledge into business growth through Dealers Knowledge Advancement Program (DKAP)
- Enhanced retail and strategic sales effort
- Consolidated foreign sales operation
- Revamped operational risk management process

Key Financials 2015

- Average daily turnover of IDLC SL increased by 6.1% to Taka 261 million despite 15.4% decline in market average daily turnover. Thus, market share increased to 3.1% from only 2.5% of previous year
- Net brokerage income increased by 18% to Taka 203 million
- Profit before tax and provision increased by 50.6% to Taka 147.5 million
- Net profit increased by 147% to Taka 96.1 million
- Shareholder's equity grew by 10.3% to Taka 1,025.3 million



Subsidiary review - IDLC Investments Limited

Merchant banking

- One of the leading merchant banking enterprises of Bangladesh and a wholly-owned subsidiary of IDLC Finance Limited
- Product suite: Investment banking (IPO, RPO, rights issue, corporate advisory on pre-IPO capital raising, underwriting, pre-IPO placement of forthcoming IPOs and mergers and acquisitions), research, discretionary portfolio management (DPM) and margin loans
- Managed nine (9) IPOs to raise a cumulative Taka 6,515 million as of December 31, 2015
- Assisted in raising a total of Taka 16,820 million for clients so far
- Discretionary portfolio management (DPM) services offer a full-fledged package comprising portfolio management services through its 'MAXCAP', 'Profit-Loss Sharing Scheme', 'Capital Protected Scheme', 'Portfolio Advisory Service' and 'Easy Invest' products

Overview of the Company

IDLC Finance commenced its merchant banking operations in 1999 through participating in underwriting of IPOs. The Company managed its first IPO as issue manager in 2003. It also managed the first IPO under the book-building method in the capital market history of Bangladesh. Aligning with regulatory requirements, the merchant banking operation was carved-out and transferred to IDLC Investments Limited, a fully-owned subsidiary of IDLC Finance, which was established in 2011.

Services

Investment banking:

- Initial public offering (IPO)
- Repeat public offering (RPO)
- Rights issue management
- Corporate advisory on pre-IPO capital raising
- Underwriting
- Arranging pre-IPO placement/ capital raising of IPOs, substantial share acquisition and take over and equity valuation

Discretionary portfolio management (DPM): IDLC Investments has been offering DPM services for the last nine years with a consistent track record. DPM manages funds on behalf of investors, formulating appropriate investment strategies, constructing and re-balancing portfolios, monitoring market perspectives on a regular basis, actively managing risk profiles and optimally diversifying portfolios. Currently, we offer a variety of investment products with different risk-return profiles, including:

- MAXCAP
- Profit-Loss Sharing Scheme
- Capital Protected Scheme
- Portfolio Advisory Service
- Easy Invest

During 2015, IDLC Investments broadened its DPM product basket through the initiation of 'Easy Invest', a monthly

investment scheme that focuses on building a long-term portfolio with small regular investments (as little as Taka 3,000). IDLC Investments is pioneer in launching this innovative product in the Bangladesh capital market.

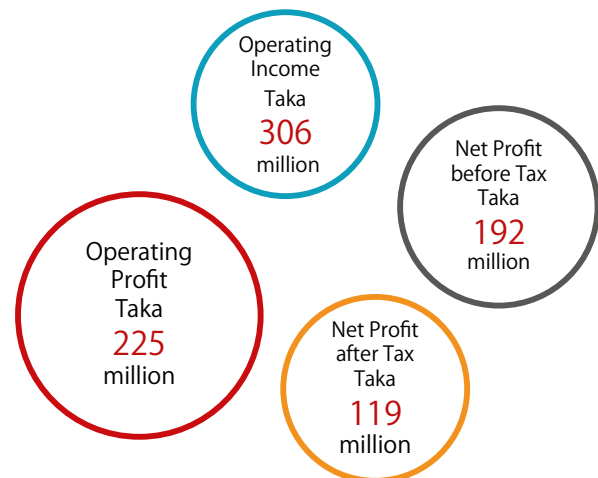
Over the last nine years, the DPM team generated an average return of 23% and the current portfolio AUM stands at Taka 555 million.

Our primary strength lies in our ability to effectively manage our overall portfolio to generate consistent returns for our clients. We have a diversified product basket suitable for different investor risk grades and our fund managers embrace appropriate diversification strategies to maximize the return potential and minimize downside risk.

One of our major challenges comprises the ongoing volatility in the capital markets along with systemic risks arising from political or regulatory/ legislative changes. Since our DPM service is in its early stage of growth from a product life cycle perspective, there exists significant potential to raise awareness about this unique product and grow portfolio size.

Margin loans: During 2004, IDLC Finance launched a margin lending product, 'Cap Invest' and since then, we have been considered as one of the top portfolio managers in the Bangladesh capital markets. Subsequently, this business was transferred to IDLC Investments. Since the market crash of 2010, IDLC Investments has reduced its margin loans significantly.

During these times, we took the challenge of counselling our clients to build a constructive and risk-mitigated portfolio. Our advisory includes knowledge sharing on the market scenario, stock analysis, effects of leverage, effective risk management and the importance of disciplined portfolio management. Accordingly, we empowered our clients with multiple value-added services (VAS) and put in our best efforts to not take any further additional provisions in the year 2015. Our sound human resource strategy, well-documented processes, cutting-edge technology and high-quality research reports have been key for our clients to realise their wealth management aspirations.



Key Financials 2015

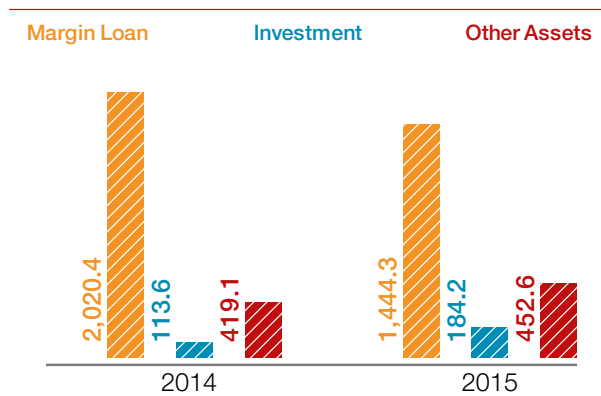
Return on portfolio investment

- During 2015, our operating income and operating profit stood at Taka 306.17 million and Taka 225.48 million, respectively
- NPAT grew from Taka 53.08 million in 2014 to Taka 119.32 million in 2015, representing a robust 125% growth
- Higher net interest income (NII) and investment income assisted healthy bottom line growth too
- Higher operating profit and lower-than-usual provisions significantly boosted NPAT

Investment banking

Our investment banking division also performed well during 2015. Revenues stood at Taka 18.06 million during the year with significant contribution from corporate advisory fees (67%) and issue management fees (26%).

Asset combination



- Considering high market volatility, IDLC Investments prudently effected a decline of its margin lending exposure to Taka 1,444.32 million in 2015, down from Taka 2,020.44 million in 2014
- To capitalise on selected market opportunities, investment exposure amplified by 60.1% to Taka 184.21 million in 2015, up from Taka 113.63 million in the previous year
- Higher profitability assisted retained earnings to be positive in 2015

Key strengths

Our key strength lies on a strong brand image and adoption of the highest ethical standards and rigorous compliance. We understand our clients' needs and cater to these accordingly, meeting and even exceeding their expectations. Regular customer counselling on the basis of our research recommendations assists us in maintaining a balance between the upside potential and downside risk factors. Going forward, we intend to reinforce process efficiency, leveraging our strong co-ordination capabilities with regulatory authorities and ensuring continuous value creation for our clients.

Overcoming key challenges

A few of the key challenges that impact our business include depressed secondary markets and the long-drawn IPO process alongside conservative valuations. Bringing well-governed companies to the market through regular advising has been crucial for the company as market volatility continues to take a toll. Reaping the benefits of our key strengths, we are actively looking at ways to overcome these challenges in the shortest possible time.

Subsidiary review - IDLC Asset Management Limited

IDLC Asset Management Limited (AML) was incorporated in Bangladesh on 19 November 2015 vide registration no. C-127068/2015 as a private company limited by shares under the Companies Act, 1994. The registered office of the Company is situated at D.R. Tower (4th Floor), 65/2/2, Bir Protik Gazi Dostogir Road, Paltan, Dhaka. It is a subsidiary Company of IDLC Finance Ltd that holds 99.99% ownership of the Company.

The principal objective of the company is to carry out the business of asset management, primarily, through launching and managing mutual funds to cater to the diverse needs of investors. Besides, institutional fund management, IDLC AML also aims at creating avenues for alternative investments through private equity and venture capital.



Our extensive range of products and services

Small and Medium Enterprises

- **Small Enterprise Finance**
 - Small Enterprise Loan/ Lease
 - Seasonal Loan
 - IDLC Purnota - Women Entrepreneur Loan
 - SME Shachal Loan
 - SME Surakkha
 - Revolving Short Term Loan
 - Commercial Space Loan
 - Commercial Vehicle Loan
 - IDLC Udbhabon
 - SME Deposit
- **Medium Enterprise Finance**
 - Medium Enterprise Loan/ Lease
 - Commercial Vehicle Finance
 - Machinery Lease
 - Healthcare Finance
 - Revolving Short Term Loan
 - SME Deposit
 - Commercial Space Loan
 - Commercial Vehicle Loan
- **Supplier and Distributor Finance**
 - Factoring of Accounts Receivable
 - Bill/ Invoice Discounting
 - Work Order Financing
 - Distributor Financing

Corporate Division

- **Corporate Finance**
 - Lease Financing
 - Term Loan Financing
 - Commercial Space Financing
 - Project Financing
 - Short Term Loans(to meet working capital requirements)
 - Specialised Products (for meeting seasonal demand)
 - Green Financing
- **Structured Finance Solutions**
 - Structured Finance Solutions/ Arrangement of Funds:
 - Loan/ Lease Syndication
 - Syndicated Fund raising for Bonds (Zero Coupon and Coupon Bearing)
 - Commercial Paper
 - Preference Shares
 - Projects/ Infrastructure Finance
 - Foreign Currency Loans
 - Structured Solutions
 - Private Placement of Equity Refinancing of Special Funds
 - Securitisation of Assets

- Working Capital Syndication

- **Corporate Advisory/ other services:**
 - Merger and Acquisitions
 - Joint Venture Matchmaking
 - Balance Sheet Restructuring
 - Feasibility Study

Consumer Finance

Loans

- Home Loans
- Car Loans
- Personal Loans
- Loan Against Deposit

Deposit

- Flexible Term Deposit Package
- Regular Earner Package

Treasury

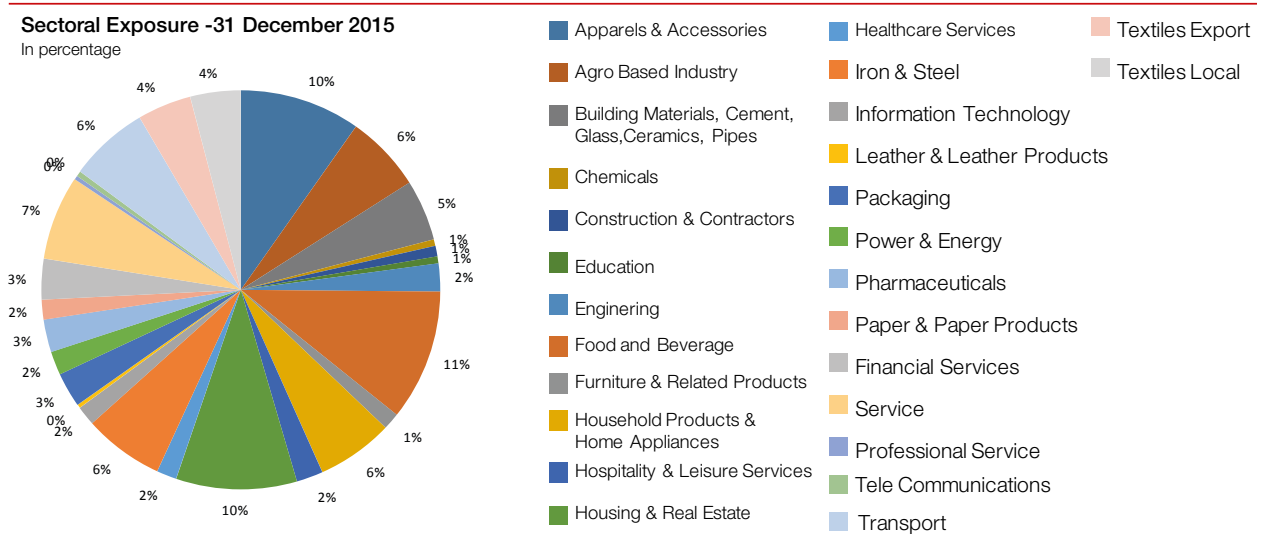
- Overnight Borrowing/Placement
- Term Deposits
- Bonds
- Debentures
- Commercial Paper
- Preference Shares
- Equity Investments
- Treasury Bills/Bonds

Capital Markets

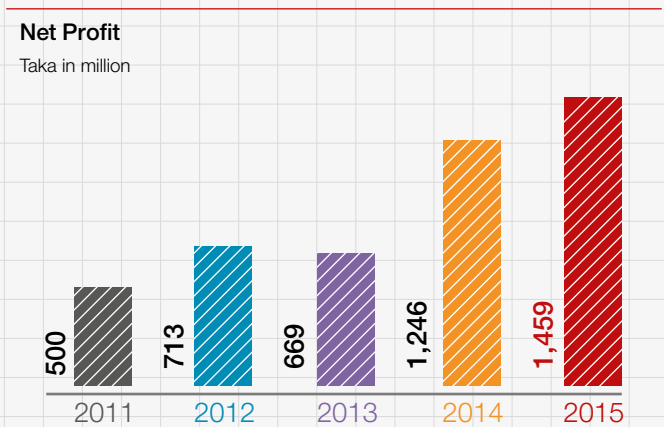
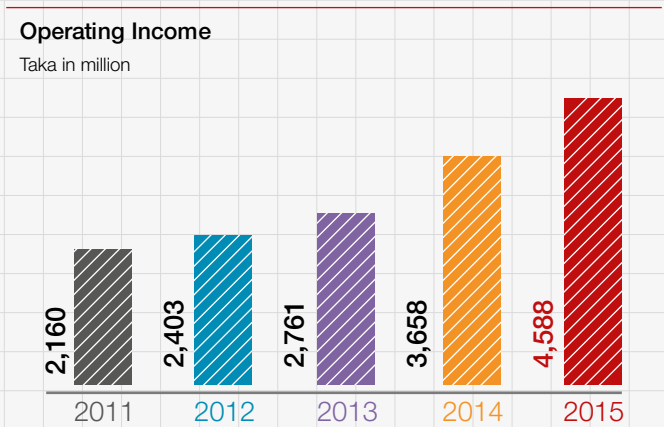
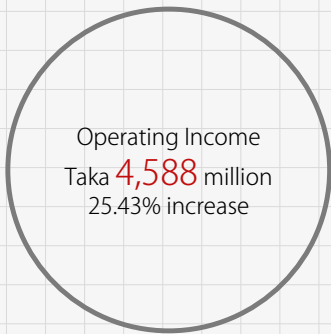
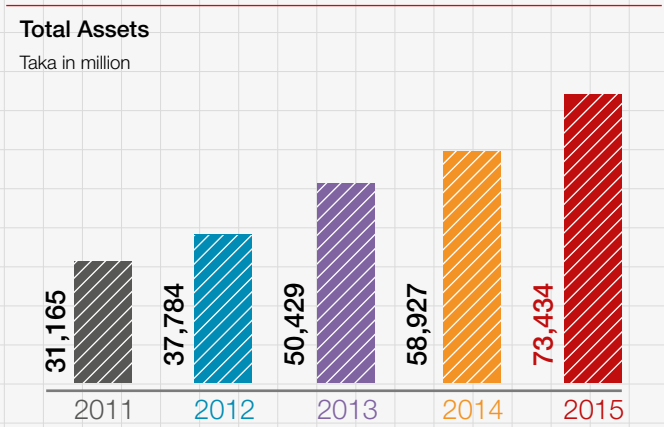
- **IDLC Securities Limited**
 - Products**
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 - Margin Account through IDLC Investments Limited and other enlisted merchant banks
 - Easy IPO
 - Premium Brokerage for High Networth Individual (HNIs) and institutional and foreign investors
 - Services**
 - Trade execution through the Dhaka and Chittagong stock exchanges
 - Custodial and CDBL services
 - Bloomberg terminal for foreign clients
 - Research and Advisory Services
- **IDLC Investments Limited**
 - Products**
 - Margin Loan
 - Discretionary Portfolio Management
 - Services**
 - Corporate Advisory
 - Issue Management
 - Underwriting
 - Research

Sectoral exposure

IDLC enjoys a well-diversified industrial portfolio in which the credit risk is spread across different sectors of the economy, as detailed below:



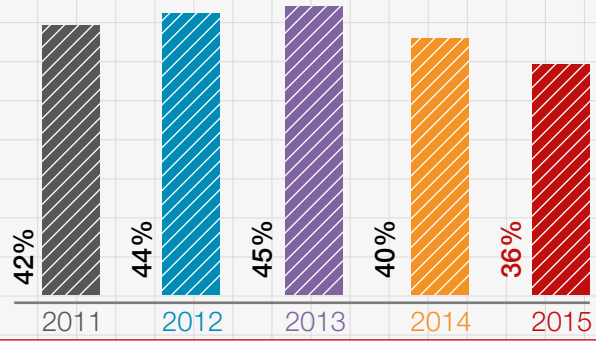
Core financial highlights, 2015



Cost-to-income Ratio
35.92%
In 2015

Cost-to-income Ratio

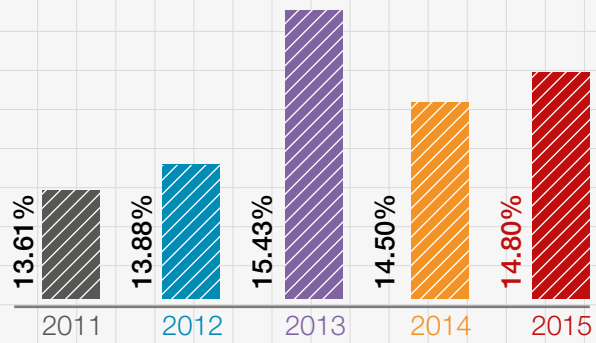
In percentage



Capital adequacy ratio
14.80%
In 2015

Capital Adequacy Ratio (CAR)

In percentage





Value added statement

for the year ended December 31, 2015

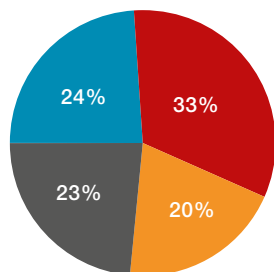
Value added is the wealth created by IDLC through extending lease financing, short-term finance (factoring of accounts receivable and work order financing), housing finance, merchant banking and corporate finance.

The Value Added Statement shows the total worth created and how it was distributed to meet certain obligation and the portion retained for the continued operation and expansion of the Company.

	Dec. 31, 2015 Taka	%	Dec. 31, 2014 Taka	%
Value added				
Operating revenue	8,354,699,891		7,499,882,290	
Cost of borrowing	(4,827,091,642)		(4,530,353,027)	
	3,527,608,249		2,969,529,263	
Other income	433,242,052		356,650,721	
	3,960,850,301		3,326,179,984	
Provisions	(291,570,010)		(60,259,653)	
Operating expenses excluding staff costs and depreciation.	(513,702,436)		(483,127,835)	
Value added	3,155,577,855	100%	2,782,792,496	100%
Distribution of value addition				
To Employees				
as remuneration	755,609,881	24%	642,751,643	23%
To Government				
as taxes	1,031,699,212	33%	875,596,287	31%
To Shareholders				
as stock dividend (cash and stock)	628,417,968	20%	703,828,125	25%
Retained in the business				
as capital and revenue reserve	739,850,795	23%	560,616,441	20%
as depreciation	615,402,154	20%	449,706,891	16%
	124,448,641	4%	110,909,550	4%
	3,155,577,855	100%	2,782,792,496	100%
Number of employees	1,060		593	
Value added per employee	2,976,960		4,692,736	

2015

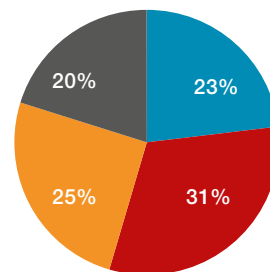
In percentage



To Employees To Government To Shareholders Retained in the business

2014

In percentage



To Employees To Government To Shareholders Retained in the business

Market value added (MVA) statement

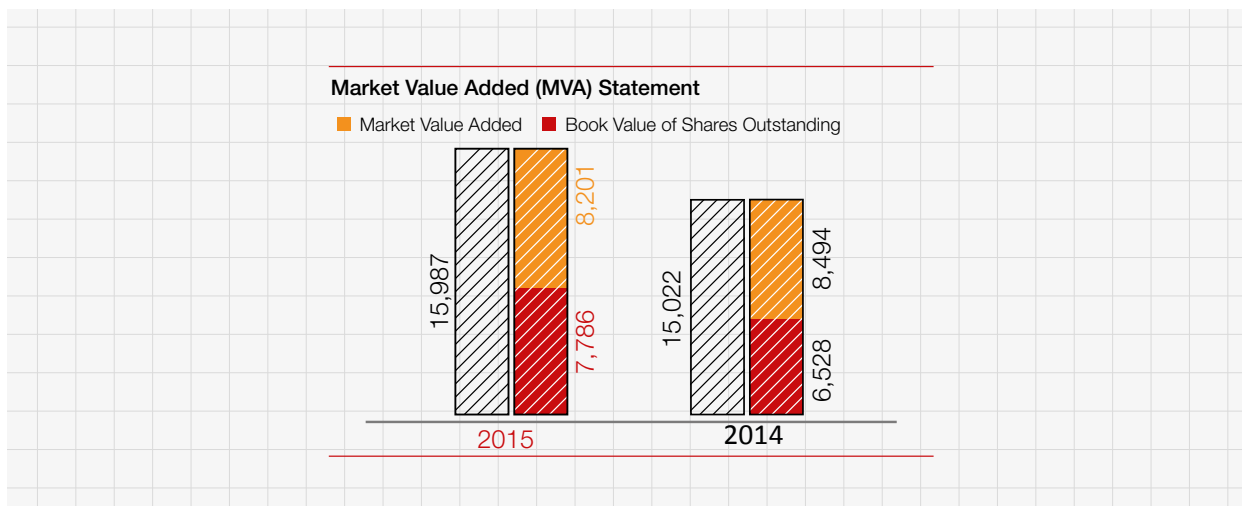
for the year ended December 31, 2015

Market value added statement reflects the Company's performance evaluated by the market through the share price of the company. This statement shows the difference between the market value of a company and the capital contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

The higher the MVA the better indication. A high MVA indicates the company has created substantial wealth for the shareholders. A negative MVA means that the value of management's actions and investments are less than the value of the capital contributed to the company by the capital market (or that wealth and value have been destroyed).

The following statement shows how the MVA has been calculated for the year ended December 31, 2015 and 2014:

	Taka in million	
	2015	2014
Market value of shares outstanding	15,987	15,022
Book value of shares outstanding	7,786	6,528
Market value added	8,201	8,494





Economic value added (EVA) statement

"Economic Value-Added is the surplus generated by an entity after meeting an equitable charge towards providers of capital. It is the post-tax return on capital employed (adjusted for the tax shield on debt) less the cost of capital employed. Companies which earn higher returns than cost of capital create value, and companies which earn lower returns than cost of capital are deemed harmful for shareholder value.

The aim of EVA is to provide management with a measure of their success in increasing shareholder's wealth: a better measure than profit of how much the company had made for shareholders.

EVA has been calculated by the following formula:

$$\text{EVA} = \text{Net Operating Profit} - \text{Taxes} - \text{Cost of Capital}$$

	Taka	
	2015	2014
Net operating profit	2,567,089,343	2,089,390,956
Provision for taxes	(1,031,699,212)	(875,596,287)
Net Operating Profit after Tax (NOPAT)	1,535,390,131	1,213,794,669
Charges for capital		
Capital employed	7,240,313,834	6,081,130,977
Cost of equity (%)	9.36%	10.56%
Capital charge	677,693,375	642,167,431
Economic Value added	857,696,756	571,627,238
Capital employed as on December 31		
Shareholders' equity	6,736,546,722	5,693,820,351
Accumulated provision for doubtful accounts and future losses	1,160,433,026	889,827,568
Average shareholders' equity*	7,240,313,834	6,081,130,977

* Average shareholders equity has been derived from average of current year and previous years.

Memberships

ASSOCIATIONS

Bangladesh Leasing and Finance Companies Association | Asian Financial Services Association | Bangladesh Merchant Bankers Association | Bangladesh Association of Publicly Listed Companies

INSTITUTE

The Institute of Bankers, Bangladesh

CHAMBERS OF COMMERCE AND INDUSTRY

International Chamber of Commerce – Bangladesh | Metropolitan Chamber of Commerce and Industry | Dhaka Chamber of Commerce and Industry | Bangladesh German Chamber of Commerce and Industry | The Federation of Bangladesh Chambers of Commerce and Industry

OTHER MEMBERSHIPS

United Nations Global Compact | United Nations Environment Programme Finance Initiative | CSR Center of Bangladesh | International Factors Group (IFG), an international association of factoring companies | Small Business Banking Network (SBBN), a global initiative to improve access to financial services by small businesses



Chapter 2 | Corporate social responsibility

IDLC focuses on responsible business practices and our long-term strategy is not only anchored on making profits but also contributing to the economic development and betterment of the community at large.

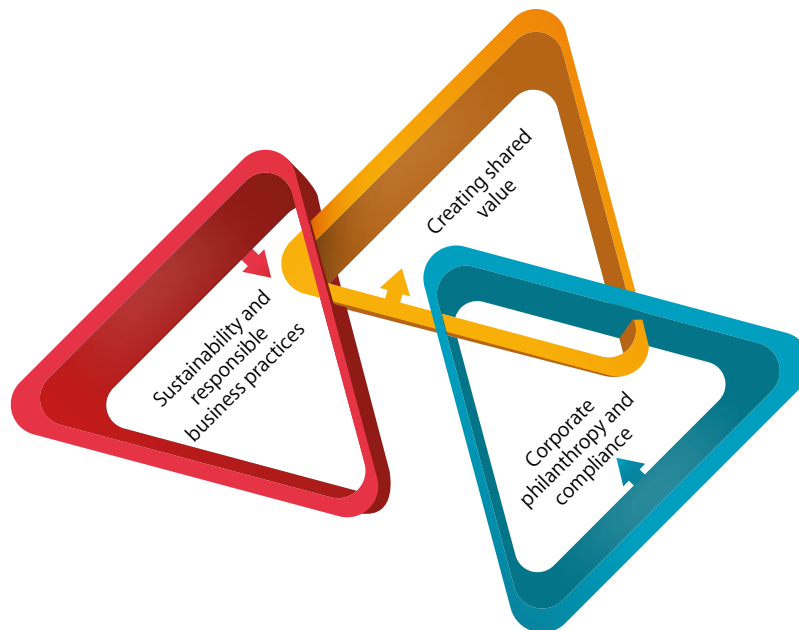
IDLC's business strategies are based on the fundamental concept of sustainability, integrating governance, environmental issues and social concerns to create maximum stakeholder value. Simply put, IDLC's sustainability model is based on the 3P approach - People, Planet and Profit:

- People, our stakeholders with whom we engage for our business and the community where we live
- Planet, our surrounding environment
- Profit, our profit-generating capacity for long-term sustenance

IDLC has identified its CSR focus areas in consonance with its organisational vision, mission, values and expertise. With its CSR initiatives, IDLC contributes to socio-economic transformation of the underprivileged through better education, capacity development, income-generation opportunities and other forms of assistance, leading to empowerment. It is also engaged in providing health and hygiene facilities for the rural and urban poor, financing environment-friendly projects, embracing green banking initiatives (in terms of both in-house management and external activities such as tree plantation and engaging people through environmental awareness campaigns) and contributing to broad philanthropic initiatives.

IDLC'S SUSTAINABILITY POSITION STATEMENT:

IDLC is committed to sustainable development by creating long-term value – value for stakeholders, value for the environment and value for the community at large.



IDLC's sustainable value creation process

With a vision that is anchored on the sustainability of our business enterprise, we uphold the highest regard to our entire stakeholder ecosystem – by being honest and open to our employees, by being reasonable to our customers, by being fair among our competitors and by being true to our shareholders by contributing to value creation in their hands.

IDLC's sustainability value chain

Sustainability anchors

- Vision
- Mission
- Values
- Code of Conduct

Sustainability objectives

- Enhance the sense of transparency and governance
- Be open to communicating our plans and progress on an ongoing basis
- Engage in fair dealings
- Ensure simplicity of terms and conditions and covenants in our contracts with our customers

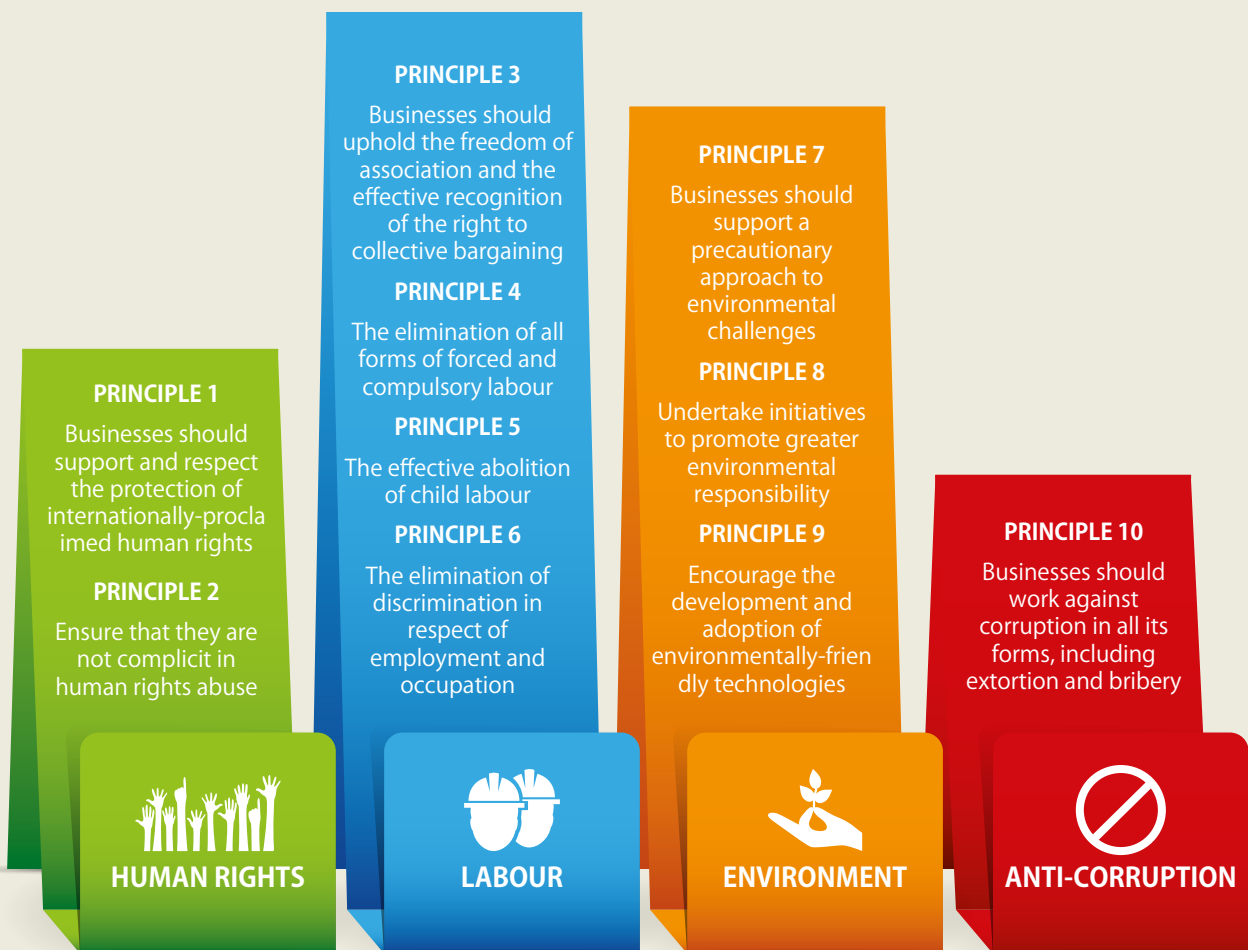
Sustainability outcome

- Economic value
- Social value
- Environmental value

Regulatory bodies and memberships

IDLC's CSR activities are regulated by the Sustainable Finance Department of the Bangladesh Bank, formerly known as the CSR and Green Banking Department. We are also members of the United Nations Global Compact (UNGC), the United Nations Environment Programme Finance Initiative (UNEP FI) and the CSR Center (local network of UNGC in Bangladesh). Moreover, IDLC is the first and only signatory to the UNEP FI from Bangladesh till date. We have also embraced their guiding principles in upholding human rights, labour standards, responsible environmental management and anti-corruption policies and practices. Recently, IDLC also endorsed the UNEP FI Declaration "MOBILISING 100 FINANCIAL INSTITUTIONS FOR ENERGY EFFICIENCY" at the COP 21-CMP11 Paris 2015, held at the Paris UN Climate Change Conference, thereby further reinstating its commitment to energy-efficient funding practices and exploring newer frontiers.

The 10 principles of UNGC:





**RESPONSIBLE BUSINESS PRACTICE AND STRONG
CORPORATE GOVERNANCE**

Chapter 3 | Corporate Governance

Board of Directors



Aziz Al Mahmood

Chairman of the Board of Directors



Md. Shahidul Ahsan

Director and Chairman of the Executive Committee



A.K.M. Shahidul Haque

Independent Director and Chairman of the Audit Committee



Meherun Haque

Director



Faruq M. Ahmed

Director



S. M. Mashrur Arefin

Director



Board of Directors



Mohammad Mahbubur Rahman, FCA
Director



Md. Kamrul Hassan, FCA
Director



Md. Rezaul Karim
Director



Atiqur Rahman
Director



Monower Uddin Ahmed
Independent Director



Arif Khan CFA FCMA
CEO & Managing Director

Committees of the Board & Management

As per DFIM Circular Letter No. 18, dated October 26, 2011 of Bangladesh Bank on the policy regarding the responsibility and accountability of the Board of Directors, Chairman and Chief Executive Officer/ Managing Director of the Financial Institutions, the Board of Directors of IDLC formed two sub-Committees of the Board:

- **Executive Committee; and**
- **Audit Committee.**

All other Committees of IDLC are formed under the jurisdiction of the management.

Executive Committee (EC)

The matter related to ordinary business operations of the Company and the matters that the Board of Directors authorises from time to time are vested on this Committee.

Composition of Executive Committee

In compliance with the referred circular, the EC consists of five members. The members are as follows:

Chairman

Mr. Md. Shahidul Ahsan, Director nominated by Mercantile Bank Limited

Members

Faruq M. Ahmed, Director nominated by The City Bank Limited

Md. Rezaul Karim, Director nominated by SadharanBima Corporation

A. K. M. Shahidul Haque, Independent Director

Arif Khan CFA FCMA, CEO & Managing Director

Audit Committee (AC)

The Committee is empowered, among other things, to examine any matter relating to the financial affairs of the Company and to review all audit and inspection reports, internal control systems and procedures, accounting policies and adherence to compliance requirements, among others.

Composition of Audit Committee

The AC consists of five members. The members are as follows:

Chairman

A. K. M. Shahidul Haque, Independent Director

Members

Mahbubur Rahman, FCA, Director nominated by The City Bank Limited

Kamrul Hassan, FCA, Director nominated by Transcom Group

Md. Rezaul Karim, Director nominated by Sadharan Bima Corporation

Monower Uddin Ahmed, Independent Director

Management Committee (ManCom)

The Management Committee is a group elected among the management staff to take responsibility of the governance

and strategic direction of IDLC. The role of the Management Committee is to oversee IDLC in accordance with its Constitution under the Financial Institutions Act, 1993.

The Committee is responsible for all aspects of the ongoing operations of IDLC. It delegates day-to-day operations to the Executive Officer. An important feature of good governance is a clear segregation of the responsibilities and accountability of the committee from those of the Executive Officer.

ManCom is always aware of IDLC's operations, keeps an eye on the big picture, monitors the strategic plan and if and whether the goals are being met. It needs to be satisfied that current events are in accordance with IDLC policies and objectives within the overall budget.

The Management Committee is tasked with making key decisions for the Company's management and operations under the official delegation of authority from the Board. The Committee comprises senior executives who are from various key functions and operations of the Company.

Composition of Management Committee (ManCom)

Arif Khan CFA FCMA, CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Mir Tariquzzaman, Chief Technology Officer (CTO)

Asif Saad Bin Shams, Head of Credit and Collection

Bilquis Jahan, Group Head of Human Resources

Ahmed Rashid, Head of SME Division

Mesbah Uddin Ahmed, Head of Corporate

Ataur Rahman Chowdhury, Head of Operations

Mohammad Morshedul Quader Khalili, Head of Internal Control & Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Mohammad Jobayer Alam, CFA, Head of Strategic Planning

Md. Saifuddin, Managing Director, IDLC Securities Limited

Md. Moniruzzaman, CFA, Managing Director, IDLC Investments Limited

Credit Evaluation Committee (CEC)

CEC evaluates all projects/ proposals of financing activities of the Company from the risk point of view.

Scope of the committee

CEC holds the rights to:

- Approve an appraisal report as per the proposed terms and conditions for consideration of the sanctioning authority;
- Request for additional information;
- Request evidence regarding any information provided;
- Suggest changes in or inclusion of terms and conditions regarding the client's liability with IDLC Finance Limited or any other financial institutions or banks;



- Suggest changes in terms and conditions concerned with repayment including repayment schedule, transfer price, late payment interest rate, true rate and effective rate;
- Suggest to change or increase security;
- Suggest to change the loan amount;
- ☒ Suggest increasing the equity participation of the client;
- Suggest providing an additional guarantor; and
- Decline a financial proposal based on overall risk assessment.

Composition of Credit Evaluation Committee (CEC)

Arif Khan CFA FCMA, CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

Head of Business Units

Asset Liability Management Committee (ALCO)

The main responsibilities of the ALCO are to look after the financial market activities, manage liquidity and interest rate risk and understand market position and competition among other activities. In carrying out its responsibilities, the ALCO convene periodical meetings and regularly reviews the decisions of the meetings with due consideration of the market situation.

Composition of ALCO

Chairman

Arif Khan CFA FCMA, CEO & Managing Director

Members

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

Ahmed Rashid, Head of SME Division

Mesbah Uddin Ahmed, Head of Corporate

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Mohammad Jobayer Alam, CFA, Head of Strategic Planning

Member and Organiser

H S Tareq Ahmed, Head of Treasury

Internal Control Committee

The Internal Control Committee addresses operational risks and frames and implements policies to encounter such risks. The Committee assesses operational risks across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risks.

Composition of Internal Control Committee

Arif Khan CFA FCMA, CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Mohammad Morshedul Quader Khalili, Head of Internal Control and Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Head of business units

HR and Compensation Committee

IDLC's HR and Compensation Committee was formed on 24 May 2007 to provide a forum for discussion on the Company's various HR related issues. The main role and function of the HR and Compensation Committee is to assist the human resource department in developing and administering a fair and transparent procedure for setting policies on the overall human resource strategy of the Group.

The responsibility of the committee is to ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit, qualification and competence, adequate training and development facilities, performance evaluation and promotion based on individual performance and contribution and other benefits-related issues with regards to the Company's operating results and comparable market statistics.

The principal purpose of the Committee is to assist the management in fulfilling its corporate governance and oversight responsibilities in relation to establishing people management and remuneration policies.

Composition of HR and Compensation Committee

Arif Khan CFA FCMA, CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

M. Jamal Uddin, Deputy Managing Director

Mir Tariquzzaman, Chief Technology Officer (CTO)

Asif Saad Bin Shams, Head of Credit and Collection

Bilquis Jahan, Group Head of Human Resources

Head of Business units

Corporate Governance Committee

The Committee ensures that the Corporate Governance practice within the Company is as required by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank. The Committee also recommends and advises course of action in the areas where there is a scope of improvement.

Composition of Corporate Governance Committee

Arif Khan CFA FCMA, CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

Mohammad Morshedul Quader Khalili, Head of Internal Control and Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Mohammad Jobair Rahman Khan, Head of Statutory Reporting & Group Company Secretary

BASEL Implementation Committee

The Basel Implementation Committee is responsible for the implementation of Basel Accord for Financial Institution (BAFI) at IDLC. Managing risk based capital adequacy is the most important responsibility of the Committee. The Basel Implementation Desk (BID) of the Risk Management Department manages Basel activities. The results of risk based capital analysis along with recommendations

are placed in the Committee meeting by the BID where important decisions are made to maintain minimum/regulatory capital and manage related risks.

The BASEL Implementation Committee Charter states that the Committee has the following responsibilities

- Apply the action plan of BASEL-II and review thereof;
- Communicate issues related to the implementation of BASEL-II to the management;
- Assist in carrying out the quantitative impact study (QIS), if necessary;
- Engage in capacity building and training according to the training need assessment (TNA) for the concerned officials; and
- Establish a planning and supervisory review as required by Pillar-II of BASEL-II framework.

The reviews of the BASEL Implementation Committee include

- Review of action taken in previous BIU meetings
- Economic and market status and outlook
- Credit, market and operational risks related to capital adequacy
- Review of BASEL implementation status
- Action taken

Composition of BASEL Implementation Committee

Arif Khan CFA FCMA CEO & Managing Director

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit and Collection

Mohammad Morshedul Quader Khalili, Head of Internal Control and Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Mohammad Jobair Rahman Khan, Head of Statutory Reporting & Group Company Secretary

Integrity Committee

Integrity Committee of IDLC was formed on October 22, 2013 in accordance with Bangladesh Bank's letter no. HR-1(O&D) Focal-1/2013-2 dated October 10, 2013 to abide by the code of integrity and good governance in line with National Integrity Strategy of Bangladesh.

Functions

Functions of the Committee are as follows:

- Create awareness on code of integrity and good governance across the company;
- Identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards;
- Amend existing policies and procedures as per requirements;
- Evaluate and reward the respective employees for integrity and good work;
- Improve e-governance system;
- Develop complaint management system;
- Implement code of conduct;

Composition of Integrity Committee

Headed by H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director, the Committee consists of the following members:

Mir Tariquzzaman, Chief Technology Officer (CTO)

Asif Saad Bin Shams, Head of Credit and Collection

Bilquis Jahan, Group Head of Human Resources

Mohammad Morshedul Quader Khalili, Head of Internal Control & Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Mohammad Jobayer Alam, CFA, Head of Strategic Planning Heads of Business Units

Central Compliance Unit (CCU)

Central Compliance Unit (CCU) is a committee responsible for supervising the Anti-Money Laundering (AML) and Anti-Terrorism activities (ATA) at IDLC Finance Limited, formed on November 1, 2012. The CCU was constituted as per the "Guidance Notes on Prevention of Money Laundering and Terrorist Financing" issued by Bangladesh Financial Intelligence Unit, Bangladesh Bank, BFIU Circular no.04 dated September 16, 2012.

Objective of CCU

- To ensure compliance of regulatory rules and regulations related to AML and ATA;
- To implement and enforce IDLC's AML policies to prevent money laundering and terrorist financing;
- To ensure effective implementation of AML and ATA program across the company effectively.

Functions

Functions of the Committee are as follows:

- Keeping updated with changes in regulations regarding the combatting of money laundering and terrorist financing, and accordingly adopting changes to IDLC's AML and ATA compliance policy.
- Supervising money laundering and terrorist financing control procedures of the company so as to ensure legal and regulatory requirements.
- Issuing necessary instructions across the company in line with company policy and Bangladesh Bank directives.
- Ensuring that proper KYC along with effective risk assessment and control procedures are in place.
- Providing advisory services to business and operational units on various issues linked with alleged money laundering activities or transactions.
- Maintaining ongoing awareness on evolving money laundering risks and their compliance procedures through formal and informal training, workshop and seminars.
- Development of adequate testing procedures to detect and prevent lapses in compliance.
- Monitoring business activities of branches through AML and ATA self-assessment procedure and provide corrective measures.



Composition of Central Compliance Unit

H. M. Ziaul Hoque Khan, FCA, Deputy Managing Director

Asif Saad Bin Shams, Head of Credit & Collection

Mohammad Morshedul Quader Khalili, Head of Internal Control & Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

Risk Management Forum (RMF)

The Risk Management Forum was formed on April 15, 2013 in accordance with the Bangladesh Bank's DFIM Circular no. 01 dated April 07, 2013 to introduce proactive risk management procedures in line with the international best practices framework.

Functions

- Design overall risk management strategy
- Communicate views of the Board and senior management regarding the risk management culture and risk appetite across the Company
- Prepare risk management policies and procedures
- Monitor the prescribed/ threshold limits of risk appetite set by the regulator and/ or by the Company itself
- Develop and observe the use of models to measure and monitor risks
- Develop and oversee implementation of stress testing
- Oversee the capital management functions in accordance with the risk-based capital adequacy measurement accord, i.e. BASEL-II/ III
- Determine the most cost-effective way to minimise risks
- Highlight risks in portfolios and deficiencies of the Company on a timely manner and report the analyses to the Managing Director as well as the Board of Directors with specific recommendations and suggestions
- Review market conditions, identify external threats and provide commensurate recommendations for precautionary measures
- Develop overall information system/ MIS to support the risk management functions of the Company

Composition of Risk Management Forum (RMF)

Headed by H. M. Ziaul Hoque Khan FCA, Deputy Managing Director, the Committee consists of the following members:

Asif Saad Bin Shams, Head of Credit and Collection

Bilquis Jahan, Group Head of Human Resources

Ataur Rahman Chowdhury, Head of Operations

Shafayet Hossain, Head of Special Asset Management

Mohammad Morshedul Quader Khalili, Head of Internal Control and Compliance

Md. Masud K. Majumder, ACA, Group Chief Financial Officer

H S Tareq Ahmed, Head of Treasury

Mohammad Jobair Rahman Khan, Head of Statutory Reporting & Group Company Secretary

Mohammad Jobayer Alam, CFA, Head of Strategic Planning

Risk Analysis Unit (RAU)

Concurrent with the formation of the RMF, the IDLC Risk Analysis Unit was formed to act as the secretariat of the Risk Management Forum with the responsibility for identifying and analysing various types of risks appropriately and in a timely manner. The Head of Internal Control and Compliance acts as the Head of RAU.

Functions

- RAU identifies and analyses all sorts of risks appropriately and in a timely manner
- Collect all relevant data related to the risk indicators from different sources and information systems
- ☒ Assess the quality, completeness and correctness of this data
- Identify and quantify the risks and their exposures to material loss
- Prepare a risk management paper on a monthly basis
- Conduct periodic stress testing

IDLC Ladies Forum (IDLCLF)

IDLC has launched its first Ladies Forum through a formal ceremony with the participation of all the female employees from different levels of positions, working areas and distribution points to address their views, problems and opinions to facilitate a better working environment for them.

Composition of IDLC Ladies' Forum

President

Bilquis Jahan, Group Head of Human Resources

Executive Committee

Comprises 12 women employees representing different divisions and branches of the Group

Secretary

Ayesha Haque, Head of CSR

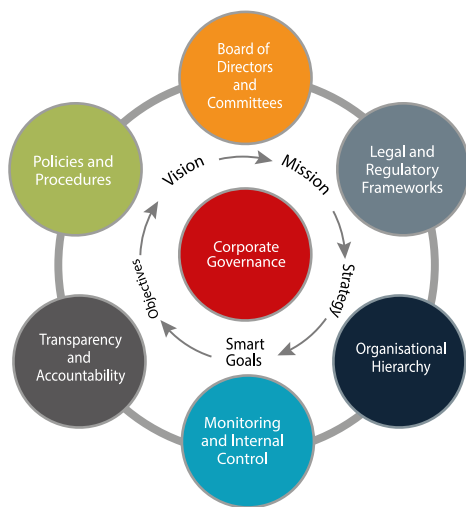
Members

All the women employees of the Group

This Forum will provide all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. This will enable IDLC's management to better understand and address these issues and develop strategies accordingly.

IDLC's statement of corporate governance

Corporate governance represents a strategy for companies to ensure a framework of control for its administrative and management practices. This is achieved through procedures that are aligned with recognised standards that respond to the interests of shareholders and other stakeholders. Proper governance ensures fairness, transparency and accountability and safeguards the interests of all stakeholders, especially the minority shareholders. Empirical research also suggests that corporations that adhere to good governance practices are not only more sustainable but also tend to generate higher profitability.



IDLC's six core areas emphasise its effective corporate governance strategy as demonstrated in the diagram. The company's corporate governance model is rigorously aligned with its well-articulated vision, mission, goals and objectives.

The Company's Board of Directors are responsible for proper governance, which includes setting out the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to shareholders on their stewardship. The Board is collectively accountable to the Company's shareholders for good governance to facilitate efficient and effective management towards delivering long-term shareholder value within appropriately established risk parameters.

IDLC is committed to continually review all its corporate governance policies and guidelines to ensure transparency in its practices and the delivery of the highest ethical standards and quality information to its stakeholders on an ongoing basis.

The sustenance of effective corporate governance remains a key priority of IDLC's Board. To exercise clarity about the Directors' responsibilities towards shareholders, corporate governance must be dynamic and remain focused on the Company's business objectives and create a culture of openness, transparency and accountability. Keeping this in mind, clear structures and ownership supported by well-understood policies and procedures to guide the activities

of the Company's management have been instituted and institutionalised.

IDLC considers that its corporate governance practices comply with all the aspects of the revised Corporate Governance Guideline (CGG) Notification No. SEC/CMMRRCD/2006-158/Admin/44, dated August 07, 2012, issued by the Bangladesh Securities and Exchange Commission (BSEC) and all aspects of Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007. In addition to establishing the highest standards of corporate governance, IDLC also embraces best governance practices across all its activities. The independent role of the Board of Directors, separate and independent role of the Chairman and Chief Executive Officer, distinct roles of the Company Secretary, Chief Financial Officer and Chief Compliance Officer and different Board Committees enable IDLC to achieve excellence in corporate governance.

As a listed Company, IDLC must comply with the BSEC's revised CGG, which require the Company to provide a statement in the Annual Report disclosing the extent to which it has complied with the BSEC Corporate Governance circulars. The status of compliance shall be certified by a practicing Professional Accountant/ Secretary.

BOARD OF DIRECTORS, CHAIRMAN AND CEO

Board of Directors

The Board of IDLC considers that its constitution should comprise Directors with an appropriate mix of skill, experience and personal attributes that allow the Directors individually and the Board collectively to discharge their responsibilities and duties under the law efficiently and effectively, understand the business of the Company and assess the performance of the management.

The composition of the Board embraces diversity. The Directors possess a wide range of local and international experience, expertise and specialised skills to assist in decision-making and leading the Company for the benefit of its shareholders.

Nomination Committee

The Nomination Committee is responsible for composition, balance and expertise of the Board as a whole and appraising the contribution of individual Directors, including a review of their time commitment and attendance records.

The Board, as a whole, decides on the nomination of any Board member and composition of the Board and its committees.

IDLC's policy on appointment of Directors

In relation to the selection and appointment of new Directors, the existing Board of Directors possess the following duties and responsibilities:

- Regularly review the size and composition of the Board and the mix of expertise, skills, experience and perspectives that may be desirable to permit the Board to execute its functions;



- Identify any competencies not adequately represented and agree to the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;
- The Directors are appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled by the Board in accordance with the stipulations of the Companies Act, 1994, and the Articles of IDLC;
- The CEO & Managing Director is appointed by the Board subject to the consent of the shareholders in the Annual General Meeting (AGM) and approval of Bangladesh Bank;
- Any change in the members of the Board requires intimation to the Bangladesh Bank, all scheduled banks and Financial Institutions (FIs), Bangladesh Securities and Exchange Commission (BSEC) and the stock exchanges.

Retirement and re-election of Directors

As per IDLC's Articles of Association, one-third of the Directors are required to retire from the Board every year, comprising those who have been in office the longest since their last election. A retiring Director shall be eligible for re-election.

Composition of the Board, ensuring adequate number of Non-Executive Directors and their independence

IDLC's Board comprises twelve (12) Non-Executive Directors including three (3) Independent Directors and one (1) Executive Director, the CEO & Managing Director as on reporting date. Directors possess a wide range of skills and experience over an array of professions, businesses and services.

All the Non-Executive Directors are nominated by their respective institutions except for the Independent Directors. All the Directors bring forth independent judgment and considerable knowledge to perform their roles effectively. The Board of Directors ensures that the Company's activities are always conducted with adherence to stringent and the highest possible ethical standards and in the best interests of all stakeholders.

None of the directors of the Board, except the CEO & Managing Director, are involved in the day-to-day operations

of the Company; rather, they provide their valuable insights and guidance to the management in the meeting of the Board and its committees.

Adequate number of Independent Directors in the Board and their independence

As per the revised Corporate Governance Guideline of Bangladesh Securities and Exchange Commission (BSEC), at least one-fifth of the total directors of the Board shall be Independent Directors. Thus, in compliance with the guideline, three (3) Directors out of the total twelve (12) Directors are independent, having no share or interest in IDLC. Independence of the respective Independent Directors is confirmed during selection and appointment of the Directors and they remain committed to continue with such independence throughout their tenure.

Role and responsibilities of the Board

The Board is committed to the Company to achieve superior financial performance and long-term prosperity, while meeting stakeholder expectations of sound corporate governance practices. The Board determines the corporate governance arrangements for the Company. As with all its business activities, the Board is proactive with regards to corporate governance and puts in place those arrangements that it considers are in the best interest of the Company and its shareholders and consistent with its responsibilities to other stakeholders.

The Board duly complies with the guidelines issued by the Bangladesh Bank regarding the responsibility and accountability of the Board, its Chairman and Chief Executive/ Managing Director, vide DFIM Circular No. 7 dated September 25, 2007.

The Board of Directors is in full control of the Company's affairs and is also fully accountable to shareholders. It firmly believes that the success of the Company hinges on the credible corporate governance practices embraced by it. Taking this into consideration, the Board of Directors set out its strategic focus and supervises the business and the related affairs of the Company. The Board also formulates the strategic objectives and policy framework for the Company. In discharging the above responsibilities, the Board carries out, inter alia, the following functions as per the charter of the Board and Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007:

Stakeholders	Responsibilities reserved to the Board
Shareholders	Approval of business strategy and vision in line with efforts to drive shareholder value creation.
	Approval of business plans, assuring that sufficient resources are available to implement and monitor the strategy.
	Approval and monitoring of major investments or divestitures and strategic commitments.
	Determination of capital structure and dividend policy.
	Approval and monitoring of financial reporting.
	Oversight of risk management, internal controls and compliance systems as per the Bangladesh Bank's 'Core Risk Guideline'.
	Recommendation for appointment or removal of external auditors and determination of the remuneration and terms of appointment of the auditors.

Stakeholders	Responsibilities reserved to the Board
	Approval of annual budgets including major capital expenditure proposals.
	Regular review of financial performance and overdue situations.
	Monitoring the adequacy, appropriateness and operations of internal controls.
	Ensure that technology and information systems are sufficient to operate the organisation effectively and sustain competitiveness.
Customers	Benchmarking value creation for customers, clients and partners.
	Reinforcement of the corporate culture and core values and ensuring that the Company remains an employer of choice.
Employees	Review and approval of the CEO and Executive Management team's arrangements, remuneration and benefits.
	Oversight of succession planning for the CEO, Executive Management team and such other Executives as the Board may deem fit.
Community	Oversight of the management of social, economic and environmental concerns consistent with the delivery of sustainable outcomes for stakeholders and achievement of the Company's incident and injury-free vision.
	Reinforcement of reputation, brand and community relations.
Directors	Review of the size and composition of the Board.
	Director's nomination, selection, removal, succession planning and remuneration.
	Review of the Board's performance.

The Chairman of the Board and the CEO of the Company are different individuals

The Chairman of the Board is not the Chief Executive of the Company. The Chairman and the CEO & Managing Director are different individuals. The role of the Chairman and the CEO & Managing Director are independent and separate.

Role and responsibilities of the Chairman as defined by the Board

The Chairman runs the Board. The Chairman serves as the primary link between the Board and the management and works with the CEO and Company Secretary to set the agenda for Board meetings. It is the Chairman's responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities as Directors of the Company. The role and responsibilities of the Chairman of the Board is defined and set by the Board.

Role of the Chairman

The Chairman's primary role is to ensure that the Board is effective in its task of setting and implementing the Company's direction and strategy. The Chairman is appointed by the Board. The principal features of the role of the Chairman comprise the following:

- ✓ Providing leadership to the Board;
- ✓ Taking responsibility for the Board's composition and development;
- ✓ Ensuring proper information for the Board;
- ✓ Planning and conducting Board meetings effectively;
- ✓ Getting all Directors involved in the Board's work;
- ✓ Ensuring the Board's focus on key tasks;
- ✓ Engaging the Board in assessing and improving its performance;
- ✓ Overseeing the induction and development of Directors; and

- ✓ Supporting the CEO & Managing Director.

Responsibilities of the Chairman

The Chairman of the Board shall be responsible for the management, development and effective performance of the Board of Directors and provides leadership to the Board for all aspects of the Board's functions. The Chairman is responsible for leadership of the Board. In particular, s/he will:

- ✓ Ensure effective operations of the Board and its committees in conformance with the highest standards of corporate governance;
- ✓ Ensure effective communication with shareholders, host governments and other relevant constituencies and ensure that the views of these groups are understood by the Board;
- ✓ Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making;
- ✓ Ensure that all Board Committees are properly established, composed and operated;
- ✓ Support the CEO & Managing Director in strategy formulation and, more broadly, provide support and give advice;
- ✓ Ensure an effective relationship among Directors, acting as the principal conduit for communication and issues relating to business strategy, planned acquisitions and corporate governance;
- ✓ Establish a harmonious and open relationship with the CEO & Managing Director;
- ✓ Ensure that Board Committees are properly structured and all corporate governance matters are fully addressed; and
- ✓ Encourage active engagement by all members of the Board.



Annual evaluation of the CEO & Managing Director by the Board

At the beginning of each year, the Board engages in extensive discussions with the CEO & Managing Director and sets financial and non-financial goals. The annual financial budget and job objectives are discussed, reviewed and finalised by the Board at the start of the financial year. The business and financial targets are evaluated each quarter with actual achievements, by the Board. The non-financial achievements are also reviewed by the Board in each quarter. Moreover, an annual assessment and evaluation of the achievements of pre-agreed targets are made at the close of the year along with deviations and reasons for deviations.

Continuing development program of Directors

All Directors are expected to make an informed contribution based on an understanding of IDLC's business model and the key challenges facing the Group as a whole. The Chairman ensures that all Directors receive a full, formal and tailored induction on joining the Board, facilitated by the senior management and comprising:

- ✓ A formal corporate induction, including an introduction to the Board, and a detailed overview of IDLC, its strategy, operational structures and business activities;
- ✓ The roles and responsibilities of a Director, including statutory duties and responsibilities;
- ✓ A comprehensive induction programme tailored by the Chairman and meetings with senior executives across IDLC and sessions with IDLC's business divisions; and
- ✓ A detailed induction programme across risk, focusing on risk appetite and the Group's risk profile

Appraisal of performance of the Board

Both new and existing Directors are provided with the Code of Conduct for the Board members on general aspects of their Directorship and industry-specific matters. Moreover, the Board is immediately informed of any new rules, regulations and/ or changes in existing regulations. The Board is also always kept updated on any development and changes in the business environment, risk and industry outlook to assist them to carry out their duties as Directors.

Evaluation of the Board's performance is conducted by analysing the performance of the projects and proposals approved by it. A quarterly review of classified and non-performing loans is always made by the Board to find out deviations and embrace course of corrections, if required.

Financial and accounting knowledge and expertise of Directors

IDLC's Board of Directors consists of members who possess a wide variety of knowledge and experience in finance, economy, management, business administration, marketing and law. This ensures that together, they formulate the right policy for the development of the business while having the specialised skills and the ability to foresee developments across a larger perspective and with enough independence to audit the management in a balanced manner.

Among them, two Directors are Fellow members of the Institute of Chartered Accountants of Bangladesh (ICAB). They normally provide guidance in matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

Holding of Board meetings

As advised by the Bangladesh Bank, the meeting of the Board of a financial institution shall be held at its Corporate Head Office (CHO) or in the town in which its CHO is located. In compliance with this directive, the meeting of the Board of Directors is normally held at the registered Corporate Head Office of the Company. The meeting is held frequently, at least once a quarter, to help the Board discharge its responsibilities and functions as mentioned above. The meeting is scheduled well in advance and the notice of each Board meeting is given in writing to each Director by the Company Secretary.

Process of holding Board meetings

The Company Secretary prepares the detailed agenda for the meeting. The Board papers comprising the agenda, explanatory notes and proposed resolutions are circulated to the Directors well in advance for their review. The members of the Board have complete access to all the information of the Company, enabling them to work efficiently. The members of the Board are also free to recommend inclusion of any matter in the agenda for discussions, subject to the permission of the Chairman of the meeting. The Company Secretary and the Chief Financial Officer always attend the Board meetings and the senior management is invited to attend the Board meetings to provide additional inputs of the items being discussed by the Board and make necessary presentations, if required.

Directors' remuneration

Directors are not entitled to any remuneration other than attending the meeting of the Board and its committees.

Bangladesh Bank vide its DFIM Circular No. 13 dated November 30, 2015, re-fixed the maximum limit of remuneration to the Directors for attending meetings of the Board and its committees at Taka 8,000 per meeting per Director. The Board of IDLC adopted the said enhanced remuneration on December 24, 2015. Till then, the remuneration was Taka 5,000 per meeting per Director.

Number of Board meetings held in 2015

The number of Directors required to constitute a quorum is six (6), out of the twelve Directors. During 2015, a total of sixteen (16) Board meetings were held.

Directors' report on preparation and presentation of financial statements and corporate governance

The Companies Act, 1994, requires the Directors to prepare financial statements for each accounting year. The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, preventing and detecting fraud and/ or other irregularities, selecting suitable accounting policies and applying those policies

consistently and making reasonable and prudent judgments and estimates where necessary.

The Board of Directors are also responsible for the implementation of the best and the most suitable corporate governance practices.

Role of the Company Secretary

The Company Secretary acts as a mediator between the Company, its Board of Directors, stakeholders, the government and regulatory authorities. He has expertise in corporate laws, capital markets, security laws and corporate governance. He also advises the Board of Directors on the kind of practices to be adopted in upholding high levels of corporate governance.

The Company Secretary ensures that the best management practices and work ethics are embraced to create value for the Company. He represents the Company among internal and external stakeholders, co-ordinates the policies of the Company, fulfills the management function and provides guidance on strategic decisions for the improvement and growth of the Company.

In compliance with the Corporate Governance guidelines, the Company Secretary has a defined role and responsibilities approved by the Board.

Committees of the Board

The Board has established two permanent Committees to assist, advice and make recommendations to the Board on matters falling within their respective responsibilities as per BSEC and Bangladesh Bank guidelines.

Each Committee is governed by a formal charter approved by the Board, setting out its objectives, responsibilities, structures and operations. The membership of the Board committees, as at the date of authorisation of the financial statements 2015, is set out in the table below:

Members of the Board of Directors	Position in the sub-committee of the Board	
	Executive committee	Audit committee
Aziz Al Mahmood, Chairman of the Board	-	-
Md. Shahidul Ahsan	Chairman	-
A.K.M. Shahidul Haque, Independent Director	Member	Chairman
Meherun Haque	-	-
Faruq M. Ahmed	Member	-
S. M. Mashrur Arefin	-	-
Mohammad Mahbubur Rahman, FCA	-	Member
Md. Kamrul Hassan, FCA	-	Member
Md. Rezaul Karim	Member	Member
Atiqur Rahman	-	-

Members of the Board of Directors	Position in the sub-committee of the Board	
	Executive committee	Audit committee
Monower Uddin Ahmed, Independent Director	-	Member
Arif Khan, CEO & MD (Ex-officio)	Member	-

Executive Committee

A five (5) member Executive Committee, comprising Board members, is responsible for strategic and operational plans of the business. Matters related to the Company's ordinary business operations and matters that the Board of Directors, from time to time, authorise, are vested in this committee in accordance with the Statement of General and Operational Policies established and sustained by the Board of Directors. This committee assists IDLC in taking prompt decisions and reacts swiftly to changes in the marketplace as they occur. The rules of the Executive Committee is framed by the Board.

During the year under review, fourteen (14) meetings of the Executive Committee were held. The Company Secretary acts as the secretary of the Executive Committee.

IDLC's VISION, MISSION AND STRATEGIES

The Board of Directors, at its 193rd meeting held on May 13, 2012, redefined the Company's vision, mission, strategic objectives and value statements. Adhering to our value statements, we are driving towards our vision.

AUDIT COMMITTEE

IDLC's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC notification(s) and international best practices on corporate governance.

Composition of the Audit Committee consisting of an Independent Director and Non-Executive Directors

In compliance with the DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and Corporate Governance guidelines of BSEC, the Committee consists of five (5) non-executive members of the Board including an Independent Director who is the Chairman of the Committee. The quorum of the meeting shall not be filled until and unless the Independent Director attends the meeting. The Company Secretary acts as the secretary of the Audit Committee.

Qualification of members including the Chairman

Mr. A. K. M. Shahidul Haque, one of the Independent Directors, is the Chairman of the Audit Committee, possessing 37 years of vast banking experience. Among others, two members, Mr. Kamrul Hassan and Mr. Mohammad Mahbubur Rahman, are Fellow members of the Institute of Chartered Accounts of Bangladesh (ICAB). They also possess significant experience in finance and accounting.

All the members of the Committee are 'financially literate' as defined by the revised corporate governance guidelines.



Terms of reference of Audit Committee – empowering to investigate employees and retain external counsel

This role is further expounded on and clarified in the Terms of Reference (ToR) of the Audit Committee, which was revised in light of directives contained in DFIM Circular No. 13 dated 26 October, 2011 issued by the Bangladesh Bank. According to the revised ToR of the Audit Committee, its principal duties and responsibilities include the following:

■ **In respect of internal control**

1. Evaluating whether the management:
 - a. Has an appropriate internal control and compliance culture with regards to risk management;
 - b. Has clearly defined the duties and responsibilities of its officials;
 - c. Has full control over the operations of the Company;
2. Reviewing the appropriateness of management information system (MIS) including information technology system and its use;
3. Reviewing whether the management is complying with the recommendations made by internal and external auditors;
4. Reviewing existing risk management procedures to ensure that processes are effectively run within the Company; and
5. Reviewing all fraud, forgery and internal control weaknesses discovered by internal, external or regulatory auditors and thereafter keeping the Board of Directors informed of all discoveries and subsequent corrective measures.

■ **In respect of financial statements**

1. Reviewing whether financial statements were prepared in compliance with all directives and guidelines prescribed by the Bangladesh Bank and other applicable standards
2. Engaging in discussions with external auditors and the management prior to the finalisation of the financial statements
3. Attending and answering questions related to accounts and audit at the AGM

■ **In respect of internal audit**

1. Reviewing the activities and organisational structure of internal audit and ensuring that there is no barrier or limitation to the performance of an independent internal audit;
2. Assessing the efficiency and effectiveness of internal audit;
3. Assessing whether the management is appropriately considering compliance of recommendations made by the internal auditors with regards to the observations identified by them; and

4. Placing recommendations before the Board of Directors in case of change of accounting policies.

■ **In respect of external audit**

1. Appraising the audit procedures and reviewing the management letter submitted by external auditors;
2. Assessing whether the management has appropriately considered the observations and recommendations made by the external auditors; and
3. Placing recommendations to the Board of Directors regarding the appointment of external auditors.

■ **In respect of compliance with existing regulations**

Reviewing whether the rules and regulations set by regulatory authorities (Bangladesh Bank and other regulatory bodies) as well as internal policies and guidelines approved by the Board of Directors are being complied with.

■ **Miscellaneous**

1. Placing quarterly reports before the Board of Directors on rectification/ correction status of errors, fraud, forgery and other irregularities identified by internal auditors, external auditors and the Bangladesh Bank inspection teams;
2. Undertaking development functions through implementing an improved infrastructure and reporting system; and
3. Performing all other supervisory activities as assigned by the Board as well as evaluating its own efficiency on a regular basis.

Accessibility of Head of Internal Audit to the meeting of the Audit Committee

The Head of Internal Control and Compliance has direct access to the Audit Committee, which in turn is directly accountable to the Board.

Holding of the Audit Committee meeting during 2015

As per the Terms of Reference, the Audit Committee is required to hold at least four (4) meetings in a year. During the year ended 31 December 2015, the Committee held six (6) meetings.

Quorum of the Audit Committee meetings

The number of Directors required to constitute a quorum is two (2). Of them, one shall be an Independent Director. The Company Secretary shall act as the secretary of the Committee.

The Audit Committee and Internal Control and Compliance

IDLC's Internal Control and Compliance (ICC) department is tasked with reviewing the Company's system of internal controls including the conduct of regular audits of all operational units. ICC is operationally independent in that its members are not involved in the Company's operational activities and that the Head of ICC (HoICC), in addition to his

direct reporting line to the CEO & Managing Director, also has access to the Audit Committee.

The Audit Committee is responsible for approving the annual audit plan of ICC and reviewing the plan's subsequent implementation.

The internal audit reports or summaries thereof prepared by the ICC are reviewed on a regular basis by the Committee.

Reporting of the Audit Committee

The Audit Committee reports directly to the Board of Directors and under certain circumstances, can also report to the BSEC.

Immediate reporting to the Board of Directors

The Audit Committee shall immediately report to the Board of Directors in the following cases

- On conflict of interest;
- Suspected and presumed fraud or irregularity or material defect in the internal control system;
- Suspected infringement of laws, including securities-related laws, rules and regulations; and
- Any other matter which should be disclosed to the Board of Directors immediately.

No such issues arose at IDLC during the year ended 31 December 2015.

Immediate reporting to the Bangladesh Securities and Exchange Commission

If the Audit Committee has reported to the Board of Directors about anything that has a material impact on the financial conditions and results of operations of and where the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such findings to the BSEC, upon reporting of such matters to the Board of Directors for three such instances or completion of a period of 9 (nine) months from the date of first reporting to the Board of Directors, whichever is earlier.

No such circumstances arose during the year ended 31 December 2015.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

IDLC has adopted the definition of internal control provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in its Internal Control — Integrated Framework. Accordingly, the Company defines internal control as a process, affected by its Board of Directors, management and other personnel, which is designed to provide reasonable assurance regarding the achievements of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with applicable laws and regulations. The control system applies across the IDLC Group to all divisions and departments of its operations.

The Company's internal control system consists of five inter-related components:

■ The control environment

The control environment refers to the orientation, awareness and actions of those in the governance and management roles with regards to the Company's internal control and its importance in the entity. Elements under IDLC's control environment include:

- ▶ Active participation by those charged with governance as evidenced through regular meetings of its Board of Directors and Audit Committee;
- ▶ The communication and fostering of an environment that consistently requires integrity and ethical behaviour as evidenced by regular communication and confirmation of its Code of Conduct and zero tolerance for illegal or unethical behavior;
- ▶ A formal well-defined organisational structure, setting out key areas of authority and responsibility and appropriate reporting lines that is relevant to the nature and size of the Company's business;
- ▶ Human resource policies that demonstrate the Company's commitment towards recruiting employees who meet established standards of competence and ethical behavior.

■ Risk assessment

Risk assessment refers to the process(es) with which the Company identifies and assesses risks in the achievement of its objectives. A changing external and internal environment means that risk assessment is a dynamic process and must occur at all levels of the organisational structure, ranging from branch and department level reviews of portfolios, functions and operations to Management Committee (ManCom) and ALCO meetings at the very top level of the management.

■ Control activities

Control activities are the policies and procedures that help ensure that the management directives are carried out. Control activities have various objectives and are applied throughout the Company at all levels and in all functions. These include activities such as authorisation, reviews, reconciliations and verifications.

■ Information and communication

The information and communication component facilitates the functioning of the other components by providing information that is necessary for the attainment of Company objectives and by establishing a continuous process for collecting, sharing and disseminating necessary information from both within and outside the Company. Towards this end, the Company has established information systems that deal with internally-generated data as well as external events, activities and conditions relevant to business decision-making to produce operational, functional and compliance-related information. In addition to Flexcube, our other customised software have greatly enriched the capabilities of the Company's information systems. In a



more general sense, the IDLC culture encourages sharing of information and opinions across the management hierarchy and among different businesses, functions and departments.

■ **Monitoring**

Monitoring ensures that controls are operating as intended and that they are appropriately modified in response to changing conditions. At IDLC, this is achieved through a variety of measures including ongoing monitoring which occurs in the course of, and as a part of, day-to-day operations as well as separate management reviews, evaluations and periodic internal audits of various departments and business functions.

Although the Board of IDLC is primarily responsible for ensuring that the Company has an adequate and effective control system in place, ultimately, all employees are accountable for managing internal controls. Business and operational units, particularly department heads, are in-charge of ensuring that internal controls are established, well-documented and maintained across his/ her department. The Internal Control and Compliance (ICC) department acts as a second line of defence through conducting tests on the efficiency and effectiveness of the control systems through audit.

A prudently designed management structure, clearly defined responsibilities, delegation of authorities, risk awareness, establishment of accountability at each level and a system of periodic reporting and performance monitoring represent the key elements of the internal control framework employed at IDLC.

Identification of key risks IDLC is exposed to – both internally and externally

Risk is the element of uncertainty or the possibility of loss that prevails in any business transaction in any place, in any mode and at any time. Risk is an integral part of the financing business. Risk management entails the adoption of several measures to strengthen the ability of an organisation to cope with the vagaries of the complex business environment in which it operates.

IDLC always concentrates on delivering high value to its stakeholders through appropriate trade-off between risk and return. In addition to the industry best practices for assessing, identifying and measuring risks, IDLC also considers guidelines for managing core risks of financial institutions issued by Bangladesh Bank, vide FID Circular No. 10, dated September 18, 2005 for management of risks and, more recently, DFIM Circular No. 03 dated 24 January 2016.

A well-structured and proactive risk management system is in place within the Company to address risks relating to:

- Credit risk;
- Market risk;
- Liquidity risk;
- Operational risk; and
- Money laundering and terrorist financing risk.

The new Integrated Risk Management Guidelines for Financial Institutions specify a number of additional risks that financial institutions are now required to manage and report in a more structured manner. The key among these are:

Strategic risk

Strategic risk has been defined as the risk of potential losses that might arise from adverse business decisions, sub-standard execution and failure to respond adequately to changes in the business environment. The guidelines set out the respective roles of the Board of Directors, senior management and business units in managing strategic risks, identify the minimum steps to be followed in the strategic risk management process and also suggest measures for strategic risk control.

IDLC has been managing strategic risks ever since its inception. This is evident from the Company's constantly evolving business model over the years. The Company has a clear strategic vision as to what it wants to become and a mission statement that enumerates the steps required to achieve its vision. Strategic issues are discussed at a variety of forums including meetings of the Management Committee and of the IDLC Board. Over the past few years, a separate Strategic Planning department has been instituted to assist senior management in this regard. The culmination of all these efforts are reflected in annual strategy and budget sessions, where the Company sets out its plans for the next year. With the introduction of the new guidelines, more changes will be made to the strategic risk management process as and when required.

Compliance risk

Compliance risk is defined as the current or prospective risk of legal actions and/or material financial losses that an organisation may suffer as a result of its failure to comply with laws, its own regulations, code of conduct and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the Board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

Historically, IDLC has always fostered a compliance-oriented culture. This has been reinforced in a variety of ways, ranging from formal requirements to sign declarations of compliance with the IDLC Code of Conduct (requiring compliance with the laws and regulations) to ongoing communication from the senior management stressing the need to do business under the highest levels of compliance. In general, compliance risk management is embedded in the day-to-day management of business processes and practices of the Company. With the introduction of the Integrated Risk Management Guidelines, the overall management of compliance risk is reviewed and appropriately amended to ensure conformity with the guidelines.

Reputation risk

Reputation risk may be defined as the risk of loss arising from damages to an organization's reputation. The guidelines set out the respective roles of the Board and the senior management in managing reputation risk and

also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

IDLC has already established a set of non-financial reputational risk indicators and put in place a structured process for monitoring these and any other matters that might give rise to potential reputational risks. Till date, no material reputational risk issue involving the Company has been identified.

Environmental and social risk

IDLC is focused on sustainability, shifting from the traditional financing approach. In this regard, the Company is strengthening its credit appraisal process to be much more stringent from an environment and social (E&S) perspective, evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to sanctioning a loan.

Acknowledgment of Directors' responsibility in respect of internal control of IDLC

IDLC's Board of Directors acknowledges its overall responsibility for maintaining the adequacy and effectiveness of the Group's system of internal controls. The Board is of the view that the internal control framework is designed to manage the Group's risks within an acceptable risk profile, rather than completely eliminate the risk of failure to achieve the policies, goals and objectives of the Group. The Board therefore believes that it can provide only reasonable, rather than absolute, assurance regarding effectiveness against material mis-statements of management and financial information or against financial losses and fraud.

Subject to the caveats of reasonable assurance mentioned above, the Board confirms that it has reviewed and assessed the Group's system of internal controls with regards to its adequacy and effectiveness in providing reasonable assurance regarding the achievement of objectives relating to the effectiveness and efficiency of operations, reliability of both external and internal financial and non-financial reporting and compliance with the applicable laws and regulations.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the objectives mentioned in the preceding paragraphs.

- ✓ **Credit Evaluation Committee (CEC):** To evaluate all projects/ proposals of financing activities of the Company from the risk point of view.
- ✓ **Risk Management Forum (RMF):** To introduce proactive risk management procedures in line with international best practices framework.
- ✓ **Risk Analysis Unit (RAU):** To act as the secretariat of the Risk Management Forum with responsibility for identifying and analysing the various types of risks appropriately and in a timely manner.
- ✓ **Central Compliance Unit (CCU):** Responsible for supervising the anti-money laundering (AML) and anti-terrorism activities (ATA) at IDLC.

ETHICS AND COMPLIANCE

The IDLC Group remains committed to upholding the highest standards of ethics and compliance by its employees. This commitment is reflected in its Code of Conduct that covers, among other issues, the following areas:

- Their relationship with and responsibilities to IDLC;
- Their relationship with and responsibilities to customers;
- Compliance with laws and regulations;
- Acting in a professional and ethical manner;
- Protection of business assets;
- Disclosure of conflicts of interest; and
- Prohibition of any conduct involving dishonesty, fraud, deceit or misrepresentation including insider trading.

Dissemination of the statement of ethics and Code of Conduct

All IDLC employees are required to sign an annual declaration confirming that they have read and understood the Code of Conduct.

Board's commitment to establishing highest level of ethics and compliance within IDLC

The IDLC Board acknowledges its responsibility for ensuring that the Company's business activities are conducted in accordance with the highest standards of ethics and compliance.

The Board views adherence to ethical standards and compliance as an integral part of the broader corporate governance framework and seeks to adopt a holistic approach in ensuring its implementation. As part of this, it has instituted a number of approaches to underline its commitment to high standards of ethical behavior:

- Setting down standards of expected behavior through the formulation and communication of a Code of Conduct;
- Installing a system of internal controls, which is reviewed, evaluated and updated on an ongoing basis;
- Positioning Company policies and procedures on ethical foundations to ensure that ethical considerations are integrated in the day-to-day decision-making, activities and processes;
- Establishing a clearly-defined organisational structure that assigns responsibility and authority for the conduct of organisational functions while at the same time ensuring accountability for individual actions;
- Establishing a variety of monitoring mechanisms including the creation and empowerment of an operationally independent internal audit team with reporting responsibilities to the audit committee; and
- Ensuring instant action with zero tolerance for identified instances of unethical and/ or non-compliant behaviour.

Code of Conduct for Board members

The Board of Directors of IDLC is committed to the highest standards of conduct in their relationship with IDLC employees, customers, members, shareholders, regulators



and the public. This refers to conducting our business in accordance with all applicable laws and regulations and also represents our commitment to the spirit of the law. Our actions should reflect IDLC's values, demonstrate ethical leadership and promote a work environment that upholds IDLC's reputation for integrity, ethical conduct and trust. This Code is intended to provide a statement of the fundamental principles applicable to our Directors.

Our Directors are encouraged to bring forth questions about particular circumstances that may involve one or more of the provisions of this Code to the Chairman of the Board.

In compliance with the revised corporate governance guidelines issued by the BSEC, the Board shall lay down the Code of Conduct of all Board members and annual compliance of the Code has to be recorded.

General obligation

The Code of Conduct for Board members of the Company includes:

A. Prudent conduct and behaviour

Each Board member should seek to use due care in the performance of his/ her duties, be loyal to the Company, act in good faith and in a manner that such a Board member reasonably believes to be not opposed to the best interests of the Company.

A Board member shall seek to:

- i. Make reasonable efforts to attend Board and Committee meetings;
- ii. Dedicate time and attention to the Company;
- iii. Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company;
- iv. Act in the best interest of and fulfill their fiduciary obligations to, the Company's shareholders; and
- v. Use due care and diligence in performing their duties of office and in exercising their powers attached to that office

B. Business opportunities

In carrying out their duties and responsibilities, the Board members shall avoid:

- (i) Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Board member;
- (ii) Using Company property or information or their position as Board member, for personal gain; and
- (iii) Competing with the Company.

C. Conflict of interest

Each Board member shall endeavour to avoid having his or her private interests interfere with:

- (i) The interests of the Company; and
- (ii) His or her ability to perform his or her duties and responsibilities objectively and effectively.

The Board members shall avoid receiving or permitting members of their immediate family to receive improper personal benefits from the Company, including loans from or guarantees of obligations by the Company.

A Board member shall make a full disclosure to the entire Board of any transaction or relationship that such a member reasonably expects could give rise to an actual conflict of interest with the Company and seek the Board's authorisation to pursue such transactions or relationships.

D. Company property

In carrying out their duties and responsibilities, the Board members shall endeavour to ensure that the management is using the Company's assets, proprietary information and resources to be used by the Company and its employees only for legitimate business purposes.

E. Confidential information

The Board members shall maintain confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is in the public domain.

The Company's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of any Board member other than the Company. These obligations apply not only during a Board member's term but thereafter as well.

F. Fair dealing

In carrying out their duties and responsibilities, the Board members shall endeavour to deal fairly and should promote fair dealing by the Company, its employees and agents with customers, suppliers and employees.

G. Compliance with laws and regulations

In carrying out their duties and responsibilities, the Board members shall comply and endeavour to ensure that the management is causing the Company to comply with all applicable laws, rules and regulations.

In addition, if any Board member becomes aware of any information that he/ she believes constitutes evidence of material violation of any securities or other laws, rules and regulations applicable to the Company or the operation of its business, by the Company or any employee or another Board member, then such a Board member should bring such information to the attention of the CEO & Managing Director of the Company.

H. Insider trading

The Board members shall not engage in insider trading with respect to the purchase and sale of the Company's securities.

The Board members shall not buy or sell securities while in possession of material non-public information about the issuer of that security, whether the issuer is IDLC or any another company.

The Board members shall also not pass such information to someone who may buy or sell securities. The Code

of Conduct for Board members sets forth guidelines for conduct and they affirm compliance with the Code on an annual basis.

Accordingly, IDLC's Board designed the Code of Conduct for all the members of the Board and its annual compliance has been recorded for 2016.

Existence of effective anti-fraud programmes and controls through whistle-blower mechanism

In recent times, the Company has come to identify the risk of fraud as one of the emerging issues in the overall risk management framework. Planned anti-fraud initiatives include the introduction of a whistle-blower mechanism. A whistle-blower policy has already been formulated and placed before the senior management for review and approval. Additionally, emphasis is placed on strengthening existing processes or activity levels and anti-fraud controls are embedded within the overall system of internal controls.

Redress of investor's complaints

IDLC has a formal complaint management process that is open to all stakeholders including both investors and customers. A dedicated complaints cell is headed by a senior member of the management for dealing with complaints. Complaints may also be dropped at complaint boxes kept at all IDLC branches or can be submitted online on the IDLC website: www.idlc.com.

HUMAN CAPITAL

IDLC considers its human resources as its most important asset. We mobilize people and teams through engaging them with leading and cutting-edge financial industry practices and also as an attractive employer. IDLC offers a broad spectrum of opportunities for both professional and personal development as well as a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the knowledge, skills and enthusiasm of our employees are a major force that enables us to achieve consistent growth. IDLC believes its human resource is the most important driver of building and running the Company. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals.

Organisational chart

IDLC's organisational chart outlines the internal structure of the Company. It emphasises on the roles, responsibilities and relationships between individuals within the Company. It is used to depict the structure of IDLC as a whole as well as the Company segregated by divisions and departments.

Structure

The Company's management structure comprises the CEO & Managing Director and the Management Team (ManCom). The ManCom is responsible for developing organisational and business strategies, embracing innovation and ensuring that the Company conforms to the best governance and operating practices. The ManCom is also responsible for organisational effectiveness and the development of IDLC's values and culture. The ManCom is responsible for

managing IDLC's performance and key business issues in line with the Company's long-term strategy and for talent and performance management. The ManCom is chaired by the CEO & Managing Director and the team meets face-to-face on a regular basis.

Management Committee (ManCom)

The Management Committee is a group elected among the management staff to take responsibility of the governance and strategic direction of IDLC. The role of the Management Committee is to oversee IDLC in accordance with its constitution under the Financial Institutions Act, 1993.

The Committee is responsible for all aspects of the ongoing operations of IDLC. It delegates day-to-day operations to the Executive Officer. A significant feature of good governance is a clear segregation of the responsibilities and accountability of the committee from those of the Executive Officer.

ManCom is always aware of IDLC's operations, keeps an eye on the big picture, monitors the strategic plan and if and whether the goals are being met. It needs to be satisfied that current events are in accordance with IDLC policies and objectives within the overall budget.

Performance review

The CEO is responsible for setting financial targets as well as operational and management goals for the members of the ManCom. Both short-term and long-term goals form part of the performance management of all senior executives. Long-term goals are directly linked with the Company's vision. Short-term goals are generally directly linked to the objectives of the Company. The CEO and the Evaluation Committee conduct a detailed review of the performance of senior executives against these goals on an annual basis at the end of each year.

Remuneration of senior executives

Remuneration of all senior executives are based on performance measured against financial and individual targets.

HR and Compensation Committee

IDLC's HR and Compensation Committee was established on 24 May 2007 to provide a forum for discussion on the Company's various HR-related issues. The principal role and function of the HR and Compensation Committee is to assist the human resource department in developing and administering a fair and transparent procedure for setting policies on the Group's overall human resource strategy.

The responsibility of the committee is to ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation on the basis of merit, qualification and competence, adequate training and development facilities, performance evaluation and promotion based on individual performance and contribution and other benefits-related issues with regards to the Company's operating results and comparable market statistics.

IDLC Ladies' Forum (IDLCLF)

IDLC has launched its first Ladies Forum through a formal ceremony with the participation of all the female employees from different levels of positions, working areas and distribution points to address their views, problems and



opinions to facilitate a better working environment for them. This Forum provides all women employees the opportunity for networking and provide a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issue that may affect women employees within the Company. This will enable IDLC's management to better understand and address these issues and develop strategies accordingly.

COMMUNICATION AND RELATIONSHIP WITH SHAREHOLDERS

It is the Company's policy that all external communication by the Company will:

- Be factual and subject to internal vetting and authorization before issue;
- Not omit material information; and
- Be expressed in a timely, clear and objective manner.

IDLC strongly believes that all stakeholders should have access to complete information on its activities, performance and product initiatives.

Communication through quarterly reports

The Company reports to its shareholders four times a year through quarterly and half-yearly reports and a detailed Annual Report.

Communication through AGM

All shareholders have the right to attend the Annual General Meeting where they can meet and communicate with the Directors and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if they are unable to attend, to appoint proxies.

Communication through website

The Company's website www.idlc.com displays, inter-alia, the Annual Reports, half yearly reports, quarterly reports, monthly business reviews, product offerings, recent announcements, presentations and event updates.

All disclosures required by the Bangladesh Securities and Exchange Commission, Listing Regulations of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited and the Bangladesh Bank in the form of Price Sensitive Information (PSI) are made adequately and promptly. In addition to ensuring timely compliance, this also enables dissemination of information to all stakeholders and the public through print and online media.

ENVIRONMENTAL AND SOCIAL OBLIGATION

At IDLC, we believe in the concept of a sustainable business, one that integrates good governance, environmental issues and social concerns with its business strategies to maximize value for stakeholders. IDLC's sustainability model is based on the 3P approach – People, Planet and Profit:

- People, our stakeholders with whom we engage for our business and the community where we live;
- Planet, our surrounding environment and the planet;

- Profit, our profit-generating capacity for long-term sustenance;



Accordingly, IDLC has aligned its CSR (corporate social responsibility) initiatives to deliver on this commitment and aid community empowerment and responsible environmental management in a sustainable manner.

IDLC's overall Governance

At IDLC, the Board of Directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its strategic objectives. It meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance, to set the Company's risk appetite and to provide oversight that the Company is adequately resourced and effectively controlled. The specific duties of the Board are clearly set out in its Terms of Reference (ToR) that address a wide range of corporate governance issues and list those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

- Group strategy, business plans and performance monitoring;
- Financial reporting and controls, capital structure and dividend policy;
- Group risk appetite and framework and risk management policies;
- Corporate governance; and
- Others (shareholder documentation, Board and committee succession planning, constitution of Board committees, Board effectiveness review, committee reports and key business policies).

In pursuit of business sustainability and within the ambit of our integrated reporting framework, our governance structure, stewarded by our well-composed Board (as detailed above with regards to their core responsibilities), helps in value creation over the medium and long term. Some of the drivers that enable us to generate consistent value include the following:

- Our robust organisational 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 un-compromised 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;
- We embrace a wide range of both generic as well as specific processes to take strategic decisions and also establish and monitor the culture of the organisation on an ongoing basis, including its attitude to risk and mechanisms for addressing integrity and ethical issues. As a core demonstration of our seriousness with regards to governance and compliance with the laws

of the land, we ensure that all our members thoroughly understand our comprehensive Code of Conduct and sign it at the beginning of every year, ratifying their alignment with our ethics and philosophies;

- During the course of business, we take a wide range of actions including analysing key financial metrics, aligning resources with our growth aspirations and forecasting key risks that might impact our business over the long-term and their potential mitigation strategies. These help us influence course corrections, if any, in the path to achieving our goals and objectives as well as monitor the strategic direction of the organisation within the ambit of our overall risk management framework;
- Our robust organisational culture, ethics and values, nurtured over the years with care and sensitivity, is visible in the strength of our relationships with key stakeholders. We are not only the financial destination of choice among our customers who have reposed their faith and trust in us but also an employer of choice among our members due to an inspiring, engaging, motivating and enriching workplace that we provide to all our employees. Our high standards of governance and the attractiveness of our long-term structural growth prospects have made us an investment of choice among a broad range of shareholders and other reputed financial participants in the market;
- In our focus on reinforcing our governance culture and framework, we are implementing ongoing governance practices that go beyond the stipulated legal requirements. For instance, our focus on green banking not only fosters the development of green assets and environment friendly practices but, in fact, aims to create an overall compliant corporate culture by helping clients understand and mitigate key environmental and social risks in their long-term plans and manufacturing facilities;
- One of the agenda of our Board is also to gauge the levels of innovation fostered within the enterprise even as the diversity of our Board enables us to understand the key trends shaping the market / industry and convert these into relevant business opportunities. Our women entrepreneur empowerment product, IDLC Purnota, is an excellent case in point demonstrating our ability to innovate a solution around a pressing need – that of ensuring viability among women in business;
- Our best-in-class remuneration and incentives structures are continually aligned with the market, ensuring that our pay and benefit structures are among the best in the industry. These not only enable us to attract and retain core talent but also keep our workforce motivated and engaged enough for the organisation to reach its short, medium and long range goals and objectives, thus fostering a win-win relationship.

Management Committee



M. Jamal Uddin
Deputy Managing Director

Md. Mesbah Uddin Ahmed
Head of Corporate

Md. Saifuddin
Managing Director, IDLC SL

Ahmed Rashid
Head of SME

Asif Saad Bin Shams
Head of Credit & Collection

Bilquis Jahan
Group Head of Human Resources

Mir Tariquzzaman
Chief Technology Officer



Arif Khan CFA FCMA
CEO & Managing Director

Md. Moniruzzaman, CFA
Managing Director, IDLC IL

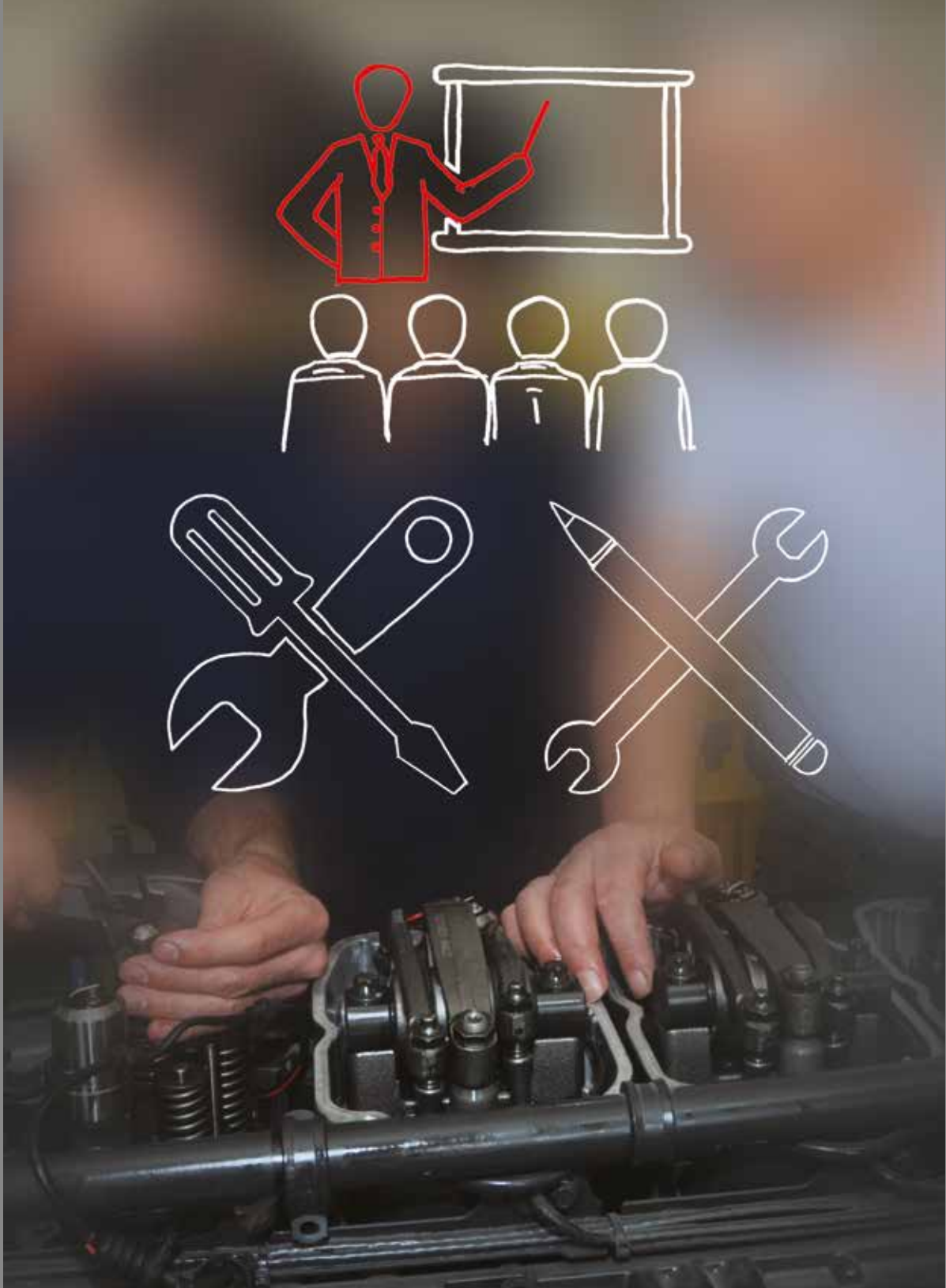
Mohammad Jobayer Alam, CFA
Head of Strategic Planning

Md. Morshedul Quader Khalili
Head of Internal Control & Compliance

H. M. Ziaul Hoque Khan, FCA
Deputy Managing Director

Md. Masud K Majumder, ACA
Group Chief Financial Officer

Ataur Rahman Chowdhury
Head of Operations



EDUCATION & SKILLS DEVELOPMENT

Chapter 4 | Transforming lives through skills development

Bangladesh has been ranked 99th among 124 countries in the global 'Human Capital Index 2015', based on development and deployment of human capital, which is higher compared to its neighboring countries including India, Nepal, Myanmar and Pakistan. The World Economic Forum (WEF) recently released the Human Capital Report 2015 in Geneva, Switzerland.

In the index, WEF highlighted Bangladesh's scarcity of skilled employees and poor ability to nurture talent through education, training and employment. Talent, not capital, will be the key factor linking innovation, competitiveness and growth in the 21st century, according to the WEF. The countries are ranked on the basis of 46 indicators that track how well they are developing and deploying their human capital focusing on education, skills and employment.

IDLC echoes the need for skilled and semi-skilled workforce in its sphere of operations as well as across adjacent communities. Hence in 2015, IDLC continued with its CSR initiatives focusing on upgrading skills and training the marginalised.

SKILLS DEVELOPMENT AND SUSTAINABLE LIVELIHOOD FOR UNDERPRIVILEGED WOMEN

In a country burdened by over-population, it is nothing short of an irony that lack of skilled manpower is one of the major challenges faced by businesses and industries today. A

coordinated effort from both the public and private sectors is the need of the hour to address this crucial issue.

To reduce this demand-supply gap and create win-win solutions for the industries and the community alike, IDLC launched a project in June 2013 following the public-private partnership approach, targeting skills developed of marginal women and subsequent placement in the RMG sector as machine operators. The project satisfies IDLC's focus on creating equal opportunities for the marginalised communities through sustainable livelihood generation and to contribute to women empowerment – both part of its broader CSR commitment.

The project model consists of 5 steps: 1) Trainee selection and orientation in North Bengal 2) Relocation to Gazipur for a two-month institutional training 3) Transfer to the factory for one-month for on-the-job training 4) Final skills assessment and certification 5) Placement in the industry.



Certificate awarding ceremony at Far East

Project snapshot	
Duration	Jun 2013 – Dec 2016
Beneficiaries	Marginalised women from North Bangladesh
Commitment	<ul style="list-style-type: none"> ■ Contribute to women socio-economic empowerment for an equitable society ■ Establish a replicable model to address the demand-supply gap of skilled manpower in Bangladesh
Partners	<ul style="list-style-type: none"> ■ Far east Knitting and Dyeing Industries Limited from the RMG sector as industry partner ■ Gazipur Technical School and College (GTSC) under the Directorate of Technical Education, Government of Bangladesh, as training partner ■ TVET (Technical and Vocational Education and Training) reform project of ILO as technical consultant ■ Care Bangladesh as community partner in North Bengal
Project activities	<ul style="list-style-type: none"> ■ Through GTSC, facilitate two months of institutional training and one month of on-the-job training at Far East factory, subject to which they are assessed, certified and recruited as machine operators
Achievements	<ul style="list-style-type: none"> ■ A total of 176 students have been trained among whom 61 have been employed at Far East as machine operators ■ A female who earlier had no income now earns between Taka 7,000 - Taka 10,000 per month ■ Regular salaries and disposable income have allowed these workers to save for the future and supplement to the family's income



All project costs, including monthly stipend and trainee accommodation, initial orientation in North Bengal and transportation costs, remuneration for technical trainers and operational expenses and material costs of the training sessions are jointly sponsored by Far East and IDLC. The training machineries were provided by ILO with funding from the European Union. Besides technical training, the project also focuses on issues such as factory rules and regulations, labour rights, gender issues, worker-management relations and occupational health and safety standards.

A healthcare session is also included for the trainees, in partnership with the TAHN Foundation, focusing on female health and hygiene issues such as health and nutrition, personal hygiene, timing of marriage and first pregnancy, safe delivery of the baby and the importance of breastfeeding for both mothers and newborns, among others. TAHN Foundation has conducted a three-day training session for each batch of trainees. TAHN Foundation specialises on awareness and training of marginal female groups in Dhaka and Chittagong on female health and hygiene issues.



Healthcare session being conducted at Gazipur TSC



Trainees at Gazipur Technical School & Training Centre

TOWARDS ECONOMIC AND SOCIAL SECURITY AND A DECENT STANDARD OF LIVING

In Bangladesh, individuals with intellectual disability are still viewed as dependents rather than being recognised for their astute capabilities to train and be absorbed in appropriate income-generating activities.

Recognising this untapped population, IDLC partnered with a number of NGOs with the objective to provide education, skills training and, where possible, healthcare facilities to underprivileged children and adolescents. Therefore, it is our goal to eventually empower them to either be absorbed in the mainstream working population or become self-employed.

A brief account of the various initiatives is mentioned below:

- SEID Trust has been IDLC's partner since 2011 and is working with over 400 children with physical and mental disabilities including autism. These children, afflicted by autism, cerebral palsy, Down's syndrome and intellectual and multiple disabilities, are often deprived of their fundamental rights. This project not only facilitates their social rehabilitation and acceptability, but also empowers them with income-generating skills. The 12-month training course is focused on two areas: tailoring (cutting and sewing) and embroidery and block/ batik/ tie-dye



IDLC signs MoU with SEID for supporting 30 children

- Shishu Bikash Chhaya, an orphanage based in Old Dhaka, accommodates and grooms around 30 children and has been IDLC's partner since 2013
- IDLC has been working with the Ahsania Mohila Missions since 2012 through sponsoring two female students who are currently enrolled for an Honors degree in Bangla and a Diploma in Nursing. The Mission houses underprivileged girls and supports their education up to completion of H.S.C. (Higher Secondary Certificate)

"The support and cooperation of IDLC Finance Limited in the journey of SEID from its very beginning has proved much encouraging in the development of underprivileged children with disabilities, especially Autism, Cerebral Palsy, Down's Syndrome and Intellectual Disabilities i.e. neuro-developmental disability (NDD).

The assistance of IDLC over the years ranged from special education, school readiness program, rehabilitation services including physiotherapy, occupational therapy and speech and language therapy, counseling, referral services as well as vocational training that directed towards the mainstreaming of such children with disabilities as skilled human resources.

Through these supports, a good number of children with such disabilities enrolled in mainstream schools and improved their skill in vocational trades which will help them to engage in income generating activities with the hope for a better future."

Ms. Dilara Satter Mitu
Executive Director, SEID



HEALTHCARE



Chapter 5 | Facilitating curative and preventive healthcare

ENHANCING INFANT CARE AND SPREADING AWARENESS OF BREASTFEEDING AMONG FEMALE GARMENT FACTORY WORKERS IN CHITTAGONG

As part of its commitment towards the larger community, IDLC is implementing a project in collaboration with BGMEA, BSRM Foundation and TAHN Foundation, christened 'Enhancing Infant Care and Breastfeeding Skills of Female Garment Factory Workers in Chittagong'. The project aims to enhance infant care and raise awareness on the importance of breastfeeding among female garment factory workers by developing community-based peer counsellors and support systems.

IDLC and BSRM Foundation are the partial sponsors of the project. TAHN Foundation provides training and development to community peer counsellors and

supervisors who are engaged in creating awareness and educating female RMG workers and influential members of their families. Each counsellor is expected to spread awareness among 50 households.



IDLC signs MoU for enhancing infant care skills of female garment workers

'It has been a great experience for BSRM Group to partner with IDLC Finance Limited, TAHN Foundation and BGMEA on a CSR project for female readymade garment workers - that aims to train them on infant care and nutrition, while maintaining a healthy work life balance. The project has been initiated as a pilot project in Chittagong, and the result is quite encouraging. Many young mothers have now changed their mindset, not to leave their job when they become pregnant. BSRM Group hopes this project will encourage others specially the garment industry to retain their trained workers.'

Ruhi M. Ahmed
Head of CSR, PR & Communication
BSRM

Project snapshot

Activities	<p>Enhance infant care and raise awareness on the importance of breastfeeding among female garment factory workers by developing community-based peer counsellors and support systems.</p> <p>The project will train and develop eight (8) community peer counsellors and one (1) local supervisor who will be engaged in creating awareness and educating female RMG workers and influential members of their families (husband and mother-in-law).</p>
Expected outcome	<ul style="list-style-type: none"> ■ 100% households with pregnant and lactating mothers in the peer counsellors' coverage areas will receive information leaflets. ■ At least 60% of these mothers will initiate breastfeeding within one hour of the birth of their babies. ■ At least 60% of these mothers with infants below six months of age will breastfeed exclusively for six months. ■ At least 60% of these mothers will initiate appropriate complementary feeding after babies complete six months. ■ All the babies of the enrolled garment factory mothers will have their growth monitored.

OTHER INITIATIVES

In 2015, with the aim of strengthening and enlarging IDLC's CSR activities in the areas of healthcare for both communities and individuals, several other small initiatives and events were conducted.

IDLC EXTENDS ASSISTANCE TO THE NATIONAL INSTITUTE OF BURN AND PLASTIC SURGERY (NIBPS) OF DHAKA MEDICAL COLLEGE HOSPITAL (DMCH)

IDLC, as part of its CSR focus and commitment to contribute towards greater environmental and social sustainability,

extended assistance to NIBPS by purchasing a blood culture machine and relevant accessories at DMCH.

DMCH's burn unit is currently the largest such facility in Bangladesh to treat burn victims and provides treatment to 400-500 patients at a time on any given day. A major reason of casualty among burn victims is infection and to prevent this, the patient's blood needs to be examined on a regular basis. Due to the absence of such a facility at DMCH, blood samples were sent to other hospitals, a process that was both costly and time consuming. With the in-house facility, the burn unit can provide faster and much better service to burn patients and thereby reduce casualties.

Upon consultation with the Department of Microbiology and National Institute of Burn and Plastic Surgery (NIBPS) of DMCH, IDLC purchased automated blood culture equipment and relevant accessories for the DMCH Burn Unit. The equipment was installed and operationalised at the DMCH during the first week of July 2015.

On 23 June 2015, a small event was held at IDLC Corporate Head Office to handover the work order for procurement of the machine to the Head of Department of Burn and Plastic Surgery and Project Director of National Institute of Burn and Plastic Surgery, DMCH, Prof. Md. Abul Kalam. Selim R.F. Hussain, ex-CEO and Managing Director of IDLC, along with the Management Committee were present at the handover ceremony.



IDLC extends support to National Institute of Burn and Plastic Unit of DMCH

WORLD MENTAL HEALTH DAY 2015

IDLC, as part of its CSR initiative, sponsored an event organised by Innovation for Wellbeing Foundation (IWF) to commemorate the World Mental Health Day 2015.

A mass gathering to celebrate the World Mental Health Day was organised by IWF on 9 October 2015 at Dhanmondi Robindro Shorobor, Dhaka. The theme for the Mental Health Day was 'Dignity in Mental Health'. Widespread positive response was received from a large section of the community who expressed solidarity with the movement for mental health.

Dignitaries, academicians, celebrities, artists, students and activists were present on the occasion. Mr. Ziaul Hoque Khan, Deputy Managing Director of IDLC, and other officials were present to reinstate IDLC's commitment towards raising awareness of what could be done to ensure that individuals with mental health problems could live with dignity.

Among others, the Vice Chancellor of Dhaka University, Professor Dr. A. A. M. S. Arefin Siddique; Chairman, Department of Educational and Counselling Psychology, DU, Professor Shaheen Islam; Vice Chairman of Rangs Group, Mr. Amanullah Chowdhury and Director Finance of Bangla Vision, Md. Ashraf Uddin Ahmed, FCA were present. Moreover, popular cricketers Habibul Bashar and Taskin Ahmed and singers Haidar Ali and Krishnokoli and her band were a part of the occasion too.



Inauguration ceremony of World Mental Health Day 2015



ENVIRONMENTAL INITIATIVES

Chapter 6 | Environmental initiatives

IDLC's environmental initiatives are conducted under the banner of both CSR and Green Banking. While CSR is more focused on external initiatives such as awareness campaigns, tree plantation and public events, Green Banking is aligned with green financing, environmental and social risk management and in-house environmental management, in coordination with different departments (detailed under the section "Green Banking at IDLC").

ENVIRONMENTAL AWARENESS AMONG SCHOOL CHILDREN

Environmental challenges in developing countries normally revolve around such issues as lack of access to potable water and sanitation, air pollution, deforestation, unhygienic waste disposal and irresponsible use and

exploitation of natural resources. Instead of relying on government interventions solely, we, as individual citizens, cannot deny our responsibilities in improving the overall situation.

One of the methods of ensuring that this objective is met is through responsible personal behaviour and practices by engaging children. The rationale behind targeting school children is that they are more receptive to new ideas, thoughts and practices.

With this conviction, IDLC joined hands with LEADS (a social organisation of TRK Consultancy Services) and initiated a campaign titled 'Our Environment Our Resource' in January 2013, by engaging children from different schools in Dhaka. The initiative ended in 2015.

Project snapshot	
Target audience	Children of Class VI and VII
Topics and content	<ul style="list-style-type: none"> ■ Environmental pollution: How we are causing air, water, land and noise pollution and possible mitigation measures. ■ Responsible resource consumption: What we can do to reduce exploitation and wastage of natural and national resources like electricity, water and natural gas, among others. ■ 3R principle: How we can adopt the principles of reduce, reuse and recycle in our daily lives to reduce wastages and make resource utilisation more efficient.
Activities	<p>The campaign is conducted through four sessions/ activities:</p> <ul style="list-style-type: none"> ■ Planning workshop with school teachers, explaining campaign objectives and modus operandi. Thereafter, the teachers act as coordinators within their respective schools. ■ Initial session with 50 children from each school is conducted through multimedia presentations, group activities and experience-sharing. After the session, each student is assigned the task to share this knowledge with their families, friends, classmates and neighbours. Moreover, stickers and posters with responsible messages and tri-colour waste bins for source separation of waste materials are provided for use within the school premises. ■ Follow-up session with 100 children from each school. Fifty participants from the initial session(s) and 50 new students (each participant in the initial session brings over one friend). Tasks assigned in the initial session are accounted for during the follow-up session and students share their experience of practicing these lessons with others. ■ Posters with appropriate slogans are exhibited by the students, reflecting innovative solutions/ measures in addressing these issues. There is also a 'Highest Communicator' award for the student who has communicated better practices to the maximum number of people.
Achievements	In 2015, IDLC, jointly with LEADS, conducted the second phase of the Environment Awareness Campaign with 1,500 students of Viharunnisa Noon School, Agrani Government Girls High School, BAF Shaheen School, Shaheed Bir Uttam Ltd., Anwar College, Ramizuddin Cantonment College, Azampur Government Primary School, Dhaka Residential Model School and St. Joseph's Higher Secondary School.

To make the campaign a success through active participation from both the children and the respective school authorities, a half-day workshop was organized for school teachers at Dhanmondi's Ambala Inn on 24 March 2015. As many as 30 teachers from 20 different schools of Dhaka participated in the workshop and exchanged their opinions.

The workshop focused on issues such as environmental pollution and mitigation measures, responsible consumption of natural resources and the adoption of the 3R Principle of Reduce, Reuse and Recycle to minimise wastages. Moreover, it helped to bring the schools on board and plan ahead to conduct the sessions throughout the year.



Ms. Bilquis Jahan, Head of HR, IDLC Finance Limited, inaugurated the event on behalf of the ex-CEO & Managing Director Mr. Selim R.F. Hussain. Mr. Mehbuboor Rahman, Assistant Manager, Green Banking Desk, Corporate Division, was also present during the program. Ms. Romina Dewan, Executive Director, LEADS, conducted the session.



Judge Dr. Muhammad Enamul Haque examining the slogans

Poster, Slogan and Recycle Competition (2nd Phase)

As an outcome of the initial school awareness sessions and to assess the understanding of the participating children, a poster, slogan and recycle competition was organised on 30 and 31 October 2015, at Bangladesh Shilpakala Academy.

More than 350 students from various Dhaka schools participated in the competition under four categories – poster, slogan, recycle and highest communicator. The competition arranged for the students to learn from the campaign, which was organised for the second time during 2015, on issues such as environmental pollution and mitigation and efficient resource utilisation by adopting the 3R principal of reduce, reuse and recycle. The competition entries were judged by veteran artist, Professor Mustafa Manwar; renowned artist and academician, Dr. Muhammad Enamul Haque and Mehbuboor Rahman, Manager, Green Banking Desk of IDLC. The exhibition was inaugurated by Mr. M. Jamal Uddin, Deputy Managing Director of IDLC on 30 October 2015. On 31 October 2015, a prize distribution and cultural ceremony was held, where Dr. Md. Anwar Hossain Howlader, Director (Joint Secretary), Department of Environment, was present as Chief Guest. Mr. M. Ataur Rahman Chowdhury, DGM & Head of Operations of IDLC, was present during the award ceremony. Also present at the occasion was Ms. Romina Dewan, Executive Director of LEADS, along with other officials from IDLC and LEADS.



Mr Mehbuboor Rahman, Manager, Green Banking Desk IDLC Finance Limited judging the recycle products



Judge Mustafa Manwar with Ms. Romina Dewan at the competition



Winners of the Environment Awareness Competition 2015



Opening ceremony of Environment Awareness Competition 2015



Chittagong branch staff and other officials with the participants of the environment awareness session

PILOTING ENVIRONMENTAL AWARENESS IN CHITTAGONG

On the huge positive response received in Dhaka and several requests from IDLC branches located outside Dhaka, in August 2015, IDLC's CSR team piloted a small initiative at Chittagong. The basic aim was to create awareness and enhance the knowledge of school children outside Dhaka on topics related to the environment, its conservation and preservation.

Five sessions were conducted in Chittagong at four schools: St. Placid's School, Ramkrishna Mission High School, Chittagong Collegiate School and KhajaAjmeri High School, whereby a total of 435 students actively participated in the event.

IDLC associated with the Karnafuly Leo Club of Chittagong Division and Youths Voice Foundation, a local volunteering club, to ensure the effective execution of the campaign. Both organisations supported the event by providing volunteers and logistics.

TREE PLANTATION

IDLC regularly conducts plantation activities across the country to contribute to the reduction of its carbon footprint. In 2015, IDLC sponsored a plantation programme under which 1,000 saplings were planted at Trishal, Mymensingh. The plantation was conducted with the support of Jatio Kobi Kazi Nazrul Islam University and Toru Pallab, a voluntary organisation managed by renowned Bangladeshi environmentalists.



Tree plantation at Trishal Mymensingh

IDLC ENDORSES MOBILISATION OF FINANCIAL INSTITUTIONS TO INCREASE GLOBAL INVESTMENT IN ENERGY EFFICIENCY

As part of the worldwide mobilisation of financial institutions to support the Declaration "Financial Institutions' Statements On Energy Efficiency Finance," IDLC expressed solidarity with over 100 banks from 42 countries. This unprecedented international mobilisation of banks was successfully presented in different sessions of the COP held during 2-3 December 2015. It clearly raised the visibility of the topic and the positive role that can be played by the financial community. It is to be noted that IDLC was the first among all Financial Institutions to disburse green loans for Energy Efficiency Projects under the Bangladesh Bank refinance scheme. Furthermore, six of IDLC's employees have been trained and certified as Certified Energy Auditors (CEA), as a part of its commitment towards clean and efficient energy financing.

Energy efficiency is key to climate change adaptation action as well as for sustainable development. It is the measure expected to bring half of all emissions reductions needed to reach a peak in greenhouse gas emissions by 2020 and stay within a 2°C global average temperature increase scenario. It facilitates resource efficiency and industrial productivity, strengthens energy security as well as better health and wellbeing.

For this reason, EBRD's initiative and co-operation with the UN SE4 All Energy Efficiency Accelerator led to the endorsement by banks of the Statement by Financial Institutions on Energy Efficiency Finance. This effort was coordinated with the UNEP Finance Initiative (UNEP FI), associating banks, and mobilising investors on the G20 Energy Efficiency Investor Statement, in the context of the G20 work on energy efficiency in finance. Along with banks, UNEP FI also worked with investors, receiving support from investors managing close to \$4 trillion and committing to further embed energy efficiency considerations into their investment process and engagement activities with companies.

"UNEP Finance Initiative applauds IDLC on its commitment to sustainable finance, and particularly, to sustainability disclosure, by becoming in 2011 the first financial institution in Bangladesh to publish a sustainability report. IDLC is also a pioneer in promoting energy efficiency in the country, being the first to disburse a facility through the green refinance scheme of the Central Bank of Bangladesh. By endorsing the Statement by Financial Institutions on Energy Efficiency put forward at the Paris Climate Summit in December 2015, IDLC was among the very first Asian banks to join a global, unprecedented mobilization of over 100 banks on a crucial topic at the cross roads between resource efficiency and climate change action. IDLC's support paves the way for increased financing of the numerous untapped energy efficiency and low-carbon growth opportunities across all sectors of the economy in Bangladesh and other Asian countries. UNEP FI is pleased to continue its innovative collaboration with IDLC."

Eric Usher
Acting Head UNEP FI



Green Banking

Overview

Sustainable development and preservation of environment are now recognized globally as overriding imperatives to protect our planet from the ravages inflicted on it by mankind. Various global initiatives are underway to counter the ill effects of development such as global warming and climate change. Banks and financial institutions can play a major and decisive role in these global efforts to make our planet a better place to live in. Green Banking is comparatively a new development in the financial world. It is a form of banking taking into account the social and environmental impacts and its main motive is to protect and preserve environment. As providers of finance, banks can ensure that businesses adopt environment-friendly practices. Incentives by way of offering cheaper funds, one stop solution and availability of grant for initial boosting for adopting green technologies will have a long term beneficial impact on the environment. The sole objective for such initiative is to reduce carbon footprint from banking activities as well as from financed projects.

Focusing sustainable growth: national and international initiatives

The motto “Going Green” came in front in late 19th century when mankind first realized that over exploitation of natural resources and environmental degradation shall dim the effect of rapid industrialisation. It was first institutionalised in 1992 through Rio Declaration. It is considered as first

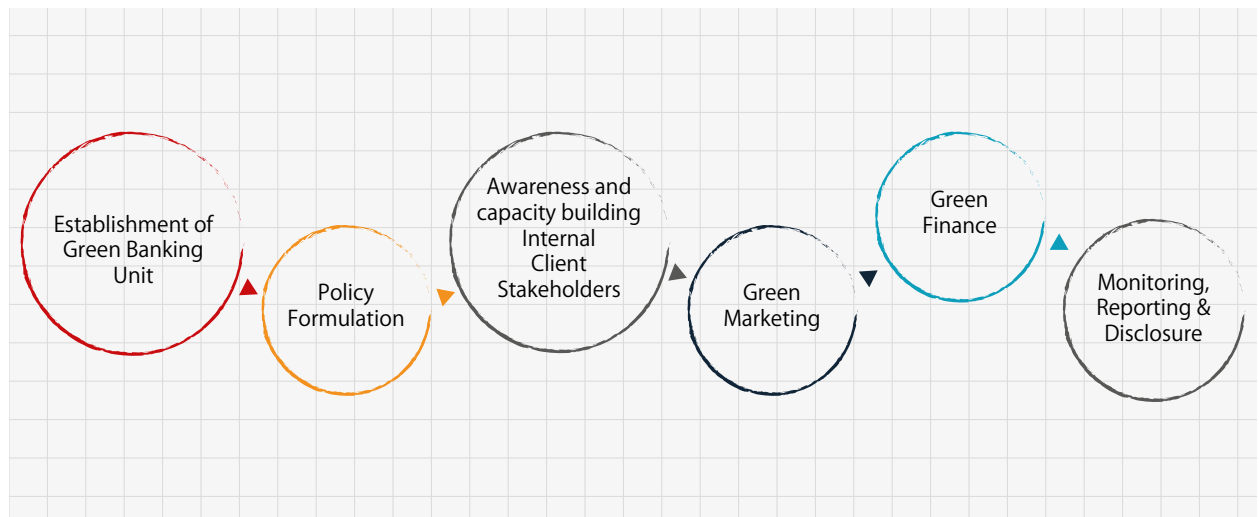
binding international legal instrument to address the issue acknowledged by 170 countries. The creation of UNFCCC (United Nation Framework Convention on Climate Change), UNEP FI (United Nation Environment Program for Financial Institution), Earth Summit, Signing of Kyoto Protocol strengthen the commitment of international community.

Bangladesh, the largest delta in the world, is vulnerable to the impacts of climate change. In order to undertake appropriate adaptation and mitigation measures, government of Bangladesh institutionalise it through NAPA (National Adaptation Program of Action), CDMP (Comprehensive Disaster Management Programme), ECR (Environmental Conservation Rules) etc. The creation of SREDA (Sustainable and Renewable Energy Development Authority) and implication of clean energy in Renewable Energy Policy, Sixth Five Year Plan etc embedded the path towards sustainability.

Understanding the gravity of the situation, Bangladesh Bank created a refinance scheme of Taka 200 crore for financing environment friendly products comprising five different items of Renewable Energy and Waste Management back in 2009. Later in 2011, Bangladesh Bank provided all FIs with a guideline on Environmental Risk Management which was subsequently revised in 2015 with Environmental and Social Risk Management Guideline. Also the number of green products eligible for refinance extended to 50 from just five within 2015.

IDLC’s road map towards sustainability

Much before mandating Green Banking in the banking and financial sector of Bangladesh, IDLC had voluntarily adopted the codes of environmentally and socially responsible business by actively becoming members with the United Nations Global Compact (UNGC) and United Nations Environment Program Finance Initiative (UNEP FI), back in 2010. With the issuance of the Green Banking policy guidelines by the Bangladesh Bank, a number of new avenues opened up for IDLC in its quest to become green. The policy required much more than just pursuing ‘Green’ projects and technologies and resorting to initiatives that manage our environmental impact; it meant a total change in the organisation’s DNA.



Establishment of Green Banking Unit (GBU)

In 2013, a Green banking Unit (GBU) was formed comprising representatives from different relevant department to roll out the designated task. Later on, dedicated personnel was recruited to carry on with the green motto. Separate GBU with technical person can be considered as first step for our journey towards sustainability.

Formulation of policy and framework

IDLC green unit formulated Green Banking Policy in line with IFC Performance Standard, ADB Safeguard Policy and Bangladesh Bank guideline in 2014. During the formulation assistance were provided by FMO, a Dutch development bank, and FI Konsult, IDLC's appointed consultant for this project. Policy and framework defined IDLC's target and its approach towards green growth.

In-house environment management

Apart from financing green products, it is essential to implement similar ideas in branches and offices. Being inspired by such agenda, IDLC stepped in to establish first ever Green Branch which is pursuing for LEED certification on commercial interior. Chittagong Regional office is in process of attaining prestigious LEED certification from USGBC (United State Green Building Council). EDS (Environmental Design Solution) has been appointed to carry on the responsibility. Together, both of the parties are practicing sustainable design methods to make the office equipped with energy and resource efficient features. It is to be noted that, after availing certification, this would be the first case where a financial institution attained LEED certification for any of their branch in Bangladesh.

A major technological achievement is the server virtualisation that was first implemented in 2010. Not only has this increased capacity and efficiency of the data centers, but also significantly cut down on capital expenditure on physical servers, reduced electricity consumption and CO₂ emissions.

Every server virtualised has a capacity to save 7,000 kWh of electricity and 4 tons of CO₂ emissions - thus in 2015 this resulted in saving over 290,000 kWh of electricity and 166 emissions from 63 virtual servers.

Incorporation of environmental risk in CRM and ESMS (environmental and social management system)

In compliance to a part of the Green Banking Policy, the FIs has to abide by the instructions defined in the detailed guidelines on Environmental Risk Management (ERM). In order to assess a prospective borrower from both environment risk and credit perspective, the FIs has to integrate environmental risks in the checklists, audit guidelines and reporting formats. In this regard, IDLC has already made credit appraisal process much more stringent from an Environment and Social (E&S) perspective – evaluating all the environmental and social factors such as project impacts on the environment and the community in the long run, prior to approving a loan.

Taking this approach one step further, IDLC is in the process of adopting an extensive Environmental and Social

Management System (ESMS) across the organisation with assistance from FMO, a Dutch development bank, and FI Konsult, IDLC's appointed consultant for this project. The overall goal of this project is to help IDLC identify customers with potentially high environmental and social risks; enable them to evaluate the E&S performance of such customers through its due diligence and credit appraisal process; and make those customers, especially those who are not complying with local E&S regulations, behave more responsibly through the use of environmental or social covenants in the facility agreements. This project will not only satisfy the Central Bank's requirements, but also enable IDLC to comply with internationally acceptable risk management standards.

30 of IDLC's employees were trained by a series of workshop titled "Strengthening capacity and knowledge on Environmental and Social Risk and Opportunity Management (ESROM) among Financial Institutions in Bangladesh". The workshop was a joint initiative of several development financial institutions like DEG, FMO, OeEB, Proparco, UNEPFI and their five Bangladeshi FI partners – IDLC Finance Limited, Brac Bank, Eastern Bank, Dutch-Bangla Bank, and The City Bank. The objective of this program was to develop capacity for bankers with respect to environmental and social issues, identification of risks and opportunities and finding innovative & bankable green products for the financial market.

IDLC promoting ESMS throughout the organization

Capacity development of in-house human resources is a precondition for rolling out green finance and marketing. Hence a total of 29 trainings were conducted throughout the year and more than 500 people were trained among which 261 was IDLC employee. Trainings were provided mostly on salient features of green banking and its products and 17 of IDLC's branches were reached by last year. Speakers included in house resource persons as well as personnel from different professional institutes, DFIs, consultants like from USAID, IFC, FMO, EDS etc.

In house capacity development & trainings

Lack of awareness regarding the benefits of green projects and loosely regulated industries that overlook gross level non-compliance are some of the major challenges in implementing green banking. To overcome this challenge, IDLC along with its partners such as USAID CCEB, IFC, FMO, EDS Global hosted several sessions to create awareness and thus market demand of green products. The objective was to create the market demand related to clean energy and green industry development and offer IDLC's one stop solution to do so. Senior executives from Bangladesh Bank, BKMEA, Khulna and Chittagong Chamber of Commerce and Industry, Development Partners had enlighten the dais.

Green marketing

Focusing on the objective to provide one stop solution to the clients through financial services, arrangement of fund appropriate to the nature of transaction, advisory services for appointment of consultants and service providers; green desk signed MoU with Spectrum Lanka Consultants Ltd and Rudra



Communication Ltd. Furthermore, mandate signing was performed for two state-of-the art tunnel kiln bricks projects having a capacity of producing 3 Lac bricks per day. IDLC also participated in different market expo and program organised by IDCOL, Exponet etc to showcase green products.

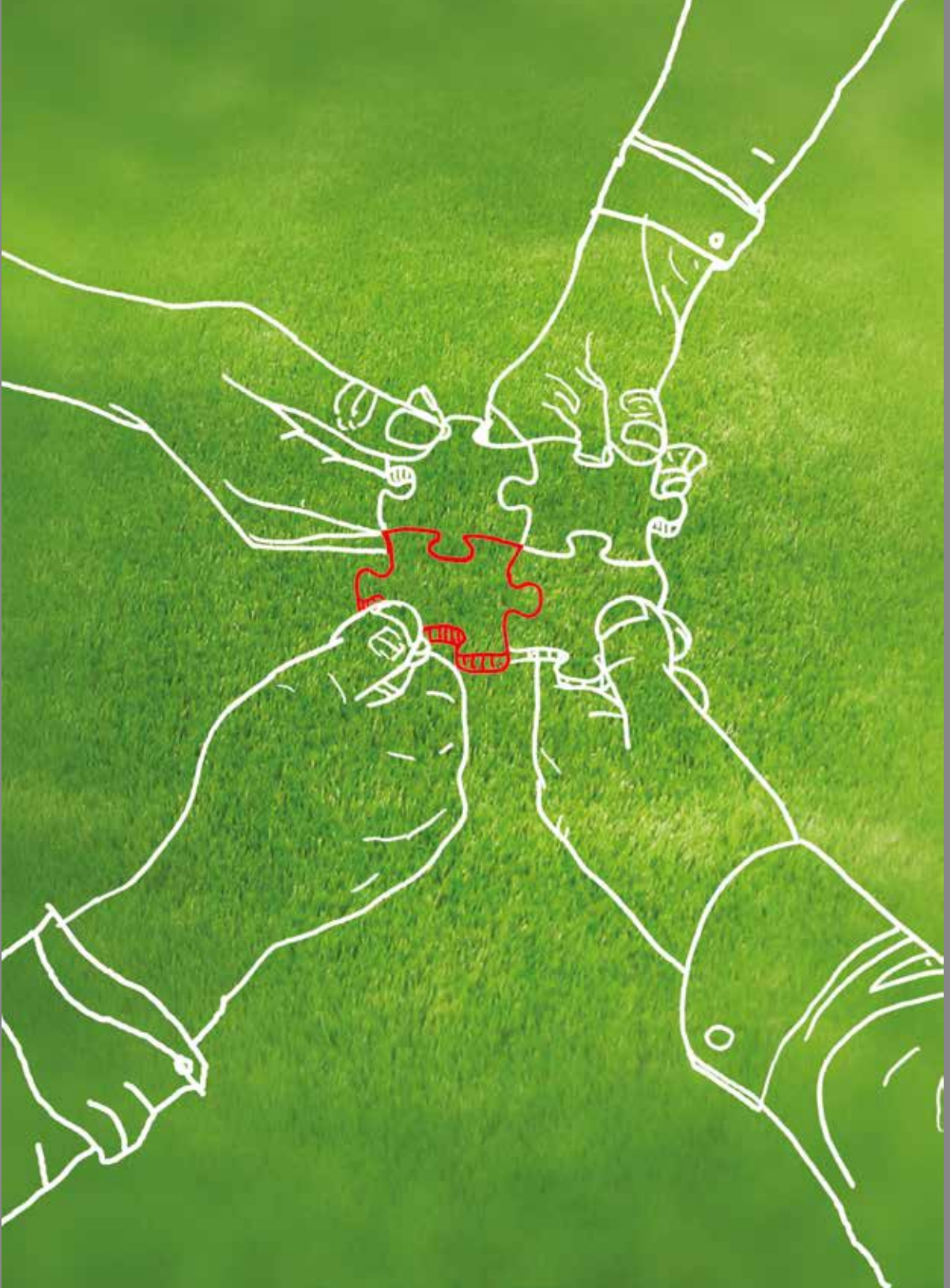
Product promotion and green events

Last year, IDLC's investment in clean energy and sustainability projects picked up in a fascinating manner. As per Bangladesh Bank Green Refinance Scheme, IDLC is also offering 50 products under green financing umbrella covering the sectors like renewable energy, waste management, non-fire block brick, auto brick kiln, green industry, fire and safety measures, industrial energy efficiency and recycling etc. In the year 2015, IDLC have managed to disburse as much as Taka 525.8 Million under Green Financing umbrella, despite the unstable economic condition. The number is almost 18 times greater than the previous year which only indicates IDLC's drive towards sustainability. Bolstered by such strong growth figures, IDLC is ready to take the challenge

of meeting 5% direct green financing, a target set for all the banks and non-banking financial institutions from January 2016 by Bangladesh Bank to ensure financing environment-friendly projects.

Few financed green projects by IDLC

IDLC's green finance has been recognised by FMO through their newsletter. Apart from that, Dutch Newspaper P+ published a cover story on green conference at The Hague, Netherlands where IDLC's contribution has been mentioned wholeheartedly. IFC is also publishing a newsletter on IDLC's drive towards clean energy financing as a role model in the industry. Green desk provided lecture in different programs and workshop arranged by BLFCA, USAID, BKMEA, GIZ etc. Six of IDLC's employee has been certified as Certified Energy Auditor (CEA) by Association of Energy Engineers USA. They received acknowledgement and certification from the governor of Bangladesh Bank which is a firm step for providing better services.



STAKEHOLDERS

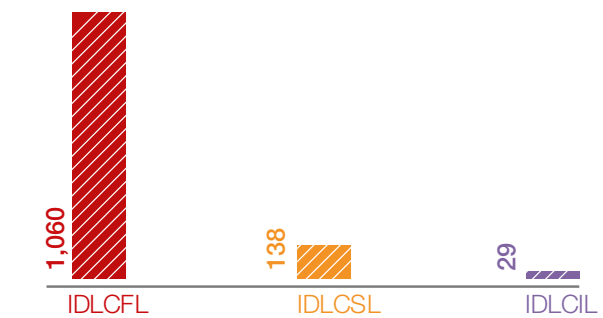


Chapter 7 | Our Human Capital

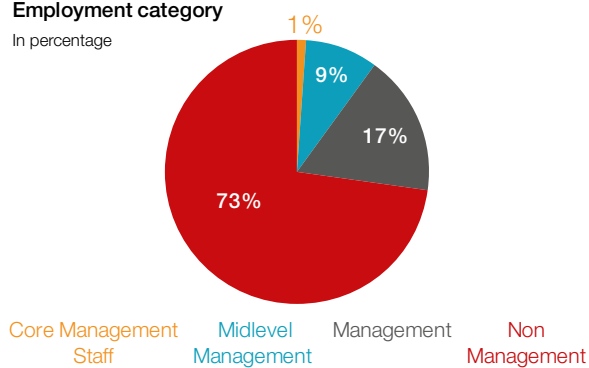
HUMAN CAPITAL - OUR CORE STRENGTH

Effective human resource management has proven to be a critical component in the success of a business. IDLC is focused on recruiting the best resources and implementing programs to develop and retain high quality human resources. IDLC continues to implement human resource management policies and practices that are aimed at growing and developing employees and ensuring their active contribution towards the achievement of corporate goals. Effective human resources have also been linked to better performance by the Company. IDLC believes that its human resource is critical in building and running the Company. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals.

Staff strength of IDLC Group as of December 31, 2015



Employment category
In percentage



we foster the spirit of teamwork and collaboration with a strong focus on quality in our day-to-day operations.

OUR RESOURCES ARE PRECIOUS TO US

At IDLC, we are powered by talent. We consider our human resource as the most important asset and mobilise people and teams by engaging them in cutting-edge financial industry practices. As an attractive employer, we offer a broad spectrum of opportunities for both professional and personal development as well as encourage a work environment that is characterized by respect, trust, cooperation and collaboration. We do so because the skills and enthusiasm of our employees are a major force that helps us achieve sustainable results.

Being in the business for the past 31 years, we have provided challenging career prospects to young and enthusiastic professionals. IDLC's Human Resource Department continuously works towards attaining the goal of attracting, retaining, growing and inspiring talent.

The right people in the right place at the right time

While the goal is to provide the best candidate for the Company's needs, it is also important that we place people in the right positions at the right time. This requires us to emphasize on the efficiency of our hiring and staffing processes even as we continue to look for ways to create efficiencies in our hiring methodologies. We also recognize the need to use further analytics in our recruitment efforts to enable us to understand our workforce needs, levels and the effectiveness of our recruitment strategies. The purpose of IDLC's merit-based recruitment and selection process is to ensure that vacancies are filled by the most competent incumbents. IDLC provides equal employment opportunities to all applicants without any bias to race, religion, gender, age, disability or any other criteria permissible by the statutory laws of the country. Recruitment and selection is based solely on job-related criteria. The recruitment and selection process is consistently applied and promotes fairness, diversity and transparency. The process complies with all state laws, regulations and policies.

PERFORMANCE APPRAISAL

Performance appraisals can benefit employees and organizations by clarifying goals and expectations, and creating an environment of open communication. The best performance appraisals offer positive feedback and advice for improvement and typically consist of a healthy conversation between the management and the employees.

IDLC is a performance-driven company. Our performance appraisal is the single-most important tool that enables the Company to measure the performance of an individual and plan his/ her career progression accordingly. At IDLC, the sole motive of the performance appraisal system is to maximize efficiency of the Company's objectives with the guidance to achieve each member's career aspirations. The performance appraisal system is fully structured to assess

OUR HUMAN RESOURCE DEPARTMENT (HRD) MISSION

IDLC's HRD is committed to work strategically with diverse business segments in identifying and responding to the evolving business needs.

As a strategic business partner, IDLC's HRD creates a work environment that thrives on diversity, high individual and organisational productivity and performance, continuous improvement and exceptional customer service.

We are dedicated to construct an outstanding service-oriented culture as well as maintain a strong work-life balance. Moreover, by encouraging employee engagement,

the competency of all full-time employees. This extensive process starts with the circulation of appraisal forms which are approved by the management.

PROMOTION

Promotion opportunities are the life-blood of staffing and retention. Without the proper use of incentives and coaching, employees are likely to refrain from maintaining relationships with a business for an extended period of time. Competitors take the best talent from other companies by offering individuals enhanced pay and benefits. Promotions and bonuses to the personnel help in ensuring that they do not feel the need to leave their employers.

At IDLC, promotions signify our management’s commitment to recognize and reward outstanding performers. It motivates employees to aspire for advancement opportunities within the Company. It also contributes to employee satisfaction and retention. Employee promotion is made by examining all factors necessary to determine the best qualifications and capabilities to fill the position.

EMPLOYEES ARE CONSIDERED FOR PROMOTION BASED ON THE FOLLOWING CRITERIA:

- Growth in the role dimension and complexity
- Individual performance track record
- Market liquidity
- Attitude and behaviour

REWARDS THAT DRIVE EMPLOYEE MOTIVATION

IDLC always recognises the efforts of individuals who aspire to make a difference. Our employees receive a performance bonus annually in acknowledgement of their individual contribution, hard work and dedication. Moreover, we also give ‘spot awards’ to appreciate those who have the spirit to take on new challenges and contribute to areas outside their regular responsibilities. A reward recognises an employee’s contribution that has exceeded expectations. It may or may not be accompanied by monetary value. At IDLC, employees are especially rewarded by the management to motivate and inspire - to walk the extra mile.

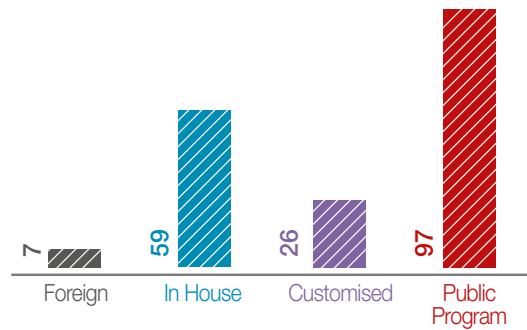
DEVELOPING OUR PEOPLE THROUGH TRAINING

A workforce consisting of individuals eager to learn and grow is a sure sign of a company hiring well. Employees engaged in their jobs and careers seek to know more about their company and the industry and to learn skills that will improve their performance. Employers who want to harness the full value of their employees and foster loyalty and retention find that training is a winning prospect for all involved. Training programmes strengthen knowledge and awareness of leadership. IDLC recognises the contribution of training towards enhancing efficiency and profitability. The Company’s training policy applies to all employees and aims at ensuring that appropriate training is imparted to enable individuals to reach a satisfactory performance level.

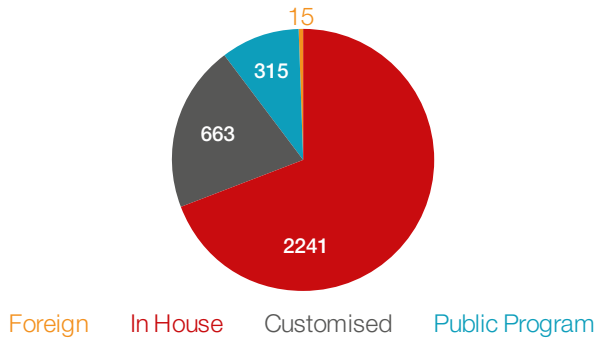
IDLC develops and delivers high-quality learning and provides other suitable initiatives in response to the needs of individual employees. While we emphasise on training and

development opportunities, employees are also encouraged to take responsibility for their own development. Since we consider our employees as our most valuable asset, we invest considerable time and effort for their personal and professional development. We assist our employees to be the best through providing relevant training and workshops both at home and abroad.

Number of Trainings in 2015



Number of Attendees in 2015



GRIEVANCE MANAGEMENT AND COUNSELING

IDLC focuses on providing a prompt and impartial resolution to grievances brought forward by employees based on any kind of discrimination and deprivation. IDLC seeks to establish an environment of equal employment where advancement and appreciation are solely on the basis of merit, talent and competency. If an employee experiences a situation which is not in alignment with the core values of the Company, he/ she is at liberty to bring this to the notice of the management through the mandate of this policy. Employees are assured that their complaints will be addressed without delay and judiciously by the management. On the other hand, employees are motivated through proper counselling and encouraged to have a healthy conversation should any grievances arise.

SUCCESSION PLANNING

IDLC’s management possesses succession plans to provide leadership continuity and avoid extended and costly vacancies in key positions, recognizing that changes in management are inevitable. Our succession plan is designed to identify and prepare candidates for high-level management positions that become vacant



due to retirement, resignation, death or new business opportunities. It is IDLC's policy to assess the leadership needs of the Company in a way that ensures the selection of qualified leaders which matches its mission and goals.

HR AND COMPENSATION COMMITTEE

IDLC's HR and Compensation Committee is a forum for the discussion of various HR-related issues of the Company. The main role and function of the Committee is to assist HRD in developing and administering a fair and transparent procedure for setting policies on the overall human resources strategy of the Company.

The Committee's responsibility is to ensure that the Company has a wide scope for equal opportunity and transparency in terms of:

- Suitable recruitment
- Compensation on the basis of merit, qualification and competence
- Adequate training and development facilities
- Performance appraisal and promotions based on individual performance and contribution

In addition, the Committee looks into any other benefits-related issues regarding the Company's operating results and comparable market statistics.

FOSTERING A HEALTHY WORKPLACE

One of our goals is to move towards a comprehensive approach to creating a healthier workplace. This is in our best interests as individuals and the institution as a whole. Employees enjoy favourable working hours so that they can ensure a balance between professional and personal interests. IDLC ensures that the health and safety at the workplace complies with internal health and safety policies and procedures. It also develops, coordinates and implements strategies to prevent workplace injuries and illnesses and sets standards for health and safety training. In this regard, it organises training on fire fighting and vaccination programs. Moreover, a physician visits our premises weekly for consultation on health issues of the employees, if needed. IDLC covers hospitalisation insurance to ensure holistic medical security of its employees and also, group life insurance schemes cover the unforeseen risk of death as well. Moreover, special accidental issues related to the employee and his/ her family members are reviewed by the HR and Compensation Committee to compensate them in any way possible.

LIFE AT IDLC

IDLC is focused on its employees as well as on the business and overall social environment. Throughout the year, it arranges multiple events including employee birthday celebrations, family days, picnics, celebrations on the birth of a child, iftar parties, pitha utshab, Children's Day, Pohela Boishakh celebration and sporting events that help in creating stronger employee bonding. We arrange various employee engagement programmes including team building sessions that enhance employee commitment and

a sense of belonging towards the Company. Additionally, IDLC also fulfils its corporate social responsibility for community and societal uplift.

COMMUNICATION AND EMPLOYEE SATISFACTION

IDLC considers communication as a critical success factor for a rapidly-growing knowledge-based business. Communication is given importance in the sense that it helps create a robust network and ensures cooperation whenever required. We emphasize on formal as well as informal communication. Managers have a key role to play in effective communication that brings new ideas to contribute to better business performance. Additionally, IDLC also provides the opportunity to conduct face-to-face meetings through the use of 'live Internet meetings'. This net-based communication tool allows employees to talk frequently and also get an opportunity to familiarise themselves with new technologies.

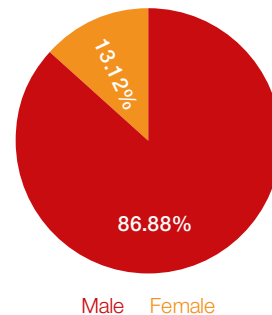
Moreover, IDLC ensures communication from the executive team through different media and also encourages employee feedback through group discussions, employee surveys and email dialogue.

IDLC LADIES FORUM (IDLC LF)

IDLC 'Ladies Forum' addresses its female employees' views, problems and opinions to facilitate a good working environment for women through the participation of all women employees from different levels of positions, working areas and distribution points.

Gender Analysis

In percentage



Composition/ hierarchy of IDLC LF is as follows:

- President - Head of Human Resource
- Executive Committee comprises 11 women employees representing different divisions and branches of the Group
- Secretary - Head of CSR
- Members - All the women employees of the Group

This forum provides all women employees the opportunity to network and also provides a common platform to share and raise various issues and problems like discrimination, harassment, negative attitude towards women and any other issues that may affect them within the Company. This enables IDLC's management to better understand and address these issues and develop strategies accordingly.

AUTOMATING HUMAN RESOURCE PROCESSES

With a growing number of employees across different regions, efficient HR management is becoming a significant challenge. As such, technology driven solutions are the need of the moment to bring in place more robust processes to increase efficiency, maximize productivity and ensure precision and security. Consequently, IDLC's HR Department has an automated system in place for better personnel management in the Group.

ETHICAL STANDARDS

IDLC adheres to the highest ethical standards and considers it to be a key business priority. The management expects employees to fully embrace statutory compliances. Each employee is required to read and sign the Code of Conduct every year as a sign of recurrence to the principles enshrined in it. Additionally, IDLC encourages employees to act with integrity and spread the message of social responsibility to the community.

HUMAN RESOURCES ACCOUNTING (HRA)

Human Resource Accounting involves accounting for the Company's management and employees as human capital that provides future benefits. In the HRA approach, expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which treats costs related to the company's human resources as expenses on the income statement that reduce profit. HRA suggests that in addition to the measures themselves, the process of measurement has relevance in decision-making involving organizations.

IDLC Finance Ltd.

BDT-Million

	2015	2014	2013	2012	2011
No. of FTE (personnel)	1,227*	742	642	609	559
Operating cost per employee	1.34	1.97	1.94	1.74	1.63
Training cost per employee	0.009	0.018	0.016	0.003	0.020
Operating profit per employee	2.40	2.96	2.36	2.21	2.23
Gross turnover per employee	7.68	11.05	10.75	9.04	8.09

So, we can say that HRA is the process of identifying and measuring data on human resources and communicating this information to the interested parties. It is an attempt to identify and report the investment made in the human resource of the Company that is currently not accounted for in the conventional accounting practices.

OBJECTIVES AND BENEFITS

The aim of HR accounting is to depict the potential of the employees in monetary terms which mainly help in decision making by ascertaining the investment the company has made on its employees and the return it can expect from this investment. It furnishes cost/value information for making management decisions about acquiring, allocating, developing and maintaining human resources in order to attain cost effectiveness. It allows management personnel to monitor and effectively use human resources. It also provides valuable information to the investors interested in making long term investments in service sector companies.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

While the IFRS do not currently have standards requiring HRA, it could be argued that they are moving closer to providing more flexible approaches to accounting measurements and reporting. For example, the international standards IAS 38 Intangible Assets and IFRS 3 on Business Combinations allow for the recognition of the intangible asset goodwill, which indicates a willingness to allow for valuation of assets that are not traditional tangible assets, such as human resources.

PRACTICE AT IDLC

At IDLC, we are following conventional accounting practices and, as there are no HR specific accounting standards, we are not capitalising any HR cost in order to amortize it over service life of employees. However, we are taking benefits of HR accounting concepts and using HR accounting information (such as per employee cost to the company, expected service life of employees, per capita productivity and its growth over periods and many more) in making important management decisions that will benefit the long-run strategic goals and profitability of the Company.

PRACTICE IN BANGLADESH

In Bangladesh, the concept of Human Resources Accounting has not yet been introduced as a requirement by any statutory authority or any regulatory bodies. However, as opposed to external financial reporting, managerial reporting does not require adherence to a strict set of globally accepted Accounting Standards in specific financial statements in an acceptable format reported to the public.

As a result, disclosure of such information has become voluntary to our business management.

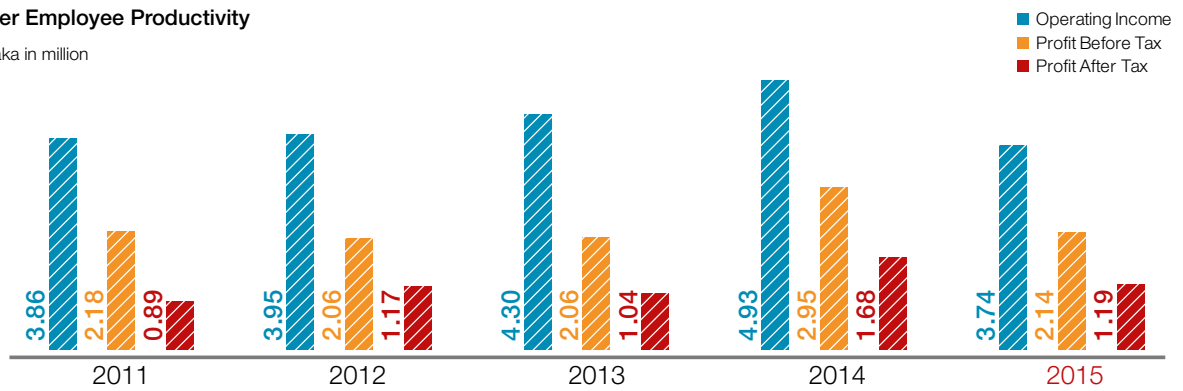
Per Employee Productivity*

	2015	2014	2013	2012	2011
Operating Income	3.74	4.93	4.30	3.95	3.86
Profit Before Tax	2.14	2.95	2.06	2.06	2.18
Profit After Tax	1.19	1.68	1.04	1.17	0.89



Per Employee Productivity

Taka in million



* In 2015, IDLC recruited 429 Full Time Employees (FTE) to strengthen its sales organisation. Resultantly, all the employee productivity measures, while reviewed without context, would seem to have worsened in 2015 compared to 2014. However, it should be noted that this recruitment marks a transition in the way IDLC's sales streams work – the increase in number of FTEs and the subsequent increase in Operating Cost for Employees is greatly offset by savings accrued in other operating expenses that would have incurred had IDLC pursued with the earlier way of sales and customer acquisition. To put it into context, it should be noted that total Operating Expenditure for IDLC increased by 13% in 2015 over 2014 despite the number of employees increasing by 65% (from 742 to 1,227) in the same period.

Chapter 8 | Extended responsibilities

BLOOD DONATION PROGRAMME AT IDLC'S SYLHET BRANCH

As part of its commitment to sustainability, IDLC organised a blood donation program on 21 November 2015 at its Sylhet branch with assistance from IDLC's Consumer Division. IDLC regularly organizes blood donation programmes across its branches in partnership with the Bangladesh Thalassaemia Samity and Hospital, whereby both IDLC staff and external stakeholders donated blood for the treatment of patients suffering from thalassaemia. Thalassaemia is a blood disorder passed from parents to children and causes the body to make fewer healthy red blood cells and less haemoglobin than normal. According to the Bangladesh Thalassaemia Foundation, there are more than 10 million carriers in the country.



IDLC staff donating blood at Sylhet Branch

The Chief Guest at the occasion, Dr. Md. Murshed Ahmed Chowdhury, Principal M.A.G. Osmani Medical College and Dean, Faculty of Medicine, Shahjalal University of Science and Technology stated that thalassaemia can be prevented by raising awareness. He appreciated IDLC's efforts in both raising awareness and donating blood for such a noble cause and hoped other corporate houses would come forward with more such initiatives as well. On behalf of IDLC, Mr. Nasar Hassan Khan, ex-GM and Head of Consumer Division, Mr. Irfam Siddiqui, AGM Consumer Division, Mr. Enam Ahmed Chowdhury, Head of the Sylhet branch and other officials from both IDLC Dhaka and Sylhet were present. Moreover, to facilitate blood collection and registration, a six-member team from the Bangladesh Thalassaemia Samity and Hospital was present during the program. A total of 103 blood bags were collected and subsequently donated to the Bangladesh Thalassaemia Hospital.

IDLC STANDS BY THE STORM-AFFECTED VICTIMS OF BOGRA

IDLC, as part of its CSR activities, coordinated a housing rehabilitation initiative for the storm-affected people of Bogra. A destructive storm struck Bogra and adjacent areas in late April 2015. Many families became homeless, among which 13 families suffered the worst as their houses were destroyed. IDLC stood by these families by rebuilding their houses and even provided emergency relief fund to one of the residents. The team of IDLC Bogra was actively engaged in the entire process.



Catastrophe of the storm caused at Bogra



Rehabilitation of uprooted households

BLANKET DISTRIBUTION

IDLC distributes blankets and warm clothes every winter among the underprivileged in areas most affected by the extreme cold. In 2015, IDLC distributed a total of 450 blankets. Among these, 300 blankets were given to the underprivileged of North Bengal by IDLC's officials and 150 blankets to Mokshudpur, Gopalganj, with the help of Dishari Foundation. The distribution was carried out by IDLC officials at Bogra, Rangpur and Gaibandha.



Darail Bazar, Noshkori Para



Bogra IDLC team distributing blankets



Chapter 9 | Stakeholder engagement for reporting

SUSTAINABILITY REPORTING

IDLC since 2011 has been publishing the Annual Sustainability Report in compliance with the Global Reporting Initiative (GRI) framework. The Report is prepared in accordance with sustainability reporting guidelines G4 issued by GRI which reflects IDLC's contribution towards creating economic, social and environmental value. In accordance with the G4 stakeholder engagement section, we have collected information from several sources, financial and non-financial.

ENGAGEMENT WITH STAKEHOLDERS FOR REPORTING

The IDLC team has tried to identify sustainable business objectives by understanding stakeholder expectations which are correlated. This is to ensure that IDLC can meet the objectives, modify existing practices and if required, take corrective measures through the IDLC business model annually.

Considering the nature of IDLC's business operations, the most important stakeholder groups are regulators, customers and employees (including key decision makers of

the organisation). For this report, IDLC has only interacted with customers and service providers who closely interact with the CSR department on pilot basis so that going forward, the process can be refined and more customers can be approached and information gathered more efficiently.

Although the concept of CSR is slowly gaining ground, practicing it to the full extent still remains a challenge for many companies and organisations. Enhanced awareness and communication on the sustainability and strategic aspects of CSR needs to be imparted to stakeholders, which will accordingly shape their expectations in terms of the organisation's CSR performance. IDLC is following and piloting direct engagement with stakeholders in compliance with the G4 reporting guidelines for the first time. Hence, employee understanding and engagement is crucial in this phase of reporting, as the employees will play the focal role in engaging customers in future.

In consideration of the above, IDLC has engaged with regulators, management and employees to identify their preferences, concerns and expectations from IDLC.

Sustainability Dimension	Key Stakeholders Targeted	Sustainable Business Objectives
Economic	Customers	<ul style="list-style-type: none"> Provide quality products that meet the needs of customers Careful management of operations so as to protect customer interest, especially those of depositors
	Suppliers/Service providers	<ul style="list-style-type: none"> Adhere to proper procurement regulations while maintaining a good business relationship with the service providers
	Regulators	<ul style="list-style-type: none"> Ensure compliance with all regulatory guidelines and directives

Stakeholders Engaged	Engagement Process	Key Issues raised by Stakeholders
Social	Employees	<ul style="list-style-type: none"> Continuously encouraging staff and working towards creating a healthy, ethical and supportive work environment Engaging staff in activities and sports other than business as usual, to achieve a balanced productive environment which is beneficial to both employees and IDLC
	Local communities	<ul style="list-style-type: none"> Implementing programs and initiatives targeted at marginalised communities and underprivileged to address the requirement of society in education/ skills development, healthcare and overall poverty alleviation Enhancing financial access to the marginalized
Environmental	Environmental/Non-Government Organisations	<ul style="list-style-type: none"> Conducting business without harming the environment
Regulators	<ul style="list-style-type: none"> One-on-one Meetings Circular issued by Bangladesh Bank on Green Banking & CSR 	<ul style="list-style-type: none"> Corporate governance, ethics and compliance Anti-corruption measures implemented by the organization Responsibility of the organisation towards the environment and the community

Stakeholders Engaged	Engagement Process	Key Issues raised by Stakeholders
Management	Discussions	<ul style="list-style-type: none"> ■ Corporate governance, ethics and compliance ■ Anti-corruption measures implemented by the organization ■ Financial performance ■ Creating an enabling environment for all IDLC staff ■ Non-discrimination, diversity and equal opportunities ■ Social obligations through capacity development of the underprivileged and women empowerment ■ Environmental obligations through in-house management, CSR and Green Banking initiatives ■ Superior customer experience through continuous improvement
Employees	Discussions & Survey	<ul style="list-style-type: none"> ■ Remuneration and benefits ■ Career growth and development opportunities ■ Fair treatment ■ Safe and healthy work environment ■ Work-life balance ■ Employee grievance management

MATERIAL ASPECTS IDENTIFIED THROUGH STAKEHOLDER ENGAGEMENT

As per GRI, materiality is the threshold at the sustainability subjects covered by the Guidelines – known as ‘Aspects’ – which become sufficiently important that they should be reported. Based on the issues raised by the stakeholders during the engagement process, the following Material Aspects have been identified and included in this Report:

- Economic
- Biodiversity
- Compliance
- Employment, Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity
- Equal Remuneration for Women and Men
- Non-discrimination
- Local Communities
- Anti-corruption
- Marketing Communications
- Customer Privacy

BOUNDARY DEFINED FOR EACH MATERIAL ASPECT

The Report details how IDLC addresses the material issues stated above and how these significantly influence performance both within and outside the organisation.

Category	Aspects	Material within the Organization	Material outside the Organization
Economic	<ul style="list-style-type: none"> ■ Economic performance ■ Procurement practices 	Yes	NA
Environmental	<ul style="list-style-type: none"> ■ Energy ■ Biodiversity ■ Compliance 	Yes Any negative influence on protected and/or high biodiversity areas caused by IDLC's operations may lead to fines/sanctions/ loss of license to operate/negative publicity.	Yes This aspect is material for the environment, and for communities living close to protected and/or high biodiversity areas.
Social			
I. Labour Practices and Decent Work			
	Employment and occupational health and safety	Yes	NA
	Training and education	Yes	NA



Category	Aspects	Material within the Organization	Material outside the Organization
Diversity and equal opportunity		Yes	Yes This aspect is material for communities where IDLC creates job opportunities through its operations/ branch networks.
Equal remuneration for women and men		Yes	NA
II. Human Rights			
Child labour		Yes	NA
Security practices		Yes	NA
Non-discrimination		Yes	Yes This aspect is material for communities where IDLC creates job opportunities through its operations/branch networks.
III. Society/ Local Communities			
Local communities		NA	Yes This aspect is material for local communities where IDLC has operations or investments in projects.
Anti-corruption		Yes	Yes This aspect is material for IDLC's customers and other stakeholders.
IV. Product Responsibility			
Customer health and safety		Yes	Yes This aspect is material for IDLC's customers.
Marketing communications		Yes	Yes This aspect is material for IDLC's existing and potential customer groups.
Customer privacy		Yes Maintaining privacy of sensitive customer information is one of the major priorities of IDLC's staff and a significant part of its employee Code of Conduct.	Yes This aspect is material for IDLC's customers.

IDLC is committed to continually review all corporate governance policies and guidelines to ensure transparency in its practices and delivery of high standards and quality information to its stakeholders.

Therefore, through continuous improvements and aiming to attain the sustainability business objectives by maintaining communication with

all the key stakeholders, IDLC envisions to uphold and realize its sustainable business practices best clarified and anchored by its sustainability positioning statement.

IDLC is committed to sustainable development by creating long-term value – value for our stakeholders, value for the environment and value for the community.

Chapter 10 | GRI – G4 Reporting Index

The Report is 'In Accordance' with "Core" standards of the G4 guidelines. Accordingly, the General and Specific Standard Disclosures have been detailed below.

General Standard Disclosures

'IN ACCORDANCE' – CORE	CHAPTER	PAGE NO
STRATEGY AND ANALYSIS		
G4 – 1	Statement of the Chairman of the Board	1
	Statement of the CEO & Managing Director	2
	Chapter 3 Corporate Governance ➤ IDLC's statement of corporate governance	37 - 41
ORGANISATIONAL PROFILE		
G4 – 3	IDLC Finance Limited	
G4 – 4	Chapter 1 The world of IDLC	20
	➤ Our Extensive Range of Products and Services	
G4 – 5	Corporate Head Office: Bay's Galleria (1st Floor), 57 Gulshan Avenue, Gulshan 1, Dhaka 1212	
G4 – 6	Countries Served: Bangladesh	
G4 – 7	Nature of Ownership and Legal Form: Public Limited Company	
G4 – 8	Chapter 1 The World of IDLC	5 – 21
	Our branches are located across districts including Dhaka (Dhaka, Savar, Keraniganj and Imamganj), Narayanganj (Narayanganj and Bhulta), Gazipur (Gazipur and Tongi), Narshingdi, Chittagong, Kushtia, Mymensingh, Comilla, Bogra, Natore, Jessore, Khulna and Sylhet (Sylhet, Habiganj).	
G4 – 9	Chapter 1 The World of IDLC	5 – 27
G4 – 10	Chapter 7 Our Human Capital	66 - 70
G4 – 11	100% employees are covered by collective bargaining agreements	
G4 – 12	The nature of our operations limits dependence on material or service procurement from external bodies. Our major suppliers include providers of office equipment's, including furniture, computers, kitchen appliances etc.; agencies for event organisation; contractors for maintenance of our branches; third-party agencies providing office assistants, security guards, cleaners etc.	
G4 – 13	Three new branches were opened at Mymensingh, Habiganj and Kushtia	
	Two products were introduced by SME Division; "IDLC Purnota" and "IDLC Udbhabon"	
	One product launched by subsidiary IDLC Investments Limited ; "Easy Invest"	
G4 – 14	Chapter 1 The World of IDLC	10 - 11
	➤ Business Segment Review (SME Division) ➤ Subsidiary Review – IDLC Investments Limited	18
G4 – 14	Chapter 3 Corporate Governance ➤ IDLC's Statement of Corporate Governance	37 - 49
G4 – 15	Chapter 2 Corporate Social Responsibility	
	➤ Regulatory Bodies and Memberships	29
G4 – 16	Chapter 1 The world of IDLC	
	➤ Memberships	27
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4 – 17	IDLC's two subsidiaries, IDLC Investments Limited and IDLC Securities Limited are included in the consolidated financial statements and accordingly have been covered in the Annual Financial Report 2015 and Annual Sustainability Report 2015.	
G4 – 18	Reporting Parameters	3
G4 – 19	Chapter 9 Stakeholder Engagement for Reporting	
	➤ Material Aspects identified through Stakeholder Engagement	73
G4 – 20	Chapter 9 Stakeholder Engagement for Reporting	
G4 – 21	➤ Boundary defined for each Material Aspect	73
G4 – 22	No information has been restated from that of the last report	
G4 – 23	This report has been prepared following the GRI-G4 guidelines. Major change in the scope of the report from G3.1 guidelines has been in terms of engaging with stakeholder groups to identify the most material aspects that influences the organisation's economic, social and environmental performances, as well as influences stakeholder perception.	



'IN ACCORDANCE' – CORE	CHAPTER	PAGE NO
STAKEHOLDER ENGAGEMENT		
G4 – 24	Stakeholder groups engaged by the organisation include Regulators, Management and Employees	
G4 – 25	Chapter 9 Stakeholder Engagement for Reporting	
G4 – 26	➤ Engagement with Stakeholders for Reporting	72
G4 – 27		
REPORT PROFILE		
G4 – 28	January 1, 2015 – December 31, 2015	
G4 – 29	April 2015	
G4 – 30	Annual	
G4 – 31	Ayesha Haque, Head of CSR, Mobile +88-0173-0374585, Email hayesha@idlc.com	
G4 – 32	GRI Content Index	
G4 – 33	No external assurance has been sought for this report	
GOVERNANCE		
G4 – 34	Chapter 3 Corporate Governance	33
G4 – 40		37 - 41
G4 – 45		37 - 49
G4 – 46		
G4 – 51		
G4 – 52		
ETHICS AND INTEGRITY		
G4 – 56	Chapter 1 The World of IDLC	8
G4 – 58	Chapter 3 Corporate Governance	45-49
	Chapter 7 Our Human Capital	69

Specific Standard Disclosures

DISCLOSURES ON MANAGEMENT APPROACH

IDLC has tried to identify sustainable business objectives by understanding stakeholder expectations which are correlated. This is to ensure that IDLC can meet the objectives, modify existing practices and if required, take corrective measures through the business model annually. For this report, IDLC has only coordinated with customers and service providers who closely interact with the CSR department on pilot basis so that going forward, the process can be refined and more customers can be approached and information gathered more efficiently. As per GRI, materiality is the threshold at the sustainability subjects covered by the Guidelines – known as 'Aspects' – which become sufficiently important that they should be reported. Based on the degree of importance and issues raised by the stakeholders during the engagement process, the following Material Aspects have been identified and included in this Report.

Indicators by Aspects

CATEGORY : ECONOMIC

Economic Performance

PARTICULARS	CHAPTER	PAGE NO
G4 – EC 1	Chapter 1 The World of IDLC	24 - 26
G4 – EC 4	Chapter 6 Environmental Initiatives	62 - 64
G4 – EC 8	Chapter 4 Transforming Lives Through Skills Development	53 – 54

CATEGORY : ENVIRONMENTAL

Energy

PARTICULARS	CHAPTER	PAGE NO
G4 – EN6	Chapter 6 Environmental Initiatives ➤ Green Banking (In-house environment management)	63

Biodiversity

PARTICULARS	CHAPTER	PAGE NO
G4 – EN 11	IDLC does not own, lease or manage any operational site that are adjacent to protected areas and/or areas of high biodiversity value outside protected areas	
G4 – EN 12	IDLC does not engage in any business or operation that has any form of direct and/or indirect impact on biodiversity	

Compliance

PARTICULARS	CHAPTER	PAGE NO
G4 – EN 29	IDLC has neither been party to any non-compliance with environmental laws and regulations of the country nor has it faced any fines in this regard	

CATEGORY : SOCIAL PRACTICES AND DECENT WORK**Employment**

PARTICULARS	CHAPTER	PAGE NO
G4 – LA 1	Chapter 7 Our Human Capital	66 & 70
G4 – LA 2	Chapter 7 Our Human Capital	66 - 68
G4 – LA 3	5 staff underwent maternity leave in 2015, with a 100 percent retention rate	

Training and Education

PARTICULARS	CHAPTER	PAGE NO
G4 – LA 9	Chapter 7 Our Human Capital	67
G4 – LA 10	Training on basic banking operations, professional salesmanship, business etiquette and professional excellence, credit risk management, environmental and social risk management, anti-money laundering and fraud etc.	
G4 – LA 11	Chapter 7 Our Human Capital	66 - 68

Labour and Management Relations

PARTICULARS	CHAPTER	PAGE NO
G4 – LA 4	The standard notice period is one month for such operational changes; however, this period may vary depending on the nature of operation and duties and responsibilities of the concerned officials.	

Equal Remuneration for Women and Men

PARTICULARS	CHAPTER	PAGE NO
G4 – LA 13	IDLC offers similar basic salaries to all male and female staff for each employment category. Any difference in gross salary is determined by the individual's performance, not his/her gender	

CATEGORY : HUMAN RIGHTS**Non-discrimination**

PARTICULARS	CHAPTER	PAGE NO
G4 – HR 3	No incident of discrimination has been notified to the Human Resource Department by employees through formal or informal channels.	

CATEGORY : SOCIETY**Local Communities**

PARTICULARS	CHAPTER	PAGE NO
G4 – SO 1	Chapter 4 Transforming lives through skills development	53 - 54
	Chapter 5 Facilitating curative and preventive healthcare	56 - 57
	Chapter 6 Environmental initiatives	59 - 61
	Chapter 8 Extended responsibilities	71

Anti-corruption

PARTICULARS	CHAPTER	PAGE NO
G4 – SO 3		
G4 – SO 4	Chapter 3 Corporate Governance	43 – 47
G4 – SO 5	IDLC's policy mandates immediate dismissal of employees proven to be involved in any form of corruption within and/or outside the organisation, and IDLC strictly adheres to this policy. Formal channels are in place for stakeholder to file complaints against any malpractice by any IDLC staff and accordingly actions are taken by the respective departments.	

Compliance

PARTICULARS	CHAPTER	PAGE NO
G4 – SO 8	IDLC has not been party to any non-compliance with laws and regulations of the country and has not faced any fines/ non-monetary sanctions in this regard.	

CATEGORY : PRODUCT RESPONSIBILITY**Marketing Communications**

PARTICULARS	CHAPTER	PAGE NO
G4 – PR 7	IDLC has not been party to any non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorships.	

Customer Privacy

PARTICULARS	CHAPTER	PAGE NO
G4 – PR 8	IDLC has not been party to any incident related to breaches of customer privacy and/or loss of customer data.	

Our awards showcase



15th ICAB National Awards for "Best Presented Annual Reports 2014" Financial Services - First Prize



15th ICAB National Awards for "Best Presented Annual Reports 2014" Corporate Governance Disclosures - Third Prize



SAFA Best Presented Annual Report Awards 2013 SAARC Anniversary Award for Corporate Governance Disclosures - First Runner Up



2nd ICSB National Awards 2014 Silver Prize



SAFA Best Presented Annual Report Awards 2013 Financial Services Sector - Certificate of Merit



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