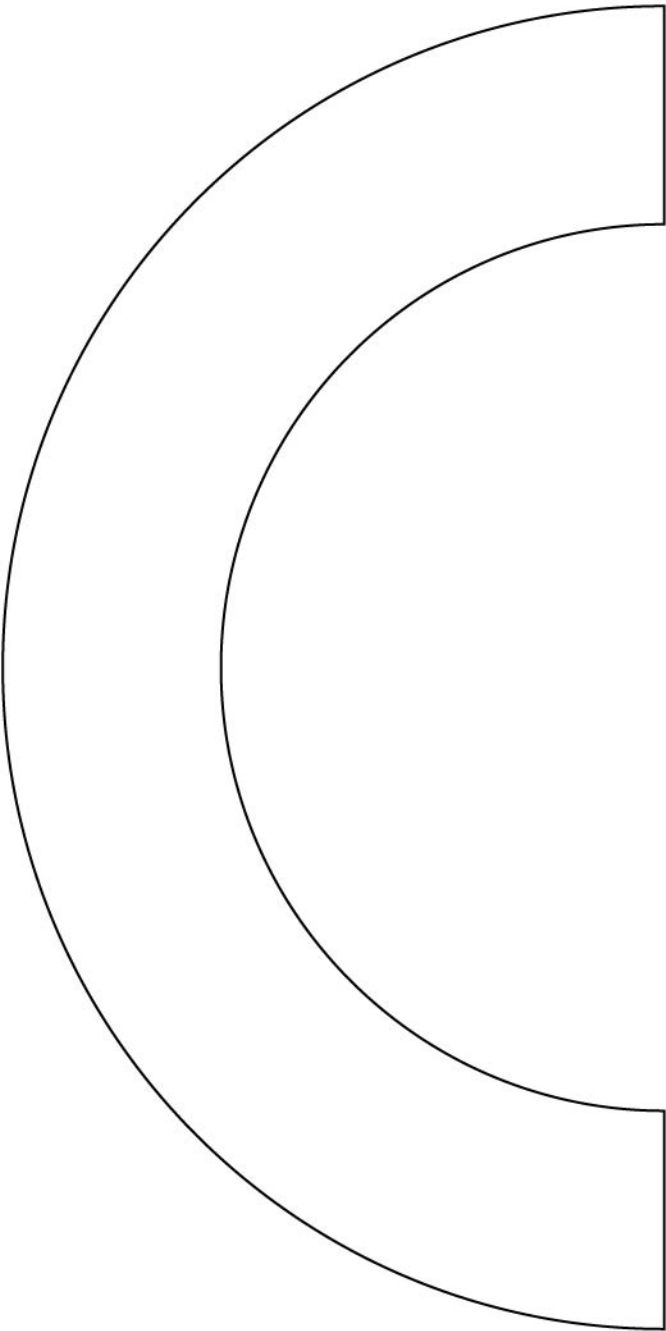


ENRICHING LIVES





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# Abbreviations

<b>ATA</b>	Anti-Terrorism Activities
<b>AML</b>	Anti Money Laundering
<b>BB</b>	Bangladesh Bank
<b>BSEC</b>	Bangladesh Securities and Exchange Commission
<b>BGMEA</b>	Bangladesh Garments Manufacturers and Exporters Association
<b>BID</b>	Basel Implementation Desk
<b>BAFI</b>	Basel Accord for Financial Institution
<b>Bn</b>	Billion
<b>CAGR</b>	Compound Annual Growth Rate
<b>CDM</b>	Clean Development Mechanism
<b>CDMP</b>	Comprehensive Disaster Management Programme
<b>CEO</b>	Chief Executive Officer
<b>CRMS</b>	Customer Relationship Management System
<b>CSR</b>	Corporate Social Responsibility
<b>DFID</b>	Department of International Development
<b>DFIM</b>	Department of Financial Institutions and Markets
<b>DPM</b>	Discretionary Portfolio Management
<b>DSE</b>	Dhaka Stock Exchange
<b>DTE</b>	Directorate of Technical Education
<b>ECR</b>	Environmental Conservation Rules
<b>EEEF</b>	European Energy Efficient Fund
<b>EEK</b>	Energy-Efficient Brick Kiln
<b>EnvRR</b>	Environmental Risk Rating
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>ESMS</b>	Environmental and Social Management System
<b>ETP</b>	Effluent Treatment Plant
<b>FDI</b>	Foreign Direct Investment
<b>FI</b>	Financial Institutions
<b>GB &amp; CSR</b>	Green Banking and Corporate Social Responsibility
<b>GCPF</b>	Global Climate Partnership Fund
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Green House Gas
<b>GRI</b>	Global Reporting Initiative
<b>GTSC</b>	Gazipur Technical School and College
<b>HNW</b>	High Net Worth
<b>ICC</b>	Internal Control & Compliance
<b>ICF</b>	International Climate Fund
<b>IDCOL</b>	Infrastructure Development Company Limited
<b>IDLC IL</b>	IDLC Investments Limited
<b>IDLC LF</b>	IDLC Ladies' Forum
<b>IDLC SL</b>	IDLC Securities Limited
<b>IFC</b>	International Finance Corporation
<b>IFG</b>	International Factoring Group
<b>IIDFC</b>	Industrial and Infrastructure Development Company Limited

<b>ILO</b>	International Labour Organisation
<b>IPFF</b>	Investment Promotion and Financing Facility
<b>IPO</b>	Initial Public Offering
<b>IT</b>	Information Technology
<b>JICA</b>	Japan International Cooperation Agency
<b>LEADS</b>	Livelihood Education and Development Services
<b>ManCom</b>	Management Committee
<b>MHFA</b>	Mental Health First Aid
<b>MIS</b>	Management Information System
<b>Mn</b>	Million
<b>MoU</b>	Memorandum of Understanding
<b>NBFI</b>	Non-Banking Financial Institution
<b>NGO</b>	Non-Governmental Organisation
<b>NRB</b>	Non-Resident Bangladeshis
<b>OJT</b>	On-the-Job Training
<b>PBT</b>	Profit Before Tax
<b>PPP</b>	Public-Private Partnership
<b>QIS</b>	Quantitative Impact Study
<b>REHAB</b>	Real Estate and Housing Association of Bangladesh
<b>RMG</b>	Ready-Made Garments
<b>RMF</b>	Risk Management Forum
<b>RPO</b>	Repeat Public Offering
<b>SBBN</b>	Small Business Banking Network
<b>SHS</b>	Solar Home System
<b>SME</b>	Small and Medium Enterprise
<b>SOP</b>	Standard Operating Procedure
<b>SREDA</b>	Sustainable and Renewable Energy Development Authority
<b>TAHN</b>	Training & Assistance for Health & Nutrition
<b>TAT</b>	Turn Around Time
<b>TNiA</b>	Training Need Assessment
<b>TVET</b>	Technical and Vocational Education and Training
<b>VAS</b>	Value Added Service





## Statement from the Chairman of the Board



Aziz Al Mahmood  
Chairman

### Dear fellow stakeholders,

At IDLC Finance Limited, as a national institution, we recognise our core responsibility to engage with governments, regulators and trade bodies across the country, helping shape a policy environment that operates in the best long-term interests of our clients and shareholders as well as for the wider financial community. With a rise in social inequality and with growing population growth-induced pressures on our natural resources, we realise that the requirement to act responsibly has never been greater and we are deeply aware of this reality. This is why we take our corporate responsibility seriously; in fact, it is not an appendage of our business, rather, it is an integral part of it.

It is no surprise then that we have a specialised and dedicated corporate social responsibility team and a separate Sustainability Report issued every year. For the wider benefit of our stakeholders, the impact of our practices highlighted in the report have been integrated within this reporting. Our principal objective is to present a collaborations-driven model that we have been practicing under our social responsibility ambit for maximising benefits and creating all-encompassing stakeholder value. I must also mention that as one of the leading enterprises in the financial services space in Bangladesh, it is our overarching responsibility to ensure that other players also come forward simply because there is just so much to do. The report is therefore an encouragement.

The spirit of embracing corporate governance is of utmost importance at IDLC. Resultantly, as one of Bangladesh's largest and

most trusted financial brands, we are committed to effective and transparent corporate governance in running our business. We aim to be transparent in all our activities and reporting initiatives and embrace best practices in our day-to-day operations, broadly guided by our model Code of Conduct that is signed and ratified by each member of our Company as their commitment to uphold the highest standards in all our dealings. Importantly, we remain committed to our relationships-based, collaborations-led and innovations-driven focus with which we have built our reputation.

As one of Bangladesh's leading non-banking financial institutions, our competitive standing and reputation stem from our drive to create value for the society at large. Our financial strength, risk management protocols, governance framework and performance aspirations are directly attributable to a discipline that regularly brings prosperity to our shareholders and customers and adds solidity to our business model.

Ambition, discipline and innovation drove IDLC's strong results for 2016. It is the combination of these key elements that frame our optimistic outlook for the future as well as we integrate our social responsibility practices as a part and parcel of our business, driving our commitment to spread the largest good to the widest number.

Best wishes,

**Aziz Al Mahmood**  
Chairman  
IDLC Finance Limited

## Statement from the CEO and Managing Director



Arif Khan, CFA, FCMA  
CEO & Managing Director

### **Dear reader,**

At IDLC Finance Limited, the strength of our business operations provide us with a strong impetus to remain committed to our social responsibility programs and aspirations. In a similar tone, our social responsibility activities and commitments to generate the maximum beneficial impact to the grassroots provides us with the license to operate our business, win the trust of our communities and embed philanthropy deeply into our culture.

On the business front, our overall funding and liquidity positions remained comfortable during the year 2016. This outcome is anchored on the strength of the IDLC brand and the niche we have created for ourselves in the non-banking finance sector (NBFC) in Bangladesh that has helped us stay ahead of the curve in a highly competitive landscape. Our journey is one that has been built upon the relationships we have created and nurtured with our stakeholder ecosystem comprising our customers, our employees, regulators, our shareholders, our communities and our environment. As an ideology, we engage in deeper and more meaningful collaborations with our stakeholders in order to create sustainable value and to help achieve common objectives through mutual benefit.

As an extension of our social responsibility commitments, since 2014, we have started to look more closely at the emerging possibilities of 'green finance' and sustainable business practices. Our business strategies are based on the fundamental conviction of sustainable business that creates an enduring enterprise, integrating good governance, environmental consciousness and social concerns. In other words, our sustainability model is deeply rooted on the 3P approach - people, planet and profit.

I am proud of the fact that in addition to our ongoing social commitments, we have developed the scope and size of our green finance business by achieving BDT 1,200 million of loan book with about 45 projects in the portfolio comprising green buildings, renewable energy and energy-efficient projects, waste management projects, capacity development programs and initiatives to ensure safety and security of factory workers, among others, over the past two years. We are in the business to create value and one of the ways in which we have done so is by progressively constructing a risk-mitigated business model with sustainable CSR budgets and spending.

In 2017, we expect to focus on creating a company that is institutional in size and start-up-like in culture. What remains unchanged however is our focus on growing our returns ratios, generating higher returns on shareholder funds and creating increasing value in the hands of all those who invest in us, grow with us and depend upon us. The latter is critical from a CSR standpoint as we continue to lend a helping hand to enhance the quality of lives on a micro level and contribute to comprehensive nation-building on a fundamental macro level.

We invite you to be a part of our CSR journey simply because there is just so much to do!

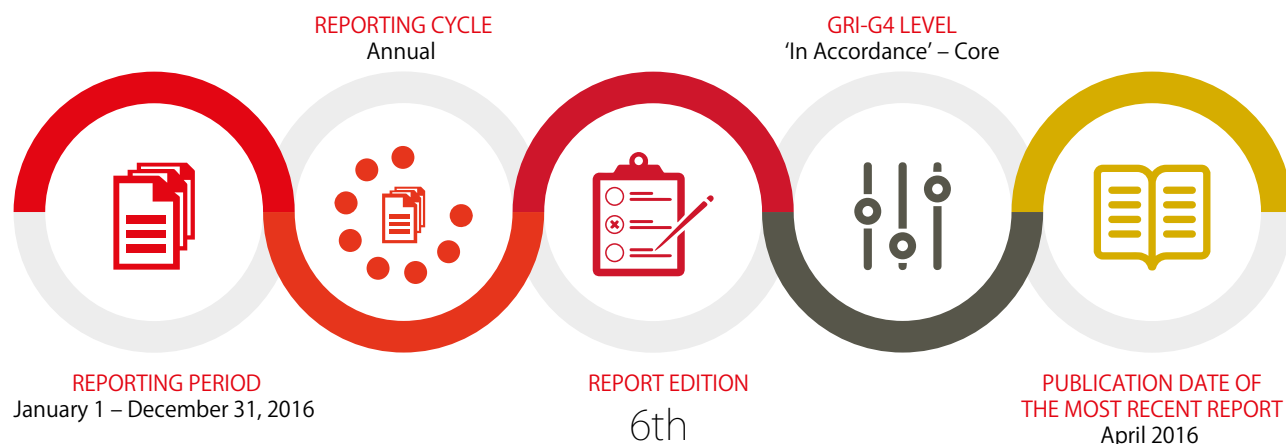
Warm regards,

Arif Khan  
CEO & Managing Director  
IDLC Finance Limited





# Reporting parameters



## Methodology and Materiality

GRI-G4 guidelines require stakeholder engagement to identify the material CSR and sustainability aspects for inclusion in the report. At IDLC, we have identified priority issues through discussions with the Board, the management teams and employees of the company. The CSR team also conducted interviews with CSR partners and beneficiaries and reviewed existing and new regulatory practices and incorporated the same, while drafting the report. The following were revealed as a result of the discussions that influence IDLC's economic, environmental and social performance:



Corporate governance, ethics and compliance;



Social and environmental obligations towards the community in which the company operates;



Capacity-building and enhancement of knowledge for key stakeholders; and



Superior customer experience through enhanced communication and stakeholder accountability.

Based on these issues, creating an enabling environment for all IDLC staff, 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 incorporated.



### Boundary

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



### Contact Information

Please email your valuable suggestions and opinions to [hayesha@idlc.com](mailto:hayesha@idlc.com), or contact Ayesha Haque, Head of CSR, IDLC Finance Limited, at +88-0173-0374585.

# 1 | IDLC: Inspiring Lives & Livelihoods

Weaving a new story of growth, grit and gumption!



Bilkis Begum is an 18-year old bright and brave young woman hailing from Chor (Riverine Island), Nilphamari, Bangladesh.

Bilkis and her family lived in penury as her father's farm income was barely enough to make ends meet for a family of six. Poverty forced Bilkis to cut her studies short. Aspiring to contribute to the family, Bilkis tried many doors but in vain. She was almost about to give up when the community workers of Care Bangladesh met and counselled her. She was encouraged to attend a session held

at the village and through the discussions, Bilkis identified a new horizon opening up for her. She realized that this could be the ideal platform for her to leverage her abilities, learn new skills and eventually contribute to the family as well.

In due course, Bilkis enrolled herself at the Gazipur Technical Training School and College in 2016. Part of Batch 11, she successfully completed her technical and on-the-job training at Far East Knitting and Dyeing Industries. Following successful completion of all the training modules, Bilkis eventually joined as a machine operator at the Gazipur factory.

IDLC, as part of its CSR initiatives, implemented the skills development project in collaboration with Far East Knitting & Dyeing Industries Limited, ILO TVET Reform Project, Care Bangladesh and Gazipur Technical Training School & College, from June 2013 – December 2016. Through this model public-private-partnership, IDLC was able to train 242 marginalised women from North Bengal with 60% retention in the RMG sector. Clearly, this model signifies that progressive partnerships are at the heart of achieving sustainable results.

Today, Bilkis has empowered herself through enhancing her skills and now earns as much as BDT 8,000, half of which she spends for her family. She is now a vital part of Bangladesh's garments industry, contributing to the country's economy and leading the charge in women empowerment.

## Education – A powerful hope for a better future



Mariyam Akter lost her father at the tender age of five. Her mother, in the hope of giving her a better future, requested relatives to help find a foster family or enrol Mariyam in a boarding school. With the help of close relatives and community volunteers, Mariyam got enrolled in the Dhaka Ahsania Mohila Mission Orphanage & School (DAMM).

Mariyam completed SSC and HSC from the school and tried to return to her village. Unfortunately, the hardships would never cease as going back to the village either meant getting married or living in poverty. Being high-spirited and gritty, Mariyam returned to DAMM and asked for assistance that would help her attain higher educational qualifications and get a decent job.

In 2016, Mariyam completed a Diploma in Nursing and is now working as an assistant paramedic at BNSB Dhaka Eye Hospital.

The story of Mollika Akter Lubna, enrolled in Dhaka Ahsania Mohila Mission at the age of five, is similar. She lost her father when she was only three-months-old and since then, her family had no earnings source. At one point, her mother, in desperation, thought about giving her daughter for adoption. Fortunately, she then got to know about Dhaka Ahsania Mohila Mission and brought her daughter Lubna to Dhaka and admitted her in the school. After completion of her SSC and HSC, Lubna successfully got admission in Titumir College for higher studies. Today, she is pursuing an Honors degree and will soon be graduating with a major in Political Science.

Lubna thus gained back her confidence and started weaving a new dream for her life. She is now looking forward to build a promising career and contribute to the growth and development of the country.



## Turning disabilities into abilities, converting challenges into dignified opportunities



Sumona Akter lives with her four-member family in an area adjacent to Mohammadpur. When she was born, she had no major complications but at the age of three, her parents noticed that she did not respond to sound and also did not engage in any verbal communication. When she was four, she was enrolled in SEID, a voluntary development organisation that works for promoting the

rights of persons with disabilities. She was assessed with having multiple disabilities including speech and hearing impairment.

In 2015, supported by IDLC, she was enrolled into a vocational training program and a mainstream school, Fulkuri Kindergarten & High School, at Adabor, Dhaka. Sumona has displayed a unique passion for such activities as block, batik, tie-dye, embroidery and sewing. As a result, she was selected for advanced vocational training and admitted in Ashar Alo Training Centre under the department of Cutting and Handicraft, in 2016. Her performance was satisfactory and it is expected that she will be able to get a job with their support. After receiving professional assistance from SEID, she gradually developed her skills in reading, writing and drawing. She also became a part of several cultural performances, performing in a number of national-level programs as well as engaging herself in woman empowerment advocacy.

Sumona is now 15 years old and, unfortunately, her father passed away a year ago, putting the family into a severe financial crisis. However, due to the training received by Sumona, she now helps her only earning parent (mother) by taking orders for embroidery and hand-stitched products. Sumona now earns BDT 1,500 per month. She has not only developed her skills but has also demonstrated her potential and is now actively contributing to her family, living a life of dignity and respect.

## Partners speak

“We were never refused by IDLC whenever we asked for any assistance. It was just about sending a formal proposal and the rest was done from their end, if they found merit in the idea. Our children are grateful to IDLC for their sustained contributions over the last five years. Their support means a lot to us and our children and represents a beacon of hope for a better tomorrow.”

**Mahfuza Khanam**  
President  
Shishu Bikash Chhaya

“After a family setback, Lubna almost gave up all hope to continue with her further studies post completing her HSC. But with the support from IDLC, she started reliving her dreams again. Similarly, Mariyam also continued her higher studies in nursing after receiving financial support from IDLC. This is how both Mariyam and Lubna started a new life. Thanks to IDLC for always standing besides us and guiding these students towards a brighter future.”

**Nurunnahar Abed**  
General Secretary  
Dhaka Ahsania Mohila Mission

“Most school teachers find it difficult to manage pupils suffering from mental health problems. Research has indicated that in a classroom, one in 10 adolescents suffer from some kind of mental illness, including depression, anxiety and ADHD. Relevantly so then, for the first time in Bangladesh, in partnership with IDLC Finance Limited, the Innovation for Wellbeing Foundation could pilot a mental health first-aid program for high school teachers. It was lifetime experience for all 50 teachers who participated in this pilot project. Besides, as many as 2,000 students took part in the awareness discussions. Salma, a student of class 10, said ‘I will never bully my peers as I now know how it affects their mental health and their wellbeing.’ In a small way, we achieved a big victory that day!”

**Monira Rahman**  
Founder & Executive Director  
Innovation for Wellbeing Foundation

## 2 | ABOUT IDLC

### Who we are



IDLC Finance Limited is a full-service NBFIL with a deeply entrenched presence in Bangladesh. We are focused on meeting the financing needs of businesses and individuals, while providing extensive financial solutions and value added services. We emphasize on securing the long-term wealth aspirations of our deposit-holders. And we implement the brokerage and investment mandates of our retail and institutional customers with speed and surety.

### Our founding philosophies



#### Vision

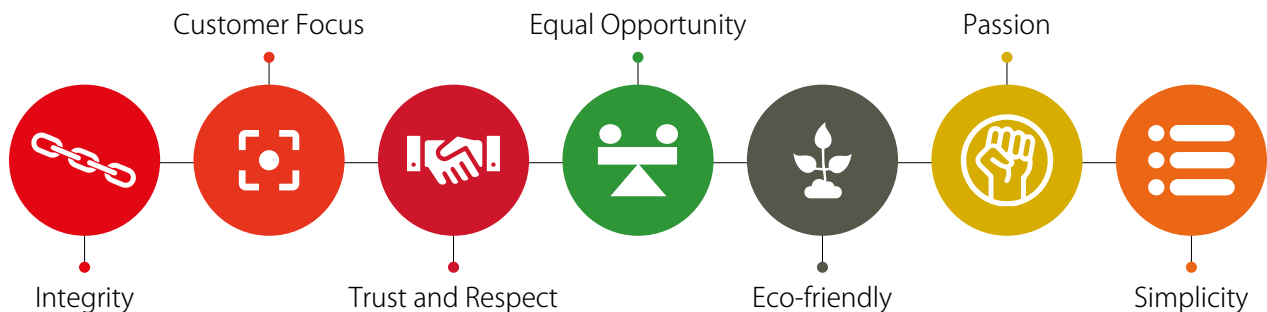
We will be the best financial brand in the country.



#### Mission

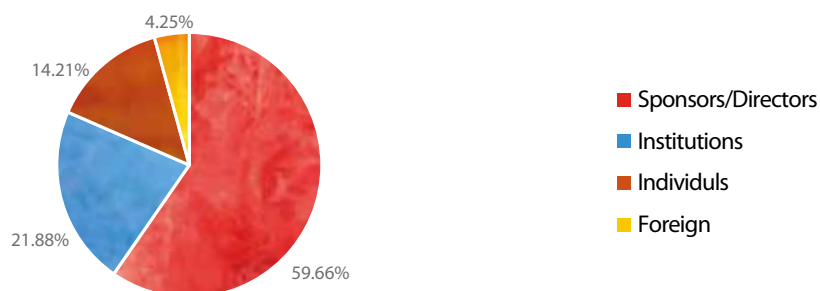
We will focus on quality growth, superior customer experience and sustainable business practices.

### Core values



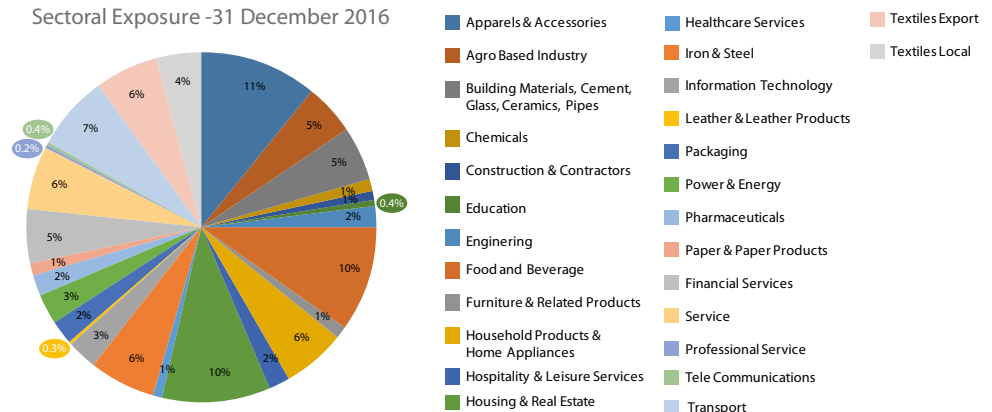
### Shareholding structure

Shareholding Composition 2016



### Sectoral exposure

Sectoral Exposure -31 December 2016



# Our range of products and services



## Small and Medium Enterprises (SME) Finance

### ▶ 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
- Commercial Space Loan
- Commercial Vehicle Loan

### ▶ Supplier and Distributor Finance

- Factoring of Accounts Receivable
- Bill/ Invoice Discounting
- Work Order Financing
- Distributor Financing



## Corporate Finance

### ▶ 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
- Arrangement of Commercial Paper, Preference Shares, foreign currency loans etc.
- Securitisation of Assets
- Working Capital Syndication
- Corporate Advisory/ other services

### ▶ Green Banking Solutions

- Over 50 products offered under Green Banking and Sustainable Finance as per Bangladesh Bank Green Re-finance scheme



## Capital Markets Operations

### ▶ IDLC Securities Limited

#### Products

- Cash Account
- Margin Account through IDLC Investments Limited and other enlisted merchant banks
- Easy IPO
- Premium Brokerage for High Net worth Individuals (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

### ▶ IDLC Asset Management Limited

- Mutual Funds
- Alternative Investment Services



## Consumer Finance

### ▶ Loans

- Home Loans
- Car Loans

- Personal Loans
- Loan Against Deposit

### ▶ Deposit

- Flexible Term Deposit Package
- Regular Earner Package



# Our Business Model

## Our value proposition

Superior customer service, customised products and quick turnaround time (TAT) in meeting our clients' financial needs



## Our key partners and providers of funds

### IDLC Finance Limited



Shareholders



Central Bank



Other banks and financial institutions



Deposit clients



Multilateral organizations

### Subsidiaries



Investors



Regulators

### Group



Vendors



NGOs



## Our key resources



Funds



Our human resources



Our intellectual capital



Natural and other resources



Relationships with stakeholders



Policy incentives

Having over 30 years of experience in the marketplace, our business model is designed to withstand market pressures and absorb macroeconomic shocks.

In order to make optimum contributions across the value chain, we are careful to strike a balance between different stakeholder objectives.

With a keen sense of changing market dynamics and rapidly changing technology, our management team strives to make the best use of our available resources, expanding on them strategically.

### Channels

- ▶ Branches
- ▶ Direct selling
- ▶ Telephone and online channels

### Modes of communication

- ▶ One-on-one meetings
- ▶ Phone conversations
- ▶ On-site visits
- ▶ Conferences
- ▶ Website
- ▶ Newspapers
- ▶ Reports











### Key activities

-  Innovate and sell financial products
-  Grow, develop and maintain client relationships
-  Attract and manage investments
-  Create brand awareness
-  Commit to social and environmental responsibilities
- Supporting activities**
-  Risk management
-  Continuous process improvement
-  Ensure employees' engagement and wellbeing
-  Maintaining financial prudence










### Our offerings

-  SME finance products
-  Corporate finance products
-  Consumer loan products
-  Savings products
-  Investment products and services
-  Investment banking services
-  Corporate advisory services
-  Brokerage services



### Our clients

-  Small and Medium Enterprises (SMEs)
-  Corporate Houses
-  Individuals
-  Limited companies
-  Institutional investors
-  Fund managers
-  Foreign investors and brokerage houses



### Cost structure

- ▶ Interest expense
- ▶ Infrastructure and technology
- ▶ Human resources
- ▶ Other administrative expenses



### Revenue streams

- ▶ Interest income
- ▶ Fee income
- ▶ Investment income
- ▶ Commission income

# Business segment review

## SME division

IDLC's SME division provides a wide bouquet of loan products and solutions to small and medium enterprises (SMEs), helping them meet their aspirations of achieving sustainable business growth. Our suite of loan facilities and financing solutions, including term loans, working capital, project financing, Abashan loans or rent loans for small enterprises and working capital and project financing loans for medium enterprises, among others, have created a real impact in the market and led to the division's sustainable growth over the years.

Recognising the growing competition in the industry, the division made significant investments in technology to ensure faster and more seamless services to SME clients. Towards this, the division fully implemented an automated credit appraisal system after the success of its pilot run. This technological advancement will not only save time in credit assessment and approval but also contribute to environmental sustenance by reducing paper usage. A centralized operation system, yet another pilot program, was launched during the year to accelerate the service delivery process. This system will help in processing and preserving all sorts of loan-related documents. We also launched a comprehensive credit scoring model on a pilot, which, once in full operation, will make credit assessment of small businesses even quicker, thereby

leading to faster credit disbursal. During the year, we expanded our footprint by establishing four new branches in the industrially-thriving pockets of Habiganj, Mymensingh, Kushtia and Rangpur districts of Bangladesh.

### Outlook

- ▶ Focusing on business growth along with maintaining portfolio quality and strengthening the IDLC SME brand in SME financing.
- ▶ Strengthening human capital to enhance productivity to optimal levels through extensive training.
- ▶ Introducing new products and modifying the existing products to meet the evolving market demand.
- ▶ Implementing web/app-based client services to better serve our customers as well as create an institutional memory.
- ▶ Providing training to women entrepreneurs of different districts with a view to enhance their capacities and capabilities.
- ▶ Tying-up with local and multilateral agencies to work towards the development of marginal sectors that possess significant latent growth potential.
- ▶ Focus more on SME customer-engagement activities.

## Consumer division

IDLC's Consumer division fulfils a vital role in the context of the overall asset and liability business of the IDLC Group, ensuring quality-led sustainable growth. The division is anchored on its major strengths that include long standing and proven customer relationships, expert and professional sales team with door-to-door servicing capabilities and faster loan disbursement time frame. Besides, the division's direct involvement in consumer retail finance through providing home loans and car loans, the division contributes significantly to the long-term growth of the Company. Over the years, the division has created robust fund sourcing capabilities (consumer deposit) from both retail as well as institutional segments to ensure the smooth and streamlined flow of loan disbursement for all of the Company's business divisions.

The Consumer division launched a new variety of variable rate home loans with geography-based pricing to align better with evolving customer needs and requirements. Besides, home loan product features were actively reviewed for outstation branches and effective changes were incorporated to make the products more convenient and attractive for customers, especially those residing outside Dhaka. With a view to further reinforce our customer relationships, we restructured and repositioned our central customer services team for ensuring faster service and a uniform experience to our clients. In addition, we introduced the online credit appraisal system (OCAS) that resulted in significant value addition in terms of ensuring faster loan application processing. The system also works as an online data warehouse, enabling us to retrieve comprehensive customer data at the click of a button.

The division empowered its teams with the objective of

developing their decision-making, leadership and entrepreneurial capabilities. As such, during the course of the year, over 25 internal and external training and development sessions were conducted for our business team.

The division organised several meetings, product training camps and relationship management events for a large number of the country's real estate developers and automobile showrooms and dealerships. For instance, a 'Fly High' sales campaign was launched for all car vendors of the country in June 2016 and continued till December 2016. In addition, we also participated in the BARVIDA car exposition and the REHAB fair to showcase our brand, engage with the industry and remain aware of the key trends shaping the industry. Also, new special offers were made to renowned corporates with a strong credit track record and positive response was received from this initiative.

### Outlook

- ▶ Drive quality and profitability-driven growth by increasing the number of loan applications through better coordinated efforts.
- ▶ Enhance the geographic footprint beyond Dhaka to tap into homogenous growth emerging out of other major regions and areas.
- ▶ Improve asset portfolio quality by engaging in comprehensive screening during loan sourcing and reduce PAR and NPL levels though consistent follow-up.
- ▶ Emphasize on portfolio retention, especially in the wake of rising competitive intensity.
- ▶ Increase employee productivity.
- ▶ Increase the number of retail deposit customers.



## Corporate division

Over the passage of time, IDLC's Corporate division has made significant inroads into the confederation of local corporates, large corporate houses and multinationals. This was made possible through our integrated relationship management approach with strong customer orientation, innovative product offerings and superior service delivery. Progressively, the division has also expanded its geographical coverage and extended its product basket. Today, the division's product suite comprises simple lease finance, term loans, working capital finance across tenors, asset finance, project finance, green finance under Bangladesh Bank schemes and spontaneous participation in syndication arrangements, among others.

The division's expertise and ability to provide innovative solutions to partner the growth aspirations of corporate clients is supported by the following key USPs:

- ▶ Faster service
- ▶ Customised solutions
- ▶ Competitive rates
- ▶ Comprehensive industry knowledge
- ▶ Transparency
- ▶ Trust and credibility

### Outlook

- ▶ Focus on need-based financing to accommodate the growth aspirations of corporate clients.
- ▶ Foster business development through providing both long-term and short-term financing options to the country's fast-growing corporate houses.
- ▶ Actively monitor government policies and track key macro- and micro-economic indicators for timely identification of targeted niche market and growth sectors.
- ▶ Structure composite solutions through traditional and non-traditional financing products.
- ▶ Initiate strategic alliance with banks and development organisations to tap into various business avenues and deliver cost-effective and value-added solutions to corporate clients.
- ▶ Continue to invest in people and technology to augment productivity.
- ▶ Explore green financing avenues to promote sustainable business practices among the existing and potential clientele.
- ▶ Attain higher operational efficiency within the ambit of regulatory frameworks to render flexible and thoughtful client services.
- ▶ Achieve stable but quality growth through maintaining low NPLs.
- ▶ Utilise cross selling opportunities for new business acquisition.

## Structured Finance department (SFD)

Though the Bangladeshi economy is integrated with the global financial system, being an emerging economy, it is continuing on its growth path and hence, industrial and large project financing has become one of the key drivers of this transition. In this context, loan syndication has emerged as an important facility since it helps diversify lender risks and builds borrower credibility as many banks and financial institutions participate in the loan arrangement, especially for large-sized projects.

With substantial GDP growth in the recent past, financing demand for large infrastructure projects (transportation, communication, water and energy, etc.) is on the rise. In addition, public-private partnership (PPP) projects have also come to fulfil a vibrant role in the demand for syndicated financing for large infrastructure projects. The development of the Bangladeshi economy has created a growing appetite for financing large-scale projects. Mega projects require various forms of financing collaborations for successful fund arrangements. In addition, a vibrant capital market is necessary for structuring different products such as coupon-bearing bonds, zero coupon bonds, convertible bonds, etc. In the future, syndication deals are expected to become more complex as well as fiercely competitive. Besides, new sectors requiring newer funding models are also expected to emerge over time. In parallel, adoption of global practices, prioritization of environmentally- and socially-responsible projects and the efficient use of energy will be an important part of loan syndication.

**Some of the notable projects executed by the department include the following:**

- ▶ Completed the raising of around BDT 8,000 million for Karnafuly Dry Dock Limited with a significant portion of the revenue already generated from the deal.
- ▶ Arranged BDT 1,350 million in the form of zero-coupon bonds in order to fulfil certain funding requirements. We also received the mandate for arranging Tier-II subordinated

bonds for commercial banks and fund raising is currently in progress. A significant portion of the fee income will come from this particular source in 2017.

- ▶ Arranged BDT 2,450 million as commercial paper (CP) for three eminent corporate houses of the country.
- ▶ In the trustee business, the SFD marked a new milestone by acquiring new trustee deals from such institutions as AB Bank, Jamuna Bank, Trust Bank, BanglaTrac and Mutual Trust Bank. In total, 14 trustee deals are in progress and significantly contributing to the annual income of SFD.
- ▶ In addition to regular business, the SFD sponsors several knowledge sharing events. For instance, the department arranged 'IDLC Presents - Blueprints 2.0', a platform for participants to apply their financial knowledge into analysis and decision-making, working with templates of actual financial models, getting an opportunity to engage in discussions with professionals and enriching their skills as aspiring financial analysts.
- ▶ The SFD also arranged a training program on 'Mastering Project Finance' with Euromoney Learning Solutions, a globally-acclaimed training institution for capacity-building for industry professionals. The prime purpose of arranging these activities is to nurture and sustain relationships with clients and other stakeholders.

### Outlook

- ▶ Expand product portfolio.
- ▶ Continue to arrange funds for large infrastructure projects.
- ▶ Continue to provide support to banks through its advisory services on compliance-related issues with regards to the Basel-III accord.
- ▶ The department also expects to manage all the existing agency and trustee deals through a dedicated team to provide better and faster service.

## Green Banking

With rising global awareness on the negative impact of fossil fuels and other conventional energy sources, IDLC has identified Green Banking as one of its major priority sectors and is recognised as one of the market leaders in promoting the concept of green banking in Bangladesh.

At IDLC, we are focusing on the ideology of 'mother planet and its sustainability', shifting from the traditional financing approach to next-generation green banking that supports sustainable and environmentally-positive developments. We do so through providing a wide range of especially-designed products and services at preferential terms and rates. Since its incorporation, IDLC's Green Banking unit (GBU) has been promoting environmental-friendly practices and reducing its overall carbon footprint.

## Subsidiary review

### SME division

In its quest towards providing holistic customer-facing solutions, IDLC operates three subsidiaries:

- ▶ IDLC Investments Limited
- ▶ IDLC Securities Limited
- ▶ IDLC Asset Management Limited

These subsidiaries are engaged in providing a broad range of capital market solutions. IDLC Asset Management, which was recently established, was created with a view to fortify the services basket of the IDLC Group in terms of offering a bouquet of mutual

fund products, thereby providing customers access to structured potential long-term wealth creation platforms.

Though the Group's capital market businesses were significantly impacted in the 2010 meltdown 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 socio-political climate becomes more conducive and stable.

### IDLC Investments Limited

IDLC Finance Limited commenced its merchant banking operations in 1999 through participating in IPOs underwriting. The Company managed its first IPO as issue manager in 2003. Aligning with regulatory requirements, the merchant banking operation was carved-out and transferred to IDLC Investments Limited (IDLCIL), a wholly-owned subsidiary of IDLC Finance Limited. IDLCIL was established in the year 2011.

#### Products and services offered

- ▶ 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 under IPOs, Substantial Share Acquisition & Takeover and Equity valuation.
- ▶ Discretionary portfolio management (DPM): MAXCAP, Profit-loss sharing scheme, Capital protected scheme, Portfolio advisory service & Easy Invest.

#### Core highlights, 2016

- ▶ Broadened the DPM product basket through the formal launch of 'Easy Invest', a monthly investment scheme that focuses on building a long-term portfolio with small regular investments. IDLC Investments pioneered the launch of this innovative product in the Bangladeshi capital markets.
- ▶ Over the last decade, the DPM team generated an average return of 8.41% and the current portfolio AUM stands at about BDT 8 million.

- ▶ Managed nine IPOs to raise a cumulative BDT 6,515 million as of 31 December 2016.
- ▶ Assisted in raising BDT 31,316 million for clients so far (since inception).
- ▶ Reduced margin loans significantly since 2010 when the prolonged bearish run in the market had started and have effectively cleaned the books. Simultaneously, we embraced the opportunity of counselling our clients to build a constructive, risk-mitigated and long-term portfolio.
- ▶ Investment banking division achieved a robust performance (with revenue growth of 57.36% to BDT 28.42 million in 2016) with significant contributions from corporate advisory fees (60.6%) and issue management fees (38.7%).

#### Outlook

- ▶ We will actively market and grow the portfolio of our wealth-generating products like discretionary portfolio management and Easy Invest (monthly systematic investment plan).
- ▶ Due to the positive attitude of investors and increase in market participation in the form of incremental investments in the capital markets, many previously dormant investor accounts are also becoming active. Against this backdrop, we will look to cautiously increase our margin loan portfolio in a risk-managed way.
- ▶ Our investment banking team will be active to close the deals we currently have on board as we well actively seeking to generate new deals.





## IDLC Securities Limited

IDLC Securities Limited (IDLC SL), one of Bangladesh's top brokerages, commenced operations in 2006. The Company provides brokerage services to more than 15,000 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. The company possesses a proven track record of delivering quality customer services in strict compliance with prevailing rules and regulations and maintains high standards for both corporate and employee ethics. IDLC Securities also offers premium brokerage services to high net worth (HNW) institutional and foreign investors.

### 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

### Core highlights, 2016

- ▶ Significantly scaled-up the brokerage business, which does not require additional capital investments
- ▶ Fine-tuned the business model to achieve higher efficiency
- ▶ Expanded and reinforced sell-side research coverage
- ▶ Enhanced retail and strategic sales efforts with the outcome of enlisting a larger customer base
- ▶ Achieved significant footing in foreign sales operations
- ▶ Revamped operational risk management processes

### Outlook

2016 was about consolidation as we prepared to look to the future with confidence after coming out of the legacy issues of the past. With intellectual capital being an important fuel of our business, we have built a strong team over the last couple of years. As we capitalize on our human resources and integrate our teams, we believe we can unlock significant operating leverage to further provide value to our customers. We will also engage in capacity-building sessions for our dealers, actively monitoring their portfolios. We expect to build on this human resource and dealer network expansion as we further mine customer accounts and grow our business in a controlled and calibrated manner.

## IDLC Asset Management Limited

IDLC Asset Management Limited, a fully-owned subsidiary of IDLC Finance Limited, 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 Company was awarded with asset management license on 6

June 2016 with a paid-up capital of BDT 100,000,000 (BDT one hundred million only). IDLC Asset Management expects to operate in the nascent and attractive asset management sector of Bangladesh, reinforcing the IDLC Group's capital markets product portfolio. The Company's principal objective is to conduct the business of asset management, primarily through launching and managing mutual funds, to cater to diverse investor needs.

### Products

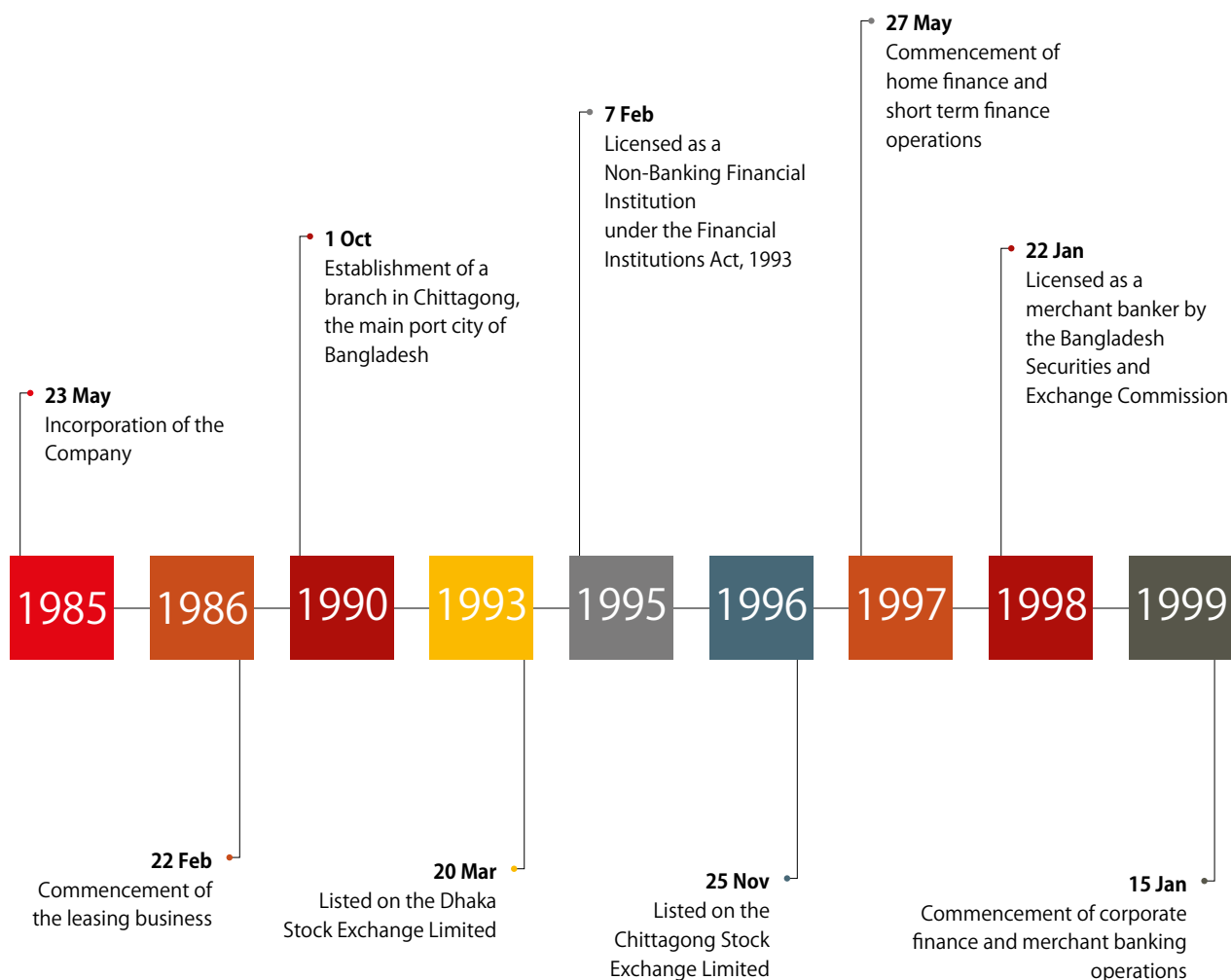
- ▶ Mutual funds & Alternative investment services.

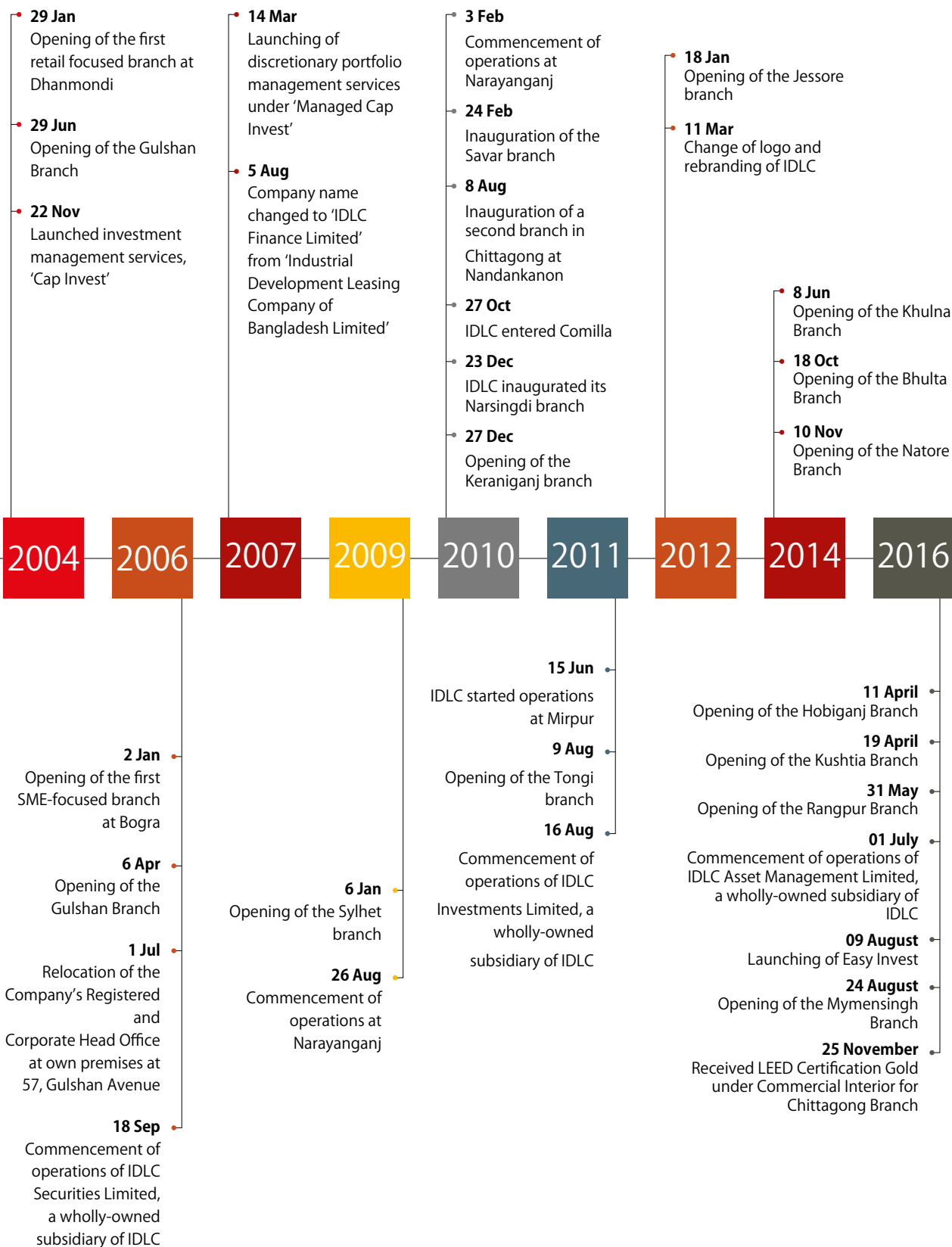
### Outlook

- ▶ Launch the Company's first open-ended mutual fund, 'IDLC Balanced Fund' (subject to regulatory approvals).
- ▶ Launch a series of open-ended mutual funds (subject to regulatory approvals).
- ▶ Develop extensive sales, distribution and marketing channels to broaden the customer base for mutual funds distribution.
- ▶ Leverage the strong brand equity of our parent company and create a vast network infrastructure, we intend to enhance financial literacy and reach out to a larger population segment.

# Key Corporate Milestones

## 1985-2016

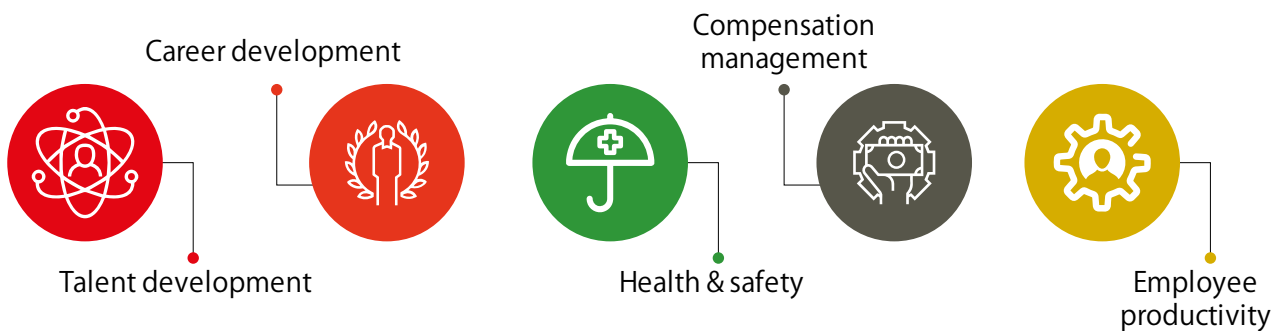




# Human Capital

Our human capital not only encompasses our employees, but also their health and well-being, their expertise, their experience, their innovative capacity and their motivation. Their skills and involvement determine our ability to realize our vision of becoming the best financial brand in the country. Our people define our success. Over the years, their passion, dedication and commitment have empowered us to reach new heights, propelling the company to become the leading NBF of the country.

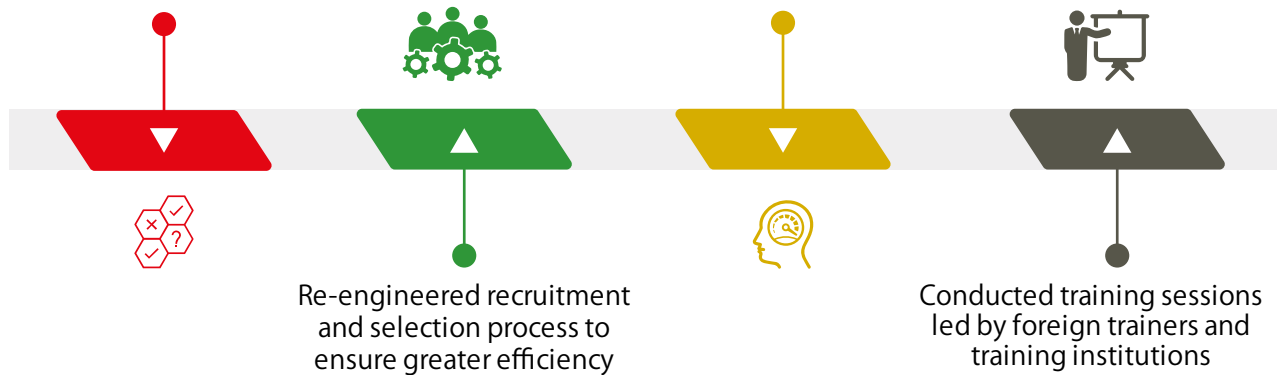
## Material Aspects



## Highlights


Restructured compensation and benefit policy to attract, retain and motivate the best resources

Increased focus on enhancing job objective based performance appraisal system for all employees



## Challenges

  
Ensuing work-life balance

  
Providing a vibrant and congenial work environment

  
Enhancing employee motivation

  
Boosting employee retention



At IDLC, our goal is to ensure that our people are motivated, inspired and committed to delivering a consistently outstanding performance. We deeply believe that in order to achieve this we need to provide them a great place to work, develop their capabilities, empower them and appropriately reward their contribution.

## HR Planning

The primary goal of our human resource department is to ensure that we have the right people at the right time in the right position. Our HR department, through continuous consultation with other departments, determines our future HR requirement. We then aim to meet such requirements through talent acquisition, talent development and succession planning.

Our objective always remains to recruit dynamic people whose caliber and capabilities are best suited for the job, which we conform to through our multi-step merit-based recruitment and selection process. In addition to recruiting employees externally, we seek to meet our HR requirements through job rotations. This enables us to create more career opportunities for our people and enhances both lateral and upward mobility in our organisation.

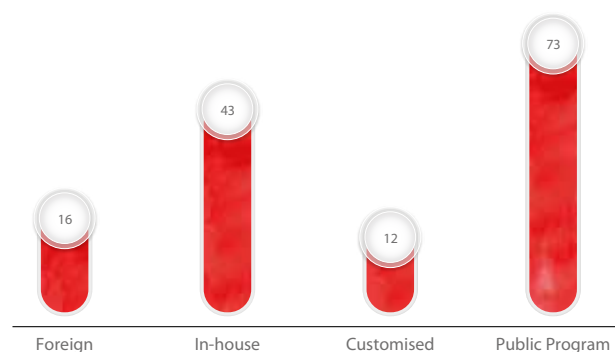
## Talent Development

We need to ensure that our employees are equipped with all the necessary skills to meet the ever-changing demands of this fast-paced, competitive industry. Therefore, we aim to create a culture of continuous development to enable them to grow and succeed throughout their careers.

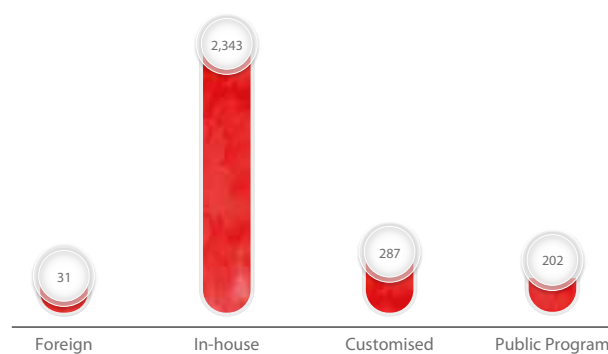
While we try to provide our employees the maximum number of training and development opportunities, we also encourage them to take responsibility for their own development. This is fully supported by our training evaluation model, which not only identifies the training programs necessary for the employees to perform their day-to-day job roles, but also considers the areas they seek to become more proficient in.

During the year, we have invested around BDT 14.19 million in developing our people and provided 144 trainings.

### Number of Trainings



### Number of Attendees



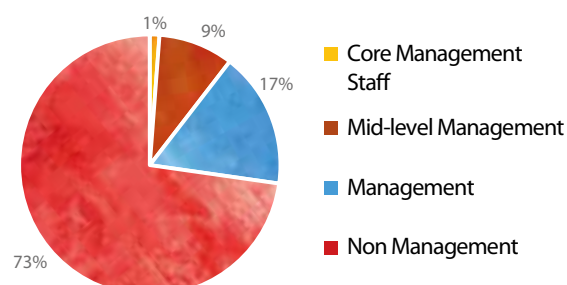
## Performance and Reward

Our employees are reviewed against their job objectives either annually or semi-annually depending on their job roles. Our performance appraisal process enables us to emphasize on the growth of our employees as well as identify their learning and career development needs. As a part of this process, through constructive dialogue, our employees are also encouraged to work on areas where there is scope of improvement. We also get to identify our high-potential employees for our succession-planning program. This process also helps us to ensure that the contributions of our employees are properly recognized and appropriately rewarded.

## Succession Planning

Succession planning is critical to us, as it enables us to ensure leadership continuity and avoid extended and costly leadership vacuum. We prefer to promote from within the organisation so that we can create greater career opportunities for our people. During the year, we had several internal moves and promotions into key leadership positions, reflecting that we have been able to grow the depth of our talent pool, consequent to which our succession pipelines for key management positions got strengthened. In 2016, a total of 644 employees were promoted.

### HR Composition





## Health and Well-being

At IDLC, the health and well-being of our employees is one of our top priorities. Following measures have been taken to ensure the well-being of our employees both inside and outside the office.

- ▶ Fire safety measures: All our branches are well equipped with necessary safety measures including fire alarms, fire extinguishers, etc. Periodically, fire drills are carried out to test the effectiveness of the fire safety measures.
- ▶ First aid kits: All our branches have well-equipped first aid kits in order to maintain a hazard free environment.
- ▶ Insurance: Our employees get group life insurance and hospitalization insurance coverage.
- ▶ Company doctor: Employees have opportunity to consult our company doctor on a monthly basis, if needed.
- ▶ Earned leave: Our employees enjoy 25 days earned leave which includes a mandatory annual block leave of 15 calendar days.
- ▶ Casual leave: Our employees are entitled to a casual leave of 5 working days.
- ▶ Maternity leave: Our female employees get a maternity leave of six months. We also ensure that we provide full support to the employees at their return so that it is easier for them to balance work with their new home dynamic.
- ▶ Sports participation: We encourage all to participate in sports and have our own official football and cricket teams who participate in corporate tournaments every year.
- ▶ Employee engagement activities: These are aimed at enhancing our employees' commitment and sense of belonging towards the company.
- ▶ Grievance management and counselling: At IDLC, we encourage our employees to come forward and notify the management, if they experience anything, which is not in alignment with the core values of the company. We are committed to ensure swift and impartial resolution to grievances brought forward by employees.

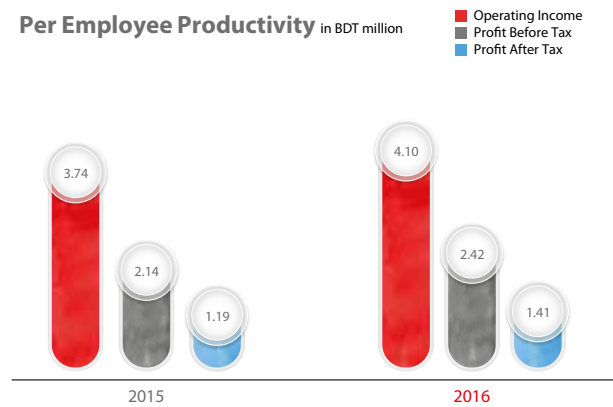
## IDLC Ladies Forum

IDLC Ladies Forum was developed to address our female employees' views and opinions to facilitate a good working environment for women through the participation of all women employees from different positions in the hierarchy, posted in different departments and branches. Headed by the President, we have an executive committee of 11 members who represent different divisions and branches of the group.

## Ethical standards

We adhere to the highest ethical standards and consider it to be a key business priority. We expect our employees to fully embrace statutory compliances. It is mandatory for all our employees 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.

**Per Employee Productivity** in BDT million





## 3 | Corporate Governance

### Board of Directors



Aziz Al Mahmood  
Chairman of the Board



Faruq M. Ahmed  
Director of the Board & Chairman,  
Executive Committee



Monower Uddin Ahmed  
Independent Director & Chairman,  
Audit Committee



Meherun Haque  
Director of the Board



S. M. Mashrur Arefin  
Director of the Board



Mohammad Mahbubur Rahman FCA  
Director of the Board



Md. Kamrul Hassan FCA  
Director of the Board



Syed Shahriyar Ahsan  
Director of the Board



Mati Ul Hasan  
Director of the Board



Atiqur Rahman  
Director of the Board



Niaz Habib  
Independent Director



Matiul Islam Nowshad CMgr, FCMI  
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 four members. The members are as follows:

#### Chairman

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

#### Members

- ▶ Syed Shahriyar Ahsan, Director nominated by Sadharan Bima Corporation
- ▶ Mati Ul Hasan, Director nominated by Mercantile Bank Limited
- ▶ 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 four members. The members are as follows:

#### Chairman

- ▶ Monower Uddin Ahmed, Independent Director

#### Members

- ▶ Mahbubur Rahman, FCA, Director nominated by The City Bank Limited
- ▶ Kamrul Hassan, FCA, Director nominated by Transcom Group
- ▶ Syed Shahriyar Ahsan, Director nominated by Sadharan Bima Corporation

## 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
- ▶ Asif Saad Bin Shams, Head of Credit and Collection
- ▶ Mir Tariquzzaman, Chief Technology Officer (CTO)
- ▶ Ahmed Rashid, Head of SME Division
- ▶ Syed Javed Noor, Head of Consumer Division
- ▶ Mesbah Uddin Ahmed, Head of Corporate Division
- ▶ Akhteruddin Mahmood, Group Head of Human Resources
- ▶ Ataur Rahman Chowdhury, Head of Operations
- ▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer
- ▶ Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning
- ▶ Mahbub-ul-Kader, Head of Internal Control and Compliance
- ▶ Md. Moniruzzaman, CFA, Managing Director, IDLC Investments Limited
- ▶ Md. Saifuddin, Managing Director, IDLC Securities Limited
- ▶ Rajib Kumar Dey, Managing Director, IDLC Asset Management 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 change or increase of security;
- ▶ Suggest change of 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
- ▶ Ahmed Rashid, Head of SME Division
- ▶ Syed Javed Noor, Head of Consumer Division
- ▶ Mesbah Uddin Ahmed, Head of Corporate Division
- ▶ Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning

#### 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
- ▶ Syed Javed Noor, Head of Consumer Division
- ▶ Mesbah Uddin Ahmed, Head of Corporate Division
- ▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer

##### Member and Organizer

- ▶ Mohammad Jobayer Alam, CFA, Head of Treasury & Strategic Planning

#### 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
- ▶ Ahmed Rashid, Head of SME Division
- ▶ Syed Javed Noor, Head of Consumer Division
- ▶ Mesbah Uddin Ahmed, Head of Corporate Division
- ▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer
- ▶ Mahbub-ul-Kader, Head of Internal Control and Compliance

#### 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
- ▶ Ahmed Rashid, Head of SME Division
- ▶ Syed Javed Noor, Head of Consumer Division
- ▶ Mesbah Uddin Ahmed, Head of Corporate Division
- ▶ Akhteruddin Mahmood, Group Head of Human Resources

#### 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
- ▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer
- ▶ Mahbub-ul-Kader, Head of Internal Control and Compliance
- ▶ Mohammad Jobair Rahman Khan, ACA, 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 (TNIA) 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
- ▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer
- ▶ Mahbub-ul-Kader, Head of Internal Control and Compliance
- ▶ Mohammad Jobair Rahman Khan, ACA, 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:
- ▶ M. Jamal Uddin, Deputy Managing Director
- ▶ Mir Tariquzzaman, Chief Technology Officer (CTO)
- ▶ Ahmed Rashid, GM & Head of SME
- ▶ Syed Javed Noor, GM & Head of Consumer Division
- ▶ Md. Mesbah Uddin Ahmed, GM & Head of Corporate Division
- ▶ Akhteruddin Mahmood, Group Head of Human Resources
- ▶ Mahbub-ul-Kader, Head of Internal Control & Compliance

### 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
- ▶ Mahbub-ul-Kader, Head of Internal Control & Compliance

#### 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 analyzes 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
- ▶ Mir Tariquzzaman, Chief Technology Officer (CTO)
- ▶ Akhteruddin Mahmood, Group Head of Human Resources
- ▶ Ataur Rahman Chowdhury, Head of Operations
- ▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer

- ▶ Mohammad Jobayer Alam, Head of Treasury & Strategic Planning
- ▶ Shafayet Hossain, Head of Special Asset Management
- ▶ Mahbub-ul-Kader, Head of Internal Control and Compliance
- ▶ Mohammad Jobair Rahman Khan, ACA, Head of Statutory Reporting & Group Company Secretary
- ▶ Jane Alam Romel, Group Chief Marketing Officer

#### 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 analyzing 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 analyzes 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 (IDLC LF)

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

- ▶ Shamima Akter Lovely, Assistant General Manager, Human Resources

##### Executive Committee

- ▶ Comprises of 11 women employees representing different divisions and branches of the Group

##### Secretary

- ▶ Ayesha Haque, Head of CSR

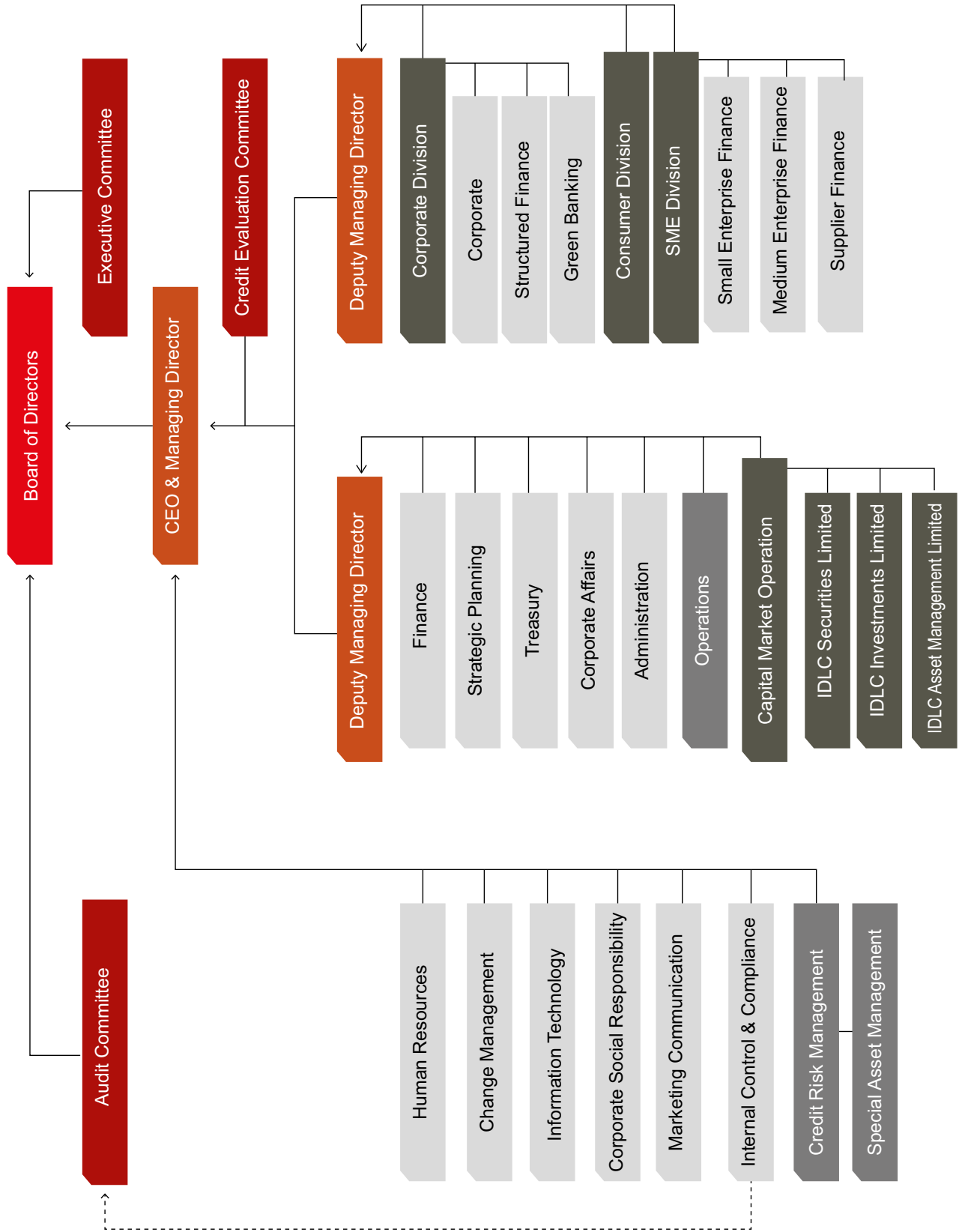
##### Members

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.



# Our Organizational Chart



## Management Committee



### **Sitting**

**Arif Khan, CFA, FCMA**

CEO & Managing Director

### **Standing (from left)**

**Asif Saad Bin Shams**

Head of Credit & Collection

**Atatur Rahman Chowdhury**

Head of Operations

**Md. Moniruzzaman, CFA**

Managing Director,  
IDLC Investments Limited

**Mahbub-ul-Kader**

Head of Internal Control & Compliance

**Akhteruddin Mahmood**

Group Head of Human  
Resources

**Mir Tariquzzaman**

Chief Technology Office

**Mohammad Jobayer Alam, CFA**

Head of Treasury & Strategic Planning





**Sitting (from left)**

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

**M. Jamal Uddin**  
Deputy Managing Director & Head of Business

**Standing (from left)**

**Ahmed Rashid**  
Head of SME Division

**Syed Javed Noor**  
Head of Consumer Division

**Md. Saifuddin**  
Managing Director, IDLC Securities Limited

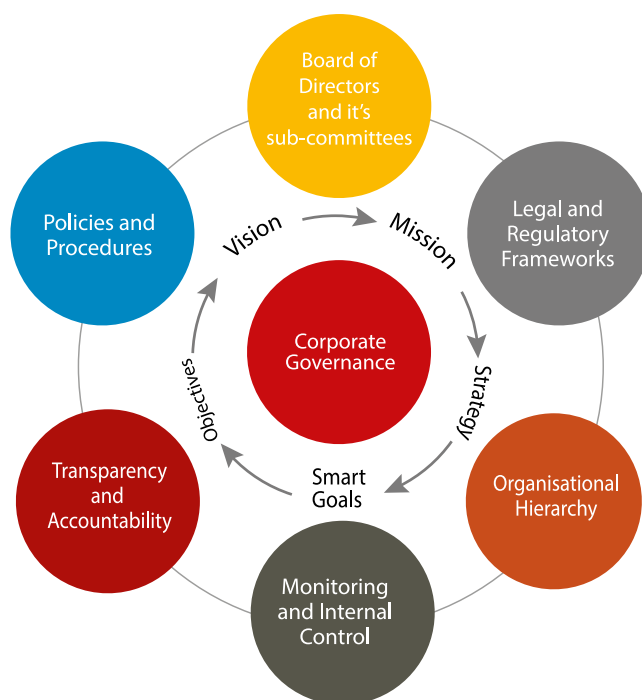
**Mesbah Uddin Ahmed**  
Head of Corporate Division

**Md. Masud Karim Majumder, ACA**  
Group Chief Financial Officer

**Rajib Kumar Dey**  
Managing Director,  
IDLC Asset Management Limited

## 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 recognized 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 emphasize 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 institutionalized.

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 Finance Limited 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 Company's business 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 Director, 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 the Bangladesh Bank and
- ▶ 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.

### 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 interests 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. 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.

### 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, 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

The Board of Directors evaluates the CEO & Managing Director based on the goals set for him considering the company vision and mission at the beginning of each year. The annual financial budget and other job objectives are discussed, reviewed and finalized by the Board at the start of the financial year. The Board considers both financial and non-financial goals during the appraisal.

#### Evaluation based on financial performance

At the end of each quarter, the CEO & Managing Director is evaluated based on the financial targets. The evaluation is done based on both:

- ▶ Achievement of targets against budget;
- ▶ Achievement of targets against the achievement of those targets in the previous year.

#### Evaluation based on Non-Financial goals

The CEO & Managing Director is also evaluated based on non-financial goals in an ongoing basis. The non-financial criteria include, but are not constricted to things such as:

- ▶ The confidence of the shareholders in the CEO, as reflected in the stock price of the company;
- ▶ The relationship of the company with the regulators;

In addition, at the end of each year, an annual assessment and evaluation of the achievements of pre-agreed targets is done. During this evaluation, the deviations from target, and the reasons for the deviations are discussed and assessed.

#### Continuing development program of Directors

It is expected that all Directors have an understanding of IDLC's business model and the key challenges facing the Group as a whole, as this allows them to make an informed contribution to the Group. 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 program tailored by the Chairman and meetings with senior executives across IDLC and sessions with IDLC's business divisions; and
- ▶ A detailed induction program across risk, focusing on risk appetite and the Group's risk profile

Our Directors also attend various training programs and workshops arranged by national and international organisations. In 2016, our Directors attended a 2-day seminar on "Corporate Governance", arranged by the International Finance Corporation (IFC).

#### 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 analyzing 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 any.

#### 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.

## 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 2016

The number of Directors required to constitute a quorum is six (6), out of the twelve Directors. During 2016, a total of thirteen (13) 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 the 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, coordinates 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.

## Executive Committee

A four (4) members Executive Committee headed by a Director 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, eleven (11) meetings of the Executive Committee were held. The Company Secretary acts as the secretary of the Executive Committee.

## IDLC's Vision, Mission and Strategies

### Board-approved vision and mission statements of the company

The Board of Directors, at its 193<sup>rd</sup> 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.

### Strategies to achieve the Company's business objectives

Aligned with our focus on enhancing shareholder communication and reporting our progress and prospects on an ongoing basis, we describe our strategy, resource allocation approach and our future plans to achieve our business objectives.

## Audit Committee

### Appointment of members and composition of the Audit Committee

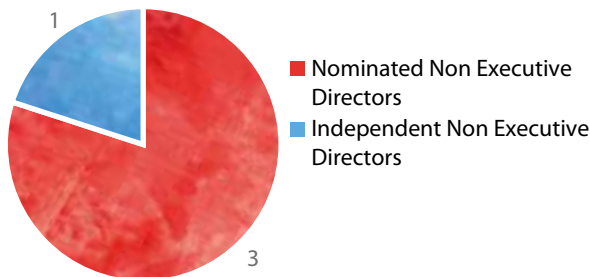
IDLC's Audit Committee is a sub-committee of the Board formed in compliance with the requirements of DFIM Circular No. 13, dated 26 October 2011 of the Bangladesh Bank and relevant BSEC notification(s) and international best practices on corporate governance.

### 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 four (4) 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.

### Audit Committee Composition



### Qualification of members including the Chairman

Mr. Monower Uddin Ahmed, one of the Independent Directors, is the Chairman of the Audit Committee, possessing of vast experience. Among others, two members, Mr. Kamrul Hassan FCA and Mr. Mohammad Mahbubur Rahman FCA, are Fellow members of the Institute of Chartered Accounts of Bangladesh (ICAB). They also possess significant experience in finance, accounting and audit.

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 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
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 finalization 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
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
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:

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

Undertaking development functions through implementing an improved infrastructure and reporting system and

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 2016

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 2016, 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 2016.

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 behavior 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 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 authorization, 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 defense 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 tradeoffs 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

### 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 organisation'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.

In order to address and mitigate the risks prudently, at IDLC, the following committees are operational:

- ▶ **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 analyzing 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 Board's commitment to establishing the highest levels of 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.
- ▶ 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. The Human Resources department circulates the required declaration, and ensures that all employees signed the declaration. The Internal Control and Compliance (ICC) department, through regular audits, assesses whether any employees have breached the Code of Conduct.

### Board's commitment to establishing high levels 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.
- ▶ Ensuring instant action with zero tolerance for identified instances of unethical and/or non-compliant behavior.

### 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.

### Scope of the Code of Conduct

- (a) A member must observe the Board's Code of Conduct whenever he/she:
  - ▶ Conducts the business of the Board
  - ▶ Acts as a representative of the Board
- (b) The Board's Code of Conduct shall not have any effect in relation to the activities of a Board member undertaken other than in an official capacity, except and in so far as otherwise indicated

Where a Board member acts as a representative of the Board at the meeting of another public body or Committee, he/she must, when

acting in that capacity, comply with the Board's Code of Conduct, except and in so far as it conflicts with any other legal obligations to which he/she may be subject to.

### General obligation

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

#### A. Prudent conduct and behavior

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
- 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
- (iii) Competing with the Company

#### C. Conflict of interest

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

- (i) The interests of the Company
- (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 authorization to pursue such transactions or relationships.

#### D. Company property

In carrying out their duties and responsibilities, the Board members shall endeavor 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 endeavor 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 endeavor 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.

To abide by the code of integrity and good governance in line with the National Integrity Strategy of Bangladesh, IDLC constituted an 'Integrity Committee'.

### Existence of effective anti-fraud programs 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 whistleblower 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](http://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.

### Human resources policy

Disclosure of general description of the policies and practices codified and adopted by the Company with respect to human resource development and management, including succession planning, merit-based recruitment process, performance appraisal system, criteria for promotion and reward and motivation, training and development, grievance management and counselling.

### Organizational 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 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.

### 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.

### Number of Meetings held

There were two meetings of the HR Compensation Committee in the 2016. The first meeting was held on June 2016, and the second meeting on December 2016.

### Work Performed in 2016

- ▶ The committee performed the evaluation of IDLC employees for 2016.
- ▶ Decisions regarding the yearly increment of IDLC employees was made by the committee.
- ▶ The committee determined the bonus for the employees of IDLC.
- ▶ Promotion declaration of qualified employees was also made by the committee.

### Remuneration of Employees

IDLC provides its employees with remuneration that is in line with industry standards. In addition to salary, IDLC employees also receive other benefits such as Provident Fund, Gratuity etc.

### Remuneration of senior executives

Remuneration for senior executives is market-based and competitive in order to attract, motivate and retain skilled and competent employees. The total remuneration package to senior executives comprises basic pay, allowances, retirement benefits (Gratuity and Provident Fund) and other benefits as per company's policies. Executives are also paid a variable amount each year (yearly performance bonus) determined based on the performance of the company and the outcome in the executive's personal area of responsibility and individually established targets that were set in the beginning of the year.

### IDLC Ladies Forum (IDLC LF)

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 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.

## 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
- ▶ Express information 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.

### Process of communicating the schedule

At least 14 to 21 days before the AGM, hard copies of the Annual Report and notice of the AGM are mailed to shareholders as on the Record Date.

Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Bangladesh Securities and Exchange Commission (BSEC), online newspapers and print media. The notice of the AGM is also made available on the company website.

### Communication during the AGM

The shareholders who attend the AGM have the option to ask questions and give suggestions to the Board members during the AGM. The CEO & Managing Director, on behalf of the Board, answers the queries of the shareholders.

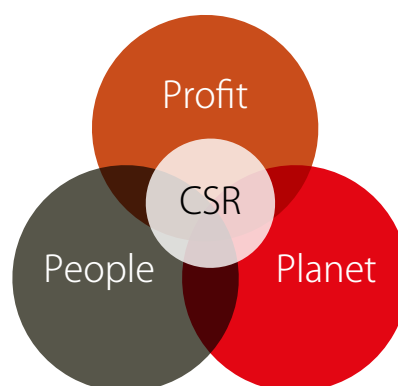
### Communication through website

The Company's website [www.idlc.com](http://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.



At IDLC, we are also focusing on Earth and its sustainability, shifting from the traditional financing approach. In this regard, we are making our credit appraisal process to be much more stringent from an environmental 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. Being the only listed member of UNEP FI, we have been following Environmental Risk Management guideline 2011 by Bangladesh Bank. 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 processes and make those customers, especially who are not in compliance 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. Furthermore, execution of the green banking policy, which is in line with IFC Performance Standard, ADB Safeguard Policy and Bangladesh Bank guidelines is considered as yet another milestone towards sustainability.

## 4 | Corporate Social Responsibility and Sustainable Business Practices

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

IDLC's sustainability model is based on the 3P approach - people, planet and profit. We have identified our CSR focus areas in resonance with its organisational vision, mission, values and expertise. With its CSR initiatives, IDLC is actively contributing to socio-economic transformation of the underprivileged through better education, income-generation and providing access to proper health and hygiene facilities and also undertaking green banking initiatives in terms of both in-house management and external activities.

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### Guiding Principles, Regulatory Bodies and Memberships



IDLC's CSR activities are regulated by the Sustainable Finance Department of the Bangladesh Bank. 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). IDLC has also integrated UNEP FI's guiding principles in upholding human rights, labour standards, responsible environmental management and anti-corruption policies and practices.

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### Associations



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

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### Institute



The Institute of Bankers, Bangladesh.

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### 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.

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### 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.

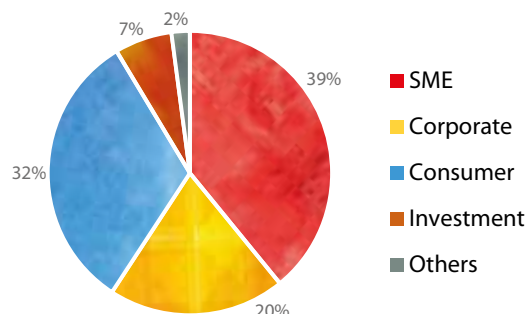
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## CSR Initiatives, 2016

Investment Sectors



### Far East – IDLC Skills Development Program

IDLC's flagship project, which aims at empowering marginalised women from North Bengal, successfully completed its project tenure in December 2016. The project commenced in June 2013 and, till date, as many as 242 individuals have received training at Gazipur Technical School and College (GTSC) under the Directorate of Technical Education, Government of Bangladesh. Among them, 196 completed on-the-job training at Far East Knitting and Dyeing Industries Limited. Around 124 graduates are now successfully employed within the industry.

All project costs, including monthly stipend and accommodation for trainees, 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 equipment was 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.



### Promoting income-generation activities among adolescents with autism and intellectual and multiple disabilities through livelihood training

IDLC extended its long-standing partnership with the Society for Education and Inclusion of the Disabled (SEID) and facilitated the organisation in conducting further vocational skills development among the adolescents with disabilities. This partnership extension was achieved through signing of a MoU by both organisations on 25 May 2016.



As per the MoU, SEID extended vocational training opportunities for selected adolescents and youth with disabilities, provided advanced vocational training, established linkages with outsourcing agents, buyers and job providers to place the graduates and exhibited their handmade products. It is expected that upon completion of this project, 10 adolescents with autism, intellectual or multiple disabilities will be involved in income-generation activities; 50% of the adolescents with disabilities will

be drafted for extended vocational training and 80% of their family will be more supportive towards self-independency regarding their adolescents with disabilities.

The signing was chaired by Mr. Arif Khan, CEO & Managing Director, IDLC Finance Limited, and Mr. Ranjan Karmakar, Chairperson, SEID. Senior officials from both the organisations were also present at the signing ceremony.



**Shishu Bikash Chhaya**, an orphanage based in Old Dhaka that accommodates and grooms around 20 children, has been IDLC's partner since 2012. In 2016, IDLC continued to support 20 children of the shelter so that they could continue with their educational pursuits.

**IDLC has been working with Ahsania Mohila Mission Orphanage** since 2013 through sponsoring two female students who are



currently enrolled for a Honors Degree in Bangla and a Diploma course in nursing. The Mission houses underprivileged girls and supports their education up to completion of HSC (Higher Secondary Certificate). In 2016, one of students from the orphanage completed her Honors Degree in Bangla, while the other student continues pursuing her nursing degree.

### **IDLC Partners with IWF to promote mental health and wellbeing at high school-level**

IDLC, as part of its corporate responsible practice, partnered with Innovation for Wellbeing Foundation (IWF) to pilot the development and implementation of mental health and wellbeing programs in high schools with the aim of enriching the country's human capital. Under the MoU signed between IDLC and IWF, IWF will conduct a baseline survey; review the Mental Health First Aid (MHFA) for youth international training material; translate and adapt to the Bangladeshi context; design and print an instructor kit, training manual and workbook; provide training to teachers on MHFA; develop educational materials for field testing and implement the program in collaboration with the selected schools. The signing was chaired by Mr. Arif Khan, CEO & Managing Director, IDLC Finance Limited, and Ms.

Monira Rahman, Executive Director, Innovation for Wellbeing Foundation.

The overall objective of the pilot project is to develop structured mental health programs at high school-level and document the process for roll-out across other schools by the Ministry of Education, development partners and civil society organisations. The project, to be implemented in high schools in Dhaka, encompasses the design and development of mental health education programs and is focused on eliminating the stigma associated with mental illness. Since July 2016, IWF has partnered with Manik Nagar High School in Jatra Bari to implement this project and, going forward, plans to include more schools under the ambit.





### Enhancing infant care and breastfeeding skills of female garment factory workers in Chittagong



IDLC, as part of its commitment towards the larger community, is implementing a project in collaboration with BGMEA, BSRM Foundation and TAHN Foundation, titled 'Enhancing Infant Care and Breastfeeding Skills of Female Garment Factory Workers' in Chittagong. The project aims to enhance infant care and breastfeeding skills of women garment factory workers by developing community-based peer counsellors and other relevant support systems. IDLC and BSRM are the partial sponsors of the project. TAHN Foundation is providing training and development to community peer counsellors and supervisors who will be engaged in creating awareness and educating women RMG workers and influential members of their families.

From April 2016 to June 2016, 55 pregnant mothers were enrolled in the project and there were 83 deliveries. As many as 352 mothers received counselling services among whom

116 had babies between 6-18 months of age. From July 2016 to September 2016, 45 pregnant mothers were enrolled in the project and there were 66 deliveries. Thirty-five pregnant women are yet to give birth and there are 62 mothers with babies below six months of age. The total number of mothers who are currently receiving our counselling services are 375 and 174 have babies between 6-18 months of age. The breastfeeding outcomes continued to be encouraging. Although the majority of mothers managed to breastfeed their babies even after returning to work, their numbers declined by the third month. Breastfeeding is more

challenging for women who work in factories that are typically far away from their homes when they cannot go to breastfeed during lunch breaks or if they do not have any family members to bring their baby to the factory for breastfeeding during lunch breaks. Though we have provided containers, unfortunately, they do not have a separate room to express their breast milk and no fridge to store it. All the mothers start complementary feeding after babies complete six months of age and they or the caregivers are trying to follow the recommended feeding practices.

### IDLC stands by the flood-affected victims of Nilphamari and Rangpur



Since 19 July 2016, heavy rains in the main riverine basins of Bangladesh and upstream catchments of India caused severe flooding in the north and north-eastern parts of Bangladesh, affecting an estimated 1.9 million people across 19 districts.

By August, 42 flood-related deaths were confirmed by local authorities. The floods roughly damaged 2.5 lac houses.

To support the flood victims, the IDLC CSR team, in collaboration with the Rangpur unit of Bangladesh Red Crescent Society (BDRCS), under the supervision of its national headquarters, distributed emergency relief among 250 flood-hit families. Each of the beneficiary families received dry food and non-food and hygiene items to last for about two weeks.

The relief distribution at Nilphamari was organised on 9 September 2016 at Dalia Bazar and the following guests and IDLC representatives were present: Dr. Hasan Habibur Rahman, Secretary of Red Crescent Society, Nilphamari; Mr. Manotosh Chandra Ghosh, Branch Manager of Rangpur, IDLC Finance Ltd; Mr. Sabuj Kumar Das, Officer, IDLC Finance Ltd and other dignitaries. On 10 September 2016, distribution took place at Rangpur, Pirgachha Upazila Parishad office in which the following guests and IDLC representatives were present: Mr. Tipu Munshi, Honorable Parliament Member of Pirgachha, Rangpur; Ms. Aliya Ferdous Jahan, UNO, Pirgachha; Mr. Alhaj Afsar Ali, Upazila Chairman; Mr. Ariful Islam, HoRB & AGM, IDLC Finance Ltd; Mr. Shahriar Rahman, Senior Executive Officer, Green Banking Desk, IDLC Finance Ltd and Mr. Nobi Ullah Panna, Secretary, Red Crescent Society, Nilphamari.

### Tree plantation

IDLC regularly conducts plantation activities across various regions of the country to contribute to carbon footprint reduction. In 2016, the Company sponsored a plantation program in which 200 saplings were planted at BCIC College, BCIC School at Mirpur and Lalmatia Womens' College. The plantation was conducted with the support from Tarru Pallab, a voluntary organisation managed by renowned environmentalists in Bangladesh.





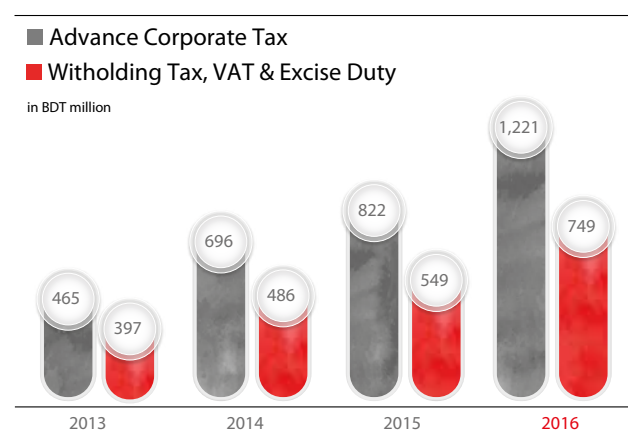


## Contribution to the National Economy

IDLC aspires to be one of the major contributors to the economy of Bangladesh both in monetary and non-monetary terms. IDLC was established in 1985 as the first leasing company in the country and with its pioneering role has established and popularized lease finance as an alternative and secured source of long term finance. IDLC is the largest employer, financial service provider and taxpayer among the non-banking financial institutions in the country. Some of our specific contributions to the national economy are highlighted below:

### Taxes to Government

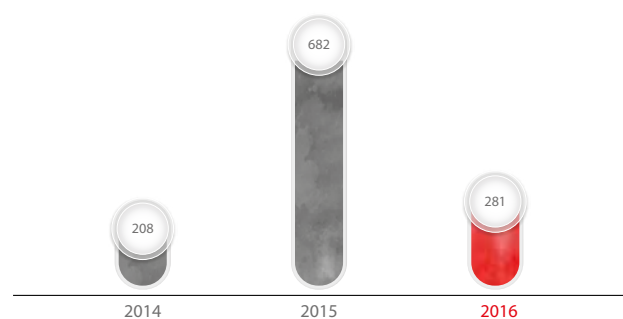
In 2016, IDLC deposited BDT 1,221 million to the Government exchequer as corporate income tax. Also, BDT 749 million was collected and deposited to the Government exchequer as withholding tax, VAT and excise duty.



### Employment generation

We create economic impact by creating employment and giving appropriate training to the employees. As on December 31, 2016 IDLC group had more than 1,200 talented employees. During 2016, the group paid BDT 1,048 million as salaries and allowances to its employees and spent BDT 14.19 million for both local and foreign trainings. Moreover, at a time when job creation is a top priority for government, we catalysed our lending to small and medium enterprises (SME), thereby helping accelerate both direct and indirect job creation.

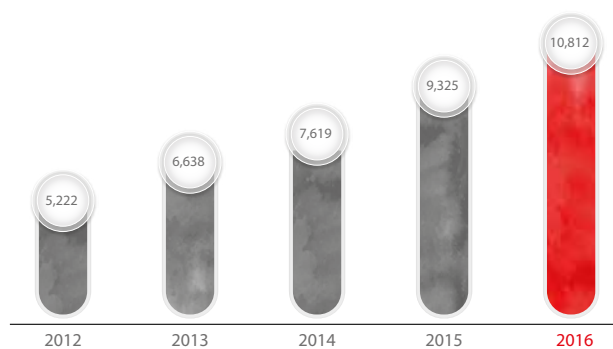
### Recruitment



### Focus on SME Financing

SMEs are the key drivers of any economy, while narrowing income inequality and supporting poverty alleviation. Researchers estimate presence of approximately six million SMEs in Bangladesh, making up 75% of the domestic economy, while accounting for 80% of industrial employment and 25% of the total workforce. Under this milieu, IDLC initiated SME financing back in 2006, and is now among the top five financial service providers to small businesses in Bangladesh. Today it comprises more than 40% of the total customer lending of IDLC. We are also committed to the development of women entrepreneurs across the country by extending Women Entrepreneur Loans and non-financial services for women through IDLC Purnota.

### Number of active clients (SME)



### Environment friendly technologies

Sustainable economic growth and a healthy environment are interlinked. Keeping this in mind, IDLC is also offering 50 products under green financing umbrella covering sectors like renewable energy, waste management, non fire block brick, auto brick kiln, green industry, fire & safety measures, industrial energy efficiency, recycling industry etc. In the year 2016, IDLC have disbursed as much as BDT 589.53 million (BDT 525.8 million in 2015) under Green Financing umbrella, despite the unstable economic conditions. The increase indicates IDLC's drive towards sustainability.

### Supporting community through various CSR activities

At IDLC, commitment to social welfare and community has been part of its corporate culture, and IDLC is much reputed for its contributions towards environmental and community development. We support and stimulate economic growth by investing in programs that enable economic development with a social purpose.

# Value Added Statement

for the year ended December 31, 2016

Value-added is the wealth created by IDLC Finance Limited 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 indicates the total worth created and how it was distributed to meet certain obligations and the portion retained for the continued operation and expansion of the Company.

	Dec. 31, 2016	%	Dec. 31, 2015	%
	BDT		BDT	
<b>Value added</b>				
Operating revenue	8,551,258,534		8,354,699,891	
Cost of borrowing	(4,622,068,956)		(4,827,091,642)	
	3,929,189,578		3,527,608,249	
Other income	506,398,528		433,242,052	
	4,435,588,106		3,960,850,301	
Provisions	(173,448,519)		(291,570,010)	
Operating expenses excluding staff costs and depreciation.	(634,611,786)		(513,702,436)	
<b>Value added</b>	<b>3,627,527,801</b>	<b>100%</b>	<b>3,155,577,855</b>	<b>100%</b>
<b>Distribution of value addition</b>				
To Employees as remuneration	893,737,599	25%	755,609,881	24%
To Government as taxes	1,084,447,203	30%	1,031,699,212	33%
To Shareholders as cash dividend	1,131,152,342	31%	628,417,968	20%
Retained in the business as capital and revenue reserve	518,190,658	14%	739,850,795	23%
as depreciation	365,256,055	10%	615,402,154	20%
	152,934,603	4%	124,448,641	4%
	3,627,527,801	100%	3,155,577,855	100%
	-		-	
Number of employees	1,099		1,060	
Value added per employee	3,300,753		2,976,960	





## 5 | Green banking

At IDLC, we are focusing on the ideology of 'mother planet and its sustainability', shifting from the traditional financing approach to next-generation green banking that supports sustainable and environmentally-positive developments. We do so through providing a wide range of specially-designed products and services at preferential terms and rates. Since its incorporation, IDLC's Green Banking unit (GBU) has been promoting environmental-friendly practices and reducing its overall carbon footprint.

2016 was very significant for GBU. Portfolio-wise, the division cemented IDLC's position as a frontrunner in promoting sustainable business practices in Bangladesh. Today, green banking has emerged as a strong differentiator for IDLC and has transformed into a brand of choice for next-generation financial solutions that thrive on green technologies.

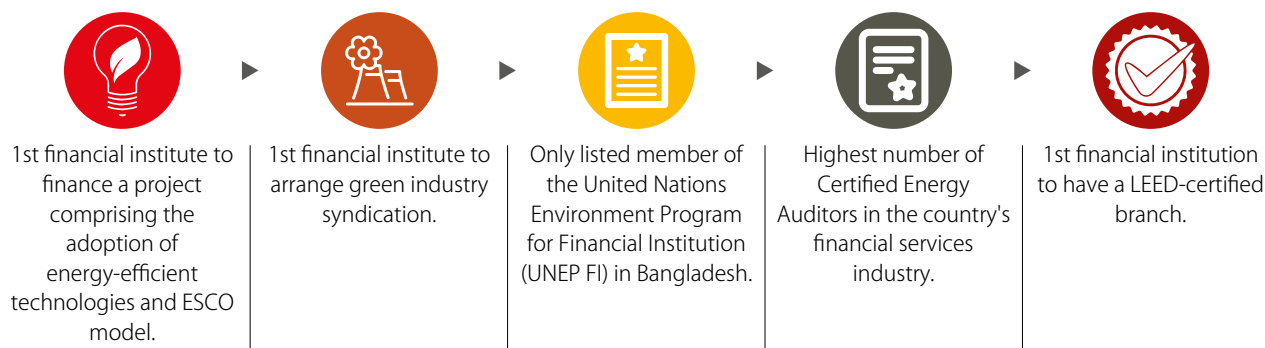
Despite a challenging economic landscape, IDLC's GBU disbursed as much as BDT 589.53 million in 2016 (BDT 525.8 million in 2015) under the green financing umbrella, which only indicates IDLC's drive and focus towards widening the concept of sustainability. Bolstered by strong growth, IDLC is ready to 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 sustainable financing for environment-friendly projects. Special attention has been given to few niche sectors such as green industry, compliance management and clean energy. Working with different DFIs for customised, blended and low-cost green financing options represents one of the major achievements of 2016.

### Green banking at IDLC – Our service bouquet



Our Green Banking unit continued to achieve new milestones, lifting IDLC as a financial brand that has become synonymous with promoting sustainable and environmentally-compliant business

practices. Since the incorporation of GBU into our organisational framework, some of the key milestones include the following:



## Showcase projects and achievements



*Solar nano grid 1*



*Solar nano grid 2*



*Green industry*



*Effluent Treatment Plant (ETP)*



*Fire safety equipment*



*Energy-efficient boiler*

## Rolling out environmental and social management systems

At IDLC, as we integrate green financing into mainstream financing, we are strengthening our credit appraisal process from an environment and social (E&S) perspective, evaluating all the environmental and social factors such as project impact on the environment and the community in the long run, prior to approving a loan. Being the only listed member of UNEP FI, IDLC fulfils Bangladesh Bank Environmental Risk Management (ERM) guidelines for financial institutions (dated January, 2011) and the ECR-1997 standards within its organisational framework. IDLC also complies with the UNGC and UNEP FI principles on a voluntary basis, being the only listed financial institution in Bangladesh to do so. Also, IDLC has been implementing environmental and social management system (ESMS) from March 1, 2016 to compute scoring of risk of different sectors under different business segments. With a developed categorization tool that was built as per the ERM guidelines of Bangladesh Bank, IFC exclusion list and ADB safeguard for financing, environmental and social action plan for financial activities is on full roll-out across our credit risk management framework.

## In-house environmental management

With a vision to encourage and catalyse transformation towards sustainable business practices, IDLC has established its Agrabad branch in the World Trade Centre in Chittagong. The new establishment has recently achieved the prestigious LEED (Leadership in Energy and Environmental Design) Gold Certification from USGBC (United States Green Building Council) under the category of 'commercial interiors'. The branch is the first-of-its-

kind to achieve such an endorsement under the aforementioned category among the financial institutions of Bangladesh.

Green Office Guide (GOG) was developed for IDLC that consists of a set of general instructions to be followed, aimed at improving in-house environmental management across the organisation by; Saving electricity, Minimising usage of water and paper and Keeping the office clean and hygienic.

## Green marketing and training

Lack of awareness with regards to the benefits of green projects and loosely regulated industries that overlooks gross non-compliance represents some of the major challenges in implementing green banking. In this context, in 2016, IDLC's Green Banking unit actively presented IDLC as a market leader in promoting sustainability across different market segments. As a responsible financial partner, we engaged with IFC's PaCT (Partnership for a Cleaner Textiles) program, offering blended financial models with USAID's CCEB team and promoting green financing through various business channels.

As a part of our CSR activity, GBU organised regular training programs on 'green awareness' across the organisation. In addition, with a view to strengthen the knowledge of business RMs on green products, GBU prepares a training calendar at the beginning of each year for continuous staff training. The green desk attended 27 green seminars in 2016, under which we engaged with 172 clients and in-house employees as part of our green awareness-building programs. Showcasing green products in different seminars, organising exposure visits and having an open dialogue with green consultants are some of our other ongoing marketing policies.



## 6 | Stakeholder engagement for reporting

Since 2011, IDLC 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 reflect 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, both financial and non-financial.

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, embrace corrective measures through the IDLC business model, annually. 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.

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"> <li>▶ Provide quality products that meet customer needs</li> <li>▶ Careful management of operations to protect customer interest, especially those of depositors</li> </ul>
	Suppliers/ service providers	<ul style="list-style-type: none"> <li>▶ Adhere to proper procurement regulations while maintaining a good business relationship with the service providers</li> </ul>
	Regulators	<ul style="list-style-type: none"> <li>▶ Ensure compliance with all regulatory guidelines and directives</li> </ul>
Social	Employees	<ul style="list-style-type: none"> <li>▶ Continuously encourage staff and work towards creating a healthy, ethical and supportive work environment</li> <li>▶ Engaging staff in activities and sports other than business as usual, to achieve a balanced and productive environment which is beneficial to both employees and IDLC</li> </ul>
	Local communities	<ul style="list-style-type: none"> <li>▶ Implementing initiatives targeted at marginalised communities and the underprivileged, to address requirements of the society in education and skills development, healthcare and overall poverty alleviation</li> <li>▶ Enhancing financial access to the marginalised</li> </ul>
Environmental	Environmental/ Non-Government Organisations	Conducting business without harming the environment

Stakeholders engaged	Engagement process	Key issues raised by stakeholders
Regulators	<ul style="list-style-type: none"> <li>▶ One-on-one meetings</li> <li>▶ Circular issued by Bangladesh Bank on Green Banking and CSR</li> </ul>	<ul style="list-style-type: none"> <li>▶ Corporate governance, ethics and compliance</li> <li>▶ Anti-corruption measures implemented by the organisation</li> <li>▶ Responsibility of the organisation towards the environment and the community</li> </ul>
Management	Discussions	<ul style="list-style-type: none"> <li>▶ Corporate governance, ethics and compliance</li> <li>▶ Anti-corruption measures implemented by the organisation</li> <li>▶ Financial performance</li> <li>▶ Creating an enabling environment for all IDLC staff</li> <li>▶ Non-discrimination, diversity and equal opportunities</li> <li>▶ Social obligations through capacity development of the underprivileged and women empowerment</li> <li>▶ Environmental obligations through in-house management, CSR and Green Banking initiatives</li> <li>▶ Superior customer experience through continuous improvement</li> </ul>

Stakeholders engaged	Engagement process	Key issues raised by stakeholders
Employees	Discussions	<ul style="list-style-type: none"> <li>▶ Remuneration and benefits</li> <li>▶ Career growth and development opportunities</li> <li>▶ Fair treatment</li> <li>▶ Safe and healthy work environment</li> <li>▶ Work-life balance</li> <li>▶ Employee grievance management</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>▶ One-on-one meetings</li> <li>▶ Circular issued by Bangladesh Bank on Green Banking and CSR</li> </ul>	<ul style="list-style-type: none"> <li>▶ Corporate governance, ethics and compliance</li> <li>▶ Anti-corruption measures implemented by the organisation</li> <li>▶ Responsibility of the organisation towards the environment and the community</li> </ul>
Management	Discussions	<ul style="list-style-type: none"> <li>▶ Corporate governance, ethics and compliance</li> <li>▶ Anti-corruption measures implemented by the organisation</li> <li>▶ Financial performance</li> <li>▶ Creating an enabling environment for all IDLC staff</li> <li>▶ Non-discrimination, diversity and equal opportunities</li> <li>▶ Social obligations through capacity development of the underprivileged and women empowerment</li> <li>▶ Environmental obligations through in-house management, CSR and Green Banking initiatives</li> <li>▶ Superior customer experience through continuous improvement</li> </ul>
Employees	Discussions	<ul style="list-style-type: none"> <li>▶ Remuneration and benefits</li> <li>▶ Career growth and development opportunities</li> <li>▶ Fair treatment</li> <li>▶ Safe and healthy work environment</li> <li>▶ Work-life balance</li> <li>▶ Employee grievance management</li> </ul>

## Material Aspects Identified

As per GRI, materiality is the threshold of 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



### Compliance



### Training and Education



### Biodiversity



### Employment, Occupational Health and Safety



### Diversity and Equal Opportunity



### Equal Remuneration for Women and Men



### Local Communities



### Marketing Communications



### Non-discrimination



### Anti-corruption



### 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
<b>Economic</b>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Procurement Practices</li> </ul>	Yes	NA
<b>Environmental</b>	<ul style="list-style-type: none"> <li>Energy</li> <li>Biodiversity</li> <li>Compliance</li> </ul>	Yes Any negative influence on protected and/ or high biodiversity areas caused by our 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.
<b>Social</b>			
<b>Labor Practices and Decent Work</b>			
Employment and Occupational Health and Safety		Yes	NA
Training and Education		Yes	NA
Diversity and Equal Opportunity		Yes	Yes This aspect is material for communities where we create job opportunities through our operations / branch networks.
Equal Remuneration for Women and Men		Yes	NA
<b>Human Rights</b>			
Child Labor		Yes	NA
Security Practices		Yes	NA
Non-discrimination		Yes	Yes This aspect is material for communities where we create job opportunities through our operations /branch networks.
<b>Society/ Local Communities</b>			
Local Communities		NA	Yes This aspect is material for local communities where we have operations or investments in projects.
Anti-corruption		Yes	Yes This aspect is material for our customers and other stakeholders.
<b>Product Responsibility</b>			
Customer Health and Safety		Yes	Yes This aspect is material for our customers.
Marketing Communications		Yes	Yes This aspect is material for our existing and potential customer groups.
Customer Privacy		Yes Maintaining privacy of sensitive customer information is one of the major priorities of our employees and a significant part of our employee Code of Conduct.	Yes This aspect is material for our customers.



## Chapter 7 | 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	CONTENT/CHAPTER	PAGE NO
<b>Strategy and Analysis</b>		
G4 – 1	Statement of the Chairman of the Board	1
	Statement of the CEO & Managing Director	2
	IDLC's statement of corporate governance	19-39
<b>Organisational Profile</b>		
G4 – 3	IDLC Finance Limited	
G4 – 4	Our range of products and services	7
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 2   ABOUT IDLC 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, Sylhet (Sylhet, Habiganj), Rangpur, Khulna	6
G4 – 9	Chapter 2   ABOUT IDLC	6
G4 – 10	Chapter 2   ABOUT IDLC ▶ Human Capital	16-18
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	Chapter 2   ABOUT IDLC ▶ Business Segment Review	10-12
	Chapter 2   ABOUT IDLC ▶ Subsidiary Review	12
G4 – 14	Chapter 3   Corporate Governance ▶ IDLC's Statement of Corporate Governance	28-39
G4 – 15	Chapter 4   Corporate Social Responsibility and Sustainable Business Practices ▶ Regulatory Bodies and Memberships	40
<b>Identified Material Aspects and Boundaries</b>		
G4 – 17	IDLC's subsidiaries, IDLC Investments Limited and IDLC Securities Limited and IDLC Asset Management Liability have been included in the consolidated financial statements and accordingly have been covered in the Annual Financial Report 2016 and Annual Sustainability Report 2016.	
G4 – 18	Reporting Parameters	3
G4 – 19	Chapter 6   Stakeholder Engagement for Reporting ▶ Material Aspects identified	50
G4 – 20	Chapter 6   Stakeholder Engagement for Reporting	51
G4 – 21	▶ Boundary defined for each Material Aspect	
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.
<b>Stakeholder Engagement</b>		
G4 – 24	Stakeholder groups engaged by the organisation include Regulators, Management and Employees	
G4 – 25		
G4 – 26	Chapter 6   Stakeholder Engagement for Reporting	49 - 51
G4 – 27		



Report Profile		
G4 – 28	January 1, 2016 – December 31, 2016	
G4 – 29	April 2016	
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	19 - 39
G4 – 40		
G4 – 45		
G4 – 46		
G4 – 51		
G4 – 52		
Ethics and Integrity		
G4 – 56	Chapter 2   About IDLC	6 – 9
G4 – 58	Chapter 3   Corporate Governance	19-39
	Chapter 2   About IDLC	
	▶ Human Capital	16-18

## SPECIFIC STANDARD DISCLOSURES

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.

### Indicators by Aspects

Category : Economic		
Economic Performance		
PARTICULARS	CHAPTER	PAGE
G4 – EC 1	Chapter 2   About IDLC	6 - 18
G4 – EC 4	Chapter 4   Corporate Social Responsibility and Sustainable Business Practices ▶ CSR initiatives – 2016 Chapter 5   Green Banking	41 – 44 47 - 48
G4 – EC 8	Chapter 1   IDLC Inspiring Lives and Livelihoods Chapter 4   Corporate Social Responsibility and Sustainable Business Practices ▶ CSR initiatives – A review of 2016	4 – 5 41 - 44
Category : Environmental		
Energy		
PARTICULARS	CHAPTER	PAGE
G4 – EN6	Chapter 5   Green Banking Chapter 4   Corporate Social Responsibility and Sustainable Business Practices CSR initiatives 2016	47-48 44
Biodiversity		
PARTICULARS	CHAPTER	PAGE
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
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
G4 – LA 1	Our Human Capital	16 - 18
G4 – LA 2	Our Human Capital	16 - 18
G4 – LA 3	8 (Eight) staff underwent maternity leave in 2016, with a 100 percent retention rate	
Training and Education		
PARTICULARS	CHAPTER	PAGE
G4 – LA 9	Human Capital	16-18
G4 – LA 10	Following In- house trainings were given to staff of IDLC for further career development: How to Handle Regulatory Audit & Inspections; System Support of Customer Service; Service Quality Guideline; Anti-Money Laundering & Anti-Terrorism Regulations & Compliance Procedure; Land Documentation, Transfer & Registration; Cross Selling Refresher on Technology Platform; Land, Property Documentation & Others Law; Why Should Anyone Follow You? Vital Skills for the Modern Manager; Online Credit Appraisal System Supplier & Distribution Finance - Internal Training -2016; Legal Documentation What makes you different from others leaders; Training & Discussion Session for Consumer Customer Service Team ; Online Credit Appraisal System; Technical Valuation; Car Loan Cross Selling(Consumer & SME Product); AML/CFT Regulations & Its Compliance Procedure	
	Human Capital	16, 17
G4 – LA 11	Human Cap	16-18
Labour and Management Relations		
PARTICULARS	CHAPTER	PAGE
G4 – LA 12	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
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
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
G4 – SO 1	Chapter 4   Corporate Social Responsibility and Sustainable Business Practices ▶ CSR initiatives – 2016 ▶ Contribution to the national economy	41 – 44 45
Anti-corruption		
PARTICULARS	CHAPTER	PAGE
G4 – SO 4	Corporate Governance	19 - 39
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
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
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
G4 – PR 8	IDLC has not been party to any incident related to breaches of customer privacy and/or loss of customer data.	



## Awards & Recognitions



16th ICAB National Award for Best Presented Annual Report (Financial Service Sector, NBFI) – **First Position**



16th ICAB National Award for Integrated Reporting (among all listed companies) – **First Position**



16th ICAB National Award - SAARC Anniversary Award for Corporate Governance Disclosures - **Second position**



SAFA Best Presented Annual Report 2015 - Financial Service Sector - **Joint Winner**



SAFA Best Presented Annual Report 2015 - SAARC anniversary award for Corporate Governance Disclosure - **Overall Winner**



ICSB National Award - Corporate Governance Excellence 2015 - **First Position**



ICMAB Best Corporate Award -2015 – Non-Banking Financial Institution category - **Third Position**



SAFA Best Presented Annual Report 2015 - Integrated Reporting - **Certificate of Merit**



United States Green Building Council (USGBC) certificate – The prestigious LEED (Leadership in Energy and Environmental Design) **Gold certificate** under commercial interior category.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.







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16409