

# BOOK OF HAPPINESS

SUSTAINABILITY REPORT 2017



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OVER **400 VOLUNTEERS**  
**PARTICIPATED**  
IN THE CAMPAIGN  
DONATING **14,550**  
**VOLUNTEER HOURS**

ACROSS **12 DISTRICTS**



**OVER 2000**  
TREES WERE PLANTED



**OVER 2900**  
INDIVIDUALS RECEIVED  
HEALTHCARE SUPPORT



**OVER 300**  
STUDENTS GOT  
EDUCATIONAL SUPPORT



**OVER 2000**  
DISASTER AFFECTED  
PEOPLE RECEIVED AID

OVER **7000 SMILES**  
WERE **SPREAD**

THROUGH THIS  
CAMPAIGN



# KHUSHIR KHEYA

THE ARK OF HAPPINESS



IDLC has a history of empowering communities through its sustainable business practices coupled with responsible and committed financing. Reinstating this commitment towards the communities within which we operate, IDLC Finance Limited (IDLC) launched a one-of-a-kind online Corporate Social Responsibility (CSR) platform - Khushir Kheya - to bring people together and manage issues with focus areas in healthcare, education, environment and community development.

## The platform

Khushir Kheya - aims to bring together volunteers, stakeholders, employees and various partners to tackle social problems. Various initiatives were planned and executed to improve underprivileged communities all across Bangladesh in fields of health, education, nutrition and livelihood, and work to preserve the environment.

Through this platform youth volunteers are engaged in all of the events to encourage the young generation to take part in improving their communities.

Individuals interested to volunteer can access the platform at [www.idlc.com/khushirkheya](http://www.idlc.com/khushirkheya).

QR Code:



## STATEMENT FROM THE CHAIRMAN OF THE BOARD

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The financial industry landscape is shifting rapidly and fundamentally at par with changing needs of the world. We are witnessing big changes in the needs and behavior of our stakeholders - clients, employees, society at large and investors - and overall in their expectations of a financial institution. These changes not only present challenges, but also good business opportunities and the chance to make a difference for our stakeholders. Against this background, we updated our long-term CSR strategy in 2017, streamlining it to address relevant community needs and challenges through active volunteerism with an aim to catalyze a positive change around us and within ourselves.

**“WE BELIEVE A LITTLE BIT OF  
VOLUNTEERING CAN EVENTUALLY  
HELP COMMUNITIES BECOME SELF  
SUSTAINABLE ONE DAY”**

and there will not be any need for intervention to resolve their problems. With this conviction I invite you to turn the pages of our 2017 'Book of Happiness'

Best regards,

**AZIZ AL MAHMOOD**  
CHAIRMAN  
IDLC FINANCE LIMITED



# STATEMENT FROM THE CEO AND MANAGING DIRECTOR

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2017 has been an extraordinary year for IDLC as we continued to fulfil our commitments to our various stakeholders. I am particularly proud of our achievements on the CSR front. First Position for Integrated Reporting and Best Presented Annual Report 2016 by ICAB and Gold Award at the prestigious ICSB National Award for Corporate Governance Excellence 2016 bear proof of our Good Governance practices and the trust bestowed upon by our stakeholders. At IDLC, we follow a unique concept where

**“OUR COMMITMENT TOWARDS OUR  
STAKEHOLDERS, THE ENVIRONMENT  
AND THE COMMUNITY IS REFLECTED  
IN OUR EVERYDAY DECISIONS AND  
OPERATIONS”**

Thus Corporate Social Responsibility (CSR) is closely integrated with our business strategies to create the maximum value.

We launched a one-of-a-kind online Corporate Social Responsibility (CSR) platform - 'Khushir Kheya' - to manage issues and explore opportunities to help improve lives of underprivileged communities across Bangladesh in the fields of health, education, nutrition and environment. Through this campaign within a span of 60 days we were able to touch the lives of more than 7000 beneficiaries through active participation of over 400 volunteers across Bangladesh.

As a socially responsible brand it is our responsibility to keep our stakeholders well-informed and be part of the change for a better future.

Warm regards,



**ARIF KHAN**  
CEO & MANAGING DIRECTOR  
IDLC FINANCE LIMITED

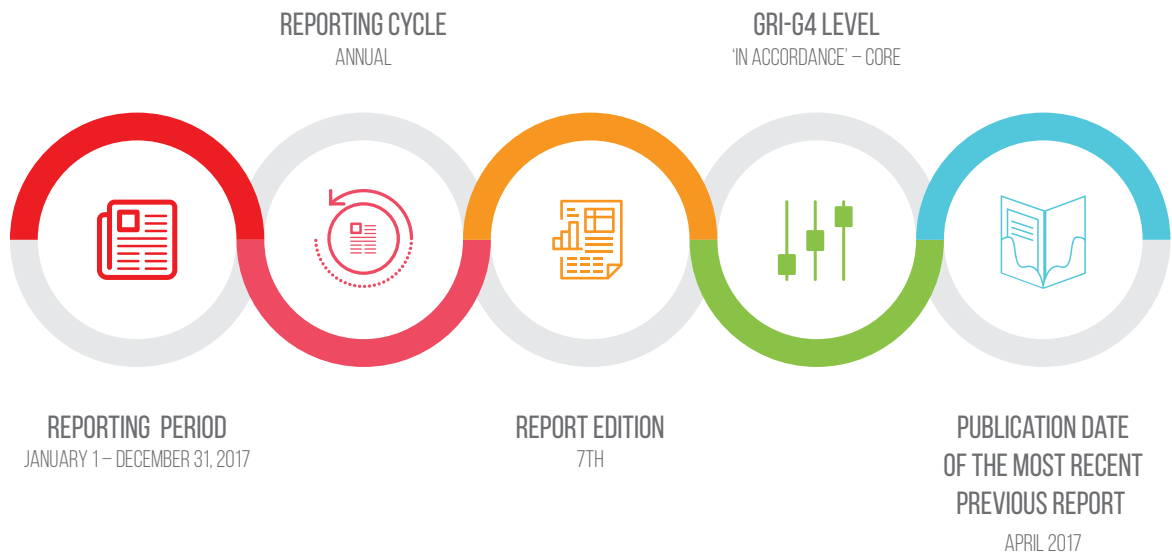
# SUSTAINABILITY REPORTING A CRITICAL TOOL

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The concept of long-term profitability together with social development and environmental protection is fast gaining ground across organisations worldwide. These expectations will only increase and intensify as more and more customers, financiers and other stakeholders realise the need to move towards a truly sustainable economy. Thus, a Sustainability Report acts as a critical tool in realising this goal. A Sustainability Report not only communicates an organisation's economic, environmental, social and governance performance, it also acts as a document that helps the management identify priorities, develop strategies, set goals, measure performance and manage changes to make their operations truly sustainable. In this context, the GRI (Global Reporting Initiative) has been providing comprehensive Sustainability Reporting Frameworks since 1999 and offers a standardised approach to reporting. The GRI's approach is multi-stakeholder engagement, thus maintaining a degree of transparency and consistency that makes information more relevant, credible and user-friendly. The guidelines are reviewed periodically to provide the best and most up-to-date guidance for effective reporting

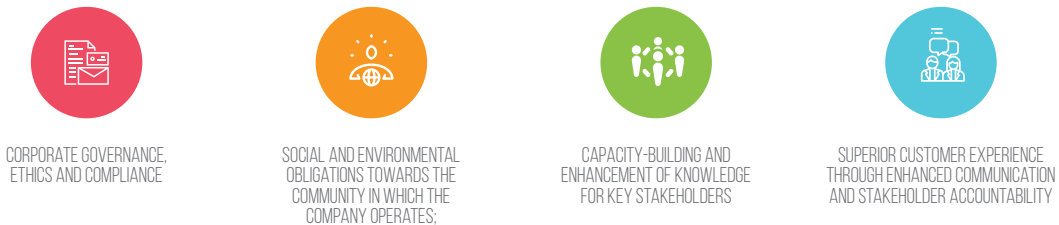
and have now merged as the de facto standard for sustainability reporting worldwide. The 2017 Sustainability Report has been prepared in line with GRI- G4 Guidelines issued by the GRI. G4 has a more focused approach to reporting by highlighting only the most material sustainability issues identified through stakeholder engagement. This emerging approach integrates strategic sustainability issues with other material financial information, allowing sustainability disclosure in different reporting formats thereby, enabling organisations to better inform markets and stakeholders on their sustainability performance.

# REPORTING PARAMETERS

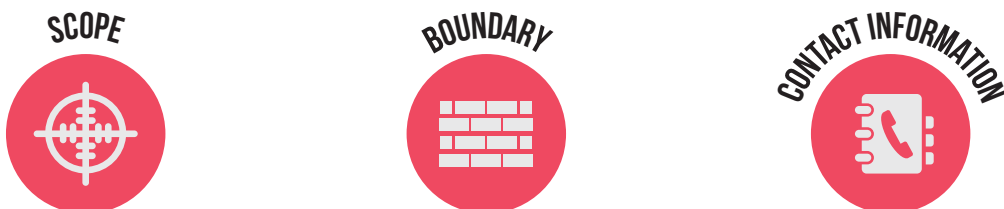


## Methodology and Materiality

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. 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 :



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."



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.

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

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.



# SUSTAINABILITY OUR STAND

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Our sustainability commitment is an institutionalised approach that has existed from the time of our conception. The idea of sustainability is ingrained into the very personality of our organisation, influencing the way we think and act. It summarises the very bottom line of our existence consistent enhancement of value for all our stakeholders.

At IDLC, we follow a unique concept where our commitment towards our stakeholders, the environment and the community is reflected in our everyday decisions and operations. Thus Corporate Social Responsibility (CSR) is closely integrated with our business strategies to create the maximum value.

Over the years, these initiatives have helped us create a more robust organisation in terms of assuming responsibility across all levels, embracing the right decisions and making the right choices, enabling us to achieve our desired impact.

## OUR CORNERSTONE FOR SUCH INITIATIVES IS INTEGRATING THE 3Ps: PEOPLE, PLANET & PROFIT.

At IDLC, we believe that our most important contribution to sustainable development is to operate an effective and profitable financial institution. By providing access to credit and savings products, we enable individuals to improve their quality of life and enhance their financial security; by providing finance to large and small businesses, we facilitate economic growth and job creation; and by financing key sectors crucial for our economic development.

We strive to deliver superior sustainable shareholder value by serving the needs of our customers through our passionate, dedicated and talented team, guided by a Management and Board that brings with it a wealth of experience, navigating us through business cycles.

CORPORATE SOCIAL RESPONSIBILITY

# WHY?

The term Corporate Social Responsibility or CSR has evolved over the last few decades to broaden its scope from mere philanthropic contributions to strategic business decisions. The CSR definition used by businesses globally revolve around the notion of operating a

business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis.

**At IDLC**, we perceive CSR not as a standalone function, but as an integral part of the overall organisational strategy, operations and management to create the maximum value. Thus we do CSR not only to build a culture of 'doing good' by ourselves but also involve others in the act of doing good thereby ensuring sustainability of the act itself, which in the long-run may help attain relevant Sustainable Development Goals.

IDLC's model for sustainability is based on the 3P approach

## People, Planet and Profit

**PEOPLE**



our stakeholders with whom we engage and the community where we live in

**PLANET**



our surrounding environment and the planet

**PROFIT**



our profit-generating capacity vital for long-term sustenance

The CSR initiatives and projects implemented during 2017 is broadly categorised into the thematic areas education, healthcare and environment.



# EDUCATION

Our contribution to the education sector of Bangladesh is based on investing early and investing smart. As one of the key focus areas of CSR, we plan and conduct interventions that are designed to enhance access to education in the communities within which we operate.

## OUR APPROACH

INVEST EARLY. INVEST SMART.

Most communities in Bangladesh experience lack of proper educational facilities and infrastructure. Due to inadequacy of the supply side, eventually the underprivileged continue to suffer and be trapped in the vicious circle of poverty.

Through direct involvement and engaging partners in the respective communities, we can not only help more children go to school, but also improve their educational outcome and quality of life. We focus on increasing access to education in areas which we operate in, with a focus in remote communities with a need for direct investment and involvement. Our initiatives aim to improve the lives of the poor through education and social and economic development.


Our skills development and educational programmes are designed to help improve the quality and determinants of education and the system as a whole. We encourage and bring together partners who are willing to use their technical expertise and experience for developing better and simpler techniques to help people and organizations develop skills that build on the learners' context (cultural, linguistic, geographic, and economic), and include vital information about life and livelihoods—health, agriculture, small business development—that individuals can put to immediate use.

Working in collaboration with local, private and nongovernment organisations, our projects and initiatives are designed to enhance the overall quality of human capital by enhancing skills and competencies.





# EDUCATION

**1700+**   
UNDERPRIVILEGED  
STUDENTS

**1800+**   
VOLUNTEER  
HOURS

**100+**  
VOLUNTEERS

 **10 SCHOOLS  
RECEIVED  
SUPPORT**

 **200 BOOKS** WERE DONATED TO  
**2 SCHOOL LIBRARIES**

 **400 STUDENTS**  
ATTENDED FREE PRACTICAL CLASSES  
ON THE ENVIRONMENT

 **600 STUDENTS** IN **7 SCHOOLS**  
**RECEIVED** STATIONERY AND EDUCATIONAL  
MATERIALS

**3 SCHOOLS  
WERE REBUILT**



**2 CLASSROOMS** WERE BUILT



**2 SCHOOLS RECEIVED** BENCHES,  
CHALKBOARDS AND A LIBRARY



**600 STUDENTS** HAVE PROPER ACCESS TO  
SAFE DRINKING WATER, SANITATION

# OUR ACTS IN

## TEKNAF, BANDARBAN AND RANGPUR KEEPING CHILDREN AT SCHOOL IN THE REMOTEST AREAS

350 students of JAAGO schools at Bandarban and Teknaf received school stationeries from IDLC so that they could continue with usual school curriculum. The fund supported stationeries enough to last six months for the children. The students in the remotest areas of Bandarban and Teknaf travelled upto 4km on foot everyday to get to their school, where they received quality education online from teachers in Dhaka, through live video conferencing and applications. There, they receive Primary Education with emphasis on English and skill-based knowledge. The schools always require an adequate supply of educational materials to continue their extraordinary effort. IDLC stepped in to help. IDLC also funded the expansion of the Jaago Foundation Rangpur School by constructing and setting up an extra classroom which will cater to 12,000 students per year.



## COMILLA SPENDING A DAY WORTH CELEBRATING

IDLC, in association with The 40, an organisation that formed with the sole purpose of raising orphaned children of Noor-e-Farid Nasrine Academy in Comilla, organized an art competition, cricket match and other educational entertainment activities for the children, who seldom get to enjoy such events. Best artwork was judged and rewarded at the end of the day. Local businessmen and clientele of IDLC attended the event along with several volunteers, who joined to make this day possible and highlight the great cause of this organisation, along with the issues that can be solved with everyone's help. All the children received full funding of school stationery for their new academic year. Donations from locals who attended this event were welcomed and went into benefitting the orphanage.





# EDUCATION



## CHITTAGONG

### EMBARKING HAPPINESS AT FOY'S LAKE FOR UNDERPRIVILEGED CHILDREN



Students from two youth-run organisations in Chittagong, Nogorful and Youths' Voice, enjoyed a day of fun, rides and treats at Foy's Lake Theme Park. IDLC employees and volunteers from the community donated a day to give these children a day of fun singing, dancing and frolicking the day away.

The two organisations, who focused on improving the livelihoods of these children through education, received education materials to support the children in the days to come.

## JESSORE

### A ROOF TO SHELTER THE FUTURE



To encourage the children and create better education opportunities for them IDLC took the initiative to renovate Agrani Primary School at Jessore. IDLC installed a tube well for safe drinking water and electric fans, benches, office furniture besides giving books and stationaries to the children for enhancing access to education. A cultural programme and an art competition was organised for the children by IDLC volunteers. Sabyasachi Mistry, renowned artist and illustrator of children's books, was present as the judge of the art competition to inspire children to express themselves through art. Now 1,000 school students have access to safe drinking water, electricity and also better educational facilities.





## SAVAR

### ASSESSING THE SPECIAL NEEDS FOR EDUCATION OF THE CHILDREN AT SAVAR CRP HOSPITAL

Where others see hopelessness, the Centre for Rehabilitation of the Paralyzed (CRP) in Savar sees potential. The leading center for treatment and education of the physically challenged of Bangladesh, CRP strives to ensure a brighter future for orphaned and abandoned children. IDLC, with volunteers from Jahangirnagar University Social Welfare Club, organized an eventful day for these physically challenged children from Centre for Rehabilitation of the Paralyzed (CRP) in Savar. The day started with a session of finger painting, followed by games and sport events. As a part of their own inclusion programme, the children of CRP performed for an audience. There was poetry, dance, song performances and a fashion show. The children in need were given assistive devices and school supplies by IDLC to support their education.



## NOAHKHALI

### USING CULTURE TO BRING A COMMUNITY TOGETHER

Begumganj Cultural Academy and Library is a cultural hub at the middle of a small community in Noakhali. Children come to the centre on the weekends, to learn how to sing, dance and paint. The library is still a place where people gather in the afternoons and spend their time with a book or a stranger, in pursuit of knowledge or socialising. Years of neglect for renovation and refurbishment has left this spot of sunshine in shambles. Their classrooms and library, which holds the books and the learning areas, lay in ruins. IDLC helped refurbish the classrooms and increase the capacity by over 200%. An art Competition was held with volunteers from IDLC and the local community. "The theme was "Language Movement", in commemoration with International Mother Language Day"



# MEET OUR PARTNER

## KORVI RAKSHAND

Founder, JAAGO Foundation

Korvi Rakshand is a social entrepreneur and the founder of JAAGO Foundation, a civil society organization (CSO) dedicated to the education of underprivileged children and youth development. Till date, he has been awarded the Mosaic Award Talent in 2010, Commonwealth Youth Awards in 2013, and was hailed as the Top 99 under 33 Foreign Policy Leader and was among the Top 10 Inspirational Bangladeshis around the World by the British Bangladesh Power & Inspiration in 2014. In 2017, he received the Andrew E. Rice Honorable Mention Award organized by The Society for International Development, Washington Chapter for his leadership and innovation in international development.

**Our Work:** We donated school supplies to the remote Teknaf and Bandarban schools of JAAGO for one-half of the year, and are currently working for extending and construction of one school in a remote village in Rangpur.

“We are really happy that IDLC has taken a step to stand beside the underprivileged children with JAAGO. I hope that this partnership will not only help the children who will be studying in the classroom that IDLC is making, but we look forward to a future long-term partnership. We hope JAAGO and IDLC together can make a better Bangladesh.”



### JAAGO FOUNDATION

Website: <http://jaago.com.bd>

Facebook: <http://www.facebook.com/JAAGOfoundation>





# MEET OUR PARTNER

## SABYASACHI MISTRY

Artist

Sabyasachi Mistry is a renowned Concept Artist, Illustrator, and Character Designer and has published illustrations in countless books by esteemed publishers, including training and awareness materials for international development agencies like BCCP, UNICEF, Room to Read, Save the Children, Tdh-Italy, OXFAM GB and numerous others. His illustrations have been commissioned by almost all the major Bengali and English newspapers.

**Our Work:** Sabyasachi Mistry was invited as a guest judge at art competitions for our initiatives, in Comilla, Jessore and at Pohela Boishakh, to inspire underprivileged children to express themselves through art.

“Children are always and foremost a part of Nature. As they grow older, they keep moving away from this. IDLC has taken amazing initiatives with children, which brings out that side to them.”



**SABYASACHI MISTRY**

Blog: <http://tinysabya.blogspot.com>





The 40

# MEET OUR PARTNER

## IFFAT NOWRIN MALLIK PROJECT MANAGER, THE-40

Iffat Nowrin Mallik is the Project Manager of The-40, an organisation which works with orphans and facilitates their education, residence and a healthy upbringing.

Noor-e-Farid Nasrine Academy was a personal initiative by Nasrine Rasheed Karim. She strongly believed that children are the future. She wanted to empower children, providing them with a happy home that will allow them to prosper and attain success. Her zeal to give back to her community led her to establish Noor-e-Farid Nasrine Academy at her ancestral home with the help and support of friends. The Academy strives to develop these boys to become contributing members of society.

Our Work: To support the behavioral education of the children The-40 and IDLC organised an art and sports competition with the local students in Comilla. IDLC has donated school supplies, sports equipment including jersey, shoes, bags and water-bottles as educational support.

“Khushir Kheya not only helped the kids enjoy the moment, but also helped them exchange their thoughts, share their space with other kids and learn self-discipline. Working with IDLC has given us a new way to explore the project among the society and get more partners to enrich the project with new activities in the future.”

### THE 40

Website: [www.the-40.com](http://www.the-40.com)

Facebook: [www.facebook.com/noorefaridnasrine](https://www.facebook.com/noorefaridnasrine)







# HEALTHCARE

Proper access to Healthcare and Nutrition opens doors to provide families with education, clean water and living. The goal of our Healthcare initiatives is to see lives change as we promote healthy children and communities that are free from poverty and healthcare issues.

## OUR APPROACH

PREVENTION WITH REACTION.

We build and utilise partnerships with institutions and non-governmental organizations at national and community levels to bring practical solutions to underprivileged areas, particularly women and children, at greatest risk. We approach all threats to health and “there are many” with extensive experience, efficient logistics and creativity.

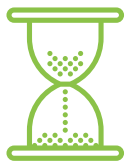
All disasters, whether natural, large scale epidemics or based on conflict are health issues, affecting the health of the populations and bringing about substantial loss and disruption to public health systems. Apart from the direct impact from hazards such as trauma and injuries, disasters exacerbate the most common causes of childhood illness and death including diarrhoea, pneumonia, malaria, malnutrition and neonatal causes due to disruption of health systems and essential services. In case of an emergency, our emergency health interventions are to provide support to governments and partners across the continuum from development, prevention, preparedness, response and recovery.

Clean water is life sustaining. That is why we are also committed to the digging of tubewells for collection of water, distribution of water filtration systems, and training and equipping local partners where safe water is not available.





# HEALTHCARE



**OVER 9000**  
VOLUNTEER  
HOURS



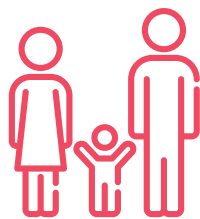
**OVER 170**  
VOLUNTEERS



**OVER 900 STUDENTS**  
FROM 3 MAJOR UNIVERSITIES  
PARTICIPATED IN MENTAL HEALTH WORKSHOPS

## 7 HEALTH CAMPS ACROSS THE COUNTRY FOCUSING IN 5 CORE AREAS

**4440 PEOPLE**  
RECEIVED BETTER ACCESS  
TO HEALTHCARE



**2100** FACTORY WORKERS

RECEIVED FREE MEDICINE AND  
PSYCHOSOCIAL COUNSELLING



**2000** FLOOD VICTIMS

RECEIVED FREE EMERGENCY  
MEDICAL AID



# OUR ACTS IN

## GAZIPUR

### FREE MEDICAL CAMP FOR WOMEN AND CHILDREN

IDLC partnered with AMAL (Authentic Method of Alternative Learning) and arranged a health camp for 200 women and children at Adarsha Bidyaniketon, Gazipur, to give them primary treatment and raise awareness on nutrition, psychological and health related issues. The beneficiaries received treatment and health tips from experienced doctors.



## KHULNA

### HEALTH AWARENESS WORKSHOP FOR PREGNANCY, FEMALE HEALTH AND HYGIENE

IDLC, with CARE Bangladesh, Korea International Cooperation Agency (KOICA) and UNICEF Bangladesh, arranged an awareness health camp for women in order to raise awareness on maternal health and female hygiene at Rupsha Upazila Health Complex in Khulna. The objective of the program was to strengthen newborn care by ensuring that public health facilities have a special care newborn unit (SCANU), with adequately trained staff and supplies. It is expected that this will help improve the quality of health services. It is expected that this will help improve the quality of health services. Around 100 women which included pregnant women, children under-5 years old and women aged between 15-49 years received free delivery kits and maternal care advice.



# HEALTHCARE



## IMAMGANJ

### ENHANCING HUMAN CAPITAL BY BETTER ACCESS TO HEALTHCARE AT PLASTIC FACTORIES



Around 150 workers of Asha Plastic and Trisha Plastic Products at Kamrangirchor spent the day dedicated to their health. IDLC and Spreeha Bangladesh Foundation arranged a health camp with aim to spread awareness on health issues which hamper their productivity. The health camp also included training sessions by experienced trainers on safe working environment and learn how to live a healthier life.

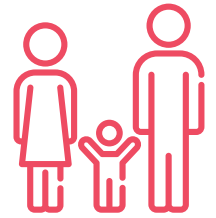
## TONGI

### FACTORY WORKERS PARTICIPATE IN HEALTH CAMP



IDLC, with Spreeha Bangladesh Foundation arranged a health camp for women and children to give them primary treatment and raise awareness on health related issues at Tongi. Through this health camp, around 750 women who work in Denim Attires Factory and their children received treatment and health tips from experienced doctors. Along with this, an interactive discussion was conducted on health topics on Health and Workplace Safety for women workers.





## NARAYANGANJ HEALTH CAMP TO BOOST PRODUCTIVITY

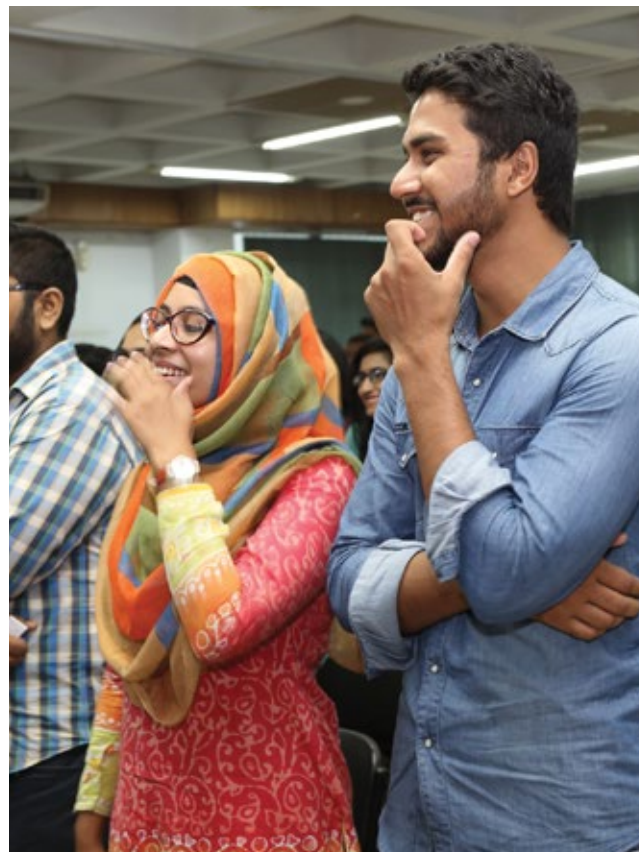
IDLC in collaboration with Spreeha Bangladesh Foundation organised a health camp for male and female factory workers of Showon Group. More than 1200 workers received general health consultation and were provided primary health care through this camp. Experienced doctors and pathologists provided treatment and performed blood examinations while pharmacists provided relevant medicines to the workers.



## RANGPUR HEALTH CAMP FOR THE FLOOD AFFECTED

IDLC set-up a free medical camp at the flood affected area of Dinajpur in August. Update Diagnostic Center and Sondhani (Rangpur Medical College Unit) actively participated in the initiative that provided healthcare services to around 1000 people. Another camp was organised at Bogra for 1000 flood victims. The health camp provided basic health checkups, Vitamins, Oral Salines and Medicine to help prevent outbreak of disease after the flood waters recede.





# YOUTH MENTAL HEALTH AWARENESS EVENT



# #HelloHappiness

## YOUTH MENTAL HEALTH AWARENESS EVENT

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According to UNDP study in 2016, people between the ages of 18 to 25 constitute 19% of Bangladesh's total population of 160 million. To utilize these large human resources, it is imperative to develop a coherent, harmonious society where families, educational institutions and communities will work together to bring about a Generation of healthy young people. In a developing country like Bangladesh, awareness of mental health and wellbeing is low and often distorted.

**900**  
**STUDENTS**  
**PARTICIPATED**

**3**  
**FROM**  
**UNIVERSITIES**  
**OVER A PERIOD**  
**OF 30 DAYS**

Thus in collaboration with Innovation for Wellbeing Foundation (IWF) IDLC conducted mental health awareness session for students under the title '#HelloHappiness' at United International University, Independent University, Bangladesh and University of Liberal Arts, Bangladesh. Renowned celebrity psychologists, motivational speakers, meditation therapists and musicians contributed and participated in the sessions. Over 900 students participated in the three sessions held.



# MEET OUR PARTNER

## MONIRA RAHMAN

Executive Director, Innovation  
for Wellbeing Foundation

Monira Rahman established Innovation for Wellbeing Foundation (IWF) in 2014 for addressing mental health and wellbeing issues of Bangladeshi Population. She is also Country Lead for Mental Health First Aid (MHFA), Bangladesh. MHFA is a global program to increase mental health literacy of the mass population currently being implemented in 24 countries. IWF is the sole license holder for implementing MHFA training courses in Bangladesh. Monira Rahman won Amnesty International's Human Rights Defenders Award 2006, Americans for UNFPA award 2009 and World's Children's Prize 2010 for her leadership in combating acid attack in Bangladesh.

**Our Work:** We worked with IWF to promote mental wellbeing and mental health awareness at 3 universities (UIU, ULAB and IUB) through a one-of-a-kind campaign, #HelloHappiness in 2017.

### INNOVATION FOR WELLBEING FOUNDATION

Website: <http://www.iwellbeing.org>

Facebook: <https://www.facebook.com/iwellbeingbd>





# MEET OUR PARTNER

## AYMAN SADIQ

Founder & CEO, 10 minute school

Ayman Sadiq is the CEO and Founder of 10 Minute School, Bangladesh's leading online educational platform. At the same time, Ayman is an educator, trainer and young entrepreneur. He has produced over 2,000 video lessons in 10 Minute School and teaching a wide spectrum of academic subjects, mainly focusing on English, mathematics, science and skill development. He was named as one of the recipients of 2018 Queen's Young Leader Award in December 2017. He is also in the Forbes' 30 under 30 Asia list for his contributions towards solving problems through his initiative.

Our Work: Ayman Sadiq was one of the keynote speakers at two of our #HelloHappiness events in 2017.

“I'm a Math teacher but I research more on optimism & happiness. It couldn't have been a better theme for me to talk to my favorite crowd, the university students. Looking forward to a season 2 of #HelloHappiness.”



### 10 MINUTE SCHOOL

Website: <http://10minuteschool.com>

Facebook: <https://www.facebook.com/10minuteschool>

**10** MINUTE  
SCHOOL





# MEET OUR PARTNER

## SUMAIYA IQBAL

Communications Manager,  
Spreeha Bangladesh Foundation

Sumaiya Iqbal is the Communications Manager at Spreeha Bangladesh Foundation. She is a student at Dhaka University and works for Spreeha, leading multiple projects. Spreeha Bangladesh is a social enterprise that inspires change by empowering people. With use of creative solutions, Spreeha enables individuals and communities to rise above social barriers. It successfully runs healthcare, education and skills training projects for underprivileged communities in Dhaka and Chittagong, and operates a community welfare clinic in Rayer Bazar.

**Our Work:** We worked with Spreeha for our on-site Healthcare initiatives last year, where we provided free healthcare, counseling and medicine via a day-long health camp to over 2500 workers in 3 factories, in Tongi, Imamganj and Narayanganj.

“ It was a wonderful experience working with a team sharing similar values and also one that is driven in passion and seeks to actually help those in need. IDLC’s focus on community development through partnership is truly exemplary.”

### SPREEHA BANGLADESH FOUNDATION

<http://www.spreehabd.org/>  
<https://www.facebook.com/spreehabd/>





# ENVIRONMENT

Our world needs energy to support and improve life for a growing population. With branches and operations all over Bangladesh, we aim to limit any impact on the environment and support the transition towards a lower-carbon future. We always try to make a positive contribution to the local environments in which we operate and seek to reduce any potential negative impacts.

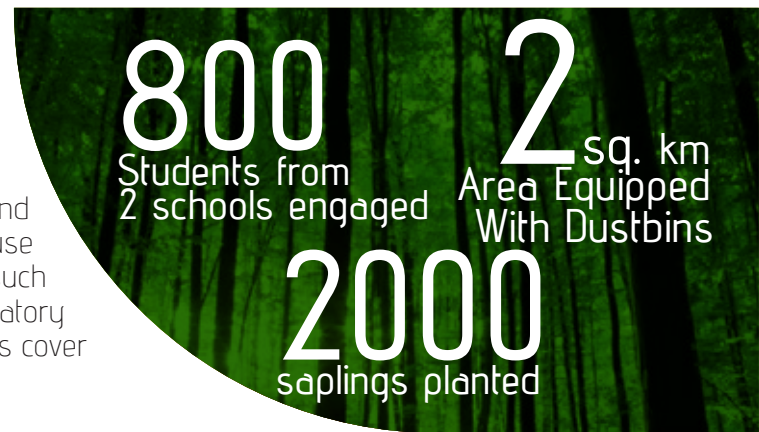
## OUR APPROACH

### PLANTING THE SEEDS OF SUSTAINABILITY

We are committed to protecting the environment and respecting our neighbours. We work hard to cause no harm to people. This is why we set ourselves such high environmental standards. These meet all regulatory requirements and often exceed them. Our standards cover our environmental performance including:

- managing carbon emissions
- using less energy more efficiently
- using less fresh water and
- conserving biodiversity wherever we operate.

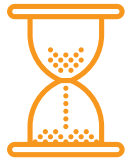
The standards apply to every IDLC Branch and SME Booth and to joint ventures where we are the operator. We encourage partners in joint ventures where we do not directly operate to apply our standards. We work in partnership with many non-governmental organisations and local communities to help us live up to the high standards we set ourselves. IDLC's CSR activities are regulated by the Sustainable Finance Department of the Bangladesh Bank, formerly known as the CSR and Green Banking Department. We are also members of the United Nations Global Compact (UNGC), the United Nations Environment Programme Finance Initiative (UNEP FI) and the CSR Center (local network of UNGC in Bangladesh). Moreover, IDLC is the first and only signatory to the UNEP FI from Bangladesh till date. We have also embraced their guiding principles in upholding human rights, labour standards, responsible environmental management and anti-corruption policies and practices. IDLC also endorsed the UNEP FI Declaration "MOBILISING 100 FINANCIAL INSTITUTIONS FOR ENERGY EFFICIENCY" at the COP 21-CMP11 Paris 2015, held at the Paris UN Climate Change Conference, thereby further reinstating its commitment to energy-efficient funding practices and exploring newer frontiers. We report on our environmental and social performance every year in the Annual Sustainability Report and every Quarter in Quarterly Green Banking Reports.







# ENVIRONMENT



**OVER 3750**  
VOLUNTEER  
HOURS




**OVER 75**  
VOLUNTEERS



**2 SQ KM OF AREA**  
NEAR THE BURIGANGA  
EQUIPPED WITH DUSTBINS &  
PROPER WASTE COLLECTION  
SYSTEMS

**2000 SAPPLINGS**  
WERE **PLANTED &**  
 **NURTURED**

**800 STUDENTS**  
AGES 12-16  
  
**FROM 2 SCHOOLS**  
ATTENDED **GREEN WORKSHOPS**

**200**  
**STUDENTS**   
RECEIVED PRACTICAL COURSES  
ON NURTURING OF PLANTS

**3000+ PEOPLE**  
4 FLOOD AFFECTED AREAS  
RECEIVED DISASTER AID



**35 FAMILIES SUPPORTED**  
WITH LIVELIHOOD BY SKILLS TRAINING  
& DONATION OF LIVESTOCK



**HEALTHCARE COUNSELLING  
AND CHECKUP**



**RELIEF SUPPLIES**



**FREE MEDICINE**

**THEY ALSO RECEIVED**



# OUR ACTS IN

## SYLHET

### HOPE FOR FLOOD VICTIMS IN HAOR AREA

Around 2.72 lakh people have been affected by the flash flood in Sunamganj district. People living in Thakurbhog of Sunamganj are devastated, especially the farmers living in the Haor region. To help the people of Haor fight back, Casper - BRAC University, Casper Foundation along with IDLC Finance have joined hands together. Their project 'Fight Back the Disaster' is a joint initiative that does not only provide relief, but also, provides rehabilitation to families who have suffered from one of the most devastating floods of Bangladesh. Casper - BRAC University revisited Thakurbhog, Sunamganj on September 29, 2017, taking the support of IDLC Finance. After the relief distribution on March, the team has revisited this time to distribute livestock to the flood affected families of Thakurbhog. Initially, a survey was conducted by the volunteers of Casper - BRAC University where it was found that, raising domestic animals would help the locals meet their daily needs and would enable them to be self-sufficient. Thus, to restore the livelihood of the flood victims, project 'Fight Back the Disaster' selected 35 needy families to be recipients of goats from the project. These families were selected based on the urgency of their needs as well as their ability to take care of the livestock. The parties designed a sustainable model for the project by ensuring long-term monitoring of each family's progress with the goats with the support of a local doctor.



## MYMENSING AND HABIGANJ

### COLLABORATING FOR A GREENER TOMORROW

School children of Mymensing Mukul Niketan School and Habiganj School and College participated in a workshop on tree plantation organised by IDLC with technical collaboration of Green Savers, at their school premises. The workshop aimed to familiarise the students with rare plant species and sensitize them about their role in preservation of natural resources. Hundreds of students attended the event and took an oath to protect the environment. With the guidance received through the workshop, the children planted saplings and installed a rooftop Green Lab Garden which would play the role of a school lab for practical classes for students of Botany. Over 2,000 saplings were donated and planted by the children with direction from Green Savers and IDLC.





# ENVIRONMENT

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## KERANIGANJ CLEANER COMMUNITIES

Dustbins were installed around IDLC Keraniganj Branch near river Buriganga within a 2 sq. km area to encourage business individuals and the local commuters to dispose of waste or litter properly. This, in the long run, will contribute to lesser waste on the river bank, and eventually, less water pollution.

# MEET OUR PARTNER

## AHSAN RONY

Founder, Green Savers

Ahsan Rony is an environmental activist and the founder of Green Savers, a non-profit organization that works with urban agriculture. He studied Anthropology at Dhaka University and founded the company in an effort to increase awareness and the number of trees in Dhaka city and across the country. He planted trees on 3300 rooftops in the city and established over 380 Green Clubs and Oxygen Banks in educational institutions all over the country. His organization,

Green Savers is also operation a Plants Hospital and a Mobile Plants Clinic in Dhaka city. Besides these, he works on a number of other projects with different national and international organisations, like FAO, UNDP, ActionAid, Save the Children, Australian Aid, Practical Action,

Water Aid, etc. For his work, he received the Prime Minister's Award for contributing to the environment in 2013, Joy Bangla Youth Award in 2015 and Che Guevara Youth Award in 2016, Channel 1 nature Care Award 2016 D4DF youth Award 2017 with repeated appearances as a Green Ambassador all across the media.

Our Work: We worked with Ahsan Rony on 2 events, in Habiganj and Mymensing, where we established two Lab Gardens for the students and teachers of Botany and agriculture studies to practice and experiment for their academic studies. We also planted over 2,000 saplings and held a green environment workshop for students of one renowned school in each district. This Lab Garden will have great impact on the Environment, Entertainment and Education of these schools.

“We had a great experience working with IDLC. They really mean CSR. Their thinking about community development, upgrading underprivileged and strengthening social organisations has already become a role model for other corporates to follow and to be inspired.”



### GREEN SAVERS

Website: <http://www.greensaversinfo.org>  
Facebook: <https://www.fb.me/greensaversinfo.org>







# MEET OUR PARTNER

## TAUFIQ UZ ZAMAN

CEO and Founder, Casper Foundation

Taufiq Uz Zaman is a social entrepreneur and the founder of Casper Foundation. An alumni of University of Toronto, he started Casper Foundation to address pressing social issues through social outreach projects conducted and supported by student leaders in prime universities in Bangladesh. His organisation provides the opportunity to allow student volunteers in universities to come together and showcase their projects in front of corporate donors and execute them.

Our Work: IDLC worked with Casper- BRAC chapter to execute the donation of livestock (goats) to 35 families in remote haor areas of Sunamganj.

“IDLC’s contribution, involvement and support shaped our project in the most positive way and has inspired Casper Foundation and its volunteers coming from universities all over Dhaka, Bangladesh to pursue their dreams to create a positive impact in our community.”

### CASPER FOUNDATION

Website: <http://www.casper.foundation>  
Facebook: [www.facebook.com/CasperFoundation](http://www.facebook.com/CasperFoundation)





# EXTENDED RESPONSIBILITIES

At IDLC, we believe that corporate social responsibility is at the heart of all that we do, how we think and who we are. We are committed to incorporating social, environmental and ethical principles into our core business and operations, enhancing long-term value for all our stakeholders and touching lives across areas where we operate.

## OUR APPROACH

While all our CSR activities and interventions always fully comply with the Guidelines and laws of the land, they strive to meet the core needs, even beyond of what is mandated. As per our core values and aim to spread Happiness, we look for pressing issues that need that extra push. In order to provide that our support, we work in advance with community leaders and stakeholders, forming partnerships that build the foundation for each of our initiatives. We look for and engage in ways to contribute towards the positive building of the community and the society as a whole. Our goal is not only to be one of the first organizations to respond to a need or issue, but also one of the last to leave. In doing so, we bring immediate and long-term solutions to those who are in need.

# EXTENDED RESPONSIBILITIES

## IDLC SUPPORTS BADAL MIAH'S FAMILY

Badal Miah, a railway staffer of Bangladesh Railway, saved a little girl's life from a train accident on 27 th January 2017. While saving the girl's life, Badal Miah lost his own. Not every day do we find people who are willing to sacrifice their own lives to save another. To assist the bereaved family of Badal Miah, IDLC Finance Limited appointed his son Shohag Miah (18) as a support staff at its Mymensingh Branch. This was just a small contribution to the family under IDLC's CSR activities to ensure sustainable livelihood for the family.



## SPORTS EQUIPMENT SUPPORT TO PHYSICALLY CHALLENGED CRICKET TEAM

Bangladesh Cricket Association for the Physically-challenged was invited to participate in a Tri-Nation Tournament (Bangladesh, India and Sri Lanka). A 22-member physically challenged cricket team represented IDLC, as part of its commitment to assist physically- challenged youths, as well as to promote sports, purchased required sports equipment for the team.







# ANONDO MELA SHARABELA BOISHAKH 1424



# ANONDO MELA SHARABELA

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Each year, Pohela Boishakh is celebrated through a nation-wide festival, involving fair, food, concerts and various events to welcome the Bengali New year.

IDLC has been celebrating by inviting partners, clients and employees to join cultural events each year for the occasion. As part of a CSR initiative and responsibility by IDLC and to position IDLC as a brand that stands out by spreading happiness to underprivileged children in a festive occasion, the CSR department of IDLC organised an event exclusively for underprivileged children and gave them a day to remember.

**3 PARTNERS  
100 CHILDREN  
1 DAY OF  
HAPPINESS**

IDLC invited around 100 children to participate in a day-long festivity, through proposed and existing partners of IDLC. The children enjoyed various activities, rides, games, an art competition giving them a day to remember and involving them in the culture and festival of Boishakh. The children were also provided school supplies as gifts for the Bengali New Year.

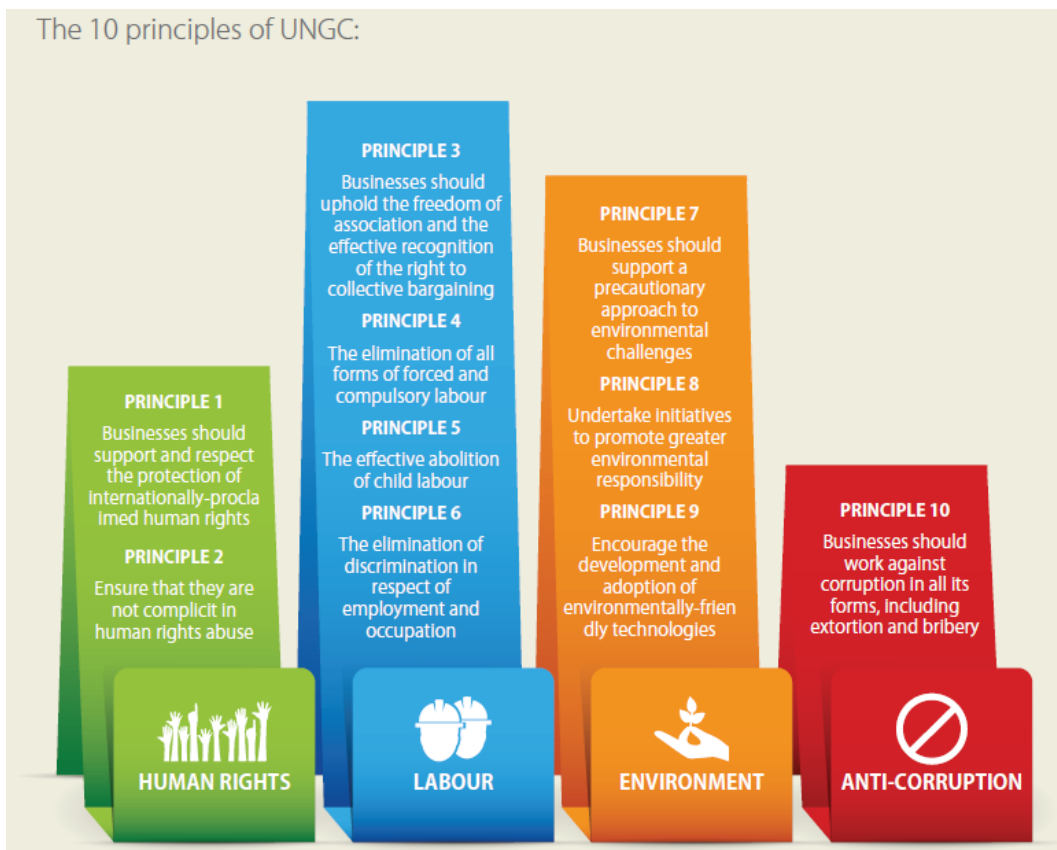
**FIND OUT MORE ABOUT OUR POHELA BOISHAKH EVENT:**

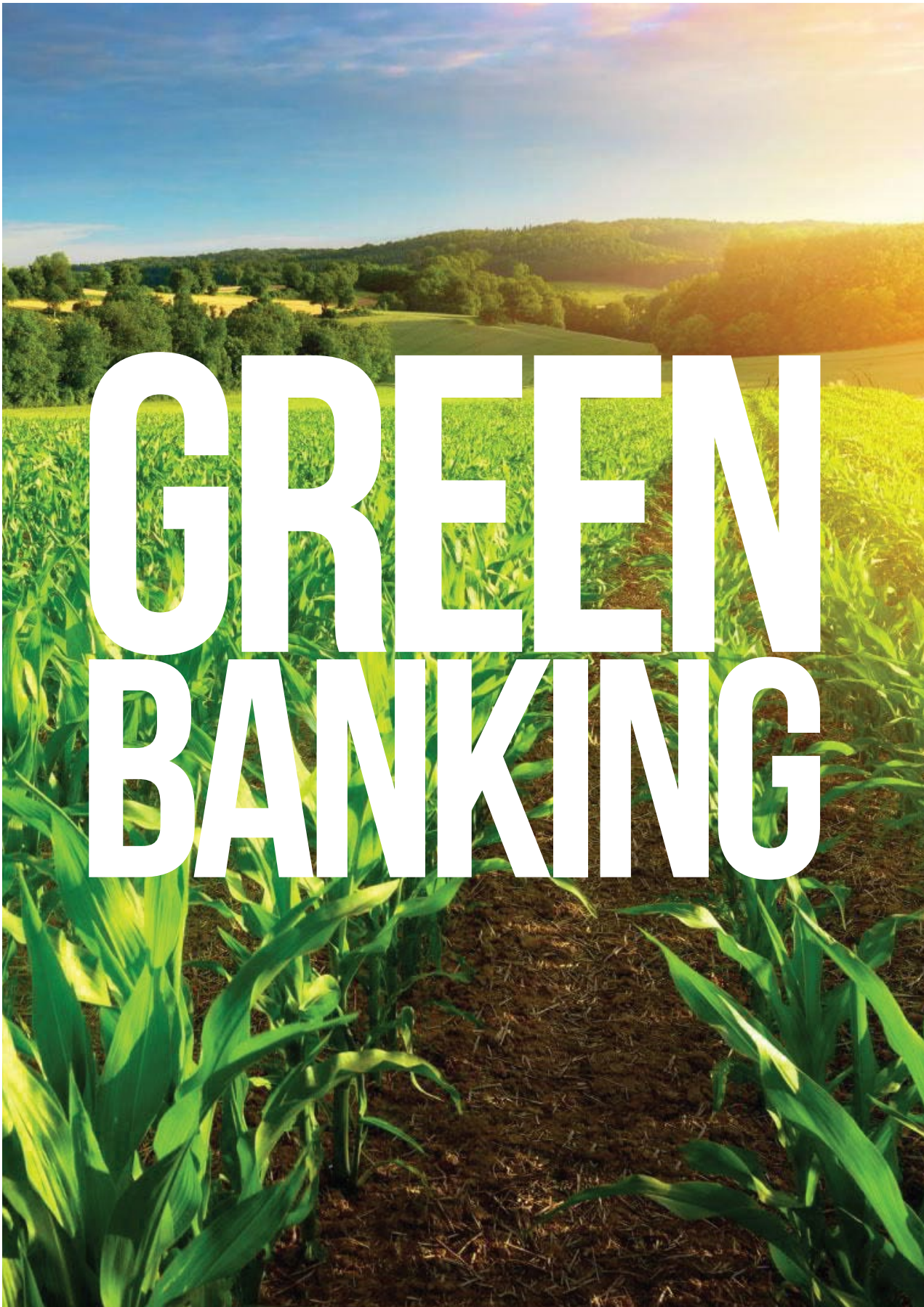


# REGULATORY BODIES AND MEMBERSHIPS

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 is the first and only signatory to UNEP FI from Bangladesh till date.

We have also adopted their guiding principles in upholding human rights, labour standards, responsible environmental management and anti-corruption policies and practices.





# GREEN BANKING



# GREEN BANKING

(A UNIT OF IDLC'S CORPORATE DIVISION)

IDLC Finance focuses on financing sustainable business by supporting SMEs via funding and also encouraging greener business practices. FMO is supporting this goal by providing long tenor loans and additional sustainable business advice.

Green Banking refers to banking practices that foster environmentally responsible financing practices and environmentally sustainable internal process minimizing GHG emission of the organization. Under the practices of ethical banking, Green Banking Unit is IDLC's commitment towards nature & sustainability by promoting environment friendly business practices to the various business segment of the country as well as reducing carbon footprints from our organizational framework.

Green Banking thus involves these two pronged approach:

- Adopting environmentally responsible financing
- Focusing on the green transformation of internal operations of the organization

The broad objective of the unit is to avoid degradation and give priority to environment and society, focus on environment-friendly initiatives by providing innovative financing and ensure sustainable development.

## Year in review

2017 has been a challenging year for the Green Banking unit, with yearly disbursement falling by 37.8% to BDT 366.88mn, from BDT 589.53mn in 2016. The Green Banking loan book currently stands at BDT 612.95mn, falling below its 2015 portfolio of BDT 617.04mn. This has mainly been a result of intense competition in this space, with few notable Banks enjoying access to larger sources of low cost funds for Green Finance purposes. In light of the matter, it is in our agenda to re-strategize our Green Banking efforts and reinvigorate our stance in this category.

## Product offerings

There are now 52 variants of green financing products to cater to the specialized needs of different industries and segments, in line with the guidance from the Central Bank.



52  
variants of  
green financing

## Rolling out Environmental & Social Management System (ESMS)

We have been one of the front runners in adopting the “Environmental & Social Management System (ESMS), a global standard to minimize Environmental & Social Risks from the financial footprints of the organization. With the cooperation of FMO (Netherlands Development Finance Company), IDLC has the most efficient ESMS system of the market, blending the local & international standards for formulating E & S risks before financing any proposal. Our ESMS system comprises the following guidelines:

Environmental & Social Risk Management Guideline by Bangladesh Bank, the Environment Conservation Rules 1997, IFC Performance Standards & ADB Safeguard for Financing. In addition to this, we have also adopted the 10 UNGC (United Nations Global Compact) principles within our organizational frameworks as the only signatory of UNEP FI (United Nations Environment Programme Finance Initiative) from Bangladesh. We also have a dedicated E&S Team to rollout the operations of ESMS across the organization, capacity building of the business unit as well as the credit risk management officials to enhance the core of our in house E & S management.

## 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.

We have also developed a Green Office Guide (GOG) for IDLC that consists of a set of general instructions to be followed, aimed at improving in-house environmental management across the organization by:

- Saving electricity
- Minimising usage of water and paper
- Keeping the office clean and hygienic

## Green Banking's Strategic Importance in value creation for IDLC and its stakeholders

Banks and financial institutions all over the world are concerned about the overall impact of the depletion of environment. General frameworks describing the climate strategies are difficult to transfer to the financial sector as such frameworks usually focus on basic industries, and FIs are not generally exposed to weather stresses, nor are they heavily dependent on fossil fuels in their operations. Here, Green Banking plays a significant role as it allows the FI to assess the impact of climate change on the asset quality of lending and investment portfolios. The activities of Green Banking influence the FIs to develop a business model which is sustainable and adaptable to their environment policies. While many banks understand the significance of emission reduction, we have comprehensively integrated climate change-related aspects into our business processes. Green Banking allows us to measure social and economic impact of lending, reduce annual paper consumption of full-time employees by the better implementation of Green Office Guidelines and continue to reduce energy and water consumption via its LEED Certified Green Office initiative.

In essence, Green Banking also has an effect in financial performance, because if a bank/FI fails to practice Green Banking guidelines or finances a project that has adverse effects on the environment, it may face credit risk, liquidity risk and also reputation risk. The bank/FI may have to incur cleanup costs for the damages caused if it financed a project that has adverse effects on the environment. The bank/FI may also suffer credit risk if it finances a project harmful to the environment, especially if the project is stalled or forbidden by regulatory authorities leading to a default in payment of the loan by the client. A financial institution may also face reputation risk when it fails to practice the prescribed guidelines causing it to lose business from clients who are sensitive to the environment.





ABOUT  
OUR  
COMPANY

# OUR PHILOSOPHIES – THE BACKBONE OF OUR ENTERPRISE



## Our Vision

We will be the best financial brand in the country.



## Our Mission

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



## Our Strategic Objectives

- Grow and develop our talent pool
- Fully leverage the core banking platform
- Optimise distribution points
- Grow and diversify funding sources
- Grow sales and service capabilities in the consumer division

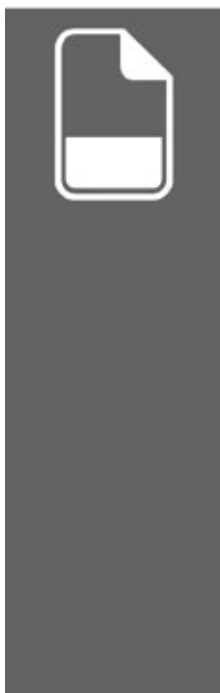
- Sustainably grow SME portfolio
- Focus on top-tier clients in the corporate segment
- Consolidate capital market operations and enhance capabilities
- Embrace internationally accepted corporate governance and sustainable business practices



## Our Core Values

- Integrity
- Customer Focus
- Trust and Respect
- Equal Opportunity

- Eco-friendly
- Passion
- Simplicity



## Our Code of Conduct and Ethical Guidelines

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

- Act with integrity, competence, dignity and in an ethical manner when dealing with customers, prospects, colleagues, agencies and the public

- Act and encourage others to behave in a professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC at large

- Strive to maintain and improve the competence of all in the business

- Use reasonable care and exercise independent professional judgment

- Not restrain others from performing their professional obligations

- Maintain knowledge of and comply with all applicable laws, rules and regulations

- Disclose all conflicts of interest

- Deliver professional services in accordance with IDLC policies and relevant technical and professional standards

- Respect the confidentiality and privacy of customers, people and others with whom they do business

- Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on honesty, trustworthiness or professional competence.

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

# 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
- 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
- Revolving Short Term Loan
- Commercial Space 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

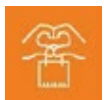
### Structured Finance Solutions

- Debt Syndication (Local & Foreign Currency)
- Working Capital Syndication
- Agency & Trusteeship
- Fund Raising through Zero Coupon & Coupon Bearing Bonds
- Commercial Paper
- Arrangement of Private Equity & Preference Shares
- Corporate Advisory for Mergers

- & Acquisitions and Joint Venture Making
- Balance Sheet Restructuring
- Preparation of Feasibility Study

### Green Banking Solutions

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



## Consumer Finance

### ▶ Loans

- Home Loans
- Car Loans

### • Personal Loans

- Loan Against Deposit

### ▶ Deposits

- Flexible Term Deposit Package
- Regular Earner Package



## 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 Networth 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

### IDLC Asset Management Limited

- Mutual Funds
- Portfolio Management

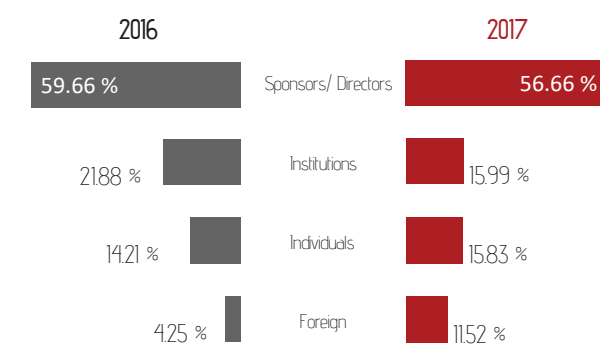


# Our Shareholding Composition

As on December 31, 2017

Sl. No.	Name of Shareholders	Number of shares	% of total Shares
<b>SPONSORS/DIRECTORS</b>			
	The City Bank Limited (CBL) and its subsidiaries	87,510,575	23.21
	The City Bank Limited (CBL)	33,935,329	9.00
	City Bank Capital Resources Limited (CBCRL)	37,328,028	9.90
	City Brokerage Limited	16,247,218	4.31
	Transcom Group	50,273,164	13.33
	Eskayef Pharmaceuticals Limited	30,164,062	8.00
	Transcraft Limited	15,132,033	4.01
	Bangladesh Lamps Limited	4,977,069	1.32
	Sadharan Bima Corporation (SBC)	28,727,494	7.62
	Reliance Insurance Limited	26,393,553	7.00
	Mercantile Bank Limited	20,737,791	5.50
	Sub -Total	213,642,577	56.66
2	<b>GENERAL</b>		
	<b>Institutions:</b>		
	Bangladesh Fund	6,330,000	1.68
	Investment Corporation of Bangladesh (ICB)	5,251,913	1.39
	Marina Apparels Limited	3,770,506	1.00
	Other Institutions	44,930,605	11.92
	Sub -Total	60,283,024	15.99
	<b>Individuals:</b>		
	General Public (Individuals)		
	Sub -Total	59,688,255	15.83
3	<b>FOREIGN</b>		
	Institutions & Individuals	43,436,924	11.52
	Sub -Total	43,436,924	11.52
	<b>Total Holdings</b>	<b>377,050,780</b>	<b>100.00</b>

## SHAREHOLDING COMPOSITION 2017

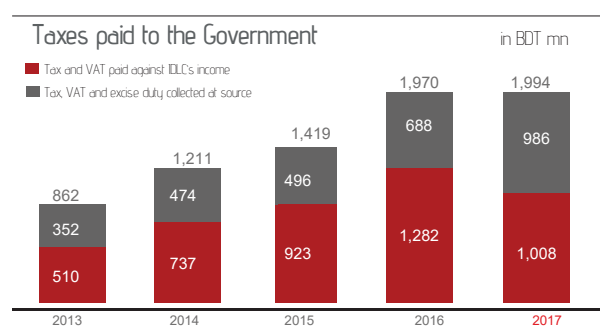


## Contribution to the National Economy

IDLC is considered to be one of the major contributors in 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-bank financial institutions in the country. Some of our specific contributions to the national economy are highlighted below:

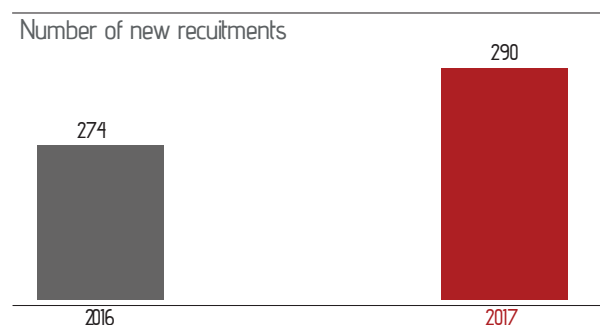
### Taxes to Government

In 2017, IDLC deposited BDT 945.76 million to the Government exchequer as corporate income tax and BDT 62.63 million as VAT against fee income; totaling to BDT 1,008.39 million paid as Tax and VAT against the income earned by IDLC. Also, BDT 986.03 million was collected and deposited to the Government exchequer as withholding tax (BDT 886.80 million), withholding VAT (BDT 56.88 million) and excise duty (BDT 42.34 million). Notably, we received the prestigious accolade of being the Highest Tax Payer in the Financial Services Sector for the fiscal year 2016/2017, for our contribution to the Government Exchequer, on the back of our profound governance culture.



### Employment generation

We create economic impact by creating employment and giving appropriate training to the employees. As on December 31, 2017 IDLC Group accounts for 1,318 talented employees, due to a recruitment of 290 employees during the year; which is a 5% rise in comparison to the prior year. During 2017, the group paid BDT 1,295.05 million as salaries and allowances to its employees and spent BDT 245.1 million for both local and foreign trainings. Moreover, at a time when job creation is a top priority for government, we continued to catalyze our lending to small and medium enterprises (SME), thereby helping accelerate both direct and indirect job creation.



# Value Added Statement

for the year ended December 31, 2017

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 shows 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, 2017 in BDT million	%	Dec, 31, 2016 in BDT million	%
Value added	9,266		8,551	
Operating revenue	<u>(4,902)</u>		<u>(4,625)</u>	
Cost of borrowing	<u>438</u>		<u>506</u>	
Other income	4,801		4,433	
Provisions	<u>(726)</u>		<u>(636)</u>	
	<b><u>3,847</u></b>	<b>100%</b>	<b><u>3,623</u></b>	<b>100%</b>

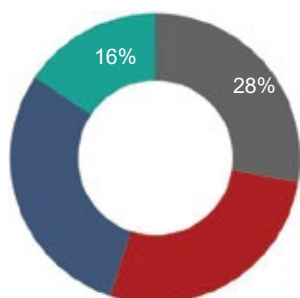
Operating expenses excluding staff costs and depreciation.

Value added	1,062	28%	889	25%
Distribution of value addition	1,057	27%	1,084	30%
To Employees as remuneration	1,131	29%	1,131	31%
To Government as taxes	597	16%	518	14%
To Shareholders as stock dividend (cash and stock)	451 146	12% 4%	365 153	10% 4%
Retained in the business as capital and revenue reserve as depreciation	<u>3,847</u> 1,137 3.38	<u>100%</u>	<u>3,623</u> 1,099 3.30	<u>100%</u>

## Number of employees

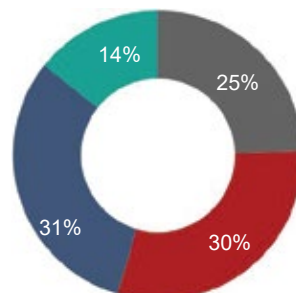
Value added per employee

2017



■ To Employees  
■ To Government  
■ To Shareholders  
■ Retained in the business

2016



■ To Employees  
■ To Government  
■ To Shareholders  
■ Retained in the business



## Our Business Model

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. Over the course of this report, we will use the Business Model Canvas in its original format as a representation of our business model components, as below:



### 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



### Channels

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



### Customer Relationships: Modes of Communication

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



### Key Activities

- Innovate and sell financial products
- Grow, development 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 financials



### Value Proposition

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



### Our Customer Segments

- 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 – Lending Business Operations

## SME Division

**DECEMBER, 2005**

Commencement of SME Financing

**JANUARY, 2006**

Opening of first SME branch at Bogra

**28**

No. of branches with SME clients

**43.66%**

% of overall portfolio

**BDT 30,851mn**

Asset portfolio

**18.41%**

Asset portfolio growth over 2016

**24.83%**

Asset portfolio 5 year CAGR

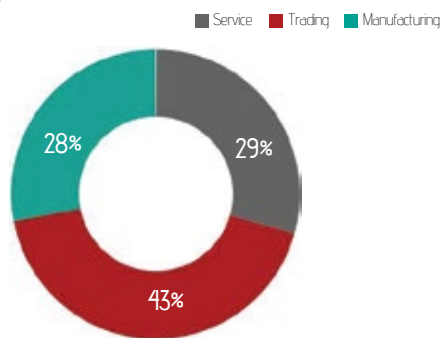
**BDT 22,756mn**

Disbursement

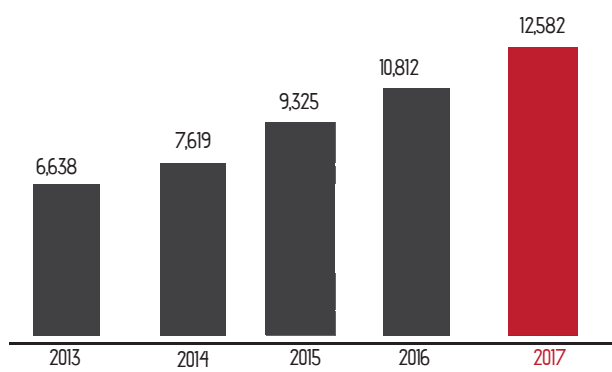
**BDT 2.95mn**

Avg. ticket size

### Portfolio Composition

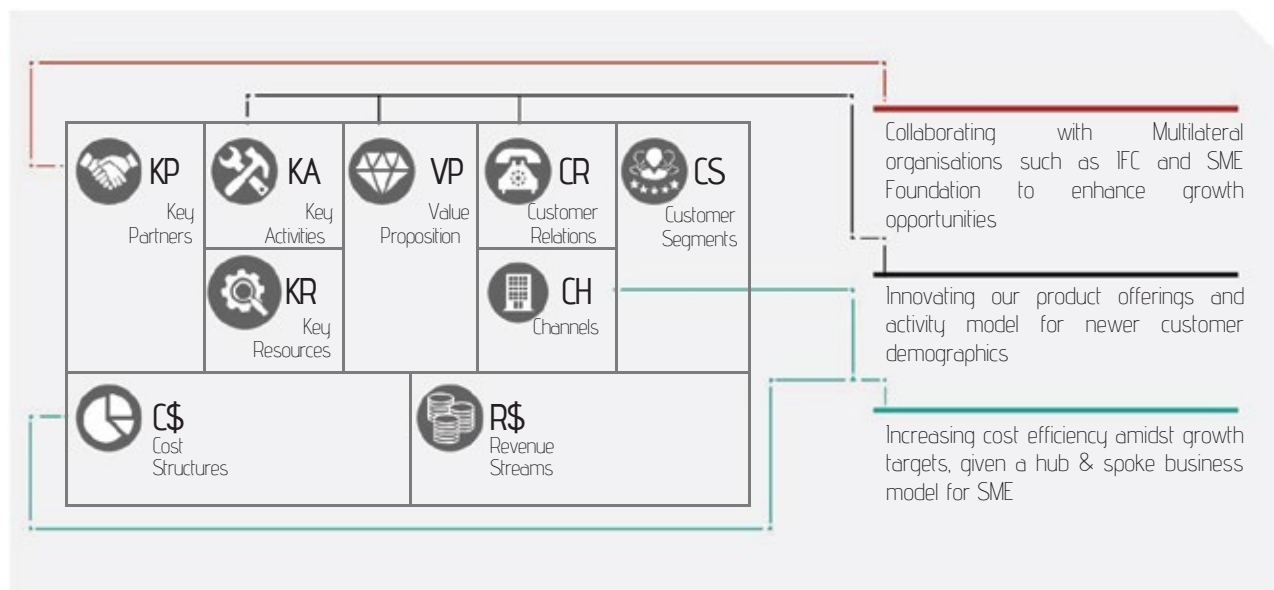


### No. of clients



## Key strategic concerns for 2018

\*Long- term strategies discussed in Strategy & Resource Allocation





## Divisional overview

The SME Division is our largest business segment, providing financing solutions for Small and Medium Enterprises across the country. The Division was officially launched in 2006 with select offerings in term loan, working capital loan and lease financing. Over the last decade, it has evolved and expanded into a comprehensive suite of customizable products, with solutions such as project financing, commercial lodging facility financing, bill discounting & factoring, among others. Supported by a wide ranging distribution network with deeprooted local expertise and a decentralized credit assessment, the division has driven the growth of IDLC, with divisional portfolio growing at a CAGR of 24.83% over the last five years. Our SME business model has proven to be a success in driving sustainable growth for IDLC, and perhaps even more importantly, it has been a partner in the success and growth of SMEs throughout Bangladesh.

## Core highlights, 2017

### Leveraging technology

Centralized Operations system was implemented at all branches for smoother and faster service delivery. Credit scoring model is being used as a complementary tool for decision making.

### Expanding our reach

Expansion to five new locations: Elephant Road, Faridpur, Rajshahi, Chowmuhani & Barisal. Conversion of Gazipur booth to a branch. Developed kiosk based low cost "IDLC Business Center" model for channel expansion. Developed new business model for Very Small Enterprise financing under a new unit in SME.

### Capacity development

Launching of Sales Academy, a complete structured training program, divided into tiers based on designation, for our sales based employees. Launching of online training materials on product and process knowledge for development of sales force.

### Managing cost of fund

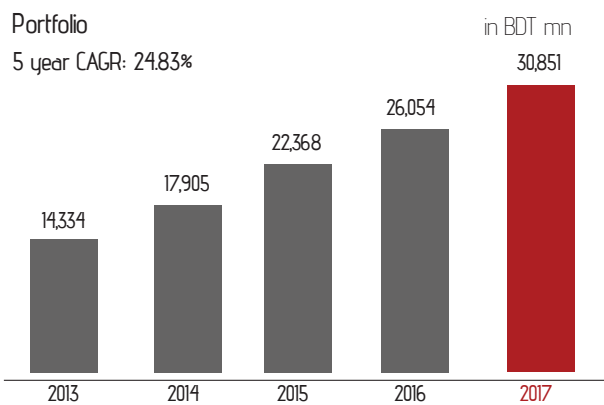
New agreement with Bangladesh Bank for availing low cost fund under ADB refinancing scheme.

### Collaboration

Selected as a pilot Financial Institution for initiation of Credit Guarantee Scheme under UNCDF Women Entrepreneur Support Fund in collaboration with Bangladesh Bank for easier financing of women entrepreneurs. Diagnostic conducted by IFC showed performance quality and brought to light new arenas of exploration and scope for improvement. Provided training to over 100 women entrepreneurs in 6 districts in collaboration with SME Foundation.

## Customer management

Net Promoter Score (NPS) survey conducted and achieved score improvement to 72% from 63% in 2016. Online application for loans introduced via our website.



## Competence drivers

**Industry Sector Diversification:** The SME loan portfolio represents multiple sectors, with less than 20% in any single sector and a total of about 40% portfolio weightage in the top 3 sectors. **Customer-centricity (SME customer model):** The SME model follows a customer centric approach characterized by priority based segments driven by relationship managers. Innovative relationship based activities focus on identifying the most valuable customers and nurturing the relationship through multiple levels of interactions between us and the customer; especially on mass scale through various customer engagement initiatives such as Mezban, Iftar & Shakhraim and such events. **Policies and Processes:** Continuous process and policy reengineering such as development of a Sales Governance Policy for managing the sales force helps to identify bottlenecks and introduce innovative ways of improving performance and efficiency. **Objective based performance evaluation system:** A structured and objective based performance management system helps recognize & encourage star performers. **Market Differentiation** IDLC was recognized as a unique SME financier due to "Non-Financial Services" (NFS) provided to SMEs. The highlighted NFS activities for 2017 included hosting of Purnota Fair, a free space for women entrepreneurs for showcasing their products and signing of MOU with "Kichai IT Solutions" for providing low cost ERP solutions to SME Businesses.

## Risks facing the business

- Rising Cost of Funds
- Rising non-performing loans in the industry
- Entrance of new players in the market
- Poaching of employees by new entrants
- Mitigation strategies provided in the following section

Influential trends shaping up the industry	
2018	Beyond 2018
<p>As external influence on the economy intensifies, exchange rate pressure on BDT will continue. Coupled with the rising inflation, the market liquidity is expected to fall. Also, following the period of high credit growth up to December 2017, it is expected that this trend will soon reverse. As the liquidity surplus from 2016 continues to fall, it can be expected that in 2018 we will see the interest rates climb thus pushing up cost of funds in the financial industry. As the credit market becomes tougher, it can be seen that big players will continue to redesign their operations and start focusing on the SME segments. With the entry of 3 new commercial banks in the upcoming months, it is expected that existing players in the market face competition to retain skilled employees.</p>	<p>Due to high levels of internet and mobile penetration and the licensing of 4G technology, the rising trend of internet and mobile banking as well as agent banking will continue. This will open up the field for FinTechs in a market that has so far been largely controlled by banks and FIs. The rapid popularity of Mobile Financial services means that now more than ever banks and FIs need to innovate if they are to remain in the forefront of the customers' minds. As more and more global trends are adopted, banks will move from the branch banking model to focus on a centralized approach to reduce bad loans, scams and security threats.</p>

IDLC's response & objectives		
2018	Beyond 2018	Strategies to achieve objectives
<p>With cost of funds rising across the industry, a major objective for 2018 will be to keep the cost of funds low in order to remain competitive in the market.</p> <p>As competition in the SME market increases, we plan to expand our footprint via new channels and to newer target markets via down streaming.</p> <p>Despite the demand for skilled personnel on the rise, in 2018 we will not only try to retain the skilled work force, but also to find a continuous supply of skilled employees.</p>	<p>With entrance of new players in the banking and SME market, we will need to focus on customer retention.</p> <p>Going forward, we will be focusing on improving the efficacy of our credit scoring model further to ensure quality portfolio growth and solidify the early mover's advantage we expect to have in the new SME and Consumer niches.</p>	<p>Our dedicated deposit team will be incentivized to further diversify our client base and potentially increase the share of retail depositors. Products, customer engagement programs and employee incentive schemes will be re-designed and further improved. Additionally, going into 2018, we will continue to seek low cost funds under refinancing schemes from various sources including Bangladesh Bank.</p> <p>We are already expanding our target market in the arena of SME financing to include the lesser served segment of SME entrepreneurs, who neither fall into the traditional target of MFIs, nor into the SME target of banks. For this, a new business wing, Micro Business Financing (MBF) has already been approved and is in the process of being launched.</p> <p>Across the division, use of an online knowledge hub will promote knowledge development of the employees. In addition, via the Sales Academy, a tierwise structured training and capacity development program for the sales force will be prioritized.</p> <p>To strengthen customer relationships, we will continue to explore new avenues, including implementation of software solutions, customer touch point in digital channels, and online customer service.</p>

# Consumer Division

**May, 1997**  
Commencement of Home Financing

**JANUARY, 2004**  
Opening of first Consumer Finance focused branch in Dhanmondi

**24**  
No. of touchpoints for Consumer Loan products

**34.18%**  
% of overall portfolio

**BDT 24,152mn**  
Asset portfolio

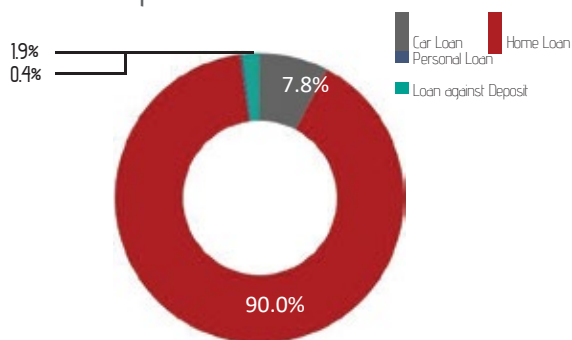
**12.78%**  
Asset portfolio growth over 2016

**19.64%**  
Asset portfolio 5 year CAGR

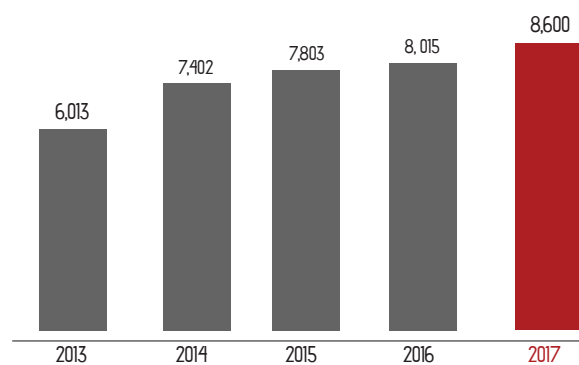
**BDT 9,228mn**  
Disbursement

**BDT 3.00mn**  
Avg. ticket size

## Portfolio Composition

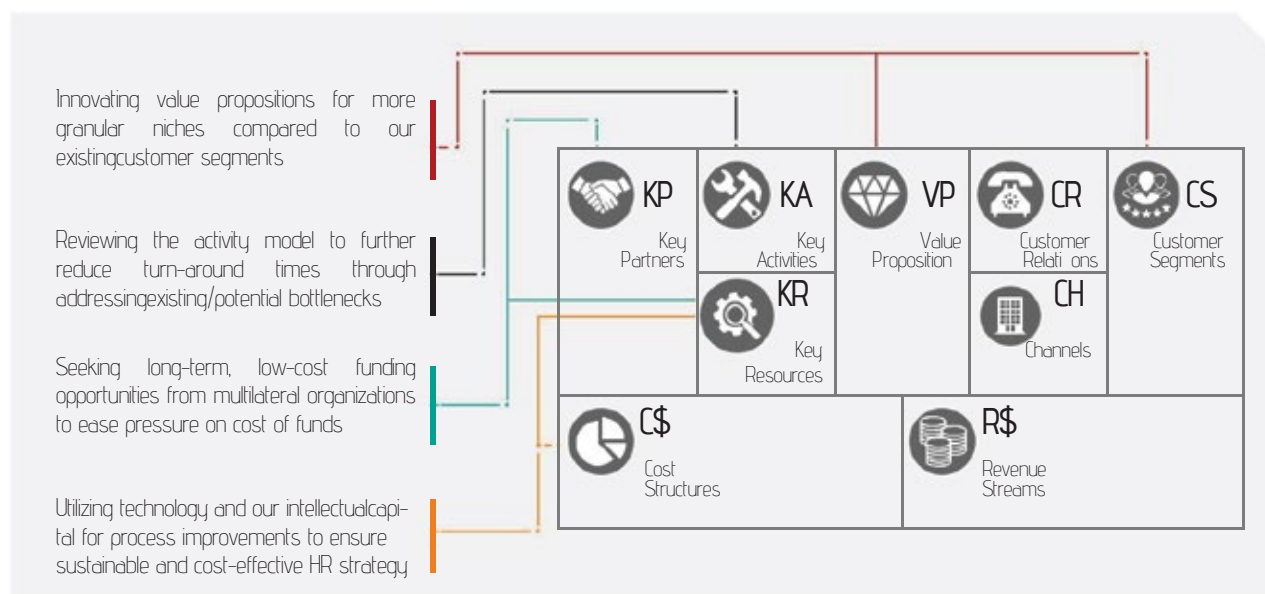


## No. of clients



## Key strategic concerns for 2018

\*Long-term strategies discussed in Strategy & Resource Allocation





## Divisional overview

Our Consumer Division has been a strong force behind the steady growth of the company through providing its core financial services: Home Loan, Car Loan & Personal Loan. Moreover, the division has been creating multifarious fund sourcing capabilities through Customer deposits from both institutional and individual segments that enable all core business divisions to utilize these funds and enhance loan disbursements. Major strengths of this division include superior understanding of the Home Loan market - being one of the oldest and most successful operators in this segment, expert and professional sales teams with door-to-door service capabilities, longstanding and customized customer relationships and fast loan processing times. We intend to widen the division's geographical coverage to increase our footfall in untapped areas with good business potential, aiming for sustainable business growth in 2018 and beyond.

## Core highlights, 2017

### Reformation of liability & wealth management department

The department was re-introduced as a "Value Center" to ensure liquidity for the IDLC Group at competitive rates. The team also contributed significantly in the distribution of our recently launched mutual fund and other capital market products.

### Enhanced disbursement capacity through technological advancement

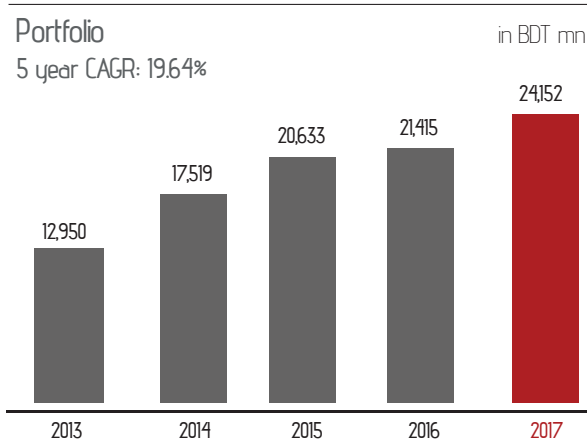
Company-wide Centralized Operational Model has been introduced for smoother and faster service delivery. Web-based performance tracker has been implemented for better monitoring at the individual level. Our website has been modified with new features such as online application for loans.

### Expansion of area coverage

New branches with Consumer Product coverage include: Rajshahi, Elephant Road, Faridpur, Chowmuhani and Barisal.

### Training & development

Sales Academy was introduced for comprehensive training programs for our sales based colleagues.



## External stakeholders engagement

Several client-centric programs were arranged to enhance customer engagement.

## Competence drivers

**Extensive product bouquet** with a wide variety of term deposits and retail loans offered to the target customer segment.

**USP** stonized solution, need based service and transparent dealings for our home & car loan clients to mitigate collateral risks and enable better cash flow management.

**Resilient, comprehensive & time-tested** business strategy based on strong intellectual capital to ensure faster service.

**Quality-centric growth focus** with a high emphasis on loan sourcing from preferred customer segments with a strong credit track record.

**Quicker turnaround time (TAT) with seamless processes** to ensure that loan processing time, starting from application submission to credit decision-making and final loan disbursement, is minimized.

**Transparency** is ensured at all levels - from employees ensuring proper communication with customers & other stakeholders to offering product features, pricing and other documentary terms and conditions that are transparent with simple interpretation.

**Robust resource base** with experienced, motivated and customer-facing teams enabling business to grow successfully and sustainably.

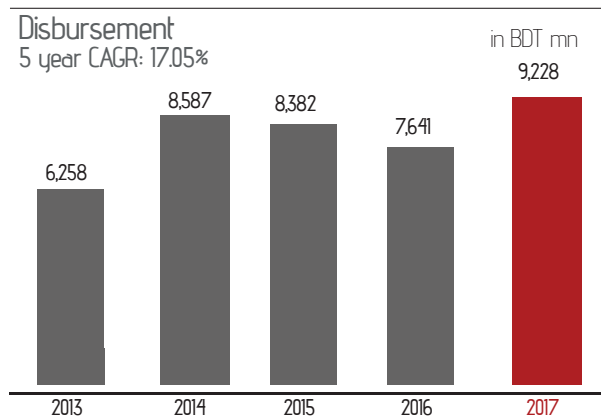
**Extensive branch network** that enables distribution of products in various promising geographic locations that are expected to become the primary growth areas for Home Loan business in the near future.

## Risks facing the business

Upward trending consumer deposit rates pose a threat to margins and growth of the overall segment.

New market entry by numerous banks that had previously not targeted this segment.

Mitigation strategies provided in the following section



## Outlook

Influential trends shaping up the industry	
2018	Beyond 2018
<p>Retail market in Bangladesh is highly volatile, so are retail customers. With a lot of players in the market, interest rate has always been a challenge for the industry. Moreover, with the rising trend of inflation, market liquidity is expected to fall at least for some months. All these indicate an imminent rise in the cost of fund.</p> <p>As this industry deals with individual consumers, customer satisfaction will play a big role. Market players in the industry are expected to modify their service models to attract more customers.</p>	<p>Technology will play an immense role in the coming years. As the number of mobile phone users is increasing at an exponential rate, together with the usage of internet, mobile marketing is expected to get more popularity.</p> <p>As more and more global trends are adopted, banks and financial institutions will move from the branch banking model to focus on a centralized approach to reduce bad loans, scams and security threats.</p> <p>With an expanding middle and affluent class population, there is great potential to capitalize on in the home finance sector.</p>

IDLC's response & objectives		
2018	Beyond 2018	Strategies to achieve objectives
<p>As the cost of fund is expected to rise, one of the major objectives will be to keep the interest rates for lending at tolerable levels for existing and prospective clients.</p> <p>As competition intensifies in the market, we intend to expand our scope of reaching further consumers.</p> <p>New products will be launched, targeting the middle income group of the country.</p> <p>Emphasis will be given towards increasing efficiency through the right processes and HR strategies.</p>	<p>Process and technology solutions will be explored to improve on our turnaround time and cost-optimization.</p> <p>Product customization options will be explored further through customer engagement and by addressing their needs.</p>	<p>Alternative sources of funds will be looked at to keep the lending rates affordable for middle income groups. While our Wealth Management team is dedicated to source funds from different customer segments and to further diversify the retail customer base, most of the deposits sourced through this channel tend to be of a lower maturity profile than that of our Home Loans, which comprises the majority of the consumer loan book. Efforts would therefore be on sourcing long term funding for the product. Beyond 2018, efforts would be made to introduce and popularize mortgage based securities as a reliable source of funding.</p> <p>We expect to introduce a more userfriendly and smart phone based loan processing system to keep pace with the technological advancement in the industry.</p> <p>Customized and faster service will be ensured by integrating internal databases that are otherwise used in silos and through manual processes.</p>

# Corporate Division

**January, 1999**

Commencement of Corporate Financing

**20.42%**

% of overall portfolio

**12.63%**

Asset portfolio 5 year CAGR

**BDT 14,432mn**

Asset portfolio

**BDT 12,755mn**

Disbursement

**3**

No. of major touchpoints for Corporate Loan products

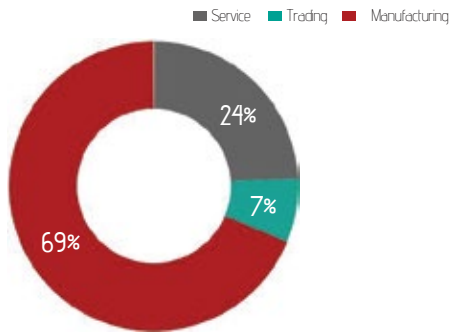
**7.66%**

Asset portfolio growth over 2016

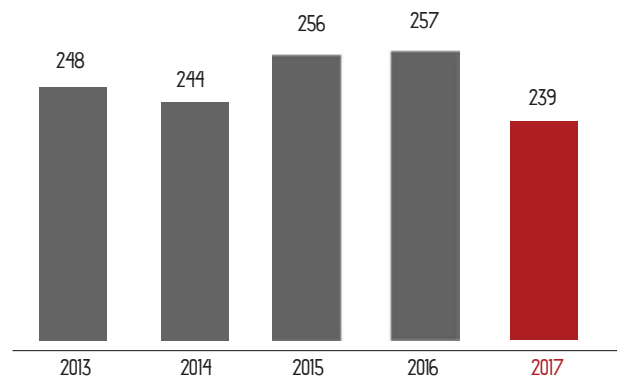
**BDT 47.69mn**

Avg. ticket size

## Portfolio Composition



## No. of clients



## Key strategic concerns for 2018

\*Long-term strategies discussed in Strategy & Resource Allocation

<b>KP</b> Key Partners	<b>KA</b> Key Activities	<b>VP</b> Value Proposition	<b>CR</b> Customer Relations	<b>CS</b> Customer Segments
	<b>KR</b> Key Resources		<b>CH</b> Channels	
<b>C\$</b> Cost Structures		<b>R\$</b> Revenue Streams		

Seeking alliance and involvement with more development organisations to match with the right clients.

Exploring corporate advisory and other fee based income generating opportunities to add to our revenue streams.

Improving the cost structure of the division as growth in number of clients exceeded the growth in portfolio.



## Divisional overview

Our Corporate Division has been a partner of choice for the country's top tier large corporate houses ever since its inception. The legacy has continued in 2017 and the loan portfolio of the division increased by 8% over last year and reached BDT 14,432mn. The growth has been possible by regeneration of some dormant relationships as well as creation of new relationships with some prominent and big corporate houses. The division in this endeavor created unique customer experiences by focusing more on integrated relationship management approach and offered innovative & flexible product offerings that covered end to end requirement of the customers. This was possible through ensuring sophisticated professional services to the clients, generated by highly capable relationship managers. Two separate wings, Structured Finance Department (SFD) and Green Banking Department, have complemented the growth of core corporate financing business. Reviews of these two separate wings have been provided separately for better comprehension. The key drivers which enabled the effort have been discussed hereafter.

**Diversified Portfolio:** The division's focus has always been towards financing diversified industries in order to mitigate concentration risks and ensure sustenance of a quality credit portfolio. **High Workplace Standards & Governance Responsibility:** Regulatory compliance and accountability has always been the guideline in maintaining relationships & interactions with both internal and external stakeholders. **Strong Resource Base:** As per HR policy the division has recruited and retained well-qualified resources derived from reputed business schools & experienced professionals hired as lateral entrants. **Strategic alliances:** Operational efficiency and knowledge leadership has enabled the division to create alliances with other banks, NBFIs and developmental organizations to ensure full-fledged & cost-effective financing solutions for clients. **Cross reference of different business wings:** Our own subsidiaries & different business units engaged in various segments of the financial market including capital market, brokerage and so on and has enabled exploration of the financial market in both dimensions, horizontal and vertical, to connect with reputed and distinguished clientele of the industry.

## Core highlights, 2017

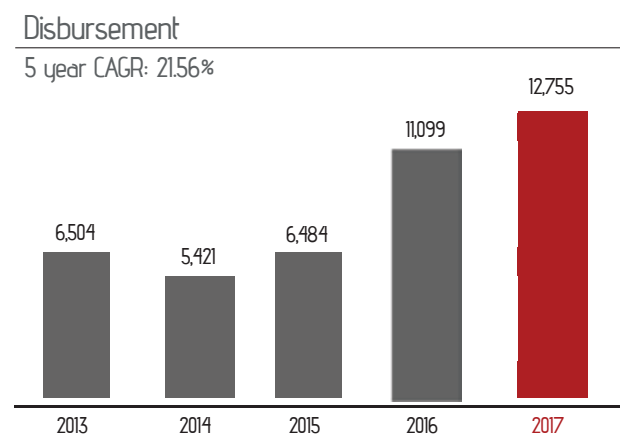
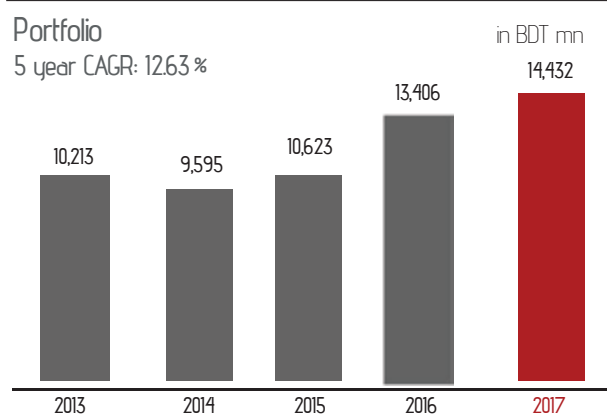
Reached a portfolio size of BDT 14,432mn, registering a 7.66% growth. Disbursed BDT 12,755mn during the year 2017. Structured Finance Department raised a cumulative fund of BDT 80bn for 52 deals at the close of 2017.

## Risks facing the business

Increasing rate for fund sourcing is squeezing the spread of business and thereby affecting profitability. Customer delinquency and default risks are intrinsic parts of doing big ticket financing in the corporate segment. Increasing payment obligation due to mounting interest rate will increase vulnerability of clients. Increased cost of doing business as a result of hike in energy price and inflation might deter business houses from making new investments.

## Competence drivers

**Unique Client Approach:** The division has historically tried to provide tailored solutions (crafted within the realms of regulatory guidelines) to client group leveraging fast decision making process with a view to become a growth partner rather than a financial partner.



## Outlook

Influential trends shaping up the industry	
2018	Beyond 2018
<p><b>Increase in interest rate:</b> Liquidity crunch instigated by higher Advance-Deposit ratio in the banking sector than is permitted by the regulator will make deposit dearer. And subsequently, interest rates for deposits will increase.</p> <p><b>Decreasing trend in foreign loan:</b> Foreign currency borrowings expected to decrease in coming years on account of BDT depreciating against USD in the face of rising import payments and widening current account balance</p> <p><b>Huge investment in infrastructure project:</b> Various large size government infrastructure projects will continue and is expected to increase government spending and borrowing</p> <p><b>Stringent monetary policy:</b> Regulators have hinted towards a contractionary policy by increasing the Asset-Deposit ratio, so it is expected that market will remain relatively illiquid.</p> <p><b>New SEPZ s:</b> Construction of some new Specialized Export Processing Zones are under way, although start of production at those SEPZ s' within 2018 may not be possible</p> <p><b>Alternative financing sources:</b> Corporate houses will now redirect their focus towards alternative source of money by issuing corporate bonds and commercial paper. The portfolio of these relatively novel financing products will eventually increase in 2018 and onwards.</p>	<p><b>Alternative financing source:</b> It is expected that big corporate houses will incline more towards alternative sources of financing. As the Central Bank is expected to discourage long term financing from banks, industries in need of long term project financing might chose specialized FIs and NBFIs' more as well as trying to raise funds through long term Bonds and other equity backed products.</p> <p><b>Completion of big infrastructure projects:</b> Some big government infrastructure projects will be completed by 2019 onwards. Moreover current energy shortage is also expected to subside as full-fledged LNG import will commence. This positive change in the macro economy will surely increase economic activity.</p> <p><b>Energy efficient technology and green industry:</b> The trend has started few years back, but will gather momentum in the coming years and will surely impact the industrial sector positively</p>

IDLC's response & objectives		
2018	Beyond 2018	Strategies to achieve objectives
<p>Increase the quality of the portfolio without compromising the profitability. Increasing market penetration by offering differentiated products.</p>	<p>Become differentiated and most preferred financial service provider of the corporate houses and MNCs of the country</p>	<p>Focusing more towards client base who have high credit worthiness and proven track record</p> <p>Emphasizing on holistic returns from the corporate relationships rather than focusing only on revenues generated from lending activities. Corporate advisory and M&amp;A activities are to increase significantly</p> <p>Alliance with various development organizations will enable to source fund at a lower rate and at the same time to provide the client various value added services</p>

# Structured Finance Department (SFD)

(A unit of IDLC's Corporate Division)

## Structured finance services

The department has been dedicated towards providing innovative & cost effective financing solutions to its clients. It has a wealth of experience in arranging syndication deals in the form of term loans and working capital facilities. Over the years, SFD has broadened its scope and sphere to sectors such as steel, power, cement, real estate, food, hospital, telecom and energy. The department has also diversified its products which ranges from regular term loan and working capital to bond, advisory (mergers & acquisitions, feasibility analysis, investment decision making, etc.), foreign currency term loan, Investment Promotion Financing Facility (IPFF), subordinated bonds for tier-II regulatory capital requirement of commercial banks, zero-coupon bond, commercial paper, preference share, private equity, securitization of assets, loan restructuring, Long Term Financing Facility (LTFF), different refinancing and pre-financing schemes of Bangladesh Bank, Asian Development Bank (ADB), World Bank, etc. including efficient brick kiln efficiency program. Our range of activities entail:

Providing customized solutions for Project Finance and Loan Syndication
Arranging low-cost foreign currency loans for suitable projects
Facilitating special funds for unique requirements
Ensuring smooth operations as agency and trustee Providing Advisory Services in the raising of Private equity, Joint Venture Matchmaking, Balance Sheet Restructuring, etc
Performing as an Merger & Acquisition advisor to both buyers and sellers
Advising on business planning and project rationality
Arranging financing through Bonds, Preference Shares & Commercial Papers for Corporate Houses and Financial Institutions

## 2017 in review

2017 has been a very challenging year for the Structured Finance Department (SFD). However, the department was able to innovate new offerings for its clientele as well as complete milestone transactions.

The department completed fund raising of BDT 7,500mn for two banks through various alternative financial solutions. In 2017, the department also arranged short term loans for reputed corporate houses in the power and apparels sectors.

The department also made huge strides through Corporate Advisory this year. SFD completed its first ever M&A transaction by divestiture of 100% shares of a feed mill. Besides this milestone transaction, the department also acted as the Corporate Advisor for valuation of a company in the telecommunication sector. The Corporate Advisory team has also successfully completed the raising of the 1st tranche of equity for a renowned social club.

Moreover, the dedicated team for agency and trustee services ensured smooth operations for multiple transactions. We have successfully acted as a trustee for numerous companies. In total, 14 trustee deals are ongoing and significantly contributing to the annual income of the department.

In addition to the regular business, the department believes in the need of enhancing the capabilities of the professionals in the financial market. Keeping this in mind, we have jointly organized a seminar on the 'Development of Bond Market in Bangladesh' with the PPP Authority, Prime Minister's Office in order to address the prospects and challenges of the Bond Market. The purpose of the seminar was to come up with some plausible solutions towards the development of a bond market in Bangladesh. The department also arranged a daylong workshop titled 'Securitization - A Practical Guide' conducted by Mr. Vinod Kothari, an internationally recognized author, trainer and consultant on specialized financial subjects. The purpose behind this program was to create a great learning opportunity for institutions to gain insights of securitization & learn some of the best strategies adopted by world leaders to substantially minimize risk and optimize the organization's profitability and growth.

## Moving forward - strategies for 2018

In 2018, the department will explore various avenues through structuring new products for its corporate clients in the tightened money market scenario. The department will focus on new products like quasi equity products, debt restructuring, corporate advisory services for mergers & acquisitions and private equity. Moreover, the department will also continue to raise subordinated bonds for scheduled banks for their BASEL-III compliance.

The specific focus will be on various projects and corporate finance in the form of local & foreign currency arrangement through loan syndication, zero coupon bond, preference share, commercial paper; provide corporate advisory services in the form of debt restructuring, merger & acquisition, private equity and so on. The department will also focus on accessing specialized funds from various multilateral and bilateral agencies.

# Business Segment Review: Subsidiary Business Operations

## IDLC Securities Limited

**September, 2006**  
Commencement of Operation

**24.67%**  
Equity as % of Group Equity

**BDT 379.47mn**  
Net Profit After Tax

**14.80%**  
Return on Asset

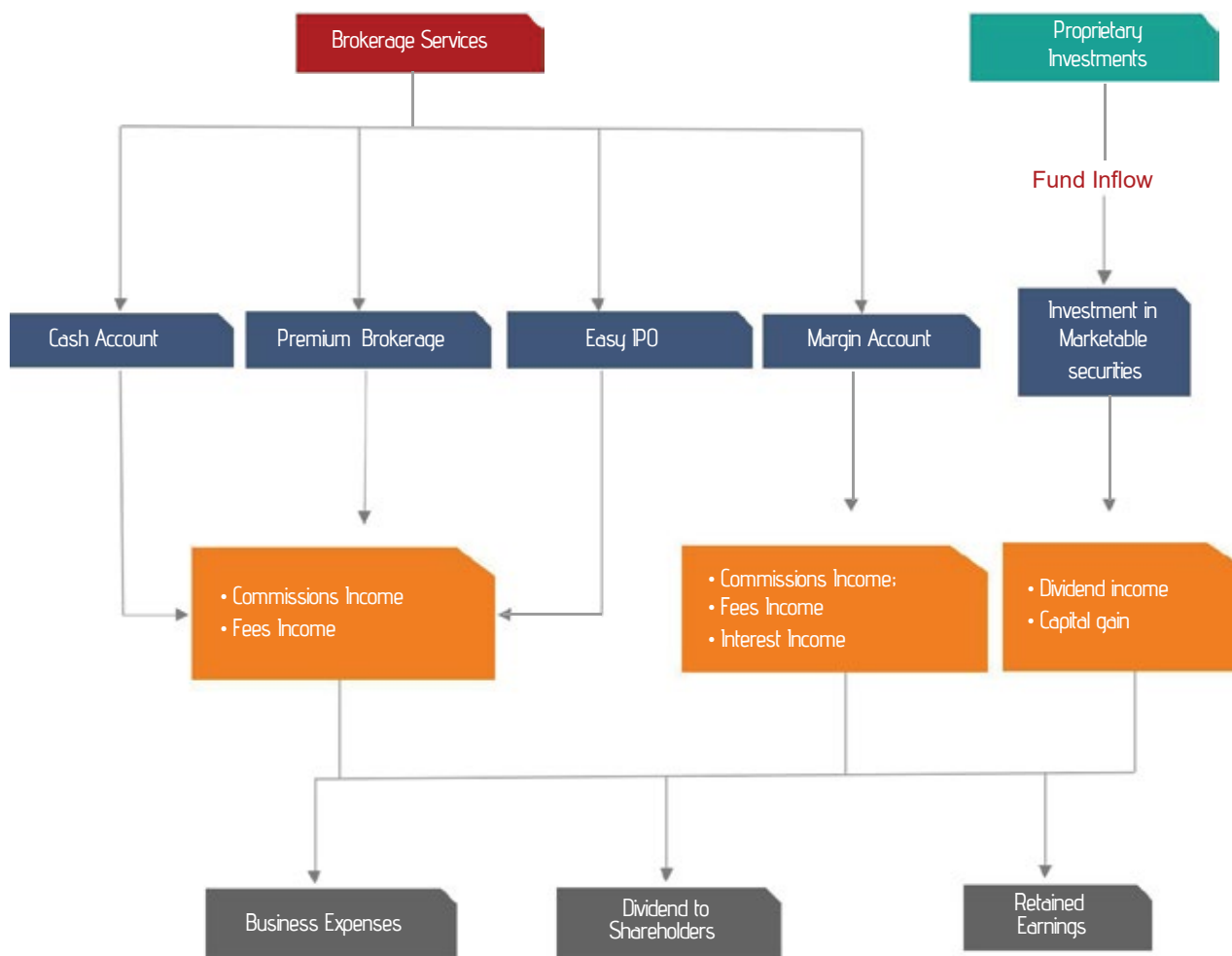
**16.66%**  
NPAT as % of Group NPAT

**36.32%**  
NPAT Growth (5 year CAGR)

**24.60%**  
Return on Equity

**16,727**  
No. of Clients

### Activity Model of IDLC Securities Limited





## Company overview

IDLC Securities Limited, one of the top brokerages of Bangladesh, commenced operations in 2006. The Company provides brokerage services to more than 17,000 retail, local & foreign institutional investors through reliable trading platforms of both the Dhaka and Chittagong stock exchanges. It also serves more than 2,500 customers of its enlisted merchant banks as a panel broker. It possesses a proven track record of delivering quality customer services while maintaining high standard of compliance and corporate ethics. The Company also offers premium brokerage services to High Net Worth (HNWs), Institutional and foreign investors. Premium brokerage services is a prime bundle of research and advisory support in addition to execution brokerage. Moreover, the Company has a reliable online trading system under its inhouse developed Order Management Unit which was launched in 2010 with the principal objective to facilitate those investors who prefer online trading, thereby democratizing market access.

New capital injection of BDT 1,600mn in September 2017. Net brokerage commission income increased by 92.3% to Taka 480.5mn. Profit before tax and provision increased by 200.2% to Taka 575.7mn. Net profit increased by 267.1% to Taka 379.5mn. Shareholder's equity organically grew by 33.6%. Achieved business growth in retail business. Cash account contribution continued to increase to 78% in 2017 from 49% of 2011. Expanded and enhanced depth of sell side research coverage. Enhanced retail and strategic sales effort. Achieved significant footing in foreign sales operation. Revamped operational risk management process.

## Products

- Cash Account
- Margin Account
- Premium brokerage for HNWs, Institutions and Foreign Investors
- Easy IPO

## 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, 2017

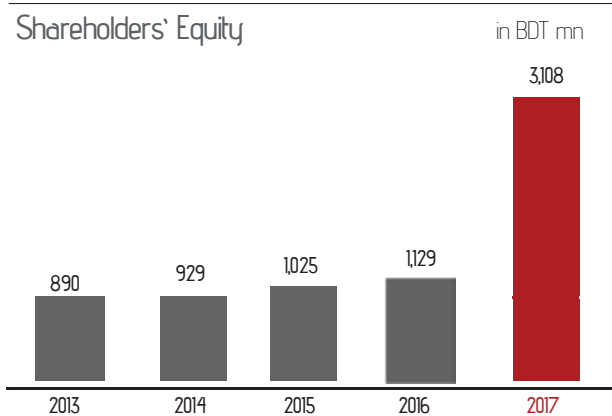
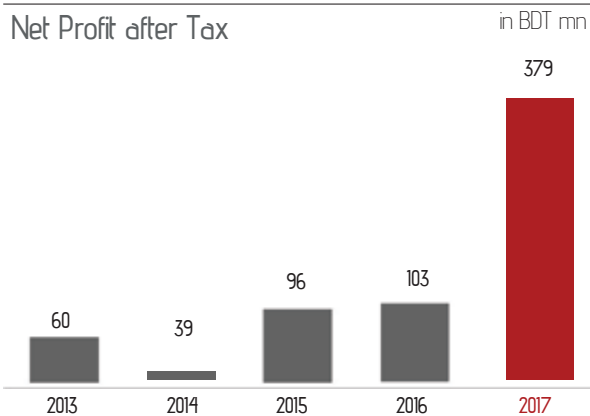
Average daily turnover of IDLC SL increased by 104% to Taka 703 mn compared to 77% increase in market average daily turnover. Thus, market share increased to 4.02% from 3.5% of previous year.

## Key strengths


Strong Group Brand. Skilled traders with professionalism and market insights. Dedicated relationship managers for all investors. Competent sell side research team. Wider branch network with reliable and user friendly online trading infrastructure. Culture of confidentiality and secured custodianship of clients' assets. Performance management model that drives business and its quality.

## Key risks and mitigation strategies

Investment risks: We have investment committee for taking investment decisions based on research insight and recommendation. We carefully monitor our risk exposure and evaluate our portfolio performance periodically following international best practices. HR retention risks: We manage the HR retention risk through implementing performance management on continuous basis. We also ensure that our pay scales and other benefits are best in class and aligned with the industry standards. Operational Risk: We mitigate operational risk by streamlining and strengthening Finance, Operations and Compliance department with focus leadership. Technology risks: We continually review our existing technology and take step accordingly.



## Outlook

 Influential trends shaping up the industry	
2018	Beyond 2018
<p>Selection of Strategic Partners in DSE board will help to bring technological advancement</p> <p>Digital penetration expected to increase as more and more people shift away from traditional trading methods to app based solutions</p> <p>Increased volatility is expected in the bourses in anticipation of possible political turbulence in an election year</p>	<p>Radical improvement in technology platforms for the brokerage industry</p> <p>Shift in human resource quality in front line business</p> <p>Shift in investor segments, from retails to institutions</p> <p>Move towards a more regulatory and compliance intensive environment necessary for investor confidence</p> <p>Introduction of new asset classes beyond equity</p>

 IDLC's response & objectives		
2018	Beyond 2018	Strategies to achieve objectives
<p>Selective research based investment</p> <p>Implementation of clients' investment monitoring system</p> <p>Explore technology options</p> <p>Enhanced team capacity for foreign and institutional clients</p> <p>Independent branding</p>	<p>Adopt technology that drive business growth</p> <p>Attract high quality talent to spur innovation</p> <p>Further enhance team capacity for foreign and institutional clients</p> <p>Stronger back office for real time risk management</p> <p>Fostering culture of ethics and compliance</p> <p>Virtual presence</p>	<p>Technology leader</p> <p>Innovation and alignment of business growth</p> <p>Tapping opportunities from shift in investor segment</p> <p>Create and attract youth and emerging investor class</p> <p>Customer confidence and trust</p>

# IDLC Investments Limited

**August, 2011**  
Commencement of Operation

**21.50%**  
Equity as % of Group Equity

**BDT 276.52mn**  
Net Profit After Tax

**7.20%**  
Return on Asset

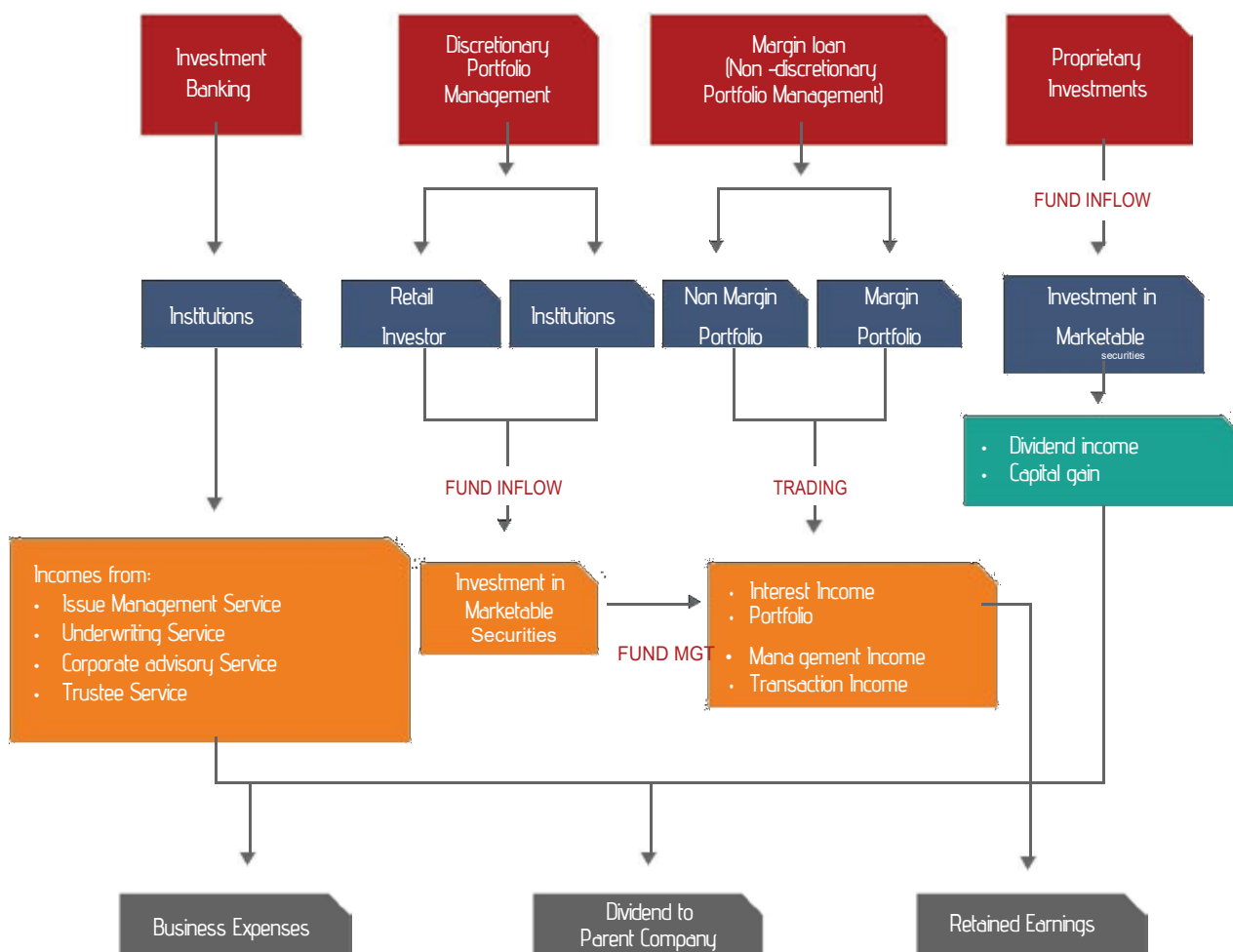
**45.05%**  
NPAT Growth (5 year CAGR)

**14.30%**  
Return on Equity

**12.14%**  
NPAT as % of Group NPAT

**5,637**  
No. of Clients

## Activity Model of IDLC Investments Limited



## Company overview

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

## Product & Services

### Investment banking:

Initial Public Offering (IPO)

Rights Issue Management Repeat Public Offering (RPO)  
Corporate advisory

Underwriting Arranging pre-IPO placement/ capital raising of forthcoming IPOs Substantial share acquisition and take over

Valuation services for repatriation of sale proceeds of nonresident owned equity in unlisted companies

Mergers & acquisitions

Acting as trustee of bond issuances through private placement of debt securities

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

MAXCAP

Easy Invest

Profit-Loss

Sharing Scheme Capital Protected

Scheme Portfolio Advisory Services

Our primary strength lies in our ability to effectively manage our overall portfolio to generate consistent returns for our clients. We have a diversified product basket suitable for different investor risk grades and our fund managers embrace appropriate diversification strategies to maximize the return potential and minimize downside risk. One of our major challenges comprises the ongoing volatility in the capital markets along with systemic risks arising from political or regulatory/ legislative changes. Since our DPM service is in its

early stage of growth from a product lifecycle perspective, there exists significant potential to raise awareness about this unique product and grow portfolio size.

**Margin loan:** During 2004, IDLC Finance had launched a margin lending product, 'Cap Invest' and since then, we have been considered as one of the top portfolio managers in the Bangladesh capital market. Subsequently, this business was transferred to IDLC Investments. Since the market crash of 2010, IDLC Investments has reduced its margin loans significantly. During these times, we took the initiative of counselling our clients to build a constructive and risk mitigated portfolio. Our advisory includes knowledge sharing on the market scenario, stock analysis, effects of leverage, effective risk management and the importance of disciplined portfolio management. Accordingly, we empowered our clients with multiple value added services (VAS).

## Core highlights, 2017

NIM	ROI
6.26%	15%
ROA	ROE
7.20%	14.3%

During 2017, our operating income and operating profit stood at BDT 539.70mn and BDT 450.66mn, respectively. NPAT grew from BDT 170.08mn in 2016 to BDT 276.52mn in 2017, representing a robust 62.58% growth. Higher Investment Income and Income from Portfolio management services assisted healthy bottom line growth too.

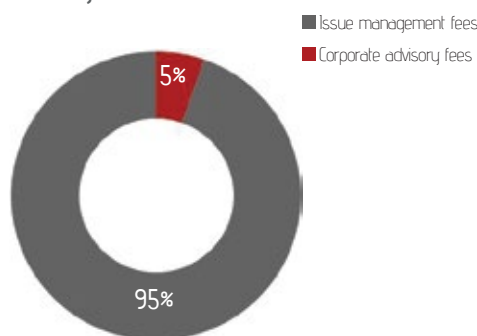
Operating Income	Operating Profit
BDT 539.70 mn	BDT 450.66 mn
NPBT	NPAT
BDT 446.02 mn	BDT 276.52 mn

Higher operating profit and lower than usual provisions significantly boosted NPAT. Our Investment banking division achieved a robust performance (with revenue growth of 63.84% to BDT 46.60mn in 2017) with significant contributions from corporate advisory fees (95%) and issue management fees (5%). Investment banking division managed nine IPOs to raise a cumulative BDT 6,515mn as of 31 December 2017. And assisted in raising BDT 34,358mn for clients so far since inception.



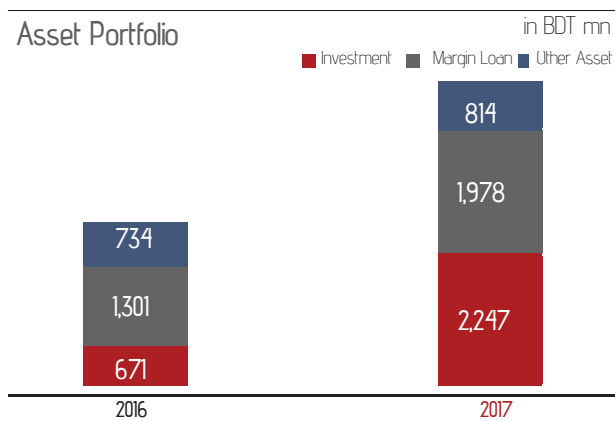
Financials	2017	2016	2015
Issue management fees	250	1100	461
Underwriting	0.00	0.20	1.28
Corporate advisory fees	44.06	17.21	12.17
Total revenue from investment banking	46.56	28.42	18.06

### Investment Banking 2017



During 2017, pioneering product 'Easy Invest' has reached the door steps of over 3,000 clients, achieved fund under management of BDT 286mn and generated return of 29.3%. However, margin loans growth was moderate considering the industry growth, in 2017, wherein the margin loan was in downward trend in 2016. We focused on counselling clients to use margin cautiously while increasing the margin lending exposure to BDT 1,977.95mn in 2017, from BDT 1,300.51mn in 2016

### Asset Portfolio



To capitalize on selected market opportunities, investment exposure amplified by 235% to BDT 2,247.37mn in 2017, up from BDT 670.66mn in the previous year.

### Key strengths

Expert fund management capabilities backed by the track record of generating consistent returns over a long time horizon.

Diversified product basket suitable for different investor risk appetites with fund managers embracing appropriate diversification strategies to maximize the return potential & minimize downside risks.

Strong brand image, adoption of highest ethical standards with rigorous compliance.


We comprehensively understand our clients' needs & cater to these accordingly, meeting & even exceeding their expectations. Regular customer counseling on the basis of our research recommendations assists in maintaining a balance between upside potential, downside risks.


Sound HR strategy, well documented processes, cutting edge technology & high quality research reports have been key for our clients to realize long term wealth creation aspirations.

### Key risks and mitigation strategies

One of our major challenges comprises the ongoing volatility in the capital markets along with systemic risks arising from political/ regulatory/ legislative changes. This risk is applicable for the company's own investment as well as the investments managed by the company on behalf of the clients. The company takes an integrated risk management approach ensured by a prudent investment committee, high quality buy side research and transparent transactions to safeguard against this risk. If faced by increased volatility in the market or in anticipation of a prolonged bearish run, the investment committee will rebalance/reduce the proprietary investments in the capital market.

## Outlook

 Influential trends shaping up the industry	
2018	Beyond 2018
<p>With the rise in awareness of the complexities in active fund management among retail investors, it is expected that fund inflow for discretionary portfolio management products will keep increasing</p> <p>Fund raising through issuing initial public offering is expected to increase this year as the regulator fasten the approval process to the company's proposal.</p> <p>Further regulatory changes aimed at ensuring better governance, risk management and transparency are expected</p> <p>Secondary market is expected to show more volatility while Institutional fund managers are expected to assume a bigger role in the market</p> <p>With the new strategic partner/s, the new board of DSE is expected to start the modernization of the technology used by the bourse and, as such, to bring new dimensions in the stock trading business</p>	<p>Macro-economic paradigm shift will have positive impact on capital market and the long term positive outlook of the economy will increase investors' confidence</p> <p>Enlistment of companies with good corporate governance and performance will enrich market</p> <p>Completion of the mega infrastructure projects managed by the government will bring a further bout of vibrancy to the economy</p> <p>Volatility is expected to stabilize in secondary market beyond 2018</p> <p>Increase in investment banking opportunities based on business and economic growth</p> <p>Widened scope of advisory services for financial sector</p>

 IDLC's responses & objectives		
2018	Beyond 2018	Strategies to achieve objectives
<p><b>Discretionary portfolio management (DPM)</b></p> <p>Build capacity of own sales force Keep exploring to discover value of select new stocks and continue investing in value stocks Minimize use of paper for greener operations</p> <p><b>Investment banking</b></p> <p>Focus on corporate advisory services</p> <p><b>Margin loan</b></p> <p>Take prudent exposure in light of circumstances / opportunities</p>	<p><b>Discretionary portfolio management (DPM)</b></p> <p>Be an active observer of economic shifts and act accordingly for necessary changes Continue reaching the retail investors in every corner of the country</p> <p><b>Investment banking</b></p> <p>Leverage the expected market stability to expand business Continue building capacity to accurately forecast market trends in order to capitalize on opportunities</p> <p><b>Margin loan</b></p> <p>Improve stakeholder engagement</p>	<p><b>Discretionary portfolio management (DPM)</b></p> <p>Generating alpha following value investment Sales campaign for internal stakeholders Leveraging network of the company's overall sales force Establishing agent based sales model Developing a customer portal and a new website Technological development for effective fund management and operations</p> <p><b>Investment banking</b></p> <p>Focus on new avenues of business particularly in advisory services based on client needs and market opportunities Leverage strong brand equity to enhance engagement with regulators, investors and other stakeholders</p> <ul style="list-style-type: none"> <li>▶ Further improve stakeholder engagement</li> </ul> <p><b>Margin loan</b></p> <ul style="list-style-type: none"> <li>▶ Enhance research based analysis</li> <li>▶ Establish RM based client service model</li> <li>▶ Technological development for effective client service and smooth operations</li> </ul>

# IDLC Asset Management Limited

**July, 2016**  
Commencement of Operation

**1.19%**  
Equity as % of Group Equity

**BDT 39.09 mn**  
Net Profit After Tax

**32.85%**  
Return on Asset

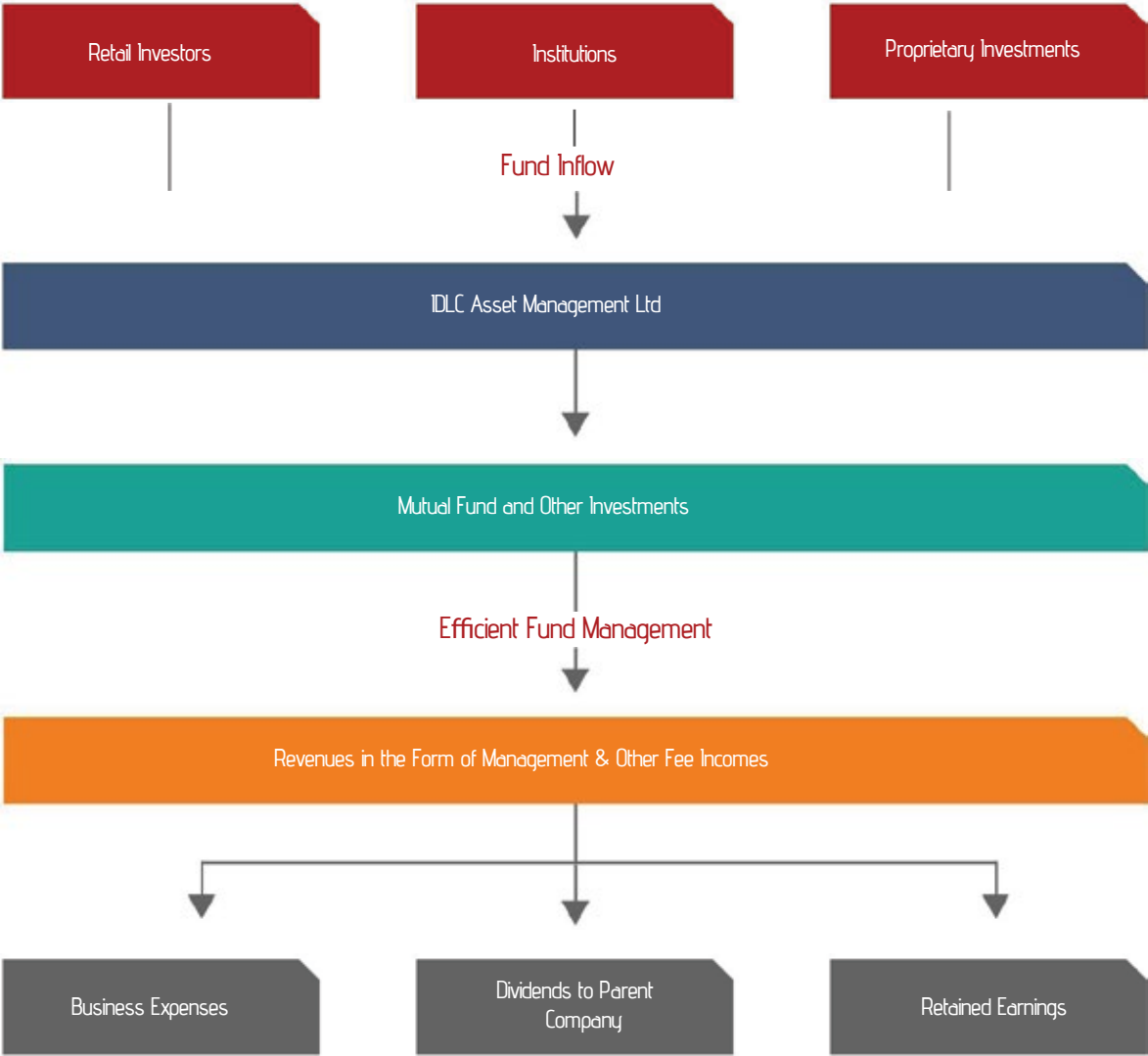
**275%**  
NPAT Growth Over 2016

**35.40%**  
Return on Equity

**1.72%**  
NPAT as % of Group NPAT

**475**  
No. of Clients

## Activity Model of IDLC Asset Management Limited



## Company overview

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 7 June 2016 with a paid-up capital of BDT 100,000,000 (BDT one hundred million only). We expect to operate in the nascent but growing asset management industry of Bangladesh. The Company's principal objective is to conduct the business of asset management, primarily through launching and managing mutual funds, to cater the diverse investor needs. Alongside, we plan to operate in Alternative investment services, subject to regulatory approval.

## Products

Mutual funds,

Alternative investment services.

## Core highlights

Launching of IDLC Balanced Fund with an initial fund size of BDT 500.0mn. The AUM increased to BDT 977.6mn by December, 2017. Introduced Zero Exit Load so that investors of IDLC Balanced Fund can buy and sell its units at weekly disclosed NAV/unit incurring no exit fee which eventually maximizes their sales proceeds. Launched a Digital Platform, the first of its kind in the Bangladeshi industry to facilitate the investors in the purchase and surrender of their mutual fund units and view their investment status online from anywhere.

## Key strengths

Management know how

Experienced and tested fund management professionals

Our strong brand image as a knowledge leader in capital market operations

Investors' trust in us fostered through years of providing transparent and quality service

Suitable technologies at its behest, enabling it to scale smoothly

## Key risks and mitigation strategies

As a newly-established Company, we see both opportunities and challenges in asset management industry.

**Economic environment:** For IDLC AML and funds under its management to succeed, stable yet growing economic environment is required.

**Mitigation strategy:** We believe the economy of Bangladesh is in a growth trajectory. While, systematic risks and challenges may emerge from time to time, it is normal for a rapidly developing economy. Our ability to gauge ahead any potential risks and taking appropriate measures to safeguard our investors' wealth.

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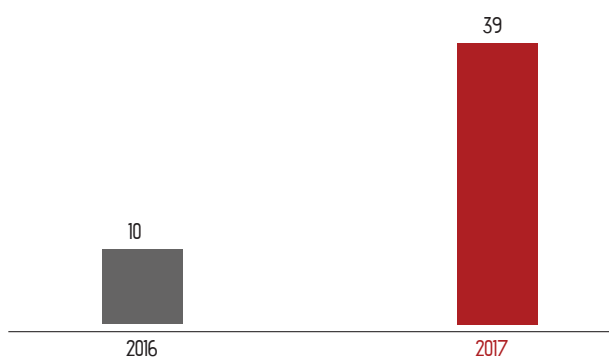
**Mitigation strategy:** We adhere to fundamentals driven long term investment practices. In the long run market performance reflects the underlying economy.

**Market awareness:** Potential investors are still unaware about mutual funds.

**Mitigation strategy:** We fully understand the importance of market awareness in realization of its vision. Hence, it invests significantly in marketing, prioritizing efforts that offer high ROI on money spent in marketing.

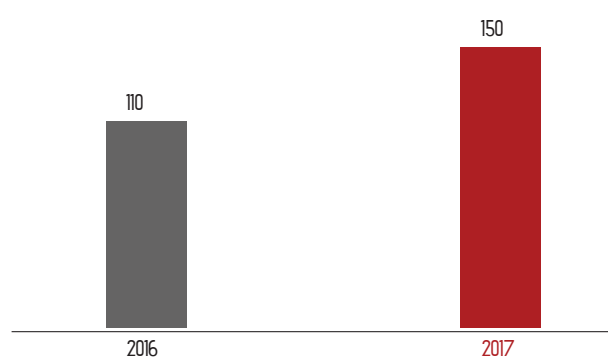
## Net Profit after Tax

in BDT mn




## Shareholders' Equity


in BDT mn





## Outlook

 Influential trends shaping up the industry	
2018	Beyond 2018
Entry of more asset management companies Increasing number of Open end Funds	Emergence of clear industry leaders
Diversity in Fund Types (e.g. Balanced, Growth, Income etc.)	Open end funds emerging as one of the key institutional investors in the market
Introduction of Systematic Investment Plan (SIP)	More diversified and customer oriented mutual funds offering
Embryonic development in local PE/VC firms	Popularization of SIP
	Active PE/VC space subject to structural support

 IDLC's response & objectives	
2018	Beyond 2018
<ul style="list-style-type: none"><li>▶ Establish solid footing in the Asset Management scene through</li><li>▶ launching numerous thematic funds</li></ul>	<ul style="list-style-type: none"><li>▶ Achieve substantial growth in AUM to become one of the largest Asset Management firms in the country</li><li>▶ Explore alternative investment opportunities</li></ul>

# Human Capital



## What it entails

Our human capital includes our employees as well as their health and wellbeing, their expertise, their experience, their innovative capacity, and their motivation.



## How it adds value

The passion, dedication and commitment of our employees determine our ability to realize our vision and empower us to reach new heights of success.

## Material Aspects



## Highlights



## Challenges



- Ensuring worklife balance
- Ensuring proper succession planning
- Improving employee retention
- Ensuring employee motivation
- Enhancing per person productivity

At IDLC, our goal is not only to achieve through business activities but also to contribute to the livelihood of our more than 1300 employees and their families. It is our responsibility to ensure that our people are motivated, inspired & 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.

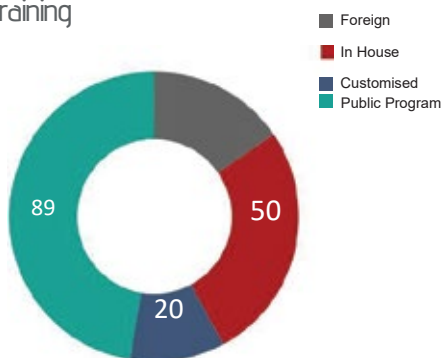
### HR planning

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 organization.

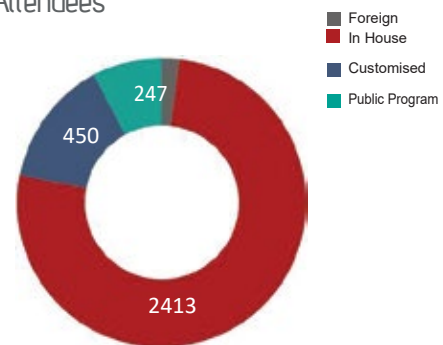
### Talent development

We need to ensure that our employees are equipped with all the necessary skills to meet the everchanging demands of this fastpaced, 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 daytoday job roles, but also considers the areas they seek to become more proficient in. During the year, we have invested around BDT 24.51 million in developing our people and provided 188 trainings.

No of Training



No of Attendees



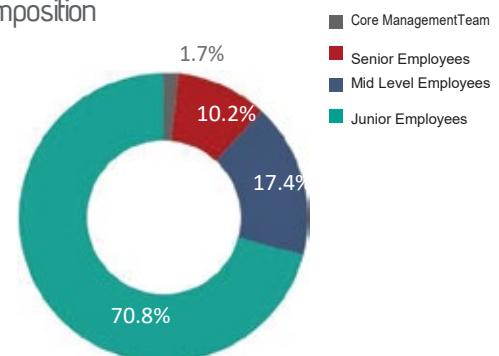
### Performance and reward

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 organization 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 in our talent pool, consequent to which our succession pipelines for key management positions got strengthened.

HR Composition

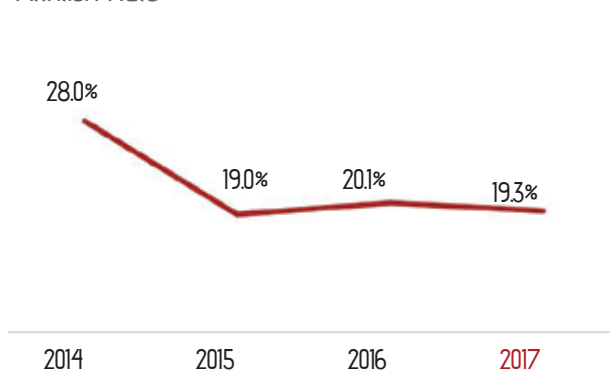


### Communication

We consider communication to be a critical success factor for us. Communication is given importance in the sense that it helps create a robust network and ensures cooperation.

whenever required. We emphasize on formal as well as informal communication. Managers have a key role to play in effective communication that brings new ideas to contribute to better business performance. In an effort to keep everyone in IDLC connected, allow them to share their views, have access to knowledge base and most importantly share their innovative ideas, we have launched IDLC intranet site. Additionally, we also provide our employees the opportunity to conduct face-to-face meetings through the use of 'live Internet meetings'. This net-based communication tool allows employees to talk frequently and also get an opportunity to familiarize themselves with new technologies. Moreover, we ensure communication from the executive team through different media and also encourage employee feedback through group discussions, employee surveys and email dialogue.

### Attrition Rate



### Health and well being

At IDLC, the health and well-being of our employees is one of our top priorities. We believe that healthy employees will remain

sustainably engaged and productive. We ensure that our workplace health and safety complies with the internal health and safety policies and procedures. We have taken the following measures to ensure the wellbeing of our employees both inside and outside the office:

Fire safety measures in the forms of fire alarms, fire extinguishers. We carry fire drills periodically to test the effectiveness of fire safety.

All our branches have well-equipped first aid kits in order to maintain a hazard free environment.

Our employees get group life insurance & hospitalization insurance coverage.

Our employees get the opportunity to consult our company doctor on a monthly basis, if needed.

All our employees get to enjoy earned leave of 25 days which includes a mandatory annual block leave of 15 calendar days.

Employees are entitled to a casual leave of 5 working days.









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.

We always encourage our employees to participate in sports. We have official football and cricket teams which participate in the various corporate tournaments every year.

Employee engagement activities such as family day, children's day, birthday of employees, pitha utshob, Pohela Boishakh, etc. are celebrated among several others.

Employees are encouraged to notify if they experience anything, which is not in alignment with the core values of the company. We are committed to ensure swift & impartial resolution to grievances brought forward by employees.

### Benefits at IDLC

	Housing Loan Policy		Company Provided Transport		Personal Loan Policy		Group Life Insurance Scheme
	Hospitalization Scheme		Spot Award Policy		Outstation Allowance		Motor Cycle Loans

### HR and compensation committee

The committee is responsible for ensuring companywide scope for equal opportunity and transparency in terms of:

Suitable Recruitment

Compensation on the basis of merit, qualification and competence

Adequate training and development facilities

Performance appraisal and promotions based on individual performance and contribution.



Furthermore, the committee looks into any other benefits-related issues regarding the company's operating results and comparable market statistics.

#### **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 14 members who represent different divisions and branches of the group. This forum provides all our female employees a platform to network, share

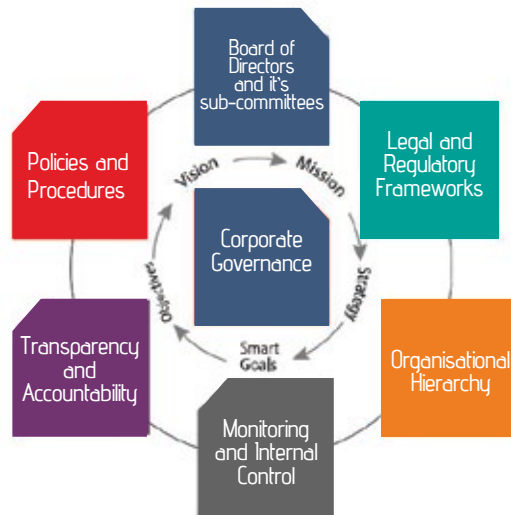
views and raise issues like discrimination, harassment, negative attitude towards women, etc. that may affect them within the organization. This enables our management to better understand and address such issues and develop strategies accordingly.

#### **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.

# Statement of Corporate Governance

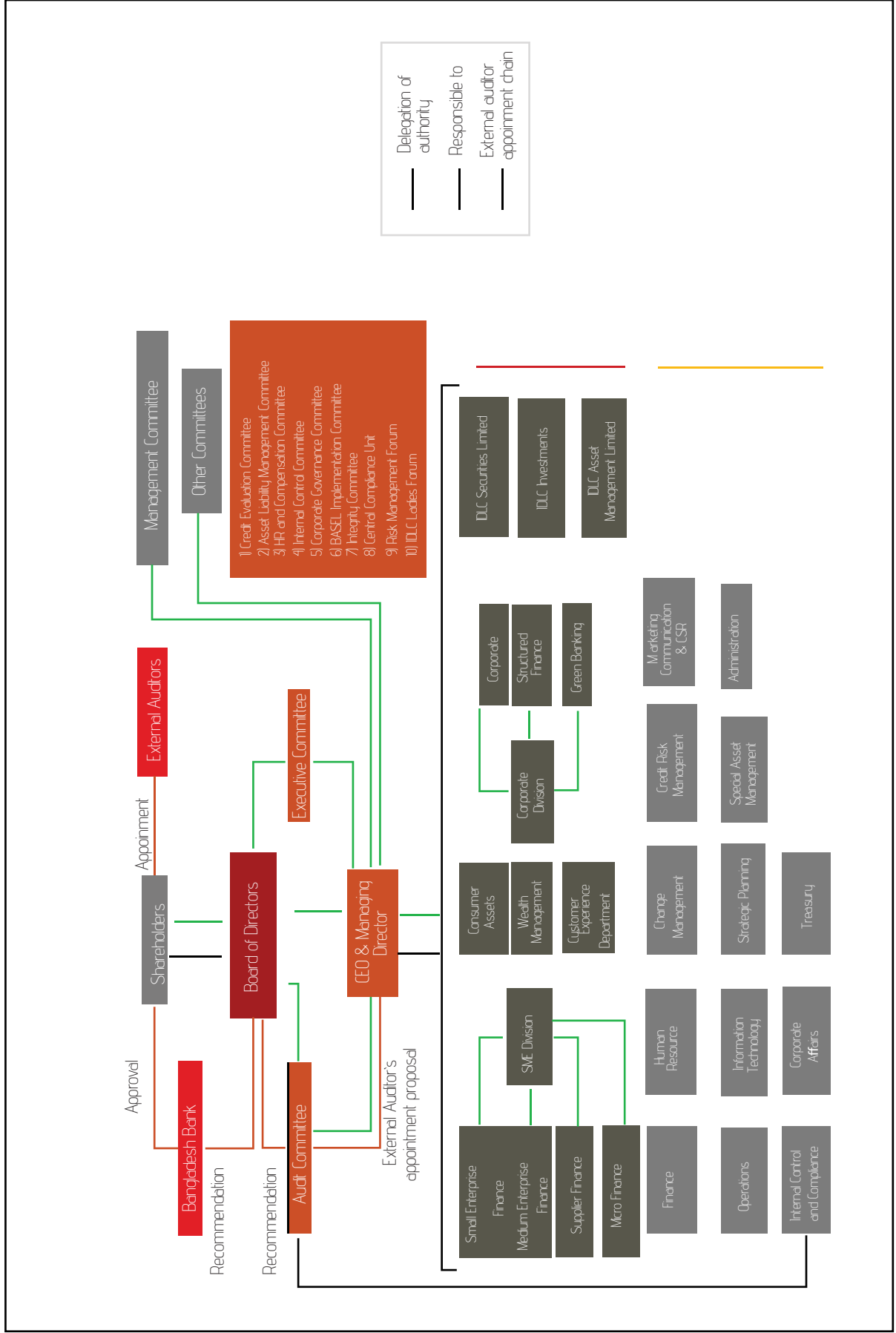
Corporate governance represents a strategy for companies to ensure a framework of control for its administrative and management practices. This is achieved through procedures that are aligned with recognized standards that respond to the interests of shareholders and other stakeholders. Proper governance 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/2006-158/134/Admin/44, dated August 07, 2012, and subsequent notifications there on vide ref. no. SEC/ CMMRRCD/2006-158/147/ Admin/48, dated July 21, 2013 and notification No. SEC/ CMMRRCD/2009-193/151/ Admin, dated August 18, 2013, issued by Bangladesh Securities and Exchange Commission (BSEC) and all aspects of Bangladesh Bank's DFIM Circular No. 7, dated September 25, 2007 and subsequent circulars thereon DFIM vide Circular No. 09, dated October 08, 2007, DFIM Circular No. 18, dated October 26, 2011 and DFIM Circular No. 06, dated June 17, 2012. In addition to establish 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.

# Our Corporate Governance Structure



# Statement of Corporate Governance

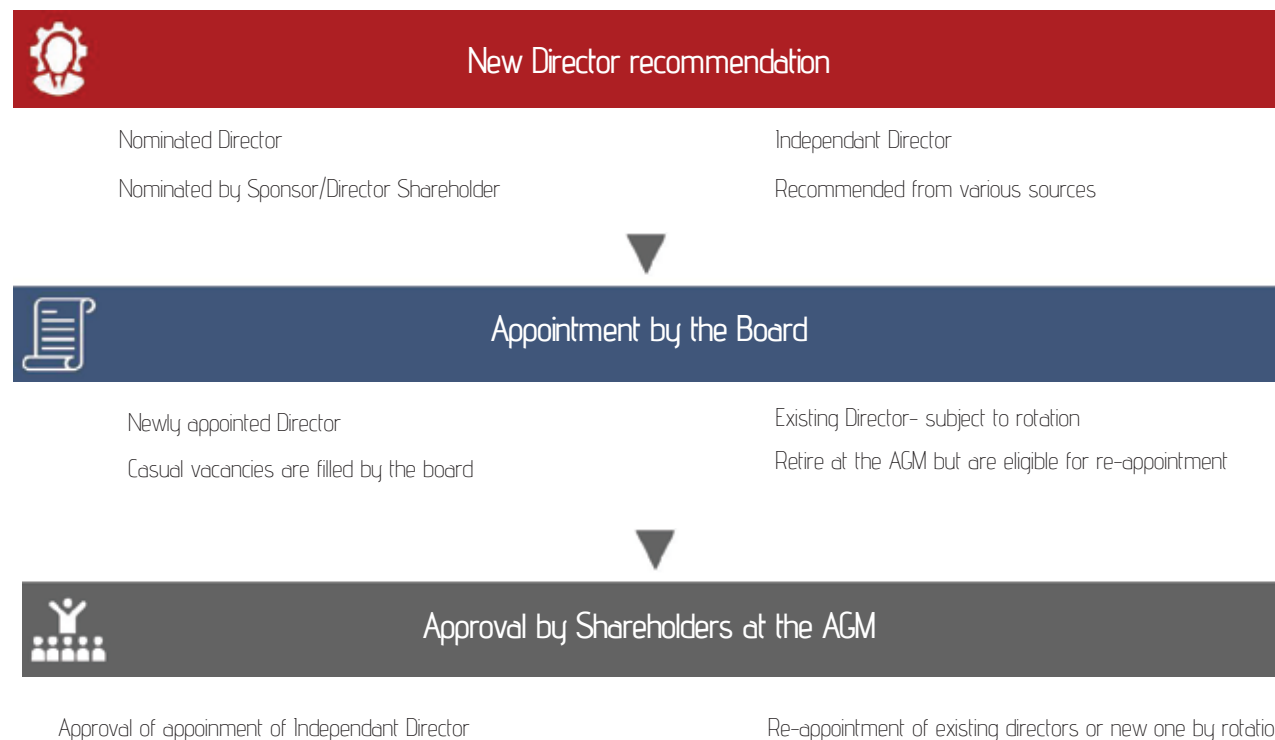
The Board of IDLC considers that its constitution should comprise Directors with an appropriate mix of skill, experience and personal attributes that allow the Directors individually and the Board collectively to discharge their responsibilities and duties under the law efficiently and effectively, understand the business of the Company and assess the performance of the management. The composition of the Board embraces diversity. The Directors possess a wide range of local and international experience, expertise and specialized skills to assist in decision-making and leading the Company for the benefit of its shareholders.

Name of the Director	Status	Executive Committee	Audit Committee	Subsidiary's Board
Aziz Al Mahmood	Chairman, NED			
Adil Islam	NED	Chairman		
Monower Uddin Ahmed	IND, NED		Chairman	Chairman, IDLC IL
S M Mashrur Arefin	NED			
Mohammad Mahbubur Rahman FCA	NED		Member	
Md. Kamrul Hassan FCA	NED		Member	
Syed Shahriyar Ahsan	NED	Member	Member	
Atiqur Rahman	NED			
Niaz Habib	IND, NED	Member		Chairman, IDLC SL
Matiul Islam Nowshad	IND, NED			Chairman, IDLC AML
Arif Khan CFA FCMA	ED	Member		

NED = Non-Executive Director; ED = Executive Director; IND = Independent Director 11 IDLC's policy on appointment of Directors The Directors of IDLC are

**Nominated non-executive Directors** - nominated from the senior management of the Sponsor shareholders

**Non-executive Independent Directors**- recommendation received from various sources for highly capable and seasoned professionals.



# OUR GOVERNANCE

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 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.

## Retirement and reelection of Directors

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

However, as per the governance guideline of BSEC, independent directors are appointed for a tenure of 3 (three) years with renewal option for another term of 3 (three) years.

Independent directors are appointed by the board and be approved by the shareholders in the AGM

The following non-executive directors will retire from the board in the upcoming 33rd AGM:

**Mr. Aziz Al Mahmood, Director Nominated by The City Bank Limited;**

**Mr. Adil Islam, Director Nominated by The City Bank Limited;**

**Mr. Md. Kamrul Hassan FCA, Director nominated by Transcom Group of Companies;**

**and Mr. Syed Shahriyar Ahsan, Director Nominated by Sadharan Bima Corporation**

Further re- appointment of Mr. Monower Uddin Ahmed as independent director for the 2nd tenure for another 3 (three) years with effect from May 11, 2017 will be placed before the shareholders in the AGM

## Adequate representation of non-executive directors

We maintain the minimum requirement of non-executive directors as per guideline of Bangladesh Bank, as the only Executive Director is the CEO & Managing Director while the rest 10 are Non-Executive Directors (including 3 independent Directors).

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

IDLC's Board comprises eleven (11) Non-Executive Directors including three (3) Independent Directors and one (1) Executive Director, the CEO & Managing Director. Directors possess a wide range of skills and experience over an array of professions, businesses and services.

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

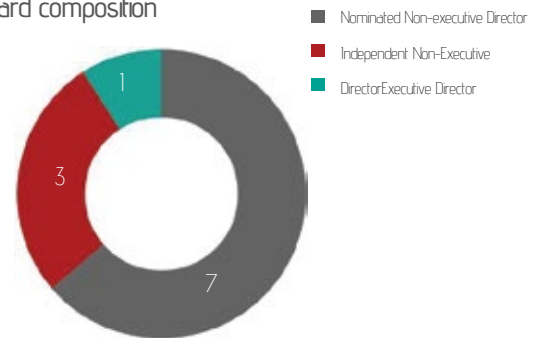
None of the directors of the Board, except the CEO & Managing Director, are involved in the day-to-day operations of the Company; rather, they provide their valuable insights and guidance to the management in the meeting of the Board and its committees.

## Adequate number of Independent Directors in the Board and their independence

As per the revised Corporate Governance Guideline of Bangladesh Securities and Exchange Commission (BSEC), at least one-fifth of the total directors of the Board shall be Independent Directors.

Thus, in compliance with the guideline, three (3) Directors out of the total eleven (11) Directors are independent, having no share or interest in IDLC. Independence of the respective Independent Directors is confirmed during selection and appointment of the Directors and they remain committed to continue with such independence throughout their tenure.

Board composition



## 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 in the best interest of the Company and its shareholders and consistent with its responsibilities to other stakeholders.



 **Structural**

Board composition and diversity  
 Board competencies & skills  
 Policies and goal setting  
 Director recruitment and orientation  
 Board evaluation

 **Strategic**

- Formulation & implementation of strategy
- Leadership pool development
- CEO selection & compensation
- Succession planning

 **Governance**

- Company's performance
- Risk and crisis management
- Compliance
- Governance

 **Process for board functioning**

Board meetings & preparation  
 Group dynamics & training  
 Managing the quality of conversation  
 Interaction with management

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

Stakeholders	Responsibilities reserved to the Board
Shareholders	Approval of business strategy and vision in line with efforts to drive shareholder value creation.
	Approval of business plans, assuring that sufficient resources are available to implement and monitor the strategy.
	Approval and monitoring of major investments or divestitures and strategic commitments.
	Determination of capital structure and dividend policy.
	Approval and monitoring of financial reporting.
	Oversight of risk management, internal controls and compliance systems as per the Bangladesh Bank's 'Core Risk Guideline'.
	Recommendation for appointment or removal of external auditors and determination of the remuneration and terms of appointment of the auditors.
	Approval of annual budgets including major capital expenditure proposals.
	Regular review of financial performance and overdue situations.
	Monitoring the adequacy, appropriateness and operations of internal controls.
Customers	Ensure that technology and information systems are sufficient to operate the organization effectively and sustain competitiveness.
	Benchmarking value creation for customers, clients and partners.
Employees	Reinforcement of the corporate culture and core values and ensuring that the Company remains an employer of choice.
	Review and approval of the CEO and Executive Management team's arrangements, remuneration and benefits.
Community	Oversight of succession planning for the CEO, Executive Management team and such other Executives as the Board may deem fit.
	Oversight of the management of social, economic and environmental concerns consistent with the delivery of sustainable outcomes for stakeholders and achievement of the Company's incident and injury-free vision.
	Reinforcement of reputation, brand and community relations.
Directors	Review of the size and composition of the Board.
	Director's nomination, selection, removal, succession planning and remuneration.
	Review of the Board's performance.

# OUR GOVERNANCE

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.

Independence of non-executive directors from day to day operations

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

None of the directors of the Board, except the CEO & Managing Director, are involved in the day-to-day operations of the Company; rather, they provide their valuable insights and guidance to the management in the meeting of the Board and its committees.

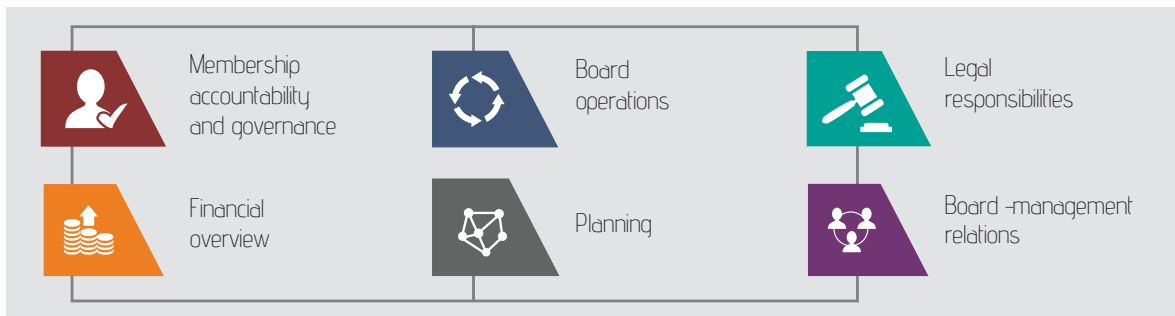
## Annual appraisal of the Board's performance and disclosure

Appraising a board's performance can clarify the individual and collective roles and responsibilities of its directors, and provide better knowledge of what is expected of them which can help boards become more effective. Done properly, board appraisals may also improve the working relationship between a company's board and its management

Any discussion of performance appraisals must necessarily cover two broad areas—the what and the how. In the case of a board, what should be appraised first is its ability to define its responsibilities and establish annual objectives in the context of those general responsibilities, and then its record in achieving those objectives. An appraisal must also look at what board requirements in terms of resources and capabilities the board needs and what is available to perform its job. The how of board appraisal is, of course, the process the board uses to evaluate its own performance.

Before a board can even begin to evaluate its performance in these broad areas of responsibility, it must articulate the specific actions that each of them implies. In other words, boards must set objectives for themselves within those broad categories against which they can eventually measure their performance. The board creates a set of objectives annually—generally speaking, at the beginning of the fiscal year—that reflects the directors' collective judgment about which aspects of the board's overall responsibilities need particular attention in the coming year.

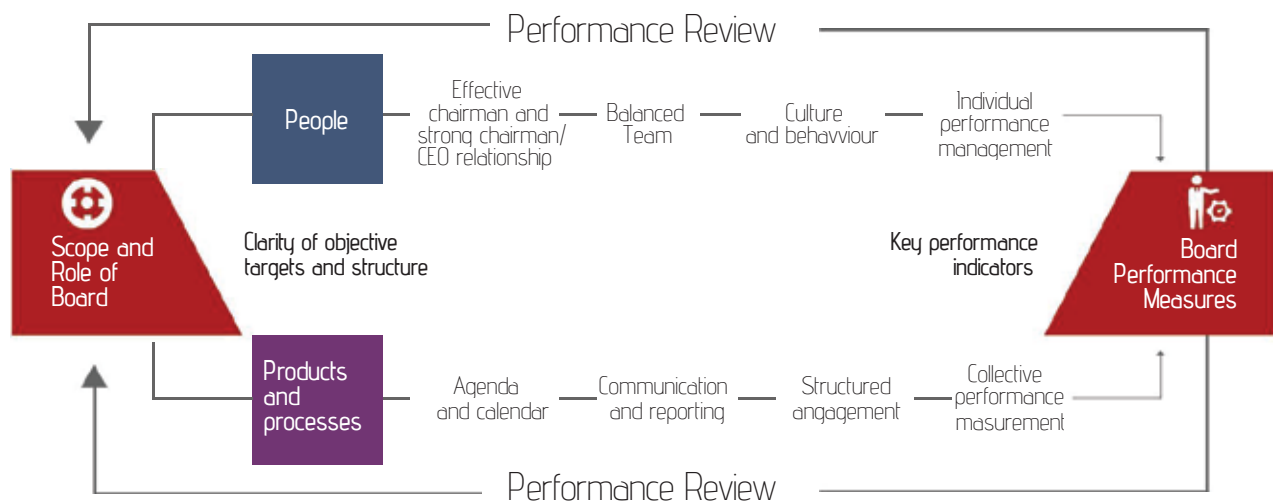
The following criteria are considered for the evaluation:



A board is a team of knowledge workers, and to do its job, the board needs the same resources and capabilities that any other successful team of knowledge workers needs such as knowledge, information, power, motivation, and time.

Self-evaluation is not an easy issue for any group to deal with. It is particularly difficult in the case of boards because it requires board members to make judgments and decisions about themselves and about issues that affect all stakeholders.

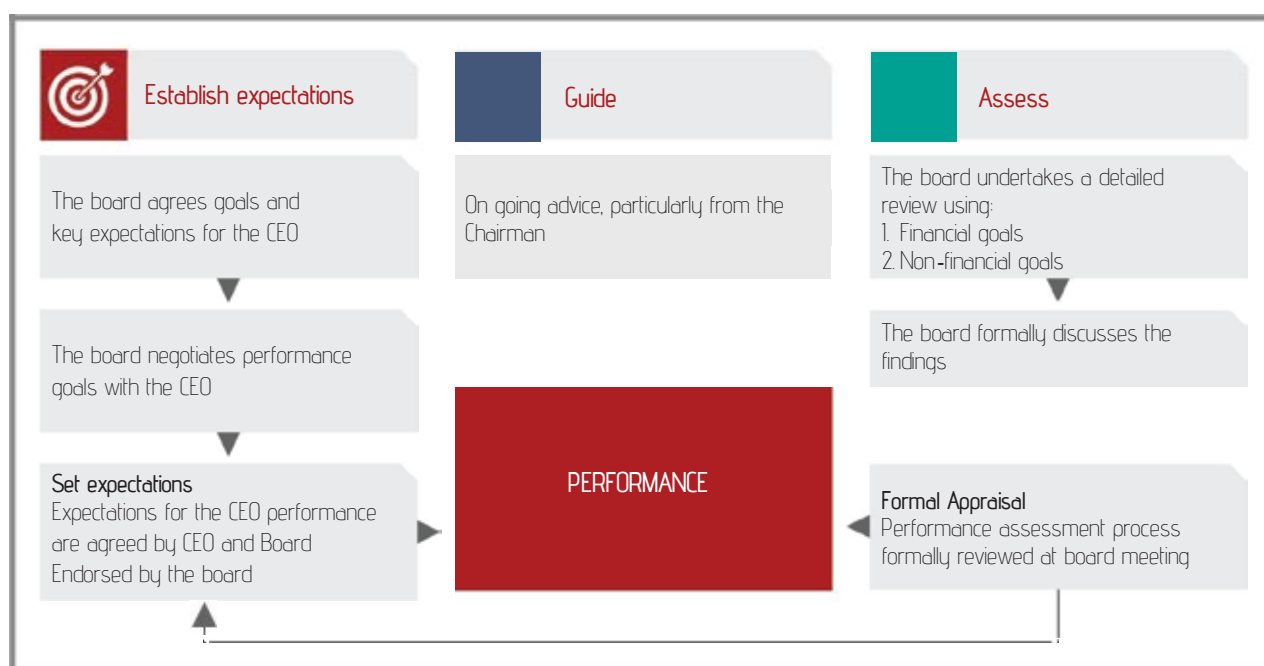
The effectiveness of the evaluation very much depends on how the board structures the evaluation process. It should consist of three phases: The first—setting annual board objectives at the beginning of the fiscal year. The process picks up again at the end of the year, when, in the second phase, the board secretary collects and disseminates information about the board's activities. With that information in hand, in the third phase, board members can judge how close they came to meeting their objectives while also examining the adequacy of the resources available to them over the year.



In a way, board is like fire department: they aren't needed every day, but they have to perform effectively when called upon. One chair observed that in good times corporate governance is largely irrelevant, but in bad times it is crucial. Formal, periodic board appraisals can help ensure that when the board is needed, all the right processes, procedures, members, and relationships are in place and ready to go.

### 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 nonfinancial 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.

### Training program of Directors

The Board recognizes the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

All new Directors appointed to the Board attend a formal induction programme to familiarize themselves with the Group's strategy and aspiration, understanding of the line of businesses and corporate functions, key financial highlights, audit, compliance and risk management.

The programme is conducted by the CEO & Managing Directors/ Heads

of the business units as well as Senior Management. The Company Secretary also provides the new Directors with an information kit regarding disclosure obligations of a Director, Board Charter, Code of Ethics, the Constitution of the Company, Board Committees' Terms of Reference, and Schedule of Matters Reserved for the Board, amongst others.

The Board, together with the Board members of the subsidiaries of IDLC would also attend offsite Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Group's strategic direction.

In addition, the Directors are constantly updated on information relating to the Group's development and industry development through discussion at Board meetings with the Senior Management team.

The Board ensures that a structured Director Learning and Education Programme is in place for its members. This programme shall ensure members have access to an appropriate continuing education programme and are kept up to date with current business, industry, regulatory and legislative developments and trends that will affect the Company's business operations.

### Financial and accounting knowledge and expertise of Directors

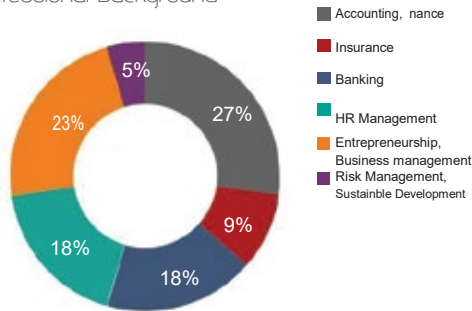
Our Board of Directors consists of members who possess a wide variety of knowledge and experience in finance, economy, management, business administration, marketing and law. This ensures that together, they formulate the right policy for the development of the business while having the specialized skills 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), naming Mr. Mohammad Mahbubur Rahman and Mr. Md. Kamrul Hassan. They provide guidance in matters applicable to accounting and audit-related issues to ensure compliance and reliable financial reporting.

## Expertise of Directors

### Professional background

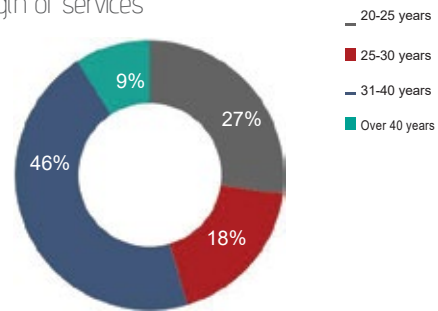
Professional Background



### Length of service

All members of our Board are extensively accomplished in their respective fields, and proffer their adept and seasoned knowledge on the back of over 20 years of experience. Majority of our directors falls within the experience bracket of 31 to 40 years, as illustrated in the chart below assuring the stakeholders in their decision-making prowess and governing capabilities.

Length of services



### 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 month, 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.

### Number of Board meetings held in 2017

The number of Directors required to constitute a quorum is six (6), out of the eleven Directors. During 2017, a total of twelve (12) Board meetings were held.

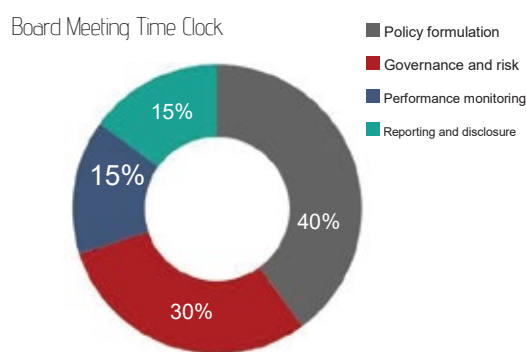


### Key Activities of the Board in 2017

The following table shows a break down of the matters considered by the Board in 2017, in addition to business agenda.

Quarter-wise Overview of the Main Recurring Board Activities -2017	
January-March	<ul style="list-style-type: none"> <li>▶ Authorization of Financial Statements and Annual Report 2016</li> <li>▶ Dividend declaration</li> <li>▶ Appointment of Auditors and determination of Audit Fees</li> <li>▶ Approval of Performance Bonus for 2016</li> <li>▶ Holding of Annual General Meeting</li> <li>▶ Review of Base Rate for the Fourth Quarter 2016</li> </ul>
April-June	<ul style="list-style-type: none"> <li>▶ Endorsement of First Quarter Financial Statement 2017 (January- March)</li> <li>▶ Employee Salary revision</li> <li>▶ Review of Base Rate for the First Quarter 2017</li> </ul>
July-September	<ul style="list-style-type: none"> <li>▶ Endorsement of Second Quarter Financial Statement 2017 (April- June)</li> <li>▶ Review of Base Rate for the Second Quarter 2017</li> </ul>
October-December	<ul style="list-style-type: none"> <li>▶ Endorsement of Third Quarter Financial Statement 2017 (July- September)</li> <li>▶ Approval of Budget for the year 2018</li> <li>▶ Modification of Credit Policy</li> <li>▶ Review of Base Rate for the Third Quarter 2017</li> </ul>

The Board spent it's time for the 2017 Board meetings\* in the following manner:



\* In determining the estimated time spent, we took into account the time discussing the relevant agenda items and the volume of supporting board papers.

### Key Highlights of 2017

 Change in Director of the Board	 Revision of employee salary structure	 Affirmation of Code of Conduct
 Revision of Delegation Authority Matrix	 Declaration of dividend	 Successful Right Issue and injection of fund

## 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.

## 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. A separate statement of the Directors' responsibility for financial reporting and corporate governance is given on pg. 204 of this Annual Report.

## 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.

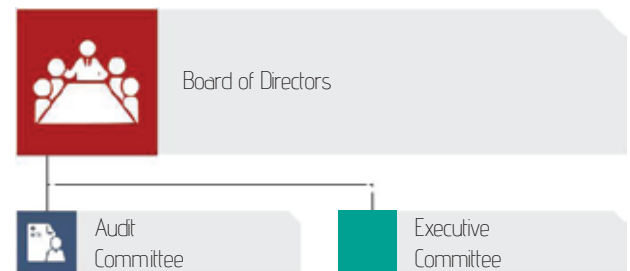
The Company Secretary ensures that the best management practices and work ethics are embraced to create value for the Company. He represents the Company among internal and external stakeholders, co-ordinates the policies of the Company, fulfills the management function and provides guidance on strategic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

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

## Committees of the Board

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

Each Committee is governed by a formal charter approved by the Board, setting out its objectives, responsibilities, structures and operations. The membership of the Board committees, as at the date of authorization of this Annual Report, is set out below.



Name of Committee of the Board	Members of the Committee	Functions of the Committee	Number of meetings held in 2017
Executive Committee	Adil Islam - Chairman Syed Shahriyar Ahsan - Member Niaz Habib - Member Arif Khan (CFA FCMA) - Member	<ul style="list-style-type: none"> <li>▶ Establishing strategic and operational plans</li> <li>▶ Taking prompt decisions to adapt to changes in the market</li> <li>▶ Determine and outline the area of business focus area where</li> </ul>	17
Audit Committee (See Section 3 below for details)	Monower Uddin Ahmed Chairman Mohammad Mahbubur Rahman FC A - Member Md. Kamrul Hassan FCA - Member Syed Shahriyar Ahsan - Member	<ul style="list-style-type: none"> <li>▶ Examine any matter relating to the financial affairs of the Company;</li> <li>▶ Recommend financial statements to the Board for authorization;</li> <li>▶ Recommend external auditors for appointment;</li> <li>▶ Review all audit and inspection reports, internal control systems and procedures, accounting policies and adherence to compliance requirements</li> </ul>	7

## OUR GOVERNANCE

### IDLC's Vision, Mission and Strategies

Board-approved vision and mission statements of the company

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

Management Committee and its subcommittees

To ensure that the company's vision, mission are adhered to, we have our Management Committee, depicted below, who are entrusted to set objectives and lead from the front. On the back of the Board's exemplary guidance, the Management and its various sub-committees determines IDLC's strategic objectives such as areas of business focus; policies, monitoring and process improvements.

Name of the Committee	Composition of the Committee	Functions of the Committees
Management Committee	<ul style="list-style-type: none"> <li>▶ Arif Khan CFA, FCMA, CEO &amp; Managing Director</li> <li>▶ M. Jamal Uddin, Deputy Managing Director</li> <li>▶ Asif Saad Bin Shams, Head of Credit and Collection</li> <li>▶ Mir Tariquzzaman, Chief Technology Officer (CTO)</li> <li>▶ Ahmed Rashid, Head of SME Division</li> <li>▶ Syed Javed Noor, Head of Consumer Division</li> <li>▶ Mesbah Uddin Ahmed, Head of Corporate Division</li> <li>▶ Akhteruiddin Mahmood, Group Head of Human Resources</li> <li>▶ Ataur Rahman Chowdhury, Head of Operations</li> <li>▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer</li> <li>▶ Mohammad Jobayer Alam, CFA, Head of Treasury &amp; Strategic</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control and Compliance</li> <li>▶ Mohammad Jobair Rahman Khan ACA, Head of Group Corporate Affairs &amp; Taxation and Group Company Secretary</li> <li>▶ Md. Moniruzzaman, CFA, Managing Director, IDLC Investments Limited</li> <li>▶ Md. Saifuddin, Managing Director, IDLC Securities Limited</li> <li>▶ Rajib Kumar Dey, Managing Director, IDLC Asset Management Limited</li> </ul>	<ul style="list-style-type: none"> <li>▶ Oversee IDLC in accordance with its Constitution and applicable laws and regulations;</li> <li>▶ Overseas ongoing operations;</li> <li>▶ Segregation of the responsibilities and accountability of the committee from those of the Executive Officer to ensure good governance;</li> <li>▶ Monitoring achievement against strategic plans and allocated budget ;</li> <li>▶ Making key decisions for the Company's management and operations under the official delegation of authority from the Board</li> </ul>
Credit Evaluation Committee	<ul style="list-style-type: none"> <li>▶ Arif Khan CFA FCMA, CEO &amp; Managing Director</li> <li>▶ M. Jamal Uddin, Deputy Managing Director</li> <li>▶ Asif Saad Bin Shams, Head of Credit and Collection</li> <li>▶ Ahmed Rashid, Head of SME Division</li> <li>▶ Syed Javed Noor, Head of Consumer Division</li> <li>▶ Mesbah Uddin Ahmed, Head of Corporate Division</li> <li>▶ Mohammad Jobayer Alam, CFA, Head of Treasury &amp; Strategic Planning</li> </ul>	Evaluates all projects/ proposals of the Company from the risk point of view.
Asset Liability Management Committee (ALCO)	<ul style="list-style-type: none"> <li>▶ Arif Khan CFA FCMA, CEO &amp; Managing Director</li> <li>▶ Ahmed Rashid, Head of SME Division</li> <li>▶ Syed Javed Noor, Head of Consumer Division</li> <li>▶ Mesbah Uddin Ahmed, Head of Corporate Division</li> <li>▶ Md. Masud K. Majumder ACA, Group Chief Financial Officer</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control and Compliance</li> <li>▶ Mohammad Jobayer Alam, CFA, Head of Treasury &amp; Strategic Planning</li> </ul>	<ul style="list-style-type: none"> <li>▶ To look after the financial market activities;</li> <li>▶ To manage liquidity and interest rate risk;</li> <li>▶ To understand market position and competition among other activities; and</li> <li>▶ To convene periodical meetings and regularly reviews the decisions of the meetings with due consideration of the market situation.</li> </ul>
Internal Control Committee	<ul style="list-style-type: none"> <li>▶ Arif Khan CFA FCMA, CEO &amp; Managing Director</li> <li>▶ Ahmed Rashid, Head of SME Division</li> <li>▶ Syed Javed Noor, Head of Consumer Division</li> <li>▶ Mesbah Uddin Ahmed, Head of Corporate Division</li> <li>▶ Md. Masud K. Majumder ACA, Group Chief Financial Officer</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control and Compliance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Addresses operational risks and frames and implements policies to encounter such risks; and</li> <li>▶ Assesses operational risks across the Company as a whole and ensures that an appropriate framework exists to identify, assess and manage operational risks.</li> </ul>

Name of the Committee	Composition of the Committee	Functions of the Committees
Remuneration Committee	<ul style="list-style-type: none"> <li>▶ Arif Khan CFA FCMA, CEO &amp; Managing Director</li> <li>▶ M. Jamal Uddin, Deputy Managing Director</li> <li>▶ Mir Tariquzzaman, Chief Technology Officer (CTO)</li> <li>▶ Asif Saad Bin Shams, Head of Credit and Collection</li> <li>▶ Ahmed Rashid, Head of SME Division</li> <li>▶ Syed Javed Noor, Head of Consumer Division</li> <li>▶ Mesbah Uddin Ahmed, Head of Corporate Division</li> <li>▶ Akhteruddin Mahmood, Group Head of Human Resource</li> <li>▶ Md. Masud K. Majumder ACA, Group Chief Financial Officer</li> <li>▶ Mohammad Jobayer Alam CFA, Head of Treasury &amp; Strategic Planning</li> </ul>	<ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ Ensure wide, equal opportunity and transparency in terms of suitable recruitment, compensation, performance evaluation and other benefits-related issues, issue</li> <li>▶ Assist the management in fulfilling its corporate governance and oversight responsibilities in relation to establishing people management and remuneration policies.</li> </ul>
Corporate Governance Committee	<ul style="list-style-type: none"> <li>▶ Arif Khan CFA FCMA, CEO &amp; Managing Director</li> <li>▶ Asif Saad Bin Shams, Head of Credit and Collection</li> <li>▶ Md. Masud K. Majumder ACA, Group Chief Financial Officer</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control and Compliance</li> <li>▶ Mohammad Jobair Rahman Khan ACA, Head of Group Corporate Affairs &amp; Taxation and Group Company Secretary</li> </ul>	<ul style="list-style-type: none"> <li>▶ Ensures that the Corporate Governance practice within the Company is as required by the Bangladesh Securities and Exchange Commission (BSEC) and the Bangladesh Bank</li> <li>▶ Recommends and advises course of action in the areas where there is a scope of improvement.</li> </ul>
BASEL Implementation Committee	<ul style="list-style-type: none"> <li>▶ Arif Khan, CFA, FCMA; CEO &amp; Managing Director</li> <li>▶ Asif Saad Bin Shams, Head of Credit and Collection</li> <li>▶ Md. Masud K. Majumder, ACA, Group Chief Financial Officer</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control and Compliance</li> <li>▶ Mohammad Jobair Rahman Khan ACA, Head of Group Corporate Affairs &amp; Taxation and Group Company Secretary</li> </ul>	<ul style="list-style-type: none"> <li>▶ Apply the action plan of BASEL -II and review thereof;</li> <li>▶ Communicate issues related to the implementation of BASEL -II to the management;</li> <li>▶ Assist in carrying out the quantitative impact study (QIS), if necessary;</li> <li>▶ Engage in capacity building and training according to the training need assessment (TNIA) for the concerned officials; and</li> <li>▶ Establish a planning and supervisory review as required by Pillar-II of BASEL -II framework.</li> </ul> <p>The reviews of the BASEL Implementation Committee include</p> <ul style="list-style-type: none"> <li>▶ Review of action taken in previous BIU meetings</li> <li>▶ Economic and market status and outlook</li> <li>▶ Credit, market and operational risks related to capital adequacy</li> <li>▶ Review of BASEL implementation status</li> <li>▶ Action taken</li> </ul>
Integrity Committee	<ul style="list-style-type: none"> <li>▶ M. Jamal Uddin, Deputy Managing Director</li> <li>▶ Mir Tariquzzaman, Chief Technology Officer (CTO)</li> <li>▶ Ahmed Rashid, Head of SME Division</li> <li>▶ Syed Javed Noor, Head of Consumer Division</li> <li>▶ Md. Mesbah Uddin Ahmed, Head of Corporate Division</li> <li>▶ Akhteruddin Mahmood, Group Head of Human Resources</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control &amp; Compliance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Create awareness on code of integrity and good governance across the company;</li> <li>▶ Identify the scopes where efficiency of employee can be developed and arrange appropriate training in this regards;</li> <li>▶ Amend existing policies and procedures as per requirements;</li> <li>▶ Evaluate and reward the respective employees for integrity and good work;</li> <li>▶ Improve e-governance system;</li> <li>▶ Develop complaint management system; and</li> <li>▶ Implement code of conduct.</li> </ul>

Name of the Committee	Composition of the Committee	Functions of the Committees
Central Compliance Unit (CCU)	<ul style="list-style-type: none"> <li>▶ Asif Saad Bin Shams, Head of Credit &amp; Collection</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control &amp; Compliance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Keeping updated with changes in regulations regarding the combating of money laundering and terrorist financing, and accordingly adopting changes to IDLC's AML and ATA compliance policy;</li> <li>▶ Supervising money laundering and terrorist financing control procedures of the company so as to ensure legal and regulatory requirements;</li> <li>▶ Issuing necessary instructions across the company in line with company policy and Bangladesh Bank directives;</li> <li>▶ Ensuring that proper KYC along with effective risk assessment and control procedures are in place;</li> <li>▶ Providing advisory services to business and operational units on various issues linked with alleged money laundering activities or transactions;</li> <li>▶ Maintaining ongoing awareness on evolving money laundering risks and their compliance procedures through formal and informal training, workshop and seminars;</li> <li>▶ Development of adequate testing procedures to detect and prevent lapses in compliance; and</li> <li>▶ Monitoring business activities of branches through AML and ATA self assessment procedure and provide corrective measures</li> </ul>
Risk Management Forum (RMF)	<ul style="list-style-type: none"> <li>▶ Asif Saad Bin Shams, Head of Credit and Collection</li> <li>▶ Mir Tariquzzaman, Chief Technology Officer (CTO)</li> <li>▶ Akhteruddin Mahmood, Group Head of Human Resources</li> <li>▶ Ataur Rahman Chowdhury, Head of Operations</li> <li>▶ Md. Masud K. Majumder ACA, Group Chief Financial Officer</li> <li>▶ Mohammad Jobayer Alam, Head of Treasury &amp; Strategic Planning</li> <li>▶ Shafayet Hossain, Head of Special Asset Management</li> <li>▶ Mahbub-ul-Kader, Head of Internal Control and Compliance</li> <li>▶ Mohammad Jobair Rahman Khan ACA, Head of Group Corporate Affairs &amp; Taxation and Group Company Secretary</li> <li>▶ Jane Alam Romel, Group Chief Marketing Officer</li> </ul>	<ul style="list-style-type: none"> <li>▶ Design overall risk management strategy;</li> <li>▶ Communicate views of the Board and senior management regarding the riskmanagement culture and risk appetite across the Company;</li> <li>▶ Prepare risk management policies and procedures;</li> <li>▶ Monitor the prescribed/ threshold limits of risk appetite set by the regulator and/ or by the Company itself;</li> <li>▶ Develop and observe the use of models to measure and monitor risks;</li> <li>▶ Develop and oversee implementation of stress testing;</li> <li>▶ Oversee the capital management functions in accordance with the risk-based capital adequacy measurement accord, i.e. BASEL -II/ III</li> <li>▶ Determine the most cost-effective way to minimize risks;</li> <li>▶ 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;</li> <li>▶ Review market conditions, identify external threats and provide commensurate recommendations for precautionary measures;</li> <li>▶ Develop overall information system/ MIS to support the risk management functions of the company</li> </ul>



Name of the Committee	Composition of the Committee	Functions of the Committees
IDLC Ladies Forum (IDLC LF)	Shamima Akter Lovely, Head of Human Resources, Capital Market Operations and Head of Organizational Development & Recruitment Executive Committee Comprises of 14 women employees representing different divisions and branches of the Group Secretary Ayesha Haque, Head of CSR Members All the women employees of the Group	<ul style="list-style-type: none"> <li>▶ Ensuring 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.</li> <li>▶ Enabling IDLC's management to better understand and address issues and develop strategies accordingly.</li> </ul>

### 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.

### Audit Committee

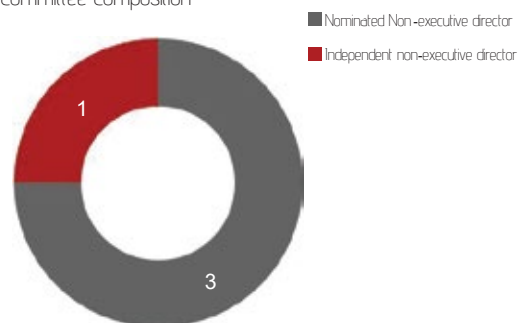
Appointment of members and composition of the Audit Committee

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 the Chairman

Mr. Monower Uddin Ahmed, one of the Independent and Non-Executive Directors, is the Chairman of the Audit Committee, possessing of vast experience. 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:

## OUR GOVERNANCE

### In respect of internal control:

Evaluating whether the management:

Has an appropriate internal control and compliance culture with regards to risk management

Has clearly defined the duties and responsibilities of officials

Has full control over the operations of the Company

Reviewing the appropriateness of management information system (MIS) including information technology system and its use

Reviewing whether the management is complying with the recommendations made by internal and external auditors

Reviewing existing risk management procedures to ensure that processes are effectively run within the Company  
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:

Reviewing whether financial statements were prepared in compliance with all directives and guidelines prescribed by the Bangladesh Bank and other applicable standards

Engaging in discussions with external auditors and the management prior to the finalization of the financial statements

Attending and answering questions related to accounts and audit at the AGM

### In respect of internal audit:

Reviewing the activities and organizational structure of internal audit and ensuring that there is no barrier or limitation to the performance of an independent internal audit

Assessing the efficiency and effectiveness of internal audit

Assessing whether the management is appropriately considering compliance of recommendations made by the internal auditors with regards to the observations identified by them

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

### In respect of external audit:

Appraising the audit procedures and reviewing the management letter submitted by external auditors

Assessing whether the management has appropriately considered the observations and recommendations made by the external auditors

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

### Members of the Committee comprising of Non-Executive Directors:

The Audit Committee comprises of 4 members of the Board, which includes all Non-Executive Directors, which covers the requirement clause of having more than two-thirds of the members being Non Executive Directors.

### Members of the Committee being suitably qualified:

Two members of the Committee, Mr. Kamrul Hassan FCA and Mr. Mohammad Mahbubur Rahman FCA, are Fellow members of the Institute of Chartered Accounts of Bangladesh (ICAB), and consequently possess significant working experience in the fields of finance, accounting and audit. The qualifications of the members of the Committee are addressed in detail in their brief profile on pg. 36 of this annual report.

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

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

### Holding of the Audit Committee meeting during 2017

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 2017, the Committee held seven (7) meetings. The details of the meetings held and members' attendance in the meetings are disclosed in Annexure II of the Directors' Report.

### 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 2017.

## Immediate reporting to the Bangladesh Securities and Exchange Commission

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

No such circumstances arose during the year ended 31 December 2017.

## Objectives of the Audit Committee

The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect a true and fair view of the state of affairs of the Company. The committee will also ensure good monitoring systems within the business.

The principal functions of the Audit Committee are to exercise oversight over IDLC's risk management, financial reporting and regulatory compliance functions.

## Activities during 2017

The Committee met seven (7) times during the year 2017 and carried out the following tasks:

- Reviewed internal audit reports issued by the Internal Control and Compliance Department during the year 2016
- Reviewed the report of the Audit Committee for 2016 prior to publication in the annual report 2016
- Reviewed and approved annual audit plan of Internal Control and Compliance Department for the year 2017
- Recommended for appointment of external auditors for the year 2017

- Discussed the financial statements for the year ended December 31, 2016 with external auditors and management prior to their finalization as per DFIM circular number 13

- Reviewed the financial statements of IDLC Finance Limited for the year ended December 31, 2016 as per clause no. 3.3 of Corporate Governance Guidelines (CGG) issued by Bangladesh Securities and Exchange Commission;

- Reviewed the management letter issued by ACNABIN, Chartered Accountants, statutory auditors of the company based on annual audit of financial statements of IDLC Finance Limited for the year ended December 31, 2016

- Reviewed Bangladesh Bank core risk inspection report as of June 30, 2016 and management responses thereon

- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the first quarter ended March 31, 2017

- Reviewed Finance and Accounting Manual of IDLC Finance Limited

- Reviewed half-yearly unaudited financial statements of IDLC Finance Limited and its subsidiaries for the half-year ended on June 30, 2017

- Reviewed unaudited quarterly financial statements of IDLC Finance Limited and its subsidiaries for the third quarter ended September 30, 2017

- Reviewed Bangladesh Bank's comprehensive inspection report on Corporate Head Office of IDLC Finance Limited based on information as of December 31, 2016 and management responses thereon

## Internal controls are well conceived, properly administered and satisfactorily monitored

Based on the review of activities of ICC department in 2017, the Audit Committee is of the view that the internal control and compliance procedures are well conceived, properly administered and satisfactorily monitored.

## Ensuring compliance with Laws, Regulations and timely settlements of statutory dues

Being compliant ensuring sustainable business is the ultimate focus of IDLC. IDLC puts its best effort to remain compliant with all applicable laws and regulations including the regulatory reporting in due course. IDLC has never been penalized for any regulatory non-compliance.

## Audit committee's involvement in the review of the external audit functions

On the basis of the proposal of the Audit Committee, the board recommended A.Qasem & Co. Chartered Accountants, a partnership firm in Bangladesh and a member firm of Ernst & Young Global Limited, to the shareholders in the 32nd AGM

to appoint them as statutory external auditors of the company for 2017. Accordingly the shareholders have approved their appointment.

Before their appointment as statutory auditors, declaration of their independence from IDLC was obtained, in compliance with DFIM Circular no. 04, dated April 30, 2015 of Bangladesh Bank.

In compliance with the BSEC corporate governance guidelines, the statutory auditors did not perform any activities other than the statutory audit.

During their tenure, ICC department has coordinated and reviewed their functions and reported to the Audit Committee. Before presenting the financials before the board, the committee at its 60th meeting held on February 14, 2018 reviewed their activities and hold a discussion with them in this regard. And the committee and the auditors, both have expressed their satisfaction.

Further, the auditors have also expressed their satisfaction on the action taken based on the recommendations of previous auditors, ACNABIN, Chartered Accountants and regulatory bodies.

### Selection of appropriate accounting policies

While reviewing the financial statements for 2017 by the Audit Committee, they have reviewed that the financial statements were prepared following appropriate accounting policies that are in line with applicable accounting standards adopted by Institute of Chartered Accountants of Bangladesh (ICAB).

### Review of interim financial statements before presenting to the board for authentication

In compliance with Bangladesh Bank DFIM circular No. 13, dated October 26, 2011 as well as the Terms of Reference (ToR) of the Audit Committee, the committee reviews the interim financials before presenting before the board.

### Review of reliability of management information used for such computation

Based on the effectiveness of the internal control process along with its proper application and effective measures taken to prevent possible fraud and forgery, the Audit Committee expressed its satisfaction to the board on the reliability of management information used for preparation these financial statements.

## Internal Control and Risk Management

### 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.

### Internal control

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

### Key features of the internal control system

The Company's internal control system consists of five interrelated 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 organizational 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 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 organizational 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 customized 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.

## Directors' reviewing the adequacy of internal control

Subject to the caveats of reasonable assurance mentioned earlier, 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.

## 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 organization 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 organization may suffer as a result of its failure to comply with laws, its own regulations, code of conduct and standards of the best practice as well as from the possibility of incorrect interpretation of laws or regulations. The guidelines set out the respective roles of the Board, senior management and compliance function units in managing compliance risks and also require formulation of a written compliance risk management policy.

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

## Reputation risk

Reputation risk may be defined as the risk of loss arising from damages to an organization's reputation. The guidelines set out the respective roles of the Board and the senior management in managing reputation risk and also require financial institutions to implement a sound and comprehensive risk management process to identify, monitor, control and report all reputational risks.

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

## Environmental and social risk

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

A detailed discussion of these risks and the strategies adopted to manage and mitigate these are given in the Statement of Risk Management on page 54 of the report. The adequacy of the system of internal controls is reviewed by the Board of Directors as well.

## Disclosure of the strategies adopted to manage and mitigate the risks

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.

## 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 organizational structure that assigns responsibility and authority for the conduct of organizational 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 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

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:

### 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:

Make reasonable efforts to attend Board and Committee meetings

Dedicate time and attention to the Company

Seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company

Act in the best interest of, and fulfill their fiduciary obligations to, the Company's shareholders

Use due care and diligence in performing their duties of office and in exercising their powers attached to that office

### Business opportunities

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

Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Board member

Using Company property or information, or their position as Board member, for personal gain

Competing with the Company

### Conflict of interest

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

The interests of the Company

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.

### 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.

## 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.

## 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.

## 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.

## 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 2017. To abide by the code of integrity and good governance in line with the National Integrity Strategy of Bangladesh.

## 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. Whistleblower Guideline has been approved on December 17, 2017. 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 and recommendation

IDLC has a formal complaint and recommendation 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 and recommendations. Those 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).

## Remuneration Committee

IDLC's Remuneration Committee has been established in the named "HR and Compensation Committee" on 24 May 2007 to provide a forum for discussion on the Company's various HR-related issues.

## Roles and responsibilities of the Committee

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.

## Composition of the Committee

As per Bangladesh Bank guideline, IDLC being a financial institution can only form 2 (two) committees: Executive Committee and Audit Committee, as sub-committee of the Board.

Hence, in compliance with the regulation, IDLC has form the committee with the following senior executives' including the CEO & MD, executive director of the board.

As disclosed in the table in section 1.4 above, the composition of the Committees is as follows:

Arif Khan, CFA, FCMA; CEO & 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 Resource

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

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

## Key policies with regard to remuneration of directors, senior management and employees

In compliance with the latest circular issued by Bangladesh Bank, vide DFIM Circular No. 13, dated November 30, 2015, directors are only entitled to the remuneration for attending the meeting of the board and its sub-committees.

Also in compliance with the DFIM Circular No. 02, dated March 25, 2015, of Bangladesh Bank, the remuneration of the CEO & Managing Director is approved by the Bangladesh Bank as recommended by the board.

Remuneration of all other employees are determined by the CEO & Managing Director.

## Number of Meetings held and work performed

There were four meetings of the HR Compensation Committee in the 2017.

## Work Performed in 2017

The four meetings were held with following agenda:

### January 2017-

Employee promotion phase I

Performance bonus

### June 2017-

Salary revision

Employee promotion phase II

## Remuneration of chairman, directors, CEO and senior executives

### Chairman & directors:

As stated earlier, in compliance with the policy mentioned earlier, the chairman of the board and other members are entitled to the remunerations.

### 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.

## 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.

## Organisational chart

IDLC's organizational chart outlines the internal structure of the Company. It emphasizes 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 organizational 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. Longterm 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.

## 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

### Strategy to facilitate effective communication 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.

### Way of communication with the stakeholders

The following diagram illustrates the multiple channels of communication with shareholders:

## Channels of communication with stakeholders

### Annual General Meetings

Average attendance of shareholders in:  
Past 5 years: 258  
2017: 315

### 2017 Investor meeting

Over 50 investor meetings  
Teleconference meetings with potential foreign investors

### Reports and Announcements

- ▶ Annual report & Sustainability report
- ▶ Quarterly financial statements
- ▶ Price sensitive disclosures
- ▶ Announcements and press releases

### 2017 Shareholders visits

Around 75 visits by 396 shareholders

### 2017 Analyst briefings

Quarterly analyst briefings discussing each quarter including year end financial performances

### IDLC Website

- ▶ Updates of recent financial information and latest investor information
- ▶ Analyst briefing materials





## 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.

## 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.

## Quarterly earning disclosure

In the following day of the authentication of quarterly financial statements by the board, IDLC arranges a quarterly earning disclosure meeting with the analyst, press and foreign investors through webinar to explain and update further about the company in addition to the financials.

## Policy on ensuring participation of shareholders

The Members whose names would appear in the Register of Members of the company and/or in the Depository on the 'Record Date' will be eligible to attend AGM and entitled to the Dividend as approved.

A Member may appoint a proxy to attend and vote in his/her place by filling proxy form as per Article 103 of the Articles of Association of the company. The proxy form, duly completed and stamped, must be deposited at the office not later than 72 hours before the time scheduled for holding the meeting.

Pursuant to Article 81 of the Articles of Association, a corporate member of the company, by resolution of the Board of Directors or other Governing Body of such body corporate, may authorize such person as it thinks fit, to act as representative at any meeting of the members of the company.

Annual Report, Attendance Slip and Proxy Form along with the Notice will be sent to all the Members by Courier Service/ Post. The Members may also collect the Proxy Form from the Registered Office of the company. These will also be available in the website of the company: [www.idlc.com](http://www.idlc.com).

Members/proxies are need to register their entry at the AGM in the counter at the entrance of the AGM venue.

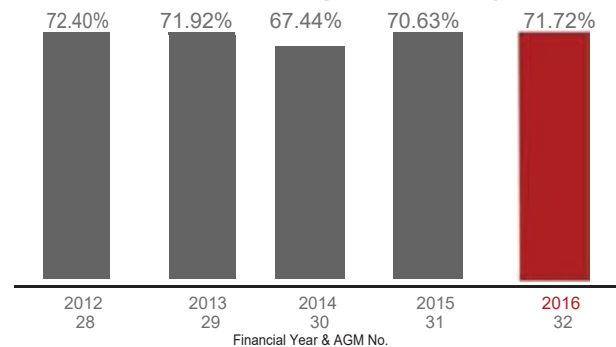
## Communication through AGM

All shareholders have the right to attend the Annual General Meeting where they can meet and communicate with the

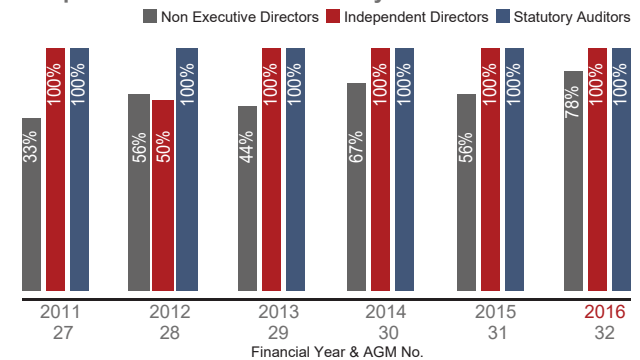
Directors and express their views regarding the Company's business, its future prospects and other matters of interest. The shareholders are always encouraged to attend the meetings or, if they are unable to attend, to appoint proxies.

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.

### Percentage of shareholders who have attended the Annual General Meeting in the last ve years



### AGM attendance % of Non Executive Directors, Independent Directors & Statutory Auditors



## Process of communicating the schedule

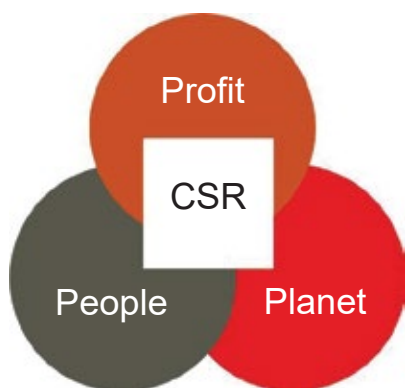
At least 14 to 21 days before the AGM, hard copies of the Annual Report and notice of the AGM are mailed to shareholders as on the Record Date. Notice of the AGM is sent to the Dhaka Stock Exchange (DSE), Bangladesh Securities and Exchange Commission (BSEC), online newspapers and print media. The notice of the AGM is also made available on the company website.

## Environmental and Social Obligation

### Policy and practices on 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.

### Activities undertaken

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 organization 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.

### IDLC's Overall Governance

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

- Group strategy, business plans and performance monitoring

- Financial reporting and controls, capital structure and dividend policy

- Group risk appetite and framework and risk management policies

- Corporate governance

- Others (shareholder documentation, Board and committee succession planning, constitution of Board committees, Board effectiveness review, committee reports and key business policies)

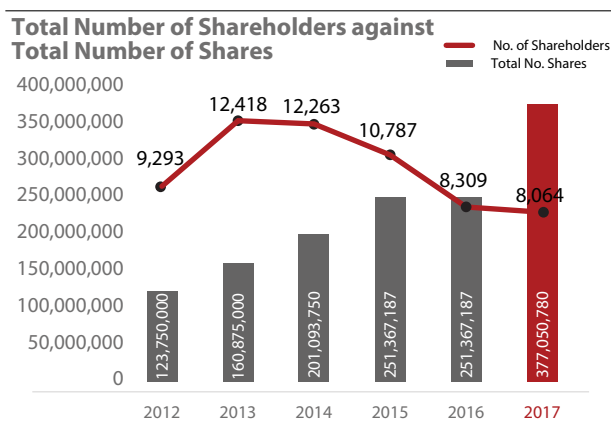
In pursuit of business sustainability and within the ambit of our integrated reporting framework, our governance structure, stewarded by our well-composed Board (as detailed above with regards to their core responsibilities), helps in value creation over the medium and long term. Some of the drivers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

Our robust organizational leadership structure is composed of diversity that enables us to foster and converge a range of opinions and perspectives that are aligned with the long-term interests of the Company. Our highest levels of compliance with all the statutory and regulatory requirements and uncompromised stance with regards to ethics in our day-to-day business have led to the creation of a robust governance structure that ultimately delivers sustainable stakeholder value:

We embrace a wide range of both generic as well as specific processes to take strategic decisions and also establish and monitor the culture of the organization on an ongoing basis, including its attitude to risk and mechanisms for addressing integrity and ethical issues. As a core demonstration of our seriousness with regards to governance and compliance with the laws of the land, we ensure that all our members thoroughly understand our comprehensive Code of Conduct and sign it at the beginning of every year, ratifying their alignment with our ethics and philosophies:

During the course of business, we take a wide range of actions including analyzing key financial metrics, aligning resources with our growth aspirations and forecasting key risks that might impact our business over the long-term and their potential mitigation strategies. These help us influence course corrections, if any, in the path to achieving our goals and objectives as well as monitor the strategic direction of the organization within the ambit of our overall risk management framework:

Our robust organizational culture, ethics and values, nurtured over the years with care and sensitivity, is visible in the strength of our relationships with key stakeholders. We are not only the financial destination of choice among our customers who have reposed their faith and trust in us but also an employer of choice among our members due to an inspiring, engaging, motivating and enriching workplace that we provide to all our employees. Our high standards of governance and the attractiveness of our long-term structural growth prospects have made us an investment of choice among a broad range of institutional shareholders both local and foreign and other reputed financial participants in the market. Thus IDLC's shares have been concentrated among limited no. of shareholders specially institutions, which has reflected in the following graph:



In our focus on reinforcing our governance culture and framework, we are implementing ongoing governance practices that go beyond the stipulated legal requirements. For instance, our focus on green banking not only fosters the development of green assets and environmental friendly practices but, in fact, aims to create an overall compliant corporate culture by helping clients understand and mitigate key environmental and social risks in their long-term plans and manufacturing facilities:

One of the agenda of our Board is also to gauge the levels of innovation fostered within the enterprise even as the diversity of our Board enables us to understand the key trends shaping the market / industry and convert these into relevant business opportunities. Our women entrepreneur empowerment product, IDLC Purnota, is an excellent case in point demonstrating our ability to innovate a solution around a pressing need that of ensuring viability among women in business.

Our best-in-class remuneration and incentives structures are continually aligned with the market, ensuring that our pay and benefit structures are among the best in the industry. These not only enable us to attract and retain core talent but also keep our workforce motivated and engaged enough for the organization to reach its short, medium and long range goals and objectives, thus fostering a win-win relationship.

# Part III | Stakeholder Engagement for Reporting

IDLC since 2011, has been publishing the Annual Sustainability Report in compliance with the Global Reporting Initiative (GRI) framework. The report is prepared in accordance with sustainability reporting guidelines G4 issued by GRI which 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>● Email correspondence</li> <li>● Telephonic conversation</li> <li>● Circular issued by Sustainable Finance Department of Bangladesh Bank</li> </ul>	<ul style="list-style-type: none"> <li>● Anti-corruption measures implemented by the organisation</li> <li>● Company's vision and compliance of initiatives in line with SDG</li> <li>● Responsibility of the organisation towards the environment and the community</li> </ul>
Management	Discussions (one-on-one) and Groups	<ul style="list-style-type: none"> <li>● Employee engagement and championing volunteerism</li> <li>● Corporate governance, ethics and compliance</li> <li>● Anti-corruption measures implemented by the organisation</li> <li>● Financial performance</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>● Experience of being associated with CSR initiative Khushir Kheya campaign</li> <li>● Every branch to own projects and be the lighthouse</li> <li>● Career growth and development opportunities</li> <li>● Safe and healthy work environment</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>● Non-discrimination, diversity and equal opportunities</li> <li>● Environmental obligations through in-house management, CSR and Green Banking initiatives</li> <li>● Superior customer experience through continuous improvement</li> <li>● Professionalism at work</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
- Biodiversity
- Compliance
- Employment, occupational health and safety
- Training and education
- Diversity and equal opportunity
- Equal remuneration for women and men
- Non-discrimination
- Local communities
- Anti-corruption
- Marketing communications
- Customer privacy

## Boundary Defined

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 organisation	Material outside the organisation
Economic	<ul style="list-style-type: none"> <li>● Economic performance</li> <li>● Procurement practices</li> </ul>	Yes	NA
Environmental	<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 IDLC's operations may lead to fines/ sanctions/ loss of license to operate/ negative publicity.	Yes  This aspect is material for the environment and for the communities living close to protected and/ or high biodiversity areas.
Social			
1. Labour practices and decent work			
	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

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

# Part IV| 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 DISCLOSURE –

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	72-80
<b>Organisational Profile</b>		
G4 - 3	IDLC Finance Limited	
G4 - 4	Our range of products and services	42
G4 - 5	<b>Corporate Head Office:</b> 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	The Company	41
	Our branches are located across districts including Dhaka (Dhaka, Savar, Keraniganj and Imamganj), Narayanganj (Narayanganj and Bhulta), Gazipur (Gazipur and Tongi), Narshingdi, Chittagong, Kushia, Mymensingh, Comilla, Bogra, Natore, Jessore, Khulna, Sylhet (Sylhet, Habiganj), Rangpur, Khulna, Barisal, Faridpur, Rajshahi, Chowmuhani	
G4 - 9	The Company	41
G4 - 10	The Company Human Capital	68-71
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	The Company ➤ Business Segment Review ➤ Subsidiary Review	48-57 58-67
G4 - 14	IDLC's Statement of Corporate Governance	72-80
G4 - 15	Our Stand	5
	CSR - Why	6
	Green Banking	36-39
	Regulatory Bodies and Memberships	35

Identified Material Aspects and Boundaries		
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 2017 and Annual Sustainability Report 2017	
G4 - 18	Reporting Parameters	4
G4 - 19	Stakeholder Engagement for Reporting Material Aspects identified	102
G4 - 20	Stakeholder Engagement for Reporting Boundary defined for each Material Aspect	102-103
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 G31 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.	
Stakeholder Engagement		
G4 - 24	Stakeholder groups engaged by the organisation include Regulators, Management and Employees	
G4 - 25 G4 - 26 G4 - 27	Stakeholder Engagement for Reporting	99-101
Report Profile		
G4 - 28	January 1, 2017 - December 31, 2017	
G4 - 29	April 2017	
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 G4 - 40 G4 - 45 G4 - 46 G4 - 51 G4 - 52	Corporate Governance	72-80
Ethics and Integrity		
G4 - 56 G4 - 58	The Company Corporate Governance Human Capital	41 72-80 68-71



## 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 No
G4 - EC 1	The Company	41
G4 - EC 4	CSR Why Our Acts and Initiatives	06 7-34
G4 - EC 8	Our Acts and Initiatives	7-34
Category : Environmental		
Energy		
PARTICULARS	CHAPTER	PAGE
G4 - EN6	Our Acts and Initiatives Green Banking	25-28 36-39
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	
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	Human Capital	68-71
G4 - LA 2	Human Capital	68-71
G4 - LA 3	18 (Eighteen) staff underwent maternity leave in 2017, with a 100 percent retention rate	
Training and Education		
PARTICULARS	CHAPTER	PAGE
G4 - LA 9	Human Capital	68-71

G4 - LA 10	<p>IDLC HR conducted 122 local and foreign trainings in 2017, selected trainings are listed below:</p> <ul style="list-style-type: none"> <li>Internal Fraud Control Strategies</li> <li>7 Strategies for High Performance Team</li> <li>Global SME Finance Forum 2017</li> <li>Housing Finance Management-2017</li> <li>Practical Resilience for Leaders</li> <li>Integrity and Anticorruption in Financial Sector</li> <li>Professional Etiquette</li> <li>Loan Recovery , Re-Schedule &amp; Re-Structuring and NPL Management</li> <li>CAMLCO Conference-2017</li> <li>Green Bricks Workshop-2017</li> <li>Cyber Security in Banks &amp; Non-Banking Financial Institute: Secure your Money through Knowledge</li> <li>The Digital Revolution and Fintech</li> <li>Annual Banking Conference 2017</li> <li>Service Quality Guideline</li> <li>Legal Documentation</li> </ul>	
G4 - LA 11	Human Capital	68-71
<b>Labour and Management Relations</b>		
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	
<b>Equal Remuneration for Women and Men</b>		
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	
<b>CATEGORY : HUMAN RIGHTS</b>		
<b>Non -discrimination</b>		
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	
<b>CATEGORY : SOCIETY</b>		
<b>Local Communities</b>		
PARTICULARS	CHAPTER	PAGE
G4 - S01	CSR Why Acts and Initiatives Contribution to the national economy	6 7-34 44
<b>Anti -corruption</b>		
PARTICULARS	CHAPTER	PAGE
G4 - S04	Corporate Governance	
G4 - S05	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	
<b>Compliance</b>		
<b>PARTICULARS</b>	<b>CHAPTER</b>	<b>PAGE</b>
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	
<b>CATEGORY : PRODUCT RESPONSIBILITY</b>		
<b>Marketing Communications</b>		
<b>PARTICULARS</b>	<b>CHAPTER</b>	<b>PAGE</b>
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	
<b>Customer Privacy</b>		
<b>PARTICULARS</b>	<b>CHAPTER</b>	<b>PAGE</b>
G4 - PR 8	IDLC has not been party to any incident related to breaches of customer privacy and/or loss of customer data	



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