



Communication on Progress, 2010

of

IDLC Finance Limited

Submitted to:

United Nations Global Compact

Reporting Period: as on May, 2011

Committed to you



Company

IDLC Finance Limited

Sector

Financial Services

Branches¹

25

UNGC Signatory since

January 29, 2007

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IDLC Finance Limited was launched in 1985 by International Finance Corporation (IFC) of the World Bank, as a pioneering leasing company of Bangladesh. Over the years, IDLC has emerged as the largest non-bank financial institution and one of the leading merchant banks of the country, offering a range of customized solutions to meet the financial needs of its Corporate, SME and Personal customers.

IDLC was initially established through the collaboration of a number of international and local agencies including International Finance Corporation (IFC), German Investment and Development Company (DEG), Kookmin Bank and Korean Development Finance Corporation, the Aga Khan Fund for Economic Development, the City Bank Limited, IPDC of Bangladesh Limited, and Sadharan Bima Corporation.

Although IDLC initially started with a Corporate client focus, with lease financing as its core product, the Company has undergone significant diversification over the years. Besides Corporate financing, it now also caters to the SME and Personal client segments, while its product portfolio has grown significantly. The Company currently provides Corporate Finance and Structured Finance solutions to large local and multinational corporate houses; Personal financing products such as deposits, personal loans, home loans, car loans etc.; financing facilities for Small and Medium enterprises; Merchant Banking solutions such as Portfolio Management and Issue Management services (IPO, RPO, Bond Issuance, Rights Shares Offering etc.); and Brokerage services through a fully-owned subsidiary, IDLC Securities Limited.

In addition to a broad client and product focus, IDLC has over the years been particularly respected amongst its clients, peers, regulators and other stakeholders for its strong corporate governance, statutory compliance, high ethical standards, and a very progressive and enabling working environment.

IDLC follows a strong growth strategy. It is continuously expanding its network of branches and offices throughout the major cities of the country to provide the best quality of service to its clients, and is committed to investing heavily for the development of people, process and technology throughout the organization.

Highlights:²

Operating Income

\$40.36 M

2009: \$25.50 M

Net Profit after Tax

\$17.69 M

2009: \$10.96 M

Total Assets

\$359.07 M

2009: \$302.42 M

Equity

\$49.20 M

2009: \$31.91 M

Earnings per Share

\$2.95

2009: \$1.83

Employees

396

2009: 289

¹ Branches including our subsidiary, IDLC Securities Limited

² Financial data as per our audited financial statements dated December 31, 2010, and no of employees as of 2010

Statement of Continued Support to UN Global Compact



“IDLC is committed to sustainable business practices; we want to have a positive impact on the society and environment of Bangladesh”

IDLC Finance Limited originally became a signatory to the UN Global Compact under its previous name Industrial Development Leasing Company of Bangladesh Limited, on January 29, 2007. However, at that time, the scope of the UN Global Compact and our responsibilities as a signatory were not clearly comprehended or incorporated in our company policies and practices. I am pleased to confirm that the Board and Management of IDLC now clearly understands the concept of sustainable business practices and are fully committed to implement the same across the Company.

Over its 25 year history, IDLC has consistently been known amongst clients, peers and regulators for its good corporate governance, its statutory compliance, its high levels of ethical standards and its progressive working environment. As IDLC's existing organizational practices already conform to local regulatory requirements and most international corporate governance practices, the Company is well-positioned to step up to the next level, in terms of meeting the UNGC principles of Human Rights, Labour, Environment and Anti-corruption.

At IDLC, we recognise that sustainable practices are not limited to our internal operations only but also apply to our stakeholders – especially our clients. Our strategy to implement sustainable business practices will therefore first focus on the Company's internal operations and then gradually spread outwards to reach our clients and other stakeholder groups. In 2011, we intend to :

- Review our existing policies with the aim of aligning them to all UNGC principles ;
- Develop the understanding and awareness of our own employees through regular training and employee engagement programs and close co-ordination with CSR Centre in Bangladesh; and
- Enhance our accountability through regular monitoring and disclosure via our websites, annual reports and other publications.

I reiterate - IDLC is committed to working with the UNGC to implement sustainable business practices throughout the organization.

Thank you.



Selim R.F. Hussain

CEO and Managing Director
IDLC Finance Limited

Scope of this COP

This Communication of Progress (COP) mainly highlights

- Our existing organizational practices in connection with the ten principles of UN Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption
- Our plan for 2011 in line with our commitment towards sustainable development; and
- Major awards and achievements of IDLC in various areas

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

- IDLC is widely reputed for exercising maximum level of integrity, compliance and ethical standards – protecting rights of our clients to the best service standards
- IDLC encourages work-life balance of its employees through flexible working hours
- Free medical check-up facilities available at two major branches



Employee Benefit Packages

Housing Loan | Transport Loan | Transport Maintenance Support Scheme | Personal Loan | Furniture and Household Equipment Allowance | Profit-Sharing Scheme | Group Life Insurance | Hospitalization Scheme | Education Support Scheme | Employee Welfare Fund | Annual Recognition Scheme

- Timely payment of monthly salary and bonuses
- Extensive employee benefit packages
- Provident Fund and Gratuity for employees with over five years of service record

- Paid leave facilities conform to industry standards
- | | | |
|---|--|---|
| <i>Annual Leave</i>
25 working days | <i>Casual Leave</i>
5 working days | <i>Maternity leave</i>
4 months |
|---|--|---|

- Training facilities are offered to employees for skill development
- Local and foreign training are offered for specific training needs
- In-house group trainings are arranged for a number of employees having common training needs

Training Requirement
Identified through **Performance Appraisal** of employees, and **Training Need Assessment** conducted by local training partner

- Annual budget allocation for donation and charitable activities

Regular donations are made for treatment of cancer patients, heart patients, Thallassaemia patients, children with intellectual and multiple disability, and orphanages providing education and healthcare to slum children

Principle 2: Businesses should make sure that they are not complicit in any form of human rights abuse

Code of Conduct requires employee commitment against

- Corrupt Practices
- Violation of Regulation and Company Policies
- Discriminatory Practices
- Employee Harassment

Detailed Code of Conduct can be reviewed at http://www.idlc.com/abt_us_professional_code_of_conduct.html

- IDLC has developed an internal 'Code of Conduct' to be signed and followed by all employees.
- IDLC maintains an "Open Door Policy", where employees can always inform their grievances to the HR department, based on which investigations are undertaken and actions taken against the accused person. We are also in the process of developing a formal mechanism for addressing these issues.

- Compensation and Benefits Survey is conducted at regular intervals to match industry practices and reflect increasing costs of living.

LABOUR RIGHTS

Principle 3: Businesses should uphold the Freedom of Association and effective recognition of the right to Collective Bargaining

- Since IDLC is not a labour-intensive organization, this principle does not fully apply to our operations.
- Our employees are free to join any professional association or group outside the organization, which reflects our commitment towards Freedom of Association.

Principle 4: Businesses should support the elimination of all forms of forced and compulsory labour

- New recruits under management category are required to sign a bond for a maximum of three years. However, this does not qualify under the typical practice of “Bonded Labour” as employees are well aware of the terms and conditions at the time of signing the contract, and are free to leave the organization during the bond period in exchange of pre-specified monetary compensation, without facing any other administrative difficulty.
- IDLC encourages job rotation of its employees – thus allowing better skill development and placing the right people in the right places as per their competencies.
- IDLC does not unnecessarily delay the release of an employee in case of a change in organization, and strictly adheres to the required notice period of one month as per the Company Policy.

Principle 5: Businesses should support the initiatives aimed at effective abolition of Child Labour

- Being a financial institution, the nature of our business does not place Child Labour as a pressing issue within our core business activities.

Minimum Age for Admission to Work as per National Standards

14 years

- IDLC also ensures that no underage worker is hired from third-party agencies for specific job roles within the organization, such as cleaners, security guards etc.

Principle 6: Businesses should support the elimination of discrimination in respect of employment and occupation

- IDLC extensively practices non-discrimination on the basis of age, gender, race, religion, ethnicity etc.
- Employee evaluation during recruitment, performance appraisals and training opportunities is based on their competencies.

Commitment to ‘**Non-discriminatory Practices**’ make up a major provision of our Code of Conduct

% increase of female employees from below **15%** in 2008 to **17.68%** in 2010

- IDLC encourages increased participation of female employees in various roles within the organization.

- A written policy will be developed regarding non-discriminatory practices to make it formalized.
- Higher level of employee motivation and commitment.

Gradual reduction in employee turnover rate

2008	2009	2010
14.75%	14.18%	13.38%

IDLC has plans to recruit

Specially Challenged People

in suitable posts across the organization, as its commitment towards promoting Equal Employment Opportunities for all.

Principle 7: Businesses should support a precautionary approach to environmental challenges

- As a practice, IDLC discourages investment in highly polluting sectors.
- IDLC’s Credit Policy has provisions for comprehensive due diligence regarding environmental and climate change risk assessment measures for projects under consideration. For certain refinancing projects, IDLC also considers Social Impact Assessment criteria.
- Based on the checklist, an Environmental Risk Grading Model is prepared to guide the financing decision.

General Checklist
Possible sources of environmental risk, and Borrower’s environmental management system

Sector-specific Checklist
Specific operational aspects of that particular sector

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

- IDLC includes environmental messages in the published Annual Report to create awareness.
- IDLC has introduced an extensive Video Conferencing Network connecting all the major branches, resulting in **Reduced Fuel Consumption | Average CO₂ Emission Reduction by 8.7 tons pa**

Our plan for 2011

- Reducing internal utility consumption (electricity and water)
- Reducing paper consumption and using recycled paper
- Developing a Green Office Guideline to be followed by the employees
- Regular employee engagement programs to create awareness

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Reduced power consumption
28,000 kWh pa

Reduced CO₂ emission
16 tons pa

Improved server utilization
From 5-15% to 60-80%

- Greener IT infrastructure within IDLC through virtualization and consolidation of servers
- Lower energy requirement for powering servers and cooling systems, and reduced CO₂ emission
- Higher efficiency level achieved in terms of server utilization

- IDLC encourages investment in projects introducing and/or diffusing new technologies leading to greater energy conservation in different industries.

Our plan for 2011

Adoption of latest technologies for IT infrastructure and operations, reducing power consumption by an additional

80,000 kWh pa

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its form, including extortion and bribery

- IDLC’s Code of Conduct requires employee commitment and conformance against corrupt or malpractice within our core operations.

KYC (Know Your Customer) mechanism as per our Credit Policy

IDLC strictly avoids involvement with any money-laundering and/or terrorist financing activities by its employees and clients

Proper screening and background checking of candidates by our HR department at the time of recruitment

- Employees can report to the HR Department incidence of any corrupt practices within the organization, based on which investigations are undertaken and measures are taken against the accused person.

As per our Credit Policy

- Additional Due Diligence and Discretionary Level Approval required for clients who are publicly known figures.
- Strict prohibition of any business association with black-listed customers as per published list of Anti-Money Laundering Department of the Central Bank of Bangladesh.

- In addition to periodic mandatory audits by the Central Bank, IDLC also has an Internal Control and Compliance team to maintain a transparent system throughout the organization.



Major Awards and Achievements



"COMWARD Excellence Award-2009" for upholding the image of Bangladesh in the International arena



1st prize in the non-banking financial institution category of the ICMAB Best Corporate Performance Award 2008.



First ICMAB National Best Corporate award 2007



SAFA Best Presented Accounts Award 2007



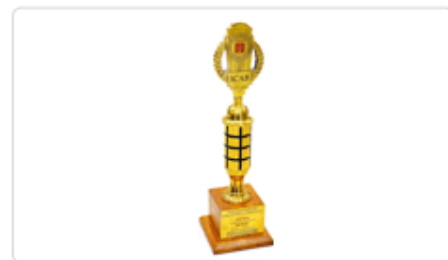
ICAB National Awards 2007 for the best published accounts and reports



ICAB National Awards 2006 for the best published accounts and reports



ICAB National Awards 2005 for the best published accounts and reports



ICAB National Awards 2003 for the best published accounts and reports

End Note

Based on our current practices, it can be said that IDLC has some level of compliance under all ten principles of UNGC. However, to adopt a more vibrant sustainability culture within the organization, IDLC plans to undertake different measures over the years to bring positive changes in terms of our quality of service, new product development, operational activities and stakeholder engagement.

With this objective in mind, IDLC has identified a number of areas to drive our sustainability initiative during 2011-12:

- Reduction of utility consumption, namely electricity and water, across all the branches and offices of IDLC
- Reduction of paper consumption and increased utilization of recycled paper
- Preparation of a “Green Office Guideline” for all employees to follow
- Arrangement of regular training sessions and employees engagement programs to increase employee awareness and ownership
- Recruitment of specially challenged people to further strengthen our commitment to Equal Employment Opportunities
- Adoption of detailed due diligence practices for environmental and climate change risk assessment in terms of projects to be financed by IDLC
- Revision of existing policies and development of new policies to formalize the entire process
- Communication with our stakeholder groups regarding our sustainability initiatives through regular disclosure in websites, Annual Reports and other publications
- Greater participation and financial assistance to projects leading to community development

Since sustainable business is a comparatively new concept in a developing country like Bangladesh, it is quite understandable that adaptation by our stakeholder groups to a new way of doing business would require a lot of time and effort from our end. However, to mobilize these activities on a full scale, whole-hearted support from all our employees is crucial. The greatest challenge in doing so is to alter their way of thinking and acting, and incorporate a sense of awareness and responsibility among them. Moreover, we may need to lobby with our regulators as well to ensure a level-playing field by bringing in changes through different policies, which itself will be a time-consuming process.

In spite of these challenges, IDLC is confident that our continuous drive towards becoming a sustainable business organization will lead us towards better performance, as well as positively add to our brand value and our influence on the community as a whole.