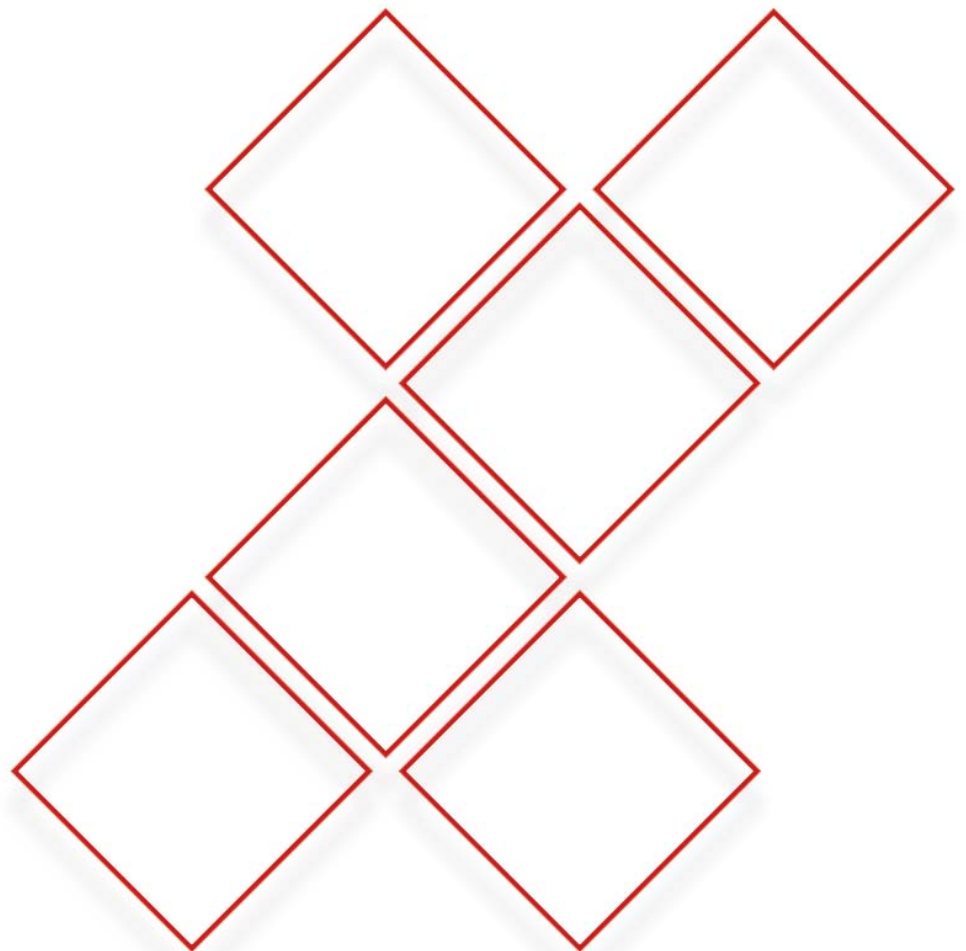


**IFC**

# IFC Sustainability Report

**External Assurance and  
Commentary**



10 FEBRUARY 2006

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# IFC Sustainability Report 2005

## *External assurance statement and commentary*

### **Introduction**

International Finance Corporation (IFC) has commissioned The Corporate Citizenship Company to provide it with external assurance and commentary on its Corporate Responsibility Report 2005. IFC's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of its contents and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility.

The Corporate Citizenship Company is a specialist management consultancy advising corporations who seek to improve their economic, social and environmental performance around the world. A detailed note describing our relationship with IFC and the assurance process we have adopted appears at the end of this statement. Further information about our company, our key personnel and our clients is available on our website ([www.corporate-citizenship.com](http://www.corporate-citizenship.com)).

### **Our opinion**

In our opinion, the report provides a fair and balanced representation of the progress IFC is making in living out its commitments to sustainability. In our commentary below, we recognize positive developments and highlight opportunities for future improvements in reporting.

In forming our opinion and making our comments, we have had regard to the principles underlying the international assurance standard AA1000 ([www.accountability.org.uk](http://www.accountability.org.uk)) notably concerning materiality, completeness and responsiveness. We have also had regard to the 11 reporting principles judged essential by the June 2002 GRI sustainability reporting guidelines ([www.globalreporting.org](http://www.globalreporting.org)).

## **Commentary**

A sustainability report should explain how the organization carries out its core mission, account for its financial, economic, social and environmental impacts, and demonstrate its contribution to the long-term goal of sustainable development. It should show how crucial decisions are made and differing interests balanced. Honest about shortcomings, it should also demonstrate how the organization is responsive by listening, learning and improving.

Against these goals, we believe IFC's fourth Sustainability Report marks a clear step forward on previous years.

The report effectively communicates how IFC is living out its particular mandate as a development institution focused on helping the private sector improve the lives of people living in developing countries.

It responds to stakeholder consultation conducted during the year, addressing issues people said were material to the organization and their perceptions of it. In particular, this report gives readers a clearer picture of how and where the IFC invests and how decisions are made internally.

The report also explains key policy changes. IFC's revised Policy and Performance Standards on Social and Environmental Sustainability and Disclosure Policy will affect not only how the IFC operates in the future, but also companies operating in emerging markets and other financial institutions through the Equator Principles.

The final section on how IFC lives out its values in its own operations describes an increasingly strategic social and environmental 'footprint' program, where good progress is being made.

## **Looking ahead**

In our opinion, to account fully for its sustainability performance, there are four areas that IFC should address in future reporting:

IFC has committed to report on its aggregate development impact by 2007. We believe future sustainability reporting should draw on analysis of this data to assess how the organization contributes to sustainable development goals and balances economic, social and environmental impacts over the long term.

We encourage IFC to build on the extensive stakeholder consultation carried out in 2005 by developing a system for managing ongoing stakeholder engagement. IFC should keep under review the full range of issues of concern to stakeholders, and respond with information in future reports and other channels such as the IFC Web site.

Future reporting will be strengthened by the reporting and disclosure requirements of the new Performance Standards and Disclosure Policy. Future reports should discuss the extent to which the new Disclosure Policy is moving IFC toward better and clearer provision of information to stakeholders, in particular on controversial projects. In addition IFC should continue to report on progress in training and empowering employees to apply the new Performance Standards.

Finally, we think that future IFC sustainability reports would benefit from a more systematic approach to setting targets and benchmarking performance over time, both for the impact of its investments and in the management of its own operations around the world.

## **Note on our relationship with IFC and on the assurance process**

### **Our relationship with IFC**

Between September 2005 and February 2006, our work with IFC was limited to advising on good practice in sustainability reporting and expectations of such a report, giving feedback on early drafts, and to providing this assurance statement.

### **The assurance process**

As there are no statutory guidelines for sustainability reporting, we have formed our judgements based on emerging best practice among other companies, the principles of the assurance standard AA1000, the approach of the Global Reporting

Initiative (GRI), the stated views of principal stakeholders and our own professional expertise and experience.

In particular, we have considered the availability of information, sufficiency of evidence, underlying systems and processes, internal assurance systems, adequacy of resources allocated and relevant legal and commercial constraints. We have judged materiality by considering significant legal, regulatory and financial impacts, business policies, the performance of peers and competitors and stakeholder views.

A team of three, led by a director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has a variety of professional and technical competencies and experience. The work was commissioned in September 2005 and was completed in February 2006. Detailed records were kept of meetings, assurance visits and correspondence relating to the materiality, completeness and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data.

Our external assurance and commentary process for the 2005 report has involved the following elements:

- Meetings and discussions with a selection of relevant IFC managers about its approach to sustainability, its policies and performance, its future challenges and its relations with stakeholders.
- An analysis of best practice among peer institutions and private companies, the principles of the GRI and AA1000, followed by detailed discussions with IFC's environment and social development team about reporting the organization's approach, policies, performance measures, benchmarks, stakeholder relations and future plans.
- A review of published sources of information about the views and opinions of external stakeholders, including inter-governmental and governmental agencies, academics and special interest groups.
- An appraisal of IFC's stakeholder engagement activity, principally employee attitude surveys, client surveys, a review of the stakeholder engagement systems used in the development of IFC's new Policy and Performance Standards on Social and Environmental Sustainability and Disclosure Policy, and discussions with a representative of the Compliance Advisor Ombudsman.
- A comparative review of reports from peer organizations and relevant sectors against which to judge IFC's performance.

- An assessment of the internal assurance process, notably the procedures adopted to ensure responsiveness, completeness, materiality and data accuracy.
- Checks on a sample basis of elements of the report's contents to underlying records, focusing on quoted stakeholder views and claims about new initiatives and standards.

Our work did not extend to a complete audit of the report's contents or to direct engagement with stakeholders to seek their views, beyond that mentioned above. We have not been responsible for the preparation of the 2005 report nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of IFC's non-financial performance and should not be used or relied upon to form any judgements, or take any decisions, of a financial nature.

The Corporate Citizenship Company

*[www.corporate-citizenship.com](http://www.corporate-citizenship.com)*

February 10, 2006