



Advancing UN Sustainable Development Goals through IFC's Environmental, Social, and Governance Standards

A Private Sector Guide

Executive Summary



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Executive Summary

The Sustainable Development Goals (SDGs) were adopted by all United Nations member countries in 2015 as a universal, globally accepted set of social and environmental goals to deliver progress toward greater sustainability for the planet and its people. In 2022, it was estimated that the annual financing gap to achieve the SDGs in developing countries had increased to \$4.3 trillion. Public and private sector alike have been called upon to mobilize their resources and efforts to secure the delivery of the SDGs by 2030.

The increase in financial flows to support the SDGs in emerging markets and developing economies, where the need is the highest, cannot be achieved without systematic and thorough incorporation of sound investment practices, including those addressing environmental, social and governance (ESG) risks and impacts. It is universally accepted that private sector support for the delivery of the SDGs is crucial, such support has most frequently consisted of the provision of products and services and the allocation of excess capital toward impact, through, for example, impact investing.

The extent to which private sector ESG risk management practices contribute to the SDGs has not been sufficiently explored. This report therefore focuses on the interplay between the private sector's ESG risk management standards and its effort to realize the positive outcomes embodied in the SDGs.

IFC is the largest global development institution focused on the private sector in developing countries. Over the years, IFC has played a leading role in encouraging private sector development as an investor and as an ESG standard setter. IFC encourages businesses to improve their ESG

performance, including through, for relevant clients and activities, complying with the IFC's Environmental and Social Performance Standards. The Performance Standards (PSs) and Corporate Governance Methodology (CGM) have been widely adopted by financial institutions and companies globally. The PSs were adopted by 138 Equator Principles Financial Institutions in 38 countries, as well as other development finance institutions (DFIs) and export credit agencies. IFC CGM has become the foundation of the Corporate Governance Development Framework endorsed by 35 DFIs as a common framework to address corporate governance risks and opportunities in investment operations in emerging markets. Moreover, to support greater capital flows toward sustainability, IFC helped shape the Green Bond Principles, which led to unprecedented expansion of the market from over \$37 billion in 2014 to an estimated \$444 billion in 2021. IFC-supported Operating Principles for Impact Management have become a market standard for impact investing, addressing concerns about "impact washing" and facilitating greater mobilization of capital for impact.

This private sector guide (referred to below as *the guide*) was developed to support the private sector in clarifying how companies' ESG risk management practices that are aligned with the PSs and CGM (for the purposes of this guide, IFC's "ESG Standards") – can contribute to achieving the SDGs. The guide is accompanied by a dataset – Mapping of IFC's Environmental, Social, and Governance Standards to the Sustainable Development Goals. The Dataset offers a detailed mapping of IFC's ESG Standards against the SDG goals, targets, and indicators, in a searchable format.

Key Findings

Each of the 17 SDGs has specific targets (169 in total) and indicators (248 in total), which together provide a framework for establishing measurable objectives and tracking progress. **The guide presents a mapping of the SDG targets and indicators against the requirements specified in the PSs and their associated Guidance Notes, and the CGM.** The guide considers only direct effects, that is, those effects where a direct link can be established between IFC PSs or CGM and SDG targets and indicators (see Methodology on page 15).

The mapping found that IFC's ESG Standards directly address all 17 SDGs, 75 SDG targets (44 percent) and 104 SDG indicators (42 percent).

These findings not only point to strategic alignment between IFC's ESG Standards and the SDGs, but also highlight **opportunities for the private sector to further leverage ESG risk management standards to contribute to the realization of the SDGs.** The guide identified that, when effectively integrated into risk management systems, IFC's ESG Standards can support the twin goals of reducing ESG risks associated with companies' and investors' business activities and helping to advance all 17 SDG goals.

Importantly, this guide helps to cross-reference specific ESG risk management practices to particular SDGs. Almost *three quarters of the world's largest companies* report on their alignment with the SDGs. However, the reporting often lacks transparency, balanced view, and clarity. **ESG practitioners can now draw a direct link between the implementation of measures contained in IFC's ESG Standards, and the consequent contribution to a particular SDG goal, target(s), and indicator(s).** For example, biodiversity conversation aligned with the IFC Performance Standard 6 can contribute to several SDG 6 targets, namely 6.3: Improve Water Quality, Wastewater Treatment and Safe Reuse, 6.4: Increase Water-Use Efficiency and Ensure Freshwater Supplies, and 6.6: Protect and Restore Water-Related Ecosystems; and can be measured by their relevant indicators.

This level of detail will allow companies and investors to **better integrate their risk and impact management frameworks**, and thus improve their ESG and impact reporting and disclosure practices. By establishing these linkages, the private sector companies can intensify their focus on delivering positive change while recognizing the importance of managing ESG risks, and ultimately **increase financial flows to activities that help deliver the SDGs at scale.**

SUMMARY OF IFC'S ESG STANDARDS MAPPING TO SDGs

IFC Performance Standards		Sustainable Development Goals									
 Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts	         										
 Performance Standard 2: Labor and Working Conditions	       										
 Performance Standard 3: Resource Efficiency and Pollution Prevention	         										
 Performance Standard 4: Community Health, Safety, and Security	       										
 Performance Standard 5: Land Acquisition and Involuntary Resettlement	   										
 Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	    										
 Performance Standard 7: Indigenous Peoples	 										
 Performance Standard 8: Cultural Heritage	    										
IFC Corporate Governance Methodology		Sustainable Development Goals									
 Commitment to ESG											
 Structure and Functioning of the Board of Directors	    										
 Control Environment	 										
 Disclosure and Transparency	   										
 Treatment of Minority Shareholders											
 Governance of Stakeholder Engagement	  										



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