Our People & Practices

IFC's commitment to alleviating poverty and creating opportunity for the developing world's most vulnerable people is reflected in our corporate culture.

Understanding our Development Impact

The private sector has long played a central role in stimulating economic growth and creating opportunities for people in emerging economies. Its contribution to ending poverty and boosting shared prosperity is therefore vitally important to IFC and its clients.

We continue to improve our results-measurement and evidence system to better reflect our performance and business needs. In 2015, we took steps to refine and upgrade our results-measurement system using a multi-tiered approach—going from the level of individual projects, to programs, to industry sectors, to countries and the overall development priorities of IFC and the World Bank Group. This has enabled IFC to build on our position as a leader among development finance institutions in results measurement.

IFC'S RESULTS-MEASUREMENT SYSTEM

Our results measurement system is built on three mutually reinforcing components:

- The IFC Development Goals
- A monitoring system to track results
- Evaluations of our impact

1. THE IFC DEVELOPMENT GOALS: SUPPORTING THE IFC STRATEGY

The IFC Development Goals (IDGs) identify what we expect our development work to accomplish over cycles of three years. They help us communicate with our shareholders and the general public over how IFC's work—including how it is expected to contribute to the World Bank Group's goals of ending poverty and boosting shared prosperity and to the United Nations Sustainable Development Goals. The IDGs set targets for five areas that have a direct impact on people's lives and are aligned with our strategy:

- Increase or improve sustainable farming opportunities
- Improve health and education services
- Increase access to financial services for microfinance and SME clients
- Increase or improve infrastructure services
- Reduce greenhouse emissions

With each investment and advisory commitment we make, we work with our clients to estimate specific development impacts we will achieve over time in the categories above—these are our IDG targets. At the completion of the current three-year cycle, which ended June 30, we had made the commitments necessary to achieve most of the IDG targets. We substantially exceeded the target for reducing greenhouse emissions, thanks to a landmark advisory project that will help one of China's largest banks expand financing for energy efficiency and renewable energy, leading to an expected annual reduction of greenhouse emissions of 50 million metric tons by 2019.

More details on IDGs are provided in the table below.

2. MONITORING SYSTEM: TRACKING THE PROGRESS OF OPERATIONS AND STRATEGIES

IFC uses the Development Outcome Tracking System, or DOTS, to monitor performance of our investment and advisory services and to track development results. DOTS is fully integrated into IFC's operational work.

Monitoring investment projects. DOTS provides a framework to monitor the performance and development outcomes of IFC's client companies. The DOTS rating is a synthesis of four performance areas: financial, economic, environmental and social, and broader private sector development impacts. In FY16, the DOTS rating scores for IFC investments are based on a cohort of 834 investments approved between 2007 and 2012 that were mature enough to be rated. DOTS also tracks indicators such as the number of people reached by IFC's investment clients, or the dollar benefit to particular stakeholders during the reporting year.

In 2015, a significant improvement was introduced for all direct investments outside the financial sector—linking the environmental and social performance area in DOTS with IFC's assessment of client compliance with IFC's Performance Standards. This reduces duplications and burden on our clients—by conducting the assessment only once. It also improves the quality and consistency of our data.

Monitoring advisory projects. DOTS for advisory services integrates monitoring into every stage—from conception to completion—of a project's lifecycle. The overall DOTS score, also known as the development-effectiveness rating, is a synthesis rating of the project's strategic relevance, effectiveness, and efficiency performances, and is rated at project completion. In FY16, the advisory DOTS scores were based on 108 completed advisory projects.

Country and program-level results framework. To articulate and assess our development results at the country level, IFC works closely with the World Bank and Multilateral Investment Guarantee Agency to develop common results frameworks for the World Bank Group's country engagements. In FY16, IFC contributed to the design of results frameworks for 29 Country Partnership Frameworks, or country strategies. The frameworks serve as a useful tool for IFC to state our contribution to the country development agenda.

In addition, IFC helped develop results frameworks for nine joint World Bank and IFC implementation plans for key program areas such as cities, power, health, and agribusiness. Within these frameworks, both IFC and the World Bank projects apply common, higher-level objectives, indicators, and targets to maximize overall development impact of the World Bank Group.

3. EVALUATIONS: IDENTIFYING EVIDENCE OF IMPACT

We conduct project and program evaluations to assess the impact of our interventions—to close knowledge gaps on what works and what doesn't, and to identify ways to improve our operations. In addition, we conduct sectoral evaluations that help improve our understanding of how IFC's activities in a sector contribute to job creation and economic growth.

In FY16, we completed 42 evaluations for a range of IFC investments and advisory work. These sectoral evaluations—such as those carried out in power, transport, SME banking, tourism, chemicals, and poultry—aimed to identify key drivers of development impact, and to further inform IFC's decision-making when assessing the potential impact of new investments.

THE IFC DEVELOPMENT GOALS	FY14-16 TARGETS*	FY14-16 COMMITMENTS	PERCENT OF FY14-16 TARGETS ACHIEVED
Increase or improve sustainable farming opportunities	Benefit 4.64 million people	4.46 million people	96%
Improve health and education services	Benefit 14.80 million people	31.36 million people	212%
Increase access to financial services for microfinance clients	Benefit 83.59 million people	119.00 million people	142%
Increase access to financial services for SME clients	Benefit 4.61 million people	3.50 million people	76%
Increase or improve infrastructure services	Benefit 75.36 million people	152.43 million people	202%
Reduce greenhouse-gas emissions	Reduce by 18.42 million metric tons of CO_2 equivalent per year	73.50 million metric tons	399%

*Cumulative total over three years (FY14-16)

One example is an evaluation to estimate the development impact of IFC's hotel investments in three African countries, including a conflict-affected economy. The evaluation found that hotels generate significant development impact—among other things, through job creation, procurement of goods and services, and government revenues. For every job created at the hotel, there were approximately three to 13 jobs created directly and indirectly outside the hotel.

We will continue to develop and pilot new methodologies and tools that help IFC better understand, articulate, and estimate the development impact of our operations on client country economies. These initiatives will also help inform IFC's decisions regarding future investment and advisory activities.

4. LEVERAGING PARTNERSHIPS

IFC has been at the forefront of results measurement among multilateral development banks and development finance institutions for private sector operations. Across institutions, IFC continues to play a key role in harmonizing indicators to monitor private sector operations.

In 2015, IFC worked with 25 development financial institutions to develop 11 additional qualitative indicators and methodologies for measuring private sector development impact. These indicators, along with 27 others already in use, are being fully implemented across development finance institutions. Building on this experience, IFC initiated a similar exercise in 2015 with 28 donor partners to harmonize indicators for private sector development in advisory services. These efforts aims to reduce the burden of reporting by clients who receive investments and support from multiple sources, as well as stimulate the sharing of experiences.

Within the World Bank Group, IFC is playing a central role in developing a professional community of monitoring and evaluation staff, harmonizing approaches, and encouraging learning and knowledge-sharing across the World Bank Group.

MONITORING DEVELOPMENT OUTCOMES

Over the past five years, the DOTS performance of our investments has declined gradually—reflecting slower economic growth, depressed commodity prices, market volatility, and political turmoil in many countries. Many of the investments reviewed during this period were committed during the global financial crisis of 2007 to 2009 or were implemented during the largest emerging-markets slowdown in recent years, 2012 to 2014.

At the same time, IFC's strategy in recent years has been to intensify engagements in higher-risk markets, such as conflict-affected and IDA countries. IFC has also moved into new areas of private financing, has introduced innovative products, and worked with new players.

In FY16, 58 percent of our investments were positively rated—down five percentage points from FY15. When weighted for investment volume, 68 percent of our investments were rated positively, representing a four-point drop from FY15.

Among all industry groups, investments in the funds sector performed the best—with 75 percent rated positively.

On the other hand, investments in financial markets registered a 12-point decrease, from 74 percent in FY15 to 62 percent in FY16. With the ongoing implementation of Basel III and reduced capital flows to emerging markets, financial institutions in these markets are finding it difficult to grow their loan books—and that affects both their financial and economic performance. The DOTS score of clients in the oil, gas, and mining sector decreased to 43 percent from 55 percent in FY15 amid a steep drop in oil prices.

DOTS scores decreased across all regions, continuing a relatively small downtrend over the past five years. The performance of investments in Europe and Central Asia declined 10 points to 51 percent, largely because of the unsatisfactory performance of loan investments in the manufacturing and infrastructure sectors of several Eastern European countries. Projects in those countries were affected by the deterioration of macroeconomic environment, political instability, and the depreciation of local currencies. Declines in other regions were much smaller.

The performance of IFC advisory projects remained strong in FY16. Seventy-nine percent of projects that closed during the year and could be assessed for development effectiveness were rated positively—14 points above our target of 65 percent. This marked a record-high performance.

South Asia was the strongest performer for advisory projects, with 92 percent of projects that closed during the year rated positively on development effectiveness. Europe and Central Asia registered the largest improvement from the last year—a gain of 36 points in its performance score. The Middle East and North Africa region experienced a decline in advisory projects rated positively, partly reflecting the challenges of implementing projects in fragile and conflict-affected areas.

CLIENTS' DEVELOPMENT REACH AND RESULTS

Across the globe, IFC investment and advisory clients were able to reach many people and record some remarkable achievements (see page 89). Here are a few highlights:

IMPROVING ACCESS TO FINANCE

- In 2015, we worked across the world with financial institutions that focus on micro, small, and medium enterprises. These institutions provided about 51.2 million micro and 7.6 million small and medium loans totaling $403.2 billion. They also provided about 846,000 housing finance loans totaling $24.8 billion.
- We supported our partners in digital financial services to facilitate 144 million noncash retail transactions, totaling over $410 billion.
- We helped strengthen country financial markets by working with collateral registries and credit bureaus that facilitated over $17.8 billion in financing. More than 539,000 micro, small, and medium enterprises were able to receive loans secured with movable property. In addition, we helped create or enhance nine credit bureaus operators.

PROVIDING SOLUTIONS AND SERVICES

- Our clients generated and distributed power to 98.1 million people, with a large portion in Sub-Saharan Africa. They provided phone connections to 263 million customers, mostly in South Asia. They distributed gas to 51.2 million people, mostly in East Asia and the Pacific.
- Our clients helped educate 4.6 million students. Our agribusiness clients supported 3.6 million farmers through improved access to finance and markets and through sustainable farming practices. These benefits are expected to improve farmers' productivity and income and enhance their ability to cope with unexpected events.
- We worked with firms to adopt new practices and technologies that attracted financing of nearly $568 million, including $360 million through resource-efficient technologies and $166 million through corporate governance reform projects.
- IFC helped governments sign 13 contracts with private operators, eight of which were in IDA countries. These transactions are expected to create or improve access to infrastructure and health services for over 15.7 million people and to mobilize over $1.9 billion in private investment in infrastructure.

IMPROVING THE BUSINESS ENVIRONMENT

- In collaboration with the World Bank, we supported 42 national and local governments to implement 94 reforms that helped improve the enabling environment for private sector development and foster competitive markets and job creation. Seventy reforms were in IDA countries, including 28 in fragile and conflict-affected areas.
- These reforms led to $136 million in private sector savings and contributed to an estimated $52 million in new investments.

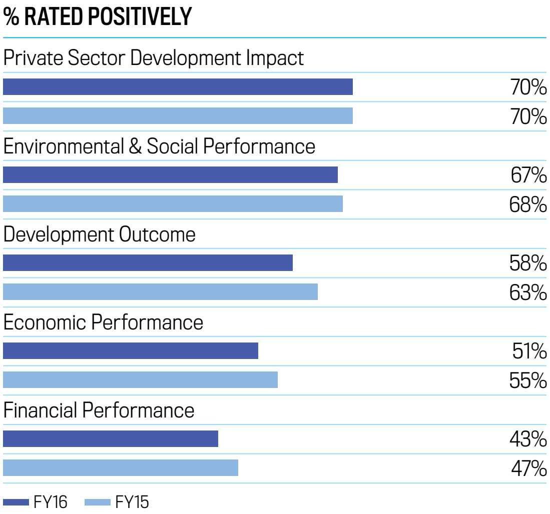
DEVELOPMENT REACH BY IFC'S INVESTMENT CLIENTS

	PORTFOLIO CY14	PORTFOLIO CY15
JOBS		
Employment (millions of jobs)[1]	2.5	2.4
MICROFINANCE LOANS[2, 3, 4]		
Number (millions)	43.6	51.2
Amount ($ billions)	35.3	59.5
SME LOANS[2, 3, 4]		
Number (millions)	4.3	7.6
Amount ($ billions)	234.4	343.7
TRADE FINANCE[5]		
Number (millions)	1.5	1.8
Amount ($ billions)	234	204
PEOPLE REACHED WITH SERVICES		
Power generation (millions of people)	55.8	48.0
Power distribution (millions of people)[6]	50.2	50.1
Water distribution (millions of people)	23.4	21.8
Gas distribution (millions of people)[7]	35.0	51.2
Phone connections (millions of customers)	237.2	262.8
Patients served (millions)[8]	30.1	31.8
Students reached (millions)	3.5	4.6
Farmers reached (millions)	3.4	3.5
PAYMENTS TO SUPPLIERS AND GOVERNMENTS		
Domestic purchases of goods and services ($ billions)	51.9	46.9
Contribution to government revenues or savings ($ billions)	19.5	16.6

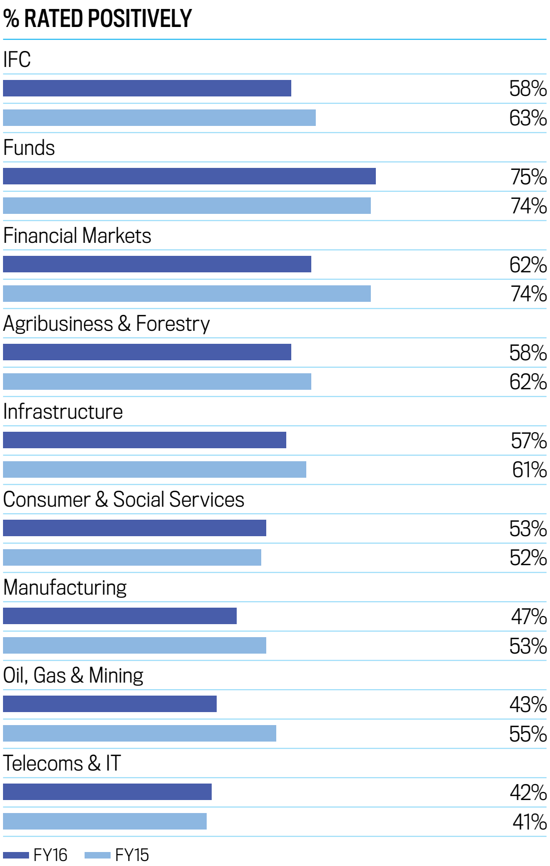
These figures represent the total reach of IFC clients as of end of CY14 and CY15. CY14 and CY15 portfolio data are not strictly comparable, because they are based on a changed portfolio of IFC clients. For microfinance and SME loans, results also reflect contributions from Advisory Services. While numerous controls are performed on the data provided by clients, they are sometimes based on estimates and the understanding of the indicator definitions may vary slightly between clients.

1. Portfolio figures for employment include jobs provided by Funds.
2. Portfolio reach figures represent the micro, small and medium outstanding loan portfolio of IFC clients as of end CY14 and CY15, for MSME-oriented financial institutions/projects. CY15 includes the data from 303 MSME clients, including 28 clients for which the data were extrapolated.
3. Reported CY15 Microfinance and SME data include a large contribution from a new client, Postal Savings Bank of China, a top contributor in CY15.
4. The MSME data as of March 2015 for eleven South Asia clients previously reported in CY14 and reported in IFC's FY15 Annual Report were included in CY15 data. This is a necessary alignment between Reach and DOTS data collection timeline rules.
5. The total number and dollar volume of trade transactions financed by the Global Trade Finance Program's network of emerging-market banks are based on actual data from 72% of the network's active banks in CY15. The figures are not directly comparable to last year's due to variance in the number of active banks who submitted survey responses. Numbers reflect transactions directly guaranteed by IFC as well as those executed by network banks that have been supported by the program.
6. CY14 total Power distribution revised due to the restatement of one client value in Latin America and the Caribbean.
7. One client in East Asia and the Pacific was responsible for distributing gas to 49.3 million people.
8. CY14 total Patients Served revised due to the restatement of one client value in South Asia.

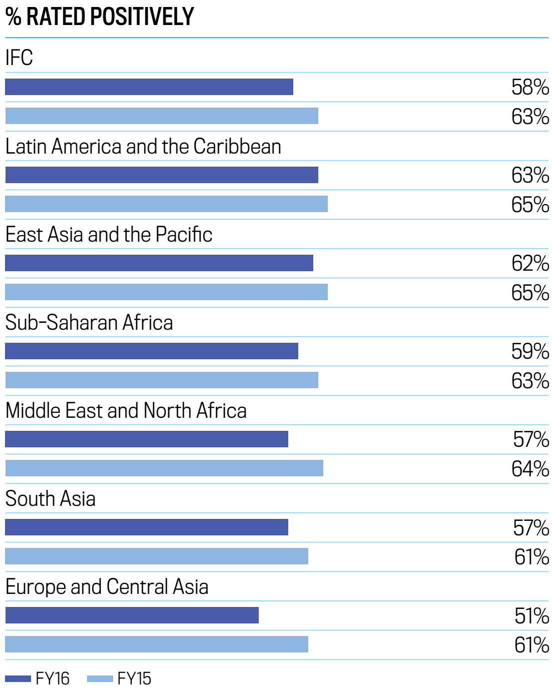
INVESTMENT SERVICES DOTS SCORE BY PERFORMANCE AREA, FY15 vs. FY16



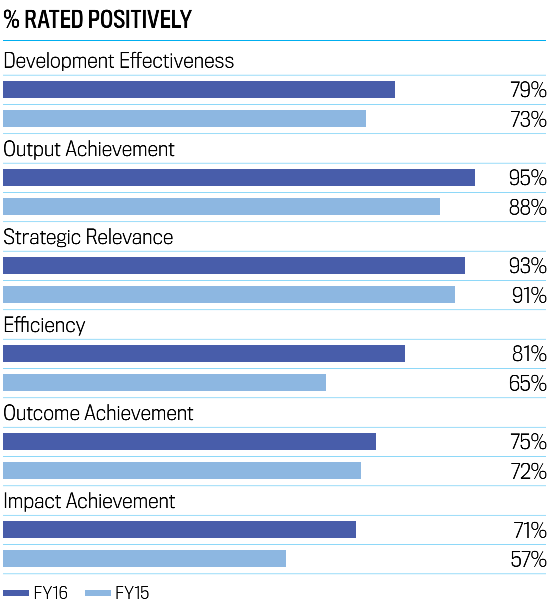
INVESTMENT SERVICES DOTS SCORE BY INDUSTRY, FY15 vs. FY16



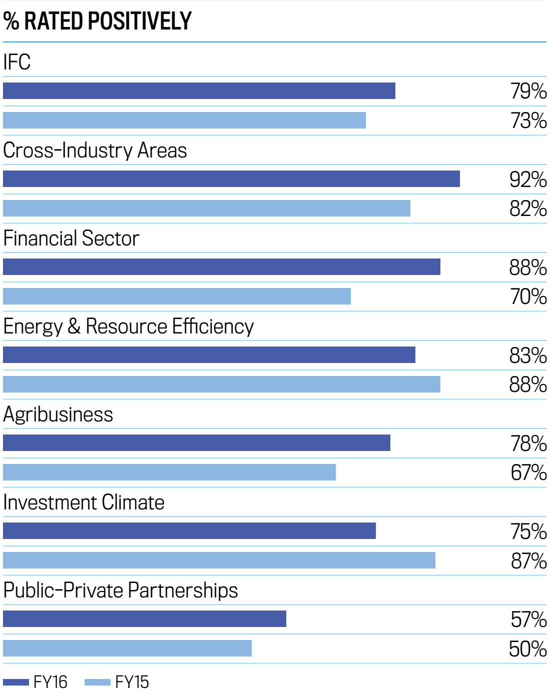
INVESTMENT SERVICES DOTS SCORE BY REGION, FY15 vs. FY16



ADVISORY SERVICES DOTS SCORE BY PERFORMANCE AREA, FY15 vs. FY16

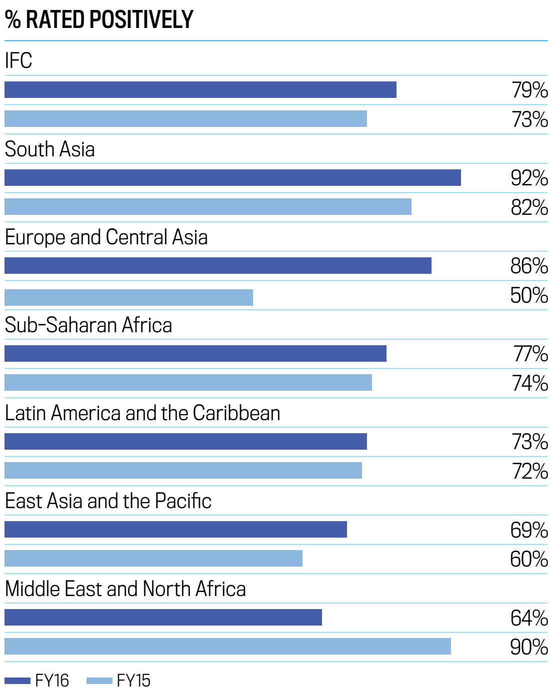


ADVISORY SERVICES DOTS SCORE BY BUSINESS AREA, FY15 vs. FY16



"Financial Sector" also includes projects undertaken by the integrated World Bank Group team in the Finance & Markets Global Practice.

ADVISORY SERVICES DOTS SCORE BY REGION, FY15 vs. FY16



Our Staff

IFC's employees are diverse. They are our most important asset. Representing more than 140 countries, our staff brings innovative solutions and global best practices to local clients.

More than half of our staff—57 percent—are based in 100 countries outside the United States, reflecting our commitment to decentralization. Most IFC staff, 62 percent in all, hail from countries that are not IDA donors—a diversity that enriches our perspective and underscores our focus on areas where private sector development can have the most impact.

WHERE WE WORK

LOCATION	FY11	FY16
United States	1,530 (45%)	1,633 (43%)
Other Countries	1,906 (55%)	2,124 (57%)
Total IFC Staff	3,436	3,757

NATIONAL ORIGIN–ALL FULL-TIME STAFF

NATIONAL ORIGIN	FY11	FY16
IDA Donor Countries[1]	1,306 (38%)	1,419 (38%)
Other Countries	2,130 (62%)	2,338 (62%)
Total	3,436	3,757

NATIONAL ORIGIN–STAFF GRADED AT OFFICER LEVEL AND HIGHER

NATIONAL ORIGIN	FY11	FY16
IDA Donor Countries[1]	987 (45%)	1,118 (44%)
Other Countries	1,197 (55%)	1,444 (56%)
Total	2,184	2,562

1. Based on self-declaration of countries at the time of their IDA membership.

GENDER–ALL FULL-TIME STAFF

GENDER	FY11	FY16
Female Staff	1,805 (53%)	2,034 (54%)
Male Staff	1,631 (47%)	1,723 (46%)
Total	3,436	3,757

GENDER–STAFF AT OFFICER LEVEL AND HIGHER

GENDER	FY11	FY16
Female Staff	888 (41%)	1,149 (45%)
Male Staff	1,296 (59%)	1,413 (55%)
Total	2,184	2,562

COMPENSATION

IFC's compensation guidelines are part of the World Bank Group's framework. The international competitiveness of compensation is essential to our capacity to attract and retain highly qualified, diverse staff. The salary structure for staff recruited in Washington, D.C., is based on globally competitive U.S. market. Salaries for staff hired outside the United States are based on local competitiveness, determined by independent local market surveys. Based on the World Bank Group's status as a multilateral organization, staff salaries are determined on a net-of-tax basis.

VARIABLE PAY PROGRAMS

IFC's variable pay programs consist of several components, including recognition programs and performance awards (which include annual and long-term components) that support IFC's high-performance culture. These awards are designed to encourage teamwork, reward top performance, and support IFC's strategic priorities, such as projects in fragile and conflict-affected states.

BENEFITS PROGRAMS

IFC provides a competitive package of benefits, including medical, life, disability insurance, and a retirement plan. Medical insurance costs are shared—75 percent paid by IFC and 25 percent by the insured.

IFC's pension is part of the World Bank Group plan, based on two benefit components: first, a defined-benefit component fully funded by IFC based on years of service, salary, and retirement age; second, a cash-balance component—a mandatory contribution of five percent of salary plus an optional staff contribution of up to six percent of salary, to which IFC adds 10 percent annually. IFC also sponsors an optional U.S.-style 401(k) plan for Washington-based staff and an optional savings plan for country-office staff.

STAFF SALARY STRUCTURE (WASHINGTON, D.C.)

As of June 30, 2016, the salary structure (net of tax) and annual average net salaries/benefits for World Bank Group staff was as follows:

GRADES	REPRESENTATIVE JOB TITLES	MINIMUM ($)	MARKET REFERENCE ($)	MAXIMUM ($)	STAFF AT GRADE LEVEL (%)	AVERAGE SALARY/ GRADE ($)	AVERAGE BENEFIT* ($)
GA	Office Assistant	25,700	36,700	47,700	0.02	43,697	24,433
GB	Team Assistant, Information Technician	31,400	44,900	58,400	0.34	46,154	25,807
GC	Program Assistant, Information Assistant	38,300	54,700	71,100	7.41	56,852	31,789
GD	Senior Program Assistant, Information Specialist, Budget Assistant	45,400	64,800	84,200	6.43	70,422	39,376
GE	Analyst	61,500	87,800	114,100	9.99	80,679	45,112
GF	Professional	81,200	116,000	150,800	21.08	105,275	58,865
GG	Senior Professional	108,000	154,300	200,600	32.57	146,140	81,715
GH	Manager, Lead Professional	147,500	210,700	273,900	19.32	204,110	114,129
GI	Director, Senior Advisor	224,300	280,400	336,500	2.37	272,763	152,516
GJ	Vice President	273,600	321,900	370,200	0.35	337,654	188,800
GK	Managing Director, Executive Vice President	304,200	357,900	411,600	0.11	393,808	221,996

Note: Because WBG staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis. These salaries are generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relatively small minority of staff will reach the upper third of the salary range.

*Includes medical, life, and disability insurance; accrued termination benefits; and other non-salary benefits. Excludes tax allowances.

Our Governance

OUR PLACE IN THE WORLD BANK GROUP

The World Bank Group is a vital source of financial and technical assistance to developing countries. Its mission is to fight poverty with passion and professionalism, for lasting results.

IFC is one of five members of the Bank Group, though it is a separate legal entity with separate Articles of Agreement, share capital, financial structure, management, and staff. Membership in IFC is open only to member countries of the World Bank. As of June 30, 2016, IFC's paid-in capital of about $2.56 billion was held by 184 member countries. These countries guide IFC's programs and activities.

IFC works with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than $197 billion of our own funds for private sector investments in developing countries, and we have mobilized about $50 billion more from others.

In working to end extreme poverty and boost shared prosperity, we collaborate closely with other members of the Bank Group.

OUR BOARD

Each of our member countries appoints one governor and one alternate. Corporate powers are vested in the Board of Governors, which delegates most powers to a board of 25 directors. Voting power on issues brought before them is weighted according to the share capital each director represents.

The directors meet regularly at World Bank Group headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management. The President of the World Bank Group is also President of IFC.

EXECUTIVE COMPENSATION

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for IFC's Executive Vice President and CEO is determined by positioning a midpoint between the salary structure of staff at the highest level, as determined annually by independent U.S. compensation market surveys, and the salary of the World Bank Group President. The compensation of our executive leadership is transparent.

IFC's Executive Vice President and CEO, Philippe Le Houérou, receives an annual salary of $411,000, net of taxes.

Back (left to right):
Mohamed Sikieh Kayad, Djibouti
Heenam Choi, Republic of Korea
Louis Rene Peter Larose, Seychelles
Antonio Silveira, Brazil
Subhash Chandra Garg, India
Masahiro Kan, Japan
Matthew McGuire, United States
Andrei Lushin, Russian Federation

Middle (left to right):
Jose Alejandro Rojas Ramirez, Bolivarian Republic of Venezuela
Satu Santala, Finland
Jiandi Ye, China (Alternate)
Rionald Silaban, Indonesia
Ursula Müller, Germany
Melanie Robinson, United Kingdom
Khalid Alkhudairy, Saudi Arabia
Alex Foxley, Chile
Franciscus Godts, Belgium

Front (left to right):
Patrizio Pagano, Italy
Ana Afonso Dias Lourenco, Angola
Alister Smith, Canada
Merza Hasan, Kuwait (Dean)
Nasir Mahmood Khosa, Pakistan
Jörg Frieden, Switzerland
Frank Heemskerk, the Netherlands
Hervé de Villeroché, France

OUR MEMBER COUNTRIES–STRONG SHAREHOLDER SUPPORT

GRAND TOTAL	100%
UNITED STATES	22.19%
JAPAN	6.33%
GERMANY	5.02%
FRANCE	4.72%
UNITED KINGDOM	4.72%
INDIA	4.01%
RUSSIAN FEDERATION	4.01%
CANADA	3.17%
ITALY	3.17%
CHINA	2.41%
174 OTHER COUNTRIES	40.25%

Accountability

INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group contributes lessons from its evaluations to IFC's learning agenda. IEG is independent of IFC management and reports directly to the World Bank Group's Board of Directors. Its mission is to strengthen the development effectiveness of Bank Group institutions through excellence in evaluations that inform strategies and future work.

IEG validates IFC's project self-evaluations and conducts selective independent evaluations. Evaluation ratings are reported in IEG's annual evaluation of Bank Group results and performance. The most recent report for 2015 showed that IFC advisory services maintained good performance, but investment projects' development outcome ratings continued the downturn trend first reported in 2013. Unfavorable markets related to the global financial crisis negatively affected many of the evaluated projects, but IFC's work quality has been rated low in recent years. At the same time, the report also showed results in IDA and blend countries improved during the last two reporting periods, despite a perceived higher risk of investing in these countries.

IEG's recent evaluation of World Bank Group support for financial inclusion in low-income households and microenterprises found that IFC's experience with microfinance institutions illustrates the value of supporting new clients and investing in small and relatively pioneering projects that take longer to become profitable—but have significant development impact. Some of IFC's greenfield investments in Africa are good examples of partnerships with new clients that have resulted in significant private sector development impact. IEG's major reports are disclosed on its website: http://ieg.worldbankgroup.org.

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for IFC and MIGA. CAO addresses complaints from people affected by IFC and MIGA projects, with the goal of enhancing environmental and social outcomes. Reporting directly to the World Bank Group President, CAO facilitates dispute resolution between communities and IFC clients, conducts compliance investigations of IFC's environmental and social performance, and provides independent advice to World Bank Group management.

In FY16, CAO handled 52 cases in 23 countries related to IFC and MIGA investments in a range of sectors—including agribusiness, extractive industries, and infrastructure. Seven were new complaints regarding IFC projects. At fiscal year-end, CAO had closed four cases, with eight in assessment, 15 in dispute resolution, and 20 in ongoing compliance appraisal, investigation, or monitoring. Solutions were achieved through CAO Dispute Resolution processes in Nicaragua and Cambodia. See conclusion reports at www.cao-ombudsman.org/cases.

CAO released two compliance investigations in FY16, related to supply-chain issues in the palm oil sector in Indonesia, and to the adverse impacts of a coal-based power plant financed by an IFC client in India.

An increasing number of CAO cases relate to IFC investments in banks and funds—also known as Financial Intermediaries, or FIs. A key requisite for IFC FI investments is that the FI client "operate an environmental and social management system," which requires "higher-risk business activities they support to apply relevant requirements of the Performance Standards." While noting steps taken by IFC to address gaps in FI investments, CAO's compliance work on FI investments found that this requirement is not well implemented.

Complainants around the world continue to be at risk. In FY16, CAO released a draft approach to guide its work with regard to protecting complainants from threats.

Through its advisory work, CAO published a paper with insights from its land cases. CAO also published a Grievance Mechanism Toolkit in collaboration with IFC and MIGA staff that provides practical resources and guidance to enhance the performance of project-level grievance mechanisms. For more information on CAO please visit www.cao-ombudsman.org.

Partnerships

IFC works with governments, corporations, foundations, and other multilateral organizations and development institutions to foster innovative partnerships aimed at ending poverty and boosting shared prosperity.

WORKING WITH DEVELOPMENT PARTNERS

IFC collaborates with more than 30 governments, multilateral and institutional partners, and corporations and foundations. In FY16, we teamed up with several new partners—including the William and Flora Hewlett Foundation, Grundfos Holding A/S, and the Dow Chemical Company. We improve collaboration by deepening our dialogue with partners and seeking new avenues to improve efficiency and create impact.

Our development partners strongly support the work of IFC, to which they committed more than $219 million in FY16.

IFC and the World Bank hold joint consultations with a variety of partners to deepen our engagement. IFC has also played a key role in shaping the narrative for the future financing framework for sustainable development—by showcasing the importance of the private sector in development.

Through trust funds, IFC continues to provide financing and knowledge on private sector development. The following initiatives highlight the concerted effort we have made to collaborate in innovative ways with our partners:

SWITZERLAND

In FY16, the Swiss government contributed more than $45 million, of which $17 million was allocated to IFC's Global Financial Infrastructure Program. This program promotes efficient allocation of credit and improves access to finance.

THE NETHERLANDS

The Netherlands pledged up to $27 million to IFC's Global SME Finance Facility. The commitment consists of $16 million to support risk-sharing facilities and $11 million for advisory projects. The Global SME Finance facility mobilizes funding from donors, international finance institutions, and the private sector, to help banks scale up SME lending. It targets local banks wishing to lend to SMEs that lack access to finance.

CANADA

This year, Canada contributed 20 million Canadian dollars to the Canada-IFC Partnership Fund II, or CIPF II, to support clean energy and resource efficiency, small-and-medium-sized enterprises, and women's economic empowerment. This commitment reflects the Canadian government's international development priorities—including stimulating sustainable economic growth, environmental sustainability, and gender equality. CIPF was established in March 2013 and was set up as an innovative global thematic funding platform. CIPF II will explore new ways to catalyze sustainable economic growth by strengthening private sector development in emerging markets.

SLOVAK REPUBLIC

Slovak Republic and IFC signed a Trust Fund Agreement in December, making the country a new partner of IFC Advisory Services. The Slovakia-IFC Partnership Trust Fund will focus initially on supporting advisory activities in manufacturing, agribusiness, information technology, clean environmental technologies, energy, and resource efficiency. The geographic scope includes the western Balkans, the Commonwealth of Independent States, and Asia—with particular focus on Kyrgyz Republic, Belarus, Georgia, Mongolia, and Vietnam.

DONOR COMMITMENTS

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES (US$ MILLION EQUIVALENT) UNAUDITED FIGURES

SUMMARY	FY15	FY16
Governments	199.85	201.69
Institutional/Multilateral Partners	24.69	12.25
Corporations, Foundations, and NGOs	38.01	5.19
Total	262.55	219.13

GOVERNMENTS	FY15	FY16
Australia	34.38	7.74
Austria	7.43	11.06
Canada	4.25	36.99
Denmark	9.22	2.86
France	2.49	0.00
Germany	0.00	0.22
Ireland	0.00	1.01
Israel	0.00	1.00
Italy	0.00	15.00
Japan	5.96	4.78
Korea, Republic of	0.13	0.00
Luxembourg	0.00	3.90
The Netherlands	0.63	11.00
New Zealand	1.41	3.56
Norway	18.13	5.68
Slovak Republic	0.00	1.09
Sweden	3.63	5.66
Switzerland	33.31	45.28
United Kingdom	56.13	38.17
United States	22.73	6.69
Total	199.85	201.69

INSTITUTIONAL/ MULTILATERAL PARTNERS	FY15	FY16
Climate Investment Funds	8.36	1.39
European Commission	11.43	10.61
MENA Transition Fund	3.65	0.00
SG Hambros Trust Co. Ltd. (for and on behalf of the PIDG Trust)	0.00	0.25
Trade and Markets East Africa (TradeMark East Africa–TMEA)	1.25	0.00
Total	24.69	12.25

CORPORATIONS, FOUNDATIONS, AND NGOS	FY15	FY16
Bill & Melinda Gates Foundation	20.51	2.30
eBay Foundation Corporate Advised Fund of Silicon Valley Community Foundation (SVCF)	0.10	0.00
Dow Chemical Company*	0.00	0.50
Ford Foundation	0.20	0.00
Grundfos Holding A/S*	0.00	1.00
Marie Stopes International	3.95	0.89
Nestlé SA*	1.50	0.00
PepsiCo Foundation*	1.50	0.00
Rockefeller Foundation	10.00	0.00
SABMiller PLC*	0.25	0.00
The William and Flora Hewlett Foundation	0.00	0.50
Total	38.01	5.19

* Contributor to the 2030 Water Resource Group

Managing Risks

ENTERPRISE RISK MANAGEMENT

IFC provides long-term investments to the private sector in emerging markets, which includes expanding the investment frontier into the most challenging markets. In doing so, IFC is exposed to a variety of financial and non-financial risks. Sound risk management is crucial in fulfilling IFC's mission.

IFC's enterprise-risk-management framework is designed to enable the prudent management of financial and reputational impacts that originate from our business activities. In this context, IFC's risk-management efforts are designed specifically to help align the Corporation's performance with our strategic direction.

IFC has developed risk-appetite statements that set the direction for the Corporation's willingness to take on risks in fulfillment of our development goals. These statements reflect our core values of maximizing development impact, preserving our financial sustainability, and safeguarding our brand.

PORTFOLIO MANAGEMENT

Portfolio management is an intrinsic part of managing IFC's business to ensure strong financial and development results of our projects.

IFC's management reviews our entire $52 billion portfolio on a semi-annual basis, looking at broad trends as well as select individual assets. IFC provides summary reports on portfolio performance to the Board on a quarterly basis, and provides an in-depth review of portfolio results to the Board annually. Our portfolio teams, largely based in field offices, complement global reviews with asset-by-asset quarterly reviews.

On the corporate level, IFC combines the analysis of our portfolio performance with projections of global macroeconomic and market trends to inform decisions about future investments. IFC also regularly tests the performance of the portfolio against possible macroeconomic developments to identify and proactively address risks. In FY16, in light of substantial volatility in emerging markets, IFC's senior management convened in-depth region-by-region portfolio reviews to analyze similar metrics across different markets.

On the project level, IFC actively monitors compliance with investment agreements, visits sites to evaluate project status, helps identify solutions to address potential problems. In addition, we systematically track environmental and social performance, and measure financial and development results.

For projects in financial distress, our Special Operations Department determines the appropriate remedial actions. It seeks to negotiate agreements with creditors and shareholders to share the burden of restructuring, so problems can be worked out while the project continues to operate.

Investors and other partners participating in IFC's operations are kept regularly informed on project developments. IFC consults or seeks their consent as appropriate.

At the core of active risk and portfolio management is the need to have timely and accurate information to drive informed business decisions. IFC continues to invest in our IT strategy and we continue to improve our risk and portfolio management systems. This is critically important to allow IFC to actively manage our risks and portfolio and to continue to be responsive to the challenging external environment.

In FY16, IFC began rolling out a new Investment Risk Platform, which will replace our existing credit-risk rating system and economic capital engine. The new systems are aimed at better aligning IFC's practice to internationally recognized standards, where they make sense given our portfolio. The new risk rating system will allow for easier comparison between outside ratings and IFC's internal ratings. More granular ratings will lead to better differentiation and a better understanding of client credit standing which will allow for more focus on those credits that most warrant the scrutiny. The improved predictive power for probability of default and loss given default will lead to more informed investment decisions.

TREASURY SERVICES

IFC raises funds in the international capital markets for private sector lending and to ensure sufficient liquidity to safeguard IFC's triple-A credit ratings.

Issuances include benchmark bonds in core currencies such as U.S. dollars, thematic issuances to support strategic priorities such as climate change, and issuances in emerging-market currencies to support capital-market development. Most of IFC's lending is denominated in U.S. dollars, but we borrow in many currencies to diversify access to funding, reduce borrowing costs, and support local capital markets.

Over the years, IFC's funding program has grown to keep pace with our lending—in FY16, new core and short-term borrowings totaled the equivalent of $15.8 billion.

FY16 BORROWING IN INTERNATIONAL MARKETS

CURRENCY	AMOUNT ($ EQUIVALENT)	PERCENT
U.S. dollar	10,765,218,000.00	68.0%
Australian dollar	1,271,759,000.00	8.0%
Brazilian real	795,733,627.30	5.0%
Japanese yen	605,158,263.39	3.8%
Indian rupee	199,031,378.30	1.3%
Chinese reminbi	365,749,248.51	2.3%
Euro	282,263,000.00	1.8%
Other	1,546,206,880.01	9.8%
Total	15,831,119,397.51	

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled $41.4 billion as of June 30, 2016, compared with $39.5 billion a year earlier. Most liquid assets are held in U.S. dollars. The exposure arising from assets denominated in currencies other than U.S. dollars are hedged into U.S. dollars or matched by liabilities in the same currency to eliminate overall currency risk. The level of these assets is determined with a view to ensure sufficient resources to meet commitments even during times of market stress. IFC maintains liquid assets in interest-bearing instruments managed actively against stated benchmarks.

In FY16, IFC made substantial enhancements to our internal funding and liquidity policies in the form of adding stressed liquidity coverage ratios, a requirement for "core" liquidity, and making adjustments for encumbered assets. The stressed liquidity coverage ratios are designed to ensure IFC will have sufficient liquid assets in a period of extensive market and operational stress for up to a one-year period to cover both existing cash needs and new growth aspirations. IFC enhanced our liquidity framework to provide additional quantitative metrics for matched funding.

TREASURY RISK MANAGEMENT

Treasury risks are managed through a two-tier risk framework: (1) a comprehensive policy framework; and (2) a hard economic-capital limit for treasury activities. The policy framework is based on four principles:

(1) Investment in high-quality assets

(2) Diversification via position size/concentration limits

(3) Tight limits on market risks (credit spread, interest rate, and foreign-exchange risk)

(4) Proactive portfolio surveillance

In line with the changes that are occurring in the global financial markets, IFC enhanced our Treasury policy framework in FY16. Key initiatives include: development of an expanded framework for stress testing and contingency planning; enhancements to IFC's approach to monitoring of counterparty risk and structured product credit; bilateral collateral exchanges with derivatives counterparties; and enhancements to IFC's model validation framework.

CAPITAL ADEQUACY AND FINANCIAL CAPACITY

Sound risk management plays a crucial role in ensuring IFC's ability to fulfill our development mandate. The very nature of IFC's business, as a long-term investor in dynamic yet volatile emerging markets, exposes us to financial and operational risks.

Prudent risk management and a solid capital position enable us to preserve our financial strength and maintain our lending during times of economic and financial turmoil. IFC's financial strength results in low borrowing costs, allowing us to provide affordable financing to our clients.

The soundness and quality of IFC's risk management and financial position can be seen in our triple-A credit rating, which has been maintained since coverage began in 1989.

We assess IFC's minimum capital requirement in accordance with our economic capital framework, which is aligned with the Basel framework and leading industry practice. Economic capital acts as a common currency of risk, allowing us to model and aggregate the risk of losses from a range of different investment products, as well as other risks.

Consistent with industry and regulatory practice, IFC calculates economic capital for the following risk types:

- *Credit risk*: the potential loss due to a client's default or downgrade
- *Market risk*: the potential loss due to changes in market variables (e.g., interest rates, currency, equity, or commodity prices)
- *Operational risk*: the potential loss resulting from inadequate or failed internal processes, people, and systems or from external events; operational risk attends all IFC activities, including Advisory Services and the Asset Management Company.

IFC's total resources available consist of paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves. The excess available capital, beyond what is required to support existing business, allows for future growth of our portfolio while also providing a buffer against unexpected external shocks. As of June 2016, total resources available stood at $22.5 billion, while the minimum capital requirement totaled $19.2 billion.

Promoting Sustainability

IFC'S SUSTAINABILITY FRAMEWORK

Sustainability is critical to companies' success. A sustainable approach to investment also contributes to global efforts to achieve the Sustainable Development Goals. IFC aims to ensure long-term business success and unlock opportunities for economically, environmentally, and socially sustainable investment.

In a time of climate change, resource scarcities, and global uncertainty, businesses face a growing need to address environmental, social, and governance challenges while balancing financial sustainability and performance. IFC's Sustainability Framework and our Corporate Governance methodology are designed to help our clients improve their business performance, enhance transparency, engage with the people affected by the projects we finance, protect the environment, and achieve greater development impact. This enables us to fulfill our strategic commitment to environmental and social sustainability and good corporate governance while contributing to private sector growth and job creation.

SUSTAINABILITY IN PRACTICE

IFC works to ensure sustainability in four key dimensions—financial, economic, environmental, and social. Being financially sustainable enables IFC and our clients to make a long-term contribution to development. Making our projects economically sustainable ensures that they contribute to the host economies.

In all of our investment decisions, IFC gives the same weight and attention to environmental, social, and governance risks as we do to credit and financial risks. This enables us to take informed risks to achieve both development impact and financial sustainability.

In more challenging markets, we work with clients whose potential high-reward business investments and sustainable inclusive growth face a growing array of complex environmental, social, and governance risks.

These challenges require best-in-class environmental, social, and governance risk-management and flexible solutions. Our work includes helping clients address risks that are beyond their ability or responsibility to solve alone, to leverage the capabilities of the World Bank Group to find durable solutions, and to work with other stakeholders to help unlock investment when it is constrained by significant sustainability risks.

Our operational experience and longstanding practice of providing integrated solutions to environmental, social, and governance risks have helped position us as a trusted convener around ESG issues facing the private sector. IFC clients continue to indicate that our expertise is an important factor in their decision to work with us.

IFC PERFORMANCE STANDARDS

At the core of our Sustainability Framework are IFC Performance Standards that help our clients avoid, mitigate, and manage risk as a way of doing business sustainably. They help clients devise solutions that are good for business, good for investors, and good for the environment and communities.

Our Performance Standards have become a global benchmark of sustainability practices. The Equator Principles, which are modeled on these standards, have been adopted by 84 financial institutions in 35 countries. In addition, other financial institutions reference IFC's Performance Standards—including export-import banks and export credit agencies. IFC also serves as the Secretariat for the *Sustainable Banking Network*, a global knowledge-sharing group of banking regulators and banking associations, to help develop guidance and capacity for banks to incorporate environmental and social risk management into credit decision making.

The Performance Standards guide our environmental and social due-diligence process, which integrates the client's assessment of environmental and social risks with an understanding of the client's commitment and capacity to mitigate and manage these risks. This review identifies any gaps between client practice and IFC Performance Standards in order to agree on a plan of action to ensure compliance throughout the life of our investment. We supervise our projects throughout the life of our investment.

In challenging contexts, IFC helps clients understand the risks that they face and partners with industry and other stakeholders to find innovative solutions to open up opportunities for private investment that is economically, socially, and environmentally sustainable—and in turn contributes to job creation and inclusive growth. This may include leveraging the capacity of the World Bank Group to address environmental, social, and governance challenges that are beyond the ability or responsibility of a company to solve alone.

CORPORATE GOVERNANCE

Improving corporate governance is a priority for IFC. We provide investment support and advice on good practices for improving board effectiveness, strengthening shareholder rights, and enhancing risk-management governance, internal controls, and corporate disclosure.

We work in close collaboration with the World Bank to ensure that regulation in emerging markets is developed using IFC's frontline experience as an investor. We also advise regulators, stock-market administrators, and others with an interest in implementing good corporate governance practices.

Our experience allows IFC to apply global principles to the realities of the private sector in developing countries. As a result, development banks and other investors working in emerging markets now look to IFC for leadership on corporate governance.

We do this in a variety of ways—including through the IFC Corporate Governance Methodology, a system for evaluating corporate governance risks and opportunities that is recognized as the most advanced of its kind among development finance institutions. This methodology is the basis for a coordinated approach to corporate governance now implemented by more than 30 development finance institutions.

IFC also helps strengthen local partners that provide corporate-governance services over the long term. This includes training materials and institution-building tools in the areas of corporate-governance associations, codes and scorecards, board leadership training, dispute resolution, the training of business reporters, and implementation of good governance practices in firms.

Strong corporate governance depends on diversity in board leadership. We strive to increase the number of women who serve as nominee directors on the boards of our clients. Almost 30 percent of IFC nominee directors are women.

OUR FOOTPRINT COMMITMENT

IFC's Footprint Commitment is to make sustainability an integral part of our internal business operations—holding ourselves accountable to the same environmental and social standards we ask of our clients.

As IFC has shifted to a decentralized workforce, so too have our footprint efforts. In FY16, we focused on setting global targets for our environmental footprint. We collected comparable global baseline data across key areas of IFC's corporate environmental footprint, enabling IFC headquarters and all IFC regions to set meaningful targets.

Three regions set targets to reduce paper purchases by 20 percent from this baseline, in line with reductions achieved by similar headquarters-based efforts. Two regions are focusing on eliminating individual-sized water bottle purchases in FY17 and another one region, alongside the headquarters, is aiming to reduce waste going to landfill.

After achieving an intensity-based energy target for IFC headquarters in 2013, we stated we would reset our target in FY16. Setting this target was delayed to enable IFC's carbon-reduction target to align with IFC's Climate Implementation Plan, launched after the December 2015 Paris climate agreement.

IFC continues to be carbon-neutral for global business operations. In FY16, carbon emissions from our global business operations totaled about 46,000 metric tons of carbon dioxide equivalent. We purchased carbon credits from a portfolio of three projects—including small-scale hydropower in Madagascar, mass rapid transit in India, and forestry in the Democratic Republic of the Congo. IFC chose projects that bring tangible development benefits to the communities in which they take place.

FY15 CARBON EMISSIONS INVENTORY FOR IFC'S GLOBAL OPERATIONS

METRIC TONS OF CARBON DIOXIDE EQUIVALENT		
Business Travel	32,113.62	70%
HQ Office Electricity	5,921.47	13%
Country Office Electricity	4,346.23	9%
Other	3,650.73	8%
TOTAL EMISSIONS	46,032.05	100%

Independent Assurance Report on a Selection of Sustainable Development Information

In response to a request made by IFC, we performed a review on a selection of sustainable development information in the Annual Report for the financial year ending June 30, 2016, including quantitative indicators ("the Indicators") and qualitative statements ("the Statements"). We selected statements that were deemed to be of particular stakeholder interest, and involved a potential reputation risk for IFC, together with statements on corporate responsibility management and performance. The Indicators and the Statements are related to the following material areas:

MATERIAL AREAS	STATEMENTS	INDICATORS
IFC Policy	"Our Staff" (p. 92)	
Development effectiveness of investments and advisory services	"Understanding our Development Impact" (p. 85)	Investments rated positively (DOTS score): 58% (p. 90); overall investment services DOTS score by industry (p. 90), by region (p. 90), and by performance area (p. 90); and weighted and unweighted Investment Services DOTS scores (p. 35) Advisory Projects Rated Positively: 79% (p. 91); and Advisory Services DOTS score by performance area (p. 91) and by region (p. 91)
Reach	"Local Capital Markets—Expanding Local-Currency Finance to Boost Prosperity" (pp. 50-51) "Health and Education—Helping People Lead Productive Lives" (pp. 66-67) "Employment—Creating Good Jobs—the Surest Path Out of Poverty" (pp. 64-65)	Employment (millions of jobs): 2.4 (p. 89) Patients served (millions): 31.8 (p. 89) Students reached (millions): 4.6 (p. 89) Farmers reached (millions): 3.5 (p. 89) Gas distribution (millions of people reached): 51.2 (p. 89) Water distribution (millions of people reached): 21.8 (p. 89) Power distribution (millions of people reached): 50.1 (p. 89) Power generation (millions of people reached): 48 (p. 89) Phone connections (millions of customers): 262.8 (p. 89) Trade Finance–Number of transactions (million): 1.8 (p. 89) Trade Finance–Amount ($ billions): 204.3 (p. 89) **Number and amounts of microfinance loans and SME loans for CY15 (p. 89)**

Type of loans	Number of loans (millions)	Amount ($ billions)
Microloans	51.2	59.5
Small and medium loans	7.6	343.7

MATERIAL AREAS	STATEMENTS	INDICATORS
Environmental and social risk management system	"IFC Performance Standards" (pp. 102-103)	**FY16 Long-term commitments by environmental and social category (p. 34)**

Category	Commitments ($ millions)	Number of projects
A	1,360	19
B	4,098	135
C	178	36
FI	40	5
FI-1	899	17
FI-2	3,755	101
FI-3	787	31
Total	11,117	344

MATERIAL AREAS	STATEMENTS	INDICATORS
Sustainable business	"Climate Change—Ramping Up Climate-Smart Initiatives" (pp. 40-41) "Sustainability in Practice" (p. 102) "Our Footprint Commitment" (p. 103)	Commitments in Climate-related investments for FY16 (p. 73): $3,271 million FY15 Carbon Emissions inventory for IFC's global operations (p. 103): 46,000 tCO_2 equivalent
Influence on Private Sector Development	"Agribusiness—Strengthening Food Security in Challenging Places" (pp. 68-69) "Small and Medium Enterprises—Helping Local Entrepreneurs Thrive" (pp. 46-47) "Infrastructure—Accelerating Economic Growth" (pp. 38-39) "Financial Inclusion—Promoting Universal Access to Finance" (pp. 60-61)	
Working with others	"Mobilization—Unlocking Capital for Sustainable Development" (pp. 56-57)	
Asset Management	"IFC Asset Management Company" (pp. 80-81)	
IFC Accountability	"Accountability—Independent Evaluation Group" (p. 96)	

Our review aimed to provide limited assurance[1] that:

1. the Indicators were prepared in accordance with the reporting criteria applicable during fiscal year 2016 (the "Reporting Criteria"), consisting in IFC instructions, procedures, and guidelines specific to each indicator, a summary of which is provided in the Annual Report, for the indicators related to Commitments by Environmental and Social Category (p. 34) and Development effectiveness of investments and advisory services (Monitoring System: Tracking the Progress of Operations and Strategies, p. 86) and on IFC's website for the others;
2. the Statements have been presented in accordance with "IFC's Access to Information Policy," which is available on IFC's website[2] and the principles of relevance, completeness, neutrality, clarity and reliability as defined by international standards.[3]

It is the responsibility of IFC to prepare the Indicators and Statements, to provide information on the Reporting Criteria and to compile the Annual Report.

It is our responsibility to express a conclusion on the Indicators and the Statements based on our review. Our review was conducted in accordance with ISAE 3000, International Standard on Assurance Engagements from IFAC[4]. Our independence is defined by IFAC professional code of ethics.

NATURE AND SCOPE OF OUR REVIEW

We performed the following review to be able to express a conclusion:

- We assessed the Reporting Criteria, policies and principles, with respect to their relevance, their completeness, their neutrality and their reliability.
- We reviewed the content of the Annual Report to identify key statements regarding the sustainability and development areas listed above.
- At the corporate level, we conducted interviews with more than 20 people responsible for reporting to assess the application of the Reporting Criteria or to substantiate the Statements.
- At the corporate level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.
- We collected supporting documents for the Indicators or Statements, such as reports to the board of directors or other meetings, loan agreements, internal and external presentations and reports, or survey results.
- We reviewed the presentation of the Statements and the Indicators in the Annual Report and the associated notes on methodology.

LIMITATIONS OF OUR REVIEW

Our review was limited to the Statements and Indicators identified in the table above and did not cover other disclosures in the Annual Report.

Our tests were limited to document reviews and interviews at IFC's headquarters in Washington, D.C. Within the scope of work covered by this statement, we did not participate in any activities with external stakeholders or clients and only conduct limited testing aimed at verifying the validity of information on a sample of individual projects.

INFORMATION ABOUT THE REPORTING CRITERIA AND THE STATEMENT PREPARATION PROCESS

With regards to the Reporting Criteria and the Statement preparation policies and principles, we wish to make the following comments:

RELEVANCE

IFC presents sustainability information on its own impact and on environmental and social risks, impacts and outcomes of projects it financed directly or through financial intermediaries. The development results of IFC Investment and Advisory Services are assessed through its Development Outcome Tracking System (DOTS) and the implementation of its evaluation strategy.

In the Environmental and Social (E&S) DOTS performance area, IFC implemented, for its direct investments, a set of core indicators that assess the progress of IFC's clients in implementing the Performance Standards and thus in improving their own E&S performance. The initiative should be pursued to better align the process for assessing the E&S DOTS performance area of financial intermediaries.

Also, the scope of indicators to assess the Private Sector Development (PSD) performance area of DOTS should better reflect the impact on final beneficiaries over the life cycle of the projects. IFC, together with 25 development financial institutions, harmonized PSD indicators. Some of the reach indicators in the Economic performance area of DOTS may be useful to track PSD performance. IFC is committed to enhancing the relevance of its development results framework and related procedures on a continuous basis and could therefore incorporate some of the reach indicators in the Private Sector Development Area.

1. A higher level of assurance would have required more extensive work.
2. http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/ifc+projects+database/projects/ifc+disclosure+policy
3. ISAE 3000 from IFAC, Global Reporting Initiative (GRI), or AA1000 Accountability Standard.
4. ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.

Finally, while the Reach Indicators capture the overall contribution of IFC Clients, IFC's reporting regarding its contribution and development results could be enhanced by disclosing incremental data—i.e., additional beneficiaries after IFC's investment—and by applying a contribution factor—such as the share of IFC's investment in overall project investment.

COMPLETENESS

The Indicators reported in the annual report cover the most relevant IFC activities. Nevertheless, as Reach figures are based on the information provided by IFC clients, part of the information could not be obtained. IFC decided to take a conservative approach and not to extrapolate the data on all Reach indicators (except micro-loans and SME loans). Published Reach data may therefore be underestimated in some cases and might vary from year to year, depending on clients' responses.

The assessment of DOTS E&S performance area for a client is done through a selection of the applicable Performance Standards indicators monitored through regular E&S portfolio supervision. The E&S DOTS indicators selected are the ones IFC deemed to be the most suitable as development outcomes.

NEUTRALITY AND CLARITY

IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data or in the related sections. Further information is available on the IFC website.

Investments performance on DOTS Economic and Private Sector Development areas is assessed by comparing actual indicator results to expected achievements. Most targets are established for midpoint or end of investment, annual assessment therefore relies on professional judgment of progress of actual indicator results towards achieving targets.

RELIABILITY

Reach indicators are directly collected from clients. IFC continues performing internal controls on the data received, especially from major contributors to the Reach numbers, by comparing, for instance, reported data to publicly disclosed information, when available. However, clients may provide requested data using definitions that differ from IFC definitions. Significant divergence has been observed in the students reached indicator results and corrected to align with the IFC's definition. IFC should continue to conduct quality checks in order to ensure that the data reported is consistent with its own definitions and calculation methodologies.

In addition, IFC should consider limiting the use of extrapolation for micro-loans and SME loans Indicators where data from clients is not available. The extrapolation for a new top CY15 contributor indeed led to a higher share of the reach data extrapolated this year. In the meantime, extrapolation methodologies were refined to become more precise.

CONCLUSION

Based on our review, nothing has come to our attention that causes us not to believe that:

- the Indicators were established, in all material aspects, in accordance with the Reporting Criteria;
- the Statements were presented, in all material aspects, in accordance with "IFC's Policy on Disclosure of Information" and the principles of relevance, completeness, neutrality, clarity and reliability as defined by international standards.

Paris-La Défense, August 5, 2016

The independent auditors
ERNST & YOUNG et Associés

EY
Building a better
working world

Eric Duvaud
Partner, Cleantech and Sustainability