

# OUR PEOPLE & PRACTICES

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

# Our Staff and Governance

## OUR PLACE IN THE WORLD BANK GROUP

The World Bank Group is a vital source of financial and technical assistance to developing countries. IFC is one of five members of the Bank Group, although IFC 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, 2020, IFC's paid-in capital of about \$19.57 billion was held by 185 member countries.

## Our Member Countries — Strong Shareholder Support

OUR MEMBER COUNTRIES	PERCENTAGE OF CAPITAL STOCK
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
<b>175 OTHER COUNTRIES</b>	<b>40.25</b>

IFC works with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than \$267 billion of our own funds for private sector investments in developing countries, and we have mobilized more than \$54 billion more from others.

In working to end extreme poverty and to 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, DC, 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 the IFC Chief Executive Officer (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 CEO Philippe Le Houérou received an annual salary of \$433,000, net of taxes.

## Accountability and Oversight

At IFC, we strive to unlock new, innovative opportunities for the communities in which we work, but we are also accountable to the people that are affected by the projects we finance. IFC has taken significant steps to enhance our accountability and transparency practices in the last few years: ours are now among the most robust of any international financial institution. It began by reexamining our approach and committing to one in which we proactively solve issues when we first become aware of them and course correct in real time. We have also committed to a series of additional transparency measures that are critical in ensuring public confidence that we are applying the highest standards to our projects.

Importantly in FY20, the Board undertook an independent external review to further enhance IFC's accountability. An expert panel produced a report with recommendations that the Board will consider later this year. In addition to improving accountability, the recommendations aim to better address the concerns of communities impacted by IFC-financed projects.

### ACCOUNTABILITY

#### ENVIRONMENTAL AND SOCIAL (E&S) POLICY AND RISK DEPARTMENT

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In 2019, IFC made two important structural changes to improve our E&S policy and risk oversight, in support of our strategy to increase our engagement in challenging markets. First, to increase the ownership of environmental, social, and governance (ESG) issues by investment and advisory project teams, our ESG Advice and Solutions department was integrated with Operations. At the same time, to act as custodian of IFC E&S policies and standards and serve as a “regulator” of our E&S functions, we created a new E&S Policy and Risk department reporting directly to the CEO. The new department oversees high-risk IFC projects, supports stakeholder grievance response by project teams, and can mobilize a rapid response team as needed for complex and sensitive projects.

#### OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

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Communities affected by adverse environmental and social impacts of IFC projects may voice their concerns to the Office of the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for IFC. CAO reports directly to the President of the World Bank Group.

CAO is mandated to address complaints from people affected by IFC projects in a manner that is fair, objective, and equitable — with the objective of enhancing environmental and social project outcomes and fostering greater public accountability of IFC.

CAO works to resolve issues between affected communities and IFC project operators using a collaborative problem-solving approach through its dispute-resolution function. CAO's compliance function independently verifies project due diligence and policy compliance to ensure that IFC project outcomes are aligned with their environmental and social commitments. Through its advisory function, CAO delivers learning on broader environmental and social concerns to improve institutional performance.

In FY20, CAO's caseload comprised 59 cases related to IFC and MIGA projects in 33 countries. Of these,

eight were new eligible complaints, and CAO closed 12 cases during the year. More information about how IFC is engaging with CAO's work is available at [www.cao-ombudsman.org](http://www.cao-ombudsman.org).

## **INDEPENDENT EVALUATION GROUP**

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The Independent Evaluation Group (IEG) is an independent unit that reports directly to the World Bank Group's Board of Directors. IEG's mission is to strengthen World Bank Group institutions through evaluations that inform strategies and future work — and lead ultimately to greater development effectiveness.

IEG assesses the results of IFC operations and offers recommendations for improvement. IEG also contributes to internal learning by informing new directions, policies and procedures, and country and sector strategies. This year, IEG evaluated IFC's contributions to creating markets and mobilizing private capital under its new strategy — IFC 3.0. IEG recommended enhancing understanding of market-creating opportunities, increasing access to markets for underserved groups, and regularly assessing IFC's risk-taking capabilities to carry out activities in economies that are structurally weak.

IEG's annual reviews of World Bank Group results and performance and of other major reports are available on IEG's website at <http://ieg.worldbankgroup.org>.

## **OVERSIGHT**

### **GROUP INTERNAL AUDIT VICE PRESIDENCY**

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Group Internal Audit (GIA) provides independent, objective, insightful risk-based assurance and advice to protect and enhance the value of the World Bank Group. GIA gives management and the Board of Directors reasonable assurance that processes

for managing and controlling risks — as well as their overall governance — are adequately designed and functioning effectively. GIA reports to the President and is under the oversight of the Audit Committee.

For more information on GIA, visit: [www.worldbank.org/internalaudit](http://www.worldbank.org/internalaudit).

### **INTEGRITY VICE PRESIDENCY**

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Reflecting the World Bank Group's commitment to fight and prevent corruption, the Integrity Vice Presidency (INT) investigates allegations of fraud and corruption in Bank Group-financed projects and against Bank Group staff and corporate vendors. As an independent unit within the institution, INT plays a fundamental role in supporting the Bank Group's fiduciary responsibility over the development resources it manages, by pursuing sanctions against outside firms and individuals, and discipline against Bank Group staff, found to have engaged in fraud, corruption, collusion, coercion, or obstruction. Following sanctioning decisions, the Integrity Compliance Office engages with sanctioned firms and individuals in working toward meeting their conditions for release from sanction. In addition, preventive efforts by INT this year helped to identify and mitigate integrity risks in 14 sectors across 53 countries.

In FY20, the Bank Group sanctioned 49 firms and individuals. INT released 18 firms from sanction after they met requisite conditions. The Bank Group recognized 72 cross-debarments from other multilateral development banks (MDBs). Thirty-eight Bank Group debarments were eligible for recognition by other MDBs.

For more information and the World Bank Group Sanctions System Annual Report, visit [www.worldbank.org/integrity](http://www.worldbank.org/integrity).

To report suspected fraud or corruption in World Bank Group-financed projects, visit [www.worldbank.org/fraudandcorruption](http://www.worldbank.org/fraudandcorruption).

# Global Partnerships

Partnerships are critical to IFC's mission. Funding support from partners, for IFC's Upstream activities and advisory services and for blended finance, is an important element of delivering IFC 3.0 to increase shared prosperity and reduce inequality. This support from partners helps mitigate risks in creating new markets and developing new products to mobilize private sector investment.

We enhance the impact of our partnerships by collaborating with other development institutions and leveraging World Bank Group resources. Through partnerships, we're better facilitating knowledge transfer while building business and institutional capacity to take on significant challenges in the world's most difficult environments.

## WORKING WITH DEVELOPMENT PARTNERS

IFC partners with more than 30 governments, 20 foundations and corporations, and a variety of multilateral and institutional entities. In FY20, our development partners committed \$288 million for IFC's Upstream and advisory services and \$22 million for blended finance initiatives to support private sector investments in countries most affected by fragility and conflict, as well as projects related to gender, climate, financial inclusion, sustainable infrastructure, agribusiness, and manufacturing.

We seek partners to join IFC's COVID-19 response, providing targeted support to preserve the private sector, rebuild economies, and deliver lifesaving

resources. Our pandemic response is grounded in recovery and resilience, which drives our Upstream work and focus on creating projects that will attract investment in developing countries.

We strengthen our partnerships through convening or participating in critical events, such as the Development Finance Forum, a World Bank Group flagship event that focuses on mobilizing private sector investment in select sectors and countries. The fifth Development Finance Forum took place in Côte d'Ivoire in October 2019 and addressed private sector development solutions in the Sahel region countries.

FY20 commitments from development partners included the following:

**In Africa and the Middle East**, new and existing initiatives received support from our development partners, including:

- The Kakuma Kalobeyei Challenge Fund is a competitive financing mechanism to incentivize private sector investments in the refugee-hosting areas of Kakuma and Kalobeyei in Kenya. It aims to enable better economic integration of displaced populations with host countries. The project received funding from Germany, the Netherlands, Switzerland, and the United Kingdom.
- In partnership with Norway, we have launched the Fragile and Conflict-Affected (FCS) Platforms for countries in the Sahel and Lake Chad region, as well as the Horn of Africa and Yemen. The aim of this initiative is to support local firms and private sector development, facilitate investments, and enhance employment opportunities and livelihoods.
- IFC's G-20 Compact with Africa Initiative (ISCA) and the Women Business and the Law Advisory Initiative for Africa is made possible through a partnership with Norway.
- The new MENA Private Sector Development (PSD) Program is partnering with the Netherlands to combine IFC's advisory services and blended concessional finance to catalyze private sector investment, promote entrepreneurship, and improve women and youth employment in the Middle East.
- In partnership with Sweden, Switzerland, and the United Kingdom, IFC launched the second phase of the MENA SME Facility to improve access to finance for micro, small, and medium-sized enterprises (MSMEs), promote sustainable job creation, and encourage private sector-led growth.

**In Asia**, the South Asia Regional Infrastructure Connectivity (SARIC) Program is a new partnership that seeks to accelerate investment into clean energy and transportation in the least integrated region in the world, with support from Australia. In Fiji, New Zealand joined Australia in providing additional support for IFC's efforts to promote private sector development and direct investment, support regulatory reform and boost SME development in the country.

**In Europe and Central Asia**, Austria, Sweden, Switzerland, and the United Kingdom contributed to several programs in the region:

- Austria supported early stage project development through the Sustainable Upstream Infrastructure Platform and IFC's Sustainable Cities program to promote green growth, better connectivity, and sustainable transport.
- Switzerland contributed to IFC's Public-Private Partnership transaction advisory and the promotion of direct investment through better environmental, social, and governance standards. Switzerland also provided funds to improve the competitiveness of the manufacturing sector in Serbia and North Macedonia, while its support of IFC's work in Ukraine promotes financial inclusion.
- In Moldova, IFC's partnership with Sweden is opening markets for the country's agricultural products and livestock. Sweden also supports agricultural competitiveness in Georgia.
- The United Kingdom provided support for good governance, including women's economic empowerment in Armenia and financial inclusion in Ukraine, specifically around access to financing and financial services.

**Many global programs** support our work across regions:

- Germany and the United Kingdom contributed to IFC's public-private partnerships advisory to create a pipeline of bankable infrastructure projects to mobilize private investment.
- The Joint Capital Markets Program (J-CAP) partnered with Norway and Germany to support the development of long-term financing and of well-regulated local capital markets. Switzerland contributed to the Global Capital Markets Program.
- Norway provided support to the Partnership for Resilient, Efficient, and Sustainable SMEs (PRESS) and Sourcing2Equal to close the access to markets

gap for women-owned SMEs through gender-inclusive sourcing.

- The Facility for Investment Climate Advisory Services (FIAS) received additional support from Austria and Ireland.
- In partnership with the United Kingdom, the TechEmerge Sustainable Cooling Innovation Program aims to improve efficiency, reduce energy consumption, and avoid GHG emissions by crowding in public and private sector financing for certified green buildings.
- In partnership with the United Kingdom and Denmark, the Development Impact Investment Network launched a three-year pilot focused on harmonized approaches in emerging markets.
- The United Kingdom, the European Union, and the United States contributed to efforts to reduce the costs associated with moving goods along international supply chains and align practices with the WTO trade facilitation agreement.
- The European Union continues to support Better Work to improve working conditions and respect for labor rights to boost competitiveness of the garment industry.
- Luxembourg continues to work with IFC to engage with financial institutions to counter money laundering in trade finance.
- Japan continues to support IFC projects across a broad scope of regions and sectors through its annual Comprehensive Japan Trust Fund (CJTF) contribution.
- Spain partnered with IFC to deliver Technical Assistance Activities in Latin America and Africa.
- IFC received funding from the Netherlands under the Partnership on Jobs and Education for Forcibly Displaced Persons (FDP) and Host Communities (PROSPECTS), which brings together IFC, the International Labor Organization (ILO), the UN Refugee Agency (UNHCR), the UN Children's Fund (UNICEF) and the World Bank.
- IFC also works in partnership with the BHP Foundation on the Disclosure to Development Program to enhance the effectiveness of financial data disclosures from the extractives industry.

## Financial Commitments to IFC Advisory Trust Funds (US\$ million equivalent)

<b>Summary</b>	<b>FY20</b>	<b>FY19</b>
Governments	267.79	290.11
Institutional/Multilateral Partners	14.14	95.12
Corporations, Foundations, and NGOs	6.02	5.00
<b>Total</b>	<b>287.95</b>	<b>390.23</b>
<b>Governments</b>	<b>FY20</b>	<b>FY19</b>
Australia	7.19	2.75
Austria	7.19	3.15
Canada	0.00	2.66
Denmark	0.89	10.31
Finland	0.00	1.77
France	0.00	2.29
Germany	25.17	16.02
Ireland	0.66	1.04
Italy	0.00	9.00
Japan	9.37	8.26
Luxembourg	1.16	1.39
The Netherlands	52.25	84.01
New Zealand	2.50	6.57
Norway	19.37	15.09
Spain	3.39	0.00
Sweden	23.44	21.68
Switzerland	21.99	16.51
United Kingdom	90.15	76.60
United States	3.05	11.02
<b>Total</b>	<b>267.79</b>	<b>290.11</b>
<b>Institutional/Multilateral Partners</b>	<b>FY20</b>	<b>FY19</b>
Climate Investment Funds (CIF)	0.65	2.20
European Commission (EC)	6.85	73.07
Global Environment Facility (GEF)	0.85	0.00
Global Infrastructure Facility (GIF)	5.79	0.00
MENA Transition Fund	0.00	0.35
Private Infrastructure Development Group (PIDG)	0.00	19.50
<b>Total</b>	<b>14.14</b>	<b>95.12</b>
<b>Corporations, Foundations, and NGOs</b>	<b>FY20</b>	<b>FY19</b>
BHP Foundation	5.02	0.00
Stichting IKEA Foundation	0.00	5.00
Wells Fargo Foundation	1.00	0.00
<b>Total</b>	<b>6.02</b>	<b>5.00</b>

## Financial Commitments to IFC Blended Finance Trust Funds (US\$ million equivalent)

<b>Development Partner</b>	<b>FY20</b>	<b>FY19</b>
Bill & Melinda Gates Foundation	0.00	5.00
New Zealand	0.00	2.50
The Netherlands	21.70	11.60
United Kingdom	0.00	102.51
<b>Total</b>	<b>21.70</b>	<b>121.61</b>

## WORKING WITH INTERNATIONAL INSTITUTIONS

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IFC engages with international institutions to strengthen the role of the private sector in development finance. These include the United Nations, the Organisation for Economic Co-operation and Development (OECD), multilateral development banks (MDBs), and development finance institutions (DFIs).

We are working with international institutions to help strengthen global partnerships to support and achieve the ambitious targets of the 2030 Agenda for Sustainable Development and focus our COVID-19 response efforts on the most vulnerable and fragile.

IFC supports the Global Investors for Sustainable Development (GISD) Alliance, convened by the UN Secretary-General in 2019, to leverage the insights of private sector leaders to identify sustainable solutions to scaling up and mobilizing finance and investment for the SDGs.

IFC collaborates with MDBs through the MDB Heads platform, providing a forum for the MDB system to

collaborate to promote private sector investment in the most vulnerable countries.

IFC also leads DFIs under the DFI Country Pilots, an initiative that aims to expand the impact of development partners in more fragile and challenging settings. As the COVID-19 crisis underlined a need for closer collaboration, IFC developed a new agreement, the Joint Collaboration Framework Agreement, covering a wide range of activities including on projects upstream of investment.

IFC led the development of the *Mobilization of Private Finance*, a joint report by MDBs and DFIs, of which 27 MDBs and DFIs participated. The third annual report of the series, published in August 2019, found that in low- and middle-income countries, MDBs and DFIs reported over \$69 billion in total private mobilization in 2018.



# Portfolio Management

Building and proactively managing a portfolio that produces strong financial results and development impact is at the core of IFC's approach to portfolio management. We achieve this by pairing a strong presence on the ground with deep sector expertise. This enables us to stay close to our clients and markets, monitor trends, and anticipate impacts on our clients.

An IFC management committee — the Operations Committee — regularly reviews the entire portfolio of about \$58.7 billion for IFC's own account, assessing broad trends as well as the performance of select projects. This review is complemented by monthly in-depth discussions about IFC's key sector, country, or product exposures. Additionally, quarterly reviews of IFC's portfolio results are presented to the Board, along with an in-depth analysis at the end of each fiscal year. Our investment and portfolio teams, largely based in field offices, complement global reviews with asset-by-asset quarterly assessments, for both debt and equity investments.

At the corporate level, IFC combines analysis of our portfolio performance with sector expertise, local market intelligence, and projections of global macroeconomic and market trends to inform decisions about future investments. We also regularly conduct stress tests to assess the performance of the portfolio against possible macroeconomic developments, and to identify and address risks. This has been especially important recently, given the impact of COVID-19 on IFC's clients.

At the project level, our multidisciplinary teams — including investment and sector specialists — closely monitor investment performance and compliance with investment agreements. We do this through site visits to evaluate project implementation, and through active engagement with sponsors and government officials, where relevant, to identify potential problems early on and formulate appropriate solutions. We also monitor our clients' environmental and social performance in a risk-based manner and measure financial performance and development results.

Following the financial crisis that took hold in 2008, IFC scaled up its equity commitments. IFC has modified its approach to equity investments with the goal of improving development results and overall performance since 2016. This has translated into more moderate growth and greater selectivity.

In the last two years, we successfully exited from a series of mature assets in which IFC no longer had a development role. This rebalancing of our equity portfolio was the result of our regular strategic asset allocation and portfolio construction exercises, which are periodically adjusted as needed.

IFC's Global Equity Heads, which improved our governance structure, are critical to strategic business development, central oversight, and managing IFC's larger and more complex equity positions throughout the investment lifecycle. Under the leadership of the Global Equity Heads, we had seen steady improvements in our portfolio performance in the last two years, however, this progress was interrupted due to COVID-19. Despite the severity of the current economic crisis, IFC remains focused on actively sourcing and executing equity and mezzanine transactions supporting the recapitalization of corporates and financial institutions as well as to support growing firms aligned with our strategic priorities.

Mobilizing capital is imperative to IFC's success in responding to the COVID-19 pandemic. We are also facilitating the reconstruction of markets in the aftermath of the crisis and supporting the renewal of private equity flows to emerging markets, to fulfill our goal of having impact at scale. In the near term, IFC, through AMC, is pursuing co-investment vehicles. These vehicles are likely to use a simple mobilization structure whereby investors automatically co-invest alongside IFC.

Our Special Operations Department is responsible for determining the appropriate remedial actions for projects in financial distress. It seeks to keep the project operational to achieve the intended development impact and negotiates agreements with creditors and shareholders to share the burden of restructuring. Investors and other partners participating in IFC's operations are kept informed, and IFC consults with or seeks their consent as appropriate.

Active portfolio management depends on timely and accurate information to drive business decisions. IFC continues to invest in information technology systems to better support the management of our portfolio. We have also strengthened our portfolio support structure through the creation of the corporate Operations Support Unit, to be extended over time to sector and regional teams.

# ■ Managing Risks

## ENTERPRISE RISK MANAGEMENT

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IFC provides long-term investments to the private sector in emerging markets, and this work includes expanding the investment frontier into the most challenging markets. In doing so, IFC is exposed to a variety of financial and nonfinancial risks. Active monitoring and sound management of evolving risks are critical to fulfilling our mission.

IFC's framework for enterprise risk management 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 our performance with our strategic direction.

IFC has developed risk-appetite statements that set the direction for our 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.

## TREASURY

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### *Funding*

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

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 the development of capital markets. 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.

IFC was one of the earliest issuers of green bonds. Since we began our program in 2010, we helped catalyze the market and unlock capital from the private sector to fund climate-smart projects. In 2013, we helped turn the niche green bonds market to mainstream, with two landmark \$1 billion benchmark issuances. This past year, IFC passed the \$10 billion mark for our cumulative green bond issuance project after a historic trade with Japan's Government Pension Investment Fund, GPIF.

Our goal is to continually provide much-needed liquidity to the nascent sustainable bond market. In tandem, our investor relations efforts focus on educating investors on the benefits of these products as well as leading the dialogue on frameworks and transparency regarding impact reporting to investors, including, with the support of the International

Capital Market Association and our private sector partners, as the new Chair of the Green, Social and Sustainability Bonds Steering Committee.

Investing for sustainable development is now a mainstream concept, but we have a huge funding gap to bridge if we are to meet the world's ambitious development goals. With much of the global economy severely impacted by COVID-19, our mission is more urgent than ever. Social bonds are an avenue for investors to generate returns while supporting the alleviation of social issues that threaten society or improving access to essential services for those underserved.

In light of COVID-19 and the social challenges borne from coronavirus, social bonds are now front and center of the thematic bond market, and demand is higher than ever. A majority of the social bonds issued this year have been related to funding for issues related to the COVID-19 crisis. There continues to be a notable rise in social bond issuance in response to COVID-19. Issuance data shows over a 200 percent increase in social bonds versus the same time last year (\$6 billion at this time in 2019 compared to \$26 billion 2020 year-to-date).

Despite market volatility in March, IFC issued its largest ever social bond, a \$1 billion benchmark global. We received orders for more than three and a half times the amount. The proceeds of IFC's social bonds support vulnerable communities and help people gain access to essential services, including health care, microfinance, and creating opportunities for women and small business owners.

In FY20, new medium- and long-term borrowings totaled \$11.3 billion.

## LIQUIDITY MANAGEMENT

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Liquid assets on IFC's balance sheet totaled \$40.8 billion as of June 30, 2020, compared to \$39.7 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 is 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 benchmarks based on the source of funds. Funded liquidity has money-market benchmarks, and net-worth funded liquidity is benchmarked to the Bloomberg-Barclays 1- to 3-year U.S. Treasury Index.

IFC holds sufficient liquid assets to meet its existing commitments and fund new commitments for at least one year, including the ability to sustain a period of market stress. The adequacy of liquidity is assessed using liquidity coverage ratios founded in the same principles used to determine our credit ratings.

## FY20 Total Borrowing

CURRENCY		AMOUNT (US\$ EQUIVALENT)	PERCENT
U.S. dollar	USD	4,434,334,000	39.2%
Australian dollar	AUD	1,146,205,757	10.1%
Swedish krona	SEK	1,123,502,848	9.9%
British pound	GBP	920,640,000	8.1%
New Zealand dollar	NZD	634,827,000	5.6%
Canadian dollar	CAD	566,936,276	5.0%
Norwegian krone	NOK	480,880,117	4.3%
Japanese yen	JPY	403,208,518	3.6%
Brazilian real	BRL	301,696,726	2.7%
Russian ruble	RUB	295,116,064	2.6%
Chinese yuan (Renminbi)	CNY	257,424,836	2.3%
South African rand	ZAR	166,590,927	1.5%
Kazakhstan tenge	KZT	124,747,469	1.1%
Mexican peso	MXN	122,349,697	1.1%
Other		327,802,070	2.9%
<b>TOTAL</b>		<b>11,306,262,305</b>	<b>100%</b>

### 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) Limits on market risks (credit spread, interest rate, and foreign-exchange risk)
- (4) Proactive portfolio surveillance

### 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 investment activities during times of economic and financial turmoil.

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 (such as 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

IFC's total resources available consist of paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves. Excess available capital, beyond that required to support existing business, allows for future growth of our portfolio while also providing a buffer against unexpected external shocks. As of June 2020, total resources available stood at \$28.2 billion, while the minimum capital requirement totaled \$20.3 billion.

# Our Approach to Sustainability

Sustainability is a critical component of good development impact. It is key to enhancing outcomes for all stakeholders — including a company’s customers and the communities in which it operates — and is imperative to business success.

IFC research shows that companies perform better financially when their environmental, social, and corporate-governance performance is strong. Nearly 90 percent of our clients believe that our work is key in helping them reach their long-term business goals, improve their relations with stakeholders and local communities, and boost their brand value and recognition. IFC’s Sustainability Framework and our Corporate Governance Methodology are designed to help our clients achieve those objectives.

IFC expects our clients to understand and manage the risks they face and those they pose to their surrounding environment and communities. We partner with industry and other stakeholders to find innovative solutions that open up opportunities for economically, socially, and environmentally sustainable private investment — which contribute in turn to jobs and inclusive growth. This may include leveraging the capacity of other institutions 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.

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

## IFC’S SUSTAINABILITY FRAMEWORK

The Sustainability Framework articulates IFC’s strategic commitment to sustainable development and is an integral part of our approach to risk management. The Sustainability Framework consists of the Policy on Environmental and Social Sustainability, the Performance Standards, and the Access to Information Policy.

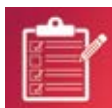
## POLICY ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The Policy on Environmental and Social Sustainability describes IFC’s commitment to environmental and social due diligence, categorization, and monitoring of our clients. Our approach to diligence involves identifying any gaps between client practice and the IFC Performance Standards in order to agree on a plan of action that, if successfully implemented by the client, will progressively bring their operations in line with good international industry practice. While IFC cannot ensure outcomes, we monitor our clients’ progress and performance throughout the life of our investment, providing support where we can and using our contractual leverage if necessary.

## The IFC Performance Standards

# 1

Assessment and Management of Environmental and Social Risks and Impacts



# 2

Labor and Working Conditions



# 3

Resource Efficiency and Pollution Prevention



# 4

Community Health, Safety, and Security



## IFC PERFORMANCE STANDARDS

At the core of our Sustainability Framework are the IFC Performance Standards — which describe how we expect our clients to avoid, mitigate, and manage risk as a way of doing business sustainably. The standards, and the wide array of guidance that supports them, help clients devise solutions that are good for business, good for investors, good for the environment, and good for communities.

Our Performance Standards have become a global benchmark of sustainability practices. The Equator Principles, which are built on the Performance Standards, have been adopted by 105 financial institutions in 38 countries. In addition, many financial institutions, including development banks and export credit agencies, ask their clients to meet the IFC Performance Standards. 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.

## ACCESS TO INFORMATION POLICY

IFC’s Access to Information Policy reaffirms and reflects our commitment to enhance transparency about our activities, improve development effectiveness, and promote good governance. Openness promotes engagement with stakeholders, which in turn improves the design and implementation of projects and policies and strengthens development outcomes. IFC supports several transparency initiatives that encourage responsible investment and reporting practices among the private sector, the community of international financial institutions, and the community of development finance institutions.

These include the International Aid Transparency Initiative (IATI), Principles for Responsible Investment (PRI), and the Global Reporting Initiative (GRI). Visit [www.ifc.org/projects](http://www.ifc.org/projects) for more information.

## INTEGRATED GOVERNANCE

Corporate governance is a paramount consideration in an investor’s decision-making process — and, increasingly, so is the way companies behave on a variety of environmental and social indicators. Investors see businesses’ management of environmental and social issues as a test of how they would handle all strategic and operational challenges. It is essential, therefore, to assess environmental, social, and governance practices in an integrated fashion.

In 2018, IFC updated its Corporate Governance Methodology to include key corporate governance considerations and integrate environmental and social issues consistent with IFC’s Policy on Environmental and Social Sustainability.



The Corporate Governance Methodology includes the assessment of six key corporate governance

# 5

Land Acquisition and Involuntary Resettlement



# 6

Biodiversity Conservation and Sustainable Management of Living Natural Resources



# 7

Indigenous Peoples



# 8

Cultural Heritage



parameters — commitment to better practices of corporate governance, the structure and functioning of the Board of Directors, the control environment, disclosure and transparency, treatment of minority shareholders, and governance of stakeholder engagement. It is available for six kinds of companies: publicly listed, family- or founder-owned, state-owned, small and medium enterprises, financial institutions, and funds.

The methodology had been adopted by 35 development bank signatories of the Corporate Governance Development Framework, creating a common platform for evaluating and improving governance practices in investee companies.

The IFC Toolkit for Disclosure and Transparency and Guidance helps companies in emerging markets

prepare comprehensive and best-in-class annual reports that are appropriate for their size and organizational complexity and that are adapted to the context of operation. The objective is to provide useful information for investors and other stakeholders.

The application of our integrated approach to corporate governance goes beyond the companies we invest in. We also use it in our advisory work with regulators and stock exchanges — to help them apply higher disclosure standards to corporate listings, reporting requirements, and other disclosure obligations.

Our integrated approach to ESG is exemplified in the IFC ESG Performance Indicators, based on the Performance Standards and Corporate Governance Methodology. The ESG Performance Indicators center on making IFC's long-standing ESG expertise relevant for emerging market capital markets. IFC created the Performance Indicators to reduce the ESG data reporting burden for issuers and investors, drive standardized indicator frameworks, and enhance sustainability reporting. As information disclosure improves, ESG risks in emerging markets can be better understood and managed, leading to improved development outcomes for both issuers and investors.

# Corporate Responsibility

Sustainability is an integral part of our internal business operations. We hold ourselves accountable to the same environmental and social standards we ask of our clients. This commitment connects IFC’s mission with how we run our business.

## OUR STAFF

Our employees are our most important asset, bringing innovative solutions and global best practices to our clients. Their knowledge, skills, diversity, and motivation are key to our comparative advantage.

### *Advancing diversity and inclusion*

IFC works with clients across the globe. That broad reach is reflected in our staff, a group of people who work in more than 100 countries. Having a diverse workforce with critical skill sets and diverse perspectives is key for IFC to deliver on our strategic agenda.

IFC is committed to going beyond the inherent diversity we have as an international institution. This year, we introduced the new World Bank Group diversity goals — gender parity targets by grade groups and indicative staff representation across 20 sub-regions. We have begun to align our accountability measures to ensure progress against the new diversity goals, which include monthly monitoring reports at the level of the Vice Presidency for IFC management as well as for recruitment guidelines.

Recruitment efforts and strategic partnerships remain focused on closing gaps of under-representation by gender and nationality. In FY20, we launched Textio, a tool to ensure gender-neutral terms of reference language, which is proven to attract a more qualified and more diverse pool of candidates to apply for our posted roles. Combined efforts have helped IFC to increase the diversity of its staff representation.

### *Supporting gender equality*

In January 2020, IFC completed the process for Economic Dividends through Gender Equality (EDGE) recertification, maintaining its first-level certification (ASSESS). EDGE highlighted the significant progress IFC has made toward achieving gender equality over the past two years, including: increasing paid paternity leave and instituting a new, gender-neutral parental leave policy; making more flexible work options available for staff to be productive, and able to address work and personal life needs; and increasing transparency on the promotions process and performance management. IFC is implementing an action plan to bridge the gaps toward second-level certification.

### *Fostering an inclusive workplace environment*

IFC continues to work toward an inclusive workplace environment as a critical part of retaining and developing its diverse workforce. Programming now begins at onboarding, with a peer buddy system in place and experiential sessions for new staff on IFC’s inclusive workplace culture. In response to our increased recruitment and shifting workforce in FY20, we developed an “interGen” workshop series in partnership with Second Wave Learning — bringing IFC staff concepts and strategies for bridging generational differences. A “NextGen Coffee and Conversation” series was launched as a forum for our Vice Presidents to engage IFC’s younger staff on topics like effective leadership, diversity and inclusion, innovation, and careers.

INDICATOR	FY20	FY19	FY18
Total full-time staff	3,940	3,744	3,921
Non-U.S.-based staff (%)	54.9%	53.8%	54.9%
Short-term consultants/temporaries (FTEs)	1,014	1,085	1,092
Employee engagement index	69%	67%	75%
<b>Diversity</b>			
Women managers (target 50%)	39.3%	39.2%	39.5%
Part II managers (target 50%)	43.2%	41.0%	40.5%
Women GF+ Technical (target 50%)	49.4%	47.8%	46.7%
Sub-Saharan/Caribbean GF+ (target 12.5%)	13.7%	13.5%	11.2%

Note: FTE is full-time equivalent (staff); GF+ refers to salary grade GF or higher—i.e., professional staff; Managers include Directors, Vice Presidents, and CEO.

## Enriching staff development

IFC's Leadership and Management Framework provides development programs for leaders across the organization. Two leadership development programs, one on sponsorship and another on reverse mentoring, were scaled up in FY20, both of which focus on diverse representation in the selection process.

IFC's Sponsorship Program builds a pipeline of diverse leaders by offering sponsor-advisee relationships between top talent (selected through a review process) and Vice Presidents. The program gives participants exposure to strategic thinking through shadowing, opportunities for cross collaboration, and enriched career networks. Most participants have had opportunities to work in cross-functional and corporate projects and about half (16 to date) have progressed to higher responsibilities. Building on the success of the first two groups, a third cohort is underway.

IFC's Reverse Mentorship program, launched in 2018, pairs young junior staff who act as mentors to mid-level staff. The program expanded with 13 members of the Management Team and 14 Managers becoming Reverse Mentees in the second cohort, which began in June 2020. The program boosts innovation through greater cross-functional collaboration and inclusion of youth in the organization.

## OUR OFFICES

Minimizing IFC's impact on the environment is a priority for us. IFC continues to be carbon-neutral for global business operations, including air travel. We design and manage our buildings in a sustainable way and offset emissions that cannot be eliminated. More details can be found at [www.ifc.org/corporateresponsibility](http://www.ifc.org/corporateresponsibility).

## WHERE WE WORK

	STAFF AT ALL GRADE LEVELS	
United States	1,779	45%
Other Countries	2,161	55%
<b>Total</b>	<b>3,940</b>	

## NATIONAL ORIGIN

	STAFF AT OFFICER LEVEL AND HIGHER		MANAGERIAL CADRE	
Part 1 Countries <sup>1</sup>	1,016	40%	130	57%
Part 2 Countries <sup>2</sup>	1,516	60%	99	43%
<b>Total</b>	<b>2,532</b>		<b>229</b>	

1. Staff with primary nationality from countries that declared themselves as IDA donors at the time of their joining the World Bank Group.

2. Staff of all other nationalities.

## GENDER

	STAFF AT OFFICER LEVEL AND HIGHER		MANAGERIAL CADRE	
Female	1,251	49%	90	39%
Male	1,281	51%	139	61%
<b>Total</b>	<b>2,532</b>		<b>229</b>	



# Reporting Under the Task Force on Climate-related Financial Disclosures

## CLIMATE-RELATED FINANCIAL DISCLOSURE

This report is IFC's third consecutive disclosure under the guidelines recommended by the Task Force on Climate-related Financial Disclosures (TCFD). The report reflects IFC's continued commitment to maintain and strengthen our climate-related financial risk assessment, management, and reporting practices. All three reports can be found online at [www.ifc.org/annualreport](http://www.ifc.org/annualreport) with links to relevant references.

As part of the annual review and audit of IFC's non-financial reporting, we identify indicators that improve our compliance with TCFD recommendations. IFC included additional reporting in this year's disclosure:

### GOVERNANCE

- Describe how Board considers climate-related issues when reviewing and guiding strategy, policies & objectives; and monitoring implementation and performance.
- Describe how management monitors climate-related issues.

### STRATEGY

- Describe the resilience of IFC's strategies to climate-related risks and opportunities.
- Consider a transition to a lower-carbon economy consistent with a 2°C or lower scenario.

### RISK MANAGEMENT

- Describe the risk management process for identifying and assessing climate-related risks.
- Describe how the processes for identifying, assessing and managing climate-related risks are integrated into overall risk management.
- Provide internal carbon prices where applicable.

### METRICS AND TARGETS

- Describe the methodologies used to estimate climate-related metrics.

## GOVERNANCE

### What's New?

- Created a cross-cutting climate risk working group that includes experts from IFC's risk and climate business teams
- Integrated IFC's risk department representative into the Climate Anchors Network
- Launched informal working group of multilateral development banks to further good practices in TCFD compliance and climate risk management

IFC's **climate business and risk is overseen by IFC's CEO**, who reports to the President of the World Bank Group on climate business performance and climate risk evaluation. The World Bank Group President reports to the IFC Board of Directors. The Board has mandated as part of the recent capital increase that IFC meet several climate-related requirements, including screening all investments for climate risk and scaling climate-related commitments by 2030.

Progress on the Corporation's climate targets are reported to the Management Team and the Board as part of the Quarterly Board Reports. The Bank Group also reports annually to the Board of Directors on climate actions including progress toward all climate commitments. The most recent Board update was on January 14, 2020.

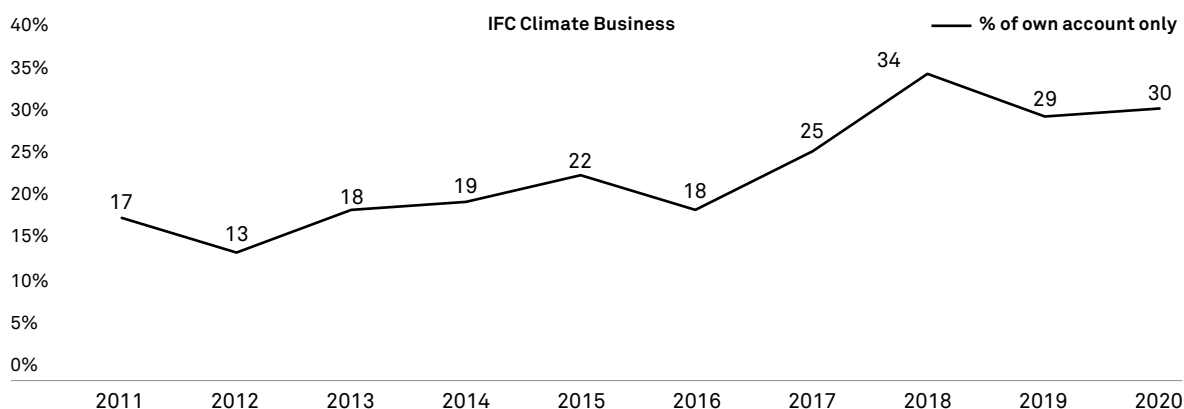
IFC has a **dedicated Climate Business Department** that supports investment teams to identify climate investment opportunities and mitigate climate risk. The department is headed by a director that reports to a Vice President, who reports to IFC's CEO. The team works with the upstream teams and with mainstream investment teams to identify low-carbon investment opportunities through its industry sector experts, metrics specialists, finance professionals, and strategists. It also supports analysis of climate risk through tools such as carbon pricing and assessment of transition and physical climate risk in investment projects.

IFC's **Climate Anchors Network** continues to integrate climate business throughout the Corporation. The Climate Anchors Network comprises senior staff in each industry and regional department as well as key operational departments including legal, and environmental and social team. Regional and departmental climate anchors report to their department director and to the climate business director. This year, a senior specialist from IFC's risk department joined the Climate Anchors Network.

**Table 1: Climate Change Commitments: Five-Year Trend**

TOTAL CLIMATE FINANCE COMMITMENTS (US\$ MILLIONS)	FY20	FY19	FY18	FY17	FY16	FY15
Own account long-term finance (LTF)	\$3,324	\$2,603	\$3,910	\$2,996	\$1,986	\$2,349
Core mobilization	\$3,500	\$3,172	\$4,542	\$1,775	\$1,285	\$2,122
<b>Total</b>	<b>\$6,824</b>	<b>\$5,775</b>	<b>\$8,452</b>	<b>\$4,771</b>	<b>\$3,271</b>	<b>\$4,471</b>

**Figure 1: IFC Climate Business as a Percentage of Total Commitments: Ten-Year Trend**



This year, IFC formed an **internal working group on climate risk** that includes members from the climate business department, the credit risk team, and investment operations. The working group will evaluate how to better integrate climate risk into IFC’s investment decisions.

IFC **regularly consults with peers** to further common understanding of good practice in TCFD reporting. IFC convened an informal working group of multilateral development banks who report under TCFD guidelines. IFC has also engaged with 2° Investing Initiative, Citi, Oliver Wyman, PCAF-Navigant, Potsdam Institute, Standard Bank, Science Based Targets Initiative, S&P Trucost, UNEP-FI, and WSP, among others. More broadly, IFC retains membership in several climate-related corporate leadership initiatives, such as the Principles for Responsible Investment, the TCFD (where IFC is a supporting institution), One Planet Summit, the One Planet Lab, the Global Green Bond Partnership, the Carbon Pricing Leadership Coalition, and the Fashion Industry Charter for Climate Action (where IFC is a supporting institution).

**STRATEGY**

**What’s New?**

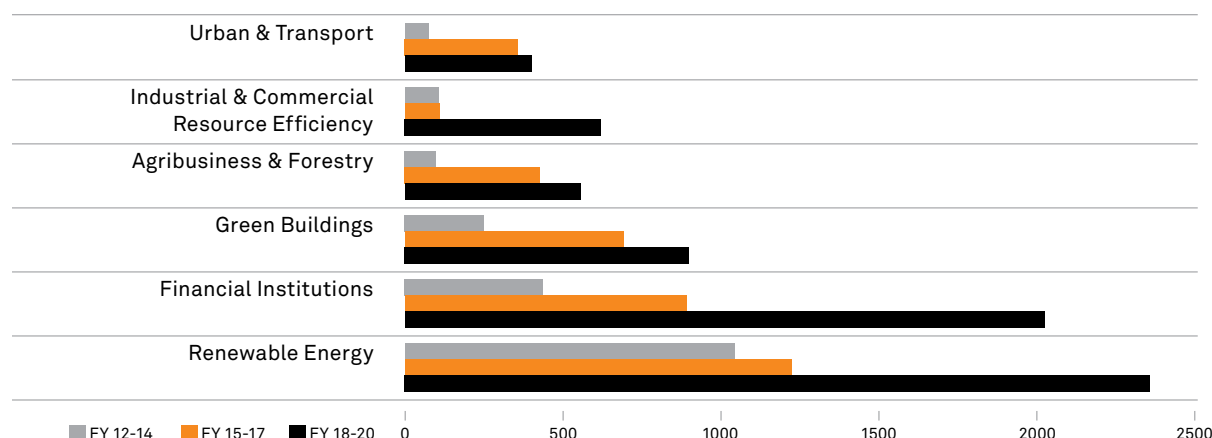
- FY20 own account investment in climate: \$3.3 billion
- FY20 mobilization of external private capital: \$3.5 billion
- Integrate climate in post-COVID rebuild
- Target future market growth in nature-based solutions, carbon capture and storage, and electric vehicles

**Increasing IFC’s share of investment in climate business:** In FY20, IFC’s total climate-related commitments were \$3.3 billion, or 30 percent of our new investments (see Table 1).

**Climate Action Plan:** IFC continues to focus on five strategic priority areas of climate business — clean energy, climate-smart agribusiness, green buildings, climate-smart cities, and green finance — as well as account for climate risk in key high-risk sectors. IFC’s climate strategy is part of the World Bank Group’s Climate Action Plan which ran through FY20. The WBG Climate Action Plan is being updated and will cover FY21-25.

**Table 2: Three-Year Average Climate Investment in Key Sectors  
Total (Own Account + Mobilization)**

(US\$ millions)



IFC strategy includes client engagement to reduce our financial risk in carbon-intensive sectors such as cement, chemicals, thermal power generation, steel, and heavy transport. IFC recognizes that many of these sectors are essential to economic development and are currently without low-carbon alternatives. Working with client companies to decarbonize improves clients' financial sustainability and reduces risk within IFC's portfolio.

**Building low-carbon and resilient business across sectors:** IFC continues to diversify our climate business, identifying new areas of growth. In FY20, IFC retained strong climate business (our own account investment as well as mobilization) through FIs (\$2.1 billion), and in renewable energy (\$2.2 billion), green buildings (\$577 million), and climate-smart agribusiness and forestry (\$711 million). This year, IFC strengthened its climate investments in urban, transportation, and waste sectors, which reached \$780 million (see Table 2).

IFC is targeting new growth areas in energy storage, transportation logistics, distributed renewables, off-shore wind, nature-based solutions, and carbon capture and storage. In March 2020, IFC hired an electric vehicle (EV) industry specialist to help build IFC's business across the EV value chain, including charging infrastructure, manufacturing, batteries, and financing platforms.

Given global market challenges as a result of the COVID-19 pandemic, IFC is providing immediate liquidity to clients and planning for investments that help rebuild hard-hit economies. IFC recognizes that investments today will affect companies' ability to survive future climate-related shocks. Therefore,

**SECTOR SPOTLIGHT:**

**Opportunity: Investing in Offshore Wind**

Offshore wind is a fast-growing sector with significant potential in emerging markets. From 2011 through 2018, the offshore wind industry grew fivefold to 23 GW and reached 29 GW of installed capacity in 2019. Investments are expected to grow 15-fold, reaching \$1 trillion by 2040. With 15.6 terawatts of technical potential across 48 emerging markets,\* IFC is positioning itself to be a first mover in the growing offshore wind market.

In March 2019, IFC and the Energy Sector Management Assistance Program (ESMAP) launched the World Bank Group Offshore Wind Development Program, a \$5 million initiative funded by the United Kingdom. This program accelerates offshore wind markets in emerging markets. We are also collaborating with the Global Wind Energy Council (GWEC) and their Offshore Wind Task Force, which brings together developers, equipment manufacturers, and service providers. The program supports detailed roadmaps to guide the development of offshore wind resources.

IFC expects to build its investments in offshore wind business to be a significant part of its energy portfolio, joining our robust onshore wind business — which totals over 4 GW today.

\*ESMAP-IFC Offshore Wind Development Program

IFC is identifying where new liquidity support to companies in emerging markets can be connected to lower-carbon pathways and a more resilient rebuild. IFC is considering green responses for sectors including financial institutions, urban infrastructure, buildings, textiles, and transport.

**Resilience of strategy:** In FY20, IFC began to explore scenario analysis methods to stress test investments against potential climate risk. IFC found that data on non-public companies in emerging markets was insufficient to conduct a meaningful analysis. We are examining additional tools and approaches.

## RISK MANAGEMENT

### What's New?

- Mainstreamed physical climate risk screening in seven sectors and expanded pilot to other vulnerable sectors
- Developed new approach to greening IFC's equity investments to help client FIs reduce coal exposure

In FY20, IFC continued to expand our existing climate risk management of both physical and transition risk.

**Physical risk:** IFC has completed a physical risk screening pilot for ports, waterways, airports, roads, insurance, forestry, and pulp and paper,<sup>1</sup> and mainstreamed physical climate risk screening in these seven sectors in FY20. IFC is expanding risk analysis to other vulnerable sectors as identified by industry experts and investment teams, including railways, urban transport, financial institutions, mining, and hydropower. In addition, IFC is also developing the Building Resilience Index, a risk assessment tool for the real-estate industry, through which IFC seeks to help our clients — as well as other

industry players — invest in resilient buildings and thus reduce their exposure to physical climate risk.

**Transition risk:** IFC uses carbon pricing to address transition risk and avoid stranded assets. Since May 2018, a carbon price is included in the economic analysis of project finance and corporate loans with defined use of proceeds in the cement, chemicals, and thermal power generation sectors, where estimated annual project emissions are over 25,000 tons of carbon dioxide equivalent. These are IFC's most greenhouse gas-intensive projects and cover over half of our investments' greenhouse gas footprint. IFC includes the impact of the carbon price on the project's economic performance in Board papers.

The carbon price levels applied are in line with the 2016 report of the High-Level Commission on Carbon Prices and consistent with those used by the World Bank. Both low and high carbon values are used in project analysis. The low value starts at \$40 per ton of carbon dioxide equivalent in 2020 and increases to \$78 in 2050. The high value starts at \$80 in 2020 and reaches \$156 by 2050. Carbon price levels depend on the host country income grouping as classified by the World Bank.

IFC follows the WBG practice of not investing in greenfield coal power generation except in rare circumstances. In 2019, IFC extended this practice to upstream oil and gas investments. In the last ten years, IFC has had no new investments in coal mining or coal power generation projects.

As part of our efforts to address climate risks and minimize indirect exposure to coal-related projects, IFC does not provide loans to financial institutions for coal-related activities. To further reduce exposure to coal, IFC no longer provides general purpose loans to financial institutions. Targeted loans are directed to key strategic sectors, such as micro, small, and medium-sized enterprises, women-owned businesses, climate-related projects, and housing finance. The use of proceeds is disclosed on IFC's Project Information Portal. In FY20, IFC implemented a new Approach to Greening Equity Investments in new equity and equity-like investments in financial institutions with actual or potential coal exposure. This framework seeks to help clients increase their climate lending and reduce their exposure to coal-related projects to zero or near-zero by 2030.

In addition, IFC evaluates — and discloses to the Board — the positive development impact of our projects, including climate impacts. For that, we use the Anticipated Impact Measurement and Monitoring (AIMM) system.

1. IFC's risk screening pilot systematically screens projects at the appraisal stage for physical climate risk in the seven industries listed.

## METRICS AND TARGETS

### What's New?

- Climate investments comprised 30 percent of total FY20 commitments
- Mainstreamed new methodology for emissions calculations

**Targets:** In FY20, IFC's climate investments comprised 30 percent of total commitments, exceeding the corporate target of 28 percent. In December 2018, the World Bank Group announced that climate investments<sup>2</sup> will comprise, on average, 35 percent of IFC's own-account investments over the FY21–25 period. The IFC corporate target is translated to investment teams through departmental and regional climate business targets.

**Investment disclosure:** IFC reports climate finance commitments in this annual report (see page 114) and in the *Joint Report on Multilateral Development Banks' Climate Finance*. In our annual *Green Bond Impact Report*, IFC also reports on the environmental impact of projects financed through the green bonds that IFC issues. As a signatory of PRI, IFC is mandated to report under PRI's TCFD-aligned indicators, and we completed our disclosure in April 2020.

**Emissions calculations:** IFC continues to calculate and report aggregate greenhouse gas emissions reductions

from IFC investments (Scope 3 emissions) through this annual report. IFC has developed a GHG-accounting methodology in FY19 and estimated gross and net greenhouse gas emissions from its investment projects in FY19 and FY20. IFC calculates gross GHG emissions for all real sector projects with emissions over 25,000 metric tons of carbon dioxide equivalent, and net emissions on a project-by-project basis for real sector projects where possible. IFC continues to disclose ex-ante estimated annual gross GHG emissions through the publicly available *Environmental and Social Review Summary*.<sup>3</sup>

Since FY09, IFC has been carbon neutral in all our business operations including business travel (Scope 1 and 2 emissions). Prior targets have cut energy use in IFC's headquarters by 18 percent. In FY19, IFC set a global, internal carbon-reduction commitment to cut our facility-related emissions by 20 percent by 2026, from a 2016 baseline. This target is in line with the World Bank Group's commitment to reduce facility-related emissions by 28 percent over the same period. All remaining emissions are compensated via carbon offsets.

2. IFC's Definitions and Metrics for Climate-Related Activities identifies projects and sectors that qualify as climate investments; these definitions are harmonized with other multilateral development banks. [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/climate+business/resources/ifc-climate-definition-metrics](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/resources/ifc-climate-definition-metrics)

3. IFC Project Information & Data Portal: <https://disclosures.ifc.org/#/landing>