Beyond the Balance Sheet: IFC Disclosure and Transparency Toolkit

The toolkit supports the broader World Bank Group’s effort to enhance disclosure and transparency standards in the countries and companies it works with, either as an investor or an adviser, through better annual reporting. It provides guidance on preparing comprehensive and integrated annual reports that include critical environmental, social, and governance information to companies, stock exchanges, market regulators and investors alike.

ABOUT THE IFC DISCLOSURE AND TRANSPARENCY TOOLKIT
The toolkit is designed to fill a gap between companies and investors on environmental, social and governance (ESG) practices. It provides emerging-market companies with step-by-step guidance on preparing integrated annual reports for investors. The toolkit offers an innovative and flexible disclosure framework for reporting streamlining current reporting standards. It provides a holistic model for reporting material ESG information about company’s strategy, governance and performance. It introduces model ESG indicators that reflect the most common environmental and social issues businesses in emerging markets face, based on international best practices and IFC’s own guidelines.

Featuring more than 90 real-world examples from leading companies in developing and developed countries, the toolkit promotes an integrated approach to corporate reporting. It looks at the ways in which environmental and social issues affect the company’s strategy and performance and how key risks and impacts are managed as part of corporate governance. It is designed to foster integrating thinking so that companies can create an open and transparent culture.

TARGET AUDIENCE
The toolkit is designed for companies that are based in or have significant operations in emerging markets.

Investors and banks can use the toolkit to support their valuation and credit analyses, including ESG factors.

Regulators, stock exchanges, and standard-setters can make use of the toolkit to design or refine ESG disclosure and transparency codes, guidance and standards. This will help elevate market-wide standards for disclosure and transparency and build investor trust and confidence.

COMBINING GLOBAL BEST PRACTICES AND IFC LEADERSHIP
The toolkit draws on IFC’s emerging markets investment experience and integrates its Environmental and Social Sustainability Performance Standards and Corporate Governance Methodology. The toolkit also builds on internationally recognized
reporting standards and frameworks (GRI, IIRC, OECD, SASB, IFRS, and others), legal requirements, and best practices in preparing integrated annual reports.

THE GOVERNANCE SECTION OF THE TOOLKIT ALIGNS WITH IFC CORPORATE GOVERNANCE PROGRESSION MATRIX

The governance matrix helps companies evaluate and progressively improve their corporate governance, including environmental and social considerations. The matrix includes six parameters:

1. Commitment to ESG (Leadership and Culture)
2. Structure and Functioning of the Board of Directors
3. Control Environment (Control, Audit, Risk and Compliance)
4. Disclosure and Transparency
5. Treatment of Minority Shareholders
6. Governance of Stakeholder Engagement

SUPPORTING IFC 3.0 AND THE SUSTAINABLE DEVELOPMENT GOALS

The IFC Disclosure and Transparency Toolkit supports IFC’s 3.0 Strategy, which aims to create markets in emerging economies and unlock the trillions in annual investment needed to realize the World Bank’s twin goals of ending extreme poverty and promoting shared prosperity—and achieve the United Nations Sustainable Development Goals. It helps emerging-markets companies increase their access to global capital markets, provides global investors with a better understanding of emerging-market risks, and improves market infrastructure through stock exchanges and regulators.

FOSTERING INTEGRATED THINKING

The toolkit encourages companies to consider ESG reporting in an integrated way, woven into their strategic and financial reporting. The guidance helps companies improve their internal and external information management systems to enable such integration. Such an approach, which incorporates ESG information, improves sustainability policies and practices, strengthens risk management, and establishes an open and transparent culture.

LEVERAGING THE TOOLKIT IN IFC’S WORK

Since a simultaneous January 2018 launch at the London Stock Exchange and at emerging market exchanges and regulators—including Brazil, Egypt, Jordan, Kenya, Vietnam—the toolkit has been distributed widely. Already it has been integrated as a key resource in IFC’s investment and advisory activities.

IFC is partnering with the United Nations Sustainable Stock Exchanges Initiative to help member exchanges develop ESG reporting guidelines. This partnership is making use of the toolkit, in addition to other resources.

To further impact, a cooperation with World Bank Integrated Reporting Community of Practice and Governance Practice to adapt the toolkit for public sector governance is in progress.

E-learning tools and a disclosure and transparency digital learning platform are expected to expand the toolkit’s reach and impact.