

Independent Assurance Report on a Selection of Sustainable Development Information

Further to the 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, 2012, including quantitative indicators ("the Indicators") and qualitative statements ("the Statements"). We selected statements that were deemed to be committing, of particular stakeholder interest, of potential reputation risk to IFC, together with statements on corporate responsibility management and performance. The Indicators and the Statements are related to the following material areas:

Environmental and social performance and impacts of IFC's activity

Material Areas	Statements	Indicators																											
IFC Policy	"The IFC Development Goals" (p. 18) "IFC's Sustainability Framework" (pp. 36–37)																												
Development effectiveness of investments and advisory services	"Advisory Services Results" (p. 23)	Investment projects Rated High (p. 3): 68%; and detailed values by industry (p. 25, and p. 29 on the flip side of this report), by region (p. 25, and p. 29 on the flip side of this report), and by performance area (p. 25); and weighted and unweighted scores (p. 29 on the flip side of this report) Advisory Projects Rated High (p. 3): 72%; and detailed values by business line (p. 25) and by region (p. 25)																											
Environmental and social ratings	"IFC Performance Standards" (p. 14) "Environmental and Social Risk Management" (p. 37)	FY12 Commitments by Environmental and Social Category (p. 28 on the flip side of this report): <table> <tr> <th>Category</th><th>Commitments (\$ millions)</th><th>Number of projects</th></tr> <tr> <td>A</td><td>931</td><td>17</td></tr> <tr> <td>B</td><td>3,629</td><td>153</td></tr> <tr> <td>C</td><td>6,975</td><td>267</td></tr> <tr> <td>FI</td><td>3,340</td><td>120</td></tr> <tr> <td>FI-1</td><td>140</td><td>2</td></tr> <tr> <td>FI-2</td><td>410</td><td>11</td></tr> <tr> <td>FI-3</td><td>37</td><td>6</td></tr> <tr> <td></td><td>15,462</td><td>576</td></tr> </table>	Category	Commitments (\$ millions)	Number of projects	A	931	17	B	3,629	153	C	6,975	267	FI	3,340	120	FI-1	140	2	FI-2	410	11	FI-3	37	6		15,462	576
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Engagement in the poorest countries	"Global Results" (p. 26 on the flip side of this report) Section of "Sparking Growth and Opportunity in the Poorest Countries" including "Since 2005, our investments in IDA countries [...] that virtually devastated the economy." (pp. 52–53 on the flip side of this report) Section of "The growing importance of South-South Investment" including "It's also a strategic priority for IFC [...] helped raise environmental and social standards" (p. 64 on the flip side of this report)																												
Climate change	Section of "Addressing Climate Change, an urgent priority" including "In FY12, IFC invested [...] were climate-related" (p. 43 on the flip side of this report)	Commitments in Climate-related investments for FY12 (p. 3): \$1,621 million																											
Financial inclusion	Section of "Pioneering Local-Currency Finance" including "Recognizing the risk this presents [...] and CFA francs over the next decade" (p. 49 on the flip side of this report) Section of "Why Trade Finance Matters for Development" including "We think trade finance [...] a 23 percent increase over FY11" (p. 65 on the flip side of this report) Section of "Freeing up Capital for Development in Emerging Markets" including "We are a significant backer of private equity funds in emerging markets [...] nearly a third of all jobs provided by our clients" (p. 62 on the flip side of this report)	Number and amounts of microfinance loans and SME loans for CY11 (p. 24) <table> <tr> <th>Type of loans</th><th>Number of loans (millions)</th><th>Amount (\$ billions)</th></tr> <tr> <td>Microfinance</td><td>19.7</td><td>19.84</td></tr> <tr> <td>SMEs</td><td>3.3</td><td>181.25</td></tr> </table>	Type of loans	Number of loans (millions)	Amount (\$ billions)	Microfinance	19.7	19.84	SMEs	3.3	181.25																		
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Evaluation of IFC's activity	"Independent Evaluation Group" (p. 30)																												

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Food security	"Strengthening Food Security in Developing Countries" (p. 46 on the flip side of this report)	
Access to health care and education	"Helping the Poor Obtain Better Education and Health Care" (p. 47 on the flip side of this report)	
Responsible business	Section of "Expanding Economic Opportunities for Women" including "Women are a powerful source of economic growth [...] a quarter of which will be women-owned" (p. 56 on the flip side of this report) Section of "Who benefits?" including "Our projects are helping address climate change [...] seven new stress-tolerant seed varieties for local farmers to use" (pp. 4–5) "Sustainable Business" (p. 10)	
Mobilization	Section of "The Power of Mobilization" including "Our record of strong and consistent profitability [...] In FY12, we mobilized \$2.7 billion in syndicated loans" (p. 61 on the flip side of this report)	
Governance	"IFC and Corporate Integrity" (p. 35)	
Corporate footprint	"Our Footprint Commitment" (pp. 40–41)	Carbon Emissions (p. 40): 44,650 tCO ₂ equivalent in financial year 2012

Our review aimed to provide limited assurance¹ that:

1. the Indicators were prepared in accordance with the reporting criteria applicable in 2012 (the "Reporting Criteria"), consisting in IFC instructions, procedures and guidelines specific for each indicator, a summary of which is provided in the Annual Report, for the indicators related to Commitments by Environmental and Social Category (p. 28 on the flip side of this report) and Development effectiveness of investments and advisory services (p. 25) and on IFC's website and

2. the Statements have been presented in accordance with "IFC's Policy on Disclosure of Information", which is available on IFC's website² 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 the 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 areas listed above.
- At the corporate level, we conducted interviews with more than 25 persons 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 contracts, internal and external presentations and reports, or survey results.
- We reviewed the presentation of the Information 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

¹ A higher level of assurance would have required more extensive work.

² http://www.ifc.org/ifcext/disclosure.nsf/content/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.

stakeholders, clients, or local IFC offices nor did we conduct testing or interviews aimed at verifying the validity of information related to 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. This level of disclosure is in line with that of other multilateral development banks. A specific effort is made by IFC to assess its development results, notably through its Development Outcome Tracking System (DOTS) and the preparation and testing of IFC Development Goals (see p. 18).

COMPLETENESS

The Indicators' reporting perimeter covers most relevant IFC activities. The perimeters actually covered by each indicator have been indicated in the comments next to the data in the Annual Report. In particular, regarding DOTS ratings, the Development Outcomes' ratings of IFC's Trade Finance investments are not currently reported. With the growing importance of Trade Finance activities in IFC's portfolio, IFC started the rollout of a DOTS framework to rate the development results of Trade Finance to prepare a future disclosure.

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 and is available on the IFC website (links listed on p. 66 on the flip side of this report).

RELIABILITY

We would like to note that IFC has made progress in strengthening internal controls related to "Development effectiveness of advisory services" and "Carbon Footprint." However, we note that IFC would benefit from further formalizing the reporting tools and internal controls for the indicator related to "Climate-related investments" and for the Environmental and Social component (E&S) of the investment services' development outcome. In particular, the process related to updating E&S risk evaluations should be better formalized to ensure that in all cases the most up-to-date information is being used to rate projects on their E&S performance.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that:

- the Indicators were not established, in all material aspects, in accordance with the Reporting Criteria;
- the Statements were not 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, France, August 20, 2012

The Independent Auditors
ERNST & YOUNG et Associés

 **ERNST & YOUNG**
Quality In Everything We Do

Eric Duvaud
Partner, Cleantech and Sustainability

LETTER TO THE BOARD OF GOVERNORS

The Board of Directors of IFC has had this Annual Report prepared in accordance with the Corporation's by-laws. Jim Yong Kim, President of IFC and Chairman of the Board of Directors, has submitted this report with the audited financial statements to the Board of Governors. The Directors are pleased to report that for the fiscal year ended June 30, 2012, IFC expanded its sustainable development impact through private sector investments and Advisory Services.