



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ADVISORY SERVICES IN EUROPE AND CENTRAL ASIA

CREATING VALUE FOR COMPANIES IN THE REAL SECTOR

Good environmental, social, and governance practices have become a new normal in doing business, a way to support companies' financial performance and their ability to grow and compete.

IFC's global presence and unique experience helping companies improve their ESG performance allows us to bring international best practices to local markets, and to help build market movers.

We work with businesses to identify their ESG gaps, critical risks, and opportunities. We provide tailor-made and cost-effective ESG solutions to support the sustainable growth of companies.

INTEGRATED ESG SOLUTIONS FOR BUSINESS

IFC, a member of the World Bank Group, is a recognized global leader in standard setting and in advising companies on the practice and implementation of best environmental, social, and corporate governance (ESG) standards.

IFC methodology is reflected in the Corporate Governance Development Framework to which 35 development finance institutions have subscribed.

IFC's Performance Standards are globally recognized benchmark for environmental and social risk management in the private sector. Now we are bringing these two standards to the market together as one package of ESG solutions to help companies maintain their competitive position, deliver sustained profitability, and operate in line with the long-term interests of their shareholders.

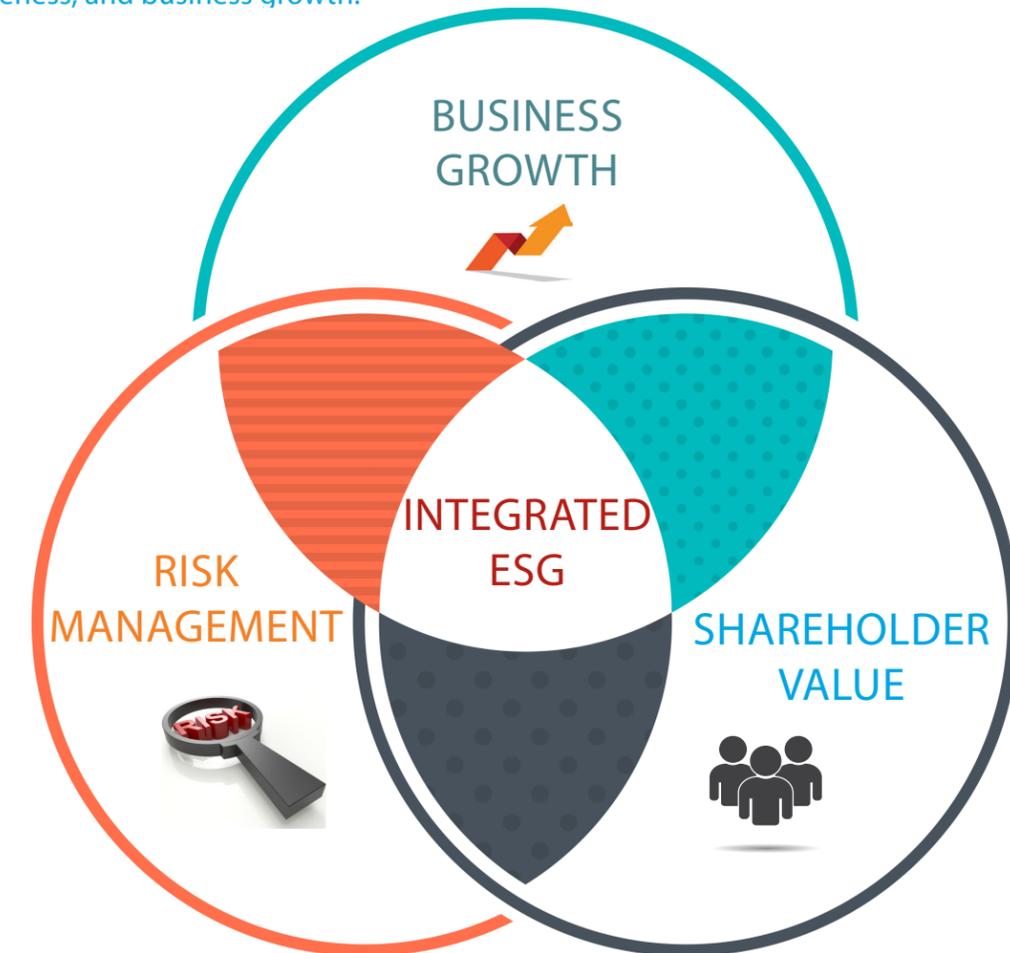
“
In reality, if you look at ESG, it's about income generation, cost saving, avoidance of delays and building a more motivated staff which will help with turnover.”

Shami Nissan,
Head, Responsible Investment
Actis



ESG VALUE-ADDING FORCES

A recent analysis of 656 companies in IFC's portfolio found that companies with good environmental and social (E&S) practices outperform clients with worse E&S practices by 210 basis points on return on equity (ROE). Another study of IFC investee companies showed that businesses with better governance—the top corporate governance (CG) quartile exhibited an average ROE that is about three times higher than that of the bottom CG quartile. The evidence is overwhelming: [Good E&S management and governance improve business performance. Integration of these value-creating practices provides powerful synergy for innovation, competitiveness, and business growth.](#)



Environmental and social aspects of doing business have traditionally been considered from the risk management perspective—cost control, business continuity, safeguarding property value, and so on. IFC, as a leading private sector development finance institution worldwide, has incorporated a systemic E&S risk assessment into its investment decisions for about 20 years; every large reputable investor currently does the same.

[Risk management is also a key focus of corporate governance. It makes business sense to integrate an E&S risk management system into related risk governance practices.](#)

Investors increasingly demand a say in a company's impact on society and the environment, and seek to create long-term value through tackling E&S challenges and opportunities. [For a company to be attractive to sophisticated investors, E&S management systems need to be fully integrated into governance](#), thus providing institutional mechanisms for shareholders to influence a company's strategy and practices.

Corporate governance is also a critical pillar of a company's own sustainability over the long term. It provides crucial tools for ownership and management succession, and for devising a strategic course of development to maximize value to all shareholders.

ESG FOR COMPANIES IN THE REAL SECTOR

The table below shows some common areas of ESG value creation for companies in the region:

ESG FACTOR	CHALLENGES	OPPORTUNITIES
Employees, Occupational Health and Safety	<ul style="list-style-type: none"> Financial, reputational, and legal risks resulting from poor working conditions—poor morale, high staff turnover, breaches of safety standards, and workers' health damages Low staff engagement, leading to lower productivity and inconsistent product quality; high turnover 	<ul style="list-style-type: none"> Good employer reputation Effective corporate culture on safety behavior Attracting, motivating, and retaining staff of high caliber Higher productivity; lower overall labor-related costs
Emissions, Effluents, and Waste	<ul style="list-style-type: none"> Hazardous and nonrecyclable wastes; land/property contamination threatening property value, human health, and the environment Penalties/shutdowns/delays; reputational damage 	<ul style="list-style-type: none"> Cleaner production, "future-proof" climate-smart technologies Uninterrupted production Access to new customers and international markets
Use of Resources	<ul style="list-style-type: none"> Use of obsolete, energy-consuming technologies, overuse of raw materials—low efficiency/high costs Depletion of water or other resources, leading to issues with communities, local governments, or nongovernmental organizations (NGOs) 	<ul style="list-style-type: none"> Energy efficiency/innovation—higher margins Good relationship with local stakeholders
Decision Making	<ul style="list-style-type: none"> Struggle to balance operational flexibility with demand for focus, defined policies Vaguely defined reporting lines, authority, and responsibilities High key-man risk due to concentration of decision making The board adding little value 	<ul style="list-style-type: none"> Effective board of directors to provide strategic guidance, business connections, and expertise Optimized operational decision making; executive teamwork Organizational structure and culture to support enterprise growth Effective succession planning
Internal Controls and Risk Management	<ul style="list-style-type: none"> Internal controls based on personal oversight by key staff Lack of systemic risk identification and management Overall narrow focus on reliability of financial reporting and safeguarding against misappropriation of assets; missing other risks 	<ul style="list-style-type: none"> A system to provide reasonable assurance that the company can achieve its operating, reporting, and compliance objectives Increase in the efficiency of controls through staff engagement Proactive management of environmental and social risks
Shareholder Engagement	<ul style="list-style-type: none"> Poorly defined shareholding rights, possibly leading to tensions among shareholders and families, and reducing attractiveness of the business to investors Unclear management and ownership successions, which can threaten a company's long-term survival 	<ul style="list-style-type: none"> Clear family shareholding, succession, and employment policies to benefit both the business and the families Effective protection of minority shareholders to attract investors and/or use shares as a motivating factor for key employees

WHAT WE CAN DELIVER FOR YOUR COMPANY

Our specialists will help companies build or tune up their ESG framework and practices, taking into account the sector specifics, company type, and business complexity. ESG issues integrated into the business model and long-term strategy can help companies convert ESG challenges into opportunities and thus contribute to financial and organic growth. Our ESG services to companies include, but are not limited to, the following:

1 ESG DIAGNOSTIC AND/OR ASSESSMENT

to help a company set up a corporate governance structure and establish good practices, and to integrate environmental and social issues into processes for high-level decision making, strategy setting, and risk management. Our specialists work closely with a company to understand its ESG practices and business context and to recommend improvements the company can take to achieve its strategic objectives, development plans, and ambitions.



2 IMPLEMENTATION SUPPORT

to assist a company with developing an ESG Improvement Plan and with the company's implementation of priority ESG recommendations, including development of key policies and procedures.

3 ESG CAPACITY BUILDING

to assist with training events and hands-on workshops on ESG topics such as Internal Controls, Board Practices, Environmental and Social Risk Management, and IFC Performance Standards, among others.

Our advice is practical and realistic

Our standards, tools, and methodologies are used by development finance institutions and consulting companies worldwide. IFC has more than 60 years of experience investing in companies in emerging markets around the globe, and we know what works—from multiple perspectives. We are business owners, lenders, and advisers. IFC provides the most cost-effective ESG solutions to manage risks and support sustainable growth of companies.

CONTACTS

[Deniz Baharoglu](#)

Regional Environment and Social Manager

DBaharoglu@ifc.org

[Merima Zupcevic](#)

Regional Corporate Governance Lead

MZupcevic@ifc.org

[Emilijan Mohora](#)

Senior Environmental and Social Officer

EMohora@ifc.org

[Sergii Tryputen](#)

Senior Corporate Governance Officer

STryputen@ifc.org

ifc.org/sustainability

ifc.org/corporategovernance

July 2018

We can draw from more than **150** IFC environmental, social, and governance specialists around the world to create a product uniquely tailored to the needs of your company.

1,300+

business entities worldwide have improved their ESG practices by applying IFC advice.

About IFC

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY17, we delivered a record \$19.3 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity. For more information, visit www.ifc.org.



Creating Markets, Creating Opportunities