IFC’s ESG approach has evolved over the past 25 years

Pioneering World Bank Safeguard Policies

The ‘90s

Setting the Standard

The ‘00s

Refining & Implementing

‘11-present
IFC Sustainability Framework

Responsibilities

- Sustainability Policy
- Access to Information Policy

Client

- 8 Performance Standards on Environmental and Social Sustainability

Implementation Tools

- Environmental and Social Review Procedure
  - Guidance Notes
  - Environmental, Health & Safety Guidelines
  - Good Practice Materials
Access to Information Policy

Defines the scope of information that IFC makes available to the public, such as:

- Institutional information
- Project-level information
- E&S
- Development impact information
Sustainability Policy

- Defines IFC’s commitments toward sustainability.
- Emphasizes our prioritization of cross-cutting issues such as low carbon growth, human rights, corporate governance, gender, ecosystem services, and others.
- Describes the categorization system to rate the level of environmental and/or social risk of proposed business activities.
Environmental, Health, and Safety (EHS) Guidelines

- Technical reference documents.
- Available in 6 languages.
- One General EHS Guidelines and over 60 Industry Sector EHS Guidelines.
- Contain performance levels and measures considered generally acceptable by the WBG.
IFC’s Performance Standards

**PS1:** Assessment and Management of E&S Risks and Impacts

**PS2:** Labor and Working Conditions

**PS3:** Resource Efficiency and Pollution Prevention

**PS4:** Community Health, Safety, and Security

**PS5:** Land Acquisition and Involuntary Resettlement

**PS6:** Biodiversity Conservation and Sustainable Management of Living Natural Resources

**PS7:** Indigenous Peoples

**PS8:** Cultural Heritage
Risk Mitigation Hierarchy

- Anticipate and avoid
- Minimize
- Compensate or offset
PS1: Assessment and Management of Environmental and Social Risks and Impacts

Importance:

- Integrated assessment to identify the E&S impacts, risks, and opportunities of projects.
- Effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them.
- The client’s management of E&S performance throughout the lifetime of a project.
Why do we consider PS1 our “umbrella” PS?

A systematic approach to managing environmental and social performance…

… an investment that enables clients to identify and manage E&S risks that can affect the viability of their business

It applies to 100% of our investment projects!
PS1: Assessment and Management of Environmental and Social Risks and Impacts

Objectives:

▪ Identify project E&S risks and impacts.
▪ Adopt mitigation hierarchy.
▪ Improve performance through an Environmental and Social Management System (ESMS).
▪ Engagement with Affected Communities, other stakeholders:
  ▪ throughout project cycle
  ▪ includes communications, grievance mechanisms
Environmental and Social Assessment and Management System

- Monitoring and review
- Stakeholder engagement
- Emergency preparedness and response
- Identification of risks and impacts
- Management programs
- Organizational capacity and competency

Policy
PS2: Labor and Working Conditions

Importance:

- Workforce as a valuable asset.
- A sound relationship between workers and management is critical.
- A strained worker-management relationship can undermine worker commitment and retention and ultimately jeopardize a project.
- It can also lead to significant reputational risks.
Objectives:

- Promote the fair treatment, non-discrimination, and equal opportunity of workers.
- Protect workers, including:
  - children,
  - migrant workers,
  - workers engaged by third parties, and
  - workers in the client's supply chain.
- Promote safe and healthy working conditions.
- Avoid the use of force labor.
Q&A
Importance:

- Increased economic activity and urbanization can consume great amounts of natural resources and generate high levels of pollution.
- Performance Standard 3 outlines a project-level approach in line with good international industry practice.
- PS3 has a strong emphasis on the mitigation hierarchy.
- Client adherence to Performance Standard 3 depends on the nature of the client’s business activities.
PS3: Resource Efficiency and Pollution Prevention

Objectives:

- Avoid, minimize, and reduce project-related pollution.
- Energy efficiency and more sustainable use of resources, including energy and water.
- Reduced project-related Greenhouse Gas (GHG) emissions.
PS4: Community Health, Safety and Security

Importance:

- Project activities, equipment and infrastructure may expose local communities to increased health, safety, and security risks.
- Performance Standard 4 helps companies adopt responsible practices to avoid or reduce risks including:
  - emergency response,
  - addressing community exposure to disease,
  - management of security arrangements,
  - hazardous materials management, and
  - designing safety measures for the project.
PS4: Community Health, Safety and Security

Objectives:

- To anticipate and avoid adverse impacts on the health and safety of the Affected Community.
- To safeguard personnel and property in accordance with relevant human rights principles.
PS5: Land Acquisition and Involuntary Resettlement

Importance:

- When companies acquire land for their development, it can lead to relocation and loss of shelter or livelihoods for communities or individual households.

- Involuntary resettlement occurs when affected people do not have the right to refuse land acquisition and are displaced.

- Involuntary resettlement may result in long-term impoverishment for affected communities, as well as environmental damage, and social stress in areas to which they have been displaced.
PS5: Land Acquisition and Involuntary Resettlement

Objectives:

▪ Avoid/minimize adverse social and economic impacts from land acquisition or restrictions on land use:
  ▪ avoid, minimize displacement
  ▪ alternative project designs
  ▪ avoid forced eviction

▪ Improve or restore livelihoods and standards of living.

▪ Improve living conditions among displaced persons:
  ▪ adequate housing
  ▪ security of tenure
Importance:

- Biodiversity is the variety of life in all its forms, including genetic, species, and ecosystem diversity.
- Biodiversity loss can result in critical reductions in the resources provided by the earth’s ecosystems, which contribute to economic prosperity and human development.
Objectives:

- Protection and conservation of biodiversity.
- Maintenance of benefits from ecosystem services.
- Promotion of sustainable management of living natural resources.
- Integration of conservation needs and development priorities.
PS7: Indigenous Peoples

Importance:

- Indigenous Peoples (IPs) are social groups with identities that are distinct from mainstream groups in national societies.
- IPs may be particularly vulnerable to the adverse impacts associated with project development, including risk of impoverishment and loss of identity, culture, and natural resource-based livelihoods.
PS7: Indigenous Peoples

Objectives:

- Ensure full respect for IPs:
  - human rights, dignity, aspirations
  - livelihoods
  - culture, knowledge, practices
- Avoid/minimize adverse impacts.
- Sustainable and culturally-appropriate development benefits and opportunities.
- Free, Prior, and Informed Consent (FPIC) in certain circumstances.
Importance:

- Cultural heritage encompasses properties and sites of archaeological, historical, cultural, artistic, and religious significance.

- It also refers to unique environmental features and cultural knowledge, as well as intangible forms of culture embodying traditional lifestyles that should be preserved for current and future generations.
PS8: Cultural Heritage

Objectives:

- Protection and preservation of cultural heritage.
- Promotion of equitable sharing of cultural heritage benefits.
Emerging E&S Issues

Gender-Based Violence
Sexual Exploitation, Abuse, and Sexual Harassment

Modern Slavery
Child and Forced Labor/Trafficking

Diversity and Inclusion
Equal Opportunity: Gender and Disability

Increased Risks on Supply Chains

Greenhouse Gases and Climate Change
Q&A
ESG Resources

**IFC Sustainability Framework (2012)**
www.ifc.org/sustainability

IFC Sustainability Framework - Effective January 1, 2012

IFC Performance Standards on Environmental and Social Sustainability - Effective January 1, 2012

Guidance Notes to IFC’s Performance Standards - Effective January 1, 2012

**ESG Publications**
For a full list, see:
www.ifc.org/sustainabilitypublications

Good Practice Handbook: Assessing and Managing Environmental and Social Risks in an Agro-Commodity Supply Chain


IFC Sustainability Resources Brochure

Private Equity and Emerging Markets: Agribusiness: Building Value Through Sustainability

**WBG EHS Guidelines**
www.ifc.org/ehsguidelines

World Bank Group (WBG) Environmental, Health, and Safety (EHS) Guidelines
IFC has launched a three-year consultative process to revise the WBG EHS Guidelines. See www.ifc.org/EHSGuidelinesRevision

**Also see:** www.ifc.org/corporategovernance

Raising the Bar on Corporate Governance: A Study of Eight Stock Exchange Indices

Emerging Trends in Environmental, Social, and Governance Data and Disclosure: Opportunities and Challenges

Corporate Governance Success Stories - Middle East and North Africa

Corporate Governance Success Stories - Europe and Central Asia
ESG Resources

Learning/Tools/Methodology See: www.ifc.org/sustainability and www.ifc.org/corporategovernance

- **E-Learning** Course on Managing Environmental and Social Performance
- **FIRST** for Sustainability
  - See: www.firstforsustainability.org
  - Available in English, French, Chinese, Russian and Spanish
- Sustainability Training and E-Learning Program (STEP) for Financial Intermediaries
  - Available in English, French, Russian
- Global Map of Environmental and Social Risks in Agro-Commodity Production (GMAP)
  - See: www.ifc.org/gmap
- **Corporate Governance**
  - Methodology Tools
- **Corporate Governance** Development Framework Toolkit
- IFC Nominee Directors Training
- Environmental and Social Management System (ESMS) Toolkit and Handbooks
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