

# Transparency and Disclosure Toolkit

***Beyond the Balance Sheet—IFC Transparency and Disclosure Toolkit is a knowledge leadership publication. It supports IFC's broader effort to enhance transparency and disclosure in the countries and companies it works with—as investor or adviser—through better corporate reporting.***

## HOW TO USE THE TOOLKIT

The toolkit offers a flexible reporting framework for companies of different sizes, locations, and operational complexity. At its core are three pillars: Strategy and Sustainability, Corporate Governance, and Performance. For each, it provides a disclosure framework for what to report and how to report it. For relevant sections of the report, the toolkit suggests different levels of performance that can be reported, based on the IFC ESG (Environmental, Social, and Governance) Progression Matrix. It also references and integrates internationally recognized standards and frameworks (GRI, IIRC, OECD, SASB, IFRS, and others), legal requirements, and best practices relevant to the preparation of a comprehensive annual report.

## WHO WILL FIND THIS TOOLKIT USEFUL?

**Companies:** The toolkit is written primarily for medium and large companies that have separated management from ownership, either because they are listed on an exchange or because they are privately held but have outside investors.

It is designed to guide emerging-market companies (including IFC clients) in the preparation of integrated annual reports that include strategic, governance, and performance information and that are commensurate with their size and organizational complexity and adapted to their context of operation, so those reports can provide useful information for investors and other stakeholders.

It provides practical assistance to companies aspiring to enhance their financial and nonfinancial disclosure.

It incorporates an account of how environmental and social issues affect the company's strategy, risk profile, and performance and how key risks and impacts are managed as part of the company's corporate governance.

The toolkit promotes an enhanced and integrated approach to corporate reporting, presenting strategic, sustainability, and corporate governance information together with financial results to provide investors with a better understanding of how the company is likely to perform in the future.

**Investors and banks:** The toolkit supports valuation and credit analyses.

**Regulators:** The toolkit will help in the preparation of reporting guidelines or regulation.



## BACKGROUND

Corporate governance is defined as the structures and processes by which companies are directed and controlled. Good corporate governance helps companies operate more efficiently, improve access to capital, mitigate risk, and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns. Corporate governance also contributes to development. Increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities.

## IFC CORPORATE GOVERNANCE GROUP

The Group brings together staff from investment and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family business governance. The Group also supports corporate governance improvements and reforms in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks regionally and globally.

## WHAT IS THE IFC ESG PROGRESSION MATRIX?

The **IFC ESG Progression Matrix** is a tool to evaluate and improve the corporate governance of a company—including the governance of key environmental and social policies and procedures—to identify, reduce, and manage risk.

Although the matrix does not include all of the requirements of the **IFC Performance Standards for Environmental and Social Sustainability (2012)**—a risk-management framework that has become a global benchmark for project finance—it does include the governance attributes required to manage these risks. The matrix expands the provisions of the IFC Corporate Governance Matrix (2007) for mainstreaming corporate governance analysis in the investment process by integrating environmental and social issues.

Use of this tool can help a company confirm its commitment to demonstrate leadership and promote good environmental, social, and corporate governance throughout the company.

The matrix represents a summary of key ESG provisions along six parameters:

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

The provisions are general, based on international good practice, and may be modified or supplemented to take into account any particular jurisdictional requirements or local environment. The matrix is organized by four levels of company maturity and complexity.

## WHY ARE TRANSPARENCY AND DISCLOSURE IMPORTANT TO IFC?

IFC has a long history of driving private sector development in emerging markets as a standard setter and promoter of good international practice. Transparency and accountability are fundamental to fulfilling IFC's developmental impact; clients' commitment to them helps promote the long-term profitability of their investments.

Transparency and disclosure have become increasingly relevant for IFC as corporate governance has evolved from purely board-related matters to looking at external stakeholders and integrating environmental and social issues in companies' risk management.

Improving transparency and disclosure is an opportunity to magnify IFC's development impact in emerging markets and fragile and conflict situations by shedding light on how its clients create sustainable environmental, social, and governance development, encourage replication of good standards among peers, and attract the interest of local and international investors.

## IFC PUBLICATIONS ON TRANSPARENCY AND DISCLOSURE:

- [Focus 14: Disclosure of Beneficial Ownership after the Panama Papers](#), 2016
- [Private Sector Opinion \(PSO\) 38: Fear and Regret—Or Trust? From “Transparency as a Way to Control” to “Radical Transparency to Empower”](#), 2015
- [Corporate Governance Scorecards: Assessing and Promoting the Implementation of Codes of Corporate Governance](#), 2014
- [PSO 32: Emerging Trends in Environmental, Social, and Governance Data and Disclosure: Opportunities and Challenges](#), 2014
- [Focus 12: Firms Behaving Nicely: Incentives and Commitment](#), 2013
- [PSO 29: Redefining Value: The Future of Corporate Sustainability Ratings](#), 2012

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