

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 for the financial year ended June 30, 2009 in the Annual Report, including quantitative indicators (“the Indicators”) and qualitative statements (“the Statements”), related to the following material areas:

MATERIAL AREAS	STATEMENTS	INDICATORS																		
Environmental and Social Performance of projects	Number of investment projects approved by environmental and social category (p. 111); environmental and social “knowledge gap” (p. 109)	<ul style="list-style-type: none"> Commitments by Environmental and Social Category (p. 56): <table> <tr> <th>Category</th><th>Commitments (\$ millions)</th><th>Number of projects</th></tr> <tr> <td>A</td><td>446</td><td>4</td></tr> <tr> <td>B</td><td>4,283</td><td>137</td></tr> <tr> <td>C</td><td>2,096</td><td>104</td></tr> <tr> <td>F1</td><td>2,991</td><td>109</td></tr> <tr> <td>N</td><td>731</td><td>93</td></tr> </table> Expenditures in Environment and Social Sustainability Advisory Services (p. 96): \$16 millions 	Category	Commitments (\$ millions)	Number of projects	A	446	4	B	4,283	137	C	2,096	104	F1	2,991	109	N	731	93
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Development effectiveness of investments and advisory services	“Development Results” section (pp. 118–120)	<ul style="list-style-type: none"> Development Effectiveness scores of Investments (p. 119): 71% “rated high”¹ Development Effectiveness score of Advisory Services (p. 119): 68% “rated high” 																		
Financial inclusion: microfinance loans and loans to small and medium enterprises (SMEs)		<ul style="list-style-type: none"> Number and amounts of microfinance loans and SME loans (p. 119): <table> <tr> <th>Type of loans</th><th>Number of loans (millions)</th><th>Amount (\$ billions)</th></tr> <tr> <td>Microfinance</td><td>8.5</td><td>9.3</td></tr> <tr> <td>SMEs</td><td>1.3</td><td>90.6</td></tr> </table> 	Type of loans	Number of loans (millions)	Amount (\$ billions)	Microfinance	8.5	9.3	SMEs	1.3	90.6									
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Climate change	Commitment to tripling investments in renewable energy and energy-efficiency projects from FY05–FY07 to FY09–FY11 (p. 45); Carbon Finance (p. 78)	<ul style="list-style-type: none"> Amount committed in renewable energy and energy efficiency investments (p. 44): \$1,034 millions 																		
Corporate footprint and social responsibility	Commitment to electricity consumption reduction and carbon neutrality (p. 108); “Who we are” section (p. 104) and “Gender Distribution” tables (p. 105)	<ul style="list-style-type: none"> Carbon footprint (p. 108): 37,454 t CO₂ equivalent in financial year 2008 																		
Crisis-response initiatives in the private sector	“Crisis-response initiatives” (pp. 36–37) and Capitalization Fund (p. 53); Advisory programs to support financial sector (p. 44) and Advisory Services crisis-response initiative (p. 115)																			
Engagement in IDA countries	IFC FY09 Investment volumes and number of projects (p. 29) and number of joint World Bank Group projects in IDA Countries (p. 29)																			
Water scarcity and biodiversity	“Reduce biodiversity loss” (p. 97); Water scarcity response (p. 45)																			
Accountability	CAO and IEG activities (p. 107); “Working with civil society” (p. 117)																			

¹ FY09 Development Results for investments (% rated high):

Overall Portfolio (% rated high)	Unweighted (number of projects)	Weighted by investment size	Development Outcome by industry	(% rated high)	Development Outcome by region	(% rated high)
Development Outcome	71%	82%	Oil, Gas, Mining and Chemicals	80	South Asia	79
Financial Performance	63%	75%	Infrastructure	80	Latin America and the Caribbean	77
Economic Performance	71%	81%	Agribusiness	80	Europe and Central Asia	70
Environmental and Social Performance	68%	71%	Financial Markets	77	Middle East and North Africa	68
Private Sector	81%	90%	Health and Education	73	Sub-Saharan Africa	65
Development impact			Private Equity and Investment Funds	68	East Asia and the Pacific	64
			Information and Communication Technologies	64		
			Manufacturing and Services	54		

Our review aimed to obtain limited assurance² that:

1. the Indicators were prepared in accordance with the reporting criteria applicable in 2009 (the "Reporting Criteria"), consisting in IFC instructions, procedures, and guidelines specific for each indicator, a summary of which is provided in the comments next to the Indicators presentation in the Annual Report or on IFC's website; and

2. the Statements have been presented in accordance with "IFC's Policy on Disclosure of Information" and principles of relevance, completeness, reliability, and neutrality and clarity as defined by international standards³.

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 on the basis of our review. Our review was conducted in accordance with the ISAE 3000, International Standard on Assurance Engagements from IFAC⁴. 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 in order to identify key statements regarding the sustainability areas listed above. 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.

—At group level, we conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria or substantiate the Statements.

—At group level, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the Indicators.

—We collected supporting documents of Indicators or Statements, such as reports to the board of directors or other meetings, loan contracts, internal and external presentations and reports, studies or results of survey.

—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, DC. We did not participate in any activities with external stakeholders, clients, or local IFC offices, nor did we verify the information on specific project examples presented in the Annual Report.

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 the environmental and social risks, impacts, and outcomes of projects financed directly or through financial intermediaries that is comparable to other multilateral development banks. With regards to relevance, a specific effort is made by IFC to assess its development results, notably through its Development Outcome Tracking System (DOTS).

IFC publishes an integrated Annual Report. The process to determine the material sustainability issues that should be included in the Annual Report should be formalized. And the Annual Report could focus more on the key material issues related to sustainability.

COMPLETENESS

The Indicators reporting perimeters aim to cover all relevant IFC's activities. The perimeters actually covered by each indicator have been indicated in the comments next to the data in the Annual Report. The perimeters of the Indicators and exclusion rules (e.g. period covered, activities, types of loan) should nevertheless be formalized.

RELIABILITY

Reporting procedures and internal controls should be strengthened and formalized for all Indicators and Statements, and notably for the Indicators related to "Investments in renewable energy and energy efficiency", "Development effectiveness of advisory services", and "Commitments by Environmental and Social Category".

NEUTRALITY AND CLARITY

IFC provides information on the methodologies used to establish the Indicators in the comments next to the published data, in particular for indicators related to carbon footprint, investments in renewable energy and energy efficiency and Microfinance and SME loans, or in the "Development Results" section p. 118.

Information is sometimes split between several separate sections of the Annual Report which makes it less clear and accessible. A more balanced presentation and analysis of the information would also improve the quality of the report.

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; and
—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, reliability, and neutrality and clarity as defined by international standards.

Paris-La Défense, France, August 21, 2009

 **ERNST & YOUNG**
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Eric Duvaud

² A higher level of assurance would have required more extensive work.

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.

ACRONYMS

AGRA	Alliance for a Green Revolution in Africa
CAO	Compliance Advisor/Ombudsman
CAPRI	Capital Pricing and Risk [economic capital approach]
CY	calendar year
DEG	private sector arm of German development agency KfW
DFI	development finance institution
DFID	Department for International Development of the United Kingdom
DOTS	Development Outcome Tracking System
EBRD	European Bank for Reconstruction and Development
FMO	Netherlands Development Finance Company
FY	fiscal year
GBF	Grassroots Business Fund
GTLP	Global Trade Liquidity Program
IBRD	International Bank for Reconstruction and Development (World Bank)
ICF	Infrastructure Crisis Facility (IFC crisis-response facility)
IDA	International Development Association
IEG	Independent Evaluation Group
IFI	international financial institution
ILO	International Labor Organization
KfW	Kreditanstalt für Wiederaufbau [German development agency]
LNG	liquefied natural gas
MIGA	Multilateral Investment Guarantee Agency
MSMEs	micro, small, and medium enterprises
OeEB	Oesterreichische Entwicklungsbank AG [Austrian Development Bank]
PPP	public-private partnership
PROPARCO	Promotion et Participation pour la Coopération Economique [development finance institution of France]
SMEs	small and medium enterprises
UNESCO	United Nations Educational, Scientific and Cultural Organization

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IFC WEB SITE

IFC's Web site, www.ifc.org, provides comprehensive information on every aspect of our activities. It includes contact information for offices worldwide, news releases and feature stories, data on results measurement, disclosure documents for proposed investments, and key policies and guidelines affecting IFC and our client companies.

The online version of the IFC Annual Report 2009 provides downloadable PDFs of all materials in this volume and translations as they become available. It is available at www.ifc.org/annualreport.

The Web site also provides more information on sustainability, including a Global Reporting Initiative index.

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. Robert B. Zoellick, 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, 2009, IFC expanded its sustainable development impact through private sector investments and Advisory Services.