

# OUR PEOPLE & PRACTICES

IFC's corporate culture reflects our commitment to alleviating poverty and creating opportunity for the most vulnerable people in the developing world.

# Governance

## OUR PLACE IN THE WORLD BANK GROUP

The World Bank Group is a vital source of financial and technical assistance to developing countries. IFC is one of five members of the Bank Group, although IFC is a separate legal entity with separate articles of agreement, share capital, financial structure, management, and staff.

Membership in IFC is open only to member countries of the World Bank. As of June 30, 2021, IFC's paid-in capital of about \$20.8 billion was held by 185 member countries. These countries guide IFC's programs and activities.

Since our founding in 1956, we have committed more than \$287 billion of our own funds for private sector investments in developing countries, and we have mobilized more than \$107 billion more from others.\*

In working to end extreme poverty and to boost shared prosperity, we collaborate closely with other members of the Bank Group.

## Our Member Countries — Strong Shareholder Support

| OUR MEMBER COUNTRIES       | PERCENTAGE OF CAPITAL STOCK |
|----------------------------|-----------------------------|
| United States              | 20.91                       |
| Japan                      | 8.27                        |
| Germany                    | 5.27                        |
| France                     | 4.70                        |
| United Kingdom             | 4.70                        |
| India                      | 4.00                        |
| Russian Federation         | 3.78                        |
| Italy                      | 3.16                        |
| Canada                     | 2.99                        |
| The Netherlands            | 2.30                        |
| <b>175 OTHER COUNTRIES</b> | <b>39.92</b>                |

## OUR BOARD

Each of our member countries appoints one governor and one alternate. Corporate powers are vested in the Board of Governors, which delegates most powers to a board of 25 directors. Voting power on issues brought before them is weighted according to the share capital each director represents.

The directors meet regularly at the World Bank Group headquarters in Washington, D.C., where they review and decide on investments and provide overall strategic guidance to IFC management. The President of the World Bank Group is also President of IFC.

## EXECUTIVE COMPENSATION

The salary of the President of the World Bank Group is determined by the Board of Directors. The salary structure for the IFC Chief Executive Officer (CEO) is determined by positioning a midpoint between the salary structure of staff at the highest level, as determined annually by independent U.S. compensation market surveys, and the salary of the World Bank Group President. The compensation of our executive leadership is transparent.

IFC MD and EVP Makhtar Diop received an annual salary of \$408,253, net of taxes.

\*FY20 figure reflected mobilization for Loan & Guarantee participations only. The FY21 figure includes all mobilization types. Please refer to the Operational Highlights table for details.

# Corporate Responsibility

Sustainability is an integral part of our internal business operations. We hold ourselves accountable to the same environmental and social standards we ask of our clients. This commitment connects IFC's mission with how we run our business.

## OUR STAFF

The knowledge, skills, values, and diversity of our staff are key to our comparative advantage, enabling us to bring innovative solutions and global best practices to our clients.

This fiscal year pushed us into uncharted territory to address staff challenges in the wake of the COVID-19 pandemic. As part of World Bank Group emergency response measures, we provided wide-ranging support to protect our global workforce, including health and safety support, financial assistance, and flexible remote work policies, with a focus on staff and dependents in vulnerable locations. The World Bank Group provides an array of programs and services to promote and protect the health and security of staff through services focusing on personal health and wellness, occupational health and safety, and mental health and well-being. IFC management down to managers and team leads provided the support necessary to rapidly transition our workforce to home-based work at headquarters and in country offices. Results from a staff survey showed that most staff adjusted fairly well to home-based work (average score of 8 on a scale of 1-10). In this same period, 91 percent of the workforce gave a favorable response to feeling proud to work at the World Bank Group and 79 percent felt a strong sense of belonging.

## Advancing diversity, equity, and inclusion (DEI)

IFC works with clients across the globe. That broad reach is reflected in our staff who work in more than 100 countries. Having a diverse workforce with essential skills and varied perspectives is critical for IFC to deliver on its strategic agenda.

In FY21, IFC raised the bar on DEI. **We appointed our first dedicated Diversity, Equity & Inclusion (DEI) leader to enhance efforts to create a respectful and inclusive workplace and to define and implement the DEI agenda across the institution.** We also added the concept of equity into our commitment to diversity and inclusion — ensuring that we address the needs of our staff who may be starting from a place of disadvantage, removing barriers that could limit their potential to thrive.

This fiscal year we introduced key performance indicators aligned with the new World Bank Group diversity goals, including gender parity targets by grade groups and indicative staff representation across 20 sub-regions. We now have a baseline for measuring improvement with this new focus, as indicated in the Gender Balance table on the next page.

Our recruitment strategy contributes to IFC's diversity through targeted outreach to underrepresented groups, as well as partnerships with Employee Resource Groups, including GLOBE for LGBT+ staff, All-abilities, and the African Descent Alliance. In FY21, we participated in more than 100 talent outreach events in 53 countries across all regions with more than 63,000 participants in total.

## Fostering an inclusive workplace

IFC fosters an inclusive workplace environment as a critical part of retaining and developing our diverse workforce. Addressing racial inequity became a higher priority during the past year, aligned with the heightened global awareness around racial injustice and systemic racism. IFC offers anti-racism programming, including listening and discussion sessions and training on topics such as unconscious

| INDICATOR   | FY21  | FY20  | FY19  | FY18  |
|---|-------|-------|-------|-------|
| Total full-time staff                                   | 4,283 | 3,931 | 3,739 | 3,918 |
| Non-U.S.-based staff (%)                                | 56.9% | 54.8% | 53.8% | 55.1% |
| Short-term consultants/temporaries (FTEs <sup>1</sup> ) | 1,003 | 1,014 | 1,085 | 1,092 |
| Employee engagement index <sup>2</sup>                  | –     | 69%   | 67%   | 75%   |
| <b>Diversity</b>  |       |       |       |       |
| Women managers (target 50%)                             |       | 39.3% | 39.2% | 39.5% |
| Part II managers (target 50%)                           |       | 43.2% | 41.0% | 40.5% |
| Women GF+ Technical (target 50%)                        |       | 49.4% | 47.8% | 46.7% |
| Sub-Saharan/Caribbean GF+ (target 12.5%)                |       | 13.7% | 13.5% | 11.2% |

1. FTE is full-time equivalent.

2. There was no Engagement Survey in FY21.

bias. IFC's management has adopted specific measures aimed at ending racism in the workplace. IFC also launched an Allies Program in partnership with our Employee Resource Groups, which encourages staff to become allies in eliminating biases and fostering inclusion.

### *Enriching staff development*

The World Bank Group offers a comprehensive approach to staff development, focused on virtual delivery of learning resources during the pandemic. WBG leadership development programs are designed to bolster personal and collective leadership and management skills in the context of organizational priorities. For example, IFC's Sponsorship Program builds a pipeline of diverse leaders by providing visibility and exposure to high potential staff, with a focus on women. The Reverse Mentorship Program pairs young staff as mentors to senior leaders across business functions, fostering inter-generational inclusion and innovation. Given the large number of new staff hired into the organization in the last two years — most of whom have joined virtually — IFC has focused on ensuring they have the knowledge, resources and networks needed to thrive. This includes designated onboarding coordinators, technology support, online training modules, mentoring, and ongoing feedback.

## **GENDER FY21**

|              | <b>STAFF AT OFFICER LEVEL AND HIGHER</b> |       | <b>MANAGERS*</b> |       |
|--------------|--|-------|------------------|-------|
| Female       | 1,335                                    | 48.5% | 91               | 39.4% |
| Male         | 1,419                                    | 51.5% | 140              | 60.6% |
| <b>Total</b> | <b>2,754</b>                             |       | <b>231</b>       |       |

## **GENDER BALANCE INDEX FY21**

|                      |              |
|----------------------|--------------|
| Grades GA-GD         | 0.419        |
| Grades GE-GF         | 0.900        |
| Grades GG+ Technical | 0.920        |
| Managers*            | 0.831        |
| <b>Total</b>         | <b>0.839</b> |

The Gender Balance Index promotes greater gender distribution across all grades. A score of 1 indicates gender parity at a particular grade grouping and IFC overall. The four grade groupings have different weightings. To close the gender gap, the index encourages hiring more women in managerial and GG+ technical grades.

## **WHERE WE WORK FY21**

|                 | <b>STAFF AT ALL GRADE LEVELS</b> |       |
|-----------------|----------------------------------|-------|
| United States   | 1,846                            | 43.1% |
| Other Countries | 2,437                            | 56.9% |
| <b>Total</b>    | <b>4,283</b>                     |       |

\*Managers include Managers, Directors, Vice Presidents, and Managing Director

## Compensation and Benefits

Ensuring competitive compensation and benefits, IFC applies the World Bank Group's compensation framework. Competitive compensation is essential to attract and retain a highly qualified, diverse staff. Salaries for staff recruited in Washington, D.C. are based on the U.S. market. Salaries for staff hired outside the United States are based on local

competitiveness as determined by independent local market surveys. Given the World Bank Group's status as a multilateral organization, staff salaries are determined on a net-of-tax basis.

As of June 30, 2021, the salary structure (net of tax) and annual average net salaries/benefits for World Bank Group staff were as follows:

## Staff Salary Structure and Benefits for Washington, D.C.

| GRADES | REPRESENTATIVE JOB TITLES  | MINIMUM (US\$) | MIDPOINT (US\$) | MAXIMUM (US\$) | STAFF AT GRADE LEVEL (%) | AVERAGE SALARY/ GRADE (US\$) | AVERAGE BENEFITS <sup>a</sup> (US\$) |
|--------|--|----------------|-----------------|----------------|--------------------------|------------------------------|--------------------------------------|
| GA     | Office Assistant   | 29,300         | 41,800          | 54,300         | 0.01%                    | 40,840                       | 22,187                               |
| GB     | Team Assistant, Information Technician                             | 35,100         | 50,200          | 65,300         | 0.09%                    | 46,356                       | 25,184                               |
| GC     | Program Assistant, Information Assistant                           | 43,400         | 62,000          | 80,600         | 5.62%                    | 63,679                       | 34,595                               |
| GD     | Senior Program Assistant, Information Specialist, Budget Assistant | 51,500         | 73,600          | 95,700         | 5.64%                    | 77,912                       | 42,328                               |
| GE     | Analyst  | 70,600         | 100,900         | 131,200        | 9.81%                    | 91,345                       | 49,626                               |
| GF     | Professional   | 93,400         | 133,400         | 173,400        | 22.87%                   | 118,783                      | 64,532                               |
| GG     | Senior Professional  | 120,800        | 172,600         | 224,400        | 37.64%                   | 166,292                      | 90,343                               |
| GH     | Manager, Lead Professional   | 165,300        | 236,100         | 306,900        | 15.51%                   | 234,516                      | 127,408                              |
| GI     | Director, Senior Advisor   | 254,000        | 317,500         | 381,000        | 2.37%                    | 302,536                      | 164,361                              |
| GJ     | Vice President   | 301,000        | 354,100         | 407,200        | 0.37%                    | 363,738                      | 197,611                              |
| GK     | Managing Director, Executive Vice President, Senior Vice President | 334,600        | 393,600         | 452,600        | 0.08%                    | 409,581                      | 261,046                              |

Note: Because WBG staff, other than U.S. citizens, usually are not required to pay income taxes on their WBG compensation, the salaries are set on a net-of-tax basis. These salaries are generally equivalent to the after-tax take-home pay of the employees of the comparator organizations and firms from which WBG salaries are derived. Only a relatively small minority of staff will reach the upper third of the salary range.

a. Includes medical, life and disability insurance; accrued termination benefits; and other non-salary benefits. Excludes tax allowances.

## OUR OFFICES

Minimizing IFC's impact on the environment is a priority for us. That's why we design and manage our buildings in a sustainable way. We work to reduce energy demands on our facilities and offset 100 percent of emissions that cannot be eliminated.

### Using natural resources efficiently

IFC's largest office, our headquarters in Washington, D.C., accounts for almost half of our global real estate footprint by square foot. Our headquarters expanded in FY20 with an adjacent building, adding 154,750 square feet — a 15 percent increase to the footprint. Both buildings that make up HQ are certified LEED Platinum — the highest level of energy efficiency for Class A office buildings in Washington, D.C.

In FY19, 70 solar panels were installed on the rooftop to provide renewable power. Additionally, through

our power contracts, 20 percent of FY20's electricity came from renewable energy. We work to optimize power usage in the facility. The original headquarters building received the 2020 Energy Star Award with a score of 82.

IFC is committed to sustainability throughout our global footprint of office facilities. In FY21, HQ added a rooftop garden. The yield of this garden will be donated to a local nonprofit organization. A biophilic design space was added within one department to promote wellness and productivity.

IFC's latest construction in Dakar, Senegal had sustainability at the forefront with a building strategy to: maximize natural daylight reducing energy use from the grid; incorporate thermal mass and solar shading into the façade; generate energy from rooftop solar panels; collect rainwater through a system to reduce burdens on local external water resources; and many other sustainable features.

## Maintaining climate neutrality

IFC continues to operate carbon-neutral for all globally conducted business, including air travel.

In FY20, the latest year for which data is available, carbon emissions from our global business operations totaled 47,023 metric tons of carbon dioxide equivalent — of which business travel accounted for 74 percent. Office electricity consumption accounted for an additional 19 percent — just over half of which was attributable to IFC headquarters.

In FY19, IFC announced our first-ever global corporate carbon emissions reduction target to reduce facility-related emissions (Scope 1 and 2) by 20 percent between 2016 and 2026, as part of a 28 percent reduction pledged by the entire World Bank Group over the same period. Percentage reductions year on year conclude that IFC is on track to meet the emissions reduction target. From FY16 to FY20, the emission reductions from Scope 1 and 2 are down 26 percent. However, this is in part due to the transition from offices to home-based work that occurred at the end of Q3 in FY20. The reduction rate is not representative of a full year of office electricity usage.

IFC's carbon emissions per full-time employee rate decreased every year from FY16 to FY19 but increased again in FY20. From FY19 to FY20, the rate went from 8.53 to 9.23. This is due to an increase in both emissions and FTEs during this period. Starting with FY20's emissions reporting, the WBG is accounting for radiative forcing, the change in radiation received at the surface of the earth due to the emission of GHGs. By applying a multiplier of 1.9 to our Scope 3 air travel emissions, we can better account for those emissions' impact on the planet. Additionally, we have added emissions from the Cool Food Pledge to our HQ Scope 3 emissions. These are HQ food purchasing-related emissions that are calculated by the World Resources Institute. The addition of these new metrics increased our overall Scope 3 emissions leading to the higher emissions by FTE rate in FY20.

We purchase and retire carbon credits (CERs and/or VERs) and renewable energy certificates (RECs) annually to fulfill our carbon-neutral commitment. CERs and VERs are chosen based on WBG guidelines to ensure high-quality projects that bring tangible development benefits to the communities in which they take place. IFC purchases RECs to neutralize the energy consumption of our HQ office. Twenty percent of our HQ electricity is supplied by renewable energy provided by IFC's energy provider, which is enforced by DC law. Each year, IFC reports its greenhouse emissions annually in the United Nations Climate Neutral Now initiative. More details can be found at [www.ifc.org/corporateresponsibility](http://www.ifc.org/corporateresponsibility).

| <b>FY20 CARBON EMISSIONS INVENTORY FOR IFC'S GLOBAL OPERATIONS</b>   | <b>METRIC TONS OF CARBON DIOXIDE EQUIVALENT</b> |
|--|---|
| Business Travel (Scope 3)  | 34,692  |
| HQ Office Electricity (Scope 2)  | 4,490   |
| Country Office Electricity (Scope 2)   | 4,093   |
| Other<br>(Scope 1, Scope 2 from Water Chiller Electricity, Purchased Steam and Scope 3 mobile (as of 2013) and HQ Cool Food Pledge emissions (as of 2020)) | 3,748   |
| <b>TOTAL EMISSIONS</b>   | <b>47,023</b>                                   |

Note: Emission factors are in accordance with the World Bank Group's Inventory Management Plan. The process of validating data from country offices extends beyond Q1 of each Fiscal Year. Therefore, prior fiscal year data are presented in this report.

## Global Partnerships

Partnerships have always been integral to IFC's mission. However, such relationships have grown in importance over the past year as IFC worked to respond to the COVID-19 pandemic and realigned to meet the obligations set forth in the \$5.5 billion capital increase that shareholders endorsed in 2018 and became effective in 2020.

Currently, IFC maintains donor relationships and engagements with more than 30 government development agencies, with several foundations and corporations, and with multilateral organizations. The support IFC receives from these development partners provides essential funding for Upstream, advisory services, and blended finance as well as underpinning the critical role the private sector plays in economic development. Taken together, this constellation of services comprises the heart of IFC's 3.0 strategy.

### Improving global healthcare

The Global Health Platform is a \$4 billion financing initiative to increase the access of developing countries to critical healthcare supplies required to fight the pandemic, including masks, ventilators, test kits, and vaccines. It includes a \$25 million advisory component that is intended to create projects and open markets for increased local manufacturing of healthcare products and service capacities and improve resource efficiency in the pharmaceutical sector while increasing access to safe and quality healthcare services. It will help improve the resilience of medical facilities and other actors in the healthcare supply chain; address the gender gap in healthcare employment and leadership; and support other efforts along the healthcare product and service value chain. The advisory component is supported by the Governments of Japan, Norway, and the United Kingdom.

With this mission in mind, IFC did a corporate Funding Needs Assessment, the results of which are now being integrated into IFC's annual budgeting process to ensure a tight link between development partner funding and our country strategies. IFC's new approach to fundraising and development partnerships entails concentrating resources to ensure the collective focus is on working together toward our 2030 commitments and addressing key development challenges.

This approach allows us to be more strategic and coordinated in our engagement with IFC's partners. It helps us present a holistic view of IFC's activities across various themes and regions to align our activities with the strategic priorities of our partners, and aids our efforts to strengthen collaboration with our colleagues at the World Bank.

We are also working on increasing efficiencies in the areas of trust funds, particularly in preparing proposals for partners and allocating funds.

Ultimately, IFC is better positioned than ever to create markets, incubate new ideas, and allow proven solutions to be scaled up. As our strategy depends more on working Upstream to create markets and to mobilize private sector investment and then focuses more on deploying catalytic capital to address climate change through blended finance, IFC's reliance and integration with our partners can only deepen.

### Making life better for forcibly displaced persons

The Prospects Partnership initiative brings together IFC, the Government of the Netherlands, the International Labour Organization (ILO), the United Nations Refugee Agency (UNHCR), UNICEF, and the World Bank to improve the quality of life for forcibly displaced persons. A new \$17.5 million blended finance facility is working to de-risk and increase the financial viability of high impact projects benefitting refugees. The Prospects Partnership is doing this by unlocking private sector financing for innovative and scalable investments that address economic and social challenges, enabling new and emerging private sector approaches and solutions for refugees, and demonstrating the commercial viability of refugee-focused investments for the private sector.

## **Supporting the food production value chain in Africa**

IFC and BMZ, the German Federal Ministry for Economic Cooperation and Development, launched a new program that will leverage greater private sector investments to support the food production value chain across Africa and increase access to finance for rural farmers and businesses. The Euro 21 million Food Systems Development Program focuses on giving food producers, ranging from smallholder farmers to small- and medium-sized agribusinesses in Africa, greater opportunities to improve their incomes. IFC's technical assistance will strengthen agricultural value chains from farm to market. Supply chain disruptions caused by the COVID-19 crisis have highlighted weaknesses in the food supply system and created an opportunity to explore technology-based solutions that will make the sector more efficient, adaptive, and resilient.

## **Distributed renewable energy solutions**

A partnership with the Rockefeller Foundation aims to deploy \$150 million of the Rockefeller Foundation's catalytic capital in blended finance to mobilize up to \$2 billion of private sector investment in distributed renewable energy solutions. The partnership will prioritize countries in Sub-Saharan Africa and other regions in which we have identified immediate opportunities. Ultimately, the list of countries where this partnership will deploy will be broadened during implementation. By blending philanthropic and private investment funding, the Rockefeller Foundation and IFC will de-risk capital investment in distributed renewable projects in emerging markets and help to address global energy access needs.

## Financial Commitments to IFC Advisory Trust Funds (US\$ million equivalent)

| <b>Summary</b>                             | <b>FY21</b>   | <b>FY20</b>   |
|--|---------------|---------------|
| Governments                                | 179.42        | 267.79        |
| Institutional/Multilateral Partners        | 31.15         | 14.14         |
| Corporations, Foundations, and NGOs        | 0.00          | 6.02          |
| <b>Total</b>                               | <b>210.57</b> | <b>287.95</b> |
| <b>Governments</b>                         | <b>FY21</b>   | <b>FY20</b>   |
| Australia                                  | 3.11          | 7.19          |
| Austria                                    | 1.32          | 7.19          |
| Canada                                     | 3.98          | 0.00          |
| Denmark                                    | 3.28          | 0.89          |
| Finland                                    | 0.00          | 0.00          |
| France                                     | 2.42          | 0.00          |
| Germany                                    | 63.64         | 25.17         |
| Hungary                                    | 10.00         | 0.00          |
| Ireland                                    | 0.71          | 0.66          |
| Japan                                      | 37.14         | 9.37          |
| Korea, Republic of                         | 9.00          | 0.00          |
| Luxembourg                                 | 0.00          | 1.16          |
| The Netherlands                            | 21.09         | 52.25         |
| New Zealand                                | 0.00          | 2.50          |
| Norway                                     | 8.63          | 19.37         |
| Spain                                      | 0.00          | 3.39          |
| Sweden                                     | 1.19          | 23.44         |
| Switzerland                                | 3.80          | 21.99         |
| United Kingdom                             | 10.11         | 90.15         |
| United States                              | 0.00          | 3.05          |
| <b>Total</b>                               | <b>179.42</b> | <b>267.79</b> |
| <b>Institutional/Multilateral Partners</b> | <b>FY21</b>   | <b>FY20</b>   |
| Climate Investment Funds (CIF)             | 0.00          | 0.65          |
| European Commission (EC)                   | 28.07         | 6.85          |
| Global Environment Facility (GEF)          | 0.00          | 0.85          |
| Global Infrastructure Facility (GIF)       | 3.08          | 5.79          |
| <b>Total</b>                               | <b>31.15</b>  | <b>14.14</b>  |
| <b>Corporations, Foundations, and NGOs</b> | <b>FY21</b>   | <b>FY20</b>   |
| BHP Foundation                             | 0.00          | 5.02          |
| Wells Fargo Foundation                     | 0.00          | 1.00          |
| <b>Total</b>                               | <b>0.00</b>   | <b>6.02</b>   |

## Financial Commitments to IFC Blended Finance Trust Funds (US\$ million equivalent)

| <b>Development Partner</b> | <b>FY21</b>  | <b>FY20</b>  |
|----------------------------|--------------|--------------|
| The Netherlands            | 17.50        | 21.70        |
| United Kingdom             | 53.68        | 0.00         |
| <b>Total</b>               | <b>71.18</b> | <b>21.70</b> |

## Portfolio Management

Building and proactively managing a portfolio that produces strong financial results and development impact is at the core of IFC's approach to portfolio management. We achieve this by pairing a strong presence on the ground with deep sector expertise. This enables us to stay close to our clients and markets, monitor trends, and anticipate impacts of external factors.

Active portfolio management depends on timely and accurate information to drive business decisions. An IFC management committee — the Operations Committee — regularly reviews IFC's portfolio exposure of \$64.1 billion for IFC's own account, assessing broad trends as well as the performance of select projects. This review is complemented by monthly in-depth discussions about IFC's key sector and country exposures, along with those of strategic importance to the Corporation. Additionally, quarterly reviews of IFC's portfolio results are presented to the Board, along with an in-depth analysis at the end of each fiscal year. Our investment and portfolio teams, largely based in field offices, complement global reviews with asset-by-asset quarterly assessments, for both debt and equity investments.

At the corporate level, IFC combines portfolio analysis with sector and local expertise, along with project knowledge and projections of global macroeconomic and market trends to inform decisions about future investments. We also regularly conduct stress tests to assess the performance of the portfolio against possible macroeconomic developments, and to identify and address risks. This has been especially important recently, given the impact of COVID-19 on IFC's clients, and the macroeconomic and political dislocations seen in select countries.

At the project level, our multidisciplinary teams — including investment and sector specialists — closely monitor investment performance and compliance with investment agreements. We do this through site visits to evaluate project implementation, and through active engagement with sponsors and government officials, where relevant, to identify potential problems early on and formulate appropriate solutions. We also monitor our clients' environmental and social performance in a risk-based manner and measure financial performance and development results. In recent times, we have developed a set of guidelines to facilitate our ongoing engagement with clients and other stakeholders through virtual interactions, while maintaining face-to-face engagements when the situation allows.

Following the financial crisis that took hold in 2008, IFC scaled up our equity commitments. Since 2016, we have modified our approach to equity investments with the goal of improving development results and overall performance. This has translated into more moderate growth and greater selectivity. In the last few years, we successfully exited from a series of mature assets in which IFC no longer had a development role. This rebalancing of our equity portfolio was the result of our regular strategic asset allocation and portfolio construction exercises, which are periodically adjusted as needed.

IFC's Global Equity Heads, which improved our governance structure, are critical to strategic business development, central oversight, and managing IFC's larger and more complex equity positions throughout the investment lifecycle. Under the leadership of the Global Equity Heads, we had seen steady improvements in our portfolio performance in the last few years and despite the unprecedented COVID-19 crisis, our equity portfolio has bounced back considerably, closing FY21 with a positive net impact of \$3.2 billion on IFC's FY21 profit and loss statement attributed to IFC's equity book. IFC's services are needed more than ever and we remain focused on actively sourcing and executing equity and mezzanine transactions supporting companies to weather global and local macro and sector challenges, promoting higher ESG standards, and mobilizing other equity providers for our investee companies.

As the world is beginning to recover from the pandemic, our equity pipeline is growing with strategic and thoughtful investment proposals in critical sectors — from insurance and fintech companies in the financial inclusion space to digital infrastructure platforms and logistics clients in the infrastructure sector as well as new healthcare and agribusiness opportunities. Our disruptive technologies and funds team is developing a strong pipeline of co-investment opportunities alongside top-tier fund managers in addition to making selective, direct investments.

Mobilizing capital is imperative to IFC's success in responding to the COVID-19 pandemic. We are also facilitating the reconstruction of markets in the aftermath of the crisis and supporting the renewal of private equity flows to emerging markets, to fulfill our goal of having impact at scale. In the near term, IFC, through AMC, is pursuing co-investment vehicles. These vehicles are likely to use a simple mobilization structure whereby investors automatically co-invest alongside IFC.

Our Special Operations Department is responsible for determining the appropriate remedial actions for projects in financial distress. It seeks to keep the project operational to achieve the intended development impact and negotiates agreements with creditors and shareholders to share the burden of restructuring. Investors and other partners participating in IFC's operations are kept informed, and IFC consults with or seeks their consent as appropriate.

IFC continues to invest in information technology systems to better support the management of our portfolio. We have also strengthened our portfolio support structure and continuously enhance our governance, through the creation of the corporate Operations Support Unit, which works closely together with stakeholders both in the global industry and regional departments.

## ■ Treasury Management

### Funding

IFC raises funds in the international capital markets for private sector lending and to safeguard IFC's triple-A credit ratings by ensuring adequate liquidity.

Issuances include benchmark bonds in core currencies such as U.S. dollars, thematic issuances to promote strategic priorities such as addressing climate change, and issuances in emerging-market currencies to support the development of capital markets. Most of IFC's lending is denominated in U.S. dollars, but we borrow in many currencies to diversify access to funding, reduce borrowing costs, and encourage the growth of local capital markets.

IFC has played a pioneering role in the area of sustainable bonds. We were one of the earliest issuers of green bonds. Since we began our program in 2010, we helped catalyze the market and unlock capital from the private sector to fund climate-smart projects. In 2013, we helped turn niche green bonds to an established public market, with two landmark \$1 billion benchmark issuances. This past year, IFC passed the \$10 billion mark of cumulative green bond issuances after a historic trade with Japan's Government Pension Investment Fund, GPIF.

Investing for sustainable development is now becoming mainstream, but there remains a huge funding gap to bridge for the world to meet its ambitious 2030 development goals. With much of the global economy severely impacted by COVID-19, our mission is more urgent than ever. Social bonds are an avenue for investors to generate returns while supporting the alleviation of social issues that threaten society or improving access to essential services for those underserved.

In light of COVID-19 and the social challenges borne from coronavirus, social bonds are now front and center of the thematic bond market, and demand is higher than ever. A majority of the social bonds issued this year have been related to funding for issues related to the COVID-19 crisis. Issuances of social bonds equaled \$165 billion in 2020.

Our goal is to continually provide much-needed liquidity to the growing sustainable bond market through our continued issuance. In tandem, our investor relations efforts focus on promoting the integration of environmental, social, and

governance factors in investment decisions and increasing knowledge of the sustainability issues being addressed with capital raised from sustainable bond products.

IFC has achieved an expansion of its investor base through its activity in sustainable bonds.

In FY21, new medium- and long-term borrowings totaled \$12.7 billion.

### Liquidity management

Liquid assets on IFC's balance sheet totaled \$41.7 billion as of June 30, 2021, compared to \$40.8 billion a year earlier. Most liquid assets are held in U.S. dollars. The exposure arising from assets denominated in currencies other than U.S. dollars is hedged into U.S. dollars or matched by liabilities in the same currency to eliminate overall currency risk. The level of these assets is determined with a view to ensuring sufficient resources to meet commitments even during times of market stress. IFC maintains liquid assets in interest-bearing instruments managed actively against benchmarks based on the source of funds. Funded liquidity has money-market benchmarks, and net-worth funded liquidity is benchmarked to the Bloomberg-Barclays 1- to 3-year U.S. Treasury Index.

IFC holds sufficient liquid assets to meet its existing commitments and fund new commitments for at least one year, including the ability to sustain a period of market stress. The adequacy of liquidity is assessed using liquidity coverage ratios founded in the same principles used to determine our credit ratings.

### FY21 TOTAL BORROWING

| CURRENCY                |     | AMOUNT (US\$ EQUIVALENT) | %           |
|-------------------------|-----|--------------------------|-------------|
| U.S. dollar             | USD | 6,061,290,000            | 47.8%       |
| British pound           | GBP | 1,509,052,500            | 11.9%       |
| Australian dollar       | AUD | 1,241,373,000            | 9.8%        |
| Japanese yen            | JPY | 605,990,059              | 4.8%        |
| New Zealand dollar      | NZD | 552,762,500              | 4.4%        |
| Canadian dollar         | CAD | 383,435,583              | 3.0%        |
| Chinese yuan (Renminbi) | CNY | 357,989,093              | 2.8%        |
| Brazilian real          | BRL | 268,610,651              | 2.1%        |
| Russian ruble           | RUB | 255,894,303              | 2.0%        |
| Euro                    | EUR | 229,112,000              | 1.8%        |
| Mexican peso            | MXN | 210,950,391              | 1.7%        |
| Norwegian krone         | NOK | 161,987,041              | 1.3%        |
| Other                   |     | 848,236,628              | 6.7%        |
| <b>Total</b>            |     | <b>12,686,683,749</b>    | <b>100%</b> |

# ■ Managing Risks

## **ENTERPRISE RISK MANAGEMENT**

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IFC provides long-term investments to the private sector in emerging markets, and this work includes expanding the investment frontier into the most challenging markets. IFC also manages the liquidity of the Corporation, funds itself in the capital markets, and executes derivatives transactions. In these investment and financial activities, IFC is exposed to a variety of financial and nonfinancial risks. Active monitoring and sound management of evolving risks are critical to fulfilling our mission.

IFC's framework for enterprise risk management is designed to enable the prudent management of financial and reputational impacts that originate from our business activities. In this context, IFC's risk-management efforts are designed specifically to help align our performance with our strategic direction.

IFC has developed risk-appetite statements that set the direction for our willingness to take on risks in fulfillment of our development goals. These statements reflect our core values of maximizing development impact, preserving our financial sustainability, and safeguarding our brand.

## **CAPITAL ADEQUACY AND FINANCIAL CAPACITY**

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Sound risk management plays a crucial role in ensuring IFC's ability to fulfill our development mandate. The very nature of IFC's business, as a long-term investor in dynamic yet volatile emerging markets, exposes us to financial and operational risks.

Prudent risk management and a solid capital position enable us to preserve our financial strength and maintain investment activities during times of economic and financial turmoil.

The soundness and quality of IFC's risk management and financial position are demonstrated by our triple-A credit rating, which has been maintained since coverage began in 1989.

We assess IFC's minimum capital requirement in accordance with our economic capital framework, which is aligned with the Basel framework and leading industry practice. Economic capital acts as a common currency of risk, allowing us to model and aggregate the risk of losses from a range of different investment products as well as other risks.

Consistent with industry and regulatory practice, IFC calculates economic capital for the following risk types:

- Credit risk: the potential loss due to a client's default or downgrade
- Market risk: the potential loss due to changes in market variables (such as interest rates, currency, equity, or commodity prices)
- Operational risk: the potential loss resulting from inadequate or failed internal processes, people, and systems, or from external events

IFC's Capital Available consists of paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves. Excess available capital, beyond that required to support existing business, allows for future growth of our portfolio while also providing a buffer against unexpected external shocks. As of June 30, 2021, total Capital Available stood at \$30.7 billion, while Capital Required totaled \$20.5 billion.

## **TREASURY RISK MANAGEMENT**

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Treasury risks are managed through a two-tier risk framework: (1) a comprehensive policy framework and (2) a hard economic capital limit for treasury activities. The policy framework is based on four principles:

- (1) Investment in high-quality, liquid assets through high-quality counterparts
- (2) Diversification via position size/ concentration limits
- (3) Limits on market risks (credit spread, interest rate, and foreign-exchange risk)
- (4) Proactive portfolio surveillance

## LIBOR Transition

In 2014, global regulators highlighted financial stability and integrity risks associated with overreliance on the London Interbank Offered Rate (LIBOR). National working groups worldwide were convened to support a transition away from IBORs by identifying robust alternative interest rate benchmarks. The Alternative Reference Rates Committee (ARRC) recommended the Secured Overnight Financing Rate (SOFR)\* to replace US\$ LIBOR.

After several years of preparation for LIBOR's demise, on March 5, 2021 the Financial Conduct Authority (FCA), the regulator of LIBOR, confirmed the following timeline for all LIBOR settings to either cease to be provided by any administrator or to no longer be representative:

- **December 31, 2021:** Most non-US\$ denominated settings, as 1-week and 2-month US\$ settings;
- **June 30, 2023:** Remaining US\$ settings (overnight, 1-, 3-, 6-, and 12-month)

Although publication of most US\$ LIBOR settings will continue for use in existing contracts until mid-2023, regulators have called for no new LIBOR contracts to be written after December 31, 2021.

IFC's balance sheet is entirely referenced to LIBOR. The move to SOFR is a monumental undertaking impacting contracts, models, systems, reporting, etc., requiring the concerted work of nearly every department of IFC.

IFC launched its LIBOR Transition program in 2019 by establishing an internal LIBOR Transition Group (LTG) with representatives from various stakeholder units.

IFC has since completed a number of major transition milestones:

- (i) completed an assessment of the impact of the LIBOR transition on IFC;
- (ii) built a program governance model with defined roles and responsibilities;
- (iii) developed a transition roadmap and robust project management plan;
- (iv) formally signed up to the International Swaps and Derivatives Association protocol on January 22, 2021. The protocol sets common contractual language for legacy LIBOR derivatives and includes robust fallbacks to risk-free rates;
- (v) approved general principles introducing a disciplined Funds Transfer Pricing (FTP) framework;
- (vi) started hedging its borrowings to SOFR; and
- (vii) issued its first SOFR floating-rate note.

IFC is working with third-party technology vendors to complete all necessary systems' enhancements to support the SOFR rate. IFC's New Loan Products Design working group is developing SOFR loans that IFC plans to start offering to its clients in the near future. In addition, IFC participates in Alternative Reference Rates Committees and a variety of other industry working groups, leads a regular MDB/DFI Forum bringing together 19 institutions to jointly discuss LIBOR transition-related issues — from new product developments to systems and legal documentation.

\*Unlike LIBOR, SOFR is a secured overnight risk-free rate calculated based on the overnight US Treasury repo market. The current SOFR structures recommend by regulators result in interest rate setting at the end of an interest period, unlike LIBOR which is known in advance. This presents a series of significant challenges, particularly in developing markets. The good news is that the US\$ LIBOR transition process (including market developments and regulatory guidance) is quickly evolving, with the prospect of a forward-looking Term SOFR coming into closer view.

## ESG Survey

Over the last eight years, IFC Treasury has operated an Annual Dealer Scorecard through which it ranks its dealer counterparts on various aspects of business, including arbitrage funding provided, quality of coverage and investor relations efforts, ESG standing, and ancillary services. In recent years there has been an increasing focus on integrating ESG aspects into traditional Treasury functions, for example, through thematic bond issuances and considering ESG in investment decisions. To this end, IFC's Funding and Investor Relations team developed an annual survey to assess the ESG facets of the approximately 40 banks that provide underwriting and dealing services for IFC's \$14 billion annual funding program. It is a first-of-its-kind initiative.

The ESG survey assesses each dealer's level of ambition and commitment to ESG across enterprise-level strategy, business and investment activities, human resources policies, product offerings, and reporting practices. It contains questions ranging from their ESG exposure and policies, thematic investing, and carbon footprint to ESG reporting practices, and evaluates their commitment to achieving the goals of the Paris Agreement. The data collated is used to engage with and provide feedback to the dealers. Results from the ESG survey also form 10 percent of the overall Annual Dealer Scorecard ranking, a basis by which IFC selects banks for its funding transactions. ESG factors are thus considered when mandating banks for future bond issuances and investor activities.