

# SUSTAINABILITY

IFC has long provided leadership in shaping the environmental, social, and corporate governance (ESG) landscape, from pioneering private sector sustainability safeguards to establishing rigorous ESG risk-management practices. The [Sustainability Framework and Corporate Governance Methodology](#) anchor IFC's ESG risk-management approach. They establish a solid foundation for growing IFC's own business sustainably, as well as building the capacity of our clients, and the future industry leaders in emerging markets and developing economies.

As the global sustainability agenda advances, IFC has continued to innovate. Whether breaking new ground with digital tools that monitor project impact more efficiently or forging partnerships to tackle emerging ESG frontiers, IFC is playing a catalytic role in establishing standards for private sector growth and implementing new sustainability disclosure standards, thus channeling financing to create more sustainable markets.

## IFC AS A STANDARD SETTER

At the core of our Sustainability Framework are IFC's Performance Standards, which define how our clients avoid, mitigate, and manage environmental and social

(E&S) risks. For nearly two decades, our Performance Standards have served as a global benchmark. As of June 30, 2024, nearly 130 financial institutions across the world have become signatories to the Equator Principles, which were built on IFC's Performance Standards. Beyond this, a growing number of financial institutions and their sustainability frameworks have either adopted or been influenced by IFC's Performance Standards. In September 2023, IFC released the [Guidance Note on Financial Intermediaries](#), which provides enhanced clarity and practical explanations on the applicability of the IFC Sustainability Framework to financial intermediaries.

The World Bank Group's [Environmental, Health, and Safety \(EHS\) Guidelines](#) are the technical reference documents of Good International Industry Practice (GIIP) for financial institutions, companies, and ESG practitioners across the globe. In close collaboration with the World Bank and MIGA, we have begun updating and modernizing the guidelines to reflect the current GIIP, including strengthened guidance on managing climate, community, and occupational health and safety issues. The updated EHS Guidelines for Airports, Electric Power Transmission and Distribution, and Health Care Facilities are expected to be released for public consultation in FY25, followed by the General EHS Guidelines. Other industry-sector EHS guidelines will be updated in FY25 and thereafter.

Corporate governance considerations are crucial for effective decision-making and implementation of the sustainability agenda. Through the [Climate Governance](#)

[Progression Matrix](#) and [tip sheet](#) for boards of directors for identifying and overseeing climate-related risks and opportunities, IFC has been supporting its investment and advisory clients in implementing sound climate governance practices to facilitate their climate action and reporting.

## PARTNERSHIPS

To amplify its impact, IFC partners with leading ESG networks and organizations.

### **Sustainable Banking and Finance Network (SBFN).**

SBFN is a global knowledge-sharing and capacity building platform for financial regulators and industry associations from emerging markets. IFC has continued to serve as the Secretariat and knowledge partner for SBFN. In April 2024, the network released its latest Global Progress Brief and launched the innovative SBFN Data Portal, offering unprecedented insights into sustainable finance trends across 66 countries.

### **International Financial Reporting Standards (IFRS) Foundation.**

The IFRS Foundation's International Sustainability Standards Board (ISSB) issued two inaugural standards in June 2023 with the objective of delivering consistency and comparability of sustainability-related financial disclosures for capital markets. In June 2024, IFC and the IFRS Foundation established a strategic partnership to strengthen sustainable capital markets by improving sustainability and climate reporting. Recognizing that jurisdictions

making up approximately 55 percent of global gross domestic product have already taken steps toward using these standards, the partnership will focus on implementing programs to promote and build capacity for the consistent application of the IFRS Sustainability Disclosure Standards across EMDEs. This includes developing toolkits and research as well as delivering training to encourage sustainability reporting. The partnership also outlines plans to provide technical assistance and tailored support to help jurisdictions adopt and implement these standards effectively.

#### **Corporate Governance Development Framework (CGDF).**

IFC is an active member in the CGDF — a joint initiative of 33 Development Finance Institutions (DFIs) that seeks to develop a common approach on addressing corporate governance risks and opportunities in DFI investment operations. In 2023, IFC led the CGDF Working Group and, in March 2024, IFC hosted the annual meeting featuring the launch of an updated [CGDF Corporate Governance Progression Matrix](#). The matrix is based on the IFC Corporate Governance Methodology and guides companies, investors, regulators, corporate governance evaluators, and other stakeholders in assessing and improving a company's governance framework.

**International Labour Organization (ILO).** IFC continues to collaborate with ILO and international global unions to share knowledge on sectoral and thematic labor issues and promote robust labor risk management. In May 2024, IFC and ILO organized a country-level workshop in Cairo, Egypt that discussed synergies and differences between local law and international good practice. Similar events have been planned for FY25.

## **CAPACITY BUILDING**

Through our [ESG advisory services](#), we support our clients and the broader market in navigating ESG challenges. Among other initiatives, in May 2024, IFC organized the first of its train-the-trainer events for representatives of partner institutions who will be providing advisory services in climate governance for boards in Europe and Central Asia.

We continually develop open-source public goods on good practices related to sustainability issues. In addition to thematic knowledge products covering topics such as [biodiversity](#), [sustainable finance](#), [gender diversity](#), and [resettlement](#), we have released new knowledge products such as “[Advancing UN Sustainable Development Goals through IFC's Environmental, Social, and Governance Standards](#),” which serves as a private sector guide and dataset to assist the private sector in leveraging ESG risk-management approaches to contribute to achieving the SDGs. IFC is also helping companies build capacity to translate sustainability commitments into practical, measurable financial decisions. Our ESG resources are valued by our clients and the broader market, contributing to more than 750,000 page views and 231,000 downloads in FY24.

We are also continuing to strengthen IFC's E&S staff capacity. Since June 2023, a self-assessment tool that provides a structured personalized learning plan was made accessible to our E&S teams for their continuous professional development. This is supplemented by our Professional Learning Program, which targets the core competencies that our E&S specialists need for delivering quality, consistency, and rigor in the application of IFC's E&S policies and procedures and in the review of clients' performance and implementation of the Performance Standards.

In January 2024, the world's first online training program on [Applying the IFRS Sustainability Disclosure Standards](#) was launched by IFC, the IFRS Foundation, and the UN Sustainable Stock Exchanges Initiative. Over 5,000 participants in ten EMDEs have already taken this course.

## **INNOVATIVE TOOLS**

IFC continues to innovate with using artificial intelligence (AI) and digital technology tools to monitor and amplify ESG impacts. In FY22, IFC launched Machine Learning ESG Analyst (MALENA), an AI-powered platform that extracts meaningful insights from unstructured ESG data at scale, enabling rapid analysis, and increasing productivity. Trained by IFC on a unique set of emerging markets ESG data, MALENA uses natural language processing and

rapidly identifies over 1,000 climate, gender, and ESG risk terms and predicts sentiments based on context. IFC specialists use insights drawn from MALENA to support ESG due diligence and portfolio monitoring. The project was selected as a finalist in the Monetary Authority of Singapore's highly competitive AI in Finance 2023 Global FinTech Hackcelerator program and was showcased at the Singapore Fintech Festival to 66,000 attendees in November 2023. IFC has also launched a free, public-good version of MALENA, available at: [www.malena.ifc.org](http://www.malena.ifc.org).

Designed to enhance ESG due diligence and portfolio operations by improving consistency and efficiency of analysis, IFC continues to develop the new *ESG360* platform (formerly known as the Sustainability Rating Tool) to be a one-stop-shop for ESG and operation teams with respect to ESG data and to support due diligence and monitoring of IFC's projects. Following a successful pilot phase in FY23 and FY24, ESG360 has now been rolled out to all IFC projects, including new business and portfolio projects. ESG360 also supports corporate governance diligence and portfolio. The corporate governance component of the ESG360 platform includes the generation of risk categorization, system-facilitated information gathering from clients, as well as a system that allows for easy identification of red flags and potential mitigants.

IFC also provides leadership through its [Beyond the Balance Sheet Sustainability Disclosure Platform](#). Launched in October 2023, Beyond the Balance Sheet is an IFC-facilitated program that helps companies, banks, regulators, and stock exchanges develop sustainability and climate reporting necessary to remain relevant in a fast-changing and data-driven world. In particular, the online platform is designed to guide emerging-market companies on how to implement leading disclosure and transparency regulations and practices. This online ecosystem includes a digital toolkit, e-learning courses, self-assessment tools, and abundant sources to navigate the contemporary sustainability reporting landscape.