OUR PEOPLE & PRACTICES

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

Understanding Our Development Impact

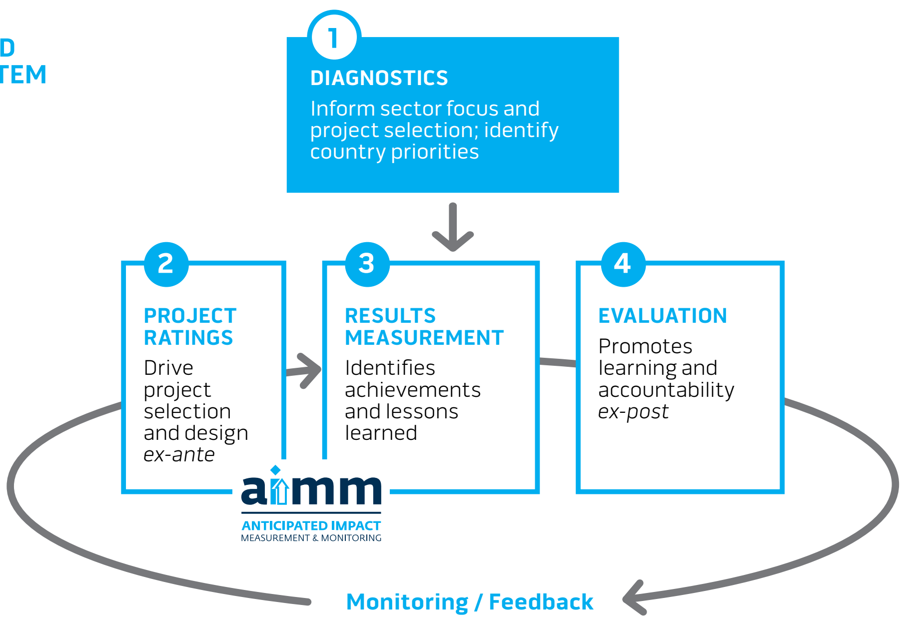
IFC is at the forefront of development-impact measurement for private sector operations. We are one of the few international financial institutions that set corporate targets for direct development impact. Measuring the results of our work is at the heart of what we do. It is critical to understanding how well our strategy is working—and whether IFC and our clients are reaching the people and markets that most need our help.

IFC'S IMPACT ASSESSMENT AND RESULTS-MEASUREMENT SYSTEM

IFC has developed a comprehensive system to guide operations to achieve strong development impact and improve our performance each year. The process begins with country and sector diagnostics and identification of priorities and potential projects. It is buttressed by an assessment of anticipated development impact that informs project selection and design. It is deepened by regular monitoring of operational project results and, eventually, selective evaluation of mature projects to identify impacts achieved and lessons learned.

Diagnostics: Our work begins with a diagnosis of the needs of the private sector in specific countries. IFC introduced a new tool—Country Private Sector Diagnostics (CPSDs)—to identify constraints to

AN END-TO-END SUPPORT SYSTEM FOR IMPACT ASSESSMENT



private sector investment, pinpoint sectors that have the greatest potential for private sector engagement, and recommend specific activities to drive developmental priorities. This approach enables the World Bank Group, governments, and partners to define development challenges and take concrete actions to address them.

Working closely with the World Bank, IFC has completed CPSDs for Ghana and Kazakhstan and has started work in 13 other countries across the globe. More will follow over the next three years.

AIMM: IMPROVING PROJECT SELECTION AND DESIGN

In 2017, IFC introduced a new project-impact-assessment tool that strengthens our results measurement framework—the Anticipated Impact Measurement and Monitoring (AIMM) system. Under this system, proposed projects are rated and selected on the basis of their ex-ante—or expected—development impact. This approach enables us to set ambitious yet achievable targets, select projects with the greatest potential for development impact, and optimize project design. With the system in place, IFC is now better able to select a mix of projects that deliver high development impact and solid financial returns. We continue to work to refine the system.

The AIMM system enables IFC to assess a project's outcomes as well as its effect on market creation. It looks at how investment beneficiaries—including employees, customers, and suppliers—are affected. It also examines broader effects on the economy and on society. The system enables IFC to examine how a project promotes objectives that underpin IFC's efforts to create markets—by promoting competitiveness, resilience, integration within and across markets, inclusiveness, and sustainability.

In 2018, IFC began scoring all new investment projects using the AIMM framework. The part of the system that involves monitoring is being integrated with the current Development Outcome Tracking System (DOTS). The AIMM system for advisory services will be developed during FY19.

MONITORING: IDENTIFYING ACHIEVEMENTS AND LESSONS LEARNED

Our results-measurement system uses a multi-tiered approach to enhance IFC's contributions to the World Bank Group's twin goals—by helping improve new business decisions and increasing the value of monitoring and evaluation. Since 2006, IFC has tracked development impact through DOTS—a framework that helps us monitor and assess the performance of all IFC's active investment client companies. Over the next few years, the AIMM system will progressively incorporate relevant elements of the DOTS system, providing an "end-to-end" approach to results measurement.

An important feature of the AIMM system is its capacity to link ex-ante project ratings with real-time results-measurement findings. It is an evidence-based system—in which estimates of expected development impact are explicitly tied to monitoring indicators. Under the AIMM system, there is at least one tracking indicator associated with every impact claim used to justify an ex-ante rating.

EVALUATIONS: PROVIDING EVIDENCE AND PROMOTING ACCOUNTABILITY

Evaluations of mature or completed projects provide the final link in the impact-assessment framework. Each year, IFC undertakes self-evaluations of a sample of maturing investment operations and completed advisory services projects. These ratings form the basis of performance assessments for IFC overall and feed into sector, thematic, and regional assessments. They are then validated by the Independent Evaluation Group.

IFC also conducts in-depth evaluations of mature projects or clusters of projects. Since 2017, IFC has adopted a more strategic approach to evaluations designed to fill critical knowledge gaps. We undertook 27 evaluations and applied-research efforts focusing on practical issues facing operations and affecting the effectiveness of our interventions. In doing so, we are able to assess IFC's impact beyond individual projects—we also capture useful lessons that inform industry strategies and operations.

For example, an assessment of the *Global Agriculture and Food Security Program (GAFSP)*, one of IFC's blended-finance facilities, showed that IFC's unique approach—involving a combination of investment and advisory services—adds significant value to agricultural markets in IDA-only countries. By blending IFC's commercial financing with GAFSP's concessional funds, IFC was able to reach new clients and markets in countries that are often perceived as too risky by investors.

In FY17, GAFSP-supported projects reached over 874,000 farmers in countries with high poverty rates and severe food insecurity. GAFSP also leveraged significant additional capital—investments of approximately $250 million catalyzed a total of $1.6 billion in investment.

IFC's 2012 investment in the Abengoa KaXu Project, a 100-megawatt concentrated solar plant (CSP) in South Africa, also illustrates the value of evaluations. The KaXu Project, partly financed with concessional funding from the Clean Technology Fund, was the first privately financed CSP in sub-Saharan Africa. The project provided 1,700 construction jobs and 80 full-time positions—well above employment targets. It also produced enough energy to serve an additional 33,000 customers while avoiding an estimated 306,000 metric tons of carbon dioxide a year.

THE IFC DEVELOPMENT GOALS: SUPPORTING THE IFC STRATEGY

The IFC Development Goals complement the AIMM system to identify reach-related goals that our projects are expected to achieve. These goals cover five areas aligned with our strategy that have a direct impact on people's lives in the markets we serve:

- Creating sustainable farming opportunities
- Improving health and education services
- Providing more access to financial services for microfinance and SME clients
- Increasing or improving infrastructure services
- Reducing greenhouse emissions

We work with our clients to estimate specific development impacts we expect to achieve over time with every investment and advisory commitment we make. In the second year of the current three-year cycle (FY17–19), IFC made good gains in commitments toward the goals in FY18. More information is available on our website at https://www.ifc.org/developmentgoals.

IFC'S CONTRIBUTION TO THE SDGs

IFC's results monitoring is aligned with the United Nations' Sustainable Development Goals (SDGs) adopted in September 2015. In particular, the AIMM system helps IFC maintain a line of sight from our own strategic objectives to the World Bank's twin goals and the SDGs. By design, the AIMM system measures project-level and systemic outcomes against SDG-related objectives. This approach has positioned IFC to play a key role among international finance institutions in reporting how we—and our clients—contribute to achieving the SDGs. More information about how IFC contributes to the SDGs is available online at https://www.ifc.org/sdgalignment.

IFC THOUGHT LEADERSHIP IN RESULTS MEASUREMENT

Among multilateral development banks and development finance institutions, IFC is at the forefront of monitoring and evaluation for private sector operations. One illustration of this is our work to create a Community of Practice among international finance institutions for evaluation of private sector operations.

In March 2018, IFC jointly hosted the second *Annual Evaluating Private Sector Development Impact Conference* in London with the CDC Group, the United Kingdom's development finance institution. Representatives from 31 development partners, multilateral development banks, and international finance institutions attended. The conference highlighted the importance of producing clear, credible evidence of how private investment contributes to achieving the SDGs. It also underscored the challenges of assessing market-creation impacts.

IFC'S PERFORMANCE AND DEVELOPMENT IMPACT

As the Independent Evaluation Group has noted, IFC's development-effectiveness ratings have declined in recent years for both investment and advisory services—partly because of slower economic growth, depressed commodity prices, and political turmoil in many countries. Weaknesses in project selection and supervision have also contributed to the decline.

IFC is taking several steps to address these issues—including strengthening accountability in the project selection and implementation process. IFC is also conducting semi-annual portfolio reviews of all advisory projects to ensure proactive management and timely corrective actions.

In FY18, 59 percent of our investments were positively rated—up four points from FY17. The improvement showed across all performance areas. These DOTS rating scores are based on a cohort of 776 investments approved between 2009 and 2014 that were mature enough to be rated.

Larger IFC investments performed better, with 71 percent rated positively.

Among industry sectors, investments in private equity funds performed the best—with 64 percent of investments rated positively. Investments in the tourism, retail, construction & real estate sector registered the biggest improvement—48 percent of investments were rated positively, up 14 points from FY17. This increase was driven principally by improved DOTS scores in sub-Saharan Africa and Latin America and the Caribbean, where two-thirds of IFC's projects in this sector are located.

The DOTS score declined for the telecommunications, media, and technology sector. Thirty-one percent of investments in this sector were rated positively—a decline of six points from FY17. The decline was concentrated in three regions—Latin America and the Caribbean, Europe and Central Asia, and South Asia, where clients' financial performance was weaker than expected.

Among regions, investments in the Middle East and North Africa performed best. Sixty-six percent of investments in the region were rated positively—up 16 points from FY17. The increase reflected stronger performance of investments in the nonfinancial sector.

In FY18, 66 percent of completed advisory projects were rated positively—down four points from FY17, but still above our target of 65 percent. This score reflected the performance of 136 projects that were completed during the year and were eligible for development-effectiveness ratings.

Three regions showed a marked improvement in performance. Europe and Central Asia was the strongest performer, with 88 percent of projects rated positively. Projects in South Asia, sub-Saharan Africa, and Latin America and the Caribbean experienced a performance decline.

CLIENTS' DEVELOPMENT REACH AND RESULTS

Across the globe, IFC investment and advisory clients reached many people and recorded some remarkable achievements (see page 89). Here are a few highlights:

Improving Access to Finance:

- IFC provides investment and advice to financial institutions that serve individuals and micro, small, and medium enterprises. These institutions provided about 54.4 million micro and 8.3 million small and medium loans totaling nearly $439 billion. They also provided 2.3 million housing finance loans totaling $69.8 billion.
- We supported our partners in digital financial services to facilitate over 366 million non-cash retail transactions, totaling $10 billion.
- We helped strengthen country financial markets by working with collateral registries and credit bureaus that facilitated $146.8 billion in financing. More than 302,000 micro, small and medium enterprises received loans secured with movable property.
- Loans totaling $444 million were disbursed to agri-borrowers and in the housing sector for energy efficiency.
- We helped create or enhance five credit-bureau operators in Morocco, Mongolia, Nigeria, Jordan, and Azerbaijan.

Providing Solutions and Services:

- More than 17 million people benefited from IFC advisory work in support of off-grid solar solutions.
- Our clients generated and distributed power to 97.2 million people, many of them in sub-Saharan Africa and South Asia. They provided phone connections to 186.7 million people, mostly in South Asia. They distributed gas to 3.1 million people, mostly in South Asia.
- Our clients helped educate 5.7 million students. Our agribusiness clients supported 4 million farmers through improved access to finance and markets and through sustainable farming practices. These benefits are expected to improve farmers' productivity and income and enhance their ability to cope with unexpected events.
- We worked with firms to adopt new practices and technologies that attracted financing of $121.2 million through resource-efficient technologies projects.
- IFC helped governments sign 17 contracts with private operators. These transactions are expected to improve access to infrastructure and health services for 6.1 million people and mobilize over $4.6 billion in private investment in infrastructure.

Improving the Business Environment:

- In collaboration with the World Bank, we supported 35 national and local governments to implement 73 reforms that helped improve the enabling environment for private sector development and foster competitive markets and job creation. Fifty-one reforms were in IDA countries, including 13 in fragile and conflict-affected areas.
- These reforms led to $85.5 million in private sector savings and contributed to more than $142 million in new investments.

Development reach by IFC's clients

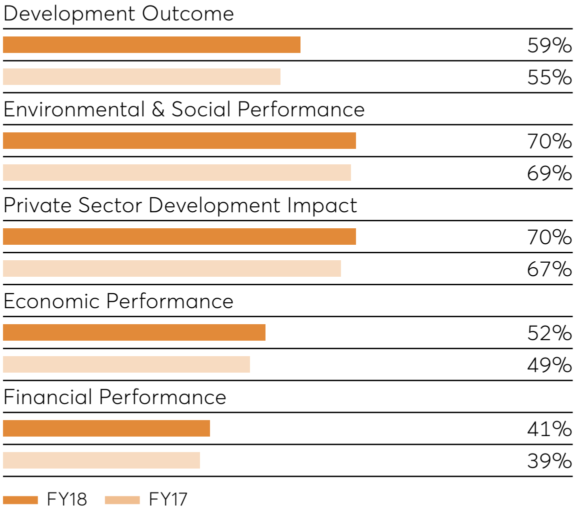
Investments	PORTFOLIO CY16	PORTFOLIO CY17
Employment (millions of jobs)[1]	2.4	2.5
Microfinance loans[2,3]		
Number (millions)	53.7	54.4
Amount ($ billions)	60.7	73.9
SME loans[2,3]		
Number (millions)	8.3	8.3
Amount ($ billions)	351.1	364.7
Trade Finance[4]		
Number (millions)	1.8	1.7
Amount ($ billions)	255.9	280.4
People reached with services		
Power generation (millions of people)[5]	78.1	79.2
Power distribution (millions of people)	24.8	18.0
Water distribution (millions of people)	14.3	18.2
Gas distribution (millions of people)	59.9	3.1
Phone connections (millions of people)	345.3	186.7
Patients served (millions)	34.0	41.2
Students reached (millions)	4.9	5.7
Farmers reached (millions)	3.0	3.7
Payments to suppliers and governments		
Domestic purchases of goods and services ($ billions)	36.6	38.3
Contribution to government revenues or savings ($ billions)	14.6	15.8

These figures represent the total reach of IFC clients as of end of CY16 and CY17. CY16 and CY17 portfolio data are not strictly comparable, because they are based on a changed portfolio of IFC clients. For microfinance and SME loans, the results also reflect contributions from Advisory Services. While numerous controls are performed on the data provided by clients, they are sometimes based on estimates, and the understanding of the indicator definitions may vary slightly between clients.

1. Portfolio figures for employment include jobs provided by fund investee companies, representing 35% of the total.
2. Portfolio reach figures represent the micro, small and medium outstanding loan portfolio of IFC's financial institution clients with MSME-oriented finance.
3. Reported Microfinance and SME data include a substantial contribution from a large institution in Asia.
4. The total number and dollar volume of trade transactions financed by the Global Trade Finance Program's network of emerging-market banks are based on actual data from 76% (number) and 79% (dollar volume) of the network's active banks for CY17. The figures are not directly comparable to last year's due to variance in the number of active banks who submitted survey responses. Numbers reflect transactions directly guaranteed by IFC as well as those executed by network banks that have been supported by the program. CY16 data have been updated to reflect prior-year data corrections from survey participants.
5. The number of CY16 total power generation customers reached has been revised due to the restatement of one client value in South Asia and one client value in Latin America and the Caribbean.

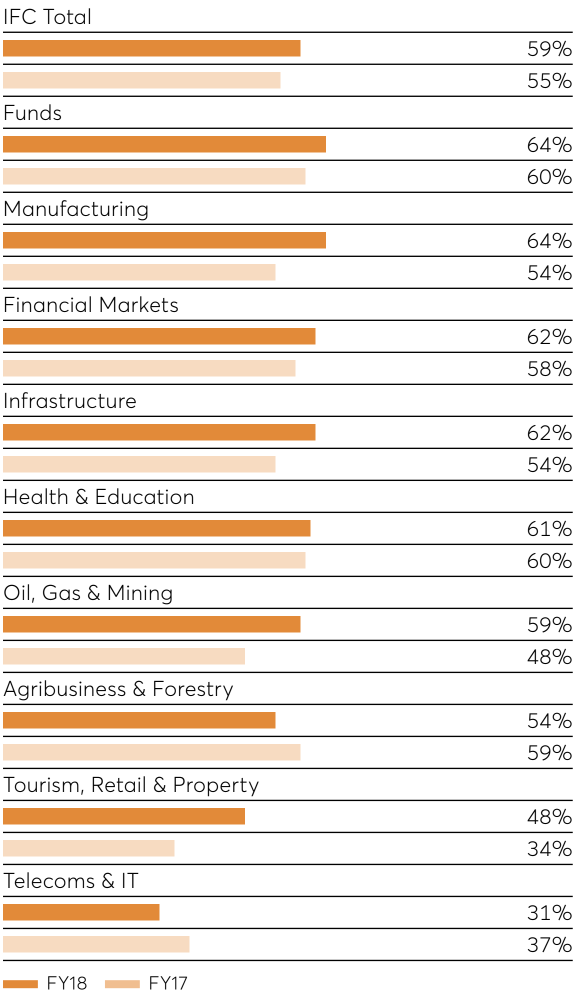
Investment Services DOTS score by performance area, FY17 vs. FY18

% Rated Positively



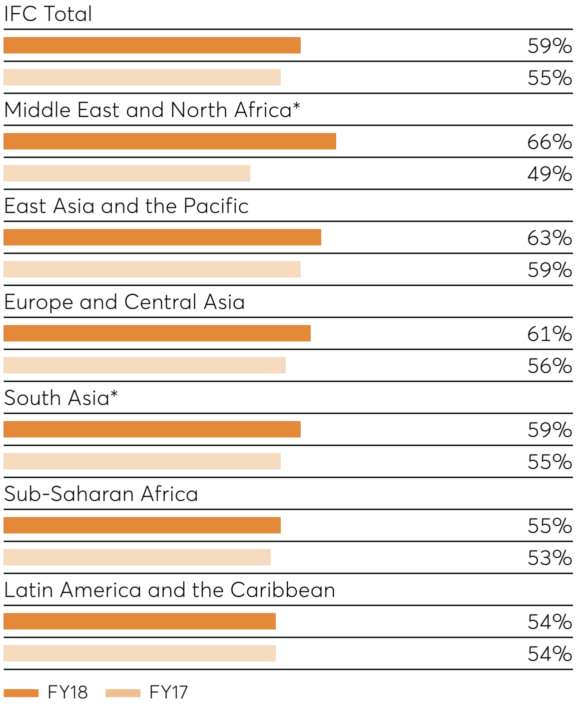
Investment Services DOTS score by industry, FY17 vs. FY18

% Rated Positively



Investment Services DOTS score by region, FY17 vs. FY18

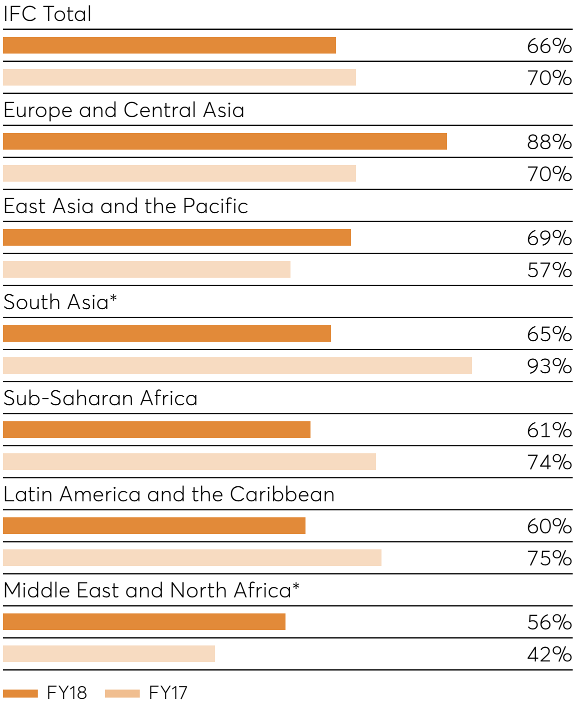
% Rated Positively



*Projects in Afghanistan and Pakistan, which previously were grouped under the Middle East and North Africa region, are now grouped under South Asia. The FY17 number has been recalculated to incorporate the change.

Advisory Services DOTS score by region, FY17 vs. FY18

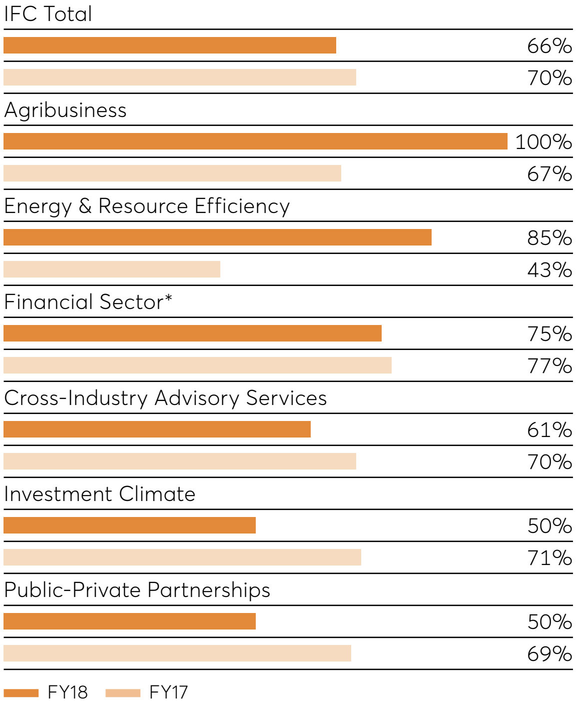
% Rated Positively



*Projects in Afghanistan and Pakistan, which previously were grouped under the Middle East and North Africa region, are now grouped under South Asia. The FY17 number has been recalculated to incorporate the change.

Advisory Services DOTS score by business area, FY17 vs. FY18*

% Rated Positively



*"Financial Sector" also includes projects undertaken by the integrated World Bank Group team in the Finance & Markets Global Practice.

Corporate Responsibility

IFC's corporate responsibility commitment is to make sustainability an integral part of our internal business operations—holding ourselves accountable to the same environmental and social standards we ask of our clients. Our commitment to walk our talk connects IFC's mission with how we run our business.

OUR STAFF

IFC's employees are our most important asset, bringing innovative solutions and global best practices to our clients. Their knowledge, skills, diversity, and motivation are a key part of our comparative advantage.

INDICATOR	FY16	FY17	FY18
Total full-time staff	3,757	3,860	3,921
Non-U.S.-based staff (%)	56.5%	55.9%	54.9%
Short-term consultants/ temporaries (FTEs)	904	1,018	1,092
Employee engagement index	72%	75%	75%
Diversity			
Women managers (%)	34.8%	35.5%	39.5%
Part II managers (%)	40.6%	38.9%	40.5%
Women GF+ Technical (%)	45.7%	46.2%	46.7%
Sub-Saharan/ Caribbean GF+ (%)	10.5%	10.9%	11.2%
Average days of training per staff in headquarters	3.35	3.21	2.8
Average days of training per staff in country offices	4.08	3.71	2.95

Note: FTE = full-time equivalent (staff); GF+ refers to salary grade GF or higher—i.e., professional staff.

Advancing diversity and inclusion: At IFC, our work reaches clients across the globe—people, places, languages, and ideals. That diversity is reflected in our staff, representing people of 151 nationalities who work out of 95 countries. Their unique insights and perspectives are the cornerstone of our development work.

IFC is committed to going beyond the inherent diversity we have as an international institution. In 2018, IFC made progress across all diversity index indicators—notably on including more women and nationals from sub-Saharan Africa and the Caribbean in senior-professional and manager-level positions. We did so by implementing targeted recruitment initiatives.

IFC joined leading companies to obtain EDGE (Economic Dividends for Gender Equality) certification—an assessment of the organization's alignment with global best practices on gender equality. In FY18, IFC—as a member of the World Bank Group—became the first international financial institution to receive global EDGE certification. IFC has in place a suite of initiatives to maintain gender balance across the talent pipeline, proactively manage gender pay equity, implement gender-equality policies and practices, and foster an inclusive workplace culture.

Promoting ethical culture: IFC promotes a positive and respectful workplace. The World Bank Group is revising its Code of Conduct around five core values refreshed this fiscal year—impact, integrity, respect, teamwork, and innovation. Initiatives to reinforce these values are being rolled out in our performance management, recruitment, internal communications, and staff-training programs.

Enriching staff development: IFC has a Leadership and Management Framework that provides development programs for leaders across the organization. IFC has two flagship programs for high-potential staff: the Global Business Leadership Program (GBLP) and the Corporate Leadership Program (CLP). These best-in-class leadership development programs inspire personal mastery and leadership at all levels in the organization. In FY18, 60 staff participants completed the GBLP and CLP programs—joining an alumni network of more than 850 staff who coach and mentor employees and advance corporate priorities through stretch assignments.

IFC had its first cohort of 19 staff complete an executive Sponsorship Program this fiscal year—the newest initiative in a suite of programs developing a pipeline of diverse talent. Staff are nominated through IFC's talent-review process. Participants gain sponsor-advisee relationships with Vice Presidents, along with enriched career networks.

Ensuring competitive compensation and benefits: IFC applies the World Bank Group's compensation framework, with salaries based on the U.S. market for staff recruited in Washington, D.C., and based on local competitiveness determined by independent local market surveys for all other staff. IFC also has variable-pay programs consisting of recognition programs and performance awards. IFC provides a competitive package of benefits, including a retirement plan, medical, life, accidental death, workers' compensation, and disability insurance.

Staff salary structure (Washington, D.C.)

As of June 30, 2018, the salary structure (net of tax) and annual average net salaries/benefits for World Bank Group staff were as follows:

GRADES	REPRESENTATIVE JOB TITLES	MINIMUM (US$)	MIDPOINT (US$)	MAXIMUM (US$)	STAFF AT GRADE LEVEL (%)	AVERAGE SALARY/ GRADE (US$)	AVERAGE BENEFITS[a] (US$)
GA	Office Assistant	27,200	38,900	50,600	0.02%	38,995	21,129
GB	Team Assistant, Information Technician	33,200	47,500	61,800	0.23%	46,393	25,137
GC	Program Assistant, Information Assistant	40,700	58,100	75,500	6.69%	59,947	32,481
GD	Senior Program Assistant, Information Specialist, Budget Assistant	47,900	68,500	89,100	6.21%	74,009	40,101
GE	Analyst	65,200	93,100	121,000	10.44%	85,303	46,220
GF	Professional	85,300	121,800	158,300	21.06%	111,642	60,491
GG	Senior Professional	112,800	161,200	209,600	33.68%	155,672	84,349
GH	Manager, Lead Professional	153,000	218,600	284,200	18.72%	218,903	118,609
GI	Director, Senior Advisor	233,100	291,400	349,700	2.50%	289,412	156,813
GJ	Vice President	278,900	328,100	377,300	0.37%	359,193	194,623
GK	Managing Director, Executive Vice President, Chief Executive Officer	310,000	364,700	419,400	0.08%	408,904	263,497

Note: Because World Bank Group staff, other than U.S. citizens, usually are not required to pay income taxes on their Bank Group 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 Bank Group 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, and offset emissions that cannot be eliminated.

Using natural resources efficiently: IFC's largest office, our headquarters in Washington, D.C., accounts for nearly half of our global real estate by square foot. Efficiency efforts have reduced total electricity consumption at our headquarters by 18 percent since 2007. We also continue to upgrade our lighting systems to LEDs from compact fluorescent lighting while adjusting temperature setpoints for water use and heating and cooling systems. In FY17, these energy-saving projects saved nearly 60,000 kilowatt hours of electricity.

In FY18, IFC made significant advancements toward our zero-waste goal for our headquarters building. We upgraded the building-wide recycling system and launched a reusable food-container program, eliminating nearly 250,000 disposable containers annually. The program helped reduce our total waste by an estimated 26 percent from 2015, according to our latest waste audit. In addition, IFC is sorting more recyclables and diverting them from landfill waste, the audit found.

Designing sustainably: Nearly 60 percent of IFC's real estate footprint by square foot is LEED-certified or equivalent. IFC is leading the development and engineering of a new net-zero energy-use World Bank Group office building in Dakar, Senegal. The project is slated for completion in 2020. IFC is also studying the potential for adding on-site solar-energy generation at our other owned properties.

Maintaining climate neutrality: IFC continues to be carbon-neutral for global business operations. In FY17, the latest year for which data are available, carbon emissions from our global business operations totaled 43,672 metric tons of carbon-dioxide equivalent—of which business travel accounted for 71 percent. Office electricity consumption accounted for an additional 23 percent—half of which was attributable to IFC headquarters. Over the past three years, IFC's carbon emissions per full-time employee have declined by 2 percent to the equivalent of 8.95 metric tons of carbon dioxide. These numbers reflect emission factors that were updated in FY18; data for prior years were updated accordingly.

We purchased carbon credits from four projects. IFC chose projects that bring tangible development benefits to the communities in which they take place. For example, one project provides solar cookers to residents of the Iridimi refugee camp in Chad, helping avoid the use of firewood. IFC also purchases renewable-energy certificates (RECs) equal to the consumption of our headquarters office. IFC annually reports its greenhouse emissions in the United Nations' Climate Neutral Now initiative, and through the Carbon Disclosure Project. More details can be found at http://www.ifc.org/footprint.

FY17 carbon emissions inventory for IFC's global operations

METRIC TONS OF CARBON-DIOXIDE EQUIVALENT	
Business Travel	30,933
Country Office Electricity	5,099
HQ Office Electricity	4,781
Other	2,859
TOTAL EMISSIONS	**43,672**

Note: Emission factors were updated in FY18 under the World Bank Group's Inventory Management Plan.

Our Governance

OUR PLACE IN THE WORLD BANK GROUP

The World Bank Group is a vital source of financial and technical assistance to developing countries. Its mission is to fight poverty with passion and professionalism, for lasting results.

IFC is one of five members of the Bank Group, though it 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, 2018, IFC's paid-in capital of about $2.56 billion was held by 184 member countries. These countries guide IFC's programs and activities.

IFC works with the private sector to create opportunity where it's needed most. Since our founding in 1956, we have committed more than $234 billion of our own funds for private sector investments in developing countries, and we have mobilized more than $51 billion from others.

In working to end extreme poverty and 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	22.19
Japan	6.33
Germany	5.02
France	4.72
United Kingdom	4.72
India	4.01
Russian Federation	4.01
Canada	3.17
Italy	3.17
China	2.41
174 OTHER COUNTRIES	**40.25**

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 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 IFC's 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's CEO, Philippe Le Houérou, receives an annual salary of $419,400, net of taxes.

Accountability

INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group is an independent unit that reports directly to IFC's Board of Directors. IEG's mission is to strengthen World Bank Group institutions through evaluations that inform strategies and future work—and lead ultimately to greater development effectiveness.

IEG assesses the results of IFC operations and offers recommendations for improvement. IEG also contributes to internal learning by informing new directions, policies and procedures, and country and sector strategies. This year, IFC and IEG formed a joint working group to boost improvement of the development effectiveness of advisory projects.

IEG's most recent annual review of World Bank Group results and performance focuses on assessing the development-outcome indicator for environmental and social effects. This and other major reports are available on IEG's website at http://ieg.worldbankgroup.org.

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

Affected communities have unrestricted access to the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for IFC. CAO is mandated to address complaints from people affected by IFC-supported business activities in a manner that is fair, objective, and constructive—with the goal of improving environmental and social project outcomes and fostering greater public accountability of IFC.

Independent of IFC and MIGA management and reporting directly to the President of the World Bank Group, CAO works to resolve complaints using a flexible, problem-solving approach through its dispute-resolution arm and oversees investigations of IFC's environmental and social performance through its compliance arm. CAO's advisory arm provides independent advice on broader environmental and social concerns with the goal of systemic improvements in IFC performance.

During FY18, CAO addressed 55 cases related to IFC projects in 32 countries. More information about how IFC is engaging with CAO's work is available at www.cao-ombudsman.org.

Global Partnerships

IFC and our development partners work together in innovative ways to maximize finance for development. In line with IFC's new strategy for creating markets and mobilizing private sector investment to solve development problems, our partnerships serve a range of functions. They incubate new ideas. They allow proven solutions to be scaled up. They facilitate knowledge transfer. They build business and institutional capacity. Together we support initiatives that strengthen our impact—particularly in cross-cutting areas such as climate change and gender equality—and channel resources to regions of the world where private investment is needed most.

WORKING WITH DEVELOPMENT PARTNERS

IFC collaborates with more than 30 governments, 20 foundations and corporations, and a variety of multilateral and institutional partners. In FY18, we gained a new development partner, the United Kingdom's Foreign and Commonwealth Office. Our partnerships support IFC's advisory and investment services—including through blended finance, which has grown significantly as an instrument to support strategic priority areas (see page 75). In FY18, our development partners committed more than $268 million to support IFC advisory services and $469 million for blended-finance initiatives.

In FY18, our partnerships focused on several development priorities:

SCALING UP OUR ACTIVITIES IN AFRICA

Our partners' financial commitments to advisory programs in the African continent increased 35 percent over the previous year, allowing us to address key development challenges.

Denmark, Ireland, Japan, the Netherlands, Norway, Sweden, and the United Kingdom supported our work to promote economic growth and stability in sub-Saharan African countries. They did so not only through longstanding platforms such as the Conflict-Affected States in Africa (CASA) initiative but also through new country-specific advisory interventions such as our private sector development programs in Somalia, Ethiopia, Mozambique, and Kenya.

The IFC Support Program for the Compact with Africa Initiative (ISCA), created in FY18, received support from Germany and Norway to help the G-20 Compact with Africa Initiative to promote private sector development in 10 African countries. It will work in close collaboration with the multi-donor Public-Private Infrastructure Advisory Facility (PPIAF) and other existing platforms to ensure that funding and operational activities are complementary.

EXPANDING INNOVATIVE SOLUTIONS FOR CLIMATE CHANGE

Our partners' advisory and blended-finance commitments in support of solutions to address climate change globally grew more than tenfold from the previous year to $536 million—a record increase. Such initiatives included:

- The new *Canada-IFC Blended Climate Finance Program*, which aims to support developing countries in their transition to low-carbon, sustainable, and more climate-resilient economies.
- The *Finland-IFC Climate Change Program*, which focuses on climate mitigation, investments in renewable energy, energy efficiency, green buildings, climate-smart agriculture, and forestry. The program will also seek investments that support developing countries' efforts to adapt to climate change. Finland became the first European bilateral partner with IFC to establish a returnable-capital blended-finance program for climate.
- The *Ukraine Energy Efficiency Fund*, which enables homeowners' associations to conduct energy-efficiency renovations in multi-family residential buildings. IFC has partnered with the European Union and Germany in support of this program.

- The *Green Bond Technical Assistance Program*, which promotes green-bond issuance in emerging markets. The program supported the new Amundi Emerging Green One fund (see page 49). Switzerland and Luxembourg provided funding to facilitate adoption of the Green Bond Principles, policy reform, and awareness of the potential of green bonds as a financing instrument.
- The *Canada-IFC Renewable Energy Program for Africa*, which aims to improve access to affordable and sustainable energy services and reduce fossil-fuel dependency in sub-Saharan Africa. Canada is now IFC's largest bilateral partner in blended finance.
- The *Green Finance* program, which focuses on building awareness of and delivering finance products to support renewable energy projects in Ukraine, thereby reducing or avoiding greenhouse emissions by 200,000 metric tons per year. The program is supported by Austria.

SUPPORTING GENDER EQUALITY

The Women Entrepreneurs Finance Initiative (We-Fi) is a new collaborative partnership hosted by the World Bank Group. It is supported by 14 governments, eight multilateral development banks, and other public and private sector stakeholders. IFC received We-Fi funding to address financial and nonfinancial constraints faced by women entrepreneurs in developing countries. This work involves a mix of blended finance, research, and advisory services.

We also introduced the new MENA Women Banking Champions Program, which is supported by Switzerland. The program aims to increase access to financial services for women—including women entrepreneurs—by working with financial intermediaries in Egypt, Morocco, and Tunisia.

STRENGTHENING THE INFRASTRUCTURE SECTOR

The new Korea-IFC Partnership Program represents the largest commitment to date by the Republic of Korea to IFC advisory services. The program addresses constraints in key areas of infrastructure, including information and communication technologies globally. The partnership will support IFC advisory efforts involving power, transportation, water, waste, utilities, subnational finance, extractives, digital services, and public-private partnerships.

WORKING WITH INTERNATIONAL INSTITUTIONS

IFC engages with key international institutions across a variety of issues to enhance the role of the private sector in development finance. This includes the United Nations, the Organisation for Economic Cooperation and Development, the Group of 20 leading economies, the Group of Seven nations, multilateral development banks (MDBs), and development finance institutions (DFIs).

IFC has built strong partnerships while sharing lessons from our six decades of experience in emerging markets. We have shaped the global agenda on private sector solutions for development impact, and engaged our clients to align their business models to the new market opportunities presented by the Sustainable Development Goals. This engagement is helping confirm the central role of the private sector in achieving development impact.

IFC collaborates with MDBs through the MDB Heads platform, where our management regularly discusses issues of strategic importance to the MDB system. Key achievements include harmonizing the way we define and measure mobilization of private finance, climate finance, blended finance, and alignment of development outcomes. We also collaborate with these institutions to address climate change and scale up investment in infrastructure.

In FY18, we worked with other MDBs to publish a second joint report on the mobilization of private finance by MDBs and DFIs, using a common measurement framework and methodology. The report found that MDBs and DFIs mobilized more than $160 billion from private investors. This included mobilization by the European Development Finance Institutions (EDFIs). EDFIs and the MDB Heads also adopted the *Enhanced Principles for DFI Blended Concessional Finance for Private Sector Projects* and agreed to their implementation.

Development partner commitments

FINANCIAL COMMITMENTS TO IFC ADVISORY SERVICES (US$ MILLION EQUIVALENT)

Summary	FY17	FY18
Governments	256.76	192.01
Institutional/Multilateral Partners	8.32	76.34
Corporations, Foundations, and NGOs	3.07	0.00
Total	**268.15**	**268.35**

Governments	FY17	FY18
Australia	62.92	3.05
Austria	6.47	8.19
Canada	0.00	3.78
Denmark	9.17	5.02
France	2.12	0.00
Germany	2.62	23.24
Ireland	0.96	1.08
Israel	0.00	0.80
Italy	5.09	0.00
Japan	21.17	6.25
Korea, Republic of	0.00	9.00
Luxembourg	3.98	9.28
The Netherlands	11.00	4.91
New Zealand	4.82	1.24
Norway	0.94	13.72
Sweden	0.00	7.12
Switzerland	68.68	24.89
United Kingdom	38.74	70.43
United States	18.08	0.00
Total	**256.76**	**192.01**

Institutional/Multilateral Partners	FY17	FY18
Climate Investment Funds	4.70	0.25
European Commission	3.08	50.54
MENA Transition Fund	0.54	0.00
TradeMark East Africa (TMEA)	0.00	0.35
Women Entrepreneurs Finance Initiative (We-Fi)	0.00	25.20
Total	**8.32**	**76.34**

Corporations, Foundations, and NGOs	FY17	FY18
BHP Billiton Foundation	2.57	0.00
The William and Flora Hewlett Foundation	0.50	0.00
Total	**3.07**	**0.00**

FINANCIAL COMMITMENTS TO IFC BLENDED FINANCE INITIATIVES (US$ MILLION EQUIVALENT)

Development Partner	FY17	FY18
Canada	0.00	310.54
Finland	0.00	134.31
United Kingdom	36.40	0.00
Women Entrepreneurs Finance Initiative (We-Fi)	0.00	24.20
Total	**36.40**	**469.06**

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 through a combination of strong presence on the ground and deep sector expertise. This enables us to stay close to our clients and markets, monitor trends, and anticipate impacts on our clients.

An IFC Management committee—the Corporate Portfolio Committee—regularly reviews the entire portfolio of nearly $57.2 billion for IFC's own account, looking at broad trends as well as select individual projects. This review is complemented by monthly in-depth discussions of IFC's key sector and country exposures. 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 analysis of our portfolio performance with sector expertise, local market intelligence, 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.

At the project level, our multidisciplinary teams—including investment and sector specialists—closely monitor investment performance and compliance with investment agreements. We do this, among other things, 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 track environmental and social performance in a timely and risk-based manner, and measure financial and development results.

Following the strong growth of our equity portfolio in recent years, IFC has implemented a new equity approach, leading to more moderate growth and greater selectivity. We are also proactively assessing our equity portfolio to identify assets ready for divestments, where IFC's development role has been completed. This rebalancing of the equity portfolio results from an analysis that takes into account market conditions, opportunities, expected returns, and risks—and is adjusted periodically as required. This approach is supported by the appointment of IFC's Equity Heads of Industry, who provide central oversight and are required to effectively manage IFC's larger and more complex equity positions.

For projects in financial distress, our Special Operations Department determines the appropriate remedial actions. It seeks to keep the project operational to achieve the development impact intended at its onset. It also negotiates agreements with creditors and shareholders to share the burden of restructuring. Investors and other partners participating in IFC's operations are kept regularly informed on project developments. IFC consults them or seeks their consent as appropriate.

Active portfolio management depends on timely and accurate information to drive business decisions. IFC continues to invest in information-technology systems to better support the management of our portfolio. We are also strengthening our portfolio support structure by creating a corporate Operations Support Unit, to be extended over time to sector and regional teams.

Managing Risks

ENTERPRISE RISK MANAGEMENT

IFC provides long-term investments to the private sector in emerging markets, which includes expanding the investment frontier into the most challenging markets. In doing so, IFC is exposed to a variety of financial and nonfinancial risks. Active monitoring and sound management of evolving risks are crucial to fulfilling our mission.

IFC's enterprise-risk-management framework 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 fulfilment of our development goals. These statements reflect our core values of maximizing development impact, preserving our financial sustainability, and safeguarding our brand.

TREASURY

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

Issuances include benchmark bonds in core currencies such as U.S. dollars, thematic issuances to support strategic priorities such as climate change, and issuances in emerging-market currencies to support capital-market development. 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 support local capital markets.

Over the years, IFC's funding program has grown to keep pace with our lending—in FY18, new core and short-term borrowings totaled approximately $16.7 billion.

FY18 total borrowing

CURRENCY		AMOUNT (US$ EQUIVALENT)	PERCENT
U.S. dollar	USD	9,106,890,500	54.5%
Australian dollar	AUD	1,436,546,360	8.6%
Japanese yen	JPY	815,159,597	4.9%
Russian ruble	RUB	239,001,013	1.4%
Brazilian real	BRL	434,491,970	2.6%
Turkish lira	TRY	1,180,551,179	7.1%
Indian rupee	INR	608,468,320	3.6%
Other		2,893,671,464	17.3%
Total		**16,714,780,403**	**100.0%**

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled $38.9 billion as of June 30, 2018, compared with $39.2 billion a year earlier. Most liquid assets are held in U.S. dollars. The exposures arising from assets denominated in currencies other than U.S. dollars are 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 stated benchmarks.

The level of liquid assets is determined to ensure that IFC has sufficient resources to meet cash-flow requirements for both a normal planning horizon and a period of market stress. We use liquidity coverage ratios to assess IFC's liquidity needs.

TREASURY RISK MANAGEMENT

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 assets
(2) Diversification via position size/concentration limits
(3) Tight limits on market risks (credit spread, interest rate, and foreign-exchange risk)
(4) Proactive portfolio surveillance

In line with the changes that are occurring in the global financial markets, we enhanced our Treasury policy framework in FY18, including changes to economic-capital methodology.

CAPITAL ADEQUACY AND FINANCIAL CAPACITY

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 our lending during times of economic and financial turmoil. IFC's financial strength results in low borrowing costs, allowing us to provide affordable financing to our clients.

The soundness and quality of IFC's risk management and financial position can be seen in 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 total resources available consist of paid-in capital, retained earnings net of designations and certain unrealized gains, and total loan-loss reserves. The excess available capital, beyond what is required to support existing business, allows for future growth of our portfolio while also providing a buffer against unexpected external shocks. As of June 2018, total resources available stood at $24.7 billion, while the minimum capital requirement totaled $20.1 billion.

Our Sustainability Framework

Sustainability is critical to companies' business success. It's critical, too, for their customers, surrounding communities, and broader stakeholders.

IFC research shows that companies perform better financially when their environmental, social, and corporate-governance performance is strong. Nearly 90 percent of our clients believe that our work is key in helping them reach their long-term business goals, improve their relations with stakeholders and local communities, and boost their brand value and recognition. IFC's Sustainability Framework and our Corporate Governance Methodology are designed to help our clients achieve those objectives.

IFC helps clients understand and manage the risks they face, partnering with industry and other stakeholders to find innovative solutions that open up opportunities for economically, socially, and environmentally sustainable private investment—which contribute in turn to jobs and inclusive growth. This may include leveraging the capacity of other institutions of the World Bank Group to address environmental, social, and governance challenges that are beyond the ability or responsibility of a company to solve alone.

In all of our investment decisions, IFC gives the same weight and attention to environmental, social, and governance risks as we do to credit and financial risks. This enables us to take informed risks to achieve both development impact and financial sustainability.

IFC PERFORMANCE STANDARDS

At the core of our Sustainability Framework are the IFC Performance Standards—which help our clients avoid, mitigate, and manage risk as a way of doing business sustainably. They help clients devise solutions that are good for business, good for investors, and good for the environment and communities.

Our Performance Standards have become a global benchmark of sustainability practices. The Equator Principles, which are modeled on these standards, have been adopted by 94 financial institutions in 37 countries. In addition, other financial institutions reference the IFC Performance Standards—including export-import banks and export credit agencies. IFC also serves as the Secretariat for the *Sustainable Banking Network*, a global knowledge-sharing group of banking regulators and banking associations, to help develop guidance and capacity for banks to incorporate environmental and social risk management into credit decision-making.

The Performance Standards guide our environmental and social due-diligence process, which integrates the client's assessment of environmental and social risks with an understanding of the client's commitment and capacity to mitigate and manage these risks. This review identifies any gaps between client practice and the IFC Performance Standards in order to agree on a plan of action to ensure compliance. We supervise our projects throughout the life of our investment.

The IFC Performance Standards

1

RISK MANAGEMENT

Anticipate risks, avoid, minimize, and compensate for any impacts.

2

LABOR

Treat workers fairly and provide safe and healthy working conditions.

3

RESOURCE EFFICIENCY

Promote energy efficiency, use resources sustainably, and cut greenhouse emissions.

4

COMMUNITY

Protect local communities from worksite accidents and other project-related dangers.

INTEGRATED GOVERNANCE

Corporate governance is a paramount consideration in investors' decision making. But investors are increasingly paying equal attention to the way companies behave on a variety of environmental and social indicators. Investors see businesses' management of environmental and social issues as a test of how they would handle all strategic and operational challenges.

It's essential, therefore, to assess environmental, social, and governance practices in an integrated fashion.

IFC has developed comprehensive market guidance and practical tools to do this in the context of emerging markets, drawing on our track record in applying our Performance Standards and Corporate Governance Methodology.

One new tool—the IFC Corporate Governance Progression Matrix—guides companies, investors, regulators, corporate-governance evaluators, and other stakeholders in assessing and improving a company's environmental, social, and governance framework. It emphasizes the importance of continuing progress—rather than static minimum standards—in the governance practices of a company.

The matrix focuses the assessment along six corporate-governance parameters—key environmental and social policies and practices, the structure and functioning of the board of directors, the control environment, disclosure and transparency, treatment of minority shareholders, and governance of stakeholder engagement (which includes civil society and communities affected by a company's operations).

Another tool is the IFC Transparency and Disclosure Toolkit and Guidance—which helps companies in emerging markets prepare comprehensive and best-in-class annual reports that are appropriate for their size and organizational complexity and adapted to the context of operation. The objective is to provide useful information for investors and other stakeholders.

We apply this integrated approach beyond the companies we invest in. We also use it in our advisory work with regulators and stock exchanges—to help them apply higher disclosure standards to corporate listings, reporting requirements, and other disclosure obligations.

5

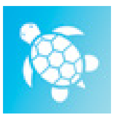
LAND RESETTLEMENT

Avoid involuntary resettlement and minimize the impact on those displaced.

6

BIODIVERSITY

Protect biodiversity and ecosystems.



7

INDIGENOUS PEOPLES

Protect the rights, dignity, and culture of indigenous populations.

8

CULTURAL HERITAGE

Protect cultural heritage and promote equitable sharing of related benefits.

Reporting under the Task Force on Climate-related Financial Disclosures

CLIMATE-RELATED FINANCIAL DISCLOSURE

In December 2015, the Financial Stability Board launched the Task Force on Climate-related Financial Disclosures (TCFD), which in July 2017 released recommendations for companies to voluntarily disclose how they evaluate and mitigate climate-related financial risks. This is IFC's first disclosure under the TCFD framework, although IFC has been annually disclosing its climate-related investments and net emission reductions for several years.

STRATEGY AND GOVERNANCE

Strategy: IFC was an early investor in climate businesses and began tracking its climate-related investments in 2005. By the end of FY18, over a third of IFC's total commitments were climate-related. In 2016, IFC developed a *Climate Implementation Plan*. This plan—part of the World Bank Group's Climate Change Action Plan—lays out four elements that drive IFC's climate activities: (1) increase climate investments to 28 percent of IFC's own account commitments by 2020; (2) mobilize $13 billion per year in private capital by 2020; (3) account for climate risks; and (4) maximize impact.

The plan identifies how to increase climate investments in five priority sectors—clean energy, green buildings, climate-smart cities, climate-smart agribusiness, and green finance. In each area, IFC identifies the market potential today, where the market is moving, and how IFC can accelerate investments in each sector. IFC also specifies the tools and resources needed to achieve the plan's goals, including prime areas for technical assistance, geographic priorities for each sector, and where blended finance can help open new markets.

The Climate Implementation Plan was created in conjunction with investment departments to support the mainstreaming of climate activities in IFC operations. It was approved by the IFC Management Team. IFC reports annually to the Board of Directors on progress made toward climate goals. IFC's most recent report to the Board was in June 2018, when IFC reported climate business to be at 34 percent of its total own-account commitments for FY18, exceeding the annual climate target for the second year in a row, and exceeding the FY20 target. IFC has increased its core investments in clean energy while substantially building its investments in climate-smart agriculture, green buildings, and green finance.

Governance: IFC created the Climate Business Department (CBD) in 2010 to support a corporate focus on climate. It complements the work of the IFC department that oversees environmental, social, and governance performance standards for each IFC investment—including environmental risks more broadly.[1] CBD's role is to help increase climate business and build market opportunities to invest in tomorrow. CBD staff includes dedicated experts on climate-business sectors, metrics, strategy, policy, and climate-finance innovation.

To integrate climate business throughout the Corporation, IFC established a Climate Anchors Network. Anchors in each industry sector and region are responsible for building climate business in their respective areas. Each anchor reports to her/his department director and the Director of the Climate Business Department.

RISK MANAGEMENT

IFC recognizes that climate change potentially poses a risk to its financial returns, particularly for its longer-hold investments. In 2011 and 2015, IFC supported two Mercer studies to identify financial risk implications—focusing on risks to institutional investors and providing related insights to financial institutions.[2] The reports found significant risks to investing in a business-as-usual scenario. Since then, IFC has increased its proportion of climate-related investments, and is developing tools for systematically evaluating climate risk in key new investments.

Physical risks: This describes how the physical impact of climate change on an investment will affect its financial returns. IFC initiated a pilot to incorporate physical climate-risk analysis into IFC's investment due diligence, going beyond the existing environmental and social risk assessment. IFC is introducing tools to assess this risk in its investments

1. Download at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/performance-standards
2. Download at: https://www.ifc.org/wps/wcm/connect/6b85a6804885569fba64fa6a6515bb18/ClimateChangeSurvey_Report.pdf?MOD=AJPERES
https://www.mercer.com/content/dam/mercer/attachments/global/investments/mercer-climate-change-report-2015.pdf

in key sectors, including ports, waterways, roads, airports, forestry, pulp and paper, and insurance. IFC will evaluate the outcomes of the pilot in FY19, adjusting and extending the approach as necessary.

Transition risks: To address government policies and stranded-asset risk and systematically incorporate climate-related considerations in its investment decisions, in November 2016, the IFC Management Team approved a pilot to use an internal carbon price for project-finance investments in selected sectors. This involved stress-testing prior investments in these sectors and using a carbon price in calculating the economic rate of return for new investments.

In March 2018, the Management Team approved full implementation of carbon pricing for project-finance transactions in select high-emitting sectors. Beginning in May 2018, IFC has applied a carbon price—in line with the 2016 *Report of the High-Level Commission on Carbon Prices*[3]—to the economic analysis of project-finance transactions with annual emissions of more than 25,000 metric tons of carbon dioxide equivalent in thermal power generation, cement, and chemicals. For these projects, IFC provides a carbon-price sensitivity analysis and reports outcomes to the Board. Other sectors and other types of transactions are currently being analyzed for potential future inclusion.

TARGETS AND METRICS

Targets: IFC has two publicly stated quantifiable targets for climate business, as set forth above under the Climate Implementation Plan. IFC creates internal incentives to reach these targets by including climate performance in corporate and individual units' scorecards.

In April 2018, as part of the capital-increase package approved for IFC, IFC's Board set a new target of 35 percent climate business for IFC's own-account investments by 2030. As IFC's total investment increases, this new target is expected to almost triple IFC's dollar volume in climate-related commitments compared with FY17. IFC will also implement a plan to systematically screen transactions for climate risk, building on its current pilot described above.

Climate metrics: IFC's *Definitions and Metrics for Climate-Related Activities* identifies projects and sectors that qualify as climate investments; these definitions are harmonized with other multilateral development banks, and are publicly available.[4]

Investment disclosure: IFC reports on its climate finance commitments in the Annual Report (see page 75) and in the *Joint Report on Multilateral Development Banks' Climate Finance.*[5] In its annual Green Bond Impact Report, IFC also reports on the environmental and market impact of projects financed through green bonds that IFC issues.[6]

Emissions disclosure: IFC reports aggregated net reductions in greenhouse emissions from its climate investments in this Annual Report (see page 49). In FY18, net aggregate reductions were 10.4 million metric tons, up from 6.7 million metric tons the year before. Under IFC Performance Standard 3, emissions of projects with estimated annual emissions over 25,000 metric tons of carbon dioxide equivalent are disclosed through the Environmental and Social Review Summary (ESRS) for each project.

3. Download at: https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-prices
4. Available at: https://www.ifc.org/wps/wcm/connect/8ea3b242-c6bb-4132-82b1-ee4bd7007567/IFC+Climate+Definitions+v3.1+.pdf?MOD=AJPERES
5. Access report at: http://pubdocs.worldbank.org/en/266191504817671617/2016-joint-report-on-mdbs-climate-finance.pdf
6. https://www.ifc.org/wps/wcm/connect/37ad9090-df3f-489e-b3d7-66d3ca2ff69c/201710-IFC-Green-Bond-Impact-Report-FY17-v2.pdf?MOD=AJPERES