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.

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. 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, 2019, IFC's paid-in capital of about $2.57 billion was held by 185 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 $249 billion of our own funds for private sector investments in developing countries, and we have mobilized more than $53 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	22.18
Japan	6.33
Germany	5.02
France	4.71
United Kingdom	4.71
India	4.01
Russian Federation	4.01
Canada	3.17
Italy	3.17
China	2.41
175 OTHER COUNTRIES	**40.28**

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 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 CEO Philippe Le Houérou receives an annual salary of $424,000, net of taxes.

Accountability

INDEPENDENT EVALUATION GROUP

The Independent Evaluation Group (IEG) 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, IEG evaluated IFC's contributions to creating markets and mobilizing private capital under its new strategy—IFC 3.0. IEG recommended enhancing understanding of market-creating opportunities, increasing access to markets for underserved groups, and regularly assessing IFC's risk-taking capabilities to carry out activities in economies that are structurally weak.

IEG's annual reviews of World Bank Group results and performance and of other major reports are available on IEG's website at http://ieg.worldbankgroup.org.

OFFICE OF THE COMPLIANCE ADVISOR OMBUDSMAN

Communities affected by adverse environmental and social impacts of IFC projects may voice their concerns to the Office of the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for IFC. CAO reports directly to the President of the World Bank Group.

CAO is mandated to address complaints from people affected by IFC projects in a manner that is fair, objective, and equitable—with the objective of enhancing environmental and social project outcomes and fostering greater public accountability of IFC.

CAO works to resolve issues between affected communities and IFC project operators using a collaborative problem-solving approach through its dispute-resolution function. CAO's compliance function independently verifies project due diligence and policy compliance to ensure that IFC project outcomes are aligned with their environmental and social commitments. Through its advisory function, CAO delivers learning on broader environmental and social concerns to improve institutional performance.

In FY19, CAO's caseload comprised 60 cases related to IFC and MIGA projects in 33 countries. Of these, 12 were new eligible complaints, and CAO closed nine cases during the year. 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 to create markets and mobilize private sector investment for development. Our partnerships provide essential funding for IFC's work, help incubate new ideas, and allow proven solutions to be scaled up. They facilitate knowledge transfer and build business and institutional capacity. They strengthen our impact by channeling resources to initiatives that improve the lives of the poor, empower women and youth, and promote sustainable private sector development.

WORKING WITH DEVELOPMENT PARTNERS

IFC partners with more than 30 governments, 20 foundations and corporations, and a variety of multilateral and institutional entities. In FY19, our development partners committed $390 million for IFC's advisory services and $122 million for blended finance initiatives to support priority areas, including increasing private sector investments in International Development Association (IDA) countries and fragile and conflict-affected situations, as well as projects related to gender, climate, financial inclusion, sustainable infrastructure, agribusiness, and manufacturing. This includes new types of partnerships, such as that with the Bill & Melinda Gates Foundation to support agricultural technology firms to scale solutions that address constraints faced by smallholder farmers in India. We also strengthened partnerships through strategic events such as the Development Finance Forum, a World Bank Group flagship event that took place in Rwanda this year. The forum brought together key private and public entities to support business innovation and private sector development solutions in the East African Community.

FY19 commitments from development partners included the following:

Strengthening private sector development in IDA and FCS: Recognizing that the private sector is a leading driver of economic growth and job creation in low-income and fragile countries, our partners have expanded their support to key advisory platforms. The *IFC Support for the G20 Compact with Africa Initiative (ISCA)* received additional support from the Netherlands and Norway with the goal of improving the conditions for attracting private sector investment to the continent. The *Conflict-Affected States in Africa (CASA)* initiative celebrated its 10th anniversary and received additional support from Ireland and Norway to continue work toward sustainable private sector development in conflict-affected economies. The *Infrastructure Development Collaboration Partnership Fund (DevCo)* received further support from the Private Infrastructure Development Group (PIDG) to help governments in low-income countries structure transactions with the private sector for infrastructure projects. The *Partnership for Resilient, Efficient and Sustainable SMEs (PRESS)* was launched with support from Luxembourg with the aim to advance inclusive growth and job creation in IDA and FCS, with a special focus on Africa.

In addition, partners increased support for regional efforts in Sub-Saharan Africa, including the *West Africa Trade Facilitation* project, supported by the United States; the *OHADA (Organisation for the Harmonization of Corporate Law in Africa) Business Law Reform Program* in West and Central Africa, supported by France; and the *AgTech East Africa* project, supported by Norway.

Country-specific private sector development initiatives in Africa were also strengthened. They focused on countries such as Ethiopia, supported by Norway, Sweden, and the United Kingdom; Kenya, supported by the Netherlands; Liberia, supported by Sweden; Mali, supported by Denmark; Mozambique, supported by Sweden; and Somalia, supported by Denmark, the European Commission, and the United Kingdom.

Expanding innovative solutions for gender equality: Partners are committed to supporting IFC's advisory programs focused on closing gaps in female participation in the economy, access to vital services, and opportunities for entrepreneurship and corporate leadership. The *Advancing Women in the Workplace* program, which received support from Canada, reduces women's barriers to paid work through enhancing gender equality in the workplace, reducing gender-based violence and addressing unpaid care.

The *Leveraging the Financial System to Empower Women in Bangladesh* program received support from Norway and seeks to advance access to finance for women-owned small and medium enterprises (SMEs) and women who are underserved by financial institutions.

Gender equality also features as a key component of broader programs supported by our partners, including the *Partnership on Jobs and Education for Forcibly Displaced Persons and Host Communities*, supported by the Netherlands; the *Fiji Partnership*, supported by Australia; and the *Papua New Guinea Partnership*, with additional support from New Zealand.

Continuing our commitment to address climate change: Together with our partners, IFC is ramping up programs seeking to address the challenges posed by climate change. The *Market Accelerator for Green Construction* program is the first partnership with the United Kingdom that combines advisory services and blended finance to incentivize construction of certified green buildings in emerging markets. The new *Climate Advisory Partnership* received support from the Netherlands to focus on advisory work that accelerates market transformation toward low-carbon economic activity. The *Sustainable Cities Platform* received additional support from Switzerland to help cities in Eastern Europe, Central Asia, the Middle East, and Africa.

Other programs that address climate change and received new support from our partners are the *Scaling Energy Access in Developing Countries* program, supported by the IKEA Foundation; the *Climate Change Partnership Program* and the *ECA Cities Platform*, both supported by Austria; the *Green Building Market Transformation* program in Nigeria and the *Casablanca City* program, both supported by Japan; the *Clean Energy Access Program*, supported by Italy; the *Pacific Risk Sharing Facility*, supported by New Zealand; the *Energy Efficiency Support Program for Ukraine*, supported by the European Commission and Germany; and the *Finland-IFC Blended Finance for Climate Program*.

WORKING WITH INTERNATIONAL INSTITUTIONS

IFC engages with key international institutions to strengthen the role of the private sector in development finance. These institutions include the United Nations, the Organisation for Economic Co-operation and Development, multilateral development banks (MDBs), and development finance institutions (DFIs).

IFC has built strong partnerships with these institutions while sharing lessons from our more than 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 new market opportunities presented by the Sustainable Development Goals (SDGs). This engagement is helping enhance the ever-growing role of the private sector in achieving development impact.

In the spirit of SDG 17—which calls for strengthened global partnerships to support and achieve the ambitious targets of the 2030 Agenda for Sustainable Development—we enhanced our partnership with the International Fund for Agricultural Development (IFAD) in FY19. This partnership involves sharing country investment strategies, advice, and consultation on new financial products, and potential joint advisory and investment activities.

IFC collaborates with MDBs through the MDB Heads platform, where our management regularly discusses issues of strategic importance to the MDB system. Notable achievements include harmonizing the way we define and measure mobilization of private finance, climate finance, blended concessional finance, and additionality in private sector operations. IFC is leading an effort to increase collaboration with other DFIs in strategic countries to increase efficiency and collective impact.

Furthermore, IFC worked with other MDBs to publish a joint report on the mobilization of private finance by MDBs and DFIs, using a common measurement framework and methodology. The report, published in June 2018, found that MDBs and DFIs mobilized more than $160 billion from private investors in 2017. This included mobilization by the European Development Finance Institutions (EDFIs). IFC continues to chair the MDB/DFI work on blended concessional finance that led to the adoption of the DFI Enhanced Principles for Blended Concessional Finance for Private Sector Projects.

Development partner commitments

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

Summary	FY19	FY18
Governments	290.11	192.01
Institutional/Multilateral Partners	95.12	76.34
Corporations, Foundations, and NGOs	5.00	0.00
Total	**390.23**	**268.35**

Governments	FY19	FY18
Australia	2.75	3.05
Austria	3.15	8.19
Canada	2.66	3.78
Denmark	10.31	5.02
Finland	1.77	0.00
France	2.29	0.00
Germany	16.02	23.24
Ireland	1.04	1.08
Israel	0.00	0.80
Italy	9.00	0.00
Japan	8.26	6.25
Korea, Republic of	0.00	9.00
Luxembourg	1.39	9.28
The Netherlands	84.01	4.91
New Zealand	6.57	1.24
Norway	15.09	13.72
Sweden	21.68	7.12
Switzerland	16.51	24.89
United Kingdom	76.60	70.43
United States	11.02	0.00
Total	**290.11**	**192.01**

Institutional/Multilateral Partners	FY19	FY18
Climate Investment Funds (CIF)	2.20	0.25
European Commission	73.07	50.54
MENA Transition Fund	0.35	0.00
Private Infrastructure Development Group (PIDG)	19.50	0.00
TradeMark East Africa (TMEA)	0.00	0.35
Women Entrepreneurs Finance Initiative (We-Fi)	0.00	25.20
Total	**95.12**	**76.34**

Corporations, Foundations, and NGOs	FY19	FY18
Stichting IKEA Foundation	5.00	0.00
Total	**5.00**	**0.00**

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

Development Partner	FY19	FY18
Canada	0.00	310.54
Finland	0.00	134.31
Gates Foundation	5.00	0.00
New Zealand	2.50	0.00
The Netherlands	11.60	0.00
United Kingdom	102.51	0.00
Women Entrepreneurs Finance Initiative (We-Fi)	0.00	24.20
Total	**121.61**	**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 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 on our clients.

An IFC management committee—the Corporate Portfolio Committee—regularly reviews the entire portfolio of about $58.8 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 about 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 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.

Following the strong growth of our equity portfolio in the past 10 years, IFC has implemented significant changes to our equity approach, leading to more moderate growth and greater selectivity in the near term. In parallel, we have been proactively assessing our equity portfolio to identify assets ready for divestment, after IFC's development role has been completed. This rebalancing of the equity portfolio results from analyses that take into account market conditions, opportunities, expected returns, and risks—and is periodically adjusted as required. The changes aim to assure alignment of our portfolio with our strategic priorities.

Newly appointed global equity heads of industry are expected to play a critical role in central oversight, managing IFC's larger and more complex equity positions throughout the investment lifecycle. As our procedures are being adjusted around this new structure, we are encouraged by steady improvements in our portfolio performance over the past two years.

For projects in financial distress, our Special Operations Department determines the appropriate remedial actions. It seeks to keep the project operational to achieve the original development impact intended 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.

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 have also strengthened our portfolio support structure through the creation of the 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, and this work 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 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 determine 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 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 support local capital markets.

IFC's funding program has kept pace with investment activity—in FY19, new core and short-term borrowings totaled approximately $11.2 billion.

FY19 total borrowing

CURRENCY		AMOUNT (US$ EQUIVALENT)	PERCENT
U.S. dollar	USD	3,324,159,146	29.7%
Australian dollar	AUD	1,225,660,000	10.9%
Japanese yen	JPY	452,014,430	4.0%
Russian ruble	RUB	254,930,936	2.3%
Brazilian real	BRL	383,323,910	3.4%
Turkish lira	TRY	648,046,452	5.8%
Indian rupee	INR	99,991,290	0.9%
Other		4,808,566,197	42.9%
TOTAL		**11,196,692,361**	**100.0%**

LIQUIDITY MANAGEMENT

Liquid assets on IFC's balance sheet totaled $39.7 billion as of June 30, 2019, compared to $38.9 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 ensure 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 IFC has sufficient resources to meet cash-flow requirements for both a normal planning horizon and in 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 changes that occur in global financial markets, IFC enhanced our Treasury policy framework in FY19.

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. 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 2019, total resources available stood at $27.8 billion, while the minimum capital requirement totaled $21.8 billion.

Our Approach to Sustainability

Sustainability is a critical component of good development impact. It is key to enhancing outcomes for all stakeholders—including a company's customers and the communities in which it operates—and is critical to business success.

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 asks our clients to understand and manage the risks they face and those they pose to their surrounding environment and communities. We partner 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 weight and attention to environmental, social, and governance risks, just as we do to credit and financial risks. This enables us to take informed risks to achieve both development impact and financial sustainability.

IFC'S SUSTAINABILITY FRAMEWORK

The Sustainability Framework articulates IFC's strategic commitment to sustainable development and is an integral part of our approach to risk management. The Sustainability Framework consists of the Policy on Environmental and Social Sustainability, the Performance Standards, and the Access to Information Policy.

POLICY ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The Policy on Environmental and Social Sustainability describes IFC's commitment to environmental and social due diligence, categorization, and monitoring of our clients. Our approach to diligence involves identifying any gaps between client practice and the IFC Performance Standards in order to agree on a plan of action that, if successfully implemented by the client, will progressively bring their operations in line with good international industry practice. While IFC cannot ensure outcomes, we monitor our clients' progress and performance throughout the life of our investment, providing support where we can and using our contractual leverage if necessary.

IFC PERFORMANCE STANDARDS

At the core of our Sustainability Framework are IFC Performance Standards—which describe how we ask our clients to avoid, mitigate, and manage risk as a way of doing business sustainably. The standards, and the wide array of guidance that supports them, help clients devise solutions that are good for business, good for investors, good for the environment, and good for communities.

Our Performance Standards have become a global benchmark of sustainability practices. The Equator Principles, which are built on the Performance Standards, have been adopted by 97 financial institutions in 37 countries. In addition, many financial

The IFC Performance Standards

1

Assessment and Management of Environmental and Social Risks and Impacts

2

Labor and Working Conditions

3

Resource Efficiency and Pollution Prevention

4

Community Health, Safety, and Security

institutions, including development banks and export credit agencies, ask their clients to meet the IFC Performance Standards. 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.

ACCESS TO INFORMATION POLICY

IFC's Access to Information Policy reaffirms and reflects our commitment to enhance transparency about our activities, improve development effectiveness, and promote good governance. Openness promotes engagement with stakeholders, which in turn improves the design and implementation of projects and policies, and strengthens development outcomes. IFC supports several transparency initiatives that encourage responsible investment and reporting practices among the private sector, the community of international financial institutions, and the community of development finance institutions. These include the International Aid Transparency Initiative (IATI), Principles for Responsible Investment (PRI), and the Global Reporting Initiative (GRI). Visit www.ifc.org/projects for more information.

INTEGRATED GOVERNANCE

Corporate governance is a paramount consideration in an investor's decision-making process—and, increasingly, so is 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 is essential, therefore, to assess environmental, social, and governance practices in an integrated fashion.

In 2018, IFC updated its Corporate Governance Methodology to include key corporate governance considerations and integrate environmental and social issues consistent with IFC's Policy on Environmental and Social Sustainability.

The Corporate Governance Methodology includes the assessment of six key corporate governance parameters—commitment to better practices of corporate governance, the structure and functioning of the Board of Directors, the control environment, disclosure and transparency, treatment of minority shareholders, and governance of stakeholder engagement. It is available for six kinds of companies: publicly listed, family- or founder-owned, state-owned, small and medium enterprises, financial institutions, and funds.

As of June 2019, the updated methodology had been adopted by 35 development bank signatories of the Corporate Governance Development Framework, creating a common platform for evaluating and improving governance practices in investee companies.

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

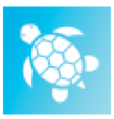
The application of our integrated approach to corporate governance goes beyond the companies we invest in. We also use it in our advisory work with regulators and stock exchanges—to help them apply higher disclosure standards to corporate listings, reporting requirements, and other disclosure obligations.

5

Land Acquisition and Involuntary Resettlement

6

Biodiversity Conservation and Sustainable Management of Living Natural Resources



7

Indigenous Peoples

8

Cultural Heritage

CORPORATE RESPONSIBILITY

IFC will continue to consider sustainability 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

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

INDICATOR	FY19	FY18	FY17
Total full-time staff	3,744	3,921	3,860
Non-U.S.-based staff (%)	53.8%	54.9%	55.9%
Short-term consultants/temporaries (FTEs)	1,085	1,092	1,018
Employee engagement index	67%	75%	75%
Diversity			
Women managers (target 50%)	39.2%	39.5%	35.5%
Part II managers (target 50%)	41.0%	40.5%	38.9%
Women GF+ Technical (target 50%)	47.8%	46.7%	46.2%
Sub-Saharan/Caribbean GF+ (target 12.5%)	13.5%	11.2%	10.9%

Note: FTE is full-time equivalent (staff); GF+ refers to salary grade GF or higher—i.e., professional staff; Managers include Directors, Vice Presidents, and CEO.

WHERE WE WORK

STAFF AT ALL GRADE LEVELS		
United States	1,730	46%
Other Countries	2,014	54%
Total	**3,744**	

NATIONAL ORIGIN

	STAFF AT OFFICER LEVEL AND HIGHER		MANAGERIAL CADRE	
Part 1 Countries[1]	1,001	41%	128	59%
Part 2 Countries[2]	1,451	59%	89	41%
Total	**2,452**		**217**	

1. Staff with primary nationality from countries that declared themselves as IDA donors at the time of joining the World Bank Group.
2. Staff of all other nationalities.

GENDER

	STAFF AT OFFICER LEVEL AND HIGHER		MANAGERIAL CADRE	
Female	1,171	48%	85	39%
Male	1,281	52%	132	61%
Total	**2,452**		**217**	

Advancing diversity and inclusion:

IFC works with clients across the globe. That broad reach is reflected in our staff, a group of people who represent 151 nationalities and who work from 93 countries. Having a diverse workforce with critical skill sets and diverse perspectives is key for IFC to deliver on our strategic agenda.

IFC is committed to go beyond the inherent diversity we have as an international institution. This year, we refreshed our Diversity and Inclusion Compact targets—which commit IFC to measurable diversity and inclusion targets at the corporate and vice presidency unit level—following the end of the 2014 Compact period. In the process, we recalibrated our baseline, reflected on the progress made, and set goals based on remaining gaps.

Targeted recruitment efforts and strategic partnerships were implemented globally in FY19, and IFC has exceeded our 12.5 percent target of Sub-Saharan Africans and Caribbean nationals at the GF+ level.

Enriching staff development:

IFC's Leadership and Management Framework provides development programs for leaders across the organization. Two new leadership development programs were added in the past two years: Sponsorship and Reverse Mentorship. Both focus on diverse representation in the selection process and are now showing positive results.

IFC's Sponsorship program builds a pipeline of diverse leaders by offering sponsor–advisee relationships between top talent (selected through a review process) and vice presidents. The program allows exposure to strategic thinking through shadowing, opportunities for cross collaborations, and enriched career networks. Most participants in the second cohort, which concluded the program in FY19, have had opportunities to work in cross-functional and corporate projects. As of June 2019, 16 of the participants—or half of the group—had progressed to higher responsibilities.

IFC's Reverse Mentorship program was inaugurated in June 2018. It pairs junior staff—most of them millennials—with mid-level managerial and nonmanagerial staff so that the junior staff can act as mentors. The program boosts innovation through greater cross-functional collaborations and inclusion of youth in the organization. Survey results indicate a greater feeling of inclusiveness among the 20 mentor–mentee pairs in the first cohort.

OUR OFFICES

Minimizing IFC's impact on the environment is a priority for us. IFC continues to be carbon-neutral for global business operations, including air travel. We design and manage our buildings in a sustainable way and offset emissions that cannot be eliminated. More details can be found at www.ifc.org/corporateresponsibility.

Reporting Under the Task Force on Climate-related Financial Disclosures

CLIMATE-RELATED FINANCIAL DISCLOSURE

IFC released our first disclosure under the guidelines recommended by the Task Force on Climate-related Financial Disclosures (TCFD) in the IFC's *Annual Report 2018*. Since then, IFC has worked to maintain and strengthen our climate-related financial risk assessment, management, and reporting practices. This second disclosure can be found online with links to all relevant reports and references.

GOVERNANCE

IFC's climate business and risk are overseen by IFC's CEO, who reports to the President of the World Bank Group on climate business performance and climate risk evaluation. The World Bank Group President reports to the IFC Board of Directors. As part of the capital increase endorsed by IFC's Board in 2018, the Board has mandated that IFC meet a number of climate-related requirements, including screening all investments for climate risk and scaling up climate-related commitments. IFC has a dedicated climate business department that supports investment teams to mitigate risk through carbon pricing and tools to evaluate physical risk. The department also helps identify low-carbon investment opportunities by providing the assistance from sector experts, metrics, financial tools, and strategy. Progress against the corporation's climate targets are reported by the Climate Business Department to both the Board and the Management Team regularly. The World Bank Group also reports annually to the Board on progress toward climate targets. The most recent annual update to the Board was on November 20, 2018.

IFC's Climate Anchors Network continues to integrate climate business throughout the corporation. The Climate Anchors Network comprises senior staff in each industry and regional department. Climate anchors report to their department director and to the Climate Business director. This year, the Climate Anchors Network expanded to include a senior lawyer to bring awareness and knowledge of climate litigation.

IFC is a member of several climate-related corporate leadership initiatives, such as the World Economic Forum's Alliance of CEO Climate Leaders, the Principles for Responsible Investment, the TCFD (where IFC is a supporting institution), One Planet Summit, the One Planet Lab, the Global Green Bond Partnership, the Carbon Pricing Leadership Coalition, and the Fashion Industry Charter for Climate Change (where IFC is a supporting institution).

STRATEGY

IFC's climate business plan is part of the Climate Change Action Plan 2016–2020 and continues to build upon the IFC Climate Implementation Plan noted in IFC's FY18 disclosure. IFC's climate commitments are aligned with the World Bank Group's climate targets for 2021–2025. IFC continues to focus on five strategic investment areas—clean energy, climate-smart agribusiness, green buildings, climate-smart cities, and green finance. Below is progress toward this strategy.

Increasing IFC's share of investment in climate business: In FY19, IFC's total climate-related commitments amounted to $2.6 billion, or 29 percent of our new investments (see Table 1). IFC has new targets as noted in the Targets and Metrics section (see page 105).

Opening new markets to create new investment opportunities: Over time, IFC's climate business has diversified. Just over 10 years ago, renewable energy investments comprised almost 40 percent of IFC's annual climate business. Today, IFC's renewable energy business remains strong at $2.4 billion in FY19 of IFC's own account investments and mobilized capital, and IFC has additional business in green buildings ($761 million), manufacturing ($380 million), climate-smart agribusiness ($162 million), and climate investments through financial institutions ($1.98 billion). IFC is targeting new business opportunities in energy storage, transportation logistics, distributed renewables, and off-shore wind.

Catalyzing external investment: IFC brings partners into our investments in climate projects. Mobilizing external capital limits IFC's own exposure in the near term and builds more robust markets in the long run. In FY19, IFC directly mobilized $3.2 billion in climate investments through syndications, public-private partnerships, and platforms that crowd in external capital. IFC also works with policy makers on enabling conditions, which reduces risks in new and emerging sectors.

Table 1: Climate business commitments: Five-year trend

TOTAL CLIMATE COMMITMENTS (US$ MILLIONS)	FY19	FY18	FY17	FY16	FY15	FY14
Own account long-term finance	$2,603	$3,910	$3,001	$1,986	$2,349	$1,915
Direct mobilized finance	$3,172	$4,542	$1,775	$1,218	$2,122	$1,260
Total climate commitments	**$5,775**	**$8,452**	**$4,776**	**$3,204**	**$4,471**	**$3,175**

RISK MANAGEMENT

In FY19, IFC expanded our existing climate risk management of both physical and transition risk.

Physical risk: IFC is completing our risk screening pilot for ports, waterways, airports, roads, insurance, forestry, and pulp and paper.[1] IFC will evaluate the pilot in early FY20.

Transition risk: IFC uses carbon pricing to address transition risk and avoid stranded assets. Since May 2018, a carbon price is included in the economic analysis of project finance transactions with estimated annual emissions of more than 25,000 tons of carbon dioxide equivalent in the cement, chemicals, and thermal power generation sectors. These are the most greenhouse gas-intensive projects and account for over half of IFC's greenhouse gas footprint from its investments. For these investments, IFC includes in the Board papers the impact of the carbon price on the project's economic performance. In FY19, IFC initiated a new carbon pricing pilot for projects in all real sectors—both project finance and corporate finance with known use of proceeds—with estimated annual emissions of more than 25,000 tons of carbon dioxide equivalent. This pilot will be evaluated in early FY20.

As part of our efforts to address climate risks and minimize our indirect exposure to coal-related projects, IFC does not provide loans to financial institutions for coal-related activities. To further reduce exposure to coal, IFC no longer provides general purpose loans to financial institutions. Targeted loans are directed to key strategic sectors, such as micro, small, and medium enterprises, women-owned businesses, climate-related projects, and housing finance. The use of proceeds is disclosed on IFC's Project Information Portal.

In addition, IFC evaluates—and discloses to the Board—the development impact of our projects, including climate impacts. For that, we use the Anticipated Impact Measurement and Monitoring (AIMM) system.

TARGETS AND METRICS

Targets: In FY19, IFC's climate investments comprised 29 percent of total commitments, exceeding the corporate target of 28 percent. In December 2018, the World Bank Group announced that climate investments[2] will comprise, on average, 35 percent of IFC's own-account investments over the FY21–25 period, accelerating last year's commitment over the next five years. The Bank Group also plans to mobilize at least $200 billion over the same period. The IFC corporate target is translated to investment teams through departmental and regional climate business targets.

Investment disclosure: IFC reports climate finance commitments in this annual report (see page 104) and in the *Joint Report on Multilateral Development Banks' Climate Finance*. In its annual *Green Bond Impact Report*, IFC also reports on the environmental impact of projects financed through the green bonds that IFC issues.

Emissions disclosure: IFC continues to report aggregate greenhouse-gas emissions reductions from IFC investments through this annual report. IFC also discloses project-level emissions for projects with estimated annual emissions of more than 25,000 metric tons of carbon dioxide equivalent through the publicly available *Environmental and Social Review Summary*.

IFC has been carbon-neutral in all our business operations including business travel (Scope 1 and 2 emissions) since FY09, and previous targets have cut energy use in IFC's headquarters by 18 percent. In FY19, IFC set a global, internal carbon-reduction commitment to cut our facility-related emissions by 20 percent by 2026, from a 2016 baseline. This target is IFC's contribution to the Bank Group's commitment to reduce facility-related emissions by 28 percent over the same period.

SECTOR SPOTLIGHT:

Creating markets for certified green buildings

IFC has identified an investment opportunity of almost $25 trillion for green buildings in emerging markets, because of high population growth, urbanization trends, and deployment of existing technologies for resource efficiency. To tap into this potential, IFC created EDGE—Excellence in Design for Greater Efficiencies—a green building certification program for more than 150 countries.

EDGE defines a green building as 20 percent more resource efficient in energy, water, and embodied energy in materials. The EDGE software enables property developers to identify the most cost-effective solutions to design green and for IFC and other banks to identify green building investments.

The EDGE program enables IFC and other banks to invest in more efficient buildings, supporting new products such as green mortgages, green bonds, and green construction financing. In only five years, IFC's investments in green buildings have risen from $160 million to $761 million in FY19, with a high of $1.37 billion in FY18 for both IFC's own account and mobilized capital.

1. IFC's risk screening pilot systematically screens projects at the appraisal stage for physical climate risk in the seven industries.
2. 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. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/resources/ifc-climate-definition-metrics