

SUSTAINABILITY

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

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

IFC AS A STANDARD SETTER

At the core of our Sustainability Framework are IFC's Performance Standards, which define how our clients avoid, mitigate, and manage environmental and social (E&S) risks. For nearly two decades, our Performance Standards have served as a global benchmark. The Equator Principles, which are built on these standards, have been adopted by 139 financial institutions in 39 countries. A growing number of other financial institutions and sustainability frameworks are either adopted from or influenced by IFC's Performance Standards.

The [World Bank Group's Environmental, Health, and Safety \(EHS\) Guidelines](#) are the technical reference documents of Good International Industry Practice (GIIP) for financial institutions, companies, and ESG practitioners across the globe. In close collaboration with the World Bank and MIGA, we have begun updating and modernizing the guidelines to reflect the current GIIP, including strengthened guidance on managing climate, community, and occupational health and safety issues. The first new-generation EHS guidelines on airports, electric transmission and distribution, and healthcare facilities are expected to be shared for public consultation in FY24.

Sustainable business relies on integrating corporate governance considerations into the decision-making process. IFC is continuing to set new benchmarks for corporate governance, including in evolving areas such

as climate governance and reporting. Based on IFC's Corporate Governance Methodology, IFC has launched a [Climate Governance Progression Matrix](#) and tip sheet to assist boards of directors in identifying and overseeing climate-related risks and opportunities.

CAPACITY BUILDING

Through our ESG advisory services, we support our clients and the broader market in navigating ESG challenges. In FY23, we supported 94 clients in 32 countries in improving their ESG practices and approaches. We also continually develop open-source public goods on best practices related to sustainability issues. We published new tools and knowledge products, such as a tip sheet and case studies to enhance understanding around gender-based violence and harassment risk management, and a series of case studies on women leaders in fragile markets entitled [Being Bold—Case Studies on Women's Business Leadership in Sierra Leone and Liberia](#). Our ESG resources are valued by our clients and the broader market, with more than one million page views and 300,000 downloads in FY23.

IFC is also helping companies build capacity to translate sustainability commitments into practical, measurable financial decisions. In FY23, we relaunched the FIRST ([Financial Institutions: Resources, Solutions, and Tools](#)) website, which provides financial institutions with information and tools to understand and manage E&S risks and introduces users to

sustainable financing opportunities. The FIRST website was accessed more than 200,000 times over the past fiscal year, with the majority of users based in emerging markets.

IFC partnered with CDP, a non-profit focused on environmental disclosure systems, to examine more than 100 disclosure practices. The [report](#), which was developed in consultation with the UN Sustainable Stock Exchanges Initiative, highlights practical examples for developing high-quality regulation to mobilize private capital flows toward sustainable solutions.

We are also continuing to strengthen IFC's E&S staff capacity. Our Professional Learning and Certification Program (PLCP) was launched in August 2022 to maintain the highest levels of E&S risk management competency. More than 120 hours of training were delivered to nearly 80 IFC E&S specialists. We're exploring how elements of the PLCP could be made accessible to external E&S practitioners.

INNOVATIVE TOOLS

IFC continues exploring how technology and digital tools can help monitor—and amplify—ESG impacts. [IFC's Machine Learning ESG Analyst \(MALENA\)](#) is being used by IFC specialists for ESG due diligence, portfolio monitoring, and insights. MALENA is an AI-powered platform that extracts meaningful insights from unstructured ESG data at scale, enabling rapid analysis and increasing productivity. IFC is beta testing an external version of MALENA, engaging with diverse institutions. In May 2023, for the second consecutive year, MALENA was selected by the International Research Centre on Artificial Intelligence (IRCAI) as a Global Top 100 project to meet the Sustainable Development Goals. This year, MALENA advanced by two categories from the previous year, from "Promising" to "Outstanding," and ranked in the top 10 projects.

IFC is also harnessing the power of digital tools with the development of the Sustainability Rating Tool (SRT), which has been designed to provide structured and consistent management of ESG risks and create operational efficiencies by helping to focus efforts and resources on managing material ESG risks. After a successful pilot test, SRT is now being rolled out to all IFC projects, including new business and portfolio projects.

Leveraging AI and Data Science to Drive Better Outcomes

There is growing interest in tapping AI to generate insights on the environmental, social, and governance (ESG) performance of companies, projects, even countries. Over 80 percent of the world's largest firms by revenue are reporting on sustainability aspects of their businesses, and 90 percent of S&P 500 companies disclose ESG data. Credit rating agencies who once ranked companies purely on financial performance are adding ESG metrics to their offerings, while new rating firms are now popping up that specialize in ESG rankings.

The United Nations has created the Sustainable Stock Exchanges Initiative that promotes networking and research among capital market stakeholders. Regulators are developing standards with the goal of making ESG ranking methodologies more transparent, which should make it easier for non-specialists to understand and compare ESG data sets. ESG was a central consideration in every individual investment from the more than \$30 billion that IFC committed to emerging markets over the past year.

With the support of the Facility for Investment Climate Advisory Services (FIAS), Denmark, and the Republic of Korea, IFC started building its own tool, MALENA, in 2019 as an innovative way to use AI to help map out the ESG landscape for emerging markets. IFC's ESG experts trained MALENA to analyze the language contained in

documents in a way that will generate the most useful ESG insights. Human language, as we know, is complex and nuanced. Understanding the context of what is written is key to grasping intended meaning—and preventing errors in interpretation.

Since its launch in 2022, MALENA has analyzed over 246,000 internal IFC and public documents—including impact assessments, news articles, and sustainability reports—which stretch back decades and cover over 10,000 projects in 186 countries. One of MALENA's big strengths is speed: it reads 19,000 sentences in a minute. After scouring the documents, MALENA generates dashboards on ESG performance. These dashboards can be a helpful reference source for IFC's ESG experts as they make their risk assessments.

With demand for ESG data growing exponentially, including in emerging markets where such data is often lacking, AI tools like MALENA have an important role in improving data quality. They can help investors meet their ESG goals in innovative ways.

PARTNERSHIPS

To amplify its reach, IFC partners with leading ESG networks and organizations. In FY23, in collaboration with the UN Sustainable Stock Exchanges Initiative and CDP, IFC offered training courses on the [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#). These courses reached 20,000 participants in 60 markets, with 12,000 participants joining from emerging market locations.

In partnership with the Equator Principles Association, IFC [published a report](#) that examines the linkages between IFC's Performance Standards, the World Bank Group's EHS Guidelines, and the European Union Taxonomy's "do no significant harm" (DNSH) and minimum safeguards (MS) criteria. This research found that the Performance Standards and EHS Guidelines are a credible reference framework to assess the alignment of a business activity with the EU Taxonomy's DNSH and MS criteria to qualify as environmentally sustainable. This research contributes to global objectives to seek interoperability and alignment of sustainable finance regulations and standards on environmental and social risk management, which is critical to ensure their effectiveness and avoid greenwashing.

IFC continued to serve as the Secretariat and knowledge partner for the [Sustainable Banking and Finance Network](#) (SBFN), a global knowledge-sharing and capacity-building platform for financial regulators and industry associations from emerging markets. In FY23, SBFN membership grew to 80 member institutions representing 63 emerging market countries. In May 2023, SBFN launched a toolkit on developing sustainable finance roadmaps to assist members in moving from policy formulation to implementation. Through SBFN, IFC provided technical input to a new online learning course on Sustainable Finance Taxonomies, developed by Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), an important resource for regulators in the design and implementation of sustainable

finance taxonomies. SBFN continued to be the voice of emerging markets in global sustainable finance platforms such as the G20 Sustainable Finance Working Group and through reports such as the World Bank's Emerging Lessons & Considerations for Applying the G20 Principles on Alignment Approaches.

To advance efforts in identifying and managing labor risks, IFC's Managing Director and the International Labour Organization (ILO) Director General agreed on a [Partnership Roadmap](#) in March 2023. As part of this roadmap, IFC and ILO are discussing opportunities for further collaboration and synergies for knowledge sharing and exchange, capacity building, and promoting robust labor risk management.