

IFC's Updated Sustainability Framework

BETTER STANDARDS FOR SMARTER GROWTH

The Sustainability Framework articulates IFC's strategic commitment to sustainable development and is an integral part of its approach to risk management. Originally adopted in 2006, the framework was updated in 2011 to incorporate valuable lessons from IFC's implementation experience and feedback from our stakeholders and clients.

The updated framework clarifies approaches that have become recognized as good practice in recent years. It helps protect people and the environment, promotes transparency and accountability, and supports our clients in managing risks and doing business in a sustainable way. IFC's updated framework is available at www.ifc.org/sustainabilityframework. It will be effective on January 1, 2012.

OVERVIEW OF KEY CHANGES

ACCESS TO INFORMATION

IFC's Access to Information Policy provides greater transparency and accountability.

- Expands the scope of information IFC makes public about its projects, including project-level environment and social and development impact information.
- Provides for ongoing disclosure throughout the life of the project, not just before Board approval.
- Increases transparency regarding financial intermediary investments and advisory services.
- The Sustainability Policy updates contract disclosure requirements for extractive industry projects in addition to the previous requirement of revenue transparency.
- Provides a two-stage appeals mechanism for those who believe an information request has been unreasonably denied.

FINANCIAL INTERMEDIARIES

IFC will categorize FI projects according to the level of environmental and social risk in their existing and prospective portfolios to more clearly communicate these risks and IFC's expectations for managing them.

- IFC requires FIs to develop and implement Environmental and Social Management Systems commensurate with their E&S risks.
- FIs with higher risk activities will be required to apply the Performance Standards to these activities.
- IFC will report annually on the development outcomes of its FI portfolio.

SUPPLY CHAINS

The updated framework takes into account the complexities of supply chain management and requires clients to screen and monitor their supply chain risks.

- In addition to previous requirements addressing forced labor and child labor, updates require primary suppliers to ensure they address safety issues that may result in fatalities.
- Outlines requirements for clients to assess whether primary suppliers are significantly converting natural or critical habitats.
- If these issues are found in supply chains, clients will work with suppliers to improve these issues or seek to shift to other suppliers.

IFC's Approach to Sustainability

IFC is committed to ensuring that the benefits of economic development are shared with those who are poor or vulnerable and that development takes place in an environmentally and socially sustainable manner.

We see sustainability as an opportunity to transform markets, drive innovation, and add value to our clients by helping them improve their business performance.

IFC's Sustainability Framework is designed to help our clients avoid and mitigate adverse impacts and manage risk as a way of doing business sustainably. It improves transparency, helps engage with the people who are affected by the projects we finance, and broadens our development impact.

IFC's approach is systematic, pragmatic, and flexible with a focus on outcomes. It promotes risk management that is commensurate with the level of risks, incorporating time-based action plans to address actual and potential impacts.



CLIMATE CHANGE

Addressing climate change is one of IFC's strategic priorities. The Sustainability Policy articulates IFC's commitment to low carbon growth.

- Introduces a resource efficiency concept for energy, water, and core material inputs.
- Lowers clients' reporting requirements to IFC on greenhouse-gas emissions from 100,000 to 25,000 metric tons of CO₂-equivalent per year to allow IFC to better understand its greenhouse gas footprint.

BUSINESS AND HUMAN RIGHTS

IFC acknowledges the responsibility of the private sector to respect human rights. For the most part, clients' E&S due diligence using the Performance Standards will enable them to address human rights impacts in their operations.

- Updates address human trafficking, forced evictions, and community access to cultural heritage, among other issues.
- In certain high risk projects, human rights due diligence may be appropriate taking into account specific business circumstances.

GENDER

The framework explicitly addresses gender, both in terms of assessing gender differences in project impacts and in ensuring that consultations are gender sensitive.

- Clients are required to assess whether involuntary resettlement may affect women's and men's livelihood opportunities differently.
- Hazards to women are now specifically included as part of the occupational health and safety section.
- Clients are expected to ensure that projects do not negatively impact women's land and property rights.



For more information visit www.ifc.org/sustainability

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INDIGENOUS PEOPLES

For projects with potential significant adverse impacts on Indigenous Peoples, IFC has adopted the principle of "Free, Prior and Informed Consent" (FPIC), informed by the 2007 United Nations Declaration on the Rights of Indigenous Peoples.

- Consistent with the 2006 framework, the FPIC requirement will be triggered when there are impacts on traditional or customary lands and natural resources; there is relocation of Indigenous Peoples from traditional lands and natural resources; or significant impacts on the cultural resources of indigenous peoples.
- FPIC will be established through good faith negotiation between the client and adversely affected Indigenous Peoples.

IMPLEMENTATION

IFC will provide additional support to address clients' implementation gaps and build their capacity. IFC will increase strategic partnerships with organizations at the market, industry and, in some cases, national levels.

- IFC will develop approaches for real-time information sharing among staff, clients and partners.
- IFC will update and develop new tools for clients such as guidance notes and thematic handbooks.
- Improve consistency and quality of implementation by leveraging knowledge with development partners to improve the enabling environment and markets where clients operate.

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries. We create opportunity for people to escape poverty and improve their lives. We do so by providing financing to help businesses employ more people and supply essential services, by mobilizing capital from others, and by delivering advisory services to ensure sustainable development. In a time of global economic uncertainty, our new investments climbed to a record \$18 billion in fiscal 2010. For more information, visit www.ifc.org.