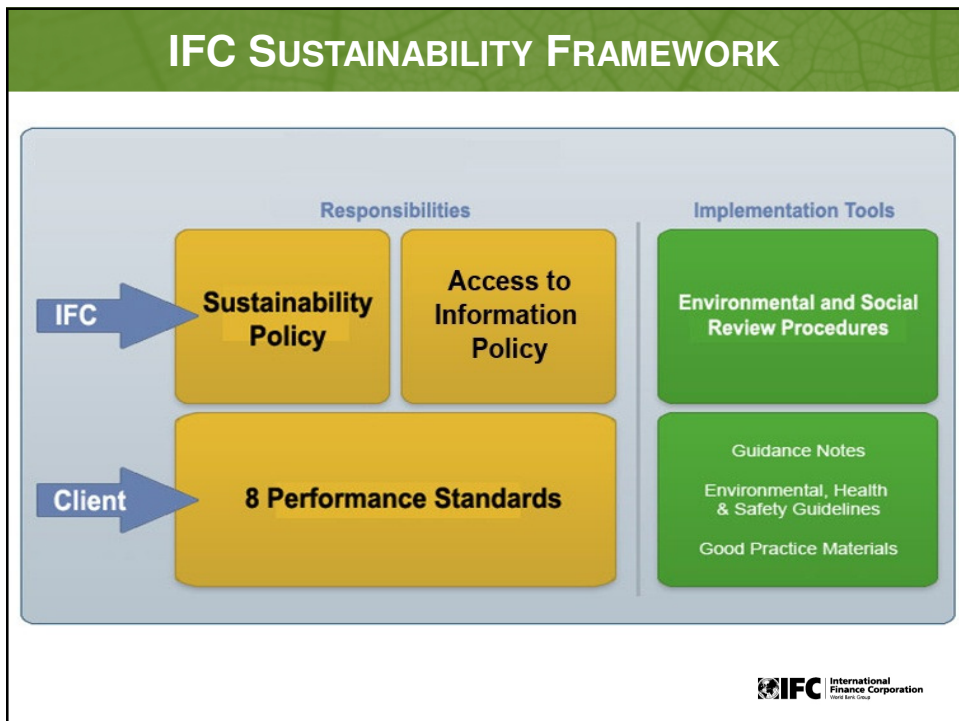




IFC's SUSTAINABILITY FRAMEWORK

RECENT UPDATES AND CHANGES

REIDAR KVAM
ENVIRONMENT, SOCIAL AND GOVERNANCE DEPARTMENT



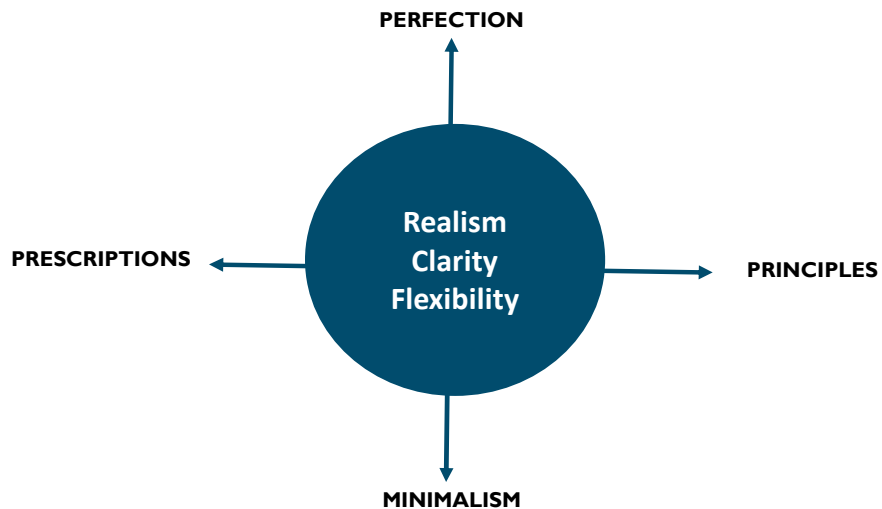
REVIEW AND UPDATE PROCESS

- **April 2006**
IFC introduces its Sustainability Policy and Performance Standards
- **September 2009 – March 2011**
Review and consultation process
- **May 12, 2011**
IFC's Board approves updated Sustainability Framework
- **January 1, 2012**
New Policies and Performance Standards became effective

3



A BALANCED APPROACH



5



INTERNATIONAL BENCHMARK FOR PRIVATE SECTOR

- A principles-based approach, not a licensing approach
 - Less front loaded and prescriptive than legal tradition in many countries
 - Agreement on core principles: client commitment and capacity
 - Environmental and Social Action Plans to fill gaps
 - Engagement and implementation support throughout project cycle
- Progressive realization of Performance Standards objectives

6



SUSTAINABILITY POLICY



IFC Sustainability Framework

POLICY AND PERFORMANCE STANDARDS ON
ENVIRONMENTAL AND SOCIAL SUSTAINABILITY
ACCESS TO INFORMATION POLICY

Effective January 1, 2012

Defines IFC's commitments toward sustainability

- Manage risk
- Hierarchy:
 - Anticipate, avoid
 - Minimize
 - Compensate or offset
- Identify opportunities

8



SUSTAINABILITY POLICY

- Articulates IFC commitments to
 - Low carbon growth and climate change
 - Human rights
 - Corporate Governance
 - Gender
 - Ecosystems
- Defines roles, responsibilities of IFC and clients



9

FINANCIAL INTERMEDIARIES

- For all FI clients:
 - Environmental and Social Management System, ESMS
 - Commensurate with level of risks
 - Aligned with requirements of Performance Standard 1
 - Application of PS 2, Labor and Working Conditions
 - Exclusion list and national law
- Application of Performance Standards:
 - Project finance
 - Long term corporate lending

11

ARE THERE ACTIVITIES IFC WILL NOT FINANCE?

IFC Exclusion List



The IFC Exclusion List defines the types of projects that IFC **does not** finance.

IFC does not finance the following projects:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

12



IFC's ACCOUNTABILITY

Commitment to Transparency

- Access to Information Policy (AIP)
- Investment and Advisory projects
- Overhauled in 2012
- Alignment with Bank's AIP, in private-sector context

Internal Oversight


- Independent Evaluation Group (IEG)
- Reports to the Board
- Objective assessment of development impact/results
- World Bank Group

Grievance Mechanism for External Parties

- 1999: Compliance Advisor Ombudsman (CAO)
- Reports to WBG President
- Responds to complaints from project-affected groups
- IFC and MIGA




PERFORMANCE STANDARDS OVERVIEW

 <p>PS1: Assessment and Management of E&S Risks and Impacts</p>	 <p>PS2: Labor and Working Conditions</p>	 <p>PS3: Resource Efficiency and Pollution Prevention</p>	 <p>PS4: Community Health, Safety and Security</p>
 <p>PS5: Land Acquisition and Involuntary Resettlement</p>	 <p>PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</p>	 <p>PS7: Indigenous Peoples</p>	 <p>PS8: Cultural Heritage</p>

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ARE ALL 8 STANDARDS TRIGGERED IN EVERY DIRECT INVESTMENT PROJECT?

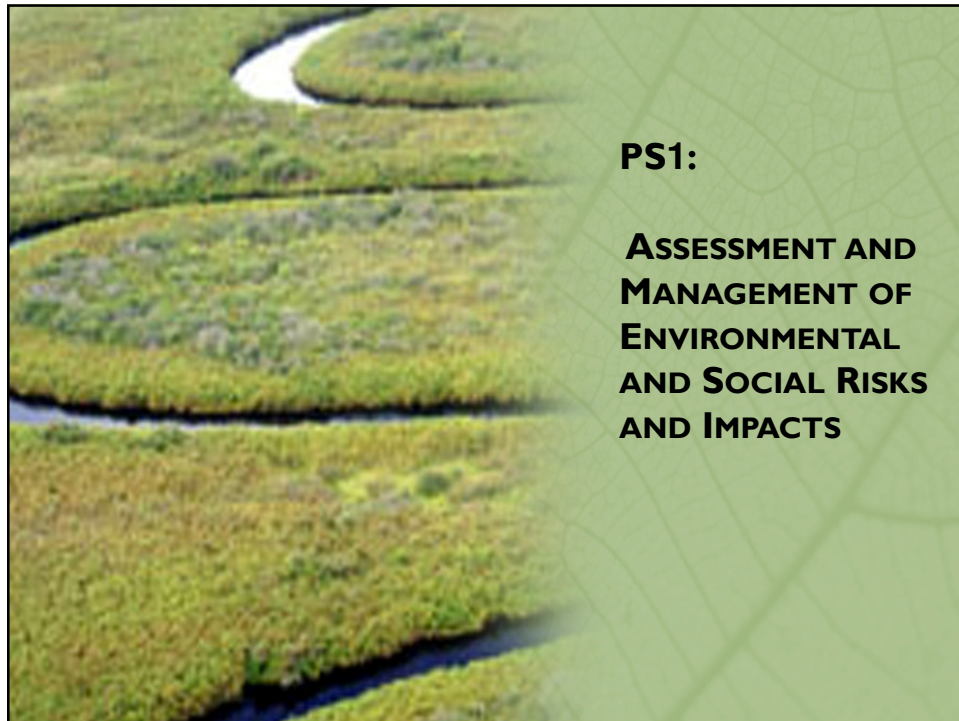


Performance Standard	Percentage of Projects Triggered
PS1	100%
PS2	99%
PS3	95%
PS4	87%
PS5	44%
PS6	27%
PS7	5%
PS8	16%

Do clients need to achieve 100% compliance with triggered Performance Standards before we do business with them?

15

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WHY A PS 1?

And why do we consider it our “umbrella” PS?

**Applies to 100% of
our investment
projects**

A systematic approach to managing
environmental and social
performance...

... is an investment that enables clients
to identify and manage E&S risks that
can affect the viability of their business

17

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PS1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

OBJECTIVES

- Identify project E&S risks and impacts
- Adopt mitigation hierarchy
 - Anticipate, avoid
 - Minimize
 - Compensate or offset
- Improve performance through an Environmental and Social Management System (ESMS)
- Engagement with Affected Communities, other stakeholders
 - Throughout project cycle
 - Includes communications, grievance mechanisms

PS1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

CLARIFICATIONS AND CHANGES

- Tailored for easier application to non-project finance
- Requires an E&S policy
- Requires an external communication channel
- Consideration of business and human rights
- Clarity on cumulative impacts



PS2:

**LABOR AND
WORKING
CONDITIONS**

PS2: LABOR AND WORKING CONDITIONS

Objectives

- Fair treatment, non-discrimination, equal opportunity
- Good worker – management relationship
- Comply with national employment and labor laws
- Protect workers, in particular vulnerable categories
- Promote safety and health
- Avoid use of forced labor or child labor

PS2: LABOR AND WORKING CONDITIONS

Clarifications and Changes

- Comparable conditions for migrant workers
- Requirements for workers' accommodation
- Monitoring of conditions for workers younger than 18
- Alternatives analysis prior to retrenchment
- Third-party worker access to grievance mechanism
- Safety requirements for primary supply chain



PS3:

RESOURCE EFFICIENCY AND POLLUTION PREVENTION

PS3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION

OBJECTIVES

- Avoid, minimize, and reduce project-related pollution
- Energy efficiency and more sustainable use of resources, including energy and water
- Reduced project-related Greenhouse Gas (GHG) emissions

PS3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION

CLARIFICATIONS AND CHANGES

- Resource efficiency concept
 - Energy, water, material inputs
 - Water consumption offsets
 - Applies to core business activities
- GHG emissions reporting to IFC
 - Threshold reduced to 25,000 tons CO₂ annually
- Determination of accountability related to historical pollution
- “Duty of care” for hazardous waste disposal



PS4:

**COMMUNITY
HEALTH, SAFETY
AND SECURITY**

PS4: COMMUNITY HEALTH, SAFETY, AND SECURITY

OBJECTIVES

- To anticipate and avoid adverse impacts on the health and safety of the Affected Community
- To safeguard personnel and property in accordance with relevant human rights principles

PS4: COMMUNITY HEALTH, SAFETY, AND SECURITY

CLARIFICATIONS AND CHANGES

- Ecosystems approach to community risks
 - Use or alteration of natural resources
 - Ecosystems approach
- Principle of universal access for new public access buildings and infrastructure



PS5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT


OBJECTIVES

- Avoid, minimize adverse social and economic impacts from land acquisition or restrictions on land use
 - Avoid, minimize displacement
 - Alternative project designs
 - Avoid forced eviction
- Improve or restore livelihoods and standards of living
- Improve living conditions among displaced persons
 - Adequate housing
 - Security of tenure

PS5: LAND ACQUISITION AND INVOLUNTARY RESETTLEMENT

CLARIFICATIONS AND CHANGES


- Clarifies, extends scope of application
 - Access to and use of resources
 - Land, forest, fisheries, etc.
- Strengthens consultation requirements
- Completion audit under certain circumstances



PS6:

**BIODIVERSITY
CONSERVATION
AND
SUSTAINABLE
MANAGEMENT OF
LIVING NATURAL
RESOURCES**

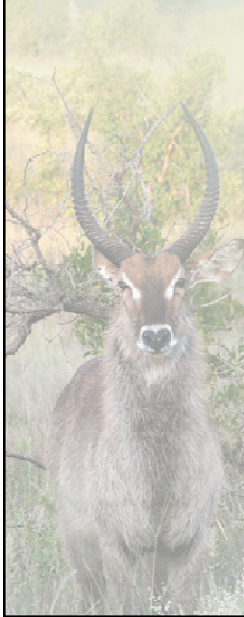
**PS6: BIODIVERSITY CONSERVATION AND SUSTAINABLE
MANAGEMENT OF LIVING NATURAL RESOURCES**



OBJECTIVES

- Protection and conservation of biodiversity
- Maintenance of benefits from ecosystem services
- Promotion of sustainable management of living natural resources
 - Integration of conservation needs and development priorities

PS6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES



CLARIFICATIONS AND CHANGES

- Clarifies definitions of and requirements for various types of habitats
- “Net Positive Gain” requirement in Critical Habitats
- Requirements for management of ecosystem services
- Stronger requirements for biodiversity offsets
- Certification requirements in agribusiness
- Supply chain requirements



PS7:

INDIGENOUS PEOPLES (IPs)

PS 7: INDIGENOUS PEOPLES

OBJECTIVES

- Ensure full respect for IPs
 - Human rights, dignity, aspirations
 - Livelihoods
 - Culture, knowledge, practices
- Avoid, minimize adverse impacts
- Sustainable and culturally appropriate development benefits and opportunities
- Free, Prior and Informed Consent (FPIC) in certain circumstances

CLARIFICATIONS AND CHANGES

- Expands consideration of IPs' circumstances in developing mitigation and compensation measures
- Land acquisition due diligence
 - Traditional ownership
 - Customary use
- FPIC in certain circumstances, requiring
 - Good Faith Negotiation, through a mutually accepted process
 - Evidence of agreement




PS8: CULTURAL HERITAGE

Triggered in 16% of our Investment projects

OBJECTIVES

- Protection and preservation of cultural heritage
- Promotion of equitable sharing of cultural heritage benefits

RESOURCES FOR CLIENTS AND STAFF



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ADDITIONAL RESOURCES

Training	Audience	Timeframe	Contact/ For More Info
Access to Information Policy eLearning	Internal	Available	Aaron Rosenberg (CCR) http://lms
Managing Environmental and Social Performance eLearning	Internal and External	Available	Debora Ennaboulssi (CES) http://lms
Two-Hour Module Focusing on Changes	Internal - Geared toward Staff already familiar with Sustainability Framework	Available	Susan Holleran (CES)
Sustainability Framework Learning Program In-Person Training	Internal - to be delivered in DC and in country offices	Underway	Susan Holleran (CES)

PUBLICATIONS AND MATERIALS

Publications and Materials	Audience	Timeframe	Contact/ For More Info
AIP Staff Guidebook, Factsheet, and Checklist	Internal	Available	Aaron Rosenberg (CCR) "disclosure" shortcut
AIP Brochure for Clients (includes DOTS reporting info)	External	Available	Aaron Rosenberg (CCR) "disclosure" shortcut
Printed booklets containing PSEs and Policies	Internal and External	Available	Fiorella Facello (CES)
Sustainability Framework Factsheet	External	Available	Vanessa Bauza (CES) http://www.ifc.org/ifcext/policyreview.nsf/AttachmentsByTitle/Updated_SustainabilityFramework_Factsheet/\$FILE/Updated_SustainabilityFramework_Factsheet.pdf
List of Standard Indicators	Internal	Available	Contact your DOTS Champions http://ifcnet.ifc.org/ifcint.deveffectiveness.nsf/Content/DOTS+Champions+List
Interpretation Notes (SMEs, FIs, etc.)	Internal and External	Available	Debra Sequeira (CES)
Updated Good Practice Handbooks re PSEs (Resettlement Action Plans, Stakeholder Engagement, etc.)	Internal and External	FY12 and 13	Fiorella Facello (CES)
Implementation Handbook for PS1 and PS2	External	End of FY12	Larissa Luy (SBA)

LEARNING AND LEADERSHIP

Collaboration	Audience	Timeframe	Contact/ For More Info
Sustainability Knowledge Network (SKN) Learnscares / Brownbag lunches	Internal	Offered monthly; audio/video recorded	Tanya Loftus (CES) Ayse Boybeyi (CSB) Aaron Rosenberg (CCR) http://myskn/learnscares
mySKN Community (discussions, Q&As, information sharing)	Internal	Available	Dickson Tang (CES) http://myskn
Community of Learning Annual Meeting (EPFIs, ECAs)	External	Occurs annually; Q2 FY13	Piotr Mazurkiewicz (CES) http://www.ifc.org/ifcext/sustainability.nsf/Content/CommunityofLearning
Sustainability Days (connected to FT awards for Sustainable Finance)	External	Occurs annually; Q2 FY12	Miguel Martins (CSB) https://ifcicollaborate.ifc.org/groups/sustainability-days

WEBSITES AND TOOLS

Websites and Tools	Audience	Timeframe	Contact/ For More Info
Updated Sustainability/Sustainability Framework website	External	Available	Rashanikka Hayley-Fowler (CES) Emmanouela Markoglou (CSB) http://ifc.org/sustainability
Rules & Tools Portal (all the info CESI specialists need to fulfill their responsibilities in the Project Cycle)	Internal	Available	Carlos Arias (CES) "ifccesrulesandtools" shortcut
Updated Disclosure Portal	External	Available	Aaron Rosenberg (CCR) http://ifc.org/disclosure
AIP Intranet Site	Internal	Available	Aaron Rosenberg (CCR) "disclosure" shortcut
Development Impact Intranet Site	Internal	Available	Thoko Moyo (CDI) http://ifcnet.ifc.org/ifcint/deveffectiveness.nsf/Content/Home
ESMS Self-Assessment Tool	External	End of FY12	Larissa Luy (CSB)
FIRST for Sustainability	External	Available	Atiyah Curmally (CES) Ilona Morar (CFG) http://firstforsustainability.org/
E&S Risk Management for Private Equity	External	Available	Miguel Martins (SBA) https://www.estoolkit.com/