IFC ESG Guidebook

IN PARTNERSHIP WITH

International Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities

DISCLAIMER

ACKNOWLEDGEMENTS

This ESG guidebook was produced by IFC with financial support from the Government of Japan. This effort was led by Leyal Savas, IFC Senior Environmental, Social and Governance (ESG) Officer. The content was prepared by Nicolas Delange, IFC Consultant. The preparation of this guidebook would not have been possible without the contributions of the parties listed below:

- ***Martine Valcin***, Manager, Global Corporate Governance, ESG Advisory, Knowledge and Learning, IFC
- ***Kate Lazarus***, Senior Asia ESG Advisory Lead, IFC
- ***Charles T. Canfield***, Principal Corporate Governance Officer, IFC
- ***Atiyah Curmally***, Principal Environmental Specialist, IFC
- ***Sarah Cuttaree***, Senior Operations Officer
- ***Rong Zhang***, Senior Environmental and Social Development Specialist
- ***Anar Aliyev***, ESG Officer, IFC
- ***Yehia El Husseiny***, Corporate Governance Officer, IFC
- ***Ralitza Germanova***, Corporate Governance Officer, IFC
- ***Susan Blesener***, CEO, The Art of Value
- ***Jerome Lavigne-Deville***, Senior Consultant, IFC

FOREWORD

At a time when the globe is grappling with the impacts of climate change and the COVID-19 pandemic, there has surely never been a more important time to focus on measures to build resilience and manage risks.

COVID-19 has dealt an unprecedented blow globally. What began as a health crisis drove a global economic crisis with severe impacts on people, countries and businesses.

It is a crisis which has highlighted the need for a more sustainable approach. It's also a crisis which highlights the need for companies to build their environmental, social and governance (ESG) performance to help manage risks and build resilience.

There are already a growing number of market participants from around the world who recognize that the proper management of ESG issues is key to a company's long-term viability. Good ESG practices help better manage risks to businesses, communities, and the environment. They also help companies boost their reputation, reduce costs, and strengthen stakeholder relations.

But it's more that cost savings or boosting reputations, the fact is several studies show a direct link between ESG practices and financial returns. In 2018, while reviewing 656 companies in its portfolio, the International Finance Corporation (IFC) found that companies with good environmental and social performance tended to outperform those with poorer performance by 210 basis points on return on equity and by 110 basis points on return on assets.

IFC has been a leader in the evolving ESG landscape for decades—from pioneering early ESG concepts around environmental and social safeguards to the development of industry-recognized standards. Today, with greater attention to ESG issues to achieve both financial returns and impact, more investors are leaning toward sustainable investing.

Against this backdrop, the Association of Southeast Asian Nations (ASEAN) Capital Markets Forum (ACMF) is working to foster sustainable finance for long-standing development in the region. While developing the ASEAN Sustainability Bond Standards, ACMF published a 'Roadmap for ASEAN Sustainable Capital Markets.' As one of its top priorities, the roadmap highlights that "ASEAN countries need to adopt consistent measures to increase the transparency and comparability of reporting in promoting sustainability."[1]

Reporting matters. IFC sees sustainability reporting as an essential component to improve transparency, strengthen trust in the private sector, and shape the future of capital markets. However, with a plethora of standards and frameworks, companies can find it challenging to transform their

[1] ASEAN Capital Markets Forum, (March 2019), *Roadmap for ASEAN Sustainable Capital Markets*

corporate reporting, to the detriment of issuers and investors. This is especially relevant in developing capital markets such as Cambodia and Lao PDR where development and implementation of ESG standards are at an early stage.

IFC—with support from the Securities Exchange Commission of Cambodia and Lao Securities Commission Office—is working toward promoting awareness of ESG among companies and investors in these two markets. The goal is to align their market practices with others in the ASEAN region. For example, listed companies in Indonesia, Malaysia, Singapore, Thailand, or Vietnam are required to report on ESG matters.

As a first step, this guidebook aims to clarify what ESG is and why it matters, how companies can integrate ESG in their management and disclosure, while providing examples of good practices. We are confident that companies in Cambodia and Lao PDR along with other emerging markets will find this guidebook useful in their journey toward sustainable growth.

On behalf of IFC, I would like to thank the Securities Exchange Commission of Cambodia and Lao Securities Commission Office for their consistent support and strong commitment to developing vibrant capital markets in their countries. I would also like to thank the government of Japan for its resolute support and for making this guidebook possible.

KYLE F. KELHOFER
IFC Senior Country Manager
Vietnam, Cambodia and Lao PDR

TABLE OF CONTENTS

ABBREVIATIONS

ACMF	ASEAN Capital Markets Forum
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
CEO	Chief Executive Officers
CG	Corporate Governance
CRR	Credit Risk Rating
CSFI	Cambodian Sustainable Finance Initiative
CSR	Corporate Social Responsibility
CSO	Civil Society Organization
DFI	Development Financial Institution
ECM	External Communications Mechanisms
ESG	Environmental, Social and Governance.
ESMS	Environmental and Social Management System
E&S	Environment and Social
FASB	Financial Accounting Standards Board
FCS	Fragile and Conflict Situations
FIRST	Financial Institutions: Resources, Solutions and Tools
FIs	Financial Institutions
GHG	Greenhouse Gas Emissions
GMAP	The Global Map of Environmental & Social Risk in Agro-commodity Production
GRI	Global Reporting Initiative
IASB	International Accounting Standards
ICAR	International Corporate Accountability Roundtable
ICMA	International Capital Market Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIF	Institute of International Finance
IIRC	International Integrated Reporting Council
IOSCO	International Organization of Securities Commissions
ISO	International Organization for Standardization
KPIs	Key Performance Indicators
NFRD	Non-Financial Reporting Directive

NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NGO	Non-governmental Organization
OECD	Organisation of Economic Co-operation and Development
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SFSG	Sustainable Finance Study Group
SMEs	Small and Medium Enterprises
STEP	Sustainability Training and E-Learning Program
TCFD	Task Force on Climate-Related Financial Disclosures
TEG	Technical Expert Group
UN	United Nations
UN PRI	United Nations Principles for Responsible Investment
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	UN Global Compact
UNSSE	United Nations Sustainable Stock Exchanges Initiative
OHS	Occupational Health and Safety

EXECUTIVE SUMMARY

ESG stands for Environmental, Social and Governance

IFC has created this guidebook as part of a broader effort to raise awareness of ESG issues among companies and investors in developing markets. Managing ESG issues well is increasingly viewed as vital to move beyond short-term profitability.

This guidebook and IFC's efforts to promote integrated ESG approaches are aligned with IFC 3.0—a new corporate strategy focused on creating markets and mobilizing private capital, especially in low-income countries and fragile and conflict situations (FCS).

Multiple standards and norms exist, and the rapid evolution of the ESG landscape have created a degree of complexity. Various stakeholders are collaborating to streamline and align standards to facilitate the dialogue between investors, issuers, regulators and other market participants. However, the consideration of ESG performance[2] in investment is still relatively new, and will continue to evolve. The focus has been to consider ESG issues that may materially impact performance, which will vary depending on the sector or could have a varying degree of importance from one firm to another.

Once a niche, integrating ESG factors into investment decisions is more common today. The business case has been proven – an integrated approach leads to greater profitability, sound risk management and more resilient businesses.

Incorporating International Good Practices The guidebook incorporates international good practices and standards in corporate governance, environmental and social management systems, and disclosure and transparency.

Guidebook Structure At its core, the guidebook provides a ESG Integration Framework with detailed guidance, good practices, and examples in the three areas of integration: governance, management, and disclosure.

Primary Users of the Guidebook The guidebook is designed to help companies in emerging markets to clarify what ESG is and why it matters, and how companies can integrate ESG in their management and disclosure. It also provides examples of good practices. The guidebook can be used by the boards of directors and executive management of companies looking to integrate ESG in their operations, as well as investors seeking to better understand ESG topics and issues.

[2] ESG Performance is defined as a company's ability to manage ESG risks and impacts leading to sustainable growth of companies and economies

PART 1

PART 1
OVERVIEW OF ESG

1. What is ESG?

ESG stands for Environmental, Social and Governance

In 2004, the United Nations Global Compact and the Swiss Federal Department of Foreign Affairs published a report *Who Cares Wins*, in which the term 'ESG' was coined.[3] A working group, including IFC, developed this report in which analysts were urged to "better incorporate environmental, social and governance (ESG) factors in their research." They did this to fully capture the value created or destroyed by companies.

IFC defines ESG as a set of environmental, social, and governance factors considered by companies when managing their operations, and investors when making investments, in respect of the risks, impacts, and opportunities relating to but not limited to:

Environmental issues: potential or actual changes to the physical or natural environment (e.g. pollution, biodiversity impacts, carbon emissions, climate change, natural resource use);

Social issues: potential or actual changes on surrounding community and workers (e.g. health and safety, supply chain, diversity and inclusion); and

Governance: corporate governance structures and processes by which companies are directed and controlled (e.g. board structure and diversity, ethical conduct, risk management, disclosure and transparency), including the governance of key environmental and social policies and procedures.

IFC's ESG Standards comprise the Performance Standards, which define clients' responsibilities for managing their environmental and social risks, and the Corporate Governance Methodology, which sets out an approach to evaluate and improve the corporate governance of clients.

ESG factors cover a broad range of topics and issues. Many of them, such as climate change, can affect specific firms, sectors or countries but can also impair the stability of an economy. ESG factors have become a good proxy for assessing how companies identify non-financial risks and opportunities, and whether they are developing appropriate strategies to manage or mitigate ESG risks.

[3] United Nations Global Compact and Swiss Federal Department of Foreign Affairs, (2004), *Who cares wins: Connecting financial markets to a changing world*

The table below summarizes these factors and provides examples of key ESG factors which are relevant to many companies.

Environmental

Businesses rely on natural resources and physical assets to perform their operations. Products and services may directly or indirectly impact the environment.

- Climate change
- Carbon management
- Resource depletion
- Pollution
- Energy consumption
- Land use
- Loss of biodiversity
- Water consumption
- Waste management
- Innovations or products or services that reduce environmental impact

Social

To conduct their operations, companies harness the talent and skills of their employees. Products and services, and operating activities involved in production, may benefit society or cause harm.

- Job creation and working conditions
- Equal opportunity
- Diversity
- Training
- Impacts on local communities
- Health and safety
- Child and forced labor across supply chains
- Grievance mechanisms
- Human rights
- Social impact of products, services, or company operations
- Gender-based violence and harassment

Governance

When making decisions and allocating their natural, human and financial resources, companies should consider how they will create long-term value that will benefit all stakeholders.

- Purpose, values and culture
- Board diversity, structure and oversight
- Succession planning
- Executive pay
- Internal controls
- Risk governance
- Ethics and compliance
- Shareholder rights
- Governance of stakeholder engagement
- Disclosure and transparency

2. The ESG landscape is evolving

Just as investors have different approaches and methodologies for valuing companies, there are different approaches to assessing ESG performance.

A plethora of standards and tools have been developed to help companies manage and disclose ESG practices and to help investors assess ESG performance. These tools are continuing to improve and evolve. Since the 2010s, there has been a push for more convergence in ESG standards.

The timeline below shows some of the most significant initiatives and standards related to ESG.

1992

UNEP FINANCE INITIATIVE

United Nations Environment Programme Finance Initiative (UNEP FI)

1993 » 1996

1997

GRI

Introducing the Global Reporting Initiative (GRI) Sustainability Reporting Standards was a pioneering initiative that helped companies structuring their non-financial data and corporate disclosure. Today, more than 90% of the largest companies in the world are using the GRI Standards for reporting on their ESG performance.

1998

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

IFC adopted its Environmental and Social Safeguard Policies and its Disclosure Policy.

1999

AccountAbility institute of social and ethical accountability

AA 1000 Accountability Principles. The principles were updated in 2018. The AA1000AP (2018) is an internationally accepted, principles-based framework that guides organizations through the process of identifying, prioritizing, and responding to sustainability challenges, with the goal of improving long-term performance.

1999

The OECD established the Ad-Hoc Task Force on Corporate Governance to develop nonbinding principles that embody the views of Member countries and issued “OECD Principles of Corporate Governance”.

2000

UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support to UN goals.

Formerly called the Climate Disclosure Project, CDP runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

2001 » 2002

2003

The Equator Principles are a risk management framework for financial institutions to determine, assess and manage environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

2004

The accounting for Sustainability Project (A4S) was established by HRH The Prince of Wales with the aim to "make sustainable decision-making business as usual". It laid the foundation for the development of other initiatives such as IIRC.

2005

2006

Principles for Responsible Investment

The United Nations Principles for Responsible Investment (UN PRI) were launched by the UNEP FI and the UN Global Compact in collaboration with investors. See more information on Page 19.

International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

The Safeguard Policies were replaced by the Policy on Social and Environmental Sustainability and the Performance Standards.

The Sustainability Framework articulates IFC's strategic commitment to sustainable development and is an integral part of our approach to risk management.

2007

Climate Disclosure Standards Board

The Climate Disclosure Standards Board (CDSB) is an international consortium of business and environmental NGOs.

2008

International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

IFC's Corporate Governance Methodology is an approach to evaluate and improve the corporate governance of a company to identify, reduce, and manage risk.

2009

Sustainable Stock Exchanges Initiative

United Nations Sustainable Stock Exchanges Initiative (UNSSE) has a mission to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organizations, can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals.

2010

ISO

ISO 26000 Standard is intended to assist organizations in contributing to sustainable development.

2011

OECD

The OECD's Guidelines for Multinational Enterprises are recommendations from governments to multinational enterprises on responsible business conduct.

SASB

The Sustainability Accounting Standards Board (SASB) aims to encourage high-quality disclosure of material non-financial information. SASB develops various standards, industry-specific, related to SEC filings.

CG DF CORPORATE GOVERNANCE DEVELOPMENT FRAMEWORK

IFC and 28 other Development Financial Institution (DFIs) signed the Corporate Governance Development Framework, a common methodology for assessing corporate governance in the DFIs investment work, which is based on IFC's corporate governance methodology. To date, 35 DFIs, including IFC adopted the framework.

2012

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

IFC updated its Sustainability Framework. The new framework strengthened IFC's commitments to climate change, business and human rights, corporate governance, and gender, among other areas. For further details see Key Changes in the Sustainability Policy and Performance Standards.

2012

Sustainable Banking and Finance Network

The IFC-supported Sustainable Banking and Finance Network (SBFN) (www.ifc.org/sbn) is a unique, voluntary community of financial sector regulatory agencies and banking associations from emerging markets committed to advancing sustainable finance in line with international good practice. As of September 2021, SBFN represents 43 countries and US $43 trillion (86 percent) of the total banking assets in emerging markets. IFC is the Secretariat and technical advisor to SBFN.

SBFN members are committed to moving their financial sectors towards sustainability, with the twin goals of improved ESG risk management (including disclosure of climate risks) and increased capital flows to activities with positive climate impact. It is a platform for knowledge sharing and capacity building that facilitates the mobilization of practical support for members to design and implement national initiatives.
Please see Annex 3 for further details.

2013

INTEGRATED REPORTING <IR>

International Integrating Reporting Framework published by International Integrated Reporting Council (previously the International Integrated Reporting Committee) has a framework that provides a tool for all companies to report on their efforts to embed ESG and non-financial management into their core business, and report on ESG and financial performance together, in a single, streamlined report.

2014

Corporate Reporting Dialogue

The Corporate Reporting Dialogue is a platform that aims to strengthen cooperation and alignment between key standards setters and framework developers. Today, the participants are CDP, CDSB, FASB, GRI, IASB, IIRC, ISO, SASB.

2014

European Commission

Through the Non-Financial Reporting Directive, the EU began requiring all companies of a certain size to disclose non-financial information along with financial reporting.

On 21 April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive, which would amend the existing reporting requirements of the Non-Financial Reporting Directive.

2015

SUSTAINABLE DEVELOPMENT GOALS

The United Nations developed a list of 17 Sustainable Development Goals. Today, many companies use the SDGs to assess the impact of their operations and investors use the SDGs as a matrix to structure their ESG approach.

OECD

In 2015, the updated Principles (G20/OECD Principles of Corporate Governance) were endorsed by the OECD Council and the G20 Leaders Summit.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

2016

In 2016, the G20 launched a Green Finance Study Group to investigate possibilities to encourage private investors to increase green investments.

2017

NGFS

Central Banks and Supervisors Network for Greening the Financial System

At the Paris "One Planet Summit" in December 2017, eight central banks and supervisors established the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Since then, the membership of the Network has grown dramatically, across the five continents. The Network's purpose is to help strengthening the global response required to meet the goals of the Paris agreement and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development. To this end, the Network defines and promotes best practices to be implemented within and outside of the Membership of the NGFS and conducts or commissions analytical work on green finance.

2018

IFC International Finance Corporation WORLD BANK GROUP

Creating Markets, Creating Opportunities

i) IFC's Corporate Governance Methodology was updated in 2018 to include a new parameter on the Governance of Stakeholder Engagement.

ii) IFC's Disclosure & Transparency Toolkit provides a framework and resources to help emerging market companies disclose ESG and financial performance to reduce risk, increase understanding, and attract investors and capital.

ACMF

ASEAN Sustainability Bond Standards apply to bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects that respectively offer environmental and social benefits.

2019

BR Business Roundtable

New Statement on the Purpose of a Corporation (more information on Page 31).

European Commission

EU taxonomy for sustainable activities (more information on Page 30).

2020

Sustainable Finance and the Role of Securities Regulators and IOSCO, Final Report

In 2021, the Sustainable Finance Study Group was replaced by Sustainable Finance Working Group.

The Group is tasked to identify institutional and market barriers to sustainable finance and to develop options to overcome such barriers, and to contribute to a better alignment of the international financial system to the objectives of the 2030 Agenda and the Paris Agreement.

2021

ISO 37000:2021
Governance of organizations — Guidance

This document gives guidance on the governance of organizations. It provides principles and key aspects of practices to guide governing bodies and governing groups on how to meet their responsibilities so that the organizations they govern can fulfil their purpose. It is also intended for stakeholders involved in, or impacted by, the organization and its governance.

It is applicable to all organizations regardless of type, size, location, structure or purpose.

In order to accelerate convergence in global sustainability reporting standards and to undertake technical preparation for a potential international sustainability reporting standards board under the governance of the IFRS Foundation, the Trustees of the IFRS Foundation have set up a working group. The working group is intended to provide structured engagement with initiatives focused on enterprise value reporting with a view to facilitating consolidation and reducing fragmentation in sustainability reporting standards.

3. Why does ESG matter?

3.1 Creating long-term value

Information about ESG management and performance is important to bridge the information gaps existing between market participants such as – companies, investors and other stakeholders. These gaps impact how assets are valued and may impair the ability of companies to access capital to transition to more sustainable business practices, to support build a resilient economy.

IFC reviewed the performance of 656 investments over the 2010-2015 period and found that companies with better E&S performance outperform clients with worse E&S performance by 210 basis point on return on equity and by 110 basis points on return on assets.[4] In addition, listed clients with high E&S scores outperformed the MSCI Emerging Market Index, which measures equity market performance, by 130 basis points. A deterioration in E&S performance resulted in worse financial performance.

In 2016, IFC's Corporate Governance Team launched an empirical study to explore the link between the quality of IFC portfolio clients' corporate governance and their financial and economic performance over a four-to-five-year period.[5] Using client surveys and portfolio financial, economic, and development outcome data, IFC tested the hypothesis that better corporate governance is associated with better performance over a defined period. The analysis of collected data showed that investing in companies with better Corporate Governance (CG) at the time of disbursement of IFC's investment is associated with a better average credit risk rating (CRR) by almost 1.50 points throughout the IFC investment period. Specifically, on a constructed index of CG performance, the top quartile of IFC portfolio companies had an average CRR of 4.62 on an 11-point scale, compared with an average CRR of 6.08 of those in the bottom 25 percent. This suggests that selecting companies with better CG policies and practices at the time of investment is correlated with a lower credit risk for IFC.

IFC also found that reporting really matters: firms with a well-established practice of reporting on more than half of SASB material sustainability indicators outperform firms with a weak reporting culture. This is in line with the findings of a recent study performed on the effect of the ESG Disclosures that "…ESG disclosure has affected external financing on debt and equity markets. … firms that are prone to underinvestment can raise an additional 8.7% of debt relative to total assets after the adoption of the EU Directive, consistent with the increased transparency brought by the disclosure of ESG information, mitigating adverse selection issues…"

Today, the UN estimates that $5 trillion to $7 trillion is needed each year to achieve Sustainable Development Goals (SDGs). This requires financial institutions to include ESG factors in their investment decisions.

---

4 The Business Case for Sustainability, IFC, accessed September 2021, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/business-case

5 Governance and Performance in Emerging Markets - Empirical Study on the Link Between Performance and Corporate Governance of IFC Investment Clients, IFC, accessed September 2021, https://www.ifc.org/wps/wcm/connect/9eb97e0b-22b8-4ac7-a2ca-fc501e809f08/Governance_and_Performance_in_Emerging_Markets.pdf?MOD=AJPERES&CVID=mBVyx6P

Box 1 - IFC's Strategic Alignment with the SDGs[6]

As part of the World Bank Group, IFC has two overarching goals—ending extreme poverty by 2030 and boosting shared prosperity—that are aligned with the SDGs. Through direct investments and advisory services, IFC provides private sector solutions that lay the foundation for sustainable and inclusive economic growth.

IFC operations contribute to several SDGs. Integral to IFC's mandate and aligned with the WBG's twin goals are SDGs 1 and 10: 'No Poverty' and 'Reduced Inequality.' At the strategic sector level, IFC promotes investment and advisory projects in infrastructure, agriculture, financial inclusion, health and education—aligned with SDGs 2, 3, 4, 6, 7, and 9.

Across sectors and regions, IFC seeks to promote employment creation and economic growth, gender equality, environmental and social sustainability, and climate-change adaptation and mitigation—aligned with SDGs 8, 5, 12, and 13, respectively. Furthermore, IFC has prioritized partnership with private investors to mobilize new sources of finance—aligned with SDG 17.

This mapping shows the alignment of the IFC Performance Standards and Corporate Governance Methodology with SDGs, as illustrated in Figure 1.

Figure 1

6 IFC'S Contribution to the Sustainable Development Goals, IFC, accessed September 2021, https://www.ifc.org/wps/wcm/connect/1433afde-d252-42f2-bbd9-839e30a69947/201803_IFCs-contribution-to-the-SDGs_v1.pdf?MOD=AJPERES&CVID=m9zP1Y-

Investors are increasingly paying more attention to ESG. By integrating ESG management and performance into investment decisions, financial markets allocate capital to support sustainable societies and resilient economies. This process is summarised in the graphic below.

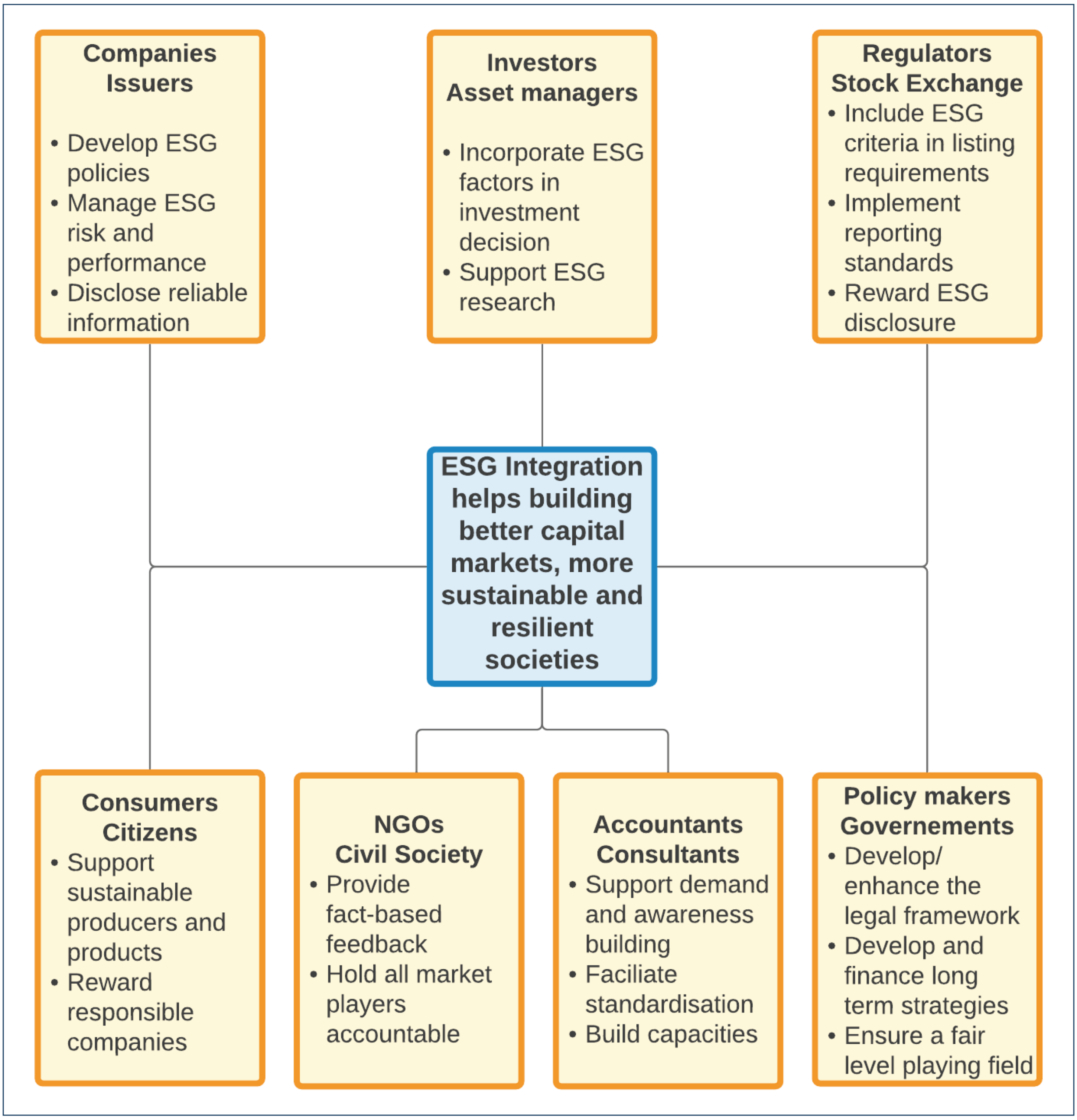


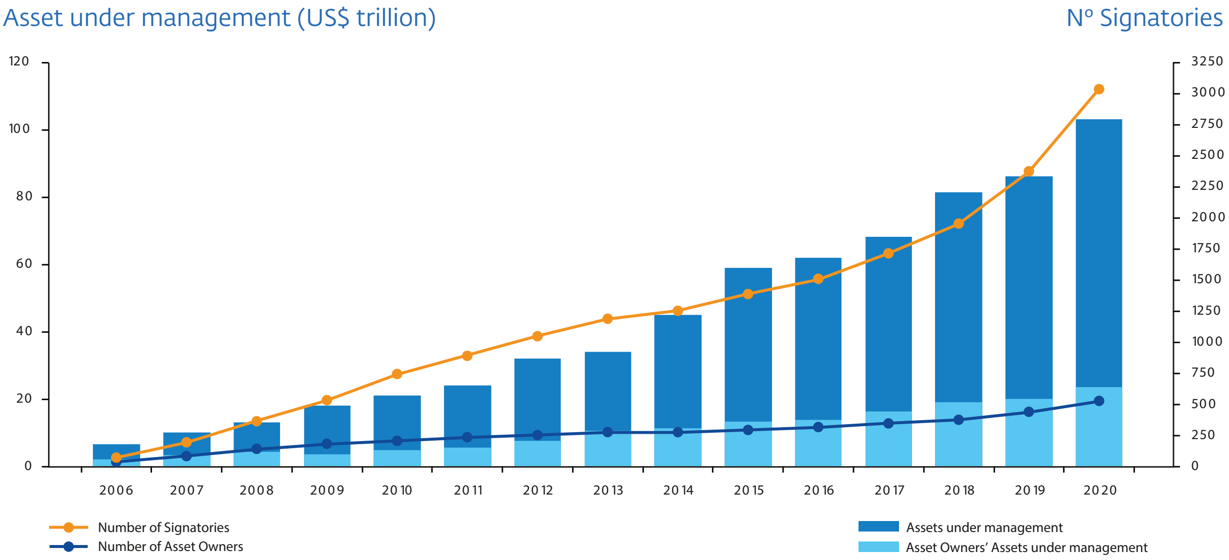
Figure 2 – Adapted from *Who cares wins.*

The United Nations Principles for Responsible Investment (UN PRI) has more than 3,000 signatories, all of which have committed to considering ESG factors when they invest and allocate their financial resources. The combined value of their assets under management was more than $100 trillion in 2020 (see Box 2).

Box 2 - Focus on UN PRI

PRI Principles for Responsible Investment

Initiated in 2005, the UN's PRI is the world's leading proponent of responsible investment. Today, more than 3,000 investors around the globe are signatories of the PRI. The combined value of their assets under management grew steadily from $6.5 trillion in 2006 to more than $100 trillion in 2020. The demand for responsible assets is clear.



Source: https://www.unpri.org/pri/about-the-pri

They all commit to the following principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

3.2 Optimizing risk management

Successfully managing ESG factors is an effective means to optimize risk management, and safeguard the value of underlying assets. Many companies are found to have shortcomings in respect of their ESG approaches. Consequences can be severe. ESG mismanagement can lead to serious financial costs and reputational damage.

Globally, sustainability challenges are becoming even more material, reaching thresholds of importance to companies' long-term strategies, to their customers, and external stakeholders. From increasing demand for natural resources to economic disparity to climate change, companies are facing a more complex array of trade-offs and risks across their value chains[7].

For example, failure to adapt and mitigate for climate change could also impact countries and societies. According to the Climate Risk Index 2020, between 1999 and 2018, Myanmar, the Philippines, Vietnam and Thailand were among the ten most-affected countries by climate change. On average, losses of $14.5 billion annually were incurred as a direct result of 745 extreme weather events in these four countries alone.[8]

ESG mismanagement can have devastating financial impacts. Here are three examples:

–

2010

BP recorded a $53.8 billion pre-tax charge for the Deepwater oil spill.

–

2015

Volkswagen's misconduct cost the company €27.4 billion when it manipulated 11 million diesel vehicles to pass emissions tests.

–

2020

Wirecard market value vanished and had to open insolvency proceedings in August 2020 after the uncovering of substantial fraud.

7 The Business Case for Sustainability, IFC, 2012, https://www.ifc.org/wps/wcm/connect/d76678af-6fc5-4e8f-a73f-5a0126c8b12d/Business%2BCase%2Bfor%2BSustainability.pdf?MOD=AJPERES&CVID=jzujo3D

8 Germanwatch, (2020), *Global Climate Risk Index 2020*, Available at: https://www.germanwatch.org/en/17307

Box 3 – World Economic Forum, Global Risks by Impact, 2015 - 2020

Since 2005, the World Economic Forum has published its annual Global Risks Report.[9] As per the Global Risks Perception Survey 2020 results, the risk landscape is evolving. It is worth noting that environmental risks were moving up to the top of the list during the years covered by the scope of this report.

Top Global Risks by Likelihood

	1st	2nd	3rd	4th	5th	6th	7th
2021	Extreme weather	Climate action failure	Human environmental damage	Infectious diseases	Biodiversity loss	Digital power concentration	Digital inequality

	1st	2nd	3rd	4th	5th
2020	Extreme weather	Climate action failure	Natural disasters	Biodiversity loss	Human-made environmental disasters
2019	Extreme weather	Climate action failure	Natural disasters	Data fraud or theft	Cyberattacks
2018	Extreme weather	Natural disasters	Cyberattacks	Data fraud or theft	Climate action failure
2017	Extreme weather	Involuntary migration	Natural disasters	Terrorist attacks	Data fraud or theft
2016	Involuntary migration	Extreme weather	Climate action failure	Interstate conflict	Natural catastrophes
2015	Interstate conflict	Extreme weather	Failure of national governance	State collapse or crisis	Unemployment
2014	Income disparity	Extreme weather	Unemployment	Climate action failure	Cyberattacks
2013	Income disparity	Fiscal imbalances	Greenhouse gas emissions	Water crises	Population ageing
2012	Income disparity	Fiscal imbalances	Greenhouse gas emissions	Cyberattacks	Water crises

Top Global Risks by Impact

	1st	2nd	3rd	4th	5th	6th	7th
2021	Infectious diseases	Climate action failure	Weapons of mass destruction	Biodiversity loss	Natural resource crises	Human environmental damage	Livelihood crises

	1st	2nd	3rd	4th	5th
2020	Climate action failure	Weapons of mass destruction	Biodiversity loss	Extreme weather	Water crises
2019	Weapons of mass destruction	Climate action failure	Extreme weather	Water crises	Natural disasters
2018	Weapons of mass destruction	Extreme weather	Natural disasters	Climate action failure	Water crises
2017	Weapons of mass destruction	Extreme weather	Water crises	Natural disasters	Climate action failure
2016	Climate action failure	Weapons of mass destruction	Water crises	Involuntary migration	Energy price shock
2015	Water crises	Infectious diseases	Weapons of mass destruction	Interstate conflict	Climate action failure
2014	Fiscal crises	Climate action failure	Water crises	Unemployment	Infrastructure breakdown
2013	Financial failure	Water crises	Fiscal imbalances	Weapons of mass destruction	Climate action failure
2012	Financial failure	Water crises	Food crises	Fiscal imbalances	Energy price volatility

Economic   Environmental   Geopolitical   Societal   Technological

Source: World Economic Forum Global Risks Perception Survey 2020

9 World Economic Forum (January 2021), *The Global Risks Report 2021*. Available at: https://www.weforum.org/global-risks/reports

3.3 Ensuring regulatory compliance and creating competitive advantage

Policymakers are issuing new rules on ESG factors, impacting industrial processes and value chains. Companies already embedding these components in their strategy and management plans have a competitive advantage by lowering their costs of compliance.

Here are three examples:

2017

The French Parliament adopted the Corporate Duty of Vigilance Law. Large French companies are now required to assess and address the adverse impacts of their operations and supply chains on people and the environment.

2019

In 2019, to fight the social consequences of diabetes, Singapore decided to ban ads of sugar-sweetened drinks as one in nine Singaporeans has diabetes. In 2010, Singapore spent more than S$1 billion on diabetes, and this could reach S$2.5 billion by 2050.

2020

In September 2020, China pledged to become carbon neutral before 2060, joining 50 countries which all have pledged carbon neutrality by 2050.

In 2020, European Union (EU) published and put into force the Taxonomy Regulation with an aim to establish the basis for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. The Taxonomy Regulation establishes six environmental objectives i) Climate change mitigation; ii) Climate change adaptation; iii)The sustainable use and protection of water and marine resources; iv) The transition to a circular economy; v) Pollution prevention and control; and vi) The protection and restoration of biodiversity and ecosystems.

[10] "EU taxonomy for sustainable activities," European Commission, accessed March 28 2021, https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

Box 4 - FOCUS ON THE EU TAXONOMY FOR SUSTAINABLE ACTIVITIES[10]

The EU taxonomy is a tool to help investors understand the transition to a low-carbon economy for their investments, and how environmentally sustainable economic activities are. The taxonomy helps all the market players speak a common language and assess how their investment decisions are consistent with the Paris Agreement.

The EU Commission introduced an action plan on financing sustainable growth in March 2018. One of the first actions was to establish a classification system to define sustainable activities.

A Technical Expert Group (TEG) on sustainable finance was created. It advised on criteria to facilitate the screening of economic activities that can substantially mitigate climate change while avoiding significant harm to other environmental objectives. By the end of 2021, investors that offer funds in Europe described as "environmentally sustainable" will need to explain how, and to what extent, they have used the taxonomy for their investments.

To accompany the rise in the demand for sustainable development policies, the ACMF (which comprises capital market regulators from all 10 ASEAN nations) created a Working Group dedicated to sustainable finance. Co-chaired by the Securities Commission of Malaysia and the Securities and Exchange Commission of Philippines, the Working Group has produced various standards, aligned with the International Capital Market Association (ICMA)'s Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines.

Box 5 - FOCUS ON SUSTAINABLE FINANCE WORKING GROUP OF THE ACMF[11]

As of November 2020, over 150 projects were funded using these standards in Malaysia, Philippines, Singapore and Thailand.

Market regulators are encouraging companies to improve their corporate ESG disclosure to the benefit of investors and other stakeholders. In the ASEAN region, the ASEAN Capital Markets Forum (ACMF) is playing a pivotal role, and more than 3,900 listed companies are already required to disclose non-financial information to comply with regulations.

[10] "EU taxonomy for sustainable activities," European Commission, accessed March 28 2021, https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

[11] "Sustainable Finance," ACMF, accessed March 28 2021, https://www.theacmf.org/initiatives/sustainable-finance

Here are three examples of Sustainability Reporting Guide in the ASEAN region:

Singapore[12]

Malaysia[13]

Vietnam[14]

The Cambodian and Laos governments are developing long-term plans to foster sustainable development and green growth. Market regulators have developed Corporate Governance guidelines to enhance practices, and banks are structuring their ESG approaches.

Cambodian Sustainable Finance

–

2019

The Association of Banks in Cambodia established the Cambodian Sustainable Finance Initiative in 2016. In 2019, the Cambodian Sustainable Finance Principles were published to encourage the use of finance to protect the Environment, Cambodian People and the Cultural Heritage of Cambodia.

LAO PDR

Guideline on Corporate Governance for Listed Companies 2019

–

2019

In Lao PDR, Guidelines on Corporate Governance for Listed Companies in the Securities Exchange were issued in April 2019.

CAMBODIA

Corporate Governance Guidelines for Listed Companies

Securities and Exchange Commission of Cambodia

–

2020

The Securities Exchange Commission of Cambodia, in collaboration with IFC and the World Bank, is currently drafting Cambodia's Corporate Governance Code/Guidelines for Listed Companies.

3.4 Refining corporate purpose and addressing stakeholder priorities

The role of the corporation is questioned: what is corporate purpose? Maximizing for shareholder profit, or creating long-term value benefiting all stakeholders? Investors, business associations and even governments are reconsidering corporate purpose, and board members

12 https://www.sgx.com/regulation/sustainability-reporting

13 https://bursasustain.bursamalaysia.com/droplet-details/resources/sustainability-reporting-guide-2nd-edition

14 https://sseinitiative.org/wp-content/uploads/2014/08/20161212_ES-Disclosure-Guideline-ENGLISH.pdf

are expected to revisit the mission, vision and purpose of the companies they serve. The concept of stakeholder capitalism is pointing to a new direction of economic development.

"Stakeholder capitalism is a form of capitalism in which companies seek long-term value creation by taking into account the needs of all their stakeholders, and society at large.[15]"

There are heightened expectations for the companies in term of addressing their stakeholder priorities. Here are examples of three developments in this area:

2019

In August 2019, the Business Roundtable released a new Statement on the Purpose of a Corporation.[16] CEOs of 181 Americans companies committed to leading their companies for the benefit of all stakeholders, moving away from shareholder primacy.

2019

The French Government enacted the PACTE – Action Plan for Business Growth and Transformation.[17] It modifies the Civil Code to state that companies should do more than make profits but also assert their social and environmental role and provide a true *raison d'être*.

2020

Stakeholder Capitalism Metrics launched at the Annual Meeting of the World Economic Forum in January 2020.
The recommended metrics are organized under four pillars that are aligned with the SDGs and principal ESG domains: Principles of Governance, Planet, People and Prosperity.

In conclusion, sustainability is critical to business success of companies. It's critical, also, for their customers, surrounding communities, broader stakeholders, and the environment.

There are now heightened expectations from investors, employees, regulators, customers and other stakeholders which point to a new economic development. Companies which can shift their focus from maximizing shareholder value to value creation for all stakeholders will be able to achieve long-term sustainability.

As a matter of fact, there is a growing body of evidence demonstrating that companies with robust ESG practices tend to financially outperform their peers, attract and retain talent, achieve higher productivity at work, create competitive advantage, improve company reputation, better prepare for uncertainty, avoid regulatory as well as activist interventions, attract customer loyalty and maintain their social license to operate.

15 Schwab, Klaus and Vanham, Peter, 2020, What is stakeholder capitalism?, accessed September 30, 2021, https://www.weforum.org/agenda/2021/01/klaus-schwab-on-what-is-stakeholder-capitalism-history-relevance/

16 "Our commitment," Business Roundtable, accessed March 28, 2021, https://opportunity.businessroundtable.org/ourcommitment/

17 "PACTE, the Action Plan for Business Growth and Transformation," Government France, accessed March 28 2021, https://www.gouvernement.fr/en/pacte-the-action-plan-for-business-growth-and-transformation

PART 2

PART 2
EMBEDDING ESG INTO COMPANIES

Companies are now expected to identify environmental and social risks and impacts, and design systems to help mitigate and manage them as a part of sustainable business practices. Stakeholder expectations of companies, including those of investors, are also changing across the globe, companies are expected to manage their operations and their impact taking material and ESG risks into account. Good corporate governance involves managing E&S risks and achieving long-term financial success.

1. The Role of Board of Directors

Corporate governance is an important consideration in investment decision making. Investors often consider how a company manages environmental and social issues as a proxy of how handles strategic and operational challenges. Investor therefore assess environmental, social and governance practices in an integrated fashion. In 2018, IFC developed comprehensive market guidance and practical tools to do this in the context of emerging markets, drawing on its Performance Standards and Corporate Governance Methodology. IFC Corporate Governance Progression Matrix[18] focuses on six parameters—Commitment to Environmental, Social, and Governance (Leadership and Culture), Structure and Functioning of the Board of Directors, Control Environment (Internal Control System, Internal Audit Function, Risk Governance and Compliance), Disclosure and Transparency, Treatment of Minority Shareholders, and Governance of Stakeholders Engagement.

As noted in the previous section, companies are shifting their focus from maximizing shareholder value to enterprise value creation for all stakeholders. In this context, stakeholder engagement becomes critical. Properly engaging stakeholders can help companies to better understand the interests and concerns of stakeholders such as employees, customers, supply chains, NGOs, communities, regulators, and governments. Improving relationships with stakeholders can make it easier for a company to operate, develop new business opportunities, reduce operational costs and increase profitability.[19]

Boards are responsible for setting an organization's strategy and vision and for overseeing their implementation. Accordingly, they should ensure that ESG issues are fully integrated into their company's vision or purpose and its strategy.

[18] IFC Corporate Governance Tools, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/investment+services/corporate+governance+tools

[19] IFC, (2008) Stakeholder Engagement and the Board: Integrating Best Governance Practices, Global Corporate Governance Forum Focus 8, https://www.ifc.org/wps/wcm/connect/bac56797-a3a7-4e24-90f6-efa9ab7363e0/FINAL%2BFocus8_5.pdf?MOD=AJPERES&CVID=jtCwtno

Boards should also ensure that a company has a well-functioning environmental and social management system (ESMS) in place, including a robust stakeholder engagement process, which requires the company to respond appropriately to stakeholder interests and concerns. To achieve this, many companies use an ESMS. A management system is a set of processes and practices that help to consistently implement a company's policies to meet business objectives.

Finally, it is good practice for boards to hold a senior executive responsible for the overall stakeholder engagement process; provide oversight to the stakeholder identification and mapping processes; review and approve the Stakeholder Engagement Policy and ensure a robust grievance mechanism is in place.

PRACTICAL INSIGHT:

To govern is the legal duty of the board, which has ultimate accountability for the performance and actions of the company, including sustainable performance and mitigating the negative effect of the company on the environment and society. If a sustainability committee is established, in accordance with sound governance principles, the board may delegate this responsibility without abdicating accountability. In short, the accountability of the board for sustainability remains, whether or not a sustainability committee is established. See IFC Focus 15 Sustainability Committees: Structure and Practices for further information.

1.1 Purpose, vision and mission

Increasingly, capitalism is being viewed as causing as much harm as good in the world.[20] To address this declining trust in corporations, companies have begun to rethink their purposes.

In 2020, the World Economic Forum published its "Davos Manifesto" for fostering a better kind of capitalism. It states that "the purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders but all its stakeholders – employees, customers, suppliers, local communities and society at large. The best way to understand and harmonise the divergent interests of all stakeholders is through a shared commitment to policies and decisions that strengthen the long-term prosperity of a company."[21]

[20] Edelman, (January 2020), Edelman Trust Barometer 2020, https://www.edelman.com/trust/2020-trust-barometer

[21] World Economic Forum, (December 2019), Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution, https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution

This shift has consequences for Boards and how they should fulfil their duties. To rebuild trust and develop a resilient corporate culture, a corporation's purpose, vision or mission needs to focus on long-term value creation for all stakeholders. Boards must create company purposes that are:

- Long-term—beyond short-term financial results.
- Inspiring and creating value for all stakeholders. Operations and products and services that lead to financial profits should also create value for customers, employees and other stakeholders.

PRACTICAL INSIGHT:

An important aspect of strategy context may be a company's purpose (what the company does for its stakeholders), mission (the company's business), vision (what the company aspires to become), and values (the culture and the behavioral compass). Not all companies have a purpose, mission, or vision, but if there is one, there should be a clear connection between this and the company's strategic plan.

1.2 ESG risks and opportunities

A company's board is responsible for approving strategy and overseeing its implementation which includes ESG strategy and E&S policies. Boards are responsible for routinely reviewing E&S performance; and ensuring the effectiveness of External Communications Mechanisms (ECM); reviewing independent audits on ESMS effectiveness; and ensuring appropriate dialogue between the company and key stakeholders.

A 2020 survey released by EY France[22] on governance practices of 242 European listed companies revealed:

- sustainability or ESG is now a topic discussed by a majority of the boards
- only 13% of the boards have at least one director with sufficient ESG skills
- only 22% of the Audit Committees reviewed non-financial information

There is clearly room for boards to improve their approach to ESG. In Singapore, Principle 13 of the 2018 version of the Code of Corporate Governance states that a "board should not only consider the company's obligations to its shareholders but also the interests of its material stakeholders. The relationships with material stakeholders may have an impact on the company's long-term sustainability".

[22] EY France (September 2020), Panorama of Governance: New world, new requirement (original in French), https://www.ey.com/fr_fr/assurance/panorama-de-la-gouvernance-2020

Box 6 – SINGAPORE'S APPROACH TO BOARD'S RESPONSIBILITY[23]

SGX

"Under the Code of Corporate Governance issued on 6 May 2012, the board is collectively responsible for the long-term success of the issuer. It provides strategic direction and specifically considers sustainability issues as part of its strategic formulation. Consistent with its role, the board should determine the ESG factors identified as material to the business and see to it that they are monitored and managed."

Practical insights

The table below provides sample actions to consider by the boards on ESG.

Actions to consider
• Help to formulate the company's purpose (or its mission and vision) • Consider the materiality and meaningfulness of corporate values and culture
• Commit to considering ESG factors when making any decision • Add a point that is dedicated to sustainability to meeting agendas
• Identify at least one director with relevant skills to support the board on sustainability, and hold Management accountable • Train the board on ESG • Appoint a director with sustainability expertise if the company is in a sensitive industry
• Establish a Committee or refine the current roles and responsibilities of the board and its committees, such as the risk management committee
• Review the materiality, quality and frequency of non-financial data and reports • Ensure the comparability of the information provided with relevant standards and frameworks

23 "Sustainability Reporting," Singapore Stock Exchange Limited, accessed March 28 2021, https://www.sgx.com/regulation/sustainability-reporting

Actions to consider
• Ensure that ESG factors are integrated into the risk management framework • Ask your external auditor to review the completeness and accuracy of the company's ESG disclosures
• Oversee how the different functions of the organization manage relationships with their main stakeholders • Ensure the company’s stakeholders are identified (including NGOs, CSOs, vendors and other relevant parties) • Review and approve a company-wide Stakeholder Engagement Policy, which includes grievance mechanisms
• Define a communication strategy based on stakeholders’ needs • Prioritize meaningful and useful disclosure: less can be more, especially when building trustful relationships
• Review the ESG policies, ensure they are based on appropriate standards • Ensure policies are aligned and coherent with the company’s purpose and are conducive for delivering its strategy and responsibly creating long-term value
• Review the materiality analysis conducted by management • Ensure the non-financial reporting system is audited • Task internal auditors to assess the soundness of the company’s management system
• Engage with investors: the purpose of the company should be part of the discussion with investors • Oversee how the organization’s purpose is communicated to the employees, investors, customers and other stakeholders
• Develop a remuneration scheme for management which includes financial and ESG components

Practical Insights: Questions board members should ask about ESG[24]

Below is a set of questions that the board of directors should ask when exercising oversight of the company’s management and disclosure of environmental, social, and governance matters.

[24] IFC, (2018), Beyond the Balance Sheet - IFC Toolkit for Disclosure and Transparency, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/toolkits+and+manuals/beyond+the+balance+sheet+-+ifc+toolkit+for+disclosure+and+transparency

Strategy

- Is there an integrated corporate strategy that includes goals and targets for financial and E&S performance? If not, and there are two separate strategies, how are these strategies linked internally? How is the link explained in corporate reporting?
- What are the key sustainability or E&S factors that affect the company strategy regarding risks and opportunities? Which factors affect the company's short-term financial performance? Is there a long-term value-creation process in place?
- Does the company have a documented method for assessing material E&S issues?
- Is the strategy consistent with information that the company has identified as material—including E&S information? Does the strategy include measurable targets and KPIs? Are sustainability objectives reviewed by the board?
- Is E&S information integrated into the risk management framework? Does it provide insight into emerging risks that may not be captured by traditional areas of risk management (operational, financial, and so on)?

Governance

- Are key areas of corporate governance addressed in the report, including commitment to corporate governance, culture and leadership, board composition and functioning, compliance, risk appetite, executive compensation, controlling shareholders, and stakeholder engagement?
- How are E&S issues integrated into governance structures and processes, including risk management, control environment, compliance, board composition, disclosures?
- Is there an internal audit function and a process to ensure the accuracy of financial information? Does it include E&S information?

Stakeholder Engagement

- Who are the company's key stakeholders? What is the process to identify them? Does the board recognize its responsibilities to stakeholders beyond shareholders?
- Is there a mechanism for stakeholder engagement and grievance redressal?
- Are the process and results of stakeholder engagement disclosed publicly? Is relevant information disclosed to Affected Communities in an understandable format and language?

Performance

- How does the company's performance compare with its peers, including on the management of critical ESG issues?
- How does reported performance compare with the company's internal management dashboard?
- Does the reported ESG information align with material issues and priorities for the company?
- Are the links between ESG and financial performance explained?

Disclosure and Transparency

- Who is the primary audience for reporting? What information do they need? Does company disclosure meet their information needs?
- What framework should be used (and why) to report sustainability information: GRI, IIRC, SASB? Should it be reported together with financial information?

2. The Role of Management

A 2019 study by the UN Global Compact and Accenture[25] found that 99 percent of the CEOs from companies with more than $1 billion in annual revenues believe sustainability or ESG factors will be important to the future success of their business.

To manage for future success, companies must fully embed or integrate ESG into the company's strategy and operations, building their resilience and making them more likely to create long-term, sustainable value.

Management should adapt and transform business models to fully integrate ESG. As the role of companies in society is changing, and investors and other stakeholders think about value creation differently, companies need to introduce new tools and systems to manage ESG issues effectively.

Finally, an important aspect of management is stakeholder engagement. Companies must identify their stakeholders and understand their needs and interests to create value that is meaningful to all. While stakeholder engagement is overseen by the board, on a day-to-day basis, it is conducted by management. Disclosure and reporting on ESG issues can be an important part of stakeholder engagement—creating a tool for accountability and transparency.

2.1 Integrating ESG into business models

Investors are increasingly seeking to allocate their resources to finance sustainable businesses, and employees are keen to work for companies that have positive long-term impacts.[26] It is crucial to transform and adapt business models to ensure they can contribute to creating and sustaining long-term value.

New management practices are based on a broad understanding of the resources companies use and manage. Previously, management focus has been primarily directed towards financial capital, which is now viewed as one of many resources. Rather than using a narrow focus on financial tools, good practice now involves basing business decisions on multiple source (or types) of capital, including natural, social and relationship, human, manufactured, and intellectual. This multi-capital management approach is known as integrated thinking.[27] By managing all types of capital used as inputs to the business, and all types of value created, companies can fully integrate ESG into their business models.

[25] United Nations Global Impact and Accenture Strategy, (September 2019), The Decade to Deliver, A Call to Business Action, https://www.unglobalcompact.org/library/5715

[26] The United Nations developed a list of 17 Sustainable Development Goals (SDGs). Today, many companies use the SDGs to assess the impact of their operations and investors use the SDGs as a matrix to structure their ESG approach. See Annex 1 for examples of commonly reported economic and social KPIs that have a direct correspondence with the SDGs and their indicators.

[27] "Integrated Thinking," International Integrated Reporting Council, accessed March 28 2021, https://integratedreporting.org/integrated-thinking/

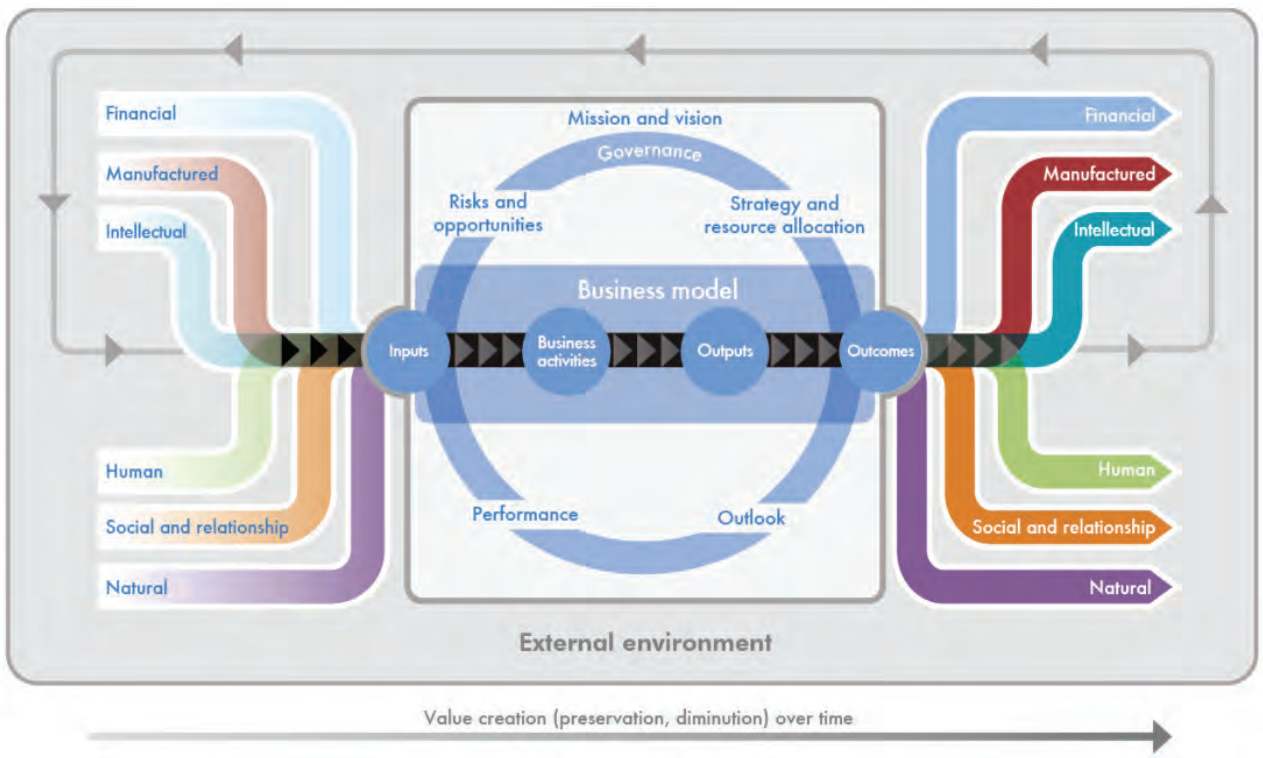


Figure 3 – The value creation process detailed in the International <IR> Framework, 2013

2.2 ESG Integration - Using ESMS

Companies should integrate ESG opportunities and risks as part of their strategic objectives, day-to-day activities, and risk management. To achieve this, many use an environmental and social management system (ESMS). A management system is a set of processes and practices to consistently implement a company's policies to meet business objectives.

The goal is to ensure that a company has the appropriate policies and procedures in place and that employees consistently follow them. The management system helps to assess and control risks and is the key to lasting improvement. A key feature is the concept of continuous improvement – an ongoing process of reviewing, correcting and improving systems.

An ESMS should be consistent with international standards, and the system applied by a company should be named and included in reporting. The IFC ESMS Implementation Handbook provides step-by-step instructions on how to develop and implement a management system to address common environmental, occupational health and safety (OHS), labor, and community risks and impacts that companies are likely to face.[28]

The approach the Handbook and its companion publications, the ESMS Toolkit and ESMS Self-Assessment and Improvement Guide, balances system development and system implementation in

[28] "Environment and Social Management System (ESMS)," IFC, accessed March 28 2021, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_esms-general

each of the ESMS elements. In addition, IFC has recently published the ESMS Diagnostic Tool for FIs which is designed to enable IFC, financial institutions, institutional investors, and asset managers to **assess** or **self-assess** the quality of an ESMS and benchmark it against IFC's Performance Standard 1 and good market practices. See Annex 2 for further guidance.

Box 7 – IFC ESMS IMPLEMENTATION HANDBOOK[29]

A solid, functioning environmental and social management system (ESMS) is made up of interrelated parts. These are the nine elements of an effective ESMS. Each of these elements is important, because they help companies assess, control and continually improve their environmental and social performance.

Executive management should focus business efforts on the most significant, relevant and material ESG factors for their business. Most ESG standards and frameworks offer processes to assess materiality.

[29] Ibid.

While all the definitions of materiality are not precisely the same, they converge: material issues are those that substantially influence the judgements, assessments and decisions of shareholders and stakeholders alike.[30] Put another way, material issues are those that impact the company's ability to create or sustain value for investors and other stakeholders. This includes different types of value, including human capital and natural capital. For example, as per SASB, financially material issues are defined as the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors. The SASB's Materiality Map identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry.[31]

To prioritize ESG issues and management resources, companies conduct a materiality analysis. This helps them allocate their time, efforts, and resources, and improve their ability to create social and economic value as well as determining what to report and disclose to stakeholders.

Practical Insight

How to – Perform a materiality analysis

	Map your internal and external stakeholders, and identify: • who they are • what they expect • how you are interacting with them
	Define the ESG topics where your organization has a positive and/or negative impacts. You can use various tools to help you in this process, such as the SASB Materiality Map®.[32]
	Engage your critical stakeholders and ask them to rank, for each ESG topic identified, its importance and its impact on the society (for external stakeholders) or on the future of company's business (for internal stakeholders). For the most important external stakeholders, you can also interview them to get precious insights to highlight trends that may impact the future of your business.

[30] International Integrated Reporting Council, (November 2015), Materiality in Integrated Reporting, https://integratedreporting.org/resource/materiality-in-integrated-reporting/
The GRI Standards is currently conducting a review of its Universal Standards, which covers a discussion on materiality. For more information visit https://www.globalreporting.org/standards/standards-development/review-of-the-universal-standards/

[31] SASB provides a tool to assess the various issues that might have a financial impact – the SASB Materiality Map®. Visit https://materiality.sasb.org/

[32] Ibid.

2.3 Measure what you manage

Key performance indicators (KPIs) for material ESG issues are essential, especially without an equivalent to the IFRS for ESG reporting. While more stakeholders are collaborating to align the different standards and identify a common approach,[33] it is important for a company to have KPIs that align with and reflect its priorities and objectives. Often, companies will seek to measure performance against specific goals or objectives. (*See Annex 1 for ESG Metrics and Indicators.*)

To tackle climate change, more and more companies are using science to set relevant goals and targets. The Science Based Targets initiative (SBTi)[34] is a partnership between the CDP, the UNGC, the World Resources Institute and the World Wide Fund for Nature. It aims to support companies to develop strategies that are aligned with a 1.5°C future and support the zero-carbon transition by setting emissions reduction targets which are then reviewed and validated. Among the 1,000 companies to have set up targets, one is from Cambodia: Olive Apparel Co. Ltd. The company has committed to reducing its absolute scope 1, 2 and 3 GHG emissions by 21 percent in 2024 compared to 2019.

Here is another example from Postal Savings Bank of China (PSBC) and its ESG disclosures.[35]

2020 Environmental Performance Indicators

Environmental performance

Unless otherwise specified, the statistical scope of environmental performance in this section covers the Head Office, headquarters of domestic tier–1 branches, institutions directly under tier–1 branches, and majority–owned subsidiaries of PSBC.

Emissions	
SO_2 (ton)	0.01
NOx (ton)	0.21
Total greenhouse gas emissions (Scope 1 and Scope 2) (ton)	133,630.67
Greenhouse gas emissions per capita (Scope 1 and Scope 2) (ton/person)	3.89
Greenhouse gas emissions per square meter of floor area (Scope 1 and Scope 2) (ton/m^2)	0.13
Direct emissions (Scope 1) (ton)	
Emissions from use of fuel by vehicles	928.17
Emissions from use of diesel by facilities	81.83
Natural gas emissions	2,518.17
Indirect emissions (Scope 2) (ton)	
Emissions from purchased electricity	130,102.50
Total hazardous waste (ton)	42.43
Hazardous waste per capita (ton/person)	0.0012
Hazardous waste per square meter of floor area (ton/m^2)	0.00004
Total harmless waste (ton)	3,418.83
Harmless waste per capita (ton/person)	0.10
Harmless waste per square meter of floor area (ton/m^2)	0.0033

33 World Economic Forum, (January 2020), Toward Common Metrics and Consistent Reporting of Sustainable Value Creation, http://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf

34 https://sciencebasedtargets.org/

35 2020 ESG Report, Postal Savings Bank of China (PSBC), accessed October 4 2021, https://www.psbc.com/en/investor_relations/social_responsibility/202103/P020210330379230230398.pdf

Environmental Performance

Indicator	2018	2019	2020
Balance of green credit (RMB hundred million)	1,904.05	2,433.01	2,809.36
The personal e-channel transaction ratio (%)	90.44	92.44	95.69

Green loan balance at the end of 2020
2,809.36
(RMB hundred million)

The personal e-channel transaction ratio in 2020
95.69
(%)

Social Performance

2.4 Engaging with stakeholders

Building a high degree of loyalty, cooperation, and mutual trust with key stakeholders through ongoing, constructive, and dynamic engagement and dialogue can have a significant positive impact on a company's performance. Stakeholder engagement is a key to integrating ESG into a company's strategy, operations and performance management. It is also a critical tool for identifying ESG risks and developing strategies that ensure sustainable, long-term value creation and profitability. See Practical Insights under section 2.2. ESG Integration - ESMS for further information on identifying stakeholders.

It is important for companies to have ongoing communication with stakeholders and to implement processes for addressing stakeholder interests and concerns. Open, ongoing communication is not just a one-way dissemination of information. Rather, it involves dialogue which can support an open and transparent company culture. IFC's Performance Standards,[36] which define the E&S responsibilities of IFC client companies, require ongoing stakeholder engagement, external communication and grievance mechanisms, and ongoing reporting to affected communities.

[36] https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards

TIPS FOR SUCCESSFUL STAKEHOLDER ENGAGEMENT

Get in early

Relationship-building takes time. Many of the hallmarks of good relationships – trust, mutual respect, understanding – are intangibles that develop and evolve over time, based on individual and collective experiences and interactions. For this reason, companies are now beginning to engage with stakeholders at a much earlier stage of a project than in the past

Don't wait until there is a problem to engage

In the high-pressure context of getting a project up and running, interacting with stakeholders when there doesn't seem to be any urgent need to do so can be viewed as a low priority and not a particularly good use of scarce time and resources. However, if a conflict or crisis does arise, the absence of established relationships and channels of communication puts the project at an immediate disadvantage in trying to manage the situation.

First, communities and their representatives are much less likely to give a company they don't know the benefit of the doubt. Second, trying to initiate contact with affected stakeholders when the company is in a reactive, defensive or crisis management mode is less than ideal, and can create lasting negative perceptions that are difficult for the company to later overcome.

Take a long-term view

Establishing and maintaining good relationships requires a long time-horizon. Companies who take this view tend to make different types of decisions. They invest in hiring and training community liaison staff and see the value of consistently following through on their commitments to stakeholders. They invest in translating information about their project into languages and formats that make sense to the local population and do so on an ongoing basis. They make the effort to personalize relationships through informal and social interactions, and work through their employees to build links to local communities. They take grievances seriously and deal with them in a reliable and timely manner. They listen more and learn from the community.

Tailor the process to fit your project

Businesses should scale their stakeholder engagement strategies relative to the risks and impacts their project is likely to create. There is no one-size-fits-all approach when it comes to engagement. The type of relationship the private sector should try to develop with its stakeholders, and the resources and level of effort that it should invest, will differ according to the nature, location, and scale of the project; the phase of its development; and the interests of the stakeholders themselves. Small projects with minimal impacts on the surrounding population may only need to focus on the information disclosure and communication side of the engagement spectrum, whereas larger projects with greater degrees of complexity and wide-ranging impacts on multiple stakeholder groups will need to adopt a more strategic and sophisticated approach in order to effectively manage the process.

Manage it as a business function

Like any other business function, stakeholder engagement needs to be managed. It should be driven by a well-defined strategy and have a clear set of objectives, timetable, budget, and allocation of responsibilities. All staff should be made aware of the program, and understand why it's being undertaken and what implications it might have for project outcomes. Companies that take a systematic (rather than ad-hoc) approach that is grounded in business operations, are likely to get better results in terms of the time and resources they invest, and are able to track and manage stakeholder issues and risks more effectively. Allocating responsibilities for stakeholder engagement to business units and mainstreaming it into project operations increases the chances that it will serve the purposes of the project, rather than becoming a costly peripheral exercise that is out of touch with operational realities and raises expectations that cannot be met. As with other key business functions, direct reporting lines and the engagement of senior management is critical.

Please refer to IFC's Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets for further guidance.

3. Disclosure

3.1 The business case for ESG disclosure

While financial performance reporting is important, it is not the only measure of success and resilience. Meaningful disclosure about a company's ESG management and performance—including how material ESG issues are managed as part of a company's strategy and operations—can provide insights into the quality of a company's decision making and its long-term viability.

Benefits of disclosure include providing insights that allow stakeholders to:

i. Understand key stakeholder priorities and concerns

ii. Better assess a company's risks and opportunities and how these are being managed or pursued

iii. Assess a company's ability to execute strategies that achieve multiple objectives, both financial and non-financial

Further, adequate disclosure enables comparison across companies and sectors.

Transparent, accountable disclosure can help increase trust with many different stakeholders. This includes customers and communities. In industries where transparency has increased to address specific risks, there is evidence that the subsequent increase in accountability can have wide-ranging positive impacts, improving operational efficiency and market access.

In the apparel industry for example, many companies now voluntarily disclose their factory-level suppliers. Anecdotal evidence from companies that have made this transition, including global brands such as Nike, demonstrates that transparency can create a virtuous cycle. Disclosure improves efficiency and operations, leading to better outcomes for the business and its stakeholders, less risk, and reputational benefits.[37]

ESG disclosure has many benefits, and is not only relevant for large listed companies. Although SMEs are usually exempt from mandatory reporting requirements, some choose to report voluntarily. Reporting may, for instance, better position SMEs to become suppliers to larger firms. As multinationals are under increasing pressure to report and manage supply-chain risks, they are requiring their main suppliers to also report on ESG policies and performance.[38]

3.2 How to disclose ESG information

Disclosure of ESG information alongside financial information is vital for investors and stakeholders. It allows them to make informed decisions about a company and its potential long-term performance, its impact on society and society's impact on it.

The goal is to promote good company governance and risk management and, by extension, improve access to financial capital. At the market level, ESG disclosure can improve the investment climate, and attractiveness for foreign investors.

The **IFC Disclosure & Transparency Program** can be used as a complement to the information that follows, which covers the scope and quality of information that should be included in reporting, the content of an annual report, guidance on how to disclose key environmental and social issues and bets practice for corporate governance. The program is designed to guide companies in emerging markets to prepare comprehensive and best-in-class annual reports that are appropriate for their size, organizational complexity and adapted to the context of operation, so they can provide useful information for investors and other stakeholders.

This program plays a vital role in building investor confidence and unlocking private-sector investments in emerging markets. Responding to the growing demand for higher standards of corporate disclosure and transparency, it provides practical tools and advisory services for companies, stock exchanges, and regulators in emerging markets to bring about integrated corporate reporting that addresses environmental, social, and governance matters.

37 International Corporate Accountability Roundtable (ICAR), (May 2019), The Benefits of Transparency: A Business Case for the Apparel and Footwear Supply Chain Transparency Pledge, https://icar.ngo/wp-content/uploads/2020/01/ICAR-BusinessCaseforTransparency-single-pages.pdf

38 Intel, (May 2020), Corporate Responsibility at Intel, 2019-2020 Report, http://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2019-20-Full-Report.pdf

RESOURCE. IFC DISCLOSURE & TRANSPARENCY PROGRAM – MODEL FOR ANNUAL REPORT

1. STRATEGY

- Opening Environment
- Business Model
- Strategy and Strategic Objectives
- Risk Analysis and Response
- Materiality Assessment
- Stakeholder Engagement
- Key Performance Indicators

2. GOVERNANCE

- Commitment to ESG
- Board of Directors
- Control Environment
- Treatment of Minority Shareholders
- Governance of Stakeholder Engagement

3. PERFORMANCE

- Financial performance
- Financial resources
- Sustainability performance
- Financial and Sustainability Statements
- Key Performance Indicators
- Verification

3.2.1 General Reporting Guidance

3.2.1.1 Materiality

As a general principle, only material ESG information should be included in the annual report. Material information is defined as information necessary for investors to make an informed decision about the company. In the context of sustainability, it relates to ESG issues that substantively affect, or have the potential to substantively affect, an organization's strategy, governance, performance, or its stakeholders. Materiality is context specific. Determining ESG factors that are material for a company is dependent on its location, industry sector, and its business model and environment.

> ***Good practice*** suggests that companies not only focus their ESG reporting on material issues but also disclose the process of determining material ESG issues.

3.2.1.2 Information Quality

The quality of ESG information is another important factor that helps investors make informed decisions about a company. The quality of ESG information shares many attributes to the quality of financial accounting around ***relevance*** and ***reliability***. In addition, good reporting requires a careful balance between competing priorities. It should simultaneously be:

- A ***complete*** presentation of all material information
- Sufficiently ***concise*** to preserve focus and readability
- ***Tailored*** to the company and its operating environment
- ***Comparable*** to other companies and over time

3.2.1.3 Scope of Disclosure

The report should cover the activities and results of a company itself and any entity in which the company holds a ***controlling interest*** (generally defined as 50 percent ownership or more). Results of operations that are expressed in quantitative terms should include 100 percent of the controlled entities (50 percent ownership or more), regardless of the size of the minority interest. Information on affiliated but unconsolidated entities (less than 50 percent ownership) should be included to the extent that it is necessary to explain the ESG strategy and performance of the company.

Integrated thinking consists in linking environmental, social and governance factors to the overall conduct and performance of a company.

3.2.1.4 Environmental and Social Information

> **Note:** When the ESG Report is integrated into the Annual Report, this section can be included as one aspect of the broader report on strategy.

Assessment of Key Environmental and Social Issues

The report should describe the material environmental and social factors facing a company. Companies should describe their method for assessing material environmental and social factors, including the impact on internal and external stakeholders and how they affect the overall performance of the company, its strategy and risk profile.

Such assessments should include an analysis of how the company is affected by a core set of generally recognized environmental and social issues facing the private sector (see Box 8), based on a company's operations, and geographic location.

Box 8 – EXAMPLES OF E&S ISSUES	
Environment	Reduce impact on the environment and natural resources and improve resource efficiency (GHG emissions, energy, water) and, if relevant, steps to protect biodiversity and adapt to the effect of climate change.
Employees	The health, safety and economic well-being of employees, to ensure equal treatment and avoid gender, ethnic or other discrimination and to minimize the risk of forced and child labor in a company's operations and its supply chain.
Products and Consumers	Maximize the social utility of products and services and reduce the social and environmental impacts on consumers or others during the use-phase of products, including consumer safety, pollution during use phase and end-of-life, and – if applicable – customer privacy and data security.
Ethics	Ensure ethical conduct throughout the organization, including legal compliance, paying a fair share of taxes, transparency in political contributions and avoiding corruption and bribery, especially for operations in countries with a high corruption perception index.
Community and Human Rights	Maintain healthy relationships with surrounding communities – especially with minority groups. Avoid complicity with human rights violation in operations and supply chain, including through the use of security forces.
Sourcing and Supply Chain	Minimize environmental and social impacts in the supply chain, including by monitoring working conditions and environmental impacts of direct suppliers, using recycled and renewable raw materials and limiting the sourcing of critical materials.[39]

The environmental and social assessment should also include an analysis of issues that are specific to certain industries or business models, or context of operations. See Box 9 for examples of industry-specific sustainability issues and the industries they impact most often.

39 Critical materials are defined as both essential in use and subject to the risk of supply restriction.

Box 9 – EXAMPLES OF INDUSTRY-SPECIFIC E&S ISSUES	
Climate adaptation • Forestry and logging • Food • Infrastructure and real estate • Health care	**Ecological and biodiversity impacts** • Food • Infrastructure and real estate • Oil and gas, mining • Forestry and Logging
Data privacy • Telecommunications • Technology • Media, E-commerce	**Road Safety** • Transportation

Management of Material Environmental and Social Issues

Sustainability issues can constitute major opportunities and risks for companies and therefore should be an integral aspect of their strategy-setting process and risk management.

The report should describe a company's efforts (including policy, strategy and management systems) to maximize the social benefits and minimize the environmental and social impacts of its operations, products and services and supply chain with a focus on the material issues a company has identified. Guidance in these areas can be found in IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts. See section 2.2. Tools for ESG Integration for further information on ESMS.

RESOURCE. IFC PERFORMANCE STANDARD 1 – ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

IFC Performance Standard 1 provides detailed guidance on how to set up an effective Environmental and Social Management System, including the following steps:

- Identifying risks and impacts
- Management programs
- Organizational capacity and competency
- Emergency preparedness and response
- Monitoring and review
- Stakeholder engagement
- External communication and grievance mechanisms
- Ongoing reporting to affected communities

Performance on Material Environmental and Social Issues

The report should include analysis of a company's performance on each of the identified material environmental and social issues. The analysis should address the impact of E&S factors on the operational and financial performance of the company.

> **Note:** When the ESG Report is integrated into the Annual Report, this section can be included as one aspect of the management report or discussion and analysis.

The analysis should also include a measure of performance and results, with key performance indicators (KPIs). Performance data on KPIs should also be summarized in a table format. Company performance on the KPIs should be reported for the past three fiscal years. See Annex 1 for:

i. Suggested Metrics for Sustainability Statements

ii. Suggested Metrics for Industry-specific Issues

iii. IFC's ESG Performance Indicators

iv. Link between ESG Metrics and SDGs Indicators

v. Examples of KPIs for COVID-19

3.2.1.5 Corporate Governance Information

The corporate governance section of the ESG report should describe the structures and processes established to ensure the direction and control of the company. The reporting guidance below is based on the IFC Corporate Governance Methodology, which promotes an integrated approach to corporate governance including the consideration of environmental and social factors along six key parameters:

1. Commitment to Environmental, Social, and Governance
2. Structure and Functioning of the Board of Directors
3. Control Environment (Internal Control System, Internal Audit Function, Risk Governance and Compliance)
4. Disclosure and Transparency
5. Treatment of Minority Shareholders
6. Governance of Stakeholder Engagement

i. Commitment to ESG (Leadership and Culture)

The report should address a company's commitment to implementing high-quality corporate governance, including the governance of key environmental and social policies and procedures. This includes having:

- Systems in place to ensure that the company complies with its ESG policies or code of ethics and/or conduct

- A process to periodically review and address ESG issues, including oversight over ESG at the board level, as well as corporate governance and sustainability committees

PRACTICAL INSIGHT:

A sustainability policy articulates a company's definition of and position on sustainability, its long-term goals regarding sustainability, and the principles that guide the company's decision making and actions on matters of sustainability.

The sustainability policy gives effect to the direction set by the board. A company makes use of a sustainability policy to articulate its definition of and position about sustainability, its relevant long-term goals, and the principles that guide the company's decision making and execution on sustainability matters.

According to the IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, paragraph 6, "The policy provides the framework for the environmental and social assessment and management process, and specifies that the … business activities … will comply with the applicable laws and regulations…"

A good policy builds on the foundation of an assessment of the sustainability risks, opportunities, and impacts of the company, and how it responds to exploit opportunities and to mitigate risks and impacts.

The policy documents usually include the structures, functions, and activities (including decision making) within the company that pertain to sustainability. These documents also address the structures that are responsible for execution on sustainability. As set out above, these structures may include management functions and committees and board committees.

The sustainability policy could consist of one document, or two or more separate documents, that include frameworks, supporting procedures, guidelines, and codes of practice. The form is less important than the substance.

Note: Please refer to IFC FOCUS 15 Sustainability Committees: Structure and Practices, Pages 19 to 24 for further details on the Sustainability Policy and related examples.

ii. Structure and Functioning of the Board of Directors

The report should address the board's qualification and structure to oversee the strategy, management, and performance of the company. Below is a set of recommended disclosures.

Nomination of the board of directors

- Procedure for nominating and appointing candidates for the board of directors and its committees, and criteria used, including diversity, independence, and professional qualifications and experience
- List of all the committees of the board of directors and describe their functions

Composition and Independence

- List of name, age and professional background of each members of the board, including the Chair.
- Participation in committees of the board
- Number of company shares held by each member of the board of directors
- Level of independence of each board member along the following categories:
  - *Executive*: board members who are also executives of the company
  - *Non-independent non-executive*: board members who do not work full time for the company but have some other significant link to it, typically through ownership.
  - *Independent non-executive*: board members who do not otherwise work for the company, are not major shareholders, and are not otherwise linked to the company.

Evaluation of the board

- Process of assessment of the board, its frequency and whether the assessment is independent

Remuneration

- Information on salary, bonuses, stock-awards, pension and other benefits for each board member and member of the executive team
- Criteria for determining the level and trigger of variable compensation, if applicable

iii. Control Environment

The report should address the company's internal control system, internal audit function, risk management system, compliance function and its compliance with policies, procedures, laws, and regulations. A set of recommended disclosures follows.

Risk Management

- Explanation of risk-management process—how risks (including E&S risks) are uncovered, monitored, and controlled; how the level of risk is evaluated; and what information is used
- Risk Appetite Statement
- Description of risk tolerances and the key risk indicators the company monitors
- Overview of the key risks and significant issues detected during the internal audit
- Description of compliance with provisions of the corporate governance code and/or measures taken to comply in the reporting year

Compliance

- Description of compliance, compliance program or procedures, including employee training, compliance monitoring systems, compliance register, the company "hotline" for reporting violations, guidance for conflicts of interest, and sanctions and disciplinary action for violations.

Internal Controls

- Description of scope of internal controls, including:
  - Financial accounting and reporting controls
  - Operational controls, including sustainability and stakeholder risks
  - Compliance controls
- Role of the board, including the audit committee, in the internal controls of the company
- Identity and independence of the company's external auditors
- Major internal control failures and actions taken

Internal Audit

- Internal audit's charter, by-laws or Terms of Reference that clearly establishes its roles and responsibilities, scope of work / audit universe, reporting lines and governance/independence, staffing, risk-based audit framework, quality assurance and improvement program.

iv. Treatment of Minority Shareholders

The report should describe the rights of its minority shareholders and process to ensure that stakeholders are treated equitably. A set of recommended disclosures follows.

Ownership and Control

- List of significant shareholders (more than five percent of shares), percentage of shares held, and percent of voting rights. Include ultimate beneficial share owners; and share options and arrangements that provide indirect or deemed ownership:
  - Trusts and similar arrangements
  - Shareholder agreements
  - Special voting rights
  - Anti-takeover mechanisms
- Information on any parent companies and subsidiaries, as well as investments and interests in associates and joint ventures

Rights of Minority Shareholders

- Rights of minority shareholders in the nomination process of the board of directors (such as block voting or cumulative voting) and during change of control or significant transactions (for example, tag-along rights and supermajority votes).

Related-party Transactions

- Description of policies and management systems for related-party transactions (including related-party review and approval process).
- Details of major related-party transactions, including:
  - Name of related party and relationship with the company
  - Type of transaction and its terms
  - Original amount and amount outstanding

Share Ownership and Dividends

- Number of authorized and outstanding shares with indication of their type (class), face value, number of shares in free float
- Description of substantial transactions involving shares of the company and changes in the composition of major shareholders, including initial offering of new shares and share buy-back, with indication of the deal volume and price and names of the buyer.
- Main elements of dividend policy, and details on dividends paid out

v. Governance of Stakeholder Engagement

The report should describe the company's governance of stakeholder engagement, including the board's oversight for stakeholder mapping, stakeholder engagement policy and grievance mechanisms. Below is a set of recommended disclosures.

- Description of company policy and strategy for stakeholder engagement
- Constituencies that have been identified as key stakeholders of the company, for example:
  - Local communities directly affected by the company
  - Customers and regulators
  - Workers, contractors and suppliers
  - NGOs, CSOs
- Employees and/or executives responsible for stakeholder engagement
- Role of the board of directors in overseeing the management of stakeholder engagement
- Description of grievance mechanisms to receive stakeholders' questions or complaints and to ensure timely responses to such questions and complaints.

RESOURCE. IFC CORPORATE GOVERNANCE METHODOLOGY

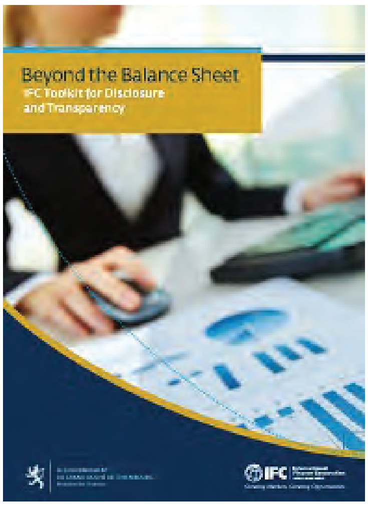
IFC's Corporate Governance Methodology is an approach to evaluate and improve the corporate governance of a company— including the governance attributes of key environmental and social policies and procedures—around six key parameters:

1. Commitment to Environmental, Social, and Governance
2. Structure and Functioning of the Board of Directors
3. Control Environment
4. Disclosure and Transparency
5. Treatment of Minority Shareholders
6. Governance of Stakeholder Engagement

RESOURCE. DISCLOSURE AND TRANSPARENCY DURING COVID-19 – INCREASING RESILIENCE AND BUILDING TRUST DURING AND AFTER THE PANDEMIC

This tip sheet provides guidance for both listed and privately-owned companies on how to disclose what they are doing to manage the economic, environmental, and social impacts of the pandemic, using IFC's Disclosure and Transparency Framework, which is focused on strategy, governance, and performance. This framework promotes the issuance of standardized corporate reports and data – and provides investors and key stakeholders with the information they need to assess company resiliency, preparedness, and continued management of material ESG issues both during and after the crisis. It can also provide guidance for stock exchanges and regulators who are adapting their disclosure and transparency framework during COVID-19.

RESOURCE. BEYOND THE BALANCE SHEET – IFC TOOLKIT FOR DISCLOSURE AND TRANSPARENCY



Disclosure and transparency have become increasingly relevant for IFC as the field of corporate governance has expanded from purely board-related matters to include engagement with various external stakeholders.

The Toolkit and online platform provide a flexible model on how to disclose material information about the company's DNA – its strategy, governance, and performance and determine financial and sustainability materiality. It builds on our successful track record in applying IFC Performance Standards of Environmental and Social Sustainability and CG Methodology and streamlines all current reporting frameworks and standards.

Please visit IFC's Toolkits and Manuals page for the Myanmar language, Bahasa Indonesia, Khmer and Vietnamese versions of this toolkit.

CONCLUSION

Now more than ever, companies are operating in increasingly complex environments, with the expectation that they will meet the most significant challenges of our times. Companies' focus must broaden from being shareholder-focused to a more comprehensive approach that includes a wide range of stakeholders, such as employees, customers, suppliers, and the communities in which they operate. Corporate purpose is evolving, accelerating the idea that companies must embrace sustainable business practices – taking into account their responsibilities to all stakeholders – to meet investors' expectations.

Therefore, the roles of the board and management are expected to evolve to keep up with these changes. Boards now need to consider a wide range of stakeholders, not just shareholders, to fulfill their fiduciary duties. This starts with gaining a better understanding of ESG matters in order to provide meaningful oversight and guidance to management.

Boards should allocate time to interact with key stakeholders to understand their concerns and priorities. Executive management should ensure that business strategies, operations as well as offered products and services not only generate financial profits, but also create value for customers, employees, affected communities and other stakeholders.

Adopting sustainable business practices, creating long-term value for a broad set of stakeholders, requires the ability to identify ESG risks and opportunities. Companies must not only be able to manage ESG risks to mitigate the negative impacts their operations may have on society or the environment, but they must also seize opportunities to generate positive impacts. The adoption and monitoring of material ESG performance indicators are critical to this process. More importantly, the disclosure of comprehensive ESG information, including risks and impacts, is essential to facilitate capital allocation to sustainable business practices. To succeed in this new paradigm, companies need to move beyond compliance with local regulations to embrace international good practices to meet the needs of all their key stakeholders.

ANNEXES

Annex 1. ESG Metrics and Indicators

Section I: Suggested Metrics for Sustainability Statements	This section presents a summary of the most commonly reported and tracked E&S metrics, based on an analysis of 12 widely used E&S disclosure frameworks, standards, and information service providers.[40] Metrics listed are illustrative and based on either a common formulation or an amalgamation of different formulations. The right-hand column indicates the frequency of inclusion of the metric in the frameworks and standards analyzed.
Section II: IFC Corporate Governance Performance Indicators	IFC's ESG Performance Indicators for Capital Markets are a sustainability data framework aimed at reducing the ESG data reporting burden and enhancing sustainability reporting in emerging markets. The Indicators are based on IFC's Environmental and Social Performance Standards and Corporate Governance Methodology – two globally recognized ESG risk assessment and management standards. The Indicators are organized by institution type (financial institutions and corporates) and ESG issues (environmental and social; and corporate governance).
Section III: IFC Environmental and Social Performance Indicators	
Section IV: Link between ESG Metrics and SDGs Indicators	This section provides examples of commonly reported economic and social KPIs that have a direct correspondence with the UN Sustainable Development Goals and their indicators.
Section V: Examples of KPIs for COVID-19	This section provides examples of KPIs for COVID-19 (Operational, Financial, and Health & Safety). Refer to IFC Corporate Governance | Tip-sheet Disclosure and Transparency DuringCOVID-19 - Increasing Resilience and Building Trust During and After the Pandemic.

Note: Please refer to IFC Beyond the Balance Sheet | IFC Toolkit for Disclosure and Transparency, Pages 110 to 122 for further details.

[40] Frameworks and standards analyzed include reporting frameworks (GRI, SASB), financial analysis frameworks (EFFAS/DVFA, DJSI), information service providers (Asset4, BBG, Sustainalytics), regulation and quasi-regulation (European Union, BM&F Bovespa, World Federation of Exchange, Sustainable Stock Exchange Initiative), and investor (Ceres) and corporate initiatives (WBCSD, WEF).

SECTION I: SUGGESTED METRICS FOR SUSTAINABILITY STATEMENTS

Sustainability statements can include a larger selection of metrics and, like financial statements, benefit from inclusion of commonly accepted metrics that can be compared with peers and across time.

Most Commonly Reported E&S Metrics

TOPICS	ILLUSTRATIVE METRICS	FREQ.
MANAGEMENT SYSTEM		
Environmental & Social Management System	Environmental and Social Management System (y/n). Provide description and link.	46%
ENVIRONMENT		
Resource Efficiency		
GHG emissions	GHG emissions: Scope 1 and 2 (t), Scope 3 if relevant, intensity (GHG emissions/production of sales)	92%
Water use	Water used (m3), % recycled, % in water stress areas, intensity (water use/sales)	92%
Energy efficiency and mix	Energy consumed (GW), % grid electricity, % renewables, intensity (energy/sales)	85%
Pollution Prevention		
Waste (water, solid, hazardous)	Waste from operations (t), % hazardous, % recycled, intensity (waste/sales)	73%
Air pollutants	Air Pollutants (Tn): NOx (excl. N2O), SOx, volatile organic compounds, particulate matter	62%
Pollution risks	Legal actions, community grievances, or public controversies involving past or ongoing pollution risks (e.g., air or water emissions, soil or groundwater contamination, waste disposal) from the company/project (#). Describe corrective actions.	42%
Spills	Number and volume of significant spills	25%
Biodiversity Conservation		
Protection of habitat and biodiversity management	Statement, code, or policy on biodiversity management (y/n) Provide description and link.	46%
Impact on endangered, vulnerable, or rare species	Company/project located in or near an area known to contain endangered, vulnerable, or rare species (y/n). Provide description and link	23%
Climate Adaptation		
Prevent or adapt to climate change	Steps to prevent and (if not preventable) adapt to the impact of climate change on the company's ability to operate profitably or the quality of its products and services	38% 38%

TOPICS	ILLUSTRATIVE METRICS	FREQ.
LABOR AND WORKING CONDITIONS		
Workers Treatment		
Forced and child labor in the company	Legal actions, employee grievances, or public controversies involving forced and child labor in the company's operations (#). Describe corrective actions.	54%
Wages	Average hourly wage and % of employees earning minimum wage	31%
Training	Hours of training per year per employee, broken down by gender	25%
Temporary workers	Temporary Worker Rate	23%
Workers Relations		
Collective bargaining agreements	% of active workforce covered under collective bargaining agreements	69%
Turnover	Voluntary and involuntary employee turnover rate by major employee category	69%
Worker feedback and recourse	Worker grievance mechanism (y/n). Provide description and link.	23%
Diversity		
Workforce composition	Workforce composition by gender and ethnicity (#)	69%
Opportunities and fairness for all workers	Legal actions, employee grievances, or public controversies involving discrimination or equal remuneration (#). Describe corrective actions.	35%
Gender pay ratio	Women/men pay ratio	23%
Health & Safety		
Injury and fatality	Injury rate (TRIR) and fatality rate for direct and contract employees	100%
Lost Time Incident Rate	Lost Time Incident Rate for direct and contract workers (per 200,000 hours worked or per 100 fulltime equivalent employees)	42%
COMMUNITY		
Human rights due diligence and management	Management of human rights in the value chain (codes, policies, prevention, and treatment)	50%
Security force impact on a community	Statement, policy, or code on security forces and interaction with local community (y/n). Provide description and link.	46%
Operations near indigenous people	Company/project in area that indigenous peoples may live on, migrate through, or use (y/n)	31%
Human rights violations	Involvement in human rights violation	25%
Impact on indigenous peoples	Company/project in area that indigenous peoples may live on, migrate through, or use (y/n)	23%

TOPICS	ILLUSTRATIVE METRICS	FREQ.
PRODUCTS		
Impact consideration in product design	Integration of environmental and social consideration in products and services	38%
Energy/GHG intensity of products	Energy/fuel/GHGs efficiency of products during use-phase	38%
Data privacy policies	Policies and practices on collection, use, and retention of customer information	38%
Packaging	Packaging weight (Tn), % from recycled or renewable materials, % recyclable or compostable	31%
Recalls	Product recalls: # of recalls; total units recalled	31%
Materials and chemicals of concern	Process to identify and manage emerging materials and chemicals of concern in products	31%
Incidents	Product safety fines and settlements (US$)	23%
ETHICS (and GOVERNMENT RELATIONS)		
Anticorruption (management)	Management of anticorruption in the value chain (codes, policies, prevention, and treatment)	69%
Political spending	Political spending, lobbying expenditures (including trade associations) (US$)	38%
Anticorruption (incidents/fines)	Fines and settlements for corruption or bribery (US$), description of major fines and corrective actions	31%
Competitive behavior	Amount of legal and regulatory fines and settlements associated with anticompetitive practices	25%
SOURCING		
Suppliers	% of suppliers selected and monitored according to social and environmental criteria	85%
Raw materials (recycled/renewables)	% of raw materials from 1) recycled content and 2) renewable resources	46%
Conflict minerals	% of tungsten, tin, tantalum, and gold smelters within the supply chain that are verified conflict-free	38%
Critical materials	Critical materials: % of materials cost	23%

Note: Please refer to IFC Toolkit for Disclosure and Transparency for further details.

SECTION II: IFC'S CORPORATE GOVERNANCE PERFORMANCE INDICATORS FOR CAPITAL MARKETS

i) Financial Institutions

Level of Impact on Performance: 🔴 High | 🟡 Medium | 🔵 Low

Performance Indicator	●	Performance Metric
A: Commitment to ESG (Leadership and Culture)		
1. Corporate Governance Code	🟡	Company has a Corporate Governance Code.
2. Code of Ethics or Conduct	🟡	Company has a Code of Ethics or Conduct.
3. Corporate Governance Officer	🟡	There is a designated officer/body responsible for overseeing Corporate Governance policies and practices.
B: Structure & Functioning of the Board of Directors		
4. Board Independence	🔴	At least 33% of independent directors meet an adequate level of independence. See the IFC Indicative Independent Director Definition as an example. *
5. Board Diversity	🔵	There are at least 25% of women (non-promoter/sponsor) on the Board.
6. Diversity in Senior Management	🔵	There are at least 25% of women in C-Suite positions or in Senior Management.
7. Audit Committee	🔴	The Board level Audit Committee is comprised of financially literate members all of which are non-executive directors and at least one member is independent. **
8. Role and Responsibilities	🟡	The Board approves both the strategy and key policies. ***
Performance Indicator	●	Performance Metric
C: Control Environment (Internal Control System, Internal Audit Function, Risk Governance and Compliance)		
9. Internal Audit	🔴	The Internal Audit function has its own charter or by-law establishing its role, responsibilities and reporting lines.
10. Risk Governance	🔴	The Chief Risk Officer (CRO) has access to the Board and reports to the Board/ Risk Committee.
11. Compliance	🟡	The Chief Compliance Officer (CCO) reports to the Audit Committee.
12. Fraud and Corruption	🔴	There are public controversies, including legal actions associated with fraud, corruption, money laundering involving the Company or its representatives.

* *See* **IFC Indicative Independent Director Definition.**

** Financially literate means the ability to read and understand financial statements. Financial expertise means experience as a preparer or auditor of financial statements (CFO, Chief Accountant, CPA, CA) and/or internal auditor and/or Certified Financial Analyst (CFA).

*** The board approves the risk appetite, strategy and key policies including but not limited to: the Internal Audit Charter, Risk Management Charter, Compliance, Sustainability Policy, Stakeholder Engagement Policy, Disclosure Policy, Corporate Governance Code, Code of Ethics/ Conduct, Auditor Rotation Policy, Related Party Transactions Policy, etc.

Performance Indicator	●	Performance Metric
D: Disclosure and Transparency		
13. Annual Report	●	The annual report or the sustainability report includes ESG information. ****
14. Risk Disclosure	●	The annual report includes descriptions of risk and risk appetite.
E: Treatment of Minority Shareholders		
15. Equal Voting	●	All shareholders of the same class have equal: (1) voting; (2) subscription; and (3) transfer rights.
16. Ownership Disclosure	●	Ultimate beneficial ownership is disclosed publicly.
17. Related Party Transactions	●	There is a Related Party Transaction Policy.
18. Dividend Policy	●	Dividend Policy is publicly disclosed.
19. Executive Compensation	●	Executive compensation is subject to shareholder consultation and approval.
F: Governance of Stakeholder Engagement		
20. Governance of Stakeholder Engagement	●	There is a Stakeholder Engagement Policy approved by the Board.

**** For example, one of the Group of Five sustainability reporting standard setting frameworks. The Group of Five" consists of CDP, Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB).

ii) Corporates

Level of Impact on Performance: ● High | ● Medium | ● Low

Performance Indicator	●	Performance Metric
A: Commitment to ESG (Leadership and Culture)		
1. Corporate Governance Code	● Medium	Company has a Corporate Governance Code.
2. Code of Ethics or Conduct	● Medium	Company has a Code of Ethics or Conduct.
3. Corporate Governance Officer	● Medium	There is a designated officer/body responsible for overseeing Corporate Governance policies and practices.
B: Structure & Functioning of the Board of Directors		
4. Board Independence	● High	At least 33% of independent directors meet an adequate level of independence. See the IFC Indicative Independent Director Definition as an example. *
5. Board Diversity	● Low	There are at least 25% of women (non-promoter/sponsor) on the Board.
6. Diversity in Senior Management	● Low	There are at least 25% of women in C-Suite positions or in Senior Management.
7. Audit Committee	● High	The Board level Audit Committee is comprised of financially literate members all of which are non-executive directors and at least one member is independent. **
8. Role and Responsibilities	● Medium	The Board approves both the strategy and key policies. ***
Performance Indicator	●	Performance Metric
C: Control Environment (Internal Control System, Internal Audit Function, Risk Governance and Compliance)		
9. Internal Audit	● High	The Internal Audit function has its own charter or by-law establishing its role, responsibilities and reporting lines.
10. Risk Governance	● High	The Chief Risk Officer (CRO) has access to the Board and reports to the Board/ Risk Committee.
11. Compliance	● Medium	The Chief Compliance Officer (CCO) reports to the Audit Committee.
12. Fraud and Corruption	● High	There are public controversies, including legal actions associated with fraud, corruption, money laundering involving the Company or its representatives.

* *See* **IFC Indicative Independent Director Definition.**

** Financially literate means the ability to read and understand financial statements. Financial expertise means experience as a preparer or auditor of financial statements (CFO, Chief Accountant, CPA, CA) and/or internal auditor and/or Certified Financial Analyst (CFA).

*** The board approves the risk appetite, strategy and key policies including but not limited to: the Internal Audit Charter, Risk Management Charter, Compliance, Sustainability Policy, Stakeholder Engagement Policy, Disclosure Policy, Corporate Governance Code, Code of Ethics/ Conduct, Auditor Rotation Policy, Related Party Transactions Policy, etc.

Performance Indicator	●	Performance Metric
D: Disclosure and Transparency		
13. Annual Report	●	The annual report or the sustainability report includes ESG information. ****
14. Risk Disclosure	●	The annual report includes descriptions of risk and risk appetite.
E: Treatment of Minority Shareholders		
15. Equal Voting	●	All shareholders of the same class have equal: (1) voting; (2) subscription; and (3) transfer rights.
16. Ownership Disclosure	●	Ultimate beneficial ownership is disclosed publicly.
17. Related Party Transactions	●	There is a Related Party Transaction Policy.
18. Dividend Policy	●	Dividend Policy is publicly disclosed.
19. Executive Compensation	●	Executive compensation is subject to shareholder consultation and approval.
F: Governance of Stakeholder Engagement		
20. Governance of Stakeholder Engagement	●	There is a Stakeholder Engagement Policy approved by the Board.

**** For example, one of the Group of Five sustainability reporting standard setting frameworks. The Group of Five" consists of CDP, Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB).

SECTION III: IFC'S ENVIRONMENTAL AND SOCIAL (E&S) PERFORMANCE INDICATORS FOR CAPITAL MARKETS

i) Financial Institutions

Level of Impact on Performance: ● High | ● Medium | ● Low

Performance Indicator	●	Performance Metric
BASED ON PERFORMANCE STANDARD 1: Assessment and Management of Environmental and Social Risks and Impacts		
1. Emergency preparedness	Medium	There is an Emergency Response Plan or Procedure.
2. E&S capacity commensurate with portfolio risk	High	There is E&S in-house/external capacity (E&S unit/department, in-house qualified E&S staff to identify and monitor ESG risk in the pipeline and portfolio, formal process for outsourcing E&S due diligence to qualified external consultants).
3. E&S due diligence process	High	There is an E&S due diligence process (e.g. a formal procedure describing the approach for the FI's main lending products, E&S requirements, and due diligence standards and criteria).
4. Portfolio ESG periodic monitoring	High	There are formal provisions to monitor the ESG performance of the FI's loans and investments.
5. Statement of intention regarding E&S	Medium	There is an Environmental & Social Policy approved by senior management.
6. Sectoral E&S Policies	Medium	There are specific sectoral E&S policies relevant for the FI's business activities approved by senior management (e.g. coal, palm oil, etc.) reflecting good international practices in place.
7. External communication mechanism	Medium	There is an external communication mechanism accessible by the general public.
BASED ON PERFORMANCE STANDARD 2: Labor and Working Conditions		
8. Gender equality	Low	Workforce composition is available by gender
9. Non-discrimination & equal opportunity	Medium	There is a formal policy to avoid discrimination on hiring, wages, promotions.
10. Compliance with national labor and employment law	High	There are public controversies, including legal actions involving working conditions (associations, collective agreements, labor laws, discrimination, equal remuneration, lack of equal opportunity, harassment).
11. Workers' organizations	Medium	The FI's practices do not restrict or obstruct workers' rights to join workers' organizations and mechanisms to express their grievances on working conditions and terms of employment.
12. Formal provisions to avoid sexual harassment at work	Medium	There are formal arrangements to avoid sexual harassment at work, including a sexual harassment policy with, at a minimum, a mechanism to file complaints anonymously and confidentially and trained HR staff to review sexual harassment cases.
13. Worker feedback and recourse	Medium	There is a worker grievance mechanism.

ii) Corporates

Level of Impact on Performance: 🔴 High | 🟡 Medium | 🔵 Low

Performance Indicator	●	Performance Metric
BASED ON PERFORMANCE STANDARD 1: Assessment and Management of Environmental and Social Risks and Impacts		
1. Emergency preparedness	🟡	There is an Emergency Response Plan or Procedure.
2. E&S capacity commensurate with sector risk	🔴	There is E&S in-house/external capacity (E&S unit/department, in-house qualified E&S staff to identify and monitor E&S risk associated with development of new assets and operations, formal process for outsourcing E&S due diligence to qualified external consultants).
3. Identification of E&S risks and impacts	🔴	There are policies and procedures to identify E&S risks and impacts of Company operations, especially expansion of operations.
4. Statement of intention regarding E&S	🟡	There is an Environmental & Social Policy approved by senior management.
5. Affected Community knowledge of impacts and opportunities	🔴	Information is disclosed to Affected Communities.
6. Affected Community feedback and recourse	🔴	There is an Affected Community grievance mechanism.
BASED ON PERFORMANCE STANDARD 2: Labor and Working Conditions		
7. Protection of contract workers	🔴	There are public controversies, including legal actions involving third party or contract workers.
8. Worker health and safety	🔴	There are public controversies, including legal actions indicating poor worker health and safety practices.
9. Injury and fatality	🔴	There is information on work related fatalities of direct and/or contract workers.
10. Gender equality	🔵	Workforce composition is available by gender.
11. Non-discrimination & equal opportunity	🟡	There is a formal policy to avoid discrimination on hiring, wages, promotions.
12. Compliance with national labor and employment law	🔴	There are public controversies, including legal actions involving working conditions (associations, collective agreements, labor laws, discrimination, equal remuneration, lack of equal opportunity, harassment).
13. Workers' organizations	🟡	The Company's practices do not restrict or obstruct workers' rights to join workers' organizations and mechanisms to express their grievances on working conditions and terms of employment.
Performance Indicator	●	Performance Metric
14. Formal provisions to avoid sexual harassment at work	🟡	There are formal arrangements to avoid sexual harassment at work, including a sexual harassment policy with, at a minimum, a mechanism to file complaints anonymously and confidentially and trained HR staff to review sexual harassment cases.
15. Worker feedback and recourse	🟡	There is a worker grievance mechanism.

Performance Indicator	●	Performance Metric
SECTOR SPECIFIC RISKS: Operations or supply chains in countries or sectors with a risk of forced or child labor (e.g. agri, textiles, construction, agribusiness).		
16. Forced and child labor in the Company	●	There are public controversies, including legal actions involving forced and child labor in the Company's operations. *
17. Forced and child labor in the primary supply chain	●	There are public controversies, including legal actions involving forced and child labor in the Company's primary supply chain. **
18. Safe worker accommodation	●	There are public controversies, including legal actions involving accommodation (camps, dorms, etc.) such as health and safety (e.g. fire, water, sanitation, overcrowding).
BASED ON PERFORMANCE STANDARD 3: Resource Efficiency and Pollution Prevention		
19. Impacts to water used by others	●	There are public controversies, including legal actions involving past or on-going impacts to water used by others.
20. Pollution prevention and risks	●	There are public controversies, including legal actions involving past or on-going pollution risks (e.g. air or water emissions, soil or groundwater contamination, waste disposal) from the Company/project.
21. GHG emissions	●	There is information on GHG emissions: Scope 1 and 2 (t), Scope 3 if relevant to business activity, intensity (GHGs released in energy consumption for production / normalization factor [usually production or sales]).
22. Resource efficiency	●	There is an energy management system, cleaner production initiatives, resource efficiency (i.e., energy, water, other resources and material inputs) metrics in place.
BASED ON PERFORMANCE STANDARD 4: Community Health, Safety and Security		
23. Security force impacts to a community	●	There are public controversies, including legal actions associated with major security incidents involving the local community, including but not limited to gender based violence and a statement, policy or code on security forces and interaction with local community, including but not limited to gender based violence.
24. Contribution to health impacts upon a community	●	There are public controversies, including legal actions involving contribution to an increase of disease (HIV/Aids, malaria, etc.) to a community.
25. Worker impacts on a community	●	There is a statement, policy or code on worker conduct and interaction with local community, including but not limited to gender based violence.
SECTOR SPECIFIC RISKS: Companies/projects that construct or operate buildings and structures that are accessed by the public, or can threaten the safety of communities (bridges, dams, etc.).		
26. Infrastructure failures that have resulted in harm to the public	●	If the Company constructs or operates infrastructure (bridges, dams, tailing dams, or ash ponds), there are public controversies, including legal actions indicating harm to the public.
27. Fires or structural damage that have harmed the public	●	If the Company constructs or operates publicly accessed buildings or structures, there are public controversies, including legal actions indicating harm to the public.

* *See* **IFC Good Practice Note on Addressing Child Labor in the Workplace and Supply Chain**.

** *See* **IFC Good Practice Note on Addressing Child Labor in the Workplace and Supply Chain**.

Performance Indicator	●	Performance Metric
BASED ON PERFORMANCE STANDARD 5: Land Acquisition and Involuntary Resettlement (applicable to companies involved in land acquisition to develop new or extend existing assets)		
28. Policy and process for social impact assessment and land acquisition	●	There is an environment & social management system and/ or land acquisition policy & process.
29. People/communities affected by land acquisition	●	There are public controversies, including legal actions involving relocation and loss of shelter or livelihoods for communities or individual households as a result of land acquisition.
30. Impacts involving economic displacement	●	There are public controversies, including legal actions that the Company/project has resulted in peoples' livelihoods being negatively affected from economic displacement
BASED ON PERFORMANCE STANDARD 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources (applicable to companies with impacts on natural and modified habitats and wildlife and ecosystem services)		
31. Impact on ecosystem services	●	There are public controversies, including legal actions involving people not having enough water, food or suffering from the effects of larger storm events (flooding, loss of land, salinization of soil/water, etc.) because of the Company/ project.
32. Impacts to legally protected/ internationally recognized areas	●	The Company/project is located in legally protected/ internationally recognized areas.
33. Impacts to International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered species and habitats	●	The Company/project is located in an area known to contain International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered species and habitats.
34. Impacts on natural habitats	●	The Company operations affect natural habitats.
35. Protection of habitats and biodiversity management	●	There is a statement, code or policy on biodiversity management; The Company has integrated biodiversity conservation into its environmental and social management system.
36. Proactive policy to avoid locating projects in legally protected/ internationally recognized areas	●	There is a statement, code or policy to avoid locating projects in Natural or Mixed World Heritage Sites (WHS) and Alliance for Zero Extinction (AZE) Sites; stating that the Company will work in alignment with management plans for protected areas and internationally recognized areas for biodiversity; and avoid locating projects in Key Biodiversity Areas and Protected Area Management Categories I-III.
37. Proactively avoiding impacts to International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered habitats	●	There is a statement, code or policy to avoid impacts to International Union for the Conservation of Nature (IUCN) Vulnerable, Endangered and Critically Endangered habitats.
38. Proactively managing impacts on natural habitats	●	There is a statement, code or policy to manage impacts to natural habitats.

Performance Indicator	●	Performance Metric
SECTOR SPECIFIC RISKS: Agribusiness companies and companies that purchase agro-commodities as part of their primary business.		
39. Agro-commodity certification	●	Agro-commodity is certified (e.g. FSC, RSPO, MSC, RTRS, BCI, GRSB, Bonsucro certification, etc.).
40. Proactive management of supply chains to protect critical habitats	●	There is a statement, policy or code on the management of supply chains where there is the risk of significant conversion of critical habitat.
BASED ON PERFORMANCE STANDARD 7: Indigenous Peoples (applicable to companies with impacts to Indigenous Peoples only)		
41. Impacts on Indigenous Peoples	●	There are public controversies, including legal actions involving harm to Indigenous Peoples.
42. Proactive engagement with Indigenous Peoples	●	There is a statement, code or policy on Indigenous Peoples with evidence of Free, Prior and Informed Consent (FPIC), where applicable.
BASED ON PERFORMANCE STANDARD 8: Cultural Heritage (applicable to companies with impacts to cultural heritage only)		
43. Impact upon critical cultural heritage	●	There are public controversies, including legal actions related to the Company's/project's impact on or use of cultural heritage.

SECTION IV: LINK BETWEEN ESG METRICS AND SDG INDICATORS

TOPIC	SUGGESTED METRICS	SDG	SDG INDICATOR
ENVIRONMENT			
Air Pollutants	NOx (excl. N2O), SOx, volatile organic compounds, particulate matter (Tn)	SDG 11 (Sustainable Cities)	11.6.2: Annual mean levels of fine particulate matter (e.g., PM2.5 and PM10) in cities (population weighted)
Waste	Waste from operations (t), % hazardous, % recycled, intensity (waste/sales)	SDG 12 (Waste)	12.4.2: Hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment 12.5.1: National recycling rate, tons of material recycled
Energy	Energy consumed (GW), % grid electricity, % renewables, intensity (energy/sales)	SDG 7 (Energy)	7.2.1: Renewable energy share in the total final energy consumption 7.3.1: Energy intensity measured in terms of primary energy and GDP
Water Use	Water used (m3), % recycled, % in water stress areas, intensity (water use/sales)	SDG 6 (Water Efficiency)	6.3: Improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, drastically reducing the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.3.1: Proportion of wastewater safely treated 6.4: Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater 6.4.1: Change in water-use efficiency over time 6.4.2: Level of water stress: freshwater withdrawal as a proportion of available freshwater resources 6.b: Support and strengthen the participation of local communities in improving water and sanitation management 6.b.1: Proportion of local administrative units with established and operational policies and procedures for participation of local communities in water and sanitation management

TOPIC	SUGGESTED METRICS	SDG	SDG INDICATOR
ENVIRONMENT			
Raw materials	% from 1) recycled content and 2) renewable resources	SDG 12 (Resources)	12.2: By 2030, achieve the sustainable management and efficient use of natural resources 12.2.1: Material footprint, material footprint per capita, and material footprint per GDP 12.2.2: Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP
Climate Change	Steps to prevent and (if not preventable) adapt to the impact of climate change on the company's ability to operate profitably or the quality of its products and services	SDG 13 (Climate Resilience)	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters
Biodiversity	Impact on ecosystem services; impact on protected areas, parks, or reserves; impact on endangered, vulnerable, or rare species; habitat protection and biodiversity management; impact on water sources, rivers, lakes, or wetlands	SDG 15 (Land)	15.3/15.5: Take action to reduce the degradation of natural habitats, halt loss of biodiversity, and strive to achieve a land-degradation-neutral project 15.3.1: Proportion of land that is degraded over total land area 15.5.1: Red List Index
EMPLOYEES			
Treatment	Average hourly wage and % of employees earning minimum wage	SDG 8 (Decent Work and Economic Growth)	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.5.1: Average hourly earnings of female and male employees, by occupation, age, and persons with disabilities
	Forced or child labor in the company and its supply chain	SDG 8	8.7.1: Proportion and number of children aged 5–17 years engaged in child labor, by sex and age
Relations	% of active workforce covered under collective bargaining agreements	SDG 8	8.8.2: Level of national compliance with labor rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by sex and migrant status

TOPIC	SUGGESTED METRICS	SDG	SDG INDICATOR
EMPLOYEES			
Nondiscrimination	Workforce composition by gender and ethnicity (#)	SDG 8	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 8.5.2: Unemployment rate, by sex, age and persons with disabilities
Safety	Injury rate (TRIR) and fatality rate for direct and contract employees	SDG 8	8.8.1: Frequency rates of fatal and nonfatal occupational injuries, by sex and migrant status
ETHICS			
Anticorruption	Management of anticorruption in the value chain (codes, policies, prevention & treatment) (y/n)	SDG 16	16.5: Reduce corruption and bribery in all their forms 16.5.2: Proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official, or were asked for a bribe by those public officials during the previous 12 months
GOVERNANCE			
Board Diversity	% women (non-promoter/ sponsor) on board	SDG 5 (Gender Equality) SDG 10 (Reduce Inequality)	5.1: End all forms of discrimination against all women and girls everywhere 10.2: By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status
Annual Report	Does the annual report or the sustainability report include ESG information? (y/n)	SDG 12 (Sustainable Consumption and Production) SDG 17 (Implementation and Partnership)	12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle 17.5: Adopt and implement investment promotion regimes for least developed countries Target 17.19: By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries

Note: Please refer to IFC Toolkit for Disclosure and Transparency for further details.

SECTION V: EXAMPLES OF KPIs FOR COVID-19

Financial

- Operational cash flow
- Liquidity (working capital, quick/current ratio)
- Solvency (debt and interest coverage ratios)

Operational

- Capacity utilization
- Productivity per employee
- On-time delivery
- Inventory turnover

Health and Safety

- Ratio of employees who are working remotely
- Number of locations operated and number of employees in each location
- Percentage of employees with sick-pay leaves
- Composition of workforce by risk exposure levels

Annex 2. IFC Environmental and Social Training Courses, Tools and Other Resources

I. Training Courses

- Sustainability Training and E-Learning Program (STEP)

  This program has been designed for managers and staff of financial institutions (FIs) including banks, private equity funds, and others. This free e-training aims to help FIs better understand sustainable finance, social and environmental risk management and explore sustainability-related business opportunities.

- E-Learning Course on Managing Environmental and Social Performance

  This program has been designed for our clients with an aim to help them manage their environmental and social risks, thereby having a positive impact on their bottom line, reputation and development impact.

  To access the online courses visit https://olc.worldbank.org

  For further information visit: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/tools+for+clients#elearning

II. IFC Sustainability Policies and Standards

IFC helps clients understand and manage their ESG risks. We partner with industry and other stakeholders to find innovative solutions that open up opportunities for economically, socially, and environmentally sustainable private investment—which, in turn, contribute to jobs and inclusive growth. IFC's ESG policies, guidelines, and tools are widely adopted as market standards and are embedded in operational policies by corporations, investors, financial intermediaries, stock exchanges, regulators, and countries. This helps emerging markets raise their ESG standards and level the playing field.

Nearly 90 percent of our clients believe that our environment, social, and governance support is key to helping them reach their long-term business goals, improve their relations with stakeholders and local communities, and boost their brand value and recognition.

For further information visit: www.ifc.org/sustainability

III. ESMS Implementation Handbook - General

The ESMS Implementation Handbook is for firms who wish to implement a management system in line with the requirements of IFC Performance Standard 1. The Handbook provides step-by-step instructions on how to develop and implement a management system addressing common environmental, occupational health and safety, labor, and community risks and impacts that companies are likely to face.

Supplemental information:

- ESMS Self-Assessment and Improvement Guide: The ESMS Self-Assessment and Improvement Guide (MS Excel versions) contains a questionnaire, maturity matrix and improvement tips to help a company measure the maturity of its management system and develop a plan for improvement.

- ESMS Self-Assessment and Improvement Guide: The ESMS Self-Assessment and Improvement Guide contains a questionnaire and improvement tips to help assess your ESMS and develop an improvement plan.

- ESMS Toolkit – General: The ESMS Toolkit - General provides tools — checklists, templates, and forms — to help you implement your ESMS improvement plan.

For further information visit: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_esms-general

IV. FIRST for Sustainability

FIRST (Financial Institutions: Resources, Solutions and Tools) for Sustainability is a one-stop shop for financial institutions to get information and learn about the benefits of environmental and social risk management and how to identify and take advantage of environmental business opportunities.

For further information visit: https://firstforsustainability.org/

V. ESMS for FIs Diagnostic Tool

IFC's ESMS Diagnostic Tool for FIs is designed to enable IFC, FIs, institutional investors, and asset managers to assess or self-assess the quality of an ESMS and benchmark it against IFC's Performance Standard 1 and good market practices.

For further information visit: https://www.ifcesmsdiagnostic.org/

VI. GMAP

The Global Map of Environmental & Social Risk in Agro-commodity Production (GMAP) enables users to conduct rapid environmental and social due diligence associated with trade and short-term finance, and to make responsible and strategic sourcing, financing, and risk management decisions.

GMAP provides an early and high-level country and commodity-level evaluation of environmental and social risks associated with agro—commodity primary production. The criteria and indicators align with the IFC 2012 Performance Standards on Environmental and Social Sustainability, in particular the supply chain-related requirements of Performance Standard 2 “Labor and Working Conditions” and Performance Standard 6 “Biodiversity Conservation and Sustainable Management of Living Natural Resources”.

For further information visit: https://gmaptool.org/

Annex 3. Sustainable Banking and Finance Network Measurement Framework – Methodology 2020-2021

The Measurement Framework for 2021 is based on three pillars identified and endorsed by the SBFN members as critical components of sustainable finance frameworks. These pillars are broadly reflected in international good practices for sustainable finance at the market, regulatory, and financial institution levels.

The ESG Integration Pillar evaluates regulatory guidance, supervision strategies, and voluntary banking sector approaches for a range of financial institution practices to manage ESG risks in operations and transactions. These practices include governance of environmental and social risk, policies, systems, training, monitoring, and disclosure.

The Climate Risk Management Pillar recognizes that climate change and the management of climate risk in the financial sector have become urgent priorities, with a need for new governance, risk management practices, and disclosure.

The Financing Sustainability Pillar evaluates regulatory and voluntary efforts by members to provide definitions, guidance, monitoring, and incentives for financial institutions to introduce new products and services that support climate, green economy, and social goals.

75 underlying datapoints have been designed to objectively assess a country's sustainable finance framework(s) according to clarity, complexity, and alignment to international good practice, based on the 3 pillars, 3 cross-cutting sub-pillars, and 11 cross-cutting indicators. The yes/no responses to these questions are supported by evidence and documentation provided by SBFN members.

SBFN Measurement Framework Overview

Pillar 1: ESG Integration	Pillar 2: Climate Risk Management	Pillar 3: Financing Sustainability
Sub-pillar: Strategic Alignment		
• National Framework • Alignment with international goals & standards • Alignment with national goals & strategies	• National Framework • Alignment with international goals & standards • Alignment with national goals & strategies	• National Framework • Alignment with international goals & standards • Alignment with national goals & strategies
Sub-pillar: Regulatory and Industry Association Actions		
• Overall approach & strategy • Technical guidance • Supervisory activities & incentives • Tracking & aggregated disclosure	• Overall approach & strategy • Technical guidance • Supervisory activities & incentives • Tracking & aggregated disclosure	• Overall approach & strategy • Technical guidance • Supervisory activities & incentives • Tracking & aggregated disclosure

Sub-pillar: Expectations of Financial Institution (FI) Actions		
• Strategy & governance • Organizational structure & capacity • Policies & procedures • Tracking, reporting, & disclosure	• Strategy & governance • Organizational structure & capacity • Policies & procedures • Tracking, reporting, & disclosure	• Strategy & governance • Organizational structure & capacity • Policies & procedures • Tracking, reporting, & disclosure

SBFN Measurement Framework

SBFN's Global Progress Report is the most comprehensive assessment and benchmarking of national approaches to promote sustainable finance in emerging markets. It applies a Measurement Framework that has been developed and refined with members since 2016 under the leadership of SBFN's Measurement Working Group.

The Measurement Framework continues to evolve over time, as do members' sustainable finance journeys. The Framework captures market dynamics and collective member insights. The updated 2021 Framework is informed by the latest, emerging best practices and relevant global developments. Key themes this year include:

- **COVID-19** and the response by many countries to leverage sustainable finance as part of "building back better".
- Sustainable finance moving **beyond banking** to include capital markets, pensions, insurance, and asset management.
- The **growing need for data to understand environmental, social, and governance risk as well as opportunity**, which is driving demand for improved disclosure by all parts of the financial sector, including the development of definitions and taxonomies.
- The ever-increasing urgency of **climate change** and management of **climate risk.**
- The popularity of **green and climate bonds**, which has led to **expansion into social and sustainability bonds**, as well as broadening from bonds to loans and other financial instruments to mobilize capital for sustainable development objectives.

The **SBFN Measurement Framework** consists of three complementary components.

1. **An Overall Progression Matrix and three thematic matrixes** that show the milestones countries have achieved in developing national sustainable finance frameworks.
2. **Three Thematic Pillars** that compare clarity and comprehensiveness of national sustainable finance framework(s) and their alignment to international good practice priorities as identified and endorsed by SBFN members.
3. **Aggregated sector data and individual case studies** to illustrate interaction between national frameworks and behavior change by private financial institutions.

For more information, contact the SBFN Secretariat at SBFNsecretariat@ifc.org or visit www.ifc.org/sbn

REFERENCES

ASEAN Capital Market Forum. 2021. Roadmap for ASEAN Sustainable Capital Markets. Accessed June 2021. https://www.theacmf.org/initiatives/sustainable-finance.

Barometer, Edelman Trust. 2020. "Edelman." Accessed June 2021. https://www.edelman.com/sites/g/files/aatuss191/files/2020-01/2020%20Edelman%20Trust%20Barometer%20Global%20Report.pdf.

Climate Action in Financial Institutions. Sustainable Finance Study Group. Accessed September 2021. https://www.mainstreamingclimate.org/sfsg/

David Eckstein, Vera Künzel, Laura Schäfer, Maik Winges. 2020. *Global Climate Risk Index 2020*. Germanwatch. Accessed June 2021. https://www.germanwatch.org/en/17307.

European Commission. 2014. "Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information." *Official Journal of the European Union* (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=FI) (Document 32014L0095): 1-9.

—. 2020. *EU Taxonomy for Sustainable Activities*. Accessed June 2021. https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.

EY. 2020. *Panorama de la Gouvernance : nouveau monde, nouvelle exigence*. Accessed June 2021. https://www.ey.com/fr_fr/assurance/panorama-de-la-gouvernance-2020.

France Gouvernement. 2021. PACTE, *The Action Plan for Business Growth and Transformation*. https://www.gouvernement.fr/en/pacte-the-action-plan-for-business-growth-and-transformation.

Global Reporting Standards, GRI. 2020. *The Global Standards for Sustainability Reporting*. Accessed June 2021. https://www.globalreporting.org/standards/.

Intel. 2020. *Corporate Responsibility* at Intel. http://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2019-20-Full-Report.pdf.

International Corporate Accountability Roundtable, ICAR. 2019. "The Benefits of Transparency: A Business Case for the Apparel and Footwear Supply Chain Transparency Pledge." May. Accessed June 2021. https://icar.ngo/wp-content/uploads/2021/03/ICAR-BusinessCaseforTransparency-single-pages.pdf.

International Finance Corporation, IFC. 2021. *IFC's ESG Performance Indicators for Capital Market*. Accessed June 2021. https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Company-Resources/ESG+Performance+Indicators_SA/

—. 2018. *Corporate Governance Methodology*. Accessed June 2021. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/investment+services/corporate+governance+methodology.

—.2018. *Governance and Performance in Emerging Markets - Empirical Study on the Link Between Performance and Corporate Governance of IFC Investment Clients*. Accessed September 2021. https://www.ifc.org/wps/wcm/connect/9eb97e0b-22b8-4ac7-a2ca-fc501e809f08/Governance_and_Performance_in_Emerging_Markets.pdf?MOD=AJPERES&CVID=mBVyx6P.

—.2018. *IFC'S Contribution to the Sustainable Development Goals*. Accessed September 2021. https://www.ifc.org/wps/wcm/connect/1433afde-d252-42f2-bbd9-839e30a69947/201803_IFCs-contribution-to-the-SDGs_v1.pdf?MOD=AJPERES&CVID=m9zP1Y-

—. 2015. *Environmental and Social Management System (ESMS) Implementation Handbook - GENERAL*. October. Accessed June 2021. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_esms-general.

—. 2012. *Environmental and Social Performance Standards*. Accessed June 2021. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards.

—. 2008. *Stakeholder Engagement and the Board: Integrating Best Governance Practice*s. https://www.ifc.org/wps/wcm/connect/bac56797-a3a7-4e24-90f6-efa9ab7363e0/FINAL%2BFocus8_5.pdf?MOD=AJPERES&CVID=jtCwtno.

International Integrated Reporting Council. 2021. *Integrated Thinkin*g. https://integratedreporting.org/integrated-thinking/.

Khan, Mozaffar and Serafeim, George and Yoon, Aaron, Corporate Sustainability: First Evidence on Materiality (November 9, 2016). The Accounting Review, Vol. 91, No. 6, pp. 1697-1724., Available at SSRN: https://ssrn.com/abstract=2575912 or https://dx.doi.org/10.2139/ssrn.2575912

Singapore Stock Exchange Limited. 2021. *Sustainability Reporting*. https://www.sgx.com/regulation/sustainability-reporting.

Sustainability Accounting Standards Board, SASB. 2018. *Materiality Map*. https://materiality.sasb.org/.

Thedéen, Erik. 2020. *Driving Global Standards on Sustainable Finance* Finansin Spektionen, (September 30). https://www.fi.se/en/published/presentations/2020/erik-thedeens-speech-at-driving-global-standards-on-sustainable-finance/.

United Nations Global Compact . 2004. "Who Cares Wins: Connecting Financial Markets to a Changing World." https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf.

United Nations Global Compact. 2019. "The Decade to Deliver: A Call to Business Action." https://www.unglobalcompact.org/library/5715.

World Economic Forum. 2019. *Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution*. https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/

—. 2021. "The Global Risks Report 2021, 16th edition." https://www.weforum.org/global-risks/reports.

—. 2020. "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation." January. Accessed June 2021. http://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf.

International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities