Getting More Value Out of Sustainability Reporting

Connecting IFC's Sustainability Performance Standards and the GRI Reporting Framework

A Good Practice Note by IFC and GRI In partnership with Italy, Luxembourg, the Netherlands, and Norway.

Global Reporting Initiative™

IFC International Finance Corporation World Bank Group

We have found that more effective dialogue about sustainability with our clients enables us to offer better assistance to strengthen their businesses.

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FOREWORD

Building stronger business relationships

The last decade has seen a steady rise in public demand for businesses to be transparent about their environmental, social, and governance (ESG) performance, including their contributions to local economies. Companies worldwide have met this trend with increasing uptake of what is now commonly called "sustainability reporting".

As a member of the global investment community and a leader in sustainability standards in emerging markets, IFC sees sustainability reporting as an opportunity for a more dynamic engagement between investors and businesses. There is a clear link between good ESG performance and the ability of enterprises to be profitable and survive turbulent times. We have integrated sustainability in our own approach to investments in emerging markets and we have seen the value and the importance of adequate disclosure.

However, there is still a big gap, especially in emerging markets, when it comes to material ESG information about company performance. Many investors, including institutional investors, need this information to make informed investment decisions. The lack of sustainability reports is a significant constraint on their ability to analyze and channel capital to sustainable emerging market companies.

IFC has been working for several years now to address the information gap, and our partnership with the Global Reporting Initiative (GRI) is part of that on-going effort. Over the last decade, GRI has established the international standard for sustainability reporting by organizations worldwide. IFC has therefore partnered with GRI to offer this Good Practice Note for interested companies on how to improve their sustainability reporting using the GRI Guidelines in conjunction with IFC's Sustainability Framework.

IFC sees sustainability reporting as a timely next step to improve transparency and strengthen trust in the private sector. It is also a management tool that can help companies to identify operational efficiency improvements, innovate in their products and services, build stronger relationships with stakeholders, enhance reputational value and, increasingly, attract investors.

We would like to see many more of our clients undertaking GRI-based reporting alongside and as part of their traditional annual reporting. Companies achieving excellence across all aspects of management are companies most likely to grow and succeed over the long term.

We hope you will find this document useful and we welcome your feedback.

RACHEL KYTE
Vice President, Business Advisory Services, IFC

IFC's Sustainability Framework – Review and Update Process 2009-2011

In September 2009, IFC began a review and update of its Sustainability Framework, which includes Performance Standards on Social and Environmental Sustainability (IFC's "Performance Standards") and Policy on Disclosure of Information (IFC's "Disclosure Policy"). The update, which will run until January 2011, intends to ensure that the Standards, which came into effect in April 2006, reflect lessons learned from the last three years of implementation and evolutions in the global environment. It will also give stakeholders the opportunity to provide input through a public consultation process.

This guide is designed to help companies develop systems that respond to the Performance Standards requirements around reporting. Consequently, the current version is being released as a "Road Test" draft to solicit feedback on its usefulness. A final version will be published in 2011, following the completion of the standards review and update.

For more information or to participate in the Performance Standards review process,
visit www.ifc.org/policyreview

HOW TO USE THIS GOOD PRACTICE NOTE

This Note is intended as a guide for companies on how to include information and indicators in their sustainability reports that are likely to be material to IFC and to other organizations that may use IFC's Sustainability Framework as a benchmark. In addition to this note, there are several other GRI resources that provide further information and can be found through the GRI website.

It also aims to show the links between the specific information needs of these institutions and the opportunities for companies to align their strategy and management systems with broad stakeholder expectations, as reflected by the *Global Reporting Initiative (GRI) Sustainability Reporting Framework*

This guide therefore works at two levels:

- To support **senior executives and managers** in establishing an effective internal system for the sustainability reporting process as well as promoting an innovative and strategic approach to sustainability at the corporate level.
- To assist **corporate reporting teams** in the comparison of indicators between the IFC and GRI frameworks, thereby structuring information more efficiently. In some cases there is clear alignment and strong overlap. In other cases, one framework will richly complement the other and offer greater guidance on how to cover a particular aspect of business performance.

The recommendations in this publication are part of IFC's efforts to show how the Performance Standards align with leading standards in the market place. They do not guarantee that a company will meet the disclosure requirements in IFC's Performance Standards and Disclosure Policy.

However, **companies with sustainability reports that follow the GRI principles will have a greater likelihood of addressing IFC information needs**. Similarly, IFCs performance requirements and disclosure requests may set a company on its way to having the components of a comprehensive sustainability report.

The guiding theme is that, when done well, sustainability reporting is a business process that can create internal management benefits as well as enhance reputational value.

SECTION 1

IFC'S PERFORMANCE STANDARDS AND THE GLOBAL REPORTING INITIATIVE

For almost two decades, IFC has been applying environmental and social standards to all the projects it finances, in order to mitigate negative impacts on the environment and on affected communities and enhance the positive development impacts. This reflects IFC's belief that environmentally and socially sustainable companies are well-run companies with reduced risk and greater opportunities to succeed.

IFC's Performance Standards were produced through a rigorous process, including a wide stakeholder consultation, and have become a leading benchmark for international finance institutions working with the private sector. In 2006, the newly released Performance Standards were adopted as a basis for the Equator Principles, a benchmark for sustainable finance in emerging markets (www.equator-principles.com).

To date, over 70 banks and financial institutions from developed and emerging markets have adopted the Equator Principles. In addition, 32 export credit agencies of the OECD countries and 16 European development finance institutions now benchmark private sector projects against the Performance Standards. At the same time, while not adopting the Standards in their entirety, some multilateral institutions are looking to achieve "Standards equivalence" in their latest policy updates.

There are currently 8 Performance Standards (PSs), which outline the responsibilities of companies receiving or applying for IFC investment. They cover:

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety, and Security
- PS5: Land Acquisition and Involuntary Resettlement
- PS6: Biodiversity Conservation and Sustainable Natural Resource Management
- PS7: Indigenous Peoples
- PS8: Cultural Heritage

Throughout, the standards include various requirements for companies to monitor and disclose information externally as well as internally.

PS1, which acts as an overarching framework for the other standards, requires that companies report to affected communities on

1) Their environmental and social Action Plans
2) Progress on implementation, and
3) Whether there have been any material changes in the mitigation measures described in the Action Plan.

PS1 requires that these reports "…be in a format accessible to the affected communities. The frequency of these reports will be proportionate to the concerns of affected communities but not less than annually."[1]

PS1 also requires **internal reporting**, whereby a company's **senior management should receive periodic assessments** of the effectiveness of its environmental and social "management program", based on systematic data collection and analysis.[2]

The Performance Standards further fit within a broader policy framework of **IFC's own responsibilities**. These include

- Reviewing assessments of environmental and social risks in any new proposed investments[3]
- Reviewing the company's Action Plan to address these risks and identifying additional or corrective actions to be incorporated in the Action Plan to address any gaps in meeting the Performance Standards
- Disclosing a summary of risks and relevant mitigation measures to the public in advance of any investment (this is done through IFC's Disclosure Portal, www.ifc.org/disclosure)
- Checking on an ongoing basis, once investment takes place, that the Action Plan is implemented and any new risks are mitigated[4]

In this way, IFC's Standards set out requirements and recommendations for the kinds of systems that companies should establish to better manage and mitigate environmental and social risks and impacts.

A crucial part of this is the need to communicate effectively with stakeholders – including communities and investors – about sustainability in business operations and supply chains. Proactive communication builds trust and strengthens reputation, which in turn protects a company's investors and facilitates its ability to implement strategy. The quality of reporting is also a direct reflection of the company's own grasp of its environmental and social performance.

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1 External Reporting on Action Plans, section 26

2 PS 1 – Internal Reporting (Para 25), Note: "the management program"
- A program of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts
- Consists of a combination of operational policies, procedures and practices
- May apply broadly across the client's organization, or to specific sites, facilities, or activities
- Will define desired outcomes as measurable events to the extent possible, with elements such as performance indicators, targets, or acceptance criteria that can be tracked over defined time period, …

3 IFC officers follow a publicly available Environmental and Social Review Procedure when reviewing compliance and implementation by private sector projects. This is available online at http://www.ifc.org/ifcext/sustainability.nsf/Content/ESRP

4 Ibid

The **Global Reporting Initiative (GRI)** was established in 1997 with the vision that reporting on economic, environmental, and social performance by all organizations should become as routine and comparable as financial reporting. In 2006, GRI released **G3**, the third generation of its now globally recognized framework for sustainability reporting.

The GRI framework sets out the principles and indicators that any organization can use to measure and report on its sustainability performance. It also provides detailed guidance to companies of different sizes and in different sectors on how to navigate the reporting process. This framework has been developed through a global, multi-stakeholder process and is subject to ongoing revision and updating. It is now the most widely recognized, international platform for sustainability reporting.

The GRI Guidelines are therefore a global standard that companies can use to publish a public sustainability report which is relevant to a wide range of stakeholders. By using the Guidelines a company knows it

- Has covered the key issues that most stakeholders are concerned about
- Has used performance indicators and methods for calculating performance data that are accepted by global experts in these areas
- Is reporting in a way that can be compared with its peers

In addition, the Guidelines steer companies through an examination of the **underlying strategies and systems** they have established or need to establish in order to manage environmental, social, economic, and governance aspects of business operations and engagement with their supply chain and distributors.

The process of preparing a GRI report can therefore be used to promote and guide the development of structures of management and monitoring that help a company anticipate and respond to an increasing range of questions from stakeholders.

Due to the strong alignment between the guiding principles of the GRI Framework and IFC Performance Standards, the content of a company's sustainability report can therefore be a good starting point for many of the specific questions an investor like IFC will ask.

The Investor Perspective

Environmental, social and governance (ESG) information has become increasingly important to investors of all types. At the time of publication of this document, more than 600 investors responsible for approximately US$20 trillion in assets had committed to the United Nations Principles of Responsible Investment (www.unpri.org), on the basis that ESG factors can be material to investment decisions.

A number of key sustainability challenges have become areas of intense investor concern, as it has become more widely recognized that the long-term sustainability of a business is directly tied to its ability to weather environmental and social trends. For instance, in the case of climate change, investors have recognized that there will potentially be direct costs and benefits from the emergence of emissions trading schemes, as well as indirect challenges and opportunities resulting from the geophysical changes and technology shifts that will be driven by climate change.

However, for investors to integrate ESG performance into their decisions, they require disclosure that is comprehensive, consistent across markets, and robust. As a result, demand from banks and investors for quality corporate reporting has grown. This demand has manifested itself through activities ranging from shareholder engagements with companies, to encouraging regulatory bodies, to enhancing ESG disclosure requirements in a number of regions.

Investors need a combination of data and analysis of how sustainability relates to and influences the strategy of the company, as well as comparable performance data that can be used in order to benchmark performance. Good sustainability reporting can help investors understand the key strategic issues for a company, and also provides data that can be used to benchmark across a sector or a region.

SECTION 2

SUSTAINABILITY REPORTING AS A BUSINESS PROCESS

What is Sustainability Reporting?

Sustainability Reporting is a form of **internal monitoring, management and external communication**, which enables organizations of all sizes to meet the growing information needs of their various stakeholders, both internal and external. In addition, reporting also **helps reinforce internal capacities** to engage the full organization in defining a corporate sustainability strategy, setting public targets, implementing plans, and reviewing results.

Developed chiefly for the private sector, but now being adopted by cities, NGOs and government agencies around the world, sustainability reporting captures dimensions of an organization's practices that have traditionally not been measured or reported in a systematic way. For this reason, sustainability reports offer a valuable insight into drivers of organizational performance that may previously have been overlooked.

What type of information is included in a sustainability report?

In the broadest sense a sustainability report is about the economic, social, and environmental aspects of a company's operations; the related impacts it has through its everyday activities; and the consequences of those impacts for the company and others. It can also respond to specific questions from a company's stakeholders about key sustainability topics, such as relationships with local communities, protection of human rights, adaptation to climate change, and corporate governance performance.

Increasingly, the investment community is using sustainability reports to assess how environmental, social, and corporate governance (ESG) performance might affect their investments. Some companies are combining their Annual Reports and their Sustainability Reports into an integrated report and are using the Internet in innovative ways in order to make information easier for investors to find.

A sustainability report should contain information that is material, or, more simply stated, information that *matters* to stakeholders so that they can better engage with the company and make informed decisions. Because the range of a company's stakeholders may be broad, so will the range of information that may be included.

The GRI Guidelines offer a set of principles and performance indicators that have been developed over more than 12 years of global, multi-stakeholder dialogue to guide companies on what to report. These can be used in combination with other tools such as IFC's Performance Standards and the United Nations Global Compact Principles (www.unglobalcompact.org), to design internal commitments and management approaches.

Sustainability Reporting and Good Corporate Governance

Transparency is a fundamental component of good corporate governance and serves to build vital relationships of trust with key partners of any business. These range from shareholders and customers to employees, civil society and governments. Each has a different relationship with the company and therefore different interests in its performance.

With the greater understanding of what makes a sustainable business, stakeholders want to know that a company is not only financially strong but also whether it has properly taken into account, and has systems to manage, other material aspects of its business. Failure to manage across all dimensions of the business will be reflected in the results achieved either in terms of direct financial consequences or diminishment of key intangible assets, such as employee productivity, or tangible and measurable assets, such as customer loyalty.

The King III Code of Corporate Governance in South Africa states that

"Strategy, risk, performance and sustainability have become inseparable" and recommends "integrated sustainability performance and integrated reporting to enable stakeholders to make a more informed assessment of the economic value of a company"[5]

The GRI Guidelines set out the following principles for defining report content and quality:

Content	Materiality, Stakeholder inclusiveness, Sustainability context, and Completeness
Quality	Balance, Comparability, Accuracy, Timeliness, Reliability, Clarity

Material information will reflect the organization's "significant economic, environmental, and social impacts", or be information that" would substantively influence the assessments and decisions of stakeholders."

When determining materiality of report content, GRI's guidelines state that organizations should also take into account the basic expectations expressed in the international instruments and standards with which the organization is expected to comply. In this regard, IFC's Performance Standards are a key sustainability benchmark for many companies operating in emerging markets.

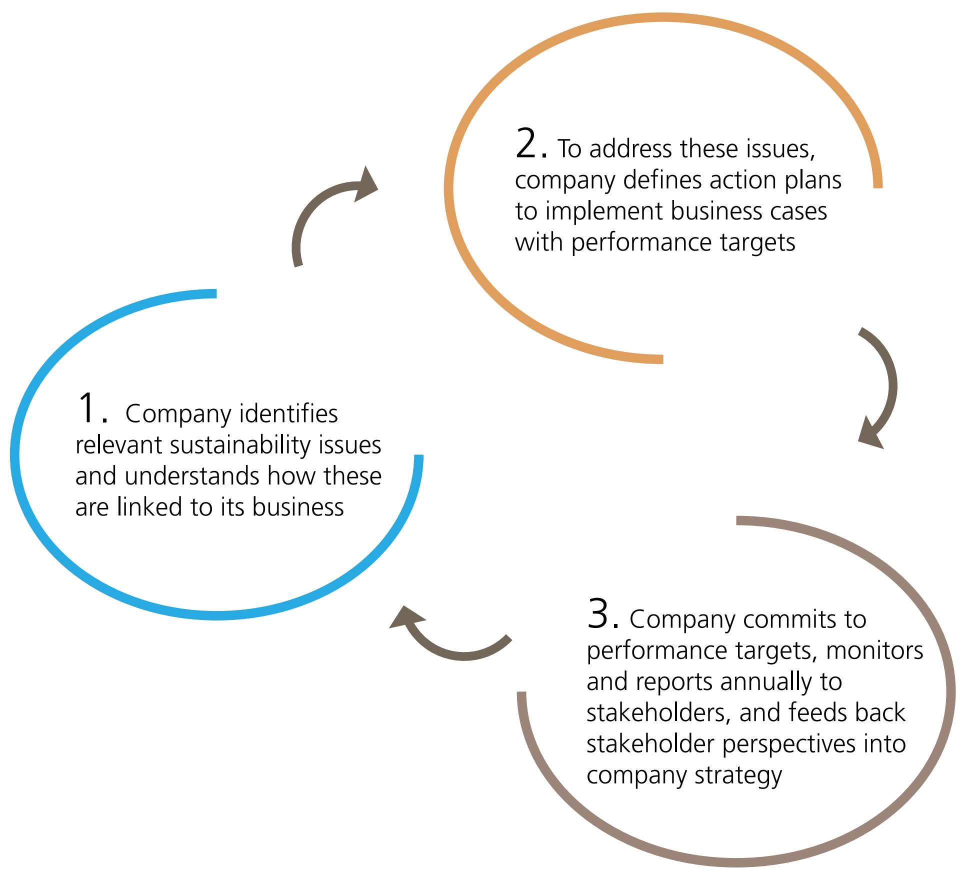
5 Institute of Directors Southern Africa (2009) *King Code of Corporate Governance for South Africa* (King III), pgs 11 and 12

Sustainability Reporting as a Management Process

Through the reporting process, companies identify policies and systems that have to be enhanced in order to improve performance and communication. This is in line with IFC's commitment to help clients continuously improve their environmental and social management systems and thereby their overall business performance.

Sustainability Reporting has external as well as internal benefits for a company. Externally, it demonstrates a commitment to transparency and builds trust with shareholders, employees, customers, suppliers, communities, and other business partners.

Internally, when done well, the process of publishing a sustainability report can help a company stimulate internal communication and alignment of vision, build management systems, develop staff competencies, and promote behavior change. It can be particularly useful in focusing attention and resources on measuring and improving performance in line with corporate targets and for identifying gaps in existing practices.



A sustainability report and the reporting process offer ways for a company to channel data collection and evaluation so that it informs corporate strategy on an annual basis. Many leading companies cite the internal strategic value of reporting as one of the main benefits to their business.

For instance, reporting provides a resource for staff to serve as ambassadors and communicate about their company's efforts. This in turn helps a company to harness staff input in planning effective sustainability strategies and achieving continuous improvement in their operations, products and services.

Who should be involved in preparing a sustainability report?

Often information about a company's social and environmental performance as well as economic and corporate governance aspects will be split between various departments and levels of operations. If this information has not been collected before, it presents an opportunity to establish a system to gather the needed information in an effective way and to make sure it is conveyed in a comprehensive and understandable fashion.

Many times, companies will have done a specific social report about their community involvement. They may also have prepared and submitted environmental reports for environmental authorities. They will often also have initiatives to improve attraction and retention of employees.

However, these activities will most likely have been managed by specialists in different areas, such as community development, engineering, communications or human resources management, who may not be in regular contact with each other.

The sustainability reporting process can facilitate the integration of these various aspects and provide input to a crosscutting, corporate sustainability strategy. The following are two effective ways to initiate such a process:

- Create a cross-departmental task force to initiate and facilitate the reporting process: the task force should consist of knowledgeable staff or managers from the relevant areas of company operations who can ensure that quality data is collected. It should also meet regularly to ensure that information is shared, compared and integrated effectively in an overall corporate strategy.
- Provide leadership from the top: A senior executive or director should have responsibility and accountability for the reporting process and final outcome, similar to the annual report process. Clear direction from the outset will help guide the task force in terms of corporate priorities and messages. A senior executive can also push the task force to achieve a more ambitious standard and can ensure that the report aligns with and informs corporate strategy in the most effective way.

The benefit of this kind of corporate structure for sustainability reporting is that, at any time, an investor can quickly be guided to relevant company contacts with regard to specific sustainability questions.

Sustainability Reporting is a good practice because it facilitates and creates a system to engage stakeholders and reinforce management systems. It also serves a purpose when there is a specific demand for information.

The following diagram shows an example of reporting responsibilities inside a company:

SECTION 3

ENGAGING WITH IFC AS ONE OF THE STAKEHOLDERS FOR YOUR REPORT

Sustainability Reports are a way for companies to explain in their own words their strategies and systems for managing social and environmental risk as well as opportunities. For any company, the providers of capital are a key stakeholder group.

As one such provider, IFC has established a process of assessing performance, risks, and management systems of potential clients. Sustainability reports can be part of the further sources of information that help IFC understand the sustainability profile of the companies it seeks to do business with.

There are different ways in which information will be relevant to IFC, which will depend on the particular client circumstances. For example,

- IFC needs to ensure that recipients of its funding are adhering to the environmental and social covenants in the investment agreement, including the requirements of the **Performance Standards** and **Action Plans**. IFC maintains a system for this task, which requires that clients submit an annual report on their performance.
- IFC's reporting requirements include questions about **significant events** that may have occurred during the year and how the company has responded to them.
- IFC will also want to know details about **environmental and social management systems**. A general description and organizational diagrams will be relevant for many stakeholders and could act as starting point when talking to an IFC environmental or social specialist during an appraisal visit.
- Most importantly, IFC will want to know about **any environmental and social risks** that could affect the success of the investment partnership and the long-term strength of the business. In many cases, IFC can assist to address these risks as part of the loan agreement.

In addition, the presence of a report is also relevant for IFC as evidence of the client's efforts to engage with different stakeholders. The report itself represents a base of information that can be extracted into other formats (e.g., websites, incorporated into annual reports) and also demonstrates openness to engagement.

There should be a way to capture feedback and questions from these groups. Specific questions from one stakeholder group may also improve communication with another stakeholder group.

Opportunities for Involving IFC in the GRI Reporting Process

Preparation	• Is your company an IFC client? If so, then the IFC Sustainability Performance Standards are a key benchmark that you should consider for your report.
Consulting with stakeholders	• Your GRI-report can provide descriptions to IFC of efforts to engage with different stakeholders as well as being a tool for stakeholder dialogue.
Planning	• IFC will have identified sustainability performance issues during appraisal or supervision, which your company needs to address. This could inform what content you cover in your report.
Data collection	• Data that your company collects in order to report to IFC could be used in a public, GRI sustainability report.
Writing, Review and Editing	• Under appropriate circumstances, an IFC staff member could provide feedback on drafts of your report.
External verification	• IFC, like other readers, will want assurance that nothing significant has been left out and that the information in the report is reliable. External assurance or verification can help achieve greater credibility for your report.
GRI Application Level	• Declaring a GRI Application level (C for beginners, B for intermediate, or A for comprehensive) lets readers know how much of the GRI Guidelines you have covered.
Production and Launch	• Congratulations on launching your report! Establish a contact point to respond to questions. If IFC asks for more information then this can help inform future reporting cycles.

The IFC Appraisal and Supervision process

IFC monitors the environmental and social performance of its investments and manages associated risks at the beginning of an investment and as part of its ongoing portfolio management.

The scope and regularity of reporting that IFC requires from clients are determined for each investment depending on

- The sector and type of business
- The nature and level of risks identified
- The nature of the investment (e.g. loan or equity)

These aspects are explained to the public through IFC's Disclosure Portal (www.ifc.org/disclosure) for every investment before approval by IFC's Board of Directors.

<u>Information is used during the Appraisal stage to</u>

- Understand the nature of the business (governance, strategy, systems)
- Ascertain the scope of impact of the company's operations (affected stakeholders; scope of influence)
- Assess environmental and social impacts and risks
- Assess the company's **Action Plan** to address their environmental and social risks and impacts
- Identify business opportunities that can be achieved through greater sustainability (e.g. efficient energy use, more effective waste management, improved labor standards)

<u>Information is used during the Supervision stage to</u>

- Monitor implementation of **Action Plans** and ensure that the client remains in compliance with the **Performance Standards**
- Identify any new risks arising from operations (e.g. environmental impacts or relations with employees or the community)
- Assist companies to improve their E&S management systems and performance over time
- Work with the client to develop business opportunities through sustainability (e.g. carbon finance, renewable energy, access to finance for women)

SECTION 4

PRACTICAL ALIGNMENT OF IFC AND GRI REPORTING REQUIREMENTS

The GRI Framework is designed to help organizations understand the range of sustainability issues that are most frequently faced by businesses and communicate more effectively with stakeholders.

The following section explains how companies can link their GRI-based, sustainability reporting activities with IFC's own information needs. It also provides an indication of the types of information and engagement that other types of investors may begin seeking more actively in the future.

The GRI framework requires information on **three main levels**:

1.	Strategy & Analysis Organization Profile Corporate Governance Commitments and Engagement	**High-level information that would be valuable to any investor**
2.	Disclosure on Management Approach (DMA) and performance indicators	**Strategies and systems for managing sustainability risk and opportunity**
3.	Environmental indicators (e.g. energy, emissions, water, biodiversity) Social indicators (e.g. labor*, human rights, society) Economic indicators (e.g. employment, taxes)	**Material performance information according to key categories**

*The GRI framework includes occupational health and safety (OHS) under the topic of labor. OHS is often included under environmental performance in other contexts.

The following tables show the alignment between the GRI framework and IFC's own information needs:

IFC requirements	GRI Disclosures
IFC promotes principles of good corporate governance and seeks evidence of good corporate governance in potential client companies (see www.gcgf.org)	Corporate Governance Commitments and Engagement

IFC requirements	GRI Disclosures
Performance Standard 1 (PS1) on Social and Environmental Assessment and Management Systems	Disclosures on Management Approach

IFC Performance Standard 1 (PS1) specifically requires that the client "establish and maintain a **Social and Environmental Management System** appropriate to the nature and scale of the project and commensurate with the level of social and environmental risks and impacts.

The Management System will incorporate the following elements: (i) Social and Environmental Assessment; (ii) management program; (iii) organizational capacity; (iv) training; (v) community engagement; (vi) monitoring; and (vii) reporting."[6]

IFC requirements	GRI Performance Indicators
PS2: Labor and Working Conditions	Labor Practices
PS3: Pollution Prevention and Abatement	Environment
PS4: Community Health, Safety, and Security	Society
PS5: Land Acquisition and Involuntary Resettlement	Society (Indirectly covered)
PS6: Biodiversity Conservation and Sustainable Natural Resource Management	Environment
PS7: Indigenous Peoples	Human Rights
PS8: Cultural Heritage	Not covered

On the following pages, we show in greater detail how these two frameworks overlap. **PS8 on Cultural Heritage is not covered in this comparison**, as the GRI framework currently doesn't address this area.

6 IFC Performance Standard 1, Social and Environmental Management System, Page 1

Capturing Stakeholder Perspectives

In addition to performance requirements, IFC uses a stakeholder framework to assess the **potential and actual development impacts** of the projects it finances. This framework illustrates who may gain and who may lose from a project and helps to assess the distribution of impacts on society.

No project engagement affects stakeholders equally. It is therefore necessary to understand the differences between and within stakeholder groups. For instance, within a community, men, women, and people of different ages or status may be affected by the project in different ways.

Equally, the reporting, disclosure, and ongoing communication with these stakeholders should be tailored to varying levels of education, access to information, and need for information about how they will be affected. Reporting should be combined with forums for two-way engagement, particularly during the planning and implementation of projects. This helps ensure that stakeholder views can be addressed and incorporated.

Finally, the impacts of the company or project should be assessed in terms of how well it improves the livelihoods and living conditions of different stakeholder groups. For these purposes, impact indicators should be tailored to best respond to the particular context and needs of the project and stakeholders.

For more information on how IFC measures development effectiveness, visit www.ifc.org/results

<table>
<tr><th rowspan="2">IFC Performance Standards on Social & Environmental Sustainability</th><th colspan="3">Related GRI G3 Sustainability Reporting Guidelines Standard Disclosures</th></tr>
<tr><th>Strategy and Profile</th><th>Management Approach</th><th>Performance Indicators</th></tr>
<tr>
<td>Performance Standard 1:
Social and Environmental Assessment and Management Systems
Objectives
• (I) To identify and assess social and environmental impacts, both adverse and beneficial, in the project's area of influence
• (II) To avoid, or where avoidance is not possible, to minimize, mitigate, or compensate for adverse impacts on workers, affected communities, and the environment
• (III) To ensure that affected communities are appropriately engaged on issues that could potentially affect them
• (IV) To promote improved social and environment performance of companies through effective use of management systems
Requirements
• (i) Social and Environmental Management System
• (ii) Social and Environmental Assessment
• (iii) Management Program
• (iv) Organizational Capacity
• (v) Training
• (vi) Community Engagement
• (vii) Monitoring
• (viii) Reporting</td>
<td>• 3.5 Process of defining report content, including: Determining materiality, Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report. (I, III, ii, viii)
• 3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). (viii)
• 3.7 State any specific limitations on the scope or boundary of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organization, state the strategy and projected timeline for providing complete coverage. (I, III, ii, viii)
• 3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques, underlying estimations applied to the compilation of the Indicators, and other information in the report. (IV, i)
• 4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization. (II)
• 4.14 List of stakeholder groups engaged by the organization. (III, vi)
• 4.15 Basis for identification and selection of stakeholders with whom to engage. (III, vi)
• 4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. (III, vi)
• 4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. (III, vi, viii)</td>
<td>• Economic + Environmental + Labor Practices and Decent Work + Human Rights + Society +Product Responsibility: Disclosure on Management Approach. (II, IV, I, iv, vii)
For each of the topics above (environment, labor, etc.), the company should describe its management approach including:
1. goals and performance
2. policy
3. organizational responsibility
4. training and awareness
5. monitoring and follow-up
6. additional contextual information
References to the "Disclosures on Management Approach" (DMA) in the rest of this document refer to the above six points.</td>
<td>• EC8: Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (I)
• EC9: Understanding and describing significant indirect economic impacts, including the extent of impacts. (I)
• EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. (I)
• EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (I)
• SO1: Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. (I, III)</td>
</tr>
</table>

IFC Performance Standards on Social & Environmental Sustainability	GRI G3 Sustainability Reporting Guidelines Standard Disclosures		
	Strategy and Profile	**Management Approach**	**Performance Indicators**
Performance Standard 2: *Labor and Working Conditions* **Objectives** • To establish, maintain and improve the worker-management relationship **(I)** • To promote the fair treatment, non-discrimination and equal opportunity of workers, and compliance with national labor and employment laws **(II)** • To protect the workforce by addressing child labor and forced labor **(III)** • To promote safe and healthy working conditions and promote the health of workers **(IV)** **Requirements** • Working Conditions and Management of Worker Relationship **(i)** • Protecting the Work Force **(ii)** • Occupational Health and Safety **(iii)** • Non-employee Workers **(iv)** • Supply Chain **(v)**	• 3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). **(iv, v)** • 3.7 State any specific limitations on the scope or boundary of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organization, state the strategy and projected timeline for providing complete coverage. **(iv, v)**	• Labor Practices and Decent Work + Human Rights: Disclosure on Management Approach. **(I, II, III, IV, i, ii, iii, iv, v)**	• HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. **(II, III, I, ii, iv, v)** • HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. **(iv, v)** • HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. **(II, III, ii)** • HR4 Total number of incidents of discrimination and actions taken. **(I, II, i)** • HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. **(II, i)** • HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. **(ii)** • HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. **(ii)** • LA1 Total workforce by employment type, employment contract, and region. • LA2 Total number and rate of employee turnover by age group, gender, and region. • LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. • LA4 Percentage of employees covered by collective bargaining agreements. • LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. • LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs. • LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. • LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. **(iii)** • LA9 Health and safety topics covered in formal agreements with trade unions. **(iii)** • LA10 Average hours of training per year per employee by employee category. • LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. • LA12 Percentage of employees receiving regular performance and career development reviews. • LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority, group membership, and other indicators of diversity. • LA14 Ratio of basic salary of men to women by employee category.

IFC Performance Standards on Social & Environmental Sustainability	GRI G3 Sustainability Reporting Guidelines Standard Disclosures		
	Strategy and Profile	**Management Approach**	**Performance Indicators**
Performance Standard 3: *Pollution Prevention and Abatement* **Objectives** • **(I)** To avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from project activities • **(II)** To promote the reduction of emissions that contribute to climate change **Requirements** • **(i)** General Requirements • **(ii)** Ambient Considerations • **(iii)** Greenhouse Gas Emissions • **(iv)** Effluents • **(v)** Pesticide Use and Management		• Environmental: Disclosure on Management Approach. **(I, II)**	• EN1 Materials used by weight or volume. **(i)** • EN2 Percentage of materials used that are recycled input materials. **(i)** • EN3 Direct energy consumption by primary energy source. **(i, iii)** • EN4 Indirect energy consumption by primary source. **(i, iii)** • EN5 Energy saved due to conservation and efficiency improvements. **(i, iii)** • EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. **(i, iii)** • EN7 Initiatives to reduce indirect energy consumption and reductions achieved. • EN10 Percentage and total volume of water recycled and reused. **(i, ii)** • EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas, and areas of high biodiversity value outside protected areas. ***(ii)** • EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. ***(ii)** • EN13 Habitats protected or restored. ***(ii)** • EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. ***(ii)** • EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. ***(ii)** • EN16 Total direct and indirect greenhouse gas emissions by weight. **(iii)** • EN17 Other relevant indirect greenhouse gas emissions by weight. **(iii)** • EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved. **(iii)** • EN19 Emissions of ozone-depleting substances by weight. **(iii)** • EN20 NOx, SOx, and other significant air emissions by type and weight. **(iii)** • EN8 Total water withdrawal by source. **(i)** • EN21 Total water discharge by quality and destination. **(iv)** • EN22 Total weight of waste by type and disposal method. **(ii, iv)** • EN23 Total number and volume of significant spills. **(ii, iv)** • EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. **(ii, iv, v)** • EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. ***(ii)**

* See also PS 6 on Biodiversity

IFC Performance Standards on Social & Environmental Sustainability	GRI G3 Sustainability Reporting Guidelines Standard Disclosures		
	Strategy and Profile	**Management Approach**	**Performance Indicators**
Performance Standard 4: *Community Health, Safety and Security* **Objectives** • **(I)** To avoid or minimize risks to and impacts on the health and safety of the local community during the project life cycle from both routine and non-routine circumstances • **(II)** To ensure that the safeguarding of personnel and property is carried out in a legitimate manner that avoids or minimizes risks to the community's safety and security **Requirements** • **(i)** Community Health and Safety Requirements • **(ii)** Security Personnel Requirements	• 4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization. **(I)**	• Society + Human Rights: Disclosure on Management Approach. **(I, II)**	• SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. **(i)** • HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. **(ii)**

IFC Performance Standards on Social & Environmental Sustainability	GRI G3 Sustainability Reporting Guidelines Standard Disclosures		
	Strategy and Profile	**Management Approach**	**Performance Indicators**
Performance Standard 5: *Land Acquisition and Involuntary Resettlement* **Objectives** • **(I)** To avoid or at least minimize involuntary resettlement wherever feasible by exploring alternative project designs • **(II)** To mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of land by: (i) providing compensation for loss of assets at replacement cost; and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected • **(III)** To improve or at least restore the livelihoods and standards of living of displaced persons • **(IV)** To improve living conditions among displaced persons through provision of adequate housing with security of tenure at resettlement sites **Requirements** • **(i)** General Requirements • **(ii)** Displacement • **(iii)** Private Sector Responsibilities under Government-Managed Resettlement	• 4.14 List of stakeholder groups engaged by the organization. **(I, II, i)** • 4.15 Basis for identification and selection of stakeholders with whom to engage. **(I, II, i)** • 4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. **(I, II, i)**	• Society : Disclosure on Management Approach. **(I, II, III, IV)**	• SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. **(I, II, III, IV, i, ii, iii)**

IFC Performance Standards on Social & Environmental Sustainability	GRI G3 Sustainability Reporting Guidelines Standard Disclosures		
	Strategy & Profile	**Management Approach**	**Performance Indicators**
Performance Standard 6: *Biodiversity Conservation and Sustainable Natural Resource Management* **Objectives** • **(I)** To protect and conserve biodiversity • **(II)** To promote the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and development priorities **Requirements** • **(i)** Protection and Conservation of Biodiversity • **(ii)** Management and Use of Renewable Resources		• Environmental: Disclosure on Management Approach. **(I, II, i, ii)**	• EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas, and areas of high biodiversity value outside protected areas. **(I, i)** • EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. **(I, i)** • EN13 Habitats protected or restored. **(I, i)** • EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. **(I, II, i, ii)** • EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. **(I, i)**

IFC Performance Standards on Social & Environmental Sustainability	GRI G3 Sustainability Reporting Guidelines Standard Disclosures		
	Strategy and Profile	**Management Approach**	**Performance Indicators**
Performance Standard 7: *Indigenous people* **Objectives** • **(I)** To ensure that the development process fosters full respect for the dignity, human rights, aspirations, cultures and natural resource-based livelihoods of Indigenous people • **(II)** To avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not feasible, to minimize, mitigate, or compensate for such impacts, and to provide opportunities for development benefits, in a culturally appropriate manner • **(III)** To establish and maintain an ongoing relationship with the Indigenous Peoples affected by a project throughout the life of the project • **(IV)** To foster good faith negotiation with and informed participation of Indigenous Peoples when projects are to be located on traditional or customary lands under use by Indigenous Peoples • **(V)** To respect and preserve the culture, knowledge and practices of Indigenous Peoples **Requirements** • **(i)** General Requirements • **(ii)** Development Benefits • **(iii)** Special Requirements	• 4.14 List of stakeholder groups engaged by the organization. **(I, III)** • 4.15 Basis for identification and selection of stakeholders with whom to engage. **(I, III)** • 4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. **(III, IV)**	• Society + Human Rights: Disclosure on Management Approach. **(I, II, V, III, IV)**	• SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. **(i, ii)** • HR9 Total number of incidents of violations involving rights of indigenous people and actions taken. **(I, II)**

Reporting on Gender

The case for promoting gender equality is driven by multiple factors. Beyond a legal and moral imperative, there are also business reasons for doing so – such as improved reputation and employee morale, and attracting and keeping talented employees.

However, to date, there has been a limited level of coverage of gender issues in sustainability reports and specifically a low frequency of reporting against GRI's three gender-related indicators:

LA2	Total number and rate of employee turnover by age group, gender, and region
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of
LA14	Ratio of basic salary of men to women by employee category

In 2009, IFC and GRI published a Practitioner's Guide to "Embedding Gender in Sustainability Reporting". The Guide aims to assist companies in understanding the value that women add to the workplace, and identifying ways to better support women employees. IFC is also contributing to the GRI working group which is formulating formal recommendations to GRI's Technical Advisory Committee regarding gender related updates to the G3 Guidelines.

Similarly, gender is one of the emerging issues being addressed during the update of IFC's Performance Standards in 2010. It is expected that gender issues will be covered by general requirements in IFC's Performance Standards that protect all members of the work force, and reduce risks and impacts to all communities, e.g.:

- PS1 underscores the need to consider gender differences during a project's life-cycle.
- PS2 requires clients to provide working conditions that are safe and non-discriminatory.
- PS4 addresses community health, safety and security issues.
- PS5 includes targeted measures to help ensure that women's perspectives are obtained and their interests factored into all aspects of resettlement planning and implementation, particularly in respect to compensation and benefits.
- PS7 calls for an engagement with Indigenous People that specifically considers women's role in the management and use of the land and natural resources.
- PS9 requires clients to identify stakeholders, including those that are disadvantaged or vulnerable, which may or may not include women.

Further resources on sustainability reporting are available from the GRI and IFC websites, and, GRI-certified training now exists in many markets. For more information on how IFC supports clients in sustainability strategies and reporting, contact Luis Iseppe, LIseppe@ifc.org.

Resources:

GRI G3 Framework and Sector Supplements
http://www.globalreporting.org/ReportingFramework/G3Guidelines/

IFC Performance Standards
http://www.ifc.org/envsocstandards

IFC Good Practice Publications
http://www.ifc.org/enviropublications

IFC, 2007, *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets*
http://www.ifc.org/enviropublications

IFC and GRI, 2009, *Embedding Gender in Sustainability Reporting*
http://www.ifc.org/gender

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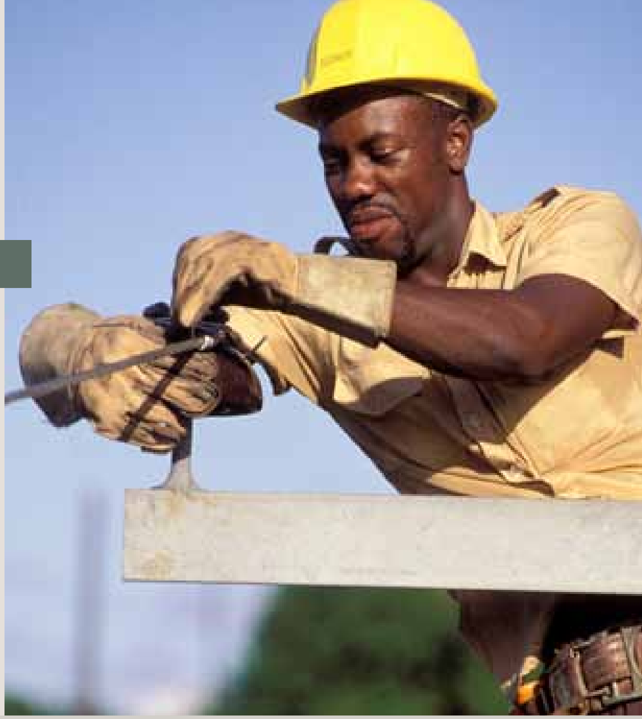
"Sustainability reporting is important for companies in emerging markets, where credibility, transparency and the trust of stakeholders are so crucial to business success. The GRI Guidelines offer a consolidated framework, one international reporting language as it were, referencing the most important international standards of performance. This framework has been created with the involvement of stakeholders from emerging markets and is widely used around the world. Through this Good Practice Note on Sustainability reporting, the IFC and the GRI aim to demonstrate how reporting can be linked with IFC's Environmental and Social Sustainability Policy and Performance Standards."

Ernst Ligteringen, Chief Executive, Global Reporting Initiative



IFC
2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433 USA
Telephone: +1 202 473-1000
Facsimile: +1 202 974-4384
Internet: www.ifc.org

Global Reporting Initiative
P.O. Box 10039
1001 EA
Amsterdam
The Netherlands
Telephone: +31 20 531-0000
Facsimile: +31 20 531-0031

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