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February 13, 2025

RE: 28 CSO's Ask for IFC to Implement Its CAO's Determinations of IFC's Climate Change Policy Requirements

Dear Mr. Weiner, et al,

Thank you for your letter of January 17th, and the letter signed by 28 organizations, addressed to Ajay Banga, World Bank Group President; Makhtar Diop, Managing Director; Jamie Fergusson, Director, Climate Business; Paolo Lombardo, Acting Director, ESG Sustainability Advice & Solution; Nessim Ahmad, Senior Director, Environment and Social Policy and Risk; IFC Member State Executive Directors; and World Bank Group Climate Advisors. As Directors responsible for Climate Business and Environment and Social Policy and Risk at IFC, we are responding.

Your letter raises themes on which IFC has engaged with you during discussions and correspondence throughout 2023 and 2024. We have noted your views, and we have sought to address many questions. For example, the specific meeting we convened with you and other civil society colleagues in April 2023 to discuss your concerns, the "Big Shift" group meetings we participated in in October 2023 and April 2024, and IFC's participation in a panel discussion you organized during Annual Meetings in October 2023. We also note your engagement with our Compliance Advisor Ombudsman (CAO) which led to their production of an advisory report, as well as your request and appeal under our Access to Information Policy, and your requests to one of our shareholders under their freedom of information laws. We continue to welcome constructive engagement with civil society.

We note your views regarding the treatment of Scope 3 emissions, the threshold for quantification of GHG emissions and related public disclosure, the analysis of project alternatives in the context of GHG emissions, and project-level GHG reduction (mitigation) requirements and your assessment of Good International Industry Practices (GIIP). We appreciate your efforts to highlight project examples, such as the exhibit on analysis of alternatives. We acknowledge that technologies, policies and business practices are evolving rapidly in this space and will take all this information into consideration, including as we embark on the important process of updating IFC's Sustainability Framework.

IFC appreciates the CAO's mandate to provide advice aimed at improving IFC's systemic performance. CAO advisory reports serve as a valuable advisory function to help inform IFC's Management on strategic issues and trends in the environmental and social sustainability space. This also applies to CAO's advisory report *on Strengthening Greenhouse Gas Mitigation in IFC-Financed Projects*, which was part of CAO's *Series to Inform IFC's Sustainability Framework Review* and which we understand BCA contributed to. However, contrary to the assertions in your letter, the CAO advisory report is not an "interpretation of IFC's policy requirements", nor does it "settle [...] the 2023 dispute between IFC Management and CSOs [...] unless overridden by a court of law." We do not consider there to be a dispute between IFC

Management and CSOs. On the contrary, this report will be considered along with other advisory notes that the CAO proposes to issue as part of its advisory function in relation to the upcoming update of IFC's Sustainability Framework. The update is designed to align the Sustainability Framework with the evolving global landscape, address emerging E&S issues, adapt to the evolution of IFC's operations, enhance consistency with peer MDBs, and incorporate lessons learned since its last revision in 2012.

With respect to the World Bank Group's Environmental Health and Safety (EHS) Guidelines, we expect to launch within the next few months, the first phase of a multi-year update of these Guidelines. This will provide improved guidance related to Good International Industry Practice for climate related issues, including sector-specific practices, techniques, and technologies for reducing GHG emissions. This update will build on current versions, integrating advancements in industry standards and technology, updating key references, and incorporating emerging sustainability topics and enhanced digital features. The update process, spanning a minimum of 4-5 years and covering approximately 30 industry-specific guidelines, will seek the expertise and input of technical professionals, industry leaders, and civil society organizations like yours. We expect to be able to share information about the expected timeline for this process soon.

In general, we continue to make good progress to advance our climate objectives, including our target, starting July 2025, to align 100% of new investments with the goals of the Paris Agreement, as defined under the Joint Multilateral Development Bank (MDB) Methodological Principles for assessing Paris Alignment. IFC remains on track to meet this commitment.

With regard to GHG mitigation, IFC has also undertaken significant steps to reduce the carbon intensity of IFC's investments through project selection and through active engagement with our clients. As a result, IFC has limited or no direct investments in its portfolio to certain, specific high emitting sectors including grid-tied coal-fired power generation and upstream oil and gas activities. We also require our financial intermediary equity investees not to lend to grid-tied, coal-fired power generation from the time we invest, to lower our indirect exposure and support bank clients' transition.

We thank you for the detailed submissions in Appendix B of your letter concerning your interpretation of various topics in public international law. We closely follow legal developments that are relevant to IFC as an international organization, as well as other legal developments that apply to states. Climate related questions that are currently being considered by the International Court of Justice and the Inter-American Court of Human Rights, for example, are of great interest.

We appreciate you taking the time to share your views and insights with us, but we do not propose to comment on all the statements, demands and interpretations in your letter. Rather, we hope we can engage with you on several of those matters during the stakeholder consultation process for the Sustainability Policy update, which we expect to be publicly launched in the coming months. We will reach out to you when that process begins, and we hope you will participate.

Meanwhile, we thank you for your contribution and your interest.

Best regards,

Tania Kaddeche and Jamie Fergusson