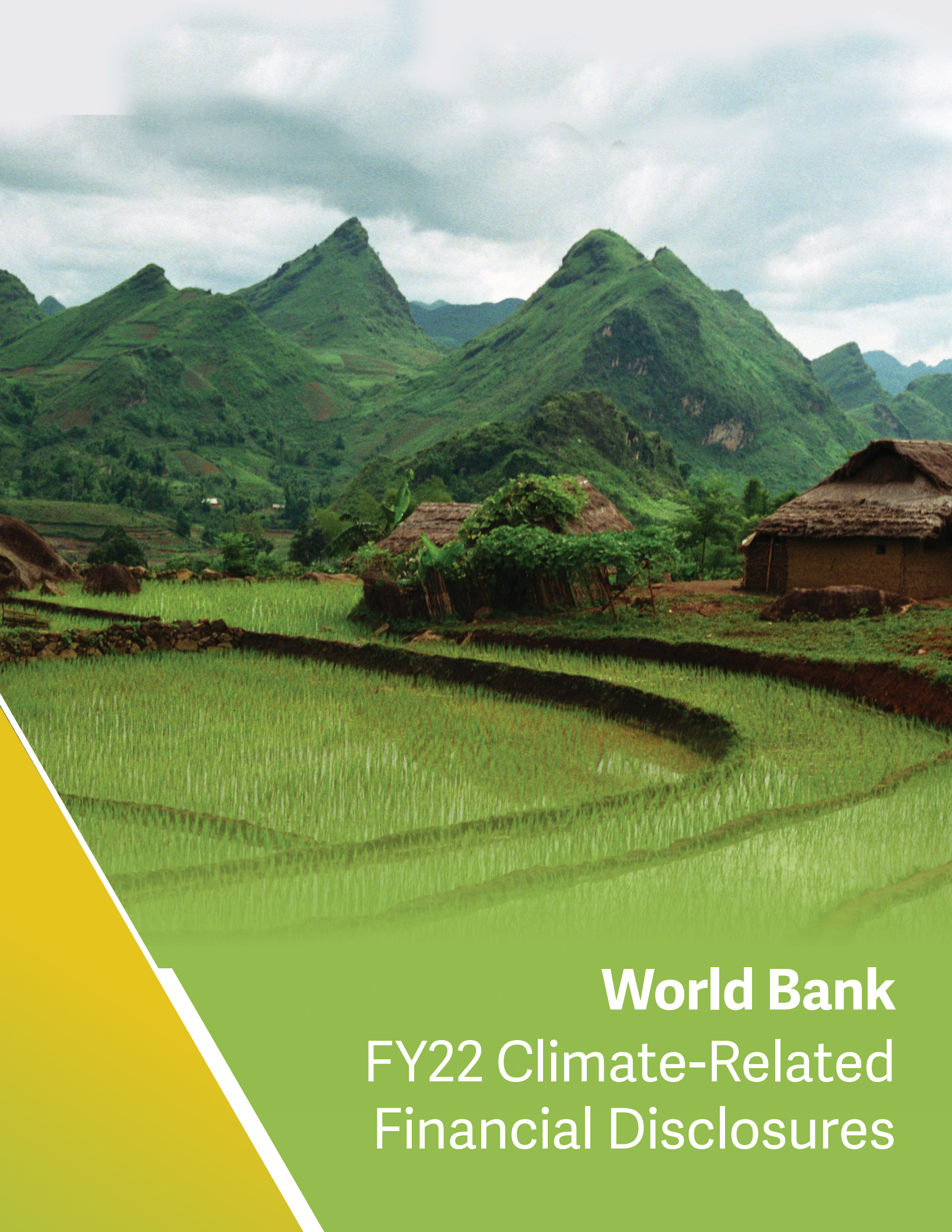




Annual Report 2022

FY22 Climate-Related Financial Disclosures



World Bank
FY22 Climate-Related
Financial Disclosures

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Introduction

The World Bank Group’s (or “Bank Group”) Climate Change Action Plan (CCAP) 2021–2025 recognizes that climate change and sustainable development must be addressed together to deliver on our goals of reducing poverty and boosting shared prosperity. Transparency on climate metrics, targets, and outcomes is crucial to ensuring that we deliver on the CCAP 2021–2025. A key element of this is establishing global climate and sustainability disclosure standards to move markets, incentivize low-carbon and sustainable investments, and identify and address climate risks.

The World Bank is the largest global contributor of climate finance and knowledge to developing countries and has long supported global efforts to harmonize standards for sustainability reporting. This report presents its first climate disclosures using the structure of the TCFD framework. The disclosures, which cover IBRD and IDA, build on the disclosures the Bank has made through the Global Reporting Initiative (GRI) Index, to which it has aligned its sustainability reporting since 2004,¹ as well as through the CDP (formerly known as the Carbon Disclosure Project) since 2009. Within the

Bank Group, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) also produce disclosures using the structure of the TCFD framework.

Climate and other sustainability considerations are woven into all aspects of Bank- financed operations and corporate activities, including how we address climate-related challenges and opportunities to achieve positive development outcomes. Our financial sustainability, which is critical for our development mission, is grounded in strong governance and sound risk management.

Our climate disclosures for fiscal year 2022 (FY22) outline how we manage climate-related risks and opportunities in our development and corporate activities. It uses the TCFD framework’s four thematic areas: governance, strategy, risk management, and metrics and targets.

¹ The World Bank has contributed to the development of corporate sustainability reporting through technical inputs, representation, and financial support.

Governance

The management of climate-related risks and opportunities in the Bank's development and corporate activities is overseen by its Managing Directors, who report to the President. The President reports to the Board of Executive Directors (hereafter "the Board"), which is responsible for the general operations of IBRD and IDA.

Both the Board and the Bank's Governors have recognized climate change as a global development issue² and endorsed the institutions' ambition for and commitments to integrating climate and development action. Presented to the Board in 2021, the CCAP 2021–2025 lays out how the Bank and its affiliated organizations³ will integrate climate action in their support to developing countries through 2025, building on the progress made under the inaugural CCAP 2016–2020. The Board receives annual updates from management on the progress made on the Action Plan, as well as on climate-related policy commitments.⁴

Delivering on climate and development goals is an institution-wide effort, cutting across the Bank's operational and corporate units. This is enabled by close collaboration between a dedicated Climate Change Group, which steers the climate agenda at the global level and offers expertise and funding to help integrate climate considerations into development operations, and the regional units, which lead country-level engagement and delivery on the ground. The Climate Change Group leads

on developing, monitoring, and reporting on the progress made on the CCAP 2021–2025 and other climate-related policy commitments.

The Bank also has the Corporate Responsibility Oversight Committee, which provides strategic leadership and guidance for the institution's corporate sustainability agenda. In addition to the Managing Directors, the Committee members consist of high-level representatives of the Bank's corporate units, including those that manage the environmental, social, and economic impacts of the Bank's corporate activities and their reporting.

² See Forward Look: https://worldbankgroup.sharepoint.com/sites/wbunits/SPA/SitePages/Detail.aspx/Documents/mode=view?_Id=5&SiteURL=/sites/wbunits/SPA and press release: <https://www.worldbank.org/en/news/press-release/2018/04/21/world-bankimf-spring-meetings-2018-development-committee-communique>.

³ The World Bank Group consists of five organizations: the IBRD, the IDA, the IFC, MIGA, and the International Centre for Settlement of Investment Disputes (ICSID). For a full list of senior management and an organizational chart, please see pages 64 and 65 of the Appendices.

⁴ Through the 2018 Capital Increase for IBRD and IFC and the IDA19 and IDA20 replenishments, the Board of Governors endorsed several climate-related commitments, such as increasing the share of climate-related financing and screening all lending investments for climate and disaster risks, among others.

Strategy

Helping Our Client Countries Address Climate and Development: CCAP 2021–2025 and More

The CCAP 2021–2025 is designed to advance the climate change aspects of the Bank Group’s approach to green, resilient, and inclusive development, which seeks to promote economic progress through a recovery path that is inclusive as well as environmentally and socially sustainable. It also represents a shift from efforts to “green” projects to greening entire economies. Under the CCAP 2021–2025, the Bank Group is helping countries and private sector clients fully integrate their climate and development goals, identify and prioritize action on the most impactful adaptation and mitigation opportunities, and use those efforts to drive climate finance and private capital.

Key elements of CCAP 2021-2025 are as follows:

- **Ambitious new climate finance targets:** The CCAP 2021–2025 calls for an average of 35 percent of Bank Group financing over FY2021–25 to be climate finance, up from a target of 28 percent by 2020. This means direct support for

climate change mitigation and adaptation. At least 50 percent of the Bank’s climate finance will support adaptation.

- **A new core diagnostic on climate and development:** Country Climate and Development Reports (CCDRs) will provide economy-wide analyses of climate risks and opportunities for climate action by the public and the private sectors, enabling the integration of climate and development considerations and prioritization of interventions. In June 2022, the first CCDCR, for Türkiye, was launched, followed by the completion of CCDCRs for Vietnam and the G5 Sahel Region.⁵ Over 20 CCDCRs were under development in FY22 and are expected to be published in calendar year 2022.
- **Aligning financial flows with the objectives of the Paris Agreement:** The Bank is committed to providing support to clients that is consistent with the Paris Agreement’s goals for low-carbon and climate-resilient development. All new IBRD and IDA operations are to be Paris-aligned by July 1, 2023, the start of FY24.

BOX 1: How the World Bank supports clients in greening their financial systems

Bank teams have supported more than 50 countries in greening their domestic financial sector regulatory frameworks by providing technical assistance to devise green taxonomies and label bond standards, conduct climate and nature risk assessments for the banking sector, and more.

Toolkits for Policymakers to Green the Financial System



BOX 2: Supporting Botswana’s Economic Resilience and Green Recovery

Through the CSF, IBRD is helping the Government of Botswana embed green recovery and climate resilience principles in its development operations to promote economic resilience. A CSF grant will help ministries develop and adopt climate risk guidelines that will ensure climate considerations are incorporated into the evaluation and assessment of new development investments. The project will also include a stakeholder engagement process and external workshops to introduce the guidelines and determine how they can be adequately adopted and enforced. Over the long term, successful implementation of the guidelines is expected to attract more green financing. This project is aligned with the country’s Economic Recovery and Transformation Plan, adopted in September 2020, as well as its COVID-19 Economic Response Plan.

- **Prioritizing transformative investments in five key systems:** These systems— energy; agriculture, food, water, and land; cities; transport; and manufacturing—are critical for development, but account for over 90 percent of global greenhouse gas (GHG) emissions and face significant adaptation challenges. The CCAP 2021–2025 prioritizes investments to support climate transitions in those systems.
- **Driving climate finance to deliver the greatest results:** The Bank will continue supporting global and country-level engagement to scale-up public and private climate finance available to emerging markets for both mitigation and adaptation. This includes contingent and crisis financing options that can be used in case of climate-related extreme weather events and other shocks, such as the Crisis Response Window (CRW) available to IDA countries. We will also support greening of the financial sector by working with central banks, national development banks, and private sector financial institutions (see Box 1).

Trust funds support the climate agenda by complementing core Bank financing, helping clients mobilize resources, and financing research and knowledge tools for greater climate resilience and low-carbon growth. Climate-related trust funds—which offer grants and concessional financing to countries—that are active in FY22 include the [Global Environment Facility \(GEF\)](#), the [Climate Investment Funds \(CIF\)](#), and the [Global Facility for Disaster Reduction and Recovery \(GFDRR\)](#).⁶ Launched in 2020, the Bank-administered [Climate Support Facility \(CSF\)](#)⁷ had its first full year of implementation in FY22, helping governments enhance climate ambition and action through long-term planning and cross-sectoral coordination (see Box 2).

Strategic Approach to Corporate Sustainability

The COVID-19 pandemic has highlighted the deep interconnectedness between the planet, people, and economies; it has also strengthened the Bank’s commitment to environmental, social, and economic sustainability.

The [Corporate Responsibility Strategic Plan](#),⁸ published in FY17, focuses on reviewing mandates and progress on corporate responsibility at the Bank, evaluating the current corporate responsibility landscape and trends, engaging stakeholders for input, identifying implementation priorities, and establishing a rolling three-year implementation plan for corporate responsibility. The Managing Director and Chief Administrative Officer has approved an action plan to set long-term targets.

The Bank is also systemically embedding sustainability in decisions across internal operations, including its facilities and supply chain, based on [10 Corporate Sustainability Principles](#). The Bank’s progress on corporate sustainability can be found in the World Bank’s annual [GRI Index](#) and biennial [Sustainability Review](#).

⁵ The G5 Sahel includes Burkina Faso, Chad, Mali, Mauritania, and Niger.

⁶ See <http://www.thegef.org>, <http://www.climateinvestmentfunds.org>, and <http://www.gfdr.org>.

⁷ See <https://www.worldbank.org/en/programs/climate-support-facility>.

⁸ See <https://www.worldbank.org/en/about/what-we-do/crinfo>.

Risk Management

IBRD and IDA assume financial risks in order to achieve their development and strategic objectives. Their risk management frameworks enable them to achieve their goals in a financially sustainable manner. To ensure effectiveness, IBRD and IDA consider both physical risks from climate change and transition risks⁹ in their risk management and assess their impact on sovereign borrowers, markets, counterparties, and operations. IBRD and IDA's risk management processes and practices reflect changes in market and regulatory conditions, credit, and development context, including the effect of climate-related risks and opportunities. The Chief Risk Officer (CRO) oversees both financial and operational risks for IBRD and IDA. These risks include (i) country credit risks in the core sovereign-lending business; (ii) market and counterparty risks, including liquidity risk; and (iii) operational risks relating to people, processes, and systems. The CRO also promotes cooperation between the Bank Group entities and facilitates knowledge sharing in the risk management function. The Board, particularly Audit Committee members, periodically review trends in IBRD and IDA's risk profiles and performance as well as any

major developments in risk management policies and controls. The risk of operations financed by IBRD and IDA not meeting their development outcomes (development outcome risk) is monitored at the corporate level by Operations Policy and Country Services (OPCS).

Management of Climate-Related Financial Risk

In managing its financial risks, including the potential impact of climate change, the Bank uses its own comprehensive credit rating methodology to assess all IBRD and IDA borrowers. The assessment is done at least once a year by the CRO, over a three-year credit risk horizon, with higher frequency if needed. The approach is comprehensive, using both quantitative and qualitative inputs covering a wide range of factors relevant to the country's risk of default to the Bank. This includes physical, environmental, and transition risk factors, such as the frequency and magnitude of disasters, rising temperatures, and dependency on carbon-intensive industries. These sovereign credit ratings are key inputs for IBRD and IDA exposure management.

BOX 3: Integrating Climate Considerations into IBRD and IDA Operations

Climate and disaster risk screening is a process for identifying short- and long-term physical risks faced by IBRD and IDA operations. The screening has been required for all IDA operations since July 1, 2014, and for all IBRD operations since July 1, 2017. Identifying risks and proactively incorporating resilience measures at an early stage of project design can help projects achieve their development objectives.

GHG accounting is performed for all IBRD and IDA Investment Project Financing (IPF) operations where methodologies are available. Applying a shadow price of carbon in the economic analysis has been required for all IBRD or IDA IPFs that are subject to GHG accounting since July 1, 2017. The purpose is to contribute to greater transparency and consistency of the project's GHG impacts and inform decision-making by the Bank and its clients.

Climate indicators monitor and track the progress of climate results, measuring outputs or outcomes of mitigation and/or adaptation financing interventions. As of FY21, all IBRD and IDA operations with 20 percent or more climate finance incorporate at least one climate indicator to monitor and track climate results.

Management of Development Outcome Risk

The Bank separately assesses how climate risks may affect the ability of IBRD and IDA– financed operations to deliver their intended development outcomes. Those risks, along with other economic, political, and social factors, are assessed by operational teams using the Systematic Operations Risk Rating Tool (SORT) and monitored at the corporate level by OPCS. The SORT is complemented by the Bank's Environmental and Social Framework (ESF), which requires borrowers to consider transboundary and global environmental aspects, including climate change, in the project design. The ESF specifies that the Bank's commitment to environmental sustainability includes stronger collective action to support climate change mitigation and adaptation, taking climate change into account in its environmental and social risk and impact due diligence, and actions that are proportionate to the level of identified risk.

The Bank is also scaling up climate-related financing, integrating climate change across its lending

operations, and working closely with client country governments and development partners to build systemic impact on the ground. Several processes have been set up to enable IBRD and IDA financing operations to integrate climate considerations in their design. These include undertaking climate and disaster risk screening, accounting for GHG emissions, applying a shadow price of carbon, and incorporating climate-related results indicators.

⁹ Physical risks are those resulting from disruptions and impacts of climate change–related events and can be both acute and chronic. Examples of physical risks include droughts, floods, increasing sea levels, rising temperatures, etc., that may have an impact on supply chains, operational capacity, damage to physical assets, and other aspects of the business. Transition risks are those faced by investors as part of the global shift to a low-carbon economy. Examples of transition risks include changes in climate and energy policies, a shift to low-carbon technologies, changes in consumer preferences, and reputation and liability issues. Transitional risks can vary substantially depending on scenarios for policy and technology changes.

Metrics and Targets

The Bank monitors and reports on progress on climate-related targets and commitments tied to its operations and corporate practices. The Bank is on track to meet its targets and commitments, including those outlined in the CCAP 2021–2025.

Climate Metrics for World Bank Operational Activities and Advisory Services in FY22

The Bank has adopted a number of quantitative metrics and indicators to track and report on its climate-related targets and commitments, as well as other sustainability and resilience-related operational performance. The [Corporate Scorecards](#)¹⁰ of the Bank Group and the Bank include three tiers: Tier 1 on development context and the poverty and prosperity goals, Tier 2 on results delivered through Bank Group operations, and Tier 3 on the Bank Group’s operational and organizational effectiveness. Indicators related to climate, resilience, and sustainability include: GHG emission reductions, countries supported on disaster risk reduction, number of countries with a completed CCDR, and share of climate-related financing in total commitments. The latest results can be found [here](#).

Separately, the IDA Results Measurement System (IDA RMS)¹¹ tracks results in countries supported by IDA, including operations using climate- and resilience-related Tier 1, Tier 2, and Tier 3 indicators, such as projected lifetime energy or fuel savings, renewable energy generation capacity (in gigawatts), share of adaptation co-benefits over total climate co-benefits in IDA-supported operations, and IDA financing commitments with disaster risk management co-benefits. The latest IDA RMS can be found [here](#).

The [IDA19 replenishment](#), covering FY21–22, has strengthened and advanced climate adaptation and mitigation for IDA countries through the [Climate Change Special Theme](#) and its policy commitments. The historic \$93 billion [IDA20 replenishment](#), covering FY23–25, further steps up ambition on climate change, nature-based solutions, and biodiversity through a new set of policy commitments under this [Special Theme](#). Progress toward IDA policy commitments is reported on regularly, including through a Mid-Term Review and final Retrospective.

Figure 1: FY18–22 World Bank's Climate Finance

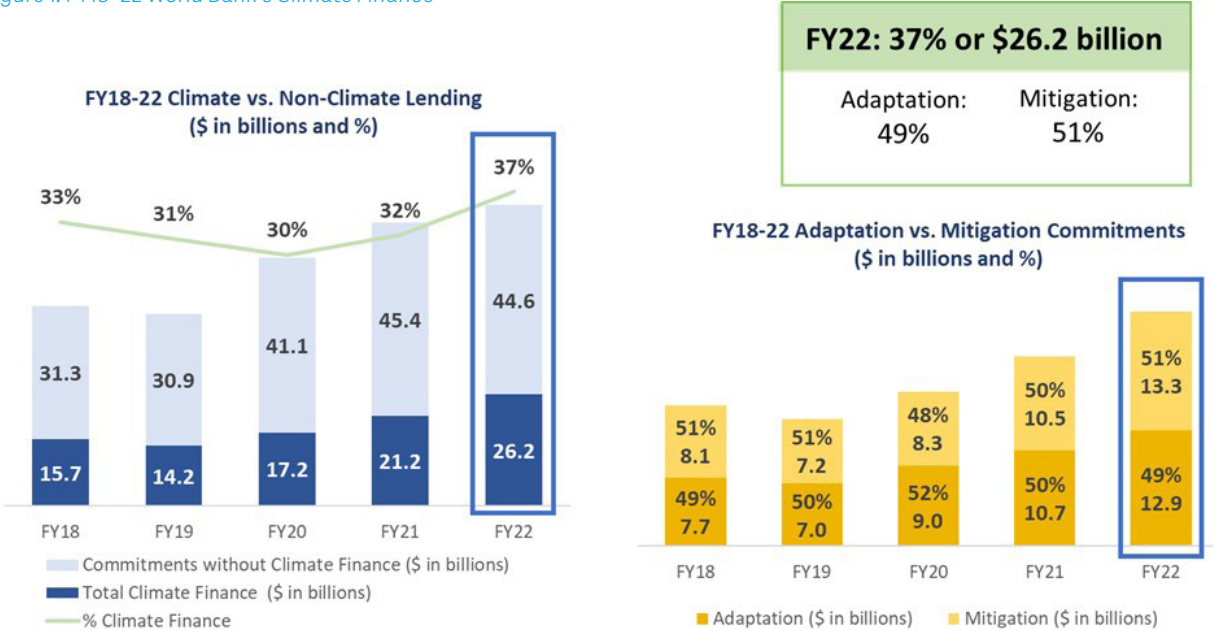


Figure 2: Overview of IBRD and IDA Climate Finance

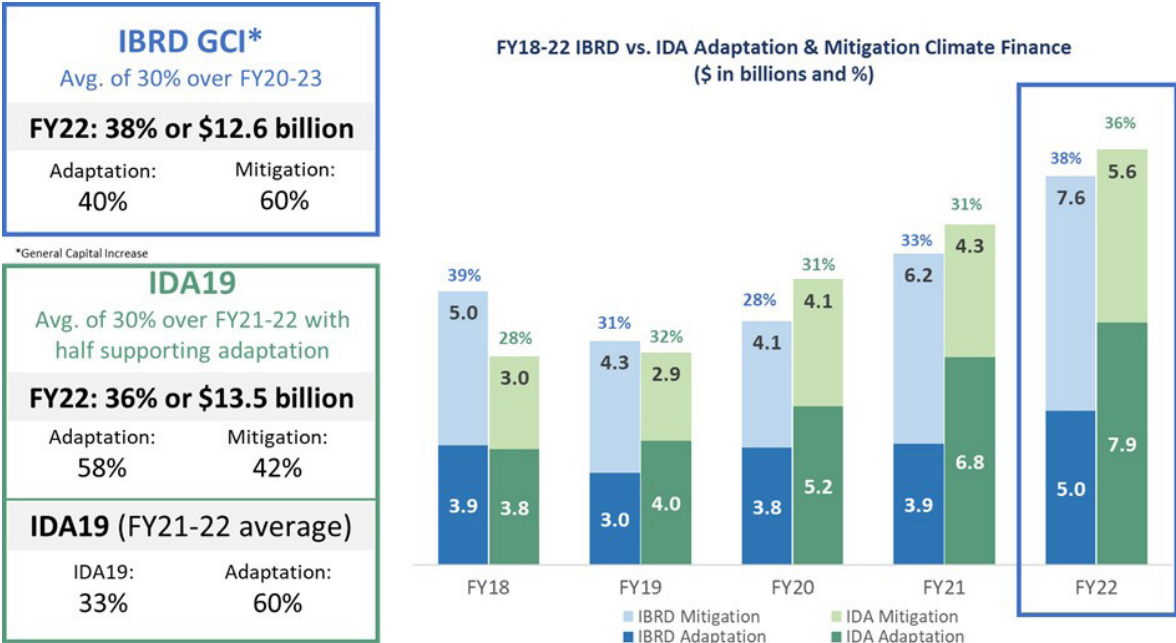
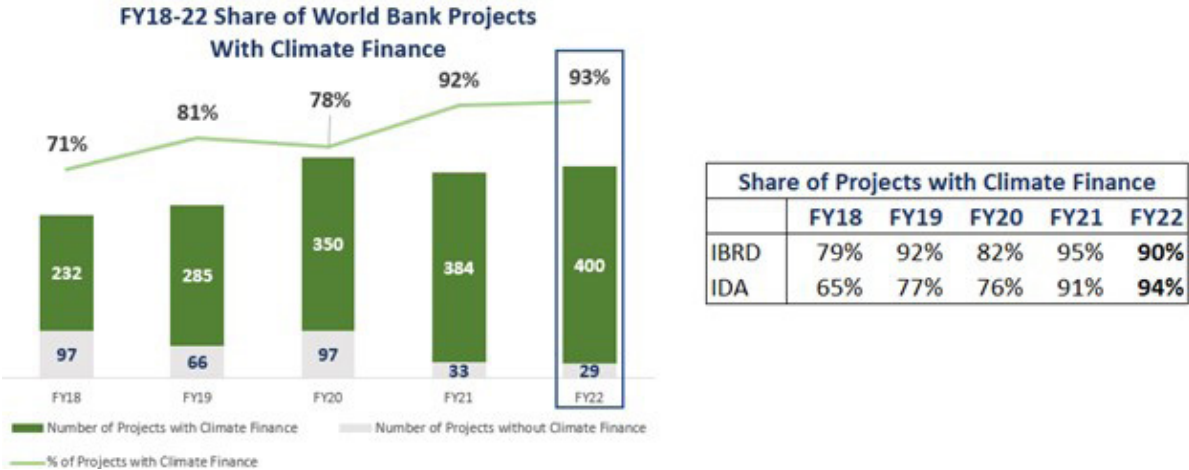


Figure 3: Share of World Bank Operations with Climate Finance



The Bank tracks its climate finance using the methodology developed jointly by the multilateral development banks (MDBs).¹²

In FY22, IBRD operations delivered \$12.6 billion in climate finance (present in 90 percent of all IBRD-approved projects and representing 38 percent of total IBRD commitments). IDA operations delivered \$13.5 billion in climate finance (present in 94 percent of all IDA-approved projects and representing 36 percent of total IDA commitments).

The combined amount reflects Bank progress toward meeting the overall Bank Group target of 35 percent climate finance, on average, over FY21–25. More than 49 percent of our climate finance supported adaptation, on track toward the target of 50 percent of IBRD and IDA climate finance supporting adaptation over FY21–25. The latest project-level climate finance data for the Bank are available [here](#).

Sustainability Considerations in World Bank Corporate Activities

Buildings, together with travel, constitute the largest sources of GHG emissions for the Bank. The Bank seeks to reduce absolute carbon emissions from its own global facilities by 30 percent by 2026, compared to a 2016 baseline. The Bank's owned and managed facilities continued to increase energy efficiency (reduce energy use), going from 0.81 GJ/m² in 2017 to 0.61 GJ/m² in 2021. Only in FY23 will the Bank better understand changes in travel emissions over the same period following over two years of restricted travel during the COVID-19 pandemic.

The latest information and details on the sustainability considerations of the Bank's corporate practices can be found on its [Corporate Responsibility site](#), in the annual [GRI Index](#) and biennial [Sustainability Review](#). Relevant highlights from these latest reports are:

- Between FY20 and FY21, the Bank's total global emissions within the organization (Scope 1 and 2¹⁴) were reduced by 9,813 tonnes of CO₂ equivalent mainly through reductions in electricity use. The headquarters facilities had an electricity emission reduction of 4,591 tonnes CO₂ equivalent. The shift to home-based work starting in March 2020 and continued through June 2021 resulted in a shift in resource consumption

from Bank buildings to staff households. A high-level analysis suggested that total energy and water consumption (including staff households) decreased in the short term, while total waste was either unchanged or potentially grew slightly.

¹⁰ The Corporate Scorecards of the World Bank Group provide an overarching view of the results and performance indicators of the Group's three institutions: the World Bank, the IFC, and MIGA. Separate scorecards for the World Bank, IFC, and MIGA complement the World Bank Group Scorecard. The Scorecards are critical tools for monitoring the Bank Group's performance in key global and institutional priority areas.

¹¹ The Bank Group introduced the RMS as a key reporting and accountability tool for tracking progress and reporting results achieved by IDA during each replenishment cycle. The IDA RMS is a central part of the Bank Group's framework for tracking progress at an aggregate level and integral to the Bank's efforts to improve the focus on results. The IDA RMS uses a three-tiered development results framework with 84 indicators to track results of IDA countries at an aggregate level.

¹² See: <https://www.worldbank.org/en/topic/climatechange/overview>

¹³ The Bank measures GHG emissions intensity in two distinct categories: (i) Scope 1 and 2, and (ii) Scope 3. Data lag by one fiscal year. The former emissions are normalized per square meter, while the latter emissions are normalized per full-time equivalent (FTE) employee, which consists of staff and short-term consultants. Emissions data are given in metric tons, or tonnes.

Conclusion

Delivering on green, resilient, and inclusive development is more urgent than ever. Transparency on how institutions manage climate risk and utilize opportunities is essential to support more efficient and sustainable capital markets. Climate-related risk assessment and management are a rapidly developing field, and the methodologies being

used are still in their early stages. Looking ahead, IBRD and IDA will continue to assess the impact of climate-related factors on their strategy, business, financial performance, and risk management, and will enhance their disclosures in line with evolving global standards.