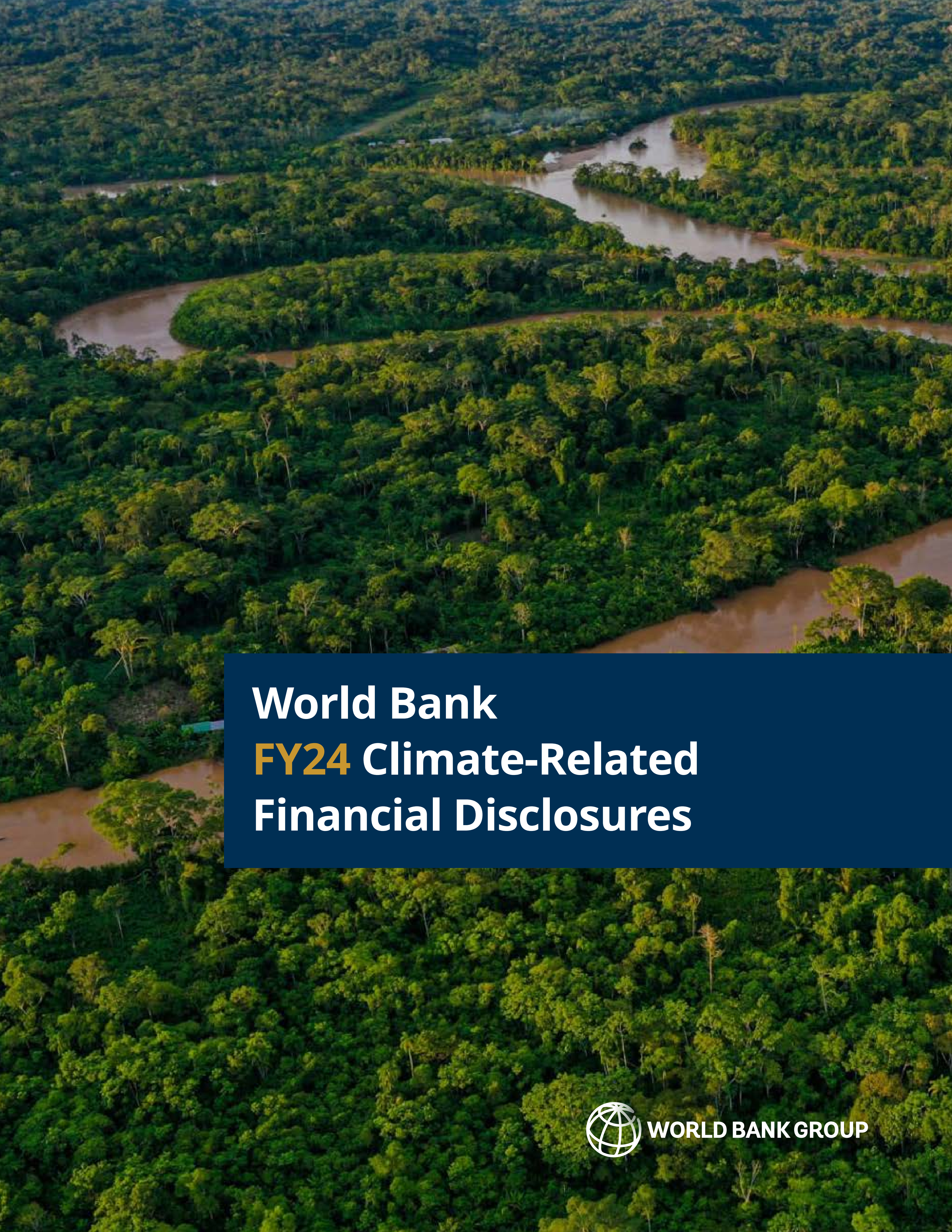


World Bank FY24 Climate-Related Financial Disclosures

WORLD BANK GROUP

Contents

Tables, Figures and Boxes

Tables

Figures

Boxes

Abbreviations and Acronyms

A&R	Adaptation & Resilience
CCAP	Climate Change Action Plan
CCDR	Country Climate and Development Reports
COP	Conference of the Parties
CoP	Community of Practice
CO_2	Carbon dioxide
CRDC	Climate Resilient Debt Clause
CRO	Chief Risk Officer
DPF	Development Policy Financing
EMDE	Emerging Market and Developing Economies
ESF	Environmental and Social Framework
ESG	Environmental, Social, and Governance
ESSs	Environmental and Social Standards
FIF	Financial Intermediary Funds
FY	Fiscal Year
GEF	Global Environment Facility
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HVAC	Heating, ventilation and air conditioning
HQ	Headquarters
IBRD	International Bank of Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDA20	20th replenishment of IDA
IFC	International Finance Corporation
IFIs	International Financial Institutions
IFI TWG	Technical Working Group of the International Financial Institutions
IMP	Inventory Management Plan
IPF	Investment Project Financing
ISSB	International Sustainability Standards Board
LTSs	Long-Term Strategies
MDB	Multilateral Development Bank
MIGA	Multilateral Investment Guarantee Agency
$MtCH_4$	Metric ton of methane
NAPs	National Adaptation Plans
NGFS	Network for Greening the Financial System
NDCs	Nationally Determined Contributions
OECD	Organization for Economic Cooperation and Development
OPCS	Operations Policy and Country Services
PforR	Program-for-Results
RMS	Results Measurement System
RRO	Rapid Response Option
SORT	Systematic Operations Risk Rating Tool
SPC	Shadow Price of Carbon
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Task Force on Nature-Related Financial Disclosures
tCO_2eq	Ton of CO_2 equivalent
UNFCCC	United Nations Framework Convention on Climate Change

Introduction

Fiscal year 2024 (FY24) is the third year for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) climate-related financial disclosures. Since the inaugural report in FY22, IBRD and IDA (hereinafter, the "World Bank") have published climate-related financial disclosures using the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) (see Box 1). Building on that foundation, this report is a step in our multi-year roadmap aimed at aligning our climate and sustainability-related financial disclosures with the standards of the International Sustainability Standards Board (ISSB), while considering the unique business models of IBRD and IDA. This follows the International Financial Reporting Standards (IFRS) Foundation taking over responsibility for the monitoring of progress on companies' climate-related financial disclosures from the TCFD.

This report highlights the World Bank Group's[1] (WBG) commitment to its revamped mission for greater scale and impact to tackle climate-related challenges facing the world today. This was evidenced at the Conference of the Parties (COP28) of the United Nations Framework Convention on Climate Change (UNFCCC), where it set five ambitious targets (see Box 2) which, if taken together and scaled further, will have a lasting impact in addressing climate change. The World Bank's support to client countries extends to helping them meet the goals of the Paris Agreement, with a focus on a transition away from a carbon-intensive development pathway to climate-smart opportunities, while managing climate physical and transition risks. As part of this, the World Bank is supporting countries as they implement ambitious national climate policies, strategies, and plans, including Nationally Determined Contributions (NDCs), Long-Term Strategies (LTS), and National Adaptation Plans (NAPs).

We have fulfilled our commitment made in the World Bank Group Climate Change Action Plan (CCAP) for 2021–25 to align all new World Bank financing operations with the objectives of the Paris Agreement beginning July 1, 2023.

Innovative financing tools have also been introduced to support climate transition by catalyzing and mobilizing additional financing (see Box 4). By ramping up support for climate financing to help our client countries, the World Bank aims to tackle a wide range of intertwined climate-related issues. By linking adaptation and mitigation efforts to developmental outcomes, the World Bank is supporting not only the resilience of people, businesses and communities, but also innovative approaches to aggregate investments and build resilience in a country's context.

Climate finance for the WBG in FY24 reached $42.6 billion ($17.4 billion for IBRD, $13.6 billion for IDA, $9.1 billion for IFC and $2.5 billion for MIGA). Over the 2021–2024 period, the cumulative volume of the WBG climate finance was $139.5 billion. For decades, the World Bank has been at the forefront of providing financing to support biodiversity and healthy ecosystems. This financing continues and promotes a whole-of-economy approach to halting and reversing nature loss, in tandem with climate action, and ensures the conservation of nature serves as an engine for growth and jobs, particularly in the poorest countries.

In line with our strengthened focus on results, we will continue to monitor progress as we build upon our strong foundation, which includes managing the impact of climate-related factors on our strategy, business, and financial performance.

1 The World Bank Group consists of five organizations: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Centre for Settlement of Investment Disputes (ICSID).

Box 1: Journey of World Bank's Climate-Related Milestones

The World Bank's journey to integrate climate into our development programs began decades ago and continues to support developing countries dealing with the intensifying impacts of climate change. This work includes reducing fossil fuel emissions, developing new diagnostics that drive climate action at the country level, issuing innovative sustainability bonds, and ensuring that the World Bank's new financing operations are consistent with the objectives of the Paris Agreement. We aim to deliver on our new vision of creating a world free of poverty on a livable planet while tackling the most pressing global challenges. Key milestones from this journey are shown below:

FY 2000–2006

- Created first Global Carbon Fund
- Helped establish the Global Reporting Initiative (GRI)
- Published first World Bank GRI Corporate Sustainability Report

FY 2007–2012

- Published Strategic Framework on Climate Change
- IBRD issued first green bond
- Began reporting under the Carbon Disclosure Project
- Financed the last World Bank project using coal
- Included climate change as a special theme for IDA16
- Began tracking climate co-benefits

FY 2013–2018

- IBRD Issued Caribbean Catastrophe Risk Insurance Facility Cat Bond
- Included climate and disaster risk screening in IDA17
- Published inaugural IBRD Green Bond Impact Report
- Developed the Pilot Auction Facility
- Launched the Carbon Initiative for Development
- Launched Climate Change Action Plan (CCAP) 2016–2020

FY 2019–2023

- Included climate-related commitments in IBRD-IFC Capital Package (GHG accounting and IBRD Climate and Disaster Risk Screening)
- Launched Climate Change Action Plan 2021–2025
- Published inaugural Climate-Related Financial Disclosure aligned with TCFD
- Released inaugural Country Climate Development Reports (CCDRs)
- IBRD issued emission reduction-linked bond

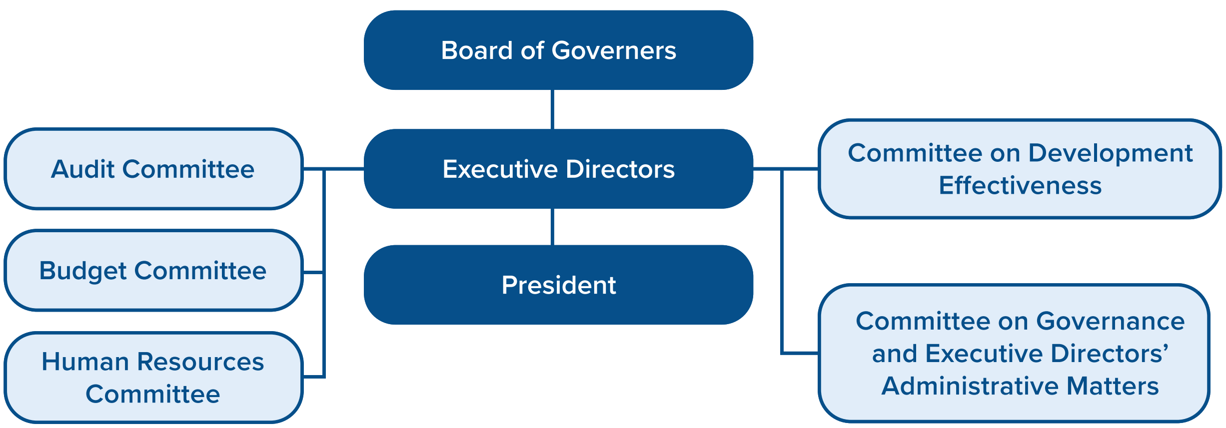
FY 2024

- Began Paris Alignment of new financing operations
- Announced an ambitious set of climate commitment at COP28
- Released a new WBG Corporate Scorecard
- Introduced Climate Resilient Debt Clauses to IBRD- and IDA-eligible borrowers
- Announced partnership with AfDB to increase energy access in Africa

Governance

Each of the decision-making structures of IBRD and IDA consists of the Board of Governors, the Board of Executive Directors (hereafter "the Board"),[2] the President, management, and staff. The Board of Governors is the highest decision-making authority for both IBRD and IDA (see Figure 1). Governors are appointed by their member governments for a five-year renewable term. The Board of Governors may delegate authority to the Board of Executive Directors to exercise any of its powers, except for certain powers enumerated in IBRD's and IDA's Articles of Agreement. The President reports to the Board, which is responsible for the general operations of IBRD and IDA.

Figure 1: Governance Structure



Governance and Oversight around Climate-Related Risks and Opportunities for IBRD and IDA

The management of climate-related risks and opportunities in the World Bank's development and corporate activities is overseen by our managing directors, who report to the President. The Board has recognized climate change as a global development issue and has endorsed the institutions' ambition for, and commitments to, integrating climate and development action. Presented to the Board in 2021, the CCAP 2021–2025 details how the World Bank Group will integrate climate action into its support to developing countries and the private sector through 2025, building on the progress made under the inaugural CCAP 2016–2020. The Board receives annual updates from management on the progress made in implementing the CCAP 2021–2025, as well as on climate-related policy commitments.[3] Delivering climate and development goals is an institution-wide effort, cutting across the World Bank's global practices, operational and corporate units. This is enabled by close collaboration between: 1) a dedicated Climate Change Group within the World Bank, which steers the climate agenda at the global level and offers expertise and funding to help integrate climate considerations into development operations; and 2) the regional units, which lead country engagement and delivery on the ground.

2 Unless the context requires otherwise, the term "Board" refers to both the Boards of Executive Directors of IBRD and IDA. For a full list of senior management and an organizational chart, please refer to the appendices of the *World Bank Annual Report 2024*.

3 Through the 2018 Capital Increase for IBRD and the IFC, and the IDA20 replenishment, 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.

Implementation of the New World Bank Group Vision

During the 2023 Annual Meetings of the World Bank Group, Governors endorsed the World Bank Group's new vision of a world free of poverty on a livable planet, which expands our mandate to address climate-related issues. Since then, the World Bank Group has taken steps to deliver against this vision and to stretch our financial capacity to address our clients' most pressing development challenges. One key step has been the reorganization of practice groups into five Vice Presidency units aligned with the World Bank Group's new vision.[4]

The Development Committee of the Board is actively reviewing and tracking progress on the new vision. Management and the Board will continue to engage as we advance its implementation to achieve impact at scale for our clients.

Governance over Climate and Sustainability Reporting

In 2022, a Sustainability Reporting Coordination Group, co-chaired by four World Bank vice presidents,[5] was established to coordinate the ongoing work on the global sustainability reporting agenda. The group's purview is centered around: 1) Our contribution to the policy dialogue around the development of sustainability reporting standards; 2) Supporting our clients in adopting sustainability reporting standards and frameworks; and 3) Enhancing our own corporate sustainability reporting.

4 The five Vice Presidency units are as follows: People, Prosperity, Planet, Infrastructure and Digital.

5 Vice President for Finance and World Bank Group Controller; Vice President for Prosperity; Vice President of Operations Policy and Country Services; and Vice President for Planet.

Strategy

The world is confronting a set of intertwined challenges—including poverty, the climate crisis, debt, food insecurity, pandemics, and fragility—and a need to accelerate access to clean air, energy, and water. In response, the World Bank Group is taking decisive action to respond to these critical challenges.

The World Bank continues to work with partners at global and country levels to support its borrowing countries in addressing the impact of these multiple challenges. As part of these efforts, the World Bank has embarked on an evolution process, moving from vision to impact through a new operational playbook and enhanced financial model to support clients across income levels, including the poorest countries and those affected by fragility, conflict and violence. The playbook enhances and modernizes how the World Bank Group provides finance and knowledge, including working as One World Bank Group across our institutions to mobilize private capital and domestic public resources for development.

The new playbook introduces the Knowledge Compact for Action—emphasizing a new focus on better sharing expertise globally.[6]

To help finance global challenges, IBRD has implemented the Framework for Financial Incentives to provide financial incentives for projects in IBRD countries that support Global Challenges with cross-border externalities.[7] By incentivizing clients to undertake projects with cross border impacts, the scale of these externalities can play a role in positively impacting the environment.

Additionally, the World Bank Group's new Corporate Scorecard, which will be published in full at the 2024 IMF-World Bank Group Annual Meetings, radically changes how we track results. The latest results can be found here.

The World Bank, in including reference to a livable planet in its revamped mission, has also brought to the fore life on earth and the role nature plays. As climate change is impacting important ecosystems and affecting the achievement of development outcomes, nature's role in mitigating against and adapting to the worst effects of climate change is being enhanced through Nature-Based Solutions to bring about impact.

With a renewed effort on delivery and impact, in FY24 the World Bank approved 353 operations (including 8 IBRD and IDA blend operations) in 101 countries for total net commitments of $68.8 billion, of which $37.6 billion relates to IBRD (126 operations), and $31.2 billion relates to IDA (235 operations).

Overview of the World Bank's Climate Change Strategy

The World Bank's work on climate and development is guided by the World Bank Group CCAP 2021–2025. The CCAP 2021–2025 was designed to maximize impact and advance a livable planet through an inclusive path that promotes economic progress and is environmentally and socially sustainable. It guides our work with country and private sector clients to address climate and development challenges in an integrated manner.

Taking a whole-of-economy approach, it identifies and prioritizes action on the most impactful adaptation and mitigation opportunities, with a focus on transforming key systems that are responsible for generating the most emissions globally, including energy; agriculture, food, water, and land; cities; transport; and manufacturing, while also helping countries adapt and build resilience to climate shocks. It uses those efforts to mobilize and enable private capital and other sources of climate finance, including additional concessional funds for climate action.

The World Bank Group is one of the largest multilateral financing providers for renewable energy and energy efficiency projects in developing countries. Renewable energy support is always our first choice as we work to provide access to electricity to the nearly 700 million people who still cannot power their homes, schools, hospitals, and businesses. During this transition, we continue to selectively support natural gas as a transition fuel if the investment is in line with the country's long-term decarbonization pathway

6 The Knowledge Compact for Action aims to deliver knowledge to clients under four pillars; Products; Partnerships; Learning and Systems.

7 Addressing the following challenges will be key to advancing the World Bank's new vision and mission: (i) Climate Change Adaptation and Mitigation; (ii) Fragility and Conflict; (iii) Pandemic Prevention and Preparedness; (iv) Energy Access; (v) Food and Nutrition Security; (vi) Water Security and Access; (vii) Enabling Digitalization; and (viii) Protecting Biodiversity and Nature.

Box 2: The World Bank Group at COP28

At COP28, the World Bank Group set five ambitious new targets that, taken together, could have a real impact in addressing climate change.

Increasing Climate Finance Ambition: By FY2025, the World Bank Group will devote 45% of annual financing to climate action, deployed equally between mitigation and adaptation.

Methane Reduction Blueprint: The World Bank will mainstream methane emissions reduction across its livestock, rice, waste, sanitation, and energy portfolios, starting with the launch of 15 country-led programs that will cut 10 metric tons of methane ($MtCH_4$) and support 150 million people by June 2025.

Renewable Energy Programs: In FY25, we are launching a new energy program that aims to bring renewable power to 100 million people in seven years with $5 billion of IDA financing and $10 billion of public and private funds.

Launch of Engagement Roadmap for Carbon Markets, with Support for High-integrity Carbon Credits: The roadmap outlines our ambition to work with others to deliver solutions to expand liquid and transparent carbon markets. It committed to helping 15 countries, through the World Bank's Forest Carbon Partnership Facility, earn income from the sale of high-integrity carbon credits generated from preserving their forests, bringing benefits to people and communities.

Expansion of Crisis Preparedness and Response Toolkit: The World Bank Group expanded its Crisis Preparedness and Response Toolkit. See Box 4 for a list of offerings.

and has a low risk of locking in carbon-intensive patterns.[8] In FY24, 1.01% of total new IDA commitments and 0.01% of total new IBRD commitments were made in fossil fuels in the energy sector, respectively.

Consistent with the commitment made in the World Bank Group's CCAP for 2021–25, beginning July 1, 2023, all new IBRD and IDA Investment Project Financing (IPF), Program-for-Results (PforR), and Development Policy Financing (DPF) operations have been aligned with the objectives of the Paris Agreement and a country's pathway toward low Greenhouse Gas (GHG) emissions and climate-resilient development.

Building on the foundation of the CCAP, the World Bank Group has increased its ambition to drive impactful climate action and boost the resilience of those most vulnerable to climate shocks. As an indication of this ambition, the World Bank Group will devote 45% of its annual commitments to climate finance (see Box 2).

World Bank Growing Focus on Climate Outcomes

At COP28, alongside other Multilateral Development Banks (MDBs), the World Bank Group agreed to develop a common approach for measuring climate results, to enhance their climate-related reporting, in addition to tracking and reporting climate finance (see Box 3).

At the 2024 Spring Meetings, the MDBs released the MDB Common Approach to Measuring Climate Results—presenting the first common structure to measuring climate results: a framework to define, measure, and link global progress on climate mitigation and adaptation with MDB results. The MDBs will continue to refine the common approach, including further developing the set of common indicators, and will report progress at UNFCCC's COP29. This builds on the collaborative effort being applied to address climate change and reaffirms the World Bank's commitment to impact measurement.

Training and Capacity Building

The World Bank has put in place internal processes and systems to assess that every financing operation is aligned with the objectives of the Paris Agreement. This entails an integrated vetting approach for every project, using publicly disclosed instrument methods, sector notes, and the joint MDB methodological principles. The World Bank provided resources, training programs, and implementation support to its internal task teams to conduct the assessments. Over 7,000 staff have been trained to date to screen, manage, and reduce climate risks for both adaptation and mitigation in their projects and demonstrate Paris Alignment in project documentation.

8 Investments in mining of thermal coal, electricity from coal, extraction of peat, and electricity from peat are considered universally non-aligned and are not supported by the World Bank Group. The World Bank Group no longer finances upstream oil and gas projects since 2019.

Box 3: Integrating Climate Considerations into IBRD and IDA Operations

The World Bank continues to integrate considerations for climate-related risks and opportunities into IBRD and IDA operations through our corporate commitments on climate change, such as climate and disaster risk screening for physical risks, GHG accounting, and applying a shadow price of carbon (SPC) for carbon lock-in and transition risks.

Climate and disaster risk screening identifies short- and long-term physical risks faced by World Bank operations. This screening has been required for all IDA operations since FY15, and for all IBRD operations since FY18. Identifying risks and proactively incorporating resilience measures at the early stages of project design can help projects achieve their development objectives.

Climate indicators monitor and track the progress of climate results, measuring outputs or outcomes of financing interventions for mitigation and/or adaptation. Since FY21, all World Bank operations with 20% or more climate finance incorporate at least one climate indicator to monitor and track climate results.

GHG accounting is performed for all World Bank IPF operations where methodologies are available. Applying a SPC 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. Additional information on GHG accounting for the World Bank's lending operations can be found in the Metrics and Targets section.

How the World Bank is Harnessing Climate-Related Opportunities

The World Bank is increasing our climate-related financing and integrating climate change across all relevant sectors in our financing operations. Working closely with client countries and development partners to increase our impact, we are embedding sustainability and climate in decisions across internal operations, including our facilities and supply chain.

Country Climate and Development Reports

Introduced in the current CCAP, the World Bank Group's Country Climate and Development Reports (CCDRs) identify opportunities and priorities for investment and reform, to improve people's lives, health, and safety while also building more resilient, low-emission, and prosperous economies. Building on research and data, CCDRs are designed to help countries prioritize the most impactful actions that can reduce GHG emissions and boost adaptation and resilience, while delivering on broader development goals. In FY24, the World Bank published 19 new CCDRs, bringing the total cumulative coverage to nearly 50 economies (see Figure 2). A second CCDR Summary Report was additionally released covering 42 economies, titled: The Development, Climate, and Nature Crisis: Solutions to End Poverty on a Livable Planet.

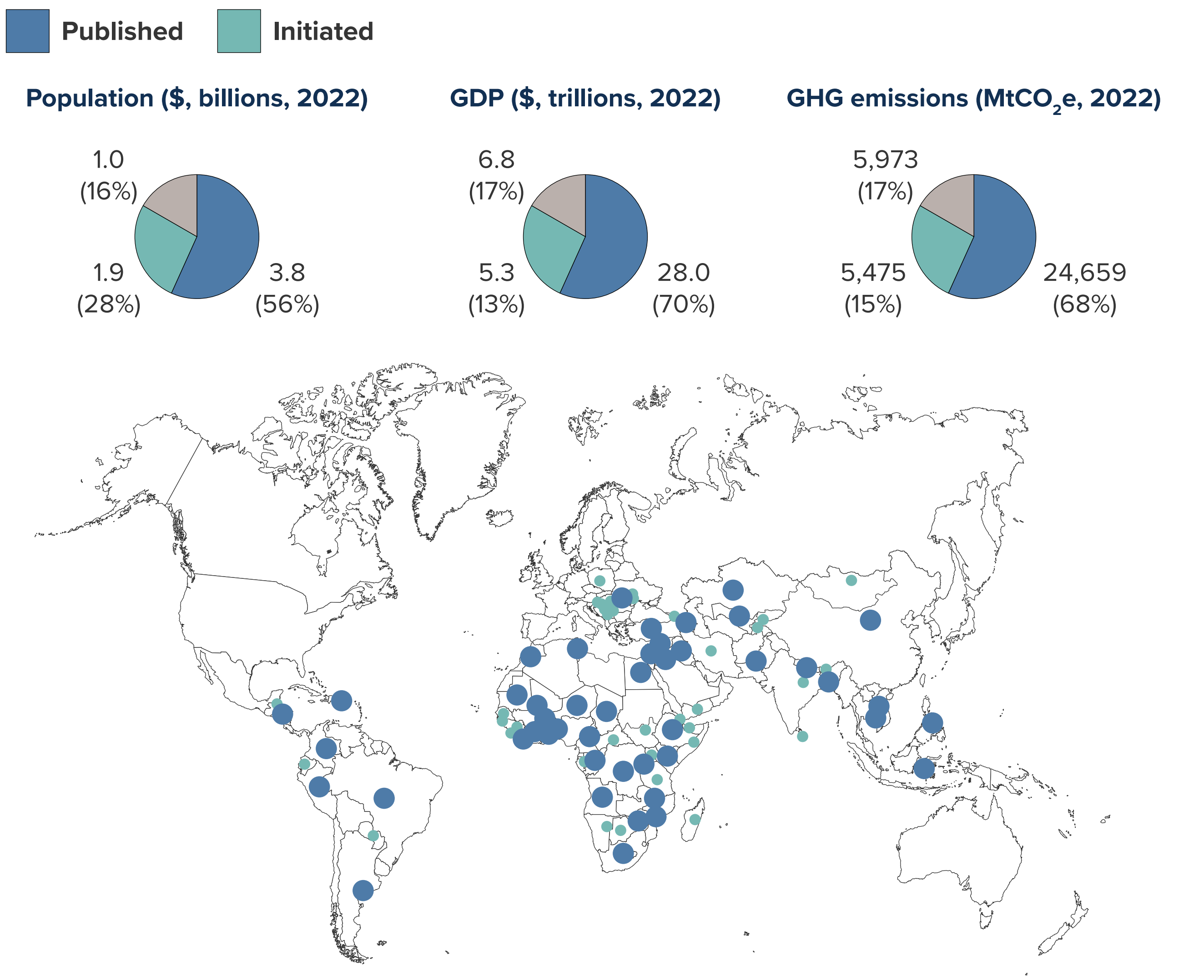
With a global reach, 68% of client country GHG emissions are covered in recommendations of existing CCDRs. The ability for countries to grow and develop while reducing emissions is a key takeaway from the CCDRs. Doing so could result in a 70% reduction in GHG emissions from current levels, by 2050. The CCDRs are showcasing low-carbon, resilient investments that would generate climate benefits.

All CCDRs influence policy dialogues and World Bank operations and interventions. Operational teams report that there are different channels and modalities through which this influence operates.

There are five key channels through which CCDRs have benefited countries:

1. The World Bank Group's Country Partnership Framework and operations.
2. Direct influence on government policies and action.
3. National or Sector Development Plans, including Nationally Determined Contributions, Long-term Strategies, and National Development Plans.
4. Development partner financing and country-led coordination mechanisms.
5. Innovation, knowledge, modeling tools, and analytical evidence.

Figure 2: CCDRs Status and Countries[9]



Developing Tools to Identify Adaptation and Resilience Priorities and Track Progress

To inform and standardize analysis for CCDRs and recognizing the importance of resilience and adaptation for a robust climate change strategy, a whole-of-economy Adaptation and Resilience (A&R) Diagnostic tool is being developed by the World Bank. Its goal is to evaluate countries' A&R readiness, identify gaps and prioritize actions across key action areas, thereby informing CCDRs, Country Partnership Frameworks, and more generally World Bank's operations. This tool provides a robust, comprehensive framework and an indicator-based scoring tool to support countries to assess A&R gaps and priorities, and track adaptation policy development and implementation. A key feature of the tool is that while it provides a consistent, cross-sectoral and whole-of-economy framework, it can be customized to reflect country contexts and priorities.

The World Bank A&R diagnostic has been carried out for over 40 countries to evaluate country A&R progress and inform priority policy actions. The tool itself has been transferred to countries to help them track progress over time.

Supporting Clients in Greening their Financial Systems

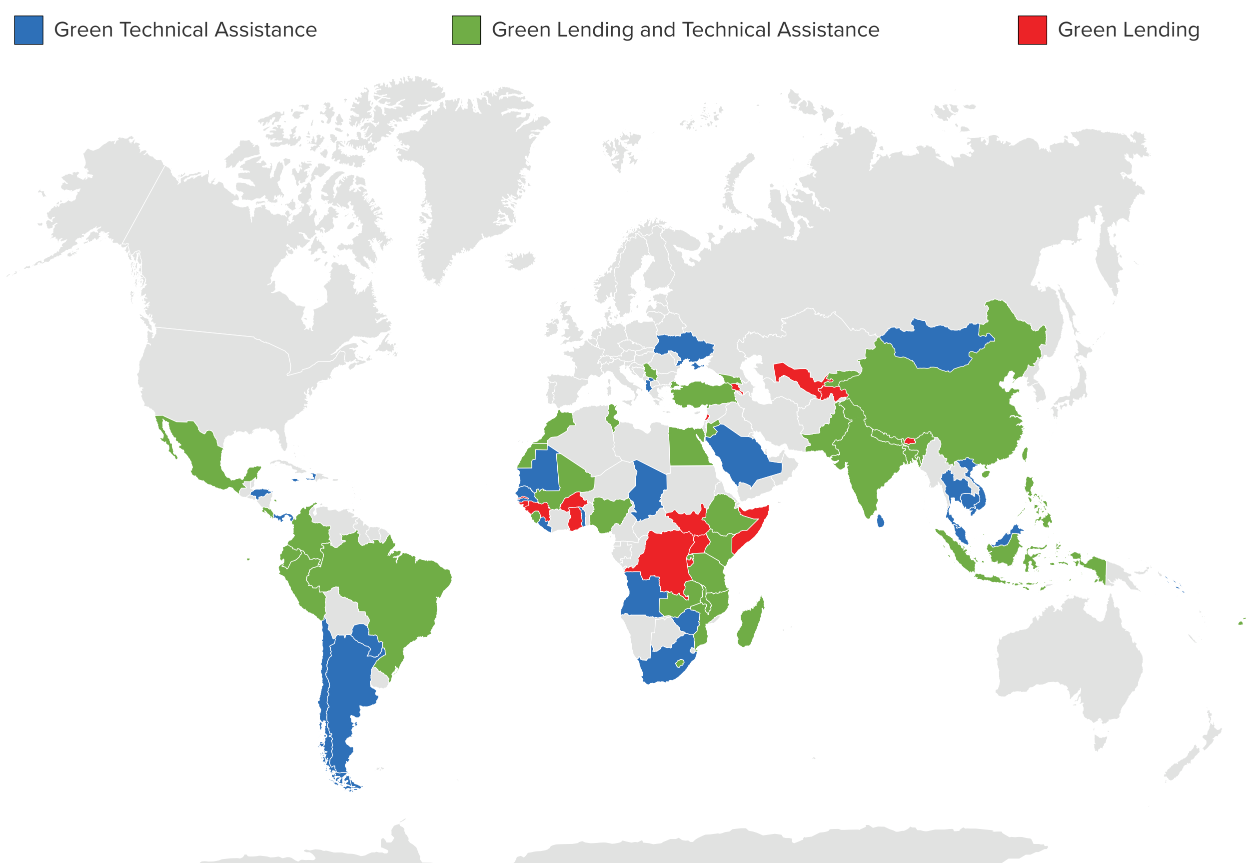
Greening the financial system is important for the World Bank's client countries due to the vulnerabilities of Emerging Markets and Developing Economies (EMDEs) to climate-related financial risks. The financial sectors in EMDEs possess the potential to drive positive changes

9 Data as of end-FY24. Population, GDP, and GHG emissions data covered in published and initiated CCDRs includes 94 economies.

in the real economy toward a more sustainable future. EMDEs are highly susceptible to climate- and nature-related disruptions, and may not adequately account for climate risks, which, coupled with low financial inclusion, heightens their vulnerability. EMDEs face challenges in transitioning their financial systems to green practices due to limited knowledge, data availability, and financial resources. The World Bank has supported almost 100 countries to address these challenges, with teams currently providing support to over 60 EMDEs across the world through initiatives in risk management, the development of climate risk and insurance instruments, and the promotion of regulatory and supervisory reforms (see Figure 3). The World Bank also supports enhancing disclosure and reporting requirements and fostering green finance by introducing green insurance and investment products. Specific support being given by the World Bank includes the following:

- **Helping countries strengthen climate disclosure and market integrity to attract more investment in sustainable development initiatives in EMDEs.** The World Bank is partnering with the International Organization of Securities Commissions (IOSCO) to assist their emerging market members to design jurisdictional sustainability reporting adoption roadmaps and provide guidance. Initiatives to support the interoperability between global taxonomies continues, including a joint report on alignment approaches published along with the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD).[10]
- **The World Bank is actively assisting over 40 EMDEs who are doing their own risk assessments related to nature and climate change, with support tailored to each country's unique situation and needs.** Climate and nature-risk management is essential for maintaining financial stability and incentivizing greener investments.
- **Supporting countries with innovative financial instruments and policy reforms to unlock private capital to protect households, firms, and governments against climate shocks and disasters.** Climate risk financing considerations are becoming more important within DPF programs, where prior actions to green the financial sector are increasingly part of the policy matrix.

Figure 3: World Bank Green Financial Sector Programs and Engagements



10 For more information, see here.

Supporting the Climate Agenda Through Treasury Products and Services

Since the early 2000s, the World Bank's Treasury has helped catalyze growing interest among investors to integrate Environmental, Social, and Governance (ESG) criteria into their bond-investment decisions and focus on the purpose of their investments. In 2008, IBRD was the first institution to issue a green bond, which allocates equivalent amounts to certain mitigation and adaptation projects, introducing transparency and impact reporting as part of the process. This jumpstarted a sustainable-bond market that has seen a total of over $5 trillion in issuance over the last 15 years. Taking a holistic approach, IBRD and IDA label their bonds "Sustainable Development Bonds" to communicate the integration of social and environmental goals and the World Bank's overall Sustainable Development mission.

IBRD continues to innovate and be at the forefront of sustainable finance through its structured notes. Climate-finance innovation started with structured bonds in the late 2000s, including notes linked to climate-focused equity indices in 2007 and the first emission-reduction-linked bonds in 2008; more recently, in a first-of-its-kind transaction, IBRD issued a $100 million Plastic Waste Reduction-linked Bond in January 2024.[11]

To support countries' resilience to climate change and natural disasters, IBRD has been a leader in the issuance of catastrophe bonds. "Cat" bonds are issued under IBRD's "capital at risk" notes program, which can be used to transfer risks related to natural disasters and other risks from developing countries to the capital markets. Over $4 billion in cat bonds in 24 transactions have been issued, providing financial resilience to countries such as Chile, Jamaica, Indonesia, and Mexico.[11]

In addition to issuing IBRD and IDA bonds, the World Bank's Treasury advises and works closely with member countries to help them develop sustainable capital markets through its Sustainable Finance and ESG Advisory Program. These efforts include technical assistance to financial regulators for greening the financial system, identifying financing options to design and implement countries' climate plans under the Paris Agreement, and helping borrowers mobilize private sector capital through dedicated climate finance instruments.

Supporting Access to Concessional Financing for Climate Action

As part of the 20th replenishment of resources for IDA (IDA20), which became effective on July 1, 2022, the Board of Governors endorsed eight Climate Change Policy Commitments to increase the impact and scale of IDA's climate and development interventions. The IDA20 Climate Change Special Theme, which aligns with the CCAP 2021–2025, supports climate interventions in adaptation and mitigation and deepens the integration, scale, and impact of climate and development together in IDA countries.

There is strong progress on all IDA20's eight policy commitments under the Climate Change Special Theme, which help to address short- and long-term adaptation needs, decarbonization objectives, and protection of biodiversity, natural capital, and ecosystem services, while stimulating growth, enabling a green recovery, focusing on crisis preparedness, and maintaining harmony between humans and nature. Please see the IDA20 Mid-term Review for details.

Expanding Climate and Nature-Related Trust Funds

World Bank–administered trust funds and financial intermediary funds (FIFs) support the climate agenda by complementing core IBRD and IDA financing, helping clients mobilize resources, and funding technical assistance, capacity building, and analytical tools for greater climate resilience, low-carbon growth, and environmental sustainability. In FY24, the World Bank continued to support trust funds and FIFs offering grants and concessional financing to countries that deliver climate and broader sustainability-related projects. More information on World Bank-administered trust funds and FIFs can be found in the most recent Trust Fund Annual Report.

Overall, the volume of recipient grants from IBRD/IDA trust funds going to climate and other environment-related activities has increased annually for the last four FYs (2021–24). Climate-related recipient grants during this time frame totaled $3.1 billion.

Supporting Sustainable Development with the World Bank's Nature Portfolio

The unprecedented global decline in biodiversity and the vital ecosystem services threaten livelihoods, water supply, food security, and thus can jeopardize hard-won development gains. Biodiversity and ecosystem services loss are interconnected with climate change - the two crises reinforce each other and can push the planet toward dangerous tipping points.

The World Bank Group is improving the way it tracks financing supporting biodiversity, as well as its impact. The World Bank Group has developed a Nature Finance Tracking Methodology, as part of an IDA20 commitment. The methodology is designed to capture our contributions to nature and to the implementation of the Kunming-Montreal

11 Net proceeds of the bonds described herein are not committed or earmarked for lending to, or financing of, any particular projects or programs. Payments on the bonds described herein are not funded by any project or program.

Global Biodiversity Framework in a systematic manner. The approach aligns with the MDB Common Principles for Tracking Nature-Positive Finance and will help track nature-positive investments delivering measurable positive gains for nature, as well as those investments that integrate nature in various economic sectors, including nature-based solutions in line with the CCAP 2021–2025, and support a broader economic transition towards nature-positive practices.

Supporting Vulnerable Clients Through the World Bank's Crisis Preparedness and Response Toolkit

During FY24, the World Bank expanded its toolkit to support vulnerable clients for crisis preparedness, response, and recovery. The rollout of the new Crisis Preparedness and Response Toolkit acts as a crucial mechanism to achieve the resilience objectives of our new vision and mission with expanded features (see Box 4).

Contributing to Global Climate and Sustainability Standards and Frameworks

The World Bank contributes to developing standards and frameworks by global regulators and standard-setting bodies, advocating that the perspectives of EMDEs be considered.

The World Bank supports the development of the Network for Greening the Financial System (NGFS) and Taskforce on Nature-Related Financial Disclosures (TNFD) climate and nature scenarios for risk assessment and capacity-building in EMDEs by organizations such as the Financial Stability Board, the International Organization of Securities Commissions, and the ISSB. In addition, the World Bank is supporting the development of the first Sustainability Reporting standard on climate-related disclosures for the public sector and has provided financial support to the International Public Sector Accounting Standards Board as part of the World Bank's Financial Management Umbrella Program.

The World Bank became a member of the NGFS Steering Committee in January 2024. The World Bank engages with the NGFS due to its leading role in addressing global financial climate issues, expanding EMDE membership, and the collaborative opportunities it offers for sharing knowledge and shaping green finance practices in EMDEs. Drawing from our experience supporting over 60 EMDEs in climate risk and sustainable finance, the World Bank provides a distinctive EMDE perspective within the NGFS, and leverages NGFS insights for its technical assistance to EMDEs.

The World Bank is also involved in initiatives such as the Coalition of Finance Ministers for Climate Action, the G20 Sustainable Finance Working Group, the G20 Environment and Climate Sustainability Working Group, and the G7 Disaster Risk Finance Working Group. By doing so, the World Bank ensures that global efforts to create a more sustainable financial system consider the needs and perspectives of EMDEs. As sustainability reporting and sustainable-finance reforms advance, the World Bank is gearing up efforts to support client countries throughout the transition.

Additionally, the World Bank is engaging in knowledge sharing across MDBs. The World Bank convenes a sustainability reporting Community of Practice (CoP), which consists of financial reporting professionals of 15 MDBs and International Financial Institutions (IFIs). The CoP is a forum where members can discuss sustainability-related financial disclosure standards and the application of these standards to the MDB context.

Box 4: Key Crisis Preparedness and Response Toolkit Enhancements

The Climate Resilient Debt Clause (CRDC): Provides eligible borrowers the option to defer principal and/or interest payments of new and existing loans for up to two years, following the occurrence of a pre-specified natural disaster (i.e. earthquakes and tropical cyclones). CRDCs are offered to IBRD and IDA-eligible Small State Economies, members of the Small States Forum and Small Island Developing States as defined by the United Nations.

Rapid Response Option (RRO): This loan feature offers countries fast access to cash for emergency response, which will be done through flexible resource reallocation within a loan instrument. The RRO allows borrowers to mobilize up to 10% of their undisbursed balances in their World Bank loan portfolio to address emergency needs when a crisis occurs.

Advance Emergency Systems: Will help governments build advance-emergency systems and have quick-disbursing finance available in times of crisis. The World Bank Group will increasingly link investments in prevention and preparedness with financing for catastrophe and crisis response support.

Disaster Risk Transfer: The World Bank has expanded access to financial protection against a wide range of shocks by allowing countries to finance the costs of disaster risk transfer transactions (i.e. catastrophe insurance or cat bonds) using Bank financing or by adding such costs to the interest rate of Bank loans.

Strategic Approach to Corporate Sustainability

The World Bank is committed to managing and reducing its corporate environmental footprint to ensure our financial resources are used in sustainable ways. In operations and engagements in host communities, the World Bank continues to strengthen its commitment to environmental, social, and economic sustainability.

The Corporate Responsibility Strategic Plan, approved by the World Bank's Managing Director and Chief Administrative Officer, focuses on reviewing mandates and progress on corporate responsibility at the institution, evaluating the current corporate responsibility landscape and trends, engaging stakeholders for input, and identifying implementation priorities.

The World Bank is also embedding climate and sustainability in decisions across internal operations, including our facilities and supply chain, based on 10 Corporate Sustainability Principles. The World Bank's progress on corporate sustainability can be found in the World Bank's annual Global Reporting Initiative (GRI) Index and biennial Sustainability Review, which can be found here.

Climate-Related Considerations in the World Bank's Corporate Activities

The World Bank's global real estate and facilities are exposed to the financial impacts of climate-related risks and opportunities. Climate change may present direct physical threats to our office facilities, such as heightened exposure to extreme weather phenomena. These hazards can result in property damage, operational disruptions, and increased insurance expenses. To manage these risks, the World Bank is retrofitting current structures to bolster their resilience against climate-related hazards. Additionally, sustainable design principles that either meet or surpass prevailing building standards, have been integrated both in upcoming construction projects and existing properties whenever feasible.

Our approach to facility design and management prioritizes sustainability across our real estate portfolio to ensure that our facilities are not only modern, healthy, and comfortable but also environmentally responsible. This commitment is evident in our pursuit of energy efficiency certifications, integration of renewable technologies, water efficiency elements, and consistent application of sustainable principles across all our facilities, from headquarters (HQ) to country offices.

Climate resilience parameters are an integral part of the World Bank Corporate Real Estate project planning. In December 2023, Chennai, India, experienced severe flooding, leading to extensive damage and disruption. Despite this, our three World Bank office buildings in the city remained largely unaffected, highlighting the effectiveness of the risk mitigation measures implemented following the 2015 flood. These lessons learned provide valuable insights applicable to other World Bank offices, ensuring readiness, resilience, and continuous operations in the event of natural disasters.

The World Bank's Use of Carbon Offsets to Achieve Carbon Neutrality

The World Bank Group purchases and retires carbon offsets to achieve carbon neutrality, including IBRD and IDA, for its Scope 1, Scope 2, and a portion of its Scope 3 GHG emissions. The World Bank Group publishes Guidelines and Criteria for Selection of Emission Reduction Offsets to align World Bank Group's offset purchases with its institutional objectives and support projects addressing climate change. Carbon credits are purchased from IDA-eligible countries.

Climate Considerations in the World Bank's Corporate Procurement Activities

Addressing environmental impacts including climate considerations in Corporate Procurement purchases is one of the main objectives of the Sustainable Procurement Framework, endorsed by senior governance committees at the World Bank Group in 2021. The World Bank's corporate procurement directive encourages inclusion of specifications to address climate and energy impacts of the purchase of goods and services. In addition, identification, mitigation and monitoring of environmental and social risks, including climate risk, is integrated into the World Bank Group's Third-Party Risk Management Framework.

To reduce emissions, procurements for carbon-intense goods and services utilize specifications such as eco-labels, low-carbon materials, and other criteria. In addition, the World Bank works with vendors who are taking steps to reduce their own emissions. Evaluation of a potential supplier's efforts on setting and achieving net-zero and science-based targets is part of evaluation of vendor proposals. To date, 20% of World Bank Group vendors by spend have validated science-based targets. In addition, vendors are subject to a Code of Conduct with environmental clauses to contribute to waste reduction and to increase the development and awareness of environmentally sound purchasing by using durable products and reusable products. For more information, see here.

Risk Management

The World Bank's risk management processes and practices continually evolve to reflect changes in activities in response to market, credit, product, operational, and other developments. Management believes that effective risk management is critical for the World Bank's overall operations. Accordingly, the risk management governance structure is designed to manage the principal risks that the World Bank entities assume in their activities and supports management in its oversight function, particularly in coordinating different aspects of risk management and in connection with risks that are common across functional areas.

The World Bank has adopted the "Three Lines Model" for our risk management accountability structure.[12] In line with this model, risks are managed at three levels of management to protect the World Bank from significant risks: (i) the business units, (ii) the risk and oversight units, and (iii) the independent audit function. Management's responsibility to achieve organizational objectives comprises both first- and second-line roles.

The World Bank's risk management process comprises risk identification, assessment, response, and risk monitoring and reporting. IBRD and IDA have policies and procedures under which risk owners and corporate oversight functions are responsible for identifying, assessing, responding to, monitoring, and reporting risks.

Climate-related risks are incorporated into the World Bank's enterprise risk taxonomy so they can be managed and monitored. The taxonomy provides common categories and standard definitions through which risks can be described and discussed. The current categories of risk include strategic, operational, financial, and development-outcome risk.

IBRD and IDA Risk Management and Integration of Climate Risks

The World Bank's risk management framework is designed to enable and support IBRD and IDA in achieving their development goals in a financially sustainable manner. The Chief Risk Officer (CRO) oversees financial and operational risks for IBRD and IDA. The CRO also promotes cooperation between the World Bank Group entities and facilitates knowledge-sharing in the risk management function. 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).

Processes for identifying, assessing, and responding to climate-related risks, like any other risks, are integrated into the World Bank's risk management framework. IBRD and IDA consider both physical risks from climate change and transition risks in their risk management and assess the impact of each on sovereign borrowers and operations.[13]

Table 1: Time Horizons Used to Evaluate Climate-Related Risks and Opportunities

Time Horizon	IBRD / IDA	Use
Short-term	Up to 1 year	Liquid Asset Portfolio, Operational Risk, Corporate Resilience
Medium-term	1–5 years	Sovereign Credit Risk, Capital Adequacy, Corporate Resilience
Long-term	5 years or more	Climate Change Action Plan, Strategy

12 An update of the Three Lines of Defense, The Institute of Internal Auditors (IIA), July 2020.

13 Physical risks are those resulting from impacts of climate change–related events and can be both acute and chronic. Examples of physical risks include droughts, floods, rising sea levels, and rising temperatures. Physical risks may affect supply chains, operational capacity, damage to physical assets, and other aspects of economic or business activity. Transition risks correspond to the global shift to a less carbon-intensive 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. Transition risks can vary substantially depending on economic reliance on carbon-intensive industries, a country's energy consumption mix, and scenarios for policy and technology changes.

Time Horizons to Assess Climate-Related Risk and Opportunities

The World Bank defines short, medium, and long-term horizons relevant for the evaluation of climate-related risks and opportunities. The time horizons reflect a combination of tenures which are generally relevant for risk management, liquidity management, strategic decision making and capital adequacy decisions.

Management of Climate-Related Financial and Operational Risks

Financial and operational risks overseen by the CRO include (i) country credit risks in the core sovereign-lending business, (ii) market and counterparty risks, including interest rate, exchange rate, commercial counterparty, and liquidity risks, and (iii) operational risks relating to people, processes, systems, and external events.

Country Credit Risk

Country credit risk is the most significant financial risk IBRD and IDA face. The World Bank uses our own sovereign credit rating methodology to assess all IBRD and IDA borrowers and manage country credit risk. The assessment is performed by the CRO with a comprehensive approach, using quantitative and qualitative inputs covering a range of economic, financial, and political factors relevant to the country's risk of default to IBRD and IDA. This includes physical 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 managing IBRD and IDA exposure and ensuring adequate loan loss provisioning. In addition, stress testing analyzes the potential effects of changes in market variables and geopolitical events on the IBRD and IDA portfolios to complement their capital adequacy framework. The World Bank has also begun to evaluate an approach to climate stress testing to aid in assessing and managing climate-related financial risks.

Counterparty Credit Risk

IBRD and IDA are exposed to commercial and non-commercial counterparty credit risk. IBRD and IDA mitigate the counterparty credit risk from their investment and derivative holdings through the credit approval process, the use of collateral agreements and risk limits, and other monitoring procedures. The credit approval process involves evaluating counterparty and product-specific creditworthiness, assigning internal credit ratings and limits, and determining the risk profile of specific transactions. Credit limits are set and monitored throughout the year.

Commercial credit risk management includes climate-related factors in the approval and monitoring of most high exposure counterparties for the liquid asset portfolio and for derivative counterparties.

Operational Risk

The World Bank recognizes the importance of operational risk management activities, which are embedded in our financial operations. As part of their business activities, IBRD and IDA are exposed to a range of operational risks, including physical security, staff health and safety, data and cyber security, business continuity, and third-party vendor risks. The World Bank's approach to identifying and managing operational risk encompasses a dedicated program for these risks and a process that includes assessing and prioritizing operational risks, monitoring and reporting relevant key risk indicators, aggregating and analyzing internal and external events, and identifying emerging risks that may affect business units and developing risk response and mitigating actions.

Climate-related operational risks are managed through the Operational Risk Management Framework, which is built on a three-lines model. As the first line, business units manage climate-related operational risks, which are part of the World Bank's operational risk taxonomy. As the second line, the operational risk unit analyzes key climate-related risks highlighted by the business units, and thematic issues (if any) are discussed with the Operational Risk Committee, as appropriate, on a quarterly basis starting from FY25. As the third line, the World Bank's Group Internal Audit periodically reviews the World Bank's operational risk management program and provides assurance on its design and operating effectiveness.

The Operational Risk Taxonomy includes climate-related operational risk as a distinct risk domain.

Management of Development-Outcome Risk

The World Bank assesses how climate risks may affect the ability of IBRD- and IDA-financed operations to deliver their intended development outcomes. Development-outcome risk is the risk to the client's ability to achieve expected results in World Bank–supported projects, programs, or strategies, as well as the risk of unintended consequences. 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. SORT is complemented by the World Bank's Environmental and Social Framework (ESF) and, starting July 1, 2023, the Paris Alignment assessment in relation to climate-related risks:

- **The ESF supports green, resilient and inclusive development by strengthening protections for people and the environment and making important advances in areas such as labor, inclusion and non-discrimination, gender, climate change, biodiversity, community health and safety, and stakeholder engagement.** It uses a risk-based and proportionate approach that applies increased oversight and resources to complex projects and allows for greater responsiveness to changes in project circumstances through adaptive risk management and stakeholder engagement. The ESF places an emphasis on strengthening national environmental and social management systems and institutions and supporting Borrower capacity building. The ESF consists of environmental and social standards (ESSs), which address a range of climate change considerations, including GHG emission estimation and climate change adaptation. ESS3's focus on resource efficiency, for example, includes an objective to avoid or minimize project-related emissions of short and long-lived climate pollutants. Options for reducing GHG emissions may include alternative project locations; adoption of renewable or low carbon energy sources; alternatives to refrigerants with high global warming potential; more sustainable agricultural, forestry and livestock management practices; the reduction of fugitive emissions and gas flaring; carbon sequestration and storage; sustainable transport alternatives; and proper waste management practices. The borrower may be required to include an estimate of gross GHG emissions resulting from the project, provided that such an estimation is technically and financially feasible.
- **Paris Alignment adopts a risk-based assessment approach, involving a three-step process that leads to a conclusive answer as to whether a given financing operation is aligned with the Paris Agreement.** In practice, this means that a project must be designed in such a way to support the deployment of lower-carbon options as applicable, whenever technically and economically feasible, and prevent carbon lock-in and ensure that material climate risks have been assessed and reduced to an acceptable level. To demonstrate this alignment, the World Bank has developed instrument methods, as well as World Bank Group sector notes that complement the joint MDB Methodological Principles for Assessing Paris Alignment. This guidance has been publicly disclosed on the World Bank Group's external website.

Metrics and Targets

The World Bank monitors and reports progress on climate-related targets, commitments,[14] and indicators tied to our operations and corporate practices. The World Bank is on track to meet most of our targets and commitments, including those outlined in the CCAP 2021–2025.

Metrics for World Bank Operational Activities and Advisory Services in FY24

New World Bank Group Corporate Scorecard FY24 – FY30

Centered on outcomes, a slimmed-down, focused Scorecard was announced by the World Bank Group in FY24. The Scorecard allows shareholders and citizens to clearly see the development outcomes the World Bank Group is supporting. The adoption of the new Scorecard will ensure the World Bank Group better tracks its results in line with its new vision and mission. Scorecard indicators will also be embedded in the Global Challenge Programs, including on forests, nature, and biodiversity. Taking an outcome approach, for the first time the World Bank Group is reporting climate results for mitigation (net GHG emissions per year) and adaptation (millions of people with enhanced resilience to climate risks). With the introduction of seven new indicators the World Bank Group can better measure results in supporting client countries' resilience to climate risks.[15] The first year of results under the new Scorecard can be found here.

IDA Results Measurement System

The IDA Results Measurement System (RMS) tracks results in countries supported by IDA.[16] The purpose of the IDA20 RMS is to measure and steer progress toward IDA20's ambition for a green, resilient, and inclusive future. It includes Tier 1, Tier 2, and Tier 3 indicators related to climate and resilience, such as net (relative) GHG emissions, renewable energy generation capacity (in gigawatts), share of adaptation co-benefits over total climate co-benefits in IDA-supported operations, and millions of people provided with access to clean cooking.

Climate Financing Targets and Commitments

The World Bank tracks our climate finance using the mitigation and adaptation methodologies developed jointly by 10 MDBs.[17] In FY24, the World Bank delivered $31.0 billion (IBRD $17.4 billion and IDA $13.6 billion) in climate finance, representing 45% of total IBRD and IDA commitments (see Figure 4 and Figure 5). This exceeds the CCAP climate finance target of 35% on average over FY21-FY25 and reflects our progress toward meeting the ambitious new commitment to devote 45% of World Bank Group annual commitments to climate financing in FY25. The CCAP 2021–2025 also highlights the significance of supporting client countries to address the impacts of climate change. In FY24, 33% of IBRD/IDA climate finance supported climate change adaptation and resilience activities, and 67% supported climate mitigation.

14 Certain targets and commitments are set and managed at the World Bank level and are not disaggregated at the IBRD and IDA level.

15 The seven new indicators include: Global GHG emissions, millions of people highly vulnerable to climate risks globally, millions of hectares of healthy terrestrial ecosystems globally, number of people exposed to hazardous air quality, number of countries without renewable natural capital wealth accumulation, terrestrial and aquatic areas covered by protected areas, and proportion of fish stocks within biologically sustainable levels.

16 The World 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 World Bank Group's framework for tracking progress at an aggregate level and integral to the World Bank's efforts to improve the focus on results. The IDA RMS uses a three-tiered development results framework with 79 indicators to track results of IDA countries at an aggregate level.

17 Every year, the MDBs report jointly on their climate finance commitments. The last such report, the 2022 Joint Report on Multilateral Development Bank's Climate Finance was written by a group of MDBs, composed of the African Development Bank, the Asian Development Bank, the Asian Infrastructure Investment Bank, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank , the Inter-American Development Bank Group, the Islamic Development Bank, the New Development Bank and the World Bank Group.

Figure 4: Overview of World Bank Climate Financing[18]

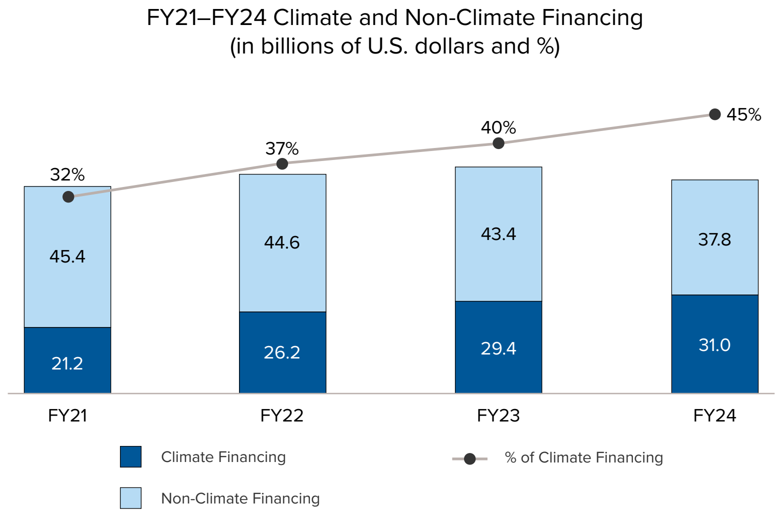
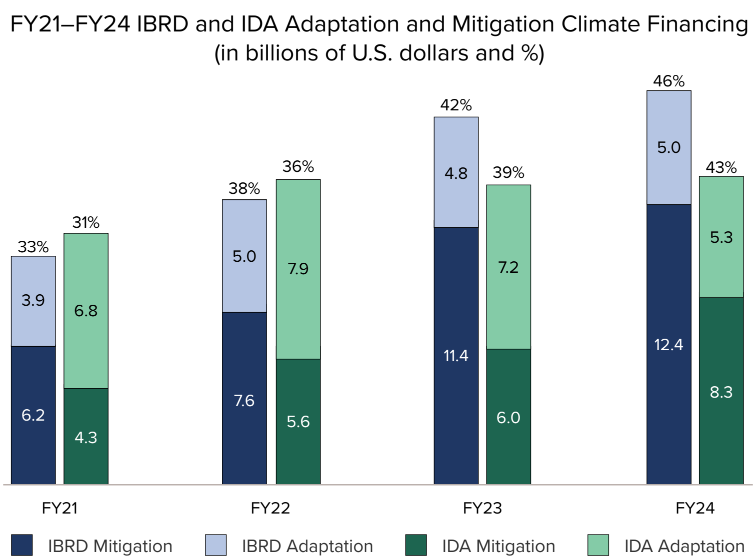


Figure 5: Overview of IBRD and IDA Climate Financing[19]



IBRD FY24:

46% or $17.4 billion

Adaptation: 29% Mitigation: 71%

IDA FY24:

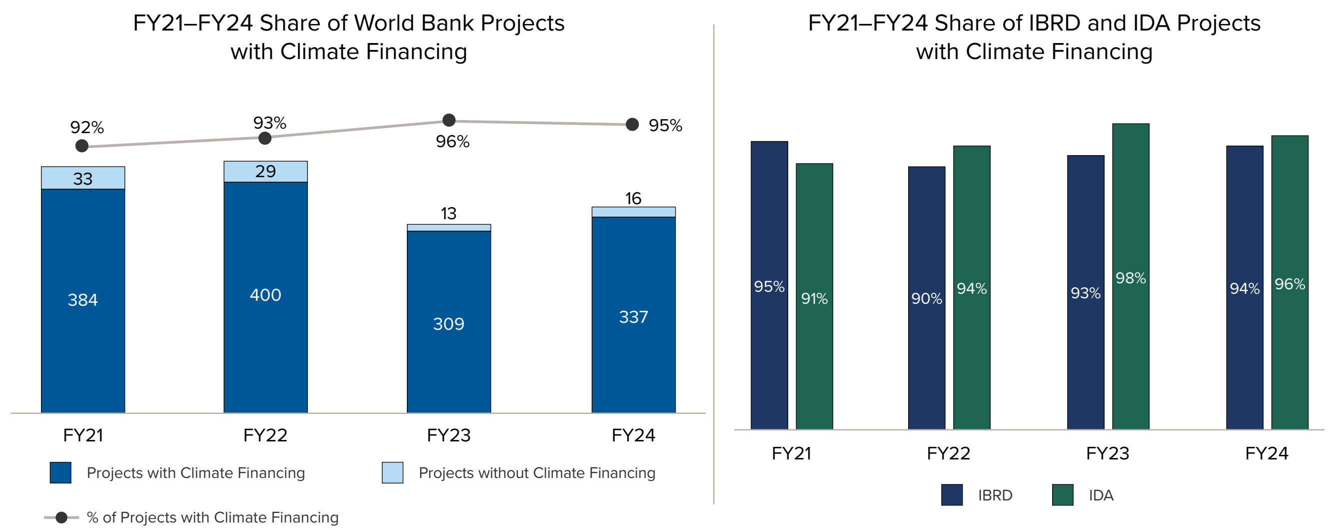
43% or $13.6 billion

Adaptation: 39% Mitigation: 61%

18 Amounts have been rounded to one decimal for presentation purposes.

19 General Capital Increase Policy Commitment: Increasing the IBRD climate finance target of 28% by FY20 to an average of at least 30% over FY20–FY23, with this ambition maintained or increasing to FY30. IDA20 Policy Commitment: At least 35% climate finance on average over FY23–FY25, with at least half supporting adaptation.

Figure 6: Share of World Bank Projects with Climate Financing[20]



World Bank Climate Financing

In FY24, 95% of World Bank projects had a climate financing component (IBRD 94%; IDA 96%), illustrating the institution's commitment to mainstreaming climate in our operations (see Figure 6). The latest project-level climate finance data for the World Bank are available here.

Table 2: IBRD and IDA Climate Finance Commitments by Region
In billions of U.S. dollars

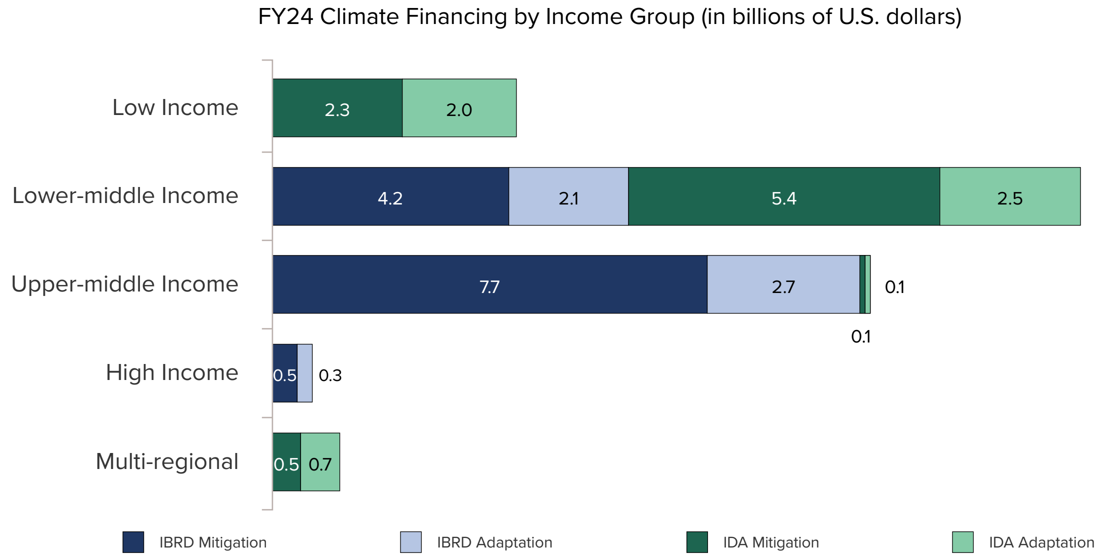
	IBRD				IDA			
Region	**FY21**	**FY22**	**FY23**	**FY24**	**FY21**	**FY22**	**FY23**	**FY24**
Eastern & Southern Africa	$0.4	$0.9	$0.8	$1.2	$4.5	$5.6	$5.5	$5.4
Western & Central Africa	0.2	0.2	0.2	0.4	3.1	4.7	4.4	4.3
East Asia & Pacific	2.0	2.6	2.7	3.8	0.3	0.7	0.2	0.6
Europe & Central Asia	1.4	2.1	3.3	4.1	0.4	0.6	0.2	0.3
Latin America & Caribbean	3.2	4.3	4.9	4.6	0.3	0.4	0.1	0.1
Middle East & North Africa	1.4	1.0	1.9	1.2	0.2	0.4	0.1	0.0
South Asia	1.5	1.7	2.4	2.1	2.1	1.1	2.6	2.8
Total	**$10.1**	**$12.6**	**$16.2**	**$17.4**	**$11.1**	**$13.5**	**$13.2**	**$13.6**

Climate Finance by Region

The World Bank supports countries to advance a low-carbon, resilient transition that is tailored to different country and regional contexts and needs.

20 Amounts show World Bank-approved operations by FY.

Figure 7: World Bank Climate Finance Commitments by Income Group[21]



Climate Finance by Income Group

In FY24, low-income countries accounted for 14% of total World Bank climate financing, lower-middle income countries for 46%, and upper middle-income countries for 34% (see Figure 7).

GHG Accounting for the World Bank's Lending Operations

Development often involves potentially emissive activities, such as the expansion of energy use, transport, or agricultural production. GHG accounting is utilized by International Financial Institutions (IFIs) to understand how they can reduce emissions associated with their lending operations. Since 2012, MDBs and other IFIs have collaborated through the Technical Working Group of the IFIs (IFI TWG) to harmonize project-level GHG emissions accounting. This collaboration resulted in the adoption of a Harmonized Framework for GHG accounting in 2015.[22] Along with applying an internal SPC in the economic analysis to incorporate the impact of GHG emissions, GHG accounting is increasingly used to assess the emissions impact of financed activities and to track progress of NDC implementation, scale up of climate action, and attract additional finance, by leveraging market climate/carbon instruments to incentivize emission reductions.

The World Bank's GHG accounting methodologies cover key sectors with high GHG mitigation potential: energy, forestry, agriculture, transport, water and sanitation, urban, and information and communication technology and represent approximately 25% of IPFs and 20% of the entire World Bank's lending operations. Methodologies are periodically revised and informed by experience, our evolving business needs, the evolution of international methodologies, methodologies and guidelines adopted by the IFI TWG, and publicly available methodologies.[23] All IBRD and IDA IPF in sectors with approved or endorsed methodologies that exceed predefined thresholds specified for each activity are mandated to undertake GHG accounting. At the project level, GHG accounting is conducted as an ex-ante estimate of GHG emissions, during project preparation.[24]

Since FY18, the World Bank has operated a quality assurance process to ensure GHG estimations are robust before they are reported externally. This includes both internal reviews and engagement of an independent third-party verification process.

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21 Amounts for adaptation and mitigation have been rounded to one decimal for presentation purposes. Amounts less than $0.1bn are not labeled in the graph.

22 See details here.

23 This includes the UN Framework Convention on Climate Change's Clean Development Mechanism, Verra and GHG protocol standards. Additionally, this includes the Food and Agriculture Organization's Ex-Ante Carbon-Balance (ExAct) Tool, the Highway Development and Management Model Four (HDM-4) Software, and the Advanced Practices for Environmental Excellence in Cities (APEX, developed with IFC).

24 The thresholds for activities vary and have been set in agreement with the World Bank Group's Global Practices with approval from the respective directors. Agriculture and forestry projects are required to report GHG emissions if the net GHG emissions exceed 20,000 tCO_2e per year. Transport activities and energy transmission and distribution activities have a threshold of $15 million for each project sub-component. Energy access projects have a threshold of $5 million for each sub-component. Water projects have thresholds of > 18.5 gCO_2e/kWh and > 2,500 tCO_2e/km^2 for projects with multi-purpose reservoir (water and hydro electricity generation) and hydroelectric components and those with only a reservoir component, respectively.

Net GHG Emissions

The World Bank Group is committed to supporting client countries' pathways to reducing GHG emissions. Within the new World Bank Group Scorecard (FY24-FY30), net emissions are tracked as an indicator under the Greener Planet and Resilient Populations outcome area. Annualized estimations of net GHG emissions are calculated as the difference between project emissions (aggregated over the economic lifetime of the project divided by the expected project life), and the emissions of a baseline scenario (aggregated over the same time horizon).[25] Total annual net emissions for eligible FY24 approved IBRD and IDA operations amounted to anticipated reductions of 11.5 million tons of carbon dioxide equivalent per year (tCO_2eq/year), of which IBRD represents 1.6 million tCO_2eq/year and IDA 9.9 million tCO_2eq/year. The indicator builds on and enhances existing methodologies.

Shadow Price of Carbon

The use of a shadow price of carbon (SPC) in the economic analysis is a corporate commitment for all World Bank IPFs subject to GHG Accounting. Projects that are not subject to GHG accounting do not have to use the shadow price of carbon in the economic analysis.[26]

The purpose of applying SPC in economic analysis of projects is to contribute to greater transparency and consistency of the project's GHG impacts to help inform decision making by the World Bank and its clients. The assessment of GHG and application of SPC is reviewed by an external party for quality assurance and control. Please refer to the 2024 Guidance Note on Shadow Price of Carbon for detailed information on the application and reporting of the shadow price of carbon.

Metrics for World Bank Corporate Activities

GHG Emissions

Building operations, together with travel, constitute the largest sources of GHG emissions for the World Bank's current carbon footprint.[27] The World Bank measures direct (Scope 1) and indirect (Scope 2) GHG emissions for our internal operations based on site-specific data for facilities.[28] For methodology details and data, please see the Inventory Management Plan (IMP) on the Corporate Responsibility website. The Bank's global building occupancy rose in FY23 with more staff returning to office compared to FY22. Accordingly, the facility-related energy consumption and emissions increased but remained well below pre-pandemic levels due to recently implemented energy efficiency projects.

The World Bank also measures Scope 3 GHG emissions from business air travel and contractor-owned vehicles globally and from headquarters' food purchases, calculated with the World Resource Institute's Cool Food Pledge.

The GHG emissions from business air travel, which represent most of the Bank's Scope 3 emissions, increased in FY23 compared to FY22, when there were air travel restrictions due to the COVID-19 pandemic.

GHG Emissions Intensity

Overall, the FY23 Scope 1 and 2 emissions intensity for the World Bank's 170 global facilities (in over 140 countries) increased by 3% from FY22.

Table 3: Scope 1, 2, and 3 GHG Emissions (tCO_2eq)

GHG Emissions[29]	FY19	FY20	FY21[30]	FY22	FY23
Scope 1	7,114	8,348	6,317	4,539	4,748
Scope 2	42,654	36,843	29,059	29,016	29,462
Scope 3	198,568	135,699	4,398	51,925	145,511

25 This includes direct/indirect absolute emissions (Scope 1 and Scope 2, and other indirect GHG emissions from other sources (Scope 3) on a case-by-case basis) and "other consequential emissions", as defined under the IFI TWG Guideline for a Harmonized Approach to GHG Accounting.

26 The corporate commitment is effective for IBRD/IDA projects with concept notes approved on or after July 1, 2017.

27 The World Bank does not disaggregate GHG emissions of its global facilities between IBRD and IDA.

28 Data lag by one FY due to timing of data collection.

29 Data are for all World Bank facilities worldwide and include Scope 1, Scope 2, and Scope 3 business travel and headquarters' food procurement emissions. Scope 3 business air travel emissions include radiative forcing and exclude Global Environment Facility (GEF) and MIGA business air travel emissions, whereas those are included in the World Bank's GRI report. FY20 includes the addition of Cool Food Pledge emissions from World Bank HQ food procurement. Details have been captured in the Inventory Management Plan.

30 World Bank facilities were closed or at reduced occupancy and travel was at a minimum for most of FY21.

Table 4: Emission Intensities (tCO_2eq)

Emission Intensities	FY19	FY20	FY21	FY22	FY23
Scope 1 and 2 (per square meter)	0.080	0.071	0.055	0.052	0.054
Scope 3 (per full-time equivalent)	11.52	7.64	0.24	2.74	7.59

Inventory Management Plan

The Greenhouse Gas Emissions Inventory Management Plan represents the World Bank Group's comprehensive effort to measure and manage GHG emissions from its internal global business operations. Corporate boundary conditions serve as the foundation for the GHG inventory by defining both the inventory's breadth and depth. To provide a GHG inventory, the World Bank Group has defined both organizational and operational boundary conditions consistent with the GHG Protocol guidance. The World Bank Group segregates its emission types by Scopes 1, 2, and 3, as defined by the GHG Protocol. A third party regularly verifies the IMP and the Greenhouse Gas inventory to ensure they meet international best practices.

Other Metrics

For other metrics, such as energy intensity ratio, water, and waste, please see the latest GRI report which is available here. For selected World Bank Corporate Real Estate Sustainability Metrics and the supporting initiatives, please see Box 6.

Targets for the World Bank Corporate Activities

Corporate Sustainability Targets

The world's poor remain most impacted by environmental degradation. Hence, reducing our corporate environmental impacts is aligned with our institutional mission to end extreme poverty and boost shared prosperity on a livable planet. Increasing the efficiency of how we run our business at both the facility and staff level reduces natural resource waste and decreases the cost of day-to-day operations.

The World Bank Group has set two goals for emission reductions: (1) reduce absolute carbon emissions from our own global facilities by 28% by 2026, compared with a 2016 baseline;[31] and (2) reduce emissions from food purchases by cafeterias, coffee bars, and catering operations at HQ by 25% by 2030, using 2019 as a baseline under the Cool Food Pledge.[32] Food services continues to work on eliminating single-use plastics by first eliminating plastic water bottles and promoting use of reusable dishware and cutlery.

The Corporate Responsibility Program is responsible for overseeing World Bank facilities and staff services and closely monitors progress toward these goals.

Ongoing sustainability initiatives include 15 solar panel installations, 11 energy-efficient Heating, Ventilation, and Air Conditioning (HVAC) upgrades, 14 LED lighting upgrades, and 6 rainwater harvesting installations. This is in addition to the already implemented projects, shown in Box 6.

Additionally, 24 facilities are currently undergoing green building certification review and/or recertification.

31 28% target includes all five organizations within the World Bank Group, for which IBRD/IDA currently emit approximately 80% of global emissions.

32 This goal extends to all World Bank Group's institutions.

Box 5: Selected World Bank Corporate Real Estate Sustainability Metrics[33]

121,469 gigajoules of energy saved.

109 megaliters of water saved.

18,791 metric tons of facility-based GHG emissions saved.

Box 6: Completed Sustainability Building Features[34]

37 Green building certifications.	**19** Country offices with solar panels installed.	**59** Lighting upgrades installed.	**28** Hazardous waste disposal sites installed.	**36** HVAC systems installed.
18 Electric vehicles charging projects built.	**11** Sewage treatment plants installed.	**12** Rainwater harvesting mechanisms installed.	**27** Electronic waste disposal sites installed.	**7** Facility condition assessments conducted.

33 FY16 is the baseline for these metrics. The amounts are for FY23.

34 The amounts are total completed up to FY24.

Looking Ahead

This disclosure is part of our commitment to transparency about the process around identification, assessment, and management of climate risks, as well as its incorporation into our governance, strategy and risk management process.

We will continue to refine our approach to climate risk, which includes developing climate-related stress testing. Furthermore, we will continue to develop appropriate climate-risk metrics that allow us to measure, monitor, and manage climate risks in the World Bank's risk taxonomy, including considering both physical and transition risks.

The outcome focus of the World Bank Group's new Scorecard represents a milestone for the World Bank in measuring how we deliver on our new mission, with heightened visibility and focus on accountability and results in addressing climate change and other critical global challenges. Achieving poverty reduction, shared prosperity, and a 'livable planet' all require urgent attention to addressing global challenges identified in the World Bank Group evolution process. Aligned with the new Scorecard, the World Bank is working with other MDBs on developing a common approach for measuring climate results to complement tracking of climate finance.

There will be an increase in support for knowledge, data, and sound analytics, notably CCDRs, that influence policy dialogue and shape country engagement on climate and development. The recently introduced Knowledge Compact for Action will bring these areas together under its four pillars.

The World Bank will continue to make progress on GHG accounting methodologies to increase coverage to additional sectors, where feasible, to exert a positive, sustainable impact. Given the unique business models of IBRD and IDA, we will continue to collaborate with other MDBs and standard setters on a suitable joint methodology to comprehensively measure and manage financed emissions from our development activities.

Transparency on progress on climate-related targets and results is crucial to ensuring that we deliver on the CCAP 2021–2025, setting a foundation for the World Bank's strategic directions on climate. As climate reporting is rapidly evolving, we will continue to assess the impact of climate-related factors on our strategy, business, financial performance, and risk management, and will enhance our disclosures in line with evolving global standards in recognition of the imperative to our key shareholders, investors, and stakeholders of the integration of climate considerations into everything we do. We will also assess internal controls over processes and systems supporting our Climate-related financial disclosures, with a view to prepare for assurance readiness over the medium-term.

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