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## **IFAD Sustainability Disclosure Report as at 31 December 2024**

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**Action:** The Executive Board is invited to take note of the information contained in this document.

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## Abbreviations and acronyms

ACCs	additional climate contributions
AF	Adaptation Fund
AFOLU	agriculture, forestry and other land use
AUO	Office of Audit and Oversight
CAR	Climate Action Report
COSOP	country strategic opportunities programme
CRD	Corporate Risk Dashboard
EFRAG	European Financial Reporting Advisory Group
EMS	Environmental Management System
ERM	Enterprise Risk Management
ERMC	Enterprise Risk Management Committee
ESG	environmental, social and governance
GHG	greenhouse gas
ICMA	International Capital Market Association
ICEC	ICAO Carbon Emissions Calculator
IFAD11	Eleventh Replenishment of IFAD's Resources
IFI	international financial institution
IFRS	International Financial Reporting Standards
IFRS S1	General Requirements for Disclosure of Sustainability-Related Financial Information
IFRS S2	Climate-Related Disclosures
IFRS SDS	IFRS Sustainability Disclosure Standards
IOE	Independent Office of Evaluation of IFAD
IOSCO	International Organization of Securities Commissions
IPRM	integrated project risk matrix
IPS	Investment Policy Statement
IROs	impacts, risks and opportunities
ISSB	International Sustainability Standards Board
KRI	key risk indicator
LEED	Leadership in Energy and Environmental Design
MDB	multilateral development bank
MOPAN	Multilateral Organisation Performance Assessment Network
ODE	Office of Development Effectiveness
ORMS	Operational Results Management System
OTD	Office of Technical Delivery
PoLG	programme of loans and grants
QAS	Quality Assurance Unit
RIDE	Report on IFAD's Development Effectiveness
RIME	Report on IFAD's Mainstreaming Effectiveness
RMO	Office of Enterprise Risk Management
SDFF	Sustainable Development Finance Framework
SDG	Sustainable Development Goal
SECAP	Social, Environmental and Climate Assessment Procedures
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact

## **I. Introduction**

### **A. Preamble and structure of the report**

1. Recognizing the importance of robust sustainability reporting for stakeholders, the International Financial Reporting Standards (IFRS) Foundation Trustees launched the International Sustainability Standards Board (ISSB) at COP26 in November 2021. The aim of this initiative was to enhance global consistency and quality of sustainability reporting, akin to financial reporting standards. Subsequently, on 26 June 2023, ISSB introduced the inaugural standards, IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2: Climate-related Disclosures. IFRS S1 establishes general reporting requirements. It requires an entity to identify, evaluate, prioritize and monitor risks and opportunities, and apply conceptual frameworks, to faithfully represent financial information related to sustainability. IFRS S2 requires material information on climate risks and climate-related opportunities to be disclosed.
2. This accompanying report to the 2024 consolidated financial statements is a first step towards compliance with the IFRS Sustainability Disclosure Standards (IFRS SDS), with the objective to ensure full adoption of IFRS S1 and S2 for the year ended 31 December 2025. This accompanying report is not subject to audit assurance.
3. This report provides information about IFAD's climate-related risks and opportunities for the 12 months ended 31 December 2024. It considers the relevant disclosure elements from IFRS S2, together with relevant disclosure elements from IFRS S1<sup>1</sup> on governance, strategy, risk management, metrics and targets.
4. Sustainability is an integral part of IFAD's mandate and is reflected in its policies, strategies and programmes. This report builds on documents already published by IFAD, for example the Report on IFAD's Development Effectiveness (RIDE), the Report on IFAD's Mainstreaming Effectiveness (RIME) and the Climate Action Report (CAR). These reports are usually published after IFAD's financial statements have been approved by the Executive Board (generally at its annual spring session). In line with the IFRS SDS, this report takes note of the proportionality considerations by considering these timing differences and, where applicable, discloses the most recently available information.
5. IFAD has considered the relevant transition reliefs anticipated by IFRS S1 and IFRS S2.<sup>2</sup> In particular, the following reliefs have been considered:
  - Disclosing information only on climate-related risks and opportunities in accordance with IFRS S2; and
  - Not presenting comparative information for the prior period before fiscal 2024 for amounts disclosed in some sections of the report.

### **B. IFAD's commitment to climate, environment and biodiversity and rationale for adopting the IFRS Sustainability Disclosure Standards**

6. During the Eleventh Replenishment of IFAD's Resources (IFAD11) period,<sup>3</sup> IFAD committed to scaling up investments that mainstream environment, climate change, youth, gender and nutrition. Currently, IFAD is working on a new Strategic Framework for the period 2025–2031, which will further strengthen its focus in these areas. Additionally, IFAD is working on a new Climate, Environment and

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<sup>1</sup> Consideration has also been given to the relevant IFRS S1 and IFRS S2 implementation guidance issued by ISSB. In addition, IFAD has referred to other sources of guidance such as the European Financial Reporting Advisory Group implementation guidelines.

<sup>2</sup> To facilitate first-time adoption, IFRS S1 and IFRS S2 have transition provisions (see IFRS S1 – appendix E, Effective date and transition, and IFRS S2 – appendix C, Effective date and transition).

<sup>3</sup> IFAD Strategic Framework 2016-2025: Enabling Inclusive and Sustainable Rural Transformation.

Biodiversity Strategy for the period 2025–2031 for approval by the Executive Board in May 2025 and a Paris Agreement Alignment Roadmap presented for information.

7. Investors and rating agencies seek reliable, comparable and consistent investor-focused disclosure on sustainability and climate-related risks and opportunities. In July 2023, the International Organization of Securities Commissions (IOSCO)<sup>4</sup> announced its endorsement<sup>5</sup> of the IFRS SDS, sending a strong signal to jurisdictions around the world that the ISSB standards are fit for purpose for capital market use, enabling pricing in of sustainability-related risks and opportunities, and facilitating enhanced data collection and analysis.
8. Further, IFAD actively participates in the international financial institutions (IFIs) and multilateral development banks (MDBs) forum on sustainability and environmental, social and governance (ESG) reporting, sharing practices and aligning on materiality assessment strategies and reporting practices. This collective approach aims to enhance the quality and consistency of sustainability reporting across institutions.
9. IFAD is committed to aligning with international sustainability-related objectives with the intention of serving as a point of reference for companies and policymakers. For instance, the Fund contributes actively to reaching 16 of the 17 Sustainable Development Goals (SDGs) designed by the United Nations.

## **II. Methodology adopted for sustainability reporting**

10. IFRS S1 and S2 are complex and require the definition of material sustainability topics applicable to IFAD in addition to articulating governance, strategies, risk management, metrics and targets<sup>6</sup> for each material topic. Such items have to be documented and reported on a yearly basis. To ensure successful implementation of the IFRS SDS, IFAD has adopted a structured approach as follows:
  - Conducting a gap analysis to understand how IFAD compares with IFRS SDS requirements, and to identify material topics that could reasonably impact IFAD's financial prospects and the relevant components of IFAD's value chain;
  - Performing a materiality assessment in relation to the topics and related impacts, risks and opportunities;
  - Identifying indicators and targets suitable to measure material risks and opportunities (if not already established);
  - Developing a multi-year plan for sustainability disclosure reporting and related controls over ESG reporting;
  - Measuring such material sustainability risks and opportunities during the year; and
  - Presenting the IFRS sustainability disclosure report articulating governance, strategies, risk management, metrics and targets for each material topic, in addition to the consolidated financial statements.
11. An internal interdivisional working group was established to coordinate the sustainability reporting effort and ensure the representation of different teams across IFAD.
12. In particular, the gap analysis noted some areas for improvement, which are being addressed, for example, through the development of the revised Climate,

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<sup>4</sup> IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for financial markets regulation, regulating more than 95 per cent of the world's securities markets.

<sup>5</sup> IFRS SDS endorsement available on <https://www.iosco.org/news/pdf/IOSCONEWS703.pdf> – accessed on 21 February 2025.

<sup>6</sup> This disclosure structure is based on the former Task Force on Climate-related Financial Disclosures standards, which are now part of the ISSB standards.

## Environment and Biodiversity Strategy and the Paris Agreement Alignment Roadmap.

13. Subsequent to the gap analysis, IFAD undertook the materiality assessment by initially identifying a preliminary long list of the ESG impacts that stem from upstream activities, IFAD internal activities or its downstream operations. Relevant topics have been summarized in 17 sustainability-related disclosure topics<sup>7</sup> as per table 1 below.

Table 1  
**Sustainability topics**

Number	Sustainability-related disclosure topics identified <sup>a</sup>	ESG category <sup>b</sup>	Value chain component <sup>c</sup>
1	Climate change adaptation	E	Internal activities, downstream operations
2	Climate change mitigation	E	Internal activities, downstream operations
3	Biodiversity	E	Internal activities, downstream operations
4	Water	E, S	Internal activities, downstream operations
5	Waste	E	Internal activities, downstream operations
6	Pollution	E	Internal activities, downstream operations
7	Sustainable funding	E, S	Entire value chain <sup>d</sup>
8	Financial inclusion and market access	S	Downstream operations
9	Resettlement	S	Downstream operations
10	Diversity, equity and inclusion	S	Internal activities, downstream operations
11	Working conditions - own workforce	S	Internal activities
12	Working conditions - workforce in the value chain	S	Downstream operations
13	Communities' economic, social and cultural rights	S	Downstream operations
14	Beneficiaries and end-users' rights	S	Downstream operations
15	Incorporation of ESG factors in credit analysis and investments	G	Internal activities
16	Business ethics	G	Internal activities, downstream operations
17	Data security	S, G	Entire value chain

<sup>a</sup> IFRS S1 and S2 define a disclosure topic as a specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in an IFRS SDS or a Sustainability Accounting Standards Board (SASB) Standard.

<sup>b</sup> ESG categories are the categories used to cluster sustainability topics in this report. There are other forms of categorization anticipated in different sustainability reporting frameworks / sources of guidance.

<sup>c</sup> See section IV(A) on IFAD business model and value chain for additional information. As per IFRS S1, the value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end of life, including interactions, resources and relationships in the entity's operations. Sustainability-related risks and opportunities can occur throughout the value chain, generating potential and/or actual financial effects for the organization.

<sup>d</sup> Entire value chain covers upstream activities, internal activities and downstream operations.

14. Of these 17 topics, climate adaptation, climate change mitigation, biodiversity, water, waste, pollution and sustainable funding were identified as related to environment, climate and biodiversity.
15. As per best practice and requirements of the IFRS SDS, IFAD associated relevant topics with related sustainability impacts, risks and opportunities (IROs) that could reasonably be expected to affect IFAD operations and financial prospects. The exercise was extensive and included a materiality assessment at the subtopic level as well.

### **A. Components considered for materiality assessment**

16. IFAD has followed a double materiality assessment in determining related IROs in line with the European Financial Reporting Advisory Group (EFRAG)<sup>8</sup> materiality assessment guidance. Details are provided in section VII of this report.

<sup>7</sup> This report presents all 17 topics for completeness of the materiality assessment process. However, this report is focused only on climate-related risks and opportunities disclosures in line with IFRS S2.

<sup>8</sup> Available on

[https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/IG%201%20Materiality%20Assessment\\_final.pdf](https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/IG%201%20Materiality%20Assessment_final.pdf) – accessed on 19 February 2025.

## **B. Stakeholder engagement**

17. Relevant stakeholders were involved in the identification and evaluation of the sustainability topics and the IROs. These activities included interacting with internal stakeholders as subject matter experts and with external stakeholders like members of the IFAD Audit Committee, thus involving IFAD Member States.

## **C. Results of materiality assessment**

18. Thresholds were established for IROs. These thresholds were derived from the average scores assigned to each IRO. Any IRO scoring at or above these thresholds was considered potentially significant for IFAD.
19. At the end of the materiality assessment process, all 17 topics were deemed material.<sup>9</sup> However, this report focuses only on topics related to climate, environment and biodiversity in line with IFRS S2.

## **III. Governance**

### **A. Overview of IFAD's governance structure**

20. IFAD's governance arrangements are robust, with a strong emphasis on accountability, transparency and stakeholder engagement. IFAD has established frameworks and policies ensuring that it remains accountable to its stakeholders and transparent in its operations.
21. The Governing Council is IFAD's main decision-making body. Each Member State is represented in the Governing Council and all powers of IFAD are vested in the Governing Council. Subject to the limitations stated in the Agreement Establishing IFAD, the Governing Council may delegate power to the Executive Board. The Executive Board is responsible for overseeing the general operations of IFAD and exercises the powers given to it by the Agreement Establishing IFAD or delegated to it by the Governing Council. The President is the legal representative of IFAD. Under the direction of the Governing Council and the Executive Board, the President heads, organizes, appoints and manages IFAD's staff and is responsible for conducting the business of IFAD.
22. The Executive Board has full authority to decide on the programme of work, approve projects, and adopt/recommend action, pending the final approval of the Governing Council, on matters related to the annual administrative budget, applications for membership and staffing within IFAD. The Executive Board is responsible for risk oversight and for approving risk-related policies and risk appetite statements as per IFAD's Enterprise Risk Management (ERM) Policy.
23. As a subsidiary body of the Executive Board, the role of the Audit Committee is to assist the Board in exercising supervision over the financial administration and internal oversight of IFAD, including the annual review of the risks faced by IFAD and the risk management practices and procedures in place; it provides its opinion and comments thereon to the Board. In addition, the Audit Committee is responsible for overseeing the impartial review process for alleged non-compliance with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP).
24. The Evaluation Committee performs in-depth reviews of selected evaluation issues and the Independent Office of Evaluation of IFAD (IOE) strategies and methodologies.
25. The Executive Board and the President are ultimately accountable to Member States for the strategic planning and monitoring of IFAD's work and for reporting on the delivery of agreed results.
26. With direction from the Governing Council and Executive Board, the Office of the President and Vice-President provides IFAD's day-to-day leadership with clearly

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<sup>9</sup> A topic was deemed material if at least one of its related subtopics is classified as material.

established delegation of authority. IFAD operations are spread across the following offices and departments: (i) External Relations Department; (ii) Financial Operations Department; (iii) Department for Country Operations; (iv) Office of Technical Delivery; (v) Office of Development Effectiveness (ODE); (vi) Corporate Services Department; (vii) Office of Enterprise Risk Management (RMO); (viii) Office of Legal and Governance; and (ix) Corporate Services Support Group.<sup>10</sup> These departments are further divided into divisions and offices. IOE is not part of this structure and reports directly to the Board on substantive matters.

27. As per IFAD's ERM Policy, the President is also responsible for implementing strong risk management practices commensurate with IFAD's strategic and development objectives, and including them in strategic planning. The President ensures that risk exposures remain within the boundaries of appetite and tolerance, and communicates IFAD's risk appetite.
28. The internal and external auditors of IFAD measure the effectiveness of internal controls. They assess whether the controls are properly designed, implemented and working effectively while making recommendations on how to improve internal controls.
29. IFAD Management is responsible for designing and implementing the internal control and risk management process together with IFAD's financial operations management team. In this regard, IFAD has a clear IFAD Accountability Framework and Delegation of Authority Framework. The objective of these frameworks is to provide a dynamic and integrated accountability system and a global delegation of authority to establish clear links between IFAD's activities and outcomes. The interlinked frameworks foster a risk-aware culture of trust and transparency by empowering IFAD staff to undertake risk-informed decision-making and assume accountability at all levels within the organization. Figure 1 summarizes the governance structure of IFAD.

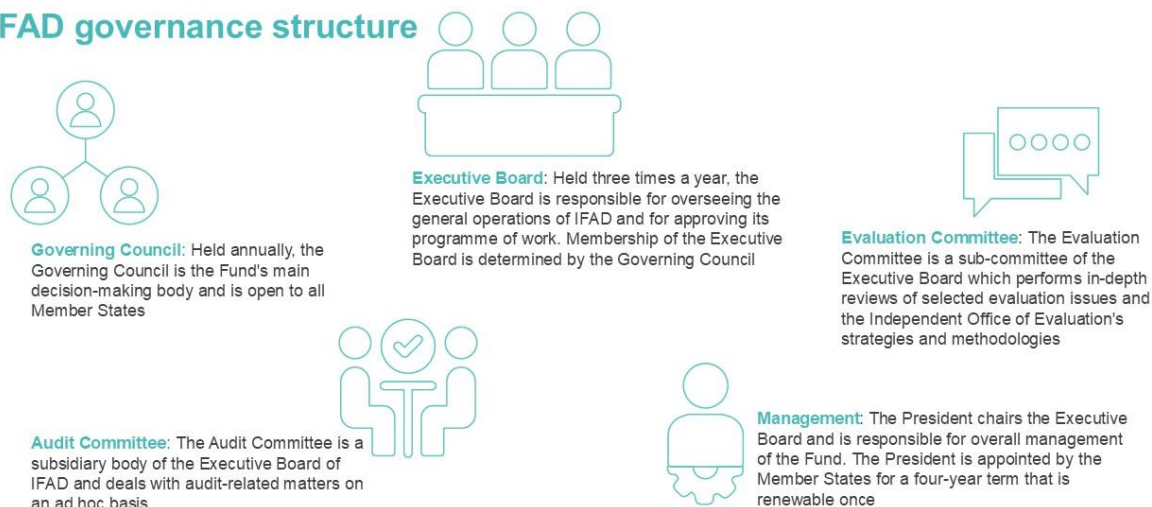
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<sup>10</sup> The Corporate Services Support Group includes the Ethics Office, the Office of Audit and Oversight, and the Planning, Organizational Development and Budget Division.



Figure 1  
IFAD governance

### IFAD governance structure



Source: <https://www.ifad.org/documents/d/new-ifad.org/investor-relations-presentation>.

## B. Governance over climate-related risks and opportunities

30. As highlighted above, IFAD's governance structure is designed to ensure effective oversight and management, including climate-related risks and opportunities. Governance over climate-related risks and opportunities is broad and part of existing governance structures. The replenishment consultations<sup>11</sup> with Member States and Management define key ESG-related indicators,<sup>12</sup> monitorable actions and targets for the forthcoming replenishment periods.
31. The Executive Board approves IFAD's overall strategy and climate, environment and biodiversity strategies, and reviews the CAR each year.<sup>13</sup> On a yearly basis, the Evaluation Committee reviews the RIDE and RIME, which are subsequently reviewed by the Board.<sup>14</sup>
32. The Audit Committee is responsible for overseeing the impartial review process for alleged non-compliance with the SECAP. The Audit Committee also reviews the annual report on the enhanced SECAP complaints procedures and informs the Executive Board of any issue deemed relevant.
33. The IFAD Annual Report highlights some of IFAD's climate, environment and biodiversity interventions and investments, engagement of rural people in shaping priorities of rural transformation including climate priorities, and the role of IFAD in influencing global debates and advocating for investments in rural areas.
34. Divisional responsibilities in relation to climate-related risks and opportunities are clearly defined in the SECAP and other governing policies and procedures, project design procedures and in divisional terms of reference. This is cascaded down to individual staff terms of reference and performance management plans for the project delivery teams.

<sup>11</sup> The Replenishment Consultation with Member States takes place every three years.

<sup>12</sup> See the IFAD13 Results Management Framework, annex II of Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources. Available on <https://webapps.ifad.org/members/gc/47/docs/GC-47-L-5.pdf>.

<sup>13</sup> The yearly CAR reflects significant changes made in key aspects of IFAD's business model to achieve corporate-level commitments on climate change-related factors. It includes statistics describing climate-related finance provided as part of IFAD's programme of loans and grants, as well as the mobilization of supplementary climate and environmental financing and highlights the geographical action areas.

<sup>14</sup> Specifically, the RIDE provides insights into the Fund's achievements and progress against the indicators and targets set in the corporate Results Management Framework, as agreed with Member States. These reports cover both operational and organizational performance.

35. IFAD's Environment, Climate, Gender and Social Inclusion Division in the Office of Technical Delivery (OTD)<sup>15</sup> is mandated to identify climate risks and opportunities. ODE is responsible for corporate reporting on implementation commitments made through the RIDE and RIME and also reports on impact assessments. The SECAP outlines how IFAD manages environmental, climate and social risks and impacts, and integrates priorities into IFAD investments to achieve better development outcomes. Additionally, the SECAP includes an environmental and social exclusion list to screen potential projects for environmental and social risks, and to align activities with the SDGs.
36. The SECAP, Mainstreaming Compliance and Quality Assurance Unit (QAS) within ODE ensures compliance with the SECAP and issues an annual SECAP compliance report. QAS is also mandated to handle the SECAP complaints mechanisms.
37. The Office of Audit and Oversight (AUO) conducts reviews to assess SECAP non-compliance reports on pre-selected country programmes on a yearly basis.
38. As described further under the risk management section of this report, the Enterprise Risk Management Committee oversees IFAD's ERM. RMO is mandated to review financial operations and delivery risks associated with climate-related risks and opportunities.
39. Climate risk opportunities are identified with mitigation actions at the project management unit level.<sup>16</sup> Project delivery teams monitor progress during periodic supervision missions, and are required to rate performance on adaptation to climate change during each supervision mission. IFAD has established internal quality assurance mechanisms over the project life cycle from design to completion.

## **IV. Strategy**

### **A. IFAD business model and value chain**

40. IFAD was founded in 1977 in response to food crises that occurred in the early 1970s, to address food insecurity and famine caused by both failures in food production and the broader structural problems relating to rural poverty.<sup>17</sup> Most of the world's extremely poor people, over 80 per cent, live in rural areas of developing countries, where half of the global population lives and where hunger and poverty are widespread.<sup>18</sup>
41. IFAD's vision envisages vibrant, inclusive and sustainable rural communities where people live free from poverty and hunger. Since its inception, IFAD has focused its operations on reducing poverty and food insecurity in rural areas through agriculture and rural development, targeting the world's poorest populations.
42. IFAD focuses on supporting the most disadvantaged and marginalized farmers and populations by providing resources to those with the highest levels of need. This takes place through IFAD's work at three levels:
  - At the global level, IFAD allocates resources to countries in lower-middle-income groups, disadvantaged regions and countries in fragile situations;
  - At the country level, IFAD channels resources to the disadvantaged regions and most vulnerable socioeconomic groups through a country strategic opportunities programme (COSOP), which provides a framework for making strategic choices about operations within a country; and

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<sup>15</sup> Previously known as the Strategy and Knowledge Department.

<sup>16</sup> It is the responsibility of the project management units in countries to implement IFAD investments.

<sup>17</sup> See the 2023 Multilateral Organisation Performance Assessment Network (MOPAN) report (p. 8): <https://www.ifad.org/en/w/news/mopan-assessment-ifad-2023>. MOPAN is an independent network of 22 member states with a shared vision to promote an effective multilateral system that delivers solutions to evolving global goals and local challenges.

<sup>18</sup> IFAD Climate Action Report, 2024.

- At the project level, IFAD targets the poorest and most excluded within the project area. During the IFAD13 period,<sup>19</sup> all core resources will be devoted to meeting the needs of the poorest populations facing the greatest challenges in achieving the SDGs. In accordance with IFAD's Poverty Targeting Policy 2023 and the COSOP guidance, each COSOP recognizes the diversity of rural poverty and identifies target groups in terms of geographical location, economic livelihoods and available opportunities, and the level and nature of poverty and vulnerability, as well as the factors shaping poverty. Each COSOP aims to address gender equality and women's empowerment, and employment creation for rural youth. Indigenous Peoples and/or persons with disabilities may be a particular focus of IFAD support in some countries. IFAD uses a community-driven approach that involves millions of small family farmers, who contribute to project design, investing their efforts in projects. IFAD is also committed to including an analysis of climate action priorities outlined in Nationally Determined Contributions in 100 per cent of COSOPs.
43. IFAD's multidimensional definition of rural poverty and contextualized approach to supporting the most disadvantaged and marginalized farmers enable the organization to reach hard-to-reach beneficiary groups. IFAD aims to transform rural economies and food systems by making them more inclusive, productive, resilient and sustainable. The Fund operates in five regions: Asia and the Pacific (APR), East and Southern Africa (ESA), Latin America and the Caribbean (LAC), Near East, North Africa and Europe (NEN), and West and Central Africa (WCA).

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<sup>19</sup> IFAD replenishment cycle for the period 2025 to 2027. See <https://www.ifad.org/en/ifad13/> – accessed on 7 February 2025.

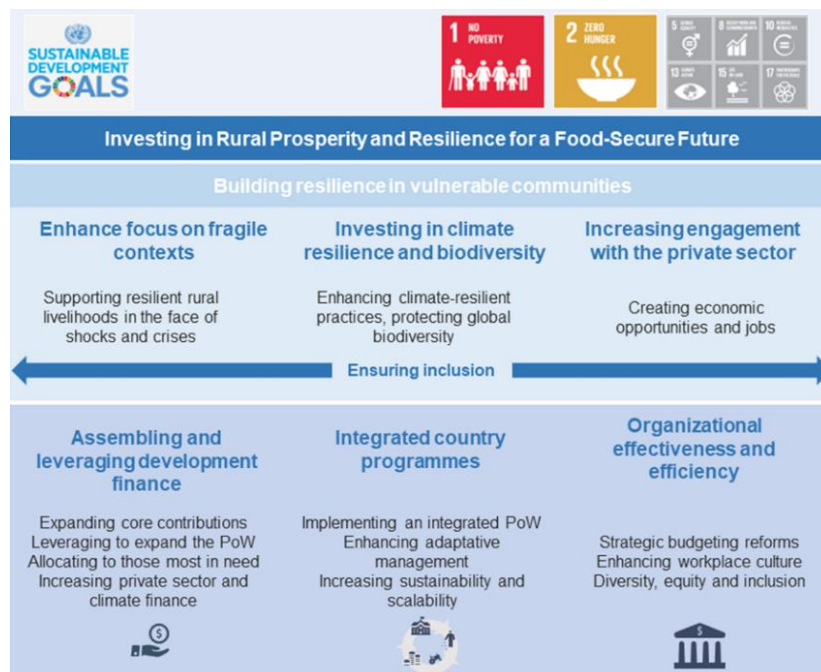
Figure 2  
**IFAD mandate**



Source: <https://www.ifad.org/documents/d/new-ifad.org/investor-relations-presentation>.

44. IFAD engages its Member States on replenishment priorities every three years. The replenishment process offers a unique opportunity to clarify and build consensus on key priorities for IFAD for the relevant period.
45. The latest replenishment resolutions<sup>20</sup> were adopted in February 2024 by the Governing Council at its forty-seventh session and relate to the IFAD13 period from 2025 to 2027.
46. For the IFAD13 period, IFAD has adopted a theory of change to maintain its ambition of making a significant contribution to the SDGs. IFAD's development impact for the 2030 Agenda for Sustainable Development is focused on engaging in fragile contexts, investing in climate resilience and biodiversity, and boosting private sector engagement. Climate and environment focus and investments are therefore key to the success of IFAD13.

Figure 3  
**IFAD13 Framework**

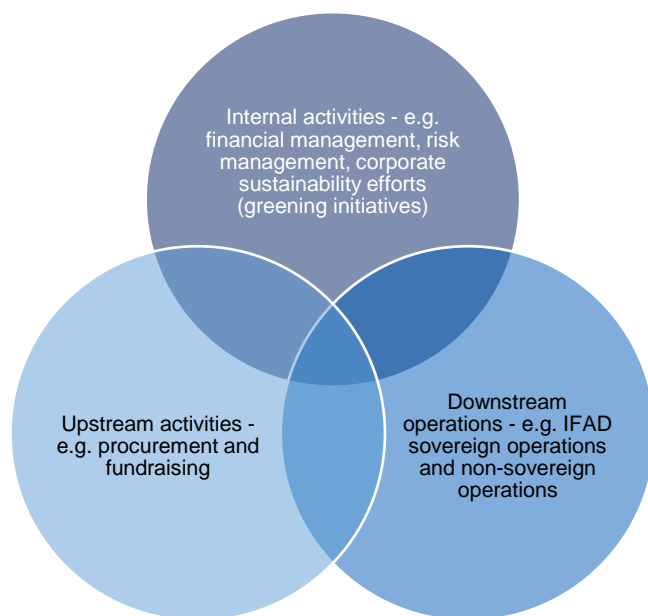


Source: IFAD13 Report (GC 47/L.5).

<sup>20</sup> IFAD13 Report (GC 47/L.5).

47. In assessing the material IROs, IFAD considered the entire value chain<sup>21</sup> of the organization. IFAD's value chain encompasses upstream activities, internal activities and downstream operations. The materiality assessment process determined that most of the IROs are linked to downstream operations.
48. The following diagram summarizes IFAD's value chain. It is based on the sustainability reporting exercise and emphasizes the interlinkages across the various components of the value chain.<sup>22</sup>

Figure 4  
**IFAD value chain**



Note: Some of the material climate-related risks and opportunities of the IFAD value chain are reflected in annex I of this report.

## **B. IFAD's Strategic Framework**

49. The IFAD Strategic Framework 2016–2025 was approved by the Executive Board in 2016. It lays out three interlinked strategic objectives to support its mandate and contribute to the 2030 Agenda: (i) increase poor rural people's productive capacities; (ii) increase poor rural people's benefits from market participation; and (iii) strengthen the environmental sustainability and climate resilience of poor rural people's economic activities. IFAD's work adheres to five principles of engagement: targeting; empowerment; gender equality; innovation, learning and scaling up; and partnerships. The Strategic Framework clarified that policy engagement, including climate and environment aspects, was one of the four pillars supporting the achievement of IFAD's development results in its country programme delivery. Partnerships and policy engagement with governments are fundamental for the formulation of IFAD-supported programmes while ensuring country ownership.

<sup>21</sup> The value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end of life, including interactions, resources and relationships in the entity's operations. Sustainability-related risks and opportunities can occur throughout the value chain, generating potential and/or actual financial effects for the organization.

<sup>22</sup> Upstream activities in IFAD relate to fundraising activities in areas such as sustainable bonds, supplementary funds and replenishment, in addition to procurement. Internal activities in IFAD relate to various activities undertaken to support the downstream operations. This covers capacity in various areas including corporate sustainability initiatives through the Management Services Division, financial control, project finance support, risk management, human resources management, treasury, ethics, internal audit and oversight, and technical specialists to support the country operations through teams in the Department for Country Operations, ODE and OTD. Downstream operations relate to IFAD investments in more than 98 countries where IFAD has operations deploying various instruments such as sovereign loans, non-sovereign loans, technical assistance, grant instruments and policy engagement.

## **C. Overview of strategies for managing climate risk**

### **Strategy and action plan on environment and climate change**

50. IFAD is currently in the process of developing a revised strategy covering climate, environment and biodiversity for the period 2025 to 2031. This revised strategy will replace the current Strategy and Action Plan on Environment and Climate Change 2019–2025 and the IFAD Strategy on Biodiversity 2022–2025.
51. IFAD’s Strategy and Action Plan on Environment and Climate Change 2019–2025 helps implement the third objective of the Strategic Framework. In particular, the action plan focuses on the mobilization and deployment of resources to mitigate and adapt to environmental challenges and climate change. To support these goals, the plan seeks to better equip staff and partners with tools and lessons learned to better integrate and design projects that incorporate climate change. This strategy aims to guide the integration of environmental sustainability and climate resilience into IFAD’s programming.
52. Over the years IFAD has intensified its focus on climate, the environment and biodiversity. It has embedded these priorities in its investments and increased its share of climate finance across its own resources. IFAD has also expanded its engagement with international climate and environmental funds to aggregate and pool resources for greater impact in this area. In parallel, IFAD has updated its SECAP to safeguard these investments. These efforts aim to boost resilience and sustainable livelihoods among target groups and deliver reductions of agrifood emissions and environmental degradation while conserving biodiversity.
53. IFAD recognizes that climate adaptation is crucial, especially in the most vulnerable countries where failure to adapt can threaten food security. While IFAD’s primary focus is on rural development and poverty eradication, it recognizes the synergies between adaptation and mitigation. IFAD’s commitment to climate resilience aligns with its mission to support smallholder farmers and rural communities.

### **Focus on biodiversity**

54. IFAD recognizes the significance of ensuring biodiversity protection and its sustainable management and developed a Strategy on Biodiversity to guide IFAD’s operations for the period 2022-2025. This strategy is aligned with IFAD’s commitments under IFAD12, complements the IFAD Strategy and Action Plan on Environment and Climate Change 2019–2025, and is in line with the updated SECAP, which includes biodiversity conservation as the first of nine mandatory operational social, environmental and climate standards. IFAD has also created a dedicated indicator focusing on the measurement of the impact of projects on biodiversity and incorporated it into its core indicators framework.
55. The loss of biodiversity represents one of the challenges related to climate change. In fact, diversity in agriculture and food systems is a key element for guaranteeing resilience of rural families and their livelihoods. Biodiversity loss is particularly affecting small-scale producers worldwide, mainly located in low-income countries.
56. IFAD is committed to coping with the challenge by supporting countries to protect, restore and promote biodiversity and its sustainable use in rural systems, while at the same time ensuring mutual benefits for both nature and livelihoods. IFAD’s biodiversity strategy aims to specifically support small-scale producers and other stakeholders in protecting biodiversity while ensuring improved livelihoods, resilience and empowerment.

### **Focus on fragility**

57. In IFAD13, IFAD recognizes the need to enhance its focus in fragile contexts and underscores the interplay between climate change and fragility.<sup>23</sup> The IFAD13 Report calls for IFAD to allocate at least 30 per cent of core resources to countries

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<sup>23</sup> Addressing fragility through a focus on rural livelihoods: a reflection on IFAD’s role (EB 2023/138/R.2)

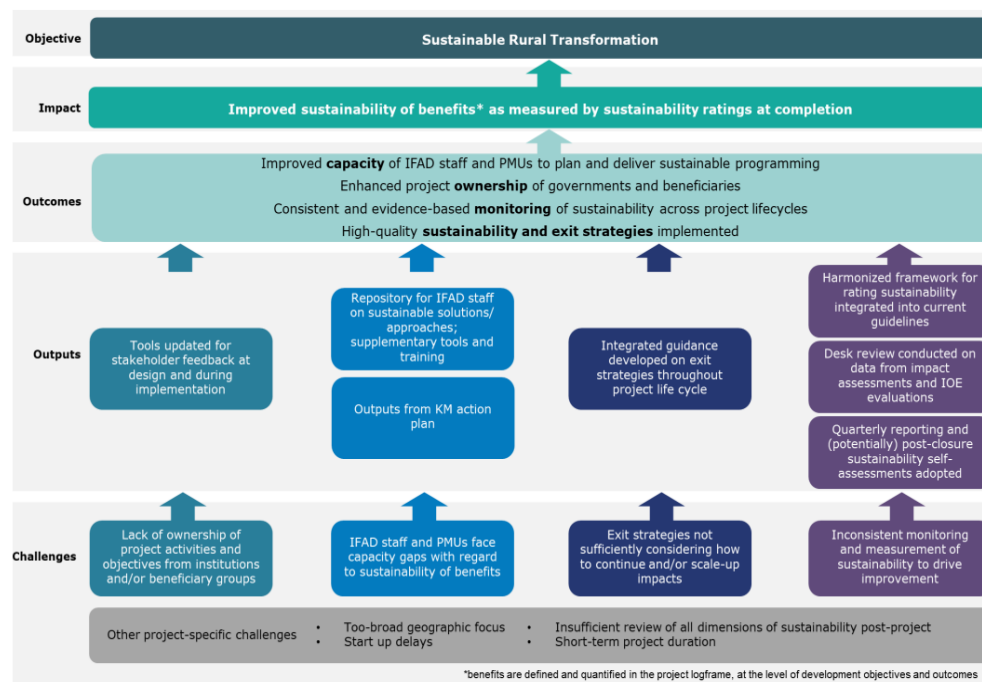
with fragile situations (based on the World Bank list of countries with fragile and conflict-affected situations).<sup>24</sup>

#### D. Overview of IFAD action plan towards project sustainability

58. As a response to the IFAD12 commitments,<sup>25</sup> IFAD developed an action plan for sustainability of benefits at the project level. This action plan covers environment and climate change as one of the key dimensions of sustainability.
59. The purpose of the plan was to strengthen IFAD’s performance related to sustainability of benefits at the project level through an approach that commonly supports IFAD’s portfolio. Due to the diversity of IFAD projects and the numerous factors that may impact project sustainability, this action plan does not aim to address each one individually, but focuses on providing the necessary building blocks to support widespread knowledge, behaviours and capacity to improve project sustainability. This action plan presents a set of time-bound, monitorable actions that, taken together, will contribute to improving the sustainability of benefits of IFAD’s operations. The sustainability action plan builds on learning from independent and self-evaluations and has been informed by extensive consultation with internal stakeholders.
60. Furthermore, IFAD’s approach to assessing project sustainability is based on five dimensions: financial, social, environmental and climate change, institutional, and technical. To allow for a more granular analysis of the actions needed to ensure continuation of benefits, IFAD’s project completion report guidelines include explicit reference to a technical dimension of sustainability. This dimension refers to the extent to which the specific elements and approaches promoted by the project are viable from a technical point of view. For example, the technical dimension would consider whether inputs for acquired or promoted technologies are locally available, or if beneficiaries have the necessary technical capacities to operate and maintain the investments promoted by the project.

Figure 5

Theory of change of the IFAD sustainability action plan in downstream activities



Source: IFAD Action Plan for Sustainability of Benefits: Monitorable action 31 of the IFAD12 commitments.

<sup>24</sup> IFAD13 Report (GC 47/L.5).

<sup>25</sup> Monitorable action 31 under commitment 2.2 – Report of the Consultation on the Twelfth Replenishment of IFAD’s Resources (GC 44/L.6/Rev.1).

61. SECAP review notes at the project level identify the climate risk levels and appropriate mitigation measures within a project’s geographical scope. SECAP review notes include an analysis of historical data and projections related to climate parameters to allow for designing climate-informed activities. The SECAP helps IFAD identify opportunities to enhance the climate resilience of rural communities and integrate mainstreaming themes, including climate-related physical and transition risks.

## **E. Approach to transition planning and alignment with the Paris Agreement**

62. In terms of transition planning, IFAD is currently developing its Paris Agreement Alignment Roadmap, in addition to the revised Climate, Environment and Biodiversity Strategy, for presentation to the Executive Board in 2025.
63. The approach and roadmap proposed in those documents detail how IFAD will align its investments with the Paris Agreement goals of low-carbon and climate-resilient development. This approach follows the MDBs’ Paris Alignment Framework,<sup>26</sup> which IFAD will use.

## **F. Climate resilience**

64. IFAD’s focus on building climate resilience is addressed in the relevant strategic plans and policies as reflected above. In addition, RMO is taking steps to carry out climate scenario analysis to further understand the resilience of the business model and strategies to climate-related risks and opportunities.

## **G. Commitment to sustainable finance**

65. Member States’ contributions remain the core of IFAD’s financial resources. Over the past years, IFAD has been broadening its funding sources and started issuing bonds in the form of private placements. All the private placements issued by IFAD are sustainable bonds issued under its Sustainable Development Finance Framework (SDFF). The proceeds of IFAD bonds are used to finance or refinance projects that have both environmental and social benefits and contribute to 16 out of 17 SDGs.
66. The SDFF represents IFAD’s commitment to showcase its mission and report the impact of the projects financed by issuances on international capital markets.
67. The framework is aligned with the International Capital Market Association (ICMA) sustainability bond guidelines.
68. IFAD’s Sustainability Issuance Programme<sup>27</sup> is a key component of its funding strategy. As at 31 December 2024, IFAD issued the equivalent of US\$646.6 million in sustainability private placement bonds, channelled to support an eligible portfolio of development projects in line with the SDFF. IFAD publishes an annual impact report based on the ICMA sustainability bond guidelines and harmonized framework for impact reporting to report on the impact of its sustainability bonds. The impact is measured by applying IFAD’s core indicators framework. The annual impact report demonstrates how the proceeds of IFAD’s private placement issuances are invested in line with IFAD’s mission to enable sustainable rural transformation and target IFAD’s beneficiaries in rural areas in five regions. The impact report includes information on amounts of issuances committed and disbursed on a portfolio level, and shows the contribution to the SDGs of the project portfolio financed by the private placements.

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<sup>26</sup> Pursuant to their commitment to help deliver on the goals of the Paris Agreement, MDBs have adopted a joint approach and principles for aligning activities with the Paris goals.

<sup>27</sup> See <https://www.ifad.org/en/partners/investors> for further details – accessed on 16 February 2025.



## **H. IFAD investment management**

69. IFAD's liquidity management is guided by the Investment Policy Statement (IPS), which requires that assets in the investment portfolio are managed under the principles of capital preservation and liquidity.
70. The IPS also establishes the principle of adherence to responsible investing. As a responsible investor, IFAD's main objective is to invest in securities where the issuer, at a minimum, adheres to fundamental human rights, labour, environment and anticorruption principles. Accordingly, IFAD adheres to the Ten Principles of the United Nations Global Compact (UNGC), systematically examining compliance of issuers of securities with the UNGC principles in determining eligibility for investments.
71. Consistent with the revised IPS, the implementation of exclusionary criteria in managing investments is undertaken in accordance with the UNGC principles to exclude securities issued by entities involved in, but not limited to, unethical products or services, including, but not limited to, outlawed products and services, weapons and ammunitions, arms, coal extraction, coal-fired power generation, tobacco, alcohol and gambling.
72. Subject to the availability of market issuance and the risk tolerance levels prescribed in the IPS, IFAD endeavours to invest in green bonds and other thematic ESG securities, including supranational, sovereign and government agency bonds, corporate bonds and asset-backed securities in the impact bond market. In 2024, all new securities acquired for IFAD's investment portfolio were fully compliant with the aforementioned ESG principles.
73. As at 31 December 2024, the size of IFAD's investment portfolio was US\$1.812 billion.<sup>28</sup>

## **I. Description of climate-related risks and opportunities**

74. This report describes risks and opportunities related to climate adaptation, climate change mitigation, biodiversity, water, waste, pollution and sustainable funding, including whether they are considered climate-related physical or climate-related transition risks or opportunities.
75. As indicated in the "governance" section, the SECAP outlines how IFAD integrates climate risk management into its project cycle, ensuring that climate-related risks are identified and managed effectively.
76. Physical risks are risks resulting from climate change that can be event driven (acute physical risk) or derived from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, droughts or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns, including changes in precipitation and temperature that could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.
77. These risks have a potential impact on IFAD's value chain and might cause interruptions to the Fund's own business operations.
78. Transition risks are risks that arise from IFAD's efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for IFAD such as increased operating costs or increased expected credit losses on sovereign and non-sovereign operations.
79. IFAD has been strengthening risk management in projects through the integrated project risk matrix (IPRM) in the Operational Results Management System (ORMS)

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<sup>28</sup> Report on IFAD's investment portfolio for the first semester of 2024 and IFAD financial information as at 31 December 2024.

with a clearly defined programme delivery risk taxonomy. The IPRM outlines types of risks with their likelihoods, potential impacts and mitigation measures. This is a comprehensive approach that includes political, macroeconomic, financial, social, climate and environmental risks.

80. According to the project risk management guidance,<sup>29</sup> projects are categorized as high, substantial, moderate and low, based on the likelihood of a risk occurring and its expected impact on the achievement of project objectives.
81. This classification helps IFAD to identify social, environmental and climate risks and impacts, and to determine the level of mitigation measures required to address these risks and impacts. The IPRM is reviewed by Management as part of project design report approval procedures prior to submission of a project to the Executive Board for approval. In addition, the IPRM is reviewed and updated during each supervision mission, if necessary.

## J. Definition of time horizons

82. IFAD assesses climate-related risks and opportunities over short-, medium- and long-term time horizons. As a risk or an opportunity may have an impact across different time horizons, this dimension is reassessed at each reporting date.

<b>Short term</b>	1 year	Similar to horizon for financial statements.
<b>Medium term</b>	3 years	Linked to replenishment period, which occurs every three years.
<b>Long term</b>	> 3 years	IFAD is an impact-focused organization and change takes time. Key considerations for the long-term time horizon are the strategic planning period for IFAD and for different themes such as the Climate, Environment and Biodiversity Strategy, SDG period (2030), and tenor of sovereign/non-sovereign operation loans and grants.

83. The time horizons noted above are aligned with the planning horizon used by IFAD for strategic decision-making. Annex I shows different time horizons considered for some of the material climate-related risks and opportunities.

## K. Strategic approach to corporate sustainability<sup>30</sup>

### Environmental management systems and reduction efforts

84. The international standard for environmental management systems (EMS), ISO 14001:2015, serves as the basis to set a common approach and criteria for EMS within the United Nations system. To continuously improve environmental sustainability efforts, organizations are expected to set up their own EMS.
85. In 2015, IFAD was awarded a Platinum Leadership in Energy and Environmental Design (LEED) certification<sup>31</sup> for the category "Existing Buildings: Operations and Maintenance". IFAD is the first United Nations entity to obtain a Platinum certification for existing buildings, the highest green building certification available worldwide.
86. The LEED certification achievement is the result of a dedicated effort that started with a strategic gap analysis, which identified specific actions and interventions. Through dedicated resources, IFAD invested in solar panels, rainwater harvesting tanks, building submetering systems, improved waste management and modern printing technology. IFAD is currently undergoing the process of LEED recertification for the fourth time. The LEED standard has evolved during the past years and is becoming even more demanding.

<sup>29</sup> See Enhancing Risk Management in IFAD Investment Projects: Guidance for Staff.

<sup>30</sup> This relates to internal activities.

<sup>31</sup> LEED is the world's most widely used green building rating system. LEED certification provides a framework for healthy, highly efficient and cost-saving green buildings, which offer ESG benefits. LEED certification is a globally recognized symbol of sustainability achievement, and it is backed by an entire industry of committed organizations and individuals paving the way for market transformation.

87. In order to raise awareness among staff, IFAD has installed a monitor showing monthly consumption of water, gas and electricity compared to the previous month. The consumption data are also compared to the same month of the previous year, to showcase the progress made in IFAD's technological choices. Furthermore, a monthly challenge is introduced for staff, providing tips and suggestions on how to be more sustainable, take better care of their home maintenance, and promote green initiatives both within and outside the organization.
88. In conjunction with World Environmental Day in 2018, IFAD banned the sale of drinks in plastic bottles from its headquarters cafeteria and vending machines. In 2018, plastic cups and sticks from coffee machines were replaced with Forest Stewardship Council-certified paper cups lined with biodegradable corn starch and wooden sticks. Both materials are 100 per cent compostable.

#### **Water and wastewater management**

89. One of the main pillars of LEED certification is water efficiency. IFAD obtained 11 points out of 14 in the latest recertification.
90. IFAD has monitored and measured water data since 2008: since then, IFAD at its head office has highly reduced water consumption, mainly due to the introduction of efficient water tap breakers installed in every bathroom, alarm notifications in case of excess water usage and rainwater harvesting systems to reduce potable water usage for green areas. The water is collected into five tanks with a total storage capacity of 20,000 litres of water.
91. A complete replacement of the headquarters irrigation system is currently being carried out to make it more accurate in assessing soil conditions and irrigation needs.

#### **Other environmental measures**

92. IFAD efforts in reducing the environmental impact and maintaining a high-quality standard for the building have also taken place in the following areas:
- Sustainable purchasing policy – every purchased product must comply with very strict rules regarding energy efficiency, local production and reduced toxic components.
  - Indoor environmental quality is obtained due to a green cleaning policy, thermal comfort and air quality monitoring, and a very efficient daylight control system.
  - In June 2024, electric vehicle charging stations were installed to encourage staff to choose a more sustainable transportation option and to promote the use of electric vehicles.
93. IFAD is committed to sustainable procurement practices and, through the Heads of Procurement network of the MDBs created more than 20 years ago, shares a commitment to harmonize operational policies and practices for the purpose of enhancing economy, efficiency, effectiveness and fairness across all MDB-financed operations. Sustainable public procurement provides a strategic framework to integrate economic, social, environmental and institutional governance development objectives throughout the procurement cycle. By considering these factors in the project procurement process and by supporting national sustainability reforms, sustainable procurement can bring about transformational change in climate goals and improve environmental performance, among other positive impacts.

#### **Travel**

94. IFAD strongly promotes environmentally sustainable behaviour and travel. In 2022, new travel policies were issued that also addressed sustainable mobility and travel, encouraging hybrid meetings for informal or non-essential gatherings and changing the rules for the allocation of business class tickets.

95. Pursuant to the IFAD travel guidelines, travellers are encouraged to consider options that are environmentally sustainable, as follows: (i) consider if travel is essential or if online meetings would be feasible; (ii) opt for more sustainable means of transportation such as train or boat; (iii) choose a lower class of air travel, up to IFAD's liability; (iv) combine missions to reduce emissions; (v) opt for carriers that utilize biofuel or that have offsetting programmes and opt for the flight option that has the least emissions, up to IFAD's liability; and (vi) reduce the number of travellers on the same mission, where possible.

### **Offsetting**

96. One of the United Nations System's main commitments is the reduction of greenhouse gas (GHG) emissions. For the residual emissions, entities purchase reduction certificates approved by the United Nations Framework Convention on Climate Change (UNFCCC).
97. The process of offsetting covers all of IFAD's emissions, including air travel, and all country offices are in line with the United Nations commitment. IFAD adopted the principle of climate neutrality in 2013 and since then has always completed the offsetting of all GHG emissions.
98. Once annual emissions linked to internal activities have been finalized, IFAD engages with UNFCCC in order to purchase certified emission reductions directly from the Kyoto Protocol Adaptation Fund (AF).<sup>32</sup>

### **Waste management**

99. Waste audits are carried out once every year in accordance with the requirements of the LEED protocol. All bins at IFAD headquarters are collected to evaluate the effectiveness of waste separation. Over the past years and given some very disappointing results, IFAD has implemented new strategies.
100. As a result of negotiations in 2013 with the local authority for waste management, IFAD headquarters now has its own dedicated area for waste separation. This waste separation facility was an important step in efforts to reduce and recycle waste.
101. Through an attempt to improve recycling, just by removing the desk bins from all participating offices, IFAD has achieved a reduction of 78 per cent in other, non-recyclable waste at headquarters. In addition, improved recycling points were set up in all common areas in the headquarters building.

## **V. Risk management**

### **A. Overview of IFAD risk management**

102. IFAD's risk management policies support risk-informed decision-making and help determine the appropriate balance between risk-taking and achieving IFAD's strategic and development objectives. IFAD's risk policies are in constant adaptation to the evolving development landscape and industry best practices, particularly those applicable to IFIs and MDBs.
103. IFAD's risk management governance structure is supported by the ERM Policy, which serves as an umbrella for all other frameworks, procedures and operational guidelines related to ERM.
104. The ERM Policy plays an integral role in strategy development, budgeting and resource allocation, and in the development of a sound risk culture in IFAD. The policy defines the key roles and responsibilities of ERM stakeholders, supported by a comprehensive enterprise risk taxonomy and a risk committee structure.
105. IFAD's ERM operating structure follows a "three lines of defence" model that establishes oversight, roles and responsibilities to enable the efficient management of risk across IFAD. In line with this model, the first line of defence (risk owner)

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<sup>32</sup> The AF finances climate change adaptation projects in climate-vulnerable developing countries.

comprises front-line business and support departments/divisions/units, which take on risks and are expected to manage and mitigate them. The second line of defence (independent risk oversight) includes risk management functions performed by the RMO team led by the Chief Risk Officer, in coordination with other financial and non-financial risk management functions. The third line of defence comprises independent functions such as AUO and IOE.

106. IFAD's risk taxonomy categorizes risks into four distinct domains that encapsulate the key risk areas to which the organization is exposed:
- **Strategic risk** – risks having an impact on the Fund's ability to achieve its mission, execute its strategies and meet its objectives;
  - **Financial risk** – the risk of financial losses resulting from the Fund's inability to efficiently and economically manage financial resources and satisfy financial commitments;
  - **Operational risk** – the risk resulting from inadequate or failed internal processes, people and systems, or from external events that may result in financial loss or damage to the Fund's reputation; and
  - **Programme delivery risk** – risks to the ability to achieve the expected results in Fund-supported projects, programmes or strategies, and the risk of unintended consequences.
107. Legal and reputational risks are cross-cutting risks embedded across the four risk domains.
108. Climate risks are managed within the ERM Policy and explicitly incorporated into the programme delivery risk domain, and are progressively being incorporated into the internal risk reporting of all risk domains.
109. IFAD's risk committees are focused on risk oversight and aligning risk management efforts across four key risk domains. The Enterprise Risk Management Committee (ERMC) is the highest Management-level risk committee. It reviews IFAD's strategic risks, including those related to climate, and is responsible for enforcing the risk-related policies of the organization. The ERMC also promotes a sound risk culture across the organization. It is complemented by technical committees, which can escalate emerging material risks to the ERMC.
110. IFAD's Risk Appetite Statement complements the ERM Policy and sets the tone for risk management. It is designed to support Management in making informed and effective decisions while keeping risk exposure within acceptable and defined boundaries. IFAD monitors and reports the Fund's risk profile constantly, using a set of key risk indicators (KRIs) linked to risk subdomains and major risk drivers. IFAD's managers and workforce use a variety of sources to report on these KRIs to Management at the department and Fund level, and to escalate when appetite levels or thresholds have been breached and corrective action must be taken. Risk owners are charged with the maintenance and timely reporting of risk exposures to Management. Aggregate exposures and trends are monitored over time and inform management decisions regarding strategic planning, budgeting and resource allocation. The technical committees receive reports on and monitor existing KRIs at every meeting.
111. IFAD maintains an organization-wide Corporate Risk Dashboard (CRD), which contains: financial and non-financial risk data collected by Management; commentary on key themes, risk exposures and risk trends; and an overview of progress towards the Fund's strategic objectives. The metrics reported in the CRD represent the Fund's top risks, to be reported on a regular basis to the relevant technical committees or whenever deemed necessary by RMO. The dashboard enables the Executive Board to visualize trends in risk exposures over time and monitor the Fund's performance in managing risks within appetite levels. The

aggregate results of the CRD are updated quarterly and are discussed by the ERMC and are reported to the Audit Committee and the Executive Board.

## **B. Management of climate-related financial and non-financial risks**

112. **Credit risk** is the main risk faced by multilateral lending institutions. IFAD monitors internal credit ratings, sets concentration limits and monitors continuously for credit events that can impact the loan portfolio. Climate-related risks are integrated into credit risk monitoring as they can potentially affect IFAD's loan portfolio creditworthiness.
113. **Liquidity and funding.**<sup>33</sup> As per its Liquidity Policy, IFAD is subject to a prudent minimum liquidity requirement to guarantee a minimum level of liquidity to support its immediate financial obligations even in times of stress. IFAD's liquidity management also refers to liquidity planning, which is integrated with the strategic planning process during each replenishment cycle to ensure an adequate long-term liquidity and funding position, identify potential funding sources and ensure the feasibility of the envisioned funding plan.
114. **Capitalization.** The Fund maintains capital adequacy by conducting a conservative capital planning exercise, setting exposure limits and prudential capital ratios, maintaining an adequate capital stock and performing stress testing to monitor financial stability in various economic scenarios. As indicated in previous sections, work is under way to strengthen climate risk stress tests.
115. **Operational risk.** Climate-related risks have the potential to do physical and mental harm to IFAD staff and assets, and increase operational costs for office repairs, among others. IFAD has established operational risk procedures under the umbrella of the ERM Policy, aiming to establish the course of action for the effective management of operational risk and for the implementation of a systematic process designed for the identification, assessment, monitoring and mitigation of operational risks across the Fund. The materiality assessment performed as part of IFAD's efforts to enhance its climate risk management will contribute to further reinforcing operational risk monitoring through the identification of linkages between climate risks and operational risks.

## **VI. Metrics and targets**

### **A. Metrics and targets related to IFAD downstream operations**

116. IFAD's core indicators framework<sup>34</sup> is the pillar of the reporting system designed to provide a rigorous methodological approach that enables project teams to collect data on core output and outcome indicators and measure attributable changes through dedicated surveys. This system also captures indicators/metrics and targets for climate, environment and biodiversity.
117. The inclusion of core indicators in project logical frameworks is determined by a project's theory of change. The performance of all project indicators is tracked online over the project life cycle through ORMS. IFAD reports on all climate results (both adaptation and mitigation) in the RIDE, RIME and CAR reports, including the amount of GHGs reduced or sequestered.<sup>35</sup>
118. IFAD's mission and business model explain the climate context and its impact on operations. In addition, some resources are clearly linked with IFAD's efforts to finance climate adaptation and mitigation, such as the newly introduced financial instrument known as core additional climate contributions (ACCs). The adoption of

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<sup>33</sup> Additional relevant details in relation to investment management and sustainable finance have been discussed under the "strategy" section.

<sup>34</sup> The framework consists of 45 indicators: 23 output indicators, which include three outreach indicators, and 22 outcome indicators.

<sup>35</sup> See annex II of this report for the sample indicator tracked.

the replenishment targets is supported by medium-term financial planning. The financial projection aims to ensure IFAD's financial sustainability by assessing its financing capacity and commitment capacity from the liquidity and capital perspectives.

119. In its Climate, Environment and Biodiversity Strategy and related Paris Agreement Alignment Roadmap, IFAD intends to foster climate mitigation and adaptation efforts, including reducing GHG emissions and building resilience. At the project level, core climate and project-specific indicators are integrated into the project's logical framework as part of the criteria for climate finance accounting.
120. IFAD has a set target for climate finance across the programme of loans and grants (PoLG) for the three-year cycle (45 per cent for IFAD13). Progress towards this target is tracked through the MDB climate finance tracking methodology.
121. Under IFAD11 and IFAD12, IFAD committed to deploying at least 25 per cent of its core resources to countries on the World Bank's list of fragile and conflict-affected situations. This target was exceeded under IFAD11, and the IFAD12 midterm review shows that 34.5 per cent of core resources are planned for allocation to fragile and conflict-affected situations. Under IFAD13, IFAD is expected to allocate at least 30 per cent to fragile and conflict-affected countries. To complement these funds, IFAD has used supplementary funds and grants and leveraged climate finance.<sup>36</sup>
122. Over time, IFAD has enhanced its climate ambition in terms of the funds it dedicates to climate-specific activities. Under IFAD11, IFAD committed to dedicating 25 per cent of its PoLG to activities classified as climate finance as per the MDBs' methodologies. While continuing to ensure that climate change considerations are mainstreamed in 100 per cent of IFAD's investments, IFAD will increase the share of the PoLG that constitutes climate finance from 40 per cent in IFAD12 to at least 45 per cent in IFAD13.<sup>37</sup> This will be measured in line with the MDBs' methodologies for climate finance tracking. In IFAD12, a total of US\$1.645 billion was programmed as climate finance, representing 49 per cent of the PoLG. Furthermore, beginning with IFAD13, core ACCs will be implemented to mobilize more dedicated and predictable climate finance to assist the most vulnerable rural communities in developing countries in adapting to climate impacts.
123. The next funding cycle of IFAD13 aims to mobilize US\$2 billion in new financing to support a programme of work worth at least US\$10 billion and improve the lives of over 100 million people. In addition, IFAD supports countries in making use of international and private sector funding to improve climate resilience for smallholder farmers and rural communities. This means providing countries in need with the right volume of financial products through IFAD's financial instruments and sustainable private placements. As an accredited entity to the Green Climate Fund, AF and Global Environment Facility, IFAD has established the Rural Resilience Programme as an enhancement of the Adaptation for Smallholder Agriculture Programme (ASAP).
124. A detailed breakdown of IFAD12 PoLG climate finance is provided in the figures below.

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<sup>36</sup> IFAD, Climate Action Report, 2024.

<sup>37</sup> IFAD13 Report (GC 47/L.5).

Figure 6  
**Climate Finance (% of PoLG) and building adaptive capacity**

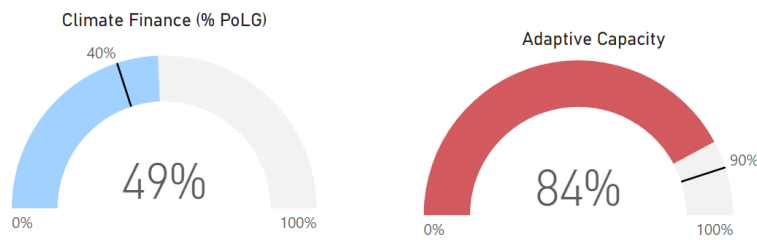
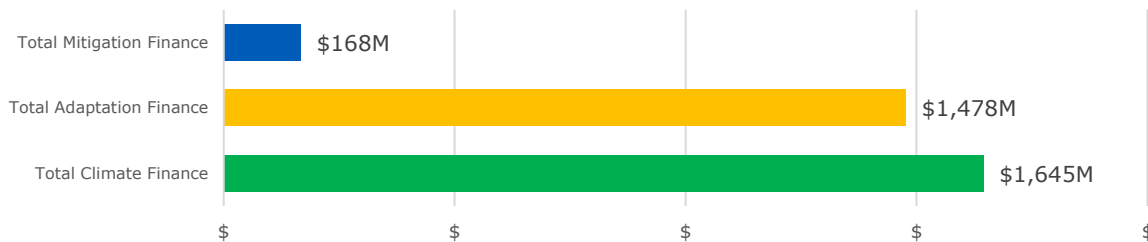
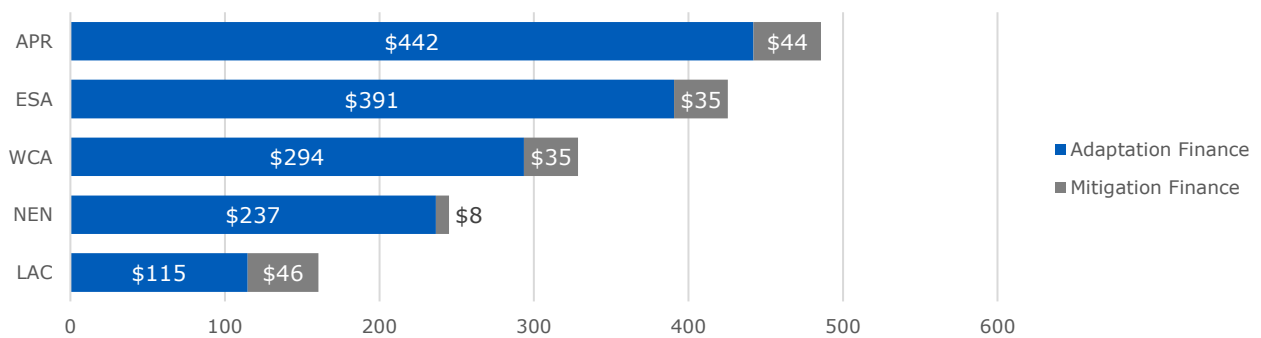


Figure 7  
**IFAD12 climate finance**



Source: ODE mainstreaming dashboard.

Figure 8  
**IFAD12 approvals: Adaptation and mitigation finance by region (US\$ millions)**



Region	IFAD total mitigation finance (US\$)	IFAD total adaptation finance (US\$)	IFAD total climate finance (US\$)	IFAD PoLG	IFAD climate finance (% of PoLG)
LAC	45 778 720	114 795 720	160 574 440	250 071 830	64.2
NEN	8 363 000	236 608 801	244 971 801	335 287 102	73.1
WCA	35 077 495	293 557 001	328 634 496	882 778 301	37.2
ESA	34 822 000	390 692 000	425 514 000	887 113 028	48.0
APR	43 692 040	442 111 460	485 803 500	1 023 608 833	47.5
<b>Total</b>	<b>167 733 255</b>	<b>1 477 764 982</b>	<b>1 645 498 237</b>	<b>3 378 859 094</b>	<b>48.7</b>



Figure 9  
IFAD12 climate change adaptation finance by MDB sectors and subsectors

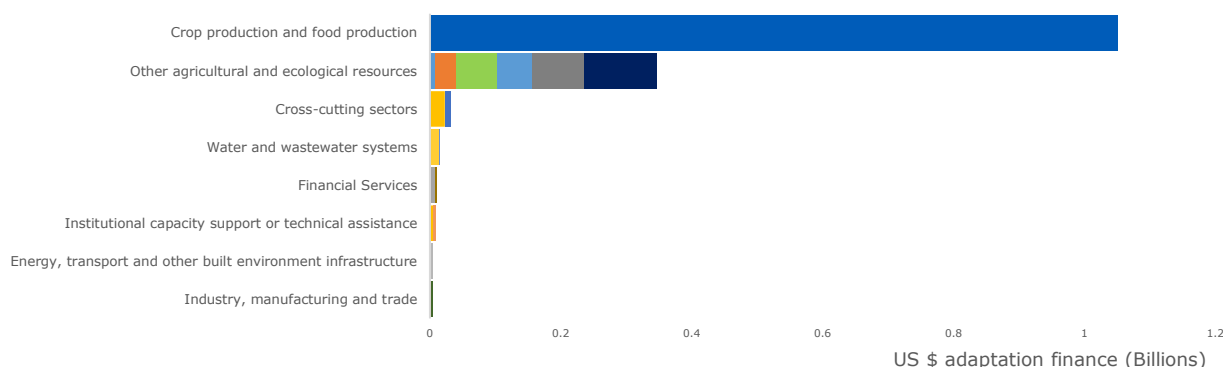
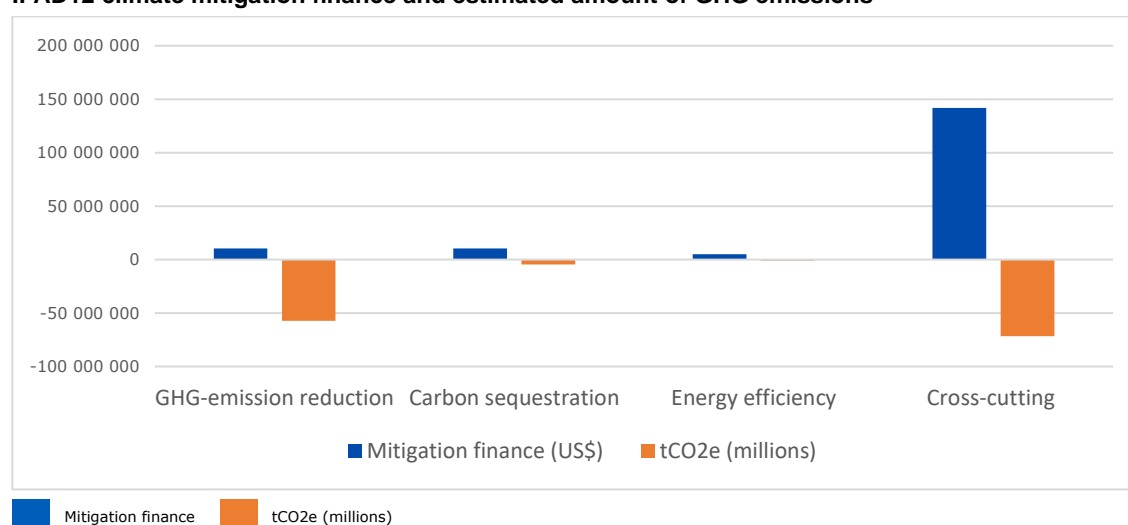


Figure 10  
IFAD12 climate mitigation finance and estimated amount of GHG emissions



Subcategory	Mitigation finance (US\$)	tCO2e
GHG emission reduction	10 479 000	(57 216 481)
Carbon sequestration	10 334 000	(4 427 337)
Energy efficiency	4 986 495	(970 912)
Cross-cutting	141 933 760	(71 689 092)
<b>Total</b>	<b>167 733 255</b>	<b>(134 303 823)</b>

Source: ODE mainstreaming dashboard.

## B. Financed emissions

125. IFAD has conducted an analysis to estimate the mitigation potential of agricultural practices supported by its current investments. The study evaluates a wide range of agricultural practices promoted by IFAD (and other development agencies) in terms of their impact on soil organic carbon stocks, nitrous oxide emissions from soils and methane emissions from rice paddies. Findings identify practices with the largest mitigation potential and those that may increase emissions. These insights guide the design of future investments. Adaptation and mitigation co-benefits are marked but not reported publicly.

126. The study further notes that given that approximately 23 per cent of total anthropogenic GHG emissions during the period 2007–2016 derived from the

agriculture, forestry, and other land use (AFOLU) sector,<sup>38</sup> and that IFAD directly impacts GHG emissions in this sector, this alignment is particularly significant. The analysis confirms that IFAD is a net GHG emissions sink in this regard.<sup>39</sup>

127. The IFRS S2 standard requires organizations to disclose GHG emissions<sup>40</sup> in accordance with the Corporate Value Chain Standard, a GHG protocol.<sup>41</sup> However, IFRS S2 does not prescribe any specific methodology for an entity to use in calculating its financed emissions.<sup>42</sup> For projects, IFAD relies heavily on the Environmental Externalities Accounting Tool (EX-ACT)<sup>43</sup> developed by the Food and Agriculture Organization of the United Nations (FAO), and the Global Livestock Environmental Assessment Model<sup>44</sup> for livestock for ex ante assessments of GHG emissions avoided for climate-related projects.<sup>45</sup> These tools are consistent with the Greenhouse Gas Protocol Corporate Value Chain Standard and the approach taken by other MDBs.<sup>46</sup>
128. Under IFAD13, IFAD undertakes to prepare a Paris Alignment roadmap to better assist countries in implementing their national climate plans (Nationally Determined Contributions and national biodiversity strategies and action plans) through a series of measures that will be outlined in the Climate, Environment and Biodiversity Strategy currently under development. However, it is important to highlight that IFAD's mandate and the nature of its investments mean that the Fund is already well advanced in ensuring alignment with the Paris Agreement.

## C. Metrics and targets related to internal activities

### Approach to data collection and calculation related to internal activities

129. IFAD internal emissions are calculated in accordance with the GHG protocol and published in the United Nations-wide Greening the Blue report. IFAD keeps track of every value needed for reporting and collects data from focal points across IFAD country offices.
130. **Emission factors used to calculate CO<sub>2</sub> equivalent (CO<sub>2</sub>eq) values.** The United Nations Environment Programme, the agency responsible for processing IFAD's data and then offsetting IFAD's emissions, defines emission factors as

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<sup>38</sup> IFAD, Paris Alignment: Greenhouse Gas Accounting Analysis for IFAD's investment portfolio in the AFOLU sector (Rome: IFAD, 2022) [www.ifad.org/documents/48415603/49753010/paris-alignment.pdf/1ed00344-66a3-48ff-7f94-0052852dc535?t=1726642435914](http://www.ifad.org/documents/48415603/49753010/paris-alignment.pdf/1ed00344-66a3-48ff-7f94-0052852dc535?t=1726642435914).

<sup>39</sup> IFAD13 Report (GC 47/L.5).

<sup>40</sup> The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol Corporate Standard) classifies a company's GHG emissions into three scopes. Scope 1 emissions are direct emissions from owned or controlled sources, e.g. vehicles. Scope 2 emissions are indirect emissions from the generation of purchased energy, heating and cooling. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions, e.g. purchases, duty travel, employee commuting and emissions from financed investments.

<sup>41</sup> IFRS S2:29 (a)(ii).

<sup>42</sup> See ISSB Transition Implementation Group discussions held on 19 September 2024: other than the requirements related to measurement of GHG emissions in IFRS S2, including requirements to measure GHG emissions in accordance with the GHG Protocol Corporate Standard and the scope 3 measurement framework as set out in IFRS S2, IFRS S2 does not prescribe any specific measurement methodology for an entity to use in calculating its financed emissions.

<sup>43</sup> This tool provides users with a consistent way of estimating and tracking the outcomes of agricultural interventions on GHG emissions. It is the only GHG accounting tool to cover the entire agricultural sector including AFOLU inland and coastal wetlands, fisheries and aquaculture, agricultural inputs and infrastructure.

<sup>44</sup> A process-based model based on a life-cycle assessment framework that simulates GHG emissions along livestock systems and allocates those to different commodities.

<sup>45</sup> Currently, most IFIs are already calculating ex ante GHG-financed emissions during design (similar to IFAD).

<sup>46</sup> In addition, other MDBs consider the Partnership for Carbon Accounting Financials framework – an initiative for financial institutions to measure financed emissions.

coefficients<sup>47</sup> that describe the amount of a specific GHG that is released from a certain activity, such as the mass of CO<sub>2</sub> created from driving a vehicle for a kilometre or created by burning a kilogram of fuel in a boiler. These factors are obtained from various authorities in the technical areas relevant to the factors, e.g. the electricity emission factors are obtained from the International Energy Agency. Emission factors are available in units that convert the unit of the activity to the weight of gas released. In addition, unit conversions are necessary when the unit of measure for the emission factor differs from the unit of measure for the activity data. For example, the emission factor used to determine the amount of carbon dioxide released from diesel fuel is provided in units of kilograms of CO<sub>2</sub>eq/litre of fuel. The United Nations Environment Programme does not provide a list of unit conversions, but conversions between units of measure are universally standard and can be found in any scientific reference guide.

131. Each emission category is calculated using specific factors based on the activity type (electricity, refrigerants, fuel, etc.), geographical location and measurement unit. IFAD has a long-term contract ensuring electricity is sourced exclusively from renewable energy, resulting in a zero-emission factor.
132. The GHG emissions are calculated in tons of CO<sub>2</sub>eq by assigning relevant emission factors.

#### **Trend in GHG emissions related to internal activities**

133. In 2023, the total calculated emissions for IFAD (headquarters and country offices) amounted to 3,875 tCO<sub>2</sub>eq. The trend covers the last five years based on data available, and reflects that the pandemic period had a significant impact on GHG emissions. Specifically, in 2020 and 2021, emissions declined sharply due to widespread teleworking, leading to a substantial reduction in all categories, particularly air travel, which is generally the largest contributor to IFAD’s GHG emissions. In 2022 there was a partial increase, though still constrained by travel and teleworking policies. By 2023, activities returned to a more typical state, resulting in an increase in emissions across most categories, though still below 2019 levels.

Table 2  
**Total GHG emissions by GHG category related to internal activities over the last five years**

Category	Total GHG emissions (tons Co2e)				
	2019	2020	2021	2022	2023
Scope 1	186	32	33	74	122
Scope 2	1 772	506	595	618	669
Scope 3	4 171	846	588	2 284	3 084
<b>Total</b>	<b>6 129</b>	<b>1 384</b>	<b>1 216</b>	<b>2 976</b>	<b>3 875</b>

<sup>47</sup> The ICAO Carbon Emissions Calculator (ICEC) is the official tool for United Nations entities to quantify their air travel CO<sub>2</sub> footprint, in support of their environmental commitments. The use of a common, transparent, impartial and internationally approved methodology across the United Nations system facilitates the aggregation of air travel emissions data from different organizations and guarantees integrity and consistency of reported inventories. The ICEC is limited to calculating the direct emissions released into the atmosphere by aircraft engines during a flight. There is a substantial understanding of the components of aviation climate forcing, particularly. However, important uncertainties remain in quantifying some of the aviation non-climate terms and in the underlying physical processes. As a consequence, there is not yet an international scientific consensus on whether and how to quantify these non-emissions.

Figure 11  
Total GHG emissions broken down by source of emissions over the past five years

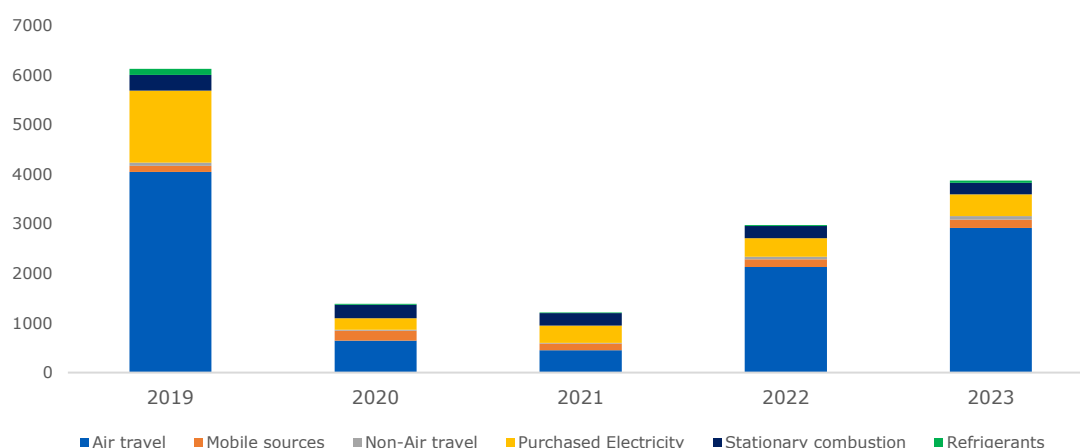
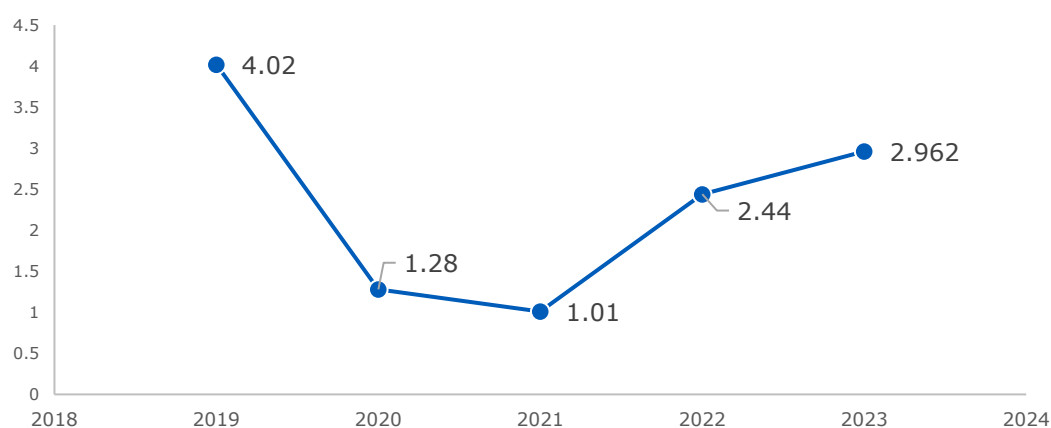


Figure 12  
Per capita GHG emissions over the last five years



134. Air travel was heavily impacted by the pandemic, with most non-essential travel suspended or substituted with hybrid meetings. Recovery started in 2021 and continued gradually, but 2023 levels remain below pre-pandemic figures, mainly due to experience gained and the implementation of sustainable duty travel policies.
135. Mobile sources and non-air travel emissions are primarily driven by regional office needs and local mobility requirements linked to programme activities.
136. **Purchased electricity.** Despite the pandemic, electricity consumption decreased significantly (~30 per cent) due to more sustainable infrastructure and technology choices, such as full LED lighting with advanced sensors and optimized heating, ventilation and air conditioning systems, especially at headquarters.
137. **Stationary combustion.** Emissions at IFAD headquarters have steadily decreased due to technological upgrades, eliminating boiler usage in summer and optimizing air conditioning and heating processes.
138. **Refrigerants.** The trend for refrigerants is similar to that observed in electricity consumption, following efficiency improvements.

#### Other metrics linked to internal activities

139. **Trend in water consumption.**<sup>48</sup> After a sharp decline in 2020, water usage increased slightly but has since progressively decreased, mainly due to efficiency measures such as low-flow sink aerators and improved irrigation systems, in part

<sup>48</sup> Additional details under the “water and wastewater management” section of the report.

improving the technology of the system and in part using rainwater, reducing municipal water consumption. The table below shows the trend of water usage over the last five years.

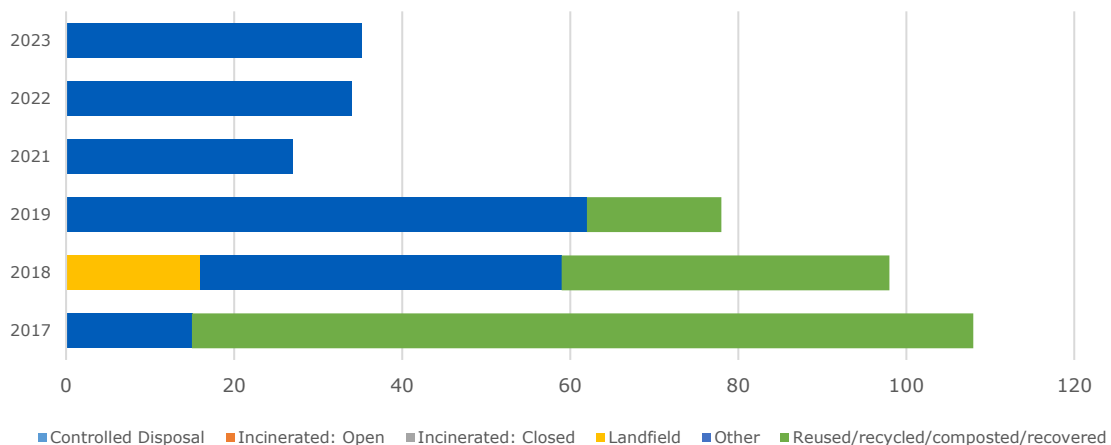
Water (m3)				
2019	2020	2021	2022	2023
16 192	9 287	13 778	13 781	13 025

140. **Trend in waste.**<sup>49</sup> The trend follows similar patterns, with improved post-pandemic figures due to stricter waste-sorting policies. The table below shows the trend of waste over the last five years (in kgs).

Waste (kgs)					
Category of waste	2019	2020	2021	2022	2023
<b>Non-hazardous waste</b>	79 866	12 961	24 710	34 835	36 102
<b>Paper</b>	35 710	7 164	14 185	15 818	15 731
<b>Plastic</b>	5 526	641	1 438	2 846	3 094
<b>Biodegradable</b>	19 432	3 582	1 358	4 770	4 816
<b>Glass</b>	5 028	200	366	707	1 120

Figure 13

**Trend in waste in kgs after considering the trend in the number of IFAD personnel over the last five years**



## Paper usage

Table 3

**Trend of paper usage over the last five years**

Paper type	Usage of paper (tons)				
	2019	2020	2021	2022	2023
<b>Black and white</b>	12.97	5.65	5.96	4.80	4.96
<b>Colour</b>	2.08	1.35	0.90	1.38	1.37

## VII. Key judgments and limitations related to this report

141. IFAD Management has considered several key judgments and limitations in relation to preparing this IFRS sustainability disclosure report.
142. **Stakeholder engagement in materiality assessment.** For its materiality assessment, IFAD has engaged actively with internal stakeholders (various divisions

<sup>49</sup> Additional details under the “waste management” section of the report.

and teams, subject matter experts and management)<sup>50</sup> as well as with the Audit Committee members. Other broader stakeholders will be engaged in the future as part of a periodic materiality review.

143. **Financed emissions.** Financed emissions are currently assessed for climate-sensitive projects as an ex ante exercise. This is aligned with the practice followed by other MDBs and the Greenhouse Gas Protocol Corporate Value Chain Standard.
144. **Assessment of anticipated financial effect.** As part of the materiality assessment, IFAD has undertaken a qualitative assessment to determine the anticipated financial effect of identified impacts based on consequential risks and opportunities.
145. **Connectivity with existing financial statements.** IFAD has decided to take a maturity and proportionality approach and will gradually improve the connectivity of the sustainability disclosures to the disclosures in the consolidated financial statements. IFAD will continue to refer to evolving guidance in relation to connectivity from ISSB and benchmarking with other MDBs/IFIs.
146. **Disclosures of climate scenarios to demonstrate climate resilience.** Work is under way to strengthen climate risk stress tests in credit risk management and climate scenarios relevant to IFAD in order to demonstrate climate resilience as required by IFRS S2.
147. **Approach to materiality assessment.** The organization has followed a double materiality assessment in determining related IROs in line with the EFRAG materiality assessment guidance. IFAD's approach to materiality assessment is based on the following key components:
  - **Aligning risks and opportunities with IFAD's internal risk taxonomy and other relevant policies.** For every impact (positive or negative) identified, corresponding risks or opportunities are categorized and described in accordance with the internal risk taxonomy.
  - **Assessing the magnitude of financial effects.** Assessing the magnitude of the financial effects of identified risks and opportunities involves analysing the financial stability, economic performance and fiscal policies of sovereign states, as well as their capacity to generate revenue and meet financial commitments. By focusing on these factors, IFAD can estimate the potential financial impact on its financial position.
  - **Assessing the likelihood of occurrence.** The likelihood of occurrence of identified risks and opportunities is assessed based on historical data, current trends and other relevant indicators. IFAD uses historical data to understand the frequency and severity of past events, while also considering current trends and emerging issues that could influence future occurrences and the direction of risks and opportunities. This approach helps IFAD make informed judgments about the probability of various scenarios, supporting financial materiality assessments.
  - **Financial materiality score and threshold.** The financial materiality score is determined by multiplying the magnitude of financial effects by the likelihood of occurrence. This score helps in assessing the overall financial impact of each risk or opportunity. Additionally, a materiality threshold was established to identify which risks and opportunities are significant enough to be considered for disclosure. This threshold ensures that only material risks and opportunities that could substantially affect IFAD's financial prospects are reported.

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<sup>50</sup> These included the internal interdivisional working group supporting the sustainability reporting effort, subject matter experts and representatives of various IFAD divisions.

## VIII. Looking ahead

148. In addition to the positive strides already undertaken in sustainability reporting, IFAD will be focused on ensuring full adoption of IFRS S1 and S2, analysing the steps needed to undertake reasonable or limited assurance across selected information, and reviewing controls over ESG reporting.

## IX. Disclaimer

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## X. High-level mapping of report to the disclosure requirements of IFRS S2

155. The table below provides a summary of disclosure contained in this report in comparison to the standard requirements.

IFRS S1 and S2 disclosure topic or section	Specific disclosure paragraph requirements from the IFRS S2 standards	Reference section and page in IFAD Sustainability Disclosure Report
<b>Governance</b>	Paragraphs 5 to 7	Overview of IFAD's governance structure: paragraphs 20 to 29
		IFAD Management: paragraphs 26 and 29
		Governance over climate-related risks and opportunities: paragraphs 30 to 39
<b>Strategy</b>	Paragraphs 8 to 23	Disclosure of IFAD business model and value chain, IFAD's overarching strategic framework, overview of strategies for managing climate risk, climate resilience approach to transition planning, commitment to sustainable finance, definition of time horizons and strategic approach to corporate sustainability: paragraphs 40 to 101 Annex I
<b>Risk management</b>	Paragraphs 24 to 26	Overview of IFAD risk management: paragraphs 102 to 111 Management of climate-related financial and non-financial risks: paragraphs 112 to 115
<b>Metrics and targets</b>	Paragraphs 27 to 37	Metrics and targets related to IFAD downstream operations: paragraphs 116 to 128 Metrics and targets related to internal activities: paragraphs 129 to 140 Annex II



## Detailed table with some of the material climate-related topics, risks and opportunities identified

The following table highlights some of the material climate-related topics and related risks and opportunities identified, the related value chain components considered, the anticipated financial effects<sup>51</sup> and the related time horizon.

Topic and subtopic	Climate-related risks and opportunities that could reasonably be expected to affect IFAD's prospects	Description of climate-related risks or opportunity	Value chain component considered	Physical risk/ transition risk	Anticipated financial effect	Time horizon
<b>Topic</b> - Climate change adaptation	Programme delivery risk – Environment and climate context	The risk that existing or possible future climate variability and/or extreme climatic events may have significant adverse impacts on food and nutrition security, agricultural productivity, access to markets, value chains, infrastructure, and/or the incidence of pests and diseases, resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems.	Downstream operations	Physical risk	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic</b> - Urbanization and climate migration	Risk driver – Project vulnerability to climate change impacts					
<b>Topic</b> - Climate change mitigation	Opportunity	Opportunity related to the adoption of a transition plan to mitigate climate change.	Internal activities	Opportunity linked to transition to a low-carbon economy	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic</b> - GHG emissions – internal activities		IFAD already offsets its emissions through certified carbon offsetting programmes from UNFCCC by purchasing credits proportional to the emissions. These credits will fund energy and agricultural development projects in developing countries to maintain the climate neutral certification.				
<b>Topic</b> - Climate change mitigation	Programme delivery risk - Environment and climate context	Risk that the project may significantly increase GHG emissions and thereby contribute to anthropogenic climate change.	Downstream operations	n/a	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic</b> - Financed emissions	Risk driver - GHG emissions					
<b>Topic</b> - Climate change mitigation	Opportunity	Opportunity related to setting consumption reduction targets for non-renewable sources.	Internal activities, downstream operations	Opportunity linked to transition to a low-carbon economy	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic</b> - Energy						

<sup>51</sup> Anticipated financial effect was considered on financial position, financial performance and cash flows.

<b>Topic - Biodiversity</b>	Programme delivery risk - Environmental, social and climate Impact	Risk that the project may cause significant threats to or the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources, handling or utilization of genetically modified organisms.	Downstream operations	n/a	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic - Natural habitat and protected areas</b>	Risk driver – Biodiversity conservation	Particularly, reputational risks considering higher attention to biodiversity and protected areas and important and vocal civil society reporting on such issues				
<b>Topic - Biodiversity</b>	Opportunity	Opportunity with rising interest in agroecology, systematic implementation of safeguards, incentives from climate and environment funds/ASAP as well as IFAD biodiversity tracking, ecological impact indicator, ecosystem indicator, etc. as well as an increasing number of value chain actors incorporating biodiversity in standards and disclosing nature-related impact and dependency.	Downstream operations	Opportunity linked to transition to a low-carbon economy	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic - Agricultural land use change and agrobiodiversity</b>						
<b>Topic - Climate change adaptation</b>	Programme delivery risk - Environmental, social and climate impact	Potential inherent risks related to biodiversity conservation, resources efficiency and pollution prevention, cultural heritage, Indigenous Peoples, labour and working conditions, community health and safety, physical and economic resettlement and climate change.	Downstream operations	n/a	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Short/medium/long term
<b>Subtopic - Pests and diseases</b>						
<b>Topic - Climate change adaptation</b>	Programme delivery risk - Environment and climate context	The risk that existing or possible future climate variability and/or extreme climatic events may have significant adverse impacts on food and nutrition security, agricultural productivity, access to markets, value chains, infrastructure, and/or the incidence of pests and diseases, resulting in increased vulnerability or deterioration of target populations' livelihoods and ecosystems.	Downstream operations	Physical risk	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Subtopic - Sea level rise</b>	Risk driver - Project vulnerability to climate change impacts					

<b>Topic - Climate change adaptation</b>	Programme delivery risk - Environment and climate context					
<b>Subtopic - Increased unpredictability of climate hazards</b> Slow onset of events (changes in temperature and rainfall patterns)/ extreme weather events e.g. cyclones and floods	Risk driver - Project vulnerability to climate change impacts	Risk related to farmers and beneficiaries' inability to maintain income, food insecurity and increased migration from rural to urban areas makes IFAD's mandate less relevant.  Missed targets and reduced impact of programmes reduce trust in IFAD's effectiveness.	Downstream operations	Physical risk	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Short/medium/long term
<b>Topic - Biodiversity</b>	Programme delivery risk - Environment and climate context					
<b>Subtopic - Land/ecosystem degradation</b>	Risk driver - Vulnerability of target populations and ecosystems to climate variability and hazards	The risk that the project may significantly increase the exposure or vulnerability of target populations' livelihoods, ecosystems, economic assets or infrastructure to climate variability and hazards.	Downstream operations	Physical risk	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Topic - Biodiversity</b>	Programme delivery risk - Environment and climate context					
<b>Subtopic - Fisheries and wild fruits</b>	Risk driver - Biodiversity conversation	Risk that the project may cause significant threats to or the loss of biodiversity; availability of diversified nutritious food; ecosystems and ecosystem services; or habitats that are legally protected or officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources, through the handling or utilization of genetically modified organisms.	Downstream operations	n/a	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Medium/long term
<b>Topic - Pollution</b>	Programme delivery risk - Environment and climate context					
<b>Subtopic - Pollution of soil and land</b>	Risk driver - Resource efficiency and pollution prevention	The risk that the project may cause direct and indirect impacts of the project-supported activities on the environment and natural resources (air, water, soil, minerals) and project activities may lead to potential air/soil/water pollution, mineral exploitation, resources extraction and depletion.	Downstream operations	Physical risk	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Short/medium/long term
<b>Topic - Pollution</b>	Programme delivery risk - Environment and climate context					
<b>Subtopic - Pollution of water</b>	Risk driver - Resource efficiency and pollution prevention	The risk that the project may cause direct and indirect impacts of the project-supported activities on the environment and natural resources (air, water, soil, minerals) and project activities may lead to potential air/soil/water pollution, mineral exploitation, resources extraction and depletion.	Downstream operations	Physical risk	Qualitative financial effect considered – potential indirect impact on access to funding, income statement and financial position	Short/medium/long term

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<b>Topic - Sustainable funding</b>	Opportunity	Opportunity related to issuing more sustainability bonds aimed at increasing the number of funded projects that focus on IFAD and government priorities.	Upstream activities/internal activities/downstream operations	n/a	Quantitative financial effect considered – potential direct impact on access to funding/cost of funding, income statement and financial position	Short/medium/long term
<b>Subtopic - Sustainable bonds</b>						

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## Details on the financed emissions indicator

The following table highlights the definition of the financed mission indicator adopted by IFAD.<sup>52</sup>

Topic	Value chain component considered	Indicator	Definition	Target and performance*
<b>Topic -</b> Climate change mitigation	Downstream operations	Number of tons of GHG emissions (CO <sub>2</sub> eq) avoided and/or sequestered (million tons of CO <sub>2</sub> eq over 20 years)	This indicator is measured in terms of total GHG emissions avoided and/or sequestered (expressed in tons of CO <sub>2</sub> eq [tCO <sub>2</sub> eq]) over a 20-year time horizon (tCO <sub>2</sub> e/20y). This 20-year time horizon comprises both the project implementation phase (usually 6 to 8 years), during which project activities are carried out, as well as the capitalization phase (usually 12 to 14 years, adjusted based on project length to give a 20-year projection), during which the impact of project activities continues to be visible, for instance in terms of soil carbon content or biomass.	Presented as part of the replenishment reports and progress presented in the RIDE and RIME. <sup>53</sup>  IFAD moved away from setting targets for outreach, outputs and outcomes in the IFAD13 Results Management Framework (see IFAD13/3/R.2/Rev.1/Add.1, para. 29 for a full explanation). <sup>54</sup>
<b>Subtopic –</b> Financed emissions				

\* Additional details of financed emissions are presented under the metrics and targets in Figure 10 of this report.

<sup>52</sup> Other indicators relating to environmental sustainability and climate change are reflected in the Report on IFAD's Development Effectiveness 2024 (EB 2024/142/R.21) and Report on IFAD's Mainstreaming Effectiveness related to Environment, Climate, Gender, Nutrition, Youth and Social Inclusion 2024 (EB 2024/142/R.22).

<sup>53</sup> Report on IFAD's Development Effectiveness 2024 (EB 2024/142/R.21) and Report on IFAD's Mainstreaming Effectiveness related to Environment, Climate, Gender, Nutrition, Youth and Social Inclusion 2024 (EB 2024/142/R.22).

<sup>54</sup> It is important to note that for internal GHG emissions linked to internal activities, no targets had yet been set by IFAD as at 31 December 2024. However, as noted in this report, IFAD purchases reductions certificates to compensate for internal emissions. These certificates are approved by UNFCCC.

## Bibliography

IFAD Official website Link <https://www.ifad.org/>

***Some of the relevant documents are listed below:***

IFAD Strategy on Biodiversity, 2022-2025 <https://www.ifad.org/en/w/corporate-documents/policies/biodiversity-strategy>

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IFAD's Sustainable Finance Framework

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