

INTERNATIONAL FINANCE CORPORATION

**MANAGEMENT
PROGRESS REPORT
ON**

**IMPLEMENTATION OF THE
MANAGEMENT ACTION PLAN
FOR**

**LONMIN PLC
SOUTH AFRICA – SUB-SAHARAN AFRICA
(PROJECT Nos. 24803, 28400, 33170)**

January 2025

I. INTRODUCTION

1. This Management Progress Report constitutes the International Finance Corporation (IFC) update on implementation of the Management Action Plan (MAP) in response to the Compliance Advisor Ombudsman (CAO) Compliance Investigation Report of IFC's investment in Lonmin PLC in South Africa (Project Nos. 24803, 28400, 33170).
2. In 2007 IFC approved an investment and advisory package with Lonmin PLC. IFC's loan never disbursed and was cancelled in 2010. An Advisory Service was completed and closed in 2010. IFC fully divested from its equity position in 2015. In June 2019, Lonmin PLC was acquired by Sibanye-Stillwater Ltd, consequently IFC's former client no longer exists.
3. CAO received a complaint in 2015 and started a compliance investigation in 2017. CAO did not have any further contact with the complainants and presented the results of their investigation in 2023. CAO recognized that there was limited scope for a project level response given the time that has passed. IFC welcomed CAO's systemic recommendations highlighting challenges of implementation of the original 2006 Sustainability Policy. IFC highlighted that the issues brought forward by the CAO, have already been addressed through the 2012 update of the Sustainability Policy and regular updates of the respective procedures, including updates to the Environmental and Social Review Procedures (ESRP). IFC proposed a specific, targeted and timebound action in a Management Action Plan (MAP) to strengthen guidance for IFC staff on the estimate of material resources for the implementation of Environmental and Social Action Plans (ESAP) by clients.

A. MAP IMPLEMENTATION STATUS

4. The MAP's objective is to strengthen guidance for IFC staff to support a more consistent review by IFC of estimates of resources required for ESAP implementation by clients. The MAP offers a specific, targeted and timebound action to (i) provide guidance and training for IFC staff on the estimate of material resources for ESAPs implementation by clients and (ii) include consistent review of these resource estimates as part of the investment processing cycle. These commitments were realized in three workflows:

Update of the ESRP and ESAP Costing

5. The IFC's ESRP is a living document that is maintained up to date to reflect changes in institutional structure and lessons learned from IFC's operations. IFC welcomes CAO's feedback from their complaint portfolio. In July 2024, the most recent update of the ESRP has incorporated changes suggested by the CAO to address systemic recommendations from various CAO investigations, including this case.¹
6. The 2024 ESRP defines that the key deliverables at project appraisal include estimated ESAP implementation costs. The IFC's Lead Environmental and Social Specialist (LESS)

¹ The 2024 ESRP incorporated changes suggested by the CAO on recommendations in the following cases: Bridge 01, Kenya; Bridge 04, Kenya; Awba, Myanmar; Lonmin, South Africa; Titan 02 and 03, Egypt. CAO is currently monitoring 19 systemic actions the IFC committed to across cases in compliance monitoring.

is responsible for the quality and consistency of the ESAP before it is submitted for review and clearance by IFC and inclusion in the investment agreements. . The Client is requested to prepare cost estimates for ESAP implementation and to share these with IFC. The LESS along with the investment team reviews the adequacy of the client cost estimates for the implementation of the ESAP, and as needed, engage with the Client in case there are concerns about its ability to provide the resources needed or its understanding of such needs.

7. Detailed guidance for IFC E&S specialists and investment officers has been developed and provided as part of the 2024 ESRP.
8. To effectively implement the 2024 ESRP, IFC has updated and strengthened its training to E&S staff and regional departments, including investment staff. Trainings carried out on the ESRP and relevant guidance included specific sessions on ESAP costing and resourcing on ESAP costing. Training has been delivered for key E&S staff to share specific guidance on what is expected from the LESS and so that the same would be widely disseminated. IFC is continuously strengthening E&S capacity of IFC staff and trainings will continue to be offered.
9. In addition, the IFC system documenting and managing E&S appraisal and supervision, which have been rolled out in phases, includes a module on documenting of and tracking progress on the client's ESAP. This module has recently been updated and project E&S team is now required to enter an ESAP cost estimate.

B. Conclusion

10. The implementation of IFC's MAP is completed. IFC will continue to engage with the CAO to share relevant information in the course of its compliance monitoring and closure of the case.

II. UPDATE ON MAP IMPLEMENTATION ACTIONS

Area of Improvement	Action / activity By IFC	Deliverable / expected outcome	Timeframe	Status	Summary of Implementation
Ensure that client E&S commitments are costed and resourced, as required by Performance Standard 1, in order to reduce their vulnerability to financial downturns.	Develop guidance and strengthen internal controls process i) to review adequacy of client's estimates of resources for the implementation of the Environmental and Social Action Plan (ESAP) as required in PS1 (2012), paragraph 16, and ii) to document the review as part of the appraisal documentation.	Updated and disseminated ESAP guidance as part of the Environmental and Social Review Procedures (ESRP) Handbook	By end of Q4FY24	Completed	The ESRP has been updated in July 2024 to include suggestions received by the CAO on ESAP resourcing and costing. The corresponding guidance document for E&S specialists has also been updated.
	The guidance will include the development of a risk-based approach to support IFC staff in reviewing such ESAP estimates and assessing the client's ability to provide financial resources for its E&S commitments.	IFC to integrate guidance in E&S and investment staff training.	By end of Q2FY25	Completed	Detailed guidance for IFC E&S specialists and investment officers has been developed on ESAP costing and provided as part of the 2024 ESRP. Training was delivered for key E&S staff on 12 Feb 2024 to share specific guidance on what is expected from the LESS and so that the same would be widely disseminated.

Area of Improvement	Action / activity By IFC	Deliverable / expected outcome	Timeframe	Status	Summary of Implementation
		Internal controls process effective as part of the ESRP implementation.	By end of Q1FY25	Completed	IFC's E project E&S review and documentation system includes a module on ESAP tracking that has been updated to enter an ESAP cost estimate

DISCLAIMER

The IFC Management Progress Report is provided in response to the Investigation Report of the Office of the Compliance Advisor Ombudsman (CAO) relating to complaints of alleged non-compliance by IFC with its Performance Standards on Environmental and Social Sustainability in a project supported by IFC finance or investment.

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