

INTERNATIONAL FINANCE CORPORATION

**THIRD
MANAGEMENT PROGRESS REPORT
ON**

**IMPLEMENTATION OF THE
MANAGEMENT ACTION PLAN
FOR**

PHILIPPINES

**RIZAL COMMERCIAL BANKING CORPORATION (RCBC)
PROJECT NOS. #30235, #32853, #34115 AND #37489**

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ABBREVIATIONS AND ACRONYMS

BSP	Banko Sentral ng Pilipinas (Central Bank)
CAO	Compliance Advisor Ombudsman
CEAP	Capacity Enhancement Action Plan
CEMS	Continuous Emissions Monitoring System
COI	Conflict of Interest
CSO	Civil Society Organization
DENR	Department of Environment and Natural Resources
DESL	Development Environenergy Services Ltd.
E&S	Environmental and Social
EHS	Environmental, Health and Safety
EIA	Environmental Impact Assessment
EMB	Environmental Management Bureau
ERM	Environmental Resources Management
ESAP	Environmental and Social Action Plan
ESMS	Environmental and Social Management System
FI	Financial Intermediary
GHG	Greenhouse Gas
GPN	Good Practice Note
IFC	International Finance Corporation
LGU	Local Government Unit
MAP	Management Action Plan
MPR	Management Progress Report
PCAF	Partnership for Carbon Accounting Financials
PMCJ	Philippine Movement for Climate Justice
PS	IFC Performance Standards
RCBC	Rizal Commercial Banking Corporation
TOR	Terms of Reference
WBG	World Bank Group

EXECUTIVE SUMMARY

In April 2022 the International Finance Corporation (IFC) Board of Executive Directors approved the Management Action Plan (MAP) in response to the Compliance Advisor Ombudsman (CAO) Compliance Investigation Report on the complaint concerning IFC Investments in Rizal Commercial Banking Corporation (RCBC or the Bank) in the Philippines. The main objectives of the MAP are to assess and enable mitigation of environmental and social (E&S) risks and impacts of ten coal-fired powerplants (the Complaint Sub-Projects) under the CAO complaint and to strengthen RCBC's Environmental and Social Management System (ESMS).

The first Management Progress Report (MPR) was provided in March 2023, followed by a second MPR in December 2023.¹ This third MPR highlights the progress of MAP implementation since December 2023, presents key findings of the MAP-mandated studies, and expounds on the limitations and challenges of the MAP implementation as well as some key lessons learned.

The MAP consists of four key workstreams:

- A. Strengthen RCBC's ESMS implementation, with a focus on application of IFC Performance Standards (PS) to high E&S risk sub-projects.
- B. Assess and mitigate E&S risks and impacts of Complaint Sub-Projects.
- C. Address Complaint Sub-Projects' greenhouse gas (GHG) emissions and improve climate related disclosure.
- D. Address underlying factors through development of Financial Intermediary (FI) Good Practice Notes (GPNs).

The MAP requires three key independent studies:

- 1) Reassessment Study: Reassess RCBC's existing high E&S risk portfolio sub-projects vis-à-vis IFC PS requirements (under Workstream A).
- 2) Gap Analysis: Assess E&S compliance and propose supplemental mitigation measures for the ten sub-projects subject to the CAO case (under Workstream B).
- 3) GHG Study: Audit of energy efficiency/GHG emission reduction of interested Complaint Sub-Projects (under Workstream C).

IFC Management reports that twelve of the twenty-two MAP deliverables have been completed. It is expected that one additional action item, i.e., RCBC to develop a capacity enhancement action plan (CEAP) agreeable to IFC, will be completed by the end of March 2025.² See Annex II for more details of MAP implementation status for each deliverable as required under the MAP.

As part of MAP implementation, IFC has continued to support RCBC's ESMS implementation and has provided RCBC with recommendations to strengthen its ESMS capacity. The third-party consultant has also completed the Reassessment Study of the bank's current high E&S risk sub-project portfolio (excluding the Complaint Sub-Projects), and findings and recommendations on improving these sub-projects' E&S performances as well as RCBC's ESMS have been shared with RCBC. Although RCBC didn't agree with the consultant's findings and recommendations, it indicated interest to work with IFC to

¹ Both MPRs are available at CAO's website: <https://www.cao-ombudsman.org/cases>.

² Completing this action item, while expected by the end of March 2025, is still subject to further agreement with RCBC.

develop and implement the above-mentioned CEAP, with IFC providing necessary inputs as part of IFC supervision of RCBC.³

The Gap Analysis for the ten Complaint Sub-Projects has been completed with the following key outcomes:

- Although five Complaint Sub-Projects had previously confirmed their participation in the study, only four of them can be visited within the extended timeframe of the study.⁴
- Twenty sets of extensive stakeholder meetings have been completed with affected communities and complainant groups associated with all ten Complaint Sub-Projects, providing these stakeholders with opportunities to voice their views in person (see Annex I for details). Complainant engagement was conducted in a neutral and safe environment with active participation by community members as well as significant support from complainant representatives.
- Ten individual Gap Analysis reports for each of the ten Complaint Sub-Projects have been completed. Draft reports have all been reviewed by CAO, RCBC and IFC. In line with the agreed Terms of References (ToR), the complainants and their representatives reviewed the executive summaries of these draft reports. Feedback from all reviewers has been addressed and incorporated, to the extent possible, in the final reports.
- The consultant reports made a number of recommendations for each of the ten Complaint Sub-Projects to improve their E&S performances related to the complaints, predominantly in seven thematic areas: (i) Improvement of Environmental, Health and Safety (EHS) performance; (ii) Enhancement of EHS monitoring; (iii) Coal ash handling and ash pond management; (iv) Stakeholder engagement and grievance redress; (v) Assessing and addressing legacy resettlement concerns; (vi) Assessing and addressing livelihood impacts; and (vii) Community health. Additionally, the reports recommended several development-oriented programs for collaborative implementation that could complement some complaint-specific recommendations to further support community development, such as environmental restoration, skills training and development of healthcare facilities for local communities.

This MPR also reports on challenges to complete actions that depend on the participation and support of RCBC and/or Complaint Sub-Projects. RCBC has been mindful of the intent of the IFC MAP to further cultivate its ESMS process through IFC supervision but has expressed its disagreement with the consultant Gap Analysis findings and recommendations, hence discontinuing its initial sharing of the consultant reports with its clients, the Complaint Sub-Projects. Under data privacy law and confidentiality agreements with its clients and IFC, RCBC also opposes disclosure of any of the reports, including executive summaries. Moreover, none of the ten Complaint Sub-Projects agreed to participate in the GHG Assessment study offered as part of the MAP.

Within the Board-approved scope of the MAP, IFC has used all its available leverage to effectively implement the MAP actions. This included a comprehensive mapping of each Complaint Sub-Project to identify stakeholders that could influence sub-project operators, where neither IFC nor RCBC can. IFC engaged with national authorities and regulatory bodies to obtain relevant E&S data and information on the Complaint Sub-Projects. IFC also explored the possibility of disclosing the consultant reports or at least key findings but reached a conclusion that without RCBC's consent it is not legally possible to disclose them.

³ This was discussed in a meeting held between IFC and RCBC in August 2024.

⁴ The MAP timeframe was extended in the previous MPRs due to delays of completing the key MAP studies (See Annex II for details).

IFC Management reports that all actions under IFC’s direct control have been implemented effectively. The GPN “[Technical Guidance for Financial Institutions — Assessment of Greenhouse Gases](#)” and the GPN “[Tip Sheet for FIs, Sample E&S legal agreements](#),” were both published on the IFC website in March 2023 and are accessible to the public.

IFC will continue to engage with the Complainants’ representatives and CAO and report progress on MAP implementation to the Board as mandated by the CAO Policy paragraphs 142-144.

I. PROGRESS HIGHLIGHTS SINCE LAST UPDATE

This third IFC Management Progress Report (MPR) describes progress on the implementation of IFC's MAP in response to the CAO complaint concerning IFC Investments in RCBC in the Philippines. This MPR is organized into four sections. Section I provides progress highlights since IFC's last report. Section II summarizes the findings of the Gap Analysis of the ten Complaint Sub-Projects. Section III portrays challenges during MAP implementation and Section IV offers a conclusion. Annex I details site visits and stakeholder engagement activities for the ten sub-projects. Annex II is the updated MAP table.

Since the last update to the IFC Board, the MAP implementation continued to focus on executing and completing the three key studies i.e., the Reassessment Study, Gap Analysis, and GHG Study by two independent international consulting firms (consultants).⁵ IFC has also continued to work closely with all stakeholders to implement the MAP studies using a participatory method, including RCBC, participating Complaint Sub-Projects, the CAO, and the complainants and their representatives/Civil Society Organizations (CSOs).

Workstream A: RCBC's E&S Capacity and the Reassessment Study

Under Workstream A, IFC has completed the desktop review of RCBC's current high E&S risk sub-project portfolio and anticipated pipeline as well as its ESMS structure and capacity. Upon completion of the two key MAP studies by the consultant, Environmental Resources Management (ERM), in July 2024, IFC presented comprehensive inputs for RCBC to consider for developing its CEAP, a required deliverable under the MAP.

For the Reassessment Study, ERM conducted the following work:

- Completed all desktop reviews and interviews regarding RCBC's existing E&S high-risk sub-project portfolio and ESMS implementation.
- Assessed fifteen sub-projects and delivered findings and recommendations for each of the fifteen sub-projects. These sub-projects are outside of the scope of the CAO complaint.
- Completed site visits to three out of the fifteen sub-projects (IFC participated as an observer).
- Delivered a summary report for the fifteen sub-projects and a review of RCBC's ESMS implementation.

These deliverables were shared with RCBC in July 2024 for its review. In August 2024 IFC held a virtual workshop with RCBC to discuss the study findings. As will be discussed later in this MPR, RCBC has expressed disagreements with the study findings and recommendations.

Workstream B: E&S Gap Analysis

Workstream B centers on the E&S Gap Analysis of the ten Complaint Sub-Projects subject to the CAO case. At the time of the last MPR, five of them had agreed to participate in the study. However, ERM was only able to complete site visits for four Complaint Sub-Projects.⁶ Annex I shows the summary of

⁵ Environmental Resources Management (ERM)-Siam Co. Ltd was contracted for both the Reassessment Study and Gap Analysis, while Development Environergy Services Ltd (DESL) was contracted for the GHG Study. Both were chosen through an open and competitive process following World Bank Group (WBG) corporate procurement guidelines.

⁶ The Study was heavily dependent on RCBC's communications and relationships with these sub-projects or powerplants. Initially four powerplants agreed to participate by allowing ERM to visit to their plant premises. As of the last MPR in December 2023, another plant was added to this list, bringing the number of interested participants to five. However, only four

participation and engagement activities with different stakeholder groups for each of the ten coal-fired power plants.

The Gap Analysis included a comprehensive stakeholder engagement strategy to (i) identify E&S risks and impacts and affected stakeholders, (ii) to ensure participation and ownership of complainants and their representatives in the process; and (iii) to protect all participants from reprisals and create a safe and secure environment for engagement.

ERM, in close collaboration with complainant representatives, developed a methodology to engage separately with the following three distinct groups of stakeholders for each sub-project:

- Group 1: the complainants and their representatives together with other members of affected communities.
- Group 2: affected communities at large and sub-groups within them, such as farmers, fishermen, women, Indigenous Peoples, key informants and local barangays and other government entities.
- Group 3: operators and management of the coal-fired power plants.

ERM has completed 100 percent of the planned fieldwork (24 out of 24 stakeholder engagement events) for the Gap Analysis study. Activities, including in-person meetings, were completed for all ten Complaint Sub-Projects. IFC has participated in all site-based visits and stakeholder engagement activities as an observer (see Annex I).

All the draft individual Complaint Sub-Project reports prepared by ERM went through a review process with the following reviewers as per the TOR and a pre-agreed protocol for the Gap Analysis: (i) CAO; (ii) complainants' representatives (who also gathered inputs from the complainant communities); (iii) IFC; and (iv) RCBC (which also gathered inputs from the relevant Complaint Sub-Projects).⁷

Each stakeholder group was given at least two weeks to review and provide comments to IFC for compilation and relay to the consultant who would then address such comments in the subsequent drafts. The first draft of the reports or their executive summaries were reviewed by CAO and CSOs extensively. Their comments and critiques on these early drafts were mainly related to methodology, onsite observations, availability of EHS data, use of professional judgement as well as preliminary findings and recommendations made by the consultant.

At CAO's request, IFC arranged two meetings for CAO to directly communicate and discuss its feedback with ERM, while IFC participated in one of the meetings as an independent observer. Furthermore, to allow CAO and complainants' representatives to see how their feedback had been taken into consideration, it was agreed that the revised draft reports for two sub-projects would be selected as samples and were provided to them for a second review, which was done. By August 2024, all ten individual Gap Analysis draft reports had been completed.

In response to CAO and CSO comments, ERM's final reports included an expanded section on reprisal in the executive summaries. Overarching concerns on methodology were also addressed by ERM, which was appreciated by both CAO and CSOs. These reports derived insights from the power plants' respective Environment Impact Assessment (EIA) reports and Continuous Emissions Monitoring Systems (CEMS) data, which IFC was able to obtain through close coordination with the Environmental Management Bureau of the Department of Environment and Natural Resources of the Philippines.

of them can be visited by the consultant during the extended timeframe of this study. Nevertheless, IFC had continued to engage RCBC to encourage participation of these sub-projects which did not confirm/respond. To prevent further delay in completing the Study, IFC/ERM stopped pursuing site visits with the remaining plants that had not responded as of April 2024.

⁷ According to the ToR, CAO, RCBC and IFC reviewed the full reports while CSOs only reviewed the executive summaries of these reports.

All final draft reports were shared with RCBC before August 2024. A summary of the findings and recommendations of the Gap Analysis were presented to RCBC during the virtual workshop in early August (as mentioned earlier). Highlights of the study are provided in detail in the next section of this report. As noted earlier, RCBC expressed disagreements with the consultant's findings and recommendations from this study.

Workstream C – GHG Study

Under Workstream C, IFC and the consultant Development Environenergy Services Ltd. (DESL) worked with RCBC to develop a strategy and communication materials to promote participation in the GHG Study, allowing RCBC relationship managers (RMs) to share knowledge and good practices and urge sub-projects to participate in the study. In December 2023, RCBC confirmed the interest of three Complaint Sub-Projects to participate. In March 2024, IFC supported the consultant and RCBC to conduct a kick-off meeting with one of the three power plants to begin the assessment process. During the kick-off meeting, RCBC's client raised concerns about the confidentiality of the findings and expressed reservations about sharing sensitive information.

Despite the continuous efforts of RCBC, IFC and the consultant did not receive any input or feedback from the three power plants who had initially agreed to participate. In a meeting between RCBC and IFC in June 2024, RCBC confirmed that despite all efforts expended to follow-up with its clients, no Complaint Sub-Projects would participate in the GHG Study because of confidentiality and disclosure concerns.

Other MAP actions foreseen in this workstream were the development, adoption and testing of a methodology for calculating and reporting GHG emissions. RCBC declined to develop a new methodology for its sub-project borrowers (high GHG emitters) as it had already signed up for the Partnership for Carbon Accounting Financials (PCAF) under which it would assess and disclose the GHG emissions associated with its financing activities. While not part of the MAP requested actions, IFC had made the introduction to PCAF part of its climate risk advisory to RCBC.

Workstream D – Institutional Measures

As stated in the previous MPR, Workstream D, the only one under direct IFC control, has been completed. The GPN "[Technical Guidance for Financial Institutions — Assessment of Greenhouse Gases](#)" and the "[Tip Sheet for FIs, Sample E&S legal agreements](#)" were both published on the IFC website in March 2023 and are accessible to the public.

Participation of Complainants and Their Representatives

IFC has maintained engagement with CSOs representing the complainants. These engagements are outlined below.

- From July 18 to August 5, 2022,
 - Complainant representatives reviewed and commented on the ToR for the Gap Analysis and GHG Study. World Bank Group (WBG) procurement guidelines do not allow for third parties to interview applicants or be part of the selection process.
 - For the Gap Analysis, complainant representatives reviewed and commented on IFC's conflict of interest (COI) assessment including the consultant's COI statement. IFC agreed with the consultant to exclude a subcontractor firm that had had prior involvement in the E&S impact assessment of one sub-project and instead, to retain two local E&S specialists who were screened and cleared by IFC so that the consultant would have no potential COI related to the assigned work.

- Complainant representatives had, with the support of IFC, direct access to and free interaction with ERM during the Gap Analysis.
 - On June 19 and 30, 2022, IFC facilitated a kickoff and coordination meetings between ERM and the CSOs.
 - From the kick-off meeting in June 2023 up to the completion of the last CSO-led community engagement activities, CSO representatives were directly in touch with ERM as they coordinated the logistics of the visits, conducting the meetings together and allowing CSO representatives to act as translators, and exchanging feedback on how the sessions were conducted.
- Since November 2022, IFC provides written monthly updates to the complainants' representatives (CSOs). These updates cover progress of MAP activities and other related developments. IFC also responds timely to questions raised by CSOs on these updates.
- IFC extends these monthly updates to CAO, who remains an important stakeholder in the MAP implementation process.
- Between September and November 2023, IFC supported CAO's compliance monitoring mission, introduced CAO to the consultant, arranged a joint CAO-IFC meeting with RCBC's Chief Executive Officer, and provided an in-person MAP implementation update to CAO in Manila.
- On May 8, 2024, IFC arranged and participated as an observer in a meeting between CAO and the consultant for an in-depth discussion on how the consultant would address the CAO comments.
- IFC circulated initial draft Gap Analysis reports to CAO and the executive summaries of these draft reports to CSOs for their comments. As of June 2024, CSOs and CAO had reviewed and provided their two rounds of comments to all or part of these individual reports or summaries respectively.
- IFC and the consultant valued the contributions of complainant representatives to the design and implementation of relevant MAP activities. To allow for meaningful participation, the consultant coordinated with IFC and adjusted the original implementation and review timelines for these activities where needed or upon request of the stakeholders.

Community Engagement and Protection from Reprisals

Core to the Gap Analysis was meaningful engagement with communities including the complainants. Because there could be a risk of reprisal and threats against the complainants and their representatives who chose to participate in stakeholder engagement activities, the meetings were designed to protect all participants from such risk and create a safe and secure environment for engagement. The engagement methodology was thoroughly discussed in the previous MAP updates. This comprehensive stakeholder engagement strategy on the other hand has resulted in cost increases, additional staff time and delays in the completion of the planned MAP actions.

Despite the challenges, engagement events with complainants for all ten Complaint Sub-Projects were completed in the previous reporting period. For all these events, community members (including the complainants and their CSO representatives), some with their families, were transported to and from the secured sites of their choice and were provided with lodging and meals as needed. IFC Management appreciates the considerable efforts of the consultant and the local CSO (Philippine Movement for Climate Justice or PMCJ) that made this process possible.

The CSOs also engaged with the communities during their reviews of the executive summaries of the Gap Analysis reports. IFC welcomed two sets of comments, from the CSOs and the community representatives. These inputs were included in the feedback sent to the consultant for consideration in drafting its final reports.

Engagement with Regulators and Local Government Units

In the last Board update, IFC reported that it had reached out to several national government agencies to inform them about the MAP and to obtain their support for the studies, including seeking their assistance in encouraging more participation of sub-projects and providing available data for the Gap Analysis and the GHG Study.

Also, IFC met with the Alternate Executive Director representing the Philippines (who advised on and supported IFC's MAP implementation strategy) and the Bangko Sentral ng Pilipinas (BSP, the Philippines' Central Bank), the Department of Environment and Natural Resources (DENR), and the Department of Energy . IFC participated as an observer in all meetings with local government units (LGUs), including mayors and/or executives (including the Indigenous Peoples' mandatory representatives), providing additional background on the CAO case and the engagement activities and helping the consultant respond to LGU questions.

Furthermore, IFC engaged with DENR on requests for environmental data and documents under the Freedom of Information Executive Order. DENR was able to provide documents that contributed to the Gap Analysis.

II. CONSULTANT STUDY FINDINGS

The Gap Analysis was conducted by the independent consultant ERM who reviewed the E&S performances of the Complaint Sub-Projects against national regulations and the applicable IFC PSs, with a focus on material sub-project specific claims of harm or complaints made by complainants. It involved a combination of desk-based data collection and review,⁸ visits to four of the ten sub-project plant premises, and comprehensive field-based stakeholder engagements to gather information and draw conclusions, as discussed in this and previous MPRs.

Because complaint issues were often multi-faceted, ERM assessed each complaint and broke it down into a series of underlying issues that were considered as factors that could be potentially associated with the complaint and its present-day relevance.⁹ ERM then assessed the level of attribution of each of these underlying issues, using four types of data sources as well as other contextual risks and/or factors when considering the information provided by each source.¹⁰ Because of various limitations of the data sources as discussed in this report, professional judgement was applied to determine the attribution levels for these underlying issues, including “attribution”, “likely attribution”, “likely no attribution”, “no attribution” and “inconclusive.”¹¹ Recommendations are provided for those underlying issues assigned with “attribution” or “likely attribution.” ERM prepared a Gap Analysis report for each of the ten Complaint Sub-Projects with findings and recommendations.

The Reassessment Study conducted by ERM focused on RCBC’s ESMS implementation for its existing high-risk portfolio.¹² Key activities performed for the study included: (i) a desk-based review of public and RCBC/sub-project-provided data and information to identify any E&S issues associated with these

⁸ With IFC assistance, ERM made data requests to obtain E&S performance data, to RCBC, CSO, LGUs (including municipal and barangay level), and National/Regional Government agencies. CAO had provided ERM with available data that were not confidential/restricted.

⁹ For example, one complaint aspect against a specific complaint sub-project (coal-fired powerplant) was “health impact associated with coal pollution”. ERM identified two underlying issues for this complaint, i.e., (1) “lack of cumulative health impact assessment”, and (2) “coal pollution of soil/ambient air quality, particularly from heavy metals in coal, during the operational phase.” For the former, ERM assessment determined “likely attribution” and for the latter, “inconclusive”.

¹⁰ According to ERM, “each underlying issue was then investigated based on the facts and data from the different sources of information available to [ERM] at the time of reporting, namely: (1) Sub-Project Data / Observations: included direct observations by ERM during a plant site visit or visit to fence line (if conducted); satellite imagery of the Sub-Project; Environmental and Social Due Diligence ; Environmental and Social Impact Statement and/or Environmental Performance Report and Management Plan; Sub-Project monitoring data, etc.; (2) Secondary Data: included academic papers and / or studies, media or social media material; and independent studies relevant to Sub-Project’s area of influence (AOI); (3) ERM-Arranged Stakeholder Meetings: included the information collected from the general communities and their LGU(s) during ERM-organized stakeholders’ activities; and (4) CSO-Arranged Complainant Meeting: included the information collected from the complainants during CSO-organized stakeholder activities. Additionally, other contextual risks and/or factors were also taken into account when considering the information provided by each source. Specifically, it is recognized that even if a sub-project incorporates the IFC PS (2012) and applicable EHS Guidelines, there are factors that may prevail in the external environment, i.e. contextual risks, that may impact the sub-project’s ability to meet IFC’s E&S requirements. Examples might include displacement due to conflicts, Sub-Project sitting in industrial complex, etc.”

¹¹ The Gap Analysis should not be construed as a comprehensive review against each applicable PS and EHS Guidelines. Also, it was not intended to be a scientific study that would determine a clear causality between plant operations and the perceived harms raised in the Complaint. Rather, the process of engagement with complainants and communities was intended to ensure that their voices were heard and to provide insight into their concerns and ways in which possible subproject-driven activities could be developed to address those concerns. As evidence-based causality could not be determined, and reflecting the fact that communities did have concerns, “attribution” was used based on professional judgement by the consultant to link perceived harms to possible underlying causes. For example, although displacement-related impacts could not be clearly established owing to lack of immediate documentation, the underlying issue was said to be the lack of a structured resettlement plan; the recommendation, then, was to undertake a resettlement audit that would look more closely into any issues related to displacement and compensation, and ways in which security of tenure for relocatees could be offered.

¹² These 15 high-risk sub-projects don’t include any of the complaint sub-projects (coal-fired powerplants). They are in sectors including cement (2), heavy manufacturing (4), mining/quarrying (3), diversified energy (4), and infrastructure (2).

sub-projects and RCBC's operations; (ii) engagement with RCBC across functions associated with the development and implementation of the ESMS; (iii) site visits to three of the fifteen sub-projects; (iv) a high-level benchmarking exercise to compare RCBC's ESMS implementation against other banks in the Philippines, including an interview with a government owned commercial bank; and (v) a Rapid Capacity Assessment (RCA) of the adequacy of resources and capabilities of RCBC's ESMS. The consultant prepared its review reports for each of the fifteen high-risk sub-projects and a consolidated summary report on RCBC's ESMS implementation, which includes recommendations to enhance RCBC's capacity in managing E&S risks in the form of an ESMS strengthening plan.

Key Findings from Consultant Studies

For the Gap Analysis, seventy underlying issues were identified by ERM's analysis of all the complaint issues raised by the complainants for all ten coal-fired powerplants. Attribution assessment conducted by ERM against these underlying issues for the plants concluded that there are eight "attribution" findings in the case of two power plants, thirty-five "likely attribution" findings in nine power plants, eleven "likely no attribution" findings in six plants, five "no attribution" findings in two power plants, and eleven "inconclusive" findings in seven power plants.

Based on ERM's professional judgment, the underlying issues that were found "attributable" and "likely attributable" to certain power plants were mostly related to land acquisition, resettlement and rehabilitation, livelihood restoration, stakeholder engagement, grievance mechanism, Indigenous Peoples, community health, and handling and management of coal ash. The underlying issues that were found "likely not attributable" and "not attributable" were related to impacts on mangroves and nearshore fishery areas/biodiversity, discharges and emissions/pollution, livelihood impact due to restricted access, and intimidation of Indigenous People. Those underlying issues that were found "inconclusive" mostly concerned complex topics with many confounding factors such as health or livelihoods, where ERM was not able to make a reasonable judgement without stronger supporting data.

Overall, the consultant made a total of 186 recommendations, ranging from twelve to twenty-five per individual sub-projects. These recommendations fall into seven thematic areas: (i) Improvement of EHS performance; (ii) Enhancement of EHS monitoring; (iii) Coal ash handling and ash pond management; (iv) Stakeholder engagement and grievance redressal; (v) Assessing and addressing legacy resettlement concerns; (vi) Assessing and addressing livelihood impacts; and (vii) Community health. Additionally, the Gap Analysis recommended several development-oriented programs for collaborative implementation with other entities¹³ that could complement some complaint specific recommendations to further support community development, such as environmental restoration, skill training and development of healthcare facilities for local communities.

For the Reassessment Study, while limited material E&S risks or performance gaps were identified in the fifteen sub-projects being reviewed against IFC PSs,¹⁴ ERM observed areas for improvement in RCBC's environmental and social due diligence process and proposed ESMS strengthening plan, which focus on two main areas: (i) resources and capacity enhancement and (ii) institutional process and governance of ESMS. Key recommendations include strengthening the ESMS team through hiring additional staff and building E&S capacity including training for the ESMS team and relationship managers, use of external expertise when relevant, and strengthening RCBC's risk identification, management, and monitoring process.

¹³ Entities such as local government units, nearby industries, and municipal authorities.

¹⁴ While the Reassessment Study has identified certain E&S gaps/risks/findings for each of the 15 HRP sub-projects, limited material findings, in terms of significant adverse impacts or issues that would trigger the materiality threshold of USD 500,000, have been identified based on available information.

III. MAP IMPLEMENTATION CHALLENGES

In 2022, the Board approved the MAP with its defined scope acknowledging that IFC has no legal or commercial relationship with the Complainant Sub-Projects and noting the complainants concerns regarding how alleged community harms would be addressed. The following describes challenges and offers lessons learned from MAP implementation.

Challenges

Complainant Sub-Project Participation and Limited Leverage

IFC had no direct relationship with RCBC's sub-projects and was reliant on RCBC for MAP-related engagements.¹⁵ This was the key challenge to the implementation of the MAP. As agreed in the MAP, RCBC made efforts to engage with sub-projects and shared with IFC evidence of its outreach to encourage sub-project participation. The Bank itself also had limited leverage because RCBC was one of multiple syndicated lenders to these sub-projects. Moreover, RCBC's lending agreements did not reference IFC PSs as a binding compliance requirement, which also limits the Bank's leverage.

In March 2023, the Board of Directors recognized IFC's limited leverage over these Complaint Sub-Projects and welcomed IFC's commitment to encourage the participation of all sub-projects. In previous updates, IFC detailed how it pursued all available channels on this matter, including reaching out to other investors and sponsors and seeking the support of relevant regulatory bodies.

Data Availability and Quality

The quality of the assessments was dependent on data that the consultants were able to gather from public sources, the power plants or third parties.¹⁶ Challenges to data gathering such as those below, affected the timely completion of the analysis, and the outputs of the studies. IFC and the consultants contacted the regulatory agencies and RCBC to obtain as much data as possible.

- Limited public data: Some essential data, such as the Environmental Impact Statements, Environmental Performance Report and Management Plan, Multipartite Monitoring Team monitoring reports and results from the CEMS and Clean Coal Technology implementation were not available publicly. The sources of these are RCBC, sub-projects and regulatory agencies. Regulators had initially encouraged IFC to exert all efforts to get information from RCBC or the plants. Finally, IFC was granted access in December 2023 to some reports (EIAs). After continued engagement, DENR provided CEMS data for 2023 in March 2024, and was able to provide historical CEMS data (2021-2023) by June 2024.
- Coordination with Complaint Sub-Projects and RCBC: As IFC and ERM had no relationship with the sub-project borrowers, all data requests needed to go through RCBC. Complaint Sub-Project borrowers were (as reported by RCBC) also concerned about releasing confidential data to a third party. Even though RCBC receives a Self-Monitoring Report and Compliance Monitoring Report

¹⁵ As stated in the 2022 Management Report to the Board, "in keeping with IFC's approach to its FI business according to the Sustainability Policy, IFC's role in MAP implementation will focus on supporting RCBC to address identified gaps in its due diligence and monitoring activities. In doing so, IFC will not directly engage with sub-project borrowers, with which it has no legal or commercial relationships. Instead, IFC will support RCBC to: (1) engage with its borrowers on E&S concerns; (2) help facilitate identification of compliance gaps; and (3) support a process to bring any recommended corrective measures to the attention of sub-project borrowers and their lenders."

¹⁶ Data availability and quality has been a big challenge to the Study. According to the consultant, "for the data review, although some data limitations were foreseen as part of the Assignment, certain data that were expected to be available, were not available at the time of reporting. In some cases, the data do not exist or were not provided to the consultant despite significant efforts made to identify, request, and follow up on data. Not all data that could have provided value were available at the time of reporting."

from the sub-project borrowers as part of its own supervision, it didn't share such reports with ERM due to confidentiality agreements between RCBC and its clients.

- Data quality: As pointed out in ERM reports, consultations with different stakeholders did not always provide irrefutable evidence, and information shared could be subjective, based on personal experience or hearsay, with varying levels of authenticity. As such the consultant endeavored to make objective notes during consultations and exercised its professional judgment in analyzing the data collected and presenting outcomes.

Applying IFC PS in a Legally Binding Manner

Another significant challenge of MAP implementation is related to the introduction of legally binding E&S requirements in RCBC's loan agreements with future high-risk sub-projects. Deliverable 4 of the MAP requires RCBC to adopt "*an overall written approach, acceptable to IFC, for addressing and integrating any PS compliance gaps and corrective measures identified by RCBC's E&S due diligence process into RCBC's investment agreements with high-risk borrowers.*" Although RCBC has updated its approach and ESMS by requiring PS-compliant E&S due diligence and monitoring for high E&S risk sub-projects, it has not agreed to formally incorporate IFC PS compliance as a contractually binding covenant in lending agreements with high-risk sub-project borrowers.

RCBC prefers to rely on compliance with national E&S laws in its investment agreements and use its client relationships (or leverage if any) to encourage its clients to address any PS-related gaps identified during its E&S due diligence and supervision.¹⁷ RCBC has adopted the new approach and shared with IFC examples of an acknowledgement letter that RCBC signed with its sub-borrowers for conducting E&S review following PSs. E&S due diligence conducted for one new sub-project as a test case for the approach has been recently shared with IFC.

RCBC Responses to the Findings and Recommendations of Consultant Studies

IFC had shared the draft reports of the two studies done by ERM and arranged meetings with RCBC to discuss the findings and recommendations made in them. RCBC has been mindful of the intent of the IFC MAP to further cultivate its ESMS process through IFC supervision but expressed disagreement with the ERM findings and recommendations made therein, hence discontinuing its initial sharing of the ERM reports with its clients. Under data privacy law and confidentiality agreements with its clients and IFC, RCBC also opposes disclosure of any of the reports, including executive summaries.

RCBC indicated that it has implemented its ESMS since 2011, ensuring alignment with national E&S laws as part of its E&S due diligence process. This is articulated in the bank's ESMS policy which also adheres to applicable Philippine E&S laws and IFC PSs. Reports on a sub-project's compliance with applicable Philippine laws and IFC PS are made accessible to its clients together with the bank's recommendations to mitigate E&S risks. RCBC also indicated that in December 2020, the bank committed to cease funding the construction of new coal-fired power plants, the first in the market to make such an announcement which has been publicly disclosed in its annual Sustainability Reports.

RCBC recognized however, that developing and implementing an ESMS CEAP is a deliverable agreed under the MAP and was therefore willing to continue the dialogue with IFC on developing and agreeing on such a plan. RCBC also acknowledged IFC's supervision mandate under the existing investment agreement between IFC and RCBC.

¹⁷ IFC has shared an analysis of the differences between national E&S law and IFC PS with RCBC, in addition to several earlier training sessions on this topic.

IV. CONCLUSION

In conclusion, within the Board-approved scope of the MAP, IFC has utilized all available leverage and resources to work with RCBC, CSOs, CAO, and the consultant firms to implement the MAP actions effectively. To date, twelve of the twenty-two deliverables under the MAP have been completed. IFC remains committed to supporting RCBC's ESMS improvements.

Despite its best efforts, IFC encountered significant challenges, particularly in obtaining cooperation and data from the Complaint Sub-Projects. One of the key challenges and limitations stemmed from the fact that IFC does not have direct relationships with the Complaint Sub-Projects. Under the FI investment model, IFC cannot directly engage with the FI's clients (the sub-projects) without the FI's permission, in particular in the case of regulated FI clients. This lack of direct engagement meant that although most of the recommendations made by the consultant are related to the operations and E&S performances of these Complaint Sub-Projects, IFC was unable to directly encourage or support the implementation of these recommendations.

Moreover, the implementation of the MAP was heavily reliant on the cooperation of RCBC, which itself had limited leverage over the Complaint Sub-Projects. RCBC was one of multiple syndicated lenders to these Complaint Sub-Projects, and its lending agreements did not reference IFC PSs as a binding compliance requirement. This further complicated the ability to influence Complaint Sub-Projects' E&S performance.

The complexity of the assignment was also underestimated, as many of the coal-fired power plants were constructed or began operations before RCBC's financing to them and are co-located with other plants or development activities in industrial parks managed by other entities. Establishing a causal relationship between the perceived harm and the limited Complaint Sub-Project activities financed by RCBC required careful baseline and cumulative impact studies, which were challenging due to data limitations.

In summary, the challenges in the MAP implementation for FI cases are significantly influenced by the indirect nature of the relationship with sub-projects, limited leverage of the FI, and the complexities of the operational context. Future MAP designs should consider these factors to develop more implementable measures and more realistic expectations.

ANNEX I: SUMMARY OF SITE VISITS AND STAKEHOLDER ENGAGEMENT ACTIVITIES

(June 2023-April 2024)

#	SUB-PROJECT	LOCATION	PLANT SITE VISIT*		CSO-ARRANGED MEETING**		ERM-ARRANGED MEETINGS*** (LGU/COMMUNITIES-AT-LARGE)	
			Date	No. of Participants	Date	No. of Participants	Date	No. of Participants
1	South Luzon Thermal Energy Corporation power plant	Calaca, Batangas	13 Jun 2023	ERM – 7 IFC – 3 RCBC – 4 SLTEC – 8	20 Aug 2023	IFC – 2 ERM – 4 Complainant Communities – 21 (+ PMCJ/CSO Organizer)	14 Jun 2023 08 Jul 2023	IFC – 4 ERM – 8 LGU/ Communities – 67 IFC – 4 ERM – 6 LGU/Communities – 38 Total LGU/ Communities: 105 (+ ad hoc interviews with fence line/ashpond communities)
2	Sarangani Energy Corporation power plant	Brgy. Kamanga Maasim, Sarangani, Southern Mindanao	NO PLANT VISIT		21 Jun 2023	IFC – 3 ERM – 5 Complainant Communities – 76 (+ PMCJ/CSO Organizer)	18-20 Jun 2023	IFC – 3 ERM – 5 LGU/Communities – 95
3	San Buenaventura Power, Ltd. Co. power plant	Brgy. Cagsiay Mauban, Quezon Province	11 Apr 2024	IFC – 2 RCBC – 3 ERM – 4 SBPL – 9	07 Jul 2023	IFC – 3 ERM – 6 Complainant Communities – 62 (+ PMCJ/CSO Organizer)	6-7 Jul 2023	IFC – 3 ERM – 6 LGU/Communities – 42 (+ fence line interviews)
4	GN Power Kauswagan power plant	Brgy Libertad, Tacub, Kauswagan, Lanao del Norte, Mindanao	12 Jul 2023	IFC – 3 RCBC – 3 ERM – 7 GNPK – 6	11 Jul 2023	IFC – 3 ERM – 7 Complainant Communities – 51 (+ PMCJ/CSO Organizer)	12-13 Jul 2023	IFC – 3 ERM – 6 LGU/Communities – 74 (+ ad hoc interviews with fence line/ relocation sites communities)

#	SUB-PROJECT	LOCATION	PLANT SITE VISIT*		CSO-ARRANGED MEETING**		ERM-ARRANGED MEETINGS*** (LGU/COMMUNITIES-AT-LARGE)	
			Date	No. of Participants	Date	No. of Participants	Date	No. of Participants
5	San Miguel Consolidated Power Corporation Malita power plant	Malita, Davao Occidental	NO PLANT VISIT		19 Jul 2023	IFC – 3 ERM – 5 Complainant Communities – 61 (+ PMCJ/CSO Organizer)	17-19 Jul 2023	IFC – 3 ERM – 5 LGU/Communities – 55 (+ ad hoc interviews with fence line/fishing village communities)
6	Toledo Power Company power plant (PREPAID)	Daanlungsod, Brgy. Sangi, Toledo City, Cebu	NO PLANT VISIT		28 Jul 2023	IFC – 2 ERM – 5 Complainant Communities – 61 (+ PMCJ/CSO Organizer)	27 Jul 2023	IFC – 2 ERM – 6 LGU/Communities – 47
7	San Miguel Corporation Global Power Limay power plant	Lamao, Limay, Bataan	NO PLANT VISIT		30 Aug 2023	IFC – 3 ERM – 5 Complainant Communities – 70 (+ PMCJ/CSO Organizer)	29 Aug-1 Sep 2023	IFC – 2 ERM – 5 LGU/Communities – 37 (+ ad hoc interviews with fence line/ash disposal site communities)
8	Panay Energy Development Corp. power plant (PREPAID)	Brgy. Ingore, La Paz, Iloilo City	NO PLANT VISIT		11 Aug 2023	IFC – 2 ERM – 5 Complainant Communities – 65 (+ PMCJ/CSO Organizer)	10-11 Aug 2023	IFC – 2 ERM – 6 LGU/Communities – 25
9	GN Power Dinginin Ltd. Co. power plant	Brgy. Alasin, Mariveles, Bataan	7 Nov 2023	IFC – 1 RCBC – 2 ERM – 2 GNPD – 11	2 Sep 2023	IFC – 1 ERM – 6 Complainant Communities – 50 (+ PMCJ/CSO Organizer)	1 Sep 2023	IFC – 1 ERM – 6 LGU/Communities – 25
10	Masinloc Power Partners Co. Ltd. power plant expansion	Brgy. Bani, Masinloc, Zambales	NO PLANT VISIT		14 Sep 2023	IFC – 1 ERM – 6 Complainant Communities – 35 (+ PMCJ/CSO Organizer)	15 Sep 2023	IFC – 1 ERM – 6 LGU/Communities – 46 (+ad hoc interviews with fence line communities)

*Plant site visit/engagement includes visiting the facilities of the coal-fired powerplants to assess their operations and E&S management. These visits were only realized with sub-projects that agreed to participation in the studies.

** These meeting locations were chosen by the complainants' representatives and were generally far away from the sites of the relevant coal-fired powerplants.

*** ERM arranged general stakeholder engagements were a combination of community meetings, focus group discussions, key informant interviews, local government officials' courtesy calls/meetings, and fence-line community visits arranged by the consultant. The methodology was tailor-made for each location depending on stakeholders' availability and preferences. These engagements were held irrespective of whether the sub-projects concerned agreed to participate in MAP studies.

ANNEX II: UPDATED MAP IMPLEMENTATION TABLE

Action / activity	Responsibility	Deliverable/ expected outcome	Timeframe (originally planned)	Status/Timeframe			Summary of Implementation	Way Forward
				Jan 2023	Dec 2023 (Updated)	September 2024		
Workstream A: Strengthen RCBC ESMS implementation, with a focus on IFC Performance Standards (PS or PSs) application to high-risk sub-projects.								
Deliverables: 9; 4/9 completed; 2/9 in progress/to be completed; 4/9 partially completed; 0/9 dropped or to be dropped								
A.1 E&S capacity needs assessment and enhancement: 1. RCBC provides IFC with the latest information of its high-risk pipeline & portfolio as well as current ESMS team composition. 2. IFC reviews the information, identifies capacity enhancements needed and discuss findings with RCBC. 3. RCBC develops an E&S capacity enhancement action plan, acceptable to IFC, and implements it within one year.	RCBC and IFC	(1) Summary of IFC review and recommendations.	June 2022	In progress/ February 2023	Completed/ February 2023	Completed/ updated in August 2024	IFC conducted an E&S capacity needs assessment of RCBC and shared its review and recommendations with RCBC in February 2023. Upon completion of the key MAP studies, IFC updated these recommendations and communicated to RCBC in August 2024.	Closed
		(2) RCBC capacity enhancement action plan (CEAP)	June 2022	Not started/ March 2023	In progress/ June 2024	In Progress/ March 2025 (delayed)	Drawing from its own ESMS implementation experiences, IFC recommendations, and possibly the completed MAP studies, RCBC is currently extending the timeline for submission of its CEAP for discussion and agreement with IFC. IFC is expected to provide some inputs to support RCBCs planning process. The final CEAP is expected to be agreed with RCBC by March 2025, subject to further agreement with RCBC.	Expected to be closed by March 2025, subject to agreement with RCBC.
		(3) Evidence of CEAP	June 2023	Not started/ March 2024	In progress/ December 2024	Partially completed	Although the CEAP is not finalized yet, some IFC recommendations have been implemented since March 2023. IFC will obtain more evidence on the implementation of the final agreed CEAP by March 2025, subject to further agreement with RCBC.	Monitoring of CEAP implementation beyond March 2025 is subject to further agreement with RCBC.

<p>A.2 Incorporating PS requirements in a binding agreement for high-risk sub-projects:</p> <p>1. RCBC (and/or through a third party, e.g., a recognized law firm) reviews its current legal templates and E&S due diligence arrangements (in particular for syndicated lending) to identify gaps as well as best approaches for applying IFC PSs at sub-project level.</p> <p>2. IFC supports RCBC in such reviews, including sharing relevant IFC legal covenants and PS-compliant E&S Action Plan samples.</p>	<p>RCBC with support from IFC</p>	<p>(4) An overall (written) approach, acceptable to IFC, for addressing and integrating any PS compliance gaps and corrective measures identified by RCBC's E&S due diligence process into RCBC's investment agreements with high-risk borrowers.</p>	<p>September 2022</p>	<p>In progress/ February 2023</p>	<p>In progress/ June 2024</p>	<p>Partially completed</p>	<p>RCBC adopted a revised approach to conducting E&S due diligence with new clients against both country regulatory and IFC PSs requirements in September 2022 but has not agreed to formally incorporate PS compliance as a binding covenant in its lending agreements with high-risk subproject borrowers. See more discussion in the main text of the report.</p>	<p>IFC will support RCBC in revising its legal approach if/when RCBC decides to make PS compliance a binding requirement.</p>
		<p>(5) Evidence of incorporation of this approach into RCBC's procedures and implementation of the approach to the first three new high-risk transactions undertaken following its approval.</p>	<p>As ready and before June 2023</p>	<p>Not Started/ December 2023</p>	<p>In progress/ as ready and by June 2024</p>	<p>Partially completed</p>	<p>Related to above revised approach, RCBC reportedly has tested the new approach with three new subprojects.</p>	<p>Subject to agreement with RCBC, IFC will continue to follow up with RCBC on its application of the revised approach by reviewing any E&S due diligence or monitoring reports prepared by RCBC to further assess the approach's adequacy and enhance outcomes.</p>

<p>A.3 Commitment to no coal financing: 1. RCBC reconfirms its commitment and makes a formal (policy) statement of not financing any new coal related sub-projects.</p>	RCBC	(6) No coal commitment or policy statement made publicly available on RCBC website or at other sources.	Completed/December 2020	Completed/December 2020	Completed/December 2020	Completed/December 2020	RCBC reaffirmed its commitment not to finance any new coal sub-projects through a formal policy statement in December 2020. This continues to be expressly stated on its website, in its sustainability reports, media statements and during local sustainability events.	Closed
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<p>A.4 Reassessing RCBC’s existing high-risk portfolio sub-projects vis-à-vis PS requirements:</p> <ol style="list-style-type: none"> 1. RCBC provides IFC with records and results of its review and monitoring of existing high-risk portfolio sub-projects. 2. IFC commissions a third-party consultant to review the information obtained from RCBC, identify gaps, and provide guidance to RCBC to address any residual gaps vis-à-vis the PSs, which may involve developing follow-up or monitoring action plans. 3. IFC reviews the outputs and joins site visits for a sample of these high-risk sub-projects where feasible, to further assess the performance and quality of RCBC’s ESMS implementation. 	<p>RCBC, third party consultant, with support from IFC</p>	(7) Consultant report and recommendations to RCBC.	June 2023	August 2023	In Progress/ June 2024	Completed/ August 2024	For this study, IFC contracted the services of Environment Management Services (ERM). Despite various challenges and delays explained previously, ERM completed all the desktop reviews, interviews, site visits (to three sample subprojects) and prepared 15 individual high-risk subproject review reports and a summary report before August 2024. These reports include recommendations to both RCBC and these sub-projects on how to improve their E&S performances.	Closed
		(8) Any follow-up or monitoring actions agreed with RCBC for these sub-projects (semi-annual updates expected through June 2023)	June 2023	August 2023	Not started Expected through December 2024	Partially completed	All the above reports from ERM have been shared with RCBC. As RCBC has largely rejected findings from the ERM study, it is not clear whether RCBC has discussed the consultant recommendations with these sub-projects or asked them to implement any of them.	IFC will provide appropriate support if/when RCBC decides to discuss the study recommendations with these sub-projects and will ask RCBC to provide IFC with semi-annual updates on the implementation by these sub-projects of any agreed actions for an agreed period.

A.5 ESAP revision Generate a new legally binding ESAP covering RCBC actions described in A1-A4 that have not been achieved and are relevant for inclusion in the ESAP	IFC and RCBC	(9) New ESAP included in a legally binding agreement with RCBC	April 2022	Completed	Completed	Completed	A revised ESAP was agreed, and a legally binding Letter of Agreement was signed between RCBC and IFC in September 2022.	Closed
Workstream B: Assess and mitigate E&S risks and impacts of complaint sub-projects. Deliverables: 5; 4/5 deliverables completed; 1 partially completed.								

<p>B.1 Gap analysis of RCBC E&S due diligence and leverage:</p> <p>1. RCBC provides IFC with an update on its exposure to the 10 complaint sub-projects, documenting investment type, sub-project status (operational, under construction or pre-construction), leverage, loan covenants and monitoring requirements (if any). This will determine the leverage and options available to RCBC for arranging additional E&S review and raising any serious harms identified to the attention of complaint sub-project borrowers and co-lenders.</p> <p>2. IFC supports RCBC in commissioning appropriately experienced and qualified third-party consultant(s) to review available E&S assessments, due diligence and monitoring reports,</p>	<p>RCBC, third party consultant, with support from IFC</p>	<p>(10) Consultant gap analysis report with recommendations to RCBC, sub-borrowers of RCBC and other lenders involved in financing these projects (see B4)</p>	<p>December 2022</p>	<p>In Progress/ August 2023</p>	<p>In progress / June 2024</p>	<p>Completed/ August 2024</p>	<p>The consultant has completed 10 individual Gap Analysis reports which include recommendations to RCBC, sub-borrowers of RCBC and other lenders involved in financing these projects.</p>	<p>Closed</p>
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<p>and any updates from RCBC for the complaint sub-projects against IFC PSs, with emphasis on issues highlighted in the CAO Assessment of Likelihood of Complaint Sub-project Impacts.</p> <p>3. RCBC arranges site visits to each complaint sub-project, in consultation with the complaint sub-project borrowers, to facilitate the gap analysis. Site visits will be undertaken by RCBC E&S staff, IFC third party consultants and IFC staff (as observers).</p>								
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<p>B.2 Community and other stakeholder consultations:</p> <p>1. As part of the gap analysis, RCBC engages with complaint sub-project borrowers to arrange for conflict-sensitive consultations with complaint sub-project-affected communities, including Complainants and other stakeholders (such as sub-project operators as feasible and appropriate) in relation to sub-project impacts on communities.</p> <p>2. IFC representatives accompany third-party consultants (as observers).</p>	<p>RCBC, sub-project borrowers, third party consultant, with support from IFC</p>	<p>(11) Reports and analysis of consultations feed into consultant gap analysis report mentioned in action B4</p>	<p>December 2022</p>	<p>Not started/ August 2023</p>	<p>Completed/ September 2023</p>	<p>Completed</p>	<p>All community and stakeholder consultations in relation to the Gap Analysis have been completed and were fed into the consultant Gap Analysis report.</p>	<p>Closed</p>
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<p>B.3 Sub-project sponsor engagement:</p> <p>1. IFC, based on findings from the consultant prepared report, assists RCBC to develop a strategy of engaging with complaint sub-project lead arrangers/syndicated lenders/consulting engineers/owners/operators to obtain updated E&S monitoring data.</p> <p>2. Where RCBC has limited leverage and/or limited access to information and/or is not able to influence the performance of any complaint sub-projects, the IFC third-party consultant shall document the reasons for this, any alternative approaches adopted, and any conclusions or recommendations to bring sub-projects into compliance with IFC PSs.</p>	<p>Third party consultant, sub-project borrowers, RCBC, with support from IFC</p>	<p>(12) Sub-project engagement approach and results prepared by consultant as part of the consultant gap analysis report mentioned in action B4</p>	<p>December 2022</p>	<p>Not started/ August 2023</p>	<p>In progress/ June 2024</p>	<p>Completed/ August 2024</p>	<p>IFC supported the consultant to obtain data from sub-projects and other entities. The consultant has completed 10 individual Gap Analysis reports which include descriptions on sub-project engagement and data obtained.</p>	<p>Closed</p>
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<p>B.4 Mitigation and monitoring plan development</p> <p>Based on the above gap analysis and associated consultations, third party E&S consultants identify any material E&S impacts related to regulatory or PS non-compliance (recognizing IFC PSs were not applied by sub-projects) and propose mitigation and monitoring plans as appropriate for complaint sub-project borrowers and their lenders, including RCBC. RCBC and IFC will review such plans and RCBC will engage with complaint sub-project borrowers and other lenders to communicate relevant findings and recommendations and request corrective actions consistent with IFC PS requirements.</p>	RCBC	(13) Consolidated gap analysis report with recommendations to RCBC, sub-borrowers of RCBC and other lenders involved in financing these sub-projects	December 2022	Not started/ August 2023	In Progress/ June 2024	Completed/ September 2024	The individual Gap Analysis reports, which had been shared with RCBC, include mitigation plans recommended for these sub-projects. The consolidated Gap Analysis report is based on the individual gap analysis reports for the 10 coal-fired powerplants and shared with RCBC in September. As RCBC has largely rejected findings from the ERM study, it is not clear whether RCBC has discussed the consultant recommendations with these sub-projects or asked them to implement any of them.	Closed. IFC however will provide appropriate support if/when RCBC decides to discuss the study recommendations with these sub-projects.
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<p>B.5 E&S performance monitoring</p> <p>1. RCBC agrees with IFC on a regular reporting template and interval (e.g., semi-annually) to provide periodic updates to IFC on the E&S performance status of these individual complaint sub-projects, including the follow-up and/or monitoring plans noted above.</p> <p>2. RCBC provides periodic updates to IFC as per the template agreed.</p>	RCBC	(14) Semi-annual monitoring report to IFC	December 2023	Not started/ August 2024	Not started/ December 2024	Partially completed	To date, RCBC has provided an annual E&S performance report and periodic updates on its coal-related exposures to IFC using a current template. No further agreement on E&S reporting related to these sub-projects had been made with RCBC.	Semi-annual reporting by RCBC against these sub-projects is subject to further agreement with RCBC as RCBC has rejected the findings of the ERM study.
<p>Workstream C: Address complaint sub-project GHG emissions and improve climate related disclosure. Deliverables: 6; 2/6 completed; 4/6 to be dropped</p>								
<p>C.1 Onsite energy efficiency evaluation:</p> <p>1. RCBC explores with and seeks agreement from interested complaint sub-project owners/operators</p>	Sub-project owner/operator, third party consultant,	(15) Assessment reports completed by consultant	December 2022	In progress / August 2023	In progress/ June 2024	To be dropped	IFC selected the consultant firm DESL for this study. IFC and DESL worked with RCBC to develop a strategy and communication materials for encouraging sub-projects to participate in the GHG Study. However, while there were initially three (3) possible	Closed

<p>(e.g., those of substandard emissions profiles) for onsite energy efficiency/ GHG emissions reduction audits. Agreement with interested sub-project owners/operators shall include allowing disclosure of (key) audit results.</p> <p>2. IFC supports RCBC in commissioning GHG emissions reduction audits by a suitably qualified third-party consultant for agreed complaint sub-projects.</p> <p>3. IFC or RCBC or the complaint sub-project owner/operator publishes (key findings of) the assessment report (together with improvement proposal) per the agreement reached above.</p>	<p>RCBC, with support from IFC</p>	<p>(16) Any public disclosure of such reports or their findings</p>		<p>Not started/ August 2023</p>	<p>Not started/ Jun 2024</p>	<p>To be dropped</p>	<p>subproject participants for the GHG assessments, no site visit schedules were finalized. RCBC also stopped coordinating subproject participation due to concerns about public disclosures required by the MAP. RCBC later expressly suggested to IFC to drop this study.</p> <p>No public disclosure could be made because of the cancelation of the study.</p>	<p>Closed</p>
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C.2 Improving climate related measurement and disclosure 1. IFC assists RCBC to develop/adopt an approach/methodology for calculating and reporting GHG emissions consistent with international good practices by its sub-project borrowers (high GHG emitters). 2. RCBC will identify a few new (high-risk) sub-borrowers to pilot-test the approach/methodology and report accordingly. IFC supports RCBC to prepare and make climate related disclosures in accordance with applicable national regulations and the Task Force on Climate related Financial Disclosures recommendations.	IFC and RCBC	(17) Approach/methodology developed	December 2023	Not started/ August 2023	Not started/ June 2024	To be dropped	RCBC intends to utilize their existing tools and methodology. The approach/ methodology to be developed was supposedly also to draw lessons from the results of the energy efficiency/GHG onsite emission studies for participating sub-projects.	Closed.
		(18) Any sample reports on the GHG calculation and reporting of the sub-borrowers in the pilot.	June 2023	Not started/ Feb 2024	Not started/ December 2024	To be dropped	See above. No pilot was agreed.	Closed
		(19) Any related reports made by RCBC with climate related disclosures.	September 2024	Not started	Not started/ December 2024	Completed	RCBC independently signed up for the PCAF (Partnership for Carbon Accounting Financials) in September 2021 and is the first Philippine bank to participate in PCAF. RCBC already has an approach and methodology that is internationally acceptable for a bank. RCBC began disclosing its GHG emissions in May 2023, a year in advance of its PCAF commitment to disclose.	Closed

<p>C.3 Improving overall E&S disclosure</p> <p>1. IFC assists RCBC to improve overall E&S disclosure consistent with applicable Central Bank’s regulations (e.g., BSP Circular No. 1085) and international good practices.</p>		(20) Any actual disclosed reports by RCBC	December 2022	Not started/ December 2023	Not started/ December 2024	Completed	RCBC’s latest Annual Sustainability and Impact Report (2023) discussed 4 material topics including, economic, environment, social and contributions of RCBC products and services to the UN Sustainable Development Goals. Following BSP Sustainable Finance Framework (Circular No. 1085) and Environmental and Social Risk Management Framework (Circular No. 1128) requirements, the Report also discloses the bank’s eligible sustainable portfolio/ sustainable funding (allocation) and the benefits of its green and social assets (impact), as well as the bank’s ESMS. In addition to PCAF, bank reporting is also aligned with the International Capital Markets Association Green Bond Principles and ASEAN Capital Markets Forum and ASEAN Sustainability Bond Standards.	Closed
<p>Workstream D: Address underlying factors. Deliverables: 2; 2/2 completed</p>								
<p>D.1 Sector-wide improvements:</p> <p>1. IFC develops dedicated good practice note (GPN) for FIs on assessment of GHG gases in sub-projects to be financed.</p>	IFC	(21) GPN developed for FIs on assessment of GHG gases in sub-projects to be financed.	June 2022	February 2023	Completed/ February 2023	Completed/ February 2023	The two GPNs were developed in February 2023 and published on the IFC website in March 2023.	Closed

2. IFC develops a GPN for FIs covering sample E&S covenants to be included in loan agreements.		(22) GPN developed for FIs covering sample E&S covenants to be included in loan agreements.	June 2022	February 2023	Completed/February 2023	Completed/February 2023		Closed
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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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