

INTERNATIONAL FINANCE CORPORATION

**FOURTH
MANAGEMENT PROGRESS REPORT**

ON

**IMPLEMENTATION OF THE
MANAGEMENT ACTION PLAN
FOR**

PHILIPPINES

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

March 31st, 2026

TABLE OF CONTENTS

TABLE of CONTENTS	i
ABBREVIATIONS AND ACRONYMS	ii
EXECUTIVE SUMMARY	iii
I. PROGRESS HIGHLIGHTS	4
II. CONCLUSION.....	8
DISCLAIMER	9

ABBREVIATIONS AND ACRONYMS

AIP	IFC Access to Information Policy
AMC	IFC Asset Management Company
CAO	Compliance Advisor Ombudsman
CEAP	Capacity Enhancement Action Plan
CSO	Civil Society Organization
E&S	Environmental and Social
EHS	Environmental, Health and Safety
ESMS	Environmental and Social Management System
FI	Financial Intermediary
GHG	Greenhouse Gas
GPN	Good Practice Note
IFC	International Finance Corporation
MAP	Management Action Plan
MPR	Management Progress Report
PS	IFC Performance Standards
RCBC	Rizal Commercial Banking Corporation
TOR	Terms of Reference

EXECUTIVE SUMMARY

- i. 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 2017 complaint concerning IFC Investments in Rizal Commercial Banking Corporation (RCBC or the Bank) in the Philippines. The main objectives of the MAP were to assess and enable mitigation of environmental and social (E&S) impacts allegedly caused by ten coal-fired power plants (the Complaint Sub-Projects) and to strengthen RCBC's Environmental and Social Management System (ESMS). IFC's MAP recognized that IFC has no legal or commercial relationship with the Complainant Sub-Projects and was reliant on RCBC for the effective implementation of the MAP.
- ii. In its first Management Progress Report (MPR) in January 2023 IFC focused on efforts to strengthen RCBC's E&S capacity and to engage the ten Complaint Sub-Projects to participate in MAP implementation. IFC also documented the participatory procurement process for studies envisioned in the MAP. IFC's second MPR in December 2023 reported on extensive stakeholder consultations in the communities in the vicinity of all ten Sub-Projects, on engagement with regulators and alternative data sources in the absence of participation of certain Sub-Projects. The third MPR in December 2024 presented the key findings of MAP mandated studies and challenges encountered. IFC also committed to continuing to work with RCBC on the strengthening of its ESMS and the formal incorporation of Performance Standard (PS) compliance as a binding covenant in its lending agreements with high-risk sub-project borrowers.
- iii. Since the last MPR, IFC has continued to use all available means with RCBC to promote the strengthening of the Bank's ESMS. Engagements with RCBC, including two meetings in which management representatives and E&S staff from both sides participated, emphasized the development and implementation of an agreed Capacity Enhancement Action Plan (CEAP). IFC shared good practices on topics such as stakeholder engagement and environmental monitoring and offered assistance to support RCBC's ESMS enhancement. Upon follow-up discussion and confirmation, RCBC indicated in April 2025 that it had effectively completed its own capacity enhancement which in their view was sufficient for the portfolio covered by the ESMS and that, therefore, neither a CEAP nor additional IFC support on this topic was needed.
- iv. IFC also further explored with RCBC whether it was willing to reconsider formally incorporating PS compliance as a binding covenant in its lending agreements with high-risk sub-project borrowers. RCBC maintained its position that it was not willing to do so, citing that such an approach was not market practice in the Philippines and stating that it could only try to apply the PSs on a "best efforts" basis. Additionally, RCBC rejected IFC's repeated requests for it to consent to the disclosure of gap analysis reports, and/or the executive summaries of such reports, even in redacted form, citing both confidentiality restrictions and banking secrecy requirements. RCBC has also expressed a general disagreement with the findings of the gap analysis reports.
- v. After concluding that no further progress in MAP implementation is feasible and following its Principles for Responsible Exit, on December 22, 2025, IFC's remaining shares of RCBC were sold and IFC no longer has any exposure to RCBC.

I. PROGRESS HIGHLIGHTS

1. This is the fourth and final Management Progress Report (MPR) on implementation of IFC's Management Action Plan (MAP) in response to the Compliance Advisor Ombudsman (CAO) compliance investigation on IFC's investments in Rizal Commercial Banking Corporation (RCBC). The report complements the key findings of MAP implementation presented to the Board of Directors in December 2024 and presents final conclusions.

Background

2. In 2011, under the 2006 Sustainability Framework, IFC invested equity in Rizal Commercial Banking Corporation (RCBC or the Bank). This was followed by three further transactions, under the 2012 Sustainability Framework, between 2013 and 2015 involving additional equity, an SME loan, and participation in a bond issuance.

3. In 2017, the CAO received a complaint from a nongovernmental organization (NGO), the Philippine Movement for Climate Justice, with support from Inclusive Development International and Bank Information Center, on its own behalf and that of communities living near active/proposed coal-fired power plants. The Complaint alleged that an IFC Financial Intermediary (FI) client, Rizal Commercial Banking Corporation (RCBC), had provided financial support to these projects without applying IFC's Performance Standards (PS).

4. In April 2022 the IFC Board of Executive Directors approved the MAP in response to the CAO compliance investigation of the 2017 complaint concerning IFC Investments in RCBC in the Philippines. The main objectives of the MAP were to assess and enable mitigation of E&S risks and impacts allegedly caused by ten Complaint Sub-Projects and to strengthen RCBC's Environmental and Social Management System (ESMS). IFC's MAP recognized that IFC has no legal or commercial relationship with the Complainant Sub-Projects and was reliant on RCBC for the effective implementation of the MAP.

5. The MAP consisted of four key workstreams:

- A. Strengthen RCBC's ESMS implementation, through a Capacity Enhancement Action Plan (CEAP), with a focus on application of IFC PSs to high E&S risk sub-projects.
- B. Assess and enable mitigation of E&S risks and impacts allegedly caused by Complaint Sub-Projects.
- C. Assess Complaint Sub-Projects' greenhouse gas (GHG) emissions, recommend options for GHG emissions reductions and improve climate-related disclosure.
- D. Address underlying factors through development of FI Good Practice Notes (GPNs).

6. The MAP required three key independent studies:

- 1) "Reassessment Studies": Reassessing RCBC's existing high E&S risk portfolio sub-projects vis-à-vis IFC PS requirements; completed.
- 2) "Gap Analysis Reports": Assessing E&S compliance and proposing supplemental mitigation measures for the ten Complaint Sub-Projects; completed
- 3) "GHG Studies": To audit of energy efficiency/GHG emission reduction of interested Complaint Sub-Projects; cancelled.

7. As reported in previous MPRs, IFC reviewed RCBC's high risk portfolio, including 15 sub-projects, of which 3 were visited. IFC provided continued advice to strengthen RCBC's ESMS, including the quality of E&S due diligence. However, RCBC did not address the key underlying reason for the lack of the sub-projects' compliance with the Performance Standards, namely the lack of legally binding requirements on high E&S risk borrowers to apply and comply with the IFC PSs. RCBC has only agreed to include such a requirement on a best efforts basis, e.g., when the bank is a lead arranger of a project finance loan.

8. All gap analysis reports for the ten Complainant Sub-Projects were completed. More than 1000 community members had the opportunity to participate and voice their concerns. The complainants had the opportunity to review draft Executive Summaries of these studies. RCBC did not consent to sharing the final studies, or the Executive Summaries contained therein, with the complainants or the Sub-Projects subject to the CAO complaint.

9. None of the ten Complainant Sub-projects were interested in the offered GHG studies. Therefore, this workstream could not be completed.

10. IFC has subsequently developed and disclosed guidance notes for IFC staff and clients on GHG assessments and on E&S covenants in legal agreements.

IFC Engagement with RCBC since the Last MPR

11. Since the third MPR in November 2024, IFC has continued to use all available means with RCBC to promote the strengthening of the Bank's ESMS and the formal incorporation of PS compliance as a binding covenant in its financing agreements with high-risk sub-project borrowers.

Enhancing RCBC's ESMS Capacity

12. IFC's engagement with RCBC focused on the development and implementation of a CEAP to strengthen the Bank's E&S risk management. IFC had three meetings (one virtual and two in person) with RCBC's management and technical teams in January and February 2025 to discuss actions that would support ESMS enhancements, including improvements related to E&S due diligence and supervision of high-risk sub-projects. RCBC requested additional guidance on (i) stakeholder engagement and (ii) comparisons between WBG EHS Guidelines and Philippine National Guidelines/Standards, with respect to general air, water and noise pollutants/parameters, and to the specific requirements for sectors such as the Mining, Cement, Thermal, and Construction Materials Extraction. In early March 2025, such guidance was provided by the IFC regional E&S team with support from the E&S Risk Officer.

13. In April 2025, RCBC wrote to IFC maintaining its previous position that its current organizational structure, workforce, and capability are, in the Bank's view, sufficient to effectively manage E&S risk in its portfolio. Furthermore, in April 2025, RCBC informed IFC that, following multiple offers of additional technical assistance by IFC, the Bank had successfully concluded its own capacity enhancement program and therefore no CEAP or additional IFC support is needed. In addition, RCBC stated that it regularly reviews its ESMS implementation and would not hesitate to make incremental improvements, including hiring necessary resources to fulfill its mandate.

Formally Incorporating PS Compliance for High-Risk Sub-Projects

14. IFC has also continued to urge RCBC to reconsider formally incorporating PS compliance as a binding covenant in its financing agreements with high-risk sub-project borrowers. RCBC has maintained its position that it will not do so. RCBC has explained that legally binding E&S requirements reflecting third party standards are not market practice in the Philippines and that it would be difficult for the Bank to request such conditions with limited ability to influence either banking partners or sub-borrowers. RCBC has only agreed to include such a requirement on a best-efforts basis, e.g., when the bank is the lead arranger of a project finance loan.

Disclosing Results and Recommendations of the E&S Gap Analysis

15. As noted in the 3rd MPR, RCBC rejected sharing the results of the final Gap Analysis Reports with the Complaint Sub-Projects and declined to request any corrective actions by Complaint Sub-Projects to mitigate E&S impacts. RCBC declined to monitor E&S performance of the ten coal-fired power plants beyond its standard practices, which do not align with IFC PS requirements.

16. The complainant representatives contributed to the development of the Gap Analysis Reports and reviewed draft executive summaries for all ten Complaint Sub-Projects. As defined in the MAP, their feedback was considered in completing the Gap Analysis Reports. However, the purpose of the Gap Analysis Reports was to give recommendations to RCBC to inform and enable the Bank to engage with the Complainant Sub-Projects. IFC's MAP does not foresee the disclosure of the final Gap Analysis Reports to the complainants and, as discussed in more detail below, RCBC has declined in writing to consent disclosure on any basis citing confidentiality of data.

17. IFC engaged with RCBC to promote, at a minimum, the disclosure of redacted versions of the executive summaries of the final Gap Analysis Reports to the complainants. To this end, IFC prepared and provided RCBC with a redacted version of one of the final executive summaries for it to consider (with a view to redaction of the other summaries on a similar basis). RCBC rejected, in writing, the option of redactions and reiterated its concerns around confidentiality matters. RCBC maintained that it has confidentiality obligations, both contractually and pursuant to applicable banking regulations in the Philippines, that do not allow the Bank to disclose information on the Complaint Sub-Projects. IFC explored the possibility of disclosing executive summaries of the ten Gap Analysis Reports or at least key findings to the complainants directly, on a redacted basis, but reached the conclusion that without RCBC's consent, such disclosure is not legally possible.

18. On April 10, 2025, representatives of the complainants in the CAO process filed a request for information through the IFC Disclosure Portal seeking disclosure of the final Gap Analysis Reports, or the executive summaries thereof. IFC denied the request based on commercially sensitive and confidential information exception to disclosure under the IFC AIP. The AIP provides two levels of appeal: a first level appeal to IFC's AIP Advisor and a second level appeal to an independent AIP Panel comprised of three outside experts on access to information in a commercial setting. The requesters pursued a first-level appeal and the AIP Advisor upheld IFC's denial of the information request. Upon this denial, the requesters submitted a second-level appeal to the AIP Panel. In a decision dated March 18, 2026, the AIP Panel confirmed that it had concluded that the AIP Advisor had a reasonable basis for her decision to uphold IFC's denial of the information request. Pursuant to the AIP, the AIP Panel's decision is final.

Completion of the IFC MAP

19. IFC has used all available means to effectively implement the MAP. Beyond the originally foreseen actions, IFC also completed a comprehensive mapping of each Complaint Sub-Project to identify stakeholders that could influence sub-project operators, where neither IFC nor RCBC could exert such influence. When Complaint Sub-Projects declined to participate in the studies, IFC engaged with national authorities and regulatory bodies to obtain relevant E&S data and information on the Complaint Sub-Projects. While initially budgeted for US\$ 2 million, total MAP implementation expenditure has amounted to approximately US\$ 3.5 million, including IFC staff time. During MAP implementation, IFC senior management engaged with both RCBC and the complainant representatives in multiple discussions.

20. After exhausting all available means to influence RCBC and the Complainant Sub-Projects, there is no reasonable expectation of further action to be taken by RCBC to implement MAP actions.

21. IFC decided to exit its investment in RCBC based on the following key considerations, consistent with IFC's Directive on the Approach to Responsible Exit dated September 30, 2024, which sets out the approach for applying the Responsible Exit Principles in exits from IFC investments, including during an ongoing CAO case:

- The MAP had run its full course for over three years, mobilizing considerable IFC resources, and had reached a point of diminishing returns in case of continued engagement with RCBC. It is unlikely that continued IFC engagement would have achieved any further enhancements in RCBC's ESMS or the formal inclusion of PSs in new high-risk sub-projects of RCBC. No progress on disclosure or completion of further MAP actions could be expected.
- The main objectives of the MAP were to assess and enable mitigation of E&S risks and impacts of the Complaint Sub-Projects and to strengthen RCBC's ESMS. With the lack of interest from RCBC and the Complaint Sub-Projects in working any further with IFC or utilizing findings from the studies done by the consultant commissioned by IFC, there was no reasonable expectation of further actions by RCBC.
- IFC has used all means at its disposal through its relationships with RCBC, other stakeholders and public authorities to implement the MAP. IFC's exit does not have a significant impact on IFC's leverage, which was in any case very limited given only a 4.46 percent combined stake with IFC Asset Management Company (AMC). RCBC's leverage is also limited downstream, as it was only a minority participant in large, syndicated facilities in connection with the Complaint Sub-Projects. IFC's exit does not increase or exacerbate existing E&S issues arising from the operations of the Complaint Sub-Projects.
- IFC's exit from RCBC, which is only one of several lenders to the Complaint Sub-Projects, has very low risk of resulting in reprisals against the complainants and their representatives by the Complaint Sub-Projects operators. There are no identified E&S risks where the imminent and probable outcome post-exit could have negative impacts on project-impacted communities nor did IFC have the means to prevent any such outcomes, even if it had remained a shareholder in RCBC, given that IFC has no direct link to the Complaint Sub-Projects.

22. On December 22, 2025, the remaining shares of IFC and the IFC Capitalization Fund managed by AMC respectively were sold and IFC no longer holds any investment in RCBC.

II. CONCLUSION

23. This fourth and final MPR completes IFC's MAP implementation. Since 2022 IFC was able to implement 12 out of 22 MAP actions effectively. Achievements included the review of RCBC's high risk portfolio to prevent future non-compliance together with sustained support and capacity building to strengthen RCBC's Environmental and Social Management System. IFC implemented broad-based stakeholder consultations to enable all affected communities of the ten Complaint Sub-projects to voice concerns with the benefit of safeguards against reprisals. Four of the ten Complainant Sub-Projects participated in MAP implementation and site visits at these four Complaint Sub-Projects were completed. IFC has also developed guidance for IFC staff and clients on strengthening E&S risk management in financial intermediations.

24. While implementation timelines were extended due to operational and structural constraints, IFC emphasizes that it has used all available means to implement the MAP. No further actions are possible without the participation and consent of RCBC, which is being withheld.

25. IFC followed the Responsible Exit Directive and exited RCBC in December 2025. IFC Management therefore reports that MAP implementation is completed.

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 Policy on Environmental and Social Sustainability in a project supported by IFC finance or investment.

The CAO administers IFC's accountability mechanism in order to address complaints by people affected by IFC supported projects. As noted in paragraph 9 of the IFC/MIGA Independent Accountability Mechanism (CAO) Policy, CAO has no authority with respect to judicial processes. CAO is not a judicial or legal enforcement mechanism, nor is CAO a substitute for courts or regulatory processes, and CAO's analyses, conclusions, and reports are not intended or designed to be used in judicial or regulatory proceedings or for purposes of attributing legal fault or liability.

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