

INTERNATIONAL FINANCE CORPORATION

**MANAGEMENT REPORT AND MANAGEMENT ACTION PLAN
IN RELATION TO THE**

CAO COMPLIANCE INVESTIGATION REPORT

ON

**ALEXANDRIA DEVELOPMENT LIMITED
EGYPT – AFRICA**

**(Project Nos. 27022 and 30274)
Complaints 02 and 03 / Beni Suef**

June 15, 2023

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	iii
EXECUTIVE SUMMARY	iv
I. INTRODUCTION	1
II. THE PROJECT	1
III. CAO CASE AND FINDINGS.....	2
IV. MANAGEMENT RESPONSE TO CAO FINDINGS AND RECOMMENDATIONS	3
V. RESULTS OF CONSULTATIONS WITH CLIENT & COMPLAINANTS	9
VI. MANAGEMENT ACTION PLAN (MAP).....	10
VII. CONCLUSION.....	10
ANNEX A MANAGEMENT ACTION PLAN (MAP).....	11

ABBREVIATIONS AND ACRONYMS

ADL	Alexandria Development Limited
APCC	Alexandria Portland Cement Company
BSCC	Beni Suef Cement Company
CAO	Office of the Compliance Advisor Ombudsman
EACR	Egyptian Association for Collective Rights
ECCLR	Egyptian Center for Civil and Legislative Reform
EIPR	Egyptian Initiative for Personal Rights
E&S	Environmental and Social
IFC	International Finance Corporation
MAP	Management Action Plan
MR	Management Report
NGO	Nongovernment Organization
OHS	Occupational Health and Safety
PS	IFC Performance Standard
TCE	Titan Cement Egypt
VELP	Voluntary Early Leaving Program

EXECUTIVE SUMMARY

- i. In November 2010, the International Finance Corporation (IFC) invested €80 million in Alexandria Development Limited (ADL), a Jersey-based holding Company for Titan Group’s Egyptian operations, including both Alexandria Portland Cement Company (APCC) and Beni Suef Cement Company (BSCC or the “Company”) (together, Titan Cement Egypt, or TCE), acquiring a 15.2 percent stake in ADL. IFC’s investment was targeted to removing bottlenecks and expanding BSCC’s cement capacity, and improving the technical efficiency and environmental performance of APCC. The project’s development impact included expanding the supply of cement in Beni Suef, a frontier region in Egypt, in response to growing demand for large infrastructure and low-income housing projects.
- ii. In 2017, the Office of the Compliance Advisor Ombudsman (CAO) received two complaints (ADL-02 and ADL-03) related to TCE’s BSCC. Both complaints were filed by two local NGOs, the Egyptian Association for Collective Rights (EACR) and the Egyptian Center for Civil and Legislative Reform (ECCLR), on behalf of former employees of BSCC (the “Complainants”) and were subsequently supported by the Bank Information Center.
- iii. ADL-02 was filed in February 2017 on behalf of seven former BSCC employees, who allege they were unfairly suspended and forced to take an early retirement package during a retrenchment program in 2016-2017. They also allege occupational health and safety (OHS) issues at the plant and a quarry the Company used.
- iv. ADL-03 was filed in May 2017 on behalf of more than 300 former BSCC employees, alleging that their redundancies during a 2002-2003 retrenchment were unfair and breached the terms of a 1999 privatization contract.
- v. In August 2018, CAO merged ADL-02 and ADL-03 and concluded that they merited a compliance investigation. CAO released its findings and recommendations in the final Compliance Investigation Report to IFC after four years, on March 31, 2023 (the “CAO Investigation Report”).
- vi. The CAO Investigation Report concluded that IFC should have considered the 2002-03 retrenchment program as a “significant historical impact”. CAO further stated that, during the period of investment, IFC did not address the concerns raised by people affected by the retrenchment. CAO recommended that IFC encourage continued dialogue among the relevant parties to resolve outstanding issues related to the retrenchment.
- vii. Management agrees that IFC’s assessment of the legacy retrenchment could have been improved. Management disagrees with CAO’s finding that IFC did not address the issues raised during supervision. These issues were in fact raised multiple times with the client, particularly those related to labor. In response to an earlier CAO case, IFC worked closely with TCE to develop a grievance mechanism that is open to retirees, to address such issues. Given the 20 years that have passed since the retrenchment program, the direct recourse that Complainants pursued through the Egyptian legal system, and the direct channel of engagement open to retirees that now exists for Complainants to engage in dialogue through a formal grievance mechanism, Management considers that it is not in a position to effectively implement further actions that can positively contribute to such a continued dialogue to resolve any outstanding issues.

viii. The CAO Investigation Report also concluded that although IFC was aware of and followed up with the Company on the retrenchment of seven workers in 2016-2017, IFC's actions would fall short of the Sustainability Policy supervision standard to provide assurance that the Company's actions complied with Performance Standard (PS) 2 retrenchment requirements. CAO recommended that IFC identify and pursue options to work with TCE to review and engage with complainants' grievances and to identify gaps in the implementation process related to PS2 requirements.

ix. Management disagrees with CAO's finding. IFC actively followed up on these cases and concluded that the package offered to the seven complainants was part of a performance-based termination program involving 30 workers that was distinct from the Voluntary Early Leave Programs (VELP) that were conducted in the same period. The performance-based termination program was in line with national law and the collective bargaining agreement. IFC's review did not find indication of discrimination related to the seven workers' who rejected and subsequently protested about the termination package. As a result, Management considers that no further project-level actions are required.

x. Management recognizes the potential benefit of CAO's recommendation to engage with competent labor organizations and will promote and facilitate the organization of a country-level workshop to discuss and understand the gaps, if any, between Performance Standards and Egyptian labor laws with respect to retrenchment practices, and understand how these might be addressed in future IFC projects. The workshop will inform IFC practice to strengthen screening, appraisals, and monitoring of future investments in Egypt in case of retrenchment processes.

xi. Management appreciates CAO's finding that IFC's supervision related to PS2 OHS requirements was consistent with the Sustainability Policy. Management agrees with CAO about the lack of direct documentation regarding the IFC visit to the quarry where the Company procured the sand.

xii. Management appreciates CAO's constructive engagement in this project and the detailed assessment in CAO's Investigation Report—particularly regarding the understanding of how PS2 aligns with national law. Understanding whether there are gaps between PS2 and Egyptian labor laws allows IFC to strengthen the screening and appraisal of future investments and to monitor and support clients.

I. INTRODUCTION

1. In February 2017, a complaint (ADL-02) was lodged with the Office of the Compliance Advisor Ombudsman (CAO), by the Egyptian Association for Collective Rights (EACR) and the Egyptian Center for Civil and Legislative Reform (ECCLR), two local nongovernmental organizations (NGOs), on behalf of seven former employees of Beni Suef Cement Company (BSCC or “the Company”), alleging unfair employment practices and occupational health and safety (OHS) breaches.¹ In May 2017, a complaint (ADL-03) was filed by the same NGOs on behalf of more than 300 former BSCC employees, also related to employment practices.² In August 2018, CAO merged the two complaints, ADL-02 and ADL-03, into a single case.

2. As both BSCC and the former employees of concern in both complaints (the “Complainants”) declined the option of a CAO-facilitated dispute resolution process, in accordance with CAO procedures the complaint was transferred to the CAO’s compliance function for appraisal in January 2019 and subsequently for investigation.

3. CAO published its Compliance Appraisal: Summary of Results report of the complaints on January 9, 2019, including the Terms of Reference for the CAO compliance investigation.

4. The International Finance Corporation (IFC) received the CAO Compliance Investigation report four years later, on March 31, 2023. This IFC Management Report (MR) aims to provide a reasoned response to CAO’s non-compliance findings and recommendations and propose a commensurate Management Action Plan (MAP). This MR is organized into seven sections. Section I is this introduction. Section II provides background on the project, including IFC’s indirect investment in BSCC, and summarizes events that occurred in the country, sector, and Company during the IFC investment period. Section III summarizes the CAO case and Section IV presents Management’s response to CAO’s compliance findings. Section V summarizes the results of the consultations with the Company and the Complainants. Section VI presents the MAP and Section VII provides the conclusion.

II. THE PROJECT

5. Alexandria Development Limited (ADL) is a Jersey-based holding company for Titan Group’s Egyptian operations, including BSCC and another cement company, Alexandria Portland Cement Company (APCC) (together, Titan Cement Egypt, or TCE). In November 2010, IFC invested in the group’s expansion and improvement project in Egypt (Titan Egypt #27022 and 30274).

6. In November 2010, IFC invested €80 million in ADL, in exchange for a 15.2 percent stake with no nominee to its board of directors. IFC’s investment was targeted to removing bottlenecks and expanding BSCC’s cement capacity, and improving the technical efficiency and environmental performance of APCC. The project’s development impact included expanding the

¹ <https://www.cao-ombudsman.org/sites/default/files/downloads/ComplaintAlexDev02Feb2017English.pdf>

² <https://www.cao-ombudsman.org/sites/default/files/downloads/ComplaintEnglishtranslation.pdf>

supply of cement in Beni Suef, a frontier region in Egypt, in response to growing demand for large infrastructure and low-income housing projects.

7. The period of IFC's investment was one of profound political, economic, and social upheaval in Egypt, and included events that affected every aspect of Egyptian society. These events had impacts on private companies across the country, including TCE and the outcomes of IFC's investment, as described in the IFC Management Response to CAO Investigation Report on ADL-01.³

8. IFC exited its investment in ADL in November 2019, as part of a broader divestment that included the sale of IFC's equity positions in all three of the Titan Group investments.⁴ The sale was consistent with IFC's strategy of divesting from equity positions it has held for a sufficiently long period of time to revolve its funds. The decision to exit was driven by economic considerations and was not related to the three complaints lodged with CAO in 2016-2017.

9. At the time of IFC's divestment from ADL, TCE was in good standing and the project's environmental and social (E&S) performance was deemed satisfactory based on the completion of all actions required in the Environmental and Social Action Plan, which was agreed at the time of investment and updated in 2012 and 2015. Under the Titan Group's management, and with IFC's support, TCE was able not only to stay in business in a difficult economic environment but also to continue investing in improvements to its sustainability performance.

10. Although no longer an investor and with no continuing obligations, IFC remains committed to engagement with the Company, as demonstrated with respect to the implementation of the MAP developed under ADL-01.⁵ In May 2023, CAO concluded that IFC has substantially implemented the MAP actions and closed the case.⁶

III. CAO CASE

11. In 2017, CAO received two complaints (ADL-02 and ADL-03), related to TCE's BSCC. Both complaints were filed by EACR and ECCLR, on behalf of the Complainants, and were subsequently supported by the Bank Information Center, an international NGO.

12. ADL-02 was filed in February 2017 on behalf of seven former employees of BSCC, who alleged they were unfairly suspended and forced to take an early retirement package during a

³ See IFC Management Response to the CAO Compliance Investigation Report, July 2021, https://www.cao-ombudsman.org/sites/default/files/downloads/IFCManagementResponsetoCAOInvestigationReportonAlexDevLtd-01_Egypt_rev.pdf.

⁴ IFC's relationship with the Titan Group began in 2008, when IFC financed the group's greenfield cement plant in Albania (Antea Cement #25886, 27958 and 32001) alongside the European Bank for Reconstruction and Development. In 2012, IFC invested in the group's operations in Kosovo, North Macedonia, and Serbia (Titan Danube #31128), which was the last financing IFC provided to Titan Group to date.

⁵ See IFC's Management Progress Report on Implementation of the MAP, October 2022, https://www.cao-ombudsman.org/sites/default/files/downloads/Management_Progress_Report_on_Implementation_MAP%E2%80%9393AlexDev-Egypt.pdf

⁶ CAO Compliance Monitoring Omnibus Case Report: Q4, 2023, p9.

retrenchment program in 2016-2017. They also alleged OHS issues at the plant and a quarry the Company leased and used.

13. ADL-03 was filed in May 2017 on behalf of more than 300 former BSCC employees, alleging that their redundancies during a 2002-2003 retrenchment were unfair and breached the terms of a 1999 privatization contract.

14. These two complaints were considered separately from ADL-01, a complaint about TCE's cement plant in Alexandria, Egypt, which was filed in April 2015 on behalf of former employees and a group of community members, who live in close proximity to the Alexandria plant. CAO released an investigation report on ADL-01 in September 2021. IFC issued the Management Response and Management Action Plan (MAP) for ADL 01, which was approved by the Board. In May 2023, CAO decided to close its monitoring process for IFC's project-level actions, concluding that IFC had substantially implemented the MAP actions.

15. CAO found ADL-02 and ADL-03 eligible for further assessment in March 2017 and July 2017, respectively. The CAO team conducted an assessment trip in July 2017. Given that there was no agreement for dialogue and in keeping with CAO's Operational Guidelines, the case was referred to CAO's Compliance function for appraisal. In August 2018, CAO merged the two cases and concluded that the ADL-02 and ADL-03 cases merited a compliance investigation. The Terms of Reference of the Compliance Investigation required CAO to assess whether IFC met its Sustainability Policy requirements in its pre-investment review and supervision of:

- (a) The ongoing dispute between the Company and workers about alleged forced retrenchment in 2003.
- (b) The Company's suspension and retrenchment of workers in 2016-2017.
- (c) The Company's general OHS policies and practices, including separate incidents in which a worker was injured onsite, and a truck driver died in a sand quarry used by the Company.

16. CAO released its findings and recommendations in the final Compliance Investigation Report to IFC after four years, on March 31, 2023 (the "CAO Investigation Report").

IV. MANAGEMENT RESPONSE TO CAO FINDINGS AND RECOMMENDATIONS

17. Management wishes to express its appreciation to the Complainants for raising these issues. Management has taken the allegations in the complaint seriously and reiterates its commitment to fair employment practice and appropriate working conditions, including OHS.

18. Management is grateful to CAO for its detailed analysis and for its consideration of IFC's extensive monitoring and review, as well as guidance IFC provided to the Company in relation to the application of Performance Standard 2 (PS2) on Labor and Working Conditions throughout the investment period, especially in relation to the ADL-02 case.

A. IFC Responses to CAO Findings

19. CAO Findings in relation to Retrenchment Program 2002-2003 (ADL-03 complaint) (CAO Investigation Report, pg. 21):

- “Considering the number of workers affected by the 2002–2003 retrenchment program and the ongoing legal cases at the time of IFC’s pre-investment review, CAO finds that IFC should have considered this issue a “significant historical impact” of the project under para. 13 of its Sustainability Policy.⁷ Under this designation, IFC was required to conduct an assessment of the issue and work with Titan Egypt to identify possible remediation measures. IFC’s lack of attention to the 2002-2003 retrenchment program was not compliant with this requirement.
- During the period of IFC’s investment supervision, CAO finds that IFC did not address the concerns raised by people affected by the 2002-2003 retrenchment program. However, this was an E&S issue that IFC was required to monitor in accordance with its Sustainability Policy (para. 11 and 26).”

20. As described in detail in the IFC Management Response to ADL-01, the retrenchment programs (referred to as Voluntary Early Leaving Programs or VELPs) that occurred in 2002-2003 preceded Titan Group’s operational control of BSCC (from 2008) and IFC’s investment (in 2010). When BSCC carried out VELP efforts in 2002 and 2003, Lafarge was the plant operator, and it was only in 2008, when Lafarge sold its 50 percent joint venture stake to Titan Group, that Titan became the majority owner of the APCC and BSCC plants.

21. IFC’s understanding and conclusions are consistent with the Management Response to the CAO’s Compliance Investigation for ADL-01 (July 30, 2021) for the same legacy retrenchment program, which occurred at both of TCE’s companies (APCC and BSCC). At the time of the pre-investment review, legal due diligence was prepared for the project, including an assessment of potential litigation against the Company. One lawsuit had been brought to court in 2003 in relation to the profit distribution for 2001. The Company argued that the law stipulated that profit-sharing participation for employees was supposed to be from profits the Company resolved to distribute (which the Company did not distribute), while the plaintiffs argued that the profit-sharing participation was from annual net profits (even though the Company may choose not to distribute). In hindsight, IFC should have inquired more about the lawsuit to determine the specifics of the litigation issues, if any, other than profit-sharing.

22. Management concurs with CAO’s observation that PS2 requirements did not apply to the 2002-2003 retrenchment program, as this occurred prior to IFC’s investment. Management agrees that the assessment of the legacy retrenchment program could have been improved by IFC taking additional steps to assess the legacy issues created (see paragraph 79 of the ADL-01 MR) and document its findings (see paragraph 83 of the ADL-01 MR). Consideration should have been given to the potential risks, including queries to understand specifics regarding affected employees and issues such as statutory rights, and compensation paid, as well as to obtain supporting evidence for IFC’s records. Learning from this experience, IFC worked closely with TCE during supervision on implementation of the VELPs in 2016-2017, monitored them for compliance with PS2 requirements.

23. Management disagrees with CAO’s finding that IFC did not address the issues/protests related to the 2003 retirees with TCE during supervision. The protests at the

⁷ IFC’s Policy on Social & Environmental Sustainability, 2006, applicable to the Project.

plant site took place at the onset of the Arab Spring period, in 2011. At that time, multiple cement companies faced strikes by employees and contractors, which disrupted operations and affected performance. Several cement companies were among the 40 firms targeted by legal actions seeking to overturn the privatizations of the late 1990s and early 2000s.

24. IFC monitored and discussed the TCE protest issues during supervision. Supervision documents show that IFC raised the issues with the client multiple times, particularly related to labor. The IFC project team regularly apprised IFC management on developments related to the protests, and IFC management actively communicated with Titan Group management to underscore the importance of understanding and addressing the concerns that had led to the unrest. IFC found that TCE's employee grievance mechanism in place at the time was not a channel available to retirees. In the MAP for ADL-01, IFC worked closely with TCE to ensure that the latter developed a grievance mechanism that is open to retirees, to address such issues. TCE currently has channels in place for community members, including any retirees, to raise complaints.

25. CAO Findings in relation to Retrenchment Program 2016–2017 (ADL-02 complaint) (CAO Investigation Report, pg. 27):

- “IFC was aware of and followed up with the Company several times regarding the retrenchment of seven workers in 2016-2017. However, in not obtaining and reviewing the retrenchment plan, IFC's actions fell short of the Sustainability Policy supervision standard (SP para 26) to provide assurance that the Company's actions complied with PS2 retrenchment requirements (PS2 2006, para.12). CAO concludes that the evidence available indicates harm to these complainants.”

26. Management appreciates CAO's finding that IFC was aware of and supervised the VELP implemented by the Company in 2016-2017, as well as the separate performance-based termination program, including for the seven workers who lodged the complaint with CAO through their representatives. IFC's regular supervision on labor and working conditions included assessing any potential retrenchment through a review of annual headcount statistics and discussions with Company management and its human resources department. In addition, IFC retained a labor expert to support its supervision in 2015 and 2016. This expert also provided guidance and trainings to TCE on PS2 requirements, including retrenchment plan preparation.

27. TCE had a stable workforce until 2016, when the Company adopted a performance-oriented culture in response to market challenges.⁸ As part of this transition, the Company implemented limited VELPs. In November 2016,⁹ the Company notified IFC of the first VELP, with information on scope, criteria, packages offered and selection process. Through IFC's follow-up, further information was collected regarding review of alternatives, application of principles of non-discrimination and fair treatment, and consultation process with the union and workers. During its 2016 supervision, IFC made it clear that for any future retrenchments, the Company should prepare a retrenchment plan meeting PS2 requirements and provided guidance to the Company in this regard. The Company followed this guidance in the 2017 VELP program, the

⁸ Discussed in more detail in ADL-01 MR, Section 2.1 paragraphs 11-34.

⁹ Email from TCE to IFC on November 9, 2016, states that the Company is in a process to execute a VELP.

implementation and outcomes of which were further assessed by IFC during 2018 supervision¹⁰ and found adequate as per PS2.

28. The seven workers who submitted the ADL-02 complaint were part of a group of 30 workers let go under a performance-based termination program that was distinct from the 2016-2017 VELP described above, and that included different packages. **IFC disagrees with CAO's finding that it did not sufficiently assure itself whether the Company's actions in the implementation of this program complied with PS2 requirements.**

29. IFC was informed of this process during its December 2016 supervision visit, when the seven workers rejected the package offered. IFC followed up on these cases by seeking further information on the process followed by the Company, which was documented in the supervision records reviewed by CAO. In its review, IFC learned that the package offered to the seven workers was part of a distinct, performance-based termination program. The affected workers were assessed and categorized as long-term low performers through the Company's performance appraisal. The compensation received by all the affected workers was in line with national law and the collective bargaining agreement.

30. The seven workers rejected the package offered, as its terms were different from the severance packages received by employees who were included in the 2016 VELP. They subsequently demonstrated to express their dissatisfaction. This resulted in a disciplinary investigation by the Company's legal department and a suspension of the seven workers for two months during the investigation process. Their salaries were deposited in an escrow account at the court during the suspension, as per national law.

31. Following a mediation process, the seven workers received the salaries held in escrow during their suspension, a termination package consisting of two months' salary for each year worked, and profit shares, as per the collective bargaining agreement. The Company covered legal fees. Apart from the amount paid by the Company to cover legal fees, this package is identical to the package received by the other 23 workers covered under the performance-based termination package. Following this agreement, five of the workers filed individual cases in domestic courts, with final rulings issued in favor of the Company.

32. During this process, IFC followed up rigorously with the Company, requesting relevant information to satisfy itself that the program met PS2 requirements, such as evidence to verify the fair assessment of the low-performing employees, the application of non-discriminatory criteria, verification of the severance packages and application of any mitigation measures. As documentation regarding the termination process remained incomplete, IFC sought and obtained information from peer workers and union representatives who had a mediation role, in order to make its determination about compliance with PS2. While not a requirement of the Sustainability Policy, Management acknowledges that IFC's review of the termination process for the 30 low performers (including the seven workers) would have benefited from consultation with the affected workers.

¹⁰ IFC visit presentation prepared by TCE on human resources and corporate social responsibility, January 2018.

33. IFC's review concluded that the compensation received by the workers was in line with national law and the collective bargaining agreement, and the disciplinary process that the workers underwent did not lead to discriminatory treatment of the seven workers compared to rest of the workers in their group, as they have received the same benefits along with their legal fees. IFC notes that the complainants expected the Company to offer them the same package as that offered in the VELP programs which, however, had different target groups and selection criteria determined by the Company.

34. CAO Findings in relation to Occupational, Health & Safety Practices (ADL-02 complaint) (CAO Investigation Report, pg. 33)

- “In relation to the Beni Suef cement facility, CAO finds that IFC’s general supervision of the Company’s compliance with relevant OHS requirements under PS 2 para. 16 was consistent with the Sustainability Policy. PS2 requires the Company to “provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client’s work areas.”
- IFC’s supervision of the injury incident at the plant was adequate. In the context of a CAO complaint on this issue, however, it would have been good practice for IFC to also have discussed the event with the affected worker during its site supervision visits. CAO concludes that the evidence available does not support a conclusion that the Company’s actions in relation to the injury incident presented a clear non-compliance with PS2 OHS requirements.
- Regarding the sand quarry, CAO finds that IFC’s supervision did not provide assurance of BSCC’s compliance with OHS requirements at the sand quarry it leased for its operations (Sustainability Policy 11 and 26). While IFC assert that they visited the sand quarry in 2014, IFC never documented this visit, nor reviews during subsequent visits, nor an adequate review of the Company’s OHS performance at the sand quarry. CAO does not make any comment or reach conclusions regarding the underlying facts of the fatality that occurred in January 2017.”

35. **Management appreciates CAO’s conclusion that IFC’s supervision related to PS2 OHS requirements was consistent with the Sustainability Policy, that IFC’s supervision of the injury incident was adequate**, and that the Company’s actions in relation to the injury incident do not constitute non-compliance with PS2 requirements.

36. **Management agrees with CAO about the lack of direct documentation** regarding IFC’s visit to the quarry where the Company procured the sand. **It also agrees with CAO about the lack of a specific review of the Company’s OHS oversight** with respect to the operations of the contractor engaged in the sand quarry used by BSCC and other companies, beyond IFC’s review of the Company and contractor health and safety performance, based on the Company’s reporting, a review of records and training, and supervision visits at the Company’s operations.

B. IFC Responses to CAO Recommendations

36. The CAO Investigation Report includes three recommendations (Annex B of the CAO Investigation Report, pg.43) for the development of IFC’s MAP. CAO stated that it is cognizant of the fact that IFC exited its investment in ADL in 2019. This sub-section provides IFC’s responses to CAO’s Recommendations.

CAO Recommendations & IFC Responses

CAO Recommendation 1: Encourage continued dialogue among the relevant parties to resolve the outstanding issues related to the 2002-2003 retrenchment and related job losses.

37. As part of the MAP implemented in response to CAO's findings under ADL-01,¹¹ IFC considers that the improved grievance mechanism enables access to remedy for the affected workers from the 2002-2003 retrenchment program.

38. Given the 20 years that have passed since the retrenchment program, the direct recourse that complainants pursued through the Egyptian legal system, and the direct channel of engagement that now exists for complainants to engage in continued dialogue through the formal grievance mechanism, **IFC considers that there is no further action that IFC can effectively take** that can positively contribute to such a continued dialogue to resolve any outstanding issues.

CAO Recommendation 2: Identify and pursue options to work with TCE to review and engage with complainants' grievances about the 2016-2017 retrenchment program, and to identify gaps in the implementation process related to Performance Standard 2 requirements. If the workers affected by that process received less favorable benefits than the Performance Standard expects, IFC should propose remedial actions to TCE.

39. IFC considers that the package offered to the 30 workers as part of the performance-based termination process, including the seven complainants, was in line with national law and the collective bargaining agreement, as demonstrated by the outcome of the court cases. IFC's review did not find indication that the 30 workers affected by that process received less favorable benefits than PS2 requires, nor any indication of discrimination related to the seven workers' rejection of, and subsequent protest about the termination package. **As a result, IFC considers that no further action is required.**

CAO Recommendation 3: Engage with competent labor organizations with expertise on Egyptian labor law in order to support ongoing and new investments in Egypt. Focus on understanding and encouraging appropriate retrenchment practices among industry sectors, and on understanding the current state of E&S national law, its implementation, the degree to which PS2 aligns with such law, and, where there are gaps in alignment, how these might be addressed.

40. **IFC recognizes the potential benefit of CAO's recommendation in the context of its investments in Egypt and agrees to implement a relevant action as part of the MAP:** IFC will engage with competent labor organizations and will promote and facilitate the organization of a

¹¹ As reported in the MAP progress report: https://www.cao-ombudsman.org/sites/default/files/downloads/Management_Progress_Report_on_Implementation_MAP-AlexDev-Egypt.pdf

country-level workshop to discuss and understand the gaps, if any, between Performance Standards and Egyptian labor laws with respect to retrenchment practices, and understand how these might be addressed in future IFC projects. The workshop will inform IFC practice to strengthen screening, appraisals, and monitoring of future investments in Egypt in addressing retrenchment when required.

V. RESULTS OF CONSULTATIONS WITH CLIENT & COMPLAINANTS

41. As per the CAO Policy and CAO Transitional Arrangements, IFC consulted with three representatives of the Complainants (“The Representatives”), as provided by the CAO: the Egyptian Center for Civil and Legislative Reform, the Arab Watch Coalition and the Bank Information Center.

42. During the consultation, IFC summarized key findings and recommendations of CAO’s Investigation Report and solicited the perspectives of the Representatives. The Representatives commented that while the CAO Investigation Report noted that IFC’s supervision fell short of the Sustainability Policy relevant standard, it did not elaborate on how IFC can better address these issues in the future. They further noted that the CAO Investigation Report did not clarify the nature of the contractual relationship of the injured contracted worker, which in their perspective was material to the complaint. They further referred to the absence of Complainants in this meeting, indicating that they have lost trust in the process due to its extended timeframe and IFC exiting its investment in ADL.

43. IFC presented its response to CAO’s findings and recommendations as outlined in Section IV of this Report. The Representatives asked clarifying questions related to the nature of the grievance mechanism now in place and available to retirees, the motivation for IFC’s decision to exit its investment and the basis for IFC’s conclusion that the Company’s retrenchment programs met PS requirements. The Representatives provided feedback on IFC’s proposed action in response to CAO’s third recommendation, noting that IFC should carefully consider its approach to ensure that a diversity of perspectives can be included in a manner that is safe for all involved. They further asked how the outcomes of the workshop will be embedded in the due diligence and supervision of upcoming investments in Egypt.

44. Complainants provided additional written comments on the proposed MAP, reiterating their support for the findings and recommendations of the CAO’s investigation report.

45. IFC also actively engaged with TCE following the reception of CAO’s Draft Compliance Investigation Report. IFC followed up through additional consultations with TCE’s management on issues raised by the Complainants and CAO findings and recommendations, as part of the preparation of this Management Report, and informed the Company of the proposed MAP. TCE reported that they reviewed CAO’s recommendations and look forward to receiving updates during implementation of the MAP.

VI. MANAGEMENT ACTION PLAN (MAP)

46. In response to CAO recommendations and the corresponding findings, IFC prepared the MAP that is presented in Annex A and takes into account the results of consultations with the Company and the Complainants. The MAP's overall objective is to further detail the information available to IFC teams to review performance of clients in future projects in Egypt in addressing retrenchment, when required. It seeks to use lessons learned from the project and work with relevant parties in understanding retrenchment risks and issues and encouraging implementation of good practice in management of such processes as they apply to IFC's projects in the country.

VII. CONCLUSION

47. Management appreciates CAO's constructive engagement in the two cases relevant to this completed project and the detailed assessment in CAO's Investigation Report—particularly regarding the understanding of how PS2 aligns with national law. Understanding whether there are gaps between PS2 and Egyptian labor laws allows IFC to develop guidance to support the screening and appraisal of future investments and to monitor and support clients.

**ANNEX A
MANAGEMENT ACTION PLAN (MAP)**

Management has proposed actions in relation to the CAO recommendations and the corresponding findings that Management is able to address. The MAP below specifies actions that IFC will implement and proposed timeframe. As per CAO policy, in determining these actions, IFC held consultations with the Company and the Complainants.

CAO Recommendation/ Area of Improvement	Action	Deliverable / expected outcome Timeframe
Engage with competent labor organizations with expertise on Egyptian labor law in order to support ongoing and new investments in Egypt. Focus on understanding and encouraging appropriate retrenchment practices among industry sectors, and on understanding the current state of E&S national law, its implementation, the degree to which PS2 aligns with such law, and, where there are gaps in alignment, how these might be addressed.	Country-level Workshop and internal training. IFC will engage with competent labor organizations and will promote and facilitate the organization of a country-level workshop to discuss and understand the gaps, if any, between Performance Standards and Egyptian labor laws with respect to retrenchment practices, and understand how these might be addressed in future IFC projects. The workshop will inform IFC practice to strengthen screening, appraisals, and monitoring of future investments in Egypt in addressing retrenchment when required.	<ol style="list-style-type: none"> 1. IFC to prepare Workshop Brief and engage with organizations <i>Timeframe: By end of Q2 FY2024</i> 2. IFC to host Workshop <i>Timeframe: By end of FY2024</i> 3. IFC to hold Training Event for regional E&S specialists to disseminate results of Workshop <i>Timeframe: By end of Q1 FY2025</i>

Disclaimer

The IFC Management 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 E&S Policies (as defined in the IFC/MIGA Independent Accountability Mechanism (CAO) Policy) 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.

Nothing contained in the CAO's Investigation Report or in the IFC Management Report (1) creates any legal duty, (2) asserts or waives any legal position, (3) determines any legal responsibility, liability or wrongdoing, (4) constitutes an acknowledgment or acceptance of any factual circumstance or evidence of any mistake or wrongdoing, or (5) constitute any waiver of any of IFC's rights, privileges or immunities under its Articles of Agreement, international conventions or any other applicable law. IFC expressly reserves all rights.

While reasonable efforts have been made to determine that the information contained in the reports is accurate, no representation or warranty is given as to the accuracy or completeness of such information.

In preparing the Management Report, IFC does not intend to create, accept or assume any legal obligation or duty, or to identify or accept any allegation of breach of any legal obligation or duty. No part of the CAO's Investigation Report or IFC's Management Report may be used or referred to in any judicial, arbitral, regulatory or other process without IFC's express written consent.