



CAO ASSESSMENT REPORT

**Regarding IFC's investment in Habib Bank Limited, in Pakistan
(IFC#34365 and #603761)**

January 2023

Office of the Compliance Advisor Ombudsman
for
the International Finance Corporation and the
Multilateral Investment Guarantee Agency
www.cao-ombudsman.org

About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected by IFC and MIGA projects in a fair, objective, and constructive manner, enhance environmental and social project outcomes, and foster public accountability and learning at IFC and MIGA.

CAO reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see www.cao-ombudsman.org

About CAO Assessments

Any person who believes they may be harmed by an IFC or MIGA project can lodge a complaint to CAO. We apply three simple eligibility criteria to accept a complaint. For eligible complaints, we then conduct assessment of the concerns with the complainant(s), project sponsor, and other relevant stakeholders.

Once a complaint is determined to be eligible, we review the concerns raised in it. This assessment is conducted in consultation with the complainant(s), IFC and MIGA client and project teams, and other relevant stakeholders.

Purpose

The objective of the CAO assessment process is to develop a thorough understanding of the issues the complaint raises, work to understand all perspectives, engage with all key stakeholders to the complaint, consult with them to determine the process they choose to address the complaint, and consider the status of other grievance resolution efforts made to resolve the issues raised.

The CAO assessment process does not entail a judgment on the merits of the complaint; rather, it seeks to understand the facts and empower those involved to make informed decisions on how to address the issues raised.

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ACRONYMS

CAO	Office of the Compliance Advisor Ombudsman
E&S	Environmental and Social
HBL	Habib Bank Limited
IFC	International Finance Corporation
LTS	Letter of Termination Simplificator
SEMS	Social and Environmental Management Systems

Note: All dollar amounts are in US dollars.

OVERVIEW

On March 3, 2022, CAO received a complaint from an individual (the “complainant”) who is a former employee of Habib Bank Limited (HBL), an IFC client and one of the largest private sector banks in Pakistan.

The complaint raised concerns regarding HBL’s alleged non-compliance with national and international environmental and social (E&S) standards, including IFC’s Performance Standards.¹ The complaint also raised concerns related to the complainant’s alleged unauthorized dismissal as Deputy General Manager and Head of Planning and Implementation of HBL’s Social and Environmental Management Systems (SEMS) unit. Finally, the complaint raised concerns around HBL’s alleged mismanagement of its whistleblowing mechanism.

The complaint relates to two IFC projects: a senior loan to HBL and a related Advisory Services project.

After finding the complaint eligible in April 2022, CAO referred the complaint to IFC at the request of the complainant in accordance with para. 39 of the CAO’s Policy. This is a provision in CAO’s Policy that allows for good faith efforts to be made with IFC and its client to address the issues raised in the complaint before initiating CAO’s assessment.² After engagements with IFC, the complainant requested in August 2022 that the case be referred to CAO for assessment.

During the assessment process, both parties expressed no interest in engaging in a CAO-facilitated dialogue process. Consequently, the case will proceed to a compliance appraisal³ that will determine whether the complaint merits a compliance investigation or whether CAO can close the case.

BACKGROUND

2.1 The Projects

HBL is one of the largest private sector banks in Pakistan with a market share of around 14 percent in terms of total assets.⁴ The complaint relates to two IFC projects regarding HBL.

The first project is a senior loan, with a tenor of up to 10 years of up to \$150 million to HBL comprising (1) an A Loan of up to \$86 million for IFC’s own account, and (2) a loan of up to \$64 million mobilized from the Managed Co-Lending Portfolio Program (#34365).⁵

¹ See section on Complainant’s perspective in this assessment report, for further details.

² See para. 39 of the new [CAO Policy](#).

³ See para. 59 of the new [CAO Policy](#), which states that “If both Parties agree to undertake dispute resolution, CAO will facilitate this process. If there is no agreement, the complaint will proceed to CAO’s Compliance function.”

⁴ See the IFC disclosure website, Project Description section, at <https://disclosures.ifc.org/project-detail/SII/34365/hbl-loan>.

⁵ According to the IFC disclosure website (<https://disclosures.ifc.org/project-detail/SII/34365/hbl-loan>), the loan aimed to support the Bank’s domestic and international growth in the critical segments of small and medium enterprises (SMEs), rural and agriculture finance, women owned/operated businesses, and sustainable energy finance. The expected development impact from the project includes: (1) increase financial inclusion; (2) greater access to finance for SMEs, including to those owned/operated by women; (3) increased rural and agriculture lending; (4) private sector development; and (5) promotion of E&S management.

According to IFC, the second project is a related Advisory Services project (#603761) approved in July 2020, which is called the “Enabling Sustainable Banking in Pakistan Project.”⁶ In the context of those Advisory Services, IFC signed an Advisory Engagement Letter and an Amendatory Letter, in May and November 2021,⁷ respectively, to assist HBL in implementing an E&S risk management improvement roadmap over a period of fourteen months.

2.2 The Complaint

On March 3, 2022, a former employee of HBL, lodged a complaint with CAO. The complaint raised concerns regarding (i) HBL’s alleged non-compliance with national and international E&S standards, including IFC’s Performance Standards, (ii) the complainant’s alleged unauthorized dismissal as Deputy General Manager and Head of Planning and Implementation of HBL’s SEMS unit, and (iii) HBL’s alleged mismanagement of its whistleblowing mechanism.⁸

On April 22, 2022, CAO found the complaint eligible for assessment. The complainant requested that the complaint be referred to IFC for good faith efforts to be made with IFC and its client to address the issues raised in the complaint before initiating CAO’s assessment. CAO did so, pursuant to para. 39 of the CAO Policy.⁹

According to IFC, they engaged directly with the complainant and HBL from April to August 2022. IFC indicated that during that time, IFC sought to better understand the concerns raised, conducted an independent review of the matter and facilitated the development of a mutually agreeable solution within the parameters of IFC’s role. According to IFC, they engaged with the complainant and HBL through calls and during a supervision visit in June 2022. The complainant and the IFC client did not engage in direct conversations with one another during that time.

On August 17, 2022, the complainant expressed his desire for the complaint to be referred back to CAO for assessment. As reasons for his decision, the complainant expressed that some of the company’s actions during the IFC referral process led to him to distrust such process, as well as some of the individuals involved in the process. He added that the issues raised in the complaint had not been addressed to his satisfaction. CAO’s assessment formally began on September 7, 2022.

The issues raised in the complaint and during assessment by the complainant and IFC’s client are described in further detail below.

ASSESSMENT SUMMARY

3.1 Methodology

CAO’s assessment aims at gaining a better understanding of the issues and concerns raised in the complaint through discussion with the complainant(s), IFC client(s) and/or subclient(s), and other relevant stakeholders. CAO explains the options available to the parties and helps them determine whether they wish to initiate a CAO-facilitated dispute resolution or a compliance process to address the issues raised in the complaint.

⁶ According to IFC disclosure website (<https://disclosures.ifc.org/project-detail/AS/603761/enabling-sustainable-banking-in-pakistan>), its goal is to increase the share and volume of bank loans screened against improved Green Banking Guidelines (GBGs), improve banks’ awareness and understanding on Environmental and Social Risk Management (ESRM), and increase the number of intermediaries to provide environmental, social, and governance training to banks after IFC exit.

⁷ The Amendatory Letter was signed in November 2021, that is after the complainant left HBL.

⁸ Further details of these concerns are explained in the Complainant’s perspective section below.

⁹ See [CAO Policy](#), para. 39.

CAO's assessment of the complaint included:

- a desk review of project documentation;
- virtual meetings with the complainant(s);
- virtual meetings with representatives of the IFC's client;
- virtual meetings with IFC's project team and with IFC's Stakeholders Grievance Response (SGR) team;
- virtual meeting with one external stakeholder at the request of the complainant.¹⁰

The complainant also shared with CAO a detailed written complaint and extensive documentation in support of the allegations made in his complaint.¹¹

The parties were clear from the beginning about their interest for the complaint to be referred to CAO's Compliance function. To avoid delays, the CAO team chose to conduct the assessment online and therefore did not conduct an assessment trip.

3.2 Summary of Views

This section summarizes the issues raised by the complainant and the views expressed by the parties during the CAO assessment.

Complainant's perspective

The complainant raised concerns regarding (i) HBL's alleged non-compliance with national and international E&S Standards, including IFC's Performance Standards, (ii) the complainant's alleged unauthorized dismissal as Deputy General Manager and Head of Planning and Implementation of HBL's SEMS unit, and (iii) HBL's alleged mismanagement of its whistleblowing mechanism.

The complainant shared with CAO a detailed written complaint along with several documents which he regards as evidence supporting the allegations in the complaint.¹² The complainant rejects all HBL's statements in this assessment report and deems them to be unsubstantiated as no supporting documents were presented by HBL in support of their allegations during this assessment process.

HBL's alleged non-compliance with national and international E&S standards

The complainant shared with CAO that he had a fourteen-year association with HBL. He started working with HBL in 2008 and in June 2021 he was selected as HBL's Deputy General Manager and Head of Planning and Implementation for HBL's SEMS unit. He explained that he moved voluntarily from HBL's International Compliance unit to the SEMS unit in 2021, and that in his new capacity, his role was to ensure the correct implementation of HBL's SEMS agenda. He added that he really cared about E&S standards and that while at HBL, he was very dedicated to helping HBL comply with those standards.

On the matter of HBL's alleged non-compliance with national and international E&S standards, the complainant labeled these issues as "*greenwashing*" and claimed that they were systemic. The complainant indicated that by "*greenwashing*" he refers to the practice by asset managers of misrepresenting their own sustainability-related practices or the sustainability-related features of their investment products as well as ESG-related misconduct. In his complaint, the

¹⁰ The complainant suggested that CAO reach out to four individuals as external stakeholders. CAO was able to talk to one of them during the assessment.

¹¹ See complaint at <https://www.cao-ombudsman.org/cases/pakistan-hbl-01>

¹² See complaint at <https://www.cao-ombudsman.org/cases/pakistan-hbl-01>

complainant made specific references to policies, procedures, and E&S standards which he believes HBL to have breached.¹³

The complainant further mentioned other HBL units exerting undue intimidation and directing threats to him as well as to the General Manager of the SEMS unit. The complainant also claimed being asked by other HBL units to sign off on E&S documentation and tasks that were not in accordance with IFC Performance Standards and/or the IFC/HBL loan agreement. The complainant further highlighted HBL's continuous refusal to implement SEMS recommendations, including but not limited to SEMS budget, staff capacity, and institutionalization.

The complainant rejects HBL's claim that he never raised those concerns while working at HBL. The complainant shared with CAO several documents which he deems as supporting evidence of HBL's alleged non-compliance with national and international E&S standards, as well as of the fact that he raised those concerns while working at HBL, before his termination, to no avail.¹⁴

Alleged unauthorized dismissal and concerns regarding HBL's whistleblowing mechanism

The complainant claimed that in the course of his work at the SEMS unit from June to September 2021, both he and his direct supervisor, the General Manager of the SEMS unit, experienced undue intimidation and threats from other HBL units: namely, the Corporate Commercial and Investment Banking Group (CCIBG) and Investment Banking (IB). He argued that the purpose of these undue actions was to impede the rightful implementation of HBL's SEMS agenda and proper compliance with E&S standards. The complainant specifically claimed that he was asked to sign off on E&S documentation and tasks that were in violation of HBL's assumed commitments with IFC, and that the work of the SEMS unit was repetitively impaired by other HBL units.

The complainant explained to CAO that the situation escalated and that on September 29, 2021, he was called into a meeting with IB and Human Resources, together with the General Manager of the SEMS unit. In that meeting, the complainant was informed that HBL had decided to terminate his employment. The complainant claimed that HBL's human resources policies and procedures were bluntly disregarded in the process of termination of his employment.¹⁵ The complainant shared with CAO that he was given no formal explanation for such termination¹⁶ but that during the meeting with IB and Human Resources, his reluctance to sign off on E&S documentation and tasks was mentioned as a factor. He also claimed that the representative of the Human Resources Department gave him the option to voluntarily resign (and receive his salary for three more months) or be terminated (and receive his salary for one more month). He refused to resign. According to the complainant, right after that meeting, his email address was blocked and he was asked not to return to the office. On October 2, 2021, the complainant received a Letter of Termination Simplicitor (LTS) from HBL indicating that his employment contract had been terminated.

¹³ In particular, the complainant refers to HBL's alleged breaches of the following: requirements of the CDC Group Plc. UK and IFC MCPP, provisions of the State Bank of Pakistan corporate governance regulations, provisions of HBL Social and Environmental Policy (IFC PS 1&2), HBL Human Resources Policy and Manual, HBL Staff Service Rules, HBL Policy on Ethics and Business Conduct, HBL whistleblowing policy, HBL grievance procedures, provisions of the Industrial Relations Ordinance, Industrial and Commercial Employment Ordinance as well as fundamental rights protected under the constitution of Pakistan. The complainant claims that these matters are also being investigated by the CDC Group UK, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan. For further details, see complaint at <https://www.cao-ombudsman.org/cases/pakistan-hbl-01>.

¹⁴ See complaint at <https://www.cao-ombudsman.org/cases/pakistan-hbl-01>. Termination is to be understood as termination simplicitor specifically, according to the Pakistani legal framework.

¹⁵ Termination is to be understood as termination simplicitor specifically, according to the Pakistani legal framework.

¹⁶ Id.

The complainant shared with CAO that upon receiving the LTS, he wrote to HBL's President and CEO requesting an audit of the situation but received no response. He also contacted HBL's whistleblowing team but received no satisfactory response either. He further wrote to the whistleblowing team of HBL's Board of Directors and to the Aga Khan Development Network (AKDN), which did not respond to his complaint.

He stated that because he was terminated through an LTS he has been unable to find other employment and that he and his family have been deeply affected both emotionally and economically by that situation and are currently struggling. He considers the termination of his employment to have been unlawful, unauthorized, and unfair.¹⁷

The complainant rejects HBL's allegation that he was terminated due to his behavior and attitude toward colleagues. He indicated that had that been true, he would have been informed by the Human Resources department of the complaints against him in that regard. He added that during his 14 years at HBL he was well regarded by colleagues and supervisors, as evidenced by the fact that he was regularly promoted throughout his career at HBL.

The complainant mentioned to CAO that in November 2021, he filed a judicial claim before Pakistani courts against HBL for breach of contract and damages. The judicial claim is ongoing.

Finally, the complainant expressed concerns about the fact that the CAO team engaged with the same individuals at HBL who, in his view, were involved in the alleged violations raised in his complaint.

IFC client's perspective

During assessment, CAO discussed the complaint with representatives from HBL's Human Resources, Ethics, General Counsel, and IB units. HBL indicated that in their view, the complaint should have been considered ineligible under para. 42 (h) of the CAO's Policy given that it merely relates to the complainant's employment issues.

HBL's alleged non-compliance with national and international E&S standards and concerns regarding the whistleblowing mechanism

Regarding the issue of HBL's non-compliance with E&S standards, HBL claimed that there were appropriate internal forums for the complainant to raise concerns around E&S compliance as well as on threats and intimidation, but that no such concerns were ever raised while he was at HBL. HBL claimed that only after the complainant was terminated, did he raise concerns about "*greenwashing*" or non-compliance with E&S standards, and they consider those claims to constitute a strategy to put pressure on HBL to rehire him.

HBL explained that their SEMS policy is in accordance with the IFC Performance Standards and was revised by IFC before being put in place. HBL added that MOODY's has given HBL a neutral to low-risk rating on ESG. HBL additionally indicated that the complainant misused the term "*greenwashing*" and that there was no evidence in the complaint that the IFC client would have conducted any "*greenwashing*." HBL stated that the SEMS unit continues to work to date and that HBL is in regular contact with the IFC project team, which supports them on issues related to their E&S compliance work. HBL indicated that IFC stated that HBL was well on track to meet IFC's E&S requirements and supplementary action plans to further enhance their SEMS framework. HBL shared that they were working with the IFC to improve their policies and practices—notably, regarding the functioning of the employees' grievance

¹⁷ Termination is to be understood as termination simpliciter specifically, according to the Pakistani legal framework.

mechanism—but these are not related to any issues of “greenwashing” or issues with reputational impact for HBL.

HBL further stated that the former General Manager of the SEMS unit, who was the complainant’s line manager at the time, did not raise any E&S concerns upon completion of his 2020 annual appraisal, which HBL considers a contradiction with the complainant’s claims.¹⁸

Regarding the issue of alleged mismanagement of HBL’s whistleblowing mechanism, HBL rejected the claim and stated that their whistleblowing mechanism and other channels for raising concerns are aligned with international standards. HBL stated that the complainant got a response on the same day he submitted his message informing him that he could appeal for review of the LTS, but that no appeal was received.

The complainant’s alleged unauthorized dismissal

HBL claimed that the complainant’s termination of employment was conducted following due process. They stated that the complainant was transferred to the SEMS unit in 2021 at the request of the SEMS General Manager at the time, who decided to onboard him following an agreement between two HBL departments.

HBL stated that the complainant worked at the SEMS unit for three months only and that the reason for the termination of his employment was related to his behavior and attitude towards colleagues, which resulted in two written complaints received by HBL against the complainant. HBL also claimed that further reasons for the termination were the complainant’s continuous refusal to share information requested by other HBL units, by HBL’s Board of Directors and by the State Bank of Pakistan, as well as his reluctance to complete critical tasks and relevant trainings.¹⁹ HBL rejected the complainant’s claim that he was forced to sign off on E&S documentation and that his reluctance to do so would have been a factor for his termination.

HBL representatives also said that the complainant was indeed given the option to resign but that he was terminated through an LTS because he declined the option to resign. HBL explained that, according to Pakistani labor law, an LTS amounts to terminating someone’s employment without cause, which was an option provided for in the complainant’s employment contract and in accordance with internal policies. HBL explained that terminating the complainant’s employment with cause would have been possible given the circumstances, but it was a much lengthier and complex process, which would have resulted in the complainant being unable to find another job in the banking sector. HBL finally mentioned that an internal audit team—which is independent from HBL’s management and reports directly to HBL’s Board—reviewed the complainant’s termination and concluded that it had been carried out in accordance with the law and HBL’s internal policies.

¹⁸ According to HBL, the SEMS General Manager made the following statements in his annual appraisal: “Revision of the HBL SEMS Policy – 2020 has given me the humble opportunity to complete the development of a full evolutionary cycle of ESG environmental due diligence and financial integration practices, including the review processes”; “a continued step ahead approach was maintained within the given sphere of ESG environmental financial framework with due support of senior management”; “HBL SEMS Policy – 2020 was revised incorporating the evolutionary changes and due alignment with the SBP – Green Banking Guidelines and duly approved from the Board”; and “Environmental due diligence in relation to the strengthening of the E&S review processes were strengthened through outlining of the revised SEMS – annexure – III which has been made part of the revised SEMS Policy – 2020”.

¹⁹ HBL highlighted that their reporting obligations pertaining to green banking activities with the State Bank of Pakistan are a requirement under paragraph 2.3 (vii) (a) of the Green Banking Guidelines of the State Bank of Pakistan.

Finally, HBL mentioned that they too filed a claim against the complainant concerning two car loans, and that such process is ongoing. HBL finally stated that the return of a company laptop containing HBL's propriety and confidential information is still pending.

ASSESSMENT CONCLUSION AND NEXT STEPS

During the assessment process, both parties expressed no interest in engaging in a dispute resolution process facilitated by CAO. Consequently, and in accordance with the CAO Policy, the case will proceed to a compliance appraisal²⁰ that will determine whether the complaint merits a compliance investigation or whether CAO can close the case.²¹ Appendix A provides additional information on the steps of the compliance process.

²⁰ See para. 59 of the new [CAO Policy](#), which states that "If both Parties agree to undertake dispute resolution, CAO will facilitate this process. If there is no agreement, the complaint will proceed to CAO's Compliance function."

²¹ The CAO policy establishes the following principal criteria, among other considerations, for establishing whether to proceed with a compliance investigation: 1) whether there are preliminary indications of Harm or potential Harm; 2) whether there are preliminary indications that IFC/MIGA may not have complied with its E&S Policies; and 3) whether the alleged Harm is plausibly linked to the potential non-compliance. See para. 92 and 93 of the [CAO Policy](#).

APPENDIX A. CAO COMPLAINT-HANDLING PROCESS

Once CAO declares a complaint eligible, an initial assessment is carried out by CAO Dispute Resolution specialists. The purpose of CAO's assessment is to: (1) clarify the issues and concerns raised by the complainant(s); (2) gather information on how other stakeholders see the situation; (3) help stakeholders understand the recourse options available to them and determine whether they would like to pursue a collaborative solution through CAO's Dispute Resolution function or whether the case should be reviewed by CAO's Compliance function.

As per the IFC/MIGA Independent Accountability Mechanism (CAO) Policy,²² the following steps are typically followed in response to a complaint that is received:

Step 1: **Acknowledgment** of receipt of the complaint.

Step 2: **Eligibility**: Determination of the complaint's eligibility for assessment under the mandate of CAO (no more than 15 business days).

Step 3: **Assessment**: Assessing the issues and providing support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 90 business days, with the possibility of extension for a maximum of 30 additional business days if after the 90-business day period (1) the parties confirm that resolution of the complaint is likely; or (2) either party expresses interest in dispute resolution, and there is potential that the other party will agree.

Step 4: **Facilitating settlement**: If the parties choose to pursue a collaborative process, CAO's Dispute Resolution function is initiated. The dispute resolution process is typically based on or initiated by a Memorandum of Understanding and/or mutually agreed-upon ground rules between the parties. It may involve facilitation/mediation, joint fact finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected.²³

OR

Compliance Appraisal/Investigation: If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function when a dispute resolution process results in partial or no agreement. At least one must provide explicit consent for the transfer, unless CAO is aware of concerns about threats and reprisals. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate following a three-step process. First, a compliance appraisal determines whether further investigation is warranted. The appraisal can take up to 45 business days, with the possibility of extending by 20 business days in exceptional circumstances.

²² For more details on the role and work of CAO, please refer to the IFC/MIGA Independent Accountability Mechanism (CAO) Policy: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/889191625065397617/ifc-miga-independent-accountability-mechanism-cao-policy>

²³ Where stakeholders are unable to resolve the issues through a collaborative process within an agreed time frame, CAO Dispute Resolution will first seek to assist the stakeholders in breaking through impasse(s). If this is not possible, the Dispute Resolution team will inform the stakeholders, including IFC/MIGA staff, the President and Board of the World Bank Group, and the public that CAO Dispute Resolution has concluded the dispute resolution process and transferred it to CAO Compliance for appraisal.

Second, if an investigation is warranted, the appraisal is followed by an in-depth compliance investigation of IFC/MIGA's performance. An investigation report will be made public, along with IFC/MIGA's response and an action plan to remediate findings of noncompliance and related harm. Third, in cases where noncompliance and related harm are found, CAO will monitor the effective implementation of the action plan.

Step 5: **Monitoring and Follow-up**

Step 6: **Conclusion/Case Closure**

