

**Mediation agreement between
Les Couvoirs du Nord (company)
and the Neighboring Communities**

Mediation Agreement

Between

Communities living in and within from the village of Ristou, in the Tiddas Region, Khemisset Province, as represented by
Mr. Mohamed Ajarrar
Mr. Hamid Moussa
Mr. Achour Bouh

Hereafter **“The Community”**

Acting on behalf of neighboring communities, currently in the process of forming an association

And

The company named Les Couvoirs du Nord SA, a corporation located at Bureau EB 1-22 Lot 198-199, Lotissement Ennamae, Quartier industriel Bensouda, Fès, under registration number 15257 in the Fès business directory, represented by Deputy Chief Executive Ms. Sihame Benhamane
A subsidiary of the Zalar Group, first integrated poultry group in Morocco

Hereafter **“The Company”**

The Office of the Compliance Advisor/Ombudsman (CAO), independent redress mechanism of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).
Represented by Mr. Hassan Alami

Hereafter **“The Mediator”**

The Community and The Company acting as the “Parties”.

In its mediation role, The Mediator complies with his own operational guidelines, as well as provisions of the 08-05 Moroccan Law of November 30, 2007 referring to Articles 327-05 to 327-69 of the Moroccan Civil Procedure Code.

Introduction of the Parties and the Mediator

“The Community” represents populations living around one of the poultry plants run by **“The Company”** in the Tiddas region.

It is represented by:

Mr. Mohamed Ajarrat, Coordinator of a Collective of Associations located in Tiddas, Ristou and Maaziz.

Mr. Hamid Moussa, President of the Primary School Parents Association....

Mr. Achour Bouh, representing residents of the Ristou Commune

“**The Company**” is a subsidiary of the Zalar Group, entirely owned by Zalar Holding. The Zalar Group states that as one of the leaders of the Moroccan poultry industry across the country, it received in November 2013 a capital investment from the International Finance Corporation (IFC), which is part of the World Bank Group. This IFC support helped Zalar Holding increase its poultry production capacity in the province of Khemisset. The Company states that it has since developed tools to conduct open dialogue with local communities to ensure that grievances or potential conflicts are detected and assessed early, and that adequate prevention measures are taken in the short, medium and long term.

“**The Mediator**”: Aiming to resolve disputes, the CAO focuses on helping communities affected by an IFC project and IFC clients resolve their disagreements. As a neutral and non-judiciary mechanism, the goal of the CAO is to help parties find mutually satisfactory solutions.

In this case, the CAO selected Mr. Hassan Alami: Certified Accountant, Legal Expert, Doctor of Law and Mediator to lead the amicable dispute resolution process.

Cause of the Dispute

The Community filed a complaint with the CAO about inconveniences it has endured because of activities of the Company.

Representatives of the Community raised the following issues:

- The Community wishes to ensure that all measures related to environmental protection have been taken and that the hatchery and neighboring farms comply with environmental norms in accordance with Moroccan Law and industry standards.
- The Community would like for the Company to adopt a hiring policy that gives priority to local candidates.
- The Community feels that the Company should include in its social policy some more visible social measures to benefit neighboring populations.

Eligibility of the Complaint

Having received the complaint from the Community, the CAO found that it was eligible in accordance with its operational guidelines, without prejudging the validity of its motives.

Process

Having received the complaint and assessed its eligibility, the CAO initiated talks with the Parties in three stages, as follows:

1- Preliminary Phase

The preliminary phase includes steps taken before the Parties start negotiating the terms of a mediation process. It concludes with a statement by the Parties that they expressly accept the mediation process.

The Parties did accept to participate in individual meetings organized by the Mediator in order to:

- Introduce the CAO, its operational guidelines, the scope and the limits of its mandate,
- Explain its mediation mission and work methods. Insist on neutrality, equal treatment of all Parties and the ability of all Parties to make decisions, and continue or end the process.
- Determine the Parties involved in the dispute and criteria for the selection of their representatives.
- Roughly define the source and the scope of the dispute. During the mediation phase, the Parties can review the scope of the dispute by amending or adding to the initial goal of the mediation, based on progress of the mission.
- Definition of procedures. This includes setting a timetable for individual and joint meetings, the location of meetings and their goals, as well as the manner and rules to be followed by the Parties to ensure the smooth running of the process.

1.2- Assessment Report

The Mediator prepares an assessment report where he describes the preliminary phase leading up to the mediation and notes that the Parties agree to initiate a negotiation process to amicably resolve issues under dispute.

This report was established after review and validation of its entire content by the Parties.

Since the publication of the report, the Parties signed a framework agreement on December 06, 2016 whereby they designated their representatives for the purpose of the mediation and agreed on mediation rules.

2- The Mediation Phase

On a practical level, the Mediator organized numerous separate meetings with each Party to learn their respective motives and positions.

As discussions progressed, the Parties recognized that, beyond the likely causes for the dispute, the lack of communication between representatives of the Community and the Company led to conflict and poor dialogue.

After the Parties agreed to the mediation process, and regarding members of the neighboring populations representing the Community, the cause of the dispute and the scheduling of meetings, a joint meeting was organized at the Mediator's office.

The meeting was attended by representatives of the Company, representatives of the Community and the Mediator.

Throughout the entire mediation process, the Mediator noted a genuine willingness to reach an overall amicable settlement to resolve the current dispute and prevent future disputes.

3- The Mediation Agreement

The Parties agreed on the following:

- 1- The Parties expressed their willingness to establish an ongoing dialogue to avoid any conflict and prevent any future dispute between the Community and the Company. The Company provided the Community with a summary of its social mission statement: "Building on social measures implemented in the past few years within various companies in the Group, investments that may have an impact on local communities shall make every effort to organize social events involving local communities, including in collaboration with their representative(s) to create a space for dialogue and communication with various local community members".
- 2- As such, the Parties decided to form a "Dialogue Committee", bringing together two or three representatives from each Party, for a total of four to six members; the Committee meets at least once a year to monitor implementation of agreements. As a minimum, the Committee includes the Chief Executive of the Company, the President of the newly created association and an additional representative of each party.
- 3- Representatives of the Community are in the process of setting-up an association to represent members of the Community. The Company already agrees to transfer the rights and duties of this convention to the association in question as soon as it is created and recognized by relevant authorities.
- 4- *Regarding environmental protection*, the Company shared with the Community authorizations given by Moroccan authorities tasked with enforcing applicable laws, as well as audits carried out by independent expert organizations. The Company also commits to strictly implement environmental protection rules in any future investment and provide representatives of the Community with related authorizations.
- 5- *Regarding the staffing policy*. To optimize human resources, the Company gives preference to residents of neighboring villages. It commits, for equal skills, to hire in priority candidates from Ristou, Tiddas and Maaziz. Representatives of the Community

cannot, in any way, interfere with the hiring policy of the Company or request that anyone be hired.

6- *Regarding social measures.* The Company commits to include in its social policy several specific measures to support the Community. The Parties have defined a set of social measures to support neighboring populations for 5 years, in response to requests from representatives of the Community. By way of example, these measures could consist in:

- a. Providing transportation services to students who live several kilometers away so that they can attend school in Tiddas. Two options were discussed: providing equipped bicycles or purchasing a second-hand van costing a maximum of MAD (Moroccan Dirham) 150.000,00. The Company prefers the first option, which is seen supporting autonomy, as the second can create transport related liabilities for the Company, such as insurance, hiring a driver, gas and repairs. Representatives of the Community prefer the second option, and commit to limit involvement of the Company to the purchase of the van. The Community agrees to cover remaining costs, either directly or through the Rural Commune, in such a way as to ensure that the Company never becomes liable on this matter. The Company agreed to adopt the second option, limited to the purchase of the vehicle. Any additional funding that is required to purchase the van shall be deducted from the overall amount provided by the project, in agreement with the Parties.
- b. Since the mosque of the village no longer meets the needs of the population of Ristou, representatives of The Community expressed the wish to renovate and expand it. The Company granted this request.
- c. Installing water fountains for the population in several locations to ensure all villagers have access to water.
- d. Improving the equipment for Ristou's soccer field.
- e. Renovating and equipping Ristou's primary school.

7- Implementation of these measures must meet the following requirements:

a- No social measure to support the Community can be translated into cash payments.

b- A maximum amount of MAD 100.000 will be spent annually on each measure.

c- Projects related to social measures will be presented by the Community to the Company, which will then implement them through its own means.

d- The Company is not required to implement one project each year. It can implement several projects at once.

8- The Parties express their intent to implement this agreement in good faith, to develop relationships based on trust and pursue an ongoing dialogue, in the interests of the population of the region. At the conclusion of the 5-year period, the Parties will reassess this protocol and define the terms for a new period of collaboration.