

Assan Aluminyum project- Complaint Conclusion Report

August 2010

This report summarizes the complaint handling process by the Compliance Advisor/Ombudsman (CAO) on the Assan Aluminyum project in Dilovasi-Gebze, Turkey

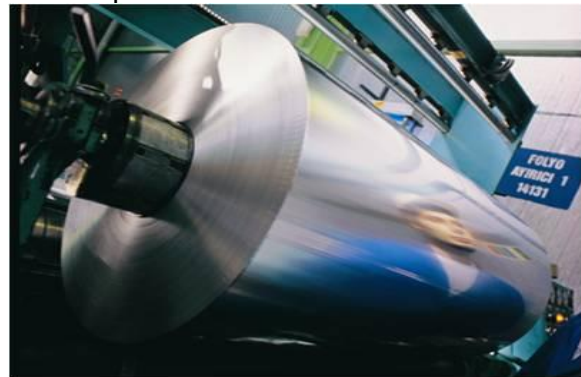
Summary of the Complaint and CAO Ombudsman Process

Assan Aluminyum is a formerly state owned aluminum sheet, coil and foil manufacturer, which was acquired in 2005 by the family owned Kibar Holding. The plant is located in the industrial area of Dilovasi-Gebze, approximately 40 kilometers from Istanbul. IFC provided a loan to Assan as part of a \$150 million investment program to modernize, upgrade and enhance Assan's existing capacities and corporate governance.¹



In October 2008, CAO received a complaint from TURK-IS (Confederation of Turkish Trade Unions). The complaint raised concerns about workers' rights to freedom of association and collective bargaining at Assan. The loan provided by IFC to Assan was under the initial

stages of appraisal by IFC at the time the complaint was received.



The issues raised in the complaint included anti-unionization practices; intimidation and dismissal of employees due to trade union activity; and systemic hindrance of organizing activities and collective bargaining.

As such, the complainants sought assurance of the company's support for and conformity with the labor and working conditions enshrined in IFC's Performance Standard 2: Labor and Working Conditions (PS 2).

The complaint was deemed eligible for assessment by the CAO on October 27, 2008. However, this acceptance occurred whilst the project was at an early stage of IFC involvement and therefore IFC had not yet completed its own due diligence.

Accordingly, CAO notified IFC of the complaint and provided IFC with the opportunity to complete its own processes prior to acting upon the complaint. This decision enabled IFC to

¹ More information relating to the project and its sponsor is available by means of the Summary of Proposed Investment (SPI) and Environmental and Social Review Summary (ESRS) Project ID #26648 available at www.ifc.org/projects.

address the issues raised in the complaint as part of its normal environmental and social appraisal.



Outcome

IFC completed its due diligence process, which culminated in an [Environmental and Social Action Plan](#) (ESAP). The Action Plan set out the requisite corrective actions agreed upon by Assan and IFC. It contained various requirements, which were not all related to PS 2. In relation to PS 2 specifically, the ESAP focused, amongst others, on human resources policies on freedom of association; equal opportunity employment and anti-discrimination policies; standardized statements of core labor standards; and training on the rights and duties of Assan employees.

CAO also received the findings of IFC's due diligence, which included a third party labor assessment at Assan's manufacturing sites in Tuzla and Dilovasi. This labor assessment addressed all the elements of IFC's PS 2 specifically focused on Labor and Working Conditions including the management/worker relationship; workers' rights to join a worker's organization and the effectiveness of workers' grievance mechanisms.

CAO shared this information with the complainants in May 2009, and closed the case on a 'no objection' basis in November 2009. From November 2009 onwards, CAO continued to monitor IFC's implementation of the agreed action items.

In April 2010, IFC shared with CAO a 'PS 2 Labor Assessment Report' intended as a follow-up assessment of Assan in order to evaluate the company's ongoing compliance with PS 2. The Labor Assessment Report addressed the material issues raised in the complaint relating to PS2, and this information is publicly enumerated in the Action Plan.

Lessons and Insights

This case provides an example of a collaborative and flexible approach taken by the CAO in order to resolve the issues presented by the complaint. Given the early stage of IFC's involvement in this project, IFC was still in the process of completing its own due diligence for the project prior to IFC Board approval.



As a result of allowing IFC to continue its environmental and social due diligence process, the issues raised through the complaint were addressed systematically at an early stage in the project cycle and subsequently

monitored thereafter by both IFC and the CAO.

The case presented clear, specific issues of concern in relation to PS 2 and necessitated a methodical and consultative approach by Assan and its employees, together with IFC involvement. CAO conducted a transparent and predictable process in order to resolve them.

As a result of this case and the Standard Profil complaint, IFC launched a Labor Handbook for clients entitled ["Measure & Improve Your Labor Standards Performance"](#) intended as a practical tool not only for clients, but also for internal use within IFC for the effective implementation of PS 2.

This case highlights how early involvement during a project's appraisal stage can effectively respond to issues raised by a complaint. A systematic and well-communicated approach, in this case through adequate training and the adoption and promulgation of appropriate policies, was critical to addressing issues raised. In addition, the development of the Labor Handbook stemming from the Assan and Standard Profil cases, demonstrates how the CAO can promote a systemic response from IFC through its complaints process.





The Compliance Advisor/Ombudsman,
International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA),
The World Bank Group

Assan Aluminio (26648), Environmental and Social Action Plan – February 11, 2009			
Item	Action	Completion Indicator	Timetable
PS1: Social and Environmental Assessment and Management Systems			
1	Assan will develop and maintain an environmental permit register for all its companies.	Assan has developed the environmental permit register and submitted it to IFC, together with the Annual Monitoring Report (AMR) or the project.	First AMR submittal in the first quarter of 2009.
2	Assan will develop an ISO 14001 and OHSAS 18001 management system for Dilovasi Plant.	Assan has obtained ISO 14001 and OHSAS 18001 certifications for Dilovasi Plant.	December 2009.
3	Kibar Holding will review their organization to create a corporate HSE management function to ensure consistent HSE approach throughout its plants.	Kibar Holding has created a corporate HSE function.	December 2009.
PS2: Labor and Working Conditions			
4	Assan will ensure its Human Resources Policy makes reference to the right of freedom of association. The policy will be published at all plants, specifying rights and duties as an Assan employee and management staff.	Revised Policy provided to IFC and evidence presented that it has been published at all plants.	COD
5	Assan will ensure its Human Resources Policy confirms that the Company is an equal opportunity employer and does not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements.	Revised Policy provided to IFC and evidence presented that it has been published at all plants.	COD
6	Assan will make visible in the workplace standardized statements of core labor standards, in a manner easily understandable by workers.	Evidence of publication presented to IFC.	COD
7	Assan will train all employees on Human Resources Policy and rights and duties of Assan employee. This will include material on the right of freedom of association.	<ul style="list-style-type: none"> • Training done at all plants. • Labor Audit to confirm presence of freedom of association undertaken by a third party. 	<ul style="list-style-type: none"> • April 31st , 2009 • July 31st , 2009
8	Assan will update their Working Conditions & Terms of Employment regarding the following		

Assan Aluminyum (26648), Environmental and Social Action Plan – February 11, 2009

Item	Action	Completion Indicator	Timetable
	actions. (i) Action 1: Obtain working license from the local government in Tuzla site. (ii) Action 2: Obtain working permission from the municipality in Tuzla site. (iii) Action 3: Inform government regarding shift work in Tuzla site. (iv) Action 4: Annual leave days should be completely used by all employees each year. (v) Action 5: Employees not to exceed legally allowed working hours per day and per night. (vi) Action 6: Guarantee weekly rest days for all employees.	(i) Assan present working license to IFC (ii) Assan present working permission to IFC (iii) Assan present government's approval regarding shift working to IFC (iv) Annual leave records (v) Time records (vi) Time records	(i) January 31 st 2009 (ii) April 31 st 2009 (iii) December 31 st 2009 (iv) December 31 st , 2009 (v) December 31 st , 2009 (vi) December 31 st , 2009
9	Assan will ensure that worker representatives are elected by employees in all plants. (i) Train workers on worker representatives' rights and duties. (ii) Election of worker representative in Dilovasi plant.	(i) Assan present the training program done. (ii) Present election records and description of election process.	(i) July 31 st , 2009. (ii) December 31 st , 2009.
10	Assan will ensure that all work contracts are signed by the employer in Tuzla site.	Signed work contracts	December 31 st , 2008- Completed.
11	Assan will ensure in-house subcontracting companies have complied with working conditions and terms of employment requirements. (i) Develop labor requirements and include them as covenants in contracts with all contractors and subcontractors. (ii) Implement monitor plan to ensure compliance of contractors and sub-contractors with labor requirements. (iii) Audit contractors and subcontractors on labor requirements.	(i) Code of conduct included in all contracts. (ii) Assan have developed the workplace monitoring plan. IFC has reviewed and accepted it. (iii) Assan have audited its contractors and subcontractors, as needed.	(i) February 28, 2009 (ii) July 31 st , 2009 (iii) December 31 st , 2009
12	Kibar Holding will ensure that medical staff and technical resources are consistently allocated in its plants.	Kibar Holding has reviewed organization of medical emergency / infirmary services at all plants and provided additional resources, as needed.	March 2009- Completed

Assan Alüminyum (26648), Environmental and Social Action Plan – February 11, 2009

Item	Action	Completion Indicator	Timetable
13	Kibar Holding will hire external qualified consultants, acceptable to IFC, to conduct occupational safety and comprehensive fire and explosion safety assessments at Dilovasi and Kartal plants and develop an action plan, as needed. Assan will review the operations in Tuzla according to the findings of these assessments and measures will be taken as necessary.	Kibar Holding has submitted the consultant's report and the relevant corrective action plan to IFC and IFC has reviewed and approved it.	<ul style="list-style-type: none"> • Assessment work plan: COD. • Submittal of assessments and corrective action plan within three months from work plan approval. • Implementation of corrective actions as per agreed time schedule.
14	Assan will develop and implement work permits and lock-out tag-out procedures to cover semi-routine and non-routine works on manufacturing equipment, chemical and energy lines and other operations presenting high risk such as confined space entry, work at height, hot work etc., involving both staff and contractors.	Assan has developed the procedures. IFC has reviewed and accepted them.	As soon as possible, but not later than March 2009.
15	Assan will revise the configuration of the new induction furnace at Dilovasi to ensure adequate protection of workers. The design of a molten metal transfer system for transporting liquid metal from induction furnace to melting furnaces will be reviewed.	<p>(a) Assan has prepared a corrective action plan and submitted it to IFC for review and approval.</p> <p>b) Assan has implemented the agreed action plan.</p>	<p>a) Corrective action plan: COD</p> <p>b) Implementation of corrective actions as per agreed time schedule.</p>
16	Kibar Holding will ensure that safety of coil deposits at Tuzla, Dilovasi and Kartal plants is reviewed and adequate safety measures consistently implemented.	Kibar Holding has implemented the required measures in all coil deposits in Tuzla, Dilovasi, and Kartal.	COD
17	Assan will develop a workplace monitoring plan in its plants.	Assan has developed the workplace monitoring plan. IFC has reviewed and accepted it.	December 2008.
18	Assan will review current practice for personal protective equipment (PPE) use and ensure enforcement, especially for hearing protection.	Assan has audited its staff on PPE use and enforced the use of hearing protection, as needed.	December 2008.
PS3: Pollution Prevention and Abatement			
19	The modernization and upgrade project at Dilovasi plant will allow enhancing the air emission levels and meeting the IFC guidelines. Assan will develop and implement an air emission monitoring program to verify compliance with IFC guidelines. The monitoring approach will be made consistent	<p>a) Assan has developed the air emission monitoring program. IFC has reviewed and accepted it.</p> <p>b) Assan has regularly implemented air emission monitoring and verified compliance with IFC guidelines. Corrective actions have been identified, as needed.</p>	<p>a) December 2008.</p> <p>b) First monitoring conducted within three months after approval of the plan. Results submitted annually in the AMR.</p>

Assan Aluminyum (26648), Environmental and Social Action Plan – February 11, 2009

Item	Action	Completion Indicator	Timetable
	for all plants.		
20	Assan will install closed-loop water circuits with neutralizing and treatment systems to minimize water use and discharge at Dilovasi plant. Hot water hot spray no-detergent degreasing and cleaning section will be installed on the new tension leveller, which is expected to eliminate the need for use of chemical additives and therefore to cause zero discharge.	Assan has installed the equipment and provided an as-built report to IFC.	December 2010.
21	Assan will review and revamp, as needed, the industrial and biological wastewater treatment scheme at Dilovasi plant, to ensure that it meets applicable IFC guidelines. A disinfection unit will be added, as needed.	Assan has reviewed the scheme and revamped treatment units, as needed. Assan has provided an as-built report to IFC.	December 2009.
22	Assan will review the existing waste storage and sludge storage facilities at all plants, and will implement an upgrade program to ensure that they are adequately contained, covered and protected from third party entry.	Assan has implemented the upgrade program and has provided an as-built report to IFC.	December 2009.
23	Assan will assess eventual presence and implement safe removal / disposal, as needed, of internationally banned/regulated hazardous chemicals including asbestos, PCBs, and CFCs in its facilities undergoing dismantling / revamping and modernization operations at Dilovasi plant.	Assan has implemented a survey of the eventual presence of the substances in its facilities and developed a corrective action plan as needed. IFC has reviewed and accepted it.	Three months after first disbursement.
24	Assan will annually quantify and report direct and indirect GHG emissions, in accordance with internationally recognized methodologies.	Assan has reported GHG emissions in its AMR to IFC.	According to AMR submittal schedule.
PS4: Community Health, Safety and Security			
25	Assan will include seismic safety criteria in the design and relevant responses considered in the emergency plans.	Assan has provided assurance about the use of seismic design criteria and adoption of relevant measures in the emergency action plans, including community safety.	COD.
26	Assan will review its relevant loading/unloading procedures and facilities and implement best practices to ensure transport safety.	Assan has reviewed relevant procedures and facilities and developed an action plan, as needed. IFC has reviewed and accepted it.	Three months after first disbursement.