



## **CAO ASSESSMENT REPORT**

**Regarding Concerns in Relation to IFC's Investment in CBG-01/Sangaredi (IFC Project #34203) in Guinea**

August 2019

Office of the Compliance Advisor Ombudsman  
*for*  
the International Finance Corporation and the  
Multilateral Investment Guarantee Agency  
**[www.cao-ombudsman.org](http://www.cao-ombudsman.org)**

## **About CAO**

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the private sector arms of the World Bank Group. CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA-supported projects in a manner that is fair, objective, and constructive, and to enhance the social and environmental outcomes of those projects.

For more information, see [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

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## **LIST OF ACRONYMS**

ADREMGUI	Guinean Association for Rural Development and Mutual Assistance
CAO	Office of the Compliance Advisor Ombudsman
CBG	Guinean Bauxite Company
CECIDE	Center for International Commerce and Development
IDI	Inclusive Development International
IFC	International Finance Corporation
IGAs	Income Generating Activities
MIGA	Multilateral Investment Guarantee Agency

## 1. OVERVIEW

In February 2019, local community members from 13 villages living in the area of the Sangaredi mine in Guinea (“the Complainants”) filed a complaint with the CAO, supported by the Center for International Commerce and Development (CECIDE for its French acronym), the Guinean Association for Rural Development and Mutual Assistance (ADREMGUI for its French acronym), and Inclusive Development International (IDI). The complaint raises concerns about the environmental and social impacts of the Sangaredi mine in these communities. The Sangaredi mine is operated by the Guinean Bauxite Company (“CBG” for its French acronym, or “the Company”). CBG is a client of IFC. In March 2019, CAO determined that the complaint met its three eligibility criteria. During CAO’s assessment, both the Complainants and the Company expressed an interest in engaging in a dispute resolution process convened by CAO. This Assessment Report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, and next steps.

## 2. BACKGROUND

### 2.1 The Project

IFC has an active project with CBG to support the Phase 1 expansion of the Sangaredi bauxite mine, processing plant, and associated infrastructure (“the Project”). The Project provides a senior debt facility of up to US\$200 million. IFC’s proposed investment of up to US\$200 million comprises a US\$135 million A-loan plus a US\$65 million loan from the Managed Co-Lending Portfolio Program (MCP). The cost for the expansion is estimated at US\$752 million. CBG is 49-percent owned by the Government of Guinea and 51-percent owned by Halco Mining Inc., a consortium of aluminum producers: Alcoa (45 percent), Rio Tinto (45 percent), and Dadco (10 percent).<sup>1</sup>

### 2.2 The Complaint

In February 2019, CECIDE, ADREMGUI, and IDI filed a complaint with the CAO on behalf of the Complainants, who are members of 13 communities living around the Sangaredi bauxite mine in Guinea. The Complainants are members of the communities of Hamdallaye, Fassaly Foutabhè, Boundou Wandè, Kogon Lengué, N’danta Fognè, Bourorè, Samayabhè, Paragögö, Parawi, Parawol, Sinthiourou Lafou, Lafou Mbaïla, and Horè Lafou.

The complaint raises concerns about land grabbing, land rehabilitation and land return, along with issues regarding impacts on water and the environment that have had major consequences on the Complainants’ livelihoods. The complaint further raises concerns related to lack of compensation for loss of land and displacement, impacts on livelihoods, safety risks for the communities in relation to the Company’s operations, air and water pollution, lack of appropriate consultation, information disclosure, and the effectiveness of the Company’s grievance mechanism. The Complainants believe they have not been afforded their entitlements and protections under Guinean law and the IFC Performance Standards, particularly PS 1, 3, 4, 5, 6, and 8, and are questioning IFC’s due diligence and supervision of the Project.

The issues raised during the assessment are described in more detail below.

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<sup>1</sup> Please see IFC Disclosure Website, Project Description section, at <https://disclosures.ifc.org/#/projectDetail/ESRS/34203>.

### **3. ASSESSMENT SUMMARY**

#### **3.1 Methodology**

The aim of the CAO assessment is to clarify the issues and concerns raised by the Complainants, gather information on the views of different stakeholders, and determine whether the Complainants and the Company would like to pursue a dispute resolution process facilitated by CAO, or whether the complaint should be handled by CAO's Compliance function for appraisal of IFC's performance (see Annex A for CAO's complaint-handling process).

While CAO, as per its Operational Guidelines, is not a legal enforcement mechanism or a substitute for court systems in host countries, CAO can address the underlying issues and concerns as expressed in the complaint and offer its processes to the affected parties.

In this case, CAO's assessment of the complaint included:

- a desk review of project documentation;
- telephone conversations and in-person meetings with IFC's project team;
- in-person meetings with the Complainants;
- telephone conversations and in-person meetings with CBG representatives;
- telephone conversations and in-person meetings with the national and international NGOs supporting the Complainants;
- a visit to Sangaredi mine and surrounding areas of Sangaredi mine and Sangaredi; and
- in-person meetings with Guinean government officials from the President's Chief of Staff's office, the Ministry of Mines and Geology, the Ministry of Territorial Administration and Decentralization, the Ministry of Environment, the Prefecture of Boke, the Municipality and the Sub-Prefecture of Sangaredi.

This document summarizes the views heard by the CAO team, and explanations of next steps depending on the parties' choice. This report does not make any judgment on the merits of the complaint.

#### **3.2 Summary of views**

##### ***Complainants' perspective***

The Complainants argue that CBG's actions in relation to the Project did not comply with Guinean law and the IFC Performance Standards. They explain the alleged harmful effects suffered by each of the 13 communities, some of which are shared concerns, while others are specific to a community. The Complainants share that their ancestors lived in this area and they have felt the impacts over many years. They collectively shared that they have heard from CBG about the concept of co-existence, but haven't felt that this is happening, due to unfulfilled promises. The concerns expressed include:

- displacement and resettlement, land rehabilitation and land return;
- inadequate compensation or replacement for losses;
- air and water pollution and access to water;
- access to social benefits and loss of livelihoods;
- impacts on ecosystems and biodiversity;
- safety risks; and
- lack of consultation, disclosure, and an effective grievance mechanism.

*a. Displacement and resettlement, land rehabilitation and land return*

The Complainants from all 13 communities claim that CBG did not explore alternative options to avoid the communities' economic displacement from their productive lands. They argue that CBG and the communities could have developed a plan to allow mining activities on some selected areas, while at the same time creating the least possible disruption to communities. The Complainants allege that since 1973, CBG started to grab land in the area and never effectively or systematically addressed community concerns over loss of land and damages to their agricultural activities. They express that it was only in 2015 that the Company started to pay compensation for the use of land, such as crops and trees. In their view, they had never prior to this been compensated for having to leave their land. Additionally, from their perspective, there has been failure from CBG to rehabilitate and return land accordingly, as well as to pay compensation for the land itself in addition to the use of land.

The complainants from the Hamdallaye community argue that their ancestral farmlands have been affected since 2003 by CBG's operations. They are soon to be resettled to a site that in their view does not meet the requirements of PS5 and is located on infertile land. They state that CBG failed to consult adequately despite the communities' efforts to engage. The process of consultation was long and frustrating, and brought a lot of confusion within this community. They add that it also resulted in inadequate compensation, due to temporary loss of access to land and income, and the inability of the community to cultivate other lands over that period. They also mention that, between 2013-2018, CBG asked them not to build structures or plant crops in certain areas, without providing compensation. In addition, they are concerned about several aspects of the resettlement area, including the inadequacy of housing, lack of trees, fertility of the land, and the timing of availability of the land for agriculture and grazing.

*b. Inadequate compensation or replacement for losses*

The Complainants argue that since the beginning of the Company's operations in the region of Sangaredi, CBG has systematically minimized and negated the customary land rights of the local communities living there, under an organized tenure system, long before CBG arrived. They explain that the absence of formal registration characterizes much of rural Guinea and does not preclude the application of the full entitlements and protections of national and international law, as well as PS5. However, they claim that CBG has treated rural land as state property and ignored or negated the customary land rights of rural farmers. As a result, CBG has acquired land without the free, prior, and informed consent of customary landowners, failing to follow a public expropriation process and to pay fair compensation.

Furthermore, the Complainants state that CBG has for a long time been impacting the communities' agricultural activities, destroying crops and trees. Among other impacts, they claim damages to the local cemetery. Compensation only started to be provided in 2015-2016, but the amounts are considered to be inadequate and inconsistent. They also argue that the compensation process lacked transparency and was never duly explained.

*c. Air and water pollution and access to water*

The Complainants claim that CBG's activities have polluted rivers and natural springs, and that the Company's seizure of community lands has prevented them from accessing streams that were previously an important source of water. In some communities, water levels have declined, and in others some streams have dried up, limiting their access to water. The Complainants allege that rivers have dried up presumably because they have been blocked by the construction of a road right through the river. The Complainants argue that this affects them particularly during the dry season and that restricted access to water has had a major impact on gardening and livelihoods.

The Complainants are also concerned about polluted water sources. In some cases, water is no longer drinkable or usable for household needs. While CBG has provided boreholes for some of the complaining communities, some of the communities believe that the water is unfit for consumption and they have not been reassured by CBG of the contrary. In some communities, the boreholes are not functional, and nothing has been done to resolve the problem. The Complainants also report increasing health issues among themselves and their cattle and suspect that this is a consequence of drinking polluted water.

The Complainants also allege that CBG's operations have affected air quality in the communities, due to the red dust generated by the mining operations, including transport of the minerals using the railway. Additionally, they express concern about the noise that emanates from the stockage stations.

*d. Access to social benefits and loss of livelihoods*

The Complainants argue that they have not been provided financial or any other type of support to restore or improve their livelihoods, after CBG's operations started in the region. They explain that most Complainants have lost their productive land and find themselves without any income-earning capacity and are gradually falling into poverty and hunger. They report that agriculture and gardening are now insufficient to meet the needs of the villages and, therefore, livelihoods and income have significantly declined. Also, the reduction and pollution of water sources has particularly affected women, who can no longer work on their traditional main economic activities like gardening and palm oil extraction near the water streams. Additionally, they state that the dust has resulted in a significant loss of productivity of the remaining agricultural lands and has damaged vegetable crops. Some community members have turned to alternative income-generating activities, such as collecting dead wood, selling gravel, or producing charcoal, which are very challenging physically and result in a smaller income. They also refer to a decline in livestock farming due to the number of animals killed by pollution and passing trains.

The Complainants also share their concerns about the unfinished promises regarding social benefits. Some of the examples the Complainants provided were related to impacts to the community roads that haven't been fixed, adding challenges for children's access to school; and health clinics and schools that have not been opened after construction.

They express concern about how the loss of livelihood has impacted women more, given that some of the alternatives for women to generate income for their families include going to the fields and cutting wood, which limit their ability to attend to and care for their children. They also express youth employment concerns.

The Complainants argue that to date they have not been provided financial or any other type of support to restore or improve their livelihoods. The complainants from Hamdallaye and Fassaly Foutabé share that a plan for the development of alternative income generating activities has been developed but is not yet operational. The complainants of these two villages express concern about the effectiveness of these plans and their ability to restore their livelihoods. The other 11 communities express they are not aware of the development of any livelihood restoration plan for their villages.

*e. Impacts on ecosystems and biodiversity*

The Complainants state that there has been an unprecedented decline of wildlife (animals and fish) and even the total extinction of some species in the region as a result of CBG's operations. They argue that water pollution, air pollution, and the impacts of mining infrastructure, notably mining roads and the railway lines crossing fields and forests, are related to this decline. This

has significantly affected the community's livelihoods, because they are largely dependent on fishing and hunting, in addition to agriculture. They have also reported a decline in many species of wild fruits and plants that were used for medicinal purposes. Communities believe that the disappearance of these plants is threatening traditional pharmacopoeia and endangers their health, as well as their way of life and cultural identity.

*f. Safety risks*

The Complainants argue that the construction of infrastructure, the layout of the mining roads, and the installation of the storage and blasting zones by CBG did not consider the impact on the quality of life of the communities, or the risks to their safety. They allege that some communities must cross dangerous zones to access their fields or to go to the city of Sangaredi, and others must cut across CBG's zone of operations to access their community.

Also, they raise concerns regarding traffic from CBG trucks, which has become dangerous and is particularly worrisome for their children. Blasting is also another concern, and the Complainants further claim that the mechanisms put in place by CBG, such as sirens before blasting, do not give Complainants enough time to guard themselves and their children.

*g. Lack of consultation, disclosure, and an effective grievance mechanism.*

Complainants from all 13 communities state that CBG has systematically failed to consult them before their lands were seized or affected by CBG's operations. They claim that they were given no information about future CBG operations on their lands and that their crops were destroyed without prior notice. They also report that in those opportunities where CBG did engage, its representatives failed to consider the communities' perspectives or integrate them in the decision-making process. Furthermore, they claim that CBG obtained some communities' consent through pretenses and false promises. Regarding the specific situation of the Hamdallaye community, the Complainants state that, when the resettlement agreement was signed in 2018, CBG did not offer any support for those that signed the agreement. They unanimously report that they did not understand the content of the document. Also, women were not informed of the existence of these agreements.

The Complainants report that, although CBG launched its grievance mechanism in 2015, the Complainants find it to be ineffective and unrealistic, due to its requirements, and some communities don't have information on how to access it.

They express their interest in commencing a dispute resolution process with the Company to discuss these issues and to try to find solutions moving forward.

***Company's perspective***

CBG indicates that it currently operates in five bauxite mining plateaus. Since 1973, it has been mining bauxite on the Sangaredi plateau. It then went on to mine the Bidikoun plateau in 1992, the Silidara plateau in 1997, the Boudouwaade plateau in 2005 and the NDangara plateau in 2006. CBG states that it has always ensured and still ensures that it extracts, processes and exports bauxite in accordance with legal and conventional requirements, with a particular emphasis on respecting rules related to health, safety and the environment, while contributing to the sustainable development of surrounding communities.

According to the Company, CBG's policy, in all its operations, is to respect both national and international law. It adheres to fundamental values, including on ethics, transparency, equity and equal chances. Topics like compensation, for example, have been applied according to mandatory legislation throughout the Company's existence.

As a business acting with civic duty, especially in environmental and social matters, in its operations, CBG claims to always actively work with the Boké, Téliélé and Gaoual communities, which are located within its areas of operations.

The Company reports that, over the past four years, with the support of its shareholders and the Government of Guinea, the Company has adopted the highest international standards by adhering to IFC's environmental and social performance standards. Under the financing of its expansion project, an expert and independent consulting group regularly audits CBG's health, security, environmental and community activities, as well as implementation of IFC's performance standards.

CBG adds that, since 1987, it has invested more than US\$56 million in community development programs in its areas of activity. These investments include the financing of community infrastructures, particularly in the areas of education, health, village water management and improving the living conditions of communities (building schools, health centers, cultural centers, markets, administrative buildings, boreholes and improved wells, building of roads and crossings). According to CBG, these projects are included in the Local development plans (LDPs) and identified each year by communities, in consultation with the Company. They are 100-percent completed by local companies chosen by the rural communes.

In addition, the Company claims that, since 2017, it has increased its recurring annual community development budget by US\$1.9 million, to US\$2.5 million annually for the sustainable economic development of its areas of influence in the prefectures of Boke, Téliélé, and Gaoual. These additional investments are mainly aimed at the development of Income Generating Activities (IGA) with the objective of improving the socioeconomic conditions of the population impacted by its operations and the creation of jobs, with emphasis on women and young people. Within this framework, CBG established a partnership with the Center for International Study and Cooperation (CECI) to develop IGAs in ten rural communes located in its impact zone. IGAs are developed through Economic Interests Groups (EIGs) Furthermore, the Company claims that it currently supports, as a first step, 48 EIGs in the areas of market gardening and agriculture, the environment, fishing and handicrafts (e.g. beekeeping, saponification).

The Company also states that it supports other initiatives to promote local development in areas located within its activity areas. CBG supports local entrepreneurship by creating Very Small Businesses (VSBs). With financing from a USD 200,000 Revolving Fund, the Company launched 14 VSBs in collaboration with local authorities. These VSBs operate mainly in sanitation, construction, rehabilitation and reforestation. According to CBG, they employ more than 1800 people daily.

The Company indicates that local entrepreneurship and the development of IGAs are part of the long-term empowerment of communities.

In terms of healthcare, CBG expresses that it implements an anti-malaria program in partnership with the National Malaria Control Program for communities and CBG employees in Sangarédi and Kamsar. The program focuses on three main areas: intra-domiciliary spraying, provision of impregnated mosquito nets and sensitizing communities on behavioral changes. The Company also cited a positive initiative, with IFC support, to organize an internal workshop on local content with an action plan to help identify opportunities in the local supply

chain and strengthen its Local Content Plan, which has been in place since it launched its operations<sup>2</sup>.

CBG indicates that it has a grievance mechanism for complaint management, which is explained to the various communities present in its operations areas. It is systematically described during each community meeting. The Company also explains that it establishes a Stakeholder Engagement Plan through which communities are consulted and informed about CBG activities and projects and community concerns are sought. Local governmental and communal authorities are involved in the various community processes.

In addition, in light of the upcoming increase of railway activities planned under the implementation of the Multi User Agreement (“MUA”) between the Government of Guinea (GoG), CBG and other major mining projects, CBG indicates that it has developed, in collaboration with IFC, a community safety program along the railway to mitigate operational risks for the communities resulting from the use of the mining railway.

The Company states that it modernized its environmental and social management system. Implementation of this management system includes a detailed analysis of risks associated with the Company's operations, the implementation of 22 management plans, as well as mitigation measures addressing these risks, along with monitoring the various factors identified as critical according to the standards of the World Health Organization (WHO) and IFC's performance standards. CBG thus has an environmental monitoring team which performs on the ground monitoring of all impacts that can affect the wellbeing of communities and the state of the physical environment resulting from mining activities such as mining roads, explosions, machinery, power generators, trains, excavation and loading activities, stripping of arable lands, deforestation, industrial and mining effluents, runoff waters, dredging, and grinding/drying operations. Monitoring activities focus on groundwater, surface waters, the quality of ambient air, airborne emissions, mining roads (dust), waste and hazardous materials management, noise, vibrations, water resources, fugitive emissions, meteorology and sediments. The frequency of measurements varies from daily to half-yearly, depending on risks and impacts. Results are compared to IFC's performance standards and to Guinean standards. Non-satisfactory trends are rigorously investigated and rectified. The Company specifies that inspections take place regularly in all activity sectors to detect potential gaps and identify hazardous activities.

On biodiversity, CBG expresses that the habitats of priority conservation species are generally located in gallery forests, watercourses and water springs. To fully understand the impact level of CBG's bauxite operations on agriculture and the livelihoods of local communities, the Company highlights the fact that mining operations mostly take place in uncultivated areas, which are referred to locally as Bowés and Donghol. Some pockets only of these areas are adequate for growing certain species such as cashew. CBG states that it rehabilitates some mining areas while taking into consideration community requests and ecological restoration requirements. According to CBG, neighboring communities of the relevant areas are consulted and involved in the implementation of rehabilitation activities. Given the shallow depth of the deposits and surface removal of lateritic rocks and breastplates, the conditions are such that it is possible to rehabilitate mined sites in agricultural lands. Since 1991, 1776 ha have been rehabilitated.

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<sup>2</sup> According to CBG, the local content policy was developed by the Guinean government in collaboration with its partners – including industrial operators, the International Finance Corporation (IFC), the African Development Bank and the World Bank – to enable mining projects to make a strong contribution to the national economy and assist in capacity building for the mining industry and other sectors. To maximize the positive impact of mining projects and allow them to produce a multiplier effect that benefits the whole economy, a certain percentage of expenditure will provide for training and employment in local communities, the procurement of goods and services by local SMEs and SMIs, the completion of social projects in health and education, and infrastructure provision. For more information see: <https://mines.gov.gn>.

According to the CBG, forest galleries and spring heads are always protected by a 100meter buffer zone as an avoidance measure.

The Company indicates it has developed a “plateau by plateau” approach to ensure that management plans are properly implemented, environmental and social constraints are considered, and potential impacts are mitigated prior to any mining activity.

The Company expresses that given community pressure on natural resources (forests, wildlife) and the disruption to water streams caused by extensive agricultural practices close to forest galleries, it initiated a community project for the management of forest landscapes. According to the Company, it will launch community training sessions on sustainable agriculture practices and the development of IGAs focused on preserving the ecosystem in areas where CBG is not active.

CBG is also concerned by community pressures on ecological restorations (rehabilitated areas) which, according to the Company, are destroyed by some members who produce wood charcoal and baked bricks.

CBG considers that sustainable development, protecting communities and the physical environment, preserving biodiversity for future generations are core priorities.

The Company wishes to learn more about the concerns expressed in the complaint and initiate a process to resolve the disputes with the Complainants.

#### **4. NEXT STEPS**

Both the Complainants and the Company have sought to participate in the dispute resolution process. CAO will proceed to establish a trusted facilitation team to begin working with the parties in designing a process focused on resolution of the issues related to the complaint.

## ANNEX A. CAO PROCESS TO ADDRESS COMPLAINTS

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; and (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 CAO's Operational Guidelines,<sup>3</sup> the following steps are typically followed in response to a complaint that is received:

Step 1: **Acknowledgement** 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 working days).

Step 3: **CAO 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 120 working days.

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.<sup>4</sup>

OR

**Compliance Appraisal/Investigation:** If the parties opt for a compliance process, CAO's Compliance function will initiate an appraisal of IFC's/MIGA's environmental and social due diligence of the project in question to determine whether a compliance investigation of IFC's/MIGA's performance related to the project is merited. The appraisal time can take up to a maximum of 45 working days. If an investigation is found to be merited, CAO Compliance will conduct an in-depth investigation into IFC's/MIGA's performance. An investigation report with any identified non-compliances will be made public, along with IFC's/MIGA's response.

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

Step 6: **Conclusion/Case Closure**

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<sup>3</sup> For more details on the role and work of CAO, please refer to the full Operational Guidelines: [http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines\\_2013.pdf](http://www.cao-ombudsman.org/documents/CAOOperationalGuidelines_2013.pdf)

<sup>4</sup> 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 closed the complaint and transferred it to CAO Compliance for appraisal.