

**INTERNATIONAL FINANCE CORPORATION**

**MANAGEMENT REPORT AND MANAGEMENT ACTION PLAN  
IN RELATION TO THE CAO COMPLIANCE INVESTIGATION REPORT**

**ON**

**BRIDGE INTERNATIONAL ACADEMIES (BRIDGE 01)**

**(PROJECT# 32171, #38733, #39170, #39224)**

**March 2025**

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## **ABBREVIATIONS AND ACRONYMS**

APBET	Alternative Provision of Basic Education and Training
CAO	Office of the Compliance Advisor Ombudsman
E&S	Environmental and Social
EACHRights	East Africa Centre of Human Rights
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
ESRS	Environmental and Social Review Summary
E&S	Environmental and Social
GIIP	Good International Industry Practice
IEG	Independent Evaluation Group
IFC	International Finance Corporation
MAP	Management Action Plan
MR	Management Report
NGS	New Globe Schools
PS	IFC's Performance Standards
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WHO	World Health Organization
QA	Quality Assurance

## EXECUTIVE SUMMARY

i. Bridge International Academies Limited (Bridge or the Company or the former client) was established in 2009 with the goal of providing quality primary education to children from low-income families in Sub-Saharan Africa. The Company operates a chain of low-cost private schools and received investments from the International Finance Corporation (IFC) in 2014 and 2016.

ii. At its peak, Bridge operated 520 community schools serving over 87,000 students in Kenya, Uganda, Nigeria, and India. However, in 2020, the Company's operations were impacted by the COVID-19 pandemic, leading to the closure of several community schools. As of IFC exit in March 2022, Bridge operated 169 schools serving under 40,000 students in those four countries. As of January 2025, Bridge operates 106 community schools in Kenya.

iii. East Africa Centre of Human Rights (EACHRights) filed a complaint with Office of the Compliance Advisor Ombudsman (CAO) in April 2018 on behalf of current and former parents and teachers in Kenya. The complaint raised concerns about Bridge's compliance with international and Kenyan law, as well as IFC's Performance Standards (PS) 1-4. The issues raised in the complaint included labor practices, health, and safety of students, building construction, site and sanitary conditions, and accessibility for students with disabilities. The complainants declined to participate in a CAO-facilitated dispute resolution process. In October 2019, CAO issued its compliance appraisal report and launched a compliance investigation.

iv. The CAO investigation identified several findings related to IFC's E&S due diligence and supervision. The report found that IFC fell short of its Sustainability Policy requirements in several areas of its E&S due diligence and supervision with regards to regulatory compliance, labor and working conditions and the school environment.

v. Management acknowledges the findings of the CAO investigation and expresses gratitude for the investigation. Management is saddened that students were injured in the schools. Management believes that child safety is of utmost importance and that school safety processes and procedures should be tested by schools regularly to prevent injuries.

vi. IFC recognizes that it could have enhanced certain aspects of its due diligence and supervision. IFC continuously enhances its ability to identify risks proactively, learn from past experiences, and integrate such lessons in its comprehensive E&S due diligence and supervision. IFC remains fully committed to collaborating closely with our clients and stakeholders to continuously improve and promote the safety and well-being of all individuals involved in IFC-financed projects.

vii. However, Management found that it did identify risks related to compliance with Performance Standard (PS) 2 on Labor and Working Conditions during due diligence and supervision and worked with Bridge to address these gaps, including revising HR manuals and incorporating actions into the Environmental and Social Action Plan (ESAP). When labor issues were raised by complainants,

Management engaged extensively with Bridge and commissioned an independent labor audit. The CAO report did not confirm harm to Bridge workers or specify the number of potentially affected workers.<sup>1</sup>

viii. Management further considers that IFC identified school safety risks during due diligence. IFC included provisions in the ESAP and worked with the former client to develop policies and procedures in compliance with national laws and IFC Performance Standards, including processes related to Occupational Health and Safety (OHS), structural integrity, water & sanitation. From 2016 IFC identified the need for further improvements, leading to an update of the Project's ESAP. IFC continued to work with the client on significant actions to bridge any potential gaps in the Company's performance with PS requirements. The client completed all the agreed ESAP and corrective actions. Incidents of injuries that were reported by the client included information on how incidents were managed and closed. IFC is not aware of any unresolved incidents resulting from school conditions.

ix. The former client maintains that all concerns that emerged were addressed, that it has an adequate employee grievance mechanism, and that it is in full compliance with local regulations. Bridge also notes that any current or former employee with grievances can seek assistance from Kenyan labor officers and the Kenyan court system. The former client's perspective on the CAO investigation report and the MAP are included in Annex 1.

x. The Management Action Plan (MAP) focuses on sector-level engagement. On labor issues, IFC will engage with qualified labor organizations and will conduct a country-level workshop to understand and discuss gaps between Performance Standards (PS2 in particular) and Kenyan labor laws, if any, and how these might be addressed in future IFC projects.

xi. On school safety issues, IFC will support the development of a capacity building program for schools that focuses on physical safety standards and protocols, including mechanisms that facilitate parents and students' access to existing grievance redress and remediation pathways. The program will support key agencies in Kenya to enhance training modules and tools for schools and assist them with testing the training with networks of low-cost independent schools.

xii. Management appreciates the opportunity to meet and consult with the complainants and for their constructive feedback. Management also values the close collaboration developed with the complainant representatives to prepare a constructive consultation meeting with all complainants and for sharing their substantive feedback on IFC's proposed Management Action Plan.

xiii. In the preparation of the MAP, IFC also engaged with the CAO and is grateful for the comments and suggestions offered by the CAO and its feedback on IFC's response to systemic recommendations.

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<sup>1</sup> "The number of potentially affected workers is unknown." (CAO Report, 4.1. Harm to Bridge Workers).

## **I. INTRODUCTION**

1. In April 2018, the CAO received a complaint from EACHRights on behalf of current and former parents and teachers in Kenya relating to investments by the International Finance Corporation (IFC) in Bridge International Academies, which operates the largest chain of low-cost private schools in Africa.
2. The complaint raised concerns about compliance by Bridge with international and Kenyan law and IFC's Performance Standards (PS) 1-4. These issues involved labor practices, the health and safety of students, the construction of buildings, and their site and sanitary conditions. It was also alleged that Bridge schools were not accessible to students with disabilities.
3. Since the complainants declined to participate in a CAO-facilitated dispute resolution process, the complaint was transferred to the CAO's compliance function in March 2019. In October 2019, CAO issued its compliance appraisal report and launched a compliance investigation, which included a field mission in February 2020.<sup>2</sup>
4. In March 2022, IFC exited its investment in Bridge. Before exiting its investment, IFC worked actively with Bridge on issues relating to health and safety, water and sanitation, infrastructure maintenance, school registration and labor and working conditions.
5. This Management Report (MR) presents IFC's response to CAO's compliance investigation findings and recommendations in the Bridge-01 case. The final CAO Compliance Investigation Report was circulated to the Board on January 4, 2024. Section II of the MR describes IFC's investment, including its pre-investment E&S due diligence and supervision. Section III provides a review of the CAO's processes leading to the investigation compliance report. Section IV is divided into three sub-sections, which include CAO's findings and recommendations and IFC's responses to each of them, both at the project and institutional levels. Section V summarizes IFC's consultations with the complainants and the former client. Finally, Section VI presents IFC's conclusions, and section VII presents the MAP.

## **II. IFC INVESTMENT**

6. Bridge International Academies Limited was established in 2009 by a Delaware company called Newglobe Schools Inc. (NGS), with the aim of providing quality primary education to children from families earning less than US\$2 a day by building and operating the largest chain of low-cost private schools in Sub-Saharan Africa.
7. In 2013, IFC's Board of Directors approved a preferred equity investment of US\$10 million in the Series D financing round of NGS, and in 2016, IFC invested an additional US\$3.5 million in the Series E round, giving IFC a 5.3 percent shareholding. The capital was used to expand the network of schools in Kenya and enter three new markets. At the time of investment, Bridge had established itself as the largest private provider of low-cost schools supporting low-income students in Sub-Saharan Africa, operating 211 schools in Kenya and serving over 57,000 students.
8. At the peak of its operations in 2016, Bridge operated 520 community schools serving 87,600 students in Kenya, Uganda, Nigeria, and India. The Company operations were significantly affected by the

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<sup>2</sup> CAO Compliance Investigation Report Regarding a Complaint about IFC's Investment in Bridge International Academies (Bridge-01), January 4, 2024 (hereinafter "CAO Compliance Investigation Report").

COVID-19 pandemic, which led to the closing of schools. At IFC's exit in March 2022, Bridge operated 169 community schools, serving under 40,000 students. As of January 2025, Bridge operates 106 community schools in Kenya.

9. By 2020, IFC stopped investing in direct K-12 education following concerns from civil society organizations (CSOs) about private schools' impact on access to quality education for underserved groups. In 2022, IFC reaffirmed this decision following an Independent Evaluation Group evaluation of IFC's investments in K-12 private schools, which concluded that resumption of investments in the sector was not advisable without substantial changes in approach.

### ***IFC Pre-Investment & Supervision***

10. IFC conducted environmental and social due diligence (ESDD) at the pre-investment stage in October 2013. IFC classified the investment as E&S Risk Category B, indicating that the potential of E&S risks was "limited, largely reversible, and may be readily mitigated".<sup>3</sup> An ESAP was developed in 2013.<sup>4</sup>

11. IFC conducted the supervision of the Project annually from 2016 to 2021 through review of E&S reporting submitted by Bridge, site supervision visits to selected schools, an independent water and sanitation audit of the schools, an independent audit of human resources (HR) policies, procedures and staff handbooks, including a survey of all teachers in all countries on their understanding on the HR policies, procedures, and handbooks.

12. Following IFC's exit of its investment in Bridge in March 2022, IFC had an indirect exposure to Bridge through a financial intermediary, Learn Capital Venture Partners Fund III (project #32429).<sup>5</sup> As of February 2024, Bridge became a separate independent foundation in Kenya, without equity ownership by NGS or Learn Capital III, ending any IFC exposure to Bridge.

### ***Key Environmental & Social Issues***

13. As the CAO's Compliance Investigation Report notes, IFC considered four Performance Standards as applicable to the investment: PS1 on Assessment and Management of E&S Risks and Impacts; PS2 on Labor and Working Conditions; PS3 on Resource Efficiency and Pollution Prevention; and PS4 on Community Health, Safety and Security.

14. The key E&S issues identified at appraisal associated with the Project and the above-referenced PSs included: (i) the building standards applied to schools related to life and fire safety; (ii) labor and working conditions for staff, including occupational health and safety during the construction phase; (iii) the provision of adequate potable water quality and the approach to the disposal of sewage; and (iv) security measures implemented at the schools to ensure the safety of learners.<sup>6</sup>

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<sup>3</sup> IFC, October 30, 2013, Environmental and Social Review Summary (ESRS). Available here: <https://disclosures.ifc.org/project-detail/ESRS/32171/bridge-international-academies>.

<sup>4</sup> <https://disclosures.ifc.org/project-detail/ESRS/32171/bridge-international-academies>

<sup>5</sup> Project #32429. IFC's investment in Learn Capital Venture Partners Fund III ("Learn Capital") was committed on July 2, 2014, and first disbursement took place on June 30, 2015. This investment generated an exposure to Bridge schools because Learn Capital held equity in New Globe Schools. Information available here: <https://disclosures.ifc.org/project-detail/SII/32429/education-innovation-fund>

<sup>6</sup> <https://disclosures.ifc.org/project-detail/ESRS/32171/bridge-international-academies>

15. As PS1 applied to the construction integrity of school facilities, IFC's Environmental and Social Review Summary (ESRS) stated that Bridge had complied with a number of national legislative requirements and IFC's PSs, specifically relating to life and fire safety management, occupational health and safety during construction, human resources management, recruitment, designing for health and welfare of teachers and learners, etc.<sup>7</sup>

16. The ESRS referenced that Bridge conducted an Environmental Impact Assessment (EIA) for every school and that the Company's Quality Assurance (QA) function ensured the correct implementation of E&S procedures by visiting 10% of Bridge Schools daily. The Company also established a corporate Environmental and Social Management System (ESMS), appointing a global E&S coordinator for its operations across all countries, including Kenya. During the supervision phase, IFC annually reviewed the ESMS and made recommendations for enhancements. Bridge made several updates to the ESMS to include risk mitigation measures and management programs that were not captured in the initial version of the ESMS. IFC also reviewed the ESMS manual and confirmed the water quality management policy and procedure, food safety policy, emergency response protocol and construction integrity of school infrastructure were integrated. Quality inspections and maintenance undertaken was reported in E&S reporting to IFC from 2018 to 2021.

17. IFC's due diligence from June 2013 noted the requirements to operate academies in Kenya was based on the future release of the Alternative Provision of Basic Education and Training (APBET) Guidelines 2015 and the *Basic Education Act*, 2013 (the "Act"). As CAO notes, IFC awaited the update of government of Kenya policy and update of the APBET guidelines in 2015, relying on future regulatory developments. Nonetheless, in October 2013, IFC did identify regulatory risks, such as Bridge's failure to register its schools under the Basic Education Act and its use of non-certified teachers. At the same time, IFC recognized the former client was building partnerships with the Overseas Private Investment Corporation (DFC – US International Development Finance Corporation) the UK Department of International Development, and the World Bank to address these risks. In fact, the ESDD noted that the former client had been in discussions with Kenyan regulators for its model to be considered while the government passed regulations, including a positive response from the Kenyan National Examinations Council, which was responsible for registering examination centers. Thus, the development of a new regulatory framework was presented as a potentially positive development impact.

18. By the beginning of 2016, IFC supervision identified the need for further improvements in Bridge's E&S systems to comply with IFC's PSs. As a response, the Project's ESAP was updated. IFC subsequently worked with Bridge to close out the gaps identified in the ESAP. This included: (i) annual update of the ESMS; (ii) developing Terms of Reference for an independent water and sanitation audit and monitoring the implementation of the audit's recommendations; (iii) providing training to the E&S coordinator appointed in 2018 on PS requirements; (iv) providing comments during the construction phase of the schools, particularly regarding the construction of sanitation facilities; and (v) reviewing the life and fire safety master plan for the schools.

19. For PS2, Labor and Working Conditions, the ESRS references that IFC reviewed the policies, procedures, benefits, and programs under the two employee handbooks for teachers and operational staff in Kenya, including the issuance of contracts for all employees detailing the working conditions and terms of employment. The handbooks also contained a policy on equal opportunity and non-discrimination.<sup>8</sup> Two

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<sup>7</sup> <https://disclosures.ifc.org/project-detail/ESRS/32171/bridge-international-academies>.

<sup>8</sup> <https://disclosures.ifc.org/project-detail/ESRS/32171/bridge-international-academies>.



PS2 gaps were identified and reflected in the Project's 2013 ESAP: (a) the need for a grievance mechanism for staff and (b) an occupational health and safety (OHS) plan tailored to meet national requirements.

20. To address the above-mentioned gaps, a Grievance Policy was submitted as part of the Employee Handbooks update in 2018. The policy included procedures for anonymous reporting. As part of E&S reporting to IFC, Bridge provided logs of staff grievances which were mostly related to claims of unfair termination. IFC engaged an independent labor expert in 2018 to audit Bridge's HR manuals and handbooks and confirm compliance with national laws and PS 2 requirements. The expert made various recommendations that led to the update of the HR manual and handbooks between 2018 and 2021. In 2021, in compliance with PS2, the Grievance Policy was further updated to expressly state that the policy was applicable to both direct employees and contractors. Employee OHS plans were developed in 2016 as part of the Management Programs for the ESMS. In February 2018, IFC reviewed a comprehensive update of the OHS Policy, which included broader safety measures for traveling to and from schools, increased awareness of risks at schools, improved reporting and investigation of incidents, and detailed application of the Life and Fire Safety Plan at each school. IFC subsequently monitored the implementation of these measures.

21. For PS3 (Resource Efficiency and Pollution Prevention), IFC did identify water and sanitation risks during its initial due diligence. In the ESAP, IFC required that Bridge establish a monitoring plan for potable water, compliant with the World Bank Group (WBG) Environmental, Health and Safety (EHS) Guidelines and specifically the World Health Organization (WHO) guideline on "Water, Sanitation and Hygiene Standards for Schools in Low-cost Settings" (2009). In 2016, IFC became aware that the government of Uganda was intending to close 63 Bridge schools due to water and sanitation issues, with similar concerns raised in Kenya. As referenced above, IFC proactively prepared a Terms of Reference for water, sanitation, and hygiene audit of Bridge schools, which was conducted by an independent consultant. The audit resulted in the development of a water and sanitation action plan (WASHAP). A water quality monitoring program was to cover all Bridge schools, aligned with the requirements of the WHO's guidelines for schools in low-cost environments and relevant national laws. The WASHAP implementation was carefully monitored by IFC until all corrective actions were closed in 2018. In response to recommendations from WASHAP, Bridge updated the ESMS to include a more comprehensive Water Management Policy and the Water Quality Monitoring and Remediation Plan.

22. For PS4, Community Health, Safety and Security, IFC identified risks at due diligence related to the structural integrity of schools, to food safety and to life and fire safety. IFC engaged with Bridge to verify that the food hygiene was appropriate for all children in Bridge academies. Bridge developed a comprehensive Food Management Policy to manage food safety risks in the network. IFC reviewed these procedures and monitored their effective implementation. The ESRS states that facilities at Bridge Academies were designed and built to meet the Kenyan Building Codes and Regulations.<sup>9</sup> IFC required Bridge to develop and implement an audit function for the structural integrity of the schools and a spot-checking system for food hygiene. In addition, Bridge developed facility maintenance procedures and had a permanent team of staff that would respond to infrastructure maintenance requirements identified by internal quality inspection teams as well as measures recommended from statutory inspections. On Life and Fire Safety, Bridge submitted a Corporate Life and Fire Safety Manual as part of due diligence which was reviewed and approved by IFC. During supervision visits, IFC checked that the academies had the relevant Life and Fire Safety procedures and local emergency contacts at each of the academy Administrative

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<sup>9</sup><https://disclosures.ifc.org/project-detail/ESRS/32171/bridge-international-academies>

Offices. Regarding stakeholder engagement, IFC verified Bridge's mechanisms for community engagement, including household surveys and a Customer Care system to receive internal and external complaints that were logged, tracked, responded to and closed.

23. Prior to IFC's exit in March 2022, consistent with the pilot on "Responsible Exit", IFC worked together with Bridge to address E&S issues over a twelve-month period before the exit. As part of this exit, Bridge confirmed its intention to continue using IFC's PSs as a tool in its work and more specifically, that it intended to: (i) maintain an ESMS, (ii) continue the work it had collaborated on with IFC through the labor survey, including following up and discussing with its Board on the implementation of the digital labor survey completed in November 2021; and (iii) maintain reasonable cooperation with IFC on existing matters with the CAO.

### **III. CAO CASE**

24. In April 2018, CAO received a complaint from EACHRights, a Kenyan NGO, on behalf of a group of current and former parents and teachers (the "complainants"). The complaint raised concerns about Bridge's compliance with international and Kenyan law and IFC's PSs 1-4. The complaint focused on regulatory issues, teachers' employment conditions and labor issues, and the school environment. The alleged violations of IFC's PSs relate to E&S risk, labor and working conditions and community health, safety, and security matters, including building construction and safety, school sanitation, and child safety concerns.

25. As the CAO Compliance Investigation Report states, during CAO's assessment, Bridge indicated their willingness to engage in a dispute resolution process, while the complainants preferred the complaint to be handled by CAO's Compliance function. Subsequently, the complaint was referred to CAO's Compliance function in March 2019 for appraisal.

26. In its appraisal, issued in October 2019, CAO recognized IFC's efforts during supervision to address concerns about sanitation and labor conditions in Bridge schools. CAO nevertheless launched a compliance investigation as it concluded that substantial E&S concerns remained. These included: (i) adverse impacts on teachers, parents, and students; (ii) the E&S risk profile of the schools given their number, locations, and construction methods; and (iii) the registration status of the schools and Bridge's adherence to relevant health and safety requirements. In February 2020, CAO staff traveled to Kenya and interviewed the complainants, community members and Bridge representatives.

27. While CAO conducted the compliance investigation for this case under its 2013 Operational Guidelines, the new CAO policy, adopted by IFC's Board in July 2021, applies to this compliance investigation report and to the Management Action Plan that IFC proposes as part of this Management Report.

28. CAO submitted its Compliance Investigation report to the IFC Board on January 4, 2024. The report found that IFC fell short of Sustainability Policy requirements in several areas of its E&S due diligence and supervision with regards to regulatory compliance, labor and working conditions and the school environment. Management notes that the report did not confirm the occurrence of harm to Bridge

workers or the number of potentially affected workers. The known student fatality on school premises was remediated to the satisfaction of the complainants in the context of the CAO-led Bridge 02 case.<sup>10</sup>

#### IV. MANAGEMENT RESPONSE TO FINDINGS & RECOMMENDATIONS

29. IFC Management is grateful to CAO for its investigation of the E&S due diligence and supervision issues involved in this case. As described in the below section, IFC concludes that it identified risks related to PS2 compliance as well as various aspects of school safety during due diligence and supervision and worked with Bridge to close these gaps. IFC recognizes in retrospect that it could have enhanced certain aspects of its due diligence and supervision.

30. The CAO Policy defines the process for CAO’s investigation, any findings of non-compliance and related harm and the recommendations the CAO may make for IFC to consider when developing a MAP.<sup>11</sup> Where an IFC exit has already occurred on a project, CAO recommendations must take into account the implications of such an exit.<sup>12</sup> In this case, IFC fully exited the investment in March 2022 and currently does not have any direct or indirect exposure to its former client. In its report, the CAO proposed multiple project-level and systemic recommendations.

##### A. CAO findings & IFC response

###### ***CAO Findings 1 & 2: E&S Due Diligence***

IFC did not meet the Sustainability Policy requirement to conduct an E&S due diligence review that was “appropriate to the nature and scale of the activity” and as a result did not provide reasonable assurance that the project could meet the requirements of the Performance Standards within a reasonable period of time.

31. ***IFC Response:*** IFC’s due diligence provided reasonable assurance that the project could meet the requirements of the Performance Standards within a reasonable period of time. The ESAP included actions to bring the existing schools to PS compliance for aspects such as E&S risk identification, labor, water, sanitation and hygiene, construction management and infrastructure integrity and food safety. For new schools, the ESAP specified that procedures to identify and manage E&S risks were required if an Environmental Impact Assessment (EIA) had not yet been conducted.

###### ***CAO Finding 3: Compliance with National Law—School Registration***

IFC failed to carry out its E&S due diligence and supervision responsibilities regarding Kenyan legal and regulatory compliance on school registration (PS1, paras. 6 and 15).

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<sup>10</sup> A second fatality that Bridge reported was outside school premises, involving a student that drowned.

<sup>11</sup> CAO Policy Paragraphs 112-117.

<sup>12</sup> CAO Policy Paragraph 120c.

3.a. Due Diligence: Failure to consider compliance with relevant national laws and its E&S implications. IFC did not consider compliance with Kenyan education law as an E&S issue even though the Basic Education Act contains relevant provisions on mitigation of E&S risks.

3.b. Supervision: IFC was aware of this issue [lack of school registration] from the outset of its investment but made insufficient efforts to “work with the client to bring it back into compliance” as required by the Sustainability Policy (para. 45). Achieving registration either under APBET or Kenya Basic Education Act was relevant to IFC’s client’s compliance with IFC PS1 and PS4, because they include specific E&S-relevant requirements. CAO finds no evidence that IFC during its supervision, followed up with Bridge to ensure they were making sufficient progress in registering schools.

***IFC Response:***

32. Management disagrees with this finding. The requirement for the client to register schools under applicable local law is considered a regulatory (rather than an E&S) matter. The Basic Education Act of Kenya 2013, Section 70, contains general provisions requiring Basic Education Institutions to establish, implement and manage quality assurance systems adapted to appropriate national and international standards. The Basic Education Regulations 2015 further specifies rules for the various categories of Basic Education Institutions which include requirements for safety, security and hygiene in the schools including safe and secure school grounds, classrooms, kitchens and sanitation facilities. The regulations also cover safe water supply, food safety, disposal of waste, fire safety, first aid and awareness on road safety for pupils. While IFC did not supervise the registration of Bridge schools, it did monitor Bridge’s compliance with E&S provisions under local law.

33. Though a gap analysis between IFC PSs and local law was not conducted during due diligence, IFC did follow-up regarding Bridge’s compliance with PSs 1-4 and Kenyan law and monitored regulatory E&S matters included under Kenyan regulations, including relevant requirements in the Safety Standards Manual for Schools in Kenya through supervision of the PSs. Such supervision broadly included: (i) life, fire and safety through monitoring of the implementation of the life and fire safety manual submitted in 2013 and further updated in 2018, (ii) schools’ construction, through development of Construction Environmental & Social Management Plan and Bridge maintaining a full time team for maintenance and repairs of physical infrastructure; (iii) water, sanitation and food hygiene, through the development, implementation and routine update of the Water Management Policy, Waste Management Policy, Food Safety Management Policy as well as (iv) occupational health and safety aspects, through the development of OHS Plans, the submission of annual incidents, the establishment of an OHS committee in 2013, the further update of the Schools OHS Plans in 2018 and an update of the facilities QA checklist into a comprehensive Safe and Welcoming Schools Audit Checklist in 2020. This was evidenced in E&S project documentation such as site supervision reports, independent audit reports and associated recommendations from the labor audit, WASH audit and IFC’s review of annual E&S reporting. [IFC holds that Bridge complied with E&S related requirements of the Basic Education Act, and the regulations and sections of School Safety Manual relevant to day-schools.

#### ***CAO Finding 4: Labor***

IFC's E&S due diligence and supervision fell short of its responsibilities under the Sustainability Policy (paras. 7 and 45) regarding labor and working conditions (PS2, paras. 8 and 9).

4.a. Due Diligence: CAO concludes that IFC did not fully consider gaps with PS2 requirements. Considering the size of Bridge's workforce and its plans for expansion, CAO finds that IFC's limited review of Bridge's employment policies and practices did not meet the Sustainability Policy requirement of being "appropriate to the nature and scale of the activity" and "commensurate to the level of environmental and social risks and/or impacts".

4.b. Pay deductions. IFC took no action to address pay deductions in circumstances that still appear to contradict Kenyan law, including deductions for loss of or damage to Bridge IT equipment related to employee negligence or theft that may not be the employee's fault. Despite IFC's knowledge of these matters, IFC did not require Bridge to adjust its employment rules to ensure they aligned with Kenyan law on pay deductions.

4.c. Working hours: Earlier in the investment, IFC did not identify that its client policies were potentially non-compliant with national law requirements on maximum normal working hours. Later, IFC did not verify that its client was putting into practice the normal working hours required under Kenyan law.

4.d. Supervision: Based on available information, CAO finds that IFC's supervision was insufficient to verify Bridge's compliance with PS2 in relation to both above-described issues. As a result, CAO finds IFC non-compliant with PS2 (paras. 8 and 9). Assessment of the other labor issues raised by the complainants would require field verification, analysis of payment records, review of dismissal cases and employee grievances, and consultation with a larger sample of Bridge employees. CAO concludes that IFC's active supervision of PS2 issues started too late in the project cycle, in 2018, and that the focused analysis was insufficient to verify client compliance with all the issues raised in the complaint.

#### ***IFC Response:***

34. Due Diligence and Supervision: IFC conducted a due diligence process that was appropriate to the levels of E&S risk and identified several gaps when comparing the former client's documentation to the requirements of Kenyan Labor Law and PS 2. Identified gaps included the absence of a workers' grievance mechanism and OHS policies and procedures. Consequently, specific actions were included in the ESAP to close these gaps, and Bridge submitted the revised HR Manuals, including a Grievance Policy, and developed OHS policies and procedures in compliance with relevant national laws and IFC PSs.

35. IFC extensively supervised working hours, employment contracts, and employee grievance procedures and had clear and regular engagement with the former client on labor issues through E&S reporting in 2014-2022, including the annual review of human resources manuals and staff handbooks. In 2018, as part of its closer supervision of labor aspects, IFC commissioned a thorough desktop audit (Phase 1) by an independent labor expert of Bridge's human resources manuals, sample contracts, and grievance logs against PS2 requirements. The labor audit identified key areas that Bridge clarified and brought into alignment with PS2. These include: (i) overtime and compensatory time off; (ii) statutory required deductions (e.g., such as social security, health fund) and other deductions in case of loss of Bridge equipment (e.g., mobile tablet); (iii) policy on freedom of association. To assess the implementation of labor practices, IFC worked with Bridge in the design and implementation of a digital labor audit in 2021 (Phase 2a) covering all employees (teachers and operational staff) in Kenya, Liberia, and Nigeria to gain broad insights into Bridge's employment practices and working conditions. Based on the employees' audit

feedback, the following areas for further follow-up and employee training were identified: (i) awareness of the process for lodging complaints and accessing the grievance mechanism; (ii) staff training on accessing pay slips and understanding deductions; (iii) sensitization on the code of conduct, in particular inappropriate behavior and sexual harassment; (iv) clarity on working hours; and (v) overall safety in the workplace. Based on the outcomes of the labor survey, IFC had initially planned to conduct a follow-up assessment inclusive of interviews and focus group discussions in 2022 with Bridge employees (Phase 2b) but was not able to complete the tasks due to the March 2022 exit.

36. All items from the 2013 ESAP had been completed by Bridge as of November 2021. Corrective actions in relation to the WASH findings (2018) and the desktop labor assessment (2019) were addressed by Bridge. In addition, Bridge submitted a series of deliverables, including the 2021 labor survey, which were in line with the ESAP and other corrective action plans. The labor survey recommendations were subsequently discussed with Bridge prior to exit in February 2022. Bridge agreed to address the recommendations and submitted a corrective action plan to IFC to address the findings of the digital survey. In its March 2022 Management Letter, Bridge confirmed its intention to continue the work it collaborated on with IFC through the labor survey, follow up on the findings and, review these with the Company board and undertake reasonable follow-up actions. It also confirmed its intention to continue to maintain its ESMS in accordance with IFC PS.

37. On pay deductions due diligence and supervision: IFC, through the independent labor audit (2018-2020), found that these deductions were in line with Kenyan Labor Law<sup>13</sup>. At appraisal, Bridge's HR Manuals (2012) indicated statutory deductions and deductions from employee pay for unauthorized or personal usage or loss of Bridge's assets (e.g., smartphone, tablet). The issue was highlighted again during the desktop review of the HR manuals in 2018 by the independent labor expert, which required Bridge to include a clear policy on wage deductions (Outstanding Payment Policy Program) in the HR manuals, so employees are better sighted on this aspect. Bridge established a clearer policy on wage deductions, but the 2021 labor survey revealed that many respondents in Kenya did not expect their wages to be subject to deductions; absenteeism and broken assets were cited most frequently as the reasons for the deductions. The survey showed a need for greater training and clearer communication to employees, teachers and operational staff alike, on key elements of the Bridge's human resources and procedures. As already stated in the previous section, IFC had planned to assess how these deductions were being communicated, applied and the employees' understanding of this policy through a Phase 2b of the in-country assessment.

38. Working hours: Bridge clarified in its HR manuals that the working week was limited to 52 hours as per Kenyan law and detailed the process for overtime and compensatory time off (CTO) for work beyond 52 hours. CTO is a common practice in Kenya.

39. According to the 2021 labor survey results, employees in Kenya reported frequently working beyond their scheduled hours. This issue would have been a key focus for IFC's further supervision in phase 2b of the in-country assessment to further understand Bridge's implementation of policies on working hours and the extent to which certain activities are likely to extend beyond regular working hours (e.g., supporting pupils, marketing/outreach, remedial lessons, late parent pickups). In February 2022, IFC and Bridge discussed the survey findings, and Bridge submitted an action plan to address them. Although IFC exited

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<sup>13</sup> Section 19 of Kenya's Employment Act 2007 (as amended in 2012 and posted on the ILO website) provides that an employer may deduct from an employee's wages "b. a reasonable amount for any damage to or loss of any property lawfully in the employer's possession or custody caused by the willful default of the employee". Wage deductions are permitted under the Act to the extent that they represent a "reasonable amount" and that the damage or loss to property is caused by the "willful default of the employee".

the investment in March 2022, Bridge confirmed in the Management Letter that they would implement the survey recommendations and report to the Company Board.

#### ***CAO Finding 5: School Environment***

IFC's E&S due diligence and supervision efforts regarding the school environment fell short of its obligations under the Sustainability Policy (para 7, 12, and 22).

5.a. Life and Fire Safety: Insufficient analysis of risks during ESDD and lack of verification during supervision of its client's performance in relation to all applicable elements of the IFC EHS Guidelines on Life, Fire, and Safety.

5.b. School Construction: Lack of verification during due diligence and supervision as to whether Bridge school construction complied with Kenyan regulatory requirements or relevant Good International Industry Practice (GIIP) (PS1, para. 12 and PS4, para. 6). CAO could not confirm that IFC reviewed school building plans certified by local planning officers or that IFC did not rely exclusively on Bridge's representations that its building plans were certified.

5.c. Access to students with disabilities: Not requiring Bridge to meet IFC's Performance Standards or Kenyan accessibility requirements for disabled students (PS 4, para. 6). In 2020, CAO's field visit team observed that the eight Bridge schools visited were not designed to ensure accessibility for children with physical disabilities. Instead, school facilities visited include steps, toilet designs, and other features that would make them inaccessible to some people with disabilities.

5.d. Safe School Environment and Maintenance: Lack of verification that Bridge schools were being maintained to meet relevant IFC safety standards (PS4, para. 6). IFC's review and supervision of the project was insufficient to fully identify risks to student safety that were clearly present at Bridge schools due to design and maintenance issues. This remained the case until the last year of IFC's investment, at which time an IFC E&S staff acknowledged that the Company's model of constructing and operating community schools in low-resource settings cannot fully meet IFC standards related to child safety and infrastructure maintenance.

5.e. Water, Sanitation, and Food Hygiene: Due Diligence - In evaluating WASH issues, IFC appears to have relied solely on information provided by Bridge, which was not independently verified by IFC or by external sources. Nor was IFC's due diligence in this area informed by an environmental assessment and site visits to schools.

Supervision - During supervision, IFC recognized the need for more in-depth analysis of water and sanitation concerns and undertook an evaluation of the risks and impacts. However, IFC documentation contains no discussion of Bridge schools' conformance with WHO WASH standards for toilet provision which IFC had determined were applicable to the project.

Despite the attention IFC gave to WASH issues, the CAO observes one area in which IFC did not assess Bridge's E&S performance with IFC's standards, including relevant GIIP, namely the provision of sufficient toilets. IFC supervision documentation shows that the number of toilets provided was calculated based on the number of students on break at any given time. Following the WHO "Water, Sanitation and Hygiene Standards for Schools in Low-cost Settings" (2009), referenced as the relevant standard in IFC's project ESRS, the requirement is for one toilet per 25 girls and one toilet plus one urinal (or 50 cm of urinal wall) per 50 boys, as well as at least one toilet each for male and female staff.

***IFC Response:***

40. Life and Fire Safety: The Life and Fire Safety Masterplan (LFSMP) requirements were identified at the due diligence phase. Bridge developed a basic Corporate Life and Fire Safety (LFS) masterplan which was reviewed by IFC. The masterplan was signed by a government of Kenya authorized LFS/OSH consultant in September 2013. The plan noted the low fire risk and measures that were proportional to the fire risk level. However, it fell short in identifying some of the fire risks (e.g., kitchens), providing guidance for portable firefighting equipment aligned to specific classes of fire and usability, and fire separation requirements. Bridge further developed forms for each academy to identify first responders and the location of hospitals closest to each school. The emergency plan and contact information of each school was displayed at each academy office. Relevant aspects of the LFS plan were detailed in the 2018 revised academy OHS policy including specific arrangements for the academy fire safety masterplan.

41. With regard to supervision, between 2013-17 Bridge's chief financial officer, rather than a dedicated E&S Lead, was responsible for E&S reporting, complicating IFC's ability to verify that the former client had rectified structural defects in schools during that period of time. Upon IFC's consistent requests, the Company appointed an E&S Lead from February 2018 responsible for management, monitoring and reporting on E&S issues. IFC supported the Company and the E&S officer with training on IFC PS requirements and the information required for a comprehensive E&S reporting to IFC. IFC followed up on LFS including a requirement to report on health and safety incidents of learners under PS4. IFC discussed with Bridge and reviewed the internal procedures for facility maintenance and the former client updated the construction and maintenance guidelines. Between 2018 and 2021, Bridge reported five fire incidents at five different schools while schools were closed, and these incidents were responded to adequately, and the necessary repairs on infrastructure were undertaken.

42. School Construction, Safe School Environment, and Maintenance: Bridge's building plans were subject to approvals and duly approved by relevant physical planning officers/engineers at the respective counties in which the former client had operational schools. These were in compliance with the Physical and Land Use Planning Act of 2019 (formerly Physical Planning Act, 1996). Prior to the commissioning of the schools, a subsequent inspection for occupancy by a government officer of public works, physical planning and architecture was conducted for safety and structural integrity, in compliance with regulatory requirements and PS4. An occupation certificate or permit was then issued by competent authorities. Due to the type of structures approved, Bridge invested in a field-based QA team in 2011 to undertake proactive routine internal audits of infrastructure and education materials. The QA team visited 10% of schools daily. The results of the QA audits were tracked and any failure against the standards outlined in the Schools Inspection Checklist was logged for routing and action. These procedures are covered in the ESMS submitted to IFC and annual updates were provided in E&S reporting. IFC reviewed Bridge's inspection list, sample QA reports and agreed on enhancing the checklist to include an assessment of physical hazards surrounding the schools. In response, Bridge reviewed the QA inspections and, from 2019 reported on logs of QA audits conducted annually, risks identified, and resolutions taken. In addition, IFC reviewed Bridge's annual report on pupil incidents and remedial measures undertaken for each case. IFC requested Bridge to update the Schools Inspection Checklist to include inspection of physical hazards to mitigate the occurrence of incidents. In response, Bridge developed the Safe and Welcoming Schools checklist to replace the facilities audit checklist. In 2020, Bridge submitted evidence that relevant teams had been trained on the use of the new checklist.



43. The finding in the investigation report that there is “*evidence of more than 100 cases of potentially preventable injuries during the length of the investment.*”<sup>14</sup> is based on incident reports that were provided by the former client. These reports recorded incidents of pupil injury that occurred on the school or during school hours in the IFC investment period between 2014-2021. The reports also indicated that injured pupils were treated at the local clinics near the schools and recorded closure of incidents. IFC is not aware of any unresolved incidents resulting from unsafe school conditions.

44. Generally, in low-income urban areas where some schools were located, there are broader risks and challenges related to unplanned settlements coupled with inadequate storm water drainage infrastructure to cater for the population density. Management acknowledges that during due diligence IFC underestimated the risks related to storm water and flooding and incorrectly assessed the significance of traffic safety. IFC did not verify information provided by the former client, onsite or through corroboration of. The 2013 ESRS did not take any action or conduct physical verification of school maintenance, but the ESAP included an item related to stormwater management. As part of the supervision activities in 2017, the third-party WASH specialist reviewed storm water and flood risks at several schools and concluded that Bridge had taken care of flood risks in the design of facilities by increasing ground elevation and improving storm water drainage.

45. Access to students with disabilities: As required by IFC, Bridge adopted the WHO Standards for school facilities in low resource settings and had a checklist including requirements for learners with disability. Bridge Schools structures were designed and constructed on a single (ground) level for ease of accessibility to all learners. Of the 297 schools established in Kenya during IFC’s investment period, only three schools (1 school in Nairobi and 2 schools in Mombasa) had two-story building designs (ground floor + first floor), which were duly approved by relevant physical planning officers/engineers in the respective counties. The sanitation facilities at all schools were pit latrines and were provided in a separate location on each site at ground level or slight elevation, accessible to all students, including early childhood learners (age 3-5) and catering for pupils with disabilities.

46. Water, Sanitation, and Food Hygiene: Management agrees that IFC relied on a desktop review and did not conduct a site visit or stakeholder engagement at due diligence to verify water quality monitoring results and confirm the management performance at the school level. ESAP actions were proposed after the virtual appraisal to close identified gaps. IFC did confirm during supervision that the former client was following WHO guidelines for water sanitation, hygiene aspects, and toilet ratios. These guidelines apply to the number of toilets based on time-bound availability and demand, and the former client implemented this time-bound availability approach. In 2018 WASH audit, the specialist reviewed all Bridge WASH processes and practices, as well as infrastructure. This specialist also conducted extensive site visits, and found Bridge to be compliant with WASH requirements, including toilet ratios. The WASH Report noted that Bridge latrine designs, ratios and siting provisions had been reviewed, and the sample of schools visited had adequate toilets, urinals and handwashing points segregated by gender. The Report confirmed that the facilities provided in the schools were in compliance with the WASH Reference framework requirements which included WHO guidelines for low resource settings, IFC PS requirements and relevant national legislation and regulations. The WASH Report further indicated that the public health officer reports were reviewed and there were no non-compliances raised by authorities and no outstanding corrective actions for the schools.

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<sup>14</sup> Footnote 26, p.10

## **B. CAO Recommendations – Project-level recommendations**

47. The CAO Policy defines the process for CAO’s investigation, any findings of non-compliance and related harm and the recommendations CAO may make for IFC to consider when developing a MAP. Where an IFC exit has already occurred on a project, CAO recommendations must take into account the implications of such an exit. In this case, IFC exited its investment in Bridge in March 2022. In their report, the CAO proposed multiple project-level and systemic recommendations.

48. CAO specifically recommends IFC to work with the former client. Management notes that IFC has continuously supported the former client on E&S management and achieving compliance with the IFC Performance Standards during the life of the investment from 2013 to 2022. After exit, IFC does not have any contractual relationship with, or exposure to, the former client. The former client maintains that all concerns that have emerged were addressed and that it is in full compliance with local regulations.

49. IFC’s responses to the CAO’s recommendations are provided below, including those recommendations that IFC has already addressed or is unable to address in a MAP. The MAP actions are presented in Section VI.

### **CAO recommendations related to Labor**

#### **IFC should work with Bridge to support the establishment of processes whereby:**

Current and former workers with grievances related to inappropriate wage deductions and underpayment of wages can have their claims assessed with compensation paid following Kenyan law fairly, efficiently, and without cost to the worker and

These processes should be based on the following principles:

- Access for both current and former Bridge workers.
- Independence and accountability in the claims processes.
- Timely processing of claims for compensation for harm.
- Support to current and former affected workers to access legal advice; and
- Sufficient resourcing.

#### **IFC should work with Bridge to address the ongoing E&S risks and impacts of its “community schools” as identified in this report, including measures such as requiring:**

An independent audit of Bridge’s labor policies and practices against the requirements of PS2 and Kenyan law, building on IFC’s 2019 terms of reference for an “in-country labor assessment” and leading to an action plan designed to ensure that Bridge’s HR policies and practices are consistent with PS2 and Kenyan national law.

#### ***IFC Response:***

50. During due diligence, IFC identified risks related to PS2 compliance and included requirements in the agreed ESAP. Later, IFC took significant actions on the specific issues of the complaint to assess and address any potential gaps in the Company’s performance with PS requirements. The former client maintains that all concerns were addressed prior to IFC’s exit and that it is in full compliance with local regulations. IFC is of the view that implementing actions independently from the client to support a process through which current and former Bridge workers could have their claims assessed and remedied would go beyond the mandate and responsibility of IFC as a financing institution and would not be feasible without the active consent and collaboration of the former client. The proposed action focuses on sector level engagement.

51. IFC will engage with qualified labor organizations and will conduct a country-level workshop to discuss and understand the gaps between Performance Standards (PS2 in particular) and Kenyan labor laws, if any, and understand how these might be addressed in future IFC projects.

### **CAO recommendations related to School Safety:**

IFC should work with Bridge to support the establishment of processes whereby:

- Parents of current and former Bridge students who were injured while at school can have their claims assessed with compensation paid following Kenyan law, fairly, efficiently and without cost to the parents. These processes should be based on the following principles:
- Access for both current and former Bridge parents.
- Independence and accountability in the administration of the claims processes.
- Timely processing of claims for compensation for harm.
- Support to current and former students to access legal advice; and
- Sufficient resourcing.

IFC should work with Bridge to address the ongoing E&S risks and impacts of its “community schools” academies as identified in this report, including measures such as requiring:

An independent audit of all Bridge schools in Kenya, leading to a fully resourced action plan designed to ensure that all Bridge school buildings and school grounds meet Kenyan legal requirements and GIIP for school safety.

### ***IFC Response:***

52. IFC identified risks related to various aspects of school safety during due diligence and supervision and worked with Bridge to develop Occupational Health and Safety (OHS) policies and procedures in compliance with national laws and IFC Performance Standards to close these gaps. IFC is not aware of any unresolved claims related to school safety. IFC considers that implementing actions independently from the client to support a process through which current and former Bridge students could have their claims assessed and remedied would go beyond the mandate and responsibility of IFC as a financing institution and would not be feasible without the active consent and collaboration of the former client. The proposed action focuses on opportunities for IFC to engage with stakeholders at the sector level to enhance school safety at low-cost, independent schools, particularly in informal areas.

53. IFC recognizes that school safety is a sector wide issue. IFC will support the development of a capacity-building program for schools that focuses on physical safety standards and protocols and on mechanisms that facilitate parents’ and students’ access to existing grievance redress and remediation pathways. The program will support key agencies in Kenya to enhance training modules and tools for schools and assist them with testing the training with networks of low-cost independent schools.

## **C. CAO Recommendations – Institutional-level recommendations**

54. Since 2019, the two pillars of our E&S function, risk management, and frontline operations, have been divided between two departments: the E&S Policy and Risk Department (CES) and the ES&G Sustainability Advice and Solutions Department (CEG). In April 2024, further steps were taken to strengthen these two pillars, while simultaneously simplifying the organizational structure by fully integrating frontline E&S operational expertise within the Regional Vice Presidencies. These changes are further strengthening the ownership and accountability of regional leadership for managing E&S risks

throughout the project cycle, responding to issues raised by affected communities, and implementing management action plans for CAO cases.

55. The Environmental and Social Review Procedures (ESRP) outline the tasks and responsibilities required for IFC and clients to comply with the Sustainability Policy and Performance Standards. The most recent update of the ESRP (2024) incorporates specific suggestions received from CAO to address their recommendations following the Bridge 01 investigation as well as those on other CAO legacy cases.<sup>15</sup> The ESRP now also includes exhaustive requirements on Responsible Exit (part 5. Environmental and Social Review Procedures, 2024).

56. Part VII provides an overview of actions and deliverables that have been completed over the past decade as part of the evolution of the IFC's E&S risk management framework and internal governance. These actions fully address the CAO's recommendations following the Bridge 01 investigation.

#### **CAO Institutional Recommendation 1:**

When IFC finances or invests in what is or is equivalent to a series or program of activities that may include environmental and social risks, IFC should revise the ESRP to develop guidance on how to conduct an overall assessment of E&S impacts and risks and the appropriate degree of site-specific E&S due diligence and supervision. Specifically, the ESRP should provide that:

- **Prior to Board approval**, the potential E&S risks and impacts of the full scope of investment(s) are analyzed/understood by IFC to determine if the investment activities will be able to meet relevant Performance Standards within a reasonable period of time and
- **During supervision**, IFC can help ensure, at least through a form of representative sampling or systematic spot-checks, that the individual operations are meeting the relevant Performance Standards through portfolio reviews and spot checks. The 2016 ESRP Manual lacks specificity on whether Environmental Assessment should be required prior to approval for Category A or B projects, and if these should be reviewed by IFC during ESDD and disclosed to the public. (See, 2016 ESRP Manual, sections 3, 4 and 6). Available here: <https://www.ifc.org/content/dam/ifc/doc/2010/2016-esrp-manual.pdf>.

#### ***IFC Response: Prior to Board approval***

57. As per the Sustainability Policy (2012), IFC integrates E&S due diligence into its overall due diligence process and presents it to the Board of Directors when the investment activity is presented for approval (para 21 of the Sustainability Policy). IFC will only finance investment activities that are expected to meet the requirements of the Performance Standards within a reasonable period of time (para 22). The section on ESDD (paras 20 – 25 of the Sustainability Policy) provides a clear description of the process, which includes a thorough assessment of the E&S risks and impacts of the proposed investment before it is presented to the Board.

58. In relation to the client's E&S assessments, IFC Performance Standard 1 (2012) defines client requirements to establish and maintain a process for identifying the E&S risks and impacts of the project (paras 7-12 of PS 1).

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<sup>15</sup> CAO made similar systemic recommendations on and IFC responded with Management Action Plans to other legacy cases: Salala, Liberia; Bridge 04, Kenya; Awba, Myanmar; Lonmin, South Africa; Titan 02 and 03, Egypt.

59. The ESRP defines the E&S requirements and process for Board approval. According to the ESRP, the objective of the E&S review is to provide the Board of Directors and IFC Management with information on the key E&S risks and issues of the full scope of the project. This includes details on mitigation measures and any remaining residual risks. It also includes details on the client's capacity and commitment to fulfill any gaps identified to meet the PS. The E&S considerations for the Board report include: setting out the project E&S risk category and rationale; summary of significant E&S risks and issues identified during appraisal, including contextual risk and policy-exceptions if any; the client's existing ESMS if any; identified gaps with PSs and their significance to the client's achievement of PS objectives; any E&S risk management implementation risks identified at appraisal which could result in lack of compliance with PSs; any pending supplemental studies, their completion timeline and underlying risks that such studies will address; the client's capacity and commitment; and the client's historical E&S performance in case of repeat transactions.

60. Where required, IFC prepares an ESAP, which is a time-bound summary of additional measures to be implemented by the client, beyond the client's existing or previously planned management practices necessary to cause the project to be designed, built, operated and/or decommissioned in a manner meeting IFC's E&S requirements.

61. The ESAP provides indicators of completion for each action, which should be described in measurable and actionable terms, to facilitate future action status review and updates. In determining the completion schedule, IFC considers several factors, including:

- The time needed to complete the task, including considerations such as reasonableness and relationship to / dependence on third-party actions.
- The severity of the performance gap being addressed by the proposed action and consequently the urgency to close the performance gap; and
- The sponsor/client's capacity and commitment to make timely improvements (often with IFC's support and guidance).

62. In this phase, IFC considers and determines which ESAP actions should be completed before IFC commits to (condition of commitment) or disburses its funds (condition of first disbursement or any subsequent disbursement). In addition, the Access to Information Policy (2012)<sup>16</sup> requires IFC to disclose E&S information, including any E&S assessments, once the relevant IFC department has determined that IFC has assured itself that the client can be expected to undertake the project in a manner consistent with the Performance Standards.

63. IFC's Management concludes that its current policies and procedures address the legacy issues identified by the CAO in the context of its investigation. CAO made similar recommendations on recent CAO cases, and IFC has consulted with CAO on the most recent ESRP update as it relates to the issues outlined in the recommendation above. On the basis of these consultations, a new paragraph will be included in the ESRP that reflects improvements to the satisfaction of the CAO. Therefore, no further actions are proposed in response to CAO's systemic-level recommendations.

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<sup>16</sup> Access to Information Policy (2012) <https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-access-to-information-policy-en.pdf>

## ***Supervision***

64. As part of the E&S review procedures developed to meet the Sustainability Policy and recently updated ESRP (2024), IFC has strengthened and enhanced monitoring and internal oversight for projects rated as partly unsatisfactory and unsatisfactory in terms of their E&S performance.

65. The Sustainability Policy defines IFC's commitment in terms of actions to monitor its investments as part of its portfolio supervision program. For direct investments, in particular, IFC implements a regular program of supervision for all projects with E&S risks and/or impacts in accordance with the requirements of IFC's ESRP. E&S supervision is an essential part of portfolio risk management throughout the life of a project and relationship with a client. The objective of the E&S supervision at the client level is to:

- Assess the status of client compliance with E&S requirements of the investment agreement.
- Assess the ongoing level of E&S risk, including contextual risk.
- Provide advice to clients on how to address critical E&S issues.
- Identify opportunities for improvement and good practices that could be applied to similar projects.

66. Portfolio activities have a differentiated oversight process depending on the level of risk and are informed by the most recent E&S performance of the project. Portfolio projects with high E&S risk are subject to additional oversight and clearance by the E&S risk officer.

67. At the beginning of each financial year, based on a set of risk-based criteria defined by E&S management, IFC prepares an annual Supervision Monitoring Plan for the financial year. Where a client has multiple investment projects, or multiple assets within a single project, the annual Supervision Monitoring Plan for the client covers a representative number of projects or assets, with priority given to high E&S risk assets within the client's portfolio. The E&S risk officer (CES) reviews, provides input and clears the Supervision Monitoring Plan with respect to the inclusion of the high-risk projects.

68. The frequency of the supervision activities is based on several risk-based factors including project E&S categorization, changes in contextual risk, and the most recent E&S performance. For high-risk projects (as defined in the ESRP), supervision activities are conducted at least once a year. The ESRP defines the IFC processes for E&S supervision.

69. IFC also reviews implementation performance via the client's annual reporting to IFC, and updates on the ESAP, if any, against the E&S conditions for investment and the client's commitments.

70. With regard to CAO's observation that the 2016 ESRP Manual lacks specificity on whether environmental assessment should be required prior to approval for Category A or B projects, IFC Management notes that specific guidance is given to E&S specialists and the clients regarding the risk and impact identification process in the guidance note of PS1 which elaborates on the methods and tools to carry out identification and assessment of risks and impacts according to good international industry practice and in compliance with applicable law and regulations of the host country.

### ***CAO Institutional Recommendation 2:***

IFC should develop guidance on how to better understand the challenges of reconciling "innovative business models," with compliance with existing national laws and regulations as part of the ESDD where relevant to E&S impacts and risks. This would avoid having a client's compliance with national law

dependent on a future regulatory change to accommodate the proposed “innovative business model” in an investment. The guidance should take into account that deviations from the Sustainability Policy or PS requirements, including non-compliance with relevant national law, be explicitly flagged for a decision by the Board.

***IFC Response:***

71. IFC’s Sustainability Framework applies a risk-based approach to identifying, analyzing, managing, and monitoring E&S risks and impacts in investments that allows actions and measures to be tailored to innovative business models. As mentioned above, the IFC PS do not prescribe specific E&S assessments for projects but emphasizes the adequacy and effectiveness of a client’s ESMS to identify and adjust to E&S risks throughout the life of an investment. IFC’s internal procedures and processes reflect this principle and are designed to take into consideration an evolving regulatory framework, as is often the case with innovation and new products and the limited applicability of existing E&S laws.

72. As per the ESRP (2024), each concept note for a project proposal has a section on E&S considerations, which are provided by E&S specialists, based on an initial review of the proposed project with information available at this stage, including its financial structure (and therefore considerations of any innovative business model are flagged at this stage), and an E&S risk screening. The concept note includes a provisional E&S categorization; discussion of key E&S risks and impacts to be appraised if the project proposal is approved and the project is mandated; and, where relevant, results of risk screening (i.e., contextual, gender-based violence, biodiversity, climate or other risks); information gaps; expected challenges and resource needs.

73. For all projects, the E&S Policy and Risk Department (CES) reviews and comments on the E&S considerations in the concept note entering the workflow, confirming the provisional categorization, providing guidance to the team (as needed) on the scope of due diligence and flagging any known deal breakers or need for escalation to the relevant management committee on E&S grounds. At that time, the project can be designated as a high-risk project for new business and, therefore, subject to the E&S risk officer’s oversight during appraisal. Proposed projects may be flagged as high-risk projects in case of complex and/or novel E&S issues or financial structures for which there are no precedents and the implications in terms of review and identification of E&S risks cannot be predicted at concept review and need to be examined at E&S appraisal, and therefore where there is need for additional oversight.

74. Projects with proposed E&S policy exceptions require senior management approval to proceed to appraisal. Any deviation from Sustainability Policy and PS requirements, including issues of compliance with E&S requirements included in relevant national law, if identified at appraisal, require a policy waiver which is presented to the Board. The CES Director clears the Board report discussion of a policy waiver or other precedent-setting issues, when these are present, prior to IFC’s senior management clearance.

## **V. CONSULTATIONS WITH COMPLAINANTS AND FORMER CLIENT ON MAP**

75. The CAO Policy calls for IFC Management to consult on the MAP with complainants and the former client.<sup>17</sup>

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<sup>17</sup> CAO Policy paras 133-134.

76. During the preparation of this Management Response and the MAP, IFC engaged with Bridge on the CAO findings and recommendations as per the CAO Policy. Bridge has stated that all concerns were addressed before IFC's exit and that it fully complies with local regulations. Bridge believes it has an adequate and documented grievance mechanism for employees and that any aggrieved employee or former employee can use the Kenyan labor officers and court system.

77. IFC conducted an extensive desk review and a field mission to determine how it could best contribute to sector wide challenges related to school safety, particularly for low-fee independent schools. IFC met with 16 organizations in the education sector in Kenya, including government agencies, networks of low-fee independent schools, think tanks, universities, the private sector and CSOs.

78. IFC conducted extensive consultations with the complainants and their representatives. The consultations with the complainants on the MAP were organized in close collaboration with two CSOs representing the complainants. IFC conducted seven coordination meetings with the complainant representatives to prepare a consultation meeting with all complainants, and to share substantive feedback from the complainants on IFC's proposed MAP.

79. On November 9, 2024, IFC conducted an in-person consultation with eight complainants. To enable an open and safe exchange, the sessions used an independent facilitator as well as simultaneous interpretation. The consultation was structured in three parts: (i) complainants shared their experiences; (ii) IFC clarified its roles and responsibilities in its investments relative to the responsibilities of the client and responded to questions from complainants in that regard; and (iii) IFC shared the draft of the MAP and obtained feedback from complainants. While the complainants appreciated the sector-wide actions proposed by IFC to enhance school safety, they expressed disappointment that these actions do not address the perceived wrongs detailed in the complaint. Management acknowledged these concerns and is grateful for the opportunity to consult. We thank the complainants and their representatives for their constructive feedback on the proposed MAP actions.

80. In preparing the MAP, IFC also engaged with the CAO and is grateful for the comments and suggestions provided by the CAO. The most recent update of the ESRP in 2024 incorporates specific suggestions received from the CAO to address their recommendations following the Bridge 01 investigation.

## **VI. CONCLUSIONS**

81. Management appreciates the CAO's constructive engagement and the recognition of IFC's due diligence and support to the former client during the life of the investment. IFC thanks the CAO for its suggestions for identifying areas of improvement in IFC practices and implementation of IFC's Sustainability Policy and PSs that could benefit future operations.

82. In retrospect, IFC acknowledges that it could have enhanced certain aspects of its due diligence and supervision. However, IFC identified risks related to PS2 compliance as well as various aspects of school safety during due diligence and supervision and worked with Bridge to address these gaps.

83. IFC has engaged extensively with the former client and took significant actions to assess and help the Company address any potential gaps in the Company's compliance with PS requirements. The former client maintains that all emerging concerns were thoroughly addressed and that it is in full compliance with local regulations. IFC considers that implementing actions independently from the client to support a



process through which current and former Bridge students and workers could have their claims assessed and remedied would not be feasible without the active consent and collaboration of the former client.

84. IFC will engage with qualified labor organizations and conduct a country-level workshop to discuss and understand the gaps, if any, between Performance Standards (PS2 in particular) and Kenyan labor laws and understand how these might be addressed in future IFC projects. The workshop will help IFC further strengthen its practices for screening, appraising, and monitoring future investments in Kenya.

85. IFC recognizes that school safety is a sector wide issue of concern in Kenya. IFC will support the development of a capacity building program for schools that focuses on physical safety standards and protocols, and on mechanisms that facilitate parents and students' access to existing grievance redress and remediation pathways. The program will support key agencies in Kenya to enhance training modules and tools for schools and assist them with testing the training with networks of low-cost independent schools.

86. At an institutional level, IFC confirms that the CAO recommendations, on the procedures and processes in place during the investments in 2013 and 2016, have been addressed and implemented.

87. In addition, IFC's E&S risk management framework and internal governance structure have significantly evolved and strengthened over recent years.

## **VII. MANAGEMENT ACTION PLAN**

The Management Action Plan included below is in response to the CAO's project-specific and systemic recommendations presented in the CAO Investigation Report of IFC's investment in Bridge International Academies (Bridge 01).

Given the significant efforts that were implemented prior to exit, the former client maintains that all emerging concerns were addressed and that it is in full compliance with local regulations. IFC recognizes that it could have enhanced certain aspects of its due diligence and supervision. However, IFC concludes that it identified risks related to PS2 compliance as well as various aspects of school safety during due diligence and supervision and worked with Bridge to close these gaps.

IFC is of the view that that implementing actions independently from the client to support a process through which current and former Bridge students could have their claims assessed and remedied would go beyond the mandate and responsibility of IFC as a financing institution and would not be feasible without the active consent and collaboration of the former client. The MAP is therefore focusing on opportunities for IFC to engage with stakeholders at the sector level. IFC estimates the costs of the proposed actions to be around \$600,000-\$800,000.

The systemic recommendations section defines specific actions and deliverables that have already been completed to address the CAO's institutional-level recommendations.

#	Project-Level Recommendations /Actions		
	CAO Recommendation	Proposed MAP Actions	Deliverables/ Timeline
1	<p>IFC should work with Bridge to support the establishment of processes whereby:</p> <p>Current and former workers with grievances related to inappropriate wage deductions and underpayment of wages can have their claims assessed with compensation paid following Kenyan law fairly, efficiently and without cost to the worker; and</p> <p>These processes should be based on the following principles: Access for both current and former Bridge workers. Independence and accountability in the claims processes, timely processing of claims for compensation for harm, support to current and former affected workers to access legal advice, and sufficient resourcing.</p> <p>IFC should work with Bridge to address the ongoing E&amp;S risks and impacts of its “community schools” as identified in this report, including measures such as requiring:</p> <p>An independent audit of Bridge’s labor policies and practices against the requirements of PS2 and Kenyan law, building on IFC’s 2019 terms of reference for an “in-country labor assessment” and leading to an action plan designed to ensure that Bridge’s HR policies and practices are consistent with PS2 and Kenyan national law.</p>	<p>IFC is of the view that that implementing actions independently from the client to support a process through which current and former Bridge workers could have their claims assessed and remedied would go beyond the mandate and responsibility of IFC as a financing institution and would not be feasible without the active consent and collaboration of the former client. Proposed action focuses on opportunities for IFC to engage with stakeholders at sector-level.</p> <p>In line with the complainants’ suggestion, IFC will engage with qualified labor organizations and will conduct a country-level workshop to discuss and understand the gaps, if any, between Performance Standards (PS2 in particular) and Kenyan labor laws. The workshop will help IFC further strengthen its practices for screening, appraising, and monitoring future investments in Kenya. IFC will conduct this workshop in close coordination with the International Labor Organization (ILO) given their experience in this space at the broader macro level.</p>	<p>1- IFC to prepare workshop brief and engage with organizations. Timeline: By end of Q4 FY25</p> <p>2- IFC to host a workshop. Timeline: Q2FY26</p> <p>3- IFC to hold a training event for regional E&amp;S specialists to disseminate the results of the workshop. Timeline: By end of FY26</p>

2	<p>IFC should work with Bridge to support the establishment of processes whereby:</p> <p>Parents of current and former Bridge students who were killed or injured while at school can have their claims assessed with compensation paid following Kenyan law, fairly, efficiently and without cost to the parents.</p> <p>These processes should be based on the following principles: Access for both current and former Bridge parents; Independence and accountability in the administration of the claims processes. Timely processing of claims for compensation for harm. Support to current and former students to access legal advice, and Sufficient resourcing.</p> <p>IFC should work with Bridge to address the ongoing E&amp;S risks and impacts of its “community schools” as identified in this report, including measures such as requiring:</p> <p>An independent audit of all Bridge schools in Kenya, leading to a fully resourced action plan designed to ensure that all Bridge school buildings and school grounds meet Kenyan legal requirements and GIIP for school safety.</p>	<p>IFC considers that implementing actions independently from the client to support a process through which current and former Bridge students could have their claims assessed and remedied would go beyond the mandate and responsibility of IFC as a financing institution and would not be feasible without the active consent and collaboration of the former client. Proposed action focuses on opportunities for IFC to engage with stakeholders at the sector-level to enhance school safety at low-cost independent schools, particularly in informal areas.</p> <p>IFC will support the development of a capacity building program for schools that focuses on physical safety standards and protocols, and on mechanisms that facilitate parents and students’ access to existing grievance redress and remediation pathways. The program will support key agencies in Kenya to enhance training modules and tools and assist them with testing the training with networks of low-cost independent schools.</p>	<ol style="list-style-type: none"> <li>1- Update existing capacity building programs Timeline: Q2 FY26</li> <li>2- Program Pilot Delivery Timeline: End FY26</li> </ol>
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Institutional-Level Recommendations /Actions			
#	CAO Recommendation	Completed Action	Deliverable
1	<p>When IFC finances or invests in what is or is equivalent to a series or program of activities that may include environmental and social risks, IFC should revise the ESRP to develop guidance on how to conduct an overall assessment of E&amp;S impacts and risks and the appropriate degree of site-specific E&amp;S due diligence and supervision. Specifically, the ESRP should provide that:</p> <ul style="list-style-type: none"> <li>• <b>Prior to Board approval</b>, the potential E&amp;S risks and impacts of the full scope of investment(s) are analyzed/understood by IFC to determine if the investment activities will be able to meet relevant Performance Standards within a reasonable period of time; and</li> <li>• <b>During supervision</b>, IFC can help ensure, at least through a form of representative sampling or systematic spot-checks, that the individual operations are meeting the relevant performance standards through portfolio reviews and spot checks. The 2016 ESRP Manual lacks specificity on whether Environmental Assessment should be required prior to approval for Category A or B projects, and if these should be reviewed by IFC during ESDD and disclosed to the public. (See, 2016 ESRP Manual, sections 3, 4 and 6). Available here: <a href="https://www.ifc.org/content/dam/ifc/doc/2010/2016-esrp-manual.pdf">https://www.ifc.org/content/dam/ifc/doc/2010/2016-esrp-manual.pdf</a>.</li> </ul>	<p>Prior to Board approval: The section of the Sustainability Policy on E&amp;S Due Diligence (paras 20 – 25) provides a clear description of the process, which includes an assessment of the E&amp;S risks and impacts of the proposed investment before it is presented to the Board.</p> <p>The ESRP (2024) defines the E&amp;S review and process prior to Board approval, including the level of due diligence to be undertaken to determine if the investment activities will be able to meet relevant PSs within a reasonable amount of time. Where required, IFC prepares an ESAP, which is a time-bound summary of additional measures to be implemented by the client, beyond the client's existing or previously planned management practices necessary to cause the project to be designed, built, operated and/or decommissioned in a manner meeting IFC's E&amp;S requirements.</p> <p>The ESAP provides with indicators of completion for each action, which should be described in measurable and actionable terms. In determining the completion schedule, IFC considers several factors, including:</p> <ul style="list-style-type: none"> <li>• the time needed to complete the task, including considerations such as reasonableness and relationship to / dependence on third party actions;</li> <li>• the severity of the performance gap being addressed by the proposed action and consequently the urgency to close the performance gap; and</li> </ul>	<p>COMPLETED</p> <p><a href="#">Access to Information Policy</a> (2012)</p> <p><a href="#">IFC Performance Standard 1</a> (2012)</p> <p><a href="#">IFC Guidance Note 1</a> (2021)</p> <p>IFC ESRP (2024)</p>

		<ul style="list-style-type: none"> <li>the sponsor/client's capacity and commitment to make timely improvements (often with IFC's support and guidance).</li> </ul> <p>In this phase, IFC considers and determines which ESAP actions should be completed before IFC commits to (Condition of Commitment) or disburses its funds (Condition of First Disbursement or any subsequent disbursement). That said, a relevant clarification has been included in the ESRP and shared with the CAO in December 2024.</p> <p><u>During Supervision:</u></p> <p>E&amp;S supervision planning and supervision activities are described in the ESRP (2024). The supervision is an essential part of Portfolio risk management throughout the life of a project. The objective of the E&amp;S supervision at the client level is to:</p> <ul style="list-style-type: none"> <li>Assess the status of client compliance with E&amp;S requirements of the investment agreement;</li> <li>Assess the ongoing level of E&amp;S risk, including contextual risk;</li> <li>Provide advice to clients on how to address critical E&amp;S issues; and</li> <li>Identify opportunities for improvement and good practices that could be applied to similar projects.</li> </ul> <p>Portfolio activities have a differentiated oversight process depending on the level of risk and informed by the most recent E&amp;S performance of the project. Portfolio projects with high E&amp;S risk are subject to additional oversight and clearance by the E&amp;S risk officer.</p>	
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		<p>At the beginning of each financial year, based on a set of risk-based criteria, IFC prepares an annual Supervision Monitoring Plan. Where a client has multiple investment projects, or multiple assets within a single project, the annual Supervision Monitoring Plan for the client covers a representative number of projects or assets, with priority given to high E&amp;S risk assets within the client's portfolio.</p> <p>The frequency of the supervision activities is based on several risk-based factors including project E&amp;S categorization, changes in contextual risk, and the most recent E&amp;S performance. For high-risk projects (as defined in the ESRP), supervision activities are conducted at least once a year.</p> <p>With regard to CAO's observation that the 2016 ESRP Manual lacks specificity on whether Environmental Assessment should be required prior to approval for Category A or B projects, Management notes that specific guidance regarding the risk and impact identification process is given in the Guidance Note of PS1 which elaborates on the methods and tools to carry out identification and assessment of risks and impacts according to good international industry practice and in compliance with applicable law and regulations of the host country. That said, a relevant clarification and a reference to such Guidance Note have been included in the ESRP and shared with the CAO in December 2024.</p>	
2	IFC should develop guidance on how to better understand the challenges of reconciling "innovative business models," with compliance with existing national laws and regulations as part of the ESDD where relevant to E&S impacts and risks. This would avoid having a client's compliance with national law	As per ESRP (2024), each Concept Note for a project proposal has a section on E&S considerations, which are based on an initial review of the proposed project with the information available at that stage, including its financial structure and an E&S risk screening based on sector and project context. Considerations of any innovative business model are flagged at this stage as	<p>COMPLETED</p> <p>IFC ESRP (2024)</p>

	<p>dependent on a future regulatory change to accommodate the proposed “innovative business model” in an investment. The guidance should take into account that deviations from the Sustainability Policy or PS requirements, including non-compliance with relevant national law, be explicitly flagged for a decision by the Board.</p>	<p>well as expected challenges and specialist resource needs.</p> <p>The E&amp;S risk officer (CES) is a mandatory reviewer of concept note of each project proposal, confirming the provisional categorization, providing guidance to the team (as needed) on the scope of due diligence and flagging any known deal breakers or need for escalation to the management committee on E&amp;S ground. At that time, the project can be designated as high-risk project for new business and, therefore, subject to E&amp;S risk officer’s oversight during appraisal. Proposed projects may be flagged as high-risk projects in case of complex and/or novel E&amp;S issues or financial structures for which there are no precedents and the implications in terms of review and identification of E&amp;S risks cannot be predicted at concept review and need to be examined at E&amp;S appraisal.</p> <p>Projects with proposed E&amp;S policy exceptions require senior management approval in order to proceed to appraisal. Any deviations from Sustainability Policy and PS requirements, including issues of compliance with relevant national law, if identified at appraisal, require a policy waiver which is presented to the Board.</p>	
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## **APPENDIX: BRIDGE'S PERSPECTIVE ON CAO REPORT AND MAP**

**[Statements in this appendix respecting the position of Bridge International Academies are attributable to Bridge alone and not to IFC. In providing Bridge's position here, IFC does not endorse, affirm, reject, or contravene any of Bridge's statements or positions. This summary is provided for information only. IFC reserves all rights, privileges, and immunities in connection with this appendix and the document as a whole.]**

During the period of IFC's investment, Bridge confirmed that it implemented a comprehensive approach to managing E&S risks, reflected by its existing ESMS. Its system includes management structures, performance goals, relevant policies, and monitoring processes to support a unified effort towards improving social and environmental performance. During the period of IFC's investment, Bridge submitted Annual Management Reports (AMRs) that were reviewed by IFC staff. IFC also engaged independent third-party experts to evaluate Bridge's ESMS procedures, which were found to be compliant with the relevant IFC performance standards.

### **School Safety:**

Bridge emphasizes that its compliance with the Building Code of the Republic of Kenya (2009) and the Kenya Schools Safety Manual was confirmed annually by local counties so that the school buildings meet structural and maintenance standards. Bridge designed its construction process to reflect the local environment and cultural context, which helps integrate the schools into their communities. It has implemented safety measures, including a Life, Fire, and Safety Plan that was reviewed by IFC. Bridge did not experience or report fires in their Kenyan schools over 15 years of operation.

*Preventable injuries:* Bridge's records (shared with IFC during the investment and with CAO as part of the investigation) logged incidents of pupil injury, where possible, indicating how they were addressed. Only a portion of the recorded incidents could have potentially been prevented through proactive measures. Bridge stated that the CAO's conclusions on pupil injury in this regard do not reflect the nature and numbers of the incidents reported and that no claim has ever been made directly to Bridge regarding any pupil injury.

*Hygiene and sanitation issues:* CAO's report suggests that hygiene and sanitation issues might have contributed to student illnesses. The CAO report recognized that it did not have sufficient evidence to substantiate this claim. In 2018, IFC commissioned an independent third-party review of Bridge WASH processes and practices, as well as infrastructure. This third-party review confirmed that Bridge was compliant with the WASH framework requirements. Bridge emphasizes that it did not experience hygiene related health conditions or infectious diseases attributable to the school environment. It has provided extensive documentation demonstrating its efforts in maintaining hygiene standards and considers that these efforts are inadequately reflected in the CAO's report.

### **Labor and Working Conditions:**

IFC commissioned a continuous, independent labor practices review in 2018-2021 which confirmed that Bridge was compliant with IFC PS2. This included direct surveys of 1,380 employees in 2021. Bridge considers that the independent review confirmed that its labor practices, including employment contracts and employee handbooks, complied with local labor laws and IFC's Performance Standard 2 (PS2). The Company has a documented grievance mechanism for employees, which is outlined in the Bridge Employee Handbooks and allows employees to formally raise grievances regarding employment conditions. This mechanism was supported by regular submissions and engagement with IFC through Annual Monitoring

Reports (AMRs) from 2014 to 2022. A labor survey conducted in 2021 indicated a need for greater training on a few elements of the employee handbook, which Bridge confirms it addressed promptly, as also confirmed in the fifth and final report in May 2021, stating that the “*gaps identified in previous reports had been addressed*”. Bridge, which no longer has funding from IFC, believes its willingness to engage in such surveys and responding to findings as indicative of its commitment to transparency and continuous improvement.

## Disclaimer

The IFC Management Response 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 Performance Standards on Environmental and Social Sustainability in a project supported by IFC finance or investment. 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 CAO's Investigation Report or in the IFC Management Response (1) creates any legal duty, (2) asserts or waives any legal position, (3) admits or determines any legal responsibility, liability or wrongdoing, (4) constitutes an acknowledgment or acceptance of any factual circumstance, or evidence of any mistake or wrongdoing for the purpose of a judicial proceeding, 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 Response, 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 CAO's Investigation Report or IFC's Management Response may be used or referred to in any judicial, arbitral, regulatory or other process without IFC's express written consent.