

MARCH 2023

Compliance Investigation Report

CAO Investigation of IFC's Environmental and Social Performance in Relation to its Investment in Alexandria Development Limited, Egypt

IFC Alexandria Development Limited,
(27022, 32074), Egypt

31 March 2023

Complaints 2 and 3

About CAO

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

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

About the CAO Compliance Function

CAO's compliance function reviews IFC and MIGA compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate.

CAO's compliance function follows a three-step approach:

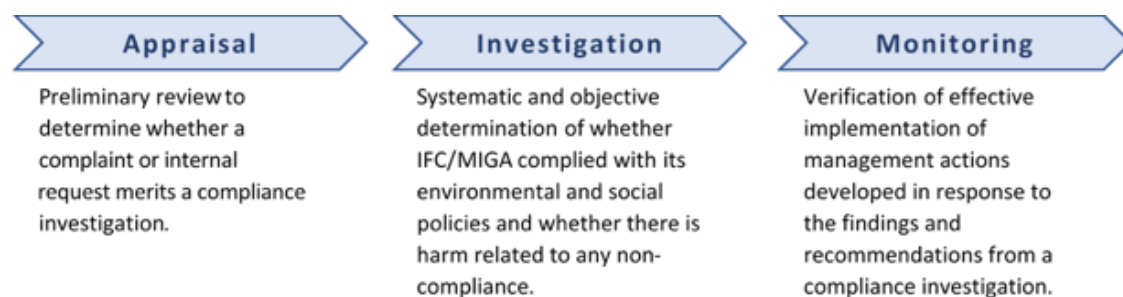


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Acronyms

Acronym	Definition
AMR	Annual Monitoring Report
APCC	Alexandria Development Ltd/Alexandria Portland Cement Company
BIC	Bank Information Center
BSCC	Beni Suef Cement Company
CAO	Office of the Compliance Advisor Ombudsman
EACR	Egyptian Association for Collective Rights
ECCLR	Egyptian Center for Civil and Legislative Reform
E&S	Environmental and Social
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESMS	Environmental and Social Management System
ESRS	Environmental and Social Review Summary
ESRP	Environmental and Social Review Procedures
GIIP	Good international industry practice
IFC	International Finance Corporation
JV	Joint venture
LOTOTO	Lockout, tagout, tryout
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Governmental Organization
OHS	Occupational health and safety
PS	Performance Standards on Environmental and Social Sustainability
SOP	Standard operating procedure
SP	IFC Sustainability Policy (2006)
SPI	Summary of Proposed Investment
TCE	Titan Cement Egypt
TOR	Terms of Reference
VELP	Voluntary early leave program

Key terms and definitions

“The client”	For IFC’s investment period, Alexandria Development Limited (ADL) (also known as Titan Egypt) is the client. Titan Cement Egypt (TCE) is a more commonly used name than ADL – which is a Jersey based holding company.
“The company”	Beni Suef Cement Company (BSCC) is the company subject to the complaints. It is owned and controlled by TCE.
“The project”	TCE business activities, including the operations of BSCC.

Executive Summary

This compliance investigation responds to two complaints about the Beni Suef Cement Company (“the company”), which is owned by Titan Cement Group, a former IFC client and multinational cement producer, headquartered in Greece.

The company operates a cement plant in the city of Beni Suef, Egypt, and the complaints to CAO are from former workers. Their concerns cover redundancy processes in 2002-2003 affecting 300 complainants and in 2016-2017 affecting seven complainants, as well as the company’s occupational health and safety (OHS) practices. IFC was exposed to the company through its investment between 2010 and 2021 in the Egypt-based operations of Titan Cement Group.

CAO’s investigation identifies non-compliance findings in relation to all three areas of complaint.

Given its scale, CAO finds that IFC should have considered the 2002-2003 retrenchment program a ‘significant historical impact’ under IFC’s Sustainability Policy and ascertained whether Beni Suef Cement Company was complying with relevant national laws. CAO also finds that IFC failed to adequately supervise the 2016-2017 retrenchment process affecting seven complainants. CAO concludes that there are indications of harm to complainants from this event.

Regarding workers’ health and safety concerns, CAO finds that IFC supervision of OHS requirements was generally adequate. However, CAO identifies non-compliance regarding IFC’s supervision of the company’s use of a nearby sand quarry.

IFC’s Investment and Requirements

In 2010, IFC invested €80 million in Alexandria Development Limited (ADL), a Titan Group holding company for its Egyptian operations, including both Alexandria Portland Cement Company (APCC) and Beni Suef Cement Company (BSCC) (together Titan Cement Egypt or TCE). This investment represented a 15.2 percent indirect equity exposure to the Beni Suef cement plant. In 2019, IFC sold its equity stake back to the Titan Cement Group. However, Titan Cement Group did not complete payment for this equity stake until February 2021, at which point IFC’s exposure to the Beni Suef cement plant ended.

As per IFC’s E&S commitments in its Sustainability Policy (2006 SP), IFC’s overarching objective is to ensure that it “do no harm” to people and the environment in its investment activities. During pre-investment review, IFC assesses whether client companies can meet its Performance Standards (best-in-class environmental and social (E&S) requirements), and, as needed, agrees an E&S Action Plan for the company. As part of this process, IFC is required to assess ‘significant historical E&S impacts’ prior to its investment, and work with the company to determine possible remediation measures.

IFC is also required to monitor E&S performance throughout the life of an investment. If, during this supervision process, IFC identifies gaps in meeting its Performance Standards, IFC works with the company to reestablish compliance, or exercises remedies when appropriate.

The Complaints

In September 2021, CAO released an investigation report into a complaint (ADL-01) about Titan Cement Group's cement plant in Alexandria, Egypt, which found IFC noncompliance in relation to environmental, community and labor concerns. See [here](#) for more details.

Between February and May 2017, CAO received two further complaints about Titan (ADL-02 and ADL-03), related to its Beni Suef cement plant. Both complaints were supported by national and international NGOs – the Egyptian Association for Collective Rights, the Egyptian Center for Civil and Legislative Reform, and Bank Information Center.

- ADL-02 was filed by NGOs on behalf of seven former employees of the Beni Suef cement plant, who allege they were unfairly suspended and forced to take an early retirement package during a retrenchment program in 2016/2017. They also allege occupational health and safety breaches at the Beni Suef Cement Company plant and a quarry the company leased and used.
- ADL-03 was filed by NGOs on behalf of more than 300 former Beni Suef employees, alleging that their redundancies during a 2002-2003 retrenchment were unfair and breached the terms of a 1999 privatization contract.

CAO Compliance Investigation

This compliance investigation was initiated in January 2019, and delayed due to CAO staff turnover. Its terms of reference require CAO to assess whether IFC met its Sustainability Policy requirements in its pre-investment review and supervision of the following issues:

- a) The ongoing dispute between the company and workers about alleged forced retrenchment in 2003;
- b) The company's suspension and retrenchment of workers in 2016-2017; and
- c) The company's general OHS policies and practices, including separate incidents in which a worker was injured onsite and a truck driver died in a sand quarry used by the company.

CAO staff and two expert consultants visited Egypt in 2019 where they met with former workers affected by the 2003 and 2017 retrenchment programs as well as the injured worker. The investigation team also met with representatives of company management.

CAO Analysis and Findings

Dispute over Retrenchment Program 2002-2003

In 2002-2003, Titan Cement Group conducted a reorganization at its two facilities, the Beni Suef Cement Company and Alexandria Portland Cement Company. This resulted in a headcount reduction of 1,000 employees through a voluntary early leaving program. The complainants allege that the program was involuntary, unfair and did not follow a 1999 privatization agreement which guaranteed existing jobs.

The 2002-2003 retrenchment program predated IFC's investment. However, IFC was required during its pre-investment review to assess "significant historical social or environmental impact associated with [a] project" and "determine possible remediation measures." (2006 SP). This did not occur, with only minimal mention of the retrenchment program during review. Given the number of workers affected, and the existence of ongoing legal cases, CAO finds that IFC should have considered the redundancies a "significant historical impact" under its Sustainability Policy.

Soon after IFC's supervision phase commenced, and after the Arab Spring started in late 2010-2011, in June 2011 the complainants held a sit-in protest at the Beni Suef Cement Company and in September 2011, they filed a lawsuit to overturn the retrenchment program. This dispute was brought before Egypt's national court service. The complainants report that in 2014 the national court service has ordered that the company reinstate the workers. The company notes that the national court service ordered reinstatement of two workers, which it implemented. The company asserts that no final judgement has been reached in relation to the larger group of workers retrenched in 2002-2003. The court process is ongoing as per Titan's annual public reporting.

IFC Performance Standards require client companies to operate in accordance with both the standards and relevant environmental and social national law. However, IFC provided minimal comment to Titan on the 2002-2003 retrenchment program, despite protests at the company's facilities (2011) and ongoing legal cases, including a judgment by the national court against the company. CAO therefore finds that IFC failed to meet its requirements to adequately monitor the company's compliance with E&S national law.

Dispute over Retrenchment Program 2016-2017

The seven complainants state that between November 2016 and March 2017 they were unfairly suspended from work and coerced into accepting an early retirement package after having their salaries withheld. They argue they had little choice but to accept the terms offered in March 2017, which they claim were inadequate compared to offers to other workers.

Under IFC Performance Standard 2 (PS2), investee companies that lay off workers must consult their employees and develop a plan that details selection criteria and the retrenchment process and seeks to mitigate workforce impacts.

IFC raised concerns with the company regarding the program's transparency, consultation processes and selection criteria. However, IFC did not receive a retrenchment plan nor did it take steps to ascertain that the retrenchment met PS2 requirements or that the company took retroactive steps to meet these requirements. CAO concludes that there are indications of harm to complainants from this event. CAO considers that, according to the evidence available, the retrenchment did not meet PS2 requirements. In addition, the complainants' salary being held in escrow by the labor court and the possibility of the labor court deciding on their dismissal potentially created a coercive environment from which to negotiate with the company. CAO therefore finds that IFC failed to sufficiently supervise the 2016-2017 retrenchment process.

Occupational, Health & Safety (OHS) Practices

The ADL-02 complainants cite an injury to a worker at the cement plant in October 2015 and a truck driver fatality at a nearby sand quarry used by the Beni Suef Cement Company in January 2017 as examples of poor OHS practices. While the injured worker is a complainant, the family of the deceased did not sign the complaint to CAO.

IFC Performance Standard 2 provisions require a company to provide a safe and healthy work environment and take steps to prevent accidents and work injuries. In this case, CAO finds that IFC's supervision of the Beni Suef Cement Company to meet the relevant OHS requirements under Performance Standard 2, was generally adequate.

CAO finds that IFC's supervision of the injury incident at the plant was adequate. IFC made inquiries with the company and reviewed the company's internal investigation report in order to ensure the issue was documented appropriately and corrective actions identified. In the context of a CAO complaint on this issue, however, it would have been good practice for IFC to also have discussed the event with the affected worker during its site supervision visits. CAO concludes that the evidence available does not support a conclusion that the company's actions in relation to the injury incident presented a clear non-compliance with PS2 OHS requirements.

With respect to OHS concerns at the sand quarry, which was leased by the company until 2018, CAO notes that IFC never documented a visit to the sand quarry nor documented an adequate review the OHS performance at the quarry. Given that a quarry presents E&S risks to workers and communities, this necessitated closer supervision by IFC. Accordingly, CAO finds that IFC's general supervision of the sand quarry site was inadequate to provide assurance of the company compliance with occupational health and safety provisions. CAO does not make any comment or reach conclusions regarding the underlying facts of the fatality that occurred in January 2017.

Recommendations and Conclusion

CAO makes the following recommendations to IFC to consider in developing a Management Action Plan (MAP) in response to this compliance investigation. In making these recommendations, CAO is cognizant of the fact that IFC exited its exposure to Beni Suef Cement Company in February 2021.

CAO recommends that IFC:

- Encourage continued dialogue among the relevant parties to resolve the outstanding issues related to the 2002-2003 retrenchment program and related job losses.
- Identify and pursue options to work with Titan Cement Egypt to review and engage with complainants' grievances about the 2016-2017 retrenchment program, and to identify gaps in the implementation process related to Performance Standard 2 requirements. If workers affected by that process received less favorable benefits than the Performance Standard expects, IFC should propose remedial actions to TCE.
- Engage with competent labor organizations with expertise on Egyptian labor law in order to support ongoing and new investments in Egypt. Focus on understanding and encouraging appropriate retrenchment practices among industry sectors, and on understanding the current state of E&S national law, its implementation, the degree to which PS2 aligns with such law, and, where there are gaps in alignment, how these might be addressed.

In response to this investigation, IFC is required to follow the CAO Policy and CAO Transitional Arrangements. Specifically, IFC is required to submit a Management Report to the Board stating the actions proposed in response to CAO's findings or IFC's reasoned response to findings it is unable to address.

CAO's Compliance Investigation Process

This CAO investigation was conducted in accordance with CAO's [Operational Guidelines](#) (2013). During this investigation, the IFC and MIGA Boards of Executive Directors (the "Board") approved the [IFC/MIGA Independent Accountability Mechanism \(CAO\) Policy](#) (the "CAO Policy"), effective July 1, 2021, which replaces CAO's Operational Guidelines. To facilitate transition to the CAO Policy, CAO, IFC, and MIGA agreed to Transitional Arrangements which provide that this investigation would be finalized under the CAO Operational Guidelines while the new CAO Policy will apply to the preparation of IFC's response to the investigation and Management Action Plan.¹

When CAO receives an eligible complaint, it first undergoes an assessment to determine whether the parties wish to initiate CAO's dispute resolution or compliance function to address the complaint. If CAO's compliance function is triggered, CAO conducts an appraisal of IFC's/MIGA's involvement in the project and determines whether an investigation is warranted.

In accordance with the Operational Guidelines, CAO compliance investigations focus on IFC/MIGA and how IFC/MIGA assured itself/themselves of a project's environmental and social (E&S) performance. The purpose of a CAO compliance investigation is to ensure compliance with policies, standards, guidelines, procedures, and conditions for IFC/MIGA involvement, and thereby improve the institution's environmental and social (E&S) performance.

At issue is whether:

- the actual E&S outcomes of a project are consistent with, or contrary to, the desired effect of the IFC/MIGA policy provisions.
- a failure by IFC/MIGA to address E&S issues as part of the appraisal or supervision resulted in outcomes contrary to the desired effect of the policy provisions.

In many cases, in assessing the performance of a project and implementation of measures to meet relevant requirements, it is necessary for CAO to review the actions of the IFC/MIGA client and to verify outcomes in the field.

CAO has no authority with respect to judicial processes. CAO is neither a court of appeal, nor a legal enforcement mechanism, nor is CAO a substitute for international court systems or court systems in host countries.

Upon finalizing a compliance investigation, and in accordance with the CAO Policy, IFC/MIGA is given 50 working days to prepare a management response. To address CAO non-compliance findings and related harm, if any, the management response will include a Management Action Plan (MAP) comprising time-bound remedial actions proposed by IFC/MIGA for approval by

1 See (2021) CAO Policy: Transitional Arrangements. Available at: <https://bit.ly/3qaGZ1o>

the Board. In preparing a MAP, IFC/MIGA is required to consult with the complainants and the client. Once the Board approves the MAP, CAO's investigation report, the management response, and the MAP are published on CAO's website.

After the Board has approved a MAP, CAO will monitor to verify the effective implementation of the actions it sets out. CAO compliance monitoring will not consider non-compliance findings for which there is no corresponding corrective action in the MAP.

For more information about CAO, please visit www.cao-ombudsman.org.

1. Background

This compliance investigation responds to two complaints submitted to CAO in 2017 by former workers of Beni Suef Cement Company (BSCC or “the company”), a subsidiary of Alexandria Development Limited (ADL)/ Titan Cement Egypt (TCE) and part of the Titan Cement Group. The complaints are from former workers of the company. They raise concern regarding (a) a retrenchment process in 2002-2003 affecting 300 complainants; (b) a retrenchment process in 2016-2017 affecting seven complainants; and (c) the company’s occupational health and safety practices, citing two incidents. This section describes IFC’s exposure to the company, the specific complaints, and the CAO process to date.

1.1 IFC’s Exposure to Titan Egypt

Titan Cement Group is a multinational cement and building material producer, headquartered in Greece. It currently owns and operates Beni Suef Cement Company through a Jersey based holding company, Alexandria Development Limited (ADL).

In 1993, BSCC was established as vertically integrated cement producer² with the Government of Egypt holding 95 percent of the shares and the employee union a 5 percent shareholder. In 1999, BSCC was privatized. Lafarge, a French multinational cement company, acquired 76% equity in the company from the government.³ Titan Cement Group and Lafarge then formed a joint venture in Egypt, in November 1999.⁴ Between 2000 and 2005, the joint venture acquired the government and employees’ equity in BSCC.

In May 2008, Titan Cement Group acquired Lafarge’s equity in the joint venture.⁶

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- 2 Titan Cement Egypt Website, “Beni Suef Cement Company (BSCC),” available at: <https://goo.gl/d2HFTv>; EEC, Case No IV/M.1460 – LAFARGE/TITAN: Notification of 9 February 1999 pursuant to Article 4 of Council Regulation no 4064/89, Mergers Procedure Article 6(1)(b) decision, available at: <https://goo.gl/VwmueJ>.
 - 3 LafargeHolcim, Press Release, “Lafarge and Titan Cement Company invest jointly in Egypt,” February 17, 1999, available at: <https://goo.gl/JJFzsX>.
 - 4 Lafarge Titan Egyptian Investments Limited (LTEIL) was the name of the joint venture company.
 - 5 Titan indirectly acquired half of Lafarge’s stake in BSCC, equivalent to 38% of the total shares, *Ibid.*
 - 6 Titan Cement Company S.A., Integrated Annual Report 2017, “Litigation matters in Egypt,” p. 121, available at: <https://goo.gl/xgVQxr>.

IFC's investment in Titan Egypt

From 2010 to 2019, IFC was exposed to the company through an equity investment in Alexandria Development Limited (ADL) (see diagram). ADL is a wholly owned subsidiary of Titan Cement Group and the parent company of the Alexandria Portland Cement Company (APCC) and BSCC. ADL's major assets are two cement plants, in Alexandria and Beni Suef. APCC and BSCC together comprise Titan Cement Egypt (TCE). TCE is a more commonly referred to than ADL.

In November 2010, IFC acquired equity in ADL for €80 million ("IFC/the investment", "the project"). IFC's investment represented an indirect shareholding of 15.2% in APCC.

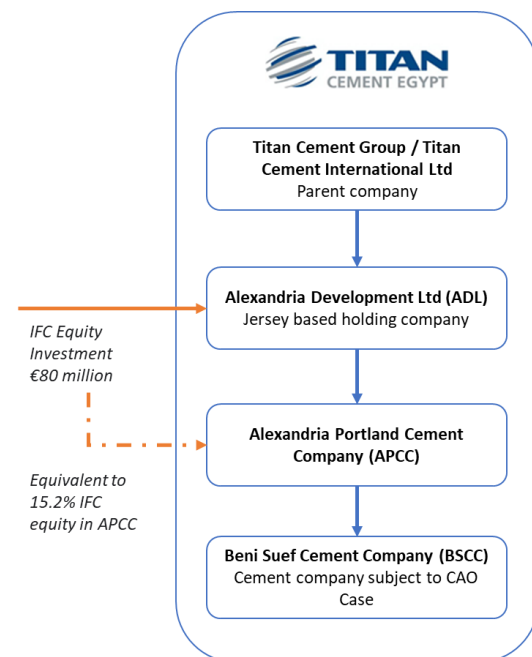
The stated purposes of IFC's investment were to:

- fund the construction of a second integrated cement production line at the Beni Suef plant;
- invest in vertical integration of aggregates and ready-mix concrete;
- improve the plants' environmental performance by upgrading pollution abatement and improving energy efficiency; and
- complete various debottlenecking projects at both the Alexandria and Beni Suef plants.⁷

IFC classified the E&S risk of the investment as Category B, assessing that ADL's business activities presented potentially limited adverse E&S risks and impacts.

IFC exited its direct investment in ADL in December 2019. At this time, Titan Cement Group/Titan Cement International acquired IFC's equity in ADL but payment was deferred. In February 2021, IFC received final payment thus ending IFC's exposure to ADL. During IFC's investment, ADL was an IFC client and "the project" was ADL's business activities, including those of BSCC.

This report refers to "the client" in describing IFC E&S requirements, as this is how IFC's Sustainability Framework presents such provision. Otherwise, it refers predominantly to "the company", TCE or BSCC as (i) this refers to the business—Beni Suef Cement Company—which the complaints relate to and (ii) IFC no longer has an active client relationship with ADL/TCE or BSCC.



7 IFC Project Disclosure Titan Egypt: <https://bit.ly/3vXOUuW>

1.2 The Complaints

CAO has received three complaints about IFC's investment in Titan Cement Egypt (TCE). The first complaint ADL-01 relates to Titan's plant in Alexandria.⁸ The ADL-02 and ADL-03 complaints that are the subject of this report relate to the Beni Suef plant and were filed in February and May 2017 respectively.

ADL-02 Complaint: Filed by seven former BSCC employees, this raised concerns about labor issues, including claims of suspension without cause and pay, forced early retirement, and the company's general alleged occupational health and safety (OHS) breaches.⁹ The complaint specified two incidents in relation to OHS –the injury of a contract worker at the plant in October 2015 and the death of a contract worker at a quarry used by the company in January 2017.

ADL-03 Complaint: Filed on behalf of more than 300 former BSCC employees,¹⁰ this raised concerns about an involuntary early retirement program implemented between 2002 and 2003, which affected about 452 workers.¹¹ The complainants allege that their redundancy following the BSCC's privatization in 1999 was unfair and contrary to the terms of the privatization contract. The complainants also alleged that court orders for their reinstatement had not been implemented by the company.

Both complaints were supported by the Egyptian Association for Collective Rights (EACR), the Egyptian Center for Civil and Legislative Reform (ECCLR) and the Bank Information Center (BIC).

1.3 CAO Assessment and Compliance Appraisal

The parties to both complaints did not agree to a CAO facilitated dispute resolution process. CAO concluded its assessment of the ADL-02 and ADL-03 complaints in June 2018 and October 2017 respectively and referred both cases to CAO's compliance function for appraisal.

In January 2019, CAO completed its appraisal of both complaints and released a merged compliance appraisal report. CAO decided to conduct a compliance investigation of IFC's E&S performance in relation to the issues raised in the two complaints.

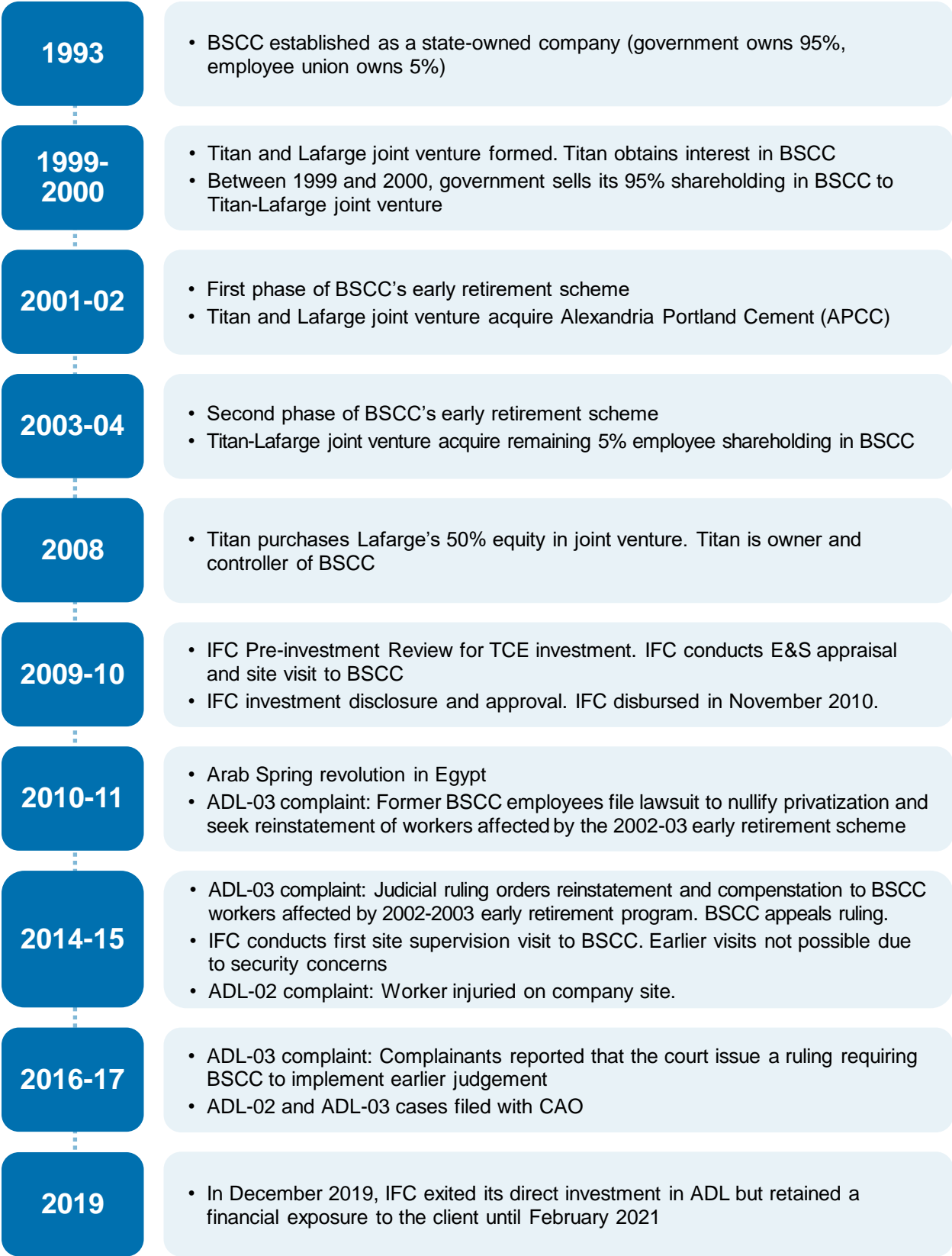
8 In September 2021, CAO published its compliance investigation report regarding the ADL-01 complaint. CAO reports and IFC response available at <https://bit.ly/3QrFmXI>.

9 CAO, Egypt / Alex Dev Ltd-02/Beni Suef, filed February 13, 2017, case summary available at: <http://bit.ly/3XHhJOU>. Note the first CAO complaint in relation to the investment concerned the company's Alexandria cement plant. CAO, Egypt / Alex Dev Ltd-01/Wadi al-Qamar, filed April 9, 2015, case summary available at: <https://bit.ly/3QrFmXI>.

10 CAO, Egypt / Alex Dev Ltd-03/Beni Suef, filed May 10, 2017, case summary available at: <http://bit.ly/3DihCRo><https://goo.gl/MsS6q2>.

11 "Complaint to the CAO office regarding the compliance of Beni Suef Cement Company (Titan) Funded by the International Finance Corporation," available at: <https://goo.gl/ufKPJp>.

Figure 1: Project Events Timeline through IFC Exit



2. Investigation Framework

2.1 Compliance Investigation Scope and Methodology

CAO oversees investigations of IFC's E&S performance by ascertaining IFC compliance with those of its policies, procedures, and standards whose violation might lead to adverse environmental or social outcomes.¹²

The scope of this compliance investigation is set by its terms of reference (TOR), which were issued together with CAO's compliance appraisal in January 2019. Accordingly, the compliance investigation considers whether IFC's investment in the client was appraised, structured, and supervised in accordance with applicable IFC policies, procedures, and standards. In light of CAO's compliance appraisal and the issues raised in the complaint, the TOR for the compliance investigation required CAO to consider whether IFC discharged its review and supervision duties in relation to:

- i. the ongoing dispute between the company and workers about alleged forced retirement in 2003;
- ii. the company's suspension and retrenchment of workers in 2016/2017; and
- iii. the company's general OHS policies and practices, including a worker injury incident at the cement factory and a separate incident in which a truck driver died in a sand quarry used by BSCC.

This investigation was conducted by CAO with input from two external experts with experience and knowledge of:

- The assessment and management of labor issues, including the labor context in Egypt;
- The Egyptian legal framework, including relevant labor laws, judicial procedures, and the enforceability of decisions;
- IFC's E&S policies, standards, and procedures, particularly Performance Standard 1 (Social and Environmental Assessment and Management Systems), Performance Standard 2 (Labor and Working Conditions), and the IFC Environmental, Health and Safety Guidelines (EHS Guidelines).

The CAO investigation team reviewed a range of relevant documents and interviewed IFC staff with knowledge of the investment. The investigation team also visited Egypt in 2019, where it met with the two groups of former workers affected by the 2003 and 2017 retrenchment programs, as well as the injured worker and representatives of company management.

12 CAO, Operational Guidelines 2013, para. 4.3, <https://goo.gl/xhuKhy>

In assessing IFC's performance, it is often necessary for CAO to review the actions of the client and to verify the outcomes of IFC's business activities in the field. However, the findings of this report do not address the company's compliance with IFC's E&S requirements.

2.2 IFC Sustainability Framework

IFC's investment was made in the context of its 2006 Policy on Social and Environmental Sustainability ("the Sustainability Policy")¹³ and Performance Standards (PS)¹⁴, together referred to as the Sustainability Framework.¹⁵ The Sustainability Policy is binding on IFC. Through this policy, IFC commits to "do no harm" to people and the environment in its investment activities. In order to achieve this, IFC conducts a pre-investment review and supervision of its investments and sets out E&S requirements for its clients to follow. IFC requires its clients to manage the E&S risks and impacts of their operations in accordance with the IFC Performance Standards.¹⁶

The IFC Performance Standards define IFC client responsibilities for identifying the risks and impacts of their operations and establish the E&S standards to be met.¹⁷ The following standards are applicable to the complaints to CAO against IFC client Alexandria Development Limited.

Performance Standard 1: Social and Environmental Assessment and Management System requires that a client (a) carry out an E&S assessment to identify the actual and potential E&S risks and impacts of their operations and (b) implement an E&S Management System (ESMS). Through its ESMS, a client applies a mitigation hierarchy to anticipate and avoid adverse E&S impacts on workers, communities, and the environment or, where avoidance is not possible, to minimize and, where residual impacts remain, compensate or offset for the risks and impacts, as appropriate.¹⁸ In addition, the Performance Standards contain a general requirement that IFC-supported projects "must comply with applicable national laws."¹⁹

Performance Standard 2: Labor and Working Conditions sets requirements for clients to implement in relation to their workforce.²⁰ Regarding operations risks, clients are also required to apply relevant aspects of the IFC Environmental Health and Safety Guidelines (EHS Guidelines) to demonstrate adherence to good international industry practice.²¹ The EHS

13 IFC Policy on Social and Environmental Sustainability 2006: <https://bit.ly/32bR2nP>

14 IFC Performance Standards on Social and Environmental Sustainability 2006: <https://bit.ly/2UdAp8I>

15 IFC 2006 Sustainability Framework: <https://bit.ly/2w6L49f>

16 IFC Sustainability Policy 2006, para 4-8

17 IFC Performance Standards (2006) available at <https://bit.ly/3GK0NiD>. Additional guidance for implementing the Performance Standards is available in the 2007 Performance Standards Guidance Notes, available at <https://bit.ly/3GK0NiD>.

18 PS1, 2006, Objectives: Bullet point 2-4.

19 Performance Standards, 2006, Introduction, para. 3.

20 PS3-8 include the following standards: PS3: Resource Efficiency and Pollution Prevention; PS4: Community Health, Safety, and Security; PS5: Land Acquisition and Involuntary Resettlement; PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; PS7: Indigenous Peoples; and PS8: Cultural Heritage.

21 EHS Guidelines: Occupational Health and Safety, April 30, 2007: <https://bit.ly/2VSo0cP>

Guidelines include Occupational Health and Safety (OHS) performance levels which are relevant to this case.

The Sustainability Policy is approved by the IFC Board. IFC management has established staff procedures, Environmental and Social Review Procedures (ESRP), to support implementation of the Sustainability Policy. These are periodically reviewed and updated by IFC management.

The forthcoming sections (2.2.1 and 2.2.2) summarize general obligations upon IFC as it conducts its pre-investment review and supervision. Specific IFC requirements in relation to complaint issues are summarized in section 3.

2.2.1 General IFC Pre-Investment Requirements

The Sustainability Policy provides that, as part of its pre-investment review, IFC will conduct an E&S review that is “appropriate to the nature and scale of the project, and commensurate with the level of social and environmental risks and impacts.”²²

When conducting an E&S review, IFC considers: (i) the E&S risks and impacts of the project as assessed by the client; (ii) the commitment and capacity of the client to manage expected impacts, including the client’s ESMS; and (iii) the role of third parties in the project’s compliance with the Performance Standards.²³ In cases where the client’s E&S assessment does not meet the requirements of PS1, IFC requires the client to undertake or commission additional assessment by external experts.²⁴ The Sustainability Policy further provides that “where there are significant historical, social or environmental impacts associated with the project, including those caused by others, IFC works with its client to determine possible remediation measures.”²⁵

Where IFC’s due diligence identifies gaps in performance necessary both to comply with national laws and regulations and to meet the requirements of the IFC Performance Standards, the client prepares an E&S action plan (ESAP)²⁶ which reflects the outcomes of consultation with affected communities.²⁷ PS1 requires that the action plan describe the actions necessary to implement the mitigation measures or corrective actions to be undertaken, prioritize these actions, include a timeline for their implementation, and describe the schedule and mechanism for external reporting on the client’s implementation.²⁸ IFC discloses the ESAP as part of its investment disclosure and includes the ESAP in its investment legal agreements with the client.²⁹

IFC commits not to finance new business activity that cannot be expected to meet the Performance Standards over a reasonable period of time.³⁰ Once IFC concludes that a project

22 IFC Policy on Social and Environmental Sustainability 2006, para. 13.

23 IFC Policy on Social and Environmental Sustainability 2006, para. 15.

24 Ibid.

25 Ibid.

26 PS1, 2006, para. 16

27 PS1, 2006, para. 16. See also para. 21.

28 PS1, 2006, para. 16.7

29 IFC Policy on Social and Environmental Sustainability 2006 and IFC Policy on Disclosure of Information, para 13 (a).

30 IFC Policy on Social and Environmental Sustainability 2006, para. 17.

will meet the Performance Standards upon implementation of the ESAP, the investment is presented to the IFC Board for approval.³¹

2.2.2 General IFC Supervision Requirements

IFC's investment supervision commences from legal commitment until the investment is closed. IFC's policy objective is to monitor the client's E&S performance throughout the life of IFC's investment.³² IFC supervises its client through the review of (i) client prepared Annual E&S Monitoring Reports (AMRs); (ii) site visits, and (iii) review of client notification of any serious incident at the project site.³³

As set out in IFC's Environmental and Social Review Procedures (ESRP), the purpose of IFC's supervision is "to develop and retain the information needed to assess the status of compliance with the Performance Standards (PSs), general and sector-specific Environmental Health and Safety (EHS) Guidelines, and the Environmental and Social Action Plan (ESAP or Action Plan)."³⁴ Further, IFC provides advice to clients to address critical E&S issues and identify opportunities for improvement.³⁵

During the supervision period, if a client fails to comply with its E&S commitments, IFC will "work with the client to bring it back into compliance to the extent feasible and, if the client fails to reestablish compliance, exercise remedies when appropriate."³⁶

31 IFC Policy on Social and Environmental Sustainability 2006, para. 16.

32 IFC Policy on Social and Environmental Sustainability 2006, para. 11.

33 IFC Sustainability Policy (2006), para. 26.

34 The ESRPs are IFC staff level actions ESRP 6.1, September 2010

35 ESRP 6, Version 7, April 15, 2013. <https://goo.gl/3dDX6J>

36 IFC Policy on Social and Environmental Sustainability 2006, para 26: available at, <https://bit.ly/32bR2nP>.

3. Analysis and Findings

The complaints from workers at the Beni Suef cement plant cover three distinct issues: i) a retrenchment program of 2002–2003, ii) a retrenchment program of 2016–2017, and iii) general occupational, health and safety practices, and specific allegations of serious harm. This report covers these three issues in turn below, summarizing—in each case—complainants’ and company views, specific IFC requirements, IFC’s review and supervision of the issue and CAO’s compliance analysis.

3.1 Retrenchment Program 2002-2003 (ADL-03 complaint)

Following its acquisition by the Lafarge-Titan joint venture in 1999, BSCC implemented two retrenchment programs. The first was carried out between 2002–2003 and the second program was later in 2003. BSCC referred to these programs as Voluntary Early Leaving Programs (VELP).³⁷

Summary of key findings:

Considering the number of workers affected by the 2002–2003 retrenchment program and the ongoing legal cases at the time of IFC’s pre-investment review, CAO finds that IFC should have considered this issue a “significant historical impact” of the project under para. 13 of its Sustainability Policy. Under this designation, IFC was required to conduct an assessment of the issue and work with Titan Egypt to identify possible remediation measures. IFC’s lack of attention to the 2002-2003 retrenchment program was not compliant with this requirement.

During the period of IFC’s investment supervision, CAO finds that IFC did not address the concerns raised by people affected by the 2002-2003 retrenchment program. However, this was an E&S issue that IFC was required to monitor in accordance with its Sustainability Policy (para. 11 and 26).

3.1.1 Claims and Responses

Complainants’ view

The complaint states that the 1999 privatization agreement included a clause mandating the company to retain workers in its service at the time of the BSCC sale. The complainants—more than 300 former employees—state that they therefore believed their roles would be retained following privatization but instead the company proceeded with two retrenchment programs to

37 The VELP was referred to as a voluntary early retirement program in project documentation. From 1999 to 2008, BSCC was controlled by Titan Cement Group and Lafarge. In 2008, Lafarge sold its equity shareholding to Titan Cement Group.

reduce the workforce in 2002-2003. They claim that over 400 workers were involuntarily retired during the program's second wave in 2003.

The complainants argue that their retrenchment was unfair and breached the privatization agreement. They explain that they did not feel at ease complaining at the time but, following the "Arab Spring" uprisings in late 2010/early 2011, they felt able to raise their grievances about the 2003 retrenchment process.

The workers first held a sit-in protest near the BSCC plant. In September 2011, two former employees then filed a lawsuit against the company in the Cairo Administrative Court (ADL-03 complainant lawsuit), which sought to nullify BSCC's privatization and reinstate affected workers. The complainants claim that in February 2014 the court decided to uphold the privatization of BSCC but ordered the company to reinstate all workers affected by the 2003 retrenchment program. They note that subsequent rulings in the Egyptian court system upheld this decision and directed the company to implement it.

Since the court directive was issued in 2015, the complainants say that attempts to settle the dispute through dialogue have been unsuccessful. They state that the company has yet to comply with the court ruling and that some affected workers have started individual proceedings for court rulings. The complainants argue that the Beni Suef Cement Company's failure to implement the court ruling in favor of all its former workers made redundant in 2002-2003 violates IFC's Performance Standard 2 and is contrary to Egyptian and international labor law.

The complainants presented CAO with detailed documentation on the different avenues for redress that they pursued, including relevant court documents.³⁸

Company's view

The Beni Suef Cement Company asserted to CAO that the 2002 and 2003 retrenchment programs were voluntary and that workers received generous compensation packages.

In relation to the February 2014 court ruling, the company maintains that this was made in favor only of two former workers who submitted the case. The company notes that it promptly executed the judgement in favor of these two former workers after receiving the final execution notice from the court. In relation to the larger group of retrenched workers, the company noted that some workers are submitting claims before various courts in an attempt to return to their previous jobs at the company. BSCC asserts that it will respect and execute all final court judgments but states that no such judgement has been issued for the larger group of retrenched workers.³⁹

3.1.2 IFC Requirements

Performance Standard 2 requires IFC clients to provide reasonable working conditions and terms of employment that, at a minimum, comply with national law.⁴⁰ Where a client retrenches

38 CAO Assessment Report, ADL-03, October 2017.

39 CAO Assessment Report, ADL-03, October 2017.

40 PS2, 2006, para. 8.

workers, PS2 requires the client to develop a plan to mitigate the adverse impacts on employees. The retrenchment plan should address the schedule of cutbacks, retrenchment methods and procedures, selection criteria, severance payments, and offers of alternative employment or assistance in retraining efforts and job placement. The plan cannot be discriminatory and must reflect the client's consultation with employees, their organizations and, where appropriate, the government. It is also good practice to establish a grievance mechanism to deal with claims that any provision in the retrenchment plan were not followed.⁴¹

As the 2002-2003 retrenchment program took place before IFC's investment, PS2 requirements were not applicable at the time. However, in conducting its pre-investment E&S review, IFC was required to assess significant historical E&S impacts associated with the company's operations, included those caused by others. Where significant historical E&S impacts were identified, IFC was required to work with the company to determine possible remediation measures.⁴²

IFC's investment supervision of BSCC is also relevant to the 2002-2003 retrenchment program. Once IFC becomes aware of concerns about an investee company's compliance with applicable E&S national laws, it must assess the company's compliance status. Where gaps are identified, IFC works with the company to bring it back into compliance.⁴³

3.1.3 IFC Review and Supervision, and Compliance Analysis

Pre-investment review and legal commitment

In 2003, Titan Cement Group completed a reorganization process at its Egyptian cement facilities (Beni Suef Cement Company and Alexandria Portland Cement Company). Titan reported a headcount reduction of 1,000 people through a voluntary early retirement program,⁴⁴ and noted that it made efforts to help employees find new opportunities through its voluntary leave plans. Titan Cement Group also stated that it prohibited downsizing through layoffs. Key criteria used in the retrenchment programs included: employee age and physical condition, years of service, years to retirement, local community practices and re-employment opportunities.⁴⁵

In 2009, IFC conducted its pre-investment E&S review of Titan Cement Egypt (TCE) including the BSCC operations. In November 2009, IFC disclosed a summary (E&S Review Summary - ESRS) and an E&S Action Plan (ESAP) for TCE to implement in order to address gaps that IFC identified in its operations per the Performance Standard requirements.⁴⁶

IFC's ESRS noted that TCE had comprehensive human resources policies and management systems in place and that there was a formal, written workers' grievance process available to all employees across all Titan Cement Group's operations. The ESRS also stated that no

41 IFC PS2 2006, para 12, and IFC PS2 Guidance Notes (2007). Also, IFC Good Practice Note: Managing Retrenchment, 2005, available at: <https://goo.gl/qxpgNm>.

42 IFC Sustainability Policy 2006, para 13.

43 IFC ESRP (Version 5, August 2010), IFC Sustainability Policy 2006, para 11 and 26.

44 Titan Group Annual Report 2003, page 26.

45 Titan Group Corporate Sustainability Report, 2003, page 33 and page 36.

46 IFC Project Disclosure: Titan Egypt (No. 30274) – Environmental and Social Review Summary: <https://disclosures.ifc.org/#/projectDetail/ESRS/30274>

retrenchment occurred as a result of TCE acquiring Lafarge's stake in 2008 and that none was expected as a result of IFC's investment.⁴⁷ Instead, BSCC was expected to hire an additional 35 employees to support its plans to expand the cement plant.

IFC's pre-investment E&S review did not comment on or assess the 2002 and 2003 retrenchment programs. IFC's review included a media search which did not identify any news articles on the company's labor practices or prior retrenchment programs. The investment was approved by the Board in December 2009.

In March 2010, IFC legally committed to the investment. Prior to commitment, IFC became aware of ongoing legal cases related to the company's operations. Specifically, there were three ongoing court cases involving 10 former employees suing the company in relation to adequacy of compensation from the 2002-2003 retrenchment program. At the time, IFC documentation notes the need to follow up with the company to better understand the merits of these cases as they could pose a potential reputational risk to IFC. From the documentation available to CAO, IFC did not document the outcome of any follow up with the company on this issue, or identify possible remediation measures the company should take in relation to these cases. During this investigation, IFC informed CAO that such labor-related legal proceedings were not considered a major concern for the company at that time.

Considering the number of workers affected by the 2002–2003 retrenchment program and the ongoing legal cases at the time of IFC's review, CAO finds this issue should have been considered a "significant historical impact" of the project under para. 13 of the Sustainability Policy. As a result, IFC would have been required to work with TCE to identify possible remediation measures. This did not occur, and IFC's lack of attention to the 2002-2003 retrenchment program during pre-investment review was not compliant with the requirement of its Sustainability Policy.

IFC Supervision

In November 2010, IFC acquired equity in Alexandria Development Limited, and began its supervisory role of the investment, including BSCC's operations. In line with Performance Standards requirements, BSCC was required to operate in accordance with applicable E&S national laws. Since concerns had been raised regarding the company's ongoing compliance with applicable E&S national laws, including related to events prior to IFC's investment, IFC's supervision duty was to assess the status of the company's compliance with national laws and, where gaps were identified, work with TCE to bring it back into compliance.

IFC supervised TCE and its operations through a review of TCE prepared Annual Monitoring Reports and site visits to TCE's headquarters and cement facilities. Due to political volatility in Egypt, IFC did not conduct its first supervision visit to the Beni Suef cement plant until May 2014. IFC visited Beni Suef again in 2015, 2016, 2018, and 2019.

⁴⁷ IFC Project Disclosure: Titan Egypt (No. 30274) – Environmental and Social Review Summary: <https://disclosures.ifc.org/#/projectDetail/ESRS/30274>

In June 2011, 60 former workers held a sit-in protest at the BSCC plant, blocking the entry and exit of materials from the facility for ten days. IFC was informed that former employees were complaining about their compensation under the 2002-2003 retrenchment program. IFC received a summary from the company on the 2002-2003 retrenchment program (e.g. number who participated and packages that were provided). During the period of the protest, IFC received status updates from TCE on the protest. IFC was informed that the protest ended after the police and army arrested people blocking the company entrance. A news article later reported that 13 former employees went on hunger strike following the arrests, alleging police maltreatment.⁴⁸ While TCE's annual E&S report to IFC provided summaries of news articles on the protest, IFC's subsequent review did not provide any comment. During CAO's compliance investigation, IFC noted that such protests had become more common following the Arab Spring.

In September 2011, the ADL-03 complainants filed a lawsuit against the company (see box).⁴⁹ Subsequent TCE reporting to IFC does not reference the court case, court decisions, or possible implications for the company. IFC noted to CAO that they regularly followed up with the company to understand the status of the case. In May 2014, IFC conducted its first site visit to Beni Suef since 2009. IFC's site supervision report did not assess the 2011 former workers' protest, the underlying causes, or the ongoing legal action. While IFC met with company human resources management and small groups of active workers during this visit, IFC did not meet with former workers affected by the 2002-2003 retrenchment program.

Summary of ADL-03 Complainants' Legal Case

In September 2011, two former BSCC employees (the plaintiffs) filed a lawsuit against the company, the BSCC workers union, the Prime Minister, and Government ministries. They sought nullification of the cement company's 1999 privatization and the reinstatement of all former employees who had their employment terminated since the privatization—including those who left under the voluntary leave plan.

In February 2014, the Cairo Administrative Court ruled that the company must reinstate workers. The company appealed this judgment on the basis that the ruling was vague and ambiguous regarding the number of workers it affected (e.g. two who filed the case or all affected workers). The court rejected the plaintiffs' claim for the privatization to be nullified, which the plaintiffs appealed.

In January 2015, Egypt's Supreme Administrative Court ordered the company to reinstate the workers, upholding the 2014 ruling. The company informed CAO that it offered to reinstate the two workers that filed the lawsuit. However, the company did not seek to reinstate all workers affected by the 2002-2003 retrenchment program. The court also

48 Al Dostour, 2011, 13 workers go on hunger strike in front of Beni Suef cement while three of them were arrested.

49 Titan Cement Group, 2016-2022, Integrated Annual Reports. Available at <https://bit.ly/3ti9Rpe>.

decided to suspend the case in relation to the appeal against the privatization of BSCC, pending a decision by the Supreme Constitutional Court.

The complainants report that, in 2016 and 2017, there were further judicial rulings directing BSCC to take back workers who were retrenched during the period of privatization.⁵⁰

Between 2016-2020, Titan Cement Company's annual reports summarized the case history and noted no further action on the case in each reporting year. Titan noted that its lawyers considered the "plaintiffs' action is devoid of any legal or factual ground." Titan has not reported on this case in its annual report since 2020, and CAO is not aware of any further developments regarding this case.

In mid-2015, IFC commissioned a third-party labor consultant to review TCE's labor practices at its cement facilities in Beni Suef and Alexandria. In December 2015, the consultant provided observations and recommendations regarding TCE's Performance Standard 2 performance in a report to IFC. In December 2016, the consultant conducted a follow up visit and provided IFC with a second report summarizing TCE's implementation of the consultant's 2015 PS2 recommendations. The consultant also provided additional recommendations to IFC.

These two reports covered many aspects of TCE's labor practices but did not comment on the 2002-2003 retrenchment program and ongoing legal cases. With the exception of the company's 2016 retrenchment process (see section 3.2 below), the consultant concluded that TCE's labor practices were substantively consistent with PS 2 (2006).

Titan Cement Group's public annual reports for 2016-2020 summarized the ADL-03 complainant lawsuit against Beni Suef and the status of the case (see box)⁵¹ but this information was not presented in TCE's annual reporting to IFC.

During discussions with CAO, IFC asserted that it was not the role of its project team to provide legal advice to TCE. IFC stated that its position is to respect the court process and to expect TCE to comply with the law. IFC told CAO that the project team had been monitoring the court cases and had requested status updates from TCE.

During the period of IFC's investment supervision, CAO finds that IFC did not address the concerns raised by people affected by the 2002-2003 retrenchment program although this was an E&S issue that it was required to monitor in accordance with the Sustainability Policy (para. 11 and 26). There is no expectation for the company to implement, and thus IFC to supervise,

50 Case summaries available at <http://bit.ly/3JipiXm> and <http://bit.ly/3XSXv48>.

51 Titan Cement Annual Reports 2016, 2017, 2018, 2019, 2020. Available at <https://bit.ly/3ti9Rpe>

the application of PS2 retrenchment requirements to the 2002-2003 retrenchment program as this occurred prior to IFC's investment.

However, during supervision, IFC's role is to ensure company compliance with applicable national laws. In this instance, CAO concludes that IFC has taken insufficient action in response to complainant allegations about the 2002-2003 retrenchment program, which raises concerns about the company's compliance with applicable national laws. The June 2011 protest and complainants' initiation of litigation in September 2011 presented IFC with an opportunity to assess whether the 2002-2003 retrenchment program proceeded in accordance with applicable national laws. This opportunity for IFC arose again following the 2014 and 2015 court decisions, and the 2017 ADL-03 complaint to CAO. However, IFC's project documentation does not record any substantive IFC action on this issue. Considering the ADL-03 complaint was made on behalf of 300 former workers, and that the issue was live during IFC's investment period via protests and litigation, CAO concludes that the situation necessitated closer IFC supervision.

3.2 Retrenchment Program 2016–2017 (ADL-02 complaint)

Summary of key findings:

CAO concludes that IFC as aware of and followed up with the company several times regarding the retrenchment of seven workers in 2016-2017. However, by not obtaining and reviewing Beni Suf Cement Company's retrenchment plan, IFC's actions fell short of its Sustainability Policy supervision standard (SP para 26) to provide assurance the company's actions complied with Performance Standard 2 retrenchment requirements (PS 2006, para. 12).

3.2.1 Claims and Responses

Complainants' view

The complainants are seven former workers who allege they were unfairly suspended from work, coerced into an early retirement package four months later, and did not receive fair retirement packages, unlike other workers at the time.

These workers claim that the company suspended them in November 2016, without explanation, and prevented them from entering BSCC premises. The complainants say the company had not raised concerns about their performance before this incident. They allege that the company posted a notice outside the work site, informing the complainants about a retirement plan and asserting a legal basis to lock the workers out of the premises. The complainants assert that, prior to this announcement of the retirement plan, they were neither informed nor consulted about it.

Their suspension lasted four months, to March 2017, during which time their monthly salaries were withheld. The complainants assert that under Egyptian labor law an investigation must be

conducted when workers are suspended. They allege that BSCC put pressure on them to agree to an early retirement package while they were suspended. The complainants explained that they refused because (a) they did not want to leave their jobs and (b) they did not consider the package adequate.

Once the period of suspension lapsed, the complainants say BSCC prevented them from resuming work. They then protested outside the plant for 10 days.

In March 2017, the complainants agreed to an early retirement package equivalent to two months' salary per year of service—the minimum permitted under national law. They explained to CAO that they did so due to psychological and financial distress, believing they had little choice but to accept the package on offer. They state that in the following months other workers were offered early retirement packages equivalent to three months' salary per year of service, and argue this differential treatment is unfair. The seven former employees argue that they have suffered financial distress as a result of their suspension and termination.⁵²

Company's view

BSCC asserted that the seven workers involved were transferred from its sand quarry operations to the cement plant after the quarry operations were outsourced between 2010 and 2011. After no adequate work was found for them at the plant, they were considered surplus to requirements.

BSCC's account leading up to the suspensions differs from that of the workers. The company maintains that the seven were identified as poor performers through an annual human resource assessment process. When their performance failed to improve, the company decided to let them go through the early retirement program, offering them two months' salary per year of service.

BSCC informed CAO that the complainants initially accepted the package but reneged within a month, requesting more money. The company alleges that after it declined this request the complainants became unruly and tried to start a protest and instigate a production line stoppage by other workers. The decision was then made to suspend the complainants. BSCC maintains that: i) the workers were low performers; ii) during suspension, their monthly salaries were paid into an escrow account under court jurisdiction and were subsequently paid out to the workers in January 2017; and iii) that the final retirement packages offered to the workers in March 2017 were negotiated and agreed with them and witnessed by labor union representatives.⁵³

3.2.2 IFC Requirements

IFC Performance Standard 2 requires a client to base the employment relationship on the principle of equal opportunity and fair treatment, and not discriminate with respect to aspects of the employment relationship, including termination of employment or retirement, and discipline.⁵⁴

52 CAO Assessment Report and complaint

53 CAO Assessment Report

54 IFC PS2 2006, para 12.

PS2 requires clients to develop a plan to mitigate the adverse impacts of retrenchment on employees. The retrenchment plan should address issues such as the schedule of cutbacks, retrenchment methods and procedures, selection criteria, severance payments, and offers of alternative employment or assistance in retraining efforts and job placement. The plan cannot be discriminatory and the selection criteria for those to be laid off should be objective, fair, and transparent. In developing the plan, the client should consult with employees, their organizations and, where appropriate, the government. It is also considered good practice to establish a grievance mechanism that can deal with any claims regarding provisions in the retrenchment plan were not followed.⁵⁵

A retrenchment plan is not required to cover isolated cases of termination of employment for cause or voluntary departure.

3.2.3 IFC Supervision and Compliance Analysis

Since the complaint centers on the 2016-2017 retrenchment process at BSCC, which occurred during IFC supervision, the following sections summarize IFC's actions and present CAO's compliance analysis.

In 2015, IFC commissioned a third-party labor consultant to review labor practices at BSCC and APCC. Following a site visit, the consultant reported that TCE was conducting a strategic review of its operations. Should this result in significant redundancies, the consultant emphasized that TCE should take the following steps: (i) develop a retrenchment plan, (ii) handle communication sensitively, including consultation with trade unions, and (iii) keep IFC informed on any significant staff reductions.

In November 2016, TCE informed IFC of a Voluntary Early Retirement Plan (VELP) offered to staff over the age of 55. IFC was told that the terms were discussed with a trade union and included the continuing payment of salary and benefits to staff until their retirement age (60).

In December 2016, IFC and the labor consultant conducted a follow up site visit to review PS2 performance, and the implementation of recommendations made in 2015. During this visit, IFC and the labor consultant interviewed workers who chose to take part in the VELP. The consultant's report notes that interviewed workers viewed the plan as fair and non-contentious.

IFC was also informed during the visit that TCE, due to its financial performance and to develop a performance culture, was implementing a retrenchment initiative. This initiative, which the ADL-02 complaint relates to, was separate to the VELP. This initiative targeted "low performers" aged under 55 and selected workers would receive two months' salary and benefits for each year of service. This is the minimum under Egyptian law. The company also offered to affected workers to register their interest to work as a supplier/contractor to the company and

55 IFC PS2 2006, para 12, and IFC PS2 Guidance Notes (2007). Also, IFC Good Practice Note: Managing Retrenchment, 2005, available at: <https://goo.gl/qxpqNm>.

advance profit share. 30 people were affected by this initiative, 15 at Beni Suef and 15 at the Alexandria cement plant.

At Beni Suef, 15 workers were offered these redundancy terms, of which eight accepted and seven declined.⁵⁶ The company noted that the seven workers who declined the package, organized a strike after which they were suspended pending an internal investigation. In its December 2016 site visit, IFC staff and the labor consultant interviewed some workers not affected by this retrenchment initiative during the site visit, who stated that the selection criteria and terms were not transparent. The labor consultant noted that while the company maintained that the terms were fair and that no worker that did not want to accept the terms had lost their job, the company had referred some cases to the Labor Court. Based on information from the site visit, the labor consultant concluded that the company had not demonstrated that its retrenchment initiative complied with IFC's PS2 requirements. In order to assess PS2 compliance, the consultant noted that additional information was needed on the initiative and its implementation.

Following the visit, TCE requested guidance from IFC on how to remove workers causing problems to replace them with new workers and reduce the number of non-performing contractors. IFC advised TCE to establish a transparent process with clear criteria for retrenchment, engage workers and workers' representatives, and ensure there was fair treatment for all workers due to be dismissed. IFC further provided TCE with its Good Practice Note on Managing Retrenchment and a Guidance Note on PS2 2012.⁵⁷ IFC also requested that, for any future redundancies, IFC be provided with a draft retrenchment plan two months in advance of implementation, including any aspects covered in PS2 and its guidance notes.

In parallel, IFC followed up with TCE to understand the process through which it had developed and implemented the 2016-2017 retrenchment initiative at the company. In order to demonstrate its compliance with PS2, IFC requested that the company provide (a) a written explanation of the offer; (b) mitigation measures applied to affected workers; (c) criteria used to identify affected workers; (d) dates of meetings with affected workers, and those in attendance; and (e) other mitigation measures discussed, such as business support or training.

TCE informed IFC that these redundancies were due to its financial performance and to develop a performance culture. The company summarized the terms of the redundancy package and noted that it informed affected workers in the first week of November with a trade union official present. Workers were selected based on individual performance evaluations and the fact that their roles had grown redundant more than six years earlier. In addition to compensation, the company said the affected workers were offered a transfer to a contractor role.

56 15 workers were also selected for retrenchment at Titan's Alexandria cement plant. Accordingly, 30 workers were affected under this plan.

57 IFC Good Practice Note on Managing Retrenchment and Guidance Note, August 2015: <https://bit.ly/3fNnIM8>

IFC also inquired about the status of the seven workers who declined the terms of the retrenchment initiative.

The company responded that these workers organized a protest in November 2016 at its operations and had been suspended them pending an investigation. Subsequently, the company reported to IFC that an internal investigation supported its decision to suspend the employees and the matter had been referred to the labor court to decide on their dismissal. In response to IFC's query as to whether the workers received their salary while suspended, the company asserted that their salary was deposited with the labor court, as required by law. IFC was informed that the complainants received their salary in February 2017.⁵⁸ In early March 2017, the company reported to IFC that, after discussions with the trade union, the seven affected workers submitted resignation letters in the presence of the union and received the set compensation and attorney fees.

During discussions with CAO, IFC acknowledged that it had not met with the seven workers. However, in 2018 and 2019, IFC met with union representatives and other current workers at the BSCC plant during investment supervision. IFC informed CAO that workers expressed concerns about the way the seven workers were suspended and ultimately dismissed. These included a lack of transparency about why the workers were dismissed and the process involved. IFC did not receive a formal retrenchment plan or a copy of the final agreement reached with the seven workers, despite requesting the agreement from the company.

In July 2017, TCE informed IFC that it was planning a second VELP. IFC provided comments on this early retirement program in advance of its implementation and was satisfied that this second VELP aligned with PS2 requirements. This VELP package provided three months pay for each year of service and additional benefits to workers aged under 55 years.

CAO's compliance analysis

CAO concludes that IFC as aware of and followed up with the company several times regarding the retrenchment of seven workers. Nevertheless, IFC's actions fell short of the Sustainability Policy supervision standard (SP para 26) to provide assurance that the company's actions were in compliance with PS2 (2006) retrenchment requirements (PS2 para.12).

While the complainants and company present conflicting accounts of the suspension and retrenchment, IFC's supervision at the time identified concerns regarding compliance with Performance Standard 2. Specifically, IFC questioned the retrenchment process's transparency, consultation and selection criteria, the exact terms of the package on offer, and mitigation measures offered to affected workers. The company did not provide IFC with the retrenchment plan and evidence that it adequately consulted workers. In this context, IFC's supervision did

⁵⁸ The timing of when the complainants received their salaries during the period of suspension is contested. The complainants contend that their salaries were withheld throughout the period of suspension.

not ascertain that TCE was in compliance with PS2 retrenchment requirements or that the company took action to bring itself into compliance.

Specifically, by failing to obtain and review the retrenchment plan IFC's supervision actions do not demonstrate the company's compliance with the following aspects of PS2 retrenchment standard: (i) the process was transparent and consulted with employees; (ii) the selection criteria were fair; and (iii) there was a documented retrenchment plan for the 30 affected workers. Furthermore, the suspension of seven workers in November 2016, and the transfer of their salaries to the labor court, potentially created a coercive environment in which the complainants had to settle the case. The company and complainants contest when salaries were paid to and received by the complainants. IFC only sought the view of the company at the time.

As a result, CAO notes that there are indications of harm to complainants. CAO has reached this conclusion on the following basis:

- i. other company retrenchment processes before and after the 2016-2017 retrenchment initiative offered more generous severance packages thus raising concerns related to the PS2 requirement on fair treatment (para. 11);
- ii. IFC's failure to demonstrate the retrenchment process and implementation affecting the complainants complied with relevant Performance Standard 2 (para. 12) requirements; and
- iii. the possibility for the labor court to dismiss the seven workers, being physically locked out of the premises and their pay being held in escrow by the labor court, created a potential coercive environment for the complainants to negotiate with the company.

3.3 Occupational, Health & Safety Practices

This section responds to the ADL-02 complaint regarding the company's OHS practices. It assesses the company's general OHS policies as well as the compliance issues raised by the injury of a worker at the plant site and a fatal accident at a sand quarry leased by the company but operated by a contractor.

Summary of key findings:

In relation to the Beni Suef cement facility, CAO finds that IFC's general supervision of the company's compliance with relevant OHS requirements under PS 2 para. 16 was consistent with the Sustainability Policy. PS2 requires the company to "*provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas.*"

IFC's supervision of the injury incident at the plant was adequate. In the context of a CAO complaint on this issue, however, it would have been good practice for IFC to also have discussed the event with the affected worker during its site supervision visits. CAO concludes that the evidence available does not support a conclusion that the company's actions in relation to the injury incident presented a clear non-compliance with PS2 OHS requirements.

Regarding the sand quarry, CAO finds that IFC's supervision did not provide assurance of BSCC's compliance with OHS requirements at the sand quarry it leased for its operations (Sustainability Policy 11 and 26). While IFC assert that they visited the sand quarry in 2014, IFC never documented this visit, nor reviews during subsequent visits, nor an adequate review of the company's OHS performance at the sand quarry. CAO does not make any comment or reach conclusions regarding the underlying facts of the fatality that occurred in January 2017.

3.3.1 Claims and Responses

The complainants maintain that the company does not provide a safe environment for its workers and that workers are frequently injured. The complaint cites an injury to a worker at the cement plant and a fatality at the sand quarry leased by BSCC and other companies as examples of an unsafe work environment.

While the injured worker is a complainant, the family of the deceased did not sign the complaint to CAO. Accordingly, any discussion of the fatality and IFC's response is considered in terms of the company's general OHS performance.

Injured worker case

Injured complainant's view

The complainant worked as a sub-contractor at the client's BSCC cement plant. In October 2015, he was injured while attempting to free an obstruction in a conveyor belt at the plant.

The worker explained to CAO that the blockage needed to be cleared to maintain production. In the absence of a supervisor, he decided to clear the blockage himself. He maintains that he turned off the power to the conveyor belt before attempting to free the blockage, but residual electricity made the belt move, causing a metal rod he was using to bounce off the belt onto his body. He was left with a mark on his face and damage to his hand, which required extensive surgery.

The injured worker acknowledges that the company covered the cost of his treatment and medication. After taking time off to recover, he went back to work but found his former tasks difficult due to the injuries sustained and asked to be assigned less strenuous tasks. He also requested further assistance from the company for his ongoing medical needs. The complainant alleges that this request was denied and he was subsequently dismissed without severance benefits.

Since his dismissal, the former worker claims that his injuries have prevented him from working. He says he requires further medical treatment which the company has refused to fund.

Company's views

The company claims that the injured worker repeatedly violated safety rules at the plant and had received a warning a few months prior to the accident. It maintains that the injured worker did not adhere to safety procedures for isolating the conveyor belt before dealing with the blockage. Despite this, the company paid for his surgery and medication. Regarding the complainant's request for further assistance, the company says it asked him to provide a medical assessment report for the management to review, highlighting new medical procedures and their total cost. The injured worker failed to provide these details to the company.

The company stated that a decision was made to terminate the injured worker's contract on the grounds that he had repeatedly ignored safety rules at the plant. As the worker was not a direct employee of Beni Suef Cement Company, but of a sub-contractor, the company asserts that the sub-contractor was responsible for handling his severance package.

Sand quarry fatality

Complainants' view

The ADL-02 complainants also raised an incident at the sand quarry leased by BSCC that resulted in the death of a truck driver in January 2017. The complainants claim that the driver was praying at a BSCC work site when he was run over by a loader that was reversing. They maintain the death was a result of the company's poor OHS practices and poor security standards.

Company's view

The company explained that the quarry site is a large expanse of land where multiple companies mine sand. Each company's sand pit was not physically demarcated but all user companies knew

where each other's pits started and ended. The quarry is in a rural area inhabited by Bedouins. None of the companies operating there employed external security guards for their respective sites, relying instead on the local Bedouins to keep watch nightly.

BSCC maintains that its quarry operations were not in use on the day of the accident, and that police confirmed the incident did not occur in the company's section of the site. Thus, it contends that the fatality was not connected to any company workers, vehicles or location.

3.3.2 IFC Requirements

Performance Standard 2 requires that IFC clients provide workers with a safe and healthy work environment and take steps to prevent accidents and work injuries by minimizing, so far as reasonably practicable, the causes of hazards in a manner consistent with "good international industry practice" in addition to national legal requirements.⁵⁹ Clients are required to use commercially reasonable efforts to require their contractors to apply PS2 labor and OHS standards.⁶⁰ PS2 also enables workers to raise grievances with their employer using an understandable and transparent process that provides feedback without any retribution.⁶¹

The IFC EHS Guidelines on Occupational Health and Safety (2007) provide further guidance on OHS requirements and their application.⁶² In terms of scope, the Guidelines require that IFC clients hire contractors with the technical capability to manage OHS issues for their employees and apply activities for hazard management through formal procurement agreements.

More broadly, the OHS Guidelines state that work hazards should be minimized through the design of safe work systems and administrative or institutional control measures—such as job rotation, training, lock-out and tag-out procedures, and workplace monitoring.⁶³

According to the Guidelines, onsite prevention and control measures should be based on comprehensive job safety or job hazard analysis. The results of this analysis should be prioritized as part of an action plan based on the likelihood and severity of the consequence of exposure to the identified workplace hazards.⁶⁴

3.3.3 IFC Review and Supervision, and Compliance Analysis

Pre-Investment review

IFC's Environmental and Social Review Summary (ESRS) of TCE's operations, made public prior to the investment's approval, stated that the company had a "well-established and extremely effective" OHS program. IFC noted that the company's injury and accident rates, training procedures, and average hours of OHS training per staff member, were consistent with

59 PS2, 2006, para. 16.

60 PS2, 2006, para. 17.

61 PS2, 2006, para. 13.

62 World Bank Group General Environmental, Health and Safety Guidelines: Occupational Health and Safety. April 2007. <https://bit.ly/3cr4SZq>

63 *Ibid*, Applicability and Approach.

64 World Bank Group General Environmental, Health and Safety Guidelines: Occupational Health and Safety. April 2007, *Applicability and Approach*. <https://bit.ly/3cr4SZq>

global best practice for the cement industry. It also noted that the company's OHS policies and procedures applied to all persons at its facilities, including employees, contractors, casual workers, and visitors. IFC also stated that the company sourced silica from a sand quarry where the *"Quarry design, management and OHS are excellent."*⁶⁵

No OHS-related remedial action items were included in the Environmental and Social Action Plan (ESAP) that IFC agreed with TCE.

Supervision

General OHS supervision

Successive IFC supervision reports noted that TCE's health and safety records and general OHS performance at its cement plants were satisfactory and that PPE usage was adequate.

In October 2015, the labor consultant commissioned by IFC noted that accident statistics at the company were good, with no significant accidents reported. The consultant also noted that workers demonstrated a high level of awareness of the company's OHS policy and that workers with prior experience at other Egyptian companies reported a stronger OHS culture at BSCC in comparison with others.

The labor consultant also noted that TCE contractors were required to follow safety standards at the plant. He reported shortcomings in the contractor's safety performance and recommended that the company implement enhanced OHS training program for contractors and introduce closer supervision of the contractor's performance.

In December 2016, IFC and the labor consultant conducted a follow-up site visit during which the consultant trained TCE staff on contract management. Based on this visit, the consultant noted that OHS was a key part of staff induction and ongoing training, staff and contractors were strongly aware of OHS issues, and staff valued the company's safety culture. IFC recommended that TCE identify the PS2 aspects that contractors found most difficult to apply and that posed the highest risk to workers, and then develop a support program for contractors on these issues.

IFC's supervision documentation from 2017 to 2019 records continuing positive views of the company's OHS performance, including the integration of safety practices into company culture and a high level of safety awareness, which cascaded down to contractors.

CAO finds that IFC's general supervision of the company's compliance with relevant OHS requirements under PS 2 para. 16 was consistent with the Sustainability Policy. PS2 requires the company to *"provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas."*

65 IFC Project Disclosure: Titan Egypt (No. 30274) – Environmental and Social Review Summary: <https://disclosures.ifc.org/#/projectDetail/ESRS/30274>

Injured worker case

The injured worker incident occurred in October 2015. As part of its annual E&S reporting to IFC, in April 2016, TCE reported the incident, cause, and corrective measures to prevent reoccurrence. The company informed IFC that the worker violated the site's Lockout-Tagout-Tryout (LOTOTO) safety procedure, sustaining injuries to his face and hand. IFC also received the company's internal investigation report of the incident. IFC's view was that the company had taken the appropriate steps to investigate the worker's violation and prevent its reoccurrence.

During CAO's compliance investigation visit, the company provided CAO with a copy of its investigation report on the accident. This stated that the injured worker had attempted to release a blockage on the feed line without following the company's lockout procedure. The worker had removed protective screening to access the pinch point on the line while it was still "live." He then tried to dislodge the blockage with a metal bar which, due to the line being "live," rebounded and resulted in severe injury to his face and hand.

The company's internal investigation report concluded that safety rules should never be ignored and recommended a safety event for its direct and indirect workers to reinforce OHS practices.

CAO notes that the company's and worker's accounts differ in significant respects. The worker did not refer to the removal of protective screening and stated to CAO that he had turned off the power supply to the line before attempting to unblock it. He also asserted that pressure to meet production quotas had led to instances of workers circumventing safety procedures.

Following submission of the ADL-02 complaint, in April 2017, IFC followed up with the company on this incident. The company provided a similar summary to that described above, and affirmed that it had covered the worker's treatment expenses. BSCC also informed the contractor that the worker was not permitted to reenter the premises as he had violated safety rules. The company stated to IFC that the worker had violated plant safety rules six months before the incident and had been issued a warning letter.

Following a recovery period, the company confirmed that the worker returned to work but was not allowed to engage in any site activities. After a company investigation noted the worker's serious OHS violation, BSCC's safety steering committee informed the worker's contracting firm that he was not to return to the plant. Consequently, he was dismissed by his contracting firm.

During its investigation, CAO observed the following:

- a) The company had a written standard operating procedure (SOP) which addressed the task that resulted in the worker's injury. The SOP was included in the company's OHS manual at the site;⁶⁶
- b) Training and refresher training are regularly carried out with workers on the conveyor belt (and records kept), whether they are permanent employees or contractors;

66 Company's OHS documentation provided during CAO's investigation site visit.

- c) The injured worker was a long-term contract employee and had received regular training on the conveyor belt equipment, according to records;
- d) The injured worker had previously been reprimanded for another incident, where he directed others to conduct maintenance on equipment without following the necessary lockout procedures. He was issued with a warning for general disregard of the guidelines in place, both for his own safety and that of his co-workers. This was confirmed during CAO's investigation interviews by the site-level union representative, who was concerned about the risk posed to union members by unsafe operations;
- e) CAO notes that pressure from production quotas to skirt established safety procedures is the most frequent cause of violations. However, according to the company health and safety supervisor, there was no "rush" on the work involved in this operation that might have put pressure on the worker to clear the conveyor belt blockage with undue haste.
- f) Regarding financial support to cover further medical treatment, the company indicated its willingness to support the injured worker. However, it noted that the complainant would need to provide proof of the treatment required and details of the facility that would provide the treatment, and that payment would be made directly to the service provider.

CAO concludes that the evidence available does not support a conclusion that the company's actions presented clear non-compliance with PS2 OHS requirements.

CAO concludes that IFC's supervision of the injured worker issue was adequate. IFC made inquiries with the company and reviewed the company's internal investigation report in order to ensure the issue was documented appropriately and corrective actions identified. In the context of a CAO complaint on this issue, however, it would have been good practice for IFC to also have discussed the event with the affected worker during its site supervision visits.

Supervision of sand quarry and fatality

During IFC's investment, and at the time of the fatality, BSCC held the lease to part of a sand quarry located 35 kilometers from its cement plant. The company told CAO that the site was a large expanse of land with different companies holding concessions to excavate raw materials from different portions of the site. Each individual "quarry site" was not physically demarcated from the others. BSCC used a contractor to carry out quarry activities, and the contractor was required to follow the company's OHS policies and procedures. Since the quarry was a company work site, BSCC was required to apply IFC Performance Standard 2 and IFC EHS Guidelines on Occupational Health and Safety to this operation.

IFC's supervision documentation does not record any site visits to the sand quarry.⁶⁷ IFC's 2014 site visit report noted that IFC discussed with the company its quarry activities. In relation to the sand quarry, IFC noted that had initiated a quarry rehabilitation study but its completion had been delayed due to security concerns in the area. The IFC report also states that human pressure, caused by an influx of Bedouins and agricultural activity, was impacting the company's

⁶⁷ IFC staff noted to CAO that they did visit the sand quarry in 2014, however, this is not documented in IFC's supervision report

operations. It did not record specific concerns about OHS practices at BSCC's sand quarry operations.

The accident occurred in January 2017 and IFC learned of it after the CAO complaint was filed a month later. In April 2017, IFC contacted the company, asking for more information about the fatality. BSCC said the incident was not connected to its quarry activities nor to any of its contractors. It informed IFC that an investigation had been conducted and that a police report corroborated its findings.

The company ceased using the sand quarry in 2018.

CAO discussed the fatality with BSCC during its investigation site visit. The company's report of the incident stated that its section of the sand quarry was not in operation the day the fatality occurred. However, company noted that the BSCC plant security manager, along with representatives of other companies operating in the area, were contacted by locals guarding the quarry site at the time the incident occurred. The company stated that the notification came around midnight and that its security manager went to the site as soon as possible. When he arrived, the entire area had been cordoned off by police and the security manager was unable to inspect the company's section of the quarry site. However, the police and local people at the site provided the manager with multiple conflicting stories of how and where the incident had occurred. BSCC maintained to CAO that it was assured by the police that the accident was not connected to the company's part of the site. Following the incident, BSCC conducted a safety audit of the site and has since shut down its operations at the sand quarry.

CAO does not make any comment or reach conclusions regarding the underlying facts of the fatality that occurred in January 2017.

CAO finds that IFC's supervision did not provide assurance of the company's compliance with OHS requirements at the sand quarry it leased for its operations (Sustainability Policy 11 and 26). Specifically, in relation both to BSCC's general operations at the sand quarry and the fatal incident, CAO has not found evidence that IFC assured itself of the company's compliance with PS2 para. 16. This requires the company to "*provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client's work areas.*" IFC never documented a visit to the sand quarry nor document an adequate review the company's OHS performance at the quarry. Considering the nature of the site, a closer assessment of the implementation of relevant safety procedures was warranted to provide assurance of the company's compliance with IFC's OHS requirements. CAO readily acquired more detailed information about the sand quarry and the January 2017 incident when it asked specific questions during its investigation visit. CAO finds that IFC's supervision responsibilities required that it seek a more complete explanation of the situation and details of the incident to assure itself of BSCC compliance with OHS requirements.

4. Conclusion

CAO's compliance investigation considered IFC's application of the Performance Standards in relation to complainants' concerns about Beni Suef Cement Company, a subsidiary of TCE – an IFC client from 2010-2021. The complaints covered three areas: retrenchment programs in 2002-2003 and 2016-2017, and occupational health and safety practices at TCE's Beni Suef cement plant. This investigation report identifies gaps in IFC pre-investment review and supervision in relation to the issues raised by the complainants—all former workers.

2002-2003 retrenchment program: Considering that several hundred workers were affected, and that legal cases were ongoing during IFC's pre-investment review, CAO finds that this issue should have been considered a “significant historical impact” of the project under para. 13 of the Sustainability Policy. IFC was not compliant with this requirement because it did not explicitly recognize the disputes over the retrenchment program, did not conduct the necessary assessment of this issue and did not work with TCE to identify possible remediation measures. Furthermore, during supervision of its TCE investment, IFC did not address the ongoing concerns raised by people affected by the retrenchment program as an environmental and social issue. Through protests at the company's facility and ongoing legal cases, this issue was live during the period of IFC's investment supervision. CAO finds that this inaction makes IFC noncompliant with the Sustainability Policy requirement (para. 11 and 26) to monitor client companies' compliance with national E&S law.

2016-2017 retrenchment program: CAO concludes that IFC as aware of and followed up with the company several times regarding the retrenchment of seven workers in 2016-2017. However, in not obtaining and reviewing the retrenchment plan, IFC's actions fell short of the Sustainability Policy supervision standard (SP para 26) to provide assurance that the company's actions complied with PS2 retrenchment requirements (PS2 2006, para.12). CAO concludes that the evidence available indicates harm to these complainants.

Occupational health and safety: CAO finds that IFC's supervision of BSCC to assure the company met relevant OHS requirements under Performance Standard 2 para. 16 was generally adequate. IFC's supervision of the injury incident at the plant was adequate. With respect to OHS concerns about the sand quarry, CAO finds that IFC's supervision did not provide assurance of BSCC's compliance with OHS requirements at the portion of the quarry it leased for its operations (Sustainability Policy 11 and 26). CAO does not make any comment or reach conclusions regarding the underlying facts of the fatality that occurred in January 2017.

It is important to focus on lessons learned from this investigation, particularly regarding a long-standing and contentious large-scale retrenchment. Going forward, IFC will likely continue to play a critical role in a range of energy-intensive industries in which retrenchment may be a prominent factor as part of economic transition. A situation similar to the subject of this investigation has the potential to recur in Egypt and other markets in which IFC operates.

As a result, while CAO notes that IFC is no longer an equity holder in TCE, and therefore is no longer equipped with rights to take direct action, CAO believes there is merit in IFC utilizing its good offices to directly engage with the company on the compliance findings and recommendations of this report. In addition, there may be opportunities for IFC to engage with pertinent labor organizations to help ensure it can identify in-country retrenchment practice. In particular, IFC could benefit from support in understanding the current and prospective state of relevant judicial and administrative decisions in Egypt, and how these relate to International Labour Organization and PS2 requirements.

Recommendations CAO makes the following recommendations to IFC to consider in developing its Management Action Plan (MAP) in response to this investigation. In making these recommendations, CAO is cognizant of the fact that IFC exited its exposure to Beni Suef Cement Company in February 2021. CAO recommends that IFC:

- Encourage continued dialogue among the relevant parties to resolve the outstanding issues related to the 2002-2003 retrenchment and related job losses;
- Identify and pursue options to work with Titan Cement Egypt to review and engage with complainants' grievances about the 2016-2017 retrenchment program, and to identify gaps in the implementation process related to Performance Standard 2 requirements. If the workers affected by that process received less favorable benefits than the Performance Standards expects, IFC should propose remedial actions to TCE.
- Engage with competent labor organizations with expertise on Egyptian labor law in order to support ongoing and new investments in Egypt. Focus on understanding and encouraging appropriate retrenchment practices among industry sectors, and on understanding the current state of E&S national law, its implementation, the degree to which PS2 aligns with such law, and, where there are gaps in alignment, how these might be addressed.

In response to this investigation, IFC is required to follow the CAO Policy and CAO Transitional Arrangements. Specifically, IFC is required to submit a Management Report to the Board stating the actions proposed in response to CAO's findings or IFC's reasoned response to findings it is unable to address.

Annex A: CAO Compliance Findings

Retrenchment Program (2002-2003)

Considering the number of workers affected by the 2002–2003 retrenchment program and the ongoing legal cases at the time of IFC’s pre-investment review, CAO finds that IFC should have considered this issue a “significant historical impact” of the project under para. 13 of its Sustainability Policy. Under this designation, IFC was required to conduct an assessment of the issue and work with Titan Egypt to identify possible remediation measures. IFC’s lack of attention to the 2002-2003 retrenchment program was not compliant with this requirement.

During the period of IFC’s investment supervision, CAO finds that IFC did not address the concerns raised by people affected by the 2002-2003 retrenchment program. However, this was an E&S issue that IFC was required to monitor in accordance with its Sustainability Policy (para. 11 and 26).

Retrenchment Program (2016-2017)

CAO concludes that IFC as aware of and followed up with the company several times regarding the retrenchment of seven workers in 2016-2017. However, by not obtaining and reviewing Beni Suef Cement Company’s retrenchment plan, IFC’s actions fell short of its Sustainability Policy supervision standard (SP para 26) to provide assurance the company’s actions complied with Performance Standard 2 retrenchment requirements (PS 2006, para. 12).

Occupational Health and Safety:

In relation to the Beni Suef cement facility, CAO finds that IFC’s general supervision of the company’s compliance with relevant OHS requirements under PS 2 para. 16 was consistent with the Sustainability Policy. PS2 requires the company to “*provide the workers with a safe and healthy work environment, taking into account inherent risks in its particular sector and specific classes of hazards in the client’s work areas.*”

IFC’s supervision of the injury incident at the plant was adequate. In the context of a CAO complaint on this issue, however, it would have been good practice for IFC to also have discussed the event with the affected worker during its site supervision visits. CAO concludes that the evidence available does not support a conclusion that the company’s actions in relation to the injury incident presented a clear non-compliance with PS2 OHS requirements.

Regarding the sand quarry, CAO finds that IFC’s supervision did not provide assurance of BSCC’s compliance with OHS requirements at the sand quarry it leased for its operations (Sustainability Policy 11 and 26). While IFC assert that they visited the sand quarry in 2014, IFC never documented this visit, nor reviews during subsequent visits, nor an adequate review of the company’s OHS performance at the sand quarry. CAO does not make any comment or reach conclusions regarding the underlying facts of the fatality that occurred in January 2017.

Annex B: CAO Recommendations

CAO recommends that IFC:

- Encourage continued dialogue among the relevant parties to resolve the outstanding issues related to the 2002-2003 retrenchment and related job losses.
- Identify and pursue options to work with Titan Cement Egypt to review and engage with complainants' grievances about the 2016-2017 retrenchment program, and to identify gaps in the implementation process related to Performance Standard 2 requirements. If the workers affected by that process received less favorable benefits than the Performance Standard expects, IFC should propose remedial actions to TCE.
- Engage with competent labor organizations with expertise on Egyptian labor law in order to support ongoing and new investments in Egypt. Focus on understanding and encouraging appropriate retrenchment practices among industry sectors, and on understanding the current state of E&S national law, its implementation, the degree to which PS2 aligns with such law, and, where there are gaps in alignment, how these might be addressed.