



STAKEHOLDER ASSESSMENT

Regarding Labor Rights Concerns at Standart Profil, Turkey

February 2nd, 2009

*Office of the Compliance Advisor/Ombudsman
International Finance Corporation/
Multilateral Investment Guarantee Agency
www.cao-ombudsman.org*

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LIST OF ACRONYMS

CAO	Office of Compliance Advisor/Ombudsman
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
TÜRK-İŞ	Confederation of Turkish Trade Unions
Petrol-İş	Petroleum Chemical Rubber Workers' Trade Union of Turkey
Standart Profil	Standart Profil Otomotiv San. Tic. A.Ş.
PS2	IFC Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information Standards 2: Labor and Working Conditions

1. Introduction

The Office of Compliance Advisor/Ombudsman (CAO) is the independent recourse mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group. The CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by projects in a manner that is fair, objective, and constructive and to enhance the social and environmental outcomes of projects in which IFC and MIGA play a role. In the first instance, complaints are responded to by the CAO's Ombudsman function.

This document is a record of the CAO's assessment process and recommendations of actions to a satisfactory resolution.

1.1. The Request for Assistance

On September 9, 2008 the CAO received a letter of concern from TÜRK-İŞ, on behalf of Petrol-İş and workers of Standart Profil, regarding labor and working conditions at Standart Profil, specifically rights of association and restrictions on formation of a labor union.

The letter was deemed eligible for assessment on September 22, 2008 and confirmation was sent to the complainants and to the IFC project team in order for them to notify Standart Profil that the complaint met all three of the CAO's following eligibility criteria for further assessment:

1. The complaint pertains to a project that IFC/MIGA is participating in, or is actively considering.
2. The issues raised in the complaint pertain to the CAO's mandate to address environmental and social impacts of IFC/MIGA investments.
3. The complainant (or those whom the complainant has authority to represent) may be affected if the social and/or environmental impacts raised in the complaint occurred.

1.2. The Project

The complainant references IFC loans approved on April 20, 2006¹ and June 21, 2007². The latter loan was expected to be an "A Loan" of €22 million to support Standart Profil, a key player in the Turkish auto parts sector, a high growth sector with both local and export capabilities and high employment potential.

According to the latter project's Summary of Proposed Investment³, Standard Profil, established in 1977 and headquartered in Istanbul, is the largest manufacturer of automotive sealing systems in Turkey. Its product line includes a wide range of rubber seals such as door seals, trunk seals, engine cover seals and rear window gaskets.

¹ Summary of Proposed Investment (SPI) Project ID # 24940, 3 March, 2006;

² Summary of Proposed Investment (SPI) Project ID # 26098, 18 May, 2007;

³ Summary of Proposed Investment (SPI) Project ID # 26098, 18 May, 2007;

These products are sold to various Original Equipment Manufacturers (OEMs) in the automobile industry who use them in the vehicle production process. The company's Turkish production facilities are located in Duzce, 200 km east of Istanbul and consist of two campuses and five plants

Standart Profil is an established private Turkish company owned by financial investors. Bancroft II, L.P. a private equity fund, is the controlling shareholder of SP. IFC also has shareholding in the company from a previous involvement⁴.

The latter investment is expected to support innovation through the company's R&D capacity that creates employment opportunities for highly skilled technicians within Turkey. The investment is expected to create value in Turkey by supporting a local company growing into a leading player in the European market.

IFC's role in this transaction includes;

- Supporting the Turkish automotive parts sector by funding a local company that is competitively and geographically well-positioned to serve European markets;
- Providing global industry expertise to the company.

This is a project with minor environmental issues, related to emissions to air and water, energy use, effluent treatment and disposal and solid waste management. The most important social issues are related to labor and working conditions and occupational health and safety. Potential adverse impacts are minor and readily mitigable; this is an Environmental Category B project.

As for policies and guidelines applicable to this project; in the Environmental and Social Review Summary⁵, IFC identified the following Performance Standards as the most important standards;

- PS1: Social and Environmental Assessment and Management Systems;
- PS2: Labor and Working Conditions;
- PS3: Pollution Prevention and Abatement;
- PS4: Community Health, Safety and Security.

⁴ Summary of Proposed Investment (SPI) Project ID # 24940, 3 March 2006;

⁵ Environmental & Social Review Summary (ESRS) Project ID # 26098, 18 May, 2007

2. CAO Assessment

2.1 Site Visit Itinerary

As part of its assessment process, a CAO Ombudsman Team; Amar Inamdar, Principal Specialist, Ombudsman, CAO; Hasip Kurt, Mediator, Consultant, CAO and Volkan Bayram, Research Analyst, Consultant, CAO; visited Standart Profil in Istanbul, Turkey, as well as Petrol-İş and TÜRK-İŞ on behalf workers, and IFC Istanbul Office to discuss their interest and perspectives on the issues raised in the complaint in September 2008. Additionally, the CAO Ombudsman team held meetings with other stakeholders and independent subject matter experts to get a broad view of the situation and issues at stake. The itinerary was the following:

Tuesday, 11 November 2008 – Istanbul, Turkey

08:30 – 10:00 Meeting with Didier Fohlen, Principal Environment and Social Development Specialist Europe, Central Asia, Middle East, IFC.

10:30 – 12:00 Meeting with representatives of complainant communities; Pevrul Kavlak, Organizing Secretary of TÜRK-İŞ; Mustafa Oztaskin, President of Petrol-İş; Hakan Kocak, Organizational Responsible of Petrol-İş; Yalcin Aksakal, Legal Consultant of Petrol-İş.

13:30 – 15:00 Meeting with other unions' leaders; Refik Baydur, President of Chemical, Petroleum, Rubber and Plastic Industries Association of Turkey; Ali Nafiz Konuk, Chairman of Turkish Glass Employers Association; Salih Kilic, Former President of TÜRK-İŞ.

15:30 – 17:00 Meeting with Standart Profil management; Andreas Engel, Chief Executive Officer of Standart Profil; Rifat Kamhi, Former President and Founder of Standart Profil

Wednesday, 12 November 2008 – Istanbul, Turkey

10:00 – 11:00 Meeting with Shahbaz Mavaddat, Director, IFC Southern Europe & Central Asia, IFC.

11:30 – 12:30 Meeting with an independent subject matter expert Atakan Tanis, Istanbul Region Labor Manager of Ministry of Labor and Social Security, Turkey.

15:30 – 17:30 Meeting with Human Resources Department personnel of Standart Profil, Ali Guvenc, Personnel and Administrative Affairs Manager, Standart Profil, three other HR staff and Hakan Ozcan, Chief Operating Officer of Standart Profil Duzce Plant.

The CAO team held the meetings on Tuesday and Wednesday in full. The subsequent meetings of the following days given below are held by CAO Team member Hasip Kurt in confidence separately with all parties.

Subsequent Meetings of Hasip Kurt:

13 – 20 November 2008 – Kocaeli, Turkey

Separate meetings with local businessmen, other local union leaders, suppliers and both outsourced and staff workers of Standart Profil, in confidence.

17 – 19 November 2008 – Kocaeli, Turkey

Separate meetings with the official representatives and regional managers of labor relations of Kocaeli Province, in confidence.

Monday, 1 December 2008 – Duzce, Turkey

Unofficial site visit and meetings with Standart Profil Duzce plant managers, Ali Guvenc, Personnel and Administrative Affairs Manager and Hakan Ozcan, Chief Operating Officer of Standart Profil Duzce Plant.

Tuesday, 2 December 2008 – Istanbul, Turkey

14:00 – 15:00 Meeting with Mustafa Oztaskin, President of Petrol-İş.

3. Recommended Actions

Based on discussions and information received during the assessment period from leaders and representatives of affected TÜRK-İŞ and Petrol-İş unions on behalf of workers; Standart Profil management and human resources department staff; IFC; relevant official institutions' representatives; and independent subject matter experts, the issues explained in the complaint to the CAO appear to fall within one topic; PS2: Labor and Working Conditions.

Based on the assessment, CAO recommended that Standart Profil take the following actions:

Action 1: Promote Awareness of PS2 Details in the Workplace

Standart Profil should promote awareness of IFC Performance Standards 2 on Labor and Working Conditions, in the workplace through improved visibility.

Standart Profil will make visible, in the workplace, standardized statements of core labor standards (in line with PS2) in a way that is easily understood by workers.

Action 2: Training of Workers and Management

CAO will assist workers and management to implement a training program to ensure effective application of IFC's PS2 requirements on labor and working conditions.

Standart Profil management as well as workers will benefit from training to enhance understanding of PS2. CAO will identify a suitably qualified consultant to complete the tasks.

Action 3: Labor Audit of IFC

In consultation with CAO and IFC, Standart Profil should implement an independent labor audit within 6 months to provide assurance to Standart Profil management, IFC and the CAO of adherence to IFC's core labor standards.

The principal parties reported CAO that these recommended actions provided satisfactory resolution of the complaint. CAO is working with IFC and Standart Profil to implement these actions. CAO will continue to monitor the process to its completion.