



## CAO Progress Report— Zalagh-01/Tiddas/Morocco

*This report provides an update of the CAO dispute resolution process in relation to IFC's investment in Zalar Holding in Morocco*

### SUMMARY

In March 2016, CAO received a complaint related to Zalar Holding S.A. (“Zalar,” formerly called Zalagh Holding S.A., or the “Company”), a poultry producer in Morocco supported by the International Finance Corporation (IFC). The complaint alleges that the installation of a poultry hatchery in the village of Ristou is causing environmental impacts for residents while not employing enough local residents or investing adequately in the local community. During a voluntary dispute-resolution process facilitated by CAO, representatives of the community and Zalar exchanged information about the environmental management of the Company and agreed to closely cooperate in the Company’s implementation of community-identified development projects.

This Progress Report provides an overview of the IFC project and complaint and gives an account of the process and outcome of this CAO-convened dialogue.

### BACKGROUND

#### The Project

According to IFC, Zalar is an industrial poultry producer present across the entire poultry meat value chain. The IFC’s 2013 equity investment was aimed at financing a three-year expansion to strengthen Zalar’s position in the Moroccan poultry sector and reinforce its integration across the poultry value chain.

#### The complaint

In March 2016, a complaint was filed with CAO on behalf of a coalition of local organizations. The complainants alleged that the installation of

a poultry hatchery in their village was causing environmental and social impacts in the village, notably air pollution and health issues for residents, and disturbance of children at an adjacent school. Complainants further expressed concern that the Company was not employing enough local residents, nor investing adequately in the local community.



*CAO meets with local villagers in Ristou during the assessment trip (June 2016).*

### CAO’S ASSESSMENT OF THE COMPLAINT

The purpose of CAO’s Assessment is to clarify the issues and concerns raised by the complainants; to gather information, as appropriate, on how other stakeholders see the situation; and to determine whether the complainants and the Company would like to pursue a CAO Dispute Resolution process, or the complaint will proceed to CAO Compliance for appraisal of IFC’s performance.

CAO visited the village of Ristou and met with local villagers and the Company in June 2016. After further discussions, both the

complainants and the Company chose to engage in a voluntary dispute resolution process facilitated by CAO in November 2016. For more information on the assessment phase, please refer to the Assessment report available here: [http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=244](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=244).

## CAO'S DISPUTE RESOLUTION PROCESS

### The dialogue process

Starting in November 2016, CAO worked with the parties to plan the dialogue, and in December, the parties agreed on a set of ground rules that set out, among other aspects, who would represent the community and the Company in the process, principles of engagement such as good faith, and the roles and responsibilities of the parties and of CAO.

Over a period of four months, CAO interacted with the parties both jointly and separately to assist the parties in working toward a mutually acceptable agreement.

During this time, the Company expressed a desire to invest in the relationship with the local village. Further, the Company expressed a willingness to explain the environmental and social management of its ISO-certified plant to local villagers and stressed that its operations had been extensively reviewed by Moroccan authorities, who found them in compliance with relevant regulations.

The Company and the community representatives also expressed a shared

desire for improved communication and cooperation between them.



*Representatives of the community and the Company after a joint meeting in February 2017, pictured here with the CAO mediator.*

### Reaching Agreement

In February 2017, the Company and community representatives reached an agreement that sets out:

- The Company's commitment to adhere strictly to environmental regulations. The Company further committed to sharing relevant government permits and independent expert audits regarding the environmental performance of its operations with the community representatives.
- The Company's commitment to prioritize hiring local community members from the Ristou, Tiddas, and Maaziz villages.
- The establishment of a dialogue committee that will meet at least once a year to discuss issues of concern or common interest, including community priorities for development projects for the Company to support.
- The Company's commitment to a five-year plan to carry out community benefit projects responding directly to priorities identified by community representatives each year. In the context of this five-year

plan, the Company committed to finance projects worth up to 100,000 dirhams per year.

[http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=244](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=244)

Copies of the Agreement are posted on CAO's website in French, Arabic and English.

### Monitoring implementation

In keeping with CAO's Operational Guidelines, CAO assists the parties in ensuring the agreement's smooth implementation, sustainability, and success.

The community-identified development project for the first year of cooperation was the purchase of a bus to allow village children to be safely transported to a nearby middle school. The parties successfully carried out this project in June 2018, when the Company transferred the property of a bus to the association created by the community representatives and delivered the bus to the villagers.



*Community members in front of the bus purchased by the Company to allow children to be transported to a nearby school.*

### **NEXT STEPS**

The parties will now start the discussion regarding the community development project for the second year of cooperation. CAO will monitor the implementation of such project.

All documentation relevant to this case is available on CAO's website at: