



STAKEHOLDER ASSESSMENT

***Complaint regarding Labor Rights Concerns at
Assan Alüminyum, Turkey***

July 22, 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
Türk Metal	Metal Workers Union of Turkey
Assan Aluminum	Assan Aluminyum 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
ESRS	Environmental and Social Review Summary of IFC
ESAP	Environmental and Social Action Plan of IFC

1. Introduction

The Compliance Advisor Ombudsman (CAO) is the independent recourse mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The CAO reports directly to the President of the World Bank Group. Its mandate is to address complaints brought by communities or individuals affected by IFC or MIGA projects in a fair, objective, and constructive manner, and to enhance the social and environmental outcomes of these projects.

Upon determining that a complaint meets the specified criteria for a CAO intervention, the CAO Ombudsman conducts an assessment of the situation to clarify the issues, facilitate communication between the parties about their perspectives and interests, and help them identify opportunities for resolution.

This document is a record of the approach the CAO has taken to address the complaint, and the outcomes of the CAO's approach.

1.1. The Complaint

On October 17, 2008, the CAO received a complaint from TÜRK-İŞ, the Confederation of Turkish Trade Unions. This complaint was filed on behalf of Turk Metal, the Metal Workers Union of Turkey, and workers of Assan Aluminum. The complaint raised concerns about restrictions on workers' rights of freedom of association and collective bargaining at Assan Aluminum.

The complaint was deemed eligible for assessment on October 27, 2008.

1.2. The Project

The complaint refers to an IFC loan to Assan Aluminum. The loan was under initial stages of appraisal by IFC at the time the complaint was received. Assan Aluminum is a formerly state-owned aluminum sheet, coil and foil manufacturer that was acquired in 2005 by the family-owned Kibar Group (Kibar). Assan Aluminum is located in Dilovasi-Gebze, in the Marmara region of Turkey, approximately 40 kilometers from Istanbul.

The project under consideration by IFC is a \$150 million investment program to modernize, upgrade and expand Assan Aluminum's existing capacity to enhance the sponsor's global competitiveness, introduce more efficient production processes and reduce operating costs through energy savings.

More information about the project and its sponsor is available in IFC's Summary of Proposed Investment and Environmental and Social Review Summary¹.

¹ IFC Summary of Proposed Investment (SPI), IFC Environmental and Social Review Summary (ESRS), Project ID # 26648, 11 August, 2008, available at www.ifc.org/projects

2. CAO's Approach

As CAO received the complaint during IFC's appraisal phase, CAO notified IFC of the complaint, and gave IFC an opportunity to complete its own due diligence before considering more. This gave IFC the opportunity to address the issues raised in the complaint as part of the institution's environmental and social due diligence process. IFC has now completed its due diligence, which included a third party labor assessment at Assan Aluminum's Tuzla and Dilovasi manufacturing sites.

The labor assessment addressed all elements of IFC's Performance Standard on Labor and Working Conditions including the management / worker relationship, workers' right to join a workers' organization, and the effectiveness of workers' grievance mechanisms. As part of this process, management representatives, workers and workers' representatives were interviewed individually and in groups. As part of the labor assessment, an interview with a representative of the Turkish metal workers' union, Metal-Is, was equally carried out.

Based on its due diligence, IFC prepared an Environmental and Social Review Summary (ESRS)² and agreed with Assan Aluminum on an Environmental and Social Action Plan (ESAP)³, which are disclosed on IFC's website.⁴

2.1 IFC's Environmental and Social Review Summary (ESRS)

IFC's due diligence and findings are summarized in IFC's Environmental and Social Review Summary (ESRS), incorporating findings of the third party labor assessment. IFC's ESRS addresses numerous labor issues. Below are excerpts that are most directly relevant to this complaint:

Regarding worker's organizations:

Assan's management has stated to IFC that each employee is free to join a worker organization. Some workers, now a minority of employees, are union members, and at the Dilovasi plant trade union membership has declined since 2005 to the extent that union membership is below the threshold at which an employer is required by Turkish law to negotiate a collective bargaining agreement. Historic anti-union activity has been alleged, though the third party audit identified no evidence of suppression of freedom of association. Going forward, freedom of association will be supported in the following ways:

- (i) Assan will ensure its Human Resources Policy explicitly includes that the Company respects freedom of association (see ESAP item 4);*
- (ii) The revised Human Resources Policy will be explained to Assan's workforce through a program of training designed to raise awareness of the rights and responsibilities imposed on both the Company and*

² IFC Environmental and Social Review Summary (ESRS), Project ID# 26648, March 31, 2009

³ IFC Environmental and Social Action Plan (ESAP), Project ID #26648, February 11, 2009

⁴ On www.ifc.org/projects, search for project number 26648, IFC's ESRS includes a link to the ESAP under the "client documentation" tab.

employees by the Human Resources Policy. (see ESAP items 6 and 7).

2.2 IFC's Environmental and Social Action Plan

The Environmental and Social Action Plan sets out required corrective actions that IFC and Assan Aluminum have agreed and incorporated in the loan agreement. Again, while the Action Plan contains numerous items relating to labor issues, only excerpts of those most relevant to the complaint are repeated below.

Assan Aluminyum (26648), Environmental and Social Action Plan			
Item	Action	Completion Indicator	Timetable
PS2: Labor and Working Conditions			
4	Assan will ensure its Human Resources Policy makes reference to the right of freedom of association. The policy will be published at all plants, specifying rights and duties as an Assan employee and management staff.	Revised Policy provided to IFC and evidence presented that it has been published at all plants.	Condition of Disbursement
5	Assan will ensure its Human Resources Policy confirms that the Company is an equal opportunity employer and does not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements	Revised Policy provided to IFC and evidence presented that it has been published at all plants.	Condition of Disbursement
6	Assan will make visible in the workplace standardized statements of core labor standards, in a manner easily understandable by workers;	Evidence of publication presented to IFC.	Condition of Disbursement
7	Assan will train all employees on Human Resources Policy and rights and duties of Assan employee. This will include material on the right of freedom of association	(i) Training done at all plants. (ii) Labor Audit to confirm presence of freedom of association undertaken by a third party.	(i) April 31 st , 2009 (ii) July 31 st , 2009
9	Assan will ensure that worker representatives are elected by employees in all plants. (i) Train workers on workers representatives' rights and duties. (ii) Election of worker representative in Dilovasi plant.	(i) Assan present the training program done. (ii) Present election records and description of election process.	(i) July 31 st , 2009 (ii) December 31 st , 2009

3. Outcome and the Next Steps

Action items included in the ESAP are IFC lending requirements that Assan Aluminum has agreed to.

CAO is satisfied with the findings of IFC's due diligence, and action items set out in the ESAP; and shared this information with the complainants on May 18, 2009. CAO will monitor the successful implementation of these action items.