

TÜRK TRAKTÖR PROJECT

REQUEST NUMBER: 2015/03

Compliance Review Monitoring Report I – May 2018

The Project Complaint Mechanism (PCM) is the independent accountability mechanism of the EBRD. PCM provides an opportunity for an independent review of complaints from one or more individual(s) or organisation(s) concerning an EBRD project, which allegedly has caused, or is likely to cause harm. PCM may address Complaints through two functions: Compliance Review, which seeks to determine whether or not the EBRD has complied with its Environmental and Social Policy and/or the project-specific provisions of the Public Information Policy; and Problem-solving, which has the objective of restoring a dialogue between the Complainant and the Client to resolve the issue(s) underlying a Complaint without attributing blame or fault. Affected parties can request one or both of these functions.

For more information about PCM, contact us or visit www.ebrd.com.

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How to submit a complaint to the PCM

Complaints about the environmental and social performance of the EBRD can be submitted by email, telephone or in writing at the above address, or via the online form at:

<http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism/submit-a-complaint.html>

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NOTE: Unless otherwise defined, capitalised terms used in this Compliance Review Monitoring Report refer to terms as defined in the PCM Rules of Procedure.

Executive summary

This is the first Compliance Review Monitoring Report of the Project Complaint Mechanism (PCM) regarding the Complaint on the Türk Traktör Project in Turkey (the Project). Following a review of the Bank's compliance with its 2008 Environmental and Social Policy (ESP), the Compliance Review Expert made nine findings of non-compliance in respect of the grounds set out in the Complaint, including with respect to working conditions, freedom of association, dismissal of workers and Company grievance mechanisms.

The Compliance Review Report contained a number of recommendations consistent with the findings of non-compliance identified in the Compliance Review. EBRD Management subsequently prepared a Management Action Plan in response to the recommendations outlined in the Compliance Review Report.¹

During this first monitoring period, the PCM Officer reviewed the update provided by EBRD Management on implementation of the Management Action Plan. The PCM Officer also sought the Complainant's comments on implementation of the Management Action Plan.

The PCM Officer takes note of the steps taken by Management to fulfil the commitments outlined in the Management Action Plan, and considers Actions 3, 6, 7, 8 and 9 under this Complaint completed. The PCM will continue monitoring Actions 1, 2, 4 and 5.

¹ The Complaints, Compliance Review Report and Management Action Plan are available on the [PCM Register](#).

1. Introduction

This Compliance Review Monitoring Report is prepared pursuant to paragraph 47 of the 2014 Project Complaint Mechanism (PCM) Rules of Procedure. The PCM Officer is mandated to monitor the implementation of a Management Action Plan prepared in response to the findings and recommendations² contained in a Compliance Review Report. The PCM monitors the implementation of Management Action Plans and prepares Monitoring Reports at least biannually or until the PCM Officer determines that monitoring is no longer needed. Monitoring Reports are submitted to the President and Board, and then published in the PCM Register on the EBRD website.

The PCM reviewed a Complaint entitled *Workers Rights violations in Türk Traktör ve Ziraat Makinalari A.S.* The Complaint was submitted by Birleşik Metal İşçileri Sendikası (United Metalworkers Union), and raised matters connected with EBRD lending in respect of a Project implemented by Türk Traktör v Ziraat Makinalari A.S (Türk Traktör).

The Compliance Review was completed in April 2017. The Compliance Review Expert made nine findings of non-compliance in respect of the grounds set out in the Complaint. In particular:

- EBRD was non-compliant in its application of the 2008 Environmental and Social Policy (ESP) general requirements and the requirements of Performance Requirement (PR) 1 in relation to both appraisal and due diligence, and routine monitoring, of the Project's compliance with labour and occupational health and safety aspects of PR 2.
- EBRD was non-compliant in its application of the ESP general requirements in relation to monitoring of the Project's compliance with labour and occupational health and safety aspects of PR 2 following the receipt of an initial complaint from the Complainant, and subsequently during the course of the PCM Eligibility Assessment and Compliance Review process.
- EBRD was non-compliant with the general commitments of the 2008 ESP and with PR 10 in relation to routine monitoring with respect to the establishment of an external grievance mechanism.
- EBRD was non-compliant with the general commitments of the 2008 ESP and with PR 2 and PR 10 in relation to monitoring following the submission of a Complaint to the Project Complaint Mechanism with respect to internal and external grievance mechanisms.

The Compliance Review Report included recommendations to address the findings of non-compliance, in response to which EBRD Management prepared a Management Action Plan (available on the [PCM Register](#) on the EBRD website).

This is the first Compliance Review Monitoring Report regarding the Türk Traktör Project.

² Pursuant to the PCM Rules of Procedure a Compliance Review Report will include recommendations to:

- a. address the findings of non-compliance at the level of EBRD systems or procedures to avoid a recurrence of such or similar occurrences; and/or
- b. address the findings of non-compliance in the scope of implementation of the Project taking into account prior commitments by the Bank or the Client in relation to the Project; and
- c. monitor and report on the implementation of any recommended changes.

2. Context

The PCM received a Complaint entitled *Workers Rights violations in Türk Traktör ve Ziraat Makinalari A.S.* The Complaint was submitted by Birleşik Metal İşçileri Sendikası (United Metalworkers Union), and raised matters connected with EBRD lending in respect of Türk Traktör v Ziraat Makinalari A.S (Türk Traktör). The Complaint was registered by the PCM Officer on 11 September 2015 in accordance with paragraphs 11-13 of the PCM Rules of Procedure, and was subsequently posted in the PCM Register, pursuant to paragraph 20 of the PCM RPs. The Complaint sought a Problem-solving Initiative, and if that were not possible, a Compliance Review.

The allegations within the Complaint raised EBRD compliance with the ESP in relation to matters concerning:

- Due diligence and monitoring carried out by EBRD in respect of the implementation of the Project at the Ankara factory;
- Respect for freedom of association;
- The consistency of the dismissal of twenty workers following the May 2015 industrial action with relevant national and international standards;
- Wages, benefits and conditions of work (including in particular occupational health and safety issues, wages, and overtime);
- Stakeholder engagement and grievance mechanisms.

Following an Eligibility Assessment, which concluded that the Complaint was eligible for Compliance Review and ineligible for a Problem-solving Initiative, a Compliance Review was initiated in January 2016. PCM Expert Halina Ward was appointed by the PCM to undertake the Compliance Review.

The PCM Compliance Review included a review of project information in the public domain, EBRD internal documents, and documents provided by Türk Traktör and the Complainant. Face to face meetings and conference call meetings and discussions were held with the Relevant Parties, including with EBRD Environment and Sustainability Department (ESD) staff, with the EBRD's Operation Lead for lending to Türk Traktör, with the Complainant and Dutch-based non-governmental organisation acting as an advisor to the Complainant, and with managers at Türk Traktör.

The Compliance Review Expert also sought the input of a number of external experts and other interested parties. These included discussions with representatives of Koç Holding. Additionally, during a PCM visit to Turkey in February 2016, meetings were held with a group of long-standing workers and separately with elected trade union representatives at Türk Traktör's Ankara factory site; a representative of Türk Traktör's employer's union MESS; two former workers at the Türk Traktör Ankara factory; three Turkish academics specialising in Turkish labour law and/or industrial relations; and a lawyer representing former workers at the Türk Traktör Ankara factory in ongoing reinstatement and compensation proceedings.

During the course of the Compliance Review the Compliance Review Expert was also in contact with the International Labour Organisation (ILO) Freedom of Association Committee Secretariat, with the office of the World Bank Group's CAO, and with a UK-based labour expert with prior experience working in Turkey and with the CAO.

The Compliance Review Expert found:

- EBRD non-compliant in its application of the 2008 ESP general requirements and the requirements of PR 1 in relation to both appraisal and due diligence, and routine monitoring, of the Project's compliance with labour and occupational health and safety aspects of PR 2.
- EBRD non-compliant in its application of the ESP general requirements in relation to monitoring of the Project's compliance with labour and occupational health and safety aspects of PR 2 following the receipt of an initial complaint from the Complainant, and subsequently during the course of the PCM Eligibility Assessment and Compliance Review process.
- EBRD non-compliant with the general commitments of the 2008 ESP and with PR 10 in relation to routine monitoring with respect to the establishment of an external grievance mechanism.
- EBRD non-compliant with the general commitments of the 2008 ESP and with PR 2 and PR 10 in relation to monitoring following the submission of a Complaint to the Project Complaint Mechanism with respect to internal and external grievance mechanisms.

The Compliance Review Expert made 28 project-level recommendations and wider recommendations on improvements to EBRD internal systems and procedures. EBRD Management was requested to prepare a Management Action Plan, including a timetable and estimate of the human and financial resources required to implement the recommendations considered appropriate. The Management Action Plan included actions to address the recommendations at the project level and the level of EBRD systems and procedures. The Complainant submitted comments on the Management Action Plan. The final Compliance Review Report and Complainant's comments were submitted for information to the EBRD's Board of Directors, along with the Management Action Plan, which was submitted for acceptance. The Board accepted the Management Action Plan, and the Compliance Review Report, Management Action Plan and Complainant's comments were publicly released on 11 April 2017.

3. Current monitoring period

According to paragraph 47 of the PCM Rules of Procedure, the PCM Officer should issue Compliance Review Monitoring Reports at least biannually or until the PCM Officer determines that monitoring is no longer needed. In October 2017, six months following the release of the Compliance Review Report, the PCM Officer requested that Management provide an implementation update on the Management Action Plan. An implementation update was provided to the PCM in March 2018 (covering the period April 2017 - February 2018), and additional information was provided in early May. This accounts for the delay in the issuance of this Compliance Review Monitoring Report.

The PCM Officer reviewed several documents referenced by Management in the implementation update, namely:

- EBRD Guidance note on Freedom of association and worker engagement;
- Environmental and Social Due Diligence Questionnaire on Freedom of Association;
- Terms of Reference on Environmental and Social Assessment for category B Projects;
- EBRD Guidance note for labour assessment as part of Environmental and Social Assessment;
- Terms of Reference for PR 2 Audit for EBRD;
- Terms of Reference for PR 2 Monitoring for EBRD;
- ESD Country Labour Briefing for Turkey.

The PCM Officer also invited the Complainants to provide comments regarding Management's implementation of the Management Action Plan. Such comments were considered in the preparation of this report.

4. PCM observations

In light of information received to date, and in accordance with the scope of the PCM Officer's monitoring role, the PCM Officer has made observations regarding the implementation of the Actions of the Management Action Plan (MAP) concerning the Türk Traktör Project.

In the discussion below, the Actions as set out in the MAP are included, with the accompanying information drawn from Management's implementation update. The PCM's comments are also provided.

In this first Monitoring Report, the PCM acknowledges the efforts made by Management in implementing the Management Action Plan. Following a review of the implementation update and consideration of additional information provided, the PCM considers Actions 3, 6, 7, 8 and 9 completed. The PCM will continue monitoring Actions 1, 2, 4 and 5.

Action 1. Overtime

Implementation update

EBRD has already requested further information from Türk Traktör and has been in dialogue with them in relation to the overtime policies and procedures to ensure compliance with Turkish legal requirements. The company reports that a new system will be established in March 2017 to control overtime policies and to ensure compliance with national law. EBRD will review these new systems against the requirements of the Bank when they are introduced.

Projected deadline: mid 2017. If the review indicates areas for improvement, EBRD will seek agreement with TT to implement those and will continue to monitor the practical implementation of the agreed measures.

EBRD has discussed in detail with TT the revised policies and procedures implemented and have reviewed the updated overtime system. EBRD is pleased to report that the policies, procedures and systems have been developed in line with best practice and meet EBRD's PR2 in full. Starting from March 2017, with implementation of the new electronic tracking system which is integrated into SAP, the overtime work is now strictly controlled by the Company management to ensure no worker's annual overtime exceeds the maximum 270 hours per year permitted by law at all units. As a result, the Company managed to reduce overtime rates by 77.45% in 2017 compared to 2015.

Action complete

PCM comments:

The PCM looks forward to reviewing supporting information from Management to confirm the steps taken in respect of the committed Action. Accordingly, the PCM will continue to monitor implementation during the next monitoring period.

Action 2. Occupational health and safety

Implementation update

EBRD has requested a summary of occupational health and safety performance at the Ankara facility and agreed reporting requirements for future EBRD monitoring. This data has now been received and is subject to review against the recommendations of the PCM compliance report. The EBRD has also received all outstanding OHS reports.

EBRD has also discussed the allegations on muscular-skeletal injuries with the Client and is in the process to clarify how these issues will be monitored in the future. Opportunities for improvements may be discussed as necessary based on findings.

H&S data has been reported to the Bank and EBRD has had detailed discussion with TT regarding reporting procedures and minimising H&S incidents. TT has developed a strong H&S culture and the reporting statistics are in line with expected figures for the industry. Examples of OHS statistics provided by the Company are as follows:

- OHS incidents reduced by 21% compared to 2016. No fatalities happened since 2015.
- LTI rate was reduced to 0.36 in 2017 from 0.79 in 2015
- Number of OHS Trainings increased by 222% compared to 2015
- No incident was reported related with muscular-skeletal injuries in 2017 however there were 11 MSDs requests raised through Medical Centre.

Projected deadline: mid 2017.

The company conducted detailed ergonomics assessment for each posture and revised the MURI rating for that posture with the involvement of doctors and health and safety specialists. Relevant corrective actions were undertaken based on the outcome of the ergonomics assessment for all 11 cases.

- TT also initiated an Occupational Health and Safety Competition (OHS league) at their facilities to identify and award the continuous improvement efforts by workers. This programme has resulted in significant achievements including improving TT's ability to detect risks at their workplace, improving number of UA/UC/NCM report cards, reducing the LTI and FAI rates and in general raising OHS culture at the Company. This programme has been awarded by the Turkish Employers' Association of Metal Industries, (MESS) in November 2017.

Action Complete

PCM comments: The PCM looks forward to reviewing supporting information from Management to confirm the steps taken in respect of the committed Action. Accordingly, the PCM will continue to monitor implementation during the next monitoring period.

Action 3. Freedom of association

Implementation update

- a. EBRD will review the complainant's allegations regarding freedom of association with the Client. Discussions of any areas of improvement that may be appropriate, in accordance with good international practice, are ongoing. If the review shows the need for improvement, EBRD will agree with TT additional measures which are allowed by Turkish law and monitor their implementation.
- b. In developing good international practice approach to freedom of association, EBRD will seek information from expert consultants, workers' organisations and other key stakeholders, such as the ILO. This work is currently being commissioned and is anticipated to be completed in 2017.
- c. EBRD is currently updating guidance materials on freedom of association for EBRD ESD specialists to use in their due diligence and monitoring.

Projected deadline: end 2017

- a. EBRD has been in regular dialogue with the Company to discuss the individual complaints, causes for dismissals and on a broader level the HR policy and procedures with regards to assuring right to freedom of association and collective bargaining agreement at their facilities. Progress related to the individual court cases and progress on workers' right to join a union at their own choice and right to collective bargaining is summarised below:
 - EBRD discussed the reasons for dismissals and complaints related to the 20 workers out of thousands who joined the sector wide strike in 2015. The reports and evidence provided to the courts and to EBRD are generally related with violation of code of conduct and labour contract conditions (as documented and certified by the official reports and minutes issued by labour inspector and the notary public including the camera recordings), which were also verified by independent labour experts assigned by the Court. *Court processes for all 20 cases have now been completed in favour of the Company including the appeal process at the Supreme Court.*
 - The Company has confirmed that there has been no single court case claiming violation of unionisation rights since 2015 strikes (except the 20 law suits discussed above).
 - EBRD has also followed the unionisation activities

at the Company and observed that some improvements have been achieved in terms of establishing a better social dialogue at their workplace: i.e. before the May 2015 strike the workers representatives were assigned by the Head Quarter of the Turk Metal Union. Since 2016, workers are allowed to select their own representatives at both facilities; the workers selected 8 representatives in total out of various candidates at both facilities (4 in Sakarya and 4 in Ankara) – the election process was fair and transparent and was open to all workers at these facilities.

- The Company has recruited an experienced HR director after the strike and with his leadership they have undertaken various measures to improve worker engagement and satisfaction at both factories including establishment of direct communication channels with each worker (i.e. setting up individual email accounts to each worker for their use in case of complaints/demands which was not existing in 2015), improvement of the internal complaint mechanism, trainings provided to the management to build their leadership/people management skills, regular meetings between management and workers, workshops and feedback surveys with workers, more social events engaging all workers and provision of additional benefits etc. In 2017, an external international company was engaged to initiate a training programme on “positive culture and communications” within the facilities. As a result of all these efforts, employee loyalty rates have been improved significantly at Türk Traktör facilities since 2015 from 18% during the 2015 strikes, to 64% by end 2017 for blue collar workers according to the results of a study undertaken by an independent international company.
- b. The Collective Bargaining Agreement (CBA) negotiations started between The Turkish Employers’ Association of Metal Industries, (MESS) representing 180 industries including Türk Traktör, and three main unions (Turk Metal Union, Celik Is Union and Birlesik Metal Is Union) representing approx. 140.000 workers in the metal industry in October 2017. The company confirmed that Turk Metal Union has the majority of representation at their workplace and thus authorised for CBA negotiations. Publicly available news indicates that the Complaint Union –Birlesik Metal also joining these group negotiations with MESS. According to the publicly available information, the CBA has been achieved.
- c. EBRD is in regular dialogue with other Multi- and Bi-Lateral Development Banks, the ILO, the ITUC and other key stakeholders. In addition, EBRD regularly obtains expert opinion from external providers recognised in their field. Issues such as

FoA and the implementation arrangements of ILO conventions by host countries are frequently discussed and have been included as headline agenda items at a number of meetings and seminars attended by the MDBs over the last eight months to generally develop best practice in the application of Lenders requirements in Labour and Working Conditions. This item will continue to be discussed amongst key stakeholders and peers, however, the action item can be considered to be closed.

- d. As further detailed below, ESD has completed the update of internal documents relating to FoA for EBRD's ESD staff. It is recommended that this item now be closed.

Action Complete

PCM comments: The PCM takes note of the Bank Management efforts to update guidance materials on freedom of association to be used for due diligence and monitoring of EBRD Projects and the dialogue with the Client The Action has been completed. The PCM considers no further monitoring is required.

Action 4. Dismissals

Implementation update

- a. EBRD has reviewed the Client's process for dismissals and clarified legal requirements in Turkish law, under the CBA, and the EBRD requirements on this issue. EBRD is currently in discussion with the Client to seek their agreement to implement additional measures, if not already done so. Projected Deadline: mid 2017
- b. The Bank is commissioning an analysis on the differences between Turkish Law and the provisions of the aspects of ILO core conventions. EBRD will discuss the issue with other IFIs and clarify the role of IFIs in situations where there may be gaps between ILO Conventions and national law. In general, where gaps are identified between core ILO Conventions and national law, these will be reflected in the normal EBRD/Country Strategy process and discussion held on the Bank's potential policy dialogue with the country. Projected deadline: end 2017 for the analysis.

Following the conclusion of the judicial hearings relating to the dismissals, EBRD will commission an independent review of the process against the provisions of the ILO conventions and EBRD's requirements. This will be completed in Q4 2017.

- a. EBRD discussed the reasons for dismissals and complaints related to the 20 workers out of thousands who joined the sector wide strike in 2015. The reports and evidences provided to the courts and to EBRD are generally related with violation of code of conduct and labour contract conditions (as documented and certified by the official reports and minutes issued by labour inspector and the notary public including the camera recordings), which were also verified by independent labour experts assigned by the Court. Court processes for all 20 cases have now been completed in favour of the Company including the appeal process at the Supreme Court.
- b. EBRD has engaged ILO Turkey to discuss the gaps in legislations and practices in Turkey on Freedom of Association and Collective Bargaining against ILO standards. It was understood that ILO Turkey has been implementing a "social dialogue" project funded by EU, which includes a detailed gap analysis between Turkish Legislation and practices against ILO standards. Instead of duplicating the efforts, ILO agreed to share the findings with EBRD and other IFIs and disclose the results through a workshop when the study is completed in 2018. The EBRD has updated its Labour profile for Turkey since the completion of the PCM compliance report. The Labour profile and the new PR2 toolkit (discussed further below) specifically identify issues associated with the implementation of ILO conventions in Turkish Law. These documents will be used to inform the EBRD's Country Strategy for Turkey when it is next reviewed.

In addition, an updated labour risk assessment procedure has been developed for screening projects during the due diligence phase and during monitoring. EBRD recommends that this item be closed.

Action Complete

PCM comments: The PCM takes note of Management’s efforts to update guidance materials on freedom of association, to be used for due diligence and monitoring of EBRD Projects. The PCM looks forward to receiving the gap analysis in respect of Turkish law and ILO standards. Accordingly, the PCM will continue to monitor implementation during the next monitoring period.

| Action 5. Grievance mechanisms | Implementation update |
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|--------------------------------|-----------------------|

EBRD has reviewed the Client’s internal and external grievance mechanisms and how records related to the receipt and response to grievances are collected. Based on this, EBRD is currently agreeing reporting requirements with Türk Traktör for the AESR to the Bank. In particular, the Bank will review how workers, their representative organisations and the public are made aware of the grievance mechanisms and the process for raising concerns or comments. Projected deadline: mid 2017.

The Company have improved both its external grievance and internal grievance mechanisms in the last two years:

- For external stakeholders - In addition to contact numbers and addresses, they added a new section on their website which allows third parties to contact directly with Turk Tractor. http://www.turktraktor.com.tr/tt_iletisim_formu.aspx
- Employee Grievances – TT has an Ethical policy and Code of Conduct where complaints management process is described. Workers can raise complaints through various mechanisms through the union, Call Centre, Web Site (updated this year), E-Mail accounts, Phone, Face to Face discussions, Hardcopy Letter, through the union etc.
- Email accounts were set up for all employees including blue collar workers to enable direct and systematic communication with the workers in 2017 and allow workers to raise their complaints and demands to the management directly. The Company provided IT support for all workers to set up the outlook programme on their smart phones and computers. The rate of use of these email accounts is 95% (by November 2017) which is higher than any other Koc group companies. TT is regularly sharing information on HR policy practices, Company activities and news etc. and also asking feedback from employees on various issues through these emails; i.e. surveys were sent to ask workers’ feedback on transport services, catering services etc. Through these email accounts they can now reach to thousands of workers and receive their feedback in a short time.

The existing complaint mechanism is found to be sufficient in line with EBRD PR 2 requirements. Effective implementation of the complaints will be monitored as part of AESR.

Action Complete

PCM comments: The PCM looks forward to reviewing supporting information from Management to confirm the steps taken in respect of the committed Action. Accordingly, the PCM will continue to monitor implementation during the next monitoring period.

Action 6. Annual Environmental and Social Reports Implementation update

EBRD will assess the current AESR review process and, where necessary, develop internal capacity on timely response to review of AESRs and specific review of OHS statistics and functioning grievance mechanisms. Additional training may also be provided to Bank staff on adequacy of client reporting. Projected Deadline: end 2017

EBRD has reviewed the format of AESRs and the forms have been updated accordingly and included in the Assurance Framework – ESD’s internal quality assurance mechanism. In addition, lessons learned from the Türk Traktör, AESR have been shared with ESD. It is recommended that this item be closed.

PCM comments: The PCM takes note of the progress made on this action item and considers it closed. No further monitoring is required.

Action 7. EBRD procedures Implementation update

EBRD, with the assistance of external consultants, is currently in the process of updating the Labour Assurance Framework and building staff capacity to apply the tools provided therein. This process includes preparation of a new guidance note on Freedom of Association, as well as a Labour Due Diligence and Monitoring toolkit. There will be capacity building in ESD for new labour tools.

The PCM recommendations and EBRD action plan will be provided to the consultants drafting the guidance note and toolkit revision to ensure that the recommendations are fully adopted in the current programme of works. The toolkit review and associated training will include measures that seek to support EBRD professionals in better identifying risks related to freedom of association.

EBRD will further seek to better ensure adequate labour expertise is employed for external due diligence in identified high risk sectors or geographies. This point will be included in guidance and training of Bank social specialists. Projected Deadline: end 2017.

EBRD, with the assistance of external consultants, has prepared a set of a new guidance notes on a range of issues including Freedom of Association, collectively, this is referred to as the Labour Toolkit and has been adopted into ESD’s Assurance Framework.

In addition, as well the Labour Due Diligence and Monitoring toolkit has also been completed and a range of capacity building sessions within ESD has been undertaken and is planned for Q1 2018. To date the following has been undertaken:

- February 15: Conference call to discuss EBRD-ITUC Cooperation
- March 6: 1-day training on Forced Labour for Social Team
- March 8: 1.5 hours training on Forced Labour for ESD
- March 9: 2.5-hours training on Forced Labour for Banking, OCCO and Credit
- March 22: Consultant workshop with ESD Social Team to discuss the Labour Risk Assessment Framework (2 hours)
- March 28 and 29: ILO Training Programme on International Labour Standards and EU Acquis on Social Dialogue in Turkey (2 days)
- June 21: Retrenchment Training by Ergon (1.5 hours)
- October 2-3: SA 8000 Training (2 days)
- October 11: Ergon workshop with Social Team on (a) FoA & CB Guidance and (b) Labour Risk Assessment Tool (2 hours)
- October 30: Meeting with ITUC to discuss deepening of cooperation between EBRD and ITUC

Finally the international labour standards are now accepted by the Bank as an element of Transition Qualities. As a result of ESD’s efforts in co-operation with many departments, the SA 8000 Standard - which is a leading social certification standard is now included into “Christopher” as a Transition Impact (TI) under the “well-governed” objective. The SA 8000 Standard reflects labour provisions contained within the Universal Declaration of Human Rights and International Labour Organization (ILO) conventions. It

also respects, complements and supports national labour laws around the world. This initiative provides incentives for internally and externally to support the clients for the improvement of their labour standards in future projects.

Action Complete

PCM comments: The PCM takes note of Management’s efforts to develop the Labour Toolkit to offer capacity building activities for staff on how to use the tools. The Action has been completed. The PCM considers no further monitoring is required.

Action 8. Distinctions between national and international commitments **Implementation update**

The Labour Due Diligence and Monitoring Toolkit mentioned in Management Action 7 will provide guidance on differences between country level obligations and international commitments. As part of the toolkit implementation EBRD ESD specialists will receive refresher training on Performance Requirement 2 and its application during due diligence and monitoring, and using the guidance provided in the Assurance Framework. Projected Deadline: end 2017

As mentioned above, EBRD has refined the Labour Toolkit and Labour Due Diligence and Monitoring procedures. In addition, a formalised risk assessment process has been developed where additional labour due diligence is required for high risk projects, sectors and geographies. ToRs for external consultants have been developed and are included in ESDD ToRs where the risk assessment tool identifies the need.

EBRD recommends that this issue be closed.

Generic terms of reference for external consultants on projects identified as high risk from a labour perspective will [be developed/updated] to include the ILO Core Conventions to the extent that they are covered by EBRD standards applicable to the project. Projected Deadline: end 2017

PCM comments: The PCM takes note of Management’s efforts. The Action has been completed. The PCM considers no further monitoring is required

Action 9. Monitoring during PCM proceedings **Implementation update**

There is no change in the Bank’s responsibility with regard to communicating with Clients or in monitoring a project because of a pending PCM case. In the past, the PCM Office instructed Management not to communicate with Complainants during a PCM case without the PCM Office authorisation, so as to avoid any conflict of interest or perceived influence about the complaint. Management defer to the PCM Office with regard to this issue and if requested, will assist the PCM Office to develop formalised guidance on this issue. This should appear to be a PCM Guidance Note, not a Management one, and the PCM Office could decide to undertake a public consultation or disclose it, as they prefer. Management suggest that it is important that the guidance be seen as owned by the PCM, so that Complainants understand that they are telling Management what communication is possible. Management will work with the PCM

The Bank Management jointly with the PCM updated the Guidance for EBRD Management on PCM Complaints (2017) and made it available to the EBRD staff on the Intranet page.

Office in accordance with deadlines they establish. This issue will be further reviewed as part of the 2018/2019 review of governance policies and mechanisms (ESP, PIP and PCM).

PCM comments: The Action has been completed. The PCM considers no further monitoring is required.

5. Conclusions and next steps

The PCM Officer takes note of the steps taken by Management to fulfil the commitments outlined in the Management Action Plan, and considers Actions 3, 6, 7, 8 and 9. The PCM will continue monitoring Actions 1, 2, 4 and 5.

The next Compliance Review Monitoring Report is expected to be issued in the third quarter of 2018.