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AZERENERJI JOINT-STOCK COMPANY

Azerbaijan Scaling-Up Renewable Energy Project
(AZURE Project)
P505208

REPORT

LABOR MANAGEMENT PROCEDURES
(Draft)

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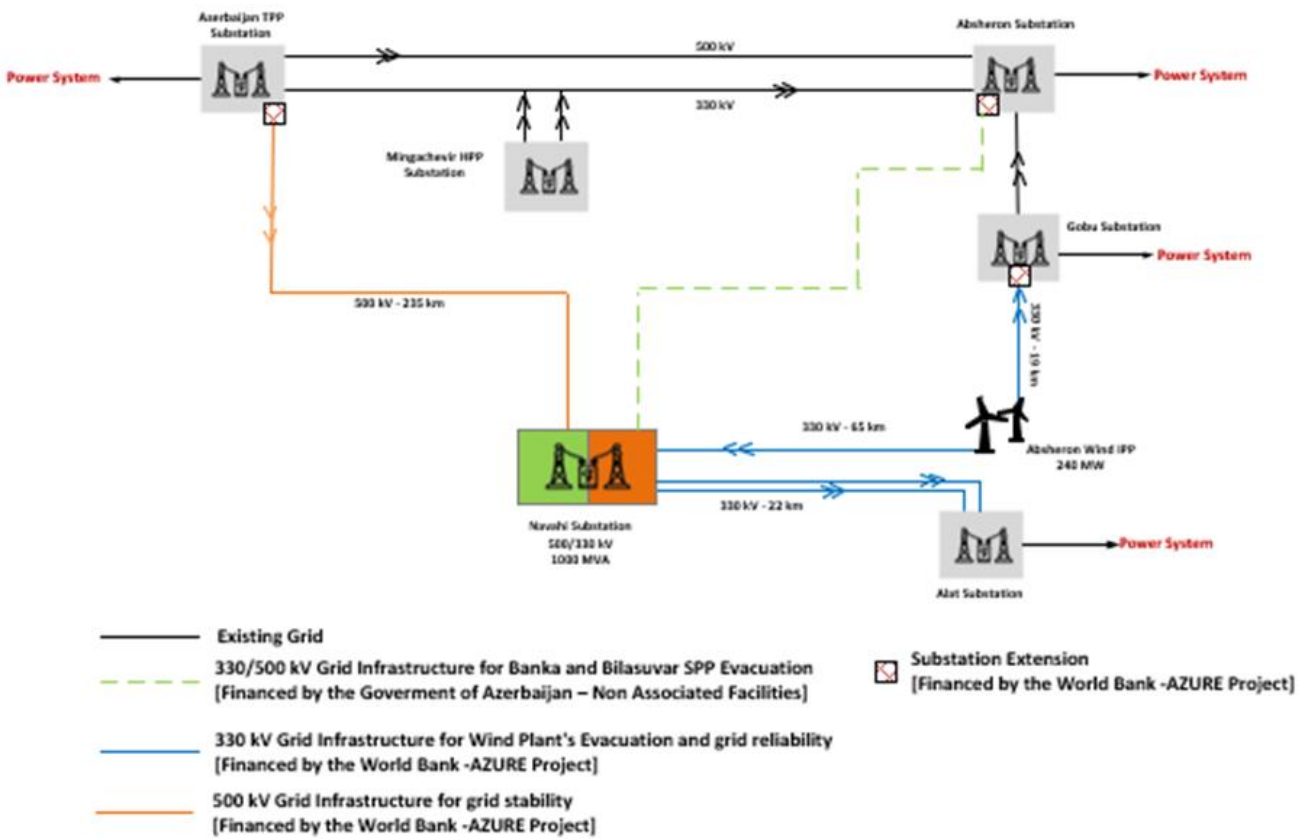
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Figure 1: Single-line diagram of AZURE Project

1 INTRODUCTION

The AZURE project (see Figure 1 below) aims to enable renewable energy development and ensure grid stability for variable renewable energy (VRE) integration in Azerbaijan. More specifically, the project will connect the Absheron-Garadagh Wind Power Plant (WPP) to the 330 kV grid, and strengthen the transmission network for: (i) the reliable evacuation of 1 GW of Variable Renewable Energy (VRE) connected to the Navahi substation and (ii) the enhanced fluctuation management of 1.8 GW of VRE capacity in the system to ensure grid stability.

Figure 1: Overview of the AZURE project



The AZURE project financed by the World Bank

The AZURE project will have two main components:

Component 1: Absheron-Garadagh Wind Power Plant Connection and Transmission Network Strengthening. This component will support (i) the construction of a 330 kV transmission connection to evacuate power from the 240 MWac Absheron-Garadagh WPP and (ii) the 500 kV upgrade of Navahi Substation and related infrastructure for (i) the reliable N-1 evacuation of 1 GW of variable renewable energy connected to the Navahi substation, and (ii) the enhanced fluctuation management of 1.8 GW of VRE capacity in the system to ensure grid stability._

This component comprises the following:

- Subcomponent 1.1: Connection of Absheron-Garadagh WPP – 330 kV Grid, including: (i) 65 km OHL single circuit 330 kV from Absheron-Garadagh WPP substation to Navahi substation (ii) 19 km OHL single circuit 330 kV from Absheron-Garadagh WPP substation to Gobu PP substation and (iii) 22 km OHL double circuit 330 kV from Navahi substation to Alat substation and (iv) expanding 330 kV bays at Gobu PP substation.
- Subcomponent 1.2: 500 kV Strengthening, including: (i) 235 km single circuit OHL 500 kV from Azerbaijan TPP substation to Navahi substation (ii) supply and installation of equipment for 500 kV part of Navahi (2x 500 MVA) substation (ii) expanding the 500 kV bays at Absheron and Azerbaijan TPP substations.

Component 2: Project implementation support. This component will finance consulting, capacity building and auditing services to support the PIU in project implementation. The consulting services will comprise a Supervision engineer to assist the PIU with the implementation of component 1 and relevant technical consultants to support the achievement of project objectives. In addition, the component will comprise the expenses of the project's external auditor and capacity building to create an enabling environment to enhance the skills and career prospects of women in the energy sector.

Associated facilities. The 330 kV part of the Navahi substation financed by the Government of Azerbaijan and the Absheron-Garadagh Wind Power Plant financed by Masdar are associated facilities to the AZURE project; accordingly, they would be required to comply with the World Bank Environmental and Social Framework (ESF).

Environmental and Social Framework (ESF). The draft Environmental and Social Impact Assessment (ESIA)/Environmental and Social Management Plan (ESMP), Stakeholder Engagement Plan (SEP), Resettlement Policy Framework (RPF), Labor Management Procedures (LMP) and Environmental and Social Commitment Plan (ESCP) were revised to reflect the new project scope description, impact assessment and mitigation measures.

The draft ESIA for the Absheron-Garadagh Wind Power Plant (WPP), including bird monitoring report, is expected to be disclosed by Masdar in April 2025. The draft ESIA will follow the environmental and social policies of Masdar's financiers: ADB, EBRD and AIIB. The Environmental and Social Due Diligence consultants recruited by Azerenerji will be expected to conduct an assessment to identify any gaps with WB's ESF. In case of any divergence, Azerenerji will then be required to update the project's ESIA accordingly.

Table 1: List of Subprojects to be implemented under the Project

WORK SCOPE financed by the World Bank	
1.1	Supply and Installation of equipment for 500/330 kV Navahi Substation
1.2	Construction of 500 kV single-circuit "Azerbaijan TPP - Navahi SS" OHL - 235 km
1.3	Construction of 330 kV single-circuit "Gobustan WPP - Navahi SS" OHL - 65 km
1.4	Construction of 330 kV double-circuit "Navahi SS – Alat FEZ SS" OHL - 22 km
1.5	Construction of 330 kV single-circuit "Gobustan WPP - Gobu ES" OHL - 19 km
1.6	Expansion of the 500 kV bays at Azerbaijan TPP SS
1.7	Expansion of the 500 kV bays of Absheron TPP SS
1.8	Expansion of the 330 kV bays of Gobu PP SS
2	Consultancy services
2.1	Engagement of Supervision Engineer
2.2	External audit of Project accounts (3 years)

2 SUMMARY OF LABOR USE

The Labor Management Plan (LMP) outlines the strategy for managing labor on the AZURE project. This project involves the strengthening the electricity grid and requires careful planning and management of labor to ensure efficiency, compliance, and community engagement.

2.1 Labor Sourcing

Local Hiring: Priority will be given to hiring local workers, particularly those impacted by the project. A quota of 20% of the total workforce will be allocated to local hires.

Recruitment Channels: Job openings will be advertised through local job centers, community organizations, online job portals, and local media.

Equal Opportunity: The recruitment process will adhere to principles of non-discrimination and equal opportunity, ensuring diversity and inclusion in the workforce.

2.2 Employment Conditions

Contracts: All workers will receive written contracts detailing their roles, responsibilities, wages, benefits, working hours, and conditions of employment.

Compliance: Employment practices will comply with national labor laws and international labor standards, including provisions for fair wages, working hours, and safe working conditions.

Health and Safety: Comprehensive health and safety protocols will be implemented, including regular training, provision of safety equipment, and monitoring of working conditions.

2.3 Training and Development

Initial Training: New hires will undergo orientation and initial training programs to familiarize them with project requirements and safety protocols.

Skills Development: Continuous skills development programs will be offered to enhance the capabilities of the workforce, including technical training.

On-the-Job Training: Practical training opportunities will be provided to ensure workers can effectively perform their roles and adapt to project-specific needs.

At present, Azerenerji JSC employs a total of 6247 employees, of whom approximately 14% are women.

2.4 Workforce

The construction project (Project) of the 500 and 330 kV overhead transmission lines mentioned above (app. 800 km in total) and the associated 500/330/10kV "Navahi" Substation was developed by "Azerenerji" OJSC, and it covers the construction, operation and maintenance of the substation, overhead lines. The Company will select the contractor(s) for the design, supply, installation and commissioning of the transmission line and substation, respectively, through tender procedures. Due to the size of the contract and the expertise required to carry out the design and construction works; it is expected that construction contracts will be awarded to international or local companies and/or be supported by Azerbaijani subcontractors.

Considering the nature of the project workforce (mostly unskilled and semiskilled construction labor) and characteristics of labor force market in Azerbaijan, it is not expected that the number of female workers will be high. It is estimated that women would represent about 5-10 percent of the workforce, and those would likely be technical (engineering) and/or staff working in the operation offices and camps (maids, cooks, cleaners etc.). Based on experience under the ongoing projects of Azerenerji JSC aimed to strengthen the transmission grid, all workers will be over 18 and would likely average 25-50 years old.

The exact number of project workers to be involved in the project is not yet known. The tender documents for the supply, installation and commissioning of the overhead transmission line (OHTLs) and sub-station are currently being developed by Azerenerji. It is estimated that the tender will be announced in August 2024. The number of workers involved in the construction phase is expected to be based on the experience gained from similar projects implemented in Azerbaijan and around the world. It is estimated that the total number of workers for the construction of the new transmission line will be 150-200 people, and about 100-150 people for the substation. No more than 150 people are expected at any construction site. The main construction groups include:

- **Four drilling teams** - It is estimated that approximately 10-15 workers will work in each brigade. Most or all of the workers are likely to be drawn from the local and regional workforce.
- **Two support installation teams** - It is estimated that 10 employees will work in each staff. Of these, on average, some are expected to be foreign, but most are expected to be local.
- **Four wire pulling teams** - each crew will employ approximately 15 workers. It is expected that about 3 employees will be foreigners, and about 12 will be local citizens.
- **Repair team** – About 2-3 crew members will be employed to restore/repair the damaged areas as soon as the work of the previous crew is completed.
- **Construction of substation** – It is estimated that approximately 100-150 workers will be engaged in the construction work. Approximately 40% of these workers are expected to be local workers.

The construction phase of the OHTLs and substation is expected to last approximately 18 months. At least two main crews responsible for transmission line construction will each consist of teams for land clearing, foundation excavation, foundation installation, piling and erection, conducting (i.e., running wires between piers), and soil remediation. About fifty

percent of the workforce will be in semi-skilled and unskilled positions such as managers, engineers, supervisors, drivers and equipment operators and electricians. Similarly, most of the substation construction workers will be unskilled, at least initially. Once the ground is cleared and the foundations are installed, the electrical equipment will be installed by more qualified personnel.

It is expected that the Project will involve the following categories of project staff defined by Environmental and Social Standard (ESS) 2 of the World Bank's Environmental and Social Framework (ESF):

Operational staff as Direct Workers: The project includes the employees of the Project Implementation Unit (PIU) created for the management of the project on a daily basis (Operational staff), project managers and related specialists (procurement, safeguards, engineers) who are employees of "Azerenerji" JSC. The approximate number of operational staff may not exceed 10 people from the international projects department, technical department, transfer and permits department and legal department (if necessary). It is estimated that direct employees will include current Azerenergy JSC employees from various departments to be assigned to work on this Project, and 2-3 new employees may be hired if needed for community-related work.

It is expected that the operational staff will include permanent staff seconded to the Project sites and independent consultants specializing in certain professional areas (e.g. social risk management and community relations). These consultants will be employed on the basis of individual contracts, on a part-time basis, with a specific definition of assigned tasks and responsibilities.

Contracted workers: Contract workers will be employed by the design, supply, installation and commissioning contractor(s). Since the tender includes four lots (three lots for OHTLs and one lot for substation), it is likely that four separate contracts will be awarded: Three contractors will design and build the transmission lines, and one contractor will design and build the Navahi substation. Each contractor may be required to engage several subcontractors. The workforce of subcontractors will also be considered contract employees. The project is estimated to involve between 200 and 250 contract workers.

Community workers: Community workers will not be directly employed in connection with this Project. However, the project will give preference to local workers who reside in a particular geographic area, typically near the project sites. Local workers may include skilled and unskilled laborers, technicians, administrative staff, and professionals employed by the project or engaged through local subcontractors.

Primary supply workers: Where local suppliers are involved, contractors are required to carry out due diligence to determine whether there are significant risks of the suppliers exploiting child or forced labor or exposing workers to serious safety issues. When contracting with external suppliers, contractors will be required to ask during the procurement process whether the supplier has been charged or sanctioned for any of these issues, as well as their corporate requirements regarding child labor, forced labor and safety. If any risks and safety related to child and forced labor are identified, Azerenerji JSC will develop procedures to address these risks.

In terms of point of origin of the labor complement, local workers from nearby villages and workers from other regions of Azerbaijan and possibly from other countries are expected to participate in the project. Previous experience with power line projects of Azerenergy JSC shows that the contractor and subcontractors will probably hire workers from different regions of Azerbaijan; these workers already have experience working on high-voltage power lines in different parts of the country.

Foreign workers are also likely to be employed and are likely to be managerial and skilled technical staff. In addition, there may be several household workers (cleaning, cooking, etc.) from neighboring regions within Azerbaijan. The number of migrant workers will depend on the decisions made by the contractors. Given the nature of the project workforce (mainly unskilled and semi-skilled construction workers) and the characteristics of the labor market in Azerbaijan, the number of female workers is not expected to be large. As indicated, women are estimated to make up about 5-10 percent of the workforce and will be technical (engineers) and/or workers (maids, cooks, cleaners, etc.) working in operational offices and camps.

Azerenerji has a Corporate Social Responsibility Policy where SDG No. 5 "Gender Equality" and No. 10 "Reduction of Inequality" are reflected in the activities of the Company. Azerenerji provides universal services to everyone and adheres to the principles of universality, inclusion and accessibility in its activities. In addition, Azerenerji promotes and protects gender equality in all its operations and activities. The Company focuses on women's social protection and employment and promotes gender equality in human resources policy.

2.5 Policies of Azerenerji to increase the number of women in higher-level jobs

Azerenerji collaborates with universities, especially those with strong engineering and technical programs, to create internship pipelines with focus on institutions known for having high female enrolment in STEM fields.

Azerenerji annually receives approximately 250 interns sent from universities (technical orientation) countrywide. 15-20% of interns is women. For the last 7 years 40 interns were employed by the Company and only two of them were women.

In 2023, Memorandum of Understanding was signed between ADA University, "Azerenerji" JSC, "Ansaldo Energia" and the University of Turin within the framework of Italy-Azerbaijan University project where Azerenerji provides scholarship to bachelor's degree students for their master's degree in Turin University. In 2023, one of the students benefited from the scholarship have received senior position technical job offer (SCADA related) from Azerenerji who currently successfully fulfil her duties. Azerenerji welcomes and gives preference to women candidates in awarding scholarships to the students.

Within the AZURE Project, Azerenerji intends to initiate signing of MOUs with the institutions for increasing the number of women interns among the applicants with further possibility of employment of successful interns. The internship programme will comply with government provisions with respect to labour conditions, including pay and leave.

2.5.1 Recruitment and Hiring Practices

Gender-Sensitive Recruitment: Azerenerji implements recruitment practices that actively seek to attract female candidates. This includes gender-neutral job descriptions and advertising positions in forums likely to reach women.

Targeted Outreach: Azerenerji cooperates with educational institutions and professional organizations that support women in STEM (Science, Technology, Engineering, and Mathematics) fields. Azerenerji allocates personal stipends to bachelor and master's degree female students of power engineering faculties and has signed MOUs with ADA University.

Diverse Interview Panels: Azerenerji ensures that hiring panels are diverse to minimize bias and promote fair evaluation of all candidates.

2.5.2 Flexible Work Arrangements

Work-Life Balance: Azerenerji promotes work-life balance through flexible work arrangements such as telecommuting, flexible hours, and part-time opportunities. These measures help retain women, especially those with caregiving responsibilities.

Parental Leave: Azerenerji provides comprehensive parental leave policies that support both mothers and fathers, encouraging a more balanced distribution of caregiving responsibilities.

2.5.3 Inclusive Workplace Culture

Awareness Training: Azerenerji conducts regular training sessions on unconscious bias, gender sensitivity, and inclusive behavior for all employees.

Inclusive Policies: Azerenerji regularly reviews and revises workplace policies to ensure they support gender equality and do not unintentionally disadvantage women.

External Partnerships: Azerenerji cooperates with organizations that advocate for women in the energy sector, such as professional associations, non-profits, and advocacy groups. In 2024, by invitation of the World Bank, Azerenerji has initiated to join WeSEE Network as Official Partner. The WeSEE Network, is a regional initiative focused on enhancing women's employment in the energy sector across Europe and Central Asia. Its objective is to better understand women's roles in the energy sector, support the establishment of a network of partners promoting women's workforce participation, facilitate recommendations for a safer and more inclusive work environment, and advocate for institutional and policy reforms.

3 ASSESSMENT OF KEY POTENTIAL RISKS RELATED TO LABOR RESOURCES

The 500 kV and 330 kV overhead lines are mainly located in the lowland regions of Azerbaijan. The total length of the transmission lines that will be constructed under the Project is approximately 600 km. The project envisages the installation of about 2300 pylons/supports. The construction of these types of projects usually includes the following activities:

- obtaining permits for OHTLs (officialization);
- construction of access roads (if necessary),
- land clearing and foundation construction;
- soil stabilization;
- erecting supports,
- cutting of trees and tall vegetation (if any);
- demolition of buildings (if on the highway);
- wiring
- rehabilitation and greening of affected areas.

As construction activities involve hazardous work, people under the age of 18 will not be employed on the project. Azerenerji (The Company) will have an internal audit and quality control division who will undertake ad-hoc surprise visits to project sites to conduct a measured due diligence programme. It is estimated that the major labor risks will be related to health and safety risks associated with the construction of power transmission lines, such as exposure to physical, chemical and biological hazards during construction activities, use of heavy equipment, slip and fall hazards, exposure to noise and dust, falling objects, exposure to hazardous materials and exposure to electrical hazards when using tools and machinery. Many workers may be exposed to occupational health and safety (OHS) hazards, including but not limited to:

- Traction works
- Working at heights
- Electric current and arc fault burns
- Electrical works
- Exposure to chemicals (paints, solvents, cooling oil for transformers and switches, lubricants, fuel, etc.)
- Saws and falling wood during logging
- Working in steep and dangerous areas.
- Traffic accidents.
- Excavation hazards
- Lifting of heavy formations
- Accidents
- Exposure to airborne pollutants (dust, silica and asbestos) during construction
- Ergonomic hazards during construction
- Environmental hazards (snakes, bees, scorpions, etc.)

- Welding hazards (smoke, burns and strong light radiation)
- Dangers of installation of supports (metal work).
- Steel erection hazards

In addition, based on the experience with construction projects in Azerbaijan, it is assumed that lack of workers' awareness and enforcement of OHS requirements such as wearing Personal Protective Equipment (PPE) and safe workplace practices may be a potential labor risk. These risks at work shall be mitigated in line with Policies and Procedures included in this LMP.

The Project will be implemented to be fully compliant to OHS standards for work of this nature, including all potential risks associated with Project aspects e.g. earth moving, drilling, steel erection and working at height activities. The OHS policies and procedures should encompass industry best practice arrangements, based on the approach specified in ESS2, to include a standard risk assessment hierarchy of management and associated practices, encompassing the awareness and task-specific training to all workers as appropriate.

Other risks are associated with overtime demands and/or labor conditions that compromise normative labor rights and as well as potential for sexual exploitation and abuse and sexual harassment (SEA/SH).

According to preliminary country assessments and the Company's Supplier Social Responsibility Program (See Appendix 7) that is, and will be, applied to its vendors and contractors other labor risks are not considered significant. This Plan contains Questionnaire and Declaration Tab with survey questions that Suppliers must complete and submit to Azerenerji, and identifies the required supporting documentation submitted along with the survey.

Given that the Labor Code will be followed, which also prohibits child and forced labor, the risks related to labor flows and related gender-based violence (GBV) and labor resources, including child labor, are low. Mitigation measures to address GBV risks are included in the Company's Social Responsibility Policy and Discrimination, Harassment and Retaliation Policy. This LMP includes a generic sample Code of Conduct (Appendix 1) to be adopted by all contractors and other employers in the Project and signed by all workers as part of onboarding.

The Company has not faced labor flow problems or problems related to the presence of migrant workers in OHTLs and substation construction projects so far. However, if other labor risks arise during the implementation of the project, Azerenerji will develop procedures to prevent future impacts.

4 SUMMARY ON LABOR LEGISLATION: CONDITIONS

Labor legislation in Azerbaijan consists of the Constitution of the Republic of Azerbaijan, the Labor Code and other legal documents and international agreements supported by the Republic of Azerbaijan.

The Constitution of the Republic of Azerbaijan provides for the basic principles of employment. According to Article 35 of the Constitution, everyone has the right to freely choose their type of activity, profession, occupation and workplace based on their ability to work.

Also, no one can be denied the right to work on the grounds of discrimination. Forced labor is prohibited. Labor contracts are freely signed. Everyone has the right to work in safe and healthy conditions and to be paid at least the minimum wage set by the government. In addition, according to Article 37, "Those who work under an employment contract are provided with a paid leave of not less than 21 calendar days at least once a year, working days, rest and holidays, which are determined by law, but not more than 8 hours a day".

The Labor Code of the Republic of Azerbaijan (February 1, 1999, No. 618-IQ) is the main legislative act aimed at regulating the relations between employees and employers, as well as other legal relations arising from the relations between them and relevant state bodies and enterprises. The Code also provides for health and safety requirements and principles.

4.1 WAGES AND DEDUCTIONS

Pursuant to the Decree of the President on Increase of Average Monthly Wage (2021) the minimum wage is equal to AZN300 per month (which is equivalent to approximately US\$175) from January 1, 2022.

Wages are paid in Azerbaijani manats via a bank deposit or delivery to an address specified by the employee. Deductions are permitted only with the written consent of the employee or executive documents (writs) issued in relation to the court resolutions, except for the instances below:

- Applicable taxes, social insurance fees and other mandatory payments stipulated by law;
- Amounts indicated in the executive documents listed in the legislation;
- Damages incurred by the employer which resulted from the employee's fault (except in cases when the employee bears full material responsibility), not exceeding the average monthly salary;
- Holiday pay in case of employee's premature resignation (when the employee enjoyed all vacation days in the working year and resigned before the end of that working year);
- Debt amount paid in advance for travel or other expenses, which was not reimbursed;
- Overpaid amounts to the employee, resulting from accounting errors;
- Amounts given to the employee to purchase goods and equipment, and not used and returned to the employer;
- Amounts determined by the collective contracts, and

- Membership fees to the trade union.

Deductions cannot be made from severance payments, wages or other sums which are tax-exempt as per law.

4.2 WORKING HOURS

Working hours are set at 8 hours a day and 40 hours a week. The working week is commonly 5 working days and 2 days off. However, subject to the nature of the work and the industry, the week may be established as a 6-day work week with one day off within weekly working hours. In a 6-day week, the normal daily working hours should not exceed 7 hours in a 40-hour week.

In addition, LC stipulates different requirements for various categories of workers. For instance, workers working in heavy, harmful and hazardous working conditions can only work up to 36 hours a week. A similar approach of reduced working hours (maximum of 36 weekly hours) is applied to teachers, doctors, workers working on electronic devices, and works categorized as those that may negatively affect workers' health.

In addition, the following categories of workers should not work more than 36 hours a week: Employees aged 16 to 18, pregnant women, certain categories of disabled persons, women with children under 1.5 years old, and single parents with children up to 3 years old. In a 36-hour week, daily working hours should not exceed 6 hours.

Work conducted between 22:00 and 06:00 is defined as night work. If at least half of the daily work falls on night hours in harmful and hazardous jobs or specific works defined by the government, working time shall be reduced by one hour per day (LC Article 97).

Night work hours are different for workers under 18 years old and established as from 20:00 to 07:00. Night work is prohibited by law (LC Article 254).

Night work is prohibited for pregnant women and women workers with children who are younger than 3 years old. Disabled persons can get involved with night work only with their written consent and pursuant to the opinion issued by the relevant executive authority (LC Article 98).

4.3 REST BREAKS

All employees are entitled to weekly rest time. In a 5-workday week, the rest time should be 2 days, whilst in a 6-workday week it should be at least 1 day.

Rest time should be given to workers according to the shift schedules approved by the trade union. In the absence of trade unions, this issue should be regulated by employment contracts.

Blood donors have one additional rest day; one day can be used separately or along with other leaves (LC Article 104).

Rest and lunch breaks are not included in working time. Rest and lunch breaks can be used by the employees at their discretion.

4.4 LEAVE

There are 12 (non-working) public holidays in Azerbaijan defined by LC, and if one of these public holidays fall on a non-working day it shall be carried over to the next working day after the holiday (LC Article 105).

There are four categories of leave: (a) labor leave, consisting of base and additional leaves, (b) social leaves, (c) educational leaves, and (d) unpaid leaves. The employment contracts and collective contracts can reflect other categories of leaves as well (LC Article 112).

There are two categories of paid annual labor leave: base and additional. The general rule is to grant a minimum of 21 calendar days of base paid annual leave. If the labor leave days fall on holidays, they are not included as a part of the labor leave (LC Article 114).

Additional paid annual leave is available to workers who are involved in hazardous working conditions, occupations with increased sensitivity, or mental and physical stress. Subject to the nature of the work, the additional time off should not be less than 6 calendar days. The list of hazardous industries, occupations and positions as well as employee categories together with relevant additional paid leave is determined by the relevant executive authority (LC Article 115).

Additional time off is granted to employees according to their length of service, as the LC refers to it:

- 5-10 years - 2 additional days;
- 10-15 years - 4 additional days, and
- 15 years and over - 6 additional days (LC Article 116).

Women with 2 children under the age of 14 are granted 2 additional calendar days, whilst women with 3 or more children or with a child with underlying health conditions are given additional 5 calendar days (LC Article 117).

Workers who have served the Azerbaijan people, national heroes, workers injured for the territorial integrity and sovereignty of Azerbaijan and similar categories of workers are eligible to labor leave of a minimum 46 calendar days (LC Article 120).

The employer is required to provide the employee with annual leave in accordance with LC. If the employee does not use holidays due to any reason, the employee will receive compensation for the days in the amount and order specified in the legislation (LC Article 135).

Employees are entitled to unpaid leave of up to 6 months if it is essential for them to take

time off to deal with urgent matters, such as personal, family, study, scientific, or mental health related matters, after coming to mutual agreement with their employer (LC Article 128-129).

4.5 MATERNITY LEAVE

Women are entitled to paid maternity leave of 126 calendar days, of which 70 days can be taken before childbirth and 56 after childbirth. In case of complications, an additional 70 days may be granted. Women *adopting children* are entitled to up to 2 months of leave. Women taking care the children without adoption are also entitled to 56 calendar days (LC Article 126).

Persons who are covered by compulsory state social insurance can receive social benefits such as maternity compensation, provided they have been engaged in compulsory social insurance scheme for at least 6 months.

Maternity allowance is paid at 100% of average daily earnings considering the past 12 months' earnings (Regulation on calculation and payment of compensations for compulsory national social insurance and benefits paid to temporarily disabled workers at the expense of means of the insurer, approved by the Cabinet of Ministers on September 15, 1998 under the No 189).

4.6 OVERTIME WORK

Overtime is work performed by the employee at the request (instruction, decision) of the employer beyond normal working hours, but not exceeding 4 hours during two consecutive days and 2 hours for workplaces with difficult and hazardous conditions (LC Articles 99-100). Overtime beyond this limitation is allowed in *exceptional instances*.

Overtime work is *prohibited for workers* engaged in very difficult and hazardous works (LC Article 99), pregnant women, women with children under 3 years old (LC Article 242). Women with children between 3 and 14 years old, and women with children who have certain health conditions may be involved in overtime work only with their consent (LC Article 242).

Overtime is subject to *compensation* and the calculation is as follows:

- Where wages are determined by the time worked, then there will be twice the standard hourly wage;
- Where wages are determined according to the piecework performed, the overtime should be paid at no less than the hourly rate of the employee of relevant expertise and same pay scale.

Overtime cannot be exchanged for an additional day off instead of payment. Additional pay for overtime work can be outlined in employment contracts as well as collective contracts (LC Article 165).

4.7 LABOR DISPUTES

Employee, employer, labor staff, trade unions may initiate individual or collective disputes (LC Article 18).

4.7.1 Collective disputes

In the event of a collective request from employees, the employer should respond within 5 working days. Failure or partial failure to respond shall result in the collective dispute to be considered as commenced. The employer then must inform the relevant authority of such a dispute within 3 working days. The timeline for dispute resolution is one month (LC Article 263). Collective disputes are to be resolved through: (a) reconciliation commission, (b) negotiator, (c) labor arbitration and (d) mediation (LC Article 265).

Reconciliation Commission: A reconciliation commission is created within 3 working days after the start of collective labor dispute and the creation is documented. The reconciliation commission is created on the basis of equality and with the participation of an equal number of members from both sides. The reconciliation commission is required to review the collective labor dispute within 5 working days. When the parties reach an agreement or fail to reach an agreement, the reconciliation commission shall document the result. The agreement reached shall be binding on the parties and implemented within the time frame indicated therein (LC Article 266).

Negotiator: A negotiator shall be a neutral and reputable person and shall be chosen with the consent of the parties. Within 5 working days, the negotiator shall study the merit of the dispute, and then shall suggest different options for reconciling the parties. The parties shall discuss the options within 5 working days with the participation of the negotiator. The final document will indicate the agreed solution option or failure on reaching an agreement (LC Article 267).

Labor Arbitrage: Arbitrage is a temporary institution, established by the parties for dispute resolution within 5 working days from the decision on preference of labor arbitrage method. The members, rules, place and procedures of the arbitrage will be determined by the mutual agreement of the parties. The arbitrage shall make its decision within 7 working days. The parties can document the lack of agreement with the decision of Labor arbitrage. However, if the parties agreed in advance that the decision of Labor arbitrage would be binding, the dispute solution is over with the issued decision (LC Article 268).

Mediation: On labor relations, individual and collective labor disputes may be solved via mediation (Law on Mediation, Article 27).

4.7.2 Individual Disputes

Individual employment disputes are resolved via (a) the courts of Azerbaijan, (b) pre-court body under the trade union, and (c) mediation (LC Article 294). The courts review the cases and make decisions in accordance with the Civil Proceeding Code and LC and other laws. The court decision shall be executed when the decision comes into force, unless otherwise

is noted in the decision.

A resolution via the pre-court body under the trade union is possible if the collective contract has such an option. The establishment of that body and its activity is made in accordance with the collective contract (LC Article 294).

Individual and collective labor disputes may be solved via mediation (LC, Article 294 and Law on Mediation, Article 27).

4.8 GRIEVANCES

The Labor Code does not provide for a grievance mechanism at the workplace level, where employees can directly and promptly resolve various types of workplace concerns.

A grievance mechanism (GM) will be provided for all direct workers and contracted workers to raise workplace issues and concerns. Such workers will be informed of the grievance mechanism at the time of recruitment and the measures put in place to protect them against any reprisal for its use. Measures will be put in place to make the grievance mechanism easily accessible to all such AZURE Project workers.

The AZURE specific GM for the workers will be at two levels - one at the AZURE Components level and the other in the PIU level. It should be emphasized that this GM **is not** an alternative/substitution to legal/judicial system for receiving and handling grievances (*ESS2 par. 23*). However, this is formed to mediate and seek appropriate solutions to labor related grievances, without escalating to higher stages. Having said that, all employees always have rights, according to Azerbaijan legislation, to access judicial/legal grievance management system.

4.9 WORKER GM STRUCTURE

AZURE Project level: The Owner's Engineer shall have a designated focal person who will accept any work-related complaints or grievances from project workers. Resolution of issues can be mutually resolved at the project site. However, if amicable resolution is not reached, the issues and concerns will be elevated to the PIU level.

PIU level: HR specialist of Azerenerji's HR Department will serve as Grievance Focal Point (GFP) to file the grievances and appeals. He/ She will be responsible to coordinate with relevant departments/ organization and persons to facilitate addressing these grievances.

GM will be accessible to all project workers through various means (written, telephone, fax, social media, etc.). Grievance logbook will be maintained in the office of Owner's Engineer. The RCDP project workers' grievance mechanism will not prevent workers to use judicial procedure. Moreover, monitoring of work-related grievances will be carried out by the PIU on quarterly basis. Assigned person will review received grievances and their resolution, and prepare a short summary to be included in the quarterly progress report to WB.

AZERENERJI level: Azerenerji JSC is committed to maintaining an open and transparent communication environment. To ensure that the employee's voices are heard, it has established several channels through which the employees can convey their complaints and suggestions to the top management. These channels are designed to facilitate efficient and confidential communication.

Channels for conveying complaints and suggestions:

1. Direct Communication with Supervisors:

- Employees are encouraged to discuss their concerns directly with their immediate supervisors. This approach allows for quick resolution of issues at the departmental level.

2. Human Resources Department:

- The HR Department is available to address employee complaints and suggestions. The employees can contact HR through the following methods:
 - **Email:** info@azerenerji.com
 - **Phone:** +994 (12) 598-5509
 - **In-Person:** Visit the HR office during working hours.

3. Employee Suggestion Box:

- Physical suggestion boxes are located in various common areas throughout Azerenerji facilities. Employees can submit anonymous suggestions or complaints. These boxes are checked regularly by HR representatives.

4. teshebbusumvar@azerenerji.gov.az - email service – Azerenerji has recently launched a new way of communicating the initiatives (teshebbusum var means I have an initiative) to the leadership through this email.

5. Online Feedback Portal:

- An online portal is available on the company intranet for employees to submit their feedback. This portal allows for anonymous submissions if desired. Access the portal at http://esd.azerenerji.az/service_letter.

6. Employee Hotlines:

- Dedicated hotlines are available for employees to voice their concerns confidentially. The hotline number is as follows:
 - **General Complaints:** +994 (12) 186 (hotline)
 - **Ethics and Compliance:** +994 (12) 598-5523

7. Reporting via Third-Party (ministry of energy, presidential administration, ombudsman office, State Labor Inspectorate Service:

- The employees are also free to address their complaints to the Ministry of Energy (in monthly meetings of the minister in the regions), presidential administration (telegrams, letters) ombudsman office (telegrams, letters), State Labor Inspectorate Service (in person visit, letters). When such applications are sent to those instances, they are forwarded to Azerenerji for taking actions and informing the applicants, including the addressed instances.
 - **Website:** <https://minenergy.gov.az/en/elaqe>
 - <https://ombudsman.az/az/elaqe>
 - <https://president.az/az/pages/view/administration/contacts>
 - <https://demx.gov.az/elaqe>

Commitment to Confidentiality and Non-Retaliation:

Azerenerji JSC is dedicated to addressing all employee concerns with the utmost confidentiality. Azerenerji adheres to a strict non-retaliation policy to protect employees who report issues in good faith. Their feedback is invaluable in helping Azerenerji create a better working environment and ensuring the continuous improvement its operations.

- The response time and manner in relation to complaints/applications/letters are regulated by the Legislation of Azerbaijan summarized below:
- The Constitution of the Republic of Azerbaijan
- Law of the Republic of Azerbaijan "On citizens' appeals".
- Decree of the President of the Republic of Azerbaijan on the implementation of the Law No. 1308-IVQ of the Republic of Azerbaijan dated September 30, 2015 "On Citizens' Appeals"
- Law of the Republic of Azerbaijan "On filing a complaint to the court about decisions and actions (inaction) that violate the rights and freedoms of citizens"
- Extract from the Law No. 352-IIIQ dated May 31, 2007 of the Republic of Azerbaijan "On the Rules of Ethical Behavior of Civil Servants"
- On the approval of the "Rule of making, receiving, registering and responding to oral applications through the telephone application service"

5 LABOR LEGISLATION: HEALTH AND SAFETY

5.1 REQUIREMENTS OF AZERBAIJAN LEGISLATION RELATING TO HEALTH AND SAFETY

According to Article 35.6 of the Constitution of the Republic of Azerbaijan, "Everyone has the right to work in safe and healthy conditions." Labor protection norms and rules are determined by the Labor Code of the Republic of Azerbaijan, as well as other legislative acts and normative-legal acts adopted by relevant executive authorities within their powers. Recommendations on the organization of labor protection services in enterprises, departments and organizations (dated July 14, 1999) "is a regulatory act that regulates the duties and obligations of labor protection and safety services, approved by the Collegial Council of the State Labor and Welfare Organization.

The State Labor Inspection Service (SLA) under the Ministry of Labor and Social Protection of the Republic of Azerbaijan (LSA) carries out labor-related regulations in accordance with the requirements of the legislation. State supervision of labor relations with employees, payment of labor, holiday and leave rights, labor protection, technical safety, working conditions, compensation for injuries caused during work, accidents and accidents in production, and compulsory occupational health insurance for diseases.

In addition to the Labor Inspectorate, the Ministry of Emergency Situations carries out technical supervision of construction works through the State Safety Control Agency. Within its powers, the Agency participates in the development of safety policy at all stages of the construction sector, ensures the implementation of this policy and carries out state control in this direction.

The legislation of the Republic of Azerbaijan requires employers to provide insurance to all employees. Insurance against loss of professional labor capacity as a result of accidents and occupational diseases in production is regulated by the Law of the Republic of Azerbaijan "On compulsory insurance against cases of loss of professional labor capacity as a result of accidents and occupational diseases in production". According to Article 3.1 of the Law, these requirements are applied to individuals and legal entities engaged in employment by concluding a labor contract and a civil-legal contract, students and apprentices undergoing production experience (training), and others.

The type and scope of insurance varies depending on the degree of occupational risk and the category of the insured.

The Labor Code requires that labor protection be applied based on principles including, but not limited to, the following:

- Prioritizing the life and health of workers over the production results of enterprises;
- Coordinating labor protection with other economic and social policies, as well as environmental protection;
- Determination of uniform labor protection requirements for all enterprises, regardless of ownership and legal form of the organization;

- Implementation of independent and effective control measures for compliance with labor protection requirements by all enterprises;
- Development and use of efficient methods, techniques and technologies for labor protection;
- Workers are provided with protective outerwear and boots, other personal protective equipment, therapeutic-prophylactic products, etc. at no cost.

The law also includes requirements for mandatory investigation, registration and analysis of any industrial accident or occupational disease, as well as for providing accurate information to workers about the situation related to occupational injuries, damages and occupational diseases.

The owner of the organization and the employer are directly responsible for the protection of labor and the application of rules at the workplace. They should also implement the following measures at the workplace:

- to comply with all labor protection standards, norms and rules;
- to protect the safety of buildings, mechanisms, technological processes and equipment;
- ensure healthy conditions in the workplace and use existing public health standards;
- to provide necessary sanitation and cleanliness, to carry out treatment and preventive services;
- employees working in harmful or unfavorable environment with free curative-preventive appointment
- to provide crops, milk or other food equivalents;
- enforce normal work and rest standards;
- employees free work clothes and shoes under appropriate conditions and at normal, regular frequency
- and provide other necessary protective equipment;
- inform employees about labor protection standards and regulations,
- to instruct and test their knowledge and encourage them in labor protection;
- to include the necessary regulations on labor protection in the collective agreement
- assume the responsibility defined in these rules;
- implementation of existing labor protection standards and working conditions; to provide statistical reports on measures taken to implement standards and results of activities to achieve these goals.

The required information is provided at appropriate times and in special forms determined by relevant executive authorities.

If the work of the employer or other officials, as well as enterprises and their structural units, equipment and facilities, which does not comply with the requirements of labor safety norms and rules and the principles of labor protection established by this Code, poses a threat to the health or life of employees, the authorized shall be suspended until violations detected by supervisory authorities or their officials are eliminated. (Article 229)

The Labor Code of the Republic of Azerbaijan provides for provisions related to labor protection and safety and applies to workers working directly and under contract, including foreign workers. The following overview sets out the key aspects of the legislation relating to the items set out in paragraphs 24-30 of the ESS2.

- All potential hazards to the health and life of project workers will be identified during the design phase of the project. Each party employing employees shall develop and implement procedures to establish and maintain a safe work environment, including workplaces, machinery, equipment and processes under their control that are safe and free of risks to health. This includes the application of appropriate measures for chemical, physical and biological substances and agents.
- If hazards to health and safety cannot be avoided, appropriate protective measures will be implemented. These measures include controlling the hazard at source using protective solutions and providing the project worker with adequate PPE at no cost.
- Any party employing workers will appoint health and safety workers on construction sites. If the number of employees is 100, the employer is obliged to appoint at least two health and safety officers.
- Project staff will receive HSE training at the beginning of their employment and regularly thereafter. Training will cover relevant aspects of HSE related to day-to-day operations, including the ability to stop work without imminent danger and to respond to emergency situations. Training notes will be kept on file. These records include a description of the training, the number of training hours provided, training attendance records and the results of evaluations.
- The employer will develop and implement a reporting system for any accidents, illnesses and incidents. Every accident will be reported to the employer, investigated and appropriate measures will be taken to prevent future accidents. Also, remedies will be provided for adverse effects such as industrial injuries, disabilities and illnesses.

The "Labor Code" defines basic requirements and general principles of labor protection for dangerous, heavy, harmful and (or) hazardous work (Chapter IX). The list of such cases is given in the relevant legal acts.

Azerbaijan legislation imposes a general obligation on employers to provide employees with a safe and healthy work environment and to inform employees of the potential risks that their work may pose to their health and safety. Actions to be taken include, but are not limited to, training and awareness campaigns, as well as appropriate preventive measures. The legislation includes requirements for the organization and management of health and safety programs, the provision of emergency medical care and services, and accident response. Other requirements include controlling access to hazardous workplaces, providing workers with free personal protective equipment and medical examinations.

According to the Labor Code, employers must consider the applications and complaints of employees within the time and in the manner prescribed by the legislation (Article 12). However, there is no specific requirement for a grievance mechanism that allows employees to bring their grievances to the employer. This can be considered as a gap between Azerbaijani legislation and ESS2. The complaints mechanism is discussed in more detail in this document (see section 9).

In summary the code does not include explicit requirements on provision of first aid kits, responsibility for maintenance of training records (except for the records of the compulsory initial training conducted for the employees hired for hazardous works), requirement for separate facilities for men and women, and it does not provide an express prohibition for retaliation against a worker reporting unsafe situation. While the code is not clear on the requirement to conduct OHS risk assessments before commencement of any works, this requirement may be an element of OHS norms and standards which employers are required to establish.

5.2 WORLD BANK ENVIRONMENTAL AND SOCIAL STANDARDS

The World Bank's Environmental and Social Standard (ESS) 2 on Labor and Working Conditions helps borrowers to promote good labor management relations and maximize the development benefits of the project by providing fair treatment to its workers and ensuring safe and healthy working conditions. The main objectives of ESS2 are as follows:

- To promote safety and health at work.
- To promote the fair treatment, non-discrimination, and equal opportunity of project workers.
- To protect project workers, including vulnerable workers such as women, persons with disabilities, children (of working age, in accordance with this ESS) and migrant workers, contracted workers, community workers and primary supply workers, as appropriate.
- To prevent the use of all forms of forced labor and child labor.
- To support the principles of freedom of association and collective bargaining of project workers in a manner consistent with national law.
- To provide project workers with accessible means to raise workplace concerns.

ESS2 applies to project workers, including full-time, part-time, temporary, seasonal and migrant workers. When public officials work on the project, whether full-time or part-time, they will follow the terms of existing public sector employment contracts or agreements unless there is an effective legal transfer of their work or work on the project. ESS2 will not apply to government officials.

The borrower is responsible for developing and implementing written project management procedures. These procedures define how project personnel are managed in accordance with national law and the requirements of this ESS. The procedures will address the manner in which this ESS applies to various categories of project personnel, including production personnel, and the manner in which the Borrower requires third parties to manage its personnel.

Project workers will be provided with clear and understandable information and documents regarding their working conditions. Information and documentation about their rights in relation to working hours, wages, overtime, compensation and benefits, as well as their rights under national labor and employment legislation (including any applicable collective agreements), including the requirements of this ESS will determine their rights. This information and documentation will be provided upon commencement of employment and upon any material change to the terms of employment.

The employment of project workers will be based on the principle of equal opportunity and fair treatment, recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, job assignment, promotion, termination or retirement or any aspect of the employment relationship, such as disciplinary practices, will not be discriminated against.

5.3 GAPS IN POLICY

Comparison of the main requirements of the World Bank ESS2 related to labor resources with the requirements of the Legislation of the Republic of Azerbaijan:

ESS and topic	WB's major requirements	Gaps in legal system of Azerbaijan
A. Management of working conditions and labor relations	<p>Written labor resource management rules</p> <ul style="list-style-type: none"> • Terms of employment • Non-discrimination and equal opportunities • Workers' organizations • Elaboration of plans of Contractor, including Labor Resources Management plans 	<p>Except for the following, all requirements are available in the legislation of Azerbaijan</p> <ul style="list-style-type: none"> • There is no provision for labor management plans for specific projects.
B. Workforce Protection	<p>Prohibition of child labor</p> <ul style="list-style-type: none"> • Banning the use of forced labor 	<p>No gaps (Child labor is prohibited (under 15 years old) and between 15 and 18 years old - with parental permission).</p>
C. Grievance redress mechanism	<p>GRM should be available for operational and contract workers</p>	<p>There is no special GRM process for employees working under individual employment contracts</p> <ul style="list-style-type: none"> • Complaint registration and follow-up procedures are regulated by the Law on Citizen Appeals.
D. Occupational Safety and Health	<p>Detailed procedure required for each project.</p> <p>Protection of employees, training, Documentation of incidents, Emergency preparedness, Requirements for solving problems;</p> <p>Supervision of EIA work</p>	<p>There is no detailed procedure for each project.</p> <p>Compliance with requirements for employee protection, training, incident documentation, emergency preparedness plan.</p>

E. Employee categories (production, contract, supplier, community)	Defines categories of employees	There is no such classification
F. Minimum Age Limit for Employees	- The minimum age for employment is 14; - A child between the ages of 14 and 18 may be employed or involved only under certain conditions	Work is allowed for persons over 15 years of age, but with the permission of a guardian.
ESS and topic	WB's major requirements	Gaps in legal system of Azerbaijan
	18 may be employed or involved only under certain conditions	Persons aged 15-18 are not allowed to work in difficult and hazardous working conditions

The labor legislation of the Republic of Azerbaijan is consistent with the World Bank ESS2 in most leading respects, except for the requirements of employers to develop an internal grievance mechanism for employees in several aspects. For the purposes of this project, the provisions of the World Bank ESS2 as set out in the Labor Resources Management Plan will be followed, except for the officials whose terms of employment will only be in accordance with national legislation.

6 ROLES AND RESPONSIBILITY

Project Implementation Unit (PIU) has been established under Azerenerji JSC to manage the project. The PIU will coordinate project work, including relations with operations personnel, contractors, and suppliers. The PIU will coordinate with the respective Management Board of Azerenerji and the Owners Engineer in monitoring and managing the projects.

The PIU will oversee the implementation of the LMP and ensure coordination between different departments of Azerenerji and stakeholders. PIU will regularly review progress against the LMP objectives and make necessary adjustments. PIU Director will provide regular updates and reports to senior management and stakeholders.

The person in charge of human resources appointed by the Azerenerji, or Engineering Procurement Construction (EPC) Contractor, or other nominated agent will be responsible for the following within the scope of its responsibility:

- Apply these labor resource management rules;
- Ensuring that all contractors and sub-contractors comply with these labor resource management guidelines;
- Conducting monitoring to check whether the contractors are fulfilling their labor and HSE obligations towards the contractor and sub-contractor workers as required by the Azerbaijan legislation and ESS2;
- Monitor the fulfilment of labor resource management rules by the contractor and subcontractors;
- Monitor compliance with occupational health and safety standards in all workplaces in accordance with national occupational health and safety legislation;
- Supervise and implement HSE training for project staff;
- Establish and implement a grievance mechanism for direct project employees and ensure that employees are informed about its purpose and rules of use;
- Ensure that a grievance mechanism is in place for each contracted entity, whether contracted directly by the EPC or a sub-contractor.
- Put in place a system for regular monitoring and reporting on labor and labor protection and safety indicators;
- Monitor the implementation of the Corporate Code of Conduct, Supplier Social Responsibility Program.

Contractors (Consultants) will be responsible for the following:

- Comply with the requirements of national legislation and these Human Resources Management Procedures;
- Keep records of the recruitment and employment process of contract workers;
- Clearly describe the job and communicate the terms of employment to contract workers;
- Having a system for regular review and reporting of labor and occupational health and safety indicators.

- Have in place a dedicated workers grievance mechanism.

When the contractor(s) are known, these labor resource management procedures include, where appropriate, companies, hired labor, etc. can be updated to include additional information about.

7 POLICIES AND PROCEDURES

The employment of project workers will be based on the principles of non-discrimination and equal opportunity, as specified in the Labor Code. There will be no discrimination in any aspect of the employment relationship, including hiring, compensation, working conditions and terms of employment, right to training, promotion or termination of employment. In order to ensure the fair treatment of all employees, the following measures will be monitored by the Human Resources Department of Azerenergy JSC, the PIU director, and EPC as relevant:

- Recruitment procedures will be transparent, public and based on non-discriminatory principles and open with regard to ethnicity, religion, sexual orientation, disability or gender.
- Clear job instructions will be provided prior to employment and the skills required for each position will be explained.
- All employees will have written contracts explaining their terms and conditions of employment and their content will be explained to them. Employees will sign the employment contract. This will include a code of conduct.
- Employees will be notified at least two months in advance of the expected future termination date.
- Depending on the nationality of the employer and the employee, the terms and conditions of employment will be communicated in a language that is understandable to both parties.

In addition to written documents, the terms and conditions of employment will be explained orally to employees who have difficulty understanding the documents.

The Contractors will prepare their own binding Labor Management Plans (C-LMP) in line with this LMP and the national labor law. The principles and procedures presented below represent the minimum requirements but is not an exhaustive list of requirements. The following measures will be developed by the contractors and monitored by the PIU and supervision consultant to ensure fair treatment of all employees:

Non-discrimination: The employment of project workers will be based on the principles of non-discrimination and equal opportunity. There will be no discrimination regarding any aspects of the employment relationship, such as recruitment, compensation, working conditions and terms of employment, access to training, promotion, or employment termination. Any discrimination based on gender, sexual orientation, age, race, ethnicity, political option, social origin, residence, disability, status, or trade union activity, as well as other criteria not related to his/her professional qualities, shall be prohibited.

Recruitment and Employment: Recruitment procedures will be transparent, public, and non-discriminatory with respect to ethnicity, religion, sexual orientation, disability, gender, and other grounds included in the Labor Law, other relevant laws, and World Bank ESS2 standard. The contractor will consider following:

- Employment opportunities to the local communities and groups via the most appropriate

channels and develop job adverts in the corresponding language and clear and inclusive wording.

- Applications for employment will be considered in accordance with the application procedures established by the contractors.
- Clear job descriptions will be provided before recruitment and will explain the skills required for each post.
- All workers will have written contracts describing terms and conditions of work and will have the contents clearly explained to them. Workers will sign the employment contract. Terms and conditions of employment will be available at work sites.
- Merit-based employment is needed; however, the contractors may prioritize candidates from local communities and disadvantaged groups such as women and the disabled.
- The contracted workers will not pay any hiring fees. If any hiring fees are to be incurred, these will be paid by the Employer ('Contractor').
- Depending on the employer's and employee's origin the contracts will be developed in corresponding language understandable for both parties.
- In addition to written documentation, an oral explanation of conditions and terms of employment will be provided to workers who may have difficulties with understanding the documentation.
- While communication language related problems are not expected, attention should be given to ensuring coordination between different contractors and means to address any language differences.
- Foreign workers will require residence permit, which will allow them to work in Azerbaijan.
- PIU will include in contracts all contractor (and subcontractor) personnel must be 18 years or older.

As an example, to address OHS issues, the below approach can be used:

OHS Plans: The Borrower will include in the bidding documents specific OHS standard requirements that all contractors and sub-contractors will meet under this project. The standards will be consistent with local regulations, WBG Environmental, Health and Safety guidelines and GIIP (Good International and Industry Practices). The following OHS standard requirements should as a minimum be included in the OHS Plan to be prepared by the contractors:

- Risk Assessment Procedure.
- Work permitting for hazardous work (working at heights, hot work, work on energized lines, work within confined spaces).
- Golden rules for all work.
- Emergency response procedure.
- Fall prevention and working at heights.
- Excavation, ladders, and scaffolders safety (eg tag and lock out system); welding and cutting safety; cranes, derricks, and forklifts safety; power and hand tools safety.
- Respiratory prevention to chemical and airborne hazards (including dust, silica, and asbestos); electrical safety (hazardous energies control, lock out tag out, energy verification, safe distance work, wiring and design protection, grounding, circuit protection, arc fault protection, Electrical safety, PPE, and dielectric tools); hazards communication; noise and vibration safety; steel erection safety; fire safety; material handling safety; concrete and masonry safety.

- Construction PPE.
- OHS training.
- Refuse to work policy.

OHS Staff: In addition, OHS plans, will among other issues, include the following: the construction contractor will define an OHS accountability matrix for all staff including Project manager, contract manager, OHS staff, foremen, and all employees with clear roles and OHS responsibilities. Each Contractor must have its own risk appropriate OHS staff responsible for the implementation and supervision of the OHS program.

Risk Assessment: All contractors must develop mandatory risk assessment analysis to identify hazards and OHS risk at the workplace. The contractors will develop risk management plans, including Risk Assessment Procedures, to mitigate OHS risks. The procedure should aim to establish and maintain a safe working environment, including that workplaces, machinery, equipment, and processes under their control are safe and without health risk. The Contractors must keep the training records.

Safety Standards and PPE: Contractors will provide a safe workplace; therefore, a risk assessment will be completed before the commencement of any construction activities, and safety measures will be implemented in accordance with applicable safety standards. All employees will strictly follow Golden rules for all works (OHS rules that cannot be broken in any circumstances), which will be enforced under contractual matrix of consequences. The employer will provide special clothing, footwear, and other personal protective equipment (PPE) to employees free of charge and workers will be trained in its use. Such PPE is to be delivered to employees involved in work related to the elimination of the consequences of accidents and natural disasters. When the PPE is dysfunctional, the employer is obliged to replace PPE at their own expense without the employee's responsibility. If the employee purchases PPE at their own expense, the employer is obliged to reimburse such costs.

OHS Training: The employer is responsible for providing OHS training to employees in language understandable to the workers before the work is commenced on:

- General principles of health and safety.
- Working procedures, equipment, machinery, and manual and instructions for the use and repair of work equipment.
- Emergencies and evacuation plans, and their implementation activities.
- Existing threats and risks and mitigation measures to be taken with regards to overcoming such situations.

Contractors will control the access to the construction site only to authorized people and verify if workers are meeting training and accreditation requirements in accordance with the set training standards and applicable regulatory requirements (i.e., in many countries truck drivers, crane and derrick operators must be accredited, as well as electricians. Workers must be trained to perform hazardous works such as working at heights, confined spaces, welding etc.). All workers must complete, as a minimum, an OHS induction to have access to the construction site and have evidence of the Project Induction, eg safety card or sticker.

Refuse to Work Policy: Employees have a right to refuse to perform tasks or instructions assigned by the employer, creating health and safety risks for the employees. Employees are entitled to leave the workplace in the event of danger. The contractors will not dismiss an employee from their job or place them in a less advantageous position than other employees if such employees exercise the rights of reporting or leaving the workplace during the threat of danger. The Project shall maintain a system of “anybody can stop work in the event that they judge it to be unsafe”; without prejudice to the worker involved.

All contractors must take appropriate protective measures when avoiding health and safety hazards is not possible. These measures include controlling the hazard at source using protective solutions and providing adequate PPE at no cost to the project/sub-projects worker.

The employer will develop and implement a reporting system for any accidents, diseases, and incidents.

OHS Committee: There will be a construction OHS committee with representatives of employees, the Borrower, and all subcontractors. Biweekly OHS meetings will be conducted to discuss preventive measures, deviations and non-compliances, accidents, and corrective actions. Contractors will conduct internal OHS surveys and audits to verify compliance of OHS practices. Non-compliances will be documented and reported internally. A time frame for a corrective action will be set and followed up. Daily OHS briefings will be conducted before the commencement of the works highlighting the hazards and preventive measures from each job. Contractors will document and report to the Borrower all accidents and illnesses with a day lost or more, fatalities or serious injuries that may happen at the work site.

First Aid: There must be onsite resources for first aid and for more serious injuries. Furthermore, there must be a pre-approved health facility for medical treatment, as well as appropriate transportation of injured workers. Projects with major civil works should have medical doctors on site.

Workers' accommodation: If accommodations are provided for workers, Contractors will ensure that they are provided in good hygiene standards, with fresh drinking water, clean beds, restrooms and showers, clean bedrooms, good illumination, lockers, proper ventilation, safe electrical installation, fire and lightning protection, separate cooking and eating areas. There will be separate facilities provided for men and women. The contractors will be liable to comply with "Workers' Accommodation: Processes and Standards A Guidance Note" by IFC and the EBRD.

Monitoring and Reporting: The Supervision Consultant will conduct periodic supervision of contractor's OHS performance, including site visits, at least monthly and weekly in case of large infrastructure works. These supervisions will cover compliance with above mentioned standards, accidents, violations of golden rules, recommendations, and progress of ongoing corrective actions. The Borrower will include in the contract(s) as requirement for contractors to report on issues such as number of accidents rates, severity rates, number of recurring non-compliances, violations of Golden rules, fatalities and serious injuries, and

penalties for non-completion. Furthermore, the supervision consultant will review and approve contractors' safety plans and procedures. The contractors will be required to provide periodic information on the performance in terms of labor, occupational health, and safety issues. The information will be included in the construction contractor's monthly report and will be reviewed by the supervision consultant's team.

In addition, the contractor shall report to the Borrower about any inspections and audits carried out by the respective ministries such as the Labor Inspection. The findings of the labor audits will be presented to the Borrower and the Bank, if requested.

Reporting on accidents and incidents: Immediately or not later than 24 hours, the PIU or the contractor shall report to the Labor Inspectorate and the Ministry of Interior (police), verbally and in writing, any fatality, collective or individual serious injury, due to which the employee is unable to work for three consecutive working days, as well as any dangerous event that may put health and safety of the employees at risk.

The Borrower will inform the Bank within 48 hours about any incident or accident related to the project which has or is likely to have a significant adverse effect on the environment, the affected communities, the public or workers (labor, health and safety, or security incident, accident, or circumstance), but no later than three calendar days after the occurrence of the event. Such events can include strikes or other labor protests, serious worker injuries or fatalities, project-caused injuries to community members or property or environmental damage. The Borrower will prepare a report on the event and the corrective action and submit to the Bank within 30 calendar days of the event.

Code of Conduct: The construction contractor will develop and implement Code of Conduct. The construction contractor should also submit the Code of Conduct to the EPC/supervision consultant for review and approval. The Code of Conduct will reflect the company's core values and overall working culture. The content of the Code of Conduct is included in the World Bank Standard Bidding Documents and will include provisions relating to SEA/SH prevention.

SEA/SH Definitions: Sexual exploitation is any actual or attempted abuse of a position of vulnerability, differential power, or trust for sexual purposes, including, but not limited to, profiting monetarily, socially, or politically from the sexual exploitation of another (UN Glossary on Sexual Exploitation and Abuse 2017, pg. 6). Sexual abuse is actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions (UN Glossary on Sexual Exploitation and Abuse 2017, pg. 5). Sexual harassment is any unwelcome sexual advances, request for sexual favours, and other verbal or physical conduct of a sexual nature. Project workers are prohibited from committing any acts of SEA/SH. Project workers are required to sign a Code of Conduct at the start of employment. Project workers will receive training on the Code of Conduct and prevention of SEA/SH.

The contractors will be required to provide periodic information on the performance in terms of labor, occupational health and safety issues. The information will be included in the construction contractor's monthly report and will be reviewed by the supervision consultant's team.

In addition, the contractor shall report to the Borrower about any inspections and audits carried out by the respective ministries such as the Labor Inspection. The findings of the labor audits will be presented to the Borrower and the Bank, if requested.

8 AGE RANGE FOR EMPLOYMENT

The minimum working-age in this project will be the age of 18 years. The contractors will be required to verify the identify the age of all workers. This will require workers to provide official documentation to verify age such as a national identification card, passport, driver's license, birth certificate, valid medical or school records.

If a child under the minimum age is discovered working on the project, measures will be taken to immediately terminate the employment or engagement of the child in a responsible manner, taking into account the best interest of the child.

The PIU, the Owner's Engineer will carry to periodic supervision visits to monitor that child labor is not engaged in the project activities.

- A full-time Social Safeguard Specialist will be employed in PIU.
- If available, the PIU will collaborate with national institutions with a mandate to prevent and eliminate child labor
- In a project where persons between the ages of 15 and 18 years are engaged as project workers, following measures shall be implemented:
- Carry out a risk assessment of works which will be performed by people between ages of 15 and 18 years.
- Ensure that persons between ages of 15 and 18 years are not engaged in nigh shift and hazardous work, or any other work which may jeopardize their health, safety, psychological and education developments, and morals.
- Conduct regular monitoring of health, working conditions, hours of work payment of wages, and other requirements of ESS2 and national employment and safety legislations.

9 EMPLOYMENT CONDITIONS

The terms and conditions applying to Azerenerji employees are set out in the Azerenerji's Internal Labor Rules and Regulations which provides for the rights of Azerenerji employees in line with the national Labor Code, which is described in the section 3. These internal labor rules and regulations will apply to Azerenerji employees who are assigned to work specifically in relation to the project (direct workers). Azerenerji also has in place several corporate social policies and Supplier Social Responsibility Program (including labor service survey template) that will guide the employment contracts and service contracts).

The conditions for operational employees are determined by their individual contracts. The PIU will ensure fairness and equity as well as compliance with national and Bank requirements and will conduct regular monitorings in sites and construction camps.

Contracted employees will have individual contracts (employment contracts or service contracts) with fixed monthly wage rates.

A work schedule of 40 hours (forty hours) per week should be applied. Terms and conditions for overtime and vacation time are agreed as part of individual contracts. The PIU will ensure fairness and equity as well as as compliance with national and Bank requirements and will conduct regular monitorings in sites and construction camps.

A labor agreement will determine the form and amount of remuneration. Remuneration will be paid at least once a month. The minimum wage limit is regulated by the Azerbaijan legislation. The employer may deduct from the employee's remuneration overpayments or any other sum payable by the employee under labor relations. The deductions from remuneration shall be regulated in accordance with Article 175 of Labor Code. The employer will pay full compensation to the employee for work-related damage that caused any deterioration to the employee's health and will cover the subsequent, necessary treatment costs (article 239 of Labor Code).

Overtime hours will be paid as:

- Where wages are determined by the time worked, then there will be twice the standard hourly wage;
- Where wages are determined according to the piecework performed, the overtime should be paid at no less than the hourly rate of the employee of relevant expertise and same pay scale.

The work week will be five days per week with two rest days. In a 6-day work week, there will be at least one rest day.

The C-LMP will set out terms and conditions for the contracted workers. These terms and conditions will be in line, at minimum, with this LMP, national Labor Code and General Conditions of the World Bank Standard bidding documents and comparable industry standards.

10 GRIEVANCE MECHANISM FOR WORKERS

Azerenerji has developed and enacted a grievance mechanism (described in previous sections) for the employees to resolve workplace concerns, where workers are directly employed by Azerenerji JSC. Azerenerji will instruct the contractors to develop and implement a grievance mechanism compliant with the provisions of this document.

Grievance Mechanism for workers is introduced for all operational staff and contract workers to voice their grievances at the workplace. Such workers were informed at the time of recruitment of the grievance mechanism and the measures taken to protect them from any harassment for using it. Actions were taken to make the grievance mechanism readily available to all project staff.

This mechanism is not the same as the feedback and grievance redress mechanism (FGRM) that will be created for stakeholders affected by the project.

As indicated, Azerenerji JSC will require contractors to develop and implement a grievance mechanism for their workforce, including subcontractors, before the design phase begins. Construction contractors will develop their own labor management procedure before commencing construction work, which will also include a detailed description of the employee grievance mechanism.

The grievance mechanism for workers includes:

- complaint handling procedure such as comment/complaint form, suggestion boxes, e-mail, telephone hotline;
- deadlines for responding to complaints;
- a register to record and track the timely resolution of complaints;
- department responsible for receiving, recording and tracking complaints.

The PIU and, as relevant, the Owner's Engineer will monitor the recording and resolution of contractors' complaints and will report this to Azerenerji JSC in monthly progress reports. The process will be supervised by the designated HR Specialist of Azerenerji's HR Department in charge of grievances raised by workers, who is the representative of Azerenerji JSC responsible for the works relating to OHLs and substations.

The grievance mechanism for workers will be described in the staff recruitment training provided to all project workers. The mechanism will be based on the following principles:

- The process will be transparent and allow workers to voice their concerns and voice their grievances.
- Complaints will not be discriminated against, and any complaints will be treated confidentially.
- Anonymous complaints will be treated in the same way as other complaints of known origin.

Management will take complaints seriously and take timely and appropriate action in

response.

Information about the existence of a grievance mechanism will be readily available to all project workers (directly and contract based) through notice boards, availability of “suggestion/complaint boxes” and other means as needed.

10.1 STRUCTURE OF GRIEVANCE MECHANISM FOR WORKERS

PIU/OE level: A designated specialist of the PIU (or nominated person within the Owner’s Engineer) will act as a Complaints Contact Point (GCP) for submitting complaints and appeals. He/she is responsible for liaising with the concerned department/organization and individuals to facilitate grievance redressal. If the problem cannot be resolved at the PIU level within 7 working days, then it will be escalated to the ministerial level.

JSC level: If there is no response from the PIU level or the response is not satisfactory, the complainants and feedback givers will have the opportunity to contact the contact person of Human Resources Department of Azerenerji JSC to report the problem.

The Grievance Mechanism can be accessed by all employees through various means (written, phone, fax, social media, etc.). The complaint log will be kept in the office of the PIU/OE.

The Project’s Worker Grievance Mechanism will not limit employees' access to the judicial process. In addition, the Human Resources Department of the Company will monitor work-related complaints on a quarterly basis.

Designated HR officer of Azerenerji’s HR Department will review the complaints received and their resolution and prepare a summary for PIU to be included in the quarterly progress report for the Bank.

10.2 WORLD BANK’S GRIEVANCE REDRESS SYSTEM

Communities and individuals who feel that they are adversely affected by a World Bank supported project can file a complaint with the existing project-level grievance redressal mechanisms or the WB Grievance Redressal Service (GRS). GRS provides immediate review of complaints received in order to resolve project-related grievances. Communities and individuals affected by the project may submit their complaints to WB's independent inspectorate, which determines whether the damage was caused by WB's failure to follow its policies and procedures. Grievances may be filed at any time after they have been brought directly to the attention of the World Bank and bank management has been given an opportunity to respond. For information on how to send complaints to the World Bank's Grievance Redress Service (WB GRS), visit the following website: <https://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>

11 ADMINISTRATION OF CONTRACTS

Azerenerji JSC will use the Bank's 2017 (and latest revisions) Standard Procurement Documents for solicitations and contracts, which include labor and OHS requirements.

As part of the process of selecting design and construction contractors to engage contract workers, Azerenerji JSC and/or the supervision consultant (EPC) may consider the following information:

- Information in state registers, such as corporate registers and state documents related to violations of applicable labor laws, including reports from labor inspectorates and other enforcement agencies;
- Business licenses, registrations, permits and approvals;
- Documents related to the labor management system, including labor management procedures;
- Identification of labor management, safety and health personnel, their qualifications and certifications;
- Employee certifications/permits/training to perform required work;
- Records and responses to safety and health violations;
- Accident and fatality records and notifications to authorities;
- Records of employee benefits required by law and proof of employee enrolment in applicable programs;
- Employee payroll reports, including hours worked and wages received;
- Identification of safety committee members and minutes of meetings;
- Copies of previous contracts with contractors and suppliers showing the inclusion of terms and conditions reflecting ESS 2.

Contracts with selected contractors will include labor and OHS provisions as stipulated in World Bank regulations and Azerbaijan laws.

The Supervision Consultant will manage and monitor the performance of contractors in relation to their contracted employees, ensuring that contractors comply with contractual agreements (undertakings, representations and warranties). This may include periodic audits, inspections and/or on-site inspections of project sites or work areas and/or labor management records and reports prepared by contractors. Contractors' labor management records and reports may include: (a) a representative sample of labor contracts or agreements between third parties and contract workers; (b) records of complaints received and their resolution; (c) safety inspections, including reports on fatalities and incidents and the implementation of corrective actions; (d) records of non-compliance with national legislation; and (e) records of training given to contract workers to explain labor, working conditions and HSE for the project.

12 PRIMARY SUPPLIERS

The major suppliers of the power transmission lines will be companies that manufacture transmission poles and wires. There is no preliminary information on significant risks of child labor and forced labor in these sectors. If filling (concrete) material is needed, local quarries will also be considered as main suppliers. The main suppliers for the substation will be companies that manufacture electrical switching equipment, transformers and other basic electrical equipment. It is also unknown whether these sectors are associated with significant risks of child labor and forced labor. Except for local quarries, the main suppliers are expected to be local and large-scale international companies.

APPENDIX 1: Code of Conduct for Project Workers

All employees, contractors, subcontractors, and agents of the Contractor performing work hereunder shall be required to comply with the Code of Conduct as if they were employees of the Contractor.

We are the Contractor, [enter name of Contractor]. We have signed a contract with [enter name of Employer] for [enter description of the Works]. These Works will be carried out at [enter the Site and other locations where the Works will be carried out]. Our contract requires us to implement measures to address environmental and social risks related to the Works, including the risks of sexual exploitation and abuse and sexual harassment.

This Code of Conduct is part of our measures to deal with environmental and social risks related to the Works. It applies to all our staff, labourers and other employees at the Works Site or other places where the Works are being carried out. It also applies to the personnel of each subcontractor and any other personnel assisting us in the execution of the Works. All such persons are referred to as “**Contractor’s Personnel**” and are subject to this Code of Conduct.

This Code of Conduct identifies the behaviour that we require from all Contractor’s Personnel.

Our workplace is an environment where unsafe, offensive, abusive, or violent behaviour will not be tolerated and where all persons should feel comfortable raising issues or concerns without fear of retaliation.

REQUIRED CONDUCT

Contractor’s Personnel shall:

1. carry out his/her duties competently and diligently.
2. comply with this Code of Conduct and all applicable laws, regulations, and other requirements, including requirements to protect the health, safety and well-being of other Contractor’s Personnel and any other person.
3. maintain a safe working environment including by:
 - a. ensuring that workplaces, machinery, equipment, and processes under each person’s control are safe and without risk to health.
 - b. wearing required personal protective equipment.
 - c. using appropriate measures relating to chemical, physical and biological substances, and agents; and
 - d. following applicable emergency operating procedures.
4. report work situations that he/she believes are not safe or healthy and remove himself/herself from a work situation which he/she reasonably believes presents an imminent and danger to his/her life or health.
5. treat other people with respect, and not discriminate against specific groups such as women, people with disabilities, migrant workers, or children.
6. not engage in any form of sexual harassment including unwelcome sexual advances, requests for sexual favors, and other unwanted verbal or physical conduct of a sexual nature with other Contractor’s or Employer’s Personnel or any member of surrounding communities.

7. not engage in sexual exploitation, which means any actual or attempted abuse of position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially, or politically from the sexual exploitation of another. In World Bank financed projects/operations, sexual exploitation occurs when access to or benefit from Bank financed Goods, Works, Consulting or Non-consulting services is used to extract sexual gain.
8. not engage in rape, which means physically forced or otherwise coerced penetration—even if slight—of the vagina, anus or mouth with a penis or other body part. It also includes penetration of the vagina or anus with an object. Rape includes marital rape and anal rape/sodomy. The attempt to do so is known as attempted rape. Rape of a person by two or more perpetrators is known as gang rape.
9. not engage in sexual assault, which means any form of non-consensual sexual contact that does not result in or include penetration. Examples include attempted rape, as well as unwanted kissing, fondling, or touching of genitalia and buttocks, do not engage in any form of sexual activity with individuals under the age of 18, except in case of pre-existing marriage. complete relevant training courses that will be provided related to the environmental and social aspects of the Contract, including on health and safety matters, and sexual exploitation, abuse and harassment.
10. report violations of this Code of Conduct; and
11. not retaliate against any person who reports violations of this Code of Conduct, whether to us or the Employer, or who makes use of the [Project Grievance [Redress] Mechanism].

RAISING CONCERNS

If any person observes behaviour that he/she believes may represent a violation of this Code of Conduct, or that otherwise concerns him/her, he/she should raise the issue promptly. This can be done in either of the following ways:

1. Contact [enter name of the Contractor's Social Expert with relevant experience in handling sexual exploitation and abuse/sexual harassment, or if such person is not required under the Contract, another individual designated by the Contractor to handle these matters] in writing at this address [] or by telephone at [] or in person at []; or
2. Call [] to reach the Contractor's hotline (*if any*) and leave a message.

The person's identity will be kept confidential, unless reporting of allegations is mandated by the country law. Anonymous complaints or allegations may also be submitted and will be given all due and appropriate consideration. We take seriously all reports of possible misconduct and will investigate and take appropriate action. We will provide warm referrals to service providers that may help support the person who experienced the alleged incident, as appropriate.

There will be no retaliation against any person who raises a concern in good faith about any behaviour prohibited by this Code of Conduct. Such retaliation would be a violation of this Code of Conduct.

CONSEQUENCES OF VIOLATING THE CODE OF CONDUCT

Any violation of this Code of Conduct by Contractor's Personnel may result in serious

consequences, up to and including termination and possible referral to legal authorities.

FOR CONTRACTOR’S PERSONNEL:

I have received a copy of this Code of Conduct written in a language that I comprehend. I understand that if I have any questions about this Code of Conduct, I can contact [*enter name of Contractor’s contact person with relevant experience in handling gender-based violence*] requesting an explanation.

Name of Contractor’s Personnel: [insert name]

Signature: _____

Date: (day month year): _____

Countersignature of authorized representative of the Contractor:

Signature: _____

Date: (day month year): _____