

**Final Statement by the UK National Contact Point for the OECD
Guidelines for Multinational Enterprises**

**Complaint from the International Union of Food, Agricultural, Hotel,
Restaurant, Catering, Tobacco and Allied Workers' Associations against
Unilever plc on Pakistan's Khanewal factory**

BACKGROUND

OECD Guidelines for Multinational Enterprises

1. The OECD Guidelines for Multinational Enterprises (the Guidelines) comprise a set of voluntary principles and standards for responsible business conduct, in a variety of areas including disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition, and taxation.
2. The Guidelines are not legally binding. However, OECD governments and a number of non OECD members are committed to encouraging multinational enterprises operating in or from their territories to observe the Guidelines wherever they operate, while taking into account the particular circumstances of each host country.
3. The Guidelines are implemented in adhering countries by National Contact Points (NCPs) which are charged with raising awareness of the Guidelines amongst businesses and civil society. NCPs are also responsible for dealing with complaints that the Guidelines have been breached by multinational enterprises operating in or from their territories.

UK NCP complaint procedure

4. The UK NCP complaint process is broadly divided in three key stages:
 - (1) Initial Assessment - This consists of a desk based analysis of the complaint, the company's response and any additional information provided by the parties. The UK NCP will use this information to decide whether further consideration of a complaint is warranted;
 - (2) Conciliation/mediation/examination - If a case is accepted, the UK NCP will offer conciliation/mediation to both parties with the aim of reaching a settlement agreeable to both. Should conciliation/mediation fail to achieve a resolution or should the parties decline the offer then the UK NCP will examine the complaint in order to assess whether it is justified;
 - (3) Final Statement – If a mediated settlement has been reached, the UK NCP will publish a Final Statement with details of the agreement. If the UK NCP has examined the complaint (because conciliation/mediation is refused or fails to achieve an agreement), it will prepare and publish a Final Statement with a clear statement as to whether or not the Guidelines have been breached and recommendations to the company for future conduct, if necessary.

5. The complaints process, together with the UK NCP's Initial Assessments and Final Statements, is published on the UK NCP's website <http://www.bis.gov.uk/nationalcontactpoint>.

COMPLAINT FROM THE IUF

6. On 6 March 2009 the "International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations" (IUF) wrote on behalf of the "National Federation of Food, Beverage and Tobacco Workers" of Pakistan, an IUF affiliate, to the UK NCP raising a number of concerns which it considered constitute a Specific Instance under the Guidelines in respect of the operations of Unilever Pakistan Ltd, a Pakistan based company ("Unilever"), which is a subsidiary of Unilever Plc (a UK registered company).
7. The concerns raised by the IUF relate to the operations of Unilever's factory in Khanewal and were specifically related by the IUF to the following provisions within the Guidelines:
 - (a) Chapter II(1): "[Enterprises should] *Contribute to economic, social and environmental progress with a view to achieving sustainable development*".
 - (b) Chapter II(4): "[Enterprises should] *Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees*".
 - (c) Chapter II(9): "[Enterprises should] *Refrain from discriminatory or disciplinary action against employees who make bona fide reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise's policies*".
 - (d) Chapter IV(1)(a): "[Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices] *Respect the right of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employers' associations, with such representatives with a view to reaching agreements on employment conditions*".
8. The IUF alleged that Unilever had deliberately constructed a system of employment at its Khanewal factory based almost exclusively on temporary workers and was refusing to change the workers' status from temporary to permanent after the mandatory nine-month period of continuous service, allegedly in breach of Pakistan's employment law. The IUF explained that temporary workers do not have the same access to collective bargaining as permanent workers in Pakistan and also do not receive the same benefits. The IUF also alleged that those temporary workers demanding permanent status and who petitioned the Punjab Labour Court No. 9 in Multan had been subject to threats, coercion and violence from members of management.

RESPONSE FROM UNILEVER

9. Unilever denied any breach of the Guidelines and stated that, in line with the industry's practice in Pakistan and South East Asia, and to keep operations effective and competitive, it does employ independent service providers for non-core operations at the Khanewal factory. Unilever stated that it cannot be held responsible for the work status of workers employed by independent local service providers and that it insists upon service providers complying with Unilever's Business Partner Code¹ and with Pakistan's law. Unilever also stated that employees of Unilever's independent service providers are free to form their own unions separate from Unilever Employees Federation of Pakistan (which can only represent Unilever's permanent staff in the country). Unilever denied that workers were subject to threats, coercion or violence.

UK NCP PROCESS IN THIS SPECIFIC INSTANCE

10. On 6 March 2009, the IUF submitted the complaint to the UK NCP. Unilever provided its response on 15 May 2009. On 9 June 2009, the UK NCP published its Initial Assessment in which it accepted the Specific Instance. **Acceptance of this Specific Instance by the UK NCP does not mean that the UK NCP considers that Unilever operated inconsistently with the Guidelines.**
11. The UK NCP then contacted both parties to confirm whether they were willing to accept the UK NCP sponsored conciliation/mediation process with the aim of reaching a mutually acceptable outcome. Both parties accepted the offer so the UK NCP appointed ACAS² arbitrator and mediator John Mulholland to serve as conciliator-mediator. An initial conciliation meeting took place on 15 October 2009 in London. The parties met again on 21 October 2009 in London. The meetings were chaired by Mr Mulholland. No mediation was required as the parties agreed a mutually acceptable solution to the complaint through conciliation. The full text of the agreement reached by the parties is attached as an annex to this Final Statement.

OUTCOME OF THE CONCILIATION

12. **On 21 October 2009, both parties reached the agreement attached to this Final Statement. Both parties have agreed that the full text of the agreement can be published and that there are no outstanding issues from the IUF's original complaint which need to be examined by the UK NCP. The parties also agreed that the implementation of the attached agreement will be jointly**

¹ http://www.unilever.com/aboutus/purposeandprinciples/business_partner_code/

² Advisory, Conciliation and Arbitration Service.

monitored by Unilever and the IUF at national and international levels.

UK NCP CONCLUSIONS

- 13. Following the successful conclusion of the conciliation process by Mr John Mulholland and the agreement reached by the parties, the UK NCP will close the complaint in respect of the Khanewal factory. The UK NCP will not carry out an examination of the allegations contained in IUF's complaint or make a statement as to whether there has been a breach of the Guidelines.**
- 14. The UK NCP congratulates both parties for their efforts in reaching a mutually acceptable outcome and for constructively engaging in the discussions.**

20 November 2009

UK National Contact Point for the OECD Guidelines for Multinational Enterprises

**Rowland Bass
Dal Dio,
Sergio Moreno**

URN 09/1570

ANNEX

Agreement between Unilever and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) concerning the Khanewal factory, Pakistan

1. The IUF and Unilever have agreed there will be a significant change in the model of employment at Khanewal based on a combination of directly employed permanent labour in non-seasonal manufacturing and contract agency workers (labour engaged through third party service providers) for ancillary, non-manufacturing and seasonal positions.
2. Under the terms of this agreement, Unilever will establish 200 permanent positions at Khanewal. This is in addition to the existing 22 positions at this facility.
3. Those confirmed through this selection process will be appointed on contracts commencing as of 15th October 2009.
4. To ensure a fair and transparent selection procedure for the appointment of these permanent positions, the IUF and Unilever will form a committee at national level to oversee and implement the process.
5. The Selection of workers shall be made on the basis of seniority and skill. However the committee shall focus its discussions on the 237 members of the 'Action Committee' (members of Unilever Mazdoor Union Khanewal) with particular priority given to the 177 who are part of the manufacturing group (i.e. core and non-core roles) in relation to the 200 permanent jobs.
6. Unilever shall ensure that the third party service provider companies provide appropriate payment to their employees both who receive permanent positions and who do not receive permanent positions in settlement of any outstanding statutory payments. This assurance includes Unilever's agreement to assume responsibility for the payment of any and all payments not met by the service provider within the time frame specified. A lump sum payment, as detailed in point 10 below, will be made in lieu of individually derived payments inclusive of gratuity.
7. The list of employees eligible for this payment will be agreed by the committee, but shall exclude any service provider employees who were not registered / enrolled before August 2008 and shall apply only to those of this number who remain enrolled as of 15 Oct 2009.
8. It shall also exclude employees where full documentary proof of full statutory payments having already been made can be provided. Any individual issues arising, relating to eligibility to payments will be agreed by the committee.
9. The terms of the one off lump sum payments are as follows:

- I. Payment for third party service provider employees working in manufacturing core/ non core roles who receive permanent positions from Unilever Pakistan: Rs.50,000.00
 - II. Payment for third party service provider employees working in manufacturing core/ non core roles but who do not receive permanent positions but continue working with the service providers: Rs.150,000.00
 - III. Payment for third party service provider employees in ancillary roles who will not be eligible for permanent positions but continue working with the service providers: Rs 100,000.00
10. Any of the Action Committee members who as a consequence of the selection process are not selected for permanent positions shall be subject to dialogue between the IUF and Unilever regarding current employment and future placements. However, they shall continue to be employed as service provider employees with all legally mandated benefits and will not be subject to any discrimination or harassment, so long as contract employment is required within the core and non core areas.
 11. Unilever Pakistan shall also ensure that the third party service providers have paid all legally mandated payments to the Employees' Old Age Benefits Institution (EOBI) and the social security system for all their employees. This assurance includes Unilever's agreement to assume responsibility for the payment of any and all such legally mandated payments not met by the service provider within the timeframe specified.
 12. These payments will be made within 30 days of the finalising of the list of the eligible employees by the committee. The list shall be finalized within 15 days of the signing of this agreement.
 13. At the conclusion of the employment selection process all Action Committee members at the time of receiving signed appointment letters shall give signed undertakings to withdraw all related court cases. All payments agreed in relation to the 237 members of the Action Committee will be made immediately upon withdrawal of their petitions. The draft of the undertaking and the withdrawal of petitions to be submitted by the individuals shall be mutually agreed by the committee at national level.
 14. Unilever confirms its intention of continuing operations at Khanewal and makes a commitment to invest in these operations. This will include implementation of automation or other efficiency measures to ensure business viability, subject to the normal consultation requirements as defined in law. In this respect Unilever will fulfill its obligations under the OECD guidelines on multinational enterprises, in particular article iv.6.
 15. No member of the Action Committee will be subject to any discriminatory or recriminatory action as a result of their membership of the Action Committee.

16. Both Unilever and Action Committee members commit to a process of ongoing dialogue. The IUF and its affiliates will be entitled to exercise full representational functions within the plant, within the pertinent legal framework, without interference by the management.

17. Implementation of this agreement will be monitored by the IUF and Unilever at national, regional and global levels.

Nick Dalton
V.P., H.R. Global Supply Chain, Unilever

Ron Oswald
General Secretary, IUF

London, October 21, 2009