

**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 Rahim Yar Khan 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 investigate 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 investigated the complaint 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.

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

#### COMPLAINT FROM THE IUF

5. On 27 October 2008 the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF) brought a complaint to the UK NCP on behalf of one of its affiliates, the National Federation of Food, Beverage and Tobacco Workers of Pakistan, and the Action Committee for the Dismissed Workers of Unilever Rahim Yar Khan. The complaint concerned the operations of Unilever Pakistan Ltd at its factory in Rahim Yar Khan in Pakistan. Unilever Pakistan Ltd is a subsidiary of a UK registered company, Unilever plc.
6. The concerns raised by the IUF related 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 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*".
7. The IUF alleged that Unilever was operating in a manner inconsistent with the Guidelines by terminating the contracts of 292 temporary employees seeking permanent employee status, within a context of intimidation and with the direct aim of preventing trade union membership. The IUF alleged that the employees were dismissed and replaced with agency contract workers in order to employ workers on inferior terms and conditions and render employment at the factory even more precarious. The IUF claimed that there was already a lack of job security in the factory due to the systematic reduction in permanent employment and the promotion of temporary and casual labour with the aim of weakening trade union representation, and that this prevented Unilever from contributing to economic and social progress with a view to achieving sustainable development.

#### RESPONSE FROM UNILEVER

8. Unilever denied all allegations that its conduct was inconsistent with the Guidelines. The company claimed that the terminations of the

contracts were part of the reorganisation and restructuring of Unilever Pakistan's operations to achieve operational efficiency and cost competitiveness and were not made with the aim of preventing trade union membership. It contended that its outsourcing decision at Rahim Yar Khan, resulting in the hire of agency contract workers, was made further to agreements with the local bargaining agent and the recognised trade union at the factory, the Unilever Employees Federation of Pakistan, who did not support IUF's complaint.

## UK NCP PROCESS IN THIS SPECIFIC INSTANCE

9. On 27 October 2008 the IUF submitted the complaint to the UK NCP. On 15 December 2008, 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.**
10. 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 asked the UK NCP to delay proceeding to conciliation/mediation while they attempted to reach agreement through bilateral meetings outside the UK NCP complaint process.
11. Because of a lack of progress in the bilateral meetings, on 3 March 2009, the IUF asked the UK NCP to arrange and facilitate conciliation/mediation. The UK NCP appointed ACAS<sup>1</sup> Arbitrator and Mediator John Mulholland to serve as conciliator-mediator.
12. An initial conciliation/mediation meeting took place on 29 April 2009 in London. The parties met again on 26 May and 24 June 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

13. **On 24 June 2009, both parties reached an understanding which paved the way for 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 monitored by Unilever and the IUF at national and international levels.**

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<sup>1</sup> Advisory, Conciliation and Arbitration Service.

## UK NCP CONCLUSIONS

14. **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 Rahim Yar Kahn factory and no examination on the allegations contained in IUF's complaint will take place.**
15. **The UK NCP congratulates both parties for their efforts in reaching a mutually acceptable outcome and for constructively engaging in the discussions.**

**13 August 2009**

**UK National Contact Point for the OECD Guidelines for Multinational Enterprises**

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**URN 09/1221**

## **ANNEX**

### **Agreement between Unilever and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) relating to Rahim Yar Khan Factory, Pakistan**

1. Unilever will establish an additional 120 permanent posts at Rahim Yar Khan.
2. Within this number, those with confirmed secondary educational qualifications from an agreed list will be appointed on contracts commencing as of 24<sup>th</sup> June 2009.
3. Those workers on the list lacking confirmed secondary educational qualifications shall each receive a scholarship equivalent to 1yr's basic salary (based on a minimum monthly income of 8,000 Pakistan Rupees (1)) for a period of 12 months and will be offered a permanent employment contract on attainment of a secondary school certificate (Level 10).
4. For those workers who do not have a Level 9 educational qualification Unilever will provide funding to achieve this qualification within 12 months. Subject to attainment of a Level 9 qualification, Unilever will provide funding for a further 12 months to achieve a Level 10 qualification. The same terms and conditions set out in paragraph 3 would apply.
5. In the interim these positions would be guaranteed to be held open.
6. It is agreed that the employment position of any individuals who do not obtain the relevant educational qualification will, at the end of the scholarship period, be subject to dialogue between the IUF and Unilever (2).
7. All employees (including those with a stay order) will receive standard permanent employee contracts and appropriate employee bank account declaration forms/documentation. Copies will be provided to the IUF.
8. The balance of the 120 employees will be selected applying established Unilever selection criteria. Those workers who were dismissed in October 2007 who are offered permanent employment will receive a one off payment of 50,000 Pakistan Rupees conditional on their written confirmation of withdrawal of any related court cases.
9. Those workers who will undertake educational training will also be eligible for a payment of 50,000 Pakistan Rupees on receipt of a written confirmation of withdrawal of any related court cases.
10. These payments would be made within one month of receipt of such written confirmation.
11. Those remaining workers of the total dismissed in October 2007 who are not offered permanent employment will be offered by Unilever a one off lump sum payment of 200,000 Pakistan Rupees each (2), conditional on their written

acceptance that current related legal action would be withdrawn and no future actions would be taken in the courts.

12. Unilever guarantee that the following terms will be respected:
  - a. Those appointed from the "Action Committee for the Dismissed Workers of Unilever Rahim Yar Khan" (Action Committee) will not be subject to any discriminatory or intimidatory action as a result of their membership of the Action Committee.
  - b. The IUF and its affiliates will be entitled to exercise full representational functions within the plant without interference by the management.

The implementation of this agreement will be jointly monitored by Unilever and the IUF at national and international levels.

London, 24<sup>th</sup> June 2009

(1) It is agreed that this will also include retrospective provident and gratuity rights when qualified and employed. Medical cover will be provided, if legally possible through the company scheme, and if not through social security for the duration of the scholarship.

(2) Any employee who after completion of the scholarship period fails to attain the necessary qualification will receive a payment of 150,000 Pakistan Rupees each.