

UK National Contact Point
Department of Trade and Industry
Bay 4141
1 Victoria Street
London SW1H 0ET
United Kingdom

ro/pr/1070-2006

3 October 2006

Dear Madam/Sir,

Concerns: OECD Guidelines for Multinational Enterprises

I am writing to you in your capacity as the National Contact Point in the UK/Netherlands with responsibility for the OECD Guidelines for Multinational Enterprises. On behalf of our affiliated union, the Hindustan Lever Employees Union (HLEU), the IUF wishes to bring to your attention an ongoing series of fundamental breaches of the Guidelines by the Indian company Hindustan Lever Ltd. (HLL). The IUF is the global union federation for trade unions representing workers in the food, agricultural, hotel, restaurant, catering, tobacco and allied sectors. The vast majority of Unilever workers worldwide are members of the IUF, including those in India, the UK and the Netherlands.

Hindustan Lever Ltd. is a subsidiary of Unilever PLC, registered in the UK, which owns 51.5% of the shares. As is well known, Unilever PLC and Unilever NV, registered in the Netherlands, share a common Board of Directors and a common system for accounting of revenues and dividends to shareholders. It is therefore appropriate to involve Unilever NV in this submission alongside Unilever PLC.

For the past two decades, management at the Hindustan Lever Mumbai (Bombay) factory has systematically attempted to evade its obligations under national and international law to engage in good faith negotiations with the legally registered union at the plant, the Hindustan Lever Employees Union. In fact, every year for the past 20 years - since 1986 - management has refused to reach any settlement in annual collective bargaining negotiations. As a result all wage increments in line with inflation were only achieved through court orders.

Since 1988-89 Hindustan Lever Ltd. has violated Indian Labour Laws by reorganizing its business in flagrant violation of the legal requirements, thereby committing an ongoing Unfair Labour Practice. The reorganization of the Bombay factory in order to evade the company's employer obligations was held to be illegal by Order of the Industrial Court on 5 May 1995. The High Court of Bombay on 3-4 December 1998 confirmed this decision and held that the company had reorganized its production without following the process laid down by law. The Division Bench of the Bombay High Court on 20-21 December 1998 reaffirmed

the earlier Orders and confirmed that the law had been violated in the course of the reorganization. The Supreme Court of India on 13 December 2005 dismissed the company's appeal by holding that all Courts had found the company guilty of Unfair Labour Practices and undertaking illegal reorganization.

Courts at every level have thus confirmed that Hindustan Lever Ltd. has violated the Industrial Disputes Act. The company's response has been to consistently and willfully disregard these legal rulings and commit contempt of the Court Orders. A criminal complaint for violation of the Court Orders was filed on February 7 2006 (Unfair Labour Practice No 17/2006). The Labour Court, having found a prima facie to proceed, instituted criminal proceedings by order dated March 6 2006. The Vice-Chairman of the Company and three other Senior Managers are currently free on bail. The above demonstrates that Hindustan Lever Ltd. has systematically violated the Labour Laws of India while showing contempt for the legal process and is thereby in serious breach of Chapter I(7) of the OECD Guidelines, which states: *The entities of a multinational enterprise located in various countries are subject to the laws applicable in these countries.*

Hindustan Lever Ltd. has committed further illegal acts by attempting to transfer ownership of the Bombay factory solely in order to escape its obligations as an employer.

On 17 July 2005 ownership of the Bombay factory was transferred from Hindustan Lever Ltd. to a company called Bon Limited. In the transfer process, Bon Ltd. was represented by Mr. Sanjay Sehgal and Mr. Ashok Gupta - both full time employees of Hindustan Lever and responsible to Mr. M.K. Sharma, who represented Hindustan Lever in the sale.

This sale of the Bombay factory by Hindustan Lever was financed through a loan of USD 2.17 million by Hindustan Lever to Bon Limited. The purchase price was 1.8 million. At the time of the purchase, Bon Limited had a capitalization of only USD 10,800.

On 26 July 2006, Bon Limited Managing Director SP Shenoy sent a letter to all employees of the Bombay factory informing them "about the closure of the manufacturing activities at the Bombay Factory undertaking with immediate effect." The letter stated that employees' services were being terminated with immediate effect and invited them to accept a compensation offer outlined in an enclosed "Statement of Accounts for settlement." In subsequent communications, employees were informed that they had until 9 August, 2006, to accept the retirement scheme (VRS).

In the legal proceedings concerning Bon Limited's application for permission to close the factory, *Hindustan Lever explicitly stated that it supported the closure.* Moreover, Bon Limited, as the above figures clearly demonstrate, never possessed sufficient operating capital to operate the facility and maintain the employment of 900 members of the Hindustan Lever Employees Union. This demonstrates *that the transfer of ownership was accomplished with the sole intent of closing the facility and terminating union members' employment.*

Furthermore, *the letter of 26 July 2006 informing employees of the closure and the termination of their employment was entirely lacking in legal foundation because the transfer of ownership from Hindustan Lever to Bon Limited had not yet been legally accomplished.* The sale was in fact a subject of ongoing judicial review as the process had been challenged in the courts. Because the sale had not been approved - and has not received legal authority as of the date of this

submission - *the closure and the termination of employment were illegal under Indian law.*

These actions by Hindustan Lever to accomplish a legally dubious transfer of ownership therefore constitute a serious violation of Chapter I(7) of the OECD Guidelines, which stipulates that foreign entities shall comply with national legislation..

In addition, the attempted closure and termination process constitute a flagrant violation of Chapter IV(6) of the guidelines, which states: *In considering changes in their operations which would have major effects upon the livelihood of their employees, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, provide reasonable notice of such changes to representatives of their employees, and, where appropriate, to the relevant governmental authorities, and co-operate with the employee representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects. In light of the specific circumstances of each case, it would be appropriate if management were able to give such notice prior to the final decision being taken. Other means may also be employed to provide meaningful co-operation to mitigate the effects of such decisions.*

The fraudulent sale of a production facility, financed entirely by Hindustan Lever Ltd., to a company which clearly lacked the minimum financial requirements for continued operation, and the illegal termination and closure procedures, demonstrate a clear intent to violate Indian law.

Hindustan Lever has repeatedly violated the letter and the spirit of Chapter IV of the Guidelines which sets out norms and standards defining employers' general obligation to engage in good faith collective bargaining with trade unions.

In view of these repeated and ongoing violations, we therefore request the National Contact Points in the UK and the Netherlands to offer their good offices to resolve this issue in an efficient and timely manner. The union at Hindustan Lever's Bombay factory has always been willing to engage in good faith negotiations with the company. Unilever and its subsidiary Hindustan Lever should similarly commit themselves to conforming to the law as a necessary requirement of this negotiation process.

We look forward to receiving your timely assistance on this important matter.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'R. Oswald', with a large, stylized flourish extending to the right.

Ron Oswald
General Secretary