Complaint to the Norwegian NCP

About the complainant

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Co-complainant: The Coordination Council of DNO Yemen Labor Union (hereinafter referred to as 'DNO Yemen Union') Anees Alhetari Union leader Telephone number: 00967713589818 E-mail address: dnoyemenunion@gmail.com

About the company

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About the complaint

Introduction

On the 8th of November 2016, the Norwegian trade union Industri Energi filed a complaint on behalf of the DNO Yemen Union against the Norwegian company DNO ASA (hereinafter referred to as 'DNO') under the OECD Guidelines for Multinational Enterprises (hereinafter referred to as 'the Guidelines'). On the 7th of April 2017, the Norwegian National Contact Point (NCP) decided to accept the complaint for consideration. On the 10th of May 2017, the parties accepted the offer of mediation, which took place over four days during the period 17 of August to 16 October 2017. The mediation was unsuccessful and was concluded on the 16th of October 2017. The parties submitted their final comments, and the 9th April 2018 the NCP published its final statement:

The Norwegian National Contact Point (NCP) has concluded that DNO has not met the expectations expressed in the OECD Guidelines on prior notice and consultation with the employees of DNO Yemen in connection with suspension of the company's Yemeni operations in 2015. Norway's NCP recommends that DNO in future should carry out risk-based due diligence and enhance the transparency of its policy and procedures for responsible business conduct.

The NCP did however not consider the third part of Industri Energi's complaint:

The third point in the complaint concerns the lawfulness of dismissals as part of the downsizing of DNO's operations in Yemen in 2015. Industri Energi refers to the appealed judgment from a local tribunal in the dispute between the workers and DNO, and argues that, according to the judgment, DNO has acted in contravention of labour legislation that stipulates how a company should proceed to terminate employment contracts. The judgment concludes that DNO must

pay 75% wages from the day the workers were dismissed. In Industri Energi's opinion, DNO is trying to circumvent the law.

The NCP stated that:

The third point in the complaint concerns the lawfulness of dismissals as part of the downsizing of DNO's operations in Yemen in 2015. This is a question that falls outside the scope of what the NCP can consider under the Guidelines. The NCP refers to how the Guidelines Chapter I paragraph 2 states that 'obeying domestic laws is the first obligation of enterprises' and assumes that DNO respects this. As regards the new matter concerning the production sharing contracts in Yemen, addressed by Industri Energi after the mediation was concluded, the NCP agrees with DNO that it was put forward too late to be taken into consideration in this case.

In addition to the matter concerning the product sharing agreements, Industri Energi has been made aware that the NCP did not assess the matter related to the court cases as the verdict of the Supreme Court in Sana'a came too late.

In your opinion, which provision or provisions in the OECD Guidelines have been breached by the comapy?

I. Concepts and Principles, 2. Obeying domestic laws is the first obligation of enterprises,

V. Employment and Industrial Relations, 4. a) Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.

Give a specific, detailed account of the issue/practice, including information about where the activity or activities have taken place.

Allow us to go back to 2015. The conflict in Yemen escalated, and on the 26th of April, 80 percent of DNOs workers in Yemen were dismissed via SMS and e-mails. The local trade union, DNO Yemen Union, was not given an opportunity to discuss the collective dismissals and suspension of production with the management. The NCP has concluded that DNO did not

meet the expectations expressed in the OECD Guidelines on prior notice and consultation with the employees of DNO Yemen.

In the notice of dismissal (attachment 1) sent to the employees via emails the 26th of April 2015, DNO wrote:

Notice of dismissal

Dear employee

Firstly, and most importantly, I hope this letter finds you and your family safe and as well as can be expected given the challenging conditions within Yemen presently. Unfortunately I must write with some unwelcoming news.

As you will know, DNO has been forced to suspend its production in the country because of the security situation and with no sign of improvement regrettably the decision has had to be taken by DNO ASA to scale down our work force accordingly.

I regret to inform you that yours is one of the roles that is no longer required, and therefore your position is to be made redundant and your Employment Agreement with the Company terminated effective 31 May 2015, the "Termination Date".

You are not required to attend work during your notice period.

You will receive salary until the Termination Date and compensation for any proportional annual leave entitlement to this date not taken. You will also receive end of service gratuity of 1 month salary per years' service and pro rata for part years. If you have any employee loans, they will be deducted from the compensation before payment. Tax and social security payment will be deducted as required.

Our intention is to give you information about your exact entitlement, and detail in your ESSP benefit if appropriate, within the next 10 days. It will be necessary to meet in the Sana'a office to make final arrangements, and we will be in touch with regards to this. Please contact your line manager or the HR department to acknowledge that you have received this letter, and let us know how it is most convenient to reach you.

It is important to note that your medical insurance will finish on the Termination Date.

Also it is important that you return any Company equipment, laptop, phone etc as soon as practical and remember to abide by Confidentiality clause within your employment contract.

We very much regret that this decision has been necessary and thank you for your contribution to DNO. DNO will retain a minimum staff to maintain a form of business continuity. Further decisions will be made later, depending on the development of the situation in Yemen.

Mr. Scott North, General Manager, DNO Yemen AS sent a copy of the general notice of dismissal to Mr. Kaboul Muhammad Abdulmalik Mutawakkil, Ministry of Labour and Social Affairs in Sana'a and Mr. Ahmed Salem Basareeh, Vice-minister of Oil and Minerals in Sana'a on the 26th of April 2015 (attachment 2). In his letter, Mr. Scott wrote:

As a result of the suspension, DNO now has a materially reduced need for labour, and has therefore seen no other option that to make majority of its employees redundant, of. the Republic of Yemen Labour Code Act No. 5 of 1995 (the "Labour Code") article 36.

With reference to article 100 of the Labour Code, and to the notification procedures for Block 32, Block 43 and Block 47 respectively.

The Ministry did not approve DNO's dismissals and on the 21st of May, Mohammed Ahmed Al-Barakani, General Manager of Labour Bureau in the Oil and Mineral Ministry sent Mr. Scott and DNO a reply stating the following (attachment 3):

DNO has been and continues to be one of the leading investment companies in Yemen. The government has spent huge sums in training and qualifying the national workers in these blocks. Therefore, they must be preserved because of the continuation of petroleum operations and the activities of the company. Note that all other foreign companies have suspended operations in Yemen without downsize their local workers.

Therefore, the company's decision concerning the termination of local employees' contracts shall be reconsidered by examining possible solutions that would mitigate the damage to all and in accordance with the spirit of the Yemeni Labour Law and in accordance with safeguard the common interest.

DNO was not willing to consider possible solutions, and on the 8th of June, Mr. Scott wrote to Mohammed Ahmed Al-Barakani, General Manager of Labour Bureau in the Ministry (attachment 4):

Referring to the above subject and your letter Ref. 157 dated 21.05.15, we hereby confirm that the decision to terminate employment contracts, as explained in our letter Ref. DNO/MLSA/033-15 was not taken lightly, and was the only option available, under the circumstances, considered to be fully compliant and respectful of the valid Yemen Labour Code.

The 12th of August Mr. Yehia Hussien Al Ajem, assistant deputy of Ministry of Oil and Minerals, wrote Mr. Scott instructing DNO that it is obliged to keep the employees:

Being the operator of the aforementioned blocks, you are obliged to keep the Yemeni personnel who have been trained and qualified to become efficient and competent in operating these blocks in accordance to the rules and regulations of PSA (product sharing agreement) and Yemeni executive laws which dictate the continuity of petroleum operations in a manner that secures the rights of both the ministry and the contractor.

Also Esam Habrish Al-Kathiri, deputy governor of Haramouth, the office for the affairs of the valley and desert, instructed DNO to keep its employees and continue paying salaries like the other companies did. In the letter dated the 22^{nd} of November, you can read (attachment 6):

With reference to the above subject and based on the company's termination of the employees even though it still maintaining the Block till this day, we would like to inform you of the following: The employees of the company are qualified national cadre who has worked for the company since the launching of the production of blocks and has the experience and competence required to manage these block. In this regard, we emphasize the necessity of retaining the employees of the company in accordance with the provisions of the production sharing agreement and current Yemeni laws of the common interest. Therefore, you must pay all financial dues to the employees from the date of the last payment and continue paying their salaries just like other companies in Yemen.

Several authorities made DNO aware that it could not dismiss its employees. If DNO wanted to down scale the work force, it should ask the Yemenisation department and labour bureau of the Ministry of Oil and Minerals' approval. After obtaining approval, DNO should have informed the Ministry of Labour, in accordance with article 100 in the Labour Law, of why the

company would like to eliminate the positions. The Ministry of Labour has to approve the notification before the company can dismiss employees.

Comparable employers in the host country Yemen

DNO's standards of employment and industrial relations has been less favourable than those observed by comparable employers in the host country.

Several authorities referred to other multinational companies in Yemen. We have examined how two other multinational companies have understood their responsibility, namely the French company Total and the Austrian company OMV.

Total

Total E&P Yemen (TEPY) sent a letter to its employees the 27th of December 2015, where it informed about the handover of Block 10 to the Ministry of Oil and Minerals. The handover had been prepared for more than one year. In the letter, you can read (attachment 7):

Unfortunately due to the permanent cessation of TEPY's activities in Block 10 our collaboration will also have to end. Accordingly with effect on the 31st of December 2015 the employment contracts of all the TEPY's employees will terminate without the need for any further notice to be sent. We count on you to keep fulfilling your assigned duties until this date. From the 31st of December 2015 you will cease to be an employee of TEPY and you will no longer be entitled to receive wages form TEPY. The ending of employment and termination of employment contracts is made in accordance with Chapter 8 of the TEPY Personnel Policy Manual and Article 36 of the Yemeni labour law No. 5 for the year 1995 whereby it is permitted for an employer to terminate employment contracts in particular due to the termination of activities.

TEPY intends to honour its commitments towards its employees. Each one of you will in the coming days receive a letter informing you of the details of your final entitlements (including but not limited to the end of service benefits and payments in lieu of notice) and the steps to be carried out to receive such entitlements.

Please rest assured that TEPY is cooperating with the Ministry of Oil and Minerals in connection with your re-employment by the future block 10 operator beyond 31st of December 2015 by providing it with necessary information to facilitate the hand over.

According to TEPY the company coordinated the handover-process with the unions. 547 employees were reemployed by the state company PetroMasila, and TEPY has been cooperating with the Yemeni authorities and PetroMasila in connection with the transfer of employees of the block 10 (attachment 8).

TEPY paid entitlements including:

- Payment of his/her current salary covering the period up to the end of the notice period for the termination of his/her employment contract up to date of the notice as per Yemeni law.
- One month salary in lieu of notice.
- Any accrued but untaken annual leaves.
- End of service benefits in line with TEPY personnel policy.

All payments were made in USD official rates.

Total paid salaries to all employees until the company handed over Block 10 to the new operator PetroMasila. The new operator employed all the former Total-employees. In addition to reemployment, the employees got end of service benefits and compensations.

OMV

The 27th of December 2015, OMV sent an interoffice memo to all local employees in Yemen (attachment 9):

Following the previous communication and updates of 24 July 2015, to all staff regarding the situation in the country which led to the company's operations and project suspension. Which consequently led to ceasing the income, over the past 6 months tremendous efforts in cost management across the entire business have continued to be made in order to conserve cash for as long as possible. We aimed to avoid implementing manpower reduction as indicated in the Yemen Labor Law. The labor cost (wages and benefits of staff) is a significant part of the monthly cost as you all understand.

Now, given the circumstances we face, the company has therefore been forced to take the following measures to enable us to continue given the no-revenue situation. Taking this decision was firstly agreed with the union as a temporary forced measure. We both believe this solution will help us deal with the current crisis and keep the business alive in a preservation mode. In the same time, this option also shows that the management cares about the wellbeing of all staff and its willingness to support you all and your families.

OMV then elaborates on the different measures. One of the measures is reduction of salaries:

Salaries, effective April 1, 2016: basic salaries will be applied and paid as follows: a) Basic salaries will continue to be paid in full for staff working full time on sites and offices in addition to the EMT team, all with GM final approval.

b) 75 % for non-non rotating staff working from home as approved by their department and *MR* manager,

c) 50 % for all others; but not less than YER 200K, which is a guaranteed minimum income (unless the 75 % already received is actually less than the YER 200K minimum).

OMV paid their workers minimum 75 percent salaries from the time the company suspended production in 2015 to the 1st of April 2016. The employees who were not assigned duties got their salaries reduced to 50 percent. The company did not dismiss workers in order to save money, and it guaranteed minimum wages.

As far as we know, OMV has not relinquished Block S2, but the company had to reduce its work force in the beginning of 2017. This was done in cooperation with the labour union. On the 19th of December 2016, OMV sent a letter to all Yemeni employees offering voluntary leaver schemes (attachment 10):

On behalf of the senior management of OMV Yemen (the Company), I hope that you and your loved ones are safe and prosperous. We have been sharing communication and updates on the deteriorating situation in the country and the complete cessation of operation/income for almost two years. Now, and we are sad to say that the situation continues to deteriorate. Further to the communication made the 15th of December, 2016 and in response to these circumstances, OMV as a fair employer, has prepared a Voluntary Leaver Scheme (VLS), which is hereby offered to each Yemeni national employee of the Company.

Under this VLS, the Company offers a redundancy package in response to the voluntary resignation of the employee and subject to the conditions stipulated below.

End of service benefits: For each year of service in OMV, you shall receive **one month** pay for each year service up to <u>five years</u>. You shall receive **1.5 month** pay for years <u>beyond five years</u> of service and you shall receive **2 months'** pay for years <u>beyond ten years</u> of service. **One month payment for notice period:** Additional one month will be paid out in lieu of the notice **period**.

One month payment in lieu of vacation: Additional one month will be paid out in lieu of the vacation.

Six (6) months payment resignation bonus: Additional six months' salary for tendering of resignation.

We asked the General Manager OMV (Yemen Block S2) what the offer is based on, and got this answer:

The objective of our offer was to align our manpower with the reduced business outlook in a fair manner. The package should have offered the employee a credible alternative to OMV and was based on internal regulations (e.g. the End-of-Service Benefit) and the applicable labor law. Failure of attracting sufficient employees for the VLS might have led to compulsory lay-offs, which OMV wanted to avoid under all circumstances in this difficult time.

In cases where companies have been unwilling to pay compensation, the Labour Office in the Ministry of Oil and Minerals has intervened. Here is one example: Halliburton was operating in Yemen until 2015. Mohammed A. S. Al-Barakani in the Labour Office of the Ministry of Oil and Minerals wrote a letter to Halliburton the 20th of May 2015 requesting the company to pay legal credits to its dismissed employees as follows (attachment 11):

- 1. One month notice salary
- 2. Outstanding annual leaves
- 3. One month salary for each year of service
- 4. Four full salaries in account of the month Ramadan for the period that has not been paid for
- 5. Compensation of termination is applicable by other companies operating in Yemen (minimum 12 months' salary).

Actions taken by the union

On the 11th of June, the DNO Yemen Union wrote to Mr. Scott asking him for an opportunity to discuss possible solutions instead of dismissals (attachment 12). The union wrote:

We believe that if we sit together as a family, we will reach reasonable solutions that will not harm either company nor employees, and will overcome all the challenges.

On the 18th of June, Mr. Scott replied (attachment 13):

The suspension of DNO operations in Yemen has been unavoidable given these very difficult conditions. Unfortunately, these conditions remain in place at the moment, with no apparent signs of improvement. Should the situation improve to the point that DNO can consider resuming operations, we will be prepared to discuss the circumstances and conditions under which resumed operations are possible.

The union continued to take action in order to discuss the situation with DNO management, but unfortunately, the management and its representatives in Sana'a rejected these invitations.

Court Cases

Obeying domestic laws is the first obligation of enterprises.

The union, representing 193 employees, filed a labour claim at the First Arbitration Committee for Labour Issues and Disputes in Sana'a to obligate DNO to pay salaries for the month June 2015 up to the date of their reemployment. The number of employees was later reduced to 175 as some had accepted end of service benefits.

According to the verdict dated the 3rd of August 2016, DNO should pay the 175 employees, as follows (attachment 14):

- 1. Salaries from June 2015 at the rate of 75 percent.
- 2. Ramadan bonus for the year 2015.
- 3. Reimburse attorney charges and fees (YER 50 000 for each employee).

DNO appealed the verdict to the Sana'a Court of Appeal, First Civil Chamber. On the 20th of February 2017 the appeal was rejected and the court stated that the verdict rendered by the Arbitration Committee dated 03.08.2016 is a final and enforceable verdict (attachment 15).

DNO appealed the verdict to the Supreme Court. The 13th December 2017, the Supreme Court dismissed the appeal.

Even though the verdict from the First Arbitration Committee for Labour Issues and Disputes in Sana'a is the final and enforceable verdict, DNO has stated that the company will not accommodate the verdict.

The 25th of February 2018, the DNO Yemen Union wrote a letter to the DNO Management and Legal Department, asking DNO to honour the judgement and pay the employees according to the verdict (attachment 17).

In a letter to the union dated the 3rd of March 2018, Jon Peter Sargeant, General Manager, DNO Yemen AS, wrote: Your letter raises a number of spurious and disingenuous allegations. We reject them all. Further you misrepresent and mischaracterise the rulings of the Sana'a-based Supreme Court and we stand ready to address them at an appropriate time and in a legitimate legal venue. Notwithstanding, as we have repeatedly stated, we remain prepared to release the contractually-designed severance payments and Ramadan bonuses to all those employees who elected not to receive these payments at the time DNO relinquished its Yemen blocks back to the Government and decided instead to pressure DNO to assure them of indefinite employment. We wish to bring this matter to a close and would be pleased to engage with our former employees directly or through their authorized representatives to set out a mechanism for transfer of funds.

Product Sharing Agreements and reliquishment of blocks

The verdict states that DNO should pay salaries from June 2015 at the rate of 75 percent. This means that DNO has to pay 75 percent salaries to the employees as long as the company has a product sharing agreement and licenses to operate blocks.

According to DNO's answer to the NCP dated 25.01.2017, DNO relinquished block 32 and 43 to the Yemeni authorities during December 2016. In DNO's annual report and accounts 2016,

you can read the following: Production from Block 32 and Block 43 in Yemen was suspended in early 2015 due to the country's deteriorating security conditions. The two licenses were relinquished in late 2016. Production start-up at the Yaalen field at Block 47, currently under force majeure, remains on hold. DNO no longer carries any reserves in Yemen. The Block 47 Yaalen field is classified as 2C resources due to the force majeure status of the block.

Even though DNO claims reliquishment, we have not been able to find any documents which support this statement. In a letter to the DNO Yemen Union dated 15th of June 2018 (attachment 19) DNO Yemen AS wrote: *Althouh discussions and attempts to accelerate the handover progressed with the recognised MOM continued for a while longer in 2016, in line with YOGC's deliberate agreement to accept the assest, ulimately the MOM changed its mind and refused to accept handover.*

We therefor assume that DNO has not relinquished the blocks and is in a possition where reemployment is possible. Hence DNO can assure that the employees are handed over to a new operator.

What in your organisation's view should the company do to remedy the situation described in the complaint?

DNO should implement the verdict issued by the Supreme Court of Yemen and observe standards of employment and industrial relations not less favourable than those observed by comparable employers in Yemen, and remedy the situation for the DNO Yemen Union members accordingly.

Contact with the compay

Industri Energi sent a letter to Bjørn Dale, the Managing Director of DNO ASA, the 6th of June 2018, refering to DNO's comments to Industri Energi's final statement to the NCP, dated the 22nd of December 2017. In the comments DNO's lawyer Kyrre Eggen stated that: *DNO fortsetter å arbeide for en løsning direkte med de jemenittiske fagorganiserte arbeidstakerne, og vil gjøre dette til tross for (og ikke på grunn av) OECD-prosessen* (DNO continues to work for a solution directly with the Yemeni trade union workers, and will do this despite (and not

because of) the OECD-process). We asked for information regarding the situation in Yemen and the negotiation between the parties. DNO did not respond. DNO Yemen Union received an offer from DNO, sent the 15th of June, regarding end of service benefits (attachment 19). The union perceives this as a trick from DNO's side in order to show the world that the company is willing to "solve" the situation. DNO has shown little interest for negotiation, and the company's offer is very low compared to what other companies have given their employees and very low compared to the verdits of the courts.

What would we like the NCP do?

Unfortunately, the parties in Yemen are far from reaching an agreement and communication between DNO's management in Yemen and the trade union has been contra-productive. We do not believe that this conflict will be settled through exchanges of letters. As stated in DNO Yemen AS's letter to the DNO Yemen Union (attachment 19) the local management believes the current circumstances are largely due to inaccurate or incomplete information, which has fed distrust with DNO. In the same letter, DNO Yemen AS offers end of service benefits and additional one month salary as bonus payment and one month salary in honour of Ramadan. The company knows that the trade union cannot accept this offer.

The labour dispute between DNO and the union has lasted for more than three years. The union members are exhausted and desperate. It is obvious that the local management and trade union will not reach an agreement on their own. Understandable, the local union has no trust in the local management, and we think it is indispensable that the international management of DNO contributes to a solution.

We would like the NCP to facilitate mediation between the DNO Yemen Union, assisted by Industri Energi, and the international management of DNO, in a country in which the leadership of the DNO Yemen Union are able to get visas (for example Lebanon).

The OECD complaint mechanism is non-judicial, and we think that it is crucial that the international management, and not lawyers, represents DNO in a mediation process. Several NCPs have facilitated negotiations, which have resulted in compensations, e.g. the Heinekencase. In our case, judicial mechanisms are exhausted, and a NCP-assisted mediation looks like the only way to remedy the situation. Please provide/list deocumentation, reports, testemonies or other types of evidence that support the allegations of practices that are in breach of the Guidelines:

- 1. DNO, Notice of dismissals, date 26.04.2015
- DNO, Notification of redundancies to Minister of Labour and Social Affairs and Minister of Oil and Minerals, date 26.04.2015
- Mohammed Ahmed Al-Barakani, General Manager of Labour Bureau in Oil Ministry, to DNO date 21.05.2015
- DNO to Mohammed Ahmed Al-Barakani, General Manager of Labour Bureau in Oil Ministry, date 08.06.2015
- Yehia Hussien Al Ajem, assistant deputy of Ministry of Oil and Minerals, to DNO, date 12.08.2015
- 6. Esam Habrish Al-Kathiri, deputy governor of Haramouth, the office for the affairs of the valley and desert, to DNO, date 22.11.2015
- 7. Total E&P Yemen, 27.12.2015
- 8. Total, Yemen Block 10 handover
- 9. OMV, 27.12.2015
- 10. OMV, 19.12.2016
- 11. Letter to Halliburton, 20.05.2015
- 12. DNO Yemen Union to DNO, 11.06.2015
- 13. DNO to DNO Yemen Union, 18.06.2015
- 14. Primary Labor Arbitration Committee for Labor Issues and Disputes, 03.08.2016
- 15. Sana'a Court of Appeal, First Civil Chamber, 20.02.2017
- 16. Supreme Court, 22.01.2018
- 17. DNO Yemen Union to DNO, 03.03.2018
- 18. DNO to DNO Yemen Union, 20.04.2018

19. DNO to DNO Yemen Union, 15.06.2018