

# U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises



## Final Statement

Specific Instance between the International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) and Starwood Hotels & Resorts Worldwide for conduct in the Maldives and Ethiopia

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## **I. Summary of the Outcome of the Specific Instance**

This Final Statement concludes consideration by the United States National Contact Point (USNCP) for the OECD Guidelines for Multinational Enterprises ([the Guidelines](#)) of the Specific Instance submitted by the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) regarding the alleged actions of Starwood Hotels & Resorts Worldwide (Starwood) through its affiliates at the Sheraton Maldives Full Moon Resort & Spa in the Maldives and Sheraton Addis Hotel in Ethiopia.

The USNCP offered mediation to the parties, which both parties accepted, and the parties went to two days of mediation in January, 2016, one day in February, 2016 and a final session in April, 2016 resulted in an agreement between the two parties. While the parties decided to keep the resulting written agreement confidential, they authorized public dissemination of the following joint statement:

Both parties have participated in the mediation process in good faith resulting in a successful outcome. The parties have signed a confidential written agreement resolving the specific instance. More specifically, the parties have reached full resolution of the concerns raised by IUF pertaining to the discharge of workers and the collective bargaining process at the Sheraton Addis Ababa hotel. In regards to Sheraton Maldives, the parties shall reconvene at an agreed location to continue to explore options in good faith to resolve the matter. The parties agree to meet for a sufficient length of time to allow for exploration of any options or topics proposed by either side as part of these ongoing discussions. Additional meetings after the initial meeting can be held by mutual agreement. The USNCP will remain a resource to the parties going forward. As a follow-up measure and per USNCP procedures, one year after completion of the Specific Instance, parties will be asked to separately submit a confidential response to the USNCP on the status of the agreement. The parties express their appreciation for the efforts of both the USNCP and the appointed mediators in facilitating this agreement.

The USNCP congratulates both parties on successfully reaching agreement through mediation and commends both parties for their efforts to resolve their differences. Both parties demonstrated their commitment to ensuring compliance with the Guidelines. As a result of their efforts, this Specific Instance resolution serves as yet another demonstration of the value of the Guidelines and of the National Contact Point system.

Note: For more information on the USNCP, its mandate, function, and processes, please reference the [USNCP Guide](#).

## **II. Substance of the Specific Instance**

### **IUF Submission**

On February 9, 2015, IUF, an international federation of trade unions, submitted a Specific Instance to the USNCP alleging conduct inconsistent with the chapters on General Policies (Chapter II), Human Rights (Chapter IV), and Employment and Industrial Relations (Chapter V) of the Guidelines with respect to conduct by Starwood affiliates in the Maldives and Ethiopia.

In its submission, IUF claimed that Starwood engaged in fundamental and ongoing breaches of the Guidelines when two of its Sheraton-branded properties, the Sheraton Maldives Full Moon Resorts & Spa in Maldives (Sheraton Maldives) and the Sheraton Addis Hotel in Addis Ababa, Ethiopia (Sheraton Addis) allegedly failed to recognize legitimate trade union organizations, failed to negotiate with those unions, and undertook mass employee terminations in order to intimidate workers and prevent them from exercising their rights. The events reported in the Specific Instance cover a period from 2014 to the date of submission.

With respect to the Sheraton Maldives, IUF alleged that on multiple occasions since 2014 hotel management refused to recognize IUF-affiliated Tourism Employees Association Maldives (TEAM) as the hotel workers' representative union. According to IUF, management initiated disciplinary proceedings against employees for union-related activities, including peaceful assembly and displaying union banners. TEAM contested the proceedings by letter to hotel management and reiterated its request that hotel management recognize the union and initiate collective bargaining. IUF asserts that after the union's multiple written requests to management for recognition and negotiation, union members went to the General Manager's office to request a meeting and management responded by calling police on union members. Subsequently, management allegedly dismissed 10 union leaders and intimidated some one hundred other unionized workers with disciplinary letters. In addition, IUF alleged that dismissed union leaders were unable to access their members at the hotel due to the hotel's location on a private island.

With respect to the Sheraton Addis, IUF alleged that hotel management unilaterally ceased renegotiation of the Union of Workers of the Sheraton Addis collective bargaining agreement. IUF stated that Ethiopia's Labor Arbitration Board

deemed the hotel's grounds for ceasing the bargaining process illegitimate. However, according to IUF, management subsequently terminated 65 unionized hotel workers, including those individuals agreed to by the union and management as representatives for purposes of negotiating the agreement. According to IUF, the Labor Arbitration Board condemned the hotel's "bad faith" actions. The union contested the dismissal of workers in Ethiopian courts. IUF alleged that the mass termination of workers resulted in the disintegration of the union, and that the hotel management refused to resume negotiations with the previously agreed-to representatives due to the termination of their employment.

## **Starwood Response**

The company responded to the Specific Instance on March 12, 2015 stating that it was undertaking an internal review at both locations with regard to the allegations raised. On May 8, 2015, Starwood reported that initial investigations were complete and that the company had determined that Starwood had not violated OECD Guidelines.

Starwood indicated that it prides itself on being a leader in responsible workplace practices and is committed to conducting its business operations in a manner that is respectful of employee rights and free from human rights abuses. Starwood's commitment to global citizenship, including human rights, is incorporated in the company's [Global Citizenship Policies](#). Starwood maintains that its [Human Rights Policy](#) reflects its commitment to conduct its business in a manner consistent with the principles of the Universal Declaration of Human Rights, where consistent with applicable laws. The commitment to human rights includes supporting each employee's freedom of association.

According to Starwood, the Sheraton Maldives is operated by a Starwood affiliate pursuant to a management agreement with the hotel owner. The hotel owner is an entity in which Starwood, through its affiliate, has a minority equity interest. The hotel owner is the employer of the employees at the hotel. Under the management agreement, any union contracts entered into must be in the hotel owner's name and with the hotel owner's consent.

Starwood responded that it was the position of Sheraton Maldives management that contrary to the IUF's assertions, the Sheraton Maldives did not carry out a mass employee termination to intimidate workers or prevent them from exercising their rights. Rather, Starwood reported that management dismissed seven employees from their employment at the hotel in May 2014 due to their violations of local law and hotel policy and their disregard for management instructions to cease the conduct that runs

contrary to local law and hotel policy. The Sheraton Maldives denied that the termination decisions were made because of the employees' union membership or union organizing activity. Starwood management claimed it had never discouraged employees from affiliating with the union. Starwood maintains that management respects employees' right to associate with a union, or to choose not to associate with a union, as the case may be. Although TEAM requested recognition from the hotel as the representative of hotel employees, Sheraton management claimed there was no evidence to support TEAM's claim that it in fact represented a majority of the employees.

According to Starwood, the company has no equity interest in the Sheraton Addis. A Starwood affiliate operates the hotel on behalf of the owner, pursuant to a management contract. The owner is the employer of the associates who work at the hotel and any union contracts entered into must be in the hotel owner's name and with the hotel owner's consent.

Starwood responded to the allegations regarding the Sheraton Addis that it is the position of Sheraton Addis management that, contrary to IUF's assertions, hotel management did not fail to recognize or bargain with a legitimate trade union and did not undertake a mass employee termination for the purpose of intimidating workers or preventing them from exercising their rights. Rather, Starwood reported that management dismissed 65 employees from their employment based on management's belief that these individuals had engaged in highly aggressive and disruptive conduct, including but not limited to, threats of violence toward members of management and other actions intended to intimidate management, damage to the reputation of the hotel, and other disruptions to hotel operations and guest service. The Sheraton Addis denies any wrongdoing and asserts that the dismissals were warranted to protect the hotel, guests and other staff members and to restore industrial peace and stability to the operation of the hotel.

### **III. Initial Assessment and Offer of Mediation**

The USNCP does not make judgments as to whether parties have or have not violated the Guidelines. Consistent with the criteria of the USNCP for Specific Instances (as established in the Guidelines themselves and detailed in the [USNCP Guide](#)), the USNCP determined that the matters raised were bona fide, merited further consideration, and were relevant to the implementation of the Guidelines. As a result, on July 9, 2015, the USNCP issued an Initial Assessment to the parties offering mediation by the [Federal Mediation and Conciliation Service](#).

#### **IV. Acceptance of the Offer of Mediation**

Both parties accepted the USNCP offer of mediation. Mediation began in January, continued in February and concluded with the signing of an agreement between the parties at a final mediation session in April.

#### **V. Conclusions and Recommendation**

The USNCP congratulates both parties on reaching agreement through mediation and commends them for their efforts to resolve differences. Both parties demonstrated a commitment to ensuring compliance with the Guidelines. As a result, this Specific Instance resolution serves as yet another demonstration of the value of the Guidelines and of the National Contact Point mechanism.

The USNCP looks forward to the results of the meetings the parties have committed in their agreement and to following up with the parties after one year.

#### **Recommendation**

During the course of this Specific Instance, the USNCP reviewed the [Human Rights Policy](#) and the [Supplier Code of Conduct](#) espoused by Starwood. Although both documents were recently updated, neither make reference to the guidance on responsible business conduct available in [the Guidelines](#) and the United Nations [Guiding Principles on Business and Human Rights](#), which are referenced in the Guidelines. The USNCP recommends that Starwood review these documents and incorporate them, as appropriate, into the company's [Global Citizenship Policies](#).

With this Final Statement, the USNCP brings this Specific Instance to a close.

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U.S. Department of State