

MDE 22/005/2014

15 April 2014

SEG response to Amnesty International report regarding labour abuse in Qatar

On 18 November 2013, Amnesty International published *The Dark Side of Migration: Spotlight on Qatar's construction sector ahead of the World Cup*. The report contained allegations regarding the abuse of a group of construction workers employed by Krantz Engineering (Krantz), a company that was being sub-contracted by SEG International's Qatar branch.

Amnesty International spoke to a representative of SEG in April 2013 regarding the situation of the Krantz workers. On 9 October 2013 the organization put allegations to SEG in writing with regard to the role of SEG in the abuse suffered by Krantz employees. We asked SEG to respond by 22 October 2013 in accordance with Amnesty International's standard pre-publication procedures for a report of this nature.

SEG responded to Amnesty International on 13 November 2013, after the report had been printed. SEG declined Amnesty International's offer to place their letter on the website alongside the report.

SEG sent Amnesty International a second letter on 26 November 2013, after the publication of the report, setting out its position. Amnesty International rejected SEG's requests set out in that letter but offered again to place a statement of response by SEG on its website, alongside the report. Following further correspondence with Amnesty International, SEG subsequently accepted this proposal. SEG's letter of 26 November 2013 can be read below.

Amnesty International's 18 November 2013 report essentially raised three questions about the role of SEG in relation to the abuse of Krantz employees, some of which SEG's letter responds to:

1. Whether SEG had withheld payments to Krantz, which may have led to Krantz experiencing financial difficulties, contributing to its inability to pay its employees.

SEG states that SEG was entitled under the agreement it had entered into with Krantz and under Qatari law to withhold payments because, SEG alleges, Krantz did not meet its obligations.

2. Whether SEG had been aware of the situation of Krantz employees with regard to persistent non-payment of wages and had failed, as one of the companies managing the project, to take effective action to resolve the situation.

SEG states that, in view of Krantz's financial difficulties, it opened a line of credit to Krantz in order to pay Krantz's employees. SEG did not provide any information about when the line of credit was opened or what action was taken to ensure that workers were

paid. Amnesty International's research found that the Krantz workers were not paid and the abuse they experienced also included: non-renewal of residence permits so they became undocumented and at risk of arrest; failure to issue exit permits and return passports so that they were unable to leave the country; and failure to provide adequate accommodation.

3. Whether SEG's conduct in this case would breach international standards on business responsibility for human rights as set out in the UN Guiding Principles on Business and Human Rights.

The UN Guiding Principles on Business and Human Rights require that business enterprises "avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur [and] seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts."¹

SEG has provided new information to Amnesty International since the publication of its November 2013 report, as summarised above. Amnesty International welcomes SEG's engagement on this issue but regrets that SEG did not provide this information in its earlier communications with the organization. It remains unclear what specific arrangements were made by SEG, including when the line of credit referred to by SEG was provided to Krantz, and how this related to both the withholding of funds from Krantz and the eventual termination of Krantz's contract. Whether or not SEG provided Krantz with a line of credit, the facts with regard to the serious exploitation of sub-contracted migrant workers on a project which SEG managed remain unchanged.

¹ UN Guiding Principles on Business and Human Rights, para 13
(http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

Beirut, 26 November 2013

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RE: Amnesty International's Report on treatment of workers on the Ras Laffan Emergency and Safety College (RLESC) Project in Qatar.

Dear Mrs Gaughran,

I am writing in my capacity as legal counsel to *Société d'entreprise et de gestion* (Qatar) WLL (SEG), in relation with Amnesty International's Report on treatment of workers on the Ras Laffan Emergency and Safety College (RLESC) Project in the State of Qatar.

SEG is a Qatari contracting company and a division of SEG International a Lebanese based international group of construction companies.

As you know SEG has been awarded a contract by Qatar Petroleum (QP) for the execution of certain construction works in the RLESC Project based on the results of an international tender.

SEG subcontracted part of its works to Krantz Engineering ("Krantz") in accordance with the terms and conditions of its contract with QP. In November 2012, and due to Krantz lack of performance and other solvency issues, SEG had to take a series of contractual measures and to terminate Krantz's subcontract in accordance with its provisions and Qatari law, in order

to comply with the terms and conditions of its own contract with QP. Subsequently, a commercial dispute has arisen between SEG and Krantz.

It later appeared to SEG that Krantz was not paying its workers, confiscated their passports, did not issue the relative residence permit and did not provide them with exit permits.

Amnesty International (“Amnesty”) inquired about those issues with Krantz who alleged that all these problems were due to SEG who was withholding payments.

On 9 October 2013, Amnesty sent a letter to SEG accusing it of mistreating its workers on the RLESC Project based on Krantz answer and inviting SEG to express its point of view by 22 October 2013.

Based on Krantz simplistic and one-dimensional answer, which sounds more like a justification than a valid and coherent answer, Amnesty prepared a report firmly accusing SEG of misconduct without further investigating the matter! The report was published on Amnesty’s website and it states that Krantz’s workers have been mistreated due to SEG lack of payment.

On 13 November 2013, SEG sent a letter to Amnesty refuting all the content of Amnesty’s report and explaining that there is a commercial dispute between SEG and Krantz which lead SEG to terminate their subcontract on 20 November 2012. The letter further explained that Krantz was suffering from a severe financial crisis and that SEG stepped in to pay the workers and opened a line of credit to that end. The letter also explained that SEG was entitled under the agreement it had entered into with Krantz and under Qatari law to withhold payments given Krantz’s failure to meet its obligations.

However, on 14 November 2013, Amnesty sent an email to SEG stating that their report had already been printed and that SEG’s response would not be included in it. Amnesty’s only suggestion was that SEG’s letter be printed alongside the report.

The report has had adverse consequences on SEG’s business which has encountered several problems and incurred damages: It is needless to point out how unfair and unsolicited these consequences are.

Qatar Petroleum has sent a letter to SEG on 20 November 2013, further to this report, warning it of any misconduct and threatening to audit SEG and questioning SEG’s irreproachable business ethics.

In addition, and also due to the report, Qatari banks have chosen to no longer authorize SEG new lines of credits.

Amnesty's conduct towards SEG is unacceptable. Amnesty, under the cover of protecting human rights and in haste to issue a breaking news story, has deliberately and unfairly harmed the interests of SEG, a company that also hires more than 10.000 workers and 2.500 employees who rely on it to live and who have human rights too!

In fact, Amnesty has poorly done its job that it has violated almost all the human rights principles that it supposedly stand for.

It is outrageous that an organization as respectful allows itself to publish a report without prior verification of the facts. What would have it cost Amnesty to wait for SEG's reply? Why didn't it at least send one reminder of its need for an answer? It is revolting to publish a report when the party accused in it is not given a say, just because Amnesty's (self-decided) deadline granted to this party has elapsed! Amnesty has deliberately chosen to cause tremendous harm to SEG and its reputation for the sake of publishing a report, regardless of its probative value.

While recognizing priorities should be the motto of an organization defending human rights, Amnesty chose to walk over SEG's rights and completely ignore them (and those of its employees and their families) for the sake of its own interest of publishing a report on a "trendy" subject. It is distressing to see that an organization with a reputation as solid and respected worldwide as Amnesty, which is supposed to be defending ethics and good faith principles, allows itself such behaviour. Even more so when Amnesty is well aware of the impact of its reports on the world!

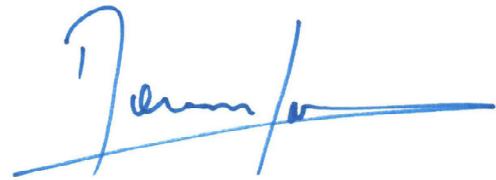
In fact, Amnesty has interfered in a purely commercial relationship and dispute between SEG and Krantz where Amnesty had no business interfering. Moreover, it did not even check the facts to realize that SEG had done all that it could to help the workers of Krantz from the consequences of the latter's insolvency and to mitigate the adverse human rights impact which was entirely caused by Krantz over which SEG had a very limited leverage with respect to its workers and employees under the terms of the subcontract and Qatari applicable laws. Krantz pointed its finger towards SEG because it had defectively carried out its mission. SEG at all times, has acted precisely in accordance with the United Nations Guiding Principles on Business and

Human Rights (UNGP) namely principle 19¹ which, while being very helpful at a normative level, do not tell companies how to honour international human rights norms in situations of sometimes conflicting requirements such as SEG's obligations to comply with the contract and the laws of Qatar? Nor do the UNGPs advise companies on how to deal with these dilemmas in the real business environment.²

Therefore, Amnesty is hereby requested to (i) **withdraw within 48 hours** any part or reference related to SEG from the report related to the RLSEC project posted on its website and; (ii) **publishes an apology** addressed to SEG stating that it had not verified its facts and that it has interfered in a purely commercial relationship and dispute, failing which SEG will commence litigation against your organisation to seek appropriate damages, including seeking multiple damages, interest, court costs and attorneys' fees, in England, Qatar, Lebanon and in any other appropriate forum.

Please treat this letter as an official warning.

Sincerely yours,



Marwan Sakr

¹ The UN official commentary on Principle 19 of the Guidelines provides that: “Where a business enterprise has not contributed to an adverse human rights impact, but that impact is nevertheless directly linked to its operations, products or services by its business relationship with another entity, the situation is more complex. Among the factors that will enter into the determination of the appropriate action in such situations are the enterprise’s leverage over the entity concerned, how crucial the relationship is to the enterprise, the severity of the abuse, and whether terminating the relationship with the entity itself would have adverse human rights consequences.” (UN DOC. HR/PUB/11/04 at page 22)

² See e.g. Surya Deva, *Guiding Principles on Business and Human Rights: Implications for Companies*, European Company Law 9, no. 2, Kluwer Law International (2012), pp. 101–109.