

ANNUAL SUMMARY 2014















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Finnwatch – Annual Summary 2014

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2014 in review

Significant tax havens. Brand new sky scrapers that literally seem to touch the sky, water fountains and flower beds. I've just arrived from a hot and gruesome trip through Thailand to the Malaysian Peninsula. I've had countless meetings with migrant workers at factories and plantations and heard stories each bleaker than the last: illegally low wages and inhumanely long workdays. Many mouths to feed with no social security. Fall ill, and you are done.



The neatly groomed and refined business people drink ice tea on the city's terraces; river tours are at a reduced rate today. Those who have been dealt the wrong cards at birth have no business here.

Global injustice and growing inequality are more glaring than ever before. This can either paralyse, or it can become a driving force and a source of motivation.

In 2014, Finnwatch published seven research reports and 20 statements and press releases. Discussion and debate on tax havens made headlines in the Finnish media, and our work led to changes in the activities of dozens of companies. We were able to defend our researcher, who was subjected to harassment by way of the Thai court system. Over 1,600 media hits ensured that we reached tens of millions of people around the world.

I would like to thank Finnwatch's phenomenal staff, as well as our funders and partners. Without you, our work to improve the responsibility of corporate operations would not have been possible.

However, there is still much to do - welcome 2015!

Sonja Vartiala Executive Director

Mission

Finnwatch researches the impact of global corporate operations. On the basis of our research we carry out advocacy work and engage in public debate.

Objective

Our objective is to alter the activities of corporations, so that they become more sustainable socially, economically and ecologically. The organisation is an internationally recognised expert that brings added value and the Finnish voice to the international discussion on corporate social responsibility.

Finnwatch's member organisations:



Staff



Sonja Vartiala Executive Director



Henri Telkki Researcher and Legal Expert



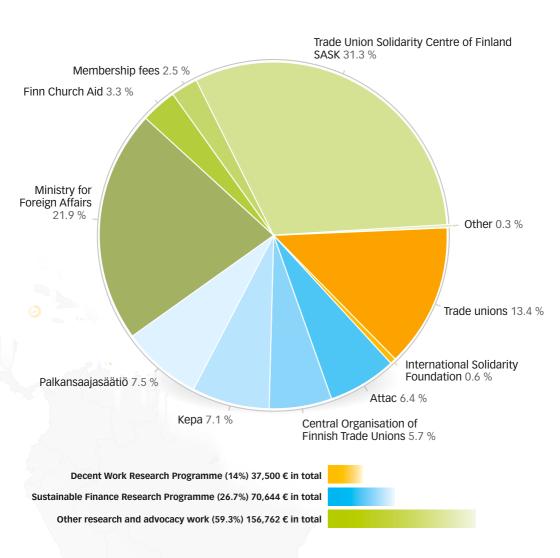
Anu Kultalahti Researcher



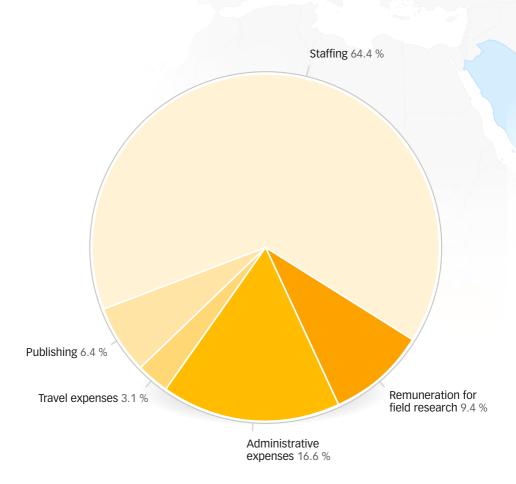
Sanna Ristimäki Administrative and Research Coordinator

In 2014, the following people also worked as researchers for Finnwatch: Matti Ylönen, Päivi Pöyhönen and Maikki Salmivaara.

Finnwatch's income in 2014



Finnwatch's expenditure in 2014



Total expenditure in 2014 253,534 €

Decent Work Research Programme

The reports produced within the scope of the Decent Work Research Programme focus on matters related to the freedom of association, working hours, living wage and occupational health and safety in supply chains in developing countries.

In 2014, the following reports were produced as part of the Decent Work Research Programme:

- Out of a Ditch, Into a Pond Follow-up Research on the Effects of the Finnwatch Report Cheap Comes With a High Price
- Caring for Hands, Not Workers Labour Conditions in Siam Sempermed Factory, Thailand
- The Law of the Jungle Corporate Responsibility of Finnish Palm Oil Purchases
- **Books from China** Working Conditions at the Hung Hing Heshan Printing Factory

The programme is supported by:



Sustainable Finance Research Programme

The Sustainable Finance Research Programme examines questions related to financial responsibility. The research programme examines the links of multinational corporations active in Finland to tax havens and secrecy jurisdictions, the social effects of financial speculation, and responsible investment.

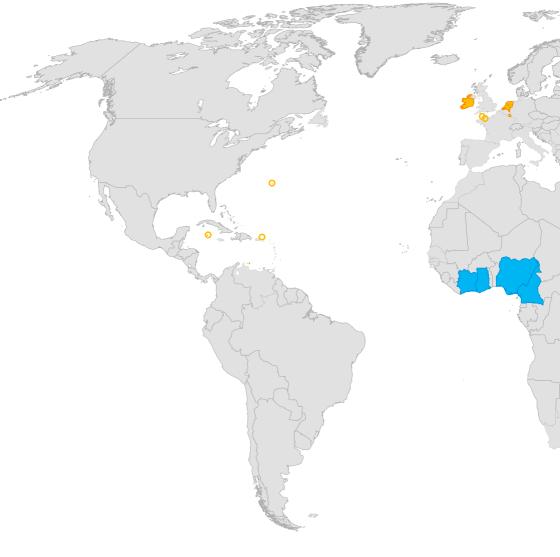
In 2014, the following reports were produced as part of the Sustainable Finance Research Programme:

- Empire of Mailboxes Finnish holding companies in tax havens
- Pensions Funded by Tax Money from Abroad? Tax responsibility
 of Finnish pension fund investments
- A Broken Tax Puzzle How fair are the tax treaties Finland has entered into?

The programme is supported by:



Countries covered in Finnwatch's research and articles in 2014



Research

Bermuda British Virgin Islands **Cayman Islands** Guernsey Hong Kong India Indonesia Ireland Jersey Luxembourg Malaysia Mauritius Mongolia Mozambique Netherlands Singapore Tanzania

Articles

Bahrain Cameroon Ghana Ivory Coast Kuwait Nigeria Qatar Saudi Arabia United Arab Emirates

REPORTS

7.1.2014

Empire of Mailboxes Finnish holding companies in tax havens



The report addresses the use of holding companies by the largest Finnish listed companies, which makes it possible for them to engage in aggressive tax planning. This was the first broad-scoped report on the subsidiaries of large Finnish corporations that are based in tax havens.

The report confirmed that it is a common practice for Finnish corporations to utilise tax havens in their business activities. According to the report findings, Finnish corporations have hundreds of holding companies in tax havens.

Finnwatch criticised the current practices in financial reporting and demanded the enactment of legislation that would make country-by-country reporting mandatory for large corporations.

FUNDERS: SUSTAINABLE FINANCE RESEARCH PROGRAMME PARTNER ORGANISATIONS, FOUNDATION FOR ECONOMIC EDUCATION AND THE MINISTRY FOR FOREIGN AFFAIRS

GOOD NEWS

Empire of Mailboxes sparked lively public debate. The Confederation of Finnish Industries EK wrote a counter statement to the report, and tax professors and other experts made public comments on the Finnwatch report from their own perspective.

Country-by-country reporting has been a key theme in tax responsibility campaigns carried out by NGOs. Finnwatch achieved a partial victory in October 2014, when the Prime Minister's Office published instructions for mandatory country-by-country reporting for corporations.



The Veroparatiisimatkat (tax haven holidays) campaign organised jointly by a number of organisations demanded country-by-country reporting.

21.01.2014

Out of a Ditch, Into a Pond Follow-up Research on the Effects of the Finnwatch Report Cheap Comes With a High Price



The Out of a Ditch, Into a Pond report examined the changes that had taken place in the activities of Finnish retailers and Thai factories after the Cheap Comes at a High Price report was published the previous year.

The report revealed glaring labour rights violations at the factory of a new supplier to VIP-Juicemaker. There were still evident problems in working conditions at the tuna fish factories examined in the previous report.

FUNDERS: DECENT WORK RESEARCH PRO-GRAMME PARTNER ORGANISATIONS

GOOD NEWS

Kesko and Tuko Logistics had initiated a more extensive examination into the raw materials contained in their private label products with a view to identifying which of these originate in high risk countries. S Group had also extended the monitoring requirements for products to raw materials produced in high-risk countries, even in cases where the final product is produced in a non-high-risk country such as Finland.

As a result of the Out of a Ditch, Into a Pond report, warehouse workers at S Group, Kesko and Tuko Logistics held a three-day work stoppage on the handling of pineapple juice produced at the factory covered in the Finnwatch research. The purpose of the stoppage was to draw attention to the situation of factory workers in Thailand.

In 2015, Kesko initiated its own research project in Thailand together with Plan, an international development organisation that promotes children's rights.

REPORTS

30.3.2014

Caring for Hands, Not Workers Labour Conditions in Siam Sempermed Factory, Thailand



The report examined a rubber glove factory located in Thailand, and found that Finnish hospital districts purchased gloves from a factory that had problematic working conditions.

Serious labour rights violations were observed at the Siam Sempermed rubber glove factory. These not only violated the national legislation in Thailand, but also international standards. Many of Finnwatch's findings met with the International Labour Organization's indicators for forced labour and human trafficking.

FUNDERS: DECENT WORK RESEARCH PROGRAMME PARTNER ORGANISATIONS



GOOD NEWS

OneMed, which markets the gloves made at Siam Sempermed in the Nordic countries, initiated a dialogue with the factory covered in the research and carried out its own audit.

Inspired by Finnwatch's report, the JHL and Tehy members, who work at Turku University Hospital organised a demonstration by the name of Hanskat naulaan (Hang Up Your Gloves) in May. The workers that participated in the demonstration demanded that the hospital district reviews its procurement criteria so that invitations for tender include special social criteria.

Numerous hospital districts and municipalities added responsibility requirements to their procurement requests.

13.5.2014

Pensions Funded by Tax Money from Abroad? Tax responsibility of Finnish pension fund investments



Finnwatch researched the tax responsibility of investment activities by pension companies and funds.

The report revealed that 37 billion euros of Finnish pension money is invested in tax havens via registered funds. With the exception of one, institutions for occupational retirement provision did not set a policy for or commit to tax responsible investments in their activities. Additionally, they did not require that the targets of their investment or that their investment partners implement concrete actions for responsible payment of taxes.

FUNDERS: SUSTAINABLE FINANCE RESEARCH PROGRAMME PARTNER ORGANISATIONS, PALKANSAAJASÄÄTIÖ AND THE MINISTRY FOR FOREIGN AFFAIRS

GOOD NEWS

The report received national media attention and spurred lively public debate on the responsibility of pension investments. Also Tela, the registered association that looks after the interests of insurers providing statutory earnings-related pensions, reacted publicly to the Finnwatch report.

Docventures compiled a customer satisfaction survey on tax haven investments at www.minunelake.fi.

After the report was published, dialogue on tax responsibility with Ilmarinen has continued. After the Finnwatch report was published, also State Pension Fund VER announced that it would look into including tax responsibility themes in its strategy for responsible investment. Dialog on tax responsibility with Ilmarinen has continued.

REPORTS

16.9.2014

The Law of the Jungle Corporate responsibility of Finnish palm oil purchases



Finnwatch researched the working conditions in the palm oil industry and carried out field research at Malaysiabased plantations owned by the IOI Group, the palm oil supplier for Neste Oil and the Paulig Group.

Finnwatch found evidence of forced labour, human trafficking and wages below the living wage level at the plantations. The report also criticises leading palm oil certification schemes RSPO and ISCC for their insufficient monitoring of working conditions.

FUNDERS: DECENT WORK RESEARCH PRO-GRAMME PARTNER ORGANISATIONS AND THE MINISTRY FOR FOREIGN AFFAIRS

GOOD NEWS

The IOI Group published an action plan for correcting the problems that the Finnwatch report brought to light. IOI ceased the use of a probationary period that had been criticised by Finnwatch, it gave workers employment contracts in their native language and removed a clause limiting the right to strike from its employment contracts.

In April 2015, the RSPO published a report, which confirmed that the payment of illegally low wages had been observed at the IOI Group's plantations.

The Finnwatch report also received extensive international attention and produced accumulative effects by providing information for campaign actions by other organisations. For example, Greenpeace Finland, Australian organisation Walk Free and US organisation Rainforest Action Network used the report in their own campaign materials.

Finnwatch also participated in the production of Free and Fair Labor in Palm Oil Production: Principles and Implementation Guidance alongside other NGOs. The principles concern working conditions at palm oil plantations.

1.10.2014

A Broken Tax Puzzle How fair are the tax treaties Finland has entered into?



The Finnwatch report revealed that Finland's tax treaties contradict with publicly stated development policy. Finland favours the OECD Model Tax Convention, which in turn favours the right of a corporation's country of domicile (industrialised country) to tax. The research brought to light that low withholding tax rates have also been agreed upon with the developing countries.

Finland has also entered into tax treaties with countries that take part in harmful tax competition, some of which can be considered tax havens. Finnwatch has also voiced criticism of

treaties, as they often lack effective provisions that prevent misuse of the treaties. Additionally, the withholding tax rates of these treaties are extremely low or even zero, which makes it possible for companies to avoid tax by shopping for the best treaties.

FUNDERS: SUSTAINABLE FINANCE RESEARCH PROGRAMME PARTNER ORGANISATIONS, PALKANSAAJASÄÄTIÖ AND THE MINISTRY FOR FOREIGN AFFAIRS

GOOD NEWS

The report, which looks into how fair tax treaties are, achieved national media attention on the day it was published. Afterwards, the report sparked a dialogue between the Ministry of Finance and the Ministry for Foreign Affairs on how tax treaty policy can be better aligned with human rights-based development policy and the prevention of tax havens. Fair tax treaties was included in the recommendations of the Maailmantalouden tekijät -campaign by the NGOs in the lead-up to the Finnish Parliamentary elections.

After the publication of the Finnwatch report, the Tax Justice Network has compiled a tax treaty page on its website, which includes a collection of research reports from different countries on the significance of income tax treaties in tax havens and their economic effects on developing countries.

REPORTS

9.12.2014

Books from China Working conditions at the Hung Hing Heshan Printing Factory



Finnwatch compared the responsibility policies and practices of Finnish publishing companies and examined the working conditions at the Hung Hing Group's factory in China's Guangdong Province, which produces books for Finnish publishers. The report revealed that the wages paid by the factory were not sufficient to cover living costs and that illegally long overtime work was the norm at the factory.

Finnwatch criticised the lacking and often non-existent responsibility practices of Finnish publishing companies. Many of the publishing companies

examined in the report did not pay any attention to the responsibility of products they imported from high-risk countries.

FUNDERS: DECENT WORK RESEARCH PROGRAMME PARTNER ORGANISATIONS AND THE MINISTRY FOR FOREIGN AFFAIRS

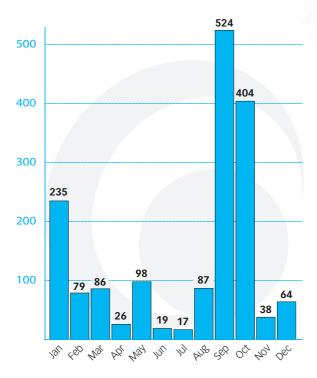
GOOD NEWS

The report sparked debate on the responsibility practices of publishing companies, and as a result of the report, The Finnish Book Publishers Association established a working group, which was given the task of drawing up a shared responsibility policy for the publishing sector.

Shortly after the report was published, the Hung Hing Heshan factory announced that it would correct the problems observed in its social security payments.

Media attention

Finnwatch received a great amount of media attention in 2014. Peaks were observed at the times when reports were published, and Finnwatch also received international media visibility.

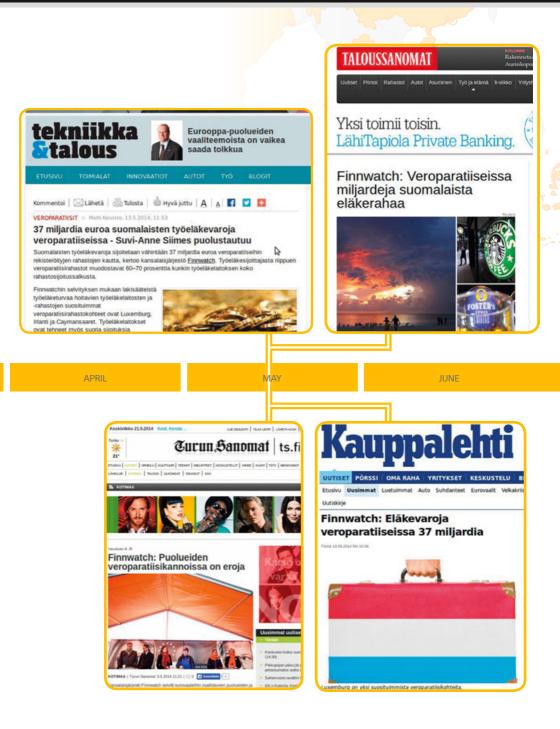


Total media hits: 1677*

* The media hits compiled here only include online newspapers. The figures do not include for example radio and TV coverage.

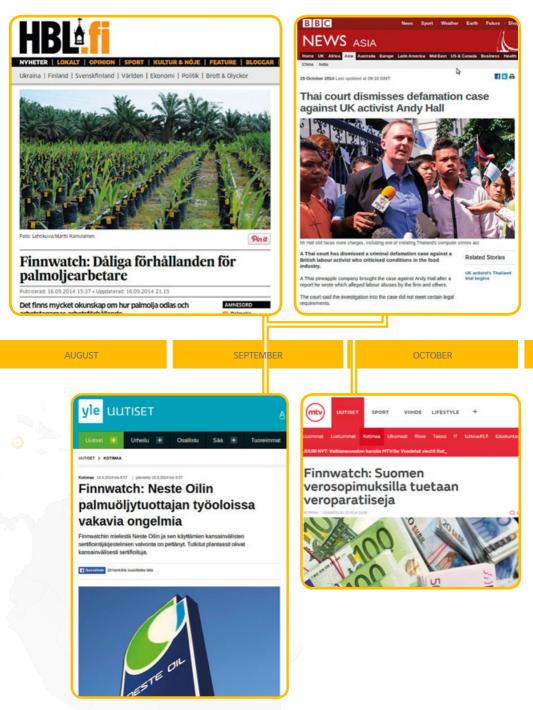
MEDIA ATTENTION





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MEDIA ATTENTION





Comments and position papers by Finnwatch in 2014		
5.2.	A comment on the preparation of a national action plan for the implementation of the UN Guiding Principles on Business and Human Rights	
6.6.	A comment on a proposal for the national implementation of the UN Guiding Principles on Business and Human Rights	
1.6.	The organisation's letter to the representatives of the OECD's Committee on Fiscal Affairs concerning the development of the BEPS action plan	
1.7.	The organisation's letter to Commissioner Barnier concerning a directive on country-by-country reporting by banks	
8.8.	Thai Pineapple Industry Association action requested in case of Natural Fruit v. Andy Hall	

Opinion pieces, press releases and news items published by Finnwatch in 2014:

9.1.	Criticism voiced by the Confederation of Finnish Industries misses the mark
28.1.	Finland must do more to guarantee that the companies take seriously their responsibility for the realisation of human rights
5.3.	Mandatory corporate responsibility reporting moves ahead in the EU
6.3.	Public pressure results in a change to Stara's operations
7.3.	Garbage and emotional turmoil
11.4.	Cheap clothing at a living wage?
25.4.	Welcome to the European Parliament Election panel!
5.5.	Differences in party policies on tax haven economy
19.5.	Criminal investigators from Thailand's police interrogate Finnwatch researcher Andy Hall

13.6.	Risks ahead – Finnish corporations in the Arabian Peninsula
11.8.	Tourism business saving the world
18.8.	Group responsible for seeing to the interests of pineapple producers threatens new legal measures
25.8.	Will minister's purgatory lead to measures to prevent tax evasion?
28.8.	Finnwatch researcher's trial begins, corporations warn pineapple industry of potential consequences
2.10.	UN asks Thailand about the findings of the Finnwatch report
16.10.	EU takes an important step in preventing tax evasion
29.10.	Charges against Finnwatch researcher dropped in Thailand
30.10.	Juice maker losing sleep
7.11.	More lenient age restrictions for sparklers! NOW!
10.11.	International Trade Union Confederation demands tax responsibility in investments by pension funds
11.11.	Maailmantalouden tekijät -campaign challenges parliamentary election candidates to do their part for the world economy
12.11.	EU tax haven to be rocked by new revelations or not
01.12.	Openness good, concrete actions and ambition poor
08.12.	Hewlett-Packard sets an example for Finnish companies
10.12.	Rash decisions when caught with their pants down
11.12.	Books from China—update on debate
18.12.	Christmas chocolates are unfair, again
30.12.	Natural Fruit to appeal court ruling

Participation in corporate responsibility debates

Finnwatch participated in the following events in 2014:		
29.1.	Ministry of Employment and the Economy: discussion event for organisations on the implementation of the UN Guiding Principles on Business and Human Rights	
25.2.	Design Museum: debate on the responsibility of design products	
19.3.	The Ministry for Foreign Affairs development academy for journalists: counter comment	
1.4.	Eurooppademarit- Tähti annual meeting: Introduction of Finnwatch's Sustainable Finance Research Programme	
3.4.	BASTU: presentation at a seminar on grey economy	
26.4.	Mainoskupla competition at the Cable Factory: selection and announcement of judges' favourite	
5.5.	European Parliamentary Election panel between organi- sations: Presentation of the results of Finnwatch's tax responsibility report and panel introduction speech	
13.5.	Ratkaisun paikka-conference on corporate responsibility: address during the companies and organisations ques- tion session	
20.5.	ECCJ's annual meeting in Berlin	
28.5.	Ministry of Employment and the Economy: hearing on the implementation of UN Guiding Principles on Business and Human Rights	
3.6.	Esanssi: lecture on corporate responsibility	
8.8.	Dodo: address at the Haarukanjälki discussion event at Kääntöpöytä	
16.9.	Finnwatch: press conference on publication of the palm oil report	

18.9.	Finatex: training on corporate responsibility for the gar- ments and textiles industry
23.9.	Hanken: lecture as part of the Global Business Environ- ment course
16.9.	Trade union PRO: proposal for more tax responsibility in pensions investments
2.10.	The Martha Organization: corporate responsibility train- ing for consumer advisors
8.10.	Aalto University: lecture on corporate responsibility held jointly with Kesko
21.10.	University of Helsinki: lecture at a seminar on responsible procurements
23.10.	University of Tampere: address at a seminar on responsible procurements
5.11.	Pro Ethical Trade Finland: comment at an event concern- ing corporate responsibility policy
8.11.	Attac: presentation at a training event on tax havens at the University of Helsinki
11.11.	Launch of the NGOs parliamentary election campaign at Finlandia Hall
12.–13.11.	Business Social Compliance Initiative: address at BSCI's annual meeting
13.11.	Seminar at the Human Rights Centre: addressing actual adverse impact: Focus on direct remediation
17.11.	Fairtrade Club: Introduction to responsibility in occupa- tional pension investments
25.11.	Parliament visit by ILO Director-General Guy Ryder
27.11.	Ministry for Foreign Affairs: human rights defender - seminar
02.12.	Rotary: presentation at the Turku Rotary meeting
16.12.	JEF Finland and European Movement in Finland: address at a youth training day



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