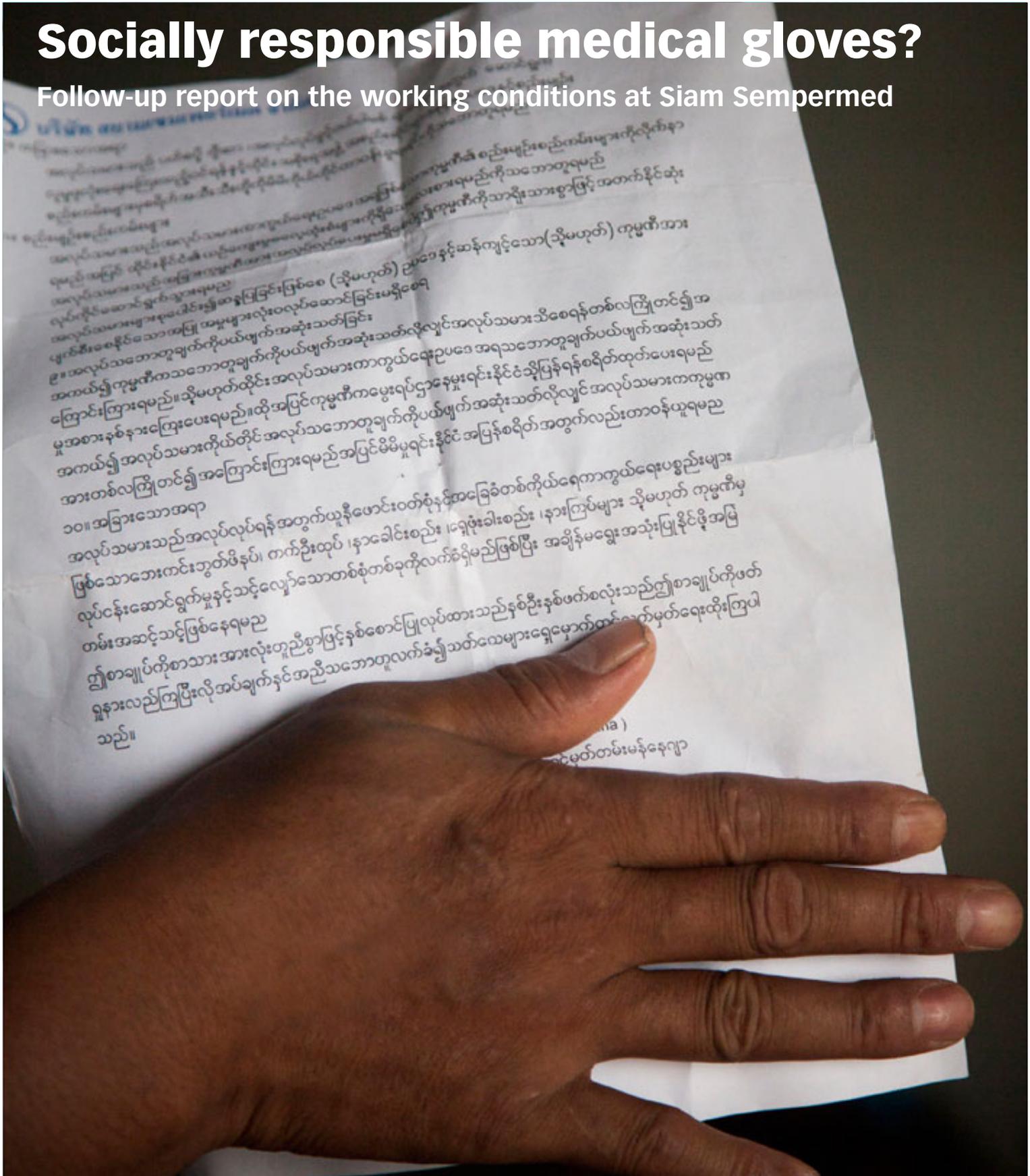


Socially responsible medical gloves?

Follow-up report on the working conditions at Siam Sempermed



The report was produced as part of Finnwatch's Decent Work programme supported by:



Solidaarisuus



TEAM
Teollisuusalojen ammattiliitto ry



SUPPORTED BY OFFICIAL
DEVELOPMENT AID FROM THE MINISTRY
FOR FOREIGN AFFAIRS OF FINLAND

Finnwatch has also received support from Hinas, a purchasing organisation coordinating public procurement on behalf of Norwegian health authorities, towards this report.

THIS IS AN UNOFFICIAL TRANSLATION. THE ORIGINAL REPORT HAS BEEN PUBLISHED IN FINNISH AND IS AVAILABLE AT: www.finnwatch.org.

Finnwatch is a Finnish non-profit organisation that studies the responsibility of global business.

Author: Sonja Vartiala
Cover Photo: Annina Mannila
Layout: Petri Clusius/Amfibi Ky
Publication date: October 2015

Contents

1. SUMMARY OF THE FINDINGS OF FINNWATCH'S 2014 REPORT	5
2. WHAT HAPPENED AFTER THE REPORT WAS PUBLISHED?	6
3. PROBLEMS CONTINUE IN SIAM SEMPERMED'S PACKING DEPARTMENT	9
3.1 Some previously reported problems have been corrected	9
3.2 Wages of packing department worker are still performance-based.....	9
3.3 Unreasonably high charges deducted directly from salaries, according to the workers factory continues to confiscate travel documents	10
3.4 Employer still does not provide transport for the dangerous journey to work	12
3.5 Factory still employs workers under the age of 18.....	13
3.6 Lodging offered by factory does not include bathing facilities	14
3.7 Problems with audits, migrant workers not heard.....	14
4. ONEMED REACTS TO THE FINDINGS	15
5. SUMMARY AND RECOMMENDATIONS	16
ANNEX	17

Introduction

In March 2014, Finnwatch published its report “Caring for hands not workers – Labour conditions in the Siam Sempermed factory, Thailand”¹. The report, which brought to light labour rights violations in the manufacture of hospital gloves in Thailand, evoked a great deal of public debate on the responsibility of public sector procurements. As a result of the public outcry, Finnwatch initiated close dialogue with Semperit, the European owner of researched factory Siam Sempermed, and OneMed, which markets medical gloves of Semperit in the Nordic countries.

The objective of this follow-up report is to examine how working conditions at Siam Sempermed have changed after the publication of Finnwatch’s report in 2014. The report is especially topical as Finland’s government is currently preparing an overhaul of the Act on Public Procurement. This reform will be based on EU directives that emphasise social responsibility.

Chapter 1 reviews the findings of the 2014 report and Chapter 2 gives a chronological timeline of the measures that have been implemented and dialogue that has been held with different actors after the report was published. Chapter 3 gives an account of the results of Finnwatch’s new field research carried out in July 2015 at Siam Sempermed, and includes comments by the company on findings made during worker interviews. Chapter 4 lists measures that OneMed has proposed with a view to improve working conditions at the factory. Chapter 5 summarises the situation at the factory and lists recommendations for Semperit, Siam Sempermed, its business partners and public buyers.

The report was funded by the Ministry for Foreign Affairs’ support for communications and global education, and it is part of Finnwatch’s Decent Work Research

Programme. The Decent Work Research Programme is funded by the Trade Union for the Public and Welfare Sectors JHL, the Finnish Food Workers’ Union SEL, Industrial Union TEAM, the International Solidarity Foundation (ISF), the Union of Health and Social Care Professionals Tehy, Service Union United PAM and Trade Union Pro. Finnwatch also received funding for the report’s field research and English translation from Hinas, a purchasing organisation responsible for coordinating public procurement on behalf of Norwegian health authorities.²



Siam Sempermed is located in the city of Hat Yai, Songkhla Province, Thailand.

¹ Finnwatch, *Caring for hands not workers - Labour conditions in the Siam Sempermed factory, Thailand*, available at http://www.finnwatch.org/images/semperit_en1.pdf

² Hinas, <http://www.hinas.no>

1. Summary of the findings of Finnwatch's 2014 report

Siam Sempermed is a factory located in the city of Hat Yai in Thai province of Songkhla, which manufactures an assortment of rubber gloves for medical and laboratory use. Siam Sempermed is jointly owned by an Austrian company Semperit and a Thai company Sri Trang Group. According to the company, it is Thailand's largest and the world's fourth largest glove factory.³ Gloves manufactured by Siam Sempermed are sold worldwide, and they have also been used by Finnish hospital districts. In 2014, Semperit gloves were purchased by the hospital districts of South Karelia, Southwest Finland, Länsi Pohja, Satakunta and Lapland, as well as for the Kainuu Social and Health Care Joint Authority.

Siam Sempermed caught Finnwatch's attention at the end of 2013, when Finnwatch received word from Thailand on problems related to the working conditions in the factory's packing department. Finnwatch informed Siam Sempermed's Austrian parent company Semperit of the labour rights violations that had been reported and requested that the company investigate the serious claims made about its factory in Thailand. Semperit sent Finnwatch a response, but did not undertake any immediate measures to investigate the working conditions-related problems.

Finnwatch decided to carry out field research of its own at the factory together with its local partners. The field research comprised interviews with 18 workers from the factory's packing department as well as an examination of the workers' ID cards and photos of the factory's payroll. All the interviewed workers were migrant workers from Myanmar. The interviewed workers were tasked with straightening out of rubber gloves and then placing them into boxes.

According to the interviewed workers, workers at the Siam Sempermed factory were forced to work long overtime hours, paid illegally low wages and prevented from taking holidays. Workers said that they packed gloves into boxes for up to 13 hours a day without taking statutory breaks. According to the workers, overtime work is mandatory, and they are not permitted to leave before they have met the daily performance target.

Semperit disputed all problems at its factory and told Finnwatch that the results of external audits demonstrated that the factory treated its workers well. However, Business Social Compliance Initiative, which has developed the standard used in auditing the factory, sent Finnwatch a statement in which it refuted Semperit's claims and stated that these do not comply with the factory's audit results.⁴

3 Semperit Group, Annual report 2014, <http://www.semperitgroup.com/f-books/Geschaeftsbericht-2014-EN/index.html>; Siam Sempermed, <http://www.siamsempermed.com> (viewed on 4.8.2015)

4 Finnwatch, Caring for hands not workers – Labour conditions in the Siam Sempermed factory, Thailand, p. 4, can be read at: http://www.finnwatch.org/images/pdf/semperit_fi.pdf



Factory of Siam Sempermed in Hat Yai.

2. What happened after the report was published?

Timeline

- 30.3.2014 Finnwatch publishes its report “Caring for hands not workers – Labour conditions in the Siam Sempermed factory, Thailand”⁵. According to the workers interviewed for the report, Siam Sempermed forced its packing department workers to work long overtime hours, paid them illegally low wages and prevented them from taking holidays. The gloves manufactured at Siam Sempermed were used in numerous Finnish hospital districts. Siam Sempermed’s other owner Austrian Semperit disputed all the report’s findings.
- 4.4.2014 OneMed, which market’s Semperit’s gloves in the Nordic countries, informs its Finnish customers about the report findings and shares intention to cooperate with Finnwatch and arrange independent audit of the factory to clarify this matter and ensure that proper working conditions are guaranteed.
- 20.5.2014 Finnwatch and OneMed meet in Helsinki. Topics discussed at the meeting included the findings of Finnwatch’s report and OneMed’s own corporate responsibility practices. OneMed shares its action plan towards the Siam Sempermed issue.
- 21.5.2014 Trade unions Tehy and JHL organise a demonstration by the name of Hanskat nauiaan (hang up your gloves) to protest unethical public procurements. JHL and Tehy members, who work in hospitals and health-care centres, said that they did not want to use gloves the manufacture of which threatened the occupational health of workers and violated labour rights in Thailand.⁶
- 23.5.2014 Semperit publishes the results of a newly commissioned BSCI audit conducted by SGS. According to Semperit, the audit verifies that the factory complies with 99% of the BSCI’s criteria. The factory had only received criticism for the amount of overtime work it requires of its workers.⁷
- 3.6.2014 OneMed notifies its Finnish clients of the results of Siam Sempermed’s BSCI audit⁸ offering to share the full audit report.
- 5.6.2014 OneMed appointed Intertek to conduct an independent audit at Siam Sempermed. The audit focussed on issues raised as problematic in the Finnwatch’s report, and the audit report was supposed to include off-site interviews with the workers, interviews with local NGOs as well as interviews with migrant workers and those working at the packing department. The audit was planned based on comments from Finnwatch.⁹

5 Ibid.

6 JHL, Hanskat nauiaan -mielenilmaus TYKSissä: suojakäsinehankinnat syyniin epäinhimillisten työolojen takia, <http://www.jhl.fi/portal/fi/jhl-tieto/uutisarkisto/?bid=4218> (viewed on 4.8.2015)

7 Semperit’s letter to its business partners, 23.5.2014

8 OneMed, press release 3.6.2014, can be read at: http://www.onemed.fi/Archive/Images/ProduktBilder/OM_Finl_images/OMFI_MedSupplies/Semperit_asiakastiedote.pdf

9 Finnwatch email to OneMed 5.6.2014: “the re-audit was very short and it seems that there was not a lot of interest to find any problems that we had reported (no off-site interviews, no stakeholder consultation, very little Myanmar workers interviewed, no special focus on packaging department from where problems were reported)”

- 9.6.2014 Finnwatch conducts new worker interviews in Thailand. Nine workers from the packing department said that their working conditions had improved a bit after Finnwatch's first report was published; e.g. workers now received payslips and employment contracts in their mother tongue. However, many problems still continued to be prevalent in the packing department with workers reporting such issues as high document costs, unreasonable production targets and related pressuring. Finnwatch did not publish these findings, but rather asked Semperit to comment on them.
- 23.6.2014 Finnwatch, the Trade Union Solidarity Centre of Finland SASK, Semperit and OneMed meet in Helsinki. During the meeting, the participants discussed the problems still prevalent at the Siam Sempermed factory and the results of the BSCI audit.
- 17.7.2014 Semperit publishes a press release in which it outlined the problems observed at its jointly owned factory Siam Sempermed located in Thailand. According to Semperit "However, in recent times, from Semperit's point of view, the partnership has no longer been able to fulfill current requirements for increased transparency as well as the necessary objectivity, corporate governance and accountability of management decisions."¹⁰
- 13.8. 2014 During the audit appointed by OneMed, migrant workers from Siam Sempermed (20 people, mostly from the packing department) are interviewed by Intertek auditors outside the factory premises, as well as the local NGO Stella Maris. Intertek's own interpreters are used during the interviews.
- 14.8.2014 Semperit sends brief responses to Finnwatch concerning some of the problems Finnwatch highlighted in June. The company confirmed that Siam Sempermed now recruits more Cambodian workers, denied that passports were confiscated and said that the high document costs paid by workers reflected the current market rate.
- 14–15.8.2014 A Workings Conditions Assessment WCA¹¹ in line with the Intertek audit model, is conducted at the Siam Sempermed factory over two days. During the audit, 40 workers were interviewed using Intertek's own interpreters. In addition, the auditors visit production facilities and factory-owned living quarters for the workers.
- Sep. 2014 OneMed shares the audit reports received from Intertek with Semperit and asks for a corrective action plan addressing all findings as well as Semperit's agreement to share the audit reports. Semperit says that it takes the findings seriously and will take internal measures to solve the issues.
- 16.10.2014 OneMed informs its customers of the Intertek audit results and offers to share with them the audit report. There was no mention about the results of off-site interviews but OneMed offered to share the audit reports with its customers upon request.

¹⁰ Adhoc Announcement Semperit AG Holding, Semperit Aims to Realign Its Joint Venture in Thailand, http://www.sempermed.com/fileadmin/img/holding/pdf_dateien/Pressemitteilungen/2014-07-17_Semperit_PR_JV_E.pdf

¹¹ For more information about WCA-audits, see Intertek, <http://www.intertek.com/business-assurance/supplier-management/workplace-conditions/>

- 6.–7.11.2014 OneMed sends Finnwatch the audit reports carried out by Intertek on Siam Sempermed. The worker interviews confirm findings listed in Finnwatch's report: workers said that the factory forced them to work overtime. However, the Intertek standard model WCA audit report gives the factory a clean record. Finnwatch meets with OneMed in Helsinki and requests more information on the obvious contradictions in the audit reports.
- Winter 2014–15 Intertek provides clarifications on the contradictions observed in the audit reports¹² but Finnwatch considers them insufficient¹³.
- 14.1.2015 Semperit provides confirmation that the corrective Action Plan addressing findings of the Workplace Conditions Assessment audit has been completed.
- 13.4.2015 Finnwatch and several European public buyers hold a meeting concerning Siam Sempermed. The majority of buyers indicate that they had not been informed about the results of the audit based on worker interviews commissioned by OneMed and conducted by Intertek. Finnwatch promises to ask for a copy of the audit report so that the purchasers could see it.
- 24.4.2015 Finnwatch and OneMed representatives agree on sending both of Intertek's audit reports to European public buyers.
- Summer 2015 Contrary to what was agreed on, OneMed has not sent the audit reports to European public buyers. Finnwatch sends OneMed a reminder and requests more information on the issue on numerous occasions between May and June, but never receives a response.
- Summer 2015 Finnwatch terminates dialogue with OneMed and Semperit on account of a lack of results, and initiates field research based on new worker interviews in Thailand. The results of these interviews are presented in the next chapter.

Dialogue with OneMed and Semperit was re-started in September 2015 when Finnwatch sent them the first version of this report for comments. Semperit and OneMed's responses are incorporated in to this report. In addition, OneMed's corrective measures are introduced in Chapter 4. Semperit's response is included in full as an appendix to this report.

¹² Intertek, Guntita Suachom, emails on 27.11.2014 and 4.12.2014

¹³ Finnwatch, Sonja Vartiala, email on 16.12.2014

3. Problems continue in Siam Sempermed's packing department

A total of 27 migrant workers working at Siam Sempermed located in Hat Yai city, Thailand were interviewed for this follow-up report in July 2015. Of the interviewed workers 20 were Burmese and 7 Cambodian. The interviews were conducted in Thai, Khmer and Burmese. In addition to these interviews, the workers' ID cards, work permits and payslips were examined.

Of the interviewed workers the majority (23) worked in the factory's packing department. Packing department workers arrange gloves manufactured by the factory into boxes.¹⁴ According to the interviewed workers, they pack Sempercare, StarMed, StarMed Rose, Semperguard and Tender Touch gloves.

Of the interviewed workers, four worked in the factory's two other departments unrelated to packing. According to the interviewed workers, problems with working conditions were still centred in the packing department. The workers, who worked in the factory's other departments, reported that they received a statutory wage (300 baht/day for an eight hours of work, 56 baht compensation per hour for overtime) and were allowed to take legal holidays. Overall, they were quite satisfied with their working conditions. The following sections focus on problems observed in the packing department.

3.1 SOME PREVIOUSLY REPORTED PROBLEMS HAVE BEEN CORRECTED

Workers no longer mentioned unlawful dismissals or that the factory refused to pay redundancy compensation. This is a clear improvement, as in interviews for Finnwatch's previous report workers reported that dismissals were common and

some workers had filed complaints with authorities with regard to these.

All workers are also now given payslips that are in their own native language. This improvement is significant, as this allows workers to better understand what their salary is based on and to check that the paid salary and possible deductions are correct.

Some of the interviewed workers had received a written employment contract in their native language. However, the majority said that they still had not been given a written contract, as a recruiter or supervisor had kept both signed copies.

Problems concerning annual and public holidays had declined. However, workers were unsatisfied that they were not permitted to take more than a couple consecutive days of unpaid holidays at one time, and they were thus unable to visit their home country.

There were also obvious improvements with regard to sick leave, and the majority of workers reported that their supervisors were now more forthcoming in allowing sick workers to go home. Additionally, the employer no longer requires a doctor's certificate for all absences. Workers only need to submit a doctor's certificate, if their sick leave exceeds two days.

The majority of interviewed workers also confirmed that toilet visits were no longer restricted. However, workers in the packing department, who had been given fixed performance targets, said they avoided drinking so that they do not need to use excess time to go to the toilet. This can have a negative effect on the worker's health.

3.2 WAGES OF PACKING DEPARTMENT WORKER ARE STILL PERFORMANCE-BASED

Wages paid to packing department workers are performance-based and workers receive

¹⁴ A video filmed by workers and published by Aamulehti on xx.2014 showing packing of gloves can be seen at: <http://www.aamulehti.fi/Kotimaa/1194889127494/artikkeli/raju+paljastus+naissa+oloissa+tuotetaan+kasin+eita+suomen+sairaaloihin+katso+video.html>

12-13 baht for every packed box.¹⁵ Packing department workers, who receive performance-based pay, are not paid an hourly compensation for overtime (Thai law states that the statutory overtime compensation for all workers is 56 baht/hour). Instead, work carried out during overtime is paid for at a higher performance-based pay. The compensation paid for overtime work was not marked in any way on the payslips of packing department workers.

Workers, who work overtime, also receive 20 baht as compensation for night work. In addition, they receive a daily 20 baht attendance bonus if they are not absent from work for more than one day during a pay period.

Packing department workers are pressured to work extremely quickly. When a worker's three month trial period ends the worker is given a very demanding personal performance targets. According to the workers, they must pack 12-24 sales units a day. A sales unit comprises 10 boxes, and 50-200 gloves are packed into each box. Some of the gloves are more difficult to pack than others as they stick together. The monotonous work based on agile finger work also requires constant attention to detail.

If a worker cannot reach their performance targets he/she is threatened with dismissal or transferred to another department where work may be more physically strenuous and is carried out in hot temperatures. Workers viewed transfers to different departments as a punishment. According to the interviewees, the performance targets have caused great deals of anxiety for some workers who felt they were unreasonable, and these workers have resigned of their own accord.

According to the interviewed workers, the supervisors in the packing department hold onto the worker's clock cards and do not return them until workers have reached their performance targets. If a worker leaves the factory without clocking out, the worker loses

¹⁵ The price of a package varies based on the quality and quantity of gloves in them.

his/her pay for the entire day. In its response, Semperit denied this practice. According to the company, clock cards are kept on the supervisor's desk simply in order to register and confirm workers' presence. According to Semperit, workers can at any time take back their cards from the desk. Finnwatch considers the practice to subject workers to supervisor's arbitrary use of power. If the workers can take the cards back at will there is no justification for keeping them on the supervisor's desk.

The interviewed packing department workers said that they received a basic salary of 350 baht for a 10 hour workday and this includes overtime compensation. The compensation is smaller than the national minimum wage in Thailand¹⁶. Workers said that they must also start their work unofficially without clocking in an hour or an hour and a half before their official worktime in order to achieve the production targets they have been set. The workers also held a shorter lunch break than what is statutory: instead of an hour they only have a 15-25 minute break. Workers do not take a statutory 20 minute break before overtime. In total, the workers work approximately 11 hours a day.

According to Semperit, workers can come to the factory at any time but this is because the factory offers its employees food, opportunities to exercise and activities aimed at increasing team spirit. According to the company, the factory requires its employees to observe statutory breaks.

3.3 UNREASONABLY HIGH CHARGES DEDUCTED DIRECTLY FROM SALARIES, ACCORDING TO THE WORKERS FACTORY CONTINUES TO CONFISCATE TRAVEL DOCUMENTS

According to the interviewed workers, migrant workers must pay recruitment fees when they begin work at the factory. The

¹⁶ The minimum wage for an eight hour workday in Thailand is 300 baht and workers must be paid a compensation of 56 baht per hour for overtime work.

payments are collected by the factory's interpreters and the sum varies from 4,500 to 7,000 baht per person. The sum of these recruitment fees has dropped from the 9,000 baht previously reported in worker interviews. Recruitment charges are nevertheless very problematic and workers should not have to pay to get a job.

Semperit denied that the factory was collecting recruitment fees but it did not comment on the allegation that its employee was collecting these fees from others.

Of the interviewed workers 12 (seven from Cambodia and 5 from Myanmar) had arrived in Thailand through an official MoU process¹⁷. All reported that they had paid great sums of money in their home countries as well as in Thailand before they had been hired. Workers paid 540 dollars per person in Myanmar, 270 dollars in Cambodia and 540 dollars in Thailand. The paid sums included charges e.g. transport, documents and doctor's certificates. In Thailand, 1,000 baht (25 euros) is deducted from the worker's salary every two weeks for the charges.

All the interviewed workers said that Siam Sempermed has confiscated their passports and work permits. However, workers who had come from Myanmar still held their work card from Myanmar, and the names on these cards matched with names on their clock cards.

According to the interviewed Cambodian workers, approximately 20 workers, who had come to the factory via the MoU process, had run away on account of being unable to pay back their debts and because they were disappointed with the poor working conditions and low wages in the packing department. These workers had left their personal documents in the possession of the factory,

¹⁷ MoU-process ensures that workers arrive in Thailand in accordance with an official process agreed on by the countries in question. The MoU between Thailand and Myanmar can be read at: http://www.ilo.org/asia/info/WCMS_160932/lang--en/index.htm, The MoU between Thailand and Cambodia can be read at: http://www.ilo.org/asia/info/WCMS_160844/lang--en/index.htm

as they had no way of accessing them before repaying their debts. According to the workers, workers cannot resign from their job at the factory before they have repaid their debt. According to those interviewed, the workers who had run away, had paid 4,000 baht to a smuggler who was under the protection of the local police and immigration authorities to take them back to Cambodia without official travel documents.

The workers, who had arrived in the country without papers or who had lost their expired passport, worked at the factory on a temporary work permit (i.e. a pink card¹⁸).

According to the workers, Siam Sempermed had also confiscated temporary work permits and did not return these to workers.

Migrant workers, who have been granted a temporary work permit, must in accordance with Thai law continue their verification process and apply for a passport (i.e. national verification process). The factory charges extremely high prices for documents related to this verification process. The interviewed workers, who had come to Thailand from Cambodia, said that they had paid a total of 18,000 baht in document costs. The majority of workers did not know the specific price of different documents, as the cost of these documents was deducted directly from their salaries and they never received receipts on the payments.

It is illegal for employers to deduct charges related to recruitment and documents directly from a worker's salary.¹⁹

According to Semperit, workers are charged only fees that they have agreed to. According to the company, the amounts charged correspond with normal market price. The company however, did not provide Finnwatch with copies of agreements with the workers or information about the amounts charged as fees, even though requested.

¹⁸ A temporary work permit is called a pink card simply due to the colour of the permit.

¹⁹ Thailand's Labour Protection Act, section 76, available at <http://www.ilo.org/dyn/natlex/docs/WEBTEXT/49727/65119/E98THA01.htm#66>

Siam Sempermed factory is situated next to one of the main roads leading to Malaysia, where serious traffic accidents are common.



Not one of the workers held a valid work permit or the original²⁰ receipt showing they had paid for the work permit. According to the workers, the factory also holds on to these documents. According to the interviews, the illegal confiscation of the workers' personal documents still seems to be systematic.

Semperit strongly denied retention of workers' passports. According to the company, documentation is handed back to the workers as soon as official administrative procedures have been completed.

Social security deductions were not visible on the payslips of numerous interviewed workers. Additionally, many of the workers did not have a social security card, which ensures they are afforded all social security benefits, although they had worked at the factory for over a year and social security deductions had been made from their salaries.

²⁰ Some workers had a copy of their work permit or permit receipt. A copy is not a valid replacement for an official work permit, but it does usually ensure that a worker is not arrested during police raids or checks.

3.4 EMPLOYER STILL DOES NOT PROVIDE TRANSPORT FOR THE DANGEROUS JOURNEY TO WORK

The interviewed workers reported that workers continue to be subjected to violence on their commute to work. According to workers, rapes and kidnappings are common especially when it is dark.

The Siam Sempermed factory is located on a busy road that leads to Malaysia, where crime and traffic accidents are a common occurrence. Workers travel to work by foot or bicycle along the shoulder of the road.

Workers would like for their employer to arrange transport to the factory.

According to Semperit, Siam Sempermed has increased security measures including the number of guards and improved roadside lighting. According to Semperit it would not be appropriate to organise transportation for the workers because they number around 3,000 and the distance between the workers' accommodation and the factory is just about 1km. Finnwatch points out, that transportation is not required for all the workers but only for those who travel a long distance and who work night shifts.

3.5 FACTORY STILL EMPLOYS WORKERS UNDER THE AGE OF 18

According to the interviewed workers, the factory still employs underage workers between the ages of 15 and 17, who have passports with a wrong year of birth. According to those interviewed, the underage Burmese workers, who arrive in the country via the MoU, process must pay Myanmar authorities an extra charge for their passports.

Official passports with the wrong year of birth pose a common challenge in Thailand. It is difficult or even impossible for the factory to intervene in the problem, as there is no way to identify which workers are underage. Similar situations have been observed in many other Thai factories that employ migrant workers.²¹

Semperit unequivocally denies that there are under 18-year-old employees at the Siam Sempermed factory, and emphasises that they follow in all their operations Thai laws. Semperit says, that the passports of all the employees are checked and that the age of the employees is particularly being paid attention to. Finnwatch points out, that the checking of passports does not help to solve the problem because the passports with inaccurate date of birth are genuine documents issued by the authorities and therefore cannot be told apart from other passports. Over 15-year-old children can legally work at the factory. The most important course of action in this situation is to ensure that all overtime at the factory is voluntary and that the employees are not pressured to work overtime for example in order to meet their performance targets (see chapter 3.2).

Serious problems reported also at an Ansell factory in Malaysia

Socialt Ansvarstagande i Offentlig Upphandling, a cooperation body focussed on socially responsible procurement by the Swedish regions, commissioned an audit in June 2015 to an Ansell factory in Malaysia that produces medical gloves. The audit was done by a company called GoodPoint and it was based on Swedish regions' and county council's Code of Conduct for Suppliers.

The findings described in the audit report, seen by Finnwatch, are stark: the freedom of movement of the workers is restricted, the factory has confiscated the passports of the migrant workers, the employment contracts make overtime mandatory upon the workers, and the workers cannot leave before their temporary contracts end. In addition, the company makes deductions from the workers' salary towards loans that the workers have had to take in order to pay back to the recruitment agency.

Ansell is an Australian company whose medical gloves are being marketed in Finland by Berner Medical. Berner Medical is part of Bröderna Berner Handels AB, a subsidiary of Berner Ltd. Ansell gloves are being imported also to the Finnish market. According to the Swedish audit report, the audit done in June 2015 was the first social responsibility audit ever conducted at the Ansell factory. This raises questions about the adequacy of the corporate social responsibility procedures both at Ansell and at Berner Medical.

21 For example: Finnwatch, *Out of a Ditch into a Pond*, available at: http://www.finnwatch.org/images/pdf/FW_privatelabel_ENG.pdf

3.6 LODGING OFFERED BY FACTORY DOES NOT INCLUDE BATHING FACILITIES

The interviewed workers either lived in housing they had rented for themselves or in factory-provided lodging on factory grounds. A sum of 500-800 baht was deducted as rent from the salaries of workers, who live in factory-provided lodging. The lodging is very primitive and rooms do not include bathing facilities. Workers must bathe outside of their room, where everyone can see them.

More expensive accommodations have cleaner toilets and clean water. According to workers, the more affordable accommodations are dirty. Workers pay 70-300 baht for water and electricity every two weeks on the basis of consumption.

According to workers, lodgers must abide by factory-stipulated rules when in the lodging. E.g. lodgers are not allowed to hang laundry outside their rooms to dry and no photographs may be taken in the area.

Semperit emphasises, that employees are offered rental accommodation at a rate that is lower than the market price. According to Semperit, the factory has added shower curtains to the washing facilities which increase privacy. According to the company, Siam Sempermed is currently undertaking modernisation work at the workers' living quarters.

3.7 PROBLEMS WITH AUDITS, MIGRANT WORKERS NOT HEARD

According to the workers, a variety of audits and visits for the purpose of monitoring working conditions are carried out at the factory. According to interviewed workers, inspectors rarely speak with workers during these visits, and audits focus on the factory's other departments rather than packing. If auditors do speak with workers, they use the factory's interpreters. According to the workers, the interpreters are involved in the recruitment process and charging recruitment fees, and, for this reason, do not interpret some important issues.

According to Semperit, audits always include interviews with a representative sample of workers from different departments at the factory and that auditors can choose whom they interview. Semperit says that it encourages auditors to bring along their own, independent interpreters in the future.

According to the workers, it is difficult for them to bring their views to light as the workers' committee at the factory does not represent migrant workers. Workers experienced different forms of discrimination, and said that the Thai workers are treated more fairly than migrant workers.

According to Semperit, workers' committee membership is now open for migrant workers but not a single migrant workers has expressed interest in joining the committee. The factory promised to increase promotion of the committee among the workers.

Semperit told Finnwatch, that the factory has in place a 24-hour phone service through which workers can report problems. The company however, did not provide Finnwatch with the number of the service, even though requested.

4. OneMed reacts to the findings

OneMed actively participated in going through the Finnwatch research findings, and the comments made by the company have been included into the preceding chapters. In addition, during the research the company announced that it will undertake several measures, and the implementation of some of these measures has already begun.

OneMed:

1. will go through the new findings with Semperit and request corrective actions.
2. will arrange a new follow-up audit at the factory with a focus on the issues raised in the new Finnwatch report.
3. will take initiative to set up a meeting with local NGOs and the local management of Siam Sempermed and will invite Finnwatch as well.
4. will continue communication with their customers and stakeholders.



Migrant worker demonstrates how the packing of the medical gloves is done. Photo taken in 2014.

5. Summary and recommendations

SIAM SEMPERMED AND ITS OWNERS

Siam Sempermed must immediately correct all the issues brought up in this report. The factory must expressly

- abolish workers' performance targets at the packing department. Instead of mandatory performance targets the factory can reward fast workers with different kind of bonuses.
- cease charging any kind of recruitment fees to the workers and ensure that the representatives of its staff are not charging these either. The factory must issue a public notification on prohibiting recruitment fees, which must be accessible to all workers in their native language.
- ensure membership of its workers' committee is open to migrant workers. Migrant workers who are in a position of vulnerability should be supported and encouraged to join the committee.
- All recruitment and placement related fees should be borne by the employer. Migrant workers can only be required to pay governmental fees related to obtaining a passport.
- ensure that the workers have all their personal documents in their own possession. Confiscation of all travel documents or work permits, as well as related receipts must be terminated immediately.
- improve the interpretation services offered by the factory and investigate allegations that factory interpreters are collecting recruitment fees from the workers.
- improve the lodging located on factory grounds. E.g. workers must be allocated appropriate bathing facilities.
- initiate dialogue with local NGOs and actively search for solutions with which to improve the working conditions of migrant workers. The factory must organise training for its workers where they are told about their rights and guarantee that they have a safe channel through which to communicate about any possible violations.
- Semperit must employ staff that is specialised in labour rights to guarantee social responsibility at its own production units and in its supply chain.

PUBLIC BUYERS

- When making purchases from high-risk countries such as Thailand, set out social responsibility criteria already during the tendering stage. Compliance with the stipulations concerning social responsibility must be monitored in a credible manner throughout the contract term.

Finnwatch ry
Mrs. Sonja Vartiala
Toiminnanjohtaja
Pääskylänrinne 7 B 62
00550 Helsinki
Finland

Vienna, September 25, 2015

Subject: Follow-up report on Siam Sempermed Thailand

Dear Sonja,

Many thanks for sending us the follow-up report and for giving Semperit the opportunity to provide you with our comments prior to publishing your observations and conclusions. We take your points of criticism very seriously - the commitment of Finnwatch to ensure fair working conditions corresponds to both our values and our understanding of social responsibility.

We are pleased that Finnwatch acknowledges the progress made at the site of Siam Sempermed in Thailand since the publishing of your first report in 2014 and highlights the individual improvements (e.g. no unlawful dismissals, payslips and employment contracts provided in native language, improvements regarding sick leave, etc.). It is also good to hear from your side that according to the interviewed workers they are "overall quite satisfied with their working conditions".

In your new report you still highlight problem areas that internally in Semperit we have reviewed in detail. Providing adequate workplace conditions is an ongoing journey for us. We have made progress in the past years (also due to the insights and recommendations of Finnwatch) and we are going to improve further.

To make sure that we can objectively measure the level of improvement at our Siam Sempermed site, Semperit has taken the decision three years ago to implement regular audits under the BSCI standard. Additionally, we are open and transparent regarding audits initiated by our customers and distribution partners. One example is the "Workplace Conditions Audit Report" conducted by Intertek and commissioned by Onemed as a reaction towards the findings of the first Finnwatch report.

Looking at such objective third-party audits we received the following results:

- Our compliance with the BSCI standards improved significantly from 84% in 2013 to 99% in 2014 and 98% in 2015.
- The BSCI audits of 2014 and 2015 expressly state that Siam Sempermed's largest production site complies with all Thai laws.

- It also indicates that no people under the age of 18 are employed, that there is no discrimination, and all employees at the site receive a fair remuneration for their work.
- There is one non-conformity that we are still working on – the total overtime hours. Semperit is fully engaged in addressing the voluntary overtime carried out by migrant workers who want to earn as much money as possible within the time they are permitted to stay in Thailand. These extra hours – a crucial point for a factory to be BSCI compliant – exceed the BSCI standard.

Name of the producer: Siam Sempermed Corporation Limited
 DBD: 321592 and Audit id: 27497
 Audit Type: Re-Audit
 Tier: I

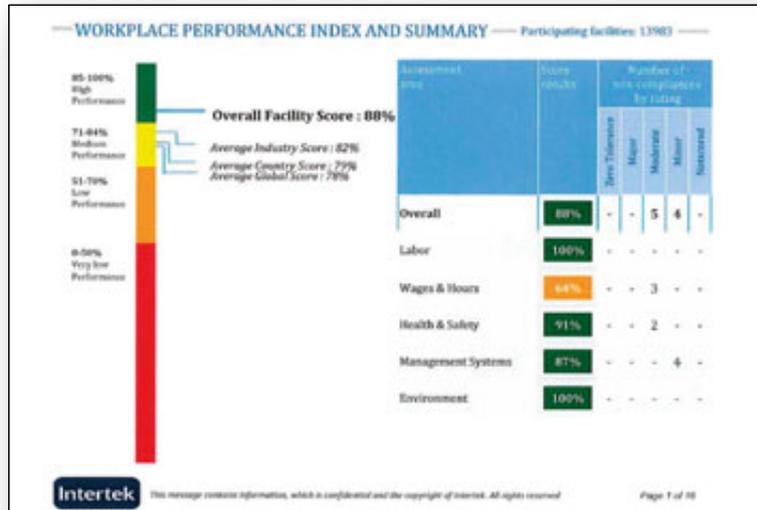
Audit Date: 10/04/2015
 Audit Methodology: Industrial

BSCI Association of European Trade Unions (AETU)
 Business Social Compliance Initiative

Part B Tier I - Overall Summary

Chapter	Full Audit Results (2717 and 18/05/2013)					Penultimate Re-Audit Results (1947 and 29/04/2014)					Last Re-Audit Results (27497 and 10/04/2015)						
	G	IN	NC	NA	%	G	IN	NC	NA	NR	%	G	IN	NC	NA	NR	%
B.1. Management Practice	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	66.67	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	91.67
B.2. Documentation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	83.33	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.3. Working Hours	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	60.00	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	80.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	60.00
B.4. Compensation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	66.67	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.5.1. Child Labour	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.5.2. Young Workers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.6. Forced Labour / Disciplinary Measures / Prison Labour	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	85.71	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.7. Freedom of Association and Collective Bargaining	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.8. Discrimination, Harassment and Abuse	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	75.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.9. Working Conditions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.10. Health and Social Facilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	87.50	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.11. Occupational Health and Safety (OHS)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	87.18	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.12. Dormitories (if not applicable, go to B.13)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	75.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
B.13. Environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	100.00
Total	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	83.74	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	99.19	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	97.56

- Concerning the Intertek report done for Onemed, Siam Sempermed received a score of 88% (compared to the average industry score of 82%, the average country score of 79% and the average global score of 78%).
- All non-compliances identified by the Intertek report have been addressed with respective Corrective Actions that were implemented until January 2015.



Considering the clear progress and achievements so far, we will review and discuss the demands made in the Finnwatch Report (e.g. improved translation services, modern accommodation, more intensive contact with local NGOs, etc.) with our Thai joint venture partner and support and encourage their implementation. The continuous improvement of working conditions is a topic that is as important to us, as it is to Finnwatch. Some of the demands have already been implemented (e.g. all employees have access to the workers' committee and documents such as passports remain in the possession of the employees as a matter of principle).

Despite all mentioned above please note again that no persons under the age of 18 are employed. We are aware of the problem of false documents, pay special attention to this matter and can rule it out as far as humanly possible. So far no evidence has been provided in this matter despite intensively analysing the issue. We therefore ask you to refrain from such allegations. Siam Sempermed complies with all applicable labour-law provisions in Thailand without exception.

We are grateful for feasible suggestions on how to improve working conditions further at Siam Sempermed and are open for a continued constructive dialogue with Finnwatch. On the following pages, we address the points of criticism and demands in detail.

Best regards,



Clemens Eichler
Head of Segment Sempermed

Appendix

In the following, we address the points of criticism in detail:

1. Wages of packing department workers are still performance-based

Siam Sempermed adheres to all valid labour regulations in Thailand. Minimum wages, working hours and rest periods are strictly complied with.

The remuneration system is performance-based, but the targets in the packing department have not been increased. The average wages paid out significantly exceed the Thai minimum wage requirements (e.g., on average 365 vs 300 Thai baht per day). Moreover, workers are entitled to get an attendance bonus of 20 baht each day and a retention bonus on an annual basis. A foreign worker can accumulate 10,000 baht in 3 years (this is currently the average duration of their work permit). Overtime premiums are paid out correctly: Overtime work is rewarded with a +50% premium during weekdays and a +100% premium during weekends.

Mandatory rest days after 6 days of consecutive work are in effect. Breaks are mandatory during each shift and the change of shifts. On the rare occasions that we ask the workers to support us voluntarily during their vacation, this is covered by a 200% payment as legally required. The management keeps this to an absolute minimum and workers have to agree.

Supervisors are not permitted to hold on to workers' clock cards. They are kept at the supervisors' desk only for registration, attendance check and can be taken at any time. Siam Sempermed operates in a 3-shift system with fixed start/end times. Workers are informed that they only have to work regular time, but they have the right to enter the factory at any time, because the company also provides food, sports and other teambuilding activities. We think that this is far more convenient for the workers than queuing up before the start of their shift.

2. Factory deducts unreasonably high charges directly from salaries, continues to confiscate travel documents

Siam Sempermed does not charge back any recruitment fees. Migrant workers only have to reimburse expenses related to the application for the work permit. The work permit gives them the opportunity to work for any company in Thailand.

Siam Sempermed organises all the required working papers for them (e.g. work and residence permits and their extensions). Before employees sign their employment contracts, they are informed about the specific costs they have to bear due to administrative procedures and dealings with public authorities. Employees are only charged the costs which they expressly agreed to. The fees are usual market prices charged by external providers. This is a service of the company and the workers appreciate the support.

It is important to note that the original documents always remain in the possession of the employees. The only exception is the time it takes for these administrative procedures to be

completed. These documents are then returned to the employees together with the working papers, a fact which is confirmed by the employees in writing. No passports, working papers, ID cards or similar documents have been confiscated by the company. The return of passports that are collected to receive work permits is documented properly. Even if workers ask the company to keep their documents for safety reasons, Siam Sempermed does not provide this service anymore.

3. Employer still does not provide transport for the dangerous journey to work

Siam Sempermed does everything in its power to ensure a secure environment both on the company premises and outside the plant grounds. A special security system has been installed within our facilities between the workplaces and dwellings. Moreover, the paths are well-lit and the number of security guards along the way from the factory to the workers' accommodations has been increased. Moreover, additional security boxes have been installed along the road and further ATM machines in the housing area. Any and all attacks of which we are aware which take place outside the premises are reported to the police or the responsible public authorities.

We doubt the adequacy of a shuttle bus for more than 3,000 people and a walking distance of roughly 1 kilometre.



4. Factory still employs workers under the age of 18

Siam Sempermed does not employ any individuals under the age of 18. The related controls are very strict. All employees have to provide birth certificates (Thai employees) or passports (migrant workers) to prove their age. In case of doubt, official authorities are asked for a validation of such documents.

Despite intensive scrutiny, we were unable to find any evidence for your suspicion that people with forged documents (aged 15-17) work in the company.

5. Lodging offered by factory does not include bathing facilities

Siam Sempermed voluntarily provides accommodation for migrant and Thai workers at favourable costs (at 1/3 of the market price). Clean washing facilities are included, and flexible curtains have been installed to improve privacy. Siam Sempermed is currently working on further modernisations of the lodging.

6. Problems with audits, migrant workers not heard

Discrimination is not tolerated at Siam Sempermed.

Siam Sempermed does not influence the scope of audits since this would limit objective third-party efforts. Generally, auditors choose representative samples. Placing a specific focus on particular departments would be counterproductive.

Although there are currently no migrant workers in the welfare committee, it is open to migrant workers. In any case, the needs of the entire workforce are always considered. In addition, employees have the opportunity to report alleged violations anonymously by using a "complaint box". They can also speak to a trusted third party or contact the human resources department.

Team building activities and company events e.g., on the occasion of the Thai New Year take place to facilitate the integration of new migrant workers. All employees are proactively informed about their labour rights in three languages (Thai, Myanmar and Cambodian). Employees are also informed about a 24h telephone hotline to contact in case of questions or concerns. All employee contracts are issued in the respective native language.

In the following, we address the demands made in detail:

1. Cease any kind of recruitment fees

Siam Sempermed does not charge back any recruitment fees. Migrant workers only have to reimburse expenses related to the application for the work permit. The work permit gives them the opportunity to work for any company in Thailand.

2. Ensure membership of workers' committee is open to migrant workers

The workers' committee is already open to migrant workers. We proactively invited foreign workers to the committee, but no one has joined so far. The next committee will be assembled in March 2016. Siam Sempermed will intensify advertising activities next time.

3. Ensure that workers are only charged the real costs of documents

This is already common practice. It goes without saying that employees are only charged costs that were actually incurred. Regarding the suggestion that the costs should be charged separately rather than being deducted from the wages, we will talk to our joint venture partner.

4. Ensure that workers have all their personal documents in their own possession

All original documents always remain in the possession of the employees. The only exception is the time it takes for administrative procedures (work permits) to be completed. No passports, working papers, ID cards or similar documents have been confiscated by the company.

5. Improve the interpretation services

We discussed this demand with our joint venture partner. The result is that Siam Sempermed will support every auditor to bring his own translators and will not use the same interpreters in the recruitment process and during audits anymore.

6. Improve lodging

We discussed this demand with our joint venture partner. Siam Sempermed is currently working on further modernisations of the lodging, and we will support and encourage the implementation.

7. Initiate dialogue with local NGOs

We discussed this demand with our joint venture partner. Siam Sempermed will get in touch with local NGOs, and we will support them whenever necessary.

8. Employ staff that is specialised in labour rights

Siam Sempermed employs labour rights specialists. Should additional support be required in the HR department, we will discuss it with our joint venture partner.



Finnwatch ry
Malminrinne 1B, 2.krs
00180 Helsinki
info@finnwatch.org
www.finnwatch.org
[@Finnwatch1](https://www.instagram.com/Finnwatch1)