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INVESTIGATIONS INTO SOMO CLAIMS OF POOR WORKING CONDITIONS AT TWO NOKIA SUPPLIERS - SUMMARY OF FINDINGS

Overview

In December 2006 SOMO, a research group, issued a report making a series of allegations claiming that poor working conditions existed in factories producing components for mobile phone makers including Nokia.

Nokia co-operated with SOMO, sharing information and answering a series of queries in relation to their report. Unfortunately the final report still included significant errors in its claims about Nokia. Many of the factories said to be supplying Nokia were not, and its findings about working practices in Nokia's factories in India were inaccurate. Nokia finds it unfortunate that a report on such an important area contained so many errors.

The report also made a number of references to two factories that Nokia does work with – Namiki and LTEC (both in Thailand). We were concerned to see these findings and launched investigations into both cases.

Given the seriousness of some of the claims included in the report, and the concerns these have raised, we are making our findings public. This is an important area for Nokia, its suppliers, and the mobile industry. We believe that in order to continuously develop standards across the industry it is beneficial to share this type of information to stimulate an accurate and informed discussion on where improvements are needed.

The investigations found that the large majority of the findings were inaccurate, including the claim that workers were being “poisoned” in Nokia factories. We have identified a small number of areas for improvement. We will be visiting the factories again to check these are made.

Namiki

A Nokia team undertook the investigation. This included visiting the factory, site inspections, documentation reviews and a series of one to one interviews with employees, managers and the owner of the factory.

We investigated each and all of the claims made within the SOMO report.

Lead soldering

No evidence was found to support the very serious claim, made in the SOMO press release accompanying the report, that employees were being “poisoned” in Nokia factories. SOMO claimed that employees working on parts for Nokia phones - mobile motors - are using lead soldering in the production process with damaging health effects. It also claimed no protective equipment or clothing is provided.

In reality, lead soldering is not used in any part of the production process for Nokia goods at Namiki. Our visit to the plant confirmed that this is the case. The use of lead soldering in the production of any mobile handsets was banned by a European Directives (RoHS) in July 2006,

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and Nokia applies this standard globally to all of its suppliers. Namiki became compliant in 2005, a year ahead of the legislation.

A thorough inspection of the production line dedicated for Nokia products and series of interviews with employees found that the air quality is regularly monitored and is within required standards. These also found that masks, gloves, finger cots, and working clothes are provided by Namiki. Staff are not required to pay for these.

Health & Safety

The report suggested that the employers restricted employee's ability to go to the toilet. We found no evidence of this but have required Namiki to make it clearer to employees that there are no restrictions in this area to ensure this is understood.

Discrimination

A number of claims were also made relating to discrimination and limits on freedom of association. The facts are that a union does not exist at Namiki but there is a workers' welfare and also a health & safety committee. Nokia has asked Namiki to ensure that these committees focus on relevant topics and that all employees are aware of them and are encouraged to participate.

Areas for improvement

In relation to the other claims in the report, two areas have been identified where Nokia has asked Namiki to make improvements

- At the end of 2004 and beginning of 2005 a small group of employees were asked to stay home for varying periods of time due to a decline in customer orders. It was found that pregnant workers who stayed at home received less compensation than those who were not pregnant. Although there were differences in the situation, the action taken was discriminatory and in Nokia's view unacceptable. We asked Namiki to correct this, by establishing a clear non-discrimination policy in all their HR activities including recruitment, promotion and exit procedures.

- The report claimed that employees were being forced to work overtime. Nokia's investigation found that in practice employees do and can decline over time, and that Namiki's working hours were in line with local legal requirements. However the company written rules state that staff not accepting overtime may be disciplined. Nokia's view is that overtime must be voluntary and requested that the company change its rules accordingly which it has now done

LTEC

LTEC is not a direct supplier to Nokia, it provides components to Fujikura who in turn supplies parts to Nokia. Nokia has clear codes of conducts and standards for its direct suppliers and requires them in turn to apply the same high standards to their own suppliers. This is the most effective way to drive continuous improvements and develop standards all the way through the supply chain.

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Fujikura investigated the SOMO claims against LTEC via their own internal audit, including site visits and a survey of all of the 5,904 staff working at the site. The survey had a response rate of 92%. They also commissioned an independent third party to investigate the claims.

These investigations have shown that the majority of SOMO's claims were inaccurate.

Health checks and sick leave

The report claimed that workers pass yearly health checks even if they are in poor health. The investigations found no evidence of this. Checks are conducted by highly qualified health professionals. Employees with poor results are recommended for hospital checks and are not forced to work or their employment terminated.

It also suggested that sick leave is dependent on the preferences of supervisors. The investigation found that staff must report sick leave to supervisors but that they do not need to ask for permission. However the staff survey revealed that a small number of staff, less than a fifth, felt hesitant to ask for sick leave. As a result LTEC are using an external expert to train supervisors in this area, ensuring they are sensitive to staffs concerns and take a consistent approach.

Toilet facilities

It was claimed there were not enough toilets for staff, causing health problems. The investigations confirmed that the number of toilets at the factory complies with local law. Congestion can occur at peak times and LTEC have addressed this by arranging different break times.

Pay

The report raised concerns that there is little difference in salary levels between experienced and new staff, and claimed this is discriminatory. LTEC pay staff on the basis of the task each job involves, and whether the work requires special skills or expertise. As such staff doing the same roles will have very similar wages.

Security searches

Concerns were raised regarding body searching of female staff and it was claimed that these were not conducted on male employees. The investigations found that female security guards do regularly conduct bag and purse searches as a security measure. If necessary they occasionally conduct a body search but this is not targeted only at female employees and is only done if there is a security risk. The body searches are conducted by a guard of the same gender.

Code of conduct

It was stated that LTEC employees were not aware of Nokia's code of conduct. This is to be expected as it is Fujikura's supplier requirements that LTEC must comply with given that it is a

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direct supplier. It is LTEC's own internal code of conduct that its employees should be aware of. This code is distributed to all staff.

Working hours

The report claimed that staff are forced to work 12 hour days and seven days a week.

Normal working hours at LTEC are 8 hours a day, and staff are offered overtime of an additional 2.5 hours a day. The company gets the consent of employees who wish to take overtime in line with local labour laws. Overtime is often popular amongst employees and highly subscribed.

LTEC provides one holiday a week (Sunday) and occasional special holidays on Saturdays, going beyond the requirements of one day a week holiday. LTEC provides 14 traditional holidays for staff – one more than the minimum legal requirements – and gives staff annual leave days of 6, 8 or 12 days depending on years of service compared to the 6 days legal minimum.

The investigation did find that on a very small number of occasions, when LTEC had unusually high orders, that it had asked employees to work seven days a week. Fujikura has reiterated to LTEC that in these cases overtime must remain voluntary and meet legal requirements.

Areas for improvement

SOMO correctly reported that LTEC does not have a union. It also claimed that workers are forbidden from forming groups. This is not the case, LTEC has a welfare committee made up of employee and management representatives.

Established in 1998, the committee has made several improvements such as increases in food and fuel allowances. However it was felt that improvements could be made in this area, particularly as the committee has become inactive due to lack of participation by employees and management. New election for members is now taking place and LTEC management is taking a more active role.

Conclusions

Nokia is satisfied with the rigour of the investigations into the Namiki and LTEC factories and will ensure that the recommendations that have come from these are implemented.

Overall, this is an extremely complex area, with long supply chains in many cases. As such we welcome any feedback or new evidence that external groups like SOMO can provide and, as we have done in these cases, will actively investigate any concerns or claims of bad practice. However it is important that these discussions are as informed and accurate as possible to make sure we focus our efforts where improvements are most needed.

Nokia takes a pro-active approach to managing ethics and standards in the supply chain.

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We take this responsibility very seriously. Our suppliers must comply with over 80 different requirements on areas like working hours, health & safety, and environmental management, in addition to requirements on areas including quality, security, and product development. We visit more than 100 sites each year to check these standards are being met.

We will continue to develop and add to these standards, to drive continuous improvements and ever higher standards. For example, we recently updated and extended the list of standards our suppliers have to comply with, including areas such as ensuring they have a clear code of conduct that is effectively communicate this to staff, and have ways for staff to feedback or make complaints.

Given that there are thousands of different companies in this global industry, achieving sustainable results makes it essential that each tier of the supply chain influences each other. Each has to take responsibility for conducting its own business in a responsible manner and for managing and checking its own suppliers are doing the same. The starting point for this is that local labour and environmental laws are updated and effectively enforced by governments and regulators. Nokia is involved in a number of industry wide groups that have regular dialogue with governments on these issues.