



storaenso

Sriperumbudur, Chennai.

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Plot No. 55, Old No. 101, Thandalam Village, 602 105
Sriperumbudur, Tamil Nadu, India.

Swedwatch report #62

GLOBAL EXPECTATIONS ON INDIAN OPERATIONS

A study on Stora Enso's human rights challenges



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Swedwatch is an independent research organisation examining Swedish business relations in developing countries with a focus on environmental and social concerns as per international human rights law and standards. Swedwatch has six member organisations: The Swedish Society for Nature Conservation, the Church of Sweden, Fair Trade Center, The Africa Groups of Sweden, Solidarity Sweden-Latin America and Diakonia. www.swedwatch.org

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Executive summary

The responsibility practices of Stora Enso have received ample public attention in recent years. The company has been accused of running large-scale plantations that are ecologically unsustainable and ignoring the rights of local communities. Much of the debate has focused on Stora Enso's operations in Brazil and China and has led to the exclusion of Stora Enso from Dow Jones Sustainability Index and two Nordic sustainability funds.

Continued criticism has forced Stora Enso to improve its responsibility systems. The company has invested in communicating its efforts regarding sustainability. In 2012 Stora Enso defined an ambitious new purpose for the company: "Do good for the people and the planet".

This report investigates if Stora Enso's ambition is put into action at Stora Enso Inpac, a mill located in Chennai, the state of Tamil Nadu, South India. Stora Enso Inpac is specialised in producing various kinds of paper-based consumer packaging products. Stora Enso started preparing the acquisition of Stora Enso Inpac during 2009 and completed the purchase in July 2011. Stora Enso conducted a human rights risk assessment in 2010–2011 prior to concluding the purchase of Inpac. The assessment was carried out by external experts and the results are confidential. The company has created a Human Rights Statement and a Human Rights Action Plan.

Based on the findings made by Finnwatch and Swedwatch at Stora Enso Inpac it appears that the assessment has produced results to a certain extent. Stora Enso has recognised the workers' union which has negotiated a collectively bargained agreement that has brought about significant improvement in wages. The plant has its own Human Resources Manual, which follows Stora Enso's Corporate Responsibility Policy. Stora Enso has acted with transparency during the research process and the company has demonstrated a willingness to act on several of the findings in this report.

However, the Stora Enso Inpac plant still has some way to go in order to fulfill its ambitious goals. Certain issues, such as work safety, have not been allocated enough preventive action. The workers testify to insufficient safety training and dangerously high working temperatures. Several question marks remain such as the discrepancy between the high number of injuries as testified by the workers and the substantially lower number of injuries reported by the company, as well as why it took so long for Stora Enso to provide the factories with important safety measurements and why no injuries have been compensated. Furthermore, the employees in the lower wage categories are not earning a living wage and it is unclear whether Stora Enso's Human Resources Manual is followed regarding earned leave and the probationary period for temporary employees.

The workers at Stora Enso Inpac's logistics providers have reported poor working conditions and terms of employment. Furthermore, the plant had not taken active steps to improve the situation for marginalised groups such as women, low caste and migrant workers even though the human rights challenges faced by these groups

are significant in Indian society. These are some of the areas in which Finnwatch and Swedwatch have identified need for improvements at Stora Enso's operations in South India.

After learning of the findings in this report, Stora Enso has begun to implement several improvements.

The recommendations given by Finnwatch and Swedwatch to Stora Enso and its shareholders are presented in Chapter 7.

1. Introduction

Stora Enso is one of the largest companies in Finland and Sweden. The company works within the forest industry and has operations in various risk countries all over the world. It has been accused of, among other things, creating ecologically unsustainable monoculture plantations and disregarding the rights of local populations in Brazil and China. As a result of this criticism, Stora Enso has stepped up its sustainability focus and states that it now conducts comprehensive human rights due diligence in all countries where it operates.¹ However, the criticism has continued and has led to Stora Enso being excluded from Dow Jones Sustainability Index in January 2013 and from the sustainability fund at Swedish bank Nordea and the Norwegian pension fund SPP, part of Norway's Storebrand group, in June 2013.²

This report looks more closely at Stora Enso's subsidiary Stora Enso Inpac in Chennai, Tamil Nadu State, India. Stora Enso began preparing the acquisition of Stora Enso Inpac in 2009 and completed the purchase in July 2011. At that time its new corporate strategy had already come into effect. This company in India has hardly received any attention previously in media and can therefore be considered a good example for assessing the adequacy and functionality of Stora Enso's current human rights due diligence.

2. Methodology

Research for this report was mainly carried out by Finnwatch and Swedwatch has contributed with comments and editing of the English version of the report. The field study was carried out from April to June 2013. Cividep, an Indian non-governmental organisation, specialising in corporate responsibility and human rights issues, was responsible for conducting the study.³

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- 1 Stora Enso, www.storaenso.com/responsibility/ourgamerules/Pages/Our%20game%20rules.aspx (downloaded 21.2.2013).
 - 2 TV4, *ekonominyheterna*, 2013-06-25, www.tv4.se/ekonomi/klipp/ekonominyheterna-1910-2386032_miljoaktuellt.idg.se/2.1845/1.494030/stora-enso-ut-ur-dow-jones-hallbarhetsindex
 - 3 Cividep, cividep.org

During the research process, Finnwatch met with Stora Enso's representatives in Finland, where the corporate head quarters are located, and entered into a dialogue with Stora Enso about the report findings. Stora Enso was also sent a questionnaire concerning the company's human rights due diligence. Swedwatch and Stora Enso met to discuss the English version of the report a week before publishing. In line with Finnwatch and Swedwatch methodology policies, Stora Enso was given the opportunity to comment on the report before it was published.

Stora Enso operated with openness during the study. The company provided considerable amounts of information on the plant's procedures, allowed the researchers to see the factory, and organised interviews with key people.

The findings are based on worker interviews. Meetings with state authorities related to labour, health and employment have been held, and interviews with trade union leaders have also been conducted.

A total of 28 employees working at the Stora Enso Inpac factory were interviewed for the study. 23 of the workers interviewed were on Stora Enso Inpac pay roll and five were working for a contract firm for an external logistics provider. The employees were met outside the plant, without the knowledge of the plant's management, and the interviewees were chosen by the Civedep researchers. Stora Enso and its subsidiary, Stora Enso Inpac, were contacted after the employee interviews had been completed. This was to ensure that the employees had the opportunity to share their views and worries openly.

Of the workers interviewed, seven are employed in Unit 1 of the company and the remaining 21 work in Unit 2. Workers were interviewed in their villages and were met either in their houses or on the village playground. The age of the employees interviewed ranged from 23 to 38. Nine of them were married and the rest were single. Two of the interviewees were women. The employees lived in several locations around the plant, such as the villages of Sembarapakkam, Vellai Gate, Dimmasamudram, Thadalam, Sainapuram, Padunel and Thirumalpur, and the colonies of Thirumalpur, Pullalur, Pudupakkam and Ganapathipuram. The average distance between the interviewees' homes and the plant was 30 to 40 kilometres. Of the interviewees, 23 said they were Dalits. All the interviewees' names are simulated in the report.

The employees were interviewed alone, and the interviews were conducted using a questionnaire drafted beforehand. All interviews were documented in interview memos. Some of the employees gave their permission to record the interviews. Three of the interviews focused on the accidents that had happened in the factory and the workers' injuries were photographed. To verify the information gained by the interviews, the employee's salary slips and ID cards were checked whenever possible, as well as the plants' Standing Orders, Stora Enso's HR-Manual and the factory's accident statistics. It was not possible to check authorities' statistics about accidents. Information was also checked with the trade union active in the plant. Interviews were conducted in the Tamil and Hindi languages.

After the employee interviews, Stora Enso Inpac's management and other people in charge were also interviewed in Chennai, India. Interviews were conducted by Civedep.

3. Background

3.1. Stora Enso as a corporation

Stora Enso is a forest-industry corporation operating in 35 different countries. The company's headquarters are located in Finland and in Sweden and it is listed on the stock exchanges of Helsinki and Stockholm. Stora Enso's customers include publishers, newspapers, printing plants, and the packaging and construction industries. In 2012 Stora Enso's turnover was EUR 10.8 billion, equivalent to SEK 94,3 billion. The corporation employs around 28 000 people globally.⁴ According to the 2012 Global Responsibility Report 22 percent of the employees were in Finland and 21 percent in Sweden.⁵

Stora Enso was founded in 1998 when the Swedish company Stora and the Finnish company Enso merged.⁶ Stora Enso's largest owners are a private Swedish investment company Foundation Asset Management, owned by the Wallenberg family (10,1 percent of the shares, 27,2 percent of the votes), Finnish state-owned investment company Solidium (12,3 percent of the shares, 25,1 percent of the votes), Finnish social insurance institution Kela (3,4 percent of the shares, 6,5 percent of the votes) and Varma (2 percent of the shares, 6,5 percent of the votes).⁷ When combined, the Finnish State is Stora Enso's largest owner.

In Sweden, Stora has a long history. It was the first Swedish company to become a limited liability company in 1888 and originally operated within the Swedish forest- and mining sectors. In the late 19th century it began producing paper pulp and since the 1990's it has operated exclusively within the forest sector. Stora and later Stora Enso has also been an important employer in Sweden. However, the changes in corporate structure due to the company's withdrawal from the mining- and metals sector and the globalisation of the company, have lead to a significant decrease in employment in both Sweden and Finland. The trend continues and as recently as June 2013 Stora Enso announced that 750 jobs in Sweden and 650 in Finland would disappear.⁸

Stora Enso has renewed its strategy and is now aiming at the constantly growing Chinese and Latin American markets. A large part of both production and consumers are now located in these parts of the world. Eucalyptus now counts for about ten percent of the pulp used. Eucalyptus grows to harvesting size in seven years, which is several times

4 Stora Enso, www.storaenso.com/about-us/stora-enso-in-brief/Pages/stora-enso-in-brief.aspx (referred on 21.2.2013)

5 Stora Enso www.storaenso.com/media-centre/publications/annual-report/Documents/Stora_Enso_E_Global_Responsibility_Report_2012.pdf

6 Stora Enso, www.storaenso.com/about-us/stora-enso-in-brief/Pages/stora-enso-in-brief.aspx (referred on 21.2.2013)

7 Stora Enso, Major shareholders as of 31 May 2013, www.storaenso.com/investors/share/shareholders/20-largest-shareholders/Pages/major-shareholders.aspx (referred on 26.6.2013)

8 Veckans Affärer www.va.se/nyheter/2500-tvingas-bort-fran-stora-enso-514444, www.storaenso.com/about-us/history/Pages/stora-enso-oyj-new.aspx

faster than the pine trees grown in Finland and Sweden.⁹ The main products for these new markets are different fiber packaging products, pulp from plantations and various qualities of paper.¹⁰

3.2. Stora Enso's global business and corporate responsibility

Stora Enso has production facilities in more than 20 countries. Many of these countries are what is known as risk countries, where corporate responsibility strategies can be vital due to, for example, lack of legislation or poor implementation of the law.¹¹ Stora Enso has commercial plantations and mills in Brazil, Uruguay and China and test plantations in Laos and Thailand.¹² In addition, Stora Enso has factories in India and China.

In recent years Stora Enso has invested widely in communicating its efforts regarding sustainability. The corporation's strategy includes a philosophy named Rethink, launched in 2010. According to Stora Enso, Rethink is not only about the corporation's product selection based on renewable resources and recycling, but also about cooperation with local communities and environmental protection.¹³

The company states that it "is committed to operating by the same rules all over the world and to respecting human rights everywhere".¹⁴ In 2012 Stora Enso continued its reforms and defined an ambitious new purpose for the company following its new values: "Do good for the people and the planet".¹⁵ Stora Enso's responsibility promises have caused a lot of criticism from civil society organisations and the company is blamed for green-washing instead of concrete responsibility actions. The former CSR head of Renewable Packaging at Stora Enso, Parul Sharma, who was employed in the middle of 2012, left the company after a just a few months in protest against the lack of a proper sustainability work.¹⁶ In January 2013 Stora Enso was excluded from Dow Jones Sustainability Index and in June the same year Nordea Bank's sustainability fund announced that it would divest from Stora Enso because of the company's lack

9 Bassa, Sacon et al, Mixed Brazilian Eucalyptus and Pinus Species, see at www.celso-foelkel.com.br/artigos/outros/01_mixed%20brazilian%20euca%20and%20pines.pdf

10 Ibid.

11 The classification as a risk country is usually based on the Human Development Index of the United Nations and the Corruption Perceptions Index of Transparency International.

12 Pulp mill in Uruguay is under construction. Announced construction of the packaging mill in China has not yet started.

13 Stora Enso, www.rethinkstoraenso.com/ (referred on 21.2.2013); Stora Enso, www.storaenso.com/media-centre/press-releases/2011/04/Pages/rethink-muutosprosessi-ja-uusi-yritysilme.aspx (referred on 12.3.2013)

14 Stora Enso, www.storaenso.com/responsibility/Pages/sustainability.aspx (referred on 12.3.2013)

15 Stora Enso, Global Responsibility Report 2012, p. 4

16 Veckans Affärer www.va.se/va-hallbarhet/va-hallbarhetsamhallsansvar/skogsjatten-lever-inte-som-de-lar-477986

of responsibility during land acquisition in China.¹⁷ Swedish Nordea was soon followed by the Norwegian financial institution SPP.¹⁸

The Stora Enso China and Brazil operations have caused particular criticism. In China, where Stora Enso has been present since 2002, the company has faced serious human rights challenges, most of them related to land ownership. Stora Enso has more than 1,500 land lease contracts with local landowners, obtained with the help of several Chinese sub-contractors who have been accused of using violence and threats against the local population in order to make them sign the lease contracts.¹⁹ Stora Enso has stated that the problems in China were mostly created by the fact that there were several intermediaries between Stora Enso and the actual land owners. According to Stora Enso it noted the problems with the lease contracts as early as 2009 and has worked to solve them ever since.²⁰ According to the latest statement by the company it will delay its expansion plans in China and will not be acquiring new land for eucalyptus plantations before it has solved the existing challenges concerning land leases.²¹

In Brazil, Stora Enso eucalyptus plantations have raised concerns and criticism from local populations mostly due to their environmental effects and disputes regarding land ownership. Stora Enso has faced several law suits regarding environmental damage and corruption in Brazil. According to Stora Enso these cases have now been settled.²²

3.3. Stora Enso human rights due diligence

According to Stora Enso the company is committed to assessing human rights risks in all of the countries where it operates and has decided to operate in accordance with the UN Guiding Principles on Business and Human Rights.²³

In 2012 Stora Enso worked with a group of international human rights experts to consolidate its position on various human rights conventions and frameworks. One outcome of this process is a new public statement setting out Stora Enso's position

17 TV4, www.tv4.se/ekonomi/klipp/ekonominyheter-na-1910-2386032, miljoaktuellt.idg.se/2.1845/1.494030/stora-enso-ut-ur-dow-jones-hallbarhetsindex

18 Veckans Affärer www.va.se/va-hallbarhet/storbolag-rensar-ut-stora-enso-efter-vas-granskning-522040

19 Veckans Affärer www.va.se/va-hallbarhet/va-hallbarhetsamhallsansvar/skogsjatten-lever-inte-som-de-lar-477986

20 Stora Enso, Stora Enso's Bulletin For Stakeholders, see at: www.storaenso.com/Documents/Guangxi_bulletin.pdf

21 Stora Enso, press release on 19.7.2013, see at: www.storaenso.com/media-centre/press-releases/2013/07/Pages/to-accelerate-access-to-the.aspx

22 Stora Enso, Terhi Kopijärvi, Head of Global Responsibility, information given in a meeting on 25.7.2013

23 Stora Enso, Stora Enso's Statement on Human Rights, www.storaenso.com/responsibility/our-approach/policies/Documents/Human%20Rights%20Statement%202012.pdf; UN Guiding Principles, see at: www.business-humanrights.org/SpecialRepPortal/Home/Protect-Respect-Remedy-Framework/GuidingPrinciples

and approach to human rights.²⁴ According to Stora Enso it has also developed a Human Rights Action Plan together with these external experts and aims to begin implementing the actions proposed.²⁵

Stora Enso states that its human rights checklist includes, for example, human resources policy, labour legislation and labour rights, agreements with trade unions, occupational health and safety, discrimination, migrant workers, working hours, working conditions, participation of local communities, business practices and supply chain. The details of the human rights assessment are dependent on the geographical, social and political conditions of each country. The assessment process must be in line with the company's Code of Conduct, Business Practice Policy, purpose and values.²⁶ The results of the human rights risk assessments are confidential.²⁷

In India, Stora Enso conducted a human rights risk assessment in 2010–2011 prior to concluding the purchase of Inpac. The assessment was carried out by external experts. According to Stora Enso, the company's own personnel and the workers of the factory were also included in the process. The risk assessments have been verified by a third party, according to Stora Enso.²⁸

The company states that the assessment included issues relating to occupational health and safety, working conditions, such as working hours and salaries, and the right of association, and that all units of Stora Enso Inpac have received instructions to address any problems discovered.

Furthermore, in business relationships with suppliers, Stora Enso says that it insists compliance with international human and labour rights conventions. Supplier requirements cover fundamental workers' rights including freedom of association and collective bargaining, minimum age, non-discrimination, occupational health and safety as well as requirements concerning wages and working hours. Stora Enso evaluates suppliers' adherence to these requirements through self-assessment questionnaires, on-site supplier audits and business visits.

24 Stora Enso, Stora Enso's Statement on Human Rights, www.storaenso.com/responsibility/our-approach/policies/Documents/Human%20Rights%20Statement%202012.pdf; UN Guiding Principles, see at: www.business-humanrights.org/SpecialRepPortal/Home/Protect-Respect-Remedy-Framework/GuidingPrinciples

25 Stora Enso, Venki Vaith, email on 25.7.2013

26 Stora Enso, Terhi Koipijärvi, email 7.6.2013. Additional information on Stora Enso's Code of Conduct and policies see at: www.storaenso.com/responsibility/our-approach/policies/Pages/Policies%20and%20principles.aspx

27 Ibid.

28 Stora Enso, Terhi Koipijärvi, email 7.6.2013. Additional information on Stora Enso's Code of Conduct and policies see at: www.storaenso.com/responsibility/our-approach/policies/Pages/Policies%20and%20principles.aspx

The UNGPs and due diligence

The UN Guiding Principles on Business and Human Rights, the UNGPs, were endorsed by the United Nations Human Rights Council in the spring of 2011. They address the link between human rights and business activities, and underline corporate responsibility to respect human rights throughout the value chain. The principles emphasize the importance of assessing corporate human rights risks, and develop a detailed plan for how to prevent and respond to these risks. Due diligence should begin before operations are started up and be an ongoing process, integrated into company decision making. In addition, the record and operational methods of a company's business partners, such as its suppliers, should be taken into account when assessing human rights risks.²⁹

According to the UNGPs which have also been incorporated into other international guidelines such as the OECD Guidelines for Multinational Enterprises and the IFC Performance Standards, special consideration should be given to those who may be extra vulnerable to negative impacts of business operations, for example migrant workers, women or indigenous peoples.³⁰

With credible human rights due diligence a company has the opportunity to fulfill its corporate responsibility commitments, decrease any negative human rights impacts of its operations, and prevent new problems from arising in the future.

3.4. India: a growing economy with widening gaps

India has received praise for its steps to promote human rights. The country is a nominal democracy, civil society is able to work fairly freely and the press is not as limited as in many other Asian nations. However, the prosperity and rights of over one billion Indians have not been equally distributed. Corruption, impunity and poor enforcement of legislation have weakened India's human rights situation considerably.³¹

The Indian economy has grown very rapidly over the last few years. Using purchasing power as a measurement, it is the third largest economy after China and the USA. Over the last decade, growth has come mainly from the service sector, which constitutes about 65 percent of growth while industry and farming claim about 35 percent.³²

Economic growth has not been able to eradicate inequality and poverty, and income differences inside India have grown in both cities and rural areas. Due to the uneven

29 Ruggie, John, Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework. www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf

30 Ibid

31 For example: Human Rights Watch, www.hrw.org/asia/india

32 State of the Economy and Prospects, see at: indiabudget.nic.in/es2012-13/echap-01.pdf; The Economic Times, India overtakes Japan to become third-largest economy in purchasing power parity, articles.economictimes.indiatimes.com/2012-04-19/news/31367838_1_ppp-terms-india-s-gdp-power-parity (referred on 13.3.2013)

distribution of income, poverty has decreased significantly less than various estimates have stated. Over 400 million Indians live under the poverty line (USD 1.25 per day) according to the World Bank.³³ The official statistics state that the number of the poor in India is around 30 to 50 percent of the population. A minimum of 15 percent of the population live in slums without clean water, sufficient food, health care and education.³⁴ Differences in wage between educated and uneducated workers are great and regional inequality is also a significant factor.

Of the eight core conventions of the International Labour Organization ILO, India has ratified only four. India has not ratified several of the most central labour rights agreements in connection with freedom of association and child labour (International Labour Organization agreements 87, 98, 138 and 182). The lack of relevant legislation, inadequate enforcement of laws and the weak bargaining position of the Indian labour force increase human rights risks in corporate activities in India. Human rights risks might in some cases also be exacerbated by traditional customs, beliefs and caste based discrimination.³⁵

The disadvantages of weak labour rights have received more interest in India of late. The first general strike organised by various trade unions took place in 2011 when half a million workers demanded equal rights for all workers in demonstrations in Delhi.³⁶ In early 2012, the eleven biggest Indian trade unions organised a day long general strike to demand better labour rights and to protest against rising prices.³⁷ In February 2013 the strike was repeated as a two day strike.³⁸

4. Stora Enso in India - Stora Enso Inpac

Stora Enso started preparing the acquisition of Stora Enso Inpac during 2009 and completed the purchase in July 2011 when it bought the majority share in a Chinese company that has operated two factory units in the southern state of Tamil Nadu since 2006. The company is now known in India as Stora Enso Inpac Delta India Private Limited (SEIDI). The transaction was said to promote Stora Enso's strategic goal of strengthening its presence in the consumer packaging segment on the growing Asian market.³⁹

33 Belser Patrick, Rani Uma, Extending the coverage of minimum wages in India: Simulations from household data, ILO 2010, see at: www.ilo.org/wcmsp5/groups/public/---ed_protect/--protrav/---travail/documents/publication/wcms_145336.pdf; Maailmanpankki, Poverty and Equity - India, povertydata.worldbank.org/poverty/country/IND (referred on 13.3.2013)

34 Amnesty International, The State of World's Human Rights, India, p. 171.

35 Franciscans International, Modern Slavery In India - Cases of Bonded Labour, 2012, p. 8

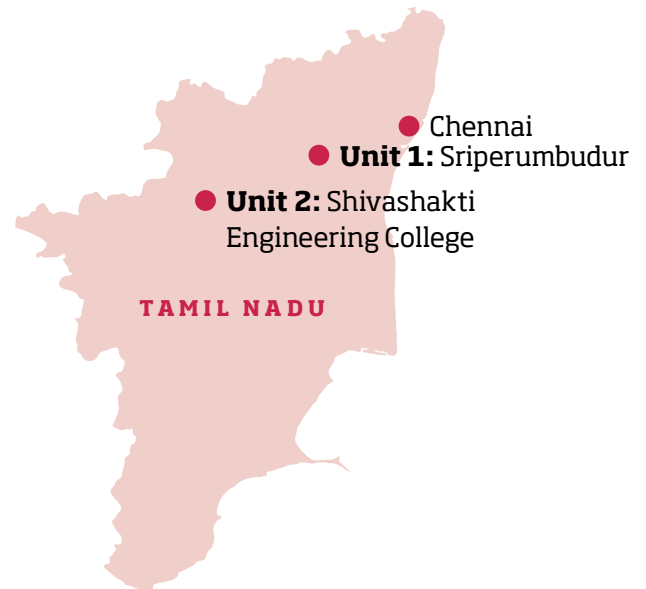
36 Global Labour Column, column.global-labour-university.org/2013/02/india-nation-wide-strike-on-20-21.html#more (referred on 4.3.2012)

37 AlJazeera, www.aljazeera.com/news/asia/2012/02/201222842550702681.html (referred on 1.3.2013)

38 Reuters, Indian unions call strike as government grapples with deficit, www.reuters.com/article/2013/02/19/india-strike-idUSL4NoBJ4E220130219 (referred on 13.3.2013)

39 Stora Enso, www.storaenso.com/media-centre/press-releases/2011/07/Pages/stora-enso-saattoi-ptkseen-enemmistn.aspx (referred on 20.2.2013); Stora Enso Packaging Offset Products Newsletter 2/2010

Both of SEIDI's factories are based in the greater Chennai area. Unit one, located in the SIPCOT Industrial Park in Irungattukottai, Sriperumbudur, caters more or less exclusively to Nokia. It is responsible for receiving work orders and designing and planning the logistics of the production process. Unit two is situated next to the Shivashakti Engineering College on the Chennai-Bangalore Highway. It manufactures refined paper packaging for the mobile phone and electronics industries, as well as for food, cosmetics and pharmaceuticals to a number of customer companies. According to the company the market value was about 80 million euro in 2011.⁴⁰ Sales of its Chennai mill 2012 was EUR 10 million.



The Stora Enso Inpac Delta India plants operate according to the International Organization for Standardization ISO's quality and environmental management certificates ISO 9 001 and ISO 14 001.⁴¹

Stora Enso operations in India have not received much attention. The 2012 Stora Enso Corporate Responsibility Report mentions Stora Enso Inpac only a couple of times: Stora Enso states that it follows the same practices and ethical standards in India as in any other country.⁴²

4.1. Workforce profile

According to Stora Enso, at the time of the field study approximately 360 workers were permanent employees of the company, and around 30 were hired on a contract basis, including for example security personnel. In addition there is another kind of temporary workers in the plant, called retainers, performing the same kind of operations as many of the permanent workers. A large part of the workers are from Dalit communities and about 30 are women. At the time of the field study the number of retainers varied from 2 to 21 according to figures from the company. In June 2013 Stora Enso is reported to have dismissed 13 temporary workers.⁴³

40 Stora Enso, www.storaenso.com/about-us/organisation/renewable-packaging/corrugated-packaging/india/Pages/default.aspx; www.storaenso.com/media-centre/press-releases/2011/07/Pages/stora-enso-saattoi-ptkseen-enemmistn.aspx; www.storaenso.com/products/packaging/corrugated-packaging/consumer-packages/offset-products-newsletter/Documents/Stora%20Enso%20Packaging%20Offset%20Products%20Newsletter%201_2011.pdf (referred on 20.2.2013); Actis, www.act.is/portfolio/Inpac (referred on 20.2.2013)

41 Stora Enso, www.storaenso.com/about-us/mills/india/chennai/facts/Pages/default.aspx (referred on 20.2.2013, website updated on 14.12.2011); Stora Enso Global Responsibility Report 2012, p. 56

42 Stora Enso, Responsibility report 2012, "We apply the same values, business practices and ethical standards in India that we do elsewhere in our global operations."

43 Information to Finnwatch from Stora Enso in June 2013. Lay-offs depending on global down-size, se: Press release from Stora enso, 2013-06-18, www.storaenso.com/media-centre/press-releases/2013/06/Pages/stora-enso-concludes-second-phase.aspx

The operations that workers perform on the shop floor in order to produce cardboard boxes are cutting, folding boxes, printing, corrugation, checking, checking the functioning of the cutting and printing machine, maintaining boilers, removing ink using cleaning machinery and other related work.

Most of the workers are either part of the rural landless communities or from families of marginal farmers with about an acre of arid land. Workers' families depend on daily wage labour in the farms or factories. Most workers interviewed say they have four to seven other people dependent on their earnings.

4.2. Training mechanisms appear to not be in place

According to Stora Enso, all new employees are offered training on the plant's regulations and procedures, and industrial workers are also offered unit or machinery specific training. However this was repeatedly contradicted by the workers interviewed for this report. Almost all workers reported that they did not receive any formal training in their assigned roles on the production line and claim that they are only trained on the job by their seniors. Some of the workers however said that they had received training especially for fire safety. A few also mentioned training related to first aid and safe use of machinery.

4.3. Slow reaction to prevent shop-floor accidents

According to the workers, a large number of shop-floor accidents have occurred recently involving personal injury some of which have resulted in dismemberment, in Stora Enso's two factories.⁴⁴ One of the workers said:

"The management pays little attention to safety. More and better sensors on each of the machines could bring down the number of accidents. The cutting machines, rolling machines and punching machines are fast and hot and workers are not able to cope with these conditions. These are some of the reasons for the accidents", says Vasantha Muthukumaran.

The worker's estimate of the accident rates differs significantly from the company's numbers. The company's own statistics show only seven accidents requiring medical care in 2013. For 2011 and 2012 the company's statistics show a significantly larger number of accidents, a total of 91.⁴⁵ Cividep's researcher could verify that some of the accidents that have happened to the employees at the plant have been serious and have lead to permanent injuries. For example, employees have injured their finger-

44 Workers interviewed were more or less unanimous in their opinion that there were very high levels of accidents on the shop floor. Workers of Unit 2 were insistent that the number of accidents were around 140 in 2013. Other workers seemed to agree with this figure, but it may not be possible for workers to be very exact about the numbers. Four workers who have had serious accidents on the shop-floor were interviewed.

45 Of these only one has been a serious accident requiring longer absence, 61 required care outside the plant and 30 were minor accident requiring no special care.



Several workers interviewed had visible injuries on their hands and fingers.

tips, and the skin of their hands has been torn off from relatively large areas.

In an interview with local management, one of the managers also confirmed that these factories have been the “black sheep” of Stora Enso global operations when it comes to industrial accidents, but according to him, the situation has now been dealt with. It was also confirmed by management that it took until 2012, and some serious injuries, until Stora Enso invested in safety sensors on some of the most dangerous machinery.

According to the employees, accidents occur mostly in Unit 2. The machinery there is complicated to use and there are not enough accident prevention safety sensors, according to workers. Production targets are very high and the speed of the machines’ moving parts is rapid. Only the main operator gets the benefit of the sole ‘sensor’ on each production line, which is credited with preventing accidents. Workers report that though the machines have sensors to pre-empt accidents, the accidents still happen due to workers’ lack of training in their use and the failure of the management to insist that workers wear safety equipment. Workers say that accidents usually occur more frequently during the first shift from 8:00 a.m. to

4:00 p.m. and the night shift from midnight to 8.00 a.m. Due to low level of operations Stora Enso Inpac stopped running night shift in Unit 2 from mid November 2012 and at Unit 1 from mid April 2013.

Stora Enso comments the poor track record by underlining the improvement since July 2011 when Stora Enso took over the management.

“The number of lost-time accidents have decreased dramatically due to enhanced focus on safety, not just at the Chennai mill but at all Stora Enso mills globally”, says Terhi Koipijärvi, Head of Global Responsibility at Stora Enso.⁴⁶

The company has introduced a safety toolbox at the plant, launched in 2012.⁴⁷ The company also states that in the same year it installed safety sensors to the hazardous machinery and has started a 5S project⁴⁸ which among other things aims to improve workplace safety.

46 Terhi Kopijärvi, Stora Enso.

47 Stora Enso, Terhi Koipijärvi, email on 7 June 2013. Further information on Stora Enso’s safety toolbox equipment can be found at the company’s Global Responsibility Report 2012, p. 27.

48 5S refers to a workplace organization method: Sort, Straighten, Sweep, Standardize, Sustain.

4.4. Occupational illnesses

According to Stora Enso it has carried out a risk assessment concerning the chemicals which are used. The company says that management of the chemicals is planned based on the risk assessment including for example work instructions, required personal protective equipment and related training. According to Stora Enso, all chemicals are sourced from well-known chemicals suppliers and all chemicals are handled according to the material safety data sheet (MSDS) provided by the supplier.⁴⁹

However, in addition to the occurrence of debilitating accidents on the shop-floor, workers report other health and safety risks in the two factories. Several workers have visible skin ailments, thickening and darkening of the skin around the neck, the back and the forearms reportedly due to the use of chemicals during the production process and the lack of safety equipment. Three workers affected by skin ailments have been interviewed. According to them, in addition to the hazardous chemicals, the heat generated during the production process by the machinery and the lack of proper ventilation is responsible for the skin ailments. They also create an unbearably hot work environment and lead to fatigue among workers. One worker interviewed said:

“We are exposed to hazardous products like caustic soda and dangerous machines that are fast and very hot. Many workers suffer from skin ailments and also from hearing problems. The working environment is too noisy and the protective equipment provided is not enough in numbers”, says Achir Venkatesan.

Workers went for treatment on their own initiative, but their conditions are sometimes dormant and sometimes aggravated, according to the workers interviewed. Here also, Unit 2 has more such cases and workers estimate that at least 20 more workers suffer from skin ailments.⁵⁰ According to the workers occupational risks like hazardous chemicals and skin illnesses are mostly neglected by the company.

The working process in the plant involves highly inflammable roller wash chemicals, caustic soda for cleaning the ink and water-based dyes. The chemicals create a strong odour, especially in the factory’s printing room, and there are no appropriate respirators in use, employees use mere paper respirators and the building lacks adequate ventilation.

Workers also complain of high level of dust particles in the air especially during board-cutting and similar operations. Workers said that, they experience respiratory problems as a consequence. There are also cases of hearing impairment due to the high volume of sound generated by the machines while in operation. Headphones

49 Terhi Kopijärvi, Stora Enso.

50 Interviewed workers and also the supervisors were almost unanimous that Unit 2 has more such cases. Most production activities are carried out in Unit 2 and Unit 1 focuses on design of the products. Unit 2 has more heavy machinery which involved processes of high temperatures.

were provided for workers at one point, according to the workers interviewed, but this practice was soon abandoned.⁵¹

During Cividep's visit, there was no protective eyewear in use. Stora Enso says that the employees are unwilling to use protective eyewear. The employees' stories of high temperatures were confirmed when the Cividep's researcher visited the factory. The printing press room it was +28 C, and in other parts of the plant it was almost +35 C.

4.5. Employee State Insurance Act

The Employees State Insurance Act (ESI) is a health insurance and health service scheme for factory workers administered by the central as well as state governments. The law requires that all workers, including contract workers, are enrolled in the ESI scheme the day they first report for work in the factory. The company is responsible for registering the workers but the workers themselves need to apply for the ESI-card necessary to avail themselves of the health services of the ESI organisation. According to Stora Enso it registers all employees from day one and all employees are given a form with which they can apply for their personal card from an ESIC office. The company also says it provides a paid day-off for employees to visit the ESIC office, take photos and receive their ID card.⁵² However, during the field visit it was evident that many of the interviewed workers had not yet received their cards from the ESIC office.⁵³ Stora Enso Inpac reports that ESI-numbers might be missing from some of the pay slips due to bureaucratic delays.⁵⁴

According to labour law, workers are entitled to use the closest ESI clinics. This is a service to which employers and workers contribute through automatic salary deductions and the employer also pays a share. However, according to the company, the ESIC hospital in Sriperumbudur lacks advanced medical facilities and therefore the company has an agreement with a private hospital, 'Saveetha Medical College and Hospital'.⁵⁵ When interviewed, workers who were accident victims said that treatment was provided by the private hospital and that the company was bearing the cost.

The problems with the ESI-cards and the fact that workers are treated in a private hospital instead of the ESIC hospital, have lead to a suspicion among some of the workers that they are not properly registered within the ESI-system and that the company is not reporting all accidents to the authorities. It has not been possible for Cividep's researcher to check with the authorities whether the workers of Stora Enso in India have been properly registered within the ESI-system which the company claims that they are.

51 Earphones are distributed among workers, but the company does not seem to be enforcing the rule to wear them. However, some workers complained that enough number of earphones and other protective devices were not distributed.

52 Terhi Kopijärvi, Stora Enso.

53 Around 18 of the 28 workers interviewed do not have ESI Identity cards.

54 Terhi Kopijärvi, Stora Enso.

55 Times of India articles.timesofindia.indiatimes.com/2012-07-23/chennai/32803233_1_sriperumbudur-big-hospitals-industrial-hubs

According to Indian law, factory managers are obliged to notify both the Inspectorate of Factories and the Employees State Insurance agency of accidents and injuries. Stora Enso claims that workplace accidents have been reported to authorities as per law since the takeover in July 2011. According to the company, “in a unionized environment, it is almost impossible not to report workplace accidents to the authorities.”⁵⁶ Furthermore, Stora Enso says that the company has paid for all medical care and sick leave according to law.⁵⁷

In order for the workers to be able to get compensation through the ESI -system all accidents shall be reported to ESI. The legal amount of the compensation will depend upon the seriousness of the accidents and the degree of disability caused by the accident. The ESI authorities concerned determine this amount upon notice of the accident and claims filed by the accident victims. In Stora Enso’s case, none of the workers has filed a claim for compensation. This despite the fact that many of the more serious injuries as lost fingertip or piled off skin, should be entitled for compensation, according to Cividep. This indicates that Stora Enso has failed in getting information through to the employees on rights and responsibilities regarding health care and compensation in case of injuries.

“A lot of accidents happen. I got my fingers clipped and many workers suffer from cuts. I got treated in a private Saveetha hospital and the treatment cost has been met by the company. At the time of accident, I had no ESI card and no compensation was given to me”, says Chandra Rangan.

According to Stora Enso Inpac the company has paid for medical treatment and sick leave for all accidents, but states that the injuries were not serious enough to make the employees eligible for receiving compensation from the Employee State Insurance Corporation.⁵⁸

Stora Enso Inpac states that work safety issues are the most important development issues in the plant and it has taken actions to prevent accidents, for example, by consulting the employees and increasing training. Stora Enso stresses that neither the workers nor the trade union has brought such suspicions to its knowledge regarding the reporting to ESI.

4.6. Successful collective agreement by the Union

Stora Enso’s factories in Chennai are organised by a union affiliated to the All India Trade Union Congress (AITUC), which is one of the oldest central trade unions recognised by the Ministry of Labour of the government of India and is the trade union arm of the Communist Party of India (CPI). The union represents the majority of the workforce with about 360 permanent workers as members. Contract workers are not members of the union.

56 Terhi Kopijärvi, Stora Enso.

57 Ibid.

58 Employee State Insurance Corporation will compensate the workers and later charge the amount of compensation from the company.

The union has worked to regularise the employment status of many workers who were temporary employees for many years. It has also negotiated a collectively bargained agreement that has brought about the most significant improvement in wages in the two factories to date.

4.7 The role of Standing Orders and the HR manual

One major issue that the union has focused on recently is the validity and fairness of the Standing Orders. According to Indian legislation, plants with more than 100 workers must establish a Standing Order, a regulation jointly drafted by the company, the trade union and the labour commissioner. Standing Orders set out companies' shop-floor rules and norms as well as disciplinary action. The Standing Orders in Stora Enso Inpac were created in late 2010 when the plant was still owned by its previous owner.

Since the takeover by Stora Enso, the union has objected strongly to the company's Standing Orders, alleging that they favour management interests to the detriment of workers' rights. The union has demanded the amendment of the Standing Orders along the lines of the "Model Standing Order" instituted by the government labour authorities. The Standing Orders in their current forms are not in compliance with ILO recommendations.⁵⁹ Furthermore, the plant's trade union says that the Standing Orders lead to general confusion and inappropriate actions by the supervisors.⁶⁰ They are also not translated to the local language Tamil.

Specifically, the union's objections to the current Standing Orders are three-fold:

Firstly, the Standing Orders are expected to be a tripartite document, where there is negotiation between the management and the union with the concurrence of the labour authorities who have to scrutinize the document to ensure its compliance with the law. However, the current Standing Orders were endorsed by the labour authorities in the absence of the union representatives, according to the union. The company claims that the union took part in the discussions.

Secondly, Article 23, Para 12 has defined 'doing propaganda work including canvassing for union membership or collection of union dues' as 'misconduct'.

Thirdly, the union has taken exception to Article 23, Para 37 which defines refusal to work legal over-time as misconduct.

Stora Enso confirms that the Standing Order in its current form is not in compliance with ILO recommendations and the company has therefore created a Human Resource manual which is in compliance with the local law and ILO conventions. However, this document is not translated to the local language Tamil.

59 ILO, Q&A's on Business and Forced Labour and Q&As on Business and freedom of association, see at www.ilo.org/empent/areas/business-helpdesk/faqs/lang--en/index.htm

60 Inpac Delta India Private Limited Employees Union, General Secretary Ravi

A recent independent legal review provided recommendations to Stora Enso to communicate the HR manual in the regional language which the company will do. Stora Enso will also further clarify the role of the standing order and the HR manual to employees. The Standing Orders will also be posted in the factories, in English and local language as per law.

In relation to concerns raised about the company's Standing Orders, the management's position is that prior written permission is required for union organisation activities but that such activities are not permitted during work hours. On the issue of overtime, the company states that it ensures that no employee works more than 50 hours per week, and if they do overtime, they are given compensatory time off, according to local law, and double wages for overtime on Sundays and public holidays. In general, the company implements the 48-hour average working hours plus three hours over-time which is "the limit and this is monitored." According to the interviewed workers overtime is only occasional and it is compensated according to the law.

4.9. Statutory workplace committees

None of the workers interviewed was aware of any of the workplace committees required to be constituted by the Factories Act such as a works committee, a health and safety committee, and a grievance committee. Worker involvement seems to be taking place mostly as concerns monitoring the factory canteen. Not all workers interviewed were aware of any committee against sexual harassment which is also legally mandated. According to Stora Enso Inpac, the committee was founded following the requirements of Indian legislation, it convenes monthly and all female workers have been informed about the committee. The existence of the committee and its members are confirmed in the plant's Human Resources Manual.⁶¹

4.10. Low wages and social insecurity

The notification issued by the Government of Tamil Nadu on May 12, 2010 under the Minimum Wages Act, 1948 with reference to 'employment in paper and other incidental processes connected with the machine made paper industry' stipulates the minimum wage rates for different categories of workers. The five broad categories are unskilled, semi-skilled, skilled, highly skilled and miscellaneous.

61 Stora Enso Inpac Delta India Private Limited, Human Resource Manual, p. 24

Table 1: Government notified minimum wages

Class of Employees	Minimum Wage Rate (Rupees)	Dearness Allowance (as applicable from April 1, 2013)	Total monthly wages(before deductions)
(1) Unskilled			
a. Driver	2301	2351	4652
b. Press Boy	2269	2351	4620
(2) Semi-skilled			
a. Machine Attender	2401	2351	4752
b. Stitching and Packing	2401	2351	4752
c. Fitter Helpers and other helpers	2401	2351	4752
(3) Skilled			
a. Boiler Operator	2666	2351	5017
b. Paper Machine Operator	2666	2351	5017
c. Cutting Machine Operator	2666	2351	5017
d. Other equivalent operator	2666	2351	5017
(4) Highly Skilled			
a. Supervisor	2897	2351	5248
(5) Miscellaneous			
a. Accountant	2666	2351	5017
b. Typist/Clerk/Driver	2335	2351	4686
c. Watchman	2401	2351	4752

The plant's employees are paid according to the requirements of their work and their work experience. The employees in the lowest pay grades in the plant, 38 people, receive INR 5,500 (about EUR 61) per month in wages.⁶² After social security, pension payments and taxes the employees receive less than INR 4,900, which is about EUR 54. The regional minimum wage in Tamil Nadu for the paper industry varies according to employees' position and experience between INR 4,625 and INR 5,248 per month before deductions.⁶³ However, Stora Enso claims that the employees at the entry level receive another INR 1,000 in supplements, such as transports which is provided to the workers for free.

In 2012, the second collectively bargained agreement was reached between the All India Trade Union Congress (AITUC) affiliate Inpac Delta India Private Limited Employees Union and the company. All 360 permanent workers who are union members have received an increment of varying amounts. As a result, wages per month (excluding overtime payment and before ESI, PF and other deductions) are as follows:

⁶² In addition to wages Stora Enso Inpac provides the workers transport to pick up places, food at the factory, marriage gifts and education and wedding loans without interest.

⁶³ Paycheck.in, www.paycheck.in/main/salary/minimumwages/tamil-nadu

Helper (Retainer)	INR 5500
Senior Operator	INR 9000
Technician (Recently Joined)	INR 7200
Technician (Experienced)	INR 11000

The salary varies according to seniority (length of experience) and the category of work. The collectively bargained agreement between the union and the management has fixed the wage rates for four years from 2012 to 2015. In the last two years, a bonus and a ‘Pongal’ festival gift have been paid to all workers.

Most workers interviewed believe that a ‘living wage’ in Sriperumbudur would be approximately INR 15,000 per month on which a person could be expected to live a decent life. According to the union wages should be at least INR 10 000 per month. Actual wages in Stora Enso (as well as other industries) are dependent upon various other factors such as experience, demand on the labour market for the relevant skills and collectively bargained agreements. In other industries such as mobile phone manufacturing and automobiles the wage-scale is remarkably higher, from INR 14,000 to 26,000 per month, according to information from Union leaders in these sectors.⁶⁴ These industries may not be comparable with the packaging industries. Nevertheless, Stora Enso is far from adequately meeting the basic, entry-level wage expectations of the workers.

Venkatapathy Vaithianathan’s title is “Specialist, Global Responsibility” at Stora Enso, with experience from the Indian operations. He argues that the seemingly low wages are due to that the paper and packaging industry is not a very attractive sector for blue collar work and therefore the company needs to hire unskilled labour and train them. However, Vaithianathan claims that Stora Enso increase the wages rapidly when the employees becomes more experienced.

The salary of a blue collar worker would almost double in a 3-5 year period, according to Venkatapathy Vaithianathan.⁶⁵

The International Labour Organization considers a living wage to be a human right, and it was already mentioned in the ILO founding charter in 1919. A living wage means a wage with which an employee can support their family and offer them a reasonable standard of living when compared to surrounding society.⁶⁶

It is not simple to define a living wage in India. The level of cost of living in various parts of India varies greatly, and there is no general agreement on the level that constitutes a living wage. The plant management interviewed for this study could not comment on the living wage issue, but they admitted that living on the lowest wages paid by Stora Enso Inpac would be difficult if the workers did not own their own homes. Stora Enso says that it needs help in defining a living wage.

64 The Cividep report

65 Venkatapathy Vaithianathan, Specialist, Global Responsibility, Stora Enso, meeting 2013-08-26.

66 International Labour Organization, Estimating a living wage: A methodological review, 2011

The table below presents the monthly costs in Rupees of goods for daily consumption and essential services to maintain a reasonable standard of living for a family of three in the areas where workers of Stora Enso live.

Table 2: Estimated monthly living expenses of a family of three in Sriperumbudur Area (May 2013)

Goods/Services	Cost in INR
Food Expenses	
20 kilos of Rice @ INR 40 per kilo	800
5 Kgs of Pulses @ INR 80 per kilo	400
15 litres of Milk @ INR. 22 per litre	330
3 litres of Edible Oil @ INR. 100 per litre	300
Vegetables @ INR. 50 per day	1500
Egg, Fish, Meat @ INR. 200 per week	800
Coffee/Tea @ INR. 100 per week	400
Fruits @ INR 100 per week	400
Total Food Expenses	4930
House Rent	4000 ⁶⁷
Water & electricity charges	400
Fuel-Firewood/ kerosene/ cooking gas	700
School Fees, study materials, transport etc	1500
Medical Expenses	750
Clothing	500
Social Occasions like weddings & festivals	300
Transport to workplace @ INR 50 per day	1500 ⁶⁸
Total Monthly Expenses	14580

Workers' contributions towards the Provident Fund (EPF) and the Employees State Insurance (ESI) are deducted from the monthly wages of all the permanent employees at the legally mandated rates.

4.11 Temporary workers and contract labour

26 of the employees at the plants work as contract labour. In addition to that there is also a varying amount of temporary workers, called retainers. During the work with this report between 2 and 21 were retainers, according to the company, but the

67 Workers currently pay Rs. 4000 to Rs. 6000 in rent for places that they share with other single workers. However, this arrangement cannot be sustained if they want to marry and start families in independent homes.

68 Many companies in the area including Stora Enso offer pick up and drop services to workers. However, the company-contracted vehicles do not drop workers all the way home. The pick-up and drop-off points are fixed and workers have to meet the cost of their onward journey home from there. This is particularly difficult during odd hours when shifts end and public transport is not available. Workers end up paying for 'auto-rickshaws' at very high rates even to cover short distances like one or two kilometres.

number of retainers can vary more from month to month. The wages of the contract labour and retainers interviewed range from INR 5,500 to 5,720, which is about EUR 61 to 64 a month.

The temporary workers at the plant called retainers are hired for period of 3–12 months. The terms of employment for temporary workers are worse than those of permanent workers. They have a 240 days probation period which means that they can be sacked at anytime without prior notice. According to the stipulations in Stora Enso's Human Resources Manual the duration of the probation period is six months and it can be extended only for a specific reason. The Human Resources Manual also states that all employees are entitled to earned leave.⁶⁹ Cividep's investigation shows that the temporary workers had no earned leave. Terhi Kopijärvi at Stora Enso states that the temporary workers are entitled to casual leave and sick leave. Stora Enso has agreed to include a one month notice period for employer and employee following this study and the independent audits.

Stora Enso says that the plant hires retainers because of high staff turn-over and the company wants to ensure the availability of skilled workers. According to Terhi Kopijärvi, Stora Enso has reduced the percentage of retainers since 2011 and has amongst the lowest percentage of retainers in the region.

“Since the nature of the contract and work is temporary the question of probationary period is not very relevant. After expiry of contracts, depending on the performance some employees are offered a permanent position”, she says.

The temporary workers themselves though express a constant fear of losing their jobs due to this practice.

Regarding contract workers Stora Enso took most of the previous contract workers onto its pay roll after acquiring the factory. The proportion of contract workers has been reduced from 37 percent to less than five percent according to the company.

4.12 Poor working conditions at logistics suppliers

Stora Enso Inpac uses different logistics companies for the loading and unloading of its goods. The employees work at the factories' premises. Suppliers' employees are not members of the plant's trade union and are unable to participate in the plant's wage settlement agreements.

The three loading workers interviewed were paid INR 220 per day. There are 26 working days in a month, so the notional monthly wage is INR 5,720, or about EUR 64.

The employees interviewed had no employment contract in writing, nor did they receive a salary slip when their wages were paid. The employees told the researcher that they are not entitled to paid annual holiday. According to the workers inter-

69 Stora Enso Inpac, Human Resources Manual, p. 9 and p. 14-15



Migrant workers live under primitive conditions without appropriate sanitation or other municipal services

viewed the employer does not remunerate sick leave, and deducts the cost of medical care from the employees' wages. The contracted employees have no right to decline overtime, and occasionally they do 16 hour double shifts without breaks.

According to Venkatapathy Vaithianathan at Stora Enso these labour conditions sometimes take place in its sub-contractor level, where the company recently started to implement its Code of Conduct.

“The logistics companies sometimes use subcontractors for loading and unloading. So these employees here are tier 2 suppliers of SE. We have been focusing on our immediate suppliers (tier 1), we will expand our coverage to go as further down the supply chain as possible including tier 2 suppliers”, says Vaithianathan.

4.13 Room for improvement in non-discrimination and equality practices

Women, Dalits and migrant workers are groups that might be seen as particularly vulnerable in the Indian context and among Stora Enso's workers. The Stora Enso plant does have, as a part of its Human Resources Manual, regulations for preventing discrimination, which states that the plant does not discriminate in hiring, salaries or promotions. However, Stora Enso has not taken any action to actively promote equality practices in the daily operations and there is room for improvement both when it comes to female, low caste and migrant workers.

There are a little more than 30 women working at the plant. The low amount of female employees is confirmed in the Stora Enso's Global Responsibility Report, which states that the proportion of females in its Indian factories is 8 percent.⁷⁰

All the work at the plant is not especially heavy or otherwise such that there would be any valid grounds for not hiring women. Stora Enso Inpac says that the packaging industry is generally viewed as a male industry due to the dirty, heavy labour. The plant's management also estimates that the location of the Stora Enso Inpac plant in a distant industrial area and shift work are factors limiting the willingness of women to apply for work at the plant. At the time of the study the plant had not, however, enforced any actions to promote the hiring of women. During the dialogue with Finnwatch the company identified several possibilities to improve its policies regarding the employment of women. Stora Enso Inpac also highlights the fact that one of the managers of Stora Enso Inpac is female. According to the company this is very rare in the packaging industry in India.

According to Indian legislation, a factory hiring more than 30 women has to offer day care for children during the working day. The Stora Enso Inpac plant has a day care room (approximately 10 to 15 square metres), but this is used for storing old documents and files. The plant says that employees are unwilling to bring their children to the plant for day care. It is unclear whether the unwillingness is actually due to the lack or possible poor quality of the day care.⁷¹ Stora Enso says that all employees going for maternity leave have been asked about their willingness to bring their children to the factory's crèche and no one has been interested in this opportunity.

A large part of Stora Enso Inpac's floor level workers belong to Scheduled Castes termed as Dalits. The Indian organisation Cividep estimates the proportion of Dalits in the factory to be around 75 percent while one of the factory's managers estimates the proportion to be somewhere between 40 and 60 percent. It is difficult to say the exact number since many Dalits may be unwilling to give information on which caste they belong to and the management says it does not ask about caste when hiring. However, although Dalits make up at least around half of the work force there seem to be very few Dalits in the plant's managerial positions, according to workers interviewed and Cividep's estimation.

The management of Stora Enso Inpac considers that they are operating in a completely neutral manner. According to them enforcing active improvements for the Dalits would mean asking the candidates about their caste, which would possibly hurt feelings. According to Stora Enso Inpac it is noteworthy that in India most Dalits prefer embracing other religions in order to shed off the social stigma attached to the term "Dalit".

70 Stora Enso, Global Responsibility Report 2012. The next lowest percentages of female workers, 15 %, were in Germany and Latin America.

71 The importance of factory day care for poor migrant workers was examined in Finnwatch's and Swedwatch's report on Bangladesh, "A Lost Revolution" published in 2012, p. 22-25.

The situation was especially difficult for workers arriving from poor parts of India, such as the state of Orissa, as they live in very primitive conditions. Migrant workers work both directly at Stora Enso's plant as well as in subcontracting chains. According to the Unesco, employers could improve the weak position of migrant workers in India by offering them adequately furnished living quarters.⁷² Stora Enso Inpac provides living quarters for employees transferring from other Stora Enso units, and for employees needed in various emergency situations.⁷³ Those employees do not include the poorest workers needing living quarters the most. The living areas that the field researchers visited, showed that the employees were often lacking basic sanitation.

Three of the interviewed migrant workers who were working for the Stora Enso Inpac's logistics service provider lived in areas with no sanitation, waste management or official electricity network. Although not on Stora Enso's pay roll the company should be better informed about these people's living conditions and how they are treated by their employer, contracted by Stora Enso. For its own employees it is also needed to investigate possible improvements in housing and sanitation.

5. Problems in the Indian plant not mentioned in the Global Responsibility Report

In several cases, Stora Enso includes more information on its corporate social responsibility than it is obliged to in its official reports, because the company regards the information to be relevant to its stakeholders. This sort of "extra" reporting was carried out by Stora Enso in association with Veracel, Montes del Plata and upcoming Pakistan investments. Finnwatch gave the company an honorary mention in the responsibility reporting competition held by the Finnish Ministry of the Environment in 2011, due to this.⁷⁴

Stora Enso's Corporate Responsibility Review for 2012 does not, however, mention the problems at Stora Enso Inpac. For example, the work safety part of the review, "Global approach to safety", speaks about the serious job related accidents in the company's plants. Despite this, the review has no mention of the serious accidents that took place at the Indian plant, and no mention of the unusually high accident statistics at Stora Enso Inpac. According to its reporting instructions Stora Enso reports in detail only about fatal or serious accidents, which cause permanent disability. However all accidents are included in the overall accident statistics which are reported annually.

72 Unesco, Internal Migration in India Initiative – For a Better Inclusion of Internal Migrants in India, see at: www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/New_Delhi/pdf/Policy_briefs_full_low_01.pdf

73 Stora Enso Inpac, Human Resource Manual, p. 32

74 According to the Finnwatch jury, "Stora Enso's Review report stood out by disclosing the criticism received by the company, and reporting their interest group cooperation and human rights challenges".

The issues of salaries, Dalits and female employees, and workers' living quarters are not mentioned at all in the review. According to Stora Enso, the review includes only issues which are in the interest of its stakeholders. The company re-evaluates its reporting approach annually.⁷⁵

6. Conclusions

The scope of Stora Enso's human rights risk assessment of its Indian operations and the relevance of the recommendations arising from it, are difficult to examine as they fall in to the area of trade secrets. Based on the findings made by Finnwatch and Swedwatch at Stora Enso Inpac it appears that the assessment has produced results to some extent. The employees have been offered an opportunity to unionise, which resulted in better wages for the permanent employees at the plant. The plant has its own Human Resources Manual, which follows Stora Enso's Corporate Responsibility Policy. Stora Enso acted openly during the research and offered the researchers considerable amounts of material. This should be recognized since transparency is a significant part of corporate responsibility. Stora Enso commits to act on several of the findings in this report.

However, the Stora Enso Inpac plant has some way to go before it reaches Stora Enso's fundamental promise to "do good for the people and the planet". The current wages of the employees in the lowest salary categories at Stora Enso Inpac are not sufficient to live a decent life. There are problems in the terms of employment for temporary workers. Very poor working conditions and terms of employment were reported by the workers at Stora Enso Inpac's logistics providers.

Some issues, such as work safety, have not been allocated enough preventive action. Even though the plant has taken action to reduce the number of work related accidents, there are still deficiencies in work health and safety. At the time of the study the non-air conditioned factory buildings were intolerably hot. During the field study, the working temperature rose to +35 C. The employees also complained that dust and chemicals caused other symptoms. In addition, the employees interviewed did not consider the safety training provided by the plant to be adequate and they all reported that accidents are common. Stora Enso has added safety sensors to the machinery after serious accidents but only in 2012, even though the work safety related problems were known to the company when they started the due diligence processes in 2010.

The investigation shows that serious accidents has happened at the factories and testimonies from workers all gives a picture of a dangerous work place. Despite of this Stora Enso claims that none of the accidents are serious enough to be valid for compensation. Both victims of accidents and the employer agrees that the employees have received treatment free of charge, however, it seems as the employees are not aware that they are entitled to claim compensation. Here Stora Enso needs to inform better about the workers' rights to compensation from the ESI-system.

75 Stora Enso, Terhi Kopijärvi, email on 7 June 2013

That so many (18 out of 28) interviewed employees missed ESI-cards, which should be compulsory, is something that needs further attention from the company's side. The employer should make efforts to see to that all employees have valid ESI-cards.

The plant's legal Standing Orders are in contradiction with the Stora Enso Corporate Responsibility Policy and ILO recommendations, and are in need of updating. The plant's own Human Resources Manual is not available in Tamil, and the employees were not aware of their rights or of the existence of the employee committees operating in the plant. It seems that Stora Enso's own Human Resources Manual was not followed as regards to earned leave and the probationary period for retainers.

The plant had not taken active steps to improve the situation for marginalised groups such as female, low caste and migrant workers even though the human rights challenges faced by these groups are significant in Indian society.

Stora Enso needs to continue the work it has initiated on human and labour rights and implement preventive measures and systems at the Stora Enso Inpac mill in South India. Finnwatch and Swedwatch together with our partners in South India are most willing to continue a discussion on how to best proceed with the findings.

7. Recommendations

To Stora Enso

- Stora Enso needs to put training mechanisms in place for all its employees regarding machinery, safety, factory procedures and rights and responsibilities.
- Stora Enso should improve the factory's ventilation using technical solutions and allow employees to have breaks when working in a hot environment.
- The plant should investigate the reason behind the employees' symptoms possibly caused by chemicals and deal with any issues linked to them.
- Stora Enso should continue to improve work safety systematically.
- Stora Enso Inpac should clear up all issues concerning the ESI registration of their employees, and make sure that all employees receive their ESI card and are aware of their rights regarding this. The plant should also make sure that all accidents are reported appropriately to the authorities and compensated.
- Stora Enso should update its Guidelines for Social Responsibility by adding a requirement for a living wage.⁷⁶

⁷⁶ Stora Enso's Guidelines for Social Responsibility, available at www.storaenso.com/responsibility/our-approach/policies/Documents/Social%20Responsibility%20Guidelines%202012.pdf

- Stora Enso should estimate a living wage in Chennai region and raise the wages of the employees in the lowest pay grades to a sufficient level. The employees should have financial opportunities to live in humane conditions and to start families.
- The excessive probation period for temporary workers should be reduced to a justifiable level. The length of the probation period should at least be on the level stated in the Stora Enso Inpac's Human Resources Manual, which is six months.
- Temporary workers should be entitled to earned leave before they have worked 240 days. Workers who have not been given earned leave according to Stora Enso Inpac's Human Resources Manual should be compensated retrospectively.
- The plant should implement a human resource policy including a plan on how to ensure that vulnerable groups within the work force are given the same opportunities as other employees.
- Compulsory overtime and other employment related problems at the logistics supplier used by the plant should be dealt with.
- At the end of 2012, Stora Enso published its intention to expand packaging operations to Pakistan in cooperation with the local company Packages Ltd. Pakistan experiences significant human rights challenges too, and these should be studied and assessed properly before Stora Enso starts up its activities in the plants owned by Packages Ltd. The improvements necessary in the company's human rights risk assessment should be implemented without delay.
- Stora Enso should include information on the results of the human rights risk assessment in its corporate responsibility reviews, and the resulting actions planned for improvements. Such information is relevant to the company's stakeholders, such as investors and NGOs. Reporting human rights risks and yet unsolved challenges are also part of a company's public image management. Wide-ranging human rights reports are also in line with Stora Enso's own Human Rights Policy.⁷⁷

To Policy Makers

- As a majority owner in Finland, the Finnish state should make sure that the UN's Guiding Principles on Business and Human Rights are enforced in Finland in a credible fashion.
- Finland and Sweden should promote binding and ambitious corporate responsibility reviewing in the European Union in association with the preparation of the directive on non-economic reporting. Companies with more than 250 employees should report on human rights risks and on actions taken to reduce them. Corporate responsibility reporting should have instructions defining a minimum level.

⁷⁷ Stora Enso's Statement on Human Rights, "We will (...) report on our human rights performance – openly and transparently with wideranging participation.", available at www.storaenso.com/responsibility/our-approach/policies/Documents/Human%20Rights%20Statement%202012.pdf

Appendix 1

Stora Enso reacts to the findings of the report

During the research involved in this report, Stora Enso engaged in active dialogue with Finnwatch and Swedwatch. Stora Enso has announced that it will introduce several improvements in the Stora Enso Inpac factory. Some of the improvements have already been included in the action plans for the factory and are in line with this report's recommendations. After the field study conducted for this report, Stora Enso employed an outside legal firm to inspect that all of its human resource policies are managed according to the Indian law and also conducted a SA8000 third party audit regarding the working conditions. The company will enforce the recommendations that have come up from this evaluation.

Stora Enso will:

- speed up the process that is already in place for reducing the temperature inside the factory. Ventilation has already been installed.
- again investigate whether any of the chemicals used in the factory are causing health problems for the workers. Stora Enso Inpac will also increase ventilation in the parts of the factory where most of the chemical fumes occur. The factory is committed to OHSAS 18001 certification by end of December 2013.
- create a process for evaluating possible compensations after serious work-related accidents.
- update the Standing Orders and Human Resources Manual of Stora Enso Inpac.
- improve communication about the factory's worker committees. Especially male workers will be informed about the committee against sexual harassment. Measures have already been taken in summer 2013 and participation levels in committee meetings have increased significantly.
- translate the Human Resources Manual and the Standing Orders into Tamil and will place them inside the factory for the workers to read.
- discuss and establish its position on improving opportunities for women and Dalit workers in India. Based on this internal consultation the company will have an opportunity to start an active process in order to deal with issues related to the above mentioned marginalised groups.
- start active measures to increase the number of women workers in the factory. From now on the factory will ask its recruitment service provider to actively look for female employees. When female workers drop out of working at the factory, Stora Enso will conduct a special exit interview to find out why and how they could improve job satisfaction for female workers.
- acquire information about the living conditions of its workers and about the living wage in the Tamil Nadu area.
- improve communication about the child care facilities in the factory.
- increase reporting about Stora Enso Inpac in its Global Responsibility Report.

Appendix 2:

Stora Enso Social Responsibility Guidelines 2012

Social Responsibility

STORA ENSO'S GUIDELINES FOR SOCIAL RESPONSIBILITY

Revised October 2012

Our approach

We want to be a forerunner in Global Responsibility. This means that economic, social and environmental responsibility should underpin our thinking and our approach to every aspect of doing business.

We respect the cultures, customs and values of local people and societies in the many different regions where we operate. We strive to contribute to positive social and economic development and minimise any negative impacts of our operations.

We know we are stronger when our workforce includes people of different backgrounds and cultures. Building diverse teams is a priority for us.

We expect everyone in Stora Enso to follow these Guidelines for Social Responsibility.

Human and labour rights

We respect and fully observe international human and labour rights. We support the UN's Universal Declaration of Human Rights and the Core Conventions of the International Labour Organisation (ILO) and other universally accepted international and regional human rights instruments as elaborated in our Human Rights commitment statement.

Health and Safety

Stora Enso promises all employees a workplace that is safe, healthy and fair, in line with internationally recognised human and labour rights. No employee may be subject to any physical, psychological or sexual harassment, punishment or abuse.

Diversity

We recognise diversity as a strength. Discrimination against any employee in respect of their racial or ethnic background, age, gender, disabilities, sexual orientation, religious beliefs, political opinions, family status, social origins or other such characteristics is prohibited.

Child labour

The use of child labour is not permissible. The minimum age for employment within Stora Enso shall be in accordance with the ILO Convention No. 138 (14 or 15 years) or age specified in local legislation if higher. The employment of young persons must not jeopardize their education or their development.

Freedom of association

Employees have the right to organise, join associations and bargain collectively, if they wish to.



Social Responsibility

STORA ENSO'S GUIDELINES FOR SOCIAL RESPONSIBILITY

Revised October 2012

Free choice of employment

Any form of involuntary labour is prohibited.

Remuneration

Wages must be paid directly to employees. Employees must be paid at least the minimum legal wage, and wages must also comply with any applicable collective labour agreement.

Working hours

Working hours must not exceed 48 hours and overtime 12 hours per week on average over a year, unless other conditions are specified in local laws or an applicable collective labor agreement.

Organisational restructuring

Any organisational changes or restructuring shall be carried out with respect for all the individuals involved and with proper sensitivity to employees' needs.

Community involvement and communications

We shall strive to be a responsible member of the communities in which we operate. This shall be facilitated through focused partnerships established at local, national and global levels. We shall encourage our employees to take part in local community work.

Our communications with all stakeholders shall be based on credibility, responsibility, proactivity and interaction. We shall consistently advocate open dialogues.

Integrating social responsibility into our organisation

We are committed to evaluate our strengths and weaknesses with regard to social responsibility issues regularly, with the goal of continuous improvement.

Our employees shall take responsibility for integrating these guidelines into their day-to-day activities, and we expect our suppliers and business partners to do the same.

We believe that through cooperation with our stakeholders we can achieve workable solutions to resolve potential conflicts. Through contacts with our stakeholders we shall actively seek to benefit from their knowledge and experience.

We are resolved to always follow these Guidelines for Social Responsibility wherever we operate.



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