MOBILE RESPONSIBILITY?

A look on the human rights and sustainability practices of DNA, Elisa and TeliaSonera

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SUMMARY

In the so-called industrialised countries and emerging markets, practically everyone has a mobile phone and mobile technology is omnipresent. This is increasingly the case in poorer countries, too.

In addition to providing networks, telecommunications operators are also major vendors of mobile devices and other communication technology. It is their duty to ensure that social, ecological and economic responsibility is respected throughout their operations and supply chains and to try to prevent the use of their technology and services for human rights violations.

In 2009, Finnwatch and its partners in the makeITfair project published a comparative study looking at the responsibility of Finnish and other European mobile network operators. The results showed that there was a huge need for improvements along the entire production chain and that responsible mobile devices were still a long way off.

This report looks at how the responsibility practices of the three largest Finnish operators – DNA, Elisa and TeliaSonera – have changed over the past years. Between them, they provide 98 percent of Finnish mobile subscriptions. At the end of 2011, Elisa's market share was 39 percent, TeliaSonera's 35 percent and DNA's 24 percent.

All three companies have ethical guidelines and codes of conduct that their suppliers are expected to follow. All codes ban forced and child labour as well as discrimination and intimidation, require workplace safety and sound health practices, and contain general formulations on environmental responsibility. The companies have progressed in this regard compared to our 2009 report. At the time, DNA had no supplier code and Elisa decided not to respond to our questionnaire or disclose information on its supply chain responsibility practices. TeliaSonera, which had the most advanced responsibility systems three years ago, has also improved its codes and practices.

Still, many problems and challenges remain. To ensure decent terms of employment, DNA, Elisa and TeliaSonera should demand their suppliers to pay a living wage that covers the basic necessities and allows for small savings and to guarantee genuine freedom of association. In many key producing countries both of these are often neglected. They should also impose stricter limits on overtime and the use of temporary workers, and require written contracts and safe grievance mechanisms. The supplier codes should apply to all suppliers in risk countries – that is not the case today.

But even the best responsibility code is not effective unless it is adhered to. All three companies should further develop their systems for monitoring compliance and be more transparent about their auditing practices. They should also adopt measures towards regular and reliable audits throughout the supply chain by independent and certified third parties. At the moment, audits only concern the first tier suppliers and are largely controlled by the companies themselves, which raises questions of objectivity and reliability.

Cooperation between operators, distributors, importers and recyclers should be improved to build a better business case for recycling and reuse. At the present, only a small percentage of mobile phones are reused. DNA and Elisa should be more transparent about their recycling practices and partner companies. TeliaSonera was the only company that publicly named the companies that handle its reusable and recycled devices.

TeliaSonera, which has been implicated in human rights violations resulting from the use of communications data by authoritarian regimes, should use its leverage in international standard-setting bodies to influence the rules covering network integrity and the disclosure of communications data to third parties. It should also seek to address the existing problems relating to the use of communications data in many of its countries of operation.

Public authorities also have a role to play. Finland could take a more active role in developing new, human rights oriented international standards on network integrity and the privacy of communications data. Finnish authorities should also improve the control and oversight of all electronic waste and recycled material export.

SUOMENKIELINEN TIIVISTELMÄ

Niin sanotuilla kehittyneillä ja nousevilla markkinoilla kännykät ja mobiiliteknologia ovat kaikkialla. Tämä on yhä useammin tilanne myös köyhemmissä maissa.

Matkapuhelin- ja tiedonsiirtoverkkopalveluiden tarjoamisen ohella teleoperaattorit ovat myös huomattavia mobiililaitteiden myyjiä. Niillä on velvollisuus varmistaa, että sosiaalinen, ekologinen ja taloudellinen vastuu toteutuu kaikissa niiden toiminnoissa ja koko tuotantoketjussa. Tämä tarkoittaa myös sen ehkäisemistä, ettei niiden tarjoamaa teknologiaa käytetä ihmisoikeusrikkomuksiin.

Vuonna 2009 Finnwatch julkaisi yhdessä makeITfair-verkoston kumppanijärjestöjensä kanssa selvityksen keskeisten eurooppalaisten operaattoreiden vastuullisuuskäytännöistä. Tutkimus paljasti huomattavia puutteita ja osoitti eettisten kännyköiden ja muiden mobiililaitteiden olevan vielä etäinen haave.

Tämä selvitys tarkastelee, kuinka Suomen kolmen suurimman teleoperaattorin – DNAn, Elisan ja TeliaSoneran – vastuullisuuskäytännöt ovat kehittyneet viime vuosina. Yhdessä ne kattavat 98 prosenttia suomalaisten matkapuhelinliittymistä. Vuoden 2011 lopussa Elisan markkinaosuus oli 39 prosenttia, TeliaSoneran 35 prosenttia ja DNAn 24 prosenttia.

Kaikilla kolmella yrityksellä on eettiset vaatimukset, joita niiden alihankkijoiden odotetaan noudattavan. Jokainen yritys kieltää pakko- ja lapsityövoiman käytön sekä työntekijöiden syrjinnän ja häirinnän, edellyttää kohtuullisia työterveys- ja -turvallisuuskäytäntöjä ja sisältää myös (verrattain yleisiä) ympäristövastuuvaateita. Tässä suhteessa selvää edistystä on tapahtunut. Vuonna 2009 DNAlla ei ollut lainkaan vastuullisuusohjeistusta, ja Elisa kieltäytyi kokonaan osallistumasta Finnwatchin selvitykseen. TeliaSonera, jolla tuolloin oli kehittyneiden vastuullisuusjärjestelmä, on myös kehittänyt ohjeitaan ja käytäntöjään.

Edistyksestä huolimatta käytännöissä on edelleen parantamisen varaa. DNAn, Elisan ja TeliaSoneran tulisi vaatia toimittajiaan maksamaan työntekijöilleen elämiseen riittävää palkkaa ja takaamaan aito järjestäytymisoikeus. Monissa keskeisissä informaatioteknologian tuotantomaissa kumpikaan näistä ei usein toteudu. Yhtiöiden pitäisi myös rajoittaa tiukemmin ylitöitä sekä väliaikaisen vuokratyövoiman käyttöä sekä edellyttää kirjallisia työsopimuksia ja turvallisia kanavia työoloja ja -ehtoja koskevien valitusten tekemiseen. Vastuullisuusvaatimusten tulee koskea kaikkia riskimaiden toimittajia ja alihankkijoita – näin ei ole asian laita tällä hetkellä.

Paraskaan vastuullisuusohjeistus ei kuitenkaan auta, ellei sitä noudateta. Kaikkien kolmen yrityksen valvontakäytännöt kaipaavat edelleen kehittämistä. Yritysten tulisi myös kertoa avoimemmin auditointikäytännöistään ja -tuloksistaan. Tarkastusten luotettavuuden ja kattavuuden parantamiseksi niiden tulisi liittyä johonkin yleisesti hyväksyttyyn auditointijärjestelmään, jossa tarkastuksista vastaisi riippumaton kolmas osapuoli.

Laitteiden kierrätyksen ja uudelleenkäytön tehostaminen puolestaan edellyttäisi huomattavasti nykyistä tiivimpää yhteistyötä operaattoreiden, maahantuojien, puhelinvalmistajien ja kierrätysyritysten välillä. Nyt vain muutama prosentti kännyköistä palautuu kiertoon. DNAn ja Elisan pitäisi myös kertoa avoimemmin kierrätyskäytännöistään. Vain TeliaSonera suostui julkisesti nimeämään tuotteidensa kierrätyksestä ja jälleenmyynnistä vastaavat yhteistyökumppanit.

TeliaSonera on yhdistetty ihmisoikeusloukkauksiin tilanteissa, joissa yhtiö on toimittanut viestintätietoja autoritaarisen hallinnon käyttöön. Yksittäisen yrityksen toimintamahdollisuudet ovat rajalliset, mutta TeliaSoneran tulisi kuitenkin pyrkiä edistämään tiukempia tiedonluovutusjärjestelmiä kansainväliset säännöt määrittelevissä elimissä. Yhtiön pitäisi myös esittää ratkaisukeinoja olemassa oleviin ongelmiin sen eräissä toimintamaissa.

Viranomaisten on niin ikään kannettava vastuunsa. Suomen tulisi nykyistä aktiivisemmin kehittää ihmisoikeudet turvaavia kansainvälisiä viestintätietojen suojausstandardeja. Myös elektroniikkajätteen ja kierrätetyn elektroniikkamateriaalin käsittelyn ja viennin valvontaa tulisi edelleen tehostaa.

1. INTRODUCTION

MOBILE TECHNOLOGY AND GADGETS ARE EVERYWHERE. BUT HOW ETHICAL ARE THE COMPANIES PROVIDING MOBILE COMMUNICATIONS SERVICES? FINNWATCH SET OUT TO ASSESS THE RESPONSIBILITY PRACTICES OF FINLAND'S THREE LARGEST NETWORK OPERATORS.

According to the International Telecommunication Union (ITU), there were almost six billion registered mobile phone subscriptions around the world in 2011. On average, 87 percent of the world's population have access to a registered mobile phone subscription. Mobile network operators are also major vendors of mobile phones and other communication technology, and they often tie a subscription to the purchase of a new phone. It is their duty to ensure that social, ecological and economic responsibility is respected throughout their supply chains and to try to prevent the use of their technology and services for human rights violations.

In October 2009, Finnwatch and its partners in the European makeITfair project published a comparative study looking at the responsibilities of Finnish and other European mobile network operators.[1] The investigation, which was the first of its kind in Finland, showed that there was a huge need for improvement along the entire production chain and that mobile devices that would be fair and environmentally friendly in terms of design, production, marketing and recycling were still a long way off.

In a follow-up to that report, the makeITfair network set out to find out how the responsibility practices of major European mobile network operators regarding human rights and sustainability have developed over the past three years. The scope of analysis has been widened to include some fundamental challenges that were not included in the previous report, such as risks posed by insufficient customer privacy and the use of mobile communications data for human rights violations by authoritarian regimes.

The present research deals with the Finnish market, examining the responsibility codes and practices of Elisa, TeliaSonera and DNA. Between the three of them, they account for 98 percent of Finnish mobile network subscriptions.

While this report can be read as an independent publication, it also serves as the Finnish contribution to the larger makeITfair report covering covering five European countries: Finland, Germany, Hungary, the Netherlands and Sweden.[2]

The information contained in this report is based on the responses of Elisa, TeliaSonera and DNA to Finnwatch's questions (see appendix) as well as company responsibility codes, annual reports and other publicly available material. The research was carried out in August–October 2012.

1 MakeITfair (2009): Fair Phones: It's Your Call. http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones/at_download/file; For the Finnish country report, see http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones-fi/at_download/file

2 See http://makeitfair.org/en/the-facts/reports.

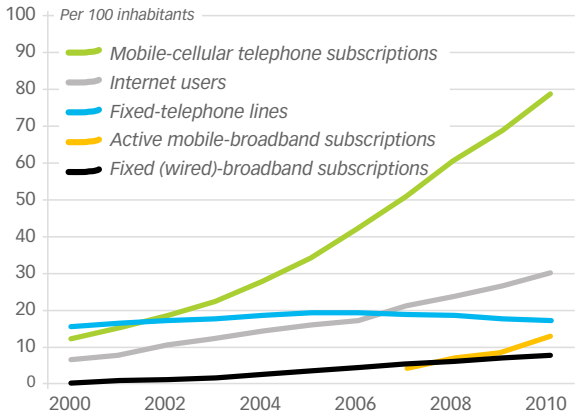
2. MOBILE NETWORK OPERATORS – A GLOBAL MARKET ANALYSIS

IN LITTLE OVER A DECADE, MOBILE DEVICES HAVE DEVELOPED FROM LUXURY ITEMS TO BASIC NECESSITIES, NOT ONLY IN THE RICHEST COUNTRIES BUT INCREASINGLY ALL OVER THE WORLD. TODAY THE FASTEST GROWTH AND THE LARGEST NETWORK COMPANIES ARE TO BE FOUND IN EMERGING MARKETS.

The telecommunication industry has experienced a tremendous boom over the last decade. In particular mobile-cellular and mobile-broadband subscriptions have increased at astonishing rates. According to the International Telecommunication Union (ITU), there were close to six billion mobile phone subscriptions worldwide in 2011.[3] This equates to a global penetration rate of 86 percent (i.e. on average, about 86 percent of the world's population owns a registered mobile phone connection) – almost twenty times larger a proportion than in 1998.[4] Between 2008 and 2011 the number of subscriptions increased by 48 percent.[5]

The number of fixed telephone lines, on the contrary, has continuously declined since peaking in 2006.[6] Only 16.6 percent of the world population owned a fixed telephone line in 2011, exactly the same figure as in 2001.[7]

In some poorer countries with underdeveloped infrastructure, many have skipped the fixed telephony phase altogether and gone directly from no phone to modern mobile technology with locally customised services.



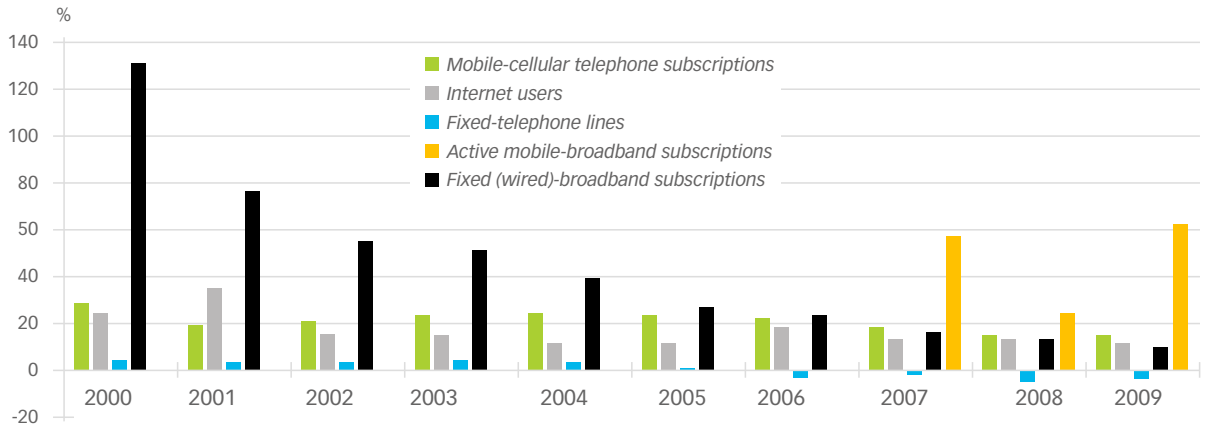


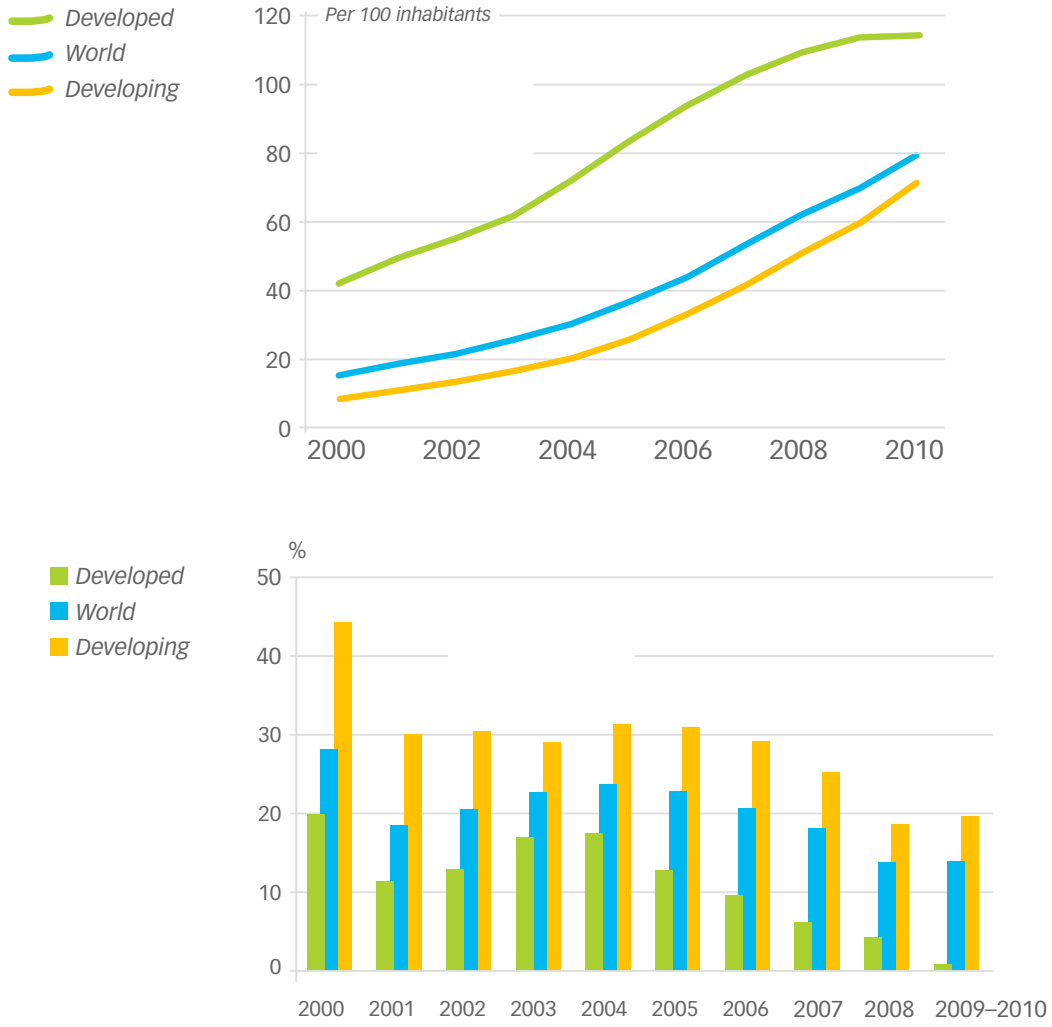
Figure 1. Worldwide market penetration (right) and annual growth (below) rates 2000–2010 [8]

3 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/at_glance/keytelecom.html
4 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/material/excel/2011/Mobile_cellular_01-11_2.xls
5 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/material/excel/2011/Mobile_cellular_01-11_2.xls; makeITfair (2009): Fair Phones: It's your call, p. 12, http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones/at_download/file
6 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/material/excel/2011/Global_ICT_Dev_01-11.xls
7 ITU (2012) http://www.itu.int/ITU-D/ict/statistics/material/excel/2011/Global_ICT_Dev_01-11.xls
8 ITU (2012): Measuring the Information Society; http://www.itu.int/ITU-D/ict/publications/idi/material/2011/MIS_2011_without_annex_5.pdf, P. 1

Despite rapid growth in the South, there is still a considerable difference between the penetration rates of "developed" and "developing" countries. While everyone in the industrialized countries statistically possesses more than one mobile phone (122 percent average penetration rate), in the developing countries one in five has no phone at all (78 percent penetration rate).[9] In Africa the penetration rate is 53 percent.[10] It is also worth noting, however, that in poorer areas mobile phones are often shared and thus the de-facto number of mobile phone users and penetration rate are higher than what is implicated by the number of subscriptions.

In 2011, Finland had the highest penetration rate (166 percent) of the countries included in this makeITfair research project, followed by Germany (132), Sweden (119), Hungary (115) and the Netherlands (115).[11]

Figure 2. Global mobile-cellular subscriptions 2000-2010. Market penetration (above) and annual growth rate (below)[12]



9 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/material/excel/2011/Mobile_cellular_01-11.xls
10 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/at_glance/keytelecom.html
11 ITU (2012): http://www.itu.int/ITU-D/ict/statistics/material/excel/2010/MobileCellularSubscriptions_00-10.xls.The figure for the Netherlands is from 2010.
12 ITU (2012): Measuring the Information Society; http://www.itu.int/ITU-D/ict/publications/idi/material/2011/MIS_2011_without_annex_5.pdf, p. 2.

LARGEST MOBILE NETWORK OPERATORS WORLDWIDE

Changes on the global market have been in favour of companies from the emerging markets. Especially network operators from China, India, Russia and South Africa have significantly increased their global market shares in the past three years.

Two of the ten market leaders are Chinese. This was the case also at the time of the previous makeITfair report in 2009.[13] Of the four new companies that have entered the top ten after 2009, Bharti Airtel and Reliance Communications come from India, while VimpelCom is Russian and MTN Group South African. Save China Unicom, they all operate internationally.

Overall, the ten biggest mobile network operators lost in market share in comparison to their smaller competitors. In 2011, they held a global market share of about 40 percent, representing a decline of six percentage points compared to 2008.[14]

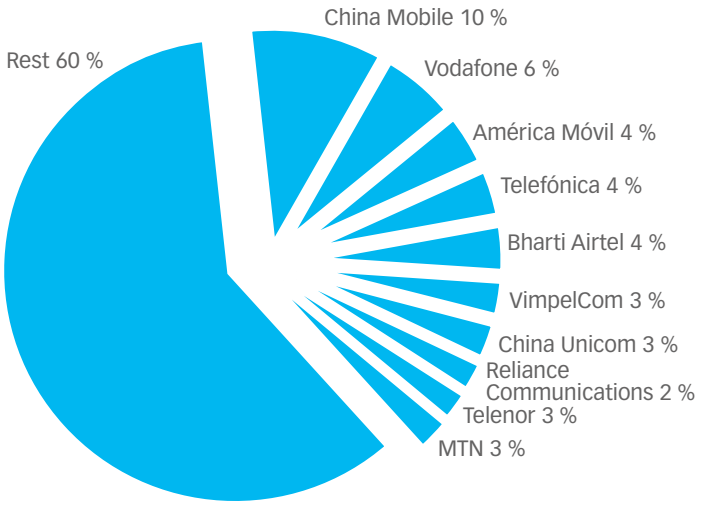


Figure 3. World's largest mobile networks operators in 2011[15]

MOBILE NETWORK OPERATORS INCLUDED IN THIS PROJECT

The present publication deals with the three major operators in Finland: TeliaSonera, Elisa and DNA. It also serves as the Finnish contribution to the broader makeITfair research that includes the major mobile network operators in Finland, Germany, Hungary, Sweden and the Netherlands. (The overall report covering all the companies and countries mentioned can be downloaded at www.makeitfair.org.)

The other companies included in the broader research project are T-Mobile, KPN, Tele2, Telefónica, Telenor, Tre and Vodafone. Among them, Vodafone, Telefónica and Telenor are major players also on the global stage: Vodafone is the world's second largest operator, followed by Telefónica at third and Telenor at ninth position. At the time of the previous makeITfair operator report, in 2009, TeliaSonera was also among the top ten, but its market share has since declined, primarily due to strong competition in the emerging markets.

13 MakeITfair (2009): Fair Phones: It's Your Call. Http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones-fi/at_download/file

14 Calculation based on the GSMA ranking (2011), http://www.mobilebusinessbriefing.com/articles/top-20-global-mobile-operator-groups-by-connections/18668/ and the figures from the ITU concerning the total mobile phone subscriptions worldwide in 2011, http://www.itu.int/ITU-D/ict/statistics/at_glance/keytelecom.html

15 GSMA (2011): http://www.mobilebusinessbriefing.com/articles/top-20-global-mobile-operator-groups-by-connections/18668/

Table 1. Markets and customers of key European operators

Mobile network operator (head office)	Main markets	Subscriptions in millions (Globally / in the examined countries) by end 2011
DNA (Finland)	Finland[16]	Finland: 2.3 [17]
Elisa (Finland)	Finland, Estonia[18]	Globally: 4.2[19] Finland: 3.7[20]
KPN (Netherlands)	Belgium, Germany, Netherlands, France, Spain21	Worldwide: 36.622 Germany: 22.723 Netherlands: 9.824
Tele2 (Sweden)	Sweden, Norway, Russia, Estonia, Lithuania, Latvia, Croatia, Kazakhstan, Netherlands, Germany, Austria [25]	Globally: 31.1[26] Sweden: 3.7[27] Netherlands: 0.3[28]
Telefónica (Spain)	Argentina, Brazil, Chile, Colombia, Costa Rica, Czech Republic, Ecuador, El Salvador, Germany, Guatemala, Ireland, Mexico, Morocco, Nicaragua, Panama, Peru, Puerto Rico, Slovakia, Spain, UK, Uruguay, USA, Venezuela[29]	Globally: 238,749[30] Germany: 18,380[31]
Telenor (Norway)	Bangladesh, Denmark, Hungary, India, Malaysia, Montenegro, Norway, Pakistan, Serbia, Sweden, Thailand[32]	Globally: 146[33] Sweden: 2.2 [34]
TeliaSonera (Sweden)	Azerbaijan, Denmark, Estonia, Finland, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Nepal, Norway, Spain, Sweden, Tajikistan, Uzbekistan [35]	Globally: 54.4[36] Finland: 3.2[37] Sweden: 6.338
T-Mobile (Germany)	Albania, Austria, Bulgaria, Croatia, Czech Republic, Germany, Greece, Macedonia, Montenegro, Netherlands, Poland, Romania, Slovakia, UK, USA[39]	Globally: 129.3[40] Germany: 35.4[41]
Tre/3 (Hutchison Whampoa) (Hongkong)	Australia, Austria, Denmark, Hongkong and Macau, Ireland, Italy, Sweden, United Kingdom [42]	Globally: 31.6[43] Denmark: 0.8[44] Sweden: 1.4[45]
Vodafone (UK)	Albania, Australia, Czech Republic, Egypt, Germany, Ghana, Greece, Hungary, India, Ireland, Italy, Malta, Netherlands, New Zealand, Portugal, Qatar, Romania, South Africa, Spain, Turkey, UK [46]	Globally: 398[47] Germany: 37.6[48] Netherlands: 5.3[49]

16 DNA Group (2012): DNA Group Annual Report 2011; http://annualreporting.dna.fi/filebank/785-annualreport2011.pdf, p. 4
17 DNA Group (2012): DNA Group Annual Report 2011 http://annualreporting.dna.fi/filebank/785-annualreport2011.pdf , p. 74
18 Elisa (2012): Elisa Operational Data; http://www.elisa.com/english/docimages/attachment/120427Elisa%20Operational%20Data%20Q1%202012.xls
19 Elisa (2012): Elisa Operational Data; http://www.elisa.com/english/docimages/attachment/120427Elisa%20Operational%20Data%20Q1%202012.xls
20 Ibid.
21 KPN (2012): Facts; Countries and Brands; http://www.kpn.com/corporate/aboutkpn/company-profile/company-profile/the-company/facts.htm
22 KPN (2012): Facts; Mobile Customers; http://www.kpn.com/corporate/aboutkpn/company-profile/company-profile/the-company/facts.htm
23 KPN (2012): Figure obtained upon request
24 KPN (2012): Figure obtained upon request
25 Tele2 (2012): Annual Report 2011; http://www.tele2.com/2011-Annual_Report-english.pdf, p. 33
26 Tele2 (2012): Annual Report 2011; http://www.tele2.com/2011-Annual_Report-english.pdf, p. 33
27 Ibid.
28 Ibid
29 Telefónica (2012): Telefónica Worldwide; http://www.telefonica.com/en/countries/html/home/index.shtml
30 Telefónica (2012): Annual Report 2011 http://www.telefonica.com/en/shareholders_investors/pdf/20120330_Audited_Consolidated_Annual_Accounts_2011.pdf , p. 168
31 Telefónica (2012): Annual Report 2011; http://www.telefonica.com/en/shareholders_investors/pdf/20120330_Audited_Consolidated_Annual_Accounts_2011.pdf p. 200
32 Telenor (2012): Mobile Operations Worldwide; http://telenor.com/global-presence/
33 Telenor (2012): Company Facts; http://telenor.com/investor-relations/company-facts/
34 Telenor (2012): Key Figures; http://telenor.com/global-presence/sweden/
35 Telia Sonera (2012): Markets and Brands; http://www.teliasonera.com/en/about-us/markets-and-brands/
36 Telia Sonera (2012): Telia Sonera Annual Report 2011; http://www.teliasonera.com/Documents-/Reports/2011/AnnualReports/ts_ar2011_eng.pdf?epslanguage=en; S. 118
37 Ibid.
38 Ibid.
39 Deutsche Telekom (2012): http://www.telekom.com/weltweit
40 Deutsche Telekom (2012): Annual Report 2011; http://www.geschaeftsbericht.telekom.com/site0411/de/, U7
41 Ibid.
42 Hutchison Whampoa (2012): Annual Report 2011, http://www.hutchison-whampoa.com/#ar2011, S. 62
43 Hutchison Whampoa (2012): Annual Report 2011; http://www.hutchison-whampoa.com/#ar2011 S. 62
44 Ibid.
45 Ibid.
46 Vodafone (2012): Vodafone Interim Management Statement Q4 2011; http://www.vodafone.com/content/dam/vodafone/investors/financial_results_feeds/ims_quarter_31december2011/dl_ims_31december2011.pdf; S. 9.
47 Vodafone (2012): Vodafone Interim Management Statement Q4 2011; http://www.vodafone.com/content/dam/vodafone/investors/financial_results_feeds/ims_quarter_31december2011/dl_ims_31december2011.pdf S. 9
48 Ibid.
49 Ibid.

3. THE FINNISH MOBILE NETWORK MARKET

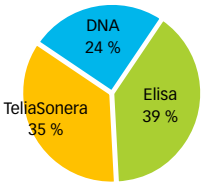
THERE ARE ALMOST 1.7 SUBSCRIPTIONS PER FINN. MOST OF THEM ARE PROVIDED BY DNA, ELISA OR TELIASONERA.

The Finnish mobile network market is dominated by three large operators: DNA, Elisa and TeliaSonera. Between them they account for 98 percent of all mobile network subscriptions provided to end users. The remaining two percent represent smaller service operators that buy the network capacity they need from one of the three large players.[50]

After the previous makeITfair report on Finnish mobile network operators[51], published in 2009, Elisa has overtaken TeliaSonera as the Finnish market leader. At the end of 2011, Elisa's market share was 39 percent, TeliaSonera's 35 percent and DNA's 24 percent.[52]

Headquartered in Sweden and with considerable ownership by the Swedish and Finnish states, TeliaSonera is by far the most global and largest of the three companies. It has over 54 million subscribers in Azerbaijan, Denmark, Estonia, Finland, Georgia, Kazakhstan, Latvia, Lithuania, Moldova, Nepal, Norway, Spain, Sweden, Tajikistan and Uzbekistan.[53] Elisa's key market is Finland, but it operates also in Estonia. DNA's operations are focused in Finland.

Table 2. Mobile phone subscriptions and market shares of Elisa, TeliaSonera and DNA

Company	Number of subscriptions in Finland (end of 2011)	Market share (end of 2011)[54]
Elisa	3,658,500[55]	
TeliaSonera	3,231,00056	
DNA	2,285,000[57]	

Fixed and mobile network operations can be divided into retail and wholesale services. Examples of retail services include telephone and broadband services sold to consumers, companies and organisations. Wholesale services refer to services that the operators sell to each other and which are further used for the provision of other telecoms services. A typical example would be network leasing and interconnection fees.[58]

50 Finnish Communications Regulatory Authority (2012): Telecoms operations in Finland, Telecoms operators' revenues and investments in 2011. www.ficora.fi/attachments/englantiav/68gA178bX/Markkinakatsaus_4_2012_EN.pdf (3 Sept 2012)

51 Finnwatch (2009): Fair Phones: It's Your Call. Why Finnish Mobile Operators Should Be Responsible for Supply Chains. MakeITfair.

52 Finnish Communications Regulatory Authority (2012): Broadband and Telephone Services. Statistical Rewiew July–December 2011. FICORA Market Review 2/2012, p. 8. http://www.ficora.fi/attachments/englantiav/66hLRrKnE/Markkinakatsaus_2_2012_EN.pdf. (3 Sept 2012)

53 Telia Sonera (2012): Markets and Brands; http://www.teliasonera.com/en/about-us/markets-and-brands/

54 Finnish Communications Regulatory Authority (2012): Broadband and Telephone Services. Statistical Rewiew July–December 2011. FICORA Market Review 2/2012, p. 8. http://www.ficora.fi/attachments/englantiav/66hLRrKnE/Markkinakatsaus_2_2012_EN.pdf. (3 Sept 2012)

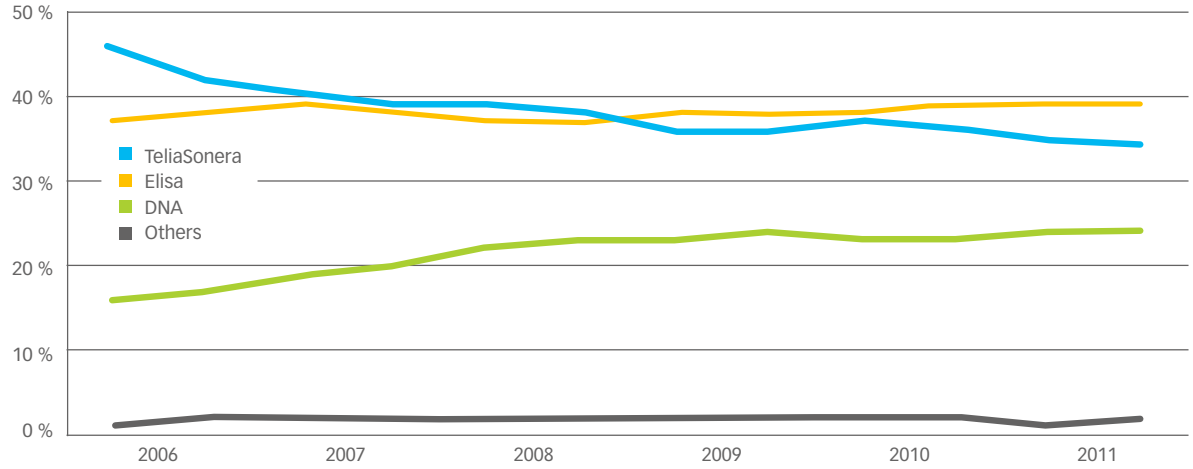
55 Elisa (2012): Elisa Operational Data; http://www.elisa.com/english/docimages/attachment/120427Elisa%20Operational%20Data%20Q1%202012.xls

56 Telia Sonera (2012): Telia Sonera Annual Report 2011. http://www.teliasonera.com/Documents-/Reports/2011/AnnualReports/ts_ar2011_eng.pdf?epslanguage=en; p. 118

57 DNA Group (2012): DNA Group Annual Report 2011 http://annualreporting.dna.fi/filebank/785-annualreport2011.pdf , S. 74

58 Finnish Communications Regulatory Authority (2012). Telecoms operations in Finland, Telecoms operators' revenues and investments in 2011, p. 7. www.ficora.fi/attachments/englantiav/68gA178bX/Markkinakatsaus_4_2012_EN.pdf (3 Sept 2012)

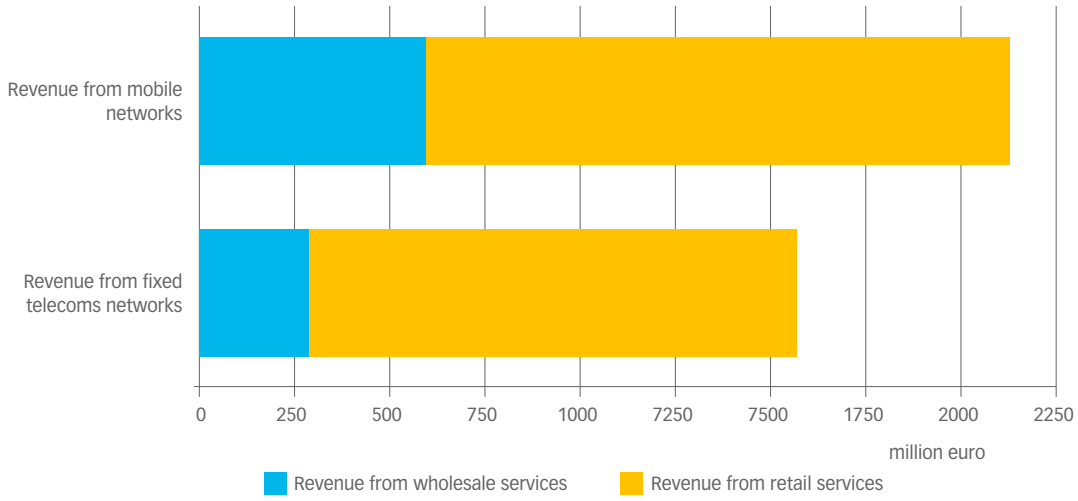
Figure 4. Development of market shares in the Finnish mobile phone market 2006–2011[59]



In 2011, the overall turnover of the Finnish market was about 2.8 billion euros for retail services and 880 million for wholesale services. Both figures represent a two percent decline from the previous year.

The distribution of turnover between mobile and fixed networks and wholesale and retail services is illustrated in Figure 5.

Figure 5. The distribution of telecommunications turnover into retail and wholesale services in Finland in 2011[60]



Practically all Finnish adults have at least one mobile phone. According to a survey by the Finnish Communications Regulatory Authority (FICORA), in 2010 almost every fourth Finn had two mobile phone subscriptions, and five percent had more than two. On average there were

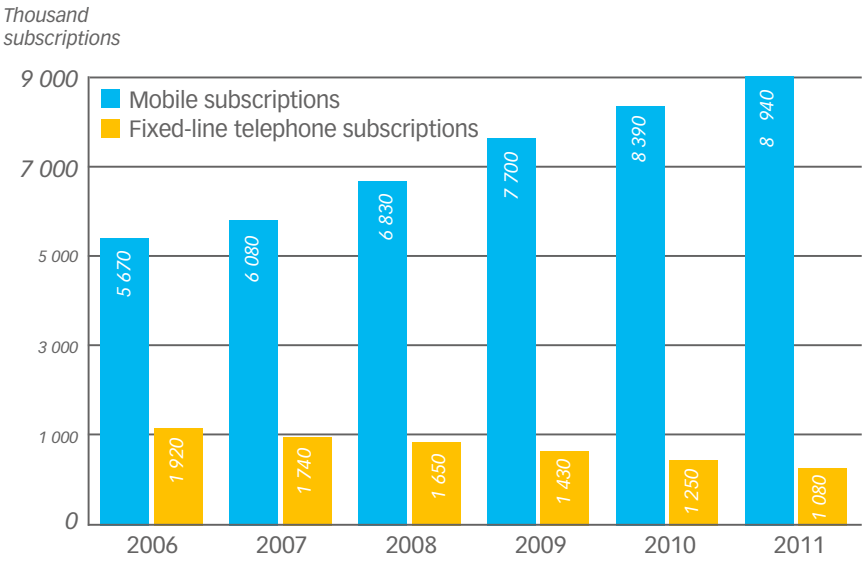
59 Finnish Communications Regulatory Authority (2012): Commuications Market in Finland. Market Review 2011. http://www.ficora.fi/attachments/68jZSgWFY/Viestintavirasto_vuosi2011_englanti_2706.pdf (20 Sept 2012)

60 Finnish Communications Regulatory Authority (2012): Telecoms operations in Finland, Telecoms operators' revenues and investments in 2011, p. 8. www.ficora.fi/attachments/englantiav/68gA178bX/Markkinakatsaus_4_2012_EN.pdf (3 Sept 2012)

1.4 subscriptions per person. By the end of 2011, the penetration rate had climbed to 1.7 mobile phone subscriptions per capita, the highest in the Nordic countries.[61] There has been a substantial, although slowing, increase in mobile data traffic in recent years, with annual growth rates of 282 (in 2009), 109 (2010) and 84 percent (2011).[62]

In contrast, today only 16 percent of Finnish households have a fixed telephone line, down from above 50 percent in 2005, and roughly 90 percent have an internet connection.[63] Fixed telephone lines were more common and internet usage less common among the older age groups.[64] The development of mobile and fixed telephone subscriptions in Finland is shown is figure 6.

Figure 6. Mobile phone and fixed network subscriptions in Finland 2006–2011[65]



FICORA estimates that a customer subscribing to a mobile network brought an average of 153 euros to telecoms operators in 2011. The figures for broadband customers and fixed-line telephone subscriptions in the fixed networks were 280 and 177 euros per customer per year, respectively.[66]

Package deals or ”tie-in subscriptions” became legal in Finland in 2006. Until then, phones and subscriptions had to be sold separately. At the end of 2011, about 24 percent of mobile subscriptions were package deals, showing a three percentage point rise from the previous year.[67]

61 Finnish Communications Regulatory Authority et al (2012): Telecommunications Markets in the Nordic Countries 2011. http://www.ficora.fi/attachments/englantiav/68tsy4qIW/Telecommunication_Markets_in_the_Nordic_Countries_2011.pdf (3 Sept 2012).

62 Finnish Communications Regulatory Authority (2010): Viestintäpalvelujen kuluttajatutkimus 2010. http://www.ficora.fi/attachments/5wYuLEiiR/Viestintapalvelujen_kuluttajatutkimus_2010_julkaisu.pdf

63 Finnish Communications Regulatory Authority (2012): Commuications Market in Finland. Market Review 2011. http://www.ficora.fi/attachments/68jZSgWFY/Viestintavirasto_vuosi2011_englanti_2706.pdf (20 Sept 2012)

64 Finnish Communications Regulatory Authority (2010): Viestintäpalvelujen kuluttajatutkimus 2010. http://www.ficora.fi/attachments/5wYuLEiiR/Viestintapalvelujen_kuluttajatutkimus_2010_julkaisu.pdf

65 Finnish Communications Regulatory Authority (2012): Broadband and Telephone Services. Statistical Rewiew July–December 2011. FICORA Market Review 2/2012, p. 8. http://www.ficora.fi/attachments/englantiav/66hLRrKnE/Markkinakatsaus_2_2012_EN.pdf. (3 Sept 2012)

66 Finnish Communications Regulatory Authority (2012): Telecoms operations in Finland, Telecoms operators’ revenues and investments in 2011, p. 7–8. www.ficora.fi/attachments/englantiav/68gA178bX/Markkinakatsaus_4_2012_EN.pdf (3 Sept 2012)

67 Government of Finland (2008): Hallituksen esitys Eduskunnalle laiksi viestintämarkkinalain muuttamisesta HE 109/2008. Available at http://www.finlex.fi/fi/esitykset/he/2008/20080109 (October 2012); Finnish Communications Regulatory Authority (2011): Communications market in Finland 2011. Market Review. http://www.viestintavirasto.fi/attachments/68jZSgWFY/Viestintavirasto_vuosi2011_englanti_2706.pdf (26 October 2012).

In this respect the Finnish market differs from many others, where tie-in subscriptions are the most common type of subscription.

The network operators do not disclose their detailed sales figures, but Finnwatch has previously estimated that they sell hundreds of thousands of mobile phones per year. This means that their responsibility practices have wide ramifications and that positive developments in them can make a big a difference.[68] They also increasingly carry their own ”private label” products with their own brand names, such as modems or mobile connectivity devices. In such cases, where the operator companies directly negotiate contractual terms, their responsibility is even greater.

68 Finnwatch (2009): Fair Phones: It's Your Call. Why Finnish Mobile Operators Should Be Responsible for Supply Chains, p. 16. MakeITfair. http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones-fi/at_download/file

4. THE RESPONSIBILITY PRACTICES OF ELISA, TELIASONERA AND DNA

IN THE THREE YEARS THAT HAVE PASSED SINCE OUR PREVIOUS REPORT, FINNISH OPERATORS HAVE CONSIDERABLY DEVELOPED THEIR RESPONSIBILITY PRACTICES. NEVERTHELESS, THERE IS STILL NEED FOR MANY IMPROVEMENTS.

The corporate responsibility challenges of the mobile industry are manifold and concern the entire supply and value chain from the sourcing of raw materials to the disposal of electronic waste. These issues have been covered extensively in previous makeITfair and Finnwatch reports.[69]

The main responsibility challenges include:

- Guaranteeing decent wages and other terms of employment, especially in the sourcing and assembly stages of the production chain
- Ensuring safe working conditions
- Freedom of organisation and the right to collective bargaining
- Minimising environmental damage throughout the supply chain, including the safe disposal of products that have come to the end of their life cycle
- Respecting customer privacy and network integrity so that personal information is not used to violate human rights

The last mentioned is an emerging issue that concerns especially mobile network providers operating in countries where the state and public officials may use communications data to persecute dissenters.

In recent years, awareness of responsibility issues among Finnish mobile network operators has increased. This is also reflected in improved practices compared to our 2009 report. Rising consumer interest in social and ecological responsibility may also have played a role, although based on the responses to our survey, it seems that this type of consumer activism is still a long way from a mass phenomenon. (Then again, until there are truly ethical products on offer, consumers' chances of making meaningful choices based on responsibility considerations are limited.)

The following chapters provide an overview of the codes and practices of Elisa, TeliaSonera and DNA regarding key corporate responsibility questions. Where possible, comparisons are drawn vis-à-vis the previous makeITfair report published in 2009.[70]

69 See www.makeitfair.org/en/the-facts/reports; www.finnwatch.org/julkaisut

70 MakeITfair (2009): Fair Phones: It's Your Call. http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones-fi/at_download/file.For the Finnish country report, see http://makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones-fi/at_download/file

CODES OF CONDUCT AND HUMAN RIGHTS POLICIES

Elisa, TeliaSonera and DNA all have ethical guidelines and codes of conduct that their suppliers are expected to follow. All codes ban forced and child labour as well as discrimination and intimidation, require workplace safety and sound health practices, and contain general formulations on environmental responsibility.

All three companies have progressed in this regard compared to our 2009 report. At the time, DNA had no supplier code and Elisa decided not to respond to our questionnaire or disclose information on its supply chain responsibility practices. TeliaSonera, which had the most advanced responsibility system three years ago, has also improved its codes and practices.

The spirit of the new corporate responsibility guidelines issued by the United Nations, OECD and European Union are clearly reflected in **Elisa**'s Code of Ethical Purchasing in the sense that Elisa recognises its responsibility to encompass the effects of its operations not only on the company's interest groups but also society at large.[71] The code, which is presently being reviewed, also makes an explicit reference to the UN Guiding Principles on Business and Human Rights, although it is unclear how they are reflected at the operational level.

Where Elisa's guidelines fall somewhat short is in the paragraphs concerning freedom of association, working hours and compensation. According to the code of ethical purchasing, the employees are free to join or not to join trade unions "as far as any relevant laws allow". Given that real freedom of association and right to collective bargaining are not safeguarded by the legislative and regulatory systems of many countries, a stronger formulation in favour of genuinely free organisation would be preferable. In places where freedom of association is not the norm, companies should actively support it.

Likewise with regard to working hours, Elisa restricts its demands to national legislation and a vaguely phrased requirement to avoid "excessive" workload. It is not clear what "excessive" means or who is the judge of it. The paragraph on worker compensation suffers from similar vagueness. It is merely stated that the terms and pay shall be "fair" and "reasonable", but no criteria for assessing them is provided, not even the typical (inadequate) reference to the local minimum wage.[72]

TeliaSonera's Supplier Code, updated in 2010, requires that suppliers "as a minimum" comply with the applicable laws and regulations of each operating location, but it also states that where the code requests higher standards than national law, suppliers are expected to abide by the code. "Adherence to the Supplier Code shall be an integral part of legal contracts and agreements with suppliers." Suppliers' subsidiaries and subcontractors are also expected to comply with the code.[73] At the end of 2011, the Supplier Code covered 85 percent of TeliaSonera's supplier contracts.[74]

TeliaSonera's code states that "employees right to choose whether or not to be represented by a trade union for the purpose of collective bargaining shall be respected." While this wording is stronger than that of Elisa, for example, it would be good if the code also explicitly acknowledged

71 Elisa Corporation (2010): Elisa Corporation Code of Ethical Purchasing, p. 1; see also United Nations (2011): The Guiding Principles on Business and Human Rights. http://www.business-humanrights.org/SpecialRepPortal/Home/Protect-Respect-Remedy-Framework/GuidingPrinciples; OECD (2011): The OECD Guidelines for Multinational Corporations. http://www.oecd.org/daf/internationalinvestment/guidelinesformultinationalenterprises/oecdguidelinesformultinationalenterprises.htm; European Commission (2011): Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A renewed EU strategy 2011-14 for Corporate Social Responsibility. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF

72 Elisa Corporation (2010): Elisa Corporation Code of Ethical Purchasing, p. 1–2.

73 TeliaSonera (2010): TeliaSonera Supplier Code.

74 TeliaSonera (2012). Corporate Responsibility Report 2011, p. 17. http://www.teliasonera.com/Documents/Reports/2011/AnnualReports/ts_cr2011.pdf (16 November 2012).

the right of workers to freely choose the union they wish to be represented by; in some countries, unions arranged by the supplier companies without the workers' consent may be the only alternative.

The code states that the legal minimum wage "shall be a minimum rather than a recommended level", but does not contain more specific requirements or instructions on decent compensation.

TeliaSonera was part of the industrial dialogue leading up to the UN Guiding Principles framework, and together with 10 other companies it is part of the Telecommunications Industry Dialogue on Freedom of Expression and Privacy, a project exploring how the Guiding Principles can be transformed into concrete due diligence measures.[75] TeliaSonera also participates in the responsibility work of the European Telecommunications Network Operators Association (ETNO) and GSMA, the global network providers' organisation.

While these are all welcome steps, Finnwatch encourages TeliaSonera and the other companies to also engage in processes involving representatives from the civil society, labour groups and independent experts alongside industry actors. In this sense, the Global Network Initiative (GNI) a multi-stakeholder responsibility organisation, for instance, serves as a possible model to follow.[76]

In July 2012, TeliaSonera commissioned the Danish Institute for Human Rights to review its human rights impact assessment, with a view to developing a tool tailored to the company's human rights risk profile and benchmarked on the UN Guiding Principles. The work is to be finalised by the end of 2012.[77]

THE UN GUIDING PRINCIPLES

The Guiding Principles for Business and Human Rights were approved by the United Nations Human Rights Council in 2011.[78]

The product of six years of research, negotiations and consultations, the principles are based on three pillars:

- **STATE DUTY TO PROTECT** against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation and adjudication.
- **CORPORATE RESPONSIBILITY TO RESPECT** human rights, which means that business enterprises should act with due diligence to avoid infringing on the rights of others and address adverse human rights.
- **ACCESS TO REMEDY** for victims of business-related abuse, both judicial and non-judicial.

The Guiding Principles provide a general, widely accepted and authoritative blueprint for companies on how to know and show that they are respecting human rights.

At the present it is, however, somewhat unclear how they can be translated into operational practices. Several processes are currently underway to develop more practical and specific guidance on the principles' application.

75 TeliaSonera's response to Finnwatch's questionnaire. Submitted by Siru Sihvonen on 12 September 2012.

76 For more on the GNI, see www.globalnetworkinitiative.org.

77 TeliaSonera (2012): TeliaSonera partners with the Danish Institute for Human Rights (DIHR) for support and review of its corporate human rights work. Published 17 July 2012 at http://www.teliasonera.com/en/newsroom/press-releases/2012/7/teliasonera-partners-with-the-danish-institute-for-human-rights-dihr-for-support-and-review-of-its-corporate-human-rights-work/.

78 United Nations (2011): The Guiding Principles on Business and Human Rights. http://www.business-humanrights.org/SpecialRepPortal/Home/Protect-Respect-Remedy-Framework/GuidingPrinciples

DNA has considerably strengthened its previously relatively modest responsibility functions during the past year. At the time of our previous report in 2009, the company had "no specific criteria for mobile phone suppliers". The company also stated that since it purchased from main brands only, it expected "these things to be ok".[79]

Considering this background, DNA's new Supplier Code, adopted in 2012, represents a major improvement. The revised code has been applied to all new procurement and logistics contracts signed this year. DNA has also hired a full-time responsibility expert in the autumn of 2011.[80]

The key references of the revised Supplier Code are international conventions and local laws. The code obliges suppliers to respect universal human rights and the basic provisions of the ILO core conventions on workers' rights, including the employer's responsibility to guarantee the freedom of assembly and right to collective bargaining.

As concerns compensation and working hours, DNA's code would benefit from stronger wording. It obliges suppliers to follow the national legislation. In many key supplier countries of electronic devices the legal minimums do not correspond to decent employment terms.[81]

DNA says developing sustainable partnerships – meaning that responsible practices are adhered to throughout the value chain from infrastructure investments and procurement to end products – is a focus area of its responsibility work in 2012. The results of this remain to be seen, but it appears that developing some sort of robust monitoring practices would be a prerequisite for success in this domain.

DNA has "noted" the UN Guidelines, but they are not yet incorporated into the Group's ethical principles or supplier code. DNA has, however, requested that the Finnish Ministry of Employment and the Economy issue instructions on the implementation of the UN Guidelines. This is in line with the demands of Finnish NGOs, including Finnwatch, that believe the instructions should be prepared at the political level and codified into the regulatory framework to ensure their consistent application.

It is positive that in its two previous corporate responsibility reports, DNA has followed the standards of the Global Reporting Initiative (GRI) sustainability framework, a global standard that is also used by Elisa and TeliaSonera.[82]

It should also be noted, however, that DNA's responsibility reports are not subject to external assurance, and they do not reveal which suppliers have undergone human rights screening and what actions have been taken in relation to them, what is the relation of entry level wages to local minimum wages, what significant indirect economic impacts the company's operations have, or what is the company's human rights management approach and related performance indicators.[83]

79 Finnwatch (2009): Fair Phones: It's Your Call. Why Finnish Mobile Operators Should Be Responsible for Supply Chains. MakeITfair.

80 DNA's response to Finnwatch's questionnaire. Submitted by Noomi Lehtosaari on 9 August 2012; DNA Supplier Code, dated 17 April 2012 (confidential document sent by DNA to Finnwatch).

81 DNA Supplier Code, dated 17 April 2012 (confidential document sent by DNA to Finnwatch).

82 DNA's response to Finnwatch's questionnaire. Submitted by Noomi Lehtosaari on 9 August 2012; For further information on the GRI framework, see https://www.globalreporting.org.

83 DNA's GRI "Content Index" for 2011 can be seen at http://annualreporting.dna.fi/en/corporate-responsibility/reporting/gri-content-index (10 Sept 2012)

MONITORING AND AUDITS

For the supplier codes of conduct to be effective, they have to be adhered to. Based on the information Finnwatch received from Elisa, TeliaSonera and DNA, all three companies should further develop their systems for monitoring compliance.

In its response to Finnwatch's questionnaire, Elisa states that it monitors the fulfilment of the responsibility requirements of its code of ethical purchasing through continous management audits and by visiting every factory. New external subcontractors are subject to human rights screenings. The company also states that is has audited all of its new suppliers in China before entering into a contract with them. In all, there have been 18 audits, conducted by the personnel of Elisa and its subsidiaries. Elisa did not respond to Finnwatch's question on the results of the audits or the overall percentage of suppliers audited.[84]

Elisa audits only suppliers at the first stage of the supply chain, but suppliers are "encouraged" to implement the code throughout their operations and within their own supply chains.[85]

According to Elisa, the security and intellectual property rights legislation makes it difficult to carry out common audits with its competitors, because this would entail disclosing internal company data to other enterprises, and that could be perceived as being in breach of the competition law. However, many other companies that do collaborate when auditing their joint suppliers, do not seem to share this interpretation.

TeliaSonera requires its suppliers to "provide information and allow TeliaSonera or its representatives access to … relevant premises in order to verify that the [s]upplier, its subsidiaries and subcontractors comply with the Supplier Code."[86] The company does quarterly reviews with "large and prominent" suppliers in which vendor or contract managers follow up on supplier performance and expectations. These reviews take the form of telephone conferences or physical meetings and follow a standard agenda covering financial, quality, environmental, CSR and occupational health issues.[87]

Audits are carried out "when required … by law, situation" or some other reason and in a "centralized manner". They involve only the first stage of the supply chain.[88] TeliaSonera does not disclose the number of audits carried out nor the percentage of suppliers audited. It did say, however, that the "percentage has not increased since 2009", when the previous makeITfair report on Finnish operators' responsibility practices was published. Given that the company did not make this information public the previous time, either, this answer is not very informative. TeliaSonera did not respond to our question regarding the results of the audits.[89]

DNA's Supplier Code obliges the suppliers to make sure that their own suppliers adhere to the code. But the company also states that as a "small, national actor" it has limited resources to monitor the responsibility practices of second tier suppliers. As a matter of fact, it is unclear how DNA ensures that even its first-tier suppliers abide by the responsibility rules. According to the company's response, compliance is monitored through "cooperation meetings" with suppliers that are held at least once per year. This level of monitoring, based solely on information provided by

84 Elisa's responses to Finnwatch, 30 August, 26 September and 29 October 2012. Submitted by Kauno Mattila.
85 Elisa (2010). Elisa Corporate Code of Ethical Purchasing.
86 TeliaSonera (2010): TeliaSonera Supplier Code.
87 TeliaSonera's responses to Finnwatch's questionnaire. Submitted by Siru Sihvonen on 9 August, 15 and 26 October 2012.
88 TeliaSonera's responses to Finnwatch's questionnaire. Submitted by Siru Sihvonen on 9 August and 15 October 2012.
89 See Finnwatch (2009). It's Your Call. Why Finnish Mobile Operators Should Be Responsible for Supply Chains.

the supplier, is clearly insufficient – even though DNA assures that its partners are reliable and responsible and therefore responsibility audits have not been necessary.[90]

DNA also suggested that tough competition in the telecommunications sector hinders the possibilities of companies to cooperate in responsibility matters through joint audits. Like Elisa, DNA too points to the limits posed by the competition law. As noted above, such factors have not prevented bigger international corporations from joining their forces within the JAC framework, for example (see box).

JOINT AUDIT COOPERATION (JAC)

Joint Audit Cooperation (JAC) is a coordinated on-site audit programme aiming to develop the implementation of corporate responsibility criteria in different layers of the ICT supply chain internationally.

Originally set up by Deutsche Telekom, France Telecom and Telcom Italia in 2010, JAC has since been joined by Belgacom, KPN, Swisscom, Telenor and Vodafone.

Between the initiative's launch in July 2010 and June 2012, JAC companies carried out out 40 supplier audits, covering 180,000 workers, in China, Taiwan, India, Japan, South Korea, Eastern Europe and South America. The most common problems have related to working hours, health and safety, and wages. With JAC's recent enlargement from three to eight operators, it is now able to cover 64 suppliers and 76 manufacturing plants.[91]

To be eligible for JAC, a company must

- have a structured CSR sourcing department with experienced resources
- have signed or be willing to sign a contract with a third party certified audit company specialised in on-site CSR audits at international level.
- have a contract with a supplier that is common at least with two JAC members.
- accept all terms of the JAC 2010 Memorandum of Understanding and related supplements.
- accept all non-disclosure agreement terms already signed between the JAC and the suppliers audited.
- support at its own cost the on-site audits that it carries out on behalf of JAC.[92]

The JAC is a welcome initiative in that it contributes to the development of more advanced industry standards and enables companies to audit a bigger part of their auditors, also in the lower tiers of the supply chain, than what has mainly been the case before. The fact that the audit criteria are largely based on the SA 8000 standard, widely considered as the most comprehensive option today, is another asset.

Where the JAC framework can be criticised is that it does not involve any non-industry actors, such as labour organisations or civil society in its organisation. Also, the fact that the member companies are themselves so heavily and directly involved in the auditing process, raises questions about the system's objectivity and reliability.[93]

90 DNA's responses to Finnwatch's questionnaire. Submitted by Noomi Lehtosaari on 9 August 2012 and 26 September 2012.

91 More information on JAC can be found, for example, at the Deutsche Telekom homepage at http://www.telekom.com/corporate-responsibility/cr-strategy-and-management/supply-chain-and-sustainability/99526

92 More information on JAC can be found, for example, at the Deutsche Telekom homepage at http://www.telekom.com/corporate-responsibility/cr-strategy-and-management/supply-chain-and-sustainability/99526

93 See, for instance, CSR Europe (2010): Belgacom, KPN, Swisscom and Vodafone have joined the JAC (Joint Audit Cooperation) founded by Deutsche Telekom, France Telecom and Telecom Italia in January 2010.
http://www.csreurope.org/news.php?type=&action=show_news&news_id=4459 (27 October 2012).

PRIVACY AND NETWORK INTEGRITY

In recent years threats related to insufficient privacy protection and use of mobile communications data for human rights violations have gained more attention – for a good reason.

As noted by a recent Freedom House report, scandals have emerged in several countries involving politicians or law enforcement officials who have "misused their powers to spy on opponents or engage in extortion". In non-democratic countries, surveillance is "often political in nature, aimed at identifying and suppressing government critics and human rights activists. Such monitoring can have dire repercussions for the targeted individuals, including imprisonment, torture, and even death."[94]

Given that mobile data surveillance continues to proliferate around the world, it is likely that unless the internationally agreed standards governing the collection of personal data and access to it are reformed and appropriate safeguards put in place, many new examples will be added to the already long list of misuse in the coming years. That being said, the companies providing this technology also have to assume responsibility for conducting thorough due diligence assessments and considering the possible consequences of their operations – it is too easy to simply state that "our operations are in accordance with the local legislation" or that "if we didn't provide the service, some other company would."[95]

Of the three companies included in this survey, TeliaSonera is by far the most involved in this area and named it as one of its key human rights challenges. This is quite logical, given that TeliaSonera is the only truly international actor among the three, with extensive operations in the Caucasus and Central and South Asia, for example.

TeliaSonera says that it collects personal data "only for legitimate purposes" and to the extent that is needed to deliver services and collect payments. Data requests from authorities must be based on the law or licence agreements. That being said, the company also recognises that "requests from law enforcement official can pose real challenges".[96]

In fact, TeliaSonera has already had worrying experiences of what human rights violations relating to insufficient customer privacy and official information requests may mean in practice. In the spring of 2012, the company was accused of cooperating with "dictatorships" in Central Asia and former Soviet states by providing them with the tools to spy on dissenters and critics.[97]

Recently TeliaSonera subsidiary T-Cell whose network serves up to 90 percent of Tajikistan's population was criticised for blocking foreign websites and online services at the government's request, as well as engaging in grand corruption.[98]

On a more positive note, TeliaSonera was part of an industrial dialogue leading up to the UN Guiding Principles framework, and together with 10 other companies it forms the Telecommunications Industry Dialogue on Freedom of Expression and Privacy, a project exploring how the Guiding Principles could be transformed into concrete due diligence measures

94 Freedom House (2012): Freedom on the Net 2012. A Global Assessment of Internet and Digital Media. Summary of Findings, pp. 11–12. http://www.freedomhouse.org/sites/default/files/FOTN%202012%20summary%20of%20findings.pdf (25 Sept 2012).

95 Ibid; For an interesting discussion on the possibilities and threats posed by telecommunications technology to human rights and democratising processes, see Nikkanen, Hanna (2012): Verkko ja vapaus, chapters 6–11. Into Kustannus. (In Finnish)

96 TeliaSonera's responses to Finnwatch's questionnaire. Submitted by Siru Sihvonen on 9 August and 15 October 2012.

97 See, eg, Svt (2012): TeliaSonera i hemligt samarbete med diktaturer. http://www.svt.se/ug/teliasonera-i-hemligt-samarbete-med-diktaturer

98 Sveriges radio (2012): Telias bolag hjälper Tadzjikistan med censur. Published 14 August 2012 at http://sverigesradio.se/sida/artikel.aspx?programid=83&artikel=5229688 (8 August 2012); Koponen, Jarmo (2012): TeliaSoneran tytäryhtiöt taipuvat sensuuriin Keski-Aasiassa. Published 14 October 2012 at http://jarmokoponen.puheenvuoro.uusisuomi.fi/120739-keski-aasian-telebisnes-taipuu-sensuurin-valikappaleeksi (15 October 2012); Uusi Suomi (2012): TeliaSoneran harharetki: Sensuroi nettiä hallituksen käskystä. Published 14 October 2012 at http://www.uusisuomi.fi/ulkomaat/54212-teliasoneran-harharetki-sensuroi-nettia-hallituksen-kaskysta. (15 October 2012).

on a joint platform. The aim is to conclude the process before the end of the year.[99] The other companies participating in the process are Alcatel-Lucent, AT&T, BT, France Telecom-Orange, Millicom, Nokia Siemens Networks, Tele2, Telefonica, Telenor and Vodafone.[100]

As noted above under "Codes of conduct", however, it would be preferable for TeliaSonera and the other companies to also engage in processes involving representatives from the civil society, labour groups and independent experts alongside industry actors. The Global Network Initiative (GNI), a multi-stakeholder responsibility organisation focusing on privacy issues, for instance, could serve as a possible model to follow.[101]

In July 2012, TeliaSonera commissioned the Danish Institute for Human Rights to review its human rights impact assessment, with a view to developing a tool tailored to the company's human rights risk profile and benchmarked on the UN Guiding Principles. The work is to be finalised by the end of 2012.[102]

Elisa mentioned data safety as something that it takes seriously. Elisa's operations are chiefly in Finland and Estonia, where the regulatory frameworks make misuse difficult, and it stipulates that personal information shall not be communicated to parties outside the EU. If an Elisa supplier wishes to engage in data transactions involving personal information with a subcontractor outside the EU, a tripartite agreement between Elisa, the supplier and the latter's subcontractor is required. This, according to Elisa, eliminates risks relating to data integrity and human rights violations.[103]

DNA says it makes sure to follow all laws concerning privacy and the freedom of expression, but does not specify how compliance is ensured. As DNA's operations are at least for the time being focused in Finland, where risks involving the use of communications data for rights violations, are still relatively small, this does not constitute a major problem. Howerer, it is recommended that DNA devise a more coherent policy in this area as well.

In addition to developing their own practices and industry initiatives, the companies should also effectively use their leverage in international standard setting bodies. The European standards governing "lawful interception", the right of authorities to obtain communications network data, for example, are set by the European Telecommunications Standards Institute (ETSI), and TeliaSonera partakes in the work of the ETSI committee (TC LI) focusing on this issue along with several other major operators.[104]

REUSE, RECYCLING AND SAFE DISPOSAL

As long as seven years ago, the UN estimated that up to 50 million metric tonnes of electronic waste was generated worldwide every year.[105] It is likely that the volume has increased since then. In the so-called developed countries, e-waste is the fastest growing type of waste, outpacing the

99 TeliaSonera's responses to Finnwatch's questionnaire. Submitted by Siru Sihvonen on 9 August and 15 October 2012.

100 TeliaSonera (2012): Telecommunication's Industry Dialogue selects five host organisations as potential addresses. Published 12 July 2012 at http://www.teliasonera.com/en/newsroom/news/2012/telecommunications-industry-dialogue-selects-five-host-organisations-as-potential-addresses/.

101 For more on the GNI, see www.globalnetworkinitiative.org.

102 TeliaSonera (2012): TeliaSonera partners with the Danish Institute for Human Rights (DIHR) for support and review of its corporate human rights work. Published 17 July 2012 at http://www.teliasonera.com/en/newsroom/press-releases/2012/7/teliasonera-partners-with-the-danish-institute-for-human-rights-dihr-for-support-and-review-of-its-corporate-human-rights-work/.

103 Email from Elisa's Kauno Mattila to Finnwatch, 29 October 2012.

104 See www.etsi.org for general information; The membership of ETSI's committee's is not public information, but TeliaSonera confirmed that it takes part in the technical committee on lawful interception in an email sent by Siru Sihvonen's on 29 October 2012.

105 UNEP (2005): E-waste, the hidden side of IT equipment's manufacturing and use. Environment Alert Bulletin. http://www.grid.unep.ch/products/3_Reports/ew_ewaste.en.pdf (26 October 2012).

growth rate of the overall municipal waste stream three-fold. This is due to electronic products' rapidly increasing demand and shortening life-cycles.

Precise and reliable figures are hard to come by, but according to some estimates up to three quarters of Europe's e-waste goes unaccounted for (up to four fifths in the United States) – even though EU legislation explicitly prohibits the export of harmful electronic waste.[106] A large part of this e-junk ends up in poor countries where adequate infrastructure and methods for dealing with such hazardous material is often lacking, and it causes serious health and environmental problems.[107] While the official line is that very little electronic waste is exported from Finland, the researchers of the British Environmental Investigation Agency, for example, came across computers bearing the Finnish government's tags at a Nigerian dump in 2011.[108]

The potential health consequences for those involved in handling and breaking down electronic waste – many of whom are children – include reproductive and developmental problems, damaged immune, nervous and blood systems, kidney damage and impaired brain development.[109]

The incentive for companies to engage in this unlawful activity is clear: the US Environmental Protection Agency (EPA) once estimated that it was 10 times cheaper to ship an old computer monitor to Ghana than it is to recycle it in the US.[110]

Another related issue of concern is the export of used mobile phones and other ICT devices that are at or close to the end of their life-cycle. While exporting used but fully functional devices to poorer countries may often be beneficial to all parties concerned, when the products in question are half-broken and outdated, they may become harmful waste as soon as they are unloaded.

Elisa, TeliaSonera and DNA have all taken some voluntary measures to reduce the generation of waste and enable the proper recycling of devices. They all take used phones and promise to deal with them appropriately – reselling those that work and recycling the rest – and have also run special campaigns encouraging consumers to bring in their old items.

Still, none of the three companies discloses the ratio of old phones returned in relation to new phones sold. Elisa says it does not measure this, while TeliaSonera and DNA point to "business reasons". According to TeliaSonera, however, the percentage is "very low".

With the exception of Elisa, the companies did not respond to the question of the ratio between phones that are resold and those that are recycled, either.

In Finland, TeliaSonera sends most phones to **SCF Huolto** that determines whether a phone should be refurbished or recycled. SCF Huolto sends phones that will not be refurbished and resold to **Akkuser** (batteries) as well as to the **Boliden** and **Datec Technologies**.[111] Boliden says it burns all of the unreusable e-scrap in its smelter in Rönnskär, Sweden. This material is not sent anywhere else. Of the processed and reusable metals, 90–100 percent is sold to industrial customers in Europe and the rest to traders.[112] Headquartered in Britain, Datec Technologies is

106 The EU's Waste Electrical and Electronic Equipment (WEEE) Directive was updated in July 2012. According to the European Commission, the new legislation gives EU member states more effective tools to fight illegal export of e-waste. European Commission (2012): Recast of the WEEE Directive. http://ec.europa.eu/environment/waste/weee/index_en.htm (26 Oct 2012).

107 See, for example Danwatch (2011): What a Waste. How Your Computer Causes Health Problems in Ghana http://makeitfair.org/en/the-facts/reports/reports/what-a-waste; and Swedwatch (2009): Out of Control. E-waste trade flows from the EU to developing countries. http://makeitfair.org/en/the-facts/reports/reports/2007-2009. Both reports have been produced as part of the makeITfair project.

108 Environmental Investigation Agency (2011): System failure. The UK's harmful trade in electronic waste, p. 2. http://www.greencustoms.org/docs/EIA_E-waste_report_0511_WEB.pdf (September 28, 2012).

109 Ibid.

110 Ibid., p.3.

111 TeliaSonera's response to Finnwatch's question. Submitted by Siru Sihvonen on 26 October 2012.

112 Email from Boliden's Marcela Sylvander to Finnwatch, 18 October 2012.

a major European IT recycling company with a global reach. Its processes comply with the ISO 9001 and ISO14001 standards.[113] Within the scope of this report it was not possible to study its responsibility practices in more detail.

The situation seems somewhat more problematic internationally. TeliaSonera cannot guarantee that all electronic devices returned to its shops in other countries are recycled in accordance with ”the best available recycling process[es]”. Nonetheless, the company ”believes” that used deviced are everywhere handled ”according to local national legislation”.[114]

DNA refuses to disclose specific figures, stating instead that the company tries to get functional phones back into use. DNA says it has sold only functional phones to other countries than Finland, and it has declined to sell phones when there has been reason to suspect that they might end up in developing countries. Broken devices are delivered to a Finnish partner that recycles them. DNA did not disclose the name of this partner.[115]

In 2011, Elisa made improvements that enables functional mobile phones returned by customers shortly after purchase to be resold more effectively than before. Elisa sells functioning phones and devices to the secondary market and recycles those that are broken via their Finnish partners. Some 98 percent of used phones are resold, and the remaining two percent used as material. At Elisa’s request, Finnwatch will not publish the names of the partners.

Elisa “does not think” that their old phones end up in developing countries. In the case that non-functional devices were sent to developing countries and this came to Elisa’s attention, the company would discuss the matter with its subcontractor. Elisa says it audits its partners “as necessary”.[116]

More regulation?

The companies’ views concerning the beneficialness of increased regulation for improving reuse and recycling and encouraging longer use, such as mandatory deposits on mobile phones sold, differ.

According to DNA, new regulations should be implemented with caution and at the EU level at the minimum to ensure a level playing field between companies from different countries. Elisa does not comment on the deposit idea, but views legislation obliging companies to take back old phones as a good thing.

TeliaSonera points out that tighter regulation might induce more action and recycling, but another prerequisite is closer cooperation between operators, producers, distributors, brand owners and recyclers than what is the case at the moment.[117]

113 See, for instance, http://www.tsrlimited.co.uk/index.php?option=com_content&view=article&id=87&Itemid=324 and http://www.trees4scotland.com/the-eco-hub?sobi2Task=sobi2Details&sobi2Id=26. (24 October 2012). At the time of research, the website of Datech at http://www.datectech.co.uk was down.

114 TeliaSonera’s response to Finnwatch’s question. Submitted by Siru Sihvonen on 15 October 2012.

115 DNA’s responses to Finnwatch’s questionnaire. Submitted by Noomi Lehtosaari on 9 August 2012 and 26 September 2012.

116 Unless stated otherwise, the information above is based on the companies’ responses to Finnwatch’s questionnaire.

117 Ibid.

COMPLIANCE AND SANCTIONS

Finnwatch also wanted to find out how the companies deal with situations where their suppliers are not properly implementing their responsibility codes.

According to TeliaSonera, its suppliers are responsible for ensuring that their staff and suppliers are aware of and adhere to the supplier code. "[A]ctions inconsistent with the Supplier Code must be promptly corrected and are subject to sanctions up to a termination of the agreement and other liabilities as specified by the agreement terms."[118] Corrective actions are also applied in instances where events with significant impacts are likely to occur or to address non-significant problems that have already occurred.[119]

TeliaSonera did not provide more detailed information on the instances where sanctions or corrective measures have been applied, the reasons for their implementation or the results thus obtained.

Possible sanctions imposed by Elisa are defined in the agreements with its suppliers. They are economic in nature due to legal reasons, though Elisa points out that such remedies would not suffice to make up for the ethical responsibility over misuse of child labour, for example. Thus far Elisa has not had to enact sanctions because of non-comply by its suppliers. The company has, however, turned down partner candidates whose practices have not met its responsibility criteria.[120]

DNA reserves the right to conduct audits if and when there are reasons to suspect that a supplier has failed to abide by the supplier code. No such cases have emerged. But if a failure to comply was detected, possible sanctions and the continuation of the partnership would be assessed on a "case-by-case basis".[121] DNA did not specify what kind of sanctions might come into question.

A common denominator for all three companies was rather modest transparency regarding their means of verifying suppliers' compliance with their responsibility criteria and the actions that are or can be taken to address possible shortcomings.

118 TeliaSonera (2010): TeliaSonera Supplier Code, p. 3–4.
119 TeliaSonera's responses to Finnwatch's questionnaire. Submitted by Siru Sihvonen on 9 August and 15 October 2012.
120 Elisa's responses to Finnwatch, 26 September and 29 October 2012. Submitted by Kauno Mattila.
121 DNA's responses to Finnwatch's questionnaire. Submitted by Noomi Lehtosaari on 9 August 2012 and 26 September 2012.

5. CONCLUSIONS AND RECOMMENDATIONS

THE RESPONSIBILITY PRACTICES OF DNA, ELISA AND TELIASONERA ARE GETTING BETTER, BUT A LOT OF WORK REMAINS TO BE DONE. FINNWATCH'S RECOMMENDATIONS SEEK TO ADDRESS SOME OF THE MAIN CONCERNS.

The key findings of the present study can be summarised as follows: Finnish mobile operators' awareness of and policies regarding responsibility in their supply chains have improved considerably since 2009 when the previous Finnwatch report on the subject was published. all three companies have introduced a supplier code and taken at least some measures to see that it is abided by.

They have also taken steps to make the returning of old phones easier and encourage reuse and recycling.

Nonetheless, there is still room for several improvements. The supplier codes' formulations regarding worker compensation, working hours and the right to organize freely, for example, should be made more concrete and stricter. Even more importantly, Elisa, TeliaSonera and DNA should take measures towards regular and reliable audits by independent third parties.

Also, the return rates of phones continue to be very low. While the primary responsibility lies at the consumer level, the companies should also take further steps to incentivise reuse.

Based on the findings of this report, Finnwatch would like to give the following recommendations to companies, political decision-makers and consumers.

RECOMMENDATIONS TO COMPANIES

- DNA, Elisa and TeliaSonera should demand their suppliers to pay a living wage that covers the basic necessities and allows for small savings
- They should also guarantee genuine freedom of association and to include such requirements in their supplier codes. In places where true freedom of association is not the norm, companies should actively support it, for instance, through demanding the setting up of worker committees in their supplier codes.
- The supplier codes should also include stricter language on overtime, written employment contracts, use of temporary workers and grievance mechanisms (such as easy and safe channels for bringing up inappropriate terms and conditions of employment) than what is the case today.
- All suppliers in risk countries should be covered by the supplier codes.

- All three companies should be more transparent and open about their monitoring and auditing practices. Information on the number and percentage of suppliers covered by the supplier codes and audits, as well as audit results, should be made publicly available.
- To ensure compliance with their supply codes, all three companies should take measures towards regular and reliable audits throughout the supply chain by independent and certified third parties. One possible step forward could be joining the Joint Audition Cooperation (JAC), although it is an industry-only initiative controlled by the companies themselves and thus its objectivity may be called into question.
- To increase the return rate of old devices and encourage reuse and recycling, the companies should make their customers more aware of the benefits of reuse and responsible recycling and of the threats posed by irresponsible disposal of electronic products. The companies should provide better incentives for customers to return their old phones. In this sense, the present trend in Finland towards deals where the subscription is tied to the purchase of a phone is somewhat worrying.
- Cooperation between operators, distributors, importers and recyclers should be improved to build a better business case for recycling and reuse. As pointed out by TeliaSonera, this would require putting in place incentivising reverse financial flows.
- DNA and Elisa should be more transparent about their recycling practices and partner companies. (TeliaSonera was the only company that publicly named the companies that handle its reusable and recycled devices.) DNA did not name its partners at all, while Elisa asked this information not to be published.
- TeliaSonera should use its leverage in international standard-setting bodies, such as the European Telecommunications Standard Insitute, to influence the rules governing network integrity and the disclosure of communications data to third parties. It should also seek to address the existing problems relating to the use of communications data by authoritative regimes in its countries of operation.
- TeliaSonera should consider applying for membership at the Global Network Initiative (GNI), a multi-stakeholder process including industry, civil society, investor and academic members working to advance the freedom of expression and privacy, and/or committing to its principles.[122]

RECOMMENDATIONS TO DECISION-MAKERS

- Authorities should improve the control and oversight of all electronic waste and recycled material export. While Finland is considered to be among the more advanced countries in terms of responsible recycling of e-waste, evidence suggests that at least some amount of harmful materials are illicitly exported from Finland.
- The return and recycling of old electronic products should be made easier. One possible measure could be placing more return points in easily accessible public places.

122 See www.globalnetworkinitiative.org for more details.

- The regulatory framework should provide incentives for both companies and consumers to prolong the life cycle of electronic products.
- Finland could make use of its international reputation as a model country for freedom of expression and lack of corruption to take a more active role in developing new international standards on network integrity and the privacy of communications data that would make it more difficult to use this information for human rights violations.
- Finland should make sure that all national policies and practices have been updated to meet the requirements of the EU's revised WEEE directive.

RECOMMENDATIONS TO CONSUMERS

- To reduce the amount of electronic waste generated and natural resources used, consumers should use electronic devices longer than what is the case today.
- Consumers should take their functional old devices back to the shop so that they could be reused by someone else. Broken devices should be properly recycled.
- Instead of buying the latest model, consumers should prefer and actively ask for functional second-hand phones. Buying used is the most ethical choice a consumer can make. Demand for reusable devices and responsible business practices also encourages the companies to improve their practices.
- Consumers should also demand products that are ecologically and socially more responsible and ethical than those on the market today.

APPENDIX 1.
Questionnaire of the makeITfair follow-up study on mobile network operators in Finland

9 August 2012

DEADLINE FOR RESPONSE 31 AUGUST 2012

General questions

– Does your company have in place a Code of Conduct or some other guidance to ensure that human rights and sustainable practices are respected throughout your supply chain? If yes, how do you monitor that your suppliers follow those guidelines?

– Has your company taken note of the UN Guiding Principles on Business and Human Rights, approved by the UN Human Rights Council in June 2011? To what extent and in what concrete ways are the responsibilities set for companies in the UN Guiding Principles reflected in your company's responsibility practices?

– In your opinion, what are the three major human rights and sustainability challenges in the mobile technology industry? What possibilities do you see for their resolution?

Information about products offered to customers

– Do you perceive an increasing consumer interest in social and ecological issues regarding the products you offer? In case you have collected data concerning this matter, how much has this interest increased/decreased compared to the previous makeITfair survey in 2009? What kind of demands do consumers primarily make concerning social and ecological issues?

– Has your company undertaken communication and marketing activities concerning products that are ecologically and socially superior compared to "standard" devices since the previous makeITfair survey[123] in 2009? Have these activities fulfilled your expectations concerning the demand for sustainable products? In what ways do you thing these activities have contributed to increased awareness among consumers of social and ecological problems in the value chain of electronic devices?

Period of use

– Do you have any future strategies to set incentives for a longer consumer utilization period of consumer electronics devices? Do you see that this type of activity falls within your company's field of responsibilities?

123 Fair Phones: It's your call. MakeITfair, 2009. makeitfair.org/en/the-facts/reports/2007-2009/reports-from-2009/fair-phones/at_download/file. Country-specific reports may also be downloaded from the same site.

Recycling and reuse

– What was the percentage of returned mobile phones in relation to the total number of sold mobile phones in 2011? What measures do you take to increase the return rate of old mobile phones?

– Do you consider legal regulation (e.g. via a deposit on mobile phones) to be necessary in order to increase the return rate of disused mobile phones? If yes, what kind of regulation would be appropriate in your opinion? If no, why not?

– Which percentage of the mobile phones collected per year are being:

  a) sent to recycling? (please specify where they are sent)

  b) subject to reuse? (please specify who sells them on and where to)

– In case you sell used mobile phones to companies that export them to developing countries, how do you ensure that only functioning devices are exported and not mere toxic e-waste? How do you fulfil your responsibility to ensure that mobile phones are recycled in a proper way in such countries?

Possibilities to influence mobile network operators regarding social and environmental issues in their supply chain

MakeITfair has published several reports about social and environmental problems related to electronics production and waste (see further at http://makeitfair.org/the-facts/reports).

– What concrete steps have you taken since our last survey in 2009 in collaboration with your suppliers to reduce social and environmental problems along the value chain of mobile phones? What are your major achievements in this respect?

– What is the percentage of suppliers that are audited by your company or contracted companies per year? Has this percentage increased since 2009?

– Do you or contracted companies conduct audits solely at the first stage or also lower stages of the supply chain?

– Are there any plans to conduct common audits of suppliers in collaboration with other mobile network operators? If not, why?

– Do workers that are employed by your suppliers have access to grievance mechanisms in order to report violations of labour standards?

– Do the responsibility practices covered by the questions above apply to all electronic devices that are sold under your own brand and/or that have been specially tailored by the supplier to your requirements? (These include, but are not limited to, mobile broadband devices, modems and TV receivers.) In what ways do the responsibility requirements set for your own brand suppliers differ from those set to other brands whose products you carry?

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