

# **Corporate Social Responsibility of State-owned Companies**

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**Finnwatch**

## Finnwatch ry

Finnwatch monitors Finnish companies in the global South.

We are interested in the consequences of Finnish companies' operations on human and labour rights, the environment and developmental and social consequences.





# **Business and human rights**

## **What is the state's role?**

## State role in CSR issues

On June 2011, the United Nations Human Rights Council endorsed a new set of global guiding principles for business designed to ensure that companies do not violate human rights.

The UN Guiding Principles are based on three pillars:

**The state duty to protect** against human rights abuses by third parties including business.

**The corporate responsibility** to respect human rights, that is, to act with due diligence to avoid infringing on the rights of others and address adverse impacts with which they are involved

**The need for greater access by victims to effective remedy**, both judicial and non-judicial.

## Special role for state-owned companies

According to the UN Guiding Principles

*“States should take additional steps to protect against human rights abuses by business enterprises that are owned or controlled by the State.”*



# **Finnish state-owned companies**

## Finnish state-owned companies

Finland has ownership in over 1000 companies when subgroups and subsidiaries counted in.

Finland is the main owner in 21 companies and has significant ownership in 8 companies.

In addition Finland owns the investment company Solidium, which has significant ownerships in 11 corporations.



## Finnish state-owned companies and a new political agenda

A New Government resolution on state ownership policy was published on 3 November 2011.

New emphasis on corporate social responsibility:

*"It is of great importance to the State that the companies adopt policies that respect the position and rights of the employees and give due consideration to the environment. Furthermore, the State expects the companies to pay close attention to the transparency of their subcontractor supply chains and the implementation of sound human resources and environmental policies by the subcontractors."*

## Examples of state-owned companies



NESTE OIL



ALTIA  
— YOUR 1<sup>ST</sup> CHOICE —

**Patria**



FINNFUND

**FINNAIR** 



## Examples of companies in Solidium's portfolio

SAMPO  GROUP



storaenso

TALVIVAARA

 TeliaSonera

 metso

## Problems in state-owned companies

Finnish state-owned companies have been involved in an increasing number of CSR scandals

- Stora Enso is having problems in China regarding land issues and human rights violations.
- TeliaSonera is operating in Belarus where its technology is being used to suppress political opposition.
- Neste Oil continues to refine palm oil for fuel in a non-sustainable manner

Besides scandals in the media, there are also other problems: investments in tax havens, cooperation with companies violating human rights, insufficient monitoring of supplier chains etc.

State owned companies are also behaving badly inside Finland.



**CASE AIko**

## Responsibility in Alko's supply chain

Alko is just beginning to monitor its supply chain in risk countries.

Alko joined BSCI during 2011.

Since the beginning of 2012 Alko's ethical Code of Conduct has been part of its supplier contracts.

In its product range Alko also has certified wines such as Fairtrade and Fair For Life.

## Comments on Alko's responsibility

Cooperation with Nordic alcohol monopolies is very welcome and could lead to significant changes in wine estates in risk countries.

Although Alko is a state-owned monopoly and thus having extra responsibilities in CSR issues it is still only starting its responsible supply chain management.

Alko has a lot of work ahead.



# **Recommendations**



## Finnwatch recommendations

All state-owned companies should introduce due diligence processes

→ Evaluate their human rights, environmental and financial impacts BEFORE starting operations in risk countries.

→ Start active stakeholder dialogue

→ Monitor constantly the effect of their actions and react accordingly

All state owned companies should introduce sustainability reporting as well as financial country-by-country reporting

Finland should not allow state owned companies to invest in tax havens or avoid tax payments in other ways.

## Finnwatch recommendations for Alko

BSCI is a good start but not a best-practice system

- Besides BSCI Alko should increase the amount of certified wines such as Fairtrade
- Alko should actively take part in discussions on how the BSCI model should be developed towards a more ambitious CSR system.

Regarding wines from Israeli settlements

- As a first step, Alko should start labelling settlement wines correctly
- As a second step, Alko should stop selling wines from illegal Israeli settlements



**Thank you!**