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Akzo-Nobel  
Brazil

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## Introduction

This research study includes an evaluation of the social and labour behaviour of the Akzo Nobel Brazil group, specifically concerning basic labour rights established by the International Labour Organisation (ILO). The study conducted by the Social Observatory Institute based on the compilation of information including quantitative data and qualitative variables, in response to a request by the Federatie Nederlandse Vakbeweging (FNV)<sup>1</sup>, as part of the II Company Monitor Project, together with the study of other Dutch multinationals, between April and November 2005.

The II Company Monitor Project sought to broaden the themes and update information obtained by the IOS during the, I Company Monitor Project, which was executed from 2002-2004. Thus, the document includes a review of the group activity since the 2002 report until the conclusion of this text.

By maintaining a comparison with the, I Company Monitor Project, the document has not lost site of the core problems found in the previous study, including: the heterogeneity of working conditions at the Akzo plants throughout Brazil (in terms of salaries, profit sharing, work shift, benefits, overtime, subcontracting, health and safety and other issues). A lack of equal opportunity policies for women and black people also found, as well as a lack of common guidelines for collective bargaining and for relations with Unions, which, in many factory units, have their activities made very difficult by local company management.

To prepare the document, IOS had collaboration from the National Confederation of Chemical Workers (CNQ/CUT) and a fundamental partnership with Unions that represent workers at the Akzo Nobel companies in the following locations: Osasco and Region (CUT); São Paulo and Region (CUT); ABCD, Mauá, Ribeirão Pires and Rio Grande da Serra (CUT); Guarulhos, Mairiporã, Caieiras, Franco da Rocha, Francisco Morato and Region (CUT); Jundiaí and Região (FS); and São Gonçalo, Niterói, and Itaboraí (CUT).

The Unions representing the production plants of Intervet in Cruzeiro and Fortaleza were contacted, but did not respond to the request to participate in the study during the period of its realisation. The Union that represents the workers at the powder operational unit participated in the study hampered by the recent exchange of Union directors, which prevented the supply of important information about the plant.

Representatives from the Holding of the Akzo Nobel Brazil group, the directors of the business units, directors and managers, expanded their participation in the II Company Monitor. Besides the many documents, data and information made available to the IOS research team, whenever asked, they displayed willingness to participate with the realisation of the study, whether by granting interviews, or in the facilitation of visits to the production plants and in the response to technical questions.

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<sup>1</sup> Dutch Union Federation FNV).

## Methodology

The study of the social and labour conduct of the companies in the Akzo Nobel Brazil group followed the thematic structure defined by the II Company Monitor Project. The report is based on general information about the group in Brazil, considering its three operating segments: Pharmaceuticals, Coating and Chemicals.

The information, on which this report is based, was obtained from different sources. The consultation of documents made available to the public, particularly on the Internet, allowed access to general and aggregated data about the company in Brazil and globally, including about the structure and the organisation of the company. Since the organisational structure of the company is complex, a list of questions was sent to the management of the group's business units. Besides, outstanding doubts were resolved in interviews with representatives of the corporate group in Brazil, specifically directors from the legal and financial areas.

In particular, the study mapped the labour relations and working conditions through the information sent by the Unions involved and since 2004, by the Brazilian Committee of Akzo Nobel Workers. The Union representatives granted interviews and clarified controversial issues, as provided details about the operations of the business units at each of the locations investigated by the researchers. This methodology allowed us to investigate the same issues from the workers' representatives' perspective and at the same time, to compare it with information obtained from the company's management and representatives from the Akzo Nobel Brazil group.

Because it is a corporate group operating in Brazil with dozens of divisions and business units segmented into three business fronts (pharmaceuticals, coating and chemicals), the I Company Monitor Project sought to represent all the segments, excluding an analysis of the offices and sales area. The units studied, were selected because of their importance to group operations, to the quantity of workers and agreed with the interests of the Unions involved.

Based on this analysis, new plants<sup>2</sup> that were not in the 2002 report were incorporated to gather and obtain broader and complementary information about the units studied. This allowed better analytical accuracy concerning the scope of problems verified in the behaviour of the Akzo Nobel Group in Brazil.

Therefore, the study selected the following units and, or business divisions:

- 1) **Pharmaceuticals Segment:** Organon do Brasil Ltda (São Paulo, SP) and Diosynth (Barueri, SP)
- 2) **Chemical Segment:** Eka Chemicals do Brasil SA (Jundiaí, SP)
- 3) **Coating Segment:** Tintas Repintura Automotiva (São Bernardo do Campo, SP), Tinta Imobiliária (Guarulhos, SP), Tintas Industriais (São Paulo) and Tintas Marítimas (São Gonçalo, RJ).

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<sup>2</sup> The following business units were added to the study: EKA Chemical, Tinta Imobiliária, Tintas Industriais and Tintas Marítimas.

The following Unions participated in the study: Chemical Industries Workers Unions of Barueri, Jundiaí, Guarulhos, São Bernardo, São Paulo and São Gonçalo. Directors of these Unions granted interviews and supplied the respective Collective Conventions and agreements for the categories that they represent, the profit sharing programmes as well as other documents and information.

Despite the broad participation of all the Union directors involved, a certain difficulty encountered in countering information provided by the company at certain units. This was because of lack of proximity of some Unionists with the daily activities of employees, and thus they do not know the general situation of the plant in detail. This is because many of these Union directors at the workers base in the company, are not Akzo Nobel employees. At a Union base with hundreds of chemical companies, directors are not always able to conduct Union work at all of them.

Simultaneously, the company participated with IOS in meetings with representatives from Human Resources of some units, (Chemical Itupeva, Organon, etc.), with directors of the Akzo Nobel headquarters in the country. They also supplied information about the current situation of the company in Brazil, by responding to the questionnaires sent by IOS's research team, providing institutional material such as the Corporate Social Responsibility Programs.

The interviews conducted with the workers representatives at the company, as well as all the questionnaires used follow the original plan prepared by the FNV, adapted to research conditions in Brazil.

## Akzo's Global Profile

Akzo Nobel is a Dutch company based in Arnhem, The Netherlands. Its name is the result of the merging of two large conglomerates, the Dutch Akzo set up in 1969, and the Swedish Nobel Industries purchased by the Swedish government company Securum. Akzo purchased the shares of Securum and became the largest shareholder of the conglomerate. In 1988, the group projected its name and brand over all the companies that compose the conglomerate.

The group undertakes activities through 15 business units; it has subsidiaries in 80 countries and employs 61.4 thousand workers. Global sales by the company in 2004 were about €12.7 billion, distributed as follow: 25% in the healthcare segment, 41% in the coating segment, and 34% in the chemical sector.<sup>3</sup>

**Chart 01 – Principal Activities of the Akzo Nobel Group.**

SEGMENT	PRODUCTS	BUSINESS UNITS
Healthcare	Medicine, Veterinary Products, Active Ingredients for the Pharmaceutical industry	Intervet, Organon and Diosynth.
Chemicals	Chemical specialities, Polymers, Functional Chemicals, Plastics Processing	Salt, Energy, Polymer Chemistry, Based Chemicals, Functional Chemicals, Divested Operations, Surface Chemistry, Pulp and paper Chemistry.
Coating	Coating for automobiles, boats, and decoration.	Car Refinishing, Maritime and Protective, Decoration/Building, Finishes and Powdered Coating

Source: Akzo Nobel Annual Report 2004.

Akzo's organisational structure is based on the characteristics of the diversification showed in chart 01. Each segment has a group of senior directors whose principal task is to co-ordinate the business units in their production division on a global level. The business units are not authorised to take important decisions alone and report directly to the Board of Management. Besides, there is a *Supervisory Board*, supervising and advising the actions of the Board of Management.<sup>4</sup>

### Financial Performance

From 2001 until 2004, the group had a drop in billing and operating income. Nevertheless, total income was sustained at a high level. Although the company's financial performance declined after 2001, it was still stronger than the second half of 1990.

<sup>3</sup> Akzo Nobel Annual Report 2004

<sup>4</sup> Ibid.

**Table 01 – Sales and Income at Akzo, 1995 - 2004 ( €billions)**

<b>YEAR</b>	<b>SALES</b>	<b>OPERATING INCOME</b>	<b>GROSS INCOME</b>
1995	9,751	850	523
1996	10,102	846	532
1997	10,914	1,041	684
1998	12,482	1,147	532
1999	14,032	1,238	189
2000	14,003	1,641	947
2001	14,110	1,571	671
2002	14,002	1,492	818
2003	13,051	1,347	602
2004	12,688	1,210	856

Source: Akzo Nobel Annual Report 2004. Preparation: Observatório Social, 2005.

In 2004, group sales suffered a drop of 3% relative to the previous year. This fall caused withdrawal of investments at the company of €1 billion affecting mostly the Chemical segment.<sup>5</sup>

### **Healthcare segment**

With the restructuring programme implemented by the group in 2001, Organon was the principal company meeting expectations for investment returns at Akzo Nobel, contributing to the segment being the most important in the group. Thus, stimulated by production at its five areas of activity (contraception, fertility, hormonal treatment, psychiatry, and anaesthesia) the segment was able to achieve high growth rates in 2001, (a 30% sales increase) and 2002. Besides, in this same period, Intervet and Diosynth had continued growth. However, sales suffered small drops in 2003 and 2004.

In 2003, income from the segment remained high due to the co-operation between Organon and Pfizer. The companies combined forces to develop a new antidepressant that shall enter the world market in the first half of 2007. This partnership benefited Organon by €88 million.

In 2004, sales declined in important markets such as North America. The decline was justified in part by increased competitiveness in the generic drug market in Europe and the United States, in particular with the production of antidepressants, competing directly with the medication “RUMERON®,” one of Organon’s leaders in the psychiatry field.

Trying to recover losses in the pharmaceutical sector, the company had support from Pfizer in the development of a new drug, in the broadening of production of vaccinations for the human prevention (Nobilon) – through a partnership with BioDiem and finally, by the integration of Organon with Diosynth, realised on 1 January 2005. This merger is the initiative of an attempt to contain losses from competition from generic medications and from the production of active pharmaceutical ingredients in countries such as China and India, where production

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<sup>5</sup>Ibid.

cost is more attractive.

In 2004, sales of the business units in the healthcare sector were divided as follow: Organon represented 59%, Intervet 30%, and Diosynth 11%<sup>6</sup>.

### **Chemical Sector**

The chemical sector experienced a strong recession during 2001 and a 24% decline in income. The pulp and paper operating division was able to maintain its market position and registered growth in final income. The salt industry also had positive results leading surface chemistry to exceed results of the previous year. Nevertheless, with the implementation of the restructuring programme, the chemical sector had better performance than the healthcare segment.

In 2003, the development programme ended and in 2004, the sector grew 5%, operating with an increased income, of about 21%.

Due to increased world demand for primary chemical products, Akzo Nobel's chemical sector had significant growth from 2002 until 2004. This encouraged the group to invest in various projects in the paper, polymer, and functional chemical sectors. In 2004, sales by chemical sector business units, were divided in the following manner: 6% salt, 4% energy, 11% polymer chemicals, 13% base chemicals, 13% functional chemicals, 13% divested operations, 19% surface chemistry, 21% pulp and paper chemicals<sup>7</sup>.

### **Coating Segment**

In 2001, billing declined 5% in the coating segment relative to 2000. Despite this, the decorative coatings operating division achieved more significant profit margins than those in previous years. Other business units, such as Industrial Coating, had a drop of income in the U.S. and European markets. The Automotive Refinishing and Maritime Paint divisions had sales and earnings growth and were insensitive to the world economic crises in the period.

In 2004, this sector grew 5%, principally within the U.S. and Asian markets. Of the 41% of total sales represented by the sector, 32% was obtained from emerging countries. With these strong results, Akzo Nobel became the world's largest company in the coating sector. Coating segment sales in 2004 were divided in the following manner: 17% Car Refinishing, 17% Marine and Protective Coating, 36% Decorative Coating, 30% Industrial Activities – Powder Coating<sup>8</sup>.

### **Employment**

The global economy was very turbulent in 2001 and since then, Akzo Nobel adopted restructuring measures to reduce costs by around € 200 million. The programme urged to reduce workers in all regions of activity, a cut in expenses and increased investment only in the more profitable sectors. The goal of this restructuring and

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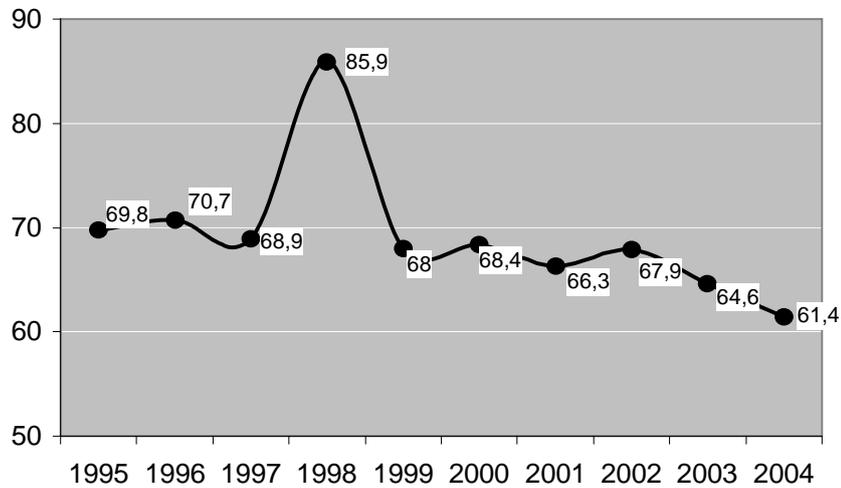
<sup>6</sup> Akzo Nobel site– [www.akzonobel.com](http://www.akzonobel.com), accessed on 10 August, 2005.

<sup>7</sup> Akzo Nobel site – [www.akzonobel.com](http://www.akzonobel.com), accessed on 10 August , 2005.

<sup>8</sup> Akzo Nobel site – [www.akzonobel.com](http://www.akzonobel.com), accessed on 10 July, 2005.

containment policy was a cut of 3.5 thousand work posts, but reached nine thousand layoffs by 2004.

**Graph 1- Changes in Employment at Akzo Nobel, 1995 - 2004 (in ,000)**



Source: Akzo Nobel. Annual Report 2004

Of all the Akzo employees worldwide, 47% are in the coating segment, 32% in healthcare, and 19% in chemicals. Nearly 60% of its employees are located in Europe, 15% in Asia, 14% in North America and 7% in Latin America according to Akzo Nobel 2005 annual report<sup>9</sup>.

<sup>9</sup> Akzo Nobel site: [www.akzonobel.com](http://www.akzonobel.com), accessed in November 2005.

## Akzo's Profile in Brazil

### Chemical Sector in Brazil

The Akzo Nobel Brazil group has strong presence in the chemical sector, where the principal products are paints and pharmaceuticals, and primary materials for the Brazilian paper and cellulose industry. The operations with these products give Akzo an important presence in Brazil, and in this way, help the company to reach 10<sup>th</sup> place in the ranking of sales income in the world chemical sector. Brazil is the only Latin American country among the 13 leading chemical sector markets and the second in the Third World, after China, which is in fourth place.

**Table 02 – Net Sales In The World Chemical Industry – 2003**

<b>Ranking</b>	<b>COUNTRY</b>	<b>SALES (US\$ billions)</b>
1	United States	458
2	Japan	201
3	Germany	154
4	China	118
5	France	99
6	Italy	74
7	South Korea	60
8	United Kingdom	55
9	Belgium	50
10	Brazil	45
11	Spain	44
12	Ireland	43
13	India	42

Source: ABIQUIM. Anuário 2004.

In 2003, the chemical sector responded for nearly 12% of manufacturing in Brazil and for 3.7% of the Brazilian GNP<sup>10</sup>.

The main segments, in sales income, of the Brazilian chemical industry are chemical products for industrial use (55.6% of total net sales income of the industry in 2004) followed by the pharmaceutical products segment (11.4% of the total), with the other segments responding for 33% of the total. The personal hygiene, perfumery, and cosmetics groups also stand out, as well as agricultural inputs and fertilisers, which have annual growth rates for the past 15 years of 6.6%.

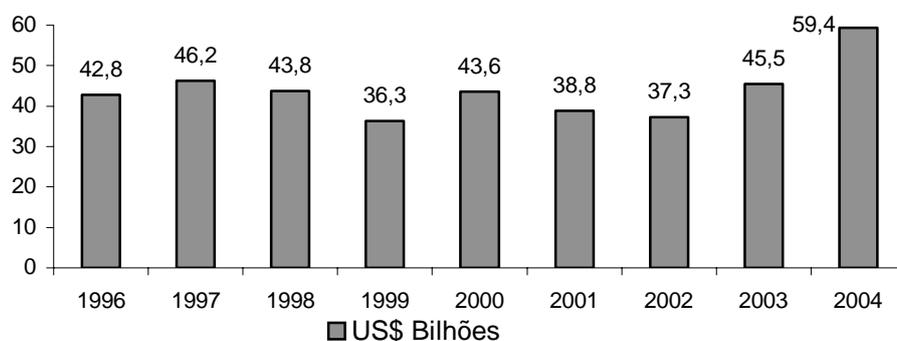
The segment of paints, enamel, and varnish occupies the 8th place, with net sales income of €1.17 billion.

In 2004, the Brazilian chemical industry, benefited principally by a return to growth

<sup>10</sup> ABIQUIM - <http://www.abiquim.org.br/conteudo.asp?princ=ain&pag=estat>. Accessed on July 15, 2005

in the general economy and achieved production and sales records, with positive impacts for income in the sector that registered net sales income of €46,5 billion, an increase 30.5% increase over 2003. When measured in Reals, the net sales income grew 24.1%, passing from R\$ 140 billion in 2003 to R\$ 173.8 billion in 2004.

**Graph 02 – Change in Net Sales Income in the Brazilian Chemical Industry (1995-2004)**



Source: ABIQUIM: Anuário Estatístico 2004.

### General Characteristics

In Brazil, Akzo Nobel has operated since 1940 in the group's three global business segments. Because they are very distinct businesses, the administration is segmented, and co-ordinates a total of 10 business units and 15 production plants. The company is concentrated in São Paulo State, where 11 plants are located. There are two factories in Rio de Janeiro state and one each in Bahia and Ceará.

The group installed in Brazil is dedicated principally to supplying the Brazilian market, but Akzo also exports, with Mercosur as its principal destination market. Besides, the group sells imported final products, mostly from Europe and the United States.

The Akzo Nobel group has about 2,400 employees in Brazil and annual income of € 300 million.<sup>11</sup>

**Table 03 – Akzo Group's Income in Brazil, 2001-2004 (in €millions)**

YEAR	2001	2002	2003	2004
NET INCOME	456.282	469.565	275.101	321.755
Operating Result	48.602	19.855	5.769	73.534

Source: Akzo Nobel Brazil. Balanço Social

<sup>11</sup> Available on : <[www.akzonobel.com.br](http://www.akzonobel.com.br)>. Accessed on July 15, 2005

## Pharmaceutical Income

The pharmaceutical segment has been the most promising and profitable of the Akzo Nobel group in Brazil. In the past five years, billing in the segment has grown and reached about €500 million. Of this total, the Organon Company has the highest sales income. From 2001 until 2004, its revenue represented about 58% of income in the segment. The sales income at Intervet reached 31% and Diosynth is responsible for the rest (11%). It is important to emphasise that to calculate total sales income for the pharmaceutical segment, revenue from the former Organon Teknika (2001), Protequim (2001) and Proquimio (2001-2003) units, were also considered.

**Table 04 – Financial Performance of the Pharmaceutical Segment (in €millions)**

YEAR\ COMPANY	ORGANON		INTERVET		DIOSYNTH <sup>12</sup>	
	Operating	Sales Income	Operating Profit	Sales Income	Operating Profit	Sales Income
2001	4.828	117.709	8.958	42.511	N/D	N/D
2002	5.045	110.280	9.245	51.466	N/D	N/D
2003	396	65.985	1.460	40.573	N/D	15.613
2004	2.343	72.532	6.192	48.625	N/D	18.547

Source: Akzo Nobel – Data supplied by the company.

Sales income from exports<sup>13</sup> and expenses for imports at each of the units in 2004 were as follow:

- Organon: exports 20%, imports €30 million (positive).
- Intervet: exports 7.3 %, imports €15 million (positive).
- Diosynth: exports 69%, imports €3 million (positive).

## Chemical Segment

In the chemical segment, Eka had a small variation in sales income, for a total of € 159 million<sup>14</sup> in the past four years.

Eka produces mostly for the Brazilian market, although it is part of the production chain in paper and cellulose that now has high exports. Consequently, the prices of its products are linked to the exchange rate, and in this way, the increased value of the Brazilian currency, which rose in 2005, caused prices fixed by contract in U.S. dollars to have a lower value in national currency, reducing income in Brazilian Reals for the division.

Thus, sales income at Eka is highly sensitive to appreciation of the value of the real<sup>15</sup>. The recent increase in the value of the national currency is a cause of concern among directors of the unit relative to future results.

<sup>12</sup> The data about operating profit and sales income for Diosynth were not provided by the company.

<sup>13</sup> Questionnaire completed by directors of the respective units, in 2005.

<sup>14</sup> Brazilian Central Bank using the Euro-REAL exchange rate for 2004.

<sup>15</sup> Interviews with Akzo directors.

**Table 05 – Financial Performance of the Chemical Segment (in €millions)**

YEAR\COMPANY	EKA		Chemical <sup>16</sup>	
	Operating Profit	Billing	Operating Profit	Billing
2001	1.221	42.018	N/D	N/D
2002	4.823	59.361	N/D	N/D
2003	923	41.222	N/D	N/D
2004	274	44.377	N/D	N/D

Source: Akzo Nobel – Data provided by the company.

A Chemical, located in Itupeva, exported only 19% of its production, principally to Mercosur countries and spent the considerable amount of €78 million on imports in 2004, demonstrating that a portion of its inputs is purchased in other countries.

### Coatings Segment<sup>17</sup>

In Brazil's coating segment, Akzo Nobel has the highest net income (nearly € 197,521million).

**Table 06 - Ranking of the Paint, Varnish and Solvent Segment – 2003**

POSITION	COMPANY	Net Income (€Millions)
1	Akzo Nobel – SP	197,521
2	Tintas Coral – SP	147,008
3	Renner Sayerlack – RS	105,079
4	Flint Ink – SP	43,583
5	Killing – RS	32,154

Source: Gazeta Mercantil. Balanço Anual 2004

The paints segment has a low rate of export and small spending on imports, a clear indication that Akzo's strategy is to position its operations in the domestic market.

**Table 07- Rates of Export and Import in the Paints Segment (in €millions)**

Business unit	Exports (percentage of billing)	Imports (percentage of spending) <sup>18</sup>
Decorative Coating	Does not export	5.764,3
Industrial Coating	2%	3.268,0
Powder Coating	10%	1%
Maritime Coating	8.5%	5.771.8
Automotive Refinishing <sup>19</sup>	N/D	N/D

Source: Akzo Nobel – Data supplied by the company

<sup>16</sup> Data about rotating profit and sales income in the Chemical segment were not supplied by the company.

<sup>17</sup> Data about operating profit and sales income in the Paints segment were not supplied by the company.

<sup>18</sup> Some data about imports are in monetary value because it was not possible to calculate the percentage.

<sup>19</sup> Data about exports and imports were not provided by Akzo.

## Organisational structure

Since 1992, Akzo Nobel has adopted a specific management and decision making for each one of its business units. The administrations act in a segmented manner, separated by operational division and their functions are structured on an international level depending on the nature of the business.

Unlike the other Dutch companies studied, that organise themselves in a centralised manner through a holding, this does not take place at Akzo. The company only consolidates the financial results, with support from the legal department. The corporation also defines the accounting procedures required by Brazilian legislation for companies with closed capital. With regard to the other operational areas, often the national divisions report to the respective control unit outside the country. For example: the Maritime Coating production plant reports about strategic questions to a unit in Houston and the Eka Jundiaí production plant reports to the respective command unit in Sweden<sup>20</sup>.

According with information from the holding company, the national trend is toward increased decentralisation of business of the group to allow autonomy of the operating divisions, as occurs in Europe, where no holding to which all the units must report, is absent. The Akzo directors said that the units in Brazil are only combined for taxation reasons.

Concerning the human resources sector and according with company directors, it is decentralised due to the distinct Brazilian realities, which depend on regional particularities. The Unionists confirm that, is the Human Resources Director of each unit, responsible for the negotiations at each plant. Nevertheless, they note that on various occasions (when impasses were concerning to profit sharing, basic food basket, etc.) the directors demonstrated limited control to negotiate with workers and could not always deliberate without consulting the Holding. Meaning that even in areas such as human resources, the company in certain circumstances responds in a centralised form as took place in the collective bargaining that involves participation in results, benefits, etc.

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<sup>20</sup> As stated by Directors of the Akzo unit

## Akzo Units in Brazil

### **Pharmaceutical Sector**

The group operates in the pharmaceutical sector with three business units and four production plants; each unit operates in distinct areas as show in the chart below:

**Chart 02 – Presence of Akzo Nobel in Brazil: Pharmaceutical Sector Factories**

COMPANY	LOCATION	TYPE OF PRODUCT	PRINCIPAL BRANDS
<u>ORGANON</u> Organon do Brasil Industria e Comercio LTDA	São Paulo/SP	Manufacturing of allopathic medication for human use	Puregon, Remeron, Mercilon, Livial, Nuva Ring,
<u>INTERVET</u> AKZO NOBEL LTDA	Cruzeiro/SP	Manufacturing of medications for veterinary use.	Butox PCE, Ciperturbo, Buthrine, panacur, Butoflin, Tactic
AKZO NOBEL LTDA	Fortaleza/CE	Vaccine against foot and mouth disease, injectable de-wormers,	Aftovacin, Ivotan, Avotan, Solution
<u>DIOSYNTH</u> Diosynth Produtos Farmoquímicos LTDA (Unidade inaugurada após a incorporação da Proquímio, em 2004)	Barueri/SP	Raw materials and intermediary substances for the pharmaceutical industry .	HCG-Gonadotrofina; Corionica Humana  CSA-Condroitin Sulfato Grau Oral A; Heparina

Source: Akzo Nobel, 2004 ([www.akzonobel.com.br](http://www.akzonobel.com.br)); Receita Federal, 2004 ([www.receita.gov.br](http://www.receita.gov.br))

Preparation: Instituto Observatório Social, 2005.

Organon was the first unit of Akzo Nobel in Brazil, and is now one of the most profitable in the group's three segments. The operational division has a factory in the city of São Paulo, SP, in the district of Santo Amaro.

Intervet has two distribution centres, two factory units (Cruzeiro, SP and Fortaleza, CE) and two offices in São Paulo, SP.

Located in the city of Barueri, SP, Diosynth is the newest business unit of the Akzo Nobel in Brazil groups. Founded in 2004 and incorporated the former Proquímio - Produtos Químicos Opoterápicos Ltd. This company, according to directors of the group, incorporated the company Protequim Produtos Tecno-químicos Ltda. Company in 2001.

### Chemical Segment.

The chemical segment of Akzo Nobel in Brazil has two operational units and six production plants located in municipalities of São Paulo, Bahia and Rio de Janeiro. The plants congregate five market areas: 1) paper and cellulose; 2) polymers, 3) surface; 4) functional; and 5) resins.

Besides, in this segment, Akzo Nobel has a 50% shareholder participation in Flexsys Indústria e Comércio Ltda, a joint venture with Monsanto, which has two plants located in Itupeva, SP (within the Chemical factory) and in São José, SP.

**Chart 03 - Akzo Nobel's Presence in Brazil: Chemical Sector Factories**

COMPANY	LOCATION	TYPE OF PRODUCT by division
<u>EKA CHEMICAL</u> Eka Chemicals do Brasil S.A	Jundiaí/ SP, Jacareí/SP, Rio de Janeiro/SP, Eunapolis/Bahia.	<ul style="list-style-type: none"> <li>• Chemicals for Cellulose: Sodium Chlorate;</li> <li>• Chemical for paper: Cellchen additives and Chemical plants;</li> <li>• Pemascand: Re-coating of titanium;</li> <li>• Purate: Purê / Purate</li> </ul>
<u>CHEMICAL</u>  <u>AKZO NOBEL LTDA-</u> <u>Divisão Química</u>	Paulínia/SP  Itupeva/SP	<ul style="list-style-type: none"> <li>• <b>Surfactants:</b> Fatty Starches, Fatty Acids, Armeen TMD, Redicote, Quaternary Salts of Ammonia</li> <li>• <b>Functional Chemicals:</b> Polycide P4, Arsenic trioxide;</li> <li>• <b>Polymer Chemicals:</b> Organic Peroxides, Liquids and Solids;</li> <li>• <b>Rubber Chemicals:</b> Sulfur Insoluble Crystex</li> </ul>
<i>Flexsys Indústria e Comércio Ltda.</i>	Itupeva/SP  Santo André	<ul style="list-style-type: none"> <li>• Production of additives for the rubber products, tire, mining and gasoline industries</li> </ul>

Source: Akzo Nobel, 2004 ([www.akzonobel.com.br](http://www.akzonobel.com.br)); Receita Federal, 2004 ([www.receita.gov.br](http://www.receita.gov.br))

Preparation: Instituto Observatório Social, 2005.

### Coating Segment

The coating segment has five business units and five production plants located in São Paulo and Rio de Janeiro States. It serves the following market areas: 1) decorative coating, 2) industrial coating, 3) automotive refinishing, 4) powder coating and 5) marine and protective coating. The principal brands are Tintas International, Wanda and Ipiranga.

**Chart 04 – The Akzo Nobel Brazil Coatings Division**

COMPANY	LOCATION	PRODUCT TYPE	PRINCIPAL BRANDS
<u>AKZO NOBEL LTDA</u> Divisão Tintas Repintura Automotiva	São Bernardo do Campo/SP	Products for Automotive refinishing	Sikkens, Wanda e Miluz.
<u>AKZO NOBEL LTDA</u> Divisão de Tintas Imobiliárias- Raposo Tavares – São Paulo /SP	São Paulo/SP	Paints, Varnishes, Enamels and complementary items in the decorative line	Wanda, Ypiranga, International, Sparlack
<u>AKZO NOBEL LTDA</u> Divisão de Tintas Industriais	Guarulhos/SP	Coil, coating for wood, coating for plastic, resins, varnishes.	
<u>AKZO NOBEL LTDA</u> Divisão Powder Coating	São Roque/SP	Powdered coating for the automotive and appliance industries	
<u>AKZO NOBEL LTDA</u> Divisão International – Marítima	São Gonçalo/RJ	Marine and protective coating for boats	International-Marine Coating

Source: Akzo Nobel, 2004 ([www.akzonobel.com.br](http://www.akzonobel.com.br)); Receita Federal, 2004 ([www.receita.gov.br](http://www.receita.gov.br))

Preparation: Instituto Observatório Social, 2005

### Employees' Profile

Akzo Nobel employees in Brazil represent about 2% of the group's total workforce. The group reported 2,469 direct employees in Brazil in 2004, 575 subcontracted employees and 228 intern/trainees<sup>21</sup>. Most of the workers are from 31 to 40 years old, while men principally perform operational functions and women administrative functions.

A marked characteristic of the profile of workers in the group is the low presence of women both in the productive area, as well as in the administrative area. Women represent about 20% of the entire work force in Brazil.

#### **Pharmaceutical Segment.**

The pharmaceutical segment represents about 38.2%<sup>22</sup> of all employees. The Organon operational unit is the largest employer responsible for half the workers in the segment.

It has to be noted that the pharmaceutical segment as a whole, in comparison with the other segments at Akzo, is that which most employs women, given that the Organon

<sup>21</sup> Information provided by human resources management of Akzo Nobel in Brazil.

<sup>22</sup> The calculation of this percentage is an approximate estimate, considering that the data sent by the company management does not allow a precise calculation.

operational unit registered feminine participation above the average. Among the direct workers of Organon, 61% are men and 39% women, a percentage of women almost twice as high as in the group as a whole in Brazil.

**Table 08 – Profile Of Workers In The Pharmaceutical Segment In 2004.**

	ORGANON	INTERVE T	DIOSYNT H	Total	%
Total workers	466	276	174	916	100
Total women	183	60	25	268	29,3
Total men	283	216	149	648	70,7

Source: Information provided by the human resources manager of Akzo Nobel in Brazil.

The profile of workers at Diosynth reflects the characteristics of workers in the group, with one peculiarity; within the pharmaceutical segment, Diosynth has the lowest percentage of women, 14.3% of all employees at the unit.

### **Chemical segment**

The Chemical Segment represents about 16.1% of the work force of Akzo no Brasil. Among the business units of the group, Eka employs the highest percentage of workers older than 50<sup>23</sup>. Both at Eka as well as at Chemical, men represent 80% of all workers and women 20%.

**Table 09 – Profile Of Chemical Segment Workers, In 2004.**

	EKA	CHEMICAL	Total	%
Total workers	162	220	382	100
Total women	38	41	79	20,7
Total men	124	179	303	79,3

Source: Information provided by human resources management of Akzo Nobel in Brazil.

Based on the analysis of employees in the plants at the Eka business units, a clear sexual division of labour is found, because there are practically only men in the productive sector and 74% of the women are in the administrative sector. Besides, there is relatively low participation of women in management activities: only 1% of women are in management, compared to 11% of the men.<sup>24</sup> There are 10 male managers for every woman manager.

### **Coating Segment**

The employees in the coating segment represent about 45.7% of employees in Brazil's group, and are thus, the segment with the highest number of employees. These workers are 86% men and 14% women, thus, among the three Akzo segments in Brazil, it has the smallest proportion of women.

<sup>23</sup> Information provided by the Akzo Nobel Brazil human resources management

<sup>24</sup> Information provided by the Akzo Nobel Brazil human resources management.

**Table 10 – Worker’s Profile in the Coatings Segment in 2004**

Coating Segment	Repintura Automotiva	International (Maritima, Yate, Proteção)	Imobiliária	Industrial	Powder Coating	Total
Total Workers	360	165	301	153	115	1094
Total de Women	61	30	41	14	12	158
Total Men	299	135	260	139	103	936

Source: Information provided by the Akzo Nobel Brazil human resources management.

In general, according to table 11, the workers at Akzo Nobel in Brazil, are characterised as follows<sup>25</sup>:

- Mostly men (80%), from 31 to 40 (39%);
- Have at least five years at the company (52%);
- Have a medium level of education (73% have completed high school);
- They are allocated principally in the operational sectors (47%).

**Table 11: Characteristics Of Akzo Nobel Brazil’s Employees**

Educational level of Employees		Employees by Age	
Illiterate	0%	Up to 20	1%
Elementary School complete	11%	21 - 30	29%
Elementary School unfinished	3%	31 - 40	39%
High school incomplete	7%	41 - 50	24%
High School complete	29%	51 - 60	6%
College unfinished	13%	Above 61	1%
College graduates	26%		
Graduate education	5%		
Employees by function		Employees by years at the company	
Operational	47%	0 - 5	52%
Administrative	23%	6 - 10	24%
Management	11%	11 - 15	14%
Technical	18%	16 - 20	6%
		21 - 25	3%
		Above 26	2%

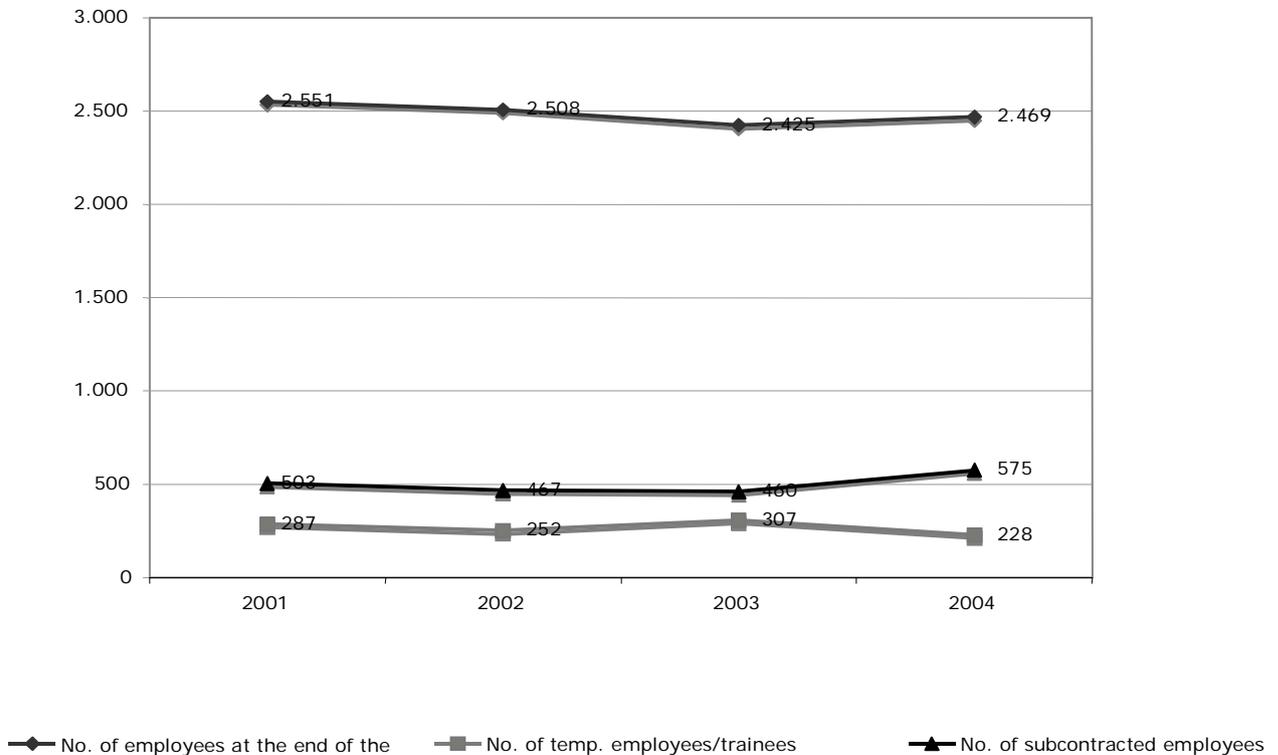
Source: Balanço Social da Akzo Nobel, 2002 and 2004 ([www.akzonobel.com.br](http://www.akzonobel.com.br))  
Preparation: Instituto Observatório Social, 2005.

<sup>25</sup> Balanço Social da Akzo Nobel, 2002 and 2004 ( [www.akzonobel.com.br](http://www.akzonobel.com.br) ).

## Turnover (Hiring And Firing)

From 2001 to 2004, the number of direct and subcontracted workers at Akzo Nobel remained stable, as shown the graph below.

**Graph 03 – Employees at Akzo Nobel Brazil (2001-2004)**



Source: Akzo Nobel. Balanço Social 2004

Akzo employees in this period included an average of 2,500 directly employed workers, 501 subcontracted workers (in support functions such as restaurant work and security) and 268 trainees. The variation in the staff in the period was low (below 5%) showing that there were no dramatic cuts in work posts. Nevertheless, there were isolated cuts that are worrisome at some units.

### **Pharmaceutical Segment**

In the pharmaceutical segment, the annual turnover of employees, except for Intervet, followed the trend towards stabilisation of the other units in the Akzo Nobel group.

In 2004, turnover at Diosynth was lower than 1%, although in the second half of 2005, according to information from Union directors, the unit fired 26 employees in the collection sector<sup>26</sup>, due to the subcontracting of this sector. Given this fact, the workers' representatives requested a meeting with the company about the issue. Until now, Akzo has not answered the request.

At the Organon business unit, the division terminated 47 work posts in the sales area,

<sup>26</sup> The sector is responsible for collecting urine from pregnant women, which is used to obtain the hormones needed for the manufacture of products at the unit.

from 2001 to 2004, caused by the drop in sales volume in medications. There were also layoffs in the HR area due to organisational restructuring, and in the production sector due to the installation of new equipment requiring fewer employees<sup>27</sup>.

According to Organon's Human Resources management, the workers were advised in advance, with proper explanation about the layoff package, although the Unions were not informed because they did not have a critical mass in location, which could justify the providing of information to them. The workers' representatives questioned this explanation from Akzo, and alleged that the company has a recurring practice of not talking to the Unionists at the unit.

At Intervet, there were 30 layoffs and 34 recruits: an average turnover of 11.6%.

### **Chemical Segment<sup>28</sup>**

In the chemical segment, the annual rotation at EKA was lower than 1% and at Chemical around 3.19%.

### **Coating Segment**

In the coating segment, the Repintura Automotiva unit, from 2002 to 2003, was added three collective holidays because of low production, causing the layoff of about 30 workers. In 2003, the unit had a turnover of 9%<sup>29</sup> rising to 15% in 2004. Of this total, nearly 8.45% were layoffs due to the reduction in the staff and 4.23% by substitution. Besides, the division underwent a restructuring in the past five years, a process that principally affected the canned products with the purchase of new machines, for example, a plasticizer and canning machines, besides to the shipping area that became a distribution centre.

These changes led to a generation of employment in shipping, but a decrease of employees in the canning sector. The company did not inform previously workers and Unions about these reorganisations. The company came to contract a reallocation company in the work market for the laid off employees. Nevertheless, some of those workers were not rehired at other companies<sup>30</sup>.

At the Tintas Imobiliárias<sup>31</sup> division, the turnover rose from 4.9% to 8,7% from 2003 to 2004. The turnover at the International and Powder units remained low.

In general, the personnel turnover at the company is low, with relative stability among employees. Nevertheless, the table below shows the differences in turnover at each unit.

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<sup>27</sup> The lack of complementary information from Akzo does not allow precise calculation of the quantity of layoffs caused by restructuring and the installation of new machines.

<sup>28</sup> The lack of supply of complementary information from Akzo about the hiring and firing of the operational divisions of the chemical segment did not allow a better analysis of the turnover rates.

<sup>29</sup> Of this total, 9% of the turnover was in 2003, and 2.19% took place due to a staff reduction.

<sup>30</sup> Union Directors at Automotive Refinishing and at Organon.

<sup>31</sup> Akzo's failure to supply complementary information about the turnover at the divisions (Powder, International and Tintas Imobiliárias) did not allow a more detailed analysis.

**Table 12 - Panorama of Turnover (Hirings and Firings) at Akzo in 2004.**

Segments	Turnover in 2004									
Pharmaceutical	Organon	0.7%	Diosynth	1%	Intervet	11,6%				
	Chemical	Eka	<1%	Chemical	3.19%					
Coating	Repintura	14,93%	Imobiliária	8.7%	Industrial	3.53%	Powder	1.83%	International	0.1%

Source: Information provided by the human resources management of Akzo Nobel in Brazil

Through this analysis, it is possible to verify that the corporate restructuring began by the group on a global level, and did not have the same impact on operations and employment in Brazil. The data reinforced this information of layoffs at Akzo Nobel that, throughout the world, from 2001 to 2004, affected 7.4% of the staff. In Brazil, the cut was about 3% in the same period.

Although the corporate restructuring at Akzo was milder in Brazil, the fact that the company did not discuss previously with the Union about the isolated layoffs occurred at certain units, is a concern reflecting a broader attitude from the group of maintaining a limited dialogue with Union's representatives.

### Group Restructuring in Brazil

The difficulties of the chemical industry, not only in Brazil but also throughout the world, led companies to redefine their areas of operation and concentrate in sectors of greater profitability. In this way, Akzo Nobel came to sell or deactivate units in non-priority segments.

In 2001, the group, following a global action, deactivated the fibbers segment represented by COBAFI (Cia. Baiana de Fibras), under Accordis' Group control. In the same year, the Akzo Nobel pharmaceutical unit sold Técnica. In 2004, Diosynth was founded incorporating the former Proquímio (Produtos Químicos Opoterápicos Ltda.), adding to it, its 170 employees.

In the past year, a global restructuring of Diosynth determined which part of the business unit would be responsibility of Organon, a change occurring gradually. In Brazil, according to the Union directors, there are employees at Organon (Managers, Directors, etc.) from Diosynth's plant.

There were layoffs at the Organon plant during 2004, according to information from the Union,<sup>32</sup> in the HR sector and in production, caused by restructuring at the unit. In the chemical segment, the group gave up Polyenka and in 2002, deactivated the Eka Química Ltda. manufacturers in the industry of cosmetics, photograph, and electronics. It also sold in mid 2004, its participation in the Fábrica Carioca de Catalizadores (FCC), to the U.S. group ALBEMARLE CORPORATION based in

<sup>32</sup> The lack of complementary information from Organon about the restructuring did not allow quantifying the number of layoffs in the division.

Richmond, Virginia.

The growing importance of exports in the Brazilian paper sector in recent years directly influenced investments in the group in the chemical segment, the most important was the investment of € 50 million for the construction of a factory complex in partnership with Veracel for the production of paper and cellulose, in the city of Eunápolis, in southern Bahia state (BA)<sup>33</sup>. The plant began operating in 2005 under the control of Eka Chemicals Ltda. (located in Jundiaí).

In the same year, Eka Chemicals put in operation in the Industrial District of Rio de Janeiro, a production unit for silica sol (product use as raw material in the paper and cellulose sector and in the petrochemical industry for catalysts production). Through this investment, the plant substituted the importance of the raw material and broadened its portfolio of products offered to Brazil's paper sector.

In the Coating segment, Repintura Automotiva underwent restructuring in the past five years, which principally affected the canning sector with the purchase of new machines (plastic, and canning machines) and the shipping area that came to be a distribution centre. The consequences of these reorganisations were the generation of employment in shipping, and a decrease of employees in the canning sector.

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<sup>33</sup> In 2003, Akzo Nobel inaugurated the Eka Bahia project factory in partnership with Veracel Celulose, which will be responsible for the operation and production of chemical inputs for cellulose production. Source: Site of EKA no Brasil.

## Labour Relations

This topic analyses the basic rights to freedom of association, Unionisation, and collective bargaining, using as a reference the Brazilian legislation, the company code of conduct <sup>34</sup> and the ILO conventions concerning the fundamental labour rights. Pointing also specific issues from AKZO NOBEL's operations 'form, in Brazil.

### Freedom of Association

Brazil did not ratify ILO Convention 87. Although the Brazilian Constitution guarantees the right for unionisation, free from government interference, at the same time it establishes the so-called system of Union "unity." Under this system, a single Union receives from the government the rights to legal represent certain profession in a category within a specific area. This power of representation does not depend on unionisation and establishes a type of monopoly, since there can be no other Union in the same area representing workers in the same category. The overwhelming majority of Unions have a municipal base (the smallest region permitted by law) or inter-municipal, although there are State and National Unions. The system does not formally recognise the existence of the Union centres.

However, Union's "unity" does not avoid situations where various Unions operate in a single company or unit because professional categories divided it. At a company in the metallurgical sector, for example, the civil construction Union can represent the building maintenance employees. Secretaries can have their own Union, as well as security guards and so on. Subcontracting aggravates the negative effects of this division, because workers are not part of the majority Union base, which is normally active at the company.

Although the Brazilian constitution recognises the figure of the Union delegate, (one for companies of more than 200 employees) this measure has not been regulated. This is debated along with the Union and Labour Reform Legislation on the agenda of the Lula government and the national Congress. Thus, frequently, there is no instance of employee representation at the level of the company or workplace. The exceptions are the few Unions that sign agreements with companies that institute factory commissions or other internal representation bodies.

For Akzo, the company maintains a relationship with various Unions representing workers in different categories, such as engineers, secretaries, chemical technicians, and drivers, with those representing temporary workers. However, the company has a regular dialogue and collective bargaining agreements with only 15 Unions.

The negotiations for collective agreements of the chemicals and coating divisions in the state of São Paulo are led by FIESP and by SINDUSFARMA for Organon, both the employers' Unions.

The Human Resources management of the various business units are responsible for

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<sup>34</sup> The Akzo Nobel Code of Conduct is in Annex 1.

the relation with the 15 trade Unions. According with information from the Union representatives, the Human Resources directors of the units in various circumstances demonstrate limited power to negotiate with workers and tend to turn to the directors of the Holding in certain moments.

At Eka Jundiaí, at the Repintura Automotiva and Tinta Marítima units, it was repeatedly clear during collective bargaining that to resolve the impasses between the company and the Union the HR directors, when negotiating certain issues, did not have complete autonomy on decision-making. The directors are receptive, but cannot always deliberate without consulting the Holding over workers' requests. A good example of this problem is the current negotiation about the profit sharing plan.

The methodology used in the Social Observatory Institute Studies, only considers the Union data from the majority categories at the productive units in question, that is, the chemical industry workers. It is important to recall that the Collective Labour Agreements or Conventions in these categories predominate over the others, which means, in the final instance, that their clauses have more weight.

In Brazil, most Akzo Nobel workers are represented by Unions in the chemical workers category. Among the Unions at the base of Akzo workers and its respective units, 10 affiliate to CUT and 5 to the Força Sindical workers' centre.

As shown in the Union's Map below, the rate of unionisation<sup>35</sup> varies widely from company to company. In general, the number of Union directors operating at Akzo Nobel is low relative to the other chemical companies of similar size.

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<sup>35</sup> The rates of unionisation were obtained through interviews with Unionists at the following plants: Diosynth, Organon, Tintas Imobiliárias, Tintas Industriais, Tintas Repintura Automotiva, Tinta Marítima, Eka Jundiaí. It was not possible to obtain a rate of unionisation rate at the other Akzo productive plants.

**Chart 05 – Union Map of Akzo Nobel in Brazil**

<b>Pharmaceutical Segment</b>					
Plant /Location	UNION	NUMBER OF EMPLOYEES (of the respective Akzo plant)	RATE OF UNIONISATION (at the plant - 2004)	UNION DIRECTORS AT THE COMPANY	UNION CENTRE
Intervet S A – Cruzeiro/SP	STI Chemical workers of Lorena	100	-	-	Força Sindical
Intervet S A - Fortaleza /CE	STI Chemical, Pharmaceutical, Mattresses and Plastic Materials and Insulation Products of Ceará State.	90 (+ 55 subcontracted)	-	-	Força Sindical
Diosynth Barueri /SP	STI Chemical, Pharmaceutical, Plastics, Explosives, Abrasives, Fertilisers and Lubricants of Osasco and Region.	122	2%	0	CUT
Organon do Brasil Ltda –São Paulo/SP	Union of workers in the Chemical, Pharmaceutical, plastics and similar industries of São Paulo and Region.	473	10%	0	CUT

Coating Segment					
Plant /Location	UNION	NUMBER OF EMPLOYEES (of the respective Akzo plant)	RATE OF UNIONISATION (at the plant -2004)	UNION DIRECTORS EMPLOYEES AT THE COMPANY	UNION CENTRE
Akzo Nobel Ltda - Div. Tintas Imobiliárias/ SP	Chemical, Pharmaceutical, plastics and similar industries workers Unions of São Paulo and Region.	301	10%	0	CUT
Akzo Nobel Ltda - Div. Tintas Industriais Guarulhos /SP	Chemical, Pharmaceuticals, Abrasives, Plastics Material, Paints and Varnishes Workers Unions of Guarulhos, Mairiporã, Caieiras, Franco da Rocha, Francisco Morato.	153	33%	0	Força Sindical
Akzo Nobel Ltda – Tintas Repintura Automotiva / São Bernardo/SP	Chemical, Petrochemical, Pharmaceutical, Paint and Varnish, Plastic, Synthetic Resins, Explosives and Similar Industries Workers Unions of ABCD, Mauá, Ribeirão Pires and Rio Grande da Serra.	360	57% - (100% of the production sector is Unionised)	1	CUT
Powder – Tintas em Pó Cotia/SP.	Chemical, Pharmaceuticals, Plastics, Explosives, Abrasives, Fertilisers and Lubricant Industries Workers Unions of Osasco and Region.	115	-	0	CUT
International - Tintas Marítima – São Gonçalo/RJ.	Chemical Workers Union of São Gonçalo	165	20%	1	CUT

<b>Chemical Segment</b>					
Plant /Location	UNION	NUMBER OF EMPLOYEES (of the respective Akzo Plant)	RATE OF UNIONISATION (at the plant -2004)	UNION DIRECTORS AT THE COMPANY	UNION CENTRE
Eka Chemicals do Brasil S A –Jundiaí /SP	Chemical Workers Union of Jundiaí and Region	161	60%	1	Força Sindical
Eka Chemicals do Brasil S A – Jacareí/SP	Chemical and Pharmaceutical Industries Workers Union of São José dos Campos and Region	20	-	0	CUT
Eka Bahia-Eunapolis/BA	Union of Paper Workers of Bahia and Chemical and Petroleum Workers Union of Bahia	37	-	0	Cut
Eka Rio de Janeiro/RJ	Industrial Chemical Products, pharmaceutical products workers Union of Rio de Janeiro.	14	-	0	CUT
Akzo Nobel Ltda. - Div. Polymer Chemicals - Itupeva /SP	Union of Chemical workers of Jundiaí and Region	220	-	0	Força Sindical
Akzo Nobel Ltda. - Div. Polymer Chemicals - Paulínia/SP	Unified Chemical workers industries Union of the regions of Osasco, Campinas and Vinhedo.	10	-	0	CUT

Companies with Minority Participation of Akzo					
Flexsys Ind. e Com. Ltda. - Itupeva /SP	Chemical workers Union of Jundiaí and Region	30	-	-	Força Sindical
Flexsys Ind. e Com. Ltda - São José dos Campos/SP	Chemical and pharmaceutical industries workers Union of São José dos Campos and Region	-	-	-	CUT

Source: Workers Representatives and human resources directors of the respective business units. Preparation: Instituto Observatório Social, 2005.

The highest rates of unionisation of Akzo employees are found at the plant in Eka Jundiaí with 60%, Tintas Repintura Automotiva 57%, Tintas Industriais 33% and Tintas Marítimas 20%. The rates at Organon and Tinta Imobiliária are only 10%; the lowest rate found is at Diosynth of about 2%.

Comparing the unionisation rates of 2004 with those presented in IOS's 2002 report it is found that the rates at Diosynth fell from 6.4% to the current 2%, at Tintas Imobiliárias it also fell from 24.2% to 12%. Nevertheless, at Organon it rose from 6.9% to 10%, and at Repintura Automotiva grew from 30% to the current 57%.

The highest rates of unionisation found on the Union Map (chart 5) are consequence of more present and effective Union action, with better negotiations between Union and company, which is a positive factor for workers. The growth in percentage of unionisation of employees at the Repintura Automotiva unit where the rate in 2002 was 30%, and grew to 57%, in 2005, is an example of how the effective activity and approximation of employees to workers representatives is essential to winning the confidence and joint participation of all employees in the demands.

### *Right to Collective Bargaining*

National labour law is the principal instrument regulating labour relations and conditions in Brazil. Collective bargaining effectively revived in the late 1970's, is relatively recent and quite limited, complementing that established by law. The collective labour conventions (negotiated by all workers in a given sector in a region) or the collective labour agreements (negotiated by company) are valid for one or two years and set the annual salary adjustment, the base salary, non-salary benefits and some Union rights. On the last day of the period of the collective convention or agreement, all the rights contained in it, lose their validity. This puts workers in disadvantage given the automatic loss of rights, creating unfavourable pressure on them to sign a new agreement.

Either of the parties involved in the negotiations can request that the Labour Court decide the terms of an agreement or convention. This, however, is a process that can

take years to determine. It is more frequent that this measure is in use when the negotiation leads to an impasse, when there is a conflict (strike) or, when one of the parties does not agree to negotiate. In some economic sectors, the decisions of the labour court are an important reference for the collective bargaining process. When there is a conflict during negotiations, the authorities can require that the Labour Court intervene.

Akzo Nobel in Brazil expresses its respect for the applicable legal structure and all the labour relations norms, and prevailing practices, and the right of its employees to be represented by Unions and other workers organisations. Besides, the group takes initiatives to negotiate agreements about employment conditions<sup>36</sup> with workers' associations.

Collective bargaining of Akzo Nobel workers is conducted in a decentralised manner because Union representation is tied to the various bases, as shown in the Union's Map (chart 7). This is determined, on one hand, by the Brazilian Union structure, and on the other, by the lack of a general policy at the Akzo Nobel group to encourage social dialogue centred in the Unions.

According to the Holding, the Human Resources sector of the group in Brazil is decentralised due to different regional realities. However, in contrast to company's argument, workers' representatives in the Akzo Nobel committee, presented similar (and often identical demands) concerning, benefits, salary equality, overtime, subcontracting, etc.

For this reason, the challenge for the Unions is to establish an organisation capable of overcoming the territorial barriers and articulate an exchange of information and experiences among the units, seeking to broaden the mobilisation of workers and make the Union's actions more effective with the company.

In the past five years, few strikes were recorded at the group's units. The few that took place, related to profit sharing, salary readjustments, salary equality, and supply of basic food baskets and in particular, in the coating segment.

In 2003, the São Bernardo unit (Repintura Automotiva) had strikes for a few hours, due to demands related to profits' payment of profit sharing and salary equality. Besides, there were strikes for two hours on the shifts to win a food basket in 2005. During these conflicts, according to the Union, the company was receptive, and often negotiated and corrected the existing errors.

At Eka Jundiaí and at the Tinta Marítima unit, when there is some point of disagreement there was a direct conversation between the Union and the unit manager. In other divisions (Organon, Imobiliária and Diosynth) the management is not receptive and dialogue between the company and the Union over a conflict, is less common.

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<sup>36</sup> Information provided by the directors of Akzo Nobel in Brazil and found in the Code of Conduct.

## Freedom of Association

Brazilian law protects the employment of Union directors, from the time in which they register to dispute a position in the Union directory, until one year after the closing of the mandate. Relative to the respect for Union rights, the unionists unanimously affirmed that they did not suffer any persecution from the company and that no one was layoff for Union work.

Thus, observing the chart below, it is understood that the relationship between the company and the Union appears to follow a traditional model. Although Akzo Nobel says it is committed to respect all labour related laws, it does not adopt an innovative policy to promote labour relations or a flowing and open dialogue with workers' representatives.

Besides, the analysis of the Akzo code of conduct shows that the company limits itself to declaring respect for national legislation concerning labour rights. The company does not have a specific position of commitment to the theme as found in other Dutch multinational companies.

The representatives of the company in Brazil state that it is incorrect that Akzo 'apparently' complies with national legislation. They affirm that Akzo Nobel, beyond from complying with all legislation, supersedes legal requisites through social programmes offered by the business units in each community where they operate. The company also emphasises in its reaction to the IOS report, that the Business Principles and Code of Conduct of Akzo Nobel are not rhetoric.

On examining the data gathered in the chart below, there is an enormous difference between the discourses of Akzo management in comparison with the opinion of workers representatives about the company action relative to the themes encompassed by Union liberty. This distinction reinforces the finding that Akzo does not adopt broad and open dialogue with Union directors and does not have an innovative policy to promote labour relations.

**Chart 06 – Company’s and Unions’ position on Union Freedom**

<b>Themes related to Union liberty</b>	<b>COMPANY</b>	<b>UNION</b>	
Freedom of Association	Total Freedom, The company does not impede workers from organising	Disagrees	The company does not allow workers to meet within the factory.
Passes along information from the company	Regularly	Disagrees	All the Unions maintain that the company both delays releasing and at times does not pass along information despite pressure from the Union to do so. <sup>37</sup>
Pass along of information at corporate levels, nationally and locally.	National e Local	Disagrees	All of the Unions question that the company passes on this information. The Unions report that there is a lack of information at the corporate level and when there is a pass along it is delayed.
Association to the Unions	Total freedom The company does not discourage the association.	With restrictions	In some units the Unionists said that there was “veiled” <sup>38</sup> pressure for the workers not associate to the Union
Action of Directors	Free As long as they respect the company’s internal norms, particularly concerning health and safety.	With restrictions	The company does not always receive the Union director when he makes contact. Delays in getting back in touch.
Access to Unionists at the workplace	Free As long as there is respect for internal norms at the company, in particular health and safety.	With restrictions	With previous warning, access to the factory is allowed as long as there is no conflict in discussion between the company and the Union.

<sup>37</sup> The company did not supply information about the strategic themes, restructuring, subcontracting, etc. For example, at the Repintura Automotiva plant, information about production increases at the unit, basic data that determines overtime and future contracts, is not passed along to the Union.

<sup>38</sup> This occurs, for example, at Organon where the Union directors report that the company does not clearly express that it is opposed to the measure. However, according to workers’ representatives, there is a structure created by Akzo, which does not allow unionisation. Over time, the company subtly created an ideology among workers of the lack of need for a Union, building an idea among employees that Akzo is like a “mother” and, in this way, offers everything that it can to the employees.

Passes along information about profits	Yes	With restrictions	Some Unions do not have this information. <sup>39</sup> Ex: At the Tinta Marítima plant, despite the profit sharing, the profits are not presented in an intelligible form to the Union. For this reason the directors call for the access to an Accounting Statement that explains the relationship of its profit sharing plan with other plants in Latin America. At the Repintura Automotiva plant, Akzo only reports on the profits to the Profit Sharing Commission but did not supply the Accounting Balance.
Punishment of Unionists	No	Agree	The Unionists do not mention there was punishment of Unionists.

Source: Information supplied by managers, directors and Unionists of Akzo Nobel in Brazil, in 2005.

Preparation: Instituto Observatório Social, 2005.

About the unionists' access to the workplace, Akzo requires a previous request for entrance to the factory, which is generally permitted while there is no conflict in discussion between the company and the Union. However, at some units, (Organon, Diosynth, Tintas Imobiliárias) the Unionists said there was a certain trend at the company to limit access, principally at plants where the Union director is not an Akzo employee, a condition that eases the company to restrict their entrance to factory grounds.

In general, the Social Observatory Institute Study detected the existence of a large variation between the company behaviour relative to the different workers Unions at the locations where the factories operate. This occurs because each factory has a local representative in the Human Resources area. Although this local manager respects Brazilian legislation, the negotiation with the Unions often responds to local variables and/or, to conflict relatives that are established in direct relation between the parties. For example, for directors to gain access the workplace. In this case, the relationship between the Union and the company varies according to the unit. When there is greater dialogue between the parties, the company's position is more open, and permits unlimited access to the workplace. In other units, where the relationship is more conflictive, access requires a previous request to HR.

<sup>39</sup> Akzo passes along information about its profits, and, at times, refers to the Accounting Statement at some units (Organon, Tinta Industrial and Tinta Imobiliária. However, other types of information are not passed on such as: questions related to restructuring, strategic themes, subcontracting, etc.

Regarding the issue of difficulties of various trade Union representatives to get free access in certain units, the representative of Akzo Nobel comment that, the decision to allow access or not, is up to the company, because the Brazilian law does not contemplate this.

Besides, absence of Union directors (who are Akzo employees in some of the company units as shown in the Union's Map - chart 7) causes difficulty to some Union representatives to mobilise workers and organise them effectively, simplifying the development of an unilateral position, on the part of the company to questions related to labour relations and conditions<sup>40</sup>.

It is understood that this company-union relationship points on one hand, the need for Unions to establish a more active mobilisation policy, making their power to represent workers more efficient and legitimating them as the basic partner in labour relations. On the other hand, it shows the importance of the company in a more openly position to the negotiation with the Union, seeking a greater degree of understanding about the social dialogue.

### Access to Information

Concerning the reception of information about corporate strategies and data that show the performance of companies in Brazil, Unions generally must take their own efforts to obtain them. The law is inadequate in this sense, because only a small number of companies, those with shares traded on stock exchange, publish annual financial reports. Normally, companies and company entities deny supplying data and information. Even in the extreme cases of plant closures, a company is not required to communicate in advance to the Unions and workers, although any layoff must be, notify 30 days in advance.

Some large companies are accustomed to inform relevant facts, although they do so in limited situations and depending on their own interest. Other information is supplied to Unions verbally and informally, and arrives without supporting documents. There is a recent trend for companies to publish social reports, but this practice is still limited to a small number of companies.

According to declarations from Akzo directors, as per chart 6 (about the positioning of the company and Unions concerning Union Freedom), information on corporate, national and local levels is passed, although affirmation by the company is from workers' representatives alleging the lack of information on this level, and that a great delay in the pass along exists, when this occurs.

In São Bernardo, at the Repintura Automotiva unit, Akzo supplied information about 2002 and 2003, concerning the cut in production and applied collective holidays after the negotiation with the Union. Nevertheless, when there is an increase in production the pass along of this information does not take place because the company is hesitant to increase the number of work posts. This practice causes greater precariousness of working conditions, submitting employees to extended shifts in overtime. A good example is that since the beginning of 2005, at the São Bernardo unit, Akzo applied a

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<sup>40</sup> Members of the Akzo Brazil Committee

policy of overtime hours to all the employees, due to the expanded production, but this was not negotiated previously with the Union, and management at the unit recently announced that it would contract new employees for the year 2006. Until then, overtime hours would continue and the Union would wait for the promised hirings.

At Tinta Marítima production increases are also common and consequent increase overtime and the number of temporary workers without this information being provided to the Union.

According to the Union's representatives, the passing of precise data about the information over the company's performance, profitability and strategy is also very slow, limited in scope and in general the access to information (in a partial form) takes place after insistence from the Unions. Some workers representatives from the group (Diosynth, Eka Jundiaí, Repintura Automotiva, Tintas Marítimas) said to not have any information about data concerning profits and company strategies. At units (Organon, Tinta Industrial and Tinta Imobiliária) having Profit Sharing Plans, beyond what is called for in the labour convention, Akzo passes information about its Accounting Statement, as asked in the legislation. Nevertheless, other types of information are not passed, such as questions related to restructure, subcontracting etc.

Meanwhile, Akzo's Tinta Marítima and Tinta de Repintura Automotiva plants only provide information about profits to the Profit Sharing commission, not supplying the Accounting Statement. At the same time, at the Tinta Marítima unit, profits are not presented intelligibly, the Union directors of this plant request access to the Accounting Statements that explains the relationship between its Profit Sharing plans with other plants in Latin America. Until the closing of this report, the requests were not attended.

In general, the Social Observatory Institute Study found that the visions of Akzo and the Union directors about the right to inform strategic questions at the company differ in many aspects. Besides, it demonstrates that Akzo's position about this theme is similar to that of other large multinationals, that is, the group passes along information when it is in its own interest and hides data that can lead to a disagreement with workers representatives, and thus, weaken the negotiating position of the company representative.

The representatives of Akzo Nobel confirm that there does not exist, a legal provisions in Brazil determining the information that shall be provided by the company. Furthermore, most of the decisions about restructuring is taken by the Holding in The Netherlands and arrives to the management in Brazil ready to be executed. Therefore, it would not be possible to inform the trade Unions in advance.

### *The Union Committee*

A substantial portion of the company's Unions, representing 10 of the total 15 production plants at Akzo in Brazil, began a more organised project of Union action, called: The Creation of The Committee of Akzo Nobel Workers - initiative of the

CNQ<sup>41</sup> from CUT. This with the support of the Dutch Union Federation FNV<sup>42</sup>, process consolidated in August 2004.

The principal objective of the Committee is to establish information flow between the Unions representing workers of Akzo Nobel in Brazil and, also, to discuss the development of joint action and support the local Union actions. Also seeking institutional recognition from the company, it would like to initiate a broader dialogue with Akzo over issues concerning the workers in all plants, above all, those involving corporate policies. (Including the ones concerning social responsibility and behaviour in the company's relation with the OECD guidelines). The issues not relative to corporate policies, can be object of discussion from different Unions such as themes related to work conditions at each business unit: profit sharing, salaries, benefits, health and safety, etc.

It is important to emphasise that the workers committee operates actively as a Union council, but does not intervene in the policies developed locally by the Unions. In no manner does the committee substitute the local Unions. Nevertheless, nothing impedes from collective bargaining is been establish on a national level, as long as both parties and the base Unions agree.

Since its initiation, the company has resisted formal recognition of the Committee, and until December 2005 had not participated in the social dialogue proposed. This is because the company believes that if it is involved in a dialogue with the representatives of some local Unions, it can bring more risks than benefits to the company. The negotiations can become a mechanism for harmonisation to pay, (salaries and profit sharing) benefits and rights. This process puts on risk the comparative advantages that the company obtains with the regional disparities in terms of income, benefits, rights etc. Thus, the company prefers to stick to the requirements of the current law, which establishes a monopoly on local or regional representation, which means that the company negotiates in isolation with each Union, a process that maintains the disparities in rights and working conditions, thus reproducing the regional differences.

According to information from the Holding to the Social Observatory Institute, during a meeting in September 2005, Akzo said to believe that its relationship with the Committee is difficult due to the diversity and quantity of Unions representing its employees. The company declared not to be against the Committee, but that it does not believe that a common agenda is to be discussed. The company also discarded any dialogue with the committee about uniformity of labour procedures, alleging the lack of similarity of activities. It maintains that the reality and needs of its employees are distinct even within a single segment. The directors of the Holding also reported that in The Netherlands the group has problems with the European Committee and therefore nation-wide bargaining is also seen with reluctance by Akzo's Dutch headquarters.

Since its formation, the workers' Committee met periodically to exchange information and at each meeting, the organisation has been expanding, increasing its

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<sup>41</sup> National Confederation of Chemical Workers

<sup>42</sup> FNV Bondgenoten – The Netherlands.

representation. Besides, the group established a calendar calling for two annual meetings with the participation of workers from each Akzo Nobel's units in Brazil. These meetings conduct a review of Union activities, company's actions, and prepare a joint plan of action, besides to encourage the education of workers and unionists about important themes related to labour relations, such as corporate social responsibility, the concept of the production chain, the serious problem of subcontracting, the need to promote diversity and others.

Only five Unions<sup>43</sup>, (which represent five Akzo units) do not participate in the meetings. These five are, two representing the Intervet business unit (in the cities of Fortaleza and Cruzeiro) affiliated to the Força Sindical Union Centre, and three linked to Cut (Eka Rio, Eka Paulínia and Eka Jacareí).

**Chart 07 – Union's Members of the Akzo Brazil Committee in 2005.**

UNIONS	Units Represented
Chemical Workers of São Paulo;	Organon, Tintas Imobiliárias. CUT
Chemical Workers of ABC;	Tinta Repintura Automotiva – CUT
Unified Chemical Workers – Osasco Region	Diosynth, Tintas em Pó – CUT
Chemical Workers of Guarulhos	Tintas Industriais – FS
Chemical Workers of Jundiaí	Eka Jundiaí and Itupeva – FS
Paper workers of Bahia	Eka Bahia
Chemical Workers of São Gonçalo	Tintas Marítimas

Source: Chemical Workers Union of ABC.

The future of the Committee is quite promising and in 2005 was broadened to two more units: São Gonçalo, RJ and Eka Chemicals in Bahia. Besides, based on the

<sup>43</sup> The following Unions are not part of the committee: Chemical Workers Union of Lorena, Chemical, Pharmaceutical, Mattress, Plastics Materials and Insulation Products Industries Workers Union of Ceará State, Chemical and Pharmaceutical Workers Union of São José dos Campos and Region, Workers Union in Industrial Chemical Products and Pharmaceutical Industries of the municipality of Rio de Janeiro, Unified Chemical Workers Union of the Regions of Osasco, Campinas and Vinhedo

positive responses from the approximation of the Union directors that have still not participated, it is very possible that in coming years, the Committee will incorporate the absent Unions.

Information reported by Committee members on last meeting, on August 2005,<sup>44</sup> allowed the exchange of data about different Akzo's units, demonstrating the difference in treatment concerning the benefits at the operating divisions. One example is the return to the actions that took place at Organon, but not to other units. While some units offer a food basket and profit sharing (beyond the established in the Collective Labour Convention) others do not.

The greatest impediment observed by the members of the committee to the relationship between the Union Committee and Akzo Nobel, is the difficulty in establishing dialogue with company management, which does not formally recognise the committee. The company is also not willing to give workers leave for Committee activities. For example, at Organon and at the Tinta Imobiliária where the Union has a reasonably good relationship with the company, units' managers do not authorise the participation of workers in Union activities and Committee meetings on working hours.

Despite these problems, the general opinion of the Unionists at the meeting was extremely positive. According to participants at the event, the formation of the committee helped advance several collective negotiations in recent months.

According to Union directors at Eka Jundiaí, the relationship of the company with the Union improved after the establishment of the committee. In 2005, the employees of this unit were able to change a bus itinerary, and now there is a campaign for a profit sharing plan, that is fairer in contrast to other Akzo plants.

At Tinta Industrial and at Tinta Marítima, the relationship between the company and the Union also improved after the formation of the Committee. A recent conquest of the Union directors of these units was a profit sharing plan beyond the one established by the Collective Labour Convention.

The workers' representatives at the Tinta and Repintura Automotiva unit and of Eka Jundiaí are the most active within the committee, as is their Union action in the daily life of the plant. At Repintura Automotiva, since the formation of the committee, the Unionists at this unit have achieved important negotiations with Akzo, which began to respect and to communicate. This way, the company liberated three companies for the 1<sup>st</sup> meeting of the Akzo workers Committee, one of them (a woman on holidays) was given an extra leave to participate in the exchange programme in The Netherlands. Another win, was a paid leave given to a member of the Internal Accident Prevention Commission, to participate in courses given by the Union and in the meeting of the Akzo Union committee.

At the same time, the Unionisation of workers at the São Bernardo unit increased since the formation of the Committee, with the percentage of subcontracted workers

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<sup>44</sup> Unionist's review present at the committee meeting in August 2005 was conducted by the representatives of the following units: Organon, Eka Jundiaí and Itupeva, Tinta Imobiliária, Industrial, Marítima and Repintura Automotiva.

increasing from 30% in 2002, to 57% in 2005, while 100% of the production workers are unionised.

Besides these questions, the workers representatives at Repintura Automotiva also achieved improved benefits. One example is the profit sharing plan, in which until 2003, the company paid only the established by the Collective Labour Convention. After a negotiating process, a profit sharing commission was formed, this elected by workers every two years. Profit sharing<sup>45</sup> came to be made and discussed by goals. Another example was the conquest in January 2005, of the benefit of a basic food basket, which took place after various activities, among them, a two-hour work strike on the 1<sup>st</sup> and 2<sup>nd</sup> shifts, for which the stopped hours were not discounted. According to the Union, the mobilisation took place with support from the Union bulletin and the exchange of information with the Akzo workers committee. The workers at this unit also won the right to salary equivalency, and about 40 production employees achieved a salary increase of 52%.

Relative to accident and illness assistance, this improved respecting to workers absent because of accidents at work, or illness. Previously, employees who returned from medical leave were persecuted, according to the Union.

Regarding the Committee, the representatives of Akzo Nobel take a clear position and perceive that, in its essence, the report tends to emphasise refusals of Akzo Nobel to recognise the Union Committee and to receive trade Union representatives from the floor plants.

According to company representatives, the decision for not recognising the Committee results from the different markets and branches where the company operates, making it impractical for having a common platform for discussions. Akzo Nobel also perceives that the Committee will serve for the Unions to reinforce their demands and organise general strikes.

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<sup>45</sup> In 2004, 100% of profit sharing =R\$1.040,00 and 76.4% =R\$810,00, in 2005 100%=R\$1.300.

## **Working Conditions**

### **Child Labour**

Brazil established the minimum age for any kind of work to 16 years old. At the age of 14, youth can work only in trainee programmes and at 18 youth can accept taxes, dangerous or unhealthy jobs. The company shall allocate 15% of the positions that require technical training to adolescents registered in a professional training programme organised by an officially recognised institution. Brazil ratified the ILO conventions concerning the theme.

Akzo Nobel has declared to be against the employment of youth younger than 16 and adheres to the ILO Conventions 138 (concerning Minimum Age) and to Convention 182 (concerning the Banishment of the Worst Forms of Child Labour). Besides, Akzo requires that its suppliers and contractors also follow the same standards referred to child labour<sup>46</sup>.

At the group's units, there was never a record of a Union or company complaint concerning forced labour. Thus, at no unit was mentioned workers younger than 16, as established by Brazilian law and by international standards. All the adolescents contracted by the group perform activities without any type of risk<sup>47</sup>. The Unions were also unanimous about the non-existence of child labour at the units, although saying to be unaware of the group's policies to inhibit child labour in the production chain. This issue will be further examined in the next phase of the study.

### **Forced Labour**

Forced labour, or labour similar to slavery, is a crime in Brazil and, in 1954 and 1965, Brazil ratified the ILO Conventions concerning forced labour (Convention 29 and Convention 105 respectively).

Akzo Nobel has committed that at any time would be use forced labour, and a labour contract is only signed if there is free will of the individuals to be contracted. Besides, the group has the responsibility to promote these principles to its suppliers and contractors<sup>48</sup>.

At the Group's units, there was never any record from the Union or the company concerning the existence of forced labour.

### **Discrimination**

The Brazilian Constitution prohibits any discrimination based on sex, race or colour, age, religious creed, or political ideas. The country ratified the two principal ILO conventions on this issue and incorporated to its legislation prohibitions related to the payment of distinct salaries and other worker conditions.

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<sup>46</sup> Company Code of Conduct and declarations of company directors.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

The two ILO conventions that treat equal opportunity and non-discrimination at work are Convention no. 100 about Equal Pay (1951), and Convention 111 about Discrimination (employment and professional, 1958).

Convention no. 100, concern to the equality of pay between male and female labour for equal value work, determining that member countries promote or guarantee compatible means and methods that assure this equality.

Convention no. 111, defines the discrimination relative to employment and labour, as having any distinction, exclusion or preference based on race, colour, sex, religion, political opinion, national or social origin that has the effect to destroy or alter the equality of opportunities or treatment in terms of employment or profession.

At Akzo Nobel no programmes were found of affirmative character that specifically propose and promote the precepts of these two conventions. According to the data analysed, diversity is not a theme addressed by Akzo Nobel through programmes and actions with well-defined goals, demonstrating that company behaviour is weak in this issue.

Concerning the issue of gender, the Union directors showed the absence of programmes that encourage women to occupy a greater number of work posts and have greater participation in management positions. In general, women represent only 20% of the Akzo employees, and are allocated in the administrative, laboratory and cleaning areas. In general, it is rare to find women in the production sector.

### **Pharmaceutical Segment**

The Organon unit, located in the municipality of São Paulo, recorded female participation above average, relative to the proportion verified in the rest of the group, nearly 61% of its workers are men and 39% women. It thus accompanies the statistics presented by the Brazilian pharmaceutical sector<sup>49</sup>, which employs about 38.7% women in São Paulo<sup>50</sup>, according data from the Annual Report of Social Information (RAIS).<sup>51</sup>

The Intervet and Diosynth units respectively employ 22% and 14% women, a percentage below to that of Organon and of those found in the RAIS statistics for the Brazilian pharmaceutical factories, which are 46% women. Besides, the Unionists of Diosynth report that women are allocated in the laboratories, in cleaning and administrative sector and that there are no women employees in the production area.

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<sup>49</sup> According to the National Classification of Economic Activities (CNAE), the companies that produce pharmaceutical products include the factories of pharmonochemical products, materials for medical, hospital and odontological use and factories of medicine for human and veterinary use. Source: ABQUIM (Brazilian Association of Chemical Workers)

<sup>50</sup> Percentage of the manufacture of pharmaceutical products in the city of São Paulo, data from 2004, RAIS.

<sup>51</sup> The Annual Report of Social Information is the census of formal employment in Brazil. Source: [www.mte.gov.br](http://www.mte.gov.br) -site of Ministry of LabourLABOURLabour, accessed in 2005.

**Table 13 - Women in the Pharmaceutical Segment in 2004.**

	ORGANO N	%	INTERVE T	%	DIOSYN TH	%	% Total in the Segment
Total of women	183	39	60	22	25	14	29.3

Source: Information provided by the human resources management of Akzo Nobel in Brazil, 2004.

### Chemical Segment

At both Eka and Chemical 80% of workers are men and 20% women. This is a higher percentage of women found in the inorganic chemical products sector in São Paulo State, where 14% of the workers are women, according to RAIS.<sup>52</sup>

**Table 14 – Women in the Chemical Segment in 2004.**

	EKA	%	CHEMICAL	%	% Total in the Segment
Total of women	38	23	41	19	20.7

Source: Information provided by the human resources management of Akzo Nobel in Brazil, 2004.

### Coating Segment

Among the three segments at Akzo, coating has the lowest percentage of women, who are only the 14% of all employees. The segment accompanies the national trend, which, according to RAIS data, has a strong resistance from companies for gender diversity among their workers, principally in positions and functions in operational areas. This fact is caused by a macho culture causing the company's management and male employees, to consider production work too heavy for women.

Nevertheless, it is important to emphasise that on comparing the data from RAIS with those to the table below, it is found that the percentage of women at all units in this segment at Akzo are always lower than those in other companies in the coating sector in the region where they are located. That is, Akzo employs a lower percentage of women, than the average sectors in the regions where it operates.

<sup>52</sup> According to the National Classification of Economic Activities (CNAE) the activities of companies in the sector range from the production of inorganic chemicals to the manufacturing of: chlorine bleach and alkalis, intermediaries for fertilizers, phosphate fertilizer, nitrogen and potassium, industrial gases and other inorganic products. Source: ABQUIM.

**Table 15 - Women in the Coating Segment in 2004**

Coating Segment	Repintura Automotiva	%	Marítima	%	Imobiliária	%	Industrial	%	Powder	%	% Total for the Segment
Total Women	61	16	30	18	41	13	14	9	12	10	14%

Source: Information provided by human resources management at Akzo Nobel in Brazil, 2004.

According to RAIS, women at the paints factories<sup>53</sup> in the city of São Paulo (where Imobiliária is located) represent the 17.4% of all workers, the 16.7% in the SP metropolitan region (where Repintura Automotiva, Powder and Industrial are located) and the 21.4% in the Rio de Janeiro metropolitan region (where Tinta Marítima is located).

Besides, to this data, the Union at Repintura Automotiva informed us of the non-existence of women in the production sector and stated that there is no affirmative action programme at the unit.

The Social Observatory Institute study shows that although Akzo management knows that the female staff is lower compared to the women staff in its labour market, the company does not have a plan or goal in increasing the hiring of women. Until the conclusion of this report, the company did not change position, about this issue.

At the meeting between the Holding and the Social Observatory Institute<sup>54</sup>, group directors declared that the low percentage of women at the company occurs because in previous decades women represented a lower portion of the work force. Besides, because the average period of employees at the company is high, the group has still not been able to incorporate the proper quantity of women workers. Nevertheless, this argument is questioned when it is found that 76% of the Akzo employees have been working there for less than 10 years, according to information from the company.

Given the information checked, is possible to conclude that the group avoids the issue of gender, imagining that it could increase the number of women by counting simply on a change in the corporate (and social) culture without promoting any concrete action to do it. The question is that there are no criteria to place women. Equal opportunity policies for gender and race do not exist at the company because there is no internal discussion about this. Besides, the company does not stimulate this discussion. In this form, the result is the random employment of women, who wind up being concentrated principally in the administrative areas.

According to the representatives of Akzo Nobel, the figure of 20% female workers does not imply discrimination. They point out that, the limited access of women to the labour market and higher education in Brazil is what currently limits their recruitment.

<sup>53</sup> According to the CNAE classification, paint production factories also produce, varnishes, enamels, lacquers and other similar products as at the Akzo plants. Source: ABIQUIM.

<sup>54</sup> Meeting held in September 2005.

The contracting of women in administrative positions is a result of the courses that have historically been able to follow. Women are recently specialising themselves more for technical and operational positions. Therefore, requires time to achieve a balance with male workforce. The company concludes that the problem is because of culture and the result of a macho society, not because of Akzo Nobel fault.

Concerning the question of colour and race, the subject is still taboo in the company. In this aspect, Akzo acts similarly to most multinational companies that operate in the country. That is, manifesting a total and absolute lack of knowledge about practices, programmes and actions adopted in other countries, which can reduce social inequality and promote minorities within the company hierarchy.

As a result, there are few black workers among Akzo employees, and practically none in management. The only exception is at the Tinta Marítima unit where, according to the division's workers from the Union, black people represent nearly 40% in the production sector, although they do not occupy management positions.

According to Union's information<sup>55</sup>, there is no affirmative policy concerning racial discrimination, the only affirmative action programme undertaken by the company occurs during the week dedicated to the prevention of labour accidents (SIPAT), and workers are also informed about questions related to moral harassment and discrimination.

The explanation of Akzo Nobel about the low percentage of black workers is similar to that regarding the female workers. The company perceives that the problem of access of black people to universities is even worse than for women. Akzo Nobel emphasises that colour, sex, or religion, are taken into account during selection process. Every qualified worker is able to participate in the selection process of the Akzo Nobel and therefore is employed according the labour market's supply of workers qualified for the offered positions.

Concerning workers with disabilities and special needs, there are Union charges<sup>56</sup> that Akzo does not comply with the legal quota established by the law 7853/89, which requires companies with 100, or more employees to have 2% to 5% of their positions filled by beneficiaries of rehabilitation or people with disabilities trained, in the following proportion:

- I) Up to 200 employees: 2%
- II) 201 to 500 employees: 3%
- III) 501 to 1.000 employees: 4%
- IV) above 1,001: 5%

The Organon division developed the "Be Efficient Project" that seeks to make employees aware of the importance of working together with disabled people and integrating them into the company.

The Unions did not find any incidence of sexual harassment. According to Akzo

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<sup>55</sup> Information collected with all the Union directors interviewed.

<sup>56</sup> This takes place, for example, at Organon and at Tinta Imobiliária where the Union reports that Akzo does not comply with the legally established quota for disabled people.

Nobel representatives, there is a lack of disabled people capable of working in the company, and because it is a chemical industry, the employment of disabled workers is hampered due to the increased risks inherent to the operations.

## Wages

Since 1 May 2005, the law calls for a unified national monthly minimum wage of R\$300,00 (€110,02) and a possibility for higher minimum wages by state. Salaries could not be nominally lower, except when a Union agrees with this and signs a specific agreement and only 50% of workers have labour relations protected by legislation. The other half participate in the informal market and do not benefit from the rights defined in the legislation, receiving salaries lower than the minimum.

At Akzo's business units, any worker receives less than the minimum wage; most, even receive above the base level, in their category. At the São Paulo units, the average salary is much higher than at the units in other states. In 2005, the average salaries in the productive area<sup>57</sup> at Akzo Nobel was close to R\$ 1.050,00 (€290)<sup>58</sup> and in the administrative areas about R\$ 2.030,00 (€61)<sup>59</sup>.

A remarkable fact found by the study, is the large salary difference among the various Akzo units. The company argument to justify these differences is the fact that workers functions at the various operational divisions are different and thus, it is not possible to compare salaries. Nevertheless, the comparison of payroll at the units in the same segment shows possible salary differences of 100% among employees with the same function<sup>60</sup>.

Another justification given by the company is the same given by other multinational companies having operations in different Brazilian states– and that is that regional differences are enormous. This attitude by Akzo only reinforces Brazil's social problems, the immediate result to have workers employed in the same company, in similar functions, with very different salaries, which creates unequal living conditions among workers and families.

## **Pharmaceutical Segment**

For administrative salary, Organon presents an average salary of 56% higher than at Diosynth and Intervet, where average salaries are practically the same. The motivation for this difference relates to the better working conditions, provided often by Organon to its employees relative to all the other Akzo units in Brazil.

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<sup>57</sup> The average salaries were calculated based on the amounts presented by the company related to the averages by unit in the group in Brazil.

<sup>58</sup> Exchange rate used to convert from January 2005.

<sup>59</sup> Exchange rate used to convert from January 2005

<sup>60</sup> Comparison of the payroll of Tinta Marítima with that of Repintura Automotiva.

**Table 16 – Salary overview in the Pharmaceutical Segment in 2004.**

Average Salary	ORGANON	INTERVET	DIOSYNTH
In Production area	R\$ 1.100,00	R\$ 731,37	R\$ 1.207,00
IN the administrative area	R\$ 3.400,00	R\$ 2.221,34	R\$ 2.123,00

Source: Akzo Nobel, 2005. Prepared by: Instituto Observatório Social, 2005.

The salaries in production at Diosynth and at Organon are on the same level, while the amounts at Intervet are 39% lower. The reason is justified according to the company is because of the regional inequality between the Northeast, where one of the Intervet units is located,<sup>61</sup> the Southeast is home to the Diosynth and Organon<sup>62</sup> units, both located in São Paulo State.

However, using the price of the basic food basket as a reference to calculate the cost of living in São Paulo and Fortaleza, the survey by The InterUnion Department of Social-Economic Studies and Statistics (DIEESE), found that the average cost in January 2005 was R\$172,87 (€47,76) in São Paulo and in Fortaleza R\$125,20 (€34,59). Thus, it can be considered that the difference in the cost of living between the two regions is 28%. However, the difference in salaries at Akzo is around 36%, which goes well beyond the regional inequality reflected by the indicator of the basic food basket of DIEESE. In other words, the company's argument is not supported by the facts, given that it pays less than the supposed regional difference, which is actually, less than the difference in salaries.

According to Akzo Nobel, the report compares incompatible data when it tries to relate wages of a pharmaceutical company in São Paulo (Organon) to those from a veterinary in Fortaleza (Intervet). Furthermore, the report uses the basic consumption basket calculated by DIEESE as a reference and therefore does not take into account other expenditures that raise the cost living, such as transport, education, rent, etc.

It would be necessary considering that the normative wage of each category varies according to the region where a unit is located, in other words, the wage in each unit uses as a reference the norms applicable to that region. The company adds that the trade Unions themselves establish these norms in Collective Conventions for categories. Akzo Nobel concludes that the wage comparisons carried out in the report; demonstrate the impossibility to have an open dialogue with the Union Committee.

Besides, to these salary's issues, there is also information from Union directors that at Diosynth the company does not pay its workers the additional salary increase for hazardous conditions (as called for by law). The Union at the unit has a report from a former health and safety technician from Diosynth, proving the need for payment of an additional bonus for hazardous conditions. This situation of transgression of Brazilian labour norms sparked several legal actions by former Akzo employees

<sup>61</sup> The Intervet factories are located in Cruzeiro, São Paulo, and Fortaleza, Ceará. Akzo calculates the salary average for the production area using the payroll at both plants.

<sup>62</sup> The Organon and Diosynth factories are located in São Paulo and in the São Paulo metropolitan region, respectively.

calling for their rights in court concerning payment of this right.

### Chemical Segment

The salary situation in the chemical segment, unlike other segments, is in general balance, without the occurrence of sharp differences in payroll at the two business units belonging to the segment.

**Table 17 – Salary Overview in the Chemical Segment in 2004.**

Average salary <sup>63</sup>	EKA – Jundiaí	Chemical – Itupeva
In the production area	R\$ 1.200	R\$ 1.133,00
In the administrative sector	R\$ 2.235,00	R\$ 1.745,00

Source: Akzo Nobel, 2005. Preparation: Instituto Observatório Social, 2005.

### Coating Segment

Among Akzo's three segments, coating has the highest discrepancy in salary among its units. Besides, the average salary in the production area is lower than that in other segments, about R\$990,00 (€273,52). Meanwhile, the average salary in the administrative areas in the units is practically the same; the only exception is that for Automotive Refinishing.

One factor that stands out in the Automotive Refinishing division, examined in the 2002 IOS report, is the salary difference between male workers in the same function in that period. After the mobilisation of workers started by the Union, the group was pressured to modify its salary policy; currently the division has the highest average salary in the segment and salary equivalence among its workers.

**Table 18 – Salary Overview in the Coatings Segment in 2004.**

Avg. Salary	Repintura Automotiva <sup>64</sup>	Marítima	Imobiliária <sup>65</sup>	Industrial	Powder <sup>66</sup>
Production Area	R\$ 1.300,00	R\$ 677,00	R\$ 1.073,62	R\$947,00	N/D
Administrative Sector	R\$ 1.754,90	R\$ 1.936,00	R\$ 2.200,44	R\$1.904,00	N/D

Source: Akzo Nobel, 2005. Preparation: Instituto Observatório Social, 2005.

The average salary in 2005 at Tinta Marítima (Rio de Janeiro) in the production sector was R\$677 (€187,94)<sup>67</sup> while the average in Repintura Automotiva (São Paulo) was R\$ 1300 (€359.17)<sup>68</sup>, a difference of 35%. As a reference for the cost of living in São Paulo and Rio de Janeiro, cost of a basic food basket in these cities in January 2005

<sup>63</sup> The average salary for Chemical and EKA does not include the additional pay for unhealthy conditions of 30% of the salary that all employees in the division shall receive.

<sup>64</sup> The average salary at Repintura Automotiva does not include the additional pay of 30% for unhealthy conditions, which all the employees in the division receive.

<sup>65</sup> The average salary at Imobiliária does not include the additional pay for hazardous conditions.

<sup>66</sup> The salary data for the Powder division were not provided by the company.

<sup>67</sup> Exchange Rate for January 2005.

<sup>68</sup> Exchange Rate for January 2005.

was of an average of R\$ 172,87 (€47,76) in São Paulo, and R\$ 162,13 (€44,79) in Rio de Janeiro according to a survey by DIEESE<sup>69</sup>. Thus, the difference in cost of living between the regions is an average 6%, while the difference between the base salaries at the two units is greater, nearly 48%.

If we compare the payroll (Chart 08) of both business units, the inequality is of even more evidence. Employees at Akzo Nobel Repintura Automotiva/SP and of Tinta Marítima/RJ (which exercise the same function, with same title) receive very different payments, in salary with more than a 100% difference.

**Chart 08 – Payroll at Repintura Automotiva and Tinta Marítima**

Repintura Automotiva/SP		Tinta Marítima/RJ	
Function	Salary R\$	Function	Salary R\$
Production Assistant	678,00	Production Assistant	611,70
Canner	1.191,00	Canner	693,00
Machine Operator	1.191,00	Machine Operator	693,00
Production operator	2.700,00	Production operator	1.291,50
Boiler operator	1.436,10	Boiler operator	963,60
Reactor Operator	1.680,90	Reactor Operator	871,20
Maintenance Mechanic	1.896,90	Maintenance Mechanic	932,70
Maintenance Electrician	1.898,10	Maintenance Electrician	959,10
Junior Buyer	1.523,10	Junior Buyer	1.303,50
Laboratory Supervisor	5.360,10	Laboratory Supervisor	1.811,70

Source: Union Directors at Repintura Automotiva and Tinta Marítima, in 2005.

The discrepancy in salary from Akzo Nobel to employers represents a situation of strong discrimination promoted by the company, revealed by the salary distinction according to worker's residence. Those people who live in the municipality of São Paulo receive a greater quantity than those living in other locations even with same work posts.

With regard to these wage differences between units, Akzo Nobel comments that the law does not require them to pay the same wage for different functions in different localities. The company reminds that if wage differences occur within the same unit, the differences depending the date of entry into the company, is permitted by law, and the report does not specify where the wage differences were identified.

<sup>69</sup> InterUnion department of Social Economic Statistics and Studies.

Another complaint of the workers in some divisions of the group is over lack of work and salary plan of general knowledge in all the organisational levels, including the factory's floor (operational workers). The absence of job and salary plan causes the company to pay more or less depending on the worker's relationship or "friendship" with the boss. At Tinta Marítima, there are reports of lack of salary equivalence among boiler operators. Some of them with less time working in the company receive higher salaries, compared to the others with more time in house.

At Tinta Marítima the additional pay for hazardous work is paid only in the production sector. Nevertheless, according to law, the addition shall be extended to the administrative sector. There are cases of court actions by ex-employees in the administrative sector who are demanding the additional pay.

### Working Hours

In Brazil, the maximum work shift is 44 hours a week, guaranteeing one paid rest day per week. For uninterrupted shifts, the maximum daily shift is 6 hours, totalling 36 hours per week. Here, collective agreements can change the number of daily hours. Besides, some professional categories have the right by law to a shift lower than 44 hours, due to the taxing and working conditions. There are many agreements defining work shifts lower than 44 hours.

The overtime hours can be up to maximum of 10 per week and 2 per day, and only in cases of an urgent need for the service. The compensation of these overtime hours, for equal time off, previously taking place in the same working week, was flexible, allowing it to be in a period of one year, while agreed in the collective labour agreement. So-called "hour-banks" created at various companies and categories.

The hour-bank is a mechanism to compensate overtime hours with non-worked hours. The adoption of an hour-bank avoids to the company to pay additional overtime wages. For the compensated hours, an additional pay of 50% to 100% of the normal value of the hour is paid, depending the day of the week, shift, or percentage defined in the collective agreement or convention for the specific professional categories.

The work shift at Akzo Nobel in the administrative sector is of 8 hours per day, or 40 hours per week. In the productive area, the shift varies, depending on the volume produced, and average is around 44 hours a week in three shifts.

**Table 19 – Length and Number of Work Shifts**

<b>Work Shift:</b>	<b>Organon</b>	<b>Intervet</b>	<b>Diosynth</b>		
Production/ Length and number of shifts	44h/3	44h/1	44h/3		
Administrative/ Length and quantity of shifts	40h/1	40h/1	40h/1		
<b>Work Shift:</b>	<b>EKA – Jundiaí</b>		<b>Chemical – Itupeva</b>		
In Production/ Length and Quantity of shift	44h/ 3		42h/3		
In Administration and Length and quantity of shifts	40h/1		40h/1		
<b>Work Shift:</b>	<b>Repintura Automotiva</b>	<b>Marítima</b>	<b>Imobiliária</b>	<b>Industrial</b>	<b>Powder<sup>70</sup></b>
In Production and the length and quantity of the shifts	41hs/3	42h/1 <sup>71</sup>	44h/3	44h/3	N/D
In administration and the length and quantity of shifts	40hs/1	40h/1	40h/1	40/1	N/D

Source: Data passed on by directors of Akzo and by the Unions, 2005.

At the units analysed by the study, is found that workers had great difficulty refusing the overtime hours, generally about 3 per week in the production sector and 4 per month in the administrative sector.

Reports from workers in the production sector show that there is no hour bank at any of the units. At the Tinta Marítima there was an attempt to establish one, but was immediately rejected by the Union. Nevertheless, Unions have reported the existence of an hour bank at the administrative offices, as a function of activities related to monthly accounting statements, and preparation of the payroll for employees.

At Organon, the average is 2 overtime hours per month in production. In the administrative area, when the monthly payroll is completed, workers must stay until the task is completed and according to information from the Union, these overtime hours were not accounted for.

At Eka Jundiaí, production employees work 8 hours per day - 6 hours per week are normally accounted for, and two are overtime hours, (established in agreement by the company and the Union). Besides to these 2 overtime hours per day, there is rarely a need for overtime. When necessary, the company announces the need of overtime hours and a worker can refuse to work.

<sup>70</sup> The data about the Work Shift in the Powder division were not provided by Akzo.

<sup>71</sup> The night shift has only four employees and operates from 10 p.m. to 6:40 a.m.

At Repintura Automotiva, there is an average of 4 overtime hours per week at times of peak production. The company does not always announce the overtime in advance.

When there is overtime worked on Sundays, employees are advised two days in advance, although at times they are informed on the same day.

Currently, the division is working at peak production capacity since January, yet refuses to contract new employees. It thus winds up submitting its employees to a longer shift, which can lead to an increase in workplace accidents because of physical excess and mental force.

At Tinta Marítima, the average overtime is 7 hours per week, and it is frequent. There are cases reported in which the worker refuses to comply with the hours, although he or she can suffer pressure and retaliation.

### Profits or Result Sharing Programme

Brazilian law establishes provisions for companies to establish profit or result sharing, in a form negotiated with a commission of workers and that is exempt from social security payments and income taxes (for the company). The employer can show the members of the commission, while the Union has one vacancy, for a representative who receives no legal employment protection. In 2000, a presidential decree was issued regulating profit sharing, with guidelines for payment under a previous agreement with the Union, on at least a semester basis.

The profit sharing plan is different at each Akzo unit. At certain plants, profit sharing is paid above that called in the Collective Convention<sup>72</sup>, implanted frequently, after pressure from workers. The programmes vary in pay, goals, and the form of constituting the commissions. There is profit sharing tied to productivity in other countries.

**Table 20 – Profit Sharing Programme in 2005.**

ORGANON		INTERVET	DIOSYNTH	
Does not have its own profit sharing *		N/D <sup>73</sup>	Profit sharing *	
EKA – Jundiaí		Chemical – Itupeva		
Does not have its own profit sharing		Profit sharing*		
Repintura Automotiva	Marítima	Imobiliária	Powder	Industrial
Profit Sharing*	Own Profit Sharing *	Does not have its own profit sharing	Does not have its own profit sharing	Profit sharing *

Source: Union Directors. Preparation Observatório Social, 2005.

\* Profit sharing programme above that called for in the Collective Convention.

<sup>72</sup> The Collective Convention for the CNQ of 2005 (National Confederation of Chemical Workers) determined that the companies in the chemical sector pay their employees a minimum profit sharing bonus of R\$400,00.

<sup>73</sup> The data about profit sharing for Intervet were not provided by the Union.

To establish participation in results each division sets goals for its employees. The company supplies only the profit sharing commissions that information the object of discussion for the definition of goals. The indicators that determine the goals shall be production volume, cost, product quality safety etc.

Besides, to the commission members, all the workers shall have complete access to the data for goals.

At various units where the profit sharing payment is above that stipulated in the convention, there are countless issues of disagreement. The Organon plant is an exception, profit sharing there, is paid to workers without a complaint.

The situation is quite different at Diosynth where employees complain that the individual criteria established in the profit sharing plant generate harassment and pressure. According to the Union directors, although the company says that it has a programme for all workers, this is not true, and the Unionists charge that the goals are never discussed, creating difficulties for the understanding of the programme.

Besides to these points, another aggravating factor is that workers' representatives at Diosynth are invited to participate in the discussion only at the time of signing the profit sharing, with employees excluded from broader participation in the discussion of the programme.

An issue generating controversy in last profit sharing defined in this division, is related to annex 2 in the following paragraph:

“Any fine coming to be issue by the Environmental Sanitation Technology Company (CETESB<sup>74</sup>) referring to disposal of residue or odours, shall be analysed by the Profit Sharing Programme Commission, to determine who is responsible for negligence or harm”. This determination was immediately rejected by the Union, which was vehemently opposed to the text in the paragraph:

“The Union considers harmful to workers the inclusion of this paragraph in this programme and requests of it to be removed from the next one.”

According to the Union, the paragraph is an insult to the unit's employees who routinely handles industrial residue with odours, such as “cow and pork mucous” besides to “methanol, lye and acid”, and that the company understands the possibility of receiving fines from the public health department due to the health and safety problems in the division. Thus, Akzo under no hypothesis can punish the worker, through the lowering of the profit sharing for errors committed by the company.

At Eka Jundiaí the workers pressure management to implant profit sharing above the minimum prescribed in the collective convention. Given the demand, the company said it was in favour of establishing a broader programme for the year 2006.

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<sup>74</sup> The Environmental Sanitation Technology Company is a São Paulo state government agency responsible for the control, inspection, monitoring and licensing of activities that generate pollution, with the basic concern of preserving and recovering the quality of water, air and soil.

In Eka Jundiaí, the Union at Tinta Marítima's unit has to pressure the company, threatening to file suit in court against Akzo if there are no negotiations about profit sharing. The management of the division gave-up and agreed to negotiate the profit sharing plan. Even so, the current programme has serious problems such as the lack of a commission, the lack of clear presentation of the accounting statement and the linking of the Tinta Marítima profit sharing plan to the results at units in other countries. Annex 3 reports presenting the clauses of the programme that tie the profit sharing from Tinta Marítima with that in divisions of other countries, in where is evidently the document is not understandable.

When questioned by IOS, about the strange tie of the profit sharing plant at Tinta Marítima to perform in other countries, the Holding vehemently denied the fact and recognised that if there was a connection established it would be a complete mistake. This demonstrated the great lack of knowledge and difficulty the Holding company has relative to the theme.

The discussion about profit sharing at Tinta Industrial is conducted between the Union, workers and the company. The profit sharing commission is active, has six members, and is elected in a general assembly with the participation of workers from the administrative and production areas. The Union leaders have access to the workplace during meetings of the profit sharing commissions. The unit supplies information about profits.

The profit sharing commission at Repintura Automotiva receives information about profits, but does not receive the accounting statement from the company.

To the degree in which the group permits each operational division implant its own profit sharing without establishing minimum guidelines, it abstains from responsibility from implanting a programme that is equitable and just for all its employees. The Human Resources sectors of some units randomly establish permanent profit sharing commissions without periodic elections. They also do not supply regular accounting statements, making it difficult for workers to understand the programme. Moreover, the companies link the profit sharing to the results at units in other countries. This is, one more issue in which Akzo Nobel demonstrates unequal treatment of its employees.

### *Health And Safety*

The various ILO Conventions about this issue, are highlighted by those ratified by Brazil; Convention 148, over the Work Environment (concerning air contamination, noise and vibrations); Convention 155, over Occupational Health and Safety; Convention 161, over Health Service at Work.

Regulatory Norms of the Labour Ministry also known as NRs, govern Brazilian legislation over this theme. These are norms establishing regulations, guidelines and instructions about Labour Health and Safety. The 34 norms cover a wide range of labour conditions.

Specifically relative workers' participation in the prevention of occupational accidents and diseases, the legislation applies Internal Accident Prevention Commissions

(CIPA), requirement depending on the size of the establishment and the type of activity undertaken. The employees elect half of the members of the CIPAs with the other half formed by employees showed by the employer, including the president of the commission, who has the tie-breaking vote.

These norms also call for additional pay for unhealthy conditions, which according to the Consolidated Labour Law (CLT - Art. 189 and NR 15), is such work undertaken in conditions that expose the worker to agents noxious to health, above the established limits of tolerance. Working in unhealthy conditions assures the worker the right for additional pay over the minimum salary in the region, equivalent to: 40%, for a maximum degree of unhealthy conditions; 20% for a medium degree of unhealthy conditions; and 10% for a minimum degree of unhealthy conditions. Norm NR16 calls for additional pay for dangerous conditions, when an employer is exposed to, at least one of these agents: radiation, inflammables, explosives, or electricity. The exercise of work in these conditions of danger, assures the worker an additional pay of 30% above the salary.

The labour legislation also imposes on the employer the legal obligation to notify the National Social Security Institute (INSS) of professional illnesses and of those produced in virtue of the special working conditions, whether proven or simply suspect (Code of Labour Laws, art.169).

The Akzo Code of Conduct includes to this theme, that the company is committed of assuring a professional environment, allowing the employer to perform functions in a suitable manner; adding another paragraph, over Akzo Nobel Brazil's best efforts, to guarantee a safe work environment for employees. Akzo Nobel Brazil is committed to take all the necessary measures to guarantee the observance of this legislation at all its installations, allowing each employer to perform his functions without fear of being subject to improper labour risks."

According to the declarations of the Union directors, the Internal Accident Prevention Commissions at the Akzo plants are co-operative and active. The CIPA is permanently active in the daily activities of workers at Eka Jundiaí. The Unions report that in more than five years have been no accidents leading to an absence. Any additional pay called by law or established in agreement between the company and the Union (unhealthy, dangerous, night work) is made to workers. There is also a suggestion box to receive comments about quality, the environment, working conditions and safety. According to the employees, the suggestions are often accepted and without repression from the company. The same situation is found at Organon, Repintura Automotiva and Tinta Imobiliária where the CIPAs are extremely present in the company's regular activities relative to labour safety.

Most of Union directors interviewed (Organon, Eka Jundiaí, Repintura Automotiva, Tinta Imobiliária and Tinta Industrial) reported that Akzo properly makes additional payments for dangerous, unhealthy or night work as determined by Brazilian law.

Nevertheless, at other units (Diosynth and Tinta Marítima) are reports of non-payment of additional pay for unhealthy or dangerous conditions, as required by law. Specifically at Diosynth - IOS, 2002 report, raised serious questions about health and safety at the division. According to the 2002 study, the workers reported that the

production process requires them to handle substances noxious to the health and safety of workers, such as “cow and pig mucous” and they are exposed to contamination from methanol, lye, and acid; Akzo supplies the protection equipment, but does not provide orientation or require its use. Besides, even if the worker is able to protect himself, those who provide maintenance do not have this option because the machine stops and the substances remain, and there is no option. According to a worker, this situation was worse in the past, despite changes, the risk exists at Akzo Nobel, as have done nothing to resolve the problem at all.

There are health and safety problems at Diosynth, where Akzo even denies providing additional pay for unhealthy condition, despite considerable pressure from the Union. The additional pay shall be made for the recurring handling of substances noxious to workers’ health.

The workers’ representatives at this unit have a report from a former safety technician from the company that found unhealthy conditions and the need for additional pay. The Union said that the safety technician was laid off after he issued this report in 2003. The members of the Internal Accident Prevention Commission in the division also pointed to these problems of unhealthy conditions, but with fear of being laid off, he did not pressure the company. Besides, there are various legal actions of former employees from the unit demanding additional pay; Akzo has lost several of these in the lower courts, although appealing decisions.

At the same unit, there are also charges of injured workers continuing to work after the injury so they would not be *laid off* thus, the injury is not characterised as a work accident with absence in the statistics.

The additional pay for dangerous work at Tinta Marítima is only for the production sector. Nevertheless, as determined by law, administrative employees shall have rights to this additionally, since they also are at risk. Various ex-employees have filed suit at the company demanding their rights.

The Akzo group’s lack of care relative to workers at certain units showed by the fact that it even violates paragraphs of its own Code of Conduct, does not guarantee a safe working environment for all employees and labour legislation is not observed at all the Akzo plants in the country. The company thus allows employees at certain operating divisions to be exposed to unacceptable labour risks and does not provide the pay to which they are entitled.

*Responsible Action Programme:* Eka Chemical adheres to this programme (co-ordinated in Brazil by Abiquim), that according to Abiquim, the purpose of the programme is to encourage associated companies to act responsibly in the areas of environment, safety, and management of chemical products. Each year a report is made with data about the volume of effluents released the recycling of effluents, transportation accidents, and storage of chemical products and work accidents.

### Benefits

The analysis of data demonstrates that the Group provides a series of benefits to its employees. These include a medical and dental plan, a cafeteria within the plant,

transportation, a food basket, a recreational club, and others.

Nevertheless, there is a question about the differences in benefits among units. The company's benefits policy does not follow a single standard for the segments or even for units in the same segment. At Organon, for example, there is a clear distinction in benefits supplied to the employees in comparison with those at Intervet and Diosynth. Below, is described the benefits provided by Akzo in Brazil<sup>75</sup>.

### **Private Pension Plan or Complementary Retirement and Life Insurance**

The company reported to maintain a system of private retirement for workers in the groups, called Akzoprev. Although the information provided by Akzo shows that the system is available to all workers, the Union directors report that such complementary retirement plan is expensive, and only management has it. All the units<sup>76</sup> analysed supply life insurance.

### **Medical and Dental Assistance**

The units examined have health plans for their employees; each division uses a specific health plan company, which is extended to dependants. Nevertheless, complete hospitalisation is not always offered to dependants.

At Repintura Automotiva the health plan is co-operative, that is the workers pay a portion.

In this same division the Akzo employees complain of the quality of the consultation, hospitalisation and outpatient care provided by the health plan called Porto Seguro.

Meanwhile, dental assistance is nearly not always supplied to Akzo employees, such as at Eka Jundiaí and Tinta Imobiliária. At other plants, such as Tinta Marítima, the Union won the dental plan, which also won supply of certain medication. On the other hand, at Repintura Automotiva workers pay the dental plan completely.

The Organon employees, unlike those at other units, besides having medical and dental assistance, also have reimbursement for medications and optical services. Special coverage in the health plan for psychotherapy, phono-therapy and surgery for myopia, funeral assistance and pharmaceutical plans as well, as others.

### **Complementary Illness And Accident Assistance**

At Organon, Eka Jundiaí, Repintura Automotiva and Imobiliária the complementary accident and illness assistance varies according to the collective agreement. At the Tinta Marítima unit employees receive in the first three months, 30% of the company's base salary as additional pay, and an additional food basket.

### **Food Assistance (Restaurant, Ticket Or Others) and Food Basket.**

All units have a cafeteria where Akzo offers meals to its employees. In contrast with

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<sup>75</sup> All of the benefits presented are for the units for which the data were provided by the company and by the Union (Organon, Eka Jundiaí, Tinta Marítima, Imobiliária and Repintura Automotiva), 2005.

<sup>76</sup> The units analyzed were: Eka Jundiaí, Tinta Marítima, Wanda, Organon and Repintura Automotiva, information was collected from the Union directors and the company.

the food basket<sup>77</sup>, this is only offered at Organon and at Repintura Automotiva after workers at these units demanded the baskets as well. Akzo does not supply food baskets to workers at the Eka Jundiáí, Tinta Marítima and Imobiliária units.

### **Transportation**

Brazilian labour law calls for transportation subsidy for workers, by subtracting 5% in their pay, having the company complementing the rest of the cost. Some of the Akzo units<sup>78</sup> (Organon and Repintura Automotiva) offer a collective transportation service to their employees, the service considered quite reasonable by workers.

After a mobilisation of employees at Eka Jundiáí, the company agreed to negotiate changes in the itinerary of the bus service. Unfortunately, at the Tinta Marítima there is no collective transportation.

### **Childcare**

The collective agreement calls for daycare, but the agreement is not always complied (e.g. Eka Jundiáí). The other divisions at Akzo only comply with the legislation (Repintura Automotiva, Imobiliária and Tinta Marítima). Meanwhile Organon<sup>79</sup>, unlike other divisions, offers educational activities specifically aimed for workers' children.

### **Loans**

A co-operative of the employees, makes credit available to employees at Organon, Repintura Automotiva, Tinta Marítima and Imobiliária.

### **Scholarships and Educational Assistance**

Organon offers training, a scholarship, and reimbursement for school fees to employees. At most other divisions, courses are not offered.

A programme to take away functional illiteracy was developed at Intervet to raise 80% the education of workers to the high school level with the goal of achieving this for all workers by 2015.

Eka de Jundiáí offers training for qualification and refresher courses. Nevertheless, there are no incentives for extra courses at the company. At Tinta Marítima, English lessons are offered only to administrative workers. The Unionists at Tinta Imobiliária and Repintura Automotiva reported these divisions, have no study grant programmes for employees.

### **Recreational Club/Summer Camp**

Organon, once again unlike the other units, built a multi-sports court, gymnasium and barbecue at the factory, which are available to workers.

Besides, to the extra benefits that Organon offers, the unit also provides a special gratification to retirees with more than 10 years in the company, besides paid vacations for trainees (10 days for every 6 months).

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<sup>77</sup> The basic food basket is a practice of Brazilian companies to assist in the meals made by their employees outside of work hours.

<sup>78</sup> Union Directors

<sup>79</sup> Union Directors and company.

## Subcontracting and Temporary Workers

In Brazil, according to norm 331 of the Superior Labour Court (TS), a company can offer workers to another company to execute services on the grounds of the first, while these services have no links to the final activity of the contracting company and while there is no direct subordination of workers to the contracting company. Besides, for non-payment of labour credits to these workers, from the service provider company, the contractor will be considered responsible for these credits.

In general, service provision contracts are used by Akzo to perform activities such as food services, safety, cleaning, conservation, gardening, maintenance and medical assistance at the work place. At the same time, the Group's units also adopt temporary contracts whenever necessary, as permitted by the labour law, due to the seasonal nature of production. This also takes place in the administrative areas – due to substitution for maternity leave or similar circumstances.

Subcontracted workers represent about 17% of all employees and temporary workers about 6%<sup>80</sup> of all the Akzo employees in Brazil. The table below shows a list of companies providing services to the Group.

**Chart 09 – Companies that Provide Services to Akzo Brazil**

Unit	ORGANON		INTERVET		DIOSYNT H
Service Providing Company <sup>81</sup>	Puras, Forte's Segurança e Vigilância, Setema-Servicos, Técnicos de Manutenção.		Serval, Segvap, Side, Nordeste Segurança, Seppic.- Invitrogen and Esso supply raw materials to the unit.		Puras, Betalimp, Graber
Unit	EKA – Jundiaí		Chemical – Itupeva		
Service Providing Company	Proevi, Elicon, Alinutri		Sapore, Paulista, Proevi		
Unit	Repintura Automotiva	Marítima	Imobiliária	Powder	Industrial
Service Providing Company	Pires Serviços Gerais, Banco e Empresas, NSA Serviços Especializados.	GR Serviços, VISE Serviços, RH Internacional	Splendido Alimentação e Serviços, Turismo Rodrigues, Estrela Azul.	N/D	Sapore, Setema Grazzani, Dacala GR Serviços.

Source: Questionnaire responded to by the directors of the Akzo Nobel units in 2005.  
Preparation: Instituto Observatório Social, 2005.

Akzo Nobel reported that it does not contract service providers if they do not agree with some demands concerning working conditions. Before contracting a service provider, they check education's level, health, safety, and references from previous

<sup>80</sup> Data presented by the Holding in 2005.

<sup>81</sup> Due to the lack of information presented by the company, it was not possible to report which service is offered by the companies contracted.

work.<sup>82</sup> The group conducts monitoring of the labour contracts and social benefit fees of the service providers, but does not accept responsibility for the working conditions of the providers<sup>83</sup>.

The managers of all the units reported to the Social Observatory Institute that they demand to suppliers to comply with the guidelines of the Business Principles<sup>84</sup> as a condition for contracting services, and for contract maintenance. Besides, it reported that it does not accept any responsibility, only monitors the observance of compliance with labour laws, requiring proof of registration of the employees, and proof of social security and other taxes payments.

Akzo also declared to require to the subcontracted companies to comply with its Code of Conduct<sup>85</sup>. For some units, this compliance is a contractual item. The Tinta Imobiliária unit is conducting a campaign for suppliers to stick to the code of conduct.

Concerning the contracting of temporary workers, an increasing number of companies in Brazil have turned to contract temporary workers. In an attempt to reduce costs, however, many still contracting employees violating the Brazilian labour legislation.

The contracting of temporary workers according to law 6,019 relates to the substitution of personnel on vacation, health or maternity leave and to make a seasonal increase in production or conduct extraordinary activities. The length of the contract with the worker cannot be more than three months and their salary cannot be lower than that of the employee substituted or equivalent.

Among the Akzo divisions, only Eka maintained that it does not contract temporary workers. The other units report contracting of temporary workers taking place infrequently, and substituting employees because of illness, pregnancy, or extraordinary activities, at times of peak production, when is needed because of “greater flexibility” and “lower labour costs.”

All the units maintained that there is no difference between temporary and permanent workers. Nevertheless, there are various reports from workers’ representatives about temporary and subcontracted workers who have working conditions and benefits inferior to those of direct employees.

### **Pharmaceutical Segment.**

The Diosynth division maintained contracts to provide services with its suppliers. The principal subcontracted sectors at the units are food services, cleaning, conservation and security. According to the Diosynth management, the temporary workers are contracted only if there is demand for production and maintain no differences in the working conditions among the permanent and temporary workers.

Questioning the company information, the Union claimed that in one month of 2005,

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<sup>82</sup> Akzo did not detail how it checks the standards of education, health, safety and quality of the service providers.

<sup>83</sup> Interviews with directors of Organon, Eka, Chemical, Diosynth, Tintas Imobiliárias, Powder, Tintas Industriais, Internacional.

<sup>84</sup> Business Principles - Document in Anexo 2

<sup>85</sup> Ibid.

nearly 26 employees were laid off due to subcontracting in the sector that collects urine from pregnant women. The urine is processed to be used as a principal ingredient of products at the unit. The Union has been requesting that the company negotiate this subcontracting, because until now the company did not respond to the requests.

Intervet, in particular, said that it checks the working conditions relative to the environmental issues, for example the standards of transport of dangerous products.<sup>86</sup> At the unit, the principal subcontracted sectors are: Security, General Services and Cleaning, Labour medicine, Boiler maintenance, Electrical and Refrigeration, Transportation, Payroll management and payment (sales representation).

### **Chemical Segment**

Only Eka Jundiaí maintained not to contract temporary or subcontracted workers in production, but used this resource in maintenance, assembly, and restoration of machinery. Meanwhile, in the Chemical division, the temporary workers can be contracted when there is availability at the company.<sup>87</sup>

### **Coating Segment**

At the Repintura Automotiva unit, the subcontracted workers are allocated as follows; 17 cleaning workers, 15 security workers, 13 restaurant workers, 6 industrial maintenance workers.

When production increases, the Repintura Automotiva division hires temporary workers. These workers do not receive the same benefits as the direct employees (ex: Profit sharing, basic food basket, Health Plan, etc.) and are contracted for only three months. If peak production continues, the temporary workers are hired. The Union stipulates that about 10% of the workers are in these conditions.

Within this unit there is a subcontracted service provider, called Evasicor that cans paints and varnishes in small containers<sup>88</sup>, employing 16 employees, in worse working conditions, salaries below the base level at Akzo, temporary contracts, no benefits (profit sharing for example) and it does not comply with the collective labour convention, in serious violation of Brazilian labour law. After enormous pressure from the Union at the unit with mobilisations and work strikes, the management announced that if Evasicor does not comply by December 2005, its contract would end.

The Tinta Imobiliária unit adopts temporary work contracts when peak production, with about 20 subcontracted workers. According to the Union, the subcontracted workers, in general, receive much less than the direct employees and conduct the same work; the company always uses the temporary workers.

Another critical case of recurring use of temporary workers occurs at the Tinta Marítima unit where the company adopts temporary work contracts, always close to

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<sup>86</sup> Interview with directors at Organon, Eka, Chemical, Diosynth, Tintas Imobiliárias, Powder, Tintas Industriais, and Internacional.

<sup>87</sup> Interviews with directors at Organon, Eka, Chemical, Diosynth, Tintas Imobiliárias, Powder, Tintas Industriais, and Internacional.

<sup>88</sup> The filling of large paint cans is conducted by Akzo itself.

the limit allowed by law, or that is, nearly 10% in the private sector. These contracts define salaries below those of temporary workers and eliminate the benefits received by the direct employees (e.g. profit sharing, basic food basket, health plan, etc.).

In general, Akzo does not respect the labour legislation concerning subcontracting and temporary workers. First, because subcontracts, (Diosynth and Repintura Automotiva unit), to conduct services that could be considered its principal activities.

At Repintura Automotiva the case is more serious, since the service provider Envasicor does not comply with the labour legislation to the degree that it does not respect the Collective Labour Convention.

Besides, Akzo according to the Union uses temporary workers regularly, and these employees often receive less than the direct employees, in violation of the law.

## Corporate Social Responsibility (Csr)

Corporate Social Responsibility is what the company “presents publicly as being its social responsibility and all the commitments made voluntarily, particularly relative to the issues important to the Social Observatory study, for the workers and for their representatives.”<sup>89</sup>

The Group maintains to be guided by the “Guidelines for Multinational Companies” of the Organisation for Economic Co-operation and Development (OECD), by the Basic Labour Principles of the International Labour Organisation (ILO) and by the Universal Declaration of Human Rights and by the United Nations Global Compact programme.<sup>90</sup>

According to its public declarations, Akzo Nobel based its Business Conduct Principles<sup>91</sup> on three Principle Values: enterprising spirit, personal integrity, and social responsibility. These values are compatible with the responsibilities to the different groups of stakeholders: consumers, shareholders, employees and communities.<sup>92</sup> The document did not specifically cite workers Unions.

In its Principles of Business Conduct Akzo also declared that it conducts activities in a socially responsible manner. It thus “observes the laws in the countries in which it operates, protecting basic human rights in the legitimate conduct of our business, and with proper care for the most varied factors of an environmental nature, health and safety and in complete agreement with the commitment to contribute to sustainable development.”

For the company, the notion of Social Responsibility means contributing to a sustainable society. The company declares that it would like to be recognised as a socially responsible company in the broad sense, or that is, as a company that has a positive impact on the societies in which it acts, through the commercialisation of its products, through treatment of the environment and its interaction with stakeholders.<sup>93</sup>

The social responsibility policy involves the following agreement to:<sup>94</sup> stimulate a good work environment, supply good working conditions, care for health and safety, care for the environment, respect human rights, reinforce the integrity of business; obey the laws of the countries in which it operates<sup>95</sup>.

To implement these policies, the AKZO Council of Managers created a Social Responsibility Council and the Social Responsibility Advisory Group that monitors the progress of the Social Responsibility strategies.

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<sup>89</sup> Observatório Social. Responsabilidade Social Empresarial: roteiro de Pesquisa. p. 02 (Not published).

<sup>90</sup> Akzo Nobel. Corporate Social Responsibility Report, 2004

<sup>91</sup> Business Principles – See Annex 2 of this report.

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

<sup>94</sup> Ibid.

<sup>95</sup> Ibid.

In Brazil, the social responsibility policy is in a process of consolidation, and is quite decentralised and the responsibility of each operational unit, and the monitoring of compliance with the code of conduct is the responsibility of the direction at each unit. When they speak of Social Responsibility, the Brazilian units base their actions on the Principal Values of the Group.<sup>96</sup> However, the units conduct their accompaniment.

In June 2005, Akzo made a global release of its official Corporate Social Responsibility programme, with the intent of centralising the company's social responsibility programmes, creating new policies and stimulating the projects that already exist at most units that involve the community and other companies.

The CSR will set a budget so that the units can finance their social responsibility projects. In this way, the CSR resources will be shared among the units.

At a meeting between IOS and the Holding<sup>97</sup>, the company directors declared that the relationship with the workers representatives is part of the social responsibility programme but at first is not a principal focus of the CSR programme. Currently, the directors of the Holding believe that the social responsibility programme is in parallel with the Union. Thus, a joint agenda is premature, although one day may occur, according to representatives of the Holding.

Relative to a commitment to workers rights, the attitude of the group is based on compliance with Brazilian legislation (labour, social security, environmental, etc.). There is a concomitant concern at certain units to promote the Business Principles Code and the Code of Conduct among the group workers. This is what takes places at Organon, where the workers receive training for the promotion of the Code of Conduct. Both documents are available in Portuguese on the Intranet for all employees.

According to Brazilian management, all the workers contracted directly by the group are oriented about the corporate values and sign a term of agreement and of respect for these principles. As the Union directors reported on the first days of work in this study, Akzo only supplies a copy of the Code of Conduct and Business Principles to an employee and asks for him to sign it. After this moment, the worker has no more information about these documents.

The code of conduct calls for the possibility that employees can report violations in the following manner that is not at all confidential: The employee shall contact his superior or another member of the administration to clarify any doubt about the procedures, the applicable legislation, or any other practices or polices at the workplace. The doubts will be clarified when as possible.

Akzo reported that at Eka Jundiaí, Chemical, Organon, Chemical and Intervet, in order to monitor the implementation of the Code of Conduct, they have a 0800 telephone line so employees can report non-compliance with the Code. At other units, the 0800 service is not available. Nevertheless, according to Akzo, it will be

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<sup>96</sup> Questionnaire responded to by directors at Organon, Eka, Chemical, Dyosinth, Tintas Imobiliárias, Powder, Tintas Industriais and Internacional, in 2005.

<sup>97</sup> Meeting held in September 2005

implanted.

The Corporate Social Responsibility Code at Eka Jundiaí is identical to that at the Repintura Automotiva unit at São Bernardo. The workers only know the factors related to charitable work when the issue is social responsibility, labour issues are not part of the social responsibility policy, there is no dialogue between the company and other actors (e.g. Unions, communities, government authorities) about the CSR policy.

## Charity

In Brazil, Organon is the only division that declares charity as part of its Social Responsibility Actions. Eka, Chemicals, Diosynth, Intervet, Repintura Automotivas, Tintas Heavy Duty, Tintas Imobiliária, Powder, Tintas Industriais and Internacional do not consider charity as part of the CSR activities. The Social Responsibility actions at these units, however, are Social Action Programmes. The list of these programmes and their specifications were prepared by the direction at the units and are the following:

### **Pharmaceutical Segment**

- Organon
  - *Company Solidarity Programme*: Material or financial support, to assistance agencies chosen by indication of the employees.
  - *Family-company integration project*: Educational lectures to employees and their families about items related to health, sexuality and citizenship.
  - *Literacy Solidarity*: Sponsorship of literacy training for 250 people in the municipality of Sapé (PB)
  - *Sexuality Help Line project*: clarifies doubts and supplies educational material about questions related to sexuality,

Organon also executes projects aimed to, or directly involving employees:

- *Social Volunteers Project*: Encourages volunteer work by company employees, located in the city of São Paulo,
  - *Solidarity partnership project*: Seeks to receive donations for community actions, involving clients and suppliers.
- Intervet
    - *Volunteers through* the donation of clothes and blood to the community where the company works,
    - *Environmental week*: this project is held since 2000 and counts on the participation of employees, family members and the local population,

### **Chemical Segment**

- Chemical
  - *Professional Training Programme*: aimed at adolescents
  - *Quality Education Programme*: aimed at children with a development deficit

## Coating Segment

- Repintura Automotiva
  - *Soccer School Project*
  - *Family Home and Our Lady of Neves Life programme*
  
- Tinta Marítima
  - *Nursery school Humaitá shelter*: company pays daycare expenses for school material and food,
  - *Campaign “At International 1 is equal to 2”* – campaign to collect non-perishable foods from employees and their families for donations to the “Zero Hunger” programme.
  - *Environment Project, Discussion & Images* – In partnership with the Secretary of the Environment and Urban Affairs of the municipality of São Gonçalo, RJ, in 2003 International participated in the project: “Environmental Discussions and Images” by donation of environmental educational material to municipal public schools.
  - *Urbanisation* – Realisation of urbanisation, lighting, signs, and maintenance of access at the Niteroi Highway from Manilha to Neves.
  - *Donations* – donations to the Boy Scouts of Brazil, Churches, Schools, Municipal Hospitals, and to the Fire Department of Niterói and São Gonçalo.
  
- Tintas Imobiliárias
  - *Donation*: donation of products for various entities, such as asylums, orphanages, churches, fire departments, etc.
  - *Subsidises*: rental of sports a court for needy youth in the neighbouring community.

## Conclusion

In general, the Group, like other multinationals in Brazil, complies with labour legislation. Akzo Nobel in Brazil operates in a decentralised manner; the corporate-wide policies only exist for the financial, legal and auditing departments. The Human Resources area is responsibility of each unit, which creates many variations in the form of treating labour rights, working conditions and benefits.

This decentralised dynamic, generates one of the aspects of greatest difficulty confronted by Akzo workers, also reported in IOS's 2002 study. This is the large difference in the treatment of employees among the various units. Workers of Diosynth (now merged with Organon) for example, have a type of "second class" status, in terms of working conditions, their relationship with the company and benefits. Besides, some workers reported that there is a form of "veiled" pressure against the right to unionisation at the unit.

Other points of difficulty relate to Akzo's treatment of the Union, with greater dialogue needed at certain units about the job and salary plan, profit sharing and other benefits; respect for the right of organisation and access of Union directors to the work place with freedom of communication with workers. An improved flow of information between the company and the Union is desired in terms of the frequency, content and speed, so that effective negotiations, could be conducted with workers having access to data about the units and the company as a whole.

For all business units, improved access to strategic company information would also require active support from the corporate headquarters, because according to the management in Brazil, most decisions about restructuring are taken in The Netherlands and arrive ready to be executed.

Another issue the Unions said is important in terms of the company position relative to workers representatives is the continued refusal of management to negotiate with the National Union Committee, instead of only with the individual Unions. Negotiations with the national committee could make a real difference in strengthening the national and international Union networks. According to the company, the decision not to recognise the Committee results from the different markets and branches in which it operates, making impractical to have one common platform for discussions. Akzo Nobel also suspects that the Committee might organise general strikes affecting all units.

Some units have difficulties related to work conditions such as the promotion of equal access to various professions and company functions; a commitment to the environment (internal and external); equivalence of salary conditions among all the company units, including in terms of the job and salary plans, profit sharing and other secondary benefits.

Akzo directors agreed in June 2003 during the Company Monitor week to develop their social policy on a local level and improve their dialogue with Unions. At the same meeting, the group agreed to analyse the results of the 2002 research report with

the local managers and to take measures within 6 months.

The improvements found were, in the expansion of the Code of Conduct, which now includes all the plants, and there are no longer reports of excessively long workdays that had reached up to 16 hours,

In the same way, the charge in the 2002 study that Organon was not presenting the list of Union contributions has been corrected. At the Repintura Automotiva unit in São Bernardo do Campo, the company treats the Union differently than in 2002. There is now an active Union director who said the relationship with the company is better than in previous years. According to the workers representative at the unit the improvements were achieved by the construction of the Akzo Workers Committee that stimulated the Union actions.

However, the current situation found at the Akzo plants, demonstrates that some points identified in the last report have not been improved. For example, there continues to be a lack of broad dialogue with workers' representatives and there is veiled pressure to prevent the organisation of workers, who do not feel entirely free to organise Unions. At the Diosynth plant in Barueri, the problems reported in the 2002 report continue relative to freedom of Unionisation and the difficulties and delays in obtaining information about the company. Besides, the company does not discuss with the Union difficulties in the health and safety areas that continue to be grave.

About questions related to the equality of remuneration, the complaints in 2002 remain, showing problems in compliance with rules concerning positions and salaries and problems related to the distinct salaries for identical positions. The company responds that wage differences are based on regional norms and individual years of service, and in agreement with legal requirements.

Relative to the theme of diversity, women continue to occupy fewer management positions than men, there are few black workers contracted at Akzo and very rarely do they achieve management positions. Workers with special needs, currently, as in 2002, represent a very small portion of the labour force. Akzo Nobel explains this is not the result of discrimination, but of the national labour market structure, and the nature of the company's operations. However, the management did not specify affirmative action plans to address the issue proactively.

The trends toward subcontracting and flexibility of work through the contracting of temporary workers are areas in which the Akzo workers representatives make many complaints, principally concerning the poor working conditions of the indirect employees. The complaints were found at the Coating Segment (Repintura Automotiva, Tinta Marítima and Imobiliária) plants at which the Unions charge there is recurring use of temporary workers - who receive worse salaries and hardly any benefits - instead of opening new work posts. There are also complaints at the Diosynth unit related to the lack of previous warning of the recent subcontracting in the collection sector.

It is important to emphasise that this study did not approach the principal companies in the production chain that supply goods and services to Akzo. The inability to address this theme is due to the need for more time to realise a study of this scope at

the group, which has 15 business units. Therefore, the suggestion is made for a future study to examine the Akzo production chain, considering, for example, the origin and conditions in which are produced the salt, lye, and acid used in large quantity by Eka Jundiaí and by Diosynth. It can also analyse the origin and production methods of the soy oil and other raw materials used in the paints.

# Annex 1

## Code of Conduct

### INTRODUCTION

Enterprising spirit, personal integrity and social responsibility. Based on these values, Akzo Nobel recently established its **General Business Principles**, which shall be observed by all its employees, in all the countries where the company does business.

**The General Principles:** conduct activities in a socially responsible manner; support free initiative and free competition; maintain integrity in business; support community activities; be transparent in activities and protect any employee who communicates violations to these principles or indications of their occurrence. They can be simplified in the following thesis: If you are not ashamed to discuss your business conduct with your family, you are probably acting correctly.

These General Principles were prepared to serve as guidelines to be observed worldwide. Nevertheless, they allow the Akzo Nobel management in each country or in each business unit, to elaborate specific local norms, in line with the Values mentioned that it supports and to protect the good reputation that Akzo Nobel enjoys throughout the world.

Thus, the Direction of Akzo Nobel in Brazil decided to draft these Norms of Conduct and include the principal standards and practices to be observed by all the employees of the Akzo Nobel Brazil group in the performance of their work.

The norms reflect the company concern with issues in Brazil that it considers important for Akzo Nobel Brazil and its commitment to conducting its activities within the most rigid respect for the law and in a responsible manner in the social context in which it acts.

Obviously, Akzo Nobel Brazil wants to be competitive and compete in equality with its competitors. However, it must do so, without ever compromising or tainting the values and principles that guide its business conduct, which these Norms of Conduct seek to assure.

Akzo Nobel Brazil is not interested in conducting business with those who do not share and respect these values and principles, because it is certain that the conduct based on these values and principles will always attract other and better business due to the good reputation that they establish. Akzo Nobel Brazil insists that all its employees be committed to these Norms of Conduct.

## **1. THE CONDUCT OF AKZO NOBEL BRAZIL**

Before addressing the conduct that Akzo Nobel Brazil expects of its employees, it believes it is appropriate to make a commitment to the conduct that employees of Akzo Nobel Brazil can expect from the company.

The company is committed to provide professional environment that allows an employee to perform his function in a suitable manner.

Akzo Nobel Brazil makes its best effort to guarantee the existence of a safe work environment for all its employees. There are many laws and regulations applicable to labour safety. Akzo Nobel Brazil is committed to take all the necessary measures to guarantee the observance of this legislation in all the installations, to allow each employee to perform his functions without fear of being subject to improper labour risks.

Although Akzo Nobel Brazil respects the right to privacy, its employees shall avoid maintaining in the work areas or in the company computer systems, personal goods or information that they consider private. Akzo Nobel Brazil reserves the right to gain access to these areas, at any time, independently of authorisation.

Akzo Nobel Brazil expects all its employees to perform their activities at the highest standards, and is thus committed to providing everyone with any information needed so that they can perform their functions properly.

Whenever necessary, Akzo Nobel Brazil offers training so that each employee can exercise his or her functions in a safe and efficient manner.

## **2. THE CONDUCT OF EMPLOYEES AT AKZO NOBEL BRAZIL**

The employees of Akzo Nobel Brazil shall observe the standards and practices mentioned in these Conduct Norms.

### **A. Respect for the Law**

Employees shall observe all the legal measures and regulations pertinent to their work.

The laws that govern the businesses of Akzo Nobel Brazil are varied and complex and a violation can result in civil and criminal sanctions, both for Akzo Nobel Brazil and for its employees.

It is the responsibility of the employer to participate in the training offered, and to observe the orientations and recommendations that seek to comply with the pertinent legislation.

Some of the issues of legal relevance to Akzo Nobel Brazil will be discussed below. It shall be emphasised, however, that these are not the only issues that affect company business.

**(i) Antitrust Legislation**

The purpose of antitrust legislation is to promote free initiative, free competition and encourage efficiency in various market segments. It applies directly to the company and its competitors, clients and suppliers.

According to this legislation, conduct in violation of fair trade includes: agreements signed among competitors concerning prices charged to clients, the division of clients or markets, the establishment of limits to the volume of products and the services provided to the market; the setting of the resale prices of products; the unjustifiable sale of goods below the cost price; the conditioning of product sale to the acquisition of another product or service etc.

An employee shall consult the legal department whenever he suspects that practices or conduct realised at Akzo Nobel Brazil, including their own, may be considered in violation of antitrust law.

**(ii) Environmental Legislation**

Since a large part of the business of Akzo Nobel Brazil involves the manufacture or the use of chemical products, the company must observe various laws that concern their production, storage, utilisation, labelling, transport and final disposal.

Brazilian legislation focuses on sanctioning of conduct that is harmful to the environment or that presents risk, integrally embracing the principal of “paying-polluter.” (...) Besides, non-compliance with environmental norms can subject Akzo Nobel Brazil to large fines and various administrative penalties such as, the interdiction of industrial installations.

Environmental criminal law calls for severe penalties not only for corporations, but also for their agents and legal representatives. All the people involved, whether in environmental damage, or in decisions related to it, or to the material protected by environmental legislation, can face criminal charges.

Employees who deal with potentially polluting substances shall always take care to eliminate the adverse environmental impacts, simultaneously observing the pertinent municipal, state and federal laws and regulations.

**(iii) Labour and social welfare legislation**

Akzo Nobel Brazil supports the conciliation of its interests with those of its employees, supporting them in programmes and policies aimed at their improvement and development in respective companies.

These policies include complete compliance with the labour and social welfare legislation.

Thus, the employees of Akzo Nobel Brazil involved with the application or management of payments and benefits related to these laws must comply with them faithfully and shall consult the Legal Department to resolve any doubts.

Compliance with the various facets of the law and with the internal personnel policies are the basis for avoiding possible layoffs and especially labour related litigation.

**(iv) Tax Law**

Akzo Nobel Brazil is subject to various municipal, state and federal taxes. It is the responsibility of employees involved with the tax administration rigorously to comply with the tax obligations.

Non-compliance with tax obligations can subject Akzo Nobel Brazil to elevated administrative fines and penalties Besides to compromising its reputation, and can interfere with its normal operations, because certificates that attest to the non-existence of tax debts demanded by the internal revenue are essential for participation in public bids, for signing contracts with public entities and for receiving payments from them, and to receive imported goods etc. Besides, those responsible for non-compliance can be subject to criminal sanctions.

The Tax and Legal Departments shall be consulted relative to any issues related to the application of any tax norms and regulations.

**(v) Information Technology**

It is the responsibility of employees, principally those who work in the computer departments, to protect the electronic files, hardware and software (the Computer Systems) of Akzo Nobel Brazil.

Any violation of the safety of the Computer Systems of Akzo Nobel Brazil or of Computer Systems of third parties used with the Akzo Nobel Brazil computer systems, after internal investigation, will be subject to civil and criminal responsibility for the employees involved.

**(vi) Contracts**

The legal purpose of all and any contract, agreement, adjustment, etc., to which any of the Akzo Nobel Brazil companies is a part, must not be prohibited by law, must be conducted with parties legally suitable to enter contract, and may not involve any type of fraud or malfeasance.

Any such contract must also respect the limits of powers established by the respected by-laws, incorporation papers and powers of attorney to which they are bound. The other parties involved must be required to provide proof that they are capable to execute that for which they will be obligated.

All contracts, agreements, adjustments, etc. shall be submitted for previous analysis by the Legal Department, including contracts related to public bids.

The need for this previous analysis is reinforced by the fact that some contracts must be submitted to anti-trust authorities for approval within a certain period.

Their non-presentation or their presentation outside the period can subject the company to large fines.

Akzo Nobel Brazil maintains the importance of conciliating its interests with those of its employees, and of supporting them in programmes and policies aimed at their improvement and their development in the respective companies.

Among these policies is complete compliance with labour and social welfare law.

Thus the employees of Akzo Nobel Brazil involved with the application or management of fees and benefits related to this legislation must faithfully comply with it and must consult the Legal Department for the resolution of any doubts.

Compliance with the various facets of the law and with the internal personnel policies are the bases on which eventual effects of layoffs be attenuated, especially labour related litigation.

#### **B. Compliance With Internal Norms and Regulations**

Akzo Nobel Brazil acts in various branches of business in industrial installations located in various Brazilian cities. As a result, there are many of municipal, state and federal norms that must be observed for the company to meet completely its commitments.

Each industrial installation institutes suitable norms and procedures to meet the demands that are particular to its operations.

All the employees shall observe the applicable norms and procedures at the industrial installation in which they work.

#### **C. Respect in the Labour Environment**

Akzo Nobel Brazil requires that employees treat one another with respect and dignity.

All employees are prohibited from practising any act that can be characterised as harassment or discrimination, particularly concerning sex, race, or religion. In the same way, employees cannot threaten or participate in violent behaviour against others.

#### **D. Ethical Conduct**

Every employee shall act in an honest and diligent manner in all the factors related to their work. This conduct relates in particular to:

##### **(i) Property belonging to Akzo Nobel Brazil**

No employee can remove property from the grounds of Akzo Nobel Brazil or use it for personal purposes, without previous required authorisation.

It is the responsibility of employees, principally those who work in the computer departments, to protect the electronic files, hardware and software (Computer Systems) of Akzo Nobel Brasil.

##### **(ii) Due Diligence**

All the employees must perform their functions in a professional and diligent manner. During working hours they must not consume or be under the influence of alcoholic substances. (...)

##### **(iii) Company Reports**

It is prohibited for employees to falsify or modify reports or other records related to their employment or to the business of Akzo Nobel Brazil, including expense statements and time records.

**(iv) Presents**

To accept and offer presents, prizes or other types of gratification may not be proper, if those who offer them have commercial interests. This practice can be interpreted as an attempt to influence improperly the commercial decision of the beneficiary.

Employees shall refuse and shall not accept such presents, except when they have symbolic or negligible value.

**(v) Payments**

The offer and receipt of bribes or other illegal payments by Akzo Nobel Brazil employees and third parties with whom the companies do business or intends to do business is prohibited, under any form or any condition, independent of the customs and practices in the business sector involved.

It is prohibited to realise in the name of any company of Akzo Nobel Brazil any form of payment or donation to political parties, their members or entities related to them.

**(vi) Computing**

Due to the strategic function of computing, any activity in this area must be guided by secrecy and confidentiality concerning the data and systems created or connected by employees or service providers.

All the employees of Akzo Nobel Brazil must preserve the systems and equipment from any damage or risk, seeking their complete functioning and integrity of the data.

Akzo Nobel Brazil reserves the right to gain access equipment and data at any time, without previous communication.

**E. Conflict of Interests**

There is a conflict of interest when benefits that the employer effectively or potentially obtains outside Akzo Nobel Brazil, conflict with his responsibility to perform his job well and maintain loyalty to the company.

Employees shall not possess any investments, interests or associations with third parties, whenever this impedes or can lead to impede the diligent exercise of their functions in benefit of the company.

Employees shall inform Akzo Nobel Brazil of all possible conflicts of interests, which may arise, for example, in the following situations: (a) when an employee or his relative possesses, directly or indirectly, a financial interest or obligation involving current or possible competitors, suppliers or clients of Akzo Nobel Brazil; (b) when an employee represents other interests which are not those of Akzo Nobel Brazil, during working hours (without previous authorisation of Akzo Nobel Brazil).

#### **F. Protection of Company Assets**

Akzo Nobel Brazil has many assets acquired or developed at a significant cost over the years and which are essential to its business. These assets include monetary sums as well as goods such as industrial installations, machinery, equipment and vehicles, the efforts and time spent by employees during working hours, technical, commercial and business information and elements of intellectual property (brands, patents commercial secrets and other exclusive information).

It is the responsibility of every employee to protect company assets.

#### **G. Accounting**

All Akzo Nobel Brazil's commercial transactions must be recorded precisely, in conformity with the accounting principles and the pertinent legislation. The records can be audited.

#### **H. Information**

All and any information generated by the employees or to which the employee has any form of access, including information related to: markets, clients, administrative or management practices; the organisational, technical, commercial, accounting or financial structure and their practices, Besides to instructions and reports, constitute important and valuable assets of the property of Akzo Nobel Brazil (the Information).

The Information must be treated in a classified way and presented only internally to those who must use them, solely and exclusively in the exercise of company business. If in the conduct of business it is necessary to provide any type of Information, a commitment to confidentiality, prepared or approved by the Legal Department must first be signed by the receiver of this information.

At the conclusion of the labour contract with Akzo Nobel Brazil, the employer will not allow access to third parties to the Information, in whole or in part, and must return to Akzo Nobel Brazil any document or material related to them since, as mentioned, this information constitutes important and valuable assets that are the property of Akzo Nobel Brazil.

The same treatment applied to the Information shall be given to the information learned or obtained from clients or suppliers during business.

### **3. DOUBTS AND COMMUNICATION OF VIOLATIONS OR INDICATIONS OF VIOLATIONS**

An employee must contact his superior or other members of the administration to clarify any doubts concerning the dispositions included here, the applicable legislation, or any other practices or policies in force in their workplace. The doubts shall be clarified as quickly as possible.

All employees shall communicate to Akzo Nobel Brazil all and any practices or conduct, or even indications of its occurrence, which are not in agreement with the Norms of Conduct. There will be no type of retaliation due to this communication.

All the violations supposedly committed will be investigated. Any employee found to have violated the dispositions contained in these Norms of Conduct will be subject to the sanctions that Akzo Nobel Brazil judges to be suitable.

None of these Norms of Conduct shall be interpreted as generating for Akzo Nobel Brazil any employment obligation.

## **Annex 2**

### **Principles of Business Conduct**

#### **Our Company**

Akzo Nobel is a multicultural company. We are market-driven and technology-based, serving customers throughout the world with healthcare products, coating and chemicals.

Akzo Nobel conducts its diversified activities through business units, which report directly to the Board of Management.

We maintain a product portfolio with leading positions in important market segments.

#### **Our People**

Akzo Nobel regards people as its most important resource. We foster leadership, individual accountability, and teamwork.

Our employees are professionals whose entrepreneurial behaviour is result-oriented and guided by personal integrity. They strive for the success of their own units in the interest of Akzo Nobel as a global company.

In return, our employees can count on opportunities for individual and professional development in an international working environment. We offer them rewarding and challenging assignments with room for initiative.

#### **Our Commitments**

- We will focus our efforts on the success of our customers.
- We will provide competitive returns on our shareholders' investments.
- We will create an attractive working environment for our employees.
- We will conduct our activities in a socially responsible manner.

#### **Our Ambition**

We strive to be the first choice of customers, shareholders and employees, and to be a respected member of society.

### **Business Principles**

#### **Introduction**

As described in the Company Statement, it is Akzo Nobel's ambition to be the first choice of customers, shareholders, and employees, and to be a respected member of society.

In the spirit of the OECD Guidelines for Multinational Enterprises, this document sets out the core values that shall underlie the conduct of all Akzo Nobel companies to fulfil our ambition. In this respect Akzo Nobel's Business Principles apply equally to our business transactions throughout the world and to the individual behaviour of

employees in conducting Akzo Nobel's business. This document also brings together the main Akzo Nobel responsibilities for other specific policy areas.

The Business Principles leave Business Unit Management and Country Management free to specify further local rules of business conduct provided such rules are consistent with our core values and with safeguarding Akzo Nobel's good reputation worldwide.

It is the responsibility of the Board of Management and each Business Unit Manager to ensure that Akzo Nobel's Business Principles are communicated to and observed by Akzo Nobel employees. Besides, Akzo Nobel regards the application of its Business Principles of prime importance in decisions to enter or continue relationships with contractors and suppliers, and to participate in joint ventures.

## **1. Core Values**

Akzo Nobel strives to meet high standards of performance and behaviour based on the Company's core values of business conduct. These core values are:

- Entrepreneurial spirit
- Personal integrity
- Social responsibility

## **2. Responsibilities**

Akzo Nobel is committed to create long-term value for its customers, shareholders, employees and society, recognising that sustainable profit is essential for the continuity of its business.

We will focus our efforts on the success of our customers. In this respect it is our responsibility to provide customers with products and services that offer value in terms of price and quality, and that meet high health, safety, and environmental standards.

We will provide competitive returns on our shareholders' investments. In this respect it is our responsibility to take due account of the expectations of our investors.

We will create an attractive working environment for our employees. In this respect it is our responsibility to recruit, hire and promote employees on the sole basis of suitability for the job, to stimulate their individual and professional development, and to provide safe and healthy working conditions. It is also our responsibility to prohibit harassment of any kind and exploitation of child labour.

We will conduct our activities in a socially responsible manner. In this respect we observe the laws of the countries in which we operate, support fundamental human rights in line with the legitimate role of business and give proper regard to health, safety and the environment consistent with our commitment to contribute to sustainable development.

### **3. Free Enterprise**

Akzo Nobel supports the principles of free enterprise and fair competition. The Company aims to meet customer's needs faster, better, and more distinctively than our competitors. To this end, Akzo Nobel will compete vigorously but fairly, and within the framework of applicable competition laws.

### **4. Business Integrity**

Akzo Nobel insists on integrity and fairness in all aspects of its business operations.

- Bribery and any other form of unethical business practice is prohibited
- Akzo Nobel employees are expected to avoid all situations in which their personal or financial interests may conflict with the Company's interest
- All business transactions shall be accurate and completely recorded in accordance with the Company's accounting principles and local laws and can be subject to audit.

### **5. Community Activities**

Akzo Nobel companies are encouraged to support community activities.

Akzo Nobel companies are to give their employees the opportunity to play an active role in societal matters - for example, through community or educational programmes - unless participation in these activities creates a conflict of interest. Akzo Nobel companies are not to make payments, to political parties, or their institutions, agencies, or representatives.

### **6. Communication**

Akzo Nobel recognises that, because of the Company's scope of activities, the impact they have on stakeholders, and the public role the Company fulfils, proper communication is essential. Subject to any overriding considerations of confidentiality, Akzo Nobel companies endeavour to communicate with others in an open, factual, and timely manner.

### **7. Compliance**

The Board of Management will not hold Management accountable for any loss of business resulting from compliance with Akzo Nobel's Business Principles, and will see to it that no employee suffers as consequence of reporting a breach or suspected breach of these principles.

## Annex 3

Diosynth

A company in the Akzo Nobel group

**Diosynth - Produtos Farmo-Quimico Ltda.**

Av. Marginal Esquerda da Rio Tiete, 5101 CEP 06410-240

Brasil, Barueri –SP.

Tel 55+ 11 4196-1979

Fax 55+11 4195-8030

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### **Programmes**

It is the obligation of all employees of the company to attend and see to the compliance with the procedures defined in PROGRAMMES, which are essential to and that define, and guarantee the manufacturing of high quality products, as well as offer the best quality of work, personal and work place hygiene and labour safety.

Avoid disposal of industrial residues that cause odours and solid or liquid products outside the norms in force, which can harm the groundwater or the nearby rivers. The programmes defined are: Good Manufacturing Practices (GMP); Labour safety.

Any fine that comes to be issued by **CETESB** referring to the disposal of residue or odours must be analysed by the Profit and Results Sharing Programme Commission, to determine who is responsible, for any negligence or harm.

### **PROVISO:**

The Union considers harmful to workers the inclusion of the final paragraph of the GMP and NSE programme and requests for it to be removed from the next programme. The inclusion of this provision was approved by most of the employees present in the assembly.

## Annex 4

v

The following document was extracted from page 2 of the Programme of Goals and Results of the Tinta Marítima, division for 2005:

Third Clause: Goals and Results Programme:

The goals and results programme will obey the progress of the Added Economic Value (AEV).

The period for determining the annual average will be from 01/01/2004 until 31/12/2004.

Evaluating the results achieved relative to the AEV – Americas and AEV Mercosur, cost per litre – Mercosur, service level p/volume Mercosur, service level p/request Mercosur and LTI (Accident with Lost Time) Mercosur.

For the items shown below positive or negative variations will be considered, relative to the goals, which will determine percentages, to be added or subtracted to the averages, as follows:

### 1. Bonus EVA - Americas – 2004

<b>PROGRESS OF THE EVA</b>	<b>BASIC BONUS</b>	<b>+ ADDITIONAL BONUS</b>	<b>TOTAL BONUS IN % OF ANNUAL SALARY</b>
U\$0,6mn	0,50%	-----	0,50%
U\$1,0mn	0,50%	0,25%	0,75%
U\$1,4mn	0,50%	0,50%	1,00%
U\$1,8mn (Plan)	0,50%	0,75%	1,25%
U\$2,2mn	0,50%	1,00%	1,50%
U\$2,0mn	0,50%	1,25%	1,75%

### 2. Additional Bonus - EVA - Mercosur – 2004

<b>PROGRESS OF EVA</b>	<b>BASIC BONUS</b>
U\$115K	1,50%
U\$230K	2,00%
U\$345K	2,50%
U\$460K	3,00%
U\$575K	3,50%