

Research Report  
2006

Unilever  
Brazil

Instituto Observatório Social  
São Paulo

**SOMO**



> *Werkt in je voordeel*





## **INSTITUTO OBSERVATÓRIO SOCIAL**

Rua – São Bento, 325, sala - Centro

São Paulo (SP) – CEP

Phone: 55 (11) 3105-0884

E-mail: [observatorio@observatoriosocial.org.br](mailto:observatorio@observatoriosocial.org.br)

Web site: [www.observatoriosocial.org.br](http://www.observatoriosocial.org.br)

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## Methodology

This study corresponds to the solicitations of the Company Monitor Project II, presented by FNV, based on a survey of quantitative and qualitative data. The study, conducted between February and June 2005, by the Social Observatory Institute (IOS), intends to broaden and update the body of information about social and labour behaviour at Unilever in Brazil, much of which was obtained during the realisation of the Company Monitor I Project, from 2002-2004. At that time, two of the then 16 business units were studied in greater depth: Vinhedo (SP) and Vespasiano (MG)<sup>1</sup>, both in the Beauty and Style segment.

Because Unilever has been in a restructuring process since 2000, primarily with the Path To Growth Project, a strategy for 2000-2004 and now with the “Vitality” mission 2005-2010, continuity of the study takes on even greater importance when we consider the consequences of this process; closure of units, layoffs, concentration and automation of production. The previous study identified a number of problems highlighted by the heterogeneity of working conditions at the Unilever units spread throughout Brazil, (in terms of salaries, overtime, machinery) a lack of common guidelines for collective bargaining and in the relationship with Unions, which in many cases had their operations quite restricted by company management. A lack of policies for equal opportunities for women and black people, and problems related to the workers health, such as occurrence frequently of occupational illnesses (RSI, etc.).

The risk of use of child labour in the tomato harvest in Goiás, in which the company is inserted because of its tomato-processing factory in Goiânia, was also presented by the study. We have been able to perceive how company management has implemented the issue of Social Responsibility, which at the time was still incipient.

The current report did not lose sight of these problems, and sought to analyse their development over the years. For the realisation of this document, we counted on a partnership with the following Unions: Chemical Industries Workers Union of Vinhedo, Chemical Industries Workers Union of Pernambuco State, Food and Beverage Industries Workers Union of Garanhuns and Food Industries Workers Union of Mogi Mirim, all affiliated to the Single Workers Centre (CUT). In addition, we also had support from Contac (The National Confederation of Food Workers).

Unions representing workers at other Unilever units were also contacted by e-mail and telephone, but did not respond to the request during the research period, including the Food Industry Workers Union of Goiás and Tocantins, the Food Industry Workers Union of Campinas, and the Food Industry Workers Union of São Paulo.

The President of the Cacao Products, Candy and Canned Foods Industries Workers Union of Pernambuco, who represents the workers at Unilever’s ice cream unit in this state, provided a brief interview by telephone but did not provide any information about the factory, alleging a

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<sup>1</sup> Unilever announced the closure of the Vespasiano (MG) unit soon after the conclusion of field research a few months after the researchers conducted a survey on the factory floor. The Unilever factory inaugurated the corporate policy in the productive restructuring process to guarantee that the negative effects be reduced with the transfer of employees to other productive units, a training policy for professional reallocation, extensive benefits for the period after the termination of the employee’s work contract with the company, and other issues. The company announced the closure one (1) year before the activities were effectively ended.

lack of knowledge in the local reality. The Collective Agreement analysed in the Collective Bargaining section was taken from the Ministry of Labour web site.

An interview was conducted with one of the directors of the Chemical Industries Workers Union of Vinhedo, and statements collected from three other Union directors<sup>2</sup>, at the time of the planning seminar of the Unilever Brazil Union Committee (26 - 27 April, 2005). In addition, all the Unions that directly participated with the study supplied the respective Collective Agreements and Conventions for the categories that they represent, as well as other documents and brochures.

The company also collaborated with the IOS in different forms, in addition to meetings with each one of the representatives in the areas of Human Resources, Government Relations and Social Responsibility, data and information were also supplied about the company's current situation in Brazil, in a response to a questionnaire sent by the IOS research team. Institutional material was also provided to us, such as pamphlets and a video about Social Responsibility Programmes. It is worth remembering that, because the company in Brazil does not have shares openly traded in the stock exchange, any information about economic and financial performance is not required to be revealed in public.

At the end of June 2005, a visit to the production unit in Goiânia was conducted, where Unilever processes the tomato products. At this time, the interviews were conducted to the Human Resources Manager and to the Operations Manager of the units, who also presented information about the units. On the first day of work in Goiânia, a visit to Unilever's experimental farm was made, where researchers had a presentation and were interviewed with two representatives of the company's Agricultural Operations area.

The research team, composed of a researcher from the Social Observatory Institute in Brazil and a researcher from the Social Studies Institute in The Netherlands, gained access to one of the tomato farms of the company suppliers: Unilever's largest tomato supplier, located in Itaberaí, where it was still not the harvest season, and only the owner was interviewed.

The trip to Goiânia provided information collected in interviews with the suitors mentioned and company presentations. After the visit, the company also provided some information about workers at the factory and about Unilever's tomato suppliers. Not all this data was used in this report, due that the mainly purpose of the visit to Goiânia was to gather information for the preparation of a complete study of the tomato production chain in Goiás, in which Unilever is inserted<sup>3</sup>, and which therefore, will be better explored at another time.

Interviews conducted to the workers' representatives and the company, as well as the applied questionnaires, followed the original plan by FNV, adapted to the research conditions in Brazil. This adaptation did not change the context; it only condensed the number of questions to decrease the time of interviews because of the time availability of those interviewed.

The survey of secondary data from sources of public access was also fundamental as a support to this study, as well as the data achieved through research on web sites, newspapers and academic studies (appointed in the bibliography).

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<sup>2</sup> One CONTAC director, from the Chemical Industries Workers Union of Pernambuco and a director of the Food and Beverage Industries Workers Union of Garanhuns (PE)

<sup>3</sup> The survey of information about this theme is the basis for a study about the tomato production chain, to be conducted between August 2005 and March 2006.

## **Profile of the Operational Sectors of Unilever Brazil**

### **Profile of the Industrialised Food Sector**

According to the Brazilian Association of Food Industries (ABIA), performance in the sector in 2004 was driven by increased exports and at the end of the period, by the reaction of the domestic market. The report presented by the ABIA showed that total production of 39 thousand companies in the sector increased 4.43%, relative to 2003. Real sales increased 3.88% (discounting inflation) and billing reached R\$ 176,2 billion (€46,209 million)<sup>4</sup>.

Cereals, coffee, and sugar were the segments that most increased production (18.82 %). Ice Cream led those with decreases by (7.88%). Exports were essential to the food industry's expressive growth of 31.95%.

### **Profile of the Chemical Sector**

According to data from ABIQUIM (The Brazilian Chemical Industry Association), North America, Asia and the Pacific, and Western Europe accounted for more than 50% of the installed capacity of the chemical sector, while Latin America, accounts for only 5% of installed world capacity. In Latin America, the Brazilian chemical industry is diversified, and of high quality, with production exported to various countries.

In 2004, the Brazilian chemical industry achieved production and sales records, with positive impacts on the income of the segment registered net billing of US\$59.4 billion (€9,19 billion), an increase of 30.5% relative to 2003. Measure in real, the net billing grew 24.1%, from R\$ 140 billion (€1,34 billion) in 2003 to R\$ 173,8 billion (€3,447 billion) in 2004.

The segment of soaps, detergents, cleaning products and perfume articles where Unilever is inserted, has a highly heterogeneous composition in Brazil. Besides other large international companies, both diversified and specialised, there are many small and medium companies manufacturing products in this sector. This heterogeneity is principally a result of the simplicity of the technical base needed for the preparation of formulas.

In the global panorama for the segment, Brazil is among the 10 leading markets, occupying seventh place, as showed in the table below.

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<sup>4</sup>All the amounts in euros in this report were calculated at the average exchange rate for September 2005.

**Table 1: Principal Markets in the Segment of Personal Hygiene Products, Perfumery and Cosmetics – 2003**

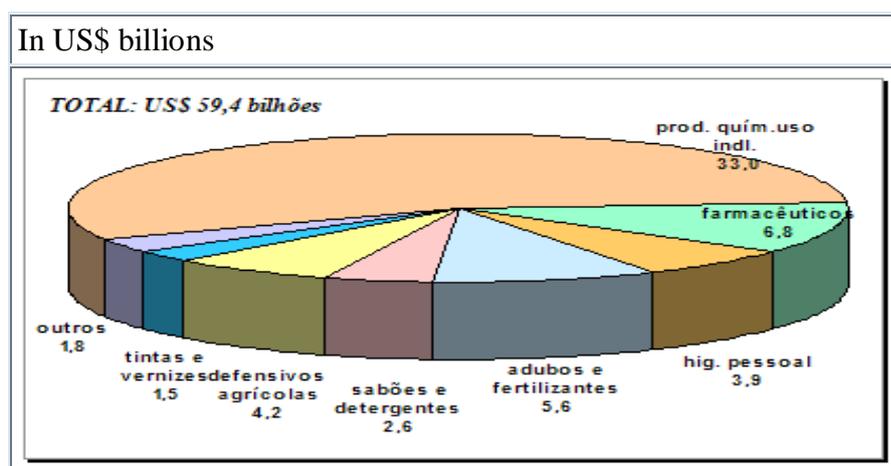
Country	US\$ billions	Participation (%)
United States	45.4	22.6
Japan	21.9	10.9
France	12.1	6.0
Germany	11.6	5.8
United Kingdom	10.1	5.0
Italy	8.5	4.2
<b>Brazil</b>	<b>7.3</b>	<b>3.6</b>
China	6.0	3.0
Spain	5.7	2.8
Russia	5.3	2.6

Source: [http://www.ttnet.net/search-bin/e\\_trade\\_news.cgi?sno=224](http://www.ttnet.net/search-bin/e_trade_news.cgi?sno=224)

As per table, the consumption of personal hygiene products, scents and cosmetics in developing countries ranks very high, since the five world markets, respectively the United States, Japan, Germany, France and England, account for more than 50% of global consumption of these products. The Brazilian market only represents 3% of the world market.

The principal billing segments in the Brazilian chemical industry are chemical products for industrial use – intermediary goods, which in 2004 accounted for 55.6% of total net billing in the industry, while the other segments combined account for 33% of the total. The groups of personal hygiene, perfumes and cosmetics and fertilisers also deserve to be highlighted, because they have annual growth rates in the last 15 years of 6.6%.

**Graph 1: Composition of Net Billing of the Brazilian Chemical Industry by Segments – 2004**



Source: [www.abiquim.org.br/pdfs/ele\\_fatu-mundial-2003.jpg](http://www.abiquim.org.br/pdfs/ele_fatu-mundial-2003.jpg)

As occurred internationally, in Brazil the sector underwent a consolidation process through mergers and acquisitions, with companies seeking segments that are more profitable and consequently, dropping less profitable ones. Thus, the closure of entire units and the

“shrinking” of other plants lead to a significant reduction of work force; besides an expansion of outsourcing. According to Abiquim-Fipe (Foundation Institute of Economic Studies), from January 1990 to March 2005, there was a reduction of 56.86% in the number of people occupied in the segment. A significant portion of the workers laid off, principally in the lower salary ranges was hired again in the subcontracted services.

According to the latest statistics, the global cosmetics market reached US\$ 201 billion in 2003, growing 4.8% relative to 2002. This industry gained that steam principally in Asia, Russia and Brazil. Brazil has the world’s seventh largest cosmetics market, billing about US\$ 7.3 billion<sup>5</sup>.

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<sup>5</sup> Source: [http://www.ttnet.net/search-bin/e\\_trade\\_news.cgi?sno=224](http://www.ttnet.net/search-bin/e_trade_news.cgi?sno=224)

## General Characteristics of the Company

Unilever's history in Brazil began in 1929 when Lever Brothers Association was installed in the country, selling the soap Sunlight, imported from England. Lever Brothers inaugurated its first factory in Brazil in 1930. Since then, it has diversified production and released innovative products and, come to be market leader with successful brands such as Lux and Omo – the first powdered detergent in Brazil, released in 1957. In 1960, Lever Brothers incorporated Cia Gessy Industrial and formed Indústrias Gessy Lever – the name by which it was known in Brazil for nearly 40 years.

In 1970, Gessy Lever entered the food market, releasing Doriana, the first creamy margarine in the country. In 1986, it established a solid base in this market, acquiring the Anderson Clayton company. The activity in the food sector was broadened once again when it obtained control of Cica in 1993, and of Kibon in 1997, (two traditional Brazilian brands). In 2000, with the acquisition of Bestfoods by the Unilever group, global brands such as Hellmann's and Knorr and strong local brands, such as Arisco, became part of Unilever's portfolio. In 2001, Gessy Lever became Unilever.

The city of São Paulo, Brazil, is now home to part of the regional management of the Unilever group in Latin America. Many of the Unilever studies of their operating areas are based in Brazil. The company maintains that it is not possible to identify the percentage of its billing in Brazil since the research areas belong to regional or even global structures.

Unilever in Brazil needs very few imports to maintain its supply, that is, it produces in Brazil all the products in its portfolio for the domestic market.

Table 2: Gross Billing Unilever 2003-2004

<b>Billing</b>	<b>2003</b>	<b>2004</b>
Worldwide	€48,8 billion	€42,9 billion
Brazil	R\$ 7,3 billion	R\$ 8,6 billion

Source: [www.unilever.com](http://www.unilever.com) / [www.unilever.com.br](http://www.unilever.com.br)  
Prepared by, the Instituto Observatório Social, 2005.

In 2003, gross consolidated billing of Unilever in Brazil represented 5% of Unilever global billing and 50% of that, in Latin America. In global terms, the operations in Brazil are not significant, but in regional terms, the country is very important.

### Business Description

Until this year, Unilever's global operations had two presidents, one from the Unilever Board and headquarters in London - PLC (United Kingdom) and in Rotterdam - NV (The Netherlands). However, in May 2005, the two boards merged. The company has plans to concentrate top management at its principal headquarters, instead of the current situation. The legal fusion has yet not taken place, but it is studied.

The formal structure establishes regional commands that follow the guidelines of the management model for three processes (Supply Chain, Sales and Brand development) and fields of support (Human Resources, Legal, Financial, Information Technology and Corporate

Affairs). Within each region, the companies have a local structure, with individual characteristics that respond to the operational management of the factories and are charged with activation of the market.

Currently there is only Unilever Brazil, which means that the company is not separated into the former divisions, of which there were four until the end of the first semester of 2005:

**Chart 1: Principal Characteristics of Unilever Brazil**

<b>Divisions</b>	<b>Units</b>	<b>Products</b>	<b>Principal Brands</b>
Unilever Higiene e Beleza (personal hygiene and domestic cleaning)	Igarassú (PE), Indaiatuba (PE), Ipojuca (PE), Valinhos (SP), Vinhedo (SP)	Deodorants, hair products, liquid, and bar soaps/powder detergents, softeners, cleaners.	Omo, Brilhante, Lux, Dove, Fofo, Minerva, Comfort, Seda, Rexona, Close Up and Axé.
Sorvetes Kibon	Recife (PE), São Paulo (SP, this factory will be closed)	Ice Cream	Cornetto, Magnum, Fruttare, Chicabon, Eskibon
Unilever Alimentos	Garanhuns (PE), Goiânia (GO), Mogi Guaçu (SP), Patos de Minas (MG), Pouso Alegre (MG), Valinhos (SP)	Tomato products, bouillon, mayonnaise, ketchup, corn starch, soy-drinks, teas, margarine.	Doriana, Hellmann's, Cica, Knorr, Arisco, Maisena, Ades, Lipton
Unilever Food solutions		Products and services for restaurants and food service	

Source: [www.unilever.com.br](http://www.unilever.com.br)

Prepared by, the Instituto Observatório Social, 2005.

Unilever has a leading position in the cleaning sector market. According to The Brazilian Institute of Public Opinion and Statistics (Ibope), the British-Dutch company closed past year with a 64% share, in market volume, of powdered detergent in Brazil. The Omo brand alone leader in the premium segment – has 31% in volume and 40.2% in market value. In the past year, according to A/C Nielsen, the soap market had sales of R\$ 2,8 billion (€1,026 billion), an increase of 14.7% over 2003. In volume, growth was 17,8% in 2004, closing at 573,7 million kilograms<sup>6</sup>.

<sup>6</sup> Source: Valor Econômico, May 17, 2005.

## Employment

Unilever reached the second semester of 2005 with 12,494 employees (according to its web site) distributed in 13 units in the states of São Paulo, Minas Gerais, Goiás, and Pernambuco, besides administrative offices and the sales division. The categories of workers are distributed as follow: 60% in the factories, 19% in administrative areas, and 21% in sales.

Historically, according to the table below, this represents a reduction of about 10% in the number of workers at the company. This percentage certainly linked to the restructuring process that includes closure of units and production lines with consequential dismissal of employees at the factories. In 2005, this process became accentuated and included layoffs of 50 of the 200 workers in the administrative sector<sup>7</sup>.

**Table 3 – Historic Changes – Number of Workers Unilever Brazil (2002-2005)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Number of workers</b>	13,797	13,175	12,922	12,494

Source: data supplied by the company and at [www.unilever.com.br](http://www.unilever.com.br)

Prepared by, the Instituto Observatório Social, 2005.

The table below shows a slight increase of 2% in the proportion of women from 2003 to 2004. Even so, gender equality is still far to reach, as less than ¼ of women are represented as a force. This small increase may not represent an increase in the contracting of women workers, but in higher dismissals of male workers.

**Table 4: Distribution by Gender of Total Workers Unilever Brazil (2003-2004)**

	<b>Men</b>	<b>Women</b>
<b>2003</b>	78%	22%
<b>2004</b>	76%	24%

Source: Relatório Sócio-Ambiental 2004 and 2005<sup>8</sup>.

Besides these data, about 50% of the workers are between 26 and 35 years old. The 2004 report shows that 45% of the workers had been at the company for 5 years, while the next year the percentage dropped to 33%, which may suggest increased turnover.

The Goiânia factory is Unilever's largest operation in Latin America. It has about 2,340 effective workers, and this year 360 temporary workers were contracted for the primary processing of tomatoes, which takes place only from June to November each year in the harvest period. In addition, there are also 1,500 subcontracted workers. The factory at Patos de Minas (MG) had 60 workers. This year about 230 temporary workers had a contract in the same situation as at the Goiânia factory. The ice cream factories also realise temporary contracts in peak production periods. According to information from the Union, the Kibon factory in Recife, for example, employed nearly 200 workers in the summer, besides permanent workers, because of the increased demand for the product.

<sup>7</sup> Source: Valor Econômico, 20/09/05 – Empresas & Tecnologia. This report has a specific section about the restructuring process.

<sup>8</sup> The reports for 2004 and 2005 present this data for the years 2003-2004 respectively.

**Table 5: Unilever Workers by Unit in Brazil**

Unit	Division	Products	N. Workers.
Goiânia (GO)	Food	Tomato products, mayonnaise, beans and vegetables, spices, powdered drinks, instant macaroni, sauces.	2,702 (*)
Patos de Minas (MG)	Food	Tomato pulp	292 (*)
Pouso Alegre (MG)	Food	Soy drinks, bouillon, spices for beans, ready to eat dishes, Dextrosol, teas, industrial drinks, mayonnaise	821 (*)
Mogi Guaçu (SP)	Food	Corn starch	53
Valinhos (SP)	Food	Margarine, baking products, cake frosting	385
Garanhuns (PE)	Foods	Complementary foods	134
Igarassú (PE)	HB	Powdered detergent and detergent tablets	156
Ipojuca (PE)	HB	Shampoos, conditioners and spray deodorants	310
Valinhos (SP)	HB	Soaps	542
Indaiatuba (SP)	HB	Powdered detergents	560
Vinhedo (SP)	HB	Shampoos, conditioners, moisturisers, roll-on deodorants, liquid soaps and toothpaste	525
São Paulo (SP)	Kibon	Ice cream	573
Recife (PE)	Kibon	Ice cream	478

(\*) Total number of employees adding those temporarily contracted by peak production or harvest

Source: data supplied by the company in July 2005.

Prepared by, the Instituto Observatório Social, 2005.

In August of 2005, Unilever announced the closure of the Kibon ice cream factory located in Brooklyn, in the southern portion of the city of São Paulo. The closure shall occur within 12 months and production will be transferred to other units; 80% to Valinhos (SP) and 20% to Recife (PE), the only other ice cream unit of Unilever in Brazil. The company justified the decision alleging that the factory location impedes new investments in expansion and industrial modernisation.

There was no previous dialogue about the closure with the Union, which alleges that 1,500 workers (including production and administrative employees in the administration area) would have been dismissed with the factory transfer. The company states that it is not true. Unilever had a previous dialogue with the Union, which recognises the company as the most serious one in its operation, with an actual number of 343 employees affected, as showed below and not 1,500. The Union insisted that Unilever announced the closure, after the management took

the decision. There was any previous negotiation with the Union. When Unilever announced the official statement about Kibon ice cream facility, the company presented the following proposal of benefits required by law and others: Support for reallocation in the labour market, Additional bonuses, Expansion of medical assistance, Group life insurance, and Professional training to improve employability. Nevertheless, the company maintained that the measure would affect just 343 people, all linked to the factory area and that benefits will be offered beyond those required by the law concerning layoffs.

The company maintains to try to reallocate workers to other units during this period. However, the Union believes this is difficult, because of the distance to São Paulo to the mentioned cities<sup>9</sup>. Unilever informed, that the company offered all employees, without exception, the opportunity to be transferred to a new unit with many benefits for adaptation, this with participation of the Union and the Employees' Commission. However, the Union states that this is not true, as the company's offer covered a small group of workers. The statement of the company reaches all workers but, just few benefits. The outcome is that there is no opportunity for all the workers who lost their job.

In addition, the reallocation will only take place through "job posting." Meaning that, the worker must take an internal evaluation of knowledge, for the function needed in the other unit, even if it is the same function as previously exercised. Unilever argues that in this point IOS was confused between this process of restructuring and the jobs affected, including the internal recruitment policy of Unilever called "job posting" - used in all vacancies. The Union says "restructuring process" and "job posting" are different. However, the Union informs that the procedure adopted of reallocation by Unilever and the corporate policy of recruitment, follows the same guidelines where the employee enters a trial of selection competing with candidates inside and outside the company. Moreover, if it intended to reallocate the workers reached by the dismissal, they would not be necessary competing for the vacancy, and would be barely reallocated. This procedure was the same adopted at the closure of the Vespasiano unit in 2003, presented in the previous report. At that time, few workers were hired again, which shall also be the case at Kibon, according to the Union. Unilever says that the process of Vespasiano in 2003, and all interested employees were transferred, and at the end, only 16% were jobless.

### Company Management

Unilever today is merging its divisions and concentrating its management process at a worldwide level and in Brazil. Management will no longer act in a segmented manner divided by production and market sectors, but in an integrated manner. In the new management model, the different functions are structured at the national level independently from the nature of the business.

Since the late 1990's Unilever has been seeking to transmit to the consumer, through the media and through its products and services, the idea that Unilever has the same face, the same quality standard for its products and the same corporate policies in all the markets in which it operates. In Brazil, the company took the Unilever logo and abandoned brands of former divisions: Gessy Lever, Elida Gibbs, and has been adopting corporate policies in areas such as the environment, governmental affairs and labour relations.

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<sup>9</sup> Information taken from an article in: O Estado de São Paulo newspaper (Aug. 6, 2005) – Caderno B11.

Brazil is a reference in terms of organisational structure for other Latin American countries, irradiating corporate procedures and supplying knowledge in restructuring processes, even if, according to the general company policy, each country had administrative autonomy. For example, the new Human Resources and Financial model is Brazilian, the principal change in which consists in the integration of businesses, which have begun to be implanted in Latin America and other countries throughout the world.

### *Relevant Aspects of Corporate Social Responsibility (CSR)*

#### **CSR Implementation Structure and Policies.**

According to data and information taken from the Social-Environmental Report 2004, we can define Corporate Social Responsibility according to Unilever as the organisation's commitment to generate a positive social impact in the communities where it is present and in society in general, seeking a relationship between CSR and sustainable development. The company maintained that CSR is present in operations and throughout the production chain; in its management practices and in relationships with its different publics, shareholders, employees, consumers, clients, suppliers, communities, and society in general.

Currently, the CSR structure responds directly to the Corporate Affairs Directory, which also includes External Communications, Government Relations and Regulatory Affairs and, Corporate Social and Environmental Responsibility.

Besides the CSR directory the organisation of the projects in this area is also defined by the Unilever Institute, created in 2002 to support, encourage, and make more professional, the company's social activities, and to give the company a corporate policy (centralised) also in the CSR area. Company's employees form the institute directory.

In 2003, the "Social Responsibility in Verse and Prose" brochure, was distributed within the company to present to workers Unilever's vision of CSR, this besides a column in the internal magazine to present the projects and highlight the participation of employees.

In general, Unilever presents itself as a company very sensitive to the theme of Social Responsibility. It is a signatory of the Global Compact and has a Social-Environmental Report published in Brazil according to a methodology defined by the Instituto Ethos.

The CSR policy for its direct employees relates to benefit, situations of layoffs and previous warning in the case for plant closure or a transfer in production lines. These issues are under the co-ordination of the Human Resources area, which defines the guidelines for the company's relationship with the workers.

#### **Diversity**

The development of the concept of diversity at Unilever, for example, is not linked to the CSR area but to Human Resources, and it is aimed principally, to include people with special needs through a contracting process intended to exceed the quotas established by law; but until now has not even met them. Brazilian law 7853/89 and, decree law 3298/99 determined that a company must reserve positions for professionals with disabilities with the following classification:

## Chart 2: Legal Resolutions for Hiring People with Disabilities

Article 93 – A company with 100 or more employees is required to fill 2% - 5% of its positions with rehabilitated beneficiaries or trained people with disabilities, in the following proportion:

I) up to 200 employees: 2%

II) from 201 - 500 employees: 3%

III) from 501 – 1,000 employees: 4%

IV) from 1,001 or more: 5%

*Sources: Analyst Celito Cordioli; Identificação Humana, Domingos Tochetto(ed.), Sagra Luzzato*

### Gender

The CSR management admits that Unilever could do more in the issue of gender, principally in the positions with greater responsibilities and salaries. For example, in all Brazil there are only three women in director positions at the Dutch multinational.

In its Business Principles Code<sup>10</sup>, available in Portuguese and promoted both to workers at the company and to suppliers, Unilever establishes standards of conduct and expects all the stakeholders to follow business principles consistent with those of the company, including suppliers and partners. The company's goal is the implementation of a supply chain with excellent standards, based on the development of projects that run from the quality of agricultural inputs to transportation of finished products. The monitoring of conformity to the principles is the responsibility of the top local management, depending on reports and denunciations.

The greatest challenge is in internal communications. The information has not reached all workers in an ideal way. The factories are isolated from the entire CSR process. Unilever says that all plants are included in social responsibility activities in their respective communities, and are developed through a programme called "Conviver." The Union confirms this, but considered to be disregarded as a stakeholder from the company's point of view. The Unions maintain that the "Social Dialogue" must be extended to all stakeholders, especially to the workers of each unit considered in community. Unilever has good actions, programmes and policies just for investors (stockholders), suppliers, consumers, etc. The programmes of CSR shall be widespread all over the stakeholders as Unions and workers representatives. For the Unions, CSR actions are restricted to the local communities where the company operates and Unions have never been included in any programme.

Concerning his workers, Unions argue that Unilever excuses the following: handling: dismissing sick workers, not submitting the CAT (Work Accident Notice) and exercising a lot pressure about the workers.

The CSR staff is composed of only four people and a consulting company. The internal communication tools are the corporate magazines and electronic bulletins, besides to a wall newspaper.

The Code of Business Principles calls for employees to report code violations confidentially.

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<sup>10</sup> Annex 1.

The company has three formal tools for this:

- An international 0800 line;
- The Speak with the President Programme (via e-mail or paper), through which an employee can confidentially report whatever he/she wants;
- The Information Control Programme in which employees are also guided in how to proceed in cases of suspicion of irregularity or, when he/she feels discriminated, against, or harassed.

According to Unionists, the image of CSR that the company presents externally is still different from the internal CSR at the business units. Nevertheless, they reinforce the promotion of the Code of Conduct, as well as the environmental and safety policies.

### Corporate Social Responsibility Projects

According to the company, the pillars of the Unilever Social Responsibility projects are sustainability and integration with communities.

The projects need to relate to the business, because it guarantees the financial sustainability of the operation and opens the possibility for integration to the community based on the principles of social change recognised by the company. Unilever's actions involve supportive initiatives in the fields of health, education, sports, the environment, art and culture, always giving emphasis for long-term social projects.

In addition, together with The Brazilian Association of Technical Norms (ABNT) the company works on the preparation of a proposed Brazil Social Responsibility Norm, to establish minimum guidelines for companies and organisations so that they can properly manage CSR's themes.

The company is undertaking 22 social projects:

**Table 6: Social Projects Undertaken by Unilever Brazil (2005)**

Area of activity	Brand Initiatives*	Corporate Initiatives**	Investment	
Education	2	5	R\$ 2.693.000	€998.300
Art and Culture		2	R\$ 810.000	€300.270
Sport	1		R\$ 6.000.000	€2.224.220
Health	2	1	R\$ 275.778	€102.232
Environment and environmental education	2	3	R\$ 1.290.000	€478.208
Community Involvement		4	R\$ 1.070.000	€396.653

Source: Relatório Sócioambiental, 2005.

\* Costs and marketing of individual Unilever brands, for example, Omo, Rexona.

\*\* Costs and marketing with the name of the Unilever Corporation.

Prepared by the Instituto Observatório Social, 2005.

The investments in social programmes and activities totalled R\$ 13,3 million in 2003. In 2004, total investments were R\$17,1 million. In projects alone investment was R\$12,1 million. The

rest, nearly R\$ 5 million, is aimed for donations, which recently have received fewer resources, given that the focus of Social Responsibility activity at Unilever is changing, with greater investments in projects related to the company's core business.

For each one of the projects, the problems to be resolved are identified. The projects have different weights considering the relationship with governments, the community, and the image of the organisation.

### **Social Inclusion**

There is a project in Unilever's HR area, in partnership with six NGOs, to include youths from low-income families in company staff. This project is designed to break with the reproduction of the profile of the Unilever employees, who because of the very high demands at the time of admission, wind up coming from groups favoured by better schooling.

One of the principal projects is the Unilever Experimental Farm, located in Goiânia, GO, where the objectives are to generate and spread technologies that contribute to the development of tomato cultivation; the rational use of agricultural inputs and natural resources; the environmental protection; and to improve regional social and economic conditions. The goals are to increase the quality and productivity of tomato production by Unilever suppliers, - given that the techniques developed at the farm are passed onto the producers who supply the company - and to expand the technical knowledge and benefits to the production chain in which it is inserted.

The tomato production chains in Goiás – where the company's largest food processing factory in Latin America is installed – is a concern of Unilever, given that the company is the largest buyer and processor of this product in Brazil.

The risk of child labour in the interior of Goiás, for tomato's production, was already reported to the Social Observatory in 2002, and denounced to DRT (Regional Labour Precinct) in Goiás. At that time, Unilever's corporate legal director said that the company would suspend a Supply Contract if there were a charge of employment of children in tomato harvesting. However it added that preventing the employment of children was not the responsibility of the company but of the Regional Labour Precinct, an organ of the Federal Labour Ministry with which the company has an agreement.

After this, in 2003, Unilever changed its position. It came to assume a deeper commitment to combat child labour. This began with the support for a home sampling study conducted by volunteers in the municipalities of Silvânia and Itaberaí, which are responsible for 40% of the tomatoes supplied to the company. The study sought to identify the causes that lead child labour. Besides contributing to family income, many children have no alternative but to accompany their parents. To maintain faithful to their code, the Brazilian Constitution, the Children and Adolescents Statute, and the International Standards, (ILO, OECD Guidelines, Global Compact) the company created the Project Protected Childhood, which focuses to strengthen the Municipal Councils for Children and Adolescents, with resources from tax incentives aimed for the Funds of Children and Adolescent in these specific objectives.

In Silvânia, a day care centre and school built, in the location of pick-up and drop-off farm workers, to guarantee the existence of a safe place where parents could leave their children. In the Itaberaí region, a rural school was installed to avoid the long travel for children. The children would spend their day at these two institutions, while the parents work; will receive

food and medical assistance, and participate in recreational activities.

In 2005, the project was expanded to the cities of Turvânia and Vianópolis, which together supply nearly 20% of the tomatoes consumed by Unilever at the Goiânia factory. The goal for 2006 is the expansion of this programme to two or four more municipalities, which have not been defined. According to Unilever, there is permanent monitoring of the two projects by the company.

In the two pioneer projects, it is already possible to measure some results, a 60% reduction in child labour in Silvânia and Itaberaí, above all children between 8 and 12 years old and among adolescents, between 13 and 15 years old found in the fields, the reduction was much lower. In Itaberaí and Silvânia there are still 46 adolescents working in the fields.

The federal government has a programme to transfer income to families of children and adolescents (7 to 15 years old) who are precociously involved in work known as PETI<sup>11</sup> (The Eradication of Child Labour Programme). To receive the government funds children must be enrolled in schools with an expanded school day (which include educational reinforcement activities, meals and sporting, artistic, and cultural activities). The grants for the families are a way to substitute the income generated by child labour. These resources are passed to the municipalities, so that management executes the actions needed for the eradication of child labour.

Nevertheless, a survey conducted by the company in Itaberaí and Silvânia, found that the activities of PETI do not meet the adolescents' needs, who leave work in the fields, often conditioned for having another professional activity with some perspective for future insertion in the labour market. Professional training courses are an alternative. Unilever plans to offer a computer course, in partnership with the municipality, and if necessary a monthly food package to encourage them to leave the fields.

Simultaneously, Unilever also undertakes the Rural Responsibility programme, the objective of it to promote the improvement of health and safety conditions of the rural workers at its suppliers. This includes the use of individual protection equipment (EPI), proper nutrition, hygiene, and transportation. The farmers and rural workers Unions of the cities involved also participate in the project.

Unilever understands that allowing improper working conditions along its production chain means it is an accomplice to these practices, which violate basic labour rights. The programme includes orientation for workers, which this year is the responsibility of five safety technicians contracted by the company.

These projects undertaken by Unilever, along the tomato production chain, represent a significant change for the past two years in the company's administration of social responsibility. Given that the company is not only assuming responsibilities relative to the problems of workers not legally linked to them, but also acting directly, with local governments and the community to find improved living conditions for the people.

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<sup>11</sup> <http://www.mds.gov.br/programmeas/programmeas04.asp>

## Working Relations

According to the table below, the average number of legal actions taken against Unilever in 2002 and 2003 was about 50 per year. According to the company, most of the suits are filed by former employees and are related to labour issues.

According to information from the company, there were no suits filed by the Union until 2005 when the Vinhedo Union filed for suit in court against the company to request the reintegration of 8 injured workers. These workers were laid-off in January 2005 along with 40 others, at the completion of the transfer of the toothpaste production line of Vinhedo, SP to the Ipojuca, PE factory.

The law imposes on the employer a legal requirement to notify the INSS (National Social Security Institute) of professional diseases and those caused by special labour conditions, whether they are proven or suspected (Code of Labour Laws, art. 169). This guarantees that a worker could only be layoff if he/she is in perfect health, with legal resources showed for cases contrary to this legal determination.

**Table 7: Legal Actions Against Unilever by Division**

Legal Actions	2002	2003
Unilever Alimentos	18	15
Kibon	01	03
Unilever Higiene e Limpeza	30	34

Source: Relatório Sócioambiental Unilever, 2004.

### Right To Unionisation

Brazil did not ratify ILO Convention 87. Although the Brazilian constitution guarantees the right to Unionisation, free from government interference, it also establishes the so-called Union “Unity” System. Under this system, a single Union receives from the government the power to represent a given professional category within a specific territorial area. This power of representation does not depend on a worker’s decision to join the Union and establishes a type of monopoly, given that can be no other Union in the same region representing workers in a single professional category. The overwhelming majority of Unions have a municipal base, although there are state-wide and national Unions.

However, Union’s “Unity” does not prevent situations in which various Unions operate at a single company or establishment, because they represent different professional categories. At a company in the metallurgical sector for example, the civil construction Union may represent building maintenance workers, and secretaries can have their own Union, as well as security personnel, and so on.

Although the Federal Constitution calls for a Union delegate (one for companies with more than 200 employees), this has not been regulated in Brazilian labour law. Thus, employees have no legal representation at a company level or at the workplace. The exceptions are the few Unions that signed collective agreements with a company that established the right to

form factory commissions or other internal representative organisms.

For Unilever, the company has some type of relationship with ninety-six worker Unions and conducts collective bargaining with thirteen workers Unions. The Union's Relations Manager, who is in turn, a subordinate of the Human Resources directory, has formal responsibility of negotiations at a national level. This negotiator has under his supervision the local Human Resources Managers of the 13 units from Unilever Brazil.

At each Unilever unit there are other Unions in addition to those presented in the table below, which represent workers from different categories, such as engineers, secretaries etc. These workers have autonomy to decide to associate to a Union and to one representing their specific professional category or that, representing the majority category at their workplace, or even to both. The Social Observatory Institute's Studies consider only the Union data from the majority categories of the productive units in question that is, the workers in the food or chemical industries. It is worth recalling that the Collective Labour Agreements or the Collective Conventions of these categories predominate over the others, or that is for final instance, their clauses have more weight.

**Table 8: Union Organisation by Unit at Unilever Brazil**

<b>Unit</b>	<b>Number of Workers</b>	<b>Unionised Workers</b>	<b>Rate of Unionisation at Unilever</b>	<b>Union</b>	<b>Union Centre</b>
Goiânia (GO)	2,702 (*)	Not available	Not available	Food Industries Workers Union	Força Sindical
Patos de Minas (MG)	292 (*)	Not available	Not available	Food Industries Workers Union	
Pouso Alegre (MG)	821 (*)	Not available	Not available	Food Industries Workers Union	
Mogi Guaçu (SP)	53	36	67,9%	Food and Related Industries Works Union in Mogi Mirim and Region	CUT
Valinhos (SP)	385	Not available	Not available	Food Industries Workers Union of Campinas and Region	Força Sindical
Garanhuns (PE)	134	57	42,5%		CUT
Igarassú (PE)	156	74	47,4%	Workers Union in the Industry of Industrial Chemical Products for preparation of Vegetable Oils and Animal Oils, Soap and Candles of PE	CUT
Ipojuca (PE)	310	20	6%	Pharmaceutical Industries Worker's Union in Pernambuco State (Sintrafarma)	CGT
Valinhos (SP)	542	Not available	Not available	Cleaning Products Industry Workers Union of Valinhos	Independent

Indaiatuba (SP)	560	Not available	Not available	Cleaning Products Industry Workers Union of São Paulo	Independent
Vinhedo (SP)	525	358	68,1%	Unified Chemical Workers Union of Vinhedo, Campinas and Osasco	CUT
São Paulo (SP)	573	70	12,2%	Union of Employees in Industrial Food Companies of São Paulo and Region	Força Sindical
Recife (PE)	478			Workers Union in the Cacao, Candy, Sweets and Canned Foods of PE	CGT

Source: Interviews with Unionists/interview with Unilever Union Relations Manager.  
Prepared by the Instituto Observatório Social, 2005.

Many of these Unions, from the seven Unions<sup>12</sup>, created a National Union Committee in 2002, from the initiative of Contac and CUT, to improve negotiations with Unilever at a national level. Although from the beginning the company has refused to recognise the committee, two company directors did participate in two meetings with the Union directors where themes of general interest to both parties were discussed. The company only participated in the meetings after affirming that there would be no collective bargaining, about any issue, with the Unions present.

For directors the main purpose of the committee is, to seek company's institutional recognition to start later the opening dialogue of important issues affecting the factories. Above all, issues involving corporate policies such as social responsibility, company's behaviour relative to OECD's guidelines, the always sensitive question of "productive restructuring", and/or, issues not directly concerned to corporate policies, that are or could be object of discussion for different Unions; such as health and safety.

In the Company Monitor Project meetings, in June 2003 in The Netherlands (with the participation of workers from Unilever Brazil), Unilever's corporate management took a promising position relative to this issue, agreeing to put pressure on Brazilian Management to start a dialogue with the National Union Committee, about important and general themes concerning the country's units. Unilever clarifies that even that The Netherlands' Corporate Management agreed to put pressure on Brazilian Management, it will not have any result because to open a dialogue with a National Union Committee without a legal representative in Brazil, would be illegal. To comply with the Code of Business Principles respecting the law in Brazil, is enough. The Union says this is not illegal, as there are different multinationals in Brazil that have bargained a network, with Unions from Bayer, Basf, Novartis and Akzo Nobel, as an example. Any initiatives improving the relationship with the workers, their conditions at work and yield, do not have an illegal character. The Brazilian legislation restrains barely the exclusion of rights already assured and not its enlargement. Nevertheless, until today there have been no advances in this process. The company never again agreed to meet with the committee, questioning its representation and supporting its argument that Brazilian legislation does not call for this type of worker organisation. In addition, the

<sup>12</sup> Representatives of Unilever in Garanhuns and Igarassú – PE, Patos de Minas and Pouso Alegre - MG, Mogi-Guaçu, Valinhos and Vinhedo – SP.

company alleges that the committee is not representative because only a minority of Unions participates. In addition, company representatives affirm that there are committee participants that are unaffiliated to the Unions, or are not part of the directory of the Unions involved.

From the Union perspective, the Committee is both a tactical and strategic challenge. In principal, the committee presents to both parties, a discussion forum to deal with issues of interest, which in some way seeks to substitute the Unions in the negotiating process with the company. Besides the fact that the company denies the possibility of the committee substituting the Unions, the Union directors themselves would have even a greater difficulty for doing it. That is because the Committee implies a negotiation of their respective responsibilities and attributions as Union leaders, given that Brazilian legislation only recognises local or regional Union representation. Nevertheless, nothing impedes that collective bargaining is conducted on a national level, while the parties agree to do so.

From the company's perspective, a national negotiating process, with representation from local Unions brings more risks than benefits. If the Unions resolve their local political differences, the negotiations could lead to a mechanism for harmonisation of remuneration (salaries and profit sharing) benefits and rights. This would place in risk the comparative advantages obtained by the company from the regional disparities in terms of income, benefits, right and the very representation of the Union. Therefore, it is these regional differences reducing the local Unions' ability to influence and pressure the company. Thus, the company prefers to stick to the current legislation that establishes a monopoly of local or regional representation, thus maintaining the disparities from plant to plant and reproducing local differences.

Since its founding, the committee has shifted in composition. Unions that were members are no longer, and since the first semester of 2005, the Committee is constituted by only four entities representing the units of Mogi Guaçu and Vinhedo in São Paulo, and Garanhuns and Igarassú in Pernambuco. In sum, the representative's strength of the Committee decreased from 2003 to 2005 and according to Unilever together represents only 5% of Unilever Brazil's employees.

According to the Unionists present at the Seminar of the Union Planning Committee of Unilever Brazil (26 - 27 April, 2005), simply respecting national legislation is not sufficient to guarantee good working conditions, even more so in regard to multinationals, large companies that earn billions of dollars. As was mentioned, Brazilian labour legislation limits Union action to the local-regional level. Companies to maintain the regional inequality that provides them with competitive gains (lower salaries and benefits in poorer regions) use this limitation. For this reason, the seminar showed the importance of demanding those companies that follow international guidelines, seeking to broaden workers rights throughout the world, for these to be incorporated in the corporate policies on a local level.

The main task identified during the seminar was to revive the dialogue with the company, broadening its composition, bringing to the group more Unions at Unilever and establishing contacts in South America with Unions and the International Confederations of the categories involved – food and chemical workers.

**Table 9: Unionisation of Unilever Workers (National)**

	2001	2002	2003	2004
National average of the Unionised labour force	11.8%	12.3%	15.2%	8.5%
Number of employees with leaves to conduct Union activities	4	4	7	6
Number of employees with active Union mandate at the company	39	27	40	46

Source: Relatório Sócio-Ambiental Unilever, 2004

The number of active Union directors at Unilever grew from 2002 - 2004, but the average national rate of unionisation of Unilever workers dropped sharply from 2003 to 2004, to half of the previous level. Only 8.5% of the Unilever workforce is unionised, the lowest rate since 2001. This participation shows more than simple cases of disaffiliation and difficulty in mobilising Unions. The deep productive restructuring process, which the company is undergoing since 2000 quickly, changed the base of the principal categories employed in the company. In little more than three years, Unilever closed three productive units (Vespasiano, Itatiba and São Paulo), transferred production lines and is progressively decreasing the number of employees at the main plants. In Vinhedo, when IOS conducted the study in 2003, there were nearly 700 employees at the factory; there are now less than 600. In Goiânia, the former Arisco factory had nearly 6,000 workers; there are now less than 3,000. Technology is the main factor reducing the workforce.

We can point to other reasons for this phenomenon – the transfer of production and workers to factories where unionisation is very low. In this way, the company knows that it will not have any type of resistance or difficulty. This occurred, for example at Ipojuca, where the factory has only six unionised workers. The company shows that the decision to close factories, transfer lines, and introduce technology does not consider the influence of workers and Unions. There are other more important variables, according to Unilever, that explain the changes occurring and that are linked to competitiveness of products.

Meanwhile, according to some Unions, the company's behaviour shows a supposed anti-Union attitude by Unilever. For example, for Vinhedo, there was an intention for transferring a subcontracted production line within the factory, which would mean that these workers would be represented by the Union from another category, since the major Union only represents workers in the personal products sector. For Unilever, the new production line installed at Vinhedo's plant produces softeners, so the workers belong to the cleaning products category, and according to the Brazilian law, these workers have to be represented by this Union. IOS presents the situation according to the interest of CUT and Vinhedo Union. The Unions' fears to what is behind this technical decision, is the aim to weak Vinhedo's Union. The decisions of the company in transferring the line of output to Vineyard can be a form to avoid the advancement of the unionism; this, because of Brazilian legislation, where in a same unit of output, different lines of production exist, therefore different professional categories. The representative Union is that, whose output is bigger. In Vinhedo, therefore, prevails the representation of the Union of health and personal care. Since the relationship between the company and the Union's workers (in the category of cleaning) is very close, the alignment of interests can occur based on Vinhedo's with the one of Valinhos, terminating the political fight in the unit of output. Even though the company maintains that this decision did not intend to harm the local Union, the Union directors in Vinhedo understand the company's behaviour on this matter. They maintain that this type of decision can lead to demobilisation of the category,

since it opens gaps for two Unions within a single factory to represent workers with similar functions – in the same operational area - which can follow different Collective Agreements and thus have different benefits and salaries.

It is worth mentioning that the average unionisation at Unilever is nationally well, below the unionisation level at units that participated with the study (table 7) or that is, those that are part of the Unilever Committee. Unions have the active presence at these units and Union demands have considerable support among the categories represented. They also have the best negotiations between Union and company, which is a very positive factor for workers. The rate of Unionisation at Unilever has always been below the national average for the manufacturing industry, which in 2001 was 21.4%<sup>13</sup>.

According to the data presented, in the year 2003 from every 329 employees, one Union Director represented the workers (employees with a Union Mandate). This proportion is below to the one called in the Federal Constitution, where one Union delegate is for every 200 workers, - were it to be regulated. It is much lower than that included in the Union Reform bill being debated in congress (PEC nº 369/05), which proposes four Union delegates for companies with 301 to 500 workers.

When asked to provide data about the rate of unionisation by unit, the company only provided the number of units represented by Unions that compose the national Committee. The company always shows a lower rate of unionisation than the Unions at times with considerable differences. For Garanhuns, for example, the rate of unionisation according to the Union, is 42% while according to the company is 24%. In Vinhedo the Union says is 68% and the company says is 52%. In Igarassú the Union maintains it is 47% and the company maintains it is 34%. In Mogi Guaçu the Union states it is 67% and company states that it is 60%. Unilever informs that this difference exists because all the employees affiliated to the Union shall communicate to the company, to authorise the discount of Union fees monthly from their pay, but unfortunately, it does not happen. Many of them prefer to pay the contribution directly to their Union. The Unions do not know of any other company in Brazil permitting the monthly payment to the Union straight in the headquarters. All the payments are on sheet records.

In the Unilever Code of Principles, the company explicitly maintains its respect for the freedom of employees to associate and its respect for national legislation concerning labour rights. Nevertheless, company behaviour is not always in agreement with these principles. Although it has not been a general policy of the company in Brazil, there was a clear violation of this principle at the Vinhedo unit.

In 2005, at the unit an internal notice was post, titled “Exclusion of Union associates” in which Unilever offered workers a toll free telephone number to call and request exclusion of discounts of Union fees from their pay<sup>14</sup>. Besides representing an anti-Union posture (because the initiative comes from the company), this attitude also violates national legislation and the agreements signed by Brazil in international agreements such as those with ILO and OECD. It also violates the agreement Unilever itself made with the United Nations, to the degree that the company is a signatory of the Global Compact since 2000.

The Union was in contact with Unilever’s National Union Relations Management who ordered to remove immediately the poster, as initiative was taken without been acknowledged. This

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<sup>13</sup> Source: Pnad/IBGE.

<sup>14</sup> In Annex.

was understood as extremely harmful to its activity and not as an isolated fact in the difficult history of dialogue between the company and the Union in this unit. The workers representative filed a more decisive complaint with outside bodies.

The anti-Union attitude was denounced before the Social Labour Commission of Mercosur in May 2005, by CUT and by the Vinhedo Union. This Commission is a tripartite organisation – the only one in all Mercosur (including government, workers Unions and company Unions) that is formed by representatives from Argentina, Brazil, Paraguay and Uruguay. An agreement decided in the meeting, to hold another meeting between the parties involved and establish a dialogue.

According Unilever, in January 2005, the company implemented a new service for their employees regarding Human Resources procedures called HRT. This new model made available a toll free telephone number for them to request own questions and issues in regards to personnel administration. This kind of service is done by a specialised third company (IBM) and by high technology systems under the orientation and co-ordination of Unilever.

This way, the control of vacations, inclusion and/or exclusion of dependants, issue of documents, reimbursement of medical and oral assistance expenses, recruitment of employees, training programme registrations and authorisation of discount in payroll (including other discounts and much more), are done directly by the employee.

In the mentioned case, as an example from the anti-Union posture from Unilever; the Director from Unified Chemical Union from Regional Vinhedo called Pedro Possidônio to the HRT toll free telephone number requesting to proceed to disaffiliate from the Union, and the conversation recorded by the Union, did not show any inadequate posture from the server.

The representation against Unilever said that: *“in March the company made available a toll-free telephone number in order for the employees to call and to request to be removed from the Union”*. Again, the Union distorted the true.

As mentioned before, this system was built in January 2005; it did not have, and yet does not have, any interest and link to the Union requests. The fact is that because of employees' request to learn to disaffiliate from the Union, and about the consequent suspension discount of the mensal Union fee in the payroll, the employee, by own initiative and good faith, (but in dissonance with company's orientation) decided to make an internal notice which was posted to orient employees to ease the job. This rapport was out on the same day as another one reiterating Unilever's position in relation to employees' freedom to affiliate to the Union, according to the Code of Principles. This rapport sent to the Union who, according to the company, agreed with its terms.

The Union alleges that among other competencies, the department of Human Resources of the company - through the line 0800 - was informed to allow the worker to leave the Union, without paying such fee anymore. Second, according to the law, if the worker wants not to be part of the Union anymore, he must submit a letter to be disaffiliated from the Union. The Union therefore determined that the company violated the law. Several workers affirmed that pressures from the company have motivated disaffiliation. The workers were in an uncomfortable situation because they feared to lose their jobs. The company alleges that was a mistake. For the Union, it barely fulfilled those orders. All of them were instructed concerning

the procedure of disaffiliation. As consequence, had a decrease in number of workers affiliated. After denunciation, the company backtracked in this procedure.

The Social Observatory Studies detected wide variations in company behaviour relative to different workers Unions at the different factories. This is because each factory has a local representative in the Human Resources area. Although the local manager follows company corporate policies, the negotiating process with the Union responds to local variables and, or the relations that have been established in the direct relationship between the parties. For example, for access by Union directors to the workplace, the relationship between the Union and the company varies according to unit. When there is greater dialogue between the parties, the position of the company is more open, and allows unlimited access to the workplace. At other units, where the relationship is more of conflict, access requires a previous request to the Human Resources department.

In 2003, at the time of the workers exchange between Germany, Brazil and The Netherlands, a delegation formed by workers from Unilever Brazil and from The Netherlands, besides representatives of CUT, FNV and the Social Observatory Institute, were barred from visiting the unit at Valinhos (SP), despite a previously signed agreement with the company. The reason given was that there were Union directors from other Unions not representing the Valinho's workers, the presence of which could cause a problem between the company and the Union in that base.

Unilever informs that the delegations coming from Germany, and The Netherlands were invited by Unilever Brazil to visit Valinhos plant, and they refused the visit because the local Union – in foods category - did not agree with the presence of the Directors' Union of Vinhedo. For the Union this decision makes no sense, the Union took the decision, not the company. Union's representatives therefore questioned if the Union in Valinho was so strong for Unilever (Germany and The Netherlands), to obey such decision. Concluding, it was hard to believe.

Besides, to the Union each of the Unilever establishments has a minimum of two representation forums. One is legally instituted according to NR5 (a Regulatory Norm in Labour Health and Safety) and deals with issues related to labour and environmental safety (the Internal Accident Prevention Commissions). The company named half of the members and other half are elected by workers, formed by employee commissions - by factory or office, to deal with issues related to maintenance of work environment. These are called GTMAs (Working Groups for Improvement of the Environment). These working groups do not have negotiating power and are not very representative, functioning more as an internal discussion group in the units.

### *Right to Collective Bargaining*

National labour law is the principal instrument regulating labour relations and conditions in Brazil. Collective bargaining was effectively revived in the late 1970's, and is thus relatively recent and very limited, complementing what is 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, places workers at a 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 be determined. It is more frequent that this measure be used when the negotiation leads to an impasse, when there is a conflict (strike) or 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.

There are two forms of negotiation in Unilever, direct and by inter-Union. In the first one, Unilever negotiates directly with Unions at the food division units. At the health care units it is more common to negotiate through the Union's representative of the companies in the sector. Normally, after inter-Union negotiations, the Unions try to improve the collective work agreements factory by factory, as for Vinhedo. The company stresses that even after agreeing with terms of negotiation and determined them; the Vinhedo's Union disrespects the agreement and maintains manifestations. Unions, on the other hand, emphasise that all trade Unions of same sector usually bargain with the employers' trade Union called FIESP (in São Paulo state). These collective negotiations will assure minimum standards in wages and benefits for the small companies, but that is not the case for a bigger consumer manufacturer of goods in the world. It is logical that the Union pressures the big companies of the branch, such as Unilever, to leave the minimum as arranged in the FIESP by all companies, and in a side agreement, get more from powerful companies such as Unilever.

A comparative analysis between the collective conventions<sup>15</sup> of six Unions negotiating with Unilever in São Paulo, (Food workers of São Paulo, Chemical workers of Vinhedo, Food workers of Mogi-Guaçú), and Pernambuco (Chemical workers of Pernambuco, Sweets of Pernambuco and Food workers of Garanhuns), showed a great disparity, relative to salaries and benefits, guaranteed in specific agreement clauses, for different work categories (chemical and food).

Fifteen clauses were selected for analysis<sup>16</sup>, in an attempt to encompass themes dealt within this study (work shift, leave for Union director, etc.).

For example, of the six conventions analysed, only those that represent the workers at the Kibon units in São Paulo, Vinhedo and Igarassú guaranteed illness assistance as a complement to the benefit paid by social security. The length of time in which this complementary payment is made varied among the units. In Vinhedo it is paid up to the 330th day of sick leave, while in Igarassú only to the 100th day. It is worth noting that the Convention followed by the Vinhedo's Union, distinguishes between illness, work accident and professional illness. This is advancement in matters of health and safety, for it recognises the existence of illnesses that may be caused by activities undertaken at work in distinction from common illnesses and labour accidents, among included are, falls, cuts, amputations, etc. This distinction contributes to the debate about worker's health related also to workplace conditions, if there are diseases that can be avoided if there were improvements in these conditions. Clauses in the other agreements or conventions concerning health and safety require companies to supply individual protective equipment when necessary, and medical and emergency care.

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<sup>15</sup> In Annex.

<sup>16</sup> The salary differences will be analysed in the Salary section.

In the past five years there were only two strikes at Unilever's Brazil units, both at the Vinhedo factory – one for 8 hours in 2004 and the other for 24 hours in 2005. Both motivated by the announcement in October 2003 of the layoff of 150 workers, due to the transfer of the toothpaste line to Ipojuca (PE). Among the 150 workers, that the company initially announced that would be laid off, only a small portion was fired. Nearly 100 workers were reallocated, internally or to other units and others left the company under the Voluntary Dismissal Plan (PDV) that guaranteed better benefits – including financial ones, than those guaranteed by law.

### Protection to Unionists

Brazilian law protects the employment of Union directors, from the moment in which they register to dispute a position on the Union board, to one year after the termination of their mandate. Nevertheless, it is not common for companies to fire Union directors<sup>17</sup>, who must turn to the labour court to be reinstated to their job and receive their salary. This could take quite some time and the process can run through various appeals in the courts. Companies that layoff Union leaders, are thus temporarily free of “inconvenience” of having unionists among their employees. For some companies it is worthy to be free of this nuisance in the short term, and later accept the costs of rehiring the Union director.

Concerning the conditions for undertaking Union work, especially the time available and the material resources, these depend principally on the Union's own capacity, or what it is able to establish in negotiations with the companies or company entities.

While the Union representative informs the company and he is an employee who knows the safety policies established for the workplaces, Unilever provides conditions for the activity of Unionists. Union directors who are not employees are not permitted to enter a factory without previous authorisation<sup>18</sup>.

The responses from the Union directors interviewed, differ according to the unit represented. In Garanhuns (PE), the unionists do not find difficulties in acting, but must communicate in advance to be able to gain access to the unit. In addition, to place information on the bulletin board they must submit it first to the management. The meetings with workers take place at the gate, outside the factory.

In Igarassú (PE), Union flyers can only be distributed outside the factory. A bulletin board is available to the Union, which does not need to give its brochures first to the management to post them. The factory also provides rooms where a Union can hold meetings, but the entity prefers to conduct them outside the workplace, so workers are not exposed and feel more comfortable to take decisions, “away from the eyes” of the company representatives who occasionally can infiltrate assemblies.

At the Vinhedo unit however, the Union could not place brochures on the bulletin board inside the factory; Unilever denied this and attached photographs of the Directors' Union of Vinhedo, who are not Unilever's employees, inside the factory – *annex 1*.

The Union states in that specific case, that these photographs were taken by Unilever to be used with this purpose. Last year, a big campaign of unionisation happened in all companies

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<sup>17</sup> No case of a firing of a Unionist was reported at Unilever.

<sup>18</sup> Company response to the questionnaire sent by the IOS.

where the Union represents workers of same category. Unilever permitted the entrance of trade Union leaders not working in the company to help in unionisation. It happened once in the past, it is not usual. The company took photographs of trade Unions to use afterwards, as they still do. However, the reality is different. The Union has no space inside the company to put notices and other things of interest. Such photograph was for the company's use against the Union for further prove of this kind.

The company denies this, indicating that it permitted release of information inside the factory about the unionisation process last year. In the Collective Convention for the category, clause 69 guarantees this right, but there is room for a company to veto a posting. *"Publications, notices, convocations and other materials to keep employees up-to-date with Union issues of interest, will be mandatory posted on a bulletin board situated at an easy spot to gain access, as long as agreed by the Union and company's administration"*.

For the Kibon factory in Curado – metropolitan region of Recife (PE) – there are no Union directors who are company's employees, therefore Union's activity is none, making access to the plant difficult, and mainly for information concerning the unit and its workers<sup>19</sup>. Unilever requests to find attached, the letter from the respective Union – *annex 2* –. The letter received from the Ice Cream Union of Pernambuco (PE) explains the good relationship between Unilever and the local union organisation. Obeying all local legislation and ILT (International Labour Organisation), explaining that Unilever is always open to receive union representatives inside their premises. Trade Unions confirm all information in the report.

### *Right to Information about Issues Strategic to the Company*

In Brazil, Unions must take their own measures to gain access to information about a company, beyond that provided to the public in general. The law is not helpful in this sense, because only a small number of companies, those with open capital whose shares are traded on the stock exchange, publish annual financial reports. Normally, the companies and company entities in a given sector refuse to supply data and information. Even in cases more serious, such as a plant closure a company is not required to communicate in advance to the Unions and workers. The law only determines the dismissals to be announced 30 days in advance.

Some large companies are accustomed to providing information about important facts, although they do it according to their own interests. It may be information about company results or about the business unit in which the workers are involved, which can be related to negotiations for profit sharing. Other information is supplied to Unions, in an informal manner and do not accompany any supporting documents. A recent trend is the publication of social reports, but this practice is limited to a few cases and the company does not necessarily direct the information of the social report to its internal public or subcontractors.

It can be said that Unilever regularly discusses with the Unions in general some aspects of its activities, such as labour safety and health, labour organisation and others. The processes referring to restructuring, which have an impact on the life of employees and the community, are previously communicated<sup>20</sup>. The Unions are informed of the changes, but do not participate in decision making. Many times the company does not provide internal communications to workers and Unions before passing news to the media, as occurred in the transfer of the toothpaste line at Vinhedo to Ipojuca, and the closure of Kibon in São Paulo.

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<sup>19</sup> Interview with the president of the Candy Industries Workers Union of Pernambuco.

<sup>20</sup> Interview with the Union Relations manager of Unilever Brazil.

Unilever argues that in all restructuring process, workers and respective unions were the first ones informed 12 months in advance, and had the opportunity to attend the negotiations. - *Annex 3* -The three letters attached in the report are from the Chemical Union of Vespasiano (MG), Factory Foods Union of São Paulo (SP) and Ice Cream Union of São Paulo (SP).

Summarising those letters, the explains the good relationship those Union have with Unilever, because of the respect shown toward the Union's organisation, as well as their compliance with local legislation and ILT.

The trade Unions inform that reality is very different although, that is true that Unilever, since Vespasiano closure in 2003, is informing stakeholders a year before. In such case, the Union found out that the announcement of the dismissals would be performed on the company's side, by the local press. Only after that, the company communicated to the Union its decision, injuring very much the OECD guidelines. With such dismissals, Unilever disregarded also the Collective Convention of the chemical workers.

The company does not publish an accounting statement in Brazil. This information is presented with worldwide data and the global region added the numbers. Here, the performance of Unilever Brazil is inserted in the Latin American numbers. The income data presented in this report is based on numbers found in the media.

In negotiations between the corporate Union and workers' Unions, information about financial statements, are not provided. Each month, income is reported through the company's newspaper or, placed on a bulletin board, relative to the attempt and reach the profit sharing goals at each unit. Some data are provided to the Union regarding the company's financial performance at the time of contract renegotiations, but only verbally, as it is not given to the workers representatives<sup>21</sup>. The reason alleged is that most of the information is confidential, since Unilever Brazil is not a publicly traded company.

Overall, the companies with shares, traded in the stock exchange have more obligations to publish financial information, but companies that do not have open capital are not prevented from doing it so. Therefore, the problem is not that the company is not publicly traded, but that management does not want to supply information to the Union.

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<sup>21</sup> Ibid.

## **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 as a trainee and at the age of 18, youth could accept taxing, dangerous, or unhealthy jobs. The company shall allocate 15% of the positions that require technical training to adolescents who are registered in a professional training programme organised by an officially recognised institution. The ILO conventions concerning the issue were ratified by Brazil.

In its Code of Business Principles Unilever commits itself to not use child labour. At the company, youths of 18 are employed only in internship programmes. Nevertheless, the company organises an extensive production chain in the processing of foods that requires them to transfer responsibilities to suppliers. One of the most sensitive cases for the company is the production and the processing of tomatoes used in sauces and condiments of the brands controlled by Unilever. Here Unilever operates a large network of suppliers of tomatoes with production in 14 municipalities in Goiás State, the majority around Goiânia.

The company does not directly control tomato production. It purchases tomatoes from producers employing workers for planting and mainly for harvesting, exactly where the risk of child and forced labour and of precarious conditions of employment is greater. As was previously presented, the company seeks to respond to the context that involves tomato production in Goiás. First, it signed an agreement with the Regional Labour Precinct (DRT-MT), the agency that inspects tomato production conditions. In addition, it executes the Protected Childhood project in four municipalities in the tomato production region to combat the use of child labour in the fields.

### **Forced Labour**

Forced labour or labour similar to slavery is a crime in Brazil, which has ratified the ILO conventions about the issue.

Unilever's Code of Business Principles commits the company to not use any form of compulsory labour. There were never any cases reported in Brazil of forced labour at the company.

Nevertheless, in the tomato production regions in Goiás, there are proofs of existence of forced labour in rural areas as presented in the media on 20 September 2005. Nearly 170 people were found in a situation considered contemporary slavery at a farm that produces tomatoes for fresh consumption (not for industry), in the municipality of Pirenópolis; among them were 15 children. The situation of contemporary slavery characterised by the limitation of liberty, is a degrading labour condition, and illegal indebtedness. The workers found did not receive salaries and all their expenses – including meals – were recorded in promissory notes. At the time of checking the bills after the final service, discounting the promissory notes, there was unlikely to be any salary to receive. In addition, the workers' accommodations were canvas shacks without basic hygiene. Protective and working equipment, which according to law must be supplied free, but were charged.

A mobile inspection freed the workers group from the Ministry of Labour and Employment

(MTE). Nearly 15 “cats” (labour contractors, working for the farmer) kept order on the property. The workers were from Maranhão, Piauí, Bahia and Goiás State. Normally, the “cats” record the workers’ debts in notebooks. These debts, realised and increased fraudulently, keep the workers on the farm. By force of weapons or as a question of honour, the workers wind up not abandoning the service, even when months pass without any money been paid<sup>22</sup>.

### Discrimination

The Brazilian Constitution prohibits any discrimination based on sex, race or colour, age, religious creed, political ideas and the legislation considers discriminatory practices to be crimes. The country ratified the two principal ILO Conventions on this subject and incorporated to the legislation prohibitions related to payment of distinct salaries and other working conditions.

According to Unilever’s Code of Business Principles, Unilever is committed to diversity in a working environment, where mutual trust and respect exists, and where everyone is responsible for the performance and reputation of the company. Unilever will recruit, employ, and promote employees, on the sole basis of qualifications and skills needed at the work to be performed.

For the company, diversity is not a theme addressed through programmes and actions with well-defined goals, but through strategies of inclusion for low-income youth and people with disabilities. The company is also seeking to increase the number of women in management positions. The single goal established is, for the hiring of people with disabilities, the goal of which is to reach 240 in 2005. In the last semester 180 people with disabilities were hired. The Garanhuns unit, according to Unionists, has no workers with disabilities. In Vinhedo, the bulletin board has an announcement for the contracting of people with disabilities, but there are none employed. Concerning the issue of gender, unionists show that there are no programmes providing incentives to women to occupy more work posts and management positions. As was mentioned above, the company maintains that it encourages the inclusion of women, but no specific plans have been mentioned. Unilever intends to increase the number of women by only making a change in the corporate culture without taking any concrete action in this direction. The fundamental question is that there are no criteria for placing women. Equal opportunity policies, not only for gender but also for race, do not exist at the company because there is no internal discussion about the issue. Thus, the result is the random employment of women, who are concentrated principally in administrative areas.

At the Igarassú unit there are no women in the production sector. At the Garanhuns unit nearly 15% of all the workers are women. From 2004-2005, at the Vinhedo unit, the percentage of women employed was close to that at Garanhuns: 16%. At the other Unilever units, although there is no specific data, the percentage of women workers is low.

The table below shows that nationally, the proportion of women in management positions is higher than the percentage of women among all workers in the years presented. This can be related to the nature of the job, since there is often a strong resistance, at times by the part of themselves, for admitting women into production activities, especially to functions considered more physically demanding. Not only because a concern to the well-being of workers, but concern to the presence of women in production cells, as it could be a detriment to achieving

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<sup>22</sup> Source: 20 Sept. 2002 – article by Leonardo Sakamoto in Repórter Brasil / OIT Brazil.

production goals established by the company.

### Chart 3: Distribution of Women by Position

	2001	2002	2003	2004
% of women in relation to the total number of employees	20.7	21.9	22.0	24.1
% of women in management positions in relation to total number of management positions	31.9	34.4	36.1	37.4
% of women in directory positions in relation to the total number of positions in the directory	5.8	7.7	3.4	8.3

Source: Relatório Sócio-Ambiental Unilever, 2004.

The data also demonstrate the percentage of women in management positions in the period presented, relative to the total number of women workers. However according to the Unions participating in the study, at the units represented, there are no women in management. They are allocated in the management positions in the financial or administrative areas. For the Igarassú unit, all the 20 women employed are in these positions. Meanwhile, at the Garanhuns unit there are no women or black people in management positions. Therefore, there is an inconsistency between, data provided by the company, the company's business principles and, the reality of the factory units, especially, those where Union directors participate in the Unilever committee.

It can be inferred, that the reality is very similar at the other company units but the IOS has no information about them concerning discriminatory practices.

The demand for equal opportunities exists at some Collective Conventions, in the categories of Unilever workers, as in the case of the Convention of Chemical Workers of Vinhedo. This has the following text: *“In identical functions, all work of equal value, provided to the same employer at the same location, will have a corresponding equal salary, without distinction by sex, nationality, colour, race, age or marital status. Work of equal value is that which is done with equal productivity and with the same technical perfection, among people whose difference of time of service is not superior to two years in the same function. “The Convention of Chemical Workers at Pernambuco, which represents the workers at the Unilever unit in Igarassú, also reserves space for this theme, strengthened by the citation of an international norm: “The companies agree to assure equality of conditions and opportunity to their employees independent of colour, race, sex, age and sexual orientation, following the recommendations of ILO Convention 111.”*

In 2004, the Food and Related Industries Workers Union of Mogi Mirim and region, which represents the Unilever workers in Mogi Guaçu, presented an agenda of special demands for the promotion of equality, based on the recommendation of ILO Convention 111. This calls for the adoption of *“educational programmes and administrative measures destined to guarantee equal opportunity and treatment of access, permanence and occupational mobility of their employees (...)”* without any type of discrimination. At the same time, the Union also presented a demand for prevention and combat of sexual harassment. These demands were not incorporated into the Convention in that year.

The Unions did not identify any indication of sexual harassment. The Unilever Code of

Business Principles tries to guide the behaviour of employees. The company maintains that it has communication channels between bosses and their employees to prevent any occurrence.

Brazilian legislation determines that companies with more than 30 workers must guarantee day care for children from six months of age. Only the Collective Agreements for Food Workers in São Paulo and the Chemical Workers in Vinhedo call for this right, guaranteeing the possible substitution of day care at the workplace with a reimbursement for worker's costs for this purpose.

The Unilever manager, although it recognises that the presence of women on staff is lower than the presence of women in the labour market, and certainly lower than the presence of men at the company (see section on Social Responsibility), does not establish any plan or goal to broaden the occupation of work posts by women.

The question of colour and race still appears to be taboo at Unilever, when company leaders are asked about the issue. The company representatives with whom IOS had contact did not recognise the importance of the racial issue. They act as if a simple approach to this issue results in discrimination. In this aspect, Unilever has behaviour similar to most multinational companies that operate in Brazil, that is, the company expresses a total and absolute lack of knowledge about practices, programmes, and actions adopted in other countries that can reduce social inequality and promote minorities in the company hierarchy.

According to the Brazilian Census Institute (IBGE), the correct way to characterise the colour and race of a person is through an individual's personal definition. This means that it is the individual's perspective that defines colour or race and not the recognition of another individual (or the company). Equality of opportunities for groups that historically have been socially treated as marginal, as is the notorious case of black people in Brazil, requires, as shown by the experience of other countries, a pro-active position by companies, if not, the tendency is for the exclusionary system to be continued.

The distribution by colour or race according to the categories established by IBGE, was published in Unilever's Social Environmental Report 2004. We do not know how the data was collected since the data is not organised by factory. The provision of information about the colour of employees of a company is part of the fulfilment of RAIS, a mandatory document that the companies must deliver to the federal government (Ministry of Labour).

**Table 10: Distribution of Workers by Colour/Race**

<b>Colour</b>	<b>2003</b>	<b>2004</b>
Of European descent	60.9%	62.69%
Of African descent	26.8%	2.03%
Of mixed descent	9.7%	10.96%
Of Asian descent	1.8%	0.65%
Indigenous	0.5%	0.05%
Not informed	--	23.63%

Source: Relatório Sócio-Ambiental Unilever, 2004 and 2005.

The combined population of black and brown people among Unilever workers in 2003 was 37% (table 9). While in 2004 this percentage dropped to 13%, representing a very sharp drop in a short period.

This drop results from the even greater decrease in the *black's people* category alone, which fell from 26.8% to only 2%. We can see in the table above, in the Social Environmental Report of 2005, that the category “not informed” was included in the collection of information about colour, contrary to the indications of RAIS and IBGE. Since it is not statistically possible for such a sharp change in indicators to take place, evidently the company erred in its racial classification of some of its employees.

The employers in Brazil, with data about their workers' profile, shall deliver a RAIS. The official indications for data collection about colour do not offer the alternative “other types” or “not informed.” This demonstrates that the collection of the data did not take place correctly at Unilever. The high percentage in the category of “non-informed” and the sharp drop in those declared “black,” show that there was a “migration” of people previously declared as black, to “not informed”.

The IOS did not have access to the collection methodology of the data at Unilever. A very likely hypothesis is that the company used a method common in many multinational companies, although an irregular one, which is that of letting the administrative area fill in the data for workers, including that for colour, using of photos, which conflicts with the indication of the Brazilian census agency to have self-declaration. Probably, this occurred in 2004, and beginning in 2005, the company began to adopt self-declaration. Thus, black workers, out of fear for social discrimination who are accustomed to suffering, or of fear for a negative consequence of employment, prefer not to indicate their colour, resulting in the high percentage of 23% in the category not informed, only 2% of colour “black”, exactly 24% less than the percentage presented in 2004. It is worth noting, that when campaigns are conducted about the issue, there is an increase in the number of people who identify themselves as *black*.

### Salaries

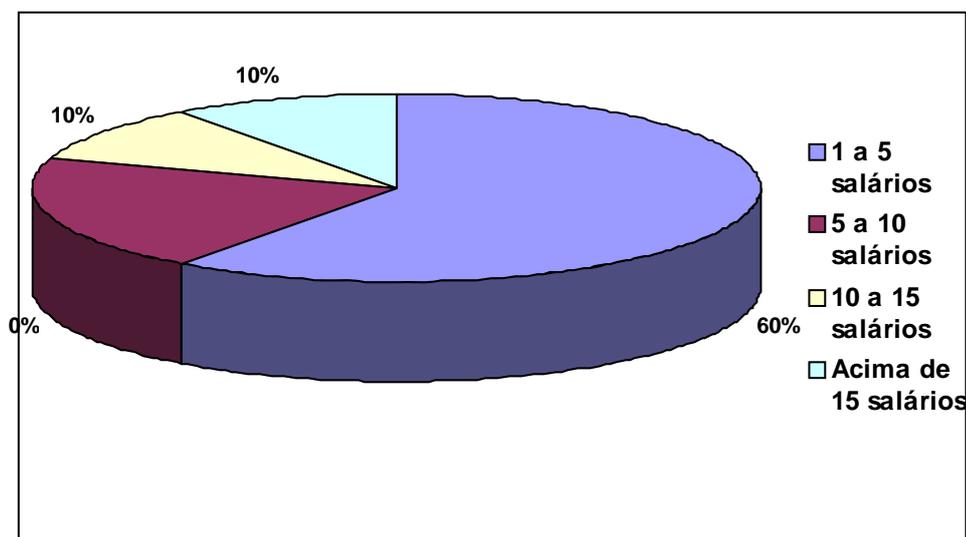
Since 1<sup>st</sup> of May 2005, the law calls for a unified national monthly minimum wage of R\$300,00 (€10,02) and a possibility for higher minimum wages by state. Salaries cannot be nominally lower, except when a Union agrees with it and signs a specific agreement. However, only 50% of workers have labour relations protected by legislation. The other half participate in the informal market and do not benefit from rights defined in the legislation, and receive salaries lower than the minimum. The salary norms internal to companies are rarely negotiated with the Union.

Unilever has a job and salary plan for all levels of the organisation, including the factory floor (operational workers), which is of general knowledge to workers. The criterion used to define the remuneration is based on the weight of responsibility inherent to the position and the employee's performance. The remuneration policy includes a variable portion based on defined goals and results achieved. In addition, Unilever annually conducts a salary study of the local labour market.

The salaries paid at the units of Igarassú, located in Greater Recife, and Ipojuca, located in Suape, are equal. In Igarassú there is a Job and Salary Plan with a description of abilities, for which the Union made a request for re-evaluation, when it found that there were workers exercising functions not suitable to their position and receiving salaries lower than the workers who exercised these tasks at other units. There was a salary restructuring of these workers, who had their functions recognised by the company.

The lowest salary paid by Unilever is R\$343,00. (€125,79). The average nominal salary paid by the company is R\$ 1.500,00. (€550,12). The company provided the salary distribution below<sup>23</sup>:

**Graph 2: Salary Ranges - Unilever 2005**



Source: data supplied by the company, 2005.  
Prepared by the Instituto Observatório Social, 2005.

According to the data above, more than half of Unilever's workers receive between R\$ 300,00 (€10,02) and R\$ 1.500,00. (€550,12) At the productive units, no worker receives only the minimum wage; most receive above the base for their category. At the São Paulo units, the average salary is higher than in the units in other states. The chart below show a reference with the salaries bases, of some categories represented by Unions operating at Unilever.

**Table 11: Salary Levels By Categories At Unilever 2004/2005**

Categories / Units Represented	Salary Levels (R\$)	Salary Levels (€)
Food Industry Workers of São Paulo / Kibon - SP	550,00	201,00
Chemical Industry Workers of Vinhedo / Vinhedo - SP	562,25	206,00
Chemical Industry Workers of Pernambuco / Igarassú - PE	336,00	123,00
Candy Industry Workers of Pernambuco / Kibon - PE	310,50	113,00
Food Industry Workers of Garanhuns / Garanhuns - PE	416,00	152

Source: Collective Conventions 2004/2005 for the various categories.  
Prepared by the Instituto Observatório Social, 2005.

Considering the salary levels for the categories, we find that the average in Pernambuco is R\$ 360,00 and in São Paulo is R\$ 560,00, or a difference of 35%. As a reference for the cost of living in São Paulo and Pernambuco we chose the price of the basic food basket in the capital cities of these states. According to a survey by DIEESE (The InterUnion Department of Social Economic Statistics and Studies) in São Paulo the average cost in August 2005 was R\$ 175,12,

<sup>23</sup> Considering a monthly minimum wage of R\$ 300,00.

while in Recife, PE it was R\$ 134,26. Thus, we can gather that the difference in the cost of living between the two regions is on average 24%. Nevertheless, the difference between the salary levels is greater or 35%.

**Table 12: Average Salary at the Units**

Units	AVERAGE SALARY (R\$)	Average Salary (€)
Mogi Mirim (SP)	944,00	
Vinhedo (SP)	1.600,00	586,80
Garanhuns (PE)	613,00	224,82
Igarassú (PE)	400,00	

Source of information supplied by the Unions.

Prepared by the Instituto Observatório Social, 2005.

There are even sharper differences in the average salaries at the units, according to data obtained from the Unions. The average salary at Vinhedo is the highest; it is considered one of the top salaries in the region, compared to salaries paid by other large companies. The inequality between the Unilever units in São Paulo and Pernambuco is more profound, considering the two Paulista factories, it have an average salary of R\$ 1.272,00 and the Pernambuco factories the average is R\$ 506,50. The difference between the average salaries in the Unilever units in the two regions is more than 100%, which the differences justified no hypothesis in the cost of living in the regions in the table above considered.

Unilever justifies the salary differences precisely on the regional inequalities, based on periodic studies realised by the company itself, of salaries in the local labour markets. Even though the salaries in the Northeast are lower than those of São Paulo, Unilever's attitude only contributes to deepen the inequality in living conditions among workers.

Above all when a sharp difference as that found - more than 100% between of the salaries of the regions studied - this becomes an important factor in a company strategy to transfer production lines, or even entire units to Pernambuco; as example the concentration of production at Ipojuca – in the port of Suape, adding to that the fiscal incentives, and the facility to export.

### Shift Work

In Brazil, the maximum work-hours per shift are 44 per week, guaranteeing one day-off, paid per week. For workers on uninterrupted shifts, the maximum daily shift is 6 hours, totalling 36 hours per week. Here, collective agreements can change the number of daily hours. In addition, some professional categories have a legal right for a work shift lower than 44 hours, due to taxing and working conditions. There are many agreements defining shifts lower than 44 hours, most of which set 40 hours per week.

The extra hours can be conducted in a maximum of 10 hours per week and 2 hours per day and only in cases of imperious need. Compensation for these overtime hours, which must be made in the same workweek, was made flexible allowing it to be made in a period of one year, as long as this is stated in the Collective Labour Agreement. This is called the “hour bank” system in various companies and categories.

In at least two Unilever units - Vinhedo (SP) and Igarassú (PE) - the Unions do not negotiate the “hour bank” system<sup>24</sup>, despite pressure from the company. At these units, the overtime hours worked on normal days are paid with an increased hourly rate of 70% and 60% and of 110 - 100% on days off, Sundays and holidays, respectively at the two units. The scheme for compensation of hours at the other units functions annually, or that is, the hours worked not compensated in 12 months shall be paid as overtime hours, and thus are more expensive. Most units organise production in three shifts, of eight hours each.

On average, the workers put in an about 4 overtime hours per month. The goal of the company is to reduce the percentage of overtime hours relative to the total hours worked. At the factories, overtime is conducted for emergency equipment repair and for training. According to the information supplied by the company, at the administrative offices overtime is usually used for activities related to close the monthly accounting and preparation of employee pay.

At Igarassú overtime hours are planned, a Chief must make the request registered on a formula, without this, there is no proof, and therefore no hours are paid. There is a very rigid control of overtime, since this is a component of loss control, the lower the amount of overtime pay, the lower the cost per worker. In addition, the Union that represents this unit conducted a campaign for the reduction of overtime hours in exchange for new working contracts. Thanks to this campaign, 37 workers were hired to meet production needs. Since then, there are now two days off after the sixth day of work.

In Vinhedo, co-ordinators of each production line request overtime hours, and pass a list among workers to see who is available and would like to work. As in Garanhuns, the overtime hours are recorded in the hour bank system and shall not exceed the limit of two hours per day and a maximum of 56 hours per week, if of need.

### *Bonus/Profit Sharing*

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

At the Unilever factories, since 1994 the PPR Commissions (Participation in Results Programme) have had a pre-established structure with a composition and form of action under the criteria of local management. To establish participation in results three goals are considered.

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<sup>24</sup> Type of flexibilization of the work shift that allows overtime hours from one day to be compensated by a corresponding decrease on another day, as long as the quantity of hours worked in one day does not exceed 10 hours.

**Chart 4: Programme for Participation in Results at Unilever Brazil**

Level	Scope	Number of indicators	Relative Weight
I	Business Unit/ Category	1	30%
II	Department / Factory	1 or 2	30%
III	Area	1, 2 or 3	40%

Source: data supplied by the company.

The company defines one or more goals for the entire company in the country, as well as for those in each unit. On this basis, the commissions at the units defined goals for the production areas. There is no negotiation of goals (or type of goal) nationally or by unit. The amount of the annual payment is also not negotiated, and is defined by the following scale:

**Table 13: Scale for Reaching Goals – Unilever Brazil**

Concept	Range	Payment (% of monthly salary)
Exceeded	Above 110%	120
Completely reached	95 - 110%	100
Partially reached	80 - 95%	80
Not reached	Below 80%	Zero

Source: data supplied by the company.

The PPR commissions are only supplied information, object of discussion for the establishment of goals, for example, cost reduction. This commission shall suggest other goals only for level three. The indicators for establishment of goals can be production volume, costs, product quality, safety, etc. Besides the commission, all workers have the access to data regarding goals.

For Garanhuns, the PPR is discussed directly with the Union. In 2004, the factory did not establish goals; everyone received 120% of salary because of the level of productivity.

The situation was very different at the Goiânia unit, according to information supplied by the company (chart below) the maximum goals were set to be used and establish the result<sup>25</sup>:

**Table 14: Model for the Calculation of the PPR 2004 –Goiânia Unit –Tomato Products**

Level	Calculation Base (%)	Goal	Weight by goal	Not reached	Partially reached	Exceeded	Grade	Payment
<b>Division</b>	30%	X1	30%	0	24%	36%	R	30%
<b>Department</b>	30%	X2	15%	0	12%	18%	E	18%
		X3	15%	0	12%	18%	R	15%
<b>Local (*)</b>	40%	X4	15%	0	12%	18%	R	15%
		X5	15%	0	12%	18%	P	12%
		X6	10%	0	8%	12%	E	12%
<b>Total</b>	100%			0	80%	120%		102%

Legend: E = Exceeded / R= Reached / P= Partially reached / N = Not reached

(\*) None of the indicators could have a weight lower than 10%

Source: Unilever Goiânia

<sup>25</sup> Despite supplying the base of calculation for the PPR at the Goiânia unit 2004, the company did not shows the goals considered.

As the name of the programme shows, a schema for sharing profits means setting a proportion of profits at the company aside to distribute among employees. Here, the quantity of payment is variable and directly dependent on the financial conditions of the company. The programme built by Unilever, however, is of a better nature as a bonus payment. Nevertheless, Brazilian law establishes that the choice of procedures to be adopted for such payment must be “defined by the parties in common agreement.” Thus, the option to create the participation in results programme, and not profit sharing, conceptually limits the level of information needed for this negotiation and the results defined are always linked to variables independent of the profit generated by company activities.

### Health And Safety

The occupational health and safety norms applicable in Brazil are established by various Ministry of Labour’s regulations that encompass a wide range of working conditions. Specifically concerning the participation of workers in the prevention of occupational accidents and diseases, the legislation established the Internal Accident Prevention Commission (CIPA), which must be created in factories depending on type of activity and size. The employees elect half of the members of the CIPAs with the other half indicated by the employer, including the President of the CIPA, who has the tie-breaking vote.

In Unilever’s Code of Business Principles, the following point is found related to this theme: *“We are committed to safe and healthy working conditions for all employees.”*

One of the main problems in the health field indicated by the unionists is the difficulty in recognition by the part of Unilever of the casual relationship in cases of RSI between the work conducted and the illness developed. In the report of the previous study, RSI was already indicated as the principal disease acquired by Unilever workers, followed by illnesses related to the intense work pace.

There is a large controversy about the relationship between illness and work, principally concerning repetitive strain injuries, which in 1997, under the Norm for the Evaluation of Incapacity of the National Social Security Institute, was called: work related osteo-muscular disturbances (DORT). Note that a diagnosis – even if RSI is recognised in Brazil as labour illness – commonly confirms the existence of the injury, but does not admit that the injury is associated to work and often, denies the relationship. Company’s doctors blame the worker for getting ill, misrepresented the problem, and disassociate symptoms, such as pain from any work activity.

The manual activities realised by workers generally located at the ends of the production line, are those mainly responsible for RSI/DORT. The use of technology in this part of production, which has been taking place with the modernisation of Unilever factories in Brazil, might lead to a decrease in the incidence of this ailment. Nevertheless, another factor to cause health problems, indicated by the workers in the 2002 study, was the intense work pace established by the speed of the machines. If this situation continues, the risk of development of diseases continues, and can increase.

A look at the data from 2001 and 2003 reveals a dramatic drop of more than 60% of grave accidents (with absence). Nevertheless, from 2003 to 2004 was a troubling increase in number of accidents leading to absences. The accidents with absence tripled and those without absences more than doubled, without justification in the company’s report. Problems raised by

the previous study, mentioned in the paragraph above perhaps gives some clues to the possible causes. Another hypothesis is the greater rigour in notifications of the accidents occurred, in the past were also complaints of failure to issue accident reports in certain cases.

Based on the numbers shown (added data) it is not possible to distinguish between the absences caused by accidents and those caused by work illness, making it difficult to further analyse the issue.

**Table 15: Labour Accidents– Unilever Brazil (2001-2005)**

<b>Health and Safety at Work</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Average annual work accidents by worker	0.071	0.062	0.054	0.15
Total accidents with absence	113	27	39	119
Total accidents without absence	999*	819	687	1.793

\*derived from the purchase of Bestfoods

Source: Relatório Sócio-Ambiental Unilever, 2004 e 2005.

One of the reasons for number decrease in work accidents may be the increase investment in workers' training programmes. For Unilever one of the goals in a training policy is to provide educational opportunities to all employees suitable to their needs and those of the business. The company believes that continuous education is key element to achieve results in the business:

- Total training hours in 2004: 218,730;
- Employees trained: 8,318 (total workers, including temporary workers);
- Average training hours: 26.3 per employee.

The data below shows a dramatic drop in the quantity of hours trained per employee from 2003 to 2004. The company alleges that this drop reflects a priority given to training for changes in Human Resources and finance management that is not considered professional development training.

The increase of percentage layoffs because of the restructuring is related to changes in the Human Resources Management, and the deactivation of the Itatiba factory.

The company Union Relations Manager said in an interview that more than 80% layoffs occurred within administrative staff, according to the strategy showed by Unilever One Plan, which seeks to merge different divisions in the company. The consequence is, the concentration of positions with equivalent functions in different divisions into one, decreasing work posts in the administrative and management area.

**Table 16: Professional Development and Employability**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
Quantity of hours of professional development by employee, per year	36	57.4	17
Quantity of training hours for production employee, per year	34	58	17
Quantity of training hours for administrative employee, per year	34	54	19
Quantity of training hours for management employee, per year	75	46.5	18
Quantity of training hours for employee in the directory, per year	18	10.13	0.66
% of employees laid off because of restructuring	2.5	3.8	36

Source: Relatório Sócio-Ambiental Unilever 2005.

At the Igarassú unit, requests for training are made by area and all workers participate, including subcontractors. At the Garanhuns unit, the subcontracted workers do not participate in training. At the Vinhedo unit there is training for the implantation of new production systems or, when technology arrives. The training can be for all employees or, for the specific lines that will work with the new equipment tools. Training for personal improvement is not offered. Safety discussions take place at least once a month, and environmental discussions are less frequent.

## Reorganisation, Relocation, Flexibility and Job Security

According to the company, restructuring at Unilever is a permanent, continuous, and irreversible process. From 2000 to 2004, this process was associated to a strategic plan called the “Path to Growth.” The principal objective was the elimination of more than 1,000 brands in the portfolio of products in the world. The elimination of the brands means the termination of production lines, the transfer and sale of businesses, the licensing of brands to other companies, the closure of productive plants, etc. These changes have impacts on the world of labour, on the relationships established by the company with different actors and, project the type of involvement and relationship that the company expects to constitute with other stakeholders or partners in the development of business.

With the global acquisition of Bestfoods in 2000, companies and brands were incorporated in Brazil’s companies, that have an important share in Brazilian and global markets including Refinações de Milho Brazil, Maizena, Mazola (corn oil) and Hellmann’s (mayonnaise), in addition to Knorr (bouillon) and the Arisco brand portfolio of products. On the same line with Unilever global and with the two large areas of operation – food and beauty and style - Gessy Lever in 2001, assumed the international corporate identity and Unilever Brazil was born. The global reorganisation also led to the implementation of the ice cream division, which remained the responsibility of Kibon.

The acquisition of Bestfoods allowed Unilever to focus its business on high-income global brands and give up smaller brands. This broke up the Brazilian market into different sectors. In addition, some factories that were acquired with Bestfoods, produced similar products to those of Unilever and, could have their productive capacity expanded to allow the multinational to concentrate production in a reduced number of factories. Unilever realised this strategy and cut 10% of employees since 2002 (data included in Employability section).

Principal changes in the Unilever brands in Brazil were the sales of Mazola Oil and the distribution of Gallo Oil to Cargill, the sale of Lin Tea to Yoki, and the canned vegetables of the brands Jurema and Jussara, to Brasfrigo in September 2004. In addition, Unilever sold the peanut-butter brand Amendocrem and licensed the Cica brand (fruit spreads, jellies and canned fruit) to the Fugini company, investing R\$ 5 million (€1,833 million) in the expansion of the production line, and adapted the packaging and marketing to prepare a re-release of such products. This company is based in the municipality of Monte Alto, in the interior of São Paulo state and has nearly 400 workers, exporting to 12 countries.

In 2002, the Dove products factory was inaugurated - the third global factory for this line, the others are in the United States and Germany - as well as the Export Platform for Latin America in Valinhos (SP), with a capacity to produce 12 thousand tons per year. The factory in Valinhos (SP) exports 3,000 tons per year to Latin America. The fact that it has competitive costs and scales, according to the company, determined the choice of the country, (Source, Folha de São Paulo 17 October, 2004).

In 2003, the distribution of the company on Brazil’s map altered with the transfer of operations from the Vespasiano unit (MG) to Indaiatuba (SP), with the consequent layoff of nearly 300 workers. In 2005, the Indaiatuba unit also received the operations from Itatiba, which manufactured the powdered detergent Bijú. According to the company, 40 workers who did not want a transfer were laid off. Before this, the factory had already closed its unit in Rio Verde to concentrate the tomato processing operations at the Goiânia factory, with the loss of

nearly 300 work posts. In 2005, there were also layoffs in Goiânia (GO), due to the sale of Jurema and Jussara canned vegetable to the Brasfrigo Company and, nearly 150 workers in Vinhedo due to the transfer of the toothpaste production line, to Ipojuca (PE).

In contrast to the layoffs, the company realised contracting at the Indaiatuba (SP), Igarassú (PE), Ipojuca (PE), and Goiânia (GO) units. The various restructures from investment in technology, releases to, and removal of products from the market occurred in a dynamic manner in Unilever.

The Ipojuca (PE) factory began its operations in June 2004, officially inaugurated on 10 June 2005. This factory concentrates the entire production of Close Up toothpaste, at the Industrial Port Complex of Suape. The R\$ 60 million, (€22,00 million) investment - of which about half was from fiscal incentives approved in the Pernambuco Development Programme (Prodepe) - generated 120 jobs between 2004 and 2005, in addition to the transfer of workers from other beauty and hygiene units from Unilever itself. The Curado factory (Recife Metropolitan Region) closed and all the personal in hygiene production and workers were transfer to Suape in a separate unit. According to press publications, the toothpaste production at the unit intends to supply the domestic market and 15 Latin American countries.

As seen previously in the analysis of employability, there was a decrease of nearly 10% of total workers in Unilever in Brazil from 2002 to 2005 (from 13,797 to 12,494 workers). The reorganisation of production activities at Unilever certainly reduced the quantity of work posts. The percentage of workers lay off, as the result of the restructuring process, was 2.4% and 2.5% respectively in the years 2001 and 2002. In 2003, this percentage rose to 3.8% corresponding to about 404 layoffs in same year, most from the transfer of operations at Vespasiano (MG) to Indaiatuba (SP), communicated a year in advance.

**Chart 5: Workers Affected by the Principal Changes in the Production Area at Unilever Brazil – 2002/2005**

Units closed or production lines transferred	Number of workers laid off
Rio Verde	300
Vespasiano	300
Itatiba	40
Goiânia (jarred vegetable line)	--
Vinhedo (toothpaste line)	150

Source: news media, information from Unions and interviews with company representatives.

In Unilever’s document “Responsible Restructuring”<sup>26</sup>, result of a discussion between company’s Human Resources Directors in Europe and the European Commission of Workers, the company maintained that it has a policy of restructuring with responsibility, which often contributes directly to the well-being of the workers. That is, that Unilever affirms this could be a beneficial process, even for company’s employees. The document maintained that the company organisation in Europe (based on Business Groups in partnership with the European

<sup>26</sup> “Reestruturação Responsável-Europe Committee” (November 2001) [Responsible Restructuring] is an official Unilever document, written in Portuguese from Portugal. According to the Human Resources directory in Brazil, this document was used in the negotiation between Unilever in Europe and the European Company Committee (regional). The company in Brazil maintained that it had the document in English, but could not send a copy to IOS because it is not a public document. Affirming also that this document guided all the closing of factories and transfers of production lines since the Vespasiano factory was terminated (interview with the HR director on October 3, 2005). The document is corporate and provides the guidelines for company behaviour throughout the world.

Workers Commission of Unilever) could better react to the market's changes and this way, safeguard the workers' interests. Although the responsibility for action is local, the headquarters can make recommendations and offer examples for better practices based on other experiences.

In conclusion, the company understands that the process of change is practically inherent to Unilever's business – relative to serve the consumer in the production of its goods. Therefore, the company maintains that the productive restructuring taking place is socially responsible, as it is needed to guarantee a growth in business and assure the base of new jobs that will supposedly be generated.

The Unilever restructuring process follows “corporate values” defined in documents such as the Code of Business Principles. The procedure implies previous warning to the Unions and workers representative firms (according to the legislation, culture and local circumstances). According to the company, the dialogue could help to minimise the social effects of the layoffs. The employees must know and understand the reason of the changes taking place and that their problems are considered; this stated in company's document.

In 2001 (date of document) Unilever understood that the announcement of the restructuring could be made with roughly advance warning. In the case that the warning is made shortly before the restructuring, the company goal is to avoid production risks and prolonged uncertainty. When the warning is made far in advance, there is more time to determine with the workers' representatives, and for measures and actions implementations, which allows to avoid production risks.

The “Responsible Restructuring Program” shows that the company prioritises to search for new vacancies for the laid off employees, so they do not feel abandoned. The first alternative then is to find another job within Unilever itself; for this it is necessary for the employee to be mobile and have skills to fit into another unit, probably in another region (state and municipality). In addition, it is necessary that the company guarantee to inform in a continuous manner, all the employees about available jobs. The possibility to visit other units is also a practice cited on the company's document.

In Brazil, the company maintains that in all restructuring cases that could cause an impact on workers, the company and respective Unions, government authorities and community, were informed in advance by an average of 12 months.

Nevertheless, the Chemical Workers Union of Vinhedo understands that the changes caused by the restructuring shall be communicated in advance to workers' representatives, which does not always occurs, and negotiate, according the OECD Guidelines for Multinational Companies (Chap. IV Employment and Company Relations, 06).<sup>27</sup>

The Union understands that restructuring is necessary for the sustenance of the company in the market, but it shall be conducted with responsibility, by complying with the Collective

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<sup>27</sup> “Supply to the workers representatives and, when appropriate to responsible government authorities, with proper advance warning, all the information that concern the foreseeable introduction of alterations in company activity, which can significantly affect the way of life of workers, in particular, if closing of units that imply collective layoffs; cooperate with these representatives and with the authorities, to mitigate as much as possible the adverse affects of the measures; depending on the specific circumstances of each case and to the degree possible to supply this information even before taking a final decision; other means can be employed to offer constructive cooperation to substantially attenuate the effects of these decisions”.

Agreement and international norms, which for Vinhedo did not take place, as interpreted by the Union, and instances of the worker's representation. In October 2003, the layoff of 150 workers was announced, due to the transfer of a toothpaste line from the local factory, to a unit in Ipojuca, Pernambuco. The decision for the transfer was taken without previous consultation from the Chemical Workers Union of Vinhedo, workers learned of the closure details, from local newspapers. Unilever states that the workers were the first ones informed about this decision and only after this, the rest of the people were involved. However, the trade Union insists to have been informed by the local press and, after the decision was publicly reported, management threatened to shift the entire factory, if the Union did not cancel its activities.<sup>28</sup>

Therefore, the Single Workers Centre (CUT), the Unified Chemical Workers Union (Vinhedo Region) and the National Confederation of Chemical Workers (CNQ) denounced Unilever to the National Contact Point (PCN<sup>29</sup>) for violating the OECD Guidelines for Multinational Companies. The Vinhedo Union has a reputation of difficult dialogue with Unilever, reason to decide and take the problem of firings over, to OECD (which has not led to a solution yet). Unilever has presented a document to PCN clarifying the facts and the subject closed, but according to the trade Unions, this process is unfair. The Brazilian government, as the PCN representative, must have called both parts to declare, as PCN was the only one called, in such case.

The company alleges that the change to Ipojuca was motivated by the new site's facilities for logistics and transportation besides being an export centre at the Port of Suape, although the Union doubted, maintaining that:

- Most production at the unit is for the Brazilian market, given that a small portion of its production is exported;
- Vinhedo is located close to ports and large urban centres;
- The salaries paid by Unilever in Pernambuco are lower than those at Vinhedo's.<sup>30</sup>

The permanent search for lowered costs may be one of the reasons for the transfer and discontinuity of production lines and factories, in wealthier regions of Brazil's Southeast to poorer regions, with lower costs in the Northeast. Unilever made use of this practice with the transfer of the toothpaste production line from Vinhedo (SP) to Ipojuca (PE) in 2004, and with the announced closure of ice cream units in São Paulo (SP), moved to Jaboatão (PE) and Valinhos (SP) in 2005.

In March 2005, after completing the transfer and voluntary layoffs of some workers, Unilever announced 48 layoffs made by unilateral decision, breaking an agreement established between the company and the Union in April 2004, where any layoffs were stated. Mentioning also a possibility to install new machines and to reduce work shifts, besides reallocating workers in the labour market. The agreement also states, not to work against the restructuring process. Of the 48 lay off employees, most were injured or close to the retirement age, according to the Union (not invited to participate in the negotiation). However, Unilever informed that from the 150 employees affected by such decision (production line transference), only 34 were not relocated until May 2005, and the information of injured or about to retire workers was not true.

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<sup>28</sup> TUAC – Internal analysis of handling of cases denounced to the Contact Points (2001-2005).

<sup>29</sup> The National Contact Point (NCP) was created by the Treasury Ministry in 2002 to promote and implement the OECD guidelines.

<sup>30</sup> See chapter on salaries.

The Union, however, reiterates that the agreement cited by the IOS existed and, on 28 January 2005 the company dismissed 48 staff members, disregarding the agreement signed in the Collective Convention. Of those workers dismissed, about 20 presented some kind of illness related to work. Barely nine workers joined the Union and resolved to enter in demand against the company (already in course). One worker is almost the retirement age and, another one would have returned from a vacation period.

Because of this, the Union called for an assembly with all the dismissed and then decided not to formalise the ratification in function of the form, as the dismissals were performed. The ratification was delayed three months for will be deeds and, therefore other ways to revert this situation were tried. This carried out a meeting at the DRT of Jundiaí, directed by a medical expertise to analyse the cases of the workers injured. Suspiciously, sub-delegated (Representative of the Ministry of Labour) went on vacations and none in the Regional Labour Office (DRT) knew, or gave any information. The Union then was forced to do the ratification and therefore, the maximum term of 90 days (giving entrance in the unemployment compensation).

Because of the layoffs, production paralysed at the unit. Unilever then reached an agreement with the Union, in which it agreed to review the layoffs and have a medical team evaluate the issue of injured workers. The bureaucratic procedures would be expedited for the people about to retire. There would be a benefit package for those who were not under these conditions. The Union resolved to disapprove the layoffs, as the company did not comply with the criteria for adjusted collective layoffs in the Collective Convention for the category and in the political agreement between the company and the Union.

According to the unionists at this unit, Unilever formed a medical team, which not only conducted a clinical evaluation, but also political counselling about the situation of the company and its relationship with workers and Unions. In sum, there was no compliance with the agreement, because a doctor trusted by both parties, was not hire. The Vinhedo Union filed suit requesting to hire again the injured workers.

Unilever defended the layoffs arguing that whenever possible, it sought voluntary layoffs. When this was not possible, the company said it utilised criteria related to performance and professional qualification. This information does not coincide with the cases reported by the Vinhedo Union. Anyone in a layoff basis received (in addition to the legally required compensation<sup>31</sup>), complementary assistance defined by a specific support programme for each situation, adapting to the specific needs of each employee. In general, these programmes offer an additional financial indemnification, an extension of medical and life insurance plans, training activities and professional preparation, orientation and legal and administrative support to the opening of business support, and professional assistance for reallocation in the labour market. In some cases, these conditions were established together with the workers Union.

Another consequence of the restructuring showed by the interviewed unionists was a deep modernisation of the company's productive structure, with the implemented machinery in various lines, above all, at the Vinhedo factory.

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<sup>31</sup> The principal mandatory payments established by law in cases of layoffs are: previous warning, FGTS – Guarantee Fund for Time of Service, a fine of 40% of the FGTS.

Unilever reported that it does not use the practice of subcontracting<sup>32</sup>. Subcontracted work is used in services not focused on the company operations, such as food service, cleaning and gardening. Some services in the Human Resources area are also outsourced. Unilever informed once more, that the company has outsourced this service, as they mentioned on the HRT Project. Trade Union agreed and recognised that Unilever is outsourcing other areas such as the project “Vitalidade,” where the target is to increase outsourcing from 15% to 25% up, in 2009. The service to resolve questions is now directed to an outsourced toll-free 800 number, which does not have a link to consult direction or management. There was no information from the company about possible layoffs caused by the shift in this service. Workers comment over its slow operation and unresolved problems presented, leaving the workers with the impression that the attendants received orientation over company’s operation, but are unfamiliar with the multinational routines. The contracted companies define the salaries and benefits of the subcontracted workers.

The company adopts temporary contracts whenever necessary, as permitted by labour law, due to the seasonal nature of production. The same is true in administrative areas – due to substitution in case of maternity leave or similar situations. Salary conditions, benefits and others are always maintained.

The Garanhuns unit has no temporary contracts. In Igarassú, temporary contracts are used in periods of high demand production. Many of the temporary workers were contracted permanently in the last contracting, and even when the company did not absorb all the temporary workers, they have priority when there are expansion projects because they are familiar with work at the factory. The Vinhedo factory used temporary contracting in the period of machinery implanting, but at the end of such process, two work posts were reduce from the line. The temporary workers knew they would be lay off.

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<sup>32</sup> Response of the company to the questionnaire sent by IOS.

## Conditions in the Production Chain

There are about 15 thousand hectares of land occupied by tomato crops in Brazil. The principal producing region is located in Goiás. There are two types of tomatoes, those sold to consumers and those for food processing industries.

Unilever entered the tomato chain in Goiás in 1999, when it transferred its processing unit from Jundiá (SP) Cica, to Rio Verde (GO), installing capacity of 250 thousand tons per year. In mid 2001, the English - Dutch multinational purchased the U.S. based: Bestfoods. With this purchase, Unilever in addition to control Van der Bergh Group (owner of the Cica brand, and who accounted for 40% of Brazil's tomato market at that time) took control of Arisco, a company sold the previous year to Bestfoods' group and, whose participation in the market was around 20%. (Gazeta Mercantil, 14 June 2001).

With the acquisition of Bestfoods, Unilever transferred its factory from Rio Verde to Goiânia, and concentrated all production in this municipality. The productive activities at Rio Verde then ended and Unilever maintains the physical structure with some equipment waiting for a buyer.

Unilever's tomato processing in Brazil consumes 500 thousand tons of product per year, with the Goiania unit alone consuming 330 thousand tons. This is the largest Unilever factory in all Latin America - in terms of production and the number of workers, - with some 2,700 employees. It is not by chance that this was the location chosen by the company to implant its second global centre for tomato research. Installed in the city's rural region, the experimental farm will receive investments of R\$ 2,5 million (€916 mil) through February 2006. The farm has 42 hectares, 32 of them to cultivate industrial tomatoes, supplying about 2% of the total consumed by the Goiânia unit. Unilever has a similar unit in Stockton, California (U.S.), the world's largest tomato producing region<sup>33</sup>.

Unilever has 51 tomato suppliers in Goiás and another 29 in Minas Gerais - for the Patos de Minas unit, totalling 80 producers, less than half the number of suppliers of 2003, when there were 150. In Goiás, the Unilever producers can be found in 14 municipalities, with Itaberaí alone concentrating just over 30% of the tomato production for the Goiânia unit.

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<sup>33</sup> Information obtained from the presentation of the agricultural operations manager of Unilever during a trip to Goiânia in July 2005. In addition to this source, the information in this chapter was obtained with other presentations and interviews from company representatives, and also in the interview with Unilever's largest tomato supplier in Itaberaí.

**Table 17: Tomato Production for Unilever**

<b>Municipalities</b>	<b>Area planted</b>	<b>Percentage of supply</b>
Itaberai	1,287.1	31.1
Santa Izabel	75.1	1.8
Palmeiras	247	6.0
Turvânia	443.5	10.7
Silvania	127	3.1
Vianópolis	391.5	9.5
Pontalina	198.1	4.8
Piracanjuba	177	4.3
Morrinhos	544.8	13.2
Vicentinópolis	237	5.7
Indiara	411.2	9.9
<b>Total</b>	<b>4139.3</b>	<b>100.0</b>

Source: Data supplied by the company, 2005.

The cut in suppliers focused on the selection of producers most suitable to the profile desired by the company to not only guarantee the quality of the tomato processed, but also to have better control of the complex process.

The contracts for tomato producers with Unilever last a year and have a series of requirements, such as:

- Exclusive supply;
- Pre-determined fixed price;
- Inputs supplied by Unilever also with pre-determined fixed prices;
- Supply of technical assistance and training by the company;
- Compliance with Brazilian labour legislation;
- Guaranteed purchase of 100% of production (even when production is greater than expected);
- Unilever decision making over the entire process (planting, variety, collection);
- Maximum period of classification of tomato - two hours;
- Premiums or discounts according to quality (an average of 8% premium).

The tomato producers adhere to the contracts with Unilever for the opportunity to have access to technology and for the guarantee of pre-fixed prices. The technical assistance is effectively offered to producers by nine technicians in Goiás and six in Patos de Minas, each of whom helps an average of 5 to 10 producers, through recommendations and monitoring of activities. All aspects involved in production such as the date of planting, soil preparation, spraying, harvest, and transport, are defined and accompanied, by agriculture technicians reducing producers' autonomy concerning choices to conduct the production.

The possibilities for improved labour relations and working conditions shall also be consider a responsibility of a company. Especially since Unilever's code of conduct shows that, its partners shall follow business principles consistent with those of the company.

The multinational works towards this goal, through programmes aimed to eradicate child labour and improvement of safety for rural workers employed at the farms (which produce tomatoes). Process already presented in the report. These programmes specifically address the

issues considered critical by the 2002 Social Observatory report about the food division.

Tomato production by Unilever in Goiás state occurs according the calendar below, established according to the rainy seasons:

**Chart 6: Tomato Planting Schedule for Unilever in Goiás**

AGRICULTURAL ACTIVITIES												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Contracting												
Production of plants *												
Harvest												
Technical Assistance												

\* Plants produced in four greenhouses.

Source: Company data, 2005.

Prepared by the Observatório Social, 2005.

Most of the properties have a very small number of permanent workers as staff. According to the farmer interviewed, the initial phase of the tomato production cycle does not require many workers and the staff at the farm are able to handle it. Nevertheless, in the harvest is of need to contract temporary workers. The duration of work is defined by the number of days needed for the harvest, and the shift varies from 8 to 12 hours a day. Brazilian law and ILO Conventions prohibit a work shift longer than 10 hours. Nevertheless, in this phase of the study it was not possible to have access to the workers or Unions to confirm this information. What we can affirm is that the extended shift does not guarantee any type of overtime pay, given that the temporary workers in the tomato fields receive by productivity, or that is, by the quantity they pick.

The number of workers in the harvest is very high; each farm contracts 150 to 200 workers, considering productivity of about 85 tons per hectare. The temporary contracting for the harvest can be in various forms, through workers' co-operatives, independent contracts, or contractors. Frequently, workers are hire through contractors, popularly known as "gatos" (or cats). These contractors are responsible for the transportation and payment of the temporary workers, made each day according to production, and measured in volume, according to the quantity of full boxes. The contractors receive from the producers by the ton.

**Table 18: Tomato Supply – Unilever Brazil**

	Goiânia (GO)	Patos de Minas (MG)	Total
<b>Volume (thousands)</b>	335	205	540
<b>Area in hectares</b>	4,050	2,350	6,400
<b>Farmers</b>	51	28	79
<b>Fields</b>	165	122	287
<b>Productivity (ton/ha)</b>	83	88	85
<b>People Involved</b>	1,600	300	1,900
<b>Mechanical harvest</b>	50%	80%	62%

Source: Unilever, 2005.

Unilever negotiates prices directly and individually with each producer through a standard contract. The owners generally cultivate other crops, besides tomatoes, although this crop offers the most income. The rotation of the crop is one of the requirements of tomatoes to reduce disease and pests to which tomatoes are subject. The technology level of the properties raising tomatoes is very high, given that it is an irrigated crop.

According to data from 2001, the leading companies processing tomatoes in Goiás are Unilever, Quero, Círio, Olé and Brasfrigo. There are variations of 20% in the prices paid by the ton by the companies.

The main problem confronted by the producers concerns the delivery of the harvest to the factories because of delays in unloading tomatoes, which winds up harming the quality of the product. Since the material is classified and paid according to quality criteria, the loss during this transportation to the processing plant causes a variation in the remuneration.

The next phase of the study of the production chain includes the statements of the farmers and their working conditions, which are still not part in this report. Until now, the work conducted sought to have a first look in production and processing of tomatoes by Unilever.

## Conclusion

The trend at Unilever in Brazil, as throughout the world, is to deepen the organisational and productive restructuring process. This process points to a leaner and to more competitive organisations with a concentration of production in large factories in strategic countries, based on the size of the domestic market, by the rates of return possible and by the ability to reduce transaction costs. Brazil is one of these markets in Latin America, along with Argentina and Chile. Brazil is distinguished by high economies of scale in production allowing low costs, which is not the case in Chile, the country whose speciality is a service centre.

Brazil has low fixed labour costs, abundant, and low-cost raw materials for various lines of consumer goods. Having a strategic position relative to other neighbouring consumer markets, the company is beginning to explore in a more integrated manner. The country also has institutional characteristics favouring the offer of incentives to multinational capital, as takes place with the Brazilian tax structure whose principal tax by revenue is the ICMS (tax on Circulation of Goods and Services).

In cities of Pernambuco state, the government offers tax incentives to the manufacturing industry that pay salaries 40% lower than those received by workers in the Southeast, for the same job and function. Thus, the production cost is low and it is possible to maintain the profit margin, given that the products manufactured there are sold at the same price as those from other Brazilian states and countries where it are exported. One of the new factories, inaugurated with great fanfare by Unilever in Ipojuca in 2005 (in the Recife metropolitan region) is producing beauty and hygiene goods for the Brazilian and Latin America markets. Part of production previously realised at the Carrascal unit, in Santiago, Chile, which now imports the same products from Brazil. As a result, close to 200 workers were fired in Chile, because this move.

Given this situation, after studying the social and labour behaviour of Unilever for four years, some important conclusions are drawn

Although the company expresses a commitment to the basic labour rights defended by the ILO (1998; 2000), the Global Compact and OECD guidelines, Unilever has not incorporated respect for these rights into its business management.

As far the research has gone, the company still sees the Unions surveyed as something external to the business units, these Unions were not incorporated as stakeholders of the company, with institutionalised channels for social dialogue and collective bargaining, at least the Unions that have been surveyed in the research project. There are others trade Unions that were not part of Brazilian committee, and were never in IOS survey.

Brazilian labour legislation, by not recognising the organisation [of workers] in the workplace, encourages this kind of behaviour in the company. This is clear in the difference of treatment among the 13 Unions. For combative Unions, the company stiffens its position instead of stimulating dialogue and negotiation. In Vinhedo's Unions, the study found a flagrant violation - in the right to Freedom of Association - to the extent, that the company stimulated disaffiliation by providing a toll-free telephone number, for workers to call and request those Union dues, to not be dismissed from the payment (see annex).

Although the Unions created a Union Committee, initially with seven Unions, and requested an opening to dialogue with the company with a broad agenda not necessarily tied to the themes of collective bargaining, the company never effectively recognised the committee. At first the company Human Resources Director and the director of Institutional Affairs, participated in two meetings with representatives of the Committee. There are photos to record this fact. Nevertheless, after this, the company no longer agreed to participate in any meeting, and never gave any explanation about the events. Union directors, who participated in the exchange programme in The Netherlands, were told by the Human Resources Director from the holding company, that this situation in Brazil undergo changes, but these have not yet taken place.

In sum, Unilever continues to exhibit the same behaviour that the IOS found in 2002, concerning the relation with legal workers representatives, with an aggravating circumstance. The company uses Brazilian labour legislation to negotiate with each Union in isolation to earn advantages such as an inequality of rights and benefits and the maintenance of regional salary disparities. Most of the Unions do not have an organisational ability to confront the company. The Committee meetings are costly, requiring financial resources that the Unions do not have. In addition, some of them are wary of retaliation from the company. The aggravating factor concerns the deepening conflict between the company and some Unions in Brazil and South America. In Brazil, the company was denounced before the NCP for anti-Union practices and a violation of the right to free organisation. Abroad, the company was denounced before the Mercosur Labour Committee, the only tripartite organ of the regional block, for the same practice.

In Chile, the company was also denounced before the Chilean NCP. There are, therefore, situations of worsening labour conflicts at Unilever, explained to a large degree by company's behaviour.

On the positive side, Unilever promoted important changes in its practices concerning production and purchase of tomatoes in Goiás State. The company shifted its position, which saw the combat of child labour as the exclusive responsibility of the government and began to implement specific programmes and actions to promote socially sustainable practices. The two programmes referred to above were implemented successfully in Itaberaí and Silvânia and, expand to other municipalities that are tomato producers. To identify precisely the universe of children and families benefited by its programmes, as well as their extension, a more detailed study of the entire tomato supply chain is necessary. The IOS is promoting the study, with the participation of Unilever and in March 2006, the final report will be presented. The purpose of the study is to know in detail the tomato production chain, and to evaluate precisely the real impacts of Unilever's actions and programmes.

The company advanced in the form and process of its productive restructuring by adopting uniform practices - since the closure of the Vespasiano factory announced mid 2003, including advance notice, benefits paid to those laid off and programmes for professional qualification and others. However, the company has never showed willingness to previous discussion for the possibility to find alternatives - in partnership with Unions and other stakeholders - of closures, subcontracting, and discontinuation of production lines. During the four years of monitoring conducted by the IOS, the company never showed it was open to discuss decisions that have a direct impact on workers.

# Annex I

## CODE OF BUSINESS PRINCIPLES

### Standard of conduct

We aim our operations with honesty, integrity, and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

### Obeying the law

Unilever companies and our employees are required to comply with the laws and regulations of the countries in which we operate.

### Employees

Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We will recruit, employ, and promote employees on sole basis of the skills needed to perform the work. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to work with employees to develop and enhance the individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communications with employees through company based information and consultation procedures.

### Consumers

Unilever is committed to provide branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertise and communicated.

### Shareholders

Unilever will conduct its operations as accorded with internationally accepted principles of good corporate governance. We will provide timely, regular, and reliable information on our activities, structure, financial situation, and performance to all shareholders.

### Business partners

Unilever is committed to establish mutually beneficial relations with our suppliers, customers, and business partners. In our business' dealings, we expect our partners to adhere to business principles consistent with our own.

### Community involvement

Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfil responsibilities to the societies and communities in which we operate.

## Public activities

Unilever companies are encouraged to promote and defend their legitimate business interests. Unilever will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations that may affect legitimate business interests. Unilever neither supports political parties nor contributes to the funds of groups whose activities calculate to promote party interests.

## The Environment

Unilever is committed to make continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues, and disseminate good practice.

## Innovation

In our scientific innovation to meet consumer needs, we will respect the concerns of our consumers and of society. We will work based on sound science, applying rigorous standards of product safety.

## Competition

Unilever believes in vigorous yet fair competition and supports the development of appropriate competitive laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

## Business integrity

Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment, which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management. Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund, or asset will be established or maintained.

## Conflicts of interests

All Unilever employees expect to avoid personal activities and financial interests that could conflict with their responsibilities to the company. Unilever employees must not seek gain for themselves or others through misuse of their positions.

## Compliance - Monitoring - Reporting

Compliance with these principles is an essential element in our business success. The Unilever board is responsible for ensuring that these principles are communicated, understood, and observed by all employees. Day-to-day responsibility is delegated to all senior management of the categories, functions, regions and operating companies. They are responsible for implementing these principles, if necessary through detailed guidance tailored to the local

needs. Assurance of compliance is given and monitored each year. Compliance with the code is subject to review by the board supported by the audit committee of the board and the Unilever executive committee. Any breaches of the code must be reported according to procedures specified by the joint secretaries. The board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions. The board of Unilever expects employees to bring to their attention, or to that of senior management, any breach, or suspected breach of these principles. Provision was made for the employees to be able to report in confidence and no employee will suffer because of doing so.

## Annex II



“Exclusion of union associates

Please call the 0800number of the HR to make a request soliciting the exclusion of payroll discounts and send us the document with the number of the call.”

Reproduction of internal communication from the Unilever Human Resources department, directed to workers at the Vinhedo unit..

## Annex III

### Comparison of the Clauses of Labour Agreements Or Conventions – Unilever Workers Unions (Illness Assistance, Exceptional Child Assistance, and Base Salary)

	<b>Complementary illness, accident assistance</b>	<b>Exceptional child assistance</b>	<b>Base salary</b>
<b>Collective Convention of the Employees of the Ice Cream Industries of SP State – (Sicongel) Kibon (SP) 2004/2005</b>	The companies will complement, from the 16 <sup>th</sup> – 150 <sup>th</sup> day, the salaries of employees absent because of a labour accident or illness, in an amount equal to the difference between that effectively provided by Social Security and the salary, as if they were working.	The companies will pay a monthly assistance of 20% of the normative salary to employees who have an exceptional or physically disabled child, until they reach adulthood. - The children, who because of their disability are unable to exercise any activity, living under the economic dependence of the employee, will not have an age limit.	Of R\$ 374,00 per month, for the companies with up to 30 employees, including subcontractors. Of R\$ 435,00 per month, For companies with 31 to 200 employees. R\$ 550,00 per month, for companies with more than 200 employees.
<b>Collective Convention of the Chemical Sector (CNQ – CUT) / Vinhedo (SP) Period 2004/2005</b>	The companies will complement, beginning on the 16 <sup>th</sup> day of the date of absence from work until the 330 <sup>th</sup> day, the net salaries of those employees absent because of a labour related disease or accident, or professionally related illness. - When the employer does not have the right to social security assistance, for not having completed the grace period required by Social Security, the company will pay the nominal salary from the 16 <sup>th</sup> to the 150 <sup>th</sup> day of absence.	The companies will reimburse their employees monthly for assistance, an amount equal to up to 80% of the normative salaries for expenses made by employees for the education of the exceptional child or children that are properly proven.	The normative salary will be R\$ 562,25 per month. Youth trainees will be excluded from this clause.

<p><b>Collective Convention of Workers in the industrial chemical products Industries for preparation of vegetable and animal oils, soap and candles in Pernambuco State /Igarassú. Period 2004/05.</b></p>	<p>An employee with more than 3 uninterrupted years of service at the same company and benefiting from INSS illness assistance, from the 16<sup>th</sup> – 100<sup>th</sup> day of absence, will receive from the employing company, an amount equivalent to the difference of the amount of the social security benefit and his net salary.</p>	<p>There is no prevision in the collective agreement.</p>	<p>For employees of companies with up to 100 employees, the base salary will be R\$ 305,00; For the employees of the companies with more than 100 employees the base is R\$ 336,00.</p>
<p><b>Collective agreement of employees, in the Food Industries of Mogi Mirim and Region / Mogi Guaçu (SP). Period 2004/05</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>Corresponds to the salary of the MB01 class on the Factory Salary table at Mogi Guaçu.</p>
<p><b>Collective agreement of employees in the Cocoa, Candy, Sweets, canned foods industries in Pernambuco State / Recife (Kibon). Period 2004/05.</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>The agreement guarantees that during the period of the labour convention 2003/04, the base salary for the category cannot be inferior to the minimum salary plus 3.5 %</p>
<p><b>Collective agreement of the employees in the Beverages Industries of Garanhuns and region (PE) Period 2004/05. *</b></p> <p><b>* All of the clauses and conditions found in the collective convention in force registered at the DRTE/PE, sub-precinct of Garanhuns, under n-46296-0930/2003 that were not expressly or implicitly modified by this instrument..</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>For employees of companies with up to 120 employees the base will be R\$ 302,00 per month; For employees of companies that have more than 120 employees the base will be R\$ 416,00.</p>

**Comparison between the Clauses of the Labour Agreements and Conventions – Unilever Workers Unions – (Daycare Assistance, Unionist Leave, Food Assistance)**

	<b>Daycare assistance</b>	<b>Leave for Union Director</b>	<b>Food assistance (bonus, ticket or others)</b>
<b>Collective Convention of the Employees of the Ice Cream Industries of SP State – (Sicongel) Kibon (SP) 2004/2005</b>	<p>- The parties agree that the obligations contained in paragraphs 1° and 2° of article 389 of the Consolidated Labour Laws, can be substituted through the concession of pecuniary assistance to its employees, in a monthly amount corresponding to 30% of the highest normative salary.</p> <p>- This pecuniary assistance will be conceded for a maximum period of 12 months, beginning from the return of leave.</p>	There is no provision in the collective agreement.	<p>The companies agree to supply to the employees, a free snack, whenever the shift is extended by at least two extra hours, included in the Hour Bank.</p> <p>Sole paragraph: When there is work on Sundays or holidays, the companies are required to supply a meal or a meal ticket system.</p>
<b>Collective Convention of the Chemical Sector (CNQ – CUT) / Vinhedo (SP) Period 2004/2005.</b>	<p>- The companies will maintain an appropriate location to shelter and care for the children of their employees during the nursing period, or will provide, alternatively, these employees reimbursement for expenses for this purpose.</p> <p>- The amount of monthly reimbursement will correspond to the expenses with the shelter, care, and assistance to the child, up the maximum limit of 50% of the normative salary, when the protection is confided to a credential entity or individual.</p>	The days on which the directors of the Unions or Federation are absent from the company, Union activities will be remunerated, limited to a maximum number of 3 per employee; if the employee is a Director in the two entities; the limit above will be expanded to 35 paid absences.	There is no provision in the collective agreement.

<p><b>Collective Convention of the Workers in the industrial chemical products Industries for preparation of vegetable and animal oils, soap and candles in Pernambuco State /Igarassú. Period 2004/05.</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>Companies with more than 10 (ten) employees will provide lunch to their employees, and participate in part of its cost.</p>
<p><b>Collective agreement of employees in the Food Industries of Mogi Mirim and Region / Mogi Guaçu (SP). Period 2004/05</b></p>	<p>There is no provision in the collective agreement.</p>	<p>The company shall release in the character of paid leave for 12 days per year, so that the Union director can exercise Union activities.</p>	<p>The companies shall offer a snack to employees who work a second shift.</p>
<p><b>Collective agreement of employees in the Cacao, Candy, Sweets, canned foods industries in Pernambuco State / Recife (Kibon). Period 2004/05.</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>Based on a company's facilities, it is required to reserve a suitable location for employees to prepare meals.</p>
<p><b>Collective agreement of the employees in the Beverages Industries of Garanhuns and region (PE) Period 2004/05. *</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>

**Comparison between the Clauses of the Labour Agreements and Conventions – Unilever Workers Unions (Profit Sharing, Shift Work, Overtime, Pregnancy, Hour Bank)**

	<b>Profit sharing</b>	<b>Work shift</b>	<b>Overtime Hours</b>	<b>Pregnancy guarantees</b>	<b>Hour banks</b>
<b>Collective Convention of the Employees of the Ice Cream Industries of SP State – (Sicongel) Kibon (SP) 2004/2005</b>	<p>- Participation in results is not incorporated to salaries for any purposes and will be the following:</p> <p>- Companies of up to 30 employees = R\$ 170,00;            Companies of 31-200 employees = R\$ 220,00;            Companies above 200 employees = R\$ 550,00;</p> <p>- The companies that have or come to institute a Results Plan are excluded from compliance with this clause.</p>	<p>- Additional pay at night will be 40%. Companies can transfer their employees from the night period to the day period with the consequent elimination of the respective additional pay, guaranteeing the right to option of the employee to return to the previous hours.</p> <p>- The companies can admit women to night work, in compatible services, as long as they have their clear permission.</p>	<p>- The additional pay will be: 60% above the value of the normal hour, for the hours worked from Monday to Saturday; of 130% above the value of the normal hour for the hours worked on weekly rest day or on a holiday.</p> <p>-The companies must integrate the average hour of the overtime hours in the pay, for the effect of payment of holidays, remunerated weekly rest days, 13<sup>th</sup> salary and deposit of the FGTS.</p>	<p>Guaranteed employment or salary to a pregnant employee, up to 60 days after the termination of the period of compulsory leave.</p>	<p>There will be no addition to the salary, as long as the excess hours worked one day are compensated by a corresponding decrease on another day, so that they do not exceed in a maximum period of 12 (twelve) months, the sum of the planned weekly shift, or pass the maximum limit of 10 (ten ) hours per day. Paid overtime will be considered all those that exceed 10 hours per day, and will not be discounted on the Hour Bank.</p>

<p><b>Collective Convention of the Chemical Sector (CNQ – CUT) / Vinhedo (SP) Period 2004/2005.</b></p>	<p>- Will correspond to the amount of R\$ 400,00, to be paid in 02 (two) equal parcels. - employees on leave will be paid proportionally to the months effectively worked during the period. The companies that have or come to institute a Results Plan, are excluded from compliance with this clause.</p>	<p>The weekly work shift will be 44 hours considering only the hours effectively worked. The additional night work will have a 40% addition above daytime pay, also applied to cases of night work in shifts.</p>	<p>- The Overtime hours from Monday to Saturday will receive additional pay of 70% above the amount of normal hours. - The overtime hours worked during the paid weekly rest day, Saturdays or other compensated days or holiday will have additional pay of 110%; If there are convocations at home, they will be guaranteed the same percentage increases called for in this clause.</p>	<p>A pregnant employee is guaranteed employment or salary from the time of confirmation of pregnancy up to 5 (five) months after pregnancy. The companies will offer their pregnant employers working conditions compatible with their condition.</p>	<p>There is no provision in the convention agreement.</p>
<p><b>Collective Convention of the workers in the industrial chemical products Industries For preparation of vegetable and animal oils, soap and candles in Pernambuco State /Igarassú. Period 2004/05.</b></p>	<p>Of R\$ 73,00 for the companies that have up to 80 employees.  Of 155 for companies that have more than 80 employees.</p>	<p>The companies can extend the daily work shift of employees seeking to eliminate work on Saturday.  Adoption of the compensation plan, independently of the individual agreement.</p>	<p>Additional hours will be paid an additional more than a normal hour.  Overtime hours worked on a weekly rest day and on non-compensated holidays will have Additional pay of 100% above the normal hour.</p>	<p>The arbitrary layoff or layoff without just cause of a pregnant employee is prohibited, from the confirmation of the pregnancy up to five months after birth.</p>	<p>There is no provision in the collective agreement.</p>

<p><b>Collective agreement of the employees in the Food Industries of Mogi Mirim and Region / Mogi Guaçu (SP). Period 2004/05</b></p>	<p>The companies must comply with article 7, item 11 of the Federal Constitution , as well as the ordinary legislation concerning the issue.</p>	<p>The daily shifts are from 00:00 - 7:00, from 7:00 – 15:30 and from 15:30 to 00:00 with complementation on Saturdays. An interval for meals is half an hour. The shifts from 15:30 - 00:00 and from 00:00 - 7:00 will have additional night pay and reduction of a night hour.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>
<p><b>Collective agreement of employees in the Cacao, Candy, Sweets, canned foods industries in Pernambuco State / Recife (Kibon). Period 2004/05.</b></p>	<p>There is no provision in the collective agreement.</p>	<p>The weekly work shift at companies involved in this collective agreement is 44 hours per week, and can be complied with in shifts, as well as in hourly compensation.</p>	<p>There is no provision in the collective agreement.</p>	<p>The arbitrary layoff or layoff without just cause of a pregnant employee is prohibited, from the time of confirmation of pregnancy up to five months after birth. The pregnant woman is guaranteed relocation to another sector of the company if a medical statement declares this is necessary.</p>	<p>The company may decide to implant a Flexible shift – or hour bank system, in which the overtime hours from one day are compensated by the corresponding decrease on another day, although a maximum of 10 hours of work cannot be exceeded on one day.</p>
<p><b>Collective agreement of employees in the Beverages Industries of Garanhuns and region (PE) Period 2004/05. *</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>

**Comparison between the Clauses of Labour Agreements and Conventions – Unilever Workers Unions (Medication, Temporary Workers, Health and Safety, and Promotion of Equality)**

	<b>Pharmaceutical</b>	<b>Temporary Workers</b>	<b>Health and Safety</b>	<b>Promotion of equality.</b>
<b>Collective Convention of the Employees of the Ice Cream Industries of SP State – (Sicongel) Kibon (SP) 2004/2005</b>	Whenever possible the companies will maintain an agreement with pharmacies and drugstores for the acquisition of medicine by the employees. This purchase will be discounted from pay.	There is no provision in the collective agreement.	<ul style="list-style-type: none"> <li>- The supply of individual protective equipment (EPIs), including uniforms and shoes, implies that the employee must use them and protect them.</li> <li>- Companies with more than 100 employees in the same factory unit and at night must have a medical team on site at this time;</li> <li>- Companies with less than 100 employees at the same unit and with night-time work shall have a vehicle for emergency medical care, that allows carrying the patient in a stretcher.</li> </ul>	There is no provision in the collective agreement.
<b>Collective Convention of the Chemical Sector (CNQ – CUT) / Vinhedo (SP) Period 2004/2005.</b>	<ul style="list-style-type: none"> <li>- The companies will try to make viable agreements with pharmacies and or eyeglass providers for the exclusive purchase of medication or prescription glasses, to be discounted from pay.</li> <li>- During medical treatment from a work accident the company will provide, free of charge, medication prescribed by the doctor.</li> </ul>	<ul style="list-style-type: none"> <li>- In the productive sector, temporary labour will only be used for a maximum of 90 days.</li> <li>- The temporary worker must also obey the measure for individual protective equipment (EPI) and uniforms, assured to other employees.</li> </ul>	<ul style="list-style-type: none"> <li>- When indispensable to providing services or when required by the company, the company will provide its employees EPIs. The company shall provide uniforms free of charge.</li> <li>- Before the realisation of any task or operation subject to professional risks and that implies the use of EPI or EPC (Collective Protective Equipment) the employee will receive specific instruction about safe work methods.</li> <li>- Machines that operate with repetitive and cutting movements must have warning signs about the risks and prevention, in a size and place that is visible, and the worker shall be offered a training period.</li> <li>- Companies are required to maintain medical or nursing services, internally or externally, on staff or subcontracted, for employees who work in shifts, night hours and Saturdays, Sundays and holidays. It is also required to provide suitable and necessary transportation for first aid purposes.</li> </ul>	<ul style="list-style-type: none"> <li>- In identical functions, all workers of equal value, working for the same employer in the same location, will have an equal salary, without distinction of sex, nationality, colour, race, age or marital status.</li> <li>- Work of equal value is that conducted with equal productivity and with the same technical perfection by people whose difference in time of service is not greater than two years in the same function.</li> </ul>

<p><b>Collective Convention of the Workers in the industrial chemical products Industries For preparation of vegetable and animal oils, soap and candles in Pernambuco State /Igarassú. Period 2004/05.</b></p>	<p>There is no provision in the collective agreement</p>	<p>Subcontracted companies will be required to comply with labour and social security legislation and in norms governing labour safety and medicine.</p>	<p>The companies are required to supply free of charge to employees who work in activities that expose them to risks, individual protective equipment (EPI), including boots, helmets, etc. The companies will keep on site the materials necessary for first aid.</p>	<p>The companies agree to assure equal conditions and opportunity to their employees independently of colour, race, sex, age, following the recommendations of ILO Convention 111.</p>
<p><b>Collective agreement of the employees in the Food Industries of Mogi Mirim and Region / Mogi Guaçu (SP). Period 2004/05</b></p>	<p>There is no provision in the collective agreement.</p>	<p>The use of temporary workers will only be admitted through a collective agreement that assures these employees the same rights guaranteed to regular employees.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>
<p><b>Collective agreement of employees in the Cacao, Candy, Sweets, canned foods industries in Pernambuco State / Recife (Kibon). Period 2004/05.</b></p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>	<p>There is no provision in the collective agreement.</p>

<b>Collective agreement of employees in the Beverages Industries of Garanhuns and region (PE) Period 2004/05. *</b>	There is no provision in the collective agreement	There is no provision in the collective agreement.	There is no provision in the collective agreement.	There is no provision in the collective agreement
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