

## **SPECIFIC INSTANCE No. 06/2018**

To the

NCP – National Contact Point of the OECD – Organization for Economic Cooperation and Development

Subject: Specific Instance No. 06/2018 - Partial Implementation Report of the Agreement

1. Adere – Articulation of Rural Employees of the State of Minas Gerais, Conectas Human Rights and Nestlé Brasil Ltda., hereby update the National Contact Point – NCP, regarding the development of the items agreed upon in the aforementioned Specific Instance.

2. The parties hereby inform that, to implement the agreements reached in the Mediation conducted by the National Contact Point (NCP), the following actions have been taken to date:

- Consultation with worker representatives in the São Sebastião do Paraíso region MG;
- Holding of eight Social Dialogue Forums in Coffee, for workers, producers and traders, in the southern region of Minas Gerais;
- Inclusion of the IPÊ channel on Nestlé Brazil's posters on reporting mechanisms.

3. The actions implemented and mentioned above are described below.

4. The consultation with worker representatives took place prior to the start of the coffee harvest season—more precisely, on March 12th, at 2 p.m.—in the municipality of São Sebastião do Paraíso, Minas Gerais, and was attended by representatives from the following companies/organizations:

- Conectas Human Rights;
- Adere – Articulation of Rural Employees of the State of Minas Gerais;
- Nestlé Brasil Ltda.;
- OFI;
- Rainforest Alliance Certification;
- NKG Stockler;
- Rural Workers' Union of Cabo Verde-MG;
- Rural Workers' Union of São Sebastião do Paraíso-MG.

5. During this consultation, Nestlé actively listened to the labor challenges in coffee farming in the region. It was reported that the biggest challenge is formalizing employment contracts, a problem that stems from multiple factors, such as a lack

of knowledge on the part of both employers and workers regarding the rights and obligations provided for in the relevant legislation and fear of losing social benefits. The lack of interest on the part of employers in formalizing employment contracts was also cited, as well as the complete disarticulation of collective bargaining by the employers' sector, including at the initiative and encouragement of FAEMG and rural producer unions in the region. Examples were presented that could be applied to coffee farming to encourage the formalization of the workforce, such as the consortium of rural employers.

6. It was explained at the Forum that the labor reform, by eliminating the mandatory union dues, brought major challenges to the continued operation of workers' unions in the region. The lack of a mandatory contribution has compromised the resources needed for the operation of many unions, resulting in closures and weakening the capacity to organize and represent workers in the coffee sector.

7. Another significant challenge is worker involvement in union activities and building a broader and more representative social dialogue in the region. Although active listening to workers' interlocutors occurred prior to the Coffee Social Dialogue Forums, there are reports of retaliation by employers, such as threats of unemployment, which discourage participation in union activity and compromise full engagement in social dialogue processes.

8. The Social Dialogue Forums were held between April 2nd and 25th, as follows:

- April 2, 2024, at 6:00 p.m.: Forum for producers and traders, in São Sebastião do Paraíso.
- April 3, 2024, at 12:00 p.m.: Forum for workers, in São Sebastião do Paraíso;
- April 4, 2024, at 6:00 p.m.: Forum for producers and traders, in Varginha;
- April 5, 2024, at 12:00 p.m.: Forum for workers, in Varginha;
- April 22, 2024, at 6:00 p.m.: Forum for producers and traders, in Borda da Mata;
- April 23, 2024, at 12:00 PM: Forum for workers, in Borda da Mata;
- April 24, 2024, at 6:00 PM: Forum for producers and traders, in Poços de Caldas;
- April 25, 2024, at 12:00 PM: Forum for workers, in Poços de Caldas.

9. The events featured dynamics that generally followed the following order:

(i) opening; (ii) explanation by Nestlé of the reasons why the forums were planned and executed, as well as their relevance; (ii) presentation by Conectas and Adere on the context of human and labor rights in the sector; (iii) presentation by the external consultant hired by Nestlé on topics such as social responsibility, highlighting the importance of collective bargaining, labor obligations and rights; (iv) questions and answers from the audience; (v) Closing.

10. In all events, the parties involved had the opportunity to present their visions, values, and objectives, with the aim of impacting those involved in coffee culture regarding good labor practices and respect for human rights. In general, the following were presented:

- According to Nestlé Brazil, its principles and values regarding respect for human rights, the importance of social dialogue, and that all actors in the coffee chain are essential in joint dialogue for continuous improvement and in the journey of promoting attitudes and measures towards the realization of human rights.
- According to Conectas, the global and national scenarios in which human rights due diligence requirements for companies are increasingly present, and whose failure to comply can lead to damage to image, fines, supply cuts, among other sanctions. For the Workers' Forums, an explanatory video was also shown on human rights at work, possible violations, and ways to report them.
- According to Adere, many of the violations in the sector occur due to a lack of information about its obligations in labor relations, especially regarding the hiring and accommodation of migrant workers, which negatively impacts the understanding of the root causes and how to address them, affecting both actors in the chain (producers and workers). Adere highlighted the prevalence of slave-like labor practices and informal employment relations in coffee farming in southern Minas Gerais, and the reality of workers on coffee farms, as well as the need for strong and concrete actions by employers to effectively comply with labor laws as a way to guarantee rights in coffee production.
- According to external consultant Luiz Alberto, topics of common interest between employers and workers include: (i) social responsibility; (ii) corporate social responsibility; (iii) social responsibility and collective bargaining in labor relations; (iv) recurring topics of interest; (v) types of rural employment contracts; (vi) employee registration; (vii) temporary minimum income benefit; (viii) PPE – personal protective equipment; (ix) housing; (x) labor analogous to slavery; (xi) "Dirty List"; (xii) Labor Inspection; (xiii) reporting channels.

11. The Varginha Forum stood out for the participation of Labor Auditor Leandro Marinho, whose contribution brought credibility and the potential to positively influence labor relations in the coffee sector.

12. In the view of Adere and Conectas, however, despite Nestlé's efforts to organize the events as agreed, the mobilization of producers and workers fell short of expectations, even in strategically important regions such as Southern Minas

Gerais, home to thousands of rural producers and coffee market agents. Microregions such as Varginha, Três Pontas, Três Corações, Carmo da Cachoeira, Machado, Paraguaçu, Conceição do Rio Verde, Boa Esperança, Guaxupé, and Cabo Verde — major producing and trading hubs — did not have representation commensurate with their importance in the sector.

12.1. Nestlé, in turn, understands that, despite the opportunities for greater participation of all representatives of the coffee industry in the above regions, it understands that, (i) since this is the first year of the Social Dialogue Forums, (ii) as a legitimate initiative to positively impact the sector, (iii) by exposing relevant issues whose solutions depend on all stakeholders, participation in the forums may initially raise questions, which is a normal and expected effect. Furthermore, Nestlé emphasizes that in the first year of compliance with the agreement, the cities of Três Pontas, Três Corações, Carmo da Cachoeira, Machado, Paraguaçu, Conceição do Rio Verde, Boa Esperança, Guaxupé, and Cabo Verde did not reach a consensus on holding the Forums in these locations.

13. Furthermore, in the view of Adere and Conectas, important partners between the parties for cooperatives, companies, and rural producers' unions were not present, hindering the initiative's reach. In Varginha, the mobilization promoted by ADERE was essential to ensure greater worker participation, but in other locations, attendance was limited, reflecting the union weakness in the four regions and the lack of employer incentives to release workers without compromising their pay. For Adere and Conectas, in São Sebastião do Paraíso and Poços de Caldas, although participation was more significant, the majority of attendees were farm managers and administrative leaders. This generated frustration, as these participants tend to represent employers' interests and are more distant from the working conditions faced by rural workers.

14. Despite criticism, the forums were evaluated positively, as they represented an initial step toward promoting relevant discussions within the sector. However, it is essential that the upcoming forums be organized with greater mobilization of producers and workers, especially in the highlighted municipalities, and that errors observed in 2024 be corrected. Thus, the 2025 forums are expected to be more inclusive and effective, fulfilling the objective of engaging all stakeholders involved in strengthening labor relations and promoting rights in the coffee sector.

15. Regarding Nestlé Brasil Ltda.'s whistleblowing poster, access to the IPÊ system, a Federal Government whistleblowing channel linked to the Department of Labor Inspection, was added as an additional reporting tool for workers. The posters were presented and made available in the Forums and will be distributed to producers by Nestlé's coffee agricultural technical team..

16. The other agreed items, such as maintaining the 4th line of action of Nestlé's Due Diligence program (item 69, "i" of the agreement), including consultation with workers' representatives regarding possible knowledge of labor rights violations during Nestlé's internal and external Due Diligence stage (item 69, "ii" of the agreement), and creating an institutional email address for direct reporting of irregularities (item 71), are in the process of being implemented. The parties undertake to inform this body of progress as soon as it is achieved.

17. Adere and Conectas reserve the right to present separate assessments if any other point arises regarding the quality of compliance with the agreement.