



FOR THE PROMOTION OF DIGNIFIED
WORKING CONDITIONS IN SUPPLY CHAINS

2019 ANNUAL REPORT

Introduction

Since its inception, InPACTO has been making an increasing contribution to the debate on Business and Human Rights, above all by bolstering the field of combat against slave labour and encouraging the production sector to take the lead. This is a complex process that requires all stakeholders to engage in continuous learning in order to face the old and new challenges that lie on the way.

Our mission requires us to grow and evolve a little more each year. 2019 was no different. It was a year marked by institutional strengthening and

restructuring, the consolidation of partnerships that paved the way to a promising 2020, and a major leap in data science, which allowed us to look to the future with optimism.

We were able to bring the backstage work we had been doing for the past two years to light: using data intelligence to fight slave labour. As requested by our members, the issue of child labour in supply chains was approved as an additional line of work at the general meeting. Furthermore, the articles of

incorporation were redrafted with a view to consolidating the institute's governance, transparency and financial sustainability, thereby making member and partner relations even more transparent. As a way to cement InPACTO's role in the field, we have joined the Global Pact, which poses new and positive challenges with which to engage the production sector.

The following pages will take you through this chapter in our history.

We hope you enjoy it.



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1.

Focus on the solution, not the problem

InPACTO is a not-for-profit organization that has been mobilising different sectors with a view to promoting decent work for 15 years, since the creation of the National Pact for the Eradication of Slave Labour.

Through an innovative approach, we have bridged the gap among civil society, the production sector and the public sector, respecting the differences and the potential of each actor. By shifting the rationale from the problem to the solution, the Institute works with businesses to jointly build paths that can lead to decent work in local and international supply chains. This is a vital agenda and is in keeping with the UN's

Sustainable Development Goals (SDGs), especially SDG 8 – Decent Work and Economic Growth, SDG 12 Responsible Consumption and Production, and SDG 17 on the importance of partnerships for sustainable development.

As a result of its purpose and track record, InPACTO is invited to work in collaboration with governments, business organizations and civil society in Brazil and the world.

InPACTO's purpose

InPACTO's mission is to promote the prevention and eradication of slave labour in the supply chains of national and international organizations operating in Brazil through the creation of tools and

methodologies and the building of trust and credibility among those who take part in the actions that are implemented. InPACTO is also responsible for managing the National Pact for the Eradication of Slave Labour.

We encourage the production sector to take the lead in the fight against slave labour and promote dialogue among sectors and partners so that local and international businesses, representative bodies, civil society organizations

and governments can come up with shared solutions for the prevention and eradication of slave labour in Brazilian supply chains.

InPACTO's goals

1. To raise awareness among businesses and to mobilise them with a view to preventing and eradicating slave labour in their supply chains;
2. To provide businesses, civil society and public authorities with tools that can lead

to the eradication of the production and sale of products and services that exploit slave labour directly or indirectly;

3. To monitor the fulfilment of commitments undertaken by members;
4. To support the social and productive integration of former slave workers;
5. To liaise with various social actors and groups with a view to developing collective action and influencing public policies.

VISION: Brazil - free from slave labour

2.

Our journey

InPACTO's top 6 achievements in the last 6 years

- We were one of the organizations selected by the Laudes Foundation as a recipient of the first Core Support in Brazil and were able to achieve major goals through the partnership.
- We have achieved an international position that has consolidated InPACTO's reputation as a key partner in a local and international strategy for the mobilisation of the production sector. We have established successful partnerships with international governments and civil society (UK government and RainForest Alliance). We have been selected in key requests

for proposal, which substantiates our technical capacity.

- We have introduced fresh approaches and technical expertise, thereby expanding the possibilities to mitigate the risk of human rights violations in supply chains, and added child labour to our remit.
- A few years ago, we developed a new information generation and management tool known as the InPACTO Vulnerability Index. Since then, we have been enhancing this innovative risk management tool to combat slave labour in the supply chains of local and international businesses operating in Brazil.

- Backed by a solid advocacy strategy, we make an active contribution to the local and international debate on the leading role that can be played by the production sector and its technical ability to help in the fight against slave labour.
- The fact that we have been paving the way towards the engagement of the production sector in the defence of human rights in supply chains has set InPACTO as a benchmark in the debate on the subject in academia. We currently take part in several national and international networks that foster social and environmental sustainable practices in the production sector, such as the Global Pact, Fashion Revolution, and Alliance 8.7.
- We encourage the production sector to play a key role in shaping a fairer world, in keeping with the Sustainable Development Goals that are part of the UN 2015 Global Agenda.



Here are key milestones in our six-year journey and relevant facts to the fight against slave labour



● In May, the Institute for the National Pact to Eradicate Slave Labour (InPACTO) is created to expand and bolster the actions of the National Pact for the Eradication of Slave Labour. In 2014, the pact had 400 signatories, which accounted for roughly 35% of the Brazilian GDP.



● International Agenda gets underway with the ILO (WDC and California – USA).



● InPACTO's Carnauba and Textile Working Groups gain traction.

● More than 160 thousand Brazilians are subject to slave labour, according to Walk Free estimates.

● The Federal Prosecution Office asks banks not to fund employers who exploit slave labour.



● Mesa Café Brasil Project brings actors together to discuss challenges in the industry.

● InPACTO creates the Information Generation and Management System as a tool to provide technical support for the production sector.

● Slave labour inspections brought to a halt due to lack of funding.

● An initiative by the federal government to diminish the concept of slave labour in the Brazilian legislation and the role of labour inspections leads to backlash in the media and among society.

● The 'InPACTO: Celebrating 10 Years of the National Pact for the Eradication of Slave Labour' Seminar is held.

● InPACTO commitment monitoring underway.

● An assessment of the slave labour situation in Brazil reveals that it is getting worse.

● The demand for supply chain studies increases.

● InPACTO and partners welcome Kailash Satyarthi, 2014 Nobel Peace Prize winner.

● The Inter-American Human Rights Court fines Brazil over slave labour in the "Fazenda Brasil Verde" case.

● InPACTO ensures that businesses are "heard" at the National Commission for the Eradication of Slave Labour (CONATRAE) and public agencies.

● The Monitoring report on InPACTO's commitments is launched.

● InPACTO takes part in a campaign requesting that the Brazilian government ratify a protocol against forced labour.

● A very busy international agenda for InPACTO: attending a conference on people trafficking in Moscow; a global forum on

forced labour in Thailand; and a workshop and training session in the US.

● The mobilisation and relations department is created to broaden the dialogue with members.

● 1st InPACTO Seminar is held – Members' Meeting.

- InPACTO takes part in an OSCE expert group and helps to create an international guide published by the OSCE (Organization for Security and Co-operation in Europe).
- A structured training program is offered to member organisations.

- The Mesa de Café Brasil project mobilises organisations to facilitate the dialogue on challenges in the industry.
- Mesa de Café Brasil holds a workshop on normative instruments for social sustainability in the industry.

- New institutional identity (mission, values, theory of change, positioning) to be launched in 2019 during the 5-year anniversary celebrations approved by the Advisory Board.
- InPACTO attends the launch of the Moda Brasil Transparency Index.

- InPACTO celebrates its fifth anniversary and holds a seminar to present its new visual identity, new articles of incorporation and the 2018 annual report.
- Enhancements made to the National Pact for the Eradication of Slave Labour monitoring system.

- The InPACTO Vulnerability Index establishes itself as an innovative tool to manage risk in the value chains of Brazilian and international businesses operating in Brazil.
- Child Labour is approved by the General Meeting as an addition to InPACTO's remit.

- Consolidation of partnerships with major actors such as Fashion Revolution and Global Pact, and participation in international initiatives such as Alliance 8.7.
- Institutional strengthening - InPACTO moves to new headquarters, enhances its



- InPACTO launches the Brazilian Coffee Industry Pact for Social Sustainability.
- InPACTO establishes itself as the go-to institution for dialogue on the matter among international agencies and government representatives.

- The House of Representatives' Commission on Economic Development, Industry, Trade and Services passes the revocation of Corporate Taxpayer IDs (CNPJ) of businesses involved in slave labour.

- management and governance system, provides capacity building and expands the team.
- Onwards and stronger in the Coffee industry: Mesa de Café Brasil and the Brazilian Coffee Industry Pact for Social Sustainability take the debate

- to the international arena and bring in new partners and projects. InPACTO becomes a key partner for businesses and civil society organizations wishing to mobilise the coffee industry. We win the 2019 Sustainable Coffee Challenge with a pilot project to be

- implemented in Minas Gerais. Project in the design and cost-sharing phase. We were also selected to take part in the Global Coffee Platform Members' Initiative, through which we will be expanding the work in Minas and rolling it out to Espírito Santo.

InPACTO continues to hold an eminent position in the global scenario

InPACTO stemmed from the success of the National Pact for the Eradication of Slave Labour, which was driven by the ILO in Brazil (find out more in the next section), and continues to be an international benchmark for efficiency in the fight against modern slavery. As a result of the innovative character of its actions, which involve different actors and social organizations, and the fact that it discusses and enhances the approach taken by the production sector, thereby promoting leadership and collective action among sectors, InPACTO continues to be invited to cooperate with governments, business organizations and civil society in Brazil and abroad.

Coffee

The work carried out by InPACTO in the Brazilian coffee industry led to two visits to the US in the first half of 2019. In the first visit, we attended the Specialty Coffee Expo's annual event in Boston, US, which took place from April 7 – 13, 2019. At the time InPACTO's executive director, Mércia Silva, and project coordinator, Daniele Martins, also attended meetings with Verité at their headquarters in Amherst.

During the second visit, InPACTO took part in the Sustainable Coffee Challenge's Labor Action Network, Chicago / US,

during the week of July 28 – August 2, 2019. At both events, InPACTO gave an overview of what it stands for, what it does and the strategy it has implemented in the Brazilian coffee industry. And we were selected to implement a pilot project in Minas Gerais.

For the third consecutive time, InPACTO took part in the Semana Internacional do Café (International Coffee Week) – SIC, in Belo Horizonte (MG), to talk about the innovative work being done with the InPACTO Vulnerability Index. This annual event is part of the Global Platform agenda.

Another form of recognition of our expertise was the continuation, in 2019, of the partnership established in 2018 with Verité – a renowned global organization that has been conducting research and assessments, as well as offering consulting services, for over 20 years, to ensure that people around the world work in safe, fair and legal conditions.

Through the Mesa de Café Brasil Project, InPACTO took part in the team that created the field research tools to be used in the Brazilian coffee industry. In addition to helping the research in Brazil and mobilising respondents, our staff was also invited to help devise the global

research on working conditions in the coffee industry.

The SCA's (Specialty Coffee Association) document 'Farmworkers & Coffee: The Case for Inclusion' was yet another example of InPACTO's international prestige and credibility in 2019. In it, the successful "Mesa de Café Brasil" experience is mentioned as one of the innovative initiatives implemented by the Minas Gerais' coffee industry.

Partnerships with other organizations and governments

InPACTO was also invited to take part in the event "Supply Chain Due Diligence & Transparency Reporting in an Age

of Dynamic Regulation: A Series of Conversations". Held by Verité, the event offers a series of talks aimed at clarifying the perceptions of civil society lawyers, legal consultants and experts on the obstacles and opportunities for research and studies on supply chains, at a time when the regulatory, trade and legal framework, as well as civil society expectations on how businesses deal with human rights, are rapidly changing. The invitation came as a result of InPACTO's experience with the Legal Working Group and the successful partnership with Verité. Although InPACTO wasn't able to attend the event, the invitation is a sign of recognition of the important contribution it has been making to such debates.

InPACTO joined the OSCE's group of institutions for the defence of Human Rights and International Trade Law and public authorities representing European governments, whose purpose was to produce the publication "Model Guidelines on Government Measures to Prevent Trafficking for Labour Exploitation in Supply Chains"¹, a practical tool to help public administrators on the implementation of concrete measures to prevent human trafficking in their supply chains.

In the beginning of September 2019, InPACTO was invited to present the

Brazilian experience in Santiago, Chile, during a panel on Business and Human Rights, at the 4th Regional Consultation on Business and Human Rights in Latin America and the Caribbean, promoted by the United Nations (UN). The goal of the consultation was to assess challenges and successful cases of human rights protection in value chains in the region.

The challenges were presented by civil society organizations, representatives of indigenous peoples and traditional communities, workers' associations, unions, academics and international

organizations – which reported on human rights violations and discussed necessary actions to promote responsible trade behaviour.

One of the Brazilian cases discussed was the Brumadinho tragedy involving Vale, the mining company, which took place in January 2019.

InPACTO also took part in two phases of the Public Consultation on the Rainforest Alliance's Sustainable Agriculture Standard. Proceedings were held in Belo Horizonte (MG), in January

¹ <https://www.osce.org/secretariat/371771>

and August 2019, and brought together representatives of the coffee industry. At the time, InPACTO was able to contribute to the debate on the social aspects of the new standard.

InPACTO also participated in the OXFAM debate series on production sectors that have become increasingly more vulnerable due to the country's socioeconomic context, especially citrus crops.

National Pact for the Eradication of Slave Labour – a benchmark for 15 years

In 2009, the ILO published the “Fighting Forced Labour: the example of Brazil” study highlighting the role played by the National Pact for the Eradication of Slave Labour², which led to the creation of InPACTO⁴. The study got the attention of the United Nations, which sent UN Human Rights Council Special Rapporteur, Gulnara Shahinian, to Brazil.

In its conclusions, the UN report praised the efforts being made by Brazil to tackle slave labour and commended the country for “recognising the existence of slave labour and for the exemplary programmes and policies implemented

to combat it”. In the documents, the pact was recognised by the UN as an international benchmark and an important mechanism to fight human rights violations.

The vision of a shared responsibility to prevent and combat slave labour has made the pact an innovative experience, which has involved the business sector in the endeavour for the first time ever and, to a degree, has been adopted and monitored by public authorities, the Brazilian State.

When the number of signatories of the National Pact reached 380, response capacity had to be expanded and

shared governance strengthened to combat slave labour. Changing the pact's management model to that of an institute made up of member companies, civil society organizations and worker representation organizations was the result of the experience garnered by the original endeavour in promoting corporate social responsibility action among its signatories.

² Fighting Forced Labour: the example of Brazil. Geneva, 2009, p. 13. Available at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_111297.pdf

³ Fighting Forced Labour: the example of Brazil. Geneva, 2009, p. 13.

⁴ Fighting Forced Labour: the example of Brazil. Geneva, 2009, p. 13.



Our 2019: a year of strengthening

In 2019, InPACTO went through an internal restructuring process. The institution required some adjustments in order to strengthen its internal capabilities and thereby lay the foundation required for the next step: to grow. And that is what the organization expects for 2020 and the following years, progress. Countless meetings were held and many technical hours logged by the team, the President's Office, the Audit Committee and the Advisory Board in order to carry out the restructuring.

In 2019, InPACTO moved to new headquarters on Avenida Paulista, invested in a new financial,

administrative and human resources management system, enhanced its governance model, and expanded and trained its team.

New Articles of Incorporation were drafted and approved at a meeting held on 9 August, 2019 for governance purposes. The new Articles of Incorporation were adapted to meet future requirements, such as a growing number of members and new projects. Furthermore, two other governance documents are currently being drafted: the Bylaws and the Code of Conduct. These initiatives aim to make the institution more agile as well as expand its areas of operation.

Progress has also been made in capacity building and training, despite major challenges that have been forcing certain decisions on people management and the building of InPACTO's team.

Institutional consolidation in a new field poses new challenges: building a team, managing people and their expectations, capacity building and coordinating skills so as to strengthen multiple attributes of professionals who are required to deal with a delicate matter that is associated with image issues and major brands. Not to mention the ability to learn about the political, legislative and cultural context that

permeates the subject matter. All those elements must be matured into the ability to feel empathy with all stakeholders and to promote social dialogue, which is so important. We know that not all professionals are ready, and that is why we are working so hard to make sure that InPACTO can be a space for learning in multiple areas.

The assessment and approval of a compensation policy is one of the goals for 2020. It will lead to even more progress on the challenge of qualifying people and recognising their competencies. The policy should be submitted to the Advisory Board as soon as the new articles of incorporation

have been certified by a notary public and a capacity building and training program have been created. Lastly, investments will continue to be made to expand the team in 2020.

The political scenario has also had an influence on the institution's decision to be more introspective in 2019. The attacks on different rights, especially on Human Rights and organizations focusing their efforts on them, which took place throughout the year, have meant that InPACTO's actions have become more cautious, especially in the public sphere, carefully selecting and assessing which activities should be carried out in the course of the year.

Five-Year Strategic Plan 2019 – 2022

Strategic Objectives

1. To consolidate administrative and financial processes, to simplify and make management more agile, to expand the team and qualify it to strengthen the organization;

2. To revise and redefine the organizational governance, making roles and reporting to the executive team simpler and more objective, to conclude the renewal of the articles of incorporation;

3. To increase the number of InPACTO members and diversify and consolidate funding to meet the organization's financial requirements;
4. To enhance the InPACTO commitment monitoring system;

5. To restructure the team and consolidate roles and responsibilities;

6. To move InPACTO to headquarters that are compatible with its financial limitations;

7. To begin diversifying the institutional strategy with development agencies and international governments, including projects in new supply chains, the launch of the Hot-Spot/ InPACTO Vulnerability Index tool and international campaigns, such as the ILO's Alliance 8.7;
8. To establish Public-Private Partnerships for Coffee and Carnauba supply chains;

9. To start and/or strengthen public-private liaisons for Cocoa, Ethanol and Textile supply chains and Distribution Networks;

10. To launch an international initiative for experience sharing and interaction among public and private actors: a coordinated effort for the International Pact;

11. To reposition ourselves, the new website, celebrate the Institute's 5th anniversary;

12. To set InPACTO as the benchmark for the prevention and fight against slave labour in supply chains.

Strategic Tracks for the Strategic Plan for the period

- 1. Production Sector Support;
- 2. Institutional Representation & Advocacy;
- 3. Civil Society Mobilisation;
- 4. Member Relations;
- 5. Resource Mobilisation;
- 6. Communication;
- 7. Institutional and Team Strengthening;
- 8. Enhanced Management and Governance.

A solid foundation to help propel Mobilisation over the next few years

Having had a year of internal restructuring to create a solid institutional foundation that can help drive InPACTO's growth, the institute has continued to further member relations through continuous processes that have led to opportunities to share and to strengthen InPACTO's network. Some of the initiatives undertaken include capacity building for new member companies, three member meetings and training sessions at their invitation. Additionally, InPACTO also

participated in various activities that have contributed to strengthening the institute's image and operation.

Resource mobilisation efforts have also led to positive results, having brought in a new institutional supporter and new members, bringing us to the 62 member mark. The revised governance instruments have allowed us to establish major partnerships, proving that decisions made prior to that had been right. Our expectation for 2020 is that this year

of internal changes will bring in even more robust results.

Following is a list of activities that InPACTO has either organised or taken part in, in 2019. They are broken down into eight lines of action that were approved at the General Meeting: Production Sector Support; Institutional Representation & Advocacy; Civil Society Mobilisation; Member Relations; Resource Mobilisation; Communication; Institutional and Team Strengthening; Enhanced Management and Governance.

1. Production Sector Support

The Mesa de Café Brasil II Project and the Pre-PPP Project: both projects have been concluded and have led to new negotiations, among which is the new contract with the NGO Verité. Additionally, efforts in the coffee industry have led InPACTO to be selected by the Sustainable Coffee Challenge to lead a new initiative. Furthermore, we have become partners in The Global Coffee Platform Members' Initiative.

Consolidation of the Carnauba Project and resumption of a new phase.

Vozes da Moda Project (former Denin Project: Agreste Pernambuco in partnership with Ethos, DIEESE, Repórter Brasil and IC&A): phase 1 concluded and start of a new stage.

Consolidation and enhancement of the InPACTO Vulnerability Index with new and potential partners for 2020: Start of the InPACTO Vulnerability Index pilot project with companies

through an initiative supported by the British Embassy (set to be concluded by March 2020).

InPACTO's 2019 Commitment Monitoring underway; follow up and technical support provided to help develop action plans: the 2019 Monitoring process is currently in progress and action plans will begin to be created in 2020.

Implementation and Strengthening of the Textiles WG: a new stage is beginning so the work can be resumed in 2020.

Inclusion of child labour in InPACTO's remit: process to be resumed in 2020.

Begin talks with and approach companies about micro distribution and sales networks: initiative to be resumed in 2020.

2. Institutional Representation & Advocacy

Participation in CONATRAE: ongoing.

Participation in COMTRAE/SP: ongoing.

Participation in National and International Networks: ongoing.

Participation in LabModa working groups: ongoing.

Participation in events and seminars held by international partners (governments, civil society and multilateral agencies): ongoing.

3. Civil Society Mobilisation

Holding InPACTO's National Seminar and celebrating

InPACTO's 5th Anniversary: concluded.

Attending the Ethos SP Conference and Ethos Regional Conferences: concluded.

Participating in partner events: Fashion Revolution; Oxfam Brasil and all government levels: concluded.

Internal and external capacity building on the topic 'building the field of combat against slave labour': ongoing.

4. Member Relations

Monitoring and developing action plans, and providing technical support: ongoing.

Training new members on preventive action and the fight against Slave Labour: concluded.

Sending online newsletters to members and partners: concluded.

Attending member events and activities for their internal audience,

suppliers and partners: concluded.

Fostering the debate on legal aspects concerning the subject matter among members (Legal WG): ongoing.

Holding Study and Experience Sharing Group Meetings with Members: concluded.

5. Resource Mobilisation

Approving the fundraising plan: ongoing.

Fundraising with local and international foundations: ongoing.

Implementing fundraising initiatives that are in line with InPACTO's institutional development: ongoing.

Diversifying institutional strategies, including projects in new supply chains and the launch of data intelligence tools: ongoing.

6. Communication

Launching the new brand and website during the 5th anniversary celebrations: concluded.

Writing the 2018 annual report and beginning the 2019 report: concluded and ongoing, respectively.

Creating online newsletters with relevant topics and challenges: concluded.



7. Team Strengthening

Attending the training course on institutional development held by the IC&A: concluded.

Holding study group meetings about relevant topics: legislation, technology and methodologies. Concluded.

Providing training sessions and capacity building to the InPACTO team: ongoing.

Consolidating a core group for the generation and management of information on supply chains and the fight against Slave Labour: ongoing.

8. Enhanced Management and Governance

Revising the articles of incorporation and new institutionality: concluded.

Enhancing software use and financial procedures

for all cost centres: concluded.

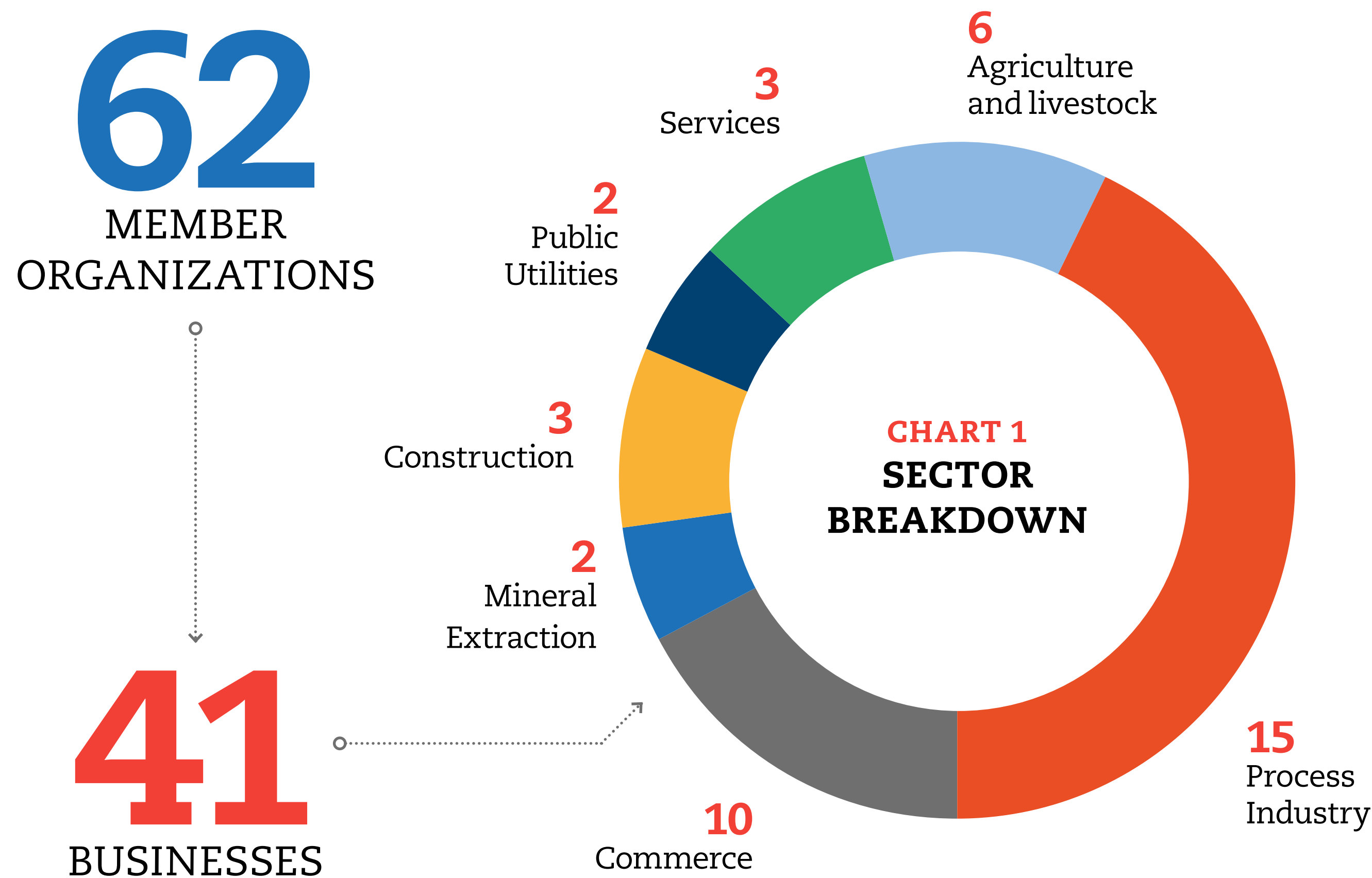
Revising the 2018 – 2021 Strategic Plan and Preparing the physical-financial budget for the 2019 Plan: concluded.

Writing financial reports for sponsors and partners, on request: ongoing.

Writing narrative reports for partners and sponsors, pursuant to the agreements: ongoing.

Creating an institutional meeting schedule (general meetings, board meetings, management meetings, learning meetings, etc.) in 2019: concluded.

Key figures 2019



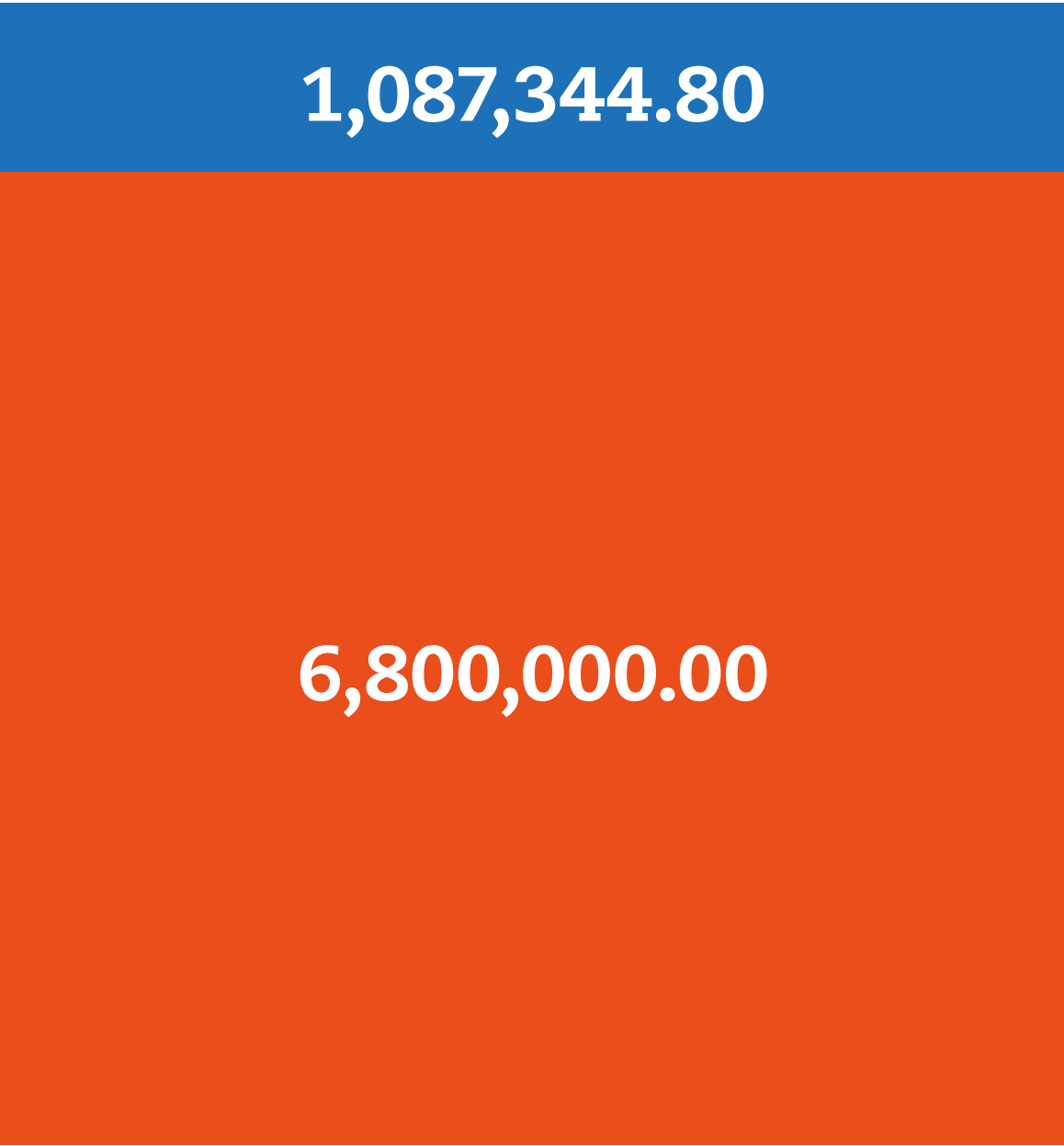
23 of these companies

were among the Top 1000 Brazilian Companies, according to *Valor Econômico*, and 3, whose financials were published in the annual sustainability report, had a net revenue that accounted for 16% of the GDP in 2018.

More than 1 million

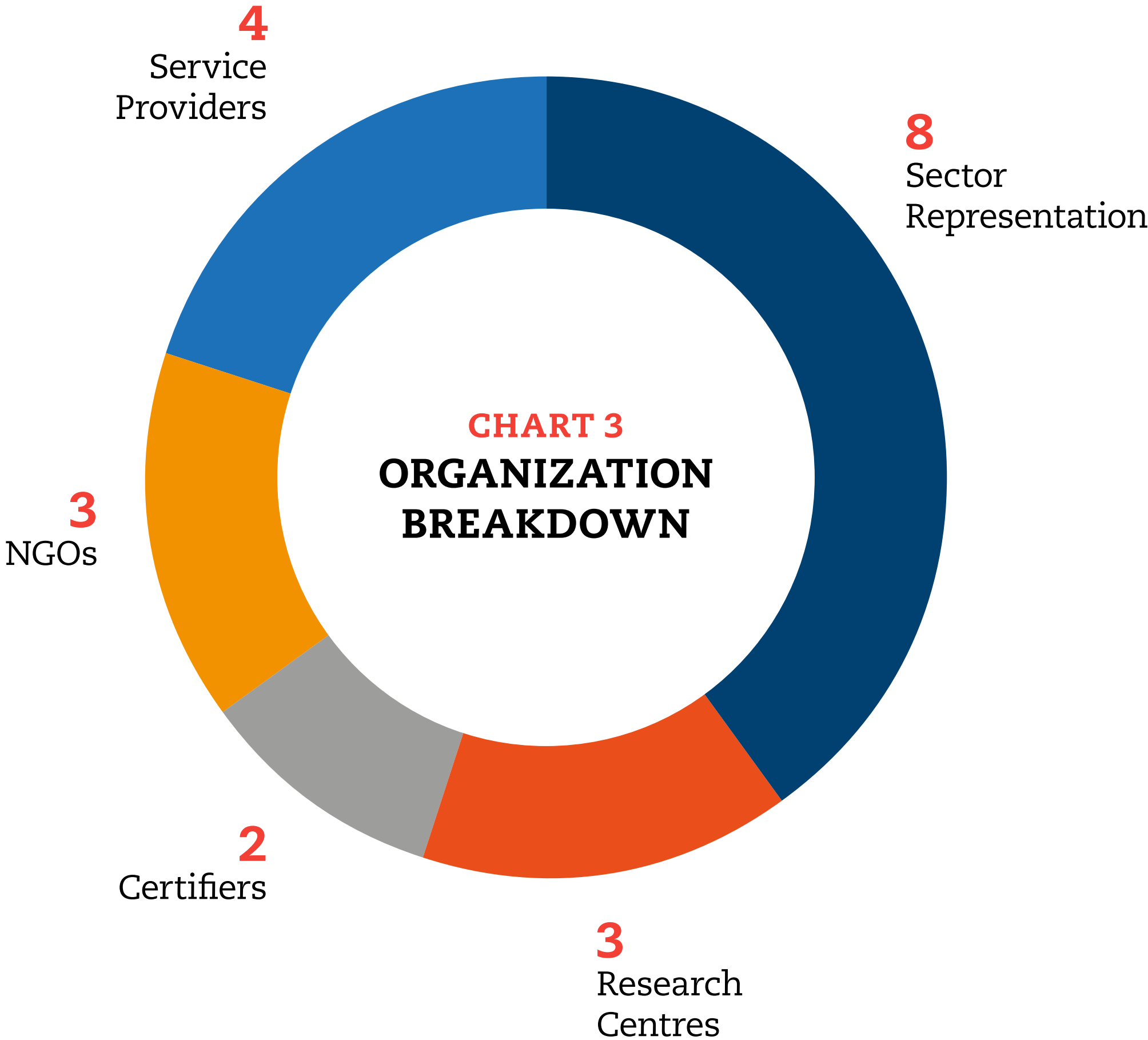
workers are covered by the National Pact for the Eradication of Slave Labour, according to the annual sustainability reports issued by some of these organizations.

CHART 2
NET REVENUE
X GDP 2018



■ NET REVENUE (IN R\$ MILLIONS)
■ GDP 2018 (IN R\$ MILLIONS)

20
SECTORIAL OR
CIVIL SOCIETY
ORGANIZATIONS



3 new
MEMBERS

1 new
INSTITUTIONAL SUPPORTER

100% of organizations
that have been members of InPACTO for more than six months are taking part in the 2019 National Pact for the Eradication of Slave Labour Commitment Monitoring.

2 online newsletters
containing relevant news and InPACTO activities sent out.

329 technical hours

logged by the team providing support to the production sector, they included: activities for the coffee, carnauba and textile chains; working on the monitoring system, the working groups, and the InPACTO Vulnerability Index; among others.

123 additional

technical hours devoted to institutional representation and advocacy, which included attending meetings held by CONATRAE – the National Commission on the Eradication of Slave Labour; SIT – Labour Inspection Secretariat; the UN; a seminar held by the British Consulate

General - Rio de Janeiro; public hearings at the federal legislative branch; Oxfam seminars; Fashion Revolution events; activities held by the Federal Prosecution Office; among others.

+203 technical hours

dedicated to civil society mobilisation, working at the RAC – Advocacy Network Collective; the Brazil Fund for Human Rights; Conectas; Oxfam; Fashion Revolution; Ethos Institute; among others.

131 technical hours

dedicated to member relations, broken down into assignments; for ABVTEX;

a training course at Petrobras; a lecture at BR Distribuidora; workshops on Monitoring; meetings with members about joint initiatives with value chain partners; InPACTO's 5-year anniversary seminar; among others.

Here, it is worth mentioning the three Member Meetings held last year. This educational forum brings members together with a view to debating human rights and slave labour-related issues. This is a time for learning and active participation, during which a guest speaker also discusses a specific topic. In 2019, topics included health and

safety at work, monitoring and the InPACTO Vulnerability Index.

Minerva Foods, one of the members, made the following comment in the feedback form for the last meeting of the year: "It was a very rich meeting, especially the experience sharing among members. It would be interesting to discuss each member's initiatives and experiences, as that could be helpful to participants in terms of what they can do in their own business, it would also generate new ideas and proposals".

The meetings are also open to non-members. In 2019, 4C, a non-member

German certifier attended a meeting and, at the end, decided to join InPACTO.

64 technical hours

dedicated to resource mobilisation, broken down into meetings with the C&A Institute, the USDOL – United States Department of Labor, FGV – Getúlio Vargas Foundation, the Baobá Fund, the United Nations, Rainforest Alliance, McDonald's and Starbucks, among other partners.

32 technical hours

working on communication, including the development of the

webpage, two newsletters for members and the communication workshop, to name a few.

32 technical hours

technical hours dedicated to strengthening the team through administrative and financial training sessions, language classes, and other capacity building activities.

230 technical hours

working on enhancing management and governance. Since this was an introspective year, this line of action was the one we invested in the most. Several Advisory Board meetings were held to debate the new articles of incorporation,

the institutional organizational chart, the code of conduct and the bylaws.

A general meeting and a special meeting were held. In the first, discussions revolved around the change of address and the new organizational chart. In the second, decisions were made on the articles of incorporation.

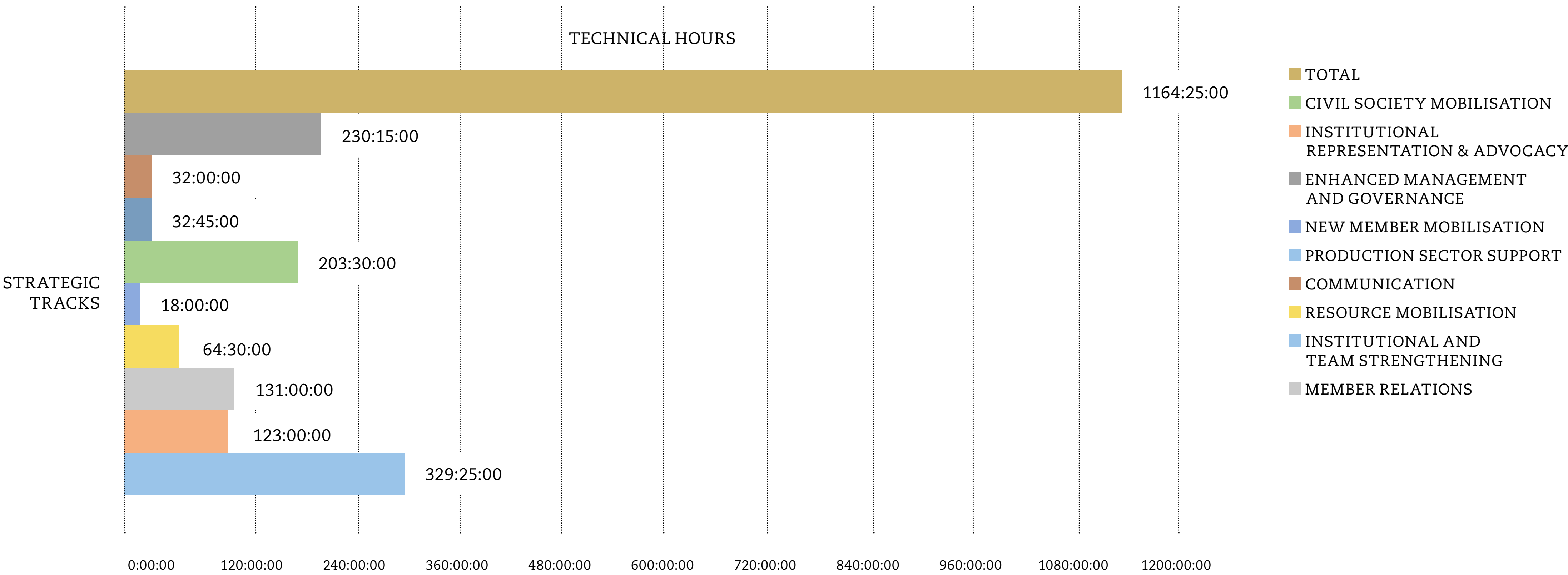
These activities included many expert, revision and assessment meetings, as well as a great deal of work on the facilities and the installation and implementation of the new financial management system. Not to mention all the work that went into moving to new headquarters, the renovation,

and the new facilities, among other management and governance activities that took place throughout the year.

This adds up to a total of 1.164 technical hours

logged by the team in 2019. It should be pointed out that there are also countless day-to-day activities that are not logged into the institutional records, not to mention the fact that the technical hours logged do not cover the whole team. For instance: writing and reviewing documents; helping members by phone or in person; project accountability; organising activities ranging from meetings to seminars; among many others;

CHART 4
BREAKDOWN OF TECHNICAL HOURS BY STRATEGIC TRACK



4.

Where
we are and
where we
are going

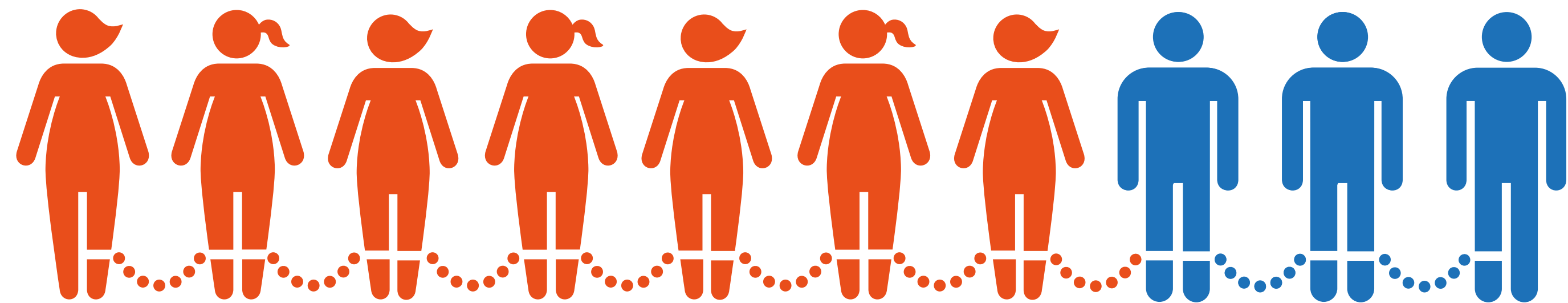
Slave labour is a global problem

Thousands of people in Brazil and around the world are still working in degrading conditions, subject to forced labour, excessive working hours and debt bondage. The international organisation Walk Free's 2018 Global Slavery Index shows that 40.3 million people are subject to modern slavery.

More than 160 thousand Brazilians included. These people are subject to extreme financial, psychological and social vulnerability, they live and work in conditions that typify modern slavery.

71% of
the people
working in
slave-like
conditions
are women

Source: Walk Free's 2018 Global Slavery Index



Modern slavery: a matter of dignity

All human beings are born free and equal in dignity and rights.

It is key to reiterate that slave labour is not characterised only by the absence of freedom, but also by the absence of dignity. The term “slave-like labour” is used because, officially, slavery has been abolished in the world, but the characteristics of the crime still remain. The fact is that

many people are currently subject to slave-like working conditions – ranging from the restriction of freedom to the absence of decent and dignified working conditions. Modern slavery is characterised by allowing workers to have their freedom, but denying them the bare minimum of dignity.

Slave-like labour includes various degrading elements, such as excessive working

hours, forced labour, unsuitable workplaces not in compliance with occupational health and safety standards, and labour document irregularities. Debt bondage is a recurring issue: workers’ wages are kept to pay for food and housing, which is usually in the same location where they work. Cases reported to the Ministry of Labour included most of these elements.

“In the past, (slavery) meant you’d be beaten into working. Now, you’re humiliated into working”.

“Being humiliated: being shouted at all the time, being treated like a dog”.

“Slavery is not just about being kept in a farm, it’s about being humiliated at work, not being paid, eating bad food, working too much”.

“It’s when you don’t feel like a human being”.

Source: ILO - testimonial from rescued workers

International Legislation highlights debt bondage

The UN's 1956 Supplementary Convention on the Abolition of Slavery, the Slave Trade, and Institutions and Practices Similar to Slavery defines debt bondage as: "the status or condition arising from a pledge by a debtor of his personal services or of those of a person under his control as security for a debt, if the value of those services as reasonably assessed is not applied towards the liquidation of the debt or the length and nature of those services are not respectively limited and defined."

Brazil in the fight against slave labour

According to the ILO, 370 thousand people are still subject to slave-like working conditions in the country.

Brazil's efforts have been recognised by the International Labour Organisation as an example to be followed in the fight against slave labour. However, a number of setbacks have weakened Brazil's public tools and led it to lose the status, according to a statement made by the ILO at the end of 2017. Nevertheless, Brazil has had a pioneering track record in the field and there is local and international expectation as to how new approaches

and strategies will be devised to fight slave labour while overcoming the challenges posed by the current scenario.

Track record

In 1995, Brazil officially admitted to having a slave-like labour problem in its supply chains and work relations. The country was one of the first in the world to recognise the existence of slavery and, in 2003, was the first to launch an integrated plan to combat the crime and publish a periodical list of offenders – the Labour Prosecution's Register of

Employers, also known as “the Slave Labour Dirty List”.

More than 54,000 people have been rescued from slave-like working conditions in Brazil since 1995.

By recognising the existence of slave labour in the country before the UN, the Brazilian government paved the way towards the creation of public policies to combat the crime. In 2005, Brazil created the first cross-sector business pact against slavery in the world: the National Pact for the Eradication of Slave Labour.



A long way to go

In 2017, Brazil also became the first country to be convicted of omission by the Inter-American Court of Human Rights in a case of slave labour. From 1995 to 2019, labour inspectors found 54,491 people being subjected to slavery in Brazil, according to data from the Federal Government's Labour Inspection Secretariat (SIT). 52,169 of them were rescued, of whom 756 were immigrant workers from other countries, 177 were under 16 years old and 323 were aged 16 to 18. Most of them were Afro-descendants.

In 2019, 1,054 people were found to be working in those conditions. That figure is within the average for the past 5 years, but is less than half of the figure for the period of 2010-2014.

Source: CPT – Pastoral Land Commission.



The fight against slave labour is moving forward in the world

Meanwhile, the world is moving forward with stricter legislations and global supply chain monitoring and control policies.

The ILO's strategy is to engage actors by working with governments to create public policies that can effectively prevent and combat the exploitation of workers. As part of the advances, many countries are drafting and passing legislations that require companies to disclose what they are doing to combat slave labour. Much progress has been made in that field over the past decade, as shown in the map (*see next page*).

New laws deploy the Guiding Principles on Business and Human Rights (GPs), approved by the UN Council of Human Rights in 2011, which establish that all trade relations and operations are required to respect human rights, whether they be conducted by private or public agents. The UN Principles are based on rights that are internationally recognised through the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the ILO Conventions, which set out that all legal entities must also be accountable for those rights.



California (2010)

Requires companies subject to the law to disclose information regarding their efforts to eradicate human trafficking and slavery within their supply chains on their website or through written disclosures.

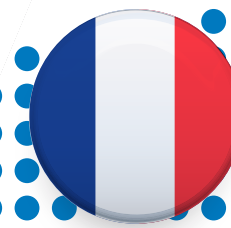
- Retail Sellers or Manufacturers
- Doing Business in the State of California
- With annual worldwide (not only in the state of California) gross receipts in excess of US\$100 million



United Kingdom (2015)

Requires all large businesses to produce an annual statement setting out the steps they have taken to prevent modern slavery in their business and supply chains.

- British or international organisations carrying on a business in the UK with a total annual turnover of US\$52 million or more.
- Must produce a statement for each financial year.



France (2017)

Requires a 'vigilance plan' to prevent infringement on human rights or adverse impacts on the environment covering the entire supply chain.

- Companies headquartered in France that employ 5,000 employees in France, or at least 10,000 employees worldwide (including through direct and indirect subsidiaries); or
- Foreign companies headquartered outside France, with French subsidiaries, if those subsidiaries employ at least 5,000 employees in France.

Australia (2019)

Requires annual public reports describing:

- The entity's structure, operations and supply chains, the potential modern slavery risks in the entity's operations and supply chains, actions the entity has taken to assess and address those risks, including due diligence and remediation processes, and how the entity assesses the effectiveness of those actions.
- Companies carrying on business in Australia that have an annual revenue of at least US\$100 million.
- Other companies can volunteer to provide a statement.



5.

What we do and why we do it

Collaboration – the way forward

InPACTO is a key engagement agent that enables the business sector to fight slave labour efficiently. Some of the strategies adopted include establishing a dialogue with the public and the private sectors and civil society, assessing and organising sector data that can inform a frank dialogue on the challenges and the adoption of solutions, and providing visibility to good practices and successful initiatives so they can be replicated and lead to more learning.

Information generation and management

One of the biggest bottlenecks in the fight against slave labour in Brazil and the world is the lack of information that can effectively

help the decision making process of those who seek socially responsible business, efficient public policies and a dialogue with civil society and consumers.

Due diligence processes tend to be expensive and time-consuming, however, high quality information on risk materiality can lead to savings and efficiencies in entire sectors. In order to overcome those challenges, we have created an Information Generation and Management System (SGGI) that can compile, gather and analyse primary and secondary data and, based on that, produce high quality information that can back up actions implemented by the public and private sectors and civil society to combat the exploitation of vulnerable workers. Find out more in the next section.

InPACTO Vulnerability Index

To map the elements that make a municipality, a region and their population more vulnerable to slave labour or any other violation of human rights, and to create a risk scale by cross-referencing and assessing hundreds of socioeconomic and demographic data points. That is what the InPACTO Vulnerability Index proposes to do. The Index is an innovative technology conceived by the institute to help companies and sectors set preventive action priorities in their supply chains and enhance the fight against slave and child labour in Brazil.

The analysis of socioeconomic data with a view to measuring the risk

of slave labour based on population vulnerability had been a long standing desire of InPACTO's. It began to take shape for the first time in 2017, through a partnership between InPACTO, JBS and Agrottools that focused on livestock in the Legal Amazon.

Now, the InPACTO Vulnerability Index has been rolled out to Minas Gerais with a database that covers all 853 municipalities in the state for a test phase with businesses. Minas was selected because it is the second largest exporting state in Brazil in volume, accounting for approximately 11% of total exports in 2017.

20 Brazilian and multinational companies that work with local suppliers in the state were invited to get to know, assess and contribute to the enhancement of the tool during the test phase. Representatives of the companies met in November, last year, during an introduction seminar, where they had the opportunity to ask questions about how the indicator was conceived and were excited with the tool's potential to guide their prevention strategies against slave labour.

To Daniele Martins, project coordinator at InPACTO, "this test phase involving the

companies is key to further developing the platform so it can make data analysis easier, as well as honing the strategy, which requires the mobilisation of the production sector".

The InPACTO Vulnerability Index will allow companies that operate in Minas Gerais to get to know their risks based on the reality of a specific city or region and, thus, with InPACTO's help, to devise action plans that are better suited to the locations where their suppliers are based. The index provides the additional benefit of enabling joint initiatives among businesses and sectors that operate in the same area.

The index puts technology and intelligence at the service of the prevention and fight against slave labour in Brazil. It is the result of the analysis and cross-referencing of 420 local, state and national indicators from national statistics system sources, such as the Multidimensional Statistics Bank, the Basic Municipal Information Research, The Central Business Register, the Demographic Census and the IBGE's Brazilian Municipalities Profile; the ILO's Municipal Decent Work Indicators and The Digital Observatory of Slave Labour, a joint effort by the ILO and the Labour Prosecution Office, among others. "The indicator's scale ranges from 0 to 1, where the closer to

1 a municipality scores, the higher its vulnerability to slave and child labour", explains Danilo Torini, methodology coordinator for the project.

The methodology of the Vulnerability Index considers variables that have a high correlation with the occurrence of slave labour – among which are the "Dirty List", inspection operations, information on the dynamics of the labour market (formal and informal), paid and unpaid work, records of teenage and child labour, working hours, health and safety, yields, social security and dialogue.

The index also considers factors that are indirectly related to slave

labour but point to social fragility, such as the availability or absence of public healthcare services, culture and housing, and commuting time. It also considers socioeconomic and demographic data, which help to outline a municipality profile and, in specific situations, can have an influence on the potential risk of human rights violations. The risk map shows the overall vulnerability index for a municipality and pooled by indicator modules (social, social security, labour, education, etc.).

The Vulnerability Index results measured by participating companies during the assessment phase will be presented on 16 March, 2020, in São

Paulo. A Technical Committee consisting of experts on data analysis and human rights will also be created to potentially enhance the methodology.

The next phase will include the roll out to the state of Espírito Santo and the coffee industry. InPACTO is building a robust slave and child labour due diligence system. "We are helping to make vulnerabilities to potential rights violations more tangible, to build a common benchmark for municipalities and production sectors, and to make risk management more agile and safe for businesses. The index has huge potential", stressed Mércia Silva, InPACTO's executive director.

Technical support and monitoring

All businesses or organizations that join InPACTO undertake the 10 commitments under the National Pact for the Eradication of Slave Labour, which aim to implement initiatives that contribute to the eradication of slave labour in Brazilian supply chains.

Every year, we conduct an assessment that helps us understand the challenges faced by member companies when trying to fulfil those commitments. The

assessment is put together based on information gathered during the annual monitoring. It allows us to measure obstacles and progress, and to propose more effective tools to control and mitigate risks in supply chains, whenever necessary.

Based on the assessment of this information, suggestions are made to each company as to how their internal management tools and their social responsibility programs

and policies can be improved. This considered data analysis helps InPACTO and businesses and associations in the industry to create an annual strategy.

In 2019, the monitoring process was enhanced and we are currently running the tool to gather primary data on what member companies are doing to combat slave labour in their value chains. This initiative is unprecedented anywhere in the world.

Slave Labour Dirty List

The Register of Employers that have subjected workers to slave-like working conditions is known as the “Dirty List”. This is a public transparency policy created by the Brazilian State in 2003 disclosing the names of individuals or legal entities known to have been exploiting slave labour. Since 1995, more than 53 thousand people in Brazil have been freed from slave-like working conditions after being found in building sites, charcoal plants, farms, textile workshops and agricultural estates.

A long process takes place before a company’s name is included in the Dirty List. After a complaint is lodged, a group comprising members of the Labour

Prosecution Office, the federal police or the federal highway police, and tax auditors visit the site to check on the conditions that were reported.

Once the complaint is validated, the employer is notified and submitted to an administrative process. If the judgement becomes final and unappealable, the employer may be ordered to pay a fine. If a Consent Decree (*Termo de Ajustamento de Conduta*) is not executed or complied with, the employer’s name is included in the “Dirty List”.

The current rules that govern the composition of the “Dirty List” are set

out in Ordinance Nº 4 of 11 May, 2016. Until 2018, the former Ministry of Labour and Employment was responsible for publishing the list with the support of the Labour Inspection Secretariat.

However, in 2019 the Ministry of Labour and Employment was dissolved and its work put under the Ministry of Economy, thereby turning what used to be a Ministry into a secretariat. Thus, the “Dirty List” is currently allocated to the Ministry of Economy as one of its remits.

The list, which was first published in 2003, is considered one of the main tools against slave labour in Brazil – and,

according to experts and institutions that combat the problem around the world (such as the International Labour Organization), it is a model to be followed by other countries. As of the publication of the Dirty List, banks are now able to deny credit, loans and agreements to farmers and businesspeople who exploit slave-like labour.

Last year the list was published twice, the first time on 3rd April and the second on 3rd October. Furthermore, it has been updated a few times as injunctions at times include a company, and at others exclude others. Every time that happens, the list is updated and published again.



However, with all the attacks against rights in general that have taken place in the past few years in Brazil, this internationally awarded and commended public policy is under great threat. That is why now, more than ever, defending and recognising this policy is essential to preserving and strengthening it. Hence, the first commitment under the National Pact for the Eradication of Slave Labour, which revolves around “Recognising the legitimacy of the “Dirty List” created by the Ministry of Labour”, has become particularly relevant in the current scenario.

Additionally, a new list is to be published: the MPT - Labour

Prosecution Office’s dirty list, which had initially been planned for December 2019, but hasn’t been published yet. According to the MPT’s Resolution N° 168 of June 24, 2019, this list will cover all final and unappealable cases not under seal; in cases of individuals and legal entities found GUILTY in the course of JUSTICE; and of the criminal prosecution they have been submitted to.

In other words, there will be two (2) lists, one covering labour inspection cases that will include the names of those known to be exploiting slave labour; and another list of those liable for a crime, created by the Labour Prosecution Office.

Engagement and Advocacy: Good practices and a collective effort

Companies that sign the pact undertake the commitments to combat slave labour in their supply chains. One of the commitments made by member companies is to standardise, disclose and share initiatives with a view to increasing their visibility so they can be replicated. Member meetings revolve around experience sharing and the expansion of knowledge, and InPACTO seeks to maximise their potential to inspire members of the institute with the successful initiatives that are shared.

Progress on the commitments is monitored annually and informs the

dialogue with different sectors and other important actors that may be directly or indirectly involved in the fight against slave labour. InPACTO sees monitoring as a way to measure progress, setbacks and, more importantly, to guide the Institute's actions so they can promote social responsibility more efficiently through the implementation of effective initiatives that are developed collectively.

When a company proactively promotes decent work, it can drive cultural and behavioural change. It helps its workers, employees and business partners to build a fairer and more equitable society.

This is known as a fractal approach, that is, a true transformation of culture and behaviour that has an impact on all other areas. It is pointless for the theory and practice of decent work to be present only in sustainability departments or among professionals and activists in the field. All company departments and partners must be involved in the action and change of mindset so that decent work can truly become a reality. The company's entire value chain needs to be in tune with the principles and values of decent work it has established. This is a fractal approach.

Sector strategies

InPACTO endeavours to foster transparency in social protection actions that are implemented in the production sector; to meet international demands and expectations; and the need for transparency in the global market. The Production Sector Support strategy is aimed at helping businesses and their leaders in their key decision-making processes regarding workers.

Critical partnerships have been established with some sectors, which proves one of our strongest assumptions: it is by interacting within specific sectors and uniting their actors, or by liaising with different sectors, that we will find solutions to complex problems.

“The challenge of combating slave labour is not the responsibility of a single agent or a single company”

COFFEE The Coffee Industry

The largest coffee producer in the world and boasting the biggest national and multinational companies in the industry, Brazil is still faced by a major challenge: making sure it becomes an international benchmark for human dignity in its coffee production process.

With that in mind, and through a partnership with the Catholic Relief Service (CRS⁵), InPACTO created the MESA DE CAFÉ BRASIL project, with the support of the Council of Coffee Exporters (CECAFE), the Global Coffee Platform (GCP) and the International Labour Organization (ILO); in addition, the Coffee Working Group (GT Café) was created, where approximately 15

⁵ American non-governmental agency with experience in the combat against modern slavery in more than 30 countries.

members work together to define the best strategies to foster dialogue among the different actors in the industry.

The project has also sought to comply with new demands arising from policies implemented by several importing countries. They include legislations and conditions that require detailed information on how companies are controlling and monitoring respect to human rights in their supply chains. This is a new approach that invites businesses to take the lead in solving these problems and to look for initiatives on a global scale. The project reached its end in 2019, but paved the way to new negotiations that would enable it to continue in 2020.

CARNAÚBA **Consolidating the carnauba initiative**

Brazil is the only carnauba producer in the world. The production is concentrated mainly in two states in the Northeast: Ceará and Piauí. In addition to being vital to many industrial sectors, carnauba production supports the livelihood of many families that live in rural communities, especially during the drought season, from June to January. Carnauba wax powder production involves a highly complex chain, on different levels, that entails various arrangements, power relations and interests, making it difficult for workers to organise and pursue decent working conditions and fair pay.

A need for action in the industry led to the creation of a working group, which has been meeting periodically to devise effective strategies for areas where carnauba straw is harvested. The initiative aimed to foster a qualified intervention in the production landscape through the mobilisation of local actors, government, the industrial sector and all businesses involved in order to make improvements to working conditions and promote decent formal labour.

5 meetings were held in 2019. Through a partnership with the Piauí State Prosecution Office, the ILO has raised funds to adopt a more concentrated approach in 2020. InPACTO will be taking part in the project with a view to engaging the production sector.

InPACTO Team

Executive Director

Mércia C. Silva

Executive Assistant

Denis Oshima Roberto

**Mobilisation and
Relations Coordinator**

Milene de Almeida

Project Coordinator

Daniele Martins

**Senior Financial and
Administrative Analyst**

Mônica Corrêa Alves

Communications Trainee

Milena Zellaury

**Management team
in charge of the
activity report**

Denis Oshima Roberto
and Daniele Martins

InPACTO

Avenida Paulista, 2073,
Conjunto Nacional, Horsa 1,
Sala 321, Consolação
São Paulo – SP 01311-940
Telephone: +55 11 3179-0151
E-mail: contato@inpacto.org.br

Our Supporters

AMAGGI

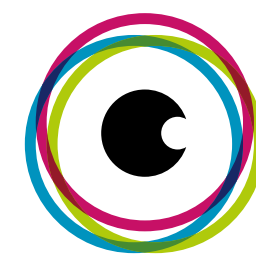


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Repórter Brasil

RCHLO
RIACHUELO





*Avenida Paulista, 2073,
Conjunto Nacional, Horsa 1,
Sala 321, Consolação
São Paulo – SP – 01311-940
Telephone: +55 11 3179-0151
E-mail: contato@inpacto.org.br*