



TIMBER INDUSTRY

MODERN SLAVERY AND THE BRITISH MARKET

This report addresses the reality of slave labour in Brazil's timber industry, stressing its connections with British companies and exports to the United Kingdom. We focus on providing insights into the impact of anti-slavery laws – notably the UK Modern Slavery Act and the so-called “dirty list” of slave labour – in tackling modern slavery in production chains. The investigation does not track specific batches of products, but identifies business relationships between suppliers and buyers.

About this project

The University of Nottingham, BRICS Policy Centre, Business & Human Rights Resource Centre, Repórter Brasil and Core Coalition, with the support of the British Academy, have conducted researches on the Beef and Timber Supply Chain in Brazil in 2018. Repórter Brasil was responsible for conducting analysis of the supply chains of those sectors.



**REPÓRTER
BRASIL**

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Slavery in the Forestry and Timber Industry

This report addresses the reality of slave labour in Brazil's forestry and timber industry, stressing its connections with British companies and exports to the United Kingdom. The study focuses on providing insights into the impact of anti-slavery laws – notably the UK Modern Slavery Act and the so-called “dirty list” of slave labour – in tackling modern slavery in production chains.

The information presented here includes three subdivisions of the forestry and timber industries, which are generally organized in different production chains, as follows:

- Extraction and processing of tropical hardwood in the Amazon region;
- Management of pine and eucalyptus monocultures for the plywood industry, especially in Southern Brazil;
- Management of eucalyptus monocultures to supply the pulp and paper industry – an activity that is present throughout Brazil's Centre-South.

Most situations involved workers exploited in timber extraction areas. However, there are also situations related to the conditions imposed on sawmill workers. In addition, the report also looks into the use of the so-called “dirty list” of slave labour as a tool for transparency and for coping with that crime in local production chains. Finally, the report also provides background information on the reality of contemporary slavery in Brazil and on the trade of paper, pulp and timber products between Brazil and the UK.

METHODOLOGY

The case studies are based on situations of contemporary slavery found during inspections conducted by Brazil's Ministry of Labour. In order to work with a relatively broad database, it set the inspections that took place from 2010 on as its cut-off line. There are four main data sources:

1. Ministry of Labour reports;
2. Customs databases;
3. Forest guides and other documents

from the System of Trade and Transportation of Forest Products in the State of Pará;

4. Information published on the media, in academic studies, and on the websites of companies.

Slave labour in Brazil

In 1995, before the country itself and the International Labour Organization (ILO), Brazil's Federal Government publicly admitted the existence of contemporary slave labour. Thus, it became one of the first nations in the world to recognize the problem in its territory officially. From 1995 to the present, more than 52,000 workers have been freed from situations analogous to slavery, in operations headed mainly by Ministry of Labour inspectors.

Despite the relatively high number of workers rescued, it would be a mistake to assume that it represents anything close to the total cases occurring in the country. Many situations of contemporary slavery are never reported, and many complaints made to the authorities are never inspected.

Traditionally, workers subjected to contemporary slavery are employed in economic activities developed in rural areas, such as cattle ranching, coal production, and agricultural crops. However, in recent years, the problem has been found more often in urban centres, especially in the textile and construction industries and the sex market. Cases of slave labour have been reported in all Brazilian states. Pará and Mato Grosso – the main regions of expansion for the country's agricultural frontier – are the top states in number of workers freed.

In Brazil, 95% of the individuals subjected to rural slave labour for economic exploitation purposes are male. The activities in which this type of labour is used require physical strength, so recruiters seek mainly young men. Rural workers freed during inspections are mostly migrants who had left their hometowns towards agricultural regions. They are lured by recruiters' false promises or they are forced to migrate because of their economically vulnerable lives.

Slave labour cannot be understood merely as a violation of labour laws. It is defined as a crime against human dignity under Article 149 of the Brazilian Penal Code (Código Penal Brasileiro, CPB). According to that article – which provides for a sentence of two to eight years in prison in addition to a fine for perpetrators – any of the following four elements is enough to characterize exploitation of labour “in a condition analogous to slavery”:

- forced labour: people forced to work under threats of physical or psychological violence or geographical isolation;
- exhaustive working hours: workers doing workdays that go well beyond overtime and endanger their physical wellness;
- degrading conditions: people living in unhealthy accommodation, without access to PPE, decent food and drinking water at work fronts;
- debt bondage: workers tied to work because of illegal debts related to transportation, food, accommodation and other expenses.

Therefore, according to Brazilian law, that condition is not defined only by restriction to victims' freedom of movement. Slave labour is also practiced by those who subject workers to conditions that harm their basic dignity, even placing their lives at risk due to degrading conditions of work, accommodation or food.

When the inspectors from the Ministry of Labour go to the field and find workers in conditions analogous to slavery, usually after a complaint, the so-called "rescue" is carried out. During the inspection, which in some situations may be escorted by Federal Police, employers have to pay everything they owe to workers under Brazilian labour laws.

The report on an inspection that finds workers in conditions of slavery is also sent to the Labour Prosecution Service (Ministério Público do Trabalho, MPT), which can go to Labour Courts to demand compensation for individual and collective damages. In the criminal sphere, the Federal Prosecution Service (Ministério Público Federal, MPF) is competent to prosecute employers for the crime of using slave labour according to Article 149 of the Penal Code. In case of conviction, the sentence is defined by Federal Justice – not by Labour Justice.

Impunity, however, is still one of the main bottlenecks in fighting slave labour in Brazil. While civil penalties have been enforced, criminal ones are still rare. Jurisdictional conflicts – about the power of state or federal courts to prosecute the crime – and delays in the judicial system often cause the statute of limitations to expire.

Another major problem is the significant decrease in the number of inspections being carried out by the government to identify cases and rescue victims. In 2013 there was a peak in the number of operations (189) promoted by Ministry of Labour inspectors. Since then, this number has been falling every year. In 2017, there were only 88 operations – that is, half of that number.

The "Dirty List" of Slave Labour

In 2003, the federal government created the "dirty list" of slave labour, which became one of the main tools to combat that crime in production chains in the following years. It is a register updated by the Ministry of Labour, which discloses data on employers charged by inspectors with subjecting their employees to situations of slavery. It is posted on the Ministry's website .

It is important to keep in mind that the "dirty list" is an administrative tool of the Federal Executive. Its creation is not based on any law, but rather on a joint administrative ordinance of the Ministry of Labour and the Ministry of Human Rights intended to make inspection operations transparent. This means that in order to have their names included in the list, employers do not have to be convicted of the crime provided for in Article 149 of the Criminal Code.

Slavery in the Timber and Forestry Industries

Activities linked to reforestation and the timber industry are an important focus of slave labour cases in Brazil. The situation has been found in different regions of the country and is related to several production chains that use wood – planted or native – as the main raw material.

According to information provided by Brazil's Federal Government, 12,222 workers were rescued from slave labour in the country between 2011 and 2017. Of those, 880 (7.2%) worked in some activity linked to the timber, paper or pulp production chains. In all, 87 cases were found in these sectors. These 87 cases were highly scattered. They occurred in 17 of the 24 Brazilian states and include all Brazilian macro-regions – North, Northeast, Centre-West, Southeast and South.

However, that does not mean that conditions are better in the rainforest. Interviewed by Repórter Brasil, Ministry of Labour inspector José Weyne Marcelino, who works in the Amazon region, said that the number of people rescued would be much higher if inspections were more effective in the area. According to him, one of the difficulties in catching perpetrators in the act is precisely to locate workers in vast areas of closed forest, having to face the “counterintelligence” of loggers who are used to escape environmental inspections – much more frequent of the than labour-related ones – inside forest areas. When they realize that inspectors are coming, they even use radio communication to disperse groups working in logging areas.

In addition, slave labour is often associated with illegal logging. Afraid of being held accountable for environmental crimes, exploited victims rarely seek authorities to report abuse. “They know they are involved in criminal activity, even though it is out of necessity. So it's a sector where there are virtually no complaints”, the auditor reveals. Workers' fears became clear in an inspection conducted by the Ministry of Labour and monitored on site by a Repórter Brasil team in 2016 . When workers noticed the arrival of the inspectors, they ran from the camp and hid in the woods. They only returned after one of the members of the group – a woman who had lagged behind – shouted that it was not IBAMA staff (Brazil's environmental agency), but rather the Ministry of Labour. “We thought they were going to shoot us”, one of the rescuers said, returning to the camp after the initial scare.

For Maurício Torres, a University of São Paulo (USP) researcher who specializes in socio-environmental conflicts in the Amazon, this is a result of the lack of institutional intelligence by environmental agencies in Brazil. “You have very expensive field operations, which boast a lot but only look at the end of the chain, where the poor chainsaw operator is”, he criticizes. According to him, peasants' abandonment in the region encourages them to search work with loggers. “Families plant crops or have some cattle for subsistence, but selling them is very difficult. This causes those groups to run out of money and then at least one family member has to go work at sawmills”, he explains.

“We risk our lives all the time here. It may be a poisonous animal or working with wood that can fall on us... There was a guy there [at the logging front] who used to do the same job as I did. He died after a log fell from the truck right on top of him”, says one of the workers rescued. “I’d just lie down in my hammock, thinking to myself... My family doesn’t know what I’m going through here.” Workers are rescued from situations of violence common to those who make a living out of logging in the region. These include frequent lack of payment by employers and threats to those who dare to complain. In cases of slave labour in the sector, workers are almost never formally hired. They are paid according to piece-rates, based on the number of logs they can deliver to their employers. As a rule, payment is not made in cash.

“At the end of the year, if you have a lot of money to receive, they won’t pay you. They’ll have you killed. They [employers] might owe R\$ 10,000 or 15,000 to a worker. But a gunman will cost only 3,000”, one of the workers says. “He threatens you, with a pistol to your face. He says he has no money, and that’s it”, adds another worker. “If you report a guy like that to the military or civil police, that’s suicide.” Being isolated in the forest for long periods further increases workers’ vulnerability. “We can’t come to town because the boss won’t let us. You have to follow his orders and work for 30 days in a row, otherwise you’ll lose your job”, says a woman hired as a cook at an extraction front. The only way to communicate with their families, she says, is by messages passed through their employer.

The Industry’s Exports to the UK

In 2017, Brazil exported approximately US\$ 2.8 billion in goods and services to the United Kingdom – 1.3% of its total exports. The country was the 14th largest destination of Brazilian sales in the period. Manufactured and semi-manufactured goods accounted for most of the items traded (71%, in US\$). According to data from the Ministry of Development, Foreign Trade and Services, plywood sales accounted for 2.9% of the total – or US\$ 83.5 million. The UK was the second main destination of this product in the period, surpassed only by the United States. Other countries within the 10 top destinations are Germany, Belgium, Mexico, Italy, Puerto Rico, Argentina, South Africa, and Jamaica.

Pulp sales amounted to US\$ 54.7 million – 1.9% of total Brazilian exports to the UK, the 13th main destination of the product. China, the United States, the Netherlands, Italy, France, Belgium, Spain, South Korea, the Cayman Islands, and Japan were the top 10 importers in 2017. Paper sales to UK, in turn, totalled US\$ 53.6 million or 1.8% of total Brazilian exports to the country. In 2017, the 10 largest markets were: Argentina, Chile, Peru, the United States, Cayman Islands, Paraguay, China, Colombia, Mexico, and Ecuador, while the UK ranked 12th.

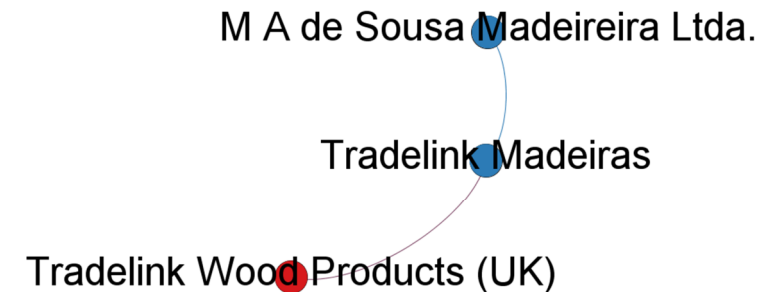
The Ministry does not provide specific consolidated data on sales of tropical hardwood in its different formats – decking, floors, boards, etc. However, it is possible to see that exports of timber products from the state of Pará to the UK totalled US\$ 1.4 million in 2017. The country was only the 20th main destination in this list. Pará is the largest hardwood-producing state in Brazil and uses native forests as the predominant source of raw material in its timber industry.

Case 1: M A de Sousa Madeireira

This is another case of workers' rescue by prosecutors of the Ministry of Labour in Uruará, PA. In total, five people were found in situations analogous to slavery. As in the previous case, the rescue occurred in October 2016 and the problems found were similar. Rescued workers were logging in an area of native forest. They were housed in a dirt floor shack, with no walls and covered by a plastic tarp – exposed, therefore, to the weather and attacks of venomous animals. There were no toilets, no minimum hygiene for food or protective equipment for work activities. The place where they worked was isolated, with no means of transportation to the nearest city – about 90 kilometres away – and no form of communication. There was no cell phone coverage or radio communication in the area.

The Employer

The workers said they had been hired by Mr. Manuel Araújo de Sousa, owner of the sawmill company M A de Sousa Madeireira Ltda., located in the same municipality. Approached by the inspection, Manuel claimed to be the owner of the forest area where the workers were found. He said, however, that the area was not properly registered in a notary's office – that is, possession was not legalized. After being caught in the act of using slave labour, M A de Sousa Madeireira was included in the “dirty list” in April 2018.



The Supply Chain

In his testimony to the inspectors, the sawmill's owner said he had made an arrangement with one of the workers rescued. According to Sousa, that worker acted as the local manager of the logging operation. Sousa would have provided the land for him to extract the logs. In return, Sousa would get approximately 30% of the total. The rest, he said, was sold by the worker to other loggers. No precise information was provided on who bought that illegal timber. However, Sousa mentioned two names. He said that, in addition to the timber he received, the “manager” had also traded logs with people who went by the names of “Adriano” and “Nego Rico”. The information was confirmed by the worker in his testimony to the Ministry of Labour.

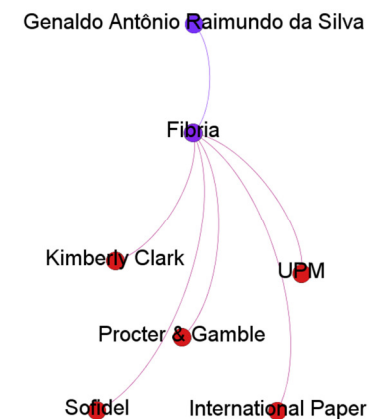
The employer stated that 90% of the timber processed by his sawmill came from third parties rather than his own forest areas. He said that he does not know their origin and that “he has no interest in knowing whether or not the logging was legal”. Due to environmental irregularities found in its operation, M A de Sousa Madeireira had its commercial activities suspended by environmental authorities. The last year in which the company officially registered timber sales on the SISFLORA-PA system was in 2013. In other words, when the case of slave labour occurred in 2016, the company was operating illegally, outside official environmental control systems. In 2013, SISFLORA-PA recorded sales of approximately 50 cubic meters of timber to Tradelink Madeiras Ltda., a subsidiary of British group Tradelink Wood Products Ltd.

Case 2: Genaldo Antônio Raimundo da Silva

In June 2014, the Ministry of Labour found 17 workers in a slave labour situation at the Santo Antônio farm in Paraibuna, SP. They had been brought from Minas Gerais to cut eucalyptus on the property. The workers told inspectors that they were recruited in their hometowns on the promise of being hired with formal contracts. However, when they arrived at the farm, this did not happen. They were informed that they would be paid according to piece rates, without fixed wages or any guarantee of minimum salaries. The situation forced them to work long hours to get satisfactory incomes.

The Supply Chain

At the time of the inspection, Silva was a supplier of the Fibria Celulose S. A. plant located in Jacareí, SP. The information is in the inspection report of the Ministry of Labour, which includes the contract signed between the company and said producer. The inspection report also includes a copy of Fibria's Wood Procurement Policy, signed by Silva, in which the company pledges not to purchase timber whose production did not respect human rights, and a declaration of origin in which Silva states that the product delivered does not include that type of situation. Fibria is a Brazilian company and a world leader in eucalyptus pulp production. Exports to the UK accounted for 4% of company's revenue in 2017. The country is the company's fifth largest importer market. Two of Fibria's clients accounted for about 38% of its total net revenue in 2017. Its twenty largest customers accounted for approximately 83% of its total net revenue in the same year. The company, however, will not provide the names of these customers. In news articles, academic papers and business reports, multinationals Kimberly Clark and Procter & Gamble are mentioned as key importers of Fibria products. Another important customer is International Paper, which has a long-term contract for the purchase of pulp from the Fibria plant in Três Lagoas, MS. Fibria also supplies Finnish paper industry UPM-Kymmene and toilet paper manufacturer Sofidel. The five multinationals mentioned above operate in several countries and regions, including the UK. The information collected, however, does not allow us to know if the raw material purchased from Fibria is processed in British factories or if it is present in products exported to the region. Fibria's Jacareí unit is certified by FSC controlled wood. Recently, in March 2018, Fibria was purchased by another major Brazilian paper and pulp company, Suzano Papel e Celulose.



THE EMPLOYER

The Santo Antônio Farm and the eucalyptus planted there belonged to Genaldo Antônio Raimundo da Silva.

Initially, he attempted to say he had no responsibility for the conditions of the workers rescued, stating that they had been hired by a third-party contractor. The inspectors, however, considered him to be the real employer. Charged for the degrading condition imposed on employees, Silva was included in the "dirty list" of slave labour in March 2017.

Case 3: Madeira Paricá

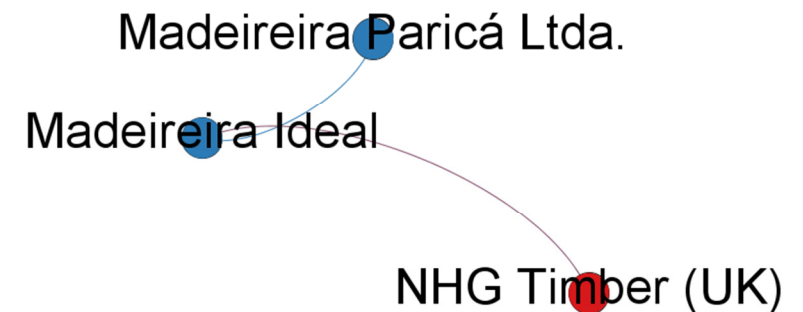
In April 2013, a group of employees of Madeira Paricá Ltda., located in Rondon do Pará, PA, was rescued from slavery during an inspection conducted by the Ministry of Labour. In response to a complaint, inspectors of the Ministry and Federal Police officers went to the Lacy Farm, where the sawmill operated. There they found a series of irregularities, such as unpaid overtime, workers without protective equipment, and precarious machinery to saw logs. Differently from previous cases, this time the irregularities were not related to logging in the forest, but to the conditions imposed on workers in the very shacks where the logs were sawn. According to inspectors, the company had withheld some workers' documents and only allowed them to leave with written authorization. Far from urban centres and located in a 99,000-hectare property, the sawmill had accommodation for workers on the site, which they only left on days off. The worst situation was that of six cooks preparing meals for about 200 workers. According to the inspectors, a regular workday would begin at 4 am and end only at 7.30 or 8.30 pm. When the sawmill worked evenings, the shift was extended even further, until 10:00 p.m. To make matters worse, they would work for 25 consecutive days.

The Employer

Madeira Paricá is part of a series of sawmills, charcoal factories and farms controlled by Décio José Barroso Nunes and his family. It was not the first case of slave labour found at his business. In 2010, federal authorities rescued ten employees in a slavery situation at a cattle ranch owned by Nunes. He is charged with other crimes. In 2014, Nunes was sentenced to 12 years in prison for having ordered the killing of José Dutra da Costa, alias Dezinho, a trade unionist who was shot dead in Rondon do Pará. Nunes's lawyers appealed and succeeded in annulling the jury's decision, claiming that no evidence had been provided to uphold the conviction. Nunes is free while he awaits a new trial. According to the prosecution, Dezinho exposed cases of slave labour in the area's logging industry. That would be one of the factors that led to his death.

The Supply Chain

One of the clients of Madeira Paricá identified on the SISFLORA-PA system is the already mentioned Madeira Ideal (see "Case 1: Eudemberto Sampaio de Souza"). The Belém-based decking exporter purchased 20 cubic meters of Amazonian species from Paricá. The raw material was bought in the same month when the slave labour was found. As already mentioned, NHG Timber Limited imported decking from Madeira Ideal between 2016 and 2017. We do not have information on foreign clients of Madeira Ideal prior to that date.



Case 4: Bonardi da Amazônia

In October 2012, the Ministry of Labour rescued nine workers who were extracting tropical hardwood for Bonardi da Amazônia Ltda. in Altamira, PA. They had been working for the company for three months. They were found in the middle of the forest, lodged in dirt floor shacks made of logs taken from the forest, covered with plastic tarp. The place was also used for the workers to sleep and eat, and they bathed and washed their clothes in a stream near the shacks. There was no bathroom on the premises, which were about 110 kilometres from the nearest town. The workers did not have formal work contracts and were paid piece rates. The degrading accommodation and hygiene conditions found by the inspection led Bonardi da Amazônia Ltda. to be charged with employing slave labour.

The Supply Chain

In 2012 – when the inspection took place – Tradelink Madeiras Ltda. was one of Bonardi's clients in the Amazon. The company claims to have visited the management project of that supplier four months before the Ministry of Labour's inspection. According to Tradelink, no labour irregularities were reported at the time. After the rescue, the logging company continued as a Tradelink supplier until July 2015, even after its name was included in the "transparency list" of slave labour in March of that year. As explained above (see "The Transparency List"), restricting business relationships with companies on the list is a commitment adopted by companies that are signatories to the National Pact for the Eradication of Slave Labour. According to Tradelink, the agreement signed between Bonardi da Amazônia and the Federal Prosecution Service – duly complied with, according to prosecutors – was the reason why the company decided to keep Bonardi as its supplier after the case of slave labour. The company also noted that it has chain of custody certification from the Forest Stewardship Council (FSC). The company's FSC certification covers sales of timber with the seal "FSC Mix" – which allows trading products made with a percentage of raw material coming from certified areas combined with others from non-certified sources. Based in Ananindeua, PA, Tradelink Madeiras is a subsidiary of British group Tradelink Wood Products Ltd. The Brazilian subsidiary exports a large part of its production to its London-based parent company.



THE EMPLOYER

Bonardi da Amazônia is a sawmill based in the municipality of Santarém, PA. The case of slave labour involving the company was addressed by Repórter Brasil in 2017, in the report "Wood and Slavery". At the time, Bonardi da Amazônia stated that it signed an agreement with Labour Prosecutors to regularize the employees' situation, and that it met all the requirements of the Brazilian government.

Companies' Responses

Ipex and Madeireira Ideal

Contacted by Reporter Brasil, both companies have decided to not respond the researchers' questions.

Fibria/Suzano

Fibria (which underwent a merger with Suzano) informs that the supplier "had signed a commitment to comply with all legal and social requirements imposed by the company". The purchaser analyzes the practices adopted by the forest producers at the time of approval and harvesting of the wood. The conditions offered were checked every year. However, in that case, after the approval, according to the company, "inappropriate practices are adopted" by the specific supplier.

"As soon as was aware and verified the veracity of the information, the company immediately terminated the contract to supply timber with this forest producer". "After the event and in order to mitigate new events, the company began a process to improve its procedures", says a company's representative. One of the main changes implemented was the reduction of the period of investigation in the field, from one year to six months. In addition, interviews with partners' employees have been also carried out.

Bonardi

Due to one of the reports published by Repórter Brasil on its website still in 2017, several companies linked to a particular wood production chain were consulted to present their positions on the case of flagrant work similar to slavery, which took place in 2012, in a forest area under the responsibility of Bonardi da Amazônia. At the time, Bonardi admitted only that it had been charged because of irregular housing conditions and argued that it had chosen to outsource almost all the workforce in question. Also, the company argued that it was erroneously assumed that a Term of Adjustment (TAC) signed would be sufficient for the complete cancellation of punishments.

Tradelink

Tradelink contested general information on the inspection (repeating the misunderstanding regarding the role and scope of labour prosecutor's interventions) and the working conditions in the area in question. Also it has refused the chain connections exposed by the report. The company said that its suppliers are under periodic field visits by company's representatives.