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A Focused Human Rights Impact Assessment of SOK Corporation's Italian Processed Tomato Supply Chains

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This focused Human Rights Impact Assessment (HRIA) of SOK Corporation's Italian processed tomato supply chains is a pilot for the company's new approach to assessing human rights impacts in high risk supply chains that goes 'beyond audits'. The assessment took place over six months, and consisted of five phases of analysis in a methodology aligned with the UN Guiding Principle on Business and Human Rights (UNGPs). The objective was to assess the actual and potential human rights impacts at the production stage of the company's Italian processed tomato supply chains, identify their root causes and make recommendations for prioritized actions to address, mitigate and/or remediate identified impacts

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For further information on the issues raised in this paper please email niclas.holm@oxfam.se

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Cover photo: Cerignola (Foggia, Apulia region, Southern Italy), African immigrants working in the tomato fields. © Dino Fracchia/Alamy Stock Photo]

FOREWORDS

SOK Corporation

Respecting human rights is a key priority to S Group and expected from us by our owners – that is our customers – as well as other stakeholders. Consumers and other stakeholders also value transparency. Consumers are keen to know where the products they consume are manufactured and produced and we want to make that information available as easily and transparently as possible.

This assessment is one part of strengthening our human rights due diligence and our pursuit of promoting human rights in our supply chains. This report is also one attempt to be as transparent as possible. Oxfam has analysed our practices, listened relevant stakeholders and interviewed our suppliers and workers at Italian tomato farms and we want to publish Oxfam's analysis openly to all and challenge other companies to do the same.

To develop and complement our human rights due diligence, we have developed a new concept for assessing root causes of human rights risks that occur in our supply chains. The assessment concept complements our other tools – like third party audits and use of certified raw materials – to assess and address human rights in supply chains. The goal of the concept is to go deeper to discover the typical and current human rights issues and their root causes in the production regions or potential procurement areas of S Group's central products. This will help us identify measures and procedures which can help us to minimise the typical challenges. An external partner familiar with the target area will conduct the assessment. This human rights impact assessment of S Group's processed tomatoes supply chains in Italy is the pilot assessment to test the concept in practice.

Italian processed tomatoes supply chains were chosen as pilot assessment for many reasons. Firstly, Italy is not considered as high risk country, which means that the usual due diligence measures like third party audits are more difficult to conduct due to lack of accredited auditors. Also, Italy is not unique with regards to migrant flow and its implications to vulnerable work force being available. Many of the findings may apply to other European countries too and we can use the learnings from this assessment there as well.

The report and collaboration with Oxfam has taught us a lot. No actor can solve the complex issues alone, but we continue collaboration with others and seek new partnerships to take action and address the root causes outlined in this report.

Lea Rankinen
Vice President Sustainability
S Group

Oxfam

In many ways, food supply chains are a marvel of the global economy. They generate millions of jobs worldwide and deliver customers a vast array of food products, all year round, at ever-lower prices. But too often they do so at an unacceptable cost: the human suffering of the people producing our food.

Research for Oxfam's Behind the Barcodes campaign has documented wide-ranging human and labour rights violations in food supply chains, from forced labour aboard fishing vessels in Southeast Asia to poverty wages on Indian tea plantations and hunger faced by workers

on South African grape farms. It is a brutal irony that those producing our food are themselves among the most likely to be unable to adequately feed their own families.

Oxfam's Behind the Barcodes campaign calls on supermarkets, who play such a critical role in shaping today's food supply chains, to do more to ensure that the human and labour rights of those producing the food they sell are respected. We are asking companies to move beyond reliance on social audits of suppliers for compliance with company codes of conduct, towards robust processes of human rights due diligence, in line with the UN Guiding Principles on Business and Human Rights.

A key component of such an approach is the identification of a company's human rights impacts and their root causes in high-risk supply chains, including through the use of comprehensive human rights impact assessments.

Oxfam commends SOK Corporation for initiating such a process. It helps to demonstrate not only to the company's own stakeholders in Finland, but to their peers in the food retail sector internationally, that it is not only desirable to move 'beyond audits' in ensuring respect for human rights in food supply chains, but entirely possible and demonstrably beneficial to do so.

We hope that this report serves both to stimulate changes in SOK Corporation's policies and practices to address the human rights impacts identified in the company's Italian processed tomato supply chains, and to encourage other actors in the food retail sector to follow suit.

Those that do so can capture business opportunities in higher quality products, more resilient supply chains and a more honest relationship with their customers. Most importantly, they can help to lift millions of people working in food supply chains from a life of in-work poverty, to a decent and dignified standard of living.

Winnie Byanyima
Executive Director
Oxfam International

EXECUTIVE SUMMARY

Background, objectives and methodology

S-Group is a Finnish network of companies operating in the retail and service sectors. It has more than 1,600 outlets in Finland, in the supermarket trade and various other sectors. It is comprised of twenty regional independent cooperatives and seven local cooperatives and SOK Corporation, which provides procurement and other services to the group.

This focused Human Rights Impact Assessment (HRIA) of SOK Corporation's Italian processed tomato supply chains is a pilot for the company's new approach to assessing human rights impacts in high risk supply chains that goes 'beyond audits'. The objectives of the assessment were:

- To assess SOK Corporation's actual and potential human rights impacts at the production stage of the company's Italian processed tomato supply chains, to identify their root causes and on that basis to make recommendations to SOK Corporation for prioritized actions to address, mitigate and/or remediate identified impacts;
- To identify lessons that can inform the further development of SOK Corporation's new approach to conducting focused HRIAs of this nature.

The assessment took place over approximately six months between June and December 2018, and consisted of five phases of analysis in a methodology aligned with the UN Guiding Principle on Business and Human Rights (UNGPs):

- Context analysis;
- Mapping of human rights impacts;
- Root cause analysis, prioritization and recommendations;
- Validation;
- Report finalization and communication.

The main sources of data include:

- Semi-structured interviews conducted with approximately 50 stakeholders;
- Discussions with approximately 25 stakeholders in a one-day multi-stakeholder roundtable in Rome;
- Written responses to questions from four SOK Corporation suppliers;
- Documents shared by SOK Corporation, Coop Trading and selected suppliers; and
- Quantitative analysis of supply chain price trends.

Context

In recent years there have been a range of reports in Italian¹ and international media outlets², by civil society organizations³ and multi-stakeholder initiatives⁴ of exploitative labour practices on farms, especially in the South of Italy, supplying the processed tomato industry. These reports have documented the practice of recruitment of workers, the vast majority of whom migrants, through illegal labour brokers called *caporale*, whose control extends to many aspects of workers' lives.

Reported conditions include low wages paid as piece rates rather than according to collective wage agreements, excessive working hours, unsafe transport to and from work and informal accommodation housing thousands of workers without basic amenities including running water and electricity. The risk of human rights impacts such as these in SOK's Italian processed tomato value chain are explored in the assessment.

Identified adverse human rights impacts in SOK Corporation's Italian processed tomato supply chains

Table 1 summarizes the major adverse human rights impacts identified and their assessment against key criteria outlined in the UNGPs.

Table 1: Summary of identified adverse human rights impacts

Forced labour			
The two suppliers investigated in depth for this assessment require suppliers to use formal contracts with 'regular' workers, a policy approach which reduces the risk of the most egregious practices associated with forced labour. However, even where workers are formally employed on mechanized farms, there is still a high risk that workers remain under the strong influence of <i>caporale</i> (for recruitment and/or transport, for example) and therefore there remains a risk of practices that would meet certain indicators of forced labour under the ILO operational definition, including 'influence of a person linked to the employer for non-work life'.			
Severity	Actual / potential	Attribution	Leverage
Moderate scale, major scope, remediable	Very likely	Contributes	Low - Medium
Low wages			
Payment of wages as piece-rates significantly below the rate established in the collective agreement for the sector (seen by trade unions active in the sector as sufficient to support the basic needs of workers) is commonplace, with most earning approximately 4 euro/300kg box of tomatoes picked. Such wage levels are seemingly common irrespective of whether workers have formal contracts or not, are employed in mechanical or manual harvesting or have been recruited by <i>caporale</i> or not.			
Severity	Actual / potential	Attribution	Leverage
Large scale, moderate scope, remediable	Actual	Contributes	Moderate
Excessive working hours			
Workers regularly exceed the working hours stipulated in the collective agreement for the sector. Many of those interviewed for this assessment reporting working up to 10 hours a day, often without breaks, and several reporting waking at 3.30 or 4.00am in order to travel to work.			
Severity	Actual / potential	Attribution	Leverage
Large scale, moderate scope, remediable for most	Actual	Contributes	Moderate
Unsafe and unsanitary housing			
The vast majority of workers in the sector live in appalling informal settlements that lack basic amenities including running water and electricity. Several of those interviewed for this assessment reported no fixed accommodation whatsoever.			
Severity	Actual / potential	Attribution	Leverage
Large scale, moderate scope, remediable	Very likely	Contributes	Moderate

Health and safety risks on farms and in transport to work

The majority of workers in the sector are transported to farms packed into over-crowded vans operated by *caporale*, which are regularly involved in accidents. In the period of this assessment, 16 tomato harvest workers were killed in two crashes in 48 hours with trucks transporting tomatoes in a region from which SOK Corporation suppliers source tomatoes.

There have been several cases of worker deaths on farms linked to excessive working hours in the heat of the Italian summer, including one worker in recent years on a farm supplying a supplier to SOK Corporation. No workers interviewed for this assessment reported being provided with safety equipment or free drinking water on farms.

Severity	Actual / potential	Attribution	Leverage
Large scale, moderate scope, remediable for most	Actual	Contributes	Moderate

Lack of access to justice

There are no effective grievance mechanisms for workers provided either by SOK Corporation or their suppliers, while those provided by the state are very unlikely to be used. Only local trade unions offer any vehicle through which workers can raise grievances.

Severity	Actual / potential	Attribution	Leverage
Large scale, moderate scope, remediable	Actual	Caused	High

Restrictions to freedom of association

Several trade unions are active in the sector. No evidence was found of efforts to restrict the ability of workers to join trade unions, although collective bargaining agreements on wages are clearly not respected (see above).

Severity	Actual / potential	Attribution	Leverage
Medium scale, moderate scope, remediable	Likely	Linked	Low-medium

Gender discrimination and sexual harassment

Sexual harassment and gender discrimination in wage levels are reported in the Italian agriculture sector. Although only men were identified for interview for this assessment, at least some women are employed in tomato production in SOK Corporation's supply chains, who likely face a range of risks to their rights.

Severity	Actual / potential	Attribution	Leverage
Low scale, moderate scope, remediable	Likely	Linked	Low

Root cause analysis

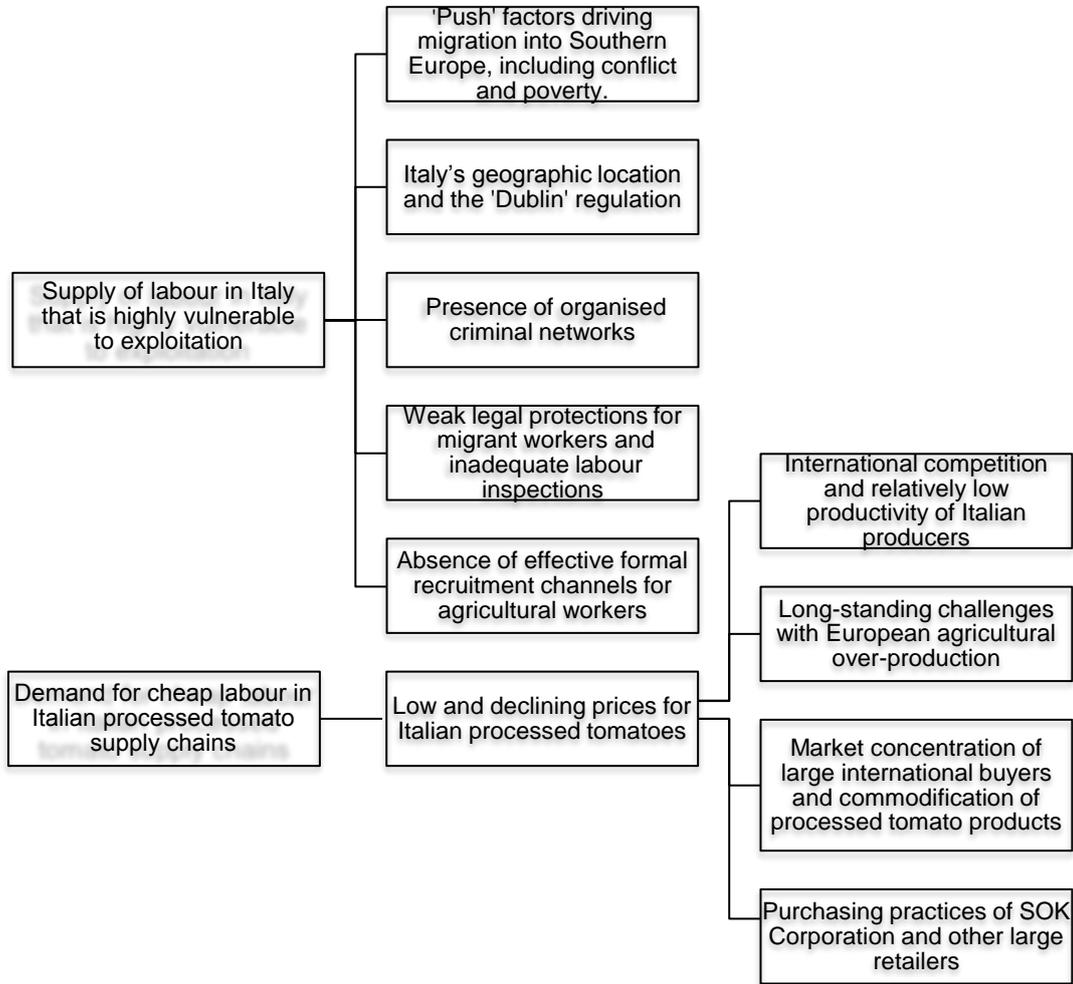
The assessment makes use of a political economy approach to assess root causes of these identified impacts. This analyses the exercise of power within underlying social and political structures, examining the 'rules of the game' rather than the actions of any individual player.⁵ The framework adopted has been developed by Oxfam to identify root causes of labour exploitation in global food value chains, which distinguishes structural drivers of the problem in two categories:

- The supply of labour that is acutely vulnerable to exploitation in sourcing countries - often reflective of the suppression and/or decline of the relative bargaining power of workers and/or small-scale food producers; and
- The creation downstream in global value chains of demand for cheap labour in

sourcing countries - often reflective of the increasing market concentration and resulting buying power of food retailers and other buyers in global food value chains.

A summary of the root causes identified in the assessment according to this framework is shown in Figure 1.

Figure 1 Root causes of adverse human rights impacts in SOK Corporation's Italian processed tomato supply chains



Source: Oxfam

Recommendations

Table 2 provides a summary of the major recommendations for SOK Corporation, related both to actions that can be taken with regard to its own policies and practices, and actions that it can take with regard to influencing others – including the Italian state as the primary duty-bearer in this instance – to change policies and/or practices to mitigate the risks of adverse impacts.

In view of SOK Corporation's relatively limited leverage with regard to several of the identified impacts, the company should seek to pursue many of these actions with others, including the Ethical Trading Initiative (ETI) working group on Italian tomatoes, amfori BSCI and Eurocoop. Top priorities, highlighted in red, should be pursued within six months, medium priorities in orange within a year and lower priorities in yellow within 18 months.

Table 2 Summary of the major recommendations for SOK corporation

Impact and prioritization	Recommendations
<p><i>Low wages, excessive working hours, health and safety on farms, unsafe and unsanitary housing and unsafe road transport</i></p>	<p>Bring buying and sustainability functions closer together in SOK and Coop Trading, so that:</p> <ul style="list-style-type: none"> • buyers receive training to understand the impact of their purchasing practices on their suppliers' ability to respect labour rights in their operations and supply chains; • buyers are given more explicit responsibility to undertake due diligence with regard to prices quoted by suppliers, and empowered to propose to their managers changes to practices that may increase the risk of labour rights abuses; • buyers cease to use benchmark prices to guide negotiations with suppliers that bear no relation to the costs of ethical production in Italy (e.g. prices from suppliers that have not been subject to adequate human rights due diligence, or prices from competitors in other countries).
	<p>Respond to the voluntary agreement initiated by the Italian ministry of agriculture by agreeing to end the use of e-auction-type purchasing practices in Coop Trading.</p>
	<p>Support the establishment of price premiums for private label products to benefit workers' rights on farms in SOK's supply chains.</p>
	<p>Work with others to advocate towards the Italian processing industry association ANICAV to ensure that price negotiations with Italian tomato producers reflect the full costs of ethical tomato production, and to report annually on how they have done so.</p>
	<p>Set a time-bound requirement for suppliers of Italian processed tomatoes to progressively increase the share of farms from which they source that are members of the Network on Quality Agricultural Labour towards 100%, and to publish the list of farms from which they source which are registered to this network. Progressively expand this requirement to all suppliers of Italian agricultural products.</p>
	<p>Revise the SOK Corporation and Coop Trading codes of conduct to include reference to the standard of workers' housing even where not provided directly by employers of workers.</p>
<p><i>Cross-cutting</i></p>	<p>Strengthen the SOK Corporation due diligence approach by:</p> <ul style="list-style-type: none"> establishing Italy as a 'high risk' country with regard to agricultural production, and exploring indicators for assessing whether other countries not in the BSCI 'high risk' category should be; seeking to work with trade unions and local civil society organizations active in the Italian agriculture sector to improve audit processes, particularly in relation to the monitoring of working hours and creation of grievance mechanisms.
	<p>Join or establish a close working relationship with the ETI working group on Italian tomatoes, and encourage other like-minded Nordic companies to do the same.</p>
	<p>Signal public support for the work of trade unions active in the Italian agricultural sector, including promoting pilot projects at local level to enhance workers' rights and improve recruitment, transport and housing conditions, and/or to undertake joint advocacy at EU level.</p>
	<p>Require all suppliers over a certain size to make a public commitment to the UNGPs - including the establishment of effective due diligence processes, grievance mechanisms and regular and robust reporting of implementation efforts (e.g. through an annual sustainability report.)</p>

		Consult internally and with stakeholders on a time-bound, comprehensive action plan to address the findings and recommendations of this assessment, including regular reporting of progress with regard to implementation and consideration of future updates to the assessment.
	<i>Multiple dependency on caporale</i>	Support the establishment of alternative recruitment models among SOK Corporation suppliers. Work with others to advocate towards the government of Italy for the full implementation of Law 199/2016 - in particular with regard to Article 8 on the Network on Quality Agricultural Labour - and to improve formal recruitment channels in the sector.
	<i>Lack of access to justice</i>	Support the establishment of effective grievance mechanisms for agricultural workers in SOK Corporation's supply chains.
	<i>Cross-cutting</i>	Establish a mechanism that allows all SOK Corporation suppliers in this (and other) supply chains to report transparently on their experiences of working with SOK Corporation, and report annually on steps taken as a result.
		Publish a single, annually updated list of all suppliers of processed tomato products, including the names and locations of the farms from which they source, and details concerning their workforce (number and gender split of seasonal and permanent workers, and presence of a trade union).
Strengthen public advocacy for legislation in Finland establishing requirements for corporate human rights due diligence processes, and for the establishment of a similar EU regulation.		
		Advocate towards the EU to establish regular and safe entry channels for migrant workers, in order to guarantee the full respect of rights and the dignity of migrant workers.
	<i>Lack of access to medical facilities</i>	Work with others to advocate towards the government of Italy on the need to tackle barriers to migrant workers making use of medical facilities, even where they may be entitled to them (E.g. ensuring that services are located in places that are easily reachable by workers; or developing training of doctors and health professionals on health and migration).
	<i>Women's rights impacts</i>	Commission a gender assessment of SOK's supply chains to ascertain the proportion of women workers on farms from which SOK's suppliers source, and any instances of discrimination that they may face.
		Endorse the UN Women's Empowerment Principles ⁶ and consider the development of a gender policy to apply to sourcing in this and other supply chains.
	<i>Cross-cutting</i>	Educate consumers about the cost of ethical production in processed tomatoes (and other products).

Next steps

SOK Corporation have committed to communicate about this assessment report to its stakeholders, to publish an action plan in response to the assessment's findings and recommendations, and to publicly communicate subsequent actions taken. Further details in this regard are included in the company's Concluding Remarks at the end of the full assessment report.

NOTES

- 1 LeccePrima. (2018) *Vite da pomodoro* Retrieved 26 November 2018 from <http://www.lecceprima.it/cronaca/vite-da-pomodoro-storie-di-braccianti-sfruttati-in-manette-il-caporale.html>
- 2 Hunter, I., De Pietro, L. (2017). *The terrible truth about your tin of Italian tomatoes*. *The Guardian*. Retrieved 26 November 2018 from ' <https://www.theguardian.com/global-development/2017/oct/24/the-terrible-truth-about-your-tin-of-italian-tomatoes> -
- 3 Fabio Ciconte Terra and Stefano Liberti. (2017). *Squeezed Dry: The Crisis In The Tomato Industry Between Exploitation And Unsustainability* Retrieved 26 November 2018 from https://www.business-humanrights.org/sites/default/files/documents/Terzo%20Rapporto%20FilierasporcaENG_WEB.pdf
- 4 See for example Ethical Trading Initiative/Alessa Rigal. (2017). *Italian tomatoes: no more excuses over labour exploitation* Retrieved 26 November 2018 from <https://www.ethicaltrade.org/blog/italian-tomatoes-no-more-excuses-over-labour-exploitation>
- 5 Genevieve Lebaron et al. (2018) *Confronting root causes: forced labour in global supply chains*. Retrieved 28 November 2018 from: <https://www.opendemocracy.net/beyondslavery/genevieve-lebaron-neil-howard-cameron-thibos-penelope-kyritsis/confronting-root-causes#fn4>
- 6 United Nations Global Compact. *Promote Gender Equality in Your Business*. Retrieved 26 November 2018 from <https://www.unglobalcompact.org/take-action/action/womens-principles>



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