

## CASE STUDY

# SOK

## Fixing the Supply Chain, One Tomato at a Time

S Group outlets in Finland: **1,600**

Total annual volume of processed tomatoes purchased by S Group:  
**5,000-5,500 tons**

Combined annual production of tomatoes of the two suppliers focused on in the report: **800,000 tons**

Number of migrant workers in tomato production in Southern Italy interviewed for the report: **30**

Radical Transparency. That's the name of the new model Finland's S Group is developing to investigate human rights issues in its supply chain, ensuring that the sustainable economic growth, productive employment and decent work that the UN's Sustainable Development Goal 8 strives for is available to everyone involved in making the products it sells.

Almost 4 million Finns, out of a total population of 5.5 million, are cooperative members. One of the country's biggest cooperative enterprises is S Group, with 2.3 million members. This network of companies (19 independent regional cooperatives and six local cooperatives) operates in the retail and service sectors, with more than 1,800 outlets. Services include everything from hardware to banking to hotels to car dealerships, but grocery retail is the main business area, and S Group holds the biggest market share in Finland. It also runs about 500 restaurants. The S Group's cooperatives own SOK Corporation, a service-providing company that offers centralized marketing, chain management, HR and communications services – and sourcing and sustainability.

One of SOK's roles is to look at sustainability for the whole group. According to Sanni Martikainen, Corporate Responsibility Manager at SOK, sustainability is important to S Group because "the majority of Finnish households are our members. We have responsibilities towards Finnish society."

So far the focus on sustainability within the supply chain has been concentrated mostly on certification, monitoring and third-party audits, looking particularly at high-risk raw materials. Sustainability certifications like Rainforest Alliance and Fair Trade are used for products like coffee, tea, palm oil and cocoa. SOK has also been monitoring its supply chain to check working conditions and labour issues in factories, joining amfori BSCI (the Business Social Compliance Initiative) in 2005. This supply chain management system supports companies to drive social compliance and improvements within the factories and farms in their global supply chains.

But S Group recognized it needed to go beyond third-party au-

ditions and the use of certified raw materials. It decided to look not only at countries considered to have high risks in terms of labour conditions, but to take a broader view of human rights issues in its supply chains. In 2017 SOK began developing a new kind of tool and the Radical Transparency concept was introduced in 2018. "Its main purpose is to listen to stakeholders, to evaluate the root causes of human rights risks and look at how we can address these issues," says Martikainen. Crucially, the results of these assessments will be made public.

The first Radical Transparency study, a pilot assessment to test the concept in practice, was carried out by international NGO Oxfam in the southern Italian region of Puglia. Its remit was to investigate the human rights within S Group's processed tomato supply chain, and while it looked at all of S Group's suppliers, it focused in particular on two, Mutti and La Doria, which source tomatoes from Southern Italy, where risks of negative human rights impacts are highest and are among the most significant in terms of retail volumes.

Italy is the world's biggest exporter of processed tomatoes, accounting for around 40% of world exports, but intense competition from China and other European countries means constant pressure on prices. Add to this the fact that agriculture in southern Italy employs large numbers of migrant workers who are vulnerable to exploitation, a lack of political will regarding integrating migrants into society, inefficient legal recruitment channels and a well-established caporalato system (the use of illegal labour brokers who control many aspects of workers' lives), and a perfect storm of human rights risks is created.

Italy is not considered a high-risk country, making it hard to conduct a third-party audit because of a lack of qualified auditors. Italy is also not unique in regards to migrant flow and what this means for a vulnerable work force, and many of the report's findings could apply to other European countries. The assessment took place over six months, between June and December 2018, mostly in the province of Foggia, and consisted of five phases of analysis in a methodology aligned with the UN Guid-



ing Principle on Business and Human Rights. The result was a 100-page report, “The People Behind the Prices”, published online. The objective, wrote the report, “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.”

The report revealed that SDG 8’s goal of “decent work” was little more than a dream for the majority of the migrant workers employed in the tomato-processing industry. While the workers interviewed most likely did not work for the farms supplying SOK’s suppliers (which all use mechanical harvesting), the report helped them to understand the context and the most severe risks and to hear stakeholders.

Many of those interviewed for the assessment reported working for up to 10 hours a day, often without breaks or access to drinking water or toilets, paid piece rates such as €4 per 300-kilo box of tomatoes picked or wages as low as €3.50 per hour. The report states that several workers have died on farms due to excessive working hours in the summer heat, while during the assessment period 16 tomato harvest workers were killed in two crashes with trucks transporting tomatoes.

The caporalato system involves intermediaries, effectively gang-masters, many with links to organized crime, providing farmers with gangs of labourers to harvest tomatoes at short notice. The caporale charges workers fees for securing employment, transportation, food, phone top-ups, accommodation and money transfers, taking as much as half of a worker’s daily pay, yet fear of punishment or repatriation, poverty and intimidation means the workers do not feel free to leave. The workers often live in horrific

conditions, in informal settlements, effectively slums, without access to basic services like running water and electricity.

While the cases reported do not necessarily come from workers on farms that produce tomatoes that end up on SOK supermarket shelves, SOK says that its suppliers are taking the report and its findings very seriously. They have set up a whistle-blowing system where workers can report inappropriate practices and increased the effort of having all of their supplier farms audited against social standards by a third-party auditor. SOK has visited suppliers twice since the report was launched to discuss the findings and follow-up activities, and visited farms to observe harvesting.

“These problems cannot be solved by one actor alone, so we have looked to collaboration with others to try to solve the issues,” says Martikainen. The S Group has joined the Italian fresh produce working group of the Ethical Trading Initiative (ETI), which is working to improve recruitment practices, and should increase its leverage to raise the issue of migrant workers at the EU level. The S Group will also include more specific conditions on human rights in its contracts and supports its suppliers’ ability to ensure respect for human rights throughout the supply chain. It is also taking a global approach, recognizing that these problems are not unique to Italy: mapping out areas where migrant workers are commonly recruited and looking at what kind of initiatives already exist to support its suppliers to improve conditions.

According to Oxfam, this is the most comprehensive human rights impact assessment undertaken by a major food retailer in a food supply chain, establishing a new benchmark in human rights due diligence in food supply chains. In the words of the report: “If SOK Corporation can do it, then so too can other major food retailers around the world.”