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Italian Business and Human Rights Observatory

BUSINESS AND HUMAN RIGHTS

Human rights in the agri-food supply chain: what role for large-scale retail?

The 3rd Report of the Italian Business and Human Rights Observatory: progress in the policies and practices of large and medium-sized Italian companies, listed and unlisted.

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PREFACE

We have reached number 3. This is the third edition of the report of the Italian Business and Human Rights Observatory. And, to tell the truth, when we started out we never imagined we would find ourselves in the situation we are in today. We were convinced — as, indeed, was everyone — that whether the point we had reached was a good one or a bad one, things could only get better. One could be more or less optimistic about the pace of the journey, but the destination seemed certain, inescapable: voluntary practices would develop, public debate would come alive, a European directive would arrive, and so on. Instead, no. The conversation has regressed, the path of the directive has become extraordinarily complicated, its content has been watered down and, in the end, everything has effectively been blocked, or nearly so. Perhaps for the first time in recent decades, Italy and Europe, rather than moving forward, are going backwards, lowering the bar, giving up on a civilisational challenge. At a certain point, the content and the tone of public discourse changed. What was previously unthinkable — or at least unspeakable, and in any event unfeasible — has become the stuff of everyday conversation (though not in bars, but in institutional settings) and of formal political acts. How was this possible? And, above all, what has really happened? Paradoxically, nothing. There has been no event, no fact, no concrete occurrence that has significantly changed the actual context. There has been no financial crisis, no natural catastrophe, no pandemic. On average, the economy is doing well, employment is holding up, social cohesion is more or less intact. So what has happened? What has changed is the perception of things, the climate, the sentiment. All very soft elements — with, however, very hard consequences. Because, and it is worth remembering, we are not talking about the sex of angels here, but about human rights: that is, about the very foundations of our legal civilisation and of our democratic societies. What does all this tell us? At least two things. The first, more specific to the subject that concerns us, is that (as many have already pointed out — often with a hint of cynical satisfaction) a substantial part of the preceding political discourse was based on convictions that, to use a euphemism, were not particularly solid. It is disconcerting to see the ease with which many people (indeed many) who had made professions of faith on the theme of rights have reversed course, repositioning themselves on the opposite side. There is therefore important work to be done to affirm a culture of rights — not only when (or because) it is expedient, but because it is the right thing to do. The second, more general point is that we must become aware of just how exposed our society is to risks of volatility. We are easily influenced, even on questions that appeared to be firmly settled. Even the most aware and best-equipped people inevitably feel the effects of the social climate, which in turn can be manipulated. This is perhaps not an entirely new circumstance, but the global scale and pervasiveness of the major digital platforms on the one hand, and the concentration of control over them on the other, have made the problem jump in scale.

Difficult times, then, for anyone who cares about human rights. One is reminded of the remark that Manzoni has his narrator make about the social climate (sic!) at the time of the plague: “good sense was there; but it stayed hidden, for fear of common sense”.

As then, so now: dismay, uncertainty, disorientation, loss of trust in institutions all create the conditions in which beliefs and hearsay spread, in which irrationality and superficiality are rewarded, in which simple answers — even if false — are preferred to complex questions. Above all, the value of science and knowledge is debased; the authority of those who carry it is minimised. All of this is seasoned with arrogance and violence. And indeed, good sense is afraid.[1]

[1] *Italian original: “Il buon senso c’era; ma se ne stava nascosto, per paura del senso comune” — Alessandro Manzoni, I Promessi Sposi (The Betrothed), chapter XXXII, on the 1630 plague in Milan.*

So then: we must not let ourselves be intimidated. On the contrary, we must keep flying high the flag of reason, of research, of argument — confident that sooner or later good sense will manage to bring common sense over to its side.

What we present here is our small contribution.

Let us therefore turn to the report. For the first time, the object of the monitoring has a sector-specific focus: we have chosen to investigate the agri-food supply chain, focusing on the one hand on a number of large Italian food and beverage manufacturers — and on their approach to the supply chain of key raw materials — and on the other on some of the major players in large-scale retail, which represent for food companies one of the main — if not the most important — sales channels for their products and, at times, also the buyers of retailers' own-brand products.

The objective is to understand whether, to what extent, and how agri-food companies and large-scale retailers (GDO) take into account, in their purchasing policies and procedures, the risks of human rights violations that characterise supply chains such as the one in question, in which raw materials are produced and harvested with extensive recourse to unskilled labour, at times located in countries or regions where labour rights are neither guaranteed nor sufficiently protected. The reason for including the large retail companies is that, as the holders of the direct relationship with consumers, they have a potential influence in favour of responsible and sustainable purchasing choices which today still appears to be little — or not at all — activated.

Our attention was directed towards the agri-food sector also thanks to the evidence that emerged from the WeWorld surveys on tomato harvesting, published last year in the second OIIDU Report, which shed light on human rights violations in various Italian regions. Laura Serbassi's contribution, which we host in this Report and which is devoted to illustrating the methodology and the results of the Istat estimates on irregular labour, confirms the conviction that violation of labour rights is a reality that concerns not only the poorest economies but also Italy — albeit with a trend towards gradual reduction. Looking in particular at employed labour in companies, it becomes clear that the measures of irregular labour can be regarded, within the framework of this Report, as indicators of violation risk: the highest rates of irregularity are found in agriculture, in accommodation and food-service activities, in construction and — within manufacturing — precisely in the food sector. Considering the absolute values of irregular employed positions, retail trade, textiles and clothing, metallurgy and furniture manufacturing also occupy prominent positions in the ranking of undeclared work: valuable pointers for guiding any future in-depth analysis.

Our monitoring shows clearly that the situation of the agri-food supply chain is characterised — with some notable exceptions, above all among food companies whose raw materials come from tropical origins — by significant shortcomings in policies, in the analysis of violation risks along the chain, and in adequate mitigation tools. In many cases the Italian origin of the supply chain is assumed as synonymous with the absence of human rights risk, something which — as we have seen — does not appear self-evident on the basis of official statistics. For the large-scale retailers (GDO), the subject receives scarce attention and, in any event, is dealt with almost exclusively in relation to own-brand products: attention to critical supply chains is present only exceptionally, and there is no clear will to contribute to more informed consumer choices.

Some of the traits that emerge from the monitoring coincide with what has been brought to light in recent years by a number of Oxfam initiatives, which Giorgia Ceccarelli describes in her contribution. In particular, some Oxfam surveys have detected a sharp gap between an approach considered effective in preventing and mitigating violation risks and the practices actually adopted by large-scale retailers, both abroad and in Italy.

The “scorecards” produced by Oxfam have triggered some positive reactions on the part of retail companies, which have strengthened their attention to critical supply chains; the follow-up, however, has been very limited, particularly in Italy. On the basis of the interviews with food companies, however, these prompting initiatives by NGOs and the search for joint projects between retailers and food companies constitute an interesting area for development, also in terms of conveying to consumers the sustainable behaviours of companies.

The monitoring of the actual behaviours illustrated by companies in their own sustainability reports signals another relevant element, especially with a view to possible future developments: the search for — and sometimes the in-house definition, modelled on sector-specific features, of — benchmarks for setting up a solid and coherent approach to sustainable procurement in the critical supply chain. In this sense, the Report also intends to provide the occasion, thanks to Lucia Briamonte’s contribution, to draw attention to the OECD-FAO Guidelines for responsible agricultural supply chains. These guidelines, developed as a sector-specific specification, with a supply-chain focus, of the OECD Guidelines for Multinational Enterprises, represent a useful operational tool for identifying the human rights most relevant in food supply chains through a risk-based approach, in full consonance with a correct implementation of due diligence processes. The illustration of some good practices actually implemented enriches Briamonte’s contribution, allowing also the main lessons learned during application to be highlighted.

Enjoy the read.

Davide Dal Maso and Fulvio Rossi
Avanzi — Sostenibilità per Azioni

02

Agri-food companies and large-scale retail: human rights in supply chains

Fulvio Rossi and Francesca Bongiovanni, Avanzi — Sostenibilità per Azioni

02.1

INTRODUCTION

Motivations and context

The monitoring we are presenting this year focuses on two segments of the agri-food supply chain: companies that produce food and beverages and those that ensure their availability to final consumers through the large-scale retail channel. More precisely, the analysis examines the interaction between these two segments as regards the attention paid — within the broader framework of sustainability — to the respect of human rights along the supply chain.

The decision to focus on this subject rests on two orders of reasons: the characteristics of the agri-food supply chain and the relationship between businesses and large-scale retail as a hub in the interaction with consumers. As to the first point, it should be recalled that the risk of human rights violations is particularly acute in all supply chains where raw materials are harvested with intensive recourse to manual labour, the more so where poverty facilitates the emergence of conditions of exploitation; the agri-food supply chain belongs to this category. In addition, in the previous Report of the Italian Business and Human Rights Observatory[2]

it was shown how, in this supply chain, violations of labour-related human rights concerned not only low-income non-European countries but were also a phenomenon present in the Italian countryside — and not only in the South. The case addressed last year concerned tomatoes; its relevance, already known at least with reference to the South of the country, was dramatically confirmed in the summer of 2024 by a number of high-profile news events that reminded us how widespread caporalato (illegal labour brokering) still is. The agri-food supply chain that ends with the consumption of food and beverages in Italy is therefore a point of attention as regards human rights, and Italian production and retail companies are fully involved actors.

The second reason rests on the conviction that consumer choices could constitute, if also informed by environmental and social sustainability considerations, a market signal capable of directing companies towards a responsible management of their processes and of their supply chain — including the respect of human rights within the chain. Numerous studies have shown that consumption choices respond to multiple motivations and that, even when the sustainability of the product (of the brand, of the company) is among them, it is decisive that it be represented by concise, easily accessible and reliable information. Large-scale retail represents, in this sense, a fundamental meeting point between production and consumption, where a hand-over may take place between the information conveyed by companies about the characteristics of the product and that appropriated by consumers in their choices. At least on paper, large-scale retail seems to have room for manoeuvre and influence in the field of sustainable choices: one aim of this study is to gain a better understanding of the extent to which this is happening today, of the role retailers could play in the future, and of the underlying reasons.

[2] *OIIDU, "Businesses and Human Rights. A system in motion towards the EU Directive", Avanzi, 2024.*

Methodology

As in the previous editions of the business-and-human-rights monitoring, in this case too the source of the information is what the companies themselves make publicly available through their reports and corporate websites. However, wishing to explore the aspects of interaction between agri-food companies and large-scale retail — a subject which is not usually addressed in publicly available information — we complemented this with a series of direct interviews with managers of some of the companies included in the monitoring. Information was collected during the second half of 2024, referring — at least as regards the sustainability reports — to 2023 data.

The agri-food sector is one of the most important in the Italian economy. In selecting the companies observed — limited to 30 — we relied on the intersection of two criteria: size (turnover), which is also relevant because of the customary relationship with large-scale retail, and coverage of the main supply chains. The latter criterion responds to the objective of not leaving out any significant product among those normally found in a shopping trolley, nor any raw materials to which any critical situations in terms of human rights could correspond. The ATECO sector codes to which the supply chains considered correspond are listed in the Appendix.

The interviews conducted with agri-food companies are 11 in number, with a distribution again aimed at covering the different product supply chains.

The companies monitored in the large-scale retail sector are 18, all involved in the retail sale of food and beverages in hypermarkets, supermarkets, mini-markets and discount stores. The interviews that could be arranged were 2 in number.

The complete list of the companies included in the monitoring is set out in Table 1, which also includes, for each food company, the main brands aimed at the Italian market — often more directly evocative of our experience as consumers than the corporate name — and, for retail companies, membership of organised distribution or the discount profile (see Box 1 for the definitions).

Table 1 — **Companies covered by the monitoring**

Agri-food companies	Main commercial brands
A.Loacker*	Loacker
Amadori	Amadori, Amadori il Campese, Amadori Bio
Andriani*	Apulia Kundi, Aminò, Biorì, Agluten, Felicia
B.F. (Bonifiche Ferraresi)	Le stagioni d'Italia, Zorzi, Bia
Barilla*	Barilla, Mulino Bianco, Wasa, Pan di Stelle, GranCereale, Voiello, Pavesi
Bolton Group*	Rio Mare
Cantine Riunite e CIV	Riunite, Civ & Civ, Cantine Maschio, Cavicchioli, Righi
Conserve Casalasco	Pomì, De Rica, Gusto d'oro
Conserve Italia	Valfrutta, Yoga, Cirio, Jolly Colombani, Derby
Consorzio Melinda	Melinda

Agri-food companies	Main commercial brands
Eurovo	Le Naturelle, Lionello Raineri
F.lli De Cecco di Filippo Fara San Martino	De Cecco
Ferrero International	Nutella, Kinder, Ferrero Rocher, Duplo, Eat Natural, Fiesta, Mon Cherì, Pocket Coffee
Generale Conserve	As do Mar
Granarolo*	Granarolo, Yomo, Amalattea, Centrale del latte di Milano, Pettinicchio
GranTerre*	Granterre, Casa Modena, Teneroni, Senfter, Parmareggio, Unigrana
Gruppo Italiano Vini	Nino Negri, Santi, Bolla, Folonari, Melini, Turà, Tenuta Rapitalà, Bigi, Fontana Candida
Icam*	Vanini, Icam
Illuminati Frutta	
Illycaffè*	Illy
Luigi Lavazza*	Lavazza
Massimo Zanetti Beverage Group	Segafredo Zanetti
Mutti	Mutti
Oleificio Zucchi	Zucchi, Orfeo
Orsero	F.lli Orsero
Ponti	Ponti, Peperlizia
Sanpellegrino	S.Pellegrino, Levissima, Acqua Panna, Gingerino, Acqua Brillante Recoaro, Sanbitter
Sterilgarda Alimenti	Sterilgarda
Venchi	Venchi
Veronesi Holding	AIA, Negroni, Fini
Retail companies	**Type**
Aldi	Discount
Carrefour	
Conad	Organised distribution
Coop Italia	Organised distribution
Coop Alleanza Master 3.0	Organised distribution
CRAI	Organised distribution
Consorzio Coralis	Organised distribution
Despar	Discount
Esselunga	

Agri-food companies	Main commercial brands
Eurospin	Discount
Gruppo VeGé	Organised distribution
IN's Mercato	Discount
Lidl	Discount
MD	Discount
Pam Panorama	
Penny Market	Discount
Selex	Organised distribution
Todis	Discount

** Companies interviewed. Two additional interviewed companies did not authorise the mention of their names.*

Box 1 — Modern retail distribution (GDO)

Large-scale retail (Grande Distribuzione Organizzata, GDO) is a form of retail sale of mass-consumption products, carried out through a network of self-service outlets organised on large surfaces (hypermarkets, supermarkets, superettes, mini-markets, discount stores) and, generally, belonging to an organisation or group that manages several outlets identified by one or more common commercial banners. GDO encompasses both large distribution chains characterised by unified management and belonging to a single ownership ("grande distribuzione" in the strict sense) and organisations of retailers that associate in various forms such as consortia and consumer cooperatives ("distribuzione organizzata" / organised distribution).

Sources: ADM — Associazione Distribuzione Moderna (https://adm-distribuzione.it/); https://www.glossariomarketing.it

02.2

ATTENTION TO HUMAN RIGHTS IN THE SUPPLY CHAIN: AGRI-FOOD COMPANIES

Family businesses and cooperatives

This section is devoted to describing whether and how the agri-food companies covered by the monitoring take human rights into consideration in their management. Our interest has focused on awareness of any risks posed by the characteristics of the supply chain and on the measures adopted to mitigate such risks; the monitoring does not, on the other hand, include internal management aspects of the companies monitored, with their specific topics such as health and safety, non-discrimination, diversity and industrial relations[3].

Before reviewing the statistical results of the monitoring, it is useful to take a summary look at the composition of the 30 selected companies, from two angles: the first concerns the corporate form and the type of control; the second concerns the obligation to prepare and publish a structured sustainability disclosure.

Among the companies monitored, those whose share capital is held by other companies or by a group of private companies or shareholders are 5. Over 83% of the sample consists of 18 companies (60% of the total), of which one is listed, in which the founding family still retains ownership control and holds the top management positions, and of 7 companies (23% of the total), of which one is listed, that belong to the cooperative and consortium system — either because they are directly incorporated as cooperative or consortium companies or because, while having a different corporate form, they are controlled or at least significantly held by consortia or cooperatives. The profile of the latter group is of particular relevance for the subject discussed, because — as we will have occasion to explore in more depth — it gives rise to a structured supply-chain relationship in which the suppliers of raw materials also, either directly or through cooperatives, exercise control over the processing company covered by the monitoring.[4]

The legal obligation to present sustainability disclosures concerns only the two listed companies — required to publish a Non-Financial Statement (DNF) — and three other companies that have opted for the profile of Benefit Company (Società Benefit), required to publish an Impact Report[5].

Of the remaining 25, only 4 do not publish any structured report, while 21 all produce voluntary reports of various denominations dedicated to ESG aspects — in the vast majority of cases with reference to the GRI standards or even anticipating the recourse to the new ESRS standards; also voluntarily, two of the three Benefit Companies accompany the communication contained in the Impact Report with other broader-scope reports. Overall, therefore, more than 75% of the companies monitored show a voluntary attitude to

[3] *For an in-depth analysis of how human rights are considered inside companies, see the monitoring presented in last year's OIIDU Report, which examines the policies, procedures and initiatives of the 50 largest Italian non-financial companies.*

[4]

[5] *Among the companies monitored there are 3 Benefit Corporations (Società Benefit) and 3 B Corps, two of which are also Benefit Corporations.*

transparency that testifies to the relevance sustainability topics have for them, perhaps because of the B2C profile of their business model.

Overall, 87% (26) of the companies monitored publish structured sustainability information, largely on a voluntary basis. It is however significant to note that the selection criteria described (size, potentially critical supply chain) have led to the inclusion within the scope of some cases in which sustainability information is substantially absent, testifying to widely differentiated corporate sensitivities.

The importance of the supply chain

From an examination of the 26 available reports, it emerges first of all that **in 88% of cases (23) the supply chain is explicitly cited as a critical factor — if not indeed as directly characterising — the product the company offers to the market.** The relevance of the supply chain is connected in particular to the following factors:

> **Food safety —** a fundamental aspect for guaranteeing consumers a product that goes through various steps and transformations without generating health risks;
>
> **Freshness and quality of raw materials —** an aspect that relates to the know-how and operational capabilities of the parties involved in the supply chain, to their experience and specialisation;
>
> **Origin of key raw materials —** an element that often characterises the final product and takes on particular significance when the aim is to emphasise the 100% Italian provenance of the product, associated — implicitly also with the quality factor — with the "made in Italy" claim.

The factors listed, partly interrelated with one another, require the chain-leading company to be able to exert adequate forms of control over the supply chain, in order to guarantee the consistency and reliability of the sought-after characteristics. In 62% of the companies monitored (16) this attention to the supply chain translates into systematic, structured and documented initiatives which — albeit through different tools (for example, traceability systems give solidity to the control of the supply chain, whereas contracts imposing compliance with cultivation protocols are important for obtaining the desired quality) — can be traced back to two approaches, not necessarily alternative to one another: an orientation towards supply-chain integration, and the selection of raw-material suppliers through the use of certifications or in-depth assessments. Whereas the latter approach does not differ significantly — apart from any specific features of sector-based certifications and the attention to traceability — from that generally adopted by companies interested in an in-depth selection of their suppliers, the former deserves closer analysis.[6]

The "integrated supply chain" to which some of the companies monitored refer is not always genuine vertical integration of part or all of the supply chain within a single corporate entity — there are only two cases of this kind — but rather the search for, existence of, or consolidation of direct and long-lasting relationships with suppliers, particularly with those involved in the cultivation, harvesting and first processing of the raw material[7]

. In this sense, the already mentioned model of cooperative and consortium businesses is interesting: farmers or livestock breeders, gathered together in cooperatives, are at the same time the suppliers of, and

[7] *In long chains, in which such activities take place in countries on other continents, integration also means shortening the supply chain by removing intermediate steps, so as to increase proximity to — and control over — local farmers.*

the indirect owners of, the processing and/or distribution company — from which they also receive services and thanks to which they share good farming practices. This is a configuration reached through an evolutionary process whose roots go far back in time. The close relationship with suppliers often implies the sourcing of raw materials in circumscribed territories, in relation to which supply-chain activities are also a means of enhancing local production and a driver of inclusion and socio-economic development. This model of proximity between the last and the first link of the chain — and of ties to specific territories — is not, however, exclusive to the cooperative world; it also concerns family businesses rooted in the local area, and also some cases in which companies that manufacture and market the final product in Italy seek direct relationships with the growers of cocoa, coffee and other raw materials from tropical countries.

Human rights in the supply chain

Awareness of the relevance of the supply chain — for aspects of food safety, quality and origin of raw materials — is the basis on which companies have grafted sustainability considerations along the supply chain, of which the respect of human rights may form part, alongside more properly environmental aspects concerning soil and water, animal welfare, the use of regenerative agriculture techniques and the resilience of crops in the face of climate change. Apart from the two cases of truly vertically integrated companies — in which supply-chain sustainability aspects are internalised — all the other 21 companies that mention the supply chain as a critical factor report supply-chain sustainability as a material topic; to these are added two more, for a total of **88% of the companies monitored that consider supply-chain sustainability relevant (material) (Table 2).** More precisely, 13 companies (50%) explicitly cite human rights in the supply chain as a material topic, 2 restrict sustainability only to environmental aspects, and 6 (23%) provide no explicit details on this point. In a sector that attributes importance to the supply chain, **sustainability — even if not always with reference to human rights — thus emerges as a further critical factor, alongside more traditional elements such as safety and quality.** It should, however, be noted that this result does not diverge significantly from what was found in 2023 among the largest Italian non-financial companies, 84% of which considered sustainable supply-chain management a material topic.

When they provide information on the supplier chain, the companies monitored generally distinguish between those belonging to the critical supply chain and the others, to whom different management approaches may apply. In particular, 42% (11) of the companies provide qualitative and quantitative information on suppliers belonging to the critical supply chain, and 38% (10) mention specific human rights relevant to them.

At the concrete level, awareness of the relevance of supply-chain sustainability translates into commitments and behaviours, the latter aimed above all at achieving adequate control over suppliers. As regards commitments, the limited take-up of human-rights policies — with only 3 cases — is matched by a greater presence of corporate documents that express the references the company declares it wishes to observe in its relations with the supply chain in order to guarantee the desired sustainability results: just under one third of the companies monitored (8) have adopted policies or standards that set out the guidelines to be followed in implementing responsible sourcing or sustainable supply-chain management. In these documents, the references for the behaviour to be adopted reflect both any voluntary sectoral standards and the direct company experience, giving rise to context-specific guidelines, tailored to the supply chain and strongly integrated with company processes.

The initiatives put in place to make control over the sustainability of the critical supply chain effective are many. Carrying out due diligence is mentioned by 4 companies (15%), partnership with human-rights NGOs by only 2 (8%), while the majority of the companies monitored (16, 61%) adopt at least one measure of verification of the characteristics and behaviour of suppliers in the environmental and social fields, aimed at their qualification or inclusion in the supplier register or as an integral part of contracts[8]

. Among these, particular relevance is taken on by ESG assessments — conducted in-house (8) or through external ratings (10) — by the request for certifications (8) and by audits (12). The tool of direct verification (audit) provides a more detailed review than a rating, but its use is normally more expensive. The reason why, among the companies monitored, audits are the most widely used tool is that a large part of them are conducted — as is the case with ratings — by service providers that make the results available on platforms accessible to a wide audience of client companies, thus enabling the sharing of costs. Still on the subject of audits, it should be emphasised that they typically end with the definition of an improvement plan, thereby also constituting a mechanism of supplier engagement and further evaluation, based on whether or not the defined objectives are met. Finally, it should be noted that the use of contractual clauses requiring adherence to a Supplier Code of Conduct — or similar — concerns 61% of the companies monitored, a lower value than that found in 2023 among the 50 largest Italian non-financial companies (94%).

Box 2 describes the main external references cited by the companies monitored, both in the audit area — where SMETA audits are the most frequently cited — and in the ratings and certifications area. Among the latter, sector-based certifications prevail — GlobalG.A.P.-GRASP — as do those linked to the raw material and its supply chain, such as Rainforest Alliance and Fairtrade. It should be emphasised that SMETA audits and certifications specific to the food sector envisage an analysis of company behaviour on the human-rights front. To the references in the Box are added, less frequently, exclusive sourcing from suppliers that guarantee fair treatment in the supply chain (e.g. World Cocoa Foundation) and the use of other assessment and verification requirements: compliance with in-house sustainable-cultivation protocols, other sector-specific international certifications and — in the Italian context — the Cerved rating, the Open-ES platform, and membership of the Network for Quality Agricultural Work (Rete per il lavoro agricolo di qualità). Confirming the relevance of the references reported in Box 1, it should be noted that these are also the most recurrent ones when companies decide to obtain a sustainability certification — or an assessment/verification — not from suppliers but with reference to themselves or to their own production sites.

Alongside the preceding notes on the control exercised by the agri-food companies monitored over supply-chain sustainability aspects, the following three points of attention are worth highlighting:

INTEGRATED SUPPLY CHAIN

When supply-chain control is of the kind we have identified above as “orientation towards supply-chain integration”, companies resort to sustainability verification and assessment requirements to a considerably lesser extent than the average. This could be regarded as consistent with the importance that direct relationships with suppliers hold for these companies, often based on personal knowledge or at least on sharing the same production culture and reference territory. It must, however, be considered, first, that direct knowledge is a possibility inversely proportional to the number of suppliers and the extent of the territories — hence a factor

[8] *With reference also to verification and assessment initiatives, the results do not differ significantly from what emerged from the 2023 review of the 50 largest Italian non-financial companies.*

which decreases as the size of the chain-leading company increases; and, second, that for similar reasons chain-leading companies often also purchase raw materials from other suppliers, outside the customary environment.

It is in any case debatable whether the guarantee of quality and origin of raw materials, however underpinned by the existence of legal rules — for example on food safety — can automatically be extended to the sphere of sustainability. It is no coincidence that some companies have nonetheless introduced elements of selection, even without resorting to assessments or verifications: this is the case, for example, of the tomato supply chain, in which the risk of human-rights violations is drastically reduced at source through the requirement of mechanised harvesting. In some cooperative-system companies, supply-chain sustainability tends to rely on the sharing of good farming practices within the same system, and on the role that chain-leading companies can play in this respect, as well as — as regards human rights — on the "social" matrix of the member companies. In this segment too, however, there are some cases of newly launched verification and assessment activities. It does not therefore seem out of place to consider that, even when the orientation is towards "integrated supply chains", **it would be advisable to introduce criteria for verifying the effective respect of human rights and the environmental impacts, rather than taking for granted that local companies already adopt sustainable behaviours.**

TROPICAL RAW MATERIALS

Among the companies monitored active in the processing and transformation of cocoa and coffee, some stand out for the complexity and depth of their approach to supply-chain sustainability[9], which combines — in addition to the use of supplier selection and verification requirements and the commitment to seek a direct commercial relationship with the growers, through a local production presence or at least a shortening of supply-chain steps — numerous other factors, all aimed at avoiding human-rights violations, at improving the conditions of the growers, their capacity to farm according to criteria of quality, sustainability, agricultural regeneration and resilience and, consequently, at ensuring the possibility of obtaining over time a raw material that meets corporate needs. This complex supply-chain management includes: supply-chain agreements with grower (cooperatives) and traders; participation in international multi-business or multi-stakeholder initiatives to identify good supply-chain practices[10]; agreements with NGOs or local associations to combat child labour and invest in local development programmes; grower training. The raw materials of interest are not limited to cocoa and coffee but extend to other ingredients of the final product such as sugar, vanilla and hazelnuts[11].

SUMMARY POINTS

For each of the aspects examined, the share of companies reporting that they have taken action never exceeds 61% — as, for example, in the case of the use of supplier sustainability assessment and verification requirements: these are appreciably lower values than the recognition of supply-chain sustainability as a material topic (88%), and not dissimilar from what was found in 2023 among the 50 largest Italian non-financial companies, except for a more precise focus on specific human rights in the supply chain. Moreover, assessment and verification requirements are typically applied to the relevant supply chain in a gradual manner: they are therefore sometimes systems still being rolled out, or covering only a first tranche of suppliers. The situation as a whole is characterised by the co-existence of **companies equipped with solid systems and others that are only partially — or not at all — equipped, still leaving considerable room for the implementation of systems consistent with the materiality assessments.** One figure hints at a positive future dynamic: 35% (9) of the companies have

[9] *Also in the tropical belt, serious human rights issues are encountered in tuna fishing and primary processing. These are addressed — with varying intensity and scope across companies in the sector — through due diligence, controls or disintermediation in the supply chain, and collaboration with NGOs.*

[10] *Among the initiatives mentioned: Global Coffee Platform (https://www.globalcoffeeplatform.org/), International Coffee Partners (https://www.coffee-partners.org/), Sustainable Coffee Challenge (https://www.sustaincoffee.org/), World Cocoa Foundation (https://worldcocoafoundation.org/) and Cocoa Horizons (https://www.cocoahorizons.org/).*

[11] *In the tuna supply chain, too, there are examples of systematic approaches, where — as regards the main international reference organisations — the focus is however primarily environmental, on sustainable fishing: see for example the Marine Stewardship Council (https://www.msc.org/species/tuna).*

defined targets relating to supply-chain sustainability, concerning both the level of coverage of the tools adopted and the ESG performance level of the suppliers.

Table 2 — **Sustainability and human rights in the supply chain: awareness and initiatives of agri-food companies (% values)**

Number of cases: 26

Materiality	
Human rights are a material topic	23
Supply-chain sustainability is a material topic	88
Human rights in the supply chain are a material topic	50
Policies and standards	
Human rights policy	11
Supply-chain / responsible sourcing policies	31
Due diligence	**15**
Verifications and assessments	
Certifications	31
Self-assessments / in-house assessments	31
External ratings	38
Internal and external audits	46
At least one type of verification/assessment	61
Targets on supply-chain sustainability	35
Contractual clauses (supplier code of conduct or similar)	**61**
Forms of support to farmers / livestock breeders	
Supply-chain collaboration agreements	31
Bonuses to suppliers for sustainability performance	8
Training in local communities	11
Initiatives / projects in farming and livestock communities	35

Box 2 — Certification and assessment of supply-chain sustainability. Main references cited

General

SEDEX – SMETA

Sedex is an organisation founded in 2004 specialising in solutions for storing, sharing, analysing and processing data on the sustainable management of companies, aimed at understanding supply chains. The Sedex platform database is fed by data provided by member companies in the form of self-assessment questionnaires and by the results of SMETA audits carried out at production sites. Both the questionnaires and the audits can focus on two pillars (labour, and health and safety) or on four pillars — the first two, complemented by environment and business ethics. Companies interested in their supply chain can use the database to perform risk-assessment analyses based on countries, sectors and individual suppliers or production sites. The platform covers approximately 85,000 companies with 104,000 production sites in 180 countries and 35 sectors.

SMETA (Sedex Members Ethical Trade Audit) audits, carried out by accredited auditors, are among the most widely used tools for understanding and comparing the labour conditions and environmental performance of a company and its suppliers, with particular regard to unsafe or underpaid working conditions, forced labour and the presence of discrimination. They do not amount to a certification in the strict sense, but rather to a structured assessment based on a common standard. The Sedex platform hosts around 370,000 SMETA audits carried out over time.

https://www.sedex.com/

EcoVadis

EcoVadis is a French company that provides business-sustainability information services, aimed in particular at meeting the needs of assessing supplier portfolios and the risks connected to the supply chain. The database counts approximately 150,000 companies rated — belonging to more than 250 sectors in 185 countries — and enables, also through the translation into ratings of the information collected directly from the companies, benchmarks to be produced, supplier selection criteria to be defined, and targets for supply-chain improvement and for the reduction of related risks to be set.

https://ecovadis.com/

SA 8000:2014

The international SA 8000 standard is a certifiable corporate management model, developed in 1997 by SAI (Social Accountability International), an international organisation for the promotion of labour rights. The standard has subsequently been revised several times, up to the latest 2014 version. Based on the main ILO and UN conventions and declarations, it is organised around the themes of child labour, forced or compulsory labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration (living wage) and management system, and also covers the relationship with suppliers and sub-suppliers. Certification applies to companies.

https://sa-intl.org/

Agri-food sector

GlobalG.A.P. – GRASP

GlobalG.A.P. is a certification mark for good farming practices based on a portfolio of standards for the safe and responsible production of fruit, vegetables, aquaculture, fish farming and floriculture products. The organisation was created in Europe in response to consumer concerns about food safety following the mad-cow-disease outbreak (EurepGAP – Euro-Retailer Produce Working Group Good Agricultural Practice – was founded in 1997) and has subsequently grown, developing certification criteria and becoming a globally recognised reference. It now counts around 200,000 certified producers in more than 130 countries.

Responsible production is verified on the basis of six impact areas: food safety, environment, animal health and welfare, worker health, safety and welfare, traceability and capacity-building. The "core" standards concern in particular the topics of food safety and the environment, while workers' human-rights aspects are developed in the additional GRASP (GlobalG.A.P. Risk Assessment on Social Practice) standard. The certifications are third-party accredited and cover companies.

https://www.globalgap.org/

Rainforest Alliance

Founded more than 35 years ago, Rainforest Alliance is an NGO registered in the United States whose main objective is to defend tropical forests from deforestation. Among its activities is the Sustainable Agriculture Standard, last revised in 2020, which serves as the reference for certifying the cultivation of some crops characteristic of the tropical belt: bananas, cocoa, coffee, tea, flowers, fruits (e.g. oranges, pineapples), herbs and spices, non-timber forest products, hazelnuts, palm oil, coconut oil. For farms, the certification requirements concern sustainable farming practices, the treatment of workers, environmental and biodiversity conservation, and traceability. For companies that trade and process agricultural raw materials, the supply-chain requirements concern traceability and the existence of mechanisms for the assessment, mitigation and remediation of human-rights violations along the supply chain. The traceability of certified crops makes it possible to identify the final product, or its ingredients, with the "Rainforest Alliance Certified" mark, through two routes: segregation of the products from cultivation to shelf; or — where for cost reasons certified products are mixed along the supply chain with non-certified ones — through a volume balance, whereby it is possible to certify a share of product equivalent in weight to the purchase of certified raw materials. Certification of trading and processing companies makes it possible to guarantee fully certified supply chains. Rainforest Alliance counts around 7,600 certified farms and 42,000 certified products.

https://www.rainforest-alliance.org/

Fairtrade

Fairtrade is a global non-profit organisation made up of a central entity (Fairtrade International) that creates the certification standards and coordinates 25 national organisations (such as Fairtrade Italia, a consortium of which various NGOs and organisations are members) and three continental producer networks, representing more than 1,930 organisations of farmers and workers in 70 countries in Africa and the Middle East, Asia and the Pacific, and Latin America and the Caribbean.

The standard covers sustainable agriculture and social aspects and is inspired by the principles of fair trade, aiming at supply-chain certification: it applies to cooperatives of farmers, to workers of large farms or factories, to artisanal miners, and to traders and companies that buy and sell Fairtrade products. Certification is applicable to a range of products — mainly agricultural products such as coffee, tea, honey, sugar, quinoa, bananas, rice, cotton, flowers — but also gold, textile products and footballs. Membership of the networks guarantees the recognition of a minimum price by buyers and of a premium (the Fairtrade premium) over the market price, granted to cooperatives to finance local development or business improvement.

Compliance with the standards is verified through audits by FLOCERT, an independent certification body set up by Fairtrade International.

https://www.fairtrade.net/en.html – https://www.fairtrade.net/it-it.html

[Decorative photograph — see original PDF, p. 40]

02.3

ATTENTION TO HUMAN RIGHTS IN THE SUPPLY CHAIN: RETAIL COMPANIES

This section examines whether and how large-scale retail companies (Box 1) integrate human rights into their management, in particular with respect to the supply chain. The monitoring focused on companies mainly involved in the sale of agri-food products, selected both on the basis of turnover and in order to ensure a heterogeneous representation of the sector: chains under single ownership (e.g. Esselunga), organised distribution (Box 4), including multi-banner groups (e.g. Selex), consumer cooperatives or aggregations of retail-trade entrepreneurs (e.g. Coop, Conad), and discount banners (e.g. MD, Lidl, Aldi).

The information analysed comes from sources made publicly available by the companies themselves: Human-rights policies, Sustainability Reports or Non-Financial Statements (DNFs), Codes of Ethics, Codes of Conduct, and corporate websites. The documents examined, where present, are those published in 2024 with reference to reporting year 2023, in addition to the information accessible online in the period October 2024 – January 2025. It should be noted that, as for the October 2024 – January 2025 monitoring, the results reflect what companies have chosen to make public: certain elements might not be communicated, even if potentially present in actual business practice. Owing to the difficulty of contacting the appropriate counterparts and — at times — to their unavailability, the number of interviews carried out was very limited, not allowing for a representative synthesis of sector positions. For this reason, the outcomes of the interviews have been used only as interpretive input to complement the desk analysis.

Box 3 — Retailer's own-brand products

The retailer's own brand (marca del distributore, MDD; private label) consists of the products marketed within GDO outlets under the retailer's own banner brand or under brands attributable to the retail company. The elimination of intermediaries in the supply chain means that own-brand products generally offer a good price-to-quality ratio. Retailer's own-brand products are a fast-growing market segment, accounting on average for around 30% of GDO turnover, with different incidence across banners and also according to product category.

Sources: ADM — Associazione Distribuzione Moderna (https://adm-distribuzione.it/); https://www.glossariomarketing.it

[Decorative photograph — see original PDF, p. 42]

First of all, it is useful in this case too to provide an overview of the obligation to prepare and publish structured sustainability disclosures. Of the companies analysed, only one — being a listed company — is legally required to publish a Non-Financial Statement (DNF), while another is a Benefit Company (Società Benefit) and is therefore required to publish an Impact Report. For the rest, 67% of the companies (12) publish voluntary reports on ESG topics, mostly prepared in accordance with the GRI standard and, in one case, referring to the IIRC framework on Integrated Reporting. Also voluntarily, both the Benefit Company and the listed company complement their communication required by law (Impact Report in one case, DNF in the other) with a broader-scope Sustainability Report. Finally, four companies — 22% of the sample — do not publish any report. Overall, 78% of the sample provides sustainability reporting, largely on a voluntary basis.

As regards the relevance attributed to human rights, **only two of the companies that publish a Sustainability Report explicitly mention this subject as "material",** in both cases attributing high materiality to it. A review of the presence of other partial understandings of the topic reveals that — net of workplace health and safety, which is normally always present — 50% of the companies cite among their material topics items such as "diversity, equity and inclusion". **The supply chain — formulated as "responsible management of the supply chain", "sustainable supply chain" and similar — is a material topic for 29% of the companies (Table 3).** The result is particularly striking — in a negative sense — when compared with what emerges among agri-food companies, which consider the topic material in 88% of cases, and also with the larger companies monitored in the previous OIIDU Report (84%).

As regards human-rights policies, only three companies (17% of the total companies monitored, 21% of those with a report) have adopted a specific human-rights policy. In another three cases, the companies mention the commitment to their respect in their Supplier Codes of Conduct. Several mention, albeit very generically, their commitment to respecting human rights inside their Code of Ethics. Overall, only a small proportion of the companies explicitly enshrines the commitment to respecting human rights, a finding that testifies to a scant awareness of — or priority attributed to — these topics, despite the growing international and regulatory attention to companies' responsibility for respecting human rights along production supply chains.

Table 3 — **Sustainability and human rights in large-scale retail: awareness and initiatives (% values)**

Total number of cases in the sample: 18
Number of companies with at least one form of reporting: 14

Note: percentages are calculated both against the companies that publish sustainability information (Report and/or website) and against the total sample. The latter representation may be more meaningful in the case — likely — in which the absence of public information also corresponds to an actual absence of tools and initiatives.

		On the total sample	On companies with at least one form of reporting
Materiality			
Human rights are a material topic	2	11%	14%
Sustainable supply-chain management is a material topic	4	22%	29%
Diversity and inclusion is a material topic	7	39%	50%
Policies and standards			
Human rights policy	3	17%	21%
Supplier code of conduct	3	17%	21%
Due diligence	**3**	**17%**	**21%**
Verifications and assessments			
Selection criterion on human rights	3	17%	21%
Contractual clauses	7	39%	50%

		On the total sample	On companies with at least one form of reporting
Internal and external audits	9	50%	64%
At least one type of verification/assessment	11	61%	79%

At this point, the main question to ask is what initiatives have been put in place to make control over supply-chain sustainability — and specifically over human rights — effective, both in cases where a Policy or general commitment document is in place and in the others. Only two companies report having implemented a structured human-rights due-diligence process, while a third does not refer to it explicitly, but its parent Group does. Referring explicitly to human-rights due diligence testifies to a greater degree of awareness: in this respect, it should be noted that the result (17% of the total companies monitored, taking also into account the due diligence referred to at Group level) diverges negatively from what emerged in 2023 among the largest Italian non-financial companies, of which 40% reported the existence of a due-diligence process, whereas it is substantially aligned with what emerged from the agri-food companies monitored. It should nevertheless be noted, on a positive note, that in these virtuous cases the human-rights impact assessments carried out concentrate on high-risk supply chains (for example coffee, cocoa, avocado).

Turning to the control of the respect of human rights among suppliers and/or business partners, 79% of the companies adopt at least one measure of verification of supplier characteristics and behaviour, aimed at their qualification or inclusion in the register or as an integral part of contracts, but in almost all cases these are measures adopted only in relation to suppliers of own-brand products (see Table 3 and Box 3 on the retailer's own brand).

Furthermore, in most cases the criteria adopted for supplier selection and monitoring are not spelt out in detail. Reference is generally made to elements such as quality and reliability, or to ethical/social criteria (better specified only in three cases, where health, safety and workers' rights are mentioned), environmental criteria (better detailed in only one case, where reference is made to packaging sustainability) and, more generically, sustainability.

The segmentation that focuses attention on the suppliers of own-brand products responds to a principle of reputational risk for the company, but does not necessarily reflect the risk profile of the supply chain in terms of human-rights violations.

Only in three cases (Aldi, Coop and Lidl, 21%) is explicit reference made to human rights, with a particular focus on supply chains considered to be at greater risk. Overall, it emerges that supplier selection in this area tends to concentrate, where it is present at all, on more basic and immediately verifiable aspects — such as workplace health and safety, or compliance with labour regulations to combat undeclared work — without extending attention to broader and more complex human-rights issues, for example working hours, gender equality or wage conditions.

The use of contractual clauses imposing behaviour in line with the company's Code of Ethics or Supplier Code of Conduct is applied by 50% of the companies monitored. The measure, however, risks having little effect if the documents themselves, as we have seen, do not clearly enshrine the duty to respect human rights, and if it is not accompanied by verification and control of actual conduct and by consequences in the event of non-compliance.

We come, then, to audits, a tool of direct verification that enables a more in-depth review of one's business partners: the measure is mentioned in 64% of the cases analysed, but — apart from in one case — always and only for the suppliers of own-brand products. Furthermore, in most cases audits do not seem to be aimed at verifying respect for human rights as a whole; the impression is rather that they mainly concern aspects related to quality, health and safety. Only in three cases (21%, the same as those already cited) is

explicit reference made to social audits addressed to the supply chains considered to be at greater risk, and in two of these suppliers are required to carry out human-rights due-diligence activities commensurate with their means.

In these same three cases (21%), the focus on at-risk supply chains entails training and capacity-building activities for suppliers, so that they can meet the human-rights and environmental standards, and the deployment of a range of tools: purchasing guidelines, specific controls extending down to primary production, requests for supplier certifications (e.g. Fairtrade), reporting channels additional to the traditional ones, and capacity-building projects addressed to farmers and/or producers.

In general, the companies monitored do not seem inclined to incentivise their suppliers towards sustainability: none introduces reward factors linked to ESG or human-rights aspects in tenders. Disclosure on the supply chain is also poor: in none of the companies is there clear disclosure on the number of suppliers at the various tiers or on critical suppliers, or on the number of audits carried out and their outcomes.

We come to the adoption of one or more tools for gathering reports of potential or actual human-rights violations: this is an indispensable building-block for ensuring effective access to remedy and for strengthening corporate accountability on human rights, as indicated by the UN Guiding Principles. These tools — often referred to as grievance mechanisms — allow people involved in or negatively affected by corporate activities to raise concerns and obtain appropriate responses. On the other side, for the company, these listening channels not only help to prevent or correct problematic situations, but also prove valuable in identifying potentially harmful risks in a timely manner. Only two companies (both with a German parent company, subject to the German supply-chain law) have specific reporting systems for these cases, both for the entire supply chain and, in addition, for workers in the higher-risk supply chains. In the other cases, only the whistleblowing system — which is mandatory by law and not always adequately calibrated for human-rights risks — is present.[12]

Human-rights training for employees, an important way of spreading a management and workplace culture attentive to this topic in its impact on the workplace, on relationships with colleagues and in relations with stakeholders, is also envisaged in only two cases. Again, only two of the companies participate in multi-stakeholder initiatives and collaborate with local NGOs. This finding highlights scant attention to forms of engagement that are, however, essential for identifying the needs of local communities, bringing to light any critical issues and, more generally, promoting respect for human rights along the supply chain.

Absent from the reports examined is the theme of fair prices and of the purchasing practices adopted by large-scale retailers, long recognised[13] as one of the main — if not the main — factors of exploitation along the supply chain. Studies and reports indicate that GDO players not infrequently impose tight deadlines and very low prices on supplier companies. It is striking, therefore, that there is no reference to purchasing dynamics in the sources analysed: a gap that reveals a lack of awareness — or of willingness to address — the role that such practices play in generating or fuelling negative impacts on human rights.

[13] *"Ripe for Change — human rights in the supply chains of Italian supermarkets" ("Al giusto prezzo"), Oxfam, 2018.*

Finally, looking to the future, in 21% of the sample there is an intention to progressively strengthen the commitment on these topics, for example as regards the integration of the supplier qualification process, the use of the EcoVadis platform to enable supplier monitoring, and the carrying out of human-rights impact assessments on higher-risk supply chains.

Box 4 — Organised distribution in Italy

The term "organised distribution" refers to the aggregation of individual retail-trade businesses (whether cooperatives or not) or of consumer cooperatives — each of which may be of different size and typically only of local or regional relevance — into entities (consortia, cooperatives or service companies held in participation) that can carry out various activities on behalf of member companies, achieving economies of scale, lowering fixed costs and reaching multi-regional or national territorial coverage.

Consortium companies retain their decision-making and economic autonomy, but they rely on their common organisations for certain activities: the most widespread are purchasing from — or negotiating agreements with — major brands, production (through suppliers) of own-brand products, logistics, marketing and training. Forms of association are diverse, giving rise to successive levels of aggregation, sometimes in the form of alliances or agreements, and evolving over time with variable perimeters for the different organisations.

An example helps to appreciate the complexity of relationships between companies and the various aggregation levels, as well as the architecture behind the banners with which consumers interact. The Gabrielli Group, owner of the Tigre banner, a large-scale retail chain present in Central Italy, is part of the SUN Group (Supermercati Uniti Nazionali), along with other companies owning regional banners such as Gulliver, Cadoro, Il Castoro, Pewex and Italmark. The SUN Group, to which the "Consilia" retailer's own brand is linked, entrusts the development of its own-brand products to the Selex Group, which also produces the "Selex" own-brand products, in turn owns its own distribution chains (Famila) and is a member of the purchasing and marketing centre ESD Italia, whose members also include other food-distribution companies (e.g. Aspiag, Despar banner).

Among the companies monitored, the main cases of organised distribution, which together hold a market share of approximately 50% of the total (*), are the following.

SELEX GRUPPO COMMERCIALE

Selex has 18 member companies active in the Italian large-scale retail sector — to which correspond, among others, the local banners A&O, Elite, Cadoro, Tigre, Italmark and Selex's own banner Famila — for a total of around 3,300 outlets, brought together in a single national centre that oversees commercial matters, marketing, efficiency and synergies, and know-how. The commercial area in particular takes care of finalising the negotiated agreements on the retailer's own brands (including Selex, Il Gigante and Consilia) and with the branded industry, both directly and through the ESD Italia and EMD Europe centres. It organises national promotional plans and finalises the contracts for joint purchases of goods and services.

Source: Gruppo Selex, Sustainability Report 2023

COOP ITALIA

Coop Italia is the National Consortium of Consumer Cooperatives. It develops marketing and communication policies and strategies, manages negotiation and purchasing with suppliers, and develops Coop-branded products for the more than 70 consumer cooperatives associated with Ancc-Coop (the National Association of Consumer Cooperatives), of various sizes and territorial coverage, which in turn associate smaller local cooperatives, sharing the use of the Coop banner. It is part of the Legacoop system.

Source: Coop website

CONAD (Consorzio Nazionale Dettaglianti)

Conad is a cooperative that associates five main cooperatives and, through them, more than 2,000 retail-trade businesses using the Conad banners across approximately 3,300 outlets. Conad acts as the central purchasing

and services entity for the whole system, taking care of strategic planning, marketing and communication activities, as well as the production, promotion and development of the retailer's own brand. It is affiliated with Legacoop.

Source: Conad, Annual Report 2023, and Legacoop website

VÉGÉ

Through its marketing and commercial functions, Gruppo VéGé is able to offer its members (32 companies including Bennet, Gruppo Arena and Migross, with a total of around 3,500 outlets) a series of services aimed at end customers and innovative development proposals designed to strengthen the local footprint of the reference companies. It coordinates commercial activities, offering members not only contract management but also marketing consultancy; for all the group's retail outlets and for its member companies, it develops the VéGé own-brand products.

Source: Gruppo VéGé website

(*) Nielsen Largo Consumo Guide, H2 2023, cited in Conad's 2023 Annual Report, https://chisiamo.conad.it/chi-siamo/annual-report

[Decorative photograph — see original PDF, p. 49]

Summary points

The analysis highlights a still under-developed picture of the management of human rights in large-scale retail, with attention often limited to a circumscribed portion of the supply chain: that of the suppliers of retailer's own-brand products. This dual approach — more structured towards one part of the supply chain and almost absent for the rest — reflects, on the one hand, an objective difference in the possibilities of controlling and influencing suppliers' conduct, and, on the other, reveals a still partial and fragmented view of corporate responsibility as regards human rights. The adoption of tools such as audits, ESG criteria in supplier selection or contractual clauses is in fact reserved for a single segment of the supply chain, while attention towards branded-goods suppliers — which nevertheless represent a substantial portion of the sector — remains very limited.

Added to this is generally poor disclosure: structured data on the supply chain are missing — such as the number of suppliers, their breakdown by tier, the audits carried out or the non-conformities identified — which are essential to assess the companies' actual capacity to monitor and oversee their value chain.

From the perspective of due-diligence practices, the adoption of truly systematic approaches is the exception, while the inclusion of human rights as a material topic in sustainability reports remains very marginal. This denotes an underestimation of the relevance of human rights, an area on which companies are called to act responsibly under international standards and the European rules currently coming into progressive application. While some companies are moving, albeit slowly, towards a more structured integration of human rights into their policies and practices, most do not yet appear to consider this subject as a priority or as materially relevant.

02.4

SUSTAINABILITY IN THE RELATIONSHIP BETWEEN AGRI-FOOD COMPANIES AND LARGE-SCALE RETAIL

This section reflects the outcomes of the interviews with eleven agri-food companies belonging to the sample monitored.

The current situation

The companies interviewed largely agree that the requests for information on ESG aspects received from large-scale retailers are few, unsystematic and patchy. The topics on which requests are made are — when they go beyond nutrition — mostly environmental, for example concerning packaging. Going into more detail, the following points emerge:

- not all companies deal with a large number of counterparts from organised distribution, Italian and foreign[14]: those who have more familiarity with such contacts note, in most cases, a clear difference between Italy and a group of other countries which certainly includes Northern European countries (from Denmark upwards) and — with slightly less prominence — Germany, France, the United Kingdom and North America. This difference concerns many aspects, from the very expression of attention to ESG topics to the type of information requested by non-Italian retailers — progressively more penetrating, especially in the environmental field but also, more recently, on human rights — as well as the carrying out of direct audits at production sites and the existence of proper product selection requirements;
- still on the subject of attention to sustainability, the entire large-scale retail sector is perceived to be in motion: whereas the increase in the depth of analysis and the greater use of ESG information as selection factors have characterised the trajectory of Northern European retail, which started well ahead many years ago, some Italian groups have begun to show interest in ESG topics especially in the last two years. According to some companies, the differences linked to the nationality of retailers have today essentially disappeared;
- in the Italian context, it is reported that the larger groups (Carrefour, Coop, Conad, Esselunga) have shown, again above all recently, greater activity. Some companies emphasise that, both abroad and in Italy, belonging to the cooperative system has an incremental effect on the level of attention; however, all the companies interviewed emphasise that some discounters (Lidl above all, but also Aldi) have traditionally been and still are the most assiduous in requesting ESG information[15];
- the information requested by large-scale retailers can be of two kinds:
  - general and cross-cutting across different products and sectors, such as those on greenhouse-gas emissions, which can extend to requesting climate commitments such as the definition of a Science-Based Target. According to the agri-food companies, this cross-cutting character sometimes comes at the expense of the materiality of the requests and, in some cases, appears to

[14] *This refers to foreign large-scale retailers as purchasers of Italian products for distribution in countries other than Italy, not to the Italian branches of foreign retail groups.*

[15] *According to some companies, this attitude would be due to a consumer offer based on affordable prices, which would make it necessary to rule out that this occurs at the expense of the environment and of human rights.*

respond more than anything else to the retailer's need to meet a target of its own (for example, on reducing Scope 3 emissions);

- related to the supply chain, as in the case of requests for Rainforest Alliance or Fairtrade certifications — which are, however, viewed by the companies most attentive to the environment and to human rights along the supply chain as an excessive simplification, insufficient to capture commitments characterised by greater attention to actual impact;

- at present, in any event, the greater recourse to questionnaires and requests to subscribe commitments does not appear to translate into effects in terms of exclusion from the list of suppliers, acting above all as a prompt — although a more selective evolution is expected in the future;
- as regards attention to ESG aspects in the scrutiny of agri-food companies for the production of retailer's own-brand products, the positions expressed by the interviewed companies that produce for private labels (5 out of 11, deriving between 15% and 80% of their turnover from this) do not converge: for some there is greater attention in these cases, whereas others do not detect it. This difference of opinion may depend on the type of product, and may also reflect a different attitude on the part of the retail-company principals.

In parallel with the scant ESG information requests from large-scale retailers, the companies interviewed — which, as noted, are characterised by a certain structuring of their sustainability approach (reporting, dedicated managers) — also observe a still sporadic presence of sustainability functions inside the Italian GDO. Several companies noted that the importance of the sustainability dimensions is today acknowledged with growing awareness by the top management of retail companies, without however yet translating operationally. The companies interviewed emphasise a shortage of sustainability skills on the part of the Italian GDO and the lack of preparation of buyers. For those most active on the supply chain, this shortage entails the impossibility of getting across — and potentially having valued — the results achieved. In this regard, it is emphasised that:

- in relationships with retail companies, including foreign ones, sustainability information is requested by — and discussed with — sustainability managers;
- when, on the other hand, specific sustainability indicators come to coincide with product requirements, it is the buyers — possibly assisted by the sustainability manager — who directly verify their presence.

It is noted, however, by a majority of the companies, that in recent years the growing attention on the part of the Italian GDO has led to the launch of a number of initiatives on sustainability, also involving agri-food companies — for example on gender equality in the supply chain (see the initiative with Coop Italia cited by Oxfam in this Report) — but also on packaging recyclability and on the re-use of production waste in a circular perspective, or with the activation of external collaborations, for example to develop sustainability skills along the supply chain[16]. At the moment, these initiatives do not allow the participating companies to be valued in the eyes of consumers, but the interviewed companies view them with interest, also because of this potential evolution.

Prospects

Starting from the state of play described above, the companies interviewed expressed their views on the expected and desired evolution of relationships with large-scale retail on sustainability. The topics

[16] *The large-scale retailers cited for these initiatives are, in alphabetical order, Carrefour, Coop, Conad and Esselunga.*

addressed concern the consequences of European regulations, the enabling of informed consumer choices, and the role of large-scale retail.

As regards European regulations, the interviews highlighted two widely shared points:

1. the prospect of increased accountability for large-scale retail in relation to the supply-chain due-diligence obligations set out in European legislation[17] is unanimously interpreted by the companies interviewed as the premise for an intensification of information requests, which are however essentially expected to be precautionary — verifying the formal existence of certain requirements — rather than an opportunity for genuine deepening on the management of impacts on the environment and people in the supply chain, for which neither the will nor the skills seem to be there. Some companies note that the mere prospect of the application of the EUDR[18] Regulation on deforestation has already set in motion similar mechanisms, in which attention focuses more on the company's conduct and less on the characteristics of the product;
2. it will be the European initiatives against greenwashing — above all the rules being finalised in the proposed "Green Claims" directive — that will most significantly affect consumer information on environmental and social topics, and hence both agri-food companies and large-scale retail. In particular, it is emphasised that each party will first of all have to review its own communication — including large-scale retail in relation to their own-brand products, which are of growing importance — and that at this moment a very cautious attitude prevails, which slows down the search for a more effective enhancement of sustainability aspects (green hushing).

As regards the future evolution of relationships with large-scale retail on sustainability, the many points collected concern first of all consumer awareness and — as a consequence — the initiatives that could be launched.

Consumer attention to sustainability aspects is, according to some companies, not a priority: price predominates first of all, followed by quality, which for agri-food products coincides with nutritional aspects. Since the communication of the latter has been regulated for some time, it is taken into consideration by consumers and can be a distinctive element of the product. On the contrary, **in the field of sustainability consumers seem disoriented by the proliferation of labels, in which they tend no longer to believe.**

Despite these difficulties, agri-food companies see in large-scale retail an indispensable player in providing sustainability information to consumers and — potentially — in the enhancement of the more sustainable aspects of their products: the point of sale is central in the relationship with the consumer and consequently invests retail companies with a great responsibility. Some companies believe that large-scale retail should exert a greater "educational" role vis-à-vis consumers — for example on the subject of sustainability labels — and positively discriminate the more sustainable products through preferential shelf-positioning or dedicated signage. Other companies suggest concrete initiatives that represent potentially interesting solutions for large-scale retail itself:

- focusing on the sustainability of private-label products, by intensifying the use of environmental and social criteria in supplier selection, in product characterisation and in its valorisation vis-à-vis

[17] *The interviews were conducted before the EU, between February and April 2025, revised the timing and the scope of application of the CSRD and CSDDD directives.*

[18] *Regulation (EU) 2023/1115, known by the acronym EUDR (European Deforestation-free products Regulation).*

consumers. This would bring two potential benefits for the ESG best-performing agri-food companies: a direct one, in the production for retailers' brands (for those that do it), and an indirect one, since it would become easier for all brands — and also for large-scale retail, as it becomes itself competitive on this front — to leverage product sustainability in the offering to consumers. This is the suggestion most widely shared by the companies interviewed, although some have instead expressed scepticism;

- intensifying the involvement of agri-food companies in sustainability initiatives launched by retail companies and communicated to consumers, even where not necessarily related to product characteristics;
- developing co-branding initiatives on products with clear sustainability features to be conveyed to consumers.

In general, for the development of any initiative aimed at enhancing the attention to the environment and to human rights along the supply chain, the interviewed companies express a widespread and heartfelt call for dialogue with large-scale retail, for openness to mutual engagement, in order to increase the understanding of supply chains and identify the most significant aspects to work on and highlight to consumers.

02.5

CONCLUSIONS AND PROPOSALS

With respect to the initial question, i.e. what attention is paid to sustainability and in particular to the respect of human rights in agri-food supply chains, from production to retail sale, the results of the monitoring deliver to us — within an overall lacking situation, whose most significant indicator is the rare presence of due-diligence processes — a picture with two distinguishing elements: the first highlights a greater degree of awareness and structuring in agri-food companies than in retail companies; the second highlights significant differences within the two sectors.

The large companies in the agri-food sector — all operating in potentially critical supply chains — recognise in 88% of cases the relevance of sustainability along the supply chain and explicitly cite human rights as a material factor in 50% of cases. The translation into management processes of this recognised relevance, however, shows many limitations: those aiming at an integrated Italian supply chain assume, without verifying it, that long-standing relationships with local suppliers are a guarantee not only of quality but also of respect for human rights; those operating mainly through supplier selection show, in only a few cases, solid and accurate verification tools.

On a positive note, some of the companies whose raw materials originate in tropical regions stand out: in addition to using audit- and certification-based selection, they engage in the endeavour of building a direct relationship with growers and first local processors, also from a sustainable local-development perspective and with a clear vision of the human rights at stake.

Retail companies — despite the fact that their economic activity consists of selling products manufactured by others — consider sustainable supply-chain management material in only 29% of cases and above all carry out some partial form of verification almost exclusively on those who produce for the retailer's own brand. Specific attention to critical supply chains and to human rights is found in a very small number of cases, concentrated mainly in the discount market. Overall, one perceives — compared to agri-food companies but also to the large companies monitored in previous years — a delayed launch of the internal structuring of sustainability activities, also flagged in the interviews with agri-food companies in relation to the greater maturity of retail chains in other countries, especially in Northern Europe.

Only in recent years have some of the larger companies shown signs of a growing commitment, especially by involving suppliers in a number of joint projects. The sector nevertheless remains marked by a lack of awareness — if not by outright lack of interest — in playing a proactive role vis-à-vis sustainable production and consumption.

And yet, as the interviewed agri-food companies also observe, large-scale retail is a fundamental player in the relationship with the consumer, potentially able to play a role also of informing and prompting towards informed and sustainable consumption choices. In order to exercise this role, some preconditions are needed which are at present largely still to be built by the GDO, starting with the very identification of sustainability objectives and of their relationship with commercial strategies, continuing with the definition of criteria for striking a balance between selectivity, valorisation of the more sustainable products and price

containment, and with the acquisition of skills on the characteristics of supply chains, from which appropriate tools and measures for recognising the most sustainable practices should follow.

It should be said that the limited engagement of large-scale retail on these topics, in addition to reflecting the structuring delays already mentioned, can also be affected by contextual and market elements. One of the key points is the balance of power between retail companies and large food companies with high-profile brands, which affects the ability of large-scale retail to play a prompting role vis-à-vis the major brands on sustainability topics: on this aspect the evidence we have collected does not allow for a single interpretation, but — also taking into account the smaller size compared with some foreign chains — does not seem to exclude a stimulus role for the GDO, especially insofar as retailer's own-brand products were to evolve towards greater sustainability qualification, something which is fully within the control of retail companies.

Another central point concerns the demand for sustainability from consumers: their ability to make sustainable choices — also in relation to companies' behaviour and in terms of protecting human rights in the supply chains of the products they buy — increases reputational risk and stimulates the adoption of preventive measures to identify and mitigate the risks of human-rights violations. As some agri-food companies also note, price and quality continue to be the most relevant factors of consumption choices. This does not make greater information effort by large-scale retail impractical or unreasonable: many studies and surveys have long indicated that sustainability aspects are not ignored by consumers and could become more decisive if better highlighted and more easily recognisable, even in partial trade-off with price, similarly to what happened in recent years for organic products. However, as regards information and prompting of consumers, responsibility does not rest with retail companies alone: convergence of the efforts of several actors is needed. In the interviews, some companies noted, for example, that the greater activism of large-scale retail in Northern Europe is the offspring of a combination — mutually reinforcing — of consumer attention to environmental and social sustainability and initiatives by NGOs aimed at prompting large-scale retail on the same aspects.

On the basis of the foregoing considerations and of what emerged from the monitoring, it is possible to identify some initiatives that appear feasible and that could, if developed systematically, contribute to a positive evolution of attention to human rights and sustainability in agri-food supply chains, and, more generally, to the transition towards a more sustainable economic development. The proposals draw on experiences — sometimes still embryonic — already partly present or suggested by the companies monitored.

Proposals for agri-food companies and large-scale retail alike

- companies should first develop a complete and accurate representation of the steps that make up their supply chains, as illustrated — by way of example — in Figures 1 and 2. This will make it possible to identify the most critical nodes, the situations at greatest risk of human-rights violations, the corporate functions to be involved, and the mitigation measures to be adopted: all constitutive elements of a structured supply-chain due-diligence process, which so far has been practised only by a small minority of companies but which is essential for setting up initiatives with impact on human rights. Save for virtuous and rare exceptions, for all companies — including those monitored in previous years — this is a field in which catching up from the current, substantial backwardness is called for. For large-scale

retail, the implications are more far-reaching, because the human-rights-critical supply chains of the products distributed are multiple;

- the development of integrated supply chains — in fact, if not formally in terms of corporate control — is a good system for ensuring food quality and safety, but **is not, automatically, also a guarantee of respect for human rights** in the supply chain, even where fully Italian. It seems appropriate, in these cases, for agri-food companies first, but also for large-scale retail, to adopt **dedicated verification measures**;
- if consumers are to value sustainability aspects in their choices, **the communication of these aspects must be credible.** The prospect of the Green Claims directive is an opportunity to be seized for reviewing messages and focusing them on material and verifiable aspects. Given the disorientation — and a certain scepticism — of consumers vis-à-vis labels, what is needed is both greater information — where large-scale retail can play an educational role, also in cooperation with agri-food companies — and the courage to make autonomous choices, in which the single manufacturer, drawing on its purchasing and due-diligence systems, takes responsibility for asserting and having externally verified the sustainable qualities of its own products. This is a field in which attention to human rights in the more critical supply chains — usually secondary to environmental aspects — can also find adequate space.

Proposals specifically for large-scale retail

The GDO should:

- first and foremost strengthen its own internal oversight of sustainability topics, setting up — where not already present — sustainability functions and investing in the training of purchasing offices. The objective should not be only to prepare for European legislation, from reporting to due diligence, but also to identify a strategy that envisages both positive impacts along the supply chain and a corporate economic return. In this sense, the proposals that emerged from the interviews with agri-food companies and set out in the previous section are shareable — to which reference is made for details:

  1. focus on the sustainability of retailer's own-brand products;
  2. intensify the involvement of agri-food companies in sustainability initiatives launched by retail companies and communicated to consumers;
  3. develop co-branding initiatives on products with clear sustainability features to be conveyed to consumers.

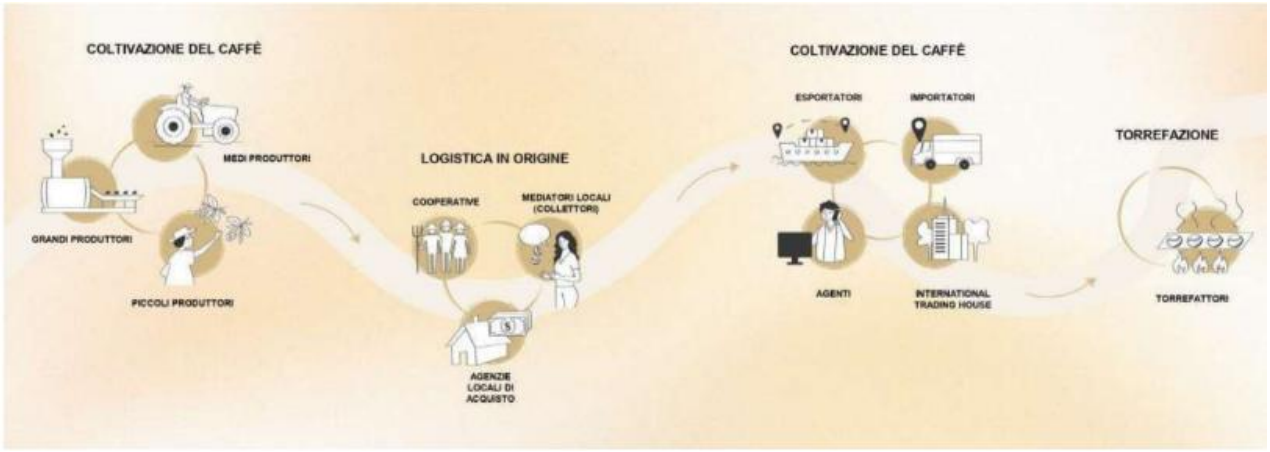
- promote occasions for engagement with agri-food companies (an aspect emphasised in the interviews as particularly lacking and, conversely, promising), NGOs and experts, both as a source of in-house expertise on the critical aspects of supply chains — to be used subsequently in the gathering of information and, in due course, in the selection and/or differential valorisation of suppliers and products — and as the basis for developing information initiatives for consumers;
- introduce changes to pricing policies and to the contractual conditions adopted for suppliers of agricultural and agri-food products in supply chains at risk for human rights, where the practice of a "fair price", as an alternative to the lowest-price practice, is a bulwark against potential episodes of exploitation.

Proposals for other actors

It is then only right to point out — at the level of contextual conditions — that NGOs too have a prompting role to play, so far exercised only sporadically. Investigative initiatives calling large-scale retail to account, such as those of Oxfam recalled in the contribution included in this same Report, should be repeated more frequently and developed by other NGOs, each in its own field — from human rights to human health, from the environment to animal welfare — starting with retailer's own-brand products. This could give rise to a virtuous circle of engagement by the GDO, improved sustainability of retailer's own-brand products, and a raising of social and environmental requirements also vis-à-vis the other products distributed, including those of the major brands. On this front, the limited effectiveness of consumer representative associations should also be noted.

Finally, public institutions too can contribute, and not by little, to the goal of respecting human rights in the agri-food supply chain. In particular, there are two fields in which public action can be effective. The first is the enforcement action on the legality of labour relations along the supply chain: in some sectors, such as tomato harvesting on which we commented in the Introduction, the existence of abuses is amply documented, so that pressing and productive enforcement action against illegality is expected. The second is strengthening the correct information provided to consumers: without waiting for the European directive on green claims, it is possible to launch initiatives — also agreed with production and retail companies — to inform and clarify the most critical environmental and social aspects that run through the supply chains of the various sectors, so as to enable a better appreciation of companies and products that pay attention to the material aspects of the relevant supply chain.

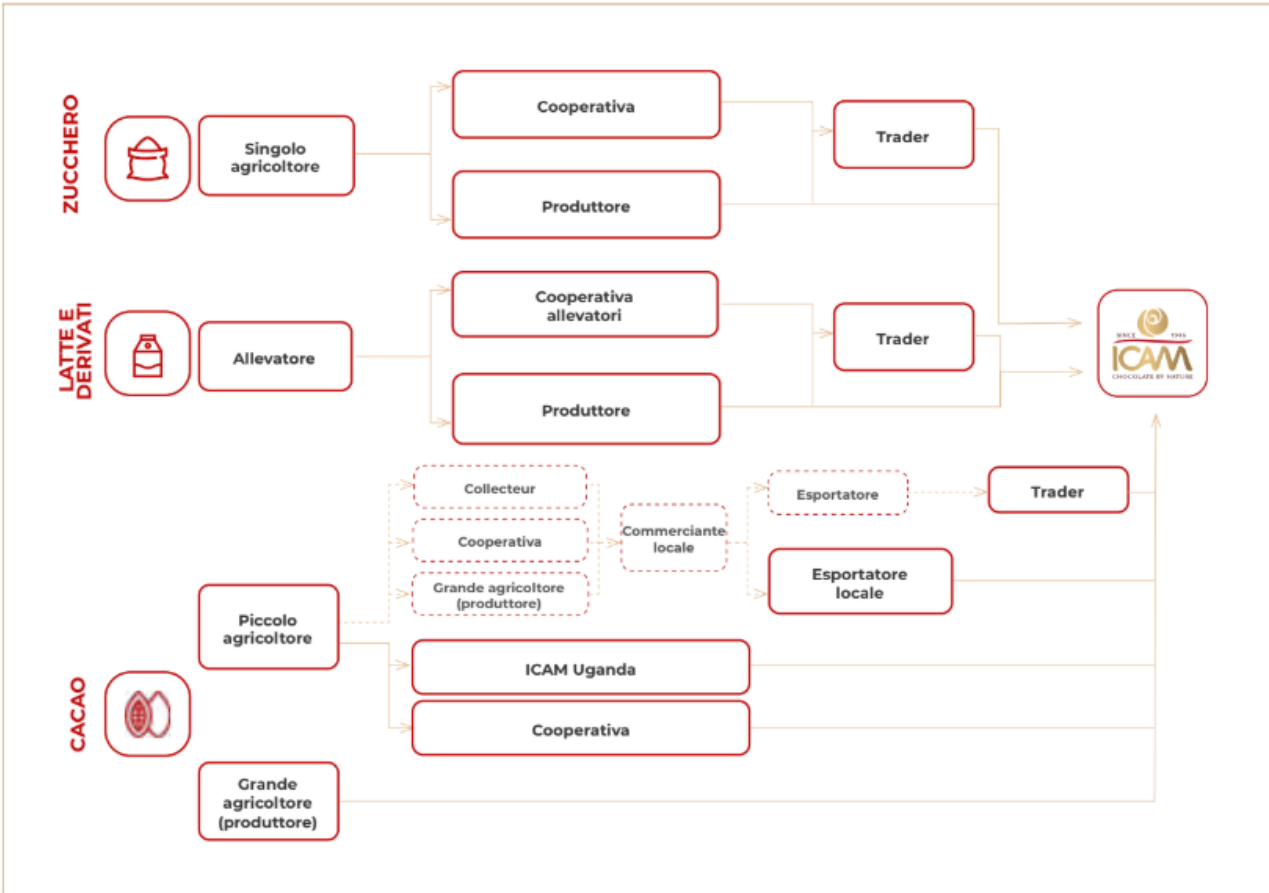
Figure 1 — **Representation of Lavazza's value chain**



Translation of the labels appearing in the diagram

Italian label	English translation
COLTIVAZIONE DEL CAFFÈ	COFFEE CULTIVATION
GRANDI PRODUTTORI	LARGE PRODUCERS
MEDI PRODUTTORI	MEDIUM PRODUCERS
PICCOLI PRODUTTORI	SMALL PRODUCERS
LOGISTICA IN ORIGINE	LOGISTICS AT ORIGIN
COOPERATIVE	COOPERATIVES
MEDIATORI LOCALI (COLLETTORI)	LOCAL BROKERS (COLLECTORS)
AGENZIE LOCALI DI ACQUISTO	LOCAL PURCHASING AGENCIES
ESPORTATORI	EXPORTERS
IMPORTATORI	IMPORTERS
AGENTI	AGENTS
INTERNATIONAL TRADING HOUSE	INTERNATIONAL TRADING HOUSE (unchanged)
TORREFAZIONE	ROASTING
TORREFATTORI	ROASTERS

Figure 2 — **Representation of Icam's value chain**



Translation of the labels appearing in the diagram:

Italian label	English translation
ZUCCHERO	SUGAR
LATTE E DERIVATI	MILK AND DAIRY PRODUCTS
CACAO	COCOA
Singolo agricoltore	Individual farmer
Allevatore	Livestock breeder
Piccolo agricoltore	Small farmer
Grande agricoltore (produttore)	Large farmer (producer)
Cooperativa	Cooperative
Cooperativa allevatori	Livestock breeders' cooperative
Produttore	Producer
Trader	Trader (unchanged)
Collecteur	Collector
Commerciante locale	Local trader
Esportatore	Exporter
Esportatore locale	Local exporter

Italian label	English translation
ICAM Uganda	ICAM Uganda (unchanged)

Appendix — Sectors covered by the monitoring

In the terms of the ATECO 2007 classification (2022 update), the sectors corresponding to the supply chains considered (companies monitored and their upstream supply chain) are the following:

- Non-permanent crops (e.g. cereals, rice, vegetables — including tomatoes — sugar) and permanent crops (e.g. fruit, citrus fruit, olives) *[ATECO 1.1, 1.2]*
- Animal farming (e.g. cattle, sheep, pigs, poultry and eggs) *[ATECO 1.4]*
- Processing and preservation of meat (e.g. cured meats), of fish (e.g. tuna preserves), of fruit and vegetables (e.g. tomato sauce) *[ATECO 10.1, 10.2, 10.3]*
- Production of oil *[ATECO 10.4]*
- Dairy industry *[ATECO 10.5]*
- Grain milling (e.g. flour) *[ATECO 10.6]*
- Bakery and farinaceous products (e.g. cakes, pasta) *[ATECO 10.7]*
- Other food products (e.g. cocoa, chocolate, coffee) *[ATECO 10.8]*
- Beverage industry (e.g. wine, fruit juices, mineral water) *[ATECO 11.0]*

The companies monitored in the large-scale retail sector belong to the retail trade of food products and beverages [ATECO 47.11].