



Harvested grapes on a vineyard in Italy. Image by [Federico Ghedini](#) from [Pixabay](#).

THE WORKERS BEHIND SWEDEN'S ITALIAN WINE

An illustrative¹ Human Rights Impact Assessment of Systembolaget's Italian wine supply chains

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ABSTRACT

This paper reports on an illustrative human rights impact assessment (HRIA) of Systembolaget's Italian wine supply chains, which aimed to evaluate the actual and potential human rights impacts at the production stage of the value chain in Italy, to identify their root causes, and to provide recommendations to relevant stakeholders concerning their prevention, mitigation and/or remediation.

The assessment took just over a year and consisted of five phases of analysis using a methodology aligned with the UN Guiding Principles on Business and Human Rights (UNGPs). However, the onset of Italy's severe first wave of coronavirus in 2020 meant that the assessment team was unable to conduct the field study phase with the full rigour required of an HRIA.

The field phase started in September 2019, with an initial assessment phase based on a literature review and a round of stakeholder interviews from September 2019 to March 2020. Further, limited, worker interviews were conducted from October 2020 to January 2021. The result is an illustration of the human rights risks that are present in the areas of Italy from which Systembolaget sources its wine.

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FOREWORDS

SYSTEMBOLAGET

Systembolaget has decided to contribute to a better future and to become known as being at the forefront of sustainable development. Respecting human rights at all levels of our business, and in our value chain, is a key ingredient on this journey. Our consumers and other stakeholders expect us to address these issues. Equally, our owner, the Swedish state, holds us to the highest standards when it comes to respecting human rights, as stated in our Owner's Directive.

In recent years, Systembolaget has been working to incorporate the UN Guiding Principles on Business and Human Rights (UNGPs). A human rights due diligence approach has been applied to our risk assessment and purchasing processes. Some of the gaps identified include a lack of insight into our impact on people affected by our business, as well as not incorporating the input from rights-holders into our risk identification process.

This human rights impact assessment (HRIA) is one part of bolstering our human rights due diligence and our pursuit of promoting human rights in our supply chain. We want to have better insight into the risks for human rights violations so that we can address them. Oxfam has analysed our practices, listened to relevant stakeholders and interviewed our suppliers and workers in the Italian wine industry, providing us with direct input on what is happening on the ground.

This is crucial given the complexity of Italian wine supply chains. Italy is the largest producer and exporter of wine in the world. It is also the wine-producing country of choice for Swedish consumers, making up 27% of Systembolaget's total wine sales. A wine is often made up of several different components purchased from a range of cooperatives or producers, who in turn have bought the grapes from many different farms. This creates a complex chain of different entities, making it hard to track and monitor. That the biggest risk for human rights violations exists at the farm level makes it even more difficult to address these risks. We have more than 600 entities in our Italian supply chain and therefore we need to find new ways of identifying challenges, and more importantly, the root causes behind them.

This report shows that Systembolaget has an advanced way of working with sustainability in our supply chain. Systembolaget's sustainability platform and our trade union cooperation with IUF and Unionen are two examples of our work that are commended. Working with this report, our sustainability department and our purchasing department have found common understanding on our impact as a big buyer and have been brought even closer together. This collaboration has enabled us to pool our respective knowledge and take action on several points where Oxfam has identified the potential for improvements.

However, the report also shows that there are many challenges that need to be addressed. Exploitation of migrant workers, lack of unionization, insufficient wages and lack of personal protective equipment are all issues highlighted in Italy. The report also pinpoints areas where Systembolaget could do more to minimize the risks for human rights violations. For example, our purchasing processes need to consider even further the human rights risks in similar ways to product quality and delivery times, and our risk assessment process needs more input from rights-holders.

We hope that sharing this report will not only provide us with even more input from stakeholders to further improve our own work, but also that the content will inspire and give our suppliers and other stakeholders in the wine industry more knowledge to act on in order for us to collectively be part of making the Italian wine industry more sustainable. We want to show exactly what challenges we and other companies working with or within the wine industry in Italy must deal with.

Cooperating with Oxfam and working on this assessment has been a learning experience. Many of the report's findings may apply to other wine-producing countries in Europe and around the world. We will use the findings to further enhance our human rights work. In the future we will continue doing these HRIAs to better equip ourselves to prevent and handle human rights violations. Systembolaget is one of the world's largest purchasers of alcoholic

beverages, which gives us the opportunity to make a real difference. We are committed to continue this journey together with our business partners and stakeholders to find practical ways forward.

Magdalena Gerger
CEO, Systembolaget

OXFAM

COVID-19 is spiralling inequalities between and within countries. It has exposed our collective frailties. It's also shown us just how interwoven we are as a human family, be it relying on each other to stay safe or realizing that our economies depend on each another.

Workers and farmers across global supply chains have helped all of us throughout this pandemic. Yet it is clear that our global food system is tilted against their rights, particularly those of women and migrant workers. New Oxfam research shows how, for example, the people who produce and process the food on our supermarket shelves have faced systemic exploitation during the pandemic while supermarket owners saw their dividends soar.

We need now – more than ever – visionary businesses to break out of the mould and reflect on the role they may be playing in driving these inequalities. And to tackle them.

Workers at the bottom of global food supply chains are employed through a web of suppliers, subcontractors and farmers. Often there is limited understanding or sight of their working conditions. Human rights due diligence – a key requirement for business under the UN Guiding Principles for Business and Human Rights (UNGPs) for the identification and remediation of adverse human rights impacts – is vital towards addressing this.

When business works to really understand what is happening in their supply chains, they can begin to address inequality in their own supply chains, but also get ahead of the legislative curve. Human rights due diligence will soon be made mandatory under European law. Several EU member states have already led with national laws to stop modern slavery and tackle child labour.

Systembolaget is an example of a company leading the way in improving its own impact.

As a state-owned monopoly that seeks to manage the responsible consumption of alcohol, with fairness for its Swedish suppliers at the heart, the company has in its DNA the means to dive deeper into its global supply chains, and ensure that all exploitation in its supply chains is addressed. Across our work on human rights and business, our experience with Systembolaget has been exemplary – with strong buy-in from across the company, and a clear mandate and support from the company's leadership.

Oxfam worked together with Systembolaget to carry out a Human Rights Impact Assessment (HRIA) of their wine supply chains Italy. The company opened itself up for examination, which meant we were able to talk to stakeholders across the wine supply chain, from workers and suppliers in several regions, as well as procurement and sustainability staff in the company. Due to the COVID-19 pandemic, which struck Italy severely as we were embarking on our field work, the study has faced some limitations, yet it remains illustrative of systematic and potential human rights risks in its Italian wine supply chains.

This HRIA builds on earlier work by Oxfam to assess human rights impacts in the Italian processed tomato value chain of S-Group, the largest Finnish food retailer. As such it helps shed light on the fact that well-documented human and labour rights violations in low-value agricultural production in Italy are also present in higher-value sectors, such as wine.

Oxfam has appreciated the openness, sincerity and cooperation of Systembolaget staff and management. Proof of the company's commitment is in the fact that it has already started to implement many of our recommendations even before the publication of this report. It will not be an easy journey – particularly with the additional challenges that the pandemic has posed. But we are confident that Systembolaget will find ways to meet these and in so doing will

help to lead other businesses, in redressing and preventing human rights abuses in its Italian supply chains, and will apply these lessons in all its supply chains.

We need more companies to do the same. Inequality is rising, and with each crisis, the most vulnerable are the most exploited. This must change with urgency. Actions by companies like Systembolaget are crucial to ensure that business plays a positive role in fostering far fairer and just economies that truly respect people and that tackle climate breakdown, with the Sustainable Development Goals at their very heart.

Gabriela Bucher
Executive Director, Oxfam International

EXECUTIVE SUMMARY

BACKGROUND, OBJECTIVES AND METHODOLOGY

Systembolaget AB (Systembolaget) is the Swedish monopoly alcohol retailer that operates 436 stores across the country. It is wholly owned by the Swedish state, but economically independent. By selling alcoholic drinks over a particular strength without profit and providing guidance and information on responsible alcohol consumption, Systembolaget aims to limit the negative impacts of alcohol consumption without depriving citizens of the opportunity to enjoy alcohol responsibly.²

This illustrative human rights impact assessment (HRIA) of the Italian wine supply chains of Systembolaget builds on earlier Oxfam work to assess human rights impacts in the Italian processed tomato value chain of S-Group, the largest Finnish food retailer.³ The assessment can be seen as part of Systembolaget's efforts to undertake more robust human rights due diligence processes that go 'beyond audits' – the industry standard tool for assessing compliance with a company's supplier code of conduct.

The HRIA's objectives are to assess Systembolaget's actual and potential human rights impacts at the production stage of the company's Italian wine supply chains, to identify their root causes, and to make recommendations to Systembolaget and key stakeholders of prioritized actions to address, mitigate and/or remediate the identified impacts.

The methodology used aligns with the UN Guiding Principles on Business and Human Rights (UNGPs) and is informed by the OECD Due Diligence Guidance for Responsible Business Conduct.⁴ The assessment took place between September 2019 and April 2021. Due to the process starting just before the 2019 grape harvest season – with insufficient time to organize a full range of rights-holder interviews – a preliminary assessment was conducted between September 2019 and March 2020. A further sample of rights-holder interviews was conducted between October 2020 to January 2021, but was severely constrained by the effects of the COVID-19 pandemic.

The assessment took place in four wine-producing regions of Italy: Tuscany, Piemonte, Puglia and Sicily. The selection of these regions was informed by:

- an analysis of the Systembolaget Italian wine assortment (product range), to identify a reasonable geographic spread of producing regions covering both northern and southern Italy, and covering both higher- and lower-value wines, including at least some of the products with the highest volume and value of retail sales in the assortment (see Section 1.2);
- engagement with Systembolaget first-tier suppliers in order to encourage participation in the assessment process, and subsequent expressions of interest to do so;
- Oxfam's capacity and relationships with relevant partners in different Italian regions.

The main data sources include:

- academic and grey literature;
- semi-structured interviews with staff at Systembolaget and sub-suppliers;
- seventy-nine interviews with workers across the four regions;
- documents shared by Systembolaget;
- quantitative analysis of supply chain prices.

CONTEXT

Labour rights challenges are widespread in Italian agriculture. About 1,500 agricultural workers died in Italy between 2013 and 2019 because of exploitative working conditions.⁵ While the labour force is a mixture of Italian citizens and migrants, the number of migrants working in agriculture has increased by 90% in the past decade.⁶

Migrant workers are particularly vulnerable to labour and human rights violations and there have been incidences of wine producers in the south, where many African migrants first arrive to Europe, exploiting migrants to cut costs and increase productivity. Cases of labour exploitation have also been detected in the north, where grapes are harvested mainly by migrant workers from Eastern Europe under conditions that have been described as close to slavery.⁷ (see Section 2). This assessment explored the risks of such exploitative working conditions and related human rights impacts in both the south and north of Italy.

IDENTIFIED ADVERSE HUMAN RIGHTS IMPACTS IN AREAS FROM WHICH SYSTEMBOLAGET SOURCES WINE

From the assessment, some indications of human rights impacts emerged in all four regions – including the north, which has received less media attention (see Section 3). While several human rights impacts were identified across all the regions, some impacts were more prevalent in certain regions – highlighting the value of conducting more regional assessments (see table below).

Across the four regions, low wages are prevalent, with a significant portion of both migrant and Italian workers not being able to meet their basic needs without working overtime. Where excessive overtime does exist, it can have a major impact, up to and including death, as seen in the case of Paola Clemente, who died while working on a vineyard in the Puglia region in 2015.⁸ Workers across the regions do not have adequate access to remedy as they do not feel confident to raise a concern or grievance – often due to fear of losing their jobs or even fear of reprisals from the company.

Migrant workers – especially in southern Sicily where they often first land if coming from North Africa – are highly vulnerable to exploitation and the assessment found that such workers may be vulnerable to forced labour, which entails some of the most serious violations of human rights. The sentiment of workers feeling they could not safely join a union was particularly prevalent in Sicily.

Health and safety risks were seen particularly in Tuscany, Piemonte and Puglia. While the literature shows that all workers in vineyards and wineries face a range of health and safety risks, including musculoskeletal problems, exhaustion, heat and toxic fumes, many workers we interviewed said they receive no or inadequate personal protective equipment (PPE).⁹

	Main human rights impacts identified per region	Human rights impacts identified across the regions
Tuscany 	Health and safety risks Workers in vineyards are at risk of several health issues but a significant proportion of workers interviewed in Tuscany (25%) reported receiving no or inadequate PPE.	Low wages A significant proportion of workers across the four regions are not able to meet their basic needs with the pay from their work on vineyards (80% of workers interviewed in Puglia, 25% in Sicily, 15% in Tuscany). As a result, workers need to work more than 8 hours a day to meet their basic needs (60% of workers interviewed in Puglia, 35% in Sicily, 10% in Tuscany). A significant proportion of workers in all regions did not know what the minimum agricultural wage was (100% of workers in Piemonte, 76% in Puglia, 45% in Tuscany, and 15% in Sicily), which also reduces their ability to claim their dues. Lack of access to remedy A significant proportion of workers across all regions said they would not feel confident raising a concern or grievance at the workplace (50% in Tuscany, 43% in Puglia, 21% in Sicily, 14% in Piemonte). Many explained that this was due to fear of losing their jobs or fear of reprisals from the company, even when they had worked for the same employer for many years. Although trade unions often play the only effective role of offering a means for migrant workers to raise concerns about their treatment in the sector, a significant number of workers in two regions do not feel they can safely join a union or do not know what a union is (64% in Piemonte, 30% in Sicily). This sentiment was significantly higher among migrant workers. Systembolaget's intention to establish grievance mechanisms through the Italian FLAI-CGIL trade union arguably faces serious challenges when workers do not feel free to join a union of their choice – as the initiative does not offer a channel for workers who are not organized. Gender discrimination In all regions, men we interviewed were much more likely to feel they were being treated fairly at work, receiving the same pay as other workers and being treated with respect than women interviewees. Another notable finding is the imbalance between the number of hours of unpaid care work done by men and women. A number of women said they were paid less than men and
Piemonte 	Excessive working hours A majority of workers interviewed in Piemonte often have to work more than an hour's overtime without pay (57%). Restrictions on freedom of association Most workers interviewed in Piemonte (64%) do not feel they could safely join a union or do not know what a trade union is. Health and safety risks A significant proportion of workers interviewed in Piemonte (29%) reported receiving no or inadequate PPE.	
Puglia 	Health and safety risks Most respondents interviewed in Puglia (79%) reported receiving no or inadequate PPE. However, many of these interviewees were farmers in their own right.	
Sicily 	Forced labour The interviews indicated a risk of forced labour in Sicily, with four out of six migrant interviewees reporting that they had paid someone to secure their job. Given the seemingly widespread influence of <i>caporali</i> (illegal labour brokers) in the wine sector, there is a high risk that workers remain under the strong influence of <i>caporali</i> and therefore there is a risk of practices occurring that would meet certain indicators of forced labour under the ILO operational definition, including 'influence of people related to the employer for non-work life'. Restrictions on freedom of association A significant proportion of workers interviewed in Sicily (30%) do not feel they could safely join a union or do not know what a trade union is. Some migrant workers in Sicily do not feel free to join a trade union for fear of reprisals from the company. Poor, unsafe and unsanitary housing The risk of poor housing in the wine supply chain seems to be lower than in other agricultural sectors such as the tomato sector. Nevertheless, given the widespread nature of poor accommodation conditions among workers in the Italian agricultural sector and that some workers	

	<p>in Sicily judged their accommodation to be 'not very good', it is considered likely that some workers in Systembolaget's supply chain are living in poor, unsafe and unsanitary housing.</p>	<p>employed for fewer months, many felt unfairly treated but were less likely to feel comfortable raising grievances for fear of losing their jobs.</p> <p>Discrimination against migrant workers Migrant workers without legal status were likely to be paid less than Italian workers and to have lower awareness of rights and minimum wage levels.</p>
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ROOT CAUSE ANALYSIS

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

- The **supply of labour that is acutely vulnerable to exploitation in sourcing countries** – often reflective of the suppression and/or decline of the relative bargaining power of workers and/or small-scale food producers.
- The **creation downstream in global value chains of demand for cheap labour in countries from which they source** – often reflective of increasing market concentration and resulting buying power of food retailers and other buyers in global food value chains.

Among the root causes on the labour supply side is the presence of significant numbers of workers that are acutely vulnerable to exploitation. Among the root causes on the labour demand side is the market demand for products that require cheap labour. A crude analysis suggests that the Italian bulk wine export price is insufficient to cover the hired labour costs of production (see Section 4).

ATTRIBUTION AND PRIORITIZATION OF IMPACTS

Under the UNGPs, the nature of the company's response to identified adverse human rights impacts should be determined according to the extent to which companies have 'caused', 'contributed to' or are 'directly linked to' the impact.

Systembolaget's purchasing practices may be considered to increase the risk of adverse human rights impacts in two respects, related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, and to the lack of long-term certainty for all stakeholders in the supply chains (see Section 5.1).

The lack of engagement by Systembolaget's sub-suppliers in the full assessment process (see Methodology section) means that conclusions about working conditions in Systembolaget's supply chains must necessarily be more cautiously expressed in the form of 'potential'¹⁰ rather than 'actual' human rights impacts. But given that many of the products in the Italian wine assortment – including many of the highest-selling wines by volume and value – are bulk or blended wines, with grapes from undefined regions or that were bought on the spot market (see Section 1.2), risks that are identified in the secondary literature and/or from workers in the wider sector (even if they are not confirmed to work in the Systembolaget supply chain) should generally be considered as potential human rights impacts.

The identified human rights impacts considered of highest priority as a result are indicated in red, with medium priority impacts in orange and lower priority impacts in yellow (see Section 5.1). The assessment is informed by the UNGPs, which acknowledge that where companies are unable to address all of their adverse impacts simultaneously it may be necessary to prioritize, starting with the most severe impacts, especially where a delayed response may

affect the impact's remediability.¹¹ The OECD Due Diligence Guidance further suggests that this prioritization process should be based on the severity of the impact and the likelihood of it occurring.¹²

	Forced labour			
	Severity	Actual/potential	Contribution	Leverage
	Medium scope, major scale, remediable	Potential – likely	Contributes	Low – moderate
	Low wages			
	Severity	Actual/potential	Contribution	Leverage
	Large scope, moderate scale, remediable	Potential – very likely	Contributes	Moderate
	Excessive working hours			
	Severity	Actual/potential	Contribution	Leverage
	Medium scope, major scale, remediable for most	Potential – very likely	Contributes	Low
	Health and safety risks in vineyards and wineries			
	Severity	Actual/potential	Contribution	Leverage
	Moderate scope, major scale, remediable for most	Potential – likely	Contributes	Moderate
	Lack of access to remedy			
	Severity	Actual/potential	Contribution	Leverage
	Large scope, moderate scale, remediable	Potential – very likely	Linked	Low – medium
	Restrictions to freedom of association			
	Severity	Actual/potential	Contribution	Leverage
	Medium scope, moderate scale, remediable	Potential – very likely	Linked	Low – medium
	Sexual harassment and gender discrimination			
	Severity	Actual/potential	Contribution	Leverage
	Small scope, moderate – major scale, remediable	Potential – likely	Linked	Low
	Poor, unsafe and unsanitary housing			
	Severity	Actual/potential	Contribution	Leverage
	Medium scope, moderate scale, remediable	Potential – likely	Contributes	Low

RECOMMENDATIONS

The table below summarizes the major recommendations proposed for Systembolaget and its first-tier suppliers to address the identified adverse human rights impacts in the company's Italian wine supply chains.

Top priorities, highlighted in red, should be pursued within six months, medium priorities in orange within a year, and lower priorities in yellow within 18 months.

Impact and prioritization	Recommendations
<p><i>Forced labour, low wages, excessive working hours, health and safety risks</i></p>	<p>Ensure that the prices of wines enable all appropriate costs for ensuring decent working conditions to be met by:</p> <ul style="list-style-type: none"> • Ensuring that buyers receive training to understand the impact of Systembolaget's purchasing practices and prices on their suppliers' ability to respect labour rights in their operations and supply chains. • Ensuring that buyers receive training to understand the specific human rights risks for Italy and the different wine regions. • Ensuring that buyers have access to information to judge what reasonable production costs are in the various wine-producing regions by: <ol style="list-style-type: none"> 1. Ensuring that human rights concerns are taken into account in tender documents by requiring first-tier suppliers who win tenders to account for how ethical production costs were guaranteed. 2. Adding questions on ethical production costs to the Sustainability Platform. 3. Conducting a stakeholder engagement dialogue on prices and how greater transparency on price-setting and the relationship with the cost of sustainable production (including labour conditions that respect human rights) throughout the supply chain can be assured. 4. Considering jointly commissioning an academic study of the price of ethical production of different wines with other wine monopolies. • Urgently assessing the price brackets for tenders, in particular the lowest price bracket for bag-in-box wines of 199 SEK¹³ to reflect labour wage increases over recent years. • Introducing and formalising a system within Systembolaget's due diligence process which flags any price bracket in tenders which has remained the same for a certain period, to ensure that these price brackets are able to account for wage increases. • Developing a system within Systembolaget's due diligence process which flags when national/regional changes in collective wage agreements/minimum wages occur to enable buyers to better assess whether wage increases are taken into account by supplier's prices. • Consider developing a system within Systembolaget's due diligence process which flags any significant price drop in the fixed assortment. <p>Encourage long-term perspectives and investments to address sustainability challenges in supply chain by:</p> <ul style="list-style-type: none"> • Giving preferential treatment to wines which can be considered 'good performers' in terms of the respect of human rights: <ol style="list-style-type: none"> 1. Requiring each segment of the assortment to include at least one certified wine with credible and robust social standards to improve working conditions – such as Fair for Life certified products.

	<p>2. Launching more exclusive and temporary assortments to promote good performers in terms of the respect of human rights.</p> <ul style="list-style-type: none"> Using the information gathered through the Sustainability Platform to rank and highlight good performers, including taking into consideration long-term relationships between suppliers and investments made to address sustainability challenges. Also, ensure that the various due diligence processes – including certifications and data gathered through the Sustainability Platform and self-assessment questionnaires (SAQs) are cross-checked. Lengthening the guaranteed listing period of products. <p>Ensure that more rigorous due diligence processes also apply to products in the ordering assortment by flagging any significant price drop which in turn triggers follow-up from the buyers with the suppliers.</p> <p>Strengthen policies, checks and support to suppliers to ensure that workers are better protected by:</p> <ul style="list-style-type: none"> Requiring suppliers to ensure that all workers – men, women, migrant, Italian – are paid the same rate for the same work, and to report on this through the Sustainability Platform and SAQs. Support suppliers in achieving this through responsible purchasing practices. Requiring suppliers to provide all workers – whether permanent or temporary/seasonal – with written contracts in a language they understand. Support suppliers in achieving this through responsible purchasing practices.
<p><i>Forced labour/multiple dependency on caporali</i></p>	<p>Reduce the likelihood of migrant workers being recruited through informal channels and becoming vulnerable to exploitation by criminal organizations by:</p> <ul style="list-style-type: none"> Working with local NGOs to ensure migrant workers know their rights and are employed above-board. Working with suppliers and other stakeholders to advocate for the EU and the Italian government to establish regular and safe entry channels for migrant workers, in order to guarantee full respect of their rights and their dignity. Expanding the SAQs to assess whether workers have paid recruitment fees to secure their employment. Requiring suppliers to have a policy that the employer – not the worker – pays recruitment fees.
<p><i>Lack of access to remedy (and restrictions on freedom of association)</i></p>	<p>Ensure that all workers in Systembolaget’s Italian wine supply chain are adequately represented and have access to a grievance mechanism that meets the standards outlined in the UNGPs by:¹⁴</p> <ul style="list-style-type: none"> Working with suppliers, local trade unions and IUF/FLAI-CGIL to ensure that farms and wineries understand the benefits of trade unions and how they can help to ensure they are compliant with Systembolaget’s Code of Conduct. Developing a strategy with suppliers to build trust in trade unions over time so that all workers, including migrant workers, are properly represented. Guidance on how to do this is available from the Ethical Trading Initiative.¹⁵ Signalling public support for the work of trade unions in Italy and consulting on possible Systembolaget advocacy efforts. Put in place a grievance mechanism that workers can use alongside trade unions and/or until trade unions are well established and fully functioning.
	<p>Expand the SAQs to assess the lack of access to remedy, including assessing whether workers have adequate options available to raise complaints about their treatment.</p>

	<i>Cross-cutting</i>	<p>Educate first-tier suppliers and sub-suppliers about human rights risks in their supply chain and how they can prevent and mitigate risks through their purchasing practices and actions by:</p> <ul style="list-style-type: none"> • Using the Sustainability Platform as a means to educate suppliers on human rights impacts and possibilities to prevent and mitigate such impacts. • Providing training to buyers at first-tier suppliers on the impact of their company's purchasing practices and prices on their suppliers' ability to respect labour rights in their operations and supply chains. • Working with suppliers to provide training for workers – as well as employers – on labour rights and laws.
		<p>Encourage first-tier suppliers and sub-suppliers to make a public commitment to the UNGPs through the Sustainability Platform – including the establishment of effective due diligence processes, grievance mechanisms and regular and robust reporting of implementation efforts (e.g. through an annual sustainability report) and consider establishing training initiatives for importers on the UNGP requirements.</p>
		<p>Consult internally and with stakeholders on the action plan to address the findings and recommendations of this assessment, including regular reporting of progress on its implementation and consideration of future updates to the assessment.</p>
	<i>Sexual harassment and gender discrimination</i>	<p>Support suppliers in ensuring that women workers have equal access to knowledge about labour rights and have an effective and appropriate grievance mechanism to use when they are breached. Work with importers to support gender awareness-raising programmes for both women and men workers in Italian supply chains.</p>
		<p>Sign up to the Women's Empowerment Principles¹⁶ and report on progress. Encourage suppliers to do the same.</p>
		<p>Strengthen the Code of Conduct's gender provisions and adopt a gender policy which includes stronger gender equality provision and applies to suppliers. This should include equal pay and terms for equal work, and secure contracts. Train suppliers on these issues and risks.</p>
		<p>Expand the SAQs to assess how well suppliers cater for workers' needs to do unpaid care.</p>
	<i>Cross-cutting</i>	<p>Improve working conditions across the Italian wine sector by:</p> <ul style="list-style-type: none"> • Sharing lessons learned with others, particularly other Nordic state alcohol monopolies. • Advocating for mandatory human rights due diligence legislation in Italy at the EU level. • Advocating for the proposed Directive on Adequate Minimum Wages in the European Union¹⁷ which, among others, aims at promoting compliance as well as strengthening enforcement and monitoring of adequate minimum wages being paid in all member states.
	<i>Poor, unsafe and unsanitary housing</i>	<p>Revise the Systembolaget Code of Conduct to include reference to the standard of workers' accommodation even where it is not provided directly by their employers.</p>
		<p>Discuss with amfori Business Social Compliance Initiative (BSCI) possible changes to the principles of the Code of Conduct to include reference to accommodation standards even where facilities are not currently provided by the company.</p>
		<p>Expand the SAQs to assess the quality of housing provided by employers.</p>
	<i>Cross-cutting</i>	<p>Raise consumer awareness of the importance of protecting the human rights of wine production workers by conducting a public awareness</p>

	campaign about the rights of Italian wine workers (and others) and the impact that low prices and short sales contracts can have on them.
	Educate consumers about the fact that the due diligence process of the ordering assortment is less rigorous and human rights risks are higher.

NEXT STEPS

Systembolaget has developed an action plan in response to the assessment's findings and recommendations, including a timeline to address all the adverse impacts identified. Systembolaget has also committed to publicly communicate the actions taken. The full action plan can be found in Annex 6.

INTRODUCTION

BACKGROUND AND OBJECTIVES

The corporate responsibility to respect human rights, one of three pillars comprising the UN Guiding Principles on Business and Human Rights (UNGPs), means that companies should avoid infringing on the rights of others and address harmful human rights impacts with which they are involved.¹⁸ The responsibility relates to all internationally recognized human rights.¹⁹

To meet this responsibility, companies should have in place:²⁰

- a policy commitment to respect human rights;
- a human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;²¹
- processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.

This human rights impact assessment (HRIA) of the Italian wine supply chains of Systembolaget – the Swedish state-owned monopoly alcohol retailer – builds on earlier Oxfam work to assess human rights impacts in the Italian processed tomato value chain of S-Group, the largest Finnish food retailer.²²

As such, it helps to shed new light on the extent to which well-documented human and labour rights violations in low-value agricultural production in Italy may also be present in higher-value sectors, such as wine, and in a broader range of regions in Italy. This can be of value for other alcohol monopolies, including in the Nordics. The HRIA also allows for consideration of the similarities and differences between commercial retailers and a state-owned monopoly retailer in terms of the extent and nature of the company's contribution to human rights impacts.

The assessment can also be seen as part of Systembolaget's efforts to undertake more robust human rights due diligence processes. HRIAs are an important tool to enable companies to 'know and show' their human rights impacts, which can provide additional insights that go 'beyond audits' – the industry standard tool for assessing compliance with a company's supplier code of conduct.

The assessment aims to assess Systembolaget's actual and potential human rights impacts at the production stage of the company's Italian wine supply chains, to identify their root causes and on that basis to make recommendations to Systembolaget and key stakeholders for prioritized actions to address, mitigate and/or remediate identified impacts.

METHODOLOGY

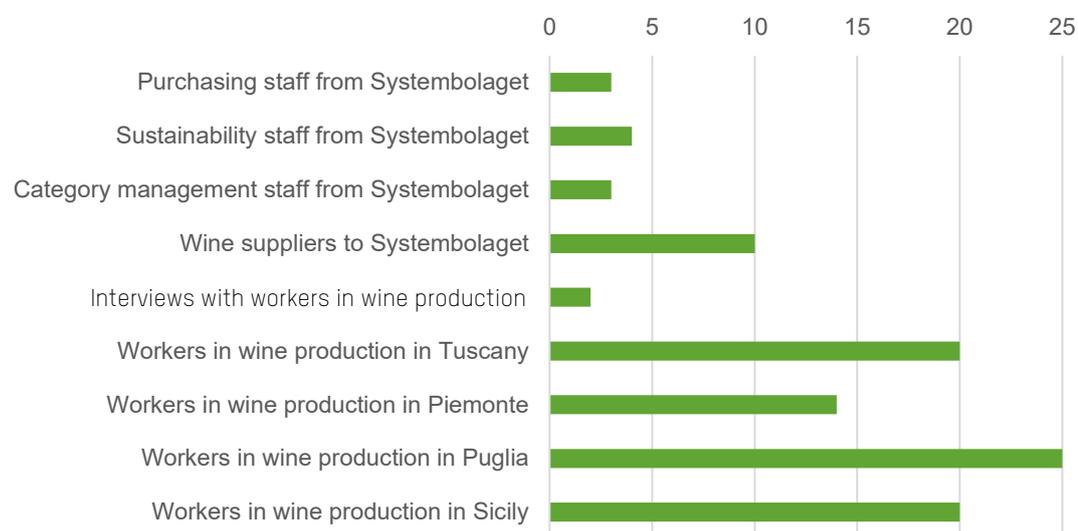
The methodology used in the HRIA is aligned with the UNGPs and informed by the OECD Due Diligence Guidance for Responsible Business Conduct.²³ In its analysis of root causes of human rights impacts and many of the recommendations that ensue, it also draws on the field of international political economy and notably global value chain analysis.²⁴ The main steps in the full assessment process are outlined in Table 1, while Figure 1 provides a breakdown of the number of stakeholders interviewed.

Table 1: Phases and main steps in the assessment process

Phase and objectives	Steps taken	Period
<p><i>1. Context analysis</i></p> <ul style="list-style-type: none"> Build understanding of the nature of the Systembolaget supply chains. Assess the approach to human rights in theory in Italy and in Systembolaget. 	Literature review in English and Italian.	September 2019 – December 2019
	Semi-structured interviews with stakeholders in Systembolaget.	
	Review of relevant Systembolaget documents.	
<p><i>2. Mapping of human rights impacts</i></p> <ul style="list-style-type: none"> Identify actual and potential human rights impacts in Systembolaget supply chains in practice. 	Semi-structured interviews with selected Systembolaget wine suppliers from Tuscany (preliminary assessment), and Piemonte, Tuscany and/or Puglia and/or Sicily (full assessment).	Preliminary assessment: September – October 2019
	Semi-structured interviews with workers in the Tuscany wine sector (preliminary assessment) and the Piemonte, Puglia, Sicily and Tuscany wine sectors (full assessment).	Full assessment: October 2020 – January 2021
	Review of relevant Systembolaget and/or suppliers' documents.	
<p><i>3. Root cause analysis, prioritization and recommendations</i></p> <ul style="list-style-type: none"> Identify root causes of human rights impacts in Systembolaget's supply chains according to an analytical framework. Prioritize human rights impacts for Systembolaget to address to guide the company's use of resources. Develop prioritized recommendations to Systembolaget to address the root causes of human rights impacts. 	Quantitative analysis conducted of Systembolaget's supply chain pricing structures and trends.	Preliminary assessment: January – March 2020
	Prioritization exercise conducted on basis of severity, likelihood, attribution and leverage.	Full assessment: October – January 2020
	Initial recommendations drafted.	
<p><i>4. Validation</i></p> <ul style="list-style-type: none"> Test and improve analysis, conclusions and recommendations. 	Semi-structured interviews conducted with stakeholders in Systembolaget.	Preliminary assessment: June – August 2020
	Written responses sought from trade unions and civil society stakeholders in Italy, and semi-structured interviews with stakeholders in Sweden.	Full assessment: February 2021
	Opportunity to comment offered to selected Systembolaget's suppliers on relevant excerpts of the draft assessment.	
	Review of first draft assessment by stakeholders in Oxfam.	
	Review of first draft assessment by Systembolaget.	
<p><i>5. Report finalization and communication</i></p> <ul style="list-style-type: none"> Provide an opportunity for Systembolaget to outline an initial response to the assessment findings, and to communicate initial lessons from the pilot assessment. Provide an opportunity for Oxfam to respond to Systembolaget's immediate response to the 	Second draft of report submitted to Systembolaget.	March – May 2021
	Systembolaget concluding remarks drafted.	
	Oxfam concluding remarks drafted.	
	Oxfam publication of assessment, including both sets of concluding remarks.	

<p>assessment, and to communicate initial lessons from the pilot assessment.</p> <ul style="list-style-type: none"> • Ensure the assessment is made publicly available and initial communications undertaken. 		
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Figure 1: Number of stakeholders interviewed during the assessment



Approach to rights-holder engagement

The Systembolaget Italian wine assortment is extensive, covering some 403 individual products from 63 first-tier suppliers and 186 second-tier suppliers from at least 18 regions of the country. From this, a sample was created for this assessment.

During the preliminary assessment, worker interviews were undertaken in Tuscany only, due to Oxfam Italy's presence and good access to workers in that region, as well as the importance of wine exports from Tuscany to the Italian wine sector, and in the Systembolaget assortment.

For the full assessment process, additional worker interviews were conducted in Tuscany, Piemonte, Puglia, and Sicily. The selection of these regions was informed by:

- an analysis of the Systembolaget Italian wine assortment, to identify a reasonable geographic spread of producing regions covering both northern and southern Italy, and covering both higher- and lower-value wines, including at least some of the products with the highest volume and value of retail sales (see Section 1.2);
- engagement with Systembolaget first-tier suppliers in order to encourage participation in the assessment process, and subsequent expressions of interest to do so;
- Oxfam's capacity and relationships with relevant partners in different Italian regions.

Oxfam intended to approach worker interviews in two ways:

- First, in work settings, on vineyards that are part of the Systembolaget supply chain and facilitated by suppliers who have agreed to participate in the assessment process; and
- Second, in settings away from the workplace, with workers who report working in the wine sector but may not be employed in a company that is part of the Systembolaget supply chain.

Combining these two approaches would mean that findings were not limited to companies that had agreed to participate in the assessment, and would give a better picture of the range of working conditions in the wider sector and therefore could be indicative of the potential human rights impacts in Systembolaget's supply chains.

In the second phase of the study, Oxfam Italy and its local partner organizations interviewed workers in Piemonte, Puglia, Tuscany and Sicily, bringing the total number of workers interviewed to 79. These are regions that Systembolaget sources wine from and there is a strong likelihood that the interviewees responses also hold true for workers in Systembolaget’s supply chain.

The interviews in Tuscany were conducted in 2019, and in the remaining regions in 2020 and early 2021 under the constraints of the COVID-19 pandemic.

The worker interviews consisted of a mixture of face-to-face and telephone interviews conducted mostly at workers homes or place of residence – with the exception of Producer A, a Systembolaget supplier, and Italian workers in Sicilian wine processing units who were interviewed at their workplaces.

Three-quarters of the workers interviewed were men and the remainder were women,²⁵ roughly reflecting the estimated gender distribution in Italian wine labour. About half (48%) were migrants from elsewhere in Europe and Africa. Most migrants held international protection status that allows them to legally live and work in Italy, at least temporarily. Figures 2 and 3 show the interviewed workers by region, split by gender and origin, respectively.

Figure 2: Interviewed rights-holders by gender

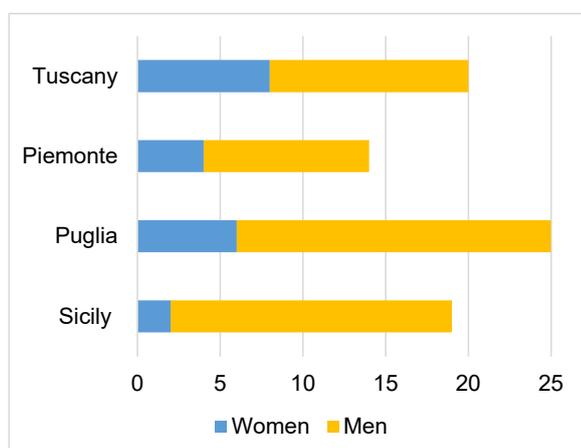
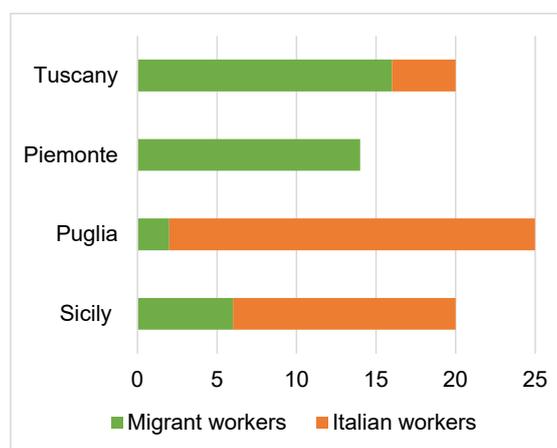


Figure 3: Interviewed rights-holders by origin



In Tuscany, we interviewed eight workers from an Oxfam reception centre²⁶ and 12 from a farm in Systembolaget’s supply chain. The workers in Tuscany were mostly migrants from Africa and Eastern Europe/EU (16 migrant workers, four Italian workers). Most migrant workers had been working at the vineyard for about three years, while the Italian workers had been working at the vineyard for 15 and a half years on average.

In Piemonte, the 14 workers we interviewed were from a government facility for migrant workers. The workers were mostly African migrants (13 from Africa, one from the Middle East) who had been working at the vineyard for about a month and a half.

In Puglia, we interviewed 25 workers and small-scale farmers who were selected through the researcher’s networks. She is an agronomist and also a small-scale farmer, and highlighted that in Puglia it is more common for wine to be grown and harvested by small-scale farmers rather than hired labour. This may explain some of the stark differences in interview responses compared with other regions, where hired labour is the norm. The workers interviewed in Puglia were mostly Italian. Two Albanian migrants who had been living in Italy for 19 years and have Italian citizenship were also interviewed.

The 20 workers interviewed in Sicily were migrant workers in the south of the island and long-term seasonal employees at family-run wineries in the north (Mount Etna area). We interviewed 14 Italian workers and six migrant workers (four from Africa and two from Bangladesh). The Italian workers had been working at the vineyard for about seven years and the migrants for about a year.

Methodological limitations

There are very few published in-depth studies on working conditions for Italian wine workers. We therefore had to rely on media reports to a greater extent than we would normally do for a literature review in the first phase of a HRIA.

As a result of the assessment process starting just ahead of the 2019 grape harvest season – with insufficient time to organize a full range of interviews – a preliminary assessment was conducted between September 2019 and March 2020, covering phases 1–3 but based on only a limited sample of rights-holder interviews in phase 2 (Table 1). A further in-depth sample of rights-holder interviews was conducted between October 2020 and January 2021.

Oxfam had intended to use a more in-depth and participatory engagement technique in this second phase, but the lockdown restrictions resulting from the coronavirus pandemic in early 2020 meant that this was not possible. We were unable to have face-to-face engagement with all interviewees where we could build trust and explore more deeply the reasons behind their responses. The constraints also restricted the number of interviewees we were able to reach, to 79 instead of the intended 100.

We had also chosen to expand the geographical scope of the study to include three more wine-growing areas (in addition to Tuscany) that are important to Systembolaget. This meant that, with the resources and time available, we had to reduce the number of interviewees per region. This trade-off between breadth and depth was deemed acceptable since it provided Systembolaget with more information about its wider Italian supply chain.

This has made the resulting data more limited, although some stark statistics did emerge across all four regions, with some interesting findings within particular regions. The findings have raised questions which merit further investigation, in particular around the differences between migrant and Italian workers, and between men and women.

In the meantime, the relatively small sample size per region means that these should be treated as descriptive statistics: summaries of the views and experiences of the sample group itself, rather than inferential or fully representative of the regions. Nevertheless, it is reasonable to assume that the experiences of nearly 100 workers across four wine-growing regions, backed by media and research reports, provide meaningful illustrations about what the wider workforce is likely to be experiencing.

This is important because another limitation of the study was that although Oxfam strove to include interviewees from farms that supply Systembolaget, only one supplier was able to facilitate this, so only one set of interviews were with workers confirmed to be within Systembolaget's supply chain (which we refer to here as Producer A).

This meant we had to interview workers in regions from which we knew Systembolaget sourced grapes, but cannot guarantee that they work on vineyards or wineries that supply Systembolaget. We believe, however, that we can make the reasonable assumption that conditions described by our interviewees were likely to apply to workers in the supply chain. Conclusions about working conditions in Systembolaget's supply chains must necessarily be more cautiously expressed in the form of 'potential' rather than 'actual' human rights impacts.

Ideally, for a thorough HRIA we would also have interviewed government representatives, but despite attempting to do so, we were unable to secure such interviews within the study's timeframe. This is likely to have been because the height of the first wave of the coronavirus pandemic in Italy – which was particularly severe – coincided with the study.

1 COUNTRY AND INDUSTRY CONTEXT

1.1 OVERVIEW OF THE ITALIAN WINE SECTOR

Italy is one of the world's most ancient winemaking countries, being home to many of the world's best-known and most highly valued wine varieties, across 20 wine-producing regions throughout the country (Figure 4). Since 2014, Italy has been one of the leading global wine producers in terms of volume, responsible for 18% of global production in 2019, compared to 16% from France and 13% from Spain.²⁷

Figure 4: Location of leading Italian wine producers



Source: Mediobanca Research Department (2020)²⁸

The Italian wine sector generated revenues of approximately €13bn in 2018, around 10% of the Italian agro-food sector, with revenues projected to grow to approximately €14.9bn by 2023.²⁹ The sector is heavily reliant on exports, which accounted for around half of total revenues in 2018 – €6.2bn³⁰ – representing Italy's most lucrative agricultural export.³¹

Sweden is reportedly the fourth biggest market by value for Italian wine, after the USA, Germany and the UK, and the fifth biggest market by volume – exceeded by Canada as well as the three highest-value importing countries.³²

Table 2a: Italian wine exports by value

Esportazioni di vino - Italia : Valore per mercato (EURm)

(EURm)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Stati Uniti	948	1,006	1,077	1,124	1,280	1,351	1,407	1,463	1,540	1,454
Germania	920	958	1,020	976	962	978	989	1,042	1,057	1,082
Regno Unito	509	536	620	658	747	764	812	822	769	719
Svizzera	268	299	314	319	324	338	360	376	381	382
Canada	255	283	280	276	299	306	333	334	342	347
Paesi Bassi	115	115	117	121	129	140	142	152	167	193
Svezia	98	122	141	144	150	154	165	177	179	186
Francia	110	128	139	132	143	155	170	189	205	180
Giappone	121	155	154	153	158	151	163	161	182	154
Danimarca	141	125	133	141	145	147	148	141	145	149
Belgio	81	80	92	101	107	113	122	127	132	148
Russia	118	100	114	103	71	78	111	108	131	126
Norvegia	66	78	87	96	95	94	94	94	95	123
Austria	94	98	101	98	91	101	102	105	107	105
Cina	67	77	75	76	89	101	130	127	134	98
Polonia	23	26	31	37	38	48	50	63	75	73
Australia	22	30	34	38	41	46	52	62	64	65
Repubblica ceca	42	34	34	33	34	41	45	46	52	53
Finlandia	22	23	25	27	27	31	35	38	41	44
Corea del Sud	15	19	20	22	24	24	25	29	33	43
Lettonia	8	20	25	39	26	27	33	34	41	42
Ucraina	11	13	16	15	14	18	22	24	33	43
Messico	14	17	20	23	25	29	33	36	37	40
Irlanda	26	26	29	30	32	31	36	34	35	36
Spagna	35	36	40	41	41	41	40	45	46	36
[Mondo]	4,405	4,695	5,041	5,114	5,392	5,623	5,993	6,223	6,440	6,298
Fonte: inumeridelvino.it su dati ISTAT (coeweb.istat.it)										

Table 3b: Italian wine exports by volume

Esportazioni di vino - Italia : Volume per mercato (hl/1000)

(hl/1000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Germania	7,060	6,201	5,936	5,942	5,581	5,609	5,676	5,129	5,977	5,737
Stati Uniti	2,918	2,935	2,960	2,980	3,190	3,292	3,347	3,393	3,483	3,455
Regno Unito	3,001	2,898	2,934	3,033	3,342	3,115	3,189	2,887	2,835	2,768
Canada	684	712	690	685	699	729	796	770	777	783
Svizzera	699	710	677	710	692	723	757	707	741	757
Francia	1,112	974	851	856	883	991	1,059	856	980	757
Svezia	369	429	479	486	473	491	532	541	514	579
Paesi Bassi	500	465	447	440	438	442	441	446	491	557
Russia	685	560	439	411	293	335	479	419	529	505
Belgio	342	277	287	302	315	328	368	371	399	490
Austria	628	547	507	510	457	528	488	389	484	450
Giappone	379	443	424	430	433	402	442	407	481	394
Danimarca	401	359	397	416	403	398	397	381	386	383
Norvegia	189	222	232	257	244	241	232	228	230	314
Repubblica ceca	682	333	289	297	273	360	349	225	281	293
Polonia	163	158	141	172	161	229	211	218	267	267
Cina	308	326	218	255	269	299	377	332	364	247
Spagna	286	253	214	234	227	247	219	209	229	187
Messico	63	74	77	90	91	114	130	138	135	168
Ucraina	28	35	47	49	46	65	81	78	119	152
Australia	64	81	84	92	96	106	115	139	144	151
Irlanda	117	109	116	121	127	114	124	113	126	131
Lettonia	29	70	77	100	83	99	113	105	122	125
Brasile	137	111	101	96	88	92	148	117	120	120
Finlandia	78	72	73	81	77	84	92	96	101	111
Ucraina	28	35	47	49	46	65	81	78	119	152
Slovacchia	316	182	127	129	112	158	155	54	109	107
[Mondo]	23,324	21,307	20,324	20,511	20,262	20,820	21,621	19,863	21,678	21,067

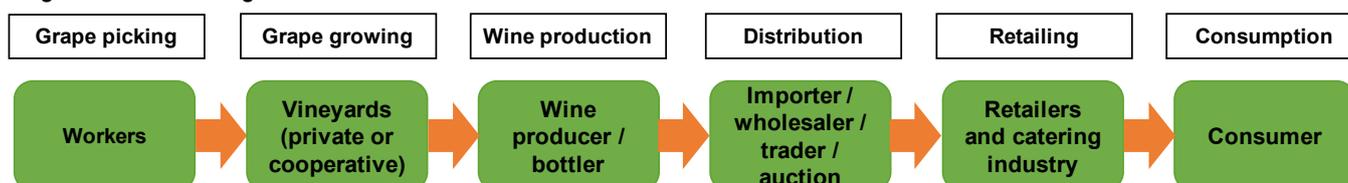
Fonte: inumeridelvino.it su dati ISTAT (coeweb.istat.it)

Source: ISTAT – cited in Il numeri del vino.³³

The duality of Italian wine production

The wine value chain involves many different stages: from grape growing, to wine production and bottling, distribution, retailing and consumption (Figure 5). Upstream, Italian wine production is characterized by a clear duality between – on the one hand – thousands of small-scale vineyards producing for their own consumption or selling grapes as a commodity to other wine producers, and – on the other hand – a much smaller number of highly professionalized and often vertically integrated companies that produce the majority of Italian wine.

Figure 5: Main stages and actors in the wine value chain



Source: Original diagram developed by Oxfam for this report.

Traditionally, Italian wine was produced by wealthy landowners employing local people as labourers, but in 1950 land was redistributed to those labourers who thus became small-scale farmers and wine producers in their own right. Subsequently, financial support from the EU and the formation of cooperatives helped these smallholdings to become more economically viable.

While the total number of vineyards has declined by around 75% since the early 1980s,³⁴ the sector today still consists of approximately 310,000 vineyards and 46,000 wine producers.³⁵ Although the average vineyard size has increased over the past 30-40 years to approximately 1.6ha today,³⁶ this is still significantly lower than the average vineyard size in France (10.5ha).³⁷

However, as shown in Table 3, the vast majority of Italian wine producers are responsible for only a tiny proportion of Italian wine. In 2019, ISMEA recorded around 46,000 wineries in Italy, but less than a third of Italian wine is produced by a large number (8,000) of producers with a turnover of under €20m.³⁸ While there are thousands of medium-sized producers, only around 200 large players – around 0.5% of the country's total – produce volumes in excess of 50,000hl and are responsible for 57% of Italy's output.

Table 4: Number of wine producers divided by production capacity and total wine production per category (in thousands of hl) for selected years

	Number of wine producers					Hl of wine (1,000s)				
	2006	2009	2011	2015	2006-2015 (%)	2006	2009	2011	2015	2006-2015 (%)
<100*	59,084	51,500	51,145	34,166	-42	860	590	550	536	-38
101-1,000	10,414	8,413	8,380	8,023	-23	3,200	2,750	2,800	2,827	-12
1,001-10,000	2,992	2,394	2,375	2,853	-5	7,500	5,950	6,500	7,652	+2
10,001-50,000	589	441	440	468	-21	12,400	9,570	9,500	9,894	-20
>50,000	230	252	185	223	-3	23,157	24,564	21,282	27,833	+20
Total	14,225	11,500	11,380	11,567	-19	46,257	42,834	40,082	48,206	+4
Italy	73,309	63,000	62,525	45,733	-38	47,117	43,424	40,632	48,742	+3

Notes: * wine producers producing fewer than 100 hl operate for self-consumption or informal markets. ** cooperatives below 1,000hl are closing or not operating.

Source: Based on Boselli et al. (2019).³⁹ percentage changes added by authors.

The companies producing more than 50,000hl increased their production capacity by 20% between 2006 and 2015, while the number of firms remained stable. Of the sector's approximately 46,000 wine producers, 168 generate revenues in excess of €25m per year, reaching a profitability of 7.5% in 2019, and accounting for about 60-70% of the sector's revenues.⁴⁰

Just 168 Italian wine producers, or 0.4% of the total, generated 60-70% of the sector's total revenues in 2019.

The two most profitable companies were the cooperative Cantine Riunite-CIV (which in 2008 bought out Gruppo Italiano Vini⁴¹), with total sales of €615m (up 3.1% from 2017), and the cooperative Caviro, with a turnover of €330m (up 8.6% from 2017).⁴² Cooperatives have a long history in Italy and today, about 484 small to large cooperative wineries with about 140,700 winegrower members guarantee about 60% of Italian wine production.⁴³

Competitive pressures facing small-scale grape growers and wine producers

The high turnover and growth of larger producers is in stark contrast to the low profitability and declining numbers of smaller grape growers and producers. Competitive pressures are driven by demand-side trends in both domestic and export markets.

- The **domestic market** has seen a steady decline in consumer demand in recent decades, accompanied by the rise of supermarkets as the primary channel for sales of medium or lower-quality wines. The largest four Italian supermarkets have a market share of nearly 50%,⁴⁴ enjoying high bargaining power to impose stringent requirements in terms of quantity and quality and to drive down prices.⁴⁵
- The **international market** has also become increasingly competitive for Italian producers. The traditional winemaking countries of Italy, France, and Spain have continuously lost market share of global wine production and of world wine exports to 'New World' wine-producing countries (such as Australia, Chile, the USA and New Zealand).⁴⁶

EU policy reforms since the 2000s related to wine under the Common Market Organization aimed to increase the market share of EU wines by enhancing the sector's competitiveness, wine quality and reputation.⁴⁷ Since the last reform in 2008, Italy has increased its share of higher-quality wines with a specific link to a geographical territory, classified as Protected Designation of Origin (PDO) and with a Protected Geographical Indication (PGI).⁴⁸ In 2019, 40% of exports were PDO wines and 32% were PGI wines.

Nevertheless, Italian wine producers have not been able to fully reap the benefits from this development. With competition high even among the traditional wine-producing countries, Italy has competed with France on price rather than on quality, meaning prices for both grapes and wines are significantly lower in Italy.⁴⁹ Average export prices of Italian wine between 2014 and 2016 were €2.60/l – about half of the French export prices of €5.71/l (although higher than the Spanish price of €1.10/l).⁵⁰ Analysis of pricing policies shows that Italy has a tendency to increase export volumes, also to the detriment of prices, while France instead appears to target an increase in average unit price.⁵¹

Average export prices of Italian wine between 2014 and 2016 were €2.60 per litre – about half of the French export price of €5.71 per litre.

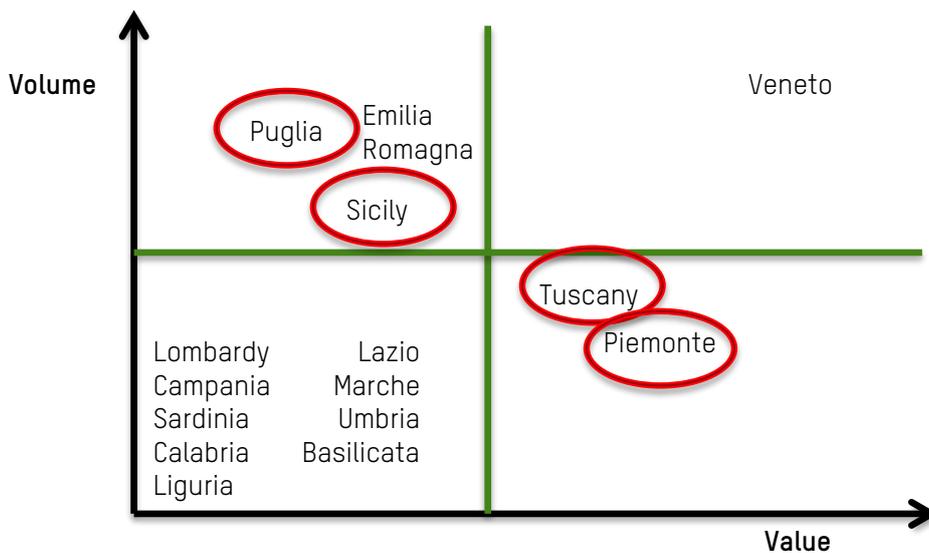
This increasingly competitive environment makes it difficult for Italian small-scale grape growers and wine producers to survive. Multiple studies have shown that larger producers are more efficient and more profitable, with better performance of vertically integrated producers and those oriented towards quality production rather than common production.⁵² Producers of quality wines (PDO and PGI) are also associated with increased market power, better export performance, and export values.⁵³ The strict system of control on origin certificated wines and the associated costs for producers, however, represent significant barriers to small-scale producers switching to higher-quality wine production.⁵⁴

Regional differences within Italy

The duality of the Italian wine sector between larger, more professionalized and often vertically integrated producers and small-scale producers and grape growers, is to a large extent reflected in differences between different regions of production.

This HRIA focuses on four regions which can be grouped into two distinct clusters on the basis of the volume and value of production of wine (Figure 6), as a basis for starting to understand how potential human rights impacts in Systembolaget's supply chains may vary according to different wine products and/or value chain structures. These four regions are also among the most important in terms of volume and value of sales in the Systembolaget assortment (see Section 1.2).

Figure 6: Ideal type segmentation of major regions of Italian wine and grape production according to volume and value of wines ex-cellar, unbottled and before VAT

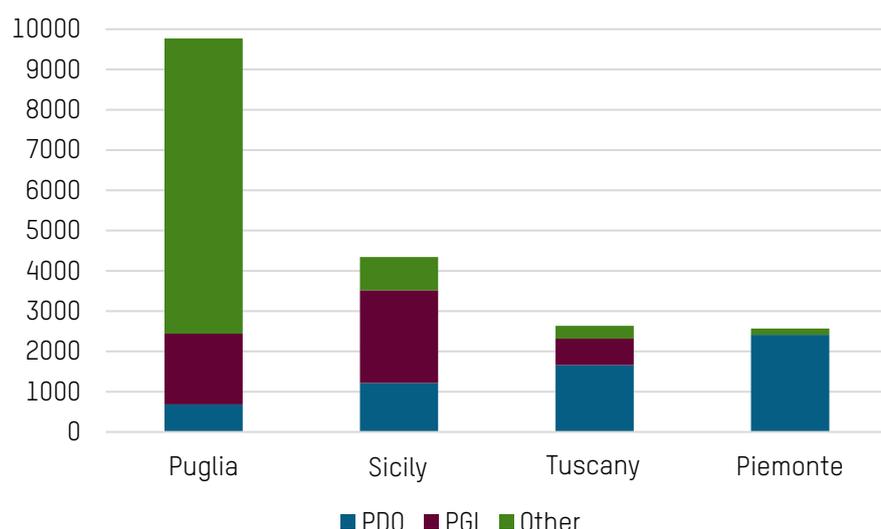


Source: Adapted from Boselli et al. (2019)⁵⁵

Although many exceptions exist, southern regions like Puglia and Sicily have tended to focus mainly on production of commodified bulk wine and/or grapes (often sold to northern-based producers), based on higher yields but lower quality and with lower operating margins. In 2019, Puglia accounted for 20% of Italy's wine production, second only to Veneto (at 23%, with a significant focus on sparkling wine), while Sicily was the fourth-highest producing region, accounting for 9% of national production.

As shown in Figure 7, Puglia has a much larger share of generic wine production compared with high-quality PDO wines, and both Puglia and Sicily have significantly larger shares and absolute volumes of lower-quality generic wines compared with northern regions like Tuscany and Piemonte.⁵⁶

Figure 7: Wine production in Italy by region and quality level (volume in thousands of hl)



Source: Italian Wines Map.⁵⁷

Piemonte and Tuscany in the north/centre have, conversely, focused on higher-quality wine production and lower volumes. The regions only represent 5% of national production, but produce a high share of PDO wines associated with higher value-added and profitability.⁵⁸ In 2016, the average value of PDO wines was 1.68 €/l, compared with 0.67 €/l for PGI wines and 0.39 €/l for general wines.⁵⁹

These regions are also significantly more export-oriented. The Piemonte and Tuscany regions account for 17% and 18% of national exports, respectively – only bettered by Veneto, where the production reflects the sparkling wine boom (responsible for 34% of exports). A survey of the 155 leading Italian wine producers, generating over €25m in turnover, found that approximately 64% of the largest producers in Tuscany and Piemonte are export-oriented, compared with 30% of the largest producers in Puglia and 21% in Sicily.⁶⁰

Wine producers in Tuscany in particular show more capital strength and higher efficiency and thus a lower effect of labour costs per product unit. The same survey found that labour costs represent 44% per unit among producers in Tuscany, compared with 67% in Piemonte, 58% in Puglia and 86% in Sicily.⁶¹

Table 4 provides a summary of the major distinctions between the four regions.

Table 5: Major 'ideal type' distinctions between the four regions

	Tuscany/Piemonte	Puglia/Sicily
Farm size	Medium-large	Small
Type	Mostly red	Mostly red, more white in Sicily
Yields	Lower	Higher
Quality	PDO-concentrated	Focus on bulk/commodities
Productivity	More capital-intensive	More labour-intensive
Value chain structure	More vertical integration	More fragmentation
Market orientation	Strongly export-oriented	More domestic market focus
Price	Higher	Lower
Profitability	Higher	Lower

Source: Compiled by the authors, based on literature review.

LABOUR IN ITALIAN WINE PRODUCTION

Wine grapes are traditionally harvested by hand, but there has been a growing trend for mechanical harvesting, especially in the north of Italy. However, mechanical harvesting is not possible in areas where vines are grown on steep hillsides, nor is it economical for smaller vineyards.⁶² The sector is therefore still heavily reliant on manual labour, particularly in the south. The industry, particularly in Italy, is very male-dominated at all levels. We were unable to find definitive figures on the proportion of women working in Italian vineyards, but if it is similar to the gender balance in Italian agricultural labour overall, we estimate⁶³ about 25.8% of the workforce to be women. Media reports suggest that there are 40,000 women working in the industry.⁶⁴

Labour rights challenges are widespread in Italian agriculture. About 1,500 agricultural workers have died in Italy in the past six years due to the working conditions, according to the Italian NGO, Doctors with Africa CUAMM.⁶⁵ While the labour force is a mixture of Italian citizens and migrants, the number of migrant workers has increased by 90% in the past decade,⁶⁶ and these workers are particularly vulnerable to labour and human rights violations. The FLAI-CGIL trade union estimates that 400,000 workers in the sector are at risk of exploitation, of which 80% are migrants. The presence of illegal labour brokers called *caporali*, whose control can extend to many aspects of workers' lives, is widespread.⁶⁷ In January 2020, the UN's Special Rapporteur on the Right to Food condemned Rome for failing to uphold the human rights of migrant agricultural workers.⁶⁸

Figure 8 shows some of the main intra- and international flows of labour in Italy during the autumn, the harvest season for grapes. The red circles indicate where there is a particularly high risk of labour exploitation. These areas can be found throughout the country and in the majority of wine-producing areas. Although extensive research has been conducted into the labour conditions in particular Italian agricultural commodities, including tomatoes and oranges, far less attention has been paid to the wine sector – a gap which this assessment starts to address.

Existing studies provide some evidence of wine producers exploiting migrants to cut costs and increase productivity. A 2018 study assessed whether the arrival of approximately 64,000 migrants on the coast of southern Italy after the Arab Spring led to lower costs and increased competitiveness in the wine sector. It found that *caporali* and winemakers in Sicily and Puglia took advantage of this cheap, undocumented labour. Labour productivity in the wine industries in these regions increased by 11% in 2011 and 2012, the two seasons immediately after this influx of migrants. The study concluded that the increased productivity reflected 'around 10 million unreported work hours, or 21,000 full-time employees' during each growing season and harvest.⁶⁹

There are indications of wine producers exploiting migrants to cut costs and increase productivity.

Labour exploitation has also been detected in the north. Media have reported that when skilled grape-pickers from Eastern Europe became available in Canelli, Piemonte, wages began to fall and it sparked the creation of employment 'cooperatives' that use legal loopholes and dummy firms to exploit guest workers. In areas that produce high-quality wines, such as Moscato, Barolo and Dolcetto (Piemonte), grapes are harvested mainly by migrant workers under conditions that have been described as close to slavery.⁷⁰ The *International Business Times* reported that 'only one out of two dozen cooperatives operating in Canelli was reported by local media as charging wine producers €12 last year, a price that covers the basic wage, overtime pay and reimbursement for housing and meals, as required by the Italian national contract'. These issues are explored in more depth in Section 3.

Box 1: The impact of COVID-19 on Italian wine production

In early 2020, Italy was among the countries hit hardest by the pandemic and suffered a two-month lockdown that brought production and local consumption to a virtual standstill. Exports for the catering industry reduced almost to zero and with the cancellation of major wine fairs, producers faced difficulties selling stock, yet still had to cover production costs as the vines continued to need tending. As a result of the reduction in sales, wine prices have dropped sharply.⁷¹

Industry players looked at various ways to tackle this problem. For example, the Chianti Wine Consortium reportedly decided to reduce production by 20%, with potential significant economic impact on producers.⁷² Some processors are considering distilling their lower-quality wine to make sanitizer products – with French producers pushing the EU to fund a Europe-wide distillation scheme.⁷³

Meanwhile, irregular or undocumented migrant workers – who make up an estimated 40% of Italy's agricultural workforce⁷⁴ – have been unable to travel to work, or afraid to travel in case they are questioned by the police. During the lockdown, many remained confined to overcrowded, unsanitary shanty towns and ghettos where the risk of infection is high, and where other dangers such as fires are common.⁷⁵ Migrants from other European countries have been unwilling or unable to enter the country, although 15,000 Romanian workers were flown to Italy to harvest vegetables and fruit – including grapes – in the Veneto region.

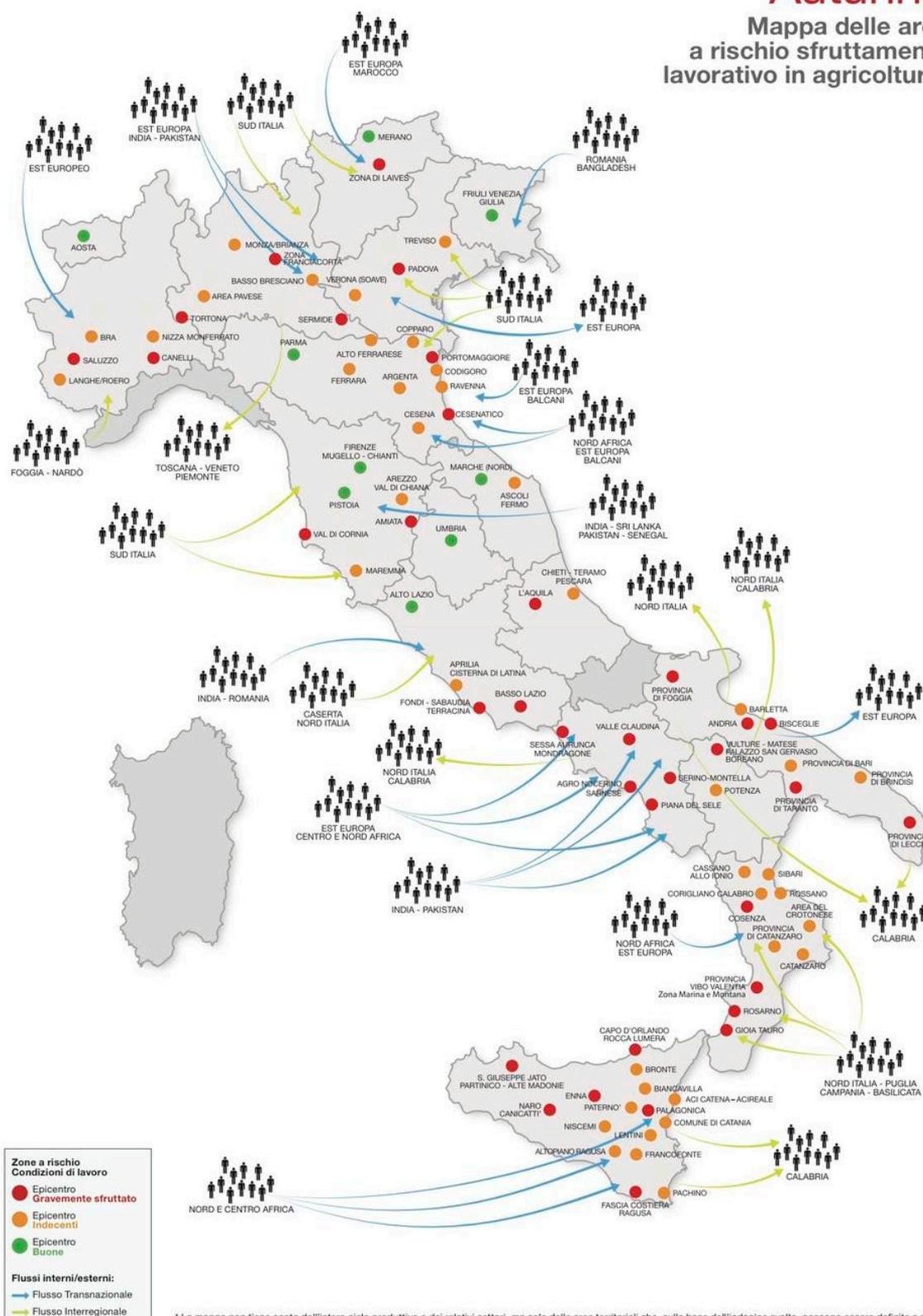
Italy's Agriculture Minister, Teresa Bellanova, successfully lobbied for the regularization of thousands of illegal workers on whom Italy's harvests rely, despite ongoing opposition from the political right. She warned that not to do so would leave a vacuum that would be filled by organized crime, bent on further exploiting the outlawed *caporalato* system of providing undocumented labour to farms for short-term seasonal work.⁷⁶ However, migrants and their supporters fear the law will not be as effective as hoped (see Section 2.1).

The losses incurred by the wine industry during the pandemic, and the potential knock-on effects on businesses along the whole of the value chain, could mean greater price pressure on producers which, almost inevitably, will end up hurting already hard-pressed workers. And economic pressure on producers is invariably associated with increased risk of human rights abuses, making those who were already vulnerable even more so.

Figure 8: Major agricultural labour flows during the autumn

Autunno

Mappa delle aree a rischio sfruttamento lavorativo in agricoltura*



Note: Areas where there is a high risk of labour exploitation are indicated by red circles.

Source: FLAI-CGIL (2016)⁷⁷

1.2 SYSTEMBOLAGET'S ITALIAN WINE VALUE CHAINS

Systembolaget AB (Systembolaget) is the Swedish monopoly alcohol retailer, and operates 436 stores across the country. It is wholly owned by the Swedish state, but economically independent. By selling alcoholic drinks over a particular strength without profit and providing guidance and information on responsible alcohol consumption, Systembolaget and other state-owned alcohol monopolies hope to limit the negative impacts of alcohol consumption without depriving citizens of the opportunity to enjoy alcohol responsibly.⁷⁸

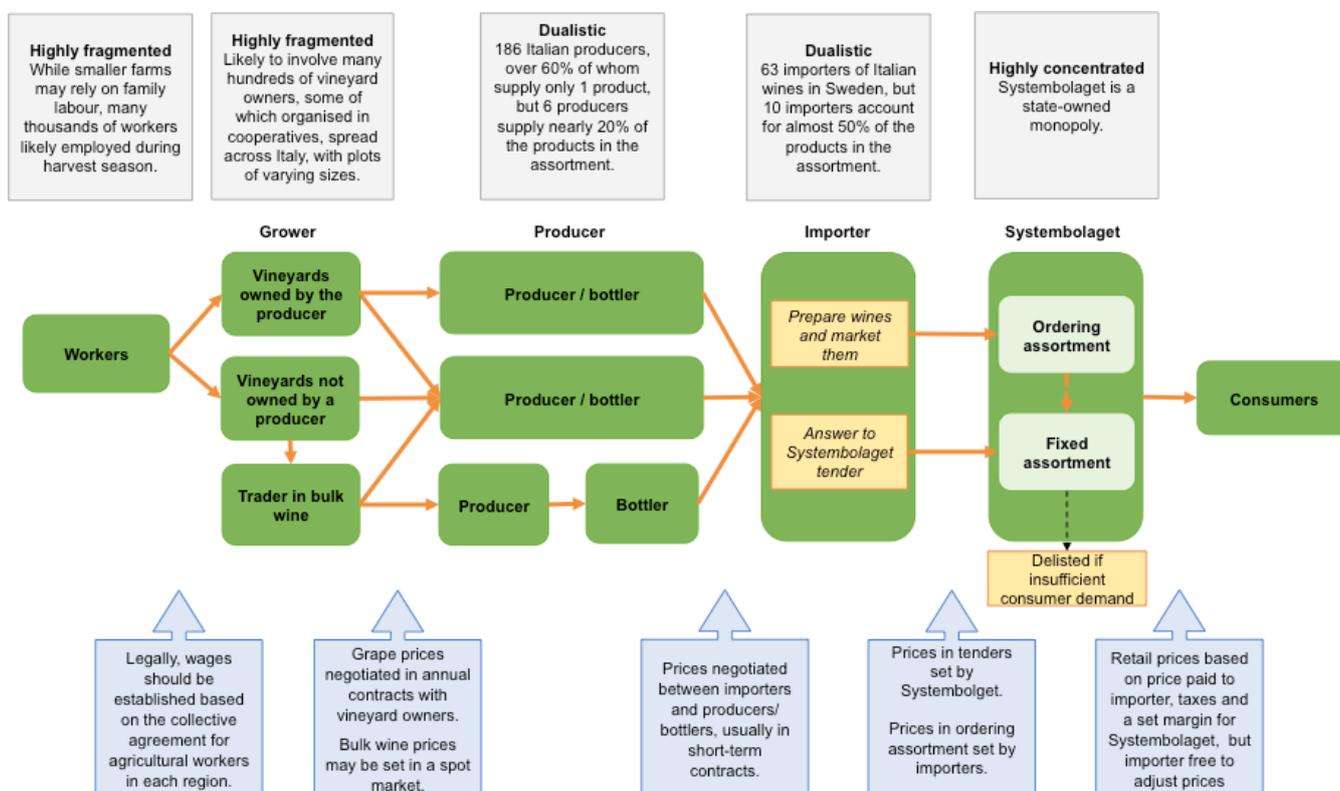
The value chain structure

Systembolaget sells approximately 16-18,000 drinks from approximately 800 first-tier suppliers, sourced from around 100 countries. The monopoly is required by law to source only from Swedish first-tier suppliers, and is unable to hold direct relationships with their sub-suppliers. Consumers can purchase drinks either from a fixed assortment (representing 95% of sales),⁷⁹ whose products are found in physical Systembolaget stores, or from an ordering assortment of listed products, delivered by post.

While consumer trends have evolved over the past 30-40 years,⁸⁰ Italy is currently the most popular country of origin for wine in the total Systembolaget assortment, accounting for approximately 40% of red wine sold in Sweden.⁸¹ There are currently 403 Italian wine products in the fixed assortment, sourced from 63 first-tier suppliers (importers) and 186 second-tier suppliers (producers), from at least 18 different regions in Italy.

Given the variety of different business structures in Italian wine production (Section 1.1), this means Systembolaget's Italian wine supply chains are highly complex, and vary depending on the type and quality of the wine and region of production. Figure 9 outlines the structure of some typical value chains and their price-setting processes. Systembolaget's value chains differ from other retailers' in a number of ways:

Figure 9: The structure of Systembolaget's Italian wine value chains



Source: Diagram developed by Oxfam for this report.

As a monopoly, many aspects of the Systembolaget value chain are distinct from those of commercial food and beverage retailers.

- First, with regard to the **value-added at the retail stage** of the chain. Unlike a commercial retailer who may adjust the margin made on different products, the Systembolaget retail price is established on the basis of a standard mark-up on the price paid to the first-tier supplier (minus alcohol taxes fixed at 26.18 SEK/litre wine paid by the first-tier supplier). For wine this is currently set at 17% to cover Systembolaget's costs, including logistics and public education, a small buffer for investments (such as in online retailing), and a fixed sum 'return on equity' for the Swedish government (which in 2019 amounted to around 8-9% on average). A further fixed sum mark-up is applied based on product packaging, to cover the costs of in-store handling (around 2-3 SEK per bottle of wine). Wine products are then subject to VAT at 20%.
- Second, in relation to **purchasing practices**. New wines can enter the fixed assortment in one of two ways: either by winning a tender, or through customer demand for products listed in the ordering assortment. Tenders are launched when Systembolaget category managers identify gaps in the range offered to customers or consider it necessary to increase competition in the assortment to improve the value to the consumer.⁸² Suppliers are invited to submit samples of the type of wine available at that price point, which are subject to a blind taste test to choose the winner. This means that whereas most commercial food and beverage retailers request products of a certain quality and then negotiate on price, Systembolaget first fixes the price bracket and effectively 'negotiates' on quality.

'We negotiate up the quality at a fixed price while commercial retailers take the quality for granted and negotiate on price'
Systembolaget Head of Purchasing
- Third, with regard to **retail pricing and product positioning after a product has entered the assortment**. Whereas commercial retailers may use marketing, special offers and product placement within stores to promote products to consumers, the fixed assortment is a function of an objective formula based on consumer demand.⁸³ As sales increase, a product will automatically be placed in more stores. If sales drop too low, the product is automatically removed from the assortment. First-tier suppliers are free to change the price of their product at any point once it has entered the assortment, with customer demand then determining the product's fate, independent of Systembolaget's category managers.
- Finally, with regard to the **relationship between Systembolaget's first-tier suppliers and their wine producers**. Whereas the contract and all contact related to the supplying of a product is between Systembolaget buyers and the first-tier suppliers, the listing in the fixed assortment is held by the wine producer. This means that competition among importers for lucrative product producers can be fierce. Because listings are driven by consumer demand, contracts between importers and producers, especially for less lucrative listings, tend to be short – often only for a year, and no longer than three to five years at most – to reduce the risk of importers buying wine that can subsequently not be sold.⁸⁴ The price negotiation at this stage of the chain is seen largely as a 'black box' from Systembolaget's perspective, and considered a closely-guarded industry secret even to industry insiders.⁸⁵

There are a wide variety of wine producers in Italy. Those that source grapes from vineyards they do not own tend to set prices in annual contracts, while bulk wine may be bought at prices on the spot market. Worker wages should, as discussed in Section 2.1, be set according to the collective agreement for agricultural workers in the region.

The Italian wine assortment

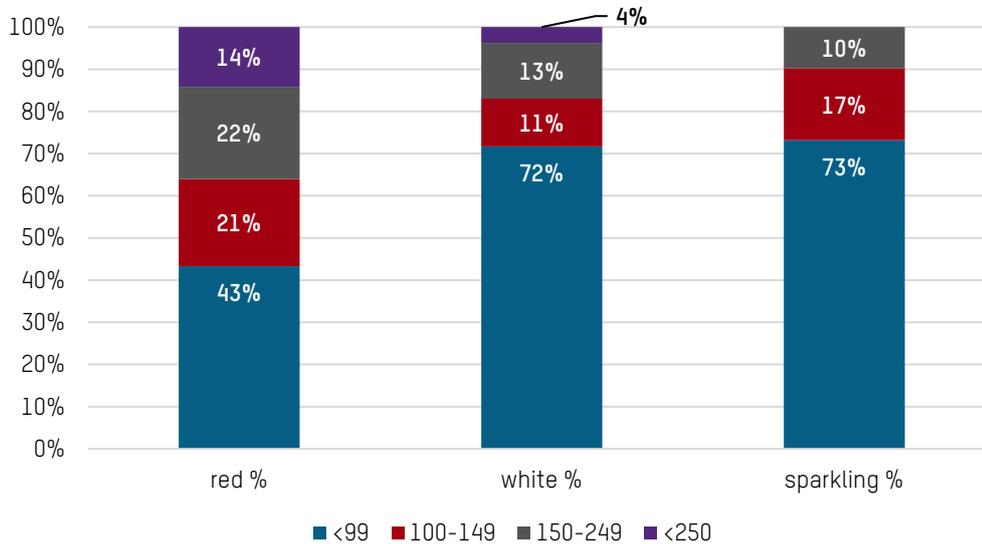
Systembolaget's wide Italian wine assortment may be segmented in various ways, including by type, packaging, grape variety, region of origin, retail price or value and volume of sales. The majority – 68% – is red wine, with white wine making up 13%, sparkling wine 10% and the remainder being other types.

- The **red wine** assortment consists of 275 products across the full range of retail prices and from 16 different regions, although the largest share of products is from Veneto (29%), Tuscany (19%), Piemonte (16%), Puglia (15%) and Sicily (6%).
- The **white wine** assortment consists of 53 products from 15 different regions, primarily at the cheaper end of the retail price range, with the largest share of products from Sicily (21%), Veneto (13%) and from no defined origin in Italy (13%).

- The **sparkling wine** assortment consists of 41 products from five regions, primarily at the cheaper end of the retail price range, with the largest share of products from Veneto (54%) and from no defined origin in Italy (22%).⁸⁶

Figure 10 illustrates the concentration of cheaper, lower-quality wines in the Italian white and sparkling wine assortments, compared with a more balanced spread of retail prices in the red wine assortment.

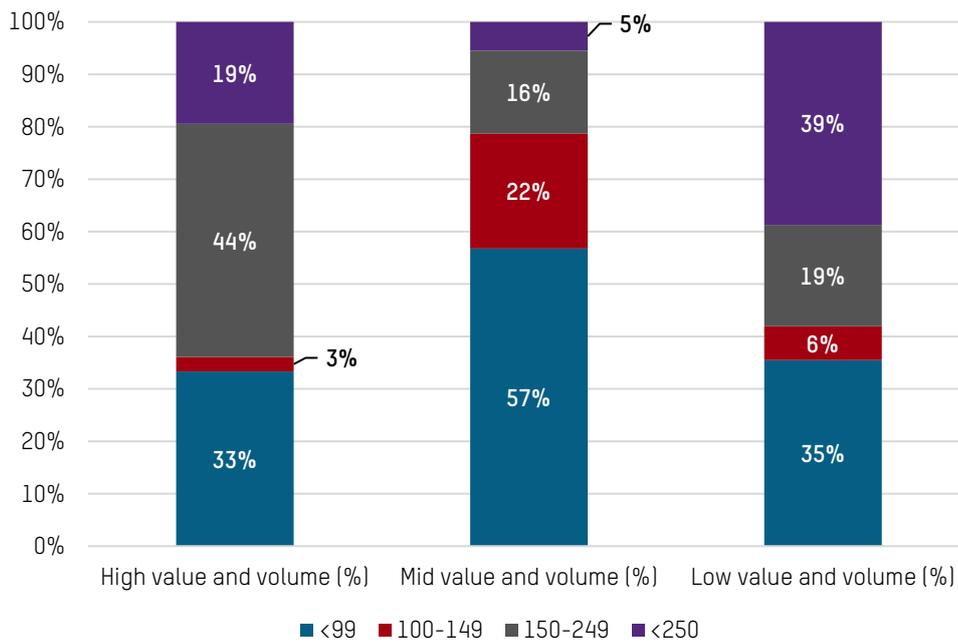
Figure 10: Proportion of red, white and sparkling wines at different retail price levels



By far the most important regions of origin for the more expensive, higher-quality product listings – those with retail prices of 100 SEK and above – are Veneto (35%), Piemonte (20%) and Tuscany (18%). Although Tuscany and Piemonte also have a significant share of the products in the cheapest price category, the most significant regions for the cheapest wines in the assortment are from Veneto (21%) and Puglia (16%), or from no defined region (17%).

As shown in Figure 11, products which are priced below 99 SEK and those between 150-249 SEK represent the majority of the 10% of products with the highest value and volume of sales in the assortment. The largest share of the highest-selling products are found in the 150-249 SEK range due to the hugely popular 'bag-in-box' products, a higher volume package most of which are priced in this range.

Figure 11: Proportion of products at different retail price levels according to volume and value of retail sales



Note: Figure key refers to price bands in SEK.

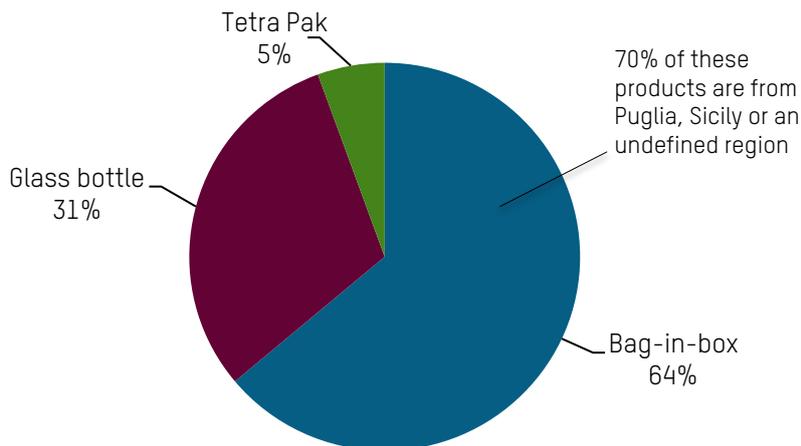
Box 2: The 'bag-in-box' phenomenon

The end of the 1990s saw the advent of wine sold in boxes lined with a sealed bag from which it could be poured through a re-closable tap. More economical to manufacture, easier to stack without wasted space and lighter to transport, this 'bag-in-box' packaging has many environmental advantages over the traditional glass bottle.⁸⁷

Initially, Systembolaget resisted the product as it was feared that it would lead to excessive consumption. However, an EU ruling overrode these concerns, and it has since become enormously popular, and now accounts for around 50% of all Systembolaget's wine sales.⁸⁸

While bag-in-box products represent only around 8% of the total number of products in the assortment (Figure 12), they account for around two thirds of the products with the highest value and volume of sales in the Italian wine assortment. There are bag-in-box products from nine different regions of origin, but by far the biggest share are from just two regions – Puglia (24%) and Sicily (18%) – or from an unspecified region of Italy (18%). Bag-in-box products from Puglia, Sicily or an unspecified region represent 70% of the bag-in-box products among the highest-selling products.

Figure 12: Proportion of packaging types among the 10% of products with the highest volume and value of retail sales



Given the dominance of bag-in-box products among the highest-selling products in the assortment, it is instructive to calculate retail prices on a per unit volume basis, rather than per product. As shown in Table 5, higher value and volume of sales in the Systembolaget Italian wine assortment are clearly associated with lower retail prices per millilitre of wine. Notably, wines with the lowest average value of 0.09 SEK/ml are bag-in-box products sourced from Puglia (19%) and Sicily (14%), while higher-value wines of an average value of 0.38 SEK/ml are sourced mainly from Tuscany (39%) and Piemonte (16%).

Table 6: Average price per ml among the 10% of products with highest value and volume of sales, 10% lowest value and volume of sales and the remaining 80% of products

	High value and volume	Mid value and volume	Low value and volume
Average price per ml (SEK)	0.09	0.19	0.38

2 HUMAN RIGHTS IN SYSTEMBOLAGET'S ITALIAN WINE SUPPLY CHAINS IN THEORY

This section covers the obligations of the Italian state and with the commitments made by Systembolaget with regards to human rights. Assessing these 'in theory' obligations and commitments is an important precursor to evaluating the extent to which human rights are impacted in practice, and to evaluating the extent of Systembolaget's leverage to address actual or potential harms that the company may cause, contribute or be directly linked to.

2.1 HUMAN RIGHTS IN ITALY IN THEORY

A detailed overview of the most relevant elements of the human rights legal framework in Italy is included in Annex 2, with key elements discussed below.

Italy is an EU and OECD member country, and comes under the remit of the European Convention on Human Rights (ECHR).⁸⁹ It has ratified the major labour rights conventions and passed laws to protect workers' rights on, for example, forced labour, wages, working hours, rest days and breaks, health and safety, and freedom of association.⁹⁰ Despite international criticism for its failure to protect the rights of migrant agricultural workers, including from the UN's Special Rapporteur on the Right to Food,⁹¹ Italy has to date not accepted the Individual Complaints Procedure under the UN's International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families of 2003. This guarantees the same rights for migrant workers as citizens of the countries they have migrated to. As such, the failure to accept it is particularly notable for this study.⁹²

A number of cases have been brought in recent years under the ECHR by detained migrants complaining of the violation of their right to freedom and security.⁹³ In 2014, when there was a particularly high flow of asylum seekers to Europe, the European Court of Human Rights found that Italy had violated several clauses of the ECHR conventions, including a failure to provide access to the asylum procedure.⁹⁴

Although the Italian constitution holds that '[W]orkers have the right to a liveable wage for himself and his/her family',⁹⁵ there is no statutory minimum wage. Most workers are covered by minimum wage agreements established through collective bargaining, including in the agricultural sector. The legal working week is 39 hours (6.5 hours/day) in the agriculture sector, and overtime – for which a premium should be paid – may not exceed two hours per day or 12 hours per week on average. Italian law sets basic health and safety standards and guidelines for compensation for on-the-job injuries.

The Italian government has introduced legislation designed to address the risks to labour rights associated with exploitative labour brokering practices. The so-called **Rosarno Law of 2012** outlawed the *caporalato* system that seeks to benefit from exploiting the high demand for seasonal agricultural labour and the large supply of vulnerable migrant workers, many of whom are 'irregular'.

In October 2016, Italy took a further step by approving **Law 199/2016** against labour exploitation and *caporalato*,⁹⁶ which introduced innovative measures including sanctions on employers, land requisition, enhanced protection for victims, organized labour inspections and an integrated approach to punishing and ending labour exploitation. The law substantially amended the Italian Penal Code and extended the responsibility of the employer who 'exploits workers by taking advantage of their situation of need or want'.⁹⁷ This means labour exploitation can be punished even in the absence of illicit brokering in recruiting workers.

The law, however, has a number of weaknesses. It is based on measures that can be applied only after a case occurs and has been verified, it requires huge inspection efforts, and relies on the willingness of workers to denounce their

exploiters. In the absence of well-functioning alternative recruitment systems, and given the vulnerability of workers (particularly as 'irregular entry and stay' options have been criminalized), such denunciations are rare.

The Gentiloni government (in power from December 2016 to June 2018), despite its left-wing profile, in February 2017 signed an informal agreement with Libya (that was neither discussed in nor voted on by the Italian Parliament) to prevent African migrants from travelling further, especially through funds and training provided to the so-called Libyan Coast Guard. Furthermore, the government published a code of conduct for NGOs operating search and rescue operations at sea, officially starting a criminalization campaign against those seeking to aid migrants.

The coalition formed after the general election in 2018 – that came to power after a campaign characterized by anti-immigration rhetoric – adopted the **Law on Immigration and Security** in November 2018,⁹⁸ which makes it harder for migrants to enter and work in Italy, and easier for authorities to expel them.⁹⁹

The rights of migrants and asylum seekers were further weakened in August 2019 with the adoption of the **Decree Law 53/2019** that increased the power of the Minister of Interior to prevent or limit the possibility of search and rescue boats entering ports and disembarking people in distress, and envisaged disproportionate fines for NGOs not respecting these provisions.

In October 2020, after a change in the government's majority, the new Italian government (Conte II) reversed some of the worst policies of the previous government but has yet failed to take a clear stand against criminalization of humanitarian activities as it only reduced, rather than removed the fines on search and rescue ships.¹⁰⁰ According to the European Council on Refugees and Exiles (ECRE) this contravenes Italy's international obligations under the UN Convention on the Law of the Sea (UNCLOS) and the guidelines of the International Maritime Organization (IMO).¹⁰¹

However, following the advent of the COVID-19 pandemic and the resulting reduction in numbers of workers entering the country legally to bring in the agricultural harvests, pressure began to grow on the new government – formed in September 2019 – to legalize the estimated 400,000 illegal migrants working in the sector. The call was led by the trade unionist and former Minister of Agriculture, Teresa Bellanova, herself a former farmworker in her teens.

Despite strong opposition from the political right and a thorough debate within government, the government agreed on 13 May 2020 to temporarily regularize those doing undeclared work, including undocumented migrants, but also Italian citizens, EU migrants and regular non-EU migrants working in two main sectors: agriculture/farming and domestic/care work.¹⁰² The new rules also called for urgent measures to guarantee the security and cleanliness of workers' accommodation.¹⁰³

The provision establishes two channels for undeclared or so-called 'irregular' workers to achieve regularization: by receiving a fixed-term employment contract from their employers; and by applying for a temporary residence permit to look for a job in specified sectors, such as agriculture, which can then be converted into a residence permit for work reasons.¹⁰⁴

Although hailed as a step forward, the provision contains significant flaws, resulting in a limited number of regularized migrants and heightened risk of abusive practices by *caporali* and employers.

The first channel is based on 'the willingness and active participation of the employer' but employers may still find it more convenient to use undeclared workers. Second, a temporary residence permit to look for work, as established in the second channel, leaves out numerous migrants as they are required to prove, through appropriate official documents, that they were present in Italy before 31 October 2019 with a regular permit of stay and that they have worked in one of the eligible sectors. As a result, the provision – paradoxically – excludes migrants who worked in irregular and precarious situations.¹⁰⁵

Critically, the approach also risks heightening the vulnerability of undocumented workers to exploitation and abuse as they depend on their employer for sponsorship. Concerns have been raised that many migrants excluded from the second channel 'will search for someone who can offer an employment contract to access the first path of the plan which has clear potential for abusive practices such as sale of contracts and blackmail.'¹⁰⁶ Human Rights Watch found recent evidence of this, with *caporali* (gangmasters), reportedly asking for thousands of euro to facilitate

contracts with employers. Other workers reported that their employers were also asking for 'exorbitant amounts of money'.¹⁰⁷

Lastly, the approach has been criticised as a short-term fix, a temporary and selective regularization, that does not provide longer-term solutions to the exploitation of migrants.¹⁰⁸

As of 15 August 2020, 207,542 people had applied for regularization under the Relaunch Decree.¹⁰⁹ Only 12,986 of these applications were made directly by foreign citizens under the second channel, with the low number likely due to the onerous documentary requirements. Eighty-five percent (176,848) of the applications related to domestic work, with the remaining 15% (30,694) relating to work in the agricultural sector; almost none of this latter category were African workers. This is a cause for concern since irregular migrant workers from West Africa in particular are among those directly involved in highly exploitative sectors.

2.2 HUMAN RIGHTS IN SYSTEMBOLAGET IN THEORY

This section is organized according to the elements required of companies to respect human rights, as set out in Principle 15 and subsequent principles of the UNGPs.

Governance and policy commitment to human rights

As a state-owned enterprise (SOE), Systembolaget is subject to requirements and standards set by the Swedish government (based on OECD guidelines).¹¹⁰ As these companies are, in essence, owned by Swedish citizens, the 2017 iteration of the policy states that: '[state-owned] companies should act exemplarily in the area of sustainable business and otherwise act in a way that they enjoy public trust.'¹¹¹ SOEs are required to provide 'a healthy and safe work environment, respect for human rights and good and decent working conditions'¹¹² for their own staff and to set an example in gender equality, diversity and inclusivity, as well as working towards 'reduced climate and environmental impact.'¹¹³

In their international operations, the policy states that: 'Companies with state ownership should act responsibly and work actively following international guidelines on environmental considerations, human rights, working conditions, anti-corruption and business ethics.' The specified guidelines are the ten principles of the UN Global Compact, UNGPs, and the OECD Guidelines for Multinational Enterprises. There is also a strong emphasis on the SOE's contribution to the 2030 Sustainable Development Goals, as well as requirements for transparency and reporting, collaboration, good governance and sustainable strategic planning.

The company is governed by strict principles of transparency and must be seen to be dealing with all parties fairly and equitably as per the OECD Guidelines¹¹⁴ – something of which all Systembolaget staff interviewed for this study were very mindful. Ultimate responsibility for compliance with these standards rests with the Systembolaget board, who provide oversight of the management team .

The revision of the SOE policy in 2017 signalled a significant shift with regard to human rights and other sustainability considerations, compared with the previous iteration which only emphasized quality standards.¹¹⁵ This shift has heralded a number of significant developments in the Systembolaget approach to human rights due diligence in relation to its supply chains.

Human rights due diligence processes

Identification

In recent years, Systembolaget's approach to identifying human and labour rights risks has evolved significantly. The company now uses 17 indicators developed by the global risk and strategic consulting firm Maplecroft to identify potential human rights risks in its supply chains, and in 2018 commissioned a human rights due diligence

assessment report which identified a range of salient risks, including modern slavery and exploitation of migrant workers, lack of freedom of association and collective bargaining, discrimination based on race, ethnicity, gender and other factors, and lack of personal protective equipment (PPE) when using pesticides and chemicals.

Critical risks included occupational health and safety, lack of living wages, use of excessive force by security guards, child labour, use of water and its impact on local communities, and violence and abuse towards women (see Annex 3 for the full risk matrix). It is as a result of these processes that Systembolaget agreed to undertake this HRIA.

However, a major obstacle for Systembolaget to 'know and show'¹¹⁶ the human rights impacts in its supply chains has been the lack of traceability of its products down to the grower stage. Visibility of the actors at this level has been hampered by the legal requirement for the monopoly to only hold business relationships with first-tier suppliers in Sweden.

To address this, in 2019 Systembolaget began to roll out a new Sustainability Platform, under which all first-tier suppliers in Sweden are required to map their supply chains down to the grower level. A wide range of stakeholders were consulted in the development of the platform and the questions asked of suppliers and other supply chain actors. These included a supplier reference group and a producer meeting in South Africa at which questions were piloted.¹¹⁷

The questions were sent to all existing suppliers in the fixed assortment at the end of 2018 and start of 2019, and are now required of all new companies who are successful in tenders. Depending on the answers, a further set of self-assessment questionnaires (SAQs) are sent to the companies, which allow for deeper analysis in areas that are considered to indicate a higher risk of negative human and labour rights impacts.

Box 3: Italy as a 'high-risk' country

As a result of the risk assessment processes undertaken in recent years, including the use of 17 indicators developed by Maplecroft, Systembolaget has recognized the limits to the amfori Business Social Compliance Initiative (BSCI) 'risk country' classification, which – as noted in the HRIA of SOK's Italian processed tomato supply chains – fails to identify Italy as a 'high-risk' country, despite widespread recognition of the severe human and labour rights risks in the agricultural sector, particularly among migrant workers.¹¹⁸

In its 2018 Sustainability Report, Systembolaget acknowledges: 'The conflicts seen in various parts of the world in recent years, and the ensuing migration flows, have created new risks in the supply chain. Many migrant workers work under poor conditions in countries previously classified as safe under Systembolaget's risk classification system. This is a key focal area for Systembolaget, not least as part of our efforts to contribute to achieving the UN's global sustainability goal no. 8 – Decent Work & Economic Growth.'¹¹⁹

As a result, Systembolaget now recognizes Italy as 'a country with elevated risk of breaches of our Code of Conduct, primarily due to the high numbers of migrant workers and high percentages of non-union workers.'¹²⁰

Prevention and mitigation

Like many private retail companies in the European food and beverage sector, Systembolaget has established a Code of Conduct for its suppliers, developed with amfori BSCI and aligned with those of the other Nordic state alcohol monopolies.¹²¹ The code covers freedom of association and collective bargaining, discrimination, remuneration, working hours, health and safety, child labour and young workers, job security, forced labour, environmental protection and business ethics.

Prospective suppliers are required to sign the code when entering a tender, and Systembolaget engages in dialogue with first-tier suppliers and increasingly with producers through stakeholder engagement events about the code or key sustainability issues of concern.¹²² If areas of non-compliance with the code are identified through third party audits or other means, Systembolaget follows an incident process with the first-tier supplier, seeking steps to address the issue. If inadequate steps are taken, commercial action in the form of temporarily stopping sales or ultimately delisting the product can be taken.¹²³

In certain countries, like Chile or South Africa, companies wishing to respond to a tender may also be required to submit additional information, such as evidence that the products have been certified or audited according to a certain standard, where one is available. Systembolaget has recently updated its benchmarking assessment of the quality of available standards to ensure that the less rigorous ones are associated with higher risk ratings. However, as a state-owned monopoly, it has proved challenging to set further requirements for suppliers to pre-qualify before being able to join a tender process, particularly in countries like Italy where no countrywide certifications currently exist that cover all human and labour rights.¹²⁴

As a state-owned monopoly, Systembolaget is also constrained in terms of the preferential contractual treatment it can offer suppliers with higher sustainability standards since as an organization it is founded on the principle of equal and transparent treatment of all suppliers. However, the company has been able to offer extended listing periods for organic, Fair Trade and Fair for Life certified products, and for a period required each segment of the assortment to include at least one organic wine, suggesting that a similar approach to products with higher human and labour rights standards could be possible.¹²⁵

With regard to establishing prices in tenders for new products, Systembolaget buyers acknowledged the potential for low prices to be associated with increased human and labour rights risks, particularly in countries like South Africa. Buyers claim not to seek the lowest possible price for the products they source, and are guided by the principle that it should always be possible for a significant range of suppliers to be able to supply the product at the price identified in the tender.¹²⁶

The extent to which this approach is adequate to mitigate the risk of Systembolaget's pricing strategies contributing to human and labour rights risks in Italy is explored in Section 4, alongside other potential weaknesses of the company's human rights due diligence processes.

Grievance mechanisms

The constraints on Systembolaget's contact with producers and growers prevents the establishment of meaningful channels of communication with workers at the producer or grower stage of the chain, through which grievances about human and labour rights impacts could be expressed. Systembolaget has recently established a Memorandum of Understanding (MoU) with the IUF trade union¹²⁷ to help to address this gap, as well as working with local sustainability initiatives such as Wines of Chile and South Africa's WIETA (Wine and Agricultural Ethical Trading Association).

Under the MoU, trade unions in South Africa can report potential incidents to IUF, who then escalate them to Systembolaget, SPF (Systembolaget's local union branch) and the Swedish trade union, Unionen. This strengthens the effectiveness of local unions as a grievance mechanism, giving Systembolaget better insight into working conditions in its supply chain.¹²⁸ The initiative is being rolled out to other sourcing regions from 2020 – including Italy with the participation of the FLAI-CGIL union – although it does not offer a channel for workers who are not organized, notably in countries where trade unions are either weak or suppressed. These workers are likely to be even more vulnerable.¹²⁹

3 HUMAN RIGHTS IN SYSTEMBOLAGET'S ITALIAN WINE SUPPLY CHAINS IN PRACTICE

This section draws on primary and secondary sources to identify actual and potential human rights impacts in Systembolaget's Italian wine supply chains. Under the UNGPs, 'actual' impacts are those that have already occurred or are ongoing, and 'potential' impacts are those for which there is a risk of occurrence in the future.¹³⁰

Given that, as discussed in Section 1.2, many of the products in the Italian wine assortment – including many of the highest-selling wines by volume and value – are bulk or blended wines, with grapes from undefined regions or that were bought on the spot market, risks identified in the secondary literature and/or from workers in the wider sector (even if they are not confirmed to work in the Systembolaget supply chain) should generally be considered as potential human rights impacts.

Findings have been organized according to different issues of concern, and are prioritized in line with the guidance given in the UNGPs in Chapter 5. Tables 6 to 13 summarize the human rights frameworks for each of the issues of concern.

Box 4: Systemic challenges across food and beverage value chains

The problem of human rights abuses of agricultural workers is by no means restricted to any one country, commodity or company, but is endemic throughout global food and beverage value chains.¹³¹

In addition to the labour exploitation described in the Italian tomato sector by Oxfam and others, there are reports of similar conditions in the Italian tobacco¹³² and fruit and vegetable¹³³ industries – with Indian migrant workers reporting having to resort to opium to cope with the pain and stress of the workload.

While Italy has been a particular focus for human rights abuses of migrant agricultural workers, similar conditions are also reported in the agricultural sectors of other southern European countries with similar characteristics, such as proximity to the African continent and exporting low-cost agricultural produce.

For example, in the fruit and vegetable sectors of Spain reporters found: 'Uninhabitable buildings, often with no water supply ... divided-up and rented out to house the immigrants who continue to arrive, risking their lives on precarious crafts organised by mafias ... The same story is heard over and over: the minimum salary is not paid, the workers' national insurance contribution is not paid for all the days worked, no rest break, no holiday pay, no transport costs, many hours extra worked but no overtime paid.'¹³⁴

There have also been extensive reports of exploitation of migrant workers and human rights violations in the wine industries of many countries, including in France and Bulgaria,¹³⁵ South America,¹³⁶ New Zealand¹³⁷ and South Africa.^{138, 139, 140}

Box 5: Semi-structured interviews with rights-holders

Oxfam Italy and its local partner organizations interviewed a total of 79 workers in four wine-producing regions of Italy: Tuscany, Piemonte, Puglia, and Sicily. In line with the principles for stakeholder engagement documented in Annex 4, all workers were asked for and gave their consent to be interviewed and to have their answers used anonymously in this assessment. We asked about their experiences working on vineyards and other aspects of the job such as wages, working hours, living conditions, and health and safety (see Annex 5).

Three-quarters of the workers were men and one-quarter were women. About half were migrants from elsewhere in Europe and Africa, and most migrants held international protection status that allows them to live and work legally in Italy, at least temporarily (see Methodology section for more details).

3.1 FORCED LABOUR

Table 7: Human rights framework concerning forced labour issues

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Freedom from torture, cruel, inhuman and/or degrading treatment or punishment ¹⁴¹	Law no. 199/29 October 2016 Criminalization of 'unlawful gang-mastering'	Point 9. No bonded labour ¹⁴²
Freedom from slavery, servitude or forced labour ¹⁴³	Rosarno Law criminalizing 'particularly exploitative working conditions'	
Rights to liberty and security of the person ¹⁴⁴		
Right to enjoy just and favourable conditions of work ¹⁴⁵	Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the United Nations Convention against Transnational Organised Crime 2000 (the Palermo Protocol)	
Rights of migrant workers ¹⁴⁶	C029 - Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol) C105 - Abolition of Forced Labour Convention, 1957 (No. 105)	

The Global Slavery Index estimated that in 2016 there were approximately 145,000 people living in conditions of modern slavery in Italy.¹⁴⁷ This is particularly prevalent in the agriculture sector. Despite the outlawing in 2016 of the *caporalato* system of third-party labour providers,¹⁴⁸ the coercion and exploitation of vulnerable workers continues in the Italian wine, and other agricultural, sectors.

Leonardo Palmisano, an expert on work, migration and organized crime in Italy,¹⁴⁹ was quoted in various media as saying: 'We are back to the situation we were in in the 1950s – the rights acquired by workers through the land reform have been crippled, if not nixed. This is a phenomenon that is pervasive everywhere ... and it affects Italians as well as foreign workers.'

He was commenting on the death of 49-year-old Paola Clemente while working on a vineyard producing table grapes in the Puglia region in 2015.¹⁵⁰ The *Independent* reported that '[Clemente's] death of a heart attack at 49 in the fields has set off nearly two years of soul-searching in Italy over what authorities, labour experts and union organizers described as an elaborate system of modern-day slavery – involving more than 40,000 Italian women, as well as migrant and seasonal labourers'.

In 2015, 49-year-old Paola Clemente died while working on a vineyard.

Evidence of the level of fear experienced by these vulnerable workers was provided by Nicola Altiero, a financial police official, who said: 'When we started interviewing Ms Clemente's colleagues, we faced a wall of silence ... We see this system as exploitation, but workers see it as a chance, an opportunity that they dread losing.'

The *Guardian* reported in 2017 that Ragusa, a key agricultural and wine-producing region of Sicily, was 'the centre of exploitation on the island'.¹⁵¹ Although it focused on workers in a cherry tomato farm, there is a material risk that similar issues apply in other agricultural sectors in the region. It reported that an Italian migrant rights organization estimated that almost all Romanian women working in the greenhouses 'work in conditions of forced labour and severe exploitation'. Police believe that up to 7,500 women, most of whom are Romanian, are living in slavery on farms across the region. Guido Volpe, a commander in the carabinieri military police in Sicily, told the *Observer* that

Ragusa 'workers were given scarcely habitable accommodation, fed cat food for their evening meal and were refused medical treatment.'¹⁵²

Reports of such conditions are not limited to southern Italy. Giancarlo Gariglio of Slowine has documented slavery-like conditions among migrant workers in Piemonte, reporting – despite the outlawing of the *caporalato* system – that '...there are real *caporali* (who work for other cooperatives and therefore know that there are peaks of demand for labour), who hire their compatriots for very short periods and often also provide the passage to Italy. In this case there is no billing, everything is done in the dark and the rates drop to €3 an hour, even for 10 hours of daily work. The *caporali* sometimes supply regular cooperatives with manpower, and thus earn a percentage ... The trafficking of these "slaves" includes the offer of a bed in overcrowded dormitories at €200 a month. The "tourist" package also provides for the creation of transport services between Macedonia and Italy at agreed prices (€70 round trip) If the slavery situation is so low in Piedmont, you can easily imagine what happens in the rest of Italy, perhaps in regions where the price of grapes and wine is significantly lower.'¹⁵³

Gariglio also reported on shell companies being set up to provide labour to harvest grapes at rates that are so low that exploitation is inevitable: 'These companies offer pruning at €400 per hectare, but a farmer knows very well that for that task you have to work at least 40 hours. So the hourly cost he pays is just €10. It is impossible, with those figures, to respect the minimum wage and pay contributions at the same time. It means that the company that provides labour exploits the worker or defrauds the taxman, but it is very likely that he is doing both.'¹⁵⁴ Gariglio claimed that workers are afraid to report exploitation as the intermediaries are often their own countrymen and they fear retaliation against their families.

Poor working conditions were also found in the vineyards of southern Tuscany where an analogous form of intermediation is legally carried out by agencies offering 'third-party' services.¹⁵⁵

Findings from interviews

The interviews indicated a risk of labour brokerage in Sicily, where four of the six respondents (two from Bangladesh, one from Senegal and one from Ghana) reported having paid someone to secure their job.

According to Human Rights Watch, *caporali*, or gangmasters, reportedly ask workers for thousands of euro to facilitate contracts with employers. The literature provides strong evidence for workers depending on *caporali* not only for securing employment, but also for other (non-)work related areas. According to the Ethical Trading Initiative (ETI), for example, *caporali* charge workers fees for securing employment, but also for transportation, food, phone top-ups, accommodation, and money transfers – absorbing 40% to 50% of a worker's daily pay, yet are 'often the worker's only means of survival.'¹⁵⁶ There is a high risk of workers being under the influence of *caporali* and experiencing horrendous labour exploitation that goes hand-in-hand with labour brokerage.

In addition, at least one migrant worker in Sicily told us he did not feel free to leave his job because 'I need to repay [a] debt for travel[ing] to Europe'. Several others in Sicily said they did not feel free to leave for fear of not being able to find another job.

According to the ILO, the obligation to stay in a job due to the absence of alternative employment opportunities, taken alone, does not equate to a forced labour situation, but can amount to forced labour if the employer is deliberately exploiting the fact (and the extreme vulnerability which arises from it), to impose more extreme working conditions than would otherwise be possible.

This vulnerability is particularly high for (irregular) migrants who, due to their unfamiliarity with the legal system of the country of destination and their possible dependence on their employers, coupled with sometimes uncertain or temporary legal status, face a heightened risk of exploitation and abuse. For women, this can entail the additional risk of sexual abuse. Some workers also reported not feeling free to join a trade union or raise a concern or grievance at their employer due to 'fear of reprisal' or 'fear to lose the job' (see lack of access to remedy section below) which further indicates their vulnerability to exploitation.

According to IOM, migrants also become vulnerable to their rights being violated without them daring to access justice when migration laws condition their status on continued sponsorship by their employer.¹⁵⁷ Workers often depend on their employers for sponsorship: the Italian legal system, since the adoption of the 2002 Bossi-Fini law (Law No. 177, which meant that anyone caught irregularly entering the country would immediately be expelled), has linked residence permits to the existence of a labour contract in the case of regular migrants, and allows migrants who enjoy temporary residency permits based on humanitarian grounds to convert these into longer-term permits based on employment.¹⁵⁸

The COVID-19 pandemic has further heightened the vulnerability of workers. The BBC reported that in Sicily: ‘Since the lockdown began, a helpline that supports victims of extortion has received a 100% increase in reports, especially from small businesses.’¹⁵⁹ Such extortion can bring small businesses under the long-term influence of criminal organizations, and will inevitably affect their workers’ rights too, especially given the known links between such organizations and trafficking and brokering of migrant labour.

In Tuscany, Piemonte, and Puglia there was no indication of a risk of labour brokerage or forced labour. No interviewees in these regions explicitly said they had been recruited through labour brokers or that their ID papers had been kept by anyone. However, it is important to bear in mind that many workers may be afraid to report such human rights breaches because of the insecurity of their employment terms and – if recruited through criminal gangs – fear of reprisal. The vast majority of interviewees had been recruited informally by word of mouth, through family members or friends. Oxfam understands that when workers say they heard of the job through a friend, this can mean through *caporali*, but we do not have direct evidence of this in relation to the interviewees in these three regions.

Box 6: Risk of forced labour in Systembolaget’s supply chains

The risk of forced labour and severe exploitation in Systembolaget’s supply chain should be considered as a *potential* risk.

Given the evidence from the interviews and the large amount of evidence in the literature, there is a high risk that workers remain under the strong influence of *caporali* (for recruitment, but also transport and/or accommodation, for example) and therefore there remains a risk of practices occurring that would meet indicators of forced labour under the ILO operational definition, including ‘degrading living conditions’, ‘multiple dependency on an employer’ and ‘being under the influence of the employer or people related to the employer for non-work life’.

Based on the seemingly widespread influence of *caporali* in the wine sector, it is considered very likely that some workers in Systembolaget’s supply chains will be affected. Given the sales of blended wines, where part of the blend may come from lower cost grapes secured through the spot market – with limited traceability, Systembolaget cannot fully mitigate the risk of forced labour in its supply chains.

3.2 LOW WAGES

Table 8: Human rights framework concerning low wage issues

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Right to enjoy just and favourable conditions of work ¹⁶⁰	Section 36 of the Italian Constitution: ‘Workers have the right to a liveable wage for himself and his/her family’	Point 3. Fair remuneration ¹⁶¹
Right to an adequate standard of living ¹⁶²	ILO Convention C131 – Minimum Wage Fixing Convention, 1970 (No. 131)	

	<p>C095 – Protection of Wages Convention, 1949 (No. 95)</p> <p>Proposal for a Directive of the European Parliament and of the Council on Adequate Minimum Wages in the European Union</p>	
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Low wages paid as piece rates rather than according to collective wage agreements are common in the wine sector. According to a media investigation in 2015 in the Langhe area of Piemonte for the most vulnerable workers, namely migrants from Africa and/or Eastern Europe, wages can be as low as €3 per hour in Piemonte, and €2.5 in Sicily. This is particularly the case for agricultural jobs obtained through *cooperative senza terra* (cooperative without lands) that offer agricultural services to farms (including extra labour for seasonal peaks) at very competitive costs (usually less than farm would spend if doing it themselves).¹⁶³

The *International Business Times* reported that ‘Despite a gross hourly minimum wage of just more than seven euros (about \$10 in US currency), set by Italy’s national agriculture contract, many cooperatives pay workers as little as two to three euros per hour.’ and went on to reveal that ‘only one out of two dozen cooperatives operating in Canelli was reported by local media as charging wine producers 12 euros last year, a price that covers the basic wage, overtime pay and reimbursement for housing and meals, as required by the Italian national contract.’¹⁶⁴

MEDU (Doctors for Human Rights – Italy), reported in 2015 that ‘in five regions of central and southern Italy ... salaries were on average about 30-40% lower than the minimum daily wage guaranteed by the national and provincial contracts in the presence of both a regular or an irregular contract.’¹⁶⁵

Findings from interviews

Strong evidence of workers having to work overtime and/or to supplement their earnings with jobs in other sectors in order to meet their basic needs emerged from the interviews. A large proportion (43%)¹⁶⁶ of the workers interviewed said that their earnings from one employer were not enough to cover their basic needs.

This finding was particularly stark in Puglia where 80% of respondents said that pay from their job did not cover their basic needs. This could be explained by the fact that Puglia is characterized by small farm owners rather than hired labour and raises questions about small-scale farmers’ ability to earn a living income.

The migrant workers we interviewed in Piemonte were mostly based in reception centres where, according to our researcher, they do not pay for food and accommodation. This also explains why they did not answer our question about overtime, which was phrased in relation with the need to cover basic costs. But even in Piemonte, there is a risk of wages not covering workers’ basic needs. The researcher explained that, ‘in any case the precariousness of the job would not allow them to cover basic needs’. Any money that they do earn is sent back to their families in their country of origin (the migrant workers we interviewed were supporting on average 2.5 people financially, while Italian workers were supporting less than one person on average).

The inability to cover basic costs from one job may partly be because the work is only for part of the year. In Puglia, for example, many respondents explained that the job was supplementing their income from their own farm – a reflection of the fact that we mostly interviewed workers who are also small-scale farmers (see Methodology section).

However, a significant proportion of the workers (37%) also reported to needing to work more than 8 hours a day to cover their costs, a strong indication that wages are too low to sustain workers. The finding was again most present among workers in Puglia and Sicily (60% and 35%). Further research would be needed to ascertain the reason for these regional differences.

The COVID-19 pandemic has further decreased workers’ ability to meet their basis needs, particularly in Sicily and Puglia. In Sicily, 90% of workers reported that both their working hours and wages had decreased, while in Puglia, 20% of workers reported not having had work during the lockdown (March to May 2020), which inevitably put pressure on their economic situation. Some workers in Piemonte also reported not having worked during the lockdown.

Wages too low to sustain basic needs seem to go hand-in-hand with insecurity of tenure. For most, the work on vineyards is a seasonal occupation, albeit half of those interviewed had worked for the same farm for between 1 and 10 years (and one-fifth for between 6 and 10 years). Workers nevertheless had no permanent contract. Employers may argue that this is the nature of seasonal work, but given that many workers appear to return to the same farms year after year and are employed for much of the year on one farm, there would seem to be scope to formalize their employment status so that they know that at least this proportion of their income is secure. One reason this is important is that people on insecure contracts are less empowered to secure their human rights.

We also found indications of a risk of workers not being able to claim their dues due to a lack of knowledge of the minimum wage and a lack of written contracts. Over half the interviewed workers (57%) said that they did not know what the minimum agricultural wage was for their region. This was particularly stark in Piemonte, where none of the interviewees – who were all migrant workers – knew the minimum wage. These workers thus do not know whether they are paid the minimum wage, minimising their ability to claim their dues. The vast majority (93%) of the workers across all regions were working on seasonal contracts which tend to be verbal rather than written, according to our researcher in Puglia. Without written contracts, workers or those trying to support them do not have evidence of whether or not the minimum wage is (in theory) being paid.¹⁶⁷

We found that men were more likely to report feeling they were receiving the same pay as other workers than women. Many of the women we interviewed either said they were not, or did not know whether they were being paid the same as other workers doing the same work, but some felt that men were paid more and were employed for more of the year than women. This supports evidence in the literature suggesting that women workers often earn less.

In addition, a risk of discrimination in relation to wages emerged from the interviews, with workers in Sicily and Piemonte reporting migrant workers earning less than Italian workers, and workers in Piemonte pointing out that workers with legal status were paid more than those without documents.

Box 7: Risk of low wages in Systembolaget's supply chains

The risk of low wages in Systembolaget's supply chain should be considered as a *potential* risk.

Based on the seemingly widespread nature of low wages across the sector and a large proportion of workers reporting that their earnings from one employer were not enough to cover their basic needs and the need to work overtime or supplement the job, it is considered highly likely that a significant proportion of workers in Systembolaget's supply chains are affected, despite the fact that, unlike other horticultural produce, wine grapes are used to produce a much higher value end-product. The lack of knowledge of minimum wages and of written contracts reduces workers' abilities to claim their rights. In common with other agricultural sectors, low pay goes hand-in-hand with insecurity of tenure. There is also a high risk of pay disparities between men and women, and between Italian and migrant workers.

3.3 Excessive working hours

Table 9: Human rights framework concerning excessive working hours

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Right to an adequate standard of living ¹⁶⁸	Act no. 196/1997, Section 13	Point 4. Decent working hours ¹⁶⁹

The flipside of low wages paid as piece rates is often long and/or excessive working hours, as workers are incentivized to work more hours and take fewer breaks in order to increase their take-home pay.¹⁷⁰ The pressure for long hours is likely exacerbated by the industry's need to ensure harvesting takes place in a fairly narrow window, before the crops start to spoil.

The relentless pace of work was thought to be behind the death in 2015 from a heart attack of 49-year-old Italian grape picker, Paola Clemente. Media reports revealed that ‘two months after Clemente died, the financial police searched her fellow workers’ homes and found calendars on which many of them marked the days they had worked over past years. The number of days far exceeded what was listed on company contracts.’¹⁷¹

Findings from interviews

A risk of excessive working hours emerged from the interviews, as 17% of respondents reported that they were often be required to work more than an hour’s overtime without pay. There were significant regional differences, with 57% of respondents in Piemonte and 21% of respondents in Puglia reporting often working overtime without pay, whereas no interviewees from Tuscany and Sicily reported having to do unpaid overtime. Further research would be needed to ascertain the reason for these regional differences.

Just over half the respondents said they were not paid a premium rate for overtime. In Piemonte and Puglia, the vast majority of respondents reported this (100% and 92%, respectively). In Tuscany and Sicily there were some indications of this issue but to a smaller degree; 40% and 10% of workers, respectively, reported not being paid a premium. This contravenes the ILO conventions on working time and pay.

Overall, migrants were more likely to report being required to work overtime without pay and not being paid a premium for overtime.

Box 8: Risk of excessive working hours in Systembolaget's supply chains

The risk of excessive working hours in Systembolaget’s supply chain should be considered as a *potential* risk. Based on the seemingly widespread nature of long and/or excessive working hours across the sector and the interview evidence, it is considered very likely that a significant proportion of workers in Systembolaget’s supply chain will be affected. There is a moderately high risk of excessive working hours in the supply chain – increasing to high risk in Piemonte. In addition, there is a high risk of overtime work being either unpaid or not paid at a premium rate.

3.4 HEALTH AND SAFETY RISKS ON FARMS AND IN WINERIES

Table 10: Human rights framework concerning health and safety issues

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Right to an adequate standard of living ¹⁷²	None identified. Note: Italy has not ratified C155 - Occupational Safety and Health Convention, 1981 (No. 155) nor C184 - Safety and Health in Agriculture Convention, 2001 (No. 184)	Point 5. Occupational health and safety ¹⁷³
Right to life		
	Article.110-bis of the Health and Safety Decree: Migrants who have previously worked in the agriculture, fishing, care and domestic work sectors can ask to regularize their status. ¹⁷⁴	

Workers in vineyards are at risk of a number of health issues; they may experience musculoskeletal problems from pruning vines, respiratory problems from allergies, or asthma due to exposure to insects and pesticides. Wine

production workers face different health risks, including ‘working in confined spaces with low oxygen and high carbon dioxide levels’ which can cause death.¹⁷⁵ For these workers, for example, the schedule also includes the hottest part of the day, between 12pm and 3pm, which causes numerous cases of fainting.¹⁷⁶

In Italy, the tragedy of Paola Clemente’s death demonstrates that excessive working hours, heat (likely to become more severe with climate change), the relentless pace, lack of emergency healthcare, and weak negotiating position of workers can be a fatal combination.

Findings from interviews

A health and safety risk for workers emerged from the interview data. Although most (93%) respondents said they could take toilet and water breaks whenever they needed to, 24% of workers reported receiving only partial or no PPE. There were significant regional differences in this finding that would require further investigation. However, any workers having inadequate PPE raises concerns for their health and well-being as they are engaged in hard and hazardous physical labour, often in high temperatures.

The lack of PPE also raises concerns for workers’ health during the pandemic, as a majority of workers in Piemonte, Puglia, and Sicily reported that they had continued working despite lockdown measures (albeit with reduced working hours in many cases).

Our interviews did not reveal significant differences between migrant and Italian workers in terms of protection from injury at work and PPE provision.

Box 9: Risk of health and safety concerns in Systembolaget’s supply chains

The risk of health and safety concerns in Systembolaget’s supply chain should be considered as a *potential* risk.

The combination of likely harsh working conditions and the hazardous nature of the work means that it is likely that a significant proportion of workers in Systembolaget’s supply chains are affected of health and safety concerns. The reported cases of death and interview evidence of inadequate or complete lack of PPE provision by employers strongly indicates that workers are often not protected from harsh working conditions in the wine sector.

3.5 LACK OF ACCESS TO REMEDY

Table 11: Human rights framework concerning access to remedy

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Right to equality before the law ¹⁷⁷	Article 1.1, Legislative Decree No. 109 of 16 July 2012, Transposition of the European Union Directive 2009/52/CE (‘Rosarno Law’)	Point 1. The rights of freedom of association and collective bargaining. ¹⁷⁸
	Article 3 of the Italian Constitution: ‘Equality of all citizens before the law without difference of sex, race, language, religion, political views, personal and social position’.	
	Article.110-bis of the Health and Safety Decree: Migrants who have previously worked in the agriculture, fishing, care and domestic work sectors can ask to regularize their status. ¹⁷⁹	

Italy has not accepted the Individual Complaints Procedure under the UN's International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families. ¹⁸⁰	
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As noted in an earlier HRIA into the Italian processed tomato sector that Oxfam conducted for the Finnish supermarket, SOK, while the October 2016 legislation sought to improve protection for victims of the *caporalato* system, punitive measures can only be applied after a case has occurred and has been verified. This requires huge inspection efforts – beyond the capacity of the Italian authorities currently – and ‘relies on the willingness of workers to denounce their exploiters.’¹⁸¹

According to Amnesty International, irregular migrants who report abusive working conditions risk losing their jobs and being charged with ‘irregular entry and stay’ – a practice that is inconsistent with Italy’s obligation to guarantee a practical and effective remedy for all victims of human rights violations.¹⁸²

The EU Agency for Fundamental Rights conducted a survey in 2015 to better understand the severe exploitation of workers moving within or into EU member states.¹⁸³ It found that migrant workers in the EU – including in Italy – were not able to enjoy the same protection by the law as their European counterparts.

For example, the report describes an incident in which a group of Ghanaian migrants were persuaded to lodge complaints about their working conditions, but instead of having their rights protected, they were detained as ‘irregular migrants’ for expulsion. The report quoted an Italian lawyer as saying: These are lengthy, exhausting investigations which require strong coordination among police, carabinieri, labour inspectors. [There is] [l]ittle chance of success in trial as victims get expelled and who knows where they will be when trial finally starts. Why should a public prosecutor invest in something like that?’¹⁸⁴

The tendency for police to ‘treat severely exploited third-country nationals in an irregular situation as ‘illegal’ workers first, rather than as victims of crime’ is widespread in Europe. ‘As a consequence, cases of severe labour exploitation are frequently presented as lesser offences, such as fraud or work discrimination. This too leads to a lack of justice for victims and inadequate sanctions against the perpetrators of crime.’¹⁸⁵

According to the International Organization for Migration (IOM), migrants are also made vulnerable to violations of their rights without them daring to access justice when migration laws condition their status on the continued sponsorship of their employer (see Section 3.1).¹⁸⁶

During the roundtable discussion for the HRIA on the Italian tomato sector, several stakeholders noted that trade unions play the only effective role of offering a means for workers to raise concerns about their treatment in the sector. However, the experiences of our interviewees appear to contradict this view. This may partly be explained by a lack of awareness about trade unions, but researchers also mentioned a lack of trust in trade unions among agricultural workers.

Findings from interviews

Many respondents across all four regions did not know how to raise a grievance (79% in Piemonte, 56% in Puglia, 55% in Tuscany and 30% in Sicily). The high proportion in Piemonte could be explained by the fact that all the respondents are migrant workers. Among those who knew how to raise a grievance, only a few mentioned trade unions as a potential mechanism. This raises concerns about compliance with the UNGPs on grievance mechanisms, as well as potentially breaching ILO conventions on freedom of association.

Some workers across all the regions said they would not feel confident raising a concern or grievance in the workplace. In some regions, some workers explained that this was due to fear of losing their jobs or even fear of reprisal from the company, even when they had worked for the same employer for many years.

Although trade unions are often the only effective means for migrant workers to raise concerns about their treatment in the sector, some workers (22%) do not feel they can safely join a union or do not know what a union is. This finding was particularly stark in Piemonte (64%) and Sicily (30%), and was higher among migrant workers, with 45% of migrant workers reporting not feeling free to join a union of their choice (compared with 5% of Italian workers).

Systembolaget's intent to establish grievance mechanisms through the Italian FLAI-CGIL union (see Section 2.2), arguably faces challenges when workers do not feel free to join a union of their choice – as the initiative does not offer a channel for workers who are not organized.

Lack of security of tenure and dependency on employers for sponsorship contributes to limited access to remedy as it undermines workers' ability to secure any of their rights as they fear raising grievances in case, they lose their jobs. This can lead to serious breaches of human rights such as low pay, excessive hours, and poor occupational health and safety, without workers daring to access justice.

Box 10: Risk of lack of access to remedy in Systembolaget's supply chains

The risk of lack of access to remedy in Systembolaget's supply chain should be considered as a *potential* risk.

Given the inadequacy of public grievance mechanisms in an overburdened and poorly functioning system, workers not feeling safe to join a union of their choice, and the limitations of the grievance mechanism offered by Systembolaget, it is considered likely that a significant proportion of workers in Systembolaget supply chains are affected.

Migrant workers in particular are likely to face a reasonably high risk of lack of access to remedy in this supply chain – despite recent legislation that seeks to protect them – as they may be wary of reporting abuses to the police for fear of losing their jobs or of their irregular or informal status being discovered. With the exception of workers who are members of trade unions or are at least prepared to approach trade unions with concerns, this likely affects many of the workers in Systembolaget's supply chains.

3.6 RESTRICTIONS ON FREEDOM OF ASSOCIATION

Table 12: Human rights framework concerning freedom of association

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Right to freedom of association and collective bargaining ¹⁸⁷	Citizens have the right to form associations freely, without authorization, for aims that are not forbidden to individuals by criminal law ¹⁸⁸	Point 1. The rights of freedom of association and collective bargaining ¹⁸⁹
	ILO Convention: Right to Organise and Collective Bargaining Convention, 1949 (No. 98) C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)	

The Italian constitution recognizes the right of *citizens* to associate freely and the right of employers and employees to join associations or unions. Unions can freely negotiate collective agreements at provincial, regional and national levels and workers have the right to strike. However, migrant workers need a residence permit to be able to join a union,¹⁹⁰ which excludes the many 'irregular' workers in the industry. Trade unions such as FLAI-CGIL and UILA

nevertheless work to try to improve legislation to protect all agricultural workers' rights, including lobbying the EU to adopt an instrument covering social clauses such as housing requirements and transport.¹⁹¹

Findings from interviews

A relatively significant proportion (22%) of workers said they did not feel they could safely join a union of their choice, or do not know what a trade union is. This finding was particularly strong in Piemonte (64%) and Sicily (30%) and was higher among migrant workers (45%) than Italian workers (5%).

Some migrant workers explained they had 'little knowledge of unions' activities and role,' while others said they did not know what a union was. Some migrant workers in Sicily said they did not feel free to join a trade union for fear of reprisals from the company. In Puglia, we were told, trade unions are associated with places to go for advice on receiving government benefits rather than to protect workers' rights, which would explain the stark differential.

Only 46% of respondents said they knew how to raise a grievance at the workplace – with very few mentioning trade unions as a mechanism to do so. This raises concerns about compliance with the UNGPs on grievance mechanisms, as well as potentially breaching ILO conventions on freedom of association. Although workers may say they 'feel free' to join a union of their choice, the fact that they are clearly not doing so implies that they are not being supported and encouraged to gain legitimate collective representation.

Box 11: Risk of infringements of freedom of association in Systembolaget's supply chains

The risk of infringements of freedom of association in Systembolaget's supply chain should be considered as a *potential risk*.

No evidence was found of any practices impeding the freedom of association of workers but there is nevertheless a risk of infringements as a significant proportion of workers do not feel free to join a trade union and some workers even reported not doing so due to fear of reprisal from the company. It is considered likely that some workers in Systembolaget's supply chains across all regions are affected.

3.7 SEXUAL HARASSMENT AND GENDER DISCRIMINATION

Table 13: Human rights framework concerning sexual harassment and discrimination

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Rights of women ¹⁹²	Article 3 of the Constitution: 'Equality of all citizens before the law without difference of sex, race, language, religion, political views, personal and social position.' C100 - Equal Remuneration Convention, 1951 (No. 100) C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)	Point 2. No discrimination ¹⁹³

As almost half of Italian women reported having experienced sexual harassment in 2018 – 9% of them in the workplace – the likelihood of this occurring among vulnerable Italian and migrant women workers in vineyards is high. There have been many reports of sexual harassment and discrimination at all levels of the wine industry in a range of countries, including France¹⁹⁴ and the USA ('Any member of the US wine trade would be hard-pressed to deny that sexual harassment is sadly all too common in the industry').¹⁹⁵

The *Independent's* report of Paola Clemente's death stated that 'More than 40,000 women – favoured because of their smaller, nimble hands – toil in vineyards in conditions that have been described as 'modern slavery''.¹⁹⁶

Oxfam reported in 2018 on the widespread sexual harassment and discrimination in the Italian agriculture sector: 'Women, both Italian and foreign, are increasingly employed in seasonal agricultural work due to their perceived ability to handle delicate fruits such as strawberries and grapes. Their vulnerability results from the growing pressure in the sector to reduce costs, and women's need to financially sustain themselves and their families. Women workers face a combination of excessive overtime, harsh working and living conditions, withholding of wages, intimidation, threats, and physical and sexual violence. Evidence suggests that women are usually paid 20–30% less than men for the same work and are much more likely to be subject to blackmail, in a system where gaining and maintaining employment may entail sexual exploitation and harassment.'¹⁹⁷

The wine industry, particularly in Italy, is very male dominated at all levels. The *Guardian* reported that 'in Tuscany, winemaking has traditionally been a male pursuit, in part due to the physical demands of operating a vineyard.'¹⁹⁸ It went on to quote Antonella Marconi of Italy's first all-women vineyard, as saying '[It was] a discrimination and habit that was so deep-rooted that no one even noticed ... no one ever thought that good wine could be made by women.'

Migrant workers more generally tend to suffer higher levels of discrimination and exploitation. Italy was one of the countries in which the EU Agency for Fundamental Rights found that 'particularly exploitative employment relationships' of workers from other countries 'was perceived by experts as the most frequently occurring form of severe labour exploitation.'¹⁹⁹

According to the *Guardian*, Romanian women who migrated to Sicily for agricultural work have reported being 'raped, beaten and exploited.'²⁰⁰ The article cites a Proxyma Association estimate that 'more than half of all Romanian women working in the greenhouses are forced into sexual relations with their employers'.

Findings from interviews

Overall, we found a very significant difference between men's and women's answers to questions relating to their sense of being treated equally and fairly. Men were very much more likely to feel they were being treated fairly at work, receiving the same pay as other workers and being treated with respect. The women we interviewed either answered in the negative or said they did not know – for example whether they were being paid the same as other workers doing the same work.

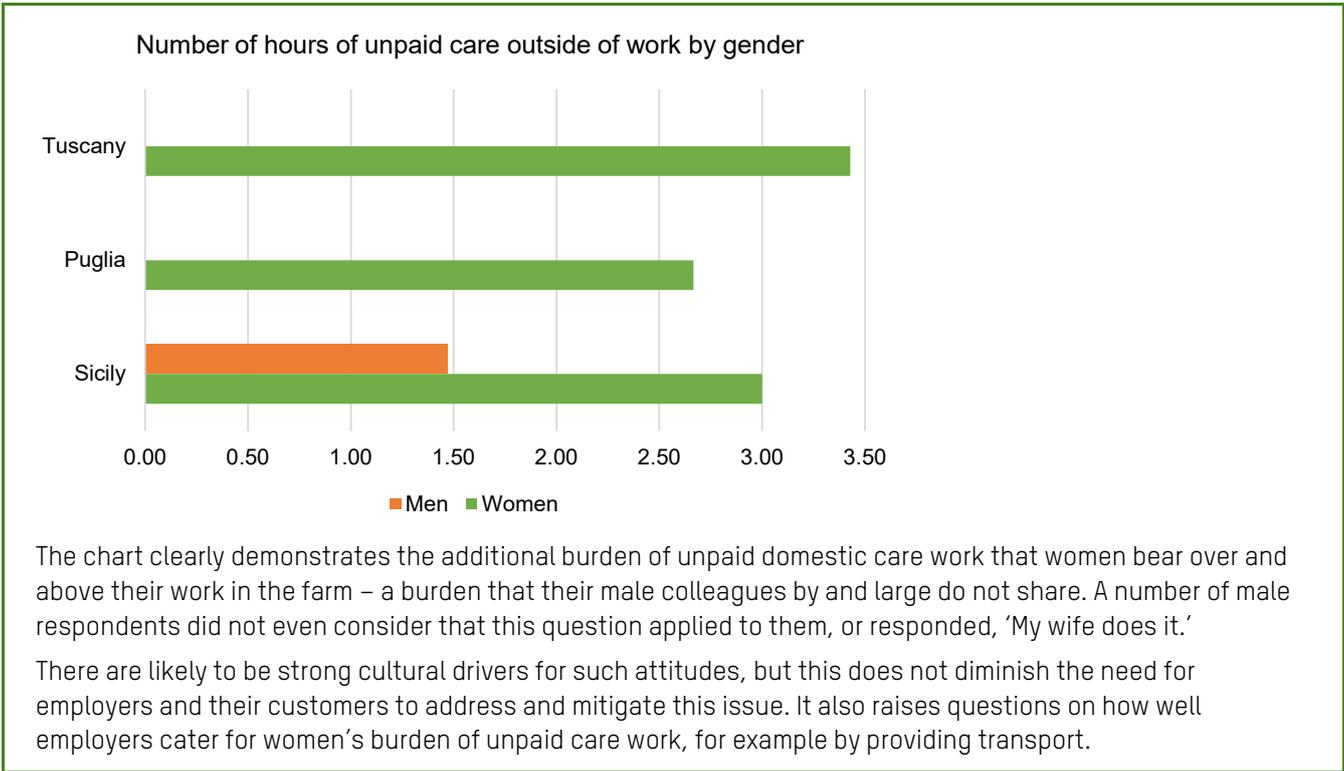
Women were more likely to be afraid to raise grievances for fear of losing their jobs – and this also raised some questions about the credibility of the many positive responses from women to other questions.

Some women told us they did not receive the same pay as other workers, claiming that men are paid more and employed for more months a year than women. Unsurprisingly then, several women felt they were not treated fairly and equally as their fellow workers.

It should be noted that not all those who mentioned being treated differently or paid less were referring to gender differences; some mentioned that migrant workers were not treated as well as Italians, while one or two others offered explanations such as different roles, seniority or car ownership.

Our researchers did not pose specific questions about sexual harassment as this is a highly sensitive area that ideally needs to be approached face-to-face by someone that the interviewee trusts and feels comfortable with, and who has particular expertise in the topic. Restrictions due to the coronavirus pandemic made this impossible.

Another notable finding is the imbalance between the number of hours of unpaid care work done by men and women workers, as shown below. This chart uses figures from Tuscany, Puglia and Sicily, but excludes workers in Piemonte since they live in Oxfam reception centres where unpaid care work is not required.



Box 12: Risk of sexual harassment and gender discrimination in Systembolaget’s supply chains

The risk of sexual harassment and gender discrimination in Systembolaget’s supply chain should be considered as a *potential* risk.

From the literature and worker interviews, there is a seemingly high risk of gender discrimination in the wine sector. The sector employs a significant proportion of female workers, despite higher proportions of male workers, and it is thus considered likely that many workers in Systembolaget’s supply chains across the regions are affected. Further research would be needed to determine whether reports of sexual harassment in some agricultural sectors of Italy also apply to the wine supply chain.

3.8 POOR, UNSAFE AND UNSANITARY HOUSING

Table 14: Human rights framework concerning poor housing

Relevant human rights	Relevant legislation and ILO conventions	Relevant principle in the Systembolaget Code of Conduct
Right to enjoy just and favourable conditions of work	None identified	Point 5. Occupational health and safety ²⁰¹

Media reports of the formation of shanty towns to house workers arriving for the grape harvest are reminiscent of the housing conditions for Italian tomato workers in the south of the country. Similarly, there are shocking reports of ‘barely habitable accommodation’ for Romanian women migrants working in agriculture in the Ragusa region of Sicily.²⁰²

Alberto Mossino, an activist at the Project for the Integration of Immigrants, was quoted in the *International Business Times* as saying that providing vineyard hands with adequate facilities should be the responsibility of the companies, not local authorities. ‘You have millionaires among producers here ... They could join forces, creating housing facilities with just €20,000 or €30,000. It would be a terrific public image investment that would turn a harvest of shame into a harvest of fairness.’²⁰³

Findings from interviews

Housing did not emerge as a significant issue in our interviews – partly because in Tuscany and Piemonte we interviewed residents at reception centres, and in Puglia because workers tended to be Italians living at home. Seventeen percent of workers interviewed – the majority of who are migrants – have their accommodation provided by their employer (40% in Tuscany, 15% in Sicily, and 8% in Puglia). Workers in Tuscany and Puglia judged the accommodation to be of good quality. Two workers in Sicily, however, judged their accommodation to be ‘not very good’, which raises concerns about poor and unsafe housing.

In addition, some workers across all regions reported living as guests with friends, with their parents as adults, or in reception centres, which means their right to privacy may be being infringed.

Box 13: Risk of poor, unsafe and unsanitary housing in Systembolaget's supply chains

The risk of poor, unsafe and unsanitary housing in Systembolaget's supply chain should be considered as a *potential* risk.

The risk of poor housing in the wine supply chain, although it does exist, seems to be lower than in other agricultural sectors such as the tomato sector. Nevertheless, given the widespread appalling accommodation conditions among workers in the Italian agricultural sector, and workers in southern Italy judging their accommodation to be not very good, it is considered likely that some workers in Systembolaget's supply chain are affected.

4 ROOT CAUSE ANALYSIS OF THE IDENTIFIED HUMAN RIGHTS IMPACTS

This section identifies the root causes of the human rights impacts identified (Section 3), and explores major initiatives that have been launched to address these causes. Doing so helps to inform the judgments regarding the extent to which Systembolaget causes, contributes to and/or is directly linked to these impacts (Section 5.1), and the extent of Systembolaget's leverage in addressing adverse impacts, as discussed in Principle 19 of the UNGPs. This analysis also informs the recommendations for actions Systembolaget can take to address these impacts (Section 5.3).

Box 14: What is a 'root cause'?

Lebaron et al. note that reference to the need to address 'root causes' has become routine among governments and companies addressing forced labour and other human rights abuses in global value chains, but with little consensus on how these should be conceptualized or defined.²⁰⁴ Here, we follow their proposal to analyse root causes using a political economy approach, which they define as the study of 'underlying social and political mechanisms and principles that structure systems of social organisation.'

As they note, 'The study of political economy is the study of these structures. It examines the 'rules of the game', rather [than] the actions of any individual player. It is also the study of power and its unequal distribution, specifically the power to affect the shape of the global economy.'

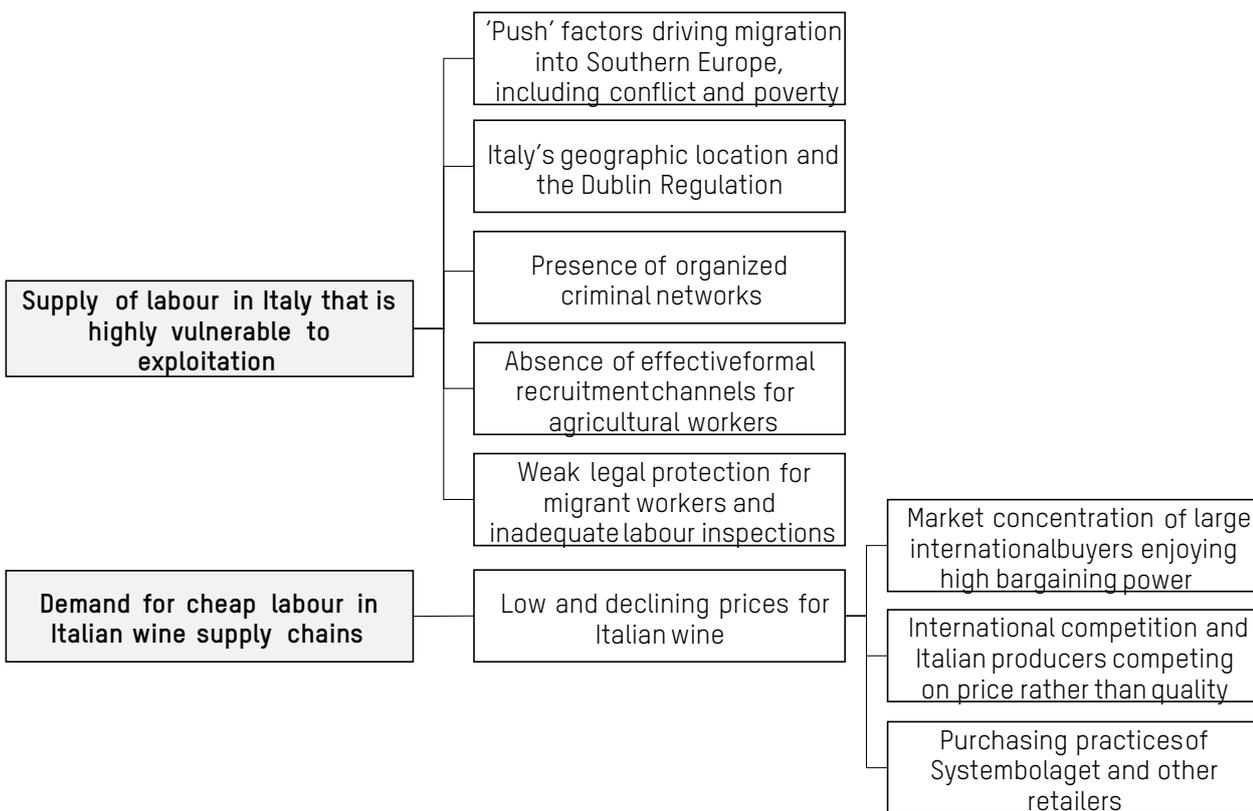
The root cause analysis draws on the field of global value chain analysis, in the context of broader approaches to international political economy²⁰⁵ (Box 14). This section is structured according to the framework developed by Oxfam, informed by these approaches, for identifying root causes of labour exploitation in global food value chains.²⁰⁶ This distinguishes structural drivers of the problem according to two categories, namely those associated with the:

- **supply of labour that is acutely vulnerable to exploitation in sourcing countries** – often reflective of the suppression and/or decline of the relative bargaining power of workers and/or small-scale food producers;
- **creation downstream in global value chains of demand for cheap labour in countries from which they source** – often reflective of increasing market concentration and resulting buying power of food retailers and other buyers in global food value chains.

The nature and implications of such bargaining power asymmetries have been well recognized and discussed by, for example, EU institutions,²⁰⁷ the former UN Special Rapporteur on the Right to Food, Olivier de Schutter,²⁰⁸ the ILO,²⁰⁹ and a range of civil society and multi-stakeholder initiatives.²¹⁰

Figure 13 summarizes the main root causes identified under this framework.

Figure 13: Root causes of adverse human rights impacts in Systembolaget’s Italian wine supply chains



4.1 LABOUR SUPPLY-SIDE DRIVERS

A root cause of labour exploitation and rights abuses in Italy is the presence in the country of a large number of migrants and/or asylum seekers driven to leave their countries due to poverty or violence, whose rights are inadequately protected under Italian law.

Migration ‘push’ factors

Many workers enter Italy from poor, unstable or conflict-ridden countries where they are experiencing either ‘terrible violence, forced marriage, intolerable discrimination’²¹¹ or extreme hardship caused by poverty – or both. They are therefore more likely to take desperate measures to escape to countries where they believe that life will be better. In turn, they are less likely to be able to return to their home countries, and more likely to fall prey to criminal elements

who have developed sophisticated systems for duping migrants into entering Italy who may then be unable to work legally.

Italy faces unique challenges in managing such flows of people, reportedly receiving some 650,000 migrants, including asylum seekers, as a result of the Mediterranean migration crisis since 2014.²¹² Under the EU 'Dublin Regulation', asylum seekers entering the EU without a valid visa and without family ties elsewhere in Europe, must apply for refugee status and have their application processed in the first EU member state in which they arrive. Given Italy's geographic location in the south of Europe and its significant sea border, this has meant that large numbers of migrants have to remain in Italy before being able to move to other European countries.

In addition to migrants from the African continent, Italy is also the destination for migrants from other European countries, notably Romania and Bulgaria,²¹³ who made up about half of all migrants in Italy in 2010.²¹⁴ Romanians in particular were initially drawn to Italy to escape the repressive Ceausescu regime, in search of freedom and jobs. Italy provided both, along with a culture and language similar to their own. The accession of Romania and Bulgaria to the EU in 2007 increased further the flow of migrants from these countries to Italy. The remittances they send are an important source of revenue for their home countries, with the *Financial Times* reporting that in 2010 'remittances from Italy have surpassed levels of foreign direct investment.'²¹⁵

Italy's 'large underground economy' is another draw for migrants from poorer Eastern European countries, making it easier to find informal jobs – often through family members already living in Italy, but also through 'friends' or informal labour brokers. According to research by Strey et al., 'Even though their number cannot be estimated exactly, Bleaahu (2007) roughly estimates that for every officially registered migrant, there are one to three irregular, unregistered Romanian migrants residing in the country.'²¹⁶ This leaves them vulnerable to exploitation by criminal organizations. Not least because the irregular recruitment of EU workers is less dangerous for employers as they do not risk criminal proceedings for allegedly facilitating irregular migration.²¹⁷

Eastern European migrants work primarily in the industrial, domestic and health services but a significant proportion work in agriculture, including in the wine sector. Northern regions are particularly dependent on workers from neighbouring countries. For example, the *Balkan Times* reported that 'More than 5,000 citizens of North Macedonia live in Piedmont, the majority of them working in viticulture. At harvest time, friends, relatives and other seasonal workers descend on the areas of Canelli and Albense, knowing they can earn in one month what it takes them four months to earn at home.'²¹⁸

The importance of European migrant workers to the wine economy was made evident during the first national lockdown in 2020. When borders closed to restrict the spread of coronavirus, winemakers suddenly found themselves short of skilled workers to bring in the harvest. There were reports that attempts to employ Italians furloughed due to the lockdown failed as they found the work too hard and did not have the appropriate skills. As a result, desperate measures were resorted to bring the experienced migrant workers into Italy, including one estate who hired a private jet to fly workers in from Romania.²¹⁹ Others have offered to pay for COVID-19 testing to ensure their migrant workers return, and are calling on the Italian government to simplify the process.²²⁰

The impact of the coronavirus pandemic

It is widely recognized that the pandemic has highlighted the existing stark inequalities between different groups of people and has made those who were already vulnerable even more so. Undocumented workers have not had automatic access to healthcare and benefits designed to support those who have lost their jobs – and although in Italy a law has been brought in to address this, it is a temporary solution that does not necessarily address the underlying issue. Our interviews with workers found that the seasonal nature of the industry meant that many are reliant on other jobs to supplement their income – jobs that have been jeopardized by lockdowns. For example, one worker told us he had lost his job as a waiter during the lockdown. Unsurprisingly, given price drops of up to 80% on even the cheapest wine, others reported losing their jobs, or reduced working hours or reduced pay as a result of the pandemic. There are also reports that many Eastern Europeans who would normally come to work on the harvest staying away due to fear of infection or because of quarantining rules. This is likely to mean a loss of income for

them. Those that have continued to work have been exposed to the heightened risk of exposure to the virus, in a context with poor PPE and emergency healthcare provision.

The EU has provided financial support to wine producers: '€50 million was invested in crisis distillation [of wine into hand sanitizer] and subsidies of €100 million were allocated to compensate production losses of grapes for high quality wines.'²²¹ But commentators predict that the economic impact of the pandemic on the sector will not end with the pandemic itself: 'effects in terms of the economy and lives of the people here will continue for some time – assistance payments and repayment "holidays" will not last forever, and there may well be financial readjustments for some years ahead.'²²² Economic pressure on producers is invariably associated with increased risk of human rights abuses, particularly in terms of the right to a decent livelihood.

Criminal organizations

While organized crime is not exclusive to Italy, the mafia and other gangs are well established and have entered the migrant labour market in force. A European-level initiative to measure the effects of criminal activity on agriculture has found that globalization and more accessible communications has led to new forms of criminal organizations.²²³ One gang leader was reported as saying he can make more money from migrants than from drugs.²²⁴

'Do you have any idea how much I earn on immigrants? They're more profitable than drugs.' Criminal boss Salvatore Buzzi

The Placido Rizzotto Observatory – an initiative of the FLAI-CGIL trade union – noted that 'The management of the labour market ... is a full-blown land of conquest for criminality, both Mafia and not. In some cases, exploitation in agriculture goes hand in hand with the phenomenon of people trafficking.'²²⁵

This criminal influence on actors in the supply chain should not be underestimated. According to one participant in a roundtable discussion for a previous HRIA into the Italian tomato sector, in some situations 'organized crime doesn't want you to hire who you want',²²⁶ and criminals are using the system to sell work permits illegally. According to an academic at the same roundtable, criminal activities are part of the reason that the 'share system' – the quota of foreign workers that can be seasonally hired – has never worked.²²⁷

Fewer guest and migrant workers have been arriving from Eastern Europe due to the coronavirus pandemic. This has pushed producers to seek alternative workers from among refugees and asylum seekers from outside Europe, which plays into the hands of criminal gangs engaged in labour brokering.

The pandemic has also made businesses themselves more vulnerable to criminal gangs, as evidenced by the increase in calls to the helpline for victims of extortion. Such extortion can bring small businesses under the long-term influence of criminal organizations, and will inevitably affect their workers' rights too, especially given the known links between such organizations and the trafficking and brokering of migrant labour.

Weak legal protections, inadequate labour inspections and ineffective formal recruitment channels

The vulnerability of migrants and asylum-seekers to labour exploitation is further heightened by the lack of legal protection of their rights under Italian law (see Section 2.1).

Oxfam intended to hold a roundtable meeting for a wide selection of stakeholders in the Italian wine sector trading with Sweden to validate interim findings and deepen our understanding of the issues and underlying causes. However, due to the coronavirus pandemic, this has not yet been possible. Instead, here we draw on insights from a similar roundtable Oxfam held previously for stakeholders in the tomato sector in Puglia. Many – though clearly not all – of the insights about more generic agricultural and labour issues will also apply to the wine sector. In addition, we draw on recent literature.

'We are experiencing the elimination of every form of legal entry into Italy...'

Academic at the multi-stakeholder roundtable for the SOK HRIA.

NGO participants at the roundtable confirmed that they see illegality as one of the root causes of exploitation. They noted how, without documents, migrants cannot stay or work in Italy, so they have two options: go home or work illegally.

With the new decree that was approved during the pandemic, so-called 'irregular' workers without legal status in Italy can now have their contracts regularized through their employers. Foreign citizens working in agriculture (or as domestic workers) may also claim a residency permit which will give them the right to live and work in Italy legally – with the added benefit of granting access to public services, including healthcare. Human Rights Watch, however, reports that 'that many undocumented workers were unable to apply because there were excluded a priori by the narrow scope of the programme or because of lack of clarity about eligibility and the limitations of the employer sponsorship approach.'²²⁸

Labour unions see Law 199/2016 (see Section 2.1) – that they pushed hard for – as useful and important, and it has resulted in a number of illegal gangmasters being prosecuted. But because it is a criminal law, the responsibility for filing a complaint to a judge lies with the abused worker. Several stakeholders at the roundtable doubted that vulnerable workers, afraid of reprisals and punishment due to their illegal status, will accuse their employers, on whom they are almost completely reliant.

Many stakeholders have also identified the weakness of labour inspections as a key factor. Amnesty International, for example, claim that '... lack of resources, ineffectiveness and problematic legal framework of the labour inspection system' are causes for serious concern, and that '[t]he dysfunctional inspection system places Italy in potential breach of its obligations under the relevant ILO Labour Inspections Conventions 81 and 129.'²²⁹

During the roundtable discussion in the previous HRIA on the tomato sector, however, participants expressed their doubts that any labour inspection regime alone could solve the problems of enforcement. The lack of effective formal recruitment methods was also highlighted, reflecting views expressed in the secondary literature about the shortcomings, for example, the long and bureaucratic seasonal permits system.²³⁰

The risks of informal recruitment have been exacerbated by the coronavirus pandemic, with a shortage of people entering Italy from Eastern Europe leading to greater demand for workers from elsewhere. During such times of emergency there is an increased likelihood of resorting to employing workers through informal, or even illegal channels. This further increases workers' vulnerability to abuse of human rights.

Participants also highlighted the need for the government to do more to make legal recruitment channels stronger and more effective, with one proposing an approach modelled on the UK's Gangmasters and Labour Abuse Authority. Another proposal was for processing companies to explore the business case for investing in alternative recruitment models for the farms from which they source, an issue that is being discussed by members of the ETI working group on Italian tomatoes.²³¹

Initiatives to address labour supply side drivers

Boxes 15 to 17 explore a variety of initiatives led by the Italian government, trade unions and industry players designed to address root causes related to the supply of vulnerable labour in the Italian agricultural sector, that can be informative for Systembolaget in developing efforts to address the identified human rights impacts in its supply chains.

Box 15: A trade union for migrant workers

In the Puglia region of Foggia, the USB union was established by trade unionists and activists of the USB's national and regional structures together with residents of local informal settlements, or so-called 'ghettos'. Residents went on strike in 2017 demanding 'access to drinking water and decent housing conditions as well as labour protection, health insurance contributions, adherence to regional collective agreements ... respect and social standards' and access to funds from the EU's Common Agricultural Policy. As a result, Puglia withdrew constant threats of eviction and provided a regular drinking water supply. The group of workers were reported to have 'become visible across society, as they acted as an organized group capable of developing and articulating both basic demands as well as complex social and political discourses'.²³² USB offers legal assistance for regularization and renewal of residence permits and for defending labour rights against employers. It also supports farmworkers' requests for transport and other basic services such as water, electricity, waste collection in the informal encampments, as well as for structural housing solutions managed autonomously by farmworkers.²³³

Box 16: New government migrant reception resources

According to the Ethical Trading Initiative UK, '... the regional Government of Apulia, together with the Ministry of Interior Special Commissioner for the district of Foggia and with IOM, [is] working on a project to introduce regulated reception practices and resources for temporary seasonal workers to avoid them being caught in the illegal labour net. Italy's National Labour Inspectorate will reinforce monitoring in the most problematic areas of Southern Italy.'²³⁴

Box 17: The *Equapulia* regional ethical certification

The *Equapulia* voluntary ethical certification scheme was introduced in 2014 and granted to farms and processing companies that provide safe, decent, legal, and fairly remunerated employment to all workers. It was managed by Puglia's regional immigration department. To be certified, farms needed to recruit labourers through pre-booking lists, and provide their workforce with contracts for no less than six months or 156 days over two years.²³⁵ However, the scheme folded after a short time due to a lack of participation.²³⁶

4.2 Labour demand-side drivers

Low and declining primary producer prices, often accompanied by a low and declining share of value-added captured by primary producers, is widely recognized as a root cause of increased human and labour rights risks in global food value chains,²³⁷ and can be understood as creating a demand for low-cost labour in countries of production. These trends have been recognized in the Italian agricultural sector. For example, low and declining export prices for Italian processed tomatoes were identified by stakeholders as a structural driver of exploitative labour conditions on tomato farms in a previous HRIA conducted by Oxfam.²³⁸

The same risks of low prices, squeezed margins and heightened risk of labour exploitation are also present in the wine sector, especially with regards to lower-price, commodity or bulk wine. The coronavirus pandemic has had a further impact on the price of bulk wine: according to one Piemonte producer 'prices of bulk wines are between 70 and 80% down on pre-COVID-19 levels.'²⁴⁰ The international wine market has become increasingly competitive in recent years, putting pressure on profit margins of smaller-scale grape growers and wine producers in particular (see Section 1). Italian wine producers have sought to compete within the 'Old World' market on the basis of lower price, blending wines to suit international customer demand and with looser ties to specific geographical 'terroirs' than competitors in France, for example.

'The intensification of competition and the difficulties to reach such a wide range of consumer segments have caused a reduction of profit margins [for wine producers]'

Marone et al. (2017)²³⁹

While there is little transparency in the wine sector about pricing at different points in the value chain, we can develop a crude picture of the pressure of low-price wine on labour rights by comparing the average export price of Italian bulk wine against estimated costs of production for wine from different Italian regions.

As shown in Table 14, Italian bulk wine in 2019 was exported at a price of approximately €0.71/litre, equating to approximately €0.53/kg of grapes (assuming approximately 1kg of grapes per 750ml bottle of wine). This can be compared with estimates provided by a 2017 study on the hired labour costs of production of different wineries in Tuscany, ranging between €0.35/kg on vineyards primarily using family labour to produce 'unbranded' bottled wine, to €1.15/kg on vineyards primarily using hired labour to produce 'average brand' bottled wine.²⁴¹

While this is only a crude approximation of the labour costs of production in the bulk wine market, it suggests that the Italian bulk wine export price is barely sufficient – and may be significantly inadequate – to cover the hired labour costs of production alone. Notably, the 2017 study found that the labour costs of production represented approximately 25-30% of the total costs of production, implying that an export price at that level must be putting significant pressure on overall producer margins. It is also important to note that many bulk wine grape producers will likely not even receive that export price, if they sell their grapes to an intermediary trader or producer adding their own mark-up before selling to the export market.

The Italian bulk wine export price is barely sufficient at best – and may be significantly inadequate at worst – to cover the hired labour costs of production alone.

This finding echoes the view of a Systembolaget buyer interviewed for this assessment, who suggested that vineyards making €7-8/kg of grapes can be viable and profitable businesses even on smallholdings of 2ha, but that those making less than €1/kg are unable to make a living, and yet will still require workers to help with the harvest.²⁴²

Table 15: Comparison of Italian bulk wine export price in 2019 with available estimates of the labour cost of production for low-cost bottled wines in Tuscany in 2017

Average export price Italian bulk wine (€/litre)	Average export price Italian bulk wine (€/bottle, or €/kg grapes)	Example of labour cost of production for 'no brand' Tuscan wine, using primarily family labour (€/bottle, or €/kg grapes)	Example of labour cost of production for 'average brand' Tuscan wine, using primarily hired labour (€/bottle, or €/kg grapes)
0.71	0.53	0.35	1.15

Short-term contracts with producers

A key driver of labour rights abuses is retailers failing to offer suppliers long term orders. As a PRI report from 2020 stated: 'Long-term relationships can provide suppliers with stability and security, allowing them to invest in the business. Long-term relationships also avoid short notice requirements and lead times, which can increase the risk of forced labour.'²⁴³ The joint ETI (JETI) Guide to Buying Responsibly, based on a 2017 global JETI/ILO supplier survey, found that for producer companies of all sizes, but particularly small-scale farmers, the inability to rely on long-term orders was echoed in the inability to provide workers with long-term contracts.²⁴⁴

The failure to offer long-term orders to suppliers was also identified in Systembolaget's supply chain, with Systembolaget's purchasing practices encouraging short-term perspectives with little certainty. Suppliers noted that the lack of long-term contracts with fixed volumes makes it harder for first-tier suppliers to provide the assurances to producers that may be necessary to invest in addressing sustainability challenges (see Section 5.1).

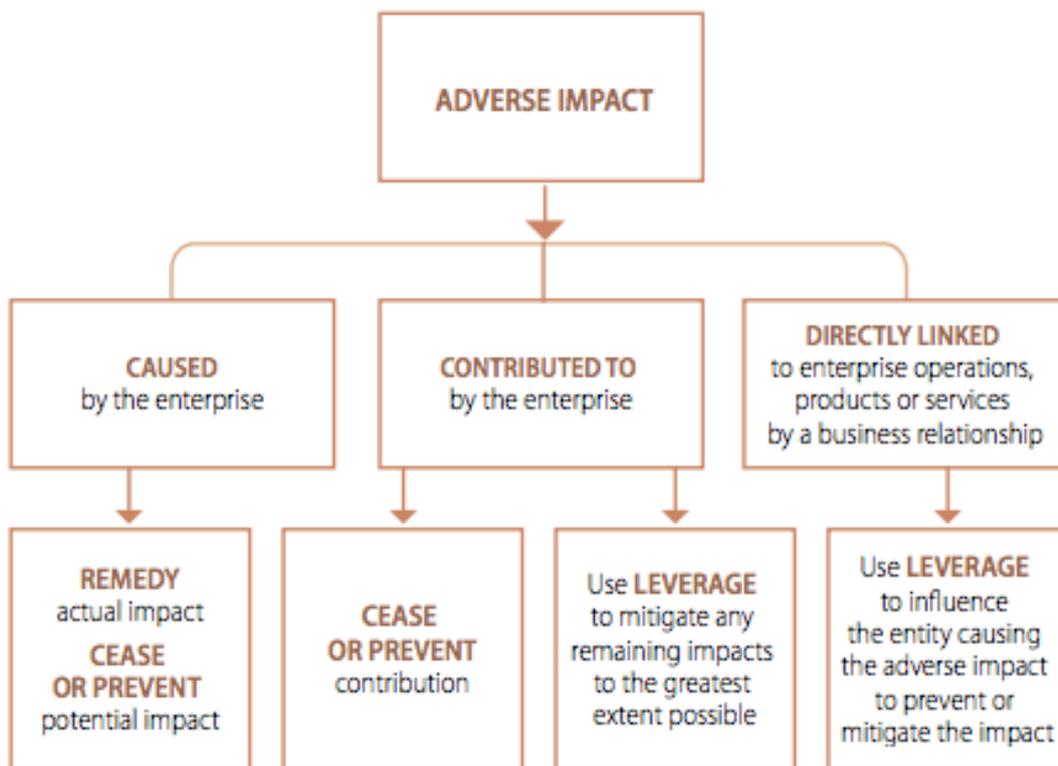
5 ATTRIBUTION, PRIORITIZATION, REMEDIATION AND MITIGATION

This section assesses the relationship between Systembolaget and the identified human rights impacts (Section 3) and their root causes (Section 4). It prioritizes the identified impacts according to principles outlined in the UNGPs, and presents recommended actions for Systembolaget and its first-tier suppliers.

5.1 ATTRIBUTION OF IMPACTS

Under the UNGPs, the nature of the company's response to identified adverse human rights impacts should be determined according to the extent to which companies have 'caused', 'contributed to' or are 'directly linked to' the impact (Figure 14) and to the extent of the company's leverage in addressing the impact.²⁴⁵ This section approaches these questions according to the OECD Due Diligence Guidance related to these questions.

Figure 14: The implications of the relationship of a company to an adverse human rights impact



Source: OECD (2018)²⁴⁶

Box 18: Assessing the attribution of adverse impacts

The OECD Due Diligence Guidance for Responsible Business Conduct suggests a company should be considered to 'cause' harmful human rights impacts if the company's activities on their own would be sufficient to result in the impact.

The root cause analysis (Section 4) suggests that for the vast majority of impacts identified this is clearly not the case. The critical question therefore is whether Systembolaget should be considered to 'contribute to' or to be 'directly linked to' the human rights impacts identified in Section 3.

The Guidance suggests that in considering whether a company 'contributes to' a harmful impact, it is necessary to assess the extent to which:

- the **company's activities increased the risk** of the impact occurring;
- the **company could or should have known** about the impact or risk of the impact occurring;
- any of the **company's activities mitigated the risk** of the impact occurring.

To what extent do Systembolaget's activities increase the risk of adverse human rights impacts occurring?

Systembolaget's purchasing practices may be considered to increase the risk of adverse human rights impacts in two respects, related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, and to the lack of long-term certainty for all stakeholders in the supply chains.

Benchmarking prices and the labour costs of production

While Sweden is the destination market for only 2-3% of Italian wine exports, several interviewed stakeholders noted that many of Systembolaget's wine products and brands have been developed solely for the Swedish market. These are custom-made wines, blended to meet the tastes of Swedish consumers and the price points set in Systembolaget tenders.

However, both Systembolaget staff and first-tier suppliers interviewed were clear that no explicit reference is made to the costs of production – let alone the labour costs of production – in the tendering process. A Systembolaget manager noted that while the buyer for South African wine is much more aware of the need for prices paid to producers to be sufficient to enable decent working conditions, 'from the Italian point of view we haven't taken the human cost of production into consideration much'.

No reference to labour costs is made in the tendering process and the practice of producers speculating on price with sub-suppliers in order to drive a harder bargain appeared to be common.

Prices in tenders are rather based on the buyer's expert knowledge of what is available on the market at that time, and guided by the principle that the price should be one that a significant number of producers should be able to meet. The primary determinants of market prices in a given year are the quantity of grapes harvested, their quality and the level of demand for particular grapes on the international market.

This is the same basis on which prices are negotiated upstream too. Sub-suppliers to Producer A interviewed noted that labour costs are never discussed when negotiating prices for bulk wine. Although Producer A was described as a responsible buyer that set prices with sub-suppliers in advance of the market price each year, the practice of producers speculating on price with sub-suppliers in order to drive a harder bargain appeared to be common.

The Systembolaget tendering process is only designed to consider what is widely available on the market, not whether all appropriate costs for ensuring decent working conditions have been met.

This failure throughout the chain to consider the labour costs of production in the price formation process means that buyers at all levels need to do more than increase their prices to guarantee that labour conditions are improved. It also makes it harder for increased labour costs to be accounted for. During the COVID-19 crisis, for example, employers can be expected to incur additional costs of keeping workers safe – for example, due to providing additional PPE, taking sanitary measures in workers' accommodation or providing new transport solutions. Yet the Systembolaget tendering process is only designed to consider what is widely available on the market, not whether all appropriate costs for ensuring decent working conditions have been met.

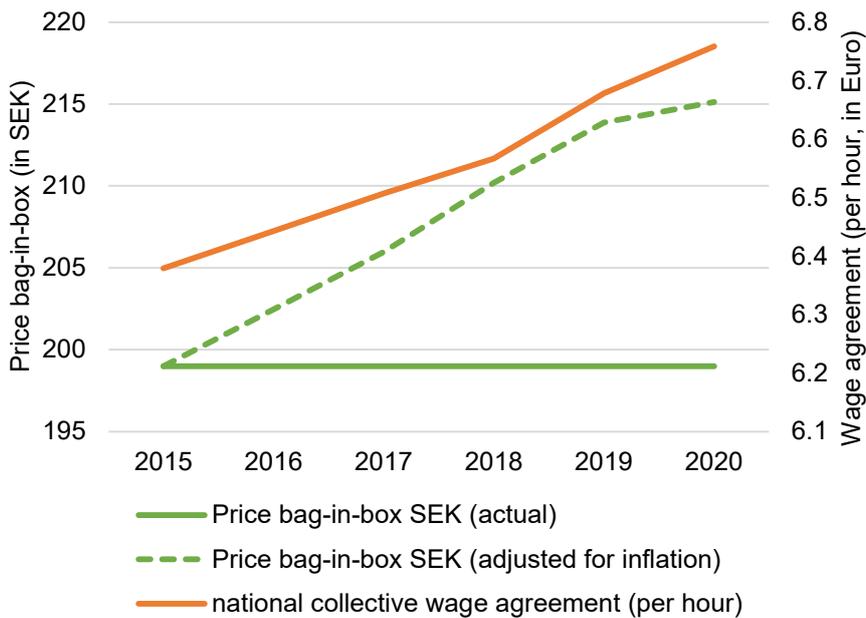
The lowest bag-in-box price bracket has remained unchanged for a long period of time. This means that producers seeking to win tenders in this price bracket must either be squeezing their margins or their labour costs, compared with the collective agreement.

One stakeholder noted that some of Systembolaget's price brackets have remained constant for a long time, including the lowest bag-in-box bracket at 199 SEK. This means that the stagnant price cannot reflect any increase in labour costs during that time. Notably, even between 2015 and 2020, the national collective agreement for

agricultural wages has increased from €6.40 to €6.80 – an increase of 6%²⁴⁷ – while the bag-in-box category price has remained static.

The price bracket thus cannot have accounted for increases in minimum wages. Even adjusting the bag-in-box price for inflation only,²⁴⁸ the price should have risen from 199 to 215 SEK by 2020 – in increase of 8% (Figure 15). This has the effect of a net squeezing of price over time. This means that producers seeking to win tenders in this price bracket must either be squeezing their margins or their labour costs compared with the collective agreement. This effectively promotes prices which are disconnected from the costs of production and increases the risk of exploitative and non-decent working conditions as sub-suppliers are forced to keep labour costs low.

Figure 15: Lowest bag-in-box price bracket of 199 SEK adjusted for inflation and the national collective wage agreement (per hour, in €) between 2015 and 2020



Source: Graph developed by Oxfam for this report.

It is important to note also that many products – perhaps the majority of Italian wines products in the assortment – originally entered via the ordering assortment, and not in response to tenders. For these wines there would be even less transparency about whether the wine is priced at a level that is sufficient to enable decent working conditions at the grape growing stage.

Finally, once products have entered the fixed assortment, the price may be adjusted by importers and it is customers that, through their level of demand, then determine whether the listing remains or not. This effectively hands significant control of pricing to customers, further diminishing the extent to which Systembolaget can effectively provide oversight of the implications of price on labour conditions. Assuming that customers tend to punish any increase in price, this may serve to further impede attempts to pass on higher labour costs in the retail price.

This critical role of customers in helping to determine prices in the fixed assortment highlights the importance of customer marketing and education. Several interviewed stakeholders noted that Systembolaget’s marketing around sustainability credentials is weaker than that of the Finnish alcohol monopoly. It was felt that the Finnish monopoly better communicates about standards and certifications, highlights good performers and shows consumers that they have a choice. This suggests that Systembolaget customers are being trusted to play a role in determining prices that may have an impact on working conditions in the chain, without being given adequate information about such risks.

However, Systembolaget itself has an influence on its customers’ buying habits. Wine Intelligence reports that ‘Sweden has been on a path towards drinking less, but higher-quality alcohol for some time – particularly driven by the younger, urban, influencer consumers.’ It attributes this change in behaviour partly to ‘the policies of the alcohol retail monopoly, Systembolaget’ which it claims has fostered the trend by raising Swedes’ knowledge of the wine

category. As a result, 'consumers are more willing to go up in price points to expand their repertoire, experience new wines, and embrace concepts such as organic wines, which now account for over 1 in 5 bottles sold in this market.'²⁴⁹ This willingness to pay more for wine of better quality and that is better for the environment implies that there is a possibility that customers could also be educated to pay a price that guarantees that the human rights of its production workers are respected.

Length of guaranteed period in assortment

While it is common to assume that addressing sustainability challenges in complex supply chains requires long-term partnerships and deep engagement among supply chain actors, Systembolaget's purchasing practices encourage short-term perspectives with little certainty.

First-tier suppliers interviewed noted that in Systembolaget's customer-driven demand model, it is hard to maintain a product listing beyond the initial guaranteed period. Most products see declining customer sales and therefore falling volumes over time, in a market driven by new products. As one first-tier importer noted, 'without new tenders there is no growth – we have to compensate for lost sales on old products'. Another suggested that when it comes to maintaining a listing in the fixed assortment, 'nobody is safe'.

This is a consequence both of the Swedish consumer preference for trying new products, and of the Systembolaget model of tendering in order to increase competition within the assortment to deliver value for customers. However, these efforts to increase competition at the import stage of the chain can arguably have unintended consequences for sustainability, including human and labour rights, at the primary production stage.

The lack of long-term contracts with fixed volumes makes it harder for first-tier suppliers to provide the assurances to producers that may be necessary to invest in addressing sustainability challenges. One first-tier supplier noted that a significant investment may be made – for example in a new production facility, or workers' accommodation – only for the listing to be dropped the following year due to a fall in customer demand for the product. Currently, suppliers get a guaranteed distribution for their existing listings for the next six months only (communicated six months in advance).²⁵⁰ However, as one first-tier supplier noted, producers would need longer, multi-annual, commitments to invest in addressing sustainability challenges. Another outlined the challenge of starting a conversation about sustainability issues with a new producer when the importer cannot give any guarantee about the volume of purchases they may require.

According to first-tier suppliers interviewed for this assessment, the shortlisting period impedes investments in sustainability as it does not give adequate security to growers.

Systembolaget stresses that it has to avoid acquiring volumes of wines that do not sell as the reason for Systembolaget's existence is to reduce the harmful effects of alcohol, and it cannot, for example, discount wine – like other commercial retailers do – to be able to sell a guaranteed volume.²⁵¹ Systembolaget has, however, recently increased guaranteed listing periods and has started to buy wine for its temporary assortment with higher fixed volumes than before,²⁵² indicating that steps towards providing longer-term perspectives are possible. In addition, about 90% of the volume of the red bag-in-box wines from Italy in the current fixed assortment has been in the range for more than four years²⁵³ – indicating that longer guaranteed listings are feasible.

Conversely, as noted by a Systembolaget manager, the short-term and changeable nature of the assortment also means that where human or labour rights risks are identified, the product in question may have dropped out of the assortment before remediable action can be taken.

The fact that producers are also free to switch first-tier suppliers further encourages a short-term perspective. While Systembolaget stresses that they have seen examples of producers switching first-tier suppliers because they did not consider them 'good enough' at sustainability,²⁵⁴ it may also further weaken the leverage of first-tier suppliers to drive action on sustainability challenges. This demonstrates the importance of ensuring a level playing field of sustainability requirements to which all suppliers must comply. However, in this regard, Systembolaget may be more hindered than traditional commercial retailers in setting a high bar for all prospective suppliers as, in the spirit of fairness, the lowest common denominator of sustainability would need to be applied.

Whereas a supermarket, for example, could simply prioritize only suppliers who meet certain requirements related to human rights due diligence and invest in fewer long-term relationships with them, Systembolaget is required as a condition of its monopoly status to minimize market barriers to entry. Again, an unintended consequence of promoting competition downstream may be to hinder action on sustainability challenges upstream. The commissioning of this HRIA is part of their efforts to balance this with their other requirements around human rights and sustainability.

To what extent do Systembolaget's activities mitigate the risk of adverse human rights occurring?

Systembolaget has developed a range of risk mitigation measures (see Section 2.2). Such measures undoubtedly reduce the risk of Systembolaget contributing to adverse impacts on human and labour rights, although important weaknesses remain to be addressed.

With regard to the Code of Conduct, it appears likely that this is not cascaded to all tiers of the supply chain. The sub-suppliers to Producer A, for example, reported that they were asked to provide details of the name and location of the grape grower from which they sourced, but not to sign a Code of Conduct or provide any other details related to labour conditions. When Producer A commented on this section of the draft assessment report, it noted that suppliers are, however, asked to fill out a wine supplier evaluation questionnaire which also contains two questions related to the ethical behaviour towards workers.²⁵⁵ Addressing the gap that the Code of Conduct is not always cascaded to all supply chain tiers, Systembolaget has added the demand that all sub-suppliers sign the Code of Conduct to its Sustainability Platform. The assumption made is that signing implies that sub-suppliers have read and understood it and compliance is checked through audits, a system that has been found to be inadequate for protecting human rights in other global supply chains.²⁵⁶

With regard to setting prices in tenders, Systembolaget's staff stress that they do not seek the lowest possible price, and undoubtedly retailers in other European markets offer Italian wine at far lower prices. It is also notable that Systembolaget's tenders receive a significant number of responses – suggesting that prices are pitched at a level that can be delivered by a range of market actors. These are important steps which should serve to mitigate the risk of low prices putting pressure on the labour costs of production.

However, the opacity in the price formation in blended wines in particular, in which part of the blend may come from lower-cost grapes secured through the spot market, means that this measure is insufficient to fully mitigate the risk. Only increased transparency of the labour costs of production of each wine will allow Systembolaget to assess whether prices are sufficient to cover labour costs and decent working conditions and give greater confidence that Systembolaget's pricing is not contributing to an increased risk of adverse impacts on human and labour rights.

The rollout of the new Sustainability Platform and SAQs offers a significant opportunity for Systembolaget to address some of these shortcomings and to take additional mitigation measures. However, these also have some weaknesses.

First, the Sustainability Platform requires suppliers to specify the actual producers and growers that account for at least two-thirds of the produced volume of a given product in the mapping.²⁵⁷ By not covering all the volume, Systembolaget cannot be sure that it is not contributing to an increased risk of adverse impacts on human and labour rights, particularly as many of the products in the Italian wine assortment – including many of the highest-selling wines by volume and value – are bulk or blended wines, with grapes from undefined regions or that were bought on the spot market (see Section 1.2).

Second, the SAQs cover several aspects of human right impacts, but do not include the risk of lack of access to remedy (workers not having options to raise complaints about their treatment). In addition, while suppliers are asked whether they have specific policy documents related to human rights impacts and have planned or implemented specific measures to address the impact, specific questions to be able to assess the completeness and quality of measures taken by the employer are only included for some impacts and missing for others. Questions on, for

example, forced labour (e.g. whether workers were required to pay a fee to secure their job), worker's access to written contracts, the quality of housing provided by employers, and discrimination (e.g. whether the employer makes provisions for women who are expected to do unpaid care), and health and safety risks (e.g. the quality of transport provided) are missing. In addition, questions on labour costs and how labour costs are taken into account in prices and negotiations are lacking.

The prevalence of 'grey' or quasi-legal labour and related practices in the Italian agriculture sector means that any SAQs (or audits) conducted in the sector should necessarily be treated with caution. FLAI-CGIL has noted that the labour inspectorate reported that of the companies in the agricultural sector inspected in 2017, irregularities emerged in 44% of cases.²⁵⁸ FLAI-CGIL also note that 300,000 agricultural workers were registered in 2017 – around 30% of the total – as working fewer than 50 days per year, a threshold for social security contributions, which the union claims indicates the likely presence of 'grey' labour.²⁵⁹

When it comes to the division between the fixed and ordering assortment, a current weakness in Systembolaget's due diligence process is that products linked to human rights impacts in the ordering assortment are subject to less rigorous due diligence checks than apply to products in the fixed assortment.

A weakness in the current tendering process is that there are no barriers to enter a tendering process: no ethical screening of suppliers is done before they submit a tender. This increases the risk of products entering the assortment before Systembolaget's due diligence process detects any human rights issues.

To what extent did Systembolaget know or could have known about these adverse human rights impacts or the risk of these impacts occurring?

Interviewed Systembolaget staff indicated a mixed level of awareness about the nature of human and labour rights risks in the Italian wine sector. Many who were not working in a sustainability or CSR capacity said they knew only of issues that had been reported in the media.

However, the recent MoU with the IUF trade union and its Italian member FLAI-CGIL, alongside participation in this HRIA and the work with the Sustainability Platform, suggests that the human-rights focused teams within Systembolaget have knowledge of the nature and severity of the risks in Italian wine production.

5.2 PRIORITIZATION OF IMPACTS

The UNGPs acknowledge that where companies are unable to address all of their adverse impacts simultaneously, it may be necessary to prioritize, starting with the most severe impacts, especially where a delayed response may affect the impact's remediability.²⁶⁰ The OECD Due Diligence Guidance further suggests that this prioritization should be based on the severity of the impact and the likelihood of it occurring.²⁶¹ Table 15 assesses the impacts identified in Section 3 against each of these criteria, using a simple three-part scale. The impacts considered of highest priority are indicated in red, medium priority in orange, and lower priority in yellow.

Table 16: Prioritization of identified human rights impacts

Severity			Actual or potential? <i>(If potential, likelihood is unlikely, likely or very likely)</i>	Contribution <i>(Caused, contributed or linked)</i>	Leverage <i>(Low, moderate or high)</i>
Scope <i>(Small, medium or large)</i>	Scale <i>(Minor, moderate or major)</i>	Remediable? <i>(Not possible, possible or likely)</i>			
Forced labour (e.g. workers who are dependent on <i>caporali</i> for securing a contract, transport, food and water, etc., who may face wage deductions, or are compelled to work excessive hours)					
<i>Medium</i> Unlikely to affect the whole of Systembolaget's Italian supply chain, but likely to be affecting a proportion of workers, particularly in Sicily.	<i>Major</i> May entail some of the most serious violations of human rights.	<i>Possible</i> Alternative business models for more ethical recruitment exist and are being explored by other actors in the agricultural sector. ²⁶²	<i>Potential – very likely</i> In some sourcing regions the likelihood is low (e.g. Puglia where small family farms are the norm), while in others, like southern Sicily, where migrants from North Africa first arrive, the risk of exploitation, including by organized crime, is higher. The relatively weaker reach of law enforcement in this region increases the risk.	<i>Contributes</i> Among a variety of root causes, Systembolaget's purchasing practices related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, along with purchasing practices of buyers in the sector as a whole, are contributing to the demand for cheap labour. Without transparency along the whole supply chain, Systembolaget cannot be assured that price pressure which contributes to forced labour is not taking place.	<i>Low</i> With regard to action by the Italian government, for example, to improve formal recruitment options and provide reception centres for migrant workers, due to the presence of organized crime elements and weak law and labour regulations enforcement in Sicily. <i>Moderate</i> With regard to action to help establish more ethical private recruitment models for producers in the Systembolaget supply chain. However, given that Systembolaget accounts for only 2-3% of Italian wine sales, raising labour costs would require action from a critical mass of other buyers and suppliers too.

Low wages (e.g. workers who are earning below the rates in the collective agreement)

<p><i>Large</i> A large proportion of workers interviewed reported not being able to cover their basic living costs from their earnings in this job – this reflects the wider situation from the literature review. Insecurity of employment adds to the precariousness of income for many of them.</p> <p>Migrant workers are at higher risk of low pay.</p>	<p><i>Moderate</i> Workers can survive, but only through working overtime or, in the case of migrant workers, relying on support from reception centres.</p>	<p><i>Possible</i> All workers could be paid better wages.</p>	<p><i>Potential – very likely</i> A large proportion of interviewees said that their earnings from one employer were not enough to cover their basic needs – particularly in those regions from which Systembolaget sources its cheaper bulk wine.</p> <p>The presence of vulnerable migrant labour has increased the risk of low wages – as confirmed by the literature.</p>	<p><i>Contributes</i> Among a variety of root causes, Systembolaget’s purchasing practices related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, along with purchasing practices of buyers in the sector as a whole, are contributing to the demand for cheap labour. Without transparency along the whole supply chain, Systembolaget cannot be assured that price pressure which contributes to low wages is not taking place.</p>	<p><i>Moderate</i> Systembolaget accounts for only a small percentage of Italian wine sales, although some wines are blended especially for the Swedish market. Its leverage is therefore limited.</p> <p>Raising labour costs in order to improve pay would require action from a critical mass of other buyers and suppliers too.</p>
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Excessive working hours (e.g. workers who are working far beyond the maximum hours set in the collective agreement)

<p><i>Medium</i> The scope of this issue varies by region, with the greatest risk occurring in regions like Piemonte where there is a high incidence of migrant labour in the wine sector, and in Puglia where the majority of grapes are grown by small-scale farmers.</p> <p>In other regions it did not emerge as a significant issue from our interviews with workers, although the literature supports the notion that the risk does exist.</p>	<p><i>Major</i> Where excessive overtime does exist, it can lead to major impacts up to and including death, as seen in the case of Paola Clemente. Excessive hours become an additional health risk when combined with intensity of pace, high temperatures and lack of medical services.</p>	<p><i>Possible for most</i> All workers could have their working hours reduced.</p> <p><i>Not possible for some</i> No remediation possible for those workers who have already suffered loss of life or other permanent health damage as a result of excessive working hours.</p>	<p><i>Potential – very likely</i> The likelihood of excessive hours varied from region to region in our worker interviews, but it did emerge – unpaid – in some regions.</p>	<p><i>Contributes</i> Excessive working hours are significantly incentivized by low wages.</p> <p>Among a variety of root causes, Systembolaget’s purchasing practices related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, along with purchasing practices of buyers in the sector as a whole, are contributing to the demand for cheap labour. Without transparency along the whole supply chain, Systembolaget cannot be assured that price pressure which contributes to low wages is not taking place.</p>	<p><i>Low</i> Systembolaget accounts for only a small percentage of Italian wine sales, although some wines are blended especially for the Swedish market.</p> <p>Raising labour costs in order to shorten working hours would require action from a critical mass of other buyers and suppliers too.</p>
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Health and safety risks in vineyards and wineries (e.g. workers not having adequate PPE, access to emergency healthcare, etc.)

<p><i>Moderate</i> A significant proportion of workers interviewed in most regions reported not receiving PPE from their employers, or receiving inadequate or poor-quality PPE.</p>	<p><i>Major</i> All workers in vineyards and wineries face a range of health and safety risks including musculoskeletal problems, exhaustion, heat and toxic fumes. Lack of attention to health and safety risks can result in short- or long-term illness, accidents and death.</p>	<p><i>Possible for most</i> Most workers could have health and safety mitigation measures in place and be provided with adequate PPE.</p> <p><i>Not possible for some</i> Those who have lost their lives due to poor health and safety protections.</p>	<p><i>Potential – likely</i> A quarter of respondents to Oxfam’s worker interviews reported not receiving PPE from their employers, or receiving inadequate or poor-quality PPE.</p>	<p><i>Contributes – in terms of PPE provision</i> Among a variety of root causes, Systembolaget’s purchasing practices related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, along with purchasing practices of buyers in the sector as a whole, are contributing to the squeezing of labour costs – including the provision of adequate PPE – in supply chains.</p> <p><i>Linked – in terms of emergency healthcare provision</i> This is a service that should be provided by the relevant authorities.</p>	<p><i>Moderate</i> Systembolaget accounts for only a small percentage of Italian wine sales, although some wines are blended especially for the Swedish market.</p> <p>In those areas where wine is blended specifically for the Swedish market, Systembolaget has the leverage to insist that all its suppliers ensure that workers in their supply chain have adequate PPE.</p>
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Lack of written contracts and security of tenure

<p><i>Large</i> Many workers across all regions are hired on a seasonal basis without written contracts, even when they have been working for the same vineyard or winery for a decade or more.</p>	<p><i>Moderate</i> Insecurity of tenure undermines workers' ability to secure any of their other rights as they fear raising grievances in case they lose their jobs. This can lead to serious breaches of human rights such as low pay, excessive hours, and poor occupational health and safety. Without written contracts they do not have protection from unfair dismissal, the terms of their employment are not clear, and their domestic financial planning is affected.</p>	<p><i>Possible</i> Every worker should be able to have a written contract which includes confirmation of employment in subsequent seasons on an ongoing basis.</p>	<p><i>Potential – likely</i> Worker interviews and interviews with Oxfam's researchers found that this issue was prevalent in areas from which Systembolaget sources its wine.</p>	<p><i>Contributes</i> Among a variety of root causes, Systembolaget's purchasing practices related to the failure to take the labour costs of production into account in benchmarking prices in new tenders and to the lack of long-term certainty for all stakeholders in the supply chains, along with purchasing practices of buyers in the sector as a whole, are contributing to the lack of long-termism in employment practices in the supply chains.</p>	<p><i>Moderate</i> In those areas where wine is blended specifically for the Swedish market, Systembolaget has the leverage to insist that all its suppliers ensure that workers in their supply chain have a written, open-ended (even if seasonal) contract.</p>
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Lack of access to remedy (e.g. workers not having options to raise complaints about their treatment)

<p><i>Large</i> Affecting a significant proportion of interviewed workers in all regions.</p>	<p><i>Moderate</i> Ensuring access to remedy is a key pillar of the UNGPs.</p>	<p><i>Possible</i> Grievance mechanisms could be created either through the state or private companies.</p>	<p><i>Potential – very likely</i> A significant proportion of workers interviewed in all regions where Systembolaget sources from do not feel confident raising a concern or grievance at the workplace. Many explained that this was due to fear of losing their jobs or of reprisals from the company.</p>	<p><i>Linked</i> The lack of effective formal mechanisms to enable access to remedy is an obligation of the Italian government. The constraints on Systembolaget's contact with producers and growers hinders the establishment of meaningful channels of communication with all workers, including unionised workers, at the producer or grower stage of the chain. It is, however, difficult to conclude that Systembolaget has materially increased the risk of lack of access to remedy.</p>	<p><i>Low-medium</i> Systembolaget could increase the proportion of workers with access to grievance mechanisms. Systembolaget could collaborate with others to support NGOs to help workers set up committees, learn their rights and present collective grievances to employers. To ensure that these mechanisms are effective would require close collaboration with trade unions and other actors.</p>
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Restrictions to freedom of association and collective bargaining (e.g. workers lack access to effective trade unions to bargain for improved wages and working conditions)

<p><i>Medium</i> While workers in the sector – including migrant workers – report feeling free to join trade unions, few actually do so, in some cases for fear of reprisal or of losing their jobs.</p>	<p><i>Moderate</i> Lack of access to formal protection and means to negotiate and report grievances puts workers at a severe disadvantage and undermines their ability to fight for all their other rights.</p>	<p><i>Possible</i> But challenging in cases when <i>caporali</i> mediate between workers and employers.</p>	<p><i>Potential – very likely</i> A significant proportion of workers interviewed in most regions where Systembolaget sources from do not feel they can safely join a union or do not know what a union is. This sentiment was particularly prevalent among migrant workers.</p>	<p><i>Linked</i> Lack of freedom of association and collective bargaining is caused by local and national circumstances, including Italian labour and irregular migrant workers laws.</p>	<p><i>Low-medium</i> Systembolaget could work in collaboration with other non-Italian sourcing companies and with trade unions to lobby at the Italian and EU levels for better laws to protect workers through trade unions. In the absence of the possibility of formal trade union membership, Systembolaget could also collaborate with others to support NGOs to help workers set up committees, learn their rights and present collective grievances to employers.</p>
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Sexual harassment and gender discrimination (e.g. women workers are paid less than men, face harassment and/or violence on farms or in communal housing)

<p><i>Large</i> Labour experts are cited as suggesting that around 40,000 women are employed in the wine sector.</p>	<p><i>Major in the case of sexual harassment</i> Sexual harassment can range from causing stress and trauma in the workplace, to rape. Sexual harassment can be used by the perpetrator as a form of coercion against the victim (usually women).</p> <p><i>Moderate in the case of discrimination</i></p>	<p><i>Possible</i> All women workers can be treated fairly and be free from harassment. Improved drafting and implementation of anti-discrimination and sexual harassment and abuse laws would provide greater protection.</p>	<p><i>Potential – likely</i> Particularly in the case of unequal share of unpaid domestic care.</p>	<p><i>Linked</i> While Systembolaget could take actions that help to mitigate the risks faced by women, it is hard to conclude that Systembolaget’s actions have materially increased those risks.</p>	<p><i>Low</i> With regards to shifting social norms.</p> <p>However, Systembolaget could join advocacy calls for better legal protection for migrant women.</p>
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	<p>Discrimination can lead to lower pay for the same work, lack of opportunities for training and career progression – as well as a sense of not being treated fairly and equally as your co-workers.</p> <p>Domestic discrimination in the form of women shouldering the majority of unpaid care work contributes to time poverty and fatigue, as well as discouraging seeking or seizing opportunities for advancement.</p>				
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Poor, unsafe and unsanitary housing (e.g. workers living in informal settlements without basic services)

<p><i>Medium</i> While housing did not emerge as a significant issue in interviews with worker, the literature indicates that the risk exists, particularly in places like southern Sicily where migrant labour, organized crime and weak law enforcement converge.</p>	<p><i>Moderate</i> Lack of access to running water or electricity, a lack of privacy and a lack of personal security all entail infringements of rights. Such living conditions can mean the right to health is put at risk.</p>	<p><i>Possible</i> All workers could have decent housing.</p>	<p><i>Potential – likely</i> Some workers in Systembolaget’s Italian supply chain – particularly in southern Sicily – are likely to be living in substandard housing. Workers across all regions reported to live as guests with friends, with their parents as adults, or in reception centres, which means their right to privacy may be being infringed.</p>	<p><i>Contributes</i> Among a variety of root causes, Systembolaget’s purchasing practices related to the failure to take the labour costs of production into account in benchmarking prices in new tenders, along with purchasing practices of buyers in the sector as a whole, are contributing to the squeezing of labour costs – including the cost of housing – in supply chains.</p>	<p><i>Low</i> Systembolaget accounts for only a small percentage of Italian wine sales, although some wines are blended especially for the Swedish market. Raising labour costs in order to ensure decent housing would require action from a critical mass of other buyers and suppliers too.</p>
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5.3 RECOMMENDATIONS FOR ACTION

This section proposes recommendations for Systembolaget and its first-tier suppliers to address the identified adverse human rights impacts in the company's Italian wine supply chains, according to the prioritization process outlined in Section 5.1, and informed by the root cause analysis in Section 4.

The recommendations cover a range of actions that Systembolaget and/or its first-tier suppliers can take in relation to their own policies and practices, and actions that they can take to influence others – including the Italian state as the primary duty-bearer in this instance – to change policies and/or practices to mitigate the risks of adverse impacts.

Top priorities, highlighted in red, should be pursued within six months, medium priorities in orange within a year, and lower priorities in yellow within 18 months.

Human rights impacts	Recommendations
Top priorities	
<p><i>Forced labour, low wages, excessive working hours, health and safety risks</i></p>	<p>Ensure that prices of wines enable all appropriate costs for ensuring decent working conditions to be met by:</p> <ul style="list-style-type: none"> • Ensuring that buyers receive training to understand the impact of Systembolaget’s purchasing practices and prices on their suppliers’ ability to respect labour rights in their operations and supply chains. Buyers are best-placed to understand the price dynamics around the products in their portfolio, and therefore – with the appropriate training and support of sustainability colleagues – to undertake due diligence with regard to prices to ensure they account for the full costs of ethical production (including adequate wages and provision of full PPE for workers). • Ensuring that buyers receive training to understand the specific human rights risks for Italy and the different wine regions. This assessment has shown that there are human rights impacts that are more prevalent in some regions than in others. Additional data gathered through the Sustainability Platform (e.g. level of mechanization and level of unionization) can help identify prioritized content for training sessions, along with linking the data with sales data available at Systembolaget (such as low price points, large volumes). • Ensuring that buyers have access to information to judge what reasonable costs of production are in the Italian wine-producing regions. Only increased transparency of the reasonable costs of production will allow Systembolaget to assess whether prices are sufficient to cover labour costs and decent working conditions, and can give greater confidence that Systembolaget's pricing is not contributing to an increased risk of adverse human and labour rights impacts. As the price formation of wine is more challenging to establish than for single food products and Systembolaget, as a monopoly, is not allowed to discuss prices as such, several activities should be pursued to gain a reasonable understanding of what costs of productions are: <ol style="list-style-type: none"> 1. Ensure that human rights concerns are taken into account in tender documents by requiring first-tier suppliers who win tenders to account for how ethical production costs were ensured. Currently, there are no barriers for suppliers to win a tendering process: no ethical screening of suppliers is done as part of the tendering process. Requiring first-tier suppliers to account for how ethical production costs were assured throughout the supply chain and requiring full traceability of the supply chain as part of the Sustainability Platform would make it some ethical screening possible, while at the same time provide buyers with more knowledge about production costs. For feasibility, this requirement might only be for suppliers who win the tender, with their listing being approved only once the requested information is provided. At a minimum, this barrier should be established for low price brackets/large volume listings.

2. **Add questions on ethical production costs to the Sustainability Platform.**
 3. **Conduct a stakeholder engagement dialogue on prices and discuss how greater transparency on price-setting and the relationship with the cost of sustainable production (including labour conditions that respect human rights) throughout the supply chain can be assured.** As a monopoly, Systembolaget is not allowed to discuss prices as such but can nevertheless discuss factors which would allow buyers to gain further understanding around the price formation in the supply chains. Systembolaget also has positive examples – particularly from South Africa – where larger companies are transparent about price setting in their supply chain.²⁶³ Systembolaget could discuss with first-tier suppliers and sub-suppliers how to enable and incentivize such transparency.
 4. **Consider jointly commissioning an academic study of the price of ethical production of different wines with other wine monopolies.**
- **Urgently assess the price brackets for tenders, in particular the lowest price bracket for bag-in-box wines of 199 SEK.** The assessment has shown that many price brackets used in tenders, including the lowest price bracket of bag-in-box wines, have remained static for a long period, neither accounting for inflation nor improved collective wage agreements in Italy, which increases the risk of labour wages being squeezed. Systembolaget needs to urgently assess price brackets for tenders which have remained the same for a certain period, particularly the lowest price brackets. Systembolaget enjoys leverage over their customers through pricing policies to a greater degree than commercial retailers since their very existence is predicated on public education and guidance.
 - **Introduce and formalize a system within Systembolaget’s due diligence process which flags any price bracket in tenders which has remained the same for a certain period.** To ensure that price brackets in Systembolaget’s tenders are able to account for wage increases, this system should highlight any price bracket that has remained the same for longer than, for example, one year – as collective wage agreements in Italy usually increase on a yearly basis (although they are negotiated for three years) – with price brackets being adjusted accordingly. This process would contribute to mitigating the risk of suppliers having to squeeze labour wages to respond to tenders.
 - **Develop a system within Systembolaget’s due diligence process which flags when national or regional changes in collective wage agreements/ minimum wages occur.** To enable buyers to better assess whether wage increases are taken into account by supplier’s prices, develop a flagging system highlighting if national or regional changes in minimum wages occur. In Italy, this could be triggered by IUF/FLAI-CGIL who notify Systembolaget if there are changes in wage levels (in other countries, this could be triggered by adjustments in publicly available living wage benchmarks). Triggered by the system, buyers would be required to ask importers how they have accounted for increases in wage levels, enabling buyers to start asking the right questions to suppliers.
 - **Consider developing a system within Systembolaget’s due diligence process which flags any significant price drop in the fixed assortment.** Once products are in the fixed assortment, suppliers can adjust the price of wines if consumer demand is low. This practice gives consumers considerable power over the wine assortment and pricing of products, expecting consumers to be able to assess the human rights risks of low and declining prices. A system within Systembolaget’s due diligence process which flags any significant price drops beyond a certain threshold of, for example 5%, could serve to indicate a risk of squeezing labour costs. As a consequence of such price drops, buyers should be required to request suppliers to provide written accounts for price reductions; that is, asking whether it is possible to have these price reductions without impeding human rights. Similarly, in some cases first-tier suppliers have been found to squeeze prices to win tenders and then increase prices after their products entered the assortment.²⁶⁴ Such practices could also be flagged within the system.

Encourage long-term perspectives and investments to address sustainability challenges in supply chain by:

- **Give preferential treatment to wines which can be considered ‘good performers’ in terms of the respect of human rights.** Systembolaget has been able to offer

	<p>extended listing periods for organic, Fair Trade and Fair for Life certified products, and for a period required each segment of the assortment to include at least one organic wine, suggesting that a similar approach with regards to products with higher human and labour rights standards are possible. Two options for giving preferential treatment should be explored:</p> <ol style="list-style-type: none"> 1. Requiring each segment of the assortment to include at least one certified wine with credible and robust social standards to improve working conditions – such as Fair for Life certified products. As Fair for Life certified wines already have an extra three months guaranteed listing time, requiring each segment of the assortment to include at least one such certified wine would further increase the share of wines which can be considered good performers in respect of human rights. 2. Launching more exclusive and temporary assortments to promote good performers in respect of human rights. <ul style="list-style-type: none"> • Use the information gathered through the Sustainability Platform to rank and highlight good performers, including taking into consideration long-term relationships between suppliers and investments made to address sustainability challenges. Such information would be helpful to buyers to identify poor and good performers, not least after price decreases have been flagged within Systembolaget’s due diligence process. Also ensure that the various due diligence processes – including certifications and data gathered through the Sustainability Platform and SAQs are cross-checked. In cases where any ‘red flags’ (e.g. unionization being below a certain threshold according to data gathered through the Sustainability Platform and SAQs), Systembolaget should not give preferential treatment. • Lengthen the guaranteed listing period of products. Systembolaget’s current system encourages a rapid turnover of products. Several importers have pointed out that the guaranteed listing times do not provide sufficient security to growers to invest in necessary and adequate sustainability measures in their supply chains. Another consequence is that products can drop out of the assortment before Systembolaget can identify risks of human rights abuses through their due diligence process. Longer guaranteed listing periods of at least one year would tackle these two shortcomings. To establish what period would be reasonable, Systembolaget could consider launching a consultation process with suppliers on what minimum listing period would be needed to make growers feel confident in investing in sustainability measures. <p>Ensure that more rigorous due diligence processes also apply to products in the ordering assortment. Currently, the products in the ordering assortment are subject to less rigorous due diligence checks than apply to products in the fixed assortment. The ordering assortment is vast and Systembolaget will need to prioritize by identifying major risk indicators. One possibility is to include products in the ordering assortment into the proposed system which flags any significant price drop and would trigger follow-up from the buyers with suppliers.</p>
<p><i>Forced labour/multiple dependency on caporali</i></p>	<p>Reduce the likelihood of migrant workers being recruited through informal channels and becoming vulnerable to exploitation by criminal organizations by:</p> <ul style="list-style-type: none"> • Working with local NGOs to ensure migrant workers know their rights and are employed above-board. • Working with suppliers and other stakeholders to advocate for the EU and the Italian government to establish regular and safe entry channels for migrant workers, in order to guarantee full respect of their rights and their dignity. • Expanding the SAQs to assess whether workers have paid recruitment fees to secure their employment.
<p><i>Lack of access to remedy (and restrictions on freedom of association)</i></p>	<p>Ensure that all workers in Systembolaget’s Italian wine supply chain are adequately represented and have access to a grievance mechanism that meets the standards outlined in the UNGPs.²⁶⁵ Well-functioning trade unions can play an important part in the development of a grievance mechanism. The low uptake of trade union engagement by workers in the Italian wine industry, however, means that breaches of human rights are more likely to go unchallenged and unresolved. It also makes the implementation in Italy of Systembolaget’s collaboration with the IUF and local trade</p>

	<p>unions to report potential labour rights violations, challenging as the initiative does not offer a channel for workers who are not organized. Ensuring that workers are adequately represented and have access to a grievance mechanism should be done by:</p> <ul style="list-style-type: none"> • Working with suppliers, local trade unions and the IUF/FLAI-CGIL to ensure that farms and wineries understand the benefits of trade unions and how they can help ensure they are compliant with Systembolaget’s Code of Conduct. • Developing a strategy with suppliers to build trust in trade unions over time so that all workers, including migrant workers, are properly represented. Guidance on how to do this is available from the Ethical Trading Initiative.²⁶⁶ • Signalling public support for the work of trade unions in Italy and consulting on possible Systembolaget advocacy efforts.
	<p>Expand the SAQs to assess the lack of access to remedy, including assessing whether workers have adequate options available to raise complaints about their treatment.</p>
<i>Cross-cutting</i>	<p>Educate first-tier suppliers and sub-suppliers about human rights risks in their supply chain and how they can prevent and mitigate risks through their purchasing practices and actions. Systembolaget depends more in its suppliers to ensure it is limited in its direct contact with producers and growers.</p> <ul style="list-style-type: none"> • Use the Sustainability Platform as a means to educate suppliers on human rights impacts and the possibilities to prevent and mitigate such impacts. • Provide training to buyers at first-tier suppliers on the impact of their company’s purchasing practices and prices on their suppliers’ ability to respect labour rights in their operations and supply chains. • Work with suppliers to provide training for workers – as well as employers – on labour rights and laws.
	<p>Encourage first-tier suppliers and sub-suppliers to make a public commitment to the UNGPs through the Sustainability Platform – including the establishment of effective due diligence processes, grievance mechanisms and regular and robust reporting of implementation efforts (e.g. through an annual sustainability report) and consider establishing training initiatives for importers on the UNGP requirements.</p>
	<p>Consult internally and with stakeholders on the action plan to address the findings and recommendations of this assessment, including regular reporting of progress on its implementation and consideration of future updates to the assessment.</p>
Medium priorities	
<i>Sexual harassment and gender discrimination</i>	<p>Ensure that women workers have equal access to knowledge about labour rights and have an effective and appropriate grievance mechanism to use when they are breached. Work with importers to support gender awareness-raising programmes for both women and men in Italian supply chains. Without equal awareness of their rights and appropriate mechanisms to defend them, women workers are at increased risk of exploitation and breaches of human rights. Excessive unpaid domestic care work, for example, puts women at a disadvantage in the workplace as they have less time and energy to invest in work and career progression.</p>
	<p>Sign up to the UN Women’s Empowerment Principles and report on progress, and encourage suppliers to do the same.</p>
	<p>Strengthen the Code of Conduct’s gender provisions and adopt a gender policy which includes stronger gender equality provision and applies to suppliers. This should include equal pay and terms for equal work, and secure contracts. Train suppliers on these issues and risks.</p>
	<p>Expand the SAQs to assess how well suppliers cater for women workers’ burden of unpaid care.</p>
<i>Cross-cutting</i>	<p>Improve working conditions across the Italian wine sector by:</p> <ul style="list-style-type: none"> • Sharing lessons learned with others, particularly other Nordic state alcohol monopolies.

	<ul style="list-style-type: none"> • Advocating for mandatory human rights due diligence legislation in Italy at the EU level. • Advocating for the proposed Directive on Adequate Minimum Wages in the European Union²⁶⁷ which, among others, aims at promoting compliance as well as strengthening enforcement and monitoring of adequate minimum wages being paid in all member states.
Low priorities	
<i>Poor, unsafe and unsanitary housing</i>	Revise the Systembolaget Code of Conduct to include reference to the standard of workers' housing even where not provided directly by their employers. The Code of Conduct, which is based on the amfori BSCI, only refers to the standard of residential facilities for workers where these are provided by the company.
	Discuss with amfori BSCI possible changes to the principles of the Code of Conduct to include reference to accommodation standards even where facilities are not currently provided by the company.
	Expand the SAQs to assess the quality of housing provided by employers.
<i>Cross-cutting</i>	Raise consumer awareness of the importance of protecting the human rights of wine production workers by conducting a public awareness campaign about the rights of Italian wine workers (and others) and the impact that low prices and short sales contracts can have on them. The way the Finnish alcohol monopoly educates consumers on ethical production (and the limitations of certifications) on their website can serve as an inspiration.
	Educate consumers about the fact that the due diligence process of the ordering assortment is less rigorous and human rights risks are higher. This would enable consumers to make more informed choices.

CONCLUDING REMARKS

SYSTEMBOLAGET

Systembolaget is in many ways a different company. We do not aim to maximize our profits and increase our margins. We exist to sell alcohol and provide a good service while protecting public health and minimizing the damages caused by alcohol. We are owned by the Swedish state and our owner, we as a company, and many of our customers believe that striving for good working conditions for everyone in our supply chain is an integral part of our mission.

Being a different company than others, in combination with being one of the largest buyers of alcoholic beverages in the world, also means that we have unique possibilities and challenges when it comes to working with human rights. This HRIA highlights several of them. Some of the challenges are related to our monopoly position, that requires us to provide fair and equal market access to our assortment for producers all around the world. To enable this, our business relations are restricted to Swedish importers and our requirements must be applicable to anyone who wants to sell their product in our stores. In practice that means that sometimes we must take a few extra steps and sometimes we cannot move as quickly as we would like to.

However, our unique position means that once we implement requirements in our supply chain it affects a whole industry. It also means that we have an extensive network of Swedish importers who help us to implement these changes in our mutual supply chains. Finally, being a state-owned company has provided us with a clear direction from our owners to focus on human rights.

Insights from the report

The HRIA pinpoints several severe human rights impacts in the Italian wine supply chain, as well as areas for improvements of our processes. Oxfam has provided an extensive list of recommended actions to help us focus our work where our impact is the greatest. We have incorporated many of them into our action plan (see Annex 6). Some of the recommendations, for example, considering access to grievance mechanisms, recruitment practices, women's rights and lack of written contracts will require more time, dialogue with stakeholders and political engagement to find practical solutions. However, the recommendations will be used in these coming discussions and developments to enable us to take them on as well.

We also want to be transparent with two of the recommendations that are more challenging to us. The first relates to lengthening the guaranteed listing times in the assortment. This is a complex question. The demand for new products is not unique to the wine business, but the generally weaker brands compared with spirits and beers yields a shorter product lifecycle for wines than other alcoholic drinks. Since space in our shops is limited, longer listing times would mean fewer opportunities for new products to get a chance to enter the market.

The conclusion that an importer needs to win new listings to maintain market share is thus true for most importers. However, that would also be true if we bought wines by a volume guarantee. Systembolaget would still have to find customers for the volumes bought, and if demand was less than supply, we would have to discount the wines. Systembolaget exists to reduce the harmful effects of alcohol, and therefore discounting would be very counterproductive. We have, however, started to buy wine for our temporary assortment with higher fixed volumes than before, so some steps in this direction have been taken.

The second discusses Systembolaget's segmentation per price and the urgent need to evaluate and increase those. We agree with Oxfam that price points and responsible purchasing practices are important for minimizing human rights violations. However, we want to highlight that price points in tenders are not dependent on the thresholds of our price segments. Therefore, the most important tool for us to avoid price pressure is to ensure that prices in tenders are sustainable for that product and region. We will incorporate Oxfam's recommendations on how to systematically include labour costs into price points in our new framework for responsible sourcing.

Finally, we also recognize the possibilities for further advocacy and stakeholder engagement that Oxfam has highlighted. Systembolaget has pushed for changes in various forums to help resolve challenges in agriculture, for example in the revisions of the amfori BSCI code of conduct, but we can do more together with unions and NGOs to help set the agricultural agenda. It is also important that we find ways of better systematically including input from rightsholders into our risk assessment processes and actively focus on women's rights. We will also continue to work together with the other Nordic alcoholic monopolies to try to streamline the work in our mutual supply chains as much as possible.

Working together makes the difference

Systembolaget's work with this assessment has been defined by cooperation. Cooperation between Systembolaget and Oxfam to identify risks and work on tangible solutions, and cooperation within Systembolaget to be able to implement the suggested recommendations.

Early in the process Systembolaget decided that we wanted to learn as much as possible from this HRIA. Therefore, we identified key roles within Systembolaget that needed to be involved, for example representatives from the assortment, purchasing, sustainability, PR and communication units. By establishing this working group, it was possible to discuss challenges in a way that allowed all of us to contribute with our respective knowledge towards solutions that quickly could be incorporated into our processes or develop new ones where needed. This report has given us great momentum in finding new ways to link human rights to our business model and use the possibilities that our position provides.

It is important to recognize the responsibility that comes with our position. We need to continuously improve together with the many stakeholders who have greater expertise than us. The insights provided in this HRIA have shown us the benefits of using a multi-stakeholder approach in our due diligence work. We have gained a deeper understanding of the challenges and the root causes on the ground in a way that traditional audits and producer visits sometimes struggle to provide. Maybe more importantly, we have received valuable input on what we can do ourselves to minimize our negative impact.

We want to take the opportunity to thank Vingruppen and WineWorld, the Swedish importer who volunteered one supply chain with a producer from Tuscany (Producer A), and therefore was part of making this assessment possible.

Finally, we want to thank Oxfam for their extensive fieldwork in the middle of a pandemic, for sharing their insights with us in such a constructive manner, and for ongoing discussions which have enabled us to improve.

OXFAM

Oxfam welcomes Systembolaget's readiness to take on board the analysis and recommendations in this report. We acknowledge that not all the courses of action we have recommended will be easy, and that it will not always be possible for changes to be implemented quickly. Nevertheless, Systembolaget has embraced the spirit of the HRIA and demonstrated determination not only to address the problems revealed in the Italian supply chain but to apply the lessons learned across its operations.

Given the scale of Systembolaget's operations this could have a considerable impact – particularly if its actions set a precedent for other Nordic alcohol monopolies and for alcohol companies everywhere. The key lesson from the HRIA that they need to take away is that just because wine is a high-value commodity, that does not mean that the human rights of those who work in the vineyards to produce the grapes that make it possible are being respected.

Companies need to remain vigilant to ensure that their actions are not contributing to abuses of human rights, and this means going beyond the traditional audit system that consists largely of spot checks on suppliers, and instead maintain an open, self-reflective, analytical approach to the human rights of workers, working in partnership with their suppliers, trade unions, governments and NGOs to ensure the best possible likelihood of uncovering the truth

about what workers are experiencing and how to ensure their human rights are met. Systembolaget has done this in a number of ways, including by commissioning this HRIA.

It is regrettable that all but one of Systembolaget's suppliers declined our invitation to be part of the study. By doing so they missed out on a valuable opportunity to find out more about what is happening in their own supply chains – whether good or bad – and how they can be a part of making working conditions better. It also meant that we have not been able to share the results transparently and openly from the one supplier who did respond positively to our request without compromising their anonymity. With the momentum of legislation on human rights reporting in global supply chains gaining strength, they may in the end be forced to be more transparent. Until companies start to acknowledge that there are likely to be human rights breaches in all international supply chains and that their own actions may be contributing to them, progress on addressing them will be slow – and media reports on forced labour, low wages, poor health and safety protections and sexual abuse will continue to emerge.

Ideally, Oxfam would have conducted the second phase of fieldwork with much more in-depth worker engagement, our researchers would have had time to gain the trust of workers with face-to-face meetings and to explore more deeply the implications behind the yes/no answers to our questions. But the COVID-19 restrictions imposed in Italy at the time of the study made this impossible. We are glad to have been able to reach 79 workers across four different wine-producing regions from which Systembolaget sources its wine and are confident that what they told us, in addition to what we learned from the available literature, confirms the potential human rights risks and vulnerabilities in Systembolaget's supply chain.

Systembolaget has outlined a comprehensive action plan that takes into consideration many of the recommendations Oxfam has made and considered these against the practicalities of its systems and relationships within the supply chain. It is also realistic about the timescale within which it can achieve some of the changes, but demonstrates a commitment to taking a long-term view of the issues.

Oxfam particularly welcomes Systembolaget's embracing of the need to change its purchasing practices, which are often at the core of human rights impacts in global supply chains. Many of its actions are focused on training. Oxfam welcomes the fact that Systembolaget commits to 'Monitor capacity building in three steps; immediate learnings, behavioural change and impact' – rather than simply measure the number of training sessions or trainees as many companies do. We encourage Systembolaget to continue to review the results of that monitoring and consider whether the training needs to be adjusted or indeed whether training continues to be the appropriate way to address the problems. Colleagues may be fully trained but unable or unwilling to implement changes if they are not incentivized to do so through their KPIs, for example.

Systembolaget is also planning to incorporate a number of changes into its SAQs and Sustainability Platform as per our recommendations. However, we would encourage the company not to rely too heavily on the systems but to always balance this with frequent and open face-to-face collaboration with suppliers, their workers and other stakeholders as a way of keeping a check on the systems and ensuring that they are indeed delivering what the company hopes they are.

Oxfam acknowledges that Systembolaget's pricing mechanism and the way that this links with tenders is not straightforward, but are encouraged by the company's willingness to find a way around this. The tension between the need to provide more certainty to suppliers with fixed volume orders is not easily balanced with changing consumer demands that can leave Systembolaget with a surplus that it cannot sell cheaply – as this would be contrary to its principles of encouraging responsible drinking – or destroy as this would be wasteful and detrimental to the environment. The industry needs to explore creative and innovative ways to address this issue.

We hope that Systembolaget will soon take up our other recommendations – in particular those concerning working with suppliers to ensure all workers have written contracts and those relating to the equal treatment of all workers, including migrants and women. We sincerely hope that Systembolaget will sign up to the UN Women's Empowerment Principles and encourage its suppliers to do the same likewise. Women in the wine supply chain – like women in many agricultural supply chains – suffer all the same risks and vulnerabilities of their male counterparts, with the additional risk of sexual abuse and discrimination. This needs to be urgently addressed by the business community

and Systembolaget could set an excellent example in the alcohol retail sector by committing to the Women's Empowerment Principles.

Finally, we welcome Systembolaget's commitment to using its leverage and influence to advocate for better realization of human rights in wine supply chains with governments, standards bodies and other state wine monopolies. This will greatly amplify the impact of the work they are doing in their own supply chain and increase the likelihood of any positive change being sustained.

ANNEXES

ANNEX 1: ASSESSMENT RESEARCH TEAM

Tim Gore Head of Policy, Advocacy and Research – Food Justice, Oxfam International	Lead author and researcher
Mira Alestig Lead Researcher, Food and Climate, Oxfam Sverige	Co-author and researcher
Sabita Banerji Independent consultant	Co-author and researcher
Caroline von Uexküll Strategic Partnership Manager	Project manager
Giorgia Ceccarelli Policy Advisor – Food and Agriculture Oxfam Italia	Lead researcher in Italy
Federica Corsi Head of Policy – Oxfam Italia	Researcher in Italy
Caroline Brodeur , Business and Human Rights Advisor Irit Tamir , Director of Oxfam America's Private Sector Department Uwe Gneiting , Senior Researcher at Oxfam America	Peer review

ANNEX 2: HUMAN RIGHTS IN ITALY IN THEORY

The table below provides a non-exhaustive outline of the major elements of the human rights framework in Italy in relation to the agriculture sector.

ISSUE	LAW/REGULATION	Rights
<i>Contracts</i>		
The contract of employment is usually considered indefinite.	Act 230 of 1962	Right to enjoy just and favourable conditions of work
Fixed-term contracts are permitted on certain grounds, including seasonal work and extraordinary and occasional work.	Act 230 of 1962	
Violations of fixed term contracts (e.g. requiring work beyond or rehiring soon after the end of the contract) lead to requirements for extra remuneration and eventually, to convert it to an indefinite contract.	Act 196 of 1997 (the 'Treu Act')	
<i>Wages and working hours</i>		
Workers have the right to a liveable wage for himself and his/her family (There is no statutory minimum wage: most workers are covered by minimum wage agreements established through collective bargaining).	Section 36 of the Italian Constitution	Right to an adequate standard of living

The hours worked by employees are determined by collective agreement and should not exceed 8 hours a day or 40 hours a week.	Act n. 196/1997, Section 13	Right to enjoy just and favourable conditions of work, right to health Italy has not ratified C155 – Occupational Safety and Health Convention, 1981 (No. 155) Italy's ratification of C001 – Hours of Work (Industry) Convention, 1919 (No. 1) is not in force
Derogations (to working limits on working hours) are permitted ... 'where there is a foreseeable surge of activity, particularly in agriculture, tourism and the postal services ... provided that equivalent compensatory rest periods are granted to the workers concerned.'	EEC Directive no.104/93 and no.34/2000	
Work performed in excess of 40 hours a week is overtime, and limits can be fixed by collective agreements. Overtime should be occasional or due to exceptional reasons which cannot be met by the hiring of new workers. Weekly working hours in excess of 48 hours must be authorized by the Department of Labour.	Act 196/1997	
Overtime must be paid at not less than 10% over the regular rate (but Italian courts have ruled that such provision applies to all the remuneration an employee earns from his/her employer so that in practice overtime pay is paid at 30% of the basic rate).	Act 623/1923	
During sickness, a period of suspension of the contract, with job protection and full pay, is usually determined by collective agreements: agricultural workers with a fixed-term contract must have at least 51 days of work in the previous year or this year before the illness occurs.	Unclear	
<i>Breaks, rest and leave</i>		
If the working day lasts more than 6 hours, the employee must have a break, the conditions and duration of which are regulated by collective labour agreements.	Legge n.133 del 2008 Articles 2107 to 2109 in the Codice Civile (Civil Code) Legge n. 183 del 2010 ('Collegatolavoro')	Right to enjoy just and favourable conditions of work Right to health
Italy has ratified the ILO Holidays with Pay Convention which provides for a minimum leave of not less than three working weeks for one year of service.	(Revised), 1970 (no. 132)	
All workers have the right to 24 hours of rest days per week.	Article 36 of the Italian Constitution	
All workers have the right to paid leave for national holidays, or to receive extra pay for working on these days.	Act 260/1949 and 90/1954	
Maternity leave – with 80% of regular pay – is compulsory for from two months before (earlier if work is dangerous to mother or unborn child's health) until three months after child-birth.	Section 2110 of the Civil Code, Act 1204 of 30 December 1971	
All workers have the right to annual paid leave determined by collective agreements, generally four weeks per year.	Article 36 of the Italian Constitution	

<i>Freedom of association</i>		
The Italian Constitution recognizes the right of citizens to associate freely and the right of employers and employees to join associations or unions. Unions can freely negotiate collective agreements at provincial, regional and national levels.	Article 18	Right to freedom of association Right to form and join trade unions and the right to strike
The Constitution recognizes the right to strike (except essential services).	Article 40	Italy has ratified C087 – Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and C098 – Right to Organize and Collective Bargaining Convention, 1949 (No. 98) Italy has not ratified C154 – Collective Bargaining Convention, 1981 (No. 154)
<i>Equality</i>		
		Right to equality before the law, equal protection of the law, and rights of non-discrimination Rights of women Italy has ratified C100 – Equal Remuneration Convention, 1951 (No. 100) and C111 – Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
Dismissal is prohibited on the grounds of political opinion, trade union membership, sex, race, language or religious affiliation, and on the grounds of pregnancy between the start of the pregnancy and the end of the statutory period of absence on confinement/unpaid leave, until the child is one year old.	Section 3, Act 108	
Equality of all citizens before the law without difference of sex, race, language, religion, political views, personal and social position.	Article 3 of the Italian Constitution	
Italy has ratified the International Agreement of Economic, Social and Cultural Rights	1966, National Act 881, 25 October 1977	
<i>Migrant workers</i>		
Evolution of the Italian legal framework against labour exploitation ²⁶⁸	Legislative Decree No. 286/1998 (Consolidated Immigration Act); Law No. 228/2003 implementing the Palermo Protocol of 2000 (amended the Criminal Code, in particular, Articles 600, 601 and 602); Law No. 108/2010 implementing the CoE Trafficking Convention (further amended the Criminal Code); Legislative Decree No. 109/2012 implementing Directive 2009/52/EC on sanctions and measures against employers of illegally staying third-country nationals;	Rights of minorities Right to equality before the law, equal protection of the law, and rights of non-discrimination International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families Adopted by General Assembly Resolution 45/158 of 18 December 1990

	Legislative Decree No. 24/2014 implementing Directive 2011/36/UE on preventing and combating human trafficking and protecting its victims (amended the Criminal Code, in particular Articles 600 and 601); Law No. 199/2016 on countering undeclared work and labour exploitation in the agricultural sector.	
Criminalization of 'unlawful gang-mastering and labour exploitation' (<i>intermediazione illecita e sfruttamento del lavoro</i>), also known as the <i>caporalato</i> system, defined as 'conducting an organized activity of intermediation, recruiting manpower or organizing its work, characterized by exploitation, through violence, threat.' ^{269 270}	Law 29 October 2016 No. 199	
Laws on exploitation of agricultural labourers. Providing for minimum standards on sanctions and measures against employers of non-Italian workers illegally staying in the country. Introducing aggravating factors to the crime of employing irregular migrant workers, including 'particularly exploitative working conditions'. Adding financial sanction of paying the cost of returning the worker to their country of origin. Providing for the granting of a residence permit for humanitarian reasons to migrant workers who are victims of 'particularly exploitative working conditions'.	Article 1.1, Legislative Decree No. 109 of 16 July 2012, Transposition of the European Union Directive 2009/52/CE ('Rosarno Law')	
<i>Other relevant rights</i>	<i>Relevant ILO convention</i>	Ratified by Italy?
Right to life		
Freedom from torture, cruel, inhuman and/or degrading treatment or punishment	C029 – Forced Labour Convention, 1930 (No. 29)	Yes
Freedom from slavery, servitude or forced labour		
Rights to liberty and security of the person		

ANNEX 3: RISK MATRIX COMMISSIONED FOR HUMAN RIGHTS DUE DILIGENCE ASSESSMENT REPORT 2019

<i>Most severe</i>	Modern slavery and exploitation of migrant workers, especially in agricultural production in cross-border areas (e.g. Southern Europe, California)
	Freedom of association and collective bargaining, overall and especially in relation to informal, seasonal, and migrant work
	Discrimination based on race, ethnicity, nationality, gender, social origin, political status or any other status, and harassment of low skilled/precarious workforces
	Use of pesticides/chemicals and lack of personal protective equipment, especially in the harvesting of agricultural products
	Other occupational health and safety risks, such as injuries, physical pain, cancer due to sun exposure, hearing loss, etc.
	Living wage issues, including bonus payments in wine potentially leading to alcohol abuse
	Use of excessive force by security forces, in the protection of land and/or housing facilities
	Child labour
	Use of water and its impact on local communities, especially in areas with water scarcity
	Violence and abuse, particularly against women and children in employee families due to alcohol use/abuse
<i>Severe</i>	Excessive overtime
	Precarious employment conditions due to informal, seasonal and migrant work, sometimes through middlemen/agents/recruiters and especially in the harvesting of agricultural products
	Lack of or sub-standard housing, especially in South Africa
	Land issues in agricultural production
<i>Less severe</i>	Workers' children – and especially seasonal/migrant workers' children – not attending school
	Unemployment due to automation, especially among women and among African migrant workers in southern Europe

ANNEX 4: PRINCIPLES FOR STAKEHOLDER ENGAGEMENT

Values for engagement

Transparency

The interviewed stakeholders should always be informed about the purpose of the interview, including how the information will be used and by whom, who has commissioned the assessment, the name of the persons interviewing them, and be provided with contact details.

Accountability

The team will document the interviews, but not disclose them unless required by law. In that case, sensitive information will be anonymized. The interviewed stakeholders must know the names of the interviewing team members.

All interviews with rights-holders are voluntary and the interviewee must be informed of this at the beginning of the interview. The interviewers must be certain that the interviewee has fully understood the purpose and use of the interviews, and has given their consent before the start of the interview. In case the stakeholders wish to complain about the interviews, they should be provided with a mechanism for raising concerns.

Participation and inclusion

The collection of information will be done with different methods where the focus is on listening to the interviewee in a setting where the interviewee feels comfortable. Female workers should be interviewed by a female team member. The interviewer seeks to understand the interviewed stakeholder's opinion and views on the impacts, their causes and mitigation.

At the reporting phase anyone that is criticized should be given the right to reply before publication of any substantial negative information.

Equality and non-discrimination

The team seeks engagement with all groups or sub-groups of employees and rights-holders based on a principle of equality and non-discrimination. The report will reflect that value as all information is equally important for the report and recommendations are based on that value.

Protection of rights-holders

In the course of the field visit and after the visit, the team will not disclose any sensitive information that could be related to any particular person unless required by law. The team is required to ensure all information is kept confidential.

The names of the rights-holders interviewed should not be saved unless it is necessary to follow up with them. In that case it is voluntary for the rights-holder to disclose his/her name. If the rights-holder does not want the team to follow up with him/her, the team will make an internal report to document the issue and position of the individual. The name of the individual will not figure in this report.

If the team receives information about clear violations of human rights or law, the team will inform the client about such cases. If the concern relates to a specific individual, the team will get the full written informed consent from the person to report the matter to the client. If the individual does not want the concern reported, the team will make a report for internal use to document the concern and position of the individual in relation to reporting the concern. The name of the individual will not figure in this report.

Principles for interviews

1. Interview objectives

All interviews have the objectives to:

Map concerns (impacts) and their severity

Impacts upon a human right. Although the interviewee may not be aware about the categorization of the impact as a human right, they are likely to express their concerns (e.g. lack of training in using safety measures or hazardous chemicals, we don't report incidents etc.).

The severity of an impact in the interviewee's view. The interviewee may indicate a number of concerns, but the interviewer should attempt to make the interviewee describe how essential the negative impact is regarded. The interviewer should have in mind that severity depends on the circumstances, but generally the more people affected the higher the severity; the higher risk of irreversibility the higher the severity (e.g. if the impact threatens physical and mental health and integrity, or it may lead to destruction of the environment, cultural habits or local way of living) or if it involves a certain level of scale of impact, such as slavery, forced or bonded labour, degrading and inhuman treatment, child labour, right to life or discriminatory practices.

Map the causes (contributing factors) of the negative impacts, the potential solutions and the key actors for mitigating the impact

Whenever an interviewed person raises a concern (or a negative impact), the interviewer should ask the interviewee to describe what causes the concern, if the interviewee has suggestions for a solution, and who could actually contribute to mitigating the concern.

Map the relevant systems for protecting human rights

When the interviewed person raises a concern (impact) then the interviewer should try to ask the interviewee if there are authorities (formal or informal) with the competence to monitor, regulate or handle the concern. Interviews with public officials from governmental agencies, local administrations or the Human Rights Commission are more likely to provide information about the overall system, while the individual rights-holders may identify the local system. The rights-holder may also inform the interviewer about the efficiency of such systems.

2. Who to interview

The general objective is to have interviewed a considerable number of rights-holders, with different backgrounds depending on the circumstances. It is important to include a variety of rights-holders.

Staff

If possible, 5-10% of the staff should be approached to be interviewed.

Other groups potentially impacted by activities

Interviews here depend on the accessibility of these other groups. In some cases, representatives of groups of people can provide greater value.

Relatives of staff

Whether it is appropriate to conduct interviews with relatives of the staff depends on the opinions of the staff, which can be discussed in the interview. If they feel comfortable then the team will attempt to conduct a couple of interviews.

Interviews with management

Interviews with management can give valuable insights into impacts and the mechanisms causing or contributing to them.

Interviews with community stakeholders

Interviewing local stakeholders at various levels and including groups that may not normally be interviewed, for example, women or vulnerable groups (or their representatives), may provide strong insights. Sometimes, interviews with local businesses, such as local restaurants and cafés, can also give good insights. When interviewing stakeholders it is important to keep the focus of the interview on the business relation that is being assessed, if the purpose is not more general background information.

Interview with workers of sub-contractors

The approach will be discussed with the management at an opening meeting, if not discussed prior to the field visit.

Interviews with other stakeholders

The researcher should seek to interview a number of external stakeholders with the principle of balance and objectivity in mind. In particular, stakeholders that are identified to cause or contribute to the impact, or have a role in addressing the impact, are important to hear from.

Interviews with government bodies should be discussed with the management at the opening meeting at the latest, in order to ensure transparency. Sometimes, businesses are nervous about such interviews, in particular if they are in the process of having licenses renewed.

3. Conducting the interviews

Follow the principles for engagement

All interviews should observe the principles for engagement. It is important to ensure that interviewed rights-holders feel comfortable. Consequently, the division of work in the assessment team should be considered. A team of male and female interviewers (and with local knowledge, if possible) should be sought as interviews with female staff should be conducted by female interviewers in certain cultural contexts.

Use of an interpreter

All interviews should be conducted in the native language of the interviewee. If an interpreter is used, it is very important to ensure that they have the appropriate skills. If it is necessary for a female team member to interview female rights-holders, the interpreter should also be female.

Location of interviews

The location for interviews should be carefully considered. It is important that the interviews are carried out in a setting that creates trust and does not expose the interviewee to any risks. It is preferable that interviews are conducted outside the production site, even if sometimes interviews with staff could be conducted at the site.

Engagement of management

It is recommended that the management of the facility is aware of the assessment and introduces the assessment team to staff or otherwise communicates to the staff that this exercise is supported by management and that they respect the confidentiality and participation of staff. However, to protect workers' safety and to enable confidentiality it is important to assess whether informing management about the assessment is reasonable.

Grievance mechanisms

At each interview the interviewees are given information on who they can contact in case of concerns related to the research, for example about the consequences of being involved or how the interview was conducted. The contact information for concerns should preferably include a representative of the client, the assessment team and if possible a third party. These concerns could be raised anonymously.

The standard interview

The interview starts with an introduction of the team, purpose and use of information as well as principles of confidentiality, followed by introducing the interviewee and expectations in case of rights-holders.

At the beginning of each meeting, the team will hand out a leaflet indicating the purpose and use of information as well as principles of confidentiality, the name of the team members, their contact details, including while at the site, and who to contact with any concerns.

At the end of the interview, the interviewee is asked if she/he has any questions for the team. Rights-holders are informed that if they wish to discuss anything further they are welcome to contact the team when the team is at the site or at the location mentioned in the leaflet.

ANNEX 5: QUESTIONS FOR WORKER INTERVIEWS

Human rights issues	Questions
Gender	What is your gender?
Nationality	Where are you from?
Presence in Italy	How long have you been living in Italy? (only for people from abroad)
Education	What is your level of education?
Knowledge of Italian language	What is your level of Italian?
Recruitment	Are you a local worker (your family comes from this area), domestic migrant worker (you have moved here to work from elsewhere in the country), or international migrant worker (you have moved here to work from another country)?
Work in vineyards	How long have you been working at the vineyard?
	Have you worked on this farm in one or more previous years?
	How many months of the year do you normally work at the vineyard/processing unit?
	Have you been trained to work at the vineyard?
	If yes, who provided the training? Did you pay for the training?
	Have you experienced any changes in the work at the vineyard in the last few years (i.e. fewer hours requested, or fewer people)? If so, how do you explain these?
Contract	Do you have a permanent contract or are you a seasonal/temporary worker?
	Do you know what the differences are between the types of employment contracts?
Impact of lockdown measures on work	Did you work or lose your job during the months of lockdown for the COVID-19 emergency? Has anything changed in your job position or for your family members?
Family	How many people are you supporting financially (including children, elderly people, etc.)?
Accommodation	Does your employer provide you with accommodation?
	If yes, what is the quality of your accommodation?
	If not, what type of accommodation do you have?
Recruitment – right to freedom from slavery, servitude or forced labour	How did you hear about this job and how did you get it?
	Did you pay any money to secure this job?
	Are you paid directly, or through an agent?
	Have your identity documents been retained by the company/recruitment agency for this job?
	Do you feel free to leave this job if you want to?
Wages – right to an adequate standard of living	My income from this job covers my basic needs and that of my family, including accommodation, food and transport, without getting into debt.

	To earn enough to cover my basic needs and that of my family I have to work more than 8 hours a day.
	I know the national minimum wage for agricultural workers in this part of Italy. It is x
Wages – rights of women/right to equality before the law, equal protection under the law, and right to non-discrimination	I receive the same pay as other workers doing the same job (e.g. women/men, migrant/Italian, permanent/seasonal).
Working hours – right to enjoy just and favourable conditions at work	I am often expected to work more than an hour's overtime without pay.
	I am paid at a premium rate (i.e. higher than standard rate) for overtime hours.
Working hours – rights of women	How many hours of unpaid care work do you do outside of work (this could include cooking, cleaning, looking after children, fetching water or food, etc.)?
Right to health/right to life	I am protected from injury or harm while I am at work (e.g. through the provision of protective clothing or equipment to prevent contracting COVID-19 or by adapting working practices).
	I can always take toilet and water breaks when I need them.
Right to freedom of association, right to form and join trade unions and the right to strike	I feel that I can safely join a union of my choice.
Right to freedom from torture, cruel, inhuman and/or degrading treatment or punishment	I am treated with respect and I am free from abusive treatment or harassment in the workplace.
Right to equality before the law, equal protection under the law, and right to non-discrimination	I am treated fairly and equally compared to my fellow workers (women and men, colleagues, supervisors and management).
Right to enjoy just and favourable conditions at work	I know how to raise a concern or grievance at work.
	I feel confident that I could raise a concern or grievance at work without problems.

ANNEX 6: SYSTEMBOLAGET ACTION PLAN

Systembolaget process	Oxfam recommendations	Systembolaget action and timeline	Responsibility	Human rights impacts and outcomes	Monitoring
Capacity building internally	<p>Ensure that prices of wines enable all appropriate costs for ensuring decent working conditions to be met by ensuring that buyers:</p> <ul style="list-style-type: none"> • receive training to understand the impact of Systembolaget’s purchasing practices and prices on their suppliers’ ability to respect labour rights in their operations and supply chains. • receive training to understand the specific human rights risks for Italy and the different wine regions. • have access to information to judge what reasonable costs of production are in the various Italian wine-producing regions. 	<p>We have developed a three-part internal capacity building programme which consists of:</p> <ol style="list-style-type: none"> 1. Annual training for all buyers and category managers on how purchasing practices have an impact on human rights in our supply chain. 2. Annual training for buyers and category managers on specific human rights risks for their respective origins and product category. 3. Sharing aggregated sustainability data from our Sustainability Platform with relevant internal roles, for example buyers and category managers. <p>This will be implemented in full before end of 2021.</p>	<p>Head of Sustainable Sourcing, Head of Assortment, Head of Purchasing</p>	<p>Decreasing the risk of price points that increase the risk for human rights violations connected to forced labour, low wages, excessive working hours, and health and safety risks.</p>	<p>Monitor capacity building in three steps: immediate lessons learned, behavioural change and impact.</p>

<p>Capacity building supply chain</p>	<ul style="list-style-type: none"> • Educate first-tier suppliers and sub-suppliers about human rights risks in their supply chain and how they can prevent and mitigate risks through their purchasing practices and actions. Systembolaget depends more on its suppliers to ensure it is limited in its direct contact with producers and growers. • Use the Sustainability Platform as a means to educate suppliers on human rights impacts and possibilities to prevent and mitigate such impacts. • Provide training to buyers at first-tier suppliers on the impact of their company's purchasing practices and prices on their suppliers' ability to respect labour rights in their operations and supply chains. • Work with suppliers to provide training for workers – as well as employers – on labour rights and laws. 	<p>The capacity building programme developed for Systembolaget staff (above) will also be made available for our importers. We will also compile a capacity building programme for producers on the UNGPs and our most salient human rights risks together with the various organizations we collaborate with, such as amfori BSCI, Stronger Together, IUF and Unionen. Examples of topics include: grievance mechanisms, female workers, responsible recruitment, and freedom of association. Both of these actions will be implemented by Q3 2021.</p>	<p>Head of Sustainable Sourcing</p>	<p>Enable and equip our business partners to further address human rights risks in their supply chains and thereby increase risk identification, impact and change.</p>	<p>Monitor capacity building in three steps: immediate lessons learned, behavioural change and impact.</p>
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<p>Purchasing practices</p>	<ol style="list-style-type: none"> 1. Ensure that human rights concerns are taken into account in tender documents by requiring first-tier suppliers who win tenders to account for how ethical production costs were ensured. 2. Add questions on ethical production costs to the Sustainability Platform. 3. Conduct a stakeholder engagement dialogue on prices and discuss how greater transparency on price-setting and the relationship with cost of sustainable production (including labour conditions that respect human rights) throughout the supply chain can be assured. 4. Introduce and formalize a system within Systembolaget's due diligence process which flags any price bracket in tenders which has remained the same for a certain period. 5. Develop a system within the due diligence process which flags when national/regional changes in collective wage 	<p>As a part of Systembolaget's strategy for 2020-2023 a new framework for responsible sourcing is being developed. Its purpose is to ensure that our purchasing process minimizes risks for human rights violations where we have an impact. The framework will include, for example:</p> <ul style="list-style-type: none"> • Systematic overview of price brackets in our launch plans for all assortments where labour cost is taken into account. • Overview of risk-based requirements for all the assortments. • Guidelines of relevant certification schemes. <p>The framework is being implemented during 2021.</p>	<p>Head of Sustainable Sourcing, Head of Assortment, Head of Purchasing</p>	<p>Decreasing the risk of price points that increase the risk for human rights violations connected to forced labour, low wages, excessive working hours, and health and safety risks.</p>	<p>Framework will contain a function for deviation from it. This will be measured and assessed annually to assure progress.</p>
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	<p>agreements/ minimum wages occur.</p> <p>6. Consider developing a system within Systembolaget's due diligence process which flags any significant price drop in the fixed assortment.</p>				
Business incentives	<p>Encourage long-term perspectives and investments to address sustainability challenges in supply chain by giving preferential treatment to wines which can be considered 'good performers' in terms of the respect of human rights.</p>	<p>Systembolaget is currently developing new communications for consumers to enable consumers to make more sustainable choices. The selection of products receiving this communication will be based upon the risk assessment in our Sustainability Platform as well as other sustainability aspects. This will be initiated in Q1 of 2022.</p>	<p>Head of Sustainable Sourcing, Head of Assortment, Head of Purchasing, Head of Sustainability</p>		<p>Number of products within the selection of sustainable choices.</p>
Risk assessment and supply chain	<p>Ensure that more rigorous due diligence processes also apply to products in the ordering assortment.</p>	<p>We are extending our due diligence process to all products in the ordering assortment from the origins where our most salient risks are the most prevalent. The goal is for this to start by Q1 2022 and thereafter we will continuously add more products and regions to the process.</p>	<p>Head of Sustainable Sourcing</p>	<p>Add a salient risk perspective to the due diligence process to better identify risks independently of sales volume.</p>	<p>Will be followed up and revised annually within the strategic focus area of sustainable supply chain.</p>

	Expand SAQs in the Sustainability Platform related to most salient human rights risks, for example recruitment practices, migrant and female workers.	The Sustainability Platform is still being developed and we will incorporate the extended SAQs during 2022 or as soon as it is technically possible. We do however consider this ongoing work that must be updated continuously as our supply chain and its risks changes.	Head of Sustainable Sourcing	Expanding the SAQs will provide better input on potential human rights risks.	
	<p>Ensure that all workers in Systembolaget's Italian wine supply chain are adequately represented and have access to a grievance mechanism that meets the standards outlined in the UNGPs. This should be done by:</p> <ul style="list-style-type: none"> Working with suppliers, local trade unions and the IUF/FLAI-CGIL to ensure that farms and wineries understand the benefits of trade unions and how they can help ensure they are compliant with Systembolaget's Code of Conduct. Developing a strategy with suppliers to build trust in trade unions over time so that all workers, including migrant workers, are properly represented. Guidance on how 	<p>Systembolaget is extending our work with Unionen and IUF in Italy during 2021 with the intention of strengthening unionization in our supply chain. This includes producer and importer meetings focused specifically on the importance of trade unions to be included in a progressive work with human rights. We consider this a relevant topic for several other regions as well and will utilize the MoU with IUF and Unionen to speak to importers for other regions as a part of the capacity building programme mentioned above.</p> <p>This work is</p>	Head of Sustainable Sourcing	Increase knowledge of and incentivize freedom of association in our supply chains to enable more workers to unionize and raise concerns.	Monitor capacity building in three steps: immediate lessons learned, behavioural change and impact. Track share of unionized producers and farms annually.

	<p>to do this is available from the Ethical Trading Initiative.</p> <ul style="list-style-type: none"> • Signalling public support for the work of trade unions in Italy and consult on possible Systembolaget advocacy efforts. 	<p>ongoing but officially started for Italy in May 2021.</p>			
	<p>Ensure that all workers in Systembolaget's Italian wine supply chain are adequately represented and have access to a grievance mechanism that meets the standards outlined in the UNGPs.</p> <p>Expand the SAQs to assess the lack of access to remedy, including assessing whether workers have adequate options available to raise complaints about their treatment.</p>	<p>We are testing a new workers' voice system which allows workers to answer questions anonymously regarding their working situation over the phone. The aggregated results can be used as a foundation for dialogue between the employer and the workers' representatives.</p> <p>The tests start during summer 2021 with the intention of scaling up the solution regularly in the future.</p> <p>There is a question on access to grievance mechanisms in the SAQs, but moving this to the general questions section will allow input from all producers and farms regardless of region and the assumed risk.</p> <p>This change will be done in Q3 2021 to allow us to follow up on</p>	<p>Head of Sustainable Sourcing</p>	<p>Increase knowledge of the existence of grievance mechanisms in our supply chains. Provide business partners with a hands-on way for workers to safely raise concerns.</p>	<p>Test will be evaluated after one year (Q3 2022) to assess further rollout. SAQ question will be tracked annually.</p>

		the high-risk process for the ordering assortment.			
	Table 15. Prioritization of identified human rights impacts	Include this framework in future development and updates of processes.	Head of Sustainable Sourcing	All those mentioned in the table.	N/A

ENDNOTES

- 1 This study faced particular constraints due to the COVID-19 pandemic, which struck Italy particularly severely just at the time when we were embarking on our fieldwork. As a result, we were unable to engage with workers in as in-depth and participatory a manner as we would have liked to, and the findings are therefore more illustrative of the potential human rights risks in Systembolaget's supply chain – rather than hard evidence.
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- 82 Systembolaget aims to avoid the formation of 'monopolies within the monopoly' – a segment of the assortment which is not subject to sufficient competition.
- 83 Systembolaget is emphatic that it does not indulge in any of these marketing tactics, so much so that it ran an advertising campaign in 2016 called 'The Expert' featuring a brash American marketing advisor trying and failing to convince Systembolaget staff to push products more aggressively. See, for example, one advert (available at: <https://youtu.be/PS3u1mqcAPs>) in which the expert says 'buy cheap, sell expensive', to which the Systembolaget employee responds: 'that is the opposite of how we do it'. She goes on to tell him she totally disagrees that 'profit is all that matters'.
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- 124 Interviews with Tommy Nykvist, Head of Sustainable Purchase Unit, and with Fredrik Arenander, Head of Purchasing at Systembolaget.
- 125 Interview with Sara Norell, Director of Assortment, Purchasing and Supply chain at Systembolaget.
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- 168 Article 25.1 of the Universal Declaration of Human Rights (1948).
- 169 Systembolaget Code of Conduct, Point 4, notes: 'The supplier observes this principle when it ensures that workers are not required to work more than 48 regular hours per week, without prejudice to the specific expectations set out hereunder. However, the Coop Group recognizes the exceptions specified by the ILO. Applicable national laws, industry benchmark standards or collective agreements are to be interpreted within the international framework set out by the ILO. In exceptional cases defined by the ILO, the limit of hours of work prescribed above may be exceeded. The use of overtime is meant to be exceptional, voluntary, paid at a premium rate of not less than one and one-quarter times the regular rate and shall not represent a significantly higher likelihood of occupational hazards. Furthermore, the supplier shall grant its workers the right to resting breaks in every working day and the right to at least one day off in every seven days, unless exceptions defined by collective agreements apply.'
- 170 As the ILO notes (emphasis added): 'Under some conditions, piece rates may be beneficial to both employers and employees. For this to be the case, however, the manner in which remuneration is calculated for each piece produced or task completed needs to be fair to both parties: *if the salary is set too low, discouragement will set in and the workers concerned will work long hours and may ultimately feel burnt out by the system.*' See ILO. (n.d.) *Piece Rate Pay*. Retrieved 26 November 2018, from https://www.ilo.org/global/topics/wages/minimum-wages/definition/WCMS_439067/lang--en/index.htm
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