



ADDRESSING AND MITIGATING RISKS IN THE ATLANTE'S ITALY-BASED UK MARKET SUPPLY CHAIN

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ABOUT ATLANTE

“

We specialise in the **distribution of food** and non food
in **Italy** and **Internationally**,
with expertise in developing tailor-made
products from start to finish, from brief to shelf.

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ATLANTE
FOOD OF THE WORLD

ATLANTE IS A GLOBAL BUSINESS

BASED ON A UNIQUE FULLY COMPREHENSIVE SOURCING, TECHNICAL & LOGISTICS MODEL

- **We import products from all over the world**, serving Italian retailers and discounters.
- **Sourcing Italian and international products for main retailers worldwide**, covering UK, US, India, Israel, Japan, South Africa and Canada.
- 2020 Turnover: € 173 Millions
- 80 employees



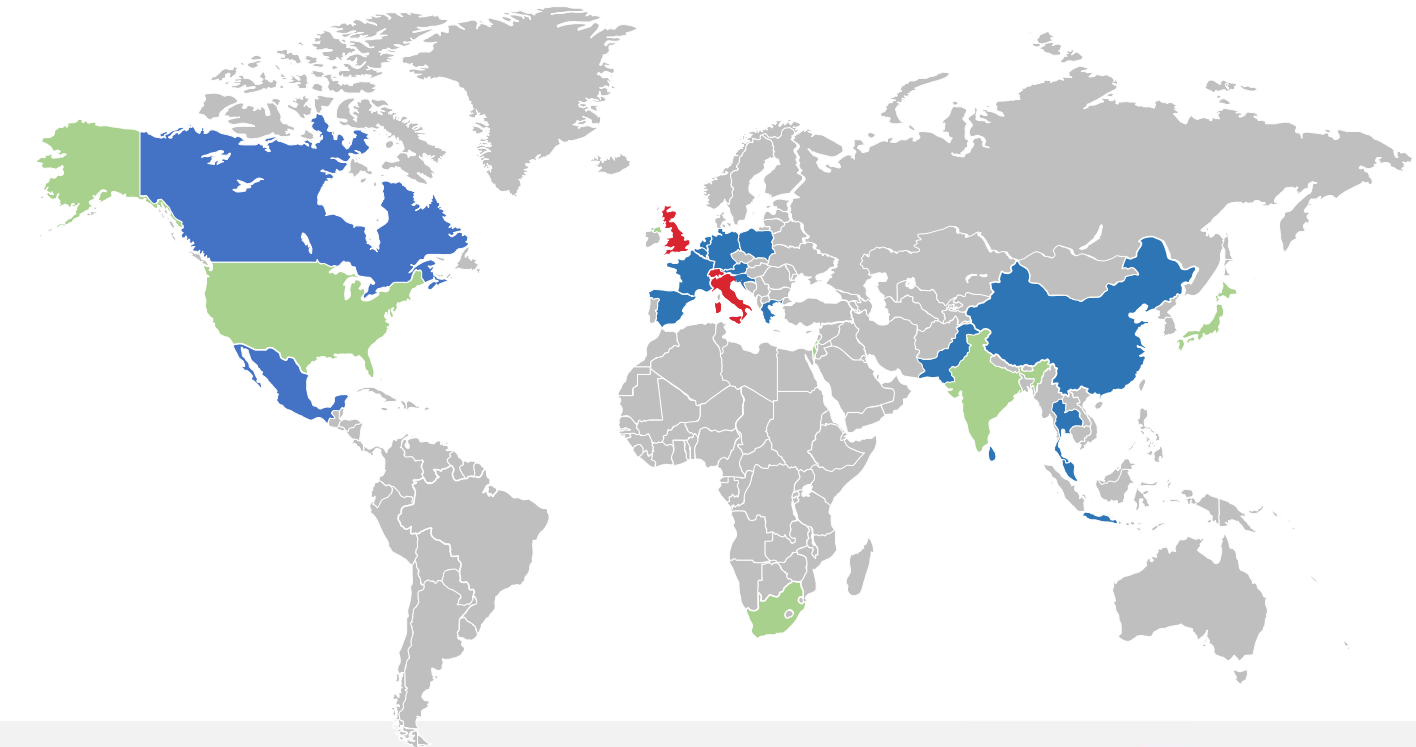
127
CLIENTS



160
PRODUCTION
SITES



1500
PRODUCTS



- Clients
- Clients and producers
- Producers



WE OFFER CUSTOMIZED SOLUTIONS ACROSS MULTIPLE CATEGORIES

WE COLLABORATE CLOSELY WITH OUR PARTNERS TO INTERPRET MARKET TRENDS AND CREATE WINNING PRODUCTS
THAT SATISFY OUR CUSTOMER NEEDS

OUR SOLUTIONS ARE INSPIRED BY EACH CUSTOMER'S GOALS AND HABITS. THAT'S WHY EVEN IF
OUR CORE BUSINESS IS PRIVATE LABEL, WHICH MAKES UP 70% OF OUR TURNOVER, WE ALSO
WORK WITH TERTIARY BRANDS (18%) AND INTERNATIONAL BRANDS (12%).



PRIVATE LABEL

Specialist in creating private labels products. Thanks to our deep knowledge of markets and products, we are the ideal partner for the development of turnkey projects.



FANCY BRANDS

We have an extensive portfolio of tertiary brand products with a proven track record, immediately available to be included in any assortment, also as pilot tests ahead of the launch of new private label.



BRAND DISTRIBUTION

Atlante is the exclusive Italian distributor of a number of successful international brands, chosen according to market potential

KEY COMPETENCES



GLOBAL SOURCING CAPABILITY

Strong network and working relationship with Italian and international cross category producers



COMPLETE LOGISTICS SOLUTION

Scale / breadth of our portfolio allows cost savings, efficiencies & environmental benefits through consolidation.



QUALITY, FOOD SAFETY, R&D, SUSTAINABILITY

We protect our customers' reputation by ensuring the safety, quality, sustainability and ethical standards of our branded products.



DATA DRIVEN INSIGHT

Our international experience provides us visibility to other success stories in Italy and the world.



MARKETING & PACKAGING

We provide a complete marketing service, from packaging to online communication on social media.

OUR SUPPLY CHAIN

- Our **supply chain is quite extensive and complex**. It currently consists of approximately 180 Tier 1 suppliers in more than 15 countries.
- The complexity lies in the fact the majority of our suppliers buys from several other sub-suppliers that source goods and services from a variety of companies located in different countries, further extending the influence and impact of Atlante's business worldwide.
- For our UK business, we source from 30 suppliers, all Italian except one who is French.
- Atlante's contracts with suppliers include clauses covering termination in case of breach of any legislation pertaining to modern slavery, and a contractual obligation to co-operate with us to continuously gain more visibility into our indirect suppliers under the ethical employment point of view.
- To this purpose, we continue to work with them to identify our indirect supply chain and collaboratively look at how we can improve the evaluation of our indirect suppliers in terms of both due diligence processes and risk assessment.
- Regardless of the types of goods and services suppliers sell to us and regardless where they operate, Atlante regularly monitors its suppliers and explicitly require due diligence for labour practices (such as discrimination against women in the workplace and workplace violence), human rights (including no child labour and forced labour), and social impacts (such as anti-bribery and corruption) as well as other sustainability issues.

ATLANTE POLICY ON ETHICAL EMPLOYMENT

- Atlante's Policy is built on the Fundamental Conventions of the International Labour Organization (ILO) and the Ethical Trade Initiative (ETI) Base Code. It publicly states our requirements for good work practices and describes our commitment to human rights, including: privacy; diversity and inclusion; environmental sustainability; health and safety; humane workplace; fair wages, benefits.
- It also includes our prohibition of the use of forced or involuntary labour, including human trafficking, in the supply chain.
- The Policy clearly states the measures we reserve the right to undertake in order for us to be satisfied that our suppliers, contractors, and any other parties involved in our business activities and supply chains operate in full compliance with applicable labour, occupational safety and human rights regulations and with our Ethics Policy.
- We continue to offer technical support and know-how to our suppliers and/or contractors and/or other parties involved in our business, where such critical issues have been identified, but we also reserve the right to temporarily or permanently suspend the supplies and/or services received from them should repeated violations be found.

TEAMWORK

TO STRENGTHEN OUR DUE DILIGENCE PROCESS IN THE WAKE OF THE MODERN SLAVERY ACT, WE HAVE A TEAM OF PEOPLE (THE “ETHICAL TEAM”) FROM VARIOUS FUNCTIONS ACROSS ATLANTE WHO FOCUS ON MODERN SLAVERY.


- The Team is chaired by Atlante’s CEO, Natasha Linhart, and is a multi-disciplinary team, including one representative from each Company’s department (Quality, Commercial, H.R., Supply Chain, Marketing/Packaging); for this reason, it has a diverse background and a global mind-set.
- The Ethical manager provides assurance over compliance with Atlantes Ethics & Compliance programme through:
 1. Ethical audits conducted by ESC International auditors as well as qualified auditor members of the Atlante Ethical team;
 2. Accepting whistleblowing directly from workers in the supply chain;
 3. Staff training
 4. Supplier due diligence. The Atlante Ethical Team and a Third Party International Firm continuously carry out announced, semi-announced, and unannounced audits across the manufacturer’s supply base.

RISK ASSESSMENT


- The Ethical Performance Team conducted a global risk analysis beginning in 2020 with a focus on and assessment of legal and ethical risks in each unit and region of Atlante's business.
- The risk assessment and deriving specific audits within high-risk supply chains (tomato and dairy) are ongoing since 2015.
- The current risk assessment is based on historical data, theoretical analysis, informed opinions, and the concerns of stakeholders.
- Platform such as SEDEX and FNET are used to support and Atlante's Ethical Manager is actively involved on training and webinar organised by these and other qualified entities.
- The risk assessment uncovered significant concerns in the area of modern slavery, specifically in the tomato sector.

RISK ASSOCIATED TO THE ITALIAN SUPPLY CHAIN

BASED ON OUR SUPPLY-CHAINS ETHICAL RISK ASSESSMENT, THERE ARE SOME CRITICAL AREAS TO WORK ON:



At **supply-chain level** (i.e., tier one suppliers - food processors in various product categories, such as ambient and fresh pasta, canned tomatoes, sauces and condiments, bakery, dairy, etc.): the Atlante / SMETA audits show that there are still major NCs in the following areas: working-hours; H&S; Management System.



Beyond tier one - **Tomato supply chain** (OPs, coops, tomato farms): tomato in the south confirmed to be a high-risk business, whose problems are far from being solved or even merely detected by the sector stakeholders.

SUPPLY CHAIN RISKS - FREQUENT VIOLATIONS IN H&S

1. H&S risk / hazard factors assessment conducted but the defined mitigation measures inadequately or partially applied.
2. Delays in providing employees with H&S training at the legal frequency
3. Occurrence of locked access to fire fighting equipment e.g. fire extinguishers
4. Fire extinguishers incorrectly installed e.g. incorrect height / placed on floor
5. Inadequate firefighting equipment signage / labelling / instructions
6. Inadequate fire exits due to building design / construction e.g. width, fire doors opening inwards/ incorrect direction of evacuation flow / sliding doors
7. Occurrence of blocked fire exits
8. Inadequate fire exit signage including emergency lighting
9. No evacuation plan / emergency route / unclear signage including marking of fire assembly points

SUPPLY CHAIN RISKS - FREQUENT VIOLATIONS IN H&S

10. Fire drill / evacuation did not cover all employees e.g. night shift / foreign workers or is not accomplished at the legal frequency (i.e., once per year)
11. Inadequate records for fire safety training / evacuation training
12. No / inadequate storage / spill kit provided for handling chemical spillage and leakage
13. Adequate records for injuries / accidents but no analysis / root cause analysis / no action taken to remediate
14. First aid kits are available, but boxes are locked or not accessible or inadequately checked for integrity / expiry date.
15. No / inadequate training in how to use PPE
16. Lack of control in the correct use of PPE
17. Workplace traffic management system / roads etc. is unsafe or inadequate (particularly in warehouses)
18. Inadequate / in poor condition rest area / facilities

Note: In Italy is uncommon for companies to provide workers with accommodation: N /A

SUPPLY CHAIN RISKS

WORKING HOURS

Legal violation: Systemic use of overtime hours which exceed the local law: max 8 hrs per week /250 hrs per year; no consecutive 11 hrs of rest in 24 hrs (!!)

ETI code violation: Excessive overtime hours i.e. total hours in excess of 72 hours per week on a regular basis and over an extended period. 60 hrs per week exceeded without the ETI derogations in place.

Common root causes

- Violations mostly occur among technical staff; maintenance operators feel proud and irreplaceable and give consensus to hard working regimes.
- Gaining significant higher wages is also a driver
- Working hours / time records are not monitored by site

Working hour records missing for some employees e.g., agency or temporary workers

SUPPLY CHAIN RISKS


INADEQUATE /LACK OF MANAGEMENT SYSTEM

- Inadequate training / communication of workers on ethical code / customer code as employees are not aware of the social and ethical standards the company upholds
- No communication / training of workers on ethical code / customer code e.g., code not displayed
- No / inadequate management awareness of the social and ethical standards required / ETI base code
- No person responsible for communicating, implementing, and checking compliance against code requirements
- No management systems in place apart from the H&S management system (since it is legally requested)
- No system to check the site's performance against compliance requirements e.g., internal audits
- Inadequate systems for monitoring labour providers
- No system in place to monitor the site's own suppliers against social standards (!!!)
- No /inadequate grievance procedure available to personnel and interested parties to make comments, recommendations, reports, or complaints concerning the workplace and/or non-conformances to the ETI standard.


THE MAJORITY OF THE ITALIAN MANUFACTURES LACK OF AN HOLISTIC APPROACH TO THE ETHICAL STANDARDS. THEY ARE INSTEAD LED BY A "LEGAL-FULFILLMENT APPROACH" AT SINGLE DEPARTMENT LEVEL

SUPPLY CHAIN RISKS


ATLANTE PILLARS FOR MITIGATION




Training and education both on-site and via the “Atlante Academy” on legal requirement /management system (e.g., in 2021 an Atlante Academy Seminar was delivered for the benefit of manufacturers used for the UK and Swiss markets, with the support of a qualified labour consultant, to illustrate the legal framework and best practices in the area of working hours).



Semi-announced audits administered by the Atlante’s Ethical Manager /technologists to high-risk manufacturers, where risk depends on the nature and rating of the NCs received by suppliers during the SMETA audits they go through every other year




Support to design medium-term programs to improve standard in the workforce management




Technical support and know-how to our suppliers to respond to critical observations risen by auditors during the SMETA audits, design corrective actions and prepare follow-up audits

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN


THE RISK IN THE ITALIAN AGRICULTURAL SECTOR




The 2020 annual report by the National Labour Inspectorate on the monitoring activities conducted by various government bodies across the agriculture sector in Italy shows a high rate of violations, especially in the Southern regions



About 56% of the controlled companies presented some legal breach against the labor legislation. Of the 3,504 worker's position verified, 735 were found with some legal breach



The 47% of those 735 were found irregular: 97% had not got a permit to work in Italy. 67 workers were victims of gangmastering (caporalato)



42% of the migrant workers result to be paid below the sector legal minimum, 28% work without contract (source ETI, 2020)

FOCUS ON ITALIAN TOMATO PROCESSED SUPPLY CHAIN

In 2021, with more than 6 million tons of tomatoes processed, Italy has been the second most important processing country in the world. The export turnover of the entire processed tomato production sector was 550 million euros, and the world demand is in continuous and constant growth.

GOVERNMENT'S TOOLS TO CONTRAST VIOLATIONS

- Since the Italian Law n.199 /206 known as the “anti-caporalato law”, came into force, not only caporali, but also who is found outsourcing some activity to caporali (no matter if unintentionally) risks up to 6 years reclusion for each illegal worker. Reclusion increases up to 8 years per workers, when workers are proved to have been threatened or being victims of violence.
- At the end of 2021, the Ministry of Labor introduced more severe penalties, including business suspension, for entrepreneurs being found responsible for violations in H&S. At the same time, more resources in 2022 will be allocated to the inspection activities with the aim of further preventing offences in the workforce management (Italian Legislative decree n.146 /2021).
- A three-year Government plan is being implemented to combat workers exploitation /caporalato (2020-2022). It foresees a web platform where labor offer and demand can meet under legal conditions; further support to government led certification schemes for companies that prove to be respectful of law (“whitelists”); allocation of more resources to inspection activities; support to consumer awareness programs; provision of legal and safe accommodation to migrants; assistance to victims and remediation; provision of safe transportation from workers' accommodation to fields

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

RISK ASSESSMENT

- The ethical risk is reported to be higher in the south regions; for industrial tomatoes the most important regions are Puglia (for farming) and Campania (for processing).
- In these two regions, in the last decades, the increasing use of (sometimes irregular) migrant workers in agriculture has been accompanied by a rise in allegations of caporalato and labour exploitation. Illegal compounds (called “ghettos”) gradually arose to host thousands of migrant workers. Along with caporalato allegations, inadequate workers’ accommodation and unsafe transportation from accommodations to the fields are frequently reported
- For agroclimatic reasons Puglia and Campania account for 100% of the world supply of long shaped tomatoes. South-based canners traditionally use long shaped varieties to produce peeled plum tomatoes. Long varieties can be used also for chopped tomatoes and tomato puree. In recent years, there has been a sharp decline in production (about 10% per year) and this special tomato variety risk disappearing.

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

COMMONLY REPORTED VIOLATIONS

- Caporalato, in its full, complex configuration of crimes, as defined by the International Labour Organization (abuse of vulnerability, deception, restriction of movement, isolation physical and sexual violence, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions, excessive overtime) is nevertheless the extreme form of labour exploitation and it is not the rule in the area
- Other forms of legal violations of different severity can be detected during the inspections. When detected alone they can be, or cannot be the “surface” indicators of more serious forms of labour exploitation, but most commonly are bad business habits well rooted in the area
- These violations are more common versus the temporary, short contracted (or subcontracted) workers hired to carry out specific, labour demanding and tight-timing activities (i.e., for tomato, transplanting and harvesting). Annual workers are less affected

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

COMMONLY REPORTED VIOLATIONS: SOME EXAMPLE **H&S**

- Inadequate risk-assessment /risk assessment document is not available in working areas
- No H&S worker committee / H&S representatives in place
- Not designation of a company doctor (mandatory)
- The designed doctor neither inspected working areas nor attended operation to properly evaluate risks
- No toilets available on the fields
- No access to drink water
- Work is not stopped during the central, sun-drenched hours
- Lack of control of PPE use, or their correct use
- Isolated incidents of missing records for general H&S training
- Lack of H&S training for tractor operators

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

COMMONLY REPORTED VIOLATIONS: SOME EXAMPLE **WORKING HOURS /LEGAL WAGES**

- (OPs, coops) Operations are not ethically risk assessed
- (OPs, coops) No system to check the associates' performance against compliance requirements e.g., internal audits
- Auditor refused access to field operation /workers' interviews
- Indication of workers being coached
- No communication / training of workers on ethical code / customer code e.g., code not displayed
- No system in place or way to keep up to date with local and national laws or otherwise inadequate management awareness
- Inadequate grievance procedure
- No person responsible for communicating, implementing, and checking compliance against code requirements
- No systems for monitoring contractors (i.e., harvesting contractors)


FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

COMMONLY REPORTED VIOLATIONS: SOME EXAMPLE **MANAGEMENT SYSTEM**


- (OPs, coops) Operations are not ethically risk assessed
- (OPs, coops) No system to check the associates' performance against compliance requirements e.g., internal audits
- Auditor refused access to field operation /workers' interviews
- Indication of workers being coached
- No communication / training of workers on ethical code / customer code e.g., code not displayed
- No system in place or way to keep up to date with local and national laws or otherwise inadequate management awareness
- Inadequate grievance procedure
- No person responsible for communicating, implementing, and checking compliance against code requirements
- No systems for monitoring contractors (i.e., harvesting contractors)

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

THE ATLANTE'S EXPERIENCE



The monitoring activities (farm visits in and out of season, meetings and discussions with farmers and consultants, conversation with Institution and other local stakeholders) conducted by the Atlante Ethical Team in the last five years confirm the social risks associated with this specific supply chain (particularly in the plum tomato sourcing regions of Southern Italy, such as the Foggia Province).



Violations and breaches of regulations are more likely to occur among suppliers from Tier 3 and beyond, as Farmers' Organizations (OP) and co-operatives do not ethically risk assess their business and not have adequate checks in place (absence of management systems).

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

ATLANTE MITIGATION MEASURES

We yearly build our strategies and action plan to mitigate the risk in our canned tomato supply-chain in collaboration with our partners (tomato processors /canners). The pillars guiding our strategy are:

- Keeping up to date with the risks occurring in this supply chain by conversing with Government institutions, NGOs, ethical roundtables. Since 2019 Atlante is conversant with the ETI Italian Forum, and in 2020 joined the ETI Italian Produce Working Group
- Training and education of tomato growers, both on-site and via the “Atlante Academy”, on legal requirement /management system. Since 2020, the Atlante's Ethical Manager, in cooperation with an international ethical consultancy (ESC international), enlisted a group of high-risk farmers' cooperatives on a risk-management training course, using tools developed by ESC. The training conversations are also a practical mean to promote Government tools available to farmers to legally engage workforce benefiting of some economic and operational advantage
- Continuing to audit high-risk farmers; in-season unannounced, semi-announced audits are administered by the Atlante's Ethical Manager and his Team in collaboration with the ESC International Country Manager
- Supporting tomato growers /cooperatives to design medium-term programs to improve standard in the workforce management
- Keeping up to date Atlante's clients on the supply chain risks. A bulletin is released on a regular basis to clients by Atlante's CEO, containing technical and ethical information on the tomato supply chain
- by building long term relations with canners, enlisting a restricted group of trained and trusted plum tomatoes growers in the south regions to reduce the risk for this traditional, delicious, unique product
- by building long term relations with canners, increasing the volumes of raw material sourced from center-north regions

FOCUS ON ITALIAN TOMATO SUPPLY CHAIN

CHALLENGES

- Following the offer-demand imbalances created by the SARS-CoV-2 pandemic plum tomato growers are experiencing a significantly increased contractual power. This in turn creates the conditions for farmers to always find buyers available to buy their product even in the absence of proper ethical assurances
- Retailer's tender-system used for commodity goods, focusing on price reductions, do not help reward counter-current ethical due diligences
- A more shared approach to the problem is needed, i.e., big processors should align on common actions to support Government Institutions in the area (common strategies, common standards for supply-chain, common requirements in term of government tools application through their own supply-chains, etc.).
- On the other side, retailers should reshape their buying conduct, replacing annual contracts with long-term contracts, and awarding best practices instead of continuously reducing prices while increasing the requested standards.
- The Roundtable on sustainable palm oil (RSPO) could be the target to match. As Atlante, we trust in the effectiveness of participation in ethical roundtables such as the ETI Italian Produce Working Group and FNET.



THANK YOU!