THE DANISH INSTITUTE FOR HUMAN RIGHTS

LABOUR RIGHTS ASSESSMENT

L'ORÉAL'S BERGAMOT SUPPLY CHAIN IN ITALY July 2022

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ABBREVIATIONS

| CGIL | Confederazione Generale Italiana del Lavoro (English: General Confederation of Labour) |
|------|---|
| DIHR | Danish Institute for Human Rights |
| FLAI | Federazione Lavoratori Agroindustria (English: Federation of Agroindustrial Workers) |
| HRIA | Human Rights Impact Assessment |
| INPS | Istituto Nazionale della Previdenza Sociale |
| ΙΟΜ | International Organisation for Migration |
| MEDU | Medici per i Diritti Umani |
| PDO | Protected designation of origin |
| UEBT | Union for Ethical BioTrade |

EXECUTIVE SUMMARY

OVERVIEW

L'Oréal, the world's largest beauty company, commissioned the Danish Institute for Human Rights (DIHR) to conduct an impact assessment of its Bergamot supply chain in the Calabria region of Italy in order to identify and assess any actual and potential human rights impacts, with a particular focus on labour rights. The assessment involved one of L'Oréal's three essential oil producers and focused primarily on the bergamot citrus fruit.

AIMS AND OBJECTIVES OF THE LABOUR RIGHTS ASSESSMENT

The aims and objectives of this assessment were to identify the actual and potential human rights risks and impacts in L'Oréal's bergamot supply chain, with a particular focus on labour rights; and to provide actionable recommendations to L'Oréal on how to address the identified actual and potential human rights risks and impacts. The assessment team also looked at a smaller number of lemon producers. The assessment supports L'Oréal's commitment to respecting human rights as per the UN Guiding Principles on Business and Human Rights and its Human Rights Policy as part of its human rights due diligence.

The assessment team visited the essential oil producer and various bergamot and lemon farms in the province of Reggio Calabria during February 2022. Additionally, the assessment team visited the migrant tent city in San Ferdinando, where West African migrants working in the agricultural sector in the region lived. The assessment involved primary and secondary sources. Interviews were conducted with L'Oréal, the essential oil producer, workers and owners/managers at the farms, the FLAI-CGIL trade union and various external stakeholders including organizations such as IOM, MEDU and OXFAM.

BERGAMOT IN CONTEXT

Bergamot is a PDO (protected designation of origin) citrus fruit grown in the most southern part of Italy between Villa San Giovanni and Gioiosa Ionica and between the foothills of the Aspromonte and the Ionian and Tyrenean seas in the province of Reggio Calabria.¹ The fruit blossoms in April and is harvested from October to March. It takes four to five years for the tree to bear fruit, with each tree producing around 100 kilograms per year, and two trees (200 kilogram of fruit) to produce a single kilogram of essential oil.

75% of the total bergamot production is used for the extraction of essential oil, primarily for the beauty industry to create perfumes, the remaining 15% is for fresh fruits.² Bergamot is of huge economic importance to the region, and additionally carries immense cultural value. There are nearly 1,300 smallholder farmers cultivating bergamot trees in Calabria. The average size of 50% of all plantations is rather small (2 ha), and the largest hardly exceed 20 ha.³ The fruit has been cultivated there for several generations, and locals show immense pride and appreciation for the meaning of bergamot for the region.

SUMMARY OF FINDINGS

The following table provides the findings of the assessment, organized by the essential oil producer, labour conditions at the bergamot and lemon farms and the greater situation surrounding labour in Reggio Calabria, Italy.

| ASSESSMENT CATEGORY | FINDINGS |
|---|--|
| Essential oil producer | Producer has a long-standing connection to bergamot, a very strong and close relationship to its suppliers, and a deep commitment to ensuring that bergamot production continues in the region. Active in certifying its supply chain through the UEBT certification, of the over 100 suppliers, 10 of the largest farms are UEBT- certified. Other fruits being sourced outside the region, e.g. lemons are largely sourced from Sicily, where the producer has less direct relationships with suppliers and sourcing is done through a facilitator/trader presenting a higher risk of labour issues. |
| Labour conditions at the bergamot and lemon farms | No negative human rights impacts were found among the farms assessed. Migrant workers came from India, Pakistan or Eastern Europe, and did not face the same challenges as African migrants living in migrant tent cities to the north of Reggio Calabria (e.g. Rosarno). A contextual risk in the agricultural sector remained around employment contracts not being reflective of actual days worked, although the assessment found no such occasions; however, the timing of the assessment meant less fixed-term workers (who are at higher risk) were present. |

| Migrant labour in Reggio Calabria | The assessment found high vulnerability among African migrants living in the informal settlements such as in San Ferdinando, issues included: Lack of access to humane housing conditions with health consequences; Barriers in gaining a residence permit, requirement of having employment causes workers to accept exploitative working conditions in order to receive an employment contract; Discrimination in accessing housing outside of tent cities; Employment contracts not followed, wages not paid correctly; Wages calculated by the amount of fruit collected, which is not in line with Italian law; Retaliation for workers reporting exploitation is high causing many to not report; and Strong influence of "Caporalato" system, leading to a risk of workers being trafficked and subjected to debt bondage. |
|--------------------------------------|--|
| | While African migrants were not found to be working on bergamot farms, a contextual risk remains. As L'Oréal is also sourcing other citrus fruits from Italy, among them oranges and mandarin, its supply chain could be exposed to risks of labour exploitation of workers, particularly migrant workers. |

SUMMARY OF RECOMMENDATIONS

The following table provides a summary of the recommendations for L'Oréal. It is divided by short-, medium- and long-term recommendations.

RECOMMENDATION ELABORATION

IENDATION ELABORATION

SHORT-TERM RECOMMENDATIONS

Encourage the essential oil producer to include clauses in supplier contracts that commit farmers to respecting fundamental labour standards

Place an additional focus on fixed-term workers

Currently, contracts with medium and large farms do not include any language requiring adherence to L'Oréal's standards, including fundamental labour standards. Only few farms (10) were UEBT certified at the time of the assessment, and since the essential oil producer does not conduct its own audits, farms outside of the certified supply chain – the majority of farms in the essential oil producer's supply chain – are not engaged on these subjects. Introducing this language into contracts with all suppliers will be a realistic first step to clarify expectations around adherence to international human rights standards, with a particular focus on labour rights.

The date of the assessment was chosen between the assessment team and the essential oil producer and intended to cover more than one crop as there is overlap between the two harvests. Due to availability of the essential oil supplier the assessment took place at a time where farms were almost finished with the bergamot harvest, or were in between bergamot and lemon harvests. Therefore, workers present were mostly permanent workers or workers with high number of days in their employment contracts. In future assessments of the Bergamot supply chain – whether through UEBT audits or L'Oréal's own assessments - ensure that these take place during the harvest season when most workers are present and include a focus on short-term/ fixed term workers. Special attention should be paid to whether employment contracts reflect the working reality.4

MEDIUM-TERM RECOMMENDATIONS

Use your leverage The assessment showed that the essential oil producer at industry level to was making significant efforts to get part of its supply chain UEBT certified. Financial support to some of these encourage other buyers of essential farms as well as the cost of certification represents a oils to source certified significant cost, yet at the time of the assessment the sustainable essential essential oil producer was not able to sell all of the oil certified bergamot oil and had to sell it as uncertified oil at a cheaper price. L'Oréal should use its leverage at the sectoral level to encourage other companies buying bergamot (and lemon) essential oil to buy certified sustainable oil, to ensure producers that certify their supply chain can at least cover their costs. **Conduct further due** The assessment was limited to bergamot and lemon from diligence on the the Ionian coast; the other two essential oil producers essential oil supply L'Oréal buys from – one of them based in Sicily – were not covered by the assessment. Even the assessed chain in Sicily essential oil producer had part of its lemon supply chain in Sicily, where a much more indirect approach to sourcing is applied (using a facilitator), meaning less visibility over potential labour issues. Sicilian farmers reportedly use other sustainability benchmarks, most prominently GLOBALG.A.P. Interviews with labour and migration experts point to a higher risk of exploitation in Sicily, which is why this assessment should be considered a start to a more in-depth look into the rest of the citrus supply chain, to assess whether the risks e.g. in Sicily differ from the Ionian coast. As illustrated by the widespread issues on orange and mandarin farms just 50 km north of Reggio Calabria, there is no guarantee that the findings from the bergamot context are transferrable to other commodities; rather interviewed labour experts confirmed that the issues found in the Gioia Tauro area are more indicative of the human rights risks in other

citrus fruits from Italy.

Conduct additional assessments of other agricultural commodities sourced from Italy, specifically oranges and mandarin While the assessment revealed a low risk of negative human rights impacts in bergamot, it also highlighted the exploitative labour conditions in other agricultural commodities, including other citrus fruits, from Southern Italy. There is a high risk that L'Oréal is linked to negative human rights impacts – particularly on migrant workers from Africa – in its orange and mandarin supply chain in Italy, as interviews with workers and labour experts indicated widespread labour abuses. Additional human rights studies of these suppliers are needed to understand the level of risk.

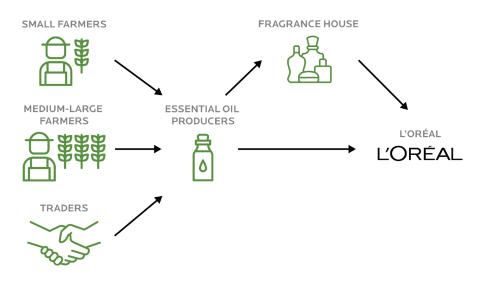
LONG-TERM RECOMMENDATIONS

Continue to assess where deep dive assessments of human rights risks can add value to L'Oréal's standard risk management approach Review internally how human rights impact assessments are prioritized across countries, commodities and suppliers. Cast the scope of assessments wide, to utilize them as tool for engagement with suppliers on sustainability. Ensure proper stakeholder consultation is included in the assessment of risks. Shorter scoping visits can help inform the approach for such an assessment and ensure that they target areas of highest human rights risk. Consider working with local and international organisations to contribute to housing solutions for migrant workers Addressing the living situation of migrant workers, specifically from Africa, is an urgent and systemic problem, particularly but not exclusively in the South of Italy. Companies that benefit from the labour these migrants provide have an opportunity to support urgently needed solution, for example by supporting organisations that provide housing solutions for migrant workers. This assessment worked with active organizations (IOM, MEDU, Mediterranean Hope) that can potentially support L'Oréal's efforts. This topic could also be included in L'Oréal's interactions with public authorities as part of the company's wider advocacy efforts.

1 INTRODUCTION

1.1 ABOUT THIS ASSESSMENT

L'Oréal, the world's largest beauty company, commissioned the Danish Institute for Human Rights (DIHR) to conduct an impact assessment in its citrus supply chain in the Calabria region of Italy to better understand the actual and potential human rights impacts with a particular focus on labour rights. The main focus of the assessment was the citrus fruit bergamot, which only grows in this region of the world.⁵ A secondary focus was lemon, which is also used to produce essential oil, and has an overlapping harvesting season. The company expressed interest in an assess-ment of this commodity in part due to reports of widespread human rights violations of migrant workers in Italian agriculture, particularly in this part of the country, and the fact that this is the only source of origin for bergamot essential oil, which the company buys.



L'ORÉAL 'S BERGAMOT ESSENTIAL OIL SUPPLY CHAIN

L'Oréal buys bergamot and lemon essential oils either indirectly through a fragrance house⁶ or directly from three essential oil producers. One of these essential oil producers, based in the Calabria region, was chosen by L'Oréal as an entry point for this assessment.

1.2 BERGAMOT IN CONTEXT

Bergamot is a citrus fruit of spherical form with an average weight of 200 grammes. Blossom time is in April and fruits are collected from November to March. Bergamot is a PDO (protected designation of origin) in the regions of Reggio Calabria, in particular the most southern area: it grows extremely well in the narrow strip of land – about 120 km long – stretching between Villa San Giovanni and Gioiosa Ionica and between the foothills of the Aspromonte and the Ionian and Tyrenean seas in the province of Reggio Calabria.⁷ While the tree grows and bears well in Sicily and in portions of North Africa and elsewhere, it is reported that the oil is highly variable, inferior in quality, and therefore unprofitable, which has made Reggio Calabria the worldwide hub for bergamot.⁸



Image: Area of bergamot production⁹

It takes four to five years for a bergamot tree to bear fruit, with each tree producing around 100 kilograms per year, and two trees (200 kilogram of fruit) to produce a single kilogram of essential oil. There are three different varieties of bergamot fruits that are traditionally grown, namely Feminello, Fantastico and Castagnaro. Fantastico is the most common, making up for about 75% of all bergamot.¹⁰

According to Unionberg, the largest association of bergamot growers in the region, only 15% of the total production of the fruit is absorbed by the fresh fruit and vegetable segment, with the remaining 75% used for the extraction of essential oil mainly in the beauty industry to create perfumes.¹¹ With its 350 chemical components, the essential oil of bergamot is indispensable to the international perfume industry as it not only has the function of fixing the aromatic bouquet of the perfumes but also harmonising the other essences that are contained.¹² Aside from its use in a vast range of toilet waters, perfumes deodorants, face powders, blushers, dandruff lotions, hair tonics and perfumed soaps, the essence of bergamot is also used in the pharmaceutical industry because of its high antiseptic and antibacterial, antimicrobial, antimycotic and antiviral qualities.¹³

As a very high-price fruit (most recently priced between 90 cents – 1 EUR/kg), bergamot is of huge economic importance to the region, and additionally carries immense cultural value. There are nearly 1,300 smallholder farmers cultivating bergamot trees in Calabria. The average size of 50% of all plantations is rather small (2 ha), and the largest hardly exceed 20 ha.¹⁴ The fruit has been cultivated there for several generations, and locals show immense pride and appreciation for the meaning of bergamot for the region.

1.3 **METHODOLOGY**

1.3.1 Aims & Objectives

The aims and objectives of this assessment were to:

- Identify and describe the actual and potential human rights risks and impacts in L'Oréal's bergamot supply chain – with a particular focus on labour rights – based on desktop review, observations and interviews with representatives of suppliers (farm owners), management, workers and external stakeholders (trade unions, civil society organisations, intergovernmental organizations);
- Provide actionable recommendations to L'Oréal on how to address identified actual and potential human rights risks and impacts.

1.3.2 **Scope**

The assessment focused on the supply chain of one of the three essential oil producers that L'Oréal was sourcing from directly and indirectly at the time of the assessment.

The assessment began in June 2020, was suspended due to the Covid-19 pandemic, and resumed in November 2021 through March 2022. The process began with virtual interviews with various stakeholders and experts in the region and sector as well as interviews with L'Oréal and the essential oil producer.

The assessment team visited bergamot and lemon farms in the province of Reggio Calabria during a five-day field visit, from February 14 to 18, 2022. The dates of the assessment were agreed between the assessment team and the essential oil producer. The assessment team covered farms located in the east (around Reggio Calabria), the south (Bova, Condofuri and Palizzi) and the west (Bovalino) of the Province of Reggio Calabria. Of the six farms visited, four were supplying bergamot, one lemon, and one was supplying both lemon and bergamot to the essential oil producer. The assessment team also visited the migrant camp in San Ferdinando (referred to as a migrant tent city) in the Gioia Tauro area.

A total of 48 individuals (31 men and 17 women) were interviewed in the assessment: 10 workers (one woman), four managers and staff from the essential producer, two from L'Oréal HQ, seven suppliers (five women), 21 external stakeholders which included organizations such as the trade union FLAI-CGIL, IOM, MEDU, OXFAM, Mediterranean Hope and other experts.¹⁵

1.3.3 **Process**

The Labour Rights Assessment followed the generic steps outlined in DIHR's Human Rights Impact Assessment Guidance and Toolbox, adjusted as necessary to the context of this assessment.¹⁶

| TABLE 3: LABOUR RIGHTS | ABLE 3: LABOUR RIGHTS ASSESSMENT STEPS | | | |
|--|---|--|--|--|
| ASSESSMENT PHASE | ACTIVITIES | | | |
| I. Planning and scoping | Decided on the issue and geographic scope and selected suppliers to be assessed Conducted a stakeholder mapping of internal and external stakeholders Developed assessment questionnaires for each stakeholder group, tailored to the agricultural sector in Italy | | | |
| II. Data collection and baseline development | Conducted desktop background research on the key human rights impacts in citrus, with a focus on the Calabria province of Italy Conducted virtual interviews with L'Oréal, the essential oil producer and external stakeholders prior to field assessment Conducted a 1-week field assessment in Italy, in the Calabria region, with a focus on interviewing workers, farmers and local organisations | | | |
| III. Analysing impacts | Analysed the data collected during the interviews and the field assessment against international human rights standards and relevant national laws | | | |
| IV. Impact mitigation and management | Produced a detailed report of all findings to L'Oréal Developed recommendations to L'Oréal on how to address the impacts identified | | | |
| V. Reporting and evaluation | Publication of Labour Rights assessment report in Q2 2022 | | | |

1.3.4 Limitations

As with any assessment, a number of limitations to the approach were identified. Some were clear from the start; others became evident during the field assessment. They are briefly outlined below:

• When scoping the assessment, L'Oréal decided to include only one of three essential oil producers that the company has direct relationships with; DIHR and L'Oréal would have liked to include all three. The reasoning was prac-

tical, as L'Oréal assessed that the other two suppliers were less likely to agree to be part in the assessment.

- The farm selection was heavily influenced by considerations of whether workers were present at the time of the assessment, and by availability of the essential oil producer. In general, even during the height of the harvest season, larger farms would have only between three and 15 workers. In trying to capture both bergamot and lemon producers, the assessment was carried out at a time, agreed between the local essential oil producer and the assessment team, when many producers had completed the bergamot harvest, which meant that less workers were present (usually no more than two per site).
- The field assessment was limited to the province of Reggio Calabria. The essential oil supplier is also sourcing lemon from Sicily. As buying is done through a trader and there are limited direct relationships with suppli-ers, the supply chain in Sicily was not part of the assessment.

2 ASSESSMENT FINDINGS

2.1 L'ORÉAL AND HUMAN RIGHTS

L'Oréal has committed to respecting human rights through its L'Oréal Human Rights Policy.¹⁷ Moreover, one of the three principles under the Sustainable Purchasing Policy, is "abiding by the ethical principles supported by L'Oréal and, in particular, respecting human rights in terms of the health, safety and protection of workers." Suppliers are also required to sign and adhere to the Mutual Ethical Commitment Letter, which includes specific and comprehensive commitments to human rights and, among other things, allows for audits.¹⁸

Since January 2019, the DIHR has been collaborating with L'Oréal to support the mainstreaming of human rights in the Group's operations. An initial human rights gap analysis in 2019 resulted in one of the recommendations being to focus on the company's management of human rights risks in its up- and down-stream value chains.

L'Oréal also submits a Vigilance Plan on an annual basis in order to meet the obligations of the French law of 27 March 2017 on the duty of vigilance for French parent companies.¹⁹ The plan detailed the results of its human rights risks analysis for 2021, identifying the following salient human rights risks:

- risk of child labour among the employees of its suppliers;
- risk of forced labour among the employees of its suppliers;
- risk of job discrimination because of gender, age, disability, gender identity and sexual orientation of the employees of L'Oréal and the employees of its suppliers; and
- risk of a lack of decent living wage for the employees of its suppliers.

It further mentioned additional risks related to communities e.g., related to the environment, water, land etc.

2.2 OVERVIEW OF ESSENTIAL OIL PRODUCER AND ITS RELATIONSHIP WITH PRODUCERS

The essential oil producer is a family-owned business, processing primarily bergamot, lemon, orange and mandarin. The company is certified in ISO 9001, ISO 22000, ISO 45001, Union for Ethical BioTrade (UEBT), organic, kosher and halal.

The company has 25 full-time employees, and approximately four to five seasonal employees during October and March. There are three departments, Administration, Laboratory and Production as well as two commercial staff working remotely. There are two to three employees focused on standard certifications. Production staff has between 10 to 12 people, processing oil, distillery and preparing the end-product for customers. Transportation of fruit from the farms is done by the essential oil producer, with two to three drivers at peak production to support the collection.

For bergamot production, the supplier works with approximately 107 producers (farmers) according to the UEBT audit. For lemon, there were 15 at the time of the assessment, one of which is a collection centre that includes other producers.

2.2.1 Commitments and values

The assessment found the essential oil producer has a long-standing connection to bergamot, a very strong and close relationship to its suppliers, and a deep commitment to ensuring that bergamot production continues in the region. Furthermore, more recently, it has been active in certifying its supply chain through UEBT certification (see Box below). Other fruits being sourced outside the region, such as lemons are largely sourced from Sicily, where the producer has generally no relationships with suppliers and sourcing is done through a facilitator/trader.

Box 1 – About Union for Ethical BioTrade

The Union for Ethical BioTrade (UEBT) is a non-profit association that promotes sourcing with respect. UEBT offers its members – including companies working in the food, cosmetics and natural pharmaceutical sectors – independent verification, supply chain certification and technical support.

The UEBT standard (also called the UEBT Ethical BioTrade standard or Ethical BioTrade standard) is based on the United Nations Conference on Trade and Development (UNCTAD) BioTrade principles and criteria. It is an internationally recognised voluntary sustainability standard that was developed with a wide range of stakeholders including companies, communities and civil society. Its principles are:

Principle 1: Conservation of biodiversity

Principle 2: Sustainable use of biodiversity

Principle 3: Fair and equitable benefit sharing derived from the use of biodiversity

Principle 4: Socio-economic sustainability (productive, financial and market management)

Principle 5: Compliance with national and international legislation

Principle 6: Respect for rights of actors involved in BioTrade activities

Principle 7: Clarity about land tenure, right of use and access to natural resources

Principle 6 and Criterion 6.3 focus specifically on workers' rights (e.g. wages, contracts, freedom of association, working hours). The UEBT standard aligns and recognises the rights of workers set out in relevant ILO conventions and the UN Guiding Principles on Business and Human rights.

Box 1 Source: Union for Ethical BioTrade , Monitoring and Evaluation Report 2020.

The essential oil producer has been operating over multiple generations, with many of the relationships dating back a few decades e.g. the largest producer has a 30-year relationship with the company. It should be noted that bergamot has a significant historical, economic and cultural importance for the region and its producers, which was highlighted by every producer and key informants interviewed during the assessment. Small-scale producers described the risk of bergamot not being produced anymore, because bergamot production was more of a tradition and less their main source of income, and their children were less likely to take over in the future. Currently, the essential oil producer is buying from more than 100 bergamot producers, the majority of which are small-scale, with about 30 considered medium to large, supplying between 30 – 100 tons of fruit. It was notable that aside from the essential oil producer, some of the large progressive bergamot producers assessed were operated by women. Continuing to source from small-scale producers, which are family farms often delivering a few boxes of fruit with their own cars, is part of the essential oil producer's commitment to preserving the bergamot farms in the region by also supporting small-scale farmers.

For lemon, we were informed that unlike bergamot, the essential oil producer is mostly buying lemon from Sicily and had 15 lemon producers, one of them being a collection centre. Lemon from Sicily was procured through a facilitator, making the relationship much more distant and, as result, opaque with less visibility of risks as compared to its bergamot and lemon suppliers Reggio.

In terms of certified sustainable production, approximately 5 tons is certified bergamot, and 1 ton is certified lemon, all of which are sourced in the region. Lemon from Sicily is not UEBT certified but are using another standard called the GLOBALG.A.P.²⁰ More details on the UEBT certification and audits are provided in the next section.

2.2.2 **Due diligence**

The essential oil producer started the process to become UEBT certified in 2019/2020 and became officially certified in 2021. During the interviews, management described that UEBT was chosen as it is widely recognized and would enable them to fulfil the standards of multiple buyers in the parfum industry.

The producer has undergone annual audits as part of the UEBT certification, which involved visiting some of those farms that are part of the certification and interviews with farm owners and workers. UEBT audits include labour indicators such as minimum wage, living wage, contract terms, gender equality, child labour, forced labour, working hours, freedom of association, safe and healthy working conditions and harassment.

Suppliers part of the certified supply chain are medium or large producers and do not include small scale producers. Out of approximately 100 suppliers, 30 suppliers fall into the category of medium or large producers. As of 2023, only ten are part of UEBT certification. At the time of the assessment, nine producers were mentioned as UEBT certified, five producing Bergamot, three producing lemons, and one is producing both bergamot and lemon.

At the time of the assessment, 5 of the 10 UEBT certified producers had been audited in 2021, and we were informed that all ten were audited in March 2022. The previous audit we reviewed largely found conformances across topics, with a few nonconformances surrounding safe and healthy working conditions (discussed further in Section 2.3.8).

The producer has worked closely with these suppliers as part of the certification and in addressing nonconformances. We heard from the producer as well as farmers in the supply chain that the producer has supported farmers in a number of ways e.g. by providing an agronomist, documenting processes such as risk assessments, supporting on topics such as use of water and personal protective equipment for workers.

The relationships with suppliers are largely built on trust and long-standing relationships. The previous UEBT audit report noted that supplier agreements were not in written form. During interviews with the essential oil producer it was mentioned that there were now written agreements with UEBT-certified suppliers in place, but that they do not include any sustainability clauses, and only focus on price and volume. This can create a challenge when seeking to ensure that commitments are followed through, for example in relation to labour rights, and specifically on farms that are not part of the UEBT-certified supply chain, as these are not subject to audit at the moment. The essential oil producer does not conduct audits themselves and relies on the annual UEBT checks. For small-scale producers, there are no contracts in place. They often deliver their yield by private car directly to the essential oil producer, where they are paid based on the price set by Unionberg.²¹

2.2.3 L'Oréal and Sustainability certifications

L'Oréal accepts a variety of different certification standards from its suppliers, and different commodities often have their own certification scheme attached to it (for example, the Roundtable for Sustainable Palm Oil's certification). The company's procurement team has been conducting a benchmark of various certifications against its own standards. The UEBT certification is a widely accepted standard in the cosmetics industry, and is one way essential oil producers can demonstrate compliance with L'Oréal's own responsible sourcing standards expressed in the Mutual Ethical Commitment letter that suppliers need to sign.²² In cases where suppliers are not sure where to start, L'Oréal supports the process so as to "help them not to get discouraged". They map performance and provide information on which commodities can become certified. They provide training on how to have a due diligence process, on becoming certified, preparing of an audit and building an action plan.

In terms of due diligence, L'Oréal conducted a diagnostic test on the essential oil producer, which is similar to an audit, and is intended to support the producer in becoming UEBT certified.

In terms of buying practices, L'Oréal described that buying for the lowest price is not the sole focus of purchasing decisions, but that high quality and innovation are other factors considered. There is an expectation that L'Oréal buys ethically sourced ingredients and that the purchasing price should cover the cost of ethically produced ingredients. L'Oréal mentioned that direct purchasing should be 100% certified. When purchasing indirectly, for example through a fragrance house, L'Oréal also requests certified oil. However, it is worthwhile noting that the essential oil producer stated that they were not able to sell all of the certified bergamot oil they produced (5 tons for 2021), as there is not sufficient demand from buyers, so they had sold some of the certified product as uncertified oil. The producer highlighted that certification is expensive, and that it would be problematic if they are unable to sell all of the certified oil in the future, as it would make it unprofitable for them.

For lemon, the producer stated that the demand for certified essential oil currently exceeds the volume produced (1 ton for 2021), and that the producer was currently exploring opportunities to expand its certified lemon supply chain to meet the demand.

2.3 LABOUR CONDITIONS ON BERGAMOT AND LEMON FARMS IN REGGIO CALABRIA

The following section provides the findings and observations from the assessment based on primary and secondary data collection and analysis.

The section begins with an overview of the workers and thereafter is divided by labour topic. Generally, no negative human rights impacts were found among the farms assessed. Some areas have been identified as potential human rights impacts or risks based on the wider regional and sectoral context and information shared by various organizations and experts.

2.3.1 Workers Profiles

A majority of the farm workers were male with diverse backgrounds, observations and interviews mentioned Bulgaria, India, Italian, Morocco, Pakistan and Romania. They were living in the local area and did not seem to be migrating to other agriculture commodities in the country. This is most likely due to the fact that we spoke with workers that are either working permanently on the farms or on fixed-term employment contracts with a high amount of days per year. Types of jobs included harvest farm workers, truck/tractor operators and farm managers.

Generally, there is a low number of permanent workers and seasonal workers in bergamot, even during harvest time from October/November to February. This may be because the bergamot fruit can stay on the tree for a longer time, allowing the harvest to progress at a slower and more stretched out pace, requiring less workers even on the larger farms. Larger farms may have anywhere from three to 15 workers during peak harvest and no more than 10 workers during the rest of the year, whereas small to medium farms have on average 3 workers at peak.²³ While the situation may vary from farm to farm, the assessors observed that some of the workers have been working at the same farm for a number years, and there is an appreciation for the workers. As one farm owner described, she/he found it important to have a good relationship, working with them during harvest, and that it is like a "family", going on to explain that she/ he always makes sure to pay them on time each month, and did this even during the height of the pandemic and when the family was experiencing hardships.

2.3.2 Child labour

No evidence found.

2.3.3 Forced labour

No evidence found in the Bergamot farms. There are secondary sources²⁴ that describe risks of practices that would meet indicators of forced labour under ILO's definition in the agriculture sector; however, this was not found during the assessment of the bergamot supply chain.

2.3.4 **Recruitment and hiring or workers**

Nearly all of the farm owners/family members mentioned challenges with recruiting workers, with a particular mention that the social welfare program, known as Reddito di cittadinanza, for those unemployed made it difficult to attract workers. The benefit can last up to 18 months, with the option to renew an additional 18 months if the person is still unemployed. There may be cases where the social welfare benefit is higher than the wages received in the agricultural sector. While the benefit amount varies depending on the family's situation, the benefit ranges from 6.000 Euros (one adult) to 13.200 Euros (family with four adults (or three adults and two minors including a severely disabled person) annually.²⁵ As an example, if a worker is on a fixed term employment contract of 100 days at 45,51/day (based on the collective bargaining agreement rate for the agricultural sector in Reggio Calabria) this would be 4.551 Euros annually, which is much lower than the minimum unemployment benefit amount. In practice, it is mainly Italians that meet the eligibility,²⁶ among the strict requirements, a person must have been residing in Italy for at least 10 years, with a continuous residence in the last 2 years.

A few farmers also mentioned immigration status (referred to as becoming "regularized") as a difficulty, one owner mentioned that it took one migrant worker a year to receive a temporary residency permit to allow him/her to work, this is further described in Section 3.

Smaller farms are usually run by the family, with only one or two temporary workers supporting the harvest period. Recruitment seems to happen directly by the farm owner. There was no evidence to suggest that a third-party is used to recruit workers. It should be noted that the caporalato system²⁷ does not seem to be present among bergamot producers, something which was confirmed by labour experts interviewed for this assessment.

For UEBT certified suppliers, it should be noted that UEBT does not include indicators related to the recruitment and hiring of workers, which may limit the proper ongoing monitoring of this risk.

2.3.5 Employment status and contracts

According to the collective bargaining agreement for Reggio Calabria,²⁸ an employment contract may be either fixed-term or permanent (Art. 5) and the contract must be in writing. Fixed-term employment is limited to the performance of short-term, seasonal, occasional work, by phase of work i.e. the execution of specific operations of the annual production cycle e.g. ploughing, maturing, pruning or harvesting or to replace absent workers. When hiring by work phase, the employment must be guaranteed for the duration of the whole phase. Approximately 90% of agriculture workers are on fixed-term contracts according to an agriculture body supporting farm owners, this was also the case for those interviewed in the assessment.

According to the interviews, fixed-term contracts are normally made for 51, 102 or 156 days. According to recent statistics, more than 300,000 agricultural workers, or nearly 30%, work less than 50 days a year.²⁹ The assessment team visited the farms at end of the bergamot harvest/in between harvest of bergamot and lemon, where the few workers present were permanent workers or fixed-term workers with a high number of days in their fixed-term employment contracts, some referencing 100 days annually.

It is important to note that Italy's rate of irregularity in labour relations in agriculture is high at 39%.³⁰ Moreover, interviews and secondary sources describe that undeclared (i.e. uncontracted) work in the agricultural sector is common. Referencing 'black' and 'grey' labour, black labour are those uncontracted workers, with limited legal protections that often go invisible; and grey labour are those that are regularly hired, but the number of working hours/days declared is lower than the actual amount, or the declared remuneration is lower than the actual sum.³¹ As one key informant described, "the norm is to not have a contract...to not being paid for how much they work".

Given the contextual risks in the country and sector, a risk of irregularity will generally be present. The interviews with farm owners emphasized that all workers had employment contracts, which was also confirmed by the workers we interviewed. Though challenges still exist in contracting: one farm owner mentioned that she/ he would like to hire more workers, but that it is difficult because while there may be migrant workers that want to work, they often do not have permits to work. She/ he mentioned that they would have been able to finish harvesting quicker if she/he had more help. In terms of grey labour, no workers mentioned issues of being paid incorrectly; however, this is very difficult to verify without auditing documentation. It should be noted that the UEBT audit found the essential oil producer to be in conformance, with workers "aware of their working contract and conditions, as this is fixed by the CCNL (Contratto collettvo nazionale di lavoro) declared to INAIL: Istituto nazionale per l'assicurazione contro gli infortune sul lavoro)". One legal expert supporting migrant workers emphasized the importance of reviewing employment contract and inquiring further on any employment contracts with a low number of days.

The situation in bergamot (based on the workers we spoke with) seemed to be very different from other workers in e.g. Rosarno (see Section 3). Most of those interviewed had a high number of days in their employment contracts; have been living and working in the area for many years, with some having their families with them; and were not migrating seasonally for work. One worker had been in Italy for nearly 20 years and was settled with her/his family. Though she/he did mention difficulties experienced when she/he had first moved to Italy, in terms of accessing housing, employment and a residence permit. Another worker, who had been in Italy for over a year, was hoping to bring her/his spouse to Italy.

2.3.6 Wages and benefits

According to the collective bargaining agreement for the agricultural sector in Reggio Calabria, fixed-term workers harvesting fruit (referred to as OTD) have a wage set at 45,51/day, and permanent workers (referred to as OTI) are set at 912,99/month. Compensation for fixed-term workers is limited to the hours actually worked (Art.5), which means that unless a minimum number of working days is guaranteed by the

employer in the contract, compensation is not necessarily calculated based on the days comprised within the duration of employment.

In terms of paid leave for fixed-term workers, according to Art. 13, it is determined by the company (a fixed number is not given in the collective agreement). According to the interviews, fixed-term workers normally have none, whereas permanent workers have approximately 22 days/year. Fixed-term workers may request an unpaid leave of up to 30 days for demonstrated family needs (Art. 13).

Sick leave is paid by INPS (National Institute of Social Security) from the fourth day of sickness onwards, up to a maximum of 180 days. The first three days are paid by the employer. For fixed-term workers, there is a yearly unemployment allowance calculated as 40% of the amount resulting from the relevant wage to the number of days worked during the year. It is paid as a lump sum in June.

With the exception of three workers, all of those interviewed were working on the farms year-round (either as permanent or fixed-term with high number of days in their contract), which means that their situation is likely better in terms of contract terms and wages. From the workers interviewed, a few did not feel comfortable sharing information on their wages. One person mentioned that it was difficult to live off the current wages, especially because things have become more expensive. She/he hoped to discuss this with the owner in order to see about an increase due to rising inflation. Another person, which had worked on the farm for three years and was on a nine month contract, described that her/his salary was fair, making the comparison that the previous farm she/he worked at was not good, and the wages were a lot less than what she/he earns now.

Truck operators, which requires a specific operating license, received higher wages, approximately, between 70 to 80 Euros per day. Those interviewed had a salary of approximately 1100/month.

Wages paid as a piece-rate (the practice of payment by unit of production, rather than by length of time worked) – which is illegal under Italian law – was not found, though it is common in the agriculture sector.³²

When we asked one key informant whether the wages are fair and provide for a living wage, she/he explained that while agricultural wages in Italy are low, if the contracts follow the provincial collective bargaining agreements then it should be sufficient for an adequate standard of living. This is assuming workdays are paid correctly and also that workers are able to work enough days out of the year to support themselves. Given that the assessment team spoke mostly to permanent workers or fixed-term workers with a higher number of days, there is a need to further examine the situation of fixed-term workers supporting the harvest at peak times.

In terms of UEBT, there are indicators related to "employees and field workers" receiving at least a minimum wage and whether such wages meet a living wage. The essential oil producer received a conformance in both areas, highlighting that workers are paid according to the wages defined by CCNL (Contratto collectivo nazionale di lavoro), and that workers did not have a problem covering their personal needs.

2.3.7 Working hours

The collective bargaining agreement notes that ordinary working hours are set at an annual average of 39 hours per week and 6.30 hours per day (Art. 10). The collective agreement specifies that working hours may be averaged over a maximum period of twelve months, with the result that working hours may be allocated in excess for *"one or more weeks"* provided that the hours for the other weeks are reduced accordingly. The weekly rest period is required to be at least 24 consecutive hours and should fall on Sunday.

Ordinary weekly working hours may be exceeded for reasons of absolute necessity or for special needs relating to seasonal work for a period not exceeding 90 hours per year, with a maximum of 46 hours per week. According to Art. 11, overtime must not exceed three hours per day, 18 hours per week, 300 hours per year and may be requested by the employer only in cases of necessity when crops and/or production are susceptible to damages. According to Art. 12, when the worked hours exceed four hours in a day, fixed-term workers are entitled to a full day's wage.

Remuneration is increased by 20% in case of overtime, by 30% in case of work during public holidays, by 35% in case of overtime during public holidays and nightwork.

No issues with excessive working hours found and the workers interviewed mentioned that they generally did not work overtime. Harvesting bergamot was described as "low pressure work" as workers can harvest over a period of a few months since the fruit can stay in the tree for a longer time. A worker that managed a smaller farm year-round described that during harvesting she/he works with two to three people, and they take their time picking the fruits between November and February.

While no issues were found, some sort of time registration system should be in place to ensure working hours are properly recorded and paid out to workers. The UEBT audit found the essential oil producer to be in conformance on the indicator for working hours and overtime, though a recommendation was made for the farms to institute a time registration system.

2.3.8 Safe and healthy working conditions

As mentioned previously, the essential oil producer has been supporting a few of the farms on a number of aspects including on health and safety as part of the UEBT certification. We observed this support e.g. providing PPE to the farms. UEBT has several indicators related to safe and healthy working conditions, including emergency system in place; handling chemical substances; access to drinking water, facilities and to a first aid kit. Two nonconformities were noted, one related to the lack of documentation on training provided to workers on "agrochemical and fertilizers handling, machinery safety and use, food defense, communication on wellbeing at work, health and hygiene at work, etc.". The audit also noted that "workers do not always handle safely the agrochemicals for other crops (not bergamot)." The other nonconformance was related to first aid kit and lack of training on using the kit and in the event of an emergency.

None of the farms visited provided worker housing or transportation to and from work.

None of the workers mentioned any challenges or concerns related to the health and safety. Many of them were wearing gloves. Based on our observations, health and safety risks included:

- Working at heights, using a ladder to reach the higher fruits;
- Manual harvesting e.g. fruit picking that involves awkward working posi-tions and reaching above the shoulder or head;
- Heavy lifting e.g. lifting fruit cases; and
- Adequate facilities (toilets) not available at all of the farms.

Workers seemed to take breaks on the land, bringing food and beverages with them.

In terms of pesticides, according to the UEBT audit, "there is no use of herbicides nor chemical pesticides for bergamot production and this has been evidenced through field observation and interviews to farmers and workers. Organic practices are applied even if the production is not organic certified."

Contextual risks of agricultural work include fatigue e.g. working extended hours during peak times (e.g. harvesting) and working in hot or cold weather.³³ Workers interviewed stated that work hours and breaks were respected, and that the drawn-out nature of the bergamot harvest meant that the harvest did not lead to excessive working hours.

2.3.9 **Discrimination**

The assessment did not find any real or perceived forms of discrimination among the producers. Interviewed migrant workers all spoke Italian, and many indicated that they have lived in the country for many years. However, many mentioned the difficulties in getting established and "regularized" in terms of visa status. Furthermore, experts interviewed highlighted that migrants always face a risk of being "treated differently" than nationals and are at a higher risk of exploitation due to their dependence on the work for their residence permit (see Section 3). It was also pointed out that the situation of migrant workers on bergamot farms in the Reggio Calabria area is much better than the issues migrant workers from Africa harvesting oranges or mandarins face a little further north. The significantly higher price of bergamot was named as a key factor.

There is a UEBT indicator: equal opportunities are made available in the workplace. The producer was found to be in conformance, noting that "some producers employ foreign workforce (Indian, among others) with the same rights and conditions as local people." There were no additional details on how this was assessed.

2.3.10 Freedom of Association

No evidence was found of efforts to restrict the ability of workers to join trade unions, and while collective bargaining agreements seem to be followed in the farms we visited, unions and other labour organisations stated that this was certainly not the case in relation to the agricultural sector in general.

3 THE BIGGER PICTURE: MIGRANT LABOUR IN REGGIO CALABRIA

At the outset of the assessment, L'Oréal and DIHR expected the regional and sectoral risk of migrant labourers – particularly from West Africa – to be present across different citrus fruits produced in the region. A more differentiated understanding of migrant workers in the bergamot supply chain was only acquired during the field assessment and did not emerge from the background research. Concretely, the assessment team did not find strong evidence of migrant workers from West Africa (largely living in the tent cities) in the bergamot growing region of Calabria. However, field research and interviews with labour experts from the region confirmed the presence of these risks in the wider agricultural sector in the region, including in the production of other citrus fruit like oranges and mandarins. To illustrate the differences between the conditions in the bergamot sector compared to the exploitation of migrant workers in other agricultural commodities in the region, the following section presents the findings from the assessment team's interviews with experts and the visit to the migrant tent city in the Piana di Gioia Tauro area of Calabria. It will put the assessment findings from the bergamot farms into perspective and highlights the need for heightened due diligence in relation to other citrus fruits L'Oréal sources from Italy.

3.1 **CONTEXT**

In preparing this assessment, background research highlighted the high risk of labour exploitation of migrant workers, particular from West African countries, in the harvest of agricultural products throughout Italy. Reggio Calabria carried a particularly high risk, often being a first entry point into the country for migrants from Africa. Aside from labour exploitation, reports also centred around the living conditions of migrants who live in tent cities in the Piana di Gioia Tauro area of Calabria.³⁴ The assessment team therefore included the tent city in San Ferdinando in the scope of the field visit.

The more differentiated understanding of migrant workers in the bergamot supply chain was only acquired during the field assessment and did not emerge from the background research. We did not find strong evidence of migrant workers from West Africa (largely living in the tent cities) in the bergamot growing region of Calabria. As described, most of the workers we spoke to have become established in Italy, spoke the language and with some living in the country for many years. Many had their families with them and lived nearby. In addition, we also observed a high percentage of Italian workers involved in bergamot production, indicating better conditions of work.

Nevertheless, L'Oréal is also sourcing other citrus fruits from Italy, among them oranges and mandarin, which carry a very high risk of labour exploitation of workers, including migrant workers, with them. The perspectives gained through the visit of San Ferdinando as well as interviews with civil society organisations, international organisations and trade union clearly emphasize a need for L'Oréal to take a closer look at the risk of negative human rights impacts materializing in those supply chains. The following section highlights some of these risks.

3.2 "TENDOPOLI" IN SAN FERDINANDO

The assessment team visited the tent city ("tendopoli") in San Ferdinando in the evening hours, when migrant workers returned from their jobs. The site visit was coordinated with staff from Doctors for Human Rights Italy (Medici per i Diritti Umani - MEDU) and supported by a cultural mediator from the International Organization for Migration (IOM). As mentioned, IOM, through its cultural mediators, supports law enforcement in conducting the controls at farms to ensure labour laws are being followed. MEDU provides much needed medical and legal support to the San Ferdinando camp inhabitants once a week,³⁵ including helping migrants with their applications for a residence permit, health services and handing out face masks and hand sanitizer. Similar camps exist in other areas of Italy as well, including in Sicily. Al Jazeera reported in 2020 that in the neighbouring towns of Taurianova and Rizziconi, two overcrowded informal settlements hosting 200 people each had emerged. Migrants lived in shacks built from cardboard, wood, plastic and scrap metal without access to potable water and electricity. Workers there reportedly built makeshift toilets or simply relieve themselves in the fields.³⁶

The camp we visited is located outside of Rosarno, about 60 km northeast of Reggio Calabria, and out of sight from the rest of Italian society. Starting as an informal collection of tents and shacks, the city of Rosarno eventually erected 90 large blue tents, that housed up to 9 people. Attempts to create a more controlled environment, including by establishing a formal entry to the camp and giving inhabitants badges to access the camp, were given up by 2020, as financial support for the project was withdrawn by the region. Attempts to close the camp led to a reduction to 57 remaining blue tents, yet inhabitants erected additional structures/tents in between to accommodate the flow of migrants.

At the time of our visit, the camp housed about 300 male migrants, but there have been peak times prior to the Covid-19 pandemic where up to 3.000 people lived at the site. Inhabitants exclusively come from Africa, with the majority coming from West African countries like the Gambia, Senegal, Mali, Nigeria and Ghana.

The camp had only 9 washrooms and was without access to electricity after a recent fire on New Year's Eve.³⁷ Camp inhabitants had bought a few back-up generators that powered the only lights in the camp. According to MEDU, inhabitants often called MEDU staff in medical emergencies, as the local ambulance would usually not come out to the camp when called.

The situation is extremely dire for the people living there, during the winter months it can become quite cold in the evening, with many burning firewood in order to stay warm. MEDU mentioned that it is difficult for those working outside all day as they return and still are largely outside, many suffer various health consequences as a result.

3.3 THE STRUGGLE FOR RESIDENCE PERMITS

Migrants we spoke to as well as experts from local and international organisations highlighted the struggle of African migrants to gain a residence permit, which would allow them to become established and gain housing outside of the camp. Most of them are provided with temporary residence permits, which are valid for six months and are continuously renewed by regional authorities. These permits allow them to stay and work, but do not enable them to get housing outside the camp. Due to the long processing times, many migrants apply for asylum instead, in order to be able to stay until their application has been processed.³⁸ According to a labour expert providing pro bono legal support to migrants in Rosarno, getting a residence permit in Calabria takes up to two years, compared to 40 days in other regions of Italy.³⁹ As one expert described: "For migrants, it is very important to have a resident permit, they would give their lives for one." The expert continued to explain that their dependency on employment for their residence permit made them accept poor or exploitative working conditions.

Even those who managed to get a residence permit struggled with moving out the camps. These migrants move with the different harvesting seasons of agricultural products (oranges, olives, tomatoes), from Calabria to Sicily all the way up to Northern Italy. Given that they often move every few months to follow the harvest, African migrants are unlikely to find a room for rent, even in the rare case that they have a residence permit. According to a labour expert, institutions in Italy commonly think that migrants do not want to leave the camps in order to be able to send more money home. The reality is that migrants want to move out of the camps and often also have the financial means to do so, but many barriers prevent it.

Migrants in Rosarno either stated that they were hoping to get a residence permit and bring their families to Italy, or that they only sent small amounts of money back to their home countries, instead using most of it to make a living in Italy. Unions and labour experts also confirmed that societal racism presents an additional obstacle for African migrants to become regular and move out of the camps. Discrimination in access housing was mentioned, where some Italians prefer not to rent migrants, as one expert mentioned, "people won't rent them a house, because they think that migrants will make the house dirty or won't pay rent." Some civil society organizations are working on providing housing solutions to migrants, but overall, the impression is that there is little motivation by Italian authorities and society to provide proper housing conditions and to integrate the migrants living in these informal areas. They are supplying the Italian agricultural sector with cheap labour while living under inhumane conditions out of sight on the outskirts of Italian society.

3.4 LABOUR EXPLOITATION IN ITALIAN AGRICULTURE

Agricultural products from Italy carry a high risk of labour exploitation, particular exploitation of migrant workers from West Africa, like those living in Rosarno. Other human rights impact assessments in Italy, for example Oxfam's 2019 assessment of the tomato sector or their 2021 assessment of Swedish Systembolaget's wine supply chain highlighted the seasonal nature of migrant worker movements throughout Italy, pointing to the risk of a worker being exploited in the harvest of different agricultural commodities throughout Italy.⁴⁰

Calabria's Gioia Tauro plain is a farming hot spot known for tangerines, oranges, olives and kiwis.⁴¹ In contrast to bergamot, these fruits primarily go to the fresh market, and face significant price pressure through consumer demand for low prices and competition from other producing countries (e.g. Spain, Latin American countries). This

leads to an increased demand for cheap labour, and increases the risk of exploitation of migrant workers, who are particularly vulnerable as they rely on work for their residence permits and survival. The price of oranges currently stands at about 10-15 cents per crate, which is so low that some farmers, particularly smallholders, are leaving the fruit in the trees to rot, as the price they can get does not cover the cost of picking the fruit out of the trees.⁴²

At the time of the assessment, the migrants living in San Ferdinando generally worked harvesting oranges and mandarins on farms around Rosarno, some cycling many kilometres to reach the worksite. Accidents were reportedly common, particularly in winter times when it gets dark earlier.⁴³

The assessment team spoke to some of the camp's inhabitants, to organisations providing legal aid to migrant workers, to trade unions active in the agricultural sector and to international organisations with knowledge of the situation.⁴⁴ The following section captures the main labour issues highlighted by these stakeholders.

3.4.1 Employment contracts, Working Hours and Wages

Each province in Italy has a provincial collective bargaining agreement for the agricultural sector, which specifies the conditions for employment that a contract should meet. The issue is following the agreements, as one legal expert stated, "we start with the assumption that every migrant is exploited, because employers never respect the collective bargaining agreement for the agriculture sector."

Labour experts as well as migrants interviewed during the assessment all confirmed that while workers generally receive a contract, those contracts never reflect the reality (referred to as "Grey" labour). As one key informant described, migrants may have contracts, but they are not respected, and that contracts did not reflect actual days worked. She/he gave the example, that in her/his current role they check INPS and often only see three, four or five days worked, which is not the case with the worker often working significantly more days in a month.

On working hours, the workers interviewed stated that they usually worked 8 hours/ day, even though the law states agricultural labour should be limited to 6.5 hours/day. Extraordinary hours were not compensated extra, and the underreported number of days worked in a month meant no social contributions to pension or unemployment schemes. One worker stated that he was compensated per box of fruit picked at 1.50 Euros per box, which is illegal according to Italian law, and research indicates this is common practice.⁴⁵ He managed to earn about 800 Euros a month. He kept most of that money for himself and was looking to get accommodations outside the camp, which he could likely afford.

Notably, recent cases from 2021 found migrants being paid as little as 50 cents per citrus box and earned almost half of the daily wage (25 Euros) established by the provincial collective agreement.⁴⁶

3.4.2 Occupational health and safety

The individuals we spoke to in the camp indicated that the work on the farms was very hard. They complained about back pain, particularly from the carrying of heavy boxes of fruit. They stated that they did not receive protective equipment from the farms, and one worker mentioned that he was spraying pesticides without protective equipment, with the wind blowing chemicals in his face. The situation is heightened given the dire housing conditions people are living with and the limited access to medical care at the camps.

3.4.3 Access to remedy

Local as well as international organizations working to address the exploitation of migrant workers mentioned the difficulties of getting workers to report exploitation. The systemic nature of exploitation, the dependency of the job and the risk of being seen as a "rebel" who then will not be able to get employment elsewhere where all mentioned as factors in migrant workers' reluctance to report exploitation. Organizations like Piccola Opera, which is providing legal aid, or the International Organization for Migration, whose cultural mediators are supporting Italian labour inspectors in conducting farm inspections, are examples of efforts to make this problem visible; and encouraging workers to report and providing support including from the risk of being threatened or harmed due to them speaking out. Reporting though is still very much a challenge, given that workers reliance on employment also in order acquire a residence permit, they were generally reluctant to report any injustices.

3.4.4 Influence of the "caporalato"

"*Caporalato*" is the Italian term for a widespread unlawful gangmaster system and is a distinct feature of labour exploitation in seasonal agriculture in Italy. The term describes the act of conducting an organized activity of intermediation, recruiting manpower or organizing a workforce, and is characterized by use of violence, threats, and intimidation.⁴⁷ As the UN Working Group on Business and Human Rights noted during its country visit to Italy in 2021, between 400,000 and 430,000 workers in the agriculture sector are illegally employed under a gangmaster system. The UN Working Group noted:

"Migrant and Italian workers fall under the exploitative control of gangmasters, sometimes due to their vulnerable status, lack of documents, or desperate circumstances and poverty, and frequently fall into a cycle of debt-bondage."⁴⁸

Labour experts interviewed during the assessment confirmed that while this system is less common on the Ionian coast of Calabria, where bergamot is grown, it is still pervasive in the Gioia Tauro area. With strong ties to Calabria's 'Ndrangheta criminal organization, gangmasters are often migrants themselves. The recruitment process already starts in origin countries in West Africa, from where workers are then trafficked to Italy with the knowledge that they must *"pay something back"* for the opportunity.⁴⁹ Multiple reports detail how gangmasters are involved in the transport of workers from camps like San Ferdinando to the farms, charging workers for this transport as well as drinking water and middlemen oversee migrants working in the fields under exploitative conditions.⁵⁰

3.4.5 Women in the citrus sector in Sicily

While this assessment was limited to the regional supply chain of one essential oil producer in Reggio Calabria, it needs to be noted that this producer also sources lemon from Sicily. Additionally, L'Oréal is buying essential oils from two other essential oil producers, one of them located in Sicily. According to the Migration Policy Center, female migrant workers from Romania and Morocco working in the agricultural sector – including in the citrus sector – are facing systemic sexual harassment by owners and caporali. Particularly women from Morocco, whose arrival is often facilitated by caporali are arriving without their families, face issues with their residence permits, and are sometimes living in accommodation provided by employers, making them particularly vulnerable to double exploitation (labour and sexual exploitation).⁵¹

RECOMMENDATIONS 4

As the previous sections of this report illustrate, the Labour Rights Assessment revealed a very different picture of the human risks in the supply chain of one of L'Oréal's essential oil producers with bergamot compared to the contextual risk in other citrus fruits from the region. Additionally, the limited scope of the assessment in only including one of L'Oréal's essential oil producers calls for caution around blanket statements about the Italian citrus supply chain and warrants further due diligence. Therefore, the majority of recommendations focus on an expansion of due diligence to the rest of the citrus supply chain in Sicily as well as the more high-risk contexts outside of bergamot.

RECOMMENDATION **ELABORATION**

SHORT-TERM RECOMMENDATIONS

oil producer to include clauses in supplier contracts that commit farmers to respecting fundamental labour standards.

Encourage the essential Currently, contracts with medium and large farms do not include any language requiring adherence to L'Oréal's standards, including fundamental labour standards. Only few farms (10) were UEBT certified at the time of the assessment, and since the essential oil producer does not conduct its own audits, farms outside of the certified supply chain – the majority of farms in the essential oil producer's supply chain – are not engaged on these subjects. Introducing this language into contracts with all suppliers will be a realistic first step to clarify expectations around adherence to international human rights standards, with a particular focus on labour rights.

| Place an additional | The date of the assessment was chosen between |
|---------------------|--|
| focus on fixed-term | the assessment team and the essential oil producer |
| workers | and intended to cover more than one crop as there is |
| | overlap between the two harvests. Due to availability |
| | of the essential oil supplier the assessment took place |
| | at a time where farms were almost finished with the |
| | bergamot harvest, or were in between bergamot and |
| | lemon harvests. Therefore, workers present were mostly |
| | permanent workers or workers with high number of days |
| | in their employment contracts. In future assessments |
| | of the Bergamot supply chain – whether through UEBT |
| | audits or L'Oréal's own assessments – ensure that these |
| | take place during the harvest season when most workers |
| | are present and include a focus on short-term/fixed term |
| | workers. Special attention should be paid to whether |
| | employment contracts reflect the working reality 52 |

MEDIUM-TERM RECOMMENDATIONS

Use your leverage at industry level to encourage other buyers of essential oils to source certified

The assessment showed that the essential oil producer was making significant efforts to get part of its supply chain UEBT certified. Financial support to some of these farms as well as the cost of certification represents a significant cost, yet at the time of the assessment the **sustainable essential oil** essential oil producer was not able to sell all of the certified bergamot oil and had to sell it as uncertified oil at a cheaper price. L'Oréal should use its leverage at the sectoral level to encourage other companies buying bergamot (and lemon) essential oil to buy certified sustainable oil, to ensure producers that certify their supply chain can at least cover their costs.

| Conduct further due diligence on the essential oil supply chain in Sicily | The assessment was limited to bergamot and lemon from the Ionian coast; the other two essential oil producers L'Oréal buys from – one of them based in Sicily – were not covered by the assessment. Even the assessed essential oil producer had part of its lemon supply chain in Sicily, where a much more indirect approach to sourcing is applied (using a facilitator), meaning less visibility over potential labour issues. Sicilian farmers reportedly use other sustainability benchmarks, most prominently GLOBALG.A.P. Interviews with labour and migration experts point to a higher risk of exploitation in Sicily, which is why this assessment should be considered a start to a more in-depth look into the rest of the citrus supply chain, to assess whether the risks e.g. in Sicily differ from the Ionian coast. As illustrated by the widespread issues on orange and mandarin farms just 50 km north of Reggio Calabria, there is no guarantee that the findings from the bergamot context are transferrable to other commodities; rather interviewed labour experts confirmed that the issues found in the Gioia Tauro area are more indicative of the human rights risks in other citrus fruits from Italy. |
|--|---|
| Conduct additional assessments of other agricultural commodities sourced | While the assessment revealed a low risk of negative human rights impacts in bergamot, it also highlighted the exploitative labour conditions in other agricultural commodities, including other citrus fruits, from Southern |

from Italy, specifically oranges and mandarin

other citrus fruits, from 50 Italy. There is a high risk that L'Oréal is linked to negative human rights impacts – particularly on migrant workers from Africa – in its orange and mandarin supply chain in Italy, as interviews with workers and labour experts indicated widespread labour abuses. Additional human rights studies of these suppliers are needed to understand the level of risk.

LONG-TERM RECOMMENDATIONS

Continue to assess where deep dive assessments of human rights risks can add value to L'Oréal's standard risk management approach Review internally how human rights impact assessments are prioritized across countries, commodities and suppliers. Cast the scope of assessments wide, to utilize them as tool for engagement with suppliers on sustainability. Ensure proper stakeholder consultations are included in the assessment of risks. Scoping visits can help inform the approach for such an assessment and ensure that they target areas of highest human rights risk.

Consider working with local and international organisations to contribute to housing solutions for migrant workers Addressing the living situation of migrant workers, specifically from Africa, is an urgent and systemic problem, particularly but not exclusively in the South of Italy. Companies that benefit from the labour these migrants provide have an opportunity to support urgently needed solution, for example by supporting organisations that provide housing solutions for migrant workers. This assessment worked with active organizations (IOM, MEDU, Mediterranean Hope) that can potentially support L'Oréal's efforts. This topic could also be included in L'Oréal's interactions with public authorities as part of the company's wider advocacy efforts.

ANNEXES

BREAKDOWN OF INTERVIEWS

| BREAKDOWN OF INTERVIEWS | | | | |
|---------------------------------------|------------|-----------------|-------------------|--------------|
| SITE | | NO. OF MALES | NO. OF FEMALES | TOTAL NO. |
| L'ORÉAL HỌ | MANAGEMENT | 2 | | 2 |
| ESSENTIAL OIL PRODUCER | MANAGEMENT | 2 | 2 | 4 |
| | | | | |
| FARMS | MANAGEMENT | 3 | 5 | 8 |
| | WORKER | 9 | 1 | 10 |
| | | | | |
| TENT CITY SAN FERDINANDO | WORKER | 3 | | 3 |
| TOTAL NO. OF INTERVIEWEES | | 16 | 8 | 25 |
| EXTERNAL STAKEHOLDER INTERVIEWS | | 12 | 9 | 21 |

ENDNOTES

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- 4 For example, trade unions and labour experts indicated that underreporting of days worked was a common occurrence in the agricultural sector.
- 5 Attempts to grow bergamot in other parts of the world have resulted in lower quality fruits, which is why the parfum industry is sourcing bergamot exclusively from Calabria.
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- 17 L'Oréal Human Rights Policy, July 2017: <u>https://www.loreal.com/-/media/project/loreal/brand-</u> <u>sites/corp/master/lcorp/documents-media/publications/commitments/l-oreal-human-rights-</u> <u>policy.pdf.</u>
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- 19 L'Oréal plan de vigilance, 2021 : <u>https://www.loreal-finance.com/system/files/2022-03/LOREAL_DEU_2021_UK_Plan%20de%20vigilance_0.pdf</u>.
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- 21 There are other grower associations as well, but Unionberg is the largest, and farmers in the essential oil producer's supply chain all seemed to be members.
- 22 L'Oréal, Mutual Ethical Commitment Letter, <u>https://www.loreal.com/-/media/project/loreal/</u>

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- 24 See e.g. U.S. Department of State 2020 Country Reports on Human Rights Practices and the 2021 Trafficking in Persons Report.
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