



[Acquisti & Sostenibilita Publishes New Sustainable Supply Chain Study](#)

Posted by Matthew York on April 24th, 2014

Today, we're pleased to feature research from [Acquisti & Sostenibilita](#) ("Sustainable Procurement"), the Italian organization co-founded by [Luca Guzzabocca](#). Luca is a "friend of the site," and [we profiled him](#) as part of our ongoing [Chief Procurement Officers on the Rise](#) series when he was the Director of Procurement, Logistics, HSE, Security Management at Banca Monte dei Paschi di Siena. Luca founded Acquisti & Sostenibilita in 2007, and it's become Italy's leading not-for-profit organization fully-dedicated to promoting sustainability in procurement, end-to-end supply chain, and all business practices in any market sector and company size.

Luca recently sent us the results from Acquisti & Sostenibilita's annual Sustainable Supply Chain Review (SSCR) including the executive summary below. The SSCR is dedicated to detecting and carefully evaluating the sustainability practices in the supply chain, as documented in the main Italian companies' Corporate Social Responsibility (CSR) reports and other public information sources. While perhaps not globally applicable, we believe it is pertinent to our readers to understand the different approaches to sustainability that are being taken by [Chief Procurement Officers](#) and their procurement departments in different regions of the world.

About the Study

The SSCR provides a statistical analysis of Italian companies' sustainable procurement behavior. Acquisti & Sostenibilita derived their findings from a variety of Italian corporate sources, including:

- Annual CSR reports;
- Annual Financial Reports;
- Codes of Conduct and Ethical Codes;
- Sustainability sections of Web sites and social networks;
- Suppliers' dedicated portals.

The SSCR's scope covers two main clusters:

- The 50 Italian companies that published their 2012 sustainability or CSR reports by August 31, 2013, of the 212 Italian companies in the "FTSE All Share Italy" that are traded on the Milano Italia Borsa (MIB), the Italian Stock Exchange based in Milan.
- A sample of 26 other Italian companies that published their sustainability or CSR reports for 2012, selected by Acquisti & Sostenibilita, using the Global Reporting Initiative (GRI)'s "Sustainability Disclosure Database" as a starting point, but that are not included in "FTSE All Share Italy".

In this sixth edition of the SSCR, the number of evaluation factors used to accurately assess the maturity level of the supply chain sustainability has almost tripled (33 in total). The factors fall into **four categories** of decreasing importance: **Fundamental (F), Qualifying (A), Procedural (P), and Implementing (I)**. Acquisti & Sostenibilita is proud to note that the [Italian Institute for the Quality Mark](#) independently validated their updated SSCR methodology and also verified their actual analysis.

A&S' Sustainable Supply Chain Review: Executive Summary

The competitive advantages of transparent communication, based on the stakeholders' shared value and the progress in the sustainable management of the supply chain, are becoming more apparent. For example, we think that "sustainability reporting" will continue to become a more important market and investor requirement and be driven, in particular, by the "disclosure" required by Socially Responsible Investment (SRI) analysts. The corporate focus on sustainability will also be encouraged by the [new G4 version of the Global Reporting Initiative \(GRI\)](#) standard, ongoing European regulation, and the need to address international markets, where economic, environmental, and social sustainability is a growing requirement, measured by customers, investors, partners, and institutions.

Almost all of the companies in this year's SSCR claim that they have integrated some CSR criteria into their supplier selection and many now require compliance with their Code of Ethics and/or their Code of Conduct as a contractual term, and include clearly-defined penalties where non-compliance is proven. While this is promising, in many cases, companies decide to merely mitigate the operational and reputational risks associated with unsustainable sourcing, rather than improve the environmental and social sustainability of their supply chain or use more certified suppliers.

Nonetheless, sustainable procurement – which considers economic, environmental, social, and cultural perspectives – commands greater attention in Italy now more than any earlier time. Sustainable purchasing often involves choosing renewable raw materials, energy and other resources, and developing strategic relationships with sustainable suppliers. While more companies are adopting these processes in part, only a few enterprises consistently implement a holistic and pervasive approach wherein they:

- Use "Lifecycle Assessments" that extend across their entire supply chain, including second tier suppliers;
- Have developed mature processes based on Key Performance Indicators (KPI) and dedicated resources that are experts in evaluating and improving sustainable procurement.

The evolution of the [G4 GRI reporting system](#) will most likely drive CSR reporting to become more quantitative and focused on the role of the supply chain, led by the powerful concept of materiality[1]. Until now, CSR reporting has mostly been qualitative, providing only ad-hoc examples instead of the proof of evidence for positive, sustainable, and pervasive practices.

We analyzed the public disclosures of the implemented processes of the selected companies and the results they achieved for Supply Chain sustainability and found that:

- The total scores calculated for "sustainable procurement" presented a very broad range across the survey sample with an approximately an eight-to-one ratio between the top-performing companies and the worst-performing companies in the study

- Companies in the Transport, Utilities and Energy, Insurance, Food tended to perform better (we assume because their supply chain has an impact of “materiality” more evident on sustainability objectives).
- The 26 smaller companies (not in the Milan Stock index) in this study have an average rating that is approximately 15% better than the total of the 50 larger companies (who are in the Milan Stock Index). This is not surprising since the 26 smaller companies have each made a voluntary commitment to CSR reporting, while it is a requirement of the larger companies.
- The sustainability best practices of Italian and international companies show that sustainability, including supplier management and the selection of raw materials and energy, is recognized as an essential component of a company’s strategy. In fact, it demonstrates to investors and other stakeholders:
 - The ability to proactively manage the risks of a more complex, extensive, and relevant supply chain, which requires systematic checks extended to indirect providers, certifications, processes, and skills;
 - The value of considering suppliers as strategic partners for real sustainability, enforcing not only rules, constraints, and penalties, but also offering incentives and joint initiatives to “sell” sustainability as an added shared value.

Interestingly, having extended the SSCR to a larger number of companies, we found that the most important sustainability drivers are:

- Comparisons with direct competitors that are sustainably conscious;
- Competition in global markets and with foreign companies (since some markets are more sensitive to environmental and ethical issues than the Italian market)
- The CEO’s commitment to sustainability;
- The company’s stated responsibility to their local territory and citizenship; and,
- Legal constraints.

An English abstract of the study can be downloaded at: <http://www.osservatoriosostenibilita.org>

[1] “Material topics for a reporting organization,” as stipulated by the GRI, “should include those topics that have a direct or indirect impact on an organization’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.”