

Abstract 7th Edition

Sustainable Supply Chain Review 2014 (SSCR)

The Sustainable Supply Chain
in the CSR reports



Sustainable
Supply Chain Review



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The Sustainable Supply Chain in the CSR reports

The Sustainable Supply Chain Review by Acquisti & Sostenibilità has been publishing since 2007 with the aim to analyse, measure and evaluate the efforts of worldwide enterprises in terms of sustainable and responsible supply chains regardless of their size, economic sector and geographical footprint. The review is a key benchmarking reference for all the enterprises which would start, review, develop and improve their initiatives and projects as far as sustainability supply chains and suppliers co-operation concerned.



SSCR 2014 supporting partners

We thank a lot the enterprises which decided to give us an economic support for our 7° edition.

That is a **meaningful witness of the quality and value of our study**, as well as their committment on sustainable development.



A bit of us

Acquisti & Sostenibilità is a leading Italian not for profit organization focused on sustainable supply chain practices.

Acquisti & Sostenibilità (*Supply Chain & Sustainability*) is a leading not-for-profit Italian organization operating since 2007, focusing on the spreading of Sustainability through the Supply Chain from end-to-end within public and private companies, and which considers it as a leverage of Innovation and Competitiveness for the future enterprises.

It is a platform for debate, partnership and professional enhancement for those entrepreneurs who are willing to innovate their business model.

It owns both strong international and domestic networks for the update on such issue and benchmarking. It proposes and implements information, training, opportunities for discussion. Also, it creates and participates in studies, observers Awards programs and projects, supports companies, whether associated or not, in their projects and initiatives.

It is strongly and consistently striving to maintain its position as a point of reference in Italy for substantial spreading of knowledge on issues related to sustainability along the supply chain, and for encouraging, the Corporate Social Responsibility and Communication, Purchasing and Supply Management, Logistics and Distribution, Production and Planning, Marketing and Sales professionals to be at the forefront in promoting and supporting social, ethical, environmental and economic sustainability.

It is well connected to a wide international number of well known organizations, like **ActionSustainability, Global Reporting Initiative, UN-Global Compact, Sustainable Purchasing Leadership Council** and others,

For further info: www.acquistiesostenibilita.org www.osservatoriosostenibilita.org



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Foreword

The 7^o edition of SSCR has the **honour to be introduced by an influential representative of the Global Reporting Initiative**, the most adopted reporting framework across the world.

This year has been very important for Corporate Social Responsibility and sustainability reporting. Firstly, the European Directive on non-financial reporting was adopted by the European Parliament. The objective of the Directive is to increase transparency and improve performance of European companies on environmental and social matters, thereby contributing to long-term economic growth and employment. Secondly, GRI continued to lead the way in sustainability reporting by announcing a new governance structure to strengthen the independence of the most widely used sustainability reporting guidelines, to ensure that the requirements expected of a public standard-setter are met.

The reporting process is an important step in enabling organizations to understand, manage and communicate their sustainability impacts and GRI is committed to a dual focus of standard-setting and enhancing the value of reporting for organizations and their many stakeholders. Many organizations are looking deeper within their supply chain practices to identify areas of improvement spanning carbon and water footprint, child labour, workers' rights, SME sourcing, green logistics, anti-bribery measures and payment terms.

The annual SSCR study of Acquisti & Sostenibilità has the high value to show off those specific areas of improvement analyzing and scoring companies on their level of maturity publicly disclosed in 2013 CSR reports. Furthermore SSCR allows a comprehensive benchmark across sectors, countries and size of companies and it provides a wide range of best practices to share across its members and all interested stakeholders. GRI welcomes this study and hopes it will inspire the development of sustainable supply chain practices in Italy and across Europe.

Teresa Fogelberg
Executive Deputy Director
Global Reporting Initiative



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Introduction to the 7th SSCR edition (1/2)

An important preface by the Board of Directors of Acquisti & Sostenibilità in order to put in a proper context the study at its first international edition.

SSCR 2014 takes a particular significance due to the fact it is linked in time to some key news, trends and in place or forthcoming regulations.

Here as an example the **new versions of GRI-G4, ISO9001-2015 and ISO14001-2015, the European directive on the “non financial reporting” (Directive 2013/34/EU).**

They are certainly all factors which will accelerate the awareness growth process of enterprises towards initiatives for a responsible and sustainable supply chains too.

Furthermore we remind just few key regulations already in place, for instance: **REACH, RoHS, Conflict Minerals, Human Trafficking, UK Bribery Act** and other specific domestic ones.

In addition to that, industry collaboration for sustainable supply chains is becoming more and more popular and effective: **GeSI (Telecomunicazioni), AIM Progress (FMCG), GSCP (Retail) e Together for Sustainability (Chimico).**

Let's close the overview highlighting also the new economy models for a sustainable development like the the **“circular economy”** and the **“sharing economy”**, which are strictly linked to an evolution of a better way to manage the supply chains and customers-suppliers-consumers relations.

The above listed factors and based on our special 10 years know-how on the matter, we can state that important steps forward have been aboveall by large multinational enterprises and in some market sectors.

An attentive reading of the study will provide you with wide range of key findings on the state-of-the-art, the opportunities, the issues and many good practices to look at.



Introduction to the 7th SSCR edition (1/2)

A brand new edition of the study developed far **beyond national borders.**

The 2014 edition, the seventh rolling edition since 2008, performs a significant step forward.

Infact , instead of the usual scope including the Italy based enterprises (almost 80) **we enlarged the scope to international enterprises reaching the final number of 430** publishing the 2013 Sustainability report.

That great leap has been inspired by the enthusiast and positive feedback coming from the last year event for the OSSC2013 findings presentation in Milan, first by the kind endorsing words of Teresa Fogelberg (Executive Deputy Director di Global Reporting Initiative), then by all the enterprises which had the opportunity to deal with us on their specific SSCR positioning and finally by domestic and international media giving SSCR a wide visibility (ENEA, L'Avvenire, IlSole24Ore, EticaNews, CPO Rising, GreenBiz.com, Leadership&Management, Ticino Management and others).

Finally SSCR outcomes provide **a comprehensive international benchmark by sector, by geography and by single factors analyzed**, offering to anyone reading an holistic view of the current situation, trends and perspective about supply chain sustainability practices linked to business processes, internal and external, as well as connected to stakeholders interests.

Enjoy reading!

Acquisti & Sostenibilità
Board of Directors



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Executive Summary and Key Findings (1/8)

The **seventh edition** of the study with a ranged **six time more extended** than previous edition.

430 the reports on sustainability that have been analyzed and published referring from 1 January to 31 August 2014.

More than **30 economic sectors and 40 countries** have been involved in the study.

Since 2007 **Acquisti & Sostenibilità** realizes an annual **Sustainable Supply Chain Review** (SSCR), unique in Italy for its specificity and genre.

With the **7th edition**, we decided to extend the range, by including not only the main Italian enterprises that have already published their sustainability report 2013 in time for analyze, along with a significant number of companies from Europe and the rest of the world, for a total number of **430 corporations, of which 312 in Europe, 63 in North America, 29 in Asia, 19 in Africa, 5 in Oceania and 2 in South America**, have been included in the study.

The study does not only measure the spreading of the sustainability within the CSR reports, but it also analyzes in a very detailed and precise way than the past years, the **quality and the quantity** of the information related to the sustainability across the supply chain end-to-end within the reports and other reporting and communicating tools publicly available.

Almost **40.000 pages from 430 reports** about sustainability, environment, society and integrated, just as the websites and available documentation have been analyzed.

In the current edition, besides the usual static survey, a relevant number of **good practices directly related to the international range of the study and the companies, has been proposed.**



Executive Summary and Key Findings (2/8)

91% of companies considers their suppliers within their own code of conduct and/or ethical code.

A very interesting rate, 56%, owns sustainability policies within the purchasing department and throughout the supply chain.

Only 15% of companies has a dedicated human resource to the management of the sustainably supply chain.

Hereby are highlighted the main results and the most significant disclosures:

- **91% of companies involved in the study own a code of conduct and/or an ethical code** which refers to the relations with suppliers. The high rate is also due to a strengthened procedure which is linked to ethical governance needs related to internal and external relations. Overall, **only 75 out of 430 companies have a specific and very detailed document** about the relationship with suppliers;
- **56.5% of companies owns one or more sustainable policies** concerning the purchasing process and supply chain, **while 65.7% has defined its efforts across the supply chain**. It seems that regardless of the presence of structured and official policies, companies are very involved and they try to identify objectives. This represents a good sign of realism, even though in some cases it could be seen as an occasional event.
- **66% defines the critical factors of sustainability across the supply chain** related to their own business area. According to the business area, the supply chain's critical point within the materiality map has an allocation of either higher or lower risk for the business and its stakeholders. It is interesting that the biggest part of the companies are considering it.
- **44% has engagement programs and training for the employees** on subjects such as sustainability and in particular as supply chain. **Unfortunately only 15% of companies has internal human resources dedicated** to the management of the sustainability across the supply chain (**only 10 companies out of 430 have full-time resources**).



Executive Summary and Key Findings (3/8)

The most popular suppliers' sustainability evaluation tool is the **Ecovadis platform, used by 29 companies.**

The **suppliers' auditing is very popular** within companies even just as industry consortium.

Logistics and sustainable mobility represents an area for **a short-term cost reduction, that makes it very «active».**

- **56.5% declares to evaluate suppliers based upon sustainability criteria;** however **only the 36.6% owns specific evaluation tools** for an objective and quantitative evaluation, such as Ecovadis or Sedex platforms. It is clear that the lack of evaluating, monitoring tools that can measure suppliers' sustainability levels represents a weakness since it is left to internal systems with an insufficient updating and interrupted process. Furthermore, in many cases it still prevails the trend towards the target of operational and reputational risk mitigation, rather than towards improving the environmental and social profile of the supply chain.
- **55.8% has suppliers' auditing programs,** usually implemented as **cooperation between different companies of within the same industry sector;** and expanding trend aiming to reduce several actions on the same supplier, improves its uniformity of approach, reducing the management costs overall.
- **74.8% realizes projects and initiatives aiming to optimize and reduce the workforce's mobility and the logistics** with a perspective of social and environmental sustainability. **The cost reduction represent a fundamental leverage** that moves all the actions in this area; in fact the remote work, packaging systems and transportation represent important aspects on which is possible to obtain significant economic saving.



Executive Summary and Key Findings (4/8)

Performance indicators are popular within companies; however **they are qualitatively generic and not set for measuring structural programs.**

The total score is **directly proportional to the company' size.**

- **54.6% owns performance indicators about sustainability across the supply chain;** however, the **quality passes from a low level** (i.e. :the number of suppliers that signed the ethical code, the environmental and social certifications held by the suppliers, the purchase turnover of green or certified and labeled products) **to an advanced level** (i.e.: the sustainability rating of purchased goods and services, the suppliers' percentage based on sustainable aspects, the suppliers' CSR rating, the number of sustainable innovative ideas started with the suppliers, the CO2 reduction across the supply chain). Only 15 companies have an advanced level, which means they have a better detail and an effective consistency of what is measured. It is also correct to point out that not all the sectors require same level of in-depth analysis referring to the performance indicators since these last one are an obvious consequence of programs, activities, projects, and may not be required and applicable to all sectors and to all companies' size.
- **Big companies and multinational have a global score higher than medium-size ones,** that are better than small enterprises, with a wider gap.



Executive Summary and Key Findings (5/8)

G4 version is quietly used already, 25% of companies used it for the 2013 reporting.

52% of companies join the CDP programs, 6 % to the specific one for the Supply chain that engages with suppliers.

230 companies adhere to the UN Global Compact resulting in to an higher global score.

- **76 companies out of 308 that are using the GRI framework, have already adapted the G4 version.** The competitive advantages resulting from a transparent communication based on a shared value with the stakeholders about progress made and the sustainable management of the supply chain, are getting more and more tangible, and most likely the sustainability report will keep growing, thanks to the transparency required by the SRI analysts, propelled by the newest G4 version of the standard and by the need to address to international markets, in which sustainability represent a basic qualification that is always more required by clients, investors, partner. The evolution of the G4 will make the reporting very likely more quantitative since it is based on the concept of materiality along the supply chain, which in some case is still qualitative, but sometimes it is represented by many virtuous examples rather than by evidences of pervading practices.
- **There is a wide participation of companies, 227 out of 430 (52%), to the CPD programs, in particular 28 of them are part of the specific supply chain program CDP,** by engaging with their own stakeholders in the evaluation of the emissions in the atmosphere. It is a significant example that confirms the trend to an end-to-end vision of the sustainability across the supply chain concerning a critical aspect such as climate change.
- **The subscription to the UN Global Compact is also well spread, 230 out of 430.** However, the annually reporting process required by this procedure, the so called Communication on Progress (COP) still remains rare.
- **Companies that adhere to the UN Global Compact result in a global score higher than to those companies that don't.**



Executive Summary and Key Findings (6/8)

Top 20 position.

The best evaluation for this year goes to Deutsche Telekom, telecommunication sector.

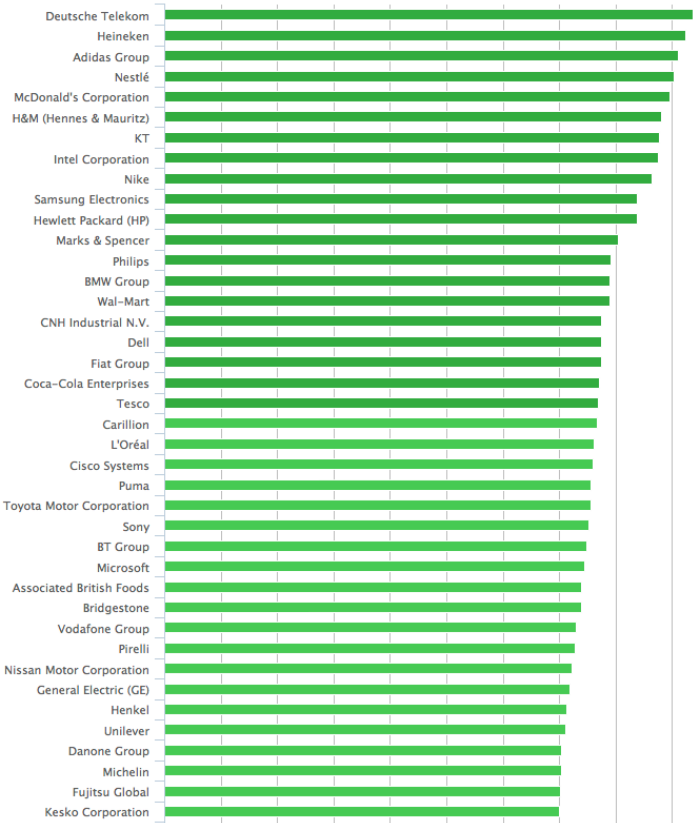
Within the first twenty position there is a slight score difference.

Full ranking available at:
www.osservatoriosostenibilita.org/docs/oss2014/

The **first 20 best evaluations are those of multinational companies** that belong to the following sectors: telecommunications, food&beverage, automotive, electronics, textile and clothing and retail.

Here are:

1. Deutsche Telekom
2. Heineken
3. Adidas Group
4. Nestlé
5. McDonald's Corporation
6. H&M (Hennes & Mauritz)
7. KT
8. Intel Corporation
9. Nike
10. Samsung Electronics
11. Hewlett Packard (HP)
12. Marks & Spencer
13. Philips
14. BMW Group
15. Wal-Mart
16. CNH Industrial N.V.
17. Dell
18. Fiat Group
19. Coca-Cola Enterprises
20. Tesco



Executive Summary and Key Findings (7/8)

The quality and the quantity of the **collaboration between economic sectors in different joint activities across the supply chain is growing**: from supplier evaluation, to ethical standard codes, to auditing, until specific projects.

- For the other sectors, for example: **the financial service sector is only 65th, while the chemical sector is 50th in the ranking.**
- **Collaboration between companies of the same sector is becoming a very well spread trend**: its outcome is represented by joint initiatives by which it is possible to share suppliers evaluation platforms, such as the **E-Tasc initiative** for the ICT sector and **Together for Sustainability** within the chemical sector. This creates a uniformity of the processes, along with an optimization of resources and costs.
- Another examples is represented by the activity within the automotive sector also known as **European Group on Supply Chain Sustainability**, along with the one about the forum of the international industry **AIM-Progress** to foster sustainability of supply chains and of production.
- The sector standard codes and framework for auditing, such as **EICC** within electronic sector and the **Sustainable Apparel Coalition** within the clothing sector. **Responsible Jewellery Council** within the metals and precious stones sector.
- Food&beverage companies align in the program against deforestation caused by the wrong management of olive and palm oil cultivations by supporting small farms, the **RSPO program** (Roundtable for Sustainable Palm Oil). Furthermore the **EITI initiative** (Extractive Industries Transparency Initiative) aiming to make business relations transparent and to fight corruption within industrial sectors the use natural resources(oil, gas, minerals and metals).
- Of course the main idea of **“united we stand” is largely spread** also for sustainability across the supply chain. The high number of suppliers and their global expansion, the complexity of the supply chain, the growing number of regulations, the quest for shared opportunities to optimize and standardize suppliers' evaluation processes, as well as the reduction of costs and human resources to use, represent the leverage for activities between companies of the same industry. **This is a very positive and interesting evolution, doubtless.**



Executive Summary and Key Findings (8/8)

Product certifications and labels are largely spread among the retail industry.

Technologies and Innovation.

- The attention towards the supply chain and the pressure given by the suppliers' sensibility contribute to raise the level of requested certifications for the purchased products; a process that for obvious reasons starts and involves especially the retail industry. From the **MSC Certification** (Marine Stewardship Council) for a responsible provenience of the fish, to **Rainforest Alliance** for tea plantations, for example. Or those referred to the so called animal welfare, **Cruelty Free International** certifies the absence of animal for tests on cosmetic products.
- Energy efficiency related certifications, are in general very mainstreamed and cross-sectorial related to informatics tools with the mark **Energy Star**, as well as the **FSC** (Forest Stewardship Council) for certified paper and packaging.
- A very interesting outcome, even though is still scarcely spread and it is only related to few companies, is the one about the usage of technologies for different goals. There are many interesting cases, such as: **Vodafone collaborate with Good Work Solutions to use the Labor Link**, a system to monitor the workers' conditions in high risk countries realized by the adoption of a phone communication system for unknown. **Nike** has a dedicated software (**Considered Design**) for the **environmental impact of materials and their selection** during the R&D stages, the app called Making is available for free download.
- There are few cases, like **Unilever (Open Innovation)** and **Heineken (Innovators Brewhouse)**, of web portals specifically built to promote and support innovative ideas gathering from stakeholders, even on sustainability matter and fully involving suppliers.



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Final considerations

Large enterprises and multinationals truly led the way in terms of sustainable supply chain initiatives and they can really produce a domino effect across micro, small and medium suppliers.

European regulation approved in 2014 on «non financial reporting» will surely have a positive effect for a better and wider transparency on sustainability in terms of number of companies involved, estimated to scale up from the existing 1500 to 6000 across Europe, which will be obliged to publish a CSR report.

Even if reporting matters, there is a strong need of a strategic engagement of companies based on a **concrete and measurable set of actions with a medium-long term vision** as far as supply chain concerned.

Therefore **materiality** has to be funded on key sustainable supply chain «value drivers»: **risk minimization, cost reduction and business growth.**

Once again large companies and multinationals led the way with effective programmes across their supply chains and co-operation with suppliers.

We strongly wish there will be a **growing viral effect of contamination across supply chains** affecting micro, small, medium suppliers, which are the most important part of the total market share.

Looking forward to work on the next SSCR edition!



Disclaimer

Acquisti & Sostenibilità will assume no responsibility or legal liability for incorrect or misleading information provided by the sources used for this study.





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