

## Performance Indicators of social responsibility: the case of agricultural enterprise in the inter-regional/trans-national project model

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### Abstract

This project is designed to create a platform of social responsibility (SR) performance indicators within the inter-regional/trans-national project "Creating a network for the dissemination of corporate social responsibility." The project, created to initiate a process of exchange for public administrations and businesses, comparison and mutual learning on the subject of SR, is intended to carry out joint measures to spread best practices locally, nationally, Europe-wide and internationally. With the intent to establish a single framework so that, on the one hand, businesses and other organizations recognize and improve their SR path, inserting it into their strategy, and secondly, for public administrations (PA) to recognize and "reward" SR actions and paths, a grid of key performance indicators (KPI) has been identified, divided by production sectors and strategy areas. For these sectors we have highlighted "key performance indicators," or KPIs, considered peculiar to business activity by sector.

The contribution presented regards grid identification of "management indicators of significant risk" to the food and agriculture sector, aimed at the "assessing", "measuring" and "reporting" socially responsible actions: it has been found that the reputation which descends from the pursuit of effective SR practices decreases the riskiness of the company and increases its competitiveness and social positioning. The performance indicators, on the one hand, enable businesses to evaluate and adopt appropriate forms of extra-financial communication and to initiate sustainable paths, attentive to the social and environmental impacts of economic activities; on the other, they come together in a platform necessary for those administrations wishing to adopt "reward" mechanisms for socially responsible business behavior.

### Keywords

Corporate Social Responsibility, Key Performance Indicators, Competitiveness

### Introduction

Dissemination policies of corporate social responsibility (CSR) adopted by the European Commission and Member States have spurred comparison between definition and analysis of

the concept, providing an overview of concepts of great interest for international and interdisciplinary debate and for the opening of paths in this direction (Box 1); also, the Italian debate in recent years on CSRs has become particularly consistent and lively (Molteni, 2004; Rusconi, Dorigatti, 2004; Sacconi, 2005; Hinna, 2005, INEA, 2007; MISE and MILPS, 2013; MISE, 2014).

In today's society, businesses are called upon to perform a social service and not just the production of profit (Molteni, 2004; Rusconi, Dorigatti, 2004). The debate on CSR is based on the identification of social enterprise<sup>1</sup>. In the eighties and nineties, with the spread of managerial and neo-institutionalist theories that contrast neoclassical theory with the idea that the company has "duties" toward multiple parties or social issues, not part of the pursuit of income (Sacco, Viviani, 2006), it reinforces the vision of CSR as a management attribute, arriving in the early eighties at the theory of stakeholders, identified as any group or individual that may have an influence or is influenced by the achievement of the purpose of an organization (Freeman, 1984; Freeman, Gilbert, 1988; Freeman, Evan, 1990,1993). During the nineties, the debate was enriched by the theme of accountability (Social Balance, Environmental, Mission, Ethical Codes etc.), or "taking account" of internal and external stakeholders to the allocation and use of resources (Freeman, Evan, 1993; Molteni, 2004). Having long remained locked in the small circle of economic debate, social responsibility received its first strong signal in the early 2000s with the Commission's Green Paper (CEC, 2001), aimed at promoting a European framework for SR businesses. It was the first step in a process that in the last fifteen years has been enriched by the contributions of institutions, organizations and stakeholders at EU and international levels (Box 1). As discussed below, INEA has contributed actively to this discussion, specifically for the food and agriculture sector, with the drafting of guidelines and thematic analysis for the sector.

With the 2011 Communication, the European Commission set an agenda of new commitments, including enhancing the visibility of CSR and disseminating good practices; improvement and monitoring of trust in business; improving processes of self-regulation and co-regulation; increasing the market premium for CSR; better disclosure by companies of social and environmental information; integration of CSR in education, training and research; stressing the importance of national and regional policies on CSR and better alignment of European and global approaches to CSR. According to the Communication, "the development of social responsibility should be driven by companies themselves. Public administrations should play a supportive role through an intelligent combination of voluntary policy measures and, where necessary, additional rules, for example to promote transparency, create market incentives for responsible business conduct, and ensure corporate accountability"(EC, 2011, p. 8).

In this context, the work in the Memorandum of Understanding has led to the inter-regional/transnational project, thus the work presented here. Through this project, participating administrations have "interpreted" CSR as an effective tool for sustainable development of an area in terms of employment (Sacconi, 2005) and, therefore, have given

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<sup>1</sup> Until the seventies, in fact, the neo-classical position identified the function of social enterprise in the mere pursuit of profit (Molteni, 2004).

priority to implementing strategies to develop initiatives to spread such practices among businesses and to recognize efforts made.

*Box 1 – The stages of CSR in EU and international strategy*

Documents	Objectives
Green Book of the European Commission (2001)	Promoting a European framework for SR enterprises
GBS - Study Group for Social Balance (2001)	Principles of preparation of the Social Balance
Communication from the European Commission (2002)	It calls on Member States to take the lead in raising awareness and development of CSR in their territories
GRI - Global Reporting Initiative (2002)	Sustainability Reporting Guidelines
Council Resolutions of 3 December 2001 and 6 February 2003	Follow-up to the Green Paper on CSR
Opinion of the Economic-Social Committee, 8 June 2005	Information and measurement instruments for CSR in a globalized economy
Commission Communication "Partnership for growth in employment: making Europe a pole of excellence in corporate social responsibility" of 22 March 2006	Urges Member States to encourage companies to explore CSR defined as an "aspect of the European social model" and a means of defending solidarity, cohesion and equal opportunities, as noted in the Decision 2005/600/EC of the European Parliament and Council of 12 July 2005 on guidelines for employment policies in Member States
European Parliament resolution on CSR (2007)	Draws the attention of the European Commission to a number of critical issues and makes some observations regarding previous Commission initiatives on CSR
OECD (2008)	OECD Contribution to the United Nations Commission on Sustainable Development, towards sustainable agriculture
United Nations (2009)	The contribution of sustainable agriculture and land management to sustainable development, in Sustainable Development Innovation Brief
European Commission Communication "2020 - A strategy for intelligent, sustainable and inclusive growth" (2010)	It calls on Member States to strengthen CSR as an important element for inclusive growth
UNI guidelines on Corporate Social Responsibility (CSR) and Organizations (RSO) - ISO 26000 2010	International standard which aims to guide each organization in the implementation of good practice, leaving to each the choice of principles to engage in by indicating guidelines on the implementation of SR and the involvement of stakeholders
European Parliament resolution on corporate social responsibility in international trade agreements (25 November 2010)	It recommends that Member States and the EU promote the implementation and dissemination of good CSR practices; It emphasizes the importance of cultivating and spreading the culture of CSR through training and awareness-raising and emphasizes the need to increase awareness of CSR in the European guidelines for employment.
Commission Communication "A renewed EU corporate social responsibility strategy 2011-14" of 25 October 2011	It proposes a new definition of the concept of CSR as "the responsibility of businesses for their impacts on society", replacing the previous method which qualified it as "voluntary integration of social and ecological concerns in their business operations and in their interaction with stakeholders"
MISE and MLPS (2013)	National Action Plan on Corporate Social Responsibility 2012-2014
MISE (2014)	Guide for SMEs on due diligence in the supply chain

**The inter-regional/trans-national project and INEA's contribution**

The intention to rationalize the many and varied operations, undertaken at regional and national levels for the exchange and dissemination of good practice at local, national, European and international levels on the issue, and to develop new actions aimed at giving greater prominence to CSR in regional policies, led 16 Regions and Autonomous Provinces, 3 Ministries, INEA and INAIL (Box 2) to launch a shared path on the topic of CSR.

*Box 2 - The Partnership*



In 2011, on a proposal by the Veneto and Liguria Regions, this led to the creation of the inter-regional/trans-national project "Creating a network for the dissemination of corporate social responsibility"<sup>2</sup>, to involve public bodies and private entities to build a new development model based not on growth of financial markets and profit at any cost, but the so-called "real economy", the values of sustainability, inclusion and social innovation, and competitiveness; in short, to help create "shared value", also as a way out of the economic crisis of recent years (EC, 2010).

As is known, "Strategy 2020" requires a coordinated response at European and national levels, also with social partners and civil society. In this sense, CSR is a strategy that, in the direction of economic, social and environmental sustainability, acts in the interests of the company, guaranteeing greater durability and good economic performance, based on a positive and transparent relationship with stakeholders (environment, employees, communities, customers) in line with the goals for sustainable and inclusive growth in Europe. The Commission is committed to renewing the EU strategy on CSR (EC, 2011), as confirmed at the multi-stakeholder forum organized by DG Enterprise and Industry in February 2015<sup>3</sup>, so that CSR increasingly becomes a source of shared value, contributing to

<sup>2</sup> Administrations participate in the project by signing a memorandum of understanding, currently underway and expected to continue with the 2014-2020 programming, also expanding the network of collaboration on the subject.

<sup>3</sup> The Forum brought together European institutions, governments, businesses and civil society organizations to discuss the results of the current European strategy on CSR and set priorities for 2015-2020, also in the light of the results of the latest public consultation on CSR launched by the European Commission

business competitiveness and social and environmental development territorially, in line with 2020 targets. Therefore, it is essential that national governments and public authorities act in networks by creating a dialogue with business and social realities, to create synergies and increase the effectiveness and efficiency of actions, avoiding wastage.

In light of this, the purpose of the interregional/transnational project is to increase the spread of SR among businesses and, at the same time, launch a process of exchange and mutual learning among public administrations and develop forms of collaboration for the development of common products. The various planned actions are detailed in Box 3.

*Box 3 – Actions called for in the project*

Actions	Description
Action 1: exchange of good practices among regional and provincial governments through thematic meetings and study visits	To facilitate dissemination of CSR among various regional realities, study visits and thematic meetings are called for, including participation by experts and the most important stakeholders, to direct work and facilitate the exchange of best practices, experiences and information procedures for implementing programs. These initiatives will also be implemented at the international level through a joint program of exchange.
Action 2: identification of benefits and administrative facilitations, reward scores for participation in tenders for companies and socially responsible public administrations	Promote and spread the culture of CSR through: the identification of benefits, administrative facilitations, reward scores for participating in tenders for companies and socially responsible public administrations as well as implementation in individual areas of training and/or sensitization.
Action 3: establishment of a national prize organized every year in a different region	The aim of the prize is to create a network among large public enterprises and private and small enterprises by creating an integrated system of mutual benefits.
Action 4: Promotion of experiences and results of the project	The implementation of a specific action line on communication -publications, seminars and conferences, supported with specific advertising campaigns - to increase the spread of CSR, capitalize on administrations' experiences and socialize best practices in the area.

*Source: our processing on project protocol*

In particular, under Action 2 a specific working group was launched to define "indicators of assessment and reward system" (Box 4) in which INEA has contributed especially to the definition of "management indicators of significant risk" to the food and agriculture sector (See. Section 2.2).

Beginning with recognition of the importance of measurability of the effects of adopting SR practices and tools (Morsing, Schultzn 2006), the work has led, on the one hand, to identifying a common system of minimum indicators to which regions and local authorities may refer to stimulate and evaluate paths of CSR and, secondly, to develop a system for rewarding those paths to promote their spread<sup>4</sup>.

The KPI platform model, aimed on the one hand at reducing the "feeling of loss" (Lombardo, 2013) felt by any private subject who intends to embark on a path of SR and, secondly, to increase the degree of compliance by the public entity that intends to apply existing

(See: [http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/multi-stakeholder-forum/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/multi-stakeholder-forum/index_en.htm)).

<sup>4</sup> Simultaneously, under the coordination of the Ministry of Economic Development and the Ministry of Labour and Social Policy, the National Action Plan was elaborated on Corporate Social Responsibility 2012-2014. On that occasion, the "productive activities" and "Education, Training, Employment, Research and Innovation" commissions of the Conference of Regions and Autonomous Provinces expressed the need to rationalize and simplify the standards and policies adopted so far.

indicators, was applied in the previous rural development programming 2007-2013 by various regions that have added social and environmental criteria in tenders for allocation of funds linked to Law 236/93 (continuing education), to guarantees for young people, to fund innovation and development, to increase the quality of human capital and to improve the bid system.

To this end, we first proceeded to the census of documentary sources useful for defining the model, in particular, the set of indicators for assessing the performance of companies, already used by the regions participating in the regional project and those adopted by other bodies (Inail, ABI, Confindustria, regions, provinces, etc.). As for the reward system, consideration was made of incentive mechanisms (sponsorships, streamlining bureaucratic processes and therefore related costs, inclusion of reward criteria in tenders and bids, tax and credit breaks, etc.), already or potentially adopted. Subsequently, after comparative analysis of the assessment models surveyed and the stimulus package and other reward mechanisms in use, a minimum set of indicators was defined for the assessment of the performance of businesses<sup>5</sup>.

*Box 4 - Working Group "Indicators of CSR and reward system"*

**Goal**

To contribute to the achievement of regional policies for the spread of CSR and building a system of premiums - national platform of CSR indicators - starting from experiences

**Objectives**

1. Make a common system of minimum indicators to which regional and local governments can refer to stimulate and evaluate paths of CSR;
2. Define a system of premiums to promote their spread.

**Expected results**

Identification of a set of standard indicators, at least minimum (structured by level and weighted by sector) for assessing the positioning and socially responsible performance of a business;

Identification of reward criteria to be granted to socially responsible companies to facilitate and support the adoption of CSR practices.

**Program stages**

The census survey and analysis of existing RSI standards/indicators and recognition of facilitation mechanisms and reward mechanisms

The definition of the indicator system and the system of rewards

Sharing the set of indicators is twofold: it provides a shared tool, useful for consistent assessment of the characteristics for which a firm can be considered socially responsible; it facilitates regional situations that are now approaching the subject of CSR for this specific aspect, which would use a widely shared and ready-for-use instrument in their territories. INEA's contribution to this work has been possible thanks to the experience on CSR in the food system, with which the Institute has contributed to the consolidation and dissemination of guidance from the Commission on this issue. The course of study within INEA has led to

<sup>5</sup> To this end, a special platform of CSR actions & indicators was prepared: strategic, innovative, socially and environmentally accessible via Web - [www.businessethics.it](http://www.businessethics.it) - currently in the experimental stage.

the identification and development of a series of specific tools and strategies in favor of institutions and operators in the food industry: sector guidelines, created in 2007 with a multi-stakeholder approach and presented in 2010 to the Global Compact of the United Nations, together with a preliminary in-depth study on the SR approach by companies in the sector; exploration of relevant issues: from responsible consumption to sustainable production methods, supply chain relationships and sustainability in the Italian wine system; the recent experimental project that has seen the birth in Basilicata of the first SR workshop in agriculture and agribusiness; participation in various institutional round tables and, in particular, since 2013, the above-mentioned interregional/transnational project<sup>6</sup>.

## **Key Performance Indicators (KPI)**

### *Corporate Social Performance and KPIs*

SR, as noted, affects company strategies and policies, interacting with all areas of business management - from production to marketing, from human resources management to financial aspects and risk control - and involves the integration in management of the whole value chain in order to achieve lasting competitive advantages and risk minimization (Wood, 1991). To create shared value, in fact, the company needs resources to carry out activity but also to obtain consensus and legitimacy for its action. For a business to manage relationships with its reference environment, it must develop sensitivity to grasp its demands and to mediate its essential objectives with the expectations of stakeholders; to do this the company must prepare an internal set of management processes, tools which enable it to establish a fruitful dialogue with the external environment as well as a different approach to performance measurement (Brammer et al., 2006). The latter, therefore, is part of the broader process of planning and control of strategies themselves, or a means, an information tool, internal and external, to company management.

In this context, therefore, the contents of social reporting must be set, to include social performance measurement; control of social strategies, in fact, it requires ad hoc parameters, usable as mentioned both for internal management purposes and for purposes of communication and relationships with stakeholders (Sciarelli, 2012). Running a business in a responsible and sustainable way, in fact, is an integral part of strategic planning and the pursuit of innovation and competitive advantage in a globalized market in which the exploitation of resources and local circumstances is a key differentiator. The "Indicators of CSR and reward system" working group has taken into account the low level of standardization in social reporting in Italy: the indicators used are many: different names often conceal identical content or similar performance measures.

The process of selecting indicators for the regional platform (See [Http://www.businessethics.it/](http://www.businessethics.it/)) was therefore quite laborious (box 5), but led to a grid of

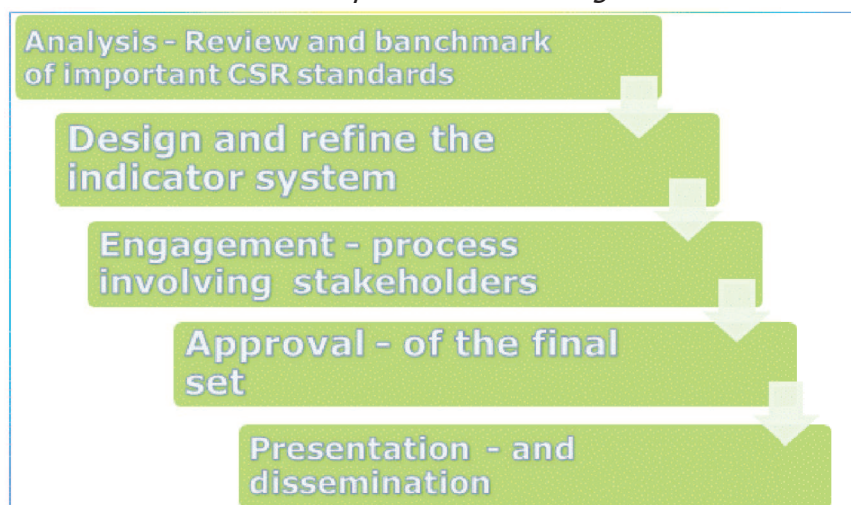
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<sup>6</sup> INEA work on CSR in the food system is found in the following texts: INEA, 2007; Briamonte 2007; Briamonte, Hinna 2008; Briamonte, Giuca 2010; Briamonte, D'Oronzio 2010; Briamonte, Pergamo, 2010.

performance indicators (*Key Performance Indicators* - KPI) divided by production sector (agriculture and agri-food; building; construction and manufacturing; pharmaceuticals; trade, business services, personal services, finance-banking-credit and insurance; utilities: energy, water, electricity, gas, waste), size (micro, small, medium and large) and strategic areas (A. organization and administration; B. people and work environment; C. clients, consumers, savers; D. suppliers; E. natural environment, local community and relations with the PA; F. innovation and competitiveness; G. Management of significant risk). For certain sectors "key performance indicators" or risk KPIs have been highlighted, which are considered peculiar to activity carried on by companies with reference their sector: in fact, it has been observed that the reputation deriving from the pursuit of effective practice of SR lowers company risk and increases its competitiveness and social positioning.

In particular, the indicators meet the need of businesses on the one hand, especially SMEs, and the various organizations that, after taking awareness of the importance of social strategies, implement or improve their SR path, including it in their strategy and, on the other, the PA (state, regions, local authorities and institutions) recognizes and "rewards" actions and SR paths. These indicators, therefore, lend themselves not only to be included in social reporting, but also to be used as tools of measurement and control of CSR. The added value of the model is not the creation of a new standard, but the introduction of a common language aimed at interpretation and rationalization of existing standards, nationally and internationally. In fact, thus far the regions, although guided by the same intention to reward responsible companies, used different grid standards, models and indicators: OECD Guidelines for multinational enterprises; UNI guidelines: ISO 26000; Guidelines - Promoting social responsibility of food companies; UN Guiding Principles on Business and Human Rights; ILO standards; GRI standards: G3 and G4; GBS standards; AA1000SES; SA8000; Inail models on workplace safety. The entire path has been shared and validated by experts, trade unions, consumers, national and local public authorities and representative bodies of industry and banks.

*Box 5 - The process of choosing KPIs*



Source: Interregional-interministerial platform for SR, innovation and competition: toward indicators. <http://www.businessethics.it/>



*Key performance indicators for agriculture and agri-food: definition and results*

The analysis conducted by INEA within the project, of the most significant management methods that involve competitive advantages for businesses and responsible innovation socially and environmentally, is contextualized within the sectors in which these companies conduct business.

For businesses, by size (micro, small, medium and large)<sup>7</sup> a number of indicators has been identified that are considered peculiar to the activity pursued, by sector, and aimed to better manage their own SR path and protect the weakest stakeholders, or people who have no means and tools to express their interests strongly and homogeneously, such as, for example, environmental or consumer associations (Freeman, 1984). These indicators, defined as "key performance indicators" (KPIs), allow one to "assess", "measure" and "report back" actions and behavior of firms that reflect the most significant economic, environmental and social activity of the company, or that could substantially influence assessments and decisions of stakeholders. In every sphere and area, indicators were included common to the INAIL system for reducing rates, the ISTAT system (sustainability reporting and evaluation of collective well-being) and the Global Reporting standard initiatives in the "Sustainability Report" (GRI, 2002).

KPIs in the agricultural sector (agriculture, forestry and fishing) and agri-business (food industries) refer to "G. Management of significant risk" and were built for the final version of the project, combining some SR indicators - as outlined by national and international standards in the field - with the four main areas identified by the INEA Guidelines (INEA, 2007) on SR (Environment, Territory, Product, Work) (Box 6), with the aim of developing a flexible document adaptable to various Italian territorial/regional contexts.

The "management indicators of significant risk" area is aimed at:

- protection of the weaker and parceled stakeholders
- inclusion of stakeholders most significant and prevalent
- specific to each area of activity

They are not mere indicators of sectors but KPI able to include stakeholders and areas actually relevant in a specific sector.

As is known, the liberalization of markets, the need/expectation of the consumer of "added value" of the food product, such as safety and health, environmental sustainability, animal welfare, authenticity, ethical production, as well as the need for information on origin and price transparency, requires the individual company and the whole food system to address the need to strengthen its image and competitiveness on domestic and international markets. To this end, we need to focus on "quality" in both production and relationships (strengthening and balance) between companies and between individual components of the system, namely integration and networking of companies (Belussi, 2002; Briamonte, Hinna, 2008). The agricultural and agri-food company is a conditioning and conditioned part of the system characterized by interrelationships, vertically (including production, processing, distribution and services) and horizontally (among companies in the same sector) (Chiffolleau, 2009); therefore, the effectiveness of SR actions of each company will be

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<sup>7</sup> As defined on the basis of the Commission Recommendation 2003/361/EC.

greater inasmuch as the vision and mission of each company are echoed and shared in the overall context in which it operates (Porter, 1987; Porter, Kramer, 2002). In this regard, SR is designed to support and implement, shared with stakeholders, alternative economic paths, in keeping with the principles of balanced development, which must follow certain guidelines: environmental protection; respect for human rights and the sharing of ethical values, in particular, the conditions of workers; fairness and solidarity in the distribution of value along the supply chain and between capital and labor (Briamonte, Pergamo, 2010). SR also allows, on the one hand, learning about cultures, traditions and relationships of the territory and, secondly, identifying goals, resources and tools of the actors involved in the context of reference, in order to guide, monitor and verify useful and necessary actions for enterprises to manage a different mode of operation, aimed at lasting commercial but socially balanced success (Briamonte, Giuca, 2008).

On the basis of these considerations, the areas and objectives (Box 6), as identified in the INEA Guidelines, were combined in order to build the matrix reproduced in Box 7.

*Box 6 - Macro-areas, objectives and SR strategies for agriculture and agri-food businesses*

<b>Area</b>	<b>Goals</b>	<b>Actions</b>
Environment (G.9)	<ul style="list-style-type: none"> <li>• protecting biodiversity</li> <li>• environmental rehabilitation</li> <li>• sustainability of production processes bioenergy development</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing the consumption of resources, emissions of pollutants and waste;</li> <li>• improving environmental performance along the entire production chain, with attention to the impact of products throughout their life cycle</li> <li>• adoption of environmental management systems and their eventual certification</li> </ul>
Territory (G.1. - G 4. - G 6. - G 7. - G 8.)	<ul style="list-style-type: none"> <li>• Quality of life</li> <li>• healthy lifestyles</li> <li>• social cohesion and equity</li> <li>• Conserving, processing and sharing cultural values</li> <li>• protection of the landscape</li> <li>• Animal welfare</li> </ul>	<ul style="list-style-type: none"> <li>• creating partnerships with local businesses and/or institutions in order to carry out projects that benefit the community</li> <li>• carrying out activities and local initiatives on issues of social, environmental and cultural value</li> </ul>
Product (G 2. - G 3. - G 5.)	<ul style="list-style-type: none"> <li>• quality of food, processes of transformation and livestock</li> <li>• territoriality / biodiversity</li> <li>• transparency of information</li> </ul>	<ul style="list-style-type: none"> <li>• care of business relationships with suppliers and consumers (promotion of quality, food safety and respect of ethical criteria and environmental protection)</li> <li>• creating forms of business partnerships that promote the adoption of socially responsible behavior all along the production chain</li> </ul>
Labour (G.10-G.11)	<ul style="list-style-type: none"> <li>• growth of skills</li> <li>• policy of resource management that encourages processes of integration, empowerment and motivation of staff</li> <li>• promoting a policy of equal opportunity (gender and non)</li> <li>• integration of immigrant labor</li> <li>• promoting welfare and safety at work</li> </ul>	<ul style="list-style-type: none"> <li>• human capital (training of personnel, establishing a flexible work schedule or agreed upon with workers)</li> <li>• promotion of equal opportunities and non-discriminatory practices,</li> <li>• promoting social integration of foreign workers</li> <li>• protection of health and safety at work (voluntary measures to effectively promote a culture of prevention)</li> <li>• adaptation to changes and corporate restructuring (retraining, social integration of their workers)</li> </ul>

*Source: our processing*

*Box 7 - Areas and combined objectives for the selection of KPIs*

<b>Area</b>	<b>Goals</b>	<b>Indicators (KPIs)</b>
territorial community	G.1. healthy lifestyles G 4. Animal Welfare G 6. Social Inclusion G 7. social activities G 8. projects and initiatives	G 1.1. G 4.1. G 6.1. G 7.1. G 8.1.
Product / environment	G 9. sustainability of production processes	G 9.1.
Product	G 2. transparency of information G 3. Livestock G 5. Biodiversity	G 2.1. G 3.1. G 5.1.
Labour	G 10. good practice: safety G 11. participation/integration	G 10.1 G 11.1

*Source: our processing*

In view of some problems that emerged in the inter-regional project, in particular on the basic concept of SR and the scoring system, which seemed to favor companies with a lower level and experience of SR than others that are actually more virtuous in this area, the effectiveness of the indicators was discussed with respect to the relationship between business and regulatory constraints. In addition, we wanted to give due weight to production technology and the concept of sustainability, in terms of the relationship with stakeholders as well as the conceptual difference between multifunctionality and diversification of production activities; on the one hand, in fact, the activities of the farm according to sustainable and environmentally friendly practices through cultivation, breeding and processing of products can produce positive effects for the territories and for the whole community; on the other, along with production, more and more businesses are diversified, or performing other tasks (direct sale of agricultural products, educational activities and environmental education, tourist accommodation, catering, etc.).

Indicators, therefore, have been reduced and simplified; for example, the macro-area of labour has been proposed with two indicators, one for safety at work and the other for practical integration/participation that can certainly be developed for foreign workers, who now constitute the largest labor force for the sector and not only. Moreover, "farm stays" and "organic farming" were excluded activities, as they are not considered specific activities to be included in SR. At first it was also decided to include some specific indicators (innovation, emissions<sup>8</sup>, etc.) which are already present in the size indicators.

Finally, given the high "pulverization" of the size of farms (often a family), associated with the "fragmentation" of the rural fabric (in terms of number of small plots belonging to neighboring landowners), it was decided to associate risk KPIs with small, medium and large agricultural and agri-food businesses, with the exception of micro-companies or those with revenues (or total assets of the balance sheet) less than two million Euros and which employ fewer than 10 employees.

<sup>8</sup> With regard to greenhouse gas emissions, the indicators present dimensional cut across the energy component, not the specifically agricultural. However, given the presence of other environmental indicators, it was not considered essential to post one ad hoc on agricultural emissions, including the difficulty of finding supporting evidence of their reduction.

The approach used in building risk KPIs, taking into account the specific food and agriculture sector, both generally and relating to the documentary evidence, therefore led to a model synthesized in a format divided into 11 Areas/Actions, identified for each (Box 8):

1. risk KPIs deemed applicable by businesses (small, medium and large) both for agriculture and agri-food (food production) to measure the company's economic, social and environmental performance for the purpose of self-analysis and communication to stakeholders;
2. relevant supporting documents, or the supporting documentation for each initiative that farms and food producers can make in the area of SR;
3. the ultimate goal of the indicators, which is to protect the weakest stakeholders through transparent information not driven solely by promotional purposes.

In the characterization of indicators, it was considered appropriate to include aspects relating to the dissemination of information in supporting documents - which could prove that a particular socially responsible act was actually put in place<sup>9</sup> - as agriculture and agri-food are characterized by lack of such documents, and to include educational activities in SR policies, programs and practices.

The minimum requirements for the validity of the model, namely that an agricultural and/or agri-food business can be considered socially responsible, have been defined as follows: small businesses must adopt at least one SR action (instead of 8 as in other sectors), medium-sized enterprises at least 2 and large businesses at least 3.

Every business, even small, thus has a "dashboard" of available indicators, functioning as an internal reporting tool for monitoring sustainability performance and risks related to them, but also as an external communication tool of the company's sustainability profile and performance (Nielsen, Thomsen, 2009).

The aim is also to establish paths for improvement of one's organization and reputation, looking at the social and environmental impacts of economic activities - taking into account the stakeholders' influence and interest capacity (Cramer *et al.*, 2004) - and, at the same time, to contribute to a vital platform for those administrations that wish to "reward" socially responsible behavior of companies, for example through public procurement, incentives, tax rebates and administrative simplification (See. <http://www.businessethics.it/>).

The developed model can steer the company toward accountability, the ability to provide transparent and reliable information for its stakeholders; the agricultural enterprise, in fact, especially for its small size, it is not always geared to the culture of "giving account" because it often undertakes social responsibility actions unconsciously.

The "platform of social responsibility indicators" is not a new standard, but a guide to the interpretation and rationalization of existing standards, a handy reference for both public administrations and businesses. For public officials, in particular, it is a tool for adopting reward criteria in tenders for granting loans and contributions. For businesses, however, it is a guide to improve internal processes as well as a tool to understand what sustainable activities are already underway.

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<sup>9</sup> Specific existing documentation or affidavits of certifications.

**Box 8 – The final list of risk management KPIs relevant to the food and agriculture sector**

<i>Minimum requirements</i>		<i>ATECO CODES</i>	
	Small businesses: at least 1	<i>AGRICULTURE, FORESTRY AND FISHING</i>	Da A.01 a A.03.22.00
	Medium-sized businesses: at least 2	<i>Food industries</i>	“C.10” e “C.11”
	Large businesses: at least 3		

<b>Agri-food (production of food) and Agriculture</b>					
<i>(Source: GRI, industry interface - "Guidelines for Sustainability Reporting &amp; Sector Supplement of food production" - RG Version 3.0 / FPSS Final Version)</i>					
AREA/ACTION	DESCRIPTION	INDICATORS (KPI)	supporting documents	YES/NO	
G.1	Territorial community	Healthy lifestyles	G.1.1. Programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnership initiatives and product development) that promote access to healthy lifestyles.	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements or labeling, documentation relating to activities and information dissemination.</i>	
G.2	Product	Transparency of information	G.2.1. Information on the characteristics of the product and the process, in addition to current legislative requirements, not only for promotional purposes, (eg. amount and origin, composition and/or nutrition of ingredients used, etc.).	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements or labeling, documentation relating to activities and information dissemination.</i>	
G.3	Product	Livestock	G.3.1 Indications of policies and practices, by species and breed type, related to physical alterations and the use of anesthetics, antibiotics and anti-inflammatories.	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements or labeling, documentation relating to activities and information dissemination, and adherence to protocols RDP measures.</i>	
G.4	Territorial community	Animal welfare	G.4.1 Following voluntary standards related to farming practices, transport and slaughter of live aquatic and terrestrial animals and the total number of cases that do not meet the standards.	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements or labeling, documentation relating to activities and information dissemination, and adherence to protocols RDP measures.</i>	
G.5	Product	Biodiversity	G.5.1 Practices concerning the maintenance and/or conservation of biodiversity (eg. Indicates the percentage of native species planted, native breeds cultivated and fodder produced on the farm more than 50%).	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements or labeling, documentation relating to activities and information dissemination, greening measures and adherence to PSR.</i>	
G.6	Territorial community	Social inclusion	G.6.1 "Social Inclusion" Initiatives (eg. Job and/or social placement of disadvantaged people)	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements, documentation for activities and information dissemination.</i>	
G.7	Territorial community	Social activities	G.7.1. Initiatives in favor of communities (eg. Farm babysitting, service to the elderly, eco-museums, educational farms, farmers' markets, direct selling, buying groups, short chains, responsible tourism, animal assisted therapy, gardening therapy, etc.)	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements, documentation for activities and information dissemination.</i>	
G.8	Territorial community	Projects and initiatives	G.8.1. Participation in projects and/or initiatives for rural development aimed at integration among agricultural products, crafts, rural tourism, land rehabilitation and upgrading or open to the public for guided tours in rural areas or forests, or involving local partners from other sectors (hotels, museums, crafts, sports, and business service industries in general etc.).	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements, documentation for activities and information dissemination.</i>	
G.9	Product/Environment	Sustainability of production processes	G.9.1. Adoption of technical or agricultural practices with reduced environmental impact, beyond the legal requirements (eg. Farming techniques with low impact and "conditionality of the CAP", the rationalization of the use of irrigation, permanent maintenance of all farm terrain, management and/or reuse of production waste and manure, etc.)	<i>Social report with self-declaration/affidavit, certificate, other attachments to the financial statements or labeling, documentation relating to activities and information dissemination, results Chemical soil ex-ante and ex-post.</i>	
G.10	Labour	Good Practices: safety (OT24 SSL KPI 11)	G.10.1. Implementation of best practices to improve health and safety at work, in addition to legal	<i>Social report with self-declaration/affidavit,</i>	

## Conclusions

The moment one recognizes the strategic importance for the company's relationship with its stakeholders, the need arises for a process of conscious management of social responsibility. This process must necessarily make use of ad hoc tools: social reports, sustainability reports, measuring tools and reporting.

While the adoption of voluntary standards that take into account not only economic dimension but also social and environmental practice, now widely shared, it becomes equally important to understand, through the model created, the meaning that each company gives to SR and how this will translate later into goals, concrete activities and measurable and monitorable results.

Creating shared and measurable value by the business becomes the differentiator among those who intend "to reward" socially responsible behavior of companies: on the one hand, the conscious consumer, expressing his negotiating power by choosing the type of enterprise and, on the other, administrations, so that they can encourage actions with public funding.

The use of risk KPI, then, arises from the need to use a shared grid for the implementation, evaluation and rewarding of SR actions by businesses of all sizes and in all industry sectors. The contribution of the grid of indicators for agricultural and agri-food is pigeonholed in the KPI platform model and fills a void in the industry; indicators, to that effect, are intended to facilitate the relationship between the agricultural and agri-food businesses and the PA, to accompany them to the self-assessment of their path towards SR and the inclusion of any improvements they innovate and that make them competitive on the market. The agricultural or agri-food business that follows this path will contribute to sustainable development of its territory and thus be eligible for those incentives, rewards and benefits that public authorities decide to operate in public tenders, such as rural development.

In support of this, an important fact is the KPI use by the regions Veneto, Friuli Venezia Giulia and Lazio in public tenders. During the previous Programming, in fact, the indicators have been used mainly by companies belonging to the manufacturing-building (50%) and trade and services (37%), but also from 33 small companies (approximately 2%), 14 medium (about 0.5%) and 7 large (0.2%) of the food industry. In the Programming 2014-2010 the regions involved in the project intend to continue or begin to use the platform to assign scores to reward projects involving socially responsible companies. To this end, they have already entered CSR actions in the horizontal priority ESF/ERDF, ESF as a specific target (ROP) and in many RDP (EAFRD). To facilitate this process the Ministry of Labour with the NOP Inclusion is making a speech accompanied with the regions to help territories to become aware "uniform" on CSR and the platform. In addition, the Ministry of Economic Development is building a software platform.

By companies, the KPIs have been used to define the degree of RS in their management; it is observed that with increasing size, increases the propensity to incorporate CSR into business strategy and regardless of firm size, most indicators selected are the areas A (organization and administration).

The hope is that the model for companies in the food and agriculture sector developed in this work will be applicable in all regions, following the approach adopted by some regions (Veneto, Friuli Venezia Giulia, Liguria, Lazio) where the KPI platform of the interregional

project was acquired and used to "reward" socially responsible behavior of companies operating in the territories. In this direction, the Lazio Region has set up a committee to promote interdepartmental SR paths and use performance indicators in all sectors, including agriculture and agri-food. In the latter sector concepts of multifunctionality and diversification are now common; for this, an enhancement of good agricultural and agri-food practices is fundamental in the area of SR, often unknowingly already implemented; thus businesses also become promoters of a model of virtuous conduct towards their stakeholders as well as other businesses.

In this sense, the involvement of intermediary actors (agricultural confederations, Chambers of Commerce, universities and research organizations) that contribute to "educating" about the meaning and the paths of SR and in the application of KPIs is all the more crucial. This is in light of the fact that if it is true that companies, as required by the OECD Guidelines, are required to apply due diligence to prevent and/or mitigate negative impacts of their activity wherever they operate, the support of institutional actors and the operating world are needed. Especially if one takes into account that due diligence should include firm relations with business partners, the supply chain and all other individuals and legal entities, state and non-directly, related to its products and/or services and business relations. In the case of agricultural and agri-food businesses, it is also necessary to focus actions locally, to enhance typical resources that cannot be relocated, yet that are still little exploited.

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