

Project Acronym;	<i>PEFMED</i>
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Axis.:	<i>Promoting Mediterranean innovation capacities to develop smart and sustainable growth</i>
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PEFMED

SOCIAL and ECONOMIC KPIs TOOL

Guide

Rev.02 2018-06-20

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1.- INTRODUCTION

As part of PEFMED project and according to deliverable 3.5.1, DNV GL is glad to present a set of economic and social key performance indicators (KPIs), file "PEFMED Social and Economic KPIS V2 Oct17.xlsx"

Deliverable	Responsible Partners	Title	Deliverable Description (from AF)
3.5.1	DNV GL	Scheme to merge PEF with Social Footprint and Product Social Identity indicators	DNV selected a set of economic and social key performance indicators (KPIs) to be verified on a sample of pilot companies to trace the social footprint of current agri-food production in MED also from the macro social and economic perspective

The set of KPIs is the result of a feedback process, which started in Bologna in May 2017, where the first draft of SE-KPIs was presented; after consideration of all the comments and concerns, this final version is presented.

Since there is no previous benchmark on the Socio-economic part to compare with, it was decided to have a list of KPIs and results in % that may help companies understand where they are (Starting point) and in which KPIs/stakeholders they could improve.

It is each company's decision to define actions or to plan resources to improve the KPIs.

The tool can also be used as a "stand alone" by companies as part of a self-assessment.

The tool consists of 14 KPIs and 36 questions (28 Mandatory and 8 Voluntary).

The reason of having "Mandatory" and "Voluntary" KPIs is due to the confidentiality and sensitivity of some data , therefore leaving each organization decide whether to disclose information or not.

Each KPI can have several questions related to.

KPIs are qualitative and quantitative.

Some KPIs are asked in such a way to obtain an overview of the existing management practices/maturity and some of them ask for numerical data (when available).

We have included 4 levels of maturity:

- 1.- Absence (0-25%): nothing or almost nothing is developed
- 2.- Basic (26-50%): something has started but complies with the minimum requested by law or common/best practices
- 3.- Continuous improvement (51-75%): company above the average, above law and closed to the best practices
- 4.- Proactive (76-100%): company leader

Assessors carrying out the assessment need to apply their professional judgment, depending on the answer and information/numerical data supplied by the company assessed. So, the tool allows to score in between the ranges (for example a score of 60% if the answer presented is 'ok', but not full according to the guide on each "maturity level")

We have included questions regarding companies' work on their Life cycle/Supply chain, meaning if they have information of the upstream and downstream processes, by this, we include the LCA approach.

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The tool is also useful for companies to know where to improve on their supply chain if they want to enhance the scoring.

The final result of the assessment is:

- a) a numerical result (in %) for each KPI and
- b) result graphs.

A life cycle approach was considered, so, for each stage of the life cycle of a product the related stakeholders were identified, and based on that the related KPIs .

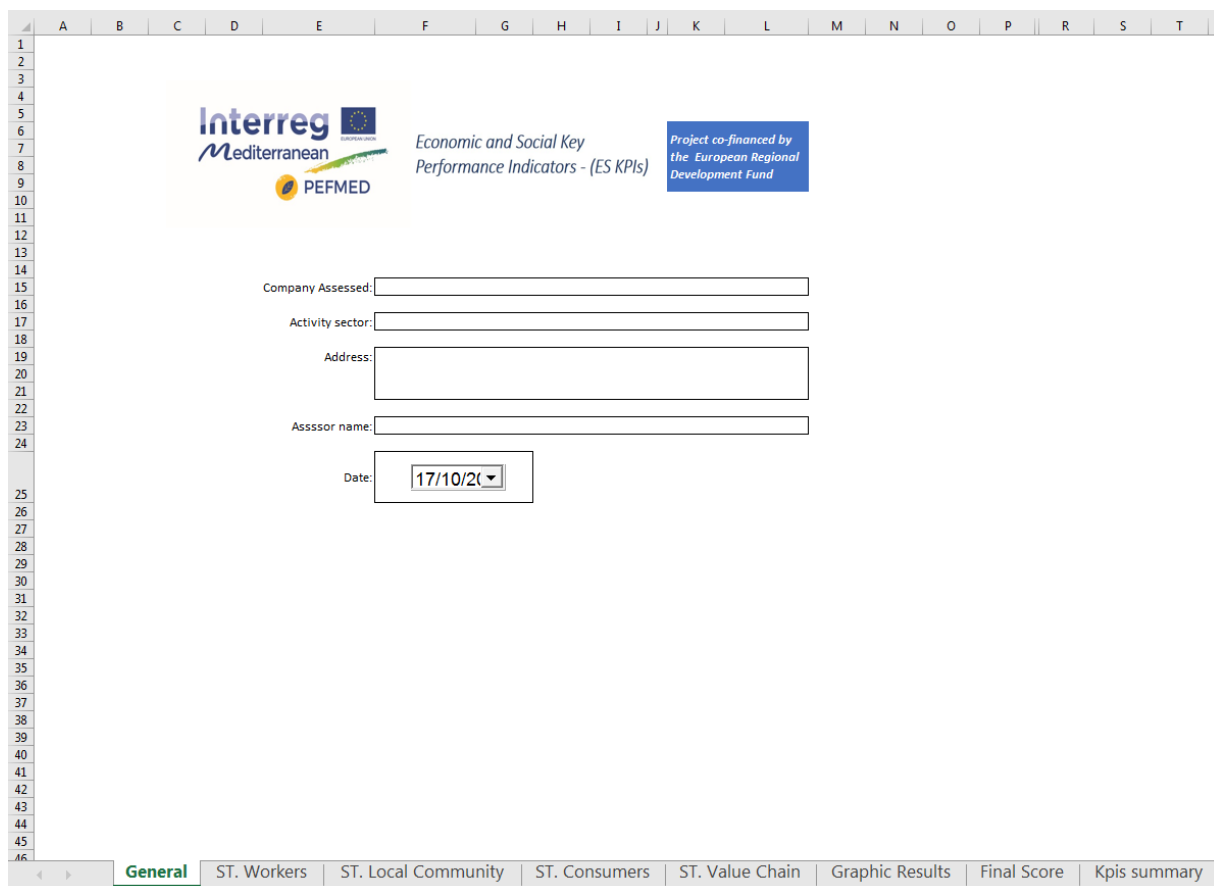
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2.- STRUCTURE OF THE TOOL

The tool consist of 8 sheets:

1.- General

The first sheet has the purpose of gathering basic data. Most of the cells are blocked except those where information is required.



2.- ST. Workers

This sheet includes those KPIs/questions for the Stakeholder "Workers"; 4 KPIs, one for each different subcategory, a) Health & Safety – H&S, b) Training, c) Freedom of association & collective bargaining, d) Working conditions.

KPIs #1 to 4 include 14 questions (9 Mandatory and 5 Voluntary)

3.- ST. Local Community

This sheet includes those KPIs/questions for the Stakeholder "Local Community"; 6 KPIs, one for each different subcategory, a) Local capacity building, b) Local employment, c) Well-being, d) H&S, e) Tourism and f) Territory, landscape and cultural heritage.

KPIs #5 to 10 include 11 questions, all Mandatory.

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4.- ST.Consumers

This sheet includes those KPIs/questions related to the Stakeholder "Consumers"; 1 KPI for the subcategory a) Transparency. It is Mandatory

KPI #11.

5.- ST.Value Chain

This sheet includes those KPIs/questions for the Stakeholder "Value Chain", under this subcategory we have two sub-stakeholders: 1.- Suppliers and Partners and 2.- Shareholders.

3 KPIs, one for each different subcategory, a) Integration of sustainability on supply chain, b) Research and development (R&D), c) Biodiversity.

KPIs #12 to 14, include 10 questions (7 Mandatory and 3 Voluntary)

6.- Graphic results

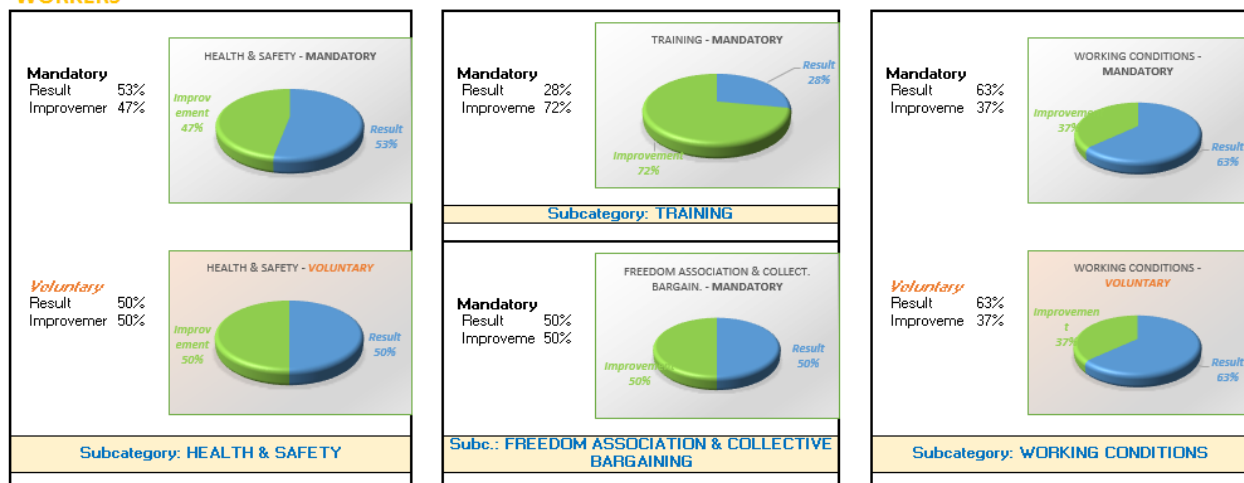
The different scores result in a graphic presentation for each KPI, including results for Voluntary and Mandatory by:

- a) Stakeholder
- b) Subcategory

Companies can easily observe where to improve. (**Blue**: %Achieved; **Green**: %Potential of improvement)

STAKEHOLDERS:

WORKERS



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7.- Final score

Based on the partial score of each question / KPI; we reach:

- the partial score per Subcategory
- the Global score per Stakeholder
- the Global score for all stakeholders.

Stakeholder	Subcategory	Final Score (Mandatory & Voluntary) by Stakeholder		GLOBAL SCORE (All Stakeholders)
		Partial Score (%)	Global Score (%)	
WORKERS	Health & Safety	52%	48%	54%
	Training	28%		
	Freedom Association & Collective Bargaining	50%		
	Working conditions	63%		
LOCAL COMMUNITY	Local capacity building	53%	54%	
	Local employment	50%		
	Well being	50%		
	Health & Safety	75%		
	Tourism	50%		
	Territory, landscape and cultural heritage	45%		
CONSUMERS	Transparency	65%	65%	
VALUE CHAIN	Integration of sustainability on supply chain	59%	51%	
	Research and Development (R&D)	50%		
	Biodiversity	44%		

8.- KPIs Summary

On this sheet a global picture of the stakeholders considered and number of questions is included for each Life Cycle Stage (Supply Chain, Own operations, Consumption and End of Life)

	Life cycle stages			
	Supply chain	Own operations	Consumption	End of Life
Stakeholders considered	Workers	Workers		
	Local community	Local community		Local community
			Consumers	Consumers
	Value Chain actors: -Shareholders -Suppliers & Partners	Value Chain actors: -Shareholders -Suppliers & Partners		Value Chain actors: -Suppliers & Partners
			Questions	
		Kpis	Mandatory	Voluntary
	Workers	4	9	5
	Local community	6	11	
	Consumers	1	1	
	Value Chain actors:	3	7	3
	Total	14	28	8

3.- LAY OUT OF SHEETS

The layout of each sheet is as follows:

STAKEHOLDER - WORKERS														
Subcategory	Metric n°	Mandatory (M) / Voluntary (V)	Issue	Alert (0%-25%)	Basic (26%-50%)	Continuous improvement (51%-75%)	Proactive (76%-100%)	Max score	Result	Factor (sum = 9)	Weighted	Aggregated	Records reviewed (In case information exist, please record (column O or separate file)	
Health & Safety	1	M	H & S metrics	- H&S metrics exist	- H&S metric exist for a limited part of the organization (i.e. only workers)	- H&S metric exist for all the company / departments / stakeholders	- H&S metrics prove to be improved year to year - H&S metrics are added all along the value chain - Feedback from life cycle sectors regarding H&S metrics are the basis for taking actions and changes on the H&S system	900%	0%	0,3	0%	0%		
					- Certification is on going or planned for next	- 1 certification in place among SA 8000 or OHSAS or other social certification exist and	- Both SA8000 and OHSAS or other certification exist at the same time and include the PEF product under study							

STAKEHOLDER - WORKERS				
Subcategory	Metric n°	Mandatory (M) / Voluntary (V)	Issue	
Health & Safety	1	M	H&S Policy	- No
		M	Occupational health & safety and preventive measures	- No
		M	H & S metrics	- No

Each "Stakeholder" sheet has different subcategories (Column B), to which the KPI (Column C number of KPI, 1 to 14) and questions are related to.

Column D indicates if the question of the KPI is Mandatory or Voluntary.

Under column E, "Issue", is the matter related to the question.

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	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	interreg				STAKEHOLDER - WORKERS										
2	Mediators				Economic and Social Key Performance Indicators (ES-KPIs)										
3	KPIs														
4															
5		Subcategory	Metric n°	Mandatory (M) / Voluntary (V)	Issue	Absence (0%-25%)	Basic (26%-50%)	Continuous improvement (51%-75%)	Proactive (76%-100%)	Max score	Factor (sum = 1)	Weighted	Aggregated	Records reviewed (In case information exist, please record tool (column O or separate file)	
6		Health & Safety	1	M	H & S metrics	- No H&S metrics exist	- H&S metrics exist but for a limited part of the organisation (i.e. only workers)	- H&S metrics exist for all the company/ departments/ stakeholders	- H&S metrics prove to be improved year to year - H&S metrics are asked all along the value chain - Feedback from life cycle actors regarding H&S metrics are the basis for taking actions and changes on the H&S system	100%	0%	0,3	0%		
8							- Certification is on going or planned for next	- Certification is on going or planned for next	- Both SA8000 and OHSAS 18001 or other social certification exist and	- Both SA8000 and OHSAS 18001 or other certification exist at the same time and include the PEF product under study					

Absence (0%-25%)	Basic (26%-50%)
- No certification exist	- Certification is on going or planned for next year among: SA8000, OHSAS18001 or other social certification

Columns F, G, H & I indicate the potential level of maturity for each question.

A guidance is included in each cell to help Assessors evaluate and score the question.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	interreg	Med	Economic and Social Key Performance Indicators (ES-KPIs)		STAKEHOLDER - WORKERS										
2															
3															
4															
5		Subcategory	Metric n°	Mandatory (M) / Voluntary (V)	Issue	Absence (0%-25%)	Basic (26%-50%)	Continuous improvement (51%-75%)	Proactive (76%-100%)	Max score	Result	Factor (sum = 1)	Weighted	Aggregated	Records reviewed (In case information exist, please record tool (column O or separate file)
6		Health & Safety	1	M	H & S metrics	- No H&S metrics exist	- H&S metrics exist but for a limited part of the organization (i.e. only workers)	- H&S metrics exist for all the company/ departments/ stakeholders	- H&S metrics prove to be improved year to year - H&S metrics are asked all along the value chain - Feedback from life cycle actors regarding H&S metrics are the basis for taking actions and changes on the H&S system	100%	0%	0,3	0%		
7															
8						- Certification is on going or planned for next	- Certification is on going or planned for next	- Certification in place among: SA 8000 or OHSAS 18001 or other social certification exist and	- Both SA8000 and OHSAS 18001 or other certification exist at the same time and include the PEF product under study						

	Proactive (76%-100%)	Max score	Result	Factor (sum = 1)	Weighted	Aggregated	(I
st	- H&S policy is communicated to all stakeholders and along the supply chain; and feedback is used for the revisions of the policy - H&S Policy existence is asked to all value chain actors	100%	0%	0,2	0%		
	- H&S measures are taken not only basen on accidents, so						

Maximum score for each question is always 100% (Column J)

Column K has been left open for the assessor to include the score reached.

Columns L,M and N are used when there are several questions for one KPI and for the purpose of reaching a result in % (cells are blocked).

- Explanation of the KPI
- Possible sources of information where to find the answer to the KPI/question (valid both for the assessor and the company)
- Remarks help to understand the KPI/questions.

4.- IMPROVEMENT PLAN AFTER SE-KPIS TEST

The objective of the SE-KPIS is not only to obtain a value in % for each KPI, but to provide information to the company where SE-KPIS have been tested, where they may improve on the socio-economic aspects. The tool and the results obtained are useful for companies to also know where to improve on their supply chain if they want to enhance the scoring. For this, an improvement plan is needed.

Not all companies can improve in all socio-economic aspects at the same time, it will depend very much of several issues: budget availability, sector framework, product limitations, specifics of the product-supply chain, legal requirements, partners involvement, suppliers concern, etc.

How this improvement plan can be done?

It is up to the company where SE-KPIS have been tested to define their own path, but some approaches can be followed:

- a) Have support from external consultants / LCA experts from the beginning
- b) Start thinking on a plan themselves and after, ask support to LCA experts / external consultants
- c) Define the plan and follow up without external support

In any of these options, the typical steps would be:

1- Choose a top 3 (or top 5) of those KPIS weaker (where scoring was lower for example)

2 -Define an action plan including:

- a) resources needed (manning, economic)
- b) how far they want to improve (25%? 50%?) on each KPI by the question made you can find possible actions (define a policy, define a strategy, define new controls, etc.)
- c) timing: Annual plan? Bi-annual plan?
- d) frequency of when this action need to be checked, every three months? Every 6 months? Monthly?
- e) Input from stakeholders (involvement of stakeholders is very important), how can they be involved?

3 - Review by management of the action/improvements/results (every 3-6 months?)

4 - Following a Plan-Do-Check-Act philosophy (Also known as "Deming Cycle" or "Continuous improvement Cycle") Ask if it is needed to carry out the SE-KPI test again and define a new improvement plan on other SE-KPIS or on the same SE_KPIS where improvements were below expected.

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Example 1:

Company A has tested SE-KPIs using the tool for the first time, and score of KPIs related to 2 stakeholders were found to be on lower scores; Workers (14%) and Value chain (8%), meanwhile other 2 stakeholders results (Local community (76%) and consumers (75%) found to be acceptable for the company. It gives a global score of 43% (Basic level) which is below expectations for the Top management, so after the Annual management review it is decided to improve global score >50% (Continuous improvement level).

StakeholderSubcategory		Final Score (Mandatory & Voluntary) by Stakeholder		GLOBAL SCORE (All Stakeholders)
		Partial Score (%)	Global Score (%)	
WORKERS	Health & Safety	13%	14%	43%
	Training	18%		
	Freedom Association & Collective Bargaining	0%		
	Working conditions	24%		
LOCAL COMMUNITY	Local capacity building	75%	76%	
	Local employment	88%		
	Well being	80%		
	Health & Safety	70%		
	Tourism	80%		
	Territory, landscape and cultural heritage	65%		
CONSUMERS	Transparency	75%	75%	
VALUE CHAIN	Integration of sustainability on supply chain	15%	8%	
	Research and Development (R&D)	10%		
	Biodiversity	0%		

Fig. 1 - Obtained results

It means "Workers" and "Value chain" scores need to be improved, so to reach a value > 50% on global score, some KPIs need to increase to 25% and/or 50% because Company believes some action can be started on H&S matters, training, R&D, etc. (Local community and Consumers KPIs are not changed)

So, the expected result once the improvement plan is defined and started is:

		Final Score (Mandatory & Voluntary) by Stakeholder		GLOBAL SCORE (All Stakeholders)
Stakeholder	Subcategory	Partial Score (%)	Global Score (%)	
WORKERS	Health & Safety	50%	38%	53%
	Training	50%		
	Freedom Association & Collective Bargaining	25%		
	Working conditions	25%		
LOCAL COMMUNITY	Local capacity building	75%	76%	
	Local employment	88%		
	Well being	80%		
	Health & Safety	70%		
	Tourism	80%		
	Territory, landscape and cultural heritage	65%		
CONSUMERS	Transparency	75%	75%	
VALUE CHAIN	Integration of sustainability on supply chain	25%	25%	
	Research and Development (R&D)	25%		
	Biodiversity	25%		

Fig. 2 – Desired results

Company A defines this improvement plan for SE-KPIs:

SE-KPIs PLAN:

Item	Action	Need of external resources	Follow up / Planning
TARGET:	Increase some SE-KPIs to reach >50% scoring	See below	
TIME:	to be complied in 12 months (starting June 2018)	See below	
ACTIONS:	a) See Actions 1 to 7 b) Repeat SE-KPIs test by May 2019	a) Internal and Sector Association support b) Need of support of LCA expert	
MANAGEMENT REVIEWS:	a) Every 3 months meeting between Human Resources, Sustainability department and Management. b) Final review end May 2019	a) Internal b) Internal	1. Sept 2018 2. Dec 2019 3. March 2019 4. May 2019

Stakeholder	Subcategory	Starting point (June 2018)	End point (June 2019)	Gap	Action
WORKERS	Health & Safety	13%	50%	37%	Action nº 1
	Training	18%	50%	32%	Action nº 2
	Freedom Association & Collective Bargaining	0%	25%	25%	Action nº 3
	Working conditions	24%	25%	1%	Action nº 4
LOCAL COMMUNITY	Local capacity building	75%	75%	0%	No action
	Local employment	88%	88%	0%	No action
	Well being	80%	80%	0%	No action
	Health & Safety	70%	70%	0%	No action
	Tourism	80%	80%	0%	No action
	Territory, landscape and cultural heritage	65%	65%	0%	No action
CONSUMERS	Transparency	75%	75%	0%	No action
VALUE CHAIN	Integration of sustainability on supply chain	15%	25%	10%	Action nº 5
	Research and Development (R&D)	10%	25%	15%	Action nº 6
	Biodiversity	0%	25%	25%	Action nº 7

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Action nº 1: Company A is a small factory with 35 employees, no client has asked for any ISO certification in the past, so Managers were not concerned about management systems issues. In order to increase the scoring of this KPI, Managers will issue a H&S policy as first step, this will help to communicate employees that the company wants to improve H&S matters and also to inform the clients and partners. Next steps will be to define a set of simple H&S metrics, provide employees with PPE, define a couple of H&S procedures. Despite no major accidents happened in the past, there was no formal follow up, so it will be fixed a monthly follow up of minor accidents/events and start statistical monitoring.

This will make the KPI to move from actual 13% to 50%

Action nº 2: Managers did not detect any training need, mainly because it was not established a systematic way to detect it. Training was basically focused on production issues, but not on H&S or Environment or Social issues. Company will use the existing funds of the Sectorial Association (free courses) and start providing training to front line employees on H&S , after that training on Environmental issues to production manager and Maintenance manager. Investment on training will start (hours dedicated) and in case other external courses that may require economic investment will also be followed.

This will make the KPI to move from actual 18% to 50%

Action nº 3: Managers were not aware of the need because workers did not ask for it, it will be investigated how far it is a legal requirement or not. If it is not, the score can be 25% because company is complying the law (it was scored 0% because there was no presence of workers union on the company, but this will be revised). If there is an obligation then the company will allow workers to join, Company will ask for support on this matter to legal department of the sectorial association that the company is member of.

This will make the KPI to move from actual 0% to 25%

Action nº 4: Managers did not perceive this could be a problem, but it is true that no audit / inspection has been carried out in the history of the company, neither any kind of formal audit/inspection was carried out to suppliers, so managers think that a good starting point could be define a policy on this matter, and communicate this policy to employees and suppliers. On this first year an inspection will be carried out on the company and to a couple of suppliers, in order to assure there is no risk on this field.

Regarding contracts, the rotation of employees has been low in the past years, anyhow formal monitoring of type of existing contracts will start to be fully sure the company is complying the law.

Company started its activities in the 60´s so premises are quite old, (despite small investments in the past that were mainly focused to machinery and equipments), managers recognize that conditions can be improved in toilets, lighting, ventilation, locker rooms.

The above mentioned inspection can include workplace conditions.

Overtime occurs in production peaks of the year, but no formal follow up exist, so a monitoring of theses overtime hours will start in order to comply the labour legislation.

Company has no information about worker´s salaries compared to sector average.

All these actions will make the KPI to move from actual 24% to 25%

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Action n° 5: Despite managers and employees are sensitive to environmental issues, no criteria exist on the company when choosing/selecting a supplier or when making any change on production or buying a new equipment. The new planned training on Action n°2 will help the company staff to increase their awareness on environment and have a more clear criteria about what environment requirements ask to suppliers.

Regarding product sustainability: range of products have not changed in the last 10 years, so no change on the design of the packaging has been done, energy consumptions are not monitored, so no metric exist to know ratios of energy consumption (electricity, fuel, natural gas, wastes produced) vs production tonnes. Company has no information of its efficiency, so energy KPIS will be defined and company will start to monitor the trends, this will help to have a much better information if production techniques and controls are helping to reduce the footprint. The PEF report finished during 2018 will be the basis for this first control, and will help to have a systematic approach on existing EU methodologies on product footprint.

This will make the KPI to move from actual 15% to 25%

Action n° 6: Company started a change of the design of the product packaging but that project was stopped, it was not very clear the economic return of the investment, in addition the company has no design department. So, managers recognize R&D must be emphasized. Company has no R&D department due to its small size, but Sectorial Association can help on this. Probably this need to be externally contracted.

Despite several investments have been initiated in the last 5 years, no systematic monitoring of these investments is in place, so managers will collect the information and start to calculate the % of investments in H&S, product improvement, facilities improvement.

This will make the KPI to move from actual 10% to 25%

Action n° 7: Company A has no specific biodiversity measures in place. Anyhow the managers are concerned about use of fertilizers and company has an organic line of products, but this information is not monitored. A formal policy on the use of fertilizers will be informed to suppliers and laboratory test will be controlled in a systematic way.

Company follows on a yearly basis the production of wastes (dangerous and non-dangerous), but has no information if this amount of wastes is increasing year to year or not, neither is comparing it vs production figures.

Company A will define an environmental policy as a starting point.

This will make the KPI to move from actual 0% to 25%

All these actions do not require a high financial effort.

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