

ESG competences and responsibilities

interview by Roberta Lospinoso



The term ESG, an obscure abbreviation until only a few years ago, has now become common in business jargon, in reference to the all-round commitment to sustainability that underlies an organisation's solid, long-term growth.

"No-one can claim to be sustainable if their supply chain is not sustainable. All aspects of sustainability must be implemented with a timing and graduality that depends not only on internal factors, but on the world outside. Every single aspect must be sufficiently mature".

So says Anna Maria Pacini, Head of ESG Management at DeA Capital Real Estate, interviewed by The Procurement with Chiara

Montagna, Synertrade Head of Sales. Sustainability is an increasingly important challenge of key importance to DeA Capital RE.

Anna Maria's role is not a common one, and is very specific: she is in charge of coordinating and emphasising the cross-cutting nature of responsibility for sustainability issues.

"ESG is not something you study and then you know all about it. It's continually evolving. Appointing a single responsible person is essential, it's the key to success," says Anna Maria Pacini. "Every day I acquire new skills that help me to understand the challenging, continually evolving demands of the market."



Anna Maria Pacini

Head of ESG Management
**DeA Capital
Real Estate SGR**



Chiara Montagna

Head of Sales
Synertrade

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ESG: an increasingly important issue for companies. Anna Maria Pacini, how DeA Capital RE does address this issue? What are the keys to your idea of sustainability?

We're a highly regulated company, and at this time all the regulations in finance, especially the European ones, are focusing on sustainability. But we have made significant progress, going beyond the letter of the law to anticipate regulatory requirements.

Our path to sustainability began four years ago. In 2019 we issued our first sustainability policy, and in 2020, in the midst of the pandemic, we set up our ESG Management function, of which I am in charge. We then identified a path for implementation of a whole series of sustainability variables, starting with governance aspects and gradually proceeding with product sustainability.

Our project is continually evolving, being transformed and strengthened. We started out by setting forth the basic principles, identifying the applicable regulations and best practices and the associations to collaborate with. We adhered to the PRI (Principles for Responsible Investments), a United Nations initiative in favour of sustainable investment, after which our progress in this area has continued, with an impact on our processes, roles and responsibilities. With this progression, and through constant implementation of variables, we set goals for ourselves.

We came up with a three-year plan, which we adjust every year, with the involvement of internal stakeholders first of all, then our customers and eventually the entire supply chain.

The team's collaboration is essential. As I was saying, I act as a coordinator, but the procedures, schemes and frameworks are determined together with the people in charge of the processes. Once a year we report to the Board of Directors on

the state of progress on achievement of our goals, and on strategies that can be integrated and reinforced.

Why did you decide to include a specific questionnaire regarding ESG certification in your supplier register?

We have a vast supply chain, and pool of suppliers, and so we inevitably had to prepare an ESG questionnaire, which was implemented in 2020 in terms of questions, and introduced in the supplier register in January 2021. All new and expiring suppliers are asked to fill it in.

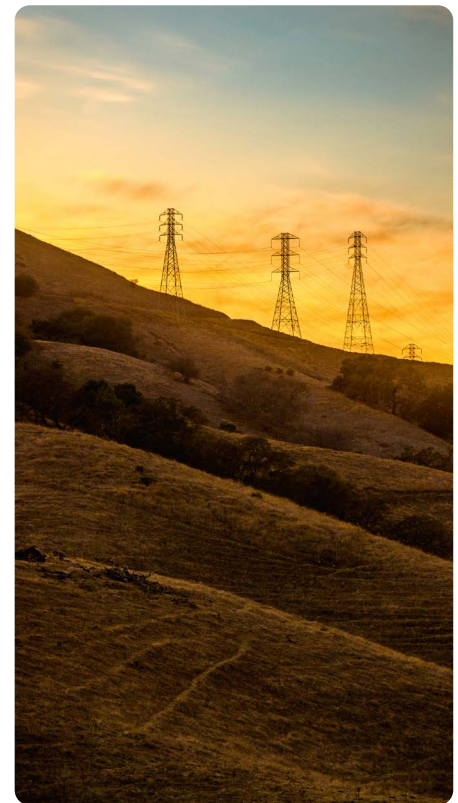
In order to qualify, suppliers must provide a series of guarantees, for instance of financial solidity, the absence of criminal charges pending against the company's directors, and the need for certain certificates required by the regulations. All this information, which has an expiry date and must be renewed periodically



to maintain supplier qualification, is integrated with additional ESG-related aspects and included in the questionnaire.

We decided that the questionnaire will not represent an obstacle to qualification. Hindering qualification at this stage would result in a risk of drastic, inefficient reduction of our supplier pool.

The procedure therefore allows suppliers with insufficient ESG parameters to be qualified anyway, but these suppliers cannot be selected if the type of service to be supplied has a negative impact on a product or on the asset management company presenting ESG implementations.



When the market and various types of supplier are more mature in terms of sustainability criteria, we will definitely start to include this type of variable as contributing to qualification.

The ESG questionnaire includes a number of specific items: which are the ones companies have the most trouble complying with?

The questionnaire essentially takes three aspects into consideration. First of all, governance, in order to understand if and how companies have implemented sustainability regulations, figures or processes. Smaller enterprises tend to be less prepared to do so, while the bigger corporations are beginning to have solid structures and internal principles in place.

Then there's a section regarding participation in potential schemes or standards for sustainability, at the corporate and product level, and most suppliers respond positively to this. The last section takes into account the presence of any fines, sanctions, or investigations regarding ESG issues. A positive reply here will definitely result in exclusion from the awarding of contracts.

Chiara Montagna, you are now Head of Sales at Synertrade, but you have many years of experience in procurement and ESG. In what way is national and European legislation guiding companies toward sustainable evolution?

Chiara Montagna: At the beginning of my career I worked in Sales, then I worked in consulting and training for many years, including in the area of procurement; I have recently been concerned with procurement software and services, first as a PM and then as Head of Sales.

I have seen Italian companies' vision of procurement evolve and change a lot over the past 30 years. When I first started out, this was not seen as a strategic area, and there were no specific skills involved; but



today, Procurement plays an increasingly important and prominent role.

This is partly due to the evolution of regulations, but also because companies' strategic vision considers the procurement process as a responsibility, requiring planning and analysis skills and abilities in order to ensure that procurement management responds to the needs of the business and prevents corporate risk.

These skills have become even more essential with the advent of the new directives.

Our universities have been taking steps in this direction, and I believe the legislation in place will require Procurement departments to be much more aware of ESG policies.

The European directive due to be implemented in final form soon will change the picture in Italy and in all member nations.

The big companies will lead the way in ESG management at first, and pay the cost of coordinating these policies.

Anna Maria Pacini: In my opinion, regulatory obligations do not always simplify things, but they definitely speed things up.

We at DeA Capital RE are already implementing supplier engagement, but a lot depends on our counterparts' awareness.

A small enterprise may have trouble coming up with a system, appointing someone to take care of all these aspects, because ESG is a continually evolving area. Everyone talks about it, but not everyone knows what they are talking about!

I hope that the big corporations will lead the way and bring the smaller ones along with them, supplying and defining standards and methods which can then easily be adopted by all the others, opening up the path for those who implement such complex systems.

Synertrade and DeA Capital RE: the partnership began in 2018. How have sustainability targets been integrated into the Synertrade platform? What results have been achieved?



Anna Maria Pacini: As a highly structured, complex company, when we adopt a product we do a lot of customisation of our platforms, coming up with a number of implementations. The systems we use must ensure control of a number of different aspects, which is why the type of verification we require is always customised on the basis of our requirements.

At the present time, the supplier register is one of our key goals. At first this was a merely qualitative goal, but now it is a yardstick. We are still studying the suppliers in our supply chain in order to understand what additional requirements we might introduce, however gradually. Synertrade has always been very helpful in this area. The system allows us to integrate this additional section containing ESG questions without altering what is already in place. What's more, the platform makes it easy to obtain reports, constantly monitor progress, and conduct analyses and assessments. As of August 2022, according to the synthetic aggregated figures for entries in our supplier register, 80% of our 714 qualified companies had filled in the ESG questionnaire,

while 78% of the 56 professionals in our supplier registered had completed it.

Chiara Montagna: DeA Capital RE was the first customer for which I directly oversaw implementation of the system when I joined Synertrade in 2018. At that time, I was their PM, and the project was a real challenge.

Our platform originated in France and Germany more than 20 years ago. We opened in Italy in 2015, and DeA Capital RE was the first "regulated" customer for whom we had to deal with Italian regulations, which are often much stricter than those in other countries, especially when it comes to supplier qualification. This challenge allowed us, through rather structured configurations, to support DeA Capital RE and respond to all its requests, confirming the flexibility of our platform. We can in fact handle many different types of customer, receiving and integrating complex, rigid procedures and different policies, in an agile way, supporting the company's evolution.

In the area of ESG, DeA Capital RE adopted a proprietary approach, implementing its own competences and functions in order to come up with a questionnaire supporting the supplier qualification process.

But we have other cases of customers, in industries such as pharmaceuticals, who prefer to rely on info providers to integrate this type of competence into their qualification process and provide an ESG assessment.

Then there is a third approach, which we also welcome and integrate into our platform, which is that of the supply chain. Certain customers in the agrifood and construction industries who share common suppliers have formed consortia to qualify their suppliers together. They have therefore established their own ESG questionnaires appropriate for their own markets and suppliers, integrating them into the platform.

The supplier qualification process is constantly evolving, as companies and the market continually change and evolve. eProcurement platforms must make it easy for companies to develop and make progress in supplier qualification questionnaires, selection parameters, KPIs and everything that has to do with supplier measurement.

Looking at the market, we can see that our Accelerate platform responds to the need for an agile approach, and we are obtaining confirmation of this with excellent results as the years go by.