Global Compact
Network Italy

UNITED BUSINESS

TRANSFORMATIONAL GOVERNANCE: A RESPONSIBLE CONDUCT DRIVER FOR A MORE ETHICAL, PROSPEROUS AND SUSTAINABLE BUSINESS

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INTRODUCTION

The aim of this document is to take a snapshot of how Italian companies participating in the United Nations Global Compact are interpreting and implementing the integration of sustainability within their governance mechanisms. It is a fundamental and unavoidable dimension allowing companies to promote sustainable business, from a strategic, cultural and operational point of view, starting from the top and managerial levels, and permeating all the organisation's employees.

Starting from the concept of corporate governance, companies are increasingly recognising sustainability as a key element of competitiveness, integrating the identification of ESG risks, impacts and opportunities. UN Global Compact calls the private sector to be more ambitious, adopting Transformational Governance. In this approach, sustainability acts as an accelerating factor at an internal level, orienting the corporate purpose towards strategic planning and process alignment, and at an external level, involving traditional stakeholders (suppliers, customers, financial sector) and also broadening the spectrum to include players in the ecosystem in which the company operates (institutions, third sector).

The paper was presented, as a preparatory document, and discussed during the annual meeting promoted by the UN Global Compact Network Italy and dedicated to the CEOs and Chairmen of the Italian UNGC companies, held on 22 May 2024 in Milan. The final version of the paper was officially launched during a side-event at the High-Level Political Forum held on July 17 2024 in New York.

The document was produced by a working group, coordinated by UN Global Compact Network Italy, composed of 54 UNGC companies, listed below in alphabetical order: A2A; ACEA; Aeroporti di Roma; Andriani; Automobili Lamborghini; Benetton; CAP Holding; Carbonsink; Cassa Depositi e Prestiti; Edison; Enav; Enel; Eni; Erg; Esselunga; Feralpi Siderurgica; Ferrovie dello Stato Italiane, Ferrari; Fincantieri; FNM Group; Gruppo De Cecco; Gruppo Hera; Gruppo Sofidel; Gruppo Unipol; ICAM Cioccolato; illycaffè; INWIT; Iren; Italmobiliare; Italyum; Legance – Avvocati Associati; Leonardo; Leroy Merlin Italia; Lundbeck Italia; Maire; Marcegaglia Steel; Mindoor (Boyden Italy); Moncler; Nestlé Italy; Pirelli & C; Poste Italiane; Prada; Prometeon Tyre; Prysmian, RCS Mediagroup; RINA; Saipem; Save The Duck; SEA - Società Esercizi Aeroportuali; SNAM; Terna; Tod's; TPER; Volvo Trucks Italia.

While thanking the companies that have contributed to enrich the document with their insights and concrete experiences, we hope that this position paper will serve as food for thought and learning, and that it will inspire companies in their journey towards truly transformational governance. This will embody the role of business as a driver of social, environmental and economic change within the company, as well as the society.

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The current context in which governments, businesses and individuals live and operate is characterised by growing and converging crises: present and future impacts of climate change, economic uncertainty, geopolitical instability, growing social inequalities, public health risks posed by pandemics, misinformation accompanied by the distorted use of mass media and artificial intelligence. Since the institution of the United Nations 79 years ago, there has been no more urgent time to unite and mobilise the international community towards common goals of prosperity, peace, inclusion and sustainability.

In September 2020, on the occasion of 75th UN anniversary, 1.300 CEOs from more than 100 Countries gathered to sign "United in the Business of a Better World: A Statement from Business Leaders for Renewed Global Cooperation". Recognising that peace, justice and strong institutions (focus of Goal 16 of the 2030 Agenda for Sustainable Development) are essential for the long-term sustainability of their organization, the UN Global Compact Ten Principles integration into their business and for achieving all other SDGs, signatories CEOs committed to demonstrate ethical leadership and good governance; to invest in addressing systemic inequalities and injustices; to partner with the United Nations, Governments and civil society to strengthen access to justice, ensure accountability and transparency, provide legal certainty, promote equality and respect human rights.

The signatories business leaders, in turn, called on Governments to protect human rights, ensure peace and security and uphold the rule of law; to create an enabling environment through strengthened international cooperation and national legal frameworks; and to enhance multilateralism and global governance to combat corruption, build resilience and achieve the Sustainable Development Goals.

The principles and commitments raised in this Statement are underpinned by the targets under Sustainable Development Goal 16, one of the most relevant Global Goals for the private sector. Primarily, peace, justice and strong institutions are building blocks that enable Governments, civil society, businesses to focus on the other SDGs: when these factors are ensured and implemented, progress towards achieving the other SDGs can accelerate. Secondly, peace, justice and strong institutions are essential to profitable and sustainable environments for business and investment. When those factors are in place, businesses and investors can spur economic innovation and development, generate jobs and incomes, diminish poverty and expand opportunity.

United Nations Global Compact, the most important global initiative on corporate sustainability, developed the **SDG 16 Business Framework**, a practical tool to raise awareness on how Goal 16 targets impact the business and how companies' operations can impact on these targets. The Framework aims also to introduce the concept of transformational governance and its application to the SDG 16 targets.

Businesses have an express and inherent responsibility to take all practical and reasonable steps to "do no harm" to any persons including to not cause or contribute harm through their own activities. They can make positive contribution to peace by providing employment opportunities, generating economic development and supporting efforts to reduce the drivers of violence in the communities where they operate.

Businesses have a responsibility to comply with relevant legislation (including international standards where possible) and to effectively manage any risk related to violence against children within their own operations and throughout their supply chains. Moreover, they should pay particular attention to the growing prevalence of social media and the susceptibility of children to bullying and harassment, graphic content and invasion of privacy.

Businesses must respect the rule of law in the Countries where they operate and are encouraged to apply international standards wherever possible, recognizing the mutuality between protecting the rule of law and providing access to justice for all and the impact this has on the social license to operate and on customers, employees and communities.

Businesses play an important role in subverting illicit financial flows and illicit transfer of assets and in combating organized crime, implementing robust anti-corruption and human rights due diligence policies and practices and collaborating with relevant law enforcement authorities in the prevention and remedy of these illicit and illegal activities. Businesses can support Governments in developing and maintaining responsible business environments, helping to build mutual trust among parties.

Businesses have the ability and influence to work against all forms of corruption, adopting a zero-tolerance approach to accepting, engaging or otherwise facilitating any form of unethical or illegal conduct. Beyond that, businesses can make a "positive contribution" by acting collectively and using their influence to level the playing field, promote business integrity and ultimately build trust.

Businesses must embrace ethical and moral leadership in order to be more effective, accountable and transparent organizations, also to comply with national and sovranational directives and regulations asking the private sector to adopt a braod and responsible approach to *governance*.

Business should include having balanced and equal representation and participation on boards and in leadership positions; review their policies and practices from recruitment to marketing; develop and implement action plans to address systemic inequalities within their own organizations; provid resources and platforms to advance public policy focused on equity and inlcusion.

Responsible businesses have the ability to engage with Governments and civil society – adopting transformational governance – to strenghten mutual trust and systemically address urgent global challenges.

Businesses have a responsibility to avoid causing or contributing to any human rights abuses and should seek to prevent, mitigate and, where appropriate, remediate any harm caused, conducting the necessary human rights due diligence and auditing to identify whether there are any undocumented or unprotected workers in their operations or supply chains.

Businesses can providing citizens access to credible information and supporting fundamental freedoms including the freedom of expression and the right to assembly or participation, protecting the right to privacy and the right to be forgotten by customers, employees and communities.

SDG 16 deserves a special attention within **business reporting**.

The importance of reporting in general is widely recognised, as witnessed also by recent European legislation, to generate and make available to stakeholders the information needed to understand and mitigate risks and seize opportunities, as well as an exercise of transparency and accountability internally and externally.

The inclusion of SDG 16 in *reporting* is functional for some categories of stakeholder:

- **Investors**, for whom disclosure with respect to integrity, anti-corruption and human rights actions undertaken by a company (associated to the Organisational and Management model in accordance with Legislative Decree no. 231/01, Code of Ethics, anticorruption policy, other documents as Supplier Code of Conduct, ISO37001:2016 certification, human rights policy) and regulatory compliance can provide a greater understanding of the lower risk involved in investing in that company or activate blended finance mechanisms together with the company itself;
- **Governments**, for whom reporting can contribute to assess compliance to existing legislations and highlight potential gaps in the regulatory context. In this way and on a two-way level, businesses can responsibly support Governments in their SDGs monitoring and progress reporting;
- **Civil society**, for which business reporting on SDG 16 can provide additional data and details on sustainability performance, to foresee advocacy and engagement initiatives.

Transformational Governance: an expansive approach to the "G" of ESG Dimension

The private sector is increasingly committed to align the corporate purpose towards the integration of sustainability and stakeholder expectations into the business strategies and goals. This fosters businesses in addressing global challenges.

As stated in the Edelman Trust Barometer 2023, in a world where there is a widespread lack of trust in institutions, the private sector is recognized as the most competent social actor and top managers are called to contribute to address international challenges, committing to improve employees (also economic) weel-being, to tackle climate change and to reduce inequalities.

The private sector has, therefore, a critical role to play, on the one hand promoting a more responsible, inclusive, prosperous and sustainable way of doing business, strengthening trust with public institutions and civil society. On the other, companies have to respond and meet stringent and transparent reporting requirements on their sustainability initiatives.

The answer in this challenging context is the concept of **transformational governance**, an expansive approach to "G" of the ESG acronym, which allow businesses to strengthen the environment and social dimensions through the use of business management tools with an increasingly broad scope, in order to boost a real change in business orientations. Transformational governance demonstrates how businesses can assess and implement SDG 16 through three interrelated and increasingly expanding dimensions.

1. **CORPORATE GOVERNANCE**, which is based on transparency, the guiding and strategic role of the Board of Directors, correct and sustainable conduct of the company towards shareholders and stakeholders, financial responsibility and the adequacy of organisational structures, with particular reference to the internal control and risk management system and decision-making processes.
2. **SUSTAINABLE GOVERNANCE**, strengthening the first level of governance with respect to the management of environmental and social risks, the opportunities and the impacts they generate.

3. **GLOBAL GOVERNANCE**, which aims to inspire other companies and peers to take action to contribute responsibly - alongside government action - to strengthening public regulations and systems, at international, national and territorial levels.

CORPORATE GOVERNANCE → **SUSTAINABLE GOVERNANCE** → **GLOBAL GOVERNANCE** → **TRANSFORMATIONAL GOVERNANCE**

Transformational governance provides a new vision (and ambition) of corporate governance that aims to generate impact inside and outside the company, at the level of society and the ecosystem in which the company operates. This ecosystem consists of different actors as Governments, civil society, institutions, consumers and customers, communities. Transformational governance requires an internal transformation of governance practices to promote an integrated and systemic approach to corporate management.

Transformational governance can take different forms and be implemented in **different types of activities**:

- deepen the company's values, strategies, policies and concrete initiatives;
- strengthen internal and external relations;
- adopt corporate due diligence processes that are based on environmental and social considerations;
- propose a common agenda for governments, business and civil society.

The private sector is called upon to integrate the values and principles of transformational governance - to promote more trustworthy, ethical, inclusive and transparent business - by acting on corporate internal and external dimensions, including supply chains and other key stakeholders.

INTERNAL ACTIONS

- Values and culture
- Strategic planning (targets) and risk assessment
- Board, Committees, Board of Statutory Auditors, management composition and oversight
- Training and employees' engagement
- Policies and processes including ethics and compliance programmes
- Contract provisions, due diligence and grievance mechanisms
- Risk and opportunities management
- Targets' monitoring and reporting

EXTERNAL ACTIONS

- Stakeholder engagement, including suppliers, consumers, customers, local communities, civil society
- Advocacy e lobbying
- Capacity building
- Collective Actions and partnership
- Supporting Government in monitoring and reporting

2.

THE WORK OF THE UN GLOBAL COMPACT THINK LAB "TRANSFORMATIONAL GOVERNANCE"

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During the Leaders Summit event held in September 2022, United Nations Global Compact launched the **Think Lab on "Transformational Governance"**, a working group composed of 20 UNGC advanced companies at global level, to address critical sustainability issues. The Think Lab aims at operationalize Transformational Governance, driving leadership and impact through two workstreams:

a) Operationalizing Transformational Governance

Several multistakeholder consultations were conducted, focused on 3 key issues perceived as highly relevant and subject to a deeper investigation:

- Corporate Board ed Executive Leadership;
- Responsible Governmental engagement;
- Investing in transformational governance.

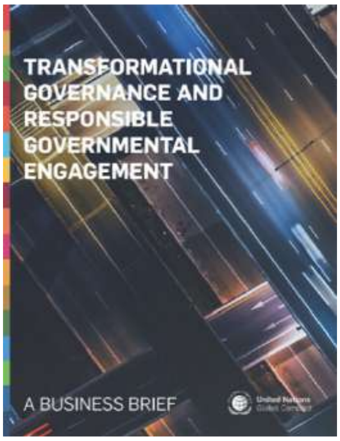
The **Transformational Governance Corporate Toolkit** was launched as the result of these consultations. It aims at empowering companies to educate their employees and inspire transformational governance throughout their organizations.

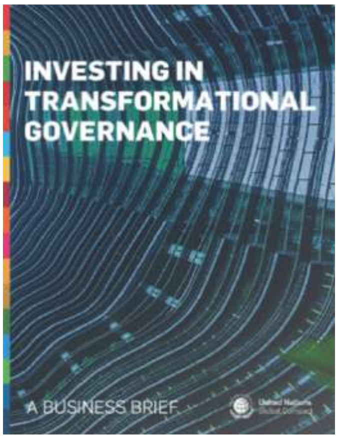
The Toolkit includes **three elements:**

- **Transformational Governance Self-Assessment Tool**

  Provides a framework for companies to engage with and apply the principles of transformational governance, at both internal and external level. For each area of the concept of transformational governance, the tool identifies a set of criteria that indicate opportunities and gaps for the company to fill. The result of the assessment is aligned with SDG 16 and its targets, with recommendations shared on potential next steps the company can take.

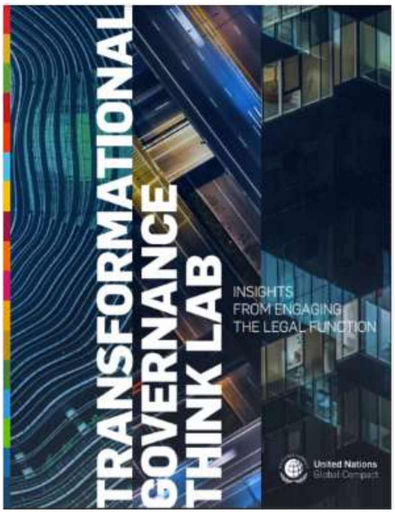
- **Three business briefs**, publicly and freely available for companies.





- **Key messages and FAQ** per to clearly illustrate to businesses the benefit of using the toolkit and apply the concept of transformational governance in the long term.

b) Engaging Chief Legal Officers



The second workstream of the Think Lab sulla Transformational Governance consisted of directly engaging representatives of legal and corporate governance divisions. The activity foresaw: seven in person rountables in seve different Countries with more than 100 lawyers; ten interviews with expert and thought leaders members of the Think Lab; three working meetings with twenty companies and five partner organzations.

The outcome of these programme was the launch of the "Insights from Engaging the Legal Function" Report, which underline how the role of legal function in changing in the context of sustainability. The next step will be the establishment in September 2024 of a Legal Officers Network, coordinated by the UN Global Compact.

3.

TRANSFORMATIONAL GOVERNANCE AS A KEY DRIVER TO ACHIEVE SUSTAINABILITY TARGETS IN AN INTEGRATED PERSPECTIVE OF BUSINESS PLANNING AND PURPOSE ORIENTATION

TRANSFORMATIONAL GOVERNANCE AS A KEY DRIVER TO ACHIEVE SUSTAINABILITY TARGETS IN AN INTEGRATED PERSPECTIVE OF BUSINESS PLANNING AND PURPOSE ORIENTATION

The private sector's increasing focus on sustainability, recognized as decisive for business competitiveness, has necessitated its integration into corporate governance.

The introduction of sustainability reporting requirements and the January 2020 amendments to the Italian Corporate Governance Code for listed companies, has led to an acceleration of Italian businesses commitment to integrating environmental and social considerations into their governance frameworks. In particular, the emphasis on the concept of sustainable success, as defined in the above-mentioned Code, constitutes a significant turning point. It is the objective that guides the actions of the board of directors and that consists of creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the company – in terms of board of directors' responsibility and as key element within the industrial plan, the top management's remunaration policy, risk control and management system.

The recommendations of the Organisation for Economic Co-operation and Development's indications included in the G20/OECD Principles of Corporate Governance are also relevant. The Principles are international standard that helps policy makers evaluate and improve the legal, regulatory and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability.

The revised version of the Principles endorsed in 2023 highlights three main aspects:

- well designed corporate governance policies can play a **role in public policymaking**, since by supporting the sustainability and resilience of businesses, they, in turn, contribute to the sustainability and resilience of the economy in general;
- Board members are duty-bound to act on in full knowledge, in good faith, with due diligence and in the **best interest of the company and the shareholders**; and
- They should take into account the **interests of stakeholders,** when making decisions that affect the success and the long-term performance of the company and the interests of its shareholders. This approach can help businesses, for instance, to attract, retain and enhance more productive employees, to build more enduring relationship with the communities in which they operate and to strengthen customer loyalty, thereby creating value for their shareholders and stakeholders (social value).

The integration of sustainability into corporate governance entails the identification of designated bodies and responsibilities, the deployment of dedicated skills and the definition of processes. These elements create the necessary conditions for the company to be able to measure and manage its social and environmental impacts, analysing the associated risks and opportunities, setting goals, aligning decision-making processes and generating long-term value for all stakeholders.

The manner and degree to which sustainability is incorporated into corporate organisation should be based on the **concept of proportionality**, taking into account the size of the company and/or group, while maintaining an element of progression and ambition over time.

The idea of transformational governance revises the traditional notion of corporate governance, by proposing an increasingly articulated structure. Within this more holistic approach to governance, sustainability necessarily goes beyond the logic of risk management and fully embraces the **concept of value creation**. Transformational governance becomes the key element in pushing companies further towards integrating sustainability into their business strategies and orienting their corporate purpose.

The **purpose** represents the raison d'être of an organisation, the set of values, objectives, organisational and operational methods of achieving them, and the ideas and visions that constitute a company's true identity. It is the raison d'être, together with the assessment of risks and opportunities, that determines the role that the company attributes to environmental and social aspects, its model of corporate governance and its strategy for the pursuit of sustainability.
Sustainability, therefore, intended by top management as a lever of competitiveness and long-term business resilience, is an integral aspect of business strategies and defines plans and policies to create shared value, which also take into account stakeholder expectations. The integration of sustainability into the business must be structured, coordinated with business planning, and undertaken with a long-term outlook.

Purpose is fundamental, because it **influences several dimensions** that substantiate a company's approach to sustainability: governance of sustainability, sustainability policies, processes, and strategic sustainability management.

Governance of Sustainability

Governance of Sustainability identifies the set of corporate governance structures, bodies and mechanisms that regulate and orient the decision-making process of a company's management team towards (environmental and social) sustainability. The key themes in this area are:

- **forms of governance** of Sustainability
- sustainability **skills** and expertise
- **dialogue and transparency with stakeholders**, also through solid disclosure subject to external audit
- **integrated** long-term **planning**
- **management incentives** that include quantifiable and measurable ESG targets

These five variables may be prioritised differently, according to the business purpose, but certain cornerstones are well-established.

- The **commitment of top management** (the Board of Directors) in sustainability governance is crucial. It often takes the form of internal or external committees vested with investigative, propositional and advisory functions in sustainability issues, or envisages the inclusion of a board member with expertise in sustainability or on specific topics.
- **The engagement of top management** manifests in clearly-defined settings (board of directors, internal and external advisory committees, ad hoc committees or advisory boards) and practices (sustainability-inclusive strategic planning and the approval of key sustainability deliverables, such as materiality analysis and sustainability plans). These elements guide the company's action towards achieving sustainable success, prioritising sustainability for the company and its business.

- Sustainability should be pervasive throughout the company, disseminating a **diffuse culture** also among employees, suppliers, consumers, customers and subsidiaries. This can be achieved with training programmes, by harnessing the engagement of management at the highest level and through the boost of the corporate sustainability function.
- A cross-cutting theme is **expertise**, both in terms of the skills needed within management boards and committees (including induction programmes, topic-specific and periodic training) and also in order to educate employees and external stakeholders, aligning them with the organisation's purpose.
- **Dialogue with stakeholders** is an indispensable element in identifying, understanding and responding to the needs of the players who interact with the company. In order to create shared value, this dialogue must be constant and diffuse; it must be undertaken in the manner defined by companies themselves, with opportunities for feedback in the pursuit of common benefits.
- In a transformational approach, dialogue with stakeholders is interconnected and takes the form of **co-creation**. This involves not only the primary stakeholders, but also the secondary stakeholders, with the aim of identifying strategic priorities shared by both sides and of developing new opportunities for value creation and innovation.
- **Scenario and risk analysis** are fundamental to forward-looking planning, taking into consideration stakeholders' expectations through the double materiality analysis.
- **Monitoring and reporting** of ESG risks are essential management practices for the private sector. Specifically, reporting should be scheduled more than once per year, as applies to stakeholder communication, and should focus on priority KPIs.
- **Sustainability planning** should become a key management practice for defining a company's guidelines, on a par with economic and financial planning. Such planning should be based on a solid data-driven approach.
- It is imperative to develop **consistent, clear and measurable indicators** that assess the company's performance and the level of achievement of its sustainability goals. In the context of a transformational governance approach, these indicators should be ambitious – considering social and governance aspects as well as environmental ones – and aligned with the information elements considered key by the various stakeholders. These indicators should also guide the company's strategic decisions.
- The establishment of **incentive plans and reward systems** (MBOs and LTIPs) for top management, and C-suite levels focused on the achievement of sustainability goals can align the interests of these players with those of the company and its stakeholders.
- **Bringing onboard the subsidiary companies** and their management boards, within the sustainability strategy (and governance) at group level is a particular challenge. This process calls for the definition of clear rules of engagement at every level, and requires an upgrade of the dialogue, culture and synergies within the group.

Sustainability policies

Policies are the outcome of the top-management decision-making process on sustainability issues. They are often drafted by the sustainability team in cooperation with other relevant departments on a case-by-case basis, according to the specific topics addressed. Board committees and stakeholders may also be engaged through consultation mechanisms.

In the past, the risk-management approaches to sustainability involved the definition of sustainability policies that focused on anticipating future scenarios and impacts, based on compliance, comparison with competitors, or on business continuity. However, today, the trend is increasingly moving towards the definition of **sustainability policies that reflect the company's strategic plan**, in order to align financial goals with sustainability objectives. Consequently, sustainability plans must be solidly incorporated into the company's industrial plan and core business, in order to achieve sustainable success.

Sustainability policies are implemented at **various levels**: at the highest level, they may be embedded within a company's Statement of Values and then expressed as specific actions by means of documents such as Management System Guidelines, procedures, and operating instructions. The corpus of such documents establishes the roadmap through which sustainability principles are disseminated throughout the company's operations.

The implementation of policies and processes

To support transformational governance, once the company's policies and macro-goals have been defined, processes must be structured in order to implement the identified actions and monitor the achievement of the intended targets. Here too, integration with organisational tools, such as management control, is essential to integrate sustainability within the organisation.

As mentioned, this topic **is closely associated with reporting**, intended both as support for internal decision-making processes and as a tool for transparency towards the company's various stakeholders.

Not to be overlooked is the impact that **technological innovation and AI** will have on business processes, with a view to inducing these systems to integrate and enhance sustainability considerations. The challenge will be to provide AI with suitable datasets for training on social, environmental and governance issues, so that algorithms are produced from data that is not exclusively financial in order to support sustainability decisions and the related governance.

The Sustainability Function

The Sustainability Function and the figure of the Sustainability Manager play a fundamental role as **drivers of sustainable change of business**. They play a guiding and strategic collaboration role with other business divisions such as: risk management, procurement, human resources, compliance, finance, communication, research and development, HSE, legal, corporate governance, business lines. Indeed, in recent years, the Sustainability Manager has become an increasingly prominent figure, in certain cases reporting directly to the Chief Executive Officer/Managing Director, thus opening up more opportunities for the involvement of top management in sustainability issues.

In a more transformational vision and with a view to truly and fully integrating sustainability into business and corporate governance, the Sustainability Function should be aligned with and included in every corporate function. This would better guide the decisions made by management toward more sustainable, fair and prosperous business practices, and would help managers to understand, measure, and stimulate the implementation of sustainability. Through this gradual decentralisation, companies would enable their Sustainability functions and sustainability managers to focus on their own strategic role, with adequate resources and supported by the greatest possible power and impact at organisational level.

At present, Italian companies show different degrees of maturity in the process of integrating sustainability into their businesses, with the roles of the Sustainability function and the Sustainability Manager being crucial in this endeavour. Several companies have begun a gradual dissemination of sustainability within the various corporate functions by creating roles such as “Ambassadors” or “Focal Points”. Within their areas of competence, such figures are responsible for handling, investigating and managing sustainability issues, ensuring a more coordinated, vigilant and effective management of processes and a diffuse awareness of responsibility at the organisational level. This points to the need to create a widespread culture of sustainability and to provide continuous training for all staff involved in sustainability-sensitive processes. From a transformational perspective, the scope of reference should be outlined not only within the company but also externally, throughout the value chain, by pursuing forms of dialogue and engagement with suppliers, customers, consumers and investors.

Business experiences on chapter 3

AUTOMOBILI LAMBORGHINI - The governance of sustainability at Automobili Lamborghini

Automobili Lamborghini has increasingly integrated ESG (Environmental, Social, and Governance) topics into its strategy and operations by establishing specific internal governance for managing these issues, widespread throughout the organization.
For this reason, the “Sustainability project team” has been created, coordinated by the Strategy function, and dedicated to planning and monitoring sustainability initiatives. This cross-functional team defines and implements sustainability initiatives in every company area, to ensure the achievement of the goals set by the sustainability strategy, a key part of the company’s strategy. The team regularly reports projects’ progress to the Comitato Direttivo, which approves the strategic sustainability goals and the necessary action plans. Some sustainability KPIs are included in the management’s objectives, highlighting their commitment to implementing initiatives and meeting targets.
Over the years, Automobili Lamborghini has also adopted policies and procedures, as well as a Code of Ethics that guides people’s responsible behaviour, and an Environmental Policy that outlines the Company’s commitment to managing natural resources responsibly.

CASSA DEPOSITI E PRESTITI - Integration of sustainability objectives into the CDP reward system

Sustainability objectives have been integrated in CDP’s reward system for 100% of top management. These are differentiated according to the managers’ roles and are closely linked to the strategic priorities set out in the 2022-2024 ESG Plan and/or to other ESG matters associated with requests made by CDP’s external stakeholders. Said objectives are increasingly linked to quantitative and measurable sustainability metrics, and by way of example, in 2023 concerned among others: (i) Objectives aimed at improving the ability to generate positive impact and reduce negative impacts of our business achieved by guiding the intentionality of choices with criteria of selectivity and additionality aimed at creating sustainable value; (ii) Objectives related to direct environmental impacts; (iii) Objectives focused on promoting principles of Diversity, Equity & Inclusion, with initiatives aimed at reducing the gender gap and promoting equity, training and improving the skills of our people as a factor of attraction, motivation and retention; (iv) Objectives aimed at stimulating the continuous dialogue with stakeholders. In 2023, sustainability objectives reached an overall weight of 32% of total MBOs.

FERROVIE DELLO STATO ITALIANE - The Sustainability Governance Model in the corporate management of the FS Group

The Sustainability Governance Model aims to promote the integration of sustainability into the Group's business management. Approved by the Board of Directors and articulated in distinct processes, the Model is conceived as an interactive roadmap fostering continuous performance improvement across the Holding and all Group Companies, along with their respective organisations. This is achieved while respecting the autonomy, singularities, and specific management needs of each Company, with a view to generate value for all stakeholders.

Group Companies are required to integrate the contents of the Model within their own internal regulatory systems, adapting them to their corporate realities. This includes identifying a dedicated supervisory body responsible for overseeing the processes outlined in the Model. Each Company ensures the accurate and continuous application of the defined practices, guaranteeing thorough internal dissemination and implementation control, including within its subsidiaries.

INWIT - Governance as a driver to create a sustainable business model

In 2020, INWIT embarked on a path aimed at implementing a sustainable business model, through a true paradigm shift that saw it integrate sustainability into its industrial strategy, with the goal of creating value for the company and its stakeholders, in line with the guidelines of Borsa Italiana's Corporate Governance Code on Sustainable Success.

The evolution towards a transformative governance model enabled this path, starting with the creation of an internal Sustainability Committee, followed by the creation of a dedicated organizational unit. A Sustainability Plan approved by the board and integrated into the Industrial Plan, the adoption of ESG Policies, and a variable remuneration policy linked to the targets of the Sustainability Plan are some examples of how governance has facilitated the transition towards a sustainable business model.

LEONARDO - Sustainability, a key element of Leonardo's governance

Sustainability is an integral element of Leonardo's corporate governance and entails a widespread engagement not only of the top management but also of business functions. This integration - which is set out in Leonardo's Sustainability Operating Model – translates into a direct engagement of the Chief Executive Officer, the Sustainability and Innovation Committee, and corporate functions in steering strategic sustainability decisions, as well as the involvement of all business functions in sustainability processes, under the coordination of the Sustainability function - which reports directly to the Chief Executive Officer. Moreover, a distinctive element of Leonardo's governance is a structured and fully digitized process of strategic sustainability planning and careful management control of ESG metrics and KPIs. In addition, the Remuneration Policy provides for the inclusion of targets linked to specific ESG indicators connected to Leonardo's strategic sustainability priorities, such as the reduction of CO2 emissions and the support for gender equality.

MAIRE - Transformational Governance for a Sustainable Capitalism

The future demands peace, justice and institutions. Economic activity can grow if companies make a concrete commitment to enhancing and integrating sustainability profiles into their strategies and business processes. The increasingly pressing global need to affirm a new sustainable capitalism requires companies to have ethical leadership based on "good governance" that is based on the principles of credibility, effectiveness and transparency towards their shareholders and stakeholders and that is defined in accordance with national and international standards.

To respond to these needs and support the profound transformation that the planet needs, MAIRE - also thanks to the launch and subsequent consolidation over the years of an evolutionary path that has involved all the main stakeholders of the Company and the Group - is committed to actively orienting its corporate purpose towards the integration of sustainability and stakeholder expectations within its business model by acting on both internal and external dimensions of the company.

SNAM - Climate Change Risk Management

Snam operates in the transportation, storage, and regasification of natural gas. Additionally, the company promotes the energy transition through investments in biomethane, hydrogen, energy efficiency, and carbon capture and storage.

In 2023, Snam introduced a Climate Change Risk Management Framework into its integrated risk management system. This framework aims to provide systematic and comprehensive information on risks and opportunities specifically related to climate change. This information can also be utilized by the Board of Directors and management to guide the company's strategic, organizational, and control policies in alignment with the purpose outlined in the Articles of Association to promote the energy transition towards resource and energy usage that is compatible with environmental protection and progressive decarbonization, ultimately pursuing sustainable success. In this context, it serves as a transformational governance tool, complementing traditional methods for monitoring other risks and opportunities of the company.

TERNA - Integrated Planning To Create Value Over Time

The responsibility for guaranteeing the quality and continuity of the electricity service to the entire country while respecting the principle of equal access, and for accelerating the energy transition towards an electricity paradigm based on renewable energy: this is Terna's purpose, the starting point for its strategic choices.

The growing complexity of this role, which is central to the Country-System, is matched by an evolution in Terna's management approach, which is increasingly articulated and focused on creating value over time, through the definition of a sustainable business model that envisages sustainability right from the strategic planning stage.

Terna's strategy for the five-year period 2024-2028, which was presented to the market on 19 March 2024, has as its strong point precisely this unified vision, which also takes into consideration social and environmental issues, and which takes the form of a Sustainability Plan integrated into the Business Plan.

4.

THE INFLUENCE OF THE EXTERNAL CONTEXT ON COMPANIES' ADOPTION OF DOUBLE MATERIALITY/ RELEVANCE ANALYSES AND THEIR IMPACT ON GOVERNANCE CHOICES

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As actors with a growing awareness of the context in which they move and operate, companies are increasingly influenced by external factors in their strategic and governance decisions.

The "*Global Private Sector Stocktake*" Report published in September 2023 by the United Nations Global Compact and Accenture on the progress of the private sector's achievement of SDGs, reveals that companies are facing a number of **external, structural and cyclical barriers** that undermine their ability to contribute to the advancement of the 2030 Agenda. Structural challenges include the scarcity of incentives, the problem of engaging the supply chain, delayed returns on investments in sustainability, and the lack of methodologies and techniques available for impact assessment. The most relevant cyclical barriers are inflation, geopolitical instability, rising interest rates and the emergence of new business priorities.

In recent years, the European Union has demonstrated a strong leadership role in the green transition of the Member States, and this has had a "mixed" impact on the private sector. Whereas the 2019 launch of the **Green Deal** committed the European Union to becoming the first climate-neutral continent by 2050, thereby mobilising at least EUR 1 trillion in sustainable investments over the next decade, the approval in late 2022 of the **Corporate Sustainability Reporting Directive** No. 2022/2464 (the CSRD) has introduced challenging targets for companies. The approval of the Corporate Sustainability Due Diligence Directive in March 2024 will require affected companies to commit to decidedly ambitious goals and reporting requirements.

The impact of the Corporate Sustainability Reporting Directive – CSRD

The most important and pressing external factor for Italian companies is compliance with the European sustainability reporting regulations currently under implementation, in particular the CSRD. The new European Directive strengthens the rules on the social and environmental information that companies are required to disclose, superseding Directive 2013/34/EU on the disclosure of non-financial information for large companies.

The most critical aspects perceived by companies are:

- the **target** group of companies that will now have to meet the reporting requirements envisaged by the new regulation: in addition to large, listed companies, the obligations are extended to large unlisted companies, listed SMEs, and a number of foreign parent companies with net revenues of more than 150 million euros within the EU.
- **Implementation timing**. The deadline for the transposition of the directive by the Member States is 6 July 2024. The first companies (relevant Public Interest Entities) must apply the new reporting rules in their reports published in 2025 on the 2024 financial year; the large unlisted companies will report in 2026 on the 2025 financial year; listed SMEs will report in 2027 on the 2026 financial year.
- The labour market still lacks the **specialised skills** that companies feel compelled to acquire in order to comply with the new regulations, with a significant financial impact on both large companies and SMEs. Failure of companies to equip themselves with these new skills carries the risk of flattening the compliance reporting exercise and incurring possible sanctions.

- Affected companies perceive that the increased **complexity** of the reporting effort mandated by the legislation may lead to a risk of slowing down or even reversing the achievements attained so far in terms of reporting and integrated planning.

The CSRD also directly challenges the governance dimension, since companies will have to disclose the **roles assigned to administrative, management and supervisory bodies with regard to sustainability issues**, specifying their responsibilities – also in terms of the frequency with which they are informed about relevant impacts, risks and opportunities – their remits and knowledge, as well as the role of sustainability governance in identifying and assessing the relevant risks and impacts. The disclosures must also transparently state the forms of incentive available to members of the management, direction and control bodies, in terms of the fulfilment of objectives and the allocation mechanisms of these bonuses.

The legislation also comprises **elements** that can **be viewed as transformational** and can **positively impact** businesses.

- The **concept of double materiality/relevance**, whereby companies have to provide sustainability information both on the impact of their activities on the economy, people and the environment, and on how sustainability factors affect them and their results. Double materiality analysis is increasingly becoming a fundamental driver of corporate strategy, as it assesses both impact and financial relevance: the risks and opportunities that may affect the financial and economic goals of the company in the short and medium-long term, considering both the direct consequences (economic, financial and economic results) and the indirect ones (access to capital markets and financing or the cost of funding).
- **Reporting** is no longer limited to past performance (backward-looking) but also imposes **forward-looking disclosures**, with short, medium and long-term time horizons. This long-term vision will support companies in making decisions regarding the development of future sustainability plans.
- The **imposition of a requirement**, on the one hand, for the manager in charge of Sustainability Reporting to **certify** the disclosures and, on the other hand, to obtain the **assurance of an external auditor** (initially a limited assurance, with possible evolution to "reasonably certain assurance" in the years to come) promotes the implementation of robust reporting processes that enhance the accuracy and reliability of the reported data and information.
- The **involvement of the supply and value chains**, as companies will also have to expand the reporting scope to include information about the material impacts, risks and opportunities related to the entire value chain, both upstream and downstream, with data derived from due diligence processes and materiality analyses. This will generate unique opportunities for dialogue, involvement, and engagement with suppliers and value chains, thereby maximising the role of businesses as agents of social change.
- The adoption of a **single European Sustainability Reporting Standard (ESRS)**, whose development is entrusted to the European Financial Reporting Advisory Group (EFRAG) to ensure greater comparability of disclosures. One point worthy of note is the decision to include the topic of governance within EFRAG's ESRS: the "G" dimension is now features in all the Standard Topics, positioning it as a Cross Cutting Standard – ESRS 2 – this refers to general information that must be reported for each Standard Topic, which is joined by the specific ESRS G1 dedicated to "Business conduct".

The ambition of the Corporate Sustainability Due Diligence Directive – CSDDD

As a further step beyond the CSRD, the CSDDD further broadens the scope of corporate risk management by **mandating the due diligence assessment** of negative impacts on human rights and the environment that may occur in businesses, subsidiaries and value chain operations, in order to prevent and mitigate the possible effects and eliminate or minimise the real impacts. This requires the obligation to provide stakeholders with tools to correct any violations of human rights or environmental law, to assess the effectiveness of these measures and to publish the relevant findings outside the company.

The final approval of the directive in May 2024 by the European Council followed the agreement on the compromise text (structured in two steps, in March 2024 by the representatives of the Member States members of COREPER and in April 2024 by the European Parliament), which restricted the scope of the directive to companies with more than 1,000 employees (and not more than 500 as in the previous proposal) and a worldwide turnover of more than 450 million euros.

Despite the complexity encountered by companies in complying with these new reporting requirements, to be appropriately addressed by the Legislature, the CSDDD is a **historic opportunity** to equip the private sector with a concrete and standardized tool to limit its negative impacts on the environment and human rights, and represents a shift away from voluntary engagement at a time when transparency is considered essential rather than optional.

The role of finance

The financial system is perceived as an actor that **strategically influences corporate sustainability and governance**: the concept of ESG risk is now fully integrated, also at the supervisory body level, and banks increasingly tend to consider sustainability KPIs and include sustainability in their business, both on the lending and funding side (with instruments such as green bonds/SDG-linked bonds and green/sustainability-linked loans).

Finance can **positively encourage** not only large companies, but especially SMEs to adopt transformational governance.

- **Investors need to adopt a more holistic approach** that embraces not only ESG issues, but also more general considerations related to the context, such as the rule of law, and strong institutions.
- Institutional investors should consider **the degree of implementation of transformational governance approach when dealing with companies in their portfolios**, particularly in sectors and Countries considered at risk or strategic. As well, rating agencies and index providers should consider the concept of transformational governance in their risk assessments and decision-making processes.
- Investors should push for **greater transparency on corporate tax practices and revenue sources**, aligning with global standards to support the SDGs achievement and lobbying for the inclusion of responsible tax practices in ESG regulations and indicators.

The importance of consumers and customers

Daily experience provides tangible evidence that consumers and customers are becoming more aware and sensitive regarding sustainability issues. This **greater awareness** is also reflected in the demand for appropriate behaviour by companies that intend to respond to these new needs: on the one hand, in terms of transparency in the management of information related to products, the manufacturing process and the origin of raw materials, and on the other hand, in terms of the social role and initiatives that contribute to making a product or service truly sustainable (consider the European proposal to ban the sale of products obtained by forced labour and the European directive on green claims).

Consumers and customers are therefore **significant actors** for businesses, not only due to their role as purchasers, but also when it comes to sustainability issues. They can play a role in stimulating **internal company change**, also in terms of business model and the product or service portfolio. This category of stakeholder also plays an important role within the Social Taxonomy, launched in 2022 as an outcome of the Platform on Sustainable Finance of the European Commission. It is tasked with providing a homogeneous and clear classification of the objectives that any economic activity should pursue in order to be defined as socially sustainable.

This is also in line with the transformational governance approach, according to which a company expands its perimeter of influence and action externally, becoming - thanks to its governance, policies and achievements - the spokesperson for a different way of doing business. This triggers a sense of belonging towards customers and consumers, who feel part of a community that shares the same values of sustainability, inclusion and equity reflected in their purchasing choices.

5.

TRANSFORMATIONAL GOVERNANCE: THE INTERNAL DIMENSION

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The concept of transformational governance can be applied inside and outside the operational scope of a company. Indeed, it is crucial for businesses to deploy appropriate forms of governance, by promoting sustainability both internally and externally, and by creating the prerequisites for generating a significant impact on society and responding to stakeholder interests, in the manner outlined in the preceding paragraphs.

Internally, it is important to act on values and culture, employee training and engagement, on the development of strategies, policies and processes aligned with sustainability (including ethics and compliance programmes), contractual provisions, due diligence and reporting and grievance mechanisms, on internal control and risk management systems, and on reporting. In fact, the entire organisation and all corporate functions are called upon to manage transformation processes in the best possible way, with a view to increasing sustainability.

Companies should apply the model that organisational literature has termed **transformational leadership** – an approach aimed at creating an environment in which the members of the organisation feel motivated to achieve, as part of a collective effort, individual goals along with common objectives. In this they are inspired, stimulated and incentivised by a top management that focuses on building strong teams capable of achieving long-term results.

An organisational setup capable of managing transformation processes must then be matched by a system of KPIs in order to monitor results and demonstrate the impact of the sustainability strategy, both internally and externally.

As mentioned above, the application of the transformational governance approach, with reference to both the internal and the external dimensions, must necessarily take into account the size of the company itself or that of its corporate group.

a. Board of Directors and Management commitment

The primary governance role is held by the Board of Directors, which guides the company while pursuing its sustainable success, defining the strategies of the company and its group and monitoring their fulfilment through executive leadership.

The Board of Directors is responsible, inter alia, for defining the corporate governance system best suited to the company's activities and the pursuit of its strategies, taking into account the autonomy permitted by the legal framework and promoting the most appropriate form of dialogue with shareholders and other stakeholders relevant to the company.

In this respect, the **decisions and influence of the Board of Directors** are crucial in shaping the way businesses anticipate and respond to evolving global challenges, as well as in fostering the integration of sustainability into company strategy. In this context, assessing impacts, risks and opportunities becomes a tool for aligning business practices with the principles of transformational governance and with the further goals of equal, just and inclusive societies.

In recent years, the scope of corporate governance has expanded, along with the increasing of directors' responsibilities. In addition to the traditional "corporate" issues, Board of Directors' agenda increasingly include topics such as due diligence on human rights, Diversity Equity & Inclusion (DE&I), climate change, and net zero. Boards must respond to systemic changes that redefine the concept of risk management – taking into account double materiality – and opportunities, proposing a vision of business resilience that is based on sustainability.

This context calls for constant alignment and synergy between Board members and their CEOs/ Managing Directors, also systematically involving the C-Suite.

Board of Directors is composed of non-executive directors ("NEDs") and Executive Directors to whom, in line with the provisions of Article 2381 of the Italian Civil Code, the Board delegates its powers in compliance with current regulations and the company's articles of association. In this context, the Chairman of the Board of Directors plays a liaison role between the executive and non-executive directors and is responsible for ensuring the effective conduct of board meetings.

Civil law distinguishes between the tasks and responsibilities assigned to Directors vested with executive powers, and the non-executive Directors who do not have executive powers (NEDs). Certain NEDs may be considered independent, if they meet the independence of judgement criteria as laid down in the Corporate Governance Code and/or the Consolidated Law on Financial Intermediation.

An adequate number of non-executive and independent directors enriches the company internal debate, helping to guide the decisions of the Board of Directors and performing a management monitoring function. In listed companies adhering to the Corporate Governance Code, the independence of NEDs is verified by the Board of Directors immediately after appointment, as well as during the course of the term of office where there are circumstances relevant to their independence and, in any case, at least once a year. Non-executive board members are expected to obtain information about the running of the company and to participate, among other things, in the appointment of certain corporate control functions. Non-executive members play an important role and must have the appropriate professionalism and skills, as well as adequate knowledge of the business sector in which they operate, in terms of the market dynamics, regulations, risk management and, of course - in relation to transformational governance - sustainability. In recent years, it has become increasingly common for at least one board member to have ESG expertise, in order to enable the company to express an effective position and foster internal debate at the highest level of corporate governance.

To manage sustainability from a strategic and business-integrated perspective, companies equip themselves with dedicated organisational structures and tools, which translate the sustainability policies established by top management into operational terms, by coordinating the activities and functions involved in achieving sustainability goals.

For this approach to be strategically effective in leveraging value creation, sustainability must be addressed within corporate executive committees (where established) and in dedicated Committees.

- It is common practice, particularly among listed companies that adhere to the Corporate Governance Code, for the **Board of Directors itself to set up internal or external Committees** composed of directors who are assigned investigative, advisory and/or propositional tasks, including sustainability-related mandates, with the intent of facilitating and assisting the work of the Board of Directors, thus increasing its efficiency and effectiveness. The Chairman of the Board has a role of liaison between the executive and non-executive directors and is tasked with ensuring the effective conduct of board meetings.
- In addition to external or internal committees, businesses may also establish a **Sustainability Management Committee**, which may include the participation of the CEO/Managing Director or other members of the top management, with a significant propositional role concerning the assessment and choice of the most strategic sustainability projects in terms of corporate results. Management Committees meet frequently (in certain circumstances up to once a month) and, also by monitoring the status of planning implementation, ensure that a strong focus on sustainability is maintained, as an essential lever of business competitiveness.

- In addition, the establishment of **Advisory Boards and/or Sustainability Advisory Boards** – advisory bodies composed of professionals inside and outside the company from the academic world and sometimes from civil society, with specialised and cross-sectoral expertise – is another solution that can be adopted to support the CEO/Managing Director and top management in enriching the sustainability approach applied to the corporate context. Dialogue with actors from outside the company can, in fact, provide important inputs for innovating internal approaches and enriching the company's perspective.

The Board of Directors, at times supported by committee proposals, can also suggest amendments to the company's articles of association aligned with the new goals of "sustainable success" and the creation of long-term value for the company and society, orienting the company's purpose and putting sustainability at the forefront. In large listed companies other than those with concentrated ownership, the Board of Directors is required to conduct an annual **Board Review** concerning sustainability issues. This addresses the size, composition and actual functioning of the Board of Directors and its committees, also considering its role in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system, the results of which are examined at a Board meeting, which is recorded in the company records and submitted to the broader supervisory role of the Supervisory Board. In the more advanced Board Review approaches, following the Anglo-saxon model, companies can, with the help of external consultants, broaden the assessment to include external players such as shareholders, executive roles and other stakeholders considered relevant to the company. A precise benchmarking between external and internal evaluation complements the self-assessments conducted by Board of Directors, helping to support the promotion and implementation of future best practices on issues of sustainability governance.

Furthermore, as seen above, the role of the legal or corporate governance function is particularly significant for companies, particularly multinationals, which implement internal regulatory procedures in support of structured actions consistent with new sustainability-driven models of business.

b. Sustainability skills

The assignment of new sustainability-related responsibilities to Board of Directors, especially in listed companies adhering to the Corporate Governance Code, raises the issue of the expertise required to fulfil their "operational" management.

To date, there is no precise definition of "sustainability skills", but there is consensus on the fact that they are a **key part of the skills mix** of the board of directors and other key managerial roles.

Sustainability is a theme that permeates the entire organisations at various levels. The **highest level** identifies bodies to define policies and development plans, also measuring their progress; the **managerial level** is responsible of appropriately and effectively policies implementation; the **technical level** deploys specialist knowledge of, for example, climate-related issues and the evolution of the regulatory framework.

Due to the multidisciplinary nature of sustainability – from reporting to stakeholder engagement, emissions calculations and project review – frequently companies face the challenge of recruiting sustainability professionals, who are not always available on the market. This applies to executive roles as well as top management levels.

Indeed, many different skills are needed to ensure that the different actors within the organisation can fulfil their responsibilities and contribute to sustainable development.

- **Technical knowledge is essential**. This can include skills regarding the design and development of solutions, products, and services that positively impact the environment and society; methodologies to quantify and monitor social and environmental impacts and risks across supply and value chains; knowledge of national and EU sustainability legislation and standards for reporting non-financial information.
- Additionally, **managerial skills** are required: the ability to activate all company functions, as well as top and middle management, to align sustainability as closely as possible with the company's strategy and culture; listening to and understanding the expectations and needs of the various stakeholders; knowing how to develop and maintain relationships within and outside the organisation, and how to effectively and consistently convey sustainability-related information; identifying, elaborating, implementing and evaluating sustainability initiatives and projects to achieve strategic objectives consistent with a sustainable business model, also by promoting change across the entire organisation.
- Sustainability skills, albeit cross-cutting, multidisciplinary and complex, should be based on **objective evaluation and measurement criteria** so that they can be identified, also through self-evaluation, monitored and enhanced also within the Board of Directors. It is now recognised that the presence of sustainability expertise within the highest decision-making body is one of the elements that can improve a company's ESG performance.

Embedding these expanded **skillsets within the Board of Directors** is crucial, and tends to occur in two ways: a) the inclusion of sustainability-competence criteria as part of director nomination processes or as part of the outgoing board's guidance to shareholders on the qualitative and quantitative composition of the new Board; b) the establishment of periodic induction programmes on sustainability issues (the main environmental and social trends to which the company is exposed and the incorporation of SDGs into the corporate strategy) as soon as the Board of Directors takes office.

In addition to consolidating sustainability expertise within top management teams, **appropriate skills must be acquired and developed by everyone** who is expected to support the spread and effective implementation of a corporate sustainability culture.

In fact, it is increasingly paramount that solid sustainability skills permeate all levels of management and of the workforce in general. This is why companies are increasingly setting up **in-house training** programmes for their employees, enabling them to develop or update their skills and ultimately improve their contribution to their companies' competitive edge. Sustainability training enables corporate divisions to become aware of their roles and responsibilities in achieving sustainability goals, starting from their respective areas of competence, fostering an alignment and connection between the different organisational functions in relation to these strategic corporate goals.

The creation of sustainability roadmaps for managers and key reportees is also crucial in order to ensure the full inclusion and implementation of the relevant policies in day-to-day to decision-making and operational activities. In this regard, a key component of the sustainability skills mix relates to management control and reporting. Another important element is the ability to perceive and sequentially convey the overall picture, macro-trends, corporate purpose and goals – all with the intent of fostering a generalised sustainability education for all employees

Corporate Sustainability Function works in synergy with Human Resources in order to prepare these training plans, drawing up basic knowledge modules, which all employees are expected to know, and preparing tailored content for each corporate division, so that each department understands its potential for making a positive contribution to the company's sustainability goals.

Recent years have seen the development of a number of **initiatives**, such as UNI's PDR 109.1:2021, which formalises the requirements applicable to **professionals** who manage corporate sustainability at executive or technical level (PDR 109.2:2021). These are reference guidelines, and as such are destined to be developed further and improved upon. However, they also demonstrate the attention that standard-setting bodies are paying to the competence of corporate sustainability actors. However, also in this case, as already seen at the strategic planning level, the requisite content and skills required to implement transformational governance must be considered from an integrated and all-embracing perspective that affects the entirety of corporate structures and roles.

Business experiences on chapter 5

AEROPORTI DI ROMA - Sustainability integrated in the ADR governance model: a systemic approach to generate shared value

The ADR sustainability management model is integrated into the corporate governance system, confirming the integrated approach. Board and managerial committees dedicated to sustainability play a crucial role, providing strategic support to the Board of Directors and management. For example, the Sustainable Development Committee, formerly the Investment Committee, examines sustainability strategies and plans, as well as their implementation, exploring the implications on the Group's investment plans and consistency with concession commitments and other objectives, thereby helping to enhance the prominence of sustainability issues. Similarly, the Sustainability Committee at the managerial level facilitates coordination among corporate functions, ensuring the achievement of sustainability objectives. Thanks to this approach, sustainability is an integral part of every corporate decision and activity, generating a positive and lasting impact.

EDISON - Edison Stakeholder Advisory Board: a strategic dialogue between critical experts and business

Established in 2020, the Edison Stakeholder Advisory Board (SAB) is a three-year Advisory Committee, made up of members from outside the company who are representative of the various categories of stakeholders, to support the CEO in listening to, assessing and addressing sustainability issues of strategic importance to the company.
In 2023, the 2nd edition of the SAB 2023-2025 was launched, made up of 16 authoritative "critical friends" by topics/interests in the context of the energy transition, identified by Edison in its Value Ecosystem: suppliers, customers, technology partners, representatives of communities and territories, policy making experts, sustainable development organisations, representatives of the voice of consumers, media and opinion leaders, academia and the younger generations. The SAB meets up to three times a year, one of which is open to an extended audience of stakeholders. Reflections on the evolution of the sustainable development strategy from the SAB are discussed with the CEO and members of the Executive Committee, integrated into the input of the company's decision-making processes, and a summary of the work is brought to the attention of the Board of Directors on an annual basis. The focus of the current edition is on the "Energy Trilemma" and the consequent guidelines that an operator such as Edison can adopt to virtuously combine environmental, economic sustainability and security in the energy system.

FERALPI - The evolution of the sustainability governance in Feralpi

The current global context is characterised by numerous environmental and social challenges. To address them and meet stakeholder expectations, which increasingly require companies to address and take a stand on these issues, it is necessary to integrate sustainability-related aspects into corporate governance. Feralpi Group established its Sustainability Management Committee in 2014, the starting point of a renovation path that has gradually led to the creation or reorganisation of the Group's functions, thus integrating multi-disciplinary skills to address the different aspects of sustainability. This path has also led to the definition in 2023 of Feralpi's ESG Scorecard, with a view to continually strengthening the Group's sustainability path and maximum transparency towards its stakeholders.

NESTLÉ ITALIA - Governance of ESG themes at local level for a company operating internationally: the case of Nestlé Group in Italy

The case outlines the implementation of a local governance framework for ESG topics for the activities of Nestlé Group in Italy, in line with the overarching corporate ESG strategy and governance of the Nestlé Group. The strategic priorities and material topics identified in the Group's CSV Report were examined and adapted to the Italian context through a comprehensive assessment, aimed at gaining insights into the specificities of the Italian market and identifying the ESG themes that hold the greatest relevance at local level. Based on the findings, an ESG Functional Board was established, comprising representatives from various ESG pillar functions. These representatives meet regularly to discuss matters of mutual interest, ensuring cohesive management of these pillars and identifying potential areas for action. This approach places sustainability at the forefront of business decision-making, transcending the conventional the notion that sustainability is an optional aspect of business objectives.

PIRELLI & C. - Internal transformational governance in Pirelli: engagement of the Board of Directors and Management, development of new skills and centrality of inter-functional dialogue to define and achieve objectives

At Pirelli, the full integration of sustainability issues in business development strategies benefits from a structured and inclusive governance system in which the Board of Directors, top management, functional heads and Group affiliates operate. The constant dialogue between internal functions is a distinctive and essential element for the definition of shared ESG objectives and impact on the entire value chain. The corporate culture, aimed at continuous innovation in both products and management models, contributes to the definition of tangible, scientifically sound and monitorable objectives. Increasingly specialized figures in the sustainable management of material issues for the company ensure the necessary know-how to face evolving scenarios.

6.

TRANSFORMATIONAL GOVERNANCE: THE EXTERNAL DIMENSION

TRANSFORMATIONAL GOVERNANCE: THE EXTERNAL DIMENSION

The transformational governance approach specifically calls on companies to look beyond their internal scope and to focus on their ability to become change-makers in society and the external ecosystem.

The actions that companies can undertake with reference to the external dimension concern **stakeholder engagement** (including suppliers, customers and consumers, local communities, civil society and investors), **capacity-building** activities, the ability to **build multi-stakeholder partnerships** and participate in collective actions, **advocacy and lobbying** initiatives to promote homogeneous regulatory frameworks and taxonomies that facilitate business while ensuring transparency and accountability through shared indicators, and support to governments in monitoring and reporting on the achievement of sustainable development goals.

The external dimension is crucial for companies, because it enables them to generate positive impact through the implementation of sustainability strategies and goals, and it is essential that the interaction between the external and internal spheres is regulated through governance.

a. Stakeholder engagement

In particular, the dialogue with stakeholders is of fundamental importance and is one of **the priority issues of corporate governance**. Listening to stakeholders is crucial, both because the positive and negative impacts of the company's activities affect groups of external actors, and because maintaining good relations with them is extremely relevant to achieving the company's strategic and sustainability-related goals. These factors are also conducive to assessing possible reviews of internal governance practices and process. This is why modes of dialogue with and listening to stakeholders are increasingly indispensable aspects of effective governance. The Italian Corporate Governance Code for Listed Companies also assigns to the management board the responsibility for promoting the best form of dialogue with shareholders and other stakeholders, in order to achieve sustainable success, understood as "the creation of long-term value for the benefit of shareholders, taking into account the interests of other relevant stakeholders".

Stakeholder engagement is also at the heart of the **recent European directives** on sustainability reporting: information-sharing in favour of greater transparency finds expression in the double materiality approach that characterises the CSRD, and the involvement of stakeholders along the company's chain of activity is the basis of adequate due diligence processes, which is a requirement of the new CSDDD.

Supply Chains

Active supplier engagement is a key factor in a company's sustainability strategy. It engenders supplier alignment with the company's strategic goals and values and also ensures sound procurement based on reliable and stable supply flows. Engagement begins by sharing **key documents**, such as the Code of Ethics and the Code of Conduct, with suppliers asked not only to comply with them but also to adopt them as their own. The size of a supply chain can certainly exacerbate complexity, if it is based in Countries whose national and regional regulations do not coincide with European ones. In such contexts, while conceding the need to cooperate with suppliers and local communities, which are critical for supply continuity, imposing adherence to a Code of Conduct may prove difficult due to the critical perception of certain issues, such as particular human and labour rights, or even the fact that respecting such rights might be illegal in the local context. The typically governance-inspired level of the rules may sometimes face the risk that such rules are not followed or rejected outright: the challenge then is to reconcile concrete and operational business rationale with solutions adherent to business principles and values.

The issue of supplier engagement involves **culture** and the **transmission of values**. A pragmatic and effective approach that companies propose and implement is to join these contexts by building relationships also with local authorities and with authoritative realities in the area (such as the third sector), which can act as allies to promote the perception of the company as an interlocutor and not as an imposing entity. Another effective strategy is to channel certain concepts, such as the fight against child labour and the promotion of gender equality, starting with operational training courses focused on transferring technical skills related to the relevant task. Acting according to a **business perspective** could be the functional element that creates awareness and engagement in suppliers, starting with simple rules and recognising the need to build relationships that require time and continuous joint effort.

Customers and consumers

In a market context characterized by growing uncertainties, companies must prioritize connecting with consumers and customers through structured processes and mechanisms. These stakeholders must feel engaged with the corporate purpose thanks to a company paradigm shift, which extends beyond the concept of brand equity and captures the loyalty of customers and consumers. Thanks to their purchasing choices, these actors feel **part of the endeavour to achieve higher goals**, typically related to sustainability, such as tackling climate change, reducing inequality and promoting decent working conditions. Governance plays a key role here; it underpins structured systems of engagement, but also communication, which transparently conveys the company's purpose to the market. Through its products and services, a company can also raise consumer and customer awareness of the value and impact that sustainable consumption choices can have on a broader level, enhancing awareness of individual responsibility for the advancement of sustainable development. A particularly concrete example that has emerged in recent years is the phenomenon of renewable-energy communities. These are associations of citizens, local public administrations, and small/medium-sized enterprises that join forces to produce, exchange, and consume energy from renewable sources on a local scale. All involved citizens are expected to participate actively and conscientiously.

Companies can also play an important role in **disseminating ethical and sustainability issues** to teens and pre-teens. These young individuals are the customers and consumers of the future, and they can be engaged through educational programmes and endorsements in primary and secondary schools, as well as in partnership with third-sector organisations.

In addition to this "B2C" role, companies also have a responsibility to act at the "B2B" level, thanks to their ability to involve other companies in reaching sustainability goals.

A useful driver to activating customers and consumers can be investments in digital platforms that aggregate various stakeholders and create shared ecosystems.

Businesses also concur on the challenge of helping consumers and customers understand the higher cost they often have to bear in order to benefit from more sustainable products and services, thus engendering the market's recognition of the economic value of the transition the private sector is undertaking.

Institutions

Institutions are important stakeholders with which companies should collaborate by creating stable and resilient relations, capable of intercepting and mitigating major emerging risks. The public and private sectors are called upon to **act in synergy** in order to decisively address global, regional and local challenges that are crucial for the well-being of people and the Country.

The public sector can be a partner in projects that aim to develop a particular community, facilitate access to new resources, or streamline bureaucratic procedures. Businesses seek partnerships with institutions, recognising their **role as enablers in development programmes**, especially for implementing projects that have a high value for their local communities. The relationship between the public and private sectors suffers from a number of critical issues. These relate, in particular, to the time lag between political will and action in decision-making processes, and between project management phases, as well as the involvement of other actors (such as the third sector) to increase the effectiveness of collaboration. Despite these focus areas, businesses recognise that alliances with institutions can help them penetrate markets that would be otherwise difficult to cover on their own. Such alliances also offer them recognition as social actors in specific regions and contexts, and increase the transparency of information collected to sustain the more stringent reporting demanded by the public sector.

Third sector

Companies are increasingly involving third-sector actors, because these organisations are known to be of value both inside and outside the scope of business enterprise.

A common way of interaction is **Corporate Volunteering**, in which employees devote a few working hours to activities within third-sector organisations. This mechanism has a positive impact on all actors involved: the non-profits can count on the involvement of a greater number of volunteers to pursue their social goals, whereas the employees can acquire new skills and engage in social causes, and the company can improve its internal climate and benefit from tax relief.

Third-sector organisations can also play the role of active **partners in certain business projects** located in countries where alliance with a local actor perceived as reliable and experienced in operating in local contexts is considered essential. Certain companies, which fully embrace the transformational governance approach, award incentives to top management teams in order to achieve goals in partnership with the third sector, in addition to business targets. Companies also acknowledge the third sector as a valued **partner in advocacy initiatives on sustainability issues**, especially in the social and environmental spheres. Many companies also pursue their commitment to the community and the common good by setting up or participating in Foundations with general interest and socially valuable purposes and aims.

Finance

As previously mentioned, the world of finance is becoming increasingly relevant for companies in terms of stakeholder engagement. Financial actors outside the corporate space (the European Commission with the Green Deal, the ECB) are increasingly focusing on the importance of sustainability for large and small companies, providing specific inducements and financing. Furthermore, mechanisms such as the Green and Social European Taxonomies are considered indispensable guidelines for investors and companies towards more sustainable and inclusive economic growth.

The financial sector's **role** is **twofold**: on the one hand, it requires companies to make greater efforts in the **reporting and transparency** of sustainability information, and on the other hand, it assigns pricing **premiums** to companies with superior ESG performance. Finally, "matching funds" alliances with financial institutions and banks offer the opportunity to increase companies' performance in counteracting the major environmental and social risks.

In addition to "external" finance, "internal" finance is also becoming increasingly relevant: the role of the Chief Financial Officer is crucial for mobilizing corporate resources and directing them towards sustainable development, as well as for creating innovative financial instruments.

Other external stakeholders

Businesses indicate other emerging groups of stakeholders as relevant within the process of engagement and management. **Rating agencies** are playing an increasing role; they are responsible for issuing ESG ratings – assessments that examine issues such as environmental management, governance and social commitment – which contribute to investors' risk and reputational assessments of the company. Companies perceive the need to standardize the requisites of the various rating providers, and the critical importance of sourcing the information required by the agencies.

Collectively, the **trade unions** are another player. In the past, their role was mainly concerned with the social dimension of sustainability, with significant participation in governance (for example the German model). Looking ahead, trade unions could play a key role on all ESG dimensions, primarily through collective agreements. The CSRD Directive also envisages a structured relationship with employee representatives, which requires the companies involved to provide sustainability information to employee representatives and stipulates the need for regular dialogue with them. This exchange of views should occur at a time, in a manner and with content that enables employee representatives to express their views, which can be submitted to the relevant administrative, management and supervisory bodies.

Other stakeholders to be considered, in ways that have yet to be explored and that fully respect the transformative approach, are those that cannot be questioned, such as **nature** or the **younger generation**, whose interests are frequently defended by third-sector associations. These are sensitive categories that businesses must address if they are to be genuinely committed to a fairer, more prosperous and sustainable world.

b. Strategic partnerships

In order to apply a transformational approach to governance, the theme of partnerships is paramount. SDG 17 of the 2030 Agenda for Sustainable Development clearly states the need to create multistakeholder networks and synergies in order to concretely and effectively achieve the Global Goals. Tackling the prevailing major systemic challenges requires a concerted effort, whereby companies are called upon to structure relationship channels with strategic actors such as institutions, citizens, consumers, shareholders, the world of academia and other companies or business associations. In particular, large companies have a priority role in supporting, accompanying, and driving smaller ones in order to implement solid and coherent transition paths, which are fundamental to the competitiveness of the company and the country in general.

The role of governance is to develop **models and structured mechanisms for dialogue and the creation of effective partnerships**. It is essential to clearly define the goals, roles and responsibilities of the actors involved; the decision-making processes that will lead to the fulfilment of the goals in accordance with their roles, skills and responsibilities; the mechanisms for guaranteeing the transparency of information (including financial information) related to prevailing projects; and the possible exit routes if the partnership comes to an end.

Business experiences on chapter 6

A2A - The Multistakeholder Forum and the Vademecum for Sustainable Supply Chains

As a Life Company, we are committed to improving the quality of life and protecting resources, fostering a responsible presence in the territories where we operate. With our annual roadshow of Multistakeholder Forums, we offer a program of listening, dialogue, and co-design with local stakeholders. In this context, the Sustainable Supply Chain project led to the publication of a Vademecum designed to guide and support SMEs in drafting their own code of ethics and environmental, labor, and human rights policies, sharing experiences and know-how with our stakeholders. In 2024, the Forums will aim to open a vertical dialogue on two main thematic areas: ESG compliance for the supply chain, with the goal of identifying collective actions that support the sustainable transition of local companies and the A2A value chain, and biodiversity and climate change.

ENI - The Eni "Stakeholder Management System" application supporting relationships with stakeholders

For Eni, understanding the needs of stakeholders and evaluating their integration into Company's decisions is strategic for maintaining relationships of trust and creating value. Complaint (grievance) mechanisms for accidents, damages and socio-environmental impacts, real or perceived, associated with Eni and contractors' activities also contribute to this. The relationship with stakeholders in Eni has been further supported since 2018 by the "Stakeholder Management System" (SMS) application, which has the aim of planning engagement with the various interlocutors, identifying the issues of interest and any criticisms towards Eni or specific business areas, and monitoring the management of grievances to avoid or ensure remedy of any negative impacts. SMS "maps" the stakeholders (over 6,400 as of May 2024; e.g. institutions, research centers, local communities, NGOs) according to their relevance in the context and attitude towards Eni, documents their engagement and the management of any requests and grievances.

ERG - Social Purpose for Solar Revamping

The idea of the project is to build a model to grant a 'second life' to solar panels still in excellent condition from ERG's fleet revamping activities, in an inclusive and integrated path in the renewable energy production business, inspired by three pillars of the ESG strategy
circular economy: the panels used are second-hand but still in excellent condition;
energy transition: solar installations allow NGOs to reduce the use of fossil fuels for energy production;
value sharing: we collaborate with partners, minimising the economic impact of installation costs on NGOs, also reducing the impact of the cost of electricity, which drastically decreased once the system is up and running. In addition, ERG has covered the costs for the disposal in Italy of the modules at the end of their life, which will indicatively be 10/12 /15 years and we hope even longer, since these are excellent quality panels.

GRUPPO UNIPOL - Unipol Regional Councils as strategic stakeholder engagement

Unipol Regional Councils - CRUs, present in all Italian regions and in the two Autonomous Provinces, are informal bodies that bring together Unipol's stakeholders representing a variety of interests and approaches - economic, social, environmental, civil - with the aim of the sustainable development of the territories in which they operate. CRUs activity, anchored to the Goals of 2030 Agenda, is of strategic importance because it enables them to share and develop the values of the stakeholders involved; to grasp the orientations and needs emerging at a territorial level; to promote sustainability and develop sustainable territorial projects with social, economic, civil and cultural impact by involving the best resources of the territory; to disseminate and promote the social and cultural initiatives promoted by the Group, starting with the Foundation. More than 200 organisations participate in a structured way, plus about 100 others involved in the implementation of the activities.

MARCEGAGLIA STEEL - Schools in Marcegaglia

Training and professional growth of its personnel, coupled with attention to the local area where Gruppo Marcegaglia operates, have always been central to the Group.
These values have also led to the creation of the **Marcegaglia Academy**, which is set up for management training of new resources, employees and internal associates, but also for external figures: customers, suppliers, professionals, citizens, teachers and students of high schools and universities. One of the various training packages sees the creation of a project dedicated exclusively to secondary school students in the last three years of study in the Mantua area (Mantua, Ostiglia, Viadana, Castiglione delle Stiviere, Guidizzolo, Suzzara). The objective is to offer them the opportunity to get to know an industrial company in the area, an international leader, and to deepen specific topics, thanks to meeting with the Group's managers, to discover possible professional opportunities. The project has been included in the calendar of "Open Factories" events promoted by MIMIT to raise awareness among future generations about the characteristics and needs of Made in Italy companies.

RINA - Engaging with the community on sustainability and ethics through school education

Ethical issues and sustainability are at the heart of RINA's development strategy, which identifies the growth of the culture of integrity, respect for the environment and human rights as key drivers of sustainable development. In RINA we believe that the diffusion of a culture of sustainability gets more effective if the issues are introduced to the younger segments of the population. It is in this context that RINA presents the corporate case of engaging with the community on ethics and sustainability through school education, in an exercise that combines, by means of corporate volunteering, the participation of RINA staff in the training activities of the school population. The description of the good practice includes collaboration with third sector entities which covered organizational aspects, the definition of the internal management process to make this kind of engagement systematic, the report on three specific experiences carried out during 2024.

TPER - The ethical and legal conduct of business: from a corporate approach to transformative governance

In TPER's experience, an approach has been experimented that shifts from a corporate compliance dimension to a 'transformative' dimension with respect to the supply chain, which is asked to respect important issues such as legality, transparency, anti-corruption. In fact, TPER has adopted an organisation, management and control system that makes it possible to verify the company's responsibilities starting from its internal dimension (Board of Directors, managers, employees), and taking into account the value chain (stakeholders, in particular suppliers, but also communities, commercial and financial partners, institutions, trade associations, trade union representatives). It is an act of social responsibility, from which benefits flow for a multiplicity of stakeholders whose interests are linked to the life of the company. The aim is to trigger a virtuous circle, establishing standards of behaviour and identifying an ethical and sustainable code of conduct. TPER's principles are contained in the Code of Ethics and in the Organisation, Management and Control Model drawn up pursuant to legislative decree 231/01, as well as in the Regulations for economic operators. Tper is ISO 37001 certified.

7.

EXPERIENCES FROM ITALIAN UN GLOBAL COMPACT BUSINESS PARTICIPANTS

EXPERIENCES FROM ITALIAN UN GLOBAL COMPACT BUSINESS PARTICIPANTS

Some companies participated in the working group which has developed the position paper, decided to contribute in a more active way with a corporate experience showcasing the practical implications of the concepts analyzed in the document. These experiences have been structured following a shared template, that underlines five key aspects:

1. **Link with the paper's chapters**
2. **Clear explanation of how the experience is linked with the corporate governance dimension and reflects the transformational approach**
3. **Ways of planning, implementing and monitoring (strategy, processes, operations, indicators/KPIs if any)**
4. **Stakeholders involved**
5. **Results and impact**

Transformational governance as a key driver to achieve sustainability targets in an integrated perspective of business planning and purpose orientation

Sector: Automotive & Parts

Title: The governance of sustainability at Automobili Lamborghini

The sustainability journey initiated by Automobili Lamborghini in 2009 has led to the increasing integration of ESG topics into its strategy and operations by establishing a specific internal Governance for managing these issues, widespread throughout the organization.

Automobili Lamborghini views Governance as essential for taking responsibility for its decisions and integrating this responsibility across the organization and its relationships with both external and internal stakeholders. Over the years, the company has adopted various policies, as well as a Code of Ethics, guiding responsible behavior towards colleagues, third parties, and the community. Additionally, Automobili Lamborghini adheres to the VW Group's Code of Conduct for Business Partners, which defines the Company's expectations in its relationship with its business partners and has issued an Environmental Statement outlining its commitment to managing natural resources and energy responsibly.

In 2021, Automobili Lamborghini announced the "Direzione Cor Tauri" corporate strategy, which involves electrifying its model range by 2025. In 2024, this strategy was renewed to extend its commitment to reducing emissions across the entire value chain, targeting a 40% reduction in CO2 emissions per car by 2030 (compared to 2021 levels). This comprehensive strategy encompasses production, supply chain, logistics, and product use, covering the entire product life cycle and engaging the whole company in achieving these targets. The "Direzione Cor Tauri" program delivers a pact to future generations, inspiring and serving as a model for innovation and sustainable progress.

To integrate sustainability across all business areas, Automobili Lamborghini created the Sustainability project team in 2021. This cross-functional group is coordinated by the Strategy function, and includes representatives of several company's areas, from Research and Development to Purchasing, Production, Sales, People, Culture & Organization, and Communication. The team defines, plans, implements, and monitors sustainability initiatives to achieve the objectives set by the sustainability strategy, a key component of the company's strategy. By integrating existing initiatives and introducing innovative ideas, the team aims to build a sustainable business model that addresses new challenges at all levels. Having a sustainability project team has allowed Automobili Lamborghini to build a consistent and holistic vision of all aspects, combining the different points of view of the various areas into a single commitment and generating shared value. This is Automobili Lamborghini's pact to future generations: working together in the direction of continuous improvement.

Since its inception, the Sustainability project team has used an information system to streamline the monitoring and assignment of tasks, improving their tracking and ensuring all participants are aligned on their responsibilities and project progress.

To ensure engagement at all organizational levels, the team reports projects' progress to the Comitato Direttivo, which approves strategic sustainability objectives and the necessary action plans.

To further embed sustainability into business processes and variable remuneration mechanism, over the last few years a part of the management's MBO has been linked to the achievement of certain sustainability objectives.

Additionally, the company promotes a culture of sustainability and environmental respect through training programs for technical staff, management, and new hires. Various podcasts and talks throughout the year also raise awareness and keep employees updated on sustainability topics, emphasizing the respect for environment in all its forms.

cdp

Sector: Finance and credit services

Title: Integration of sustainability objectives into the CDP reward system

Sustainable development is a cornerstone of CDP's strategy, and in the recent years CDP has thus undertaken the path of integrating ESG issues into its governance, operating model, business activities, underlying processes and corporate culture.

Starting in 2022, this path has led to the inclusion of sustainability objectives in the reward system. This initiative is one of the founding elements of a transformative governance that actively contributes to the achievement of sustainability objectives through an integrated perspective of planning and orientation of the company's purpose. The presence of a remuneration policy envisaging objectives linked to ESG issues is functional and imperative for the full achievement of a strategy imbued with sustainability (2022-24 Plan and related ESG Plan). Moreover, said reward system concretely aligns management's actions with the company's objectives and the legitimate expectations of stakeholders. Ultimately, the approach is also a factor of competitiveness in the labour market because the motivation it generates to work to produce value over time for one's country increases the willingness to make additional efforts, loyalty as well as retention of people.

Specifically, in June 2022, CDP's Board of Directors approved the first ESG Plan 2022-2024, marking the first step in definitively integrating sustainability into its organisational and operating system. The objectives and commitments part of the ESG Plan also include the assignment of sustainability targets, with a weight of at least 30% of the total targets in the MBO. The sustainability objectives included in the MBO Plan are closely linked to the commitments made within the ESG Plan, where applicable to the individual role, and/or to other ESG aspects related to requests from external stakeholders. Specifically, within the MBO Plan assigned to CDP's strategic managers, objectives of a qualitative/quantitative nature have been included to guide conduct consistent with the four guidelines along which the ESG Plan is structured: (i) Governance; (ii) Social and Environmental Opportunities; (iii) Social and Environmental Risk Management; and (iv) Targets, Metrics and Transparency.

Examples of objectives include, but are not limited to: (i) Objectives to facilitate good governance with managerial and endoconsiliar controls to be extended also to companies subject to management and coordination; (ii) Objectives aimed at improving the capacity for positive impact and reduction of negative impacts of our business, guiding the intentionality of our choices with selectivity and additionality in order to create sustainable value; (iii) Objectives related to direct environmental impacts; (iv) Objectives related to the development of clear and public policies to guide the business; (v) Objectives focused on the promotion of the principles of Diversity, Equity & Inclusion, with initiatives aimed at reducing the gender gap and promoting equity, training and improving the skills of our people as a factor of attraction, motivation and retention; (vi) Objectives aimed at stimulating continuous dialogue with stakeholders.

The above has also been reflected in the update to the Group's Remuneration Policy approved by CDP's Chief Executive Officer, which recognises an increasing emphasis on environmental, social and governance (ESG) objectives, including objectives relating to achieving gender equality and inclusion. In terms of the process with particular reference to ESG objectives, the Sustainability department identifies and proposes annual priorities and ambitions to support the Human Resources department, which, after sharing them with the respective owners, integrates them into the overall MBO Plan. Sustainability itself also supports the Human Resources Function in the calculation of ESG objectives and related targets at the end of the year.

In 2023, the percentage of sustainability targets assigned to 100 per cent of the top management functions was 32 per cent of the total MBO targets, with a commitment to continue in the direction taken and to provide increasingly quantitative sustainability targets in order to continuously improve their measurability to support evaluation and sustainable value creation.

Gruppo FS

Sector: Industrial Transportation

Title: The Sustainability Governance Model in the corporate management of the FS Group

The Sustainability Governance Model aims to embed sustainability into the Group's business management. The sustainability principles guide the management model adopted by the Company through the mapping and responsible management of the economic, social, and environmental impacts associated with corporate processes, products, and services.

The Model identifies and defines governance and management processes sensitive to stakeholders' legitimate needs. By adopting this approach, the Holding Company seeks to integrate sustainability practices within the Group's strategy. Furthermore, by guiding and supporting the Companies in implementing actions deriving from the deployment of the Model, the Holding Company aims to create conditions for achieving the highest level of performance and generating value for all stakeholders.

The FS Italiane Group's Sustainability Governance Model is inspired by the UN Global Compact and the principles of Stakeholder Engagement, as outlined in the AccountAbility 1000 (AA1000) standard. The Model embraces the entire value chain to preserve and develop the Group's assets.

The Group's Sustainability Governance Model was approved by the Board of Directors, which holds accountability for it.

Group Companies are required to integrate the contents of the Model within their own internal regulatory systems, adapting them to their corporate realities. This includes identifying a dedicated supervisory body responsible for overseeing the processes outlined in the Model. Each Company ensures an accurate and continuous application of the defined practices, guaranteeing thorough internal dissemination and implementation control, including within its subsidiaries.

The Sustainability Governance Model is articulated in distinct processes centred around a Vision. Conceived as an iterative path, the Model fosters continuous performance improvement across the Holding and all Group Companies, along with their respective organisations. This is achieved while respecting the autonomy, singularities, and specific management needs of each Company, with a view to generate value for all stakeholders.

Its underlying processes and respective objectives are as follows:

- "Context Analysis" – defining the tools functional for the identification of the Group's priority areas; the main output is the Group's materiality matrix, resulting from a bottom-up process involving all operating Companies;
- "Plan" – defining objectives and targets in line with the pursuit of the Vision and taking into account the priority areas resulting from the materiality analysis; the output is the Group sustainability plan;
- "Guide and Support" – defining and elaborating the guidelines, management tools, training programs, etc., to support the competent Functions and operational companies, thus ensuring the implementation of the planned actions and the pursuit of the defined objectives;
- "Monitoring and disclosing" – defining the tools and methods for monitoring, measuring, analysing, verifying, evaluating and reporting on the Group's sustainability results and performance;
- "Review and Learn" – ensuring the continuous improvement of the Sustainability Governance

Model as well as the Group and Companies' performance, while also creating value for the Company and its stakeholders.

The accountability of the Governance Model is vested in the Board of Directors of FS SpA. The CEO, who is also the Chairman of the Sustainability Committee (an advisory board to the CEO, the composition of which includes the CEOs coordinating the 4 Hubs of the Group), is responsible for validating and submitting to the Board of Directors' approval the materiality analysis, policies, objectives and targets, strategic projects, and disclosure statements. The Sustainability Governance Model outlines the roles and responsibilities of the operating Companies, which must ensure the implementation of these processes.

The Sustainability Governance Model is an effective tool for embedding sustainability issues into the Group's business strategy, as well as transforming the operationality of processes and people's outlooks. It promotes a mindset and approach that prioritizes sustainability and value creation for stakeholders as drivers for all its activities. The Model has eased the commitment towards operating Companies, raising awareness of sustainability issues' importance and the crucial role each operating entity plays in achieving the Group's sustainability objectives. Its adoption has sparked a change management process within the Group, which resulted in the establishment of a professional family with defined roles, competencies, and responsibilities. Their primary function is to support and guide the implementation of sustainability processes and the dissemination of the Holding Company's policies and guidelines.

INWIT

Sector: Telecommunications equipment & service providers

Title: Governance as a driver to create a sustainable business model

In 2020, INWIT initiated an internal journey aimed at implementing a sustainable business model through a significant paradigm shift that integrate sustainability into its industrial strategy. The goal was to create value for the company and its stakeholders, in line with the guidelines of Borsa Italiana's Corporate Governance Code on Sustainable Success. The internal dimension of governance represented the true transformative element that enabled this evolution in its business model.

The first step of the journey focused on corporate governance, which evolved towards a transformative model with the creation of an internal Sustainability Committee. The Sustainability Committee is responsible for making proposals to the Board of Directors on sustainability strategies and the Sustainability Plan from an ESG perspective, monitoring its implementation. With the board's support, a dedicated organizational unit was created to coordinate the activities and functions involved in defining, monitoring, and achieving the company's sustainability objectives.

Furthermore, sustainability issues are now discussed during Leadership Team meetings, the main corporate governance body responsible for overseeing company activities, with particular attention to strategic, economic/financial, and sustainability plans. This approach aims to guide the company in creating an internal culture of sustainability hat also extends to its stakeholders.

A clear governance structure definition has allowed to planning the necessary actions to integrate sustainability into the business. The main tool in this direction is the Sustainability Plan, developed in line with the UN 2030 Agenda and organized into the three ESG areas: Environment, Social, Governance.

The Plan, as an integral part of the Industrial Plan, is approved by the Board of Directors and includes, for each ESG pillar, medium to long-term goals and increasingly quantitative and measurable specific targets, including industrial KPIs. This ensures the alignment between business and sustainability objectives. The targets involve all company functions, fostering a sustainability culture that creates value for all our stakeholders.

Among the tools for transforming and integrating sustainability into business strategies, the company has decided to include some Sustainability Plan targets within both short-term (MBO) and long-term (LTI) variable incentive mechanisms, not only for the General Manager and management but also for all staff. Another measure to strengthen corporate culture has been the increasing integration of ESG topics into the company's procedural framework and the adoption of various sustainability-related policies to guide the actions and behaviors of the people within the company and, indirectly, its stakeholders.

Additionally, to monitor the effectiveness and coherence of sustainability initiatives, a correlation has been created within Enterprise Risk Management between mapped business risks, ESG areas, and the Plan's objectives.

Completing the overall vision generated by a transformative governance approach, in 2024, we published our first Integrated Report. This report, created with contributions from all functions, includes the annual Financial Report and the Non-Financial Statement, which INWIT voluntarily prepares, as it is not currently subject to mandatory requirements.

This exercise has made it even more evident how the integration of sustainability into business serves as a lever for value creation, not only for shareholders but for all the company's stakeholders.

INWIT's transformation journey towards a more sustainable business model, has both internal and external impacts. The Board of Directors is the main governance body involved in this process, particularly through the Sustainability Committee. Setting sustainability objectives that cut across all company functions, to which variable incentive objectives are also linked, broadens involvement to all staff, not just management.

The drafting and publication of the Integrated Report summarize and measure the maturity of a journey that, starting from governance, has led to a significant cultural change throughout the company. As a listed company, this change has been recognized and appreciated by all ESG rating agencies evaluating the company, resulting in an upgrade of our scores.

LEONARDO

Sector: Aerospace & Defense

Title: Sustainability, a key element of Leonardo's governance

There is a close and bidirectional link between Leonardo's business and sustainability. Its solutions contribute to protect communities, infrastructure, and the planet, while enabling and accelerating the sustainable transition, also thanks to its multi-domain approach and technological heritage.

At the same time, new solutions – which are increasingly oriented towards sustainability - are driving business growth by opening new market opportunities. The emerging applications of Leonardo's solutions, the evolution of stakeholders' requests and the new geopolitical context are pushing towards more sustainable, competitive, and resilient business models.

For Leonardo, sustainability therefore plays a key role. It is one of the enabling factors of its Business Plan and it is integrated along the entire value chain. Moreover, sustainability aspects are taken into account in every business decision. Finally, sustainability has increasingly become an integral element of Leonardo's governance.

Leonardo has adopted a Sustainability Operating Model to operationalize the integration of the sustainability strategy into business processes. The starting point of the sustainability process is Materiality Analysis, that identifies and evaluates the strategic issues according to Leonardo and its stakeholders. Based on a data-driven and participatory approach, this analysis helps guiding the Strategic Plan and the Sustainability Plan. Another key step in the sustainability process is the Sustainability Plan, which aims to achieve Leonardo's strategic targets and priorities, measuring the performance on ESG aspects through non-financial indicators along the four ESG Pillars.

A distinctive element of Leonardo's transformative governance is a structured strategic sustainability planning on main ESG KPIs and a careful management control of ESG metrics and KPIs. The systematic and regular analysis of sustainability data, including forecasts, allows to monitor the performance towards the achievement of the Group's sustainability targets, as well as to guide strategic decisions taking into account ESG data. Thanks to the support of the Sustainability Managers, the process involves all areas of the Group, using a digital platform for data collection and analysis.

Leonardo's focus on sustainability issues is also a central element of its remuneration policy. This commitment is achieved through the identification of tangible and constantly monitored ESG targets on: safety at work, reduction of environmental impacts and diversity and inclusion. This is part of a global sustainability vision.

The role of the Chief Sustainability Officer - who reports directly to the Chief Executive Officer and General Manager - is crucial within Leonardo's governance, as this is a key figure in integrating sustainability as a strategic lever. The model envisages not only the involvement of the top management, but also of all business functions in sustainability processes. While the strategic orientation of sustainability is entrusted to the top management and key central OUs, with the involvement of the Board of Directors as well as the Sustainability and Innovation Committee; sustainability implementation, management and monitoring are carried out within the Divisions, Companies and specific corporate OUs. These entities - within their scope of competence - contribute to the pursuit of Leonardo's sustainability strategy and targets through planning, monitoring, and reporting of business activities, as well as through the implementation of sustainability projects.

Leonardo's actions related to environmental, social, and good governance are acknowledged by ESG rating agencies' assessments, which have confirmed Leonardo's role as a sustainability leader within its sector. Among the main awards obtained in 2023, there is the inclusion - for the 14th consecutive year - in the Dow Jones Sustainability Index, the confirmation to be among the leading companies in the fight against climate change by the international non-profit organization CDP (formerly Carbon Disclosure Project), the ranking in band A of the Defense Companies Index on Anti-Corruption and Corporate Transparency (DCI) of Transparency International and the inclusion in the MIB ESG INDEX of Borsa Italiana (Euronext) - the first Italian blue chip index dedicated to the forty companies with the best ESG performance.

MAIRE

Sector: Industrial Engineering

Title: Transformational Governance for a Sustainable Capitalism

MAIRE has identified bodies and functions with specific competences and has defined processes that create the necessary conditions to be able to direct its activities by considering the economic, social and environmental impacts, analyzing the risks and related opportunities, defining objectives and creating long-term value for all stakeholders.

The main elements of MAIRE's transformative approach:

- **SUSTAINABILITY GOVERNANCE**

  Over time, MAIRE's governance has been aligned with international best practices and is divided into the following Committees and Functions:

  Control, Risk and Sustainability Committee: supports, among other tasks, the Board of Directors of MAIRE in the assessment of risks relevant to the sustainability of the Group's activities. Aware of the centrality of sustainable corporate governance integrated into the business, the Board of Directors of MAIRE has resolved to keep all sustainability issues within the responsibility of the Control and Risk Committee.

  Internal Sustainability Committee: a strategic internal body at the service of the CEO of MAIRE, it provides, among other tasks, support in defining sustainable business management policies.

  Sustainability Reporting, Performance and Disclosure Function, reporting directly to the CFO, it deals with sustainability reporting and coordinates the reporting and monitoring of non-financial KPIs and ESG indices.

  The Group Sustainability & Corporate Advocacy Department, part of MAIRE's Group Institutional Relations, Communication & Sustainability Department reporting directly to the Chairman of MAIRE, implements the Group's sustainability strategy, interfacing with internal and external stakeholders.

  Working groups and/or task forces: composed of Group Functions that operate on the clusters of the sustainability strategy in order to allow the full integration of sustainability profiles with the business.

  These Functions work in coordination with the Group Corporate Affairs, Governance & Compliance Department , which, in addition to being responsible for the Group's governance, is also responsible for ethics and compliance and reports to the Chairman of MAIRE.

- **INTEGRATED STRATEGIC PLANNING**

  MAIRE's Sustainability Strategy is integrated into the Group's 2024-2033 Business Plan and includes ESG indicators.

- **EMPLOYEE TRAINING AND ENGAGEMENT**

  In 2023, the first Sustainability Day was organized with over 400 employees involved in workshops on sustainability strategy topics. The first internal stakeholder engagement platform and the new sustainability training course for all Group employees were launched.

- **SUSTAINABILITY POLICIES AND PROCESSES**

  The guiding principles of MAIRE's commitment to sustainable development are presented in specific Group Policies.

- **SOME INDICATORS**

  REMUNERATION: ESG indicators are central to MAIRE's Remuneration Policy and incentive systems.

  GOVERNANCE OBJECTIVES: i) ensure the involvement of women in the corporate bodies of subsidiaries (1/3 of corporate offices are allocated to this gender); ii) carry out 60% of MAIRE's Board of Directors with at least one point dedicated to sustainability issues; iii) introduce in the bylaws of the subsidiaries the possibility of participating remotely in the meetings of the corporate bodies, in order to reduce the emission impact.

  FINANCE: issuance of the first Sustainability Linked Bond in 2023 linked to specific targets on two KPIs relating to the reduction of emissions and the so-called emission intensity relating to the technological goods and services purchased.

  NON-PROFIT: establishment of the MAIRE Foundation for the pursuit, on a non-profit basis, of civic and solidarity purposes and in particular of education, instruction, social assistance and scientific research purposes.

1500 subjects have been involved: employees, managers, customers, suppliers, financial institutions, investors and financiers, institutional and non-profit bodies, technology partners, universities and research centers, local authorities and governments, professional and trade associations.

The impact of integrating sustainability into the business is reflected in various areas:

- contributes to the transition to a circular and sustainable economy;
- stimulates local economic growth through the inclusion of local community actors in the supply chain;
- improves the environmental and social performance of suppliers through the integration of ESG assessments into the selection process;
- increases the well-being of MAIRE's people and local communities, thanks to its commitment to safety, health, skills development and inclusion;
- it strengthens the trust and reputation of all stakeholders, thanks to its commitment to the energy transition, transparency, ethics, respect for human rights and the fight against corruption.

Sector: Gas, Water & Multiutilities

Title: Climate Change Risk Management

In accordance with Chapter 3 of the Paper, the Climate Change Risk Management Framework (CCRM) serves as a transformational governance tool. It equips the board and management with the essential information needed to guide their actions towards sustainable success. The CCRM integrates climate change-related risks and opportunities into the traditional risk management framework.

The corporate governance code assigns the board the task of defining the nature and level of risk compatible with the company's strategic objectives, considering all elements relevant to sustainable success.

At Snam, the board and management must guide strategic, organizational, and control policies in accordance with the Article of Associations' purpose of promoting the energy transition, progressive decarbonization, and sustainable success.

The Climate Change Risk Management Framework (CCRM) is instrumental to these purposes, as it identifies and includes climate change-related risks and opportunities into the integrated risk management system, providing the board and management with critical information.

At Snam, the CCRM is managed by the Enterprise Risk Management (ERM) unit, part of the Legal, Governance, Compliance & ERM function, which oversees the comprehensive management of corporate risks for all Group companies. The results of risk assessments and monitoring are periodically presented to the Control, Risk and Related Parties Transactions Committee, the Sustainability and Energy Transition Scenarios Committee, the Board of Statutory Auditors, the Supervisory Body, and the Board of Directors of Snam.

The methodology used to define the CCRM aligns with major international references for climate and socio-economic scenarios, as well as forecast climate data for long-term risk assessment.

The CCRM considers two types of risks: (1) physical risks, which pertain to assets exposed to climate hazards, and (2) transition risks, which involve political, legal, technological, and market risks associated with climate change mitigation and adaptation processes.

The objectives of the CCRM vary depending on the type of risk and the time horizon considered: (1) **short-to-medium term** (2023-2027): (i) identification and quantification of physical and transition risks, (ii) prioritization, (iii) identification of risk response; (2) **long-term** (2040): (i) scenario analysis, and (ii) identification of strategic response.

The scope of the CCRM encompasses all risk events that could potentially have a strategic impact. Regarding physical risks, assets were selected based on three criteria: business coverage and strategic importance of the asset, ownership of the plant, and historical and geographical context. This includes 100% of the regulated business and the most relevant sites for the energy transition businesses, totaling 48 sites and representing 99% of Snam's EBITDA.

For each of the 48 selected sites, the following activities were conducted: (i) Analysis of the applicability of each physical risk, (ii) Selection of the specialist data source, (iii) climate assessment to determine the potential exposure of assets to each climate event, (iv) risk assessment in terms of economic impacts, and (v) Validation of the results obtained, and (vi) Scenario analysis to assess potential changes in exposure to each physical risk by 2040, based on scenarios proposed by the IPCC.

The corporate functions involved in their respective areas of competence, along with the top management, were engaged across the board. The company also enlisted the support of a specialized firm.

The CCRM has enhanced the understanding of the resilience of the Company's strategy in response to various climate scenarios, considering their potential impact on industrial, economic, and sustainability objectives (transition risks), as well as on the integrity of the Group's tangible (physical risks) and intangible assets (that include factors such as reduced gas demand, policies and regulatory changes favoring the development of green gases, and the need for asset conversion to facilitate the transition).

The initiative has also positively impacted disclosure and reporting, improving adherence to the recommendations of the TCFD and gathering useful information for compliance with the CSRD. This has contributed to the drafting of the Transition Plan and the financial effects of climate change.

Furthermore, the project has positively influenced the analysis of double materiality, substantiating financial materiality or outside-in analysis.

Terna
Driving Energy

Sector: Electricity

Title: Integrated Planning To Create Value Over Time

The growing demand for clear, complete and transparent information from all stakeholders, who are increasingly sensitive to the ability of companies to adopt sustainable business models which create value over time, has found an initial response in annual reports. This is the case of the approximately 200 Italian companies – including Terna – which, as of the 2017 financial year, are obliged to produce a Consolidated Non-Financial Statement (CNFS) pursuant to Legislative Decree 254/2016.

This compliance obligation, fulfilled – in Terna's case – through the choice of integrated reporting, has focused efforts on the accounting of ESG performance, highlighting its consistency in terms of its contribution to the organisation's overall results which, however, has not been matched by an equally rigorous focus on planning new and increasingly challenging sustainability targets and goals.

Management that is increasingly linked to the social and environmental objectives and KPIs in defining the corporate purpose has accelerated Terna's path towards the definition of a Group strategy that considers the driver of sustainability to be crucial.

In fact, Terna's strategy for the five-year period 2024-2028, presented to the market on 19 March 2024, has as its strong point precisely a consolidation of the corporate purpose through a full integration between the new Business Plan and the Sustainability Plan.

The convergence between the Sustainability Plan and the Business Plan consists of two macro-strands, environmental and social, both of which feed into material issues for the Group. These concepts express two key aspects of Terna: on the one hand, since the role of TSO (Transmission System Operator) is vital in itself for the energy transition and thus for leaving a decarbonised environment for future generations, sustainability is inherent in the very nature of Terna **Green by Nature**. On the other hand, the Group's activities are carried out within the framework of a solid structure of controls and safeguards aimed at the maximum protection of its stakeholders' rights and demands, with a continued commitment to listening to local communities. The Group is therefore **Social by Purpose**. The elements that characterise the two strands Green by Nature and Social by Purpose therefore indicate, with respect to the priority objective of achieving an Energy and Digital Transition (the **Twin Transition**), the need to also consider its social repercussions, i.e. to raise the Group's ambition and achieve a **Just Transition**.

An Energy and Digital Transition that is both equitable and inclusive is thus both the priority objective of the Sustainability Plan 2024-2028 and the contribution it makes to the Business Plan, orienting it further towards a goal of long-term value creation and sustainable success.

The architecture of the Sustainability Plan, which takes into account the results of the Materiality Analysis and the regulatory developments expected in view of the implementation of the "Corporate Sustainability Reporting Directive" (CSRD), envisages an articulation of the contents into (i) pillars; (ii) strategic areas; (iii) themes; (iv) spheres of action and (v) core activities.

JUST TRANSITION

Energy Transition	Sustainable value chain	Creating shared value	Sustainable growth
Leading the Energy Transition Reducing our environmental footprint Evolution of the management of the National Electricity System (SEN)	Inclusive development of people Circular economy Sustainable supply chain	Internal shared value orientation Preservation and improvement of the environment Strengthening the "social licence"	Innovation and digitalisation to support the energy transition Ecosystem for sustainable growth Finance for Just Transition

Interdependencies between strategic action areas and related themes

The four pillars are all functional to the priority objective of Just Transition and characterised by content anchored in the corporate purpose. In particular:

- **Energy Transition**: this pillar focuses on achieving a transition to a new, more sustainable energy paradigm. In addition to the objective of a progressive reduction of the carbon footprint and the consequent CO_2 emissions into the atmosphere – necessary for the containment of global warming – there are also considerations on the security of the National Electricity System (SEN) and, therefore, of the country's production and social ecosystem.
- **Sustainable value chain**: this pillar aims to establish a new, increasingly inclusive and sustainable value chain through the adoption of new development models for people and a circular approach in the Group's operational processes to minimise waste and maximise resource reuse.
- **Creation of shared value**: the goal is the strengthening of the business model in terms of sustainability, i.e. the balance between profit, attention to natural capital, and *social licence* understood as engagement and support to the communities affected by the presence of Terna's infrastructures and activities.

- **Sustainable growth**: this pillar aims to ensure the Group's economic growth is sustainable in the long term. This entails a major commitment to innovation and digitisation, the development of an appropriate ecosystem and new businesses, and a commitment to funding to support a Twin Transition that is also fair and inclusive

Transformational governance: the internal dimension
Board of Directors and Management commitment
Sustainability skills

ADR
AEROPORTI DI ROMA

Sector: Travel & Leisure

Title: Sustainability integrated in the ADR governance model: a systemic approach to generate shared value

The sustainability management model adopted by Aeroporti di Roma (ADR) closely aligns with the chapter of the paper dedicated to "Transformative Governance: The Internal Dimension," which explores how companies should incorporate sustainability into their governance structures to promote sustainable development. ADR demonstrates how effective governance can be used to **integrate sustainability into a company's mission, vision, and strategy, as well as its activities, confirming the importance of a systemic and integrated approach.**

ADR's sustainability model firmly embeds in the corporate governance dimension, showcasing an **approach that has long aimed at transforming the company** and extends beyond simple regulatory compliance, endeavoring to meet stakeholder expectations. Particularly, the **Sustainable Development Committee**, previously exclusively focused on investments, and the **Sustainability Committee** play a pivotal role in supporting the Board of Directors and management. This approach facilitates the examination and implementation of sustainability strategies in a coordinated and integrated manner, **ensuring that corporate decisions are aligned with sustainable development goals and stakeholder needs**.

The **planning and implementation of sustainability strategies** at ADR **are managed** through a **structured and articulated process**. The **Sustainable Development Committee** examines sustainability strategies and plans, assessing their implications on the Group's investment plans, and explores their consistency with granting commitments and integrated corporate strategic objectives. Concurrently, the **Sustainability Committee**, at the managerial level, coordinates various corporate functions to ensure the achievement of sustainability goals. Chaired by an external sustainability expert, who brings **expertise, impartiality, and inclusion of diverse perspectives**; it comprises the CEO and C-suite; they oversee activities impacting sustainability issues. Monitoring of ESG performance is supported by over a hundred KPIs measuring the **effectiveness of implemented initiatives and their actual impact on sustainability results**. Lastly, integrating ESG objectives into the remuneration of managers and top management, as well as employees, acts as a mechanism to **ensure the implementation of targets**.

ADR's sustainability model involves a **wide range of stakeholders, both internal and external**. Internally, employees, managers, and board members actively participate in defining, implementing, and overseeing the sustainability strategy, which includes numerous initiatives involving direct engagement with external stakeholders such as **suppliers, customers, local communities, regulatory authorities, and other strategic partners with whom ADR interacts**. At the same time, the company addresses values and culture through employee training and participation, community outreach, supplier and customer engagement, including the **integration of due diligence systems and ESG performance development programs**. In practice, the entire organization is engaged in effectively managing the transformation processes towards **increased sustainability, fostering the creation of shared value.**

Thanks to structured governance and monitoring systems, ADR is able to **continuously improve the processes underlying environmental and social performance**, as well as to **define a clear sustainability strategy with ambitious and well-defined targets that characterize ADR's commitment and enhance the company's mission**. For instance, concerning the reduction of CO_2 emissions and enhancement of energy efficiency, ADR has not only set the goal of reach zero emission linked to its directly managed operations by 2030 but also aims to contribute to reducing emissions arising from passenger travel to and from the airport. However, the commitment does not stop there: ADR is promoting **new governance to address the challenge of decarbonization for the entire sector through the Air Transport Decarbonization Pact**, now a Foundation, which brings together industrial players, institutional stakeholders, associations, and representatives from the academic world with the aim of **defining a roadmap that makes the development of air transport connectivity compatible with environmental protection, supporting the sector's transition and decarbonization by 2050**.

EDISON

Sector: Electricity

Title: Edison Stakeholder Advisory Board: a strategic dialogue between critical experts and business

The purpose of Edison is to lead the country's energy transition by confirming its role as a guide for its customers, suppliers, communities and the local areas in which it operates; pursuing its corporate purpose by guaranteeing long-term profitability, competitiveness and enhancing the interests of all stakeholders ultimately allows it to contribute to safeguarding the planet and improving people's quality of life.

In this context, the **Edison Stakeholder Advisory Board (SAB)** was created in 2020, an Advisory Committee made up of **members from outside the company who are representative of the various categories of stakeholders**, with a three-year term of office, which meets with the CEO to provide an **external point of view** on **issues of strategic importance** in order to accompany the company on its path to becoming a "leader in the energy transition and a responsible energy operator".[1]

The SAB represents a clear application of the concept of **transformational governance in the external dimension**, as it concerns the engagement of stakeholders representative of the main

1. For further discussion, see the paper "Edison: towards a shared energy transition" by C. Cici and B. Terenghi – Harvard Business Review (November 2022).

stakeholder categories of the entire **Edison Value Ecosystem**. It would, however, be incomplete not to also highlight its close relevance to the internal dimension of transformational governance as it is a Committee supporting the CEO in listening to, assessing and addressing sustainability issues of strategic importance to the company.

The mission of the SAB is manifold: **contribute to defining the competitive scenarios of the energy sector** by outlining needs, challenges and positioning opportunities for Edison with respect to its stakeholders and its Ecosystem; **share experiences and best practices** in order to initiate an exchange on the effectiveness of strategies and actions implemented to respond to the challenges identified; perform a **consultative and "constructive criticism" function** with respect to Edison positioning and sustainability strategies, contributing to integrating the external point of view within the strategic and operational planning processes.

The SAB was created as a result of the experience of the first experimental project, launched in 2018 and called **SDGs@Edison**, of management dialogue with a panel made up of representatives from institutions, companies, the third sector, innovators and new generations aimed at discussing the challenges of Edison in the field of sustainable development. This experiment in dialogue allowed the company to acquire an initial awareness of the needs and expectations of the various stakeholders, which was then refined in the Stakeholder Advisory Board initiative in the three-year period 2020-2022.

The SAB 2020-2022 included **14 "critical friends"** of high level and authority selected by Edison as part of its network of relations, bringing together expertise related to sustainability, business, finance and territories from a number of external stakeholder categories: academia, associations, companies, institutions, observatories and think tanks. The SAB supported the company in identifying and updating key sustainability issues; it contributed to the review of strategies, programmes and actions implemented by Edison and to the formulation of recommendations and suggestions on the sustainability strategies adopted and future developments. The representative and summary data of the SAB 2020-2022 are: 8 closed-door meetings, 17 recommendations, a recorded satisfaction level of 5.1 out of 6.

At the end of the three-year path, a structured evaluation activity was conducted with all members of the SAB, the Edison Executive Committee and the CEO to gather feedback and identify areas for improvement that were incorporated into the current Board 2023-2025.

The **SAB 2023-2025** is composed of **16 members**, representing the main stakeholder categories of the entire **Value Ecosystem of Edison**: suppliers, customers, technology partners, representatives of communities and territories, policy making experts, sustainable development organisations, media and opinion leaders, academia and the younger generation.

Each year, the Committee is involved in the **materiality analysis process** by assessing impacts and defining the "issues that matter", i.e. the key challenges for Edison arising from the energy transition, each of which is the subject of analysis and discussion at a specific meeting. The Committee meets up to **three times a year**, one of them openly to the outside world, where, with the help of a keynote speaker of national importance, one or more SAB spokespersons discuss the scenario and challenges of the energy sector, also involving external experts, and Edison presents the solutions put in place to meet the challenges identified.

The SAB recommendations are integrated **into the decision-making processes by the CEO** and a summary of the work is brought to the attention of the Control, Risk and Sustainability Committee and, through it, to the Board of Directors, at least once a year.

FERALPI GROUP

Sector: Industrial metals and mining

Title: The evolution of the sustainability governance in Feralpi

In order to address the many social and environmental challenges that characterise today's world, the private sector is increasingly being called upon to embrace an integral concept of value creation, in which environmental and social issues go hand in hand with the economic dimension. This requires the integration of sustainability management into the overall corporate strategy, hence the need for an organisational structure capable of translating the objectives set by the leaders of the organisation to the management level.

This is why Feralpi Group, which has always been committed to finding the best solutions to meet these global challenges, has paid particular attention to updating its corporate governance structure over the years.

Feralpi's sustainability governance is led by the Board of Directors, which is supported by the Sustainability Management Committee and the Sustainability and Communications Department. The Board of Directors coordinates the development and implementation of the Group ESG strategy, ensures its alignment with the UN SDGs and promotes ethical, sustainable and socially responsible practices.

The Sustainability Management Committee, established in 2014, has the task of assisting, in a propositional and advisory capacity, Feralpi's Board of Directors in assessing and deciding on sustainability issues related to the Company's operations, the dynamics of interaction with the Group's stakeholders, corporate social responsibility, the integration of the strategic plan and the corporate governance of the Company and the Group.

In 2021, the Sustainability Committee was updated with the inclusion of external members, who joined the internal members to ensure a constant comparison with the reference context and to respond to both the growing demand for transparency on sustainable and socially responsible practices and the impact of ESG metrics on the Group's financial performance. Currently, the Sustainability Committee is composed of the Chairman, eight internal members and two external ones, including one person for environmental issues and one for social and governance issues.

The Sustainability and Communications function has been present in Feralpi since 2004 and has gradually evolved over the years. It coordinates the various Units and functions in the operational implementation of the strategy and manages the process of data and information collection for Sustainability Reporting purposes. It also coordinates relations with internal and external stakeholders in order to strengthen them, understand and meet their expectations by ensuring constant and constructive dialogue.

In 2021 the focus on sustainability issues led to the establishment of two new corporate functions at Group level, which became fully operational in 2022: the Ecological and Energy Transition Unit (UTEE) and the Group HSE unit.

The UTEE represents Feralpi's response to the growing relevance of ecological and energy issues at institutional and market level. Its task is to support the definition of strategies relating to energy efficiency, decarbonisation and circularity, ensuring their implementation in Group companies to help achieve sustainable development objectives.

On the other hand, the Group HSE function has the task of supporting Feralpi in defining Health, Safety, Environment and Energy strategies, coordinating the related functions and management systems of Group companies. The Group HSE Manager ensures the promotion and compliance with strategies and regulations within the Feralpi Group, oversees the implementation of approved projects and promotes the dissemination of good practices in the HSE field.

Also in 2022, the Diversity, Equity, Inclusion and Welfare (DEI & Welfare) Manager function was established with the aim of developing projects and strategies in the area of diversity, inclusion and employee welfare.

Lastly, organisational changes required a KPI system to monitor and communicate the results of the sustainability strategy to internal and external stakeholders. For this reason, with a view to further strengthening the sustainability path undertaken by Feralpi, the ESG Scorecard was defined in 2023. It consists of fourteen objectives, which will be assessed and updated annually in line with the Group's overall strategy and include the various dimensions of sustainability:

- for the environmental one, topics include decarbonisation, circular economy and water utilisation;
- for the social one, issues include gender diversity and the safety of Group people and the involvement of the supply chain in sustainability issues;
- finally, for governance, KPIs have been developed that show the integration of ESG considerations into corporate decision-making processes.

Internally, the Scorecard will make it possible to strengthen the integration of ESG considerations into strategic decision-making processes, monitor the effectiveness of the sustainability strategy and promote a responsible corporate culture by involving Feralpi's employees more closely in the achievement of sustainability goals. Externally, it will demonstrate Feralpi's commitment to developing sustainable solutions through clear and transparent communication of ESG performance, providing investors, customers and local communities with an immediate assessment of Feralpi's alignment with their expectations. i e comunità locali un'immediata valutazione dell'allineamento di Feralpi alle loro aspettative.

Nestlé

Good food, Good life

Sector: Food Producers

Title: Governance of ESG themes at local level for a company operating internationally: the case of Nestlé Group in Italy

The case study is linked to Chapter 5 and outlines the establishment of an internal governance system within the organization to promote the integration of sustainability (encompassing environmental, social, and governance aspects) into business decisions at all levels and along the value chain. This initiative aims to foster the development of participatory leadership and drive business change.

Internationally, the Nestlé Group has developed an ESG governance system that reflects the corporate purpose of "Good Food, Good Life", facilitates the implementation of the company's strategy and supports the pursuit of the group's sustainability goals. The ESG governance of the Group is established by the Board of Directors, implemented by the Executive Board and regularly assessed by the Sustainability Committee of the Governing Council.

To cascade corporate commitments and stream of actions in the Italian market, the Nestlé Group in Italy has created a system of governance involving both top management and the various corporate functions responsible for the ESG pillars. This system allows to define, coordinate and effectively deploy the strategy and the various sustainability initiatives at the local level, in line with the Group's priorities, while at the same time encouraging the spread of a new corporate culture at all levels.

To begin, the most strategic ESG issues at the local level were identified, considering the activities of the Nestlé Group in Italy and aligning with the corporate purpose of "Good Food, Good Life" and the three strategic areas of intervention:

- "Good for People, families & pets" - ensuring and promoting quality food for people and pets;
- "Good for the Planet" - operate in a conscious manner and contribute to the sustainable development of the territories;
- "Good for the Communities" - supporting the well-being of our people and the communities where we operate.

An analysis of the strategic priorities and material themes outlined in the Nestlé Group's CSV Report for each of these areas was conducted, adapting them to the Italian context through an assessment involving top management and various stakeholders (Group employees, institutions, local authorities, customers, research institutes).

Based on the results, the Executive "ESG Functional Board" was established, comprising all the functions responsible for ESG pillars. This board defines and implements the local sustainability strategy in alignment with the Corporate goals and guidelines, ensures the fulfillment of the Group's commitments, identifies and manages possible areas for improvement or risk.

Existing governance systems, such as regular operational reviews and pre-existing functional committees, were partially integrated to ensure efficient management while maintaining the autonomy of different corporate functions. Each function, based on its strategic priorities on ESG themes, selected the most significant initiatives and key performance indicators (KPIs) to report on a quarterly basis.

The ESG Functional Board's regular meetings involve several business functions, including:

- The Market Sustainability team serves as representative for the activities carried out by the pre-existing Planet Sustainability Functional Board. This board since 2021 encompasses contact persons from all the functions engaged on environmental sustainability issues: procurement, operations, logistics and supply chain, engineering, packaging specialist, vertical business sustainability contact persons, investments and strategic funds),
- Human Resources, Safety&Health, Nutrition, Innovation beyond the core, Communication and Public Affairs for the social dimension of sustainability,
- Legal, Quality and Risk Management contacts for ESG governance and risk analysis activities.

The Board's regular meetings ensure the integrated management of the selected ESG topics and the identification of any issues or areas requiring intervention. Results are periodically reported to Top Management.

This governance structure effectively integrates sustainability into all business decisions and dimensions, promoting a cultural and value change for all stakeholders involved. It surpasses the traditional perception of sustainability as an optional element in relation to business objectives, elevating it to a central element in decision-making and a fundamental variable for adapting to today's environmental challenges and opportunities.

The result is the development of a new corporate culture and responsible leadership of top management and the primary reports working on ESG issues. This, in turn, motivates all members of the organization to actively contribute to the achievement of the Group's sustainability goals.

Sector: Automotive & Parts

Title: Internal transformational governance in Pirelli: engagement of the Board of Directors and Management, development of new skills and centrality of inter-functional dialogue to define and achieve objectives

The Board of Directors of Pirelli & C. S.p.A., supported in its activities by the Sustainability Board Committee, approves, on the proposal of the CEO and in coordination with the Executive Vice Chairman, the strategy and sustainable management objectives integrated in the Business Plan.

Within the Board of Directors, the figure of the CEO is delegated to deal with sustainability issues, and, in this capacity, he is entrusted with the task of overseeing sustainability issues related to the company's operations and its dynamics of interaction with all stakeholders, and of implementing the guidelines defined by the Board of Directors.

The increase of knowledge, on the part of the members of the corporate bodies, on the impacts, risks and opportunities in the field of Sustainability, is also fostered through the systematic participation of the management in the meetings of the Committees, to which third parties also intervene when invited for training and/or in-depth examination of specific issues.

The strategic development of Group Sustainability is entrusted to the Strategic Sustainability Committee, a body appointed in 2004, chaired by the Executive Vice Chairman and composed of the Company's top management representing all organizational and functional responsibilities. The Committee has strategic competence and holds ordinary meetings at least twice a year. The Strategic Sustainability Committee is supported by an Operational Sustainability Committee, chaired by the CEO and comprised of the company's top management, which is responsible for the strategic and operational management of the Group's sustainability issues.

The organizational structure consists of a Sustainability and New Mobility Department reporting directly to the CEO of the company, which oversees management at Group level and proposes sustainable development plans to the Sustainability Strategic Committee.

The Group Sustainability and New Mobility Department includes the Group Sustainability and Diversity Officer, the Decarbonization Officer, the Future Mobility Officer and the Product Stewardship Officer, specialized figures who respond to the need for increasing specialization in the management of the Group's material sustainability issues.

The Department relies on the support of a Sustainability Working Group at Headquarters level, made up of sustainability contact persons within the various central corporate departments, in order to guarantee constant monitoring and coordination of strategic impact programs on the areas of competence of the specific functions; and of the support of the Country Sustainability and Diversity Managers, a role covered by the Country CEOs.

A distinctive element of the Pirelli Group's approach is in fact inter-functionality, which requires the contribution of all corporate functions in order to achieve the challenging objectives the company has set itself, as well as a use of the new technologies made available by the digital transformation that accompanies and accelerates the achievement of the business model's sustainability targets.

The formation of the Sustainability Working Group bears witness to the pervasiveness of the issues at stake, also within the various corporate functions, which have consequently structured themselves by defining new roles and developing new competences, e.g., for the development of specific initiatives relating to the decarbonization of the corporate footprint and the value-chain.

Sustainability planning is fully integrated with Business planning. The construction of the Group's plan originates and rests on the strong integration between the Group's functions, which outline plan contents and targets together on the basis of the sector's context analysis, international best practices, stakeholders' expectations and expected regulatory evolution, with a view to anticipating expectations, mitigating risks and taking opportunities with a focus on the entire value chain. Moreover, with the aim of providing stakeholders with tangible, scientifically sound and monitorable objectives, the company publishes the Industrial Plan to 2024-2025 and the related sustainability strategy to 2025, 2030 and 2040 (published on www.pirelli.com)

Transformational governance: the external dimension
Stakeholder engagement
Strategic partnerships

a2a
LIFE COMPANY

Sector: Gas, Water & Multiutilities

Title: The Multistakeholder Forum and the Vademecum for Sustainable Supply Chains

Today, more than ever, the challenge of sustainability requires a collective commitment, and it is increasingly evident that a company's sustainability does not depend only on the operations carried out within it but involves the entire value chain. In fact, the choices made by the actors operating along the supply chains can profoundly influence the environment, society and governance, affecting the reputation and performance of the company.

The European Union has introduced important regulatory reforms, including the Corporate Sustainability Reporting Directive - CSRD (Directive 2022/2464), requiring companies to adapt their sustainability reporting system considering a new approach focused on the concept of value chain.

As a Life Company, A2A is committed to maintaining a constant presence on the territories, carrying out for several years the program of Multistakeholder Forums, moments of listening and dialogue with local stakeholders, through working tables and public meetings. Within this initiative, from 2022 a format of co-design of initiatives with local stakeholders was proposed, called "Alliances for a successful transition".

Thanks to the “Alliances” program, 44 initiatives have been carried out in the last two years with the active collaboration of our stakeholders, including the Sustainable Supply Chain project, which aims to support small and medium-sized enterprises (SMEs) in our supply chain in improving their sustainability performance.

The initiative stems from a need identified in the context of the collaboration established with EcoVadis, a leader in the field of corporate sustainability assessments, to examine the ESG performance of suppliers. The analysis of the results highlighted some common aspects of improvement and significant disparities between large and small businesses: the latter with lower average scores.

In a perspective of continuous improvement, these evidence were discussed during workshops, webinars and specific meetings that involved: the Procurement function, as owner of the project, the Sustainability Stakeholder Engagement area, responsible for coordinating and reporting the program, and a working group composed of representatives of universities, research centers, trade associations, cooperatives, suppliers and local authorities.

From this synergy and through activities of comparison and sharing, the participants had the opportunity to exchange experiences and reflections and thanks to these meetings, it was possible to draw up a Vademecum, which represents a concrete starting point for SMEs that face important challenges related to the new regulatory framework and that want to formalize their actions and commitments in the ESG field. Specifically, the document guides companies in drafting the Code of Ethics, environmental policies, labor, and human rights policies, offering tangible support in creating concrete and detailed documents.

The Ethical Code defines the fundamental ethical principles, the behavioral rules, and the responsibilities that the organization recognizes, respects and assumes as a value and binding imperative. The ESG policies help companies to incorporate environmental, social and governance aspects into their activities, thus contributing to ensuring the long-term sustainability of the organization.

This project represents an important step forward in our journey towards a more sustainable supply chain, as well as a virtuous model of collaboration aimed at building a responsible and sustainability-oriented value chain. The challenging goal for the next few years will be to be able to replicate this methodology and this inclusive approach in different contexts to offer a significant contribution to the diffusion of the culture of sustainability not only within our value chain, but also within the general economic context in order to create a virtuous circle of good practices, ethics and sustainable business.

For this reason, in the new Multistakeholder Forums, in 2024, one of the topics that will be discussed around the tables will be the ESG compliance of the supply chains and will involve suppliers, local companies, business associations, chambers of commerce, finance actors, universities and professional orders with the aim of identifying collective actions that accelerate the sustainable transition of local companies.

eni

Sector: Oil, gas, & coal

Title: The Eni “Stakeholder Management System” application supporting relationships with stakeholders

Eni has always attributed a strategic role to listening and engaging stakeholders in its positioning in the external ecosystem. The Company’s mission reiterates the value of long-term partnerships with the Countries and communities that host Eni, to create long-lasting shared value. Eni is committed to promoting a positive culture based on dialogue, respect, protection, development and equal opportunities, to create new possibilities with public and private actors.

For Eni, the dialogue with stakeholders in each local contexts in which it operates, welcoming their requests and, where appropriate and feasible, integrating them into Company's decisions are strategic factors for maintaining relationships of trust and creating long-lasting and shared value for the Company and for all the stakeholders.

The management of complaints (grievance mechanism) for accidents, damages and socio-environmental impacts, real or perceived, associated with Eni and contractors' activities also contributes to the understanding and control of social and environmental impacts.

The relationship with stakeholders in Eni has been further supported since 2018 by the management application "Stakeholder Management System" (SMS), which has the general purposes of planning the engagement strategy for the various stakeholders and managing grievance for the remedy of any negative impacts.

The "Stakeholder Management System" application's structure leverages on the Eni's methodology for "mapping" stakeholders, classified according to their relevance in the context and attitude towards Eni's activities and projects. Relevance is a combination of parameters that describe the intensity of relationships among stakeholders (networking) and between stakeholders and the Company (influence and dependence); these three parameters evaluate for each stakeholder: the ability to modify the opinions of other stakeholders, the ability to influence Company's decisions and operations, rather than being influenced by the Company, in terms of socio-economic development opportunities or impacts on the environment and social context.

Each stakeholder can therefore be described with specific reference to the "territories" in which they are present, considering both operational activities and new business and local development projects.

"Stakeholder Management System" collects, in particular, the documentation referred to the engagement of each stakeholder (e.g. consultations, meetings, awareness and involvement initiatives), including the management of requests and grievances and the related response actions undertaken by the Company.

Through these functions, SMS allows to detect the main issues of interest for stakeholders and to analyze their trends, monitoring over time any criticism towards the Company or specific business sectors, in order to plan the most appropriate engagement strategy. SMS specifically allows to monitor the timeliness in the management of grievances, identifying potential recurrences and any evolution into litigation, facilitating a resolution in the event of negative impacts. Furthermore, specific SMS functions are dedicated to the planning, implementation and monitoring of local development initiatives.

The wealth of information thus collected at local level allows to conduct analysis at corporate level which specifically contribute to the management of corporate risks and materiality analysis.

The "Stakeholder Management System" is used across all Eni's business lines, with an active role of the Company functions which, case by case, are relevant to the relationship with stakeholders relevant to their operational and territorial context.

The ecosystem of actors identified in SMS ranges from institutions, business associations, trade unions, partners and customers, as well as training and research centers, up to the components of civil society, including local communities, development cooperation organizations and NGOs.

As of May 2024, the "Stakeholder Management System", with 259 enabled users in 48 Countries, maps over 6,400 stakeholders on 337 "Territories", both linked to operations and referring to business and local development projects. The category of each stakeholder is described with a three-level "tree", which delves into 9 clusters (e.g. institutions, civil society, local communities) into 32 components (e.g.

administrations, control bodies; NGOs, universities; citizens, local business) down to the detail of a geographical scale, bringing the total to 77 different "labels" assignable to stakeholders.

Starting from the go-live in each business areas, SMS has collected around 10,100 interactions between Company and stakeholders, in addition to the management of around 1,400 requests and 1,350 grievances. These instances are classified into 17 clusters referring to ESG themes, detailed in 66 aspects that can be associated with Company's strategies and operations, which are in turn divided into 255 "labels".

ERG

Sector: Electricity

Title: Social Purpose for Solar Revamping

The project "Social Purpose for Solar Revamping", presented in ERG Business Plan 22-26, envisages, as a hypothesis, the reuse of about 9,500 photovoltaic modules (2MW) in social projects involving NGOs. Social Purpose' projects are one of the special features of our ESG Plan, as they combine different aspects of Sustainability including Circular Economy, Value Sharing and Energy Transition.

- **Circular Economy**: the modules come from the revamping projects of our Photovoltaic Plants. We have stockpiled 2 MW of panels for 'Social Purpose' projects, of which we have already used 170 kW in the four projects started in 2023 (around 800 modules), with the two in Italy completed in 2023 and the two in Africa to be completed in the coming months.
- **Sharing Value**: our collaboration with partners for the installation of photovoltaic systems, trying to minimise the economic impact of the costs on non-profit organisations (both with regard to the cost of electricity and installation activities).
- **Energy transition**: RES (Renewable Energy Sources) systems enable NGOs to reduce the use of fossil fuels for power generation by using 100 per cent green energy.

The size of the connected battery systems planned for off-grid installations in Africa is defined to ensure 24/7 electricity supply to health centres and schools, and to guarantee the basic rights of health and education.

Although the project adopts the concept of transformational governance at different levels, it has an innovative component in reference to the external dimension of governance, in which the partners, each for their own area of intervention, work together to support the third sector, whose role and importance are significant at this historical moment, characterised by social tensions and fewer resources for people in difficulty

The Social Purpose for Solar Revamping project is one of the objectives of our ESG Plan, which was defined with company management and approved by the ESG Committee (composed of the Chairman, Vice Chairman and top management) and the ERG Board. This objective is also linked to the ESG objectives included in the short-term incentive scheme (MBO), which are transversal to the entire company population that participates in it (included for the first time in 2023 and confirmed for the second consecutive year in 2024).

The project is managed by an internal Working Group coordinated by the ESG area, which involves the Construction department (to support the technical design of the plants) and the Operation department (to support contract management and partner engagement activities). The working group reports periodically to the ESG Committee, the Control and Risk Committee, the Nomination and Remuneration Committee and the Board of Statutory Auditors on the progress of projects. These, being an integral part of the ESG Plan, are also reported in the annual non-financial statement and, being part of the MBO, also in the remuneration report. The main KPI that is monitored is the installation of plants during the year.

The project would not be possible without the involvement and support of a rich network of industrial and institutional partners, who enthusiastically joined the initiative, providing their expertise in the design, logistics, component procurement and training phases. The strength of the initiative was precisely the creation of this multi-stakeholder partnership, led and coordinated by ERG, which made it possible to pool the different concrete contributions, creating shared value. The main partners are:

- **MSC Foundation**: for logistics management and the transport of photovoltaic modules stored at ERG warehouses to their final destinations, also donating two containers for projects in Africa and handling international shipping.
- **Uflex-Renewable Energy Division and Comoli Ferrari**: for the design and supply of essential components.
- **Eletec 2000**: for electrical design in Malawi.
- **Elettrici Senza Frontiere**: for the installation of the system in Genoa.

Furthermore, the heart of the projects are the non-profit organisations that are the recipients of the photovoltaic installations in the area.

Two projects are located in Italy and the systems were installed in 2023 respectively with the NGOs Music for Peace Creativi della Notte - Associazione Onlus (Genoa Rooftop installation 20 kWp on-grid), and Fondazione Dynamo Camp ETS in Limestre (Pistoia - Rooftop parking 90 kWp on-grid). In both cases these were on-grid (grid-connected) photovoltaic installations, available 24 hours a day. The positive impact is to reduce their electricity bill cost, allowing more funds to be used for the development of their activities: for Music for Peace the supply of basic necessities; for Dynamo Camp the activities supporting people with disabilities.

The two projects in Africa, on the other hand, bring green energy to where it is not present, in particular to power a hospital and a school, making it possible to guarantee the essential rights to health and education that in certain areas of the world are unfortunately not always guaranteed. This is why we expect the impact to be even greater, helping to change people's lives. The projects will continue in the coming years and we are working both nationally and internationally (e.g. Ukraine) to help interested NGOs to get support from our initiatives.

Sector: Nonlife Insurance

Title: Unipol Regional Councils as strategic stakeholder engagement

Unipol Regional Councils - CRUs, present in all Italian regions and in the two Autonomous Provinces, are informal bodies that bring together Unipol's stakeholders representing a variety of interests and approaches - economic, social, environmental, civil - with the aim of the sustainable development of the territories in which they operate. This is why they represent an example, with 30 years of history, of structural stakeholder engagement in an open and inclusive governance model. For more than two decades, representatives of the same organisations at national level have been present, mostly as independents, on the same Board. Today it is mainly a place where the Group's territorial presence is discussed and declined, representing the connection between the national programmatic dimension and the operational declination on the territory. They are also the stakeholder listening tool par excellence, and in this regard were formally introduced in the identification of impacts relevance in the CSRD framework.

CRUs activity, anchored to the Goals of 2030 Agenda, is of strategic importance because it enables them to share and develop the values of the stakeholders involved; to grasp the orientations and needs emerging at a territorial level; to promote sustainability and develop sustainable territorial projects with social, economic, civil and cultural impact by involving the best resources of the territory; to disseminate and promote the social and cultural initiatives promoted by the Group, starting with the Unipol Foundation.

Each CRU appoints a chairperson from among its members who has the task of coordinating and representing them and is supported by an officer who ensures the smooth running of the Council as well as the implementation of activities. The Council meets at varying intervals depending on the availability of participants and the onerousness of the actions envisaged in the area, but in any case maintains relations with public institutions and other local stakeholders through the President.

Once a year, in the presence of the Group's top management, the Presidents' Council meets at the Management Office to align them with the strategy in place, evaluate the activities carried out and share future planning.

This Consultation represents an important moment of listening. More than 200 organisations participate in a structured manner (cooperatives, employers' organizations, trade unions, third sector organizations), plus about 100 others involved in the implementation of activities.

Over the years, the CRUs have helped to strengthen relations with key stakeholders, thus facilitating not only institutional but also business relations. Moreover, thanks to their work, they have further strengthened Unipol's reputation as a social actor with a mission and culture geared towards the creation of shared value.

MARCEGAGLIA STEEL

Sector: General Industrials

Title: Schools in Marcegaglia

The “Schools in Marcegaglia” project reflects the importance that the steel group attributes to its social role, also from the perspective of transformative governance towards a path that we consider necessary both for us and for future generations. Believing in people and their talents; cultivating networks of relationships; enhancing the industrial heritage of the local area to contribute to spreading a healthy business culture, are all values that have characterised the company since the very beginning. The new approach to governance has seen the involvement of stakeholders expand to include the younger generations, who are oriented towards sustainability from the earliest stages of their development.

The decision-making process of this activity involved several subjects: Management, Training and Human Resources, the external relations office and the technical operational area of the plant. Everything aimed at offering youngsters a project that could serve as a chance to received guidance in the working environment of a local, yet international manufacturing company; and for training through interactive and engaging learning.

With a view to commitment towards the community in which the company operates, secondary schools near the Marcegaglia Headquarters (Mantua, Casalmaggiore, Viadana) were involved, regardless of the course of study. To bring schools closer together, a channel of direct dialogue has been opened with school head teachers. Subsequently, the company arranged a dedicated meeting to explain all the phases of the project and define the timings together based on schedules and availability (an entire morning, two dates a month; travel on board a vehicle paid for by Marcegaglia; availability of Marcegaglia employees and managers). The same heads, who accompanied the students to experience the project firsthand and evaluate its effectiveness, also submitted topics of interest to them for educational insights relevant to the skills they aim to train.

The proposed steps were as follows:

- Vehicle arrives at the school to pick up students and take them to Gazoldo degli Ippoliti, headquarters of the Marcegaglia Group. Welcome. Next, a guided tour of **Casa Marcegaglia**, the innovative museum whose interactive and engaging style offers an immersive experience of the Marcegaglia Group’s past and present;
- Training at the **Marcegaglia Academy**: with classrooms equipped with interactive whiteboard, together with members of staff chosen based on the in-depth studies/topics decided with the respective Schools;
- Guided tour of the plant, on board the coach, to get a closer look at the factory, the systems and the different production machinery with explanations of the procedures necessary to transform the coil into a finished and more valuable product;

During the guided tour of Casa Marcegaglia, students are also presented with a comprehensive overview of the Group, starting with the numbers: almost 9 billion euros in turnover, 7,500 employees (about 200 hired every year throughout the group), 36 plants across 4 continents.

During training at the Academy, in addition to relevant company personnel experts on the specific subject matters, university professors (Unimore and UNIBS) were also involved, always with the aim of offering maximum skills on the chosen topics, and also responding to the need to provide students with greater awareness of future employment possibilities. The decision to open Marcegaglia Academy, also oriented externally, aims to spread the culture of steel and sustainability through a training program for potential future professionals entering the workforce, as well as for those who are already part of it.

Finally, the plant tour was always given by the safety manager of the Gazoldo degli Ippoliti plant who, in addition to telling students about the working conditions at the level of shiftwork and tasks, deepened the production themes (especially in terms of sustainability and circular economy) and answered students' questions.

The objective of the project is to welcome students of the third, fourth and fifth year of high school, possible future talents from many sectors, to spark their interest and bring them closer to the world of work. One of the first indicators of the project's success is the significant involvement from schools (about 400 students from 8 Institutions): a response that led the company to plan this activity also for the school years 2024/2025 and 2025/2026. In addition, the curricula vitae that are/will be received at our offices are to be considered a further indicator for assessing the impact that this project has on the area.

Finally, another point to note is that the project was part of the "Open Factory" events, the initiative promoted by the Ministry of Business and Made in Italy and the Leonardo Committee to celebrate our nation's manufacturing excellence. Companies have opened the doors to their stakeholders to tell their stories, strengthen the bond with the communities and with their collaborators, and show that they are a benefit for everyone.

RINA

Sector: Industrial Support Services

Title: Engaging with the community on sustainability and ethics through school education

The involvement of the community on sustainability and ethics through school education finds its place among the activities related to the external dimension of transformative governance. In fact, it covers the training element of the younger generations, sensitizing them to the challenges that necessarily, though neither by their will nor responsibility, they will have to face, providing them with some tools to maintain an ethical attitude and a sustainable approach during the journey through their lives.

RINA operates in this context by means of corporate volunteering, through which company personnel are made available "working hours" to participate in selected initiatives in which lending their time. This allows for double involvement. On the one hand, the company covers the engagement with external stakeholders (specifically the customers and consumers of tomorrow) on issues at the heart of the corporate purpose, while on the other it carries out an action aimed inward, to nourish and satisfy the sensitivity of its human capital with respect to the causes witnessed, and to spread the culture of sustainability and participation internally. Corporate volunteering therefore combines and brings together two families of RINA stakeholders: its human capital and the community. The volunteering activities to participate in can be proposed by the company in the different geographies where it operates, or collected through internal surveys, directly sourced by the group's personnel. They are then scrutinized and examined to verify their alignment with the company values, and prioritized, before proposing the participation to the group's population.

In Italy, RINA is currently running two different initiatives in collaboration respectively with the Italian Chapter of Transparency International and ASVIS, and with Fondazione Sodalitas. The activities are planned and coordinated annually by these third sector entities, which promote the two different projects and manage the collaboration with secondary education institutions, the object and users of the two different paths.

The first project (CI CONVIENE) aims to raise awareness of the constitution and the adoption of civic themes among students in the fourth and fifth year of high schools, who are finally asked to draft a code of ethics. The second project (La mia Impresa, il mio Futuro) aims to stimulate the culture of enterprise in students, who are invited, in the most advanced version of the path, to design innovative start-ups that are then submitted to a contest in which the best proposals are selected.

Both projects are characterized by the testimonials of companies, the production activities of students and by a phase of feedback and feedback from the organizing bodies and participants, in the form of presentation meetings and possible prizes in kind.

In the UK, RINA is a member of the STEM Council, an informal group sponsored by the government to promote STEM education in secondary schools, to broaden interest in subjects related to future career prospects, especially among women, who are still distant from the subject.

The impact of these corporate volunteering activities is usually measured in terms of participation (number of employees and students involved by gender) and quality of production, the latter as a form of effectiveness in transmitting core values. The progression and growth of schools and businesses involved in initiatives of this type over time, as well as their proliferation in different geographie is a further measure of the effectiveness of the projects and good practice, in which RINA intends to invest further in the future.

Tper
Trasporto Passeggeri Emilia-Romagna

Sector: Industrial Transportation

Title: The ethical and legal conduct of business: from a corporate approach to transformative governance

Since its inception in 2012, TPER has based its operations on the key principles of compliance with the rules and regulations in force, as a strong point for an approach aimed at combating corruption and any unethical or legal conduct.

This approach was first adopted by involving the corporate dimension of the company. Subsequently, through the adoption and dissemination of its code of ethics, its application was extended both inside and outside the company, with a view to virtuously developing its ethical principles outside the corporate dimension as well.

Specifically, TPER has adopted an organisational, management and control model (MOGC) pursuant to Legislative Decree 231/2001, providing the set of measures and preventive and disciplinary procedures suitable for reducing the risk of offences being committed within the company organisation. The Model is intended for company personnel and third parties who come into contact with the company, and contains rules of conduct aimed at preventing specific offences. As part of this process, TPER has appointed a Supervisory Board with the task of supervising the functioning, effectiveness, adequacy and observance of the MOGC. It has also introduced and implemented specific organisational and management measures for the prevention of corruption in accordance with Law 190/2012 and the National Anti-Corruption Plan, including aspects such as environmental crimes, false accounting, crimes against the public administration, mafia-type associations, and self-laundering. The Code of

Ethics adopted by TPER constitutes a guide to company policies and legality requirements that govern corporate conduct. In addition, Tper has achieved ISO 37001 Certification since May 2019, which aims to grow the culture of transparency and to counter any corruptive phenomena. Specific company procedures are therefore in place, which apply to all Tper Group suppliers.

While this approach initially aimed at ensuring compliance (internal dimension), over time the system adopted developed the objective of making a positive contribution in promoting the value of integrity and trust at a broader level (external dimension and transformative governance).

With reference to the transformative approach, it should be noted that Tper expressly asks its stakeholders, and in particular suppliers, to adhere to the Code of Ethics and the regulations in force with the aim of excluding from the supply chain any parties that have problems with freedom of trade union association, child labour, forced labour conditions, failure to respect human rights. Since 2018, a system has been implemented for conducting electronic tenders through the use of the Register of Economic Operators, generating an annual declaration that is provided to ANAC, the National Anti-Corruption Authority. In addition, Tper has since May 2019 achieved ISO 37001 Certification, which defines the due diligence criteria of the main business partners and suppliers.

These procedures apply to all Tper suppliers.

This is an approach that today strongly involves the corporate dimension, but for the future, in a transformational governance perspective, envisages the promotion of the values of integrity and trust at a broader level and thus the possibility of virtuously developing ethical principles outside the corporate dimension as well.

By involving stakeholders and the supply chain, the aim is to disseminate corporate values and policies on governance, strengthening external relations and inspiring other companies to contribute responsibly to the objectives of legality, transparency and anti-corruption. In the future, it is planned to develop the approach also for the management of environmental and social risks, with the aim of further stimulating the overall growth of the system in which it operates.

Tper's objective, also through the ISO 37001 certification system, is to grow the culture of transparency by integrating it with the other standards present in the company such as quality, environment, safety at work. This allows the identification of specific metrics for evaluating the results achieved, as well as a path of continuous improvement.

The rules of Tper's Code of Ethics apply, without exception, to the members of the Board of Directors and Board of Statutory Auditors, to managers, middle managers and employees of Tper, as well as to all those who, directly or indirectly, permanently or temporarily, establish, for any reason, relationships and collaborations or operate in the interest of Tper. All recipients shall be asked to be familiar with the rules contained in the Code and with the reference standards governing the activity carried out within their function.

Tper periodically undergoes verification of the legality rating, an ethical recognition developed by the Antitrust Authority (AGCM), in agreement with the Ministries of the Interior and Justice. TPER achieved the highest rating of ★★★ in 2022. The aim is to raise Tper values and standards in the supply chain, encouraging the creation of virtuous mechanisms and the spread of a culture based on transparency and sustainability.

8. CONCLUSIONS

CONCLUSIONS

The conclusions of the paper were identified by integrating insights from the roundtable discussion held on 22 May 2024, which involved a group of CEOs and Chairmen of UNGC Italian companies, most of whom were involved in the work of producing the document. During that meeting the first draft version of the paper on transformational governance was presented. Top managers' endorsement is key for sustainability-related issues in general and for governance in particular. It can also increase the level of the engagement of Italian UNGC businesses to this joint document.

- Evolving from the concept of traditional governance towards **transformational governance**, via sustainability and global governance, opens up to companies a potentially **massive spectrum of action**.
- **Purpose** is a key and **strategic element**, stimulating businesses to develop strategies and implement them in actions consistent with the transition to sustainability, recognised as a source of competitive advantage for all companies.
- Businesses are implementing - at different levels of maturity – the **sustainable governance**, integrating risks, opportunities and impacts analysis related to ESG criteria. Some **big companies** are open up to **global and transformational governance**.
- From a strategy point of view, transformational governance is articulated according to a number of well-defined elements, on which the **role and responsibility of the Board of Directors** in pursuing sustainable success stands out.
- In addition to the Board of Directors, sustainability permeates companies horizontally and vertically, taking on **different organisational configurations**: Committees (internal or external to the Board of Directors)/Advisory Board, Ambassadors/Sustainability focal points in different corporate functions.
- Promoting and disseminating the **culture of sustainability** in the company is a key element in ensuring that it is truly integrated into the business. In this, **senior figures** such as enlightened CEOs or **company owners** that conveys the value of sustainability to the entire company play an important role
- **Culture** must permeate the top level, but it need to be **spread to all levels** of the company. It will be necessary to set up representations (purpose, brand) in which people recognise themselves, so that the cultural identification component enhances the talents and contributions of the individual.
- The issue of **sustainability skills** is linked to the theme of culture. From a transformational perspective sustainability competences must be **increased throughout the company**, developing ways of raising awareness and training at internal as well as external level.
- Governance implements sustainability into concrete **procedures and actions** that can operationalise the achievement and measurement of sustainability goals.
- Key business processes include **integrated planning** (in which the business plan and sustainability plan converge), **operational and innovation procedures**, inclusion and diversity, communication and reporting, and the **rewarding system** (which links the KPIs of reporting to the KPIs of human resources management performance).
- **Stakeholder engagement** is a key element of corporate governance and it is increasingly considered in a transformational perspective thanks to the double materiality. This concept proposes innovative stakeholder participation mechanisms.

- Concerning the external governance dimension, businesses are called upon to redefine **networks of relationships and partnerships in a transformational way**. These can take the form - for example - of an alliance with customers to build a new business model or the involvement of suppliers to steer them in a more sustainable direction, up to revise the supplier's own governance.
- **Partnerships with institutions**, for advocacy activities or in support of projects of broad national or international relevance, is a topic that needs to be explored and where the private sector is increasingly playing a relevant role accelerating processes and results.
- The **way and the degree the transformational governance framework applies to profoundly different realities**, with different levels of maturity on sustainability, remains an open issue. Large companies have a clear strategic trajectory and use common languages, while small and medium-sized companies have to choose certain simplifications, acting with a less organic and formalised design. Public enterprises are subject to certain regulatory restrictions and must be increasingly accountable externally. Subsidiaries of multinational companies are called upon to incorporate the parent company's governance model, while exploring elements of innovation that enhance the local context.

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