

# The Role of Sustainability Governance in Corporate Sustainability Planning: Analysis of an Italian Case Study

Silvia Valcozzena<sup>1,\*</sup>, Vincenzo Riso<sup>1</sup>, Silvia Cantele<sup>1</sup>

<sup>1</sup>University of Verona;

\*silvia.valcozzena@univr.it

## Short Abstract

This study analyses sustainability governance positions and their roles and responsibilities in sustainability planning. Furthermore, the process of defining and drafting a sustainability plan is described. The methodology used was qualitative research with the analysis of the case study of SIT, an Italian-listed company that successfully introduced an articulated sustainability governance structure and a formalized sustainability planning process.

## Keywords

Sustainability governance, sustainability planning, case study, corporate sustainability, integration

## 1. Introduction

For more than three decades, the debate on corporate sustainability management has attracted the interest of many academics and practitioners (Bansal and Song, 2017; Landrum, 2018; Nguyen & Kanbach, 2023). The shift to sustainability goals requires companies to reevaluate their business models, resorting to reorganizing internal and external resources. This leads to the implementation of short- and medium- to long-term initiatives and the definition of operational or strategic goals aimed at achieving a higher level of sustainability (Bocken et al., 2013; Taticchi et al., 2013).

In addition, the sudden changes in economic and competitive scenarios and ongoing regulatory pressures (such as, for example, the recent European directive on corporate sustainability reporting, CSRD) suggest the need for companies to clarify their sustainability contributions, translate them into concrete and integral practices and initiatives at full capacity in their business planning.

All of this requires upstream a solid corporate organisation, especially in terms of governance, with specialized and dedicated figures on these issues to manage sustainability planning that is effective and widespread at all levels of the company (Beusch et al., 2022). The desire is to move toward full integration between overall corporate strategy and sustainability at the operational and managerial levels. This integration can sometimes prove very complex, both in terms of time and the resources required (Beusch et al., 2022). Some companies establish ad hoc mechanisms and governance structures that integrate sustainability aspects into their business strategies to achieve sustainability goals hand in hand with financial success (Formentini and Taticchi, 2016).

In this regard, previous studies have shown that sustainability governance enables better stakeholder management, develops capabilities to maximize corporate value, reduces resource waste, and improves productivity monitoring, leading to higher performance (Michelon and Parbonetti, 2012; Rehman Khan et al., 2022). Indeed, the literature has pointed out that the introduction of a sustainability governance structure implies an integrated approach in which all stakeholders interact with each other, promoting corporate sustainability (Rehman Khan et al., 2022). When correctly structured, it supports an effective strategy for a company to address challenges, improve competitiveness and business performance (Rehman Khan et al., 2022), and effectively pursue the Sustainable Development Goals (SDGs) defined by the United Nations (Islam and Shamsuddoha, 2021).

Besides having a well-defined sustainability governance structure, firms should plan sustainability aims in line with business strategies. Integrating strategic planning with sustainability means organizing planned support for social causes and relationships within the value chain and monitoring environmental impacts. Adopting such a vision can lead the firm to adopt an increasingly integrated view in synergies within each business area and resolve any conflicting situations to improve the achievement of its aims (Nguyen and Kanbach, 2023; Roche and Baumgartner, 2023).

In terms of the planning process, Puglieri et al. (2022) suggest a path of five main steps for integrating sustainability issues into strategic planning: the first step involves the analysis of social and environmental trends; the second involves the definition of the sustainability vision and aims; the third, the understanding of the current state of the business model in light of the pillars of sustainability (social, environmental and economic); the fourth involves the definition of a competitive sustainability strategy (i.e., deciding how to position the business strategy integrated with sustainability issues to compete effectively in the medium to long term); and the fifth, the prioritization (in terms of expected outcomes) of

sustainability strategies (i.e., prioritizing sustainability initiatives, promoting first those bring greater results in terms of performance).

The literature has so far devoted little attention to the joint exploration of the link between sustainability governance and sustainability planning processes and their integration with business strategy. This research sheds light on the mechanisms and main positions of sustainability governance that come into play in sustainability strategic decisions and in drafting sustainability plans and how these plans are integrated with overall corporate strategy. The emergence of new corporate roles with sustainability responsibilities can facilitate the full integration of sustainability from the top management level to the whole organisation.

This paper, through a case study analysis, seeks to answer the following research questions:

*RQ1:* What new positions dedicated to sustainability issues are emerging within corporate governance?

*RQ2:* What is their role in defining strategies and drafting sustainability plans?

The remainder of the paper presents the methodology used, the analysis of emerging positions in sustainability governance, and the process of drafting a sustainability plan, pointing out some preliminary critical issues in the integration of business and sustainability planning.

## 2. Research Methodology

This study was conducted through a qualitative approach, functional to mapping the sustainability governance structure and identifying the main positions within it, as well as useful for describing the process of drafting a sustainability plan and identifying the possible critical issues of integrating sustainability into strategies and planning. For these reasons, using qualitative methodologies proved suitable to describe this path.

In particular, the analysis was conducted through an in-depth case study (Yin, 2012) on a company strongly oriented towards sustainability. The case study analysis (Yin, 2012; 2018) allows us to understand the real mechanisms and procedures adopted by the company and the motivations of the actors, going beyond the official content found in documents and reports released publicly (Adams and Larrinaga -Gonzalez, 2007; Owen, 2008; Enciso-Alfaro et al., 2023).

SIT, an Italian-listed company, was selected because it provides a clear understanding of the mechanisms of sustainability governance, its roles and responsibilities, and the processes of communication and diffusion of sustainability culture in a broad context (Della Porta et al., 2023; Ritchie et al., 2013). Furthermore, it is a company that, in addition to

drafting the corporate strategic plan, also draws up a sustainability plan. The analysis of this case study will allow us to answer the two research questions in depth.

Information was collected from different perspectives, analyzing externally disclosed information and internal documentation. Furthermore, seven interviews were conducted with the main company figures at different levels of the decision-making chain involved in defining the sustainability strategy and plan.

In detail, the analysis was conducted in two main phases following an iterative process, as proposed by Gioia et al. (2013). First, the researchers analysed all available interviews and documents, identifying the main positions within sustainability governance and tracing in detail the process of defining and drafting the sustainability plan. Data triangulation was used to analyze various documents and interviews to ensure robust interpretation (Hopper and Hoque, 2006; Modell, 2005). Subsequently, a focus group was conducted to verify the coherence of the identified themes. After the discussion within the focus group, the researchers found full agreement with the identified themes, giving coherence to the results, and reducing the subjectivity of the interpretation (Gioia et al., 2013).

## 3. Analysis and Preliminary Findings

### *3.1 Key corporate positions and roles within SIT sustainability governance*

SIT is a leader in the creation of intelligent environmental control and measurement solutions for a more sustainable world and operates in key areas of enabling technologies for the energy transition (<https://www.sitgroup.it/>). SIT embraces sustainability in all its dimensions and, in 2019, defined its new mission and vision, underlining how sustainability has become a fundamental value to be promoted and disseminated inside and outside the group. This commitment by SIT to achieving its objectives and its ESG strategy led to the definition of the "Green Book" in 2020, built on the mission and vision of the group, and represents the perfect synthesis of SIT's ESG commitment. Furthermore, starting in 2021, demonstrating its proactive attitude in the pursuit of sustainable success and in response to the requests of the company and its main stakeholders for accurate and systematic management of ESG issues, SIT has created a full-fledged sustainability governance structure (<https://www.sitcorporate.it/sostenibilita/governance-e-compliance/>). This sustainability governance with new corporate positions and specific roles was created to support the sustainability planning process put in place by the firm.

The upper position within this structure is the Corporate Sustainability Director (CSD), who is a key figure as he or she links leadership with operational management, conveying the mission and core values and following through at every step in the definition and implementation of the plan. The SSC communicates periodically with the Board of Directors (BoD) and the Risk, Control and Sustainability Committee (RCSC) to discuss new initiatives

proposed by operational functions and to provide information on the progress of initiatives already in place. The CSD has an active role in sustainability planning because it makes decisions in consultation with the BoD and RCSC, communicates decisions downstream, and monitors the sustainability plan implementation process.

In this process, the figure of CSD is supported by the Sustainability Steering Committee (SSC), represented by the various leaders of the business units, i.e. the individuals responsible for defining the business plan. The SSC, actively communicating with the CSD, regulates, presents, and directs which sustainability initiatives and activities are considered relevant to include in the plan. Sustainability initiatives in practical terms, i.e., functional initiatives for business improvement having specific targets and measurement indicators, are proposed by the mission leaders' team, composed of seven operational level managers, and led by the CSD. The seven mission leaders each have specific expertise in ESG areas and are identified as Chief Financial Officer, Governance, Risk and Sustainability Officer, Head of Carbon Management, Chief Technology Officer, Lean Transformation Manager, Supply Chain Director and finally Head of HR Centre of Expertise. This team, multi-departmental in nature, has the objective of bringing the values and issues related to sustainability into the company's strategic and operational processes. It promotes the spread of the culture of sustainability within the various company areas and presents new ideas on social, environmental, and economic issues. Each mission leader, within their department, coordinates activities and leads the grounding of initiatives in the sustainability plan.

For the sustainability plan to become operational, the initiatives proposed by the mission leaders are submitted to the Control, Risk and Sustainability Committee, which, being a non-deliberative body, expresses an opinion which, in agreement with the SSC, reports to the BoD, which is responsible for final approval. From this moment the projects become operational. All these figures work in close connection and synergy for the drafting and execution of the plan.

### *3.2 Sustainability planning process*

Having defined the main positions that make up the sustainability governance with their respective roles and areas of operation, SIT presented its first Sustainability Plan in 2022, called "Made to Matter". This plan aims to combine the efforts of individual corporate functions in the ESG field, framing key objectives and defining a series of Key Performance Indicators (KPIs) to measure performance. The ESG issues on which it is based are closely linked to SIT's business model, which aims for sustainable success. This highlights full attention to strategic objectives and environmental, social and governance commitment.

The process of defining and drafting the sustainability plan is a bottom-up process that reflects what happens for the industrial plan, where each company function proposes its own initiatives, and the Sustainability Steering committee filters and integrates them into a single document for final approval by the BoD. Furthermore, the time horizon and

calendar of the sustainability plan are the same as strategic planning; this ensures consistency with the need for full synergy between corporate performance and ESG performance and allows adequate and timely monitoring in the administrative and governance bodies themselves. The “Made to Matter” plan brings together approximately fifty initiatives and projects classified in the pillars of the SIT Green Book in relation to the relevant SDGs.

The plan is structured into four main sections: the first section presents the company, its values and history; the second is dedicated to the presentation of the ESG manifesto, the materiality matrix, and the sustainability governance mapping. The third section is dedicated to the detail of the four areas of the plan, namely Made by Us (dedicated to sustainable economic growth, governance, risk and regulatory compliance), Made for Future (dedicated to environmental responsibility issues), Made with Care (dedicated to social responsibility issues) and Digital Transformation, Innovation & Lean Culture (dedicated to the development of new digital innovations); finally, the last section is dedicated to the presentation of the practices through which the company undertakes to provide support to people affected by hardship. All contents within these four areas embrace both the business and ESG aims.

### *3.3 Preliminary findings and future research*

What has been described is what emerges from the analysis of company documents and from the interviews conducted. This article, drawing on the literature on governance and planning, seeks to highlight the need to put into relationship sustainability and business issues that have often been kept separate, preventing companies from defining and pursuing all-round sustainability. In terms of preliminary results, it emerges that these are complex governance mechanisms and processes that require dedicated resources to support effective sustainability planning. Secondly, it highlights how communication between the different figures at all company levels is fundamental to spread the sustainability culture, which is a condition to fully implement planned initiatives. Thirdly, the drafting of a separate sustainability plan can be useful to isolate the sustainability initiatives already included in strategic decisions, but which require an ad hoc plan to be presented in detail, but also to plan and communicate social and environmental initiatives that the firm wants to implement but are not directly affecting its business (e.g. initiatives for the community or in the value chain). Future research steps will concern the isolation and precise mapping of all the elements of complexity in the process of full integration between sustainability and corporate strategy. In particular, a comparison with other business cases will add new possible configurations of sustainability governance and sustainability planning to be analyzed and enable mapping common elements of complexity that could affect many other companies that are embracing sustainability in such a transversal way.

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