Suggestions for a sustainability path and implementation of ESG procedures

Edited by:
Stefano Trifirò - Named Partner at Trifirò & Partners Lawyers
Mariapaola Rovetta - Partner at Trifirò & Partners Lawyers
Franco Rabitti - Founder of Rabitti & Partners
Federico Rabitti - Financial, Strategic & Sustainable Advisor at Rabitti & Partners

The collaboration between Trifirò & Partners and Rabitti & Partners

The collaboration between Trifirò & Partners Lawyers and Rabitti & Partners was established to offer clients an integrated legal, financial, and ethical service on extraordinary issues such as: corporate crisis resolution, M&A, corporate strategy, sustainability, etc.

In particular, this booklet has been developed to delve into the topic of Sustainability, both from legal and ethical perspectives, as well as financial and strategic ones. It is believed that sustainability is a fundamental lever for business development and the progress of the economic, environmental, and social systems, to which everyone—individuals, professionals, and companies—must contribute.

Trifirò & Partners Lawyers

The law firm was founded in the 1960s by lawyer Salvatore Trifirò and currently includes 80 professionals and collaborators. Over the years, the firm has gained recognition due to its professionals' expertise in labor law, but its services now also cover numerous areas of civil law. The legal assistance provided is not limited to handling litigation but also extends to consultancy, carried out in close collaboration with company executives

Rabitti & Partners

Rabitti & Partners is an independent financial boutique, active in extraordinary financial operations such as corporate crisis, MNA, and debt advisory, as well as financial and strategic consultancy, and sustainability topics. The partners have gained solid experience in extraordinary finance operations and consultancy.

What is meant by sustainability and/or sustainable development?

To meet the needs of the present generation without compromising those of future generations (UN Brundtland Report 1987).

Objectives

Implementation of the action program defined by the UN's 2030 Agenda, the Resolution adopted by the General Assembly on September 25, 2015, signed by the governments of the 193 UN member countries, consisting of 17 points that focus on the three key areas: economic, environmental, and social, known as The Triple Bottom Line.

Approach

1) Rational use of natural resources, leading to cost reduction from an economic prospective;

2) A policy to combat climate change, from an environmental perspective;

3) A commitment to combating poverty and social exclusion, respecting human rights, promoting health and well-being, and ensuring conditions for human capital development, from a social perspective.

Involved Parties

All stakeholders, including states, public and private entities, private companies, and individuals.

Purpose

The protection of the COMMON GOOD, understood as human capital, the environment, and prosperity, to prevent the ongoing and worsening crisis of the economic, environmental, and social systems.

Regarding companies

Objective: increased productivity, stability, and long term profit through impact investments, with the goal of positively contributing, through the activities, to environmental protection and societal development for true progress (impact investing*).

Strategic consultancy in sustainability

Assistance in defining and implementing a sustainability strategy integrated into the company's business model, also through the identification of appropriate best practices, which will allow for the enhancement of the company by seeking innovation and competitiveness, revealing untouched potential, and consolidating the business to secure future cash flows.

Development of sustainability strategy and practices

Assistance to companies in starting a Creating Shared Value (CSV) path

Sustainability

Implementation of sustainability plans, taking on the role of Chief Sustainability Officer

Preparation of sustainability reports

The strategic consultancy in sustainability involves an integrated approach through the following steps:

1. Definition of sustainability strategies and practices, integrated with the company's strategic objectives.
2. Analysis of relationships with various stakeholders and their involvement in defining sustainability practices.
3. Identification of strategies of greatest interest to the company and its stakeholders.
4. Initiation of a Creating Shared Value (CSV) path.
5. Development of an industrial plan that also includes the implementation of sustainability practices and a related action plan.
6. Evaluation of the impacts resulting from implemented sustainability practices.
7. Preparation of sustainability reports, financial statements, etc.
8. Implementation of the sustainability plan, including the introduction of a Chief Sustainability Officer.

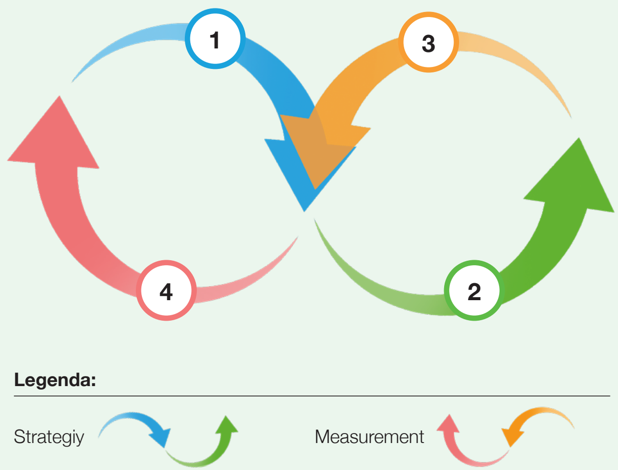
Creating Shared Value (CSV)

Support in developing policies for creating and implementing shared value is part of sustainability activities and aims to integrate sustainability policies into the company's mission and strategy.
These policies can be measured to verify the progress made. Measuring shared value requires an iterative process integrated with the company's strategy and includes the following four steps: 1) identification of actions, 2) creation of a business case, 3) monitoring and 4) measurement and analysis. Strategic priorities determine the objectives and the extent of shared value measurement. Analysis and measurement of shared value refine the shared value strategy. The full cycle is one of the main advantages of measuring shared value, as it provides a roadmap to understand and unlock further creation of shared value.

Integrated shared value strategy and measurement*

Identification of sustainability practices

The starting point for shared value is the identification of specific social issues that represent opportunities to increase revenue or reduce costs.
This requires a systematic screening of social needs and gaps, along with an analysis of how they integrate into the company through the subsequent steps.



Monitoring

In the third phase, companies monitor progress towards the desired objectives, as they would for any performance improvement process (including business and financial outcomes, revenue, and costs).

Measuring results and using analysis to unlock new value

The final step focuses on validating the anticipated link between social and business outcomes and determining whether the expenditure of resources and business efforts has yielded a good return.

Creation of the business case

The second step is to develop a solid business case based on research and analysis of how social improvement will directly enhance business performance. This step includes identifying objectives and specifying the activities and costs for each shared value opportunity.

** From: FSG Report, June 2011 "Measuring Shared Value, How to Unlock Value by Linking Social and Business Results"*

Pending the entry into force of mandatory regulations, companies, including small and medium-sized ones, can no longer disregard sustainability. Achieving greater productivity, increased competitiveness, and cost reduction can be realised through:

1. Improvement of human capital

2. Contribution to the protection of the socio-economic environment to which they belong

3. Greater corporate attractiveness in the eyes of stakeholders

Under the social/ethical aspect: implementation of the concept of CSR (Corporate Social Responsibility) understood as a business that is profit-making, yet law and ethics compliant and supportive of society as a whole through 1) the identification of sustainability practices adoptable by a company, based on a communication strategy both internally, for the involvement of employees and their wellbeing, and externally, to attract the attention of stakeholders; 2) with the aim of improving productivity and corporate attractiveness and contributing to the protection of the common good. As for how to implement sustainability practices 1) Drafting the Code of Ethics containing the company's corporate values, principles of behaviour, and goals that the company intends to pursue; 2) According to the choice of sustainable conduct to be pursued, the stipulation of supplementary company contracts and/or individual agreements.

As for the tools, identification of:

1 Specific additional protections to counter social exclusion = greater productivity, trust and sense of belonging;

2 Benefits for achieving work life balance = greater productivity with physical and psychological wellbeing;

3 Compliance with sustainability rules = corporate attractiveness + cost savings in the face of greater consideration of the importance of sustainable conduct and environmental protection, and a greater attitude towards savings;

4 Goals and performance bonuses = higher productivity+ cost savings in the face of lower turnover;

5 Training and refresher courses = greater productivity + cost savings with skill acquisition and greater collaboration;

6 Feedback = productivity with more participation in company life;

7 Transparency = productivity and greater trust with a sense of belonging;

8 Volunteering activities = corporate attractiveness through the sharing and contribution to the protection of the community to which they belong;

9 Motor/sport activity = productivity + cost savings with greater psycho-physical wellbeing and lower absenteeism, as well as greater corporate attractiveness protecting the common good;

10 Extra-work activities = productivity + corporate attractiveness with diversity and equal opportunities for all.

Financial benefits of a sustainable business approach

The adoption of a sustainability strategy by companies allows them to access a range of benefits that can also improve the company's financial parameters.

Adopting a sustainability strategy can provide access to a number of benefits, including the improvement of the company's financial metrics:

- Access to Green Bonds/Loans for financial inverstments aimed at improving the company's environmental performance.
- Access to Sustainability Linked Bonds (SLBs), which finance corporate investments with interest rates tied to the compny's sustainability performance (better ESG performance leads to a lower intererest rate.
- Classification of the comany as ESG Compliant, leading to increased attactiveness for institutional inverstors, as required by European regulations.
- Monitoring and streamlining business processes, which could have positive impacts on profitability.

Contact Trifirò & Partners Lawyers

Trifirò & Partners
Lawyers

Stefano Trifirò
Named Partner

Ph. +09 02 550011
stefano.trifiro@trifiro.it
Via San Barnaba 32 - 20122 Milano

Trifirò & Partners
Lawyers

Mariapaola Rovetta
Partner

Ph. +09 02 550011
mariapaola.rovetta@trifiro.it
Via San Barnaba 32 - 20122 Milano

Contact Rabitti & Partners

Rabitti & Partners
Financial, Corporate & Tax Consulting

Franco Rabitti
Senior Partner
Dottore commercialista – revisore legale dei conti

Ph. +09 059 8753334
franco.rabitti@rabittipartners.it
Piazza Roma 3 - 41121 Modena

Rabitti & Partners
Financial, Corporate & Tax Consulting

Federico Francesco Rabitti
Financial, Strategic, and Sustainable Advisor
Chartered Accountant

Ph. +09 059 8753334
federico.rabitti@rabittipartners.it
Via Bocchetto 6 - 20123 Milano
Piazza Roma 3 - 41121 Modena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