# The Interaction of Sustainability Governance Structure and Sustainability Management Control Systems: An Italian Case Study

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**Abstract**

This study aims to analyze sustainability governance mechanisms and understand which roles and responsibilities fall under a governance system, as well as the processes of integrating sustainability into management control systems. Qualitative research focused on the case study analysis of SIT. Interviews were conducted with key figures within the firm regarding roles and responsibilities in sustainability issues to address the peculiarities related to sustainability governance design and implementation and to delve into the role of sustainability management control systems. Several documents were also analyzed: sustainability reports, sustainability plans, corporate monographs, and questionnaires related to participation in sustainability ratings and awards.
Based on a review of the literature on corporate governance and the integration of corporate sustainability into it, including the analysis of previous studies on sustainability management control systems, this study found that good sustainability governance and a coherent sustainability management control system play a key role. They provide support in decision-making, enable the implementation of strategic objectives consistent with sustainability targets, identify actions and best practices for effective improvement in sustainability performance, and enable the firm to pursue sustainable success. From a practical point of view, this case study represents a good example of how sustainability can permeate all business processes, thus providing opportunities for growth and continuous improvement.

**Keywords:** sustainability governance, sustainability management control, sustainability committee, corporate sustainability director, case study

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## 1. Introduction

Corporate sustainability (CS) has a long and varied history as a central concept in both academia and the corporate world (Bansal and Song, 2017; Landrum, 2018). CS includes addressing the many challenges of sustainable development based on a holistic and systemic perspective, fostering the integration of the three dimensions of sustainability by incorporating them into the management of the firm (Lankoski, 2016; Landrum, 2018). More specifically, the path to sustainability is embodied in a firm's commitment and ability to transition from a traditional business model to a sustainable business model (Van Marrewijk, 2003).

The literature shows that firms incorporate sustainability into their business models in different ways (Bocken et al., 2013), developing short- and medium- to long-term initiatives and measuring performance and the achievement of their goals using different techniques (Taticchi et al., 2013).

Corporate sustainability is considered a very broad and multicriteria concept through which a firm implements a framework of rules, relationships, systems, and processes, particularly regarding the integration of social and environmental aspects into the usual business activities of a purely economic nature (Schaltegger and Burritt, 2005; Schrobback and Meath, 2020).

Research in the areas of CS and corporate governance is often treated separately, with less attention paid to the interaction between the two areas (Lu, 2021). However, the governance mechanisms are the basis of sustainability implementation. The motivation for a firm to engage in sustainability governance is linked to the achievement of specific business aims (Schrobback and Meath, 2020). Therefore, besides sustainability governance, firms should set corporate business aims to decide on a sustainability strategy. In the literature, a CS strategy has been defined as a firm's definition of its medium- and long-term aims in relation to balancing the economic, social, and environmental impacts necessary to achieve those aims (Baumgartner and Ebner, 2010).

A CS strategy requires a significant extension of the logic of profit as the sole objective because it is required to define and control social and environmental goals as well (Olivotto, 2022). This draws attention to the role played by management control systems in making these objectives increasingly integrated and complementary (D'Onza, 2022; Della Porta et al., 2023). The coexistence of sustainability governance and sustainability strategy and the incorporation of sustainability objectives into the management control systems are necessary to improve integrated business performance in all three dimensions of sustainability (Fiorentino et al., 2016; Della Porta et al., 2023).

Starting from a literature review on these issues that is still fragmented (Lu, 2021), the main objective of this study is to analyze the governance mechanisms of sustainability and to understand what roles and responsibilities fall under a sustainability governance system, as well as the corporate processes that promote the integration of sustainability into traditional management control systems.

In particular, the following two research questions are addressed:

- *RQ1*: What roles and responsibilities fall under a sustainability governance system?
- *RQ2*: How is sustainability integrated into firm management control systems?

Using corporate case study analysis, this research contributes to mapping the sustainability governance system by showing the organization of corporate roles in charge of sustainability issues at the top level and its relationship with management control systems. The case is presented to exemplify how the integration of sustainability into firms' governance and management control systems can permeate all business processes, thus providing opportunities for effective sustainability implementation, firm growth and continuous improvement.

## 2. Literature Review

### 2.1 A Governance Perspective on Corporate Sustainability

Over the years CS has been increasingly recognized as an essential component of any organization's business strategies (Ashrafi et al., 2019). In fact, CS refers to how social, environmental, and economic issues should be managed both internally and externally (Windsor, 2006).

Addressing sustainability challenges requires appropriate governance approaches so that companies include sustainability in their decision-making and strategic choices (Newig et al., 2007; Voß and Bornemann, 2011). Although it has been shown that governance structures and systems can influence sustainability (Hillman et al., 2001; De Graaf and Stoelhorst, 2013), governance has not yet been given a central place in CS analysis (Formentini and Taticchi, 2016).

A corporate governance perspective on CS can help focus research on the ways the role of firms in society takes shape (Zaman et al., 2020). Corporate governance is very important for the long-term prosperity of any firm (Aras and Crowther, 2008). Similarly, sustainability is also critical to the continued

operation of any firm and maintaining a competitive position in the marketplace (Zaman et al., 2020).

Based on Williamson's (2010) definition of governance, sustainability governance aims to implement governance tools within a regulatory environment to enable different groups of actors to act proactively in response to sustainability challenges (Heidingsfelder, 2019).

The sustainability governance structure implies an integrated approach in which all stakeholders interact with each other, promoting CS (Rehman Khan et al., 2022).

Indeed, previous studies have shown that sustainability governance enables better stakeholder management, develops capabilities for maximizing business value, reduces resource waste, and improves productivity monitoring by increasing overall performance (Michelon and Parbonetti, 2012; Rehman Khan et al., 2022).

The inclusion of social and environmental issues within corporate governance mechanisms offers the opportunity to better integrate strategic decisions and implement CS in a top-down decision-making process (Enciso-Alfaro et al., 2023; Zaman et al., 2020).

## 2.2 Characteristics of Corporate Figures Responsible for Sustainability Governance

In response to sustainability macro-trends, firms interested in guiding directors' decisions on sustainable development are developing sustainability strategies (López-Arceiz et al., 2022). A sustainability strategy presupposes the integration of new corporate figures into the governance model, capable of achieving the environmental, social, and economic goals that the company has formulated (Lee, 2011). Corporate figures with responsibilities on sustainability issues typically include the following: the board of directors, the environmental and/or sustainability managers (or managers with similar tasks), and the sustainability committees.

The board of directors (BoD) has two main functions. The first is to monitor managers to balance their interests with those of the shareholders (Godos-Díez et al., 2018; Uyar et al., 2020), ensuring compliance with social and environmental responsibilities and active participation in CS initiatives (Pucheta-Martínez and Gallego-Álvarez, 2019). The second concerns the provision and valorization of resources to help the firm effectively address CS issues and better carry out sustainability activities that optimize resource use (Godos-Díez et al., 2018).

As a high-level, decision-making body, the BoD determines the company's overall strategy and defines the lines of the sustainability strategy (Schrobback and Meath, 2020). Previous studies have indicated that the board decision-making process strongly reflects the board members' experience, skills, and values, so their different characteristics can influence the company's strategic decisions related to both financial and nonfinancial issues (Shahab et al., 2018; Uyar et al., 2020).

A sustainability manager is a figure who typically acts as a link between the board of directors and the CS strategy (Schaltegger et al., 2012). The main task of a sustainability manager is to implement the CS strategy, periodically reporting to the board of directors on the progress achieved (Schrobback and Meath, 2020).

Given the vast responsibilities of the BoD in different strategic aspects, in addition to a sustainability manager, many firms also appoint an internal corporate social responsibility (CSR) or CS committee (Danvila del Valle et al., 2019). Sustainability committees are subcommittees of the board created ad hoc to define and manage the firm's internal sustainability strategy (Eberhardt-Toth, 2017). The presence of sustainability committees plays a central role in formulating CS strategies and monitoring and reviewing sustainability performance (Mackenzie, 2007).

These committees, therefore, have a dual role. First, they are specifically responsible for guiding sustainability policies, and proposing initiatives and projects that improve the social, environmental, and economic aspects of the firm. Second, they provide support to the board of directors in fulfilling its responsibility toward the shareholders regarding the practices related to achieving the firm's sustainable success (López-Arceiz et al., 2022).

Earlier studies have quite often analyzed the relationship between the presence of a sustainability committee and the levels of CS performance (Orazalin and Mahmood, 2021; Uyar et al., 2021), usually confirming a positive impact of the committee (Liu and Zhang, 2017). Indeed, the creation of a sustainability committee shows the top management's commitment to tackling social, environmental, economic, and stakeholder issues (Velte, 2016) and allocating human resources specifically for improvements in the firm's sustainability performance (Elmaghrabi, 2021).

The sustainability committee is required to periodically submit strategies and related CS implementation methods to board members (Ricart et al., 2005), while both implementation responsibility and CS monitoring and reporting functions are delegated to a sustainability management team (Elmaghrabi, 2021). Therefore, good communication and a coordination plan

among the different people dealing with sustainability issues at all levels of the firm are required for it to achieve sustainable success.

## 2.3 The Sustainability Management Control Systems

CS is a complex phenomenon that comprises a wide variety of elements relevant to achieving success in business (Lankoski, 2016). To better recognize and successfully manage these elements, it is essential to develop a broad understanding of management control, which includes a broad and well-structured concept of sustainability management control (Della Porta et al., 2023).

Changes in the global scenario in which firms usually operate require management to review the strategies, organizational models, and technical accounting tools periodically and systematically in use to adapt the business successfully and quickly to new socio-environmental requirements (Merchant and Riccaboni, 2001). Traditionally, in the literature, management control systems have been seen as elements of a broader set of tools for strategically improving both financial and non-financial performance outcomes (Marchi, 2020).

Corporate management control systems are pivotal in incorporating the sustainability values that the firm stands for (Hosoda, 2018) and in incentivizing employees and all stakeholders to behave accordingly (Hristov et al., 2022). If they are absent or incomplete, it will be quite difficult to make progress in that direction (Della Porta et al., 2023). The adoption of sustainability management control systems indicates a proactive approach to incorporating sustainability within strategies based on values and aspirations rather than conforming to external pressures (Della Porta et al., 2023). In this sense, some studies have shown that the proactive adoption of such systems is closely related to values, owner education, and awareness of the importance of sustainability (Spence, 2016; Schaefer et al., 2018).

Furthermore, previous studies on management control have often investigated the relationship between sustainability and control systems (Ditillo and Lisi, 2016; Maas et al., 2016), highlighting that new sustainability-oriented management control mechanisms promote the integration and effective implementation of sustainability into the firm's strategy (Molinari et al., 2021).

Thus, control systems have the task of supporting the firm in the achievement of the planned goals and strategy and are a key tool in the strategic development process aimed at integrating environmental, social, and economic sustainability into the business (De Villiers et al., 2016).

Consequently, individual elements of the control system must be monitored and reviewed periodically for the continuous improvement of business results (Maraghini, 2018).

For the management control of sustainability within the business processes, firms are required to communicate not only their financial but also their nonfinancial results through specific documents for reporting and disclosing nonfinancial information, as required by the 2014/95/EU directive (Molinari et al., 2021). Many firms through their sustainability reports and nonfinancial statements (NFS), report on their achievements and disseminate data and analysis carried out in compliance with the required criteria of transparency and veracity (Molinari et al., 2021). These considerations can be extended to the more recent Corporate Sustainability Reporting Directive (CSRD), the EU 2022/2464 directive, which will introduce a more widespread obligation to report.

## 3. Methodology

The purpose of this paper is, first, to describe in-depth a sustainability governance mechanism, analyzing in detail the structure of the governance body and the main corporate roles along with their tasks and responsibilities. Secondly, this paper aims to explore in depth the integration of sustainability into management control systems, also making use of the consultation of supporting documentation provided by the firm. The use of qualitative methodologies based proved suitable to better describe such a journey.

Case study analysis (Yin, 2003; 2018) allows one to get in touch with the real mechanisms and procedures adopted by the firm and the motivations of the actors and to go beyond the official content found in publicly disseminated documents and reports (Adams and Larrinaga-Gonzalez, 2007; Owen, 2008; Fiorentino et al., 2016).

A case study is a qualitative methodology in which data are collected with a high degree of detail relating to a single phenomenon or event with the aim of learning more about a situation that has not yet been studied in depth (Gomm et al., 2000; Njie and Asimiran, 2014). This method (Siggelkow, 2007) allows to achieve the research objectives of the present study because by getting in touch with corporate figures in charge of sustainability issues, one will fully understand the roles and functions of governance as well as how the integration of sustainability into corporate control and management mechanisms takes place, as well as the communication and diffusion

mechanisms of the culture of sustainability (Della Porta et al., 2023; Ritchie et al., 2013).

From an operational point of view, the empirical analysis was concreted on the analysis of the single case "SIT," framed as a best practice because it presents a unique governance and management structure in which different roles at different decision levels have been appointed, and its process of sustainability planning has been designed to catch emerging sustainability issues from the bottom (operations), but at the same time, it is tightly linked with existing "top-down" business planning. The firm operates in an industry that is experiencing the transition towards green energy, and this obliged the firm to radically rethink its business model. SIT has made sustainability its core business, including it within its corporate mission and vision so that good social and environmental practices enter fully into all corporate functions. It also has a very solid and well-known organizational structure both nationally and internationally, so it can also be a good example to follow for many other sustainability-conscious companies that want to make a quantum leap within their organisational structures.

In fact, SIT, during 2022, despite the difficult economic and geopolitical situation, continued to invest significant economic resources in R&D and Sustainability, confirming itself as a key technology partner in the evolution of the supply chain toward hydrogen-ready products.

To support the case study analysis, three interviews were conducted with the Corporate Sustainability Director, the Governance, Risk and Sustainability Officer, and a Sustainability Specialist, totaling 4 hours.

All relevant corporate and sustainability documents were analyzed, including a business monograph describing the evolution of SIT, sustainability reports, sustainability plans, and materials and questionnaires related to participation in sustainability ratings and prizes (e.g., integrated governance index) (https://www.sitcorporate.it/sostenibilita/materiali-a-supporto/).

The interviews were transcribed and translated into English, while secondary data were read, and information of interest was translated into English and placed alongside the interview content to provide a broader and more detailed view of the case study.

The use of interviews with the help of secondary data achieves the objective of the article as the business documents help to frame the company in every part, grasping the business dynamics that the company wants to communicate to the outside world, while the interviews allow to go deeper and inside the organizations and internal planning mechanisms as the dialogue with specific figures on sustainability issues provides a more effective key to

understanding the implementation of sustainability governance and the integration of it into the company's management control systems.

## 4. Case Study: SIT

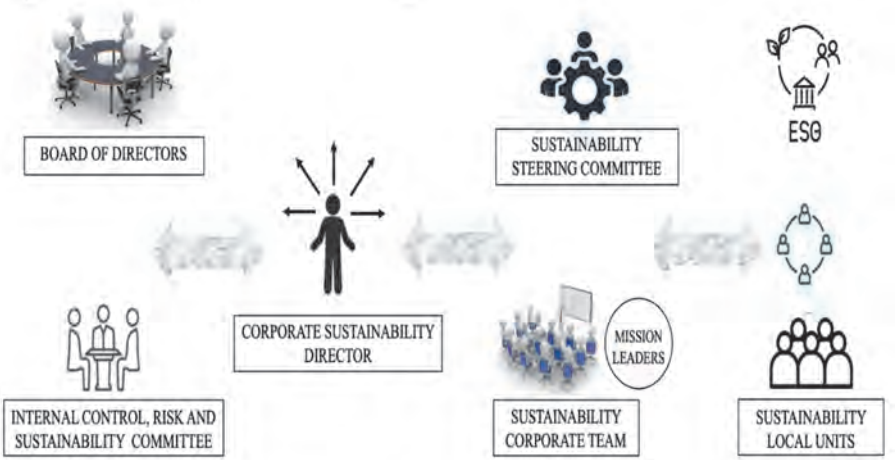
SIT has been operating in the energy transition for years, with the aim of providing the sector with solutions and technologies capable of supporting the progressive decarbonization of heating in line with the provisions of the REpowerEU legislation. First with biomethane, then with a mix of gas and hydrogen, and finally with 100% hydrogen, SIT has developed safety controls for both boilers and residential and commercial meters running on 100% hydrogen, acting as a sustainable partner of companies and institutions for the creation of solutions for energy efficiency and the protection of natural resources. Through the Heating & Ventilation, Smart Gas Metering, and Water Metering Business Units, SIT creates intelligent solutions for controlling environmental conditions and measuring consumption for a more sustainable world. SIT is headquartered in Padua, Italy, but the company is a multinational leader in the reference markets and listed in the Euronext Milan segment, presenting itself as the main sustainable partner of solutions for energy and climate control at the service of client companies, paying great attention to the experimentation and the use of alternative gases with low environmental impact. It has a turnover of about 300 million euros, employs more than 2000. The group has production sites in Italy, Mexico, Holland, Romania, China, Tunisia, and Portugal, as well as a commercial structure that covers all the reference world markets. SIT adheres to the United Nations Global Compact and the related principles that promote a responsible way of doing business. SIT is also a member of the European Heating Industry and the European Clean Hydrogen Alliance, as well as the Valore Acqua for Italy Community (www.sitcorporate.it). SIT was born as a family business, and 70 years later, although a stock market listing, it remains a firm with a distinct family imprint. Over the years, the firm has carried out major initiatives and projects on sustainability and environmental, social, and governance (ESG) issues (https://www.sitcorporate.it/sostenibilita/introduzione/).

In 2018, it published its first sustainability report in compliance with the 2014/95/EU directive. In 2019, it defined its new mission and vision, emphasizing how sustainability has become a core value to be promoted and disseminated inside and outside the group. This commitment of SIT to realize its ESG goals and strategy led to the definition of the “Green Paper” in 2020, which is the perfect summary of SIT’s ESG commitment.

Additionally, starting in 2021, as a demonstration of its proactive attitude in the pursuit of sustainable success, and in response to the demands of the firm and its key stakeholders for accurate and systematic management of ESG issues, SIT created a sustainability governance structure (Fig.1) (https://www.sitcorporate.it/sostenibilita/governance-e-compliance/).

The first task assigned to the newly formed sustainability governance team was to draft a sustainability plan, called "Made to Matter" (https://www.sitcorporate.it/sostenibilita/made-to-matter).

*Fig.1 - Structure of SIT sustainability governance*




*Characteristics of Corporate Figures, Communication Flows, and Decision-Making Mechanisms within SIT Sustainability Governance*

Figure 1 illustrates the corporate figures and the decision-making and strategic flows of how SIT's Sustainability Governance is structured.

The evolution of the governance structure in SIT is a real journey to understand the contribution that governing bodies can make to internal and external decision-making processes (Gubitta and Campagnolo, 2021).

The motivations behind the desire to establish sustainability governance matured when the company started to think about the sustainability plan and when top management interfaced with the heads of the various departments, asking themselves how they could concretely do sustainability. Trying to answer this question, the company realized that creating an ad hoc structure with a group of people very committed with corporate sentiment would help

internalize sustainability within all work mechanisms, making it a true corporate value to be pursued to ensure the company's prosperity over time.
The process starts with the BoD, which has the function of pursuing sustainable success, as stated in the corporate governance code and applied to all listed firms (Per la Corporate Governance, p. 8). The BoD oversees the final decisions regarding firm strategy, both from business and sustainability points of view. It is composed of seven members, two of whom are executive directors, one is a non-executive director, and four are independent directors. SIT's Board of Directors pursues sustainable success by structuring itself internally and influencing the activities of the company's management team. Thus, the board of directors has delegated some advisory competences to the internal Risk Control & Sustainability Committee. The Risk Control & Sustainability Committee is a direct expression of the board of directors, having specific responsibilities.

It is composed of three non-executive directors with full independence of judgment and a keen awareness of ESG issues, who can guide ESG strategies and put their expertise at the firm's service.

It is constituted to support the BoD' evaluations and decisions related to (i) the internal control and risk management system, (ii) the approval of periodic financial reports, and (iii) sustainability, to be understood as the company's set of processes, initiatives and activities concerning the environmental, social and other aspects of its business and its dynamics of interaction with stakeholders.

GRSO itself in this regard said that:

"*Following the decisions made in 2019, in 2021, since we did not consider the Risk Control and Sustainability Committee to be fully involved in the management logic and sustainability activities of the company, it was decided to create a dedicated sustainability governance, which was then deliberated and approved in board of directors meeting*" (GRSO, Interview B).

Establishing a sustainability governance, reporting to the Corporate Sustainability Director (CSD), a managing director with specific ESG expertise, is certainly one of the key steps in this path taken by the firm.

In this case, the CSD emphasized that:

"*I'm a member of the board of directors but I'm not within the risk and sustainability committee, and this has made one created precisely an ad hoc structure and figure with specific powers*" (CSD, Interview A).

The Corporate Sustainability Director, therefore, was given specific proxies and powers, ranging from managing the budget to interacting with stakeholders and coordinating all bodies related to Sustainability Governance. This ad hoc instituted figure was the actual interface between the board of

directors and the corporate management. However, this entire flow remained under the supervision of the Risk Control & Sustainability Committee, which intervened periodically for issues mainly related to the budget and the sustainability plan. Up to this point, the first stream of Sustainability Governance was structured: the Board of Directors dictated the guidelines and made the main decisions regarding sustainability, validating the relevant strategic choices of the firm because they were directly synergistic with the business ones. The Corporate Sustainability Director periodically reported to the Risk Control & Sustainability Committee on the progress of the sustainability initiatives and any critical issues if they arose and monitored the progress of the sustainability plan. Then the committee reported all the received information to the Board of Directors, who ultimately decided whether or not to promote the proposed initiatives and communicated the decisions made to the entire organization.

The CSD represents a key linking figure within the flow of information on sustainability because it relates to the firm's most operational figures by taking in ideas, critical issues and new proposals and then also reports and dialogues with top management by evaluating and promoting in agreement with the BoD the initiatives deemed most suitable. Regarding the relationship with the more operational corporate figures, the second flow that was established in Sustainability Governance concerned the connections between the Corporate Sustainability Director and the company management. In fact, to support the Corporate Sustainability Director, two different teams were created: the first was the Sustainability Steering Committee.

The Sustainability Specialist (SS) who took part in the interview as well as one of the members of the Sustainability Steering Committee stated that:

"*Sustainability Steering Committee is a multi-divisional management committee headed by the Corporate Sustainability Director and responsible for defining and implementing the sustainability plan and achieving its goals, including the non-financial statement (NFS)"* (SS, Interview C).

The Sustainability Steering Committee is an expression of top line management in the most important business areas. It is composed of the business unit directors, and the chief executive officer. This Sustainability steering committee is a body that regulates and supports the activities of the CSD and also holds decision-making functions: it oversees the activities of the various sub-organizations of corporate governance, suggests changes or insights, and finally validates them.

The second team that was set up within the governance structure and below the Sustainability Steering Committee was the Sustainability Corporate team, a working group composed of many corporate figures pertaining to all

the various departments and who had in their activities several points of contact with sustainability activities (these figures were, for example, the Health, Safety and Environment Manager, the sales managers, the head of strategic marketing, quality, etc.). The team would carry out the operational actions defined in the "Made to Matter" sustainability plan and report the results, including those to be included in the NFS, thus contributing to promoting a "culture of sustainability." In 2022, the firm realized that this sustainability corporate team was too large and difficult to manage and create a smaller team called the mission leaders team consisting of seven people serving as project representatives. Each was assigned specific responsibilities, such as setting policies and aims, executing projects, and reporting sustainability-related results.

Regarding the group of mission leaders, GRSO states that:

"*These people were chosen for their sensitivity to specific sustainability issues because not everyone has the same interest and focus on these issues*". (GRSO, Interview B).

CSD in this regard, added that:

"*It was decided to create key roles certainly because we needed real people who could act consciously to implement good sustainability initiatives. Therefore, people were chosen who had heart and sensitivity to these issues. They were chosen not so much on the basis of their position or degree of seniority, but for their skills and values manifested in their usual activities*" (CSD, Interview A).

Each of the seven mission leaders played a key role in developing material topics related to sustainability initiatives undertaken by the company, specifically in the areas related to "Made to Matter." The team had a flat hierarchy and adopted a multidisciplinary approach, thus providing a concrete example of a circular and innovative management model.

Finally, the sustainability governance of the group was also represented by specialized units, the so-called sustainability local units, which were set up across the organization at an international level and represented a point of reference for ESG topics and the promotion of ESG culture. They also provided the necessary data for sustainability report drafting.

The evolutionary process undergone by SIT's governance structure was fostered and desired because of the change in the company's mission and vision, which placed sustainability at the centre of its aims. The figures described above (so-called mission leaders) were established to enable clear communication at the operational and management levels of the sustainability initiatives to be implemented in the company.

The establishment of the CSD to head sustainability governance has solidified the importance of having a top figure who also sits on the board of directors and has a clear vision of both strictly financial needs and sustainability issues at the operational level. The complete structure of sustainability governance, therefore, mainly involves two decision-making and communication flows. The Corporate Sustainability Director leads the team of mission leaders; this team acts on projects and initiatives, proposes them, and periodically submits them to the Sustainability Steering Committee. After validation by the Sustainability Steering Committee, the initiatives are brought to the attention of the Risk Control & Sustainability Committee, which, together with the Corporate Sustainability Director, also reported to the Board of Directors. The Board of Directors approves, promotes, and defines more general guidelines and carries forward the entire internal organization by connecting sustainability issues with strictly business ones.

*SIT Sustainability Management Control Systems and the Supporting Documentation*

As of today, the planning process for business and strategic activities is integrated with sustainability activities. SIT aims to have total synergy between the two dimensions of finance and ESG. The firm starts by defining a budget, and when this is evaluated, instances related to sustainability projects and aims are also taken into consideration, thus integrating them into the forecast of expenses and investments. At the time of budgeting, the contact persons for each project, under the supervision of the mission leaders since they represent one of the managerial lines having greater weight within the individual budget items, verify what resources they need and then present the investments they deem appropriate to the Board of Directors for approval.

Considering this, the firm has moved from adopting an initial approach of looking at the business development plan that highlighted those things most pertinent to sustainability to a later approach that is now more bottom-up, in the sense that it starts with sustainability elements for defining business projects and strategies. As a result, the decision timelines between these two dimensions are also in full synergy.

Sustainability Governance, with its key business stakeholders, plays an important role in budget setting, contributing to the definition of the budget to be allocated to both sustainability and business initiatives. An equally important figure is the Risk Control & Sustainability Committee, which is entrusted with the task of periodically (on a six-monthly basis) overseeing the progress and accounting of sustainability projects: whenever the firm finds

itself analyzing the performance of its business in terms of economic performance, it, in fact, also includes an analysis of sustainability performance. In addition, SIT, as a listed company, also reports its financial data to the market on a quarterly basis.

Controlling and monitoring the progress of sustainability projects is an important action within the firm. Some of these projects also have significant financial implications in terms of investments and costs. These are not initiatives that travel on top of other investments of the firm but are developed in full synergy with the rest of the initiatives, and this is also reflected in the preparation of the "Made to Matter" sustainability plan. The first sustainability plan was unveiled in 2022, a three-year plan in which the company is committed to driving change toward a more sustainable and ethical world. More than 50 initiatives and projects defined based on the materiality matrix were presented; it included 11 SDGs and resource investments worth more than €8M.

The sustainability plan is structured in three areas: Made by Us, Made for Future, and Made with Care, which can be traced back to the three ESG pillars. Specifically, the "Made by Us" area focuses on sustainable economic growth and governance and deals with development and new frontiers of business. It represents the conditions required for a firm to develop, grow, and contribute to the proliferation of sustainability.

"Made for Future" is the most relevant area SIT has invested in as it encompasses both business strategy, especially product development strategy and R&D plans, and everything related to environmental management and impact. For these reasons, most resources are concentrated on projects relegated to this area.

Finally, the "Made with Care" area is also very relevant in the plan as the firm pays attention to not only the people who work internally and who are considered crucial but also to external stakeholders to extend the commitment to sustainability outside the firm's boundaries.

In addition to the sustainability plan until 2025, the company has also drafted the sustainability report. In 2018, the company, as listed, started drafting the sustainability report to comply with the new European directive. It performed a materiality analysis, first internally and then externally, to understand the relevance of sustainability issues to its stakeholders. In the light of this process, SIT then prioritized its stakeholders to be able to adequately meet all requests in due time, also based on the needs of its sector. This prioritization resulted in a relevance matrix consisting of two dimensions: relevance to SIT and stakeholders. By cross-referencing these two dimensions, the company arrived at defining the sustainability material issues to disclose.

The approach of preparing the materiality matrix was maintained from 2018 until 2022. In 2022, however, the GRI principles guiding the preparation of sustainability reports changed in terms of materiality analysis and a materiality matrix was no longer required to be created, but simply a list of the most relevant issues sorted by priority was to be prepared. As a result of these changes, a very thorough analysis was conducted to capture all the major themes, which were assessed through a dedicated risk opportunity assessment process because they are considered material if they represent both risks and opportunities that are important to the company. This assessment was defined from the standpoint of so-called double materiality.

After the assessment, the impact was scored consistently with the Enterprise Risk Management Model, applying SIT's Risk Scoring Scale ranging from 1 (unlikely) to 4 (highly likely). Each impact was given a score that, added to that obtained from the context analysis, determined an overall score. The analysis of double materiality thus prepared was first presented to the Risk Control & Sustainability Committee and then finally approved by SIT's Board of Directors. Subsequently, to further confirm the soundness of the analysis performed, the company conducted an online survey by submitting it to internal (employees) and external stakeholders (customers, suppliers, shareholders, investors, and lenders). The results of the survey were analyzed by SIT's Sustainability department and presented and discussed at the Risk Control & Sustainability Committee meeting. The survey confirmed the results of the materiality analysis conducted internally, so it was not necessary to propose updates in this regard to the Board of Directors.

## 5. Conclusions

Through the case study analysis of SIT, an Italian manufacturing group with subsidiaries around the world, this paper has contributed significantly to the literature on sustainability governance (Zaman et al., 2020), as the case study has described in depth the process of appointment of new figures within governance and management team that are in charge of sustainability decisions and implementation. Furthermore, the study contributes to the literature on CS and sustainability management control processes (Gond et al., 2012) by highlighting how the presence of formalized procedures allows the company to have its own sustainability objectives clear and to integrate them in business planning processes. The analysis has shown that a strong and well-structured sustainability governance, through the collaboration of

various figures - each with its own well-defined role and responsibilities - enables the pursuit of sustainable success.

The case highlights the importance of the Corporate Sustainability Director as a real interface between the higher executive body (BoD) and the management of the various business units. The CSD acts as a filter in the two-way flow of communication: bottom up because he/she receives new sustainability initiatives proposed by the mission leaders and evaluates the progress of their existing practices, and top down because he/she intermediates the approval, by the BoD, of the initiatives proposed by the mission leaders to be functional to the pursuit of sustainable success. This part of the analysis responds to the first research question (RQ1).

This study shows how the identification of specific figures vested with decision-making and executive powers on sustainability issues and who can constitute a clear and balanced sustainability governance structure generates a common value and motivational system within all the company's units, making the very concept of sustainability evolve from a work burden in addition to the usual tasks to a real element to guarantee the survival and evolution of the company.

The integration of sustainability with traditional business issues at all levels of the firm cannot be effective and lasting if there is not a solid and delineated structure made up of people with specific roles and responsibilities who, moved by common values and ideals, accompany the firm every day towards the pursuit of this intent.

It also shows how a business strategy can be integrated and managed on par with a sustainability strategy. In fact, a well-delineated sustainability management mechanisms can integrate all dimensions of sustainability within the management and control processes, allowing a concrete response to the second research question defined in this study.

In managerial terms, the analysis of sustainability governance figures and the mechanisms for integrating sustainability issues into control and management processes can suggest new roles and procedures to be included in other companies equally attentive to sustainability but which have not yet organized their sustainability decision-making process. This case study can help many other managers rethink their company in better organizational and procedural terms, exploiting sustainability to their advantage.

The limitations of this study are related to the kind of analysis which can limit the generalization of the results. The choice of a single case study allows for in-depth analysis but at the same time does not allow for immediate comparison with other realities (Gaya and Smith, 2016).

Therefore, future studies could explore the role of sustainability governance and sustainability management and control systems in other organizational and territorial contexts for a comparative approach. Future developments of this research could concern the identification of further governance management and control mechanisms and tools to support the inclusion of sustainability issues in business strategies and within sustainability reporting. Another interesting future research development could concern the identification of critical aspects within the mechanisms of integrating sustainability into traditional corporate control and management procedures.

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