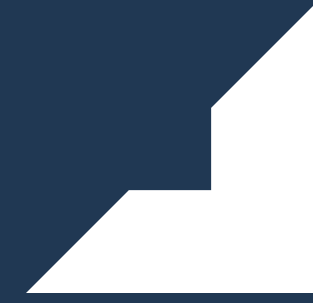


**VALUE
REPORTING
FOUNDATION**
INTEGRATED
THINKING
PRINCIPLES

Integrated thinking in action

A Spotlight on Snam

Case study



Case studies from the **Value Reporting Foundation**

The Integrated Thinking and Strategy Group (a special interest group of the Value Reporting Foundation Business Network) brings together some of the world's most innovative companies so that they can collaborate, learn from each other, challenge each other's thinking and share leading practices between themselves and those who follow them.

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization's strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value — which the Value Reporting Foundation refers to as 'capitals' in the International <IR> Framework — that the organization uses or effects to create value over the short, medium and long term.

It is used by businesses to improve decision-making, accountability and communication. It is therefore essential to the development of strategy and provides a valuable connection to the board.

The project aims to assess how integrated thinking is embedded within organizations through a series of interviews to understand:

- What led the organization to embed integrated thinking
- How they used integrated thinking to shape their strategy
- How integrated thinking has helped them deploy their strategy
- What the benefits have been.





INTEGRATED THINKING PRINCIPLES

Overview

30-second snapshot into integrated thinking at Snam

Snam is one of the world's leading energy infrastructure operators and one of the largest Italian listed companies in terms of market capitalization. Snam operates in Europe's major markets, including the United Kingdom, Greece, France and United Arab Emirates through agreements with the leading industry players and direct equity investments in the share capital of various companies.

With around 3,000 employees and over 32,600 km of network, Snam oversees natural gas transportation, dispatching and storage activities, as well as the regasification of liquefied natural gas. The company also offers engineering and technical-operational services for gas operators in national and international markets.

Alongside its core business, the company is also increasingly investing in new businesses relating to energy transition, from sustainable mobility to energy efficiency and the development of renewable gases, such as biomethane and hydrogen.

Snam started its integrated thinking journey in 2013. Pushed by the need to change its reporting model, the company was crafting a more holistic approach its value creation process and deemed it necessary to reflect this in its reporting model.

Since then, integrated thinking has been an important driver for the company. The practice of integrated thinking has been beneficial for the company, both internally and externally, since it has supported Snam's relationship with its stakeholders as well as fostered cross-functional collaboration within the business.





Deep dive into integrated thinking at Snam

10 minute read



The process started in 2013, when we decided that our reporting model had to change to reflect the importance that non-financial information had in the value creation process of the company. This was further strengthened by the EU Directive on non-financial reporting in 2014. We decided to adopt the International <IR> Framework and realized that building an integrated report required integrated thinking to be practised.”

Lorenza Barsanti
Sustainability Manager, Snam

What led Snam to embed integrated thinking?

Snam’s integrated thinking journey started in 2013, when the company recognized the need to foster sustainability in its strategy and business model, and facilitate the disclosure of both financial and non- financial information – the latter already reported in the Sustainability Report.

Since 2012, Snam’s culture has been continuously evolving. When the business became independent from Eni Group it had to build its own identity. This transition questioned the values and structure at Snam, providing a moment for the organization to reflect on and improve internal processes.

Snam required a framework that could guide this process. Hence, the organization decided to take part in the IIRC’s Pilot Programme initiative in 2013. This change was fundamental for the organization and became increasingly important with EU law laying down the rules on disclosure of non-financial and diversity information by large companies under the Directive 2014/95/EU.

The adoption of the International <IR> Framework led the company to incorporate sustainability aspects within its internal processes and practices. This was carried out by an interdepartmental working group, headed by the Financial and Sustainability teams that also included employees from Legal, Human Resources, Enterprise Risk Management, Health and Safety, and Environment and Quality departments.



How did Snam approach integrated thinking?

Snam started its integrated thinking journey by working with an external advisor on its reporting model and materiality and stakeholder engagement. By gaining a holistic view of the business, Snam hoped to be better placed to assess the value it creates.

The first milestone of Snam's integrated thinking journey was achieved in 2015, when the organization published its first integrated report. The report reflected the internal work that had been carried out to enable the integration of sustainability aspects within the industrial plan.

It was agreed that the organization ought to aim for complete integration of sustainability into the business and that goal could be better achieved by a shift from a pyramid structure to a flatter one. This was deemed crucial to avoid the creation of silos between functions. In 2016, the company introduced a Sustainability Committee, which in 2019 became the ESG Committee. The role of the Committee is to monitor and foster the integration of ESG factors within the organization's strategy.



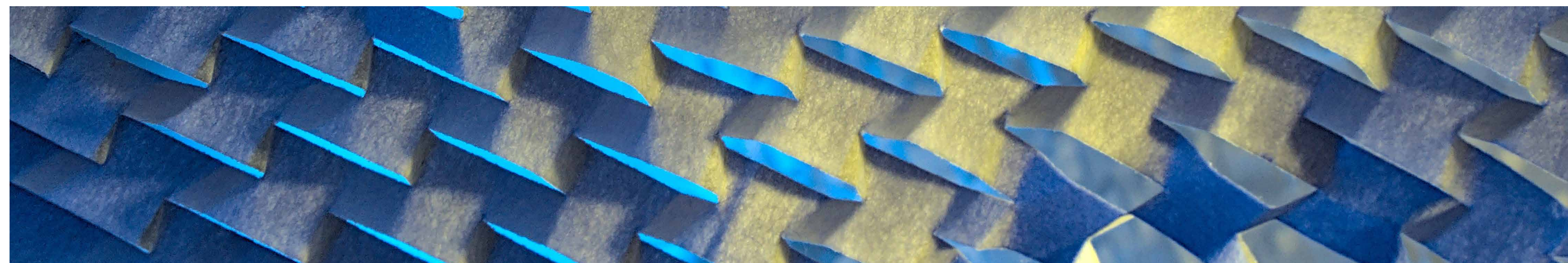
How has integrated thinking helped Snam articulate its strategy?

Integrated thinking is now embedded within the organization and is a fundamental element of its 2019-2023 strategic plan, which was published in November 2019. The plan aims to deliver sustainable growth through a value creation model that fosters the continuous improvement of the core business, a solid financial structure, the commitment to energy transition and the development of an internationalization strategy.

The strategy is underpinned by the purpose of the organization: “Energy to inspire the world”. In turn, the purpose is articulated by four values, defined in 2018, which integrate ESG aspects within the business: “Making connections to create opportunities”; “Promoting safety”; “Supporting the world which is changing” and “Giving shape to the future”. These four values drive the company’s business activities: Storage, Transportation, Regasification and Green Business.

A key goal set by the company is to achieve decarbonization. Snam intends to do so by integrating business goals with sustainability objectives. These hybrid objectives are further integrated in the organization’s industrial plan. Snam relies on a strong management process to monitor and assess the company’s renewed sustainable strategy.

The guidelines set out by the leadership team and chief executive officer in the strategic plan are co-created with the company’s sustainability team and ESG Committee. Snam’s strategy, therefore, is the outcome of an integrated top-down and bottom-up approach.





In 2012 we started to rethink our identity, we started to work on our organizational culture. This is an ongoing process, nonetheless we now have integrated ESG factors across all functions of our business. The main enablers of this process have been our purpose and our values, which allow us to carry out our business activities, Storage, Transportation, Regasification and Green Business, by taking into account the holistic value that is created. Indeed, ESG elements are as well integrated in our corporate bylaw. For example, in 2019 during the Extraordinary Shareholders' Meeting we agreed to change Snam's corporate bylaw to promote gender equality in our governance.”

Lorenza Barsanti
Sustainability Manager, Snam





Integrated thinking supports the definition of our strategy and how this can be executed by our business model. This is supported by our integrated management system. A clear example of this is provided by our Function Review project. This project foresees that our management team presents, discusses and overviews the work in progress with the Leadership Team during their staff meetings. This is supported by Snam's organizational culture which enables the flow of information and avoids the creation of silos."

Lorenza Barsanti
Sustainability Manager, Snam

The strategic plan is also marked by economic, financial and sustainability targets, which monitor and track the plan (see Snam's Pillars in Figure 1). The corporate strategy is reviewed through the annual planning process, which involves the active participation of all functions and is influenced by internal stakeholder ESG KPIs.

Also, an important process is the Function Review, where the company's management level is invited to the Leadership's Team meeting to ensure full transparency and a flat corporate structure.

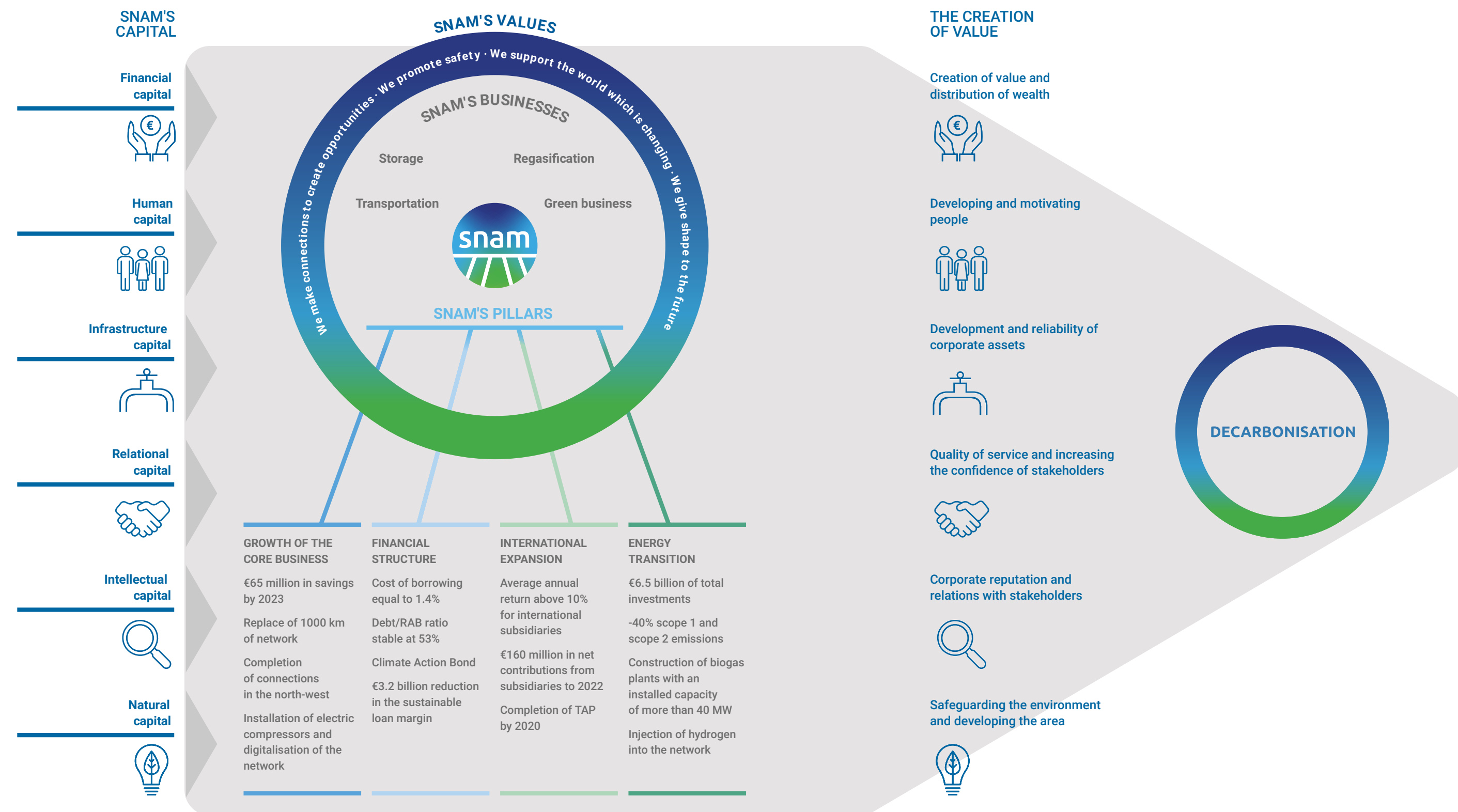


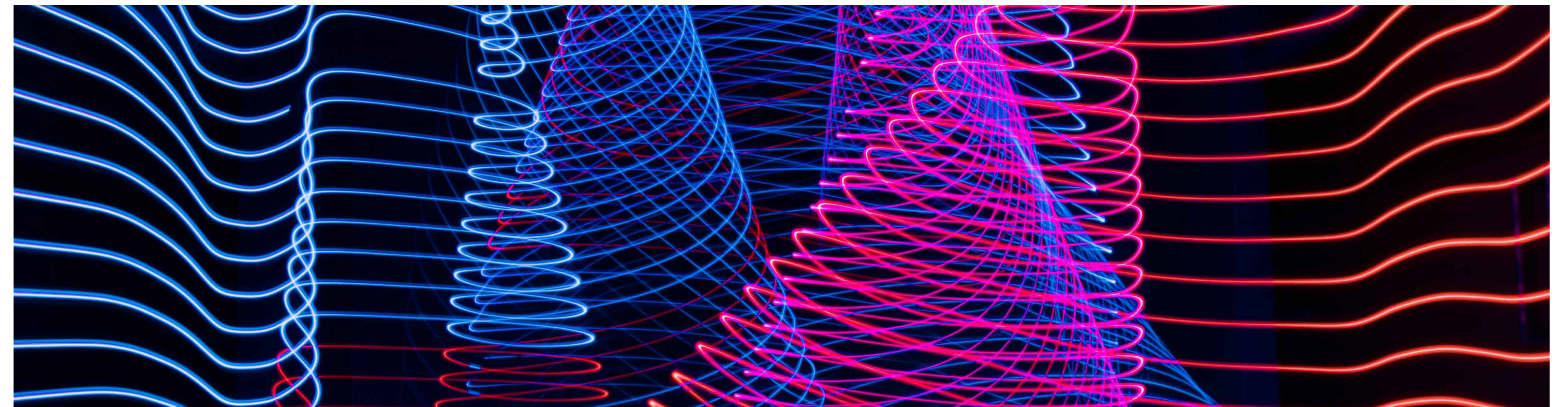
Figure 1. For a detailed view of Snam's value creation model please consult [Snam's 2019 Annual Report, pages 34-35](#).



How has integrated thinking helped Snam deploy its strategy?

Integrated thinking has supported Snam's organizational culture and reporting practices, which have enabled the execution of the company's strategy. Snam manages the performance of its strategy by monitoring the financial and non-financial ESG KPIs on a monthly and quarterly basis. The KPIs have been developed from financial, investments and market perspectives and also results linked to the gas network and work safety.

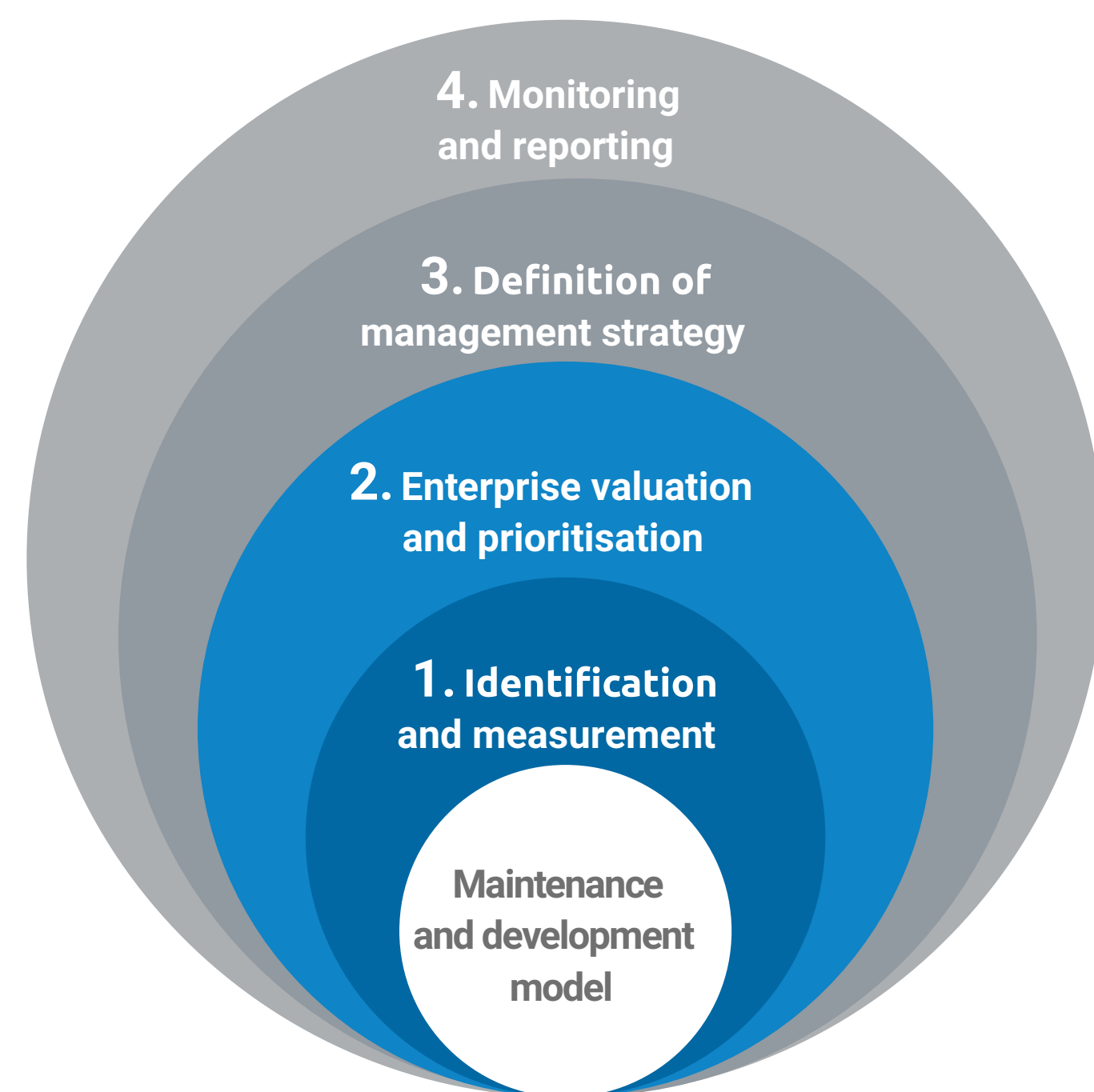
A three-level control system is used across the business to identify, assess and manage safety risk. The CEO is charged by the Board of Directors with overseeing the structure and maintaining the system. The first level check ensures that Snam and its subsidiaries undertake the measurement and management of risks and the implementation of related checks for the processes they are responsible for. The second level check confirms that the enterprise risk management system monitors and ensures the adequacy of the checks. The third level check safeguards the independent check that is carried out by an internal audit.





Adopting integrated thinking has benefitted us in several ways. It has helped us build a good relationship with our stakeholders. Moreover, it has encouraged us to create cross-functional collaboration, which is key to fostering a holistic approach in our value creation process.”

Lorenza Barsanti
Sustainability Manager, Snam



- 1. Identification and measurement:** of risk events relating to corporate processes and external risk factors that could influence the achievement of corporate goals, either through direct impacts on results and corporate finances (lower revenue or higher costs) or through intangible negative effects on other types of capital, especially the licence to operate.
- 2. Enterprise measurement and prioritisation:** an enterprise measurement is assigned to each event, which summarises for each risk the various assessments carried out by the Risk Owners and by the centralised units with specialist skills. The prioritisation of risks is defined by combining the measurements of impact and probability.
- 3. Definition of the management strategy:** for all risks, management measures are identified, together with any specific interventions and the relevant implementation time frames, associated with a type of risk management from among those that have been codified. The management plans for the main risks are presented to the Control and Risk Committee.
- 4. Monitoring and reporting:** the risk mapping is periodically updated according to the enterprise measurement, and at least once a year, including for low-priority risks. Periodic reporting guarantees, at the various corporate levels, the availability and representation of information relating to the management and monitoring of the relevant risks.

Figure 2. For a detailed view of Snam’s value creation model please consult [Snam’s 2019 Annual Report, page 43](#).

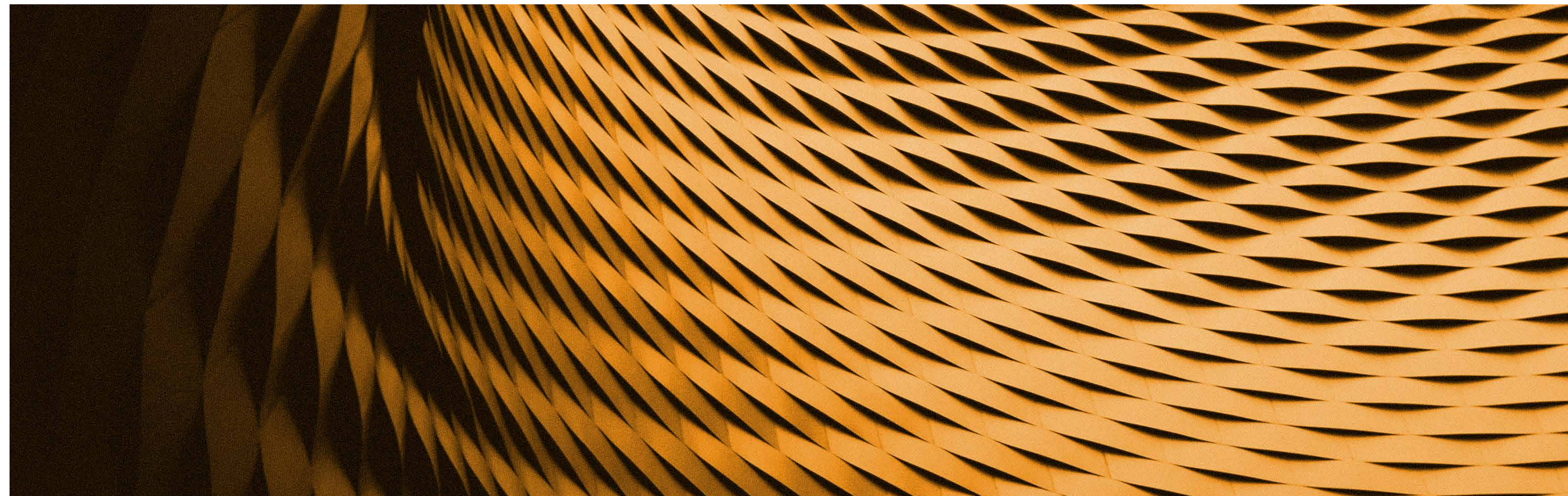
With the support of integrated thinking, the company’s risks are identified, measured, valued and prioritized in a cross-organizational way. This is carried out through the enterprise risk management model and its impact measurement is wide-ranging (Figure 2 above). Indeed, eight types of impact are detected for each risk event through first level checks carried out by risk owners and specialist departments. For example, a risk event has types of impact that are operational (detected by risk owners) and specialist (detected by financial and legal departments).



How has embedding integrated thinking benefited Snam?

Integrated thinking has benefitted Snam in building a strong and long-lasting relationship of trust and transparency with its stakeholders. Indeed, the adoption of integrated thinking has enabled the company to answer stakeholders' requests accurately and comprehensively. Moreover, it has encouraged the organization to develop cross-functional collaboration.

Snam believes that integrated thinking has helped the company to incorporate ESG factors in its risk management model, enabling evaluation of opportunities and risks and leading to a more efficient decision-making process. Integrated thinking was crucial to establish Snam's strategy since the future of its business is strictly linked with sustainability.



This case study summarizes the journey of integrated thinking at Snam and was developed through the conversations that Lorenza Barsanti, *Sustainability Manager of Snam*, had with Professor Cristiano Busco, LUISS and Roehampton University, and Elena Sofra, Value Reporting Foundation.



VALUE REPORTING FOUNDATION INTEGRATED THINKING PRINCIPLES

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value— how it is created, preserved or eroded over time. The resources — including Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.

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Contact: info@valuereportingfoundation.org

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