



## EPTA | Governance and Financials

### Commercial refrigeration provider evaluates itself on accountability measures

Refrigeration devours 40% of the energy use at a typical supermarket. The price of keeping meat, frozen foods, and produce at the right temperature and appearance for sale is the single-biggest utility expenditure for many grocery and convenience stores. These businesses rely on refrigeration suppliers who install and maintain the systems, and are increasingly looking for energy-efficient options to maximize profits in an industry with notoriously thin margins.



Milan, Italy-based Epta is responding to these pressures while undertaking a systematic review of its own governance. The privately held company's financial and governance priorities include continual risk modeling, a code of practice with reporting and enforcement mechanisms in case of ethical breaches, and highly coordinated monthly reviews that involve managers from its subsidiaries operating in more than 80 countries.

One initiative that has allowed the 18-year-old company to sharpen its financial and governance performance is its risk assessment process, launched in 2018 and updated annually. The company's board identifies potential problems such as work interruptions at factories, assigning the risk to a specific party and identifying the mitigation actions needed to reduce the hazard. Risks to the business are categorized on a heat map ranging from low to critical in terms of impact, and from low to high in terms of probability. As a result of this examination, for instance, the company now splits responsibility for cyber risk with an external insurer. "Now we have a good financial evaluation of the risks," says Mauro Ferrari, Epta's Internal Audit Director. "We do this exercise every year, because every year we have different risks."

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Though Epta is family controlled, non-family members make up one-third of the company's board, including specialists from risk management, strategic planning, and entrepreneurial backgrounds. In 2008, the board appointed a committee to oversee implementation of a wide-ranging code of practice covering areas such as corporate governance, reduction of reliance on fossil fuels for refrigeration, and the company's relationships with its suppliers. "The ethical code is the first document that we share with our colleagues when we acquire a new company," Ferrari says.

The code has strict rules about government contracting as well as guidelines to protect whistleblowers against retaliation and allow for disciplinary action for alleged violations.

Monthly business meetings coordinated between local offices and headquarters keep these processes aligned, says Massimo Albertario, the company's Chief Financial Officer. Albertario says the company uses what it calls "W-shaped" planning to mimic natural back-and-forth communication. With this top-down, bottom-up framework, communication moves from top management to local countries, back up to headquarters, then down again to clarify plans before returning to senior leadership.

Albertario says the company has been preparing for times when systems break down – from equipment such as walk-in cold rooms to crises such as the global business interruptions caused by the COVID-19 pandemic. For instance, Epta was the first privately held company in Italy to adopt a self-regulatory code promoted by Bocconi University and the Italian Association of Family Companies (AIDAF) that typically governs publicly traded firms. "We're not listed, but on voluntary basis we follow the best practices of the corporate governance rules," Ferrari says.

Epta leaders say they're seeing the results of many years of reporting and measurement efforts that have created uniform standards despite the diverse geographies in which the company operates. Albertario says: "We measure the business in the same way with the same metrics and this culture is shared across the group."

