erion

Erion WEEE
Erion Professional
Erion Energy
Erion Packaging
Erion Care
Erion Textiles

NON-NEGOTIABLES PRIORITIES FOR THE FUTURE OF BUSINESSES AND SUSTAINABLE TRANSITION

Executive Summary of the 2026 Strategic Report

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INDEX

ERION FORUM 2026

The Erion Forum is a platform for expert discussion between businesses, institutions, and stakeholders in the industrial sectors in which the multi-Producer Responsibility Organizations (PROs) System operates. This year's Erion Forum, taking place on 17 June 2026, aims to analyse the evolution and development prospects of the circular economy in Europe and Italy in light of significant current changes in regulatory, economic and market environments.

This annual event aims to provide institutional and business decision-makers with fresh insights and high-value strategic perspectives on the challenges and opportunities that drive the competitiveness of the national economy. Grounded in a pragmatic approach, it seeks to promote a view of the transition as a necessary lever to safeguard industrial competitiveness, ensure the sustainability of investments, and strengthen the resilience of European value chains.

TEHA GROUP

TEHA Group comprises over 330 professionals, 55% of whom are women. Over the years, the Group has experienced significant growth, thanks also to the contribution of numerous partners who have developed a wide range of initiatives and activities across Italy, Europe and the rest of the world. Today, TEHA Group is **recognized as Italy's leading private think tank, 4th in the European Union**, and one of the most respected and independent institutions across over 100 countries worldwide.

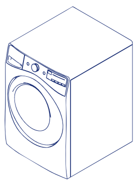
900+ **EVENTS IN 2025**	**3,500** **EXPERTS**	**1st** **THINK TANK**	**16** **COUNTRIES**

This Report has been developed by TEHA Group's Sustainability Practice. With over 30 years' experience in supporting organizations in navigating the Competitive Transition through strategic advisory services, including scenario analysis, strategic planning, sustainability reporting, stakeholder engagement and cultural transformation.

THE ERION SYSTEM

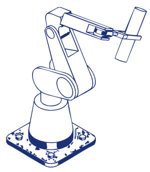
Erion is a not-for-profit, multi-PROs System operating under the Extended Producer Responsibility (EPR) framework and managing various types of waste streams, including electronic products, batteries, packaging, tobacco products, and textiles, with an excellent reputation in terms of authority, efficiency and quality.

An innovative organization representing over 2,500 Member companies nationwide, Erion is uniquely positioned to seize market opportunities, foster collaboration among stakeholders across the value chain and ensure the highest standards of waste treatment, transparency, safety and operational efficiency. Its mission is to strengthen and develop a circular economy model in Italy that creates value for stakeholders, society and the environment.



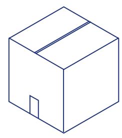
Erion WEEE

Leading Collective Scheme in Italy specializing in the management of Waste Electrical and Electronic Equipment.



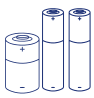
Erion Professional

For Producers placing Professional Electrical and Electronic Equipment on the market.



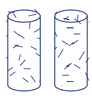
Erion Packaging

A comprehensive service that ensures full compliance with national legislation on the management of Packaging Waste.



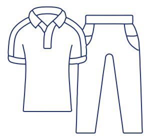
Erion Energy

Ensures that Producers comply with Waste Battery regulations.



Erion Care

The first national Collective Scheme to combat the littering of environmentally harmful Tobacco Product Waste.



Erion Textiles

Collective Scheme dedicated to the management of textile waste for Producers of clothing, accessories, leather goods, home textiles and footwear.

NON-NEGOTIABLE PRIORITIES FOR BUSINESSES AND THE FUTURE OF SUSTAINABLE TRANSITION

THE STRATEGIC MOTIVATIONS BEHIND THE STUDY AND THE SOURCES USED

Since the beginning of 2025, the debate on sustainable transition has increasingly focused on costs, complexity and compliance burdens.This framing of sustainability has contributed to a significant wave of regulatory simplification at European and national levels.

The evidence, however, suggests a more nuanced interpretation.

In this new era, the growing assertiveness of global geopolitical powers and major technology players is weakening the influence of institutions and established rule-based systems. Against this backdrop, the transition itself must be reconsidered through a more pragmatic lens, as also highlighted by the Draghi Report, starting from the competitiveness of economic systems.

The central thesis explored in this Study is that a competitiveness-driven approach to the sustainable transition should not focus solely on what can be removed or simplified, but above all on what can no longer be relinquished in order to remain competitive. Put simply, before pruning the tree, one must first ask "which branch are we sitting on?", to avoid cutting it off and instead ensure that it becomes stronger.

The objective of this Study is therefore to help identify the priority areas on which businesses and policymakers can work together. This ambition is reflected in a Report that brings together authoritative evidence, original proprietary analyses and an initial set of tools designed to support strategic decision-making by both companies and institutions.
These premises inform the logical framework of the Study, which is divided into 3 sections:

1. The EU's sustainable transition in the age of predators	2. Non-negotiable priorities	3. Proposals for a Competitive Transition
Pressures, challenges and opportunities shaping the global competitive landscape	A comparison of business priorities and EU industrial policy trajectories	Tools and recommendations to accelerate a truly Competitive Transition
Essentials of this section Comparative analysis of industrial policy drivers and the concerns of citizens in the EU, US and China	Essentials of this section TEHA STAGE Index, a new tool for measuring alignment between Business and Policy on transition priorities	Essentials of this section 6 operational recommendations to guide decision-makers and businesses towards a new approach to sustainable transition

The Study's findings draw on a variety of analyses and proprietary sources

Proprietary sources	Unpublished works	Public sources
108 companies that shared their priorities via a survey	**17 years of public perception** among EU citizens analysed to measure its evolution over time	**281 ESG policies** analysed at the European and Italian levels to assess regulatory trends
11 Leaders who contributed to the Leaders' Roundtable debate	**4 key opinion leaders** who shared their strategic interpretation of the current evolution	**Over 50 studies and reports** consulted to compile an authoritative, science-based bibliography

Special thanks go to the 11 leaders who contributed to the strategic discussions and analysis of the current competitive landscape during the Leaders' Roundtable:
C. Ticchi (Ariston Group); M. D. Sberna (Beko Europe); A. Boldrin (Decathlon Italia); Cav. F. Vitali (FAAM); A. Fatini del Grande (Haier Europe); F. L'Abbate (H&M Italia); D. Bigiavi (Philip Morris Manufacturing & Technology Bologna); C. Riccardi (Prenatal Retail Group); S. Scotti (Ricoh); I. Fornasari (Smeg); and M. Lessi (Teddy).

Special thanks also go to the 4 Key Opinion Leaders who contributed in shaping the analyses and insights presented in this Report: **Catia Bastioli** (CEO @Novamont), **Marco Imparato** (General Manager @APPLiA Italia), **Vittorio Emanuele Parsi** (Full Professor of International Relations at the Faculty of Political and Social Sciences @Catholic University of the Sacred Heart) and **Mariangela Pira** (Economist and Head of Department @SkyTG24).

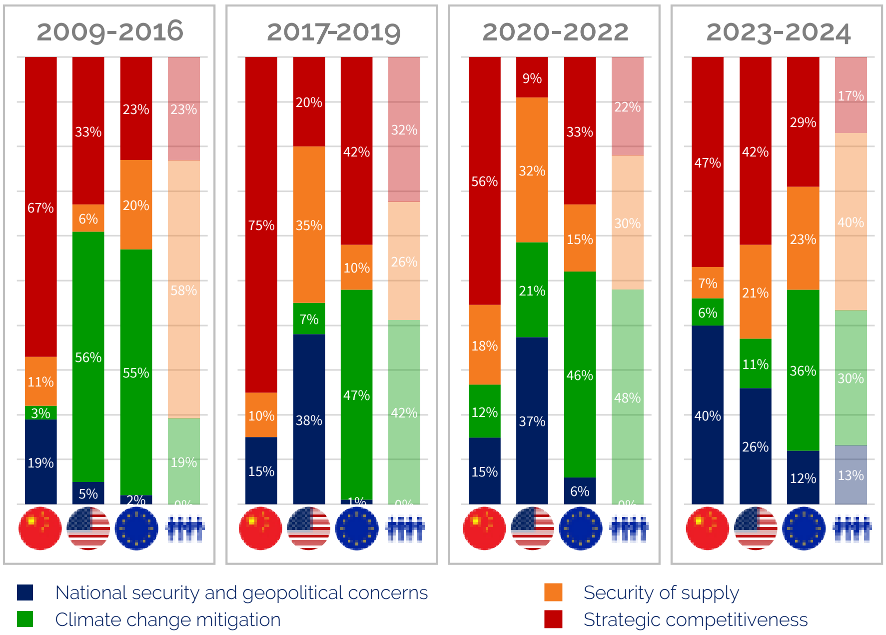
I. THE EUROPEAN SUSTAINABLE TRANSITION IN THE AGE OF PREDATORS

1

1.1 In an age of predators[1], a sustainable transition driven by global multilateralism is doomed to fail

In this new 'age of predators', the international arena is increasingly shaped by emerging geopolitical models: **assertiveness, power and competition prevail over cooperation, alliances and multilateralism.**
Public disclosure reflects this shift as well. Global industrial policies and citizens' perception are now driven by concerns around **autonomy, security, defence and resilience**, thereby creating a **new narrative in the media. The transition to sustainability is not immune to this reconfiguration**; on the contrary, it is increasingly becoming a field of geopolitical competition, with China seeking to consolidate its technological leadership in cleantech and electrification, while the United States attempts to hinder this process through a more interventionist approach to energy policy.

Evolution of the stated objectives of industrial policies and their perceived relevance among EU citizens
(Percentage of policies mentioning at least one stated reason and percentage of preference among the selected variables from 2009 to 2024) [2,3]



Key findings

- **In an environment increasingly dominated by competition and defence, it seems that European industrial policy also appears to be gradually adapting to the strategies pursued by global superpowers**. Since 2019, the objectives underpinning the Western bloc's industrial choices have begun to diverge. The US have adopted an approach that is increasingly similar to China's, with over 65% of policies aimed at consolidating strategic competitiveness and defence. In contrast, whilst scaling back its efforts by 10 percentage points, the EU has nevertheless a primary focus on climate change mitigation[2].
- **Over the last two years, European industrial policy has lost the level of alignment with public perception that it had achieved between 2017 and 2022**. Today, citizens primarily express concern (40%) about security of supply and rising prices, yet only 23% of industrial policies promoted by the European Union explicitly address these issues in their stated objectives. Climate Change remains the main area of intervention at EU level (30%)[3], while, for the first time, citizens have begun to place growing importance on issues such as defence (13%).
- **While the debate across Western economies remains fragmented, China is reaping the benefits of a long-term industrial strategy focused on achieving strategic competitiveness in electrification**. Currently, the country controls between 60% and 85% of the manufacturing capacity across key clean-energy supply chains, exceeding 95% in certain processing stages, thereby demonstrating a systemic competitive advantage[4].
- **In Europe, economic growth over the past 20 years has also been supported by the transition towards more circular models**. A recent study covering the 27 EU Member States measured for the first time the impact of circular economy indicators on GDP per capita growth. According to the analysis, two main factors make the strongest contribution to economic growth: improvements in resource productivity (with a 0.14% rise in GDP for every additional percentage point) and recycling rates (with a 0.11% rise in GDP for every additional percentage point)[5].

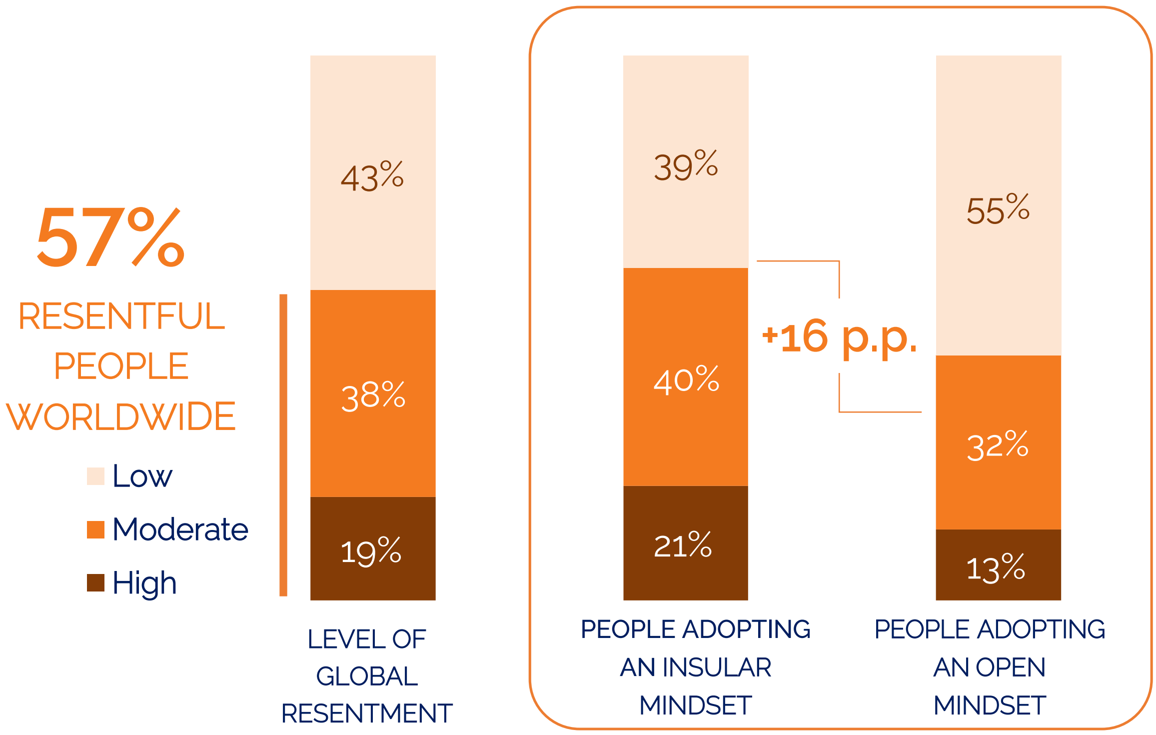
[1] Giuliano da Empoli, The Age of Predators (2025): "The institutional elites who emerged in the aftermath of the Second World War no longer dominate the scene. Instead, two new types of leader now dominate: politicians driven solely by immediate success and direct action, and tech giants with a posthuman vision. Leaders such as Donald Trump, Elon Musk and Bin Salman embody this new generation. Their alliances and clashes generate a system based on swift action, constant provocation and the strategic use of information. This system sidelines the 'old guard' of international diplomacy, which is still tied to outdated rules and institutions"
[2] Global Trade Alert, Industrial Policy as Market-Shaping Competition: evidence from China, the UE and the USA (2026)
[3] TEHA analysis based on data from the Global Trade Alert, Industrial Policy as Market-Shaping Competition: Evidence from China, the EU and the USA (2026) ed Eurobarometer (2009-2026)
[4] TEHA analysis based on data from the IEA, Energy Technology Perspectives (2026) and the WEF, BCG, Already a Multi-Trillion-Dollar Market (2025)
[5] V. Radivojevic et al., The Role of Circular Economy in Driving Economic Growth: Evidence from EU Countries, 2024

1.2 Growing social resentment and polarization are fueling a new crisis of consensus that hinders the ability to deliver effective solutions and successfully complete the transition

For over 3 years, misinformation and social polarization have consistently ranked among the most significant global risks. Distrust, resentment and the fragmentation of public consensus are being exacerbated by the perception that institutions and businesses act primarily to protect the interests of a select few at the expense of the general public.

When coercion prevails over consensus, decision-making asymmetries become more pronounced: the 'strong' consolidate their position, while more vulnerable groups face an increasing risk of marginalization. **The tendency to condemn the "losers" of the transition has turned the pursuit of sustainability into a battleground**: those who feel disadvantaged actively oppose the Green Deal in an attempt to delegitimise change and protect sectors whose business models are perceived to be threatened by transition-related priorities.

"I feel resentful because businesses and governments serve only a privileged minority; their actions are seen as detrimental to people like me, while the system increasingly benefits the wealthy[7]"



Key findings

- **The unchecked spread of misinformation and growing social polarization are eroding the foundations of social cohesion**. This dynamic is self-reinforcing: misinformation deepens divisions, while divisions make people more vulnerable to misinformation. To date, both globally and in Italy, around 65% of citizens are concerned that foreign countries deliberately seek to influence their domestic media with false information[6].

- **The crisis of consensus is further exacerbated by social inequalities. Particularly, among the lower-income groups, where trust in government is weakest, citizens tend to place greater expectations on the private sector. Over 39% report being willing to engage in hostile or confrontational actions in order to drive change**. In Italy, for example, public trust in businesses has fallen in 14 out of 17 sectors in 2025, with the sharpest drop in technology, agri-food and retail sectors (-9, -6 and -6 percentage points, respectively)[7].

- **More than half of the global population believes that the world is a 'zero-sum game', convinced that one person's gain necessarily implies another's loss**[8].

- **The emerging social paradigm is increasingly characterized by "insular mindsets" and a growing sense of resentment**. Trust is becoming concentrated within increasingly narrow networks, while confidence in institutions, the media, and public leaders continues to decline. The result is a gradual weakening of the trust-based relationships that underpin the functioning of open societies. Among individuals reporting the highest levels of social isolation, the share of those expressing resentment is 16 percentage points higher than among those displaying more open mindsets[9].

- **The growing importance of security, defence and resilience is also shaping how citizens interpret the global landscape. Yet, even on seemingly polarizing issues, such as climate change, public consensus is often broader than public debate suggests**. In the United States – the country where views on climate change are among the most polarized – concern on the matter is shared by 92% of left-wing voters, 61% of right-wing voters and 57% of far-right voters. Climate scepticism therefore remains a minority position across the entire political spectrum[10].

[6] TEHA analysis based on data from the WEF, Global Risk Report (2026) and the Edelman, Trust Barometer (2026)
[7] TEHA analysis based on data from Edelman, Trust Barometer (2026) and Edelman, Trust Barometer Country Report Italia (2026)
[8] See the same text
[9] See the same text
[10] University of Cambridge, Restoring Human Progress (2026)

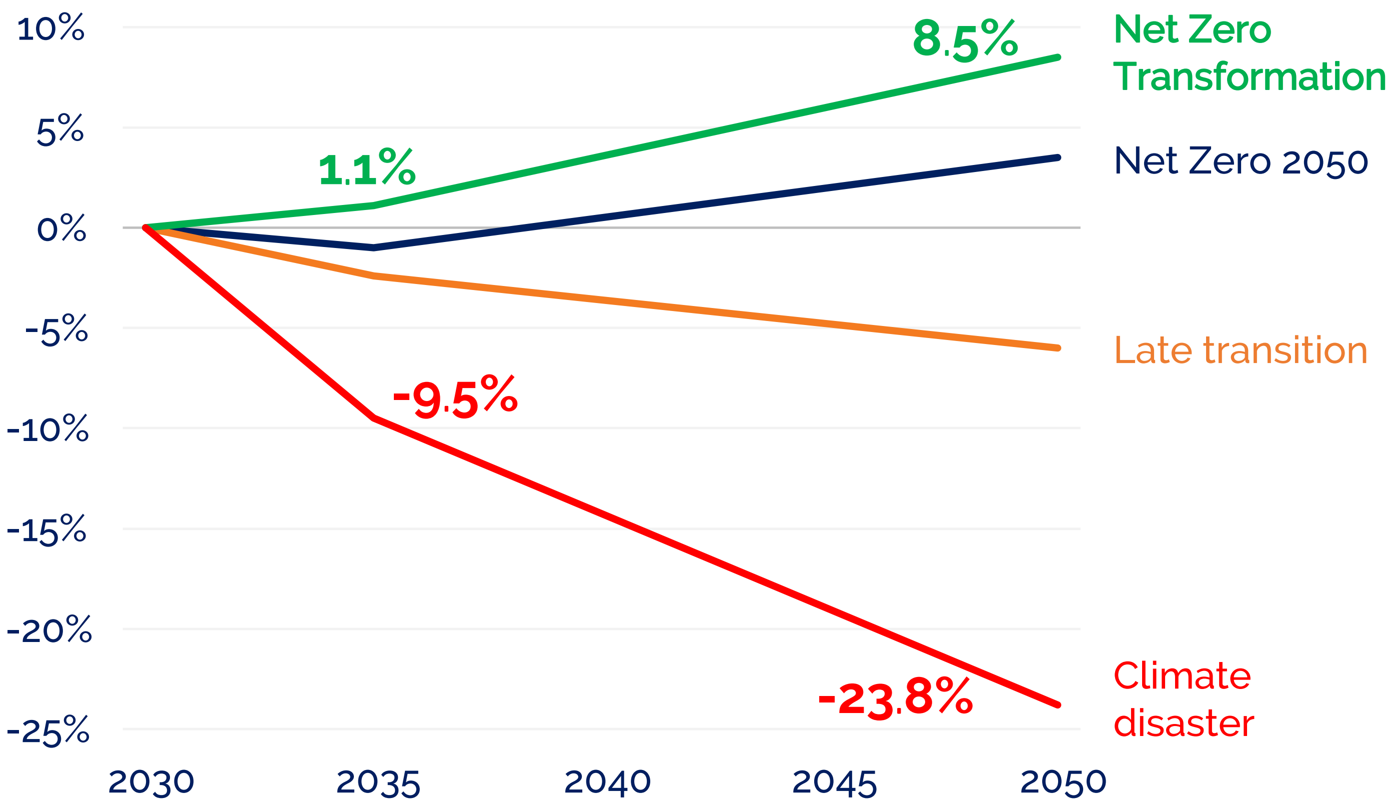
1.3 When the cost of inaction outweighs that of action, a sustainable transition ceases to be a choice

Ignoring - or worse, opposing - the transition entails costs and opportunities that vary significantly across different regions of the world.

The European Union, and specifically the Mediterranean region, is among the areas most vulnerable to the severe impacts of climate change. **The costs associated with addressing and recovering from these impacts could reach €1 trillion per year by the end of the century**.

In this context, **pursuing sustainability in a pragmatic way requires prioritizing areas that have become essential for long-term competitiveness**, such as energy independence, circularity and supply chain resilience.

Projected Impact of Different Scenarios on Italy's Real GDP in 2035 and 2050
(% change in GDP relative to 2025)[13]



Key findings

- **In Europe, extreme weather events caused an estimated €738 billion of economic losses between 1980 and 2023, of which more than €162 billion (22%) occurred between 2021 and 2023 alone**. Damages have increased by 53% since 2009, with an average annual growth rate of around 2.9% (rising from an average of €17.8 billion per year between 2010 and 2019 to €44.5 billion between 2020 and 2023)[11].

- **Recent conflicts in Ukraine and the Middle East have demonstrated how resilience and the energy transition represent two sides of the same coin for Europe**. The energy mix is a structural factor for industrial competitiveness, with direct implications for energy prices. By sourcing over 57% of its electricity from renewable sources, Spain proved more capable of containing price volatility during the 2022 energy crisis, and recorded a further decline in wholesale electricity prices in 2026 during the conflict in Iran. Over the same period, Italy and Germany experienced price increases of 20% and 15%, respectively[12].

- **For the Italian economy, slowing climate action represents a significant risk**. According to the government's Parliamentary Budget Office, even under a scenario in which carbon neutrality is achieved by mid-century, the average annual impact of extreme weather events on the national accounts would still amount to approximately 0.9 percentage points of GDP. Under a scenario of no action, however, this figure would rise to 5.1 percentage points. At the same time, projections indicate substantial benefits from accelerating the transition: acting decisively today could generate GDP gains exceeding +1.1% by 2035 and +8.4% by 2050[13], with benefits significantly outweighing the associated costs.

- **In Italy, investing in circular economy benefits both businesses and the financial sector. Companies adopting circular business models are, on average, 28% more creditworthy, making them more attractive to private investors**. An analysis of over 2,000 entities shows that Italian credit institutions could achieve potential savings in terms of risk exposure of around €4 for every €100 of loans granted if they were to direct their lending towards circular businesses. Compared to traditional competitors, circular businesses generate, on average, 1.5 times more cash flow, have 6% less debt, and have a greater ability to cover debt with operating profit (24%)[14].

[11] TEHA analysis based on data from the EEA, Economic losses from weather- and climate-related extremes in Europe (2024) and Copernicus, Report (2025)

[12] TEHA analysis based on data from Ember Energy Research CIC, European electricity prices and costs (2026), Financial Times, Power prices in Europe swing wildly as Iran war stokes volatility (2026) e Reuters, Renewables in vogue as Iran war drives up Europe power prices (2026)

[13] TEHA analysis based on data from the Parliamentary Budget Office, the Budget Policy Report (June 2025) and ASVIS, Scenarios for Italy in 2035 and 2050: the false dilemma between competitiveness and sustainability

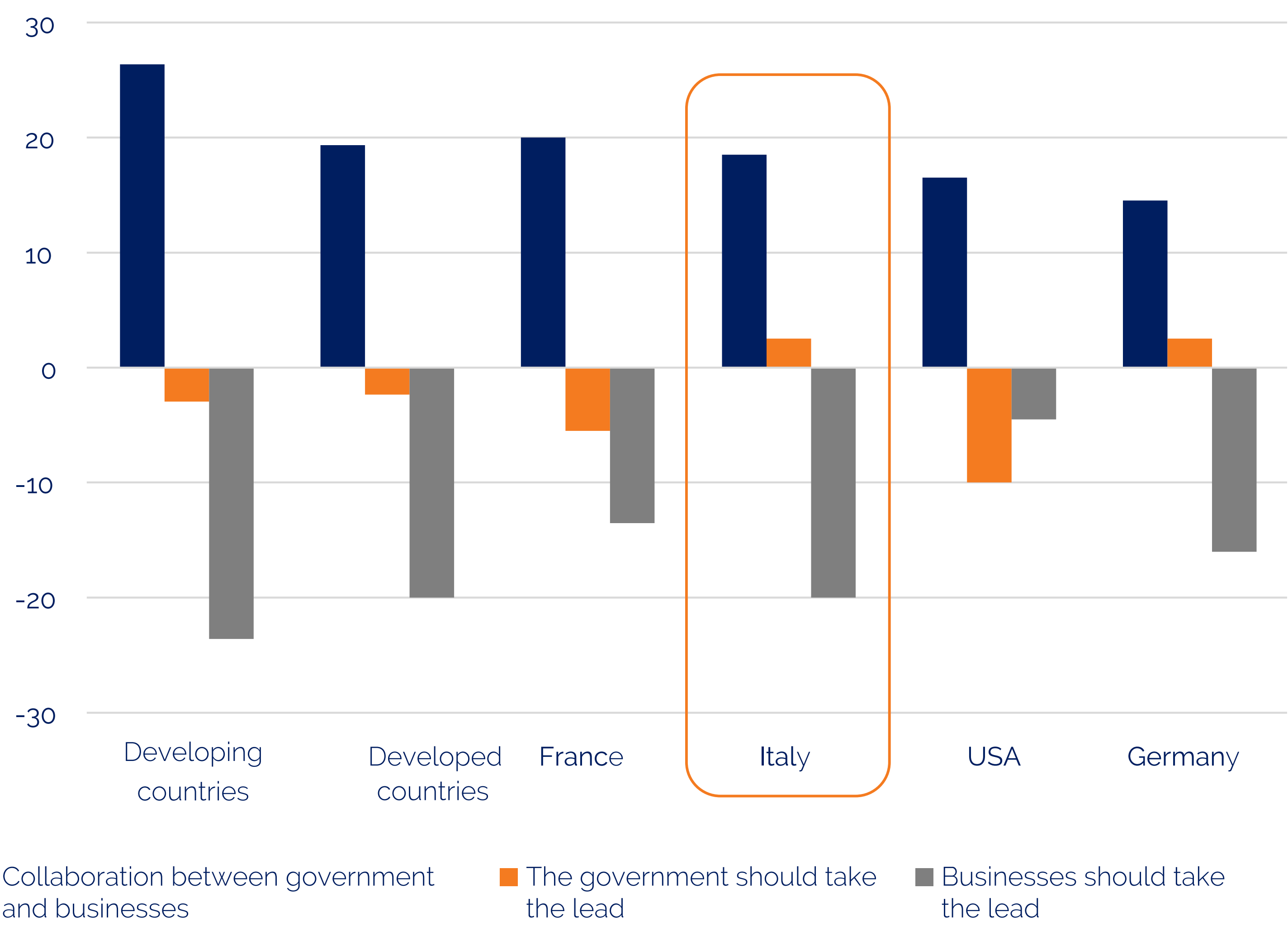
[14] TEHA analysis based on data from the CDP, Circular economy: a lever of business Competitiveness, (2024) and Cerved Rating Agency, The impact of the circular economy on the risk profile of Italian businesses (2024)

1.4 Knowing what needs to be done is not enough to drive change. Collaboration and dialogue are essential for turning 'walls' into networks of action

The sustainable transition presents decision-makers and citizens with a new 'Buridan's donkey' dilemma. **Faced with choices that inevitably generate uneven costs and benefits - resulting in 'winners' and 'losers' - the greatest obstacle to progress is the risk of decision-making paralysis.**

When change cannot be achieved by decree alone, collaboration becomes the only pragmatic alternative to inertia. Building consensus and alignment among institutions, businesses and citizens is not only essential, but increasingly urgent.

Perceived Utility of Different Leadership Model[14]



Key findings

- **Without a credible vision of the future, even the wealthiest societies struggle to take action**. Across the G7 countries, optimism and openness to change are consistently lower than in emerging economies such as China, India, Kenya and Nigeria, where confidence in the future remains stronger. In high-income countries, decades of sluggish growth, rising inequalities and instability have eroded collective trust in progress[15]. As Diane Coyle has highlighted, this creates a paradox: "*Although concern for the climate and nature is widespread, this does not translate into support for long-term policies and investments due to a lack of conviction that 'building the future' is worthwhile*"[16].

- **Climate change and biodiversity loss cannot be addressed as isolated issues. Instead, they require a profound realignment of interests between the public and private sectors. This new model of collaboration is also reflected in citizens' preferences**[17]. Across all the regions analyzed, leadership models based on cooperation between governments and businesses are the only ones associated with a positive perceived value among citizens (approximately +20 points). Leadership models that favor one actor over the other generate negative perceptions (-3.5 points when leadership is entrusted solely to governments and -16.3 points when it is entrusted to businesses). In other words, citizens believe that, when it comes to the sustainable transition, effective decision-making can only be achieved through collaboration between institutions and businesses.

- **In Italy, citizens recognize that large companies have a key role in fostering dialogue, yet expectation remains unmet in 41% of cases[18]**. Almost all respondents (96%) believe that companies have a responsibility to promote dialogue with local communities, but only 55% consider businesses in their area to be genuinely effective in doing so. The result is an "engagement gap" of approximately 41 percentage points between the responsibility attributed to companies and their perceived effectiveness. This gap does not indicate a lack of interest; rather, it reveals a significant and unmet demand for engagement.

- **Against a backdrop of widespread mistrust, 35% of Italian citizens state that, when facing divisive social challenges, a trustworthy company is one that encourages collaboration in the search for shared solutions[19]**. Businesses today benefit from a form of "social license to act", but only if they operate effectively, ethically and responsibly. Superficial or late-stage consultations do not mitigate conflict; they risk intensifying it. This is evidenced by the 156 infrastructure projects currently stalled across Italy due to local disputes, representing a combined investment value of approximately €27 billion[20].

[15] University of Cambridge, Restoring Human Progress (2026)
[16] TEHA adaptation of Diane Coyle – Financial Times (29 October 2025)
[17] University of Cambridge, Restoring Human Progress (2026)
[18] A2A, TEHA, SDA Bocconi, Creating value through stakeholder engagement (2025)
[19] See the same text
[20] EJ Atlas (2026)

II. NON-NEGOTIABLE PRIORITIES

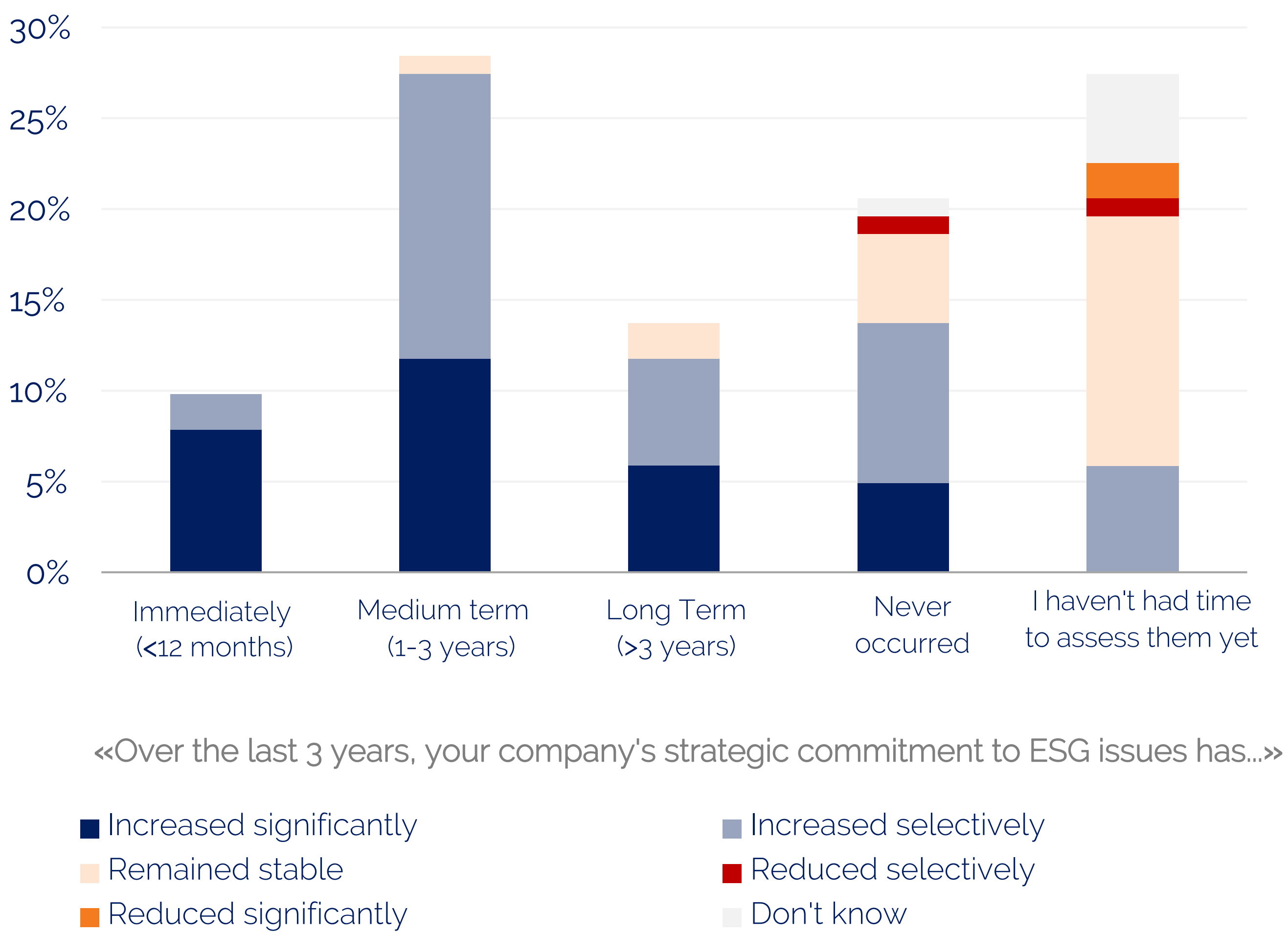
2

2.1 Despite regulatory uncertainty and limited market rewards, 75.5% of business leaders view sustainability investments with a payback period of less than 36 months as a source of 'anti-fragility'

Over the last 3 years, the evolution of the regulatory landscape (es CSRD) has triggered structural changes within EU businesses, making sustainability an increasingly integrated component of corporate and industrial strategies. However, if not properly calibrated, sustainability risks shifting from a driver of transformation to a constraint on competitiveness. **As markets begin to view sustainability as a prerequisite for participation – while transferring much of the associated costs and burdens to businesses – companies are required to innovate improve productivity and efficiency , and strengthen their competitive capabilities in order to maintain their position in European and global markets.**

Today, from a competitive perspective, companies must consider 3 key factors when tackling the transition: embedding sustainability within managerial culture, making decisions based on a balanced assessment of the costs of action and inaction and focusing on maximising short- and medium-term economic benefits.

«How long did it take for sustainability initiatives to generate tangible benefits for your company?[20]»



Key findings from the survey of 108 companies[21]

- **68.6% of companies report having increased their ESG commitment over the past three years. In seven out of ten cases, this integration has been facilitated from either structured or occasional collaboration with other functions** - particularly when sustainability has been embedded within risk management processes. Among managers who established the most effective collaborations, 97% report having a strong influence on corporate strategic decisions. In other words, driven by both compliance requirements and leadership, sustainability has become part of day-to-day decision-making. However, without a widespread sustainability culture and decision-makers capable of weighing the costs of action against those of inaction, compliance risks reducing sustainability to something that simply "has to be done", undermining its transformative momentum.
- **Faced with the unpredictability of the current European regulatory landscape, 75.5% of companies believe it is appropriate to maintain or increase their existing sustainability commitments. The expected benefits of regulatory simplification remain limited for more than 3 in 4 companies**. In a market that increasingly views sustainability as a basic requirement for participation – while offering little or no price premium in return - business resources must be rapidly redirected towards sustainable innovation. The key question becomes: What must companies do to remain competitive against global powers that have adopted more interventionist industrial policy approaches?'.
- **When markets fail to reward sustainability, companies focus on quick wins with payback periods of <36 months, particularly in the areas of energy efficiency, health and safety, and circular economy**. Among companies that significantly increased their sustainability commitments, 64.5% reported tangible benefits within three years. This share falls to 46.2% among companies that adopted a more selective approach. The return on investment was not immediate but required a consistent time horizon and continuity of action. The areas generating the most promising results were energy efficiency (23%), working conditions and occupational safety (19%), and circular economy initiatives (14%), particularly in sectors characterized by tighter profit margins.

[21] TEHA analysis based on proprietary data collected through the 'Non-negotiable priorities for businesses and sustainable transition' survey (April 2026)

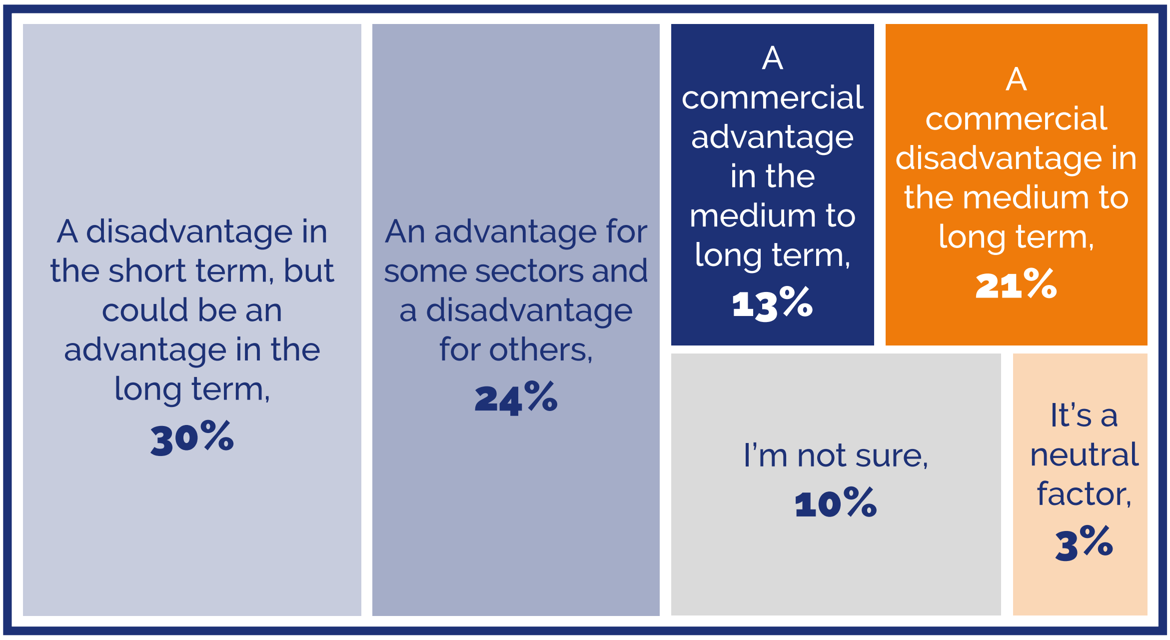
2.2 The "leave no one behind" promise is being tested as the transition creates winners and losers

Sustainability is already a key area of competition across all sectors, particularly against non-EU competitors.

In this context **the EU's approach gives rise to differentiated competitive scenarios across industries**: some sectors are benefitting immediately, while others are facing disadvantages. For a third group, the transition entails short-term challenges but an advantage in the long-term.

Recent geopolitical developments have further reinforced these dynamics. **Energy costs and the development of clean technologies have emerged as the areas where competitive pressure is most broadly felt across sectors**. In particular, recent US industrial policy decisions have created market opportunities that Chinese companies appear keen to capture, leaving Europe at risk of falling behind.

«In the competitive landscape vis-à-vis the United States and China, the current level of sustainability-related compliance represents for European companies[21]...»



Key findings from the survey of 108 companies[22]

- **Around 1 in 4 companies report significant competitive pressure relating to sustainability issues in global markets**. For over 88% of respondents, the most significant pressure relates to energy (energy efficiency and costs), followed by sustainable innovation (83%) and environmental product standards (82%). From a sectoral perspective, competition appears to affect industrial sectors such as metalworking, electronics and electrical engineering. In contrast, fewer than 1 in 2 companies report pressure relating to issues such as biodiversity protection or water management.
- **Over 54% of companies recognize that European sustainability standards are generating a 'multi-speed' effect on businesses in the global competitive arena**. Around 30% foresee short-term disadvantages offset by long-term advantages, while 24% believe that the current regulatory framework is creating benefits for some sectors while disadvantaging others. Manufacturers operating in the equipment sector are likely to view these standards as a constraint: 10.8% perceive them as short-term obstacles, while 9.8% view them as long-term barriers that will put them at a disadvantage.
- **Industries appear to be reacting differently to the current wave of regulatory reconfiguration**. The energy sector is increasing its sustainability commitments in the short term (100%) but, having reached a relatively advanced level of maturity, does not expect to significantly intensify its efforts over the longer term. The chemical industry, by contrast – where 50% of companies appear to have reduced their level of engagement due to regulatory uncertainty - expects to increase its commitment over the next 3 years.
- **The choice of sustainability priorities on which companies concentrate resources also reflect sector-specific characteristics**. Digitalization and energy efficiency have attracted investment across industries thanks to their favourable cost-to-benefit ratio. Today, however, in sectors where products are less technically complex and margins are tighter, solutions focused on energy efficiency and circularity can provide immediate savings capable of strengthening competitiveness. This helps explain why over 50% of companies in the equipment industry or in the manufacturing of electronics and electrical engineering sectors are investing in this type of solution. Circular economy and waste management solutions are also attracting growing attention, accounting for 11.8% investments among manufacturers of equipment and machinery.

[22] TEHA analysis based on proprietary data collected through the 'Non-negotiable priorities for businesses and sustainable transition' survey (April 2026)

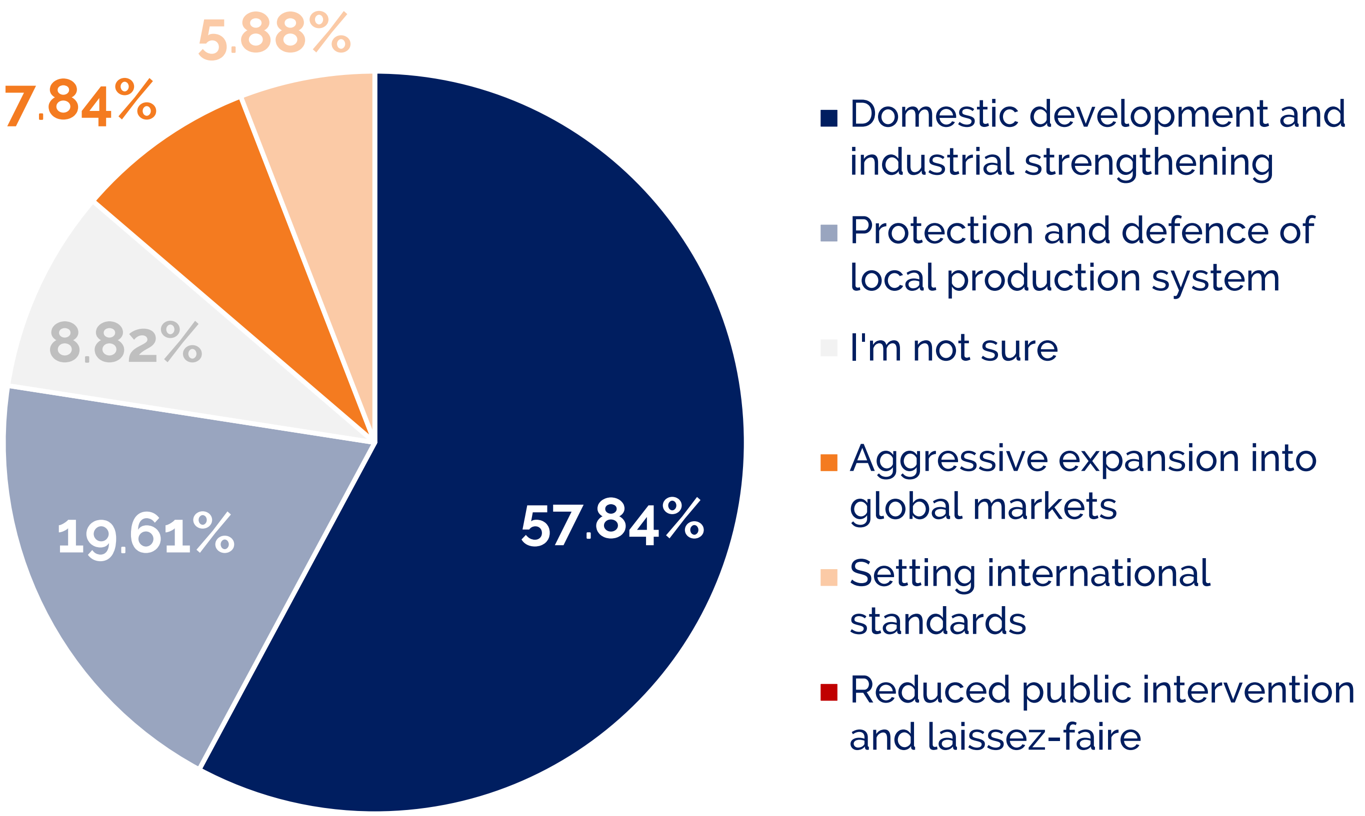
2.3 Businesses need policies that promote the growth of supply chains through greater regulatory harmonization and stable long-term incentives

Within the European 'community', regulation is an effective policy lever capable of harmonizing differences across countries and territories.

To remain competitive, however, local production systems also need to be supported through stable and long-term incentive mechanisms. Recently, regulatory attention appears to have focused more on compliance and control mechanisms rather than instruments designed to encourage and reward the adoption of positive behaviours.

Even where incentives have been successfully trialled – as in the case of household appliances – **uncertainty over their continuation can undermine efforts** and weaken competitive momentum.

«What should be the primary objective of the European Union's economic and industrial policy in the 2026–2030 period?»



Key findings from the survey of 108 companies[23]

- **None of the companies surveyed identified a reduction in public intervention as a priority for the future of EU economic and industrial policy**. On the contrary, institutions are seen as having an active role in supporting the industrial system: 58% of companies prioritize developing tools to strengthen domestic production, while around 1 in 5 emphasize the need for more protectionist policies.

- **According to the companies, the future of the sustainable transition depends on policymakers focusing on energy costs, permitting simplification, and cleantech development**. The recent US-Iran conflict has brought these urgent issues back into the spotlight, highlighting the need for action to safeguard industrial competitiveness. By contrast, on issues such as the development of alternative energy sources, digitalization and access to finance, companies express more fragmented and less aligned views.

- **Across almost all policy areas, incentives are considered as the most effective tools available to policymakers. This is particularly true for sustainable innovation (63.7%), skills development (51%), decarbonization (50%) and access to capital (45.1%)**. Yet the effectiveness of this policy is still hindered by the complexity of the instruments currently available. In many cases, access to incentives is often conditional upon meeting challenging targets, meaning that failure to meet these requirements can result in ex-post penalties for companies, such as the loss of incentives or exposure to sanctions.

- **Direct public investment plays a complementary role alongside incentives, particularly in contexts requiring significant capital, such as access to finance (26.5%) and technological innovation (23.5%). Regulatory frameworks and standards, by contrast, are seen as the most appropriate tools in areas characterized by systemic risks**, such as 'Climate adaptation' and 'Circular economy' (both 39.2%).

[23] TEHA analysis based on proprietary data collected through the 'Non-negotiable priorities for businesses and sustainable transition' survey (April 2026)

2.4 Alignment between businesses and policymakers on transition priorities reaches nearly 51%. The gap lies not so much on the issues themselves, but in the policy instruments chosen and, above all, in regulatory complexity - particularly in the areas of decarbonization, climate adaptation and the circular economy

The Sustainable Transition Alignment between Governments & Enterprises Index (STAGE Index) is a first-of-its-kind experimental framework designed to measure the degree of convergence between the priorities expressed by businesses and the policy direction pursued at both the European and national levels with regard to the future of the sustainable transition.

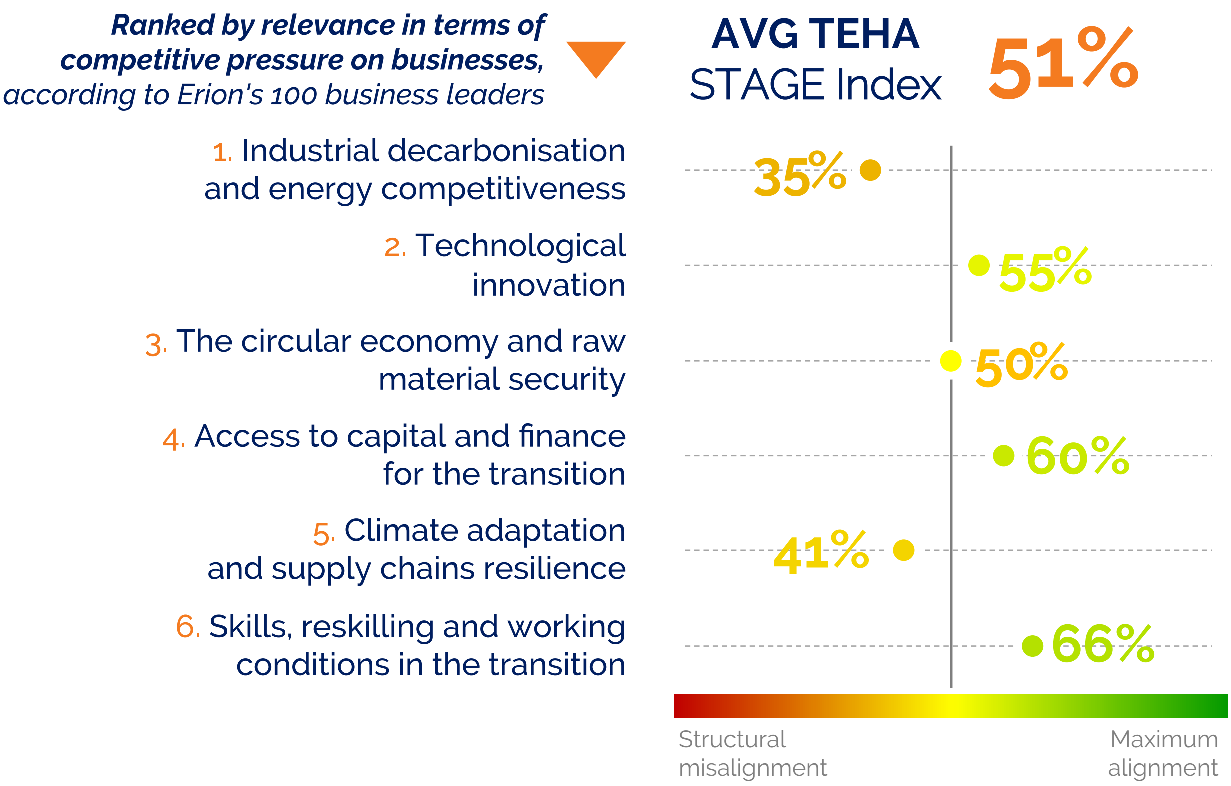
The Index is based on the results of a business survey conducted in 2026, combined with a proprietary analysis of more than 281 sustainability-related policies adopted between 1991 and 2026 at the European and national levels, which collectively form the current regulatory framework governing the transition.

Specifically, the Index integrates three dimensions:

- the degree of alignment between the thematic priorities identified as most relevant for advancing the transition;
- the degree of alignment regarding the policy instruments considered most effective for promoting progress across different sustainability topics;
- the level of regulatory complexity that companies currently face in the key areas of the transition.

In its current formulation, the Index does not yet incorporate citizens' perceptions, despite their importance as a key transition variable given the influence that public opinion can exert on policymakers and legislative priorities.

STAGE Index (Sustainable Transition Alignment between Governments & Enterprises)
Degree of Convergence Between Policymakers and Businesses on Priorities for the Future of Europe's Sustainable Transition[22]



Key findings[24]

- **Over the past 35 years, sustainability-related regulatory activity at both the European and national levels, has primarily focused on industrial decarbonization and energy competitiveness (30%), circular economy and raw material security (19%), climate adaptation (16%) and sustainable innovation (14%)**. Thematic priorities identified by policymakers and businesses exhibit a very high degree of convergence, with alignment rates ranging from 83.9% to 95.7%.

- **The choice of policy instrument is the dimensions of the STAGE Index where the most significant gaps emerge. In particular, the tools currently adopted by policymakers to support sustainable innovation and access to transition finance address companies' needs in only 59.4% and 62% of cases, respectively**. By contrast, climate adaptation is the area in which policymakers appear to have deployed policy instruments most consistently aligned with current business needs, achieving an alignment rate of 79%.

- **Even where the strategic alignment is strongest in terms of both thematic priorities and policy instruments, regulatory complexity can undermine the effectiveness of actions. Supply-chain resilience, decarbonization and circular economy are the areas where this challenge has been most evident over the last 35 years.** In these areas, a high volume of new legislation combined with frequent updates has imposed significant compliance burdens, requiring substantial efforts simply to keep pace with evolving requirements.

[24] TEHA analysis based on proprietary data collected through the 'Non-negotiable priorities for businesses and sustainable transition' survey (April 2026) and on analyses conducted using a proprietary database of 281 sustainability policies issued at the European and Italian level (1991–2026)

3

PROPOSALS FOR A COMPETITIVE TRANSITION

SO WHAT?
In an unsustainable development model, no one can truly thrive.

Since February 2025, the very concept of 'transition' has been called into question.

The assertiveness of predators - political leaders and tech giants - is undermining the legitimacy of institutions, particularly multilateral ones, as well as the rules that underpin the functioning of our societies. This shift is unfolding at a staggering pace, redirecting policymakers' attention towards geopolitical concerns, security and strategic autonomy. Sustainability-related institutions and regulatory frameworks are no exception.

The debate on the sustainable transition has largely focused on what businesses would like to 'cut back'. Genuine pragmatism, however, requires looking instead at what companies are unwilling to sacrifice, as this is where the future of Europe's sustainable and circular competitiveness lies.

Despite the increasingly evident urgency to act, **businesses are now required to make decisions and plan investments in an environment that is more uncertain and less predictable than ever before** – particularly in Europe. Without deep structural transformations, neither institutions nor companies will be able to reverse current trends alone or safeguard the social and environmental foundations on which both ultimately depend. However, it is important to remember that:

- **markets and pricing systems do not reward sustainability directly**. Although consumers are reluctant to pay more, they regard sustainability as fundamental and tend to favour more sustainable products at the same price;
- **change does not happen by decree, and regulation alone will not be sufficient to accelerate the transition**. Instead, it risks prompting companies to adopt a 'declarative sustainability' approach, focusing more on disclosure than on improving their performance;
- **the costs of the transition cannot be assessed in isolation**. Rather, the costs of taking action must be weighed against the long-term costs of inaction, which, in the case of climate change, can only be managed through socialization.

Towards a new paradigm of Competitive Transition

The challenge of the transition is not whether to move forward or backward, but rather how to find the right pace by focusing on the areas that can most effectively enhance the competitiveness of businesses and of the broader economic system.
This awareness lies at the heart of TEHA's Competitive Transition paradigm. From an environmental perspective, it prioritizes solutions capable of delivering long-term sustainability objectives while preserving short-term profitability and fostering innovation. From a social perspective, it emphasizes responding to the legitimate expectations of stakeholders in order to build the consensus necessary for long-term business success.

PROPOSALS FOR A COMPETITIVE TRANSITION

	For institutions		For companies
I.	**Reward the frontrunners and support the laggards.** Develop stable and long-term incentive schemes to encourage businesses, banks and consumers to adopt more sustainable behaviours, reducing reliance on punitive approaches.	**III.**	**Focus intensively on a few priorities.** Concentrate efforts on a limited number of areas where initial investments are low and available technologies can deliver improvements in both sustainability performance and profitability.
II.	**Support innovation.** Allocate resources to accelerate the development of competitive solutions in strategic sectors, creating a single capital market where capital can flow and simplifying access to finance.	**IV.**	**Make expertise available to institutions and citizens.** There is an urgent need to accelerate the development of practical and effective solutions, both regulatory and operational, throughout value chains.
V.	**Join forces to compete.** Current company size often limits the ability to compete in international markets and invest at a scale. Creating business clusters and consortia based on the principles of EPR can help consolidate competitive advantages.		
VI.	**Make your voice heard. Listen to the voices of others.** Execution is everything. Strengthening strategic alignment between policymakers and businesses is essential to building a more competitive and resilient Europe. To overcome the current crisis of consensus, companies need credible and authoritative interlocutors, as well as structured dialogue mechanisms capable of identifying and addressing shared priorities.		

If you require further information, please contact the content manager, Carlo Cici, Partner & Head of Sustainability Practice, The European House – Ambrosetti, at carlo.cici@ambrosetti.eu

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