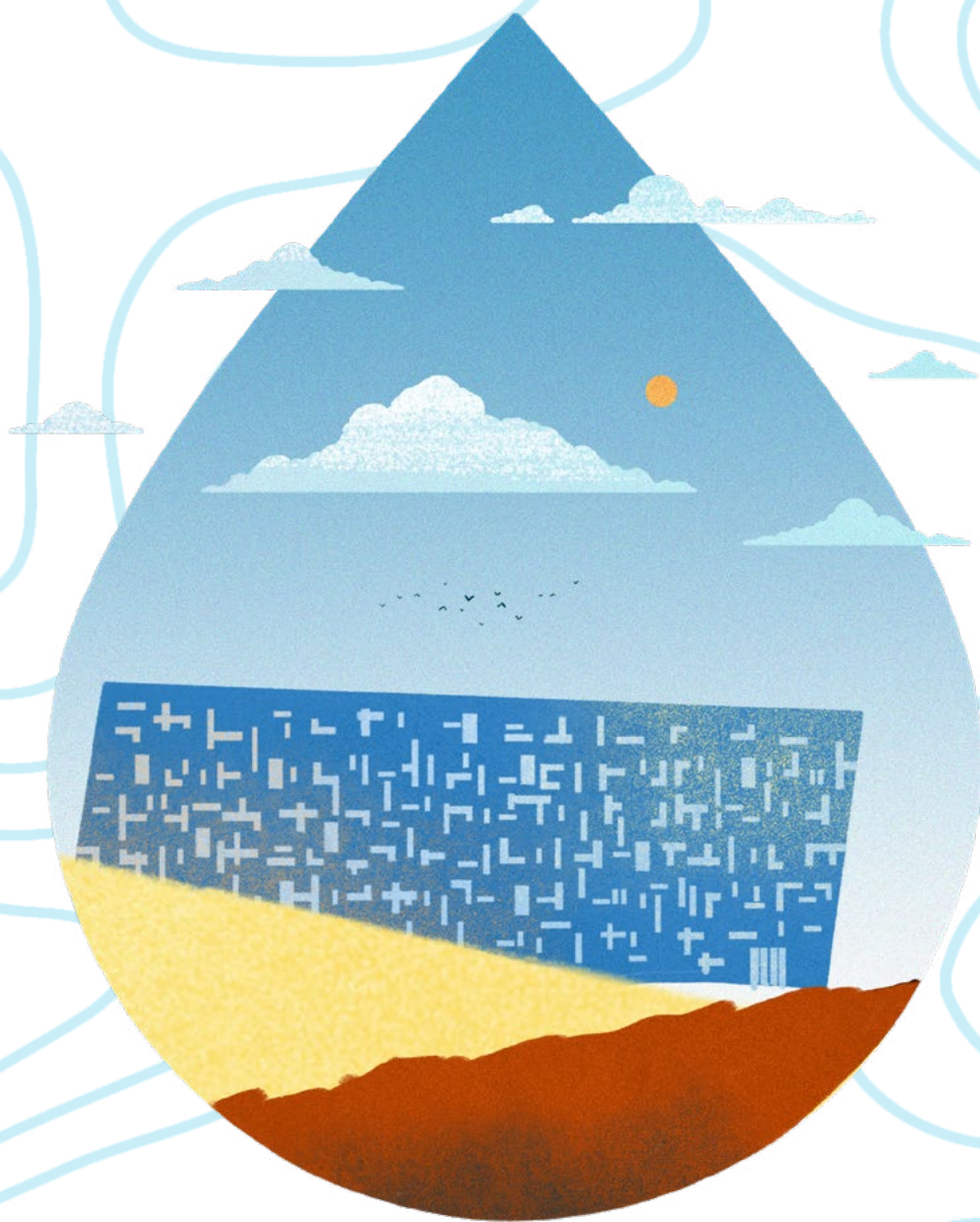


CAP GROUP SUSTAINABILITY- LINKED FINANCING FRAMEWORK

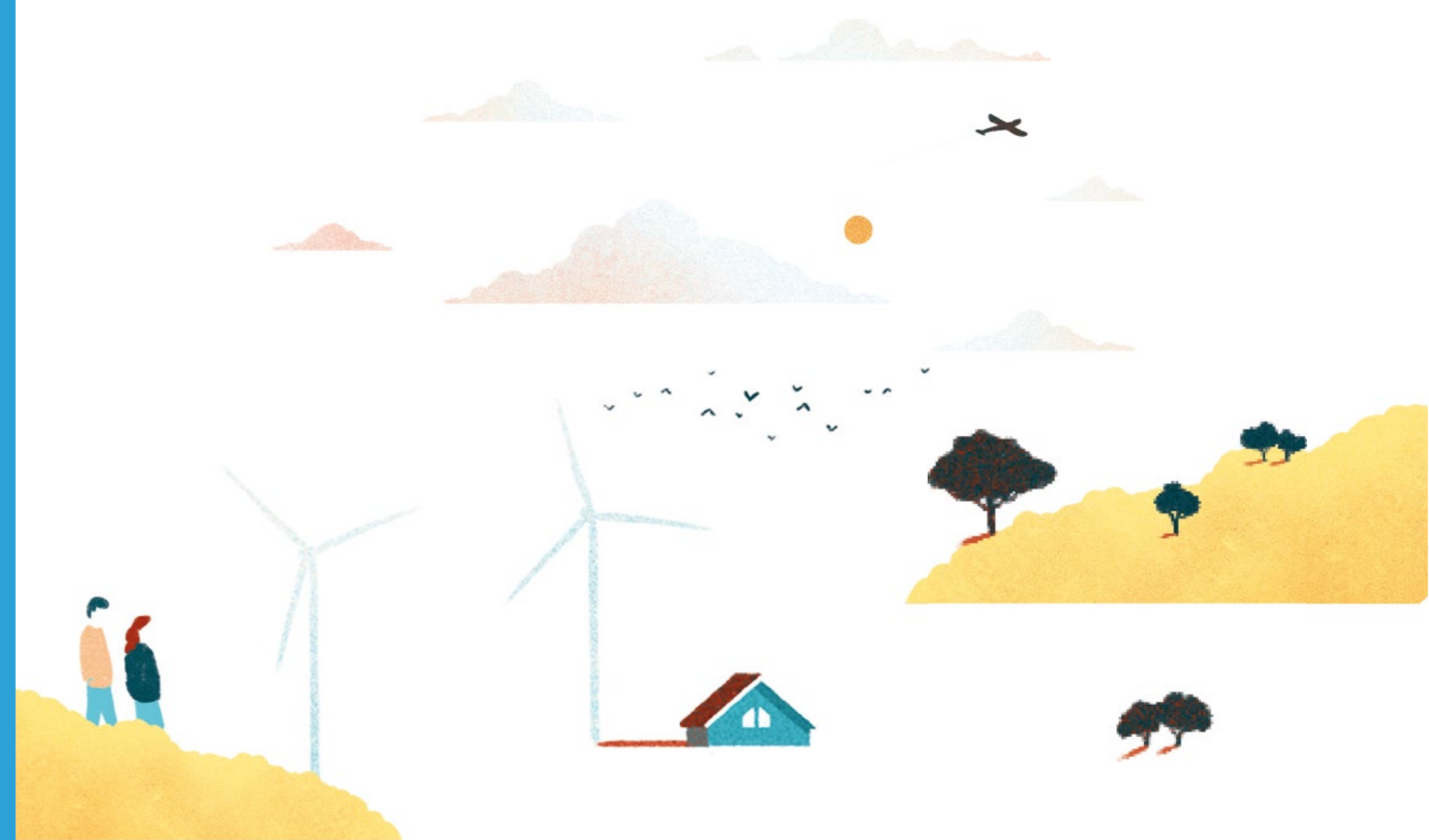




 **SENSIBILI** |
  **RESILIENTI** |
  **INNOVATORI**

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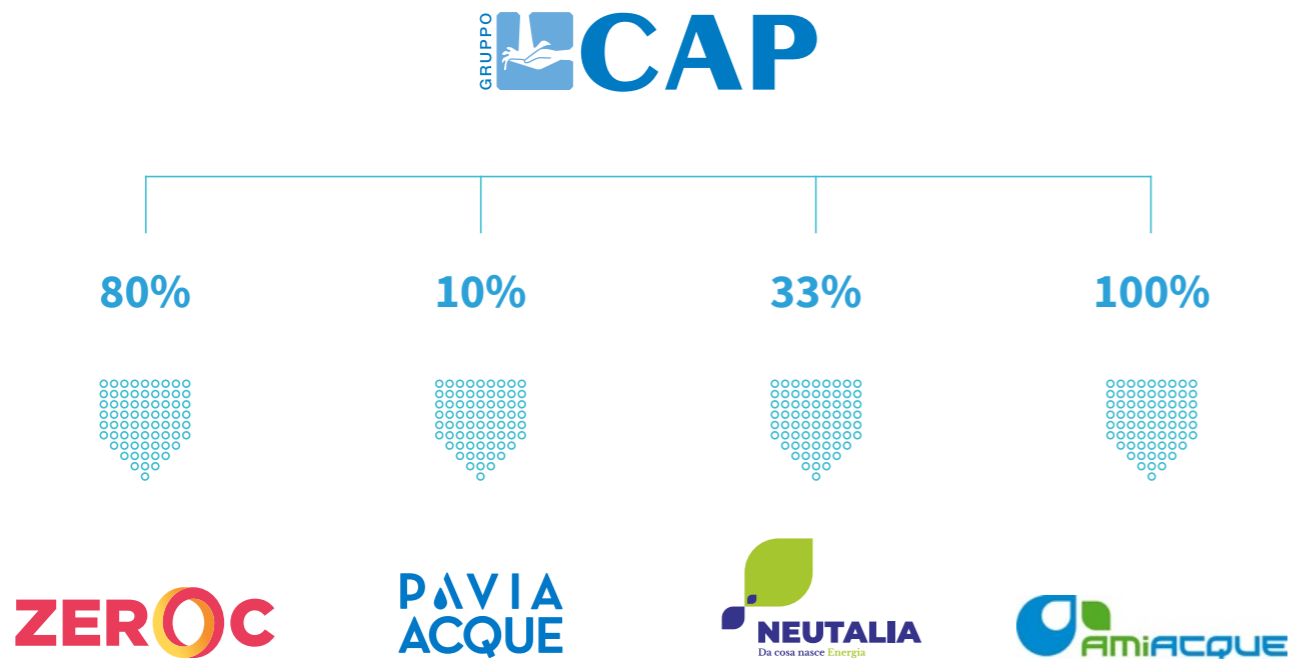
1. CAP Group at a glance

CAP Group (hereinafter also “CAP” or “the Group”), a public limited company owned by local authorities, is one of the main Italian Integrated Water Service management companies. The Group operates in the Metropolitan City of Milan and some municipalities in the provinces of Como, Monza-Brianza, Pavia and Varese.

The history of the Group dates back to 1928, when a group of municipalities within the Seveso River basin, including Paderno Dugnano, Limbiate, Cusano Milanino and Cormano, formed the Consortium for Drinking Water (“*Consorzio per l’Acqua Potabile*” – CAP).

Today, CAP Group secures high-quality, safe and controlled water to about 2.5 million inhabitants through its purification and drainage system. The Group runs a large and complex aqueduct system of 6.461 kilometers of network¹ and high-tech systems such as water treatment plants. As of 31/12/2022, the Group counts 909 employees.

CAP Group is recognized as a green utility that contributes to climate change mitigation and combines economic development with a social commitment aimed at generating trust in the relationships with its stakeholders and creating shared value. In this regard, the Group has recently developed sustainable waste management projects, and has become partner of Neutalia, which produces energy by using waste, and is a main partner of ZeroC, which is in charge of sustainable waste management.



¹ As of 2022

Moreover, the Group joined the Water Alliance, a network of 13 in-house water companies in Lombardy. Overall, the Water Alliance has a turnover of € 1bn and a water network of 40,000+ km spread in more than 1,200 municipalities, for a total of 8.5 million inhabitants served. The Alliance companies signed such a network agreement to facilitate their collaboration and enable synergies on water analysis, network digitalization and sustainability.



2. Sustainability at CAP Group

CAP Group’s long-term sustainability strategy strives to define the evolution of future scenarios and anticipate the impacts of the main social, environmental, and economic trends.

The Group fully integrates sustainability into its Industrial Plan by leveraging its shared value. In doing so, the Group was able to redefine corporate behaviors and business activities by engaging with the top management and reinforcing corporate social responsibility.

The Group has identified 7 relevant stakeholder categories:

- **Environment:** environmental associations and other citizen committees;
- **Employees/people:** employees and labor unions;
- **Communities:** schools, universities and academies, professional orders, future generations;
- **Partnerships and served territories:** municipalities, Metropolitan City of Milan, Water Alliance, Regional Authorities;
- **Customers:** individuals and households, companies, building managers, consumer associations;

Materiality analysis

CAP Group periodically updates its materiality analysis in line with market best practices.

SENSITIVE

1 Quality of running water

2 Occupational health and safety

3 User satisfaction and liability

4 Effective and transparent communication

RESILIENT

5 Quality and quantity of purified water

6 Emissions reduction and other actions against climate change

7 Circular economy

8 Responsible waste management

9 Ecosystems and biodiversity protection

10 Losses reduction

11 Resilient territories

INNOVATORS

12 Cybersecurity

13 Digitalization and process & service innovation

14 Innovation and sustainability of infrastructures

- **Markets:** regulators, peers, investors, start-ups;
- **Suppliers:** big and small suppliers, commercial partnerships.

For the materiality analysis update in 2021, the Group interacted with all stakeholders – namely those entities directly or indirectly affected by corporate activities or conversely creating a significant impact on the Group’s business - through two channels: a workshop with the management and external stakeholders and a focus group addressed to users. The materiality analysis generated 14 material topics, which are listed in the table below.

With respect to these topics, in 2022 CAP Group launched a survey addressed to its stakeholders which underlined growing awareness towards energy costs, drought, water shortage and climate change.

Emissions Reduction

CAP Group defined a decarbonization trajectory aimed at reducing its carbon footprint. The Group identified and assessed its greenhouse gas (GHG) emissions by applying the Carbon Footprint accounting and the Life-Cycle Assessment (LCA) methodology.

Since 2016, CAP Group measures its GHG emissions using the calculation model under the UNI EN ISO 14064-1. In addition, in 2022 the Group committed to the Science-Based Target initiative (SBTi), a collaboration between the CDP, the United Nations Global Compact, World Resources Institute and the Worldwide Fund for Nature established to foster corporate actions against climate change through setting a science-based climate target.

The SBTi assesses the GHG emission reduction objectives – the Science-Based Targets – set by companies through a scientific methodology as well as their ambition to maintain global temperatures below 1.5°C with respect to pre-industrial levels. CAP Group commits to setting its science-based targets and to achieving them by 2030.

A. Sustainability Governance

The Group effectively manages ESG risks and their financial implications within the organization. Indeed, to address and manage these risks more efficiently, the Group formalized its commitment to promote sustainable development through a new Sustainability Policy approved by the Board of Directors on January 26th, 2023.

This policy outlines the establishment of a Control, Risks, and Sustainability Working Group and an ERM & ESG Management Committee, both characterized by diverse and cross-functional compositions, enabling more effective monitoring of ESG risks and their financial impacts through an integrated approach.

The policy’s main objective is to integrate sustainability across all levels of the company. This integrated governance model involves managing ERM and ESG processes through an extensive evaluation of risks which implies integrating ERM with ESG risks from a methodological standpoint. This integration lies in improved supervision and control by the management and Board of Directors, including risks associated with climate change in line with TCFD recommendations.

According to the Sustainability Policy, the Board of Directors, supported by the Control, Risks, and Sustainability Working Group, delegates responsibility for the due diligence process of identifying, preventing, and mitigating current and potential negative impacts on the economy, environment, and people to the ERM & ESG Management Committee. The Committee, in turn, entrusts the Sustainability Function, led by the Director of External Relations and Sustainability who is in charge of overseeing the correct execution of the due diligence phases.

The ERM & ESG Management Committee, through the Director of External Relations and Sustainability, reports on the activities of the due diligence process carried out by the Sustainability Function to the Board of Directors on an annual basis. In this context, the Board also ensures proper stakeholder engagement during the due diligence process.

Roles and Responsibilities

Board of Directors:

- Responsible for setting strategic and organizational guidelines and developing the corporate policy
- Provides direction on corporate social responsibility issues, including those related to climate change adaptation and mitigation
- Confirms the proper execution and effectiveness of the due diligence process
- Verifies that stakeholder engagement is appropriately conducted during the due diligence process

Chief Executive Officer (CEO):

- Responsible for designing and implementing the sustainability strategy, integrated management system, and risk management system based on directives from the Board of Directors

Control, Risks, and Sustainability Working Group:

- Supervisory role, providing guidelines related to governance, sustainability, risks, and internal control
- Oversees activities related to communication and reporting on relevant topics
- Holds periodic meetings to review sustainability-related matters to be presented to the Board of Directors

ERM & ESG Management Committee:

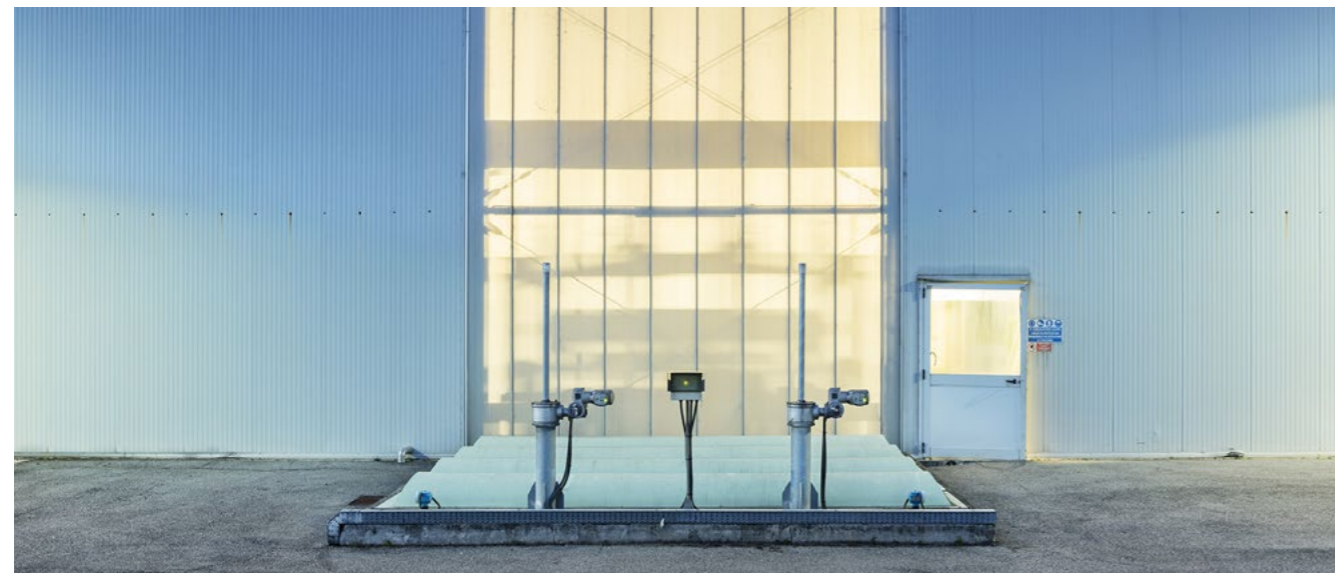
- Responsible for decision-making and supervision of the Group's impacts on the economy, environment, and people
- Through the Director of External Relations and Sustainability, reports annually to the Board of Directors on the activities of the due diligence process, including identification, prevention, and mitigation of current and potential negative impacts on the economy, environment, and people carried out by the Sustainability Function

Sustainability Function:

- Operational and coordination role in all initiatives related to ESG themes

ERM Function:

- Coordination of all activities related to risk management, providing methodological and operational support to Management



B. CAP Group's Sustainability Plan

CAP Group's Sustainability Plan represents the completion of a business model redefinition journey started with the development of the 2018-2022 Industrial Plan.

As part of this journey, the Group analyzed reference scenarios and key trends related to the company's priorities for 2033 and defined a set of objectives aligned with the Industrial Plan's time horizon. To address sector challenges and anticipate future needs, CAP has chosen to develop its sustainability plan around three pillars, made of nine objectives to be achieved by 2033.

SENSITIVE

1 Consuming Less, Consuming Better

2 Easy as Drinking a Glass of Water

3 Closer to the Needs of Communities

RESILIENT

4 Closing the Loop

5 Protecting the Resource

6 Resilient Cities

INNOVATORS

7 Digital Enterprise

8 Creating a Shared Value

9 Towards a Smart Future

The "SENSITIVE" pillar addresses the social implications arising from water resource management, focusing on three objectives:

"Consuming Less, Consuming Better" _Reducing overall water consumption

Reduction of pro-capita litres of water consumed everyday by the users in line with the European average

- Implementing water network efficiency and technological innovation measures, such as smart metering
- Promoting responsible water usage through education and awareness campaigns
- Encouraging the use of non-potable water for activities that do not require higher-quality water (e.g., irrigation)

"Easy as Drinking a Glass of Water" _Promoting tap water usage

Enhancing tap water consumption among users by utilizing the potable water network and increasing tap water consumption among users through targeted education and communication campaigns

- Promoting and enhancing public water dispensers in cities
- Investing in research and development to improve water quality and monitoring

"Closer to the Needs of Communities" _Protecting vulnerable and disadvantaged users

Developing tailored and sustainable solutions to support households and collective users such as schools, public administration, and hospitals

In particular, the “**RESILIENT**” pillar addresses issues related to climate change and its impacts on natural resources, particularly water, as well as health and economic risks. The main objectives include:

“Closing the Loop”

_Shifting towards a more circular economy

Redefining input and output flows through efficient management to recover the maximum amount of materials and energy

- Implementing energy efficiency measures and improving operational efficiency
- Compensating for unavoidable emissions
- Enhancing waste and resource management

“Protecting the Resource”

_Safeguarding the water resource

Implementing an action plan aimed at preventing qualitative and quantitative deterioration of water and promoting its sustainable usage

- Maintaining high levels of satisfaction and efficiency in water supply services
- Taking preventive measures to ensure the quality of both supplied and treated water
- Adopting a proactive maintenance approach

“Resilient Cities”

_Building resilient cities

Enhancing the resilience and safety of cities and surrounding areas by increasing their water resilience

- Investing in new infrastructure and optimizing existing ones to improve drainage network performance while preserving the environment’s quality
- Adopting risk management approaches based on prevention, preparedness, and anticipation

The “**INNOVATORS**” pillar instead addresses themes related to digital evolution, organizational service models and developing smart networks for an integrated, flexible, and efficient water service. The objectives are as follows:

“Digital Enterprise”

_Advancing the group’s digital evolution

Promotion of projects that can drive technological and digital progress, starting from the transformation of customer offerings

- Promoting projects that drive technological and digital progress, starting from customer-oriented transformation initiatives
- Shifting towards a service model based on digital solutions

“Creating Shared Value”

_Generating value for the community

Driving towards social awareness, fostering a more collaborative approach to business and promoting the creation of shared value

- Emphasizing social innovation to promote more collaborative business practices and create shared value
- Spreading sustainability culture throughout the supply chain
- Establishing partnerships and alliances with stakeholders across different sectors and the wider economic, social, institutional, and cultural system

“Towards a Smart Future”

_Shift towards a Smart Future

Commitment to efficient and sustainable resource management, making networks and facilities smarter by leveraging technology to optimize performance and reduce environmental impact

- Investing in and implementing Industry 4.0 technologies across all areas of activity to optimize performance and decrease the Group’s carbon footprint

In 2023, CAP Group has been updating its Sustainability Plan considering both its internal processes and external scenarios in order to identify the most relevant changes to be included in the new plan. In particular, CAP has been analyzing the global and national best practices of the integrated water service by gathering the most innovative experience and knowledge in the sustainable field. This contributed to defining the key objectives of CAP Group to be achieved by 2033.

A key aspect of the Sustainability Plan update was the constant interaction with CAP Group’s stakeholders. In this process, CAP actively engaged with key experts from the academic field, the water industry and associations rooted in the surrounding area. This engagement allowed the Group to include and integrate diverse factors in its Sustainability Plan with an inclusive approach and a focus on community needs. As a result, the following material topics were included in the new plan:

- People
- Community
- Governance
- Biodiversity
- Supply chain
- Cybersecurity
- Innovation

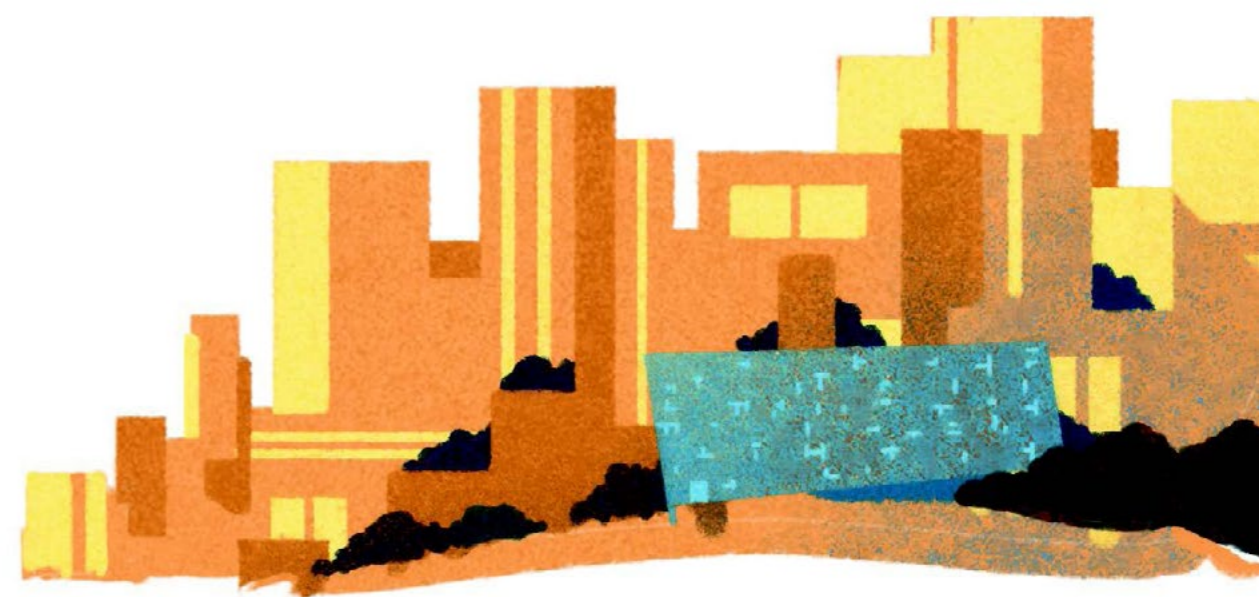
C. Alignment to the EU Taxonomy

The EU Taxonomy is a classification system aimed at identifying sustainable economic activities. It aims to foster the development of activities and investments that contribute to achieving the Green Deal objectives and to increase transparency on the environmental sustainability of economic activities.

Since January 1st, 2022, CAP Group commits to disclose the percentage of Taxonomy-aligned turnover, CapEx and OpEx, which are considered to be sustainable activities in line with all the technical screening criteria related to climate change mitigation or climate change adaptation.

Identification of eligible activities

CAP Group’s Taxonomy-eligible activities were identified by mapping the Group’s economic activities that were run in 2022. The analysis covered both core business activities and additional non-core activities, related to investments and operations, that could provide a substantial contribution to the objectives of climate change mitigation and adaptation according to the EU Taxonomy. The identified activities are reported in the table below.



Category	Taxonomy activity
Energy	4.1 Electricity generation using solar photovoltaic technology
Energy	4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids
Energy	4.16 Installation and operation of electric heat pumps
Energy	4.20 Cogeneration of heat/cool and power from bioenergy
Energy	4.24 Production of heat/cool from bioenergy
Water supply, sewerage, waste management and remediation	5.1 Construction, extension and operation of water collection, treatment and supply systems
Water supply, sewerage, waste management and remediation	5.2 Renewal of water collection, treatment and supply systems
Water supply, sewerage, waste management and remediation	5.3 Construction, extension and operation of wastewater collection and treatment
Water supply, sewerage, waste management and remediation	5.4 Renewal of wastewater collection and treatment
Water supply, sewerage, waste management and remediation	5.6 Anaerobic digestion of sewage sludge
Water supply, sewerage, waste management and remediation	5.7 Anaerobic digestion of bio-waste
Transport	6.5 Transport by motorbikes, passenger cars and light commercial vehicles
Construction and real estate	7.1 Construction of new buildings
Construction and real estate	7.2 Renovation of existing buildings

After identifying the eligible activities, the Group proceeded to analyze their substantial contributions to climate change mitigation and adaptation, as well as their alignment and compliance with the Do Not Significantly Harm (DNSH) criteria. The Group gathered qualitative and quantitative information and documentation for each asset, perimeter, service, or investment, in accordance with the Taxonomy requirements and the unique characteristics of each specific activity.

Moreover, the Group verified if the minimum safeguards were met by considering the guidelines reported in the “Final Report on Minimum Safeguards” published by the Platform on Sustainable Finance in October 2022.

CAP Group’s results

CAP Group’s results	Turnover	CapEx	OpEx
Taxonomy-eligible activities	88.3%	82.6%	73.6%
Activities that give a substantial contribution to climate change mitigation	27.6%	15%	28.3%
Taxonomy-aligned activities	27.6%	14.6%	28.3%

CAP Group’s economic activities aligned with the EU Taxonomy focus on the construction, extension and operation of water collection, treatment and supply systems (activity 5.1. Ob.CCM).

Regarding the aqueduct system, the EU Taxonomy defines an additional activity, namely “the renewal of water collection, treatment and supply systems” (activity 5.2. Ob.CCM), for which two performance indicators have been defined in order to assess the substantial contribution to climate change mitigation.

The first indicator requires closing the gap by at least 20% between the current leakage level averaged over three years, calculated using the Infrastructure Leakage Index (ILI) and a threshold of 1.5. Concerning such an indicator and taking into account the DNSH criteria, CAP Group’s investments aligned with the EU Taxonomy account for 1.2%.

The second indicator addresses the reduction of the net average energy consumption of the system by at least 20% compared to the baseline average performance recorded for the last three years. As far as this indicator is concerned, CAP Group’s investments result not aligned with the EU Taxonomy.

In addition, activities linked to the collection and treatment of wastewater are not aligned with the Taxonomy due to the required levels of net energy consumption.



3. Rationale for setting up a Sustainability-Linked Financing Framework

The primary objective of CAP Group's Sustainability-Linked Financing Framework is to align the Group's financial strategy with its sustainability pledges. Moreover, the Framework represents a viable funding tool that is perfectly integrated with CAP Group's forward-looking business plan and promotes the transition toward a net-zero economy.

CAP Group's Sustainability-Linked Financing Framework highlights the holistic nature of the Group's sustainability strategy while witnessing its strong commitment and continuous improvement at the Group level.

Under the Framework, CAP Group will be able to issue KPI-Linked and behaviour-based instruments including, but not limited to, bonds and loans in different formats and currencies.



4. CAP Group Sustainability-Linked Financing Framework

CAP Group’s Sustainability-Linked Financing Framework (the “Framework”) has been established in line with the Sustainability-Linked Bond Principles (“SLBP”) 2023 as administered by the ICMA as well as the Sustainability-Linked Loan Principles (“SLLP”) 2023 published by the LMA, APLMA, and LSTA.

A. Selection of Key Performance Indicators (KPIs)

CAP Group has selected the following three KPIs, which are included also in the ICMA SLBP KPI registry (updated in June 2023) and deemed relevant, core, and material to the Group’s sustainability and business strategy as well as of high strategic significance to CAP Group’s future operations.

All selected KPIs are also reported in CAP Group’s Sustainability Report and/or Non-Financial Documentation and are supported by the 2023-2027 financial plan meticulously crafted in adherence to ARERA’s regulatory framework governing Technical Quality. The plan is an instrumental roadmap, updated annually, defining medium-term initiatives stemming from the 2023-2033 investment plan, as endorsed by ATO². This plan allocates a substantial portion of financial resources to key performance indicators, with a particular emphasis on:

- M1 Water Loss Reduction: Accounting for 22% of total investments, this segment focuses on minimizing water losses
- M5 Sludge Disposal and M6 Treated Water Quality: comprising approximately 31% of investments, these categories are dedicated to enhancing the quality of treated water and sludge treatment
- These aspects have been bolstered by the inclusion of new projects funded through PNRR resources

This comprehensive financial plan serves as a cornerstone for prudent resource allocation and underscores the CAP Group commitment to sustainable and efficient utility operations.

² Ambiti Territoriali Ottimali



KPI#1: Absolute Scope 1 & 2 GHG emissions calculated as tCO₂eq.

KPI Definition

Percentage reduction of direct Scope 1 GHG emissions from fossil fuels consumption for internal use and company operations (company vehicles and buildings heating), fluorinated gases leakage, and emissions from wastewater treatment, and indirect Scope 2 GHG emissions from purchased electricity consumed by CAP Group for plants and offices activities.

Rationale

The target is coherent with the overall CAP Group’s decarbonization strategy. Scope 1 and 2 emissions account for ca. 68% of the total Group emissions as of 2021 (baseline year). The 2030 target is in the process of being validated by the Science Based Target initiative (SBTi - <https://sciencebasedtargets.org/companies-taking-action>).

Methodology and Scope

The total amount of GHG Scope 1 and 2 emissions is calculated in accordance with the Global Reporting Initiative Sustainability Reporting Standards issued by GRI – Global Reporting Initiative (the GRI Standards) and with the Greenhouse Gas Protocol (GHG Protocol).

In terms of scope of consolidation, CAP Group includes CAP Holding SpA and all its wholly consolidated subsidiaries as per the perimeter reported in CAP Group’s consolidated non-financial report.

Contribution to EU Environmental Objectives Climate Change Mitigation

UN SDG Contribution



KPI#2: Absolute Scope 3 GHG emissions calculated as tCO₂eq.

KPI Definition

Percentage reduction of indirect Scope 3 GHG emissions stemming from:

- Purchased goods and services: emissions from the production of chemical products, electrical material and services outsourced to external suppliers, e.g. maintenance services
- Capital goods: emissions from the production of hydraulic, electrical and all other materials outsourced to external suppliers
- Fuel and energy related activities: well-to-tank emissions for fossil fuels and electricity directly consumed by CAP plus electricity losses during the transportation and distribution phase
- Upstream transportation and distribution: emissions from transportation services purchased by CAP
- Waste generated in operations: waste treatment services managed by external operators for all wastes generated in operations, in particular sewage sludge
- Employee commuting: emissions generated during the home-work trips of each employee
- Use of sold products: combustion of biogas sold to end customers

Rationale

The target is coherent with the overall CAP Group's decarbonization strategy. Scope 3 emissions account for about 32% of the total Group's emissions as of 2021 (baseline year). The 2030 target is in the process of being validated by SBTi (<https://sciencebasedtargets.org/companies-taking-action>).

Methodology and Scope

The total amount of GHG Scope 3 emissions is calculated in accordance with the Global Reporting Initiative Sustainability Reporting Standards issued by GRI – Global Reporting Initiative (the GRI Standards) and with the Greenhouse Gas Protocol (GHG Protocol).

In terms of scope of consolidation, CAP Group includes CAP Holding SpA and all its wholly consolidated subsidiaries as per the perimeter reported in CAP Group's consolidated non-financial report.

Contribution to EU Environmental Objectives
 Climate Change Mitigation

UN SDG Contribution



KPI#3: Water leaks (M1b)

KPI Definition

Ratio of total real water leaks volume to total volume entering the aqueduct system in the year

Rationale

During the last two years, Italy's water crisis accelerated dramatically, exacerbated by leaky pipes and increasingly less frequent rainfalls. According to the Istituto Nazionale di Statistica (ISTAT), Italy is increasingly vulnerable to droughts due to old and leaky aqueducts. Scientists and environmental groups sounded the alarm about Italian water shortages after the sharp drops in snowfalls were recorded on the Alps and unusually low tides left Venice's canals dry. In 2020, the most recent data available, Italy's aqueducts had lost 42.2% of the water they carried. This represents the highest proportion on record, according to ISTAT, despite repeated pledges by governments to solve the problem.

With droughts increasing due to climate change, Italy cannot afford to waste the water it owns. Indeed, Italy draws more water for drinking from its rivers, lakes, and reservoirs than any other European Union country, of which 30% comes from Po River. It is worth highlighting that, in February 2022, Po River had 61% less water than the average level for the time of the year, according to Legambiente.

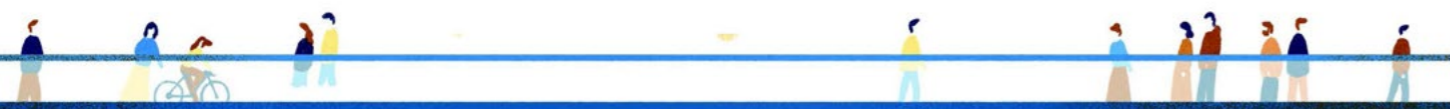
Methodology and Scope

The ratio of total real water leaks volume to total volume entering the aqueduct system in the year under consideration as defined by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA).

In terms of scope of consolidation, CAP Group includes CAP Holding SpA and all its wholly consolidated subsidiaries as per the perimeter reported in CAP Group's consolidated non-financial report.

Contribution to EU Environmental Objectives
 Sustainable use and protection of water and marine resources

UN SDG Contribution



B. Calibration of Sustainability Performance Targets (SPTs)

The calibration of CAP Group’s Sustainability Performance Targets is based on the decarbonization trajectory assessed by the SBTi with the consequent validation of CAP Group’s 2030 targets as well as its ambitious Sustainability Plan.

SPT#1

42% reduction of absolute Scope 1 and 2 GHG emissions in 2030 vs a 2021 base year

Observation date
December 31st, 2030

2021 baseline

- Scope 1 GHG emissions: 65,634.6 tCO₂eq.
- Scope 2 GHG emissions (location-based): 55,203.7 tCO₂eq.
- Absolute Scope 1 and 2 GHG emissions: 120,838.3 tCO₂eq.

Historical Values

Direct Scope 1 GHG emissions (in tCO ₂ eq.)	2020	2021	2022
Purification	2,255.04	2,169.19	1,687.6
Aqueduct	446.1	523.15	371
Drainage	71.59	118.68	133.8
General services	590.18	653.2	711.8
Other ³	54,288.98	56,504.39	51,011.3
Out of scopes	5,527.14	5,666	4,992.67
TOTAL	63,179	65,634.6	58,908

³ In the category “Other”, biogenic emissions have been included.

Indirect Scope 2 GHG emissions – location based (in tCO ₂ eq.)	2020	2021	2022
Purification	26,963	29,455.11	30,286.8
Aqueduct	22,110	23,900.71	25,562
Drainage	1,221	1,312.55	1,121.8
General services	463	535.33	973.6
TOTAL	50,757	55,203.70	57,944

Ambition and strategy to achieve the targets

- Improvement of energy efficiency and operational performance
 - Replacement of current system engines with new high-efficiency engines
 - Continuous optimization of industrial processes
 - Introduction of a new pumping management system
- Installation of more efficient monitoring systems on all wastewater treatment plants
 - Electrification of fleet vehicles
 - Auto production of renewable energies
- Projects for compensation of unavoidable emissions and green public procurement
 - Integration of environmental criteria into purchase processes (Green Public Procurement)

Risk factors

- Relevant risks identified include but are not limited to:
- Biogenic emission: measure uncertainties
 - Objective difficulty in decreasing biogenic emissions in the water utilities contest
 - Failure to obtain the administrative permissions for the installation of renewable energy equipment

SPT#2

25% reduction of absolute Scope 3 GHG emissions in 2030 vs a 2021 base year

Observation date
December 31st, 2030

2021 baseline
54,466 tCO₂eq.

Historical Values

Indirect Scope 3 GHG emissions (in tCO ₂ eq.)	2020		2021		2022	
	market-based approach	location-based approach	market-based approach	location-based approach	market-based approach	location-based approach
Purification	5,218.88	18,552.86	6,689.58	18,485.03	10,286.2	23,582.2
Aqueduct	1,171.35	11,329	1,726.08	11,542.29	6,570.5	17,999.4
Drainage	2.15	572.93	1,896.32	2,435.39	2,279.5	2,781.1
General services	126.62	444.62	3,464.65	3,684.52	8,259.2	8,694.5
Other	18,019.11	18,019.11	18,318.3	18,318.30	19,023.2	19,023.2
TOTAL	24,538	48,918.52	32,094.93	54,465.53	46,419	72,080

Ambition and strategy to achieve the targets

- Improvement of energy efficiency and operational performance
 - Replacement of current system engines with new high-efficiency engines
 - Continuous optimization of industrial processes
 - Optimization of quantity and quality of chemicals used in wastewater treatment
 - Partial internalization of waste treatment
- Projects for compensation of unavoidable emissions and green public procurement
 - Certified green projects linked to emissions compensation
 - Integration of environmental criteria into purchase processes (Green Public Procurement)

Risk factors

- Relevant risks identified include but are not limited to:
- Failure of the market in delivering technological innovation or low emissions construction materials, as planned
 - Technical and regulatory constraints legal or technical framework in achieving the targets

SPT#3

17% real water leaks by 2027 vs a 2018 base year

Observation date
December 31st, 2027

2018 baseline
24%

Historical Values

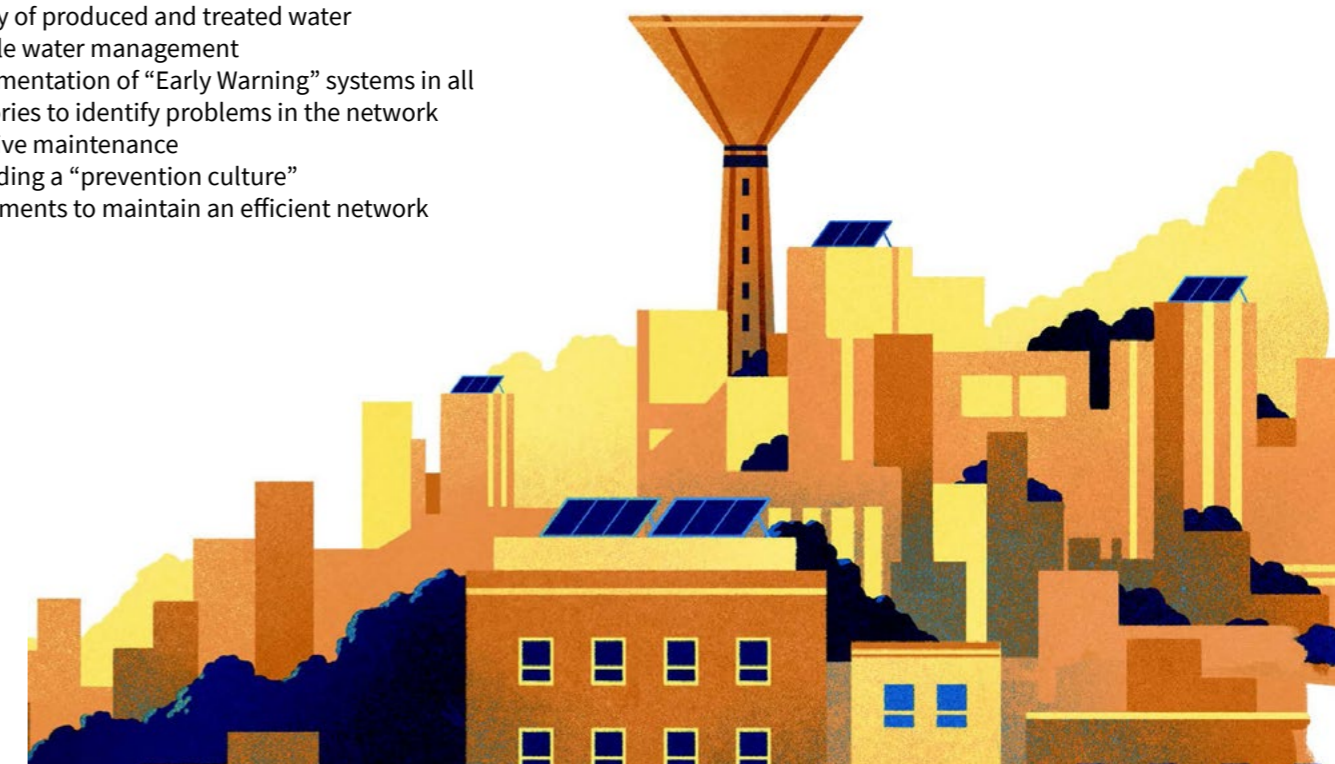
	2020	2021	2022
Water leaks – M1b (%)	21%	20.59%	20.49%

Ambition and strategy to achieve the targets

- Heightened service quality and efficiency
- Specific investments to identify and reduce losses (in particular access to PNRR, Italian fund investment): georeferencing connections, Improvement of DMA (District Metering Area), leak detection through innovative systems (Satellite monitoring), pressure management, upgrade of water networks modeling
- Improvement of several tools as DSS (Decision Support Systems) to better allocate Capital expenditure (CapEx) in network replacement
- Increase the coverage of smart metering
 - Early compliance with regulatory requirements (e.g. Drinking Water Directive 2020/2184) on the quality of produced and treated water
- Drinkable water management
 - Implementation of “Early Warning” systems in all territories to identify problems in the network
- Preventive maintenance
 - Spreading a “prevention culture”
 - Investments to maintain an efficient network

Risk factors

- Relevant risks identified include but are not limited to:
- Failure of the market in delivering technological innovation
 - Climate physical risks affecting the resilience of infrastructures
 - Failure to disseminate an effective preventive culture across the actors involved



C. Financial characteristics

Sustainability-Linked instruments are any type of debt whose financial and/or structural characteristics can vary depending on whether the issuer achieves its predefined SPTs. The proceeds are intended to be used for general corporate purposes; hence, the use of proceeds is not a determinant in their categorization.

All financing instruments issued under this Framework will have a sustainability-linked feature embedded in the cost of debt that will result in either a coupon or margin adjustment or a premium payment at maturity.

The failure by CAP Group to satisfy the predefined SPT(s) at the observation date(s) will trigger a “financial penalty” (i.e. coupon step up, margin adjustment, premium payment at maturity as applicable), causing an increase in the interest rate applicable to interest periods following such reference date.

The coupon/margin adjustment or premium payment, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of any Sustainability-Linked Bond or the Facility Agreement of any Sustainability-Linked Loan).

As far as loan transactions are concerned, CAP Group commits to defining annual SPTs per KPI selected for each year of the loan term.

Recalculation Policy

CAP Group may review this Framework in the event of material changes to the Group perimeter, new business plan or strategies, data calculation methodology, and other changes which may have a significant impact on the appropriateness of the KPIs and/or SPTs and/or baselines.

In particular, CAP Group may recalculate in good faith the levels of the baselines, SPTs and/or KPIs to reflect any material impact on the initial levels of the SPTs, baselines and/or KPIs where:

- Changes in calculation methodology or improvements in the accuracy of emission factors or activity data result in a significant (+/- 5% on the base year) impact on the base year emissions data
- Significant errors - or several cumulative errors, that are collectively significant - are discovered
- Structural changes in the reporting organization and evolutions of the issuer’s perimeter have a significant impact on the KPIs, SPTs and/or baselines, including (i) mergers, acquisitions and divestments and (ii) outsourcing and insourcing of emitting activities
- Explicit recommendations to restate are issued by the SBTi
- An amendment to, or change in, any applicable laws, regulations, rules, guidelines and policies
- Force majeure events

Such review may result in this Framework being updated and amended. Such changes, if deemed material, will be subjected to review by the relevant SPO provider.

Any future adjustments to the KPI, SPT or baseline will maintain or increase the proposed level of ambition of the SPTs stated in this Framework. Any revised Framework will be made available on the Company website and will replace this Framework. Failure to meet SPTs due to factors outside the Company’s direct control may not result in any adjustment to a financing instrument’s characteristics being triggered.

If on the observation date the reporting is missing or the SPTs cannot be calculated or observed in a satisfactory manner, the SPTs should be deemed not achieved and the related trigger events will occur, as defined in the “Financial characteristics” section of this document.

D. Reporting

CAP Group will report KPIs performances against the related SPTs at least annually on its website and/or in its Sustainability Reports and until the maturity of any outstanding Sustainability-Linked financing instrument.

Reporting will include:

1. Up-to-date information on the performance of the selected KPIs, including the baseline where relevant
2. With reference to each KPI, up-to-date information outlining the performance against the SPT and the related impact, and timing of such impact, on the structural and/or financial characteristics of the financial instrument
3. Any relevant information enabling investors to monitor the progress vis-a-vis the SPTs, and
4. An annual limited assurance from a third-party independent auditor on the points listed above

Information will also include:

1. Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPIs’ performances on an annual basis (e.g. M&A activities)
2. Illustration of the positive sustainability impacts of the performance improvement, and/or
3. Any re-assessments of KPIs and/or restatement of the SPTs and/or proforma adjustments of baselines or KPI scope, if relevant

E. Verification

This Framework and the associated annual reporting will benefit from three layers of external verification:

1. A second-party opinion by S&P Global on the alignment of the Framework and the associated documentation with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles, including an assessment of the relevance, robustness, and reliability of selected KPIs, the rationale, and level of ambition of the proposed SPTs, the relevance, and reliability of selected benchmarks and baselines, and the credibility of the strategy outlined to achieve them, based on scenario analyses, where relevant
2. An annual assurance statement by an auditor on the KPI information included on CAP Group’s website and/or in its Sustainability Reports until maturity of any outstanding sustainability-linked financing instrument
3. A verification assurance certificate issued on the Observation Date(s) confirming whether the performance of the KPI meets the relevant SPT, published on CAP Group’s website following a target Observation Date

Both the Sustainability-Linked Financing Framework and the Second Party Opinion are available on CAP Group’s website.



The *Sustainability-linked financing framework* is edited and developed by the CAP Group's External Relations and Sustainability Department.

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