



Source of connections

Sustainability Report - NFR
2023 - Summary





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“Thank you to everyone
at CAP who helped produce
the Non-Financial Report.”



Download the full version of the NFR here.
The NFR is edited and developed by the CAP
Group's External Relations and Sustainability
Management.

Published in June 2024.
For information about this publication,
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EDITING AND LAYOUT

LifeGate | www.lifegate.it
Illustrations by Sonia Ligorio



Letter to Stakeholders

“

We are at a crucial moment where a genuine and practical assumption of responsibility. In today's world, it is no longer acceptable to delay a credible, non-rhetorical assumption of responsibility by all companies. This means taking action, making genuine commitments, and avoiding triumphant declarations about the future of sustainability.

Knowledge, skills, investments, information and education are the levers that companies like CAP have and must use to promote a conscious and informed civil economy.



CEO
Alessandro Russo

“

The Sustainability Plan we developed with our stakeholders, and updated this year, aims to make up for lost time with challenging and ambitious goals that transform our business.

At CAP, we believe that being sustainable means ensuring business continuity amid significant socio-demographic changes, market shifts and climate challenges, while continuing to deliver value to our shareholders, stakeholders and all citizens.



President
Yuri Santagostino

CAP Group: who we are

We connect people, the territory and resources to ensure high-quality management of the Integrated Water Service with a transparent approach, just like water.

The Group

CAP Group is among the **leading Integrated Water Service operators in Italy.**



CAP Group is the leading public single-utility company **by assets** in Italy.

The challenge

Our goal is to provide all citizens **with high-quality, safe and controlled water through our water supply, and to contribute to environmental protection and biodiversity by managing the entire water treatment and sewer cycle.**

Our **system is extensive** and complex, consisting of thousands of kilometres of aqueduct and sewer networks, as well as **high-tech** facilities such as treatment plants and water purification systems.



For more information www.gruppocap.it

The territory

We manage the Integrated Water Service in the Metropolitan City of Milan and in several municipalities within the provinces of:

- Como
- Monza e Brianza
- Pavia
- Varese



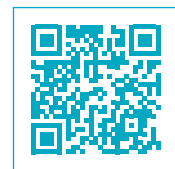
The head office is at 38 Via Rimini, Milan.



Our network

An Integrated Water Service network that is in harmony with the local area and community is **central to our operations, which focus on water.**

Through our investee companies, we have broadened our business into waste management and energy efficiency.



For more information on our business www.gruppocap.it

Materiality analysis

Materiality analysis is the fundamental pillar for identifying and assessing issues that significantly affect an organisation's ability to create value over time.

We have identified and assessed the material topics that have the most significant impacts of the company on the economy, environment and people, including impacts on human rights.

Stakeholder engagement is essential in this process.

Constant listening and dialogue



We listen to and engage with the community to ensure our services are efficient and aligned with the needs of citizens.



We involve associations, professionals and residents in our decision-making process to effectively manage our projects.



We have regular discussions with the scientific and academic community to improve our service.

Dialogue tools and channels

- dedicated informational materials;
- consultation initiatives;
- working groups;
- partnerships and collaborations;
- mediation activities;
- surveys and questionnaires.



Read CAP Group's Materiality Report www.gruppocap.it

CAP Group's material topics

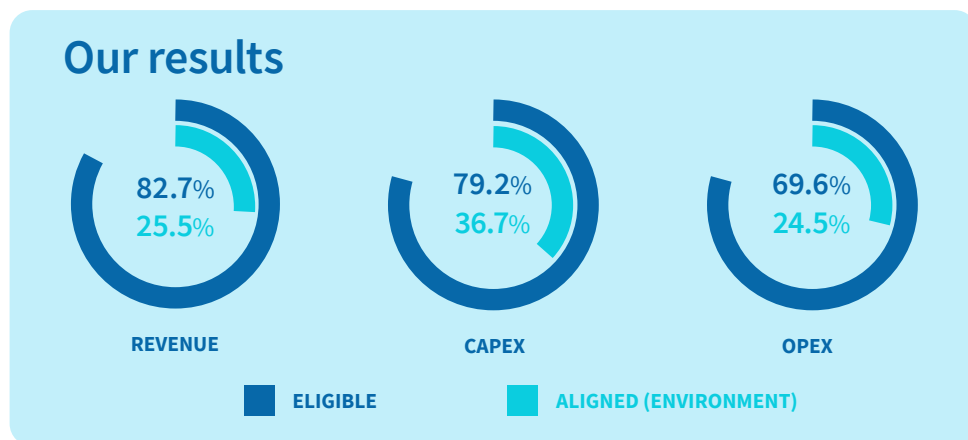
Material topic	Associated human rights
Business ethics and integrity	- Right of future generations to have the same opportunities, in terms of availability and accessibility of resources, as previous generations - Right to fair and satisfactory working conditions - Right to enjoy a healthy environment
Sustainable finance ¹	- Right to health - Right of future generations to have the same opportunities, in terms of availability and accessibility of resources, as previous generations - Right to water
Responsible water resource management	- Right to health - Right to water
Protection of ecosystems and safeguarding biodiversity	- Right to enjoy a healthy environment
Energy transition and climate change mitigation	- Right of future generations to have the same opportunities, in terms of availability and accessibility of resources, as previous generations - Right to enjoy a healthy environment
Air quality and pollution	- Right to health
Responsible waste management and circular economy	- Right of future generations to have the same opportunities, in terms of availability and accessibility of resources, as previous generations - Right to enjoy a healthy environment
Inclusion, diversity and corporate welfare	- Right to fair and satisfactory pay - Right to equal pay for equal work - Prohibition of discrimination - Freedom of thought, conscience and religion
Development and training of people	- Right to fair and satisfactory pay - Right to fair and satisfactory working conditions - Right to rest and leisure (reasonable limitation of working hours) - Right to form and join trade unions - Right to protection of the working environment
Health and safety of people	- Right to life - Right to health - Right to personal/mental integrity
Creation of value for the local area and engagement to the community	- Right of future generations to have the same opportunities, in terms of availability and accessibility of resources, as previous generations - Right to water
Inclusion, satisfaction and responsibility of users	- Right to water - Right to live in dignity
Sustainable supply chain management	- Right to life - Right to health - Right to personal/mental integrity
Digitisation and cybersecurity	- Right to privacy - Right to health - Right to enjoy a healthy environment
Investments and innovation in inclusive, sustainable and resilient infrastructure	- Right of future generations to have the same opportunities, in terms of availability and accessibility of resources, as previous generations - Right to enjoy a healthy environment

¹The associated human rights refer to the main investments funded through the Sustainability-Linked Bond issued by CAP Group

European taxonomy: transparency and consistency for sustainability

The European Taxonomy requires specifying which economic activities of a company can be considered environmentally sustainable. This tool aims to promote development and investments that contribute to the goals of the Green Deal, Europe's sustainable growth strategy, fostering greater transparency. Since 1 January 2023, CAP Group has committed to reporting its percentage of revenue, capital expenditures (CAPEX), and operational costs (OPEX) that are 'aligned' with the Taxonomy, i.e., coming from activities that meet all the criteria and requirements established by the regulation for climate change mitigation or adaptation.

Starting 1 January 2024, alignment will also be assessed against objectives related to sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity. For the year 2023, we have only assessed eligibility for these additional four objectives, i.e., the presence of revenue, investments and operational costs from activities that can make a substantial contribution to these objectives, as required.



In 2023, 82.7% of revenue, 79.2% of capital expenditures (CAPEX) and 69.6% of operational costs (OPEX) were deemed eligible under the European Taxonomy with respect to all six taxonomy objectives. Additionally, the assessment showed that 25.5% of revenue, 36.7% of capital expenditures (CAPEX), and 24.5% of operational costs (OPEX) were aligned with the European Taxonomy concerning climate change mitigation and adaptation objectives, thus qualifying as environmentally sustainable.

Sustainable finance

Sustainable finance is one of the key themes for the Group. Through this approach, we aim to integrate sustainability into our investment processes, generating positive impacts for both investors and the community.

On 5 December 2023, we successfully issued a bond worth 105 million euro, reserved for institutional investors and 15 years duration. This bond is structured as a Sustainability-linked bond, meaning that the coupon is tied to the achievement of previously defined sustainability goals through specific KPIs. This instrument is based on our Sustainability-Linked Financial Framework (SLFF).

Within the SLFF, we have defined three key KPIs that reflect the strategies of our Sustainability Plan and our contribution to the United Nations' Agenda 2030 goals.

The framework, fully integrated with our Sustainability Plan, also includes intermediate targets for achieving the KPIs, which will be reported periodically.



Reduce our direct and indirect CO₂ equivalent emissions by 42% by 2030.



Reduce emissions generated by our value chain by 25% by 2030. Both KPIs relate to targets validated by SBTi.



Reduce water distribution losses to 17% by 2027, compared to the 2018 baseline.



The sustainability strategy


Our strategy is evolving to meet the needs of a growing area, encompassing everything from water and energy. From environmental issues to innovative services, we aim to transform into a true 'green utility'.





In today's global landscape, marked by climate change, geopolitical instability, and social and economic crises, companies are urged to reflect on the sustainability of their business models and to embark on a transition toward a responsible and sustainable production model.


At CAP, we have embraced this challenge for a long time, recognising sustainability as the very essence of our business approach. In 2019 we developed a Sustainability Plan, setting goals and actions to pursue in the short, medium, and long term. Additionally, to anticipate and address the many market challenges, the Plan has been integrated with our industrial strategy and investment plan. This approach has outlined a broad strategy with a 2033 horizon, structured around three pillars that define the company's ambition:




 <p>SENSATIVE</p>	 <p>RESILIENT</p>	 <p>INNOVATIVE</p>
<p>to people's needs, aiming to enhance the well-being and trust of increasingly aware and demanding communities.</p>	<p>in assets, governance and in management to protect an essential asset for life.</p>	<p>in the market, to anticipate regulations and foster networking capabilities.</p>


In today's dynamic and rapidly evolving context, we are once again tasked with redefining our role as 'agents of change.'







Macro-goals	Consume less, consume better	As easy as drinking a glass of water	Ever closer to people's needs
Topics covered	Reduction of water abstraction and impact	Customer care and support for vulnerable groups	Governance, DE&I Policies and Corporate
SDGs		 	



Macro-goals	Decarbonisation and circular economy	Protect biodiversity and water resources	Resilient and sustainable cities
Topics covered	Climate change mitigation and circular economy	Climate change adaptation: water and biodiversity	Climate change adaptation and water resources
SDGs			



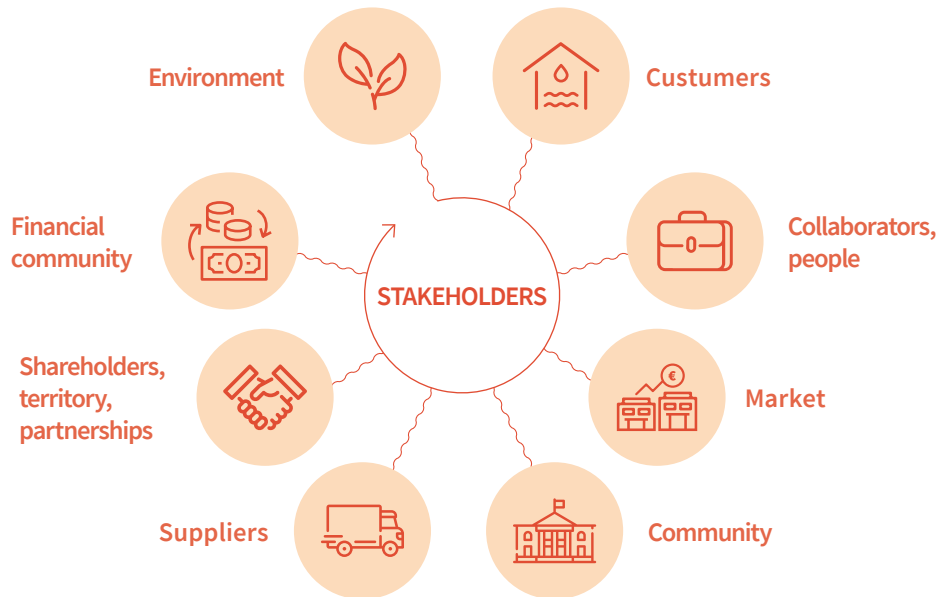
Macro-goals	Digital sustainability	Sustainable value chain	Driving change through innovation
Topics covered	Artificial intelligence and cybersecurity	Sustainability in the supply chain	Alliance for sustainable development
SDGs			 

In connection with stakeholders

Our strategy is the result of an active listening process and constant dialogue with the influential public.

Our stakeholders are all the entities that can be directly affected by the company's activities or that, conversely, can influence the company's work in safeguarding water resources.

Through a mapping exercise, we identified **8 main categories of stakeholders** relevant to us, which were updated during the materiality assessment.



In order to explore scenario problems that have an impact on our business, we involved a number of relevant stakeholders by asking them to give us their opinion on some recent events.



www.gruppocap.it

Green investments



Monica Mariani,
Head of Rating, ESG and Capital Solutions at Mediobanca

Over the past 10 years, the sustainable finance market has grown exponentially and now includes a variety of financial instruments, from green bonds to thematic investment funds. Market demand is driving this growth: investors are seeking products that address the need to mitigate climate change. This shift has led to the creation of innovative financial instruments designed to meet these needs.”

Sustainability that appeals to young talent



Daniela Bernacchi,
Executive Director, UN Global Compact Network Italia

“We believe that sustainability is becoming more of a guiding factor in choosing an employer rather than just an achievement: it is a victory, because the young people who are sensitive to sustainable development will be the managers of tomorrow. This means they will integrate sustainability strategy into operations”

Water and energy, resources for the future



Nicola Monti,
CEO at Edison

“**Water is a precious resource,** and attention must be paid to the efficient use of water resources. In Edison’s case, for process water withdrawals, industrial purposes water withdrawals, industrial purposes and cooling in thermoelectric production, treated waste water or air cooling systems are preferred —where local conditions allow.”

Towards smart utility companies



Carla Masperi,
CEO at SAP Italia

“Digitalisation and sustainability are inherently linked and form a crucial part of any company’s forward-looking strategy. Today, all companies are considering the Zero Emissions and Zero Waste paradigm, and I believe that with the ability to act on the supply chain, this goal is achievable through intelligent use of technology.”

Connected to natural resources

Climate change is increasing the risk of extreme events, which are putting a strain on water availability and intensifying environmental challenges.

Access to water is becoming increasingly uncertain, with growing risks threatening the availability of clean and safe water.

Growing concerns about resource availability and the disruption of ecosystem balance are raising collective awareness and driving changes in consumer behaviour.

This scenario that demands a commitment to adopting more sustainable practices, such as circular economy principles.

The scenario



21%

The percentage of Italian territory at risk of desertification.²



9 out of 10

The number of citizens who support the reuse of treated water in agriculture.³



293 million m³ of water

can be recovered from the volumes of waste water produced annually.⁴

²Joint Research Centre, <https://op.europa.eu/webpub/eca/special-reports/desertification-33-2018/it/>

³Laboratorio REF Ricerche, <https://laboratorioref.it/riuso-delle-acque-depurate-ladattamento-ad-un-clima-che-cambia/>

⁴United Nations global report on water resources development, <https://unesdoc.unesco.org/ark:/48223/pf0000384819>

A commitment to the planet and resources

The goal of **ensuring safe and high-quality water** drives the daily collective efforts of the entire CAP Group to ensure that the water supplied to the community is always excellent. Excessive exploitation of water resources, driven in part by increased consumption, poses a major threat to the quality of tap water.

Therefore, in our ongoing efforts to improve **service** efficiency and water availability, we continually assess the **best technologies** to implement.

We are at the forefront of the **energy transition**, with our commitment involving the use of **renewable energies and strategies for energy conservation**.

Our results

-2.5%

235,962,729m³ of water fed into the network

+11.6%

310,732,329m³ of treated waste water

-1.43%

total energy consumed

0%

sludge disposed by land-filling

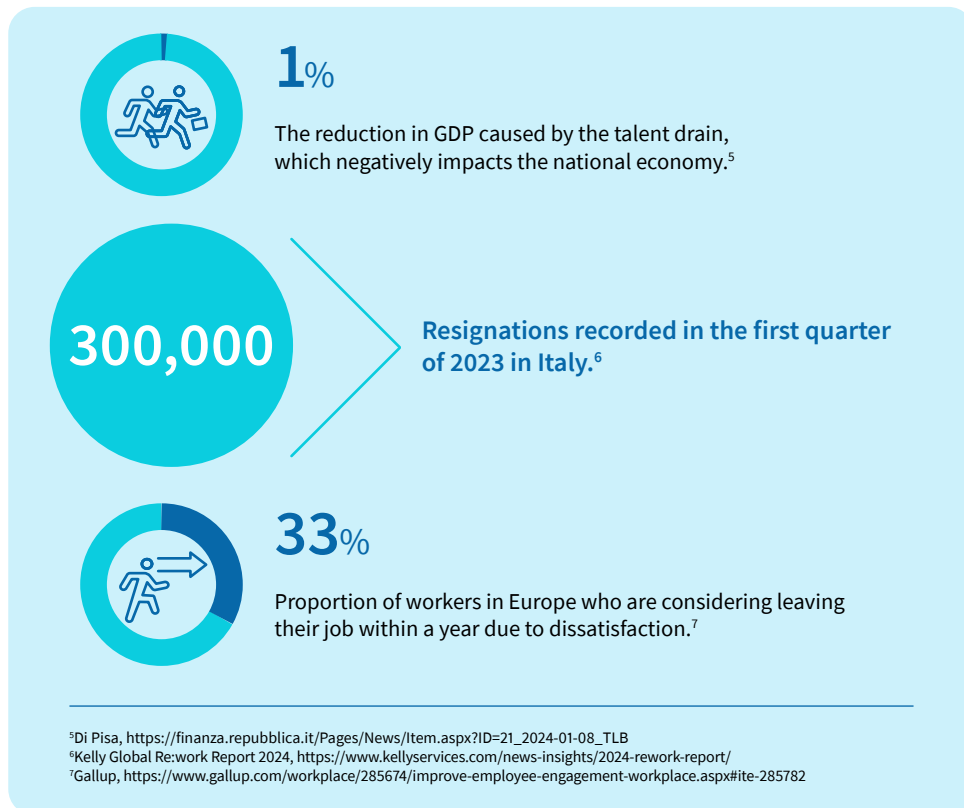


Connected to our people

The European labour market is undergoing a critical phase dubbed the ‘great disappearance’ of candidates. In this complex scenario, the importance of adopting new strategies to attract and retain talent (known as employer branding) becomes evident.

The rise in the ‘brain drain’ has consequences across the entire economic fabric. Emerging talents, particularly Millennials and Generation Z, are increasingly focused on issues such as climate change and social justice. Companies that choose to adopt a sustainability strategy are therefore more attractive to potential collaborators. A tangible commitment to sustainability can prove to be the key factor in engaging and retaining talent.

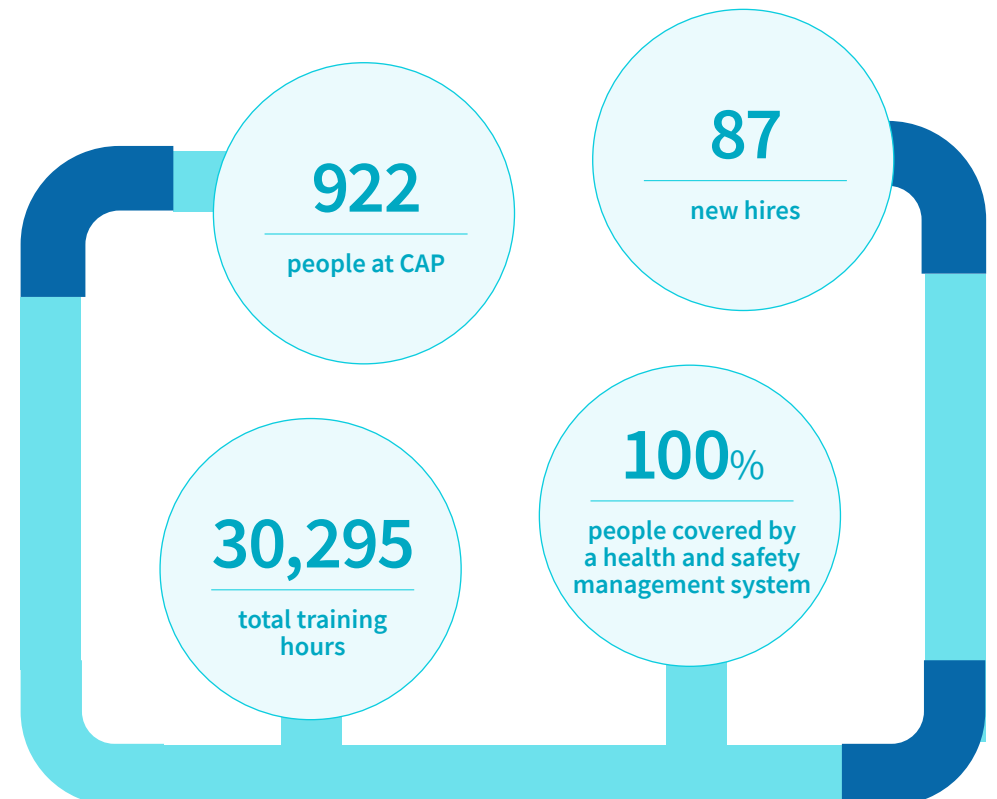
The scenario



Enhancing the diversity of relationships

Our constant commitment to valuing our people has allowed us to **increase our workforce**, even amidst the challenges of retaining and recruiting new talent that marked 2023.

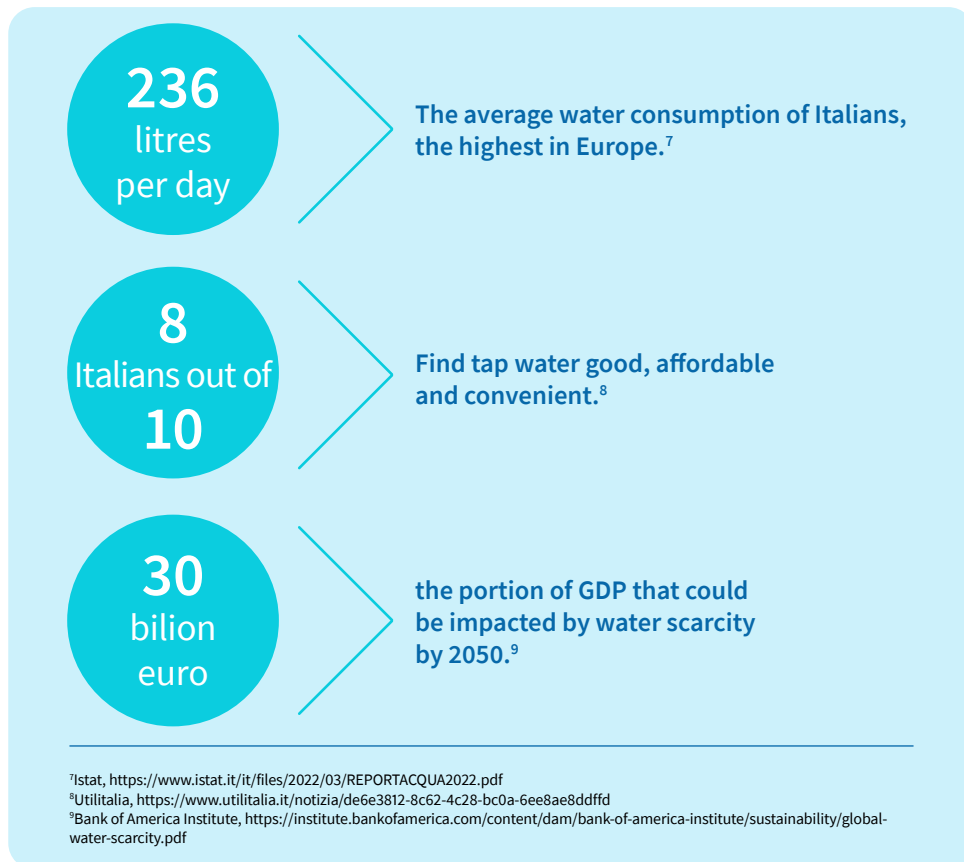
We firmly believe that the strength and growth of the Group are based not only on professional skills but also on the contribution and engagement of each and every individual. For this reason, our personnel management policies are based on respect, integration and the recognition of the value of every employee. In 2023, we made significant strides to reinforce our commitment to an inclusive and equitable work environment, including through the **Gender Equality Certification UNI PDR 125:2022**, consolidating our commitment to equality.



Connected to the local area

Water is one of the most critical resources of our time. It is essential to use it more responsibly while ensuring that the most vulnerable communities are not left behind. A planet increasingly polluted and depleted, where access to water resources will create an additional social divide. To change course and avoid neglecting entire communities in a scenario that risks becoming an emergency, the key will be to network and accelerate change, involving citizens, businesses and institutions in reducing waste and valuing water in all its forms.

The scenario

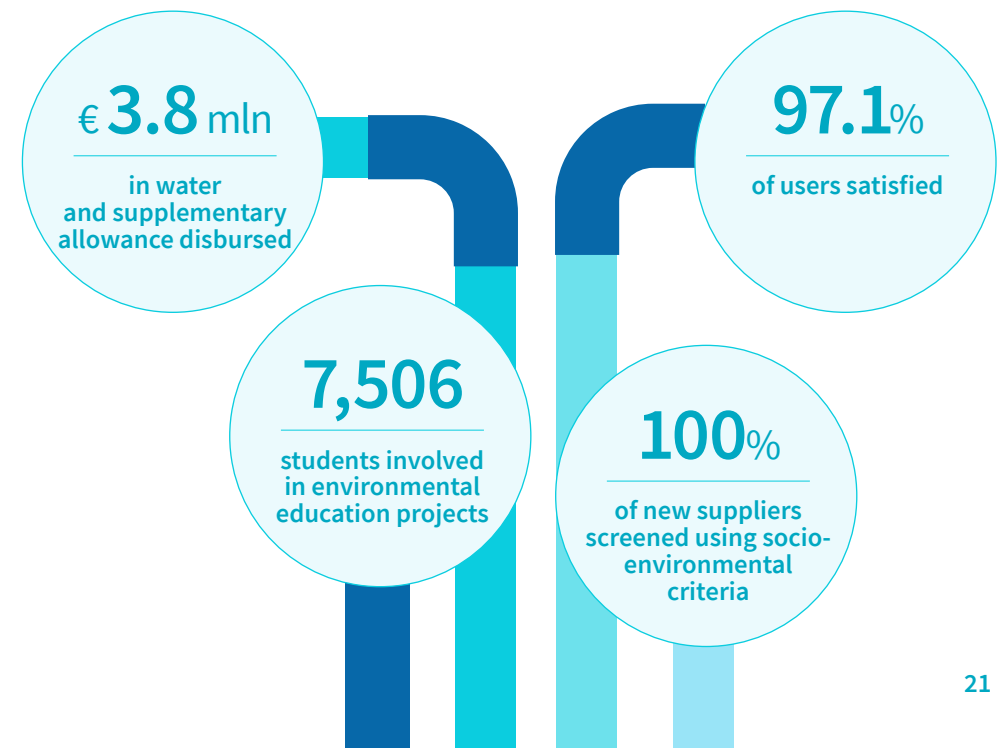


Talking to the community to strengthen the value chain

Our goal is to create a virtuous cycle in which we return value to the environment and the community through resource protection, dialogue with the community and collaborative projects aimed at shared innovation.

From digitisation initiatives to service customisation, we are committed to building a relationship of trust and transparency with users, recognising their essential role in guiding our policies and practices towards a sustainable and inclusive future.

We strive to continuously improve the services we offer to customers by making communication channels more accessible and intuitive to effectively meet the needs of digital evolution.



Connected with sustainable technologies

Technological innovation continues to transform the water sector, driving towards increasingly sustainable and smart solutions. The integration of predictive intelligence into infrastructure is radically changing the way resources and the economy are managed. These advanced technologies not only enhance efficiency and reduce waste but also provide a proactive response to climate change, making cities more resilient to environmental shocks. The transition to a digital and interconnected future brings new challenges: firstly, the importance of protecting critical infrastructures from cyberattacks; secondly, scepticism towards artificial intelligence exposes us to the risk of falling behind in technological innovation.

The scenario

300 million euro

expenditure of Italian utility companies in 2023 on technologies such as smart meters, business process digitisation, remote control, and hardware and software development for network management.¹¹

515,8 million dollar

The projected increase in the global market for water and wastewater treatment technologies by 2028.¹²

900 million euro

Allocated in Italy to address losses due to water leakage in the Italian water network, with the goal of modernising and improving the efficiency of the existing infrastructure.¹³

¹¹Utilitalia, <https://www.utilitalia.it/notizia/47020551-a681-4fdb-afcb-6035350258d5>

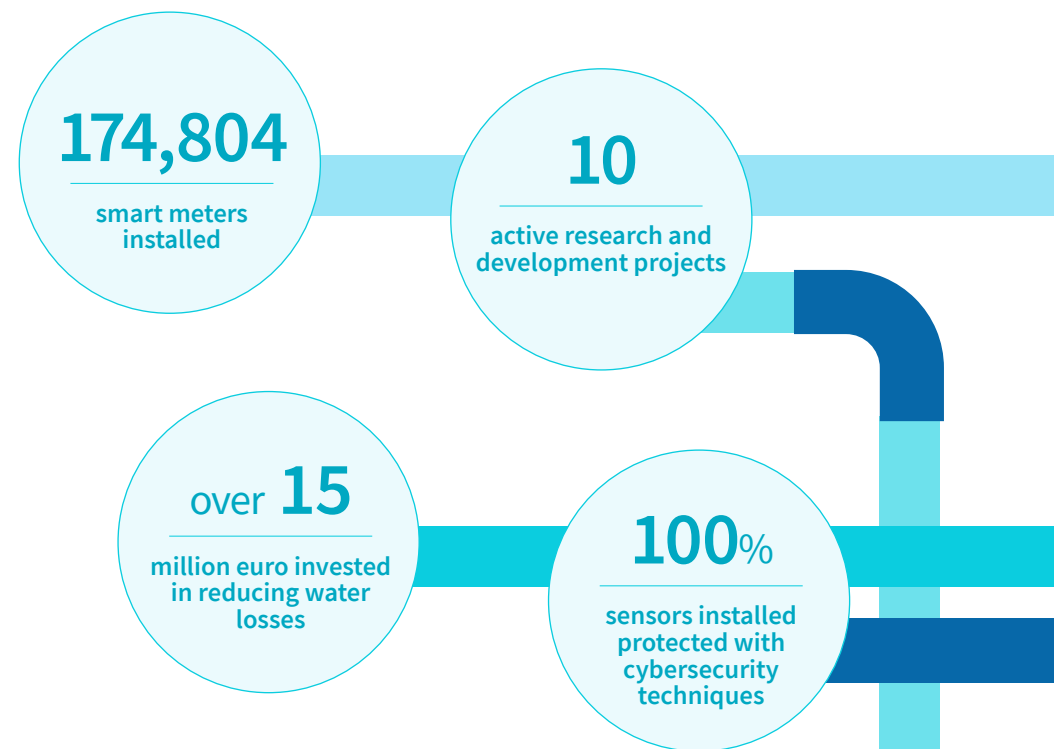
¹²BCC Research, <https://www.bccresearch.com/market-research/environment/water-and-wastewater-treatment-technologies-global-markets.html>

¹³Juniper Research, <https://img.corrierecomunicazioni.it/wp-content/uploads/2023/03/21131525/Combating-the-Energy-Crisis-with-Smart-Grids-whitepaper.pdf>

Linking data and creating protective networks

In 2023, we initiated major process **digitisation** initiatives. We continue to invest in technological innovation by adopting cutting-edge systems such as **artificial intelligence** and **predictive analysis** tools across various areas, including leak detection and fault analysis. We have developed use cases that will contribute to a comprehensive project for creating a **data base to be processed with big data technologies**.

Our goal is to transition the Integrated Water Service towards the dynamics of **Industry 4.0**. To meet this challenge, we have identified a series of infrastructures whose technological evolution, combined with the integration of IT networks, will significantly enhance performance.



Our contribution to Sustainable Development Goals (SDGs)

Our daily activities are inspired by the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda. In our sustainability strategy, we considered the SDGs as drivers of our actions.



The 2030 Agenda for Sustainable Development is an action plan for people, the planet and prosperity, promoted by the UN General Assembly in 2015. The Agenda consists of 17 Sustainable Development Goals (SDGs), included in a comprehensive action programme that identifies 169 targets.

Material topic	SDGs
Business ethics and integrity	1 NO POVERTY, 2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
Sustainable finance	6 CLEAN WATER AND SANITATION, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION
Responsible water resource management	6 CLEAN WATER AND SANITATION, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Protection of ecosystems and safeguarding biodiversity	6 CLEAN WATER AND SANITATION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Energy transition and climate action	3 GOOD HEALTH AND WELL-BEING, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Air quality and pollution	3 GOOD HEALTH AND WELL-BEING, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Responsible waste management and circular economy	3 GOOD HEALTH AND WELL-BEING, 6 CLEAN WATER AND SANITATION, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 15 LIFE ON LAND
Inclusion, diversity and corporate welfare	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES

Material topic	SDGs
Development and training of people	4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
Health and safety of people	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Sustainable supply chain management	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Creation of value for the local area and engagement to the community	1 NO POVERTY, 2 ZERO HUNGER, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Inclusion, satisfaction and responsibility of users	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Digitisation and cybersecurity	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Investments and innovation in inclusive, sustainable and resilient infrastructure	5 GENDER EQUALITY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES



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