

THE FUTURE IS NOW

DNF - SUSTAINABILITY REPORT

2021



SENSITIVE - RESILIENT - INNOVATIVE

CAP

What does it mean to do business sustainably? It is not a case of merely worrying about the impacts that the CAP Group's activities generate in the local area, society and the planet, but building **value for stakeholders**, nurturing the company's ability to anticipate the unexpected through innovation.

**In 2021 the company also decided to be open to listening to the needs and requests of all stakeholders, discussing important issues and guiding processes of change and innovation. The CAP Group has become much more than a service company; it is the public partner that facilitates and enables smart and green solutions for the local area and for industry. The green utility that is building tomorrow's world, today.**

The transformation of waste into energy, the recovery of raw materials and minerals and the reduction of atmospheric emissions are the strategic objectives that CAP wants to report on in the Sustainability Report. It is of fundamental importance to invest in circular-economy projects to reuse materials in several production cycles, thus minimising waste, helping to mitigate the climate crisis, containing soil degradation and reconciling economic development with job creation. To implement this change, an effort to **systematically redesign** is required, and the Group is doing this, for example, through the activities of the new related companies **Neutalia and ZeroC**, with the former being dedicated to the production of energy from waste and the latter being engaged in the sustainable management of scrap. Both are strategically oriented towards giving form and substance to the circular economy of the metropolitan area of Milan, playing a lead role at the regional level.

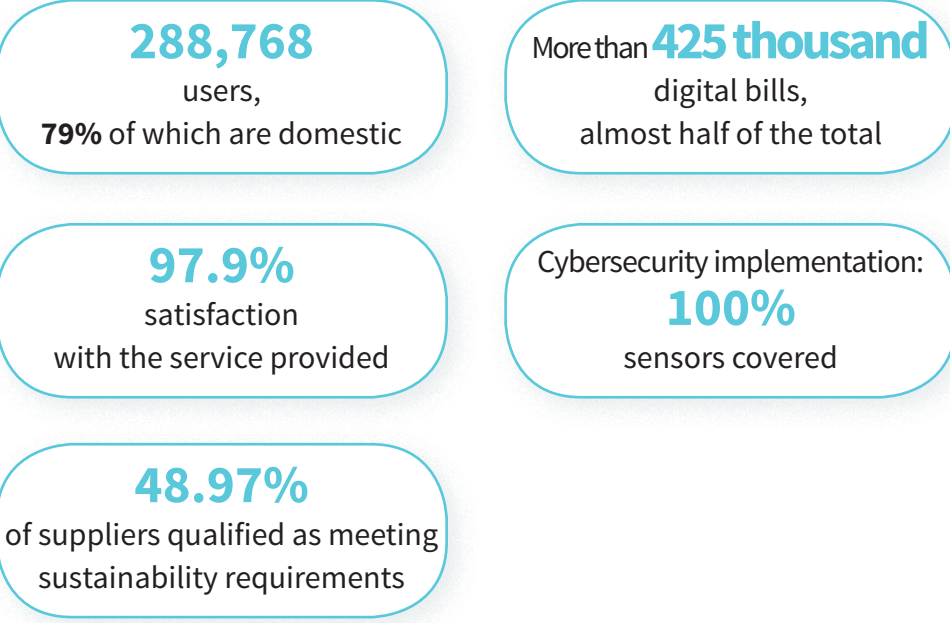
CAP maintains these commitments with the conviction that public utilities can be protagonists in the ecological and energy transition, as strategic players able to help traditional supply chains and districts in the circular transformation. This journey leads to the creation of resilient infrastructure and a fair version of industrialisation, made of new plants, but also – and above all – the radical redesign of existing plants.



Download the complete Non-Financial Statement here

Sustainable innovation

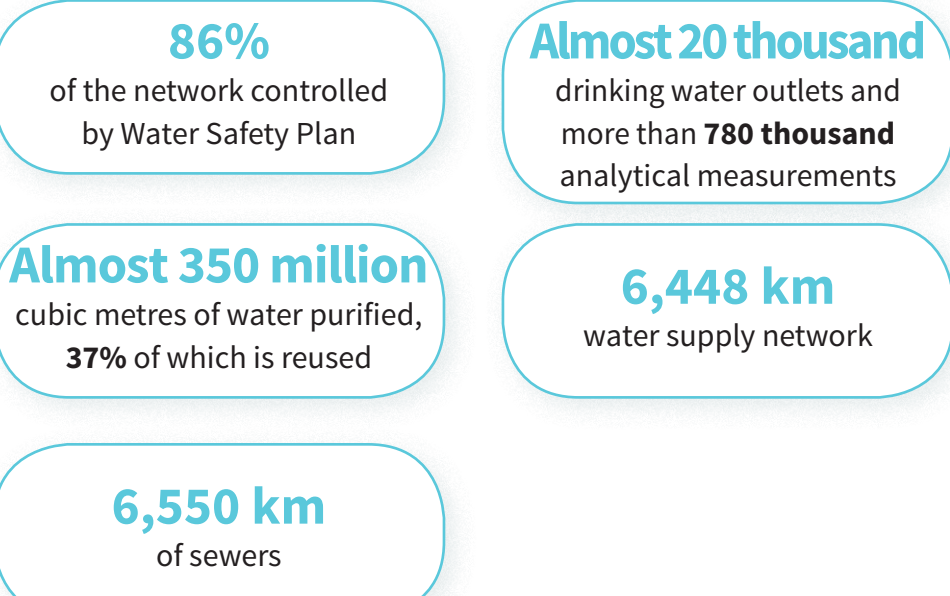
Only a few years ago, sustainability and innovation were considered difficult to reconcile, since many technological and industrial innovations had a negative impact on nature and the wellbeing of people. Today, however, innovating means improving the environment in which we live. It is precisely for this reason that the CAP Group is developing a business model which is not only innovative but also highly sustainable. It is not limited to the creation of private and social wealth, but it has the objective of reducing negative impacts on ecosystems, human health and the wellbeing of society as a whole.



Discover our Research and Development projects

Water, the environment and climate change

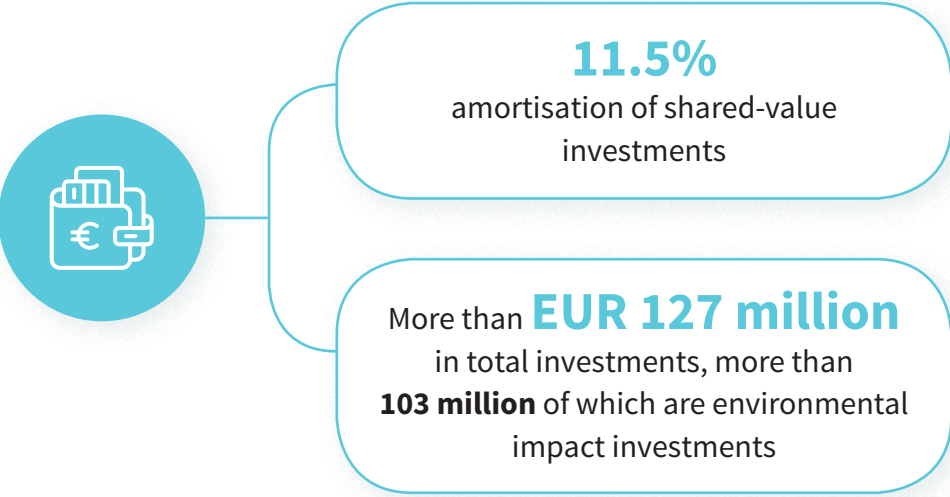
One of the most significant effects of the ongoing climate crisis is its impact on the water cycle, which is reflected in the supply of drinking water, hygienic/sanitary services and food and energy production. The CAP Group is very committed to protecting the natural environment, promoting sustainability and safeguarding water as a natural resource. The careful and innovative management of the network, constant attention paid to water quality and the application of advanced technologies to reduce losses are the tools used to reduce the rate of water distribution and increase the quality of water that can be collected.



Read our water risk management policies here

Shared value

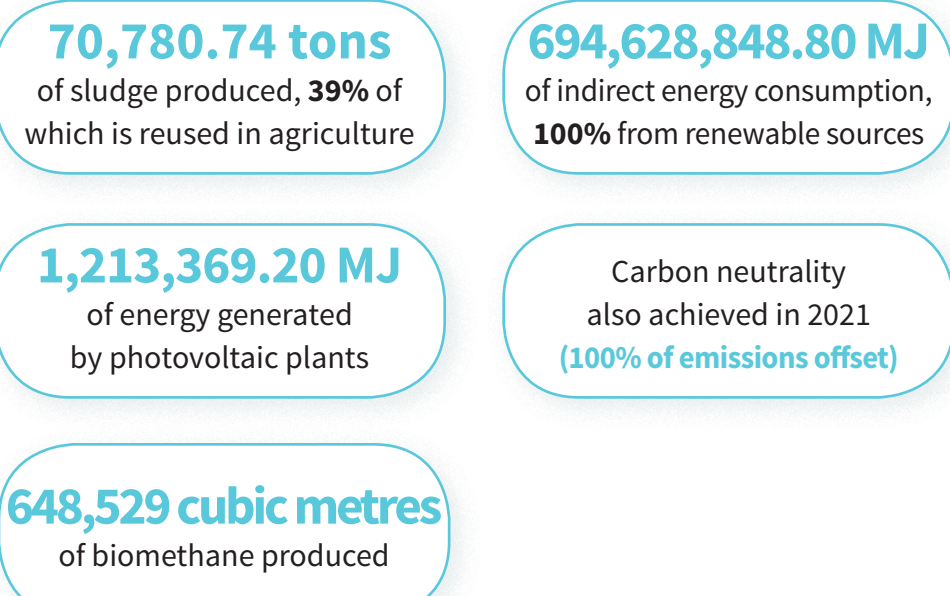
Share value is an innovative strategy for economic success which simultaneously generates progress and social value thanks to the integration of environmental issues and local needs into the core business and strategy. Being socially responsible means fully fulfilling financial and legal obligations, while responding to the economic, social and environmental expectations of the numerous stakeholders who influence and are influenced by the company's activities. The CAP Group has the objective of increasing, year by year, its capacity to generate value for the community and grow and feed a solid system of relationships with companies, universities, research institutions and associations. Sharing best practice, developing business partnerships, and talking with non-profit organisations are all actions that fall under this strategy.



Learn more about the fiscal strategy here

Ecological transition

Transitioning from an intensive and linear production system to a circular model which has its strength in environmental, social and economic sustainability is the CAP Group's long-term objective. Ecological transition constitutes a safeguard against environmental and climate damage, but is also an opportunity and stimulus for the development of investments, innovation and new employment. It is within this framework that the specific circular-economy action promoted and undertaken by the Group fall; the Sesto San Giovanni "BioPiattaforma" [Bio-platform] is an important first step in this direction.

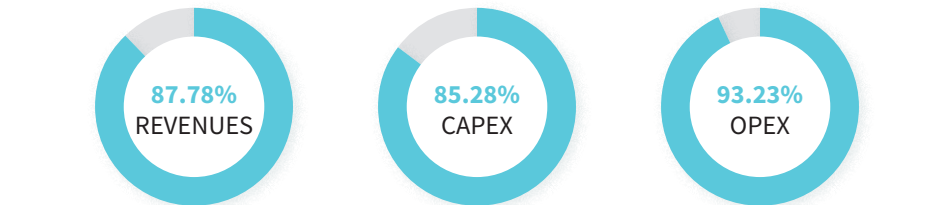


Find out more about our circular-economy activities and innovation

The climate and sustainable investment: new tools for analysis

In 2021, the risks linked to climate change were also studied through assessing the financial impacts generated. The CAP Group has implemented a climate-related risk identification process, following the recommendations issued by the TCFD (Task Force on Climate-Related Financial Disclosures). This procedure has made it possible to identify potential risks incurred or generated by the Group through its own activities and throughout the value chain, and the main actions to be taken in response to them.

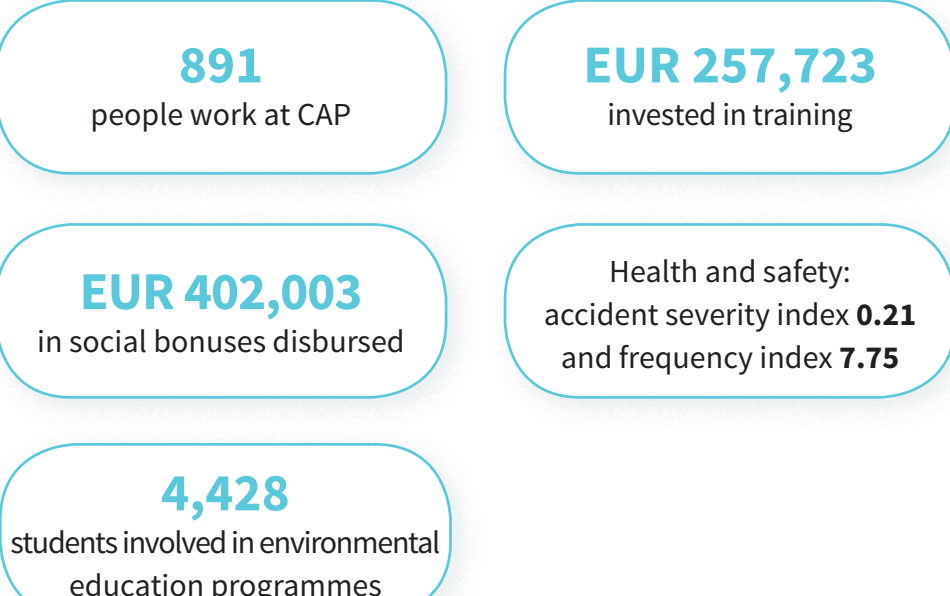
As part of the action plan for sustainable finance, on 18 June 2020 the European Parliament adopted Regulation (EU) no. 2020/852, which established the European Taxonomy, a common classification system which makes it possible to identify economic activities considered to be environmentally sustainable in response to the current climate and environmental challenges. The CAP Group has analysed its own economic activities in light of this regulation, and found the following eligibility percentages:



Download the full analysis of climate-related risks and opportunities here

Close to people

In 2021, the CAP Group ensured that its own people grew and guaranteed the best working conditions in terms of health, safety and balance between personal life and work life. The company trained and supported people so that they were able to provide their own contributions to the social and ecological transition, redesigning public utility services and restoring value to local areas and communities. The Group is also committed to society as a whole, supporting universal access to water, organising awareness-raising and training activities related to the sustainable use of this resource and promoting citizen participation in decision-making processes concerning the Group's new projects.



Discover everything about the CAP Group's new headquarters here



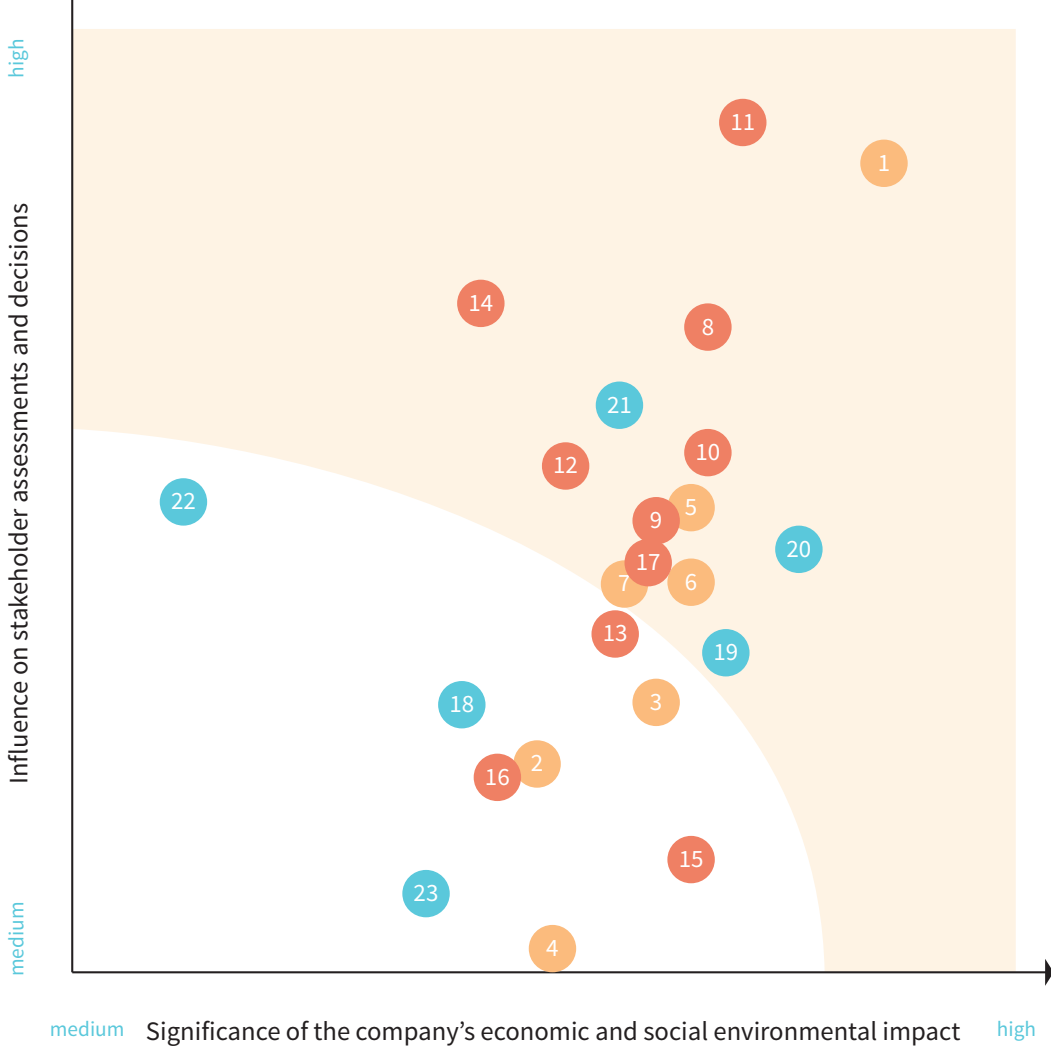
Who we are

For almost one hundred years, the CAP Group has been bringing one of the most precious and essential resources into the homes of citizens. Transparency, responsibility and participation are the principles that guide it in the management of the Metropolitan City of Milan’s Integrated Water Service. Serving 2.5 million citizens, the Group is one of the major Italian operators and the largest utility company, by assets, in the country. Today CAP is expanding its horizons, progressively becoming a green mono-utility company and helping build the future of the local area by setting up circular-economy projects which seek to transform what was until not very long ago considered a waste of precious resources, to preserve the environment and accept the challenge of the ecological transition.

CAP dialogues with its stakeholders

The materiality analysis makes it possible to identify the aspects of sustainability that are most important to the company and everyone that interacts with it. It is an analytical method through which the aspects of the business and company processes on which to focus attention can be identified. By studying the matrix, one can see that the quality of tap water or purified water, the reduction of losses, the provision of solutions in the context of the circular economy, the management of environmental risks, user satisfaction and effective and transparent communication are significant. Moreover, compared with last year, some issues such as the digitalisation of processes and services, supply chain innovation and sustainability and cybersecurity acquired considerable importance. Internal and external stakeholders were actively involved in the identification of these issues.

Materiality matrix



SENSITIVE

- 1 Quality of tap water
- 2 Solutions close to vulnerable people and users
- 3 Job enhancement
- 4 Inclusion and equal opportunities
- 5 Health and safety for our people throughout the supply chain
- 6 User satisfaction and responsibility
- 7 Effective and transparent communication

RESILIENT

- 8 Reducing emissions and fighting climate change
- 9 Responsible waste management
- 10 Closing the circle for a circular economy policy
- 11 Quantity and quality of purified water
- 12 Protection of ecosystems and safeguarding biodiversity
- 13 Creation of value for the local area
- 14 Reduction of losses
- 15 Ethics and integrity in managing the business
- 16 Sustainability governance
- 17 Resilient territories and major risk management

INNOVATIVE

- 18 Strategic partnerships
- 19 Digitalisation and innovation of processes and services
- 20 Cybersecurity
- 21 Innovation and sustainability in the design and construction of infrastructure
- 22 International cooperation
- 23 Training and informing new generations

Stakeholder engagement



Watch the video of stakeholder interviews

Towards 2033

The following slide shows the objectives established by the CAP Group’s Sustainability Plan, highlighting the most significant results achieved. CAP Group has long been following a path aimed at integrating sustainability into its industrial strategy. The Plan identifies the main challenges and social, economic and environmental trends over the long term, sharing the company’s sustainability strategies with all stakeholders.

The Plan is based on the following three pillars: Sensitive, Resilient and Innovative. Main macro objectives have been identified for each of them. Inspired by the best international practices, the Plan is the fruit of a collective journey that involved the company’s management and was shared with everyone at CAP to encourage awareness of the objectives and develop the company culture of sustainability.

SENSITIVE

- Consume less, consume better**  
Reduce the amount of water consumed every day by CAP users until the ambitious target of 180 litres of water per person per day is achieved to approach the European average.  
**Goals achieved in 2021**
  - More than **56.2% of smart meters** installed, to guarantee more accurate monitoring of water consumption;
  - **206.41 l/inhabitant/day** is the daily consumption per perso.

- As easy as drinking a glass of water**  
Triple the number of CAP users who claim to drink only, or almost only, tap water, until 70% of users is achieved in 2033.  
**Goals achieved in 2021**
  - **192** the number of **Water Houses**, with a total saving of an estimated 685 tonnes of plastic;
  - Promotion of the domestic water quality **control service** as a way to increase confidence and citizen awareness and promote tap water consumption.

- Ever closer to the community**  
To serve an increasing percentage of families in difficulty and collective users such as schools, the public administration, or hospitals with tailored solutions, achieving 80% of users by the end of 2033.  
**Goals achieved in 2021**
  - **Supplementary water bonus** of EUR 15 per person allocated to citizens to supplement the social bonus provided by the Authority (ARERA);
  - **13,119** number of **bills split into instalments** for an overall value of just under EUR 10 million.

RESILIENT

- Closing the circle**  
Redefining incoming and outgoing flows involved in CAP’s activities to recover the greatest possible quantity of materials and energy (-40% tonnes of CO<sub>2</sub> equivalent corresponding to the impact of the Group’s activities in 2033).  
**Goals achieved in 2021**
  - Launch of the **Sesto San Giovanni** “BioPiattaforma”, the only infrastructure of this type ever to be authorised in Italy;
  - Progressive transformation of purification plants into **plants which recover** substances that can be reused in industry and agriculture, like biorefineries.

- Protect the resource**  
Reduce the water introduced into the CAP network by over a third (15% of water distributed on the network in 2033).  
**Goals achieved in 2021**
  - **2,333 km of water supply network** monitored as part of the campaign to identify losses;
  - **26,032 meters** replaced by more effective monitoring.

- Resilient cities**  
Increase cities’ water resilience capacity (2.56 million m<sup>3</sup> of water that can be drained in the territories managed by CAP in 2033).  
**Goals achieved in 2021**
  - **77 tanks** managed for a total of more than (1,889,419 m<sup>3</sup> of water that can be drained;
  - Adequacy of the **sewer system** assessed as **class A** (the highest class) according to the M4 technical indicator.

INNOVATIVE

- A digital company**  
Guide digital evolution starting from the transformation of the offer to customers (100% of services offered to be digital in 2033).  
**Goals achieved in 2021**
  - Activation of an **Artificial Intelligence system** capable of interacting with users and the Pedius system allowing the hard of hearing to read the operator’s responses;
  - Launch of the **CAP Group’s new portal**, which has surpassed 405 thousand users within the year, with more than 2.5 million impressions, more than one million of which, or 56% of the total, were in the user area.

- Creating shared value**  
Increase CAP’s ability to generate value for the community (15% operating margin deriving from activities which generate shared value in 2033).  
**Goals achieved in 2021**
  - Maintaining **the shared value** produced, which has reached **11,5%**;
  - New **collaborations** with the world of **Universities** and research and new financing obtained for research projects.

- Towards a smart future**  
Make networks and facilities smart (EUR 50 million invested in automation and robotics in 2033).  
**Goals achieved in 2021**
  - **Digitalisation projects** involving internal and external stakeholders;
  - Implementation of **Webgis** for the mapping of the Integrated Water Service and the innovative management of data.



View the CAP Group’s Sustainability Plan here