



Separate  
Non-Financial  
Statement

20

17





**MM S.P.A.**

A single-member company

Registered office in MILAN – via del Vecchio Politecnico, no. 8

Fully paid-up share capital Euro 36,996,233

Registered with the MILAN Chamber of Commerce

Tax Code and Companies Register no. 01742310152

VAT Number: 01742310152 – REA no.: 477753

[www.mmspa.eu](http://www.mmspa.eu)



2017 Separate  
Non-Financial Statement  
(as per Italian Legislative Decree 254/2016)



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# 1 / Methodological Note

## 1.1 Background

On 6 December 2014, the Directive 2014/95/EU (hereinafter also referred to as the “Directive”) of the European Parliament and of the Council as regards disclosure of non-financial and diversity information by certain large undertakings which are public-interest entities became effective.

The Directive is evidence of European lawmakers’ willingness to contribute to the transition towards a sustainable global economy by combining long-term profitability with social justice and environmental protection, promoting the entities that implement transparent business policies oriented to improving also their non-financial performance.

The Directive was transposed into Italian law with Legislative Decree no. 254 of 30 December 2016 (hereinafter also referred to as the “Decree” or “Italian Legislative Decree 254/2016”), which requires large public-interest entities to publish a Non-Financial Statement (hereinafter also referred to as “NFS”).

This Statement shall contain information to the extent necessary for an understanding of the undertaking's operations, development, performance, and the impact of its activities relating to five topics, i.e. environmental, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters, which are considered material based on the business and characteristics of the Company. Specifically, as far as these five topics are concerned, the Decree requires disclosing, at a minimum, the main risks, either suffered or caused, any potential policies implemented, the relevant performance indicators, and the management and organisational business model (Article 3 paragraph 1).

## 1.2 The goals of the Separate Non-Financial Statement

As a public-interest entity (pursuant to article 16, paragraph 1 of Italian Legislative Decree no. 39 of 27 January 2010), MM Spa (hereinafter referred to as “MM”) falls under the scope of Italian Legislative Decree 254/2016—implementing the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014—which requires preparing a Non-Financial Statement (hereinafter referred to as “Statement” or “NFS”) starting from the fiscal year 2017. This Statement represents MM's commitment to reporting annually on its social and environmental impacts, the respect for human rights, and its policies relating to these topics as well as diversity, in accordance with Italian Legislative Decree 254/2016.

Pursuant to said legislative decree, MM has elected to prepare the Statement separately from the Report on Operations and provide more in-depth information about its social and environmental efforts in a Sustainability Report—the result of a voluntary process that has been consolidated over the years.

## 1.3 Scope of the Separate Non-Financial Statement

The non-financial reporting scope coincides with the scope of the Separate Financial Statements and includes all MM's Business Units, i.e. the subsidiaries Metro Engineering Srl and Napoli Metro Engineering Srl, which were merged into MM on 27 December 2017. Any exceptions to the reporting scope are disclosed in the individual sections. Said scope is consistent with the GRI Standard Guidelines issued in 2016 by the Global Reporting Initiative, which are described in the following paragraph.

## 1.4 The relevant guidelines

Pursuant to Italian Legislative Decree 254/2016, MM's Statement has been prepared in accordance with the “GRI Standards”—the guidelines issued in 2016 by the Global Reporting Initiative and the international point of reference for sustainable reporting. For the purposes of this Statement, MM has elected the referenced reporting method.

Chapter 1.4 includes a summary table showing the correlation between material topics, the information reported by MM, and the relevant GRI indicators. Said table also lists any potential omissions relative to the indicators and the reported information.

## 1.5 Risks and policies

The main risks related to the material topics as outlined in the Decree, which may be relevant to the pursuit of MM's business strategy in the medium/long term, are disclosed in each paragraph of this Statement. The Companies included in the reporting scope operate consistently and in compliance with MM's mission and values, ensuring these are implemented in the day-to-day strategic and operational decisions.

Although MM has not yet formalised any specific sustainability policies related to the topics outlined in the Decree, it has started on a path to defining said policies as far as the most material non-financial topics are concerned and with the strongest possible commitment on the part of Management. Since 2015, MM has been publishing the Group's Sustainability Report on an annual basis, voluntarily subjecting it to an audit as well as identifying the material topics and the stakeholders concerned.

In the last three years, MM has analysed its data collection and validation processes, preparing a document to support reporting activities (“Indicator Manual”) that is currently under review for the transition to the new guidelines. This allowed to prepare a first draft of the Sustainability Reporting Procedure. To pursue and coordinate its sustainability initiatives, the Company set up a Steering Committee and the Corporate Social Responsibility Function in 2014 and 2016, respectively. These report directly to the Communication Department, and therefore to the Office of the Chair.

## 1.6 Stakeholders and materiality analysis

In preparing the following NFS, MM adopted a stakeholder-oriented approach in order to allow the key stakeholders to learn about its commitment to social and environmental matters and the equality of opportunity. MM identified the stakeholders and material topics (split into high-, medium-, and low-priority groups) based on:

- analyses of the main industry trends, backed by benchmarking studies;
- review of the main topics for which MM is “under pressure” from the public by analysing web press clippings;
- analyses of how the topics are perceived within MM by conducting interviews with top management and during the dedicated annual meeting with the Company's Sustainability Steering Committee;
- qualitative analyses of how external stakeholders perceive the topics material to MM through specific workshops.

The list of the high-priority stakeholders and material topics is updated annually during a dedicated meeting of the Sustainability Steering Committee, with the participation of the senior managers involved in the preparation of the NFS and the Sustainability Report.

MM's key stakeholders are: Contractors (suppliers), Regulatory and Supervisory Authorities, Shareholder (Municipality of Milan), Customers/Principals and their representatives, Local Communities and Associations, Employees and their representatives, Public Entities and Institutions, Financial Community, Media, Users/Tenants and their representatives.

## Dialogue with stakeholders

MM has launched an open and transparent conversation on sustainable development, actively engaging its interlocutors in the local community to gather insights and suggestions on its operations as well as its economic, environmental and social performance. In November 2017, MM hosted two multi-stakeholder workshops dedicated to the Integrated Water Service (IWS) and Housing, respectively, which involved the representatives of the main categories of stakeholders, including: Shareholder, Local Community, Employees, Public Entities and Institutions, Media, and Trade Unions. During these two events, the stakeholders discussed the materiality analysis, helping to update it, as well as a number of initiatives promoted by MM to support the management of the IWS as well as Public Housing, examining their merits and drawbacks in order to improve them.

Combining the topics material to the Company and to the key stakeholders allowed to create MM's materiality matrix.

The following table lists the topics that emerged from the materiality analysis, pointing out the corresponding GRI indicator as well as the paragraph within this Statement to which reference should be made for more details.

Topic as per Legislative Decree 254/2016	Material topic	GRI Indicator	NFS reference
Economic	Implementation of the Environment Plan	n.a.	Responsible management of the service
Environmental	Energy efficiency	GRI 302-1	Responsible management of the environment
Social	Employee training and development	GRI 404-1 and 404-3	Responsible management of human resources
Social	Supply chain management	GRI 102-9	Responsible management of the supply chain and human rights
Governance	Corporate governance	GRI 102-18	Corporate governance
Environmental	Technological innovation	n.a.	Responsible management of the service
Governance	Anti-corruption and bribery	GRI 202-1 and 202-2	Anti-corruption and bribery
Social	Privacy protection and personal data processing	GRI 418-1	Responsible management of the service
Environmental	Water quality	GRI 303-1	Responsible management of the environment
Environmental	Water discharge quality	GRI 306-1 and 306-2	Responsible management of the environment
Governance	Strengthening of the corporate identity	n.a.	Responsible management of human resources
Social	Respect for human rights	GRI 411-1	Number of violations of human rights of the local community
Social	Occupational health and safety	GRI 403-2	Responsible management of human resources
Social	Proximity to users	n.a.	Responsible management of the service
Social	Company welfare	n.a.	Responsible management of human resources

Even though the topics “Supply chain management”, “Anti-corruption and bribery”, “Water quality”, “Respect for human rights”, and “Occupational health and safety” were below the level of materiality set by MM for including them in this Statement, the Company nonetheless reported on them to ensure an understanding of its operations, development, performance, and impact, considering the business and characteristics of MM as per Italian Legislative Decree 254/2016.

In addition, for each material topic addressed in the above-mentioned paragraphs, MM described the relevant policies as well as the existing organisational models and management systems, or, in lack thereof, disclosed the relevant reasons based on the “comply or explain” principle in the Decree.

As for the economic topics, please see the Report on Operations and the Financial Statements.

## 1.7 The validation and approval process

The contents of this Separate Non-Financial Statement underwent the following validation and approval process:

- the structure and contents of the NFS were validated by the Sustainability Steering Committee, the General Management, and the Communication Department through the Corporate Social Responsibility function;
- a specifically designated auditor performed a limited assurance audit of the Statement.

This document (NFS) was approved by MM's Board of Directors on 18 April 2018 and is available at the company's website [www.mmspa.eu](http://www.mmspa.eu) (in the “Company – Financial information” section).



# 2 / MM Profile and Corporate Governance

## 2.1 Company Profile

MM, a company wholly owned by the Municipality of Milan, was set up in 1955 as an engineering company to build the city's entire underground railway system as well as design public transport infrastructure and works (including urban and extra-urban road reorganisations, above-ground and underground parking, interchange areas), accompanying the development of Lombardy's capital. MM's services span the entire design cycle (technical and economic feasibility projects, final and executive projects), contract management, works management, and safety coordination.

### Engineering Business Unit<sup>1</sup>

4 underground lines totalling 101 km

113 underground stations

24 railway stations

Public transport network totalling over 800 km

M4 (works management, safety coordination, and local communication)

Expo 2015 (design of the main urban infrastructure works, works management and safety coordination during construction work, dismantling).

Over the years, thanks to the expertise and professional skills developed internally, MM has expanded its scope of operations, diversifying into new activities and sectors of specialisation. In 2003, the Municipality of Milan entrusted MM with the operation of the Integrated Water Service (IWS) through 2037, which comprises all the stages of the process: groundwater withdrawal, water purification and quality control before it is distributed to users, wastewater collection and treatment at the dedicated plants, and its release back into the environment.

### Water Service Business Unit<sup>2</sup>

51,575 users

Water supply system totalling more than 2,200 km

224,549,837 m<sup>3</sup>/year of water distributed

587 wells

31 pumping stations

18 Water Houses

Sewer system totalling more than 1,500 km

2 wastewater treatment plants (Milan San Rocco and Milan Nosedo, as well as the dedicated line at the plant in Peschiera Borromeo)

<sup>1</sup> The data related to the Engineering Business Unit concerns only some of the works made in Milan over the years. Said data is historical and does not refer exclusively to the 2017 reporting scope.

<sup>2</sup> The data related to the Water Service Business Unit refers to 2017.

Since late 2014, MM has been managing Milan's Public Housing, taking responsibility for its administrative, accounting, and technical-legal management as well as maintaining relationships with the users, from communication to relocations and routine maintenance. The Municipality of Milan confirmed the service concession arrangement with MM for a period of 30 years starting from 30 June 2015.

## Housing Business Unit<sup>3</sup>

MM manages 39,041 housing units, including:

28,863 houses

8,890 garages/parking spaces

1,288 properties for different uses (shops, laboratories, warehouses, etc.)

In addition, in 2015 the Municipality of Milan approved the merger of the company M.I.R. Srl into MM. M.I.R. Srl owns public movable and immovable property instrumental to the waste collection and disposal service that is made available to the interim operator of environmental hygiene services (i.e. AMSA through 2021 under a lease agreement in exchange for an annual fee).

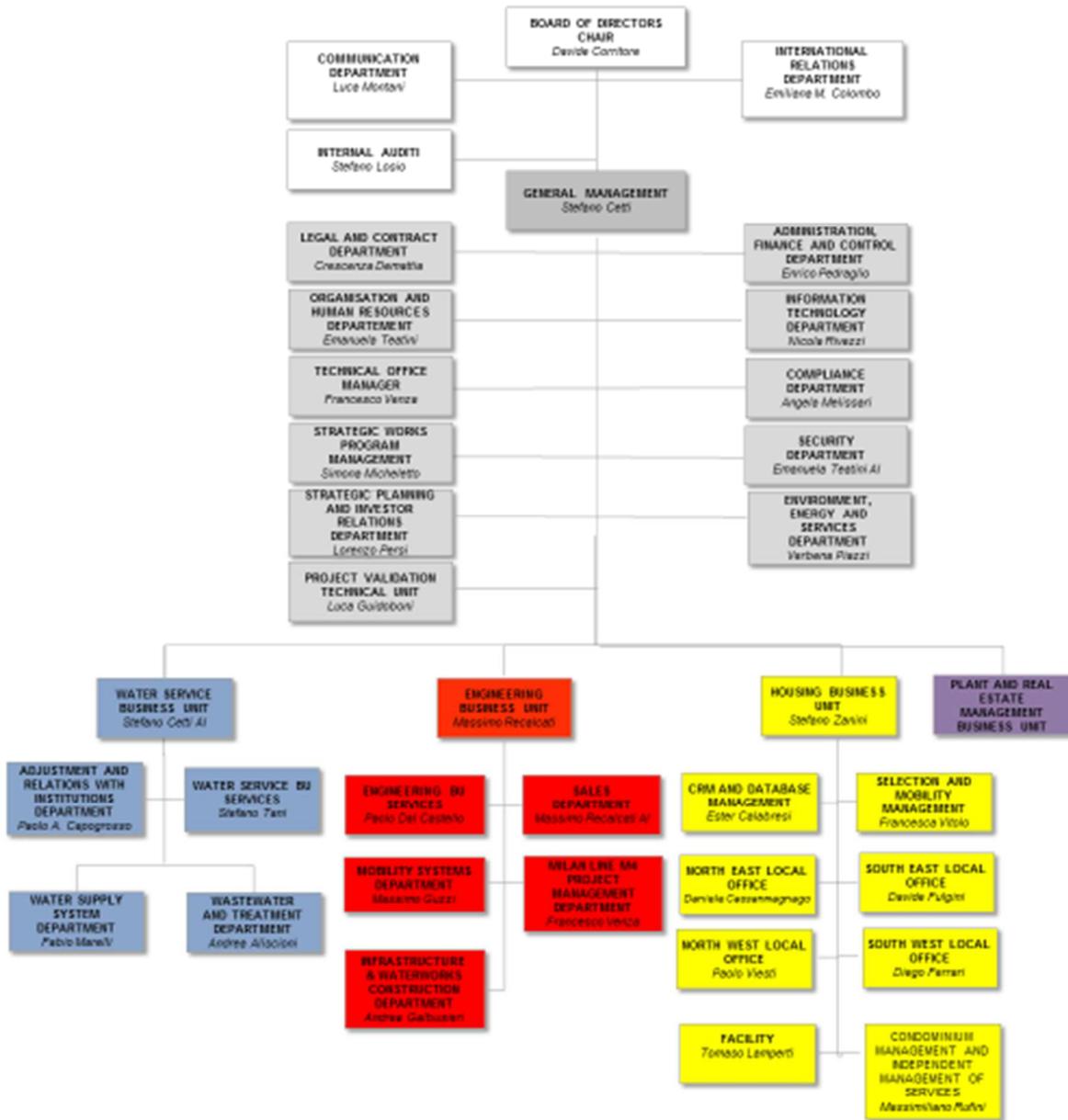
In 2017, the subsidiaries Metro Engineering Srl and Napoli Metro Engineering Srl, set up in 2009 to develop and manage the projects for municipalities other than Milan and finish construction work on Naples's underground railway system under the outstanding agreement between MM and the Naples Metro, respectively, were merged into MM.

In addition, during the year MM opened a branch in Dubai to pursue business initiatives in the Middle East and North Africa (MENA) region as well as South Asia, acquire contracts specifically related to Expo 2020, and manage projects in the United Arab Emirates.

Today, MM is one of the largest and most diversified engineering companies in Italy, has a growing international presence, and can provide tailor-made solutions for the design and redevelopment of urban ecosystems.

<sup>3</sup>The data related to the Housing Business Unit concerns refers to 2017.

# 2.2 Corporate Governance



MM's structure at 31 December 2017

**Table - Material topics**

Material topics	Relevant risks
✓ Corporate governance	MM identifies and assesses risks such as: <ul style="list-style-type: none"> <li>✓ Reputational risk;</li> <li>✓ Risks associated with corporate offences;</li> <li>✓ Risks related to non-compliance or violation of relevant regulations.</li> </ul>

## Management and Control Bodies

### Board of Directors

Chair Davide Amedeo Corritore

Director Luigi Mario Mancioppi

Director Loredana Bracchitta

### Board of Statutory Auditors

Chair Ivano Ottolini

Standing Statutory Auditor Myrta De Mozzi

Standing Statutory Auditor Andrea Manzoni

**Independent auditors:** PricewaterhouseCoopers SpA

MM has adopted a Business Unit-based Organisational Model, under which the Staff Departments and functions supporting the four Business Units—one for each business area: Water Service Business Unit, Housing Business Unit, Engineering Business Unit, Plant and Real Estate Management Business Unit—report to the General Management.

Meanwhile, the Communication Department as well as the Internal Audit and International Relations functions report to the Office of the Chair.

To guarantee the strategic and operational coordination of each Business Unit, MM has set up dedicated committees that hold monthly meetings to analyse and monitor the performance of the Business Units, examine any potential issues, and decide which actions to take.

In particular:

- The Water Service Business Unit Committee (CO.DI.SI., *Comitato Divisionale Servizio Idrico*) monitors the execution of the investments pursuant to the Environment Plan, the trend in revenues relative to the Service Plan, and the costs of the Business Unit;
- the Housing Business Unit Committee (CO.DI.CA., *Comitato Divisionale Casa*) guarantees and monitors that the Housing Business Unit operates in accordance with the Concession Agreement with the Municipality of Milan, monitors the Business Unit's costs—ensuring a high-quality performance of the service—as well as develops and coordinates special projects;
- the Engineering Business Unit Committee (CO.DI.IN., *Comitato Divisionale Ingegneria*) monitors the stage of completion of contract activity to ensure projects are delivered on time, monitors the Business Unit's costs to ensure the projects remain economically sustainable, and develops and coordinates projects and initiatives that concern the Business Unit.

As for sustainability, MM has set up a Sustainability Steering Committee to promote a culture of sustainability within the Company as well as the Corporate Social Responsibility Function. These report directly to the Communication Department, and therefore the Office of the Chair.

The Committee includes the Company's senior managers, including the Chair and the General Manager as well as the Head of Administration, Finance and Control, the Head of Communication, and the Head of Organisation and Human Resources.

The Committee meets regularly and is responsible for defining MM's sustainability strategy, setting the general direction of the Sustainability Report, and validating this Statement as well as the Sustainability Report before they are submitted to the Board of Directors.

In 2017, MM set up:

- the Compliance function, which works closely together with the Legal and Contract Department, the Organisation and Human Resources Department, and the Internal Audit function to prevent violations of external regulations as well as corporate governance rules;
- the Strategic Works Program Management function, in order to focus, promote, and monitor all stages and activities of the construction of strategic works, including the investments of the Integrated Water Service and the reduction of the vacancy rate for the public housing of the Municipality of Milan;
- the Energy Management Team of the Water Service Business Unit, in accordance with the Energy Management System (EnMS) as per the ISO 50001 standard, which is responsible for defining the energy policy of the Water Service Business Unit as well as update its Energy Management System;
- the Crisis Management Team, which is responsible for making the relationships with stakeholders more effective as well as developing decision-making processes to manage the reputational and company image risk.

For more details on the overall organisational changes introduced in 2017, please see the Report on Operations.

## 2.3 Policies, organisational models and management systems

MM identifies, assesses, manages, and monitors risks through an internal control system, which consists in a set of rules, organisational structures, procedures, and processes that, together, boost the effectiveness and efficiency of operations, allowing to pursue business goals.

MM has adopted the following management systems and internal organisational models:

Organisational, Management and Control Model (OMCM) (pursuant to Italian Legislative Decree 231/2001);  
Code of Ethics;  
Three-Year Corruption Prevention and Transparency Plan.

The latest version of the OMCM, approved by the Board of Directors at the meetings on 18 May and 14 June 2017, lists the Company's sensitive activities as outlined in the Decree, i.e. the activities that could lead to the commission of crimes, general standards of conduct, and the control measures and procedures implemented to prevent and/or mitigate offences.

MM's Board of Directors has appointed a Supervisory Body (SB) comprised of three external members, which is responsible for supervising the functioning and updating of, as well as compliance with, the Model. The subsidiaries Metro Engineering Srl and Napoli Metro Engineering Srl have also adopted an Organisational, Management and Control Model as well as set up Supervisory Bodies.

In addition, in 2013 MM adopted the Code of Ethics, which sets out the principles and values to which all MM's companies must subscribe, and has been constantly updating it since then (the current version was approved on 3 May 2017). Fairness, transparency, legitimacy, clarity, and diligence are the values that drive MM in its business as well as its relationships with stakeholders. The Code is intended for anyone that maintains any kind of relationship with MM, such as: senior management, employees, workers regardless of the type of employment contract, advisers, suppliers, contractors, and partners.

The Code of Ethics and all its updates are approved by MM's Board of Directors and submitted to the competent bodies of the companies. The Ethics Committee is responsible for updating and monitoring the Code of Ethics in partnership with the SB.

In 2017, MM set up an Ethics Committee comprised of the interim Chairs of the Board of Directors, the Supervisory Body, and the Board of Statutory Auditors, as well as the General Manager. This committee is responsible, together with the SB, for promoting the Code of Ethics among employees, contractors, and all third parties that interact with the company. In addition, it assesses violations of the Code of Ethics as well as any potential conflicts of interest brought to its attention.

The Code of Ethics is published on MM's website, accessible to customers as well as all parties concerned, and in the dedicated section of the company's intranet. Each director, employee or contractor receives a copy of the Code upon their appointment or hiring or at the beginning of the employment relationship, respectively. In addition, MM provides specific training on the OMCM and the Code of Ethics to all employees. The Code of Ethics is available at [www.mmspa.eu](http://www.mmspa.eu) (in the "Transparency" section).

For details on the Three-Year Corruption Prevention and Transparency Plan, please see chapter 5 (Anti-corruption and bribery), paragraph 5.1 (Management policy and model) in this Statement.

As for the management of its business processes, MM has adopted certified (or accredited) management systems, i.e. that meet the requirements in the relevant international ISO standards. Besides the systems directly related to environmental and energy issues (mentioned in this Statement when discussing the relevant topics), since 1996 MM has maintained a UNI EN ISO 9001-certified quality management system for the Engineering and Water Service Business Units, and is accredited as a type "B" Inspection Body through the Project Validation Technical Unit for the Engineering and Water Service Business Units (UNI CEI EN ISO/IEC 17020). In addition, the Company is preparing the documents necessary for the accreditation of the testing laboratories for the water supply system and wastewater treatment plant of Milan San Rocco (UNI CEI EN ISO/ IEC 17025).

The list of certifications and accreditations is available at [www.mmspa.eu](http://www.mmspa.eu) (in the "Sustainability – Certifications" section).

## 2.4 Risk management model

In May 2017, MM considered it a priority to launch a specific risk mapping and assessment project to identify the business areas with a high-risk profile, also in order to allow the third and second line of defence functions (Internal Audit and Compliance) to prepare an Audit Plan.

The risk management method adopted involved a three-stage approach:

I. Context analysis	II. Risk assessment	III. Consolidating the findings and defining the Audit Plan
Analysing the company's Strategic Plan to identify MM's main strategic goals	Planning and conducting interviews with risk owners to identify and assess risks	Identifying the processes/activities that, given the number and severity of the relevant risks, could significantly hinder the achievement of the company's goals
Analysing the Organisational Manual to identify the main operational goals of MM's Departments/Functions	supporting risk owners in identifying, classifying, and assessing the main risk events relevant to the assigned goals	Prioritising processes based on the Risk Assessment's findings
Preliminary risk mapping	Consolidating the risk assessments conducted by management	Planning the audits as per the Audit Plan to be performed in the second half of 2017 and the two following years
Identifying the risk owners to be involved in Risk Assessment interviews		
Defining risk identification and assessment tools		

The risk assessments led to the identification of different types of risks concerning staff as well as business structures.

MM has started integrating also sustainability-related risks into its risk management system.

For the purposes of this Statement, for each material topic, the respective risks associated with each material issue are identified at the beginning of each paragraph.

A complex and integrated risk management system will be fully implemented in 2018.

# 3 / Responsible management of human resources

**Table - Material topics**

Material topics	Relevant risks
✓ Employee training and development	MM identifies and assesses the risks to which employees and stakeholders may be exposed, identifying the appropriate preventive measures:
✓ Corporate identity	
✓ Welfare	✓ Increase in turnover and loss of skilled and important employees in key functions;
✓ Equal opportunity	✓ Increase in injuries, and therefore in absenteeism;
✓ Health, safety and professional quality of life of employees	✓ Increase in work-related stress, with repercussions on the organisational climate;
	✓ Incompetence, negligence, and poor quality of work;
	✓ Increase in incidents of discriminations and unequal treatment

## 3.1 Management policies and model

People, including employees and contractors throughout their working life, as well as the local community in which MM operates, are at the centre of MM's business. The Company's Management believes that developing the business requires promoting the personal growth of its employees, and therefore strives to encourage all resources to participate in this process of mutual enrichment.

In addition, MM promotes the respect for labour and workers by committing to eradicating child and forced labour, promoting the equality of opportunity and treatment in employment, preventing any form of discrimination, and ensuring the respect for the fundamental human rights, in accordance with the principles in the UN Declaration of Human Rights. The Code of Ethics governs the policies and values underlying human resources management and the protection of diversity. For more information, please see paragraph 2.3 of this Statement. In addition, MM wants to guarantee its employees a comfortable and safe work environment, identifying and assessing the risks to which employees and stakeholders may be exposed and identifying the appropriate preventive measures.

## 3.2 Disclosures and performance indicators

### 3.2.1 Personnel

At 31 December 2017, MM had 1,124 employees as well as 25 independent contractors<sup>4</sup>. The following tables show the breakdown by category, age, employment contract, and gender<sup>5</sup>.

<sup>4</sup> These are workers formally recognised as independent contractors or individuals other than employees, term-contract workers, interns, and temporary and leased employees.

<sup>5</sup> The reporting scope does not include: The Plant and Real Estate Management Business Unit and Metro Engineering Srl.

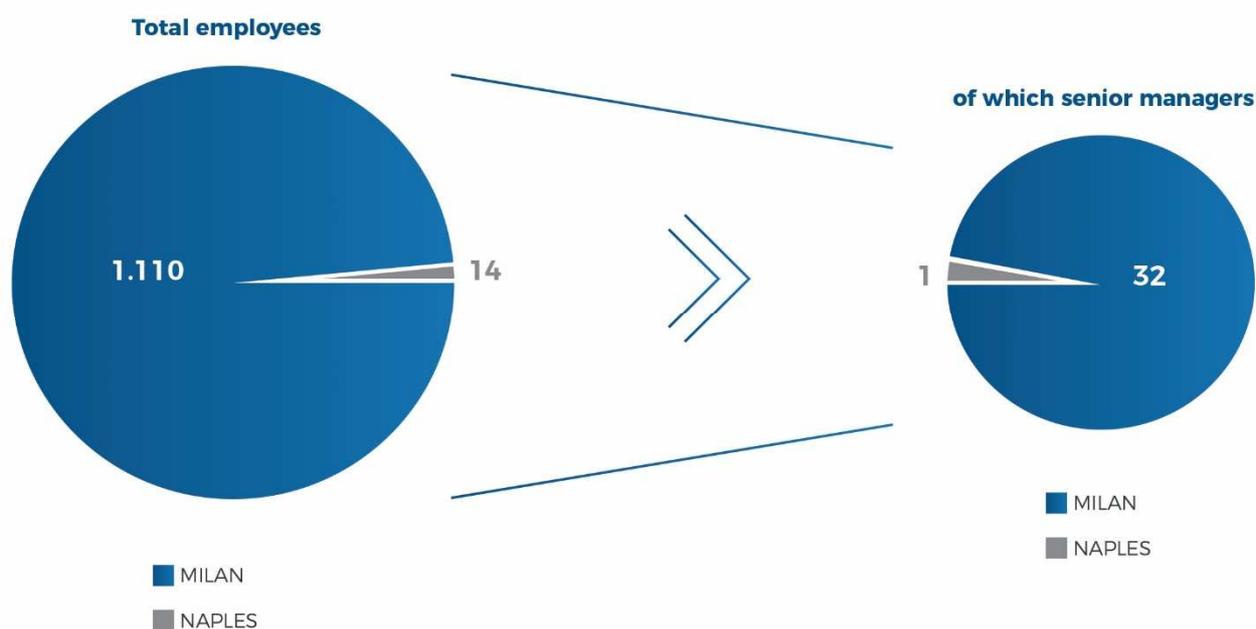
GRI 102-8	Unit of measurement	2015	2016	2017
<b>Breakdown of the workforce by gender</b>		<b>Total</b>	<b>Total</b>	<b>Total</b>
Men	no.	744	776	763
Women	no.	293	354	361
<b>Total employees</b>	<b>no.</b>	<b>1,037</b>	<b>1,130</b>	<b>1,124</b>

GRI 102-8	Unit of measurement	2015	2016	2017*		
<b>Breakdown of the workforce by category and gender</b>		<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>
Senior managers	no.	33	31	33	7	26
Middle managers	no.	81	77	77	21	56
Clerical staff	no.	568	675	665	276	389
Workers	no.	355	342	342	56	286
Apprentices	no.	0	5	7	1	6
<b>Total employees</b>	<b>no.</b>	<b>1,037</b>	<b>1,130</b>	<b>1,124</b>	<b>361</b>	<b>763</b>
Internships	no.	3	0	3	0	3
Temporary employment contracts	no.	10	5	6	1	5
Other types of employment contract	Leased employees	no.	71	13	16	8
<b>Breakdown of the workforce by age</b>		<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>
< 30 years	no.	40	55	50	23	27
30 ≤ x ≤ 50	no.	562	629	632	244	388
> 50 years	no.	435	446	442	94	348
<b>Total employees</b>	<b>no.</b>	<b>1,037</b>	<b>1,130</b>	<b>1,124</b>	<b>361</b>	<b>763</b>
<b>Breakdown of the workforce by employment contract and gender</b>		<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>
On permanent contracts	no.	1,014	1,021	1,000	304	696
On temporary contracts	no.	23	109	124	57	67
<b>Total employees</b>	<b>no.</b>	<b>1,037</b>	<b>1,130</b>	<b>1,124</b>	<b>361</b>	<b>763</b>
Internships	no.	3	0	3	0	3
Temporary employment contracts	no.	10	13	6	1	5
Other types of employment contract	Leased employees	no.	71	5	16	8

Breakdown of employees by full-time or part-time employment and gender		Total	Total	Total	Women	Men
Full time	no.	n.a.	n.a.	1,080	323	757
Part time	no.	n.a.	n.a.	44	38	6

\*The breakdown by gender is not available for the years 2015 and 2016

#### TOTAL NUMBER OF EMPLOYEES BY RESIDENCE<sup>6</sup>



In 2017, MM continued the recruitment campaign launched in previous years by adding 67 new hires to its team. Compared to 2016, 60 employees left the company, mostly due to retirement as well as early retirement incentives for employees over 50.

The following summary table shows the number of new employee hires and terminations by age and gender for 2016 and 2017, as well as work hours and hours of leave by gender<sup>7</sup>.

<sup>6</sup>The reporting scope does not include: the Plant and Real Estate Management Business Unit and Metro Engineering Srl.

<sup>7</sup>The data for 2015 is not reported because the calculation method for some categories was different from the one used in 2016 and 2017, and therefore it is not comparable.

GRI 401-1		2016		2017	
<b>New employee hires</b>					
Gender	Age	Number	%	Number	%
Man	< 30 years	12	46.15%	11	40.7%
	$30 \leq x \leq 50$	60	15.31%	30	7.7%
	> 50 years	2	0.56%	5	1.4%
<b>Total men</b>		<b>74</b>	<b>9.54%</b>	<b>46</b>	<b>6.0%</b>
Woman	< 30 years	13	44.83%	3	13.0%
	$30 \leq x \leq 50$	58	24.47%	18	7.4%
	> 50 years	5	5.68%	0	0.0%
<b>Total women</b>		<b>76</b>	<b>21.47%</b>	<b>21</b>	<b>5.8%</b>
<b>Total new employee hires</b>		<b>150</b>	<b>13.27%</b>	<b>67</b>	<b>6.0%</b>
<b>Terminations</b>					
Gender	Age	Number	%	Number	%
Man	< 30 years	1	3.8%	2	7.4%
	$30 \leq x \leq 50$	6	1.5%	13	3.4%
	> 50 years	18	5.0%	39	11.2%
<b>Total men</b>		<b>25</b>	<b>3.2%</b>	<b>54</b>	<b>7.1%</b>
Woman	< 30 years	0	0.0%	0	0.0%
	$30 \leq x \leq 50$	4	1.7%	3	1.2%
	> 50 years	8	9.1%	3	3.2%
<b>Total women</b>		<b>12</b>	<b>3.4%</b>	<b>6</b>	<b>1.7%</b>
<b>Total terminations</b>		<b>37</b>	<b>3.3%</b>	<b>60</b>	<b>5.3%</b>

Terminations includes all employees who left the Company except for intra-group transfers and expired employment contracts. Considering also the temporary employment contracts that expired and were not renewed, in 2017 there were 73 terminations (for more details, see the following table).

GRI 401-1		2016		2017	
Terminations (including expired temporary employment contracts)					
Gender	Age	Number	%	Number	%
Man	< 30 years	1	3.8%	3	11.1%
	$30 \leq x \leq 50$	13	3.3%	17	4.4%
	> 50 years	19	5.3%	39	11.2%
<b>Total men</b>		<b>33</b>	<b>2.9%</b>	<b>59</b>	<b>7.7%</b>
Woman	< 30 years	0	0.0%	1	4.3%
	$30 \leq x \leq 50$	5	2.1%	9	3.7%
	> 50 years	9	10.2%	4	4.3%
<b>Total women</b>		<b>14</b>	<b>1.2%</b>	<b>14</b>	<b>3.9%</b>
<b>Total terminations</b>		<b>47</b>	<b>4.2%</b>	<b>73</b>	<b>6.5%</b>

To monitor its workforce, MM calculates three types of turnover rates:

- total turnover rate: sum of new employee hires and terminations (including expired temporary employment contracts) during the year relative to the workforce at 31 December;
- new employee hire rate: new employee hires during the year relative to the workforce at 31 December;
- turnover rate: terminations during the year, including as a result of expired employment contracts, relative to the workforce at 31 December.

GRI 401-1		2016	2017
Turnover rate			
Gender	Age	%	%
Man	< 30 years	50.0%	51.9%
	$30 \leq x \leq 50$	18.6%	12.1%
	> 50 years	5.9%	12.6%
<b>Total turnover rate for men</b>		<b>13.8%</b>	<b>13.8%</b>
Woman	< 30 years	44.8%	17.4%
	$30 \leq x \leq 50$	26.6%	11.1%
	> 50 years	15.9%	4.3%

Total turnover rate for women	25.4%	9.7%
Total turnover rate	17.4%	12.5%

GRI 401-1		2016	2017
<b>New employee hire rate</b>			
Gender	Age	%	%
Man	< 30 years	46.2%	40.7%
	30 ≤ x ≤ 50	15.3%	7.7%
	> 50 years	0.6%	1.4%
<b>Total new employee hire rate for men</b>		<b>9.5%</b>	<b>6.0%</b>
Woman	< 30 years	44.8%	13.0%
	30 ≤ x ≤ 50	24.5%	7.4%
	> 50 years	5.7%	0.0%
<b>Total new employee hire rate for women</b>		<b>21.5%</b>	<b>5.8%</b>
<b>Total new employee hire rate</b>		<b>13.3%</b>	<b>6.0%</b>

GRI 401-1		2016	2017
<b>Turnover rate</b>			
Gender	Age	%	%
Man	< 30 years	3.8%	11.1%
	30 ≤ x ≤ 50	3.3%	4.4%
	> 50 years	5.3%	11.2%
<b>Total turnover for men</b>		<b>4.3%</b>	<b>7.7%</b>

Woman	< 30 years	0.0%	4.3%
	$30 \leq x \leq 50$	2.1%	3.7%
	> 50 years	10.2%	4.3%
<b>Total turnover for women</b>		<b>4.0%</b>	<b>3.9%</b>
<b>Total turnover</b>		<b>4.2%</b>	<b>6.5%</b>

### 3.2.2 Human resources training and development

MM is committed to promoting its human capital by designing training programmes to strengthen the hard and soft skills of its resources.

Each employee receives training required by law and the relevant regulations as well as to update and promote their skills, covering five thematic areas: specialist technical skills, safety, environments<sup>8</sup>, anti-corruption, and internal<sup>9</sup>. In 2017, we introduced another training opportunity: MM Academy, the training school promoted by MM and developed together with the Engineering Society of the Province of Milan (*Ordine degli Ingegneri della Provincia di Milano*), through which the Company shares its construction and hydraulic engineering expertise with the internal and external public through an in-class training programme as well as technical tours of its facilities and construction sites. In 2017, MM provided 18,390.5<sup>10</sup> hours of training.

404-1				
Hours of training				
Type	Unit of measurement	Amount		
		2015	2016	2017
Specialist technical training	hours	4,464	3,917	4,733
Environmental training	hours	96	0	0
Safety training	hours	7,296	4,384	5,804
Anti-corruption training	hours	1,070	406	313.5
Internal training	hours	334	4	6,560
MM Academy training	hours	0	0	980
<b>Total hours of training</b>	<b>hours</b>	<b>13,260</b>	<b>8,711</b>	<b>18,390.5</b>

<sup>8</sup> Environmental training refers exclusively to courses organised internally by MM.

<sup>9</sup> Internal training includes courses on information technology and project validation from the perspective of administrative management, as well as those promoted by the Organisation and Human Resources Department on specific projects (e.g. new Public Procurement Code, e-learning on OMCM and Code of Ethics) that are organised internally by MM.

<sup>10</sup> The Plant and Real Estate Management Business Unit is excluded from the scope.

GRI 404-1	Unit of measurement	2015	2016	2017*		
				Tot.	Women	Men
<b>Number of training hours per employee by employment contract and gender **</b>		<b>Tot.</b>	<b>Tot.</b>	<b>Tot.</b>	<b>Women</b>	<b>Men</b>
Senior managers	no. (average)	422	239	539.93	114.53	425.40
Middle managers	no. (average)	1,035.7	593.6	1,259.84	343.59	916.25
Clerical staff	no. (average)	7,262.9	5,203.5	10,880.49	4,515.81	6,364.68
Workers	no. (average)	4,539.3	2,636.4	5,595.68	916.25	4,679.43
Apprentices	no. (average)	-	38.5	114.52	16.36	98.16

\* The breakdown by gender is not available for the years 2015 and 2016

\*\* The figures in the table are the result of estimates based on the correct proportion with the data on the workforce and the distribution of training hours. The existing information flow does not currently allow to accurately report this indicator. MM is committed to implementing a system that, starting from next year, allows to record information and report this indicator without using the above assumption.

Average training hours per employee				
Type	Unit of measurement	Amount		
		2015	2016	2017
Average training hours per employee	hours	12.79	7.59	16.36

Employee performance is appraised through a specific process introduced in 2010: this consists in a structured interview with the relevant Line Manager, who, in coordination with his supervisor and under the supervision of the Organisation and Human Resources Department, assesses the results achieved and the skills developed by employees against the previous year's plan. The purpose of the performance review system is to:

- map the roles and positions within the company's business processes;
- plan the work of employees and assess their performance;
- design skill development and/or professional growth programmes.

For management, MM has adopted an MBO system.

In 2017, 89% of MM's workforce received a performance review—with the exception of custodians, who are currently not included in the process<sup>11</sup>.

### 3.2.3 Corporate identity

MM pursues a series of initiatives to engage the workforce in order to raise awareness about its operations and the values of its business culture as well as build team spirit. Among the initiatives MM runs every year, considering the response they received, were the participation in the Milan Marathon (with part of the registration fees going towards a charity programme) and the Football Tournament organised in partnership with MM's Employee Recreational Association. In both cases, the teams were comprised of representatives from the Company's Business Units. There were also other initiatives associated with specific projects and events referring to the current year. In preparing this Statement, MM interviewed the heads of the main functions to capture the state-of-the-art in the Company's sustainability initiatives as well as engage in an active conversation on the main governance, social and environmental matters with each function.

<sup>11</sup> GRI 404-3 concerning employees who received a formal performance review.

As for the relations with local communities, MM promotes initiatives that actively engage the public through partnerships with third parties as well as events organised by the Communication Department. The goal is twofold: to raise awareness about the Company's operations, and to share the know-how acquired over time. These initiatives include conferences and scientific workshops (including at the international level), technical-scientific publishing activities, publications dedicated to specific aspects of the services operated by MM (e.g. "Your House", the atlas of Milan's Public Housing with the breakdown by Borough, or the "Ghe Sem"—"here we are" in Milanese—magazine, which collects stories, information, and proposals concerning Public Housing), guided tours of the facilities of the Integrated Water System, stakeholder engagement initiatives related to the communication activities for the M4 underground line (including tours of the construction sites), and events for the general public.

### 3.2.4 Company welfare and the employee care

MM pursues initiatives to promote the mental and physical well-being of its employees, providing them with a series of benefits. Besides long-standing benefits such as meal vouchers, magnetic stripe cards to access the canteen, and special arrangements with transport companies such as ATM and Trenord, MM offers all employees a health monitoring system, including an internal medicine service and the presence of a doctor at the Company's offices on a rotation basis.

Between late 2016 and early 2017, MM launched a complex company welfare project that, based on the analysis of the potentially applicable models and the company's needs that emerged from targeted surveys and focus groups, led to the creation of a dedicated platform. Launched on 1 December 2017, "WelcoMMe"—the double MM obviously resembles the company's logo—is a versatile tool that can be easily customised based on individual needs. Employees can use the platform to take advantage of shopping vouchers, special arrangements with travel agencies, gym memberships and cinema subscription services, as well as a series of offers more closely related to the conventional idea of welfare such as medical expenses, occupational pension schemes, senior care, or reduced rates on home mortgage loans. Finally, to build employee loyalty and test the platform's performance, MM gave each employee 100 Euro gift vouchers to be redeemed between 1 December 2017 and 28 February 2018.

### 3.2.5 Equal opportunity

Women account for 361 out of 1,124 employees. As for the presence of women in top management positions within MM, the Board of Directors is comprised of 3 members, of which one is a woman. Below is the breakdown of the total number of employees by employment contract and gender as well as a table on governance bodies.

As for the ratio of male-to-female pay, below is a summary table showing the breakdown of MM's employees by category.

GRI 405-1 - Composition of governance bodies and employees					
Composition of the Board of Directors					
Gender			Amount		
	Age	Unit of measurement	2015	2016	2017

Man	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	0	0	0
	> 50 years	no.	2	2	2
<b>Total men</b>		<b>no.</b>	<b>2</b>	<b>2</b>	<b>2</b>
Woman	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	2	1	0
	> 50 years	no.	1	0	1
<b>Total women</b>		<b>no.</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>Total BoD members</b>		<b>no.</b>	<b>5</b>	<b>3</b>	<b>3</b>

### Composition of Senior Management

Gender	Age	Unit of measurement	Amount		
			2015	2016	2017
Man	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	7	8	7
	> 50 years	no.	21	18	19
<b>Total men</b>		<b>no.</b>	<b>28</b>	<b>26</b>	<b>26</b>
Woman	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	2	3	5
	> 50 years	no.	3	2	2
<b>Total women</b>		<b>no.</b>	<b>5</b>	<b>5</b>	<b>7</b>
<b>Total senior managers</b>		<b>no.</b>	<b>33</b>	<b>31</b>	<b>33</b>

### Composition of Middle Managers

Gender	Age	Unit of measurement	Amount		
			2015	2016	2017
Man	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	27	26	25
	> 50 years	no.	34	32	31
<b>Total men</b>		<b>no.</b>	<b>61</b>	<b>58</b>	<b>56</b>
Woman	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	15	15	16

	> 50 years	no.	5	4	5
<b>Total women</b>		<b>no.</b>	<b>20</b>	<b>19</b>	<b>21</b>
<b>Total middle managers</b>		<b>no.</b>	<b>81</b>	<b>77</b>	<b>77</b>
<b>Composition of Clerical Staff</b>					
Gender	Age	Unit of measurement	Amount		
			2015	2016	2017
Man	< 30 years	no.	8	13	14
	$30 \leq x \leq 50$	no.	198	231	226
	> 50 years	no.	152	158	149
<b>Total men</b>		<b>no.</b>	<b>358</b>	<b>402</b>	<b>389</b>
Woman	< 30 years	no.	21	29	23
	$30 \leq x \leq 50$	no.	141	192	197
	> 50 years	no.	48	52	56
<b>Total women</b>		<b>no.</b>	<b>210</b>	<b>273</b>	<b>276</b>
<b>Total clerical staff</b>		<b>no.</b>	<b>568</b>	<b>675</b>	<b>665</b>
<b>Composition of Workers</b>					
Gender	Age	Unit of measurement	Amount		
			2015	2016	2017
Man	< 30 years	no.	11	9	9
	$30 \leq x \leq 50$	no.	143	127	128
	> 50 years	no.	143	150	149
<b>Total men</b>		<b>no.</b>	<b>297</b>	<b>286</b>	<b>286</b>
Woman	< 30 years	no.	0	0	0
	$30 \leq x \leq 50$	no.	25	26	25
	> 50 years	no.	33	30	31
<b>Total women</b>		<b>no.</b>	<b>58</b>	<b>56</b>	<b>56</b>
<b>Total workers</b>		<b>no.</b>	<b>355</b>	<b>342</b>	<b>342</b>
<b>Composition of Term-contract workers/Interns</b>					
Gender	Age	Unit of measurement	Amount		
			2015	2016	2017

Man	< 30 years	no.	4	0	3
	$30 \leq x \leq 50$	no.	2	1	8
	> 50 years	no.	3	4	5
<b>Total men</b>		<b>no.</b>	<b>9</b>	<b>5</b>	<b>16</b>
Woman	< 30 years	no.	1	0	1
	$30 \leq x \leq 50$	no.	0	0	8
	> 50 years	no.	1	0	0
<b>Total women</b>		<b>no.</b>	<b>2</b>	<b>0</b>	<b>9</b>
<b>Total term-contract workers/interns</b>		<b>no.</b>	<b>11</b>	<b>5</b>	<b>25</b>

### 3.2.6 Occupational health and safety

MM systematically monitors business operations to update its risk assessment in accordance with Italian Legislative Decree 81/08 as required. Therefore, it pursues preventive measures such as educational, information and training as well as technological and process innovation initiatives, using equipment that is less impactful on workers and replacing substances and preparations to gradually reduce hazards for users.

The Company maintains an OHSAS-18001-compliant health and safety Management System. For each Business Unit and subsidiary, MM relies on formal Health and Safety Committees, which represent 100% of its workforce<sup>12</sup> and are divided as follows: Engineering Business Unit Committee, Water Service Business Unit Committee, Housing Business Unit Committee, and Napoli Metro Engineering Committee. Each Committee is comprised of the employer (or a proxy), an occupational health physician, the head as well as the members of the Prevention and Protection Service (ranging from 4 to 2), and employees' representatives (ranging from 3 to 1).

In 2017, there were no occupational diseases and work-related fatalities. 14 injuries occurred during the year, of which 10 involved men and 4 women. The table below compares the number of injuries with the average injury leave, the number of lost days, and the relevant severity, frequency, and incidence ratios<sup>13</sup>.

GRI 403-2 Rates of injury				
	Gender	2015	2016	2017
		Number	Number	Number
<b>Total number of injuries<sup>14</sup></b>	Men	13	9	10
	Women	3	3	4
	<b>Total injuries</b>	<b>16</b>	<b>12</b>	<b>14</b>
	Men	168	111	171

<b>Lost days<sup>15</sup></b> <i>(lost calendar days)</i>	Women	89	26	37
	<b>Total lost days</b>	<b>257</b>	<b>137</b>	<b>208</b>
<b>Average injury leave<sup>16</sup></b>	Men	12.9	12.3	17.1
	Women	29.7	8.7	9.25
	<b>Total average injury leave</b>	<b>16.1</b>	<b>11.4</b>	<b>14.86</b>
<b>Frequency rate<sup>17</sup></b>	Men	14	11.0	8.1
	Women	8.2	7.3	7.6
	<b>Total frequency rate</b>	<b>12.4</b>	<b>9.8</b>	<b>7.9</b>
<b>Severity rate<sup>18</sup></b>	Men	0.2	0.14	0.14
	Women	0.2	0.06	0.07
	<b>Total severity rate</b>	<b>0.2</b>	<b>0.1</b>	<b>0.12</b>
<b>Incidence rate<sup>19</sup></b> <i>(number of injuries that occurred during the year/number of employees *1,000)</i>	Men	18.3	12.3	12.66
	Women	11.1	9.38	10.9
	<b>Total incidence rate</b>	<b>16.3</b>	<b>11.4</b>	<b>12.1</b>

<sup>12</sup> GRI 403-1 - Formal health and safety committees

<sup>13</sup> The Plant and Real Estate Management Business Unit is excluded from the scope, as it has no employees.

<sup>14</sup> Injury rates are calculated based on the total number of injuries at work (be they work-related or not). The types of injuries for which, considering their causes, MM cannot introduce improvements (e.g. commuting injuries and road accidents) are excluded from the calculation.

<sup>15</sup> Lost days are consecutive calendar days lost.

<sup>16</sup> The average injury leave is the arithmetic mean of the number of lost days following an injury and the total number of injuries.

<sup>17</sup> Frequency rate = (number of injuries at work/total number of hours worked) \* 1,000,000.

<sup>18</sup> Severity rate = (number of lost days due to injuries at work/total number of hours worked) \* 1,000.

<sup>19</sup> Incidence rate = (number of injuries that occurred during the year/number of employees) \* 1,000.

# 4 / Responsible management of the environment

**Table - Material topics**

Material topics	Relevant risks
✓ Energy efficiency	MM identifies and assesses the risks related to the environment, identifying the appropriate preventive measures:
✓ Water discharge quality	✓ Reputational risk;
	✓ Risk of carbon offset credit spending;
	✓ Risk of increased costs due to the inefficient use of resources;
	✓ Risk of waste management penalties.

## 4.1 Management policy and model

MM promotes the respect for the environment, both within its work spaces and outside the Company, relative to the local community in which it operates and the stakeholders it interacts with. Indeed, MM's business—from the operation of the Integrated Water Service to the management of transportation construction sites<sup>20</sup> and construction engineering projects related to the Public Housing managed by the Company—is conducted largely in urban settings, and therefore in close proximity to citizens.

MM has adopted an Environmental Policy aimed at ensuring the protection of the environment and compliance with the relevant laws, supervising the work of all players involved in its business operations, and helping develop a corporate culture driven also by environmental responsibility.

MM's environmental policy is based on six key principles:

- ensuring business operations comply with applicable laws and regulations;
- promoting the image of the company's operational validity, i.e. the projection of its expertise and attention to the environment;
- facilitating the consolidation and expansion of the Environmental Management System through vertical and horizontal organisational integration;
- guaranteeing the product/service offered to customers throughout the various stages, especially in terms of consistency with the input data, timing, interface and support, and the assessment of the environmental aspects concerned;
- contributing to making business processes more effective and efficient—evidence of the Company's attention to the rational use of natural resources;
- promoting technical, theoretical and practical research and training programmes to constantly develop environmental expertise as well as maintain a highly motivated workforce.

The Company has also implemented a UNI EN ISO 14001 management system for the protection of the environment for the Engineering and Water Service Business Units, and a UNI CEI EN ISO 50001 energy management system for the Water Service Business Unit. The goal is to extend the certification for both management systems to the Housing Business Unit. They are currently undergoing a review based on the new ISO standards.

<sup>20</sup> Since the construction site design stage, MM monitors the different environmental components that could be potentially involved during construction work (e.g. air quality, ground and underground management, waste and land management, noise and vibration, etc.). These monitoring efforts continue during the construction and management of the sites assigned to third parties, which shall implement the

requirements of the Construction Site Environmental Management Manual and the Environmental Monitoring Plan as well as operate in compliance with MM's environmental policy and applicable laws.

## 4.2 Disclosures and performance indicators

### 4.2.1 Energy efficiency

MM pays close attention to the rational use of energy resources. Direct energy consumption at its facilities is largely associated with the Integrated Water Service and the use of diesel and gasoline for its vehicle fleet as well as natural gas for wastewater treatment and heating purposes. Water pumping and lifting systems account for approximately 58% of total energy consumption, and wastewater treatment plants for nearly 41%.

As for indirect energy consumption, MM uses electricity from Italy's national power grid to power its offices and facilities. The tables below summarise the Company's energy consumption. It is estimated that overall MM's facilities consume an annual 160,341,312 kWh.

GRI 302-1	Unit of measurement	2016 <sup>21</sup>	2017	Notes	
<b>Fuel consumption from non-renewable sources, including fuel types used</b>					
Gasoline	l	69,420	77,561.02		
Diesel	l	104,114	107,350.32		
Natural gas	Sm <sup>3</sup>	-	-		
Pellet	t	49	30.987		
<b>Indirect energy consumption (purchased)</b>					
Electricity from the power grid	kWh	161,421,074	160,341,312	Power supply for MM as a whole	
Other	Natural gas	Sm <sup>3</sup>	2,540,486	1,991,287	Natural gas supply for the Wastewater and Treatment Department
Other	Natural gas	Sm <sup>3</sup>	140,043	141,618	Natural gas supply for the heating of MM's facilities (excluding the wastewater treatment plant in Milan San Rocco).

<sup>21</sup> The information in the table concerning GRI 302-1 does not include the data for 2015.

Even though in 2017 MM added 6 vehicles to its fleet, the average CO<sub>2</sub> emissions per vehicle (146.33 g/km) declined compared to 2016 (154.35 g/km), as the latest vehicles feature engines that curb climate-changing emissions. As for CO<sub>2</sub> emissions from all vehicles used in proportion to mileage, in 2016 they generated 252,183,850 g of CO<sub>2</sub> emissions, compared to 249,553,354 g in 2017 (down 2,630,496).

In 2017, MM carried on with the Energy Efficiency Plan for the water supply system (for the 2016 – 2018 period), replacing 80 electric water pumps inside the wells of the pumping stations (rated at an average power of 25 kWh). The estimated kWh saved per year total approximately 1,045 MWh, translating into 167,000 Euro in annual savings.

## 4.2.2 Greenhouse gas emissions

Climate-changing emissions are broken down into:

- Direct (Scope 1) emissions from sources controlled directly by MM;
- Energy indirect (Scope 2) emissions from the generation of electricity, heating, or steam purchased by MM;
- Other indirect (Scope 3) emissions from sources not controlled directly by the Company (not reported in this Statement).

Most greenhouse gas emissions are attributable to energy indirect (Scope 2) emissions due to electricity consumption.

In 2017, greenhouse gas emissions totalled 62,487.93 tCO<sub>2</sub> 22, down 3.87% from 2016.

GRI 305-1						
Fuel consumption and CO <sub>2</sub> emissions						
	Kwh consumed in 2015	t/CO <sub>2</sub> 2015	Kwh consumed in 2016	t/CO <sub>2</sub> 2016	Kwh consumed in 2017	t/CO <sub>2</sub> 2017
Gasoline	20,994.4559	11.8534698	710,943.9652	401.3989627	794,317.7629	448.4718089
Diesel	34,176.59	15.92629094	954,725.38	444.9020271	984,402.4344	458.7315344
Natural gas	0	0	0	0	0	0
Pellet	0	0	224,420	81.46446	141,934.20	51.52211
<b>Tot (Scope 1)</b>	<b>55,171.0459</b>	<b>27.779</b>	<b>1,890,089.35</b>	<b>927.77</b>	<b>1,920,654.40</b>	<b>958.73</b>
Indirect energy consumption and CO <sub>2</sub> emissions						
Electricity from the power grid	164,980,171	54,542.44453	161,421,074	53,365.80706	160,341,312	53,008.83775
Other (Natural gas)	0	0	27,804,207.89	10,148.53588	21,793,529.94	7,954.63843
Other (Natural gas)	0	0	1,532,692.833	559.4328842	1,549,930.333	565.7245717
<b>Tot (Scope 2)</b>	<b>164,980,171</b>	<b>54,542.44453</b>	<b>190,757,974.7</b>	<b>65,001.54</b>	<b>183,684,772.27</b>	<b>61,529.20</b>

### 4.2.3 Waste and sewage sludge management

MM pays particular attention to managing waste, be it related to the management of its facilities (e.g. by introducing the separate collection of waste paper) or its operations (specifically, biological sludge and other waste attributable to screening and grit removal operations as part of the treatment cycle or waste from laboratory operations). Said waste is disposed of in line with the relevant regional and national laws.

Besides encouraging the digitisation of documents to reduce paper consumption, pursuant to Italian Decree of 4 April 2013 (Official Journal of the Italian Republic no. 102 of 3 May 2013), MM has also adopted the “Minimum Environmental Standards” (CAM, *Criteri Ambientali Minimi*) for the procurement of paper<sup>23</sup>.

For instance, paper reams must meet a series of basic requirements prohibiting the use of highly polluting chemicals in the bleaching of wood pulp, and the virgin fibres used to manufacture paper must be sourced from sustainably managed forests or controlled sources.

The following table summarises the waste generated by MM in the last few years.

<sup>22</sup> In calculating Scope 1 and 2, the Company considered the 2016 emission factors estimated by Ispra. Specifically: after converting these emissions into kwh, they were multiplied by the relevant emission factor set by Ispra. The emission factor used for electricity is 330.6 gCO<sub>2</sub>/kwh; for natural gas, 365 gCO<sub>2</sub>/kwh; for gasoline, 564.6 gCO<sub>2</sub>/kwh; for diesel, the emission factor set by ILCD - European LCI is 0.466 kg CO<sub>2</sub> eq/Kg; for biomass, such as pellet, the BOUSTEAD MODEL sets an emission factor of 101-166 gCO<sub>2</sub>/MJ. MM uses ENplusA1-certified pellet with a certified energy value of 4,580 kWh/t.

<sup>23</sup> The CAMs are considered also in tender documents for the procurement, provision, and service of indoor furniture and the award of design and construction services for the construction, renovation, and maintenance of buildings, as per Italian Ministerial Decree of 11 January 2017.

GRI 306-2*							
Main waste generated by MM							
Disposal method	Unit of measurement	2016			2017		
		Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
- reuse (recycling)	t	0.0	0.0	0.0	0.0	0.0	0.0

- recovery (including energy recovery)	t	2.6	19,272.3	19,274.9	3.4	21,871.5	21,874.8
- incineration	t	1,338	131.1	1,469.1	1.2	93.6	94.8
- landfill	t	2.7	1,253.2	1,255.9	1.7	1,219	1,220.7
Other	t	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>t</b>	<b>1,343.3</b>	<b>20,656.6</b>	<b>21,999.8</b>	<b>6.2</b>	<b>23,184.1</b>	<b>23,190.3</b>

\*The reported amounts refer exclusively to waste generated by MM.

The main waste generated by MM is the biological sludge resulting from wastewater treatment operations in Milan. Because of its high quality in terms of low concentration of pollutants, all sewage sludge generated by the treatment plants in Milan is disposed of at recycling facilities and reused in the cement or farming industries.

In the first case, the sludge is dehydrated and then dried out to obtain a completely stabilised product with a high heating value. In the second case, the sludge is only dehydrated, allowing to easily transform it into soil improvers at recycling centres.

In 2017, the overall amount of sludge generated was up approximately 9%, with the sludge for agricultural use accounting for 90% of the total.

The increase in the total amount of sludge compared to 2016 is the result of the decline in dried sludge and the growth in dehydrated sludge. In terms of dry substance content, the overall amount of sludge generated was essentially unchanged from 2016.

GRI 306-2				
Generation of sludge *				
	Unit of measurement	2015	2016	2017
Dehydrated sludge	t	59,715	48,421	55,911.1
Dried sludge	t	6,240	7,989	6,189.38
<b>Total sludge generated</b>	<b>t</b>	<b>65,955</b>	<b>56,410</b>	<b>62,100.48</b>
Sludge use				
	Unit of measurement	2015	2016	2017
Sludge for agricultural use	t	58,223	48,421	55,215.63
Sludge to be used as energy carrier	t	7,732	7,989	6,884.85
<b>Total sludge</b>	<b>t</b>	<b>65,955</b>	<b>56,410</b>	<b>62,100.48</b>

\*The amount refers to the overall sewage sludge generated by the two plants in Milan San Rocco and Nosedo.

## 4.2.4 Water resources

MM adopts a conscious and sustainable approach to the management of water resources. To minimise the waste of water at its facilities, MM has introduced water saving devices in the toilets and promotes the responsible use of water resources among the workforce, for instance by encouraging the use of water pitchers. As the operator of Milan's Integrated Water Service, MM's primary goal is to manage the city's water responsibly and ensure efficiency by minimising waste.

Milan's drinking water is sourced exclusively from groundwater, and in 2017 the service supplied 224,549,837 m<sup>3</sup> of water, slightly up (+ 0.29%) from 2016. The Company monitors potential network losses and promotes the reuse of wastewater in farming.

In addition, MM acts to protect the region from floods in the event of overflowing surface water bodies and manages the underground sections of natural and artificial water bodies (so-called culverts) on behalf of the Municipality of Milan.

MM ensures the water supply and sewer system remains fully functional, preventing the risks of underground wastewater spills and protecting the aquifer. The following table provides an overview of water withdrawal, the water introduced into the system, the water billed, and network losses.

GRI 303-1				
Water withdrawal				
Item	Unit of measurement	2015	2016	2017
From wells for drinking use	m <sup>3</sup>	231,814,413	225,697,194	226,216,070
From surface groundwater	m <sup>3</sup>	35,203,060	42,892,990	39,165,607
<b>Total water withdrawal</b>	<b>m<sup>3</sup></b>	<b>267,017,473</b>	<b>268,590,184</b>	<b>265,381,677</b>
Water introduced into the system				
Item	Unit of measurement	2015	2016	2017
Water introduced into the system	m <sup>3</sup>	230,076,138	223,890,508	224,549,837
Water billed				
Item	Unit of measurement	2015	2016	2017
Water billed	m <sup>3</sup>	190,046,853	186,301,787	188,839,364
Network losses				
Item	Unit of measurement	2015	2016	2017
Network losses*	%	12.2	11.5	10.7

*\*(Calculated using the AEEGSI "actual losses" method)*

MM promotes the use of drinking water from the city's water supply system through more than 580 drinking fountains (or "green dragons", as they are known in Milan) as well as the 18 Water Houses located across the city and covering all Boroughs.

These facilities, which can be activated using the Italian health insurance card, provide up to 6 litres of chilled still or sparkling water per user per day for free.

Each water house features low-energy LED lighting, a germicidal UV lamp on the nozzle, and security cameras to prevent tampering.



The use of the water houses allows to reduce the number of plastic bottles to be disposed of, and therefore the environmental impact in terms of oil used to produce plastics as well as greenhouse gas emissions.

In 2017, the 18 Water Houses provided 4,440,975 litres, including 2,121,308.80 litres of still water and 2,319,666.20 litres of sparkling water, allowing to save 1,145,419.80 kg of plastic and prevent 137,728.83 kg of CO<sub>2</sub> emissions. Compared to 2016—the comparison is possible because the number of Water Houses has remained unchanged—water withdrawal rose by over 70%, showing how the use of these facilities is becoming commonplace.

The water from the public water supply system and consumed by users is collected by sewage waste outlets, sent to three treatment plants to the south of Milan (Milan San Rocco, Milan Nosedo, and Peschiera Borromeo), and then released back into the environment.

The first two of these plants are operated by MM and treat approximately 90% of the wastewater generated in the area of Milan.

Both wastewater treatment plants discharge the treated water into surface water bodies. Specifically: Milan Nosedo mainly discharges water into Roggia Vettabbia and Cavo Redefossi, and Milan San Rocco into the Southern section of the Lambro river. Milan San Rocco treats water for irrigation use only during the spring and summer, when there is more demand, discharging it into Roggia Pizzabresa and Roggia Carlesca.

This is a genuine circular economic system that seeks to make the use of water resources more efficient and give back water for irrigation use to the City of Milan.

In 2017, wastewater flows into the treatment plants, which coincide with outflows, were down 5%—in line with the results for the last 3 years—while the volumes of recycled water for irrigation use rose by 9%.

GRI 306-1				
Discharge volumes				
	Unit of measurement	2015	2016	2017
Milan Nosedo	m <sup>3</sup>	157,870,140	144,041,130	135,832,550
Milan San Rocco	m <sup>3</sup>	94,542,051	93,570,779	90,772,320
<b>Total discharge volumes</b>	m <sup>3</sup>	<b>252,412,191</b>	<b>237,611,909</b>	<b>226,604,870</b>
Recycled water for irrigation use				
	Unit of measurement	2015	2016	2017
Water for irrigation use	m <sup>3</sup>	95,312,462	86,478,068	94,120,401
Recycled water for irrigation use as a proportion of total water treated	%	37.8%	36.4 %	41.53%

MM's commitment to guaranteeing the quality of both the drinking water distributed through the water supply system and the water discharged into the environment by wastewater treatment plants, as well as compliance with the standards set by applicable laws, is a key part of the service.

Monitoring activities are conducted through two in-house laboratories with the tools necessary to analyse chemical, chemical/physical and microbiological parameters.

## WATER SAFETY PLAN

In October 2017, MM approved the Water Safety Plan (WSP), a tool introduced by the World Health Organisation to constantly ensure the safety of the water for drinking use. The Plan was prepared with the support of ATS Milano and ARPA (the Regional Environmental Protection Agency). The goal is to protect human health by conducting a thorough risk analysis throughout the water supply chain to prevent and reduce the risk of contamination of the water withdrawn from the environment as well as eliminate, if possible, all chemical, microbiological, physical, and radiological agents—going above and beyond the parameters that must be monitored pursuant to the law. The actions taken to ensure water is suitable for human consumption are:

- performing a critical analysis of the drinking water system and assessing its actual capability to supply water that meets the required quality standards;
- identifying the system's critical issues and potential causes of contamination;
- validating control and monitoring measures;
- taking corrective measures in the event of out-of-control parameters;
- regularly reviewing and updating the Plan as required.
- 

The Plan adopted by MM stands out for the level of accuracy and detail of the actions as well as the breadth of its scope, which includes all the plants of the Integrated Water Service operated by the Company—making Milan the first large Italian city to use this prevention and monitoring tool.

MM monitors the water of the water supply system through a sampling programme agreed with ATS. This programme uses methods approved by the Italian Institute of Health and meets the requirements of the relevant Environmental Authority.

The main findings of the analyses are published on a quarterly basis in the water bill as well as on the website ([www.milanoblu.com](http://www.milanoblu.com)). The audits are conducted before sourcing (pumping wells) and dispensing water (treatment plants and pumping stations), as well as on drinking fountains and the Water Houses.

In 2017, the laboratory took 21,714 samples and analysed 199,663 parameters overall.

Water Supply System Laboratory	2015	2016	2017
Number of samples	17,440	17,809	21,714
Number of parameters	205,182	250,799	199,663
Conformity percentage	99.51%	99.56%	99.66%

The wastewater analysis laboratory regularly monitors the quality of treated water as well as compliance with legal limits concerning discharges, the concentrations of pollutants in the wastewater flowing into the treatment plant, biological reactors, and the quality as well as dry substance content of the biological sludge generated during the process.

In 2017, it took 5,000 samples and analysed 30,000 parameters with a conformity percentage of 100%—in line with prior years.

Water quality at discharge	Discharge limit	2015	2016	2017
BOD5 mg/l	10	4	3	3
COD mg/l	100	13	11	10
SST mg/l	10	5	4	4.5
Phosphorus mg/l	1	<1	<1	<1

# 5 /Anti-corruption and bribery

**Table - Material topics**

Material topics	Relevant risks
✓ Anti-corruption and bribery	MM identifies and assesses the relevant risks, identifying the appropriate preventive measures.
	Said risks include:
	✓ Risks associated with corruption-related crimes;
	✓ Risks related to non-compliance or violation of relevant regulations;
	✓ "Maladministration" risks.

## 5.1 Management policy and model

MM has adopted internal procedures to prevent the risk of committing corruption and bribery. These issues are governed by the Code of Ethics, the Organisational, Management and Control Model (pursuant to Italian Decree 231/2001 on the administrative liability of Legal Entities), and a Three-Year Corruption Prevention and Transparency Plan (TYCPTP).

As for the 231 Model, the Company has adopted ethical standards and operational rules regarding specific activities and the relevant risks of corruption. For more information on the Model, please see paragraph 2.3 of this Statement. The Code of Ethics, which applies to all MM's companies, addresses the topic of conflicts of interest, requiring transparency in business conduct and helping bring any factor that could determine actual or potential conflicts of interest to light. Pursuant to Italian Law no. 190/2012 and Italian Legislative Decree 33/2013, the Three-Year Corruption Prevention and Transparency Plan (TYCPTP) requires appointing the Head of Corruption Prevention and Transparency (HCPT) as well as identifying dedicated contact persons for corruption prevention among Directors, Senior Managers, and Heads.

The HCPT shall submit an update to the TYCPTP to the Board of Directors on an annual basis. In addition, it is responsible for: monitoring compliance with the Plan and the suitability of the prevention measures it contains; proposing the amendments he or she deems necessary in the event of regulatory breaches or changes in the Company's organisation or business; monitoring compliance with the disclosure requirements as per applicable laws; and pursuing initiatives to promote transparency in order to combat corruption. For more information, please visit the Company's website [www.mmspa.eu](http://www.mmspa.eu) ("Transparency" section). The Internal Audit function coordinates the planning and management of anti-corruption training by coordinating and designing a specific multi-year training plan. In 2017, the Company provided 313.5 hours of training. The following tables summarise the monitoring of the Business Units and anti-corruption training.

GRI 205-1			
Business Units monitored for corruption*			
	2015	2016	2017

Total number of Areas	7	7	7
Number of Areas monitored for corruption	7	7	7
%	100%	100%	100%

<b>GRI 205-2</b>				
<b>Employees that have received anti-corruption training by employee category**</b>				
Type	Unit of measurement	Amount		
		2015	2016	2017
Number of senior managers trained	no.	0	1	2
Number of middle managers trained	no.	43	4	1
Number of clerical staff trained	no.	311	82	69
Number of workers trained	no.	181	116	121
<b>Total number of employees trained</b>	<b>no.</b>	<b>535</b>	<b>203</b>	<b>193</b>
Number of workers with internship, temporary, or other employment contracts	no.	0	0	0
<b>Annual anti-corruption training hours by employee category**</b>				
Type	Unit of measurement	Amount		
		2015	2016	2017
Hours of training provided to senior managers	hours	0	2	3
Hours of training provided to middle managers	hours	86	8	2
Hours of training provided to clerical staff	hours	622	164	127
Hours of training provided to workers	hours	362	232	181.5
<b>Total annual training hours</b>	<b>hours</b>	<b>1,070</b>	<b>406</b>	<b>313.5</b>
Training hours provided to workers with internship or temporary employment contracts	hours	0	0	0

\*The business areas monitored are: Engineering Business Unit, Water Service Business Unit, Housing Business Unit, Plant and Real Estate Management Business Unit, Staff functions, Metro Engineering, Napoli Metro Engineering.

\*\*The 2017 data includes also in-class make-up sessions for employees without PC workstations related to the training provided to the rest of the workforce through e-learning platforms.

# 6 / Responsible management of the service

**Table - Material topics**

Material topics	Relevant risks
✓ Proximity to users	MM identifies and assesses the relevant risks, identifying the appropriate preventive measures
✓ Privacy protection and personal data processing	Said risks include:
✓ Technological innovation	✓ Reputational risk;
✓ Implementation of the Environment Plan	✓ Cyber-crime risk;
	✓ Risk of loss of competitiveness;
	✓ Risk of failure to acquire customers.

## 6.1 Management policies and model

Since 1955, MM has been designing and building Milan's underground public transport system (underground lines, Passante railway). It has subsequently diversified its operations, working on roads, interchange parking areas, and architectural, urban planning, and environmental projects.

MM deals with the entire design cycle (technical and economic feasibility projects, final and executive projects), contract management, works management, and safety coordination, diversifying its operations and sectors of specialisation. The services MM provides are oriented toward an integrated engineering model: this consists in designing infrastructure networks in harmony with human networks, listening to the needs of the local community and using the best available technology in order to drive continuous improvement.

MM operates the Integrated Water Service of Milan and serves users in neighbouring Municipalities. Its mission is to meet the water requirements of citizens in terms of quantity as well as quality, operating responsibly while respecting the environment, and ensuring the service is efficient and economically viable.

MM serves more than 180 km<sup>2</sup> and over 50,000 users across approximately 700,000 real estate units in Milan. In addition, MM is responsible for collecting and treating wastewater in Settimo Milanese, distributing drinking water in Corsico, and serving users in Baranzate, Buccinasco, Peschiera Borromeo, San Donato Milanese, as well as Milan-Rho's Nuovo Polo Fiera (new exhibition centre ).

For more details, see the chapters on products and services in the Report on Operations.

In 2009, MM drafted the Service Charter for the Integrated Water Service, which sets out the Company's commitments to its users, the principles MM follows in operating the water supply system, the sewer system, and the wastewater treatment process, and the quality standards MM pledges to meet.

The principles outlined in the Charter and that drive MM in providing its services are:

- fair and impartial treatment,
- service continuity,

- engagement,
- courtesy,
- effectiveness and efficiency,
- clear and intelligible messages as well as terms and conditions.

The Company updated the Charter in 2016 based on Resolution no. 655/2015/R/idr of the competent Authority, which sets the contractual minimum levels and quality targets for the IWS by identifying indicators consisting in time limits and minimum quality standards that are consistent throughout the country for the services to be provided to users—defining also how to record, communicate, and verify the data on the services provided by operators at the request of the users. The Authority introduced automatic refunds for users in the event of non-compliance with specific quality standards for the individual services provided to users as well as penalties in the case of non-compliance with general quality standards for the services as a whole.

Since December 2014, MM has been managing Milan's Public Housing, leveraging its experience in the Engineering and Integrated Water Service sectors and creating synergies across the various business areas—for instance in terms of work planning, design, and execution, testing, tender management, customer relationship management, administrative operations, billing, first response, internal control systems, managing late payments, and informing users. Besides Public Housing, MM also manages the relevant services and maintenance activities, coordinating the resources responsible for looking after real estate assets, managing relationships with tenants through a dedicated Contact Centre as well as the Local Offices, and protecting Public Housing. The goal is to effectively supervise and operate in coordination with law enforcement to curb squatting and acts of vandalism against Public Housing.

MM has drafted the Service Charter for Public Housing, which lists the standards the Company shall meet in its relationship with individual tenants to continuously improve the service it provides. The Charter has been submitted to the Municipal Government and is undergoing approval.

since 1996, MM has maintained a UNI EN ISO 9001-certified quality management system for the Engineering and Water Service Business Units, and aims to expand its scope to include the Housing Business Unit.

## 6.2 Disclosures and performance indicators

### 6.2.1 Proximity to users

Proximity to users is one of the tenets of MM's business approach, based on the principle of being close to citizens to offer a service as effective and efficient as possible.

In 2017, MM set up the One-Stop Shop, located in via Borsieri 4, for both Water Service customers and Public Housing tenants to go beyond the conventional idea of public office and put the «citizen front and centre». The One-Stop Shop is open from Monday to Saturday and resolves problems in a timely manner.

In addition, tenants can visit one of the other 5 local offices (via Senigallia, via Civitavecchia, piazzetta Capuana, via Spaventa, and via Forze Armate) to sign, file, or terminate leases, release security deposits, hand

over keys, ask for clarification on rent and incidental expenses, and request emergency assistance. In addition, it created some local representatives which oversee the technical aspects and maintenance of the portion of Public Housing under his or her responsibility.

There are also two dedicated Contract Centres, which provide information, schedule appointments at the local offices for the fulfilment of administrative formalities (in the case of the Housing unit), and handle complaints and emergencies (including reports of squatting, which are subsequently forwarded to the security service).

In February 2017, the Company launched an online One-Stop Shop, allowing Water Service users to manage their accounts and autonomously perform the most common tasks.

## Relationships with Water Service users (2017 data)

1,507 through One-Stop Shop

1.42 minutes (approximate time) of waiting at the one-stop shop

69% users subscribed to the online One-Stop Shop service

## Relationships with Public Housing tenants (2017 data)

168,983 through Contact Centres

19,669 through local offices

102,901 through standard or first-class mail service

63 contact points dedicated to updating user records

In addition, the Company regularly carries out user satisfaction surveys to assess and improve the quality of the service. Users can submit ideas and suggestions through the Contract Centres as well as paper forms available at the Company's branches.

Finally, MM created the Web App “MM - Cantieri & Viabilità” (MM Construction Sites & Roads), which is available at [www.mmspa.eu](http://www.mmspa.eu) and lists the main works performed by MM (such as Engineering and Water Service) that significantly affect urban mobility. For each construction site, there is a fact sheet with a description and pictures of the work concerned, the stage of completion, and information on road changes. A messaging service constantly updates users on the most significant road changes.

### 6.2.2 Privacy protection and personal data processing

MM considers the security of personal data and privacy protection key to build trust with its customers. This is why it invests in innovative digital technologies and services to guarantee the security of customer data.

MM's website features specific security measures to prevent data loss, unlawful or improper use, and unauthorised access.

### 6.2.3 Technological innovation

Innovation is strategic to MM. On the one hand, it allows to improve the performance of its services, and therefore their quality; on the other hand, it increases safety for users—especially during servicing or

maintenance operations, as technology makes them easier and safer. The Water Service is the area that focuses the most on technological innovation, pursuing efficiency goals (Decision Support System for energy consumption and pressure at water supply stations, defining virtual districts to optimise the operation of the water supply system, building heat-pump based cogeneration systems at the Salemi Station, rolling out smart meters by 2020) as well as sustainability goals (monitoring and removing emerging micropollutants, dividing the urban sewer system into districts and remotely monitoring it, defining a strategy to leverage sludge, developing no-dig technologies for maintenance work on the systems).

Digitisation goes hand in hand with MM's technological innovation, with projects for the online monitoring of water quality and satellite land monitoring to monitor the stability of sewer trunk lines. In addition, the systems and facilities of Milan's Integrated Water Service (including the surface water network) and the underground lines designed by MM are represented in a modern and innovative GIS-based underground representation and management system that won an award at the ESRI 2017 conference.

Moreover, thanks to MM Academy, the Company makes its several years of innovation expertise in construction and hydraulic engineering available to the public, turning them into an intangible asset accessible to the different stakeholders.

#### 6.2.4 Environment Plan and Integrated Water Service

The investments for the Integrated Water Service are set out in the Environment Plan, which extends to 2037. This tool provides information on infrastructure and allows to plan the works and strategies necessary to guarantee the quality of the service. The Environment Plan sets out the actions necessary to improve service levels, protect the environment, and rationalise the use of water resources in terms of conservation and quality improvement.

The main goals of the Environment Plan concern the different water management stages, i.e. collection and supply (e.g. optimising the quality and quantity of the resource, video surveillance and security), drinking water treatment and distribution (e.g. network efficiency, amount distributed), sewerage (e.g. network efficiency, optimising the network's water efficiency), and wastewater treatment (enhancing the plants and making them more efficient).

MM's financial strategy—necessary to effectively implement the Environment Plan—allowed to raise new funds for the IWS through a 70 million Euro loan agreement with the European Investment Bank (EIB) with maturity in 2034 as well as a 100 million Euro bond issue reserved for institutional investors and listed on the regulated market of the Dublin Stock Exchange, with maturity in 2035. As part of said strategy, MM also received credit ratings from Standard and Poor's (BBB) and Moody's (Baa2).

# 7 / Responsible management of the supply chain and human rights

**Table - Material topics**

Material topics	Relevant risks
✓ Supply chain management	MM identifies and assesses the risks associated with this topic. These include:
✓ Human rights	✓ Reputational risk associated with violations of human rights/negative environmental externalities on the part of suppliers;
	✓ Risk of loss of competitiveness;
	✓ Service quality risk.

## 7.1 Management policy and model

MM responsibly manages the supply chain, and specifically all purchases of works, goods, or services necessary for MM's operations. To this end, the Company does not maintain relationships with entities whose operations are incompatible with its ethical standards, that do not comply with Italian and international business regulations in terms of worker protection, and do not have a sterling reputation—giving rise to suspicion of collusion or evasion of taxes, levies, and social security contributions.

As for human rights, the Code of Ethics in force stresses the principles and values each supplier must subscribe to and that apply throughout MM's value chain. Therefore, MM's suppliers shall commit to ensuring compliance with the Code of Ethics on the part of their employees as well as any third parties they may rely on for the performance of the agreement and their employees.

For more information on the human rights policy, please refer to MM's Code of Ethics.

## 7.2 Disclosures and performance indicators

### 7.2.1 The value chain

In 2017, MM created a new “List of Vendors” to quickly and easily access the information necessary to identify the most suitable entities to work with in the various business areas where MM operates and in compliance with applicable laws.

The new regulations of the List of Vendors set out, among other things, the general and specific qualification criteria (pre-assessment, post-service assessment, feedback)—including by category and amount. The new List includes 3 macro-categories for:

- service providers;
- suppliers of goods and services;
- contractors.



The List of Vendors and any new tender procedures are published and managed on the new e-procurement platform through the vendor qualification process and by keeping and updating the relevant documentation—and this applies to both the vendor and MM.

MM identifies the entities to invite to its tenders through an automated ballot and rotation system suggested by the platform, in accordance with the principles of transparency, equal treatment, non-discrimination, and proportionality.

In 2018, MM will implement a Vendor Rating process as well as the processes to appoint tender commissioners, analyse requirements, plan purchases, and pursue the integration with the Italian Anti-Corruption Authority.



# 8 / Correlation table GRI Indicators

GRI Standard	GRI Indicator Number	GRI Indicator Title	Reference	Page
<b>GRI 102: General Disclosures 2016 – Organisational Profile</b>	102-1	Name of the organisation	NFS. Back cover Par. 1.2.	08
	102-2	Activities, brands, products, and services	NFS Par. 2.1 and Par. 6.1	13,49
	102-3	Location of headquarters	Report on Operations	
	102-5	Ownership and legal form	Report on Operations	
	102-6	Markets served	Report on Operations	
	102-7	Scale of the organisation	Report on Operations and NFS Par. 3.2.1	21
	102-8	Information on employees and other workers	NFS. Par. 3.2.1	21
	102-9	Supply chain	NFS. Chap. 7	53
	102-15	Key impacts, risks, and opportunities	NFS. Par. 2.4.	19
<b>GRI 102: General Disclosures 2016 – Ethics and integrity</b>	102-16	Values, principles, standards, and norms of behaviour	Code of Ethics and NFS Par. 2.3.	17
	102-17	Mechanisms for advice and concerns about ethics	Code of Ethics and NFS Par. 2.3.	17
<b>GRI 102: General Disclosures 2016 – Governance</b>	102-18	Governance structure	NFS Par. 2.2.	15
	102-22	Composition of the highest governance body and its committees	Report on Operations and NFS Par. 2.3 and 3.2.5.	17,29
	102-23	Chair of the highest governance body	Report on Operations	
	102-30	Effectiveness of risk management processes	Report on Operations	
<b>GRI 102: General Disclosures 2016 – Stakeholder engagement</b>	102-40	List of stakeholder groups	NFS Par. 1.6.	09
	102-42	Identifying and selecting stakeholders	NFS Par. 1.6.	09
	102-43	Approach to stakeholder engagement	NFS Par. 1.6.	09
	102-44	Key topics and concerns raised	NFS Par. 1.6.	09
<b>GRI 102: General Disclosures 2016 – Reporting practice</b>	102-45	Entities included in the consolidated financial statements	NFS Par. 1.3.	08
	102-46	Defining report content and topic Boundaries	NFS Par. 1.6. and Chap. 2-7.	09,12,20, 34,45,48,53
	102-47	List of material topics	NFS Par. 1.6.	09
	102-50	Reporting period	NFS Par. 1.2.	08
	102-52	Reporting cycle	NFS Par. 1.2.	08
	102-53	Contact point for questions regarding the report	NFS Chap. 8.	56

	<b>102-54</b>	Claims of reporting in accordance with the GRI Standards	NFS Par. 1.4.	09
	<b>102-55</b>	GRI content index	NFS Chap. 8	56
<b>GRI 102: General Disclosures 2016 – Reporting practice</b>	<b>102-56</b>	External assurance	NFS Chap. 9	60
<b>GRI 103: Management Approach 2016</b>	<b>103-1</b>	Explanation of the material topic and its Boundary	NFS Chap. 2-7	12,20, 34,45,48,53
	<b>103-2</b>	The management approach and its components	NFS Chap. 2-7	12,20, 34,45,48,53
	<b>103-3</b>	Evaluation of the management approach	NFS Chap. 2-7	12,20, 34,45,48,53
<b>GRI 205: Anti-corruption 2016</b>	<b>205-1</b>	Operations assessed for risks related to corruption	NFS Par. 5.1.	46
	<b>205-2</b>	Communication and training about anti-corruption policies and procedures	NFS Par. 5.1.	46
<b>GRI 302: Energy 2016</b>	<b>302-1</b>	Energy consumption within the organisation	NFS Par. 4.2.1.	36
<b>GRI 303: Water 2016</b>	<b>303-1</b>	Water withdrawal by source	NFS Par. 4.2.4.	40
<b>GRI 305: Emissions 2016</b>	<b>305-1</b>	Direct (Scope 1) GHG emissions	NFS Par. 4.2.2.	37
<b>GRI 305: Emissions 2016</b>	<b>305-2</b>	Energy indirect (Scope 2) GHG emissions	NFS Par. 4.2.2.	37
<b>GRI 306: Effluents and Waste 2016</b>	<b>306-1</b>	Water discharge by quality and destination	NFS Par. 4.2.4.	40
	<b>306-2</b>	Waste by type and disposal method	NFS Par. 4.2.3.	38
<b>GRI 401: Employment 2016</b>	<b>401-1</b>	New employee hires and employee turnover	NFS Par. 3.2.1	21
	<b>403-2</b>	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	NFS Par. 3.2.6.	32
<b>GRI 404: Training and education 2016</b>	<b>404-1</b>	Average hours of training per year per employee <sup>24</sup>	NFS Par. 3.2.2.	27
	<b>404-3</b>	Percentage of employees receiving regular performance and career development reviews	NFS Par. 3.2.2.	27
<b>GRI 405: Diversity and equal opportunity 2016</b>	<b>405-1</b>	Diversity of governance bodies and employees	NFS Par. 3.2.5.	29
<b>GRI 411: Rights of indigenous peoples 2016</b>	<b>411-1</b>	Incidents of violations involving rights of indigenous people	NFS Chap. 7  In 2017, there were no incidents of violations of human rights.	53

<b>GRI 418: Customer privacy 2016</b>	<b>418-1</b>	Substantiated complaints concerning breaches of customer privacy and losses of customer data	NFS Par. 6.2.2.	51
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For more information on the Non-Financial Statement, please contact: [comunicazione@mmspa.eu](mailto:comunicazione@mmspa.eu)

<sup>24</sup>In the upcoming years, MM will implement the monitoring of training hours also by gender and employee category, which is not currently reported for all types of training provided by the Company. The Training procedure is currently under review.

# 9 / Independent auditor's report



**MM SpA**

***Independent auditor's report on the  
Individual non-financial statement***

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016  
and article 5 of CONSOB Regulation No. 20267*

***Year ended 31 December 2017***



## **Independent auditor's report on the individual non-financial statement**

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267*

To the Board of Directors of  
MM SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the individual non-financial statement of MM SpA (hereafter "MM") for the year ended 31 December 2017, prepared in accordance with article 3 of the Decree and approved by the Board of Directors on 18 April 2018 (hereafter the "NFS").

### **Responsibility of the Directors and of the Board of Statutory Auditors for the NFS**

Directors are responsible for the preparation of the NFS in accordance with article 3 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative ("GRI Standards"), with reference to selected GRI Standards, identified by them as the reporting standard.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of MM and to the extent necessary to ensure an understanding of MM's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organizational model of MM and, with reference to the matters identified and reported in the NFS, for the policies adopted by MM and for the identification and management of risks generated and/or faced by MM.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

#### **PricewaterhouseCoopers SpA**

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards, with reference to selected GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
2. Analysis and assessment of the criteria used to identify the NFS's area, in order to assess their compliance with the Decree;
3. Comparison of the financial information reported in the NFS with the information reported in MM's financial statements;
4. Understanding of the following matters:
  - Business and organisational model of MM, with reference to the management of the matters specified by article 3 of the Decree;
  - Policies adopted by MM with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - Main risks, generated and/or faced by MM, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.



In particular, we held meetings and interviews with management and personnel of MM SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of MM:

- a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
- b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of MM SpA as of 31 December 2017 has not been prepared, in all material respects, in compliance with article 3 of the Decree and with the GRI Standards, with reference to selected GRI Standards.

### **Other aspects**

With reference to the comparative information presented in the NFS in relation to the financial year ended 31 December 2016, MM Group had prepared a Sustainability Report, which had been subjected to limited assurance procedures by another Audit Firm.

Milan, 15 May 2018

PricewaterhouseCoopers SpA

*Signed by*

Giulio Grandi  
(Partner)

Paolo Bersani  
(Authorized signatory)

*This report has been translated from the Italian original solely for the convenience of international readers.*



**2017 Separate Non-Financial Statement**

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**Independent auditors**

PricewaterhouseCoopers S.p.A.

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