



2018

SEPARATE
NON-FINANCIAL
STATEMENT





TABLE OF CONTENTS

Methodological Note	5
1) About MM	7
1.1 MM Company Profile	7
1.1.1 MM’s international presence	9
1.1.2 Relationships with industry associations.....	10
1.2 Corporate Governance	10
1.3 business Ethics and integrity	13
1.3.1 Internal control system.....	13
1.3.2 Commitment to anti-corruption	16
1.3.3 Non-financial policies and certifications.....	17
1.3.4 Respect for human rights.....	23
1.4 Risk assessment	23
1.4.1 Mapping sustainability-related risks.....	24
2) MM and sustainability	30
2.1 MM’s values	30
2.1.1 Sustainability Approach	30
2.2 Stakeholders and materiality	31
2.3 STAKEHOLDER MAPPING	32
2.4 MATERIAL TOPICS FOR MM	33
3) MM and relations with the local area	34
3.1 MM’s STRATEGY	34
3.1.1 The Business Plan.....	34
3.1.2 Technological innovation for the city	34
3.2 Engineering	35
3.2.1 Site management.....	36
3.3 Integrated Water Service Business Unit	37
3.3.1 The Environment Plan.....	38
3.3.2 Relationships with Authorities and Bodies.....	39
3.4 Public Housing	40
3.4.1 Tenants of houses managed by MM	41
3.5 Responsible supply chain management	41
3.5.1 MM’s new List of Vendors	42
3.5.2 Country of origin of MM’s suppliers	44
4) MM and environmental topics	45

4.1 USE OF ENERGY RESOURCES	45
4.2 EMISSIONS	47
4.3 Quality and management of water resources	49
4.3.1 Water withdrawal and water introduced into the system.....	51
4.3.2 Water Houses.....	51
4.3.3 Water discharges	52
4.4 Waste and water discharges MANAGEMENT	53
4.5 BIOLOGICAL SLUDGE MANAGEMENT in A CIRCULAR ECONOMY perspective.....	54
5) Staff management	56
5.1 DIVERSITY AND Equal opportunity	56
5.2 PEOPLE GROWTH AND DEVELOPMENT.....	58
5.2.1 Hours of training provided by MM	59
5.2.2 Employee performance appraisals	60
5.2.3 Strengthening corporate identity	61
5.2.4 The welfare plan	61
5.3 Occupational health and safety.....	62
6) MM and its customers	65
6.1 TRANSPARENCY IN CUSTOMER RELATIONS	65
6.1.1 Customer contact points.....	65
6.1.2 Management of relationships with IWS users.....	66
6.1.3 Relations with tenants and their involvement	67
Annexes	69
Detailed tables	69
Correlation table	79
GRI Content Index	81
Audit Report.....	91

Methodological Note

Since 2017, MM Spa (hereinafter referred to as “MM”) has been preparing the Company's Non-Financial Statement (hereinafter referred to as the “NFS”) on an annual basis pursuant to Italian Legislative Decree no. 254 of 30 December 2016 (hereinafter referred to as the “Decree”)¹. MM is included in the scope of the Decree since it is a public-interest entity (pursuant to article 16, paragraph 1, of Italian Legislative Decree no. 39 of 27 January 2010). As required by article 5 of Italian Legislative Decree 254/16, this document forms a separate report which is properly defined in accordance with NFS requirements.

This document has been prepared to ensure an understanding of the operations, performance and results of the business, along with the resulting impact these activities have in relation to issues deemed to be relevant and necessary under article 3 of Italian Legislative Decree 254/2016 with reference to the year 2018 (from 1 January to 31 December). Its scope coincides with that of the Financial Statements for the year ended 31 December 2018.

This NFS has been prepared in accordance with the “GRI’s Sustainability Reporting Standards” as defined in 2016 by the Global Reporting Initiative (GRI). MM has elected the referenced reporting method. The information contained in this report has been selected based on a materiality analysis, which has allowed the company to identify the most relevant sustainability issues for MM and its stakeholders, as described in the section “2.4 Material topics for MM”.

This document was subject to a limited review by PricewaterhouseCoopers (“Limited Assurance Engagement”) according to the criteria indicated in the ISAE 3000 (Revised). This audit was carried out in accordance with the procedures indicated in the “Independent Auditor’s Report”, as included in this document.

In 2018 there were no significant changes regarding the size, ownership structure, or supply chain of the Company.

With reference to article 3, paragraph 2 of the Decree, please note that this document provides details and information relating to CO₂ emissions only, as no air pollution emissions other than greenhouse gases were found to be significant. In any case, please note, in particular, that MM is equipped with procedural and organisational safeguards directed at managing and monitoring this issue in relation to current relevant regulatory provisions.

In order to allow comparison of data over time, data relating to 2017 and 2016 has been added for comparative purposes where possible. Furthermore, for an accurate representation of performance (and to guarantee data reliability), the use of estimates has been limited as much as possible, and where present, they have been appropriately indicated.

Although MM has not yet formalised any specific sustainability policies related to the topics outlined in the Decree, it has started to define said policies as far as the most material non-financial topics are concerned and with the strongest possible commitment on the part of senior management. Furthermore, MM has analysed the data collection and validation

¹ In addition to the NFS, MM also publishes an annual Sustainability Report. This report has been prepared on a voluntary basis since the year 2014, in accordance with the “GRI's Sustainability Reporting Standards” issued in 2016 by the Global Reporting Initiative (GRI), and using the “in accordance – core” option.

processes, creating a detailed “Sustainability Procedure” which defines the processes, roles and responsibilities concerning non-financial reporting. An “Indicator Manual” has also been developed, which serves as a guideline on how to fill in the data collection forms used for fulfilling the requirements of both the Decree and the GRI. Both documents have been prepared and are awaiting approval from senior management. Among the objectives for coming financial years is the preparation of a “Sustainability Plan” to identify commitments, objectives and targets in relation to sustainability.

The GRI Content Index is provided in the section “Annexes”, and it shows full coverage of all GRI indicators associated with material issues.

This document was approved by the Board of Directors on 29 March 2019.

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The NFS is available on MM’s website: www.mmspa.eu (“Company – Financial information” section).

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For any enquiry in relation to this document, please contact the MM’s Communication Department at the following address: comunicazione@mmspa.eu.

1) About MM

1.1 MM COMPANY PROFILE



MM Spa, hereinafter referred to as “MM”, a company wholly owned by the Municipality of Milan and industrial partner of the latter entity since 1955, was set up 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 UNIT²

- Milan
 - 4 underground lines currently operational totalling 101 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).
- Italy
 - Naples underground railway / Line 1 (Campania)
 - Cosenza – Rende tram line (Calabria)
 - Electric bus line for the city of Verona, and Mestre – Venice tram line (Veneto)
- Rest of the world
 - Light rail line in Copenhagen (Denmark)
 - Mumbai underground railway / Lines 3 and 6 (India)
 - Expo Dubai 2020 (United Arab Emirates)



Over the years, thanks to the expertise and professional skills developed internally, **MM has expanded its scope of operations**, diversifying its business activities. In 2003, the Municipality of Milan entrusted MM with the operation of the **Integrated Water Service (IWS)** through 2037, by comprising 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

- 51,202 users
- Water supply system totalling 2,235.42 km
- 217,581,407 m³ of water distributed



² The data related to the Engineering Business Unit concerns only some of the works made or under construction in Milan, in Italy and in the rest of the world. Said data is historical and does not refer exclusively to the 2018 reporting scope.

- 588 wells
- 33 pumping stations
- 22 Water Houses
- Sewer system totalling 1,579.3 km
- 2 water treatments plants (Milan San Rocco and Milan Nosedo)³

Since late **2014**, MM has been managing Public Housing owned by the Municipality of Milan, 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

- 39,037 housing units managed, including:
 - 28,840 houses
 - 8,900 garages/parking spaces
 - 1,297 properties for different uses (shops, laboratories, warehouses, etc.)
- 80% of tenants are Italian nationals
- 4 main offices and 3 local offices
- 64% of contacts are made via the Contact Centre



In **2015** the Municipality of Milan approved the **merger of M.I.R. Srl into MM**. M.I.R. Srl owned public movable and immovable property instrumental to the waste collection and disposal service that is made available to the interim operator of environmental hygiene services⁴.

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. During the same 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.

In **2018** the Municipality of Milan decided to assign MM the **preparatory activities for allocating the housing units** under management as well. This was done without prejudice to the allocation procedure, which remains the responsibility of Municipality.

In **July of the same year** MM inaugurated the "**Centrale dell'Acqua**"⁵ (located in Milan, Piazza Diocleziano 5): a space open to the public which is entirely dedicated to water, its values and

³ Wastewater for the Milan area is managed by the Milan San Rocco and Milan Nosedo plants, with a minor part also managed by the Peschiera Borromeo plant.

⁴ AMSA, the operator of environmental hygiene services, has signed a lease agreement in exchange for an annual fee due to expire in 2021.

⁵ More information on the activities and events promoted by MM at the Centrale dell'Acqua is available for consultation at the website www.centraleacquamilano.it.

management. Restoration work on the historic Cenisio pumping station – which had been abandoned for some time – not only restored to the city of Milan an example of industrial architecture from the beginning of the 20th century, but also restored a place of culture. As a matter of fact, alongside a “museum” section, which includes ancient water systems, this space offers extensive informative and environmental educational activities including seminars, book presentations, exhibitions, guided tours and workshops, some of which are directed at newer generations. The objective is to promote a greater understanding of water and its responsible use, since it is such a valuable resource for the development of mankind and society.

Today, MM is one of the largest and most diversified engineering companies in Italy, able to provide tailor-made solutions for the design and redevelopment of urban ecosystems in any of MM’s three primary business sectors.

MM’s **head office** is located in Milan, via del Vecchio Politecnico 8, though the company’s reach also extends to those cities where works entrusted to the Company are being developed, managed and delivered. As for the **domestic market**, MM continues efforts to strengthen the company’s presence, in order to increase know how and make its expertise available for developing projects of local and/or national interest, to the benefit of the community at large.

1.1.1 MM’s international presence

Strengthening the Company’s presence on international markets is one of MM’s strategic development objectives. The Company pursues this goal through **commercial activities** and by **participating in tenders for the design of underground lines, major works and infrastructure** which are useful for city development from a ‘smart city’ perspective.

In recent years MM’s attention has been focused on opportunities emerging from regions such as the Middle East, North Africa (MENA) and South Asia, even to the extent of establishing and opening a dedicated branch in Dubai. In relation to these areas, or at least to India specifically, MM was recently awarded a significant contract for consulting on the design of Mumbai’s underground line 6, and another contract for phase II of Chennai’s underground railway.

Beyond Italy’s borders, MM is also present, in partnership with other companies, in Romania (high speed corridor), Greece (Thessaloniki underground railway), Saudi Arabia (Riyadh underground railway), Peru (Lima underground railway) and the United Arab Emirates (Expo 2020 Dubai).

In addition to its more typically commercial activities, the Company is engaged in relationship activities aiming to promoting **international cooperation**. These are part of a system promoted by the Municipality of Milan (on suggestion from MM) which is designed to bring MM subsidiaries’ capacity building to the rest of the world and transfer knowledge to low income countries. Among the missions carried out in 2018, and in close collaboration with other investee companies managing public services, was the completion of two projects on water efficiency and reuse in Mozambique financed by the Italian Foreign Ministry.

1.1.2 Relationships with industry associations

With a view to cooperate and exchange experiences, MM belongs to numerous trade associations and organisations of both an institutional and technical nature.

In the international arena, MM's commitment to **APE** (Aqua Publica Europea, the European association of public water operators) is shown to be particularly significant. This association brings together public water operators for various European cities including Paris, Barcelona, Athens, Budapest, Strasbourg, Geneva, Brussels and others. The association's purpose is to promote the sharing of information and to exchange best practices, through working groups and by preparing position papers to bring common interests to the attention of the EU. In 2018, through APE MM participated in the **working groups for the revision of European Directive 98/83/EC on drinking water and the Regulation on minimum requirements for water reuse**. Both working groups aimed to generate future European guidelines for regulations and best practice, to act as reference standards for institutions and operators in member states.

Still at an international level, cooperation continues with the **IWA** (International Water Association) – a non-government and non-profit organisation that links water providers and professionals around the world so as to disseminate industry best practices. Collaboration also continues with **SWAN** (Smart Water Networks Forum) — a forum dedicated to innovative and smart solutions for water network management.

Among the national associations to which MM belongs are: **ASSOLOMBARDA**, **AIM** (*Associazione Interessi Metropolitan*, Association for Metropolitan Interests), **CEI** (*Comitato Elettrotecnico Italiano*, Italian Electrotechnical Committee), **CIFI** (*Collegio Ingegneri Ferroviari Italiani*, Board of Italian Rail Engineers), **CONFSERVIZI**, **FEDERCASA**, **IATT** (Italian Association for Trenchless Technology), **OICE** (*Associazione delle organizzazioni di ingegneria, architettura e consulenza tecnico-economica*, Association representing Italian engineering, architectural and technical economic consulting organizations), **SIG** (*Società Italiana Gallerie*, Italian Tunnelling Society), **Sodalitas**, **UNI** (*Ente Nazionale Italiano di Unificazione*, Italian Organization for Standardization), **UNICHIM** (*Associazione per l'Unificazione del Settore dell'Industria Chimica*, Association for Chemical Industries Unification), **UNIFER** (*Ente di Unificazione Settore Ferroviario*, Rail Industry Unification Body), and **UTILITALIA** (Federation of businesses providing public utilities such as water, environmental services, electricity, gas and waste disposal services).

MM is a member of OICE's Board, and has also taken on direct responsibility as part of Utilitalia in 2018 through the appointment of MM's General Manager to the role of coordinator for the "Drinking Water" commission.

1.2 CORPORATE GOVERNANCE

MM's share capital is 36,996,233 Euro fully subscribed and paid-up. This is divided into 36,996,233 shares with a par value of 1 Euro each. The shares are held by the Municipality of Milan and are entitled to equal rights.

Moreover, the Company has adopted a **Business Unit-based Organisational Model** with a view to rationalise and streamline its organisational structure, strengthen its multi-service nature, and with the additional goal of capitalising on MM's distinctive know how, with a

preference for internal professional growth of its human resources. This model is based on the three corporate business units: Engineering, Water Service and Housing.



MM's organisation chart at 31 December 2018

Management and control bodies

Board of Directors

Chairman	Davide Amedeo Corritore
Director	Luigi Mario Mancioffi
Director	Loredana Bracchitta

Board of Statutory Auditors

Chairman	Ivano Ottolini
Standing Statutory Auditor	Myrta De Mozzi
Standing Statutory Auditor	Andrea Manzoni

In order to guarantee the strategic and operational coordination of each Business Unit, MM has set up dedicated **committees** which meet monthly to analyse the performance of the various Business Units and their activities. These committees examine any potential issues which may arise from carrying out operations and decide on the actions to be taken.

Specifically:

- 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 **operations are carried out in accordance with the Concession Agreement with the Municipality of Milan**, monitors the Business Unit's costs, by ensuring a high-quality performance of the service as well as developing and coordinating 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, and 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.
- The **Extended Management Committee** (CO.DI.AL., *Comitato di Direzione Allargato*) monitors **economic and management results** as compared to forecasts from the Strategic Plan and annual budget. It also monitors the **progress of strategic cross-departmental projects** and shares potential measures to update strategic development guidelines.

As far as social responsibility is concerned, MM has set up a **Sustainability Steering Committee** and a **Corporate Social Responsibility Function**. The latter reports directly to the Communication Department (and therefore to the Office of the Chair) and is responsible for the non-financial reporting process (*for further details, please refer to the section "2.1.1 Sustainability Approach"*).

Other functions already established in 2017 to monitor sustainability-related issues are: the **Compliance function** whose objective is to prevent breaches of any externally regulated or self-regulated standards; the **Strategic Works Program Management function** which deals with delivering strategic works (such as, for example, investments in the Integrated Water Service, or reducing Milan's Public Housing vacancies); the **Energy Management Team** as part of the Water Service Business Unit, which is responsible for defining the Business Unit's energy policy and updating the Energy Management System (EMS) pursuant to ISO 50001 standards; and finally the **Crisis Management Team** for managing activities that may lead to reputational or brand risk for MM.

In 2018 the Company reviewed the processes, roles and responsibilities arising from change management activities that were aimed at introducing the new SAP IT system for an integrated process management of the primary business sectors. In light of this, the **Gemma Project Program Management function** was created, directed at managing the process for adopting and developing the SAP operating system within the Company. This includes

identifying, mitigating and managing project risks, as well as supporting MM to achieve the project's contractual objectives.

A greater rationalisation of responsibilities was among the organisational changes that involved the Company, with the following functions being established:

- The **Structures function**, to centrally and effectively manage the development of structural and geotechnical design pertaining to the Engineering Business Unit;
- The **Management of non-residential contracts function**, which serves to optimise the financial result of non-residential lease contracts linked to commercial, partnership and self-employment activities for which the Housing Business Unit is responsible.

The **Water Service Business Unit** has been entrusted to a new manager, and has been subject to a general reorganisation redefining the roles and tasks at the top level. In particular:

- the **Water supply and sewer system department** dealing with procurement, treatment and distribution of drinking water and related maintenance activities as well as with wastewater collection and transport services, and maintenance activities;
- the **Environment Protection and Wastewater Plants function** aimed at ensuring the smooth operation of treatment plants, water lifting plants and wastewater handling, along with the associated maintenance activities.

For more details on the overall organisational changes introduced in 2018, please see the Report on Operations accompanying the Financial Statements for the year ended 31 December 2018.

1.3 BUSINESS ETHICS AND INTEGRITY

1.3.1 Internal control system

MM identifies, assesses, monitors, measures and manages 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, thus allowing to pursue business goals. In particular:

- ensuring that corporate strategies are complied with;
- achieving effectiveness and efficiency of corporate processes;
- safeguarding the value of assets;
- ensuring reliability and integrity of accounting and operating information;
- ensuring compliance of operations with existing legislation.

The main **documents supporting this system**⁶ are:

- **Organisational, Management and Control Model (OMCM) pursuant to Italian Legislative Decree 231/2001**

This document defines and formalises the rules, standards, tools and control mechanisms adopted by MM in order to prevent crimes being committed as per Italian Legislative Decree 231/2001. It is composed of a General Part and a Special Part. The first section includes the analysis of the measures contained in Italian Legislative

⁶ For further details, please refer to the "Transparency" section of the company website: www.mm spa.eu.

Decree 231/2001 and establishes the guidelines which describe the process by which MM has adopted the Model. This section also describes the Company's organisational system and the types of crimes that may be of relevance to the Company. Additionally, it describes the penalty system used in the event of breaches, the way the Supervisory Body shall operate, the communication duties under the Model, and training activities to be provided to staff.

Whereas the Special Part instead describes the general principles for conduct and prevention, pursuant to Italian Legislative Decree 231/2001. It also indicates sensitive activities which are at-risk for crimes to be committed, and the controls and mitigation measures in place against such offenses.

The OMCM is published in the "Transparency" section of MM's institutional website. It is also on the company intranet, and is brought to the attention of employees through periodic training activities. In 2018, face-to-face courses were provided for company managers; online training activities were undertaken via e-learning, and various training sessions were held for new hires. At the end of each training day the participants completed a learning assessment.

Compliance with the Model and its effectiveness was delegated to a **Supervisory Body (SB)**, along with responsibility for implementing the Model's provisions and any updates. In composing the SB, the Board of Directors appointed three external members who comply with autonomy, independence and professionalism requirements. The Supervisory Body has the opportunity to undertake periodic inspection activities when carrying out its functions (directly or indirectly, under the body's direct oversight and responsibility) and has access to information regarding sensitive business operations.

All changes and updates to the Model are approved by the Board of Directors. The most recent update occurred on 22 January 2018.

▪ **Code of Ethics**

The Code of Ethics is the **set of values, principles and behavioural guidelines** that all partners, employees and individuals are required to comply with when acting in the name of MM, or on behalf of the Company. The goals of the Code of Ethics include fairness and economic efficiency in both the Company's internal relations (for example directors, management, employees, etc) and external relations (for example other companies, customers, the market, etc) in order to promote consistent behavioural patterns and foster economic benefits arising from a positive business reputation.

The Code also provides guidelines for economic, financial, social and interpersonal relations, with particular attention paid to issues such as conflict of interest and relationships with competitors, customers, suppliers, public administration entities, regulatory authorities, or other bodies with powers of inspection and control. Furthermore, it defines MM's ethical and moral standards, and indicates the behavioural guidelines which must be upheld by all involved.

The Code is published in the "Transparency" section of MM's institutional website and on the company intranet.

In order to monitor the correct application of the Code of Ethics and make periodic arrangements, where necessary, the **Ethics Committee** was established in 2017. It is composed of the acting Chairs of the Board of Directors, the Supervisory Body, the Board of Statutory Auditors and by the General Manager. In conjunction with the SB,

the Committee's task is to promote the dissemination of the Code of Ethics to employees, partners and any third parties who come into contact with MM. The Committee is also responsible for assessing any cases where there is a breach of the Code of Ethics in relation to potential conflicts of interest that may be reported to it. Furthermore, the Ethics Committee is responsible for updating and monitoring the Code of Ethics and its provisions, again in conjunction with the SB.

The Code of Ethics was updated and approved by the Board of Directors at its meeting of 3 May 2017.

- **Three-year Corruption Prevention and Transparency Plan (TYCPTP)** *pursuant to Italian Law 190/2012 and Italian Legislative Decree 33/2013.*

This plan is a tool which aims to identify the activities at high risk of corruption. It also identifies the relevant instruments for monitoring and mitigating this risk, and the company functions that are responsible for such issues.

The document provides for compliance with reporting duties on the company website (under current regulations) for all owners whose details are subject to transparency requirements. This draws inspiration from the principles of awareness and training.

The Plan is valid for three years but must be updated annually, or whenever significant changes emerge in the organisation or activities of the Company. In any case, it must be updated on an annual basis, and must then be adopted by MM's Board of Directors by 31 January each year.

In addition to the elements already mentioned, the internal control system also draws on the support of:

- **Internal Audit**⁷, this function reports to the Chairman of the Board of Directors, and is entrusted with the task of ensuring that audit activities are carried out on business processes and procedures. In addition, they ensure that control processes are audited in accordance with the Audit Plan approved by the Board of Directors and updated during the course of the year whenever there are organisational or procedural changes, or specific needs, and/or when situations arise that warrant further investigation.
- **Data Protection Officer**, this role was established in May 2018 to comply with EU Regulation 2016/679. This officer's task is to verify compliance with the provisions contained in said regulation, while also verifying correct application of the rules. The Officer can also provide advice to the Controller and the rest of the Company.
- **Risk Management**, whose duty is to identify and estimate risks associated with any strategic and operational decisions made by the Company, along with developing the most suitable strategies for managing those risks.
- **Compliance**, this function reports to the General Manager, and is entrusted with the task of verifying compliance with external rules and internal self-regulation. This is done in order to prevent any risk of non-compliance, namely the risk of incurring legal or administrative sanctions, significant financial losses, or reputational damage.

⁷ During 2018, the Internal Audit Department prepared 17 audit reports which not only reported the issues emerging from the audits undertaken, but also included proposed actions for improving effectiveness and efficiency.

- **Board of Statutory Auditors**, whose duty is to monitor, by means of inspections and audits, compliance with the law, the Articles of Association and principles of good administration.
- **Independent Auditors**, whose duty is to verify that accounting records are regularly kept, and operating events are correctly reported in the accounts, as well as ensuring compliance of the financial statements with applicable regulations, expressing an opinion on both the financial statements and their consistency with the Report on Operations.

1.3.2 Commitment to anti-corruption

As part of the internal control system, MM adopted the necessary **business management procedures** including activities and controls **which also contribute to reducing the risk of crimes being committed in relation to corruption and bribery** (see the section “1.3.1 Internal control system”).

The **Organisational, Management and Control Model** (pursuant to Italian Legislative Decree 231/2001 on the administrative liability of Legal Entities), establishes ethical standards and operational rules regarding specific activities and the relevant risks of corruption. The **Code of Ethics** 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.

The **Three-Year Corruption Prevention and Transparency Plan** (TYCPTP) identifies a Head of Corruption Prevention and Transparency (HCPT) appointed by the Board of Directors. In turn, the HCPT identifies appropriate contacts from among the Directors, Executive Managers and Heads of company functions to provide assistance in preventing corruption. The TYCPTP grows out of the synergies and activities being shared between the HCPT and the various contacts identified. There is a constant flow of information between the Chairman, the Board of Directors, the Internal Audit function, and, in specific cases, with additional internal and external bodies which may be appointed to perform control functions.

The HCPT is responsible for monitoring compliance with the TYCPTP 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. The HCPT is responsible for submitting an update to the TYCPTP to the Board of Directors on an annual basis.

A priority activity for MM is the monitoring of business processes for the purpose of fighting corruption and complying with current legislation. Corruption is interpreted in the widest sense to include the various situations in which, during company activities, abuse is noted by a person – of any hierarchical level – of the power assigned to him/her, in order to obtain private gain.

The events include not only the whole range of crimes against the public administration regulated by the criminal code, but also situations in which – regardless of the criminal relevance – a malfunction of the administration is noted as a result of the use for private purposes of the functions assigned, or the “contamination” of administrative action from outside (*ab externo*), whether said action is successful or remains just an attempt.

Furthermore, MM has adopted a procedure in relation to “Managing reports of offenses and protecting whistleblowers pursuant to Italian Law 190/2012 and the National Anti-Corruption Plan” (the so-called “**whistleblowing procedure**”⁸). This has been updated following the enactment of Italian Law no. 179 of 30 November 2017 on “*Arrangements for protecting those who report crimes or irregularities which they have come to know in the context of a public or private employment relationship*”. This procedure provides operational and practical guidance on how to report behaviour or irregularities which may damage the Company and/or public interest, whether actual or attempted. It specifies the various forms of protection offered to the whistleblower⁹, so as to remove any obstacles or factors which may discourage individuals from taking part in the whistleblowing process.

In 2018 a project was launched for adopting and developing a **whistleblowing platform for the Municipality of Milan**. This platform will allow internal and external stakeholders to make a report anonymously or confidentially via the internet, by completing the appropriate forms which have been designed to delineate the scope of reporting. Through this platform, the whistleblower can verify the status of their report and interact with the Ethics Committee. This is done completely anonymously, using an asynchronous messaging system for greater investigation into the case.

Every year MM provides training to its employees on these issues in particular, in accordance with a three-year plan which is shared by company functions. In 2018, a total of **123 hours of training were provided on anti-corruption issues** (313.5 in 2017)¹⁰. This included in-depth “Induction” sessions dedicated to new employees.

Thanks to the measures adopted, no incidents of corruption have been ascertained in relation to 2018 to date¹¹.

1.3.3 Non-financial policies and certifications

MM believes that quality is important for company operations and any potential impact they may have. The Company also holds that a commitment to continuous improvement is important. These beliefs are evidenced by the Company adopting and continuously updating

⁸ Whistleblowing is an act of civic responsibility, by which the whistle blower (an individual who makes a report to bodies who are empowered to act when breaches or irregularities occur which damage public interest) contributes to making risks known or prevents risks or prejudicial situations occurring which may affect the organisation to which they belong. By extension, this is also for the benefit of collective public interest.



⁹ The Ethics Committee shall adopt appropriate measures to protect parties reporting in good faith against any form of retaliation and shall ensure the confidentiality of their identity in any case. This is done without prejudice to any legal duties or protections to safeguard the rights of the Company or persons in the Company who are accused falsely or in bad faith.

¹⁰ Compared to 2017, the hours of training provided on anti-corruption issues showed a significant reduction (about 61%) but it must be noted that the 2017 figures also included various training sessions relating to 2016, which were not concluded until the early months of the following year. For the most part this related to make-up sessions. For further information on training activities carried out by MM please refer to the section “5.2 Promotion and development of people.

¹¹ This particularly applies to any events whose circumstances are covered by Criminal Code article 318 (corruption in relation to public officers’ acts), article 319 (corruption resulting from acts that are contrary to public officers’ duties), article 319-ter (corruption in relation to judicial procedures), article 319-quater (undue inducement to give or promise benefits), article 320 (corruption of an official in public service), article 321 (penalties for the briber), article 322 (soliciting corruption), or article 346 bis (seeking to gain illicit influence) or Civil Code article 2635 (corruption between private parties).

policies and **management systems** which are **certified and accredited**, which meet the requirements of the applicable international ISO standards.

The table below summarises the **policies and certifications which are currently in place**. They apply as much to environmental and energy topics (as mentioned in the section “4. MM and environmental topics”) as they do to quality issues and features of the management system. The table also indicates the Business Units involved, and the associated improvement objectives.

MANAGEMENT SYSTEM	REFERENCE STANDARDS	BUSINESS UNITS INVOLVED	DESCRIPTION	FUTURE GOALS
QUALITY	UNI EN ISO 9001:2015	 	<p>MM has had an active certified Quality Management System in place since 1996. It is an organisational lever which is intended to increase structural flexibility in responding to external requests. It also places the company’s technical skills at the service of the community. The Quality Management System helps MM to develop strategies which are in line with the interests of all stakeholders, which are consistent with regulatory developments.</p> <p>As part of the Quality Management System adopted by MM, basic principles are identified for defining, maintaining, communicating and reviewing policies on Quality. Suitable tools have been identified for verifying the understanding of these principles at every level of the organisational structure. The ultimate goal is to integrate operations and business strategies, and contextualise the</p>	<p>It is expected that the process of extending UNI EN ISO 9001:2015 certification to the Housing Business Unit will be completed by January 2019.</p>




processes which are being implemented. This allows MM to provide quality products and services, and guarantees maximum customer satisfaction in relation to their explicit and implicit expectations and needs.



Direct management of the Milan San Rocco Treatment Plant was acquired by MM in December 2014, and certification was extended to this plant in 2016.


A complete review of the Quality Management System was carried out in 2018, in accordance with the new applicable standard UNI EN ISO 9001, as issued in 2015.

On the basis of this review, the certifications in place for the Engineering Business Unit and the Water Service Business Unit have been updated.

In order to complete Quality Certification activities for coverage of all corporate business units in the current MM structure, the Company began the process of extending ISO 9001:2015 certification to include the Housing Business Unit as well. This BU entered into the concession agreement to manage Milan's Public Housing in December 2014.

<p>ENVIRONMENT</p>	<p>UNI EN ISO 14001:2015</p>	 	<p>MM has adopted a certified Environmental Management System. This system has been in place with the Integrated Water Service since 2010, and with the Engineering Business Unit since 2012. It evidences the Company's commitment to protecting the environment and natural resources, and complying with current regulations. Activities are directed at innovation and improvement, so as to mitigate the Company's environmental impact. The same goals are also detailed in the Environmental Policy. MM constantly monitors the work done by all "players" in the Company's value chain, and contributes to raising awareness of environmental responsibility. The Environmental Management System was updated in 2018 to meet the new requirements of the applicable standard UNI EN ISO 14001:2015. Updates were done for the Engineering Business Unit and the Water Service Business Unit.</p>	<p>In 2019, the certification scope will be extended to include the Naples Design and Construction function.</p>
<p>ENERGY</p>	<p>UNI EN ISO 50001:2011</p>		<p>MM has adopted an Energy Policy. The Company is committed to reducing consumption and waste, and improving energy</p>	<p>A complete overhaul of the Energy Management System will be undertaken to meet requirements provided for by the</p>

			<p>efficiency through innovation.</p> <p>MM has had an active Energy Management System in place with the Water Service since 2011. This system meets the highest European standards and evidences MM's commitment to saving energy and respecting the environment.</p> <p>MM uses tools provided under this System to plan, implement, monitor and audit compliance with the guiding principle of continuous improvement. The features and effects of these activities are integrated into the Company's energy policy. The Energy Management Team was established in 2017.</p>	<p>updated applicable standard UNI EN ISO 50001.</p>
<p>INSPECTION BODY</p>	<p>UNI CEI EN ISO/IEC 17020</p>	 	<p>In 2010 MM was the first public-sector company in Lombardy and Northern Italy to obtain accreditation from Accredia as a Type "B" Inspection Body pursuant to the standard UNI CEI EN ISO/IEC 17020. This accreditation is registered by means of the Project Validation Technical Unit under no. 055E. This accreditation allows MM to perform inspections in the following industries: "Building construction, civil engineering works in general and related system works,</p>	<p>A revision of the Management System will be carried out in order to satisfy accreditation body requirements. This will also ensure the system conforms as closely as possible to Accredia regulations which are currently being amended.</p>

			<p>environmental safeguards and protection works, environmental engineering and railway engineering (including tunnels, bridges and underground tunnels)". The services offered relate to:</p> <ul style="list-style-type: none"> ◇ inspection on designs pursuant to article 26 of Italian Legislative Decree 50/2016 and ANAC Guidelines; ◇ inspection of services provided by client's technical consultants; ◇ technical checks of construction and civil engineering works pursuant to UNI 10721. 	
<p>TESTING LABORATORIES</p>	<p>UNI CEI EN ISO/IEC 17025:2005</p>		<p>On 20 June 2018 the MM laboratories obtained accreditation from Accredia as Testing Laboratories pursuant to the standard UNI CEI EN ISO/IEC 17025. This accreditation was in relation to the tests listed in certificate no. 1706L.</p> <p>The checks which Accredia carried out on the testing laboratories required the MM laboratories to be audited at all levels. Audits covered management activities (checking and managing documentation, managing test samples, provisioning of products/services, training and qualifying</p>	<p>A complete revision of the Quality Management System of testing laboratories will be carried out in 2019. This review will be based on the new applicable standard UNI CEI EN ISO/IEC 17025 as issued in 2018, therefore the current accreditation certificate will also be updated. The number of accreditation tests is also expected to increase for both of MM's testing laboratories.</p>

			<p>staff etc) and technical activities (quality assurance of test results, calculation of measurement uncertainty). Compliance with mandatory legislative provisions was also assessed.</p> <p>Accreditation therefore guarantees the:</p> <ul style="list-style-type: none"> ◇ impartiality ◇ independence ◇ accuracy, and ◇ competence <p>of activities carried out in MM's testing laboratories.</p>	
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1.3.4 Respect for human rights

In addition to the management systems and policies mentioned above, MM has adopted internal procedures aimed at ensuring a fair and efficient management of human resources, with respect for the rights and diversity of all. As a company which is wholly owned by the Municipality of Milan, and which manages and provides services for the entire community, MM does indeed attribute great **relevance to respecting human rights**. This encompasses everyone – internal and external staff, partners and suppliers.

In the Code of Ethics, MM emphasises the importance of its human resources as indispensable to the Company's existence. The Code affirms that all employees and business partners *"contribute to maintaining a climate of mutual respect within the Company, with regards to the dignity, honour and reputation of all"*.

In the same way, MM manages each stage of the value chain in a responsible manner: from supply to service delivery. Furthermore, MM refuses to entertain relationships with individuals who carry out activities which are incompatible with the Company's ethical standards. Likewise, the Company will not deal with those who do not respect national and international business standards, or who don't have an impeccable reputation.

The management systems and tools which have been put into place by MM make it possible to monitor situations where a lack of respect for human rights may occur, and to establish the necessary risk mitigation tools. As a confirmation of this commitment, there were no incidents of violations of human rights in 2018.

1.4 RISK ASSESSMENT

In 2018, MM continued analysing the Company's risk management system (which was launched a year earlier). This was done in order to improve the process for identifying business risks and risks related to controls and management methods. To this end, **MM appointed a Risk Manager** in October 2018. The risk manager is the Head of the

Administration, Finance and Control Department and is tasked with: defining the significant goals and risk management activities for the Company and structuring a dedicated plan (together with senior management); defining the actions, tools and methodologies useful for operational monitoring of risk management activities (in collaboration with the impacted organisational structures); and collaborating in defining the audit and compliance plans in relation to controlling risk mitigation activities.

The Risk Manager initiated a risk assessment process aimed at identifying the business areas which may be characterised as having a greater risk profile and to map out the relevant risks in relation to profit or loss, operations, compliance and strategy. This process was undertaken with the support of the Insurance Services and Management Control Departments, and it grew out of the previous risk assessment activities undertaken by the Company in 2017. Its aim is to achieve an integrated process for managing risks and controls, in terms of methodology and across-the-board processes.

In particular, a reassessment of the pre-existing risk assessment metrics was carried out, in terms of both impact and probability. Furthermore, the different types of risk identified during previous assessments were integrated. This assessment also allowed for an analysis of the safeguards in place, along with the methods for managing the various risks identified and the associated actions for mitigating that risk. In order to achieve the goal of disseminating a company culture and uniform language on this topic, the assessment considered not only the safeguards which are already in place, but also those which are yet to be developed.

It is envisaged that this Enterprise Risk Management model will be further finetuned and developed in 2019. As always, this will be done in coordination with the Internal Audit and Compliance functions, and with involvement from the various “risk owners”.

1.4.1 Mapping sustainability-related risks

MM has started integrating also sustainability-related risks into its risk management system. To this end, the table shown below presents the **main risks** attached to the areas discussed in Italian Legislative Decree 254/16. Identifying, monitoring and managing these risks is critical for pursuing MM's business strategy in the medium to long term.

AREAS DISCUSSED IN DECREE 254/16	ASSOCIATED MATERIAL TOPICS ¹²	RISKS IDENTIFIED (CONSOLIDATED)	MANAGEMENT METHODS (CONSOLIDATED)
CROSS-SECTIONAL RISK		Reputational risk	<ul style="list-style-type: none"> ▪ Establishment of a Crisis Management Committee and Procedures ▪ Dispute handling procedures ▪ Continuous internal and external monitoring systems ▪ Dedicated reporting systems
ENVIRONMENTAL	<ul style="list-style-type: none"> ▪ Energy efficiency and emissions ▪ Circular economy 	Plant and infrastructure malfunctions or outages due to system problems	<ul style="list-style-type: none"> ▪ Take out insurance against risks due to accidents ▪ Routine maintenance and infrastructure upgrade activities

¹² In line with the definitions found in the GRI Standards, material topics concern those items where there may be a significant impact from an economic, environmental or social perspective. These may be generated by MM directly or indirectly (or through contributions), and may significantly influence the decisions and evaluations of stakeholders. For more information, please refer to the section “2.4 Material topics for MM”.

<ul style="list-style-type: none"> ▪ Quality and management of discharges, waste and sewage sludge ▪ Quality and management of water resources ▪ Protection of urban areas 	<p>or maintenance issues</p>	<ul style="list-style-type: none"> ▪ Continuous monitoring of systems and networks to identify any potential need for non-routine maintenance or review of operations ▪ Water emergency management plan (in conjunction with Emergency Services) ▪ Wastewater emergency management plan (in conjunction with Emergency Services) ▪ Crisis Management Procedures for managing critical situations ▪ Manual management system in case the remote monitoring system becomes unavailable ▪ Monitoring tools for identifying any plant or infrastructure malfunctions or outages
	<p>Failure to achieve the planned investment goals for the Integrated Water Service (IWS)</p>	<ul style="list-style-type: none"> ▪ Coordination Plan for delivering the Investment Plan ▪ Internal monitoring, control and verification systems to ensure compliance with contractual, taxation and regulatory requirements ▪ Strategies requiring the development of tariff forecasts
	<p>Non-compliance with current regulations and standards on environmental issues or IWS management</p>	<ul style="list-style-type: none"> ▪ Dedicated training activities and communication channels for prompt notification to company departments and management of any regulatory changes ▪ Network cleaning and control activities to enable compliance with the required qualitative standards for water service operations ▪ External audits by specialised companies ▪ Internal audits by relevant functions ▪ 231 Model (which provides control mechanisms for preventing crimes being committed, including those relating to the environment, as required by Italian Legislative Decree 231/2001) ▪ Ongoing monitoring of the regulatory environment ▪ Water emergency management plan (in conjunction with Emergency Services) ▪ Crisis Management Procedures ▪ State-of-the-art analysis systems and laboratories ▪ Certified Management Systems (ISO 9001 and ISO 14001 – Engineering Business Unit and Water Service; ISO 50001 – Water Service)

		<p>IWS malfunctions and outages due to events outside company control (e.g. extreme weather phenomena, natural disasters, fires, fraud)</p>	<ul style="list-style-type: none"> ▪ Dedicated insurance coverage ▪ Availability of alternative tools ▪ Ongoing operational monitoring of structures and systems ▪ Emergency systems available in case of service interruptions ▪ Certified Management Systems (ISO 9001 and ISO 14001 – Engineering Business Unit and Water Service; ISO 50001 – Water Service)
		<p>Management of environmental resources, discharges and waste along the value chain</p>	<ul style="list-style-type: none"> ▪ Energy management team (since 2017) ▪ 231 Model (which defines and formalises the rules, standards, tools and control mechanisms adopted by MM for preventing crimes being committed, including those relating to the environment, as required by Italian Legislative Decree 231/2001) ▪ Audit plans ▪ Environmental policy ▪ Crisis Management Procedures ▪ Alternative systems (e.g. a manual management system in the case of the remote monitoring system becoming unavailable) ▪ Certified Management Systems (ISO 9001 and ISO 14001 – Engineering Business Unit and Water Service; ISO 50001 – Water Service; CURIT-regional register for heating systems) with external audits performed by specialised companies able to increase the reliability level for controls ▪ Reporting systems ▪ Continuous monitoring tools ▪ Audit sampling
<p>SOCIAL</p>	<ul style="list-style-type: none"> ▪ Involvement and development of local communities ▪ Responsible supply chain management 	<p>Cyber risk</p>	<ul style="list-style-type: none"> ▪ Ongoing updates to software and skills to ensure they are maintained ▪ IT risk assessment ▪ Identifying the company functions that are responsible for IT security ▪ Monitoring current legislation ▪ Disaster recovery procedures ▪ User management systems, user profiles, and IT usage regulations

<ul style="list-style-type: none"> ▪ Technological innovation and smart cities ▪ Dialogue with stakeholders ▪ Protection, privacy and processing of personal data ▪ Service quality ▪ Transparency in customer relations 	<p>Supply chain management and supplier appointment procedures</p>	<ul style="list-style-type: none"> ▪ Supplier register ▪ During the tender process: verifying documentation regarding tax compliance, administration requirements and financial ratings for each supplier ▪ Procurement procedures (including defining contracts which have adequate requirements, clauses and technical specifications) ▪ Compliance with payment terms ▪ Tools and activities for ongoing monitoring ▪ Review and claims in regard to adequate insurance coverage
	<p>Disputes with MM stakeholders</p>	<ul style="list-style-type: none"> ▪ Dedicated insurance coverage in the event of compensation claims ▪ Ongoing monitoring activities ▪ Company roles and functions specifically dedicated to litigation and communication for the local area ▪ Contact points for dialogue and ongoing discussion with local area representatives ▪ Specific reports
	<p>Routine and non-routine maintenance of Public Housing</p>	<ul style="list-style-type: none"> ▪ Mandatory, technical and specialist training activities for employees ▪ Communication of any relevant regulatory changes to the affected departments and managers ▪ Ongoing coordination with the Municipality of Milan for timely identification of priority non-routine maintenance ▪ Ongoing system monitoring aimed at identifying any necessary routine or non-routine maintenance work ▪ Claims and analysis of dedicated insurance coverage
	<p>Occupational health and safety (concerning employees, contractors and/or third-party companies at work sites)</p>	<ul style="list-style-type: none"> ▪ Assessment directed at identifying existing risks and dangers, which also complies with regulatory requirements (including Italian Legislative Decree 81/08) ▪ Works control and supervision by relevant heads ▪ Mandatory, technical and specialist training for employees ▪ Surveillance and security of areas relating to work sites and Public Housing

			<ul style="list-style-type: none"> ▪ Communicating any relevant regulatory changes to the affected departments and functions ▪ Dedicated insurance coverage ▪ Health and safety management system (based on the OHSAS 18001 model) ▪ Responsibility and delegation system ▪ Emergency management systems
STAFF-RELATED	<ul style="list-style-type: none"> ▪ Diversity, equal opportunity and non-discrimination ▪ Strengthening corporate identity ▪ Occupational health and safety ▪ Employee growth, training, development and welfare 	External events outside company control (e.g. terrorism, fraud, black-outs)	<ul style="list-style-type: none"> ▪ Mandatory, technical and specialist training for employees ▪ Dedicated insurance coverage ▪ Plans for routine maintenance, infrastructure upgrades and audits to identify any need for non-routine maintenance ▪ Emergency management systems ▪ Monitoring and control tools for access to plants
		Adopting behaviour which is inappropriate for complying with rules	<ul style="list-style-type: none"> ▪ Mandatory, technical and specialist training for employees ▪ Code of Ethics ▪ Communicating regulatory changes to the affected departments and functions ▪ The Organisational, Management and Control Model (pursuant to Italian Legislative Decree 231/2001) ▪ Whistleblowing procedures ▪ Monitoring tools and activities (e.g. internal audit plan) and, in the case of non-compliance, application of provisions from employment contracts or the relevant National Collective Bargaining Agreements in force
		Staff turnover and well-being	<ul style="list-style-type: none"> ▪ Actions and initiatives for employee retention and involvement (e.g. welfare plans, benefits and initiatives aimed at strengthening corporate identity) ▪ Succession and business continuity plans in the event of the loss of key staff
RESPECT FOR HUMAN RIGHTS	<ul style="list-style-type: none"> ▪ Respect for human rights 		<ul style="list-style-type: none"> ▪ Code of Ethics
FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION	<ul style="list-style-type: none"> ▪ Fight against corruption and bribery 	Incidences of active or passive corruption (including those involving MM partners)	<ul style="list-style-type: none"> ▪ Mandatory, technical and specialist training for employees ▪ Code of Ethics ▪ Formalisation of the appointment process ▪ Job rotation processes ▪ The Organisational, Management and Control Model (pursuant to Italian Legislative Decree 231/2001)



			<ul style="list-style-type: none">▪ Ongoing monitoring of developments in the regulatory framework and applicable standards▪ Dedicated audit plans▪ Three-Year Corruption Prevention Plan▪ Severe disciplinary measures for any incidences of corruption▪ Whistleblowing procedures▪ Ongoing monitoring tools▪ Timely communication of any significant regulatory changes to the affected functions
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2) MM and sustainability

2.1 MM'S VALUES

Nationally, MM is a unique provider for the type of services under management: MM's engineering skills (which are the common denominator underlying all company activities) serve the needs of citizens and help to build a future for the Community. For MM, an awareness of this "public" vocation leads the Company to assume responsibility for the work that is being done, and to pursue development which is able to balance economic, environmental and social goals. The Company's inspiring values can be found in the Code of Ethics.

2.1.1 Sustainability Approach

MM's commitment to being socially responsible translates into a challenge to **integrate sustainability into the business**, by adopting strategies which are capable of handling change.

As such, MM has embarked on a structured **path** with the goal of **improving the identification and management of sustainability issues**, and guaranteeing an effective system for monitoring, assessing and reporting on such issues.

In 2014 the Company established a **Sustainability Steering Committee**¹³. This committee was tasked with defining the Company's sustainability guidelines, and outlining the general direction for documenting and reporting on the Company's performance in regard to environmental, social and economic issues. The year after the Committee was established, MM began publishing an annual **Sustainability Report** which is subject to voluntary audit. In 2016, the **Corporate Social Responsibility** function was established, reporting directly to the Communication Department and thence to the Office of the Chair. This function is responsible for the development of company guidelines defined by the Committee, prepares the documentation for non-financial information, and manages dialogue with stakeholders.

In 2017, following the adoption of Italian Legislative Decree 254/2016, MM drafted the Company's first Non-Financial Statement (the so-called "NFS"). This was done as a public interest entity, according to the classifications and provisions of legislation. The Sustainability Steering Committee has the task of validating the NFS before submitting it to the Board of Directors for approval, in accordance with legislative provisions. Alongside the NFS (which fulfils the legislative requirements) MM has also chosen to continue communicating sustainability performance through its **Sustainability Report**. This is a voluntary performance reporting tool which is aimed at a wider and more diverse audience than the NFS. This document is also subject to validation by the Sustainability Steering Committee and approval by the Board of Directors.

In order to improve reporting on sustainability issues, an analysis of the data collection and validation processes was also carried out during the last three years. This led to the preparation of specific documentation to support the reporting activities: The **Indicator Manual** and the **Sustainability Reporting Procedure**. Both documents have been updated

¹³ The Committee is composed of the Chairman, the General Manager, the Head of Administration, Finance and Control, the Head of Organisation and Human Resources and the Head of Communication. This composition confirms the attention that MM and the Company's senior management pays towards Environmental, Social and Governance (ESG) issues.

following the transition to the new GRI applicable reporting standards¹⁴ and are awaiting formalisation as part of company procedure.

2.2 STAKEHOLDERS AND MATERIALITY

The needs and expectations of stakeholders represent a key element for MM in defining strategies for development. As such, MM has established **ongoing and continuous dialogue with stakeholders**, in a process which is marked by inclusiveness and transparency. The Company has adopted the most appropriate communication tools with each stakeholder, not only to understand their interests but also to enable the stakeholders to express their views on the importance of significant issues in the field of sustainability and business.

Materiality is the cardinal principle for preparing Non-Financial Statements. An NFS must include all the necessary information for understanding how a company's operations impact on issues pertaining to sustainability, and as such, these issues can majorly affect the company's ability to create value over time. The **materiality analysis** process allows the most significant aspects to be determined from the point of view of both MM and stakeholders. As such, it is the subject of the main strategies which are put into place by the Company in relation to sustainability.

In 2017, the Company organised its **first multi-stakeholder workshops, dedicated to the Integrated Water Service Business Unit and the Housing Business Unit respectively**. These workshops involved representatives from the main stakeholder categories. In 2018 this activity was repeated, with the **addition of a workshop dedicated to the Engineering Business Unit**. During these meetings, the stakeholders first discussed the **materiality analysis** and provided their contributions for its update. They next discussed the **Sustainable Development Goals (SDGs)**, namely the 17 sustainable development goals defined by the UN as targets to reach by 2030. The stakeholders discussed the contribution that MM could make to these goals based on the company's operations¹⁵, and this discussion made it possible to better understand stakeholder expectations and opinions, and allowed MM to refine the company's non-financial reporting content. MM was able to further explore the various development plans in place, with a particular view to the preparation of a future Sustainability Plan for the Company.

In the wake of these three workshops, which were carried out in the months of November and December 2018, the resulting issues that were assessed to be material for MM's external stakeholders were put together. These results were disclosed during an **internal workshop** held on 18 January 2019, which was attended by frontline staff. Representatives from the main departments and functions who had been involved in drafting the NFS and the Company's Financial Statements (including members of the Sustainability Steering Committee) discussed the list of material topics and possible variations in terms of relevance

¹⁴ For details on the reporting standards adopted, please refer to the Methodological Note.

¹⁵ In this first phase, the debate focused on selecting SDGs which take into account MM's business peculiarities and the relationships which are already in place with the local area. In particular: 3-Good health and well-being; 4-Quality education; 5-Gender equality; 6-Clean water and sanitation; 7-Affordable and clean energy; 8-Decent work and economic growth; 9-Industry, innovation and infrastructure; 10-Reduced inequalities; 11-Sustainable cities and communities; 12-Responsible consumption and production; 13-Climate action; and 17-Partnerships for the goals.

to MM, which led to some improvements and additions. This allowed the development of the **materiality matrix** described in Section 2.4 “Material topics for MM”.

2.3 STAKEHOLDER MAPPING

In addition to stakeholder engagement activities, MM carried out an analysis to **improve and expand stakeholder mapping** in the second half of 2018. This analysis was directed at achieving a **better representation of all parties** which influence the Company's operations, or where the Company's operations are influential. In fact, MM has been expanding the Sustainability Report's action scope ever since 2014 and, consequently, also expanding the parties on which the Company reports.

The MM stakeholder mapping is shown below. It has been updated, and stakeholder details are shown in each macro-category:

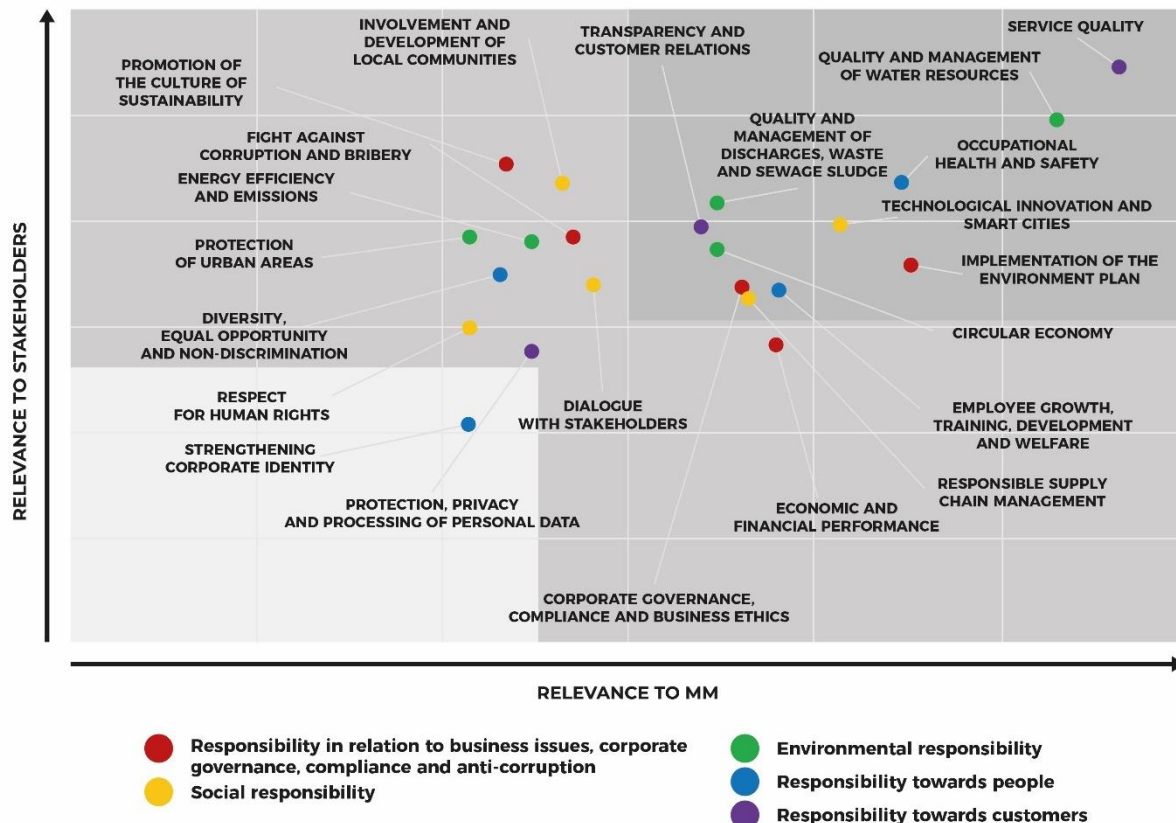


2.4 MATERIAL TOPICS FOR MM

In 2018, in parallel with updating the stakeholder mapping, **MM also adjusted the company's list of material topics** to encompass the changes which had taken place in the Company since the first materiality analysis was carried out in preparation for the 2014 Sustainability Report. This update was conducted on the basis of:

- an analysis of the main material topics in **relation** to the three industries in which MM operates;
- an assessment of these topics from an external point of view, through the three workshops dedicated to the MM Business Units (Engineering, Integrated Water Service, Housing);
- an assessment of these topics from an internal point of view, through interviews held with Top Management and at the internal workshop on 18 January 2019 (which was attended by frontline staff and members of MM's Sustainability Steering Committee);
- the new materiality matrix for MM, which has been prepared, and which incorporated the results of the four workshops carried out;
- the materiality matrix, which was validated by the Sustainability Steering Committee on 18 January 2019;
- the materiality matrix, which was approved by the Board of Directors on 30 January 2019.

The **materiality matrix**¹⁶ has been updated as follows:



¹⁶ The materiality matrix offers a graphical representation of the issues which are material for MM and its stakeholders, based on their relevance (high, medium, low) and it allows to transparently communicate the level of interest which exists for specific aspects linked to the three sustainability spheres (economic, social and environmental).

3) MM and relations with the local area

3.1 MM'S STRATEGY

Founded as an engineering company, MM has expanded its own sphere of activities over the years, and has in effect become an **integrated multi-service business**. It is a strategic partner in the development, management and reorganisation of the city, including its services, networks, infrastructure and publicly owned real estate. MM is recognised as being a centre of engineering excellence with extensive experience, and the Company is characterised by a management model which is able to capitalise on experience acquired on site and share this knowledge. The Company deals with complex parties, ranging from Public Administration agencies to the end user (the individual), and is able to respond well to these diverse needs. MM always pays attention to technological progress for the purpose of continuous improvement.

Today MM is one of the most important public engineering companies in Europe. The company is able to manage the entire engineering business cycle, from surveys and feasibility studies to works supervision and testing. Engineering is the link between many activities pursued by the Company, namely infrastructure engineering projects and works of public interest, management of the Integrated Water Service and Public Housing, and the company's marketing initiatives for the local area.

3.1.1 The Business Plan

Over the years MM has successfully combined public interest and the ability to remain competitive. One of the cornerstones of MM's strategy is innovation and self-reinvention in response to evolving market demand and user characteristics. The key to MM's success can be seen in the Company's business development and diversification. Between late 2013 and early 2014, MM developed its **2014-2018 Business Plan**. This plan has since formed the starting point for growth, in terms of both the Company's size and profitability.

The Plan was subject to annual updates in terms of goals and economic projections, and has been further revised in 2018 with a new version of the Business Plan being defined for the 2019-2023 period. The Plan defines the Company's mission, values and future prospects, and allows MM to establish **strategic macro-targets for each of the business areas** in which the Company operates. It identifies the development opportunities and operations to be undertaken for each Business Unit.

Consequently, at the end of 2018 **MM's strategic development guidelines for the period 2019-2023** were submitted to the Board of Directors' attention.

3.1.2 Technological innovation for the city

MM partners with companies, management bodies and publicly owned businesses that operate in the field of infrastructures, major works, or are involved in the design and management of networks concerning transportation, the Integrated Water Service and public housing.

Conscious of the crucial role that the Company plays, MM has **adopted innovative processes** with the goal of making the city's systems more efficient and sustainable. The Company also facilitates the overall management of services, and contributes to improving the quality of life for the benefit of the community as a whole.

MM works on the city's fundamental structure and adopts the concept of a smart city, namely in:

- designing the transport network, and improving public transit;
- managing the entire water cycle, ensuring access for all;
- managing residential real estate assets and their modernisation;
- planning the execution of large events and enhancing their legacy, based on the Expo 2015 model.

Operating in accordance with a **smart city concept** has become a necessity, particularly in today's context with an increasing population and hyper-urbanisation. Both these features represent opportunities for development, but are also potential vulnerabilities. In order to tackle change, public and private institutions need to commit to fostering the creation of *integrated digital ecosystems which are citizen-centred and user-oriented*. These eco-systems must be based on the Internet-of-Things, so as to facilitate additional services to customers and thereby increase their value.

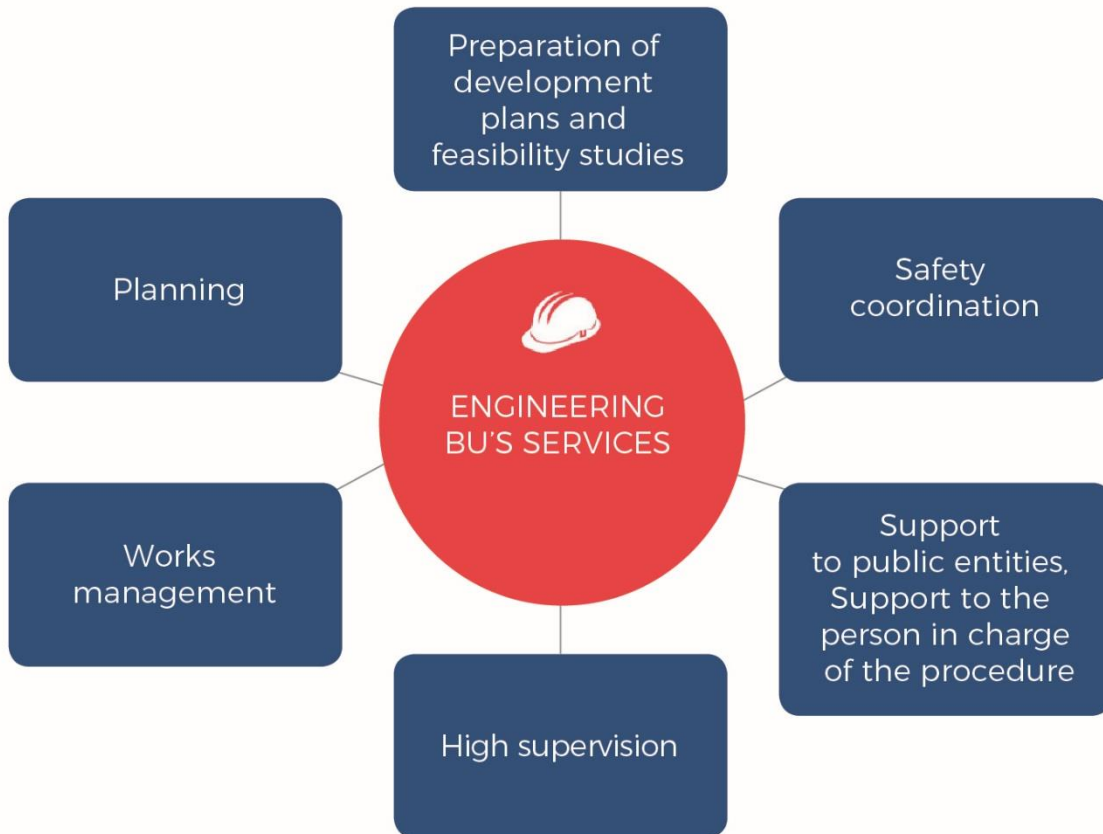
MM has accompanied Milan through the process – encouraged by the success of Expo 2015 – of growing and changing into a modern smart city. The Company has demonstrated its own technical, design and process capabilities . to integrate activities from its three business areas and has encouraged **experimentation with innovative policies and technologies for the benefit of the community and local area**. Among the tools developed by the Company to keep stakeholders up to date on initiatives and projects in progress, MM published its first **InnoBook** in 2018 "**Build your city, build your future**"¹⁷. The publication reviewed the most meaningful scientific research activities and highly innovative technologies which have been promoted by the Company, in relation to the areas where MM operates. It also considered the field of communication, both local area and digital. The edition is divided into modules, with a total of 64 specific actions.

Further to this publication, MM constantly works to **involve the local area and community** in the delivery of works and service provision. The Company uses the primary information channels in an integrated manner, sharing information both online and offline.

3.2 ENGINEERING

MM provides planning and management services for transport infrastructure works, urban redevelopment and works of public interest. The goal is to improve the quality of life for locals. MM's Engineering Business Unit **specialises** in providing services ranging from urban and inter-city public transport, to traffic and road networks, plant engineering, architecture, urban planning, and the environment.

¹⁷ The latest Innobook publication will be released in the first quarter of 2019 and will expand on the specific actions described.



MM is geared towards an **integrated engineering model** which is able to respond in a timely manner to the specific needs of parties which are in contact with the Company. MM uses this model to identify effective and innovative operational solutions which maximise the functionality of activities and optimise costs and delivery times, while simultaneously minimising environmental impact.

Added to this is the ability to plan for the future today, by not only limiting thinking to infrastructure design, but considering all elements of project planning, providing more useful information for project delivery, and fostering increased dialogue and discussion between project operations and management teams.

3.2.1 Site management

For the most part, MM's operations take place in the urban area and therefore the Company is in close contact with locals. Residents are the first group to experience the impact caused by worksites in terms of traffic and road network conditions.

MM therefore takes **utmost care** in **site planning and the subsequent management of worksites**. The goal is to ensure excellence at all times when carrying out works, complying with expected timelines, or reducing the impact of works. Every environmental element that may be affected by works is closely monitored (including air quality, ground and underground management, waste and land management, noise and vibrations). This is possible thanks to the use of innovative solutions and investment in ongoing technical training.

Site creation and management activities are entrusted to external companies, and they are required to implement the provisions of the **Construction Site Environmental Management Manual** and the **Environmental Monitoring Plan**. Despite using external parties, MM is still indirectly responsible for any environmental impact which results. The Client selects Works Managers with the goal of tracking works and ensuring they are progressing properly. These managers personally supervise the work of contractors and other staff on site, paying particular regard to managing the environmental impact. To this end periodic checks are carried out to verify that sites are being managed in accordance with MM's environmental policy, and to ensure compliance with current legislation.

MM also encourages **ongoing dialogue** with stakeholders, out of respect for the utmost transparency and accessibility. Suitable communication and discussion tools are made available, particularly as regards **local residents affected by site activity**. Among the most interesting initiatives it is worth mentioning the **Web App “Worksites & Road Network Conditions”**, which allows locals to choose which worksites they want to monitor and allows them to stay up to date on the main changes to road network conditions at all times by using a messaging service. There are also **New M4 Line Communication** projects, which include activities in the area such as public presentations and open days where locals can visit worksites. The *“Idee in cantiere”* (worksite ideas) workshop organised by MM can also be mentioned here, in relation to decoration on the M4 site fencing and organisation of cultural events in areas affected by works. There is also the **Communication on the Reopening Project of Milan’s canals (Navigli)**, the first stage of which has led to numerous public meetings being held. These meetings were directed at providing information to residents about project guidelines while simultaneously collecting suggestions, in order to encourage truly active participation in city development.

3.3 Integrated Water Service Business Unit

MM has managed the Integrated Water Service (IWS) for the city of Milan since 2003, looking after groundwater extraction, water purification and distribution to residences, the collection and gathering within the sewage system, and the treatment of discharges before release into the environment. MM serves a local area¹⁸ of approximately 180 km² with a population of around 2 million people (including residents and city users) and has over 50,000 customers. The company guarantees the following key services:

- constant supply and control of drinking water;
- collection, processing and treatment of wastewater;
- customer management throughout the entire service delivery process.

Thanks to the Company’s expertise in engineering, MM also develops and designs new infrastructure internally, along with networks, facilities, upgrades, and non-routine maintenance activities.

¹⁸ 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).

MM performs control and surveillance activities for the treatment service carried out at the city's two treatment plants (Nosedo and San Rocco). The Company also acquired management and direct leadership of the San Rocco plant back in December 2014.

In addition, MM is responsible for controlling and checking discharges from production activities into the sewer system for approximately 759 companies operating in the Milan municipality area. In particular, 259 surveys were carried out in 2018 with 302 associated samples taken and 331 dossiers processed in order to provide authorisation opinions for the Optimal Territorial Area (*Ambito Territoriale Ottimale, ATO*).

3.3.1 The Environment Plan

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 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 stages of water resource management: collection and supply, water purification and distribution, sewerage, and wastewater treatment.

An analysis of the current state of works and facilities is the first step in identifying the investments which are necessary to achieve set goals, with short, medium, and long-term actions. The forecasting and planning for each activity take into account technical aspects, economic effects, management methods, the socio-environmental impact and start-up, delivery and completion timeframes.



The current Environment Plan covers the period 2014-2037. It was originally drafted in 2007, and was subsequently updated in 2010 and 2015. This plan is therefore essential for an efficient and effective management of all MM's activities.

Investment under the Environment Plan can be found in the Action Program which was adopted on the basis of guidance provided by the Local Area Authority for the Metropolitan City of Milan. This program uses the same regulatory periods as those defined by ARERA (with the current period being 2016-2019) along with the related tariff approval processes.

MM has defined a **financial strategy** able to guarantee financing for investments programmed under the Environment Plan. It is therefore possible to maintain the quality of service being provided and ensure the water network's optimal conditions. By the end of 2016, two strategic actions had been completed:

- A contract was signed for **€70 million in financing from the European Investment Bank (EIB)**, with the last payment due in 2034. This financing was accessed through the European Fund for Strategic Investment (EFSI), under the so-called "Juncker Plan". It was drawn up and executed in 2018.
- A **€100 million bond issue** was placed. This was directed at institutional investors and was listed on the Dublin Stock Exchange's regulated market (the Irish Stock Exchange, now Euronext Dublin), with final maturity in 2035.

MM also obtained **rating assessments** from **Standard and Poor's** (currently BBB) and **Moody's** (currently Baa3). This confirms the Company's positioning in the "Investment Grade" area.

3.3.2 Relationships with Authorities and Bodies

During ordinary operational management activities, MM engages with various authorities and bodies, according to the role which the Company fulfils for the community and local area. The following table summarises the primary organisations which the Company deals with, and the main areas of responsibility:

ORGANISATION	MAIN AREAS OF RESPONSIBILITY
ARERA <i>(Italian Regulatory Authority for Energy, Networks and Environment)</i>	Regulating: <ul style="list-style-type: none"> • Tariffs and tariff structures • Transparency of invoices, arrangements and standard service agreements • Technical and contractual service quality • Accounting unbundling • Verifying that Environmental Plans have been correctly drafted • Substitution and sanctioning powers
ATO Local Area Authority for the Metropolitan City of Milan	<ul style="list-style-type: none"> • Planning management and investments (as defined in the Environment Plan) • Preparing the action program • Assigning management of the Integrated Water Service • Controlling work and reporting annual results to the Ministry for the Environment, Land and Sea • Determining the base tariff proposal

	<ul style="list-style-type: none"> • Issuing authorisations for discharges into the sewer system as part of production activities
Metropolitan City of Milan	<ul style="list-style-type: none"> • Issuing authorisations for discharges into surface water and groundwater (qualitative authorisations)
Municipality of Milan	<ul style="list-style-type: none"> • Body in charge of the Integrated Water Service, and owner of the network and plants which are used for supplying the service by the service provider • Issuing authorisations for discharges into surface water and groundwater (quantitative authorisation)
Lombardy Region	<ul style="list-style-type: none"> • Producing rules and regulations on the subject of water and the Integrated Water Service
ATS Health Protection Agency for the City of Milan (former Local Health Agency)	<ul style="list-style-type: none"> • Assessing if water is fit for human consumption, based on accurate checks • Asking the water service provider to take measures in cases where the water supplied does not comply with the qualitative requirements established under current legislation • Taking action where there is a failure to adopt measures in the event of an unfavourable analysis
ARPA Lombardia (Regional Environmental Protection and Prevention Agency)	<ul style="list-style-type: none"> • Providing technical support for administration authorities and preparing documents in order to obtain discharge authorisations • Acting on behalf of ATS to check water quality in the collection stage, in the supply and distribution networks, and in the water purification and treatment plants • Environmental checks and auditing compliance with prescribed limits • Environmental monitoring of watercourses: chemical, physical and bacteriological analyses; ecological status indexes

3.4 Public Housing

Since 1 December 2014, MM has been managing Milan's Public Housing owned by the Municipality of, **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, on-site inspections, administrative operations, billing, first response, internal control systems, managing late payments, and informing users.

MM's management of Public Housing property became a long-term arrangement with resolution no. 9 of 29 April 2015 adopted by the Municipality of Milan. This resolution confirmed MM's custodianship for a period of 30 years, with effect from 1 June 2015. This effectively recognises the value provided by MM in the first six months as a temporary custodian.

The main services offered by MM include:

- **Asset Management** – overseeing the main administration activities related to real estate assets, determining rental payments, and planning matches, moves and sublets
- **Facility management** – managing contracts, services and supplies, coordination of asset maintenance activities and resources
- **Asset protection** – security services concerning Public Housing assets, in association with law enforcement agencies
- **Customer Relations** – managing contacts through dedicated communication channels

The assets managed by MM are made up of:



MM also manages around 1,500 real estate units located in the Municipalities of: Assago, Bollate, Brugherio, Cinisello Balsamo, Corbetta, Desio, Garbagnate, Inveruno, Lainate, Locate Triulzi, Mazzo di Rho, Muggiò, Paderno Dugnano, Peschiera Borromeo, San Giuliano Milanese, Tavazzano, Trezzano sul Naviglio, and Vizzolo Predabissi.

3.4.1 Tenants of houses managed by MM

In 2015 MM launched the “**User registration**” project, namely for user profile activities. This made it possible to verify the composition of each household, update rental payments, confirm that tenants meet the requirements to receive permission to stay in accommodation, and obtain/increase information regarding all contact channels with tenants. In 2017 the number of points of contact with users was increased with the launch of a **new data collection plan** which makes use of 63 registry sites located in every area of the city. A dedicated working group was also created.

Information gathered during “User registration” activities resulted in a tenant profile for the Public Housing property under management by MM. The majority of tenants are fairly evenly divided between those aged between 45 and 65, and those over 66. Furthermore, **80% of the tenants are Italian**. Among foreign tenants, the countries which prevail are Egypt (18%), Morocco (13%) and the Philippines (10%), but there are also tenants whose nationality is registered as European, Russian or American.

The “User registration” campaign is part of the **largest digitisation project launched by MM**. The goal is to make 100% of administrative and technical dossiers accessible, including past dossiers inherited from the previous management. To this end, new communication tools have been arranged for the benefit of users, and these will be examined in more detail in the section of the Report dedicated to them.

3.5 RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Supply chain issues are of primary importance for MM, inasmuch as the Company’s daily operations make use of support from a range of providers. Decisions on the procurement of works, goods and services as necessary for MM’s business to operate are always evaluated

carefully in order to avoid reputational risk, loss of competitiveness or reduced quality of service.

Over the years the Company has refined the management of relationships with these providers, by equipping the company with **specific internal procedures**. All supplies and contracts must be motivated by actual business needs, and the choice of supplier must consider both technical and financial parameters.

In this way MM is able to manage its **supply chain** in a responsible manner, and the Company chooses not to entertain relationships with providers who carry out activities which are incompatible with corporate, national and international standards, on worker protection, or with providers who enter into collusive conduct, or fail to stay up to date in regard to taxes, duties or worker contributions.

For greater quantitative information on these issues, please refer to the *Annexes* section.

3.5.1 MM's new List of Vendors

A new “**List of Vendors**” was implemented on 7 November 2017, which saw the previous Register and all new negotiation activities being merged into a single new e-procurement platform (which can be accessed via the link <https://appaltieacquisti.mmspa.eu>). Following on from this, MM continued to manage supplier assessment activities electronically in 2018, and keep the list and associated documentation up to date in relation to both MM and suppliers.

The new regulations of the List of Vendors set out, among other things, the general and specific assessment 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.**

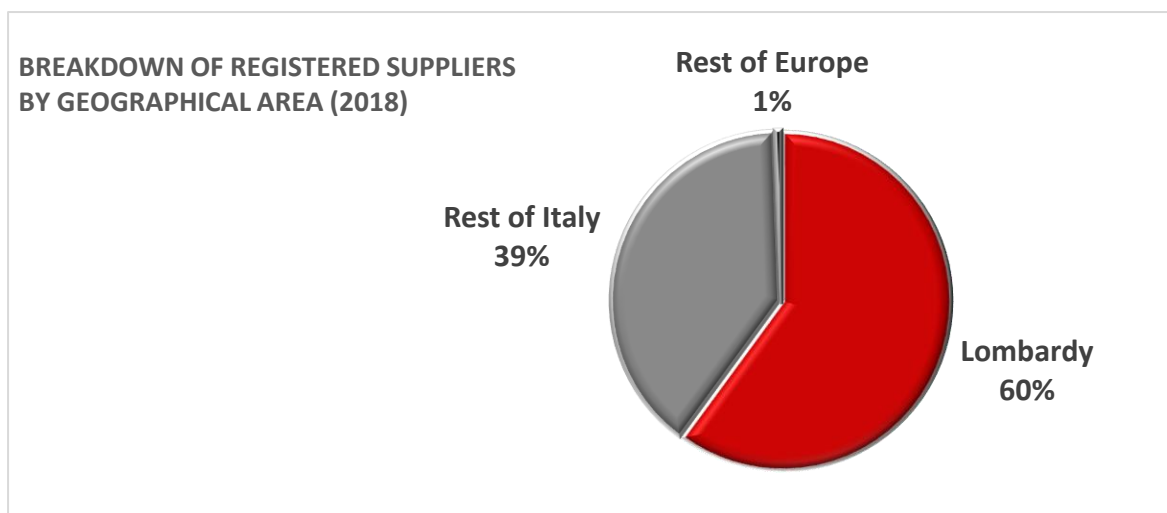
Business operators apply to be included on the List by product category, and by amount class within each category. MM identifies the entities to invite to its tenders through an automated ballot and rotation system suggested by the platform, in accordance with the principles of transparency, equal treatment, non-discrimination, and proportionality.

Assessing suppliers in the List is the responsibility of the relative department, and is subject to a prior evaluation of details and documents provided by the supplier at the time of registration. This process verifies the suitability of documentation relating to personal details and tax details, and confirms whether or not the supplier possesses the required technical capabilities.

At the close of 2018 the e-procurement platform showed a total of **1,588 suppliers registered, of which 1,088 had been approved**, namely business operators whose technical capability had been verified by MM as meeting the requirements for at least one of the product categories in the List.

Looking at the geographical distribution of the suppliers registered in the List¹⁹, the greater part of suppliers is located in Italy (99%), and in particular, in Lombardy (60%).

¹⁹ For the purpose of classifying suppliers registered in the List by geographical area, the supplier's registered office location was taken into account.



The List's approval process not only considers the Company's ability to offer products or services which are qualitatively and economically viable, but also considers the supplier's economic/financial position and their compliance with regulations when carrying out their activities (including compliance with DURC documentation on the regularity of employee payments and contributions). The List also records features relating to sustainability parameters, such as whether potential suppliers have certified environmental management systems (including UNI EN ISO 14001, EMAS registration, or 50001 certification). The degree of attention that is given to safety and the relevant management is also included, by evaluating the supplier's Occupational Health and Safety Management System (if certified pursuant to Italian Legislative Decree 81/2008, or compliant with UNI-INAIL guidelines or OHSAS 18001 Standards). The availability of quality certifications is also documented (ISO 9001) along with whether or not an Organisational Model has been adopted under Italian Legislative Decree 231/2001, and if the supplier has adopted an internal Code of Conduct/Code of Ethics.

The following table summarises the number of suppliers registered on the List over the reporting period, and how many of those meet specific social and/or environmental criteria:

FEATURES OF REGISTERED SUPPLIERS²⁰		
Environmental/social criteria	Unit of measurement	2018
Suppliers with social certification (e.g. SA8000)	no.	70
Suppliers with environmental certification (e.g. ISO 14001, ISO 50001)	no.	384
Suppliers with quality certification (e.g. ISO 9001)	no.	317
Suppliers with Occupational Health and Safety Management Systems certification (e.g. OHSAS 18001)	no.	1,032

²⁰ Some suppliers may have more than one certification and/or management systems.

3.5.2 Country of origin of MM's suppliers

MM has not implemented any specific instrument to select suppliers based on their country of origin due to public tenders' requirements and MM's choice to give more importance to quality, economic and sustainability issues in selecting suppliers.

Nonetheless, it is possible to assess the economic impact generated in Lombardy, which is the most significant region in terms of operations for MM. In 2018, the Company's suppliers having their registered office in Lombardy accounted for 67% of the total (compared to 45% in 2017).

4) MM and environmental topics

In line with the Company's mission and the ethical values from which it draws inspiration, MM promotes the **respect for and protection of the environment**, not only in internal workplaces but also externally. Particular attention is paid to the local areas in which MM operates and to its stakeholders. In carrying out its activities, from designing the engineering for transport works to managing the Integrated Water Services or managing relationships with tenants of Public Housing properties, MM commits to safeguarding the urban landscape and ecosystem in general. It does so by **limiting the impact of operations as much as possible** and by **increasing efficiency in resource use**.

MM is equipped with an Environmental Management System which is certified under **UNI EN ISO 14001: 2015** for both the Engineering Business Unit and the Water Service Business Unit. This certification was renewed for both business units in 2018, in compliance with current legislation. The Water Service Business Unit has also had **UNI CEI EN ISO 50001** energy certification since 2013. The management system identifies the most significant environmental topics for MM and establishes guidelines by which to manage them. Operational activities for executing works are mainly contracted to external companies, which have direct responsibility for any resulting environmental impact. Even so, MM remains committed to monitoring the work of company suppliers to ensure that they are respecting established legal requirements in regard to the environment.

MM has also adopted an **Environmental Policy** to ensure that the environment is protected and compliance with local legislation is upheld. The company oversees the work done by everyone who is involved, and contributes to raising awareness on environmental responsibility.

For greater quantitative information on these issues, please refer to the *Annexes* section.

4.1 USE OF ENERGY RESOURCES

MM pays great attention to the **responsible consumption of energy resources** which are necessary for carrying out business activities, particularly in relation to IWS management operations. The water service requires significant volumes of electricity and natural gas, which results in high costs both financially and in terms of environmental impact. MM is therefore committed to containing energy consumption by putting into place technical initiatives for reducing consumption and adopting energy efficient practices. The goal is to **minimise consumption** and reduce the risk of the Company's activities having a negative impact on the environment and local area, when operations are actually aimed instead at improving the quality of life for locals. This goal is pursued through **close monitoring** of consumption and **timely planning of activities to improve efficiency**. MM pursues a systematic approach through:

- **continuous improvement** of MM's UNI CEI EN ISO 50001 certified **Energy Management System** by making specialist skills and resources available for investments in technological innovation;
- supporting **financial investment in the industry** by capitalising on future savings even when not committing new financial resources (for example, with the purchase of new technology which is more efficient and consumes less energy).

Shown below is the energy consumption for MM's operations:

ENERGY CONSUMPTION BY TYPE ²¹				
	Unit of measurement	2016	2017	2018
Gasoline	GJ	2,198	2,456	2,533
Diesel	GJ	3,742	3,858	3,901
Natural gas	GJ	91,862	73,095	94,955
Pellet	GJ	826	522	887
Electricity	GJ	581,116	577,229	575,869
- of which certified green energy	%	0%	0%	99.9%
Total	GJ	679,743	657,159	678,145

As regards **consumption of non-renewable fuels**, these can be attributed to:

- **Powering the vehicle fleet** — in 2018 the diesel consumption is shown to be slightly higher than that recorded for 2017 (+1.9%) due to an expansion of the car fleet. While the size of the fleet was greatly expanded, the environmental impact was mostly offset through the purchase of 19 hybrid cars.
- **Powering the pellet boiler** which was installed in 2015 at the **Integrated Water Service office** — in 2018 an increase in the consumption of pellets was recorded, inasmuch as the boiler was used as a temporary replacement to meet heating needs while the boiler at the Sforza office was being replaced.
- **Treatment and heating activities at offices** — in 2018 the consumption of natural gas increased by 29.9% on an annual basis as compared to the previous year, but it is shown to be in line with the values recorded for 2016. In fact, there was a small reduction in the need for natural gas in 2017 due to lesser sludge drying activity in the treatment process.

The consumption of **electricity purchased** for powering offices and facilities was instead found to be in line with that of 2017, but it displayed an **important new feature**. In line with energy improvement goals defined in the Policy on this issue, the Company met internal consumption needs for the 2018 year by purchasing **Certified Green Energy for 99.9%** of the total consumed.

MM's recorded **electricity consumption** for 2018 was **575,869 GJ**. Almost all of this consumption is connected to the operation of water lifting and pumping systems and treatment plants, all of which consume particularly high levels of energy.

²¹ Conversion factors used: gasoline 1 L = 0.03166 GJ (ISPRA 2017); diesel 1 L = 0.03594 GJ (ISPRA 2017); natural gas 1 Sm³ = 0.03427 GJ (ISPRA 2017); pellets 1 t = 16.85 GJ (DEFRA 2017); electricity 1 kWh = 0.0036 GJ (ISPRA 2017).

4.2 EMISSIONS

Reducing greenhouse gas emissions is a development goal for the international community. At a European level, the “**2030 Climate and Energy Framework²²**” defines three main goals to be achieved by the target year: at least 40% cuts in greenhouse gas emissions (from 1990 levels); at least 27% share for renewable energy; at least 27% improvement in energy efficiency.

Greenhouse gas emissions can be classified as follows:

- **Direct (Scope 1) emissions** from sources controlled directly by MM;
- **Indirect (Scope 2) emissions** from sources which are not directly controlled by MM and are associated with electricity generation. These can be further broken down, in compliance with GRI Sustainability Reporting Standards 2016, based on the:
 - *Location-based method* (reflecting the intensity of emissions generated by electricity consumption in relation to the production network within which MM operates).
 - *Market-based method* (reflecting the intensity of emissions generated by electricity consumption where electricity is purchased by MM through specific supply contracts).
- **Other indirect (Scope 3) emissions** from sources not controlled directly by MM (not reported in this Statement).

For MM, the greater part of greenhouse gas emissions can be attributed to **Scope 2²³** emissions. Depending on the reporting method adopted, these emissions are shown to be:

	2017 ²⁴	2018	
Location-based method	53,234 tCO ₂ equivalent	53,108 tCO ₂ equivalent	- 0.2%
Market-based method	76,964 tCO ₂ equivalent	103 tCO ₂ equivalent	- 99.9%

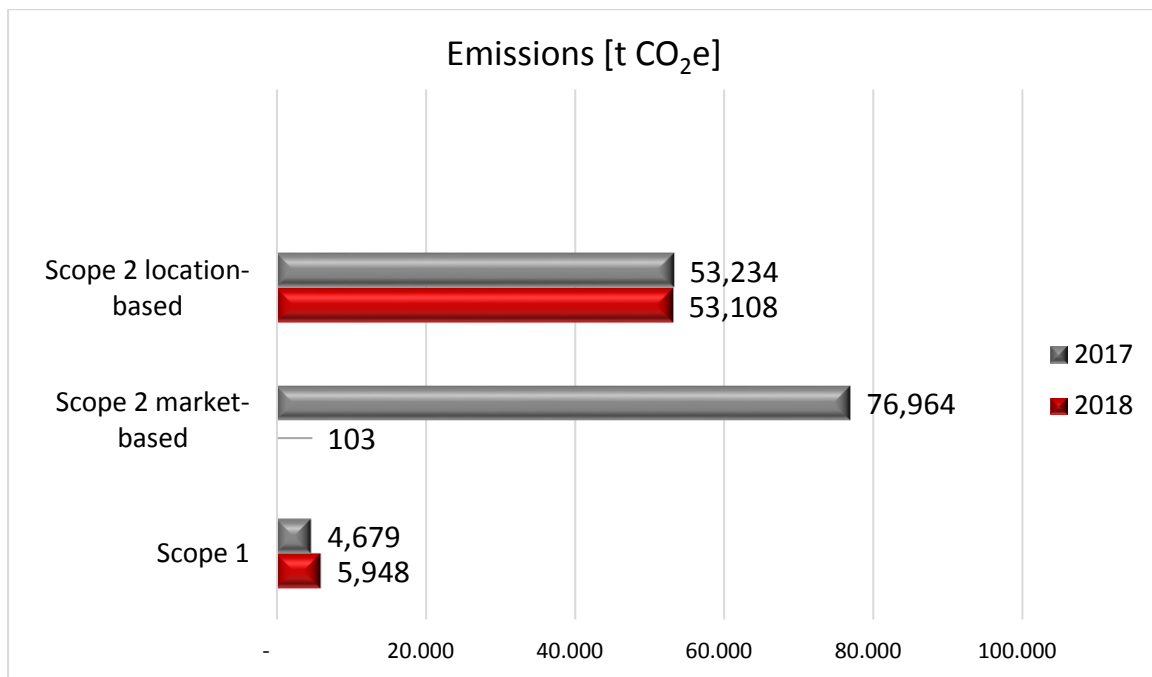
²² The Framework was adopted by EU leaders in October 2014. It is based on the 2020 Climate and Energy Package, namely a set of binding legislation to ensure the EU meets its climate and energy targets by 2020. In particular: 20% cut in greenhouse gas emissions (from 1990 levels); 20% of energy sourced from renewables; and 20% improvement in energy efficiency.

²³ For the “location-based” method, the average emission factors that were used were specifically in relation to the national energy mix for electricity production (an emission factor for Italy of 332 gCO₂/kWh, Source: Atmospheric emission factors for CO₂ and other greenhouse gases in the electrical industry. ISPRA 2017). Whereas for the “market-based” method, the emission factors that were used were those defined on a contractual basis with the electricity supplier. It is of particular note that certified green energy with a guarantee of origin accounted for 99.9% of the total electricity purchased in 2018. In the absence of any specific contractual arrangements between MM and the electricity supplier, the emission factor used under this method in both 2018 and 2017 was that of a national “residual mix”. For Italy that figure was 480 gCO₂e/kWh (Source: European Residual Mixes 2017, 2017). Scope 2 emissions calculated using the location-based method have been expressed as tonnes of CO₂, however the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalents) as indicated in the ISPRA report “Atmospheric emission factors for CO₂ and other greenhouse gases in the electrical industry”.

²⁴ Following improvements to the data reporting system, the Scope 2 emissions for 2017 have been restated. For data as published previously, please refer to the 2017 Non-Financial Statement, as published in “The Company - Financial information” section of MM’s website (www.mmspa.eu).

In both cases, **Scope 2 emissions show a decrease**: the improvement is even more significant under the market-based method (where a 99.9% reduction was recorded). This decrease can be attributed to MM’s virtuous choice to buy certified green energy with a guarantee of origin from 2018 onwards, covering 99.9% of the total energy consumed.

By contrast, **Scope 1**²⁵ emissions in 2018 produced an equivalent of 5,948 tCO₂ as compared to the 2017 values which were an equivalent of 4,679 tCO₂. This is an increase of 27% and is mostly due to the consumption of natural gas for sludge drying activities in the treatment process, and pellets used for heating. Meanwhile the growth in consumption of gasoline and diesel was shown to be quite limited due to a greater use of hybrid cars (see the section "4.1 Use of energy resources").



Overall, the actions adopted by MM to reduce CO₂ emissions has led to a decrease of 93%²⁶ in 2018 when compared to 2017. This result is in line with the Municipality of Milan’s strategy, and with the **Sustainable Energy Action Plan** which was adopted by the Municipality of Milan in June 2018 (*Piano d’Azione per l’Energia Sostenibile, PAES*). This plan outlines targets set for reducing greenhouse gases by 2020²⁷.

²⁵ Emission factors for Scope 1: Source ISPRA 2017 natural gas — 1.97348 kgCO₂e/Sm³; gasoline — 3,155.294 kgCO₂e/t; diesel — 3,181.4436 kgCO₂e/t; Source DEFRA 2017 Pellets — 59.45671 kgCO₂e/t.

²⁶ For the purpose of calculating the % by which emissions were reduced in 2018, the figures obtained using the market-based method were considered for the purpose of Scope 2 emissions.

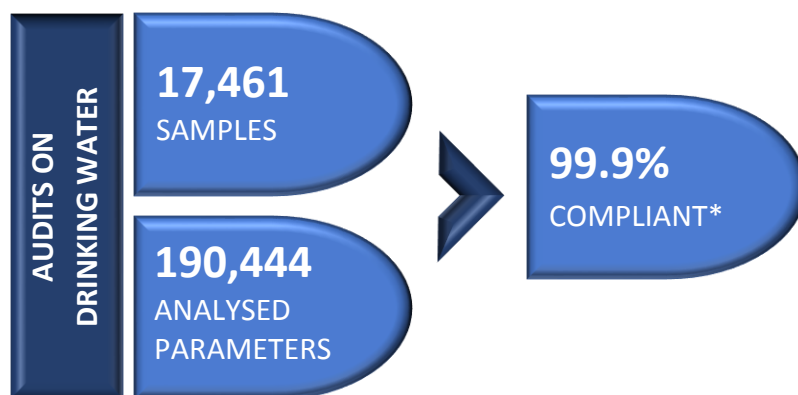
²⁷ Like all highly important cities which have signed the Global Covenant of Mayors, Milan’s target is to reduce CO₂ emissions by 20% (based on a 2005 starting point). The PAES contains a list of actions which are aimed at improving energy efficiency and promoting the use of renewable energy sources in residential and commercial buildings, industry, public lighting systems, and public and private transport systems.

4.3 QUALITY AND MANAGEMENT OF WATER RESOURCES

Water is a fundamental resource for the well-being and development of any community, and it is MM's task to guarantee **better and more efficient management of the Integrated Water Service for the city of Milan**. The Company adopts a deliberate and sustainable approach to managing water resources. Wherever possible, MM does this through introducing technological innovations and processes which are able to ensure water quality, waste reduction and a diminished environmental impact.

The water being distributed through the water system and the water released into the environment after going through the treatment plants is checked to ensure it is good quality water which meets the parameters established under current legislation. MM does this using two **company laboratories** which are equipped with suitable instruments for analysing the chemical, chemical-physical and microbiological parameters. In 2018 both laboratories obtained **accreditation pursuant to the UNI CEI EN ISO/IEC 17025 standard**.

As far as the **water supply network** is concerned, water is constantly monitored through a **sampling programme agreed with the Health Protection Agency (ATS, Agenzia di Tutela della Salute)**²⁸. This programme uses methods approved by the Italian Institute of Health and meets the requirements of the relevant Local Area Authority. The main findings of the analyses are published on a quarterly basis in the water bill as well as on the website MilanoBlu (www.milanoblu.com). The audits are conducted before sourcing (at pumping wells) and dispensing water (at treatment plants and pumping stations), as well as on drinking fountains and the Water Houses. In 2018, the laboratory managed:



***The negligible exceedances recorded were found following microbiological contamination at the point of withdrawal. These points were promptly disinfected and counter-analysed immediately, with the final results always returning 100% microbiological conformity. In 2018 there was only one case of chemical non-conformity, and it was non-hazardous (a modest exceedance above the concentration limit for manganese – an element which is naturally present in deep-well water). This non-conformity was immediately resolved.*

The **wastewater analysis laboratory** monitors, on a daily basis, 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. Inspections of wastewater and treated water were also agreed with both the **Regional Environmental**

²⁸ The Health Protection Agency (Agenzia di Tutela della Salute, ATS) of the Metropolitan City of Milan was set up on 1 January 2016 (Lombardy Region Law 23/2015 – Development of Lombardy's Health and Social System) with a view to govern the health and social networks in relevant local area. The Agency includes 195 Municipalities and the areas that up to 31 December 2015 were under the responsibility of ASL Milano, ASL Milano1, ASL Milano2, ASL Lodi (source: www.ats-milano.it).

Protection Agency (ARPA) and the Lombardy Region, based on a shared procedure which provides for 48 samples to be taken annually, and which must be published online on the Region's water information system portal SireAcque. In line with the figures from previous years, in 2018 the laboratory managed:



In parallel with water quality inspections, MM has put a plan into place for recovering **water losses**. These losses constitute **one of the main problems to be overcome for a correct and sustainable management of the water supply systems**. Identifying water losses is a key activity which must be carried out on an ongoing basis, so as to reduce waste and make the water network more efficient. At the same time, it is also a very costly activity inasmuch as it requires specialist staff and time for search.

In addition to the water recovery plan, MM implemented other activities which were directed at reducing water network losses during 2018, specifically:

- network pressure optimisation;
- flow valve and gauge replacements in inspection wells;
- implementation of treatment flow meters;
- network replacements and renewals;
- usage meters with greater precision.

These activities resulted in a **reduction in network losses**²⁹ with results 1.5% lower than the previous year, achieving a new low of **15%** for 2018.

In addition to monitoring potential network losses, MM acts to **protect the area 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 thus ensures the water supply and sewer system remains fully functional, preventing the risks of underground wastewater spills and protecting the aquifer.

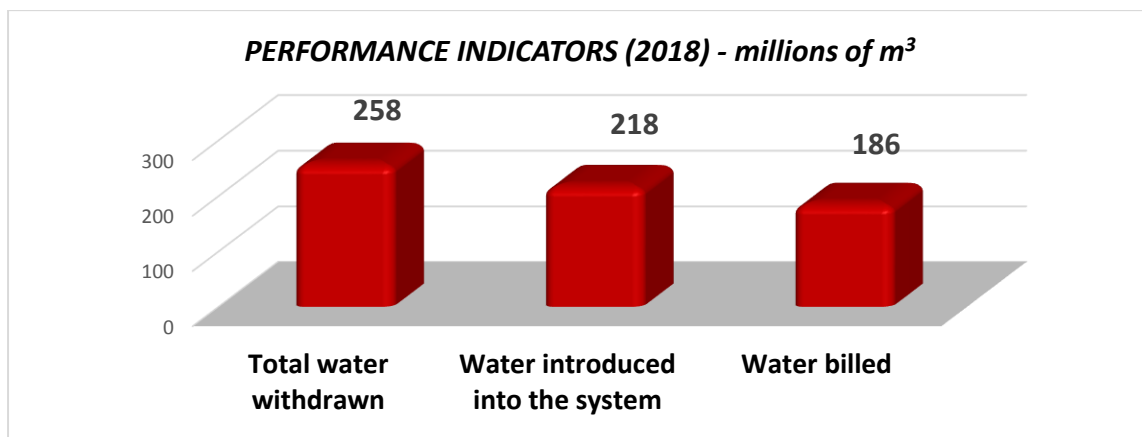
²⁹ Loss amounts were calculated on the basis of the Italian Regulatory Authority for Energy, Networks and the Environment's new "Technical Quality" regulations (ARERA resolution 917/17 - RQTI), which replaced the "Real Losses" method issued by the Italian Authority for Electricity, Gas and Water (AEEGSI) and adopted previously. For comparison purposes, losses calculated using the previous AEEGSI method would have been 9.4% in 2018, or a 1.3% reduction when compared to 2017 (which is in line with the downward trend of the last three years).

4.3.1 Water withdrawal and water introduced into the system

The city’s drinking water comes from wells which draw water entirely from the second aquifer (between 80 and 100 metres deep). The water is then distributed to the local area through the water supply network. MM also manages surface groundwater to contain the rise of the water level for particularly sensitive areas of the city.

During 2018 in particular, the amount of **water withdrawn** was **257,983,730 m³**, of which 85% came from **drinking water wells (second aquifer)** and the remaining **15%** from the **first aquifer**.

Both the total water introduced into the system and the water billed in 2018 recorded a decrease when compared to 2017, showing **217,581,407 m³** (-3% from 2017) and **185,678,313 m³** (-1.7% from 2017) respectively.

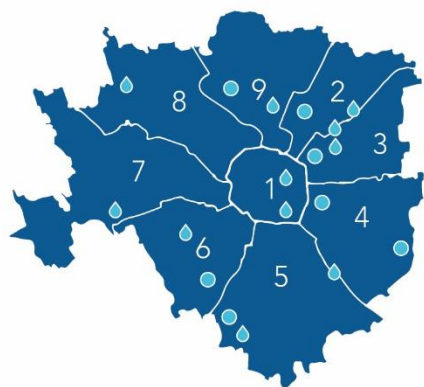


4.3.2 Water Houses

In order to reduce plastic pollution, MM promotes the use of drinking water supplied from the city’s water supply system through more than 580 drinking fountains (or “green dragons”, as they are known in Milan), located across the city as well as the **Water Houses** covering all Boroughs. In 2018 the number of Water Houses reached a high of 22, with the installation of 4 new additional Water Houses³⁰.

Water Houses supply **fresh water at no cost, still or sparkling**, and all locals can take advantage of this service by using their health care card up to a limit of 6 litres per user per day. Each dispenser is equipped with a support surface and a tray, which is connected directly to the drain, so as to avoid leakage of water that could freeze in the winter season. There is also an anti-bacterial UV lamp on the dispensing nozzle to guarantee protection from back-contamination. Water Houses (which are also accessible to people with a disability) are equipped with a low-energy LED night lighting system and four security cameras to protect against vandalism.

³⁰ Three of the new Water Houses installed in 2018 are located in the city's university campuses, in collaboration with Politecnico di Milano, the Bicocca University and the University of Milan.



- MM Water Houses (single dispenser)
- MM Water Houses (multiple dispenser)

MM Water Houses

1. via Zuretti - giardino Cassina de' Pomm (Borough 2)
2. via Giovanni Battista Morgagni (Borough 3)
3. largo Marinali d'Italia - parco Formentano (Borough 4)
4. via Menotti Serrati - via Guido Ucelli di Nemi (Borough 4)
5. via San Domenico Savio - Parco delle Cascine di Chiesa Rossa (Borough 5)
6. via Don Primo Mazzolari - parco Don Primo Mazzolari (Borough 6)
7. via Satta - giardini Lessona (Borough 8)
8. via Livigno - parco Nicolò Savarino (Borough 9)
9. via Cancano - parco delle Cave (Borough 7)
10. via Costantino Baroni (Borough 5)
11. viale Ca'Granda - between via Benefattori dell'Ospedale and via Gatti (Borough 9)
12. via Odazio (Borough 6)
13. via Appennini 129 (Borough 8)
14. viale Omero at the corner with via Barabino (Borough 4)
15. largo La Foppa/Moscova/C.so Garibaldi (Borough 1)
16. largo Tel Aviv (Borough 2)
17. via Amadeo (Borough 3)
18. via Viterbo at the corner with via Nikolajevka (Borough 7)
19. via Pascal 6 - park in front of the Politecnico (Borough 3)
20. Bicocca University - between via Padre Beccaro and viale dell'Innovazione (Borough 9)
21. via Santa Sofia 9 at the entrance area of the University of Milan (Borough 1)
22. via Palestro (Giardini Montanelli - on the via Palestro side) (Borough 1)

**WATER PROVIDED
IN 2018 (l)
7,668,850**

**STILL
3,926,834**

**SPARKLING
3,742,016**



204,503 kg
plastics
saved



237,734 kg
CO₂ avoided

The use of Water Houses by locals is constantly increasing, due to both greater familiarity and an increased number of installations. Compared to 2017, the water supplied through Water Houses grew by 73% (+85% still, +61% sparkling)³¹.

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

In 2018 MM ran an **Ideas Contest** on "Water Houses for the Future". The goal was to select the most suitable concept in creating a new Water House model for increasing the number of Water Houses in the city.

4.3.3 Water discharges

In its role as the manager of the Integrated Water Service, MM also ensures that **water sourced from the public water supply system and water sourced from industrial users is collected and treated**. The goal is to minimise waste and encourage reuse of water resources in the environment.

Wastewater flows through a **network which extends for 1,579.3 km**. The network has manifolds which gradually increase in size, and the structures are capable of maintaining a good velocity of water outflow so as to limit the formation of deposits on the bottom of canals and reduce bacteria proliferation. The collection system is shared, with both wastewater and rainwater being collected in a single conduit without distinction. The system mainly works by

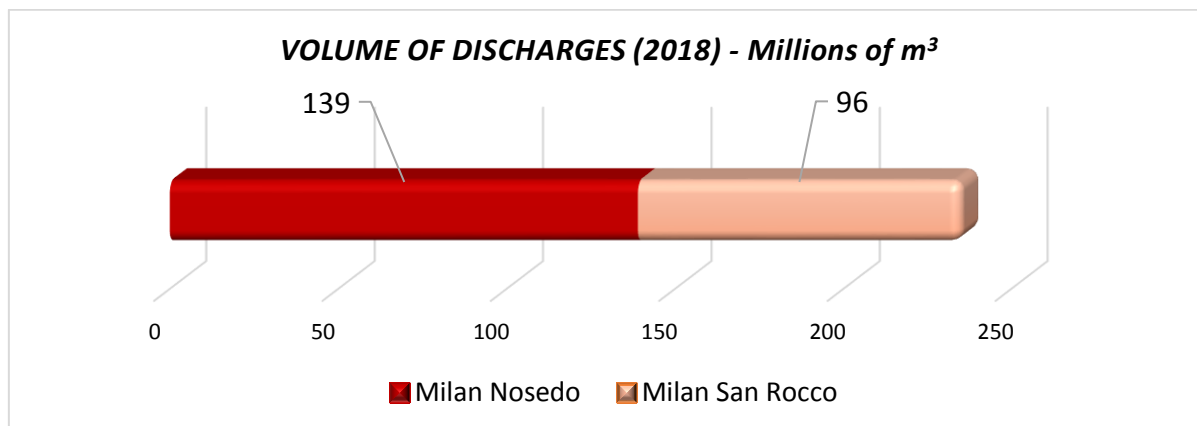
³¹ In 2017 there were a total of 18 Water Houses installed across Milan which supplied a total of 4,440,975 litres of water (2,121,309 litres of still water and 2,319,666 litres of sparkling water). The 2018 consumption relates to 21 Water Houses, with the last one being installed in the Giardini Montanelli - via Palestro area at the end of the year.

gravity, exploiting the structure of the soil in the Lombardy area with a slight slope running from north-northwest to south-southeast³². MM carries out careful **routine maintenance** (e.g. remove accumulated sludge deposits from conduits) **and non-routine maintenance** (e.g. refurbishing/reinforcing damaged or ruined sections, and laying new sections) of the network, with the goal of ensuring that the wastewater collection system is efficient overall. Moreover, MM **coordinates and controls the treatment system for the city of Milan**, which is divided into 3 treatment plants (Milan San Rocco, Milan Nosedo, and Peschiera Borromeo). The system is able to serve an **equivalent of up to 2,486,000 inhabitant equivalents** (authorised capacity). The first two plants lie within the area for which MM is responsible, and treat approximately 90% of the wastewater produced in the Milan area.

Both treatment plants discharge the treated water into surface water bodies. Specifically:

- **Milan Nosedo** mainly discharges water into Roggia Vettabbia and Cavo Redefossi, and provides treated water for irrigation use all year round;
- **Milan San Rocco** discharges into the Southern section of the Lambro river. It provides treated water for irrigation use only during the spring and summer, when there is more demand, discharging it into Roggia Pizzabrosa and Roggia Carlesca.

Wastewater treatment plants represent a genuine circular economic system that seeks to make the use of water resources more efficient and give back treated water for irrigation use to the city of Milan.



In 2018 the **total volume of discharges** was **235,598,828 m³**, increasing by 4% as compared to 2017. Of this amount **38% was intended for irrigation use**, reducing by 4% as compared to 2017. This reduction was also due to meteorological events and surface water availability throughout the year³³.

4.4 WASTE AND WATER DISCHARGES MANAGEMENT

In order to protect the ecosystem in which it operates, and in line with the Environmental Policy adopted, MM manages company waste with careful planning of disposal activities for

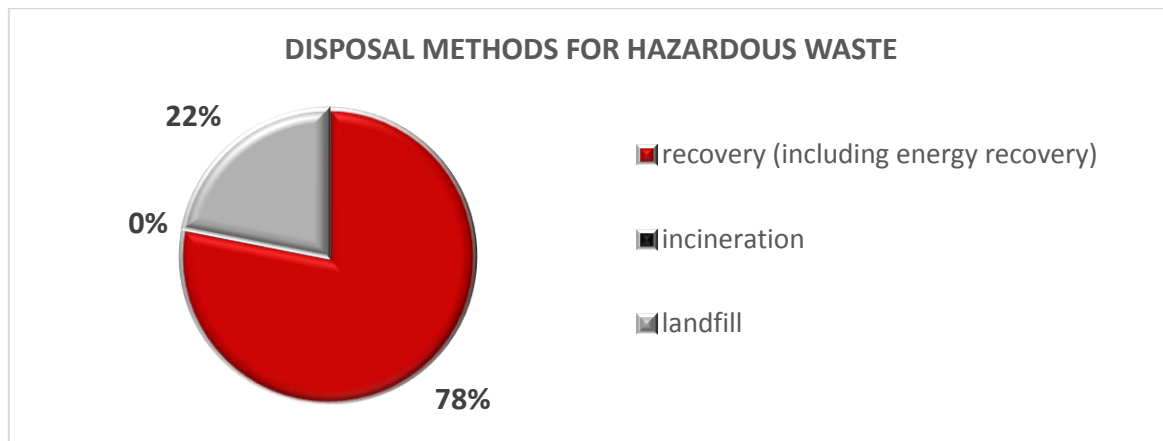
³² With the city's expanding urbanisation to the south, a number of water lifting and pumping plants have been built. These have modest potential and ensure collection from 100% of the city area.

³³ Recovered wastewater can be reused in both the civil sector (for urban and recreational activities) and in the manufacturing sector (for agricultural and industrial use). In 2018 the European Commission tabled a new Regulation that aims to stimulate and facilitate the reuse of treated water for irrigation purposes in European Union countries.

all substances and materials left over from business processes or activities. This is done to reduce the negative environmental impact. **The waste produced by MM is mainly in relation to managing the water treatment plants.** This includes biological sludge and other waste, which can be attributed to screening and grit removal operations as part of the treatment cycle, along with waste produced by laboratory activities. MM’s waste recovery processes comply with current legal provisions at a regional and national level.

In pursuing a goal of waste reduction and improved rubbish disposal methods, MM begins with the Company’s own facilities and staff awareness, such as introducing separate paper recycling and encouraging electronic storage of documents. “Minimum Environmental Criteria” (*CAM, Criteri Minimi Ambientali*) have also been adopted³⁴ for paper purchases in compliance with the provisions of the Decree of 4 April 2013 (Official Gazette no. 102 of 3 May 2013).

In 2018 the amount of **waste produced by MM³⁵** was equal to **around 19,577 tonnes** (down by 15.6% as compared to 2017). Of this waste, over 99% is non-hazardous waste, which is in line with previous years. 99.5% of non-hazardous waste is sent for recovery (including energy recovery), whereas MM adopted the following disposal methods for hazardous waste (represented graphically):



4.5 BIOLOGICAL SLUDGE MANAGEMENT IN A CIRCULAR ECONOMY PERSPECTIVE

Biological sludge arising from the process of treating wastewater represents the **main type of waste produced by MM**. In confirmation of MM’s responsible approach towards the environment, no amount of sludge is disposed of in landfills. All sludge is sent out for recovering material and energy which can be reused in the cement or farming industries. This approach allowed MM to obtain a **class A** rating in regard to the M5 macro-indicator “Disposal of sludge in landfill”, as indicated by ARERA’s technical quality regulations for the Integrated Water Service.

³⁴ The Supplier Contracts Code (article 34 of Legislative Decree 50/2016) provides that Minimum Environmental Criteria must be duly considered when preparing tender documentation for the purchase of supplies, services and works. When designing company documentation for projects and tenders, MM therefore translates the Minimum Environmental Criteria into technical specifications and contractual clauses requiring compliance in order to guarantee that environmental goals set by the Action Plan for environmental sustainability of consumption by Government Bodies are met.

³⁵ The reported amounts refer exclusively to waste generated by MM.

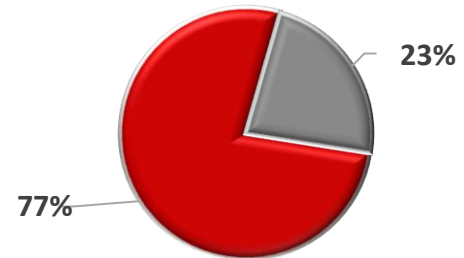
The details³⁶ set out below concern: the production of **sludge “as is”**, namely the amounts of sludge (including the share of water contained therein) which are sent for recovery after treatments; and sludge in terms of **total dry substance content (SST, sostanza secca totale)**³⁷, namely without taking into consideration the water contained therein. The graphs show the percentage of sludge classified by final destination type for each of the cases under consideration (“as is” and SST).

GENERATION OF SLUDGE “AS IS”

Type of sludge	Unit of measurement	2016	2017	2018
Dehydrated sludge	t	48,421	55,911	51,017
Dried sludge	t	7,989	6,189	8,412
Total sludge generated	t	56,410	62,100	59,429

SLUDGE “AS IS” FOR AGRICULTURAL USE OR TO BE USED AS ENERGY CARRIER (%)*

- Sludge for agricultural use
- Sludge to be used as energy carrier



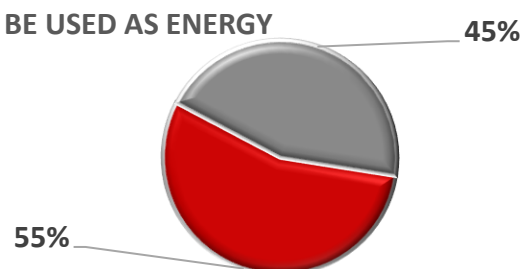
* Percentage based on the number of tonnes.

GENERATION OF SLUDGE IN TERMS OF TOTAL DRY SUBSTANCE CONTENT (SST, Sostanza Secca Totale)

Type of sludge	Unit of measurement	2016	2017 ³⁸	2018
Dehydrated sludge	t	12,105	13,327	11,828
Dried sludge	t	7,191	5,510	7,444
Total sludge generated	t	19,296	18,837	19,272

SLUDGE “SST” FOR AGRICULTURAL USE OR TO BE USED AS ENERGY CARRIER (%)**

- Sludge for agricultural use
- Sludge to be used as energy carrier



** Percentage based on the number of tonnes.

³⁶ The amount refers to the overall sewage sludge generated by the two plants of Milan San Rocco and Milan Nosedo.

³⁷ The amounts for sludge as “dry substance content” are calculated based on the monthly average desiccation of “as is” sludge sent for recycling.

³⁸ The values for 2017 differ from those published in last year's Sustainability Report, given that the calculation method has changed.

5) Staff management

People are at the **centre of MM's operations**, whether they are locals making use of the services provided by the Company or employees contributing to company development.

MM believes that business development cannot ignore the **wellbeing** of the people who make the business possible, nor can it fail to **listen** to the people's needs in a climate of mutual **respect**. The Company is committed to ensuring an increase in professional skills and personal satisfaction.

In addition, MM promotes the respect for labour and workers through a commitment to eradicate child labour and forced labour, promoting equal **opportunity** and treatment in employment, preventing any form of discrimination, and ensuring the respect for fundamental human rights, in accordance with the principles of the UN Declaration of Human Rights.

MM ensures **ethical conduct** by company staff when conducting business (at all levels and for all professional categories) through an internal control system and adoption of high ethical standards. MM is able to avoid situations where there is a conflict of interest or potential harm to the Company (see the section of this Statement "*1.3 Business ethics and integrity*"). In addition, MM wishes to guarantee that employees have a **comfortable and safe work environment**, by identifying and assessing risks to which employees and stakeholders may be exposed, and identifying appropriate preventive measures as well as relevant monitoring and mitigation instruments.

For greater quantitative information on these issues, please refer to the *Annexes* section.

5.1 DIVERSITY AND EQUAL OPPORTUNITY

MM supports **quality of life (professional and personal)** for company employees, guaranteeing the **respect for diversity and equal opportunity** and fostering the emergence of skills. The opportunity to capitalise on benefits arising from the different backgrounds of staff is advantageous for the Community and adds value to the Company given the unique features of MM's business.

The Code of Ethics governs behaviour and defines values which underlie staff management. It **protects diversity**, which should be considered **advantageous for a more effective and efficient development of strategies and planning of activities, and in the supply of effective services**.

MM also respects the **current legal provisions on employment and labour relations**, and is opposed to any form of illicit employment. The primary goal is to protect the dignity of all employees and guarantee optimal conditions for staff to carry out their duties, particularly in regard to those categories which are reserved particular protection by law.

With 2017 being characterised by a stable headcount, the 2018 year recorded a slight increase (+3.6%). This is likely to further increase in 2019 due to an expansion in activities assigned to MM by the Municipality of Milan, along with a need to comply with requirements of the Local Area Authority and regulatory body ARERA.

	31 December 2016 ³⁹	31 December 2017		31 December 2018			
BREAKDOWN OF THE WORKFORCE BY EMPLOYMENT CONTRACT AND GENDER	Total	Men	Women	Total	Men	Women	Total
On permanent contracts	1,021	696	304	1,000	715	349	1,064
On temporary contracts	109	67	57	124	59	41	100
Total employees	1,130	763	361	1,124	774	390	1,164
Internships	0	3	0	3	4	2	6
Fixed-term cooperation contract	5	5	1	6	5	1	6
Leased employees	13	8	8	16	9	5	14
Total	1,148	779	370	1,149	792	398	1,190

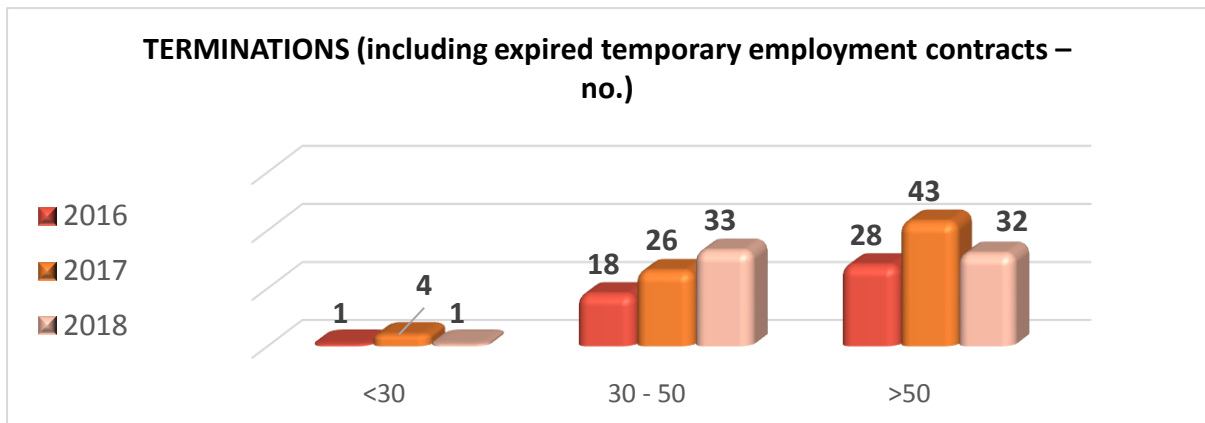
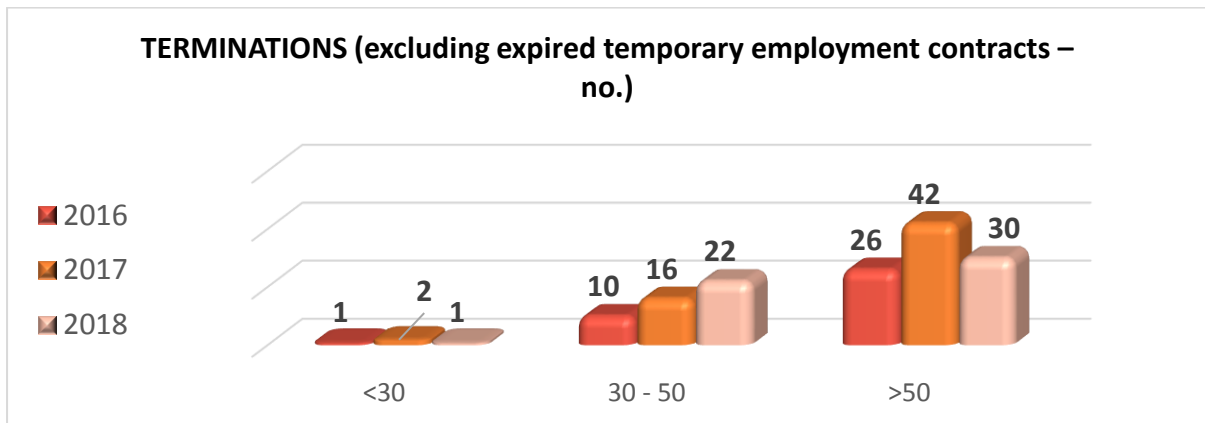
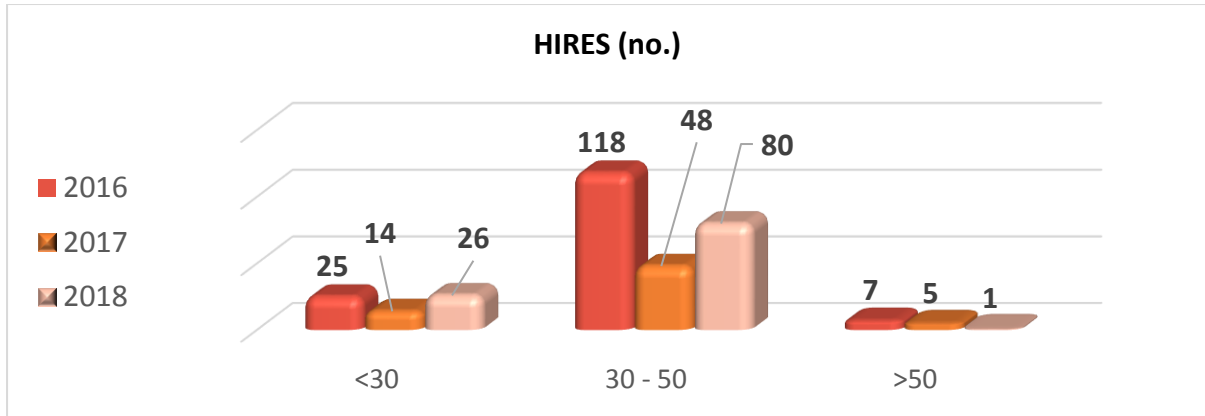
	31 December 2016 ⁴⁰	31 December 2017		31 December 2018			
BREAKDOWN OF EMPLOYEES BY CATEGORY AND GENDER	Total	Men	Women	Total	Men	Women	Total
Senior managers	31	26	7	33	26	10	36
Middle managers	77	56	21	77	55	21	76
Clerical staff	675	389	276	665	408	302	710
Workers	342	286	56	342	279	56	335
Apprentices	5	6	1	7	6	1	7
Total employees	1,130	763	361	1,124	774	390	1,164

MM selects staff based on technical and specialist skills that are in line with the requirements of the role. The Company hires staff in compliance with employment regulations and endeavours to **limit the use of temporary contracts**, which account for only 9% of employees (in line with 2017 figures). In 2018 MM also started employment relationships with another 26 staff, including apprentices, leased employees and through fixed-term cooperation contracts.

The Company pays a great deal of attention to respecting diversity and equal opportunity in the recruitment process. The recruiting policy as begun in previous years was continued in 2018, with **107 new employees** being hired. Of these, 26 were in the under 30 age bracket – a significant increase over the 14 who were hired in this category in 2017 (+86%). **66 exiting employees** were recorded from the 2017 staff base, 13 of whom left due to expired employment contracts.

³⁹ The breakdown by gender is not available for the year 2016.

⁴⁰ The breakdown by gender is not available for the year 2016.



5.2 PEOPLE GROWTH AND DEVELOPMENT

MM believes that **personal and professional growth of staff** helps support business development. It is therefore important that staff members are placed in a situation where they can carry out their activities in the best way possible, and make the most of their abilities. To this end, MM provides **training courses aimed at enhancing the technical and cross-departmental skills of all employees**. These may be in the form of compulsory training courses as required by law and applicable regulations, or courses for updating and upskilling staff based on the training needs expressed by managers and heads of department. The types of courses provided mainly fall under four categories: compulsory training (which includes

safety training, anti-corruption awareness, etc.), technical-specialist training, organisational training, or via the MM Academy. Training can be provided in traditional ways (classroom based), on the job, or via self-learning (e-learning).

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 IWS facilities and M4 construction sites. MM Academy’s teachers are selected by MM.

In 2018 the Staff Training Procedures came into effect. These procedures describe the processes and activities which MM must follow when training staff. The document contains rules which are applicable to all MM staff who are involved in the training process as part of their duties. The training process takes place in line with the Company's strategic goals, and is divided into four phases:

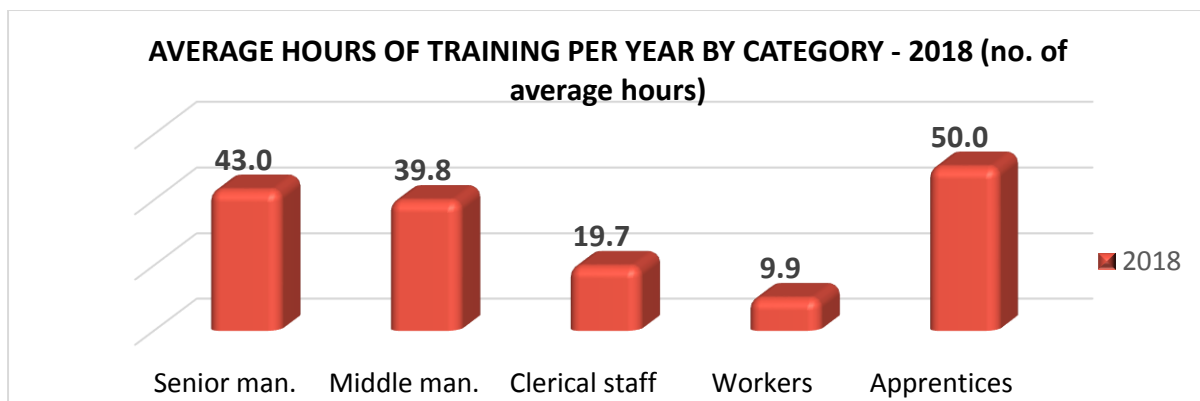
- analysis of training needs;
- forecasting and planning training initiatives;
- implementing training activities;
- training assessment.

The Procedures establishes methods for reporting on the activities undertaken for each of the functions and Business Units involved.

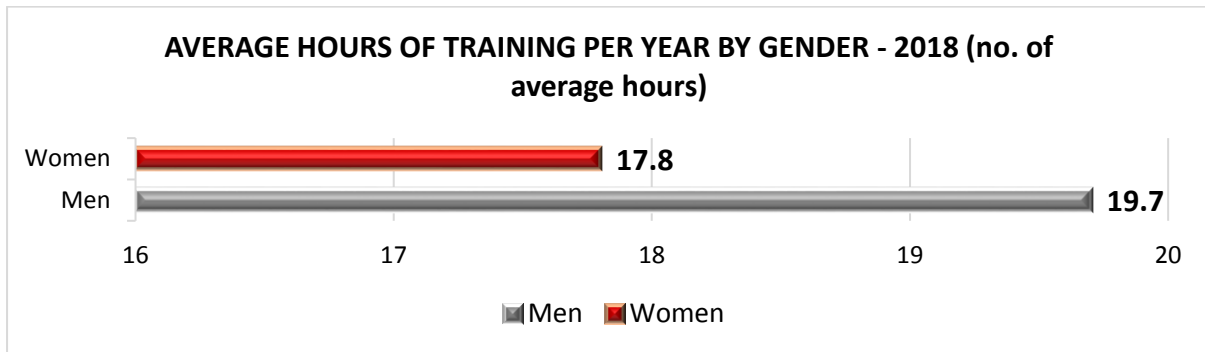
5.2.1 Hours of training provided by MM

Training courses dedicated to MM employees are aimed at strengthening skills, reducing risks associated with undertaking operational activities (with particular reference to occupational health and safety), and raising awareness of critical events that may affect the Company's reputation. The goal is to respond to internal and external stakeholders' needs, and ensure delivery of services which are both high quality and competitive.

In 2018 the **total number of hours of training was 22,204**, an increase of 20.7% as compared to 2017.



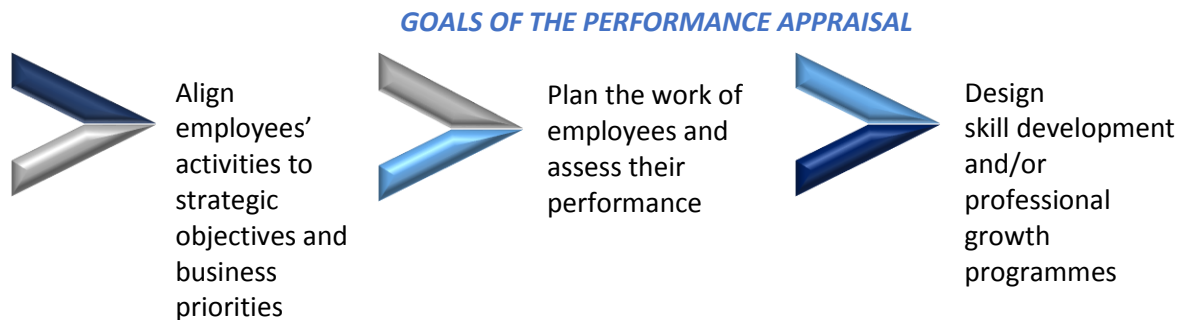
In line with 2017, the average number of hours of training given to men and women was found to be substantially the same⁴¹, according to the requirements of their respective duties:



The training programme, with the exception of cases connected with legal obligations, is defined through a dialogue hinged on the training needs of the various Business Units. As a rule, courses delivered cover environmental topics, IT, specialised techniques and safety. To keep the level of the courses high, MM monitors the degree of participant satisfaction using **satisfaction questionnaires**, that enable impressions and ideas to improve organisation, teachers and contents to be gathered from employees who attended the lessons.

5.2.2 Employee performance appraisals

In 2010 MM introduced a **structured performance appraisal process**. This process allows employees to improve their performance, and guarantees staff an opportunity to simultaneously achieve set goals and reinforce their skills. Employee performance is appraised through a specific process which consists of a structured interview with the relevant Line Manager, who assesses the results achieved and skills developed by employees against the previous year's plan. The process is done in coordination with the Line Manager's supervisor, and with supervision by the Organisation and Human Resources Department.



Such employee performance appraisal concerns all employees, except for keepers that have not been included so far. For Managers, the Company has established an MBO program. In 2018 **the appraisal process involved 94% of MM's human resources**.

In particular, performance appraisals involved 100% of middle managers, clerical staff and apprentices and about 89% of workers, which was in line with figures for 2017.

⁴¹ When split by gender, the average number of hours of training provided in 2017 stood at 16.4 hours for both men and women. The figures are the result of estimates based on the correct proportion obtained with the data on the workforce and the subsequent distribution of hours of training.


5.2.3 Strengthening corporate identity

MM is committed to guaranteeing a company climate which is proactive and mutually respectful. Such a climate enables the working environment to be stimulating and comfortable, and facilitates the achievement of set goals, staff satisfaction, and the Company's satisfaction. MM plans dedicated initiatives for staff welfare and involvement, which are also directed towards strengthening corporate identity and disseminating company values.

In addition to the benefits made available by the Company (including meal vouchers or agreements with local transport companies such as ATM and Trenord), there is also a health monitoring system which is in accordance with current legislation. It not only provides for a doctor to be available at the Company's offices on a rotation basis, but the system also provides for preventive medical services with specific check-ups for women (e.g. pap tests and mammography) and men (e.g. PSA tests).

In the cases envisaged by the law, MM also allows for advances on severance indemnity accrued. The advance also applies to dependent family members.

5.2.4 The welfare plan

In 2017 MM launched a **Welfare plan** through the  platform, which allows employees to take advantage of various services according to their needs, such as health, cultural or educational benefits.

When the platform was first launched, all employees were provided with a “**Bonus on top**” for use with these welfare services. At the same time, union negotiation talks for defining dedicated agreements continued, and information meetings were held around the Company to disseminate knowledge on how to use this new tool and understand its potential⁴².

In 2018 MM reached three-year agreements with union representatives. On the basis of these agreements, employees have the option to use the welfare platform to convert part of their performance bonus into welfare services, with the exact services to be chosen by the individual employee. Maximum percentages available for conversion were set, and any amounts not used by year end is paid out in cash along with salary. Furthermore, where the bonus is converted into supplementary pensions, the full amount is convertible. In order to provide an incentive for converting a greater percentage of the bonus into welfare services, MM committed to pay an incremental percentage.

Agreements were made with trade union representatives in 2019 for additional incentives to be provided to convert bonuses into welfare services. The agreements were therefore amended to allow for a further increase in the incremental percentage made available by MM.

⁴² In particular, the following initiatives were organised in 2018: 6 welfare days (meetings at MM's offices for discussing how the new platform works); 1 conference call (for employees at the Naples office); 2 welfare corners (one to one meetings); 2 meetings for in-depth discussion of corporate policy aspects (with the Human Resources function); and 3 union sessions (one per National Collective Bargaining Agreement). Another 3 welfare days have been planned for 2019.

5.3 OCCUPATIONAL HEALTH AND SAFETY

MM is committed to making **safety in the workplace an essential element of business activities**. The Company updates and methodically improves tools for minimising the risk of accident or injury, including through ongoing **monitoring** of activities and a precise **risk assessment** in compliance with **Legislative Decree 81/08**.

As provided for by the Decree (which clearly defines the roles and responsibilities in this regard and requires ad hoc services to be adopted), MM has nominated and trained company staff, and arranged for appropriate delegations to be given to managers and heads. The Company has also provided a detailed explanation of the main risks arising from business activities in the Risk Assessment Document (*DVR, Documento di Valutazione dei Rischi*). As an additional prevention and control measure for employee health and safety, MM has set up a management system consistent with the OHSAS 18001 standard. The Company also organises **training, information and practical activities, and favours investments** which provide company employees with tools that have less impact on the user. MM also replaces materials and preparations that could potentially be considered to be harmful.

The **Prevention and Protection Service** (*SPP, Servizio di Prevenzione e Protezione*) is committed to limiting injuries, and the number and severity of these have reached very low levels over the years. Particular attention is paid to work-related injuries, as compared to accidents where it is not possible for MM to adopt improved procedures or best practices because of their nature (i.e. accidents while commuting or traffic accidents). The Prevention and Protection Service plans and carries out staff training on the subject of health and safety. The amount of training has increased in recent years thanks also to access to funded training projects.

The **Health and Safety Management System** deals with the Integrated Water Service operations in particular, and consists of one manual and 21 procedures (each of which may correspond to one or more modules under the System). The System is a tool which provides exemption from responsibility in compliance with Law 231/01, and will be subject to revision in 2019 for conversion to the new UNI EN45001 standard.

MM commits to **identifying hazards** to which workers are exposed, **carrying out risk assessments** and **analysing accidents**. The company also commits to an ongoing review of operations taking place through site visits, and interviews with the heads of department, workers and the relevant occupational health doctor. Periodic audits of these activities are planned, along with evaluations directed towards identifying improvements to the System or introducing new procedures. The workers, in compliance with Legislative Decree 81/08, have appointed staff **OHS Representatives**. These representatives are trained in accordance with the content of the National/Regional agreement on health and safety. They are also responsible for reporting staff requests to the Prevention and Protection Service, the relevant occupational health doctor, or employer, thereby guaranteeing anonymity for the individual worker making the request. **Where there is a situation of serious or imminent danger**, the worker has an obligation to leave the workplace by law, with the obligation to report what has happened to his or her superior as soon as possible. **When an injury occurs**, a description is noted on the corresponding form so that the Prevention and Protection Service can investigate the cause and verify that there has been any breach of procedures or inappropriate worker behaviour.

As for the **occupational health service**, MM carries out health checks in accordance with the Health Protocols required by law, and as drawn up by the relevant occupational health doctor in relation to occupational risks. These Protocols require examinations and medical appointments to be carried out with a predefined frequency, for the purpose of verifying that the worker is suitably fit to undertake the work assigned to the role. In application of Legislative Decree 81/08, reviews are also required for workers who are absent due to health reasons for more than 60 days. In any case, workers have the right to request an appointment by making a simple request to the Prevention and Protection Service, even if the periodic check required by the Health Protocol is not yet due. Work-related examinations and specialist appointments are carried out at a healthcare organisation selected by MM.

MM is also equipped with **three formal occupational health and safety committees**⁴³, and plans **training activities specifically related to health and safety issues**. This is done according to a training plan based on both theoretical/bibliographical content and methodological aspects which are considered to be effective in facilitating the workers' learning process. Classroom learning is supplemented by practical training sessions which are carried out directly in the workplace. The **Training Plan** is divided into four areas: training for specific role as outlined in Legislative Decree 81/08 and specific national/regional agreements on the subject⁴⁴; training for specific roles associated with emergency management⁴⁵; training for roles on construction sites or roles in connection to tender and contract supervision⁴⁶; and specialised training for staff in relation to work processes and the use of materials and preparations, equipment and machinery.

In 2018, the Company provided **7,102 hours of training** (+22% compared to 2017):



Finally, MM also **encourages occupational health**. As a result, and in agreement with the unions, the Company has established a second-tier agreement which applies to all individuals associated with the business. It provides for access to an annual or two-yearly health check-up in rotation with those already provided for under the Health Protocols drawn up by the relevant occupational health doctor. Among these, the examinations which take on particular importance are those aimed at the prevention of dysmetabolic diseases, recurrent cancer in women (breast and ovarian) and in men (prostate).

⁴³ The three committees are: **Engineering Business Unit Committee** (composed of 4 members of the Prevention and Protection Service, the relevant occupational health doctor, 3 staff representatives, and the employer or his/her delegate. Other Business Unit managers and Staff functions can also be added); **Water Service Business Unit Committee** (composed of 4 members of the Prevention and Protection Service, the relevant occupational health doctor, 4 staff representatives, and the employer or his/her delegate. Other Business Unit managers and Staff functions can also be added); **Housing Business Unit Committee** (composed of 4 members of the Prevention and Protection Service, the relevant occupational health doctor, 3 staff representatives, and the employer or his/her delegate. Other Business Unit managers and Staff functions can also be added).

⁴⁴ Heads of department and employees in charge of the prevention and protection services, managers, OHS representatives, appointed staff, and workers.

⁴⁵ Fire wardens, employees responsible for first aid and emergencies.

⁴⁶ Coordinators for works planning and delivery, site inspectors.

Over the course of 2018, **10 cases of workplace injuries**⁴⁷ were recorded, all with full recovery to pre-injury health status within 6 months. The injury rate⁴⁸ (defined as the rate between the number of work-related injuries and the total number of hours worked) is 1.10.

Please also note that no cases of work-related ill health were recorded during 2018, which is in line with 2017.

⁴⁷ The term “work-related injuries” is taken to mean all accidents that result in death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. It includes all injuries caused by risks or dangers that workers may be exposed to in the workplace (e.g. death, amputation of a limb, laceration, fracture, hernia, burns, loss of consciousness, and paralysis).

⁴⁸ Calculation of the work-related injury rate is based on 200,000 hours worked, using the following formula: (total work-related injuries/hours worked:) * 200,000.

6) MM and its customers

MM's role is to be not only an integrated multiservice provider, but also a strategic partner for the Municipality of Milan and a recognised centre for excellence in engineering with proven experience. In this position, **MM deals with the social and urban context in which it operates on a daily basis**, and commits to encouraging the construction of solid relationships with stakeholders, and between stakeholders and users of the Integrated Water Service, and between stakeholders and Public Housing tenants.

MM has therefore developed initiatives and communication tools for promoting dialogue with stakeholders, and allowing the community to participate in company activities.

6.1 TRANSPARENCY IN CUSTOMER RELATIONS

As regards the special features of its business, MM commits to a careful planning of not only the services that are being provided, but also of the strategies and tools for communication and dialogue in relation to those services. This is done for the purpose of adopting the most appropriate communication channel for every stakeholder.

Utmost attention is directed towards **data security** and **protection of privacy**, which are fundamental requirements for consolidating trusting relationships with service recipients. Information is a valuable asset that MM protects by adopting innovative digital technologies and services that are able to prevent data loss, illicit or incorrect use, and unauthorised access.

Following the entry into force of the "GDPR"⁴⁹, and as a provider of services which are of public interest, MM appointed a company **Data Protection Officer (DPO)** in 2018. The DPO not only supports the Company in adapting to the new legislation from the point of view of the accountability principle⁵⁰, but also verifies compliance with the system which is created and ensures that it is constantly updated.

As evidence of the Company's profuse commitment to ensuring the security of user privacy, there were no incidents of data loss or breach of privacy in 2018.

6.1.1 Customer contact points

In order to provide a timely and effective response to the needs of service recipients, MM opened a **One-Stop Shop** in 2017. The outlet is located in Via Borsieri 4, and is dedicated to both customers of the Integrated Water Service and Public Housing tenants. The One-Stop Shop goes beyond the conventional idea of a public office, and instead puts locals "front and centre". The outlet is open from Monday to Saturday, and resolves problems in a timely manner.

⁴⁹ The General Data Protection Regulation, which bears provisions for adapting national legislation to comply with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016. This code concerns the protection of natural persons with regard to the processing of personal data and free movement of such data, and repeals Directive 95/46/EC.

⁵⁰ Accountability principle: the Regulation provides that the data controller shall adopt policies and implement adequate measure for guaranteeing and being able to demonstrate that the processing of personal data which has been done is in compliance with the same Regulation.

Both the Housing Business Unit and the Water Service Business Unit have also made other contact channels available to their customers, as detailed below.

6.1.2 Management of relationships with IWS users

In 2009, MM drafted the **Service Charter** for the Integrated Water Service⁵¹, 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.

MM has also drafted its own **Customer Management Procedure**, with the goal of:

- defining individual process flows, and identifying the specific area of the department which is directly involved, and;
- identifying the roles and responsibilities of each.

In this way, MM has laid the foundations for an increasingly effective management of the water service. With a view to sustainability, the procedure also promotes computerisation and technological innovation as key tools in dematerialisation, process simplification and progress. This goal was made concrete in February 2017 with the launch of a **new electronic portal for the Integrated Water Service** which is dedicated to **condominium administrators and user account holders**. It can be accessed without time limits, and has utmost flexibility in information and customisable functions.

This online portal is an integral part of a complex process that also includes a free call centre for making transactions and retrieving administrative documents from locations other than the main office. It is a forward step in the multi-channel approach to user management, and also includes the use of simple and clear language in user interactions. It facilitates access to forms, and provides information and contact details as necessary to complete the various procedures required by associated sections of the site. Users also have access to a dedicated live chat service with operators which is available Mondays to Fridays from 8.15 am to 4.15 pm, and Saturdays from 8.15 am to 12.15 pm.

MANAGEMENT OF WATER SERVICE USER RELATIONSHIPS (2018)

- 1,385 through One-Stop Shop
- 0.96 minutes (approximate time) of waiting at the one-stop shop
- 75% users subscribed to the online One-Stop Shop service

⁵¹ The Company updated the Charter in 2018 based on ARERA's resolution no. 655/15 and adopted following resolution passed by the Board of Directors of the Local Area Authority of the Metropolitan City of Milan no. 5 of 11/06/2018. It sets the contractual minimum levels and quality targets for the IWS 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. It also introduces automatic refunds for users as well as penalties in the event of non-compliance with specific quality standards or with general quality standards for the services as a whole.

MM also commits to improving the qualitative level of service provided with internal initiatives such as training courses for company employees and adoption of more effective and efficient solutions for technology, organisation and procedures. Examples of this are the integrated information system (SAP) and the development of **innovation and research projects** in partnership with Universities in Milan (see section “3.1.2 Technological innovation for the city”).

Finally, MM promotes **events and initiatives regarding communication and environmental education** on the complete water cycle in the context of the Integrated Water Service. It does this through organising guided visits to Integrated Water Service facilities in the city of Milan, and special projects involving the Community in collaboration with associations in the local area. In 2018 these activities were carried out at the renovated **Centrale dell’Acqua** (for information see: www.centraleacquamilano.it).

6.1.3 Relations with tenants and their involvement

To manage Public Housing property effectively, MM immediately focused on introducing structural changes to the way that relations between managers and tenants were carried out. The model developed by MM (with agreement from the Municipality of Milan) is in fact inspired by a **principle of close relations** with locals – incorporating an operational approach which is already a feature of the other industries where the company operates. Three main points of contact with users are envisaged for the Housing Business Unit:

- **Contact Centre:** open 24 hours a day, seven days a week, for requesting information, arranging an appointment at a local office or reporting emergency situations and/or illegal occupancy;
- **4 main offices and 3 local offices⁵²:** situated in all areas of the city to encourage close relations with tenants (in 2019);
- **other channels:** such as personalised correspondence, home visits, and condominium member meetings, committees or local associations.

MANAGEMENT OF PUBLIC HOUSING TENANT RELATIONSHIPS (2018)

- 147,599 through Contact Centres
- 15,143 through local offices
- 68,344 through standard or first-class mail service

With a view towards transparency when dealing with tenants, in 2018 MM also:

- drew up the **Public Housing Service Charter**, which shows the standards that the Company must respect in order to guarantee a quality service when dealing with individual tenants (*the Charter has already been shared with the Municipality of Milan and is currently in the approval phase*), and

⁵² The main and local offices for MM Public Housing Business Unit are located at the following addresses: via Senigallia and via Civitavecchia (opened in 2014), piazzetta Capuana, via Spaventa, via Forze Armate (opened in 2015), via Borsieri (opened in 2017) and via Strehler (opened in 2018). In 2019, the opening of a fifth local office is planned in order to provide an increasingly extensive and established coverage of the municipal area, and to improve the quality of service management.

- brought to conclusion the project for creating an internet portal dedicated to Public Housing with a **virtual portal equipped with a Self Service area** entirely online. This portal allows user interaction in order to optimise application procedures and delivery times, with the portal going online in the first half of 2019.

Finally, MM encourages closeness with Public Housing tenants by guaranteeing not only a service that responds to different requests in a timely manner, but by also promoting **events and initiatives for social cohesion and urban regeneration**. MM has created a network of relationships with groups that are active in the local area (tenant committees, cooperatives, and associations). These groups carry out various projects which provide support to tenants by using an approach which delivers technical, operational and management support which supplements that provided by the Institutions.

Among the initiatives which the Company promotes, MM deals with the **recovery of abandoned or disused areas** from a Public Housing context, for use as “social spaces”. The Company also encourages **collaborations** with several city institutions, including **Politecnico di Milano**. These partnerships are used for delivering true and proper redevelopment projects in the architectural field, with the goal of restoring former reception areas and courtyards for common use. The Company also supports the renovation of facades, also through urban art. Finally, there are several initiatives promoted by MM to encourage social inclusion. These include projects dedicated to people with a disability or those with temporary mobility difficulties, and are aimed at improving the quality for everyone in all suburbs, with particular attention given to the outlying ones.

Annexes

Detailed tables

3. MM and social topics

SUPPLIERS REGISTERED IN THE LIST AS APPROVED, BY PRODUCT CATEGORY⁵³

Product category	Unit of measurement	2018
Services	no.	585
Supplies	no.	232
Works	no.	389

4. MM and environmental topics

GRI 302-1: Energy consumption within the organisation

ENERGY CONSUMPTION BY TYPE⁵⁴

Type of consumption	Unit of measurement	2016	2017	2018
Gasoline	GJ	2,198	2,456	2,533
Diesel	GJ	3,742	3,858	3,901
Natural gas	GJ	91,862	73,095	94,955
Pellet	GJ	826	522	887
Electricity	GJ	581,116	577,229	575,869
- of which certified green energy	%	0	0	99.9
Total	GJ	679,744	657,160	678,145

⁵³ Some suppliers may be registered on the list for one or more product categories included in the List (works, services, supplies).

⁵⁴ Conversion factors used: gasoline 1 L = 0.03166 GJ (Ispra 2017); diesel 1 L = 0.03594 GJ (Ispra 2017); natural gas 1 Sm³ = 0.03427 GJ (Ispra 2017); pellets 1 t = 16.85 GJ (DEFRA 2017); electricity 1 kWh = 0.0036 GJ (Ispra 2017).

GRI 305-1: Direct (Scope 1) GHG emissions

GRI 305-2: Energy indirect (Scope 2) GHG emissions

GREENHOUSE GAS EMISSIONS⁵⁵

Year	Scope 1 [tCO ₂ e]	Scope 2 [tCO ₂ e]	
		Market-based	Location-based
2016	5,678	n/a ⁵⁶	57,950
2017 ⁵⁷	4,679	76,964	53,234
2018	5,948	103	53,108

GRI 303-1: Water withdrawal by source

WATER WITHDRAWAL

	Unit of measurement	2016	2017	2018
From wells for drinking use	m ³	225,697,194	226,216,070	218,608,657
From surface groundwater	m ³	42,892,990	39,165,607	39,375,073
Total water withdrawal	m³	268,590,184	265,381,677	257,983,730

WATER INTRODUCED INTO THE SYSTEM

	Unit of measurement	2016	2017	2018
Water introduced into the system	m ³	223,890,508	224,549,837	217,581,407

WATER BILLED

	Unit of measurement	2016	2017	2018
Water billed	m ³	186,410,903	188,839,364	185,678,313

NETWORK LOSSES

	Unit of measurement	2016	2017	2018
Network losses ⁵⁸	%	16.5	16.5	15

⁵⁵ Emission factors for Scope 1: Source ISPRA 2017 natural gas – 1.97348 kgCO₂e/Sm³; gasoline – 3,155.294 kgCO₂e/t; diesel – 3,181.4436 kgCO₂e/t; Source DEFRA 2017 pellets – 59.45671 kgCO₂e/t.

Emission factors for Scope 2: for emissions calculated under the “Location-based” method, the factor used was 332 gCO₂/kWh (Source: ISPRA 2017); for the “market-based” method the emission factor used related to the national “residual mix” which is 480 gCO₂e/kWh for Italy (Source: European Residual Mixes 2017, 2017). Scope 2 emissions calculated using the “Location based” method have been expressed in tonnes of CO₂, however the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalents) as indicated in the ISPRA report “Atmospheric emission factors for CO₂ and other greenhouse gases in the electrical industry”.

⁵⁶ Details relating to Scope 2 emissions under the market-based method were not provided for 2016, since that was not expected based on the previous reporting guidelines (GRI-G4).

⁵⁷ Following improvements in the data reporting system, the Scope 2 emissions for 2017 have been restated. For the details previously published, please refer to the 2017 Non-Financial Statement, as published in “The Company - Financial information” section of MM’s website (www.mmspa.eu).

⁵⁸Data concern the macro-indicator M1b “Percentage of water losses” (Milan and Corsico).

LABORATORY ANALYSES CONCERNING THE WATER SUPPLY SYSTEM

	Unit of measurement	2016	2017	2018
Number of samples	no.	17,809	21,714	17,461
Number of parameters	no.	250,799	199,663	190,444
Conformity percentage	%	99.6	99.7	99.9

GRI 306-1: Water discharge by quality and destination
DISCHARGE VOLUMES

	Unit of measurement	2016	2017	2018
Milan Nosedo	m ³	144,041,130	135,832,550	139,533,430
Milan San Rocco	m ³	93,570,779	90,772,320	96,065,398
Total discharge volumes	m³	237,611,909	226,604,870	235,598,828

RECYCLED WATER FOR IRRIGATION USE

	Unit of measurement	2016	2017	2018
Water for irrigation use	m ³	86,478,068	94,120,401	88,966,390
Recycled water for irrigation use as a proportion of total water treated	%	36.4	41.5	37.8

LABORATORY ANALYSIS CONCERNING TREATMENT

	Unit of measurement	2016	2017	2018
Number of samples	no.	5,000	5,000	4,917
Number of parameters	no.	30,000	30,000	25,096
Conformity percentage	%	100	100	100

WATER QUALITY AT DISCHARGE

	Discharge limit	Unit of measurement	2016	2017	2018
BOD5	10	mg/l	3	3	<5
COD	60	mg/l	11	10	12
SST	10	mg/l	4	4.5	<5
Total phosphorus	1	mg/l	<1	<1	<1
Total nitrogen	10	mg/l	4.7	6	6.5

GRI 306-2: Waste by type and disposal method

WASTE BY TYPE AND DISPOSAL METHOD⁵⁹

Disposal method	Unit of measurement	2016			2017			2018		
		Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
- recovery (including energy recovery) - R operations	t	2.6	19,272.3	19,274.9	3.4	21,871.5	21,874.8	3.92	19,476.41	19,480.33
- incineration	t	1,338	131.1	1,469.1	1.2	93.6	94.8	0	74.70	74.70
- landfill	t	2.7	1,253.2	1,255.9	1.7	1,219	1,220.7	1.10	21.60	22.70
Total	t	1,343.3	20,656.6	21,999.8	6.2	23,184.1	23,190.3	5.02	19,572.71	19,577.73

GRI 306-2: Waste by type and disposal method⁶⁰

GENERATION OF SLUDGE "AS IS"

Type of sludge	Unit of measurement	2016	2017	2018
Dehydrated sludge	t	48,421	55,911	51,017
Dried sludge	t	7,989	6,189	8,412
Total sludge generated	t	56,410	62,100	59,429

USE OF SLUDGE "AS IS"

Type of sludge	Unit of measurement	2016	2017	2018
Sludge for agricultural use	t	48,421	55,215	45,711
Sludge to be used as energy carrier	t	7,989	6,885	13,718
Total sludge	t	56,410	62,100	59,429

GENERATION OF SLUDGE IN TERMS OF TOTAL DRY SUBSTANCE CONTENT (SST, Sostanza Secca Totale)

Type of sludge	Unit of measurement	2016	2017 ⁶¹	2018
Dehydrated sludge	t	12,105	13,327	11,828
Dried sludge	t	7,191	5,510	7,444
Total sludge generated	t	19,296	18,837	19,272

USE OF SLUDGE AS TOTAL DRY SUBSTANCE CONTENT (SST)

Type of sludge	Unit of measurement	2016	2017	2018
Sludge for agricultural use	t	12,105	13,170	10,638

⁵⁹ The reported amounts refer exclusively to waste generated by MM.

⁶⁰ The amounts refer to the overall sewage sludge generated by the two plants in Milan San Rocco and Nosedo.

⁶¹ The values for 2017 differ from those published in last year's Sustainability Report, given that the calculation method has changed.

Sludge to be used as energy carrier	t	7,191	5,667	8,634
Total sludge generated	t	19,296	18,837	19,272

5. Staff

At 31 December 2018, MM could count on a **workforce of 1,164 employees**, in addition to which there were **26 workers** with labour agreements regulated under **other types of contracts**. The following tables show the breakdown by category, age, employment contract, and gender.

GRI 102-8: Information on employees and other workers

BREAKDOWN OF EMPLOYEES BY GENDER

Gender	Unit of measurement	31 December 2016	31 December 2017	31 December 2018
Men	no.	776	763	774
Women	no.	354	361	390
Total employees	no.	1,130	1,124	1,164

GRI 102-8: Information on employees and other workers

BREAKDOWN OF THE WORKFORCE BY EMPLOYMENT CONTRACT AND GENDER

Type	Unit of measurement	31 December 2016 ⁶²	31 December 2017			31 December 2018		
		Total	Men	Women	Total	Men	Women	Total
On permanent contracts	no.	1,021	696	304	1,000	715	349	1,064
On temporary contracts	no.	109	67	57	124	59	41	100
Total employees	no.	1,130	763	361	1,124	774	390	1,164
Internships	no.	0	3	0	3	4	2	6
Fixed-term cooperation contracts	no.	5	5	1	6	5	1	6
Leased employees	no.	13	8	8	16	9	5	14
Total workforce	no.	1,148	779	370	1,149	792	398	1,190

GRI 102-8: Information on employees and other workers

BREAKDOWN OF EMPLOYEES BY CONTRACT (FULL-TIME/PART-TIME) AND BY GENDER

Type	Unit of measurement	31 December 2016 ⁶³	31 December 2017			31 December 2018		
		Total	Men	Women	Total	Men	Women	Total
Full time	no.	n.a.	757	323	1,080	768	348	1,116
Part time	no.	n.a.	6	38	44	6	42	48
Total employees	no.	1,130	763	361	1,124	774	390	1,164

⁶² The breakdown by gender is not available for the year 2016.

⁶³ Such information is not available in relation to 2016.

GRI 405-1: Diversity of governance bodies and employees

BREAKDOWN OF EMPLOYEES BY CATEGORY AND GENDER

Category	Unit of measurement	31 December 2016 ⁶⁴	31 December 2017			31 December 2018		
		Total	Men	Women	Total	Men	Women	Total
Senior managers	no.	31	26	7	33	26	10	36
Middle managers	no.	77	56	21	77	55	21	76
Clerical staff	no.	675	389	276	665	408	302	710
Workers	no.	342	286	56	342	279	56	335
Apprentices	no.	5	6	1	7	6	1	7
Total employees	no.	1,130	763	361	1,124	774	390	1,164
Internships	no.	0	3	0	3	4	2	6
Fixed-term cooperation contracts	no.	5	5	1	6	5	1	6
Leased employees	no.	13	8	8	16	9	5	14
Total workforce	no.	1,148	779	370	1,149	792	398	1,190

BREAKDOWN OF THE BOARD OF DIRECTORS (BY GENDER AND AGE)

Gender	Age	31 December 2016		31 December 2017		31 December 2018	
		no.	%	no.	%	no.	%
Men	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	0	0.0	0	0.0	0	0.0
	> 50 years	2	66.5	2	66.5	2	66.5
Totale men on the Board		2	66.5	2	66.5	2	66.5
Women	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	1	33.5	0	0.0	0	0.0
	> 50 years	0	0.0	1	33.5	1	33.5
Totale women on the Board		1	33.5	1	33.5	1	33.5
Total Board of Directors		3	100	3	100	3	100

BREAKDOWN OF SENIOR MANAGERS (BY GENDER AND AGE)

Gender	Age	31 December 2016		31 December 2017		31 December 2018	
		no.	%	no.	%	no.	%
Men	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	8	0.7	7	0.6	9	0.8
	> 50 years	18	1.6	19	1.7	17	1.5
Total male senior managers		26	2.3	26	2.3	26	2.2
Women	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	3	0.3	5	0.4	6	0.5
	> 50 years	2	0.2	2	0.2	4	0.3
Total female senior managers		5	0.4	7	0.6	10	0.9

⁶⁴ The breakdown by gender is not available for the year 2016.

Total senior managers		31	2.7	33	2.9	36	3.1
BREAKDOWN OF MIDDLE MANAGERS (BY GENDER AND AGE)							
Gender	Age	31 December 2016		31 December 2017		31 December 2018	
		no.	%	no.	%	no.	%
Men	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	26	2.3	25	2.2	24	2.1
	> 50 years	32	2.8	31	2.8	31	2.7
Total male middle managers		58	5.1	56	5.0	55	4.7
Women	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	15	1.3	16	1.4	17	1.5
	> 50 years	4	0.4	5	0.4	4	0.3
Total female middle managers		19	1.7	21	1.9	21	1.8
Total middle managers		77	6.8	77	6.9	76	6.5

BREAKDOWN OF CLERICAL STAFF (BY GENDER AND AGE)							
Gender	Age	31 December 2016		31 December 2017		31 December 2018	
		no.	%	no.	%	no.	%
Men	< 30 years	13	1.0	14	1.0	18	2.0
	30 ≤ x ≤ 50	231	20.4	226	20.1	242	20.8
	> 50 years	158	14.0	149	13.3	148	12.7
Total male clerks		402	35.6	389	34.6	408	35.1
Women	< 30 years	29	2.6	23	2.0	23	2.0
	30 ≤ x ≤ 50	192	17.0	197	17.5	219	18.8
	> 50 years	52	4.6	56	5.0	60	5.2
Total female clerks		273	24.2	276	24.6	302	25.9
Total clerical staff		675	59.7	665	59.2	710	61.0

BREAKDOWN OF WORKERS (BY GENDER AND AGE)							
Gender	Age	31 December 2016		31 December 2017		31 December 2018	
		no.	%	no.	%	no.	%
Men	< 30 years	9	1.0	9	0.8	9	0.8
	30 ≤ x ≤ 50	127	11.2	128	11.4	132	11.3
	> 50 years	150	13.3	149	13.3	138	11.9
Total male workers		286	25.3	286	25.4	279	24.0
Women	< 30 years	0	0.0	0	0.0	1	0.1
	30 ≤ x ≤ 50	26	2.3	25	2.2	25	2.1
	> 50 years	30	2.7	31	2.8	30	2.6
Total female workers		56	5.0	56	5.0	56	4.8
Total workers		342	30.3	342	30.4	335	28.8

BREAKDOWN OF APPRENTICES (BY GENDER AND AGE)

Gender	Age	31 December 2016 ⁶⁵		31 December 2017 ⁶⁶		31 December 2018	
		no.	%	no.	%	no.	%
Men	< 30 years	4	0.4	4	0.4	5	0.4
	30 ≤ x ≤ 50	0	0.0	2	0.2	1	0.1
	> 50 years	0	0.0	0	0.0	0	0
Total male apprentices		4	0.4	6	0.5	6	0.5
Women	< 30 years	0	0.0	0	0.0	0	0.0
	30 ≤ x ≤ 50	1	0.1	1	0.1	1	0.1
	> 50 years	0	0.0	0	0.0	0	0.0
Total female apprentices		1	0.1	1	0.1	1	0.1
Total apprentices		5	0.4	7	0.6	7	0.6

GRI 401-1: New employee hires and employee turnover⁶⁷
HIRES AND TURNOVER (BY GENDER AND AGE)

Gender	Age	2016		2017		2018	
		Number	%	Number	%	Number	%
Men	< 30 years	12	46.2	11	40.7	14	43.8
	30 ≤ x ≤ 50	60	15.3	30	7.7	49	12.0
	> 50 years	2	0.6	5	1.4	0	0.0
Total men hired		74	9.5	46	6.0	63	8.1
Women	< 30 years	13	44.8	3	13.0	12	50.0
	30 ≤ x ≤ 50	58	24.5	18	17.4	31	11.6
	> 50 years	5	5.7	0	0.0	1	1.0
Total women hired		76	21.5	21	5.8	44	11.3
Total new employee hires		150	13.3	67	6.0	107	9.2

EMPLOYMENT TERMINATIONS AND TURNOVER (BY GENDER AND AGE/excluding expired employment contracts)

Gender	Age	2016		2017		2018	
		Number	%	Number	%	Number	%
Men	< 30 years	1	3.8	2	7.4	0	0.0
	30 ≤ x ≤ 50	6	1.5	13	3.4	19	4.7
	> 50 years	18	5.0	39	11.2	29	8.7
Total men leaving		25	3.2	54	7.1	48	6.2
Women	< 30 years	0	0.0	0	0.0	1	4.2
	30 ≤ x ≤ 50	4	1.7	3	1.2	3	1.1
	> 50 years	8	9.1	3	3.2	1	1.0
Total women leaving		12	3.4	6	1.7	5	1.3

⁶⁵ Breakdown by gender and age is not available for the year 2016.

⁶⁶ Breakdown by age is not available for the year 2017.

⁶⁷ Transfers within the group have been excluded from the calculation of turnover.

Total terminations		37	3.3	60	5.3	53	4.6
EMPLOYMENT TERMINATIONS AND TURNOVER (BY GENDER AND AGE/<u>including</u> expired employment contracts)							
Gender	Age	2016		2017		2018	
		Number	%	Number	%	Number	%
Men	< 30 years	1	3.8	3	11.1	0	0.0
	30 ≤ x ≤ 50	13	3.3	17	4.4	22	5.4
	> 50 years	19	5.3	39	11.2	30	9.0
Total men leaving		33	2.9	59	7.7	52	6.7
Women	< 30 years	0	0.0	1	4.3	1	4.2
	30 ≤ x ≤ 50	5	2.1	9	3.7	11	4.1
	> 50 years	9	10.2	4	4.3	2	2.0
Total women leaving		14	1.2	14	3.9	14	3.6
Total terminations		47	4.2	73	6.5	66	5.7

GRI 403-9 (2018)⁶⁸: Work-related injuries
INJURY RATES

		2016	2017	2018
Total number of work-related injuries⁶⁹		3	6	10
of which:	fatalities	0	0	0
	high-consequence work-related injuries ⁷⁰	0	0	0
	other injuries ⁷¹	3	6	10
Number of hours worked		1,224,741	1,851,714	1,821,370
GRI work-related injury rates⁷²	Rate of total injuries/hours worked	0.5	0.6	1.10
	Rate of fatalities/hours worked	0	0	0
	Rate of high-consequence work-related injuries/hours worked	0	0	0
	Rate of other injuries/hours worked	0.5	0.6	1.10

⁶⁸ Work-related injuries in 2018 were calculated based on the new GRI 403 Standard, published by the Global Reporting Initiative (GRI) in 2018 and replacing the previous 2016 version.

⁶⁹ The term "work-related injuries" is taken to mean all accidents that result in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. It includes all injuries caused by risks or dangers that workers may be exposed to in the workplace (e.g. death, amputation of a limb, laceration, fracture, hernia, burns, loss of consciousness, and paralysis).

⁷⁰ The term "high-consequence work-related injuries" is taken to mean injuries from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

⁷¹ The term "other injuries" is taken to mean injuries from which the worker is expected to recover fully to pre-injury health status within 6 months.

⁷² Calculation of work-related injury rates is based on 200,000 hours worked, using the following formulas:

- Rate of total work-related injuries/hours worked: (total work-related injuries/hours worked) * 200,000;
- Rate of total fatalities/hours worked: (total fatalities/hours worked) * 200,000;
- Rate of total high-consequence work-related injuries: (total high-consequence work-related injuries) * 200,000;
- Rate of total other injuries/hours worked: total other injuries) * 200,000.

In the last three years all work-related injuries were injuries from which the workers involved recovered fully to pre-injury health status within 6 months. The increase in the Company's human resources generated an increase in work-related injuries, but, thanks to prevention activities and training on safety issues, the majority of the reported injuries were generated by minor/negligible events (such as shocks or accidental impacts) while others were aggressions towards staff (keepers, security staff or Housing BU staff) related to Public Housing management.

GRI 404-1: Average hours of training per year per employee ⁷³
HOURS OF TRAINING PER YEAR BY EMPLOYEE CATEGORY

Employee category	2016	2017	2018	
	Total hours	Total hours	Total hours	Average hours
Senior managers	239	540	1,547.5	43.0
Middle managers	593.6	1,259.8	3,022	39.8
Clerical staff	5,203.5	10,880.5	13,954.5	19.7
Workers	2,636.4	5,595.7	3,330	9.9
Apprentices	38.5	114.5	350	50.0
Total hours of training	8,711	18,390.5	22,204	19.1

HOURS OF TRAINING PER YEAR BY GENDER

Employee category	2016 ⁷⁴	2017	2018	
	Total hours	Total hours	Total hours	Average hours
Men	n.a.	12,484	15,277.5	19.7
Women	n.a.	5,906.5	6,926.5	17.8
Total hours of training	8,711	18,390.5	22,204	19.1

AVERAGE HOURS OF TRAINING PER EMPLOYEE

	Unit of measurement	Amount		
		2016	2017	2018
Average hours of training per employee	hours	7.6	16.4	19.1

⁷³ The figures in the table concern the years 2016 and 2017 and are the result of estimates based on the correct proportion obtained with the data on the workforce and the subsequent distribution of hours of training. The existing information flow did not allow to accurately report this indicator.

⁷⁴ The breakdown by gender is not available for the year 2016.

Correlation table

TOPICS PURSUANT TO LEG. DECREE 254/16	MATERIAL TOPIC	SCOPE		RECONCILIATION WITH GRI TOPICS
		PARTIES IMPACTED	TYPE OF IMPACT	
<i>Environmental</i>	Energy efficiency and emissions	MM, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Energy, Emissions
	Quality and management of water resources	IWS Business Unit, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Water
	Quality and management of discharges, waste and sewage sludge	IWS Business Unit, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Effluents and waste
	Circular economy	IWS Business Unit	Caused by the Company	N/A
	Protection of urban areas	MM, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Environmental compliance
<i>Staff-related</i>	Employee growth, training, development and welfare	MM	Caused by the Company	Training and education
	Occupational health and safety ⁷⁵	MM's employees	Caused by the Company	Occupational health and safety
	Strengthening corporate identity	MM	Caused by the Company	N/A
	Diversity, equal opportunity and non-discrimination	MM	Caused by the Company	Employment; Diversity and equal opportunity
<i>Social</i>	Responsible supply chain management	MM	Caused by the Company	Procurement practices
	Technological innovation and smart cities	MM, Contractors (suppliers), University and	Caused by the Company and directly connected to its activities	N/A

⁷⁵ Since these topics are important at a general level, MM will consider extending this analysis to non-employee staff. In this case, it would be necessary to gather information from external staff employers and suppliers operating at the Company's sites and/or under the Company's control. However, MM could not directly control the quality and precision of such data.

		scientific community		
	Involvement and development of local communities	Housing Business Unit	Caused by the Company and directly connected to its activities	Market presence
	Dialogue with stakeholders	MM	Caused by the Company	N/A
	Service quality	IWS Business Unit, Housing Business Unit	Caused by the Company and directly connected to its activities	N/A
	Transparency and customer relations	IWS Business Unit, Housing Business Unit	Caused by the Company and directly connected to its activities	N/A
	Protection, privacy and processing of personal data	MM, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Customer privacy
<i>Fight against active and passive corruption</i>	Fight against corruption and bribery	MM, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Anti-corruption
<i>Respect for human rights</i>	Respect for human rights	MM, Contractors (suppliers)	Caused by the Company and directly connected to its activities	Rights of indigenous peoples
N/A	Implementation of the Environment Plan	IWS Business Unit	Caused by the Company and directly connected to its activities	N/A
N/A	Corporate governance, compliance and business ethics	MM	Caused by the Company	N/A
N/A	Economic and financial performance	MM	Caused by the Company and directly connected to its activities	N/A
N/A	Promotion of the culture of sustainability	MM	Caused by the Company	N/A

GRI Content Index

Below is a summary table showing the correlation between NFS topics and the relevant GRI Standards, issued in 2016 by the Global Reporting Initiative. For the purposes of this Statement, MM has elected the referenced reporting method. For each indicator, we provide the relevant paragraph including it or any other available document where the information is provided.

Indicator		Paragraph	Notes
GENERAL DISCLOSURES 2016			
Organisational profile			
GRI 102-1	Name of the organisation	1.1 MM Company Profile	
GRI 102-2	Primary brands, products, and/or services	1.1 MM Company Profile	
GRI 102-3	Location of headquarters	1.1 MM Company Profile	
GRI 102-4	Location of operations	1.1 MM Company Profile	
GRI 102-5	Ownership and legal form	1.2 Corporate Governance	
GRI 102-6	Markets served	1.1 MM Company Profile	
GRI 102-7	Scale of the organisation	1.1 MM Company Profile	
GRI 102-8	Information on employees and other workers	5.1.5 Diversity and equal opportunity Detail tables	
GRI 102-9	Supply chain	3.5 Responsible supply chain management 3.5.1 MM's new List of Vendors	
GRI 102-10	Significant changes to the organization's size, structure, ownership, or supply chain during the reporting period	Methodological Note	
GRI 102-11	Precautionary Principle or approach	1.3 Business ethics and integrity 1.4 Risk assessment	
GRI 102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	1.1.2 Relationships with industry associations 3.3.2 Relationships with Authorities and Bodies 6.1.2 Management of relationships with IWS users	
GRI 102-13	Memberships of industry or other associations, and national or international advocacy organizations.	1.1.2 Relationships with industry associations 3.3.2 Relationships with Authorities and Bodies	
Strategy			
GRI 102-15	Key impacts, risks, and opportunities	1.3 Business ethics and integrity 1.4 Risk assessment	
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behaviour	1.3 Business ethics and integrity 2.1 MM's values	

GRI 102-17	Mechanisms for advice and concerns about ethics	1.3.1 Internal control system 1.3.2 Commitment to anti-corruption	
Governance			
GRI 102-18	Governance structure	1.2 Corporate Governance	
GRI 102-22	Composition of the highest governance body and relevant committees	1.2 Corporate Governance	
GRI 102-23	Chair of the highest governance body	1.2 Corporate Governance	
GRI 102-30	Effectiveness of risk management processes	1.3 Business ethics and integrity 1.4 Risk assessment	
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	2.2 Stakeholders and materiality	
GRI 102-41	Collective bargaining agreements		All employees (100%) are covered by collective bargaining agreements
GRI 102-42	Identifying and selecting stakeholders	2.3 Stakeholder mapping	
GRI 102-43	Approach to stakeholder engagement	2.2 Stakeholders and materiality 2.4 Material topics for MM	
GRI 102-44	Key topics and concerns raised	2.2 Stakeholders and materiality 2.4 Material topics for MM	
Reporting practice			
GRI 102-45	Entities included in the NFS	Methodological Note	
GRI 102-46	Defining report content and topic boundaries	Methodological Note 2.4 Material topics for MM	
GRI 102-47	List of material topics	2.4 Material topics for MM	
GRI 102-48	Restatements of information	Methodological Note 4.2 Emissions Detail tables	
GRI 102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	Methodological Note	
GRI 102-50	Reporting period	Methodological Note	
GRI 102-51	Date of most recent report		The most recent NFS was published in May 2018
GRI 102-52	Reporting cycle	Methodological Note	
GRI 102-53	Contact point for questions regarding the report	Methodological Note	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Methodological Note	

GRI 102-55	GRI content index	GRI Content Index	
GRI 102-56	External assurance	Audit Report	
GRI 200: ECONOMIC PERFORMANCE INDICATORS			
GRI 201: Economic performance 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	3.1.1 The Business Plan 3.3.1 The Environment Plan	
GRI 103-3	Evaluation of the management approach	3.1.1 The Business Plan 3.3.1 The Environment Plan	
GRI 202: Market presence 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	6.1 Transparency in customer relations	
GRI 103-3	Evaluation of the management approach	6.1 Transparency in customer relations	
GRI 204: Procurement practices 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	3.5 Responsible supply chain management	
GRI 103-3	Evaluation of the management approach	3.5 Responsible supply chain management	
GRI 204: Procurement practices			
GRI 204-1	Proportion of spending on local suppliers	3.5.2 Country of origin of MM's suppliers	
GRI 205: Anti-corruption 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM; Correlation table	
GRI 103-2	The management approach and its components	1.3.2 Commitment to anti-corruption	
GRI 103-3	Evaluation of the management approach	1.3.2 Commitment to anti-corruption	
GRI 205: Anti-corruption			
GRI 205-3	Confirmed incidents of corruption and actions taken		In 2018, there were no incidents of corruption.
GRI 300: ENVIRONMENTAL PERFORMANCE INDICATORS			
GRI 302: Energy 2016			
GRI-103: Management approach			

GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	1.3.3 Non-financial policies and certifications 4. MM and environmental topics 4.1 Use of energy resources	
GRI 103-3	Evaluation of the management approach	1.3.3 Non-financial policies and certifications 4. MM and environmental topics 4.1 Use of energy resources	
GRI 302: Energy			
GRI 302-1	Energy consumption within the organisation	4.1 Use of energy resources Detail tables	
GRI 303: Water 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	1.3.3 Non-financial policies and certifications 4. MM and environmental topics 4.3 Quality and management of water resources	
GRI 103-3	Evaluation of the management approach	1.3.3 Non-financial policies and certifications 4. MM and environmental topics 4.3 Quality and management of water resources	
GRI 303: Water			
GRI 303-1	Water withdrawal by source	4.3.1 Water withdrawal and water introduced into the system Detail tables	
GRI 305: Emissions 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	4.2 Emissions	
GRI 103-3	Evaluation of the management approach	4.2 Emissions	
GRI 305: Emissions			
GRI 305-1	Direct (Scope 1) GHG emissions	4.2 Emissions Detail tables	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4.2 Emissions Detail tables	

GRI 306: Effluents and waste 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	4.3.3 Water discharges 4.4 Waste and water discharges management 4.5 Biological sludge management in a circular economy perspective	
GRI 103-3	Evaluation of the management approach	4.3.3 Water discharges 4.4 Waste and water discharges management 4.5 Biological sludge management in a circular economy perspective	
GRI 306: Effluents and waste			
GRI 306-1	Water discharge by quality and destination	4.3.3 Water discharges Detail tables	
GRI 306-2	Total weight of waste by type and disposal method	4.4 Waste and water discharges management Detail tables	
GRI 307: Environmental compliance 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	1.3.3 Non-financial policies and certifications 4. MM and environmental topics	
GRI 103-3	Evaluation of the management approach	1.3.3 Non-financial policies and certifications 4. MM and environmental topics	
GRI 307: Environmental compliance			
GRI 307-1	Non-compliance with environmental laws and regulations		In 2018 there were no incidents of non-compliance with environmental laws and regulations
GRI 401: Employment 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	5. Staff management	
GRI 103-3	Evaluation of the management approach	5. Staff management	

GRI 401: Employment			
GRI 401-1	New employee hires and employee turnover	5.1 Diversity and equal opportunity Detail tables	
GRI 403: Occupational health and safety 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	5.3 Occupational health and safety	
GRI 103-3	Evaluation of the management approach	5.3 Occupational health and safety	
GRI 403: Occupational health and safety			
GRI 403-1	Occupational health and safety management system	5.3 Occupational health and safety	
GRI 403-2	Hazard identification, risk assessment, and incident investigation	5.3 Occupational health and safety	
GRI 403-3	Occupational health services	5.3 Occupational health and safety	
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	5.3 Occupational health and safety	
GRI 403-5	Worker training on occupational health and safety	5.3 Occupational health and safety	
GRI 403-6	Promotion of worker health	5.3 Occupational health and safety	
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.3 Occupational health and safety	
GRI 403-9	Work-related injuries	5.3 Occupational health and safety Detail tables	
GRI 403-10	Work-related ill health	5.3 Occupational health and safety Detail tables	
GRI 404: Training and education 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	5.2 People growth and development	
GRI 103-3	Evaluation of the management approach	5.2 People growth and development	
GRI 404: Training and education			
GRI 404-1	Average hours of training per year per employee	5.2.1 Hours of training provided by MM Detail tables	

GRI 404-3	Percentage of employees receiving regular performance and career development reviews	5.2.2 Employee performance appraisals	
GRI 405: Diversity and equal opportunity 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	5.1 Diversity and equal opportunity	
GRI 103-3	Evaluation of the management approach	5.1 Diversity and equal opportunity	
GRI 405: Diversity and equal opportunity			
GRI 405-1	Diversity of governance bodies and employees	5.1 Diversity and equal opportunity Detail tables	
GRI 411: Rights of indigenous peoples 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	1.3.4 Respect for human rights	
GRI 103-3	Evaluation of the management approach	1.3.4 Respect for human rights	
GRI 411: Rights of indigenous peoples			
GRI 411-1	Incidents of violations involving rights of indigenous people	1.3.4 Respect for human rights	
GRI 418: Customer privacy 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	6.1 Transparency in customer relations	
GRI 103-3	Evaluation of the management approach	6.1 Transparency in customer relations	
GRI 418: Customer privacy			
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		In 2018 there were no substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419: Socioeconomic compliance 2016			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	

GRI 103-2	The management approach and its components	6.1 Transparency in customer relations	
GRI 103-3	Evaluation of the management approach	6.1 Transparency in customer relations	
GRI 419: Socioeconomic compliance			
GRI 419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area		In 2018 there were no fines and non-monetary sanctions for non-compliance with laws and/or regulations
Implementation of the Environment Plan			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	3.3.1 The Environment Plan	
GRI 103-3	Evaluation of the management approach	3.3.1 The Environment Plan	
Technological innovation and smart cities			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	3.1.2 Technological innovation for the city	
GRI 103-3	Evaluation of the management approach	3.1.2 Technological innovation for the city	
Strengthening corporate identity			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	5.2.3 Strengthening corporate identity 5.2.4 The welfare plan	
GRI 103-3	Evaluation of the management approach	5.2.3 Strengthening corporate identity 5.2.4 The welfare plan	
Transparency and customer relations			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	6.1 Transparency in customer relations	
GRI 103-3	Evaluation of the management approach	6.1 Transparency in customer relations	
Circular economy			
GRI-103: Management approach			

GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	4.5 Biological sludge management in a circular economy perspective	
GRI 103-3	Evaluation of the management approach	4.5 Biological sludge management in a circular economy perspective	
Service quality			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	3.2.1 Site management 3.4.1 Tenants of houses managed by MM 4.3 Quality and management of water resources 6.1 Transparency in customer relations	
GRI 103-3	Evaluation of the management approach	3.2.1 Site management 3.4.1 Tenants of houses managed by MM 4.3 Quality and management of water resources 6.1 Transparency in customer relations	
Promotion of the culture of sustainability			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	2. MM and sustainability	
GRI 103-3	Evaluation of the management approach	2. MM and sustainability	
Dialogue with stakeholders			
GRI-103: Management approach			
GRI 103-1	Explanation of the material topic and its boundary	2.4 Material topics for MM Correlation table	
GRI 103-2	The management approach and its components	2.2 Stakeholders and materiality 3.2.1 Site management 6. MM and its customers	
GRI 103-3	Evaluation of the management approach	2.2 Stakeholders and materiality 3.2.1 Site management 6. MM and its customers	



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 of January 2018

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 2018, prepared in accordance with article 3 of the Decree and approved by the Board of Directors on 29 March 2019 (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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119641 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wulher 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Picciopetra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00151 Largo Kochetti 20 Tel. 06570251 - **Lorino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Pascolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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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 MM, 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. 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 3 a) below;

3. 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:

- at a MM level
 - 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;
- for the division “Servizio Idrico” (Water system) and the divisions “Ingegneria” (Engineering) and “Casa” (Real Estate) which were selected on the basis of their activities and their contribution to the performance indicators, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

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 2018 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.

Milan, 15 April 2019

PricewaterhouseCoopers SpA

Signed by

Giulio Grandi
(Partner)

Signed by

Paolo Bersani
(Authorized signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of MM SpA as of 31 December 2018.



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

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