3.2 The Sustainability Policy and Plan

A2A also wanted to make a formal and public commitment to contribute concretely to the achievement of the SDGs, and did so through two documents, the Sustainability Policy and Plan, drawn up together with the company's management, integrated with the Group's Business Plan and approved by the Board of Directors. The logic is twofold: the Sustainability Policy is a strategic document, aimed at guiding and orienting the Group's business decisions in a logic of sustainability, with concrete commitments over a time horizon in line with the 2030 Agenda; the Sustainability Plan is instead a more operational document that allows A2A's progress on commitments made over a shorter time horizon to be monitored, so as to allow assessments and adjustments.

The Sustainability Policy

With the Sustainability Policy, A2A has set itself the aim of helping the communities in which it operates to be more sustainable, through the responsible management of its activities. The policy was established in 2016, with a participatory process, starting with the analysis of all SDGs and the identification of their relevance and impact in our value chain. Ten SDGs were then selected on the basis of which A2A defined its priorities and commitments for 2030 through indicators and evidence emerging from the materiality matrix, the forumAscolto, the Business Plan, the requests of the rating agencies and the benchmark with competitors. The intersection of all these elements has led to the definition of 4 fundamental pillars of the Sustainability Policy: Circular economy, Decarbonisation, Smartness in networks and services and People Innovation. Each of these pillars represents an important aspect for the Group's activities and A2A's commitment to these aspects undoubtedly represents a challenge for business management:

- **CIRCULAR ECONOMY**
  - Sustainably manage waste during its life cycle
- **DECARBONISATION**
  - Contribute to achieving national and EU targets for the reduction of greenhouse gas emissions
- **SMARTNESS IN NETWORKS AND SERVICES**
  - Increasing grid reliability through technological innovation
- **PEOPLE INNOVATION**
  - Actively contribute to the welfare of the community and the improvement of working conditions

Since 2013, A2A has been a member of the United Nations Global Compact, subscribing to the 10 founding principles relating to human rights, working conditions, the environment and the fight against corruption. As part of the network, every year A2A publishes its own Communication on Progress (CoP), which concides with this document. In 2018, A2A once again took part in the working parties launched by the Italian Global Compact network and the Italian Business & SDGs Annual Forum.

Since 2017, A2A has adhered to We Mean Business, a global non-profit association that fights climate change. As part of this association, A2A is committed on two fronts: responsible environmental policies and improved access to and quality of water.

Since 2017, A2A has subscribed to the Business Alliance for Water and Climate, undertaking to analyse, measure and report on the risks connected with the consumption of water as a resource, and changes to such as a result of climate change.

Since January 2018, A2A has been a member of the CSR Manager Network the national association that brings together professionals in all types of organizations who are dedicated to the management of social, environmental and sustainability issues related to business activities.

A2A is an active member of the CSR and Sustainability Working Party of Utilitalia. Within this group, A2A participated in the preparation of the first Sustainability Report of the Utilities Sector.

In 2016, the A2A Group AEM Foundation adhered to the Italian Alliance for Sustainable Development and has since played an active part in its activities and working parties.
The 2019-2023 Sustainability Plan

The Sustainability Plan has been developed in conjunction with the Policy and is a tool that allows continuous monitoring and verification of the progress of the identified sustainability objectives, in line with the priorities and time frames of the Business Plan. The objectives are divided into the 4 pillars of the Sustainability Policy and contain specific actions and indicators, defined in agreement with all the Business Units of the Group. The 2018 monitoring has shown that most of the more than 60 indicators are making significant progress: this means on the one hand that we are moving in the right direction, and on the other hand that we still have room for improvement to set more challenging targets in some areas.

In line with the ongoing revision of the Business Plan, a process has also been launched for the Sustainability Plan, seeking to update the goals with the time frame of 2019-2023. In reviewing the planning document, the objectives that had been achieved were eliminated, those confirmed were updated to 2023 and some new targets were added.

Assess the impact of the implementation of the Sustainability Plan on the Group’s capitals and material issues

As described on page 14 of the A2A Business Model, the Sustainability Plan (and Policy), with its quantitative objectives, is the accelerator element that allows the Group to restate value within the individual capitals on which it depends in order to generate its services, with a view to sustainable development. To enhance this aspect, a new methodology was applied in 2018 to aggregate the KPIs of the 2018-2022 Sustainability Plan, in order to assess the impact of the implementation of the Plan on the Group’s capitals and material issues.

This methodology has made it possible to measure the extent to which the performance of the Plan’s KPIs in the baseline year (2017) and in the current situation (2018) are far from the objectives set (target 2022) and their trend (2017 vs 2018). To support this assessment, the KPIs of the Plan were in fact related to the Material Issues and, therefore, to the 6 Capitals and the scope of Governance. After normalizing the individual KPIs on a scale from 0 to 1 in order to make them comparable, each Capital, Material Issue and KPI was assigned a specific weight in line with the assessment of the relevance of the individual material issues by A2A’s internal and external stakeholders.

Of all the Capitals, the one that currently, in terms of performance, is closest to the 2022 target is the Manufacturing Capital, while, compared to the 2017 performance, the Intellectual Capital is the one that has recorded the greatest progress between 2017 and 2018. In any case, despite the progress made in 2018, the objectives of the Plan set remain challenging for all Capitals, in particular for Intellectual Capital, thus confirming the strategic nature of the Sustainability Plan.

The same type of representation can also be developed with respect to the Material Issues, which shows that the material issues that are closest to their respective targets, and therefore boast current performance in line with the expectations of the Sustainability Plan are: Circular economy (Environmental Cap.), Enhancement of human capital (Human Cap.), Diversity and company welfare (Human Cap.), Relationship with Group stakeholders (Relational Cap.), Technological innovation and smart cities (Intellectual Cap.), Sustainable economic value creation (Financial Cap.). In particular:

- in the area of governance, in 2018 the issue of Management of sustainability risks and opportunities reached the set objective, while the material issue of Respect for and promotion of human rights along the Group’s value chain was considerably closer to the target;
- compared to 2017, Financial capital recorded a general improvement in performance compared to its targets, even though the objectives still remain very challenging for the Group;
- in Manufacturing Capital, the issue of Efficient management of the Group’s infrastructure improved its performance compared to 2017, and is currently the issue most in line with the target set;
- the approach of the performance of Natural Capital, with respect to the respective 2022 targets, is mainly due to the substantial improvements recorded in the last year, mainly for the material issues Circular Economy and Sustainable Mobility;
- Human capital has recorded a considerable rapprochement between current performance and the targets set for all material issues, with particular reference to the issues of Enhancement of human capital and Diversity and company welfare, which are already close to their objectives;
- among the material issues of Relational Capital, the issue of Relationship with Group Stakeholders is the one that, compared to 2017, has shown a substantial improvement and rapprochement with the Plan’s objective;
- the material issue Technological innovation and Smart city of the Intellectual Capital is the issue that has recorded the greatest rapprochement of its performance to the targets, which however still remain challenging.

1. The methodology used is the Deloitte Sustainability Impact Metric.