



Canal de Isabel II

SUSTAINABILITY
REPORT 2023

OUR MISSION

WE TAKE CARE OF OUR COMMUNITY
MANAGING EVERYBODY'S WATER WITH
TRANSPARENCY, EFFICIENCY
AND SUSTAINIBILITY

OUR COMMITMENTS

- 1.** To serve as the public company of reference and economic and development engine of the Community of Madrid.
- 2.** To work to manage the entire integral water cycle throughout the Community of Madrid.
- 3.** To lead the challenges of the sector and regulatory advances.
- 4.** To maintain, innovate and plan our infrastructures and services, adapting them to the future needs of society.
- 5.** To minimise the environmental impact in all our processes, favouring the circular economy, an efficient use of resources and energy and promoting renewable generation.
- 6.** To increase the satisfaction of our customers and users, ensuring a level of excellence in the quantity, quality and continuity of the service (C3).
- 7.** To ensure progressive, affordable and supportive rates, which encourage savings in consumption and guarantee everyone's access to an essential commodity.
- 8.** To strengthen the digital transformation for closer and more effective management.
- 9.** To carry out rigorous and transparent financial management, ensuring adequate economic balance, financial autonomy, as well as the sustainability of the company.
- 10.** To support our professionals by attracting, retaining and promoting talent.

OUR VALUES

COMMITMENT
CLOSENESS
TRANSPARENCY
EXCELLENCE
SUSTAINABILITY

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CANAL DE ISABEL II IN 2023

27

January

The municipality of **Alcorcón joins the Sanea Plan** to renew 12.8 kilometres of its sewage network. This incorporation means there are now 34 municipalities in the plan.

16

February

The **municipality of Moralarzal** joins the shareholders of Canal. This is the first incorporation since the creation of the company in 2012. Throughout the year, **Villaconejos** (June) and **Brunete** (at the beginning of 2024) are also incorporated, so we currently have 114 shareholder municipalities.

17

February

We began to provide the remote meter reading service to the first 50,000 supply points, for which one may consult their daily and hourly consumption in the Canal Virtual Office. At the end of 2023, there are more than 360,000 customers with this service 360,000 and the goal is to reach 1.65 million meters in 2026.

23

February

At the Canal Foundation, we hold the **Forum on Sustainable Water and Energy Solutions in support of the circular economy**, organized by Canal and the United Nations Sustainable Water and Energy Solutions Network (**UNDESA**).

19

March

40th Edition of the Water Race with almost **2,500 participants**. The test is held to commemorate World Water Day and the use of plastic containers is limited throughout the event, provisioning being carried out with Madrid tap water.

21

May

We reopened the Tercer Depósito Park in Avenida de Filipinas in Madrid. The park has more than 1,000 new trees, 55,000 square metres of green areas and spaces designed for entertainment. The remodelling carried out has taken into account the contributions made by the residents of the Chamberí neighbourhood and includes 40% more tree-lined surfaces.

22

May

The Government Council of the Community of Madrid validates the award of 7.3 million euros of the contract for the construction of the **first green hydrogen plant produced from reclaimed water** in Spain, located at the Arroyo Culebro Cuenca Media Alta WWTP (Pinto) and this is to become operational in 2025. This project will be financed by the European Regional Development Fund (ERDF) of the European Union.

29

May

We begin to provide the **preferential attention service, without an appointment**, aimed at people over 65 years or with disabilities who need to carry out procedures in our public service office.

1
June

We hold our **2023 Ordinary General Shareholders' Meeting**, at which the annual accounts, the statement of non-financial information, the management of the company's administrators and the distribution of the complementary dividend (11.28 million) were approved, among other agreements.

1
June

Our board of directors awards the **contract for the construction of 8 new photovoltaic plants**, with a peak power of 13,686 kilowatts included in our Solar Plan, for 27.7 million. The investment will be co-financed by the European Regional Development Fund (ERDF) of the European Union.

24/25
June

Open days of Canal: almost 500 citizens were able to learn about the functioning of some infrastructures, such as the El Atazar dam, the Underground Reservoir of Santa Engracia street, the Arroyofresno storm tank and the Loeches sludge treatment plant.

8
July

We sign an **agreement with the Complutense and Polytechnic Universities of Madrid** in order to collaborate for 4 years in the characterisation of the Waters and the control of algal blooms in the reserves of the Community of Madrid.

17
July

We announce that during the first half of 2023 **we have received more than 800 representatives from thirty national and foreign institutions** in 55 visits designed for showing on-site how the urban water cycle is managed in the Community of Madrid.

20
July

Our board of directors authorizes the **free transfer of two portable emergency water treatment plants** to the **United with Ukraine association**. The plants, with the capacity to produce 30,000 litres of drinking water per hour, will serve to alleviate the difficulties in accessing water for thousands of Ukrainians affected by the destruction of the Kakhovka.

10
August

The **results of our customer satisfaction surveys** indicate that at the end of the first half of 2023 we have obtained a high mark, with an overall satisfaction of **8.68 points** out of 10.

21
August

We presented our research on improving and monitoring water quality using 3D and mathematical modelling at the **Fortieth World Congress of the International Association for Hydro-Environmental Engineering and Research (IAHR)**, held in Vienna.

2/4
September

We collaborate with the City Councils of **Aldea del Fresno, Villa del Prado, Villamanta and Villamantilla**, among others, to alleviate the effects of the torrential rains associated with **an Isolated Depression at High Levels (DANA)** from its Spanish initials) that affected the southwest of the Community of Madrid. We supply water through tanker trucks, we provide bottles of drinking water and we provide our assistance to municipalities for repairs to their supply networks.

7
September

Mr. **Carlos Novillo Piris**, the Minister of Environment, Agriculture and Interior of the Community of Madrid, **is appointed the new president** of the board of directors of Canal.

13
September

We participated in the French city of Bordeaux in **Efficient 2023**, the biennial event of the International Water Association on **good efficiency practices** in the management of the urban water cycle.

26
September

Within the framework of our **Solar Plan**, we complete the works on our first **floating photovoltaic solar plant** in Torrelaguna. The installation has a total of 3,770 photovoltaic modules on an area of 11,680 square metres, and has involved an investment of 2.1 million euros financed with European REACT-EU funds.

4
October

In our facilities, we hold the second follow-up meeting of the **LIFE Rubies project** for the development and implementation in the cities of Lille (France) and Madrid of a tool to help the operation of their urban drainage and wastewater treatment systems based on a Predictive Control Model .

9
October

We announce our collaboration in the **SeMAR project**, coordinated by the Department of Infectious Diseases of the **University of Gothenburg** (Sweden) to measure the rate of antibiotic resistance of bacteria present in wastewater.

23
October

Our **Meter Laboratory** extends gives a four-year extension to the collaboration agreement that we had since 2019 with the **Spanish Metrology Centre (CEM** from its Spanish initials) to improve and develop metrological activity in the field of water meters and flowmeters.

2
November

The **newspaper LA RAZÓN** grants us the “**Award for the Sustainable, Intelligent and Effective Management of the Most Important Resource for the Life of Madrilenians, water**”, within the framework of the third edition of its Sustainability and Environment Awards.

17
November

The resolution of the first call for competitive concurrence grants for projects to improve the efficiency of the water cycle (**PERTE digitalisation of the water cycle**) is published, and it includes our **Demonstrative Project for the digitalization of the integral urban water cycle in the Alberche Basin**, for 14 municipalities and 36,622 inhabitants. PERTE financing is 3.5 million of the 5 million planned investment.

27
November

The president of the Community of Madrid announces that **Canal has challenged the new Hydrological Plan of the Tagus Basin before the Supreme Court** for issues related to, among other things, the prior administrative authorisations for transfers between reservoirs in the basin, with the ecological flows and with some aspects related to wastewater discharges.

21
December

Our board of directors approved, among other relevant matters, the distribution of an **interim dividend of 70.43 million euros** charged to the 2023 financial year; the beginning of the **modification of the current tariff structure** towards a **more progressive model, which promotes efficiency and water savings** and the awarding of the contract for the **first phase of the works of the new Colmenar Viejo DWTP**, which, with an amount of Award close to 150 million euros, is one of the largest contracts awarded by our company in recent years.

MESSAGE OF THE PRESIDENT

Carlos Novillo Piris

President of the Board of Directors
of Canal de Isabel II
Councillor for the Environment, Agriculture
and Interior of the Community of Madrid

MESSAGE OF THE PRESIDENT

Throughout 2023, Canal de Isabel II has continued to accompany the Community of Madrid in its development and modernisation process, anticipating the needs of citizens and leading innovation and technological development in water supply and sanitation in Spain.

Since its creation, 173 years ago, the public company Canal de Isabel II has managed to be one of the most recognized companies by the people of Madrid and one of the most successful models for managing supra-municipal services in our country. During all these years, the people of Madrid have contributed to building an effective, internationally recognised public management model for urban water management.

The year 2023 has been a difficult year from a hydrological point of view. These twelve months have been marked by contributions that are far from the average values of the historical series. The reservoirs received 28.3% less water than the average: in total, 538.96 cubic hectometres. It has also rained less in the dams than in the city of Madrid: a rainfall of 605.6 litres per square meter was collected, 1.42% less than the average value according to the historical series.

What is more, 2023 has been a year with an abnormal weather situation. The passage of an isolated Depression at High Levels (DANA) through our country in the month of September affected

the southwest area of the Community of Madrid with particular ferocity. Although some of the municipalities most affected by the torrential rains such as Aldea del Fresno, Villamanta or Villa del Prado do not have a water distribution agreement with Canal, from the first moment the greatest possible attention was paid to mitigate the impact of the absence or inadequate quantity of drinking water or in these municipalities. In addition, DANA also caused serious damage to Canal sanitation facilities located in 19 municipalities, which entailed an estimated economic cost of more than 2 million euros.

"We have demonstrated that we are prepared to guarantee access to water, even in unusually unfavorable situations."

Once again, we have proven ourselves prepared to guarantee access to water, even in unusually unfavourable situations, offering an excellent product, both in quantity and quality.

Likewise, we have made progress in the objectives that we had set as a company for 2023. Our ESG (Environmental, Social and Governance) strategy to promote responsible behaviour from an environmental and social point of view is clear, and has been supported by solid governance, which has allowed us to take advantage of the strengths

of our company to face the great global challenges, and to generate benefits with a social impact.

This is all the more obvious in a geopolitical context like the current one, which not only represents an additional burden to the effort we are making to comply with international commitments in environmental matters, but also forces us to further optimise our demand for raw materials and to be more efficient in the use of our resources, such as water and energy. In fact, the increase in energy prices (gas and electricity) has meant an extra cost of more than 20 million euros for Canal in previous years.



[GRI 2-22]

However, thanks to our ability to anticipate and our commitment to renewable energy and self-consumption, we have continued generating energy, up to a total of 226.04 million kilowatt hours. The energy produced is equivalent to 42.15% of our total consumption (536.30 GWh), a figure lower than that of previous years due to the limited generation of cogeneration and low hydraulic capacity throughout 2023. Even so, we continue with the objective of producing 100% of the electricity consumed by the company before 2030.

Furthermore, during 2023 we have reached a level of compliance of 99.2% of the objectives of our 2018-2030 Strategic Plan. In this sense, one must highlight the progress made in two major plans: the RED Plan, which proposes replacing a total of 1,200 kilometres of pipes with others made of more modern and breakage-resistant materials to continue guaranteeing the excellence of drinking water and avoiding leaks. Thanks to the effective start of the Plan, the renewed kilometres have almost doubled compared to our historical average, reaching 190 in 2022 and 257.5 in 2023.

And then there is the SANEA Plan, which will allow us to modernize the municipal sewage infrastructures of the towns and cities of the region. In the five years that have elapsed since the beginning of the SANEA Plan until the end of 2023, a total of 34 municipalities in which 1.44 million

inhabitants of our region live had adhered to the Plan. This means that investments worth 398 million euros have already been pledged, which will allow 611 actions to be carried out to renew 306 kilometres of municipal sewage networks.

Within the scope of the Solar Plan, whose objective is to obtain renewable energy for electrical self-consumption through the construction of photovoltaic installations in company facilities, we have completed the works on our first floating photovoltaic solar plant in Torrelaguna. The installation has a total of 3,770 photovoltaic modules on an area of 11,680 square metres and has involved an investment of 2.1 million euros financed with European REACT-EU funds. In addition, we have awarded contracts for 51.47 million euros for the construction of 25 new photovoltaic plants, with a peak power of 34,815 kilowatts included in this Plan, co-financed by the European Regional Development Fund (ERDF) of the European Union.

And we continue with the construction of the first green hydrogen plant produced from reclaimed water in Spain, located at the Middle and Upper Basin of Arroyo Culebro (Pinto) WWTP and to enter service in 2025. This project will be financed by the European Development Fund Regional (ERDF) of the European Union and will constitute a milestone in the decarbonisation process of the Community of Madrid.



"During 2023 we have reached a level of compliance of 99.2% of the objectives of our 2018-2030 Strategic Plan."

And let us not forget the importance of our Vigilance System, launched in July 2020, and with which we have developed and enhanced our analysis capacity by creating a new genomic laboratory, consolidating the existence of a permanent surveillance network and exporting our experience to other countries like Peru, as our system is recognised by institutions such

as the European Union and the United Nations. Furthermore, in 2023 we have continued with the implementation of this project and particular importance is to be attached to the two training missions that have been carried out between both companies as well as the joint participation in the GWOPA International Congress in Bonn (Germany).

Canal de Isabel II continues to contribute to the promotion of the circular economy: throughout 2023 we have, at an increasing rate, developed the activity of distributing reclaimed water for uses that do not require drinking water, especially for washing streets and irrigating public parks, golf courses and even for some industrial processes, supplying 15.63 million cubic meters of reclaimed water to the 26 municipalities that had this service and where more than 5.30 million inhabitants reside.

And I would like to emphasise that our rates have remained frozen since 2015 while the accumulated increase in the Consumer Price Index (CPI) between the period of 1 January 2014 and 31 December 2023 has been 21.3% according to the INE . What is more, our rates for 2023 have been 25% lower than the average of all Spanish autonomous communities.

Canal de Isabel II has continued to be a reference for the citizens of the Community of Madrid as a very active agent in everything related to social aspects. During 2023 we have subsidized a total of 63,001 contracts, 4.78% of Canal's total domestic contracts with its customers. This means that 266,608 people were enjoying our social rates at the end of 2023.

In short, for yet another year, we have been able to give the best of ourselves and continue making progress in improving the services we provide to the people of Madrid. And when we talk about Canal de Isabel II, we talk about excellence in the provision of this essential public service, but also about caring for our environment, energy efficiency, renewable energy, investments and technology to fight against pandemics or to have more intelligent and sustainable cities and territories.

For more details about how we have implemented these actions, I encourage you to refer to this Sustainability Report, in which we describe all our activity throughout 2023.



[GRI 2-11]



MESSAGE FROM THE CEO

Mariano González Sáez

CEO and Managing Director of Canal de Isabel II, Sociedad Anónima, M.P.

MESSAGE FROM THE CEO

Water and life Canal



Water is a sine qua non condition for life. Although life is stardust, as Carl Sagan poetically explained, its maintenance, evolution and progressive complexity is associated with this liquid that satiates and cleanses.

Our species has been inhabiting the Earth for some 300,000 years, but water management is a relatively recent development. The first sewerage system was found in the Indus valley some 5,000 years ago, and piped water supply to the home began at the end of the 19th century. The same

is true of wastewater treatment, a process that is recorded as early as 4,000 BC but was not centralised for an entire population until 1804 in Paisley, Scotland.

In developed countries, access to drinking water is so normalised that it is surprising that there are concepts such as water stress or the geopolitics associated with it. With very rare exceptions, no one literally dies of thirst, but they do die from contamination of water flows or conflicts associated with access to water.

Canal de Isabel II is the company guaranteeing us, the people of Madrid, access to water, its quality and its future availability. The Sustainability Report 2023 is more than the certification of the objectives met and the difficult-to-attain figures that, in some way, try to define our work. It is a public document in which we accept responsibility for what we have done, and the results obtained, with the objective set out in the 2018-2030 Strategic Plan.

2024 marks the 173rd anniversary of the creation of Canal de Isabel II, whose original purpose was to meet the needs of the population of the city of Madrid, some 200,000 people.

Today, the job we do far exceeds the 1851 scenario. In the Madrid Region alone, we serve almost 7 million people spread over the 8,000 square kilometres of the region; we look after 17,946 kilometres of supply networks, which is like laying a pipeline from Puerta del Sol to Melbourne, Australia; we distribute some 470 million cubic metres of water for consumption, which would be 200,000 Olympic swimming pools, although we also distribute some 470 million cubic metres of water for consumption, which would be 200,000 Olympic swimming pools. That would be 200,000 Olympic swimming pools, although it might be easier to imagine that we have provided almost 15 litres for consumption every millisecond of the year, or one litre to every inhabitant of the region in less than 8 minutes.

The magnitude of the figures, although overwhelming, do not consider the important part of the work carried out, which is the quality of the product offered, the stability and security of supply, the respect for the integral water cycle, the environmental protection of aquifers and the perception that users have of the service they have received. In other words, people and nature, or in other words, the people of Madrid and the planet.

[GRI 2-22]

2023 has undoubtedly been a year of great achievements for Canal de Isabel II. We have reached 99.2% in the fulfilment of the objectives we had set ourselves in the framework of our 2018-2030 Strategic Plan, the highest level since its implementation.

This is despite an extremely hot and dry year, and a critical geopolitical context such as the current one with two serious armed conflicts that contribute to both inflation and uncertainty, in addition to the growing challenges caused by climate change and energy dependence.

Regarding supply security, our main mission, the century and a half of experience and accumulated knowledge allow us to face increasingly frequent conditions of water stress. Some of the tools that make it possible to guarantee this are, among others, the capture of alternative resources, new infrastructures, the promotion and awareness of saving in consumption, the extension of the supply of reclaimed water and digitalisation applied to greater efficiency in the management of the resource.

In this regard, our percentage of Unregistered Water, i.e. apparent losses plus real losses in 2023, consolidates us as one of the lowest in Spain, which has enabled us to save the equivalent of the annual consumption of 237,000 people.

The protection of the environment and the preservation of terrestrial and aquatic ecosystems are part of Canal's DNA. Caring for rivers is caring for water, our raw material and our final product. We collect, treat and distribute, and part of what comes from the sewerage network is reclaimed and reused for flushing, garden or golf course irrigation, as well as other industrial uses, and another part is reclaimed to be discharged into the watercourses, significantly improving the quality of the discharge. We have returned more than 91,000 million litres to the rivers of the Community of Madrid with a higher quality than we are obliged to by law.

In addition, throughout the year, we have carried out reforestation work, planting more than 43,000 plants, trees and shrubs, which has improved 465 hectares of land adjacent to our facilities.

We are much more than a company that provides a basic service; we are committed to leadership and to being a world leader in this field, which implies reuse, energy self-sufficiency, an invisible carbon footprint and maximum use of waste.

Thus, our struvite plant, the largest in Spain, managed to recover 557 tonnes of phosphorus from wastewater last year. Our service station supplies fuel of renewable origin to more than twenty vehicles through the biogas obtained from the wastewater treatment plants. And we have already begun work on the future green hydrogen plant, a unique and exemplary complex that will obtain all the energy necessary for its operation from renewable sources that originate in the facility itself.

"True to the 2018-2030 Strategic Plan, our objective, at the end of its term, is to achieve energy self-sufficiency, by generating 100% of the electricity consumed with our own means."

Canal de Isabel II, as responsible for the urban water cycle in the Community of Madrid, must guarantee the safety of the service and the continuity of supply, as it is a basic and essential resource for life. To achieve this, it is essential to be in line with international standards and commonly accepted best practices, as some of our facilities are considered critical. In the field of Operational Technology, we work to reinforce systems for prevention, detection and to establish effective protocols for responding to cyber-attacks.



"The result of our work is summarised in the high score of 8.73, with which customers and users rate us in the satisfaction survey carried out by Net Promoter Score."

Constant communication and regular surveys make Canal de Isabel II, one of the most recognised and valued companies, nationally and internationally, a true benchmark for the sector.

To achieve this, 6% of the turnover was allocated, in 2023, to innovation and digitalisation projects, as can be seen in the Smart Water remote metering plan, which will reach the entire population, but which is now enjoyed by more than 300,000 users who have information on their consumption in real time, as well as alerts of possible leaks and incidents.

And as well as brains, we are a company with a soul. More than 266,000 Madrid residents have benefited from one of our subsidies aimed at people who, due to their delicate situation, are unable to pay for the service.

Our financial situation allows us to do so. Net indebtedness has continued to be reduced during the past year and the cash generation of the business has allowed us to meet all our commitments and even distribute dividends.

Canal de Isabel II is the water supplier for the entire Comunidad de Madrid Region, but it is not a liquid company, it is a company of words and deeds. When one of us is part of a team of 3,190 people entrusted with the task of continuing with a task that began in the 19th century, we feel the historical responsibility of being up to the task and not disappointing, neither those we serve today, nor those who served before us.

The level of self-demand is so high that our new Code of Ethics and Conduct implements 84.3% of the best practices of good governance proposed by the CNMV. And we also offer Madrid's society a social dividend, which represents more than 11% of our income to be dedicated to our stakeholders related to the environment, culture and development cooperation, among others.

That simple and elegant molecule that defines water occupies some 1,390 cubic kilometres, although only 2.5% is fresh, and of this, more than 90% is frozen in the polar ice caps, leaving us with barely 3 cubic kilometres of fresh water on Earth.



Whether it is too much or too little does not depend on chance, but on responsible and careful management and respectful and conscious consumption. The first part we oversee at Canal; the second part is the responsibility of each one of us.

01 OUR COMPANY

1. OUR COMPANY

Canal de Isabel II, Sociedad Anónima, M.P. is a 100% public company whose shareholders currently include the Community of Madrid, through the public entity Canal de Isabel II, and **114** Madrid municipalities. The company began its activities on 1 July 2012, assuming many of the powers and activities of the public entity Canal de Isabel II, which was created in 1851, and which, since 1984, has served as the public company of the Community of Madrid in charge of the management of the integral water cycle in the region.

Canal de Isabel II, Sociedad Anónima, M.P. (hereinafter «Canal de Isabel II» or «Canal») is in charge of the management of the integral water cycle in practically the entire Madrid region; that is, all the processes aimed at adequate administration of water resources and environmental conservation. These processes, which are the **collection, treatment** and monitoring of **water quality**; its **transportation** and **distribution**; the sanitation and wastewater treatment, and its **regeneration** for subsequent reuse, are necessary for the development and maintenance of the quality of life of citizens.

The experience accumulated by Canal de Isabel II in more than 170 years of management has allowed us to add value through other activities related to the water sector and in geographical areas other than the Community of Madrid. Thus, in the sixties of the last century, Canal de Isabel II began to integrate a group of investee companies that, together with our parent company, currently constitute the **Canal de Isabel II Business Group** (hereinafter, the "Canal Group").

In 2023, the **Canal Group** supplied water to a total of **7.46 million people** (7.16 in Spain and 0.30 in Latin America), and we employed 3,746 workers, in addition to generating more than 5,500 indirect jobs. Likewise, in 2023 we have



supplied 568.53 million cubic meters of water (545.05 in Spain and 23.48 in Latin America) and managed 40,269 kilometres of supply, sanitation and reclaimed water networks. At the end of the year we had 1.83 million supply contracts (of which 83% were domestic) distributed in almost two hundred municipalities (198), with a supply coverage level of 99.37%.

[GRI 2-1]
[GRI 2-6]

CANAL GROUP COMPANIES

As of December 31, 2023
(not including holding companies)

For more details about the companies and the main figures of our business group at the end of the 2023 financial year, you can see the section 3 of this report: "The Canal Group".

SPAIN

Canal de Isabel II ●●
www.canaldeisabelsegunda.es

Delegación de Canal en Cáceres ●
www.canaldeisabelsegunda.es

Aguas de Alcalá UTE ●
www.aguasdealcala.es

Canal Gestión Lanzarote ●
www.canalgestionlanzarote.es

GSS Venture ●
www.grupogss.com

Canal Extensia ●
www.canaldeisabelsegunda.es

COLOMBIA

Canal Extensia América ●
www.canalextensiamaerica.com

Amerika TI ●
www.amerikati.com

DOMINICAN REPUBLIC

AAA Dominicana ●
www.aaa.com.do

ECUADOR

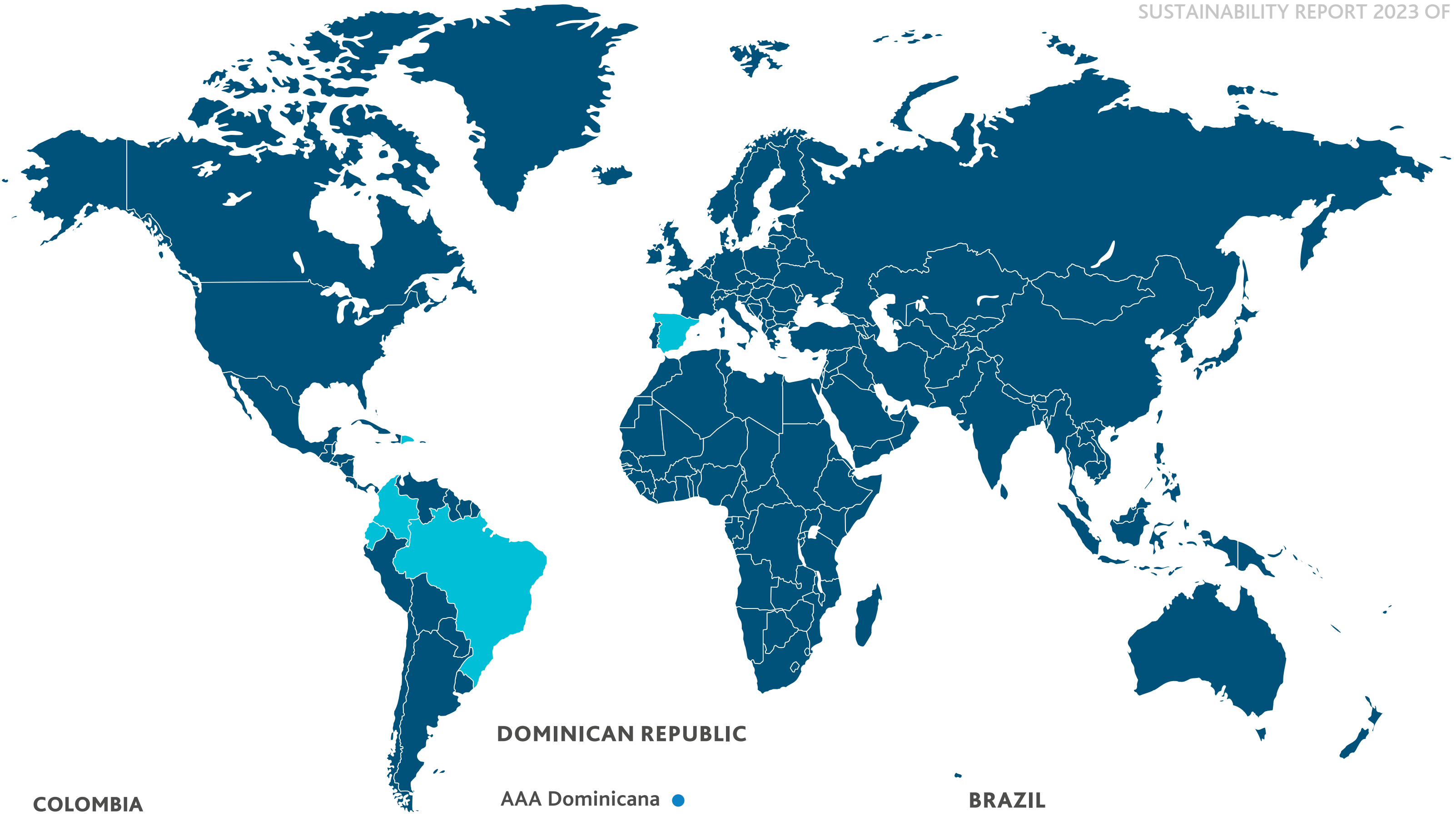
Amagua ●
www.amagua.com

BRAZIL

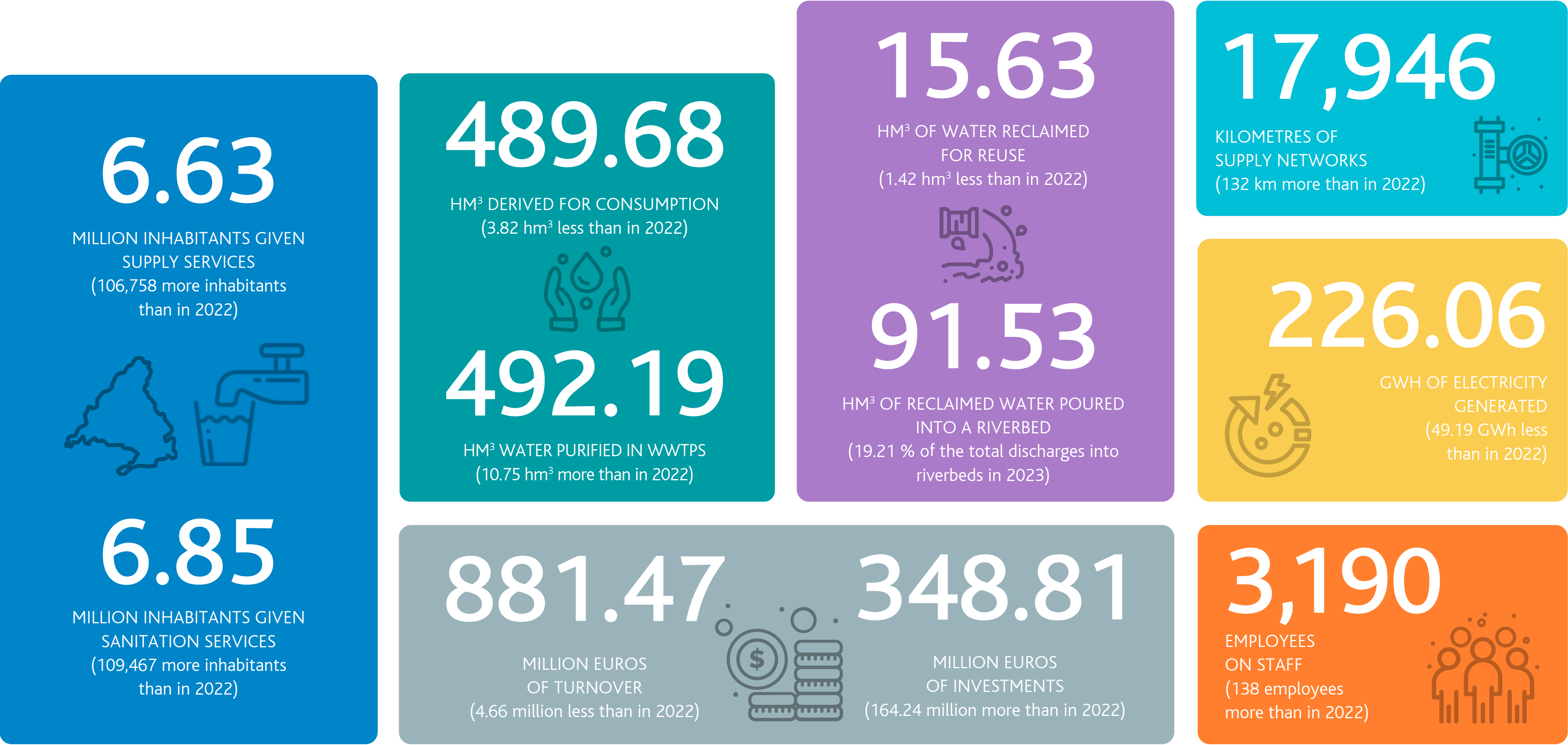
Fontes de Serra ●
www.fontesdaserra.com.br

Emissão ●
www.emissao.com.br

● Management of the integral water cycle ● Electric power generation ● Support services for the management of the integral water cycle ● Telecommunication and information technologies ● Other activities



1.1. MAIN MAGNITUDES IN THE COMMUNITY OF MADRID 2023



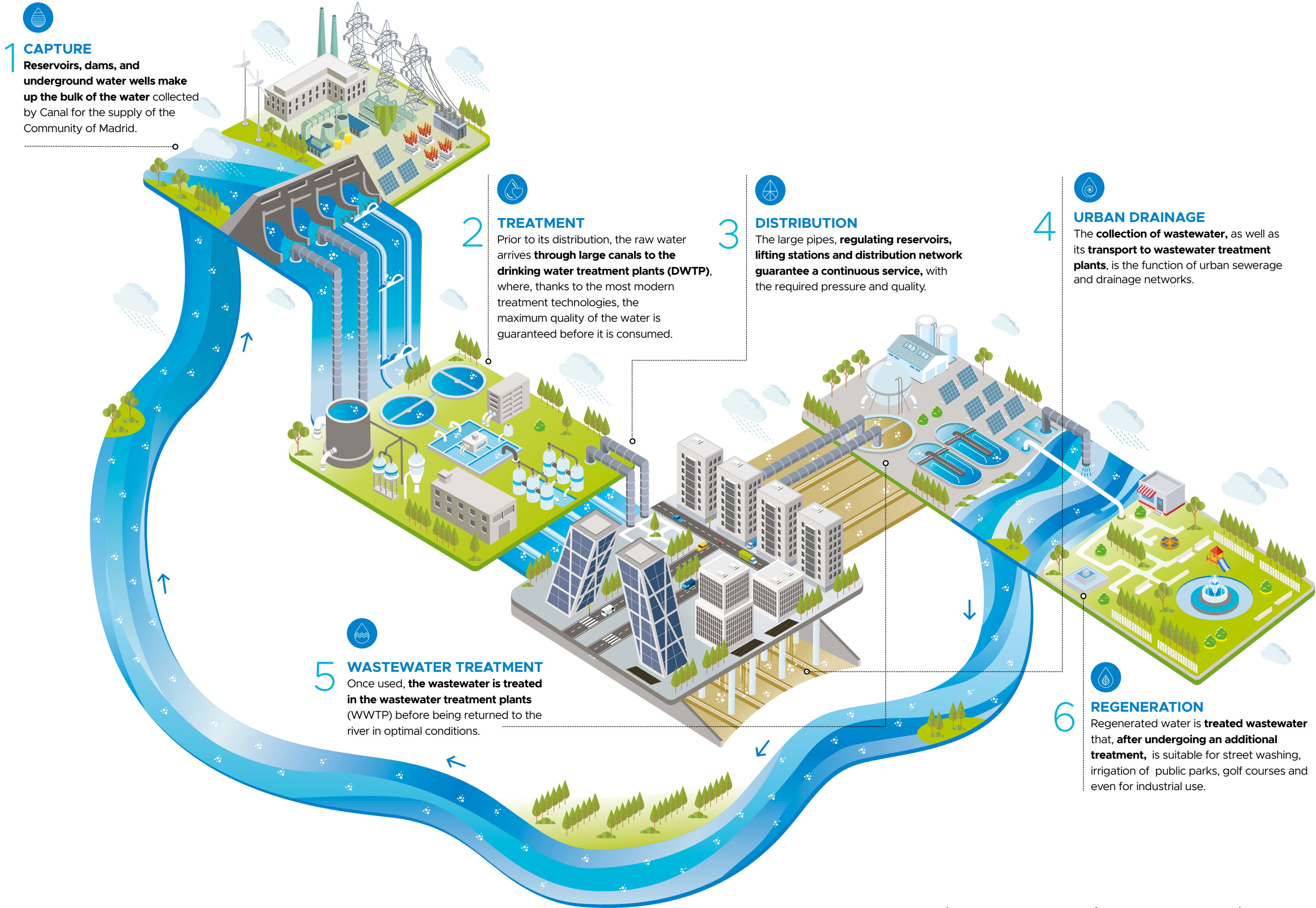
1.2. TECHNICAL INFORMATION AT THE END OF 2023

SUPPLY	SANITATION	REUSE	CUSTOMERS AND POPULATION SERVED IN THE COMMUNITY OF MADRID
Number or reservoirs owned by Canal13	Kilometres of municipal sewage networks managed15,171	Number of existing reuse plants33	Number of contracts (millions)1.59
Capacity of Canal reservoirs (hm³)943.51	Kilometres of network of large collectors and outfalls875	Kilometres of reclaimed water network744	Population supplied (millions of habitants)6,63
Water derived for consumption in reservoirs and catchments (hm³)489.79	Number of laminators and storm tanks managed73	Reclaimed water tanks in service64	Supply coverage (percentage of inhabitants)96.70 %
Number of collection wells in operational status78	Capacity of the storm tanks managed (hm³)1.42	Volume of reclaimed water produced for reuse (hm³ per year)15.63	Municipalities supplied by Canal de Isabel II174
Kilometres of network (adduction and distribution)17,946	Number of wastewater pumping stations (WWPS) managed194	Municipalities with reuse services with Canal26	Population with sewer management service (millions of inhabitants)5.87
Number of drinking water treatment plants14	Number of wastewater treatment plants (WWTP) managed155	Golf courses with reuse agreements or contracts with Canal11	Coverage of sewer management (percentage of inhabitants)85.50 %
Treatment capacity (hm³ per day)4.55	Nominal treatment capacity (millions of equivalent inhabitants)16.25	Companies and organizations with reuse service15	Municipalities with sewer management137
Number of large buffer tanks34	Water treated in WWTPs (hm³)492.19	Volume of reclaimed water discharged into a riverbed (hm³ per year)91.53	Population with wastewater treatment service (millions of inhabitants)6.85
Storage capacity of large tanks (hm³)3.3			Coverage of wastewater treatment (percentage of inhabitants)99.87 %
Number of minor tanks290			Municipalities with wastewater treatment service178
Number of large lifting plants22			

1.3. OUR ACTIVITY

The main activity of Canal de Isabel II is the management of the integral water cycle in the Community of Madrid.

The cycle consists of **two major phases, supply and sanitation**, which correspond to the actions needed to bring drinking water to consumers and to the collection and treatment of wastewater. A third phase can be added to this cycle, which is the **reuse** of this wastewater following adequate treatment to guarantee its sanitary characteristics and enable its use for garden irrigation, street cleaning, irrigation of sports areas and even for its industrial use. Canal currently manages all the aforementioned phases and stages.



[GRI 2-6]
[GRI 303-1]

SUPPLY: ADDUCTION (COLLECTION AND TREATMENT)

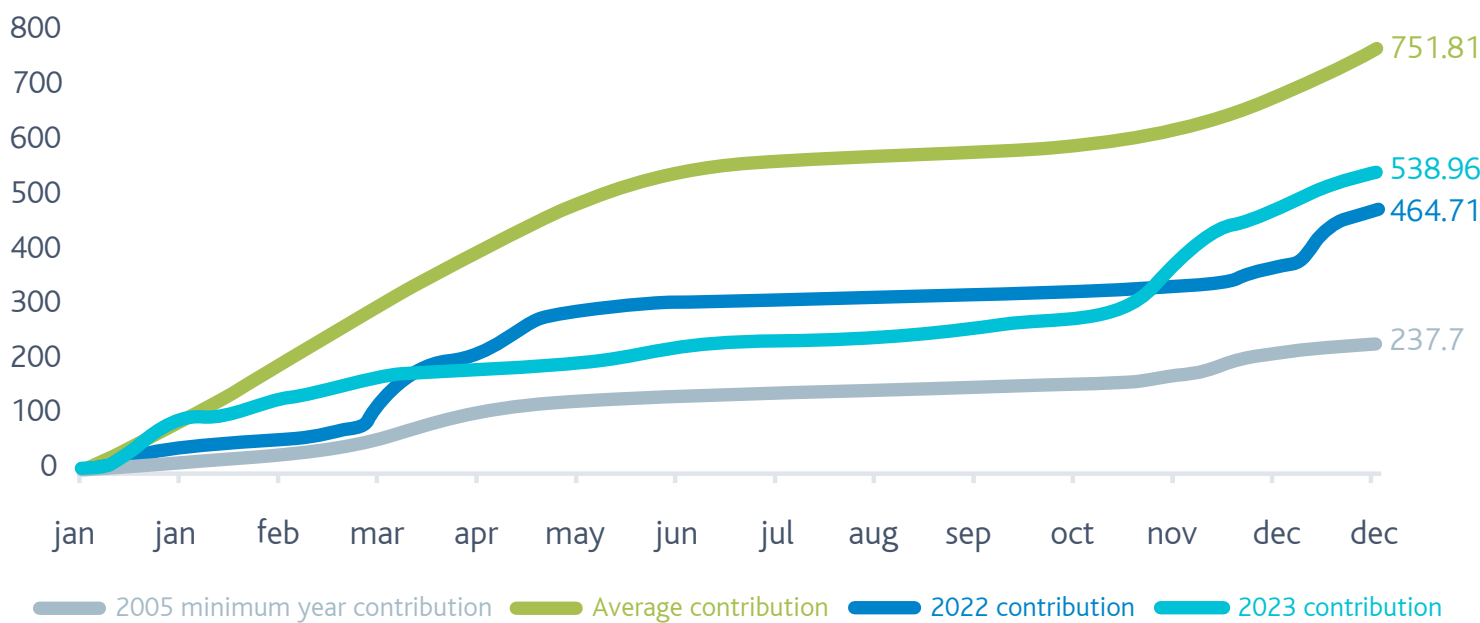


The supply system of the Community of Madrid is based mainly on the collection of surface waters, taking advantage, through the **13 reservoirs** that we manage, of the contributions from the Lozoya, Jarama-Sorbe, Guadalix, Manzanares, Guadarrama-Aulencia and Alberche. It is from these that in 2023 we have captured 77.31% of the water we have supplied to the networks.

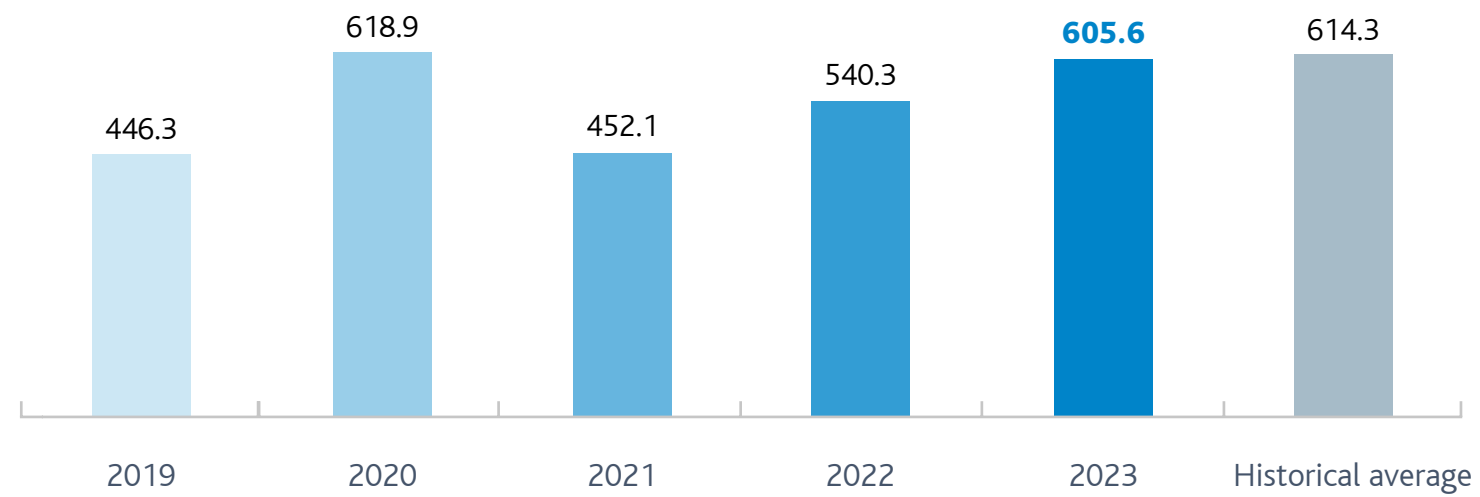
The water that the rivers provide to the reservoirs is highly variable depending on whether the year is wet, dry or medium. The average contribution is **751.81 million cubic meters per year**, although it has sometimes reached more than 1,756 million cubic meters (in 1941) or 237.7 million cubic meters (in 2005). The year **2023 has been a dry one**: a contribution of **538.96 million cubic metres** has been recorded, which is **28.3 % lower than the historical average**.

Regarding the recorded rainfall, in 2023 the rainfall recorded in the dams of the Canal reservoirs has also been somewhat lower than the historical average (1.42% less).

ACCUMULATED NATURAL CONTRIBUTIONS TO THE RESERVOIRS (million m³)



RAINFALLS RECORDED IN CANAL RESERVOIRS (annual litres per m²)



[GRI 303-3]

The **13 reservoirs** that we manage in Canal de Isabel II have a total storage capacity of **943.51 million cubic meters**, of which 62.4% is located in the Lozoya River basin. The main reservoir in this region is the **El Atazar** reservoir, with a storage capacity of more than 425 million cubic meters.

The **collection of groundwater**, as support for the supply of surface water, constitutes a key element in the management of the supply system during periods of drought or water scarcity, and can provide up to 90 million cubic meters per year of exploitation. Tú guarantee this volume, we have **78 wells** in operation. In 2023, their contribution has been especially relevant, with a total of 19.23 million cubic meters extracted throughout the year.

In addition, we have the possibility of **transferring water** from the San Juan, Picadas and Los Morales reservoirs in the **Alberche River** basin, and from the Guadarrama and Sorbe rivers, through the Las Nieves and Pozo de Los Ramos weirs. Likewise from the San Juan reservoir, we can supply water for treatment at the Rozas de Puerto Real DWTP and at the Pelayos de la Presa DWTP. Finally, we can also capture water from the Tagus River to supply it to the networks once treated at the Tagus DWTP.

THE 13 RESERVOIRS OF CANAL DE ISABEL II

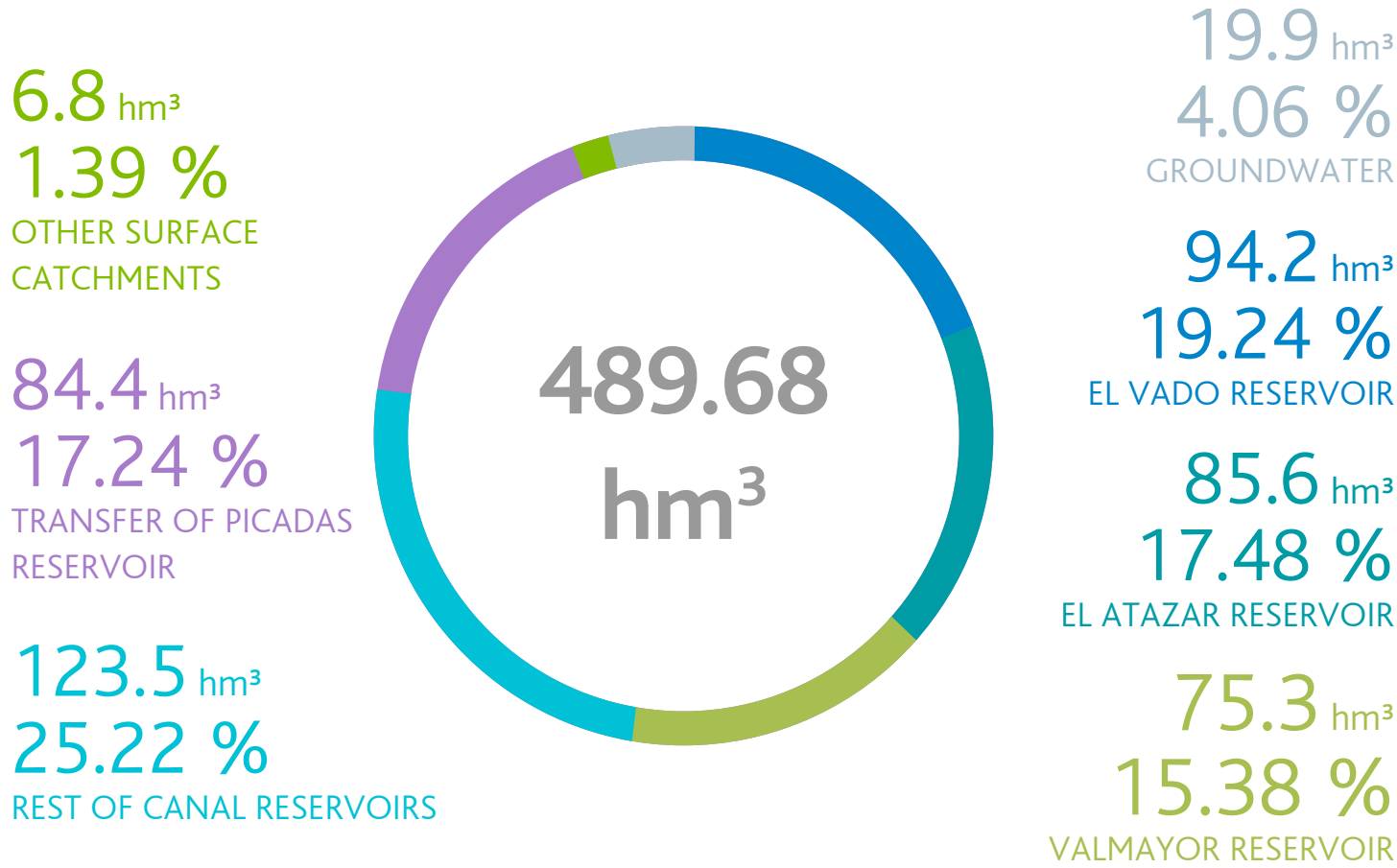
Reservoirs	River basin	River	Reservoir capacity (hm³)	Volume dammed at the end of 2023 (hm³)	Volume dammed at the end of 2023 (% sobre total)
Pinilla	Lozoya	Lozoya river	38.05	25.05	65.83 %
Riosequillo		Lozoya river	50.01	38.96	77.91 %
Puentes Viejas		Lozoya river	52.99	38.22	72.12 %
El Villar		Lozoya river	22.39	18.52	82.73 %
El Atazar		Lozoya river	425.27	264.68	62.24 %
El Vado	Jarama	Jarama river	55.68	30.07	54.00 %
Pedrezuela	Guadalix	Guadalix river	40.89	34.22	83.68 %
Navacerrada	Manzanares	Samburiel river	11.04	6.22	56.36 %
Manzanares el Real		Manzanares r.	91.24	71.87	78.77 %
Navalmedio	Guadarrama - Aulencia	Navalmedio r.	0.71	0.38	53.80 %
La Jarosa		La Jarosa stream	7.18	4.58	63.75 %
Valmayor		Aulencia river	124.36	93.58	75.25 %
La Aceña	Cofio	La Aceña river	23.70	15.20	64.13 %
TOTALS			943.51	641.55	68.00 %

The total volume of water derived for consumption in 2023 amounted to **489.68 million cubic metres**, practically equal to the average of the previous five years and 0.77% lower than in 2022.

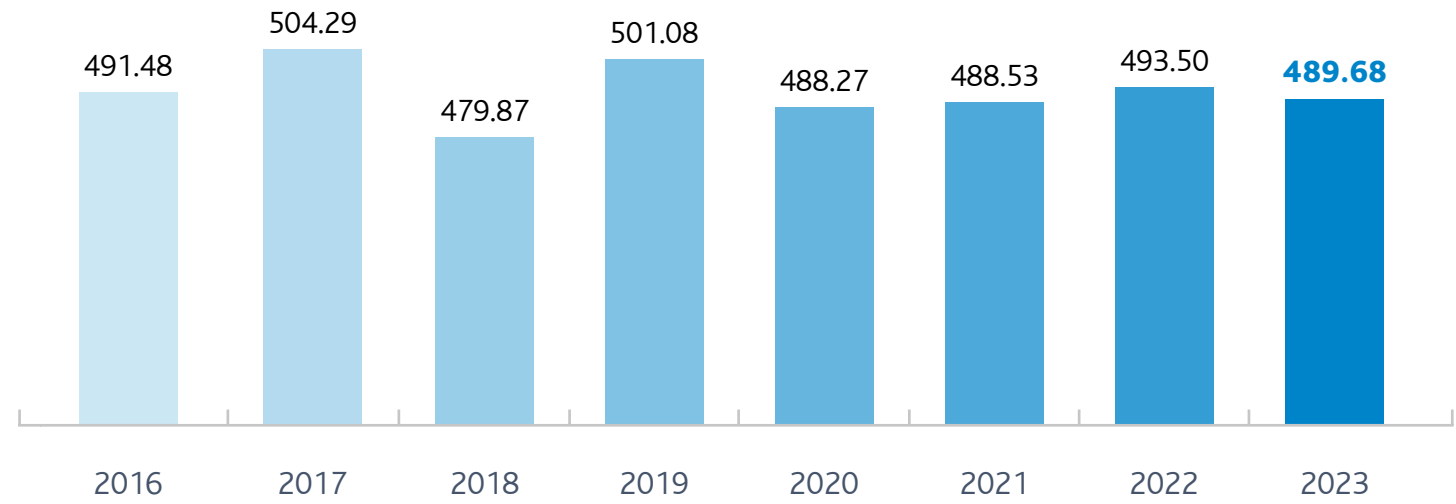
On the basis of all the collection possibilities described, Canal obtains the resources that are subsequently sent to the treatment plants through a network of large canals and raw water pipelines that, at the end of 2023, had a length of 224 kilometres.

Canal manages **14 drinking water treatment stations (DWTP)** with a total nominal capacity to treat 4.55 million cubic meters per day.

ORIGIN OF THE WATER DERIVED FOR CONSUMPTION IN 2023



WATER DERIVED FOR CONSUMPTION (million m³ per year)



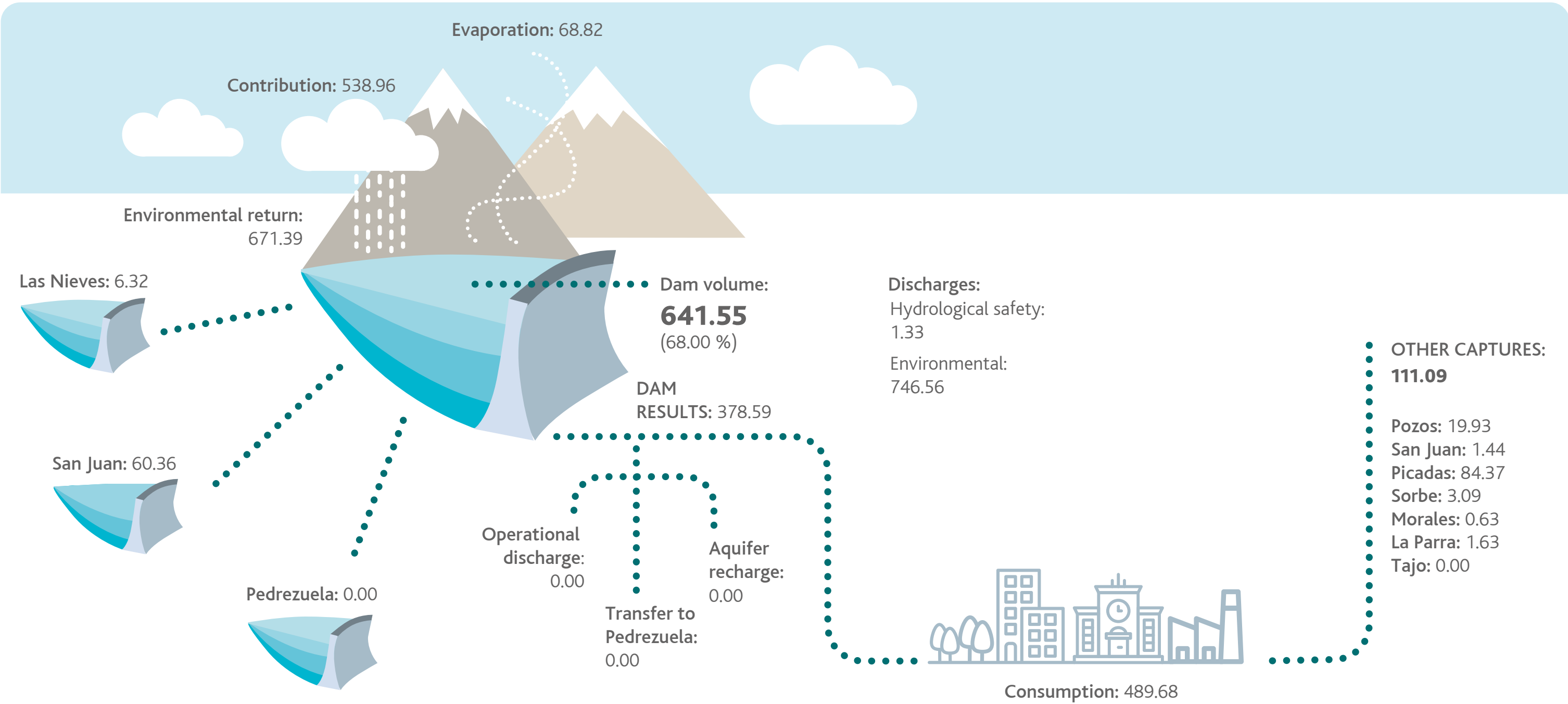
SUPPLY: DRINKING WATER DISTRIBUTION

In the journey of the water from the DWTPs to the users' taps, we have a series of facilities that ensure the **maintenance of the service**: the **large pipes**, the **regulating tanks**, the drinking water **lifting stations** and the **distribution network** guarantee continuous service with the appropriate pressure and quality. The drinking water distribution networks managed by Canal in 2023 reached a total length of **17,946 kilometres**.

Regulating tanks are enclosures for storing the water that supplies the population. We currently manage **34** of these large regulating tanks, with a total capacity of **3.26 million cubic metres**, in addition to another 290 smaller capacity tanks distributed throughout the region.

To take water from the corresponding tanks and raise it to a higher level, thus guaranteeing the supply of water in the highest areas, Canal has **22 large lifting stations** and **109 smaller lifting stations**.

SCHEME OF SUPPLY TO THE COMMUNITY OF MADRID IN 2023 (million m³)



SANITATION: SEWAGE AND URBAN DRAINAGE



The collection of wastewater and rainwater and its transportation to treatment plants is the function of **urban sewage and drainage networks**. Canal currently maintains these networks in **137 municipalities**, thus collecting wastewater from **5.87 million inhabitants**.

The length of the managed municipal sanitation networks amounts to a total of **15,171 kilometres**. In turn, Canal manages almost **875 kilometres of large supra-municipal collectors and outfalls**, pipelines that collect and transport wastewater from the municipalities to the corresponding WWTPs.

Other important facilities that we manage include the **194 wastewater pumping stations (WWPS)**, whose mission is to raise wastewater when its adduction to the WWTPs cannot be carried out by gravity. Furthermore, to avoid flooding, as well as retain the first rainwater, which is the most polluting, we have **73 facilities called storm tanks and laminators**, which add up to a total capacity of 1.42 million cubic metres.

[GRI 303-2]

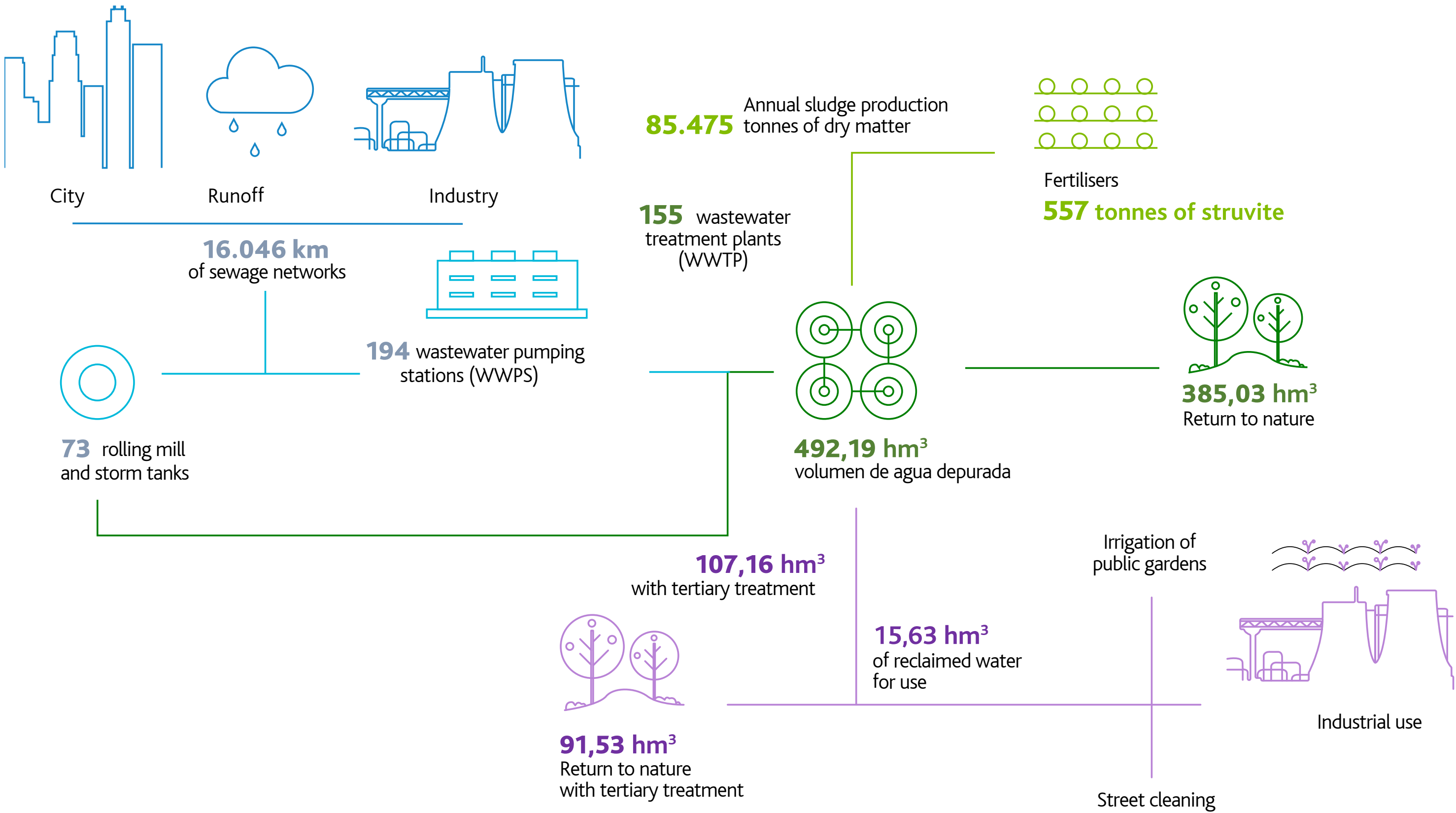
SANITATION: WASTEWATER TREATMENT

After wastewater is collected and transported through the sewage systems of towns and cities, it is purified before being discharging into natural channels, under the quality standards set by the European Union and national, regional and local legislation, or for reuse.

At Canal we take care of this work in 178 of the 179 municipalities of the Community of Madrid and in the Toledo town of Ontígola (179 municipalities in total) and we have excellent infrastructure that allows us to provide a continuous, quality, efficient and very technical. In 2023, the 155 **wastewater treatment plants (WWTP)** managed by Canal, whose **nominal treatment capacity is 16.25 million equivalent inhabitants**, treated and discharged a total of **476.56 million cubic meters of wastewater (91.53** of them with tertiary treatment to contribute to the improvement of the quality of the rivers) into the channel and managed to eliminate 95.04% of the suspended solids, 97.66% of the BOD5, 92.71% of the COD, 91.14% of the phosphorus and 65.30% of the nitrogen they contained.

In addition to the treated water discharged into the channel, the Canal WWTPs treated another **15.63 million cubic meters** in 2023, which were for reuse purposes.

SANITATION SCHEME IN THE COMMUNITY OF MADRID IN 2023



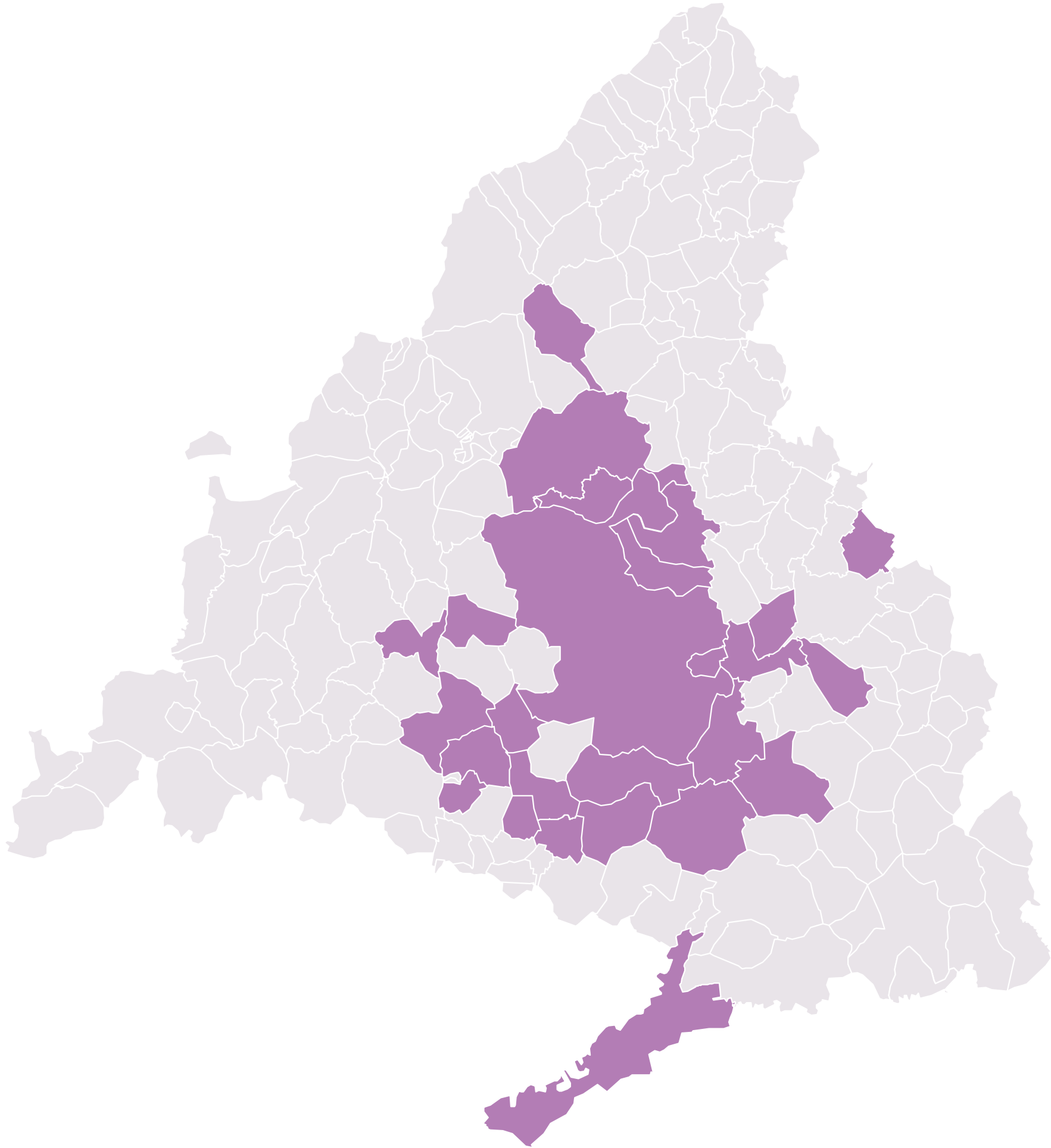
[GRI 303-2]
[GRI 306-1]

REGENERATION OF TREATED WASTEWATER FOR REUSE PURPOSES

The **reuse of treated wastewater** is an essential component of comprehensive resource management because it contributes to the net increase in water availability in the region. For this reason, in recent years, we have increasingly favoured the activity of distributing reclaimed water for uses that do not require drinking water, especially for **washing streets** and **irrigating public parks, golf courses** and even for some **industrial processes**.

At the end of 2023, we had **33 reclaimed water production plants** (tertiary treatments) with the capacity to produce **395,493 cubic meters per day** and **744 kilometres** of reuse networks that supplied 15.63 million cubic meters of reclaimed water to the **26 municipalities** that had this service and where more than 5.3 million inhabitants reside.

With the reclaimed water produced by Canal, **3,060 hectares** are being currently irrigated: in **462 municipal green areas** in the region (2,042 hectares), in **11 golf courses** with a total area of **789 hectares** and in **15 companies and entities** that have the reuse service (229 hectares).

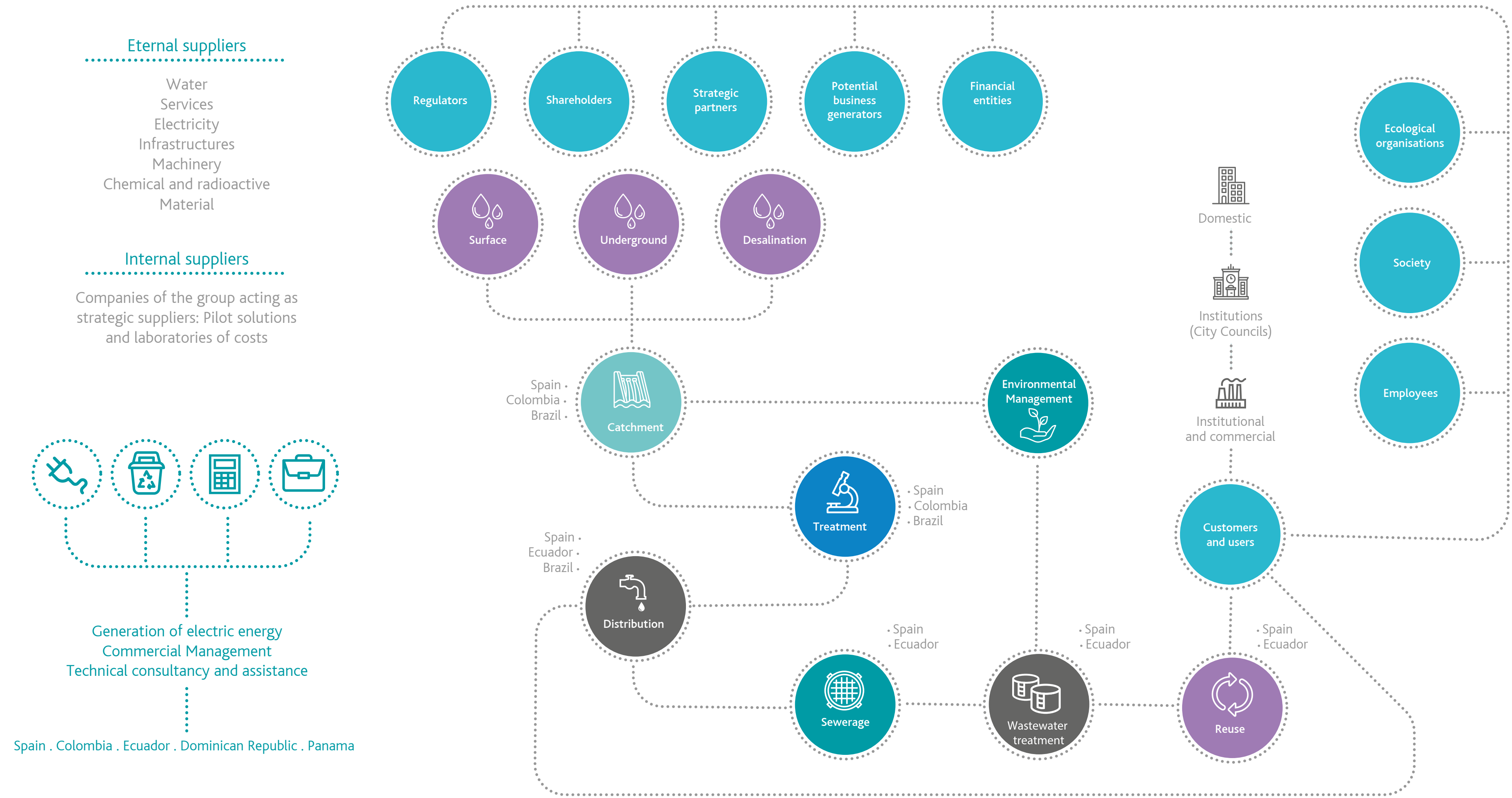


MUNICIPALITIES WITH RECLAIMED WATER REUSE SERVICE IN 2023

ALCOBENDAS	PINTO
ALCORCÓN	RIVAS VACIAMADRID
ARANJUEZ	SAN FERNANDO
ARGANDA DEL REY	DE HENARES
ARROYOMOLINOS	SAN MARTÍN
COLMENAR VIEJO	DE LA VEGA
COSLADA	SAN SEBASTIÁN
FUENLABRADA	DE LOS REYES
GETAFE	TORREJÓN DE
HUMANES	ARDOZ
DE MADRID	TORRES DE LA
MADRID	ALAMEDA
MAJADAHONDA	TRES CANTOS
MECO	VILLANUEVA
MIRAFLORES	DE LA CAÑADA
DE LA SIERRA	VILLAVICIOSA
MÓSTOLES	DE ODÓN
PARLA	

[GRI 303-2]

VALUE CHAIN OF CANAL DE ISABEL II AND ITS BUSINESS GROUP



1.4. ORGANISATION OF OUR COMPANY

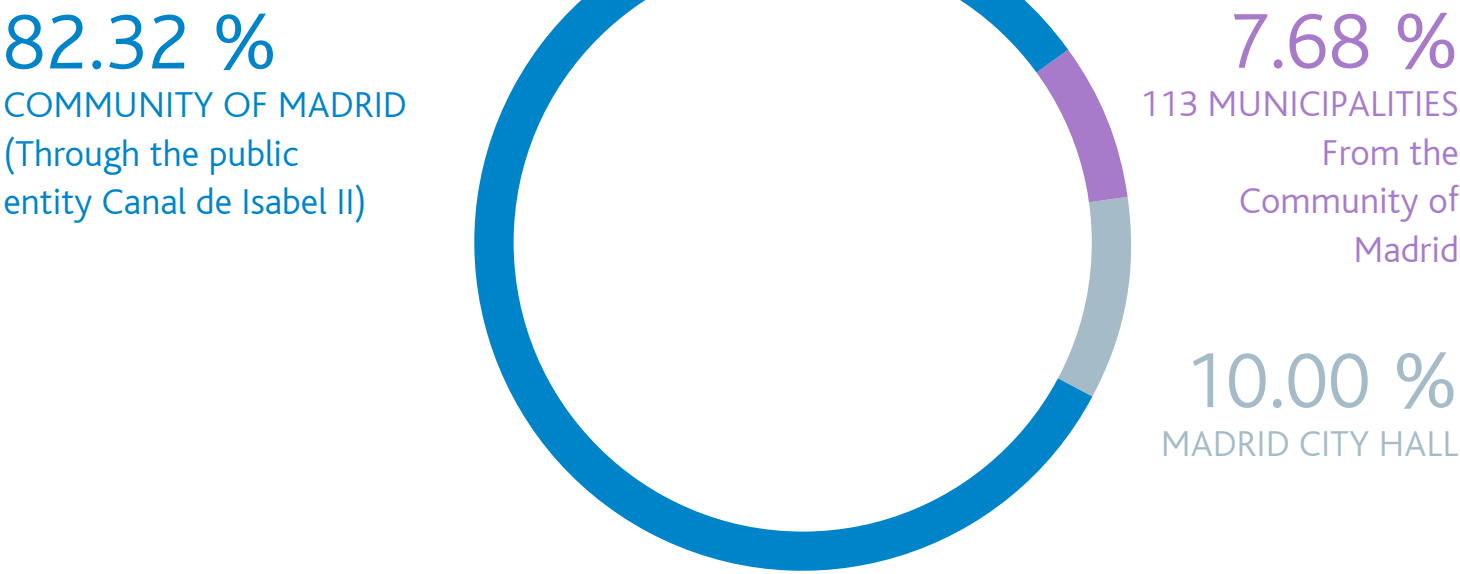
The corporate structure and governing bodies of our company respond to the requirements derived from its legal nature as a public limited company since its creation in June 2012.

SHAREHOLDERS

The **share capital of Canal de Isabel II, Sociedad Anónima, M.P.** is represented by **1,074,032,000 ordinary shares** with a **nominal value of one euro** each. The constitution of the Company was authorised by an agreement of the **Governing Council of the Community of Madrid on 14 June 2012**. The delivery of the shares to the **first 111 municipal shareholders** of the Company was formalised in December 2012, in compliance with what was agreed with the town councils involved.

The 2018 approval of *Law 8/2018*¹ opened the possibility of incorporating new town councils into the shareholding, as has happened recently with the municipality of Brunete², which currently brings the shareholder municipalities to 114, which in 2023 had a population of **6,184,403 inhabitants**, that is, **90.15%** of the population of the Community of Madrid.

CURRENT SHAREHOLDING STRUCTURE OF CANAL DE ISABEL II, SOCIEDAD ANÓNIMA, M.P.



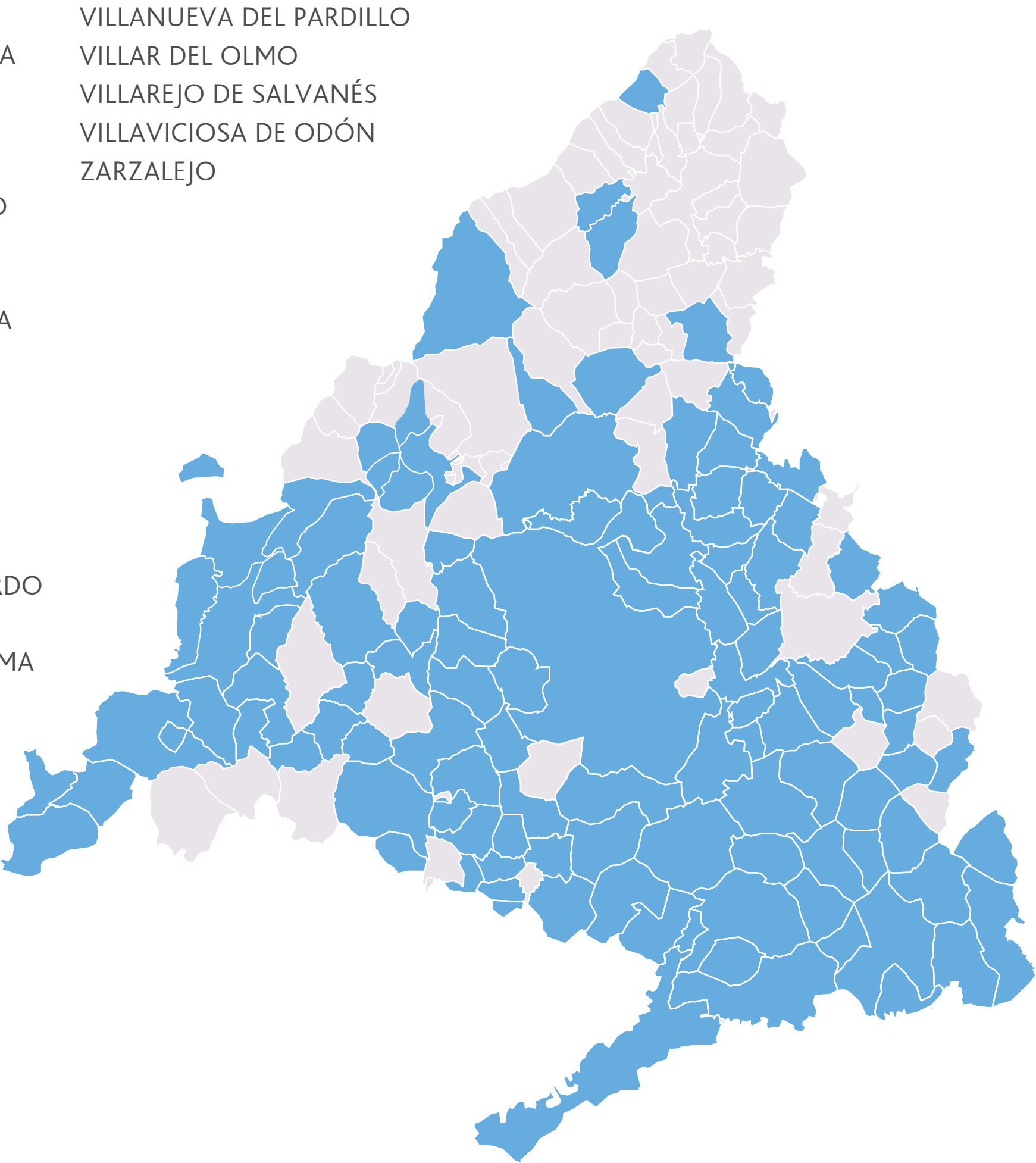
1. *Law 8/2018, of 26 December 26, modifying Law 3/2008, of 29 December, on Fiscal and Administrative Measures, to guarantee the public nature of Canal de Isabel II.*
2. The incorporation of the municipality of Brunete into the shareholding was authorized by the Company's Board of Directors on 21 December 2023, and the accession agreement was signed during the first quarter of 2024.



[GRI 2-1]

THE 114 SHAREHOLDER MUNICIPALITIES OF CANAL (17.68 % OF THE SHARE CAPITAL)

AJALVIR	DAGANZO DE ARRIBA	MÓSTOLES	SOTO DEL REAL
ALCOBENDAS	EL ÁLAMO	NAVALCARNERO	TALAMANCA DE JARAMA
ALCORCÓN	EL ESCORIAL	NAVAS DEL REY	TIELMES
ALGETE	EL MOLAR	NAVAS DEL REY	TITULCIA
ALPEDRETE	ESTREMER	NUEVO BAZTÁN	TORREJÓN DE ARDOZ
AMBITE	FRESNEDILLAS	PARACUELLOS DE JARAMA	TORREJÓN DE VELASCO
ANCHUELO	DE LA OLIVA	PARLA	TORRELAGUNA
ARANJUEZ	FRESNO DE TOROTE	PELAYOS DE LA PRESA	TORRELODONES
ARGANDA DEL REY	FUENLABRADA	PERALES DE TAJUÑA	TORRES DE LA ALAMEDA
ARROYOMOLINOS	FUENTE EL SAZ DE JARAMA	PINTO	TRES CANTOS
BELMONTE DE TAJO	FUENTIDUEÑA DE TAJO	POZUELO DE ALARCÓN	VALDARACETE
BOADILLA DEL MONTE	GARGANTA DE	QUIJORNA	VALDELAGUNA
BREA DE TAJO	LOS MONTES	RASCAFRÍA	VALDEMAQUEDA
BRUNETE	GARGANTILLA DEL LOZOYA	RIBATEJADA	VALDEMORILLO
CADALSO DE LOS VIDRIOS	Y PINILLA DE B.	RIVAS-VACIAMADRID	VALDEMORO
CAMPO REAL	GETAFE	ROBLEDO DE CHAVELA	VALDEOLMOS-ALALPARDO
CARABAÑA	GRIÑÓN	ROZAS DE PUERTO REAL	VALDEPIÉLAGOS
CASARRUBUELOS	GUADALIX DE LA SIERRA	SAN FERNANDO	VALDETORRES DE JARAMA
CENICIENTOS	HUMANES DE MADRID	DE HENARES	VALDILECHA
CHAPINERÍA	LA ACEBEDA	SAN LORENZO DE	VALVERDE DE ALCALÁ
CHINCHÓN	LAS ROZAS DE MADRID	EL ESCORIAL	VELILLA DE S
CIEMPOZUELOS	LOECHES	SAN MARTÍN	AN ANTONIO
COBEÑA	LOS SANTOS DE	DE LA VEGA	VILLACONEJOS
COLLADO MEDIANO	LA HUMOSA	SAN MARTÍN DE	VILLALBILLA
COLLADO VILLALBA	MADRID	VALDEIGLESIAS	VILLAMANRIQUE
COLMENAR DE OREJA	MAJADAHONDA	SAN SEBASTIÁN DE	DE TAJO
COLMENAR DEL ARROYO	MECO	LOS REYES	VILLAMANTILLA
COLMENAR VIEJO	MEJORADA DEL CAMPO	SANTA MARÍA DE	VILLANUEVA
CORPA	MORALEJA DE ENMEDIO	LA ALAMEDA	DE LA CAÑADA
CUBAS DE LA SAGRA	MORALZARZAL	SANTORCAZ	VILLANUEVA
	MORATA DE TAJUÑA	SERRANILLOS DEL VALLE	DE PERALES
		SEVILLA LA NUEVA	



GOVERNING BODIES OF THE COMPANY

The governing bodies of the corporate governance of the Canal de Isabel II Company are the **General Board of Shareholders**, which includes **all the company’s shareholders**, and the **Board of Directors**. Its composition and operation are set out in the **Bylaws**, a document that sets out the set of articulated rules by which the corporate operation of the Company is governed.

The Board of Shareholders

The responsibilities of the Board of Shareholders include, among other legally conferred powers, the **approval of the corporate management, the accounts, the Non-Financial Information Statement (NFIS/Sustainability Report)** of the previous year and deciding on the application of the results of each year.

Since the creation of the public limited company Canal de Isabel II, in 2012, and until 2023 (including the interim dividend for the year 2023), a total of **1,534.73 million euros in dividends** have been distributed: 1,264.57 million corresponded to the Community of Madrid, 153.47 to the Madrid City Council and 116.68 to the remaining shareholder municipalities of Canal. This represents the contribution of **44.18 euros per inhabitant** in the shareholder municipalities.

In 2023 two shareholder meetings were held, an ordinary (1 June) and an extraordinary one (7 September). The main agreements adopted were the following:

- The **approval of the Individual Annual Accounts** de la Company (Balance Sheet, Profit and Loss Account, Statement of Changes in Shareholders’ Equity, Statement of Cash Flows and Report) and the **Management Report**, corresponding to the year 2022.
- The **approval of the Consolidated Annual Accounts** of the Company and of its Group (Consolidated Balance Sheet, Consolidated Profit and Loss Account, Consolidated Statement of Changes in Shareholders’ Equity, Consolidated Statement of Cash Flows, Consolidated Report) and the **Consolidated Management Report** (including the Non-Financial Information Statement), corresponding to fiscal year 2022.
- The **approval of the Consolidated Non-Financial Information Statement** included in the Consolidated Management Report of the Company and its Group, corresponding to the year 2022.
- The **approval of the management of the Company’s administrators**.
- The **approval of the application of the Result** corresponding to the year 2022.
- The **appointment of the external auditor of accounts of the Company and its Group** for the years 2023, 2024 and 2025 (Ernst & Young, EY).
- The **ratification of the appointment and re-election** of the public entity Canal de Isabel II as the proprietary director of the Company for the statutory period of four years.
- The **appointment of two proprietary directors** (Mr. Carlos Novillo Piris and Mr. Pablo Cristóbal Mayoral).



The Board of Directors and its committees

The **General Board of Shareholders** determines the number and appoints the members of the Board of Directors. Currently the Council is made up of **fifteen councillors**, in addition to a non-advisory secretary.

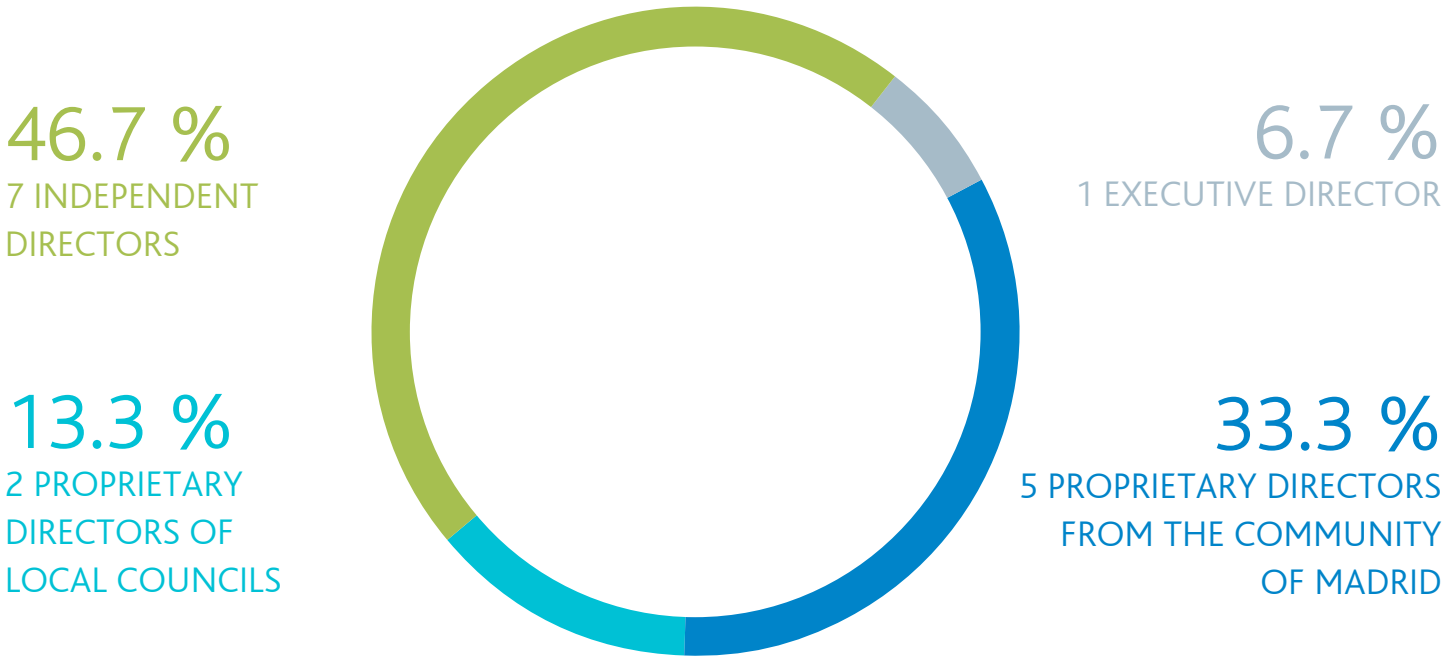
Persons declared incompatible cannot hold positions in the Company and, where appropriate, exercise them to the extent and conditions established by *Law 14/1995, of 21 April, of the Community of Madrid, article 213 of the Royal Legislative Decree. 1/2010, of 2 July, which approves the consolidated text of the Capital Companies Law* and other applicable legislation.

Although **we are not a listed company**, we are issuers of non-convertible fixed income securities in a regulated market. Furthermore, one of the priority lines of action for our Board of Directors is to **promote good governance**, which is why we consider that the *Good Governance Code for Listed Companies* of the National Securities Market Commission (CNMV from its Spanish initials) should serve as a guiding document of our activity.

Therefore, at the end of 2023 we had **seven independent directors** (47% of the total), which means complying with Recommendation 17 of the CNMV Code, which indicates that, for companies that have a shareholder that controls more than 30% of share capital, such as Canal de Isabel II, Sociedad Anónima, M.P., the number of independent directors must represent at least one third of their total.



CURRENT STRUCTURE OF THE BOARD OF DIRECTORS



[GRI 2-10]
[GRI 2-15]

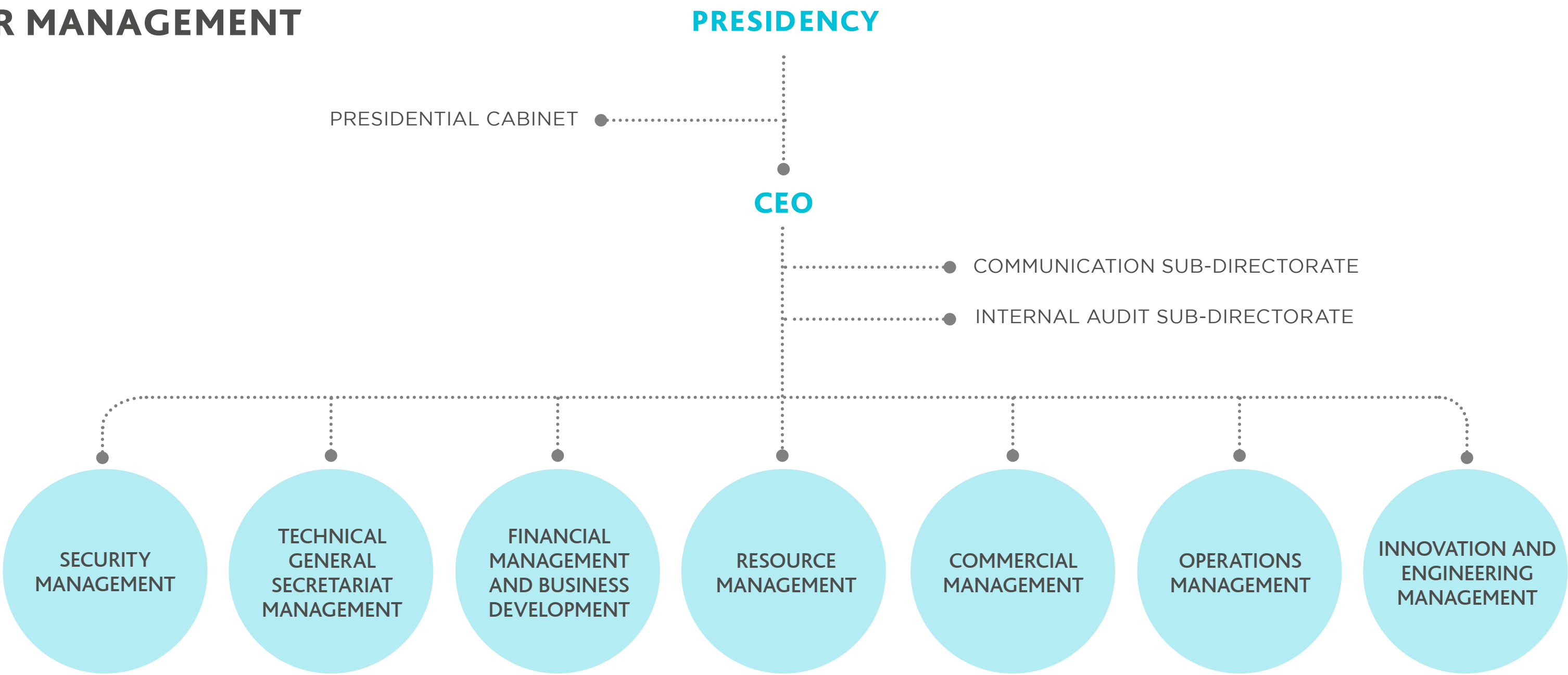
MEMBERS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES DURING 2023³

DIRECTORS	TYPE	BOARD OF DIRECTORS	AUDIT COMMITTEE	APPOIINTMENTSAND REMUNUERATION COMMITTEE	SUSTANABILITY COMMITTEE
MR. PALOMA MARTÍN MARTÍN	Proprietary Community of Madrid	President of the Council (until 6 July 2023)			
MR. CAR LOS NOVILLO PIR IS	Proprietary Community of Madrid	President of the Council (since 7 September 2023)			
MR. PASCUAL FERNÁNDEZ MARTÍNEZ	Executive	Vicepresid. of the Council and CEO (until 23 February 2023)			
MR. MARIANO GONZÁLEZ SÁEZ	Executive	Vicepresid. of the Council and CEO (since 23 February 2023)			
PUBLIC ENTITY CANAL DE ISABEL II represented by: MR. PABLO JOSÉ RODRÍGUEZ SARDINERO	Proprietary Community of Madrid	Member (until 28 July 2023)			
ENTE PÚBLICO CANAL DE ISABEL II represented by: MR. RAFAEL GARCÍA GONZALEZ	Proprietary Community of Madrid	Member (until 28 July 2023)			
MS. ISABEL AGUILERA NAVARRO	Independent	Member			Committee member
MS. CRISTINA APARICIO MAEZTU	Proprietary Community of Madrid	Member	Committee member		Committee member
MR. FERNANDO ARLANDIS PÉREZ	Proprietary Community of Madrid	Member (until 6 Jul y 2023)	Committee member		Committee member
MR. ANTONIO JAVIER CORDERO FERRERO	Independent	Member	Committee member		Committee member
MR. PABLO CRISTÓBAL MAYORAL	Proprietary Community of Madrid	Member (since 7 September 2023)		Committee member	
MR. JAIME GARCÍA-LEGAZ PONCE	Independent	Member	Presidente Comisión		
MR. GUILLERMO HITA TÉLLEZ	Proprietary Community of Madrid	Member (until 30 November 2023)			
MR. SALVADOR MARÍN HERNÁNDEZ	Independent	Member	Committee member		Committee member
MR. FRANCISCO MUÑOZ GARCÍA	Proprietary Community of Madrid	Member			
MS. ALICIA MUÑOZ LOMBARDÍA	Independent	Member		Committee President	
MR. JAIME SÁNCHEZ GALLEGO	External-other (until 7 September 2023) Independent (since 7 September 2023)	Member		Committee member	
MR. JOSÉ IGNACIO TEJERINA ALFARO	Proprietary Community of Madrid	Member	Committee member	Committee member	
MS. LOURDES VEGA FERNÁNDEZ	Independent	Member		Committee member	Committee President
MS. MARIA DEL CARMEN TEJERA GIMENO		Secretary, non-director	Committee Secretary	Committee Secretary	Committee Secretary
	Independent				

3. The Extraordinary General Shareholders Meeting held on 29 February 2024 appointed **Ms. Judith Piquet Flores**, Mayoress - President of the City Council of Alcalá de Henares and President of the Madrid Federation of Municipalities (FMM), as a proprietary director.

ORGANISATION AND SENIOR MANAGEMENT

Our organization has a structure made up of directorates (7), subdirectorates (28) and operational areas (101). The current organizational chart at the end of 2023 at the management level is as follows:



Canal has a **Management Committee, chaired by the CEO, which meets periodically** and is currently made up of 10 more members: all the **directors**, the deputy director of Communication and the deputy to the CEO.

The Management Committee carries out **advisory and consultative work for the CEO on relevant issues** that affect the company in any matter (analysis of economic, strategic, operational,

commercial and/or environmental information). In addition, it is responsible for **coordinating the activities of the different directorates**, subdirectorates and areas of our company’s Channel and **periodically monitors the results** and deviations with respect to the company’s objectives. The agenda of the topics to be discussed by the Committee is established by the CEO and may also include any other substantial matter proposed by any of its members.

In addition to the Management Committee, Canal periodically meets different committees and working groups made up of members of management, such as the **Supply Management Committee, the Information Systems Committee, the Compliance Committee or the Rates Working Group.**

[GRI 2-12]
[GRI 2-13]

APPROVAL OF THE CANAL SUSTAINABILITY POLICY

Among the most relevant agreements approved in 2023 by our Board of Directors, mention should be made of the September approval of the **Sustainability Policy** of Canal and its business group.

The policy approved is based on the assumption of the importance that aspects bearing on **corporate social responsibility** must have in the governance and management of our company in order to serve as the benchmark in terms of sustainable development of public companies in the Community of Madrid, as well as in the comprehensive management of water at a global level.

The policy approved, which is applicable to all companies that make up the Canal Group, aims to achieve our active and voluntary involvement in improving our environment, through the integration of ethical, social, environmental, good governance and human rights concerns. Thus, the **principles** followed in the policy are the following:

- 1. **Rational use of water**, in order to guarantee a safe, high-quality supply.
- 2. **Protection of water bodies and biodiversity**, purifying urban wastewater adequately, to return it to the rivers in optimal conditions.
- 3. **Sustainable operation** and commitment to the circular economy, decisively favouring the reduction of energy consumption and the recycling and reuse of water.
- 4. **Climate change and clean energy**, to contribute to the decarbonization of the economy by mitigating our emissions and adapting to face extreme weather events. One aspect of particular relevance is the generation of renewable energy in a way that is synergistic with our management of the integral water cycle.
- 5. **Alliances with other entities and support for their social and environmental initiatives**, being present in the most relevant national and international forums and associations. As participants in the United Nations Global Compact, our goal is to advance the Sustainable Development Goals of this institution.

- 6. **Good corporate governance, ethics and management transparency**, implementing the best good governance practices and recommendations available.
- 7. **Relations with our interest groups**, placing our clients and users at the centre of our management and promoting social rates. Likewise, we support our professionals (attracting, retaining and enhancing their talent) and integrate people with disabilities into the workforce. Finally, we maintain relationships based on trust and mutual respect with our suppliers and collaborators, configuring sustainability as a fundamental principle in our value chain.

- 8. **Support for local entities**, strengthening their participation in improving water and sanitation management. In this way, we contribute to its development and to territorial cohesion and balance.
- 9. **Culture and patronage**, promoting educational and cultural activities, mainly through our Foundation. Likewise, it is our commitment to open some of our facilities to the public for sporting, cultural, social and environmental activities.
- 10. **Innovation and sectoral knowledge**, providing the necessary resources in terms of technological development and innovation, to position ourselves and maintain ourselves among the leaders in our sector.



[GRI 2-14]
[GRI 2-22]
[GRI 2-23]

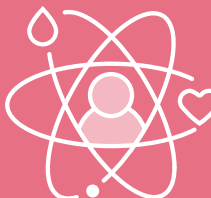
1.5. OUR STRATEGY

THE 2018-2030 STRATEGIC PLAN OF CANAL



During 2016 and 2017, Canal de Isabel II carried out a strategic reflection process that concluded in March 2018 with the launch of our **2018-2030 Strategic Plan**. The main objective of the strategic reflection process was to define where we wanted to position ourselves in the future, what our long-term objectives would be and propose the necessary strategies to achieve them, facing the challenges of modernization and sustainability of the company, maintaining and promoting technological levels. and excellence in service. The process was carried out through the participation and collaboration of all the interest groups with which we interact.

This reflection process on 1 January 2018 led to the beginning of the implementation of our Strategic Plan, which is articulated through 10 strategic lines, which are the following:

1. Ensuring supply guarantee	 Maintaining the supply guarantee level in the foreseeable scenarios of climate change and with a sustained increase that is equivalent to the average over the last 15 years.	6. Reinforcing commitment and closeness to users	 Maximising "customer experience" in all contacts with our users, improving efficiency in commercial and operational processes.
2. Guaranteeing the quality of water for consumption	 Guaranteeing water quality from its very origin, preserving our supply sources until reaching the point of consumption.	7. Promoting transparency, good governance and commitment to society	 Guaranteeing transparency, good governance and commitment to society as a public company offering an essential basic service.
3. Strengthening service continuity	 Ensuring service continuity in the event of possible failings that may affect the networks, the quality of the water supplied or Canal's information systems.	8. Fomenting our professionals' talent, commitment and health	 Supporting our professions, attracting, retaining and promoting talent and knowledge, in order to be the best company in our sector for pursuing a professional career.
4. Promoting environmental quality and energetic efficiency	 Promoting the circular economy and sustainable development, dealing with the challenges associated with climate change by means of the corresponding adaptation and mitigation plans.	9. Being at the head in innovation and development	 Innovating in our actions so as to be a benchmark in our sector and develop the technologies and services our customers may demand in the future.
5. Developing cooperation with the municipalities of Madrid	 Promoting the integral management of Canal in all the municipalities, consolidating the most efficient model of supra-national management.	10. Ensuring management sustainability and efficiency	 Carrying out a rigorous, efficient and transparent public management, ensuring the right economic and social balance.

[GRI 2-23]

Each one of the 10 strategic lines is articulated in strategic plans, which in 2023 numbered 50, the most important being the 10 star plans (one per line). The plans we have worked on are the following (star plans in bold):

Each one of the strategic plans has measurable annual objectives and one or more indicators for monitoring. The results of this monitoring are published quarterly and annually on our website, in the section dedicated to the Strategic Plan. In addition, both the Management Committee and the Board of Directors are informed annually of the details of the fulfilment of each of these objectives.

The degree of compliance with the objectives of the strategic lines and plans is reflected annually in the variable remuneration received by the CEO, managers, management support staff and Canal graduates.

	LE 1 _ Ensuring supply guarantee
PE 1	Plan to maintain the level of supply
P.Est.1	Plan 25: reduce by 25% the volume of water derived for consumption per inhabitant
PE 1.1	Plan to ensure the maximum efficiency of existing resources
PE 1.2	Plan to expand and promote the use of reclaimed water
PE 1.3	Plan to ensure and promote an effective management of demand
	LE 2 _ Guarantleeing the quality of water for consumption
PE 2	Plan to preserve the quality of the water in the distribution network
P.Est.2 / PE 2.4	Plan Red/ Plan to improve preventive maintenance in the supply network
PE 2.1	Plan to improve the quality of the water at its source
PE 2.2	Plan to enhance the use of new treatment technologies
PE 2.3	Plan to improve the network operation process
	LE 3 _ Strengthening service continuity
PE 3 / P.Est.3	Plan for 365 days of service continuity / Resilience plan for supply to municipalities
PE 3.1	Plan for the physical safety of the infrastructures
PE 3.2	Staff safety plan
PE 3.3	Information safety plan
	LE 4 _ Promoting environmental quality and energetic efficiency
PE 4	Plan for dealing with the challenges associated with climate change
P.Est. 4	Plan 0.0Wh: Reaching an electric generation of 100% of our consumption
PE 4.1	Wastewater treatment excellence plan
PE 4.2	Energetic efficiency and sustainable development plan
PE 4.3	Plan for fomenting the circular economy
PE 4.4	Plan for developing clean energy
	LE 5 _ Developing cooperation with the municipalities of Madrid
PE 5	Plan for consolidating municipal management model
P.Est.5	SANEA PLAN: 100% of the sanitation networks adequate for master plans
PE 5.1	Plan for getting closer to city halls and housing estates
PE 5.2	Sewage excellence plan

	LE 6 _ Reinforcing commitment and closeness to users
PE 6	Plan for getting closer to users
P.Est. 6	Digital solution plan: the electronic invoice
PE 6.1	Plan for fomenting and developing the "customer experience" culture
PE 6.2	Plan for analysing the Voice of the Customer
PE 6.3	Smart-Region Plan: installation of smart meters and new invoicing systems
	LE 7 _ Enhancing transparency, good governance and commitment to society
PE 7	Plan for guaranteeing transparent management
P.Est. 7	Plan for enhancing investment in CSR
PE 7.1	Strategic good governance plan
PE 7.2	Plan for enhancing transparency and reinforcing relationships with the interest groups
PE 7.3	Strategic plan for commitment to society
	LE 8 _ Fomenting our professionals' talent, commitment and health
PE 8 / PE 8.2	Staff management plan / Plan for ensuring a staff that is adapted to the needs and with the most adequate professionals
P.Est. 8	Equality plan
PE 8.1	Plan for increasing employee commitment and sense of belonging
PE 8.3	Plan for developing and promoting the sustainable professional development of Canal's structure
PE 8.4	Plan for ensuring safe environments for all employees
	LE 9 _ Being at the head of innovation and development
PE 9	Plan for developing future technologies and services
P.Est. 9 / PE 9.1	Plan Innova 100/ Plan for innovative strategy support
PE 9.2	Plan for internal innovation and development
PE 9.3	Plan for the digital transformation of Canal de Isabel II (Canal 4.0)
PE 9.4	Plan for positioning as an innovative company
	LE 10 _ Ensuring management sustainability and efficiency
PE 10	Plan for carrying out rigorous, efficient and transparent public management
P.Est. 10	Plan for making hiring processes faster
PE 10.1	Plan for ensuring an efficient use of economic resources
PE 10.2	Plan for progressively adapting the level of indebtedness to the development strategy
PE 10.3	Plan for ensuring the efficiency of processes

[GRI 2-19]
[GRI 2-20]

MONITORING OF THE 2018-2030 STRATEGIC PLAN

The 2018-2030 Strategic Plan is a living and necessarily flexible tool, a lever for our company’s sustainability strategy. Thanks to the participatory nature it has had since its design and creation, as well as the constant improvement to which it is open, it has a system for monitoring and controlling quarterly results, as well as a continuous strategic review process, which involves our entire organization.

The implementation of our Strategic Plan now entails the implementation of transversal projects that involve professionals from different areas of our company, which means that, superimposed on the formal and hierarchical structure of Canal, there is an ad hoc transversal structure, which is in charge of the implementation of the plans and actions of each strategic line.

Each one of the **10 strategic lines** is directed by a member of the Steering Committee and coordinated by a line coordinator, who in turn leads those responsible for the plans and specific actions associated with their line. Additionally, the **Strategy Implementation and Monitoring Office**, an internal team specifically established with the mission of promoting, coordinating and facilitating the execution of plans and actions, monitors all the objectives of the lines and plans, in addition to supporting decision-making.

In the fiscal year 2023, **the objectives of our 2018-2030 Strategic Plan have been met by 99.2%**, the highest annual value achieved since the start of the Plan in January 2018.

In 2023, at the request of the Sustainability Committee of the Board of Directors, the process has been begun to prepare the **Canal Sustainability**

Plan, which will include the specific actions to develop the **10 principles and areas of action** on which our Sustainability Policy, approved in 2023, is based.



1.6. OUR INTEREST GROUPS

At Canal de Isabel II we consider it essential to maintain continuous contact with our interest groups. With them, and thanks in part to their direct participation throughout the entire Strategic Plan design process, we daily assume specific commitments that we conceive as part of our responsibility as a public company.



Our main interest groups include the following:

- **Regulatory bodies:** the European Union, the Ministry for the Ecological Transition and the Demographic Challenge, the Tajo Hydrographic Confederation and the Ministry of Health.
- The **Government of the Community of Madrid**, the **Assembly of the Community of Madrid** and the four parliamentary groups represented therein (Más Madrid, Popular Party, Socialist Party of Madrid-PSOE and VOX).
- **Our shareholders:** the Community of Madrid and the 114 town councils that currently are among our shareholders.
- **Customers and users:** city councils of the municipalities we serve, as well as domestic, commercial and industrial customers and users, major customers such as residential estates or communities of owners.
- **Our business partners:** the employees of our company, the suppliers and contractors with whom we work.
- **Other companies in our sector**, with which we collaborate, as well as the sector associations in which we actively participate, such as the Spanish Association of Water Supplies and Sanitation (AEAS from its Spanish initials), the Spanish Association of Water Services Management Companies Urbana (AGA), the European association of our sector (Aurea - European Federation of Water Services) or the International Water Association (IWA), among others.
- **Society in general**, with special interest in certain sectors and agents thereof, such as:
 - The school community (teachers and students), with whom we interact through Canal Educa activities.
 - The media and opinion makers.
 - The scientific community and entities focused on innovation.
 - Business analysts and experts in our sector.
 - The managers and persons responsible for the protection and improvement of our environmental environment.
 - Other social entities (NGOs, foundations and entities with which we collaborate).

[GRI 2-23]

The frequency with which we interact with the different interest groups is as follows:

- With **customers and users**, in addition to sending the invoice every two months, we have very fluid contact through our customer service centre and telephone campaigns. Additionally, we have customer satisfaction surveys through which we contact them to find out their opinion about our services.
- The company maintains a permanent relationship with **employees** through personal contact and new technologies. A notable example of this is the daily update of our **intranet Canaletto**, which includes all the news that affects the day-to-day life of the company. In addition, constant meetings are held with worker representatives through the Works Committee or in other thematic forums such as meetings on training, overtime or the Occupational Health and Safety Committee.
- We also maintain constant and fluid contact with our **suppliers** and **contractors**. Daily, through telephone, email and web consultations, the management of offers, minor orders and complaints through our SRM web system and our SAP ERP, in addition to the direct treatment that each of the services that work with

them. We contact them annually through the balance circularisation necessary for the audit of annual accounts, and also by carrying out the annual satisfaction survey.

- With the **shareholders**, the main communication event is the General Meeting, which is called by the administrative body (Board) whenever it deems it convenient for corporate interests. The ordinary General Meeting, previously called for this purpose, is held within the first six months of each year to, where appropriate, approve the corporate management, the accounts of the previous year and decide on the application of the results, among other important agreements.
- With the **rest of our interest groups** (regulators, strategic partners or society in general), the relationship is continuous, constant and increasingly intense. Our intention is to continue bringing more fluidity to the relationship with all our stakeholders, intensifying contact with them. We are convinced that we will only achieve our objectives if we work in the same direction.

To open this participation, which began in 2018, we have continued to hold focus groups and several interviews to find out their opinion and the expectations they have regarding the company.



To promote fluid communication with interest groups, Canal de Isabel II also uses the communication channels that we have at our disposal to understand and respond to the demands and queries of society in the economic, environmental and social fields.

MAP OF THE MOST COMMON COMMUNICATION CHANNELS USED BY CANAL

In 2023, as regards our relations with interest groups, what stood out was the celebration of the **Canal Open Days** (June 24 and 25), in which almost 500 citizens were able to learn about the operation of some infrastructures, such as the El Alazar dam, the buried tank in Santa Engracia Street, the Arroyo Fresno storm tank and the Loeches sludge treatment plant.

COMMUNICATION CHANNEL	INTERNAL COMMUNICATION	EXTERNAL COMMUNICATION	
 Personal or on-site	Meetings. Training and awareness-raising. Leisure and sports activities for employees and their families.	Central offices of the company. Customer attention centre. Customer attention service. Organised visits to the facilities. Educational campaigns (Canal Educa).	Recreational and sports areas. Participation and organisation of congresses, forums and other meetings. Canal Foundation activities. General Shareholders' Meeting. Shareholder attention office.
 Telephone, fax, mail	Telephone, fax, ordinary mail. Suggestion box.	Customer service telephone. Supplier service telephone.	Contact telephone of educational initiatives. Invoice messages.
 Internet	Corporate website and Intranet. Online space. Canal Contigo.	Customer service virtual office. Company website. Transparency portal. Shareholder portal. Canal Educa website. Canal Voluntarios website. Canal Foundation website.	Canal in YouTube. Canal in Instagram. Canal in LinkedIn. Facebook profile. Social networks of the Canal Foundation. Canal de Isabel II mobile application for Android and iOS.
 Publications/ technical reports	Internal reports and communiqués. <i>Canal&tú</i> magazine.	Sending customised information to customers. Sustainability report of Canal de Isabel II. <i>Canal&tú</i> magazine.	Company publications. Canal Foundation publications. R&D&i notebooks.
 Media: TV, press, radio and digital media		Press releases. Calls to the media. Website press room.	Awareness campaigns aimed at the population. Canal de Isabel II blog.

[GRI 2-16]
[GRI 2-23]
[GRI 2-24]
[GRI 2-26]



02 OUR PERFORMANCE IN 2023

2. OUR PERFORMANCE IN 2023

In an environment of greater uncertainty and global transition, at Canal we have the great challenge of consolidating the sustainable management of water and natural resources as a model of excellence with which to face current challenges, which mainly involve guaranteeing the supply to the growing population of our region, for mitigating the effects of climate change on the water cycle and for environmental conservation, among other relevant issues.

Anticipation, innovation, the circular economy or alliances are among the guidelines included in our **2018-2030 Strategic Plan** to generate a positive impact on society and the planet.

It is as important to act as to report the progress to achieve our objectives with the help of our interest groups –collaborators, suppliers, clients, shareholders and citizens in general. In this sense, together with our stakeholders, we periodically analyse and assess what the priority objectives are for the company from the viewpoint of "**double materiality**"⁴.

4. According to Annex II of the European Union Delegated Regulation 2023/2772 on sustainability reporting standards, a sustainability issue is material (or of relative importance) from an impact perspective when it refers to real or potential, positive or negative, incidents of the company in relation to people or the environment in the short, medium and long term. A material issue from the point of view of incidence includes incidents related to the activities themselves and to the upstream and downstream phases of the company's value chain, also to products and services, as well as of its business relationships.

A sustainability issue is material from a financial perspective if it generates risks or opportunities that affect or may affect the company's financial position, financial results, cash flows, access to financing or the cost of capital in the short, medium or long term.

A sustainability issue meets the double materiality criterion if it is material from an impact point of view, from a financial point of view, or from both points of view.



ANALYSIS OF THE MATERIAL ISSUES OF OUR MANAGEMENT

In order to gain vision of the material aspects, both as regards impact and finances, related to our performance, throughout 2023 we have performed an analysis exercise that has been carried out thanks to the **participation of more than 500 people** and which has made it possible to measure the impact that the environment has on Canal’s operations in the Community of Madrid and, in turn, also measure how the company’s activity affects society, the environment and economic development.

The main magnitudes we have analysed are the following:

As a result of this analysis, we have obtained a new **materiality matrix** (which replaces the one developed in previous years), built from the greater or lesser relevance of each of the sustainability issues that were defined as material (or of relative importance) has for our interest groups and for our company, from a double perspective aligned with the new CSRD directive⁵, since the financial impact is considered as a determining variable when prioritising each issue.

On the basis of the analysis carried out, we have identified critical and relevant sustainability issues, considering the importance that interest groups assign to material issues for Canal and their financial impact, arriving at the following conclusions:

CRITICAL material issues:

- Transparency, ethics and fight against corruption
- Customer satisfaction and commitment
- Transition to a circular economy and responsible consumption
- Service security and cybersecurity
- Generation of clean and renewable energy
- Innovation, new technologies and digital transformation
- Risk management

RELEVANT material issues:

- Climate change
- Supply chain sustainability
- Efficient resource management
- Safety, health and well-being
- Talent management
- Biodiversity
- Economic sustainability (including tariff scheme)

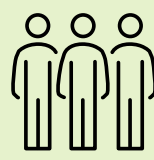
Other material issues:

- Socioeconomic and cultural development
- Diversity, equality and inclusion
- Human rights
- Development of the business model

✓ **Customers 275** individuals and **125** SMEs/self-employed 

✓ **Large customers 20** 

✓ **Municipalities 113** shareholders 

✓ **Employees >40** Canal collaborators 

✓ **4** focus groups 

✓ **9** interviews 

✓ **12** surveys 

5. Directive (EU) 2022/2464 of the European Parliament and the Council, of 14 December 2022, with regard to the presentation of information on sustainability by the companies (CSRD).



[GRI 2-29]
[GRI 3-1]
[GRI 3-2]

DOUBLE MATERIALITY MATRIX OF DE CANAL DE ISABEL II



[GRI 3-2]
[GRI 3-1]

CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our implementation and monitoring model of the 2018-2030 Strategic Plan, thanks to a **measurement system** of our own, allows us to assess the contribution of the company's plans and actions to the Sustainable Development Goals (SDG) established by the United Nations in a way transparent and periodic. To do this, a tool of our own was designed for connecting the plan performance indicators with the 17 SDGs. This system has been configured thanks to Canal's participation in working groups with other companies in the sector at European level, as well as the holding of workshops, with citizens or with actual Canal employees, in which we have been able to identify the topics to which that we must devote greater attention in order to advancing in sustainability.

In this sense, we can highlight the role of **water** (and sanitation) as the great **accelerator** on the path to meeting the SDGs, as has already been highlighted by the United Nations. Its availability contributes comprehensively to the development of the rest of the lines of action due to its impact on hygiene, health, education, equality, way of life and nutrition, among others. And **water is a vital resource for development**.

CORRELATION BETWEEN THE OBJECTIVES OF THE STRATEGIC PLAN OF CANAL AND THE SDGS (2023)



[GRI 2-24]

However, Canal’s contribution to the United Nations 2030 Agenda has sought to go beyond the achievement of the objectives of **SDG 6 (Clean water and sanitation)**, which are directly related to our activities, and has aimed to take advantage of the aforementioned transversality of water with respect to the rest of the SDGs. To achieve this, from the first moment, we established the correlation between the 17 SDGs and the **objectives of the 10 strategic lines** that make up our 2018-2030 Strategic Plan.

Thanks to the efforts of the people who work in each of the **10 lines of work of the Strategic Plan**, we are managing to advance in specific aspects of each of the 17 SDGs. These advances are achieved by developing and implementing 45 plans and 100 actions included within the Strategic Plan and are monitored quarterly on a basis using more than 50 indicators developed to measure the degree of compliance with each strategic line.

All results are published on our website annually with the main achievements and advances of each of the actions of our strategic plan. In addition, this commitment also translates into a part of the remuneration of Canal employees, since it is linked to the fulfilment of the objectives of the actions included in the Strategic Plan.

In the following sections of this report we develop in greater detail the description of our company’s activities and the achievements achieved in 2023 in the plans and actions that correlate with each of the SDGs.

DEGREE OF COMPLIANCE WITH THE INDICATORS OF THE STRATEGIC PLAN OF CANAL ASSOCIATED WITH EACH OF THE SDGS IN 2023 (% of the objective)



OUR PERFORMANCE IN 2023

CORRESPONDENCE OF MATERIAL ISSUES FOR CANAL WITH THE LINES OF THE 2018-2030 STRATEGIC PLAN AND THE SDGS (2023)[

The asterisks (*) mark the priority strategic line to address each material issue.

	1 Water Quantity	2 Water Quality	3 Water Continuity	4 Environment	5 City Cs.	6 Customers / Users	7 Governance and Society	8 Human team	9 Innovation	10 Economic sustainability
CRITICAL material issues										
Transparency, ethics and fight against corruption							*			
Customer satisfaction and commitment						*				
Transition to circular economy and responsible consumption				*						
Service security and cybersecurity			*							
Generation of clean and renewable energy				*						
Innovation, new technologies and digital transformation									*	
Risk management							*			
RELEVANT material issues										
Climate change				*						
Sustainability of the supply chain										*
Efficient management of resources	*									
Safety, health and well-being								*		
Talent management								*		
Biodiversity				*						
Economic sustainability (including tariff scheme)										*
Other material issues										
Socioeconomic and cultural development										*
Diversity, equality and inclusion								*		
Human Rights							*			
Development of the business model					*					
RELEVANT SDGs										

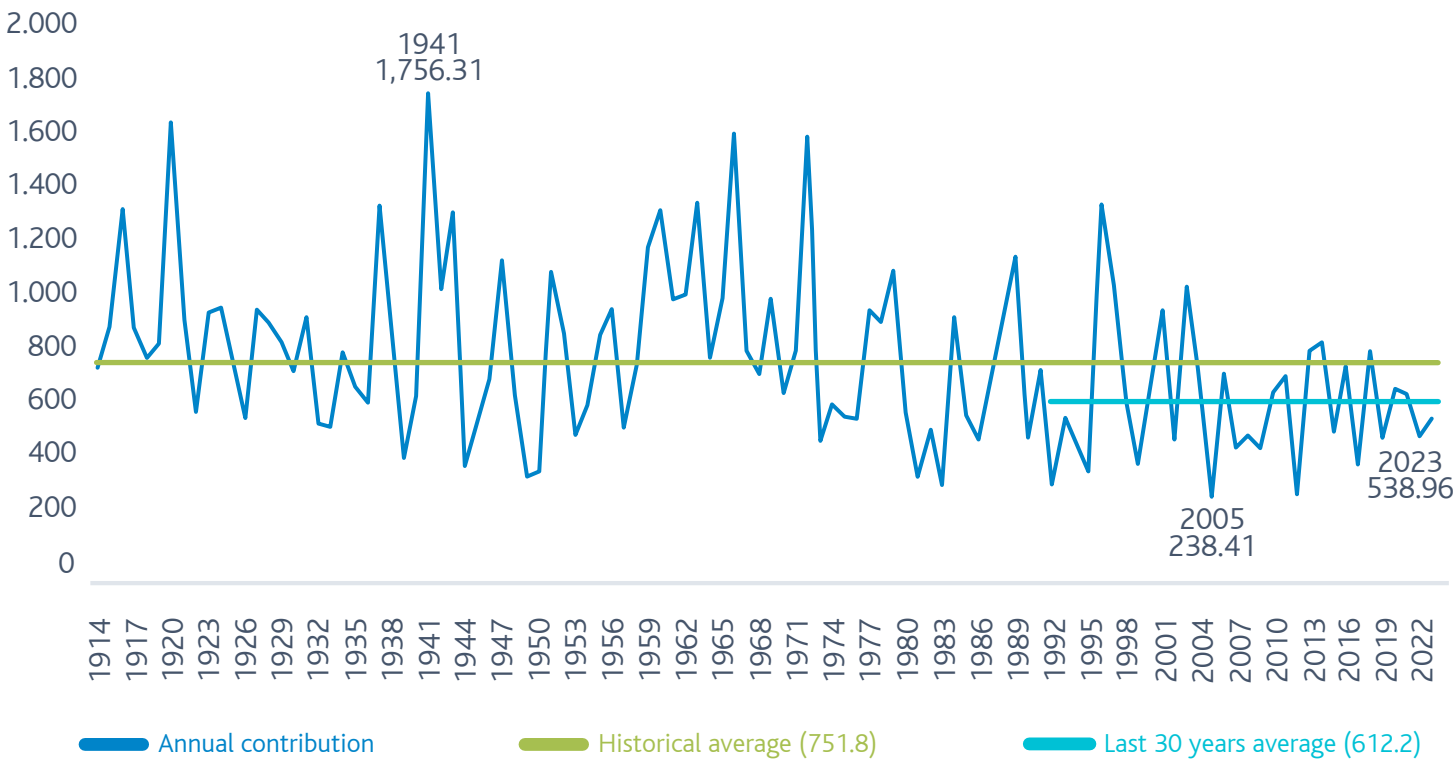
[GRI 3-1]

2.1. WATER FOR EVERYONE, EVERY DAY

Ensuring supply guarantee

The main responsibility of our company is to ensure current and future water supply to all our users. To do this, we need to have adequate infrastructure and tools that allow us to manage the resource in an efficient and sustainable way.

NATURAL CONTRIBUTIONS OF RIVERS TO CANAL RESERVOIRS (1914-2023)
(millions of m³ per year)



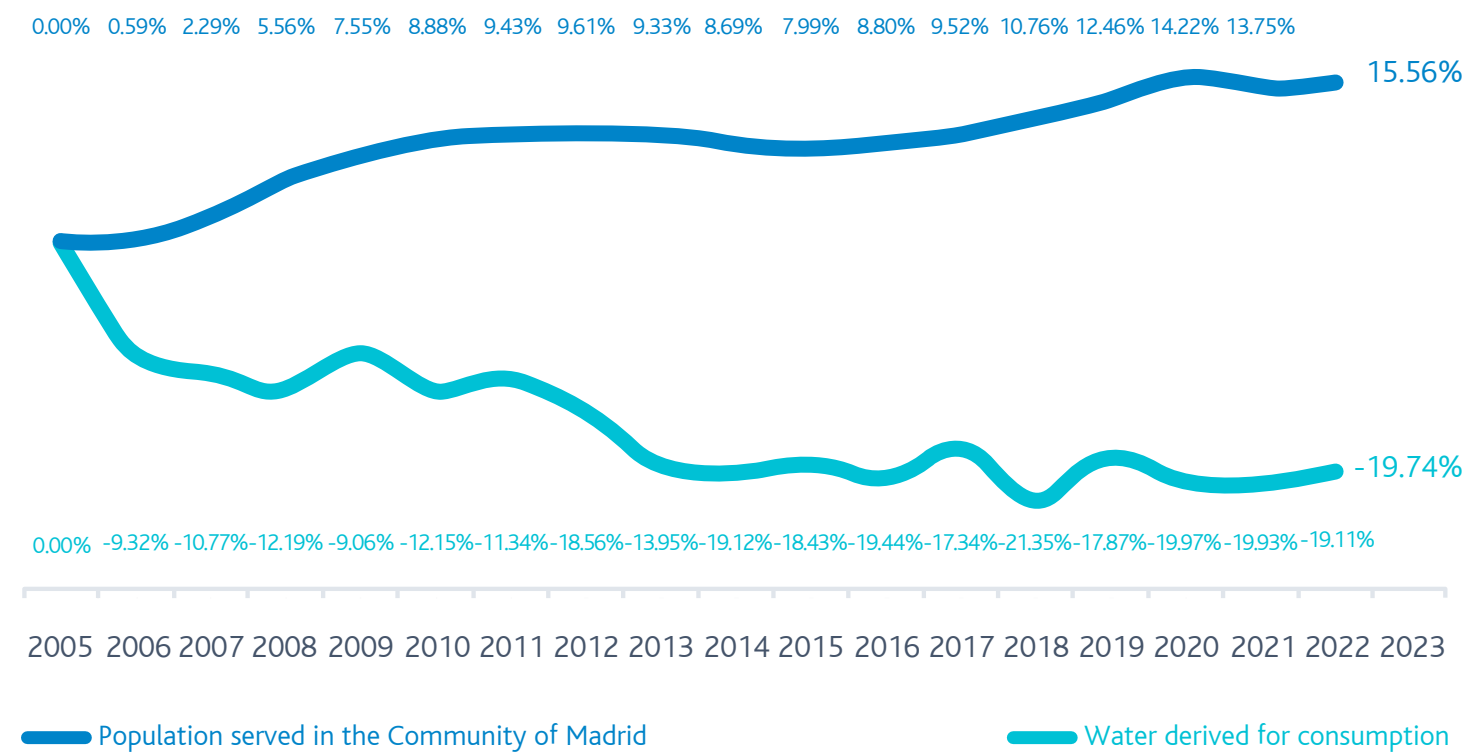
GUARANTEEING ACCESS FOR EVERYONE TO A QUALITY RESOURCE

Achieving maximum efficiency and continuing to provide quality and sustainable services over time is one of the main challenges we face. As a consequence of climate change, situations of resource scarcity and «water stress» are expected to become increasingly frequent in Spain.

In the case of the Community of Madrid we are already suffering some of these risks. This is shown, for example, by the reduction of almost 20% of the average water contributions to our reservoirs in the last 30 years in comparison with the historical average since 1914.

Despite the lower contributions, since the episode of extreme drought in 2005, Canal has been able to cope with a large population increase with the same reservoir capacity. In these 18 years our supplied population in the Community of Madrid has gone from 5.74 million inhabitants in 2005 to 6.63 million in 2023. This means an increase of more than 15.5% in these 18 years, during which, however, consumption has been reduced by almost 20%.

EVOLUTION OF THE USE OF THE RESOURCE (DERIVED WATER) AND THE POPULATION SUPPLIED IN 2005-2023 (increase in %)



[GRI 303-1
[GRI 3-3]

Facing this challenge means acting in several ways, seeking solutions with the capture of **alternative resources** and new **infrastructures**, with policies to promote **consumption savings**, with greater **efficiency in the management** of the **resource and with the extension of the supply of regenerated water** for compatible uses.

Fuentes de suministro alternativas

Mention should be made of, among these resources, our capacity to transfer water from the Picadas and San Juan reservoirs and, to a much lesser extent, from that of Los Morales, all of which are located in the **Alberche River basin**, where we have the corresponding concessions. In 2023, a dry year due to the absence of precipitation, it has been necessary to transfer more than 146 million cubic meters from these reservoirs (25 less than in 2022).

We also have the possibility of exploiting **groundwater** through the exploitation of **78 wells**, a fundamental strategic reserve for drought situations. Our wells exploit the **Cretaceous carbonate aquifer of Torrelaguna** (Madrid) and, fundamentally, **the tertiary detrital aquifer of the Madrid basin** (one of the most important in the Iberian Peninsula), in which we have **wells of up to 800 metres in depth**. 2023, the use of

wells has been the highest in recent years and they have provided us with almost 20 million cubic meters (19.9).

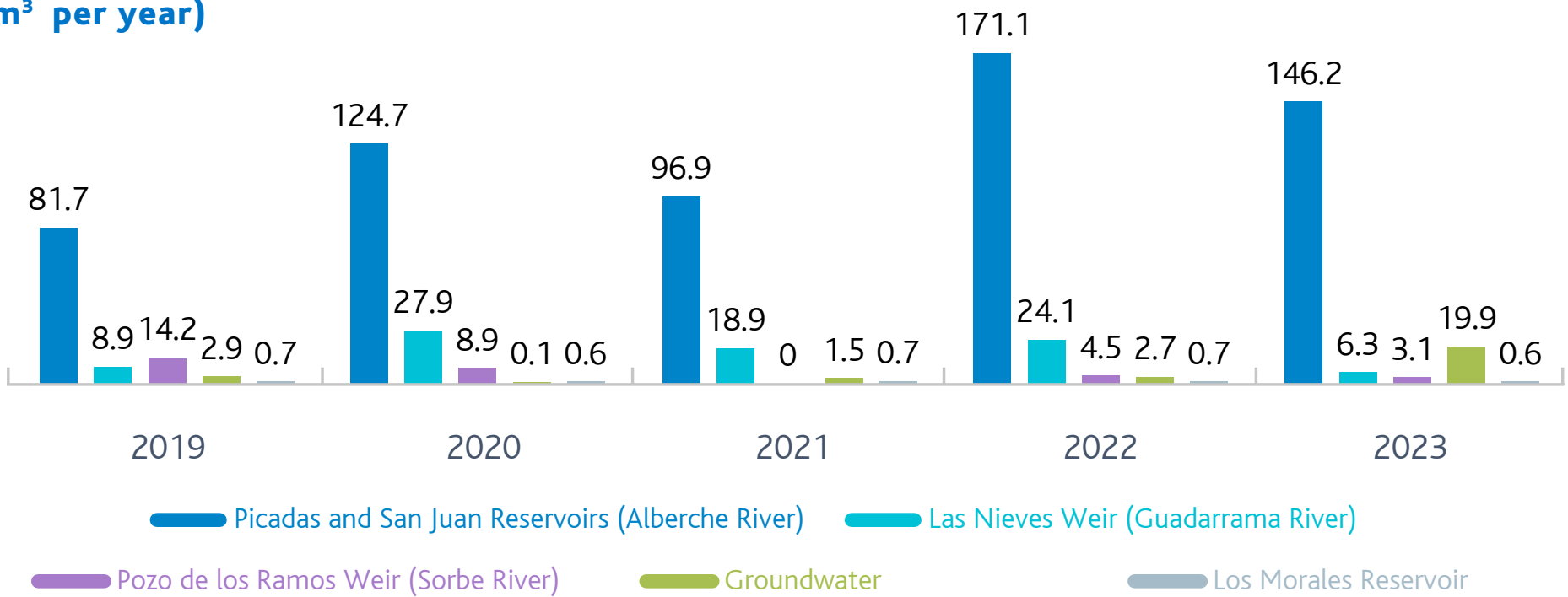
On the other hand, we have the possibility of capturing water from the Guadarrama River, transferring it to the Valmayor reservoir through the Las Nieves weir. We also have the possibility of obtaining water from the **Sorbe River** using the Pozo de los Ramos weir, in the province of Guadalajara, which communicates with the Jarama canal. In 2023, between the two weirs, we have obtained more than 9 million cubic meters.

Finally, the **Tagus DWTP** allows us to make resources from the river of that name available to the people of Madrid, if necessary, thanks to the most advanced technologies of reverse osmosis and ultrafiltration.

All these possibilities, together with the **communication between the supply systems** of the Community of Madrid, give us great flexibility in operation and enhance our ability to guarantee the availability of water for users. In 2023, a dry year, the **volume contributed** by these collections has been **176.1 cubic hectometres, 13.3% less than that contributed in 2022** (203.1 cubic hectometres).



USE OF ALTERNATIVE RESOURCES TO CANAL RESERVOIRS IN THE PERIOD 2019-2023 (hm³ per year)



Reclaimed water: a real alternative

The regeneration of wastewater for subsequent reuse is one of our major commitments for the future. Thanks to regeneration, we will be able to obtain a large volume of water for **certain uses not related to the supply for human consumption** that nevertheless represent an important part of the present demand: the irrigation of parks and public gardens, golf courses, street washing and even for certain industrial processes. By using regenerated water we manage to **reduce the pressure on the resources stored in our reservoirs**, which means a more rational and sustainable management of these resources.

Canal manages **33 regeneration plants, 744 kilometres of reuse networks** and **64 reclaimed water tanks**. With these infrastructures, we provide service to **26 municipalities** and **11 golf courses (789 hectares)**, as well as an industry (International Paper) and **15 other entities** (229 irrigated hectares). Thanks to the agreements signed with the municipalities, 401 municipal parks and green areas in the region will be irrigated with regenerated water in 2023.

In 2022, water reused in the Community of Madrid reached its **historical maximum, with 17.05 million cubic meters** of regenerated water reused. However, **rainfall circumstances in 2023 have not allowed us to reach more than 15.63 million**

cubic meters, as high rainfall has been recorded in some of the months in which the consumption of regenerated water for irrigation is traditionally higher (June, September and October). The reused water consumed in 2023 is equivalent to **3.19% of the total consumption of drinking water** in the region (in 2022 it was 3.46%), a volume similar to the consumption recorded in 2023 in all homes in the cities of Getafe and Alcorcon.

In the last 17 years (from 2007 to 2023) in the Community of Madrid, there has been a reuse of 193.27 million cubic meters of regenerated water, which is equivalent to slightly more than the capacity of the

Valmayor, El Vado, Navacerrada and Navalmedio reservoirs combined.

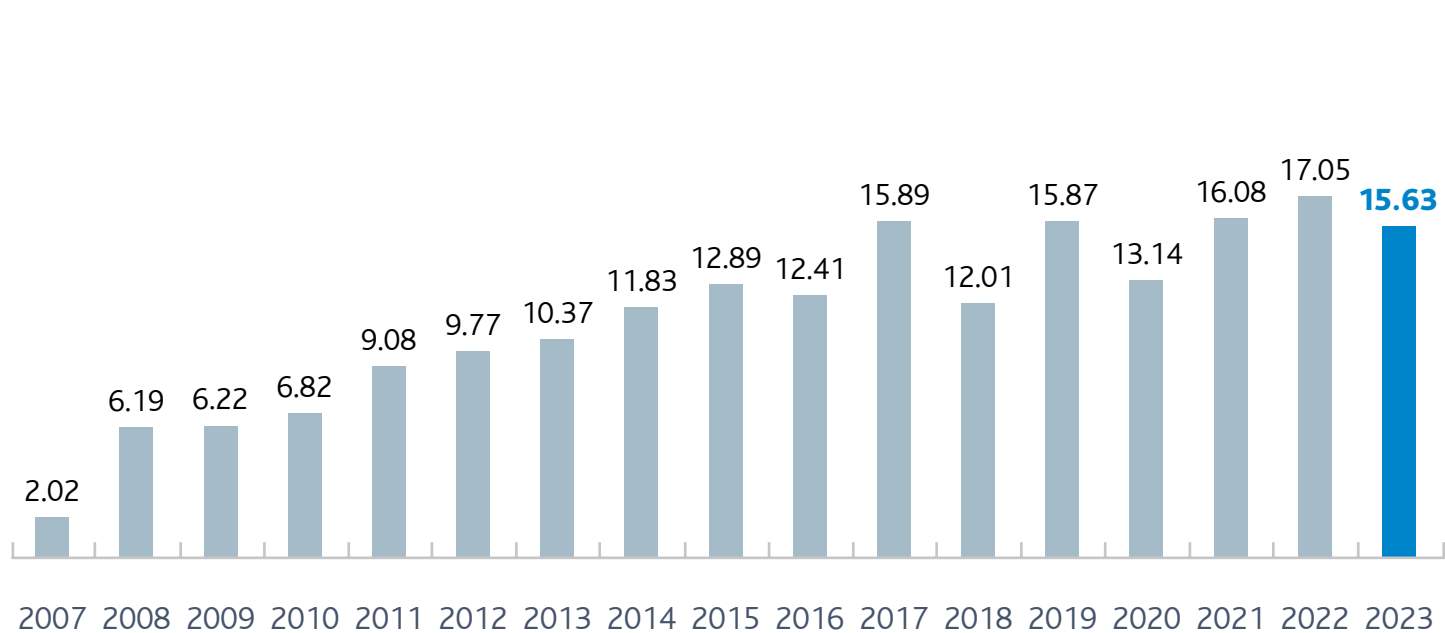
In addition to the water reused in 2023, our plants have produced another **91.53 million cubic meters of regenerated water that have been poured into river beds** to improve the quality of their water bodies.

In 2023, the **total volume of regenerated water** produced in our treatment plants with tertiary treatment has been of **107.16 million cubic meters**, which is equivalent to 21.88% of the drinking water consumed in the Community of Madrid. To this end,

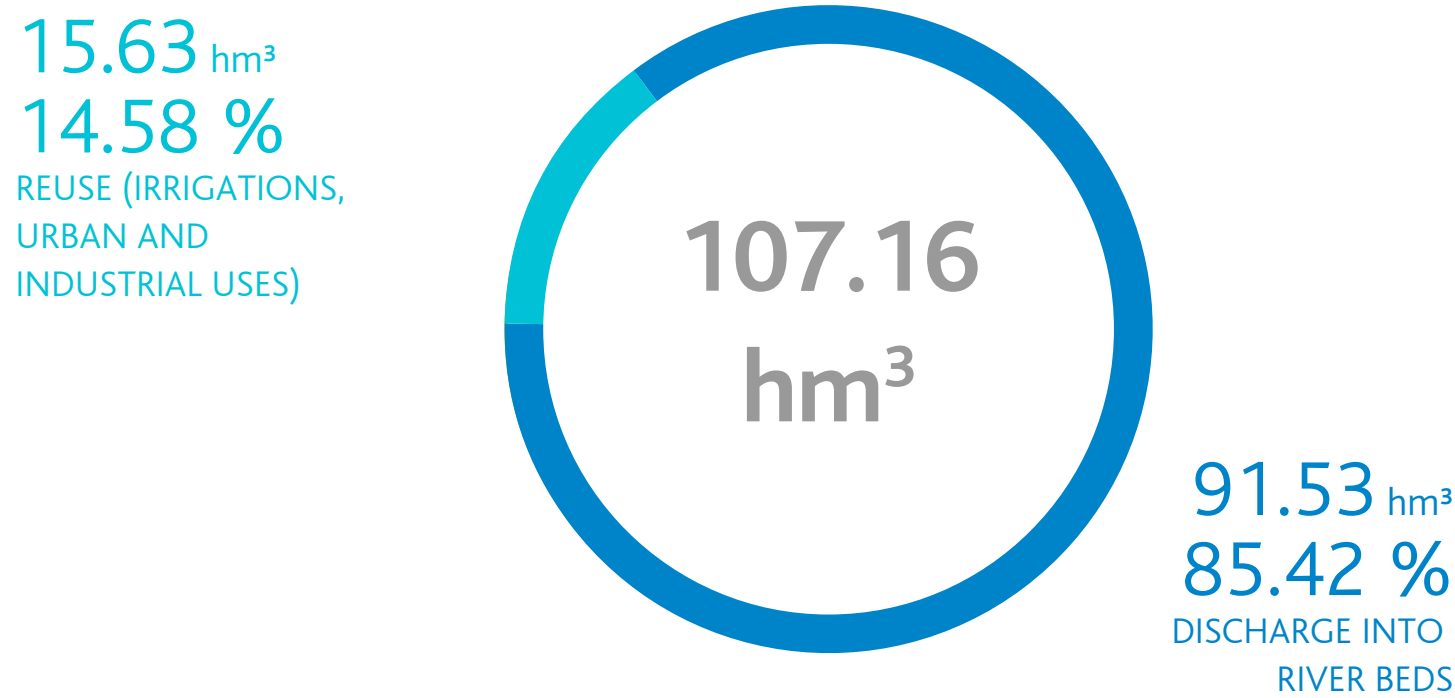
our tertiary services have operated at **95.36% of their nominal production capacity**.

In relation to the consumption of regenerated water in recent years, mention should be made of the significant increase in consumption by the **International Paper** company (located in Fuenlabrada and dedicated to the manufacture of cardboard from recycled paper), which has increased its consumption in 2023 to **2.9 cubic hectometres annually**, almost **7% more** than 5 years ago.

CONSUMPTION OF RECLAIMED WATER FOR REUSE (millions of m³ per year)



DISTRIBUTION BY USES OF THE REGENERATED WATER PRODUCED IN 2023 (hm³ and % of the total consumed)



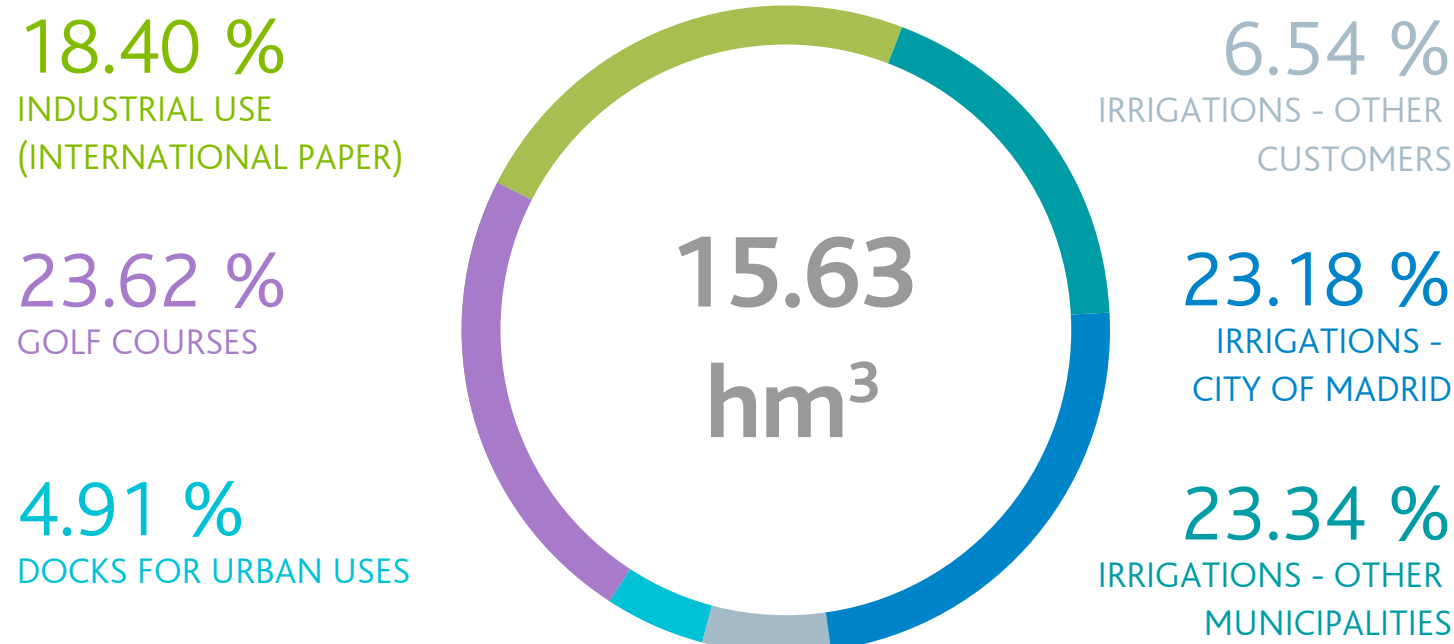
[GRI 301-2]
[GRI 303-3]

Fight against water fraud

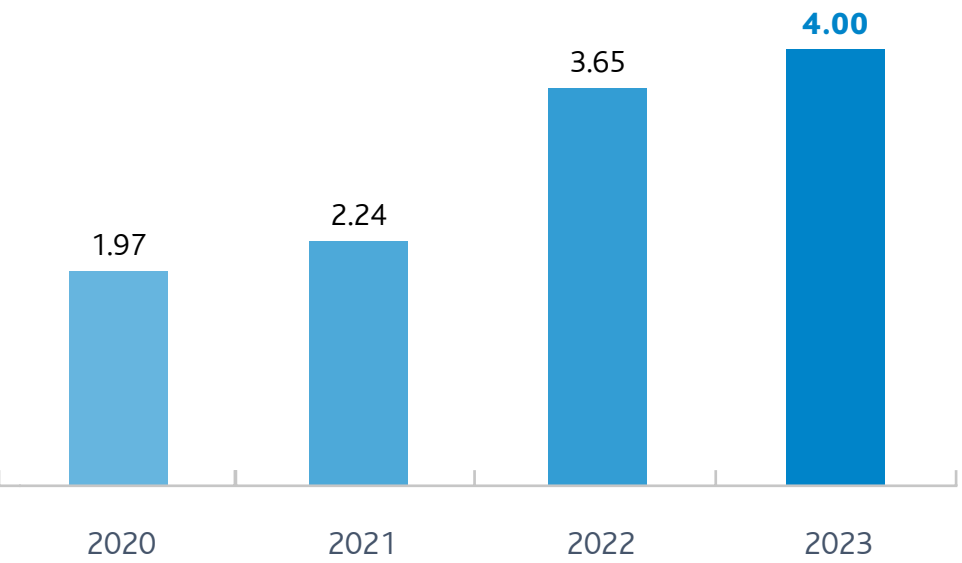
Canal has a specific area dedicated to **combating water fraud**. The work of detecting fraud involves various phases, the final result of which is channelled in many cases by **complaining to the Judicial Authority**, since it is understood that we are dealing with activities that may be included in Chapter VI of the Penal Code – *On fraud*. In other cases, preventive condemnation of non-contracted connections is carried out to avoid their illegal use; occasionally, the result of the action is transferred to other areas of Canal when it is understood that this case may fall within its competence, due to its special characteristics.

Throughout 2023, as a result of our efforts in the fight against fraud, we have detected fraudulent situations involving more than **4 million cubic metres of water** (9.58% more than in 2022) and have recovered **512 thousand euros for the amounts of water defrauded** (46% more than in 2022). We have also obtained 377 convictions for fraudulent charges and **205 contracts** have been negotiated and signed to regularise fraudulent situations.

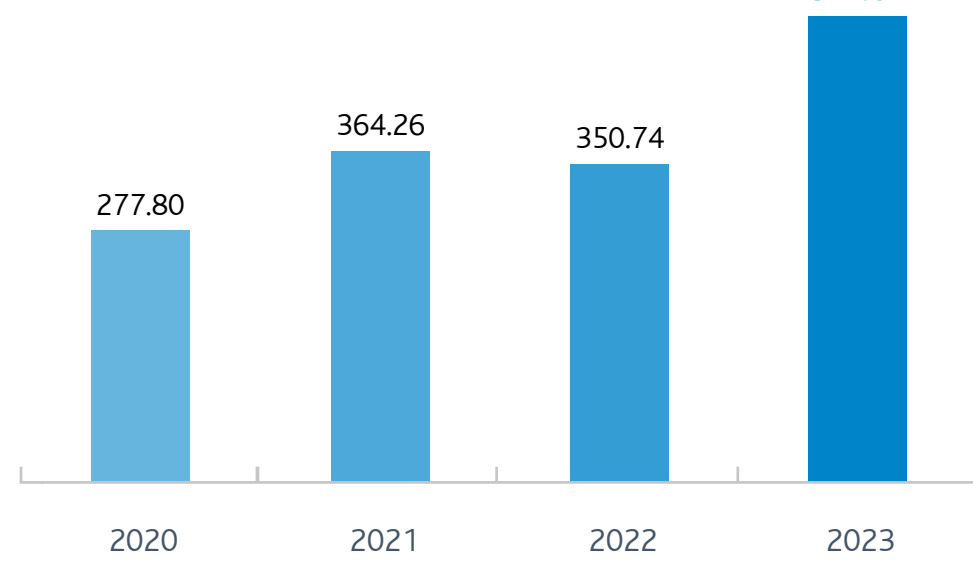
DISTRIBUTION OF WATER REUSED IN 2023 BY TYPE OF USE (% of the total consumed)



WATER FRAUD DETECTED (cumulative annual value of fraud detected in hm³)



ECONOMIC RESULTS OF THE FIGHT AGAINST FRAUD (value in thousands of euros of fraud revenue detected during the year)



Awareness and communication campaigns

Taking care of water and giving it the importance it deserves is **everyone’s job**, and that is why at Canal we seek the collaboration of all citizens and entities to permanently care for this scarce commodity. Our company has more than three decades of experience in developing **communication campaigns** to save water and care for the environment. These campaigns have had the recognition of communication professionals and the public to whom they are directed.

Our communication campaigns are permanent and their high impact has allowed the Community of Madrid to be placed among the regions that have reduced water consumption the most in recent years, as evidenced by the evolution of consumption in homes in the Community, which in 2023 (122.22 litres per inhabitant and year) was almost 9% less than the national average⁶ (133 litres per inhabitant and year).

In 2022 and 2023, the person responsible for delivering our savings advice to households, neighbourhood communities and companies in Madrid has been «Isabel, of the 2nd floor», a close, friendly character around whom we have created our campaigns, which have had a high impact and acceptance in the media.

6. Latest available data published in the Statistics on water supply and sanitation published by the INE in 2022, with data from the end of 2020.

Raising awareness among future generations: Canal Educa

The **Canal Educa** programme, currently managed by our Foundation, turned 30 years old in 2021, its main objective being to promote responsible water consumption among the school community and transmit values of environmental sustainability.

To this end, from the beginning we set ourselves the goal of offering schools attractive activities and resources that facilitate the important work of educating, favouring an action-oriented methodology, in which students not only learn new content and skills, but also acquire fundamental values such as solidarity, respect and coexistence.

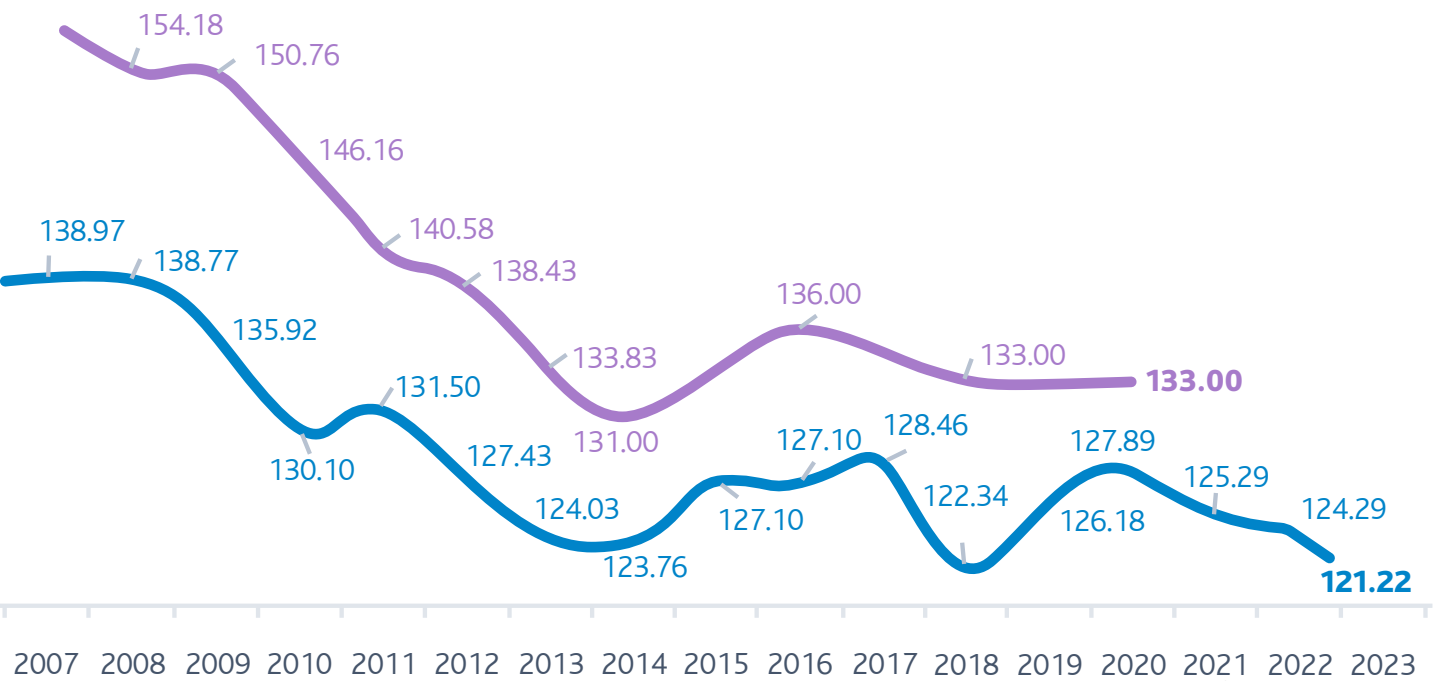
Course after course, Canal Educa has been adapting and expanding its educational offer. It has been varying and expanding the number of comprehensive cycle facilities visited by schoolchildren, as well as in-person activities in Madrid educational centres. It also offers the possibility of carrying out activities in English and receiving them through webinars. Mention should be made of the programme’s dissemination of STEM professions through in-person activities and the offer of numerous resources on its website.

During 2023, the program had **56,813 participants** in the activities carried out in schools and visits to facilities. With consultations on online resources, it reached **96,859 participants**.

To be always up to date with all the activities we propose throughout the course, we encourage the educational community to subscribe to the programme newsletter or follow us through our social networks.

In addition to the Canal Educa activities, our Foundation has carried out **36 other environmental activities** throughout 2023, which have had **163,820 participants**. These include **children’s scientific-environmental workshops**, dissemination and awareness through our **environmental videoblog** and the development of a **practical guide on taxonomy**, water and the environment. Likewise, our Foundation celebrated **Innovation Day**, with an event dedicated to showcasing innovative environmental initiatives, including the experience of Canal’s R&D&i area and three conferences on environmental issues held throughout 2023.

DOMESTIC WATER CONSUMPTION IN THE COMMUNITY OF MADRID AND SPAIN (litres per inhabitant and day)



Collaboration with other entities in relation to the water cycle

In terms of urban water cycle management, Canal de Isabel II actively participates with external entities related to water and especially its rational use and quality. In recent years, it is worth highlighting its collaboration with the following entities, among others:

- Ministry of Health
- AEC (Spanish Quality Association)
- IMDEA Agua
- SWAN - Smart Water Networks Forum
- European Benchmarking Co-operation
- IWA (International Water Association)
- Complutense University of Madrid
- Polytechnic University of Madrid
- AGA (Spanish Association of Urban Water Services Management Companies)
- Spanish Metrology Centre (CEM)
- University of Gothenburg (Sweden)
- UNDESA Sustainable Water and Energy Solutions Network – United Nations
- Independent Business Confederation of Madrid (CEIM)

In 2023 we have received recognition from the European Benchmarking Co-operation (EBC) for the company’s participation, leadership and contribution to this initiative.

The management of our company has kindled the interest of many academic and scientific institutions and the urban water sector. Proof of this is that throughout 2023 **we have received almost 2,000 visitors** divided into **107 visits**: 71 of them from the university or academic world and 36 of an institutional nature, with delegations from public organizations and other companies in the sector, both national and foreign. Everyone, accompanied by Canal technicians was able to gain on-site information on how the urban water cycle is managed in the Community of Madrid.

Improving the efficiency of our network

Canal has always had among its strategic priorities to implement internal actions that allow water to be managed with the greatest efficiency in the distribution network, with the purpose of reducing leaks and breaks recorded in the network and in the connections.

The policy of renewal and improvement of the distribution network aims to minimise water losses due to leaks and breaks and reduce damage to third parties due to flooding.

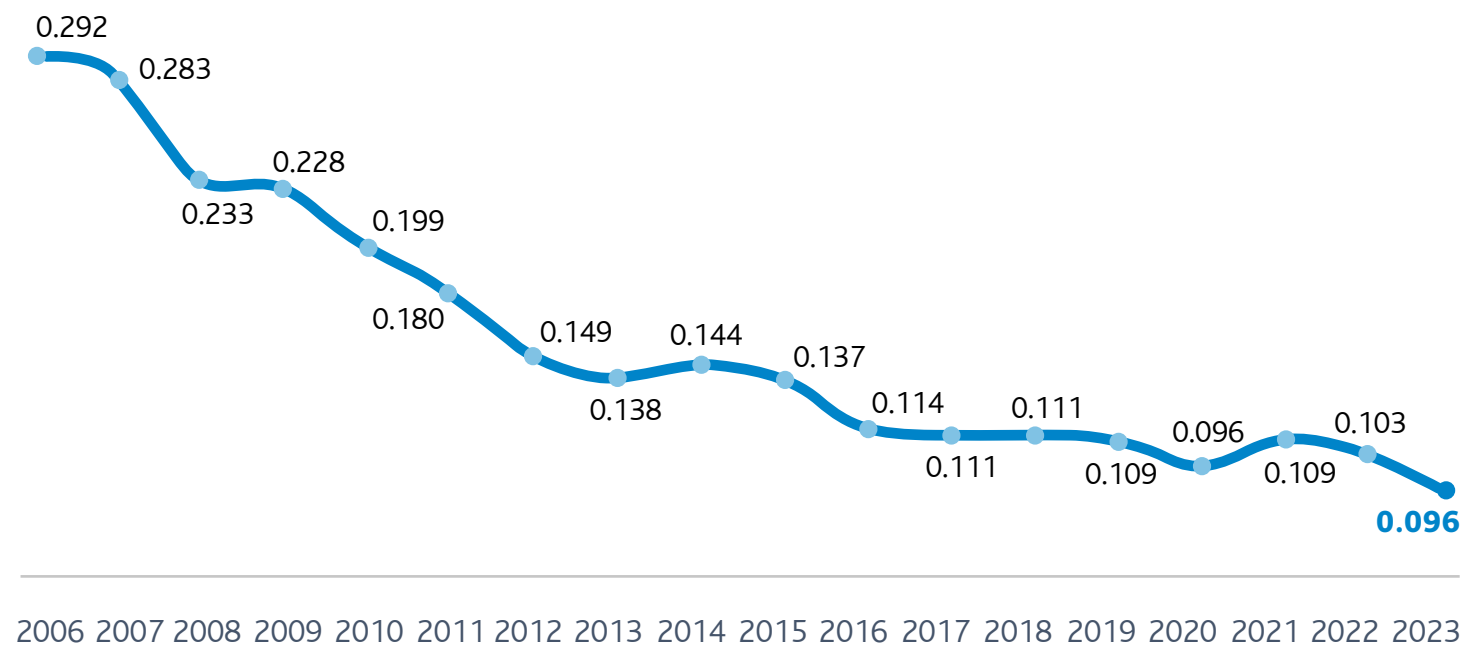
The effort that Canal has historically made has resulted in a significant improvement in our breakage

rates over the last 18 years, with a **56% reduction in pipe breaks** – all this despite the growth of the network and the incorporation in 2012 of networks of new municipalities with a poor level of conservation. In 2023, compared to 2022, the reduction has been 5.7%.

The result of all the efficiency efforts carried out by Canal is reflected in the available data on the efficiency of our network. In this way, real losses in

adduction and distribution caused by leaks, breaks and breakdowns in the supply network, as well as apparent losses due to measurement errors, fraud and unmeasured consumption, have been significantly reduced in recent years. In fact, **according to data published by the National Institute of Statistics (INE), the apparent losses in the Community of Madrid were 15% lower than the national average in 2020 and the real losses were 76% lower.**

PIPE BREAKS PER NETWORK KILOMETRE



[GRI 2-28]
[GRI 301-2]
[GRI 303-1]

Canal has obtained these results by addressing the situation from several points. Since its network has almost 18,000 kilometres of pipelines, the first action was to divide it into smaller parts (around 700 sectors) that are easier to control. Likewise, monitoring the minimum nighttime flow, combined with a comprehensive set of indicators from different information systems, has given excellent results in the early detection of leaks throughout the distribution network.

Canal is currently trying to improve leak detection by monitoring pressure and noise within sectors, as well as by using methods based on satellite images or fibre optics. With all this, the distribution network of the Madrid region is among the most optimised in the world.

In addition to these actions, one should mention, in relation to efficiency, our actions in recent years to **renew the network through our Plan Red**. With this Plan, we are focusing especially on replacing obsolete pipelines with others made of more advanced and modern materials: for example, ductile cast iron (iron alloyed with graphite), which has greater resistance and hardness and is used to renew networks with diameters of up to 800 millimetres.

The Plan Red, launched in 2021, is one of the largest investments made by Canal throughout its

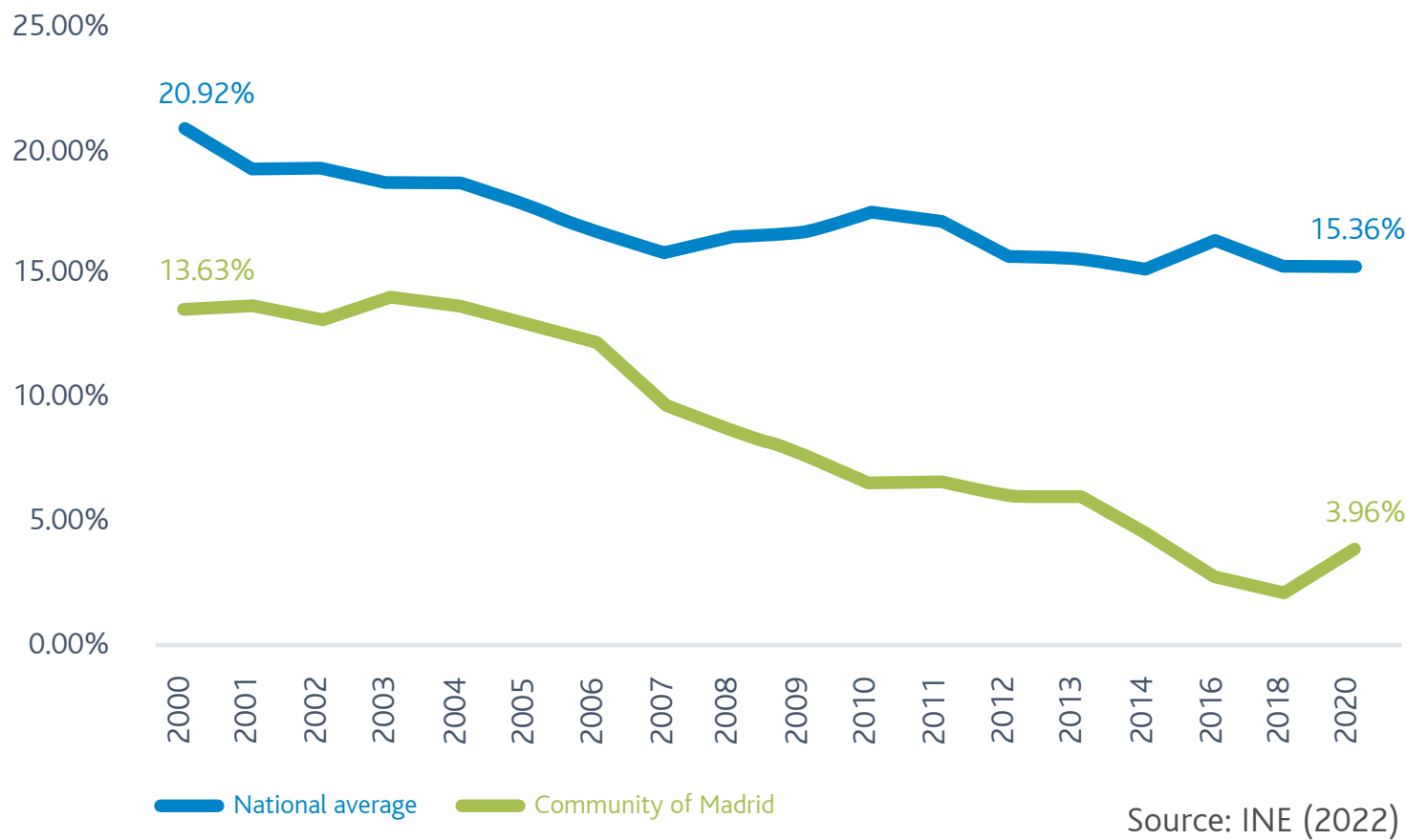
history to guarantee the quality and supply of water in the region and increase the efficiency of the distribution network. Its first phase includes the renewal of up to 1,200 kilometres of water supply pipes in the municipalities of the Community of Madrid. Thanks to the effective start of the Plan, the **kilometres renewed have almost doubled** compared to our historical average, reaching **190 in 2022 and 257.5 in 2023**.

Results in terms of consumption reduction

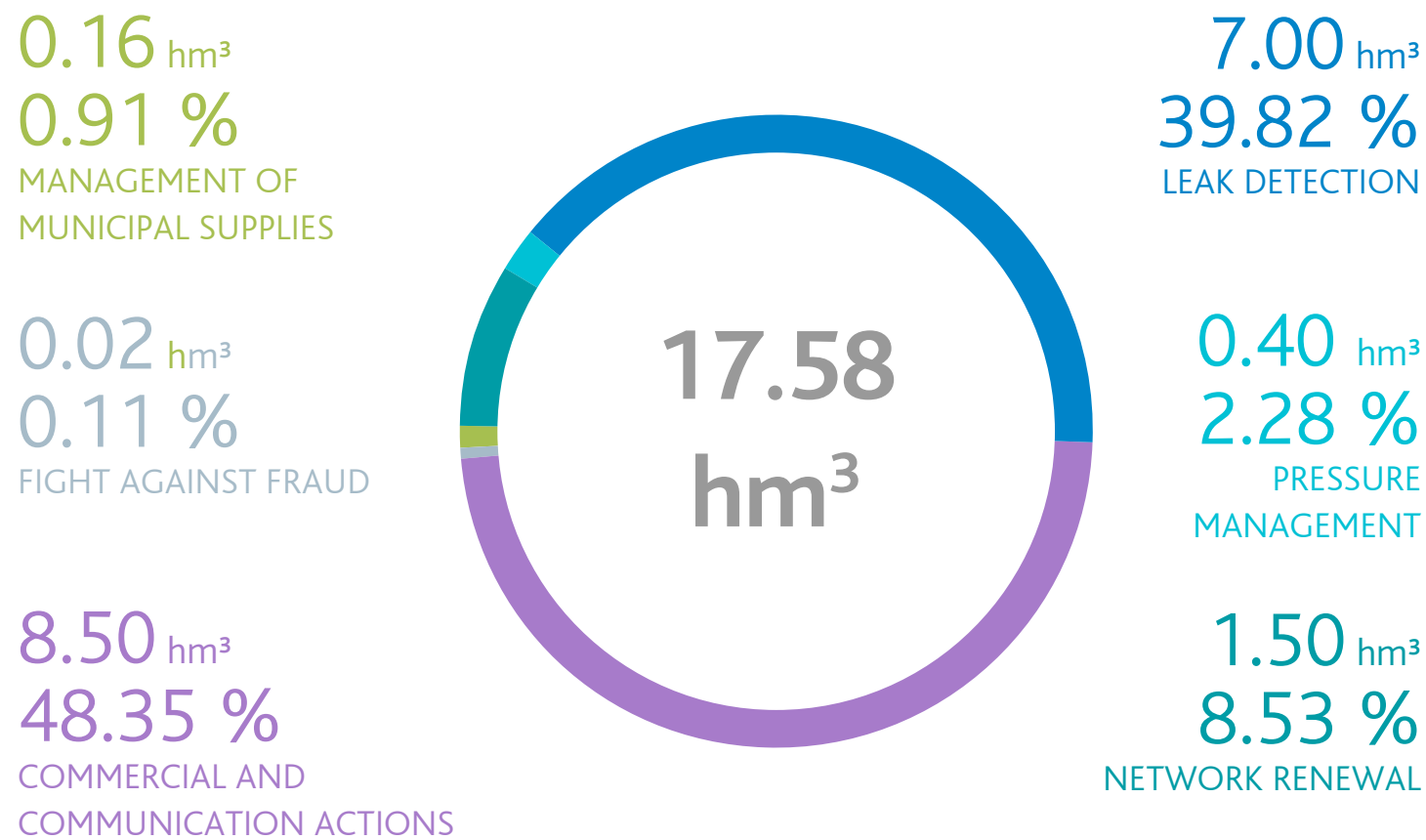
Throughout 2023, the combination of all the efforts we make in terms of efficiency in water use (network renewal, leak detection campaigns, pressure management, fight against fraud, communication and awareness campaigns...) has allowed us, by our estimate, to avoid the consumption of 17.58 million cubic metres, which is

equivalent to 3.59% of the water derived for consumption in 2023 or the water necessary to supply the total consumption for a year of 238,700 people (such as the sum of the inhabitants of Móstoles and Paracuellos de Jarama).

REAL LOSSES IN WATER SUPPLY NETWORKS (2000-2020)
(% of water derived for consumption)



ESTIMATION OF SAVINGS ACHIEVED WITH EFFICIENCY MEASURES IN 2023
(millions of m³ and % of the total)



RECOGNITION OF OUR EFFORTS

Awards for sustainability and the environment from the newspaper LA RAZÓN

On 31 October 2023, the award ceremony for the third edition of the Sustainability and Environment Awards organized by the newspaper La Razón was held. These awards give recognition to benchmarks that promote a sustainable business model, energy innovation, intelligent planning or recycling.

The event was chaired by the Minister of Environment, Agriculture and Interior of the Community of Madrid and president of Canal de Isabel II, M. Carlos Novillo Piris, who was one of those in charge of presenting one of the numerous awards granted by the newspaper to business initiatives showing responsibility towards sustainability and the environment.

The Madrid Environment Minister Carlos Novillo was also in charge of closing the event, in which he highlighted that "the awards that we have just given reflect innovation in electric mobility, technology at the service of good business practices, the good use of the digital alternative, the commitment of tour-

ism spaces and companies to the environment, responsibility in waste management with zero waste, urban planning excellence on the basis of affordable housing and effective management of the water cycle."

In this edition of the awards, Canal de Isabel II received the **"Award for the Sustainable, Intelligent and Effective Management of the Most Important Resource for the Life of Madrilenians, Water"**, which was collected by our president and our CEO.

The La Razón Newspaper awards are one of the many awards that our company has received in recent years and which serve as recognition **for the progress made by Canal with the help of the people of Madrid** in terms of efficiency in the management of water resources, in which we are a reference company at a national and international level.



MONITORING OF INDICATORS OF THE STRATEGIC PLAN

STRATEGIC LINE 1

Ensuring supply guarantee

People supplied with the water saving measures:
236,992 (obj. 187,964*)

*Percentage of non-registered water
12.96 % (obj. 13.40*)

Percentage of use of tertiaries:
95.36 % (obj. 95.5 %)



*Total per capita consumption
203.3 l/hab/d (obj. 207*)

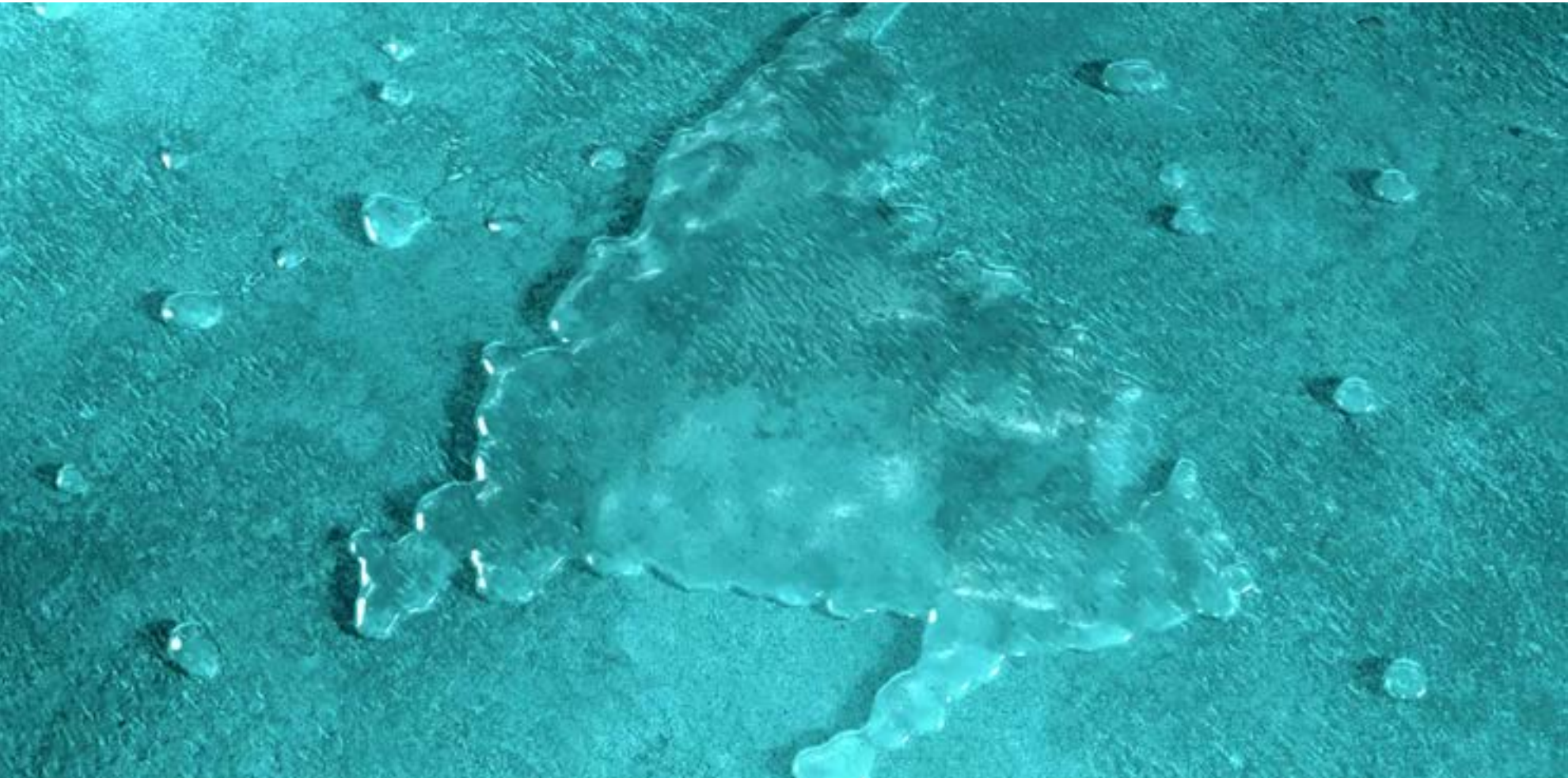
Degree of automation
42.47 % (obj. 40 %)

*Targets correspond to those for dry years.

2.2. THE BEST WATER IN SPAIN

Guaranteeing the quality of water for consumption

The quality of the water that Canal de Isabel II serves to the people of Madrid is one of the hallmarks of the Community of Madrid.



Madrid's water is considered to be one of the highest quality throughout Spain. Thus, for example, **the consumption of bottled water** in the region in 2022 (19.6 litres per inhabitant per year) was **69.5% lower than the Spanish average** (64,3 litres). The reasons be-

hind this quality are various. **We have excellent raw materials at the source** (our reservoirs and catchments), adequate and **advanced treatment systems** and the **great effort we make to preserve and maintain the quality of the water.**

HOW WE GUARANTEE WATER QUALITY

With the objective of guaranteeing the quality and safety of water, Canal has established a surveillance program from the origin of the supply to its delivery to the consumer.

The analyses corresponding to the supply water quality **monitoring and control programme** are carried out in five laboratories that are integrated in the Water Quality Subdirectorate and a further twelve integrated in the treatment areas. It is here that the determinations required in the legislation on health criteria for the quality of water for human consumption are made.

Canal also manages the quality control of the effluents treated in the WWTPs and the quality of the regenerated water intended for irrigation of green areas.

Throughout 2023, we have taken more than **3.38 million quality samples** from the waters managed by Canal and we have carried out **20.86 million analytical controls** to ensure water

quality. This means more than **9,000 controls per day or almost 40 analyses per minute.**

Control of water at its source

Control of water at source considers the two possibilities of available resources: surface water and groundwater.

Surveillance of surface waters is carried out through the **limnological study of the reservoirs and rivers** used for collection, while that of groundwater has been aimed at the analytical characterization of the resource, in compliance with the provisions of the environmental conditions for groundwater in the Community of Madrid.

Surface water intended for the production of drinking water usually has a high level of quality. **Most of the surface water captured** by Canal **is classified in the highest quality levels** established by current legislation. In 2023 we have carried out **111,388 water controls** at source.



[GRI 3-3]
[GRI 416-1]

Surveillance of the water distributed

To monitor treated and distributed water, we use two programs based on classic manual sampling:

- **Systematic programme** at the entrance and exit of the DWTP, header and regulator tanks and official sampling points located throughout the entire network.
- **Auxiliary programme**, without established programming for attention to claims and specific studies.

The manual sampling system is complemented by a network of **97 automatic monitoring stations (AMSs)**, installed at the exits of the DWTPs, large tanks and the most important nodes of the supply network. They are all equipped with sensors that allow us to measure a series of chemical parameters continuously and send the results in real time through Canal’s own communication network, to our Control Centre.

The parameters that we measure in the AMSs were expressly chosen because of their importance regarding the diagnosis of water quality. Their number is in the process of increasing through a multi-year programme. The analytical determinations in the AMS are chlorine, ammonium, nitrites, pH and conductivity, among others.

Monitoring of waste and regenerated water

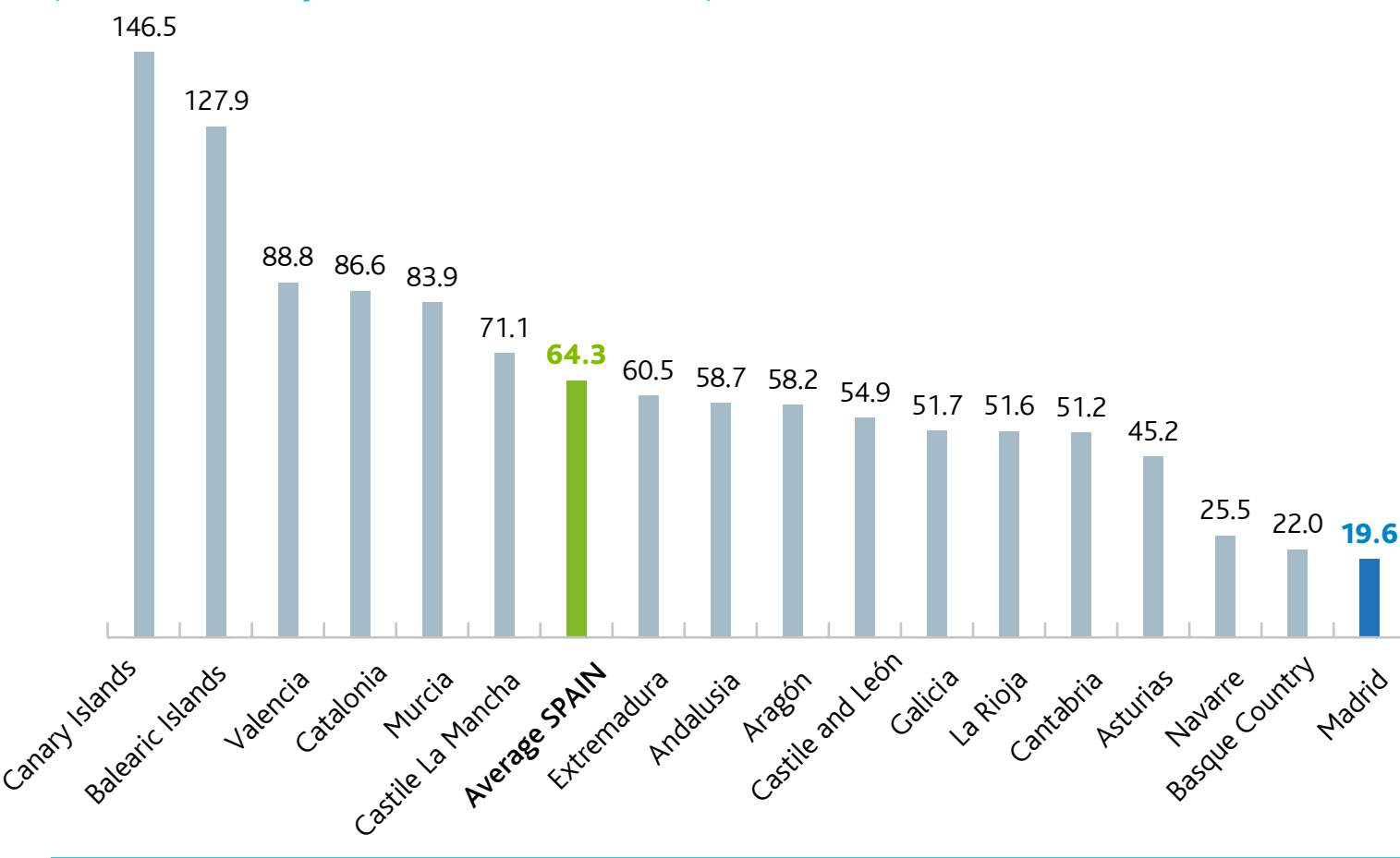
In our company we also manage the **quality control of the effluents treated in the WWTPs** and the **quality of the regenerated water** intended for the irrigation of green areas and the washing of streets.

For this purpose, we have a **Purified Water Laboratory** located in Majadahonda (Madrid) whose 2,200 square metres contain a physical-chemical laboratory, a microbiology laboratory, one for analysis of organic contaminants and another for metals and solid samples, a room incubation and a data and microscopy room, among other facilities. In addition, we have three other laboratories for the analysis of wastewater in some of our WWTPs.

Our surveillance program allows us to maintain a permanent alert system through an **AMS network made up of 95 stations for treated water** and 65 for regenerated water, which we also use for strict control of the water treated from its entry into the WWTP until its return to the rivers, and for the control of water in reuse networks.



CONSUMPTION OF BOTTLED WATER BY AUTONOMOUS COMMUNITIES (annual litres per inhabitant in 2022)



Compliance with regulations on water for consumption

In 2011, the **National Accreditation Entity (ENAC from its Spanish initials)**, for the very first time, gave Canal accreditation as per the **UNE-EN ISO/IEC 17025 standard** for carrying out **physico-chemical and microbiological analyses** in our Central Laboratory and in those located in La Poveda, Arganda del Rey and Griñón. The accreditation has been expanded by incorporating new test methods and its scope currently includes continental and drinking waters and regenerated waters.

Furthermore, all our laboratories and AMSs are included in the scope of application of the quality and environmental management systems implemented in the company and certified, since 1997, according to **UNE-EN ISO 9001** and **UNE-EN ISO 14001** standards.

Our last addition was in 2017, with the entry into service of the **Collado Villalba** drinking water analysis laboratory, which reinforces the control of drinking water in the northwest of the Community of Madrid.

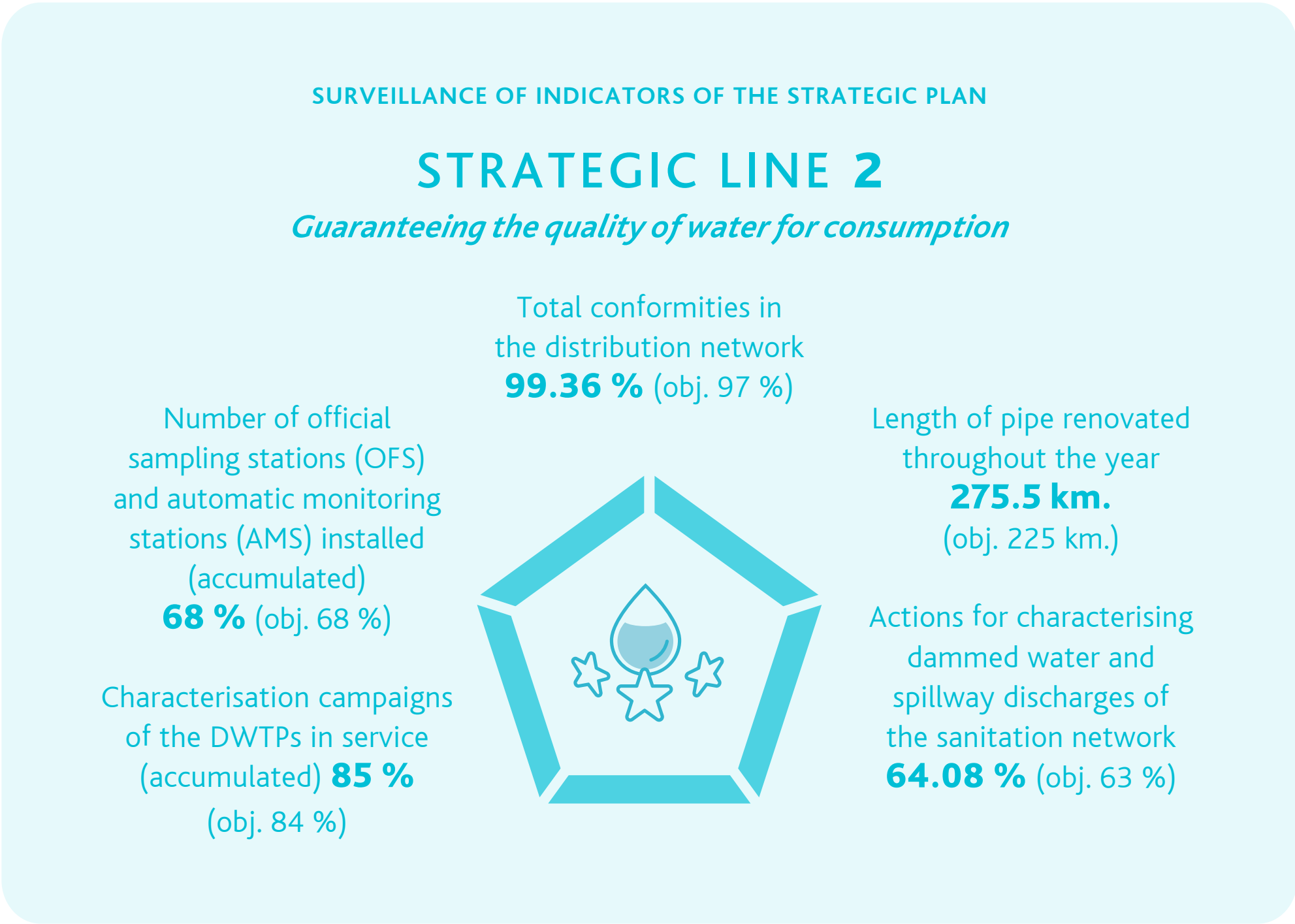
Since 2009, we have also had the accreditation of the **Majadahonda cold water meter verification laboratory**, which was later expanded to flowmeters.

In 2023, the degree of compliance of the water distributed, as a percentage of samples that meet the standard over the total of analysed samples sent and confirmed by the National Information System for Drinking Water (SINAC) of the Ministry of Health, has been 99.36%.

In 2023, as regards the quality of drinking water, mention should be made of the entry into force of **Royal Decree 3/2023, of 10 January, which establishes the technical-sanitary criteria for the quality of water for consumption, its control and supply**. This decree has increased the number of parameters to be analysed, both microbiological and physicochemical.

Among the microbiological parameters we have new ones such as legionella and somatic coliphagous viruses. In addition, the frequency of analyses of aerobic bacteria at 22°C and intestinal enterococci has been increased and gone on to be determined in all samples. The physicochemical parameters that change due to the entry into force of Royal Decree 3/2023 include uranium, organic compounds such as 5 haloacetic acids, 20 polyalkylfluorinated acids, other compounds of emerging concern such as acrylamide, N-dimethylnitrosamine; and in the near future microplastics will be included.

Although the quality levels at which we currently operate are very high, Canal's objective in the medium and long term is to continue maintaining these levels and adapt to new regulations that may arise in the future.



MONITORING OF THE CORONAVIRUS – THE VIGÍA SYSTEM

Under the idea that wastewater provides a snapshot of the health status of the population that generates it, and in the face of the pandemic caused by COVID-19, Canal de Isabel II launched an ambitious project in July 2020 for the detection, surveillance and visualization of SARS-CoV-2 (the coronavirus that causes the COVID-19 disease): **the Vigía System**.

Vigía is the largest COVID-19 tracking and early warning initiative that has so far been developed in Spain, due to the large number of sampling points (289) and the population studied: the system covers the 179 municipalities of the Community of Madrid, with 6.8 million inhabitants. The system is made up of two fundamental components: on the one hand, the **sampling** protocol and **physicochemical and genomic analysis**; and on the other, the **analysis of the results** and their subsequent communication, both to the health authorities on a daily basis and to the general population every week.

The results that Vigía has allowed us to obtain have been so positive that we have created a permanent alert network with our own **genomics laboratory** that will play an important long-term role for prediction, analysis and anticipation of possible adverse situations in the future. .

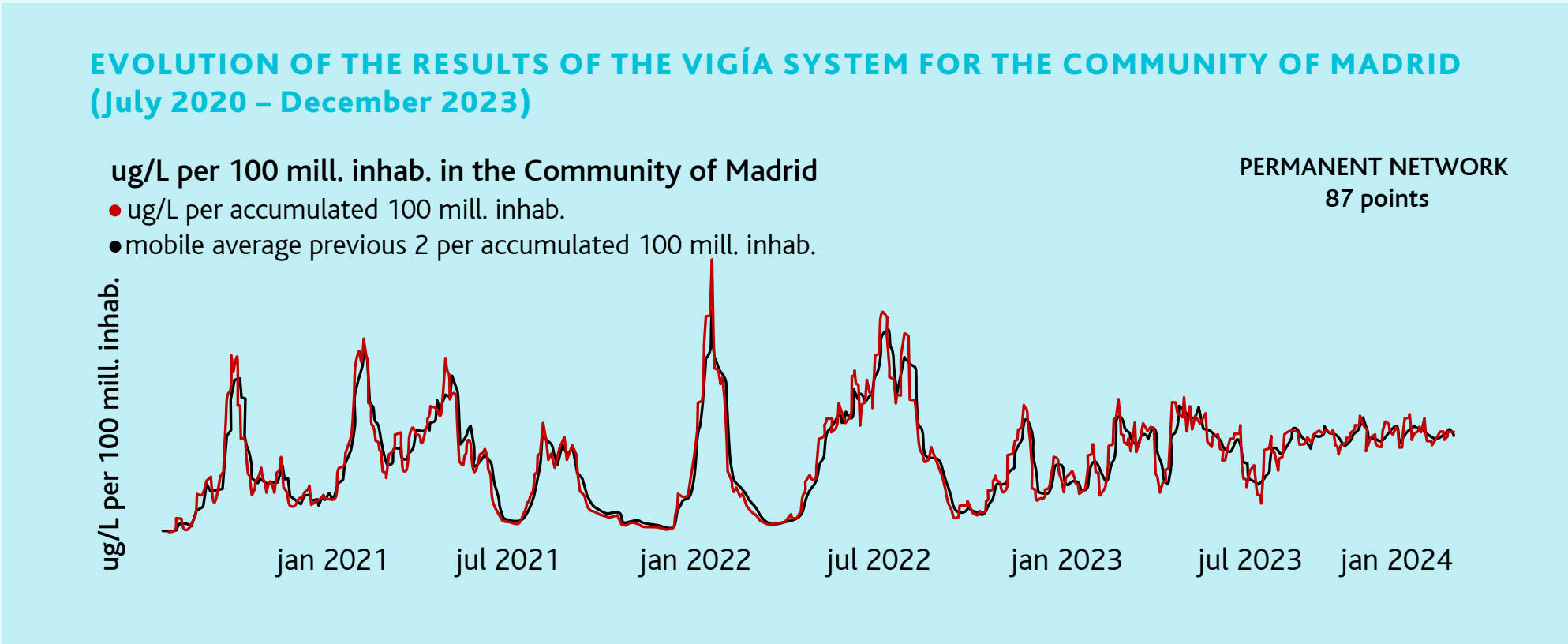
Since its launch in July 2020, Vigía has become an effective element in the management of the pandemic by health authorities and has **managed to anticipate the 6 waves of the disease** in the region. For this reason, in 2022 Canal **registered the Vigía System in the territorial registry of intellectual property**, with the aim of guaranteeing ownership of its property and exploitation rights.

Since its inception, Canal de Isabel II has made a freely accessible interactive map available to citizens so that they can consult the trend in each area, the date of the last validated analysis, the indicator of the presence of the virus and a comparative value of the last data with respect to the previous ones at that same point. In addition to the map, Canal publishes summary reports with the general trend of presence in the municipalities of the Community of Madrid, the city of Madrid and the variation in sampling points. All this information is available on our website and has received hundreds of thousands of visits throughout all the months of the pandemic.

In 2020, due to the evolution of the COVID-19 pandemic, there was a reduction to the frequency of wastewater sampling related to SARS-CoV-2 and the updating of the presence map, the latter of which became monthly. However, we do maintain a small network that, on a weekly basis, performs these same analyses as an early warning indicator and which currently still publishes its results in the weekly report format.

Since its origin, Vigía has aroused the interest of institutions such as the United Nations or the European Union; of medical events such as the World Pandemics Forum; from dozens of scientific publications as relevant as *The Lancet* or *Environmental Research*, among others.

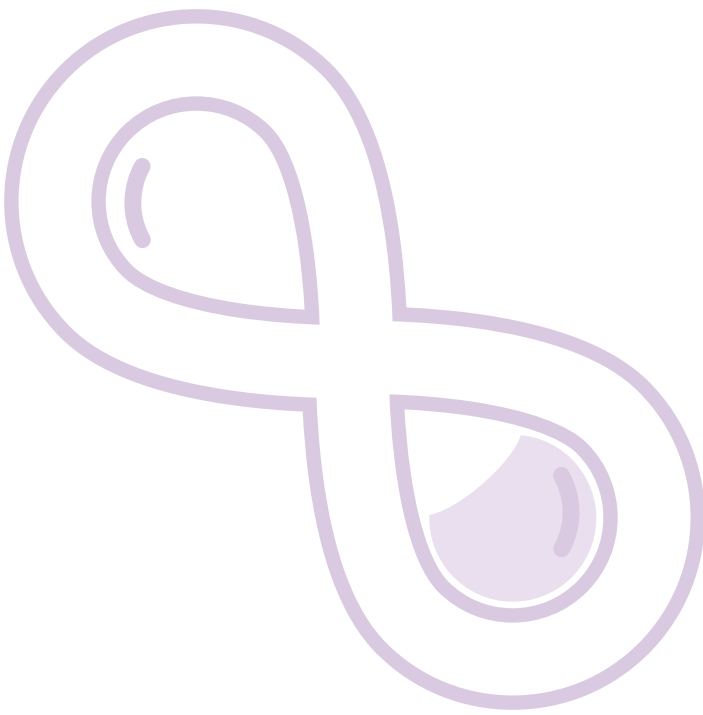
As a result of this interest, Canal de Isabel II was chosen by the EU-WOP program to develop the Vigilance System for the tracking, monitoring and early warning of COVID-19 in wastewater in the metropolitan areas of Lima and Callao, which bring together more than nine million inhabitants (30% of Peru's population), under the management of the Peruvian state company SEDAPAL. In 2023 we have continued with the implementation of this project, its outstanding features including the two training missions that have been carried out between both companies as well as the joint participation in the GWOPA International Congress in Bonn (Germany). .



2.3. A TRUSTWORTHY SERVICE (24/7)

Strengthening service continuity

Canal must guarantee the security of the service that allows continuous supply and contributes to the well-being of all Madrid residents. To do this, we must provide ourselves with systems that guarantee the safety of our facilities, some of which are critical, our information systems and our staff.



GUARANTEEING THE SAFETY OF FACILITIES AND PERSONS

To ensure the supply of drinking water to the citizens of the Community of Madrid, Canal de Isabel II must guarantee the management and control of the security of all its facilities and dependencies.

To achieve this, we deal in a coordinated manner with key aspects such as building and facility security services, self-protection plans, security in large dams, coordination with State Security Forces and the protection of data related to clients.

Operational safety

Canal de Isabel II manages a high number of infrastructures that may be considered particularly risky, in addition to a significant asset that is subject to different pressures in some of the infrastructures we manage.

At the end of 2023, 355 people were in charge of the security of Canal de Isabel II, monitoring our 1,106 different facilities throughout the entire territory of the Community of Madrid. We had 90 fixed surveillance posts and 24 external surveillance and security patrols, which make it possible to increase surveillance coverage if necessary. All security personnel, as established by current regulations, have received training in the fundamental rights of citizens. The existing coverage of electronic security systems includes closed circuit tel-

evision surveillance, intrusion detection systems and control of card or electronic key access to multiple facilities. Our closed circuit television (CCTV) systems manage more than 1,100 cameras; Many of them perform automated supervision, orienting themselves without any human intervention, which increases the efficiency of operators and their response capacity.

Self-protection of buildings and facilities

The main actions carried out include the preventive maintenance of the self-protection systems of 52 of our buildings or the great effort made in the preparation and/or renewal of 33 self-protection plans.

The implementation of the self-protection plans is organized by means of two solid bases: training and involvement. For this purpose, the personnel that is to be part of the teams are chosen on an always voluntary basis, with a view to subsequently training all staff. In 2023 we have carried out 102 drills. We have also been able to fully resume in-person employee training and have carried out 56 fire training courses that included practice with real fire.

[GRI 3-3]
[GRI 410-1]

PROTECTION OF DATA RELATED TO CUSTOMERS AND SUPPLIERS

The **protection of the data** that our clients and suppliers, among other groups, make available to us to facilitate our work is a very relevant aspect for Canal and we manage it with special care.

In 2023 we have continued with the process of continuous improvement and re-evaluation of all processes and procedures to ensure that they comply with the indications of *Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and the free circulation of these data, and Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights*.

In this sense, with the stated objective, data protection principles continue to be implemented in the different processes and procedures, applying technical, organisational, training and legal measures. In 2023, **162 exercises of data protection rights have been attended to**. Likewise, data protection clauses have been incorporated into **173 contracts and 13 suggestions and complaints from clients and users** have been resolved.

On the other hand, **data protection training** continues to be provided through welcome sessions **for all workers** and specific training has been provided within the scope of the contract bearing on customer and user service services.

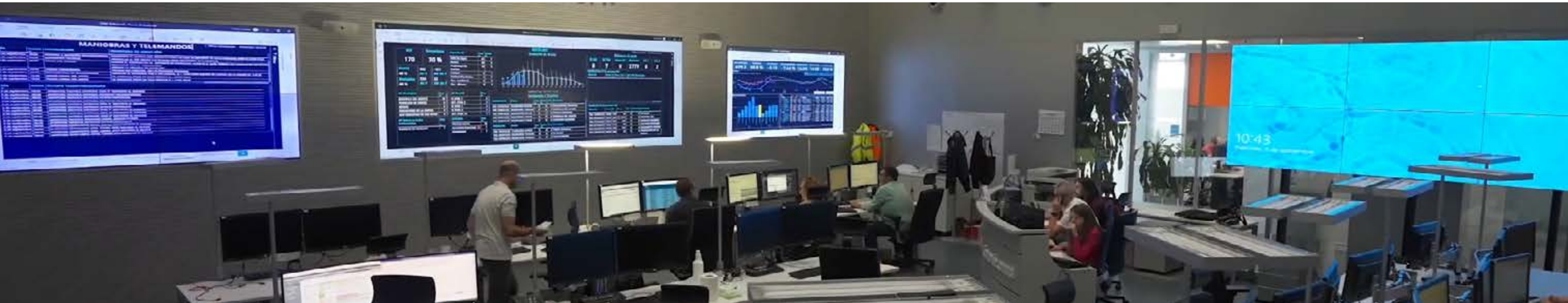
SAFETY OF THE INFORMATION SYSTEMS AND BUSINESS CONTINUITY

In terms of information security, at Canal we seek to achieve a **greater degree of maturity** in cybersecurity management aligned with international standards and the best practices commonly accepted in the field of information security, such as those established by the National Centre for the Protection of Critical Infrastructures (CN-PIC) and the National Cybersecurity Institute of Spain (INCIB).

In the area of assets that make up operational technology (OT), we work to increase **cybersecurity levels** taking into account the nature of this technology and its specific requirements; to strengthen prevention and detection systems against cyberattacks through a better use of

threat intelligence, to establish operational protocols for response to cyberattacks and through periodic training and awareness activities for all company employees regarding cybersecurity.

Our objective is to position Canal de Isabel II among the companies in the sector with the highest cyber resilience indices.



[GRI 418-1]

GUARANTEING SERVICES IN EMERGENCIES

Managing the consequences of the September 2023 DANA

In 2023, the passage of an isolated depression at high levels (DANA) through our country between 2 and 4 September affected the south-west area of the Community of Madrid with particular ferocity. The most affected municipalities were Aldea del Fresno, Villa del Prado, Villamanta and Villamantilla, which have a total population of 15,031 inhabitants.

Although some of the municipalities most affected by the DANA, such as Aldea del Fresno, Villamanta or Villa del Prado do not have a water distribution agreement with Canal, our company from the first moment paid the greatest attention to them, collaborating with the affected town councils and the emergency services of the Community pf Madrid to do as much as possible to alleviate the impact on the population affected by the shortage of drinking water or by its inadequate quality.

To do this, we use our ground equipment, we mobilise our tanker trucks and provide pallets with jugs of drinking water produced in our emergency bottling plant at the DWTP in Colmenar Viejo. Throughout the entire crisis Ca-

nal used such means to supply over 30,000 litres of water to the inhabitants of the most affected municipalities.

The situation in Villamanta was one of the most serious since the main pipeline for supplying the town, owned by the municipality, was completely destroyed by the flooding of the Arroyo Grande, leaving all the inhabitants of the municipality without drinking water. Just one day later, the DANA Canal installed a new temporary pipeline, subsequently providing assistance to the city council to resolve other network problems, supplying pallets of bottled water and sending tanker trucks until service was restored.

The case of Aldea del Fresno was unique because the collapse of the three access bridges to the town due to the flooding of the rivers made it impossible for our tankers to access it. For this reason, bottled water had to be provided using lighter vehicles (vans) that could use temporary access. It was thanks to these that we managed to provide bottled water in jugs so that the ERIVE (Immediate Logistics Response Team of Civil Protection Volunteers) could distribute them among the residents of the town.

But in addition to the damage to the supply infrastructure, DANA also caused serious damage to Canal sanitation facilities located in 19 municipalities, almost all of them located in the west of the region.

Of particular note is the case of Aldea del Fresno stands out, where the flooding of the Alberche River at the height of the La Pedrera Bridge ended up destroying it and, in turn, more than 40 metres of the sanitation outfall (collector) that transported wastewater from the municipalities to the WWTP. In Villamantilla the WWTP was seriously damaged and no longer operational because the electromechanical equipment was out of service, without electricity supply due to flooding of the sectioning centre. The access road to this WWTP disappeared, taken up by the river. Something similar also occurred at the Navalcarnero WWTP, where severe damage occurred to the road and there was a total destruction of the access bridge to the plant, and in Chapinería, where the access bridge to the WWTP was also seriously damaged.

The damage caused by DANA to Canal infrastructures, most of which have already been repaired, represents an economic cost that has been estimated at more than 2 million euros in total.

MONITORING OF INDICATORS OF THE STRATEGIC PLAN

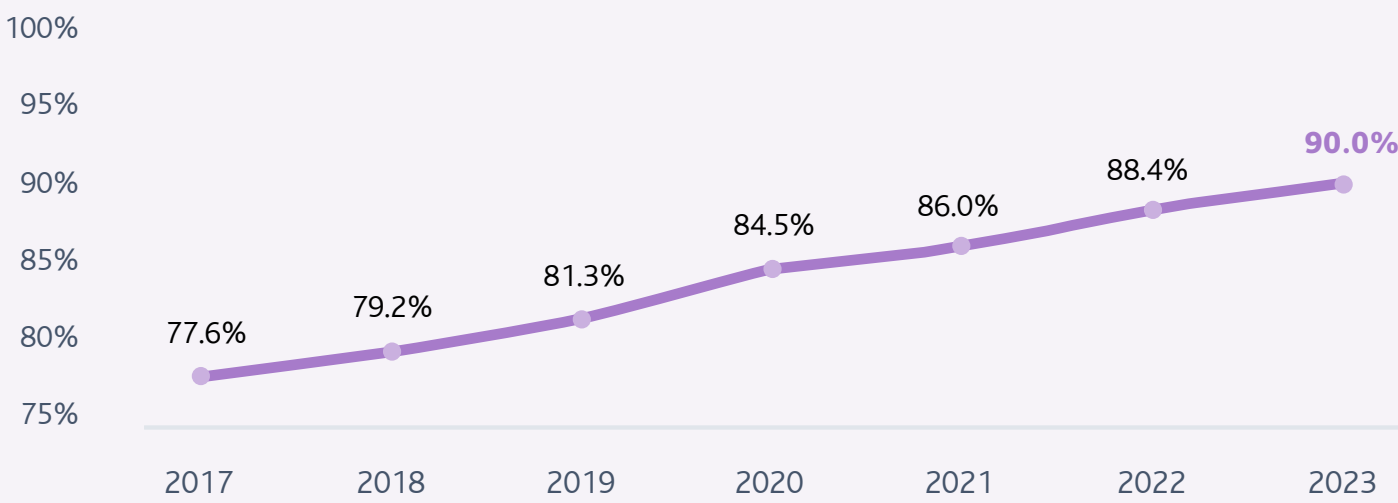
STRATEGIC LINE 3
Strengthening service continuity



The objectives established for strategic line 3 during 2023 **have been met 100%**. For security reasons, Canal does not publish detailed information on these objectives, except for that directly related to **supply continuity**.

This indicator measures the percentage of contracts with clients that, in the event of an incident, have a supply alternative in less than 12 hours. Its evolution since the year before the start of the 2018-2030 Strategic Plan has been as follows:

PERCENTAGE OF CONTRACTS WITH A SUPPLY ALTERNATIVE IN LESS THAN 12 HOURS



2.4. WE TAKE CARE OF YOUR ENVIRONMENT

Promoting environmental quality and energetic efficiency

The environment is in the DNA of Canal de Isabel II. As managers of a natural resource essential for life and as the agency in charge of the wastewater treatment and proper disposal of the treated wastewater of almost 7 million people, it could not be otherwise. Therefore, the conservation and protection of the environment is part of our mission and of the main day-to-day tasks at Canal.

THE ENVIRONMENTAL MANAGEMENT OF CANAL DE ISABEL II

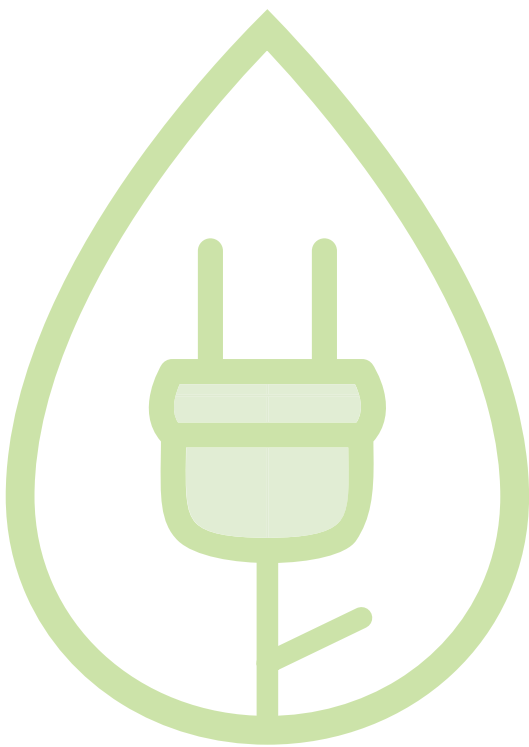
Management system

At Canal de Isabel II we carry out all our activities contributing to the safety and health of people, the protection of the environment and the care of the quality of our services. To achieve this, we have a **management system certified** in the **ISO 9001:2015 standards for quality, ISO standards 14001:2015 for the environment and ISO 45001:2018 standards for occupational health and safety**.

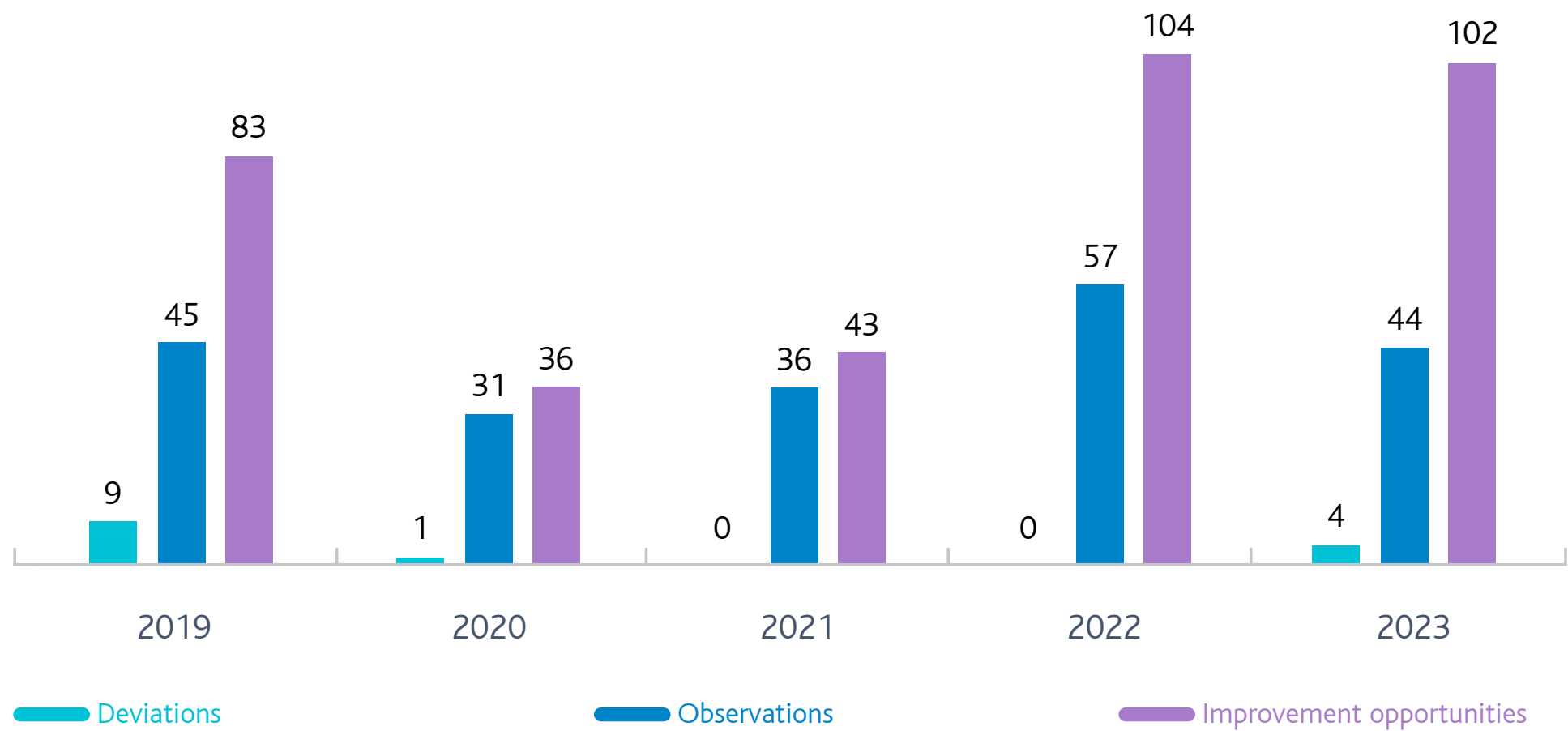
Our management system serves as a support for the accreditations of the testing laboratories in the environmental sector and the meter laboratory by ENAC (National Accreditation En-

tity) in UNE-EN ISO/IEC 17025:2017, as well as **for the technical inspection activities of the set of measures** accredited by ENAC in UNE-EN ISO/IEC 17020:2012. In addition, it contributes to the implementation of the safety system in the facilities, where *Royal Decree 840/2015, of 21 September, is applicable, approving control measures for the risks inherent to serious accidents involving dangerous substances*, as well as the development of the **Water Health Plan (PSA)**, in which Canal is a reference company.

In 2023, the 39 units included in the annual internal audit program **have been audited**. As a result, a total of 150 findings were obtained.



RESULTS OF THE MANAGEMENT SYSTEM AUDITS (2019-2023)



[GRI 2-24]
[GRI 403-1]

With respect to the **identification and evaluation of environmental and occupational health and safety legal requirements**, 239 new legal provisions have been analysed, a total of 15 of them being applicable. The **environmental aspects** of more than **650 Canal de Isabel II centres** have been evaluated. During 2023, work has continued on the integration of the Hidráulica Santillana management system into Canal de Isabel II, after the merger by absorption of that subsidiary company.

The innovative activities within the management system that contribute to Plan 10.3 "Plan to improve the efficiency of processes" of the 2018-2030 Strategic Plan include:

1. The coordination of improvement projects and the dissemination of the improvement culture through 18 people who serve as liaisons in different units of the company.
2. The development of a **company architecture** that contributes to **process management**.

At a national and international level, Canal de Isabel II collaborates with the Spanish Quality Association (AEC) and participates in different committees of the UNE (Spanish Association for Standardization) and the ISO (International Organization for Standardisation).

Prevention at source of potential adverse impacts

Canal incorporates the **prevention principle** (*«the best way to correct an environmental impact is to prevent it from occurring»*) into its philosophy, with an approach based on the analysis of the life cycle of our processes and activities.

All projects drafted in Canal de Isabel II **are environmentally evaluated** in accordance with the provisions of Law 21/2013, of 9 December, on Environmental Evaluation and, where applicable, *Law 2/2002 on Environmental Evaluation of the Community of Madrid*, which has been mostly repealed, or the rest of the applicable legislation regarding environmental impact. In these evaluations, in addition to the aspects of the natural environment and the physical environment, the **social and economic aspects** are analysed as are, if necessary, the relevant impacts on **local communities**.

During the year 2023, we have **submitted a total of 19 projects to different environmental impact assessment procedures** (including consultations on significant effects and environmental procedures initiated) and **26 resolutions** related to the environmental impact of our company's actions have been issued by the environmental administration, and among these **two environmental impact statements** and **two strategic environmental statements** stand out, as follows:



- Environmental impact statement for the new mini-hydraulic power plant project at the El Atazar dam, 21EMP22. Municipality of El Atazar.
- Environmental impact statement for the distribution network renewal project in the northwest area of Miraflores de la Sierra, 16AA901R. Municipality of Miraflores de la Sierra.
- Strategic environmental declaration of the renovation project with increased pipeline capacity from La Jarosa DWTP to El Escorial, 14AAP01P. El Escorial municipal district.
- Strategic environmental declaration of the Arteria Norte construction project for the supply of drinking water to the Madrid-Barajas General Airport System, 16AAP05O. Municipi-

palities of Alcobendas, Paracuellos de Jarama and San Sebastián de los Reyes.

Additionally, in 2023 we have obtained **5 resolutions on environmental impact reports**, 3 resolutions on **strategic environmental reports** and **14 resolutions on consultations on significant environmental effects** of Canal projects.

Finally, in addition to those related to the evaluation of the environmental impact of projects and plans and programs, our certified environmental management system contemplates the **principle of continuous improvement** of our performance and its objectives include the **prevention and minimisation of pollution**, the commitment to **comply with applicable environmental legislation** and the monitoring and control of significant environmental aspects.

[GRI 2-23]

MAIN ACTIONS APPLIED BY CANAL DE ISABEL II FOR PREVENTING AND REDUCING ENVIRONMENTAL IMPACTS

PROCESSES / FACILITIES	ACTIONS FOR PREVENTING ENVIRONMENTAL IMPACTS
Projects and works	Evaluation of environmental aspects in planning and projects
	Carrying out environmental impact studies
	Environmental protection clauses in the tender documents
	Adoption of preventive, protective and corrective measures
	Monitoring and surveillance of environmental aspects during and after the work
Reservoirs	Reservoir protection plans
	Surveillance of the ecological quality of the reservoir environment
	Reservoir emergency plans
	Maintenance of ecological flows
	Hydroelectric power generation
Wells	Sustainable exploitation of underground resources
DWTP	Efficiency in the treatment and reduction of rejections and losses
Tanks and networks	Continuous quality surveillance
	Network pressure control and sectorisation plan
Drinking water distribution networks	Renovation of networks – PLAN RED
	Non-revenue water reduction plan
	Plan for new network technologies
	Electrical production with hydroelectric microturbines

PROCESSES / FACILITIES	ACTIONS FOR PREVENTING ENVIRONMENTAL IMPACTS
Sewer networks	Improvement and renovation of the networks – SANEA PLAN
	Research in sustainable drainage networks
WWTP and WWPS	Improvement of wastewater treatment systems and increase in effluents with tertiary treatment
	Implementation of the National Water Quality Plan
	Discharge of surplus regenerated water from the tertiaries into the channels
	Discharge monitoring
	Circular economy: Recovery of sludge. Cogeneration. Struvite production
	Reuse of regenerated wastewater
Commercial management and support processes	Electrical generation from biogas, microturbines and photovoltaic solar. Biogas for vehicles
	Communication campaigns for water saving
	Virtual office, electronic invoice, remote reading and progressive rates
	Environmental education (Canal Educa)
	Actions to save paper and other consumables
	Actions regarding energy efficiency
	Fleet of low-emission, hybrid and electric vehicles

Prevention and communication on environmental aspects of our operations

The prevention of potentially negative environmental effects of operations and facilities is integrated into our internal procedures and instructions for their identification, analysis and evaluation and for their monitoring and control. The centralised management of the company’s waste and the control of its emissions is carried out by the Circular Economy Subdirectorate, while the control of discharges and the quality of WWTP effluents is the responsibility of the Water Quality Subdirectorate. Additionally, **communication channels** have been established **with internal and external interested parties**.

In the case of the **execution of projects** subject to the administrative procedure of **environmental impact assessment**, there are always bilateral communications between the autonomous administration responsible for the environment and our company, aimed at requesting and providing sufficient documentation for the correct definition of the works that we do and the impacts they cause. In addition, consultations are also made with other entities that could be affected. On the other hand, within the framework of the management systems, there are documented internal procedures related to environmental communications from interested parties.

Although Canal de Isabel II maintains an **environmental liability policy** for possible damages that may be caused to third parties or to the environment as a result of its activity, it expressly excludes from coverage the sanctions that any regulatory body may impose as a consequence of non-compliance arising in this matter.

Compliance with environmental legislation

At Canal we have procedures for the identification and access to the requirements established in environmental laws and for the periodic evaluation of their compliance within the framework of the environmental management system that we have implemented and certified

In 2023, the opening of **40 sanctioning files** has been recorded (6 more than in 2022 and 5 less than in 2021) by the Tagus Hydrographic Confederation, most of them linked to involuntary discharges of wastewater from our 155 WWTPs. These files are in different stages of processing, most of which have been appealed through administrative channels or even through the filing of the corresponding contentious-administrative appeal. The accumulated number of sanctions associated with these files amounted to **430,749 euros** at the end of 2023 (52,822 euros more than in 2022 and 575,608 less than in 2021).

Expenses and investments in environmental management and activities

Apart from the environmental expenses linked to compliance with our legal obligations (waste management, sludge management, among others) or associated with the processes necessary for the management of the integral water cycle (wastewater treatment expenses), Canal dedicates other **economic resources** to **voluntary aspects of environmental** management. These resources amounted to **14.36 million euros in 2023** (3.06 million less than in 2022) and represent **13.14%** of the **total expenses associated with environmental management** (264 million euros in 2023).

The decrease of almost 18% in voluntary expenses in 2023 compared to 2022 has been almost entirely due to the decrease in the thermal drying activity of WWTP sludge with cogeneration, since the South WWTP drying plant has remained inactive throughout the year 2023 (due to turbine failure) and the drying plant of the STU of Loeches has only operated at 40.6% of its nominal capacity (equivalent to 3,661 hours of the 8,760 hours of the year).

Among the main voluntary expense items, that which stands out is the **thermal drying of WWTP** sludge, which in 2023 represented **49.31%** of the total, followed by **reuse** (25.3%).



Taking into account the intrinsically environmental nature of many of our processes (we manage a natural resource and deal with wastewater treatment), many of our investments have an objective linked to **environmental protection**. Thus, in 2023 the investments made by Canal de Isabel II with a final objective of environmental protection amounted to **36.9 million euros**.

[GRI 413-1]
[GRI 2-27]
[GRI 201-1]
[GRI 203-2]

OUR ENVIRONMENTAL PERFORMANCE

At Canal we manage all our facilities with sustainable criteria, we try to rationalize the consumption of materials and energy, we avoid unnecessary discharges and emissions into the atmosphere and we manage our waste appropriately, periodically controlling the noises and odours that we produce with our activities.

Consumption of reagents

The main materials by weight that we consume are the reagents that we use in drinking water treatment plants (DWTP) and wastewater treatment plants (WWTP).

In 2023 we have recorded a total consumption of reagents amounting to **60,853 tons** (6.9% and 4,505 tons less than in 2022). Of these, **29,369** were intended for the treatment of drinking water and **31,484** for the wastewater treatment and regeneration of wastewater.

Paper consumption

In administrative activities, commercial management and for sending invoices, the most consumed material is paper.

Canal maintains **reduction in paper consumption** as its quality and environmental objective, establishing for years a set of policies to promote electronic invoicing, printing and document man-

agement, as well as continuous monitoring by those responsible, which has resulted in **cumulative 41.34%** reduction in paper consumption over the last 5 years.

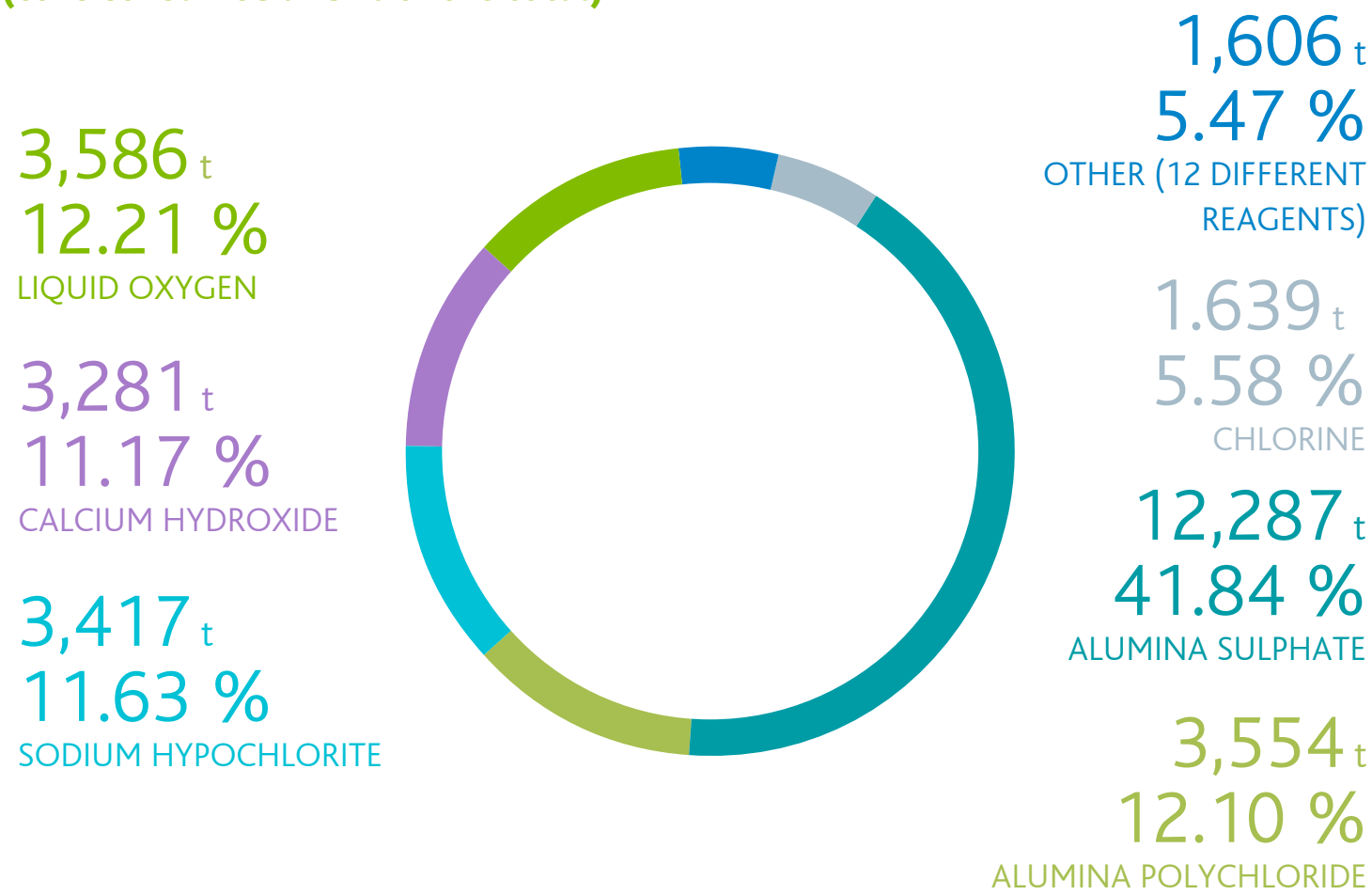
Of the **13.66 tons of paper** used **internally** in the company in 2023 (0.47 tons more than in 2022), **54.90%** was **recycled paper**. Our goal is to reduce paper consumption in internal administrative tasks and we have managed to reduce its consumption by almost 7% since 2020.

On the other hand, the printed documents that we send to our clients, mostly consumer invoices, are managed through a service provider that has FSC (Forest Stewardship Council) certification, which guarantees the use of paper produced through a responsible forest management.

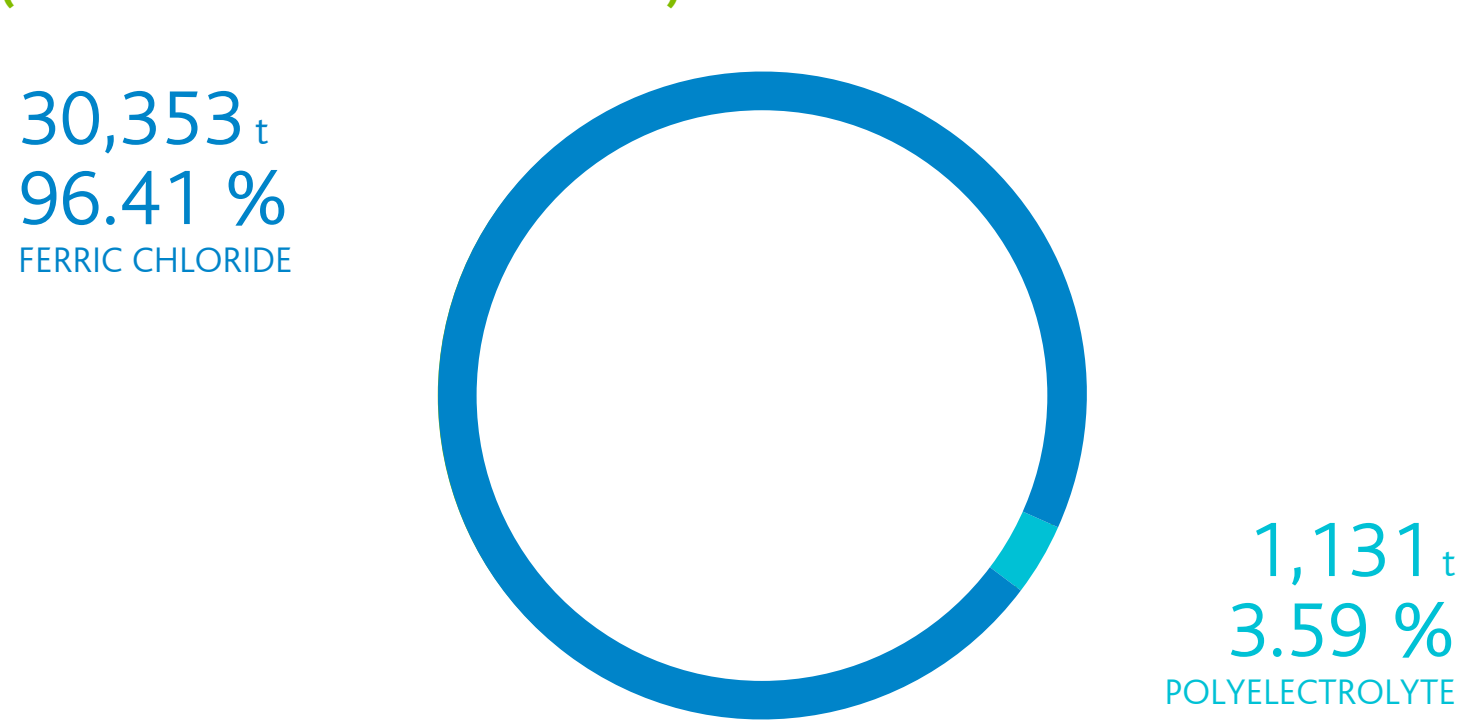
In 2023 we used **67.7 tons of paper for shipments to our customers**, almost 13 tons less than in 2022, which represents a 16% reduction compared to 2022 and 32% less than in 2021. This

reduction is mainly due to the progressive implementation of electronic invoices (e-invoices) among our clients, which since 2021 has been enhanced through communication actions. As a result, at the end of 2023 more than **840,000 of our customers had switched to e-invoicing** (5.43% more than those in 2022), thus avoiding the consumption of paper associated with sending invoices for more than 61% of contracts.

REAGENTS USED IN 2023 FOR WASTEWATER TREATMENT IN OUR DWTPS (tons consumed and % of the total)

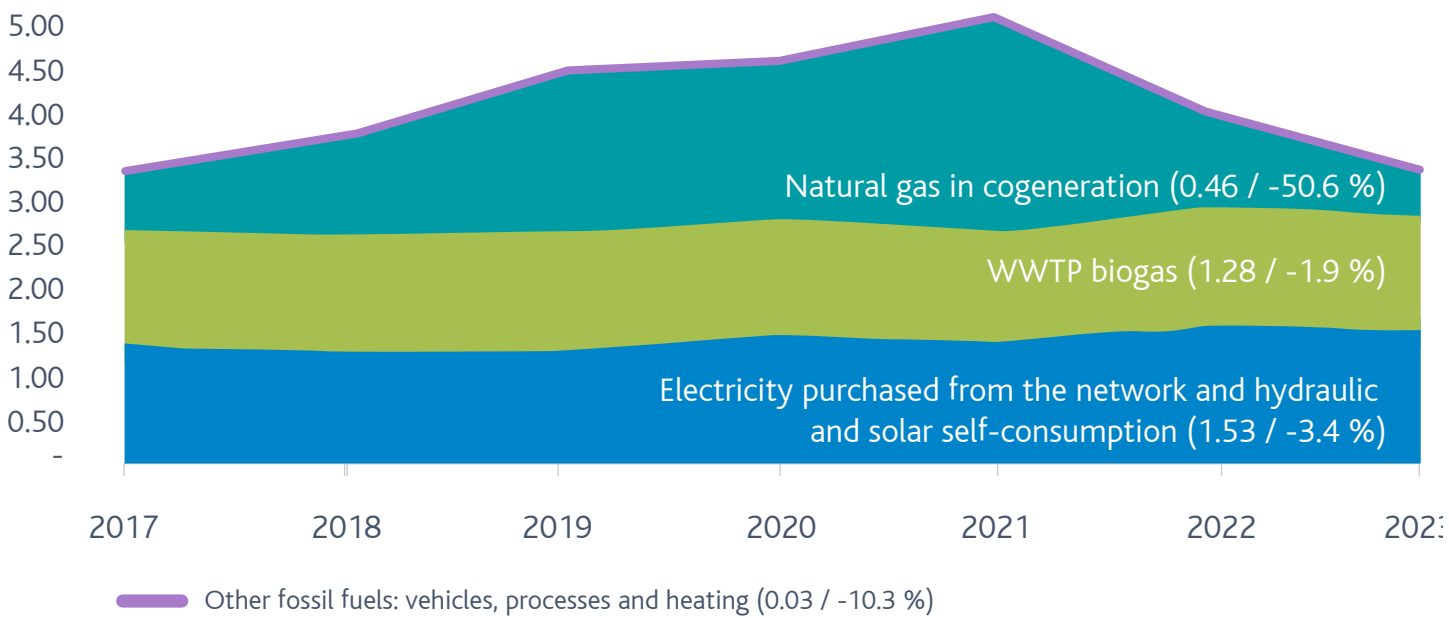


REAGENTS USED IN 2023 FOR WASTEWATER TREATMENT IN WWTPS (tons consumed and % of the total)

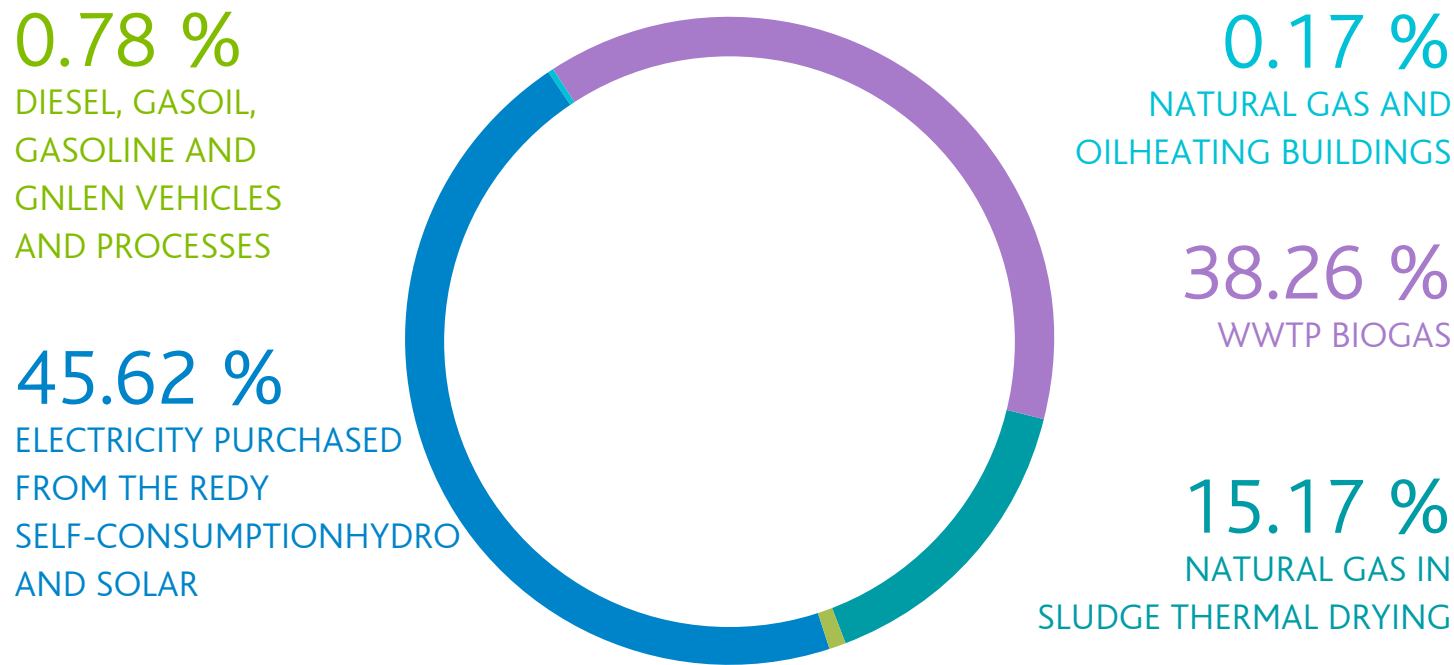


[GRI 301-1]
[GRI 3-3]
[GRI 301-2]

EVOLUTION OF ENERGY CONSUMPTION 2017-2023
(millions of gigajoules and variation in % compared to 2022)



DISTRIBUTION IN PERCENTAGE OF ENERGY CONSUMPTION IN 2023



Self-consumption of water

Apart from the water that we distribute to our users, like all companies, we need to consume our own water to carry out the different processes associated with our activity (cleaning of new pipes, cleaning of tanks, network purges, losses during treatment processes, consumption of water for works or irrigation of the gardens of our facilities and parks open to the public, among other forms of consumption).

The self-consumption of water necessary to provide our services to the people of Madrid has been

4.69 million cubic metres, 0.95% of the water derived for consumption in the last hydrological year (2022-2023). Said consumption is 27% lower than that registered in the 2021-2022 hydrological year.

In our internal water consumption we apply the same measures of efficiency and rational use for companies and gardens that we advise our clients and users, and they may be referred to in the «We take care of water» section of [our website](#).

Energy consumption and production

The situation in the energy markets in 2021 and 2022 clearly highlighted the absolute need for large energy consumers to be prepared to adapt to a changing and uncertain future in everything energy-related. At Canal we have the firm vocation to be the first company in our sector in Europe that to achieve self-sufficiency in terms of electricity consumption before 2030.

Our energy consumption

Canal de Isabel II needs to consume a large amount of energy to carry out all its processes. In 2023, **direct energy consumption** for the operation of our facilities has been reduced by 16.51% compared to that recorded in 2022 and 33.20% compared to that of 2021 (which was a historical maximum) and has amounted to **3,306,331 gigajoules**. This decrease is fundamentally due to the decrease in natural gas consumption in the cogeneration of the Loeches and South WWTP sludge thermal drying plants with cogeneration (54.41% less than in 2022 and 79.64% less than in 2021). This is because, in 2023, these plants, due to breakdowns (South WWTP) and scheduled maintenance (Loeches STU), have only produced the equivalent of 18.10% of their joint nominal capacity, which is equivalent to 1,585 hours of operation of the 8,760 hours of the year (that was 2,842 hours in 2022).

Due to the lower operation of the cogeneration plants for thermal drying of sludge, in 2023 our main energy consumption has been **electricity purchased from the network and self-consumed hydraulic and solar power**, which represents **46.3%** of the total.

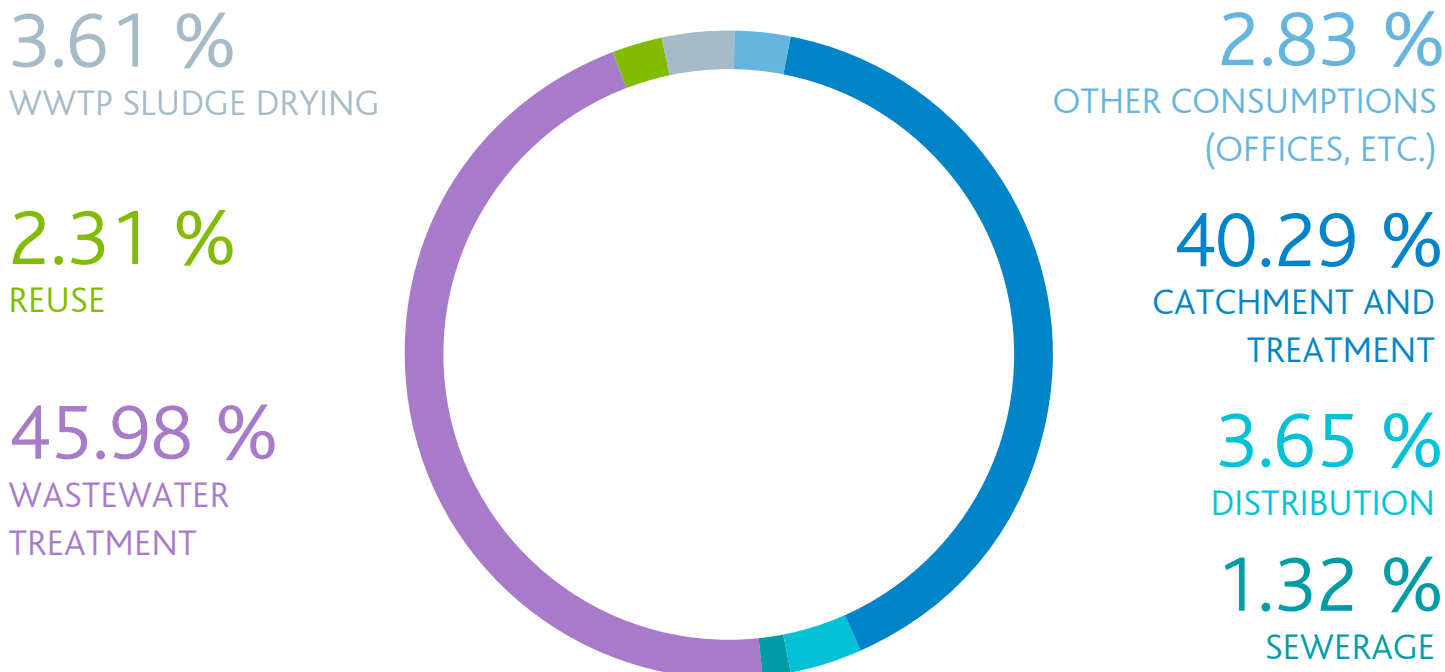
[GRI 303-5]
[GRI 302-1]
[GRI 302-4]

Canal's total electricity consumption (including self-consumption from the cogeneration of hydroelectric plants, hydraulic microturbines, photovoltaic plants and from WWTP biogas) has risen in 2023 to **536.30⁷ million de kilowatt hours** of electricity, this consumption being very similar to that of 2022 (only 1.17% lower), since in both years have been dry in terms of contributions from the rivers to the reservoirs, and this hydrological situation makes high use of transfers from the Alberche River (San Juan and Picadas reservoirs) necessary. In 2023 we have consumed 147.55 million kilowatts for these transfers, only 22.04 million less than in 2022. Thanks to this consumption, which represents 27.52% of the total, we have been able to transfer 144.72 million cubic metres in 2023 (24.74 cubic hectometres less than in 2022).

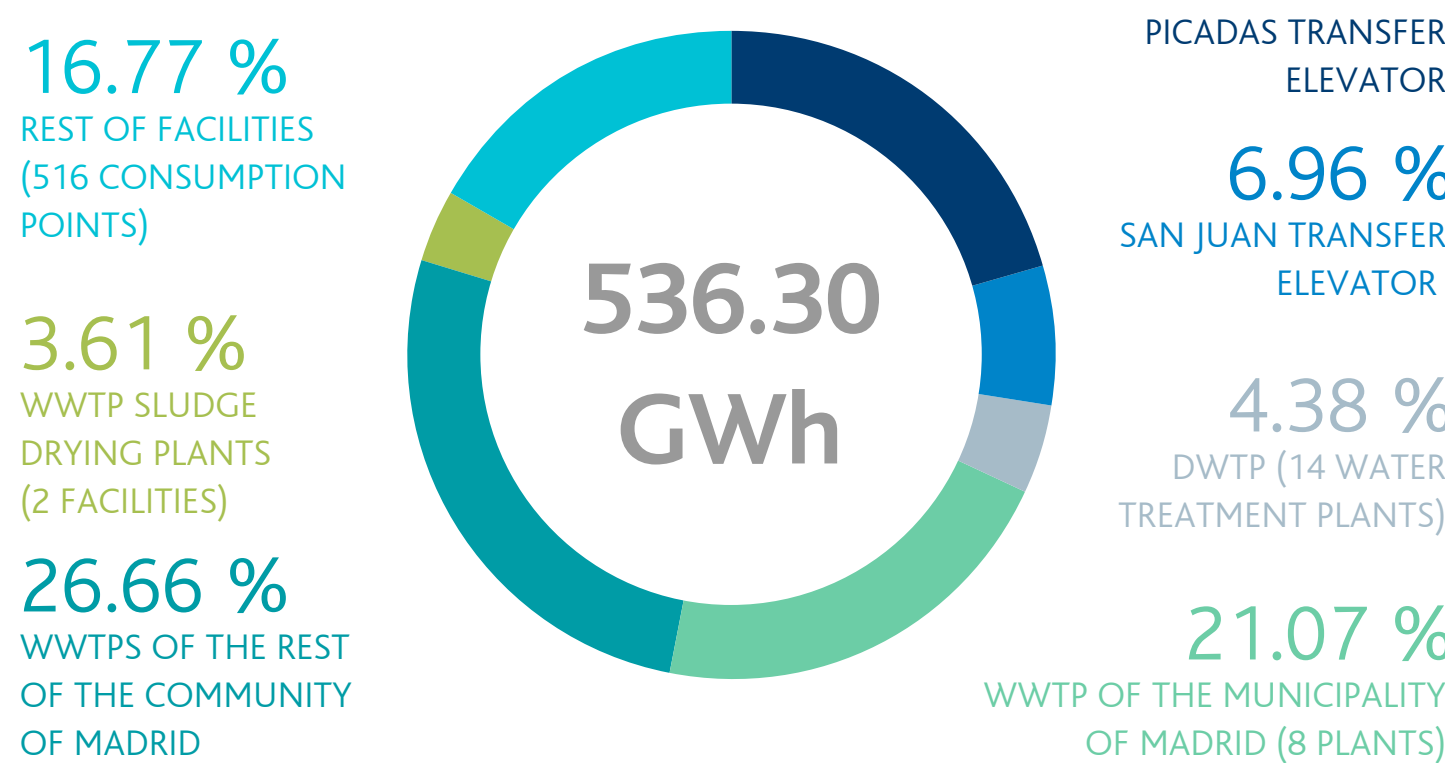
Our **specific electricity consumption** for each activity varies greatly depending on the rainfall characteristics of the year. Thus, when the contributions from the rivers are very low, it is necessary to use the well fields and make greater use of the elevators, with which energy consumption almost doubles. The specific consumption recorded in recent years has been as follows.

7. 2.52% of total electricity consumption in 2023 has been estimated.

PERCENTAGES OF ELECTRICITY CONSUMPTION BY PHASES OF THE INTEGRAL WATER CYCLE IN 2023



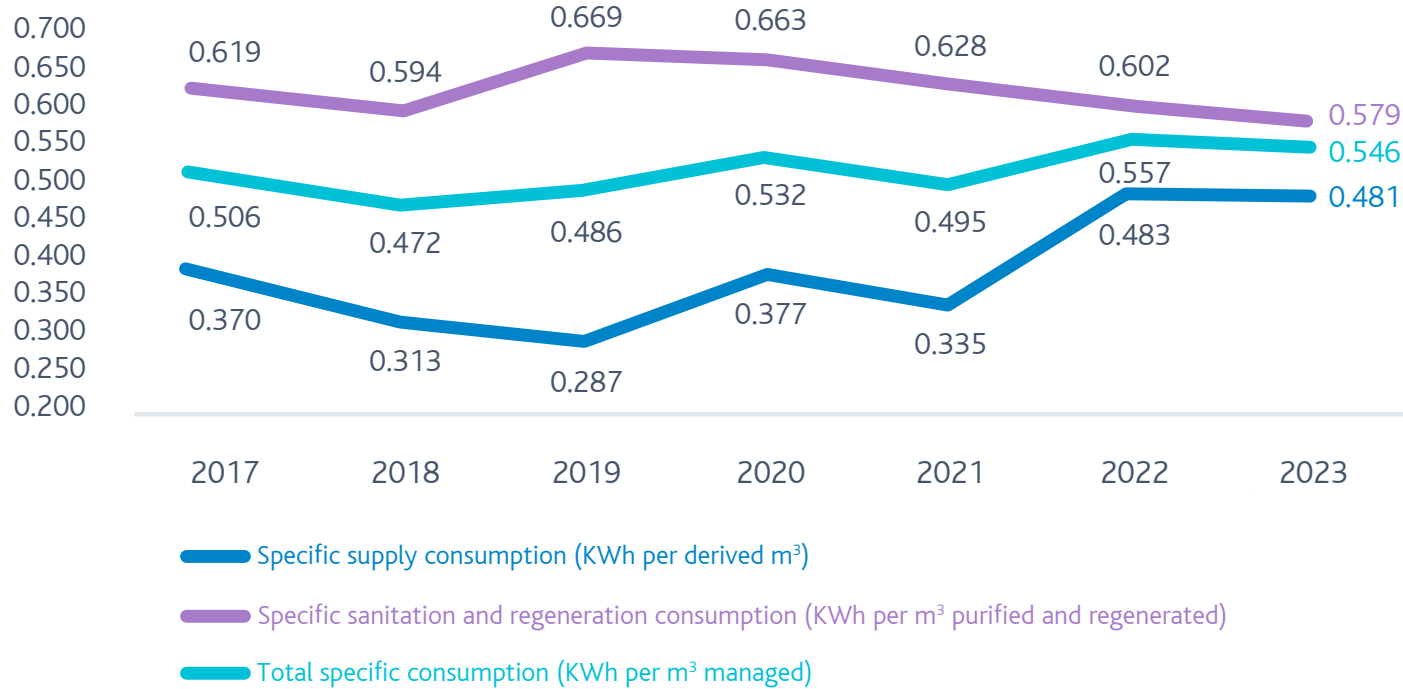
DISTRIBUTION IN % OF ELECTRICITY CONSUMPTION BY FACILITIES IN 2023



In 2022 and 2023, the increase in the use of transfers from the Alberche River is clearly reflected in the increases in specific supply consumption compared to previous years. This increase is also reflected in the company's total specific consumption, which grows by 10.2% in 2023 compared to 2021 (in 2022 it was 12.4% higher than in 2021).



SPECIFIC ELECTRICITY CONSUMPTION BY PHASES OF THE INTEGRAL WATER CYCLE



[GRI 302-3]

Clean energy generation

For decades, Canal, in its awareness of the importance of our electricity consumption, has been providing facilities for the **generation of electrical energy** through synergistic processes with water management. At the end of 2023, we were the company with the **highest installed power** in electricity generation in the Community of Madrid, with a total of **111.95 megawatts** (2.64 megawatts more than at the end of 2022) in the following facilities:

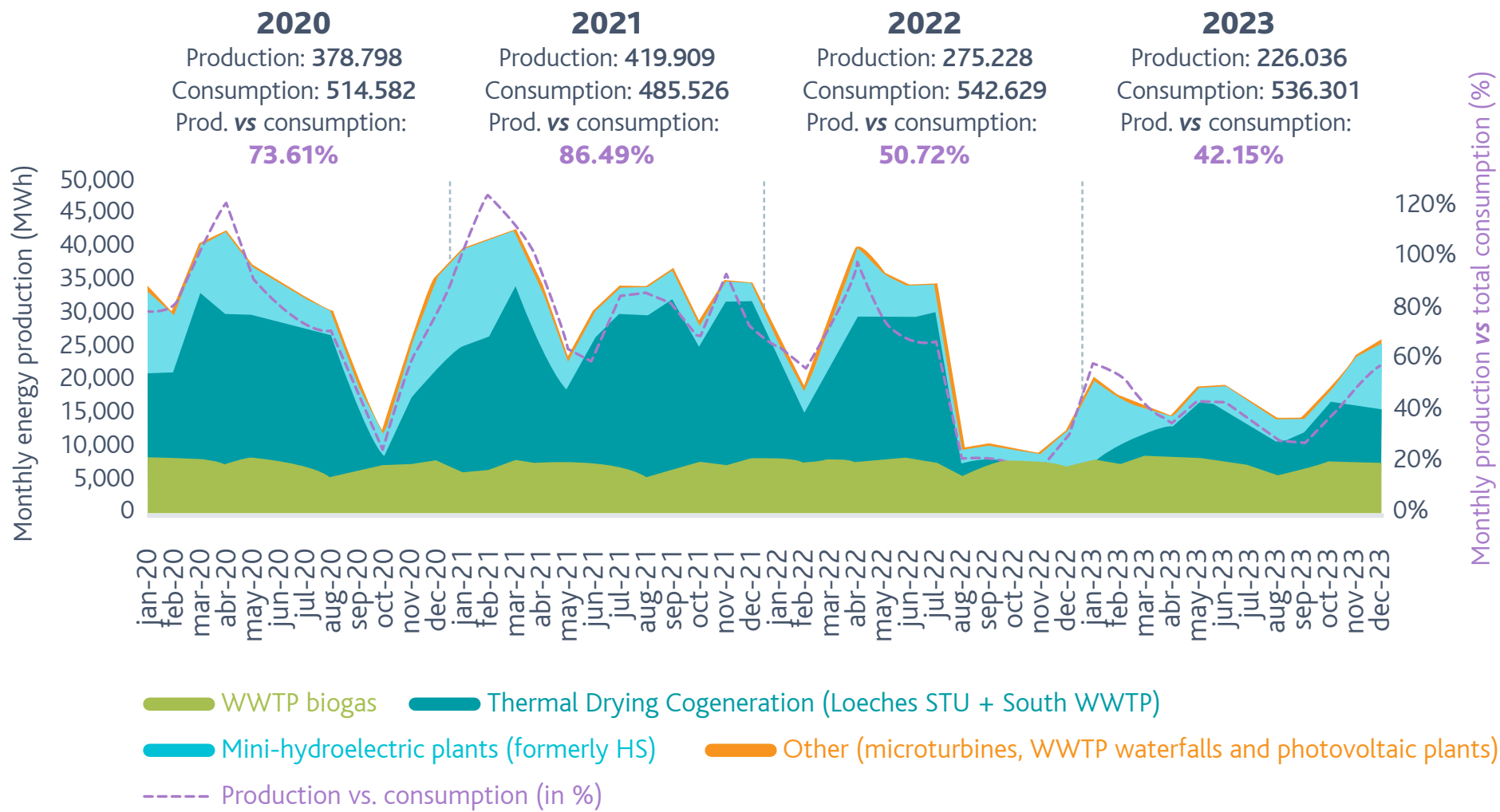
- **9 hydroelectric plants**, with a total installed power of **35.52 megawatts**.
- **19 WWTP e 19 WWTPs** equipped with **motor generators** (41) and **turbines** (6) that generate electricity using the **biogas produced in the wastewater treatment processes** as fuel and add up to an installed power of **27.54 megawatts**.
- **9 microturbines** installed at different points of the **supply network** with a total installed power of **0.83 megawatts**.
- **2 cogeneration plants** (Loeches STU and South WWTP), **associated with the thermal drying process of WWTP sludge**, with an installed power of **44.70 megawatts**.

- **3 small wastewater waterfalls** equipped with **hydroelectric microturbines** in the South WWTP (2) and the La Gavia WWTP that take advantage of the difference in elevation at the discharge point, with an installed power of **0.26 megawatts**.
- **10 photovoltaic solar installations** located, 6 of them in WWTP, an elevator, in the Loeches STU, in the Lower Deposit of Torrelaguna (floating) and in some offices, adding up to a total power of **3.09 megawatts**.

In 2023, two **biogas motor generators, of 420 and 350 kilowatts**, respectively located in the Arroyo de la Vega and Soto-Gutiérrez WWTPs, and a **1,698-kilowatt floating solar photovoltaic plant** in the Torrelaguna Lower Reservoir, have been put into service. This floating plant is the first to be installed in the Community of Madrid and will serve as a pilot experience to evaluate the extension of this technology to other Canal facilities in the future.

Thanks to the energy generated both in processes associated with supply and sanitation, Canal has a high **degree of electrical self-sufficiency** that in 2021 allowed us to generate up to **86.49%** of our consumption (410 million kilowatt hours produced). However, in the years 2022 and 2023, the lower operation of the cogeneration of the

2020-2023 ELECTRICITY PRODUCTION BY CANAL TECHNOLOGIES (production in MWh and % produced with respect to total consumption)



thermal drying plants and the lower hydroelectric production have led to this percentage being significantly lower.

More specifically, in 2023 our electrical energy production facilities have generated **226.04 million kilowatt hours**, which is **17.9% less than in 2022** and **46.2% less than in 2021** (which was a

record year). The energy produced is equivalent to only 42.15% of our total consumption (536.30 gigawatts), almost 9 percentage points less than that registered in November 2022 and more than 44 percentage points less than that registered in 2021. The causes of this low production are the limited generation from cogeneration and low hydraulicity throughout the year 2023.

[GRI 3-3] [GRI 302-5]

THE SOLAR PLAN OF CANAL DE ISABEL II IN 2023

We are advancing in our commitment to electrical self-sufficiency

As part of the actions related to sustainability included in our 2018-2030 Strategic Plan at Canal, we are developing our Solar Plan. This Plan is part of our company's actions to promote energy production through renewable and highly efficient generation sources, reducing our network consumption and contributing to mitigating our CO₂ emissions.

Our objective with the Solar Plan, and with the rest of the actions in relation to the production of electrical energy, is to **become the leading company** in our sector in Europe that **produces an amount of electrical energy equal to or greater than what we consume**. Solar panels will be installed on the available surfaces to produce electricity and most of this production will be consumed on site, allowing the electrical demand of the network of each of these infrastructures to be reduced. In some of these facilities, specific surpluses will also be produced that can be discharged into the electrical network, thus contributing to increasing the percentage of participation of renewables in the energy mix.

Furthermore, in some of these infrastructures, photovoltaic installations will be hybridised with pre-existing generation technologies (hydraulics and mi-

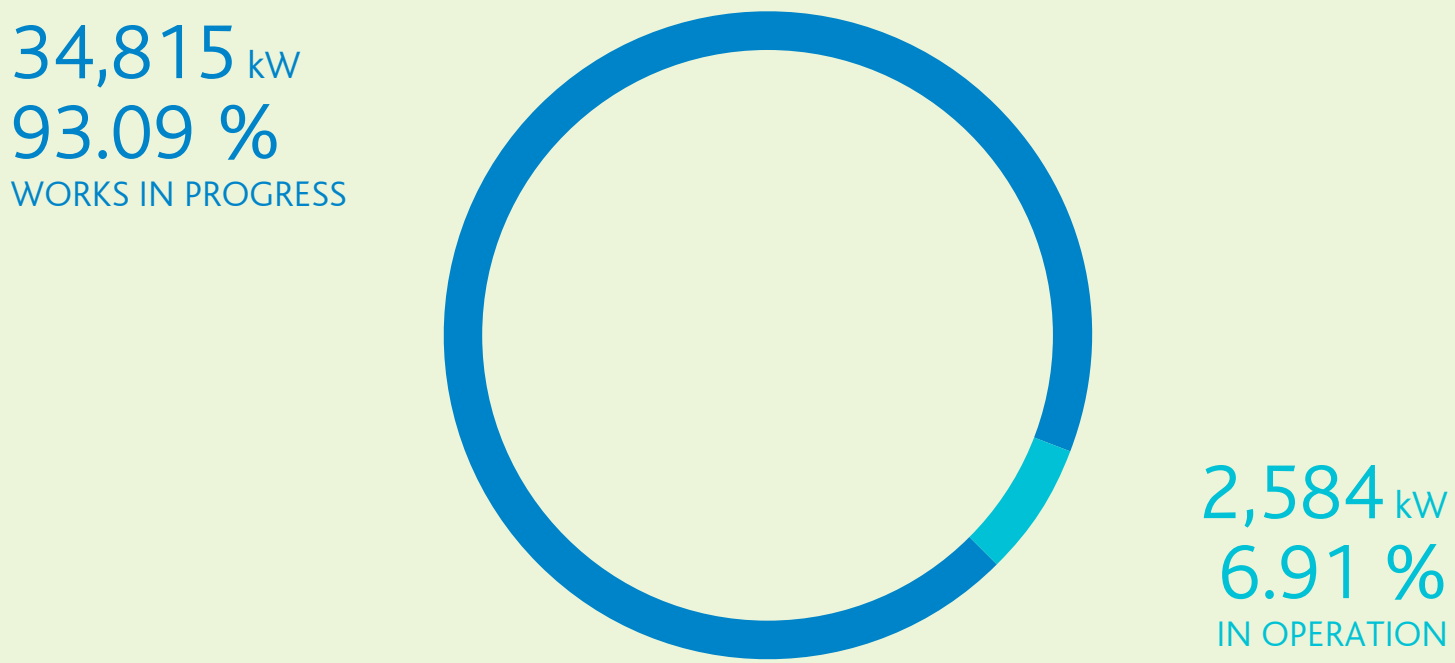
ni-hydraulics, biogas, biogas engines and turbines and cogeneration), thus increasing the possibilities of energy management and optimising the use of existing resources.

The **Solar Plan** in its initial phases (0, 1 and 2) contemplates the installation of a total of **27 facilities with an installed power of more than 37.40 megawatts** and involving an investment of close to **55 million euros** that will be financed in part with funds from the European Union (REACT-EU and FEDER). Additionally, solar panels are being installed on the available surfaces of our facilities through maintenance contracts.

Throughout 2023, the construction and technical assistance contracts for phases 1 and 2 were awarded along with the Majadahonda and El Pinar facilities (DWTP Colmenar) for an amount greater than 51.17 million euros and at the end of the year two plants were in operation, and 25 in different phases of construction.



SITUATION OF THE PLAN SOLAR PLANTS AT THE END OF 2023 (kW installed and % of total power)



[GRI 3-3]
[GRI 302-5]



The cogeneration of the South WWTP thermal sludge drying plant has been stopped due to breakdown since the summer of 2022 and that of the Loeches sludge drying plant has only produced at 40.6% of its nominal capacity (equivalent to 3,661 hours of the 8,760 hours of the year).

Regarding **hydraulics, conditions** in 2023 have, in general, been **highly unfavourable**, with contributions to the reservoirs that have been **28% lower than the historical average**. As a result, **the accumulated hydroelectric production** in 2023 (59.32 gigawatt hours) is **24% lower than the average of the last 10 years**, this being the third worst year in history, only surpassed by 2022 and 2012 (which was the second driest year in the entire historical record).

Throughout 2023, **405.51⁸ gigawatt hours purchased from the electrical network have been consumed in our facilities, 4% less** than in 2022 (422.42 gigawatt hours). In addition to the energy purchased from the network, during the year our facilities **have self-consumed a total of 130.79 gigawatt hours** generated in our own electricity production facilities. Finally, **we have sold a total of 95.25 gigawatt hours to the network** (42.15 hydroelectric and 53.10 from Loeches cogeneration). The company's **total consumption** in 2023 was **536.30 gigawatt hours, 1.17% less** than in 2022 (542.63 gigawatt hours).

As a result of this low production, and also of very high consumption due to high use of transfers from the Alberche River, the **energy produced in 2023** represented only **42.15% of that consumed**.

Despite the lower generation of electrical energy during the year, our production has managed to avoid the emission of **22,600 tons of CO₂**. Furthermore, by purchasing electrical energy with a guarantee of 100% renewable origin, we have avoided the emission of **40,550 tons of CO₂** in 2023.

Wastewater treatment

100% of the urban wastewater and stormwater that Canal de Isabel II is entrusted with is treated with the best quality standards. Practically the entire population of the urban centres of the Community of Madrid has Canal wastewater treatment coverage. To this end, we have **155 facilities** that allow us to treat these waters from a total of 178 municipalities in the Community of Madrid and one municipality in the province of Toledo.

Our wastewater treatment plants (WWTP) are located in the basins of different rivers that cross the orography of the Community: Alberche, Aulencia, Cofio, Guadalix, Guadarrama, Guatén, Henares, Jarama, Lozoya, Manzanares, Perales, Tagus and Tajuña

But not all of them carry out each of the possible wastewater treatment processes; rather, they are adapted on the basis of factors such as the size or number of inhabitants for which they are designed, economic imperatives, seasonal variations in river flow, origin of the wastewater or possible industrial discharges. The type of processes followed in wastewater treatment even determines the physical appearance of the facilities. Currently, Canal's WWTPs have a design capacity of **16.25 million equivalent inhabitants⁹** and, as a whole, they can deal with a flow of up to **2.16 million cubic metres per day**.

To guarantee compliance with the requirements related to the elimination of phosphorus, from 2010 to the present we have made the necessary adaptations in the treatment plants included in our **Nutrient Elimination Plan** (nitrogen and phosphorus). The objective of this Plan is compliance with the **Water Framework Directive¹⁰** in relation to the conditions of water discharge in sensitive areas (practically the entire Community of Madrid), which is included in the National Water Quality Plan (PNCA).

8. 3.3% of electricity consumption purchased from the network in 2023 has been estimated.

9. An «equivalent inhabitant» is biodegradable organic load with a 5-day biological oxygen demand (BOD5) of 60 grams of oxygen per day. They are calculated for each of the WWTPs from the average daily value of biodegradable organic load, corresponding to the week of maximum load of the year, without taking into account situations caused by intense rains or other exceptional circumstances.

10. *Directive 2000/60/EC of the European Parliament and of the Council, of 23 October 2000*, establishing a Community framework for action in the field of water policy.

[GRI 303-4]
[GRI 306-1]

Since 2015, Canal has been developing its Plan for compliance with WWTP discharge authorizations. This aims to guarantee compliance in the discharges of at least 80% of the samples taken for self-control in the WWTPs, as well as carrying out exhaustive monitoring of the set of discharges to reduce non-compliance as much as possible. The main actions contemplated in this plan are the following:

- Study of the discharges that reach the WWTPs.
- Modification, expansion or new construction of WWTPs.
- Reduction of flows relieved in dry weather.
- Various operational improvements.

In **2023, the regulatory adaptation works for the Arroyo de la Vega WWTP were completed**, and it was also provided with biogas cogeneration, thus becoming a more sustainable facility and ready for new environmental achievements. The **improvement works on the Hoyo de Manzanares WWTP** were also completed.

Likewise, **work has continued on the El Endrinal, Arroyo El Plantío and Arroyo del Soto WWTPs**. In all of them, partial receptions will take place in 2024 to put into operation the decisive improvements include in these works as soon as possible.

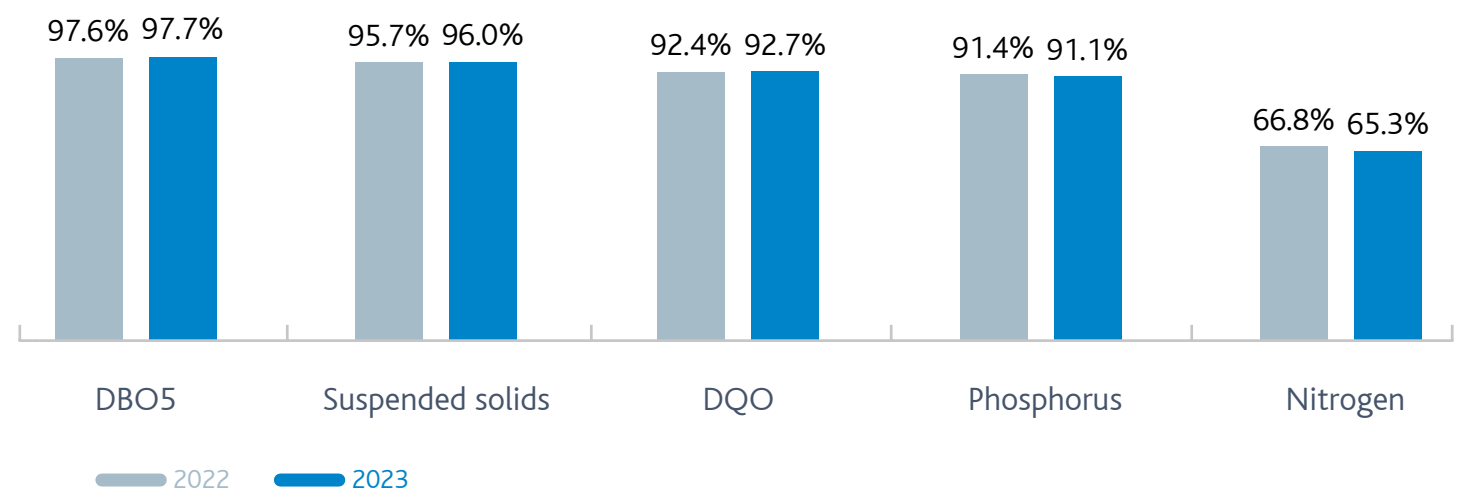
A **new electricity production facility** from biogas has been installed at the **Soto Gutiérrez WWTP** and the full operation of the electricity production facility at the **Aranjuez WWTP** has been achieved. The works on the new electricity motor generator at the **Navalcarnero WWTP** are very advanced, and it will come into operation in April 2024. At the Butarque and Sur WWTPs, 2 motor generators have been completely renovated in each installation. Also, work has been undertaken on the **new photovoltaic installations** at the Boadilla, Villaviciosa, Valdemorillo and Zarzalejo WWTPs, which will be launched in the first quarter of 2024.

The main milestones of the commitment to **electrical efficiency** of the processes have been: the renewal of the 60,000 diffusers of the **largest treatment plant in Spain** by treatment capacity, the South WWTP of Madrid; the renovation of the 16 biological lines of the oldest wastewater treatment plant in Madrid, the La China WWTP. The two treatment plants that purify wastewater from Getafe, Parla, Leganés, Humanes and much of Fuenlabrada (Middle-Upper Basin Arroyo Culebro and Lower Basin Arroyo Culebro WWTP) have also had their air supply systems completely renewed, with an amount of more than one million euros.

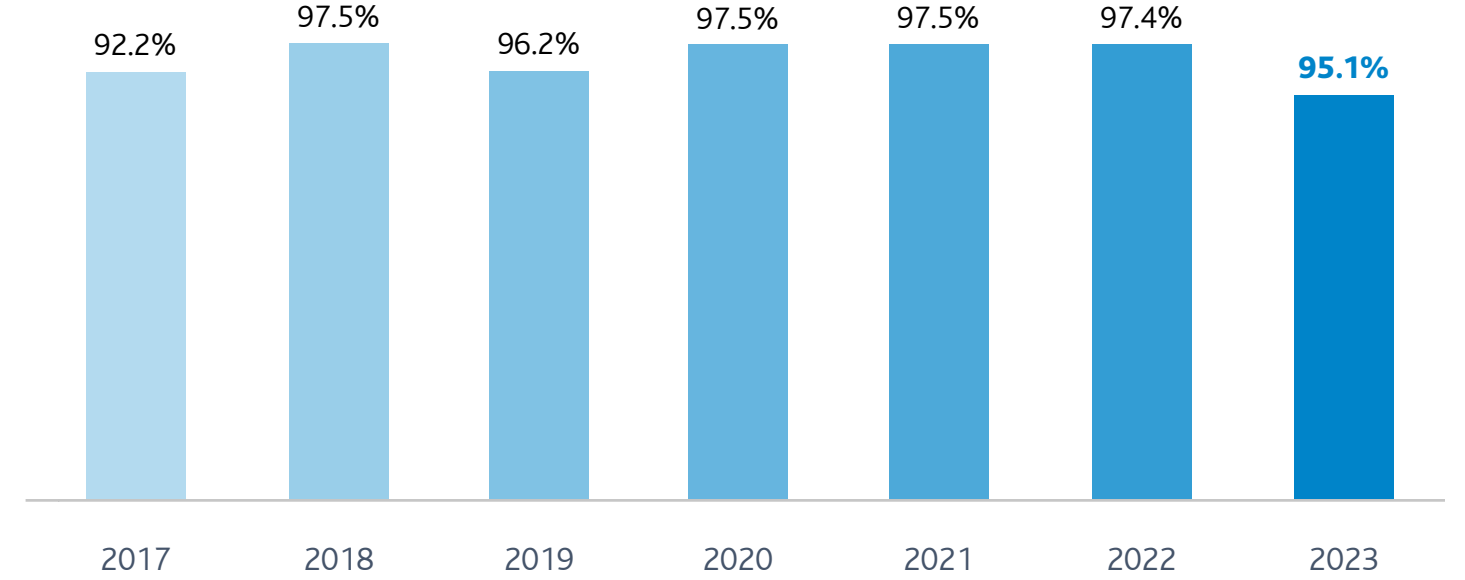
During the year, our WWTPs have treated and **returned** a total of **476.56 million cubic metres** of treated wastewater and stormwater to the riverbed, the equivalent of 95% of the water derived for consumption. The quality of the effluents treated in the

plants managed by Canal maintains the high level that characterises the system. Furthermore, in certain wastewater treatment facilities, an additional treatment has been applied to the purified water, a **tertiary refining** treatment, which has allowed up

PERFORMANCE OF THE WASTEWATER TREATMENT (% of polluted load eliminated)



LEVEL OF EXCELLENCE OF THE 2017-2023 WASTEWATER TREATMENT IN %



to **91.53 million cubic metres** with regenerated water quality (19.21% of discharges into channels) to be discharged into Madrid. In addition, another **15.63 million cubic metres** have been produced for **direct reuse**, adding up to a total of **107.16 million regenerated cubic metres**.

As a result of Canal's commitment to quality and the environment, our indicator of the degree of excellence in the wastewater treatment of our WWTPs in 2023 has remained at values higher than 95%.

In the normal operation of the facilities, Canal's activities do not produce any discharge of chemical substances. Throughout 2023, no notable incidents have occurred in this regard.

Management of waste

The control of waste management in Canal's production centres and collection points is based on the correct **separation of waste** at source and is complemented by the monitoring of collection routes, scheduled fortnightly and carried out by **authorised managers**, ensuring compliance with current legislation.

In recent years, we have actively worked on the proper management of **non-hazardous waste** with the aim of increasing the amount that is destined for **reuse** or **recovery**.

In 2023, without considering WWTP sludge and DWTP sludge, we have generated and managed a total of **38,109 tons of non-hazardous waste** (6,414 tons more than in 2022), most significantly **36,435 tons of pretreatment waste from the WWTP and WWPS** (95.61% of the total). Also noteworthy are construction and demolition waste (354 tons) and pruning waste from parks and gardens (437 tons), which were used in the WWTP sludge composting and thermal drying plant with

Loeches cogeneration as structuring material for the composting. 84.6 tons of paper and cardboard have also been managed.

Regarding **hazardous and biosanitary waste**, in 2023 **487.32 tons** have been generated, 61.03 more than in 2022. These include **117.5 tons of waste from our laboratories**, **124 tons of discarded electrical and electronic equipment** and **68 of engine oils and lubricants**.



FINAL DESTINATION OF THE WASTE MANAGED IN 2023
(tons and % of the total)



11. Not including WWTP and DWTP sludge.

FINAL DESTINATION OF THE WASTE MANAGED IN 2023
(tons and % of the total)



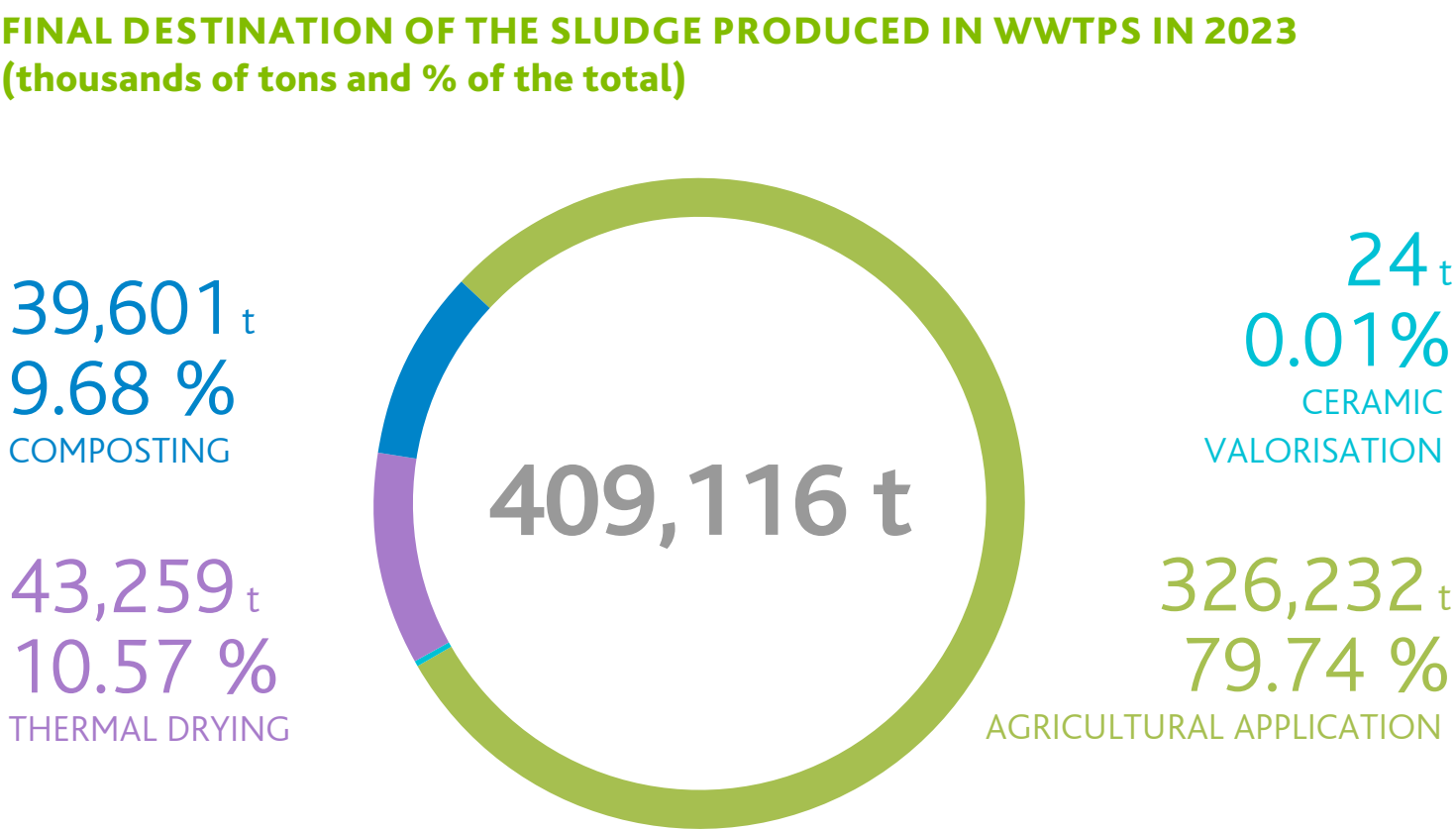
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In addition to the hazardous and non-hazardous waste associated with our processes, the **sludge generated in the production of drinking water** in the DWTP stands out in terms of volume, a total of **25,132 tons** in 2023 (3,969 t less than in 2022), and the same goes for the **sludge generated in the wastewater treatment in the WWTPs**, which in 2023 was **409,116 tons** (10,620 t more than in 2022).

The dehydrated sludge from the WWTPs in 2023 has been mostly destined for use by means of direct agricultural application (326,232 tons). Of the total 409,116 tons generated in 2023, only 24 have been sent for ceramic recovery. A total of 43,259 tons of sludge have been processed in the Loeches Sludge Treatment Unit and in that located in the South WWTP. In addition, 39,601 tons have been used in composting plants.

In the case of DWTP sludge, 98.76% has been destined for agricultural use (24,821 tons) and only 1.24% for ceramic recovery (311 tons).



CANAL AND THE CIRCULAR ECONOMY

Preserving the environment and preventing the depletion of natural resources are the objectives of Canal de Isabel II; we are committed to the triple R (reduce, recycle and reuse).

In this line, we obtain alternative, recycled and reusable products from the waste we receive in our wastewater treatment facilities. Reusing all these products is part of our strategy to promote the circular economy, which also allows us to advance in the decarbonisation of our activity.

At Canal, waste has gone from representing a problem to being seen as an opportunity. It is no longer the final link in the chain; instead, it lies within an intermediate step when giving rise to new raw materials and forms of energy. In this way, wastewater treatment plants manage to recover and transform waste and extract fuel, fuel, fertilizers, compost, regenerated water or electrical and heat energy from it. To do this, in recent years we have incorporated different technologies:

- Currently, we have the largest struvite production plant in Spain. It is located in the South WWTP, where two tons of what is regarded as "white gold" of waste can be produced daily, due to its high content in content in phospho-

rus, an essential element for life, which is neither renewable nor replaceable. Struvite is one of the byproducts obtained from water wastewater treatment. The phosphorus present in liquid waste can crystallise in a controlled manner and give rise to this high-value fertilizer. In 2023 we have produced 557 tons of this fertiliser.

- Agriculture benefits doubly from wastewater treatment. The dehydrated sludge extracted from them also acts as organic fertiliser that fertilises and improves the structure of agricultural soils, where it can be applied to benefit crops. In 2023, although our plants have not been able to operate at full capacity, we have treated 43,259 tons through thermal drying.
- From the mixture of WWTP sludge and plant waste we also produce a compost that is highly valued in gardening, among other applications. In 2023 we will have composted more than 39,000 tons of WWTP sludge for compost production.
- Another important use of the sludge carried by wastewater is to generate energy. The sludge concentrated by pollution and removed from the wastewater is treated in large digesters until it produces a highly versatile renewable energy, biogas, whose calorific value allows us to obtain heat, electricity or fuel for vehicles. Ca-

nal de Isabel II obtained almost 51 million cubic metres of biogas during 2023. From this gas, we have generated 93.30 million kilowatt hours in the 19 WWTPs that have electricity production facilities from biogas. Our production in 2023 is the equivalent of the annual electricity consumption of a town like Majadahonda, with more than 72,000 inhabitants.

- The possibilities of biogas are not limited to the generation of electricity. This biogas is composed of approximately 65% methane and 35% CO₂. If we remove that CO₂, we can convert it into biofuel and use it in vehicles, which is something the WWTP of Viveros (Puerta de Hierro) is already testing. There, we have installed one of the facilities known as "gasineras", where more than twenty cars can refuel with biomethane, a zero-emissions fuel with great calorific value. Vehicles that use biogas do not emit particles or sulphur dioxide and their CO₂ emissions are zero since this biogas, being of human origin, does not cause a greenhouse effect. Furthermore, its use reduces both the nitrogen oxides released (85% less) and acoustic emissions (50%).
- But, in addition to taking advantage of the elements carried by wastewater, we can also recover the water itself, giving it a second life. Apart from subjecting it to a wastewater treat-



ment process so that it returns to the channels, it can be given a tertiary treatment that makes it suitable for supplying uses that do not demand the highest quality. In this way, the regenerated water allows pressure to be released on the potable water when it is used for the irrigation of green areas and golf courses, the washing of streets and even in industrial uses. In 2023 we have produced 107 million cubic metres of regenerated water in our 33 tertiary treatments. Of these, 15.63 cubic hectometres were reused in an industry, in the washing of streets and, mainly, in the irrigation of 11 golf courses and 462 green areas in 26 municipalities that totalled almost 2,042 hectares, thanks to a distribution network. of regenerated water of 744 kilometres.

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Emissions to the atmosphere

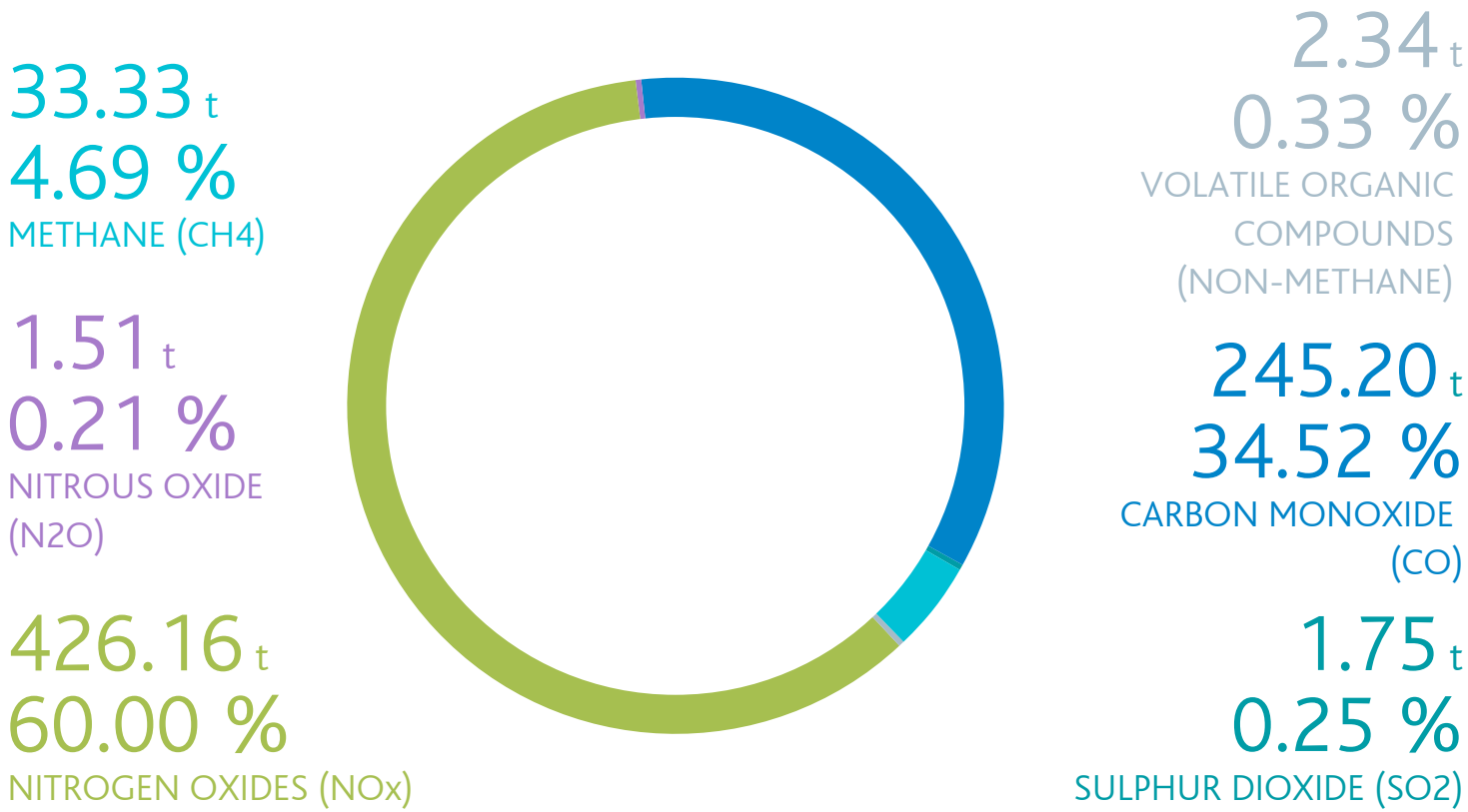
Emissions into the atmosphere of greenhouse gases, **other than CO₂**, and other acidifying substances and precursors of tropospheric ozone that can be attributed to Canal operations originate from:

- Direct emissions from **existing combustion facilities in Canal** facilities, the most important being those from the Sludge Treatment Unit (STU) with Loeches cogeneration and the South WWTP thermal sludge drying plant with cogeneration.

- Emissions from the exhaust gases of our **777 construction vehicles and machines**, which in 2023 have travelled **12.13 million kilometres**, as well as those from diesel used in some processes.

The total of all these emissions (excluding CO₂)¹² was **710.29 tons** in 2023, 13% less than in 2022 (834.11), mainly due to lower plant activity cogeneration plant for drying WWTP sludge.

DISTRIBUTION OF THE EMISSIONS INTO THE ATMOSPHERE (EXCEPT CO₂) IN 2023 (annual tons and % of the total)



Management of noises and smells

Canal manages all its facilities with sustainable criteria, periodically controlling the noises and smells produced by our activities.

In terms of **noise**, since 2004, we have had a **programme to control the sound levels** that are generated in our facilities and that may disturb the population or affect areas of special sensitivity. In 2023, the number of facilities controlled by the programme was 120, with **694 acoustic measurements**, of which only 26 exceeded the limits established in our internal standard in in one of the facilities controlled.

Regarding **odours** and **emissions** from our facilities, we have carried out **180 controls** (108 more than in 2022), of which 176 were for emissions and 4 for odours, with no non-compliance recorded.



12. CO₂ emissions are broken down in the section «THE CHALLENGE OF CLIMATE CHANGE», which is included in this report.

[GRI 305-7]

BIODIVERSITY PROTECTION

The location of our reservoirs in the middle and upper river basins and in places that were originally little frequented has enhanced the local ecosystems associated with water and has welcomed, as far as birdlife is concerned, the emigration of species that have been displaced by the progressive pressure on wetlands.



Presence in protected spaces

Since the origins of our company, **peculiar and very interesting ecosystems** have developed in **our reservoirs** and their surroundings and they have coexisted with the agricultural and livestock activities of the **Sierra de Guadarrama**. These ecosystems play an important role in modulating climatological conditions and the hydrological cycle, without forgetting their landscape and socio-cultural value.

In the *Catalogue of Reservoirs and Wetlands of the Community of Madrid* prepared in accordance with *Law 7/1990*, among the reservoirs selected based on their values and characteristics, 9 belonging to the supply system managed by Canal are included

The area occupied by the facilities and infrastructure managed by Canal on land subject to some legal protection figure amounted to **6,507 hectares in 2023**. It represents **57.84%** of the total area occupied by our facilities, of which **14.43 %** were **Special Protection Areas for birds (SPA)** and **86.30% were Sites of Community Importance (SCI)** belonging to the **Natura 2000 Network** of the Habitats Directive 13 of the European Union.

13. Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and wild fauna and flora.

Protected species present

High-value plant species that are included in the *Regional Catalogue of Endangered Species of Wild Fauna and Flora*, and *Unique Trees*, are present in the surroundings of Canal facilities. They include: *Ilex aquifolium* (holly), *Taxus baccata* (yew), *Arbutus unedo* (strawberry tree), *Corylus avellana* (hazel), *Fraxinus excelsior* (common ash), *Ulmus glabra* (mountain elm), *Betula alba* (birch), *Sorbus aria* (whitebeam), *Sorbus aucuparia* (mountain ash), *Fagus sylvatica* (beech), *Quercus suber* (cork oak) and *Viburnum opiles* (maple).

Within the Regional Catalogue of Plant specimens and Singular Stands of the Community of Madrid, there are three specimens of singular trees located on land owned by our company:

- **In the category of notable trees:** a specimen of *Morus alba* (Valdehondillo mulberry), in El Vellón.
- **In the category of outstanding trees:** two specimens. *An Avies numidica* (Algerian fir) and a *Cedrus deodara* (deodar cedar) in the gardens of our Santa Lucía work centre in Torrelaguna.

Maintenance of the plant heritage

Every year Canal carries out a series of works and works for the conservation and improvement of green areas to achieve an optimal level of **main-**

tenance of the extensive plant heritage, both of the surfaces integrated into its facilities and of the areas open to the public for use and enjoyment, such as the Cuarto Depósito Park, in Plaza de Castilla in the city of Madrid; the Riosequillo recreational area, in Buitrago del Lozoya; the La Marina yacht club, in Cervera de Buitrago, and other spaces of great richness and diversity located in enclaves of high ecological value. Furthermore, since the launch of our 2018-2030 Strategic Plan, we are opening our facilities to the public, including the new Ríos Rosas and Bravo Murillo parks, both located in our central offices, and most especially, the **2023 reopening of Tercer Depósito park to the public**, in Avenida de Filipinas.

The **clearing of spontaneous vegetation** for fire prevention has been carried out in 2023 on a total of **662 hectares**. Furthermore, throughout the year, the necessary phytosanitary treatments have been carried out to avoid pests and plant diseases with the application of chemical products with low environmental impact. Additionally, the elimination of invertebrates that could be harmful is enhanced by installing «nest boxes» for insectivorous birds.

In addition, we have carried out reforestation work, planting a total of **43,229 plant, tree and shrub units**, as well as other conservation and improvement work in **465 hectares** of surfaces adjacent to our facilities.

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[GRI 304-3]



Ecological flows

The ecological flows of rivers are those that make it possible to maintain, at the very least, the life of the fish that naturally inhabit them, as well as the vegetation on their banks. Thus, in the interest of environmental protection, the obligation was established to consciously regulate and plan the hydrological resources of the different basins, establishing a specific flow regime for each river based on its particular characteristics.

The hydrographic confederations prepare the hydrological plans, which establish this regime of ecological flows in the rivers and transitional waters. Each basin has an organization in charge of controlling these flows at the measurement points indicated in the regulations of each plan.

In 2023, **environmental discharges into rivers** carried out by Canal de Isabel II for the conservation of river sections amounted to a total volume of **75.14 million cubic metres**. In addition, it has also been necessary to discharge 1.33 million cubic metres of our reservoirs for reasons of **hydrological safety** (essentially to maintain free capacity in the reservoirs so as to be able to deal with possible floods).

In relation to ecological flows, the main event in 2023 were the entry into force of the **review of the hydrological plans**¹⁴ of the Spanish hydrographic basins and of the Spanish part of the Hispano-Portuguese hydrographic basins in force since 2014. This review includes the Spanish part of the hydrographic demarcation of the Tagus, where our reservoirs are located, establishing new environmental flows for the following bodies of water: the Jarama river downstream of the **El Vado dam**, the Lozoya river from the **El Atazar** reservoir to the river Jarama and the Manzanares River from the **Santillana reservoir** to the El Pardo reservoir.

Canal has filed **a lawsuit before the Supreme Court** against this review, as our company disagrees with what is established regarding the established ecological flows as well as other aspects that negatively affect the management of the integral water cycle that we carry out in the Community of Madrid (transfers within the same hydrographic basin and wastewater discharges).

14. Through Royal Decree 35/2023, of January 24, which approves the review of the hydrological plans of the hydrographic districts of the Western Cantabrian Sea, Guadalquivir, Ceuta, Melilla, Segura and Júcar, and the Spanish part of the hydrographic demarcations of the Eastern Cantabrian, Miño-Sil, Duero, Tagus, Guadiana and Ebro.

[GRI 304-2]

REOPENING OF THE TERCER DEPÓSITO PARK IN THE CHAMBERÍ DISTRICT

After two years of works and partial closure, on Sunday, 28 May 2023, the new walking and recreational spaces of the Tercer Depósito de Canal de Isabel II park, located on Avenida de Filipinas, in the Madrid district of Chamberí, were opened to the public.

The site, also known as «Santander Park», has an area of **55,000 square metres of green and recreational areas** within a 12-hectare plot that sits on one of Canal's historic water storage tanks. With its opening, the quality of life of all the residents of the district will be significantly improved.

The remodelling that began in 2021 has involved an investment of **10 million euros** and has been carried out taking into account neighbourhood demands, including that of increasing the trees. To achieve this, **more than 1,000 new trees** have been planted, which represents **40% more wooded areas**.

Other sports spaces have been added to the natural spaces and for the development of cultural pro-

grams. Thus, another walking circuit and new meeting points for recreational and cultural uses have been added to the perimeter running circuit, such as a shadow walk or the expansion of the water area.

This park is fully accessible for people with reduced mobility and offers entertainment options for all ages, including a children's play area adapted to children with behavioural disorders or visual and auditory deficits. With 4,500 square metres for smaller children (aged between birth and 12), it allows one to practice all types of activities, both in groups and individually.

As for the sports spaces, their surface area has also been doubled, increasing some 24,000 square metres. In addition to the existing soccer and paddle tennis spaces, there are new ones, such as basketball courts, volleyball courts, a climbing wall, a bio-healthy circuit and the possibility of practicing calisthenics.



For more information on the new park, see the YouTube link.

THE CHALLENGE OF CLIMATE CHANGE

Most experts in the international scientific community agree in pointing out the importance that the effects of climate change can have on a potential change in the distribution of water resources at a global level.

At Canal we cannot be oblivious to this concern about the future sustainability of our supply model and, therefore, we work both in the field of **mitigating greenhouse gas (GHG)** emissions associated with our activities and in the field of **adaptation** to the consequences of climate change to be ready when it comes to facing its adverse effects.

Our greenhouse gas (GHG) emissions

Our greenhouse gas (GHG) emissions amounted to 119,712 tons of CO₂ equivalent in 2023. This represents a 21.33% reduction in our GHG emissions compared to those registered in 2022 and 35.55% less than the average of the previous five years (from 2018 to 2022). This decrease has been fundamentally due to a significant decrease in activity in our thermal drying facilities, in which they have treated 50% less WWTP sludge than in 2022 and 82% less than in 2021, and have consumed almost 165,408 megawatt hours less of natural gas than in 2022 and 533,901 less than in 2021 (49.36% less than in 2022 and 77.46% less than in 2021).



Precisely, the only two Canal facilities subject to the regulations on the **trading of greenhouse gas emission rights** are those related to the thermal drying of WWTP sludge: **the Loeches WWTP sludge treatment unit with cogeneration (STU)** and the **South WWTP thermal sludge drying plant**. Both facilities will offset their 2023 emissions by contributing to the National Emission Rights Registry the equivalent of **32,235 tons of CO₂** (approximately half of those contributed in 2022). Regarding the origin of our emissions, three scopes can be distinguished:

As for the origin of our emissions, three scopes can be distinguished:

- **Direct emissions**, originated by **processes and/or in Canal facilities** (scope 1), accounted for **46.66%** of the total in 2023. These include our main combustion activities, the cogeneration of the Loeches STU, the cogeneration of the South WWTP sludge drying plant (which during the year, due to the breakdown of its turbine, has not produced electricity), the sludge composting processes or those associated with the emissions of our vehicle fleet. Emissions from drying, for their part, which in 2021 alone accounted for 67% of all our company's emissions and in 2022 for 49%, have been limited to only 32%.

- **Indirect emissions** associated with the consumption of electrical energy that we purchase from the electrical network (scope 2), which since 2018 have been zero, as all consumption has **guarantees of origin from renewable sources**. Otherwise, these emissions would account for more than 25.82% of all our emissions in 2023.

- **Indirect emissions** associated with supplies and services provided by third parties (scope 3), which in our case include the transportation of waste, the consumption of reagents and the consumption of paper. These accounted for **53.34%** of our emissions in 2023 and also include the emissions associated with the movement of Canal employees from their homes to the company's work centres.

Historically, as is the case in the rest of the companies in our sector, **our electricity consumption was one of the main sources of greenhouse gas emissions**. In dry years, which require greater electricity consumption to guarantee adequate supply, emissions could almost double. For this reason, Canal has focused its efforts on **reducing emissions, generating clean energy and seeking energy efficiency**.

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[GRI 305-1]

As for **specific emissions** from our activity in 2023, **0.122 kilograms of CO₂ equivalent were recorded for each cubic metre of managed water**, ¹⁵ 21.86% less than in 2022 and 50.90% less than in 2021.

Mitigation actions

In addition to actions directly related to our consumption and generation of electrical energy, in recent years we have implemented other important measures to reduce our greenhouse gas emissions. The most important of these are the following:

Awareness for the reduction of water consumption and rational use

The efforts we make to raise awareness about efficiency and the rational use of water have a direct reflection on saving GHG emissions. With each cubic metre of water saved in 2023¹⁶ we were avoiding the emission of 0.122 kilograms of CO₂ equivalent. In this way, the reduction in water consumption by our clients and users is reflected in a reduction in emissions. Considering that the **consumption savings** in 2023 compared to the average of the previous 10 years has been **3.82 million cubic metres**, this saving entails having stopped emitting more than 467 tons of CO₂ equivalent.

Reforestation actions

In 2023 **we have planted 43,229 units of plants, trees and shrubs**. Canal carries out this type of new planting and sowing that contributes to carbon absorption every year. This is a useful short-term response to address global warming caused by the accumulation of CO₂ in the atmosphere.

Promotion of the use of public transport among employees

Canal finances close to **80% of the amount of the Transport Pass** in the Community of Madrid for all employees who request it, thus encouraging the use of public transport among its staff. In 2023, more than a third of Canal employees (1,109) used the annual pass to travel by train, underground or bus to different jobs, which contributed to avoiding the emission of 887.7 tons of CO₂ equivalent.

Sustainable mobility

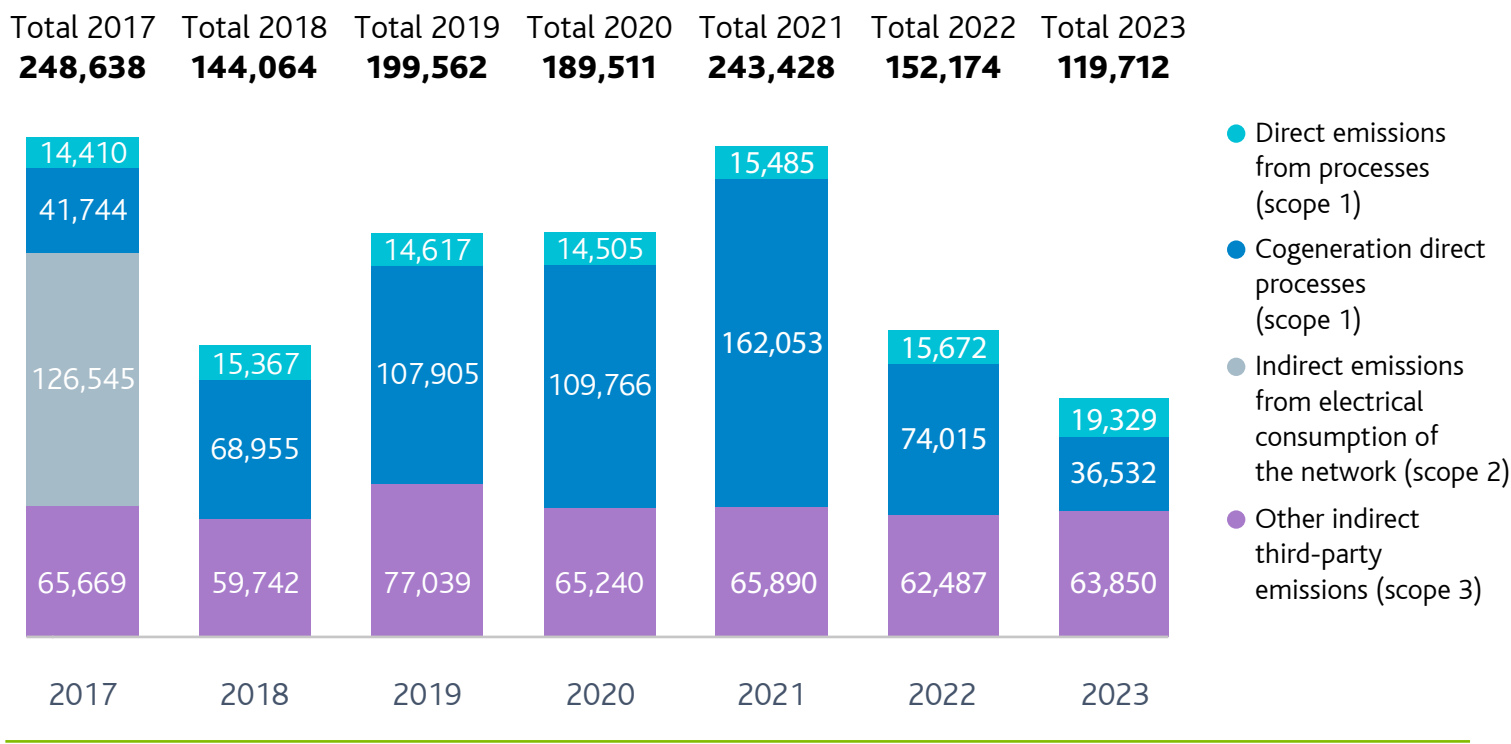
Canal promotes low CO₂ emission rates in its vehicle contracting contests. In the specifications, one of the most important evaluation elements for the award are these CO₂ emission indices, positively evaluating those vehicles with the lowest index. In these processes, the lower consumption of vehicles is also especially valued, as is the possibility of using biofuels.

In 2023 we have continued with the renewal of our company's vehicle fleet by means of progressively replacing different low eco-efficiency vehicles with new much more eco-efficient units or even with 100% zero-emission electric mobility.

At the end of 2023, almost a **third of our vehicle fleet** (213) were 100% electric and we had **415 charging points** in our facilities for this type of vehicle, of which 17 (in 14 work centres) are courtesy charging points for employees to recharge their private vehicles. Thanks to our fleet of electric and hybrid vehicles, the emission of more than 438.2 **tons of CO₂** has been avoided in 2023.

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GREENHOUSE GAS EMISSIONS BY ORIGIN (2017-2023)
(tons of CO₂ equivalent)



15. Managed water: sum of the amount of water derived for consumption, the amount of wastewater treated in WWTP and the amount of regenerated water produced for reuse

16. The specific emissions for each cubic metre consumed vary depending on the Canal's activity each year. Its average in the last 7 years (2017-2023) has been 0.191 kilograms of CO₂ equivalent per cubic metre.

Search for energetic efficiency

Canal seeks efficiency in energy management from a comprehensive point of view (operational, technological, economic and environmental), promoting coordination between the different areas of the company. In this way, in 2020 the **Canal de Isabel II Integrated Energy System (SIEC from its Spanish initials)** was launched. This platform’s mission is to integrate information from the energy area with that of operations of the integral water cycle in

a common data repository to feed applications that support decision-making on energy efficiency, purchase and management of electric energy contracts and investment in renewable energies.

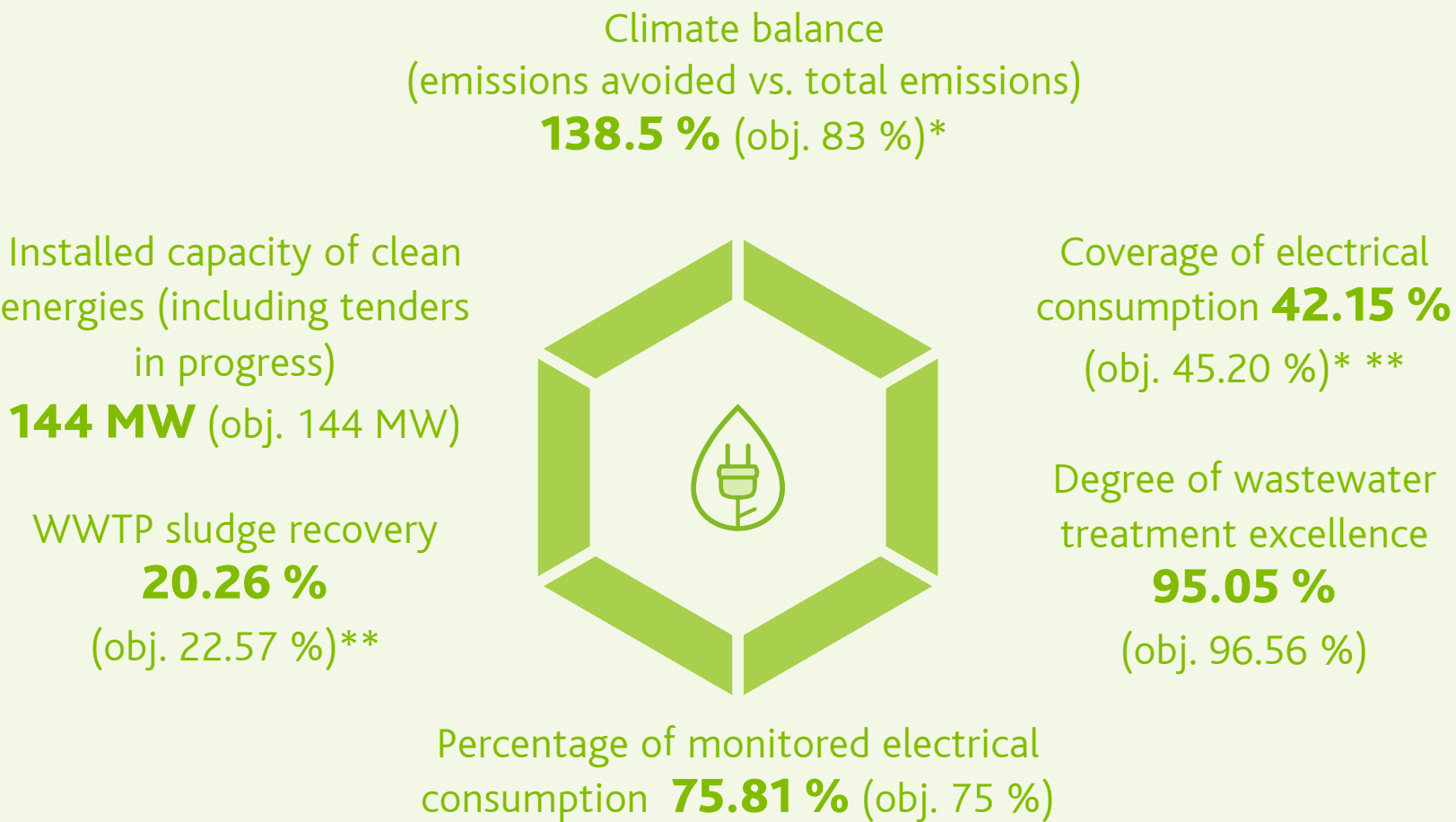
In 2023 we have continued to improve the quality of the data represented by the SIEC; The reports and analyses carried out by the work team will be increased and energy efficiency measures will be promoted based on these analyses.

BIOGENIC EMISSIONS17 AVOIDED DURING THE PERIOD 2017-2023 (Eq. CO₂ tons)

	2019	2020	2021	2022	2023
Biogenic emissions					
Biogenic emissions	102.691	96.669	97.447	99.611	103.087
GHG emissions avoided					
Avoided by self-consumption of renewable energies	21,413	14,995	14,518	17,190	13,079
Avoided by renewable energy generation sold to the network	38,745	31,364	34,828	22,168	9,525
Avoided by purchasing electricity with guarantees of renewable origin	56,226	48,299	42,673	60,264	40,551
Avoided by the use of hybrid vehicles	6.33	6.30	5.78	3.12	2.24
Avoided by the use of electric vehicles	117.96	79.71	322.68	438.39	435.94
TOTAL GHG EMISSIONS AVOIDED	116,508	94,743	92,348	100,063	63,593

MONITORING OF INDICATORS OF THE STRATEGIC PLAN.

STRATEGIC LINE 4
Promoting quality and energetic efficiency



*Objective for dry year. **Objective adjusted to the real sludge drying functioning hours.

17. Biogenic emissions originate from the combustion of biogas associated with wastewater wastewater treatment processes and WWTP sludge composting processes. These emissions are considered neutral (equal to 0) from the point of view of their greenhouse effect, since they stem from the decomposition of products that contain organic matter of animal or plant origin, which was previously captured by living organisms.

WE SUPPORT DECARBONISATION

Green hydrogen plant of the Arroyo Culebro C.M.A. WWTP (Pinto - Madrid)

Decarbonization is one of the main challenges that we will have to face before the year 2050. To achieve this, we will be increasingly in need of alternative energy sources, as is the case with the main renewable energy vectors of the future: green hydrogen, which, with the support received by European administrations, will contribute to the replacement of fossil fuels. Canal de Isabel II's Strategic Plan includes objectives that seek the decarbonization of its processes and energy self-sufficiency.

At our Middle-Upper Basin Arroyo Culebro WWTP, located in Pinto (Madrid), we will carry out the production of hydrogen, from regenerated wastewater and through electrolysis, which will use photovoltaic solar panels as an energy source that, in the future, may also be combined with the biogas engines produced at the WWTP itself.

We are currently finishing a pilot hydrogen production facility whose initial capacity will be around 80,000 kilograms of hydrogen per year.

To power the electrolyser we will use solar energy, thanks to the photovoltaic installation of al-

most one megawatt recently built in the treatment plant (financed with REACT-EU funds); and, in the night hours without sun, the hydrogen plant will use the electricity generated through the biogas produced in the wastewater treatment process. Everything will be renewable.

Furthermore, thanks to the tertiary treatment with reverse osmosis available at the WWTP, we will be able to supply regenerated water, instead of drinking water, to cover all the water demand required by the electrolyser installed.

In this way, this plant will be unique because it will obtain all the energy necessary for its operation from renewable sources produced in the facility itself and because it will be the first plant in our country (and possibly also internationally) to use regenerated water as a source of hydrogen generation. In addition, the oxygen produced during electrolysis will be used to reinforce the aeration/ventilation of the wastewater treated in the plant and thus increase wastewater treatment capacity and improve the quality of the effluent.

This project makes it possible to link renewable generation and recycling technologies with circular economy measures that have a positive impact on the decarbonization process.



In 2022 we began to generate renewable photovoltaic energy and in 2023 work began on the installation of a first electrolyser with a capacity of 1 megawatt.

The investment planned for this first pilot plant exceeds 7 million euros, which will be co-financed with FEDER Funds from the European Union, falling within the framework of the FEDER 21-27 Programme of the Community of Madrid as a project of strategic importance.

2.5. BUILDING OUR REGION

Developing co-operation with the municipalities of Madrid

The supra-municipal management model of Canal de Isabel II is based on long-term agreements signed with the municipalities for the exploitation of the different services in their municipalities.

The supply networks, which were the origin of Canal more than 170 years ago, are currently being managed with excellent results. However, municipal sewage networks, most of which have recently been incorporated into our management, leave much room for improvement and require specific plans and an additional effort to achieve adequate conditions and, thus, avoid incidents that affect citizens and the environment.

The assumption of our activities with a supra-municipal viewpoint generates **economies of scale and synergies in the operation** that mean important advantages for the municipalities.

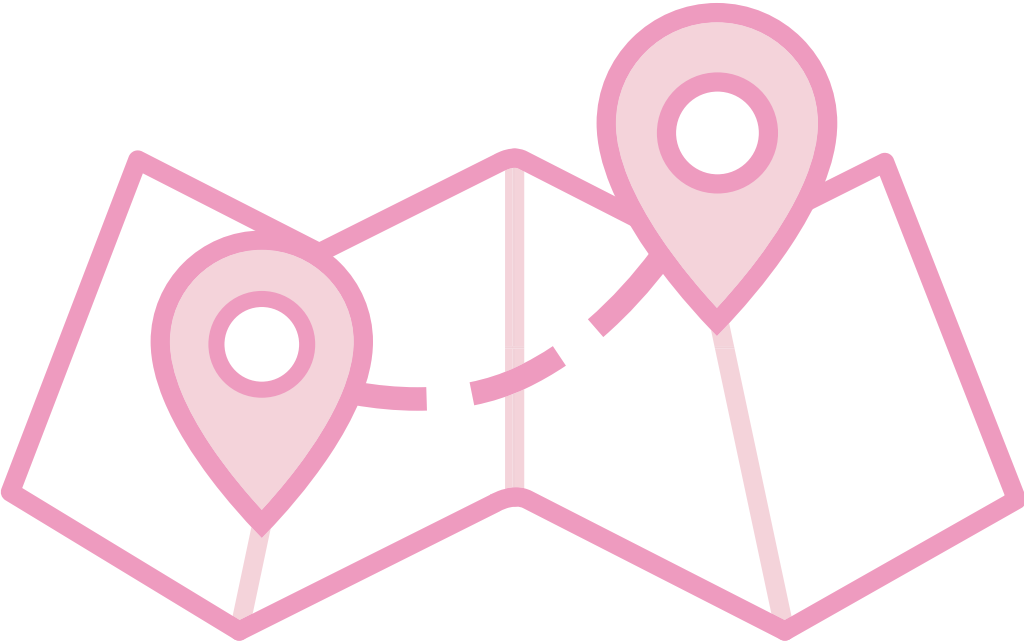
CANAL AND THE MUNICIPALITIES OF THE COMMUNITY OF MADRID

Relationship with the municipalities is especially important for Canal de Isabel II, as it facilitates the provision of an efficient quality service to all citizens. Throughout 2023, as in every year, we have held numerous meetings with the different city councils in the region to discuss different aspects of water management, with special emphasis on everything related to the improvement of their sewage networks.

To provide different types of services, Canal establishes management agreements and other types of agreements with municipalities and large clients. All agreements and commitments established are negotiated and signed individually with each municipality.

Through these agreements we currently provide some water supply service (high, low or both) to a total population of **6,633,483 inhabitants** in 174 of the 179 municipalities of the Community of Madrid. This population was equivalent to **96.70%** of the region's inhabitants on 1 January 2023, according to the Municipal Register published by the National Institute of Statistics (INE).

Regarding sanitation services, Canal currently manages the **sewerage of 137 municipalities** in the Community of Madrid, covering a total of **5,865,225 inhabitants**, which means providing this service to **85.50%** of the region's population. When it comes to wastewater treatment, we manage the wastewater treatment of **178 municipalities**, with a population of **6,850,969 inhabitants**, practically **100%** of the region's population (99.8%).



[GRI 2-6]

The population structure of the Community of Madrid means that there is **enormous variability in terms of the population** of the municipalities in which we provide services related to the integral water cycle. Thus, our services range from a city like **Madrid**, with **3.33 million inhabitants**, to a municipality of **6,675 inhabitants** like **La Acebeda** or municipalities such as **Coslada**, with a **population density of 6,711 inhabitants per**

square kilometre, or **Puebla de la Sierra**, with a density of **1.78**.

The majority of the population served in the Community of Madrid (**80.83%**) is located in the city of **Madrid** (more than 50%) and **17 large municipalities** in its metropolitan area. The rest of the population is distributed in **156 municipalities** that represent **19.17%** of the total.

In addition to the municipalities of the Community of Madrid, at the end of 2023 the Canal system also supplied water to 8 neighbouring municipalities belonging to **Castile-La Mancha** (Pióº, Pozo de Guadalajara, Tamajón, Tortuero, Uceda, Valdepeñas de la Sierra and Valdesotos, in the province of Guadalajara, and Ontígola, in the province of Toledo) and two belonging to **Castile and León** (in the province of Ávila, Navahondilla and a supply rein-

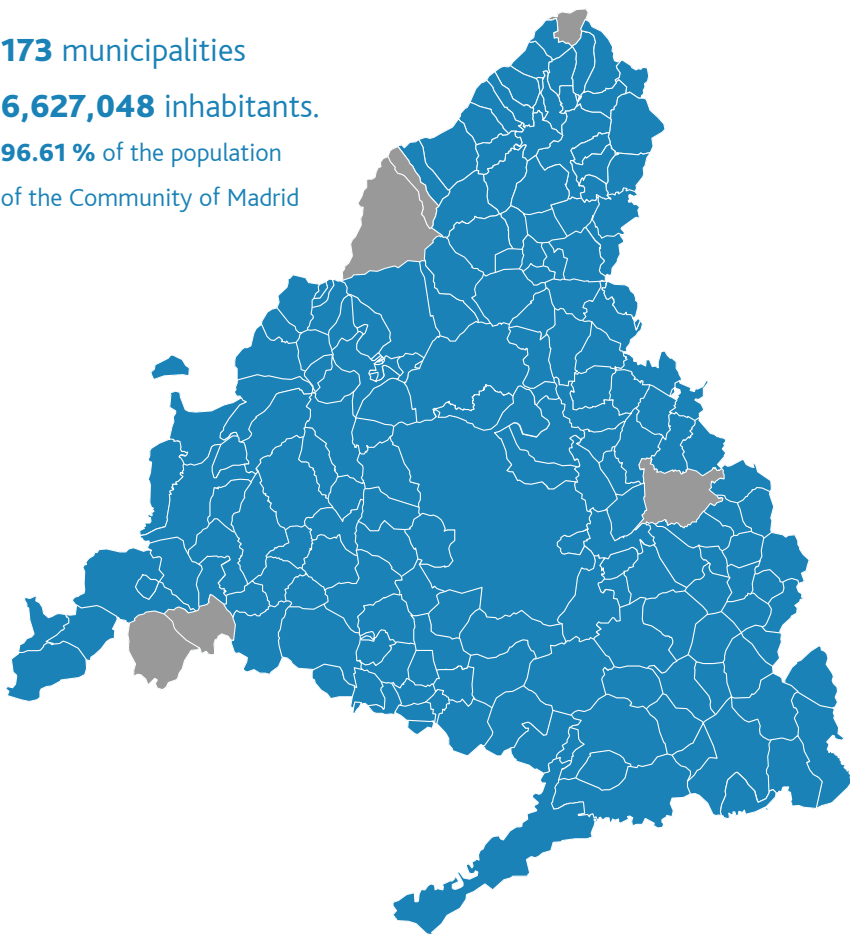
forcement in Sotillo de la Adrada). The supplied population of these municipalities in 2023 was **17,699 people**. In the case of Ontígola (Toledo) we also provide the wastewater treatment service to its 4,916 inhabitants.

In the case of the municipalities of the Community of Madrid, the most common type of agreement that we sign is that of comprehensive supply man-

MUNICIPALITIES OF THE COMMUNITY OF MADRID IN WHICH CANAL PROVIDES ITS SERVICES IN THE DIFFERENT PHASES OF THE INTEGRAL WATER CYCLE

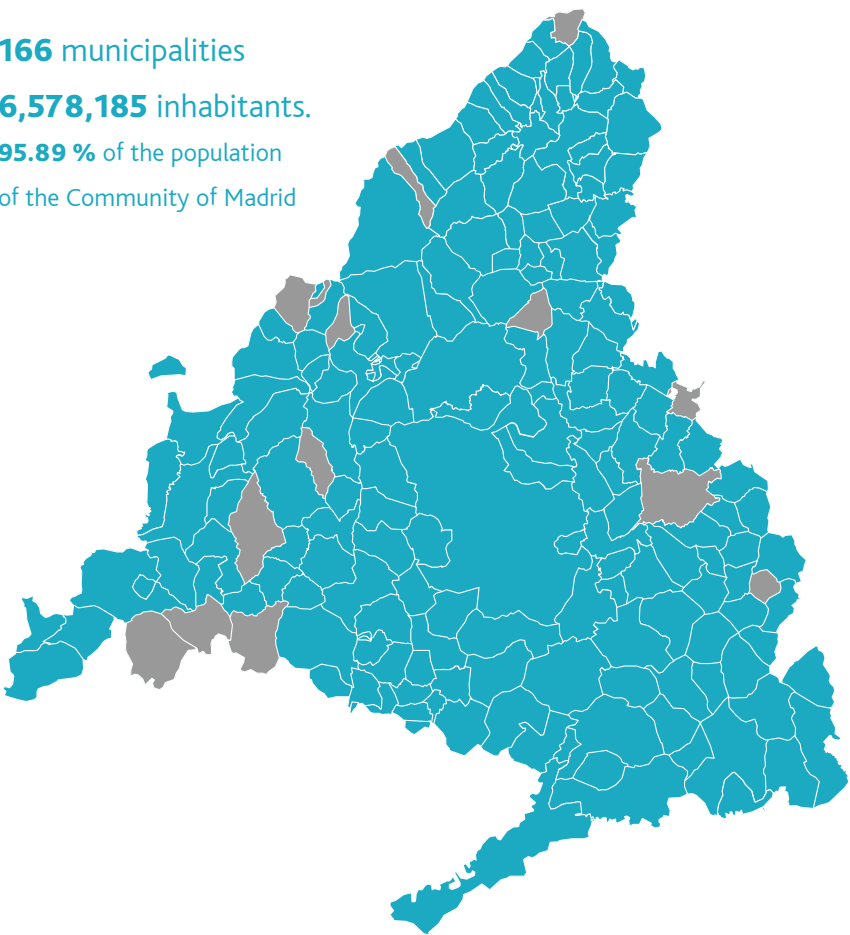
Adduction

173 municipalities
6,627,048 inhabitants.
96.61 % of the population
of the Community of Madrid



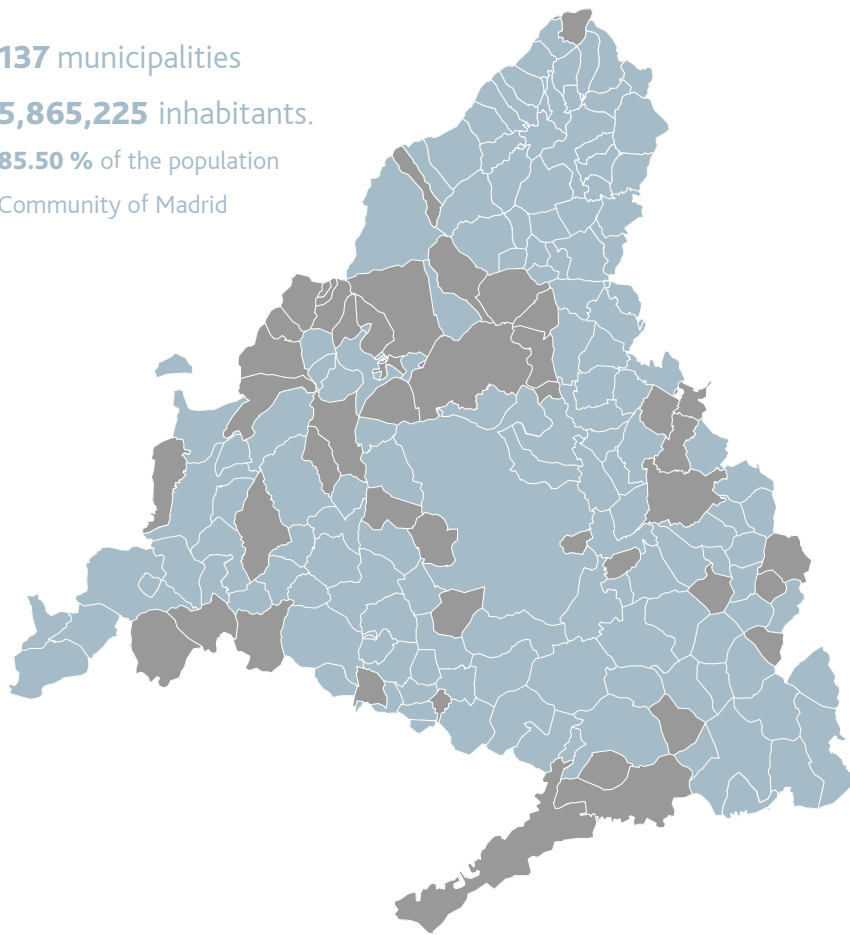
Distribution

166 municipalities
6,578,185 inhabitants.
95.89 % of the population
of the Community of Madrid



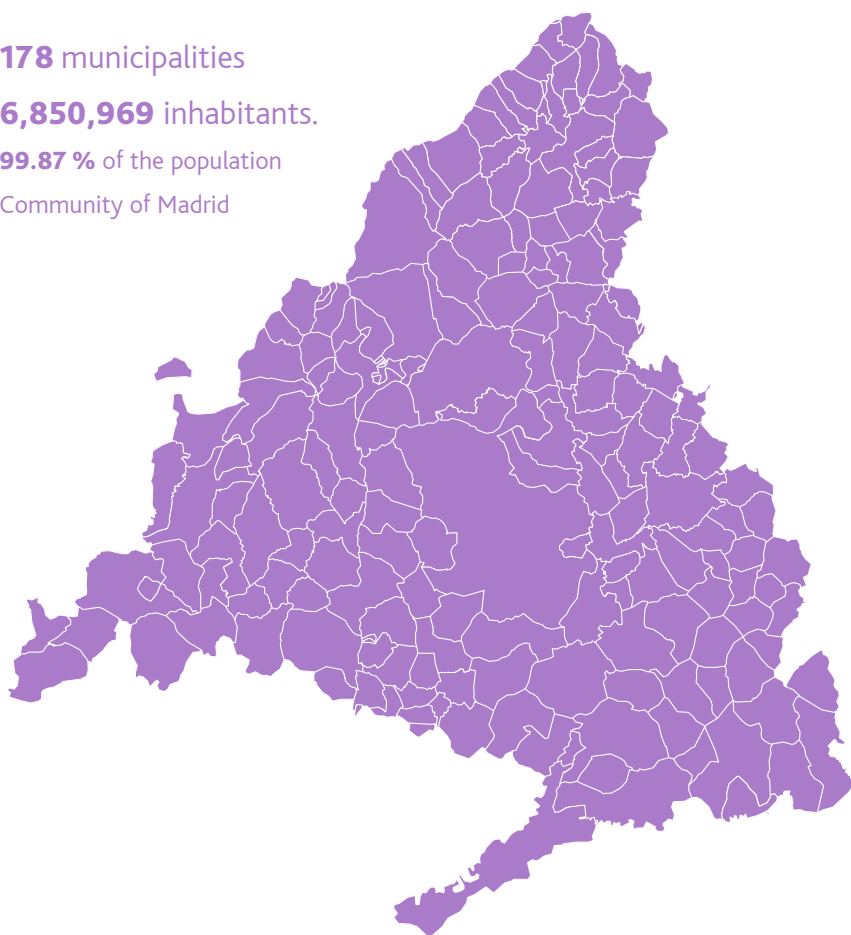
Sewerage

137 municipalities
5,865,225 inhabitants.
85.50 % of the population
Community of Madrid



Wastewater treatment

178 municipalities
6,850,969 inhabitants.
99.87 % of the population
Community of Madrid



agement. Through this type of agreement, Canal carries out the maintenance, operation and renewal of the distribution network with networks assigned to the Community’s general supply system.

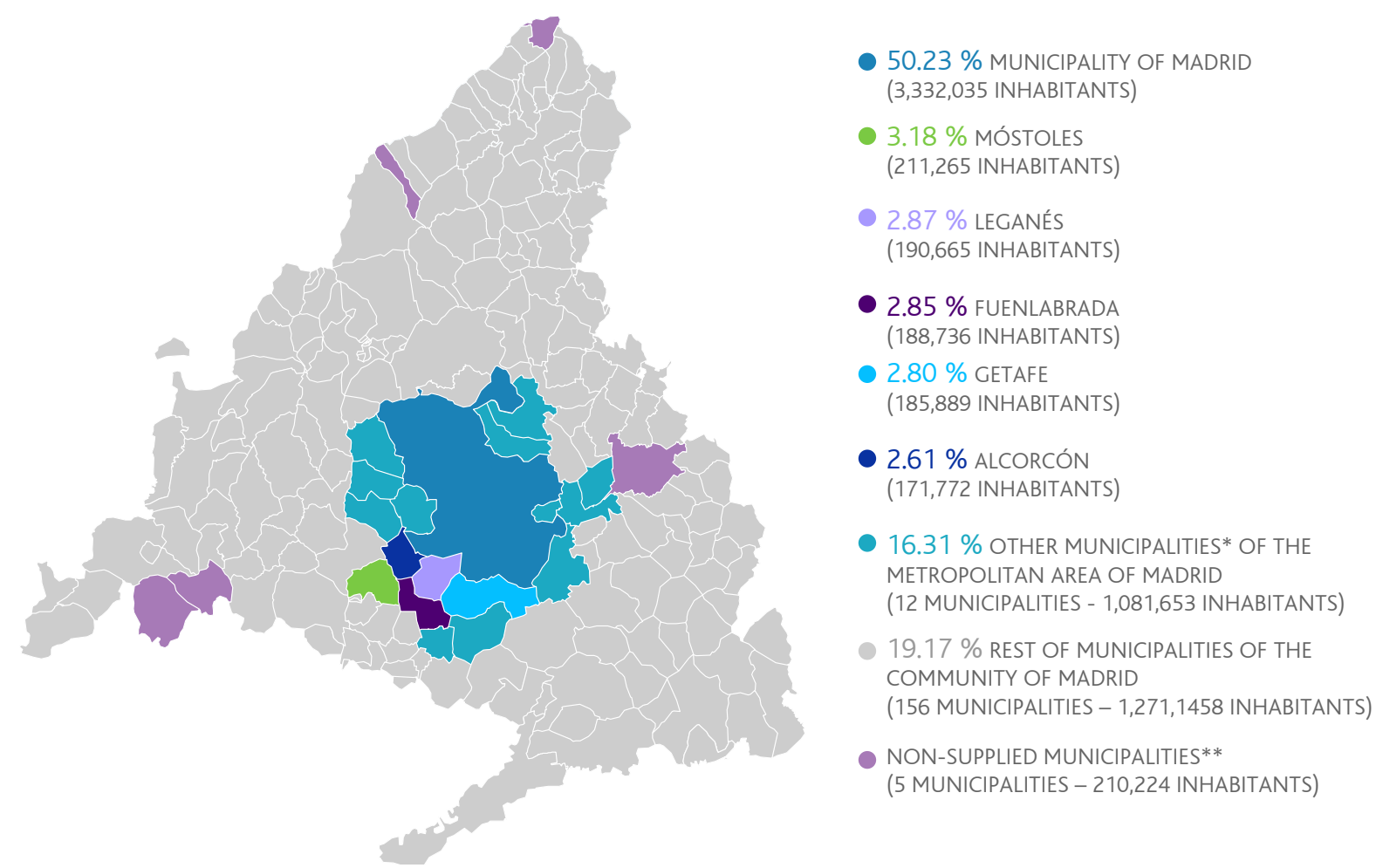
There are also other types of agreements, such as **commercial management agreements**, in which

Canal carries out this management (contracting, reading, billing and collection management), as well as the adaptation and maintenance of connections, and those of a **technical-commercial supply** type. of supply, in which we carry out the maintenance and operation of the municipal distribution network. This includes **the renovation**

of distribution networks charged to an **additional distribution fee** paid by customers.

Apart from the municipal management agreements, Canal also signs other agreements and agreements with town councils and residential estates for specific issues.

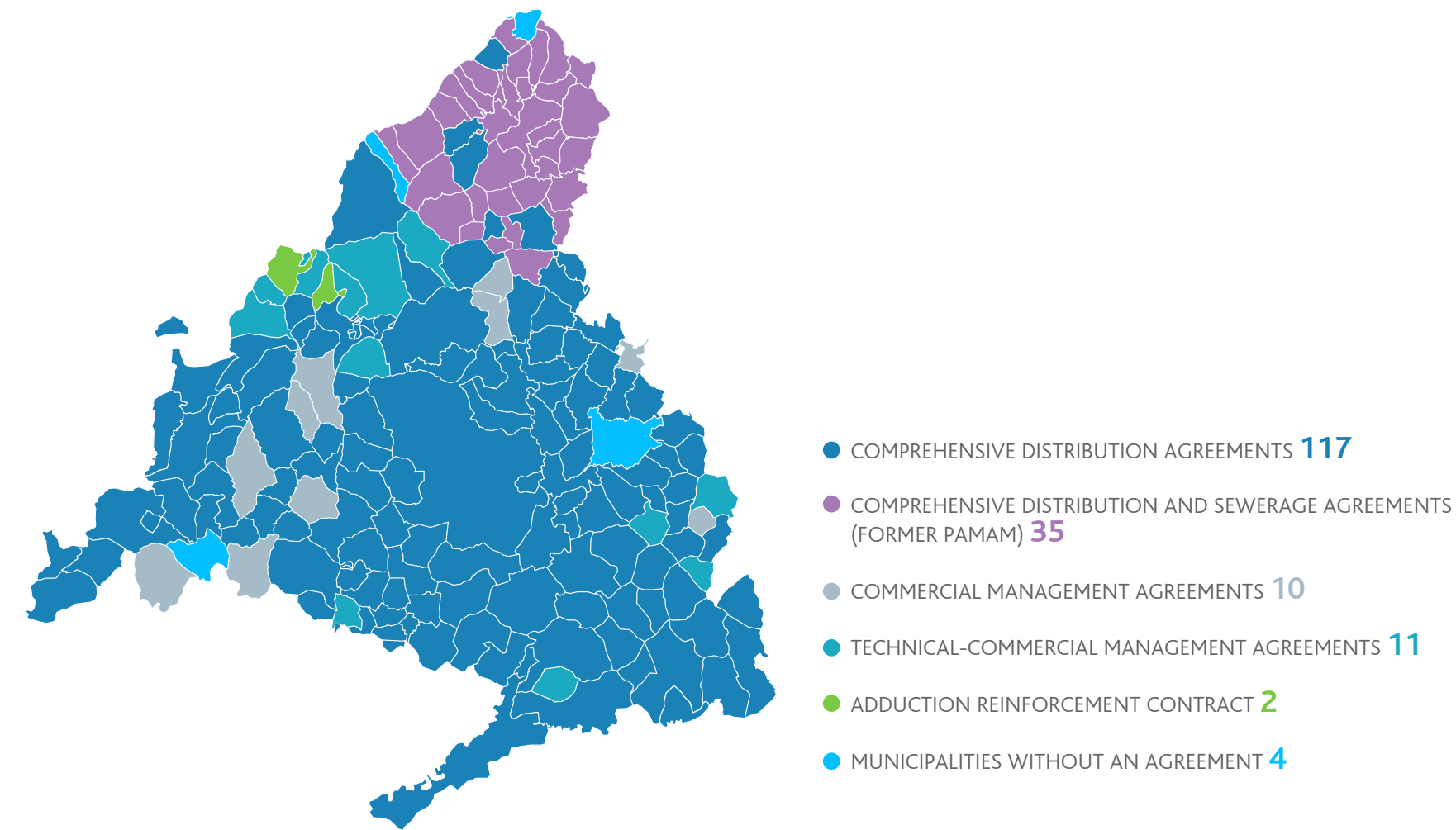
DISTRIBUTION IN % OF THE POPULATION SUPPLIED IN THE COMMUNITY OF MADRID (2023)



*Alcobendas, Boadilla del Monte, Coslada, Majadahonda, Parla, Pinto, Pozuelo de Alarcón, Rivas-Vaciamadrid, Las Rozas de Madrid, San Fernando de Henares, San Sebastián de los Reyes y Torrejón de Ardoz.

**Alameda del Valle , Alcalá de Henares, Aldea del Fresno, Somosierra y Villa del Prado.

TYPES OF CANAL AGREEMENTS WITH THE MUNICIPALITIES IN THE COMMUNITY OF MADRID



GUARANTEEING SEWER MANAGEMENT AND URBAN DRAINAGE

Sanitation management is absolutely vital for the maintenance of public health in urban environments, safety from flooding and flooding of riverbeds and to ensure the protection of the environment and the maintenance of the region's water bodies in good conditions.

The objective of urban drainage networks is the collection of wastewater, domestic, industrial and runoff water, for subsequent transport to treatment plants. Currently, Canal is in charge of maintaining the **municipal networks in the 137 municipalities** with a signed agreement. At the end of 2023, these networks **reached 15,171 kilometres** and we also managed **875 kilometres of supra-municipal collectors and outfalls**. We also have **194 wastewater pumping stations (WWPS)**, which raise water to allow it to be transported to the WWTPs, and **73 storm tanks and laminators**, whose objective is to prevent flooding and spills into riverbeds. Thanks to these facilities, **up to 1.42 million cubic metres** of the first rainwater, which is the most polluting, **can be retained**.

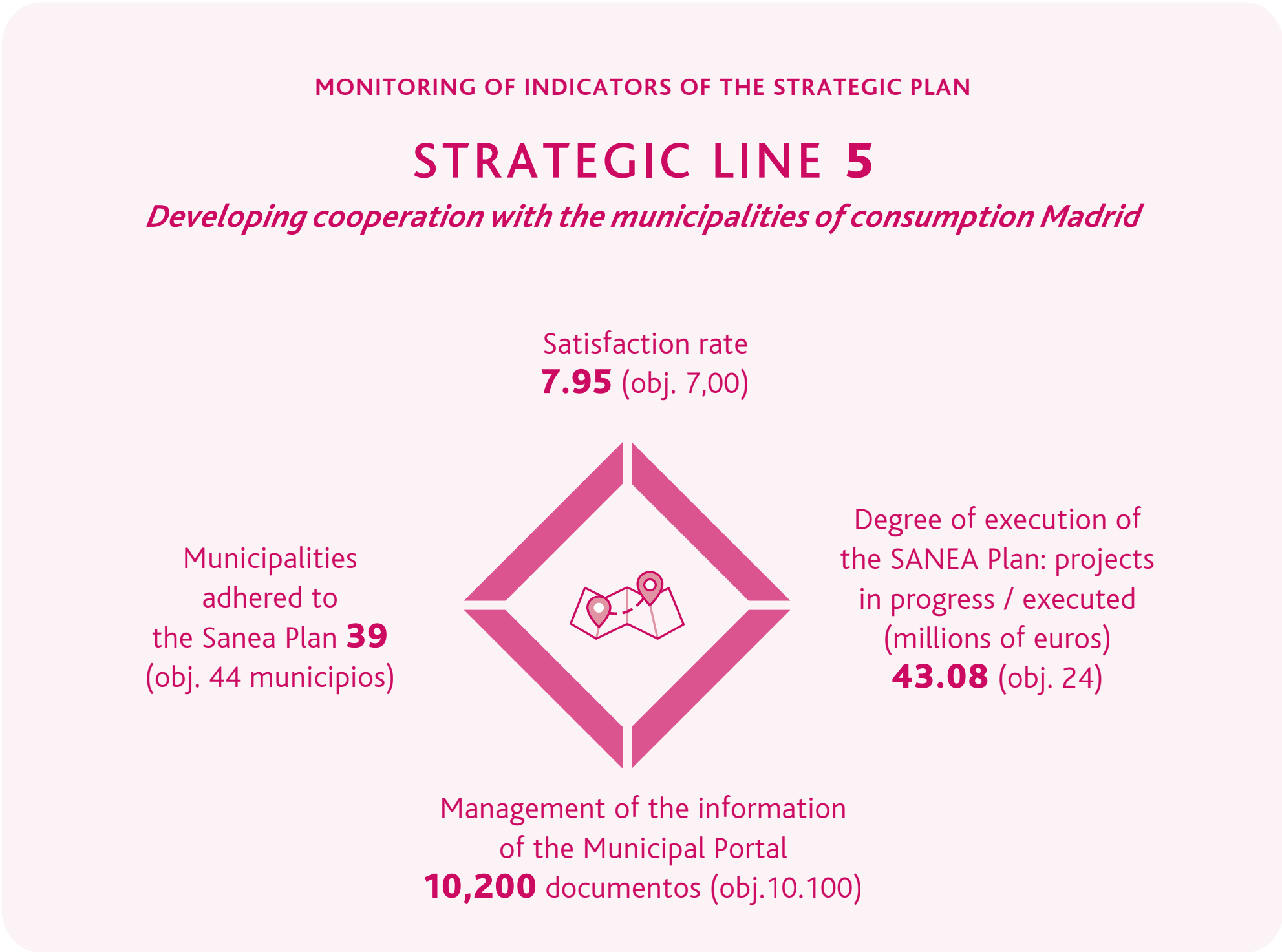
The **maintenance work we carry out** consists of **monitoring the networks, inspecting and cleaning the pipes, cleaning the scuppers**, as well as occasional spills, resolving each notice and incident on the network and carrying out the nec-

essary conservation and improvement works on the network. In 2023, **33,574** notices have been received by Canal and **27,009 incidents** have been attended to.

In addition to these works, we carry out cartographic updating and the preparation of network diagnostic studies, as well as the processing of technical compliance files for requests for network connections or modifications.

In recent years, and due to the poor state of the network in some municipalities, Canal has promoted the preparation of **diagnostic studies of the networks** and the development of **sanitation master plans for these municipalities**. Our objective is to ensure that all municipalities have their master plan. In 2023 we have continued with the delivery of sewerage plans to the municipalities. These actions will achieve an improvement in the network, a significant reduction in discharges and, in turn, an **improvement in the receiving channels**, while reducing the risk of flooding in the municipalities managed.

Regarding the **renovation of sewage networks**, in 2023 **a total of 36.2 kilometres** have been renewed and we have continued working on an advanced system for the sustainable management of urban drainage.



ADVANCING IN IN THE SANEA PLAN

On the way to excellence in sewage management in the Community of Madrid.

Having **adequate systems for collecting waste and rainwater** from urban centres through effective **sewer networks** and urban drainage systems is a vital element to guarantee the quality of life of citizens.

To manage the sewage without incidents, avoiding the generation of blockages, odours and other inconveniences to citizens, an investment in networks is necessary so as to allow adequate sizing and operation, especially in a scenario in which **climate change will cause extreme weather phenomena**, such as torrential rains of **greater frequency and intensity** in the future.

However, the current reality is that many of the municipal sewage networks, which have largely been incorporated into Canal management in recent years, require important improvement works to be carried out and these, in turn, require a notable technical and investment effort.

In order to address these problems, the **2018-2030 Strategic Plan of Canal de Isabel II** incorporated the **Sanea Plan**, an ambitious plan whose main objective is to improve the sewage networks

of the municipalities of the Community of Madrid to make them the most efficient and modern areas of our country, **ensuring water sanitation in a sustainable manner** and **avoiding overflows** in drainage systems.

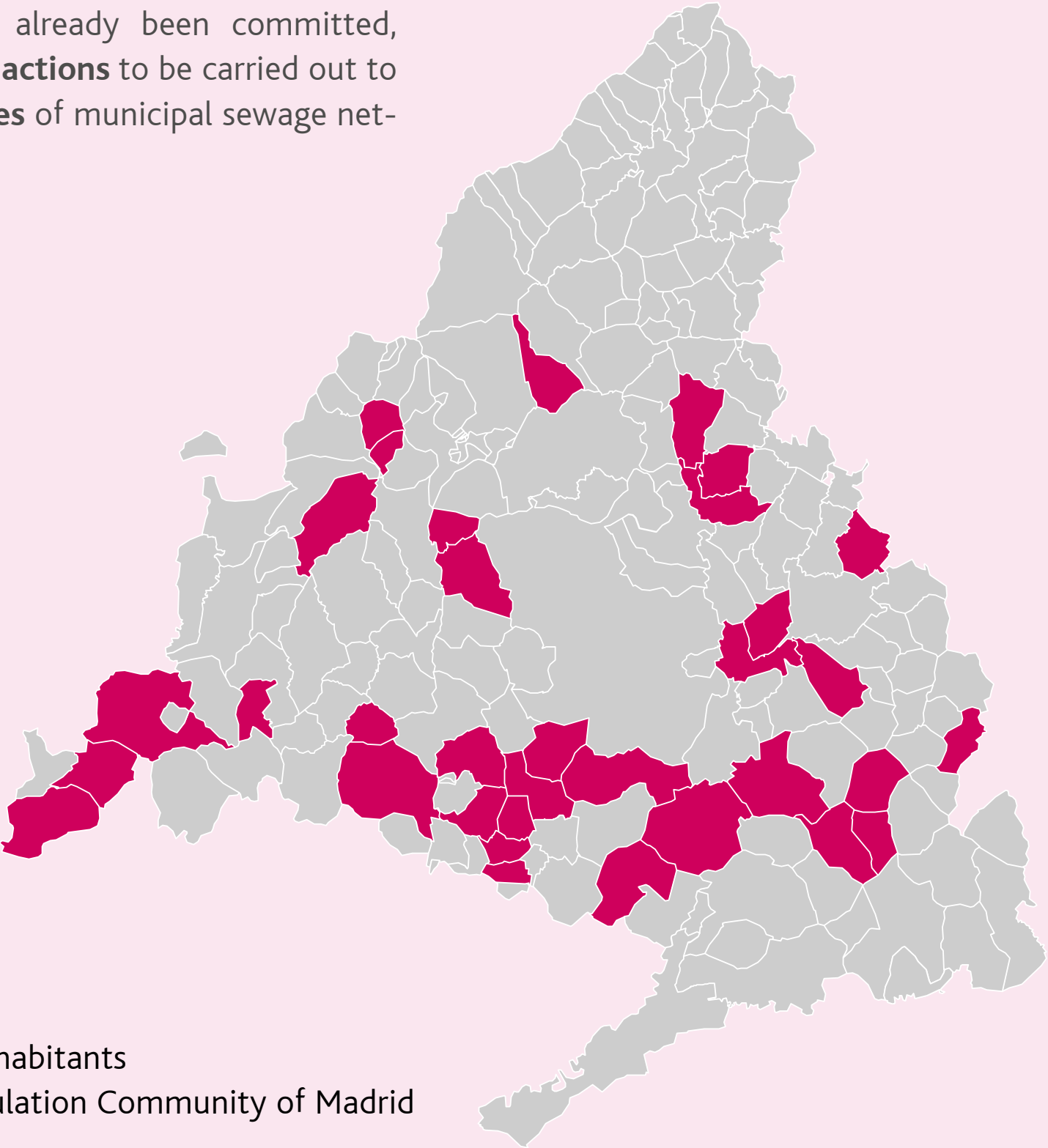
With this Plan we want to ensure that all the municipalities in which we provide the sewer maintenance service have **master plans for sewerage and urban drainage**, documents establishing the necessary measures and actions, as well as the priorities of the actions for renovating the networks, and estimating the investments that will be necessary to undertake to avoid incidents and inconvenience to users, as well as to contribute to the protection and improvement of the environment.

Once the master plans have been prepared, each municipality is subjected to a legal and economic analysis, the viability of which gives rise to the signing of the **specific municipal agreements for the Sanea Plan**. These agreements establish the deadlines and proposals for the execution and financing of priority actions, as well as the effective plans for the execution of investments in each municipality. **The initial disbursement of the investments is made by Canal** and is recovered through the sewer tariff throughout the years of validity of the agreement, **without applying any type of interest** to this financing.

In the five years that have elapsed **since the beginning of the Sanea Plan** until the end of 2023, a total of **34 municipalities** in our region, where **1.44 million inhabitants** live, had adhered to the Plan. This means that **investments worth 398 million euros** have already been committed, which will allow **611 actions** to be carried out to **renew 306 kilometres** of municipal sewage networks.

SANEA PLAN

34 municipalities
1,439,690 inhabitants
20.99 % of the population Community of Madrid



- ALCORCÓN
- ALGETE
- ALPEDRETE
- AMBITE
- ARGANDA DEL REY
- CADALSO DE LOS VIDRIOS
- CENICIENTOS
- CHAPINERÍA
- COLLADO MEDIANO
- CUBAS DE LA SAGRA
- EL ESCORIAL
- EL MOLAR
- FUENLABRADA
- FUENTE EL SAZ DE JARAMA
- GETAFE
- GRIÑÓN
- HUMANES DE MADRID
- LAS ROZAS DE MADRID
- MECO
- MORALEJA DE ENMEDIO
- MÓSTOLES
- NAVALCARNERO
- PERALES DE TAJUÑA
- SAN FERNANDO DE HENARES
- SAN MARTÍN DE LA VEGA
- SAN MARTÍN DE VALDEIGLESIAS
- SEVILLA LA NUEVA
- SOTO DEL REAL
- TIELMES
- TORREJÓN DE ARDOZ
- TORRELODONES
- TORRES DE LA ALAMEDA
- VALDEMORO
- VALDILECHA

2.6. AT YOUR SIDE FOR WHATEVER YOU NEED FROM US

Reinforcing commitment and closeness to users

Customer and user satisfaction is one of the main objectives of our company. This satisfaction is obtained by providing reliable quality services with equitable rates, but adequate customer service, meeting customers’ expectations and needs in an agile and simple way, is also very important. To achieve this, our company has provided itself with means and resources that make our commercial work one of the best valued within the sector in Spain.

OUR CUSTOMERS IN THE COMMUNITY OF MADRID

Types of contracts with customers in 2023

In 2023 Canal de Isabel II has reached the figure of **1,594,298 active contracts** with customers, which represents a **1.14%** increase compared to 2022.

Our rates

Our tariff scheme (which is approved by the Government of the Community of Madrid) meets a series of basic principles such as the inclusion of the provisions of the transposition of the Water Framework Directive into Spanish

regulations, the promotion of efficient consumption and the achievement of a fair and equitable tariff system. Additionally, we never lose sight of the fact that the citizens of Madrid enjoy one of the highest quality waters in Europe.

Our rates are:

Progressive and subsidised: adapting to the particular situations and needs of citizens.

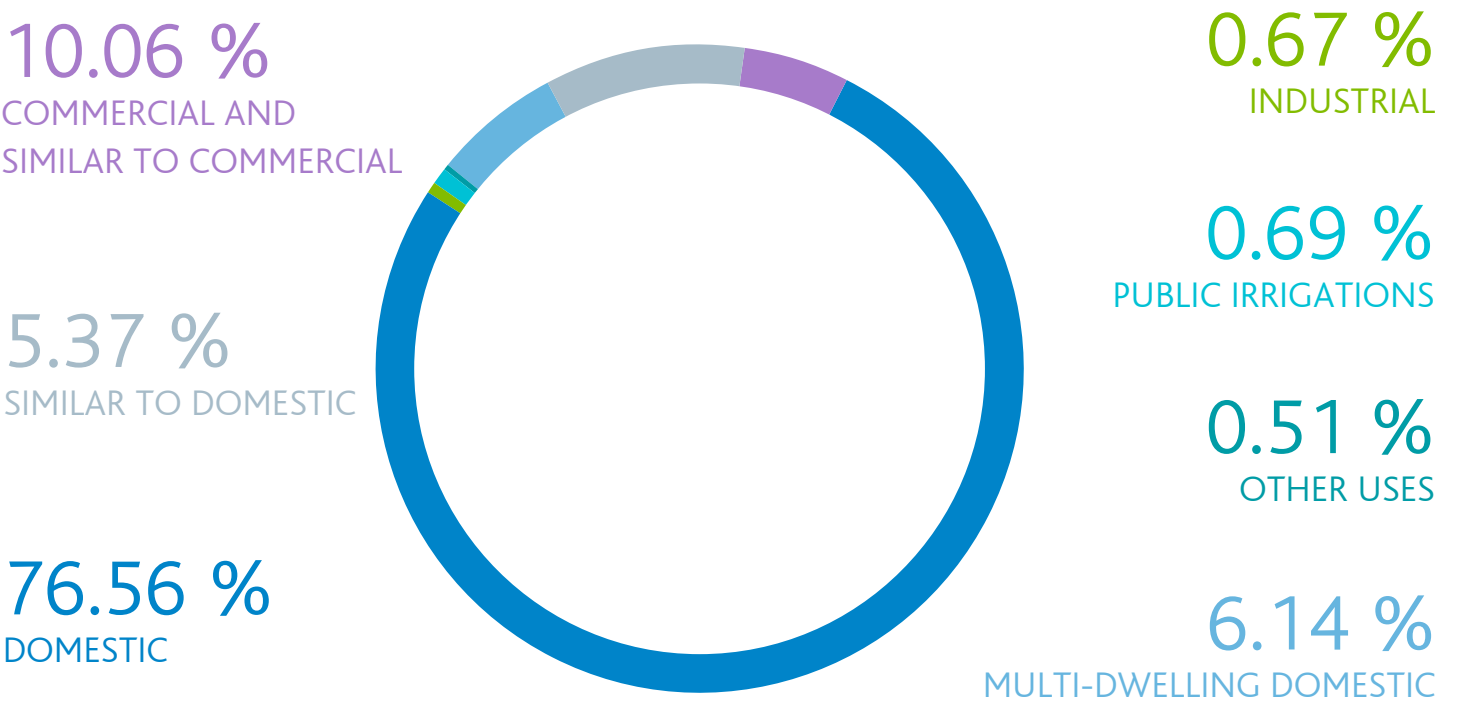
Seasonal: encouraging rational use in periods of scarcity and high consumption..

Committed to the environment: contemplating a specific rate for reusable water, which constitutes an essential component of the comprehensive management of water resources in line with environmental sustainability.

To ensure better communication and greater understanding of the rates by customers, Canal carries out an annual campaign through explanatory documents that are made available to citizens in our commercial office and on our website, www.canaldeisabelsegunda.es. More specifically, for the purpose of dissemination in commercial offices, we publish a tariff document that includes both information on the general tariff for domestic use and that applicable to commercial and industrial uses. In recent years, Canal’s tariff policy has been characterised by its moderation. Thus, **our rates have remained frozen since 2015**, while the accumulated increase in the Consumer Price Index (CPI) between 1 January 2014 and 31 December 2023 has been **21.3%** according to the INE, the National Institute for Statistics. According to data published by the Spanish Association of Water Supplies and Sanitation (AEAS) and the Spanish Association of Urban Water Services Management Companies (AGA), **our rates for the year 2023 were 33.33% lower than those of the average** of all the Spanish autonomous communities.



DISTRIBUTION IN PERCENTAGE OF TYPES OF CONTRACTS WITH CLIENTS IN 2023



[GRI 2-6] [GRI 3-3]

Actions to guarantee correct billing to customers

Canal always seeks to guarantee the greatest accuracy of the billing issued to our customers based on actual consumption, and to this end we carry out the following actions:

- **Reading of meters:** in 2023 we have carried out **9.31 million readings** (0.5% less than in 2022) on **1.65 million meters**. The percentage of invoices issued by estimate, since the meter reading could not be obtained, was only 3.84%.

- **Consumption audit and management:** in order to guarantee the correct issuance of the consumption to be billed, we have a quality control system for reading and billing. The consumption audit, within this system, is a tool to help review consumption that has a significant variation. Whenever deviations are detected, the customer is notified to avoid possible interior leaks in their property.

- **Maintenance and verification of measuring equipment:** as an essential support for billing, actions

related to improving the accuracy of this equipment are carried out, mainly focused on the maintenance and constant renewal of the meter fleet.

To ensure its correct functioning, we have a volume measurement meter verification laboratory that meets all the requirements to verify that its verifications and certificates have the required quality and recognition by national and international authorities. It has ENAC accreditation as a testing laboratory for the verification of meters and, since 2011, accreditation for the verification of flowmeters. Control of counters is carried out at the following levels:

- Control of new meters.
- Customer complaints.
- Studies for a better understanding of the operation of meters: verification of meters in use, evaluation of new technologies, influence of installation conditions, verification of devices that measure water diverted to the network, among other things.

In 2023, in the **metrology laboratory**, **5,512 checks** of new meters have been carried out (57.62% more than in 2022), in addition to another **5,141 verifications** of the measurement set for other reasons. On the other hand, mention must be made of the **302,502 meters renewed for maintenance and campaigns** (178%

more than in 2022). For new contracts, we have installed a total of **21,277 meters**.

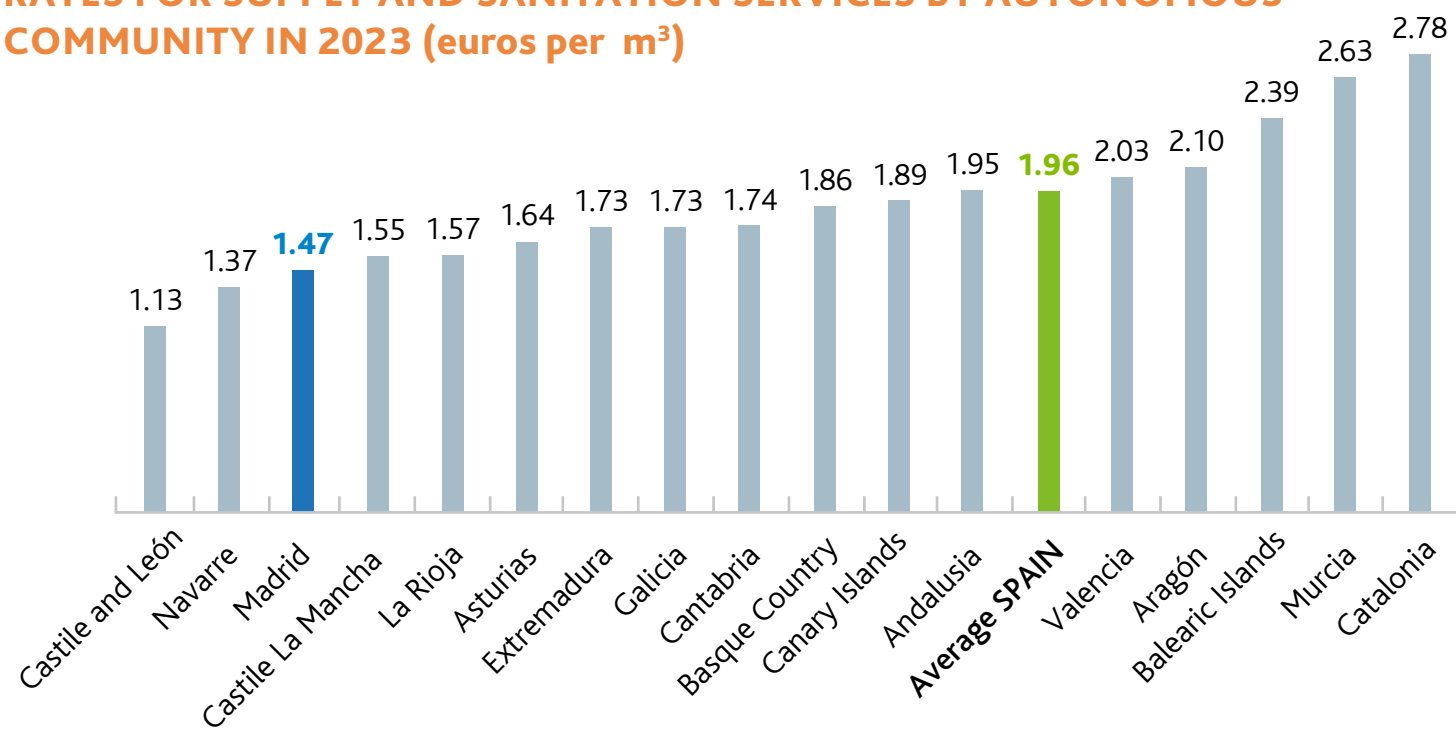
Customer and user service

Canal's primary objective is to provide the best possible services to our users. We have an ISO 9001 certified quality system and, within our policy of maintaining the quality of the services we provide, we have acquired specific commitments with our clients. Thus, in 2019 we published our Letter of Commitments to customers, with the aim of adapting to their needs and requirements. To this end, our company assumes a total of ten commitments ("*10 Commitments as Clear as Water*") in order to offer solutions to user needs in a clear and transparent manner. Failure to comply with any of them can generate automatic compensation ranging between 30 and 420 euros. We have ended 2023 with a **high degree of compliance** (91.44% on average) and **233,880 euros have been paid in compensation**.

Routes for communication with customers

This company is committed to our environment and sensitive to the demands of our users. In recent years, we have made a significant effort to improve accessibility to the different contact channels available to carry out quick and effective procedures with the aim of satisfying the

RATES FOR SUPPLY AND SANITATION SERVICES BY AUTONOMOUS COMMUNITY IN 2023 (euros per m³)



Source: Study of supply and sanitation rates in Spain (AEAS – AGA 2023).

needs of our customers. The main communication channels available to Canal’s clients and users are the following, among others:

- **Telephone attention.** This is the one most used by customers, who can choose to be assisted by specialised agents or use automatic solutions for their procedures. **In 2023 we have answered more than 1.14 million customer calls.**
- **Customer Care Centre.** This is located at number 10 José Abascal Street in Madrid and any request

related to commercial management can be resolved there. This centre continues to be a basic channel that generates trust in certain groups of customers who prefer in-person service. In 2023 **we have served 22,517 people** in person, 11.14% more than in 2022.

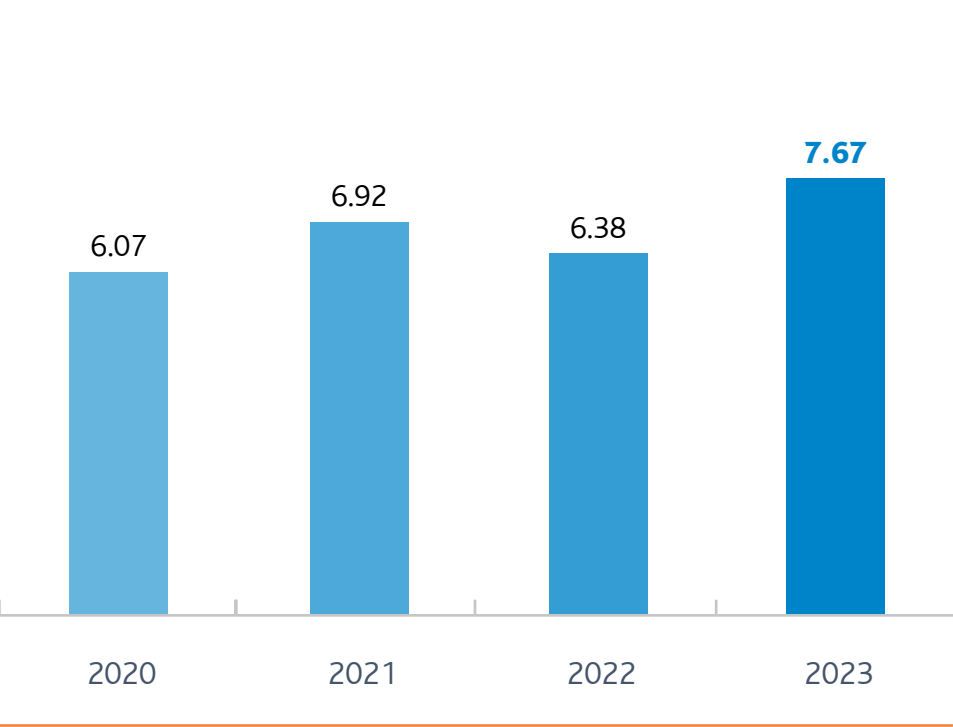
It should be noted that in 2023 we have begun to provide **customer service services with preferential treatment, without an appointment, to people over 65 years of age or people with disabilities** who need to carry out procedures in our Customer Service Centre.

- **Web page, Virtual Office and the Canal application for mobile phones and tablets.** Within the framework of new information technologies, and for greater convenience and simplicity in self-service management, at Canal we have an Internet office that is available 24 hours a day. In 2023 this platform had more than **28 million interactions**, almost 10 million more than in 2022.
- **Written attention.** We also offer our clients a special written attention service by letter or fax, with which any procedure can be carried out without waiting or travelling. Through this means we have received **3,358 communications** in 2023 .

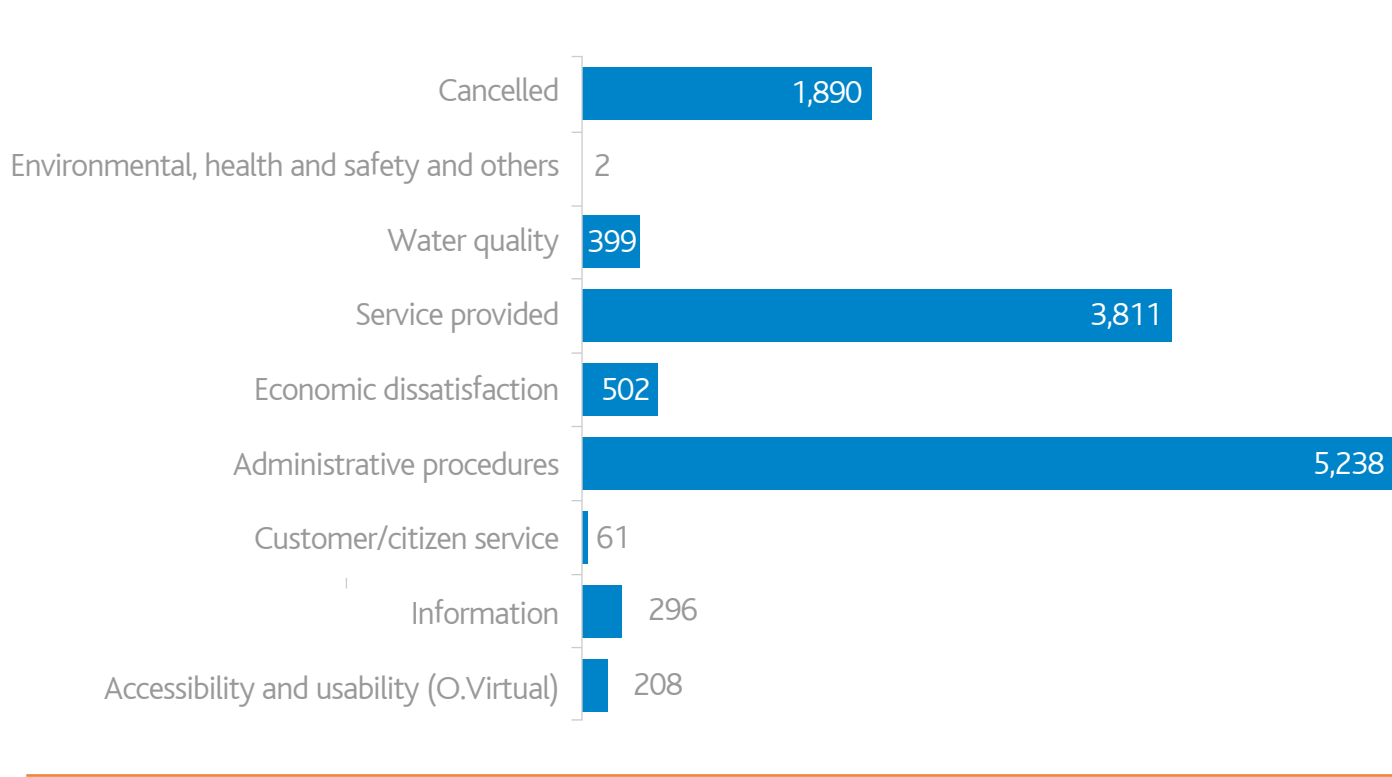
Management of suggestions and complaints

At Canal we have a complete system for receiving and processing **suggestions, complaints and invoice claims** from our customers. In the case of complaints received –that is, those disagreements related to the service provided to the client– our Complaints Office is responsible for a customised management of all of them. Through a communication number assigned to the complaint, the client can follow up on the case throughout the process. In 2023, a total of **12,235 complaints** were received –that is, about **7.67 complaints per 1,000 customers**.

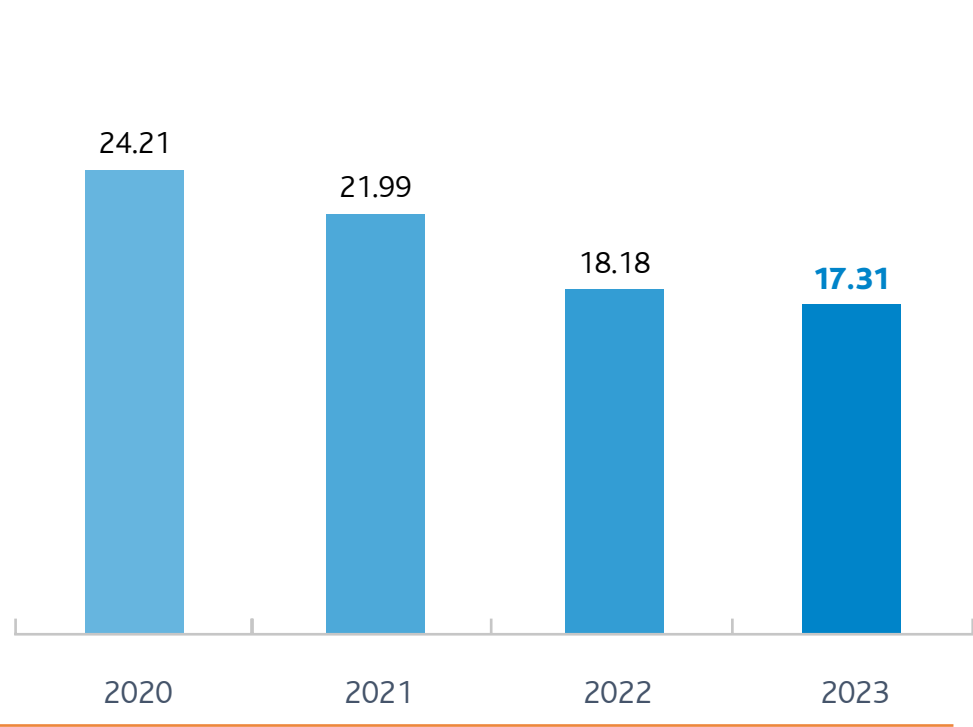
EVOLUTION OF THE NUMBER OF COMPLAINTS RECEIVED PER EACH 1,000 CUSTOMERS



CAUSES OF COMPLAINTS IN 2023



COMPLAINTS RECEIVED EACH YEAR PER EACH 1,000 CUSTOMERS



[GRI 2-25]

Regarding the **complaints received** on account of the invoice, these have decreased by 3.65% compared to 2022, standing at **27,602**. This represents a quantity of just over 17 complaints per 1,000 customers, and only affects 0.29% of the invoices issued throughout the year (more than 9.4 million). **63.81% of complaints** have been **resolved favourably for the client**.

Both invoice claims and complaints **have a maximum processing period of 30 days**, which, in 2023, has been met by 72.49% and 57.98%, respectively.

In addition to the claims and complaints received in the commercial circuit, we have a **service to deal with incidents** related to the provision of different

services. In 2023, a total of 153,368 notices have been received in relation to different incidents (quality, sewage, continuity of supply, water pressure and other causes).

The voice of the customer at Canal: when they ask us for help

At Canal de Isabel II we receive dozens of notices every day from citizens warning about possible anomalies in the service. These incidents are recorded and processed, and we endeavour to solve them as efficiently as possible. This process has been successfully applied by our company for decades and, for just over a year, has incorporated an additional variable: the user (whether a customer or not) who

has reported the incident can evaluate its correction and the attention received in the course.

By integrating two systems and two business units, a brief satisfaction survey is sent to the user after the problem has been solved. This is an extension of the transactional measurement model, which is already applied to other interactions with clients, such as contracts, complaints, actions on the client's property or digital transactions through the virtual office and our application for mobile phones (Canal app), and which we have now incorporated for the first time into this particular environment of incident notifications, with all the consequences this entails. This new scenario involves and requires the collaboration of three different departments of the company: Innovation, Operations and Commercial.

Throughout 2023, Canal used its Voice of the Customer system to send 59,948 surveys to citizens who had reported an incident to the company, of which some 11,449 were answered and integrated into the tool. Despite the context in which they respond to the survey (more than half had reported a cut in supply, a break in the network or pressure problems), these users have shown a high level of satisfaction with the service provided by the public company: on average, it almost reached a score of 7. 53.7% were highly satisfied with how Canal de Isabel II had resolved the incident: more than half rated the management with a score of 9 or 10.

ASSESSMENT BY THOSE WHO COMMUNICATE AN INCIDENT

Global satisfaction 6.95
Automatically sent surveys **59,948**
Surveys answered by users **11,449**
Answer rate **19.1%**
System alerts **3,256** / Alerts managed **304**



Closing the loop

On the other side of the scale, albeit to a lesser extent, there have been users who were not entirely happy with the resolution of their notices and have made this known in the survey. However, the company makes special efforts to address this problem and improve the experience of these dissatisfied customers, who they try to contact, once the case has been analysed, to find out the reasons for their low ratings and offer them new solutions. In short, to close the loop.

[GRI 2-29]

OUR REMOTE METER READING PLAN

Our goal is to achieve **closer and more effective management** for our clients. The implementation of smart meters that incorporate the most cutting-edge technologies in **100% of the supplies in the Community of Madrid** will allow us to obtain new services for our clients and new utilities for Canal, based on advanced data processing.

Thus, **with the massive implementation of the remote reading service, which we began in July 2023**, more than 300,000 customers can now turn to their personal space in the Canal **Virtual Office** and check the consumption made up to the previous day on daily and hourly frequencies. Our clients will thus be able to receive **warnings for continuous consumption (an indication of possible interior leaks)**. In addition, we are working to **integrate Remote Reading into the new Commercial System, YARA**.

This ambitious and innovative project will allow us to obtain more information about our customers' consumption in order to offer them better and new services and thus make the Community of Madrid become a **smart region**. With the renewal of the fleet of meters that are incompatible with this system, as well as the installation of equipment for the integration of remote reading, in **2026 all Canal de Isabel II meters** (1,653,668 meters at the end of 2023)

will manage to **become integrated** into this digital, innovative system.

With the implementation of remote reading, Canal will go from taking a measurement on the meters every 2 months, to one **every hour, 365 days a year**, which will mean multiplying the available information by 1,460. The proper processing of this information will provide very precise knowledge of customers' usual consumption and, in the near future, will make it possible to alert them of abnormal consumption, leaks or losses in their indoor installation, practically at the moment they occur, instead of detecting them several weeks later, when the next invoice is generated.

Remote reading with smart meters is relevant not only for customers, but also for our company, since it will allow us to have consumption patterns of all our customers and group them by type and use. In this way, we can customize savings tips, facilitate comparisons or manage demand in certain areas more efficiently.

Furthermore, in a context in which environmental care and natural resources are at the centre of our company's management, remote reading will provide us with valuable information for the optimization and effective management of the supply network, which has nearly 18,000 kilometres



and is divided into more than 600 sectors. Along these lines, smart meters and real-time measurements will also mean an optimization of demand and a better estimation of consumption, better estimation of consumption, which will translate into more efficient planning and a reduction in greenhouse gas emissions, as well as an early detection of abnormal consumption.

The alerts transmitted by the Voice of the Customer system, which warns of cases of dissatisfaction (that is, those who score between 0 and 5 or whose answer to any of the operational questions reflects that they continue to have a problem), allow Canal to deal with them in more depth. The criteria for classifying dissatisfied users not simply a matter of numbers: several company professionals read the surveys and, through the free responses, identify the cases in which customers express their dissatisfaction with the resolution in their own words.

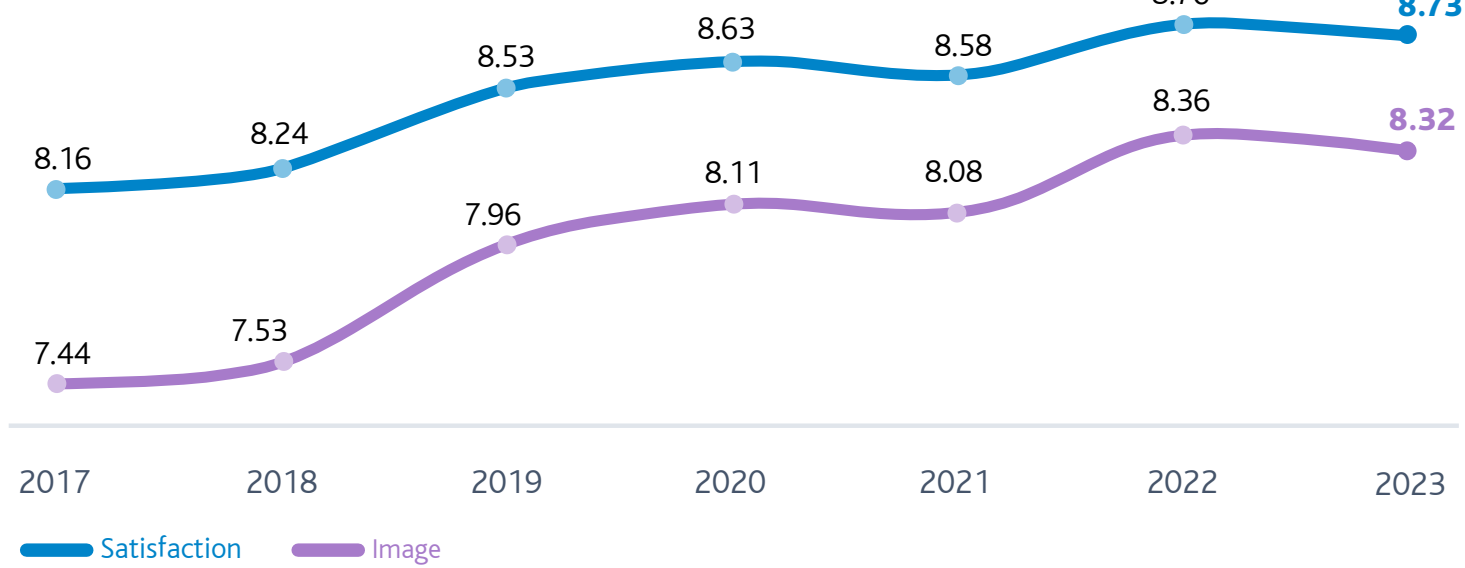
Based on the data from the first year of measurements of this environment, only one in five surveys answered regarding the resolution of incidents required subsequent actions. In absolute terms, of the 11,449 forms completed by users in the course of the last year, 3,256 resulted in alerts for scores less than or equal to 5 or which reflected an unresolved problem.

Over and above these data, which represent a starting point for the new year, what matters for Canal de Isabel II is not to allow alerts from dissatisfied customers to remain in limbo. Thanks to the coordination between the Customer Experience teams, the Control Centre and the Conservation Areas, up to 10% of those cases of dissatisfaction related to the resolution of incidents could be addressed again in order to address feelings of dissatisfaction on the part of customers.

Canal customer satisfaction

The general satisfaction of Canal customers has been increasing steadily over time, overcoming situations such as the COVID-19 pandemic in recent years (reading estimates, delays in works, Call Centre saturation, etc.) in 2020 , Storm Filomena in 2021, the cyber-attack on our Call Centre in 2022 and the transition to a new model and new providers of this very same service in 2023. However, customer trust in Canal has been robust and sustained fact over time and, while it has increased and decreased by a few tenths depending on the different circumstances, it closed its 2023 valuations approaching the figure of 9 out of 10.

2017-2023 EVOLUTION OF THE IMAGE AND GENERAL SATISFACTION (grade from 0 to 10)



MONITORING OF INDICATORS OF THE STRATEGIC PLAN

STRATEGIC LINE 6

Reinforcing commitment and closeness to users

Rate of customer satisfaction –

Accumulated percentage of smart meters connected to the digital remote reading system
22.23% (obj. 15%)

Grade from 0 to 10
8.73 (obj. 8,50)

Degree of satisfaction with the Virtual Office – Grade from 1 to 5
4.53 (obj. 4)

NPS (Net Promoter Score)* from -100 to +100
- 100 a + 100 + 52.9
(obj. +53.5)

Adhesion of customers to the electronic invoice
63.26 % (obj. 64 %)

The NPS is an indicator that measures customer loyalty to the company in accordance with the probability of customers recommending the company to their relatives or friends

2.7. THE COMPANY OF ALL MADRID RESIDENTS

Promoting transparency, good governance and commitment to society

Ours is a public company that provides an essential public service and we therefore have the obligation to be excellent and rigorous in our corporate governance and in the behaviour of our employees. Furthermore, we are committed to the citizenry and must be absolutely transparent in management and, in the area of social responsibility, we must develop open and participatory activities for all the groups with which we interact.

The corporate organization and governing bodies of Canal de Isabel II respond, on the one hand, to the requirements derived from our legal nature as a **public limited company** and, on the other, to the objective of achieving a level of excellence in terms of **transparency and good governance**.

In this sense, we work on the progressive incorporation of best practices in terms of good governance and transparency that exceed the standards required of unlisted companies, such as Canal. We have a **Code of Ethics and Conduct**, as well as **Compliance, Sustainability and Internal Control policies**, all of which are mandatory.



RELATIONS WITH ADMINISTRATIONS AND MANAGEMENT TRANSPARENCY

Canal's relationship is developed, in general, with three levels of public administrations:

- **City councils** of the municipalities where we offer our services.
- **Spanish autonomous communities** where we offer our services, especially the Community of Madrid.
- **The General State Administration** in Spain and the central administrations of the countries where we operate the service.

economic, environmental and social) and, in addition to serving to account for the performance of the company and its Group, they help us to understand the main concerns regarding responsibility, solvency and sustainability.

The response to these requests, through the CEO, is sent to the Department of Environment, Agriculture and Interior of the Community of Madrid.

We maintain permanent channels of communication with all of them, and they are promptly informed of the aspects of our management and our operations that are within their competence.

Furthermore, due to our nature as a public company, we have the obligation to respond to requests for information and oversight from all political groups represented in our regional Parliament: the **Madrid Assembly**. These requests reflect the relevant issues for interest groups in all aspects (eco-



[GRI 3-3]
[GRI 2-16]
[GRI 2-66]

REQUESTS MADE TO CANAL FROM THE MADRID ASSEMBLY (2019-2023)

		2020	2021*	2022	2023*
C	Appearance at a Plenary Session or Commission	1	5	2	0
PCOP	Oral response question at Plenary Session	3	11	3	2
PCOC	Oral response question at Commission	14	27	8	4
PE	Written response question	26	32	100	41
PI	Request for information	385	108	104	77
Otros	Non-Binding Motion, Bill, interpellation...	1	0	0	3
	TOTAL	430	183	217	127

(*) 2021 and 2023 were years with regional elections, with lower Parliament activity.

In 2015 we created an electronic communication channel on our website to receive and answer questions from citizens, the **Transparency Mailbox**, which was conceived to comply with the provisions of the **legislation on public sector transparency**¹⁸ regarding the exercise of **the right of access to public information**. This mailbox is accessed through our Transparency Portal, a space on our website that contains all the information related to active advertising established by legislation. In 2023 we have received and responded to a total of **48 requests for access to public information**. Of these, **27 requests**

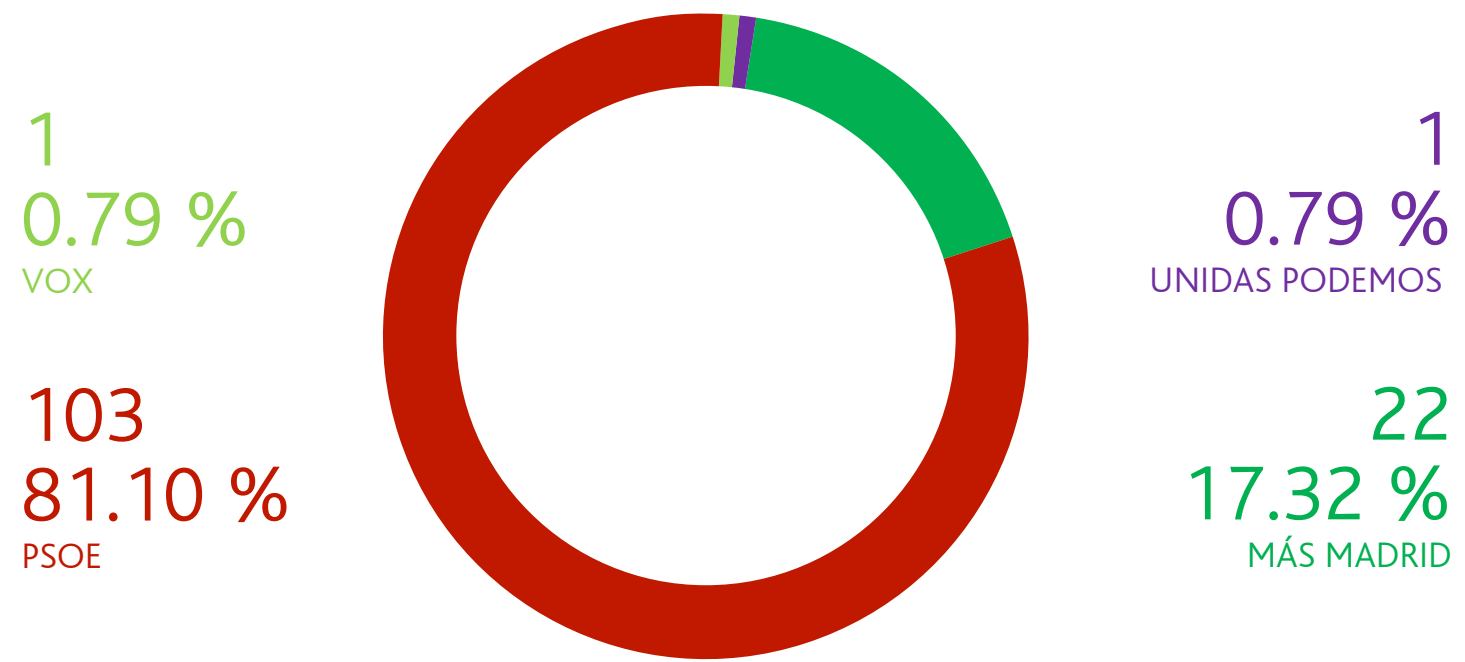
have been estimated, the required information being duly provided; a further 17 requests **have been transferred** to the administration or competent body; and **4 requests have been rejected with an express resolution**. From its launch on 28 October 2015 to the end of 2023, the Canal Transparency Mailbox has handled more than **650 requests**.

In 2023, following the recommendations of the **Transparency and Good Governance Council** for public administrations, we have carried out, with the help of an independent company, a first diagno-

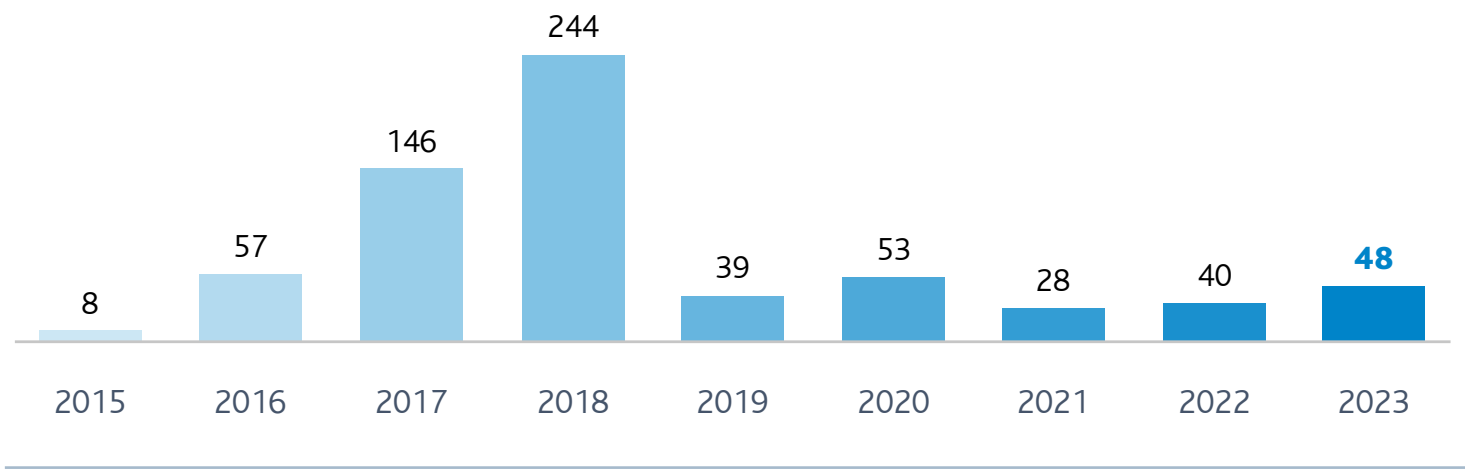
sis of our situation in terms of transparency using the **MESTA methodology** (Methodology for Evaluation and Monitoring of transparency). MESTA is a methodology that goes beyond the evaluation of compliance with transparency legislation, since it also evaluates the quality of the information published by the company considering attributes such as its accessibility, its updating, its clarity or the re-use capacity of the information published, among others.

The result obtained in this first diagnosis applying MESTA has been 54.3%¹⁹ in relation to the contents established in the transparency legislation of the Community of Madrid and 46.4% in relation to the contents established in the legislation on state transparency.

REQUESTS MADE BY THE PARLIAMENTARY GROUPS OF THE MADRID ASSEMBLY IN 2023 (number of requests % of the total)



NUMBER OF REQUESTS RECEIVED ANNUALLY IN THE TRANSPARENCY MAILBOX



18. Law 19/2013, of 9 December, on transparency, access to public information and good governance at the state level and Law 10/2019, of 10 April, on Transparency and Participation of the Community of Madrid.

19. The value obtained as a percentage in the MESTA diagnosis does not correspond to compliance with the legislation but to the overall quality of the information published, considering aspects such as its accessibility or degree of updating.

Other audits of our management

In addition to the transparency actions mentioned above, Canal de Isabel II has numerous **internal and external inspection and control mechanisms** focused on ensuring the adaptation of our management to the principles of legality, effectiveness, efficiency and economy. The main external inspection mechanisms of our company, whose results are public in many cases, are the following:

- The **Chamber of Accounts of the Community of Madrid** supervises the economic-financial activity and operations of the Madrid public sector, including those of our company and the companies of our Group in Spain and Latin America. The results are published in the Chamber's website.
- Our **external auditor** (for 2023 the firm Ernst & Young, EY) issues a report on the true image of the financial statements and the **Non-Financial Information Statement (NFIS)** that we publish together with the annual accounts of each year.
- Our annual accounts are deposited in the **Commercial Registry**, which makes them public, and they are published on our website.

- Although we are not a listed company, we are issuers of negotiable securities (bonds), and this requires us to publish all relevant information related to the corporate governance of our company on the website of the **National Securities Market Commission (CNMV)**, which contributes to the control and transparency of our activities.
- Our bidding procedures and practices are supervised by the **Administrative Contracting Tribunal of the Community of Madrid**, when required. Its resolutions are made public through the website of this court.
- All documents related to our tenders and minor contracts are published on the **Electronic Contracting Portal of the Canal de Isabel II Group and on the Public Contracting Portal of the Community of Madrid**. In both portals, those interested may not only consulting information but also bid electronically 24 hours a day, 365 days a year. In addition, they are also published on our website on the **Electronic Tender Portal of the Canal de Isabel II Group**.

We are also subject to inspection by the Ministries of **Finance and Public Service**, the Spanish Court

of Auditors and the European **Court of Auditors (ECA)**, especially in relation to the European funds that we receive. Apart from the inspection mechanisms mentioned externally, our company has also been equipped with internal control mechanisms, among which the following stand out:

- The **Subdirectorate of Internal Audit, Risk Management and Internal Control**, which carries out specific analyses of our company's practices.
- We have a **Risk Management and Corporate Control System**.
- Our **Contracting and Coordination subdirectories** ensure the correct application of bidding procedures in accordance with the provisions of the laws.
- We have a **Code of Ethics and Conduct** and a **Compliance Policy** that is mandatory.
- Systems for the control of our **Quality and Environment certifications** in accordance with the **ISO-9,000, ISO-14,001 and ISO-45,001** standards, among others, which we publish on our website.



- We have an **Audit Committee of the Board of Directors**.
- There is a **hierarchical system of contract and payment authorisations**.
- Our SAP R3 system has **automated controls for chain supervision** of any payment authorization that is made.
- We have an **Internal Control System for Financial Information (SCIIF)** and an **Internal Control System for Sustainability Information (SCIIS)**, which is focused on non-financial information.
- Our **Compliance Area** analyses compliance risks, particularly those that have to do with the criminal liability of legal entities.

[GRI 207-2]

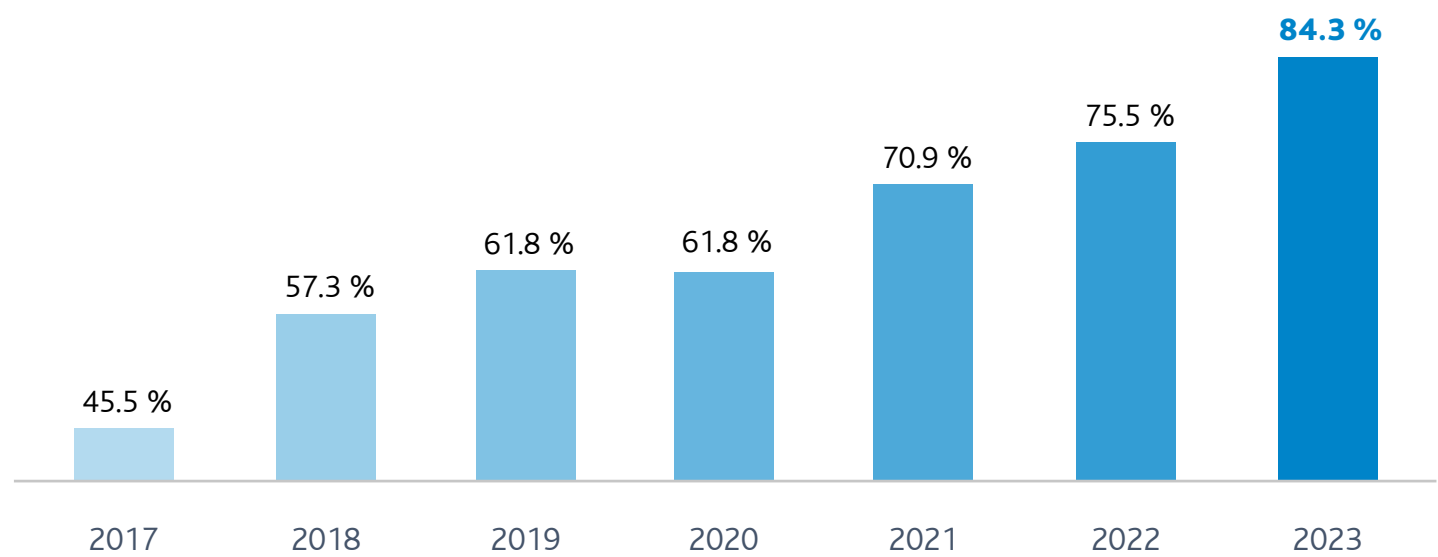
CORPORATE GOVERNANCE IN CANAL DE ISABEL II

At Canal, one of our priority lines of action is to comply with all those **good governance** recommendations that are applicable to us, whether they be mandatory, as applicable to us as issuers of securities, or voluntary, which include the main codes on this matter. Obviously, we fully comply with the mandatory recommendations, and as for the voluntary ones, we already follow many of them.

Our Board of Directors considers the **CNMV Code of Good Governance** for Listed Companies as the main guiding document for our activity.

Therefore, since the beginning of the implementation of the 2018-2030 Strategic Plan, we have used an indicator to measure the degree of progress in compliance with good governance practices. In the first years of the Plan we managed to reach a compliance with around 65% of these practices. In 2021, the approval by the Board of Directors of its operating regulations meant increasing the number of good governance practices implemented by almost 10% and in 2023 we have continued to advance until we have implemented more than **84%**.

DEGREE OF IMPLANTATION IN CANAL OF THE VOLUNTARY RECOMMENDATIONS OF THE CNMV CODE OF GOOD GOVERNANCE AND OF OTHER REFERENCE DOCUMENTS



Code of Ethics and Conduct

The **Code of Ethics and Conduct**, approved by the Board of Directors, constitutes an action guide that includes the values, ethical standards and behaviour that all of us who are part of Canal de Isabel II are obliged to comply with in the course of our professional activities thereto linked, as well as what conduct is considered inadmissible by the Company.

The general principles of action and commitments of conduct included in the Code of Ethics and Conduct are the following:

- 1. Legality:** Compliance with and respect for the Law constitutes one of the fundamental principles that will govern the actions of all the people who are part of Canal de Isabel II.
- 2. Business ethics:** Commitment to the principle of integrity entails that we will all behave with honesty, consistency and responsibility.
- 3. Respect for human, labour and social rights and public freedoms:** Canal de Isabel II expresses its firm commitment to the human, labour and social rights included in the Universal Declaration of Human Rights.

- 4. Collaboration:** All of us who are part of Canal de Isabel II will work together in a coordinated manner, making cooperative work foster relationships between professionals from different areas of the Company and the Group, achieving synergies and their professional development.
- 5. Sustainable development:** Canal de Isabel II expresses its firm commitment to the principles of sustainable development as an integrating framework for its actions with professionals, customers, suppliers, shareholders and other interest groups with which the different companies of the Group relate, favouring the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations (UN), and rejecting actions that contravene or hinder them.
- 6. Responsible and efficient management of the Company's assets:** All of us who are part of Canal de Isabel II assume the obligation of the efficient and responsible use of the Company's property and assets, due to their status as public resources, following criteria of austerity and necessity in their use.

[GRI 3-3]
[GRI 2-23]
[GRI 2-24]
[GRI 205-1]

- 7. Protection of confidential and reserved information:** Canal de Isabel II assumes the commitment to establish the necessary measures to achieve the highest level of security for its information and operational systems through the implementation of appropriate measures for prevention, detection and response regarding the risk of cyberattacks.
- 8. Protection of intellectual and industrial property:** Canal de Isabel II is firmly committed to knowledge and innovation, and therefore we will protect the intellectual and industrial property rights of the Company, respecting the analogous rights of third parties, for which there will be specific control procedures.
- 9. Exemplarity and safeguarding of the image and reputation of Canal de Isabel II:** Canal requires an extra ethical commitment from all members of the Society in the performance of their functions, since this may be subject to public scrutiny.

In 2023, all Canal employees have been trained in the principles of our Code of Ethics and Conduct.

Ethics and Compliance Committee

The Ethics and Compliance Committee is responsible for supervising the operation and compliance of the crime prevention model implemented, as well as guaranteeing compliance with the Code of Ethics and Conduct and promoting a culture of ethics and integrity within the Company.

The Ethics and Compliance Committee has regularly met nine times in 2023, on dates previously agreed upon by the Committee itself. In these sessions, in addition to promoting initiatives that improve ethics and integrity in our organisation, it has carried out a review of the elements of its crime prevention model existing.

The **Regulations of the Ethics and Compliance Committee**, approved by the Board of Directors on July 20, 2023, regulate its composition and operation.

In this sense, the Committee is made up of five members, one of whom will be responsible for the Compliance Unit. The Committee will have a president and a secretary, who will be appointed by the Board of Directors from among its members. The members of the Ethics and Compliance Committee, at the end of 2023, were the following:

Internal information system of Canal de Isabel II. Ethics line

Canal de Isabel II has an internal information system called the **Ethics Line** to promote compliance with the provisions of the **Code of Ethics and Conduct**, legality and other internal regulations by its administrators, managers and employees.

[GRI 2-16] [GRI 2-26] Through the Ethics Line, doubts can be raised and possible breaches of the principles and values of our Code of Ethics and Conduct can be reported, both anonymously and nominatively, and then processed by the Ethics and Compliance Committee, with confidentiality guaranteed in the terms of the Regulations of the Ethics and Compliance Committee.

Queries or complaints may be anonymous and made through the web form enabled both on the intranet and on the corporate website: <https://www.canaldeisabelsegunda.es/linea-etica>

The Ethics Line is available to members of the Board of Directors, directors and employees of Canal de Isabel II, as well as suppliers and contractors who have a relationship with the company, shareholders and holders of other securities issued by the Company.

President → Head of **Compliance** Area

Member and secretary → Head of **Corporate** Area

Member → Deputy director of **Commercial Services**

Member → Deputy director of **Infrastructure Conservation Western Zone**

Member → Head of **International Legal** Area

It is the responsibility of the Ethics and Compliance Committee to ensure the proper functioning of the internal information system and manage communications or complaints received through the means established for this purpose.

The contents included in the Canal de Isabel II Code of Ethics and Conduct can be developed to ensure its effectiveness and compliance.



Compliance system

In 2023, the organisation's compliance system has been reformed, as a consequence of internal organizational changes and to adapt it to new legal requirements. On 20 July 2023, this reform resulted in the Board of Directors approving the Compliance Policy, the Code of Ethics and Conduct and the Regulations of the Ethics and Compliance Committee. This Code of Ethics and Conduct replaces the Code of Conduct approved on 8 January 2015.

The Compliance Policy is enforceable not only internally, as it applies to the members of the Board of Directors, managers and all employees of Canal, but also to those who are linked to the company. This Policy explains the Company's commitment to the exercise of due control that is required to minimise the risk of bad practices or regulatory non-compliance occurring during the pursuit of its activities. At the same time, it projects a firm message of rejection and zero tolerance for any conduct that involves an illegal act or contravenes its internal rules.

 For the Code of Ethics and Conduct, the Compliance Policy and the Regulations of the Ethics and Compliance Committee of Canal, see the following link

 For the new SCIIS and SCIIF policy, see the following link

The purpose of the Compliance Policy is to define the basic principles and the general framework of action at Canal de Isabel II in matters of compliance, under the supervision and responsibility of the Board of Directors, promoting those strategic, operational and organisational lines that allow it to achieve its business objectives within a framework of rigor and excellence in the development of all its activities.

This Policy means that the previous **Compliance Policy** and the **Crime Prevention Policy** of Canal de Isabel II of 24 November 2022 is revoked.

Likewise, Canal de Isabel II has had a compliance function since 2019, in order to reinforce the «Three-Line Model» that the organization already had, improving its existing control systems.

In this sense, the criminal risks applicable to the Company have been identified, the controls for mitigating them have been established, and the Ethics and Compliance Committee of Canal de Isabel II has been configured as the body in charge of supervising the operation and compliance with the implemented crime prevention model, as well as guaranteeing compliance with the Code of Ethics and Conduct and promoting a culture of ethics and integrity within the Company.

Internal Control Systems for Financial Information (SCIIF), Sustainability (SCIIS) and Internal Regulations of Conduct

One of our objectives is to incorporate the best practices in corporate governance, ethics and integrity into our organization. It is one of the functions of the Audit Committee to supervise the effectiveness of the Company's internal control. In this sense, Canal has an **Internal Control System for Financial Information (SCIIF) and Sustainability Information (SCIIS)**. The objectives of the SCIIF and the SCIIS are: to improve the efficiency and security of the financial support and sustainability processes, minimising possible errors; to anticipate new regulatory requirements, and to position Canal as one of the leaders in its sector in terms of internal control and good corporate governance.

These internal control systems ensure transparency regarding the activity carried out by the company, ensuring that its processes are duly coordinated and that all of them operate together to prevent, detect, compensate, mitigate or correct errors, with material impact, or frauds in financial and sustainability information.

[GRI 2-27]
[GRI 205-1]
[GRI 205-2]

At a session held on 30 November 2023, Canal de Isabel II, Sociedad Anónima, M.P., approved the **Policy for the Internal Control System for Financial Information and Sustainability** Information, as well as the procedure for developing this. This Policy constitutes a mandatory framework for all entities that make up the Canal Group and their respective governing bodies.

The new Policy of the Internal Control System for Financial Information and Sustainability Information allows us to adapt our actions in this area to the **best national and international practices** and anticipate possible new regulatory requirements regarding internal control of financial information and of sustainability information. Canal is the only Spanish public urban water services company that has both policies approved. We are also the only company that has an integrated SCIIS and SCIIF policy in the Community of Madrid.

Finally, since Canal is an entity that issues securities that are negotiable in the markets (bonds), we have an Internal **Regulation of Conduct Regarding the Securities Market**. Stemming from this Regulation, there is the corresponding Registry of Obligated Persons. In 2023 we have updated this Registry.

Remuneration and incentive policy

By agreement of the General Meeting of Shareholders, the **members of the Board of Directors of Canal**, with the exception of the CEO, do not receive any remuneration **except the per diems for attendance at the meetings** of the Board and the fees for those directors who do not attend as a result of incompatibility bearing on *Law 14/1995, of 21 April, on Incompatibilities of Senior Officials of the Community of Madrid*. These fees were set by the Board of Shareholders at 600 euros per meeting.

The Chairman of the Board and the other members of the Board who have proprietary status do not receive any remuneration for their position in the Company, as they are senior officials.

The salary of Senior Management and its annual increases is regulated, as for the rest of the staff, by the regulations of the Community of Madrid, requiring approval by the **Ministry of Economy, Finance and Employment**. These regulations expressly prohibit the agreement of compensation clauses of any type for termination of the employment relationship outside of those established by law.

On the other hand, as an incentive policy, we have defined a **variable remuneration system** linked mainly to the **annual fulfilment of the objectives corresponding to Canal's 2018-2030 Strategic**

Plan, of which a large number measure the environmental, social and corporate governance performance of our company throughout each year (ESG²⁰ criteria). This variable remuneration system is established for all personnel with management responsibility in some field of action, including employees with recognised higher qualifications.

Pension commitments with Senior Management are carried out under the same terms and conditions as those of the rest of the workforce. In 2023, the Company has not made contributions in accordance with the provisions of *Law 3/2014, of 22 December, on General Budgets of the Community of Madrid* since 2015.

Audit, corporate risk management and internal control

Canal de Isabel II has a Subdirectorate of Internal Audit, Risk Management and Internal Control, under the organic dependence of the CEO and functional director of the Audit Committee of the Board of Directors.

Internal audit activity

During 2023, the internal audit function has continued at Canal as an independent and objective assurance and consultation activity, designed to add value

and improve the organisation's operations, constituting a benchmark within Spanish public companies.

In February 2022, the Audit Committee approved the **2022-2024 Internal Audit Plan**, which determines the projects to be carried out in the coming years. The Plan is based on the company's risks, the strategic objectives, the requests of the Audit Committee, the needs raised by our interest groups (stakeholders), the processes detected by the Internal Audit Area itself, as well as the monitoring of the recommendations arising as a result of the audits already carried out. The Plan is reviewed annually for the formation of the Annual Internal Audit Plan.

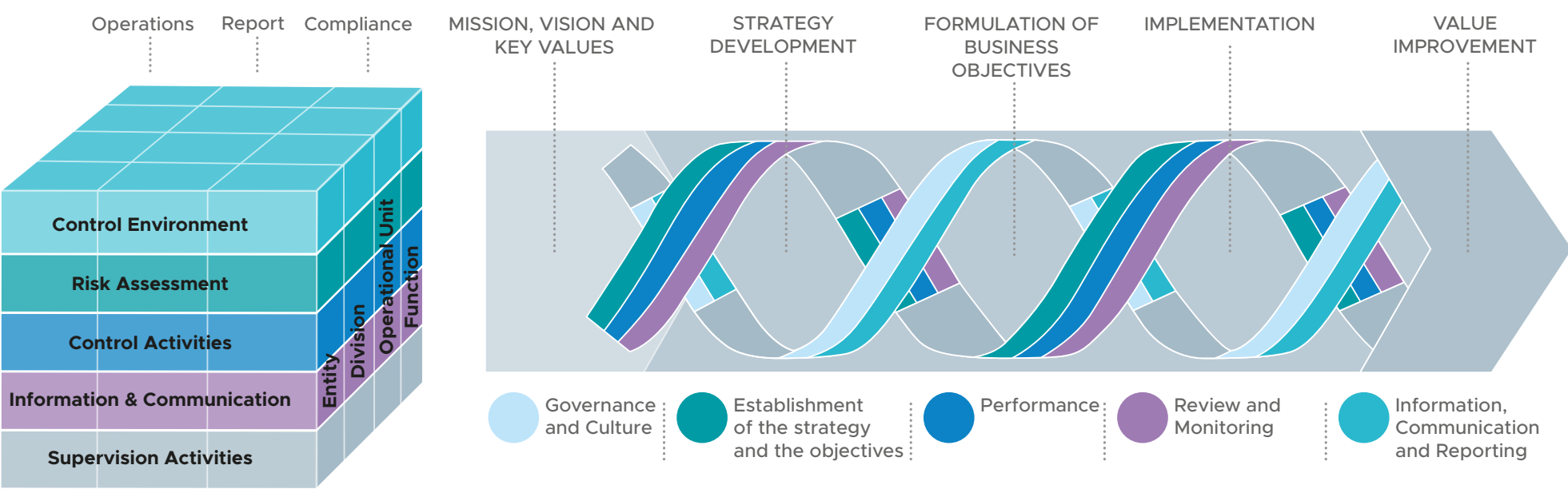
The total number of **improvement recommendations** issued was 246, of which 211 had been implemented by the end of 2023.

It is highly relevant to highlight that in 2023 the Subdirectorate renewed for the second time the QA (Quality Assurance) certificate, awarded by the Institute of Internal Auditors, with the highest rating. This result demonstrates that Canal de Isabel II's Internal Audit follows the standards and procedures in keeping with the best international practices of the IIA Global, which are recognised and accepted by the most important international organizations, such as the OECD, the International Monetary Fund or the World Bank.

[GRI 2-19]
[GRI 2-20]
[GRI 404-3]
[GRI 2-12]
[GRI 3-3]

 The 2023 salaries corresponding to senior positions are published on the Transparency Portal of the Community of Madrid.

20. ESG (Environmental, Social and Governance) principles are those that companies apply as regards environmental protection, relationships with society and good company governance.



Corporate risk management

Risk management is a control activity that is permanently linked to the risks that may affect the of the organizations’ strategic objectives.

The **Risk Management Policy** at Canal de Isabel II was reviewed and approved by the Board of Directors in January 2020 and its correct application requires the involvement of all company personnel. Canal carries out risk management on the basis of the internationally recognised **COSO (Committee of Sponsoring Organizations of the Treadway Commission)** frameworks, **COSO Internal Control** and **COSO ERM (Enterprise Risk Management)**, which are duly adapted to the characteristics of our company.

Los riesgos que pueden afectar a la consecución de los objetivos de la compañía se clasifican en base a las categorías utilizadas en COSO, adaptados a la realidad de la empresa, con la siguiente taxonomía de riesgos, en línea con las mejores prácticas:

- **INFORMATION RISKS.** Linked to data and information of a financial, non-financial, internal and external nature of the company.
- **COMPLIANCE RISKS.** Referred to regulatory compliance. They are those related to the objective of offering maximum confidence to the regulator and society in general, with respect to the Company’s activity.
- **OPERATIONAL RISKS.** Linked to the organisation’s operational processes. They are those linked to processes, people and services provided.
- **STRATEGY RISKS.** Linked to the set of decisions taken by the organisation to accomplish its mission.
- **FINANCIAL RISKS.** Linked to the economic-financial processes of the organisation.

We have a **Risk Map**, with the three levels of consolidation (Deputy Directorate, Management and Company), valued mainly by directors and deputy directors, and which has been **updated twice in 2023**, increasing the frequency recommended in the *CNMV 3-2017 Technical Guide on audit commissions of public interest entities*.

The main risks for the company, in terms of impact and probability, are managed by means of monitoring the risk indicators (KRI) and the effectiveness and design of the controls that mitigate them, which tasks are duly performed by those responsible and by the company’s risk managers.

The situation at the end of 2023 is that **83 risks** associated with **307 indicators** and 125 controls **are being managed**.

Internal control

Internal control is, according to the international COSO framework, a process carried out by Management and the rest of the personnel of an entity, designed to provide a reasonable degree of security regarding the achievement of objectives.

Along these lines, connected to risk management, Canal de Isabel II uses controls and/or measures to mitigate or maintain these risks, whose design

and effectiveness is assessed according to the periodicity established by its manager. In 2023, **111 design tests** and **235 effectiveness tests** were launched.

In terms of internal control and adaptation to the COSO Framework, in order to verify that the principles and components are present, functioning and coordinated with each other, in 2023 it was decided to continue the assessment of the applicable transversal controls that affect the entire company by means of the SAP-GRC tool, expanding the number of controls.

TYPOLOGY OF ACTIVE RISKS IN CANAL AT THE END OF 202323 (number of risks % of the total)



In addition, areas with specific (non-transversal) controls of the COSO model have been encouraged to carry out the analysis within their specific objectives. There are specific controls of the Internal Control System for Financial Information (SCIIF) and Compliance, the Crime Prevention Model (MPD), identifying 17 and 8 controls, respectively.

The Subdirectorate of Internal Audit, Risk Management and Internal Control has only assumed the role of facilitator of the process of loading and launching controls in the SAP-GRC tool, of the Internal Control System for Financial Information (SCIIF), the Internal Control of Sustainability Information (SCIIS) and the Crime Prevention Model (MPD), a task entrusted by the Audit Commission so that controls can be loaded by a single unit.

In 2023, the Internal Audit, Risk Management and Internal Control Subdirectorate has reviewed the Assurance Map. This combined assurance is an effective mechanism to advance coordination, avoid control gaps, duplications and inefficiencies. It allows attention to be paid to the most critical risks, for which there must be integrated management that provides a transversal and coordinated vision, following the internationally accepted framework of the «Three-Line Model».

Communications to the National Securities Market Commission (CNMV)

Although Canal is not a listed company, it does issue non-convertible fixed income securities in a regulated market (AIAF) and this entails the obligation to **communicate the facts and other relevant information** based on the principle of complete information, as well as on the obligation to publicly provide truthful and updated information, in accordance with the regulations of the National Securities Market Commission (CNMV).

The publication of this information makes it possible, on the one hand, for investors to obtain a well-founded value judgment on the real situation of the company, and, on the other, for the proper functioning and transparency of the stock market to be maintained.

In 2023, Canal de Isabel II has conveyed to the CNMV **20 relevant items of information**, which, along with the rest of the information published by our company, may be referred to on the CNMV website, at the following link: <https://www.cnmv.es/portal/Consultas/DatosEntidad.aspx?nif=A86488087>.



[GRI 205-2]
[GRI 3-3]
[GRI 2-28]
[GRI 3-3]

SOCIAL COMMITMENT

Canal de Isabel II has traditionally been a reference for the citizens of the Community of Madrid as a very active agent in everything related to social aspects. Our nature as a public company makes commitment to society a very important element in our management and this is reflected in our 2018-2030 Strategic Plan.

For years, Canal has had the firm vocation to serve as a reference in the field of culture, sports, leisure and support for social initiatives. For this reason, it develops numerous activities and makes its facilities and technical, human and economic resources available to society.



Social rates: our best contribution

Poverty goes beyond the lack of income and resources to ensure sustainable livelihoods. **Poverty** is a **human rights** problem and its different manifestations include hunger, malnutrition, lack of decent housing and limited access to basic services such as education or health, **water and sanitation**²¹. At Canal de Isabel II we are aware of this problem and, therefore, in recent years we have created new formulas to reduce the rate that may affect the most sensitive groups.

Canal has the responsibility of adapting to the needs of each person, family unit or home, especially if they are going through a difficult time or are large families or homes. For this reason we have established **four different types** of bonus es:

- Bonus for **large families**
- Bonus for **large households** (from 5 people upwards)
- Bonus for **social exemption** (in situations of need)
- **Widow's pension** bonus

We group the four types of bonuses within the concept of **social rate**.

Special mention should be made of the **social exemption**, with which the user will pay only 50% of the amount of the fixed service fee. The social

exemption bonus can be requested by all those people who receive the **Minimum Living Income**, the **Minimum Insertion Income** of the Community of Madrid, the **Active Insertion Income**, any type of non-contributory pension or when the **social services of their town hall** certify that the applicants have difficulties or cannot pay the full bill for the services provided by Canal. This type of bonus can also be requested by **non-profit entities** that manage **sheltered flats or community housing** to accommodate people at risk of exclusion or for other reasons.

As for the **variable part**, it is completely subsidised for up to 25 cubic meters per two months, that is, 417 litres per day free. This means that, for an invoice of 40.87 euros per two-month period, the application of this bonus means that the amount to be paid will be 8.71 euros.

21. To combat these shortcomings, the United Nations established the *Resolution Approved by the General Assembly on 28 July 2010. The human right to water and sanitation*.

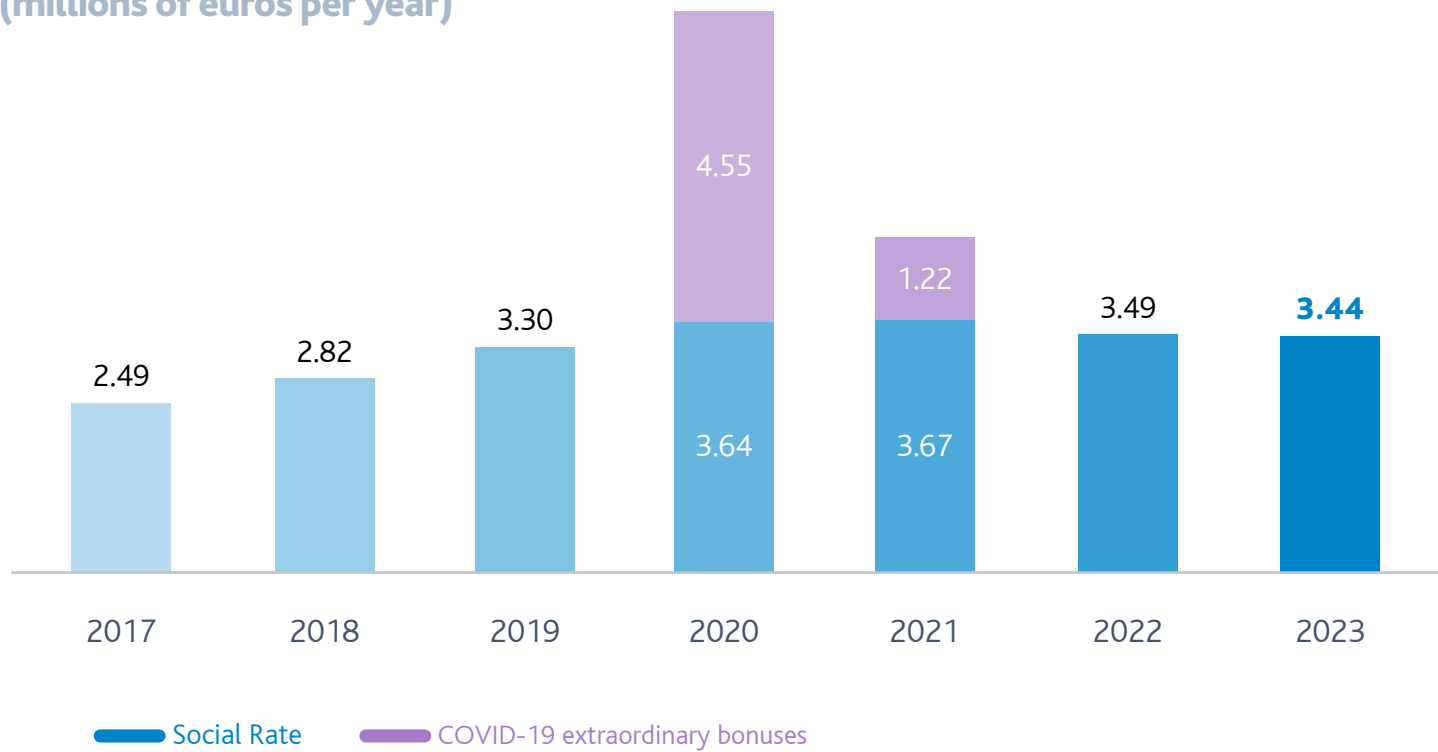
Furthermore, in October 2002, a new type of **bonus was created for owners and users of illegally occupied homes**, covering up to 100% of the number of services provided by our company during the period that the situation of illegality lasts.

The **bonus for widow's pensions** is applicable to all people who are beneficiaries of this type of pension and whose total income does not exceed 14,000 euros per year.

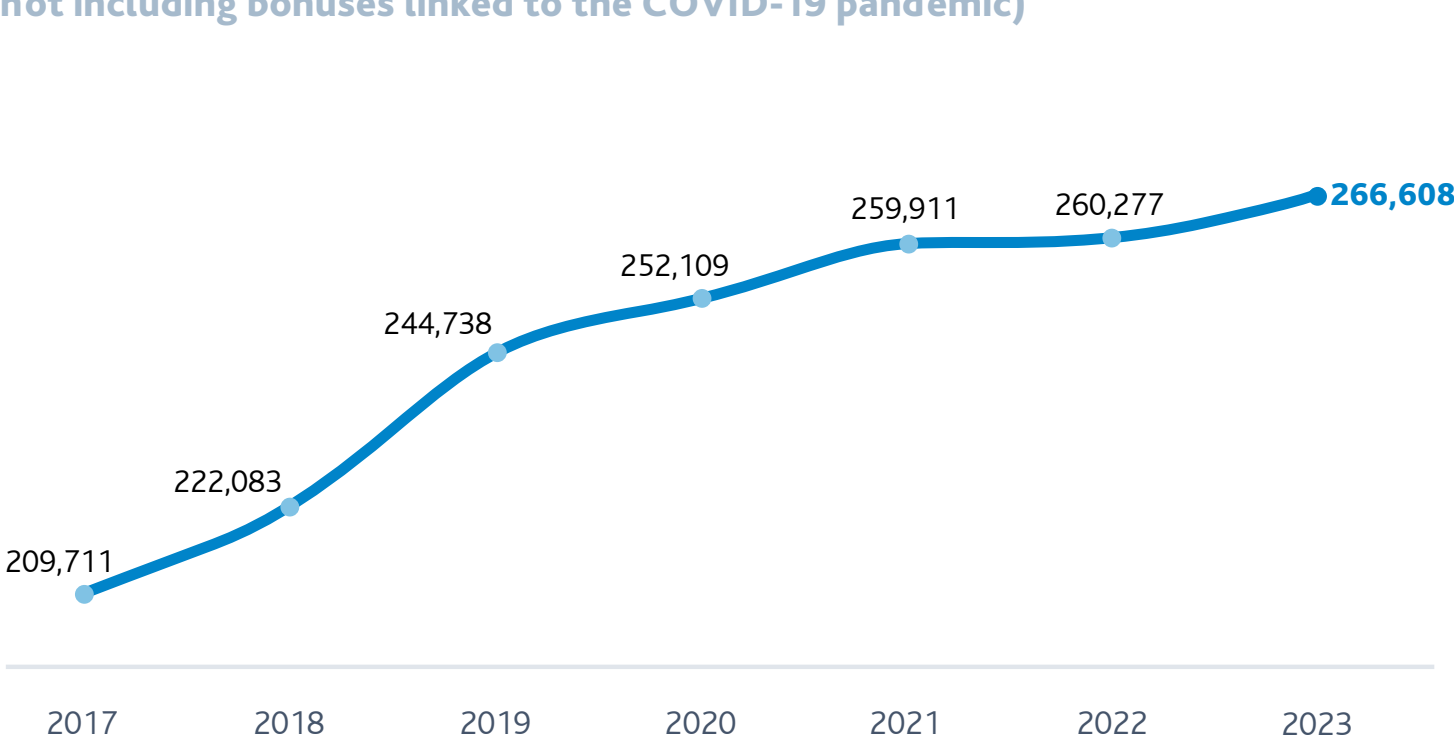
In addition to the types described, in 2020, due to the circumstances caused by the coronavirus **pandemic**, Canal urgently designed and approved a new bonus for all groups that had suffered the economic consequences of COVID-19 or been affected by a Record of Temporary Employment Regulation, for self-employed persons or SMEs whose business had been reduced by at least 30%. These bonuses were also extended to 2021 and ceased to exist in 2022, more than 15,000 contracts having been bonused for this concept.

In 2023 we have subsidised 63,001 contracts, **4.78% of Canal's total** domestic contracts with its customers. This means that **266,608 people were benefitting from our social rates** at the end of 2023, and in some months of the year they exceeded 277,500. Taking into account the registrations and cancellations registered, throughout the year a total of 307,268 people have been the beneficiaries of discounts on some invoice. The number of beneficiaries has grown by more than 27% between the beginning of the Strategic Plan 2018-2030 and 2023.

EVOLUTION OF THE ECONOMIC RESOURCES ALLOCATED TO BONUSES (millions of euros per year)



EVOLUTION OF THE NUMBER OF PEOPLE BENEFITING FROM SOCIAL RATES not including bonuses linked to the COVID-19 pandemic)



Canal Colabora

All this social work is led by Canal’s group of social workers who, under the name **Canal Colabora**, are part of the commercial field, providing specialised care to the most vulnerable users and seeking a rapprochement. In addition to our social workers, the team is also made up of administrative staff who carry out all the support tasks to achieve the objectives.

Since the origin of Canal Colabora, dozens of visits have been made, holding joint meetings with professionals from social service centres and associations, in addition to the Municipal Housing and Land Company of the Madrid City Council and the Social Housing Agency of the Community of Madrid. The objective is, on the one hand, to disseminate and explain the social rate among professionals who work directly with the most vulnerable groups, and on the other, to establish coordination pathways in both directions for the most complicated cases. During the visits carried out, the bonuses are explained in detail, clarifying all doubts that may arise. There is very good acceptance of the initiative and after each visit we maintain fluid coordination and communication.

In January 2020 we began to organise consumption savings workshops, aimed at two profiles:

- **Vulnerable population.**
- **Coordinators** who work every day with people in difficult situations, with the aim of them being our «water ambassadors» so that they can disseminate the social rate and responsible consumption in their environment, and so that they can help with the procedures of the bonuses.

These are environmental talks and workshops, adapted and aimed at the public with whom we work, and whose content aims to directly and simply explain the water cycle, the importance of responsible consumption, how to implement saving measures, how to know about the main leaks that can occur in our homes and how to manage our bonuses.

Canal has also promoted alternative means to minimise supply cuts due to non-payment. In no case is water cut off for families in economic difficulties. Due to the pandemic, from March 2020 to February 2021 all supply cuts were suspended.

Our support for culture

In the cultural field, our efforts are led by our Foundation. The Canal Foundation began its activities in 2001 on the occasion of the 150th anniversary of Canal de Isabel II. Since then, Canal and the Foundation have worked together for a double mission: promoting knowledge and promoting care for water. In



this time we have contributed to translating this commitment into more than a thousand activities, in which more than 6 million people have participated. The policy of the Canal Foundation in all its activities is to bring quality content closer to society and present it in an attractive and accessible way.

Via environmental programmes, the Foundation contributes to the dissemination of the integral water cycle and both mitigation and adaptation solutions to climate change, and develops studies and applied research projects in collaboration with Canal de Isabel II and prestigious organisations. From the artistic and

cultural field, culture is made use of as a tool for disseminating knowledge, mainly through the work of the great masters of music and modern and contemporary art. All its activities seek innovation, both in their content and in the formats and processes to carry them out..

Throughout 2023, the Canal Foundation has organized **86 scientific, environmental, social and cultural activities** of various kinds, which have brought together a total of 377,843 participants (34.6% in online format). In addition, the Foundation’s website has had more than **588,000 visits** and its social networks have more than **140,000 followers**.

“EL MURO DE BERLÍN” EXHIBITION

On 9 November 2023 the exhibition “**El Muro de Berlín. Un mundo dividido**”, organized by the Canal Foundation and Musealia, opened its doors. This exhibition traces the history of this icon, which was born in the midst of the outbreak of the Cold War: a global conflict between capitalism and communism that brought the world to the brink of nuclear destruction. An essential exhibition to learn about the stories of life, resistance and flight, often punished with death, on each side of the Wall; through more than 300 original objects, including segments of the Wall, archival material and multiple testimonies from direct witnesses of the tragedy that came in its wake.

Visitors to the exhibition will be able to face 20 meters of the Berlin Wall: 3.5 meters high and weighing 2.6 tons. The Wall divided East Berlin from West Berlin from 1961 to 1989 and is considered one of the most important representations of the Cold War.

Five theme areas during the tour

The 2,500 square meters of the Arte Canal Exhibition Centre, located at 214 Paseo de la Castellana in Madrid, are divided into five thematic areas, which offer visitors a wealth of detail while they discover secrets, stories and original objects of this twentieth-century symbol of division. In a global way, with a vision that goes beyond traditional narratives and impresses by revealing the arduous research and effort behind the exhibition, the tour is nourished by elements such as the section of a tunnel that crossed underground Berlin, a baby carriage used for smuggling or secret Stasi files.

- **A divided world:** in the context after the Second World War, we will learn how the United States and the Soviet Union, in their struggle to determine the social and political order, ended up creating what is known as the «Cold War».
- **Before the Wall:** Berlin’s deep crisis and its growing insecurity provoked the construction of the Wall in 1961, with the aim of preventing the migration of citizens from the Eastern bloc to the West.
- **Division:** this section shows one of the cruelest aspects of the construction of the Wall, the division of society and the citizens who had to face this barrier.

• **Everyday life in a divided Berlin:** you can immerse yourself in the reality of the citizens who had to work to survive in a city that gave no respite. Through different testimonies you will be able to hear life stories that give different perspectives of the time.

• **Global transformation and the end of the Cold War:** in this area you can see how the world takes a radical turn, dictatorships are eliminated, and, in turn, the day of the fall of the Berlin Wall also arrives. This event occurs in a peaceful way, where the images of citizens celebrating and hugging are the best memory of the end of years of division and the beginning of a new era.

With the purpose of bringing knowledge closer to people

Canal de Isabel II and the Canal Foundation have been working together for more than two decades for a double mission: the generation of knowledge and the promotion of water care. During that time we have contributed to translating this commitment into hundreds of activities in which nearly seven million people have participated.



This exhibition, carried out by means of the company-foundation collaboration, is the result of that mission and aims to bring quality content closer, presented in an attractive and accessible way, a hallmark of the Canal Foundation in all its activities.



Among the most relevant activities, one should highlight 13 classical music concerts, especially the **Canal Foundation Chamber Music Cycle**, which has been active for more than 20 years and has established itself as one of the great events for lovers of chamber music in Madrid.

The exhibitions organized in 2023 at the Foundation's headquarters, at 2 Mateo Inurria Street in Madrid, have had **168,049 participants** and were the following:

- **Lartigue, the hunter of happy moments. Col-our photographs**
- **Madrid: creative chronicle of the 80s**
- **Artists and models. Stories of passion, crea-tion and destruction**

For each of these exhibitions, a conference on its theme, guided tours and family workshops have been organized, and guides for teachers and virtual content have been created to complement them.

In addition to the Foundation's exhibition facilities, Canal has the **Arte Canal Exhibition Cen-tre**, located in the Fourth Underground Water Reservoir, with a structure that dates back to the first half of the 20th century and offers an area of 2,000 square meters for exhibitions. This room, located at number 214 of Paseo de la Castellana in Madrid, has hosted 14 large thematic exhibi-tions since 2004, attended by more than 3.5 mil-lion visitors, and has become one of the main cul-tural references in the city in recent years.

In 2023, it has been possible to visit two major exhibitions in this exhibition space: until the

month of June, **"Somos agua"** (We Are Water), which was inaugurated in 2022 and closed in 2023, and in which the power of water and its importance in the planet's sustainability were val-ued, and starting on 9 November 2023, **"El Muro de Berlín, un mundo dividido"** (The Berlin Wall, a Divided World).

The **"Somos agua"** event was an unprecedented project in environmental exhibitions. A blockbuster of 2,000 square meters and more than 80 audio-visuals in which visitors were able to understand the importance of water for the planet, discover unusual data about our water footprint and learn how to contribute to sustainability in their daily lives. In addition to the **more than 70,000 visitors** to the exhibition, its digital content added more than **457,000 online views**.

The **Canal de Isabel II exhibition hall (First Ele-vated Tank)** is also to be found in the city of Ma-drid. Built in 1911, it is currently a unique space that houses exhibitions of contemporary photo-graphic and audiovisual creation, managed by the Department of Culture of the Community of Ma-drid. It collaborates annually with the ARCO and PhotoEspaña competitions. In 2023, notable exhi-bitions have taken place there, including **"Cristina de Middel. Letters to the Editor"**, **"Joana Biarnés. Madrid / Fashion at Street Level»** and **"Sybilla. The Invisible Thread"**.

40th EDITION OF THE WATER RACE



Nearly **2,500 runners** (**6% more** than the previous year) participated in the 40th edition of the traditional Water Race organized by Canal de Isabel II on Sunday, 19 March 2023.

The Minister of Environment, Housing and Agriculture of the Community of Madrid, Paloma Martín, was in charge of giving the starting signal in the vicinity of the fourth Tank, located in Plaza de Castilla in the capital.

Two routes were organized: one was 10 kilometres long and the other 5. The goal of both itineraries was also next to another of the Canal de Isabel II facilities, the Tercer Depósito, on Avenida de Filipinas in Madrid.

The Water Race emerged more than 40 years ago as an initiative to highlight the importance

of this resource as a scarce and essential good. In 2023, it was celebrated again on days close to **World Water Day** (March 22).

This latest edition once again had a marked **sustainable and environmental character**. With the aim of limiting the use of plastic containers, in the provisioning areas, the organization offered Madrid tap water in recyclable cardboard cups. Likewise, the official vehicles of the race, including the timing car, were electric, so as to reduce the event's carbon footprint.

The Water Race is one of the **popular contests with the longest tradition in Madrid**. Throughout its history, more than 500,000 people have run at all of its editions.

Both Canal de Isabel II and the Canal Foundation have editorial lines. The Canal Foundation focuses its publications on the exhibition catalogues it carries out and other activities, while Canal has a broader editorial fund, compiled throughout its years of existence and ranging from technical studies to more informative publications, whose central theme is water.

We promote leisure and sport

Canal makes various recreational facilities and sports areas available to Madrid residents in the Community of Madrid.

In the urban area of Madrid, we have 12 hectares located on the **roof of the Third Water Tank** that are used for football, paddle tennis and jogging, as well as for recreation and walks for users. Also in the urban area, the swimming pools and various sports facilities existing in the **Campo de Guardia Tank (Canal de Isabel II sports facilities)**, currently managed by the Community of Madrid, stand out.

There is also the **Bravo Murillo park**, inaugurated at the end of 2020 and located in the vicinity of the Canal de Isabel II Central Offices. It has a children's area adapted for children with different abilities, a sports area, a vertical garden made up of 15 different species that has an efficient irrigation system, as well as a walking space with a sustainable pavement, 50 trees, about 1,000

bushes and garden areas with grass and species with low water consumption.

Also next to our Central Offices is the **Ríos Rosas park**, a 2,500 square metre space located in a pleasant environment, at the foot of the **First Elevated Tank** (Canal de Isabel II Exhibition Hall). The park has 1,800 square meters of gardens with various shrubs such as bamboo, rosemary, santolina and lavender, as well as walking areas with benches and drinking water fountains. But perhaps what was most relevant when it opened, at the end of 2018, was the creation of its children's play area, adapted to children with different abilities.



In 2023 we completed the remodelling and conditioning of the surface occupied by the golf facilities in the **Tercer Depósito Leisure and Sports Centre** in Avenida de Filipinas, whose works began in 2021.

These three facilities represent the provision of more than **123,000 square metres** of Canal de Isabel II spaces for the use and enjoyment of citizens and an investment of approximately **18 million euros**. To these one should add the more than 45,000 square metres of the Cuarto Depósito park, in the Plaza de Castilla.

Making part of our facilities available to citizens is one of the objectives established in our 2018-2030 Strategic Plan to enhance our commitment to society.

In addition to the facilities located in the urban area of Madrid, we also have two other non-urban recreational areas, one in the El Atazar reservoir, managed by the Cervera de Buitrago City Council and focused on the sports of sailing, rowing and canoeing, and another in the Riosequillo reservoir, managed by the Buitrago del Lozoya City Council and which has one of the largest swimming pools in the Community of Madrid. The Atazar area has received 10,969 visitors in 2023; the Riosequillo area, 78,411. The total number of visitors to the two recreational areas has grown by 20.7% in 2023 compared to 2022.

Both the recreational areas and urban parks as well as the rest of the Canal and our Foundation facilities open to the public are adapted to meet the accessibility requirements for people with disabilities established in current regulations.

Cooperation in water and sanitation and other social initiatives

On 28 July 2010, by means of *Resolution 64/292*, the United Nations General Assembly explicitly recognized the human right to water and sanitation. This resolution calls on States and international organizations to provide financial resources, facilitate training and technology transfer to assist developing countries and provide a healthy, clean, accessible and affordable supply of drinking water and sanitation for all.

In this area, Canal supports what is established in the Sustainable Development Goals (SDG) on water and sanitation, approved by the United Nations General Assembly in September 2015. We are aware of the importance of achieving these objectives and, to contribute to this, we develop cooperation projects in other places.

WOP project with Sedapal (Lima, Peru)

In 2021, Canal Isabel II's proposal was chosen by the **EU-WOP Programme** to develop the **Vigía System** for the tracking, monitoring and early warning of COVID-19 in wastewater in the metropolitan areas of **Lima and Callao**, which jointly total more than 9 million inhabitants (30% of the population of Peru).

The EU-WOP Program is a collaborative initiative between water operators, led by the UN-Habitat Global Alliance of Water Operators Associations (GWOPA) and funded by the DEVCO European Commission.

The Alliance opted for the Madrid Watch System to track the Peruvian sanitation network, with the aim of anticipating the waves of the coronavirus and also to fight climate change through regenerated water.

The project was presented in **collaboration with Sedapal** (drinking water and sewage operator in Lima) and was selected, among more than 140 proposals, to be executed under the framework of the EU-WOP Programme of the European Union. This action takes advantage of the capacity of public service companies to help each other accomplish the SDGs, specifically number 6, on improving water and sanitation services.



In 2023, the main activities planned between both companies have continued. The training week given in Lima in April on performance indicators related to international EBC benchmarking stands out. At the same time, sessions have been held to exchange knowledge and good practices in the line of work on regenerated water, and in November the second technical mission of a technical delegation from the Peruvian public company to Madrid took place for the purpose of learning about first-hand Canal facilities and carrying out monitoring and training meetings within the framework of the project.

On this occasion, Sedapal professionals were able to visit the floating solar plant of the Torrelaguna hydroelectric plant, the El Atazar reservoir, the phosphorus recovery plant at the South WWTP and the Aranjuez WWTP, among others.

[GRI 3-3]
[GRI 2-28]

Network of Sustainable Solutions for Water and Energy

In 2022, Canal de Isabel II joined the **United Nations Global Network of Sustainable Solutions for Water and Energy**, specifically the Department of Economic and Social Affairs (DESA), which is in charge of leading the implementation of the 17 SDGs of the 2030 Agenda worldwide. This UN department is also responsible for monitoring major UN summits and conferences, as well as providing help to countries to set their agendas and make decisions to address their economic, social and environmental problems.

The main objective of the agreement reached between Canal and the UN in this Network is the creation and improvement of technical capacities at all levels, with the aim of promoting an integrated and intersectoral approach to SDG6 (water) and SDG7 (energy) and their interrelationships with other SDGs, in order to accelerate progress towards a correct implementation of the 2030 Agenda for Sustainable Development.

The expected achievements of this agreement include an improvement in **knowledge management** and the exchange of best practices on the **water-energy nexus** and the interconnections with other SDGs, as well as the global promotion and dissemination of the water-energy nexus and the rest of the SDGs.

During this second year of the agreement, Canal has collaborated and actively participated in the different activities and events organized by the Network, such as the **Circular Economy Workshop** held in Madrid in February, the **World Water Conference**, in New York in March —the first in more than forty years— or the **High-Level Political Energy Forum**, also in New York, in July. Also noteworthy is Canal’s participation in **COP28**, which was held in November in Dubai.

In turn, this agreement with the UN contemplates the publication of several **articles and case studies** by Canal technicians on the Network’s different communication platforms, as well as in the UN’s own academic journal on sustainable development (**National Resources Forum**). In 2023, five articles of interest were published on the different UN platforms.

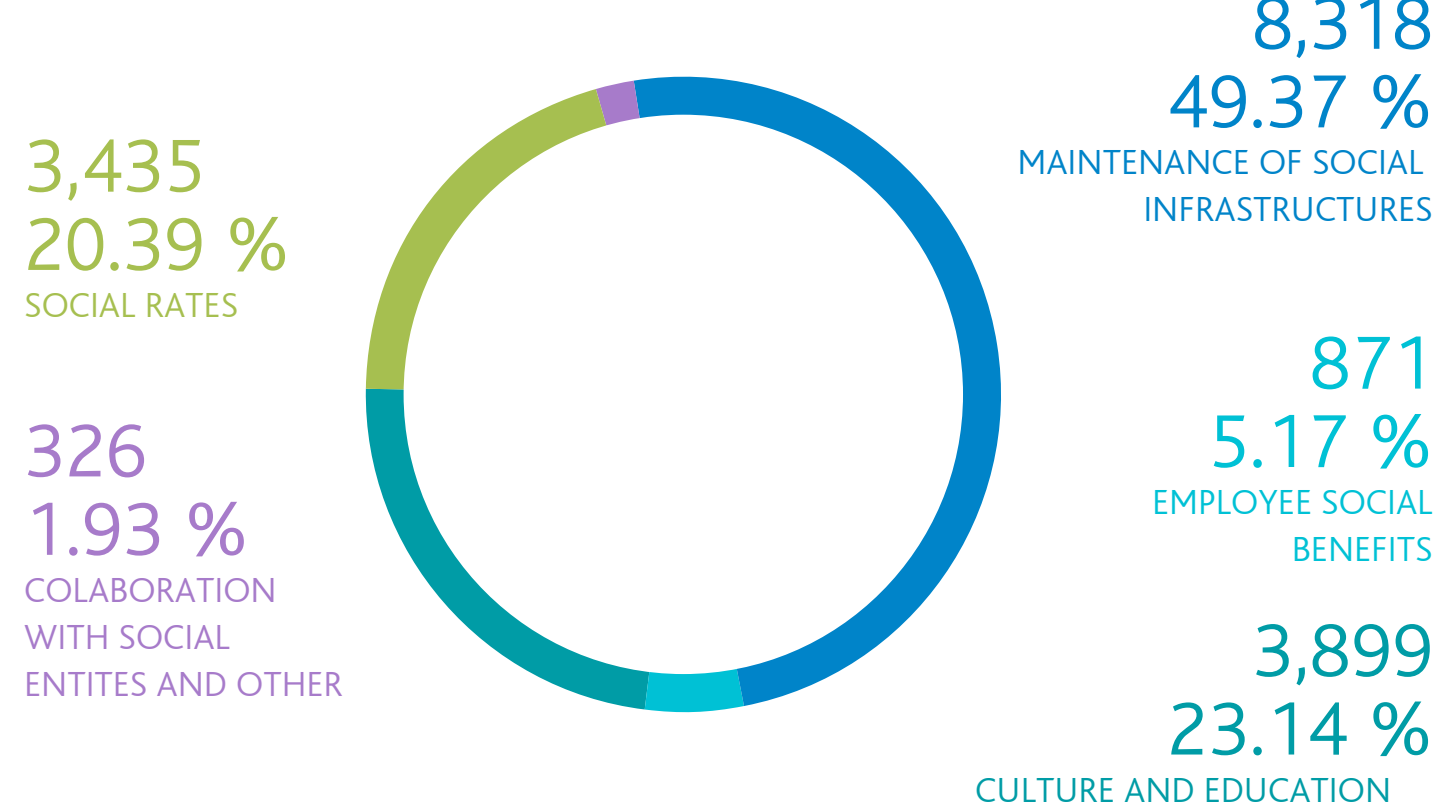
Collaboration with other social entities

Canal de Isabel II is a signatory and **participating partner** of the **United Nations Global Compact** and annually prepares its progress report, which is sent to that organization.

In addition, Canal de Isabel II has been one of the **founding partners of the Spanish Network of the Global Compact** since March 2006. The Global Compact, which more than 15,000 companies in more than 160 countries have joined, is a UN instrument of free accession that promotes the implementation of 10 universally accepted principles to promote corporate social responsibility. These principles are grouped into four areas: **human rights, labour, environment** and anti-corruption.

Canal is also a partner of the **Responsible Society and Company Foundation (SERES Foundation)**, in which our Foundation had been present in previous years. Among the purposes of this Foundation is the promotion of a more relevant role for the company in improving society, focusing on encouraging companies to help create value and assume their role as a key agent in solving social problems.

SPENDING RELATED TO CHANNEL'S SOCIAL COMMITMENT IN 2023
(thousands of euros and % of the total)



[GRI 2-23]
[GRI 2-28]
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[GRI 409-1]

In this area of collaboration with social entities, in July 2023 our Board of Directors authorised the free transfer of two portable emergency water treatment plants to the United with Ukraine association. The plants, with the capacity to produce 30,000 litres of drinking water per hour, were intended to alleviate the difficulties in accessing water for thousands of Ukrainians affected by the destruction of the Kakhovka dam on the Dnieper River, in the south of the country.

Finally, Canal participates every year in activities involving social entity activities and organised with the participation of employees. In 2023 we have collaborated with initiatives from the Spanish Red Cross, the Spanish Association against Cancer and the NGO Save the Children.

Economic resources allocated to society

In 2023, Canal de Isabel II has allocated a total of **16.85 million euros** to activities related to its social commitment to employees, society and customers (3.76 million more than in 2022), which is equivalent to 10. 9% of our Profit after taxes. Most of the difference in spending has been fundamentally due to expenses linked to the remodelling works of the Tercer Depósito park, in the district of Chamberí.

During the fiscal year 2023, spending on **infrastructure for social use** amounted to **8.31 million euros**.

Creation of value for our interest groups: our «social dividend»

As a public and socially committed company, Canal’s vocation is that of providing the interest groups with which we interact with something more than the services we provide. For this reason, in many cases we go beyond what is established in the regulations to favour them.



MONITORING OF INDICATORS OF THE STRATEGIC PLAN

STRATEGIC LINE 7

Enhancing transparency, good governance and commitment to society

Company transparency rate Evaluation with **MESTA** (Methodology for the Evaluation and Monitoring of Transparency) accomplished (obj. Applying MESTA Meth.)

Projects for cooperation or collaboration with other companies/bodies **8** (obj. 6)

Beneficiaries of rate discount **266,608** (obj. 261,000)



CSR Expense percentage / Turnover **11.29 %** (obj. 7.00 %)

Implementation of non-compulsory good governance recommendations of the CNMV **84.3 %** (obj. 80 %)

[GRI 201-1]
[GRI 203-2]

Creating value for our stakeholders



ENVIRONMENT

- **Electrical production** in 2022: **226 Gh** with renewable or high-efficiency technologies (more than 42% of our consumption). Highest electric producer of the sector in Europe.
- **First wastewater struvite collection plant** in Spain (557 t).
- In order to improve the quality of our rivers, almost **20% of discharges into channels** are done with **tertiary treatment** (91.53 hm3 in 2023).
- In 2023 we have planted **43,229 plant, tree and shrub units**.



HUMAN TEAM

- 361.5 thousand euros invested in training (**27 hours per employee**)
- Labour integration of **disabled persons (2.7% of the staff)**.
- **32% of women in the staff**, 8 percentage points more than the average in our sector. **34% of managers are women**.



SHAREHOLDERS

- **Dividends** for city councils and Community of Madrid of **more than 1,534 million** from 2012 to 2023.
- We have distributed to the **shareholder municipalities 42.5 euros per inhabitant in dividends** since the creation of the Company.
- We contributed to the municipal treasuries **24 million in taxes and duties in 2023**.



REGULATING BODIES

- **127 parliament requests** have been answered.
- **Institutional transparency** (Chamber of accounts, external auditor, Trade registry, CNMV, Administrative Contracting Court, Court of Accounts...).
- **Good governance: 84.3% of the voluntary recommendations** of the CNMV have been implemented.



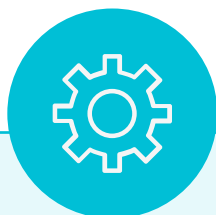
SOCIETY

- Employment (direct, indirect and induced): **more than 8,600 people working for our Group**.
- Innovation: **5.9 % of income** is allocated to **R&D&i**.
- Expenditure on **social activities: 16.85 mill. Euros** (equivalent to 11.2% of post-tax earnings).
- By 2023, more than **377,000 people** had participated in our **Foundation's activities**.



MEDIA

- Transparency and **informative immediacy** with the media.
- Contant collaboration and **proactive attitude**.
- Widespread **communication campaigns** (Matilda – Isabel, of the 2nd floor)



SUPPLIERS

- In 2023 he have awarded our suppliers **368 contracts, which add up to 1,304 million euros** (143% more than in 2022).
- 94% of the amount **awarded by open procedure**.
- **54.17%** of the awardees we **SMEs**.
- Average period of **payment to suppliers 24.4 days**



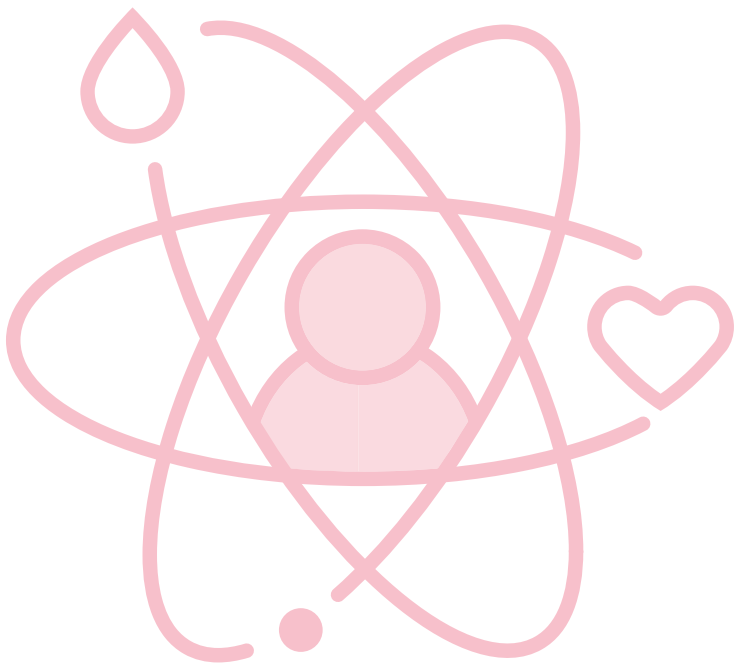
CUSTOMERS

- Average mark of **8.73 out of 10 in customer satisfaction**.
- The widest **social rate** in our sector, surpassing **75% bonus**, with **more than 266,000 beneficiaries**.
- **Tenth consecutive year without an increase in the rates, which are more than 25% less than the average** in Spain.

2.8. EMPOWERING OUR PEOPLE

Fomenting our professionals' talent, commitment and health

Human resources management is a strategic aspect of our processes, since it covers one of Canal's main assets: our people.



Achieving excellence in services and customer satisfaction, within a framework of responsible and efficient management of water resources, are objectives that we can only achieve with the cooperation and qualification of each and every one of the workers that make up our company.

the stability of the workforce are key elements for the quality of the service provided and for mid- and long-term sustainability. In recent years, Canal has worked to obtain approval from the Community for the call for new public employment positions.

In 2023 we have continued with the process undertaken years ago to **reduce temporary employment and improve the stability** of the workforce, many of the 2022 calls that were pending closure having been completed throughout the year and other complementary selective

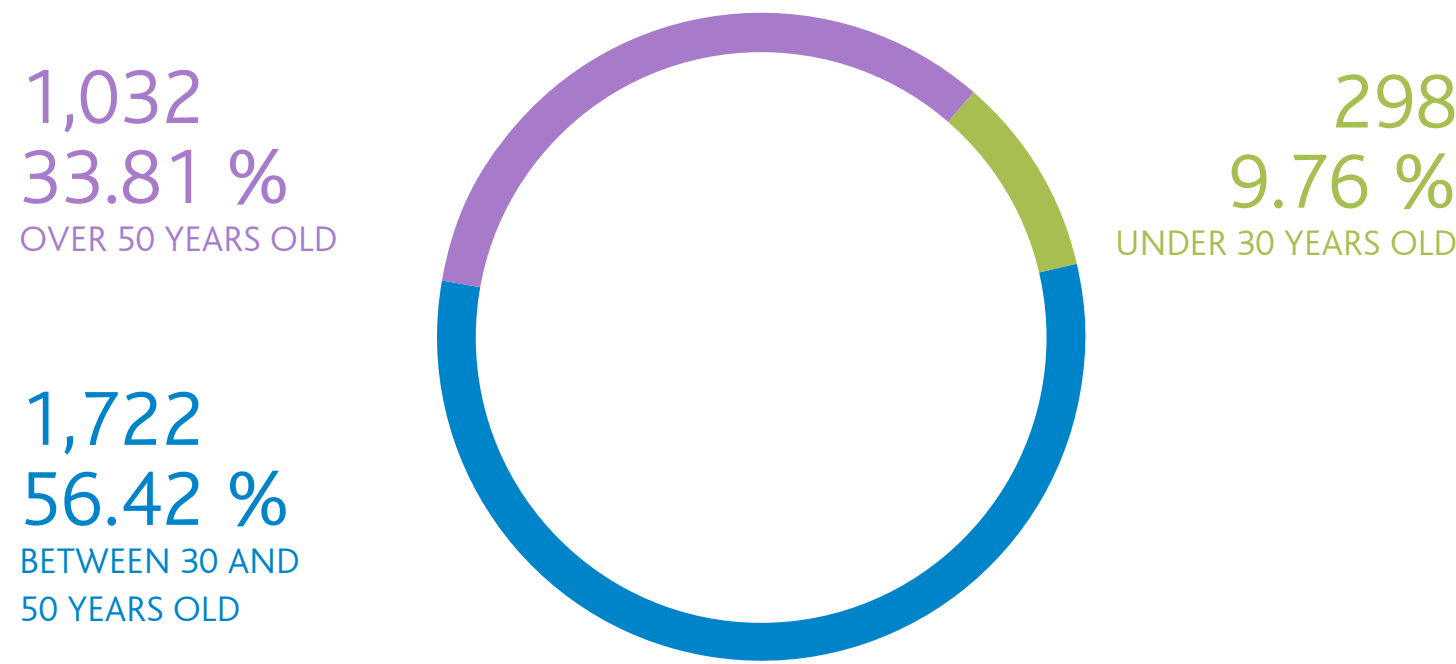
processes having been initiated. The challenge was to **incorporate 396 workers with an indefinite contract** in two years, 195 in 2023 and 201 in 2024, to replace part of the temporary contracts, the replacement of permanent leave and structural vacancies.

Structure of our staff

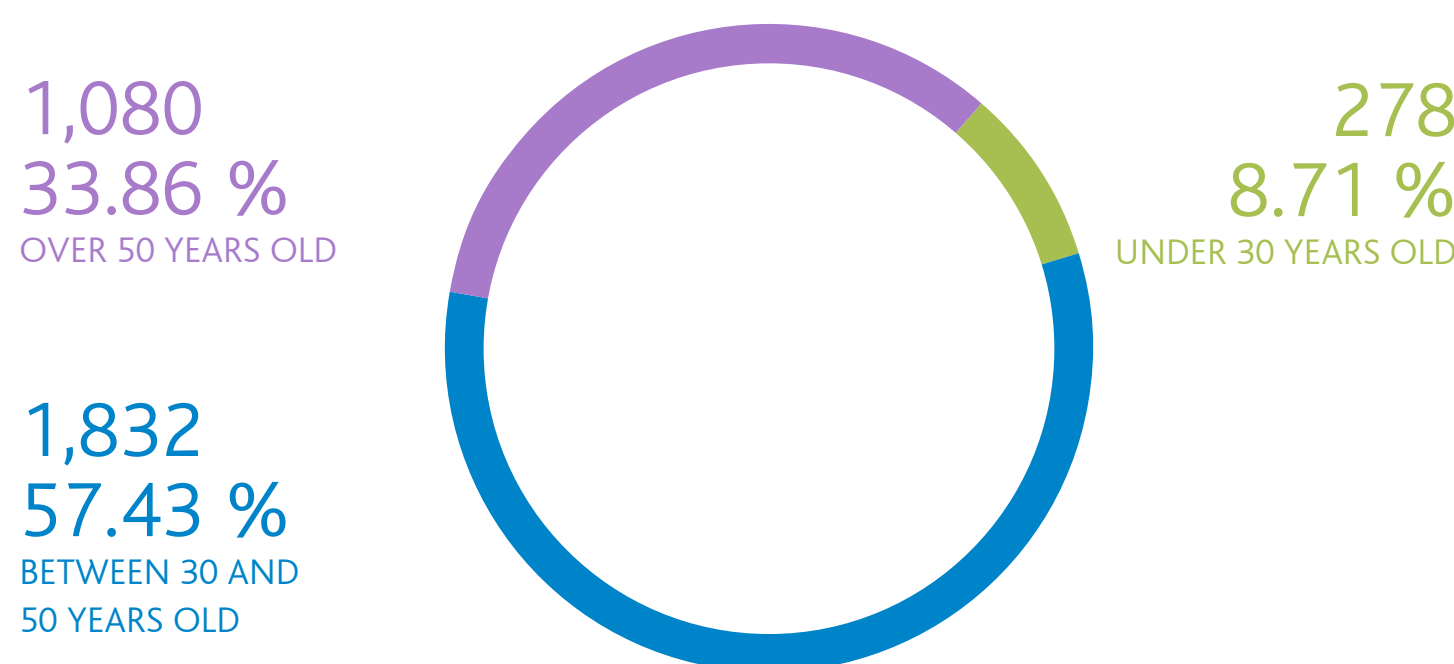
The total number of Canal workers has grown by **10.8%** in the last five years despite the hiring restrictions established in the General Budget laws of the Community of Madrid, which prevent indefinite hiring. At the end of 2023, the total workforce of the company (Community of Madrid plus Cáceres) was **3,190 people**.

We are highly aware of the great importance of reducing the percentage of **temporary employment** of our staff (talent retention is part of our Strategic Plan), which reached almost 45% in 2018. Reducing such temporary employment and ensuring the continuity of our professionals and

DISTRIBUTION OF THE STAFF BY AGE GROUPS
(number of people and % of the total)

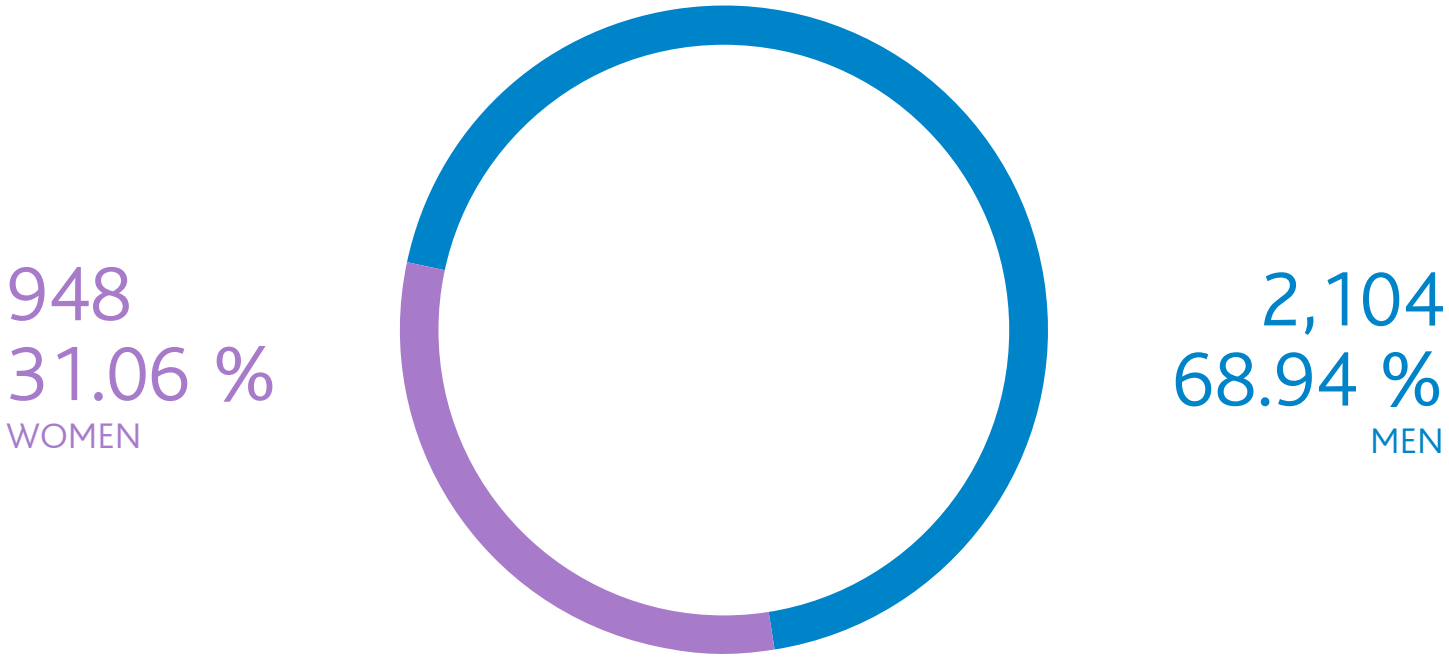


DISTRIBUTION OF THE STAFF BY GENDER
(number of people and % of the total)

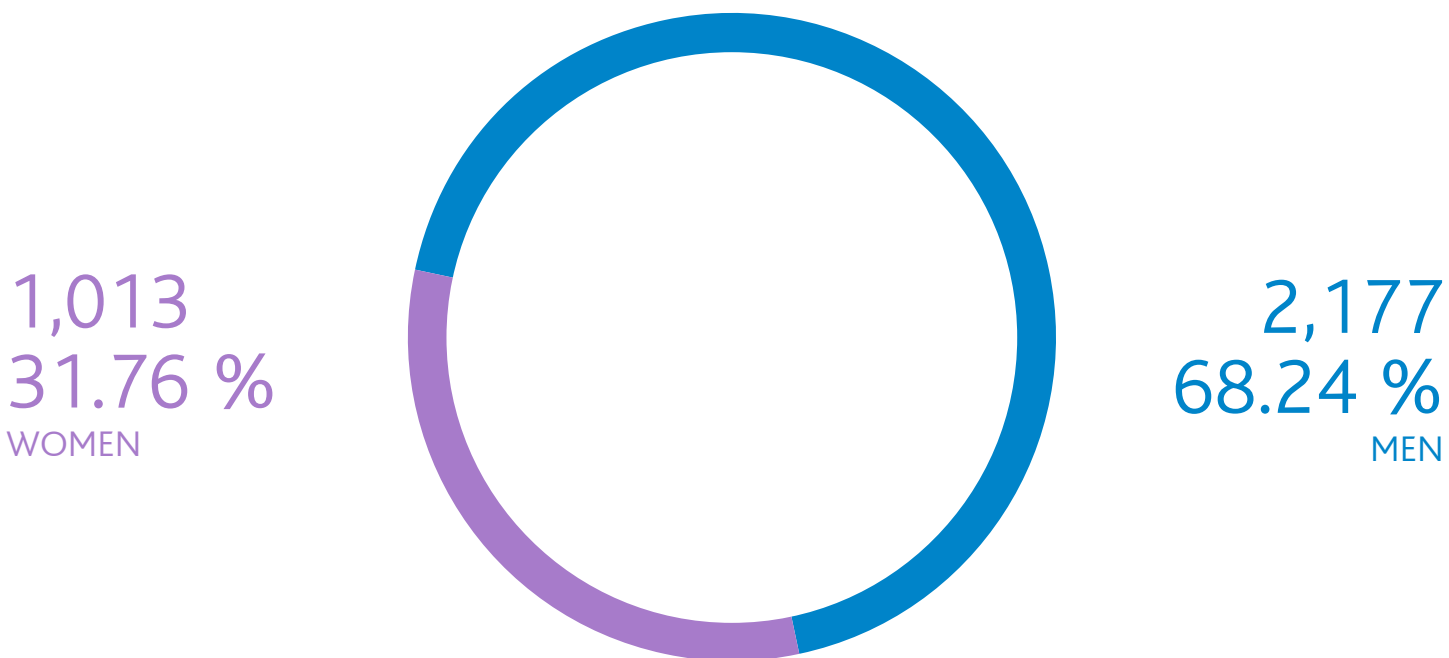


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[GRI 405-1]

DISTRIBUTION OF THE STAFF BY GENDER YEAR 2022
(number of people and % of total)



DISTRIBUTION OF THE STAFF BY GENDER YEAR 2023
(number of people and % of total)



It is worth mentioning that, in these calls for permanent employment, the company has promoted the socio-labour integration of people with functional diversity, for whom a higher quota than that legally established (2%) is reserved. At the end of 2023, the **percentage of people with some degree of disability** in our workforce was 2.7 (86 people), all the company’s main work centres, where they carry out their activity, being adapted to facilitate their accessibility.

In 2023, the **average age** of Canal’s workforce has been **45.61**. The **average seniority** of the staff was of **13.66 years** and more than half of the staff lies within in the age group of between 30 and 50.

Throughout 2023, the company has had a net increase in its staff of **131 people**, the turnover rate being one of **22.61%** of workers.

The **number of departures** (704 people in 2023) has been due to different circumstances, such as the **termination of temporary contracts** (replacement due to temporary disability, due to production or training circumstances, among others), as well as **retirements**, voluntary resignations or any other reason that led employees to terminate their employment relationship with the company. However, in relation to turnover, it is worth noting that **many of the employees who have maintained a temporary employment relationship have finally**

joined the company indefinitely in 2023. Furthermore, if we analyse voluntary resignations, turnover was at **0.40%** in 2023, which shows that the willingness of our employees to leave the company is very low.

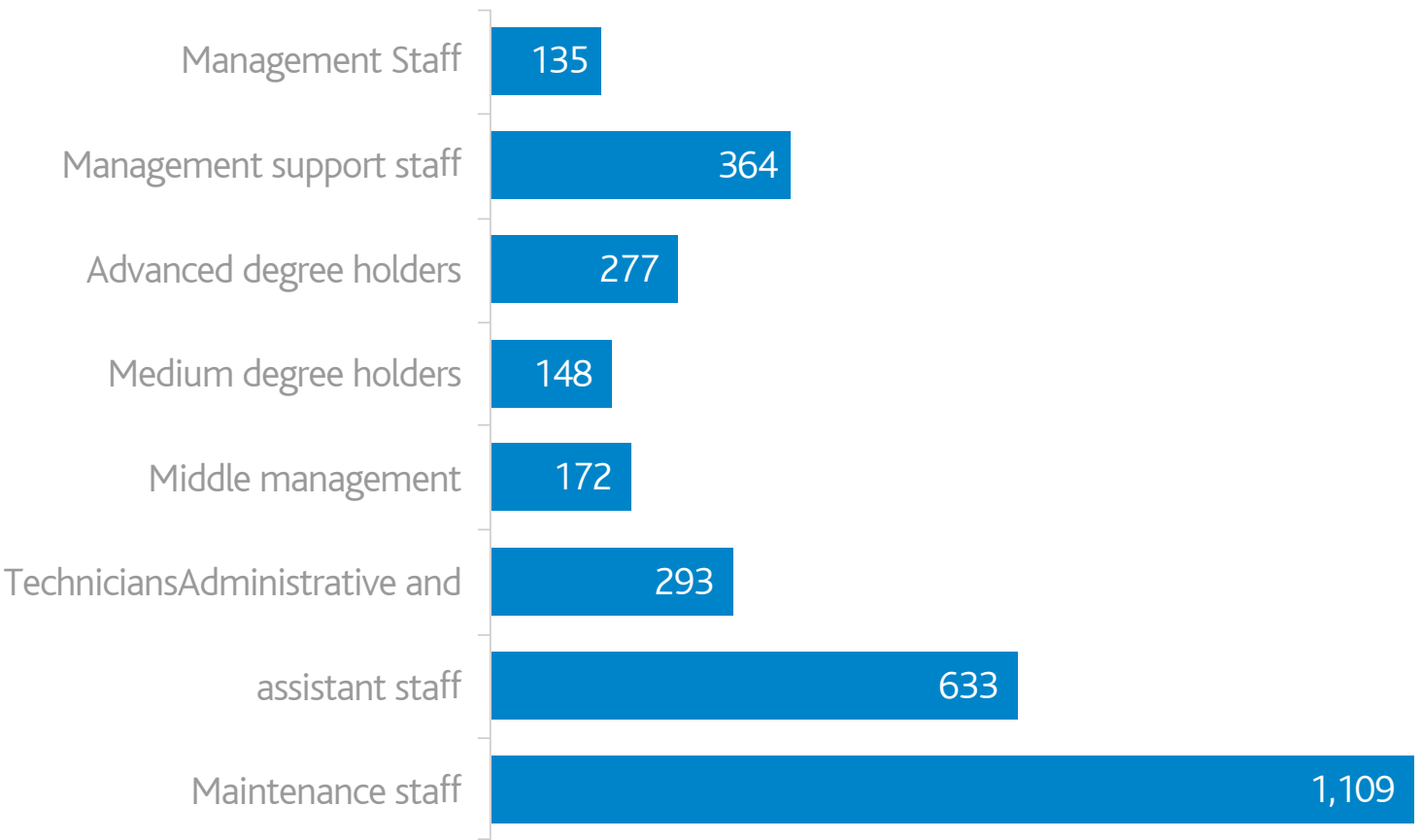
Of all the dismissals in the company’s workforce in 2023, only 2 have been dismissals: a man and a woman, both managers and over 50 years old.



	TOTAL	Men	Women	Aged < 30	Aged 30-50	Aged > 50	Spanish	Foreign
Total incorporations	835	465	370	267	503	65	816	19
Total departures	704	402	302	223	384	97	689	15
Voluntary departures	50	30	20	9	35	6	50	

Regarding the **functions performed** by employees, the breakdown is as follows:

DISTRIBUTION BY FUNCTIONS OF THE EMPLOYEES OF CANAL DE ISABEL II IN 2023



At the end of 2023, 28.37% of Canal employees had a university degree.

STATISTICS ON TEMPORARY STAFF IN 2023²²

Annual average of **INDEFINITE** contracts by professional classification (function)

Management staff	134.00
Management support staff	353.33
Advanced degree holders	229.33
Medium degree holders	96.25
Middle management	174.83
Technicians	227.92
Administrative and assistant staff	453.33
Maintenance staff	878.17

Annual average of **PART-TIME** contracts by **GENDER**

Women	17.75
Men	83.33

Annual average of **TEMPORARY** contracts by professional classification (function)

Management staff	1.00
Management support staff	6.08
Advanced degree holders	85.75
Medium degree holders	49.67
Middle management	2.75
Technicians	50.08
Administrative and assistant staff	134.75
Maintenance staff	153.92

Annual average of **PART-TIME** contracts by **AGE**

Under 30	1.83
Between 30 and 50	0.58
Over 50	98.75

Annual average of **PART-TIME** contracts by professional category (function)

Management staff	0.00
Management support staff	1.08
Advanced degree holders	8.08
Medium degree holders	0.17
Middle management	4.67
Technicians	9.75
Administrative and assistant staff	19.25
Maintenance staff	58.00

22. These indicators have been calculated for the first time for the 2023 Sustainability Report and data calculated for previous years is not available.

Guaranteeing everybody's health and safety

Making Canal a safe environment and doing it together is the goal we have set for ourselves. To achieve this, we have the collaboration not only of the areas most exposed to risks, such as Operations and Engineering, but also of all Canal employees coordinated from our Prevention, Safety and Health Area.

In 2023, there has been a decrease in the total number of at-work accidents of 10.34% compared to 2022, as has the number of at-work accidents with sick leave, which in 2023 have maintained their downward trend, lowering by 3.77%. This decrease is also evident in other indicators, such as the number of days lost, the average duration of sick leave and the severity index. The typology of accidents and injuries caused have also generated shorter sick leave.

However, despite the lower accident rate, **work absenteeism** in 2023 has had a slight increase, going from 6.10% of hours lost by the total workforce in 2022 to 6.11%.

At Canal, notification of work accidents is carried out with a procedure in accordance with current regulations on the prevention of occupational risks. All accidents are analysed and, if appropriate, lead to the adoption of corrective or preventive measures. Workers' representatives also receive information about accidents that occur.

Canal has not recorded the existence of any **occupational disease** associated with its facilities or the activities carried out in the company **either in 2023 or in previous years.**

Within the scope of the **Occupational Risk Prevention Plan**, annual safety inspections are carried out at the facilities, aimed at detecting possible deviations in the fields of safety, industrial hygiene and ergonomics.

Ensuring occupational health has a real impact on our employees and their human rights, by providing them with a safe and healthy environment, promoting physical and mental well-being, fulfilling the right to health, promoting equal opportunities and encouraging participation, improving the quality of life of our people and protecting their fundamental rights.

The Canal Prevention Service addresses the most important characteristics of the elements that must be considered in preventive activity, such as training and information, safety measures, emergency, health surveillance, preventive resource and coordination of business activities with our contractors and suppliers.

In 2023, at Canal, a total of **21,376²³ hours of training** have been given to the company's workers in matters related to the prevention of occupa-

	2021	2022	2023		
	Whole staff	Whole staff	Men	Women	Whole staff
At-work accidents (not on the way to or from work)	106	116	85	19	104
Accidents with sick leave (excluding accidents while travelling to or from work)	64	53	42	9	51
Average duration of the leave	23	16	17	12	16
Days lost	1,480	846	703	112	815
Frequency rate of accidents with leave (exc. while travelling)	12.69	10.76	12.47	5.80	10.37
Total frequency rate of accid. (excl. while travelling)	21.01	23.55	25.24	12.25	21.14
Severity rate, excluding while travelling	0.29	0,17	0,21	0,07	0,17
Rate of accid. incidence with sick leave (excluding while travelling)	2,067	1,743	2,017	923	1,668
Fatalities (number)	0	0	0	0	0

tional risks, placing special emphasis on the training of newly hired employees, those who are promoted or transferred to new work centres or those who begin carrying out higher-category work. Likewise, first aid training has continued to be provided by different work centres.

Canal has its **own medical service**, which carries out a multitude of actions in the company in terms

of health surveillance and management of temporary disability due to professional contingencies, including care for injured people, carrying out health examinations, medical consultation, medical protocols according to risk assessment, a smoking control programme and disease prevention programs.

23. This includes 19,395 hours of specific prevention courses and 1,981 hours on prevention taught in courses on other topics.

[GRI 3-3]
[GRI 403-8]
[GRI 403-3]
[GRI 403-9]
[GRI 403-10]
[GRI 403-2]
[GRI 403-5]
[GRI 403-6]

We work for equality

Non-discrimination is one of the fundamental policies in the management of people at Canal, and a fundamental aspect to guarantee **equal opportunities** is to do so from the moment people join our company. For this reason, the **rules for hiring and entering new people** at Canal ensure the absence of any type of discrimination, expressly including the **principles of equality, merit and capacity**.

The **percentage of women in the workforce**, which had traditionally had an upward trend since the creation of the public limited company in 2012, with a growth of almost 10 percentage points, was reduced in the years 2021 and 2022, going from a maximum of almost 33% in 2020 to 31.4% in 2021 and 31.1% in 2022. This decrease was fundamentally due to the incorporation into our company of the staff of the subsidiaries absorbed by Canal in 2021 and 2022 – Hispanagua, Canal de Comunicaciones Unidas, Ocio y Deporte Canal and Hidráulica Santillana–, in which the presence of women was lower percentage-wise lower. Despite this decrease, in 2023 we have resumed the growth trend, slightly increasing the number of women in the workforce to 31.8%, a **significantly higher percentage than the sector average**²⁴, which in 2020 (latest datum available) was **24 %**.

24. According to the *XVII National Study of drinking water supply and sanitation* prepared by the Spanish Association of Water Supplies and Sanitation (AEAS) and the Spanish Association of Management Companies of Water Services to Populations (AGA), published in 2022 with data from the sector of the year 2020.

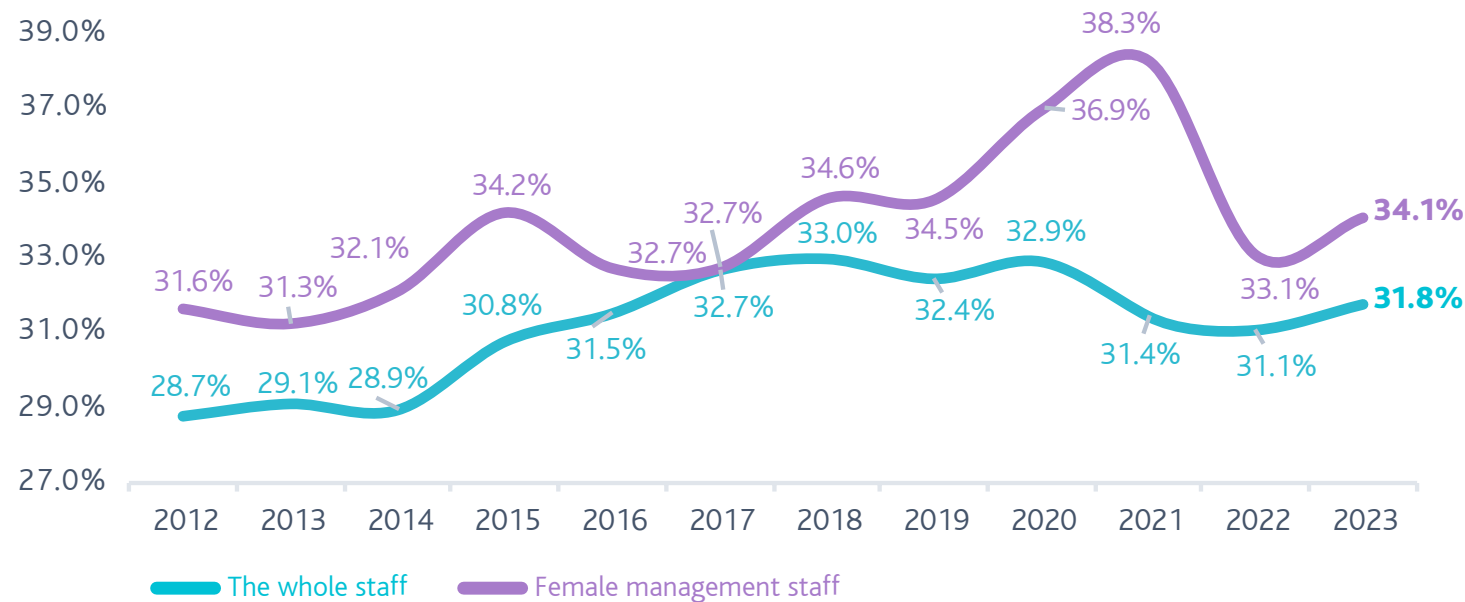
The percentage of women who hold management positions within the organization (area heads, deputy directors and directors) is higher than the average staff and has increased by 9.56%, reaching 34.07% of the total of this group in 2023.

Another notable aspect is the percentage of women with a university degree, which in the case of Canal is almost 42%, seven percentage points above the sector average in 2020, which was 35%. In the case of the men in our workforce, the percentage of university graduates is 25.82%.

Equality was the aspect most valued (75 out of 100%) **by Canal employees** among all those included in the **Commitment and Satisfaction Survey** carried out in 2022, in which all company employees could participate.



EVOLUTION OF THE PERCENTAGE OF WOMEN IN THE STAFF AND WOMEN MANAGERS SINCE THE CREATION OF THE PUBLIC LIMITED COMPANY CANAL DE ISABEL II



[GRI 3-3]
[GRI 405-1]

FIXED ANNUAL SALARIES²⁵ OF CANAL EMPLOYEES IN 2022 Y2023

MINIMUM SALARIES	2022	2023
Minimum initial annual salary for an internship contract	19,222	22,534
Minimum annual interprofessional salary for the year	14,000	15,120
Minimum Initial Salary/Minimum Interprofessional Salary	137%	149%

25. A In addition to fixed remuneration, Canal’s Collective Agreement establishes that all company employees in the Community of Madrid can receive an annual variable remuneration of up to 11.5% of their gross annual salary. In the case of higher graduates, structural support staff and area heads, this remuneration can reach a maximum of 21.5%. Managers not included in the scope of the Collective Agreement have annual variable remuneration that can reach up to 23.5% of their gross annual salary in the case of deputy managers and 25.5% in the case of managers.

Average annual remuneration by GENDER and professional category		
WOMEN	2022	2023
Management	89,209	87,304
Management support	52,677	49,980
Higher degree holders	37,954	32,147
Medium degree holders	33,808	28,725
Middle management	31,532	26,087
Technicians	30,104	27,005
Administrative and assistant staff	27,577	23,216
Maintenance staff	26,992	23,177
MEN	2022	2023
Management	90,617	89,024
Management support	54,029	51,118
Advanced degree holders	38,495	31,684
Medium degree holders	34,392	29,126
Middle management	31,876	27,341
Technicians	30,567	26,507
Administrative and assistant staff	27,888	22,557
Maintenance staff	27,260	23,148

Average annual remuneration by AGE GROUP	2022	2023
Under 30	30,528	25,586
Between 30 and 50	34,392	30,000
Over 50	34,809	32,524

In terms of salary, **our Collective Agreement ensures equity between men and women**, with the same salary concepts and the same amount in all professional categories existing for both groups. The **average salary of women** in the workforce in 2023 was **6.33% higher than the average salary of men** (in 2022 it was 4.88% higher than that of men).

At the end of 2023, **the lowest remuneration of a Canal employee was equivalent to 149.03% of the minimum interprofessional salary (MIS)** in Spain (14 payments of 1,080 gross euros per year) and the minimum incorporation salary was also equivalent at **149.03%**. These percentages improved significantly after the application in 2022 of the company’s **II Collective Agreement**, which included a process of homogenisation of the salaries of permanent and temporary staff.

[GRI 405-2]
[GRI 202-1]

As early as 2016, the first company collective agreement applied in Canal incorporated the **Equality Plan**, with a commission for its preparation and monitoring. The objective of this commission was to establish the measures and the action plan for each of the objectives set and included in the collective agreement: personnel selection; professional classification and promotion, training; remuneration; reconciliation of family and work life; sexual harassment motivated by sex, and information and communication.

Subsequently, the collective agreement that came into force in 2022 also included an anti-harassment protocol. The Equality Plan includes the company's staff in the Community of Madrid and in our delegation in Cáceres, but has not yet incorporated the employees of the companies absorbed in 2021 and 2022 (they will be included in the future).

The associated action plan will be carried out during the four years of validity of the Equality Plan. In 2023 we have completed one hundred percent of the actions planned for the year, which represented 85% of the Equality Plan action plan. The following stand out:

- Legal study of application of guidelines from the National Institute of Safety and Health at Work in relation to the evaluation and **prevention of risks** associated with the **handling of loads for women**.
- Activities for **perception in the positions of officers and middle managers** to publicise **conciliation** management.
- **Training for staff in equality** and prevention of workplace harassment.
- Dissemination and **awareness** for **eliminating gender stereotypes**.
- Internal **dissemination** of the Equality **Plan**.

In 2023, the Monitoring Commission has also been established to analyse the implementation of the Plan and the degree of achievement of the actions marked, and a new Negotiating Commission on an equal basis between the company and worker representatives that, in 2024, is to review the current Plan to include the subsidiary companies merged in recent years in the diagnostic analysis. In this way, our Equality Plan will be redefined, and the actions that require this will be adjusted.

As established by law, all Canal employees have the right to request leave for **maternity** or **paternity** reasons. Likewise, the levels of return to work and retention after maternity or paternity leave are 100% in both sexes. The number of Canal employees who enjoyed this right in 2023 amounted to **99 people** (28 women and 71 men).

Finally, and in addition to the measures for the reconciliation of employees' work and personal life as incorporated in the Equality Plan, the II Collective Agreement includes an additional provision in relation to the right of all employees to digital disconnection.

In 2023 all employees of the company have received specific training in diversity and equality.

Union representation

The **II Collective Agreement**, agreed upon by the company and worker representatives in 2021 and which came into force in 2022, clearly establishes a framework of stable labour relations aimed at achieving the company's optimal level of productivity based on the best use of its human and material resources and on the mutual collaboration of the parties in all those aspects that may affect the best provision that makes development possible.

The **Company Committee** is the representative body of Canal workers and has the functions and powers established by the Workers' Statute, most notably those related to monitoring health and safety in the job.

[GRI 406-1]
[GRI 401-3]

EMPLOYEE COMMITMENT AND SATISFACTION SURVEY FOLLOW-UP IN 2023

In December 2022, the Canal de Isabel II **Employee Commitment and Satisfaction Survey** was carried out, with 67 questions grouped into 19 dimensions and one open question for comments being asked in order to measure the degree of commitment and feeling of belonging of the employees. Participation in the survey was 40% and resulted in a commitment rate of 53%. In addition, it showed 9 categories with a favourable situation, 4 that could be enhanced and 6 dimensions that required analysis and tailored actions to achieve an improvement in their results.

With these data, our action plan for 2023 had three main objectives; **communicating the data obtained** to the entire workforce, **analysing the data by dimensions and groups** to determine the work areas and **designing an action plan** with an impact on the most relevant elements to be developed during the 2023/2024 period.

After analysing the comments, as well as the quantitative analysis of the responses obtained, the **Commitment Survey Action Plan** was designed, with a compliance objective of 30% in the first year, and 70% in 2024.

This Action Plan consists of 6 major measures that aim to respond to the most general demands of employees and others aimed at improving the dimensions with the worst results in the survey. The 6 lines were:

Throughout 2023, work has been carried out mainly on actions 1, 2, 4 and 5, until reaching 30% progress, set as a goal for this year. Our objective for the year 2024 will be to finalise the Action Plan to improve the least favourable dimensions and begin a transition towards the employee experience model that will help us focus and improve the key moments in the employees' career and, thus, increase their commitment. and pride of belonging.

1. Staff
stabilization



2. We innovate today,
we improve tomorrow



3. Management
gets closer



4. Recognition of
our professionals



5. Emotional
salary



6. Management
of talent



At the end of 2023, our company collective agreement covered **94.55%** of the workforce (3,016 employees), leaving only some managers (35 directors and deputy directors), the staff of the Delegation in Cáceres (105 employees, whose labour relations are governed by the collective agreement of our sector) and some of the employees from the subsidiary companies absorbed in 2021 and 2022 that were subject to agreements different from that of Canal, but who have been progressively incorporated, as shown by the fact that this group has gone from 375 employees at the end of 2021 to **only 34** at the end of 2023. In 2022 the percentage of staff covered by the Collective Agreement was 94.46% (2,883 people).

At the end of 2023, a total of **615** employees (21.7% the total workforce) were affiliated²⁶ to the **union sections represented in Canal**.

26. The figure of 615 members corresponds to the number of employees who pay their membership fee to union organizations through payroll.

[GRI 2-30]
[GRI 403-4]

2023 UNION ELECTIONS IN CANAL

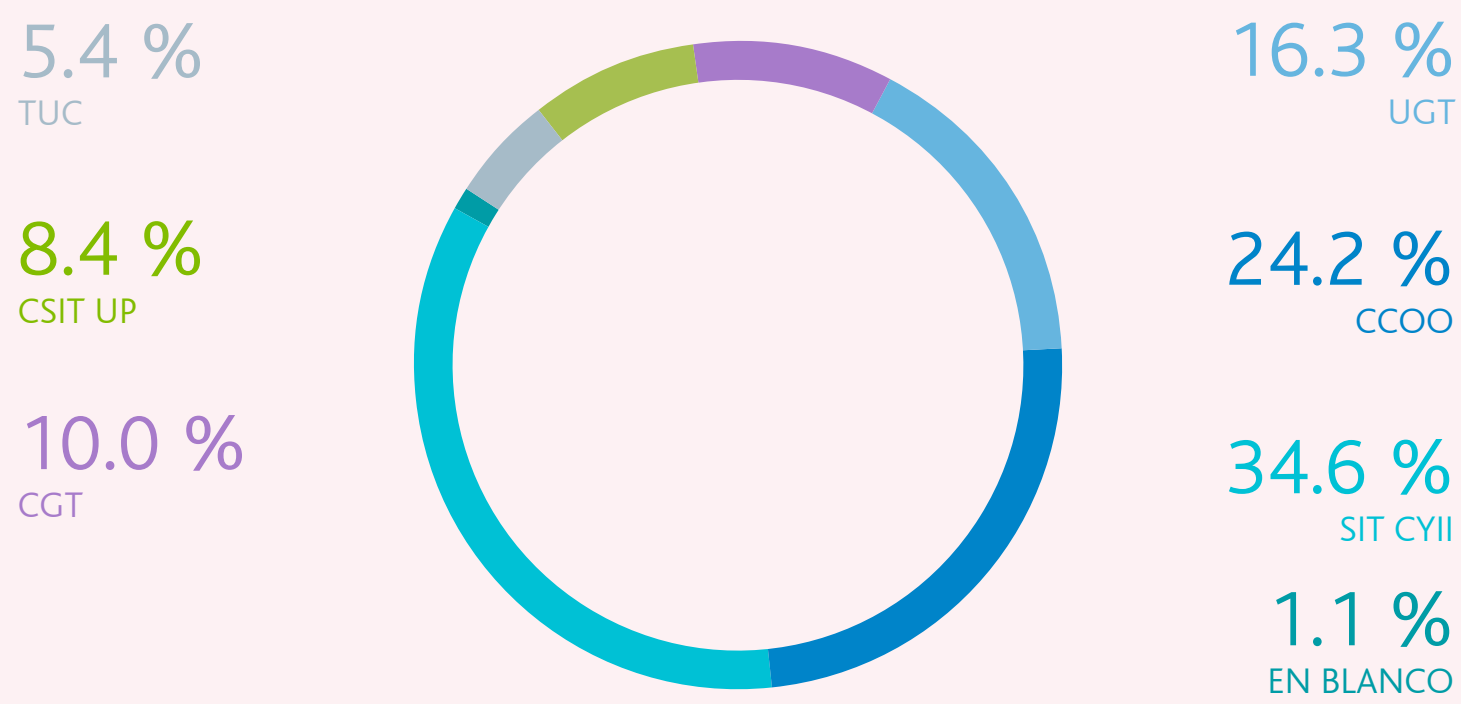
As happens every four years, on 31 May 2023, the union elections of our company were held, leading to the election of the 23 members of the Company Committee who will represent the employees of Canal de Isabel II for the next four years. At the elections, a total of 1,773 employees exercised their right to vote, which figure far exceeds 50% of the workforce.

At the 2023 call, a total of six candidates from different union organizations participated in these elections.

The results obtained by each candidacy in terms of the votes received and the assignment of members of the Company Committee were the following:

UNIONS	Votes obtained	Representatives in the Company Committee
Independent Union of Canal de Isabel II Workers - SIT CYII	609	10
Worker Commissions – CCOO	425	6
General Union of Workers – UGT	287	4
General Confederation of Labour – CGT	175	2
Independent Trade Union Coalition of Workers-Professional Union - CSIT-UP	148	2
United Canal Workers Union – TUC	95	1
Blank votes	19	
Valid votes	1,758	
Null votes	15	
Total participation	1,773	

UNION ELECTIONS 2023 - PERCENTAGE OF VOTES PER CANDIDACY



Internal communication

The year 2023, like the previous one, has continued to be marked by direct and close communication. All our channels promote digital transformation.

Our main means of communication is currently **Canal Contigo**, a **web portal** for employees, available 24 hours a day, 7 days a week from anywhere and on any device, which was created in 2020 as a result of the needs caused by the COVID-19 pandemic. 19. This medium has different functionalities (in-person signing-in and teleworking, news, medical appointments, payroll consultation, information on reservoirs, event calendar...) that facilitate procedures and information for employees (its users), especially for field staff or staff members who do not have a physical workplace with a computer. In 2023 we incorporated various sections: «Vehicles», including access to a «pool de vehicles», which are available to be used by employees; «Recharge your vehicle», for managing the charging of employees' electric vehicles at the company's facilities; and «Canal Maps», a tool for geographically locating the dozens of Canal facilities distributed throughout the territory of the Community of Madrid. Canal Contigo is a tool in continuous growth.

Moreover, our **intranet Canal&Tú intranet** brings together all the information, communication sites, applications and repository of corporate documentation. Throughout this year we have worked to transfer it to a new environment in SharePoint, a digital workplace for employees.

Canal news is given at the weekly **Seguimos Conectados communiqué**, prepared by the company's Resources Department, to inform all employees of the news (news, events, courses, milestones, projects...) each week.

With the premise of informing and having an impact on all groups (working in the field or in offices), in 2020 Canal launched **digital information screens in the different work centres** located in transit areas and strategic places in the facilities. The project began with 14 screens and currently 49 are operational. Its objective is to disseminate relevant information about the company (milestones, projects...) and to publicise and give recognition to the work of our professionals.

Another objective of internal communication is collaboration between teams and knowing their opinions. To do this, we have the public **team of Teams Canal Conectados**, for informing and gaining their feedback, and the private **team of Teams Lidera Canal**, for sharing relevant topics and encouraging collaboration between area heads, deputy directors and Canal directors.

On the other hand, the **Commitment and Satisfaction Survey** allows us to measure the work environment of our company. In 2023, in addition, to promote closeness between units, 15-minute **flash meetings** have been favoured through Microsoft Teams.

Finally, it is important to highlight the great communication work carried out at different **corporate events**, such as: sports competitions between employees (Canal Deporte) and the promotion of company sports teams such as runners; the celebration of international days, among which Women's Day stands out; employee solidarity events with the participation of entities such as the Red Cross or the Spanish Association against Cancer; events welcoming new hires and paying tribute to employees who retire during the year; the Christmas party for employees and their young children; the Children's Drawing Contest for employees' children, and many other events in which, in addition to the employees,

their families are also important. The CEO, the Management Committee and the company structure participate in the vast majority of these events, to promote transversal, upward and downward communication, in addition to closeness with all the people who make up Canal.



CANAL EMPLOYEES AND SPORT (CANAL DEPORTE 2023)

Canal Deporte is a set of internal competitions in multiple sports disciplines held between Canal employees. It has a high level of acceptance as evidenced by the fact that, in this 2023 edition, the participation record in the **17 organised sports** has been broken again, reaching **1,935 registrations**. Although most of those registered were employees (1,046), company retirees and family members of workers were also able to participate in certain sports modalities.

With Canal Deporte, we seek to increase **intercommunication** between people in the company and **sportsmanship** among co-workers, promoting healthy competition and **healthy habits**.

The competitions in 2023 have been chess, athletics, basketball, mountain biking, darts, racquetball, table football, indoor soccer, golf, mus (card game), paddle tennis, Party, canoeing, tennis, table tennis, clay pigeon shooting and volleyball.

Canal has provided the necessary means so that participants can practice sports in the best conditions, providing modern facilities, as well as sports equipment and materials in an environment conducive to communication and the exchange of experiences in each of the seventeen competitions.

Like every year, Canal Deporte 2023 concluded with a **party open to all company employees**, in which, in addition to the presentation of trophies and an entertaining video with the best images of the competitions, we organised games for workers' children and raffles for everyone.

In addition to Canal Deporte, the tradition and passion for sport shown by employees pushes Canal de Isabel II to participate in **external sporting events**, such as the Companies Race or through teams that compete in popular races, mountain bike tests or 7-a-side football and basketball competitions.



Social benefits for employees

Since 2015, in application of the budget regulations in force for all public sector employees in the Community of Madrid, the **social benefits established for Canal employees** (included in the company's Collective Agreement) and the Group's subsidiary companies in Spain, including the company's contribution to the employees' pension fund, **are suspended**.

However, **a financing system is maintained for transport expenses** and, specifically, for the acquisition of the Transport Pass of the Regional Transport Consortium of the Community of Madrid.

In addition, employees have the possibility of contracting a collective medical and dental policy for themselves and their families under advantageous conditions and also enjoy some discounts and benefits in access to certain sports, recreational and cultural facilities of Canal de Isabel II and our Foundation.

[GRI 201-3]
[GRI 401-2]
[GRI 3-3]
[GRI 404-2]
[GRI 404-3]

Training and development of our professionals

At Canal we believe that the **training and development of current and future employees** is a **strategic element** demanding an optimal management that allows us to achieve greater efficiency in the service we provide to citizens.

We are **convinced of the important role that training plays** as an element that contributes to sustainable growth and the improvement of the competitiveness and adaptation capacity of the organisation in the face of a business and social environment in continuous change.

Our **commitment to training** is reflected in the actions we develop at the training level, which pursue various objectives, including: **improving individual and collective performance** and, therefore, productivity; **adaptation to change**; the promotion of innovative culture; **talent attraction and retention**; the **professional development** of people; improving employee experience and generating an **organisational culture**, based on **humanistic and ethical leadership** that stems from our values and our Code of Ethics and Conduct.

In the area of employee training and development, our strategy is based on the **70/20/10 learning model**, where 70% of efforts are focused on day-to-day practical learning, 20% on social and collaborative learning with peers, and 10% on formal courses. This approach seeks to go beyond participation in courses, transforming us into an organisation that continuously learns in collaborative environments.

Our training planning process operates on an annual temporal dimension. We create a plan that covers all the actions necessary for the optimal performance of our employees’ functions, as well as those that may be beneficial for their future personal and professional development, known as «development or Water Journey courses». These courses are voluntary, accessible to all staff and carried out outside of working hours. It is thus that we provide our professionals with the necessary tools to be the best professionals of the present and the future, focusing on their co-responsibility.

The **Training Plan** addresses the current technical needs, without losing sight of market trends in terms of new techniques, methodologies and more innovative content, as well as the necessary skills, seeking the methodology that best adapts to each one of them and to each group.

GROUPS PARTICIPATING IN DEVELOPMENT PROGRAMMES IN 2023	MEN	WOMEN	TOTAL
Middle management	28	0	28
Management support staff	14	16	30
Structure (management staff)	22	5	27

Also noteworthy is the effort made to **strengthen the internal knowledge** of our organisation, recognising that the development of internal skills is the basis for sustainable success. The diversity of methodologies (in-person, online and streaming) plays a crucial role in this process, allowing training to be approached in a way that is flexible and adapted to the needs of the workforce.

In this context, we cannot overlook the **strategic importance** of addressing essential issues such as **cybersecurity, governance** and **digitalization**. Cybersecurity stands as a fundamental pillar in the protection of our digital assets, while the effective implementation of governance practices guarantees consistent and responsible direction. Digitalisation, for its part, becomes an imperative for remaining at the forefront in an increasingly technological busi-

ness world. These topics, which we have addressed at a training level in 2023, are, together with training in **equality** and **health** and **safety**, the most relevant lines of action.

Likewise, we focus on the development of skills within our workforce, recognising that human capital is an essential asset. In this sense, we design and implement professional development programmes focused on enhancing leadership competencies and skills. These programmes integrate sessions outside of working hours, intersession work and conclude with an individual action plan, where each participant defines how to apply the behaviours associated with our values in their daily lives. This holistic approach reflects our commitment to the continued growth and professional excellence of our employees.

In 2023, a total of **95,663** hours have been taught in the company (an average of almost **30 hours per employee**, including interns) and **3,263** employees and interns have received training. The **net cost of employee training**, discounting income from training subsidies received by the company, was **350,920 euros**.

In relation to training by specific areas of knowledge, as shown in the previous table, particular importance should be attached to the weight in the training plan of subjects such as occupational risk prevention, languages or specific technical training for the position. Regarding the hours taught on the fight against corruption, **5,913 hours have been**

taught in 2023 compared to the 110 total hours of the previous year, which reflects the efforts made to advance in this issue.

Regarding the average number of training hours received according to the professional category of our employees:

Training by subject in 2023	Number of hours	% of the total
Languages	17,561	18%
Administration and Management of Computer Systems	7,976	8%
Quality	2,669	3%
Sales and Customer Relations	1,722	2%
Development of Skills/Competencies	4,288	4%
Technical Training	13,554	14%
Legal-economic	2,423	3%
Office automation and Computer applications	4,394	5%
Occupational Risk Prevention	19,395	20%
Fight against corruption and human rights	5,914	6%
Other + Workplace practices	15,767	16%
Total hours taught	95,663	100%

	2021	2022	2023		
Average training hours	Total staff	Total staff	Men	Women	Total staff
Management	45	27	44	46	44
Management support	55	35	39	42	40
Advanced degree holders	47	44	36	43	39
Medium degree holders	47	38	44	44	44
Middle management	27	22	18	18	18
Technicians	38	34	36	21	31
Administrative and assistant staff	27	19	22	29	27
Maintenance staff	22	19	21	36	21

[GRI 2-24]
[GRI 205-2]
[GRI 404-1]

Training the future professionals of the water sector

In 2023, we have continued with our policy of **collaboration with academic-training institutions** in order to make it easier for young people and students to have contact with the business world. To this end, and with the aim of complementing their academic training, we promote different programs, formalised through the Work Centre Training (FCT) and Dual Vocational Training programs.

Regarding the Work Centre Training programs, in 2023 a total of 16 students (7 men and 9 women) have been welcomed from various Secondary Education Institutes in the Community of Madrid.

Likewise, among the activities included in our 2018-2030 Strategic Plan, we include solving a growing concern in our sector: the shortage of expert professionals in water management, both at

the level of Intermediate and Higher-Level Vocational Training, as well as university postgraduates of all types (engineers, scientists, lawyers and economists). In order to find solutions, at Canal we are developing a Centre for Advanced Water Studies aimed at specialising future water professionals in Spain and other countries. During the year, we have continued with the agreement established between the Ministry of Education, Universities, Science and Spokespeople, the Virgen de la Paloma Secondary Education Institute (or IES, from the Spanish initials) and Canal, as materialised in the Centre for Advanced Water Studies.

As of 31 December 2023, 236 students (18 women and 218 men) have trained or are training at the Virgen de la Paloma IES in the two degrees of Dual Vocational Training of the integral water cycle. In addition to the branches of the integral water cycle, Canal welcomes Virgen de la Paloma IES students from other branches

of vocational training in their second year of training. It does so with higher-level students in electrotechnical and automated systems and, starting this year, it has also done so with intermediate-level students in electromechanical maintenance and higher-level students in analysis and quality control laboratories.

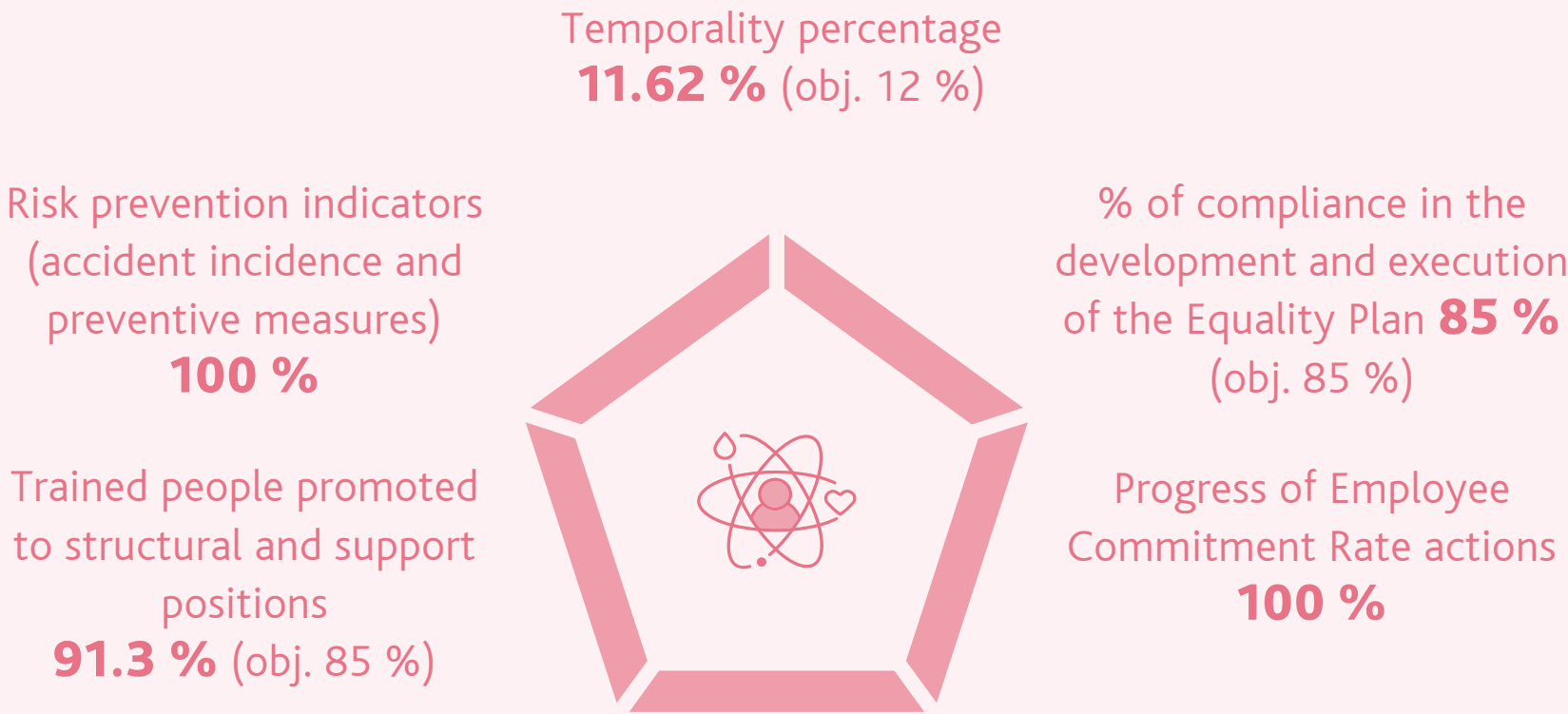
Additionally, Canal plays the role of coordinator/promoter of the sector to guarantee that all students of the training cycles can complete their second year of training in companies in our sector. At this point, every year we meet our objective thanks to the high level of commitment shown by all parties.



MONITORING OF INDICATORS OF THE STRATEGIC PLAN

STRATEGIC PLAN 8

Fomenting our professionals' talent, commitment and health



[GRI 404-2]

2.9. AT THE FOREFRONT OF OUR SECTOR

Being at the head in innovation and development

Canal de Isabel II, from its origins, has opted for innovation and technological development to face the challenges posed by the management of the integral water cycle. We were pioneers in many areas, including remote control, communications and information technologies, and currently we are one of the companies in our sector that invests the most in innovation.



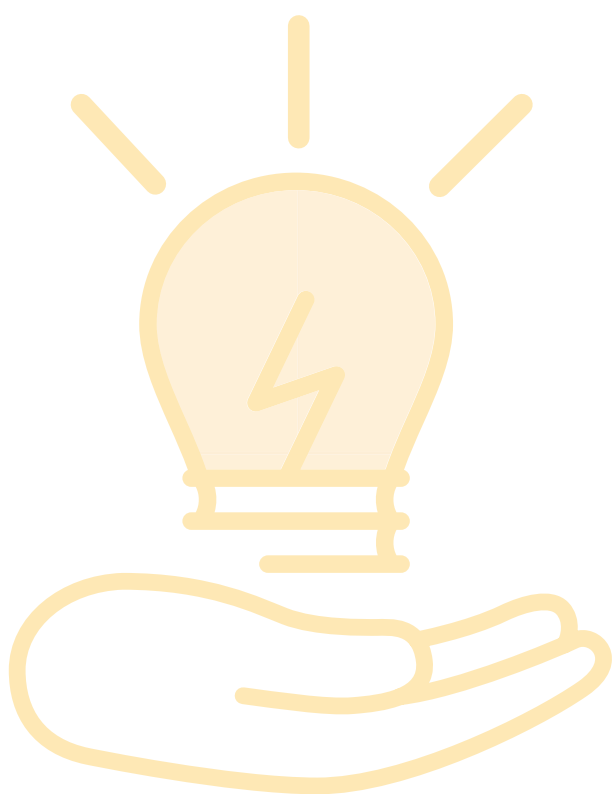
WE CONTRIBUTE TO THE DEVELOPMENT OF R&D&I IN OUR SECTOR

The continued innovative effort of our company in recent years is reflected in the constant growth of our project portfolio, with **32 new R&D and innovation activities** initiated throughout 2023.

The figure used from the **R&D&i spending budget** in 2023 –associated with contracts, agreements and minor expenses– amounts to more than 1.57 million euros. Adding the internal costs, derived from the dedication of the Canal staff involved, and the activities and investments of other areas related to the projects, including the implementation of remote reading of water consumption, the total figure allocated to R&D+ projects amounts to **52.2 million euros** (a part of which are subsidies received). This figure is **equivalent to 5.9% of our turnover** for fiscal year 2023.

The R&D&i projects and agreements that we develop at Canal lie within the following lines of work:

- Ensuring the balance between water availability and demand
- Ensuring the strategic continuity of the supply service
- Strategic infrastructure management
- Water for consumption and health
- Environmental integration and sustainability
- Management efficiency



[GRI 3-3]
[GRI 201-1]
[GRI 215-1]
[GRI 203-2]

Among the 2023 developments in the R&D&I project portfolio, we highlight the following:

2023 NOVELTIES IN THE PROJECT PORTFOLIO

Construction and start-up of an industrial plant for the production of green hydrogen from regenerated water
CORSARIO, Redundant Operations Processing Centre for the Services, Applications and Networks of the Operational Infrastructure
Dating of the Tertiary detrital aquifer of Madrid through the water extracted in the Canal de Isabel II wells
Development of analytical methods for the measurement of different chloramine species using chromatography
Development of 3D hydrodynamic models with non-Newtonian fluid for the optimization of the design and operation of wastewater treatment digesters
Treatment strategy for removal of monochloramine byproducts
Supply digital twin based on real-time mathematical hydraulic modelling of the Canal de Isabel II Supply System
Towards a comprehensive system for the warning and management of cyanobacterial blooms in continental waters
Hydrodynamic model and process of nitrification/denitrification and phosphorus elimination of the La Reguera WWTP
Mathematical model of odour dispersion in wastewater treatment plants

2023 NOVELTIES IN THE PROJECT PORTFOLIO

Comprehensive monitoring of losses, transients and water quality in a high-pressure supply system
Industrial scale pilot of a biofilter for DWTPs
Project to improve the management of reservoirs with data processing using artificial intelligence
Pilot project to study the variables that determine the presence of nitrites in the Canal de Isabel II supply network
Distributed Fiber Optic Sensing (DFOS) in supply systems
Corporate IoT signal integration system in Canal De Isabel II
Optimal location of fixed sampling points and automatic monitoring stations in distribution networks
Validation of a new design and manufacturing method of lamellae for decantation in drinking water treatment, full-scale experience in Accelator decanter at the DWTP of La Jarsa
Material valorisation of products from the hydrothermal treatment of sewage sludge

The dissemination of the knowledge generated and the results of the most relevant research projects have led to the publication of titles from the **R&D&i Notebooks** collection, bringing those published to a total of **30 notebooks**.

In R&D&i notebook 30, ***Efficient Management of BIM²⁷ models in the water sector***, we introduce the BIM object classification systems and present the pilot project developed in Canal de Isabel II. It is based on the analysis of the applicability and potential of object parameterization in BIM models.

We also have the **Canal Innovation Community**, made up of a large group of company employees with an interest in innovation. In 2023, the internal digital platform that supports the Community has been reformed, modernising structure and content. Any employee of the company with an interest in innovation can belong to this Community, in which:

- Information is received about INNOVATION, both about what is done in Canal de Isabel II and outside the company.

27. BIM (Building Information Modelling) is a collaborative work methodology used in the construction, engineering and architecture sectors around the world. Its approach and functionalities allow one to create, manage and visualise everything included in a project, from the management of financial resources to the storage of plans and designs. Its most notable feature is that it allows one to have a global and very complete vision of all the areas involved in a work or project, in addition to facilitating collaboration between professionals through the cloud.

- There is participation in visits to innovative facilities.
- Members' attendance at innovative conferences and forums is facilitated.
- Training related to innovation is prioritized.
- Subscription to magazines and websites related to innovation is facilitated.
- Experiences, knowledge and debates are shared with other innovative people.

The best thing about belonging to the Community is **having the opportunity to share, debate, inspire and collaborate** to identify and (why not?) launch innovative initiatives and projects.

Positioning as an innovative company

Throughout 2023, **Canal has participated in the most important events on water management, research, development and innovation in the sector**, as well as on new technologies applied to the different phases of the integral water cycle.

In 2023, mention must be made of the presence of Canal at the following events:

- *GORDON Research Conference on DBP. Boston:* Porous materials project for chlorine control
- IA 2023. VII Water Engineering Conference. Cartagena, with 5 presentations and the dynamization of 2 workshops.
- *Smart Water Metering.* London: Remote Reading Project
- Innovation Day. Canal Foundation. Madrid: PERTE (Strategic Project for Economic Recovery and Transformation, from its Spanish initials) for the digitalisation of urban water
- VI Conference on professional challenges in the water sector. Madrid: Challenges of Innovation in the Water Sector.

- 40 *IAHR World Congress.* Vienna, with 2 presentations
- *IWA Efficient Urban Water.* Bordeaux, with 1 presentation and 1 poster
- *IWA Digital Water Summit.* Bilbao, participation with oral presentation
- EurEau EU2 Committee as representative of AEAS. Luxembourg

Moreover, this year the following publications have been promoted:

- Innovation Notebook 30: *Efficient management of BIM models in the water sector.*
- *New innovative eco-friendly drinking water treatment based on one-step chemical technology using a multifunctional natural polymer - LIFE SAFE_T_WATER (WICC 2023).*
- A Note for Innovation 19, internally disseminated: *Advanced oxidation in the face of emerging contaminants.*
- Note for Innovation 20, internally disseminated: Vermicomposting in sewage sludge, which is completed and pending publication.

TECHNOLOGY AT THE SERVICE OF INTERNAL AND EXTERNAL CUSTOMERS

At Canal de Isabel II we apply technologies that promote the efficient use and management of resources, demands and infrastructure in all its processes. In this sense, the application of advanced information and communications technology (CT) systems stands out.

Operational actions in the field of technologies focus on progressing technological innovation and promoting advanced information, communications and telecontrol systems and technologies. Canal's **net ICT spending** in 2023 has amounted to **27.05 million euros** (12% more than in 2022) and the **investments** made have been of **11.13 million euros** (13% less than those made in 2022) . The most relevant ICT projects carried out have been the following:

- Improvement of communications in 16 wastewater pumping stations with the Starlink satellite network.
- 115 kilometres of fibre optics have been installed to connect all Canal dams with broadband to the communication centres.
- Redundancy in the services of the TETRA digital trunking system, used by the region's emergency services and for which Canal acts as the Community of Madrid's Own Medium. Replacement and reprogramming

of 2,000 portable terminals and 250 mobile terminals.

- The necessary infrastructure and services have been implemented to incorporate the telephony solution integrated into Microsoft Teams with the Canal communications platform with high availability.
- To ensure the availability of the equipment of the personnel who execute the critical processes of the Continuity Plan, their equipment has been virtualised.
- A proactive monitoring system of user experience in the use of ICT has been implemented.
- The first certification process has been carried out by the business areas of user information access systems, done by business areas.
- We have implemented firewalls for the segmentation of the internal network access to servers and a centralised policy management system in the network.
- Study of the evolution of Canal's SAP systems to the SAP RISE platform in a private cloud.

- Implementation of the new Prevention and Health at Work system on SAP EH&S.
- Implementation of a system to optimise file storage to store less frequently used information on lower cost devices.
- Provision of continuous consumption alerts to customers based on Remote Reading information.
- Subscriptions in the Virtual Office so that large clients and public entities can periodically receive a file with hourly consumption for processing.
- Start of the YARA Project for the evolution of the current commercial system to a new customer information system in a private cloud with the SAP platform.
- Within the laboratory management system (LIMS), the system has been migrated to the latest version; the system has been adapted to the changes required by Royal Decree 3/2023 and the publication of quality data of the waters on the Canal website.
- Reinforcement of security and help mechanisms for employees against threats of identity theft through fraudulent emails (phishing).



- Creation of the Azure Landing Zone, which is the environment that will allow Canal to use Microsoft cloud services in a secure, efficient and scalable way.

In 2023, **our Smart Water solution**, which we have developed together with the digital transformation company **Telefónica Tech** and the water meter manufacturer **Contazara**, has been given the **Award for the best IoT and Industry 4.0 project** within the framework of the **XV Comunicaciones Hoy Awards** convened by the specialized magazine *Interempresas*.

[GRI 3-3]

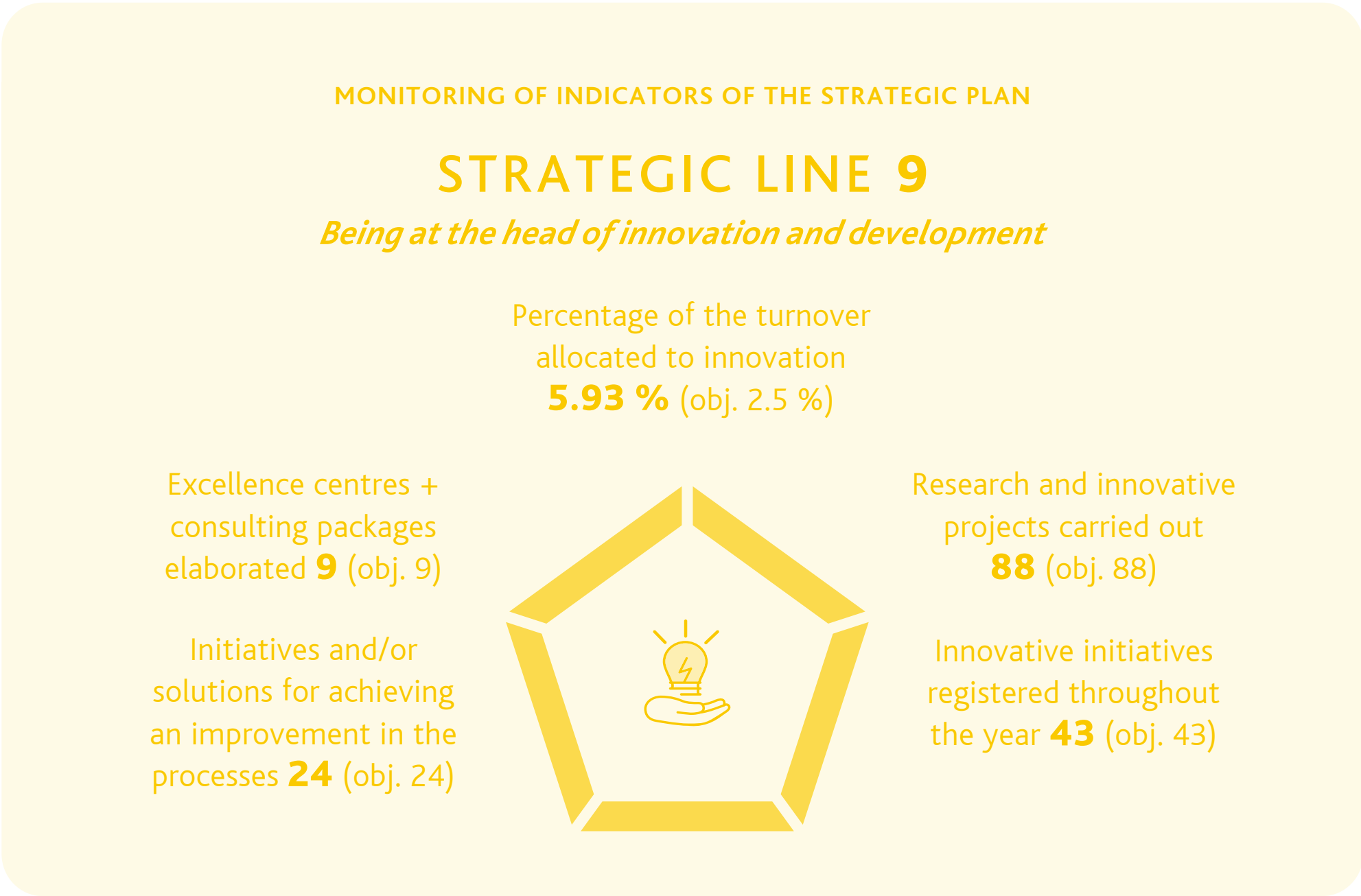


REMOTE CONTROL AND COMMUNICATIONS:
KEY TO MODERN HYDRAULIC MANAGEMENT

Canal de Isabel II was a pioneer company in the development of **remote-control systems** for the management of the integral water cycle back in 1995. Currently we have a complete remote-control system that allows us to gain real-time information on the hydraulic situation of the supply and sanitation infrastructures, the state of water quality, groundwater collections and other parameters.

At the end of 2023, the telecontrol network monitored a total of **2,233 remote stations** from our Control Centre (79 more than in 2022) and managed a total of **28,797 measuring instruments**. In addition, we had **160 facilities with remote control** (23 more than in 2022), from which a large number of manoeuvres are carried out in the facilities and networks (almost 10,800 in 2023).

28. Previously, the TETRA service was provided to the Community of Madrid by our subsidiary company Canal de Comunicaciones Unidas, S.A.U., which was absorbed by Canal.



The **fibre optic** network grew in the Community of Madrid by 86 kilometres in 2023, reaching **1,373 kilometres**. In addition, we have **152 radio links spread throughout the region**.

Thanks to these means, since 2021 our company has fully assumed the provision of the comprehensive technical manager service of the **TETRA digital trunking system²⁸ for emergencies** as the Community of Madrid's Medium of its own.

2.10. A SOLVENT AND PROFITABLE COMPANY

Ensuring management sustainability and efficiency

The economic and social sustainability of public organizations is an increasingly relevant aspect for our model of growth and well-being.



OUR ECONOMIC PERFORMANCE

At Canal de Isabel II, as a 100% public company, we have to guarantee economic sustainability to support confidence in economic recovery and promote economic growth and job creation. We must be an efficient company in all our actions and offer society a social and environmental return.

cent years, have increased by 16% compared to 2022. As a consequence, the volume of billed water has decreased by 0.8% and it has done so to a greater extent in the blocks with a higher rate, decreasing the average rate per cubic metre consumed.

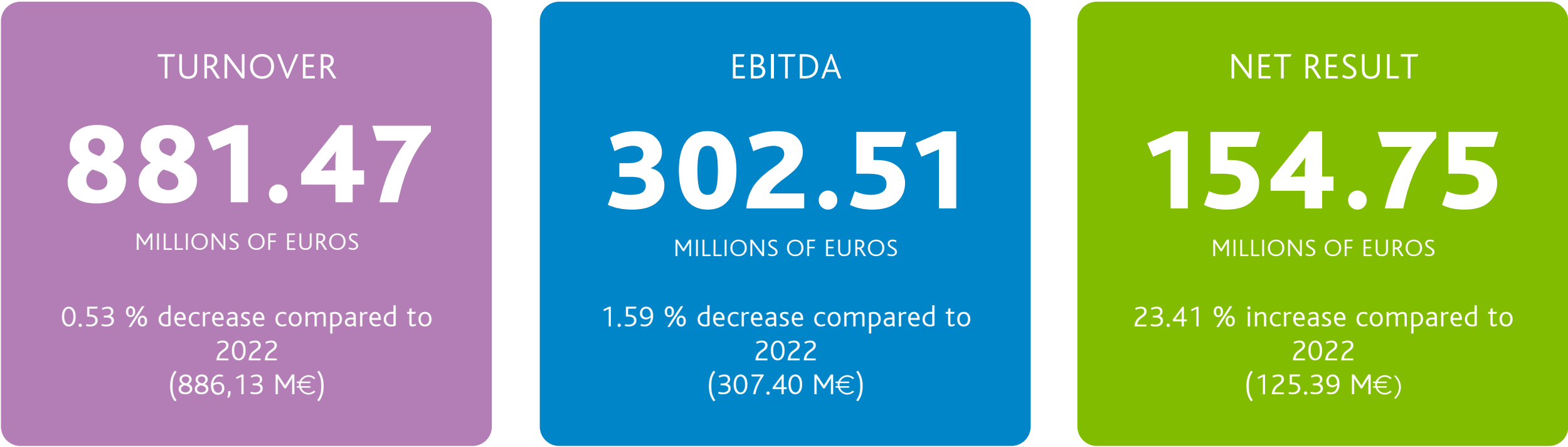
Likewise notable in 2023 is the recovery of commercial and industrial consumption, which has increased by 1.7% compared to 2022 and 10% compared to 2021, although these figures are still below the levels of 2019, the year prior to the

COVID-19 pandemic. Furthermore, in 2023 the resources allocated to our social rates, which represent lower income, have amounted to 3.4 million euros.

Context and turnover

In 2023, the **turnover** and the volume of billed water have been reduced compared to 2022 mainly due to the impact of the weather, which is associated with a **decrease in consumption** (1% compared to 2022) and our **income**, in addition to **our rates not having increased** during 2023, for the **tenth consecutive year**.

The natural contributions of the rivers to the reservoirs, which have an inverse relationship with demand, despite remaining below the average of re-



[GRI 3-3]
[GRI 201-1]

MAIN ECONOMIC FIGURES OF CANAL 2021-2023

BUSINESS FIGURES (millions of euros)	2021	2022(*)	2023
Turnover	856.89	886.13	881.47
EBITDA	355.35	307.40	302.51
Amortisation	-178.38	-167.20	-165.44
Operating income	189.91	142.26	150.02
Financial result	-11.44	-14.74	8.25
Net result	173.23	125.39	154.75
OTHER FINANCIAL INDICATORS	2021	2022	2023
Net financial debt (millions of euros)	203.23	121.04	240.34
EBITDA/Turnover	41.47%	35.28%	34.32%
Net financial debt/ EBITDA	0.57	0.39	0.79
Average collection period (days)	48.59	47.15	49.15
Average payment period (days)	25.49	23.79	24.4

(*) Restated information. Reclassification of expenses due to supplementary quota and the homogeneous treatment of the financial update of the Provision for Actions on Infrastructure (section 2e of the Annual Accounts).

Operating expenses

In 2023, **operating expenses** above EBITDA have barely changed compared to 2022. **Expenditure on electrical energy has decreased by 51 million euros** as a result of the fall in prices, which in 2022 reached historical highs. This fact has offset the **increase in the prices of reagents and materials**, the increase in the costs of the company’s own and subcontracted personnel due to the salary reviews included in the different applicable collective agreements, the adaptation to new, increasingly demanding regulations and the implementation of new activities and other improvements in the quality of processes within the framework of the 2018-2030 Strategic Plan.

In addition, the accounting of expenses per supplementary quota²⁹ has exceeded that of 2022 by 8.5 million euros, given the greater volume of investment and interest rates.

However, **we have not transferred** the increase in operating expenses **to the rates –which have not increased since 2013–** as we believed that the company has the capacity to absorb them, guaranteeing not only the coverage of these costs, but also the generation of a margin that allows us to undertake the investment plans and the planned remuneration for our shareholders.

EBITDA and results

EBITDA decreases by 4.9 million euros compared to 2022, slightly worsening operating profitability in percentage terms compared to 2022.

The **Exploitation Result**, in contrast, is higher by 7.8 million euros, by including 2023 profits associated with the sale of real estate investments for an amount of 11.9 million euros compared to 3.3 million in 2022.

Regarding the **Financial Result**, it improved significantly compared to the previous year, 22.9 million euros, becoming positive, thanks to the higher financial performance obtained from bank deposits and loans granted to other companies in the group, linked to the Euribor.

The **Net Result** improves by 29.4 million euros compared to 2022 for the reasons mentioned above.

29. In the annual accounts, these expenses have been reclassified under the External Services heading and the 2022 amount has been reclassified to allow for a correct comparison. Previously they were listed as Financial expenses.

Net financial debt

During the fiscal year 2023, financial debt has continued to be reduced in accordance with its maturities. In addition to the issuance of bonds for 500 million, the average debt in the year with financial entities through the mirror debt with the public entity Canal de Isabel II has been 190 million euros, 7% lower than in 2022 (204 million euros).

In 2023, no new debt has been taken on, but rather the total debt has been reduced by the amount that had to be amortised during the year, 14.8 million euros (it was also 14.8 million euros in 2022).

Regarding the treasury, the high cash generation capacity of the business, along with certain delays in the start of investment projects planned in the 2018-2030 Strategic Plan, has allowed it to meet all its commitments and distribute dividends during the year at an amount of 81.7 million euros, the year ending with a net financial debt of 240 million euros.

Financial risks

The activity of our company is subject to the following financial risks:

- **Interest rates:** after the issuance of simple non-subordinated obligations for an amount of 500 million euros in February 2015, Canal increased the percentage of debt at a fixed rate, reaching 100% at the end of 2023, which reduces to zero the Company’s exposition to risk due to variations in interest rates.
- **Liquidity risk:** we have stable activity and moderate debt; This allows you to have a solid financial position and reduce financial debt annually. In order to control liquidity risk, we carry out long-term financial planning and constant control and monitoring of cash flows. In addition, the Company has signed credit lines for an amount of 102 million euros maturing in December 2023, of which it has not been necessary to draw down any amount at the end of the year. At the end of 2023, **Canal had cash amounting to 441.8 million euros.**
- The Canal de Isabel II Group had, at the end of 2023, **ratings from the rating agencies Fitch** (BBB+, with a stable outlook) and **Moody’s** (Baa1, with a stable outlook).

- **Pressure on prices:** another risk factor inherent to the Company’s activity is the possible pressure on prices, as it provides an essential service such as the management of the integral water cycle. The exposure to this risk is evident in the rate, which has not increased in the last 10 years.
- **Credit risk:** as Canal has a very fragmented customer population, credit risk is not a significant factor.

Tax information

Regarding the Corporate Tax paid by Canal, as well as withholdings, the corresponding information is shown below:

CORPORATE TAX PAYMENTS (thousands of euros)	2021	2022	2023
Total instalment payments and withholdings Canal de Isabel II Group	7,370	5,827	6,793
Total payments associated with Canal de Isabel II S.A., M.P.	5,515	2,793	1,465
Final instalment of the declared tax Canal de Isabel II Group	1,399	3,099	N.D.
Final instalment Canal de Isabel II S.A., M.P.	2,662	2,166	N.D.

[GRI 207-4]

CORPORATE FISCAL POLICY OF CANAL AND ITS BUSINESS GROUP

On 28 September 2023, the board of directors of Canal de Isabel II, being aware of the social responsibility of the company and the social usefulness of its tax contributions in all the countries in which it operates, approved the Corporate Tax Policy, which includes the tax guidelines of the Canal Group and its commitment to the application of the best existing tax practices.

This policy is applicable to all companies that make up the Canal Group, with the aim of providing value to its interest groups and promoting its economic, social and environmental sustainability, prioritising the management of social and human rights, the environment and biodiversity.

The good practices followed in this policy include the following:

- Preventing all behaviours likely to generate fiscal risks through the establishment of an adequate fiscal risk control and management system.
- Not using opaque structures or intermediary instrumental companies that seek to conceal the company’s activity to optimise the tax impact.
- Not establishing or acquiring companies domiciled in “tax havens”.
- Collaborating with the Tax Administrations of the countries in which the Company operates, providing all information that has fiscal relevance or significance and facilitating their inspection work.
- Detecting and seeking solutions regarding fraudulent tax practices of which the Company is aware.
- Ensuring the timely submission of all tax returns required by tax regulations in each country
- Requesting the services of independent tax experts of proven reputation to review the tax criteria applied and verifying compliance with all tax obligations.
- Adopting appropriate control mechanisms to ensure compliance with tax regulations.
- Establishing a procedure to deal with investments with special fiscal significance, which must be submitted to the express approval of the Board of Directors.



The full text of our Tax Policy is available at the following link.

Other financial information

Treasury shares: during the year ended on 31 December 2023, there has been no acquisition of treasury shares by the Company.

Financial instruments: during the year there has been no use by the Company of financial instruments that is relevant for the valuation of its assets, liabilities, financial situation and results.

Subsequent events: subsequent events are shown in note 29 of the Annual Report accompanying the Company’s annual accounts.

[GRI 207-1]



OUR INVESTMENTS

Maintaining an adequate investment rhythm is vital to guarantee quality in the provision of services. The investments we are currently making are those that will ensure this quality in the coming decades. The investments planned in our **2018-2030 Strategic Plan** are of around 2,000 million euros for the next five years, providing value through job creation and facilitating the territorial development and economic growth of the Community of Madrid.

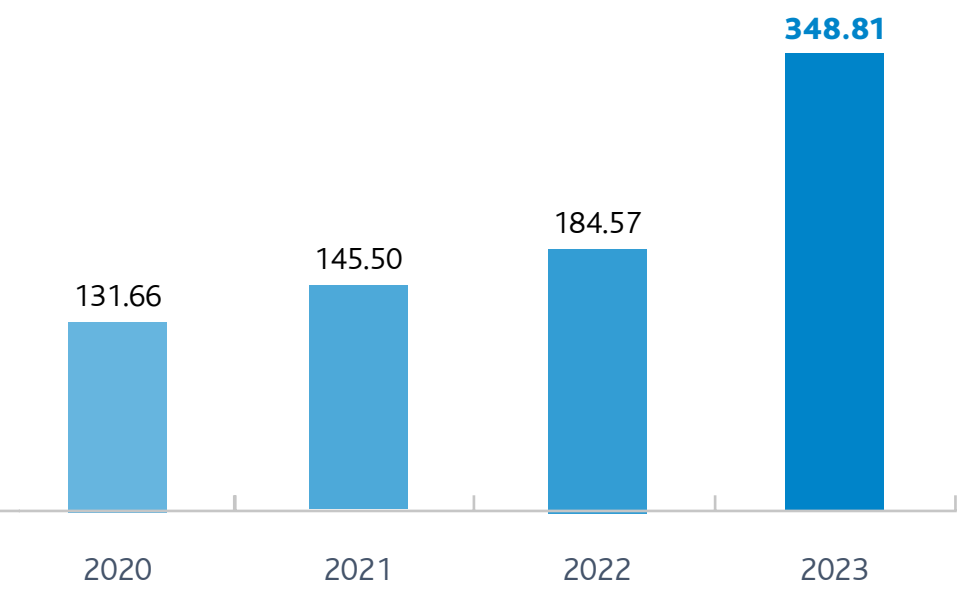
In 2023, the cash flows generated in operating activities have been largely used to **cover the volume of investment executed** during the year, which amounts to 348.8 million euros in works and projects (184.6 million more than in 2022).

It should be noted that this figure includes investments that have been regarded as replacement investments in accordance with the rule of adaptation of the General Accounting Plan to public infrastructure grantor companies and which, in application of this rule, have not been activated by the Company as the highest value of the fixed assets. In 2023 Canal has made investments of this type at an amount of 173.4 million euros (87.6 million euros in 2022).

Additionally, **Canal carries out renovation and improvement works** on the distribution and sewage networks that are **municipally owned**. The amount associated with these works is generally recovered through an **additional fee on the users' invoice**, and therefore they are classified as a financial asset in accounting terms. During the fiscal year 2023, works of this type have been carried out for an amount of 54.8 million euros (27.9 million in 2022).

The most important investments carried out respond to the aforementioned objectives of **guaranteeing a satisfactory functioning level** of the operation, maintaining the levels of productive efficiency and

INVESTMENTS EXECUTED IN THE COMMUNITY OF MADRID 2020-2023 IN MILLIONS OF EUROS³⁰



30. The figures do not include investments in renovation and improvement in municipally owned distribution and sewage networks, which are financed with supplementary fees.

competitiveness, the expansion of automation and remote control of its facilities, the expansion and improvement of the transportation and distribution network and storage capacity, to the adaptation and

modernization of the wastewater treatment system, as well as the expansion of reuse infrastructure. The following table shows what the investment volume has been for each of these categories:

INVESTMENT BY CATEGORIES (millions of euros)	2021	2022	2023
Supply guarantee	50.23	87.47	169.43
Quality guarantee	10.8	6.49	9.24
Environmental commitment	53.75	54.51	83.98
Technological innovation	18.44	18.72	24.85
Adequacy of general Canal services	5.23	7.3	10.34
Other investments	4.05	10.09	8.45
Price review <i>R.D. 3/2022</i> Canal ownership	-	-	42.51
TOTAL	142.5	184.57	348.81
Works on distribution and sewage network owned by third parties	17.86	27.89	45.47
Price review <i>R.D. 3/2022</i> third party ownership	-	-	9.29
TOTAL INVESTMENTS AND WORKS OWNED BY THIRD PARTIES	160.36	212.46	403.57

[GRI 3-3]
[GRI 201-1]
[GRI 203-1]



The execution of Canal's 2018-2030 Strategic Plan requires a significant investment effort and in 2023 the result of the measures undertaken by the company to make it possible to carry it out can be seen. The company's investment volume has increased by 90% compared to 2022 and 151.7% compared to 2021, and it is expected that this volume will be maintained over the coming years, the investment estimated over the next 5 years being close to 2,000 million euros.

What follows are the most important actions of Canal's 2018-2030 Strategic Plan that involve a great investment effort:

- The **Sanea Plan**, for modernising and improving sewage networks.
- The **Plan Red**, for standardising the materials of the distribution networks and thus improving water quality.
- The **Smart-Region Plan**, whose objective is to ensure that by 2030 100% of meters installed are smart meters.
- The **Solar Plan**, which mainly focuses on the creation of new photovoltaic plants in the company's infrastructure for promoting the generation and self-consumption of clean energy.

Among the investments made in 2023 aimed at guaranteeing supply, the investments aimed at renewing the distribution network and the deployment of remote reading stand out. In the case of those aimed at environmental commitment, the most significant investments are related to the «Plan to adapt the wastewater treatment system and extend the supply of reusable water».

Additionally, the *Royal Decree-Law, 3/2022*³¹ makes it possible to carry out an extraordinary review of the public sector works contracts that meet certain conditions. This has meant a higher cost of those investments made since 2021 and associated with various contracts and, therefore, a higher investment amount for the year.

Investments completed in 2023

What follows are the 4 most significant additions to the **investment recorded** as of December 2023, **in the field of supply**:

- The work of the **Plan Red** for the renewal of networks in the pipelines of different municipalities in the Community of Madrid, replacing obsolete materials with more technologically advanced ones, to guarantee quality and increase the efficiency of the distribution network; as well as with the installation of measuring devices and connections of the Plan to

implement and integrate the water meters of the Community of Madrid into the remote reading system.

- In **adduction**, the rehabilitation of the **San Fernando Artery** at the intersection with the M-40 highway and the left branch of the **Main Artery of the East** in a gallery as it passes under the A-2 highway, as well as the improvement of the facilities of the **Santillana DWTP**.
- In **drinking water distribution**, the adaptation of the roof of the **Second Getafe Tank** for waterproofing and the upcoming installation of photovoltaic panels on the surface and the construction of **regulation tanks** in the municipalities of **Redueña and Torrelaguna** with the necessary conduits to increase the supply guarantee.

31. *Royal Decree-Law 3/2022, of 1 March, on measures to improve the sustainability of road freight transport and the operation of the logistics chain, and which transposes Directive (EU) 2020/1057, of 15 July 2020, laying down specific rules with respect to Directive 96/71/EC and Directive 2014/67/EU for the movement of drivers in the road transport sector, and exceptional measures regarding price revision in public works contracts.*

- In the **sewer networks**, the construction of an **WWPS in Redueña** and the promotion of the **Venturada WWTP**, as well as those derived from the Sanea Plan to improve the efficiency of the sewer network in the Community of Madrid with the renewal of the networks municipal sewers.
- In **wastewater treatment**, the adaptation of the **Arroyo de la Vega WWTP** to the National Water Quality Plan, the biological treatment at the **La Poveda WWTP**, the improvement works at the **Morata de Tajuña, Tres Cantos, East Alcalá** and **Casaquemada WWTPs**, as well as the construction of a new Work Centre at the **El Endrinal WWTP** in Collado Villalba.
- In relation to **regenerated water for reuse**, what stands out are the supply of reusable irrigation water in Algete from the tertiary of the **Algete Oeste WWTP**, and in the **Torrejón de Ardoz** reuse network.
- Within the **automation plan**, it is worth highlighting the installation of new TETRA base stations to reinforce the **telecommunications network**, improve coverage and the final quality of the service provided, as well as continuous measurement equipment based on smart sensors for the control of water quality in the distribution network.

- Within the framework of the **Solar Plan** for the implementation of new photovoltaic installations in the company's infrastructure, floating photovoltaic panels have been installed in the lower reservoir of the **Torrelaguna** hydroelectric plant for the production of electrical energy with connection to the existing installations from the plant.

Investments in progress

The most relevant actions that were being carried out at the end of 2023 are:

- The works of adaptation to the National Water Quality Plan (PNCA) of the El Plantío WWTP.
- Improvements in the South WWTP.
- The adaptation of reliefs of the Lower Basin Arroyo Culebro WWTP.
- The supply network renewal actions associated with the Plan Red.
- Improvement works at the Torrelaguna DWTP.
- The refining treatment at the Griñón DWTP.
- The new photovoltaic energy installations associated with the development of the Solar Plan.

Investments in R&D&i

Canal actively contributes to research and innovation studies in order to increase scientific and technical knowledge in the sector. We want to responsibly promote innovative activity in the sector and the investment made in 2023 to this end was **48.96 million euros, 5.6%** of our turnover. Investment in R&D&i has increased signifi-

cantly in the year mainly due to the implementation of remote reading and the automation of our company's infrastructure.

Information on the R&D&i activities carried out by Canal in 2023 is expanded in section 2.9. of this Report («Being at the head in innovation and development. At the forefront of our sector»).



EUROPEAN FUNDS AND CANAL

The financing of our investments through **European Union funds** has been a traditionally used tool by Canal. Thus, **since 2000** our company has obtained more than **200 million euros** in European subsidies through the Cohesion Fund and, fundamentally, the ERDF.

Additionally, as a result of the COVID-19 pandemic, the European Union created the Next Generation EU funds as a specific emergency instrument of limited duration, used as a response and recovery measure to help repair the economic and social damage caused by the pandemic. At Canal, since 2021, we have been managing several aid programs with these funds through its **two main financing instruments**: the RRF and REACT-EU.

ERDF 2021-2027

These European funds are programmed in multi-annual periods of 7 years, the last being the period 2014-2020 (which ended on 31 December 2023) and 2021-2027 (current program). In 2023, Canal was granted, through the FEDER 2021-2027 Program, an investment of **345.7 million euros**, to be executed before 31 December 2029, within the **"Policy objective 2: a greener, low-carbon Europe"**. These projects have an aid rate of **40%**, which represents **138.3 million euros** of financing, representing **more than 28%** of the total **funds allocated to our region** within the ERDF 2021-2027 programme.

With these grants we will finance actions in our Plan Red, for the modernisation of the distribution network, the start-up of our **green hydrogen plant** at the Middle-Upper Basin Arroyo Culebro WWTP, considered a **project of strategic importance** within the ERDF program 2021-2027 of the Community of Madrid, as well as a series of actions to continue with our **renewable energy generation plans**: our **Solar Plan** and other **hydraulic** or **biomethane** projects in development.

The projects, their investment and the planned aid are presented in the following table:

SPECIFIC OBJECTIVE	LINE OF ACTION	CANAL AID FORESEEN (€)	OPERATIONAL PROGRAMM FINANCIAL ALLOCATION (€)	AID FORESEEN (40 %)
Promotion of renewable energies in accordance with Directive (EU) 2018/2001, in particular the sustainability criteria detailed therein.	Green hydrogen plant: hydrogen production project with regenerated water and renewable energy in WWTP	24,550,000	18,329,177	7,331,671
	Solar Plan: Implementation of renewable energy facilities		11,670,823	4,668,329
	Generation of renewable energy in the processes of the urban water cycle (for example, solar thermal, geothermal, photovoltaic, hydraulic or biomethane projects under development)	12,000,000	12,000,000	4,800,00
Promotion of access to water and regenerated water and renewable energy.	Plan Red: Modernisation of the distribution network	366,084,000	303,669,295	121,467,718
TOTAL		492,470,000	345,669,295	138,267,718

[GRI 201-4]

NEXT GENERATION EU

The Recovery and Resilience Facility

The cornerstone of the **Next Generation** funds is the **Recovery and Resilience Facility (RRF)**, which brings together **80% of the budget**. Its purpose is to support investment and reforms to achieve a sustainable and resilient recovery, while promoting climate and digital priorities. The mechanisms by which Canal de Isabel II has accessed these funds are implemented through sectoral conferences and through the Strategic Projects for Economic Recovery and Transformation (**PERTE**, as per their Spanish initials) for the **digitalisation of the urban water cycle**.

Through the **Sectoral Environment Conference**, a cooperation body made up of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) and the Environmental Ministries of the autonomous communities, we are managing funds for two initiatives:

- The **improvement and reduction of losses in the drinking water distribution networks in 3 municipalities** of the Community of Madrid with less than 15,000 inhabitants (Villaconejos, Miraflores and Orusco de Tajuña), with which the corresponding distribution agreements have been signed. The **aid amount allocated** is **2,901,139 euros** (equivalent to **3,626,423 euros**

of **eligible cost** with 80% financing), and the deadline is **1 June 2025**.

- The **digitalisation of the water cycle in small municipalities**, with which we will digitalise the water cycle in up to 50 municipalities with less than 20,000 inhabitants with actions aimed at automation and remote control of operations and installation of meters with remote reading. The **aid amount allocated** is **3,002,940 euros**, the planned investment is greater than 6,000,000 euros and the execution period is **until 1 June 2026**.

Within the framework of the **PERTE for the digitalisation of the urban water cycle**, from Canal de Isabel II, we have presented projects in **competitive competition** to the first and second calls:

- **First competition call**, line of aid of 200 million euros for the improvement of the digitalisation of urban water uses, with which projects of between 3 and 10 million euros were financed, with an execution period until 31 December 2025.

For the first call, in February 2023, Canal presented four unique transversal digitalization projects, which involved the digitalisation of more than 50 municipalities and an estimated investment of more than 40 million euros, and, once this was

resolved, in November 2023 we were awarded a subsidy of 3 million euros for the **Project to digitise the water cycle in the Aberche basin**, which consists of digitizing 14 municipalities and 36,622 inhabitants, with a maximum budget of 5.2 million of euros for carrying out the following actions:

- The digitalisation of distribution and process control, with emphasis on sensorisation and instrumentation, which involves the installation of sensors in different phases of the water cycle.
- The characterisation, adaptation and monitoring of spillways.
- The integration and processing of this information, along with other remote control data, for making it available to the Ministry.

- **Second competition call**, aid line of another 200 million euros to improve the digitalisation of urban water uses, with which projects of between 0.5 and 10 million euros are financed, with an execution period of up to June 2026.

For this second call, in December 2023, Canal has presented two projects:

- **DIGIMAD. Comprehensive digitalization of urban water in the North Guadarrama Norte basin**. This project is based on one of those that

we presented at the first call, but improved and adapted to the new requirements, and consists in digitising 12 municipalities and 164,000 inhabitants, with a maximum budget of 15 million euros and 10 million in aid requests.

- **DREINCAM. Smart urban drainage management system of the Community of Madrid**. This project tries to digitise and optimise the operation in the management of the urban drainage system in the Community of Madrid. It has a maximum budget of 30 million euros and will affect 164 municipalities (all except for the city of Madrid and the municipalities of the Alberche Basin already included in other projects) and almost 3.5 million inhabitants.

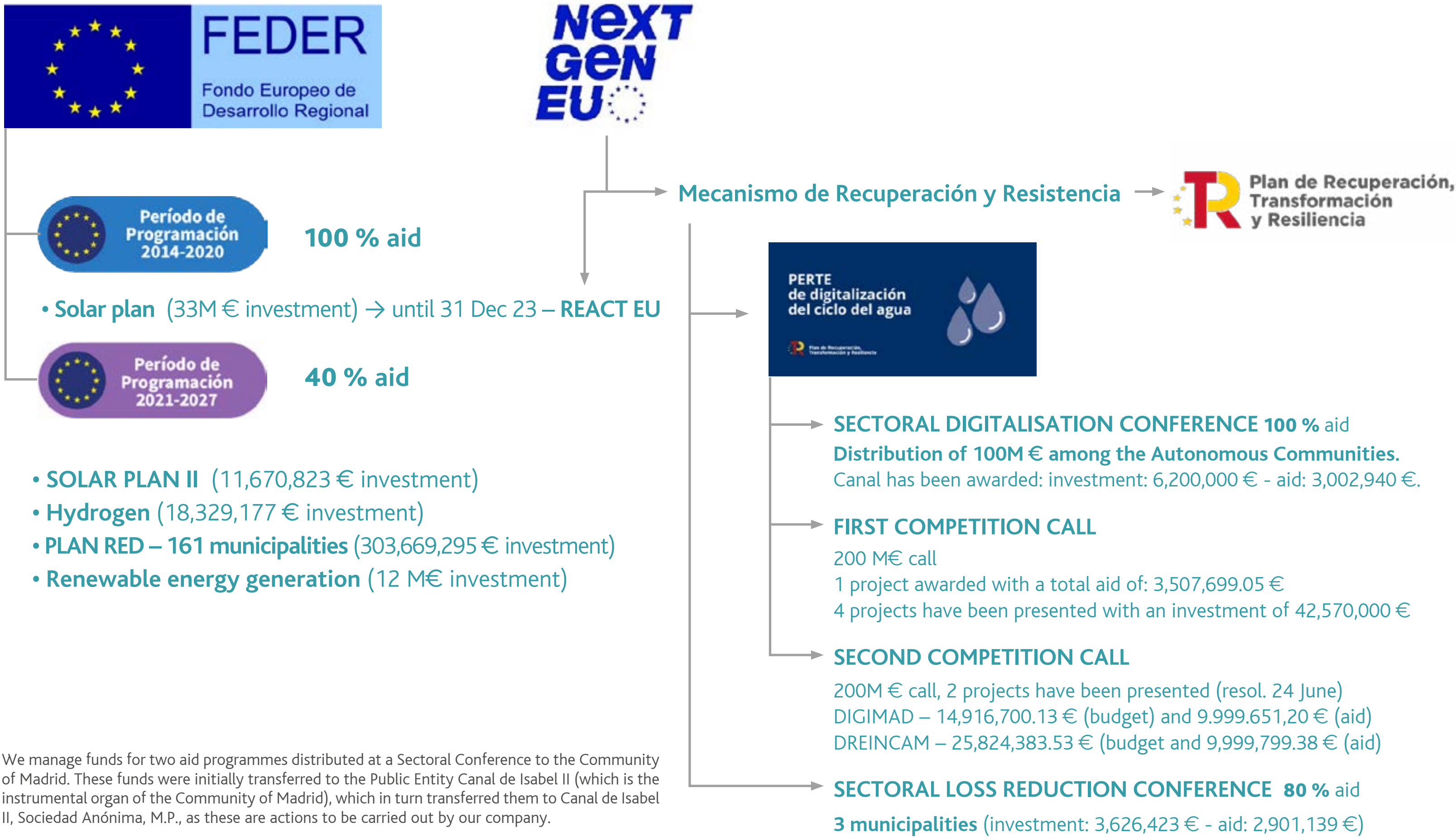
REACT-EU

The REACT-EU program was included within the Next Generation funds to help the territories after the impact of the pandemic caused by COVID-19.

In the Community of Madrid these additional resources were articulated through the FEDER 2014-2020 Operational Program (O.P.), but with an exceptional financing rate of 100%.

As of 31 December 2023, the end date of the ERDF 2014-2020 period, the REACT programme has put up a total of **12.36 million euros** for the photovoltaic installations of Torrelaguna, Arroyo Culebro, Depósito de Soto del Real and Phase I of our Solar Plan.

SCHEME OF EUROPEAN UNION FUNDS MANAGED BY CANAL



WITH OUR SUPPLIERS

Like all companies, to fulfil our mission we need the support of suppliers and contractors, our «business partners», with whom, complying with everything established in public sector contracting legislation, we maintain relationships based on closeness and mutual respect.

In **Canal de Isabel II, as a public company**, we carry out our contracts under the **regulations applicable to public sector contracts** that came into force in 2018 (*Law 9/2017, of 8 November, on public sector contracts*). Likewise, in some procedures, due to their characteristics or amount, *Law 31/2007, of 30 October, on contracting procedures in the sectors of water, energy, transport and postal services, is applied*.

The objectives behind these laws are to achieve **greater transparency in public procurement** and achieve better value for money. More specifically, *Law 9/2017* aims at greater **legal certainty** and tries to ensure that public procurement is used **as an instrument to implement both European and national policies** in social, environmental, innovation and development matters, the promotion of SMEs and competition defence. To this end, in recent years the specifications of our tenders have been incorporating criteria for assessing the solvency and offers of bidders that contemplate increasingly advanced and demanding environmental and social requirements.

In relation to the objective of promoting small and medium-sized companies in 2023, **57.14% of the successful bidders have been SMEs**.

Canal contractors, in addition to complying with current environmental and occupational risk prevention regulations, must comply with the environmental policy and the occupational risk prevention policy implemented in our company and **Canal's Code of Ethics and Conduct**. Furthermore, to promote diversity and the incorporation of people with disabilities into the labour market, contractors who employ more than 50 workers during the term of the contract are required that at least 2% of them be people with disabilities, in accordance with the provisions of *Royal Legislative Decree 1/2013, of 29 November, which approves the consolidated text of the General Law on the rights of people with disabilities and their social inclusion*.

Bidders' compliance with the requirements is reviewed before the award is made. Additionally, once the contract is awarded, the unit responsible for it ensures compliance with the specifications.

Contracts for services and supplies of **less than 15,000 euros** and works of less than 40,000 euros are carried out under the regulations that govern **minor contracts**. For minor works of between 15,000 and 40,000 euros, the authorization of the CEO is required. Minor contracts, except for supply



contracts managed by the Purchasing Area, are processed through the specific computer tool. In 2023, a total of **6,653 minor contracts** have been carried out **(18.62% less than in 2022)**, which totalled an amount of **8.96 million euros** (0.69% of the amounts contracted by Canal).

In general, **subcontracting is permitted** under the terms established in current legislation and in the specifications of each contract. The contracting system ensures that subcontractors comply with both the legally established obligations and the requirements for contracting with the public sector.

[GRI 3-3]
[GRI 2-6]
[GRI 204-1]
[GRI 407-1]
[GRI 308-1]
[GRI 403-7]
[GRI 408-1]
[GRI 409-1]
[GRI 308-2]
[GRI 414-1]

Contract awards in 2023

In 2023 we have awarded a total of **368 contracts** (74 more than in 2022), totalling **1,303.71 million euros**. This **143.4%** increase is due to the fact that large projects were tendered during the year, including the **Sanea Plan**, the **Plan Red** or the **Solar Plan**, all contemplated within our Strategic Plan.

The **open procedure** is the one we use the most. In this procedure, any interested businessperson can present a proposal, excluding any negotiation of the terms of the contract with the bidders. This

procedure has been used in **314 contracts** processed in 2023, **85%** of the total contracts awarded. The amounts awarded through this procedure total **1,221.7 million euros** (93.71% of the total).

On the other hand, **23 contracts have been awarded using the negotiated procedure**, 6.25% of the total procedures processed. The total amount of these procedures has amounted to **66.9 million euros**. The negotiated procedure is used when any of the assumptions established in the legislation apply.

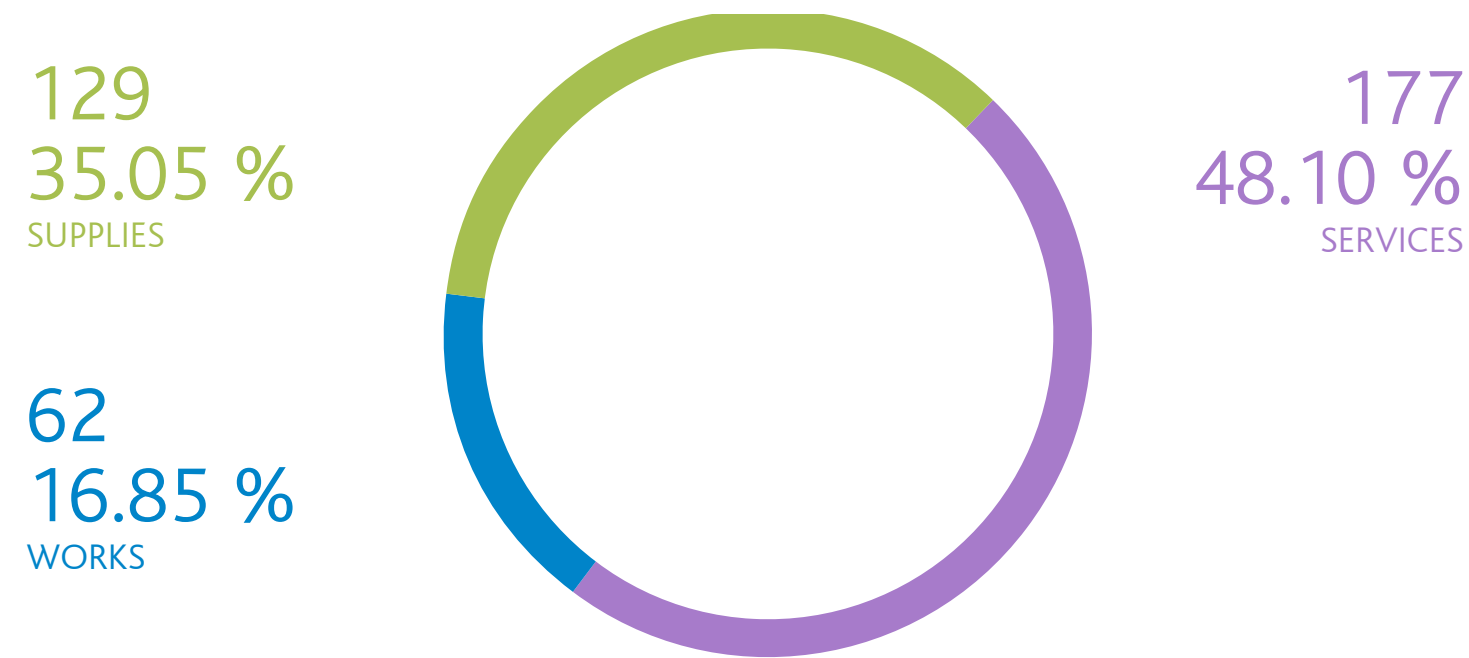
In addition to the two aforementioned procedures, in 2023 a total of **30 contracts** awarded by Canal, which represent 8% of the tenders processed in the year, have been carried out **with other procedures** unlike those included in the public sector contract legislation. The amount awarded in these contracts was **14.5 million euros**.

In the fiscal year 2023 we have carried out only **1 order for Medio Propio**, for an awarded amount of 659,010.93 euros.

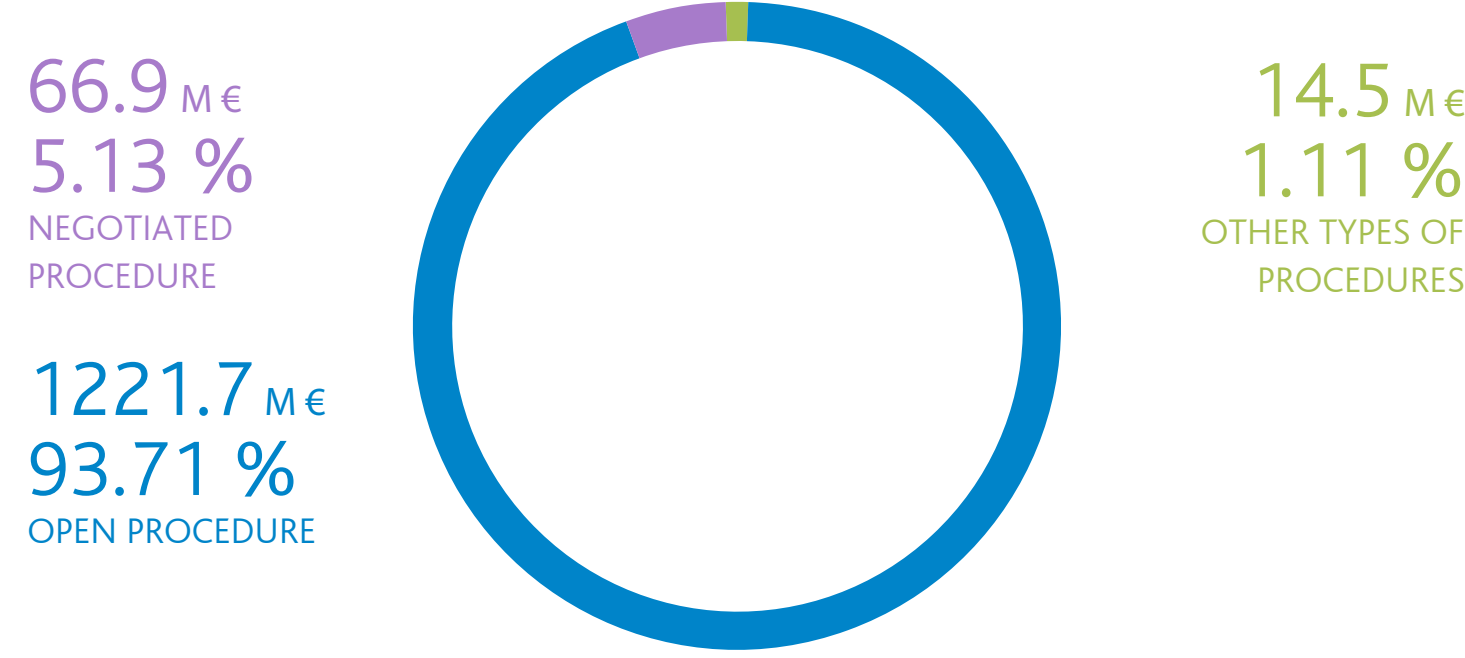
Canal has several service channels for its suppliers: in person, through the email address at-proveedores@canal.madrid, or through a specific portal for them on our website (www.canaldeisabelsegunda.es/portal-de-proveedores), where they are offered real-time information on the status of their invoices, strengthening the relationship we maintain with them and increasing productivity. The electronic exchange of data translates into lower transaction costs and faster and simpler procedures. Among other functions, the tool allows the management of minor contracting for material supply providers.

In 2023, the **average payment period to Canal de Isabel II suppliers** has been **24.40 days (0.6 more than in 2022)**, with payments totalling 454.4 million euros having been made throughout the year (3.97% more than in 2022).

DISTRIBUTION BY TYPE OF CONTRACTS AWARDED IN 2023
(number of contracts and % of the total)



AMOUNTS AWARDED BY THE TYPE OF PROCEDURE USED IN 2023
(millions of euros and % of the total)



Processing of Canal contracting files

Our internal hiring procedure follows the following phases:

PHASE I	Need and suitability report	The proposing area approves a need and suitability report on the contract (NSR) where it states the need to be covered and the type of procedure to follow.
PHASE II	Approval of specifications or invitation letters	The CEO approves, at the proposal of the Contracting Subdirectorate, the specifications or the invitation letter in the simplified and negotiated procedures.
PHASE III	Publication of the tender	The tenders through Canal’s open procedure are published on the Contracting Portal of the Community of Madrid (contractor profile of the Company) and in the corresponding official media depending on the nature and amount of the contract: Official Gazette of the Community of Madrid, <i>Official State Gazette and Official Journal of the European Union</i>. They are also published on the corporate website of Canal de Isabel II, Sociedad Anónima, M. P. (licitaciones.canaldeisabelsegunda.es). The award and formalization of the contract, including simplified procedures without prior bidding and negotiated, are published on the Contracting Portal of the Community of Madrid (contractor profile of the Company) and, in addition, the formalization of contracts for a higher amount to 100,000 euros, in the <i>Official Gazette of the Community of Madrid</i>. Information on Canal de Isabel II contracts is periodically sent to the Registry of Contracts of the Community of Madrid.
PHASE IV	Reception and analysis of the offers	The Contracting Subdirectorate reviews the administrative documentation of the offers presented by the bidders. Offers that do not meet these requirements are not taken into consideration and this circumstance is communicated to the bidders at the opening of the envelopes (at the opening of the technical envelope, if awarded using a plurality of criteria; at the opening of the economic envelope, if awarded at the lowest price). In bidding procedures that are awarded using a plurality of criteria, before opening the economic proposals, the technical envelopes are opened in order to proceed to evaluate the non-quantifiable criteria through the mere application of formulas before the opening of economic proposals. Finally, the economic offers of the bidders are opened in a public event. In bidding procedures that are awarded using a plurality of criteria, the technical scores obtained are read in public before the opening of tenders.
PHASE V	Evaluation of the offers and contract award	The proposing service prepares the report on the offers subject to initial presumption of abnormal or disproportionate value and the final evaluation report of the offers . The contracting table analyses both reports and issues an award proposal that is submitted to the contracting body that awards the contract.
PHASE VI	Formalisation of the contract	The contract is formalised within 15 days from the notification of the contract award and once the successful bidder has provided the corresponding guarantee .



MONITORING OF INDICATORS OF THE STRATEGIC PLAN.

STRATEGIC LINE 10

Ensuring management sustainability and efficiency

EBITDA / Turnover **34.32 %**
(obj. 30.72 %)

Savings in electricity
purchase
2.17 mill. €
(obj. 2.15 mill. €)

Net Financial Debt / EBITDA
0.794
(obj. 0.948)



Average tender period
213.9 days
(obj. 220 days)

Weighted efficiency ratio
11.45 %
(obj. 11.54 %)

03 THE CANAL GROUP



3. THE CANAL GROUP

Our accumulated experience of over 170 years has allowed us to contribute to the improvement of the urban water service in other regions and countries by means of integrating investee companies. As a result, the Canal Group currently offers services in five Spanish autonomous communities³² and in four Ibero-American countries³³.



Since the 1960s, Canal has integrated a set of investee companies that, along with the matrix company Canal de Isabel II, Sociedad Anónima, M.P., now constitute the **Canal de Isabel II Company Group**.

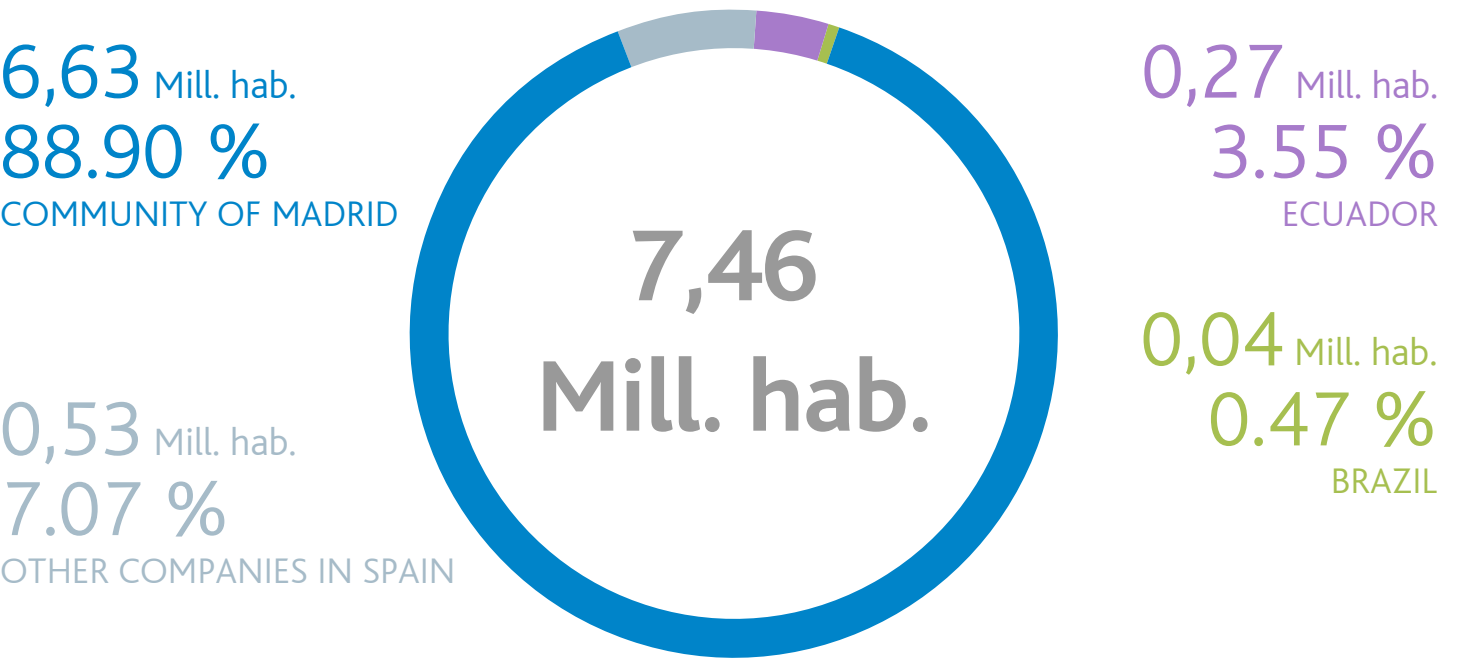
In 2023, the companies of the Canal Group provided water to a total of **7.46 million** people (**7.16** in Spain and **0.30** in Ibero-America) and gave work to **3,746 workers**, in addition to generating more than **5,500 indirect jobs**. Likewise, in 2023 we supplied a total of **568.53 million cubic metres of water** (545.05 in Spain and 23.48 in Ibero-America) and we managed **40,269 kilometres** in supply, sanitation and regenerated water networks.

At the end of the year, we had close to **1.83 million supply contracts** (**83 %** of them domestic) distributed in almost two hundred municipalities (198), with a supply coverage degree of **99.37%**.

32. Madrid, Castile and León, Castile-La Mancha, Extremadura and the Canary Islands.

33. Colombia, Ecuador, Dominican Republic and Brazil.

POPULATION SUPPLIED BY COUNTRIES IN 2023
(millions of inhab. and % of the total)



[GRI 2-2]

3.1. ACTIVITIES AND GEOGRAPHICAL IMPLEMENTATION

The Canal de Isabel II Business Group is mainly involved in three activities:

- **Management of the integral water cycle** in five Spanish autonomous communities, in Ecuador and in Brazil.
- **Support services for the management of the integral cycle**, such as sectoral advice and consulting, civil engineering, works and installation of connections and meters, commercial management of supply and sanitation or call centre management. To develop these activities, the Canal Group has companies in Colombia, the Dominican Republic and Brazil.
- **Other synergistic activities related to the management of the integral cycle**, such as the generation of electrical energy, telecommunications or information technologies. These activities are carried out by Group companies located in Spain and Colombia.



[GRI 2-1]
[GRI 2-6]
[GRI 3-3]

COMPANIES OF THE CANAL GROUP

As of 31 December 2023

(not including shareholding companies)

SPAIN

Canal de Isabel II ●●

www.canaldeisabelsegunda.es

Delegación de Canal en Cáceres ●

www.canaldeisabelsegunda.es

Aguas de Alcalá UTE ●

www.aguasdealcala.es

Canal Gestión Lanzarote ●

www.canalgestionlanzarote.es

GSS Venture ●

www.grupogss.com

Canal Extensia ●

www.canaldeisabelsegunda.es

COLOMBIA

Canal Extensia América ●

www.canalextensiamamerica.com

Amerika TI ●

www.amerikati.com

DOMINICAN REPUBLIC

AAA Dominicana ●

www.aaa.com.do

ECUADOR

Amagua ●

www.amagua.com

BRAZIL

Fontes de Serra ●

www.fontesdaserra.com.br

Emissão ●

www.emissao.com.br

● Management of the integral water cycle ● Electric power generation ● Support services for the management of the integral water cycle ● Telecommunication and information technologies ● Other activities

The **participation of the parent company** Canal de Isabel II, Sociedad Anónima, M.P., in the **main companies** of the Group that were active in 2023 was as follows:

COMPANIES	Countries	Part. %
Aguas de Alcalá UTE*	Spain	50.00 %
Canal Gestión Lanzarote, S.A.U.	Spain	100.00 %
GSS Venture, S.L.	Spain	25.00 %
Canal Extensia, S.A.U.	Spain	100.00 %
Canal Extensia América, S.A.	Colombia	81.84 %
Amerika Tecnologías de la Información, S.A.S.	Colombia	81.84 %
AAA Ecuador Agacase, S.A.	Ecuador	82.02 %
Aguas de Samborondón Amagua C.E.M.	Ecuador	57.41 %
Soluciones Andinas de Agua, S.R.L.	Uruguay	90.92 %
Emissão, S.A.	Brazil	68.19 %
Fontes da Serra Saneamiento de Guapimirim Ltda.	Brazil	66.83 %
AAA Dominicana, S.A.	Dominican Republic	53.20 %

*Aguas de Alcalá is a temporary joint venture (TJV) between Canal and the Aqualia company.



[GRI 2-1]

Some of the main figures of the Group at the end of 2023 were as follows:



3.2. POPULATION SERVED AND CAPACITIES IN THE INTEGRAL WATER CYCLE

In 2023, to provide this type of services, our Group had five companies and a temporary joint venture (TJV) located in Spain (2 companies and 1 TJV), Ecuador (1) and Brazil (1). These companies and TJVs are:

- **Canal de Isabel II, Sociedad Anónima, M.P.** is the Group’s parent company and is responsible for managing the **integral water cycle** in the Community of Madrid (179 municipalities), eight municipalities in Castile-La Mancha, two in Castile and León and through our delegation in Cáceres (Canal Cáceres) of this city and three nearby municipalities.
- **Aguas de Alcalá UTE** is a temporary joint venture in which Canal (50% of the shares) and the company **Aqualia** participate. It is responsible for the **supply** and management of **sewage** networks in the city of Alcalá de Henares (Madrid).
- **Canal Gestión Lanzarote, S.A.U.**, which began its activities on 1 June 2013, is responsible for the management of the **integral water cycle** on the islands of Lanzarote and La Graciosa, in the autonomous community of the Canary Islands (Spain). It serves the population of 7 municipalities.

- **Aguas de Samborondón Amagua C.E.M.** has the purpose of providing **drinking water distribution** services, **sewage** management, wastewater treatment and **reuse** of regenerated wastewater in Samborondón and Daule, two towns near Guayaquil (Ecuador).
- **Fontes da Serra, Saneamento de Guapimirim Ltda.** is a company belonging to our subsidiary Emissão, which joined the Group in 2013. Fontes de Serra **supplies water** to the inhabitants of the town of Guapimirim, in the state of Rio de Janeiro (Brazil).

POPULATION AND MUNICIPALITIES SERVED IN SPAIN

	SUPPLY		SEWAGE		WASTEWATER TREATMENT	
	Municipalities	Population served	Municipalities	Population served	Municipalities	Population served
Community of Madrid	174	6,633,483	137	5,865,225	178	6,850,969
Castile-La Mancha	8	15,085			1	4,916
Castile and León	2	2,614				
Province of Cáceres	4	103,220	2	97,114	2	97,114
Alcalá de Henares (Madrid)	1	199,184	1	199,184		
Lanzarote and La Graciosa (Canary Islands)	7	207,684	7	147,042	7	147,042
TOTAL SPAIN	195	7,161,270	147	6,308,565	188	7,100,041

POPULATION AND MUNICIPALITIES SERVED IN IBERO-AMERICA

	SUPPLY		SEWAGE		WASTEWATER TREATMENT	
	Municipalities	Population served	Municipalities	Population served	Municipalities	Population served
Ecuador: Samborondón and Daule	2	265,193	2	215,375	2	215,375
Brazil: Guapimirim	1	35,105				
TOTAL IBEROAMÉRICA	served	300.298	2	215.375	2	215.375
GROUP SUM	198	7,461,568	149	6,523,940	190	7,315,416

TECHNICAL INFORMATION AT THE END OF 2023

SUPPLY	SPAIN	IBERO-AMERICA	GROUP TOTAL
Number of reservoirs or catchments in rivers	18	1	19
Number of wells in operation	79	-	79
Number of seawater collections	6	-	6
Sum of deposits managed	102	1	103
Number of DWTP and desalination plants managed	20	1	21
Treatment capacity (millions of m3/day)	4.69	0.009	4,70
Kilometres of supply networks managed	20,405	984	21,389
Number of municipalities served in supply	195	3	198
Population served in supply (millions of inhabitants)	7.16	0.30	7.46
Quality of water for consumption (% of samples that comply)	98	99.26	98.63

SANITATION	SPAIN	IBERO-AMERICA	GROUP TOTAL
Kilometres of sewage networks managed	17,071	750	17,821
Nummer of pumping stations (WWPS) managed	201	130	331
Number of wastewater treatment plants (WWTP) managed	166	114	280
Design flow of the WWTPs (hm³/día)	2.21	0.06	2.27
Number of municipalities served in sewage management	147	2	149
Population served in sewage (millions of inhabitants)	6.31	0.21	6.52
Number of municipalities served in Wastewater treatment	188	2	190
Population served in wastewater treatment (millions of inhabitants)	7.10	0.21	7.31

REUSE	SPAIN	IBERO-AMERICA	GROUP TOTAL
Number of wastewater regeneration plants	38	21	59
Kilometres of regenerated water networks managed	1,059	-	1,059
Number of municipalities to which the reclaimed water supply service is provided	31	2	33
Volume of regenerated water produced (millions de m³)	110	5	115

3.3. COMPANIES WITH OTHER ACTIVITIES

COMPANIES THAT PROVIDE SUPPORT SERVICES FOR WATER MANAGEMENT

This category includes the Group companies that carry out activities related to the management of the integral water cycle, such as engineering and sector consulting, works and installation of connections and meters, commercial management of supply and sanitation, call centre management or the collection of fees.

To carry out these activities, at the end of 2023 the Group had companies in Spain, Colombia, the Dominican Republic and Brazil. These companies are:

- **Canal Extensia América, S.A.**, acquired in December 2001; with the name Sociedad Interamericana de Aguas y Servicios, S.A. (INASSA), was established in 1996 as a company to provide services related to the integral water cycle in Colombia and other Latin American countries. CEAM offers consultancy in public service processes and comprehensive and innovative IT solutions to drinking water and sanitation public service companies in Latin America.
- **AAA Dominicana, S.A.**, which began its operation in the Dominican Republic with the contract for the commercial management and installation of meters in the western area of the city of Santo Domingo, is currently in charge of the commercial management of Supply and Distribution Services of Drinking Water served by the Puerto Plata Aqueduct and Sewer Corporation (CORAAPPLATA), including the supply and installation of meters, customer service and bill collection, among other services provided in the province of Puerto Plata.
- **GSS Venture, S.L.** is a company owned in a minority (25%) by Canal de Isabel II. Its corporate purpose is the provision of telemarketing and customer service services, developed through the telephone network or any other telematic means.
- **Emissão, S.A.**, with headquarters in Rio de Janeiro, provided commercial management services for supply services and carried out consulting and engineering work, and currently operates the supply to the municipality of Guapimirim (state of Rio de Janeiro) through the Fontes de Serra company.

Other synergistic activities with the integral cycle developed by the Group

Apart from the activities directly related to the management of the integral water cycle or to activities for supporting the management of this cycle, the Canal de Isabel II Group carries out synergistic activities with the management of the integral cycle with five of its companies. These activities are hydroelectric energy generation, information technologies, waste management and urban cleaning, and engineering and construction. Such activities are carried out by Group companies located in Spain, Colombia and Brazil:

- **TECNOLOGÍAS DE LA INFORMACIÓN Y LA COMUNICACIÓN: Amerika Tecnologías de la Información, S.A.S.** is committed to the development and marketing of **Software Amerika**, a product that provides a definitive and comprehensive solution to public service companies, designed from the water sector, its different modules covering commercial management, technical management, administrative and financial management and management control.



[GRI 2-6]

In Spain, following the merger by absorption in 2021 of our former subsidiary Canal de Comunicaciones Unidas, **Canal de Isabel II, Sociedad Anónima, M.P.** has been in charge of the operation of its own telecommunications network with which, in addition to supporting our operations, we provide digital trunking services (**TETRA**), as the **Community of Madrid's Own Means**, to the emergency services that operate in our region (firefighters, local police, medical vehicles or forestry agents, among others).

• **GENERACIÓN DE ENERGÍA ELÉCTRICA:** in 2022, after the merger by absorption of our former subsidiary Hidráulica Santillana, **Canal de Isabel II, Sociedad Anónima, M.P.** assumed the operation of the hydroelectric plants managed by that subsidiary. With this incorporation, the installed capacity for the production of electrical energy in synergistic processes with the water management of the Group's parent company has grown in 2023 to 111.95 gigawatts, having generated, throughout the year, 226.04 million kilowatt hours, of which 130.79 million were self-consumed in Canal facilities and 95.25 million were sold to the electrical network.

Group companies with other activities

In addition to the companies mentioned, the Canal Group has three other companies that are fundamentally holders of shares.

- **Canal Extensia, S.A.U.**, established in 2001 and located in Spain, is the holder of the shares of all the Ibero-American companies of the Canal Group. The participation of Canal de Isabel II, Sociedad Anónima, M.P. in this society is 100%.
- **Soluciones Andinas de Aguas, S.R.L.**, located in Uruguay, was established in 2013 to be the holder of 75% of the shares held by Grupo Canal in Emissão. The participation of Canal de Isabel II, Sociedad Anónima, M.P. in this society is 90.92%.
- **AAA Ecuador Agacase, S.A.**, located in Ecuador, is the holder of 70% of the shares of the company Amagua. The participation of Canal de Isabel II, Sociedad Anónima, M.P. in this society is 82.02%.

Main changes in the structure of the Canal Group in 2023

The main changes registered in 2023 have been the following:

- On 31 May, the concession contract concluded and the subsidiary company **Avanzadas Soluciones de Acueducto y Alcantarillado S.A. E.S.P.**, known as **ASAA**, which had joined Grupo Canal in 2013 and was in charge of supply and sewage services in the district of Riohacha, capital of the department of La Guajira (Colombia), ceased its activities. Since it had no activity during seven of the twelve months of the year and was inactive at the end of the year, this company has been excluded from the scope of this report.
- In 2023, **GESTUS Gestión & Servicios, S.A.S.**, ceased its activities. This company provided commercial advisory and management services, billing and collection management, updating and assembly of databases and software, and human contact centre services to, among others, different companies of the Canal Group in Latin America.
- As for the **Sociedad de Acueducto, Alcantarillado y Aseo de Barranquilla S.A. E.S.P.**, known as **Triple A Barranquilla** and in charge of man-

aging the integral water cycle in Barranquilla and in 14 other municipalities in the Atlantic department, on 3 October 2018, the Attorney General's Office of Colombia adopted an agreement ordering the suspension of the dispositive power, **and the seizure of the shares of Canal Extensia América** in this company. CEAM shares constituted 82% of its share capital and were delivered for safekeeping to the Special Assets Corporation of Colombia (SAE). This agreement has been appealed by the Canal Group before the corresponding judicial authorities, and to date there has been no ruling in this regard.

On 26 December 2022, Canal de Isabel II, through our subsidiary Canal Extensia, presented a **request for investment arbitration** against the Republic of Colombia before the **International Centre for Settlement of Investment Disputes (ICSID)**, belonging to the World Bank. In the request for arbitration it was revealed that the Colombian administrations, through various state actions, including the early disposal of Triple A, **have not respected the provisions of the Agreement between the Kingdom of Spain and Colombia for the Promotion and Reciprocal Protection of Investments (APRI**, from its Spanish initials), signed by the parties in 2005.

[GRI 2-2]
[GRI 2-6]
[GRI 205-3]

STAFF OF THE CANAL GROUP COMPANIES

Canal de Isabel II data include our delegation in Cáceres

At the end of fiscal year 2023, the aggregate workforce of all the Group’s active companies amounted to **3,746 people** in five countries. Of them, 3,492 worked in Spain and **254** in Ibero-America. The workforce of the Group’s parent company (Canal de Isabel II, Sociedad Anónima, M.P.) represents **85.16%** of the total.

SPANISH COMPANIES	EMPLOYEES
Canal de Isabel II (Community of Madrid and delegation in Cáceres)	3,190
Aguas de Alcalá TJV	79
Canal Gestión Lanzarote	221
Canal Extensia	2
SPAIN SUM	3,492
AMERICAN COMPANIES	EMPLOYEES
Canal Extensia América (Colombia)	14
Amerika TI (Colombia)	34
Amagua (Ecuador)	91
AAA Dominicana (Dominican Rep.)	82
Emissão and Fontes da Serra (Brazil)	33
AMERICA SUM	254

GROUP STAFF ACCORDING TO THEIR FUNCTIONS (people)

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Management staff	135	17	17	169
Management support staff	364	1	11	376
Advanced degree holders	336	4	50	390
Medium degree holders	148	7	13	168
Middle management	172	6	6	184
Technicians	293	19	30	342
Administrative and assistant staff	633	47	82	762
Maintenance staff	1,109	201	45	1,355
SUM	3,190	302	254	3,746

[GRI 2-7]

CANAL GROUP STAFF BY CONTRACT, GENDER AND AGE

[GRI 2-8]
[GRI 405-1]

	YEAR 2022		
	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEEES IN IBERO-AMERICA
Total number of workers	3,052	304	310
Scholarship holders and interns	14	4	7
By type of workday			
Full-time	2956	296	304
R educed working hours	96	8	6
By type of contract			
Indefinite	2,358	256	305
Temporary	765	44	8
By gender			
Women	948	52	137
Men	2,104	252	172
Disability			
Workers with some degree of disability	74	3	2
External			
Number of external workers	4,395	166	388

YEAR 2023		
CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEEES IN IBERO-AMERICA
3,190	302	254
19	1	2
3,076	302	248
114	11	6
2,642	256	250
435	46	4
1,013	51	103
2,177	251	151
86	2	2
5,062	177	282

CANAL GROUP STAFF BY CONTRACT, GENDER AND AGE

	YEAR 2022		
	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEEES IN IBERO-AMERICA
Breakdown PERMANENT STAFF			
Gender			
Men	1,811	218	187
Women	744	42	118
Age			
Under 30	121	2	75
Between 30 and 50	1,446	137	206
Over 50	988	129	25
Breakdown TEMPORARY STAFF			
Gender			
Men	293	34	6
Women	204	10	2
Age			
Under 30	177	9	1
Between 30 and 50	276	28	5
Over 50	44	7	2

YEAR 2023		
CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEEES IN IBERO-AMERICA
1,801	215	150
841	41	100
148	1	70
1,567	124	164
927	131	16
280	37	1
155	9	3
130	8	0
265	26	3
40	8	0

CANAL GROUP REMUNERATIONS BY COUNTRY, GENDER, POSITION AND SENIORITY (EUROS)

The fixed remuneration of the highest paid person in the organization (CEO) was equivalent in 2023 to **4.7 times** that of the person with the lowest remuneration in Spain and **54 times** that of the person with the lowest remuneration in the Group (in Brazil).

[GRI 202-1]
[GRI 202-2]
[GRI 202-2]
[GRI 405-2]
[GRI 2-21]

	SPAIN	BRAZIL	COLOMBIA	ECUADOR	DOMINICAN REP.
Initial annual salary without lower category seniority	1,992	3,332	3,941	4,993	4,374
Minimum annual interprofessional salary of the country	15,120	2,932	2,975	4,993	4,374
Initial annual salary / minimum inter-professional salary (%)	132	114	132	100	100

ANNUAL remuneration by gender and professional category

Women

Management	79,561	7,090	35,950	38,254	56,768
Management Support	49,980		25,085	14,562	
Advanced degree holders	32,411	3,519	13,206	10,414	16,452
Medium degree holders	29,110	1,999		7,766	4,374
Middle management	26,930				8,942
Technicians	27,381			15,089	
Administrative and assistant staff	23,377	3,155	7,495	6,387	131,211
Maintenance staff	23,032				

	SPAIN	BRAZIL	COLOMBIA	ECUADOR	DOMINICAN REP.
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ANNUAL remuneration by gender and professional category

Men

Management	86,357	10,620	32,492	35,475	120,636
Management Support	51,284	4,693	13,036		
Advanced degree holders	31,843	3,386	0,017	11,428	21,732
Medium degree holders	29,099	3,448		6,657	26,242
Middle management	28,253	4,589			9,878
Technicians	28,464	3,144	5,597	11,785	
Administrative and assistant staff	23,300			6,244	48,111
Maintenance staff	24,149			7,605	131,654

Average ANNUAL remuneration by age

Under 30	21,050	3,083	6,140	6,473	5,263
Between 30 and 50	28,603	4,028	19,688	11,242	6,580
Over 50	34,151	3,061	18,643	9,320	11,046

COLLECTIVE AGREEMENTS AND UNION REPRESENTATION

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Staff covered by the company's own collective agreement	3,016	0	0	3,016
Staff covered by sectoral collective agreement	105	300	33	438
Other agreements	34	2	0	36
Staff not covered by an agreement	35		221	256
SUM	3,190	302	254	3,746
Workers affiliated with union organizations	693	105	0	798

TURNOVER OF CANAL GROUP STAFF BY AGE AND GENDER

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Total incorporations	835	17	37	889
Men	465	13	20	498
Women	370	4	17	391
Under 30	267	5	14	286
Between 30 and 50	503	12	19	534
Over 50	65	-	0	65
Total departures	704	27	34	765
Men	402	18	21	441
Women	302	9	13	324
Under 30	223	7	8	238
Between 30 and 50	384	14	24	422
Over 50	97	6	2	105
Voluntary departures	50	12	19	81
Men	30	8	10	48
Women	20	4	9	33
Under 30	9	6	7	22
Between 30 and 50	35	6	12	53
Over 50	6			6

[GRI 2-30]
[GRI 401-1]
[GRI 3-3]

AVERAGE TRAINING HOURS BY FUNCTIONS AND GENDER

[GRI 3-3]
[GRI 404-1]

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Management				
Men	44		21	43
Women	46	2	15	40
TOTAL	44	2	17	42
Management Support				
Men	38		31	38
Women	42	-	134	45
TOTAL	40	-	95	41
Advanced degree holders				
Men	36	2	30	35
Women	43	2	107	48
TOTAL	39	2	61	41
Medium degree holders				
Men	44		39	44
Women	44	4	24	42
TOTAL	44	4	35	43

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Middle management				
Men	18	6		17
Women	18			18
TOTAL	18	6		17
Technicians				
Men	36		31	36
Women	21		49	22
TOTAL	31		33	31
Administrative and assistant staff				
Men	22	8	24	22
Women	29	5	23	28
TOTAL	27	6	23	26
Maintenance staff				
Men	21	4	37	20
Women	36			36
TOTAL	21	4	37	21

INFORMATION ON PREVENTION IN THE CANAL GROUP

	CANAL DE ISABEL II		INVESTEES IN IBERO-AMERICA		REST OF INVESTEES IN SPAIN	
	Men	Women	Men	Women	Men	Women
Occupational accidents and diseases						
Workers exposed to occupational risks	2.082	975	154	103	251	51
At-work accidents (not on the way to or from work)	85	19	0	0	24	2
Accidents with sick leave (excluding accidents while travelling to or from work)	42	9	0	0	12	2
Average duration (days)	8	6	0	0	28	22
Days lost	703	112	0	0	675	44
Frequency rate of accidents with leave	12	6	0	0	28	23
Total frequency rate of accidents (excluding while travelling)	25	12	0	0	57	23
Severity rate	0.21	0.07	0	0	1.60	0.51
Frequency rate of accidents with leave	2017.37	923.29	0	0	4.819.28	3.921.57
Fatalities	0	0	0	0	0	0
Number of cases of occupational diseases	0	0	0	0	0	0
Rate of occupational diseases	0	0	0	0	0	0

	CANAL DE ISABEL II		INVESTEES IN IBERO-AMERICA		REST OF INVESTEES IN SPAIN	
	Men	Women	Men	Women	Men	Women
Hours worked						
Hours worked	3,368,028	1,550,545	219,960	154,440	421,607	85,778
Hours worked by employees with an indefinite contract	2,910,739	1,240,308	219,960	154,440	364,814	70,222
Hours worked by employees with a temporary contract	457,288	310,237			56,793	15,556
Absenteeism						
Hours lost due to absenteeism of permanent employees	195,711	104,604	1,584	2,824	74,629	16,689
Hours lost due to absenteeism of temporary employees Hours lost due to absenteeism of temporary employees	175,327	89,854	1,584	2,824	69,963	13,819
Total absenteeism	20,384	14,750			4,666	2,870
Absenteeism of employees with indefinite contracts	6	7	1	2	18	19
Absenteeism of employees with temporary contracts	6.02	7.24	0.72	1.83	19.18	19.68

[GRI 403-9]
[GRI 403-10]

3.4. CANAL GROUP OPERATIONAL DATA

[GRI 303-4]

Canal de Isabel II includes its delegation in Cáceres

SUPPLY

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Natural contributions of rivers				
Natural contributions (hm³ per year)	555	-	-	555
Surface catchments				
Number of reservoirs or surface catchments from the river or sea	18	6	1	25
Capacity of reservoirs and/or surface catchments (hm³)	965.40	1.89	37.84	967.29
Number of weirs	6	1	-	7
Groundwater catchments				
Number of operational groundwater catchments	79	-	-	79
Capacity of groundwater catchments (hm³)	93.00	-	-	93.00
Water derived for consumption				
Water derived for consumption (hm³ per year)	499.43	45.62	23.48	568.53

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Treatment				
Volume entering DWTP (hm³)	482	68	3.21	552.93
Volume of water treated (hm³)	482	30	3.15	515.14
Number of drinking water treatment plants	15	5	1	21
Treatment capacity (hm³/day)	4.60	0.09	0.009	4.70
Number of rechlorinators	76	1	-	78
Distribution				
Kilometres of supply networks (including adduction)	18,371	2,034	984	21,389
Number of large buffer tanks	34	2	-	36
Large tank storage capacity (hm³)	3.29	0.03	-	3.32
Number of smaller tanks	299	67	2	368
Storage capacity for smaller tanks (hm³)	0.55	0.11	1.5	2.16
Number of large lifting plants	25	4	-	29
Number of minor lifting plants	111	26	3	140

SEWERAGE

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Kilometres of sewer networks	18,371	2,034	984	21,389
Number of WWPS	195	6	130	331
Number of mills and storm tanks managed	73	4	0	77
Capacity of the storm tanks managed (hm³)	1,424	0.002	0	1,425
Spillways throughout the sewer network	22	26	0	48

WASTEWATER TREATMENT

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Number of treatment plants	158	8	114	280
Total volume treated in WWTP (hm³)	487.69	4.38	13.45	505.51
Purified volume with respect to the volume derived for consumption (%)	98	15	68	92
Design flow (hm³/day)	2.19	0.02	0.06	2.27

REUSE

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Kilometres of reuse networks	744	315	-	1,059
Number of reclaimed water plants in service	33	5	21	59
Number of reuse tanks in service	64	4	-	68
Volume of reused water (hm³)	16	2	5	24
Total irrigated area (ha)	1,876	347	-	2,223
Reclaimed water discharged into riverbed (hm³)	92	1	-	93

EFFICIENCY IN THE SUPPLY NETWORK

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Water measured in end users (%)	87	57	92	386
Estimation of real losses in networks (%)	4	42	8	7
Hidden losses in distribution network (%)	3	10	8	4
Percentage of self-consumption	0.92	0.40	0.61	0.87

[GRI 303-4]

BREAKAGES IN THE SUPPLY NETWORK

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Breakage rate per 1,000 km	97.98	3,735.95	755.83	472.17
Breakage rate per 1,000 connections	7.72	25.43	39.43	12.01

CONSUMPTION AND PRODUCTION OF ELECTRICAL ENERGY

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
TOTAL ELECTRICAL CONSUMPTION (kWh)	552,492,449	99,694,181	12,152,545	664,339,172
Supply	249,676,166	93,759,003	1,066,037	344,501,206
Sanitation (includes reuse and drying of sludge)	287,569,636	5,844,472	10,671,383	304,085,491
Other areas	15,246,646	90,704	415,125	15,752,475
Consumption per m³ of water managed	0.505	1.917	0.908	0.559
Producción de electricidad total (kWh)	226,131,880			226,131,880
Autoconsumo	130,883,126			130,883,126
Venta a la red eléctrica	95,248,754			95,248,754

FOSSIL FUEL CONSUMPTION

	CANAL DE ISABEL II	REST OF INVESTEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Heating fuel consumption: buildings and facilities				
Natural gas in building boilers (m³)	56,700			56,700
Diesel in building boilers (litres)	88,500			88,500
Fuel consumption in processes				
Diesel generators sets (litres)	11,289			11,289
Natural gas in cogeneration (MWh PCS)	161,209			161,209
Automotive fuel consumption				
Diesel consumption in vehicles and machines (litres)	541,584	52,128	74,163	667,876
Gasoline consumption in vehicles (litres)	158,359	11,210	57,206	226,775
Consumption of liquefied petroleum gases in vehicles (litres)	26,441	6,151		32,592
Consumption of liquefied petroleum gases in vehicles (kg)	2,002			2,002

[GRI 302-1]
[GRI 302-1]
[GRI 301-1]

REAGENT CONSUMPTION (tons)

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Drinking water supply reagents	30,880	1,889		32,769
Wastewater treatment reagents	31,792	953	125	32,870
TOTAL	62,673	2,842	125	65,639

WASTE PRODUCTION (tons)

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
WWTP sludge and DWTP sludge (non-hazardous)	460,941	8,571	308	469,820
Other non-hazardous waste	38,363	1,793	280	40,436
Hazardous waste	493	3	8	503
TOTAL	499,797	10,367	596	510,760

PAPER CONSUMPTION (kilograms)

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Internal paper consumption	13,662	1,962	2,926	18,550
Administrative and management activities	12,135	1,932	1,907	15,974
White paper (virgin fibre)	5,024		1907	6,931
Recycled paper	7,111	1,932		9,043
Commercial and other activities	1,527	30	1,019	2,576
Envelopes	5	30	127	162
White paper (virgin fibre)	1,133		892	2,025
Recycled paper	389			389
External paper consumption	67,684	2,418	4	70,106
Envelopes	36,462	1,717	1	38,180
White paper	31,222	701	3	31,926

[GRI 306-3]
[GRI 301-1]
[GRI 301-2]

EXPENDITURE AND INVESTMENT IN CSR (euros)

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Customers	3,435,079	169,283	931,466	4,535,828
Employees	801,345	25,981	1,077,433	1,904,760
Culture/society	3,463,250		47,761	3,511,011
Environment	33,078,524		18,279	33,096,803
R&D&i	45,796,889		19,873	45,816,762
Maintenance of social infrastructures	8,317,722			8,317,722
TOTAL CSR EXPENDITURE	98,356,058	195,264	2,094,813	100,693,897

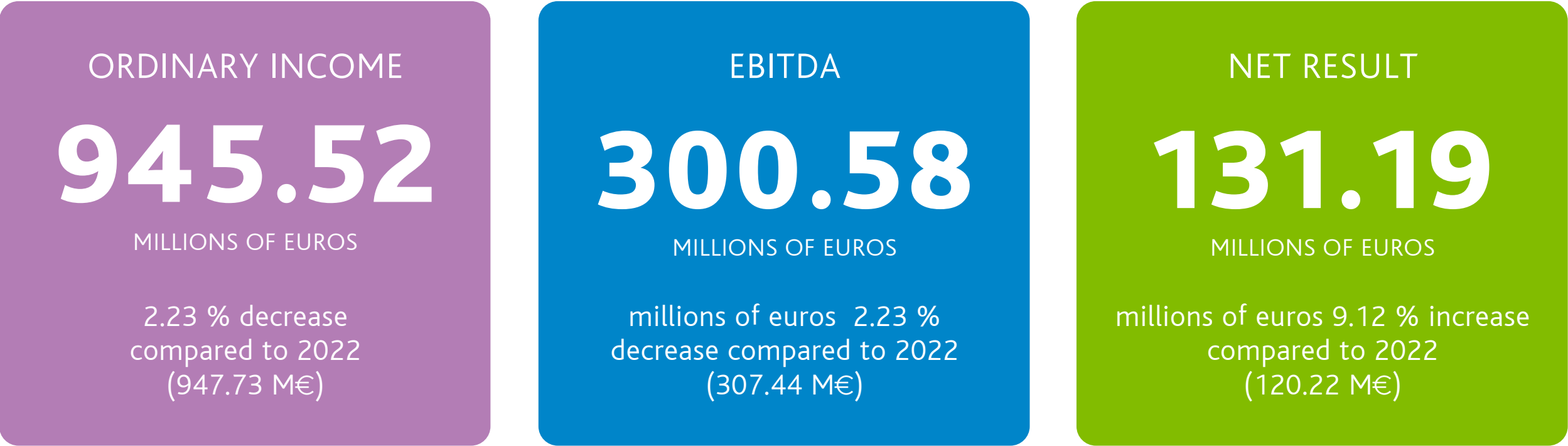
INVOICE COMPLAINTS

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Number of invoices issued	9,645,139	799,115	860,073	11,304,327
Percentage of complaints received over invoices issued	0.29	0.22	0.09	0.27
Percentage of complaints favourable to customers	64	68	70	64

COMPLAINTS RECEIVED AND RESOLVED

	CANAL DE ISABEL II	REST OF INVESTEEES IN SPAIN	INVESTEES IN IBERO-AMERICA	GROUP
Complaints received	12,242	236	23,081	35,559
Complaints resolved				
Accessibility and usability (virtual o.)	208			208
Information	296	7		303
Customer/citizen service	61	19	11	91
Administrative procedures	5,240			5,240
Economic disagreement	503	13		516
Service provided	3,815	127	4,239	8,181
Water quality	399	2	130	531
Environmental, health and safety and others	2	23	2,573	2,598
Annulled	1,890			1,890
Transferred to the Customer's Ombudsman		2		2

3.5. CONSOLIDATED ECONOMIC RESULTS OF THE GROUP IN 2023



MAIN ECONOMIC FIGURES OF THE GROUP IN 2023

In 2023 the euro has been devalued, in average exchange rate, with respect to the foreign currencies with which the Group operates, except in the cases of the Uruguayan peso and the Brazilian peso, which have slightly increased their value. This implies an **increase in the value of income and operating costs** of activities carried out in foreign currency. However, due to the low weight of these activities in the Group, the impact on the consolidated figures has not been significant.

The **consolidated ordinary income** of the Group **has decreased very slightly, 0.2%** with respect to fiscal year 2022, and has increased with respect to 2021. Likewise, the income of the parent company has decreased slightly due to the impact of climatology on consumption. In addition, it is important to remember that **rates in 2023 have remained without increases** for the tenth consecutive year.



[GRI 3-3]
[GRI 201-1]

The **income contributed by the parent company, 93.2% of consolidated income**, has decreased slightly compared to the previous year. The natural contributions of rivers to reservoirs, which have an inverse relationship with demand, despite remaining below the average of recent years, have increased by 16% compared to 2022. As a consequence, the **volume of billed water has decreased by 0.8%**, and it has done so to a greater extent in the blocks with a higher rate, decreasing the average rate per cubic metre consumed.

It is important to highlight the recovery of commercial and industrial consumption, which has increased by 1.7% compared to 2022 and 10% compared to 2021, although it is still below the levels of 2019, the year before the COVID-19 pandemic.

One relevant aspect to take into account in relation to income is that the parent company has allocated a total of **3.4 million euros** in 2023 to the application of **social bonuses** in its rates (3.5 million euros in 2022).

The revenues of **Canal Gestión Lanzarote, 3.8% of consolidated revenues**, continue the trend shown in 2022, with an increase in the volume of water billed (+3.2% in cubic metres), thanks to greater tourist/industrial consumption , which is

also the block that has a higher average rate (+6.3% increase in euros).

On the other hand, **Amagua’s income, 2.7% of consolidated income**, have also increased compared to 2022, due to two positive effects: the **revaluation of the US dollar against the euro and the increase in income from the provision of services** (water drinking and sewage).

Consolidated operating expenses above EBITDA have decreased very little compared to 2022, only 0.2%, thanks mainly to the reduction in electricity prices, which in 2022 had reached their all-time highs. This fact has been practically offset by the increase in the price of reagents and materials, the increase in the costs of own and subcontracted personnel, due to salary reviews of the different agreements and the adaptation to new, increasingly demanding regulations and the implementation of new activities and other improvements in the quality of processes, within the framework of the 2018-2030 Strategic Plan. The higher costs for supplementary quota in the parent company, reclassified from financial expenses to external services for 2022 and 2023, have also contributed to offsetting the reduction in electricity prices.

Likewise, it should be taken into account that the rates applied by Canal de Isabel II and Canal

Gestión Lanzarote have not been increased in 2023, while the companies in the sector have supported the increase in the costs of supplies, in-company and subcontracted personnel, as well as adaptation to new, increasingly demanding regulations.

Finally, in the **Emissão** Group company, despite having practically no activity in 2022 and 2023, significant expenses associated with compensation for the restructuring of its in-company personnel, tax liabilities, obligations with suppliers and impairment of accounts to be collected have been recorded in the year.

CONSOLIDATED ECONOMIC FIGURES OF THE CANAL GROUP (millions of euros)

Business figures (millions of euros)	2021	2022*	2023
Ordinary income	915.02	947.73	945.52
EBITDA	353.89	307.44	300.58
Amortisation	-129.6	-131.83	-134.09
Operating income	177.53	131.28	137.05
Financial result	-17.12	-8.07	-1.90
Consolidated net result	154.64	120.22	131.19
Other financial indicators	2021	2022	2023
EBITDA/Business figures	36.68%	32.44%	31.79%
Canal de Isabel II average collection period (days)	48.59	46.82	49.15
Canal de Isabel II average payment period (days)	25.49	23.79	24.4

(*) Restated information. In addition, reclassification of expenses for supplementary quota and for the homogeneous treatment of the financial update of the Provision for actions on infrastructure. (see Note 2f of the Group’s Consolidated Annual Accounts).

As a consequence, the **consolidated EBITDA has decreased by 6.87 million euros** compared to 2022, the operating profitability moving in percentage terms from 32.44% in 2022 to 31.79% in 2023. The **consolidated operating result**, however, is **higher by 4.07 million euros**, as it includes 2023 profits associated with the sale of real estate investments of the parent company for an amount of 11.9 million euros, compared to 3.3 million in 2022.

Regarding the **financial result**, it improved with respect to the previous year by 7.89 million euros, thanks to the higher financial performance obtained

from bank deposits and loans granted to other Group companies linked to the Euribor in the parent company. The negative financial results of **Canal Gestión Lanzarote** (an opposite effect to that of the parent company) and **Emissão** have partially mitigated the effect on the parent company.

At the end of 2023, and in consequence with the variations explained above, the Canal Group has recorded a **Corporate Tax expense that is 0.88 million euros higher than in 2022**.

The **net result increases by 10.97 million euros** compared to 2022 for the reasons mentioned above.

Canal’s contribution represents 93.2% of the total consolidated income, 102.4% of the EBITDA and 120.4% of the result, having more weight in the consolidated result than in 2022 due to the best consolidated result of the parent company.

The absorption by Canal de Isabel II, Sociedad Anónima, M.P. of the Canal Group companies that operated in the Community of Madrid **has practically reduced the activity of the Spanish investees** to the activity of **Canal Gestión Lanzarote**. Its contribution to the consolidated result is negative at a significant amount in 2023 and

2022 as a consequence of the significant impact of the cost of electrical energy on this company’s business. The improvement of the tourism sector on the islands of Lanzarote and La Graciosa has prevented the contribution to the consolidated result from having an even greater negative impact.

Finally, the **Canal Extensia Group** also contributes losses to the result, affected by the decrease in its activity in recent years. Its contribution is more negative than in the previous year due to the activation of negative tax bases in the Corporate Tax in Emissão.

SEGMENTED ECONOMIC INFORMATION ON THE GROUP (millions of euros)

2022			
	CANAL DE ISABEL II	SPANISH INVESTEES	CANAL EXTENSIA GROUP (INVESTEES IN IBERO-AMERICA)
Ordinary income	886.37	33.24	28.11
EBITDA	313.08	-7.49	1.86
Consolidated result	127.39	-12.73	5.56

2023			
	CANAL DE ISABEL II	SPANISH INVESTEES	CANAL EXTENSIA GROUP (INVESTEES IN IBERO-AMERICA)
Ordinary income	881.47	35.47	28.59
EBITDA	307.87	-1.16	-6.13
Consolidated result	158.02	-13.52	-13.31

NET FINANCIAL DEBT OF THE GROUP

	2021	2022	2023
Net financial debt (millions of euros)	188.00	115.77	236.31
Net financial debt/EBITDA	0.53	0.39	0.79

When analysing the net financial debt, one must take into account that **99.9%** of it corresponds to the **debt of Canal de Isabel II, Sociedad Anónima, M.P.** (the dominant company), which was 99.8% in 2022. **In addition to the issuance of bonds for 500 million euros**, the average debt of the parent company with financial entities through the **mirror debt with the public entity Canal de Isabel II** has been of **190 million euros**, which is **7% lower than that of 2022** (204 million euros).

During the fiscal year 2023, financial debt has continued to be reduced in accordance with its maturities, going from a financial debt of **697 million euros** in 2022 to **682 million at the end of 2023**.

As for the treasury, the high cash generation capacity of the Canal Group, as well as the replanning of some investment projects foreseen in the 2018-2030 Strategic Plan, has made it possible in 2023 to meet all our commitments and distribute **dividends** at an amount of **81.7 million euros**,

the year ending with a balance on the balance sheet, taking into account cash and financial investments in short-term deposits, of **445.9 million euros**, with a net **financial debt of 236.3 million euros**.

Financial risks

The activity of our business group is subject to the following financial risks:

- **Interest rates.** Following the issuance of simple unsubordinated obligations for an amount of 500 million euros in February 2015, Canal increased the percentage of debt at a fixed rate, reaching 100% at the end of 2023, which reduces to zero the company's exposure to the risk from variations in interest rates.
- **Liquidity risk.** Our Group has **stable activity and moderate debt**. This makes it possible to have a solid financial position and reduce financial debt annually. In order to control liquidity risk, the Canal Group carries out long-term fi-

nancial planning and constant control and monitoring of its cash flows. In addition, the parent company has signed credit lines for an amount of 102 million euros maturing in December 2023, of which it has not been necessary to draw down any amount at the end of the year. At the end of 2023, the Canal Group **had cash amounting to 445.2 million euros**.

As of the end of 2023, the Canal de Isabel II Group has ratings from the rating agencies **Fitch (BBB+**, with a stable outlook) and **Moody's (Baa1**, with a stable outlook).

On the other hand, during recent years the Ibero-American companies of the Group have had difficulties in renewing their financial debt with credit institutions as well as collectability entities, generating liquidity tensions in some of them. As a consequence, debts with credit institutions of the subsidiaries have been reduced and financing between Group companies has been expanded, using the cash surpluses available to Canal Extensia, in a first phase, and providing financing from Canal through Canal Extensia, once they were exhausted.

- **Pressure on prices.** Another risk factor inherent to the Group's activity is the possible pressure on prices, when providing an essential service such as the management of the integral water

cycle. The exposure to this risk is evidenced by the fact that the rate associated with the services provided by the parent company has remained frozen since 2015.





The rest of the Group companies that provide these services mitigate price risk by indexing their rates to variations in the CPI or the price of water. However, despite being included in the rate review formula in the concession contract, **Canal Gestión Lanzarote** has been forced to **judicially demand the application of this formula** or the receipt of compensation for the same amount (which information is expanded in Note 10 of the Annual Accounts Report).

• **Credit risk.** Credit risk does not constitute a significant factor at a global level, because most of the Group’s companies have a very fragmented customer population. However, given the economic situation of some regions in which the Group operates, and the fact that the companies’ main activity is comprehensive water management, a basic service that must continue to be provided, the Group, in order to reduce the risk of non-payment by its clients, has opted for efficiency in the provision of its services and for the dynamization of collection management.

Additionally, those Group companies that had a high concentration of clients, and therefore a greater exposure to credit risk, such as AAA Dominicana, Emissão and Canal Extensia América (Panama branch), have significantly reduced or even ceased their activity, thus reducing the Group’s exposure to this type of risk.

• **Exchange rate risk.** Our business group does not have a significant exposure to exchange rate risk due to natural hedging, since most of the debts of the companies that comprise it, without taking into account financing between Group companies, are nominated in the same currency as their income and in which they make most of their purchases.

However, the change in the debt policy of the Group companies mentioned above, increasing financing between them, has led to an increase in exposure to exchange rate risk. From an individual point of view, the subsidiaries have taken on debt in a currency other than the one in which they operate, and from a Group point of view, their investment in foreign currency has increased. Still, the amount of the Group’s foreign currency assets is not significant.

Tax information on the Group

What follows is the tax information, for both Corporate Tax payments and withholdings, at the parent company and Group level:

CONSOLIDATED TAX INFORMATION

Corporate Tax (thousands of euros)	2021	2022	2023
Total instalment payments and withholdings Canal de Isabel II Group	7,370	5,987	6,793
Total payments associated with Canal de Isabel II, S.A., M.P.	7,341	4,867	3,108
Final amount of the tax declared by Canal de Isabel II Group	1,399	3,099	N.D.
Final amount of Canal de Isabel II, S.A., M.P.	306	2,366	N.D.

CORPORATION TAX PAYMENTS ASSOCIATED WITH THE CANAL DE ISABEL II GROUP (thousands of euros per year)

Countries	2022	2023
Colombia	84	66
Brazil	0	0
Dominican Republic	22	75
Ecuador	490	507

TAX INFORMATION (thousands of euros per year)

		2022	2023
Spain	Profit made	104,365.05	105,559.66
	Public subsidies received	4,421.96	4,585.17
Colombia	Profit made	-10,885.02	-8,847.99
	Public subsidies received	0	0
Brazil	Profit made	-9,717.45	-806.99*
	Public subsidies received	0	0
Dominican Republic	Profit made	-5,474.41	-1,808.86
	Public subsidies received	0	0
Ecuador	Profit made	3,243.39	3,078.93
	Public subsidies received	0	0

*Restated information

Other financial information

• **Company shares.** During the annual period that ended on 31 December 2023, there has been no acquisition of company shares by Group companies.

• **Financial instruments.** During the year there has been no use by the Group companies of financial instruments that is of relevance for the valuation of their assets, liabilities, financial situation and results.

• **Subsequent events.** Subsequent events are shown in note 32 of the Annual Accounts Report.

[GRI 207-4]
[GRI 201-4]

INVESTMENTS OF THE CANAL GROUP IN 2023

The cash flows generated in operating activities have been largely used to cover the **volume of investment** executed during 2023, which amounts to **354.8 million euros** in works and projects (compared to 187 million in 2022).

It should be noted that this figure includes investments that have been considered to be replacement investments in accordance with international accounting standards (IFRS), and that, in application of these standards, they have not been activated by the parent company as a higher value of the fixed assets. Canal has made investments of this type for an amount of 173.4 million euros (87.6 million euros in 2022). However, this investment figure does not include the accounting additions recorded in the Group's fixed assets that are associated with the application of IFRS 16, as they are associated with leases made by the Group, or the purchases of CO₂ emission rights.

Investments in Canal de Isabel II, Sociedad Anónima, M.P.

The **parent company** has made investments amounting to **348.8 million euros**, which represents 98.8% of the Group's total investments (compared to 184.6 million in 2022). An acceleration can be observed in the investment volume, which is estimated to be higher in the coming years in order to achieve the strategic objectives of Canal de Isabel II.

It should be noted that this figure includes **investments that have been considered to be replacement investments** in accordance with the rule of adaptation of the General Accounting Plan to public infrastructure grantor companies and that, in application of this rule, have not been activated by the company as the greatest value of the fixed assets. The parent company has made investments of this type for an amount of **173.4 million euros** (87.6 million euros in 2022).

Additionally, Canal de Isabel II carries out **renovation and improvement works on the distribution and sewage networks** that are **municipally owned**. The amount associated with these works is generally recovered through an **additional fee** on the users' invoice and therefore they are classified as a financial asset in accounting terms. During the fiscal year 2023, works of this type have been carried out for an amount of **54.8 million euros** (27.9 million in 2022).

The **most important investments** carried out respond to the aforementioned objectives of guaranteeing a **satisfactory level of functioning of the operation**, maintaining the levels of **productive efficiency and competitiveness, the expansion of automation: and remote control** of its facilities, the **expansion and improvement of the transportation and distribution network** and storage capacity, the **adaptation and modernisa-**

tion of the wastewater treatment system, as well as the **expansion of reuse infrastructures**. The following table shows the investment volume for each of the different categories:

INVESTMENT BY CATEGORIES (millions of euros)

	2021	2022	2023
Supply guarantee	50.23	87.47	169.43
Quality guarantee	10.80	6.49	9.24
Environmental commitment	53.75	54.51	83.98
Technological innovation	18.44	18.72	24.85
Adequacy of the general services of Canal de Isabel II	5.23	7.30	10.34
Other investments	4.05	10.09	8.45
Price review R.D. 3/2022 Ownership by Canal	-	-	42.51
TOTAL	142.50	184.57	348.81
Works on distribution and sewage network owned by third parties	17.86	27.89	45.47
Price review R.D. 3/2022 ownership by third parties	-	-	9.29
TOTAL INVESTMENTS AND WORKS OWNED BY THIRD PARTIES	160.36	212.46	403.57

[GRI 3-3]
[GRI 201-1]
[GRI 203-1]

Our company's **investment volume in 2023 has increased by 90%** compared to 2022 and is expected to continue growing significantly, the estimate being of an investment of close to 2,000 million euros in the next five years.

The **2018-2030 Strategic Plan** requires a **significant investment effort** and that is why high-value contracts are being put out to tender with long award periods. The implementation of Canal's ambitious investment plan was affected by the new Public Procurement Law, which began to apply in 2018 and led to an increase in the average terms for awarding contracts, as well as by the COVID-19 pandemic. 19, which impacted both the execution of the works and the awarding of the tenders, not allowing the expected investment volume to be reached in the years 2020 and 2021. Since the end of 2021, Canal has been strengthening and reviewing its contracting processes to adapt to new demands but also to be as efficient as possible, reducing average contracting times.

Among the actions of Canal's **2018-2030 Strategic Plan**, the following stand out: the Sanea

Plan, for modernising and improving sewage networks; the **Plan Red**, for standardising the materials of the distribution networks and thus improve water quality; the **Smart-Region Plan**, whose objective is to ensure that by 2030 100% of the meters installed are smart, and the Solar Plan, which focuses mainly on the creation of new photovoltaic plants in the company's infrastructure to promote the generation and self-consumption of clean energy.

Among the investments made in 2023 aimed at **guaranteeing supply**, the investments aimed at the **renewal of distribution networks** and the **deployment of remote reading** stand out. In the case of those aimed at **environmental commitment**, the most significant investments are related to the **«Plan to adapt the wastewater treatment system and extend the supply of reusable water»**.

Additionally, *Royal Decree 3/2022³⁴* makes it possible to carry out an **extraordinary review of the prices of public sector contracts** that meet certain conditions. This has meant a higher cost

since 2021 of investments associated with various contracts and, therefore, a higher investment amount for the year.

Investments completed

Among the most significant additions to the investment registered as of December 2023, the following stand out:

- The work of the **Plan Red** for the renewal of networks in the pipelines of different municipalities in the Community of Madrid, replacing obsolete materials with more technologically advanced ones, in order to guarantee the quality and increase the efficiency of the distribution network; as well as with the installation of measuring devices and connections of the Plan to implement and integrate the water meters of the Community of Madrid into the remote reading system.
- In **adduction**, the rehabilitation of the **San Fernando Artery** at the intersection with the M-40 highway and the left branch of the **Main Artery of the East** in a gallery as it passes under the A-2 highway, as well as the improvement of the facilities of the **Santillana DWTP**.
- In **the distribution of drinking water**, the adaptation of the roof of the **Second Getafe**

Tank for its waterproofing and upcoming installation of photovoltaic panels on the surface, and the construction of **regulation tanks** in the municipalities of **Redueña and Torrelaguna** with the necessary conduits to increase the supply guarantee.

- In the **sewer networks**, the construction of a **WWPS in Redueña** and delivery to the **Venturada WWTPs**, as well as those derived from the **Sanea Plan** to improve the efficiency of the sewer network in the Community of Madrid with the renewal of the municipal sewer networks.
- In **wastewater treatment**, the adaptation of the **Arroyo de la Vega WWTP** to the National Water Quality Plan, the biological treatment at the **La Poveda WWTP**, the improvement works at the **Morata de Tajuña, Tres Cantos, East Alcalá and Casaquemada WWTPs**, as well as the construction of a new Work Centre at the **El Endrinal WWTP** in Colado Villalba.
- In relation to **regenerated water for reuse**, what stands out are the supply of reusable irrigation water in Algete from the tertiary of the **West Algete WWTP** and in the **Torrejón de Ardoz** reuse network.

34. Royal Decree-Law 3/2022, of 1 March, on measures to improve the sustainability of the transport of goods by road and the operation of the logistics chain, and which transposes Directive (EU) 2020/1057, of 15 July 2020, laying down specific rules with respect to Directive 96/71/EC and Directive 2014/67/EU for the posting of drivers in the road transport sector, and exceptional measures regarding price reviews in public works contracts.

- Within the **automation plan**, it is worth highlighting the installation of new TETRA base stations to reinforce the **telecommunications network**, improve coverage and the final quality of the service provided, as well as continuous measurement equipment based on smart sensors for the control of water quality in the distribution network.
- Within the framework of the **Solar Plan** for the implementation of new photovoltaic installations in the company's infrastructure, floating photovoltaic panels have been installed in the lower reservoir of the **Torrelaguna** hydroelectric plant for the production of electrical energy with connection to the existing installations from the plant.

Investments in progress

The most relevant actions that were being carried out at the end of 2023 are:

- The works of adaptation to the National Water Quality Plan (PNCA) of the El Plantío WWTP.
- Improvements in the South WWTP.
- The adaptation of reliefs of the Lower Basin Arroyo Culebro WWTP.
- The improvement works of the Santillana System in Manzanares el Real.
- The actions in the sanitation networks associated with the **Sanea Plan**.
- The supply network renovation actions associated with the **Network Red**.
- Improvement works at the Torrelaguna DWTP.
- The refining treatment at the Griñón DWTP.
- The new photovoltaic energy installations associated with the development of the **Solar Plan**.

Investments in the rest of the Group companies

The investment volume of the rest of the companies, due to their size and business model, is **not significant**.

However, it is important to highlight that in 2023 **Amagua** has carried out investments in Ecuador amounting to **1.1 million euros** (1.4 million euros in 2022), such as the Drinking Water Pumping Station for the South Sector, drinking water and rain-water pipes or pumps and treatment equipment.

Additionally, **Canal Gestión Lanzarote** has made investments amounting to **4 million euros** (0.7 million euros in 2021), 1.1% of the Group's total investments.

Investments in R&D&i in the Canal de Isabel II Group

The Canal Group, **through the parent company**, actively contributes to **research and innovation** studies in order to increase scientific and technical knowledge in the sector. Canal wants to responsibly promote innovative activity in the sector and to do so it has decided to gradually increase its innovation budget until it reaches the equivalent of 2% of its turnover.

The investment made by the parent company in 2023 was **48.96 million euros, 5.2% of its turnover**. Investment in R&D&i increases significantly mainly due to the implementation of remote reading and automation of the company's infrastructure.

Information on the R&D&i activities carried out by Canal in 2023 is expanded in section 2.9. of this Report («Being at the head in innovation and development. At the forefront of our sector»).



3.6. TAXONOMY OF THE EUROPEAN UNION



REGULATORY FRAMEWORK

Canal de Isabel II, Sociedad Anónima, M.P. is subject to the EU **Taxonomy Regulation (EU) 2020/852**³⁵, which implies certain **disclosure obligations** related to ‘**environmentally sustainable**’ activities. From fiscal year 2021 onwards, Canal has been reporting information in accordance with this regulation, which has been widening its scope with the **publication of several Delegated Regulations**³⁶, including the **Climate** Delegated Regulation, the **Dissemination** Delegated Regulation, and the **Environmental** Delegated Regulation.

The latter Regulation, adopted by the European Commission in 2023, introduces new activities with corresponding technical criteria for **contributing to environmental objectives**³⁷, thus broadening the scope beyond climate change mitigation and adaptation. In addition, this Delegated Regulation is complemented by seven annexes setting out technical selection criteria for specific sectors and activities.

Taxonomy is a regulation that continues to be developed, which means that companies must make interpretation decisions and conduct a continuous analysis exercise to ensure that the information provided adequately responds to the requirements established in accordance with the information that becomes available.

In 2021, in accordance with the requirements established by the regulatory framework in force, Canal disclosed the percentage of eligible activities on **revenues, investments in fixed assets** (CapEx³⁸) and operating expenses (OpEx³⁹) linked to activities covered by the Taxonomy due to their potential substantial contribution to mitigating and adapting to climate change. In 2022, the second year of application of the European Taxonomy, non-financial entities were required to report the proportion of aligned activities on the same three key financial indicators, in addition to relevant information related to our accounting policy, compliance with the Taxonomy Regulation and contextual information in relation to these indicators.

35. Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.
36. The EU Taxonomy is structured through Regulation (EU) 2020/852 and complemented by three delegated acts: Delegated Regulation (EU) 2021/2139 (Climate RD) and Delegated Regulation (EU) 2023/2486 (Environment RD), which set out the technical screening criteria for determining compliance with the Taxonomy, and Delegated Regulation (EU) 2021/2178 (Disclosure RD), which specifies the content, presentation and methodology for the disclosure of information that companies must make regarding sustainable economic activities.
37. The sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and conservation and protection of biodiversity and ecosystems.
38. CapEx (Capital Expenditures) are the investments a company makes to purchase, maintain or improve its fixed assets, such as production plants, machinery or vehicles.
39. 5OpEx (Operational Expenditures) is the sum of all the expenditures a company makes to run its business, such as paying payroll, purchasing raw materials or paying for energy.

[GRI 201-1]
[GRI 203-2]

SCOPE AND ASSESSMENT OF CANAL'S ACTIVITIES

The scope for the application of the European Taxonomy Regulation includes the activity of Canal de Isabel II, Sociedad Anónima, M.P. and all the subsidiaries included in the Canal Group (fully consolidated companies).

ELIGIBILITY OF CANAL'S ACTIVITIES WITH TAXONOMY

Within this perimeter, Canal has conducted an analysis of its accounting information to determine which of its activities are associated with the activities described in the Taxonomy, identifying those eligible under the climate change mitigation objective, as well as the objective of sustainable use and protection of water and marine resources. Despite having conducted a physical climate risk analysis, Canal has no climate change adaptation measures that can be counted as eligible.

This analysis is informed by the current understanding of the descriptions and technical criteria in the Taxonomy, which, as will be explained below, in some cases has involved updates to the assessment criteria used in the 2022 exercise. While the calculation methodology has remained the same as last year, the economic activities that have been considered **eligible** according to the Taxonomy for Canal activities in 2023 are presented below.



ACTIVITY TYPE	NAME OF THE TAXONOMIC ACTIVITY	DESCRIPTION OF CANAL’S ACTIVITY	TAXONOMIC TARGET
Management of water collection, treatment, and supply systems	5.1. Construction, extension and operation of water catchment, treatment, and distribution systems	This activity comprises the supply part of the integral water cycle, which includes the collection, treatment, and distribution of drinking water.	✓ Climate change mitigation
	5.2. Renovation of water catchment, wastewater treatment, and distribution systems	This activity in Canal includes all the tasks for the renovation and improvement of the sanitation system.	✓ Climate change mitigation
	2.1. Water supply	It covers the construction, extension, operation, and renovation of systems for the collection, treatment, and supply of water for human consumption based on the extraction of natural water resources from surface or groundwater sources.	✓ Sustainable use and protection of water and marine resources
Urban wastewater infrastructure management	5.3. Construction, extension and operation of wastewater collection and treatment systems	This activity comprises the sanitation part of the integral water cycle, which includes wastewater treatment and sewerage.	✓ Climate change mitigation
	5.4. Renovation of wastewater collection and treatment	Referred to the activities that the company conducts for the renovation and upgrading of wastewater treatment plants.	✓ Climate change mitigation
	2.2. Urban wastewater treatment	Construction, extension, upgrading, operation, and renewal of urban wastewater infrastructures: treatment plants, sewerage networks, stormwater management structures, connections to the wastewater infrastructure, decentralised facilities, etc. wastewater infrastructure, decentralised wastewater treatment facilities, such as individual and other appropriate systems, as well as other appropriate systems, like treated effluent discharge structures. The activity includes innovative and advanced treatments, including removal of micropollutants.	✓ Sustainable use and protection of water and marine resources
Renewable energy generation	4.1. Electricity generation from solar photovoltaic technology	Includes the production of renewable energy from solar sources.	✓ Climate change mitigation
	4.5. Electricity generation from hydropower	This refers to the activity of energy generation through mini-hydroelectric plants.	✓ Climate change mitigation
	4.30. High-efficiency co-generation of heat/cold and electricity from fossil fuels	Canal has two natural gas cogeneration plants with an installed capacity of 44.70 MW. These are the EDAR Sur and UTL Loeches.	✓ Climate change mitigation



This has been the **share of eligible economic activities** according to the Taxonomy in 2023:

- **Turnover: 98.39 %** eligible
- **OpEx: 92,50 %** eligible
- **CapEx: 97.86 %** eligible

Compared to the 2022 figures, turnover has increased significantly from 96.17% last year. As for OpEx, there has been a slight decrease from 92.22% in 2022. Finally, CapEx has seen a small increase compared to 97% eligible in 2022.

In line with the above, while renewable energy generation contributes directly to the environmental objective of climate change mitigation, in the case of sludge

drying, as it consumes gas in its activity, it cannot be considered an eligible activity for the climate change mitigation objective. It is true that this activity, in addition to generating electricity, contributes to promoting the circular economy by reusing the waste from its main productive activity (sludge generated in the wastewater treatment activity) to generate fertiliser.

In addition to the mentioned economic activities, which are directly linked to environmental objectives, the parent company has made significant investments to reduce the carbon footprint of its transport fleet, making long-term leases of electric vehicles and reducing the weight of combustion vehicles, which, although not considered in the Taxonomy of the European Union, contribute to reducing the impact of Canal's activity on the carbon footprint.

ALIGNMENT OF CANALS'S ACTIVITIES TO TAXONOMY

Regarding alignment, Canal has assessed all its activities from both a mitigation and adaptation perspective. In this regard, work is still ongoing to determine with the necessary precision the proportion of taxonomic activities that have a significant impact on the climate change adaptation objective.

The above-mentioned criteria for eligibility have been observed in the same way for alignment. Additionally, the assessment of compliance with the criteria set out in Article 3 of Regulation (EU) 2020/852 and with the technical selection criteria included in the delegated acts relating to climate change mitigation and adaptation objectives is of a different nature and varies for each of the activities identified.

In general terms, the assessments carried out have consisted of one of the following activities: observing that the analysed activity complies with the description given in the technical criteria, assessing that the operational parameters of the activity are within the established limits, confirming the existence of internal procedures or tools to ensure compliance with requirements, confirming the compliance of the assessed activity with the law.

Therefore, to obtain the percentage of alignment of the Canal figures, compliance with the **technical criteria** detailed below has been assessed for each of the eligible activities.

The eligible and aligned activities are therefore those listed in the table below:

ALIGNED TAXONOMIC ACTIVITY	TECHNICAL CRITERIA	CANAL'S COMPLIANCE WITH THE TECHNICAL CRITERIA FOR SUBSTANTIAL CONTRIBUTION
5.1. Construction, extension and operation of water catchment, treatment, and distribution systems	The supply system complies with one of the following requirements: a) The average net energy consumption for abstraction and wastewater treatment is equal to or less than 0,5 kWh per cubic metre of water supplied. b) The level of leakage is calculated using either the structural leakage index (ILI) rating method (205), and the threshold value is equal to or less than 1,5, or another appropriate method.	In this case, Canal complies with the first requirement, as the specific net energy consumption in Canal for the supply activity in 2023 was 0.4 kWh/m³. This value is obtained by dividing the net energy consumption linked to the supply activity, 235,645,418 kWh, by the volume of water derived for consumption, 489,678,727 m³.
5.3. Construction, extension and operation of sewage collection and treatment systems	The net energy consumption of the wastewater treatment plant is equal to or less than: a) 35 kWh per person population equivalent (e-h; per year in case the capacity of the treatment plant is less than 10,000 e-h. b) 25 kWh per person/capita equivalent (e-h); per year if the capacity of the treatment plant is between 10,000 and 100,000 e-h. c) 20 kWh per person-equivalent (e-h;) per year if the capacity of the treatment plant is between 10,000 and 100,000 e-h, or more than 100,000 e-h.	This technical requirement in 2023 is met by 74 of Canal's 156 WWTPs. However, given that capacity and size vary greatly between the different facilities, compliance with the technical criterion has been weighted according to the volume of water treated, resulting in an alignment percentage of 81 %. To obtain this value, each of the 156 facilities was discriminated by size/design in population equivalents according to the net energy consumption rates established by the standard. It is worth noting from the results of this analysis that the WWTPs with the largest volume of treated water are precisely those with the highest proportion of compliance with technical criterion c).
4.1. Electricity generation using solar photovoltaic technology	The activity generates electricity using solar photovoltaic technology.	Canal has 10 solar energy installations in operation. A total of 3.09 MW of installed capacity that have generated 2.25 GWh in 2023. Of these installations, two are part of the mentioned Solar Plan that is currently underway. See chapter 2.4. 'Caring for your environment.'

COMPLIANCE WITH THE TECHNICAL CRITERIA OF NO SIGNIFICANT HARM (DNSH)

Not to cause significant damage to climate change adaptation

Canal de Isabel II has been using its own resource management model in its daily work with several objectives, among which the adaptation to climate change stands out, to face the extreme weather phenomena to which the company is exposed due to its activity: droughts, floods, variations in the available resources or deviations in the demand, among others.

This management model allows Canal to put all means in place to guarantee the water supply to the population following the principle of efficient management of the resource in situations of shortage or problems related to floods. The company also has a model to perform probabilistic analyses with the results obtained to help forecast the evolution of the reservoir reserves in each time horizon. These models are valuable tools for the company in terms of adapting to climate change to minimise the negative socio-economic, environmental, etc. effects usually associated with it.

Not to cause significant harm to the sustainable use and protection of water and marine resources

At Canal we conduct the actions required in the National Water Quality Plan —PNCA—, by which the treatment plants must have the necessary processes to eliminate phosphorus and nitrogen. This obligation involves making a series of investments with the aim of equipping treatment plants with advanced treatments for the elimination of nutrients, actions contemplated in the PNCA, which, in order to comply with Framework Directive 2000/60/EC, establishes a Community framework for action in the field of water policy and requires treatment plants to have the necessary processes to eliminate phosphorous and nitrogen. This obligation entails making a series of investments with the aim of equipping treatment plants with advanced treatments for the elimination of nutrients.

Not to cause significant harm to a circular economy

The control of waste management at Canal's production centres and grouping points is based on the correct separation of waste at source and is complemented with the monitoring of collection routes, scheduled fortnightly and conducted by authorised waste managers, ensuring compliance with current legislation.

In recent years, we have actively worked on the proper management of non-hazardous waste with the aim of increasing the amount destined for reuse or recovery.

Minimal social safeguards

To be considered an environmentally sustainable economic activity, it must be conducted in accordance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

Canal de Isabel II respects and promotes human rights throughout its value chain. Therefore, it has a due diligence system consisting of policies, periodic procedures for assessing adverse impacts, management measures to prevent and mitigate the possible impacts identified, monitoring and communica-

tion procedures, and complaint and remedy mechanisms. It also has policies and procedures on competition, anti-corruption, responsible business, conflicts of interest and fiscal responsibility, among others, to reinforce the Group's commitment to social rights and sustainable growth. More information in the section 'Corporate governance at Canal de Isabel II,' included in this report.

Taking this information into account, the **alignment percentage** with the Taxonomy over the total revenues (turnover) CapEx and OpEx of Canal's activities in 2023 has been as follows:

- **Turnover: 75.34 %** of total turnover.
- **OpEx: 81.64 %** alignment over total turnover.
- **CapEx: 48.16 %** alignment over total figure.

As for the activities that are **ELIGIBLE, but not ALIGNED** to the Taxonomy in 2023 because they do not meet the established technical criteria, these are:

- 5.2 Renewal of water catchment, wastewater treatment, and distribution systems
- 5.3. Renewal of wastewater collection and treatment
- 4.5. Electricity generation from hydropower
- 4.30. High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels

These activities are considered **non-aligned because they do not meet the technical criteria** set; in particular, for activity 5.2 the difference between the current level of leakage averaged over three years, including collection and treatment, measured in kWh per cubic metre of water supplied, has not been reduced by at least 20 %; for the renewal of the waste water collection and treatment system (point 5.4) there is an improvement in energy efficiency that achieves a reduction in average energy consumption of 20 % compared to the own baseline efficiency averaged over three years. Regarding activity 4.5, electricity generation from hydropower, it has also not been considered aligned as it does not meet any of the cri-

teria set: (a) the electricity generation facility is a flowing water hydropower plant and does not have an artificial reservoir; (b) the power density of the electricity generation facility is higher than 5 W/m²; and (c) the lifecycle GHG emissions of the electricity generation from hydropower are lower than 100 g CO₂e/kWh. Finally, as regards activity 4.30, Canal's CHP plants are not aligned as they do not meet any of the technical criteria.

Compliance with social minimum safeguards

All Group companies are committed to respecting human rights and strictly comply with the labour regulations in force in each of the countries where they are present. The Group's companies have established as an obligatory premise to contract only and exclusively with companies that support and respect the protection of human rights, as can be found in chapter 2.7 'The company of all the people of Madrid.'

In order to determine the proportions presented, based on the company's financial statements report, the identification by type of activity has been carried out by selecting the figures corresponding to each ratio, to activities identifiable with categories present in the annexes of the *EU Delegated Regulation 2021/2139* and the new *Regulation 2023/2486*, which define the technical criteria to determine when an economic ac-

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tivity is considered to contribute substantially to climate change mitigation or adaptation, as well as to determine whether that activity does not cause significant damage to any of the other environmental objectives. For the analysis of sustainable economic activities in Canal, turnover, CapEx and OpEx figures have been analysed at cost centre level, considering in all cases the natures set out in the Taxonomy Regulation. Once the eligible figures had been consolidated, they were divided by the total figures.

To obtain the amounts associated with the eligible activities according to the Taxonomy of the indicators included in the table above, the information loaded into the Group's corporate consolidation application was used to determine the contribution to the consolidated total turnover, OpEx and CapEx of each company.

Turnover

Canal's main activity is the **management of the integral water cycle**, which includes the collection, treatment and distribution of water and the collection and treatment of wastewater, being these activities its main sources of income. Both activities are included in the Taxonomy.

The Group has been committed for many years to the **sustainable use of water resources**. There-

fore, it works continuously on the improvement of its infrastructure to reduce losses, the optimisation of the management of reservoirs, the use of groundwater, the extension of reclaimed water and the development of awareness campaigns that motivate water saving. On the other hand, the Canal Group produces electricity through mini hydroelectric plants, hydraulic microturbines, engines and turbines powered by the biogas from the WWTP, solar photovoltaic plants and high efficiency cogeneration plants for the thermal drying of sludge produced in the urban wastewater treatment process.

It is important to note that, in addition to selling electricity to the market (42% of the electricity produced), the Group has **generated electricity** for self-consumption for the activities of the company's various facilities (58% of the electricity generated).

The Group's main companies have implemented cost control **tools** in their ERP (enterprise resource planning) software, which allow them to divide revenues and expenses by cost centre and therefore allocate them to their various activities. Once the amount attributable to each indicator under its individual accounting has been determined, consolidation adjustments have been considered so that the total amount matches the consolidated contribution of each subsidiary.

Therefore, the calculation of the KPI indicator associated with turnover results in 97.6% of activities, which is in line with the description set out in the Taxonomy. This percentage has been obtained considering the following key indicators:

- **For the denominator⁴⁰:** Net turnover is considered, where net turnover is defined as the amount derived from the sale of products and the provision of services after deduction of sales rebates as well as value added tax and other taxes directly linked to turnover (Article 2(5) of *Directive 2013/34/EU*).

Therefore, to extract the denominator of turnover, the rule has been followed in this way, as can be seen in note 26a of the consolidated annual accounts, including the data of the income items that affect turnover.

- **For the numerator:** In terms of eligibility, the share of net turnover derived from products or services, including intangibles, associated with economic activities that comply with the Taxonomy has been considered. For this purpose, the revenue accounts of each of the individual consolidated profit and loss accounts have been identified

and classified according to whether their activity corresponds to Supply, Distribution, Treatment, Sewerage, Reuse, Water, Solar and Other activities, in order to identify eligibility and separate according to sub-items 5.1, 5.2, 5.3, 5.4, 4.1 and 4.5 as established in the standard in section "1.1.1. Key performance indicators related to turnover."

Regarding alignment, the amount of turnover considered represents 75,34 % of the total volume and corresponds to activities 5.1 and 5.3. To determine the alignment of activity 5.1, 100 % of the revenue linked to this activity 'Construction, extension and operation of water collection, wastewater treatment and distribution systems' has been considered, and for the degree of alignment in activity 5.3 'Construction, extension and operation of waste water collection and treatment systems' a coefficient of 81 % has been applied to the volume of revenue given that the technical criterion is met in that percentage of the treatment plants in accordance with the technical requirement of specific consumption per equivalent design population (see alignment table).

Compared to the figures published for 2022, the percentage of eligibility has slightly increased. In

terms of eligible and aligned activities, the concentration is the same as last year, although in 2023 the supply activity has a lower weight compared to the previous year, this has not led to a strong increase in the alignment figure over the eligible figure.

CapEx (capital expenditure / investments)

The parent company, which has made **98 %** of the Group's investments, catalogues all its investment projects in its ERP system under different categories, one of which is the destination of the investment.

This categorisation has been used to determine the volume of investments directly related to an eligible activity. For the other Group companies, as they have a much smaller investment volume, the investment projects conducted in 2023 have been analysed individually to allocate them to the different activities. Investments that have an indirect impact on an eligible activity, such as improvements to IT systems or general buildings, have not been considered. By using the above procedure, any duplication in the amounts included as eligible activities in the above-mentioned indicators has been avoided.



40. For the taxonomic income denominator, notes 26a (ordinary income) and 26b (ancillary and other current and exceptional income) have been considered. In addition, subsidies under the heading of other income have been excluded. Those consolidated companies with activity (Canal, Lanzarote, Amagua), which represent 99.4% of the total consolidated turnover, have been considered.

In the case of CapEx, it is important to note that in order to increase its renewable energy generation, the parent company has implemented the Solar Plan, which involves the installation of new photovoltaic solar plants in the company's infrastructures, with the aim of reducing costs and promoting the generation and self-consumption of clean energies, information which is shown in more detail in the section dedicated to energy generation in this report. 174.4 million, which are eligible and aligned according to the Taxonomy definition (53% of the total CapEx volume).

In total, Canal's eligible CapEx in 2023 amounts to EUR 324 million, 97.8% of the company's total CapEx.

The KPI indicator associated with CapEx results in 97.8% of activities meeting the criteria of the standard to comply with the Taxonomy. This percentage has been obtained considering the following:

• **For the denominator**⁴¹: Additions to tangible and intangible assets during the reporting period before depreciation, amortisation and possible revaluations have been included considering International Financial Reporting Standards (IFRS),

as referred to in *Commission Delegated Regulation (EU) 2021/2178* of 6 July 2021, specifically in section "1.1.2.1 Denominator".

Therefore, to extract the CapEx denominator, the rule has been followed in this way, as can be seen in notes 7, 8 and 10 of the consolidated annual accounts, including the data of the balance sheet items that affect CapEx, both for additions to property, plant and equipment, investment property and other intangible assets and for the renewal taking into account the consolidated balance sheet account of the provision for replacement and major repairs.

• **For the numerator**: Regarding eligibility, to determine the percentage of CapEx of environmentally sustainable activities that comply with the Taxonomy, the investments associated with these economic activities have been included. To this end, the investments made in each of the individual consolidated balance sheets have been identified and classified according to their activity - Supply, Distribution, Treatment, Sewerage, Reuse, Water, Solar and Other activities – to identify eligibility and separate according to sub-items 5.1, 5.2, 5.3,

5.4, 4.1 and 4.5 as established by the standard in section "1.1.2.2. Numerator"

Construction, extension and operation of water collection, treatment, and distribution systems', 5.3. "Construction, extension and operation of wastewater collection and treatment systems" and 4.1. "Generation of electricity using 100 % solar photovoltaic technology", except for activity 5.3, which, as mentioned above, has been considered at 81 %. 159.56 million, representing 48.16% of the total CapEx for the year 2023.

149.78 million have been considered eligible but not aligned, and correspond to activities 5.2, 5.4 and 4.5, representing 45.2% of the total CapEx.

Comparing these figures with those of 2022, the increase in the eligible figure is significantly notable, with the activities related to supply (construction and renovation) representing the greatest weight in the total eligible figure. Also significant is the higher weight of solar and hydropower generation activities in the 2023 eligibility percentage.

OpEx (operational expenses)

According to the definition provided by the Taxonomy for this indicator, it has been considered that the percentage of eligible OpEx of Canal for the financial year 2023 is 91%. Unlike what happens for turnover, in this case, the most influential activity is the 'Construction, expansion and operation of water collection, treatment and distribution systems,' which includes the actions conducted in terms of the renewal of sewerage and treatment networks. Regarding the eligible but not aligned OpEx result, according to the definition, it is approximately 0.06% and corresponds to the hydroelectric production activity.

The KPI indicator associated with OpEx results in 81.64% of activities meeting the criteria of the standard to comply with the Taxonomy. This percentage has been obtained considering the following:

• **For the denominator**⁴²: non-capitalised direct costs that are related to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of property, plant and equipment as-

41. For 2023, the exceptional price revision of 23 million has not been considered as it is a provision, not an acquisition. Nor have the additions in Canal Extensia America (CEXA) been considered as it is an impact in 2023 because it was the year in which the financial statements of the consortium were integrated into CEXA, not that the amount is an addition in 2023.

42. To obtain the figure reported, the following headings of Canal, Lanzarote and Amagua have been taken into account and according to the following distribution: Note 26c (Subcontracted work, consumption of meters, spare parts and others), Note 26d (Own personnel expenses), Note 26f (R&D, Leases C/P, Repair and maintenance). From this is subtracted the work performed for its assets.

sets by the enterprise or a third party or to whom activities are outsourced, and which are necessary to ensure the continuous and efficient operation of these assets, have been included.

Non-financial corporations that apply national GAAP and do not capitalise right-of-use assets shall include leasing costs in OpEx in addition to the costs listed in the first paragraph of point '1.1.3.1. Denominator' of the regulation Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021.

Therefore, to extract the denominator of the OpEx, the rule has been followed in this way, as can be seen in note 26 and 26f of the consolidated annual accounts, including the data of the expense items that affect the OpEx.

• **For the numerator:** With respect to eligibility, operating expenses that are associated with economic activities that conform to the Taxonomy have been included. For this purpose, the operating expenses concurred in the individual consolidated profit and loss accounts have been identified and classified according to their activity - Water Supply, Distribution, Wastewater Treatment, Sewerage, Reuse, Water, Solar and Other activities - in order to identify eligibility and separate according to sub-items 5.1, 5.2, 5.3, 5.4, 4.1 and 4.5 as established by the standard in section '1.1.3.2 Numerator'. As for alignment, they have been detected based on compliance with the technical criteria of activities 5.1 and 5.3. The latter by applying a percentage of 81 % according to the weighted calculation to the treatment plants that meet the criterion in terms of volume of water treated.

If we compare these figures with those for the year 2022, the situation is like that already discussed for turnover, although the increase in the eligible figure has been more marked and the most influential eligible activity this year is construction, extension and renovation linked to sanitation.

The following pages show the eligibility and alignment results of Canal's activities with the Taxonomy. Their formats correspond to those of the templates for key performance indicators for non-financial companies in Annex II of the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021. The absolute OpEx and CapEx figures presented below are based on specific definitions observed under Annex I of *Delegated Regulation (EU) 2021/2178* and may therefore differ from those presented under the same heading in the company's financial statements.

Taxonomy tables (only in Spanish)

Proporción de cifra de negocios																													
Año financiero 2023				2023						Criterios de Contribución Sustancial					Criterios de ausencia de perjuicios significativo (No causa un perjuicio significativo)														
Actividades económicas (1)				Códigos (2)	Cifra de negocio en miles de euros (3)	Proporción de Cifra de Negocios , 2023 (4)	Cambio Climático Mitigación (5)	Cambio Climático Adaptación (6)	Agua (7)	Contaminación (8)	Economía Circular (9)	Biodiversidad (10)	Cambio Climático Mitigación (11)	Cambio Climático Adaptación (12)	Agua (13)	Contaminación (14)	Economía Circular (15)	Biodiversidad (16)	Salvaguardas Mínimas (17)	Proporción de Alineamiento a la Taxonomía (A.1.) o elegible (A.2.) cifra de negocio, 2022(18)	Categoría actividad facilitadora (19)	Categoría actividad transición (20)							
Texto					Miles de euros	%	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	%	F	T						
Datos de alineamiento	A. ACTIVIDADES ELEGIBLES SEGÚN TAXONOMÍA																												
	A.1. Actividades medioambientalmente sostenibles (que se ajustan a la taxonomía)																												
	Construcción, ampliación y explotación de sistemas de captación, depuración y distribución de agua			5.1. CCM	480.224	49,51%	SÍ	N/EL	N*	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	53,68%									
	Construcción, ampliación y explotación de sistemas de recogida y tratamiento de aguas residuales			5.3. CCM	250.527	25,83%	SÍ	N/EL	N*	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	25,43%									
	Volumen de negocios de actividades medioambientalmente sostenibles (que se ajustan 5a la taxonomía) (A.1)				730.751	75,34%	75,34%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	79,11%									
	De las cuales son Facilitadoras				0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0,00%	F								
	De las cuales son de Transición				0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0,00%		T							
Datos de elegibilidad	A.2 Actividades elegibles según la taxonomía pero no medioambientalmente sostenibles (actividades que no se ajustan a la taxonomía)																												
							EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL																	
	Renovación de sistemas de captación, depuración y distribución de agua			5.2. CCM/2.1 WTR	130.418	13,45%	EL	N/EL	EL	N/EL	N/EL	N/EL							8,40%										
	Construcción, ampliación y explotación de sistemas de recogida y tratamiento de aguas residuales			5.3. CCM/2.2 WTR	58.766	6,06%	EL	N/EL	EL	N/EL	N/EL	N/EL							5,58%										
	Renovación de la recogida y el tratamiento de aguas residuales			5.4. CCM/2.2 WTR	22.745	2,34%	EL	N/EL	EL	N/EL	N/EL	N/EL							2,39%										
	Generación de electricidad a partir de energía hidroeléctrica			4.5. CCM	3.465	0,36%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0,69%										
	Cogeneración de alta eficiencia de calor/frío y electricidad a partir de combustibles fósiles			4.30. CCM	8.187	0,84%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							2,33%										
	Volumen de negocios de actividades medioambientalmente sostenibles (que no se ajustan a la taxonomía) (A.2)				223.581	23,05%	EL	0%	0%	0%	0%	0%											13,8%						
	TOTAL CIFRA DE NEGOCIOS (A.1+A.2)				954.332	98,39%	EL	0%	0%	0%	0%	0%											92,92%						
	B. ACTIVIDADES NO ELEGIBLES SEGÚN LA TAXONOMÍA																												
Volumen de negocios de actividades no elegibles según la taxonomía (B)				15.619	2%																								
Total (A+B)				969.951	100%																								

Proporción de cifra de negocios/Total cifra de negocios		
	Alineamiento según Taxonomía por objetivo	Eligibilidad según Taxonomía por objetivo
CCM	75,3%	98,39%
CCA	0%	0%
WTR	0%	97,19%
CE	0%	0%
BIO	0%	0%

*Las actividades 5.1.y 5.3 son elegibles por el objetivo de protección de los recursos hídricos y marinos por medio de las actividades 2.1 y 2.2 respectivamente. Aún no se debe reportar el alineamiento de estas actividades.

Taxonomy tables (only in Spanish)

Proporción en CapEX																							
Año financiero 2023				Criterios de Contribución Sustancial						Criterios de ausencia de perjuicios significativo (No causa un perjuicio significativo)													
Actividades económicas (1)	Códigos (2)	CapEx en miles de euros (3)	Proporción de CapEx , 2023 (4)	Cambio Climático Mitigación (5)	Cambio Climático Adaptación (6)	Agua (7)	Contaminación (8)	Economía Circular (9)	Biodiversidad (10)	Cambio Climático Mitigación (11)	Cambio Climático Adaptación (12)	Agua (13)	Contaminación (14)	Economía Circular (15)	Biodiversidad (16)	Salvaguardas Mínimas (17)	Proporción de Alineamiento a la Taxonomía (A.1.) o elegible (A.2.) CapEx, 2022(18)	Categoría actividad facilitadora (19)	Categoría actividad transición (20)				
Texto		Miles de euros	%	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	%	F	T				
Datos de alineamiento	A. ACTIVIDADES ELEGIBLES SEGÚN TAXONOMÍA																						
	A.1. Actividades medioambientalmente sostenibles (que se ajustan a la taxonomía)																						
	Construcción, ampliación y explotación de sistemas de captación, depuración y distribución de agua	5.1. CCM	83.256	25,13%	SÍ	N/EL	N*	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	27,00%					
	Construcción, ampliación y explotación de sistemas de recogida y tratamiento de aguas residuales	5.3. CCM	63.265	19,09%	SÍ	N/EL	N*	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	19,47%					
	Generación de electricidad mediante tecnología solar fotovoltaica	4.1 CCM	13.041	3,94%	SÍ	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0,50%					
	CapEx de actividades medioambientalmente sostenibles (que se ajustan a la taxonomía) (A.1)		159.562	48,16%	48,16%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	46,97%					
	De las cuales son Facilitadoras		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0,00%	F				
	De las cuales son de Transición		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0,00%		T			
Datos de elegibilidad	A.2 Actividades elegibles según la taxonomía pero no medioambientalmente sostenibles (actividades que no se ajustan a la taxonomía)																						
					EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL													
	Renovación de sistemas de captación, depuración y distribución de agua	5.2. CCM/2.1 WTR	120.775	36,45%	EL	N/EL	EL	N/EL	N/EL	N/EL							30,9%						
	Construcción, ampliación y explotación de sistemas de recogida y tratamiento de aguas residuales	5.3. CCM/2.2 WTR	14.840	4,48%	EL	N/EL	EL	N/EL	N/EL	N/EL							4,23%						
	Renovación de la recogida y el tratamiento de aguas residuales	5.4. CCM/2.2 WTR	28.964	8,74%	EL	N/EL	EL	N/EL	N/EL	N/EL							14,7%						
	Generación de electricidad a partir de energía hidroeléctrica	4.5. CCM	42	0,01%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0,0%						
	Cogeneración de alta eficiencia de calor/frío y electricidad a partir de combustibles fósiles	4.30. CCM	54	0,02%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							0,0%						
	CapEx de actividades medioambientalmente sostenibles (que no se ajustan a la taxonomía) (A.2)		164.675	49,70%	49,70%	0%	0%	0%	0%	0%							45,6%						
TOTAL CapEx (A.1+A.2)		324.237	97,86%	97,86%	0%	0%	0%	0%	0%											92,57%			
B. ACTIVIDADES NO ELEGIBLES SEGÚN LA TAXONOMÍA																							
CapEx de actividades no elegibles según la taxonomía (B)		7.107	2,14%																				
Total (A+B)		331.344	100%																				
*Las actividades 5.1.y 5.3 son elegibles por el objetivo de protección de los recursos hídricos y marinos por medio de las actividades 2.1 y 2.2 respectivamente. Aún no se debe reportar el alineamiento de estas actividades.																							

Proporción de CapEx/Total CapEx		
	Alineamiento según Taxonomía por objetivo	Eligibilidad según Taxonomía por objetivo
CCM	48,16%	97,86%
CCA	0%	0%
WTR	0%	94%
CE	0%	0%
BIO	0%	0%

Taxonomy tables (only in Spanish)

Proporción en OpEX																							
Año financiero 2023				2023						Criterios de Contribución Sustancial				Criterios de ausencia de perjuicios significativo (No causa un perjuicio significativo)									
Actividades económicas (1)				Códigos (2)	OpEx en miles de euros (3)	Proporción de OpEx, 2023 (4)	Cambio Climático Mitigación (5)	Cambio Climático Adaptación (6)	Agua (7)	Contaminación (8)	Economía Circular (9)	Biodiversidad (10)	Cambio Climático Mitigación (11)	Cambio Climático Adaptación (12)	Agua (13)	Contaminación (14)	Economía Circular (15)	Biodiversidad (16)	Salvaguardas Mínimas (17)	Proporción de Alineamiento a la Taxonomía (A.1.) o elegible (A.2.) OpEx, 2022(18)	Categoría actividad facilitadora (19)	Categoría actividad transición (20)	
Texto					Miles de euros	%	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ; NO; N/EL	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	SÍ/NO	%	F	T
A. ACTIVIDADES ELEGIBLES SEGÚN TAXONOMÍA																							
A.1. Actividades medioambientalmente sostenibles (que se ajustan a la taxonomía)																							
Construcción, ampliación y explotación de sistemas de captación, depuración y distribución de agua				5.1. CCM	99.323	41,75%	SÍ	N/EL	N*	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	41,30%			
Construcción, ampliación y explotación de sistemas de recogida y tratamiento de aguas residuales				5.3. CCM	94.901	39,89%	SÍ	N/EL	N*	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	41,73%			
OpEx de actividades medioambientalmente sostenibles (que se ajustan a la taxonomía) (A.1)					194.224	81,64%	81,64%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	83,03%			
De las cuales son Facilitadoras					0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0,00%	F		
De las cuales son de Transición					0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0,00%		T	
A.2 Actividades elegibles según la taxonomía pero no medioambientalmente sostenibles (actividades que no se ajustan a la taxonomía)																							
							EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL											
Construcción, ampliación y explotación de sistemas de recogida y tratamiento de aguas residuales				5.3. CCM/2.2 WTR	22.261	9,36%	EL	N/EL	EL	N/EL	N/EL	N/EL								9,16%			
Generación de electricidad a partir de energía hidroeléctrica				4.5. CCM	152	0,06%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,04%			
Cogeneración de alta eficiencia de calor/frío y electricidad a partir de combustibles fósiles				4.30. CCM	3.422	1,44%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2,47%			
OpEx de actividades medioambientalmente sostenibles (que no se ajustan a la taxonomía) (A.2)					25.835	10,86%	10,86%	0%	0%	0%	0%	0%								9,20%			
TOTAL OpEx (A.1+A.2)					220.059	92,50%	0%	0%	0%	0%	0%	0%								92,23%			
B. ACTIVIDADES NO ELEGIBLES SEGÚN LA TAXONOMÍA																							
OpEx de actividades no elegibles según la taxonomía (B)					17.833	7%																	
Total (A+B)					237.893	100%																	

*Las actividades 5.1.y 5.3 son elegibles por el objetivo de protección de los recursos hídricos y marinos por medio de las actividades 2.1 y 2.2 respectivamente. Aún no se debe reportar el alineamiento de estas actividades.

Proporción de OpEx/Total Opex		
	Alineamiento según Taxonomía por objetivo	Eligibilidad según Taxonomía por objetivo
CCM	81,64%	92,50%
CCA	0,00%	0,00%
WTR	0,00%	91,00%
CE	0,00%	0,00%
BIO	0,00%	0,00%

Taxonomy tables (only in Spanish)

Plantilla 1 Actividades relacionadas con la energía nuclear y el gas fósil

Fila	Actividades relacionadas con la energía nuclear	
1	La empresa lleva a cabo, financia o tiene exposiciones a la investigación, el desarrollo, la demostración y la implantación de instalaciones innovadoras de generación de electricidad que producen energía a partir de procesos nucleares con un mínimo de residuos del ciclo de combustible.	No
2	La empresa lleva a cabo, financia o tiene exposiciones a la construcción y la explotación segura de nuevas instalaciones nucleares para producir electricidad o calor de proceso, incluido para fines de calefacción urbana o procesos industriales como la producción de hidrógeno, así como sus mejoras de seguridad, utilizando las mejores tecnologías disponibles.	No
3	La empresa lleva a cabo, financia o tiene exposiciones a la explotación segura de instalaciones nucleares existentes que producen electricidad o calor de proceso, incluido para fines de calefacción urbana o procesos industriales como la producción de hidrógeno a partir de energía nuclear, así como sus mejoras de seguridad.	No
Actividades relacionadas con el gas fósil		
4	La empresa lleva a cabo, financia o tiene exposiciones a la construcción o explotación de instalaciones de generación de electricidad que producen electricidad a partir de combustibles fósiles gaseosos.	No
5	La empresa lleva a cabo, financia o tiene exposiciones a la construcción, la renovación y la explotación de instalaciones de generación combinada de calor/frío y electricidad que utilicen combustibles fósiles gaseosos.	Sí
6	La empresa lleva a cabo, financia o tiene exposiciones a la construcción, la renovación y la explotación de instalaciones de generación de calor que producen calor/frío a partir de combustibles fósiles gaseosos.	No

La actividad 4.30 (Cogeneración de alta eficiencia de calor/frío y electricidad a partir de combustibles fósiles gaseosos) es una actividad elegible pero no alineada para Canal Isabel II, por lo que únicamente se reportan las tablas relativas a la elegibilidad

Taxonomy tables (only in Spanish)

Plantilla 4 Actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía

Fila	Actividades económicas	Importe y proporción (la información debe presentarse en importes monetarios y en porcentajes)					
		CCM + CCA		Mitigación del cambio climático (CCM)		Adaptación al cambio climático (CCA)	
		Importe	%	Importe	%	Importe	%
1.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.26 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-	0	-	0	-
2.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.27 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-	0	-	0	-
3.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.28 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-	0	-	0	-
4.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.29 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-	0	-	0	-
5.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.30 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	8.187	0,84%	8.187	0,84%	0	0%
6.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.31 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-	0	-	0	-
7.	Importe y proporción de otras actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía no mencionadas en las filas 1 a 6 precedentes en el denominador de Volumen de negocio	215.394	22,21%	215.394	22,21%	0	0%
8.	Importe y proporción de las actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía en el denominador de Volumen de negocio	223.581	23,05%	223.581	23,05%	0	0%

Fila	Actividades económicas	Importe y proporción (la información debe presentarse en importes monetarios y en porcentajes)					
		CCM + CCA		Mitigación del cambio climático (CCM)		Adaptación al cambio climático (CCA)	
		Importe	%	Importe	%	Importe	%
1.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.26 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	-	-	-	-	-	-
2.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.27 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	-	-	-	-	-	-
3.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.28 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	-	-	-	-	-	-
4.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.29 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	-	-	-	-	-	-
5.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.30 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	54	0,02%	54	0,02%	0	0%
6.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.31 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	-	-	-	-	-	-
7.	Importe y proporción de otras actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía no mencionadas en las filas 1 a 6 precedentes en el denominador del CapEx	164.621	49,68%	164.621	49,68%	0	0%
8.	Importe y proporción de las actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía en el denominador del CapEx	164.675	49,7%	164.675	49,7%	0	0%

Taxonomy tables (only in Spanish)

Plantilla 4 Actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía

Fila	Actividades económicas	Importe y proporción (la información debe presentarse en importes monetarios y en porcentajes)					
		CCM + CCA		Mitigación del cambio climático (CCM)		Adaptación al cambio climático (CCA)	
		Importe	%	Importe	%	Importe	%
1.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.26 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-	0	-	0	-
2.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.27 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-	0	-	0	-
3.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.28 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-	0	-	0	-
4.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.29 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-	0	-	0	-
5.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.30 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	3.422	1,44%	3.422	1,44%	0	0%-
6.	Importe y proporción de la actividad económica elegible según la taxonomía pero que no se ajusta a la taxonomía a que se hace referencia en la sección 4.31 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-	0	-	0	-
7.	Importe y proporción de otras actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía no mencionadas en las filas 1 a 6 precedentes en el denominador del OpEx	22.413	9,42%	22.413	9,42%	0	0%
8.	Importe y proporción de las actividades económicas elegibles según la taxonomía pero que no se ajustan a la taxonomía en el denominador del OpEx	25.835	10,86%	25.835	10,86%	0	0%

Plantilla 5 Actividades económicas no elegibles según la taxonomía

Fila	Actividades económicas	Importe	Porcentaje
1.	Importe y proporción de la actividad económica a que se hace referencia en la fila 1 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.26 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-
2.	Importe y proporción de la actividad económica a que se hace referencia en la fila 2 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.27 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-
3.	Importe y proporción de la actividad económica a que se hace referencia en la fila 3 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.28 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-
4.	Importe y proporción de la actividad económica a que se hace referencia en la fila 4 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.29 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-
5.	Importe y proporción de la actividad económica a que se hace referencia en la fila 5 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.30 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-
6.	Importe y proporción de la actividad económica a que se hace referencia en la fila 6 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.31 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador de Volumen de negocio	0	-
7.	Importe y proporción de otras actividades económicas no elegibles según la taxonomía no mencionadas en las filas 1 a 6 precedentes en el denominador de Volumen de negocio	15.619	1,61%
8.	Importe total y proporción de las actividades económicas no elegibles según la taxonomía en el denominador de Volumen de negocio	15.619	1,61%

Taxonomy tables (only in Spanish)

Plantilla 5 Actividades económicas no elegibles según la taxonomía

Fila	Actividades económicas	Importe	Porcentaje
1.	Importe y proporción de la actividad económica a que se hace referencia en la fila 1 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.26 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	0	-
2.	Importe y proporción de la actividad económica a que se hace referencia en la fila 2 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.27 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	0	-
3.	Importe y proporción de la actividad económica a que se hace referencia en la fila 3 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.28 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	0	-
4.	Importe y proporción de la actividad económica a que se hace referencia en la fila 4 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.29 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	0	-
5.	Importe y proporción de la actividad económica a que se hace referencia en la fila 5 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.30 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	0	-
6.	Importe y proporción de la actividad económica a que se hace referencia en la fila 6 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.31 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del CapEx	0	-
7.	Importe y proporción de otras actividades económicas no elegibles según la taxonomía no mencionadas en las filas 1 a 6 precedentes en el denominador del CapEx	7.107	2,1%
8.	Importe total y proporción de las actividades económicas no elegibles según la taxonomía en el denominador del CapEx	7.107	2,1%

Plantilla 5 Actividades económicas no elegibles según la taxonomía

Fila	Actividades económicas	Importe	Porcentaje
1.	Importe y proporción de la actividad económica a que se hace referencia en la fila 1 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.26 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-
2.	Importe y proporción de la actividad económica a que se hace referencia en la fila 2 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.27 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-
3.	Importe y proporción de la actividad económica a que se hace referencia en la fila 3 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.28 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-
4.	Importe y proporción de la actividad económica a que se hace referencia en la fila 4 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.29 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-
5.	Importe y proporción de la actividad económica a que se hace referencia en la fila 5 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.30 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-
6.	Importe y proporción de la actividad económica a que se hace referencia en la fila 6 de la plantilla 1 que no es elegible según la taxonomía con arreglo a la sección 4.31 de los anexos I y II del Reglamento Delegado (UE) 2021/2139 en el denominador del OpEx	0	-
7.	Importe y proporción de otras actividades económicas no elegibles según la taxonomía no mencionadas en las filas 1 a 6 precedentes en el denominador del OpEx	17.833	7%
8.	Importe total y proporción de las actividades económicas no elegibles según la taxonomía en el denominador del OpEx	17.833	7%



ABOUT THIS REPORT

ABOUT THIS REPORT

This document aims to reflect the actions and commitments of the public company Canal de Isabel II, Sociedad Anónima, M.P. throughout the year 2023. To do this, information is merged, mainly from the parent company and part of that provided by the companies of the **Canal de Isabel II Business Group**.

This integration has been carried out following current international trends in the business world in terms of the need for the information provided by companies to the different interest groups with which they are linked to incorporate the most relevant topics, so that readers can have a real and integrated vision of the current performance and future potential of organizations.

The document has been prepared in accordance with the **GRI Standards for Sustainability Reporting (GRI Standards)**. We include detailed information on most of the content required by the Global Reporting Initiative and, whenever this is not possible, we detail the cause of the omission or what requirements are not applicable by our organisation. In the document we collect those contents established in the GRI Standards that illustrate the material topics that our company determined for 2023 in its updated matrix.

A Likewise, the contents of this report have been subjected to an independent verification by the current auditor of Canal de Isabel II, Sociedad Anónima, M.P. for the fiscal year 2023 (the audit-

ing firm Ernst & Young, EY), attaching the verification report that includes its scope and the results obtained. The criterion for choosing the verification company has been, both this year and in previous years, its capacity as auditor of the annual accounts of our parent company, thus selected in an open bidding process and appointed by our General Board of Shareholders.

The document has focused fundamentally on the activities of the public company Canal de Isabel II, Sociedad Anónima, M.P. in the Community of Madrid (Spain), which represent 93.23% of the consolidated income of the Canal Group, but also includes the most relevant information about the rest of the Canal Group companies.

The perimeter of the report information fundamentally includes Canal and those companies of the Canal Group in which the Group's parent company owns a majority percentage of shares, had personnel and were active in 2023. The scope of the report also includes the programs and main activities carried out by our foundation in Spain (Canal Foundation).



[GRI 2-3]
[GRI 2-5]
[GRI 2-2]
[GRI 2-4]

In this sense, it is worth noting regarding 2023 that on 31 May, the subsidiary company Avanzadas Soluciones de Acueducto y Alcantarillado S.A. E.S.P., known as ASAA, which had joined Grupo Canal in 2013 and was in charge of supply and sewage services in the District of Riohacha, capital of the Department of La Guajira (Colombia), concluded the concession contract and has ceased its activities. Since it had no activity during seven of the twelve months of the year and was inactive at the end of the year, said company has been excluded from the scope of this report.

The company GESTUS Gestión & Servicios S.A.S., which until 2022 provided services to the different companies of the Canal Group in Latin America, is likewise excluded from the scope of this report.

This report, generally speaking, presents the information for the year 2023 and in some cases that of one or two previous comparison years (2021 and/or 2022). In relation to the quantitative information for 2021 and 2022, with the exception of the information on the EU Taxonomy and some economic data for the 2022 financial year (amortisation, financial result and operating result) which have been restated, there have been no changes of criteria when interpreting the data, which implies that there are no important modi-

fications with respect to the data that were published in previous years by our company. In the case of the Taxonomy, the results of the changes made, with respect to the results published in the 2022 Sustainability Report of Canal de Isabel II, are included in the tables in the section on EU Taxonomy of this report.

In general, all the Group's indicators have been calculated by aggregating company data without taking into account the percentage of the Group's shareholding (aggregate data), with the sole exception of consolidated economic data. This has been done to maintain consistency between the data published in the Group's consolidated annual accounts. The values in euros have been calculated using the average exchange rates applied in the profit and loss account of the Group's consolidated annual accounts.

The data reflected in the report corresponds to the activity between 1 January and December 31 for each of the years reported. The data has been collected from the information systems of the Canal Group companies during the month of January 2024. All this information may be modified in the future due to subsequent events, changes or improvements in the accounting systems for the parameters with which that the GRI contents are constructed.

To prepare the Management Report, that has been taken into account are the provisions of *Law 11/2018, which modifies the Commercial Code, Capital Companies Law and the Account Audit Law, regarding non-financial information and diversity*, having included environmental, social and good governance indicators in accordance with the Global Reporting initiative (GRI) standards. Therefore, the Consolidated Management Report of Canal de Isabel II Sociedad Anónima, M.P. includes the Non-Financial Information Statement (NFIS). Also, for the preparation of the document, the recommendations of the *Guide for the Preparation of the Management Report of Listed Entities* of the National Securities Market Commission and the *Guidelines on the presentation of Non-Financial Reports* issued by the European Commission have been taken into account.

Along with the Management Report, and forming an integral part thereof, the Annual Corporate Governance Report for the year 2023 is included, as required by article 538 of the Capital Companies Law.

For any questions or concerns you may contact the following email address: subd.estudiosyprogramas@canal.madrid



[GRI 2-3]
[GRI 3-3]

MATERIALITY PROCESS AND RESULTS: MATERIAL ISSUES AND COVERAGE

The process that Canal follows to determine the context of sustainability, the content of this document and the coverage of each aspect, began in 2016 and 2017 in parallel with the process of preparing the 2018-2030 Strategic Plan of Canal de Isabel II, which process culminated in the first quarter of 2018 with the start of its implementation.

For this process, in mid-2016, representatives from the different areas of the company were selected and an internal work committee was established, namely the **Advancement Committee**, which, to-

gether with the **Management Committee**, worked throughout 2017 on the definition of the major areas of strategic action, the values, mission and actions of the company.

Previously, the strategic plans of companies from other countries (especially English and French companies) were analysed, as were the results of the comparative studies (benchmarking) in which Canal participates, such as the European Benchmarking Cooperation (EBC), and Aquarating, the standard developed by the International Water Association (IWA).

date its materialization matrix based on the latest events related to the COVID-19 pandemic and in 2021 we carried out a new exercise with the Strategic Plan coordinators to review the materiality matrix with the purpose of analysing possible significant changes after the pandemic.

Two years after the last analysis, in 2023, as part of the review and update process of our 2018-2030 Strategic Plan, we and our interest groups have once again analysed and assessed what the priority objectives are for the company from a perspective of "double materiality", as recommended by the CSRD Directive⁴³

the impact that the environment has on Canal operations in the Community of Madrid, and in turn, also measure how the company's activity affects society, the environment and economic development. The main magnitudes regarding the participation of our interest groups in the analysis we have carried out are the following:

As a result of this analysis, we have obtained a new materiality matrix (which replaces the one prepared in previous exercises) that has been built on the basis of the greater or lesser relevance that each of the sustainability issues that were defined as material (or of relative importance) has for our interest groups and for our company, from a double perspective aligned with the new CSRD Directive since financial impact is regarded as a determining variable when prioritising every matter.

✓ Customers **275** individuals and **125** SMEs/self-employed

✓ Large customers **20**

✓ Municipalities **113** shareholders

✓ Employees **>40** Canal collaborators

✓ **4** focus groups

✓ **9** interviews

✓ **12** surveys

In order to gain a view of the material aspects, bearing on both impact and finances, linked to our performance, we have had the participation of more than 500 people, which has allowed us to measure

43. Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 regarding the submission of sustainability information by companies (CSRD).

[GRI 3-3]
[GRI 2-29]
[GRI 3-1]
[GRI 3-2]

From the analysis carried out, we have identified the critical and relevant sustainability issues, taking into account the importance that interest groups assign to material issues for Canal and their financial impact, obtaining the following:

CRITICAL material issues:

- Transparency, ethics and fight against corruption
- Customer satisfaction and commitment
- Transition to a circular economy and responsible consumption
- Service security and cybersecurity
- Generation of clean and renewable energy
- Innovation, new technologies and digital transformation
- Risk management

RELEVANT material issues:

- Climate change
- Supply chain sustainability
- Efficient resource management
- Safety, health and well-being
- Talent management
- Biodiversity
- Economic sustainability (including tariff scheme)

Other material issues:

- Socioeconomic and cultural development
- Diversity, equality and inclusion
- Human Rights
- Business model development

The description of how Canal de Isabel II has addressed the management of each of the material aspects in 2023 has been included in this Sustainability Report and is described in its different sections,

which have been ordered and structured using each one of the lines in which the **2018-2030 Strategic Plan of Canal de Isabel II** is configured.

DOUBLE MATERIALITY MATRIX OF CANAL DE ISABEL II



- 1 Transparency, ethics and the fight against corruption
- 2 Customer satisfaction and commitment
- 3 Transition to a circular economy and responsible consumption
- 4 Service security and cybersecurity
- 5 Safety, health and well-being
- 6 Efficient resource management
- 7 Generation of clean and renewable energy
- 8 Innovation, new technologies and digital transformation
- 9 Talent management
- 10 Risk management
- 11 Supply Chain Sustainability
- 12 Socioeconomic and cultural development
- 13 Climate change
- 14 Biodiversity
- 15 Human rights
- 16 Diversity, equality and inclusion
- 17 Business sustainability
- 18 Business model development
- 19 Green hydrogen

[GRI 3-1]
[GRI 3-2]

ABOUT THIS REPORT

CORRESPONDENCE OF MATERIAL ISSUES FOR CANAL WITH THE LINES OF THE 2018-2030 STRATEGIC PLAN AND THE SDGS (2023)

The asterisks (*) mark the priority strategic line to address each material issue.

	1 Water Quantity	2 Water Quality	3 Water Continuity	4 Environment	5 City Cs.	6 Customers / Users	7 Governance and Society	8 Human team	9 Innovation	10 Economic sustainability
CRITICAL material issues										
Transparency, ethics and fight against corruption							*			
Customer satisfaction and commitment						*				
Transition to circular economy and responsible consumption				*						
Service security and cybersecurity			*							
Generation of clean and renewable energy				*						
Innovation, new technologies and digital transformation									*	
Risk management							*			
RELEVANT material issues										
Climate change				*						
Sustainability of the supply chain										*
Efficient management of resources	*									
Safety, health and well-being								*		
Talent management								*		
Biodiversity				*						
Economic sustainability (including tariff scheme)										*
Other material issues										
Socioeconomic and cultural development										*
Diversity, equality and inclusion								*		
Human Rights							*			
Development of the business model					*					
RELEVANT SDGs										

[GRI 3-1]

LEGAL INFORMATION ON CANAL DE ISABEL II,
SOCIEDAD ANÓNIMA, M.P. AND CONSOLIDATED
INFORMATION OF CANAL AND ITS SUBSIDIARY
COMPANIES

The entities that appear in the consolidated financial statements of the organization can be consulted in the documents referenced below (all of them available on the Canal website).

- *Independent audit report of Canal de Isabel II, Sociedad Anónima, M.P.*
- *Consolidated annual accounts, annual accounts report and management report for the 2023 financial year of Canal de Isabel II, Sociedad Anónima, M.P.*
- *Independent audit report of Canal de Isabel II, Sociedad Anónima, M.P. and its subsidiary companies.*
- *Consolidated annual accounts, annual accounts report and management report for the 2023 financial year of Canal de Isabel II, Sociedad Anónima, M.P. and its subsidiary companies.*



INDEPENDENT VERIFICATION REPORT OF THE 2023 SUSTAINABILITY REPORT



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INFORME DE VERIFICACIÓN INDEPENDIENTE DEL ESTADO DE INFORMACIÓN NO FINANCIERA

A los accionistas de Canal de Isabel II, S.A., M.P.:

De acuerdo con el artículo 49 del Código de Comercio hemos realizado la verificación, con el alcance de seguridad limitada, del Estado de Información No Financiera adjunto (en adelante EINF) correspondiente al ejercicio anual finalizado el 31 diciembre de 2023, de Canal de Isabel II, S.A., M.P. (en adelante, la Sociedad).

El contenido del EINF incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación de la información identificada en el Anexo “Índice de contenidos requeridos por la Ley 11/2018, de 28 de diciembre, por la que se modifica el Código de Comercio, el texto refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio, y la Ley 22/2015, de 20 de julio, de Auditoría de Cuentas, en materia de información no financiera y diversidad” incluido en el EINF adjunto.

Responsabilidad de los Administradores

La formulación del EINF incluido en el Informe de Gestión de la Sociedad, así como el contenido del mismo, es responsabilidad de los Administradores de la Sociedad. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los Sustainability Reporting Standards de Global Reporting Initiative (estándares GRI) de conformidad con GRI, así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en el “Índice de contenidos GRI” y de los “Contenidos la Ley 11/2018 de la información no financiera y de diversidad y correspondencia con los Estándares GRI” del citado Estado.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los Administradores de la Sociedad son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

Nuestra independencia y gestión de la calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código Internacional de Ética para Profesionales de la Contabilidad (incluyendo las normas internacionales sobre independencia emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - inscrita en el Registro Mercantil de Madrid, tomo 9.384 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.

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Nuestra firma aplica las normas internacionales de calidad vigentes y mantiene, en consecuencia, un sistema de calidad que incluye políticas y procedimientos relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado. Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 Revisada en vigor, “Encargos de Aseguramiento distintos de la Auditoría o de la Revisión de Información Financiera Histórica” (NIEA 3000 Revisada) emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC) y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de seguridad limitada los procedimientos llevados a cabo varían en su naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad que se obtiene es sustancialmente menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades de la Sociedad que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal de la Sociedad para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2023 en función del análisis de materialidad realizado por la Sociedad y descrito en el apartado “Acerca de este capítulo”, considerando contenidos requeridos en la normativa mercantil en vigor.
- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2023.
- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2023.
- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2023 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los Administradores.

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Párrafo de énfasis

En base al Reglamento (UE) 2020/852 del Parlamento Europeo y del Consejo de 18 de junio de 2020 relativo al establecimiento de un marco para facilitar las inversiones sostenibles, así como de base a los Actos Delegados promulgados de conformidad con lo establecido en dicho Reglamento, se establece la obligación de divulgar información sobre la manera y la medida en que las actividades de la empresa se asocian a actividades económicas elegibles en relación con los objetivos medioambientales de uso sostenible y protección de los recursos hídricos y marinos, transición a una economía circular, prevención y control de la contaminación y protección y restauración de la biodiversidad y ecosistemas (el resto de objetivos medioambientales), y respecto de determinadas nuevas actividades incluidas en los objetivos de mitigación y adaptación al cambio climático, por primera vez para el ejercicio 2023, adicional a la información referida a actividades elegibles y alineadas ya exigida en el ejercicio 2022 en relación con los objetivos de mitigación del cambio climático y de adaptación al cambio climático. En consecuencia, en el EINF adjunto no se ha incluido información comparativa sobre elegibilidad en relación con el resto de los objetivos medioambientales anteriormente indicados ni con las nuevas actividades incluidas en los objetivos de mitigación del cambio climático y de adaptación al cambio climático. Por otra parte, en la medida en la que la información relativa al ejercicio 2022 no se requería con el mismo nivel de detalle que en el ejercicio 2023. Adicionalmente, cabe señalar que los administradores de Canal de Isabel II, S.A., M.P. han incorporado información sobre los criterios que, en su opinión, permiten dar mejor cumplimiento a las citadas obligaciones y que están definidos en el apartado “Taxonomía de la EU” del EINF adjunto. Nuestra conclusión no ha sido modificada en relación con esta cuestión.

Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF de la Sociedad correspondiente al ejercicio anual finalizado el 31 de diciembre de 2023 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI, de conformidad con GRI, así como aquellos otros criterios descritos de acuerdo a lo mencionado para cada materia en el “Índice de contenidos GRI” y de los “Contenidos la Ley 11/2018 de la información no financiera y de diversidad y correspondencia con los Estándares GRI” del citado Estado.

Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

Este informe se corresponde con el sello distintivo nº 01/24/04802 emitido por el Instituto de Censores Jurados de Cuentas de España

ERNST & YOUNG, S.L.

33526866L ALBERTO CASTILLA (A: 578970506)

Quiero ver más
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DE JUAN CARLOS ALBERTO CASTILLA (A: 578970506)
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Date: 2024-04-26 10:15:14 +0200

Alberto Castilla Vida

26 de abril de 2024

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Our company | Our performance | The Canal Group | About this report

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GRI CONTENT INDEX

APPENDIX. GRI CONTENT INDEX

Canal de Isabel II, Sociedad Anónima, M.P. has prepared the report in accordance with the GRI Standards for the period between 1 January 2023 and 31 December 2023"



For the *Content Index – Essentials*, GRI Services saw to it that the GRI Content Index was presented in accordance with the requirements for presenting reports of the GRI Standards and that the information in the index was clearly presented and accessible to the parties concerned.
The service was carried out on the Spanish version of the report.

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 1: Foundations 2021								
GRI 2: General Contents 2021								
2-1	Organisational details.	Legal name.	Our company.	18	Canal de Isabel II, Sociedad Anónima, M.P.			
			Organisation of our company.	31				
		Nature of ownership and legal form.			Public limited company with 100% public capital.			
		Headquarters.			Calle de Santa Engracia, 125. 28003 MADRID (Spain).			
		Countries of operation.	Canal Group: activities and geographical location.	154-155	Spain, Colombia, Ecuador, Dominican Republic and Brazil.			
2-2	Entities included in sustainability reporting.		The Canal Group.	152				
			Main changes in the structure of the Canal Group in 2023.	160				
			About this report.	200, 201, 205				

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
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2-3	Period covered by the report, frequency and point of contact.	Period covered by the report.	200, 201	Calendar year 2023.				
		Date of collection of the Information.		January and February 2023.				
		Periodicity.		Annual (calendar year).				
		Contact about the report.		sub.estudiosyprogramas@canal.madrid				
2-4	Information update.	About this report.	200	With the exception of the EU Taxonomy, there have been no significant changes compared to previous years.				
2-5	External verification.	About this report.	199					
		Report of the independent verifier of the 2023 Sustainability Report (EY)	206					

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2-6	Activities, value chain and other commercial relationships.	Activity sector.	Our company. Value Chain of Canal de Isabel II and its Business Group.	18-22 30				
		Activities, products and services of the organization and markets served.	Our activity. The Canal Group: activities and geographical location.	22 153	We do not market any product or service that is questioned by interest groups or is the subject of public debate.			
		Supply chain.	With our suppliers.	147	All our contracts are subject to public sector contract legislation.			
		Entities that are "downstream" of the organisation and its activities.	Canal and the municipalities of the Community of Madrid. Our clients in the Community of Madrid: types of contracts.	88-90 (municipalities) and 93 (customers).				
		Other business relationships.	Canal Group: companies with other activities.	159-160				
		Significant changes.	Main changes in the structure of the Canal Group in 2023.	160				
2-7	Employees.	Structure of our staff. Staff of Canal Group companies.	118-120 161-163	The information comes from the human resources information systems (SAP). Employees with temporary contracts perform the same functions as permanent employees."				

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2-8	Workers who are not employees.	Staff of Canal Group companies (external employees).	162					
2-9	Governance structure and composition.	Governing bodies.	31-33					
2-10	Designation and selection of the highest governing body.	Governing bodies.	34-36					
2-11	President of the highest governing body.	Message from the president. Governing Bodies.	9-12 33	The president is appointed by virtue of his or her position as Minister of the Environment, Agriculture and Interior of the Community of Madrid. He or she is not a senior executive of the company.				
2-12	Role of the highest governing body in supervising impact management.	Governing Bodies.	33					
		Organisation and Senior Management.	36					
		Monitoring of the Strategic Plan.	40					
		Corporate risk management.	105-106					
2-13	Delegation of responsibility for impact management.	Organisation and Senior Management.	36					
2-14	Role of the highest governance body in the presentation of sustainability reports.	Governing Bodies.	33-34	The Sustainability Report (EINF) is supervised by the Sustainability Committee of the board, formulated by the Board of Directors and approved at the Ordinary General Shareholders' Meeting of each year.				
		Canal Sustainability Policy.	37					
		Monitoring of the Strategic Plan.	40					
2-15	Conflicts of interest.	Governing Bodies.	34	There have been no conflicts in 2023.				

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2-16	Communication of critical concerns.	Our interest groups.	41					
		Relations with public administrations and transparency	99-100					
		Canal de Isabel II internalinformation system. Ethics Line.	103					
2-17	Collective knowledge of the highest governing body.	Current composition of the Board of Directors and its committees.	34-35					
2-18	Evaluation of the performance of the highest governing body.							This information was not available at the time of preparing the Sustainability Report. It will be published throughout 2024 in the 2023 Annual Report of the Audit Committee, on our corporate website.
2-19	Remuneration policies.	Our strategy.	39					
		Remuneration and incentive policy.	105					
2-20	Process for determining remuneration.	Our strategy. Remuneration and incentive policy.	39 105					

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2-21	Annual total compensation ratio.	Remunerations of the Canal Group according to country (euros).	164	Only the highest salary in the Group is compared with the lowest in Spain and Brazil. In future reports we will carry out the calculation with the median of salaries.				For requirement 2-21 b, the ratio of the percentage of salary increases has been omitted and, since the averages are not available, the data of the arithmetic averages have been included.
2-22	Statement on the sustainable development strategy.	Message from the president.	9-12					
		Message from the CEO.	13-16					
		Canal Sustainability Policy."	37					
2-23	Commitments and policies.	Our commitments.	3					
		Canal Sustainability Policy.	37					
		Our strategy.	38-39					
		Our performance in 2023.	45-50					
		Prevention at source of adverse environmental impacts.	67-68					
		Customer and user service (10 Commitments).	94					
		Code of Ethics and Conduct.	102-103					
		Collaboration with other social entities (Global Compact).	115-116					
		Map of the most common communication channels used by Canal."	43					

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2-24	Incorporation of commitments and policies.	Following Strategic Plan.	40					
		Contribution to the SDGs of the United Nations.	48-50					
		Management System.	66-67					
		Customer and user service (10 Commitments).	94					
		Code of Ethics and of Conduct	102-103					
		Training and development of our employees.	129					
2-25	Processes for remedying negative i mpacts.	Customer and user service (10 Commitments).	94					
		Management of suggestions, complaints and claims.	95-96					
2-26	Mechanisms for requesting advice and raising concerns.	Map of the most common communication channels used by Canal.	43					
		Relations with public administrations and management transparency.	99					
		Internal information system of Canal de Isabel II. Ethics Line.	103					
2-27	Compliance with laws and regulations.	Compliance with environmental legislation.	69	No significant sanctions, other than environmental ones, have been recorded.				
		Compliance system.	104					

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2-28	Membership in associations.	Collaboration with other entities in relation to the water cycle.	56					
		Cooperation in water and sanitation and other social initiatives.	114					
		Collaboration with other social entities.	115					
2-29	Approach for the participation of interest groups.	Our interest groups.	116-117					
		Analysis of the material issues of our management.	202-204					
		The voice of the customers in Canal: when they ask us for help	96					
		About this report.	202-203					
2-30	Collective bargaining agreements.	Union representation. Collective agreements and union representation.	124-126 y 165 123, 124, 125, 128 y 165					
GRI 3: Material Issues 2021.								
3-1	Process for determining material issues.	Our performance in 2023. About this report.	45-47 202-204					
3-2	List of material issues.	Our performance in 2023. About this report.	47 202-204					

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TRANSPARENCY, ETHICS AND THE FIGHT AGAINST CORRUPTION								
GRI 3 Material issues 2021								
3-3	Management of material issues.	The company of all Madrilenians.	99					
		Corporate Governance in Canal de Isabel II.	102-103					
GRI 205: Anti-corruption 2016								
205-1	Operations evaluated based on risks related to corruption.	Code of Ethics and Conduct Compliance system.	102-103 104-105					The exact number of operations has been omitted because our Compliance Area evaluates the entire company as a whole rather than a specific number of operations.
205-2	Communication and training on anti-corruption policies and procedures.	Training and development of our employees. Code of Ethics and Conduct. Communications to the CNMV. Compliance System.	129-130 129-130 107 104					
205-3	Confirmed incidents of corruption and measures taken.	Main changes in the structure of the Canal Group in 2023 (situation of the Triple A Barranquilla subsidiary).	160	No new incident has taken place in 2023.				

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GRI 206: Unfair competition 2016								
206-1	Legal actions related to unfair competition and monopolistic practices and against free competition.				"Not applicable. Due to the characteristics of the services we provide, we are a ""natural monopoly"" and there is practically no competition between companies."			
GRI 207: Taxation 2019								
207-1	Tax approach	Corporate tax policy of Canal and its Business Group.	140					
207-2	Tax governance, control and risk management.	Other audits of our management.	101					
207-3	Participation of interest groups and management of their concerns regarding tax matters.							This aspect is not contemplated within our tax practices.
207-4	Presentation of reports, country by country.		139					
			178					

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GRI 415: Public policy 2016								
415-1	Contribution to political parties and/or representatives.					None are carried out and, furthermore, they are expressly prohibited by the laws of the countries in which we are present.		
SATISFACTION AND COMMITMENT TO CUSTOMERS								
GRI 3 Material issues 2021								
3-3	Management of material issues.	At your side for whatever you need from us.	93					
GRI 416: Customer health and safety 2016								
416-1	Assessment of the impacts of product and service categories on health and safety.	How we guarantee water quality.	59-62					
416-2	Cases of non-compliance related to the impacts of product and service categories on health and safety.				There have been none in 2023.			
GRI 417: Marketing and labelling 2016								
417-1	Requirements for information and labelling of products and services.				There are none. Our products are not labelled.			

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417-2	Cases of non-compliance related to information and labelling of products and services.				There have been none in 2023.			
417-3	Cases of non-compliance related to marketing communications.				There have been none in 2023.			
GRI 418: Customer Privacy 2016								
418-1	Substantiated claims regarding violations of customer privacy and loss of customer data.	Protection of data related to customers and suppliers.	64					
TRANSITION TOWARDS A CIRCULAR ECONOMY AND RESPONSIBLE CONSUMPTION								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Our environmental performance. Canal and the Circular Economy.	70 79					
GRI 301: Materials 2016								
301-1	Materials used by weight or volume.	Consumption of reagents. Paper consumption.	70, 84 y 171 70, 84 y 171					
301-2	Recycled inputs used.	Reclaimed water: a real alternative. Paper consumption (recycled).	53-54 70, 84 y 171					
301-3	Recovered packaging products and materials.				Not applicable to our company due to the type of activity.			

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GRI 306: Waste 2020								
306-1	Waste generation and significant impacts related to waste.	Sanitation: wastewater treatment. Wastewater treatment.	28 75-76	The main activity that generates waste is wastewater treatment.				
306-2	Management of significant impacts related to waste.	Waste management. Canal and the Circular Economy.	77-78 79					
306-3	Waste generated.	Waste management. Waste production (Group companies).	77-78 171					
306-4	Waste not intended for disposal.	Waste management (destination other than landfill). Canal and the Circular Economy.	77, 78, 187 79					
306-5	Waste intended for disposal.	Waste management (waste intended for landfill).	77					
SERVICE SECURITY AND CYBERSECURITY								
GRI 3 Material issues 2021								
3-3	Management of material issues.	A trustworthy service. Technology at the service of internal and external clients.	63 135					

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GENERATION OF CLEAN AND RENEWABLE ENERGY								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Generation of clean energy.	73					
GRI 302: Energy 2016								
302-1	Energy consumption within the organisation.	Our energy consumption.	71					
		Consumption and production of electrical energy (Canal Group).	71, 170					
		Fossil fuel consumption.	170					
302-2	Energy consumption outside the organisation.							No third-party information is available. Over the next years we will try to start reporting on this standard.
302-3	Energy intensity.	Our energy consumption.	71-73					
302-4	Reduction of energy consumption.	Our energy consumption	73-74					
302-5	Reduction of energy requirements of products and services.	Generation of clean energy.	73					
		The SOLAR Plan Canal de Isabel II in 2023.	74					
		Mitigation actions.	85					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
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INNOVATION, NEW TECHNOLOGIES AND DIGITAL TRANSFORMATION								
GRI 3 Material issues 2021								
3-3	Management of material issues.	At the forefront of our sector.	132					
GESTIÓN DEL RIESGO								
GRI 3 Temas materiales 2021								
3-3	Management of material issues.	Corporate risk management.	106					
CAMBIO CLIMÁTICO								
GRI 3 Temas materiales 2021								
3-3	Management of material issues.	Guaranteeing everyone's access to a quality resource.	51					
		The challenge of climate change.	84					
GRI 305: Emissions 2016								
305-1	Direct GHG emissions (scope 1).	Our greenhouse gas (GHG) emissions.	84-85					
305-2	Indirect GHG emissions associated with energy (scope 2).	Our greenhouse gas (GHG) emissions.	84-85					
305-3	Other indirect GHG emissions (scope 3).	Our greenhouse gas (GHG) emissions.	84-85					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
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305-4	Intensity of GHG emissions.	Our greenhouse gas (GHG) emissions.	84					
305-5	Reduction of GHG emissions.	Our greenhouse gas (GHG) emissions.	85	Due to the changing nature of activity each year, motivated by meteorological causes, we cannot set a target for reducing GHG emissions in absolute terms (tons per year).				
		Monitoring of Strategic Plan indicators. Strategic Line 4 (climate balance).	86	The objective we apply is the percentage of emissions avoided compared to total emissions, 138.5% in 2023.				
305-6	Emissions of substances that deplete the ozone layer.			Although they are included in our carbon footprint calculation, they are not very representative: 216 tons of CO ₂ eq. in 2023 (0.18% of our total emissions).				
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions.	Emissions to the atmosphere.	80					
GRI 201: Economic performance 2016								
201-2	Financial implications and other risks and opportunities resulting from climate change.	The challenge of climate change.	84	In 2023 we have deposited emission rights worth 1.8 million euros.				

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					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
SUPPLY CHAIN SUSTAINABILITY.								
GRI 3 Material issues 2021								
3-3	Management of material issues.	With our suppliers.	147					
GRI 204: Supply practices 2016								
204-1	Proportion of spending on local suppliers.					The exact figure is not available. Public sector contracts legislation does not allow us to favour local suppliers.		
GRI 308: Environmental evaluation of suppliers 2016								
308-1	New suppliers that have passed selection filters in accordance with environmental criteria.	With our suppliers.	147	Until 2023, no audits have been carried out specifically aimed at analysing the social performance of suppliers, although there certainly is operational control of compliance with the environmental conditions established in the contracts awarded by our company.				The information from requirement 308-1 a has been omitted, as the datum on the percentage of new suppliers that have passed the filters with environmental criteria is not available.
308-2	Negative environmental impacts in the supply chain and measures taken.	With our suppliers.	147					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 414: Social evaluation of suppliers 2016								
414-1	New suppliers that have passed selection filters according to social criteria.	With our suppliers.	147	Until 2023, no audits have been carried out specifically aimed at analysing the social performance of suppliers, although there certainly is operational control of compliance with the environmental conditions established in the contracts awarded by our company.				The information from requirement 414-1 a has been omitted, as the datum on the percentage of new suppliers that have passed the filters with social criteria is not available.
414-2	Negative social impacts in the supply chain and measures taken.							No se han detectado, por lo que no ha sido necesario adoptar medidas.
EFFICIENT MANAGEMENT OF (WATER) RESOURCES								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Guaranteeing everyone's access to a quality resource (quantity). The best water in Spain (quality). A trustworthy service (continuity).	51-53 59-60 63					
GRI 303: Water and effluents 2018								
303-1	Interaction with water as a shared resource.	Our activity . Everyone's water, every day.	22 51-52	The management of the integral water cycle is the fundamental mission of our company. All our activities focus on this interaction.				

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
303-2	Management of impacts related to water discharge.	Sanitation: sewage and urban drainage.	27					
		Sanitation: wastewater treatment.	28					
		Regeneration / reuse of wastewater.	29					
303-3	Water extraction	Supply: collection and treatment.	23-25					
		Supply: distribution of drinking water.	26					
		Reclaimed water: a real alternative	53-54					
303-4	Water pouring.	Wastewater treatment	75-78					
303-5	Water consumption.	Water self-consumption.	71					
SAFETY, HEALTH AND WELL-BEING								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Guaranteeing everyone's health and safety.	121					
GRI 403: Health and safety at work 2018								
403-1	Management system of health and safety at work.	Management system (ISO 45001).	66-67					
403-2	Hazard identification, risk assessment and incident investigation.	Guaranteeing everyone's health and safety.	121	It is carried out as part of the maintenance of the ISO 45001 system.				

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
403-3	Health services at work.	Guaranteeing everyone's health and safety.	121					
403-4	Worker participation, consultation and communication on health and safety at work.	Union representation.	124					
403-5	Training workers on health and safety at work.	Guaranteeing everyone's health and safety.	121					
403-6	Promotion of workers' health.	Guaranteeing everyone's health and safety.	121					
403-7	Prevention and mitigation of impacts on health and safety at work that are directly linked through commercial relationships.	With our suppliers.	147	All our suppliers have the obligation to comply with our prevention, health and occupational safety policies.				
403-8	Coverage of the occupational health and safety management system.	Guaranteeing everyone's health and safety.	121					
403-9	Injuries due to work accidents.	Guaranteeing everyone's health and safety.	121					
		Information on prevention of the Canal Group.	167					
403-10	Occupational ailments and diseases.	Guaranteeing everyone's health and safety.	121					
		Information on prevention of the Canal Group.	167					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 401: Employment 2016								
401-1	Hiring new employees and staff rotation.	Structure of our staff.	118-119	There is no difference between the two groups of employees.				
		Rotation of the Canal Group workforce by age and sex.	165					
401-2	Benefits for full-time employees that are not provided to part-time or temporary employees.	Social benefits for employees.	115 y 128					
401-3	Parental leave.	Equal opportunities.	121-122					
GRI 402: Worker-company relations 2016								
402-1	Minimum notice periods for operational changes.							There is no pre-established minimum period.
								Changes are analysed and communicated on a case-by-case basis so that any negative impacts they may have on employees can be avoided or mitigated."
TALENT MANAGEMENT								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Training and development of our professionals.	129-130					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 404: Training and education 2016								
404-1	Average number of training hours per year per employee.	Training and development of our employees.	130					
		Average training hours (Canal Group).	166					
404-2	Programmes to develop employee competencies and transition assistance programs.	Training and development of our employees.	129-130					
		Training future professionals in the water sector.	131					
404-3	Percentage of employees who receive periodic evaluations of their performance and career development.	Remuneration and incentive policy.	105					
		Training and development of our employees.	129					
BIODIVERSITY								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Protection of Biodiversity.	81					
GRI 304: Biodiversity 2016								
304-1	Owned, leased or managed operational sites located within or adjacent to protected areas or areas of high biodiversity value outside protected areas.	Presence in protected spaces.	81					

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					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
304-2	Significant impacts of activities, products and services on biodiversity.	Presence in protected spaces (reservoirs and wetlands).	81					
		Ecological flows.	82					
304-3	Protected or restored habitats.	Maintenance of the plant heritage.	81					
304-4	Species that appear on the IUCN Red List and in national conservation lists whose habitats are found in areas affected by operations.	Protected species present.	81					
ECONOMIC SUSTAINABILITY (INCLUDING TARIFF SCHEME)								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Our rates.	93					
		Our economic performance.	137-138					
		Main economic figures of the Group in 2023.	173-177					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 201: Economic performance 2016								
201-1	Direct economic value generated and distributed.	Our economic performance.	137					
		Our investments.	141-143					
		Expenses and investments in environmental management and activities.	69					
		We contribute to the development of R&D&i.	132					
		Economic resources allocated to society.	116					
		Main economic figures of the Group in 2023.	173-176					
		Investments of the Canal Group in 2023.	179-181 182-198					
		Taxonomy of the European Union.						
201-3	Defined benefit plan obligations and other retirement plans.	Social benefits for employees.	128					
201-4	Financial assistance received from the government.	he European Funds and Canal.	144-146					
		Tax Information of the Group.	178					
SOCIOECONOMIC AND CULTURAL DEVELOPMENT								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Social commitment.	108-109					
		Our investments.	141-143					
		Investments of the Canal Group in 2023.	179					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 203: Indirect economic impacts 2016								
203-1	Investments in infrastructure and services supported.	Our investments. Investments of the Canal Group in 2023.	141-143 179					
203-2	Significant indirect economic impacts.	Expenses and investments in environmental management and activities.	69					
		Economic resources allocated to society.	116					
		We contribute to the development of R&D&i.	132-134					
		Taxonomy of the European Union (2023 results).	182-198					
GRI 413: Local communities 2016								
413-1	Assessment of the impacts of product and service categories on health and safety.	Prevention and Communication on environmental aspects of our operations.	69					
413-2	Operations with significant –real or potential– negative impacts on local communities.							There have been none in 2023 and, given the nature of our operations, it is unlikely that any will occur in the future.

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
DIVERSITY, EQUALITY AND INCLUSION								
GRI 3 Material issues 2021								
3-3	Management of material issues.	We work for Equality.	122-124					
GRI 405: Diversity and equal opportunities 2016								
405-1	Diversity of governing bodies and employees	Current composition of the Board of Directors and its committees.	34-35					
		Structure of our staff.	118-119					
		We work for equality.	122-124					
		Staff of the Canal Group according to contract, sex and age.	162-163					
405-2	Ratio between the basic salary and the remuneration of women and men.	We work for equality.	123					
		Remunerations of the Canal Group by country, gender, position and seniority.	164					
GRI 406: Non-discrimination 2016								
406-1	Discrimination cases and corrective actions taken.	We work for equality (anti-harassment protocol).	122	There have been no cases in 2023.				

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					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 202: Market presence 2016								
202-1	Ratios between the standard starting category salary by gender and the local minimum wage.	We work for equality.	122					
		Remunerations of the Canal Group by country, gender, position and seniority.	164					
202-2	Proportion of senior executives hired in the local community.				Not relevant: almost all of the people who occupy management positions in the Group are hired in their local community. For the most part they are nationals of the country where they work.			
HUMAN RIGHTS								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Code of Ethics and Conduct (point 3 - human rights).	102-103					
		Social rates: our greatest contribution	108-109					
		Collaboration with other social entities (Global Compact).	115					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 407: Freedom of association and collective bargaining 2016								
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining could be at risk.					Our contract conditions and the laws of the countries in which we operate prevent this type of practice.		
GRI 408: Child labour 2016								
408-1	Operations and suppliers with significant risk of cases of child labour.	Collaboration with other social entities (United Nations Global Compact). With our suppliers.	115-116 147	Canal has been a signatory entity of the United Nations Global Compact since 2006 and supports the fight against child labour.		The information of requirements 408-1 a and 408.1 b has been omitted as the legislation of Spain and the rest of the countries in which we operate prevents the existence of operations and suppliers that may entail significant risks in relation to child labour.		

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 409: Forced or compulsory labour 2016								
409-1	Operations and suppliers with significant risk of cases of forced or compulsory labour.	Collaboration with other social entities (United Nations Global Compact).	115-116	Canal has been a signatory entity of the United Nations Global Compact since 2006 and supports the fight against forced or compulsory labour.				The information of requirement 409-1 a has been omitted as the legislation of Spain and the rest of the countries in which we operate prevents the existence of operations and suppliers that may entail significant risks in relation to forced or compulsory labour.
		With our suppliers.	147					
GRI 410: Security Practices 2016								
410-1	Security personnel trained in human rights policies or procedures	Ensuring the security of facilities and people.	63					

GRI STANDARD	CONTENTS	SECTIONS OF THE 2023 SUSTAINABILITY REPORT	PAGES	DIRECT RESPONSES AND OBSERVATIONS	EXPLANATION OF THE OMISSION			
					Not pppropriate / not applicable	Legal prohibitions	Confidentiality restrictions	Unavailable or incomplete information
GRI 411: Rights of indigenous peoples 2016								
411-1	Cases of violations of the rights of indigenous peoples.				Canal and all the Group companies carry out their water management activities in urban areas, where there are no indigenous communities.			
BUSINESS MODEL DEVELOPMENT								
GRI 3 Material issues 2021								
3-3	Management of material issues.	Value Chain of Canal de Isabel II and its Business Group.	30	This material issue contemplates matters related to diversification and internationalisation, and the transformation of the business model.				
		Our Strategy.	38-40					
		The SOLAR Plan of Canal in 2023.	74					
		We contribute to the development of R&D&i in our sector.	132-134					
		Canal Group: activities and geographical location	153-158					

CONTENTS OF LAW 11/2018 OF NON-FINANCIAL INFORMATION AND DIVERSITY AND CORRESPONDENCE WITH GRI STANDARDS

CONTENTS OF LAW 11/2018 - GENERAL MATTERS	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Brief description of the group's business model	GRI 2-6	Our company.	17-21
		Value Chain of Canal de Isabel II and its Business Group.	30
		Our activity	22-29
		The Canal Group	137, 157-160
Markets in which it operates	GRI 2-1	Canal Group: activities and geographic implementation	153-155
Organisation objectives and strategies	GRI 2-23	Our commitments	3
		Our Strategy	38-40
		Canal Sustainability Policy	37
Main factors and trends that may affect its future evolution	GRI 3-2	Our performance in 2023	46-47, 50
		About this report.	202-204
Reporting framework	GRI 1	GRI standards in their 2021 version	GRI content index
Description of the applicable policies	GRI 2-23 GRI 2-24	Our commitments	3
		Our Strategy	38-40
		Our performance in 2023	48-49
		Prevention at source of adverse environmental impacts	67-68
		Service to customers and users (the 10 commitments)	94
		Collaboration with other social entities (Global Compact)	

CONTENTS OF LAW 11/2018 - GENERAL MATTERS	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT		PAGES
The results of those policies / The main risks related to those issues linked to the group's activities	GRI 3-3 (on material issues)	Transparency, ethics and the fight against corruption	The company of all Madrilenians. Corporate governance in Canal de Isabel II.	99-100 102-107
		Satisfaction and commitment to customers	At your side for whatever you need us for.	93-98
		Transition towards a circular economy and responsible consumption	Our environmental performance Canal and the Circular Economy.	70-80 79
		Service security and cybersecurity	A trustworthy service Technology at the service of internal and external clients.	75-77, 79 135
		Generation of clean and renewable energy	Generation of clean energy.	72-75
		Innovation, new technologies and digital transformation	At the forefront of our sector	132-136
		Risk management	Corporate risk management.	105-107
		Climate change	Guaranteeing everyone's access to a quality resource. The challenge of climate change.	51 84-87
		Supply chain sustainability.	With our suppliers.	147-148
		Efficient management of (water) resources	Ensuring everyone's access to a quality resource (quantity). The best water in Spain (quality). A trustworthy service (continuity).	51-57 59-61 63
		Safety, health and well-being	Guaranteeing everyone's health and safety.	121
		Talent management	Training and development of our professionals.	128-131
		Biodiversity	Protection of Biodiversity.	81-82

CONTENTS OF LAW 11/2018 - GENERAL MATTERS	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT		PAGES
The results of those policies / The main risks related to those issues linked to the group's activities	GRI 3-3 (on material issues)	Economic sustainability (including tariff scheme)	Our tariffs. Our economic performance. Main economic figures of the Group in 2023.	93-94 137-140 173-178
		Socioeconomic and cultural development	Social commitment. Our investments. Investments of the Canal Group in 2023.	108-116 141-143 179-181
		Diversity, equality and inclusion.	We work for Equality.	122-125
		Human rights	Code of Ethics and Conduct (point 3 - human rights). Social rates: our greatest contribution. Collaboration with other social entities (Global Compact).	115-116 102-104 108-110
		Development of the business model	Value Chain of Canal de Isabel II and its Business Group. Our Strategy. Canal's SOLAR Plan in 2023. We contribute to the development of R&D&i in our sector. Canal Group: activities and geographical implementation.	30 38-40 74 132-136 153-155

CONTENTS OF LAW 11/2018 - ENVIRONMENTAL ISSUES	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Current and foreseeable effects of the company's activities on the environment and, where applicable, health and safety.	GRI 303-2	Sanitation: wastewater treatment.	28
	GRI 303- 3	Supply: collection and treatment.	23-25
	GRI 303-4	Wastewater treatment	28, 75-76, 229
	GRI 303-5	Water self-consumption	71
	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	Our greenhouse gas (GHG) emissions.	84-85
	GRI 305 -7	Other emissions into the atmosphere.	80
	GRI 301-1	Reagent consumption / Paper consumption.	70-71
	GRI 306-1 GRI 306-2	Sanitation: wastewater treatment. / Waste management / Waste production (Group companies).	75-79
	GRI 304-1 GRI 304-2	Presence in protected spaces.	
Environmental evaluation or certification procedures.	GRI 2-24	Management System.	66-67
	GRI 413-1 GRI 413-2	Prevention and communication on environmental aspects of our operations.	69
Resources dedicated to the prevention of environmental risks.	GRI 203-2	Expenses and investments in environmental management and activities.	69
Application of the precautionary principle.	GRI 2-23	Prevention at source of adverse environmental impacts.	
Amount of provisions and guarantees for environmental risks.	There are no such provisions or guarantees.		

CONTENTS OF LAW 11/2018 - ENVIRONMENTAL ISSUES	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Amount of provisions and guarantees for environmental risks. Measures to prevent, reduce or repair carbon emissions that seriously affect the environment; taking into account any form of activity-specific air pollution, including noise and light pollution..	GRI 305-5 (Non-significant light pollution)	Mitigation actions.	85-87
	GRI 302-5	Clean energy generation.	73-75
Prevention measures for prevention, recycling, reuse, other forms of recovery and waste disposal.	GRI 306-2	Water self-consumption.	77-79
Actions to combat food waste.	This aspect is not significant.		
Water consumption and water supply in accordance with local limitations.	GRI 303-5	Water self-consumption.	71
Consumption of raw materials and measures taken to improve the efficiency of their use.	GRI 303-1	Everyone's water, every day.	
	GRI 301-1 GRI 301-2	Reagent consumption / Paper consumption.	70
		Reclaimed water: a real alternative.	
Direct and indirect energy consumption.	GRI 302-1	Our energy consumption.	71-73
Measures taken to improve energy efficiency.	GRI 302-5	Actions for mitigation / GREEN HYDROGEN PLANT ARROYO CULEBRO WWTP.	87
Use of renewable energy.	GRI 302-5	Clean energy generation / SOLAR PLAN.	
Important elements of greenhouse gas emissions generated as a result of the company's activities.	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	Our greenhouse gas (GHG) emissions.	84-85

CONTENTS OF LAW 11/2018 - ENVIRONMENTAL ISSUES	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Measures taken to adapt to the consequences of climate change	GRI 303-1	SDG 6 (clean water and sanitation)	51-57
	GRI 302-5	Mitigation actions/ GREEN HYDROGEN PLANT ARROYO CULEBRO WWTP	87
	GRI 201-2	Our greenhouse gas (GHG) emissions.	85-86
Reduction goals voluntarily established in the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose	GRI 302-5	Mitigation actions / GREEN HYDROGEN PLANT ARROYO CULEBRO WWTP	87
	GRI 302-5	Clean energy generation / SOLAR PLAN	74
Measures taken to preserve or restore biodiversity	GRI 304-1	Presence in protected spaces.	81
	GRI 304-2	Presence in protected spaces (reservoirs and wetlands).	81
	GRI 304 -3	Ecological flows.	82
	GRI 304-4	Maintenance of plant heritage.	81
		Protected species present.	81
Impacts caused by activities or operations in protected areas	GRI 304-1	Presence in protected spaces.	81

CONTENTS OF LAW 11/2018 - SOCIAL AND PERSONNEL ISSUES	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Total number and distribution of employees by country, sex, age and professional category.	GRI 2-7	Structure of our staff / Staff of Canal Group companies.	118-120/161-162
Total number and distribution of employment contract types.	GRI 2-7	Staff of Canal Group companies.	162-163
Annual average by type of contract (permanent, temporary and partial) according to sex, age and professional classification.	GRI 2-7 GRI 405-1	Structure of our staff / Staff of Canal Group companies.	118-120/122/161-163
	GRI 405-2	We work for equality.	123 y 164
Number of dismissals by sex, age and professional categories.	GRI 401-1	Employee turnover of the Canal Group by age and sex.	165
Salary gap / Average salaries and their evolution disaggregated by sex, age and professional classification or equal value.	GRI 405-2	Remunerations of the Canal Group by country, gender, position and seniority.	164
Average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term savings pension systems and any other payment disaggregated by sex.	See the attached Annual Corporate Governance Report, the Consolidated Annual Accounts and the Consolidated Management Report of the Canal Group for the financial year 2023.		
Implementation of work disconnection policies.	GRI 401-3	We work for equality.	122/124
Employees with disabilities.	GRI 405-1	Canal Group staff by contract, sex and age.	118, 122, 162
Organisation of working time.	GRI 2-30	Collective agreement.	125, 165
Number of hours of absenteeism.	GRI 403-9	Guaranteeing everyone's health and safety / -Information on prevention of the Canal Group.	167

CONTENTS OF LAW 11/2018 - SOCIAL AND PERSONNEL ISSUES	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Measures aimed at facilitating the enjoyment of conciliation and promoting the co-responsible exercise thereof by both parents.	GRI 401-2	Social benefits for employees.	128
	GRI 401-3	Equal opportunities.	
Health and safety conditions at work.	GRI 403-1 GRI 403-2	Occupational health and safety management system.	121
Work accidents, particularly their frequency and severity, disaggregated by sex.	GRI 403-9 GRI 403-10	Guaranteeing everyone's health and safety / Information on prevention of the Canal Group.	121, 167
Occupational diseases disaggregated by sex People at the centre.			
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.	GRI 2-30	Union representation.	124 y 165
Percentage of employees covered by collective agreement by country.	GRI 2-30	Collective agreements and union representation.	165
Balance of collective agreements, particularly in the field of health and safety at work.	GRI 403-4	Union representation.	124
Policies implemented in the field of training.	GRI 404-2	Training and development of our employees. / Training future water professionals.	129/131
Total number of training hours by professional categories.	GRI 404-1	Average training hours (Canal Group).	166
Universal accessibility for people with disabilities.	GRI 405-1	Canal Group staff by contract, sex and age.	162

CONTENTS OF LAW 11/2018 - SOCIAL AND PERSONNEL ISSUES	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Measures adopted to promote equal treatment and opportunities between women and men.	GRI 3-3	We work for equality.	122-123
Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men).	GRI 405-1	We work for equality(Equality Plan).	122
Measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of people with disabilities.	GRI 406-1	We work for equality(anti-harassment protocol).	122
Policy against all types of discrimination and, where appropriate, regarding diversity management.	GRI 3-3	Equal opportunities for all.	121-122

CONTENTS OF LAW 11/2018 - INFORMATION ON RESPECT FOR HUMAN RIGHTS	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Application of due diligence procedures in matters of human rights, prevention of risks of violation of human rights and, where appropriate, measures to mitigate, manage and repair possible abuses committed.	GRI 408-1 GRI 409-1 GRI 411-1	Collaboration with other social entities (Global Compact).	115
	GRI 410-1	Guaranteeing the security of facilities and people (security personnel).	63
Complaints about cases of violation of human rights.	There have been no such complaints in 2023.		
Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation bearing on respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour, the effective abolition of child labour.	GRI 405-1	We work for equality(Equality Plan).	122-124
	GRI 2-30	Collective agreements and union representation.	165
		Union representation.	124
	GRI 408-1 GRI 409-1	Collaboration with other social entities (Forced labour and child labour in the Global Compact).	115
CONTENTS OF LAW 11/2018 - INFORMATION REGARDING THE FIGHT AGAINST CORRUPTION AND BRIBERY	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Measures taken to prevent corruption and bribery / Measures to combat money laundering.	GRI 205-1 GRI 205-2	Internal Code of Conduct and Ethics and Compliance.	102-105
		Compliance system.	104
		Training and development of our employees (anti-corruption training).	129-130
	GRI 308-1 GRI 308-2	With our suppliers.	147
Contributions to foundations and non-profit entities.	GRI 201-1	Economic resources allocated to society.	116

CONTENTS OF LAW 11/2018 - INFORMATION ON THE COMPANY	GRI STANDARDS	SECTION OF THE 2023 SUSTAINABILITY REPORT	PAGES
Impact of the company's activity on employment and local development.	GRI 2-6	Our company (indirect employment).	18, 117 y 152
	GRI 203-1	Our investments / Canal Group investments in 2023.	141-143/179-181
	GRI 203-2	Expenses and investments in environmental management and activities.	69
		We contribute to the development of R&D&i.	116
		Economic resources allocated to society.	116
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	GRI 201-1	Creating value for our interest groups: our "social dividend".	116
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Fecha de edición: 09/2024

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