

ANNUAL REPORT
2017



Our Mission

We look after our Community managing water for all, with transparency, efficiency and sustainability.

Our Values

SUSTAINABILITY

COMMITMENT

EXCELLENCE

PROXIMITY

TRANSPARENCY

Our Commitments

- 1** To be the benchmark public company and the economic and developmental driving force for the Autonomous Community of Madrid.
- 2** To work to manage the entire integrated water cycle throughout the Autonomous Community of Madrid.
- 3** To lead the way in addressing the challenges facing the sector and any regulatory advances.
- 4** To maintain, innovate and plan our infrastructures and services, adapting to society's future needs.
- 5** To minimise the environmental impact on all our processes by favouring the circular economy, the 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 fair rates, which encourage savings in consumption and guarantee access for all to an essential asset.
- 8** To strengthen the digital transformation for more hands-on and effective management.
- 9** To practise rigorous and transparent financial management, ensuring the appropriate economic balance, financial autonomy as well as the sustainability of the company.
- 10** To support our professionals by attracting, retaining and encouraging talent.

Canal de Isabel II in 2017

2017



21 and 22 Feb.

Canal participated in the sixth annual **World Water-Tech Innovation Summit** (London), a meeting point for the world's greatest experts in water management, with the debate "Progressing from analytical overload to data-based decision making".



28 Feb. - 3 Mar.

The company **participated in the first ever Innovative Solutions Fair for Water Management (SIGA)**, together with more than 94 companies from 14 countries, with an attractive stand, several presentations by company employees and a quarterly knowledge management meeting organised by the Departments for Operations, Innovation and Engineering.



1 March

Canal **took on the management of the football schools and paddle tennis at the Third Water Tower Leisure and Sports Centre** through its subsidiary, **Ocio y Deporte Canal**.

With this measure, Canal guarantees that the 1,400 students enrolled in these sporting activities can continue with their classes.



3 March

Canal has obtained ENAC accreditation 346/EI573, according to the criteria set out in standard UNE-EN ISO/IEC 17020, for the technical inspection of the measurement apparatus (water meter and taps), an activity that includes the checking of the metrological behaviour of said apparatus in real conditions of the facility, as well as the revision of the hydraulic installation and all associated commercial information.



8 March

Canal de Isabel II celebrated **International Women's Day** with a meeting at its central offices aimed at all its employees. The company reiterated its commitment to ensuring that equal opportunities are a real and effective achievement.



22 March

World Water Day was celebrated, focusing on this occasion on wastewater management. With the support of the Spanish Association for the Supply of Water and Sanitation (AEAS), Canal organised an informative day at its central offices under the title "Past, present and future of wastewater".



23 March

The company **Top 100 meeting** was held with the entire staff hierarchy, which will define the future of Canal de Isabel II through the plans and programmes of the action points for the new Strategic Plan 2018 – 2030.



19 April

Lezo case: as a consequence of the complaint filed by Canal with the anti-corruption unit of the public prosecutor's office in July 2016, in relation to irregularities in the purchase of the Brazilian subsidiary Emissão, the Central Operative Unit of the Civil Guard, the public prosecutors and representatives of the National Court were present at the Canal de Isabel II central offices. The company cooperated fully and handed over all the information required by the judicial authority.



26 April

Canal's Board of Directors approved **measures to ensure maximum control, transparency and efficiency in the management of the Canal de Isabel II Group**, among which stand out the strengthening of the organisation of the company, of the financial areas, of the control and accountability of subsidiaries, of the corporate legal areas of the subsidiaries and of the internal audit.



14 May

The **38th Carrera del Agua (Race for Water)** was celebrated, organised by Canal in conjunction with the Sports Association MAPOMA. More than 6,500 runners participated in the 5km or 10km races around the streets of Madrid. Part of the registration amount was earmarked for the *Fundación para la Diabetes* (Diabetes Foundation).



25 May

Canal participated in the **4th Semana de la Ingeniería de Caminos (Road Engineering Week)** organising a number of reports at head office to analyse the singularities of sanitation management in Madrid. Furthermore, in Plaza Castilla, it installed replicas of a refuse collector and a set of drinking water pipes.



31 May

The Board of Directors of Canal de Isabel II has drawn up the individual and consolidated accounts for the financial year 2016, with measures to ensure due diligence. It has also approved the **start of the process of selling international assets** of the public company.



3 June

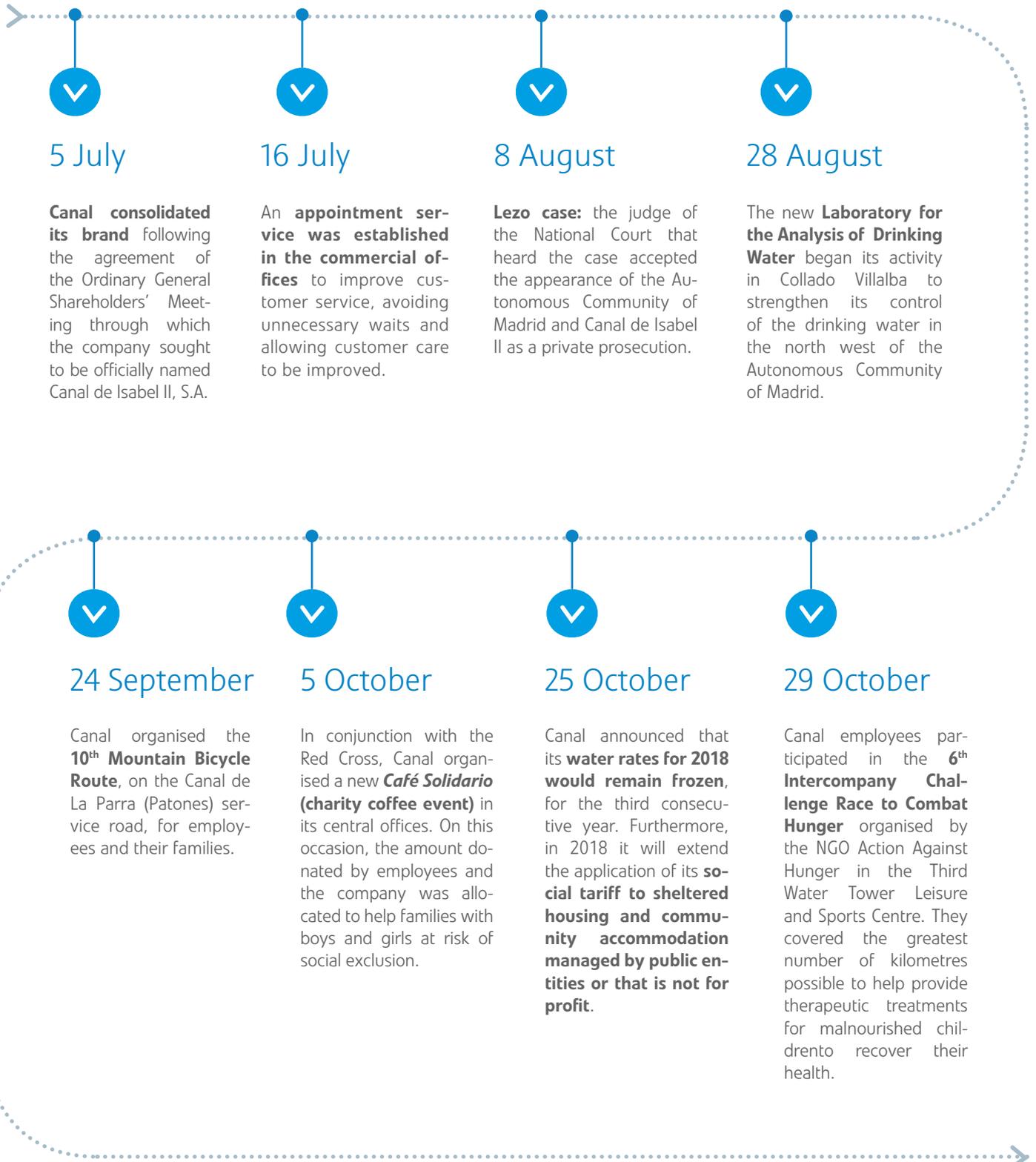
The 100km **Oxfam Intermón Trailwalker 2017** was held in Madrid's Lozoya Valley and Sierra Norte with the participation of Canal employees.



15 June

Closing ceremony of Canal Deporte 2017: hundreds of workers from the company attended the function that began with the awarding of prizes to the winners of all categories.

Canal de Isabel II in 2017





14 and 15 Nov.

Canal de Isabel II's Strategic Plan was presented to all company employees. This new plan, **based on 10 strategic guidelines**, reinforces the public nature of the company and opts to incorporate all the municipalities of Madrid into its management model.



16 November

Within the framework of the Forum of Experts of Spain's Institute of Internal Auditors, the person responsible for **Internal Auditing** at Canal de Isabel II received the COSO Internal Control Certificate (international internal control regulations) and became the **first person in our country** to obtain this certification.



17 November

It was announced that, as part of the emergency plan included in the Regional Pact for **Cañada Real Galiana**, Canal de Isabel II will regularise the drinking water supply contracts with the residents of sector 2 (311 homes), who will be able to take up the **social tariff** for water.



24 November

Canal celebrated the **International Day for the Elimination of Violence against Women**, signing up to the campaign *NO permitas la Violencia de Género* (DON'T allow Gender Violence). *#haysalida a la Violencia de Género* (There is a way out of Gender Violence) organised by the Ministry of Health, Social Services and Equality.



28 Nov. / 1 Dec.

The exhibition on Auschwitz, highlighting the consequences of hate and intolerance, **was opened in the Centro de Exposiciones Arte Canal.**

The exhibition, which opened to the public on 1 December, includes 600 original objects, the majority coming from the Auschwitz-Birkenau State Museum, in its only stop in Spain before embarking on its international itinerary. Canal promotes educational visits ensuring that **groups of students do not pay entry.**



5 December

The General Department for the Control of Construction of the Sustainable Urban Development Area of Madrid City Hall **granted the municipal urban licence that will enable works to demolish the existing golf facilities to be started** on the plot of the **Third Water Tower of Canal de Isabel II** in Avenida de Filipinas.



14 December

Within the context of the push for environmental quality and energy efficiency in Canal's Strategic Plan, the company will increase the **production of the thermal composting and drying plant with cogeneration in Loeches.**



15 December

Canal de Isabel II's Board of Directors **approved the distribution of a dividend totalling EUR 123.7 million** with the support of the estimated net profit for financial year 2017 that will be received by the company shareholders, the public entity Canal de Isabel II and 111 city halls of the Autonomous Community of Madrid.

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Message from the Chairman of the Board of Directors



For over a century and a half, Canal has established itself as a leader in sustainability and efficiency in the management of the integrated water cycle in our Community.

In 2017 specifically, the worst hydrological year of the last five years, excellence in management has enabled Canal to guarantee the supply to all Madrid's residents and end up with sufficient reserves to maintain this guarantee throughout 2018.

With regard to the financial area, Canal has continued with the positive results of previous years, which has contributed to reducing its debt by more than 10% compared to 2016 and to guaranteeing the future sustainability of our company.

Furthermore, from the Board of Directors we have strengthened the organisation of the company, the financial areas, the control and accountability of subsidiaries, the corporate legal areas of the subsidiaries and internal auditing to ensure the maximum control, transparency and efficiency of the Canal de Isabel II Group.

We have also embarked on the process of selling international assets, which we will develop, with all the legal guarantees, over the next two years in response to the new management model which focuses our business fundamentally on the Autonomous Community of Madrid.

This is all done in coherence with the new Strategic Plan 2018-2030 drawn up in 2017 to define how Canal will look in the future. A Plan that will enable us to return to the essence of this large public company, as our governance programme lays down, through the incorporation of good business practices and the reinforcement of the values by which our actions are governed: commitment, proximity, transparency, excellence and sustainability. In this way, we will be prepared to respond effectively to the new needs that a modern and globalised society requires and to fulfil our mission.

And, always, keeping in mind our social commitment to those that need it most. Because in 2017 we are keeping our water tariff frozen for the second consecutive year and, furthermore, we are widening our social tariff to incorporate new groups, which has meant a growth of almost 50% in the case of allowances aimed at families with economic difficulties.

It has certainly been a year of important measures to advance on the next step that we began in 2016 with the firm objective of making Canal a model of management, efficiency and transparency.

Ángel Garrido García

Chairman of the Board of Directors of Canal de Isabel II
Councillor of the Presidency, Justice and Spokesperson of the
Government of the Autonomous Community of Madrid

Message from the CEO



.....
2017 has been an exciting year. It has been the year in which we have, between all of us who make up the large Canal family, defined our future: our new Strategic Plan 2018-2030.
.....

For more than 167 years, from the public company Canal de Isabel II, we have been constructing and consolidating one of the most effective and efficient management models, recognised both nationally and internationally. The company, which I currently have the honour of directing, is a benchmark in the management of the integrated water cycle on a global level; a company with a cooperative, unique and successful model, upon which we are improving day by day.

Through this message, I want to make you aware of some of the main milestones in relation to the management of the company throughout 2017. A **"difficult year"** in some aspects, but **exciting** in many others. In order to do this, I will concentrate on six of the points of our new Strategic Plan, those most related to the operation.

As regards the **quantity** and guarantee of supply, 2017 has been a very difficult year. The contributions to our reservoirs have been very limited (368.49 million cubic metres), 51.60% less than the historical average. That's why we have had to find, over time, alternative resources and develop campaigns to raise the awareness of our users about the necessity of saving water. All this in a year in which the months with the highest temperatures and the highest water consumption, normally three each year, have been four, due to the extreme average temperatures of June 2017.

But it is indeed in our hands to be efficient in our management, and we are doing just that. So, although the price of our water sits between 5% and 23% (depending on consumption) below the average in Spain according to FACUA and we have frozen our tariffs, in recent years, our tariffs have been designed to encourage savings and penalise excessive consumption, something fundamental in years like 2017 in which inputs are lower and the climatology provokes significant increases in consumption.

During 2017 we have also worked on increasing the supply of regenerated water, achieving an increase of 28% compared to 2016, reaching almost 16 cubic hectometres. This has enabled us to save an equivalent of 12 days' drinking water consumption.

Furthermore, we have continued to improve in the exploitation of the networks and efficiency. This is thanks to our programmes of maintenance, conservation and better control of pressure with an increasingly precise sectorisation; in the last two years we have significantly reduced the number of breakages in pipes and connections and we have reduced uncontrolled water - another highly recognised parameter of the sector - by almost 15 cubic hectometres, positioning us among the best companies in our sector internationally. Furthermore, in a topic as sensitive as pressure, which is also very much linked to quantity, our customers and users, in the last survey we conducted, gave us a score of 8.2 out of 10, representing only 5% dissatisfied.

With regard to **quality**, which is one of the traditionally distinctive attributes of the water of Madrid, our situation today is excellent.

Our customers and users awarded it a score of 8.2 points. However, when a fault is their main cause for dissatisfaction, accounting for 15% of those dissatisfied, it is possibly because it is the Community that requires the least amount of bottled water due to being able to drink from the tap with absolute peace of mind. Even so, our quality incidences in the last two years have reduced by 27%, standing at 1.89 per thousand. Our internal compliance standard on more than 31,100 samples analysed stands at 97% of compliant samples.

As regards **continuity of service**, a highly valued factor, Madrid's residents gave us a score of 9.1; evidently, we are accustomed to turning on the tap and water always comes out and, furthermore, it is normal that this is the case thanks to the work of Canal. We have a vast and complex network in which, to give you some indicators, the number of breakages for each 1,000km of network is 111 per year, although we have managed to reduce them by 23% in the last two years. In addition, we have reduced the frequency in which these breakages impact the same property, standing at 1.22 times, the ideal value evidently being 1: a property should never be affected by more than one breakage per year. An efficient sectorisation of the network, which is getting better all the time, will enable us to have a dual supply for the entire population, further guaranteeing the continuity of service, a dual source of supply that today can be relied on by 80% of the population.

As regards **environmental management**, the Autonomous Community of Madrid exerts strong demographic pressure on the Tagus basin (Cuenca del Tajo): we represent 82.4% of the Spanish population that lives in the basin of the Tagus river, a basin that spans two countries (Spain and Portugal), meaning its management is extremely sensitive. Canal de Isabel II has always been sensitive to this aspect and it has spent time promoting a strong and ambitious wastewater purification plan. Today Madrid leads the way amongst Spain's autonomous communities in terms of purification since it treats 99.9% of its waste water.

We have 157 wastewater treatment plants, with approximately 500 cubic hectometres treated per year, and this contributes, and will contribute even more in the future, to something in which we all firmly believe: the **circular economy**. Today we are removing approximately 190,000 tons of sludge from the waste water that is subsequently transported to the treatment plants, of which 67.5% is destined for agriculture, approximately 7% to make compost and currently 25% for thermal drying. No sludge was sent to landfill in 2017. In the wastewater treatment plants we were able to generate a total of 93.3 million kilowatt-hours in 2017 and, thanks to a major innovation project, we are starting to extract a precious and scarce compound, phosphate, in the form of the struvite mineral. We are consequently becoming a phosphate producer, a rare material par excellence and difficult to regenerate.

Also due to the situation of the Autonomous Community of Madrid in the Tagus basin, our territory is catalogued in a special way in the National Water Quality Plan and the majority of our wastewater

treatment plants have now been adapted for the elimination of phosphorous and nitrogen; evidence of this is that between 2013 and 2017 we have improved our discharge levels by 11%.

And regarding the reused water that we regenerate, this is around 16 cubic hectometres. However, in addition, in 2017 we decided not to halt the tertiary treatments of the WWTPs during the period in which there is no irrigation and we sent 107 cubic hectometres to the waterways with a treatment that is far superior than regulations dictate, sending a discharge to the downstream channels that was evidently much better than that which would simply be an adjustment to the established legal minimum requirements.

With regard to **relationships with municipalities and users**, our supramunicipal model is a great success and has received recognition nationally and internationally. We have now drawn up more than 90 sewerage master plans and we have held meetings with the city/town councils: in recent years we have held 260 meetings with different city and town councils. We are relying on ambitious future plans to further foster the relationship and reach 100% of the services in all the municipalities.

I said at the beginning of this message that 2017 has been a "difficult year" and, indeed, we have encountered some very difficult moments for the company and its image. We have had to document before the judicial authorities regrettable facts from the past and subject ourselves to a thorough audit of our business activities and management in recent decades.

However, we are convinced that the attitudes of certain people cannot damage a large company such as Canal, a company that throughout its long history has overcome revolutions, civil wars, economic crises and extreme droughts and has always continued to push forward providing its service to the users. We are therefore confident that, with the collaboration of all those who interact with us – our customers, our employees, citizens and our shareholders – the company will continue to grow in strength and to thrive.

I also commented however that, although difficult, 2017 has been an **exciting** year. It has been the year in which we have, among all those who make up the large Canal family, defined our future: **our new Strategic Plan 2018-2030**.

I therefore encourage you to get to know, through this document, the details of our current achievements, as well as the objectives and exciting plans that we have all defined for the next decade.

Yours sincerely,

Rafael Prieto Martín
CEO of Canal de Isabel II

1

OUR COMPANY



The company Canal de Isabel II is a public company. Its shareholders include the Autonomous Community of Madrid, through the public entity Canal de Isabel II, and one hundred and eleven municipalities of said Community. The company started its activities on 1 July 2012, taking over most of the competences and activities of the public entity Canal de Isabel II, created in 1851, which since 1984 has been the public company dependent on the Autonomous Community of Madrid in charge of managing the integrated water cycle.

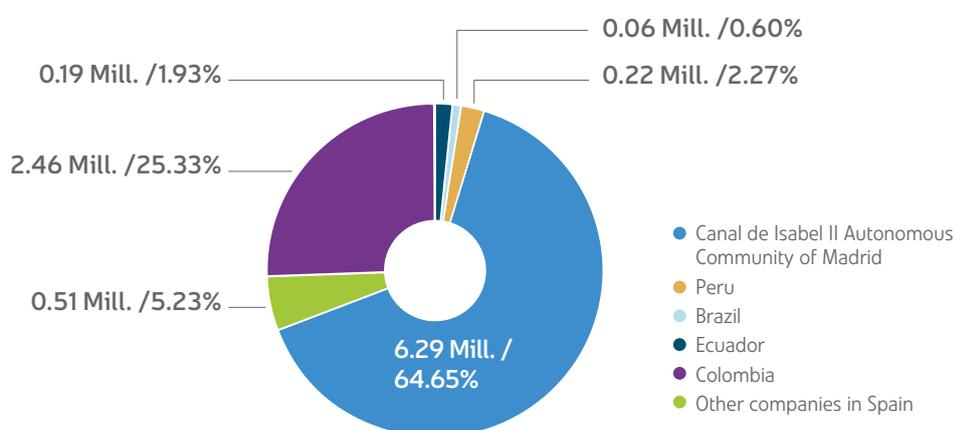
Canal manages the whole water cycle in virtually the entire region, i.e. all processes oriented towards the adequate management of water resources and the conservation of the environment. These processes, which include the catchment, treatment and monitoring of water quality, its transport and distribution, the sanitation and purification of wastewater and its regeneration for subsequent reuse, are necessary to develop and maintain the quality of life of Madrid's residents.

The experience accumulated by Canal de Isabel II in more than a century and a half of management allows us to contribute added value through other activities related to the water sector in geographical areas other than the Autonomous Community of Madrid. Thus, since the 1960s, Canal has

been integrated into a set of shareholding companies that, together with our company, currently constitute the Canal de Isabel II Business Group.

In 2017, the Group's companies managed a total of 826 million cubic metres of water (557 million cubic metres in Spain and 269 million cubic metres in Latin America) and 45,232 kilometres of supply, sanitation and regenerated water networks, supplying 9.72 million people (6.79 million in Spain and 2.93 million in Latin America), employing 6,504 workers and generating more than 8,800 indirect jobs. At the end of FY 2017, the Canal de Isabel II Group had close to 2.22 million supply contracts (85% of which are domestic) in more than two hundred municipalities, with a supply coverage of 98.66%, 99.55% in Spain.

Population supplied per country in 2017 (millions of inhab. /% of total)



The main figures of the Canal Group at FY 2017 end are detailed in chapter 5, "The Canal Group".

Main figures in the Autonomous Community of Madrid 2017



6.29 mill.
inhabitants supplied
(173 municipalities)

6.50 mill.
inhabitants served in sanitation
(179 municipalities)



442.73 hm³
purified in WWTPs
discharged



15.89 hm³
of regenerated water
supplied



504.29 hm³
rerouted for consumption



81.60 MW
installed for electrical
generation



2,611
employees in the
workforce

242.70 mill. kWh
produced in 2017



€153.54 mill. €
in investments

885.7 mill. €
in turnover

Technical information at FY 2017 end

SUPPLY	
Number of reservoirs	14
Reservoir capacity (hm ³)	945.85
Water rerouted for consumption in reservoirs and catchments (hm ³)	504.3
Number of catchment wells in operation	78
Kilometres of network (adduction and distribution)	17,556
No. of drinking water treatment plants (2017)	14
Treatment capacity (hm ³ per day)	4.55
Number of major regulating deposits	34
Storage capacity of major reservoirs (hm ³)	3.2
Number of small deposits	292
Number of major lifting plants	22

REUSE	
No. of existing reuse plants	23
Kilometres of regenerated water network	589
Regenerated water reservoirs in service	63
Volume of regenerated water produced for reuse (hm ³ per year)	15.89
Municipalities with reuse service from Canal	23
Golf courses with reuse agreements or contracts with Canal	11
Companies and organisations with reuse service	12
Volume of regenerated water discharged (hm ³ per year)	107.38

SANITATION	
Kilometres of municipal sewerage networks managed	14,079
Kilometres of network of large collectors and outfalls	877
Number of buffering basins and storm tanks managed	65
Capacity of storm tanks managed (hm ³)	1.48
Number of wastewater pumping stations managed	133
Number of Wastewater Treatment Plants managed	157
Nominal treatment capacity (millions of equivalent inhabitants)	17.64
Water treated in WWTPs and discharged (hm ³)	442.73

CUSTOMERS AND POPULATION SERVED IN THE AUTONOMOUS COMMUNITY OF MADRID	
Number of contracts (millions)	1.47
Population supplied (millions of inhabitants)	6.29
Supply coverage (percentage of inhabitants)	96.60%
Municipalities supplied by Canal de Isabel II	173
Population served in sewerage management (millions of inhabitants)	5.54
Coverage of sewerage management (millions of inhabitants)	85.08%
Municipalities managed in sewerage	134
Population served in wastewater treatment (millions of inhabitants)	6.50
Coverage in wastewater treatment (percentage of inhabitants)	99.87%
Municipalities managed in wastewater treatment	179

1.2. Our business: the integral water cycle

From the moment a drop of rainwater falls from the sky until it returns to rivers or the sea in the best conditions, it goes through a cycle that is commonly called the integral water cycle.

The cycle consists of two main phases: supply and sanitation, which correspond to the actions necessary to bring drinking water to consumers, and the collection and treatment of wastewater. A third phase can be added to this cycle, namely the reuse of the wastewater after adequate treatment

to guarantee its sanitary characteristics, enabling its use for garden irrigation, street cleaning, watering sports areas and even for industrial use. Canal de Isabel II currently manages all the phases and stages mentioned above.

REUSE

A more advanced treatment process in certain treatment plants enables the use of purified water for the irrigation of public green spaces, street cleaning and industrial uses, among others.



ADDITION

In order to have water at any time throughout the year, it must be collected and stored.

It must then be subjected to different processes that guarantee its disinfection and channelled through large pipes to the deposits from where it is distributed to homes, industries and services.



PURIFICATION

Return of fully purified water to waterways or receiving channels so that its natural cycle is not affected.



DISTRIBUTION

Water conveyance from the water deposits of the municipalities to the private connections through the pipe networks



SEWERAGE

Collection of waste water and rainwater and their evacuation at the different discharge points



All the information about the integrated water cycle is available on our website: <http://www.canalcicointegraldelagua.es/en/>

Supply: adduction (catchment and treatment)

In 2017 the contributions from the rivers to our reservoirs was almost 52% less than the historical average.

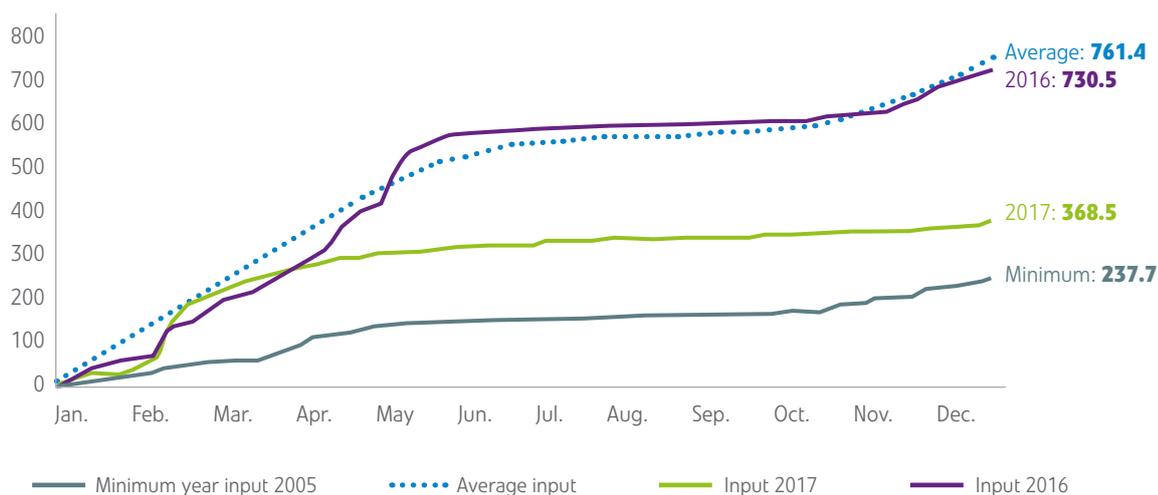
The supply system for the Autonomous Community of Madrid managed by Canal de Isabel II is mainly based on surface water catchment, using the 14 reservoirs managed by Canal to take advantage of inputs from the Lozoya, Jarama-Sorbe, Guadalix, Manzanares, Guadarrama-Aulencia and Alberche rivers, from where around 90% of the water supplied to the network comes.

The water that these rivers provide varies greatly from one year to another. The average input is 761.4 million cubic meters per year (as can be seen in the graph), although it has reached as high as 1,756 million cubic meters (in 1941) and as low as 237.7 million cubic meters (in 2005). The year 2017 has been characterised as being very dry, having registered a very low input of 368.49 cubic metres. This is 51.60% lower than the historical average.

The reservoirs managed by Canal have a total storage capacity of 945.85 million cubic metres, 62.2% of which is located in the Lozoya river basin. The main reservoir of this region is the El Atazar reservoir, with a capacity of more than 425 million cubic metres.

The abstraction of groundwater, as a support to surface water supply, is a key element in the management of the supply system during periods of drought or water scarcity, and can contribute up to 90 million cubic metres per year of exploitation. To guarantee this volume we have 78 wells in operation.

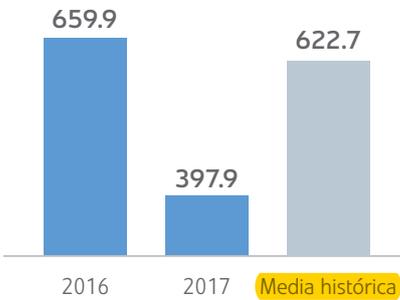
Cumulative natural inputs (cubic hectometres per calendar year)



You will find more details about our reservoirs and catchments at this link:
http://www.canalciointegraldelagua.es/en/captacion_aguas-superficiales_embalses.html

1. OUR COMPANY

Precipitation recorded in Canal reservoirs (litres per m³ per year)



Moreover, Canal also has the possibility of transferring water from the reservoirs of San Juan and Picadas, on the Alberche river, and the Guadarrama and Sorbe rivers through the weirs of Las Nieves and Pozo de Los Ramos, respectively. We can also supply from the San Juan reservoir to the Rozas de Puerto Real DWTP and to the Pelayos de la Presa DWTP. Finally, it is also possible to collect water from the Tagus river in order to supply it to the networks once treated in the DWTP of the same name.

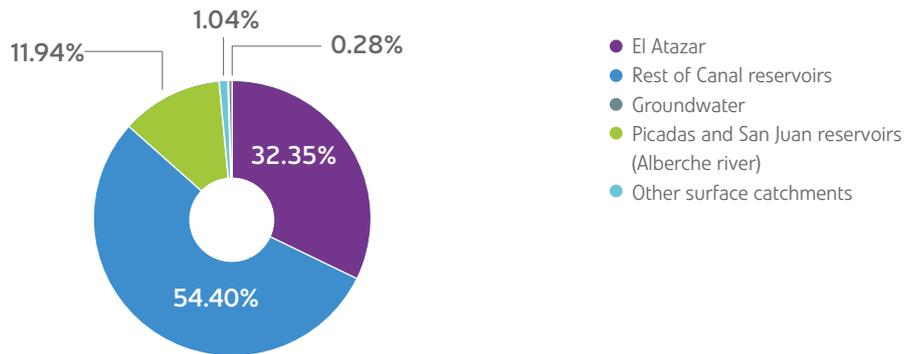
The total volume of water rerouted for consumption rose to a total of 504.29 million cubic metres in 2017, 2.61% greater than

the 2016 volume and 0.68% greater than the average for the previous five years (2012-2016).

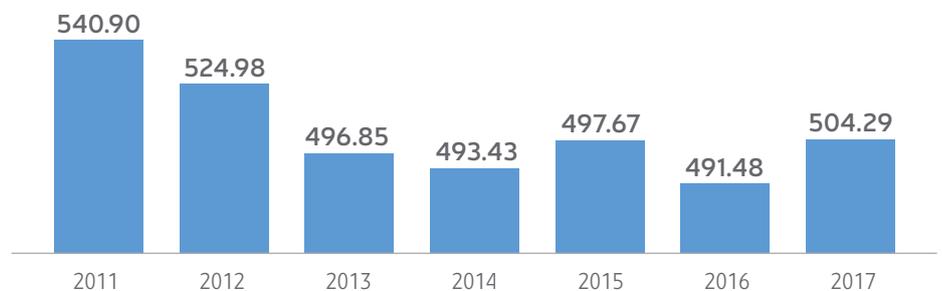
From all the catchment possibilities described above, Canal obtains the resources that are subsequently sent to the treatment plants, through a network of large channels and raw water pipes that, at the end of 2017, had a total length of 217.99 kilometres.

Canal de Isabel II manages 14 Drinking Water Treatment Plants (DWTPs) with a total nominal capacity to treat 4.55 million cubic metres per day.

Origin of the water rerouted for consumption in 2017 (504.29 hm³)



Annual volume of water rerouted for consumption (hm³)



For more information about our treatment plants, visit this link:
<http://www.canalciointegraldelagua.es/en/tratamiento.html>



If you would like to know more about distribution, visit this link:

<http://www.canalciointegraldelagua.es/en/distribucion.html>

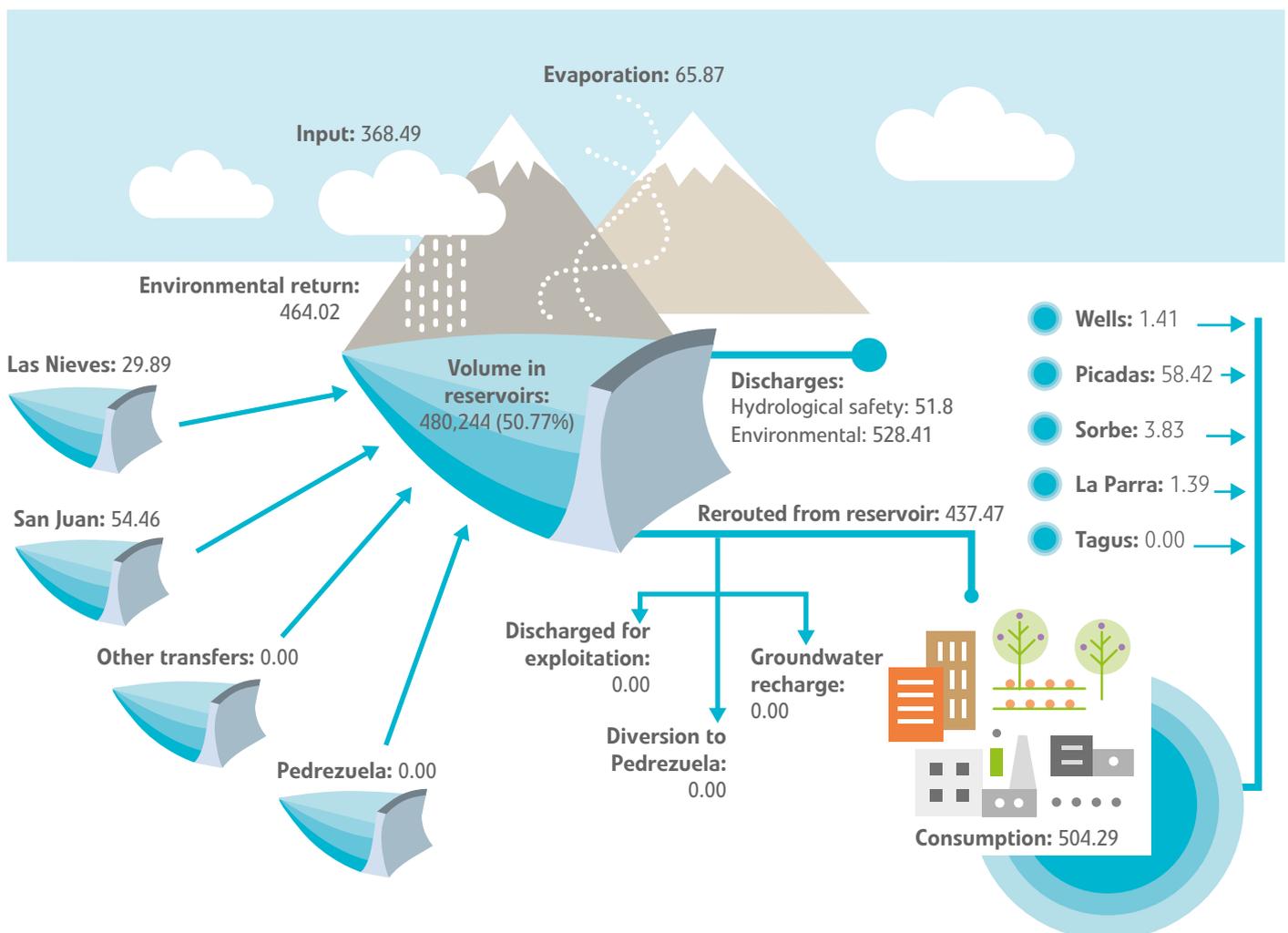
Supply: drinking water distribution

In the journey of the water from the DWTPs to the user's tap, Canal de Isabel II has a series of installations that ensure the maintenance of the service: the large pipelines, the regulating tanks, the pumping stations and the distribution network guarantee a continuous service, with the required pressure and quality. The networks managed by Canal in 2017 reached a total length of 17,557 kilometres (of which 3,107 km were for adduction).

The regulating deposits are enclosures designed to store the water that supplies the population. The company manages 34 of these large regulating deposits, with a total capacity of 3.2 million cubic meters, in addition to a further 292 smaller regulating deposits.

In order to take the water from the corresponding reservoirs and raise it to a higher level, thus guaranteeing the supply of water in the highest areas of the Community of Madrid, Canal has 22 large pumping stations and 109 smaller pumping stations.

Supply outline for the Autonomous Community of Madrid in 2017 (data in millions of cubic metres)



Sanitation: urban sewerage and drainage

The purpose of sewerage and urban drainage networks is to collect sewage and rainwater in the municipalities and convey it to treatment plants. As at 31 December 2017, Canal maintained these networks in 134 municipalities, collecting the wastewater of 5.54 million inhabitants.

The total length of the municipal networks managed amounts to 14,079 kilometres of pipelines. In its turn, Canal manages 877km of supramunicipal collectors and outfalls, water pipes that collect and transport waste

water from the municipalities to the corresponding WWTPs.

Other major facilities managed by Canal include the 133 Wastewater Pumping Stations (WWPSs), whose mission is to pump wastewater when it cannot be transported to the WWTPs by gravity. Another 65 storm tank and buffering basin facilities are also managed, with a combined capacity of 1.48 million cubic metres. Their purpose is to prevent flooding, as well as to retain the first rainwater that is the most polluting, minimising its effect on the watercourses.

Sanitation: purification of waste water



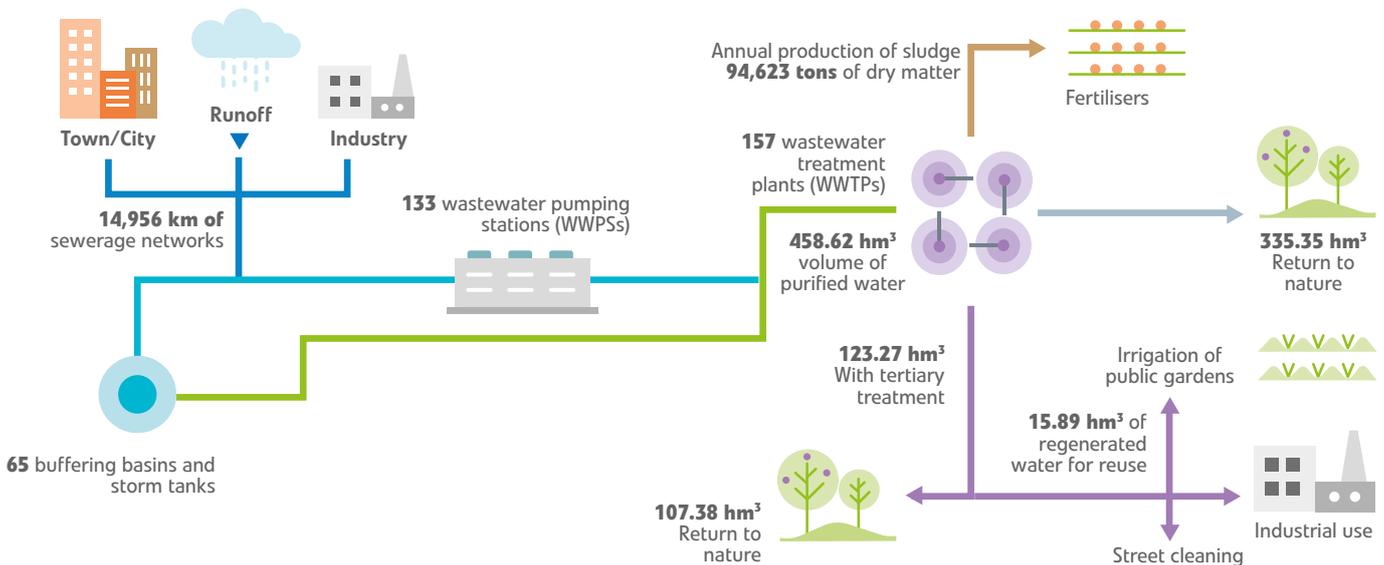
More details on sewerage management and purification are available at this link: <http://www.canalciclointegraldelagua.es/en/saneamiento.html>

After the collection and transport of wastewater through the sewerage systems of towns and cities, treatment or purification takes place so that it can be properly returned to natural waterways, under the quality standards set by the European Union and national, regional and local legislation, or for subsequent reuse.

Canal de Isabel II is in charge of performing this task in 179 municipalities. To this end, we have excellent infrastructures that allow us to provide an extremely technical continuous, high-quality and efficient service that covers the entire territory. In 2017, Canal's 157 Wastewater Treatment Plants (WWTPs), whose nominal treatment capacity is 17.64 million equivalent

inhabitants, treated and discharged into the waterways a total of 442.73 cubic metres of waste water (107.38 of it with tertiary treatment) and managed to eliminate 96.26% of the suspended solids, 97.32% of the BOD5, 92.98% of the COD, 91.39% of the phosphorus and 60.27% of the nitrogen that it contained.

In addition to the purified water discharged into the waterways, Canal's WWTPs in 2017 treated another 15.89 million cubic metres that were destined for reuse.





Find out more about wastewater reuse at the following link:

http://www.canalciclointegraldelagua.es/en/saneamiento_agua-regenerada.html

Regeneration and distribution of treated waste water for reuse

Canal de Isabel II considers that the reuse of treated waste water is an essential component of the integrated management of the resource and contributes to the net increase in availability of water in the region. For this reason, in recent years, Canal has increasingly developed its activity of distributing regenerated water for installations that do not require drinking water, especially for street cleaning and the irrigation of public parks, golf courses, and even for industrial uses.

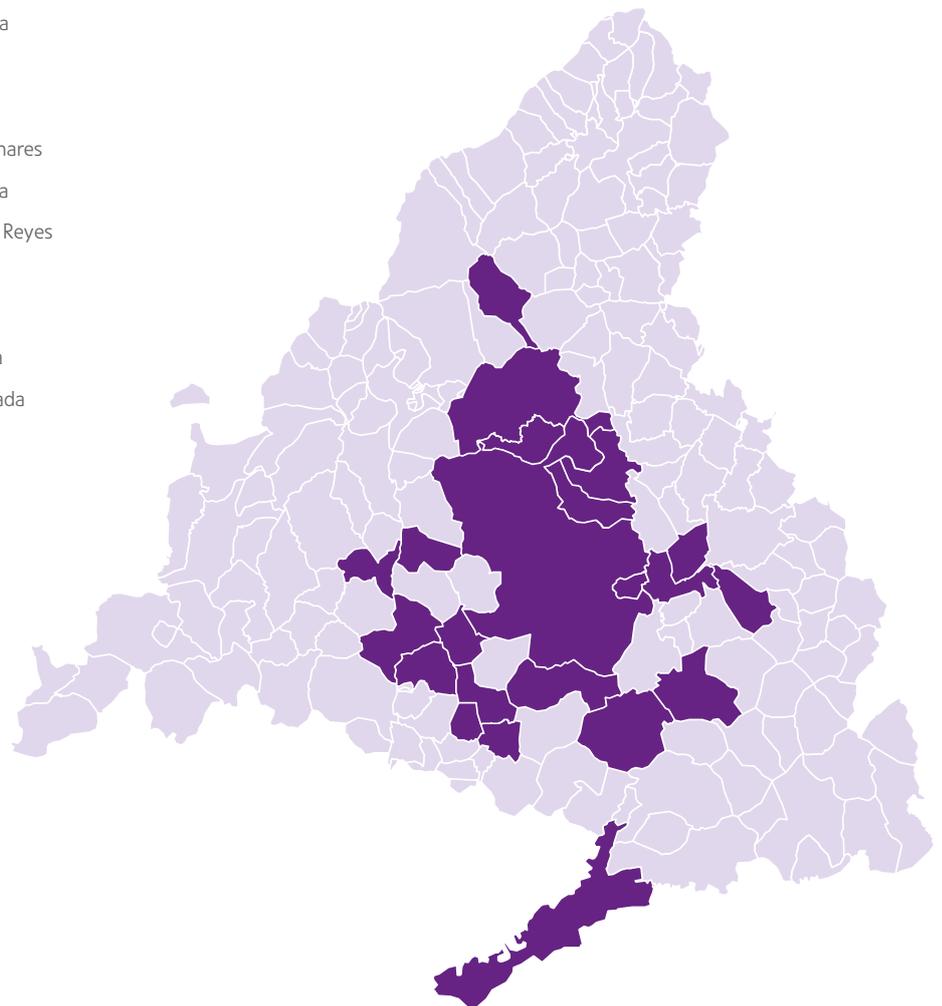
By the end of 2017, Canal had 25 facilities for the production of regenerated water (tertiary treatments) with the capacity to

produce 313,406 cubic metres per day and with 589km of reuse networks that had supplied a total of 15.89 million cubic metres of water to the 23 municipalities that rely on this service. This number will increase in the next few years thanks to the signing of new regenerated water supply agreements.

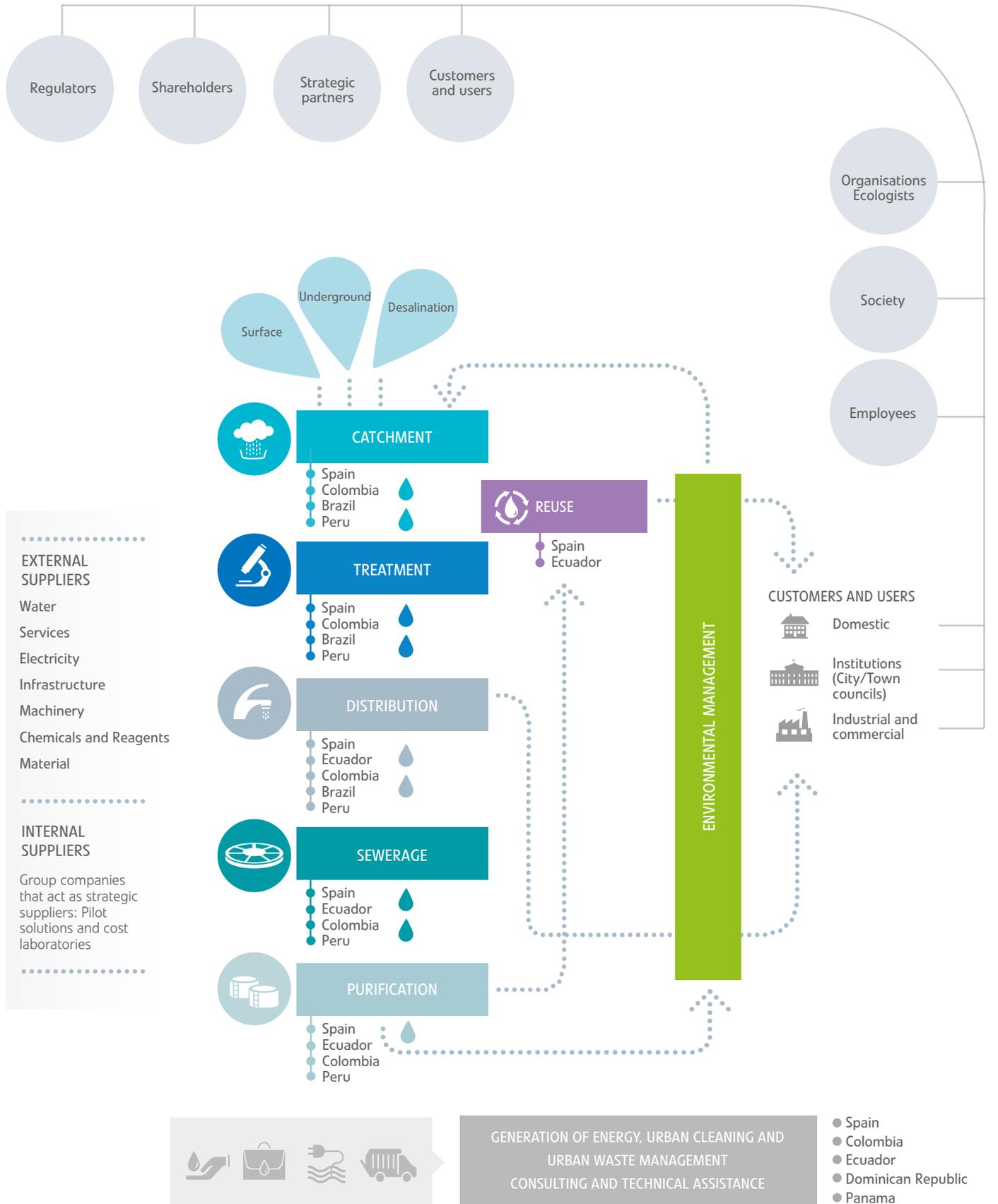
To better understand the value of reuse, with the regenerated water produced by Canal, 1,699 hectares are currently being irrigated in 307 green areas of the region and 11 golf courses with a total surface area of 789 hectares.

Situation of regenerated water supply in the municipalities of the Autonomous Community of Madrid (2017)

- Alcobendas
- Alcorcón
- Aranjuez
- Arganda del Rey
- Colmenar Viejo
- Coslada
- Fuenlabrada
- Getafe
- Humanes de Madrid
- Madrid
- Majadahonda
- Meco
- Miraflores de la Sierra
- Móstoles
- Parla
- San Fernando de Henares
- San Martín de la Vega
- San Sebastián de los Reyes
- Tres Cantos
- Torrejón de Ardoz
- Torres de la Alameda
- Villanueva de la Cañada
- Villaviciosa de Odón



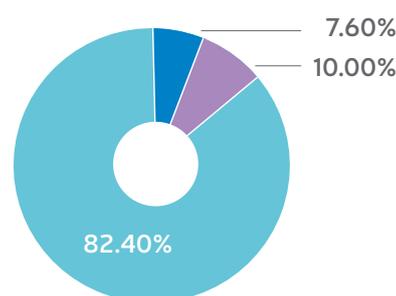
Value chain of the Canal de Isabel II Business Group



1.3. Organisation of our company

Canal de Isabel II's corporate organisation and governing bodies meet the requirements arising from its legal status as a public limited company since its creation in June 2012.

Shareholding structure of Canal de Isabel II, S.A.
(as at 31 December 2017)



- 110 municipalities of the Autonomous Community of Madrid
- Madrid City Council
- Autonomous Community of Madrid (through the Canal de Isabel II public entity)

Shareholders

The share capital of the public limited company Canal de Isabel II is represented by 1,074,032,000 ordinary shares, each with a nominal value of one euro.

The incorporation of the company Canal de Isabel II Gestión, S.A. (since 2017, Canal de Isabel II, S.A.) was authorised by agreement of the Governing Council of the Autonomous Community of Madrid on 14 June 2012 (published in the Community of Madrid Official Gazette of 21 June 2012).

Thus, the delivery of the shares to the 111 municipalities holding shares in the company was formalised in December 2012, in compliance with what was agreed with said municipalities in the agreements of incorporation signed in 2011 and 2012.

By the end of 2017, the 111 municipalities that owned Canal de Isabel II had a total of 5,832,518 inhabitants, or 89.63% of the population of the Autonomous Community of Madrid (92.39%, excluding Alcalá de Henares).

Governing bodies

Canal de Isabel II's corporate governing bodies are the General Shareholders' Meeting, which includes all shareholders of the company, and the Board of Directors.

Given the characteristics of the company's shareholders (100% public), the composition of the Board of Directors is governed mostly by its public nature, with six Proprietary Directors and three Independent Directors. The Directors are subject, regarding incompatibilities, to Law 5/2006 of 10 April on the regulation of conflicts of interest of Government members and senior officials of the General State Administration, and to Law 14/1995 of 21 April on the incompatibilities of senior officials of the Autonomous Community of Madrid, ensuring greater transparency and preventing the occurrence of potential conflicts of interest.

The Board of Directors holds its general meetings once a month or when the chairman decides to convene them.

In addition, pursuant to Royal Legislative Decree 1/2010 of 2 July, which approves the revised text of the Spanish Law on Corporations and the company's Articles of Association, the Board of Directors' committee system contained in Articles 529(13) and 529(14) of the Spanish Law on Corporations, respectively, is also applicable to Canal de

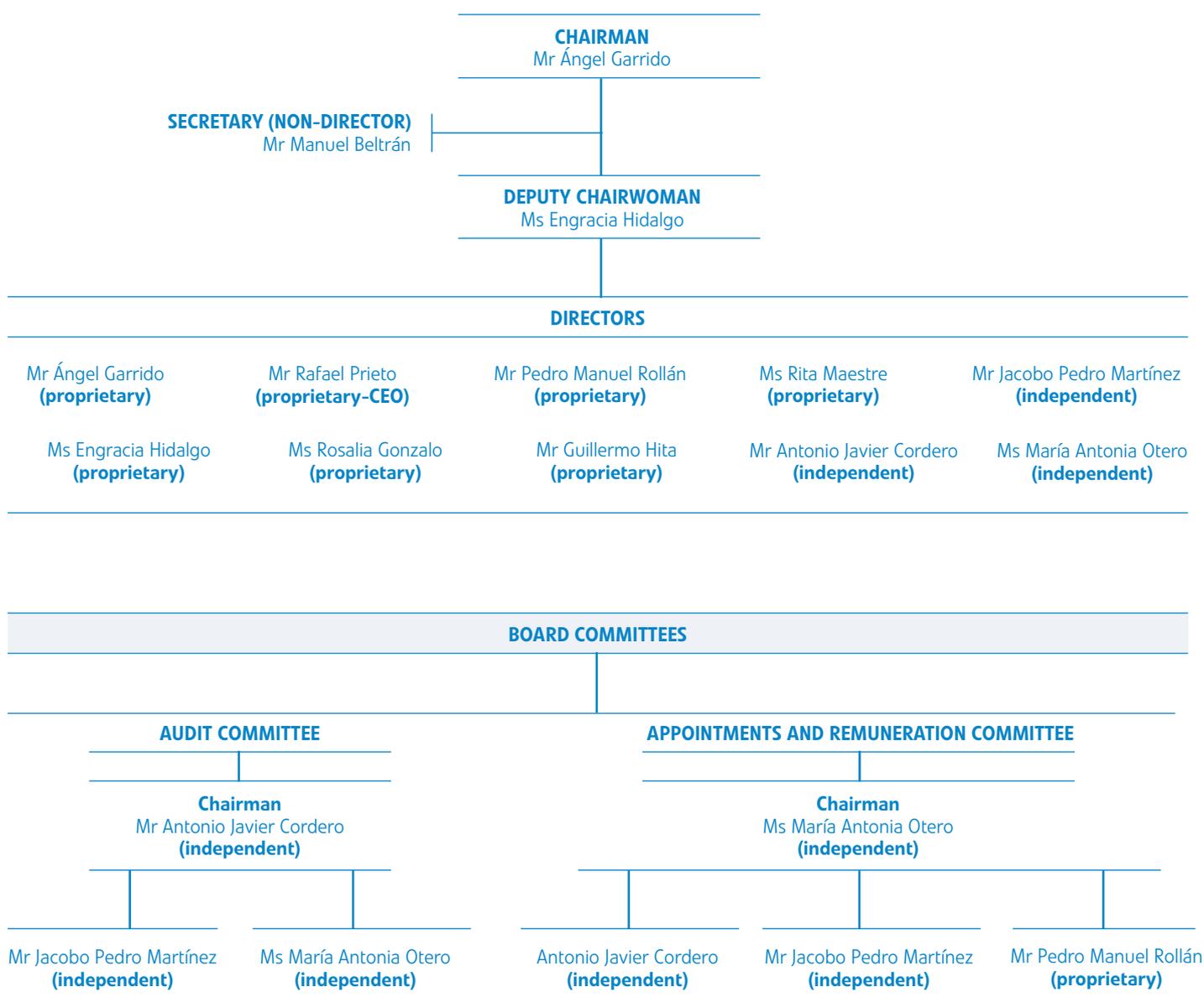
Isabel II S.A. in its capacity as an issuer of securities other than shares admitted to trading on official secondary markets.

At present, the Board's Committees are the Audit Committee and the Appointments and Remuneration Committee, both of which are chaired by independent directors and the majority of which are made up of directors in this category.

The General Shareholders' Meeting determines the number and appoints the members of the Board of Directors. Currently, the Board comprises ten Board Members and a Secretary (non-member):

The Shareholders' Meeting, among other powers legally attributed to it, is responsible for approving the company's management, approving the accounts for the previous year and deciding on the allocation of profits. Since the creation of Canal de Isabel II in 2012, and until 2017 (including the 2017 interim dividend approved in December 2018), a total of 857.78 million euros have been paid out: 706.80 went to the Autonomous Community of Madrid, 85.78 to the Madrid City Council, and 65.19 to Canal's other shareholder municipalities. This represents a contribution of 25.88 euros per inhabitant in the 111 shareholder municipalities.

1. OUR COMPANY



 You can find more information about Canal de Isabel II Board members here: <https://www.canaldeisabelsegunda.es/web/site/accionistas>

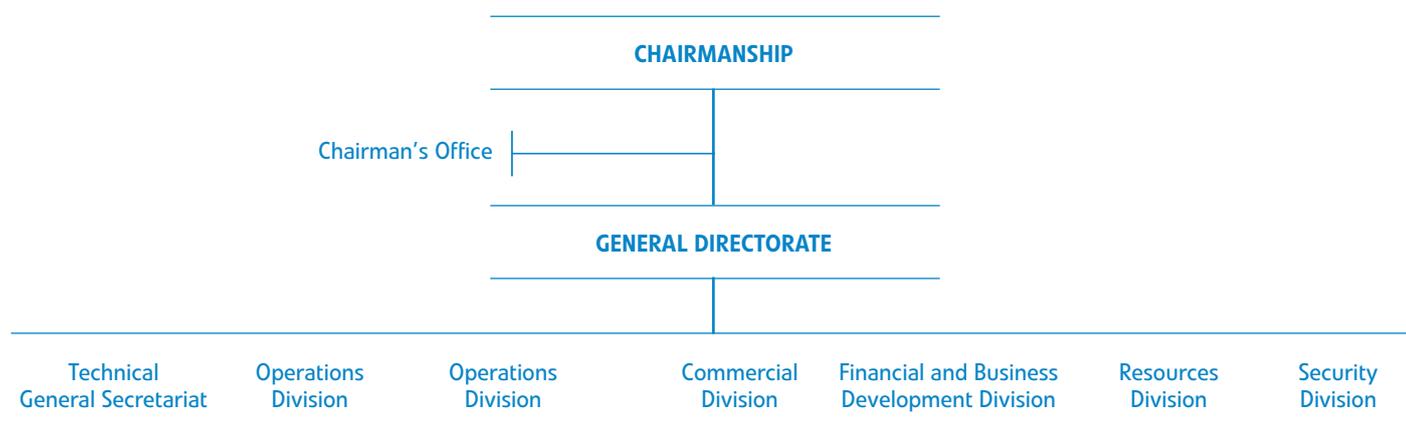
The highlights of the main agreements adopted in the two general meetings held in 2017 are:

- The approval of the Financial Statements and the Management Report, corresponding to the financial year 2016, both of the individual company Canal, and the consolidated financial statements of the company and its Group.
- The approval of the management of the company's directors during 2016.
- The approval of the distribution of profits for the financial year 2016.
- The modification of the Articles of Association for their adaptation to the modifications introduced in the Spanish Law on Corporations in relation to the competencies of the Audit Committee.
- The modification of the company name (Canal de Isabel II, S.A.).
- The appointments of members of the Board of Directors (new independent directors, Madrid City Hall and new director for Transport, Housing and Infrastructure of the Autonomous Community of Madrid).
- The approval of the divestment of assets. Sale of non-strategic holdings.
- Report on the company's Strategic Plan 2018-2030.

Organisation and Executive Management

Our organisation has a structure composed of different divisions, subdivisions and departments. At the end of 2017, the management structure in effect was as follows:

The Company has a **Management Committee**, chaired by the CEO and comprising the directors of Canal de Isabel II, who meet periodically to resolve relevant issues that affect the company on any subject



You can find more information about our organisation and Canal de Isabel II's Management Committee members here:

<https://www.canaldeisabelsegunda.es/web/site/quienes-somos>

(analysis of economic, operational, commercial and environmental information) as well as dealing with any other substantial matter with regard to its members.

On an annual basis, the Management Committee sets management objectives, which are monitored on a monthly basis by means of management indicators in the **environmental, economic and social** fields. In 2017, these indicators were grouped into seven areas of analysis: resource manage-

ment, environmental efficiency, solvency and profitability, investment rate, efficiency in internal processes, external image and electricity consumption/production. As of 2018, the indicators will be grouped under each of the points of the **Canal de Isabel II Strategic Plan 2018-2030**.

The **Management Committee** regularly **informs the Chairman of the Board** of any significant issues that may affect the company's activity.

Other committees and commissions

As noted earlier, the Audit Committee is made up of three directors (two of them independent and one proprietary), with the chairmanship of the committee legally mandated by one of its independent directors; the same regime is established for the Appointments and Remuneration Committee.

In addition to the aforementioned committees, Canal periodically holds different committees made up of executive management members. These committees cover various topics, including the Supply Management Committee, the Energy Committee and the Committee on Information Systems, among others.

2

OUR ENVIRONMENT AND FUTURE CHALLENGES



2.1. The value of water

.....

The growth in demand for water combined with the reduction in available water resources, as a consequence of climate change, is provoking an important change in the paradigm of water management on a global scale.

.....

Until the end of the 20th century, concern about access to water was very limited to certain geographical areas suffering from scarcity, and the fact that it might be a problem on a global scale was not even considered. The traditional paradigm considered that water was not a scarce resource, but rather that it was poorly distributed. Thus, the water scarcity problems faced by certain dry and arid regions were local and considered to be the result of a poor distribution of the resource.

This approach was also applied in Spain, with the dichotomy of a "wet" and a "dry" Spain. Thus, water policy focused on transfers and major hydraulic works, such as dams or desalination plants.

However, the growing demand for water, coupled with a reduction in renewable water resources (the consequences of climate change and global warming, among other reasons) are causing a major change in the paradigm of water management, making water scarcity a global problem that affects both developed and developing countries. The new paradigm views water as a basic resource for human life, which must be managed as a scarce commodity of increasing value. For this reason, it is necessary to reconcile the different dimensions of water and find a balance between them all:

- **Water is a public asset of the utmost necessity.** Adequate access for consumers under affordable, fair and equitable terms should be ensured, so that the resource is shared, avoiding concentrations of power. Tariffs must be structured in such a way that users with less purchasing power can have access to the service, sharing the costs fairly.
- **Water is a scarce economic asset.** The long-term replacement and maintenance of assets must be ensured. To this end, the cash flows obtained in water management must guarantee the conservation of the value of these assets; water management must guarantee operational efficiency and prices must be a sign of the real costs incurred in providing water to consumers.
- **Water as a key element in the environment.** It is necessary to discourage the depletion of water, a critical natural resource, promoting responsible consumption to ensure the preservation of its ecological functions and that the alteration of natural waterways is kept to a bare minimum.

Spain is no stranger to this concept: between 2003 and 2007, the percentage of the country's surface area at risk of desertification rose from 31% to 37%. This is a situation that we must not ignore. Other sources, such as Water Intelligence, say that, in 2008, 34% of our country's population was living at considerable risk of water scarcity.



2.2. Context in which our sector operates internationally

Throughout its more than 165 years of history, Canal de Isabel II has adapted progressively to the demands and challenges posed by a changing and increasingly competitive environment, and has been able to do so within a unique framework of activities,

such as the management of the integrated water cycle. The socio-economic and technological trends that will most affect our sector at an international level in the coming years are:

Population growth: the world's population is expected to reach 8.4 billion by 2032, although this growth will take place especially in developing countries. This will entail a greater need for water management infrastructures.

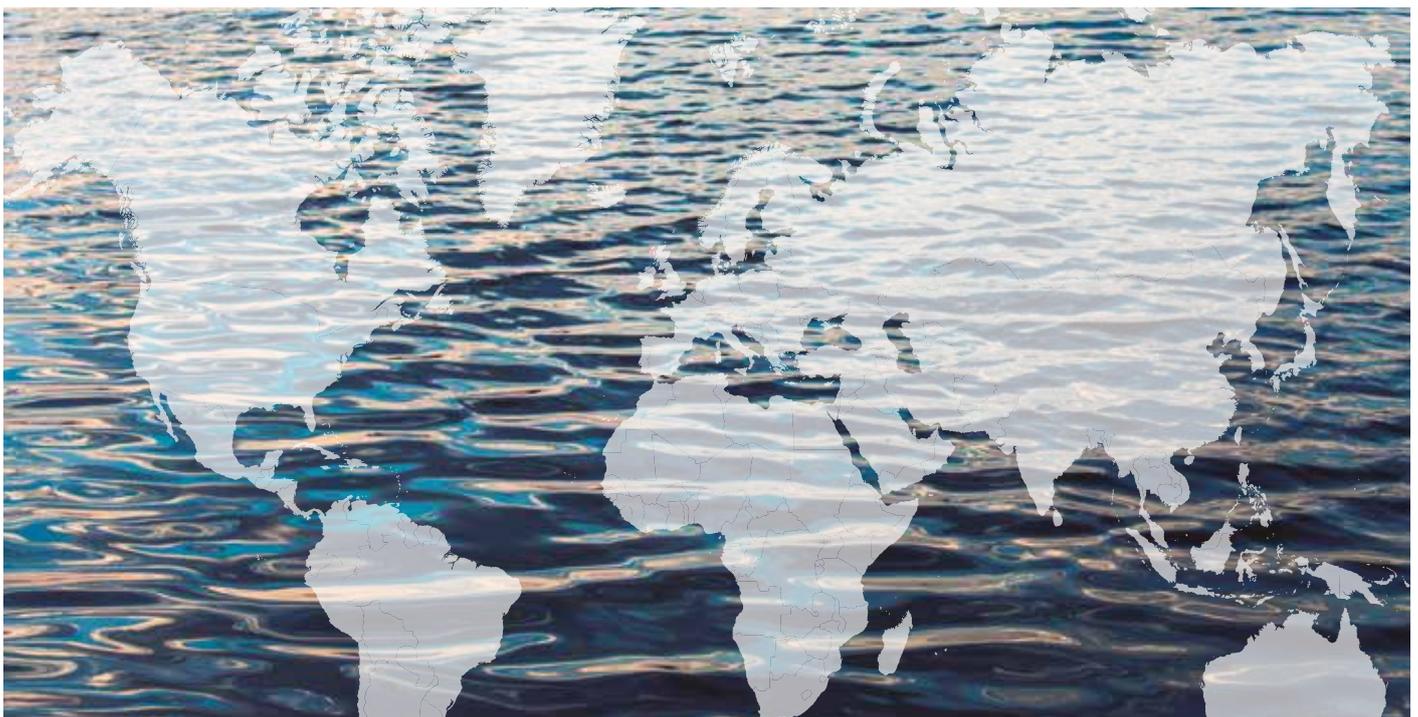
Water scarcity: this population increase and the associated increase in demand, coupled with the **adverse effects of climate change**, will lead to water scarcity.

Economic progress: it is estimated that the number of middle-class inhabitants (people with purchasing power between \$10 and \$100 per day) will increase 172% by 2030 compared to 2010 levels.

Urban growth and urbanisation: in 2009, for the first time in history, the urban population surpassed the rural population. This trend is expected to continue in the coming decades. Utility companies will probably be the ones that will experience the greatest impact of this trend on their business models.

Digital transformation: The reduction of technology costs will facilitate businesses' access to them.

Increased technological competitiveness: However, there will be competitive pressure for the use of this technology, which will make it possible to obtain higher returns for the companies that most apply it. Digitalisation is no longer an option, it is a necessity.





For more information see section 4.7

Projections and studies carried out by the main international organisations suggest that the problem of water scarcity, far from being mitigated, will continue to worsen in the medium and long term. For this reason, in 2015, the United Nations included Goal 6 among the Sustainable Development Goals approved by its General Assembly, dedicated to water and sanitation. Specifically, this objective seeks to **“Ensure availability and sustainable management of water and sanitation for all”** and it aims to remedy, on a global scale, water scarcity, poor

water quality and inadequate sanitation, which negatively influence food security, livelihood options and education opportunities for poor families.

Canal de Isabel II, like all the companies in our sector worldwide, is committed to the achievement of this Goal 6 and is implementing actions to advance this achievement. Among these actions, Canal Voluntarios especially stands out.

Sustainable Development Goals approved by the UN Assembly



2.3. Us and our sector in Spain

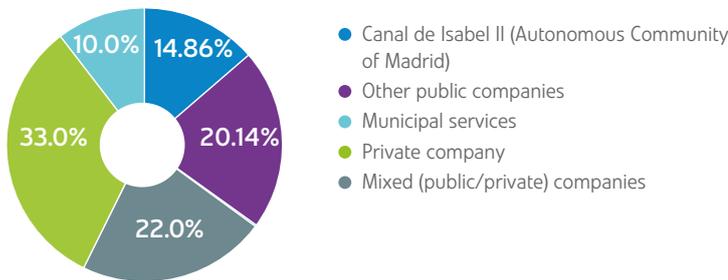
Canal de Isabel II accounts for 13.5% of the urban water management sector in Spain and is currently the largest company in our country that manages the system in a unique and integrated way.

The population supplied by Canal accounts for almost 40% of the population served by public companies in Spain. This and other extremely useful data are obtained from the comparison of our company's 2016 figures

and those published in 2018 by the Spanish Association of Water Supply and Sanitation (AEAS) and the Spanish Association of Urban Water Management Companies (AGA) in their "15th National Study on Drinking Water Supply and Sanitation in Spain", which was based on 2016 data. Thanks to this study we can make a comparison between some of our figures and those of the sector in our country.

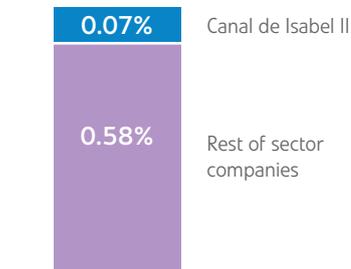
Comparison of some of Canal de Isabel II's figures in 2016 and the data of our sector in the "15th National Study on Drinking Water Supply and Sanitation in Spain 2016", carried out by AEAS and AGA.

Percentage of population served by type of company



➤ Our almost 6.2 million inhabitants served in 2016 represented 13.5% of Spain's population and 43.46% of the inhabitants served by public companies in the sector.

Contribution to Spain's GDP in 2016 (0.65%)



➤ Canal de Isabel II's turnover in the Autonomous Community of Madrid accounts for 0.40% of the region's GDP.

11.05%

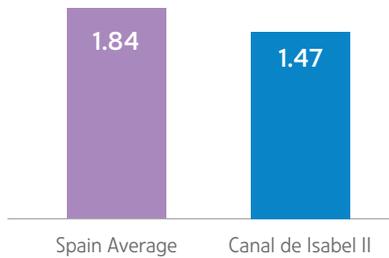
➤ Was the percentage of turnover of Canal in 2016 compared to the total for our sector in Spain (€836m vs. €7,567m per year)

We treated **12.93%** of all waste water treated by our sector in 2016 and almost **100%** (99.57%) with, as a minimum, some form of biological treatment, (in the sector the figure is 68%)

100%

- Customers with a service charter with financial compensation (64% in the sector)
- Customers entitled to social tariff with discounts of up to 76% of the tariff (94% of customers in the sector)

Price of services in euros/m³ for an AEAS "typical customer"
(weighted by inhabitants served)



➤ Our tariffs in 2016 were 20.11% less than the average in Spain ("typical" AEAS domestic customer)

Domestic consumption per inhabitant per day in 2016



➤ Consumption per inhabitant per day for Canal is almost 4% less than the average for Spain.

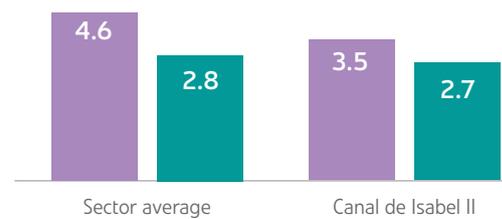
Length in km of the networks managed in 2016



- Canal de Isabel II
- Rest of the sector in Spain

➤ Canal managed 7.65% of the supply networks and 8.99% of the sanitation networks in Spain in 2016.

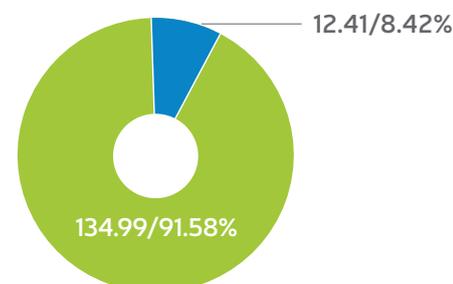
Metres of network per inhabitant served



- Supply
- Sanitation

➤ The high population density in the Autonomous Community of Madrid means that our networks are less extensive than the sector average (39% less in supply and 23% less in sanitation).

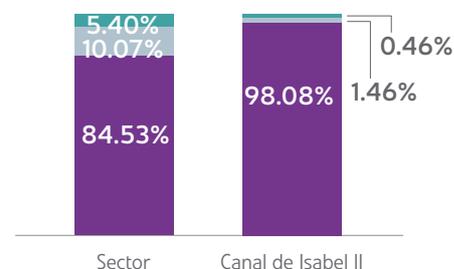
Regenerated water produced for non-agricultural use (hm³/% of total)



- Canal de Isabel II
- Rest of sector companies

➤ We have not yet reached levels comparable to our market share in the reuse of waste for urban purposes.

Final destination of WWTP sludge



- Landfill
- Incineration or energy recovery
- Agriculture and gardening/parks

➤ Almost 100% of the sludge from our WWTPs is reused in agriculture and gardening/parks and very little went to landfill in 2016. In 2017, none went to landfill.

G4-27

G4-21

2.4. Strategic context: our future challenges

Throughout its 167-year history, Canal de Isabel II has grown by contributing to solving the challenges facing the society of Madrid and adapting to its growing water supply needs.

The present moment is characterised by an increased social sensitivity towards the protection of the environment, the search for excellence in the quality of services, as well as the demand for greater transparency and efficiency in the management of public companies. All this poses new and more significant challenges to which Canal will have to respond with a sense of anticipation and in a proactive manner.

Grouped according to the ten major guidelines that shape Canal's Strategic Plan 2018-2030, these challenges will be described below.



G4-27

G4-21

1. ✓



Guaranteeing supply

The Autonomous Community of Madrid is located in a geographical area that has been historically characterised by the scarcity and limitation of its water resources.

Canal de Isabel II, from its origins to the present day, has developed action plans capable of guaranteeing supply in scenarios of population growth and drought.

In addition to being an essential resource, water in adequate quantity and quality is a fundamental element for the well-being of the public and the economic development of the region. Faced with the hydric stress challenges that may be presented as a result of climate change, it is necessary to anticipate so that, even with rainfall regimes different from those known so far and a moderate increase in population, the current guaranteed levels can be maintained or improved.

In the timeframe of the Strategic Plan, the Autonomous Community of Madrid could reach a population of 8 to 8.5 million inhabitants, and with a greater pressure from the seasonal population: we must be capable of responding to their demands.

2. ✓



Guaranteeing the quality of water for consumption

Madrid's water has always been a benchmark for quality in Spain. However, demographic pressure and society's growing awareness, coupled with the current and future increase in regulations with regard to legal compliance, are making us face the challenge of meeting ever increasing demands.

Although it is true that we start from exceptionally good water at source, in any case, it must be subjected to advanced treatments and controls to maintain and improve its quality.

Quality control of the water supply begins at source, as we have to cope with increasing pressure and deterioration of our supply sources. It is also essential to preserve its quality within our distribution networks, and therefore we must continue to modernise them, introduce new technologies and make progress in monitoring and response systems in order to ensure the quality of water up to the point of consumption.



G4-27

G4-21

3. ✓



Assuring service continuity

Today's globalised world is undergoing a process of continuous change in which new transnational risks and threats arise that, together with the traditional ones, make it more dangerous and increase the vulnerability of societies. Water cycle facilities are essential for citizens and, on occasions, there are no alternative solutions available. This means that any disruption could significantly affect these essential services.

Canal de Isabel II, as the company responsible for managing the water cycle in the Autonomous Community of Madrid, has a large infrastructure at its disposal which must always be operational. If not, viable alternative solutions must be provided in the event of service disruption.

Canal is committed to establishing the strategic and operational measures aimed at achieving the highest possible level of integrated security (physical and logical) of the facilities, the IT systems and the people, including Canal employees, users and collaborators.

Equally, it is necessary to possess viable alternatives to the regular water supply, through a more intense mesh network, as well as improving the configuration and operation of the supply system to ensure continuity of supply before contingency plans are made at municipal level.

4. ✓



Driving environmental quality and energy efficiency

The environment is in Canal de Isabel II's DNA. As managers of a natural resource that is essential for life - water - and being responsible for its purification, for the treatment of waste water and the proper discharge of the waste generated by nearly 6.5 million people into the sewerage system, it could not have been otherwise.

Citizens are increasingly aware and becoming more and more demanding with regard to companies' environmental performance, and they are asking us to be a model in our relationship with the environment and sustainability. Our image as a clean company producing high quality water must be complemented by equally exemplary waste management and concern for the environment.

Society therefore demands that we intensify environmental responsibility, which requires us to go beyond mere legal compliance. Moreover, the progressive deterioration of climatic conditions will oblige us in the future to adapt to a more complex management of the resource, given the reduced availability of water and the foreseeable increase in adverse meteorological phenomena. Furthermore, we must also address our contribution to mitigating the effects of climate change.

Through innovation and the use of leading technologies, it is possible for Canal to make significant advancements in our commitment to the circular economy, placing particular emphasis on energy efficiency, electricity generation via renewable sources and the use of waste for its added value. In short, a clear commitment to sustainable development.

G4-27

G4-21

5. ✓



Developing cooperation with Madrid's municipalities

The management model of Canal with the municipalities, as regards municipally owned services (water distribution and sewerage), is based on long-term agreements in which we are entrusted with the operation of the indicated infrastructures.

The assumption of these activities adopting a supra-municipal vision generates economies of scale and synergies in the operation, which represent important advantages for municipalities, and, above all, for their citizens.

The model developed in the Autonomous Community of Madrid is unique, since it places at the disposal of all Madrid's residents a comprehensive service of the highest level with the same cost for all.

The supply networks were at the origin of Canal a century and a half ago, and today they are managed with excellent ratios. However, the municipal sewerage networks, which for the most part have recently been incorporated into the company's management, need to undertake major improvement work. In this regard, specific plans are already being developed that will involve a significant additional effort to, on the one hand, avoid incidents and inconveniences to users and, on the other hand, contribute to better environmental management.

As a corollary of the relationship with the municipalities, there are a large number of housing developments in the Autonomous Community of Madrid with poor water cycle management, which requires solutions to ensure adequate service and environmental protection.

6. ✓



Reinforcing commitment and proximity to the user

Canal de Isabel II has always been known for its commitment to its users. We must be able to align ourselves with their needs and meet their expectations in a proactive way (the customer experience).

Today's society is increasingly asking us to listen to its voice and define coordinated strategies with the aim of improving its satisfaction, promoting constant channels of communication and efficient and simple processes and putting it at the centre of our activity, all through close and direct contact.

In addition, the socio-economic situation we live in and the difficulties that some families are experiencing make it necessary to study new billing and collection methods that facilitate the payment of water consumption.

Also, the current context is rapidly changing the ways in which people connect and interact with businesses. We live in a growing global and digital environment, so we have to evolve towards systems that allow us to tackle the digital transformation and, in this way, more adequately address the needs of our customers and users.

G4-27

G4-21

7. ✓



Enhancing Transparency, Good Governance and Commitment to society

Canal de Isabel II has traditionally been a company of which the people of Madrid have always been proud and have always considered as their own.

Because we are a public company and because we provide an essential public service, we have a duty to be excellent and rigorous in our corporate governance and our ethical behaviour. Moreover, we are answerable to our citizens, so we must be absolutely transparent in our management and in the area of corporate social responsibility, and we must be able to develop open and participatory activities for all the groups with which we interact.

It is therefore necessary to strengthen all those measures that allow management to be carried out in line with the best practices of good corporate governance and internal control, to exercise absolute transparency and to strengthen external communication in order to reinforce the traditional trust of the public in our company.

Canal has always been, and continues to be, a reference in social and cultural matters in the Autonomous Community of Madrid. Canal's activities in the area of corporate social responsibility have been widely accepted by the people of Madrid and are, in some cases, an example of this at the corporate level in Spain. We need to promote and make these activities even more professional, opening up to society so that the people of Madrid can continue to be proud of what they consider **their great water company**.

8. ✓



Promoting our professionals' talent, commitment and health

Excellence in our management is the challenge facing Canal de Isabel II. To achieve this, it is essential to have the best professionals and ensure their total commitment to the service we provide. In this regard, we aspire to be the best company in which to develop a professional career in our sector.

It is therefore necessary to establish procedures for identifying, selecting and retaining talent. These mechanisms should lead us to ensure that we have the best in each position and that, together, the workers of Canal de Isabel II form a workforce that is constantly adapted to the changing circumstances of the service.

In addition, it is necessary to encourage the effort and commitment of our employees, for which we must optimise performance evaluations and management by objectives. Strengthening the sense of belonging will also be key in relation to commitment.

In recent years, the Spanish public sector has been affected by various regulatory constraints that have limited our human resources management capacity. We hope that this legal framework will improve in the coming years and enable us to implement all the actions of this strategic guideline.

Two fundamental axes must be present for the Strategic Plan drawn up in 2017 to be successful: the reduction of temporary employment at the necessary levels to tackle specific situations, and the ongoing analysis of our processes when deciding between direct or indirect management of the same (make or buy).

G4-27

G4-21

9. ✓



Leading innovation and development

The rapid evolution and transformation of society in recent years has created new challenges in all sectors and for all businesses providing services to the public. Technological development creates new opportunities for advancement and progress, but in turn, given the global prospects of accelerated growth, it is increasingly necessary to ensure the sustainability of social, economic and environmental development.

As is the case in other industries, the urban water services sector is evolving at the same pace as society as a whole, although, since it is an essential public service, it does so under very particular conditioning factors. In this global context of commitment and responsibility for sustainability, environmental demands are increasing every day. The same goes for social expectations and needs. Therefore, Canal de Isabel II must face the new challenges with a proactive attitude and, above all, supported by research, development and innovation.

The challenges we are faced with include becoming a benchmark for innovative companies in terms of providing services and in the R&D&i activity itself. This objective will be achieved by focusing from the outset on a strategic approach to innovation that encompasses all the company's activities, from planning, project management or knowledge management to the development of personal talent, collective intelligence or the company's own administration.

10. ✓



Ensuring sustainable and efficient management

The economic and social sustainability of public organisations is an increasingly significant aspect of our growth and welfare model.

As a 100% publicly owned company and a benchmark in the sector, Canal de Isabel II has the obligation to guarantee its economic sustainability, acting as an instrument for recovery, economic growth and job creation. We must be an efficient company in all our actions and offer the public a social and environmental return.

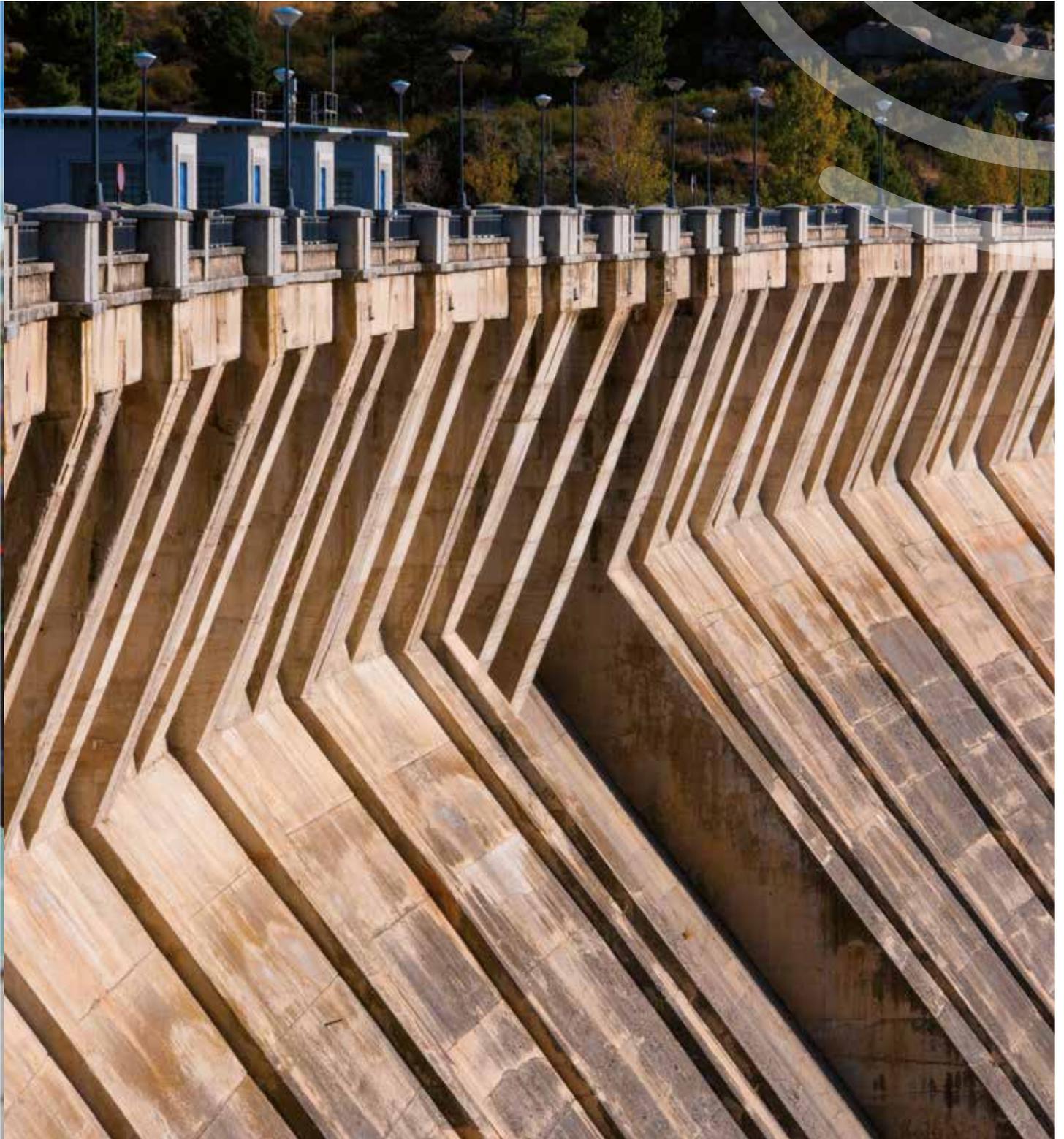
To this end, internal processes need to be reviewed and updated and their efficiency improved in order to be able to carry out our activities flexibly and effectively, while optimising general and administrative costs.

The levels of investment required in an infrastructure management company make it necessary to have a process of valuation and prioritisation of projects that ensures the most appropriate use of economic resources and guarantees transparent economic management.

Moreover, it is essential to establish a policy and reference limits on the level of indebtedness, as one of the most salient factors in decision-making in order to ensure the future economic-financial balance and at the same time allow the company to be able to meet all its commitments.

3

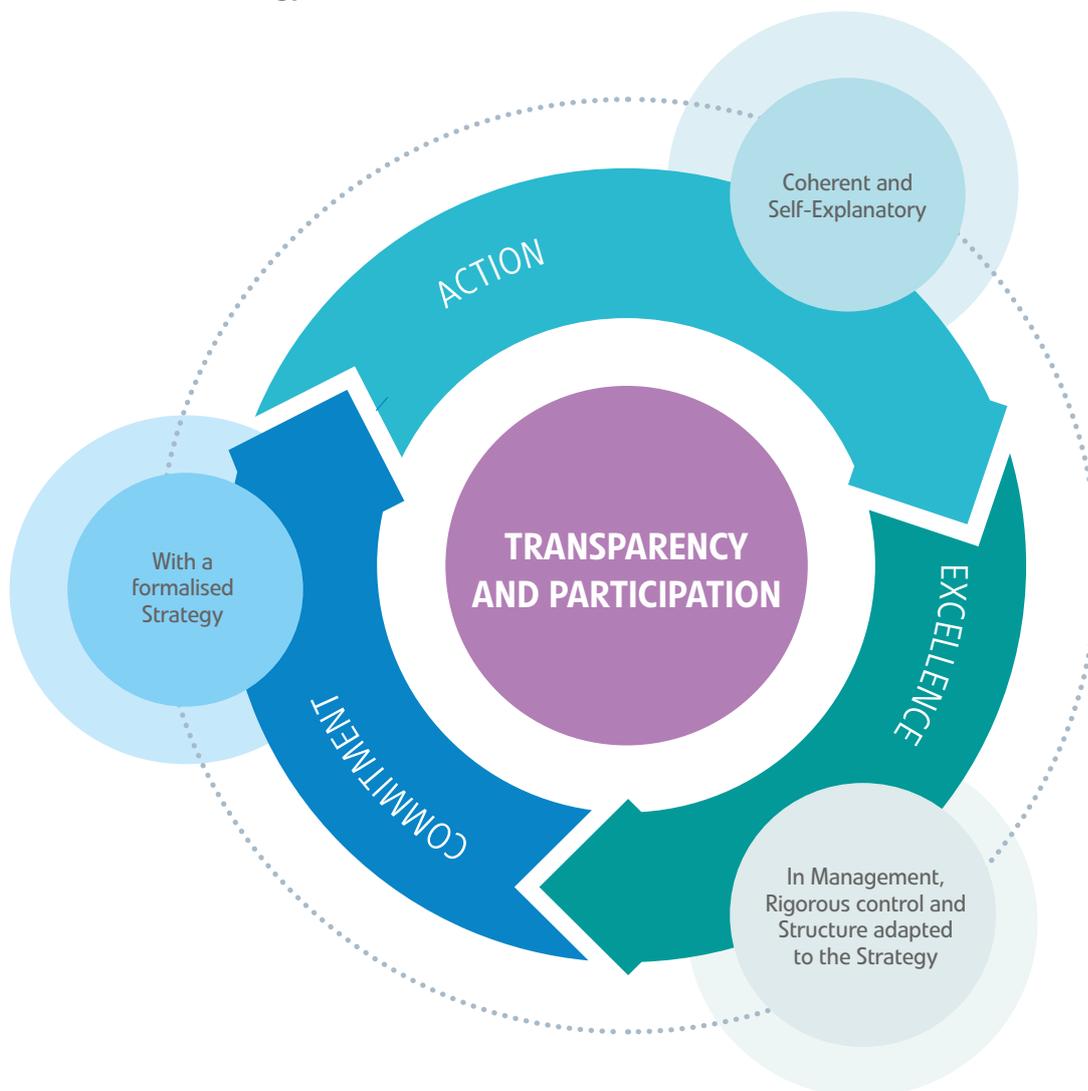
OUR MISSION AND COMMITMENTS



In 2016, Canal de Isabel II embarked on a process of strategic reflection which concluded in 2017 with the elaboration of the Canal Strategic Plan 2018-2030.

The **main objective** of Canal's **strategic reflection process** consisted of defining **where the company wants to position itself in the coming years**, its long-term objectives and the strategies required to achieve them, tackling the challenges of modernisation and sustainability of the company, maintaining and promoting technological standards and excellence in service. The process has taken place **by means of the participation and collaboration of all the stakeholders with whom we have a relationship**.

What are the bases of our Strategy?



TRANSPARENCY AND PARTICIPATION AS LEVERS OF EXCELLENT PERFORMANCE

3.1. Starting points for our mission

The starting points of the strategic reflection for the definition of our mission and strategic objectives were the following:

- 1** Reinforce our public nature

Canal is and will continue to be a public company: we will ensure that Canal de Isabel II maintains its **100% public ownership** and we will define its framework for action.
- 2** Complete municipal integration

We will seek the best possible alternative to achieve complete **municipal integration** in Canal and we will seek to incorporate the company to all the municipalities of the Community, so that they become shareholders, consolidating the best and most efficient models of integrated water management, in a public and supramunicipal manner.
- 3** To be the leading Spanish company and benchmark in the integrated water cycle

We will refocus our strategy of growth, innovation and diversification to become the **benchmark public company and the stimulus of the Madrid and Spanish economy** for any development in the integrated water cycle sector and the circular economy.



3.2. Canal's mission, values and commitments

.....

We care for our Community by managing everyone's water transparently, efficiently and sustainably.

.....

This mission encompasses the values of our company, which are as follows:

- **Commitment:** We are involved in the life of the inhabitants of our Community in the provision of services that are absolutely essential for the development of people, the economy and society in Madrid.
- **Proximity:** We want to be a friendly, human company to all our stakeholders and counterparts.
- **Transparency:** We manage a publicly owned natural resource and we are a public company that therefore has the responsibility to be an example of transparency in all its actions.
- **Excellence:** Since we manage public resources, we must be especially demanding with our performance to optimise this management, through the effectiveness and efficiency of all our actions.
- **Sustainability:** We are managers of a natural resource and we are entrusted with the mission of protecting the quality of our region's water bodies. Conservation of the environment and the sustainable management of all our activities are part of our DNA as a company.

There are **10 commitments** that are at the core of our **mission**:

1. To be the **benchmark public company** and **the economic and developmental driving force** for the Autonomous Community of Madrid.
2. To work to manage **the entire integrated water cycle** throughout the Autonomous Community of Madrid.
3. To lead the way in **addressing the challenges facing the sector and any regulatory advances**.
4. To maintain, innovate and plan our **infrastructures and services**, adapting to society's future needs.
5. To minimise the **environmental impact** on all our processes by favouring the 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 fair rates**, which encourage savings in consumption and guarantee access for all to an essential asset.
8. To strengthen the **digital transformation** for more hands-on and effective management.
9. To practise **rigorous and transparent financial** management, ensuring the appropriate economic balance, financial autonomy as well as the sustainability of the company.
10. To support **our professionals** by attracting, retaining and encouraging **talent**.

G4-24

G4-25

G4-26

3.3 Our stakeholders

With its stakeholders, Canal de Isabel II assumes specific commitments on a daily basis, which it considers to be an essential element of our responsibility as a company. Among our main stakeholders are:

- Regulatory bodies: the European Union, the Ministry of Agriculture and Fishing, Food and Environment, the Tagus Hydrographic Confederation and the Ministry of Health, Social Services and Equality.
- The Government, the Assembly of the Autonomous Community of Madrid and the four parliamentary groups represented in it.
- Public shareholders: the Community of Madrid and the 111 town councils that form part of our shareholding.
- Customers and users: the town and city councils of the municipalities we serve, as well as domestic, commercial and industrial customers and users; large customers such as developments or home-owners' associations.
- Business partners: our company's employees, suppliers and contractors with whom we work.
- Other companies in our sector with which we work, as well as the industry associations in which we actively participate (AEAS, AGA, EUREAU and IWA).
- Society in general, with special interest in certain sectors and agents, including:
 - The school community (teachers and students) with whom we interact through the activities of Canal Educa.
 - The entities that address the expectations of our society (NGOs, foundations and associations).
 - The media and opinion makers.
 - The scientific community and institutions focused on innovation.
 - Business analysts and experts in our sector.
 - Persons in charge of managing our environment and persons responsible for its protection and improvement.



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

CUSTOMERS AND USERS

We keep in touch with our customers on an almost daily basis. In addition to the bi-monthly delivery of the water bill, we have a very fluid contact through our commercial offices and telephone campaigns. Moreover, we have a customer satisfaction survey in which we contact them to find out their opinion about our services.

EMPLOYEES

We maintain a permanent relationship with employees through personal contact and new technologies. A noteworthy example of this is the daily update of the Canal&Tú intranet in Canal de Isabel II, which includes all the news affecting the company's daily life. In addition, regular meetings are held with workers' representatives through the Works Council or in other thematic forums such as meetings on training or overtime, or of the Occupational Safety and Health Committee.

INTERNAL

We also maintain constant and fluid contact with our suppliers. Daily, through their telephone, e-mail and web queries, handling offers, minor orders and complaints through our web SRM system and our SAP ERP, in addition to the direct contact that necessarily takes place with each of the services that work with them. Annually, we contact our suppliers through the confirmation of balances necessary for the auditing of annual accounts, and also when carrying out the annual satisfaction survey.

SHAREHOLDERS

The General Shareholders' Meeting is called by the Board of Directors when it sees fit for the corporate interests. The Ordinary General Shareholders' Meeting, previously called for the purpose, meets within the first six months of each financial year to approve, where appropriate, the company's management and the accounts for the previous financial year, and to decide on the distribution of profits.

WITH THE REST OF OUR STAKEHOLDERS

(regulators, strategic partners, potential business generators or society at large), relationships are continuous, constant and increasingly deeper.

Our intention is to continue to deepen our relationship with all our stakeholders, intensifying contact with them. We are convinced that we will only achieve our goals if we all work in the same direction.

To open this participation, and in order to carry out the company's Strategic Plan in 2016 and 2017, focus groups and several interviews were held to find out their opinion and the expectations they have

regarding the company. The focus groups involved different types of customers and users, commercial and institutional customers, Canal employees and suppliers of the company. The interviews were held with the regulators of our activity, consumer associations, business associations, associations of our sector, environmentalists and technology centres.

3.4 Communication channels with our stakeholders

In order to promote fluid communication with stakeholders, Canal de Isabel II uses the communication channels at its disposal to understand and respond to society's demands and queries with regard to economic, environmental and social aspects.

Map of the most common communication channels used in Canal de Isabel II

COMMUNICATION CHANNEL	INTERNAL COMMUNICATION	EXTERNAL COMMUNICATION
<p>Personal/ Face-to-face</p> 	<ul style="list-style-type: none"> • Meetings. • Training and raising awareness. • Leisure and sport activities for employees and their families. 	<ul style="list-style-type: none"> • Corporate headquarters. • Commercial customer service offices. • Customer service. • Customer ombudsman. • Organised tours of facilities (open-door days). • Educational campaigns (Canal Educa). • Recreational and sports areas. • Participation and sponsorship of conventions, forums and other meetings. • Canal Foundation activities. • General Shareholders' Meeting. • Shareholder Office.
<p>Telephone, fax, e-mail</p> 	<ul style="list-style-type: none"> • Telephone, fax, ordinary post. • Suggestion box. 	<ul style="list-style-type: none"> • Customer Service Hotline. • Supplier Service Hotline. • Contact telephone no. for educational initiatives. • Customer ombudsman. • Messages on the bill.
<p>Internet</p> 	<ul style="list-style-type: none"> • Corporate Intranet. • R&D&i blog. 	<ul style="list-style-type: none"> • Online Customer Service. • Corporate website. • Transparency portal. • Shareholder portal. • Canal Educa website. • Canal Volunteers website. • Canal Foundation website. • Arte Canal exhibition website. • Canal on YouTube. • Canal on Instagram. • Canal on LinkedIn. • Rise to the Water Challenge Facebook profile. • Canal Educa Facebook profile. • Canal Foundation social networks. • Canal de Isabel II mobile app for Android and iOS. • Strategic Plan 2018-2030 microsite.

Map of the most common communication channels used in Canal de Isabel II (cont'd.)

COMMUNICATION CHANNEL	INTERNAL COMMUNICATION	EXTERNAL COMMUNICATION
<p>Publications/ Technical reports</p> 	<ul style="list-style-type: none"> • Internal reports and memos. • In-house magazine for employees. 	<ul style="list-style-type: none"> • Sending of personalised information to customers. • Canal de Isabel II Annual Report. • Corporate publications. • Canal Foundation publications. • R+D+i booklets.
<p>Media: TV, press, radio, etc.</p> 		<ul style="list-style-type: none"> • Press releases. • Media announcements. • Online press room. • Campaigns raising awareness targeting the population. Rise to the Water Challenge.



4

CANAL'S STRATEGIC GUIDELINES: PERFORMANCE IN 2017 AND FUTURE OBJECTIVES

1. Guaranteeing supply



Maintaining the current guaranteed supply level in foreseeable climate change scenarios and with an increase in the sustained population equivalent to the average of the last 15 years.

2. Guarantee the quality of water for consumption



Guaranteeing the quality of water from its origin, preserving our supply sources, to the point of consumption.

3. Assuring service continuity



Ensuring the continuity of service in the face of possible failures that affect the networks, the quality of the water supplied or Canal's information systems.

4. Driving environmental quality and energy efficiency



Promoting the circular economy and sustainable development, addressing the challenges associated with climate change by means of the corresponding adaptation and mitigation plans.

5. Developing cooperation with Madrid's municipalities



Promoting Canal's integrated management in all municipalities, consolidating the most efficient model of supramunicipal management.

In 1851 Queen Isabel II created Canal with the aim of ensuring sufficient water for the development of the city and the health of its inhabitants, allowing doubts to be dispelled about whether or not Madrid could remain the capital of the Kingdom. In this way, Canal significantly contributed to laying the foundations of 20th-century Madrid.

Our new long-term Strategic Plan, equally ambitious, will allow us to **place ourselves at the forefront of urban water management in the competitive world of the 21st century.**

This great change will be organised into 10 strategic guidelines, the objectives of which are presented below:

<p>6. Reinforcing commitment and proximity to the user</p> 	<p>Maximising the “customer experience” in all contacts with our users, improving efficiency in the commercial and operational processes.</p>
<p>7. Enhancing transparency, good governance and commitment to society</p> 	<p>Guaranteeing transparency, good governance and commitment to society as a public company that provides an essential basic service.</p>
<p>8. Fostering the talent, commitment and health of our professionals</p> 	<p>Supporting our professionals by attracting, retaining and fostering talent and knowledge, to be the best company in which to build a professional career in our sector.</p>
<p>9. Leading innovation and development</p> 	<p>Being innovative in our actions to be a benchmark for our sector and develop the technologies and services that our customers demand in the future.</p>
<p>10. Ensuring sustainable and efficient management</p> 	<p>Performing rigorous, efficient and transparent public management, ensuring the proper economic and social balance.</p>

4. CANAL'S STRATEGIC GUIDELINES: OUR PERFORMANCE IN 2017 AND FUTURE OBJECTIVES

Each strategic guideline will be developed in strategic plans for the 2018-2030 period, up to a total of 35 and among them the 10 flagship plans, one for each guideline.

	Catchment	Distribution	Purification	Sewerage	Reuse
 1 Plan – 25 Reduce the volume of water rerouted for consumption by 25% per inhabitant	●	●			●
 2 Network Plan Replacement of obsolete networks to improve water quality		●			
 3 365 days' continuity of service Plan Recovery of the service in normal conditions in a maximum period of 12 hours	●	●	●	●	●
 4 Clean Generation Plan - 0.0 kW/h 100% of internal consumption from renewable or high efficiency sources	●	●	●	●	●
 5 Sanitation Plan 100% of sanitation networks adapted to the master plans		●		●	
 6 Smart – Region Plan Reduce the volume of water rerouted for consumption by 25% per inhabitant		●			●
 7 Water Observatory 100% operational in 2019	●	●	●	●	●
 8 Centre for Advanced Studies in Water Dual Professional Training in Water and Masters in Water	●	●	●	●	●
 9 Innova 100 Plan 100 viable innovative or research projects in 2022	●	●	●	●	●
 10 Freezing of 2019 tariff 0% increase in domestic, industrial and commercial tariffs until 2019	●	●	●	●	

.....

The Canal Strategic Plan 2018-2030 is an exciting challenge that is faced by everyone who forms part of the company

.....

Our present is the future: Events to present the 2018-2030 strategic plan to all Canal employees

On 14 and 15 November 2017, four events were held at the Teatro Amaya in Madrid, where the CEO of Canal (Rafael Prieto), the steering committee and the 10 people responsible for the strategic guidelines presented the Canal de Isabel II Strategic Plan 2018-2030 to all employees from all company work centres.

During these events, employees learned about the company's strategic guidelines for the future and the main objectives that are to be implemented as of 2018.

The events had a high level of acceptance and participation, with the attendance of 2,023 employees. So, for example, 91.43% of employees who responded to subsequent surveys said that the presentation appealed to them, 83.97% thought that enthusiasm and credibility had been transmitted and almost 70% thought that their image of the company had significantly improved after attending the session.

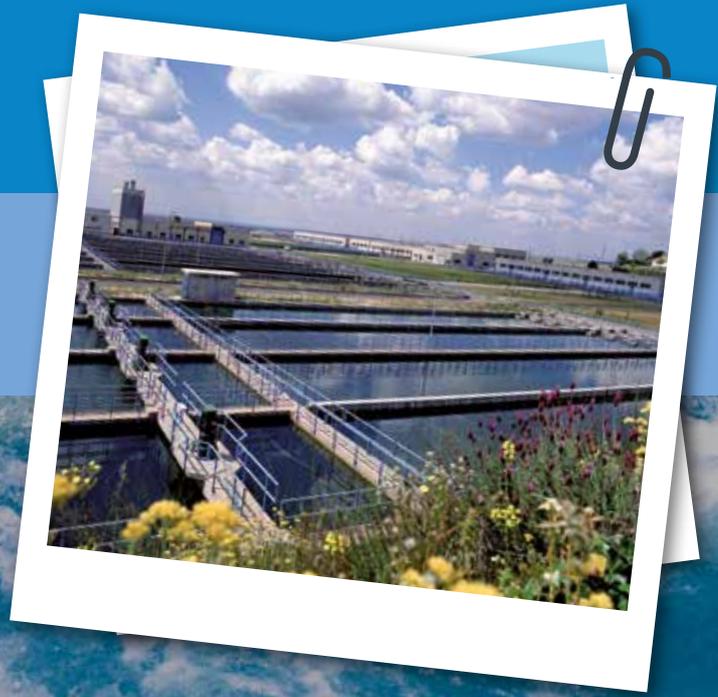


4.1



Guaranteed supply:

everyone's water, every day



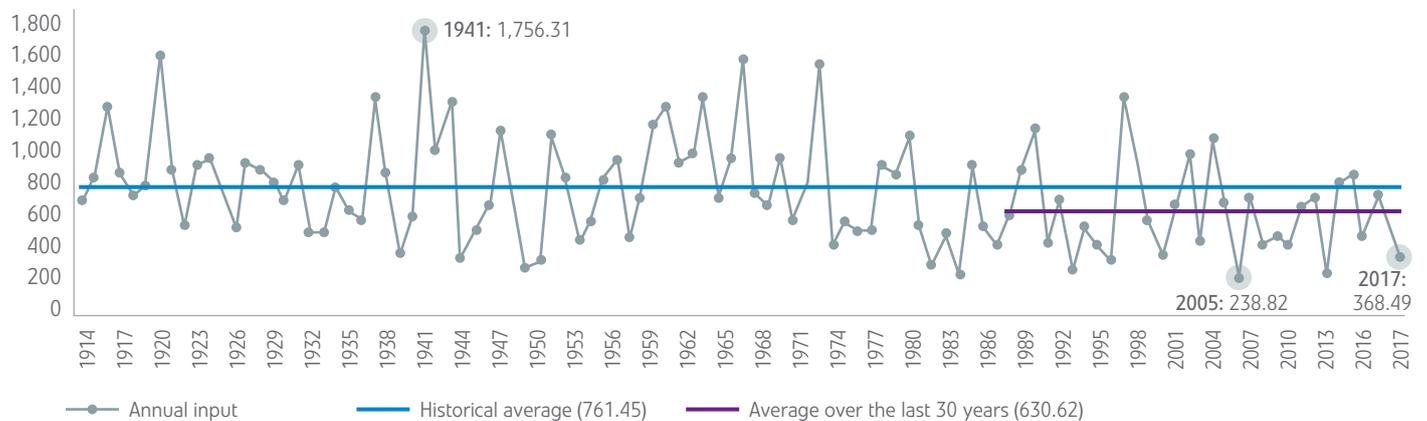
The main responsibility of Canal de Isabel II is to ensure the current and future supply of water to all our users. To do this, we need to have adequate infrastructures and tools that allow us to manage the resource in an efficient and sustainable way.

Guaranteeing access to a quality resource for everyone in Madrid

One of the main challenges we face is to achieve maximum efficiency and continue to provide quality and sustainable services over time. As a consequence of climate change, predictably more and more frequent situations of resource scarcity and "water stress" in Spain will become apparent.

In the case of the Autonomous Community of Madrid, we are already suffering from some of these risks. This is shown, for example, by the reduction of almost 20% (17.18%) in the average contributions of water to our reservoirs in the last thirty years compared to the historical average since 1914.

Natural contributions of rivers to Canal reservoirs, 1914-2017 (millions of cubic metres per year)



Guaranteed supply

.....
The water contributions to our reservoirs have been reduced by an average of 20% in the last thirty years
.....

.....
We want to anticipate the challenges posed by water stress in order to maintain and even improve the current guaranteed supply
.....

The published scenarios on climate change in Spain until 2050 raise fears that this situation will worsen in the future. It will therefore be necessary to make the required investments and look for the best supply alternatives to meet this important challenge.

In spite of shrinking inputs, in the last twelve years Canal has been able to cope with a large increase in population with the same reservoir capacity. Our supplied population has increased from 5.74 million inhabitants in 2002 to 6.29 million in 2017, representing an increase of 9.53% in fifteen years.

Facing this challenge means acting in several ways, seeking solutions with catchment from alternative resources, new infrastructures, policies to promote saving, efficiency in resource management and extending the supply of regenerated water for compatible uses.

Resources in addition to reservoirs

In the area of supply, our objective is to have more resources that allow us to mitigate the effect of the decrease in natural inputs and, in addition, to have facilities that allow us to operate with enough flexibility from the sources of supply available to us.

One of these resources is our capacity to transfer water from the reservoirs of Picadas and San Juan in the Alberche river, where we have the corresponding concession.

Canal also has the possibility of obtaining groundwater through its 78 wells, a strategic reserve for drought situations. Particularly noticeable in this regard is the construction and connection to our networks of the Guadarrama well field, which had 28 wells in 2017.

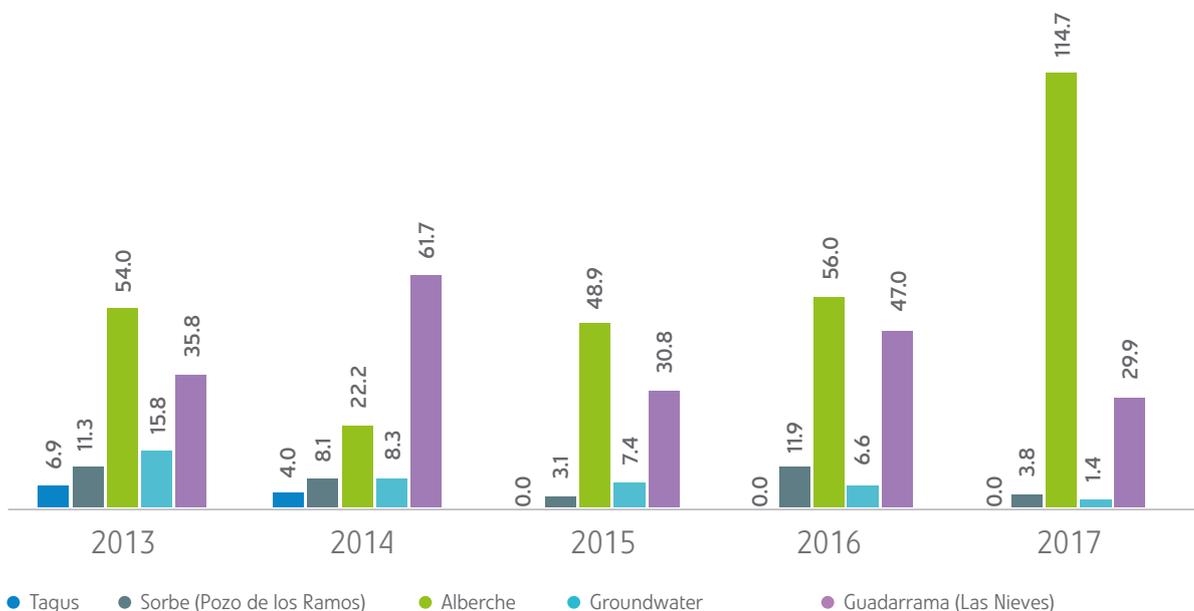
Moreover, the supply from the Guadarrama river has been enhanced in recent years, transferring water to the Valmayor reservoir by means of the Las Nieves weir. We also have the possibility of obtaining water from the Sorbe river using the Pozo de los Ramos dam, which connects with the Canal del Jarama.

We also have the Tagus DWTP, which since 2010 has made the river's resources available to the inhabitants of Madrid thanks to the most advanced technologies.

All these actions allow us to improve communication between the supply systems of the Autonomous Community of Madrid, improving the flexibility of the system's operation and our ability to guarantee water availability for users. In very dry years, as was the case in 2012, these provide to our system almost 40% (38.77%) of the resources needed to supply the Autonomous Community. In 2017, also a dry year, its input of 124.5 million cubic metres accounted for 24.71% of the total.

Guaranteed supply

Use of resources in addition to contributions to Canal reservoirs for the 2013-2017 period (millions of cubic metres annually)



New infrastructures to obtain additional resources

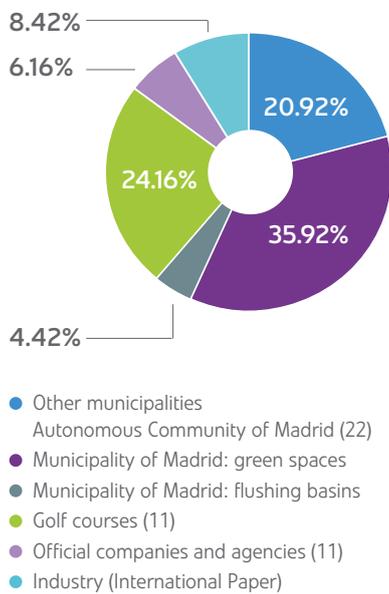
However, having this volume of supply has meant that we have had to reinforce the capacity of strategic infrastructures in our system. In recent years, it is worth mentioning the duplication of the Valmayor water treatment plant, which entered service in 2012, the expansion and improvement of the water treatment plant processes in Majadahonda and, especially, the construction of the Second Distribution Ring, better known as "the M-50" of water.

In 2017, we continued to make progress in terms of the construction of new supply infrastructures, among which the Torrelaguna system through Valdeolmos - Ajalvir, the doubling of the Valmayor-Navalcarnero artery, sections II and III of the adduction at Hoyo de Manzanares and the new La Torreta de El Molar reservoir stand out.



Guaranteed supply

Distribution by uses of regenerated water supplied in 2017



Reuse Plan

Regenerating wastewater for its subsequent reuse is one of our greatest challenges for the future. Thanks to regeneration, we will be able to obtain a large volume of water for certain uses that are not related to the supply of water for human consumption, but which today are an important part of the demand: irrigation of public parks and gardens, golf courses, street cleaning and even some industrial uses. By making greater use of reclaimed water, we are able to reduce the pressure on the resources stored in our reservoirs, which means a more rational and sustainable management of the resource.

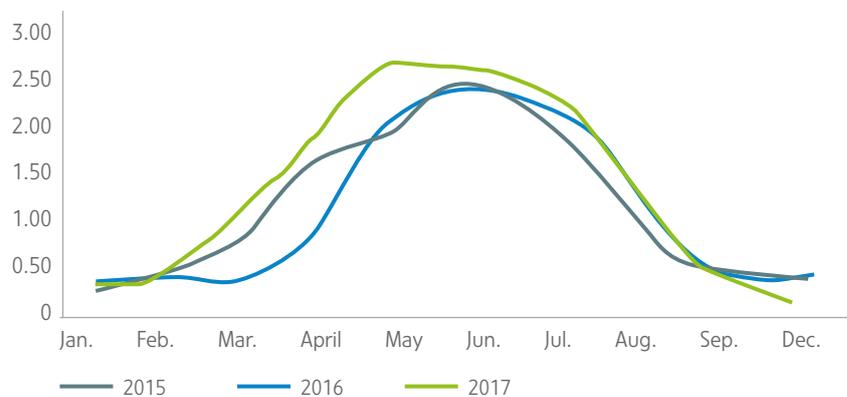
At the end of 2017, Canal managed 25 regeneration plants, 589 kilometres of reuse networks and 63 regenerated water reservoirs. With these infrastructures, service was provided to 23 municipalities and 11 golf courses with regenerated water, with a total

area of 789 hectares, as well as industry (International Paper) and 11 other entities. Thanks to the agreements signed with the municipalities, 307 parks and green spaces of the region are irrigated with regenerated water (a total of 1,699 hectares).

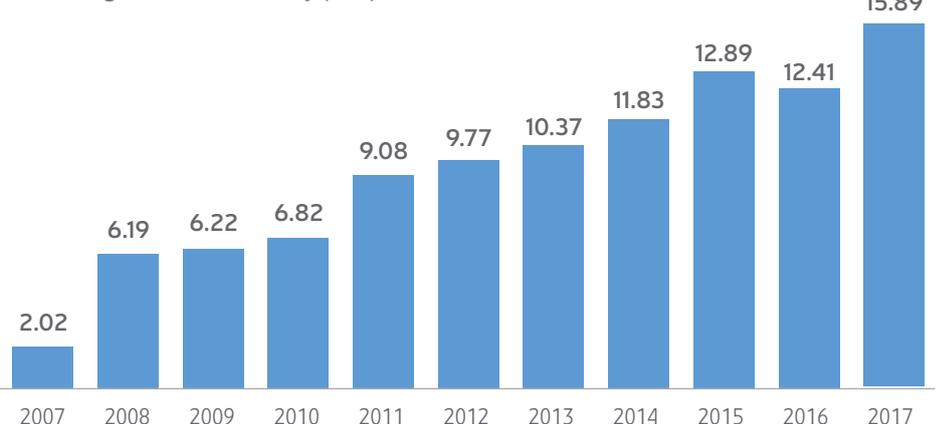
In 2017, we regenerated a total of 15.89 million cubic metres of water for subsequent reuse in our plants. As shown in the graph, the figure has increased slightly compared to 2016, due to weather conditions that increased the demand for regenerated water.

We are also making important advances and investments in wastewater reuse. In 2017, the highlight was the commissioning of irrigation with reused water in Torres de la Alameda.

Monthly consumption of regenerated water (hm³)



Water regenerated annually (hm³)



Guaranteed supply

To combat fraud, Canal works in collaboration with the security forces and bodies

The permanent fraud inspection work has, in addition to its detection, a remarkable deterrent effect

The fight against fraud

Canal de Isabel II has a specific area dedicated to combating fraud. The task of detecting fraud involves various phases, the final result of which is in many cases channelled through complaints brought before the Judicial Authority, it being understood that we are faced with activities that could be included in Chapter VI of the Criminal Code – “Fraud prevention”. In other cases, preventive conviction of non-contracted connections is carried out in order to avoid their illegal use by third parties; occasionally, the result of the action is transferred to other areas of

Canal, since it is understood that this case may fall within its scope, due to its special characteristics.

Throughout the year 2017, as a result of the work carried out, frauds involving more than 4.44 million cubic metres of water were detected and 136,670 euros were collected through proper management. In addition, 809 fraudulent connection convictions were carried out and 313 contracts were negotiated and signed to regularise fraudulent situations.

Efficiency as a priority

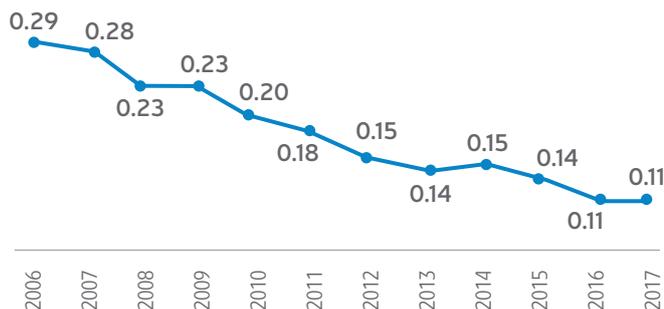
Canal de Isabel II's strategic priority is to implement internal actions that allow us to manage water with the greatest efficiency in the distribution network, reducing and controlling the leaks registered in distribution and connections, and in breaks.

The policy of renewing and improving the distribution network, which in the last 5 years has meant an average renewal of 120 kilometres per year, aims to minimise water losses due to leakage and breakage and to reduce damage to third parties due to flooding. The effort that Canal has historically

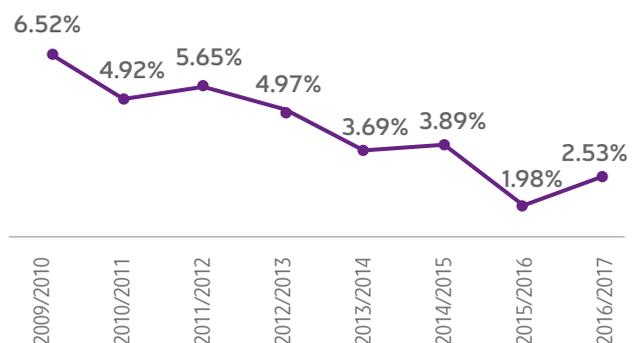
made resulted in a significant improvement in our breakage rates over the past 12 years, with a 61.96% reduction in pipe breakages. All this despite the growth of the network and the incorporation in 2012 of networks of new municipalities with poor conservation.

The results of all the efficiency efforts made by Canal are reflected in the available data on the efficiency of Canal's network. Thus actual losses in adduction and distribution have been reduced by nearly 61.20% in the past 8 hydrological years.

Index of breakages in the network
(number of annual breakages per km of network)



Hidden losses in the distribution network (% of water rerouted for consumption per hydrological year)

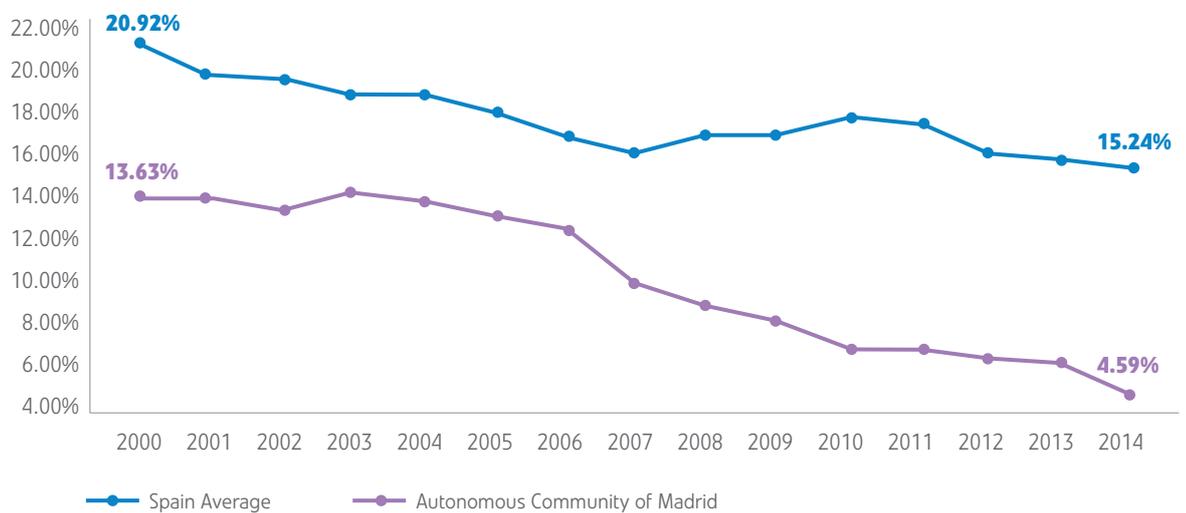


Guaranteed supply

Canal's actual losses are significantly lower than those published by the National Statistics Institute (INE) in 2016, which in 2014 placed the average in Spain at 15.24% of the water supplied to the networks. The Autonomous Community of Madrid was the region with the lowest losses (4.59%), almost 70% below average.

The self-consumption of water needed to provide the service to Madrid's residents throughout the 2016/2017 hydrological year was 4.57 million cubic metres, 0.92% of the water rerouted for consumption by Canal.

Actual losses in drinking water distribution networks 2000-2014 published by the National Statistics Institute in 2016 (in % of water supplied to networks)



For more details,
visit the following link:
www.sumatealretodelagua.com

Getting everyone involved in efficient and responsible water use

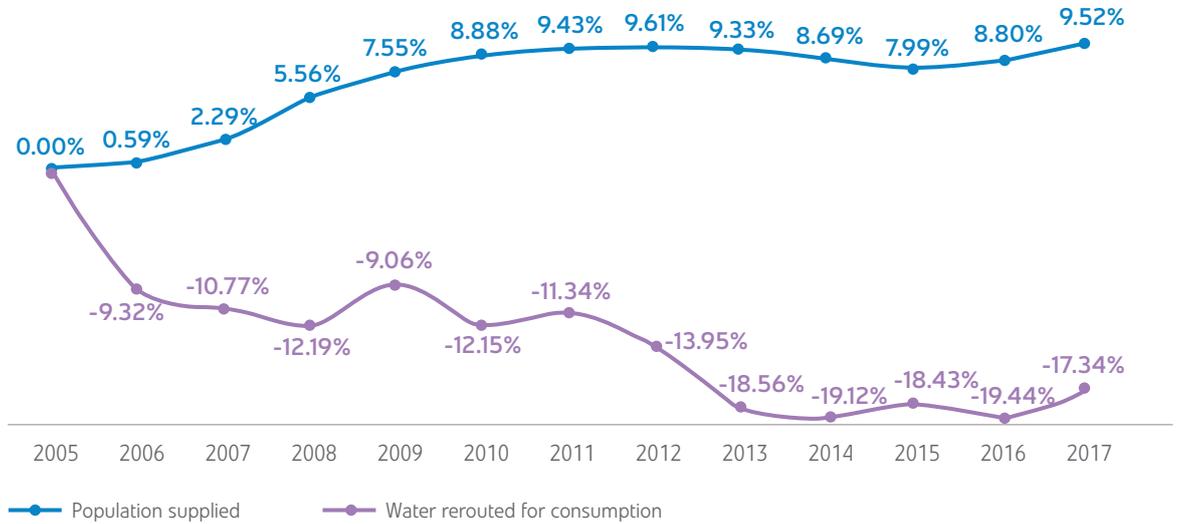
Taking care of water and giving it the importance it deserves is everyone's job. All citizens must take constant care of this scarce commodity. Our company has an experience of more than three decades in the development of communication campaigns for saving water and caring for the environment. Campaigns that have the recognition

of communication professionals and the public to whom they are addressed.

Our communication campaigns are permanent and their high impact has made it possible to place Madrid among the regions that have most reduced water consumption in recent years.

Guaranteed supply

Evolution of resource use vs. population supplied
(in % compared to 2005, the driest year recorded)



You can find more information about our educational programmes at the following link:

www.canaleduca.com

Raising awareness among future generations: Canal Educa

The Canal Educa programme, currently managed by the Canal Foundation, celebrated its 25th anniversary in 2016 and its main objective is to promote responsible consumption of water among the school community and convey values of environmental sustainability.

To this end, from the outset we have set ourselves the goal of offering schools attractive activities and resources that facilitate the important task of educating, implementing 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.

Our challenge is to share our message with a greater number of people each year. For this reason, year after year, Canal Educa adapts its programme of activities and expands its educational offer. Our most recent additions are languages and digital technology: much of our educational programme is offered in

English and, if a centre is committed to technologies, Canal Educa has a complete web portal to access a virtual classroom, which allows non-contact participation in the activities of the programme to educational centres outside the Community of Madrid. In addition, if the centre is committed to the sustainability of the planet, the Water Eco Audit activity can be carried out, in which students, professors and non-teaching staff work together to improve the use of water in the educational area.

During the 2016-2017 school year our educational programme had a total of 96,066 direct participants.

In order to stay up-to-date with all the activities that we propose throughout the course, we encourage the educational community to subscribe to the programme newsletter or follow us on our social networks.

Guaranteed supply

Strategic objective and guaranteed supply plans (2018-2030)

Strategic objective: maintain the current guaranteed supply level in the foreseeable climate change scenarios and with a sustained population increase equivalent to the average of the last 15 years.

With this strategic guideline (SG) we commit ourselves to working towards the following objective:

SG1 indicator	
Population (equivalent) supplied by water savings*	
	Number of people
2017	0 (base)
2018	36,000
2019	115,000
2020	140,000
2021	175,000
2022	222,000

* Number of people who can be supplied during a year thanks to the reduction of uncontrolled water, taking into account the expected decrease in per capita consumption and the increase in population according to the forecasts of the Community of Madrid.

We will work to ensure maximum efficiency of existing resources, extend and promote the consumption of regenerated water, and ensure and promote effective management of the demand. To this end, **3 major strategic plans** have been defined for the 2018-2030 period:

- 1 Plan to ensure maximum efficiency of existing resources**, with which it is intended to deal with the effects of climate change and population increase, with actions including those aimed at continuing with our documented system for optimising operations, the development of a new system of preventive maintenance of infrastructures, or the optimisation of the management of reservoirs and the use of groundwater.
- 2 Plan to extend and promote the consumption of regenerated water**, reaching as many customers and future uses as possible, to avoid the use of water supply.
- 3 Plan to ensure and promote effective management of the demand**, through actions aimed at reducing uncontrolled water, with technologies for the detection, reduction and prevention of fraud, as well as improvements in reading accuracy in home meters, development of campaigns that impact on social awareness and motivate savings, and review of our current rate structure.

Strategic guideline 1 flagship plan



1 | Plan -25

Reduce the volume of water rerouted for consumption by 25% per inhabitant

The Community of Madrid already has a low per capita consumption in relation to the rest of Spain. This ambitious plan will allow us to lead all technologies, both on the supply and demand side, to reduce global consumption, bringing us in **2030 to 156 litres/inhabitant/day** of water rerouted for all uses, which represents one of the most efficient consumptions in the EU.

Key plan indicator

Total consumption per capita in the 2030 timeframe: **156 litres/inhabitant/day.**

4.2



Guaranteeing
quality

the best water



The quality of the water that Canal de Isabel II serves Madrid's residents is one of the hallmarks of the Autonomous Community of Madrid. Madrid's water is considered throughout Spain as being of the highest quality. Thus, for example, bottled water consumption in the region (15.74 litres per inhabitant per year) is 73.83% lower than the Spanish average (60.15 litres per inhabitant).

There are multiple reasons for this quality. We have an excellent raw material at source (our reservoirs and catchments), with adequate and advanced treatment systems and the great effort we make to preserve and maintain water quality.

Guaranteeing the quality of water

With the objective of guaranteeing water safety, Canal de Isabel II has established a strict surveillance programme from the source of supply until its delivery to the consumer.

The analyses corresponding to the programme for the surveillance and control of the water supply quality are carried out in

four laboratories integrated by the Sub-Directorate for Water Quality and in thirteen integrated laboratories in the treatment areas. The determinations required by Royal Decree 140/2003 of 7 February, which establishes the sanitary criteria for the quality of water for human consumption, are made at these labs. Canal also manages the quality control of purified effluents in WWTPs and the quality of regenerated water for irrigation of green areas.

Throughout 2017, Canal de Isabel II carried out almost 2.02 million analytical controls on water quality and took more than 13.08 million samples to ensure the quality of the service. This involves more than 5,500 controls per day and 25 analyses per minute.

Guaranteeing the quality

.....

We apply a strict programme of monitoring the quality of water that goes from its reservoirs and wells, to its delivery to the consumer.

.....

We have 40 Automatic Surveillance Stations (ASS), installed at the most important points of our supply networks.

.....

Controlling water at source

The control of water at source encompasses the two possibilities of available resources, surface water and groundwater.

Surface water monitoring is carried out by means of the limnological study of the reservoirs and rivers used for catchment, while groundwater monitoring is aimed at the analytical characterisation of the resource, in compliance with the environmental conditions for groundwater established by the Autonomous Community of Madrid.

Surface water intended for the production of drinking water usually has a high level of quality, with the highest percentage of surface water collected classified at the highest quality levels established by current legislation.

Monitoring distributed water

For the surveillance of treated and distributed water, we use two programmes based on classical manual sampling:

- Systematic programme checking the resource on entering and exiting the DWTPs, header and regulating deposits, and official sampling points located throughout the network.
- An auxiliary programme without an established schedule for addressing claims and specific studies.

The manual sampling system is complemented by a network of 40 Automatic Surveillance Stations (ASS), installed in DWTP outlets, large deposits and major supply

nodes. All of them are equipped with sensors that allow a series of chemical parameters to be measured continuously and the results to be sent, in real time through the Canal communication network, to the Control Centre.

The parameters that we measure in the ASSs are chosen specifically for their importance with respect to the diagnosis of water quality. Their number is being increased through a multi-year programme. The analytical determinations in all the EVAs include chlorine, ammonium, nitrites, pH and conductivity. Additionally, total organic carbon, nitrates and turbidity are measured in nine of them.

Monitoring wastewater and regenerated water

Canal de Isabel II also manages the quality control of tributaries treated in WWTPs and the quality of regenerated water destined for irrigation of green spaces and street cleaning.

Canal de Isabel II has a purified water laboratory for this purpose. Located in Majadahonda, it has an extension of more than 2,200 square metres and is equipped with a physicochemical laboratory, a microbiology laboratory, another for the analysis of organic pollutants and another

for metals and solid samples, an incubation room and a data and microscopy room, among other facilities.

Our surveillance programme allows us to maintain a permanent alert system through a network of Automatic Surveillance Stations (ASSs), 85 for treated water and 60 for regenerated water, which we also use for strict control of treated water from its entry into the WWTP until it is returned to the rivers, and for the control of water from the reuse networks.

Guaranteeing the quality

One of the waters with the best quality in Spain

During 2017, Canal analysed a total of 739 samples and carried out 16,388 analyses for some of the other organisations and entities.

Compliance with regulations on water for consumption

In 2011, Canal obtained the accreditation from the National Accreditation Entity (ENAC) according to the UNE-EN ISO/IEC 17025 standard for the performance of physicochemical and microbiological analysis of the central laboratories, of La Poveda in Arganda and Griñón. This certification has been extended by the inclusion of new test methods and now includes in its scope fresh and drinking water and regenerated water.

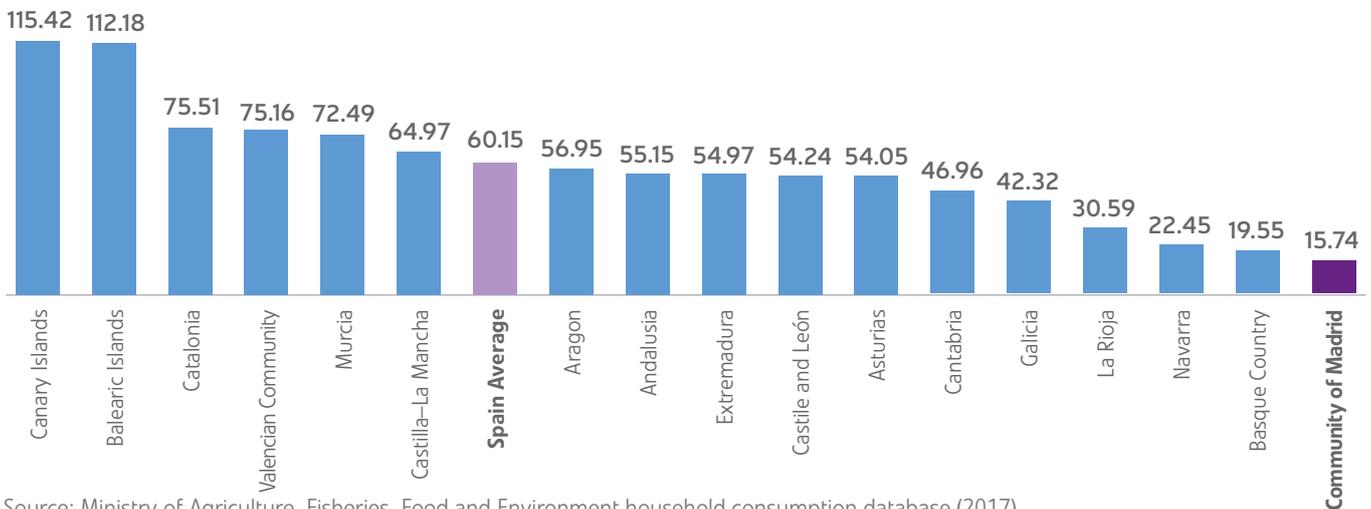
In addition, all of Canal's laboratories and EVAs are included in the scope of application of the quality and environmental management systems implemented in the company and certified, since 1997, according to UNE-EN ISO 9001 and UNE-EN ISO 14001 standards.

In 2017, the highlight was the commissioning of the new laboratory for drinking water analysis of Collado Villalba to reinforce the control of drinking water in the north west of the Community of Madrid.

Since 2009, Canal has been accredited by the Majadahonda cold water meters verification laboratory (file 278/LE1569), which was subsequently extended to flow meters.

During 2017, the degree of compliance of the distributed water, as a percentage of samples that meet the standard out of the total samples analysed for the self-monitoring protocol, was 97.30% (99.80% in the distribution network).

Consumption of still bottled water by autonomous community (in litres per inhabitant and year between July 2016 and June 2017)



Source: Ministry of Agriculture, Fisheries, Food and Environment household consumption database (2017)

Collaboration with other entities

Canal de Isabel II actively participates with external entities related to water quality control. In recent years, it is worth highlighting the collaboration with the:

- Ministry of Health and Consumer Affairs.
- Department of Health and Consumer Affairs of the Autonomous Community of Madrid.
- Madrid City Council.
- Associations of Chemists and Pharmacists.
- AEAS (Spanish Water Supply and Sanitation Association).
- EUREAU (European Water Suppliers Association).
- FELAB (Association of Testing, Calibration and Analysis Entities).
- AEC (Spanish Association for Quality).

Guaranteeing the quality

Strategic objective and water quality plans (2018-2030)



Strategic objective: to guarantee the quality of water from its origin, preserving our sources of supply, to the point of consumption.

Strategic guideline 2 aims to have 100% total conformity in the distribution network by 2030

Our strategy in this guideline is to further improve the treatment of surface and ground-water resources, continue to maintain and improve the quality standards in the distribution network and advance the surveillance systems of said quality. To do this, 4 major strategic plans have been defined for the 2018-2030 period:

SG2 indicator	
Total conformities in the distribution network	
	%
2017	99.80
2018	99.82
2019	99.84
2020	99.86
2021	99.88
2022	99.90

- 1 **Plan to improve the quality of water at source**, which includes actions aimed at protecting our reservoirs against environmental pollution, establishing variable intakes in reservoirs or the definition of mathematical models of the behaviour of reservoirs, as well as the development of early warning systems for events and an action protocol for their management.
- 2 **Plan to promote the use of new treatment technologies**, with which we will introduce and implement new technologies for treating raw water that are more sustainable and with a lower generation of waste.
- 3 **Plan to improve the operating process of the network**, which will consist of improving all the operating processes of the distribution network overall, with actions to improve elements of the network, as well as in the operation of the rechlorination facility.
- 4 **Plan to improve preventive maintenance in the supply network**, with which we will improve the preventive maintenance of the supply network, eliminating all non-standard pipelines and applying a strict annual cleaning protocol.

Guaranteeing the quality

Strategic guideline 2 flagship plan



2 | Network Plan

Replacement of obsolete networks for the improvement of water quality

Some of the different materials that have been used to develop what are more than 17,000 kilometres of the Canal distribution network have been shown to have a lower quality than those currently installed. This action, unparalleled in our country, will allow us to maintain the best water quality, by replacing all the pipes now considered obsolete.

Key plan indicator

Renewal of 100% of the pipelines according to the Canal standard by 2030. The objective will be considered fulfilled when the network master plans are delivered to the corresponding town councils and their execution is budgeted.



4.3



Service
continuity:

*a trusted
service*



Canal must guarantee the security of the service that allows continuous supply and contributes to the well-being of all of Madrid's residents. To this end, we must equip ourselves with systems that guarantee the security of our facilities, some of which are critical, as well as our information systems and our personnel.

Guaranteeing the security of facilities and people

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

To this end, we coordinate key aspects such as building and facility security services, self-protection plans, security in large dams, water fraud control, coordination with the law enforcement agencies and protection of customer-related data.

Operational security

Canal de Isabel II, manages a large number of infrastructures susceptible to being considered of special risk, as well as an important heritage that is subject to different pressures regarding its security. The entry into force of Law 8/2011, of 28 April, which establishes new measures for the protection of critical infrastructures, has led to the classification of some of the infrastructures we manage under this new category.

Service continuity

By the end of 2017, there were almost 430 people working in the area of security at Canal de Isabel II, monitoring our 1,052 different installations throughout the territory of the Autonomous Community of Madrid. As at 31 December 2017, we had 92 established fixed surveillance posts and 14 external security and safety patrols in place, increasing surveillance coverage should the need arise.

In 2017, the existing coverage of **electronic security** systems was extended, including CCTV surveillance (8.44% more), intrusion detection systems and card access control or electronic keys to multiple facilities (15.32% more). Our closed-circuit television (CCTV) systems already manage 578 cameras; many of them perform automated supervision without human intervention, increasing operator efficiency and responsiveness.

Self-protection of buildings and facilities

In 2017, many actions have been taken in this direction. These include preventive maintenance of the self-protection systems in 50 buildings or the preparation and/or renewal of two self-protection plans.

The implementation of the self-protection plans is organised on two solid bases: training and involvement. To this end, the personnel who will be part of the teams are chosen on a voluntary basis, and then all the staff is trained. In 2017, two real fire courses were given and 41 evacuation drills were held.

For the purpose of self-protection of buildings, in 2017 there was an outbreak of fire that occurred on 16 June at our offices on calle Santa Engracia 108, which was quickly controlled and for which approximately 150 people had to be evacuated.



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In 2017, the following projects in the field of security of our systems stand out:

- ▶ Development and implementation of an app for the reporting of anomalies observed by Canal personnel and collaborators.
 - ▶ Implementation of a storage replication system (metrocluster) as a key element for the continuity of information systems.
 - ▶ Renewal of the core of the corporate data network and fibre redundancy in all the buildings of the Central Offices campus.
 - ▶ Implementation and start-up of an Information Security Operation Centre (SOC) service.
-

Data protection relating to customers and suppliers

Canal de Isabel II periodically reviews the files that process personal data and notifies them to the Registry of the Spanish Data Protection Agency regulated in Article 14 of the Organic Law 15/1999 of 13 December, the Data Protection Act. Specifically, Canal has reported the creation of the following data files:

- Socio-cultural activities and public relations
- Customers
- Building access control
- Employees
- Recording of calls
- Requests for suggestions and complaints
- Suppliers

- Occupational health, risk prevention and medical service
- Recruitment of personnel
- Video surveillance

Canal has implemented a system for the improvement of processes related to the protection of personal data in order to guarantee the privacy of customers and the protection of their personal data in accordance with the applicable regulations, for which reason this aspect has been included as another element in the quality system.

Canal began the necessary changes during 2017 to adapt to the new European Data Protection Regulation, before its entry into force in May 2018.

Security of information systems and business continuity

The information and communication systems (equipment, applications, information and telephones) are working resources that Canal uses to manage the company's activities. To ensure their correct use, Canal de Isabel II publishes a series of policies that establish guidelines and recommendations for use to minimise the risks inherent in the inappropriate use of these resources.

The corporate objectives of information security and continuity of operations are set out in the Information Security and Business Continuity Policy, through which the company acquires the commitment to its protection and supports the implementation of the necessary measures to do so.

However, improving the security, availability and continuity of the information and systems that manage it is not only a task of the technical services that administer it, but

also requires appropriate use by all its users. To this end, Canal de Isabel II has drawn up a series of procedures for information and communication systems with the main rules to be followed for the safe use of these resources. These rules generally seek to protect both users of Canal's systems and the company itself against inappropriate or malicious use that may pose a risk with respect to the security, availability or performance of the systems or services provided, as well as other aspects of a legal nature or to improve the efficiency of systems, without impairing our operational capacity in the performance of our work.

Thanks to these policies and procedures, the availability of the company's critical systems was 99.98% during 2017 and 99.97% for other critical systems.

Service continuity

Strategic objective and plans in service continuity (2018-2030)

Strategic objective: to ensure service continuity and protect against possible failures that affect the networks, the quality of the water supplied or the Canal information systems.

In this strategic guideline and thanks to the plans that we will put in place, we have set ourselves the goal that in the year 2030 no home will be left without service for even a single minute:

Our strategy in this guideline is to ensure service continuity with specific plans to ensure the continuity of supply, infrastructures, personnel, and information systems that manage the water cycle. To this end, 4 major strategic plans have been defined for the period 2018-2030:

SG3 indicator	
Percentage of contracts ¹ with alternative supply to restore service in less than 12h	
	Hours without service per property per year
2017	79
2018	80
2019	82
2020	84
2021	87
2022	90

¹ Contracts with integrated supply management agreement

- 1 Physical security plan for infrastructures**, which includes the development of the necessary actions to guarantee the integral security of the facilities, establish a plan for the continuous improvement of infrastructure security systems and identification and early action against sabotage.
- 2 Plan for personnel safety**, with which it is intended to continuously improve the emergency plans and comprehensive fire prevention systems in infrastructures and workplaces.

It also pursues the improvement of preventive and response services for the protection of property and people, as well as undertaking, among other things, an ambitious safety culture training plan for workers.
- 3 Information security plan**, to implement and continuously improve the security management processes (proactive security), incorporate the necessary surveillance mechanisms to anticipate possible security incidents and apply corrective measures (preventive security).

Also included in this plan are actions aimed at improving the control and general level of security of the corporate computer systems (reactive security), and another relevant action will be to implement a master plan for technology security.
- 4 Resilience plan for the supply to municipalities**, which will allow us to improve the configuration and operation of the supply system to ensure the continuity of supply for contingencies at the municipal level.

As a first stage, resilience levels will be established for different contingencies (2018-2022 period) and then the operational and structural actions that guarantee compliance with these levels will be executed (2018-2030 period).

Service continuity

Strategic guideline 3 flagship plan



3

365 days' service continuity Plan

No interruption of service due to non-accidental causes

Faced with the new challenges of the globalised society, this plan will define the effective coordination between the latest generation of security, cybersecurity and resilience systems, as well as the rapid response of physical preventive and reactive devices, in order to guarantee maximum security and possible protection for people and goods, guaranteeing continuity of supply **365 days a year**.

Key plan indicator

Service recovery in normal conditions in a maximum period of **12 hours**.



4.4



Environmental quality and energy efficiency:

We take care of your environment



The environment is in Canal de Isabel II's DNA. As managers of a natural resource that is essential to life and responsible for the purification and proper discharge of nearly 6.5 million people's waste into the sewage system, it could not be otherwise. Therefore, the conservation and protection of our environment is part of our mission and is one of our main daily tasks.

In the future we want to take a step beyond legal compliance in our commitment to the environment.



For more information about our environmental commitments, visit our website:

<https://www.canaldeisabelsegunda.es/web/site/medio-ambiente>

Environmental management at Canal de Isabel II

Management systems

Canal de Isabel II develops all its activities taking into account its Quality and Environment Policy, as well as the Occupational Safety and Health (OSH) Policy. To ensure its compliance, the company has implemented and certified a Quality and Environmental Management System according to ISO 9001:2015 and ISO 14001:2015, and a Health and Safety in the Workplace Management System in accordance with BS OHSAS 18001:2007. In 2017, it renewed its certification in terms of quality and environment.

Canal monitors quality systems, centralised waste management, waste disposal control

and coordination of issues related to occupational safety and health through specific areas of the company's management structure.

The Committee on Quality, Environment and Health and Safety at Work, as the specific body that directs and promotes management systems, is responsible for coordinating and taking decisions on these aspects (Quality, Environment and Health and Safety). It is chaired by the General Manager and all company directors participate in it.

Environmental quality and energy efficiency

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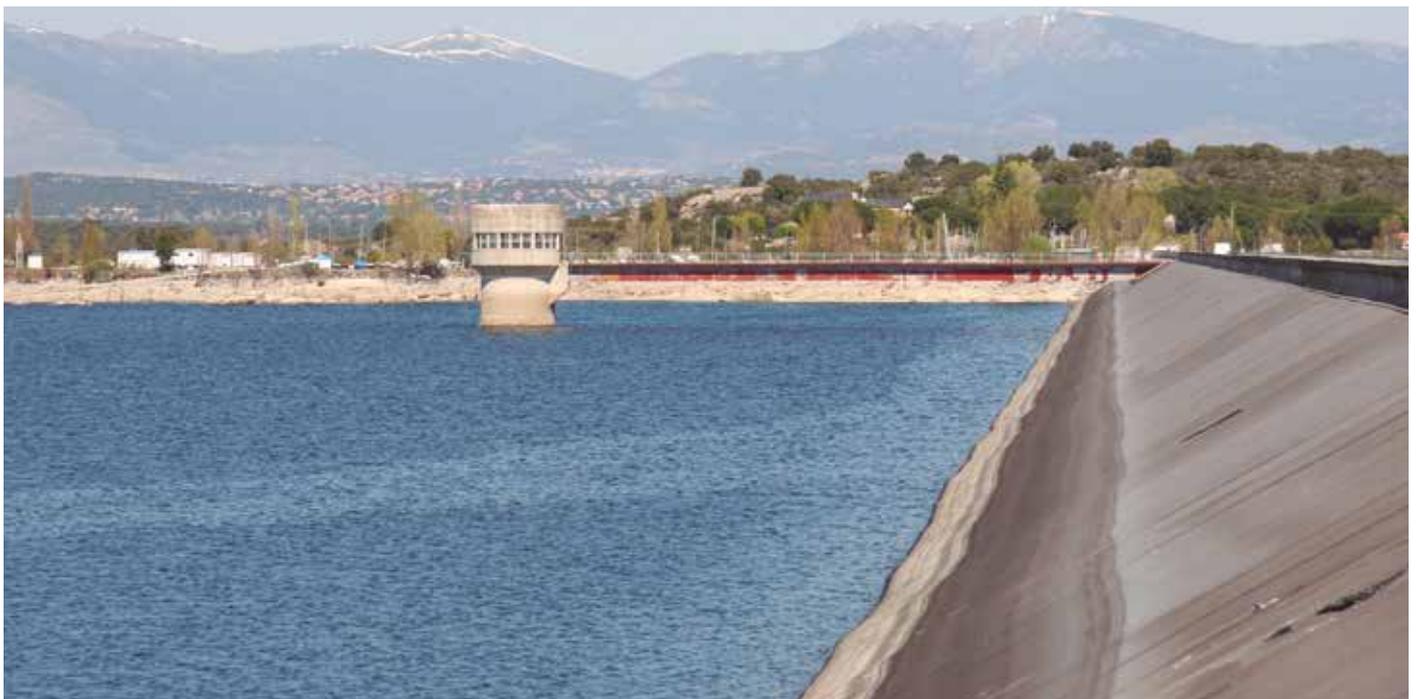
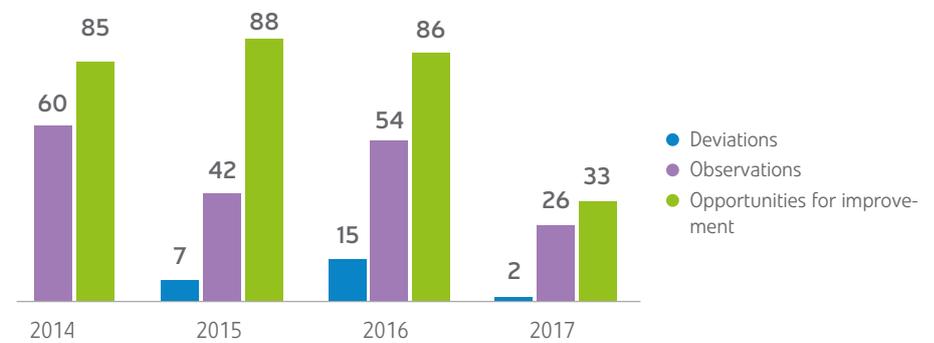
In 2017 we renewed the certification of our management system in terms of quality and environment.

.....

The document base of the Management System, as of 31 December 2017, consisted of 598 documents that included the Quality and Environment Manual, the Safety and Health in the Workplace Manual, the Prevention Plan, general procedures, technical instructions and standardised work procedures. In 2017, changes were made to 106 system documents.

In 2017, planned internal audits were carried out in different areas, specifically 23 in organisational units and 18 in facilities. The results of the internal audits demonstrate the effectiveness of the management system implemented and its capacity to identify areas for improvement.

Result of the audits carried out on management systems each year



Environmental quality and energy efficiency

Prevention at the source of adverse environmental impacts

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

Main actions implemented by Canal de Isabel II for the prevention and reduction of environmental impacts

Processes/ installations	Actions to prevent environmental impacts
Projects and works	Evaluation of environmental aspects in planning and projects
	Conducting environmental impact studies
	Environmental protection clauses in tender documents
	Adoption of preventive, protective and corrective measures
	Monitoring and surveillance of environmental aspects on site and subsequently
Reservoirs	Reservoir protection plans
	Monitoring of the ecological quality of the reservoir environment
	Dam emergency plans
	Maintenance of ecological flows
Wells	Sustainable exploitation of groundwater resources
DWTP deposits and networks	Efficiency in the handling and reduction of rejections and losses
	Continuous quality monitoring
	Sectorisation and network pressure control plan
Distribution network	Renovation of networks
	Unbilled water reduction plan
	New technologies in networks plan
WWTP and EWTS	Improvement of purification systems and increase of effluents with tertiary treatment
	Implementation of the National Water Quality Plan
	Discharge of excess regenerated water from tertiary courses to the channels
	Monitoring of discharges
	Sludge reuse with cogeneration
	Regenerated wastewater reuse plan
Business management and support processes	Electric power generation from biogas
	Communication campaigns for saving water
	Virtual office and e-invoicing
	Environmental education (Canal Educa)
	Paper and energy saving plans in offices
	Actions on energy efficiency
	Fleet of low-emission, hybrid and electric vehicles

Environmental quality and energy efficiency

.....

We apply the principle of prevention, submitting our projects to the procedures of Environmental Impact Assessment.

.....

Our environmental management system contemplates the principle of continuous improvement of our performance, and includes among its objectives the prevention and minimisation of pollution, the commitment to comply with applicable environmental legislation and the monitoring and control of significant environmental aspects.

(notably, Law 21/2013, of 9 December, on environmental assessment). In addition to the aspects of the natural and physical environment, these assessments analyse the social and economic aspects and, if necessary, any significant impacts on local communities.

All the projects drafted at Canal de Isabel II are evaluated in accordance with the provisions of Law 2/2002 on Environmental Assessment of the Autonomous Community of Madrid and other applicable legislation

In 2017, a total of 20 projects from the Sanitation and Treatment, Supply and Building areas were submitted for environmental impact assessment. In addition, this year, the positive declaration of environmental impact of 1 action was obtained.

Prevention and communication about environmental aspects of our operations

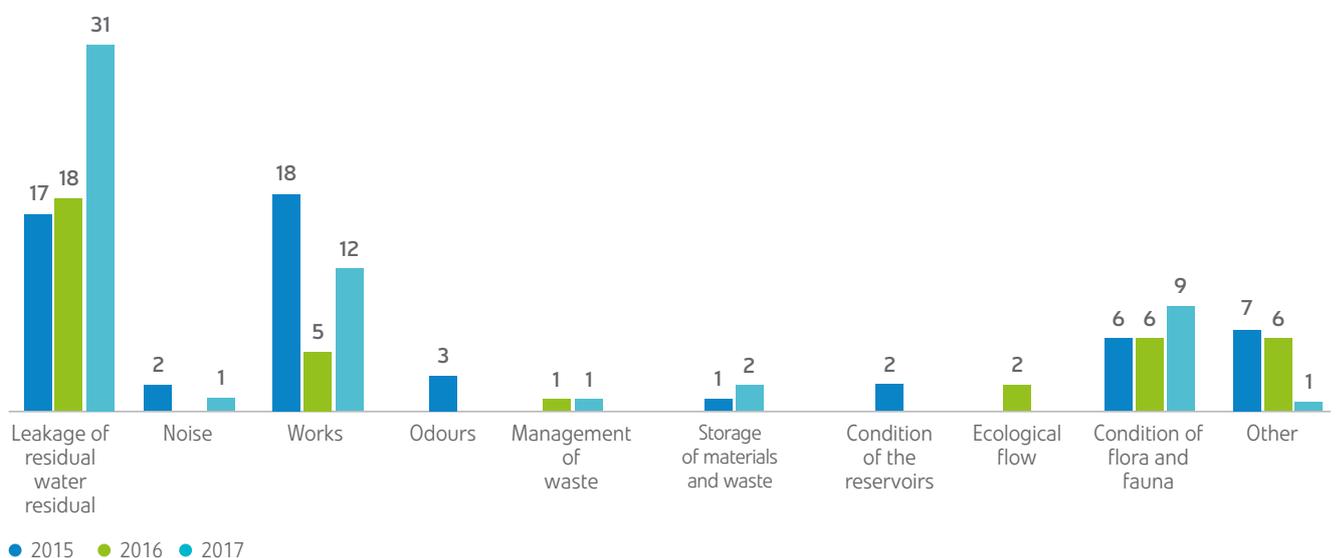
The prevention of potentially negative environmental effects of Canal's operations and facilities is integrated into internal procedures and instructions for their identification, analysis and evaluation and for their monitoring and control.

In the case of the execution of projects subject to the administrative environmental impact assessment procedure, there are always bilateral communications between the Autonomous Community administration responsible for the environment and our company, with a view to requesting and providing sufficient documentation for the correct definition of the works we carry out and the impacts they cause. In addition, other entities with the potential to be affected are also consulted.

The centralised management of the company's waste and the control of its emissions is carried out by the Environmental Management Subdivision, while the control of discharges and the quality of wastewater treatment plant effluents is the responsibility of the Water Quality Department. In addition, channels of communication have been established with internal and external stakeholders.

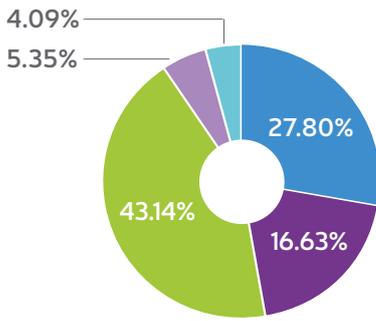
Moreover, within the framework of the management system, there are documented internal procedures related to the environmental communications of the interested parties.

Type of enquiries of an environmental nature responded to the stakeholders in the framework of the management system (2015-2017)



Environmental quality and energy efficiency

Distribution of voluntary environmental expenditure for the 2015-2017 period



- Thermal sludge drying
- Reuse
- Maintenance of green spaces and reforestation
- Spending on environmental education programmes
- Other voluntary environmental expenditure

Expenditure and investment in environmental management and activities

Apart from the environmental expenses linked to the fulfilment of our legal obligations (waste management, sludge management, etc.) or associated with the processes necessary for the management of the integrated water cycle (treatment expenses), Canal dedicates other economic resources to voluntary aspects of environmental management. These resources amounted to 3.69 million euros (excluding associated revenues) in 2017 and represent 1.68% of the total expenditure associated with environmental management (a total of 220.01 million euros in 2017).

Among the main items of voluntary expenditures are those related to the maintenance

of green spaces and reforestation (43.14%) and the thermal drying of WWTP sludge (27.80%).

Given 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 environmental protection objective. Therefore, in 2017, the investments made by Canal de Isabel II with a final environmental objective amounted to €26.79 million. In the 2015-2017 period, environmental investments made by the company amounted to €82.27 million.

Our environmental performance

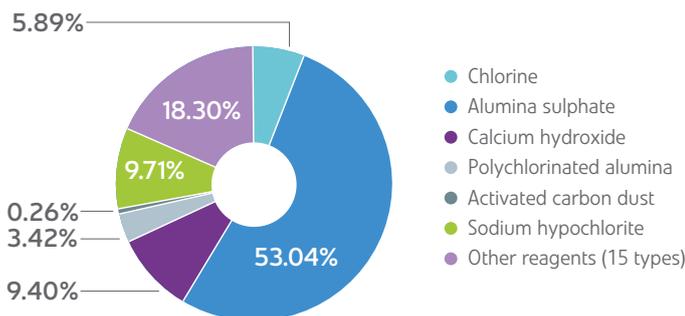
Canal manages all its facilities in accordance with sustainable criteria, seeks to rationalise the consumption of materials and energy, avoids discharges and emissions into the atmosphere and manages its waste appropriately, periodically controlling the noise and odours produced by its activities.

Use of reagents

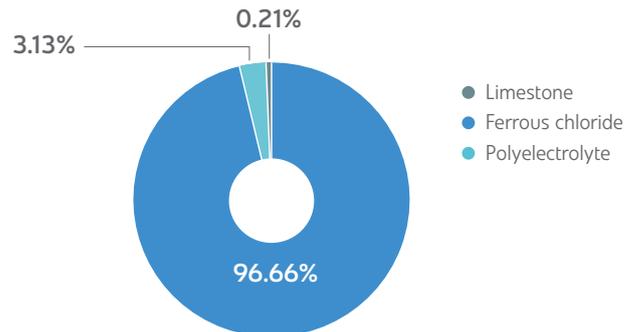
The main materials that Canal consumes are the reagents used in drinking water treatment plants (DWTPs) and wastewater treatment plants (WWTPs).

In 2017, total reagent consumption was 67,747 tons. Of these, 31,727 tons were destined for drinking water treatment; in addition, 36,020 tons have been consumed in wastewater treatment.

Type of reagents consumed in DWTPs



Types of reagents consumed in WWTPs in 2017



Environmental quality and energy efficiency

We are a large consumer of electric power. Therefore, in recent years we have made progress in generation, taking advantage of the synergistic processes of water cycle management and energy production.

Paper consumption

In administrative and commercial management activities, the main material consumption recorded is paper.

In these internal activities, 55.31% of the 33.46 tons of paper used in 2017 were recycled. Canal has the firm objective of reducing paper consumption in internal administrative tasks and has managed to reduce its consumption by 3.44% between 2015 and 2017.

Regarding the consumption related to commercial documentation shipments to the customer, 2017 remained at somewhat lower levels than previous years, with 122.31 tons consumed, 3.41% less than that consumed in 2016. Moreover, printed documents have been produced through a service provider that is FSC (Forest Stewardship Council) certified to ensure the use of paper produced through responsible forest management.

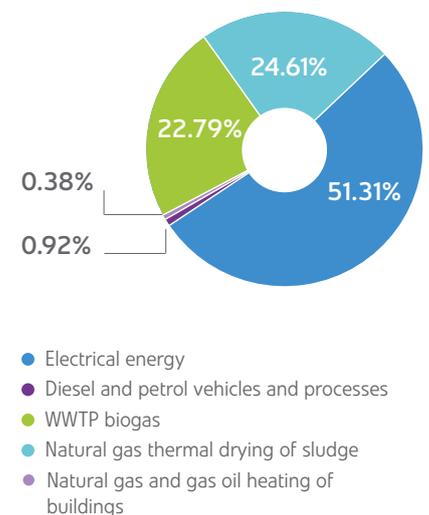
Power consumption

Canal de Isabel II needs to consume a great deal of energy to carry out all its processes. This energy comes from various sources, but is mainly electrical. Therefore, as we are aware of the importance of such consumption, in recent years initiatives have been developed for the generation of electric energy through synergistic processes with water management. Thus, by year-end 2017, we were the company with the greatest installed power in electricity generation in the Autonomous Community of Madrid, with a total of 81.60 megawatts.

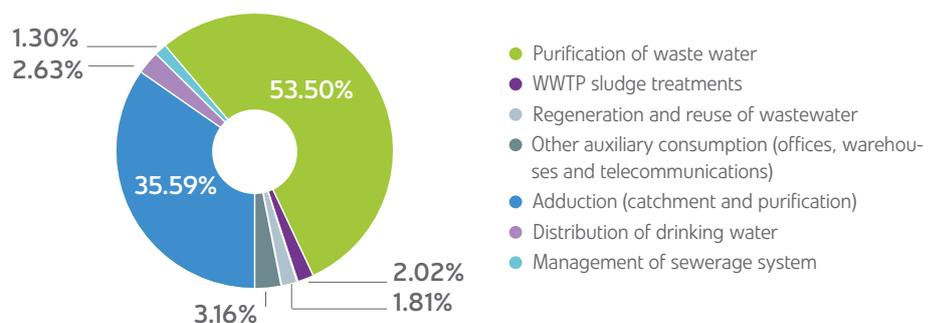
In 2017, the direct consumption of energy from different sources for Canal's facilities and operations was 2,694,849 gigajoules, 51.31% of which corresponded to electric power consumption.

Data from 2017 indicate that electric power consumption was 16.17% higher than in 2016 and 18.15% higher than in 2015. This increase is mainly due to the increased use of the Alberche (Picadas and San Juan) river lifts, which was 111.83% higher than in 2016 and 94.87% higher than in 2015.

Percentage distribution of energy consumption in 2017



Percentage of electric power consumption by integrated water cycle activity in 2017



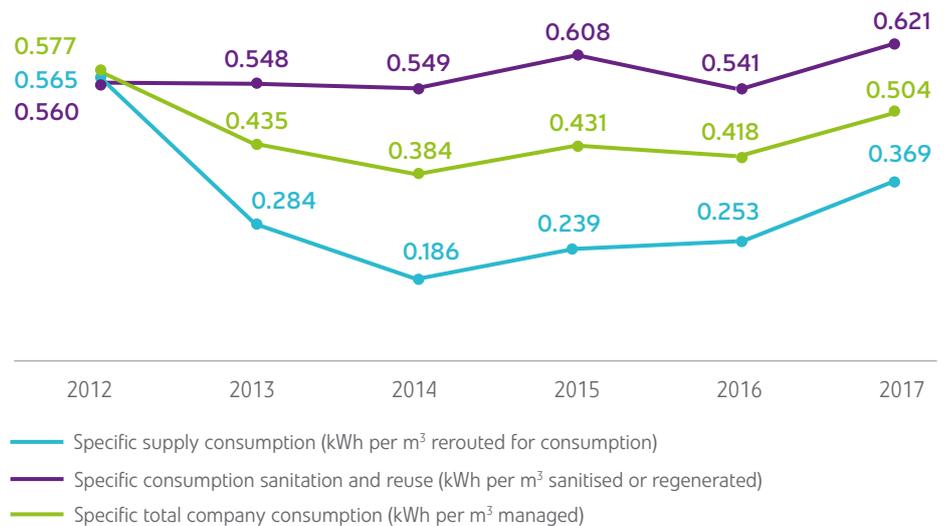
Environmental quality and energy efficiency

Our consumption of electrical energy is greatly conditioned by the weather conditions. In dry years, as was the case in 2017, it increased noticeably.

In terms of specific consumption of electricity, data vary greatly depending on the rainfall characteristics of the year. Therefore, when the contribution of rivers is very low, it is necessary to use the well fields and make

greater use of lifting stations, with which energy consumption almost doubles. The specific consumption recorded in recent years is as follows.

Specific consumption recorded in recent years



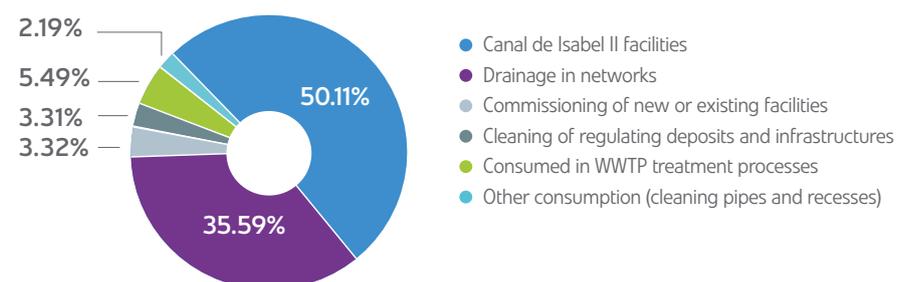
Water consumption

Apart from the water that we distribute as part of the supply processes, the water consumption registered for the realisation of our processes (i.e. self-consumption) has amounted to **4.57** cubic hectometres of water in the 2016-2017 hydrological year. This figure corresponds to **0.92%** of

the water rerouted for consumption in the same period.

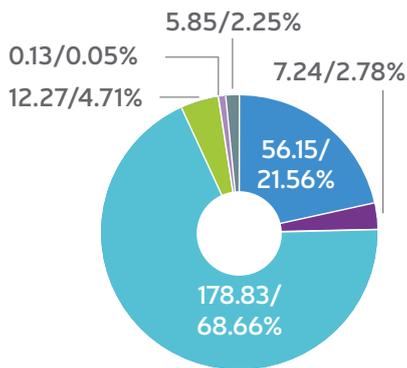
Self-consumption has been reduced by 9.02% compared to self-consumption for the 2015-2016 hydrological year, which was 5.02 million cubic metres of water.

Canal's internal water consumption sources in 2017



Environmental quality and energy efficiency

Distribution of Canal atmospheric emissions (except CO₂) in 2017
(tons/percentage of total)



- Methane
- Nitrous Oxide (N₂O)
- Nitrogen oxides (NO_x)
- Sulphur dioxide
- Carbon monoxide
- Volatile organic compounds (non-methane)

Atmospheric emissions

The emissions of greenhouse gases, acidifying substances and tropospheric ozone precursors into the atmosphere that can be attributed to Canal's operations come from:

- Indirect emissions originating in the generation of electricity that we consume from the grid. These emissions depend, in addition to consumption, on the generation scheme of the electricity system in the Iberian Peninsula.

- Emissions associated with the composting processes of sludge from our WWTPs.
- Direct emissions from existing combustion plants in Canal's facilities, particularly those from the sludge treatment unit in Loeches.
- Exhaust gas emissions from our 683 vehicles and machines, which in 2017 covered a total of 9.62 million kilometres, as well as diesel used in some processes.

Wastewater treatment

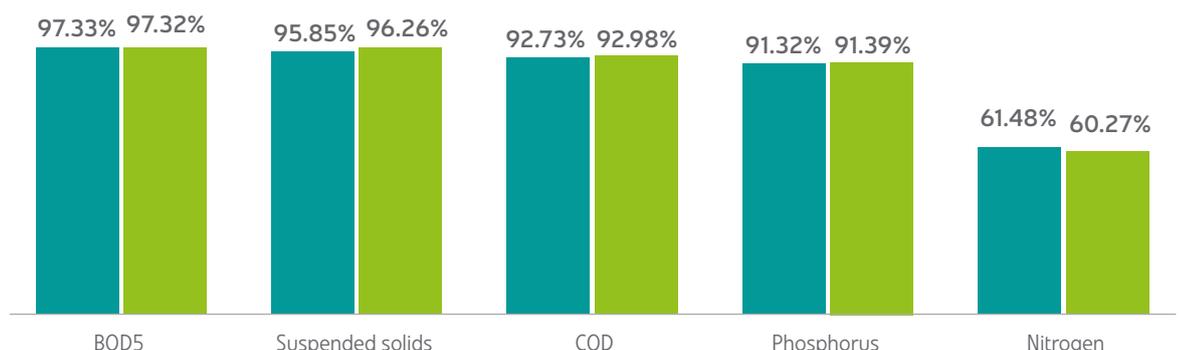
Nearly all the wastewater from the population of the urban centres of the Autonomous Community of Madrid, including Madrid, is treated by Canal de Isabel II. For this purpose, we have 157 facilities that allow us to treat these waters from a total of 179 municipalities.

In 2017, these plants treated and poured 442.73 million cubic metres of wastewater into the river, equivalent to 87.79% of the water rerouted for consumption. The quality of the effluents treated in the plants managed by Canal maintains the high standard that characterises the system. In addition, another 15.89 million cubic metres were treated in the plants for their subsequent reuse.

The sewage treatment plants 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. However, not all of them carry out each of the possible purification processes, but rather they are adapted according to factors such as the size or number of inhabitants for which they are designed, economic imperatives, seasonal variations in river flows, wastewater origin or possible industrial discharges. The type of processes used in purification determines even the physical aspect of the installations. During 2017, 24.25% of treated and discharged water were treated with tertiary treatment (107,38 million cubic metres), which contributes to significantly improving the quality of effluents that are discharged into rivers.

Purification efficiency (percentage of pollutant load removed)



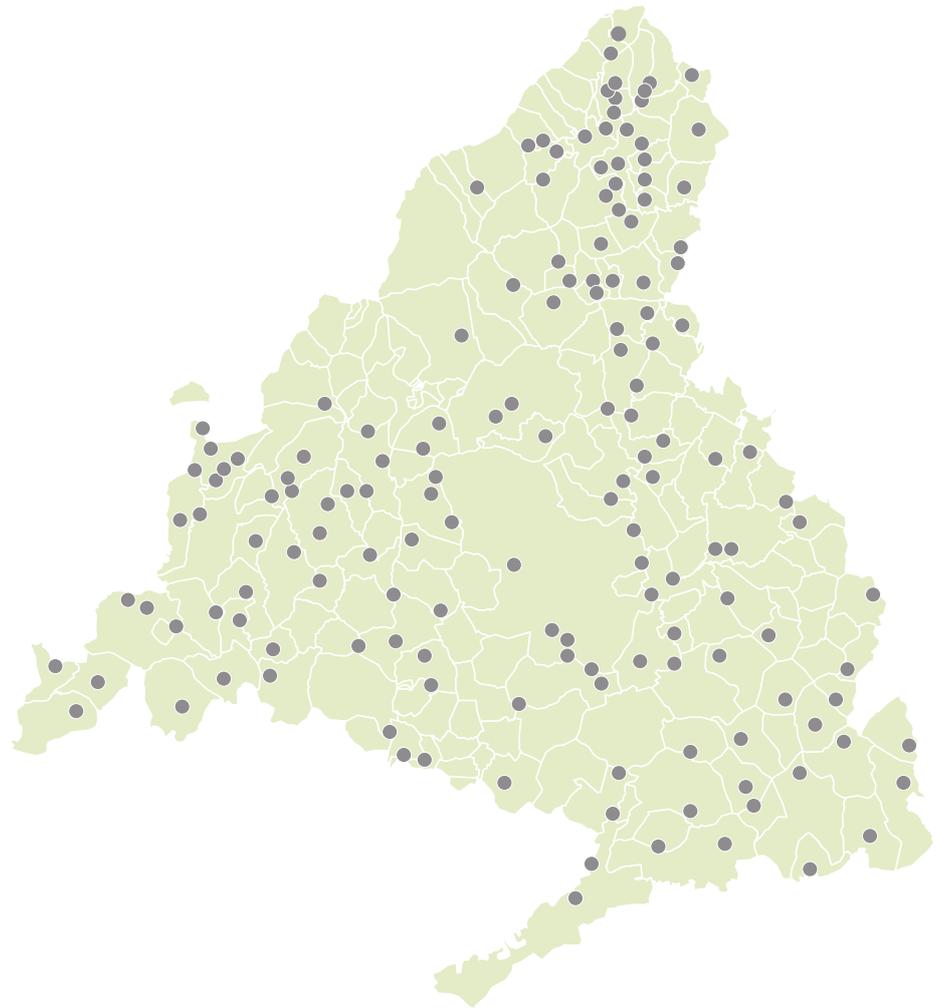
- 2016
- 2017

Environmental quality and energy efficiency

Our WWTPs are designed according to the number of inhabitants they will serve, whether there are seasonal variations of said population or the existence of industries in the area, among others.

In 2017, the commissioning of the new Algete II WWTP is worth mentioning.

Location of Canal WWTPs in the Community of Madrid



Canal's WWTPs have a design capacity of 17.64 million equivalent inhabitants and can treat a daily flow of up to 3.21 million cubic metres.

In order to ensure compliance with phosphorus removal requirements, we have made the necessary adaptations to the treatment plants included in our Nutrient Elimination Plan (nitrogen and phosphorus) from 2010 to the present day. The objective of this plan is to comply with the Water Framework Directive as regards water discharge conditions in sensitive areas (almost the entire Community), which is included in the National Water Quality Plan.

Since 2015, Canal has been developing its Plan for complying with WWTP discharge authorisations, aiming to ensure compliance with at least 80% of the samples taken for self-monitoring in drinking water treatment plants, as well as carrying out comprehensive monitoring of the entire WWTP in order to reduce non-compliance to a minimum. The main actions envisaged are as follows:

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

Environmental quality and energy efficiency

The Community of Madrid is located at the head of important rivers of the Tagus basin, so 99% of its territory is considered a “sensitive area” in the National Plan for Water Quality.

In this respect, in 2017, the commissioning of the new Algete II WWTP, the enlargement of the Villamantilla WWTP, the adaptation of the El Chaparral WWTP and the commissioning of the Boadilla collectors at the Arroyo Valenoso WWTP are worth mentioning.

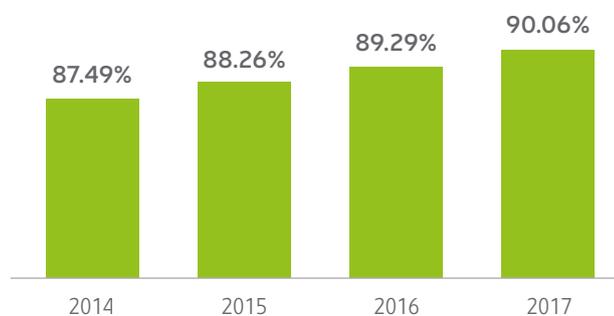
As a result of this commitment, the compliance rate of our treatment plants improves every year. Between 2014 and

2017, the number of samples that comply with the total samples taken in the WWTP has been improved by almost 3%.

Canal’s activities do not produce any discharge of chemical substances in the normal operation of the facilities. Thus, throughout 2017, there has also been no significant incident in this regard.

Compliance of WWTPs

(percentage of samples in compliance out of total samples)

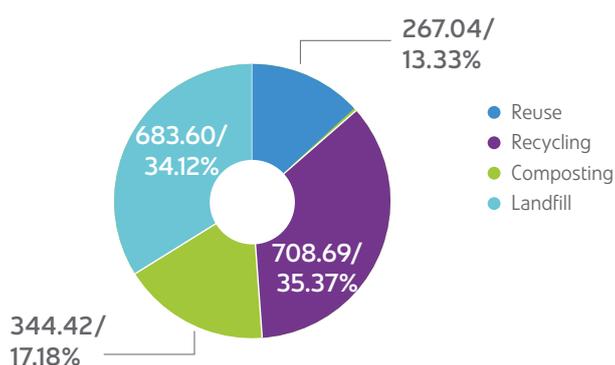


Waste management

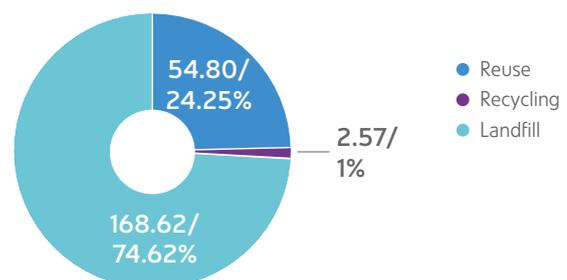
The control of waste management at Canal’s production centres and assembly points is based on the correct separation of waste at source and is complemented by the monitoring of the collection routes, scheduled fortnightly and carried out by the managers, ensuring compliance with current legislation.

In recent years, Canal has been working actively on the proper management of non-hazardous waste with the aim of increasing the amount destined for reuse or recovery.

Final destination of non-hazardous waste produced in 2017, except pre-treatment WWTP and WWPS waste
(tons/percentage of the total)

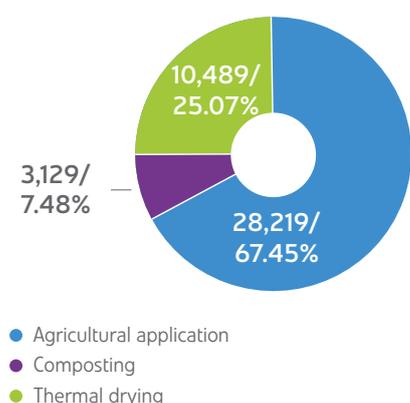


Final destination of hazardous waste produced in 2017
(tons/percentage of the total)



Environmental quality and energy efficiency

Final destination of WWTP sludge in 2017 (tons of dry matter) percentage)



In 2017, a total of 30,437 tons of non-hazardous waste were generated and managed, including 28,433 tons of pre-treatment waste from WWTPs and WWPSs (93.42% of them). Also noteworthy are construction and demolition waste (338 tons) and aqueous waste (599 tons). 82 tons of paper and cardboard and 344 tons of vegetable waste have also been managed and used in the Loeches WWTP sludge composting and thermal drying plant with cogeneration as a structuring material for composting.

With regard to hazardous waste, 225.98 tons were generated in 2017. Amongst this, there were 106.66 tons of laboratory waste (47.20% of the total) and 54.79 tons of motor oils and lubricants (24.25% of the total).

In addition to the hazardous and non-hazardous waste associated with our processes, the sludge generated in the production of drinking water by the DWTPs stands out in terms of volume, a total of 30,792 tons in 2017, and the sludge generated in the treatment of wastewater in WWTPs, 188,445 tons in 2017 (not including the sewage plants of the City of Madrid, which are managed by the city council itself).

The final destination for dewatered sludge from WWTPs is, for the most part, for use in agriculture. In 2017, unlike what happened in previous years, no sludge was sent to energy recovery in cement plants or to landfill. In 2017, a total of 10,489 tons of dewatered sludge were processed in the Loeches sludge treatment unit.

In the case of sludge from DWTPs in 2017, its destination has been for agricultural use in 100% of cases.

Management of noise and odours

Since 2004, Canal has had a programme to control the noise levels generated by our facilities that may disturb the population or in areas of special sensitivity. In 2017, the number of controlled facilities was 211, with a degree of compliance of more than 98.9% according to the criteria established in the company's internal regulations.

The emissions of odoriferous substances at the output of WWTP equipment are controlled in the framework of the atmospheric emission control programme and the regulatory inspections included in the legislation in force. In 2017, the programme included 129 control points and only one non-compliance was detected throughout the year.

Compliance with environmental legislation

Canal de Isabel II has procedures for the identification and access to the requirements established in the environmental laws and for the periodic evaluation of its compliance within the framework of the implemented and certified environmental management system.

In 2017, only 37 disciplinary proceedings were opened by the Tagus Hydrographic Confederation, the vast majority of which are linked to involuntary discharges of wastewater from our 157 WWTPs. These proceedings are at different stages of processing; most of them have been appealed through administrative channels or even through the filing of the corresponding dispute tribunal proceedings. The cumulative amount of the penalties associated with these cases amounted to 488.06 thousand euros at the end of 2017.

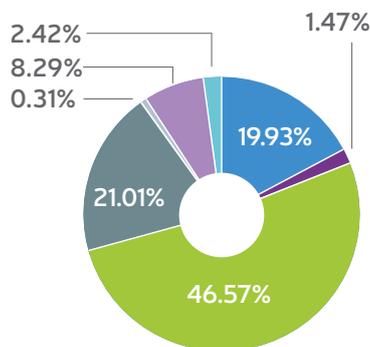
Energy efficiency and climate change

Most experts agree on the importance that the effects of climate change can have on the potential change in the distribution of water resources globally.

Canal de Isabel II cannot be unaware of this concern about the future sustainability of our supply model and, for this reason, we are working both in the area of mitigation and adaptation to be prepared to face the adverse effects that climate change may cause.

Our greenhouse gas (GHG) emissions

Contribution of individual outbreaks to greenhouse gas emissions during the period 2015-2017



- Direct combustion emissions (scope 1)
- Other direct emissions, including vehicles (scope 1)
- Emissions associated with electricity consumption (scope 2)
- Emissions from agricultural use of sludge from WWTPs (scope 3)
- Emissions associated with waste transport services (scope 3)
- Emissions associated with the consumption of WWTP and DWTP reagents (scope 3)
- Other indirect emissions (scope 3)

In 2017, according to estimates, greenhouse gas (GHG) emissions amounted to 194.83 kilotons of CO₂ equivalent. This represents an increase in our total GHG emissions of 25.43% compared to 2016 and is mainly due to a notable increase in emissions associated with the grid's electricity consumption (49.64% compared to 2016), driven by a lower degree of electrical self-sufficiency (49.83%), and the increase in the average emission factor of the peninsular electricity system compared to 2015.

As far as the origin of our emissions is concerned, three scopes can be distinguished:

As far as the origin of our emissions is concerned, three scopes can be distinguished:

- Direct emissions, originating from Canal processes and/or facilities (scope 1), accounted for 20.43% of the total in 2017. These include our main combustion activities: the cogeneration in the Loeches sludge treatment unit, the composting processes of sludge and those associated with emissions from the company's 683 vehicles.
- Indirect emissions, associated with Canal's electricity consumption (scope 2), accounted for 50.39% of the total in 2017. Their calculation is based on the average emission per kilowatt hour produced by the peninsular electricity system (269 grams of CO₂ equivalent per kWh in 2017).

- Indirect emissions, associated with supplies and services provided by third parties (scope 3), such as waste transport, reagent consumption and paper consumption. They accounted for 29.18% of our emissions in 2017 and include emissions associated with commuting by Canal employees from their homes to the company's workplaces.

In terms of specific emissions in 2017, 0.202 kilograms of CO₂ equivalent were recorded for each cubic metre managed¹. This represents a 30.22% increase in specific emissions compared to the previous year.

The only Canal installation subject to the regulations on greenhouse gas emission rights is the WWTP sludge treatment unit with cogeneration of Loeches, which in 2017 has offset its emissions by contributing to the National Registry emission rights for an amount of €209k.

Electricity consumption is one of the main sources of emissions of this type of gas by Canal. In dry years, which require higher electricity consumption to ensure adequate supply, emissions may almost double (as they did in 2012). For this reason, Canal is focusing its efforts to reduce emissions on the generation of clean energy and the search for energy efficiency.

¹ Sum of the water rerouted for consumption, the water purified in WWTPs and the water regenerated for reuse throughout the year.

Environmental quality and energy efficiency

Generation of clean energy

Canal de Isabel II has facilities that, synergistically with the supply and sanitation processes, generate renewable energy, use energy by-products from processes and cogenerate electricity.

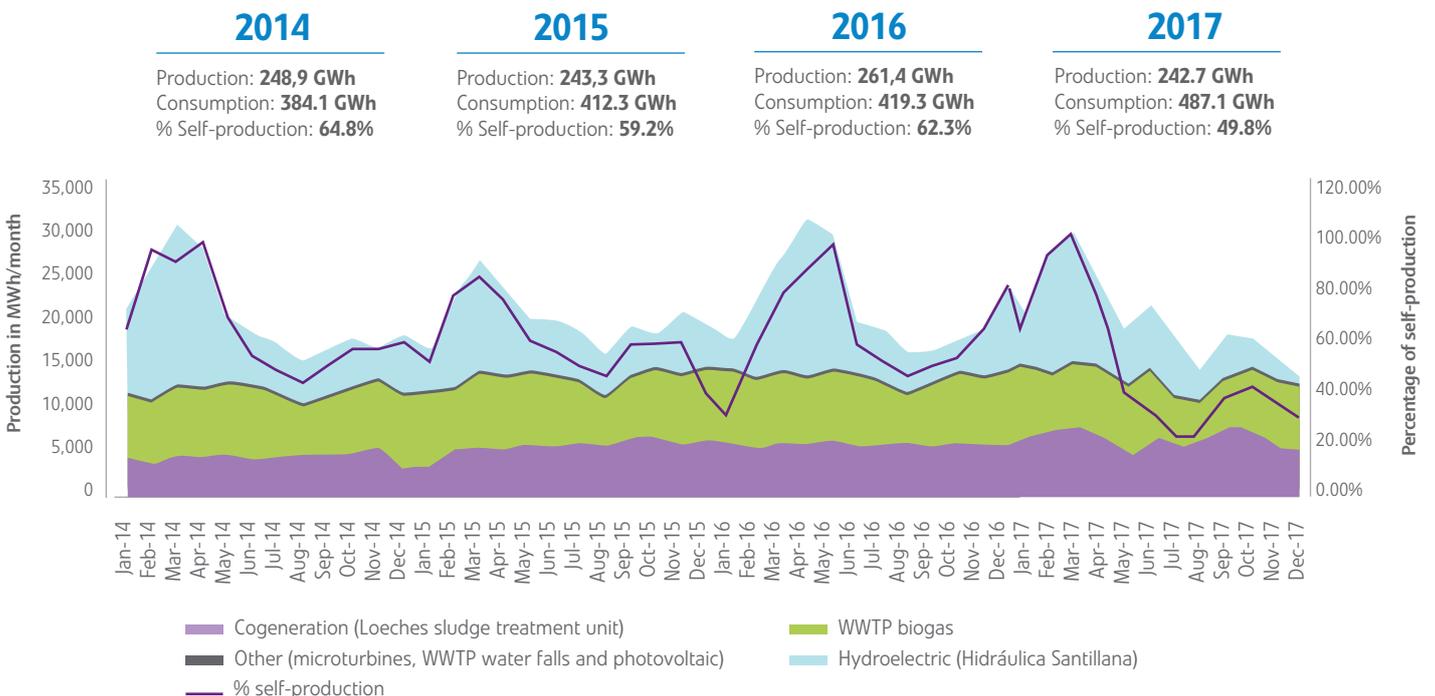
At the end of 2017, Canal and its Business Group managed the following electricity production facilities:

- Eight hydroelectric power plants, with a total installed capacity of 34.85 megawatts, managed by **Hidráulica Santillana**, a Canal Group company.
- 13 WWTPs equipped with motor-generators using the biogas produced in purification processes, with a total installed power of 25.43 megawatts.
- One cogeneration plant, associated with the thermal drying process of WWTP sludge, with an installed power of 19.90 megawatts.
- Three small wastewater falls in the Sur and La Gavia WWTPs that take advantage of the difference in level at the discharge point with an installed power of 0.26 megawatts.
- Nine microturbines installed in different points of the supply network with a total installed power of 0.83 megawatts.
- Two WWTPs with photovoltaic solar panels, with a total installed power of 0.33 megawatts.

As a result, Canal de Isabel II is currently the company with the largest installed capacity for the production of electricity in the Autonomous Community of Madrid, with a total of 81.60 megawatts. The installed power in renewable technologies was equivalent in 2017 to 26.70% of the power contracted for the management of the integrated water cycle in the region (including Canal and Aguas de Alcalá UTE - temporary joint venture).

Thanks to the energy generated in processes associated with both supply and sanitation, Canal has a high degree of electrical self-supply. In 2017 the electricity generated, 242.70 million kilowatts, was equal to 49.83% of its total consumption. Of this amount, 50.95% was used for self-consumption in our facilities and 49.05% was transferred to the grid.

The generation of electric energy by Canal managed to avoid the emission of 65,286 tons of CO₂ in 2017, which represents 66.49% of the emissions from Canal's own electric power consumption and 33.51% of our total emissions of these gases.



Environmental quality and energy efficiency

.....

The best way to reduce our emissions is to rationalise consumption. The more efficient we all are with our water footprint, the lower our carbon footprint.

.....

Actions to reduce emissions

In addition to generating electricity, Canal has made significant efforts in recent years to reduce greenhouse gas emissions, including:

Raising awareness to reduce water consumption and rationalise water use

Efforts to raise awareness about the efficiency and sensible use of water have a direct impact on saving GHG emissions. Thus, the greatest reduction in emissions is directly related to the reduction of water consumption by our customers and users.

Compared to the consumption pattern of the last dry year (2012), consumption between 2015 and 2017 was 81.495 million cubic metres less; this means that the emission of approximately 142,000 tons of CO₂ equivalent has been avoided.

Reforestation actions

In 2017 Canal planted 140 shrubs on degraded land. The development of new plantations is a means for carbon sequestration, a useful short-term response to global warming caused by the accumulation of carbon dioxide in the atmosphere.

Promoting the use of public transport

Canal finances 80% of the cost of travel passes in the Autonomous Community of Madrid for all employees who request it, thus promoting the use of public transport in the workforce.

Sustainable mobility

Canal promotes low CO₂ emission rates in its vehicle contracting tenders. One of the most important factors for awarding contracts are these CO₂ emission rates, with vehicles with the lowest index being assessed positively. The lower consumption of vehicles and the possibility of using biofuels are also particularly valued in these processes.

Since 2011, we have had hybrid and electric vehicles in our fleet. In 2017 there were 24 hybrids and 5 electric vehicles (equivalent to 4.25% of the light vehicle fleet). These two types of vehicles have covered a total of 330,611 kilometres, avoiding the emission of 36.11 tons of CO₂ equivalent in 2017.

Quest for energy efficiency

Since 2010, various plans have been developed for energy improvement in Canal. They seek efficiency in energy management from an integral point of view (operational, technological, economic and environmental), promoting coordination between the different areas of the company. In 2017, we highlight the tender for energy efficiency audits of 14 facilities that account for 33% of the total consumption of the network and will be carried out in 2018. Also in 2017, work was completed on the microturbine installed in the Plaza de Castilla facilities in Madrid.

Environmental quality and energy efficiency

Managing biodiversity



Supply system managed by Canal, see this link:

<http://www.comunidad.madrid/servicios/urbanismo-medio-ambiente/embalses-humedales-catalogados>

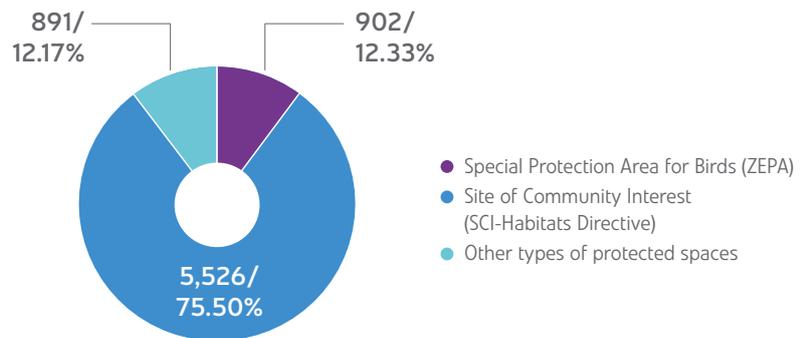
Presence in protected spaces

The situation of our reservoirs in the middle and upper basins of the rivers and in places that were originally sparsely frequented has boosted the local ecosystems associated with water and has welcomed, as far as bird life is concerned, the migration of species that have been displaced by the progressive pressure on wetlands. For this reason, our reservoirs and their surroundings have developed peculiar and very interesting ecosystems that have coexisted with the farming and livestock activities of the Sierra. These ecosystems play an important role in modulating climatic conditions and the hydrological cycle, not to mention other values such as landscape and socio-cultural values.

Thus, for example, in the Catalogue of Reservoirs and Wetlands of the Autonomous Community of Madrid, drawn up in accordance with Law 7/1990, among the reservoirs selected according to their values and characteristics, 9 are included in the Canal-managed supply system.

The surface area occupied by Canal-managed facilities and infrastructure on land subject to some form of legal protection amounted to 6,417 hectares in 2017. It represents 58% of the total area occupied by Canal facilities, 12.33% of which were Special Protection Areas for Birds (ZEPA), 75.50% were Sites of Community Importance (SCI) under the European Union's Habitats Directive, and 12.12% were other protected areas.

Distribution of the area occupied by Canal facilities in protected areas in 2017
(hectares/percentage of total)



Environmental quality and energy efficiency



Protected species present

In the vicinity of the Canal's facilities there are high-value plant species that are included in the Regional Catalogue of Threatened Species of Wild Fauna and Flora. These include: *Ilex aquifolium* (Holly), *Taxus baccata* (Taxus), *Arbutus unedo* (Strawberry Tree), *Corylus avellana* (Hazelnut Tree), *Fraxinus excelsior* (Common Ash), *Ulmus glabra* (Wych Elm), *Betula alba* (Silver Birch), *Sorbus aria* (Whitebeam), *Sorbus aucuparia* (Rowan or Mountain-Ash), *Fagus sylvatica* (Beech), *Quercus suber* (Cork Oak) and *Viburnum opulus* (Guelder-Rose).

According to the Regional Catalogue of Plant Specimens and Singular Stands of the Community of Madrid, there are 3 unique tree specimens located on land owned by the Company, which are:

- **In the category of notable trees:** a specimen of *Morus alba* (Valdehondillo mulberry tree), in El Vellón.
- **In the category of outstanding trees:** two specimens. One *Avies numidica* (Algerian fir) and one *Cedrus deodara* (Deodar Cedar) in the gardens of Santa Lucía in Torrelaguna.



Plant Heritage Conservation

Canal de Isabel II annually carries out a series of conservation and improvement works on green spaces in order to achieve an optimum level of maintenance of the extensive plant heritage, both of the areas included in its facilities and of the areas open to the public for use and enjoyment, such as the Third Water Tower Leisure and Sports Centre, the Plaza de Castilla park, the Riosequillo recreational area, the Valmayor yacht club, the Cervera de Buitrago marina, and other areas of great richness and diversity located in enclaves of high ecological value.

Brush was cleared on a total of 378 hectares in 2017 for fire prevention purposes. In addition, throughout the year, the necessary phytosanitary treatments were undertaken to prevent pests and plant diseases on a total area of more than 264 hectares, with the application of low-environmental-impact chemical products. Additionally, the elimination of potentially harmful invertebrates is promoted by installing "nest boxes" or "nests" of insectivorous birds.

In addition, throughout 2017 the vegetation conservation of 433 hectares annexed to our facilities was maintained and reforestation work was carried out, planting a total of 14,360 units of plants, trees and shrubs.



Ecological flows

With the approval of Royal Decree 270/2014 of 11 April on the Hydrological Plan for the Spanish part of the Tagus river basin area, the environmental flows of the following bodies of water were set in the new plan for 2015: Jarama river downstream of the El Vado dam, Lozoya river from the reservoir of El Atazar to the Jarama river and Manzanares river from the reservoir of Santillana to the reservoir of El Pardo. For the rest of the river sections, an environmental demand is established as a guideline.

During 2017, the environmental discharges into the rivers carried out by Canal de Isabel II for the conservation of the river sections involved a total volume of 76.66 million cubic metres.

Environmental quality and energy efficiency

Strategic objective and plans in environmental quality and energy efficiency (2018-2030)

Strategic objective: promoting the circular economy and sustainable development, addressing the challenges associated with climate change by means of the corresponding adaptation and mitigation plans.

To fulfil this strategic guideline, among other objectives, we have proposed reducing our carbon footprint in the coming years:

Our strategy in this guideline is to further improve the purification of wastewater, adapt our management to the effects of climate change, promote the circular econ-

omy and power generation from renewable sources and high efficiency. To this end, 4 major strategic plans have been defined for the period 2018-2030:

SG4 indicator	
Percentage of emissions on our "maximum footprint"	
2017	63.69
2018	20.61
2019	19.98
2020	19.78
2021	19.58
2022	19.38

1 Treatment excellence plan, our healthy rivers, through which we intend to go beyond merely meeting legal requirements in our commitment to the environment and carry out operations such as WWTP modelling programmes, quality improvement programmes for WWTP discharges or an improvement plan for controlling industrial discharge into the network.

2 Energy efficiency and climate change plan, with which we address the challenges related to climate change through adaptation and mitigation, and an energy efficiency and savings plan to reduce consumption in the water cycle specifically.

3 Plan to promote the circular economy, *Campos saludables* (Healthy Fields), within which we shall perform actions designed to facilitate greater efficiency in the management and use of natural resources, with actions for managing and using all by-products from processes and a WWTP mass sanitation plan for agricultural use.

4 Clean energy development plan, which will include activities aimed at promoting clean energy generation, as well as actions to limit emission hot spots and reduce our carbon footprint.

Environmental quality and energy efficiency

Strategic guideline 4 flagship plan



4

Clean Energy Generation Plan - 0.0 kWh

100% of internal consumption
from renewable or high efficiency
sources

We want to develop a plan for the use of natural, clean and efficient energy. We aim to be the first company in our sector in Europe to produce a quantity of energy equal to or greater than that which we consume, and we want to do it using renewable sources (hydraulic, solar and biogas) or high efficiency sources, such as electricity and heat cogeneration from natural gas.

Key plan indicator

Electricity generation
equal to **100%** of that
consumed by Canal.



4.5



Municipal cooperation:

building our region

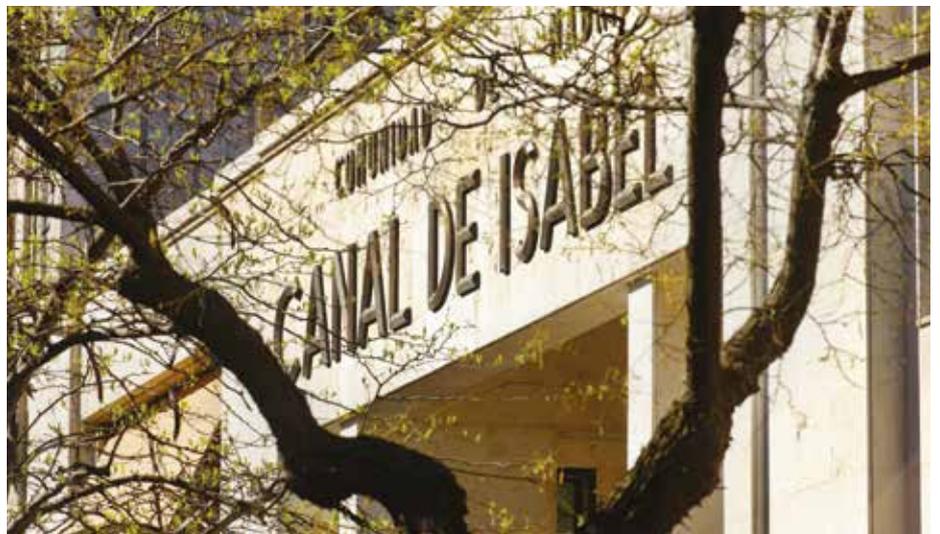


Canal de Isabel II's management model, in the drinking water distribution and sewerage segments, which are municipally owned, is based on long-term agreements signed with municipalities for the operation of such infrastructures.

The assumption of these activities under a supramunicipal perspective generates economies of scale and synergies in the operation, which represent important advantages for municipalities.

The supply networks, which were the origin of Canal more than a century and a half ago, are currently managed with excellent results. However, municipal sewerage networks, most of which have recently come under

our management, have significant needs and require specific plans and an additional effort to reach the right conditions and thus prevent incidents that impact citizens and the environment.



Our relations with the municipalities of the Autonomous Community of Madrid

The relationship with municipalities is of great importance to Canal de Isabel II, as it facilitates the provision of an efficient and quality service to all citizens. For this reason, throughout 2017, Canal de Isabel II held 161 meetings with 84 municipalities in the Autonomous Community of Madrid.

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

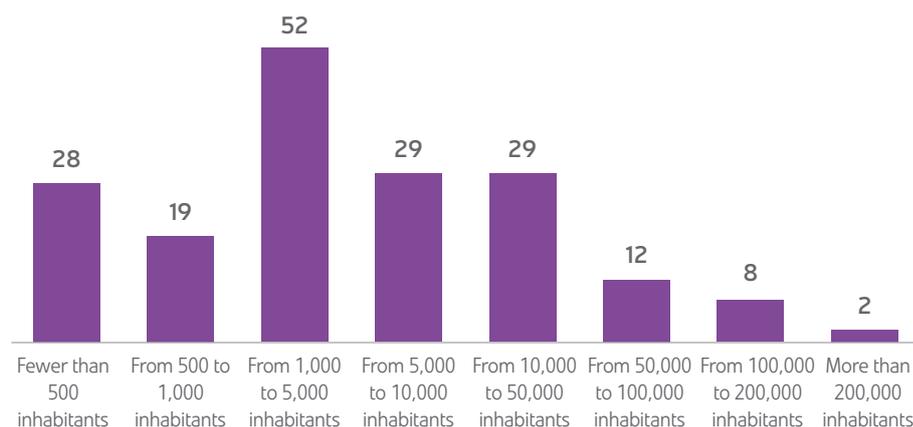
Through these agreements, Canal supplied water in 2017 to a total population of 6,286,805 inhabitants in 173 of the 179 municipalities of the Autonomous Community of Madrid. This population equals 96.61% of the population registered in the region on 1 January 2017.

With regard to sanitation services, at the end of 2017 Canal managed the sewerage systems of 134 towns in the Autonomous Community of Madrid, with a total population of 5,536,540 inhabitants, meaning that it provided this service to 85.08% of the region's population. In water purification, Canal served 6,498,623 inhabitants in 179 municipalities, practically 100% of the region's population (99.87%).

In addition, by late 2017 the Canal system supplied water to seven bordering municipalities belonging to Castilla-La Mancha (Valdesotos, Valdepeñas de la Sierra, Tortuero, Uceda, Pióç, Pozo de Guadalajara and Ontígola). The population supplied in the bordering municipalities in 2017 is 11,926 people. In the case of Ontígola (Toledo), Canal has also provided wastewater treatment services to its 4,272 inhabitants.

SERVICES PROVIDED BY CANAL DE ISABEL II IN THE AUTONOMOUS COMMUNITY OF MADRID	Supply	Sewerage	Purification
Number of municipalities served	173	134	179
Population served	6,286,805	5,536,540	6,498,623
Coverage in the Autonomous Community of Madrid	96.61%	85.08%	99.87%

Distribution by number of inhabitants of the 179 municipalities in which a service is provided in the Autonomous Community Madrid in 2017



Ensuring sewerage management and urban drainage

Sanitation management is absolutely vital for the maintenance of public health in urban environments and to ensure environmental protection and the upkeep of the region's water bodies in good condition.

Sewerage and urban drainage

The objective of urban drainage networks is to collect wastewater, domestic, industrial and runoff water for subsequent transport to treatment plants. Canal is responsible for maintaining municipal networks in the 134 municipalities with which it has signed agreements. By the end of 2017, these networks reached 14,079 kilometres. This maintenance consists of inspecting and cleaning all the network elements, as well as carrying out emergency works and cartographic updating. In the same year, Canal managed 877 kilometres of supramunicipal sewers and outlets.

Canal has 133 wastewater pumping stations (WWPSs), which raise water so that it can be transported to the WWTPs, and 65 storm tanks and buffering basins, which aim to prevent flooding and discharges into watercourses. Thanks to these facilities, up to 1.48 million cubic metres of the first rainwater, which are the most polluting, are retained.

The maintenance work carried out by Canal consists of monitoring the networks, inspecting (29,624 kilometres of network in 2017) and cleaning the pipelines, cleaning the scuppers (more than 524,000 in 2017), cleaning the occasional spills, resolving each warning and incident in the network, and carrying out any required conservation and improvement works. In addition to this work, a cartographic update (166 kilometres in 2017) is performed and the network diagnostic studies are prepared; also, technical compliance files for requests for connections or network modifications are processed.

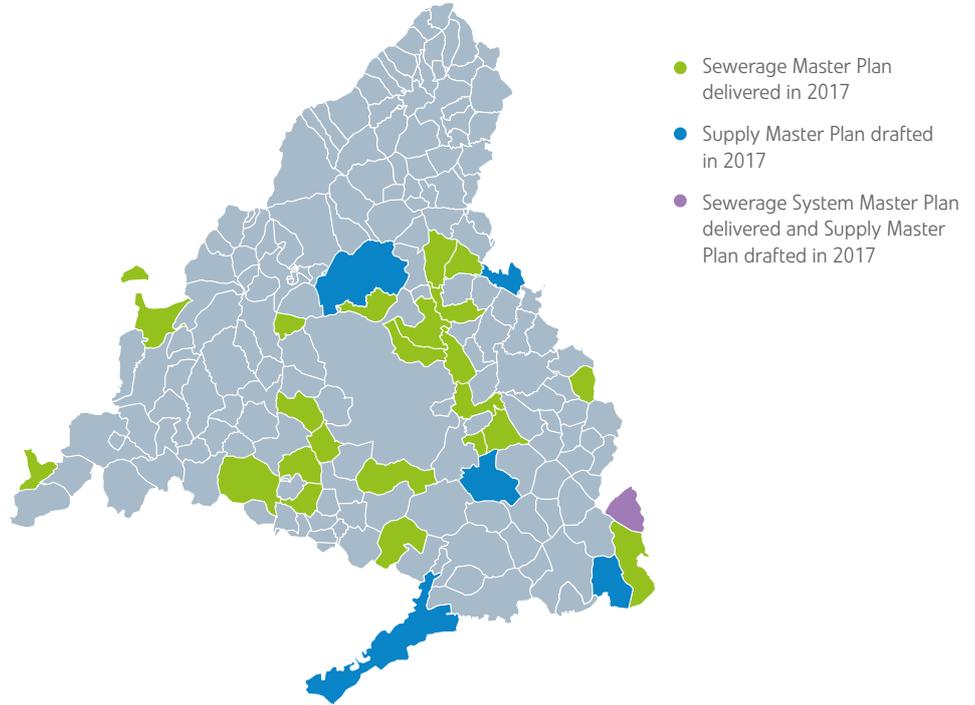
In recent years, and given the poor state of the network in some municipalities, Canal has promoted the preparation of diagnostic studies of the networks and the development of master sanitation plans for these municipalities. Our aim is that each municipality has a master sanitation plan. In 2017 we delivered 22 municipal sewerage plans. By the end of the year, 97 of the 134 municipalities for which we provide this service had a plan in place. These actions will lead to an improvement in the network, a significant reduction in discharges and, in turn, an improvement in the receiving waterways, while reducing the risk of flooding in the municipalities under management.

With regard to the renovation of sewerage networks, a total of 27.68 kilometres were renovated in 2017, 6.7 kilometres of which used technology that did not require the digging of trenches.



Municipal cooperation

In 2017 we delivered 22 sewerage plans and 6 supply plans were drawn up for 27 of the municipalities of the Autonomous Community of Madrid



In addition, in the field of urban drainage, work continued on the advanced system for urban drainage management and the characterisation of the 15 largest storm tanks, as well as the installation of sensors to obtain data in these facilities.

Finally, Canal continued the communication campaign launched in 2016 to raise awareness among the population about the dumping into the sewerage networks of elements such as wipes or vegetable oils, which are not part of wastewater and cause serious clogging and problems in WWTPs.



Municipal cooperation

Strategic objective and plans to cooperate with the municipalities of the Autonomous Community of Madrid (2018-2030)

Strategic objective: promoting Canal's integrated management in all municipalities, consolidating the most efficient model of supramunicipal management.

With this strategic guideline and with all the plans contained within it we intend to improve satisfaction among all the municipalities we work with year after year and achieve the highest possible rating by 2030:

SG5 indicator	
Municipality satisfaction index	
	1-10
2017	Not available
2018	Index calculation base year
2019	Δ2%
2020	Δ4%
2021	Δ6%
2022	8%

Our strategy in this area involves improving relations with all municipalities in the region, taking over the management of other municipalities, achieving excellence in sewerage network management in all municipalities and advancing relations and

collaboration with the municipalities of Sierra Norte in the Autonomous Community of Madrid, where a significant proportion of our main facilities are located. In order to do this, 3 major strategic plans have been defined for the 2018-2030 period:

1 Plan to have closer ties with town halls and residential estates, with which we want to advance and improve institutional relationships with the different administrations through activities designed to increase cooperation with municipalities through a one-stop-shop system.

Furthermore, contained within this plan are the activities needed to provide a water cycle management solution in the historic residential areas in the Autonomous Community of Madrid.

2 Sewerage excellence plan, which includes activities designed to develop the sewerage network throughout the Autonomous Community of Madrid, such as the design and implementation of the **Sanitation plan**, the preparation of master sewerage plans in 100% of municipalities, a programme for disconnecting clean water from sewerage networks or activities designed to expand sustainable urban drainage systems within the Autonomous Community of Madrid.

3 Sierra Norte plan, which seeks to support the municipalities of Sierra Norte with such activities as the design and preparation of reservoir management plans or exploiting synergies in infrastructure and services between Canal and the municipalities.

Strategic guideline 5 flagship plan



5

Sanitation Plan

100% of sanitation networks adapted to the master plans

Without doubt Canal's most ambitious plan for 2030. The municipal networks of the Autonomous Community of Madrid provide scope for numerous improvements and streamlining activities that this plan seeks to develop in order for the region to have the most efficient and modern sanitation network in the country, for the benefit of all Madrid's residents.

Key plan indicator

Coverage of sewerage services in the Autonomous Community of Madrid: **100%** of investment tendered by 2030.

4.6



Commitment to users:

at your side, for anything



Customer and user satisfaction is one of our company's main objectives. This satisfaction is obtained by providing reliable, quality services at fair rates, but it is also very important to provide adequate attention to customers, meeting their expectations and needs in an swift, simple way. To this end, our company has equipped itself with the means and resources that make our commercial work one of the best valued within the sector in Spain.

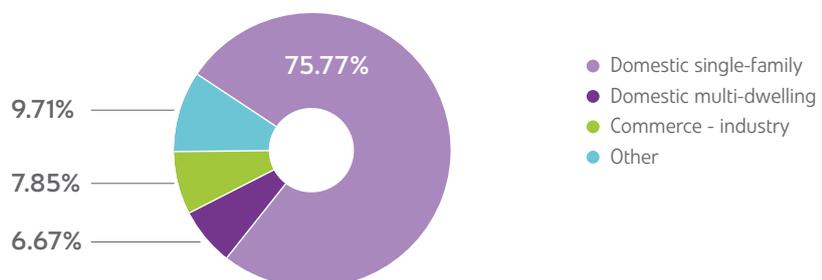
Our customers in the Autonomous Community of Madrid: contracts and population served

In 2017, Canal de Isabel II reached 1,466,892 active contracts with customers, a 1.24% increase compared to 2016.

Through these contracts, Canal supplied water in 2017 to a total population of 6.29 million inhabitants in 173 of the 179 municipalities in the Autonomous Community, according to data from the National Statistics Institute (INE), which is equivalent to 96.61% of the population registered in the region on 1 January 2017.

With regard to sanitation services, at the end of 2017 Canal managed the sewerage system for 134 municipalities in the Autonomous Community (5.54 million inhabitants), which represents 85.08% of the region's total population. In water purification, it served 6.50 million inhabitants in 179 municipalities, almost 100% of the region's population (99.87%).

Types of contracts with customers in 2017



Commitment to users

Increase of tariffs in Madrid (%)

2014	-0.1
2015	-0.1
2016	0.0
2017	0.0
Approved for 2018	0.0
Cumulative for 2011-2018	-0.2

Tariffs, allowances and customer billing

Canal de Isabel II has established its water tariff based on a series of basic principles such as transposing the Water Framework Directive, promoting its use and efficient consumption, and achieving a fair and equitable tariff system. In addition we must remember that the citizens of Madrid enjoy water that is of the highest quality in Europe. For this reason, we believe our tariff to be:

- **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:** consolidating a reusable water tariff, which is an essential component of integrated water resource management in line with environmental sustainability.

In order to ensure better communication and a better understanding of the tariffs by customers, every year Canal carries out a campaign with explanatory documents that are made available to the public in commercial offices and on the website (www.canaldeisabelsegunda.es/en/). In particular, "general", "domestic use" and "commercial and industrial use" tariff documents are issued for dissemination in commercial offices.

Over the last five years, Canal's tariff policy has been characterised by its moderation; tariffs were frozen for the third time in 2017 (applicable in 2018). This situation is expected to continue until at least 2019.

Since 2014 there have been no increases in the tariffs applied by Canal in the Autonomous Community of Madrid. The cumulative increase of the Consumer Price Index (IPC) for the 2014-2017 period was 3.0%.

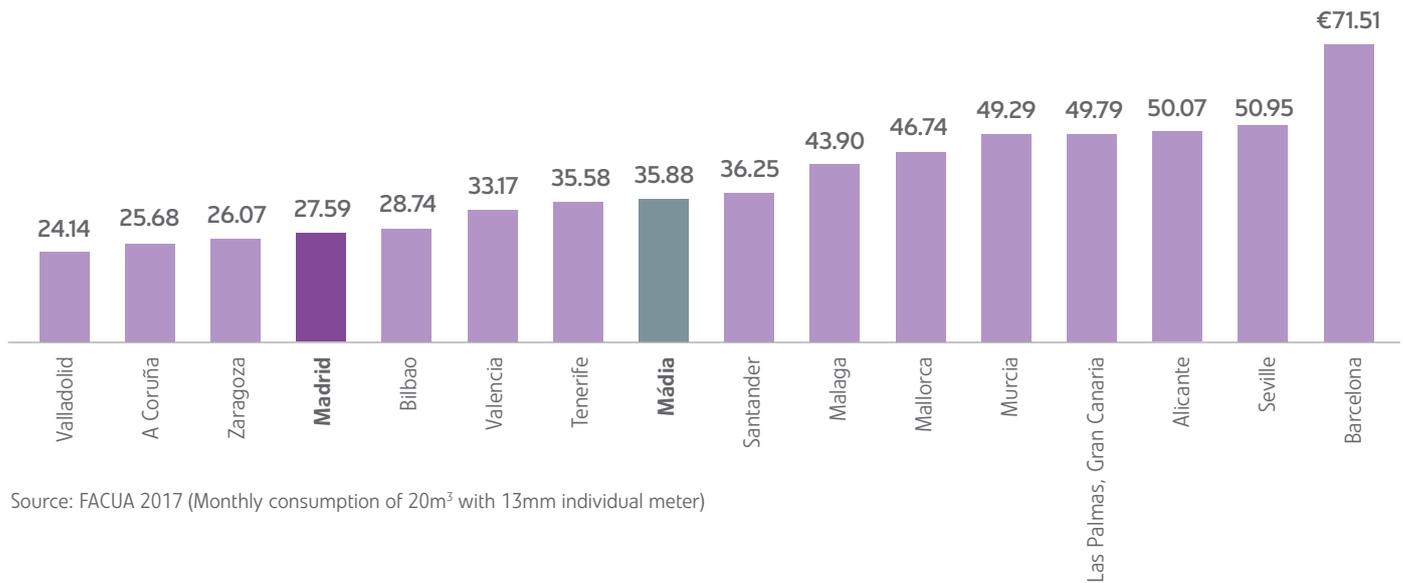
TARIFFS THAT IMPROVE SERVICE EVERY DAY

- **Bi-monthly bill** that allows users to adapt the payment to the rest of the utilities such as electricity and gas, to facilitate full control of consumption and, therefore, to react more quickly and with greater efficiency in the event of any leaks or breakdowns.
- **A fairer and more equitable tariff** that promotes rational and efficient use, highlighting the progressive equality of all users regardless of their use of water.
- A tariff that **grants allowances to large families and households, rewards saving** and maintains a **social exemption** of up to 25m³/bi-monthly period to alleviate situations of extreme need.
- Tariff that **encourages efficient water consumption** by linking tariff categories to the family's actual consumption capacity.
- Tariff that **includes the use of regenerated wastewater** for irrigation of public green areas and golf courses, among others, for street cleaning and industrial uses.
- Tariff that ensures the sustainability and value of the service, **including all costs incurred** in providing it.

Commitment to users

Affordable tariffs in Spain...

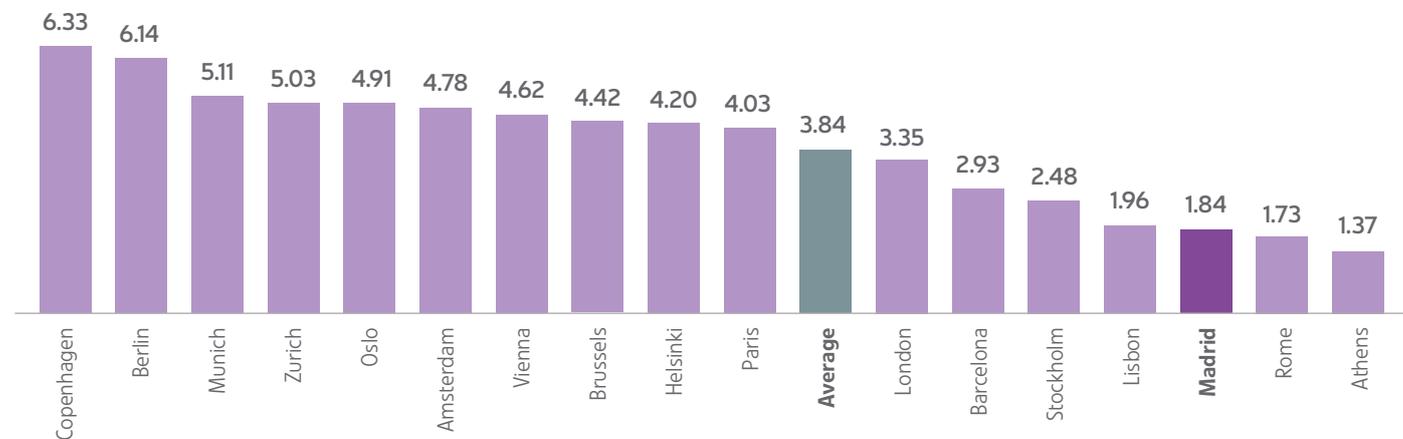
Price of water in Spain in 2017 (euros/month)



Source: FACUA 2017 (Monthly consumption of 20m³ with 13mm individual meter)

... among Europe's most affordable

Price of integrated water cycle services in some European cities in 2017 (US dollars per m³)



Source: Global Water Intelligence (2017)

Commitment to users

.....

We are convinced that extending the application of our social tariff to more groups and people in need is the best way of strengthening our commitment to Madrid society.

.....

Tariff allowances

Canal de Isabel II has established four different types of allowances:

- Large family allowance.
- Large household allowance (5 or more members).
- Social exemption allowance (in situations of direct need).
- Allowance for savings.

The first three allowances fall under the category of **social tariff**. Canal has the responsibility to adapt to the needs of each person, nuclear family or household, especially if they are going through hardship or are large families or households.

The social exemption allowance may be claimed by the contract title holder or beneficiary of the supply and, in order to benefit from it, one of the following documents must be provided:

- Report from the social worker of the City Council (in the case of Madrid capital, the District Board), which must be approved by the competent Council.
- Since 2016, certificate issued by the Council that vouches for the customer's status as beneficiary of the Guaranteed Minimum Income in the Autonomous Community of Madrid.
- Since January 2017, accreditation of the status of beneficiary of a non-contributory pension, as provided for in Royal Legislative Decree 8/2015, of 30 October.

In cases where the application is filed by the beneficiary of the supply (and not the contract holder), the certificate of census registration (*empadronamiento*) must also be presented.

On 25 October 2017 Canal de Isabel II's Board of Directors approved the extension of the social tariff in 2018 to almost 500 homes in sheltered housing and community accommodation managed by public entities or non-profit organisations, registered with the Consejería de Políticas Sociales y Familia (Department of Family and Social Policy) of the Autonomous Community of Madrid. This measure will benefit more than 110 social institutions that take in, look after and protect more than 3,400 people in the region.

The social exemption means that the variable tariff quota is free of charge up to a consumption of 25 cubic metres per bi-monthly period and a 50% discount on the fixed supply quota. This means that, for a monthly consumption of 12,500 litres, a family would pay 3.96 euros per month.

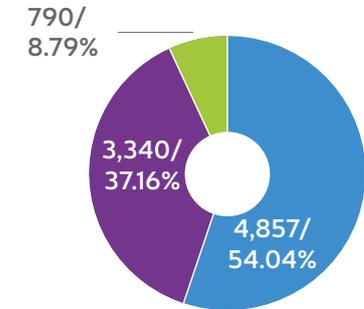
The allowance for large family or household is applied in two categories:

- General large family or household with 5 to 7 people: pays the consumption made in the second tariff category at prices applicable to the first, and has a 10% reduction in the variable portion of the water bill.
- Special large family or household with more than 7 people: pays the consumption made in the second tariff category at prices applicable to the first, and has an allowance for which up to 30m³/bi-monthly period of the third tariff category is charged at the price of the second. They also have a 10% reduction in the variable portion of the water bill.

With these allowances, for example, for a consumption of up to 80m³/bi-monthly (1,333 litres per day) and with a 15mm meter, the savings would be 62 euros (they would go from paying 158 to 96 euros).

Commitment to users

Families benefiting from the social tariff under social exemption in 2017



- Social Exemption Certificate
- Guaranteed Minimum Income
- Non-contributory pension

Does not include 1,173 homes subsidised due to quality problems in the Canillejas district (Madrid)

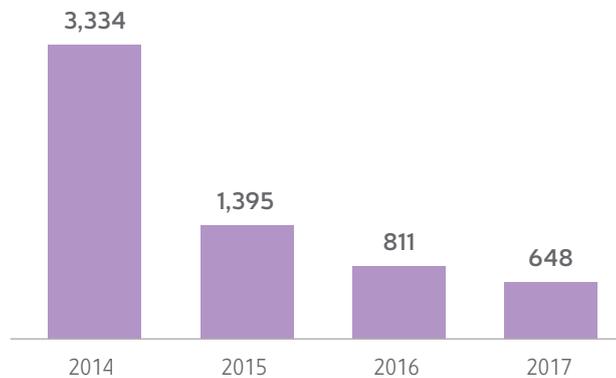


With these allowances, for example, for a consumption of up to 80m³/bi-monthly period (1,333 litres per day) and with a 15mm meter, the savings would be 61 euros (they would go from paying 158 to 96 euros).

In 2017, a total of 9,576 families benefited from the social exemption, a 46.97% increase over 2016 and 180.99% over 2014. 34,066 families benefited from the large family/household tariff.

Canal has promoted alternative means to minimise supply cut-off due to non-payment. As a result, cut-offs fell by 80.56% in 2017 compared to 2014 and there were no cut-offs for families in financial difficulties. The progression of supply cut-offs in recent years is shown in the following graph.

Number of supply cut-offs per month*



* Average value of the 12 months of each year.

Commitment to users

When we detect abnormal consumption for one of our customers, we notify them to avoid possible internal leaks in their property.

Actions to guarantee correct billing to the customer

Canal de Isabel II always seeks to guarantee the highest accuracy of the bills issued to its customers, based on their actual consumption. For this reason, it has carried out the following actions in 2017:

- **Meter reading:** In 2017, Canal processed over 9 million readings from 1.53 million meters. 8.75 million of these were effective (actual) and 2.86% had to be estimated.
- **Audit and analysis of consumption:** Canal has a quality control system for reading and billing in order to guarantee the correct billing of actual consumption. The consumption audit, as part of the system mentioned above, is a tool to help in reviewing consumption that presents a significant variation. When significant variations are detected, customers are alerted in order to avoid any possible internal leaks in their property.
- **Maintenance and verification of metering equipment:** as an essential support for billing, actions are carried out to improve the accuracy of metering equipment, mainly focused on the maintenance and constant renewal of meters.

In order to verify the correct operation of meters installed in properties, since 3 March 2017 Canal has had ENAC 346/EI573 accreditation, through which metrological testing of the measurement apparatus is carried out under the real conditions of the facility, according to the criteria set out in standard UNE-EN ISO/IEC 17020.

In 2017 we carried out a total of 4,710 technical inspections of this sort, both following billing complaints received from customers and as part of routine inspections to verify meter condition. In addition to testing, this work also includes a hydraulic and commercial review of the facility.

Furthermore, at Canal we have a volume measurement meter verification laboratory that meets all the requirements to ensure that its verifications and certificates have the required quality and recognition by national and international authorities. It is accredited by ENAC as a test laboratory for meter verification and, since 2011, for flow meter verification.

The meters are checked at the following levels:

- Control of new meters.
- Customer complaints.
- Conducting of studies to learn more about the operation of meters: verification of meters in use, evaluation of new technologies, influence of installation conditions, verification of devices that measure water rerouted to the network, among others.

A total of 6,448 meters were analysed in the metrology laboratory in 2017, notably including the 1,244 new meters used to renovate the meter equipment in use (19% of the total).



Commitment to users

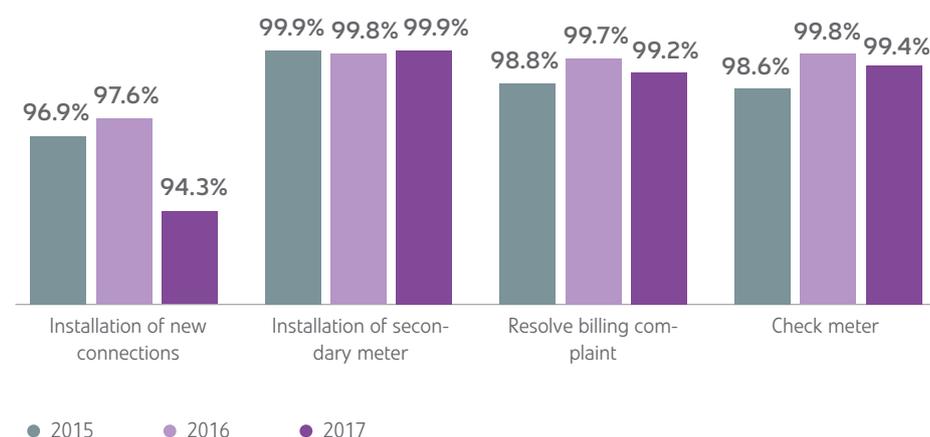
Customer and user support

Canal de Isabel II's main objective is to provide the best possible service to its users, the citizens of the Autonomous Community of Madrid. The company has an ISO 9001 certified quality system, and as part of our policy of maintaining the quality of the services we provide, specific commitments have been made to customers. The failure to comply with these commitments for reasons attributable to the company entails compensation for the customer, as shown below:

Commitment	Compensation
Commissioning supply on a secondary meter (in a series of meters) within three working days from the date of contracting.	The customer will be compensated at €10 for each day of delay, up to the total cost of the installation and materials.
Installing a new connection that implies a new contract, provided that there is an adequate distribution network to connect it to, or that there is already a first section executed under a Technical Compliance Project, within ten calendar days from the date on which Canal de Isabel II, S. A. receives the permits and licences from the corresponding bodies to carry it out.	The customer will be compensated with €20 for each day of delay, up to the total cost of the installation and materials.
Resolving a claim presented by the customer for water consumption, or reporting on the preliminary action to be taken within five working days from the date of receipt.	The customer will be compensated with €5 for each day of delay, up to a total of €150.
Arrange for a visit to the property by the operator to read the meter, on the date on which it was previously communicated to the customer.	The customer will be compensated with €3.01 for each non-compliance.
Checking the meter, if technically possible, within fifteen working days from the date of receipt of the request.	The customer will be compensated at €5 for each day of delay, up to a total of €150.

Our degree of compliance with the service charter has been improving over the last few years and is close to 100% in all cases. Specifically, in 2017, our compliance was 98.19%, an improvement over the previous year.

Compliance with the commitment charter



Commitment to users

.....
 We use multiple channels to address the suggestions, complaints and claims submitted by our customers and users.

Customer communication channels

We are a company that is committed to our environment and sensitive to the demands of our users. Over the last few years, we have made a major effort to improve accessibility to the different communication channels available for quick and efficient handling of claims in order to meet the needs of our customers.

Four main communication channels are available to our customers and users. These channels are:

- **Telephone assistance.** The channel that is most used by customers, who can choose to be attended by specialised agents or use automatic solutions to handle their enquiries or claims. In 2017 we attended over 950,000 customer telephone calls.
- **Customer service centres.** We have a network of 10 customer service centres strategically distributed throughout the Community, where users can resolve any issue related to commercial management. These centres continue to be a basic channel that generates confidence in certain customer groups. In 2017, these centres served 107,303 people.

- **Website, virtual office and the new Canal app for mobile and tablets.** Within the framework of new information technologies, and for greater convenience and simplicity in self-service management, Canal has an online office that is available 24 hours a day. In 2017, this platform received 3.19 million visits and had 253,768 registered users.
- **Written assistance.** Canal offers its customers a special written assistance service (via letter or fax), through which any issue can be handled without waiting or delays.

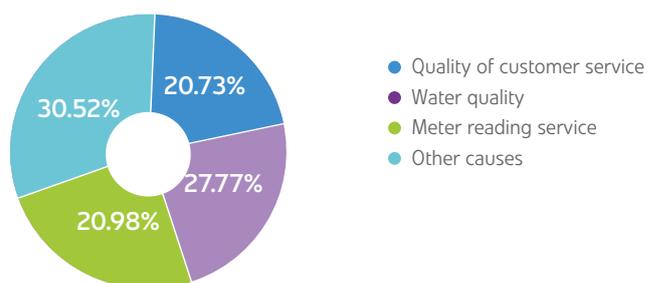
Suggestions and claims handling

Canal de Isabel II has a complete system for receiving and handling suggestions, complaints and claims regarding billing from our customers. When complaints are received, there is a procedure that records all of them, assigning an incident number that the customer can use to track it. A total of 7,433 complaints were received in 2017, that is, 5.06 complaints per 1,000 Canal customers. As can be seen in the chart, this value has increased with respect to the previous year.

Complaints per year for every 1,000 customers

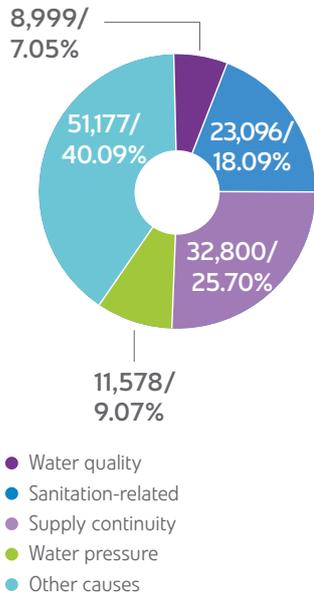


The causes of these complaints were distributed as follows:



Commitment to users

Breakdown of incident reporting per type (number in 2017/percentage of total)



Billing discrepancies are defined as billing complaints. For the resolution of many of these complaints, it is necessary to go to the affected property, either to inspect the supply conditions, detecting possible causes and solutions to the problem, or to check the operation of the meter.

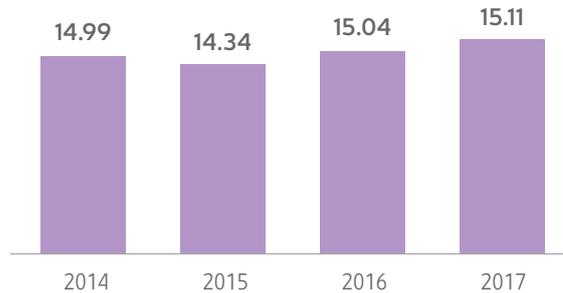
The number of complaints received grew slightly compared to 2016, totalling 22,158. This amounts to 15.11 complaints per 1,000 customers, and only 0.26% of bills issued over the year (more than 8 million). 74.64% of the complaints were resolved favourably for the customer.

Billing and general complaints have a maximum processing time of 30 days, with 73.35% and 97.40% compliance, respectively, in 2017.

In addition to the complaints received in the commercial circuit, Canal has a service for dealing with incidents related to the provision of the different services. In 2017, a total of 127,650 reports related to different incidents (quality, sewerage, continuity of supply, water pressure and other causes) were received. The number of incidents fell by 2.3% compared to 2016 and by 10.48% compared to 2015.

In this comprehensive system of notices, complaints and claims, any customer can turn to the municipal and regional services for consumer protection and defence, such as the municipal consumer information offices (OMIC) or the consumer arbitration system of the Autonomous Community of Madrid.

Claims per 1,000 customers per year



CANAL DE ISABEL II CUSTOMER OMBUDSMAN

Canal de Isabel II's Customer Ombudsman is an independent figure who does not form part of the company's management line. It was created voluntarily in 2001 as a pioneering tool in the public services sector.

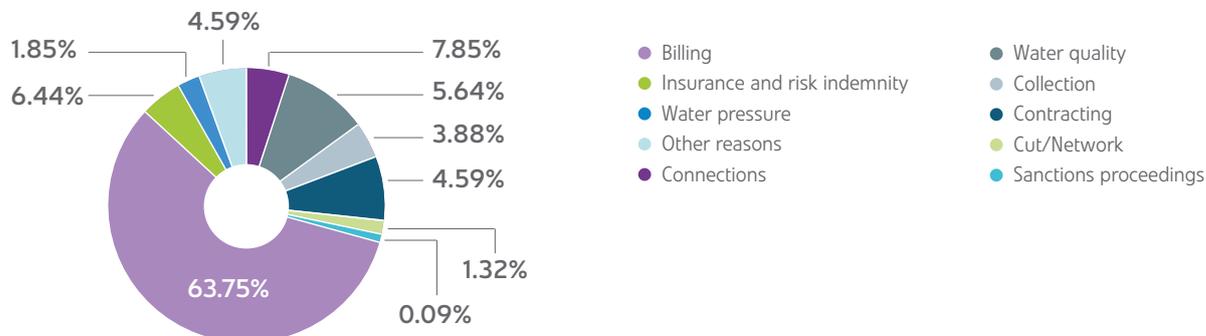
The institution's main mission is to defend and protect the rights of Canal de Isabel II's customers. It handles customers and users who have filed a complaint with the Company's Customer Service Department and are not satisfied with the response received or have not received an answer to their complaint within two months after filing it. It is a last resort mechanism that is governed by the principles of autonomy, equity and justice.

The activity of the Customer Ombudsman's Office focuses on handling the complaints it receives. In 2017 it received 1,488 complaints, 76.2% of which were accepted for processing (1,134) as they were deemed to meet the requirements of the Customer Ombudsman Statute. Of these, 510 (44.97%) were fully or partially resolved in favour of the customer.

Of the total number of complaints accepted for processing in 2017, 72.05% were filed by individuals, 8.82% by owners' associations, 9.26% by companies and 9.88% by other entities.

Commitment to users

Reasons for the claims processed by the Customer Ombudsman in 2017



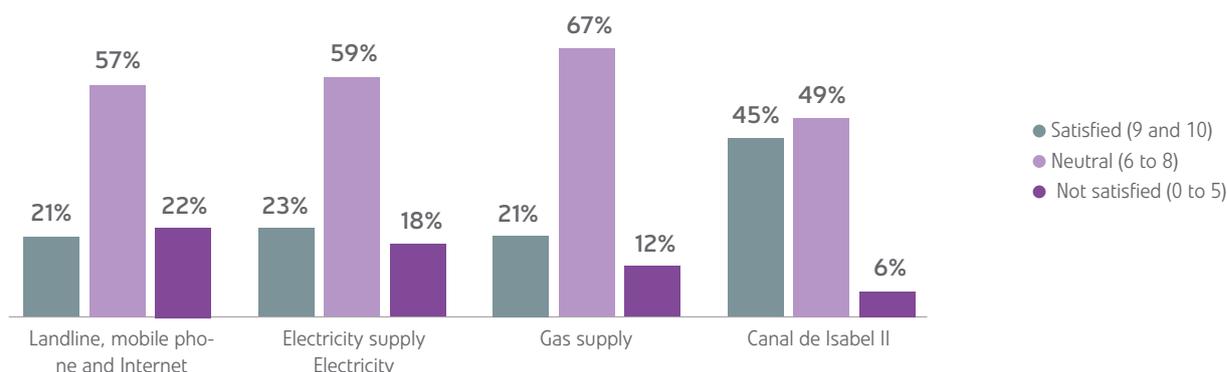
Customer and user satisfaction

The customer satisfaction and expectations model, implemented at Canal since 2001, makes it possible to evaluate the quality of service from an internal and external perspective. The 2017 results outperformed those of 2015 and 2016. A rating of 8.21 for domestic customers out of a maximum of 10 and a rating of 8.96 for companies. Furthermore, the services provided by Canal are the best-rated among domestic services (gas, electricity and telecommunications).

Customer satisfaction level (score from 0 to 10)



Customer satisfaction percentage for various domestic services in 2017



Commitment to users

Strategic objective and plans related to commitment and proximity to the user (2018-2030)

Strategic objective: maximising the “customer experience” in all contacts with our users, improving efficiency in the commercial and operational processes.

By implementing all the plans included within this strategic guideline we will improve customer satisfaction year-on-year and achieve the highest possible score by 2030:

Our strategy in this area will focus on three major points, including the continuous improvement of corporate culture based on putting the customer at the centre of the company's operation, the installation of

smart meters and making commercial processes more efficient. In order to do this, 3 strategic plans have been defined for the 2018-2030 period:

SG6 indicator	
Customer satisfaction index	
	1-10
2017	8.2
2018	8.3
2019	8.4
2020	8.5
2021	8.5
2022	8.7

1 Plan to promote and develop the “customer experience” culture, under which we will carry out activities designed to place the customer at the centre of the company's operation and develop ways of fostering a pro-active and multi-channel relationship with customers.

2 Plan to install smart meters and new billing systems for water consumption, under which we will promote the update of meters already installed to measure customer consumption using the latest technology, and we will develop applications for new services offering high value to the customer.

Additionally, as part of this plan, we will explore new customer billing and collection methods that facilitate the payment of water consumption.

3 Plan to improve commercial process efficiency, which seeks to implement a next-generation commercial system based on a management by process model, enabling us to develop our digital transformation and serve as a tool integrating all the relationships maintained with a customer, as well as all actions required to update and enrich customer databases.

Commitment to users

Strategic guideline 6 flagship plan



6 | Smart Plan -Region

100% of smart meters in the Autonomous Community of Madrid

The technological revolution in communications and the future development of the Internet of Things (IoT) will change our relationship with services and with the companies that provide them. Applications are already being designed and developed that will improve our quality of life in the future, a majority of which we are still unable to imagine. We are sure that the impact of this revolution in our sector will revolve around smart metering and the mass data analysis that this makes possible. This plan will position us at the forefront of our sector in Europe in making use of water consumption data.

Key plan indicator

100% of smart meters installed by 2030



4.7



Transparency, good governance and social commitment:

the company of all Madrid's residents



By virtue of being a **public company** and providing an **essential public service**, Canal de Isabel II has the obligation to be excellent and rigorous in corporate governance and the behaviour of its employees. In addition, it is duty-bound to the citizens and must be absolutely transparent in management and, in the area of Corporate Social Responsibility, must develop open and participatory activities for all the groups with which we interact.

The corporate organisation and governing bodies of Canal de Isabel II respond, on the one hand, to the requirements deriving from its legal nature as a corporation and, on the other, to the objective of achieving a level of excellence in terms of transparency and good governance.

This involves the gradual incorporation of best practices in the areas of good governance and transparency that go beyond the standards required of non-listed companies, as is the case for Canal; the company has an Internal Control System on Financial Information (which we have been developing since 2013), an

internal control department, alongside the creation in 2015 of an Audit and Control Committee (now called the Audit Committee following adaptation to the 2014 reform of the Spanish Capital Companies Act), a Risk Management System, submission to the CNMV of an Annual Corporate Governance Report (the 2014, 2015, 2016 and 2017 versions having already been submitted and registered), an Appointments and Remuneration Committee, Internal Rules of Conduct on the Stock Exchange Markets and a Code of Conduct approved by the Board of Directors at its meeting of 8 January 2015, among others.



Transparency, good governance and social commitment

As a public company, we are obliged to respond to requests from political groups represented in the Madrid Assembly.

Relations with Public Administrations and transparency of management

In general, Canal must deal with the Administration on three levels:

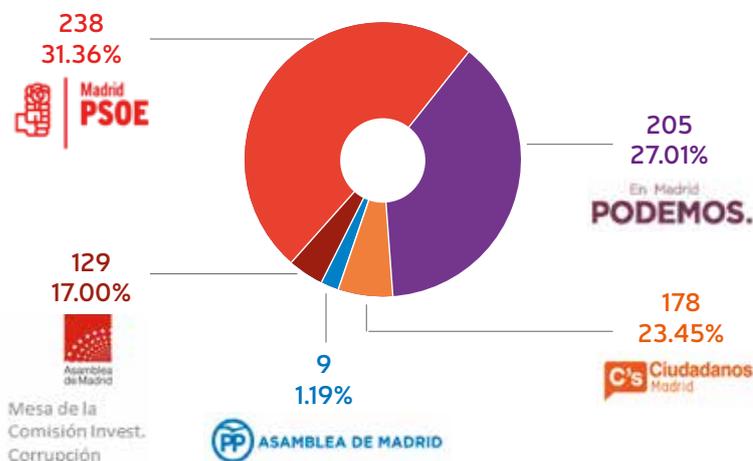
- Town councils of the municipalities in which we provide our services.
- Autonomous Communities where we operate the service, especially the Autonomous Community of Madrid.
- General State Administration, specifically the Tajo Hydrographic Confederation (CHT).

Furthermore, as a public company, we are obliged to respond to requests for information and inspection by all political groups

represented in the Madrid Assembly. These requests reflect the issues that are important to stakeholders, covering all aspects (economic, environmental and social) and, in addition to serving as a means of rendering accounts 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 is made through the Council of the Presidency, Justice and Government Spokesperson, from which they are forwarded to the Assembly of Madrid.

Origin of the 759 petitions made to Canal by members of parliament since the beginning of the X Legislature (June 2015 - December 2017)

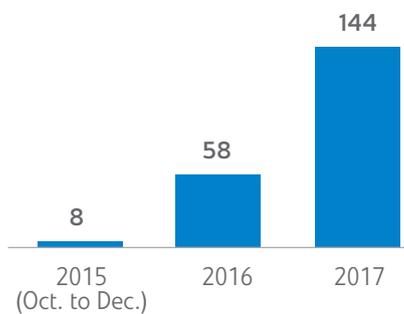


Requests for information by the Assembly of Madrid to Canal de Isabel II (2015-2017)

	Type of request and acronym								Annual Sum
	Request for information	Question with written reply	Oral question in committee	Oral question in Plenary Session	Appearance	Examination	Non-legislative and legislative proposal	Legislative proposal	
2015	7	6	4	5	5		7		34
2016	237	21	2	12	13	1	3		289
2017	361	59		16	12		2	1	451

Transparency, good governance and social commitment

Number of requests received in the transparency mailbox



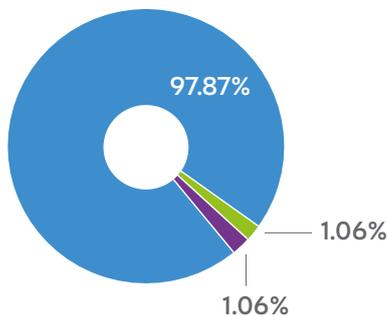
In addition, we have established an electronic communication channel through the Canal website for receiving and answering queries from the public. In compliance with the provisions of Law 19/2013 of 9 December on Transparency, Access to Public Information and Good Governance, our Transparency Portal was created on this platform in 2015, containing all the information required by the law on active advertising, as well as the means to guarantee the exercise of the right of access to public information. From its launch on 28 October 2015 until 2017, Canal's Transparency Portal processed a total of 209 requests.

The principal reasons for rejecting requests is that they relate to complaints, claims, meeting requests, thanks, comments and invitations, among others, which

are resolved via other channels, such as the virtual office for customers, and do not correspond to Law 19/2013 of 9 December on Transparency, Access to Public Information and Good Governance. However, Canal did respond to these request to inform the sender of the rejection, the reason for the rejection, and the possible channels available for its processing.

At the same time, Canal and its group of companies have an obligation to render accounts and are subject to the economic and budgetary control of the Chamber of Accounts of the Autonomous Community of Madrid, as well as to audits by the Court of Auditors, such bodies being responsible for ensuring that management complies with the principles of legality, effectiveness, efficiency and economy.

Requests for access to public information received in the transparency portal in 2017



- Accepted
- Partial access - Rejected Art. 18.1 c) of Law 19/2013 of 23 December
- Under review



Transparency, good governance and social commitment

.....
We have a complete system
of procedures for the internal
control of our management.
.....

Other audits of our management

In addition to the transparency actions mentioned above, Canal de Isabel II has numerous internal and external audit and control mechanisms.

The company's external control mechanisms include:

- Chamber of Accounts: audits the economic-financial activity of the public sector of the Autonomous Community of Madrid.
- External auditor (KPMG): issues a report on the true and fair view of the financial statements.
- Filing of accounts in the Trade and Companies Register, making such accounts public.
- The Spanish National Securities Market Commission (CNMV) requires that we increase the control and transparency of our activities.
- The Administrative Contracting Court of the Autonomous Community of Madrid.
- The Court of Auditors, the Spanish Inland Revenue Service and the European Court of Auditors in funded projects, among others.
- All tenders and minor contracts are made public on the company's transparency portal and in the contracting portal of the Autonomous Community of Madrid.

The internal control mechanisms include:

- The Internal Audit Department carries out specific analyses on company practices.
- We have a Risk Management system and corporate controls.
- Our Procurement Subdivision ensures the correct application of tendering procedures.
- We have a mandatory internal Code of Conduct.
- ISO-14000/9000 quality control and certification system, among others.

- We have an Audit Committee, which reports to the Board of Directors.
- A Good Recruitment and Training Practices Manual is applied to contract managers.
- There is a hierarchical system in place for contract and payment authorisations.
- The SAP R3 system has automated controls on payment authorisations.
- Implementation of the Internal Control System on Financial Information (SCIIF).

During the 2017 financial year the Chamber of Accounts completed a full audit of Canal de Isabel II Group for the period 2008 to 2015. At the closing date of this Annual Report the Chamber of Accounts had not issued its conclusions.

Furthermore, on 19 April 2017 Canal received notification of the start of inspection, verification and investigation work relating to corporation tax, VAT and income tax withholdings/repayments for the periods 07/2012 to 12/2015, 03/2013 to 12/2016 and 03/2013 to 12/2016 respectively.

The project for the introduction of a compliance function within Canal de Isabel II continued during 2017.

After identifying, analysing and reviewing the organisation's most relevant regulations, the implementation of the model treaty for the prevention of crimes was initiated following the 2015 reform of the Criminal Code establishing the criminal responsibility of legal entities.

The approval by the Board of Directors of the Compliance Policy and the Crime Prevention Policy are planned as part of the development of this project.

Transparency, good governance and social commitment

Matters relating to the Lezo case

As reflected in our **2016 Annual Corporate Governance Report**, published on the CNMV website, the Audit Committee of Canal de Isabel II analysed issues related to the Brazilian company Emissão Engenharia e Construções, Ltda. (now Emissão) during 2016 at various sessions, the most significant issues of which were those proposing that the Board of Directors ask Canal's Internal Audit Department to analyse and audit the process in which a 75% stake in this company was acquired (in 2013), and that the Attorney General's Office be made aware of the facts relating to the aforementioned acquisition process, as well as the recommendation to carry out an expert audit study.

Finally, on 13 July 2016, by agreement of the Audit Committee and the Board of Directors, Canal de Isabel II filed a complaint with the Attorney General's Office regarding possible irregularities in the acquisition of the Brazilian company Emissão by its subsidiary Soluciones Andinas. This complaint gave rise to the so-called "Operation Lezo", which is currently being investigated by National High Court No. 6.

During 2017 the 91/2016 preliminary proceedings of Central Trial Court No. 6 of the National High Court continued, initiated, among other sources, on the basis of information provided by Canal de Isabel II to the Attorney General's Office. After a public invitation to tender, Canal de Isabel II hired the law firm Ejaso ETL Global, S.L, and appeared as private prosecutor on 2 October 2017, under Article 110 of the Criminal Procedure Code, a status permitted by the court. In principal, therefore, any possibility that the company may be considered to have criminal or civil liability for the events under investigation is excluded. Indeed, its status as injured party appears to strengthen as the trial progresses.

The proceedings, which are still partially confidential, have been split into six interlocutory proceedings in addition to the main proceedings. The first, second and fifth interlocutory proceedings respectively relate to the expansion of the company in Latin America (Inassa and Emissão), Canal's golf course, and to money laundering in the various transactions under investigation.

The proceedings are expected to be concluded in 2018 and the trial, for those parties ultimately appearing as defendants, will be held in 2019. On behalf of Canal de Isabel II, charges will be brought, estimated damages for the company calculated and payment claimed at a suitable stage in the proceedings.

No negative financial impact is expected as a result of the proceedings. Rather, the judgement delivered - which will probably not be final before 2020 - is likely to award significant compensation in favour of Canal de Isabel II by whichever parties are the defendants.

At the same time, there are judicial proceedings and/or an investigation by the Public Prosecutor's Office in Colombia, in relation to the acquisition and subsequent management of the subsidiary Inassa, the outcome of which, as the said investigations progress, may result in additional contingencies involving new operational and financial risk, which could have an impact on the company's financial situation as reflected in the annual financial statements and the notes. Should these contingencies arise, their potential impact will be immediately reflected in the corresponding accounting documents.

Independently of the accounting impact that may be generated by the above-mentioned situations, Canal will study all the corresponding appropriate legal action, including appearing as complainant, prosecutor and/or injured party in the proceedings brought before court in Colombia, either directly or through its subsidiaries, in an equivalent manner to that established by Canal de Isabel II in the proceedings held in Spain.

Transparency, good governance and social commitment

Our Code of Conduct applies to all employees, suppliers and contractors of Canal and all its subsidiaries.

Corporate governance at Canal de Isabel II

Internal Code of Conduct and Ethics & Compliance Committee

Canal de Isabel II's Code of Conduct, approved by the Board of Directors, is aimed at each and every one of the company's employees, suppliers and contractors and sets out the standards of conduct of the company's employees in the exercise of their professional obligations. The principles included in this Code are mandatory.

Canal de Isabel II puts all resources at its disposal into helping to understand, implement and safeguard the Code of Conduct. In order to broaden the dissemination and knowledge of the content of this Code, in 2017 we concluded a series of training activities for all employees of our company, an initiative that we launched in 2016.

The commitments set out in the Code of Conduct are as follows:

- ✓ **1. Commitment to people:** The commitment to people is based on respect, whether they are employees, users, suppliers, contractors, or any citizen.
- ✓ **2. Commitment to the responsible use of information:** The information we have access to in the exercise of our professional responsibilities is confidential and must be treated as such.
- ✓ **3. Commitment to integrity:** In our relationship with third parties, including public administrations, we cannot offer or accept gifts or entertainment that go beyond social uses and that could be interpreted as an attempt to exert undue influence.
- ✓ **4. Commitment to the safety of people:** We make sure to protect our own safety, as well as that of the rest of the people in the company and that of third parties.
- ✓ **5. Commitment in the event of conflicts of interest:** We must avoid situations or decisions in which it may be understood that there is a conflict between our personal interest, or that of people close to us, and that of the company.
- ✓ **6. Commitment to clarity:** We do not use false or misleading information for the purpose of obtaining subsidies, tax breaks or other aids or advantages.
- ✓ **7. Commitment to reliability:** We conduct ourselves in accordance with the principles of clarity and transparency and ensure that none of our actions can be interpreted as deception.
- ✓ **8. Commitment to the responsible use of company assets:** Canal de Isabel II's people use the resources that the company makes available to them in a prudent and diligent manner. They limit their use, generally, to professional purposes and always in accordance with the established rules.
- ✓ **9. Commitment to environmental protection:** Canal de Isabel II's people must minimise the environmental impact of their actions. If environmental impacts occur, they ensure that protocols are activated quickly so that they can be corrected immediately.

Transparency, good governance and social commitment



Canal's Code of Conduct is available through the following link:

<https://www.canaldeisabelsegunda.es/documents/20143/80403/Marco+de+integridad+y+transparencia.pdf/c5544570-d9ee-6c7b-b183-f4b4b86f3154>

Canal set up the Ethics and Compliance Committee to promote dissemination, awareness and compliance with the Code of Conduct. In addition, as established in the Code of Conduct, the Committee assumes various responsibilities related to the development and implementation of the Code in the company.

The members of the Committee are appointed by the Management Committee by virtue of their assignment to the departments and divisions of Canal de Isabel II that play a particularly important role in the dissemination of, and compliance with, the Code of Conduct. Its current members are:

Ethics & Compliance Committee	
Chairman	Director of Resources
Member	Technical Secretariat Director
Member	Sales Director
Member	Financial and Business Development Director
Member and Secretary	Internal Audit Department Head

Any Canal de Isabel II employee, supplier or contractor may contact the Committee with questions regarding the interpretation or practical application of the Code's principles, to submit suggestions, or to report, in good faith, violations that they may have observed. Reports are treated with the necessary confidentiality, as established in the protocol governing the operation of the Committee.

Periodically, the company reviews the contents of the Code and develops the policies, processes and controls that are necessary to respond to ethics and compliance matters, including those of a criminal nature or relating to other external regulations, such as the Transparency Law or the Securities Market Law, which are relevant and facilitate compliance with the control and supervision obligations in these matters of the Board of Directors and the company's executives.



Transparency, good governance and social commitment



For more information on corporate governance at Canal, see the following link:
<https://www.canaldeisabelsegunda.es/web/site/accionistas>

Remuneration and incentives policy

By resolution of the General Shareholders' Meeting, the members of the Board of Directors of Canal do not receive any remuneration other than per diems for attending Board meetings and their committees for those directors who do not appear to be incompatible due to Law 14/1995 of 21 April on Incompatibilities of Senior Officials of the Autonomous Community of Madrid. These per diem fees were set by the Shareholders' Meeting at 600 euros per meeting.

The Chairman of the Board, the Vice-Chairman of the Board and the other Board members who are shareholders representing the majority shareholder (Autonomous Community of Madrid) do not receive any remuneration for their position in the company.

As with the rest of the workforce, the salaries of Senior Management and their annual increments are regulated by the regulations of the Autonomous Community of Madrid, which requires approval by its Department of Economy and Finance. These regulations expressly forbid the agreement of indemnity clauses of any kind for termination of the employment relationship.

Under our incentive policy, we have defined a variable remuneration system linked mainly to the annual fulfilment of the objectives corresponding to business plans. This system of variable remuneration is established for all personnel with management responsibility in some field of action, including employees with recognised higher education qualifications.

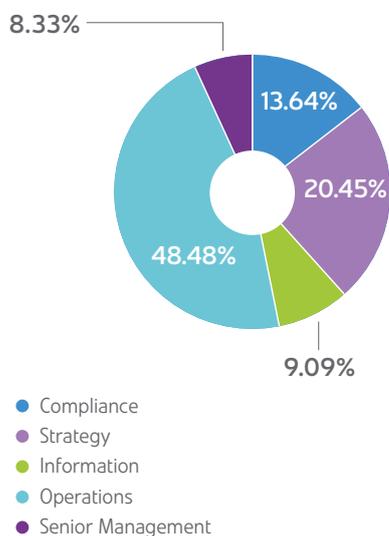
In 2017, the remuneration corresponding to Canal Senior Management personnel amounted to 894,000 euros, and the attendance fees for Board and committee meetings received by the members of the Board of Directors amounted to 31,800 euros, a figure very similar to that of previous years.

Similarly, pension commitments to senior management are developed under the same terms and conditions as those that apply to other employees. In 2017, the company did not make any contributions in accordance with the provisions of Law 3/2014 of 22 December on the General Budgets of the Autonomous Community of Madrid since 2015.

The remuneration of Canal de Isabel II's highest-paid person, in accordance with the requirements and responsibilities of the position, was four times the average compensation of the workforce. Remuneration for both the highest-paid person and for the rest of the company's workforce grew, for the first time since 2010, by 1% in accordance with the General Budgets of the Autonomous Community of Madrid for 2017. Furthermore, in 2017 temporary workers started to receive a performance supplement, included in the company's first collective agreement, which came into force in January.

Transparency, good governance and social commitment

Type of risks identified at year-end 2017



Corporate risk management, audit and internal control

In order to carry out the internal control of the company and the management of corporate risks, Canal has a specific Internal Audit Department reporting hierarchically to the General Management and functionally to the Audit Committee of the Board of Directors, to which it reports periodically. Since 2012, the Internal Audit Department has had the international QAR (Quality Assurance Review) certificate, awarded by the Institute of Internal Auditors of Spain, which certifies that its work complies with the international standards for professional practice. Moreover, the members of its staff have professional certification as Certified Internal Auditors (CIA), which guarantees their capacity and professionalism.

Internal audit

During 2017, internal audit activity at Canal de Isabel II continued as an independent and objective assurance and consulting activity, designed to add value and improve the organisation's operations, which constitute a benchmark among Spanish public companies.

On 10 March 2016, the Audit Committee approved the 2016-2018 Strategic Internal Audit Plan, which, together with subsequent modifications, establishes the projects to be carried out in the coming years. The Plan is based on the risk map, the strategic objectives of the company, the Audit Committee's requests and the processes detected by the Internal Audit Department itself, as well as the follow-up of the recommendations arising from the audits carried out. A total of five audits were carried out in 2017 resulting in 184 recommendations for improvement. Of these recommendations, 69.11% were initiated or completed at the end of the year.

Corporate Risk Management

The corporate risk management activity in Canal started in 2010 under the COSO III methodology, and throughout 2017 this activity has been consolidated following the methodology implemented in previous years. The company's Operational Risk Map and its High-Level Risk Map have both been updated twice. The catalogue of existing risks at Canal was redefined in order to adapt it to the reality of the company, incorporating new potential risks (as a result, we now have 132 identified risks).

All this has been done at the same time as the monitoring of the Key Risk Indicators (KRIs) and the effectiveness and design of the controls that mitigate them is maintained by the company's risk managers.

Internal Control

Since 2015, the Company also has had an Internal Control System on Financial Information (SCIIF), designed to manage risks related to financial information identified and evaluated by the Financial and Business Development Division.

In addition to internal controls and audits there are also external audit and control measures, as mentioned above (Chamber of Accounts, external auditor or CNMV, among others).

It should be noted that Canal de Isabel II's internal audit manager was the first to receive COSO certification (internationally-used internal control standards) in all of Spain in 2017. Throughout the entire certification process and after being selected to represent Spain, they had to complete various courses, including one in Amsterdam, and a final exam.

Transparency, good governance and social commitment



During 2017, Canal de Isabel II notified the CNMV of ten significant events, which can be viewed on the company's website at the following link:

<https://www.cnmv.es/Portal/HR/ResultadoBusquedaHR.aspx?division=1&nif=A86488087>

The director of the Spanish Institute of Internal Auditors presented this COSO Internal Control Certificate at the Forum of Experts of Spain's Institute of Internal Auditors.

The Compliance Function

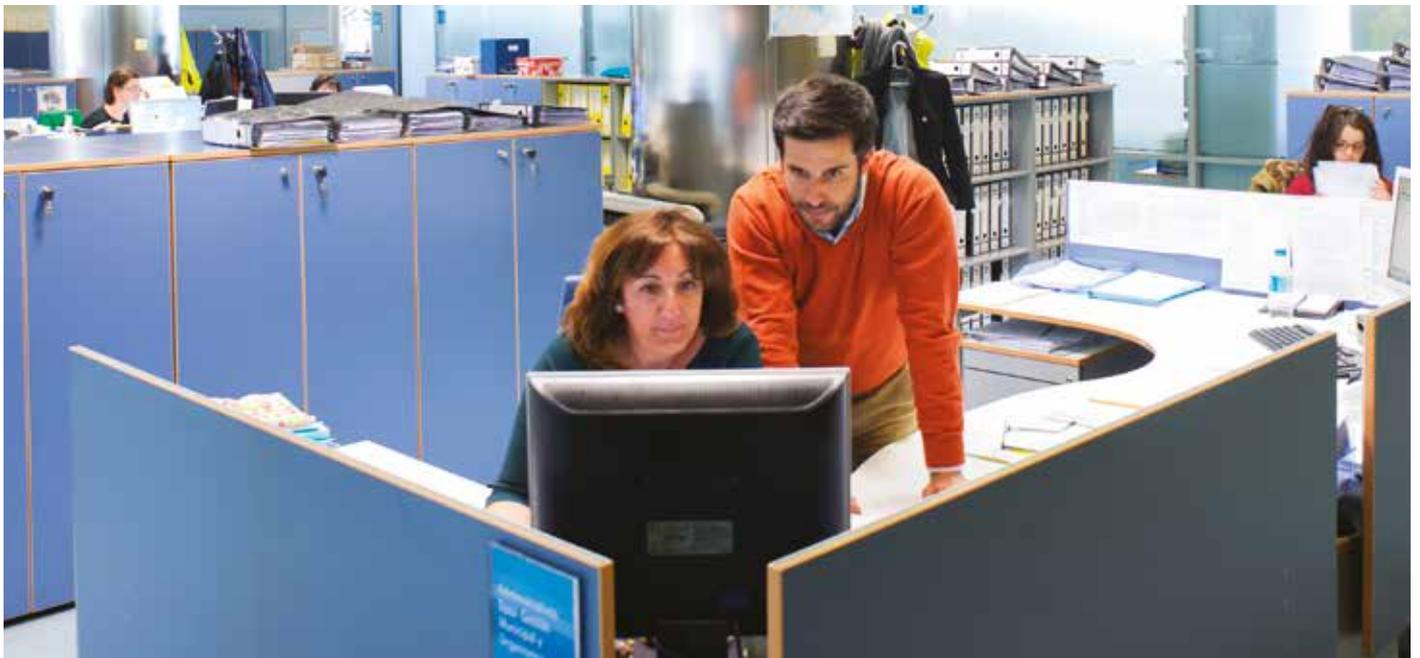
In 2015, the Audit Committee of the Board of Directors assessed the desirability of having a compliance function to reinforce the "three lines of defence" (risk management, audit and internal control) that the company had already established. During 2017, work continued on the project implementing Canal's Compliance Policy in 2018.

After identifying, analysing and reviewing the organisation's most relevant regulations, the implementation of the model treaty for the prevention of crimes was initiated following the 2015 reform of the Criminal Code establishing the criminal responsibility of legal entities, which will also be implemented in 2018.

Reporting of Significant Events to the CNMV

Canal's Internal Audit Department is responsible for the company's interaction with the Spanish National Securities Market Commission (CNMV), responding more effectively and as quickly as possible when it makes queries, verifications or requests for information related to the dissemination of important company information.

The disclosure of significant events and facts is based on the principle of complete information, as well as on the obligation to provide truthful and updated information publicly, in accordance with Stock Exchange regulations. The publication of this information allows investors to obtain an informed value judgement on the actual situation of the company and to maintain the proper functioning and transparency of the stock market.



Transparency, good governance and social commitment

Our activities in the area of social responsibility are well received by the residents of Madrid.

Social commitment

Canal de Isabel II has for years been firmly committed to being a reference in the fields of culture, sport, 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.

Our support of culture

The Canal Foundation is especially active in the cultural sphere. Created in 2000, it focuses on organising cultural exhibitions, activities related to music and the performing arts, various competitions (literary, photography and video), debates on current affairs and research on water and the environment, among others.

Since 2017, following the decision of Canal's Board of Directors, the Foundation has taken over control of the Canal Educa and Canal Voluntarios programmes and (from 2018 onwards) will take over management of the activities of the Arte Canal Exhibition Centre.

In 2017, the Canal Foundation organised 3 exhibitions and 59 cultural, scientific and social events, and has received more than 153,000 people in its exhibition hall and other facilities at the headquarters. Furthermore, its website received more than 1,400,000 visits over the course of the year.

Three of the exhibitions organised by the Foundation are worthy of note:

- **Barbie. More than a doll:** an exhibition produced jointly by the Canal Foundation and Mattel, with the participation of 24 ORE. It comprised a journey through the history of this iconic toy, with a collection of 438 pieces, revealing unknown and surprising aspects of the first doll to have the appearance of a woman, which over decades has transmitted values of gender equality, racial integration, respect for diversity, family, and the promotion of culture and friendship, among others.
- **Picasso and the Mediterranean:** a selection of 91 works of art, including paintings and ceramics, lent by the Picasso Foundation - Museo Casa Natal de Picasso in Malaga, describing Picasso's relationship with the Mediterranean, one of the artist's most enduring sources of inspiration. Landscapes, mythology, classicism, beaches and bullfighting were some of the aspects reflected in the exhibition which offered visitors an overview of how the Mediterranean influenced and impacted Picasso's work.
- **Magnum: contact sheets.** Contact sheets are the first negative prints developed and provide valuable information to both photographers and graphic designers when it comes to the image creation process and choosing the best ones. The exhibition has around one hundred photographic works on display from 65 of the most prominent photographers from the legendary Magnum agency, such as Robert Capa. The images portray key moments from the last century accompanied by their corresponding contact sheets and documents contextualising each photograph.



FUNDACIÓN CANAL
Canal de Isabel II



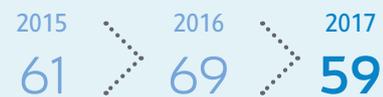
Transparency, good governance and social commitment

Canal Foundation statistics

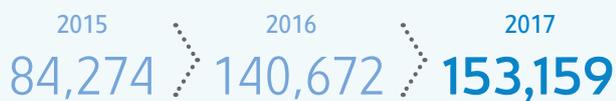
No. of exhibitions organised



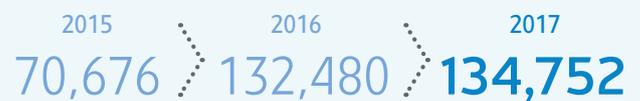
Total other activities



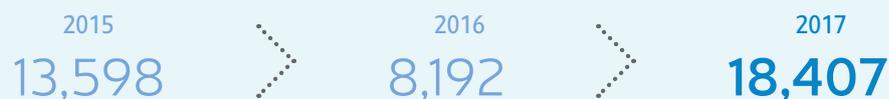
No. of (physical) visitors



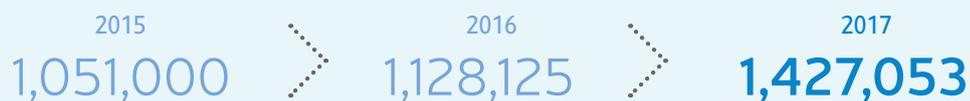
No. of visitors to Foundation exhibitions



Number of (physical) visitors to other activities



No. of online visitors



You can find out more about the Canal Foundation's activities by visiting their website at:

<http://www.fundacioncanal.com/>

In addition to these exhibitions, other highlights include the opening of the latest edition of the Children's Storytelling Prize, "Cuentagotas 2017", or the online photography competition "Abstracciones", which invited participants to share self-created abstract images. The usual musical cycles were also held, as were technical events and forums, among which a particular highlight in 2017 was "Innovation Day. Fearless creation", which coincided with World Environment Day and brought together experts in innovation, water and business.

The event targeted R&D&i water sector professionals in the area of infrastructure and engineering as well as public administrations. The aim was to demonstrate, using examples,

how to turn innovative ideas into reality. A highlight of this event was the presentation of Canal de Isabel II's R&D&i Strategy up until 2020, including its main challenges and objectives.

In addition to the Foundation's exhibition facilities, Canal also runs the Arte Canal Exhibition Centre, located in the Fourth groundwater Deposit, with a structure dating from the first half of the 20th century and covering an exhibition space of 2,000 square metres. This venue has hosted fourteen major thematic exhibitions since 2004, with more than 3 million visitors, making it one of the city's key cultural landmarks in recent years. The latest exhibition, launched in 2017, is *Auschwitz. Not long ago. Not far away*.

Transparency, good governance and social commitment



AUSCHWITZ. NOT LONG AGO. NOT FAR AWAY.

Since December 2017 the Arte Canal Exhibition Centre has hosted the world première of an exhibit on the history of Auschwitz and the historic and human repercussions of the Holocaust, more than 72 years after the closing of this concentration camp and the defeat of Nazi Germany.

The exhibition was conceived and designed especially for Arte Canal, in collaboration with a team of historians and experts led by Dr Robert Jan van Pelt and brought together by the company Musealia, and the multi-disciplinary team of historians, curators, archivists and experts from the Research Centre of the Auschwitz-Birkenau State Museum, led by Dr Piotr Setkiewicz.

The exhibit is the result of six years' work and will go on to visit another 14 cities around the world, although Madrid will be its only destination in Spain. It displays over 600 original objects, the majority of which belong to the collection of the Auschwitz-Birkenau State Museum, although other institutions such as Yad Vashem in Israel, the United States Holocaust Memorial and Museum in the United States, various other Holocaust museums in North America and Europe, as well as survivors and private collectors have also collaborated.

Among the most significant objects displayed in the exhibition are original barracks from Auschwitz III - Monowitz, one of the subcamps into which Auschwitz was divided, primarily used for forced labour. Special mention should also be given to an original wagon (model 2) of the German national railway company, the Deutsche Reichsbahn. This type of wagon was used during the Second World War to transfer soldiers, prisoners of war and Jews deported to ghettos and death camps.

Although the Auschwitz-Birkenau State Museum has on occasion donated pieces to museums and institutions, this represents an unprecedented collaboration given the amount of pieces on display and the international nature of the exhibition. Furthermore, the majority of these objects have never before been on display to the general public.



Transparency, good governance and social commitment

.....
Canal and its Foundation
have an important editorial
line.
.....

.....
We promote grassroots
sport in the Autonomous
Community of Madrid
.....

The Canal de Isabel II exhibition hall is also located in the city of Madrid (First Raised Deposit). Built in 1911, it is now a unique space that houses exhibitions of contemporary photographic and audiovisual creation, managed by the Department of Culture of the Autonomous Community of Madrid. Every year it collaborates with the ARCO and PhotoEspaña competitions. Three noteworthy exhibitions were held in 2017: *Dios Iberoamericano*, by the photographer Juan Manuel Díaz Burgos; *Un cierto panorama*, dedicated to recent fine-art photography in Spain; *Campano en color*, dedicated to the

work of photographer Javier Campano and, finally, an exhibit dedicated to the work of renowned Spanish designer Manuel Pertegaz, as a homage to his career.

Canal de Isabel II and the Canal Foundation have an editorial line. The Canal Foundation focuses its publishing work on the publication of its exhibition catalogues and other activities, while Canal has a broader editorial collection, compiled over the course of its years of existence, ranging from technical studies to more informative editions, whose central theme is water.

We promote sport

Canal offers Madrid residents various recreational facilities and sports areas in the Autonomous Community of Madrid.

In the city centre of Madrid, it has twelve hectares located on the roof of the Third Water Tower dedicated to football, paddle tennis and jogging, as well as for recreation and leisure time. Other noteworthy facilities in urban areas include the swimming pools and various sports facilities at the Campo de Guardias deposit and the Fourth Deposit, located near Plaza de Castilla.

In addition, Canal also has three non-urban recreational areas, two in the reservoirs of Valmayor and El Atazar, focusing on sailing, rowing and canoeing, as well as a third in the Riosequillo reservoir, which has one of the largest swimming pools in the Autonomous Community. In order to bring them into line with current sector regulations and legislation, the facilities of the Valmayor recreational area will be closed from 26 June.

These areas received a total of 41,689 visitors in 2017.

A 2017 highlight in this regard was the agreement signed between Canal and the City Council of Buitrago de Lozoya for the management of the Riosequillo reservoir recreational area on behalf of the municipality.

With regard to sport, highlights included the 38th edition of the *Carrera Popular del Agua* (Race for Water - held on 14 May 2017), which offered both 5km and 10km races for the second time, with over **6,500 participants**. Two euros out of every race registration fee were donated to the *Fundación para la Diabetes* (Diabetes Foundation), an organisation that fights against the increased prevalence of diabetes and its related complications.

Statistics of Canal de Isabel II recreational areas

	2015	2016	2017
Riosequillo	46,783	52,917	32,518
El Atazar	5,083	5,650	8,353
Valmayor	3,923	1,478	818
SUM	55,789	60,045	41,689



Transparency, good governance and social commitment

CLOSURE OF THE GOLF PRACTICE AREA AT THE THIRD WATER TOWER AND CREATION OF CANAL OCIO Y DEPORTE

In 2017, in accordance with the execution of judicial titles 734/2017 imposed by the High Court of Justice of Madrid, Canal de Isabel II suspended golfing activities and closed the restaurant at the facilities of the Third Water Tower and have launched studies with a view to demolishing the golf practice area, as this was a single-use activity not permitted on the plot.

For its part, the Madrid City Council has already adapted the facilities compatible with the Madrid General Urban Development Plan.

The Autonomous Community of Madrid and Canal Isabel II, in collaboration with the Madrid City Council, have committed to neighbourhood representatives of the Chamberí district and to the parents of schoolchildren to find a solution that will enable the sporting activities to continue.

In February 2017, Canal created the company OCIO Y DEPORTE CANAL, S.L. to manage the facilities and paddle tennis and football schools of the Third Water Tower so that the 1,400 students enrolled, including around 900 children and teenagers, can continue with their classes.

With regard to the future use of the golf practice area, the Autonomous Community of Madrid and Canal de Isabel II have agreed with residents on the uses of the almost 50,000 square metres of new garden areas, sports fields and rest zones, in accordance with the participative process driven by their associations.



 More information about the future uses planned for the sports and recreation facilities of Canal's Third Water Tower is available at this link: <https://www.youtube.com/watch?v=vnaShHTsNEc>

 More information about Canal Voluntarios is available at this link: <http://www.canalvoluntarios.es/en/>

Cooperation in water and sanitation and other social initiatives

On 28 July 2010, the **United Nations General Assembly** explicitly recognised the human right to water and sanitation through Resolution 64/292. This resolution calls upon governments and international organisations to provide financial resources, to facilitate training and technology transfer in order to assist developing countries, and to provide a clean, accessible and affordable supply of safe drinking water and sanitation for all.

In this area, Canal strongly supports the provisions of the Sustainable Development Goals on water and sanitation, approved by the United Nations General Assembly in September 2015. We are aware of the importance of achieving these goals, and for this reason we have applied our social tariff in the Autonomous Community of Madrid and we carry out development aid and cooperation projects in other places.

Canal's most significant initiative in the area of cooperation is Canal Voluntarios, a corporate volunteer program aimed at carrying out development aid projects for water and sanitation, with the objective of providing safe drinking water and sanitation in areas of the world where the population suffers from serious shortages of both services.

Since 2007, Canal Voluntarios has carried out 64 projects in 29 countries with 467,291 beneficiaries. In 2017, Canal Voluntarios worked primarily on five projects in Honduras, Ecuador, Congo, Mozambique and Sierra Leone, benefiting a total of 151,882 people. During the same year Canal Voluntarios also collaborated with Bomberos Unidos sin Fronteras (United Firefighters Without Borders) and Acción Contra el Hambre (Action Against Hunger), among others.

Transparency, good governance and social commitment

Canal is a founding member of the Spanish Global Compact Association (since 2006)



Collaboration with social institutions

Canal is a signatory to the United Nations Global Compact, and every year it prepares its progress report, which is sent to the organisation. In 2017, for the seventh consecutive year, our report obtained an Advanced score, the highest rating awarded by the world's largest voluntary corporate social responsibility initiative. This distinction recognises the quality of the information provided by companies in their annual reports. Canal de Isabel II is one of the founding partners of the Spanish Global Compact Network (since March 2006).

The Global Compact, to which more than 13,000 entities in more than 145 countries have joined, is a voluntary instrument of the United Nations 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, through its Foundation, is a friend of Fundación Lealtad, a non-profit organisation whose mission is to foster the trust of society in NGOs so as to increase donations and any other type of collaboration. It was the first entity to develop a methodology for analysing transparency and management practices in Spanish NGOs. It has carried out its work since its creation in 2001, based on its values of independence, transparency, solidarity and rigour.

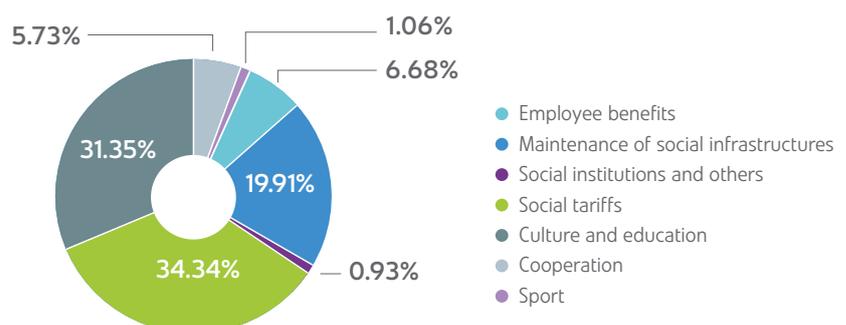
The Canal Foundation is also a partner of the Fundación Sociedad y Empresa Responsable (SERES Foundation). Its aims include promoting a more important role for companies in improving society, focusing on encouraging companies to help create value and take on their role as a key agent in solving social problems.

Finally, every year Canal takes part in activities organised by social entities with the participation of employees. In 2017 Canal has collaborated in the activities of the Spanish Red Cross, the Spanish Association Against Cancer, Action Against Hunger and Oxfam Intermon Spain, among others.

Economic resources for society

In 2017, Canal de Isabel II earmarked a total of 7.63 million euros for activities related to its social commitment, equal to 2.91% of the company's after-tax profit. Of the resources allocated, 0.37 million correspond to investments in infrastructure for social, cultural and sporting purposes and 7.26 million went to cover the expenses incurred to carry out these activities, distributed as follows.

Expenses related to Canal's social commitment in 2017



Transparency, good governance and social commitment

Strategic objective and plans related to transparency, good governance and commitment to society (2018-2030)

Strategic objective: guaranteeing transparency, good governance and commitment to society as a public company that provides an essential basic service.

Among other objectives, with this strategic guideline we will improve our corporate transparency rating to be ranked among the most transparent companies in the public sector in our country and the world:

SG7 indicator	
Corporate transparency rating	
	% improvement of the rating from the base year
2017	Not available
2018	Calculation of base year rating
2019	+2.5%
2020	+5%
2021	+8%
2022	+10%

Our strategy in this area will focus on three major points including the continuous improvement of our performance in corporate governance, transparency and our commitment to society. In order to do this, 3 strategic plans have been defined for the 2018-2030 period:

- 1 Good governance strategic plan**, included within which is the internal control continuous improvement plan, which will promote corporate culture, the transparency and reliability of reported information, as well as the creation of the shareholders' office.
- 2 Transparency strategic plan**, included within which is concrete action to maximise transparency, the "100% Public" plan, a programme for opening and adding value to facilities and a communication development plan with stakeholders, which will involve the creation of a Water Observatory.
- 3 Commitment to society strategic plan**, through which we seek to add value to Madrid society with such actions as the development and extension of the social tariffs, the socio-occupational integration of persons with disabilities or at risk of exclusion, the responsible public procurement plan or the creation of a water centre in Madrid (museum installation).

Strategic guideline 7 flagship plan



Water observatory

100% operational in 2019

For the first time, Canal's 2018-2030 Strategic Plan is implemented with transparency and communication with all stakeholders. We consider it necessary to establish the appropriate mechanisms so that the development and implementation of the projects contained within this Strategic Plan have the input and vision of a Water Observatory that brings together actors representing all of Madrid society.

Key plan indicator

Water Observatory fully operational by 2019

4.8



Canal's professionals:

empowering our people



Human resources management is a strategic aspect of our processes, as it deals with one of Canal's greatest assets: our people.

Canal is aware that achieving excellence in service quality and customer satisfaction within a framework of responsible and efficient management of water resources are objectives that can only be achieved through the cooperation and qualification of each and every one of the company's employees.

Structure of the workforce

In addition, occupational risk prevention and health and safety at work are an absolute priority for Canal de Isabel II and affect all of its activities across the board.

Canal's workforce has remained virtually unchanged in recent years due to the restrictions on hiring established in the general budget laws of the Autonomous Community of Madrid, which prevent indefinite hiring. In 2017, the total workforce of 2,611 people grew by only 0.81% compared to the 2016 total. Although the growth with respect to 2014 was higher (6.72%), this growth was mainly due to the inclusion in 2015 of the 93 employees at our branch in Cáceres.

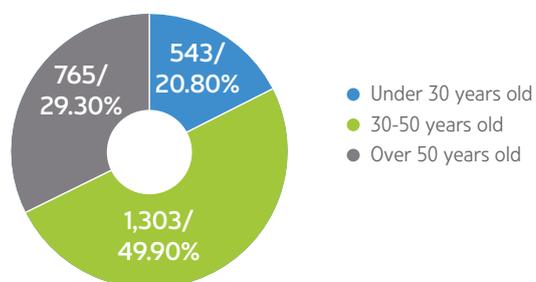
Despite the aforementioned budgetary difficulties, in recent years the company has asked the Department of Finance of the Autonomous Community of Madrid to hire new professionals on an open-ended basis. In 2015 the hiring of 67 permanent workers

financed from 2016 budgets was approved and the Department of Economy, Employment and Finance authorised the announcement of another 95 permanent contracts. Despite this, the number of employees with temporary contracts remained at around 1,000, representing just over a third of the company's total workforce.

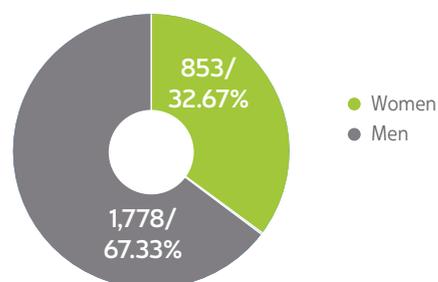
The average age of Canal employees is the same as in previous years, with an average age of 48 for permanent employees and 31 for temporary employees. The average seniority in 2017 was 14.6 years, and almost half of the workforce was between 30 and 50 years old.

Canal's professionals

Distribution of workforce by age (all staff, including Cáceres branch)



Distribution of workforce by gender (all staff, including Cáceres branch)

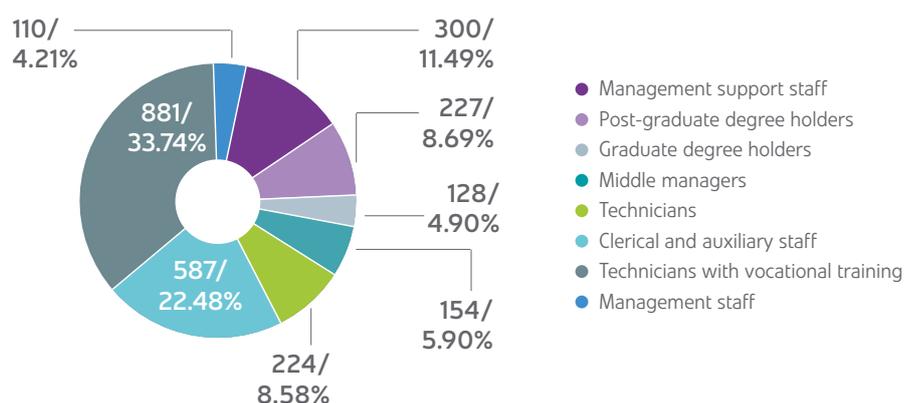


Throughout 2017 the company had a net increase of 21 employees, with a turnover rate of 0.80% of employees.

	Total	Men	Women	Under 30 years old	30-50 years old	Over 50 years old	Nationals	Foreigners
Total hires	359	223	136	276	75	8	354	5
Total departures	338	238	100	160	123	55	337	1
Voluntary departures	41	24	17	30	11		41	

Nearly 30% of Canal's workforce (29.30%) had a university degree at the end of 2017.

Breakdown of Canal de Isabel II employees by function
(number of employees/percentage of total)



.....
In 2017, 45.4 hours of training per employee were provided.
.....

Training and development of our employees

At Canal, we believe that employee training is a strategic element that demands optimum management to achieve the greatest efficiency in the service we provide.

When planning training, we usually work with a time horizon of one year. A training plan is drawn up that includes the actions that can be foreseen and all those actions that are necessary for the optimum exercise of the workers' functions, as well as the actions that can be useful in other positions in the company. These so-called development courses are voluntary, open to all employees and take place outside working hours.

The subjects that make up the plan cover all the technical needs of the employees and the methodology that they follow is adapted to the target groups and is heterogeneous. Notably, online training is experiencing significant growth due to the flexibility and other advantages it offers.

Together with the training, Canal also designs and implements professional development programmes aimed at strengthening management skills and competences. These programmes combine face-to-face sessions outside the working day with inter-session work and conclude with an action plan carried out by each of the attendees defining how to apply the competences worked on a day-to-day basis.

In 2017, a total of 133,525 hours were taught in the company (an average of 45.40 hours per employee) and 2,941 employees and interns received training. 39% of these hours were provided during working hours, 40% outside working hours, and the remaining 21% are internships.

As in previous years, Canal de Isabel II continues its policy of collaborating with academic and training institutions to facilitate contact with the business world for young professionals and students. To this end, collaboration and cooperation agreements and scholarships are promoted so that these people can complement their academic training.

Theme of training in 2017	Hours	% of total
Languages	30,467	15.78%
Technical Training	21,064	15.78%
Occupational Risk Prevention	16,294	12.20%
Office Automation and Software Applications	11,637	8.72%
Skills/Competence Development	6,577	4.93%
Quality	3,988	2.99%
Legal/Economic	3,956	2.96%
Administration and Management of Computer Systems	3,822	2.86%
Sales and Customer Relations	3,239	2.43%
Fight Against Corruption	2,617	1.96%
Others + on-the-job training	29,863	22.37%

Canal's professionals

Ensuring the health and safety of all

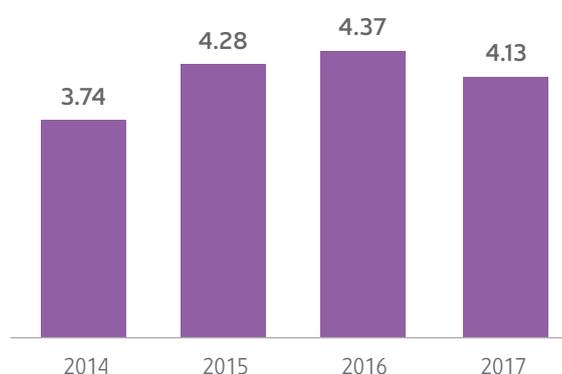
Between 2015 and 2017 a sharp decline in the frequency of incidents was recorded. With regard to lost working days, the average length of time lost and the severity index declined in the last year due to the fact that the type of accidents and injuries arising led to a reduction in sick days. It is

also worth noting that no fatal accidents occurred.

Absenteeism went down slightly, representing 4.13% of hours lost in the total workforce.

Accident indicators	2015	2016	2017
Occupational accidents <i>in labore</i> (excluding <i>in itinere</i>)	125	124	111
Accidents with leave (excl. <i>in itinere</i>)	69	67	54
Average leave duration (days)	15.65	16.31	14.78
Days lost	1,080	1,093	798
Rate of frequency of accidents with leave (excl. <i>in itinere</i>)	17.25	16.20	13.29
Frequency rate of total accidents (excl. <i>in itinere</i>)	31.25	29.98	27.32
Severity index (excl. <i>in itinere</i>)	0.27	0.26	0.20
Rate of incidence of accidents with leave (excl. <i>in itinere</i>)	28.80	26.95	21.52
Fatal victims (Number)	0	0	0

Absenteeism rate of the entire workforce (percentage of hours lost out of total hours)



Canal's professionals

Risk prevention is part of Canal's culture.

The procedure for reporting workplace accidents is carried out in accordance with current legislation on the prevention of occupational risks. All accidents are analysed and, if necessary, prompt the adoption of corrective or preventive measures. Workers' representatives are also informed about the accidents that take place.

To date, Canal has not recorded the existence of any occupational diseases associated with its facilities or the company's activities.

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.

Canal's prevention service addresses the most important characteristics of the elements to be considered in preventive activity, such as training and information, emergency measures, health surveillance, preventive resources and the coordination of business activities.

In the area of Occupational Risk Prevention, a total of 16,294 hours of training was provided in 2017 to newly recruited workers, promotions, transfers and top-level jobs. Also this year, first-aid training continued to be provided by different work centres.

Canal has its own medical service that carries out a multitude of actions in the company in terms of health surveillance, including health examinations, medical protocols based on risk assessment, smoking control programmes and disease prevention programmes.

Equal opportunities at Canal de Isabel II

Non-discrimination is one of the fundamental policies in the management of the company's human resources. Furthermore, Canal de Isabel II's recruitment and admission rules ensure that there is no discrimination of any kind, as they expressly reflect the principles of equality, merit and capacity.

The percentage of women in the workforce has increased in recent years and now represents 32.67% of the total.

The percentage is slightly higher at the management level, with women accounting for 32.73% of the total, a figure that has remained stable from 2014 to 2017.

With regard to wages, our Agreement ensures equality between men and women, with the same wage items for both of them and in the same amounts in all professional categories. Thus, at the end of 2017, the company's minimum wage was 171.28% higher than the interprofessional minimum wage and the minimum wage for traineeships was 153.88% higher. These percentages improved considerably after the application of the new company collective bargaining agreement, starting in 2017, which includes a process of homogenising the salaries of permanent and temporary staff.

The company's Equality Plan, drawn up in 2014, was incorporated into the company's new agreement when a preparation and monitoring committee was set up. The goal of this Committee is to establish the measures and action plan for each objective set out in the Collective Bargaining Agreement in each of the following seven areas: personnel selection, classification and professional promotion, training, remuneration, reconciliation of work and family life, sexual and gender-based harassment and information and communication. In addition, the new agreement includes an anti-harassment protocol.

According to Spanish law, all Canal employees are entitled to take maternity or paternity leave. Likewise, the levels of return to work and retention after maternity or paternity leave are 100% for both sexes, as established in Spanish labour legislation and in the company's collective agreement. The number of Canal employees who enjoyed this right in 2017 was 33 (10 women and 23 men).

Canal's professionals

.....
Canal's first collective agreement came into force on 31 January 2017.
.....

Trade union representation

The new collective bargaining agreement agreed by the company and the workers' representatives in December 2016 establishes a framework of stable labour relations aimed at achieving the optimum level of productivity in the company 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 have an impact on the best service made possible by development.

The Works Council, made up of 25 members, is the Canal workers' representative body and has the functions and powers established by the Workers' Statute.

At the end of 2017 it covered 94.71% of the company's workforce, leaving only 32 managers outside its scope.

Furthermore, a total of 454 workers were affiliated to the company's trade union sections, representing 17.39% of the total workforce.

NEW COMPANY COLLECTIVE AGREEMENT

On 31 January 2017, following its publication in the Official State Gazette (Boletín Oficial del Estado - BOE), Canal de Isabel II S.A.'s first Collective Agreement entered into force. As a result, the December 2016 agreement between the Works Council and the Management of Canal was triggered, in which it was agreed that the company would abandon the previous sector agreement and would revert back to Canal's traditional model of having its own agreement. It was achieved following various months of negotiations, fulfilling the commitment made by Canal's chairman. The new preliminary agreement was reached unanimously by the trade union sections and is supported by an absolute majority of the Works Council.

The new agreement allows homogenisation of the day-to-day working conditions, leave and social benefits of all employees (fixed or temporary); in this way we are able to improve the integration of workers' groups and better manage the company's human resources. With regard to compensation, it was agreed to standardise remuneration over a period of three years with regard to basic salary, with the job supplements being equal to one hundred per cent since its entry into force.

The agreement is not applicable to the Cáceres branch, which is represented by its own committee and continues to be governed by the Collective State Agreement of the Industries of Catchment, Lifting, Routing through Pipelines, Treatment, Distribution, Sanitation and Purification of Drinking Water and Wastewater.



Canal's professionals

.....

The cultural, leisure, sporting and community activities offered to employees contribute significantly to increasing our professionals' pride in belonging to the company.

.....

Internal communication

At Canal we care about facilitating the development of a communication culture within the organisation. For this reason, we publish a digital newsletter that is distributed to all employees via email (and through the Intranet, Canal&tú) and which reflects the news of the company and its employees.

In 2017, three years after the launch of the new Canal&tú intranet network, it has not only consolidated itself as the most powerful instrument of communication between the company and its employees, but it has also expanded, including audiovisual material and the site concept (websites that allow information to be included and updated by the areas themselves).

Canal and its employees participate in numerous charity or commemorative events such as solidarity cafés in favour of the Spanish Association Against Cancer or the Red Cross, where the total revenue obtained from employees is doubled by the company and then donated in its entirety to the beneficiary entities. Among the activities carried out with employees in 2017, the celebration of International Women's Day with an event at our headquarters was particularly noteworthy.

Canal uses the promotion of sport not only to protect employees' health, but also to strengthen their relationship with each other and to spread the company's values. We have teams of employees in different sports and coordinate their participation

in races, trophies and championships. Every year, the employees of Canal and its subsidiaries located in the Autonomous Community of Madrid participate in Canal Deporte, a sports and reunion day for all employees, family members and retirees of the company, with eighteen sporting events.

Canal also organises a children's drawing contest for the children of employees. The winning drawings are awarded by including them in the following year's annual company calendar. A Christmas party is also organised every year, geared towards children, as is a Christmas show or film session for employees' children. Lastly, Canal commemorates its retirees with an annual tribute ceremony.

Social Benefits

In accordance with the budgetary regulations in force in the Autonomous Community of Madrid, the social benefits of Canal employees and subsidiaries in Spain are suspended, including the company's contribution to the employee pension fund. However, a financing system is maintained for transport costs and, in particular, for the acquisition of the transport pass in Canal and in the Madrid-based companies of Canal Group.

Employees have the option of taking out a collective medical and dental policy for themselves and their families on advantageous terms, as well as some discounts and benefits on access to certain sports and recreational facilities.



Canal's professionals

Strategic objective and plan related to the talent, commitment and health of our professionals (2018-2030)

Strategic objective: supporting our professionals by attracting, retaining and fostering talent and knowledge, to be the best company in which to build a professional career in our sector.

By implementing all the plans and strategic actions in this area we will improve our work environment rating year after year, so that Canal de Isabel II is the best company to work for in the water sector:

SG8 indicator	
Work environment index	
	%
2017	Not available
2018	Description of the index
2019	-
2020	Δ2%
2021	-
2022	Δ5%

Our strategy in this area will focus on four major points including increasing employee commitment, making sure that our professional workforce adapts to the changing needs of the company, the proper develop-

ment of professionals and managers, as well as our commitment to ensure that all Canal employees work in a safe environment. In order to achieve this goal, 4 strategic plans have been defined for the 2018-2030 period:

- 1 Plan to increase commitment and sense of belonging among employees,** comprising three strategic actions aimed at stabilising the workforce by reducing temporary employment, harmonising the working conditions of all employees and boosting participation, motivation and loyalty through new communication channels, transparency, equality, promotion, reconciliation, leadership and remote work, among others.
- 2 Workforce management plan** to ensure that the workforce is adapted to future requirements and comprises the most suitable professionals. The latter goal will be supported by the creation of **the Centre for Advanced Studies in Water**, continuous analysis of required resources, succession planning, talent development plans and the promotion of collective intelligence, collaborative culture and a global innovative vision.
- 3 Plan to develop and promote management skills,** aimed at professionals who manage teams, including management performance and leadership model training, as well as the optimisation of management by objectives and performance management.
- 4 Plan to ensure safe environments for all employees,** which includes strategic actions to constantly reduce workplace accidents and incidents, the fostering of a "zero occupational risk" culture and continuous safety improvements within all our partner companies.

Strategic guideline 8 flagship plan

8 | Centre for Advanced Studies in Water

Dual Professional Training in Water and Masters in Water

There is a shortage of water management experts, both at mid- and upper-level vocational training levels and among all categories of university postgraduates (engineers, scientists, lawyers, economists). The purpose of the Centre for Advanced Studies in Water is to specialise in training the leading future water professionals in Spain and abroad, positioning Canal at the forefront of water expert training in our country, and consolidating Madrid's status as a centre of excellence in training.

Key plan indicator

100 students trained annually by 2022



4.9



Innovation and development:

at the cutting edge of our sector



Since its inception, Canal de Isabel II has been committed to innovation and technological development to meet the challenges posed by the management of the integrated water cycle. We were pioneers in many areas, including remote control, communications and information technology, and today we are one of the companies in our sector that invests most in innovation.

We contribute to the development of R&D&i in our sector

The company's innovation effort in recent years is evidenced by its portfolio of 35 R&D&i projects initiated, under development or completed in 2017.

The R&D&i expenditure budget in 2017, associated with contracts, agreements and minor expenses, amounted to 0.93 million euros. Adding the internal costs, derived from the dedication of the Canal personnel involved, and the activities and investments of other areas related to the projects, the total figure for R&D&i projects amounts to more than 3.25 million euros.

The company's innovation effort over the last few years is evidenced in a portfolio of R&D&i projects and agreements that fall within the following lines of work:

- Assuring balance between availability and demands.
- Assuring strategic continuity of the service.
- Strategic infrastructure management.
- Drinking water and health.
- Environmental integration and sustainability.
- Efficient management.

Innovation and development

G4-26

The active R&D&i projects during 2017 were the following:

PROJECT	STATUS at 2017 year-end
Development of a life cycle model for water supply infrastructures	Under development
Planning system for the renewal and adaptation of Canal de Isabel II's supply and distribution network	Under development
Study of the evolution of demand and explanatory factors	Under development
Development and update of hourly consumption models by sectors of Canal de Isabel II's supply network	Under development
Development of analysis tools for the supply and distribution network of Canal de Isabel II	Under development
Detectability of leaks and breakage in distribution sectors.	Under development
Risk assessment and management for the supply and distribution service of Canal de Isabel II	Under development
Determining patterns of breaks and structural faults in Canal de Isabel II's distribution networks, unique elements, measurement connections and units	Under development
Study of the reduction of infiltration in sewerage systems managed by Canal de Isabel II	Under development
Implementation of an advanced system for the operation of the Manzanares sanitation system	Under development
Development of water quality simulation models in the supply network	Under development
Early warning system for extreme rainfall	Under development
Study of the influence of pressure transients on the service life of network elements	Under development
Verification of the hydraulic and energy models of the Canal de Isabel II distribution network	Under development
Calculation of the resilience of Canal de Isabel II's supply and distribution system	Under development
Profiling system for strategic operation and functioning of Canal de Isabel II's distribution system	Under development
Experimental study measuring movement in the El Villar dam abutment using three-dimensional laser scanning	Under development
Assessment of the viability of generating and exploiting energy with variable output impedance	Under development
Development of topological analysis tools for strategic distribution networks	Under development
Development of drones for use in the urban drainage network and the rest of the integrated water cycle	Under development
Assessment of the viability and applicability of ceramic shrouds as insulation, in Canal de Isabel II facilities exposed to high and low temperatures, and measurement of its energy efficiency	Under development
Plan to develop a culture of innovation	Under development
Assessment of solutions for the early identification of defects in meters used for billing	Under development

Innovation and development

PROJECT	STATUS at 2017 year-end
Development of a new standard to assess urban water service levels and the risk of non-compliance	Under development
Fraud detection system through the integration of technologies and satellite information	Under development
Development of a pattern recognition system for the identification of end uses of water in domestic consumption	Under development
Development of remote water meter reading pilots under the NB-IOT (Narrow Band-Internet of Things) standard	Under development
Study and feasibility of alternative energy generation for energy optimisation within Canal de Isabel II	Under development
Assessment of a Digital Transformation index for Canal de Isabel II	In the pipeline
Sectorisation Plan for Canal de Isabel II's supply networks and pressure management. Experimentation plant for efficient purification reuse technologies. T.M. Torrejón de Ardoz (Madrid)	In the pipeline
Pilot study on the operational implementation of a hydraulic status calculator for Canal de Isabel II's strategic network	In the pipeline
Three-dimensional modelling and laser auscultation of Canal de Isabel II's dams and reservoirs. Study of changes in water quality in drinking water deposits through mathematical modelling (3-D model)	In the pipeline
Design and implementation of a technological monitoring department within Canal de Isabel II Profiling of the discharges produced by the spillways and overflow weirs managed by Canal de Isabel II located in special protection areas	In the pipeline
Study of sustainable urban drainage techniques (SUDS). Study of the internal morphological characteristics of supply pipelines	In the pipeline
Observability study to estimate the water status of the sectorised supply network	Finished

G4-21

The dissemination of the knowledge generated and the results of the most important research projects have led to the publication of new titles from the collection of **R&D&i workbooks**, supplementing those published in previous years with a total of 26 workbooks. The workbooks published this year are:

- *Workbook 25: Pattern recognition system for the identification of end uses of water in domestic consumption.*
- *Workbook 26: Analysis of the influence of explanatory variables in pipe failure models.*

Seeking to stimulate innovation in the company, at the end of 2010 the **R+D+i blog** was launched. The blog is an internal forum in which to publish articles, news and events related to research, development and innovation, encouraging workers to share opinions and generate debate on the subject.

Innovation and development

R&D&i STRATEGY (2017-2020)

Canal de Isabel II is one of the companies in its sector that invests most in research, development and innovation.

In 2016 a new R&D&i Strategy was drawn up for the 2017-2020 period, in line with the Fifth Regional Plan for Research, Science and Innovation of the Autonomous Community of Madrid (PRICIT). This strategy will increase the R&D&i budget by 236% with respect to 2016, reaching 2% of our turnover in 2020. All this as a response to the public company's commitment to innovation and research; and an objective, the European Centre of Excellence for the Integral Water Cycle.

Water and the circular economy will be strategic sectors for social and economic development in the coming decades, and we have one of the best companies in the sector at international level to make Madrid one of the most advanced innovation poles at the national and international level. This should be one of the biggest goals that Canal must achieve in the future.



One of the year's main highlights in terms of innovation was the participation of our professionals at the sixth annual **World Water-Tech Innovation Summit** (London), a meeting point for the world's greatest experts in water management, with the debate "Progressing from analytical overload to data-based decision-making". Also in 2017, our company **participated in**

the first ever Innovative Solutions Fair for Water Management (SIGA), together with more than 94 companies from 14 countries, with an attractive stand, several presentations by company employees and a quarterly knowledge management meeting organised by the Departments for Operations, Innovation and Engineering.



Innovation and development

Technology at the (internal and external) customer's service

Canal de Isabel II applies technologies that promote the efficient use and management of resources, demands and infrastructures in all its processes. In this regard, the application of advanced information and communication systems technologies is particularly noteworthy.

Operational actions in the field of technologies are focused on advancing technological innovation and boosting advanced information, communications and remote control systems and technologies. Canal's ICT expenditure in 2017 amounted to 23.63 million euros, and it made investments amounting to 9.8 million euros.

In 2017, the following information systems were implemented:

- *Implementation of a system for the automatic provision of VAT information*
- *Greater coverage of the Tetra communications network for emergencies in the Autonomous Community of Madrid with four additional base stations*
- *Implementation of the new mapping viewer for all platforms with advanced functions for identifying those affected by network isolation operations during scheduled works or repairs*
- *Installation of a new sectorisation control unit*
- *Development of a new version of the mobility system for field-work orders integrating the new mapping viewer*
- *Development and implementation of an app to report anomalies noted by Canal staff and collaborators*
- *Implementation of the corporate management system for infrastructure maintenance in 25 WWTPs and in the Tajo and Pelayos de la Presa DWTPs*
- *Implementation of the Laboratory Information Management System (LIMS) in the new Collado Villalba laboratory and in the Cáceres concession*
- *Adaptation of the human resources system to Canal's new Collective Agreement*
- *Update of the corporate SAP system versions*
- *Implementation of the extended SAP cash management system*
- *Implementation of a storage replication system (metrocluster) as an essential component in IT system continuity*
- *Renovation of the corporate data network core and fibre optic installation in all buildings on the central office site*
- *Consolidation of databases in the new EXADATA system with high availability and performance*
- *Finalisation of Office365 installation and roll-out of cooperation tools*
- *Extension of the fibre optic communications network by 54 km.*
- *Implementation and launch of an Information Security Operations Centre (SOC)*
- *Update of the new management model for adding projects to the portfolio, aligned with the established strategic plans*
- *Installation of 14 satellite links in facilities with zero communications coverage (WWTP)*
- *Implementation of the automatic VAT information system for Hispanagua*
- *Implementation of GIS systems and network warning and fault management systems for the Cáceres concession*
- *Implementation of employee self-service for the Cáceres concession*

It is worth mentioning that in this year, the availability of the company's critical systems was 99.98% and 99.97% in other important systems.

In relation to internal customer satisfaction, as indicated by our IT services assessment surveys in the handling of incidents and job-related requests, an average rating of 92.17% was received. This means that our internal customers are satisfied or very satisfied with the service provided throughout 2017.



Innovation and development

Remote control and communications: the key to modern water management

In 1995 Canal de Isabel II was a pioneering company in the development of remote control systems for integral water cycle management. We currently have a complete remote control system that allows us to know in real time the hydraulic situation of supply and sanitation infrastructures, the status of water quality, groundwater collection and other parameters. By the end of 2017, the remote control network monitored a total of 2,262 remote stations from our Control Centre and managed a total of 28,956 measuring

instruments. In addition, we had 58 remote-controlled facilities from which a large number of operations are performed in the facilities and networks (an average of 17 per day). The set of field systems controlled in 2017 had an availability rate of 99.30%.

Our fibre optic network reaches 636 kilometres and we have 163 radio links. The average availability of the communications network was 99.94% in 2017.

+ Information

	2017 Milestones
Expansion of the telecommunications network	<ul style="list-style-type: none"> Extension of the fibre optic network by 63 km. Integration of 48 network installations. Integration of satellite services to the telecommunications network at 7 sites. Network extension to 432 sites.
Extension of the remote control system	<ul style="list-style-type: none"> 353 new facilities. 1,033 new collectors.

+ Immediacy

	2017 Milestones
Improvements in incident management	<ul style="list-style-type: none"> Inventory and registration of more than 10,000 sensitive customers and proactive communication with them in cases of supply cut-off. Announcement of supply cut-offs on Canal's mobile app.

+ Reliability

	2017 Milestones
Meter laboratory	Agreement to be the partner laboratory of the Spanish Metrological Centre, approved by the competent bodies (Consejo Superior de Metrología).
Availability of sector-specific data	94.14% data availability in 2017
Availability of instruments	99.13% availability in 2017
Availability of the telecommunications network	<ul style="list-style-type: none"> Launch of the first monitoring system specialised in Zenoss Telecommunication Networks. 99.92% reliability of the telecommunications network.

Innovation and development

+ Ability to act

Automation of facilities

2017 Milestones

Implementation of combined remote management in 4 WWPS/WWTP systems.

Automation and remote control of:

- 24 new WWPSs.
- 10 drinking water lifting stations.
- 3 new systems for recycled water.

Installation of 2 new controlled docks for drinking water.

+ Security

Safeguarding remote control and communications

2017 Milestones

Installation of a new telephone exchange

IP redundancy (project underway, due for completion in 2019).

+ Integration

Integration of information systems

2017 Milestones

Integration of instrument maintenance in the network management tool (started, due for completion in 2018).

G4-21

OUR TECHNOLOGY AT THE SERVICE OF THE SAFETY AND HEALTH OF THE CITIZENS OF THE AUTONOMOUS COMMUNITY OF MADRID: TETRA PROJECT

In 2008, the Government of the Autonomous Community of Madrid entrusted Canal de Isabel II with the implementation of a modern and advanced technology digital mobile radiotelephony service called Digital Trunking, to guarantee and implement a fast, secure, coordinated and efficient communication service both within and between each of the security, emergency and rescue services in our Autonomous Community (firefighters, local police officers and BESCAM, medical emergencies, civil protection and road traffic). Currently there is complete coverage throughout the Community of Madrid and more than 4,000 terminals have been put into service.

In 2017 Canal installed 50 new terminals and 23 new radio base stations to expand the digital trunking network for emergency services in the Community. In 2017 we extended the coverage of the TETRA communications network for emergencies with 4 additional base stations.

Innovation and development

Strategic objective and plan related to the talent, commitment and health of our professionals (2018-2030)

Strategic objective: being innovative in our actions to be a benchmark for our sector and develop the technologies and services that our customers demand in the future.

Thanks to the launch of all the projects included in this strategic guideline, the percentage of turnover allocated to innovation will reach 2% by 2022:

SG9 indicator	
Percentage of turnover allocated to innovation	
	%
2017	0.40
2018	0.72
2019	1.04
2020	1.36
2021	1.68
2022	2.00

Our objective in this area will focus on three major points including providing technological support to the other strategic guidelines defined for the 2018-2030 period, the innovation and internal development of

the company, the digital transformation of Canal Isabel II and positioning ourselves as an innovative company. In order to do so, 4 strategic plans have been defined for the 2018-2030 period:

- 1 Innovative strategy support plan**, comprising three strategic actions: development of a new standard for assessing urban water service levels and the risk of non-compliance, a management and strategic planning and improvement plan for infrastructure, and the development of a new smart system for improving safety and resilience in supply operations.
- 2 Innovation and internal development plan**, for which the strategic actions include a plan to improve the culture of innovation with the company, the launch of Canal's 2017-2020 R&D&I Strategy and a plan for the efficient use of innovative public procurement.
- 3 Plan for the digital transformation of Canal Isabel II (Canal 4.0)**, including driving digital transformation through applying technology to company development (cloud, IoT, Big Data, mobility), the implementation of robotic solutions in the integrated water cycle and, finally, a plan to have closer ties with our customers through innovative technological tools.
- 4 Plan for positioning as an innovative company**, which includes the creation of an **international centre of excellence in water research**, the development of an international partnership and positioning plan, a plan to promote entrepreneurship in the integrated water cycle and finally a plan for the development of skills and experiences than can provide value to third parties.

Innovation and development

Strategic guideline 9 flagship plan



9

Innova 100 plan

100 viable innovative or research projects in 2022

The challenge of innovation lies in making it viable, useful and productive for the whole company.

We want to position our company as a centre of excellence for innovation, research and development in our sector. In view of this aim, 100 viable and productive innovation projects will be carried out during the 2018-2022 period.

Key plan indicator

100 viable and productive innovation or research projects recorded by the end of 2022



4.10



Sustainability
and efficient
management:

*a profitable
company*



The economic and social sustainability of public organisations plays an increasingly significant role in our growth and welfare model.

Canal de Isabel II, as a 100% publicly owned “benchmark” company, has to ensure its economic sustainability to support confidence in the economic recovery and foster economic growth and job creation. We must be an efficient company in all our actions and offer society a social and environmental return.

Our economic performance

The economic sustainability of Canal de Isabel II, as a 100% public “benchmark” company, allows us to guarantee all our customers and users the provision of quality services at an affordable cost.

Furthermore, our strategy based on the efficient management of economic resources enables us to meet the significant levels of investment required in an infrastructure management company whilst simultaneously seeking to establish reference limits as regards level of indebtedness in order to ensure a future economic-financial balance whilst also enabling the company to fulfil all of its commitments.

Canal creates value and generates cash in a setting in which tariffs have been frozen. In 2017, tariffs were frozen for the third consecutive year and the beneficiaries of “social tariffs” increased by 4.33% (46.27% in the case of social exemption). However, Canal’s turnover was 885.7 million euros, a

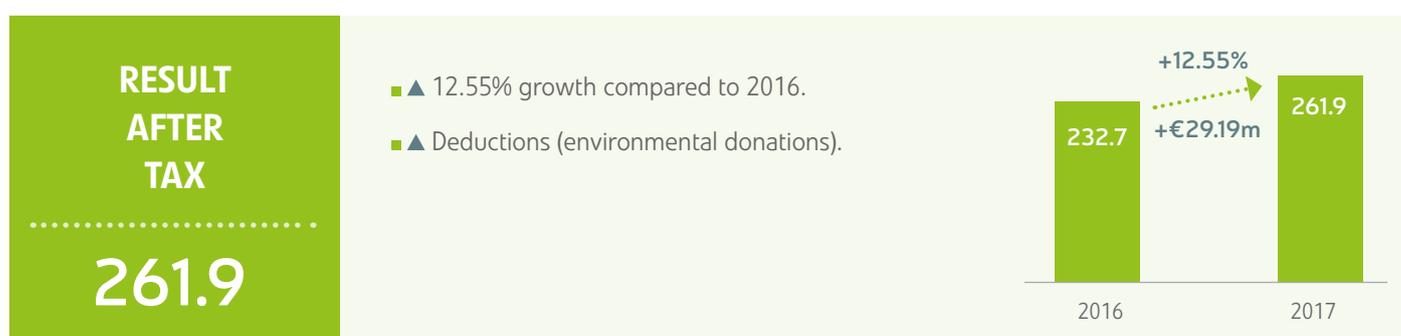
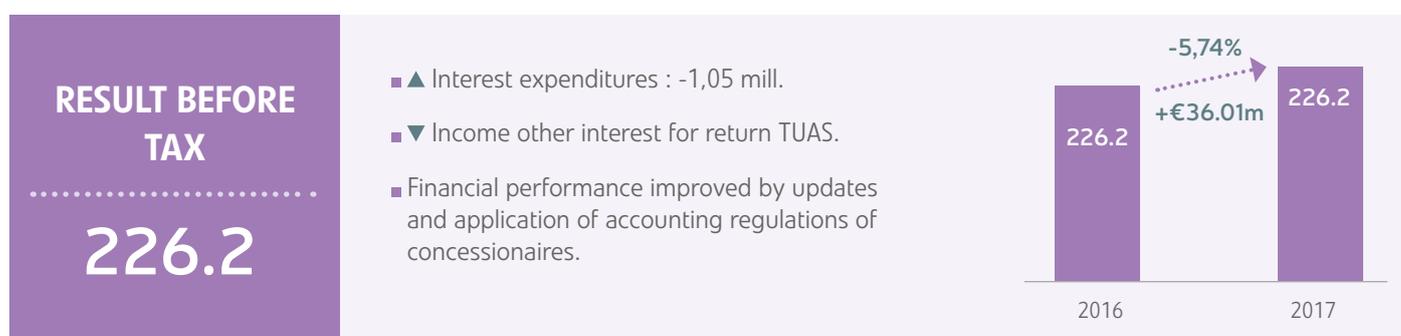
moderate increase of 2.19% on the previous year. This growth is directly related to an increase in the number of customers and volume of water billed, which has increased by 2.47 percent over 2016. Likewise, measures to optimize network performance and billing processes, detection and prevention of fraud have also contributed to the increase in turnover.

Despite this increase in activity, operating expenses were down from the previous year thanks to resource optimisation and operational efficiency improvements, resulting in **EBITDA of 367.6 million euros**, a sharp rise of 10.7%

Similarly, the improved financial result as a consequence of the company’s continued debt reduction, despite significant investment, led to a 29.2 million euro increase in the **net result** compared to 2016, reaching **261.9 million euros**.

Sustainability and efficiency in management

Individual figures in millions of euros



Sustainability and efficiency in management

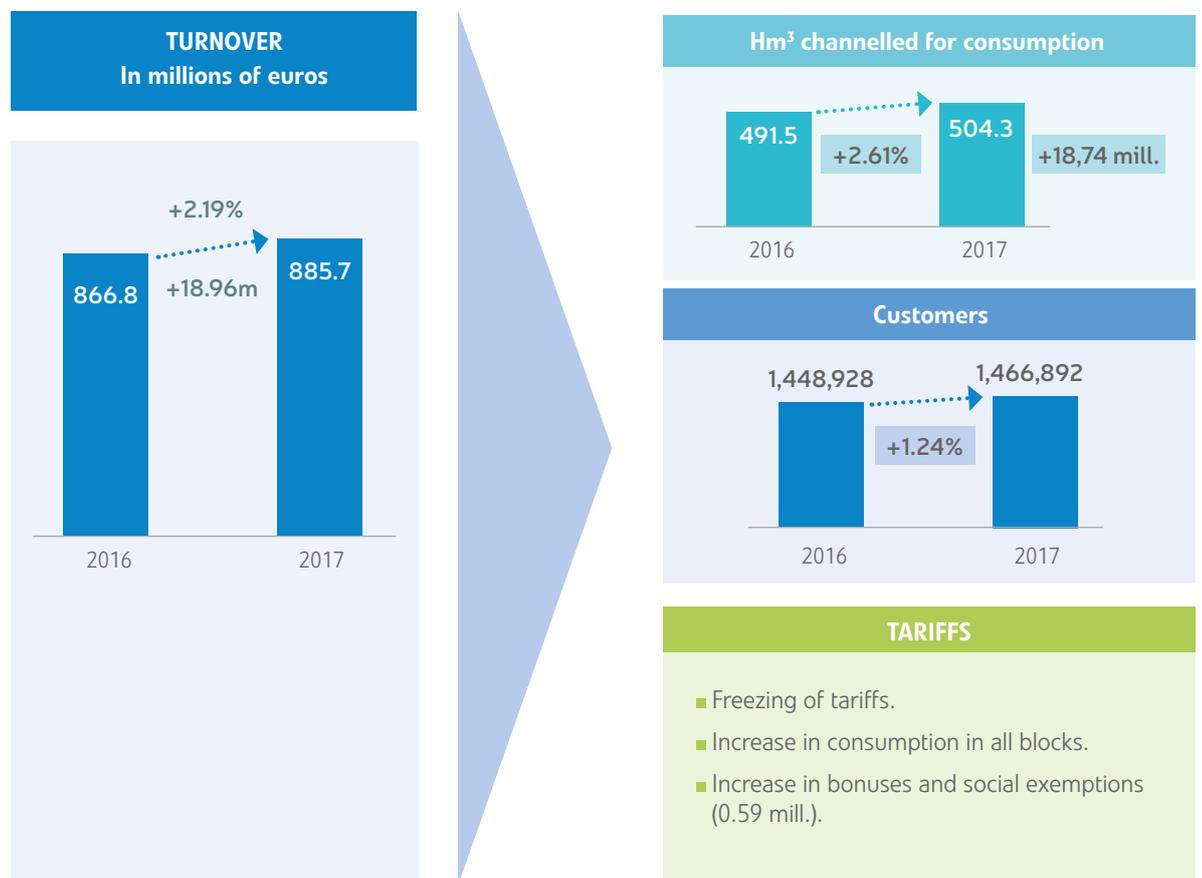
Turnover growth

During 2017, the volume of water rerouted for consumption in the Autonomous Community of Madrid increased by 2.61% compared to the previous year. This increase was primarily due to meteorological causes as 2017 was a particularly dry year with high temperatures, with the result that people consumed more water and that the volume of water billed increased by 2.47% compared to 2016.

Similarly, performance optimisation measures for the network, billing, and fraud detection and prevention processes also contributed to the growth in revenue.

These factors, together with a slight increase of 1.24% in the number of customers, enabled us to achieve **turnover of 885.7 million euros**, 2.19% higher than 2016, all whilst maintaining tariffs frozen.

Turnover



Sustainability and efficiency in management

EBITDA growth

Despite the increase in activity, operating expenses were lower than the previous year thanks to resource optimisation and operational efficiency improvements, leading to an increase in the company's operating profitability and generating an EBITDA margin of 41.5%.

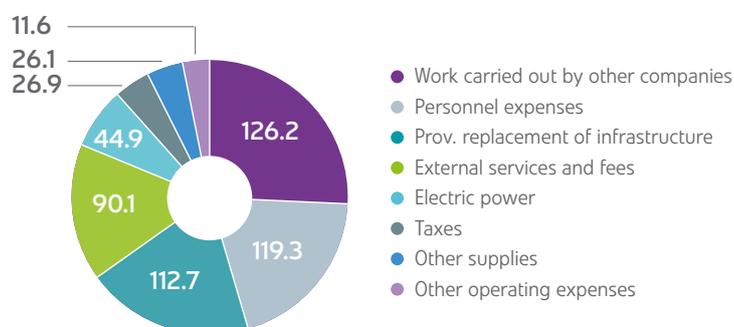
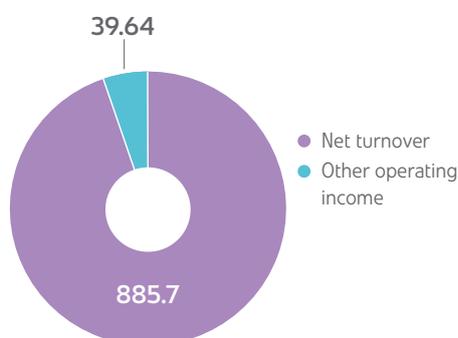
Management of the complete water cycle and supra-municipal management generate numerous economies of scale enabling EBITDA of 367.6 million euros to be achieved, a 10.7% increase compared to 2016.

However, it should be noted that during 2017 Canal de Isabel II's first Collective Agreement came in force, homogenising the salaries and conditions of the company's different groups. The impact will continue progressively in 2018 and 2019.

Similarly, during the fiscal year of 2017, the use of the value of the sports facilities of the Third Deposit of the Islas Filipinas street in Madrid was partially reversed for 991 euro miles, as part of Order 287/2017, of February 9, 2017, the declaration of urgency and the general interest in the uses and activities in the free spaces and basic areas of the Third Deposit. For this reason, the provision of the costs of demolition and dismantling of these facilities for 3,225 miles of euros has also been partially reversed. The interannual variation is higher, since it was in the year 2016, when there was the loss due to deterioration, the value, the investment, the facilities located in the Third Deposit of the Philippine Islands, as well as a condition for the estimated dismantling expenses.

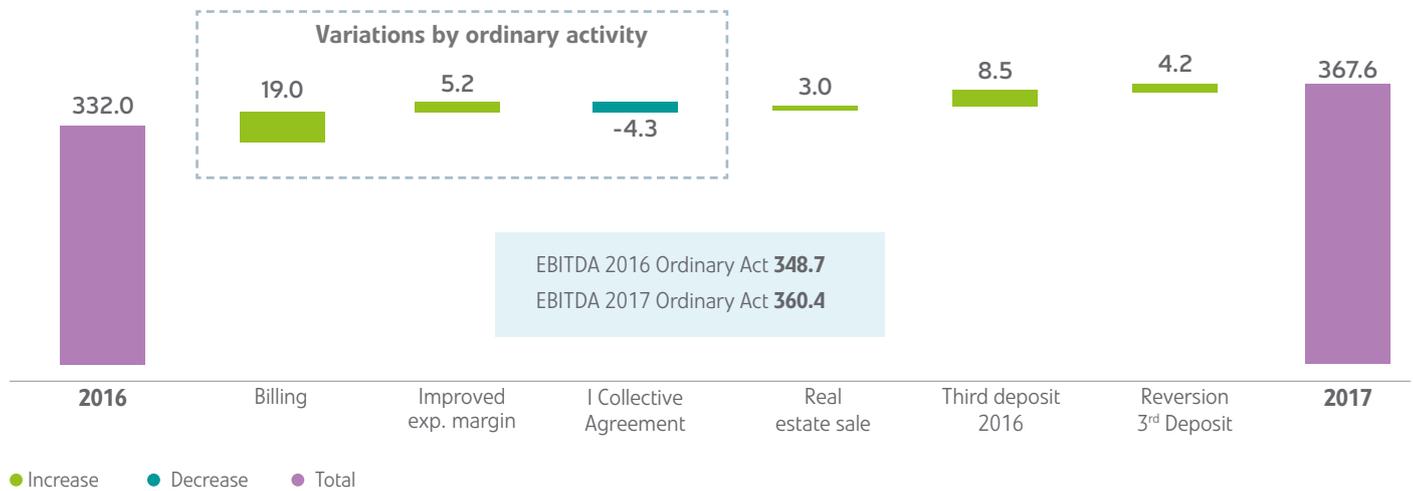
Stability of EBITDA (In millions of euros)

	+ Operating income	- Operating expenses	= EBITDA
2016	904.9	(572.9)	=332.0
2017	925.4	(557.8)	=367.6



Sustainability and efficiency in management

Growth of EBITDA (in millions of euros)

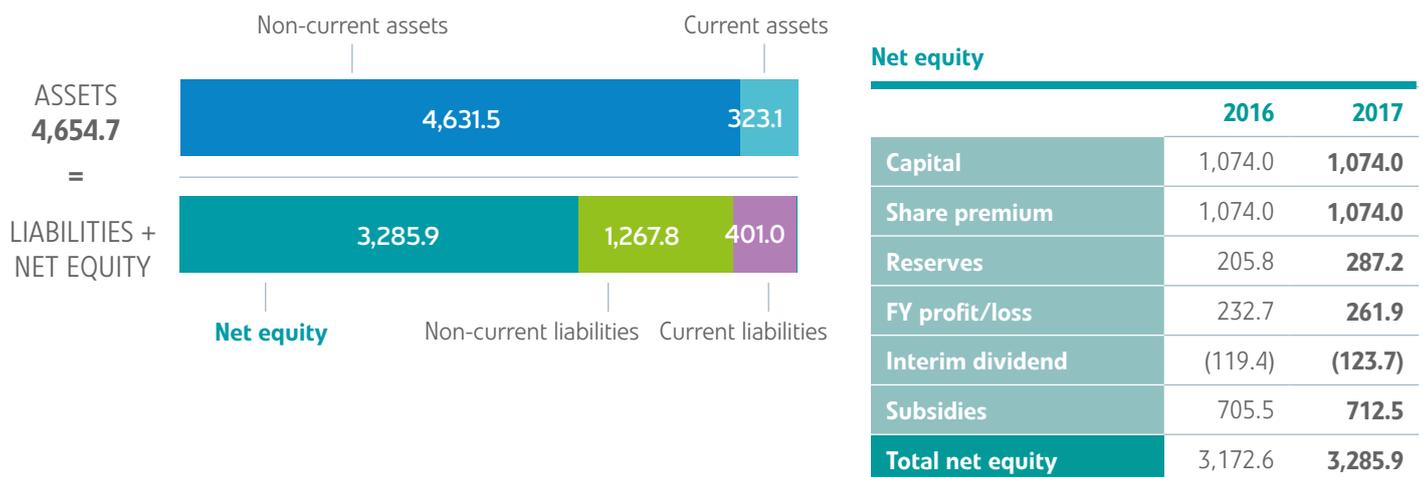


Asset soundness

The balance sheet shows the soundness of the company's equity situation, reaching a net worth of 3,285.9 million euros in 2017, increasing reserves and the net result as a consequence of the operational improvements described above.

Balance sheet (in millions of euros)

31 December 2017



Increase in:
Reserves and the amount of the dividend at the end of 2017

Sustainability and efficiency in management

Reduction of financial debt

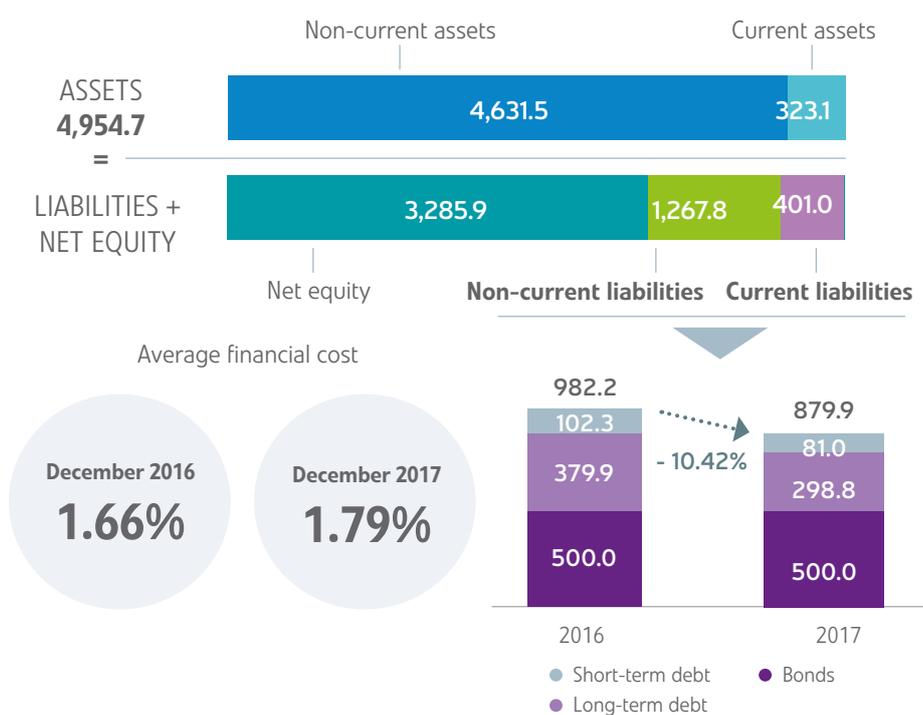
Indebtedness stood at **879.9 million euros** at the end of the year, 10.42% lower than in 2016 (a decrease of 102.3 million euros).

Of this reduction in financial debt, 81.0 million euros corresponded to long-term debt and 21.3 million euros to short-term debt.

Similarly, **Net Financial Debt (NFD)** reduced by 169.2 million euros or 18.4%, taking the Net Financial Debt to EBITDA ratio to 2.05 at the end of 2017, compared with 2.78 at the end of 2016.

Indebtedness (in millions of euros)

31 December 2017

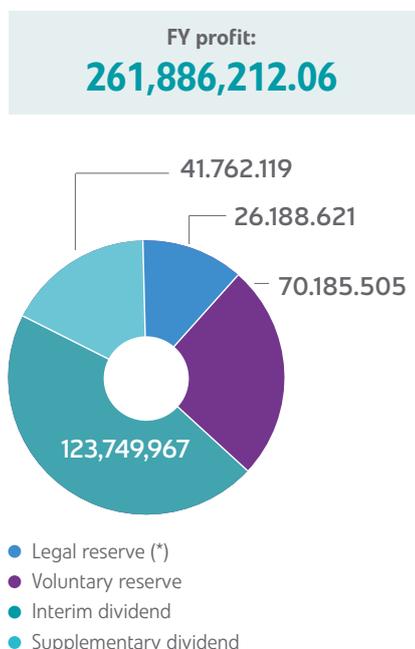


Indebtedness

	December 2016	December 2017	% Change 2017-2016
Net Financial Debt (NFD)	752,106	921,331	-18.4%
EBITDA	367,603	332,002	10.7%
Annualised NFD/EBITDA	2.05	2.78	-26.3%

Sustainability and efficiency in management

Allocation of FY 2017 earnings



Application of FY 2017 earnings

In accordance with Article 274 of the Law on Capital Companies, a figure equal to 10% of the profit for the year will be allocated to the legal reserve until it reaches at least 20% of the share capital.

Thus, after obtaining a profit of 261,886,212.06 euros in 2017, the General Shareholders' Meeting approved the following proposal for the allocation of profit for the year.

Including amounts for 2017, the public limited company Canal de Isabel II has allocated over 158 million euros in dividends to 111 municipality shareholders since its creation in 2012. That represents a total of 27.14 per resident in these municipalities.

NOTE REGARDING THE FINANCIAL STATEMENTS FOR 2017

Due diligence of the directors

The Company's management and directors have carried out an analysis and assessment of the possible impacts that could arise from the preliminary proceedings of Central Trial Court number 6 of the National High Court, aimed at ensuring that both the individual and consolidated financial statements reflect a true and fair view of the assets and liabilities and the financial situation.

In order to guarantee due diligence in the preparation of its individual and consolidated 2017 financial statements, the Audit Committee, the General Management and the Finance Department proposed that comprehensive statutory audits be carried out in the group's investee companies regardless of the legal regulations of each country. Furthermore, additional audits were carried out in Colombia and Brazil. In parallel,

and in order to reflect the true and fair view of the company's net worth, financial position and results, 18 legal reports and actions were requested and carried out. An internal group also carried out a financial statement impact analysis.

Despite the efforts made, it cannot reasonably be ruled out that, as judicial investigations progress, additional contingencies may arise that involve new operational and financial risks, which could possibly have an impact on the Group's net worth, in which case it will be immediately recorded in the corresponding accounting documents.

Sustainability and efficiency in management

We invest in the Autonomous Community of Madrid

Since its creation in 1851, Canal de Isabel II has been key to facilitating the growth and socio-economic development of the Autonomous Community of Madrid. Our investments in infrastructure and the proper management of supply and sanitation services have facilitated the growth of municipalities and the introduction of new economic activities in them.

Investments made

The investments carried out are in line with the objective of guaranteeing a satisfactory level of operation, maintaining levels of production efficiency and competitiveness in all our areas of operation and adapting to new and increasingly demanding legal requirements in relation to the environment.

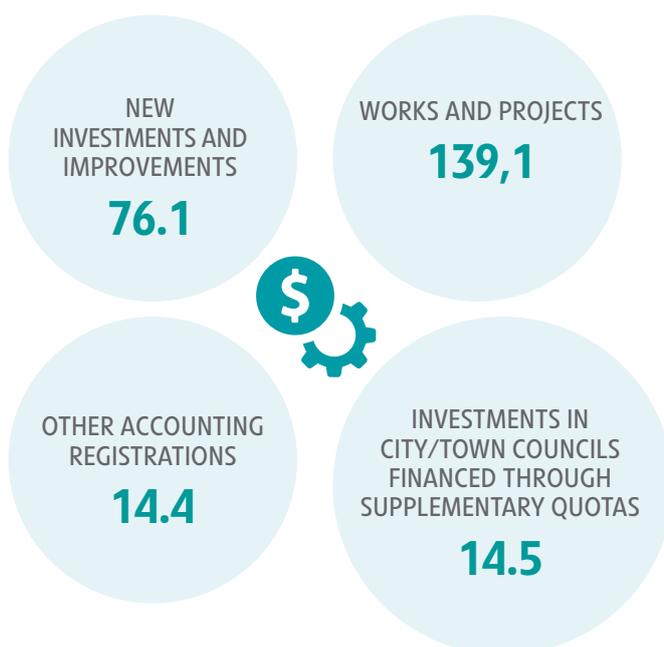
Cash flows generated by operating activities were primarily allocated to meet the significant volume of investments made during 2017, which amounted

to 153.5 million euros in works and projects (compared to 167.3 million in 2016), positioning the company among the companies that make the greatest amount of investment in the Autonomous Community of Madrid.

Moreover, it invested a further 14.5 million in the municipalities of Madrid through additional quotas approved by the Governing Council of the Autonomous Community of Madrid.

The most significant investments carried out correspond to the above-mentioned objectives to guarantee the satisfactory functioning of operations, maintaining competitive and productive efficiency levels, the extension and improvement of the transport and distribution network and of storage capacity, the adaptation and modernisation of the purification system, as well as the expansion of reuse infrastructure.

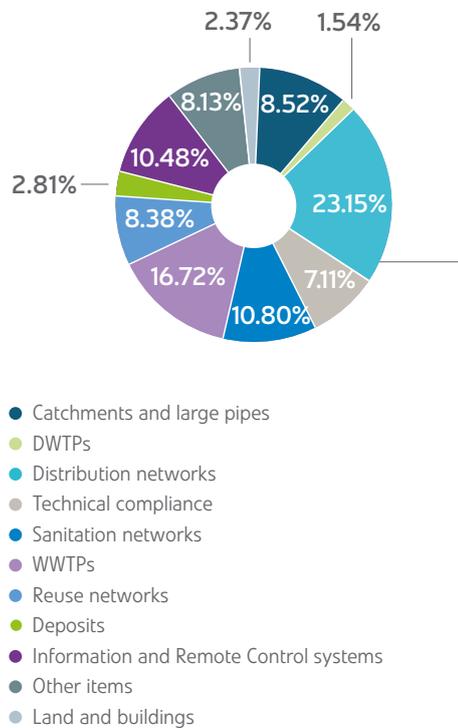
Investments in 2017 in millions of euros



TOTAL **168**

Sustainability and efficiency in management

Breakdown by type of investment in 2017



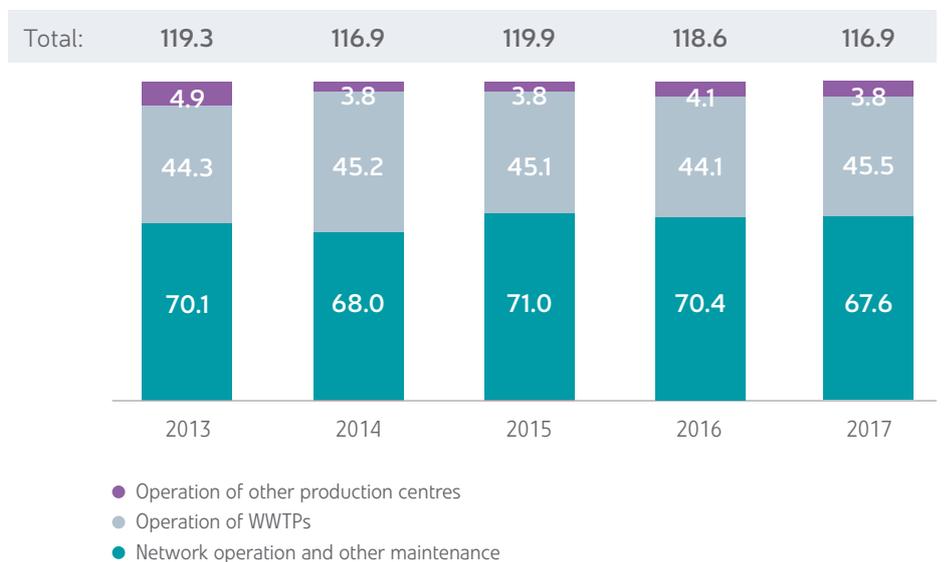
The following table set outs the volume of investment for each different category.

Investment by category (millions of euros)

	2017	2016	2015
Guaranteed supply	55.65	73.72	66.65
Quality guarantee	3.60	5.11	12.63
Environmental commitment	56.67	52.95	59.15
Technological innovation	18.39	15.07	15.92
Adaptation of Canal de Isabel II's general services	12.03	3.78	18.93
Other investments	7.20	16.62	40.78
Total	153.54	167.25	214.06

However, Canal also spent a total of 116.9 million euros on infrastructure maintenance and operation work, improving the efficiency of our services.

Distribution of operating and maintenance costs (millions of euros)



Over the 2015-2017 period, major investments were made in new infrastructures and were increased in maintaining existing ones.

20.46 euros were invested in improving service provision.

In relative terms, out of every 100 euros that the people of Madrid have paid for water services during these three years, almost

Sustainability and efficiency in management

Projects and works to ensure the future development of the Community

Canal de Isabel II develops and processes the general supply and sanitation infrastructure projects included in the planning forecasts or required to maintain the service capacity of the facilities, as well as the design and management of the architecture and landscaping works carried out in our premises and buildings.

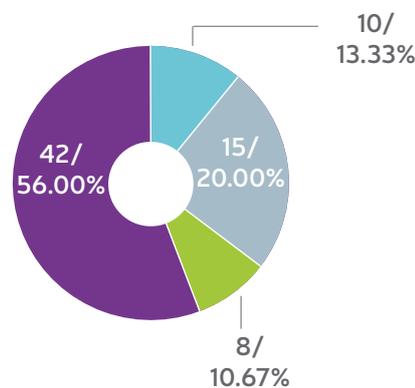
In 2017, the processing and drafting of 75 infrastructure projects was completed with a total projected construction budget of 160.34 million euros.

Of all investments made in order to help guarantee supply, investments made in the renovation of the distribution network were the most important. With regard to investments related to our commitment to the environment, the most significant were related to the plan to adapt the purification system and the extension of the reusable water supply. Other investments primarily included technical compliance, and in 2015

an additional 39 million euros corresponded to the concession awarded by the Cáceres City Council.

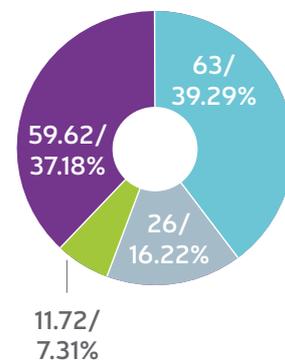
With regard to supply, in 2017 the actions carried out on the east pipeline flow of the Torrelaguna system were put into operation in order to supply all municipalities served by the system. A part of the drainage channel route of the upper deposit in Torrelaguna was also modified. Similarly, we built regulating deposits in the municipalities of Algete y Cobeña, Valdeolmos-Alalpardo and Fresno de Torote. In the east of the Autonomous Community of Madrid the completion of a new pumping station and a doubling of the Villalbilla-Anchuelo-Santorcaz channel to meet demand in the municipalities of Villalbilla, Corpa, Anchuelo and Santorcaz are of particular note. With regard to catchment, the B-4, B-4a and B-6 wells in the Batres field were modified and fitted with new equipment.

2017 projects
(number/percentage of total)



- Supply
- Sanitation
- Construction/architecture
- Renovation of networks and other projects

2017 projects
(budget in millions of euros/percentage of total)



- Supply
- Sanitation
- Construction/architecture
- Renovation of networks and other projects

Sustainability and efficiency in management

With regard to purification, highlights include treatment capacity increases at the Villamantilla, Molar-Sur and Miraflores de la Sierra purification stations in order to improve treatment capacity, meeting urban growth forecasts and bringing discharge quality in line with the requirements of the National Water Quality Plan. The optimisation of the dewatering process in the Arroyo Culebro Cuenca Media-Alta WWTP and greater energy efficiency following the construction of a cogeneration facility at the Alcalá Oeste WWTP. We moved onto the second phase of the Minerva project for the supply, installation and maintenance of the continuous residual water quality monitoring stations for various WWTPs.

The most significant projects in progress at the end of 2017 were the capacity expansion of the El Plantío WWTP, the construction of the new sludge line at the Casaquemada WWTP, the work needed at the Arroyo de la Vega and Aranjuez WWTPs to enable compliance with the National Water Quality Plan, the construction of reuse networks in Algete and Rivas-Vaciamadrid, phase one of the reinforcement of the east channel of the Torrelaguna system, and works on collectors and the Algete II WWTP.

With the aim of maintaining a strategic position and being a leader in the integrated water cycle sector, over the course of 2017 the Group continued its project development policies for the continuous improvement of management information systems in numerous areas with a view to improving the efficiency and effectiveness of support and operating processes, equipping them with the latest information processing and remote control technologies.

The general communications system of Canal de Isabel II covers the entire area of operation, with a network that integrates all the company's communications services (remote control, fixed-line telephony, mobile telephony and data exchange between computers). As such there is greater efficiency in hydraulic, administrative, commercial and user service management.

The complete remote control system that is in place provides real time hydraulic data for a large amount of supply and sanitation infrastructure, the status of water quality, energy use and other similar information.



Sustainability and efficiency in management

Over recent years there has been a focus on sanitation infrastructure (wastewater pumping stations, storm tanks and wastewater purification stations), meaning that the management of this aspect has been similar to that of supply. Furthermore, advances are being made in energy monitoring to capture data enabling maximum energy efficiency throughout the water cycle.

Likewise, the company actively contributes to innovative studies and research with the aim of increasing scientific and technical knowledge in the sector. Through the execution of the R+D+i Strategy defined by

the company in 2017 for the next four years, the company seeks to promote, organise and publicise the efforts and initiatives under development in this area, both internally and through formal collaboration with various research bodies and universities, focusing on the applicability and efficiency of all its activities.

In 2017, work was undertaken on a total of 115 projects (77 of which were renovations), and 68 new works with a total value of 59.79 million euros were awarded. **The main works completed in 2017** by Canal were:

SUPPLY



- Torrelaguna pipeline system. **Valdeolmos - Ajalvir**
- Doubling of the **Valmayor-Navalcarnero** artery. Sections II and III
- Adduction in **Hoyo de Manzanares**
- New **La Torreta de El Molar** deposit

SANITATION



- New Algete II WWTP
- Extension of the **Villamantilla WWTP**
- Modification of the **El Chaparral WWTP** (National Water Quality Plan)
- Boadilla collectors at the **Arroyo Valenoso WWTP**. Section A

REUSE



- Irrigation water supply with reused water to **Torrejón de Ardoz**

Sustainability and efficiency in management

Canal contributes to creating and maintaining employment in the Autonomous Community of Madrid, not only directly through the maintenance of the workforce and new hiring, but also through the indirect jobs generated as a result of the assets acquired and the activities and services we procure through our suppliers and contractors.

Based on the available information, Canal estimates that, in 2017, 5,689 indirect jobs were generated in the Autonomous Community of Madrid in 194 of its construction and service contracts.



In March 2000, the Lisbon European Council set a new strategic objective for the European Union to be achieved before 2010: to become “the most competitive and dynamic knowledge-based economy, capable of sustainable economic growth with more and better jobs and greater social cohesion”.

This objective, known as the Lisbon Strategy or Agenda was extended by the Gothenburg European Council (June 2001) to include environment and sustainable development.

Canal has received some of these funds for the co-financing of projects aligned with these objectives during the 2007-2013 and 2014-2020 periods.

Until 2017, the three projects financed for the 2014-2020 period relate to synergies between the circular economy and the processes involved in the integrated water cycle. They are the following:

- **Construction of a small power station in Valmayor**, with an investment of 6,575,978 euros and an anticipated 3,287,989 euros of financial support from the ERDF.

- **Construction of a cogeneration facility at the Alcalá Oeste WWTP**, with an investment of 1,775,431 euros and an anticipated 887,715 euros of financial support from the ERDF.

- **Installation of a hydraulic turbo-generator at the Plaza de Castilla water lifting deposit**, with an investment of 297,465 euros and an anticipated 148,733 euros of financial support from the ERDF.



Sustainability and efficiency in management

With our suppliers

Canal de Isabel II, as a public company belonging to the Institutional Administration of the Autonomous Community of Madrid, executes its contracts under the **regulations applicable to public sector contracts**.

The contracts awarded by Canal comply with the principles of freedom of access to tendering, publicity and transparency of procedures, non-discrimination and equal treatment between candidates, mutual recognition and proportionality.

To access Canal contracting procedures, tenderers must be eligible to contract with the public sector, not being prohibited from contracting and demonstrating the economic-financial solvency, professional and technical conditions determined.

Environmental requirements for suppliers include compliance with applicable environmental regulations and with Canal's environmental policy. Contractors must also comply with occupational risk prevention regulations.

In addition, in order to promote diversity and the entry into the labour market of persons with disabilities, contractors with more than 50 employees during the term of the contract are required to employ persons with disabilities representing at least 2% of the workforce, in accordance with Royal Legislative Decree 1/2013, of 29 November, which approves the consolidated text of the General Law on the Rights of Persons with Disabilities and their Social Inclusion.

In general, subcontracting is permitted under the terms established in the legislation in force and in the conditions established in the specific administrative clauses of each contract subject to tender. The contracting system ensures that subcontractors comply with both the legally established obligations and the requirements for contracting with the public sector.



Contracting by Canal de Isabel II and its Spanish investees in 2017 was governed by the following laws:

- Law 31/2007 of 30 October on procurement procedures in the water, energy, transport and postal services sectors.
- Law on Public Sector Contracts (amended text approved by Royal Legislative Decree 3/2011 of 14 November).

In addition, each of the public enterprises has its own internal procurement rules.

Sustainability and efficiency in management

Awarding of contracts in 2017

Not including orders to Group investees, in 2017 Canal de Isabel II awarded 267 contracts totalling 356.88 million euros through contracting procedures. Most of them are directly linked to activities and processes relating to engineering, operations and energy.

The open procedure is the procedure most commonly used in Canal contracting. In this procedure, any prospective entrepreneur may submit a proposal, excluding any negotiation of the terms of the contract with the bidders. The procedure has been used in 210 contracts processed in 2017, accounting for 87.58% of the total amounts awarded, totalling 331.22 million euros, including orders to investee companies of the Canal Group in Spain.

In 2017, 9 management orders were processed (3.26% of the procedures) for those companies that, in accordance with the provisions of Article 24.6 of the Consolidated Text of the Public Sector Contracts Law (hereinafter TRLCSP), have the status of Canal de Isabel II's own instrumental resource. The amount processed through these orders is 21.3 million euros, which represents 5.64% of the total awarded amount.

Elsewhere, 30 contracts were awarded using the negotiated procedure (Law 31/2007) or the simplified procedure (procurement rules

and Article 191 of the TRLCSP), representing 10.87% of all procedures handled. The total amount of these procedures was 9,009,630 euros (2.38% of the total amount processed in 2017).

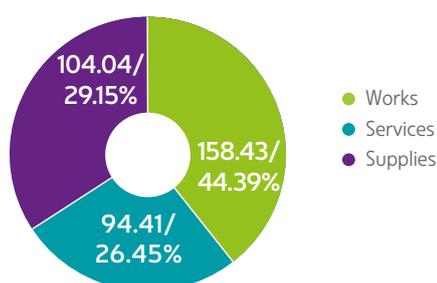
The negotiated procedure is used when any of the cases established in Article 59 of Law 31/2007 applies. The simplified procedure is used whenever any of the cases established for it are met without publicity in Articles 170 to 174 of the TRLCSP.

It should be noted that only 27 of the contracts awarded by Canal de Isabel II, which account for 4.40% of the tenders processed in 2017, were executed using procedures other than those included in the legislation on public sector contracts.

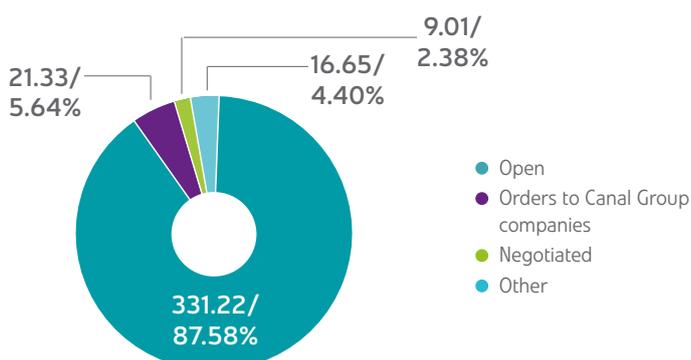
With regard to contracting by Canal, it should be noted that Law 9/2017, of 8 November, on Public Sector Contracts, was published in the Official State Gazette on 9 November 2017, transposing into Spanish law Directives 2014/23/EU and 2014/24/EU of the European Parliament and of the Council, of 26 February 2014, regulations which following their entry into force on 9 March 2018, have a significant impact on our procurement policy.

In 2017, Canal de Isabel II's average payment period to suppliers was 38.68 days.

Amounts awarded by type of contract
(millions of euros/%)



Amounts awarded by type of procedure
(millions of euros/%)



Sustainability and efficiency in management

Processing of procurement dossiers in Canal until 2017

Until 2017, our internal procurement procedure had the following phases:

<p>PHASE I: NEED AND SUITABILITY REPORT</p>	<p>The proposing area approves a Report on the Need and Suitability of the contract (INI), which explains the need to be covered and the type of procedure to be followed.</p>	
<p>PHASE II: APPROVAL OF SPECIFICATIONS OR LETTERS OF INVITATION</p>	<p>The CEO approves, on the proposal of the Sub-Directorate for Procurement, the bidding specifications or the letter of invitation in simplified and negotiated procedures.</p>	
<p>PHASE III: PUBLICATION OF THE CALL FOR TENDERS</p>	<p>The tenders by open tender procedure of Canal de Isabel II, S. A. are published in the Contracting Portal of the Autonomous Community of Madrid (company contractor profile) and in the corresponding official media depending on the nature and amount of the contract: Official Gazette of the Autonomous Community of Madrid, Official State Gazette and Official Journal of the European Union. It is also published in the Canal de Isabel II, S.A. website (www.canaldeisabelsegunda.es/en/)</p>	<p>The award and formalisation of the contract, including simplified procedures without prior and negotiated bidding, are published in the Contracting Portal of the Autonomous Community of Madrid (company contracting profile) and, in addition, the formalisation of contracts for an amount greater than 100,000 euros is published in the Official Gazette of the Autonomous Community of Madrid.</p> <p>The information on Canal de Isabel II, S. A. contracts is periodically sent to the Contracts Registry of the Autonomous Community of Madrid.</p>
<p>PHASE IV: RECEIPT AND ANALYSIS OF BIDS</p>	<p>At this stage, the Sub-Directorate for Procurement reviews the administrative documentation of tenders submitted by tenderers. Tenders that do not meet these requirements are not taken into consideration and the tenderers are informed of this fact when they open envelopes (in the opening of the technical envelope, if it is awarded by multiple criteria; in the opening of the financial envelope, if it is awarded at the lowest price).</p> <p>In tendering procedures that are awarded on the basis of multiple criteria, prior to the opening</p>	<p>of financial proposals, technical envelopes are opened for the purpose of assessing the non-quantifiable criteria by simply applying formulas prior to the opening of financial proposals.</p> <p>Finally, the opening of the tenderers' financial bids is made in public. In tendering procedures that are awarded on the basis of multiple criteria, the technical scores obtained prior to the opening of tenders are read in public.</p>
<p>PHASE V: EVALUATION OF TENDERS AND AWARD OF THE CONTRACT</p>	<p>The proposing service prepares the report on bids that are subject to an initial presumption of abnormal or disproportionate value and the final evaluation report on the bids. The contracting board analyses both reports and issues an award proposal which is submitted to the contracting authority awarding the contract.</p>	
<p>PHASE VI: FORMALISATION OF THE CONTRACT</p>	<p>The contract is formalised within 15 days of notification of the award of the contract and after the successful tenderer has provided the corresponding guarantee.</p>	

Sustainability and efficiency in management

Strategic objective and sustainability and efficient management plans (2018-2030)

Strategic objective: performing rigorous, efficient and transparent public management, ensuring the proper economic and social balance.

In order to fulfil this strategic guideline we have proposed, among other things, reducing our Net Financial Debt by 2022 to achieve a NFD/EBITDA ratio of 1.2:

SG10 indicator	
Net financial debt to EBITDA	
	no.
2017	2.05
2018	2.20
2019	1.65
2020	1.40
2021	1.30
2022	1.20

Our objective in this area will focus on three major points including providing technological support to the other strategic guidelines defined for the 2018-2030 period, the innovation and internal development of

the company, the digital transformation of Canal Isabel II and positioning ourselves as an innovative company. In order to do so, 4 strategic plans have been defined for the 2018-2030 period:

- 1 Plan to ensure the efficient use of economic resources**, comprising two strategic actions involving a review of the criteria used in the Strategic Infrastructure Plan (PIE) and its analysis model, and the analysis and implementation of general cost optimisation plans.
- 2 Plan to gradually bring the level of indebtedness in line with the development strategy**, involving formalisation of the debt policy and financial review and planning before bond maturity.
- 3 Plan to improve process efficiency**, with actions to substantially reduce tender periods.
Through this plan we will also seek to minimise commercial debt among the company's customers, ensure efficient management in energy procurement with the creation of an energy management centre and, finally, launch a comprehensive plan to re-design company processes.

Strategic guideline 10 flagship plan



10 | FREEZING OF TARIFFS UNTIL 2019

0% increase in domestic, industrial and commercial tariffs until 2019

We commit to maintaining drinking water supply and sanitation tariffs unchanged until 2019, whilst simultaneously improving efficiency and reducing debt, all at the lowest cost for Madrid's residents.

Key plan indicator

Zero increase in all rates under domestic, industrial and commercial tariffs.

5

THE CANAL GROUP



.....

The experience accumulated by Canal de Isabel II in more than a century and a half of management allows us to contribute added value through other activities related to the water sector in geographical areas other than the Autonomous Community of Madrid.

.....

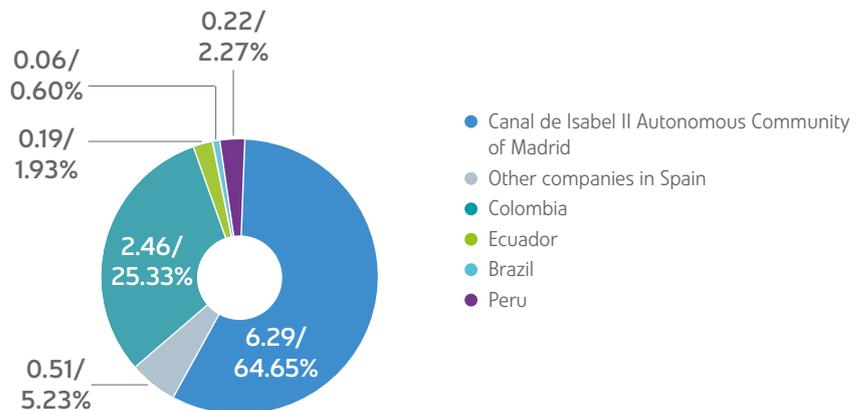
Thus, back in the 1960s, Canal de Isabel II began to build a group of investee companies that, along with Canal de Isabel II, constitute the modern-day **Canal de Isabel II Business Group**.

By the end of 2017, the Group supplied water to 9.72 million people (6.79 million in Spain and 2.93 million in Latin America), employing 6,504 workers and generating more than 6,400 indirect jobs. Likewise, it

had also managed a total of 826 million cubic metres of water (557 in Spain and 269 in Latin America) and 45,232 kilometres of supply, sanitation and regenerated water networks.

At year-end, there were nearly 2.2 million supply contracts (85% of which are domestic) in more than two hundred municipalities, with a supply coverage rate of 98.64% (99.55% in Spain).

Population supplied per country in 2017 (millions of inhab. /% of total)



5.1. Canal Group: activities and geographical location

At the end of 2017, the Canal de Isabel II Business Group was made up of 20 operating companies, including Canal de Isabel II itself. The companies that make up the Group are engaged in three activities:



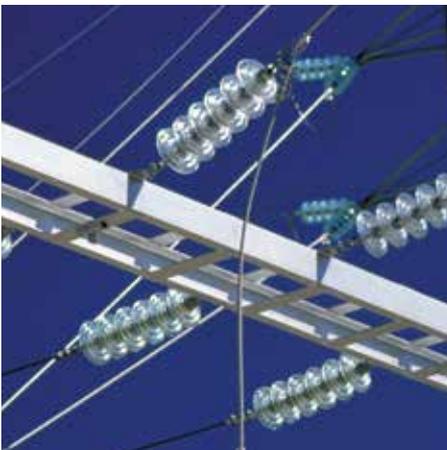
Management of the integrated water cycle

In three Spanish Autonomous Communities, in three departments in Colombia, Ecuador, Peru and Brazil.



Integrated water cycle management support services

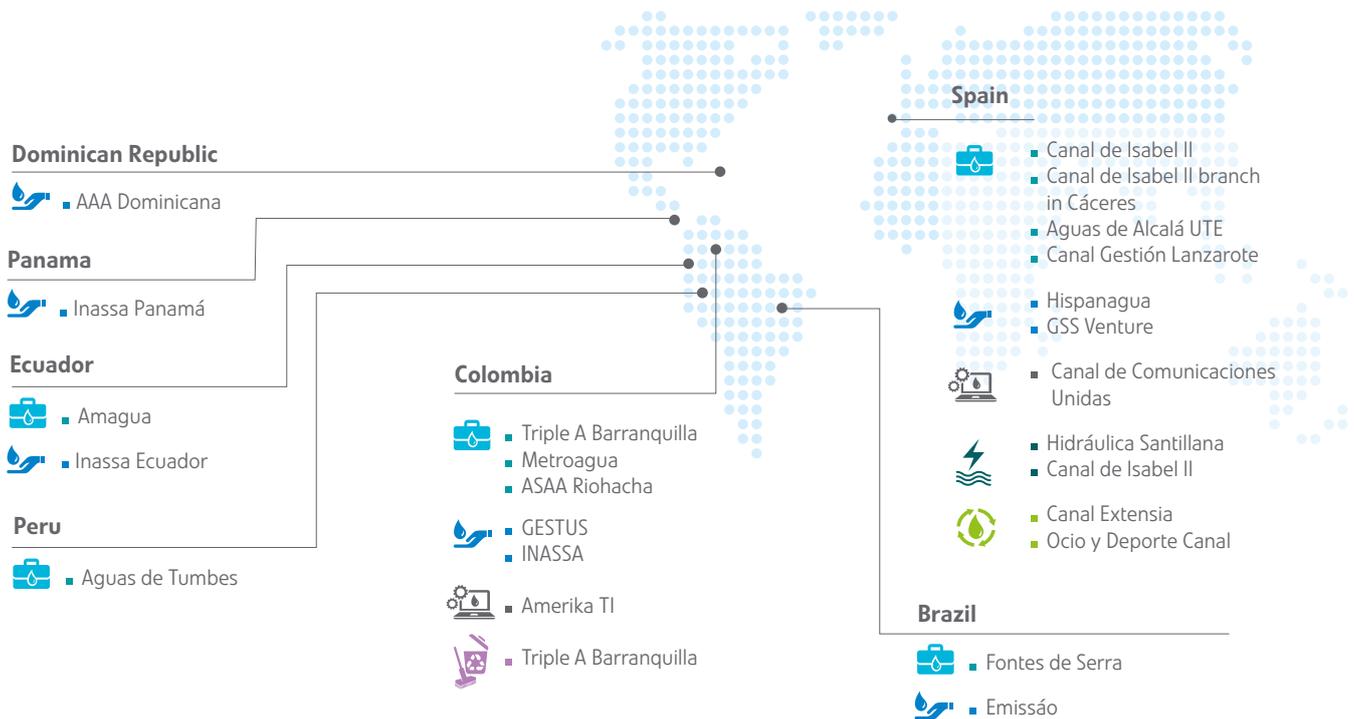
Such as sectoral advisory and consulting services; civil engineering; the operation of third-party plants; works and installation of connections and meters; purchase of supplies; commercial management of supply and sanitation; and call centre management, among others. For the development of these activities, the Canal Group has companies in Spain, Colombia, Panama, the Dominican Republic and Brazil.



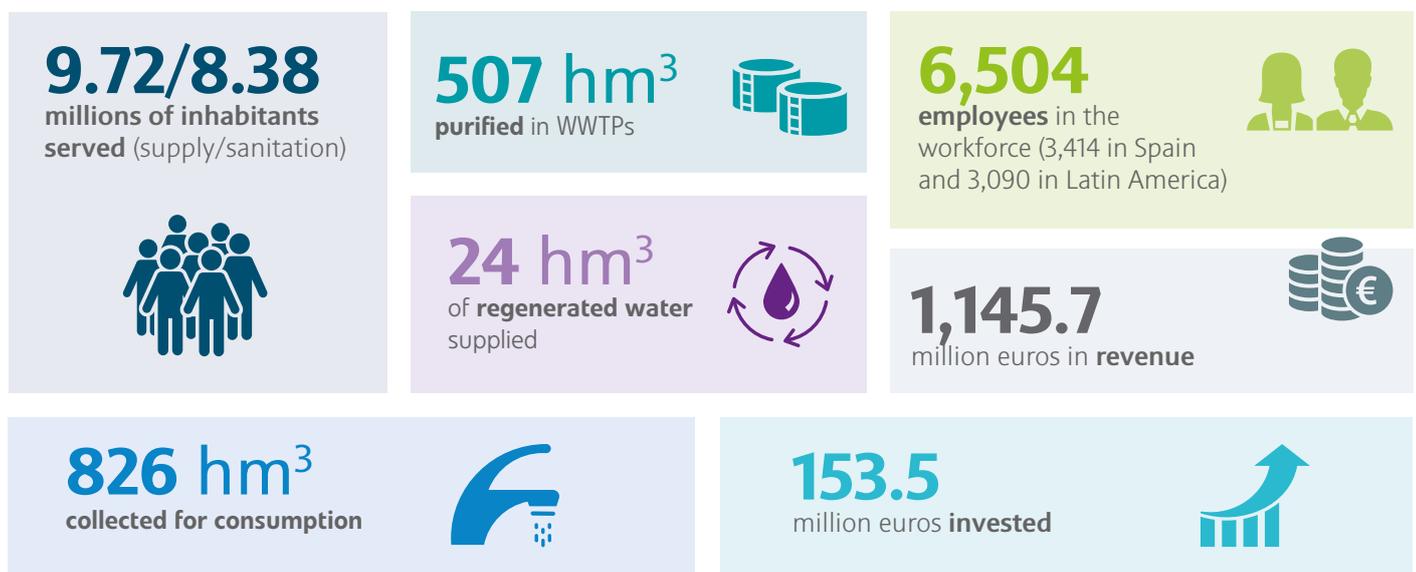
Other activities in synergy with the management of the integrated water cycle

Such as the generation of electric energy; telecommunications and information technology; engineering, construction and civil architecture; waste management and urban cleaning. These activities are performed by Group companies located in Spain, Colombia, Ecuador and Brazil.

Canal Group: main companies and geographical location



The main figures for the Canal de Isabel II Business Group at year-end 2017 were as follows:



Presence in **4 Autonomous Communities** in Spain and in **6 Latin American countries**.

5.2. Canal Group: population served and capabilities in the integral water cycle

To provide this type of activity, the Group has nine companies located in Spain (3), Colombia (2), Ecuador (1), Brazil (1) and Peru (1). At the end of 2017 these companies were:

- **Canal de Isabel II, S.A.** is the parent company of the Business Group and manages the integrated water cycle in the Autonomous Community of Madrid (179 municipalities), 7 municipalities of Castilla-La Mancha and 3 municipalities of Extremadura through our branch in Cáceres.
- **Aguas de Alcalá UTE**, a temporary joint venture in which in addition to Canal (50% of the shares), AQUALIA held a 50% stake at 31 December 2017. It is responsible for the supply and management of sewerage networks in the city of Alcalá de Henares (Madrid, Spain).
- **Canal Gestión Lanzarote, S.A.U.**, which entered operation on 1 June 2013 and manages the integrated water cycle in the islands of Lanzarote and La Graciosa, in the Autonomous Community of the Canary Islands (Spain). Serves the residents of 7 municipalities.
- **Sociedad de Acueducto, Alcantarillado y Aseo de Barraquilla S.A. E.S.P.** known as 'Triple A Barraquilla', is the company in charge of managing the integrated water cycle in the Colombian city of Barraquilla and 14 other municipalities in the Department of Atlántico in Colombia.
- **Avanzadas Soluciones de Acueducto y Alcantarillado S.A. E.S.P.**, or ASAA, is a company that was incorporated into the Canal Group in 2013. The company is responsible for supply and sewerage services in the District of Riohacha, capital of the Department of La Guajira (Colombia).
- **Aguas de Samborondón Amagua C.E.M.**, whose purpose is to distribute drinking water and provide sewerage management, wastewater treatment and reuse of regenerated wastewater services in Samborondón and Daule, towns that are located near Guayaquil (Ecuador).
- **Fontes da Serra, Saneamento de Guapimirim Ltda.**, owned by the company Emissão, incorporated into the Canal Group in November 2013. Fontes de Serra is the company that supplies the inhabitants of Guapimirim, in the State of Rio de Janeiro (Brazil).
- **Aguas de Tumbes**, incorporated into the Canal Group in 2016, it supplies water to the city of Tumbes and 11 other municipalities in Peru.

Population and municipalities served in Spain

Company	Geographic location	Population served (inhabitants)			Number of municipalities served		
		Supply	Sewerage	Purification	Supply	Sewerage	Purification
Canal de Isabel II	Autonomous Community of Madrid	6,286,805	5,536,540	6,498,623	173	134	179
	Autonomous Community of Castilla La Mancha	11,926		4,272	7		1
	Province of Cáceres (Extremadura)	98,159	98,159	97,168	3	3	2
Aguas de Alcalá UTE	Alcalá de Henares (Madrid)	194,310	194,310		1	1	
Canal Gestión Lanzarote	Islands of Lanzarote and La Graciosa (Canary Islands)	204,394	144,312	144,312	7	7	7
TOTAL SPAIN		6,795,594	5,973,321	6,744,375	191	145	189

Population and municipalities served in Latin America

Company	Geographic location	Population served (inhabitants)			Number of municipalities served		
		Supply	Sewerage	Purification	Supply	Sewerage	Purification
Triple A	Barranquilla and 14 other municipalities in the Department of Atlántico (Colombia)	2,245,506	1,949,394	558,445	15	12	10
Aguas de Tumbes	Tumbes (Peru) and 11 nearby municipalities	220,316	113,317	63,995	12	11	10
ASAA	Riohacha (Colombia)	217,395	184,241		1	1	
Amagua	Samboorondón and Daule (Ecuador)	187,986	157,085	157,085	2	2	2
Fontes da Serra	Guapimirim (Brazil)	57,921			1		
TOTAL LATIN AMERICA		2,929,124	2,404,036	779,525	31	26	22
TOTAL GRUPO CANAL		9,724,718	8,377,357	7,523,900	222	171	211

5. THE CANAL GROUP

Canal Group: technical information at FY 2017 end

 Supply	Spain	Latin America	Group Total
Number of reservoirs or catchments in rivers	17	9	26
Number of wells in operation	79	13	92
Number of seawater catchments	4	-	4
Sum of managed catchments	100	22	122
Number of DWTPs and desalination plants managed	20	9	29
Treatment capacity in millions of cubic metres per day	4.76	0.77	5.53
Kilometres of managed supply networks	20,377	4,306	24,683
Number of municipalities served in supply	191	31	222
Population served in supply (millions of inhabitants)	6.796	2.929	9.725

 Sanitation	Spain	Latin America	Group Total
Kilometres of sewerage networks managed	15,980	3,472	19,452
Number of pumping stations (WWPSs) managed	212	186	398
Number of wastewater treatment plants (WWTPs) managed	168	102	270
WWTP design flow rate (hm ³ /day)	3.27	0.24	3.51
Number of municipalities served in sewerage management	145	26	171
Population served in sewerage (millions of inhabitants)	5.974	2.404	8.377
Number of municipalities served in wastewater treatment	189	22	211
Population served in wastewater treatment (millions of inhabitants)	6.744	0.779	7.524

 Reuse	Spain	Latin America	Group Total
Number of waste water regeneration plants	30	18	48
Kilometres of regenerated water networks	1,097	-	1,097
Number of municipalities served by the regenerated water supply service	28	2	30
Volume of regenerated water produced in 2017 (million cubic meters)	19.22	4.69	23.91



5.3. Grupo Canal: companies with other activities

Group companies: water management support services

This category includes Group companies that carry out activities related to the management of the integrated water cycle, such as sector engineering and consultancy, the construction and operation of drinking water and wastewater treatment plants, works and installation of connections and meters, purchase of supplies for water supply, commercial management of supply and sanitation, *call centre* management or collection of fees and taxes.

To carry out these activities, at the end of 2017 the Group had companies in Spain, Colombia and the Dominican Republic, Panama and Ecuador (through Inassa's subsidiaries in these countries) and Brazil. These companies are:

- Hispanagua, S.A.U., a company created in 1995 by the partial spin-off of Hidráulica Santillana. Its main objective is the construction, maintenance and operation of infrastructures related to water management, the operation of DWTPs and WWTPs and the provision of commercial services such as connection works or the installation of meters. According to Spanish public sector contract law, this is Canal's own medium, so that practically all of its business activity is carried out for the Group's parent company in Spain.
- **Sociedad Interamericana de Aguas y Servicios S.A. (INASSA)**, acquired in December 2001, was incorporated in 1996 as a company engaged in providing services related to the integrated water cycle in Colombia and other Latin American countries. Inassa offers consulting services in public utilities processes and comprehensive and innovative IT solutions to drinking water and sanitation utilities in Latin America.
- **Amerika Tecnologías de la Información, S.A.S.**, which since 2014 has been dedicated to the development and commercialisation of Amerika Software, a product that provides a definitive and integrated solution to public utilities companies, designed by the water industry. Its different modules cover commercial management, technical management, administrative and financial management and management control.
- The company **GESTUS Gestión & Servicios** provides services to the different companies of the Canal Group in Latin America. For companies in the water supply sector, it is responsible for commercial consulting and management, the design and construction of civil works, collection management, the updating and assembly of databases and software, human contact centre services, document management and courier services.
- **AAA Dominicana S.A.**, which began its operation in the Dominican Republic with the contract for commercial management and installation of meters in the western area of the city of Santo Domingo to serve a population of almost 1.5 million inhabitants. In recent years, AAA Dominicana S.A. has achieved significant growth by expanding its services in the commercial management of water services.
- **Inassa Panamá**, a branch of the Colombian company Inassa, began its activities in 2011. The company provides advisory and operational services for the commercial and technical management of companies in the domestic utilities sector.
- **Inassa Ecuador** is a delegation of the Colombian company Inassa that has been in charge of executing all the activities inherent to the integrated water cycle in that country, extending to infrastructure works, consultancy, technical assistance, design, project supervision management and environmental consultancy.

- **GSS Venture, S.L** is a company in which Canal de Isabel II holds a 25% minority stake. Its corporate purpose is the provision of telemarketing and customer services, developed through the telephone network or any other telematic means. GSS is the company that currently handles Canal de Isabel II's customer service call centre.
- **Emissão, S.A.**, headquartered in Rio de Janeiro, is responsible for the commercial management of supply and sanitation services in several Brazilian states; carries out consulting and sectoral engineering work; builds, manages and maintains facilities and supply networks for other companies; develops and maintains remote control systems in facilities and is the main operator in the supply to the municipality of Guapimirim (State of Rio de Janeiro) through the company Fontes de Serra.

Other Group companies: synergistic activities with the integrated water cycle

Apart from the activities directly related to the management of the integrated water cycle or with activities supporting the management of said cycle, the Canal de Isabel II Business Group carries out activities in synergy with the management of the integrated water cycle with five of its companies. These activities include hydropower generation; telecommunications and information technology; waste management and urban cleaning; and engineering and construction. These activities are performed by Group companies located in Spain, Colombia and Brazil:

- **Hydroelectric production: Hidráulica Santillana S.A.U.**, which was acquired in 1965 by Canal de Isabel II from the company of the same name. The company was split in 1995, separating the activities related to the integral water cycle (for which Hispanagua was created) from energy production activities. The company's main activity is the operation of eight hydroelectric power plants, with a total installed capacity of 34.85 megawatts. These plants take advantage of the waterfalls existing in Canal de Isabel II reservoirs in the Autonomous Community of Madrid.
- **Information technology and telecommunications: Canal de Comunicaciones Unidas, S.A.U.** (hereinafter CCU), is a company wholly owned by the Canal Group and dedicated to the information technology and telecommunications sector. CCU has Canal de Isabel II as its main customer and currently has other customers to whom it provides mobile communications services, such as the Autonomous Community of Madrid.
- **Solid waste management and urban cleaning: In addition to managing the integrated water cycle, Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A** has been providing all the services related to solid urban waste management and urban cleaning in Barranquilla since 1993, and in three other municipalities in the Department of Atlántico since 1997.
- **Engineering and construction of civil works not related to water:** the Brazilian company **Emissão, S.A.** was incorporated into the Canal Group in 2013. It carries out activities related to the management of the integrated water cycle and related processes, but also has the capability and experience to carry out civil works and construction in other areas.

Other activities

In addition to operating companies with personnel, Canal Group has other companies. These are:

- Canal Extensia, S.A.U., established in 2001, which holds the shares of all the Group's Latin American companies.
- Soluciones Andinas de Agua, located in Uruguay, which was formed in 2013 to hold 75% of the shares held by the Canal Group in Emissão.
- AAA Ecuador, located in Ecuador, holds 70% of the shares of Amagua.
- Ocio y Deporte Canal, S.L.U., based in Madrid, manages sports facilities that develop value-added activities or use networks or infrastructures partly managed by Canal de Isabel II, and particularly to exercise commercial and sports activities of the infrastructures which are partly managed by Canal de Isabel II, representing added value for its users.

5.4. Group company workforce

At year-end 2017, the aggregate workforce of all Group companies with their own activities and personnel was 6,504 in 7 countries. Of these, 52.52% worked in Spain and 47.48% in Latin America. The workforce of the parent company (Canal de Isabel II, S.A.) accounts for 40.14% of the Group's total.

SPANISH COMPANIES	Employees 2017	SPANISH LATIN AMERICAN COMPANIES	Employees 2017
Canal de Isabel II (Madrid and branch in Cáceres)	2,611	INASSA (Colombia, Ecuador and Panama)	168
Aguas de Alcalá UTE	73	Triple A Barranquilla (Colombia)	954
Canal Gestión Lanzarote	258	GESTUS (Colombia)	38
Canal de Comunicaciones Unidas	52	Amerika TI (Colombia)	59
SUM SPAIN	3,414	Amagua (Ecuador)	81
		AAA Dominicana (Dom. Rep.)	163
		Emissão and Fontes da Serra (Brazil)	1,357
		Aguas de Tumbes (Peru)	164
		SUM LATIN AMERICA	3,090



5.5. Consolidated Group financial results in 2017

In 2017, the ordinary income of Canal de Isabel II Business Group companies reached 1,145.7 million euros, 3.76% more than in 2016. This was primarily a result of the increased turnover of the Group's two main companies, Canal de Isabel II S.A. and Triple A de Barranquilla S.A.

Consolidated EBITDA for the year amounted to 414.3 million euros, an 10.3% increase compared to 2016 thanks to efficiency improvements over the year and higher turnover. The consolidated result for 2017 was 254.6 million euros, of which 252.7 million euros is parent company shareholders' equity.

Change in key values (millions of euros)



Consolidated income was up as a result of the growth of the Group's two main companies

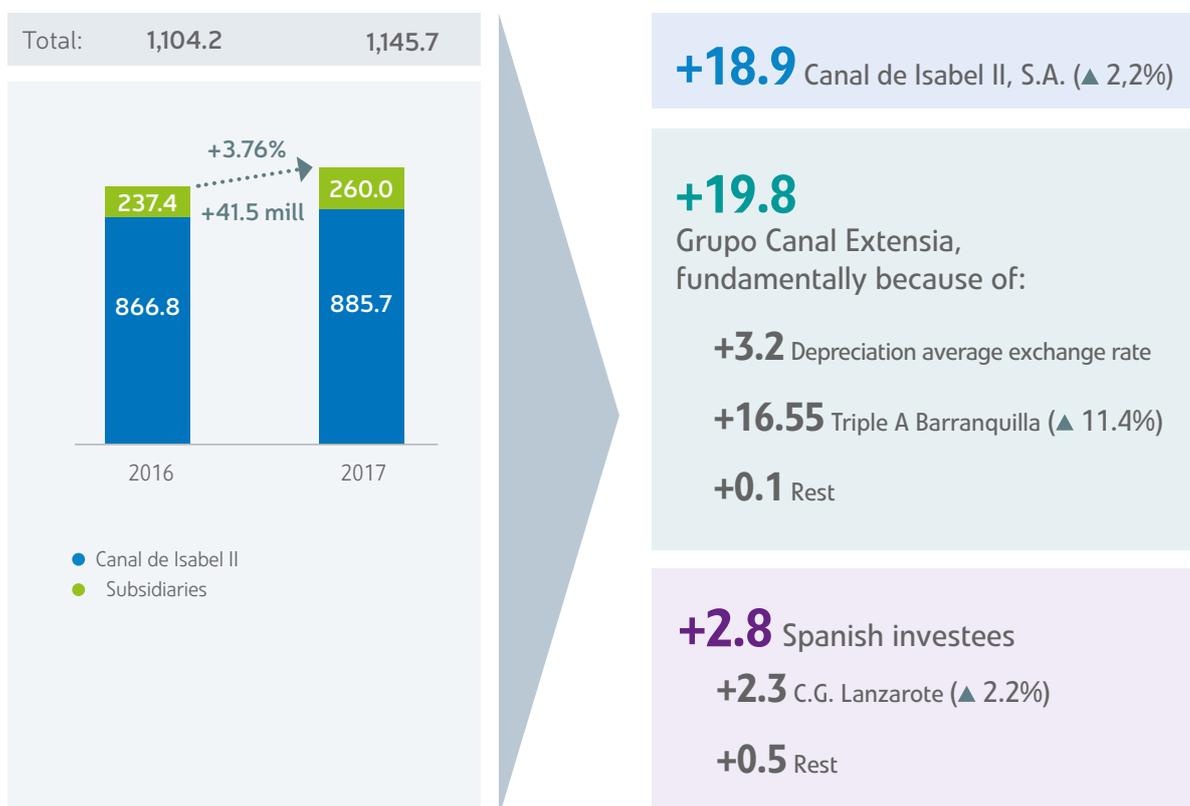
In 2017, the Canal de Isabel II Group achieved consolidated ordinary income of **1,145.7 million euros** (up 3.8% compared to 2016).

The contribution of the parent company was 855.7 million euros in 2017 (77.3% of consolidated ordinary income), an increase of 2.19% compared to the previous year despite tariffs remaining unchanged.

The contribution of Triple A de Barranquilla was also significant at 160.9 million euros (14.0% of consolidated ordinary income), an increase of 13.1% compared to the previous year.

Therefore, the growth of consolidated turnover is directly related to the increased turnover of the Group's two main companies, resulting from an increase in the number of customers and the volume of water billed as well as, in the case of Triple A de Barranquilla, rate increases during the year and the 1.4% rise in the average rate of the Colombian peso against the euro.

Consolidated revenues (In millions of euros)



Consolidated EBITDA and Operating result

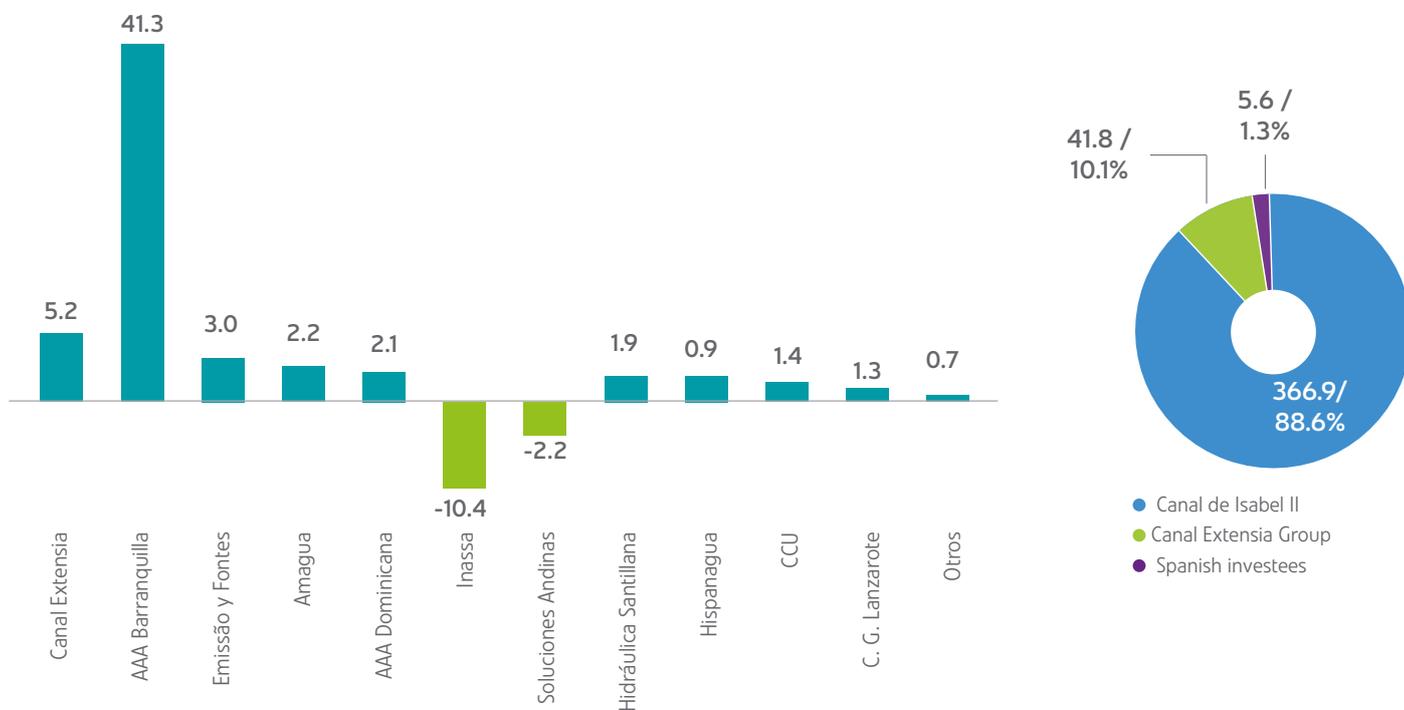
Consolidated EBITDA for the year amounted to **414.3 million euros**, an 10.3% increase compared to 2016 thanks to efficiency improvements over the year and higher turnover. This improvement is reflected in the EBITDA margin, which rose from 36.16% in 2016 to 36.4% in 2017.

The optimisation of resource management, investments made during previous years, operational efficiencies in terms of energy consumption and the improvements achieved in management and operating process have led to a higher operating margin. The management of the complete water

cycle by the parent company and the supra-municipal nature of its activities enable not only cost coverage but also a higher margin thanks primarily to economies of scale and operational synergies.

Most of the Group's EBITDA corresponds to the activities of the parent company, Canal de Isabel II, S.A., which contributes 366.9 million euros, accounting for 88.6% of the total. Of note among the investees is Triple A in Colombia, which contributed 41.3 million euros (9.03% of the consolidated Group EBITDA).

Consolidated EBITDA (In millions of euros)



Similarly, the **consolidated Operating Result** also increased by 13.8% compared to the previous year to reach **299.9 million euros**.

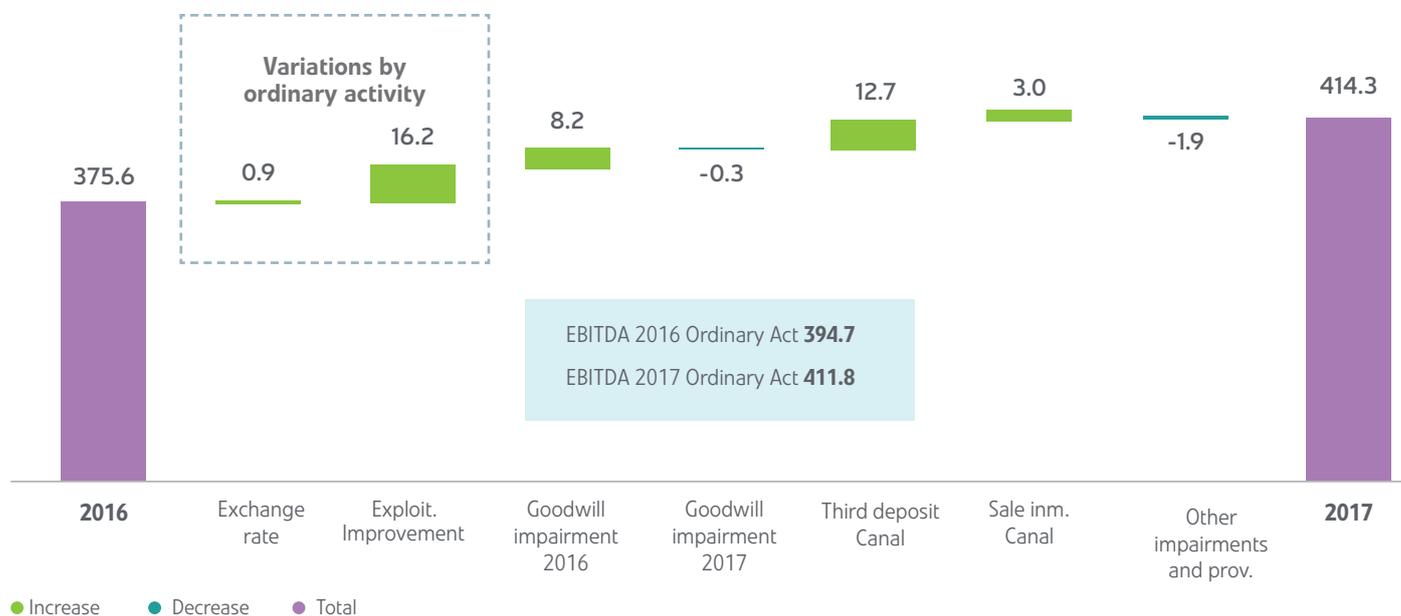
In addition to ordinary improvements, it should be noted that the impairment losses of value for an amount of 991 thousand euros, on the sporting facilities of the Third Water Tower on Calle Islas Filipinas in Madrid were partially reversed by the parent company during 2017 as a result of Order 287/2017, of 9 February 2017, declaring the uses and activities corresponding to the free spaces and basic sporting areas of the Third Water Tower to be a priority in the public interest. Of the form that the same ones remain legitimized urbanistically for his

compatibility with the General Plan of Urban Arrangement of Madrid. In addition, the Company has been ended up as partially the presentation of the processes of demolition and dismantlement 3.225 miles of Euros.

Similarly, based on the new business plan of Emissão, the Group has recorded an additional impairment of the goodwill of consolidating its stake in Emissão of 320 thousand euros. the impairment of registered goodwill was 8,135 thousand euros. "

Conversely, the investment in Aguas de Tumbes was impaired in full as a consequence of the divestment process underway.

Growth of ordinary EBITDA (in millions of euros)



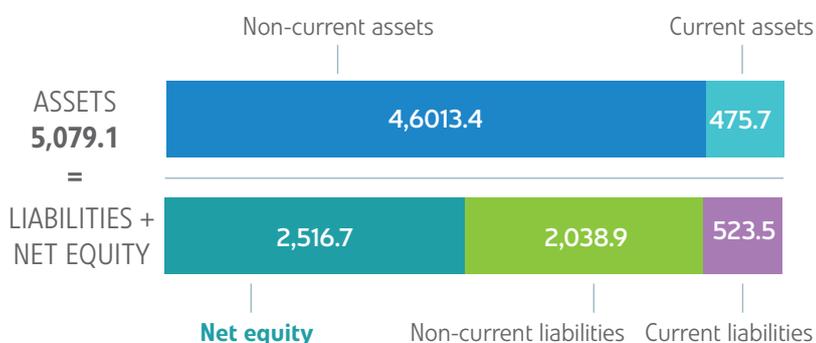
Consolidated net assets

The consolidated balance sheet, which shows the Group's equity situation, continues to be sound, with consolidated equity of 2,516,7 million euros at year-end 2017.

The positive result contributed by the investee companies to consolidated equity is worthy of note, although the application of different accounting standards means that consolidated equity is lower than individual equity.

Consolidated balance sheet (in millions of euros)

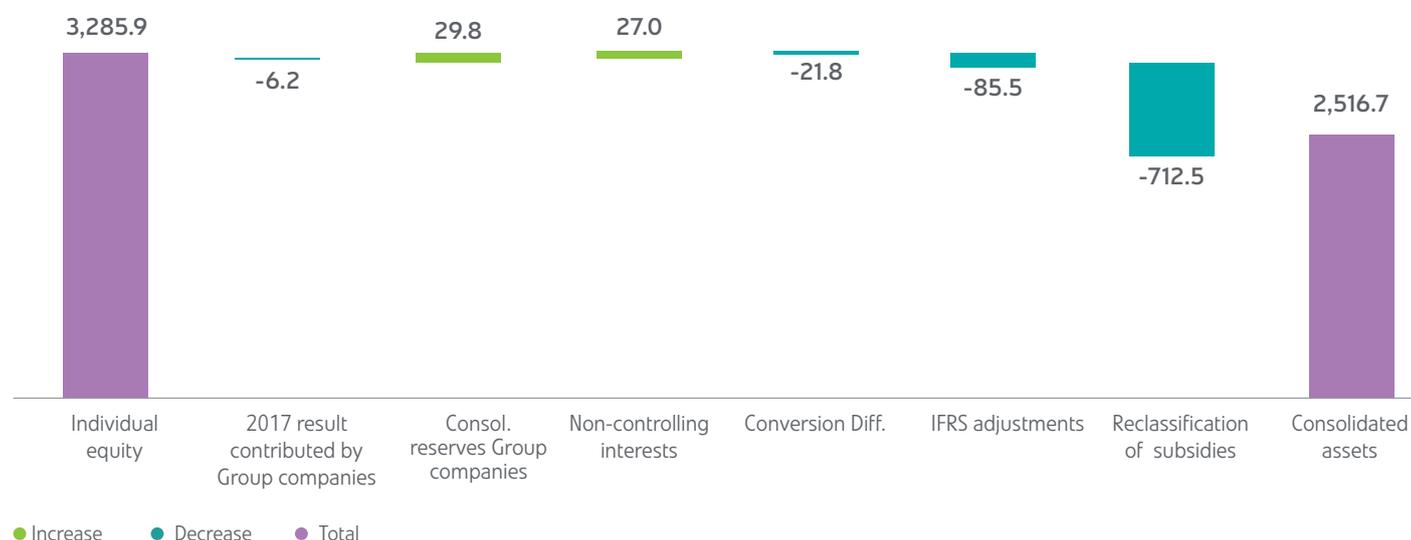
31 December 2017



Net equity

	2016	2017
Capital	1,074.0	1,074.0
Share premium	1,074.0	1,074.0
Other reserves	78.7	101.9
Retained earnings	305.9	385.3
Translation differences	-15.7	-21.8
Interim dividend	-119.4	-123.7
Non-controlling Interests	+29.9	+27
Total net equity	+2,427.4	+2,516.7

Net equity... from individual to consolidated (in millions of euros)

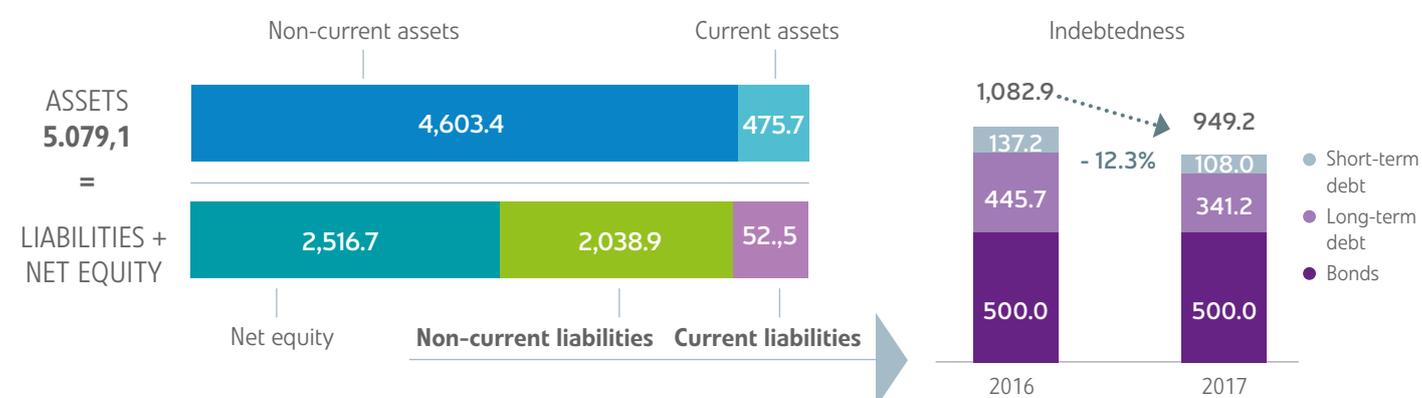


Reduction of financial debt

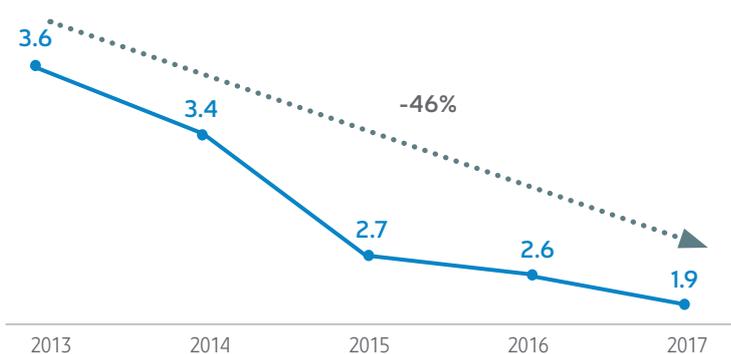
Despite the significant investments made during financial year 2017 and the distribution of dividends by the parent company, the Group continued to reduce debt, which stood at 949.2 million euros at the end of the year (12.3% less than in 2016).

Net financial debt fell by 189.3 million euros, primarily due to amortisations and depreciations carried out by the parent company (102.3 million euros), the debt restructuring carried out by the Group and the 11.6% fall at the closing rate of the Colombian peso against the euro at the year-end exchange rate. As a result, the net financial debt to EBITDA ratio stood at 1.92 at the end of 2017 compared to 2.62 at the end of 2016.

Consolidated balance sheet (in millions of euros)



Net Financial Debt/EBITDA Ratio



The leading European companies in the sector have a NFD/EBITDA ratio of between 2x and 6x

INDEBTEDNESS	December 2017	December 2016	% Change 2017-2016
Net financial debt (millions of euros)	796.1	985.4	-19.21%
EBITDA/Turnover	36.16%	34.02%	6.29%
Net financial debt/EBITDA	1.92	2.62	-26.76%

5.6. How do we want to grow in the future?

We believe that in order to grow we must place significant value on our capacity to support others through our experience.

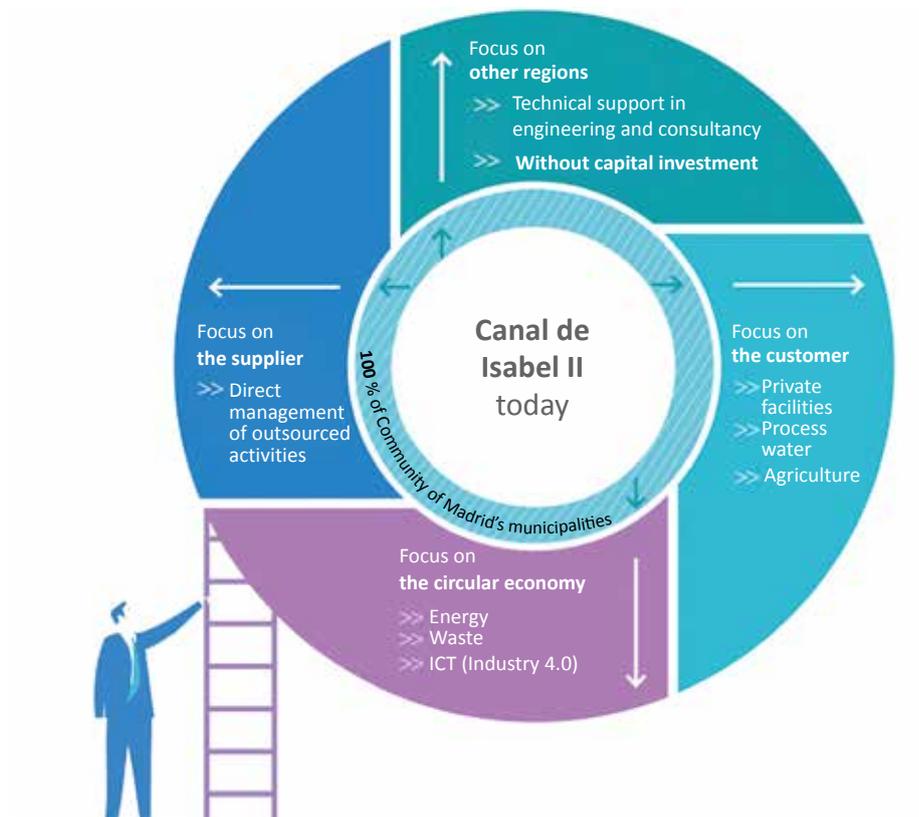
We are the leading public water company in Spain and one of the most important on the international stage. Over recent years the company has expanded into other countries and we are now reconsidering the suitability of this growth strategy.

Our General Shareholders' Meeting of 13 November 2017, following the proposal of the Board of Directors, approved the "disposal of all or part of the Latin American business of Canal de Isabel II, through disposal of the shares of Canal Extensia, owned by Canal de Isabel II or, where applicable, of the shares owned by Canal Extensia in Interamericana de Aguas y Servicios (INASSA), through the structure and the procedures deemed most appropriate by the Board of Directors for the interests of the Company". This disposal procedure will begin 2018 and is expected to be completed during 2019.

After completing the strategic review carried out in 2017, we believe that in order to maintain our position in the long term we must grow in all areas and have a presence at the most relevant international forums, placing value on our capabilities and supporting others through our experience.

However, achieving our objective will **NOT involve capital investments in other markets** through contracts or concessions that put our mission or our values at risk.

In order to maintain our long-term positioning, we have to grow in all dimensions but without investing capital in other territories.



ABOUT THIS REPORT



.....

The report was prepared in line with the instructions of the **G4 Guidelines** for preparing sustainability reports under the **Global Reporting Initiative (GRI)**

.....

This document is intended to reflect the actions and commitments of Canal de Isabel II throughout 2017. To this end, information mainly from the parent company is combined with part of that provided by Canal Group companies. This integration has been carried out following current international trends in the business world regarding the need for the information provided by companies to the different stakeholders with whom they interact to incorporate the most significant aspects, so that readers can have a real and integrated view of the current performance and future potential of organisations.

The document has been prepared in accordance with the indications of the G4 Sustainability Reporting Guide of the Global Reporting Initiative (GRI) and includes detailed information on most of the contents recommended therein. It is the intention of Canal to continue to prepare annual reports based on this standard during the coming fiscal years, using any new updates proposed by the GRI. The document includes the indicators established in the GRI G4 Guide that illustrate the material aspects that the company has determined for 2017. A detailed list of them and their location can be found in the report at the end of this chapter (and in Appendix 5). We feel that the 2017 annual report has been prepared in accordance with G4 in its Comprehensive option.

The contents of this report have also been independently verified by Canal de Isabel II's current auditors for 2017 (auditing firm KPMG), attaching the verification report that includes its scope and the results obtained (see Appendix 5). The criterion for choosing the verifying company was, both this year and in the previous years, its capacity as auditor of the annual accounts of our parent company, as appointed by our Shareholder's Meeting.

The document focused mainly on Canal de Isabel II's activity in the Autonomous Community of Madrid. Information on Canal Group companies is located in section 5 of the report, their main figures are included in Appendix 3 and the Group's key performance indicators are shown in Appendix 2.

G4-23

This report was elaborated in line with the start of a strategic reflection process led by Canal since June 2016 and throughout 2017. Therefore, the report structure was elaborated following the ten major guidelines of Canal de Isabel II's Strategic Plan 2018-2030. The Plan was performed through different stages, in a participatory process which included the opinion of our stakeholders.

G4-22

G4-23

The scope of the information included in the report mainly includes Canal de Isabel II and those Group companies in which Canal holds a majority interest, had personnel and were active in 2017. Also included in the scope of the report are the programmes and main activities carried out by our foundation in Spain (Fundación Canal).

This report generally presents the information with at least two comparative reporting years (2016 and 2017). In relation to the quantitative information from 2015 to 2017, in some cases there have been changes of criteria when interpreting the data, which led to some modifications with respect to the data that were published in previous years.



For any questions or additional information related to this report, please contact us at: atención_rsc@canaldeisabelsegunda.es

In general, all the Group's indicators were calculated by aggregating company data without taking into account the percentage of the Group's stake in its shareholdings (aggregated data), with the sole exception of consolidated economic data. This was done to ensure the consistency of the data published in the Group's consolidated financial statements. Values in euros were calculated using the average exchange rates applied in the income statement of the Group's consolidated financial statements.

The data contained in the report correspond to the activity between 1 January and 31 December for each of the reporting years. The data were compiled from the Canal Group companies' information systems in January 2018. All this information may be modified in the future due to subsequent events, changes or improvements in the accounting systems of the parameters used to construct the GRI indicators.

1

JUNE 2016
CREATION OF WORK COMMITTEES

We selected representatives from each department of the company and established an internal work committee — the **Progress Committee** — to work together with the Management Committee on identifying the company's main strategic decisions, values, missions and commitments.

2

OCTOBER 2016
START OF THE PARTICIPATORY PROCESS

We defined the participatory process in order to benefit from the opinions of the **different parties involved** and to learn about their expectations from our company (customers, employees, social agents, suppliers and regulators). As part of this work, we formed up to 11 working groups (**Focus Groups**) and also interviewed prominent members of universities, companies and citizen associations.

3

DECEMBER 2016
DESIGN OF THE STRATEGIC PLAN

Drafts of the 90 new actions to be developed in the future were drawn up and line operations were run by 100 Codas managers in 10 working groups with the support of Canal.

4

FEBRUARY 2017
FINAL DESIGN AND COMPARISON

We grouped the 90 actions into **10 strategic lines**, checked them with the Management Committee and organised them into 35 strategic plans, which would be developed throughout the second half of 2017. We started the comparison phase with the city councils, which include municipal governments of all political divides and geographical regions of the Community of Madrid.

5

SEPTEMBER 2017
APPROVAL OF THE STRATEGY

We presented our strategy for approval to the company's **Board of Directors** and the detailed plans of the specific actions were initiated, as well as the implementation and follow-up plan.

6

OCTOBER-DECEMBER 2017
PRESENTATION OF THE STRATEGIC PLAN

We presented our strategy at the General Shareholders' Meeting and began the process of finalising all activities over the months of October, November and December so that it could be launched in 2018.

7

JANUARY 2018
LAUNCH OF THE NEW STRATEGY!

Process of materiality and results: Material features and coverage

G4-18

G4-20

G4-21

G4-27

As described in the previous section, the process we have followed to determine the context of sustainability, the contents of this document and the coverage of each aspect, took place in parallel with the elaboration process of Canal de Isabel II's Strategic Plan 2018-2030 in 2016 and 2017, which will culminate with its implementation in 2018. For this process in mid-2016, representatives from the different areas of the company were selected and an internal working committee, the Advancement Committee, was established to work together with the Management Committee in 2017 to define the company's main areas of strategic action, values, mission and actions.

G4-26

Also during 2016 and 2017, a participatory process was executed to obtain the opinion of the different participating agents (customers, employees, social agents, suppliers or regulators). We invited everyone to participate in our reflection process, and held up to 11 focus groups to find out their opinions and expectations about our company, and we also interviewed leading members of universities, companies, municipalities and citizens' associations.

Based on all these contributions, the main material aspects for the company were defined, resulting in a set of strategic action lines that are the basis for the development of Canal throughout the 2018-2030 period. The lines defined and the material aspects of each one are included in the following page.



Guidelines of Canal de Isabel II's Strategic Plan 2018-2030

Material aspects of management in each area of action

		Material aspects of management in each area of action			
	SG1. Guaranteed supply	Maximum efficiency in the use of existing resources	Expansion of regenerated water consumption	Efficient management of demand	
	SG2. Drinking water quality	Improved water quality at source	New treatment technologies	Improved network operation and maintenance processes	Improved preventive maintenance of the supply networks
	SG3. Service continuity	Reinforced physical security of facilities	Personal safety	Information security	Supply resilience for the municipalities of the Autonomous Community of Madrid
	SG4. Environmental quality and energy efficiency	Efficiency in wastewater purification	Adapting to climate change	Promoting the circular economy	Development of renewable energy
	SG5. Cooperation with the municipalities of Madrid	Closer ties to town halls and residential estates	Excellence in sewerage	Collaboration and revitalisation of the municipalities of Sierra Norte	
	SG6. Commitment and proximity to the user	"Customer experience" culture	Smart meters and new billing systems	Improved business processes	
	SG7. Transparency, Good Governance and Commitment to society	Good Corporate Governance	Maximum transparency in management	Commitment to society	
	SG8. Talent, commitment and health of our professionals	Commitment and sense of belonging of the workforce	Workforce adapted to evolving needs	Promotion of managerial activities of professionals	Employee safety
	SG9. Innovation and development	Innovative strategy support	Innovation and internal development	Digital transformation of Canal	Positioning as an innovative company
	SG10. Financial sustainability and management efficiency	Efficient use of economic resources	Adaptation to indebtedness to strategy	Greater efficiency in internal processes	

Coverage of material aspects

Internal
 Mixed (internal-external)
 External

G4-27

The analysis conducted by Canal, based on the range of areas of action, about the importance of each of them for the main elements of its **value chain** (both inside and outside the organisation) is shown below.

	ENVIRONMENTAL MANAGEMENT											
												
	SOCIETY	ECOLOGICAL ORG.	SUPPLIERS	CATCHMENT	TREATMENT	DISTRIBUTION	SEWERAGE SYSTEM	PURIFICATION	REUSE	OTHER SERVICES	EMPLOYEES	CUSTOMERS
Guarantee supply	●		●	●	●	●			●			●
Guarantee the quality of drinking water	●	●	●		●	●						●
Assure continuity of service	●			●	●	●	●	●	●	●	●	●
Promote environmental quality and energy efficiency	●	●		●	●	●	●	●	●			
Develop cooperation with the municipalities of Madrid	●				●	●	●	●				●
Reinforce commitment and proximity to the user	●					●	●			●		●
Enhance transparency, good governance and social commitment	●	●									●	●
Promote the talent, commitment and health of our professionals				●	●	●	●	●	●	●	●	
Lead innovation and development	●			●	●	●	●	●	●	●	●	
Maintain sustainability and efficient management				●	●	●	●	●	●	●	●	

G4-19

The following table shows the 10 strategic guidelines established by Canal de Isabel II, indicating which sections of the report deal with the material aspects related to these areas.

Guidelines of Canal de Isabel II's Strategic Plan 2018-2030

Sections of the 2017 Annual Report											
		Guaranteed supply	Drinking water quality	Continuity of service	Environmental quality and energy efficiency	Cooperation with the municipalities of Madrid	Commitment and proximity to the user	Transparency, Good governance and Social commitment	Talent, commitment and health of our professionals	Innovation and development	Financial sustainability and efficient management
1	Our company										
1.1.	Main figures in the Autonomous Community of Madrid 2017	●	●		●						
1.2.	Our business: the integrated water cycle	●	●		●						
1.3.	Organisation of our company					●		●			
2	Our environment and future challenges										
2.1.	The value of water	●	●	●	●						
2.2.	Context in which our sector currently operates on an international level	●			●			●			
2.3.	Us and our sector in Spain	●	●	●	●		●				
2.4.	Our main challenges for the future (strategic context)	●	●	●	●	●	●	●	●	●	●
3	Our mission and commitments										
3.1.	Starting point for our mission				●		●	●	●	●	
3.2.	Our mission, values and commitments				●		●	●	●	●	
3.3.	Our stakeholders				●		●	●	●	●	
3.4.	Communication channels with our stakeholders						●	●			

 For more information on Canal's Strategic Plan 2018-2030 and its strategic guidelines, please visit this link:
<http://www.planestrategicocanal.es/>

Continued

Sections of the 2017 Annual Report											
		Guaranteed supply	Drinking water quality	Continuity of service	Environmental quality and energy efficiency	Cooperation with the municipalities of Madrid	Commitment and proximity to the user	Transparency, Good governance and Social commitment	Talent, commitment and health of our professionals	Innovation and development	Financial sustainability and efficient management
4	Canal's strategic guidelines: our performance in 2017 and future objectives										
4.1.	Guaranteed supply: water for everyone, every day	●									
4.2.	The best water		●								
4.3.	A reliable service			●							
4.4.	We take care of your environment				●						
4.5.	Building our region					●					
4.6.	At your side, for whatever you may need						●				
4.7.	The company of all Madrid's residents							●			
4.8.	Empowering our people								●		
4.9.	We commit to innovation									●	
4.10.	We are efficient and profitable										●
5	Grupo Canal										
5.1.	Canal Group: activities and geographical location	●	●				●				
5.2.	Canal Group: population served and capacities in the integrated water cycle	●	●								
5.3.	Canal Group: companies with other activities				●					●	
5.4.	Group company workforce								●		
5.5.	Consolidated Group results in 2017										●
5.6.	How do we want to grow in the future?					●	●			●	●

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Legal information about Canal de Isabel II, S. A. and consolidated information about Canal and its dependent companies

The entities included in the organisation's consolidated financial statements can be found in the documents listed below (all available on Canal's website – www.canaldeisabelsegunda.es/en/)

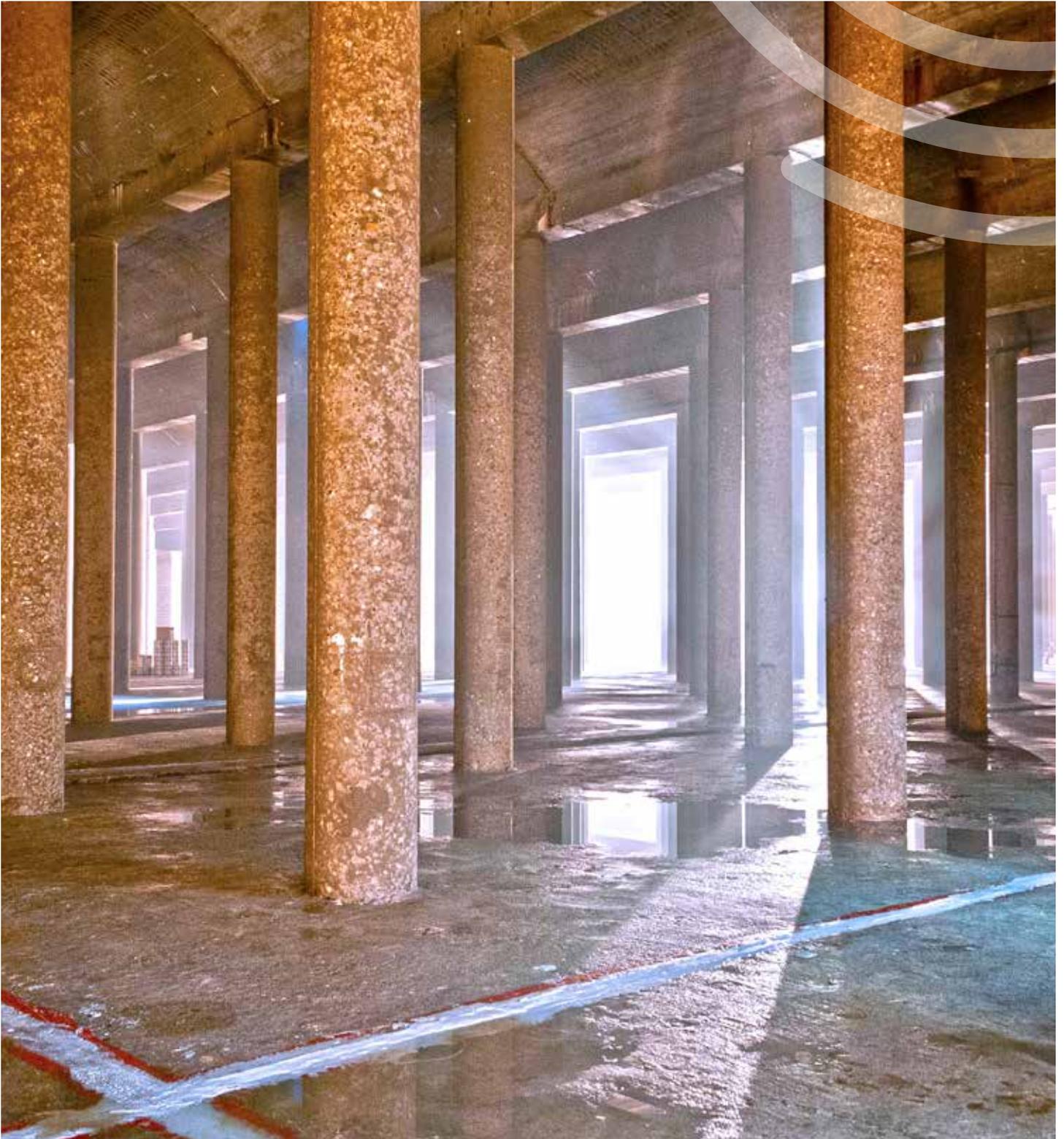
- *Independent audit report of Canal de Isabel II's accounts.*
- *2017 consolidated annual accounts, Annual Report and Management Report of Canal de Isabel II, S.A.*
- *Independent audit report of the accounts of Canal de Isabel II and dependent companies.*
- *2017 consolidated annual accounts, Annual Report and Management Report of Canal de Isabel II and dependent companies.*



Information available at this link:

<https://www.canaldeisabelsegunda.es/web/site/accionistas>

APPENDICES



APPENDIX I

DETAILED STATISTICS CANAL
DE ISABEL II IN THE AUTONOMOUS COMMUNITY OF MADRID
(2015-2017)

APPENDIX II

APPENDIX III

APPENDIX IV

APPENDIX V

Management of the integrated water cycle

Supply: natural contributions of rivers to reservoirs in millions of cubic metres

BASIN	2015	2016	2017
Lozoya	247.69	346.81	181.64
Jarama	102.96	152.17	59.82
Guadalix	23.89	46.47	25.99
Manzanares	71.72	117.05	55.74
Guadarrama - Aulencia	23.34	39.52	26.71
Alberche (Cofio-Morales)	11.26	28.44	18.60
Sum of annual contributions	480.86	730.46	368.49
Percentage vs historical mean (761.4)	-36.84%	-4.06%	-51.60%

Supply: water rerouted for consumption of reservoirs and catchments in millions of cubic metres

	2015	2016	2017
Canal Reservoirs	454.25	437.17	437.47
Lozoya Basin	186.3	202.2	202.6
Pinilla	3.3	3.2	3.0
El Villar	34.7	34.2	36.4
El Atazar	148.3	164.8	163.1
Jarama Basin	84.5	74.8	46.9
El Vado	84.5	74.8	46.9
Guadalix Basin	29.9	22.6	26.3
Pedrezuela	29.9	22.6	26.3
Manzanares Basin	64.9	46.3	54.1
Navacerrada	11.5	11.0	9.3
Santillana	53.4	35.3	44.8
Guadarrama - Aulencia Basin	85.6	88.2	104.1
La Jarosa	14.0	14.1	15.1
Valmayor	71.6	74.2	89.0
Alberche Basin (Cofio - Morales)	3.0	3.0	3.4
La Aceña	2.2	2.1	2.5
Los Morales	0.9	0.9	0.9

(Continues on next page)

(Continuation)

Supply: water rerouted for consumption of reservoirs and catchments in millions of cubic metres

Other catchments	43.43	54.31	66.82
Groundwater	7.4	6.6	1.4
Weir at Pozo de los Ramos	3.1	8.8	3.8
La Parra weir	0	0	1.391
Picadas reservoir	32.9	38.5	58.4
Impulsión San Juan - Majadahonda	0	0	0
Impulsión San Juan - Rozas de Puerto Real	0	0	0
Impulsión San Juan - ETAP Pelayos de la Presa	0	0.4	1.8
Tagus River (Tagus DWTP)	0	0	0
SUM OF WATER REROUTED FOR CONSUMPTION	497.68	491.48	504.29

Treatment and distribution figures

ADDUCTION	2015	2016	2017
Volume of water treated in DWTPs (hm ³)	494.84	489.19	500.06
Number of drinking water treatment plants (DWTPs)	13	14	14
Treatment capacity of drinking water treatment plants (hm ³ /day)	4.52	4.55	4.55
DISTRIBUTION	2015	2016	2017
Number of major pipelines	23	23	23
Number of major regulating deposits	33	33	34
Number of small deposits	288	291	292
Number of large lifting stations	21	22	22
Number of minor lifting stations	120	109	109
Length of managed network at end of period (km)	17,366	17,434	17,556

Sewerage figures

	2015	2016	2017
Kilometres of sewerage networks managed	14,504	14,841	14,956
<i>Large collectors and outfalls (km)</i>	822	823	877
<i>Municipal sewerage networks (km)</i>	13,682	14,018	14,079
Number of wastewater pumping stations (WWPS)	125	133	133
Number of buffering basins and storm tanks managed	63	65	65
Capacity of storm tanks managed (hm ³)	1.47	1.48	1.48

Wastewater treatment figures

	2015	2016	2017
Number of WWTPs in service managed	156	157	157
Purified water in WWTPs (hm ³ per year) discharged	445.03	485.1	442.73
Sum of purified water in WWTPs (hm³ per year)	457.92	497.51	458.62
Treatment capacity (million inhab. equivalents)	17.53	17.57	17.64
Design flow rate (hm ³ per day)	3.22	3.23	3.21
Percentage of treated volume by plant type			
Plants based on soft technologies	0.38%	0.43%	0.13%
Plants with primary treatment	0.00%	0.00%	0.00%
Plants with primary and secondary treatments	56.64%	55.95%	51.33%
Plants with primary, secondary and tertiary treatments	42.99%	43.62%	48.54%

Regenerated wastewater reuse figures

	2015	2016	2017
Number of regenerated water plants in service	21	23	25
Plant production capacity (m ³ per day)	308,126	308,126	313,1406
Length of in-service reuse network (km)	493.33	511.93	589.32
Number of in-service reuse tanks	35	63	63
Volume of regenerated water produced (hm ³ per year)	12.89	12.41	15.89
Total irrigated surface area (ha)	1,912.70	2,374.05	2,698.73
Number of municipalities with reuse infrastructures	22	22	23
Number of irrigated municipal green spaces	215	218	307

Efficient resource management figures

Figures in the fight against fraud

	2015	2016	2017
Number of reports received on possibly fraudulent events	9,317	6,490	7,604
Number of irregularities taken before the courts	75	80	51
Amount of water subject to lawsuits (m ³)	782,449	418,262	477,990
Estimated amount of water from convictions (m ³)	5,121,099	5,584,013	3,967,167
Total m³ of water accounted for in complaints/convictions	5,903,548	6,002,275	4,445,156
Revenue from judicial settlements (euros)	1,270,809	311,943	136,670
Revenue from penalty proceedings (euros)	439,945	12,900	0
Total revenue from fraud proceedings (euros)	1,710,754	324,843	136,670
Economic valuation of fraud claimed in court (euros)	1,120,880	609,794	586,454
Number of penalty proceedings initiated	2,427	459	668
Number of convictions for single connections	827	935	809

Supply network fault statistics

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Network length (in km at 31 December)	15,044	15,512	15,861	17,087	17,160	17,346	17,366	17,434	17,556
Number of network breakages per year	3,434	3,094	2,861	2,549	2,363	2,487	2,384	1,985	1,950
Breakage rate per km	0.23	0.2	0.18	0.15	0.14	0.14	0.14	0.11	0.11
Number of connections (at 31 December)	627,785	634,226	634,600	644,099	647,981	680,137	685,286	688,789	692,332
Number of breakages in connections per year	9,310	8,733	7,792	7,671	6,836	6,102	6,493	5,126	5,397
Breakage rate per 100 connections	1.48	1.38	1.23	1.19	1.05	0.90	0.95	0.74	0.78

Data on losses and self-consumption by hydrological years

HYDROLOGICAL YEARS	2014/2015	2015/2016	2016/2017
Water rerouted for consumption (millions of cubic metres)	499.1	489.01	498.83
Estimated real loss in adduction and distribution (% of water rerouted for consumption)	5.51	3.45	3.27
Hidden distribution network loss (% of water rerouted for consumption)	3.89	1.98	2.53
Canal self-consumption (% of water rerouted for consumption)	1.08	1.02	0.92
Self-consumption (in millions of cubic metres)	5.443	5.022	4.569

Water quality figures

Annual summary of the types of checks performed (number)

Types of checks performed	2015	2016	2017
Water at source/raw and before distribution	29,056	28,947	30,872
Distribution network	21,671	21,301	20,716
Automatic surveillance	1,494,565	1,636,067	1,946,138
Purified water	6,262	6,519	6,576
Regenerated water	5,316	7,265	9,315
Sewerage studies	610	536	342
Discharges	110	100	105
Inspections by official bodies	529	694	872
Viruses	88	90	86
WWTP sludge	0	83	149
Other	1,034	738	874
Sum of checks performed for Canal	1,559,241	1,702,340	2,016,045
Performed for other agencies or delegations	691	715	739
Sum of checks performed for Canal and third parties	1,559,932	1,703,055	2,016,784

Annual summary of analysed samples (number)

Type of analysis	2015	2016	2017
Water at source/raw and before distribution	476,492	476,719	483,958
Distribution network	372,838	370,485	358,463
Automatic surveillance	9,781,677	10,981,881	12,105,354
Purified water	53,931	59,902	63,304
Regenerated water	29,874	34,066	48,538
Sewerage studies	8,832	8,494	5,498
Discharges	1,338	1,399	1,554
Inspections by official bodies	3,097	4,064	5,027
Viruses	176	180	172
WWTP sludge		1,086	1,680
Other	8,841	7,759	10,315
Sum of checks performed for Canal	10,737,096	11,946,035	13,083,863
Performed for other agencies or delegations	16,551	16,165	16,388
Sum of checks performed for Canal and third parties	10,753,647	11,962,200	13,100,251

Efficient sanitation figures

Management of sewerage and urban drainage networks

CLEANING AND INSPECTION	2016	2017
Cleaning of scuppers (number)	592,009	524,051
Network subjected to preventive cleaning (%)	58.97	11.54
Pipe network cleaning (kilometres)	3,213	3,420
Network length inspected (kilometres)	5,448	29,624
<i>Pipe network inspection (kilometres)</i>	<i>3,177</i>	<i>2,931</i>
<i>Network inspection by probe (kilometres)</i>	<i>1,740</i>	<i>26,162</i>
<i>Visitable network inspection (kilometres)</i>	<i>531</i>	<i>531</i>

Management of sewerage and urban drainage networks

RENOVATION OF SANITATION NETWORKS (KM)	2016	2017
Renovation by technology without opening trenches	2.39	6.70
<i>Restoration through continuous hose</i>	<i>1.99</i>	<i>6.48</i>
<i>Other</i>	<i>0.41</i>	<i>0.22</i>
Visitable gallery	2.83	5.13
<i>Restoration of visitable gallery</i>	<i>0.27</i>	<i>0.65</i>
<i>Construction of visitable gallery</i>	<i>2.56</i>	<i>4.48</i>
Renovation of network by trenches	11.05	15.85
<i>Concrete</i>	<i>0.71</i>	<i>0.44</i>
<i>PVC</i>	<i>9.11</i>	<i>13.05</i>
<i>Stoneware</i>		
<i>Glass-fibre reinforced plastic</i>	<i>1.19</i>	<i>2.32</i>
<i>Other materials</i>	<i>0.04</i>	<i>0.04</i>
Sum of renovated kilometres	16.27	27.68

Purification of waste water

BASIC TECHNICAL INFORMATION	2016	2017
Number of WWTPs in service managed by the company	157	157
Number of plants based on soft technologies (lagoons, green filters, biodiscs, etc.)	11	7
Total volume of water purified and discharged	474.86	443.54
Treated volume versus volume rerouted for consumption (%)	96.62%	87.95%
Regenerated water versus volume rerouted for consumption (%)	2.52%	3.15%
Treatment capacity (millions of inhab. equivalents)	17.57	17.64
Design flow rate (hm ³ per day)	3.23	3.21
Percentage of purified wastewater discharged to river channels	97.50%	96.54%
Percentage of regenerated treated wastewater	2.50%	3.46%

Contamination eliminated and purification yield

	2016	2017
Inflow water volume at WWTPs (hm ³)	541.161	459.43
Inflow BOD ₅ (tons)	163,972	148,856
Inflow COD (tons)	312,791	294,497
Inflow nitrogen (tons)	31,409	28,646
Inflow phosphorus (tons)	4,042	3,813
Inflow water suspended solids (mg/l)	265	294
Average quality of treated water	574.819	574.819
Outflow water volume (hm ³) discharged	474.86	443.54
Outflow BOD ₅ (tons)	4,385	3,992
Outflow COD (tons)	20,465	19,959
Outflow nitrogen (tons)	12,099	11,381
Phosphorus (tons)	351	328
Outflow water suspended solids (mg/l)	11	11
Pollutant load removed		
BOD ₅ of pollutant load removed (tons)	159,586	144,864
Suspended solids (tons)	138,047	130,194
Degree of purification (%)	97.33%	97.32%
Purification yield (%)		
BOD ₅	97.33%	97.32%
Suspended solids	95.85%	96.26%
COD	92.73%	92.98%
Phosphorus	91.32%	91.39%
Nitrogen	61.48%	60.27%

Environmental management figures

Statistics on quality, environmental and OSH management systems

DOCUMENT STRUCTURE OF QUALITY, ENVIRONMENTAL AND OSH MANAGEMENT SYSTEMS	2015	2016	2017
Number of documents in force	532	597	598
Number of amended documents	104	101	106
SUM	636	698	704
UNITS AUDITED IN INTERNAL AUDITS	2015	2016	2017
Divisions	1	1	0
Departments	12	14	6
Areas	31	31	17
SUM	44	46	23
TYPE OF FACILITIES AUDITED IN INTERNAL AUDITS	2015	2016	2017
Well field	1	0	0
Dams	2	0	0
Drinking water lifting station	6	0	0
Drinking water treatment plant	2	3	9
Wastewater treatment plant	6	6	9
Laboratory	1	2	0
Offices	0	2	0
Other	16	8	0
SUM	34	21	18
RESULTS OF INTERNAL AUDITS	2015	2016	2017
Deviations	7	15	2
Observations	42	54	26
Opportunities for improvement	88	86	33

Statistics on environmental information request notifications received and processed (number)

NOTIFICATION TYPE	2015	2016	2017
Internal	2	5	3
External (by type)			
Wastewater discharge	17	18	31
Noise	2		1
Works	18	5	12
Odours	3		
Waste management		1	1
Materials and waste storage	1		2
Condition of reservoirs	2		
Water consumption			
Ecological flow		2	
Effect on flora and fauna	6	6	9
Other	7	6	1
Sum of external	56	38	57

Financial resources assigned to voluntary environmental activities (in euros)

NET EXPENSES (NET OF INCOME)	2015	2016	2017
Thermal sludge drying	1,404,854	1,365,002	787,189
Reuse	931,013	770,992	809,156
Maintenance of green areas and reforestation	1,907,737	1,882,552	1,728,699
Spending on environmental education programmes	272,812	229,441	181,649
Other voluntary environmental expenses	160,725	181,088	181,590
SUM OF EXPENSES	4,677,140	4,429,076	3,688,283
INVESTMENTS	2015	2016	2017
Reuse	3,461,025	12,248,897	9,719,932

Total environmental expenditure and investments (in euros)

EXPENSES	2015	2016	2017
Purification of waste water	143,265,584	141,727,562	143,762,489
Sewerage system	68,345,311	66,178,651	67,185,287
Reuse	6,989,957	6,753,453	7,202,380
Others (green areas, waste management)	2,212,152	2,151,145	1,863,708
SUM	220,813,005	216,810,811	220,013,864

INVESTMENTS	2015	2016	2017
Purification of waste water	19,397,555	13,581,372	13,559,330
Sewerage system	935,377	952,599	1,327,169
Reuse	3,461,025	12,248,897	9,719,932
Renewable energy generation facilities	1,427,961	3,469,130	2,187,392
SUM	25,221,918	30,251,998	26,793,823

Consumption of reagents in DWTPs and WWTPs (tons per year)

	2015	2016	2017
CONSUMPTION OF REAGENTS IN DRINKING WATER TREATMENT PLANTS			
Chlorine	2,192	2,055	1,868
Alumina sulphate	15,143	13,945	16,827
Calcium hydroxide	2,561	2,375	2,981
Polychlorinated alumina	2,672	1,342	1,084
Activated carbon dust	78	161	81
Sodium hypochlorite	2,201	2,453	3,081
Other reagents (15 types)	5,671	5,038	5,805
Total reagents consumed in DWTPs	30,519	27,369	31,727
CONSUMPTION OF REAGENTS IN WASTE WATER PUMPING STATIONS			
Ferrous chloride	36,801	35,899	34,817
Polyelectrolyte	996	1,050	1,129
Limestone	171	175	75
Total reagents consumed in WWTPs	37,967	37,124	36,021
SUM OF REAGENTS	68,486	64,493	67,748

Paper consumption statistics (kg/year)

	2015	2016	2017
PAPER CONSUMPTION IN ADMINISTRATIVE AND MANAGEMENT ACTIVITIES			
Plain paper	9,551	9,670	9,127
Recycled paper	18,623	17,317	16,586
Total consumption	28,174	26,986	25,712
PAPER CONSUMPTION IN COMMERCIAL ACTIVITIES			
Envelopes	202	213	291
Plain paper	3,135	1,973	5,538
Recycled paper	3,143	2,953	1,922
Total consumption	6,480	5,139	7,751
SUM OF PAPER CONSUMPTION	34,654	32,126	33,463

Energy consumption

	2015	2016	2017
ELECTRIC POWER CONSUMPTION IN KWH PER YEAR			
Total consumption of electricity from the grid	290,222,450	299,605,401	365,004,117
Hydroelectric power consumption generated by Hidráulica Santillana	21,009,382	18,978,168	18,455,988
Electric power consumption generated from WWTP biogas	89,419,307	90,281,621	93,325,383
Self-consumption of electric power in Loeches sludge treatment	9,624,300	9,152,761	9,709,979
Self-consumption of electric power from supply network microturbines, WWTP waterfalls and photovoltaic solar installations	2,008,241	1,279,606	602,191
TOTAL ELECTRIC POWER CONSUMPTION	412,283,680	419,297,556	487,097,658
FUEL CONSUMPTION			
Natural gas in thermal drying of sludge from Loeches (kWh GCV/year)	175,913,794	180,862,708	198,893,397
Natural gas in building boilers (in m ³ /year)	103,600	121,536	127,000
Diesel fuel in building boilers/furnaces (in litres/year)	140,000	123,155	135,000
Diesel fuel in vehicles and machinery (in litres/year)	676,981	669,436	647,299
Gasoline in vehicles (in litres/year)	25,985	22,638	22,032
Diesel fuel in processes (in litres/year)	90,320	42,820	18,825
Biogas from WWTP (m ³)	15,265,375	15,744,763	16,167,352

Summary of consumption by origin in gigajoules

ORIGIN	2015	2016	2017
Network consumption	1,044,801	1,078,579	1,314,015
Hidráulica Santillana consumption (only Canal Spain)	75,634	68,321	66,442
Network microturbines	7,230	4,607	2,168
Total electric power consumption	1,127,664	1,151,507	1,382,624
Diesel fuel consumption in company vehicles and machinery	24,420	24,148	23,350
Gasoline consumption in vehicles	870	758	738
Natural gas in building boilers/furnaces	3,828	4,491	4,693
Diesel fuel in building boilers/furnaces	5,460	4,803	5,265
Diesel consumption in processes	3,522	1,670	734
Natural gas thermal drying UTL Loeches sludge	555,557	571,186	628,129
Biogas from WWTP (m ³)	579,779	597,986	614,036
Total fossil fuel consumption	1,173,436	1,205,042	1,276,944
TOTAL ENERGY CONSUMPTION	2,301,100	2,356,549	2,659,568

Specific electric power consumption

	2015	2016	2017	AVERAGE OVER 3 YEARS
Specific electric power consumption in supply (in kWh/m ³ of water rerouted for consumption)	0.239	0.253	0.369	0.287
Specific electric power consumption in sanitation and reuse (in kWh/m ³ of purified and regenerated water) *	0.605	0.543	0.618	0.589
Total specific electric power consumption (in kWh/m ³ of water managed) **	0.431	0.418	0.504	0.451

* Includes sewage, purification, reuse and WWTP sludge management.

** *Managed water* = water rerouted for consumption + water treated in WWTPs + regenerated water.

Internal water consumption (in cubic metres per year)

SOURCES OF INTERNAL WATER CONSUMPTION	2016	2017
Network flushing	2,183,697	1,626,137
Canal de Isabel II facilities	1,969,999	2,289,275
Commissioning of existing facilities	454,244	74,092
Commissioning of new facilities	198,622	77,509
Cleaning of deposits	80,058	151,217
Cleaning of new regulating infrastructures	45,855	0
Water consumed in treatment processes	41,756	250,645
Cleaning of new network renovation pipes	35,653	12,366
Pipe recessing	7,601	84,661
PCT pipe cleaning	4,180	2,833
SUM OF INTERNAL CONSUMPTION AT CANAL	5,021,665	4,568,735

Atmospheric emissions

	POLLUTANT	2015	2016	2017
INDIRECT EMISSIONS				
Due to recorded electric power consumption (1)	CO ₂ (t/year)	78,650	65,614	98,186
DIRECT EMISSIONS FROM COMBUSTION PLANTS				
Sludge heating boilers, UTL Loeches cogeneration and torches (2), natural gas boilers (3) and diesel boilers for buildings and diesel fuel used in processes (3)	CO ₂ (t/year)	64,545	65,936	70,285
	CH ₄ (t/year)	1.37	1.77	1.88
	N ₂ O (t/year)	2.33	3.01	3.18
	NO _x (t/year)	137.81	166.25	178.86
	SO ₂ (t/year)	3.08	2.99	3.13
	CO (t/year)	16.75	21.45	22.95
	COVNM (t/year)	0.09	0.08	0.07
DIRECT EMISSIONS FROM SLUDGE COMPOSTING				
Composting of WWTP sludge (5)	CH ₄ (t/year)	56.41	75.71	54.20
	N ₂ O (t/year)	4.23	5.68	4.06
DIRECT EMISSIONS FROM MOBILE SOURCES (DIESEL, PETROL)				
Exhaust fumes from vehicles and machinery (4)	CO ₂ (t/year)	1,831.43	1,803.75	1,744.44
	CH ₄ (t/year)	0.08	0.08	0.07
	N ₂ O (t/year)	0.00	0.00	0.00
	NO _x (t/year)	9.58	9.45	9.14
	SO ₂ (t/year)	0.06	0.06	0.06
	CO (t/year)	6.22	5.97	5.78
	COVNM (t/year)	1.15	1.10	1.07

(1) Estimated emissions based on the electricity generation scheme in the Spanish mainland electricity system and IPCC emission factors.

(2) Estimated emissions based on the European Environment Agency's CORINAIR Guide and the consumption and characteristics of biogas obtained.

(3) Estimated emissions based on the European Environment Agency's CORINAIR Guide and fuel consumption and characteristics.

(4) Estimated emissions based on the European Environment Agency's CORINAIR Guide, taking into account road transport emission factors for Spain and fuel consumption and characteristics.

(5) Estimated emissions based on IPCC 2006 emission factors.

Waste management statistics

WASTE PRODUCTION CENTRES AND WASTE GATHERING POINTS			
	2015	2016	2017
Number of waste production centres (hazardous or non-hazardous)	334	343	347
Number of centres declared and approved as producers of hazardous waste	180	184	186
Number of waste gathering points	17	17	18
Number of affiliated facilities (facilities without personnel)	413	413	443

NON-HAZARDOUS WASTE GENERATED AND DESTINATION (KG/YEAR)			
TYPE OF WASTE	QUANTITIES GENERATED (IN KG/YEAR)		
	2015	2016	2017
Printer toner waste	339	1,068	1,641
Construction and demolition waste (debris)	334,803	465,350	337,840
Paper and cardboard	79,506	75,656	82,184
Glass	3,320	760	1,420
Wood not containing hazardous substances	63,992	53,470	59,790
Plastics and rubber	94,151	45,922	73,940
Metals	204,520	177,156	143,170
Pruning waste from parks and gardens	498,366	405,155	344,320
Biodegradable kitchen waste, oils and fats	185	80	120
Disposable electrical and electronic equipment	5,500	7,044	4,270
Mixed urban waste (includes USW)	88,210	106,682	83,113
Drinking water filtration sand	968,800	514,610	258,900
Aqueous liquid waste	14,240	35,800	598,920
WWTP and WWPS pre-treatment waste	27,077,659	30,197,609	28,433,180
Other	27,611	12,858	14,018
Total non-hazardous waste	29,461,202	32,099,220	30,436,826

HAZARDOUS AND BIO-SANITARY WASTE (KG/YEAR)			
TYPE OF WASTE	2015	2016	2017
Transformers and capacitors containing PCBs	2,070		
Acids, bases and salts from the physicochemical treatment of water	140,006	30,676	14,727
Halogenated and non-halogenated solvents	1,967	1,903	1,707
Waste from equipment maintenance and water treatment plants	8,916	6,763	6,765
Motor oil and lubricant waste	43,413	81,448	54,796
Containers containing/having contained waste of hazardous substances	32,832	51,984	33,897
Discarded electrical and electronic equipment	86	1,260	69
Expired liquid/reactive waste from water analysis laboratories	105,002	86,272	106,659
Batteries and accumulators containing hazardous substances	1,355	7,801	1,488
Insulation and construction materials containing asbestos	97,740		
Biosanitary waste	968	978	622
Fluorescent tubes and other mercury-containing waste	960	1,798	1,011
Miscellaneous waste gathered	1,231	3,969	4,243
Total hazardous and biosanitary waste	436,546	274,852	225,983

Management of mud from DWTPs and sludge from WWTPs (tons per year)

SLUDGE GENERATED IN WWTPs *			
	2015	2016	2017
Sludge produced	185,058	186,839	188,445
Dry matter (t/year)	42,368	43,305	41,837

* Sludge generated in sanitation facilities belonging to the Madrid City Council is not included. The drying of the sludge generated in these facilities falls outside the scope of the Management Commission and is the responsibility of companies contracted directly by the Madrid City Council, as well as the final destination of the sludge. Work is under way with the Madrid City Council so that Canal can take over this management starting in 2017.

MUD GENERATED IN DWTPs			
	2015	2016	2017
Mud generated	29,022	26,636	30,792
Dry matter	4,263	4,663	4,599

DESTINATION IN % OF SLUDGE GENERATED IN WWTPs (PERCENTAGE)			
DESTINATION	2015	2016	2017
Landfill/dumpsite	0.30%	0.46%	0.00%
Ceramic recovery	5.60%	1.46%	0.00%
Agricultural application	69.99%	67.42%	67.45%
Composting	7.62%	10.13%	7.48%
Thermal drying	16.49%	20.53%	25.07%

DESTINATION IN % OF MUD GENERATED IN DWTPs (PERCENTAGE)

Destination	2016	2017
Landfill/dumpsite	6.28%	0.00%
Agricultural application after treatment	93.72%	100.00%

Noise controls

RESULTS OF THE NOISE LEVEL CONTROL PROGRAMME

	2016	2017
No. of controlled facilities	234	211
Rate of compliance	97.93%	98.93%

Greenhouse gas emissions

ESTIMATED GREENHOUSE GAS (GHG) EMISSIONS IN THOUSANDS OF TONS OF CO₂ EQUIVALENT

EMISSION SOURCES	2015	2016	2017	% IN 2017
Direct GHG emissions associated with Canal processes (scope 1)	35.50	36.09	39.80	20.43%
Direct CO ₂ emissions from sludge heating boilers, torches and Loeches sludge treatment cogeneration	64.50	66.16	70.58	36.23%
Direct emissions from WWTP sludge composting processes	2.50	3.35	2.40	1.23%
Direct CO ₂ emissions from natural gas boilers	0.23	0.27	0.28	0.14%
Direct CO ₂ emissions from diesel boilers	0.57	0.48	0.45	0.23%
Direct CO ₂ emissions from mobile sources	1.83	1.81	1.75	0.90%
Indirect emissions related to electricity consumption (scope 2)	78.65	65.61	98.19	50.39%
Indirect emissions associated with electricity generation	78.65	65.61	98.19	50.39%
Indirect emissions from supplies, services and other activities (scope 3)	56.26	53.63	56.84	29.18%
Emissions from employee commutes to their workplace	4.08	3.75	3.58	1.84%
Emissions from dredging and screening waste transport services	0.09	0.10	0.10	0.05%
Emissions from transport services of other non-hazardous waste	0.01	0.01	0.01	0.00%
Emissions from hazardous waste transport services	0.001	0.001	0.001	0.00%
Emissions from WWTP sludge and DWTP mud transport services	0.44	0.43	0.45	0.23%
Emissions associated with the agricultural use of WWTP sludge by third parties	36.52	35.08	37.77	19.38%
Emissions from manufacturing of reagents used in supply and sanitation	14.72	13.87	14.57	7.48%
Emissions from the supply of paper consumed internally by Canal and in submitted invoices	0.398	0.390	0.384	0.20%
TOTAL GHG EMISSIONS (scopes 1, 2 and 3)	170.41	155.34	194.83	100.00%
Emissions in kg of CO₂ equiv. per m³ managed (rerouted for consumption + treated in WWTP + regenerated water)	0.178	0.155	0.202	

* Biogen emissions (combustion of WWTP biogas and composting of WWTP sludge) are not included in the calculation of the emissions from scope 1 and the total GHG emissions.

Statistics on the production and destination of electricity (MWh per year)

GENERATION SOURCES	GENERATED ELECTRIC POWER			SELF-CONSUMED BY CANAL			TRANSFERRED TO THE GRID		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Hydroelectric (Hidráulica Santillana)	80,908	97,058	69,142	22,193	19,648	20,014	58,715	77,410	49,128
Cogeneration (UTL Loeches)	71,010	72,792	79,628	9,624	9,153	9,710	61,385	63,640	69,918
WWTP biogas	89,419	90,282	93,325	89,419	90,282	93,325	-	-	-
Supply microturbines	1,533	736	0.11	1,533	736	0.11	-	-	-
WWTP microturbines	475	518	575	475	518	575	-	-	-
WWTP photovoltaic	-	26	27	-	26	27	-	-	-
SUM	243,345	261,411	242,697	123,245	120,362	123,652	120,100	141,050	119,045

Canal de Isabel II power generation facilities and equipment

COMPANY	FACILITY	INSTALLED POWER (KW)
Canal de Isabel II used by Hidráulica Santillana	PINILLA hydroelectric power plant	2,320
	RIOSEQUILLO hydroelectric power plant	7,200
	PUNTES VIEJAS hydroelectric power plant	7,200
	EL VILLAR hydroelectric power plant	5,680
	EL ATAZAR hydroelectric power plant	8,640
	TORRELAGUNA hydroelectric power plant	1,700
	PEDREZUELA hydroelectric power plant	800
	NAVALLAR hydroelectric power plant	1,310
	TOTAL HYDROELECTRIC POWER PLANTS	34,850
Canal de Isabel II	Cogeneration UTL Loeches - Motor 1	6,633
	Cogeneration UTL Loeches - Motor 2	6,633
	Cogeneration UTL Loeches - Motor 3	6,633
	TOTAL COGENERATION UTL LOECHES	19,899
Canal de Isabel II (owner of facilities in Madrid City Council)	Viveros de la Villa WWTP biogas motors	1,710
	La China WWTP biogas motors	2,906
	La Gavia WWTP biogas motors	1,980
	Butarque WWTP biogas motors	2,980
	Sur WWTP biogas motors	6,923
	Sur Oriental WWTP biogas motors	616
	Valdebebas WWTP biogas motors	690
	Las Rejas WWTP biogas motors	1,298
	SUM MADRID CITY COUNCIL WWTP MOTORS	19,103
Canal de Isabel II (in own facilities)	Arroyo Culebro Cuenca Media-Alta WWTP biogas motors	1,320
	Arroyo Culebro Cuenca Baja WWTP biogas motors	2,856
	Arroyo del Soto WWTP biogas motors	940
	Alcalá Oeste WWTP biogas motors	808
	Torrejón de Ardoz WWTP biogas motors	404
	SUM CANAL DE ISABEL II WWTP MOTORS	6,328
TOTAL MOTORS IN WWTPs		25,431

COMPANY	FACILITY	INSTALLED POWER (KW)
Canal de Isabel II	Microturbine 1 Majadahonda	100
	Microturbine 2 Majadahonda	110
	Microturbine 3 Majadahonda	110
	Griñón WWTP microturbine	100
	Plaza de Castilla lift deposit microturbine	60
	La Jarosa reservoir microturbine	90
	Navacerrada 1 reservoir microturbines	55
	Navacerrada 2 reservoir microturbines	55
	Riosequillo reservoir microturbine	150
	SUM SUPPLY MICROTURBINES	830
	Sur WWTP microturbine 1	90
	Sur WWTP microturbine 2	90
	La Gavia WWTP microturbine	75
	SUM PURIFICATION MICROTURBINES	255
	TOTAL MICROTURBINES	1,085
Canal de Isabel II	La Estación WWTP photovoltaic solar	110
	Valdemaqueda WWTP photovoltaic solar	220
	TOTAL PHOTOVOLTAIC	330
TOTAL Canal de Isabel II + Hidráulica Santillana		81,595

Canal de Isabel II reservoirs included in the Regional Catalogue of Reservoirs and Wetlands of the Autonomous Community of Madrid

RESERVOIR	MUNICIPALITIES	ADDITIONAL INFORMATION Other significant protections
Pinilla	Lozoya, Pinilla del Valle	LIC Cuenca del Río Lozoya and Sierra Norte Peripheral Protection Area of Sierra de Guadarrama National Park Sierra de Guadarrama Natural Resource Natural Management Plan
Riosequillo	Buitrago de Lozoya, Gargantilla del Lozoya and Garganta de los Montes	Lozoya river basin and Sierra Norte SCI Sierra de Guadarrama Natural Resource Natural Management Plan
Puentes Viejas	Piñuécar, Puentes Viejas, Buitrago de Lozoya Madarcos and Gascones	LIC Cuenca del río Lozoya and Sierra Norte Partially included in: Sierra de Guadarrama Natural Resource Natural Management Plan
El Villar	Puentes Viejas, Robledillo de la Jara and Berzosa de Lozoya	LIC Cuenca del río Lozoya and Sierra Norte
El Atazar	El Berrueco, Robledillo de la Jara, El Atazar, Cervera de Buitrago, Puentes Viejas and Patones	LIC Cuenca del río Lozoya and Sierra Norte
Pedrezuela	Guadalix de la Sierra, Pedrezuela and Venturada	LIC Cuenca del río Guadalix
Santillana	Manzanares El Real and Soto del Real	Cuenca Alta del Manzanares Regional Park LIC Cuenca del río Manzanares
Navacerrada	Navacerrada, Becerril de la Sierra and Collado Mediano	Sierra de Guadarrama Natural Resource Natural Management Plan
La Jarosa	Guadarrama	Partially included in Guadarrama river basin SCI Sierra de Guadarrama Natural Resource Natural Management Plan
Valmayor	El Escorial, Valdemorillo, Colmenarejo and Galapagar	Guadarrama river middle course and environs Regional Park Partially included in: Sierra de Guadarrama Natural Resource Natural Management Plan

Canal de Isabel II Green Zone statistics

RESTORATION ACTIVITIES CARRIED OUT IN NATURAL HABITATS			
	2015	2016	2017
Tree plantations (number of units)	74	3,629	0
Shrub plantations (number of units)	407	259	140

ACTIONS CARRIED OUT FOR THE MAINTENANCE OF PLANT HERITAGE			
	2015	2016	2017
Conservation and improvement of the areas adjacent to Canal de Isabel II facilities, area of action (in ha)	420	425	433
Reforestation (number of units) including new plantations and gardening	23,455	18,358	14,360
Clearing of brush and surface preparation (in ha)	452	520	378
Phytosanitary treatments in vegetation masses (surface treated in ha)	405	377	264

Discharges from reservoirs effected to maintain the ecological flow of rivers and for other reasons

ENVIRONMENTAL DISCHARGES MADE		
	2016	2017
Environmental discharges into rivers (in hm ³ /year)	75.60	76.66

OPERATION-RELATED DISCHARGES MADE		
	2016	2017
Discharges (in hm ³ /year)	101.97	51.83

Customer and user satisfaction figures

Services provided by Canal de Isabel II in the municipalities of the Autonomous Community of Madrid

MUNICIPALITIES OF THE AUTONOMOUS COMMUNITY OF MADRID	TOTAL INHABITANTS IN 2017	INHABITANTS SERVED			
		Supply		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Madrid	3,182,981	3,182,981	3,182,981	3,182,981	3,182,981
Móstoles	206,589	206,589	206,589	206,589	206,589
Fuenlabrada	194,669	194,669	194,669	194,669	194,669
Alcalá de Henares	194,310	-	-	-	194,310
Leganés	187,720	187,720	187,720	-	187,720
Getafe	178,288	178,288	178,288	178,288	178,288
Alcorcón	168,141	168,141	168,141	168,141	168,141
Torrejón de Ardoz	128,013	128,013	128,013	128,013	128,013
Parla	125,898	125,898	125,898	125,898	125,898
Alcobendas	114,864	114,864	114,864	114,864	114,864
Las Rozas de Madrid	95,071	95,071	95,071	95,071	95,071
San Sebastián de los Reyes	86,707	86,707	86,707	86,707	86,707
Pozuelo de Alarcón	85,605	85,605	85,605	-	77,044
Rivas-Vaciamadrid	83,767	83,767	83,767	83,767	83,767
Coslada	83,011	83,011	83,011	-	83,011
Valdemoro	73,976	73,976	73,976	73,976	73,976
Majadahonda	71,299	71,299	71,299	-	71,299
Collado Villalba	62,152	62,152	62,152	62,152	62,152
Aranjuez	58,213	58,213	58,213	-	58,213
Arganda del Rey	53,821	53,821	53,821	53,821	53,821
Boadilla del Monte	51,463	51,463	51,463	51,463	51,463
Pinto	50,442	50,442	50,442	50,442	50,442
Colmenar Viejo	48,614	48,614	48,614	-	48,614
Tres Cantos	46,046	46,046	46,046	46,046	46,046
San Fernando de Henares	39,681	39,681	39,681	39,681	39,681
Galapagar	32,903	32,903	16,452	-	32,903
Arroyomolinos	29,128	29,128	29,128	29,128	29,128
Navalcarnero	27,570	27,570	27,570	27,570	27,570
Villaviciosa de Odón	27,504	27,504	27,504	27,504	27,504

MUNICIPALITIES OF THE AUTONOMOUS COMMUNITY OF MADRID	TOTAL INHABITANTS IN 2017	INHABITANTS SERVED			
		Supply		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Villaviciosa de Odón	27,504	27,504	27,504	27,504	27,504
Paracuellos de Jarama	23,905	23,905	23,905	23,905	23,905
Ciempozuelos	23,737	23,737	23,737	23,737	23,737
Torrelodones	23,128	23,128	23,128	23,128	23,128
Mejorada del Campo	22,948	22,948	22,948	-	22,948
Algete	20,419	20,419	20,419	20,419	20,419
Villanueva de la Cañada	20,320	20,320	20,320	20,320	20,320
Humanes de Madrid	19,607	19,607	19,607	19,607	19,607
San Martín de la Vega	18,824	18,824	18,824	18,824	18,824
San Lorenzo de El Escorial	18,024	9,012	9,012	-	18,024
Villanueva del Pardillo	17,025	17,025	17,025	17,025	17,025
Guadarrama	15,620	15,620	15,620	-	15,620
El Escorial	15,562	15,562	15,562	15,562	15,562
Alpedrete	14,240	14,240	14,240	14,240	14,240
Meco	13,570	13,570	13,570	13,570	13,570
San Agustín del Guadalix	13,103	13,103	6,552	-	13,103
Villalbilla	13,038	13,038	13,038	13,038	13,038
Moralzarzal	12,496	12,496	-	-	12,496
Valdemorillo	12,300	12,300	12,300	12,300	12,300
Velilla de San Antonio	12,111	12,111	12,111	12,111	12,111
Brunete	10,373	10,373	10,373	10,373	10,373
Daganzo de Arriba	10,082	10,082	10,082	10,082	10,082
Griñón	10,060	10,060	10,060	10,060	10,060
El Álamo	9,149	9,149	9,149	9,149	9,149
Sevilla la Nueva	9,093	9,093	9,093	9,093	9,093
Colmenarejo	9,015	9,015	-	-	9,015
Soto del Real	8,607	4,304	8,607	8,607	8,607
Loeches	8,525	8,525	8,525	8,525	8,525
Manzanares el Real	8,500	8,500	8,500	-	8,500
El Molar	8,491	8,491	8,491	8,491	8,491
Torrejón de la Calzada	8,418	8,418	8,418	-	8,418
San Martín de Valdeiglesias	8,298	8,298	8,298	8,298	8,298
Hoyo de Manzanares	8,032	8,032	8,032	-	8,032

MUNICIPALITIES OF THE AUTONOMOUS COMMUNITY OF MADRID	TOTAL INHABITANTS IN 2017	INHABITANTS SERVED			
		Supply		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Torres de la Alameda	7,825	7,825	7,825	7,825	7,825
Colmenar de Oreja	7,810	7,810	7,810	-	7,810
Morata de Tajuña	7,482	7,482	7,482	7,482	7,482
El Boalo	7,358	7,358	7,358	-	7,358
Villarejo de Salvanes	7,245	7,245	7,245	7,245	7,245
Cobeña	7,163	7,163	7,163	7,163	7,163
Camarma de Esteruelas	7,084	7,084	7,084	-	7,084
Cercedilla	6,853	3,427	-	-	6,853
Collado Mediano	6,666	6,666	6,666	6,666	6,666
Fuente el Saz de Jarama	6,424	6,424	6,424	6,424	6,424
Villa del Prado	6,337	-	-	-	6,337
Cubas de la Sagra	6,112	6,112	6,112	6,112	6,112
Nuevo Baztán	6,091	6,091	6,091	6,091	6,091
Guadalix de la Sierra	6,049	6,049	6,049	-	6,049
Campo Real	5,995	5,995	5,995	5,995	5,995
Miraflores de la Sierra	5,817	5,817	5,817	-	5,817
Pedrezuela	5,613	5,613	-	-	5,613
Becerril de la Sierra	5,457	2,729	-	-	5,457
Chinchón	5,240	5,240	5,240	5,240	5,240
Moraleja de Enmedio	4,870	4,870	4,870	4,870	4,870
Torrelaguna	4,712	4,712	4,712	4,712	4,712
Ajalvir	4,455	4,455	4,455	4,455	4,455
Los Molinos	4,345	4,345	4,345	-	4,345
Valdetorres de Jarama	4,316	4,316	4,316	4,316	4,316
Torrejón de Velasco	4,261	4,261	4,261	4,261	4,261
Robledo de Chavela	4,073	4,073	4,073	-	4,073
Serranillos del Valle	3,967	3,967	3,967	3,967	3,967
Valdeolmos-Alalpardo	3,906	3,906	3,906	3,906	3,906
Casarrubuelos	3,650	3,650	3,650	3,650	3,650
Talamanca de Jarama	3,573	3,573	3,573	3,573	3,573
Villaconejos	3,350	3,350	3,350	-	3,350
Quijorna	3,282	3,282	3,282	3,282	3,282
Cadalso de los Vidrios	3,053	3,053	3,053	3,053	3,053

MUNICIPALITIES OF THE AUTONOMOUS COMMUNITY OF MADRID	TOTAL INHABITANTS IN 2017	INHABITANTS SERVED			
		Supply		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Navacerrada	2,894	2,894	2,894	-	2,894
Perales de Tajuña	2,817	2,817	2,817	2,817	2,817
Valdilecha	2,755	2,755	2,755	2,755	2,755
Navas del Rey	2,751	2,751	2,751	2,751	2,751
Aldea del Fresno	2,616	-	-	-	2,616
Tielmes	2,610	2,610	2,610	2,610	2,610
La Cabrera	2,570	2,570	2,570	2,570	2,570
Villamanta	2,491	2,491	-	-	2,491
Los Santos de la Humosa	2,486	2,486	2,486	2,486	2,486
Pelayos de la Presa	2,468	2,468	2,468	2,468	2,468
Navalagamella	2,443	2,443	-	-	2,443
Bustarviejo	2,399	2,399	2,399	2,399	2,399
Chapinería	2,225	2,225	2,225	2,225	2,225
Fresno de Torote	2,115	2,115	2,115	-	2,115
Venturada	2,032	2,032	2,032	2,032	2,032
Villar del Olmo	1,997	1,997	1,997	1,997	1,997
Cenicientos	1,984	1,984	1,984	1,984	1,984
Fuentidueña de Tajo	1,980	1,980	1,980	1,980	1,980
Carabaña	1,940	1,940	1,940	1,940	1,940
Buitrago del Lozoya	1,854	1,854	1,854	1,854	1,854
El Vellón	1,834	1,834	1,834	1,834	1,834
Rascafría	1,672	-	-	-	1,672
Colmenar del Arroyo	1,632	1,632	1,632	1,632	1,632
Belmonte de Tajo	1,628	1,628	1,628	1,628	1,628
Batres	1,610	1,610	1,610	-	1,610
Zarzalejo	1,596	1,596	1,596	1,596	1,596
Fresnedillas de la Oliva	1,550	1,550	1,550	1,550	1,550
Villanueva de Perales	1,519	1,519	1,519	1,519	1,519
Valdeavero	1,450	1,450	-	-	1,450
Villamantilla	1,382	1,382	1,382	1,382	1,382
Navalafuente	1,340	1,340	1,340	1,340	1,340
Titulcia	1,274	1,274	1,274	1,274	1,274
Estremera	1,261	1,261	1,261	1,261	1,261

MUNICIPALITIES OF THE AUTONOMOUS COMMUNITY OF MADRID	TOTAL INHABITANTS IN 2017	INHABITANTS SERVED			
		Supply		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
Anchuelo	1,238	1,238	1,238	1,238	1,238
Lozoyuela-Navas-Sieteiglesias	1,237	1,237	1,237	1,237	1,237
Orusco de Tajuña	1,218	1,218	1,218	-	1,218
Santa María de la Alameda	1,163	1,163	1,163	1,163	1,163
Pozuelo del Rey	1,099	1,099	1,099	-	1,099
Torremocha de Jarama	942	942	942	942	942
Valdemanco	916	916	916	916	916
Valdelaguna	867	867	867	-	867
Santorcaz	856	856	856	856	856
Pezuela de las Torres	816	816	816	-	816
Valdemaqueda	768	768	768	-	768
Berzosa del Lozoya	743	743	743	743	743
Cabanillas de la Sierra	712	712	712	712	712
Ribatejada	702	702	702	702	702
Villamanrique de Tajo	694	694	694	694	694
Corpa	684	684	684	684	684
Ambite	677	677	677	677	677
Valdaracete	643	643	643	643	643
Puentes Viejas	632	632	632	632	632
Valdepiélagos	587	587	587	587	587
Lozoya	559	559	559	559	559
Patones	553	553	553	553	553
Brea de Tajo	539	539	539	539	539
Rozas de Puerto Real	534	534	534	534	534
Canencia	448	448	448	448	448
Valverde de Alcalá	427	427	427	427	427
Montejo de la Sierra	356	356	356	356	356
Olmeda de las Fuentes	332	332	-	-	332
Garganta de los Montes	331	331	331	331	331
Gargantilla del Lozoya and Pinilla de Buitrago	315	315	315	315	315
Villavieja del Lozoya	267	267	267	267	267
Redueña	248	248	248	248	248
Braojos	208	208	208	208	208

MUNICIPALITIES OF THE AUTONOMOUS COMMUNITY OF MADRID	TOTAL INHABITANTS IN 2017	INHABITANTS SERVED			
		Supply		Sanitation	
		Adduction	Distribution	Sewerage system	Purification
El Berrueco	203	203	203	203	203
Alameda del Valle	199	-	-	-	199
Pinilla del Valle	185	185	185	185	185
Piñuécar-Gandullas	183	183	183	183	183
Gascones	176	176	176	176	176
Cervera de Buitrago	156	156	156	156	156
Horcajo de la Sierra-Aoslos	142	142	142	142	142
Prádena del Rincón	132	132	132	132	132
Navarredonda and San Mamés	131	131	131	131	131
El Atazar	97	97	97	97	97
Horcajuelo de la Sierra	88	88	88	88	88
Robledillo de la Jara	87	87	87	87	87
Somosierra	77	-	-	-	77
La Serna del Monte	73	73	73	73	73
La Acebeda	66	66	66	66	66
Puebla de la Sierra	61	61	61	61	61
La Hiruela	52	52	52	52	52
Madarcos	46	46	46	46	46
Robregordo	44	44	44	44	44
SUM AUTONOMOUS COMMUNITY OF MADRID	6,507,184	6,282,503	6,223,808	5,536,540	6,498,623

Types of contracts with customers (number)

TYPES OF CONTRACTS	2015	2016	2017	% IN 2017
Domestic single-family	1,081,958	1,097,480	1,111,527	75.77%
Domestic multi-dwelling	98,044	97,897	97,815	6.67%
Commerce-industry	112,077	113,684	115,111	7.85%
Other	137,733	139,867	142,439	9.71%
SUM OF CONTRACTS	1,429,812	1,448,928	1,466,892	100.00%

Canal de Isabel II social tariff

EVOLUTION OF TARIFF ALLOWANCES			
	2015	2016	2017
Large family/household allowances			
Number of allowance contracts	32,726	35,285	34,066
Allowance amount (euros)	1,121,812	1,182,115	1,353,714
Social exemption allowances			
Number of allowance contracts	3,408	6,547	9,576
Allowance amount (euros)	368,921	715,528	1,137,848

Meter laboratory activity

NUMBER OF CONTRACTS VERIFIED ANNUALLY	2015	2016	2017
New proprietary meters	2,467	2,996	1,244
Customer complaints regarding meters	2,300	2,740	3,721
Evaluation of the operation of meters in service	2,319	2,379	1,197
Other internal checks	76	66	170
Checks for third parties	51	120	116
SUM	7,213	8,301	6,448

Fulfilling customer commitments (fulfilment percentage)

COMMITMENTS INCLUDED	2015	2016	2017
New connection	96.92%	97.58%	94.27%
Secondary meter	99.91%	99.84%	99.87%
Resolve complaint	98.80%	99.67%	99.19%
Check meter	98.64%	99.78%	99.43%
Average compliance	98.57%	99.22%	98.19%

Customer service statistics

COMMUNICATION WITH CUSTOMERS	2015	2016	2017
Number of fixed commercial offices	11	11	10
No. of telephone calls answered	1,171,581	1,032,732	950,360
Visits to central office	36,304	27,716	26,220
Visits to peripheral offices	112,880	91,053	81,083
Virtual office	2,167,891	2,646,008	3,186,031
By letter	15,141	10,957	8,853
Personalised customer service			
By fax	58,013	24,945	14,389
By chat	3,163	2,364	4,123
By email	24,665	73,562	91,976
Automatic telephone service	31,076	32,857	20,830
Detailed Virtual Office statistics			
Virtual Office customers	195,091	225,951	253,768
Virtual Office contracts	274,758	312,466	349,352
Customers with electronic billing	86,344	131,514	171,238
Electronic bills issued	634,572	895,434	1,192,271

Customer complaints and claims statistics

TYPE OF COMPLAINTS RECEIVED IN THE COMMERCIAL CIRCUIT (%)			
	2015	2016	2017
Quality of customer service	23.32	21.15	20.73
Water quality	31.67	35.08	27.77
Meter reading service	8.42	11.69	20.99
Other	36.60	32.07	30.52

BILLING COMPLAINTS RECEIVED BY THE CUSTOMER SERVICE NETWORK			
	2015	2016	2017
Bills issued	8,473,230	8,583,199	8,689,173
Total number of claims received	20,508	21,667	22,158
Number of resolved claims	21,248	20,504	22,398
Number of favourable complaints	15,182	15,216	16,718
Percentage of complaints concerning issued bills	0.24	0.25	0.26
Percentage fully or partially favourable to the customer	71.45	74.21	74.64

Incident reporting statistics

SUMMARY OF REPORT TYPES RECEIVED ANNUALLY (NUMBER)			
	2015	2016	2017
Reports relating to water quality	11,779	10,743	8,999
Reports relating to sanitation	26,595	23,919	23,096
Reports relating to supply continuity	40,785	36,167	32,800
Reports relating to water pressure	14,448	12,555	11,578
Other reports	48,987	47,439	51,177

Customer Ombudsman Office statistics

COMPLAINTS RECEIVED BY THE CUSTOMER OMBUDSMAN OFFICE			
	2015	2016	2017
Number of complaints received that do not qualify for processing	221	248	354
Number of complaints received admitted for processing	875	1,066	1,134
Total number of complaints received	1,096	1,314	1,488
Percentage of complaints received admitted for processing	79.8	81.1	76.2
Number of complaints fully or partially resolved in favour of the customer	446	501	510
Number of complaints resolved not in favour of the customer	374	508	500
Total number of complaints resolved over the year	820	1,009	1,010
Percentage fully or partially resolved in favour of the customer	54.4	49.7	45.0

TYPE OF COMPLAINTS ACCEPTED FOR PROCESSING BY THE CUSTOMER OMBUDSMAN'S OFFICE (%)			
	2015	2016	2017
Connections	7.31	5.72	7.85
Water quality	3.2	9.19	5.64
Collection	4.23	5.25	3.88
Contracting	6.29	8.35	4.59
Cut/Conviction	5.71	1.88	1.32
Sanctioning file	1.94	1.03	0.09
Billing	55.2	53.66	63.76
Compensation. Insurance and risks	5.14	5.82	6.44
Water pressure	4.46	3.1	1.85
Other	6.51	6	4.59

TYPES OF CUSTOMERS WHO HAVE SUBMITTED COMPLAINTS ACCEPTED FOR PROCESSING BY THE CUSTOMER OMBUDSMAN'S OFFICE (%)			
	2015	2016	2017
Natural person	68.8	69.42	72.05
Company name	8.91	8.44	9.26
Residents' association	11.09	10.88	8.82
Municipal Consumer Information Office	4.8	4.32	4.5
Consumers' associations	1.49	1.88	1.15
Arbitration board	0.34	0.38	3.35
Residential estate	0.11	0.38	0.09
Autonomous Community of Madrid	4.46	4.32	0.79

Customer satisfaction statistics

CUSTOMER SATISFACTION LEVEL			
	2015	2016	2017
Results obtained by the company			
Domestic customer satisfaction level (score from 1 to 10)	7.84	7.84	8.21
Business customer satisfaction level (score from 1 to 10)			8.96
Domestic customers unsatisfied with Canal			6%
Companies unsatisfied with Canal			5%

Social commitment

Expenses and investments in Corporate Social Responsibility (in thousands of euros)

	2015	2016	2017
Customer CSR actions: social tariffs	1,490.79	1,897.82	2,491.72
Employee CSR: employee social benefits	269.76	417.95	484.75
Actions related to culture, education and leisure (including the Canal Foundation)	6,035.81	3,936.82	2,352.27
Development and aid cooperation to social entities	734.96	283.19	483.28
Social infrastructure maintenance expenses	1,264.87	1,470.29	1,444.88
TOTAL CSR EXPENSES	9,796.19	8,006.07	7,256.90
Investment in social and environmental infrastructure	189.49	1,290.90	374.07
Financial resources (expenditure + investment) allocated to social commitment	9,985.68	9,296.97	7,630.97

Canal employees

(including the Canal de Isabel II delegation workforce in Cáceres)

Company workforce structure (number of employees)

	2016	2017
Total workforce	2,590	2,611
Full-time	2,476	2,501
Part-time	114	110
Average workforce	2,485	
Average workforce	2,485	2,509
Breakdown by type of contract (FULL-TIME WORKFORCE)	2,476	
Indefinite	1,581	1,540
Temporary	895	961
Breakdown by function (TOTAL WORKFORCE)	2,590	
Management staff	110	110
Management support staff	294	300
Post-graduate degree holders	231	227
Graduate degree holders	111	128
Middle managers	159	154
Technicians	224	224
Clerical and auxiliary staff	563	587
Technicians with professional training	898	881
Breakdown by gender (TOTAL WORKFORCE)	2,590	
Women	816	853
Men	1,774	1,758
Breakdown by age (FULL-TIME)	2,476	
Under 30 years old	499	543
30-50 years old	1,344	1,303
Over 50 years old	633	655
Average age per contract	78	
Average age of permanent staff	47.33	48
Average age of temporary staff	31.11	31
Breakdown by nationality (TOTAL WORKFORCE)	2,590	
Spanish	2,581	2,598
Foreigners	9	13
Disability (TOTAL WORKFORCE)	22	
Workers with some degree of disability	22	22
Seniority in the company (TOTAL WORKFORCE)	14	
Average seniority of the workforce (years)	13.60	14

Workforce diversity

MANAGEMENT STAFF (TOTAL AND FULL-TIME)	2016	2017
Breakdown by gender	110	110
Women	36	36
Men	74	74
Breakdown by age	110	110
Under 30 years old		
30-50 years old	55	51
Over 50 years old	55	59
Other		
Foreigners		
NON-MANAGEMENT STAFF (TOTAL AND FULL-TIME)		
Women	780	817
Management support staff	103	100
Post-graduate degree holders	128	130
Graduate degree holders	48	58
Middle managers	31	27
Technicians	64	72
Clerical and auxiliary staff	393	413
Technicians with professional training	13	17
Other nationalities	9	13
Management support staff	2	2
Post-graduate degree holders	1	1
Graduate degree holders		
Middle managers		
Technicians		
Clerical and auxiliary staff	5	6
Technicians with professional training	1	4
Disability	22	22
Workers with some degree of disability	22	22

	2016	2017
By age, under 30 years old	499	543
Management support staff	3	1
Post-graduate degree holders	89	81
Graduate degree holders	28	48
Middle managers	4	2
Technicians	40	42
Clerical and auxiliary staff	127	150
Technicians with professional training	208	219
By age, 30-50 years old	1,289	1,242
Management support staff	203	200
Post-graduate degree holders	104	110
Graduate degree holders	65	62
Middle managers	75	72
Technicians	112	109
Clerical and auxiliary staff	285	289
Technicians with professional training	445	410
By age, over 50 years old	692	1,014
Management support staff	88	99
Post-graduate degree holders	38	36
Graduate degree holders	18	18
Middle managers	80	78
Technicians	72	73
Clerical and auxiliary staff	151	148
Technicians with professional training	245	254
INTERNSHIP STUDENTS/SCHOLARSHIP HOLDERS/INTERNS/STUDENT APPRENTICES		
Internship students/scholarship holders/interns/student apprentices	83	92

Workforce turnover

TOTAL WORKFORCE TURNOVER	2016	2017
Total hires	324	359
Total departures	251	338
Voluntary departures	40	41

Reinstatement and retention for maternity or paternity leave (total workforce)

	2016	2017
Employees entitled to maternity or paternity leave	51	33
Women	16	10
Men	35	23
Employees who ended their leave in the previous year	45	48
Women	15	13
Men	30	35
Employees reinstated after leave from the previous year	49	48
Women	17	13
Men	32	35
Employees who retain employment 12 months after reinstatement	49	48
Women	17	13
Men	32	35

Workforce training

TRAINING RECEIVED	2016	2017
Total workforce	2,590	2,611
Number of workers (including interns) who have received training	2,406	2,941
Average number of hours/employee (including interns) who have received training	45.94	45.40
Total number of training hours received	110,551	133,525
During working hours	51,229	52,182
Outside working hours	44,406	53,317
On-the-job training	14,916	28,025
TRAINING RECEIVED BY FUNCTION	119,782.420	119,782.420
Total hours of training received by function	110,551	133,524
Management staff	5,829	6,261
Management support staff	18,194	17,186
Post-graduate degree holders	21,437	22,022
Graduate degree holders	8,395	9,578
Middle managers	5,440	10,200
Technicians	11,633	5,717
Clerical and auxiliary staff	17,745	23,067
Technicians with professional training	21,878	39,491

	2016	2017
Average hours of training received by function		
Management staff	10.154	15.771
Management support staff	13.568	13.231
Post-graduate degree holders	12.471	11.554
Graduate degree holders	17.562	14.106
Middle managers	11.800	10.429
Technicians	13.686	8.990
Clerical and auxiliary staff	11.675	8.409
Technicians with professional training	9.562	9.995
Attending trainees by function (persons)	9,231	12,589
Management staff	574	397
Management support staff	1,341	1,299
Post-graduate degree holders	1,719	1,906
Graduate degree holders	478	679
Middle managers	461	978
Technicians	850	636
Clerical and auxiliary staff	1,520	2,743
Technicians with professional training	2,288	3,951
TRAINING BY COSTS (EUROS)		
	745,961	1,167,124
Direct cost	941,630	829,963
Indirect cost	37,004	44,723
Cost of study grants for employees	31,818	27,691
Revenue from subsidies/financing/allowances received	-264,491	264,746
THEME-BASED TRAINING (HOURS)		
	110,551	133,525
Languages	18,998	30,467
Administration and Management of Computer Systems	4,396	3,822
Quality	4,322	3,988
Sales and Customer Relations	2,603	3,239
Skills/Competencies Development	8,617	6,577
Technical Training	24,069	21,064
Legal-Economic	3,626	3,956
Office Automation and Software Applications	11,248	11,636
Occupational Risk Prevention	16,193	16,294
Fight against corruption	257	2,617
Others + on-the-job training	16,222	29,863

Evaluation of training

EVALUATION OF TRAINING (0 LOWEST AND 5 HIGHEST SCORE)	2016	2017
Assessment of the monitoring of training actions	4.100	4.220
Assessment of command perception	3.560	3.340
Assessment of trainee perception	3.370	3.570

Trade union representation

COLLECTIVE BARGAINING AGREEMENT AND UNION REPRESENTATION (NUMBER OF EMPLOYEES)	2016	2017
Workforce covered by own collective agreement (employees)		2,473
Workforce covered by own collective agreement (percentage)		94.71%
Workforce covered by sector-specific collective agreement (employees)	2,604	106
Workforce covered by sector-specific collective agreement (percentage)	99.92%	4.06%
Workforce not covered by collective agreement (employees)	2	4.06
Workforce not covered by collective agreement (percentage)	0.08%	1.23%
Workers affiliated to trade union organisations (employees)	453	454

Minimum wage

MINIMUM WAGE (EUROS)	2016	2017
Starting entry-level annual salary	15,367.78	16,968
Minimum initial entry-level annual salary for internship contracts	13,831	15,244
Annual interprofessional minimum wage in the country	9,172.80	9,906.40
Starting entry-level annual salary/interprofessional minimum wage	167.54%	171.28%
Starting entry-level minimum wage/interprofessional minimum wage	150.78%	153.88%

Occupational safety and health

OCCUPATIONAL SAFETY AND HEALTH	2016	2017
Number of people covered for disability or invalidity	3	1
Total number of workers exposed to occupational risks	2,486	2,509
Occupational accidents		
Accidents at work with permanent contract (excluding <i>in itinere</i>)	84	59
Accidents at work with temporary contract (excluding <i>in itinere</i>)	40	52
Accidents at work (excluding <i>in itinere</i>)	124	111
Accidents with leave (excluding <i>in itinere</i>)	67	54
Average length of leave	16.313	14.778
Days lost	1,093	798
Frequency rate of accidents with sick leave (excluding <i>in itinere</i>)	16.197	13.292
Frequency rate of total accidents (excluding <i>in itinere</i>)	29.976	27.322
Severity rate (excluding <i>in itinere</i>)	0.264	0.196
Incidence rate of accidents with sick leave (excluding <i>in itinere</i>)	26.948	21.521
Fatal victims	0	0
Temporary incapacity benefit for professional contingencies (euros)	121,826	821,334
Number of permanent incapacity recognitions (excluding <i>in itinere</i>)	0	0
Total contributions for professional contingencies (euros)	1,233,294	1,279,468
Number of in labore traffic accidents (under assignment)	9	6
<i>Number of in itinere traffic accidents</i>	24	13
Number of <i>in itinere</i> accidents	42	30
<i>In itinere</i> accidents involving permanent workers	22	14
<i>In itinere</i> accidents involving temporary workers	20	16
Total accidents involving permanent workers	106	73
Total accidents involving temporary workers	60	68
Total in labore accidents involving own workers	166	141
Kilometres travelled on assignment	10,001,440	9,950,721
% traffic accidents out of total accidents in Canal	19.88%	13.48%
Rate of incidence of traffic accidents at work	13.273	7.572
Frequency rate of accidents at work while on assignment/kilometres travelled	0.900	0.603
Hours worked	4,136,597	4,062,733
Absenteeism (hours)	178,566	167,749
Hours lost due to absenteeism of permanent employees	138,522	125,351
Hours lost due to absenteeism of temporary employees	40,043	42,398
Total absenteeism	4.32%	4.13%
Absenteeism of employees with indefinite contracts	5.19%	4.86%
Absenteeism of employees with temporary contracts	2.73%	2.86%
Workers represented on Health and Safety Committees (%)	100	100

Innovation, ICTs and remote control

R&D&i expenses (euros)

	2015	2016	2017
NET EXPENDITURE (NET OF SUBSIDIES)	4,831,579	3,530,206	3,256,776
Total expenses incurred	4,849,255	3,558,309	3,328,555
Budget	1,341,994	1,135,786	930,772
Internal expenses	3,507,261	2,422,523	2,397,783
Subsidies	-17,676	-28,103	-35,889
Total expenses incurred versus turnover (%)	0.56%	0.41%	0.37%

Information and communication technology (ICT) statistics

	2016	2017
ICT EXPENSES (EUROS)		
Total expenses	25,328,604	23,627,028
Expenses incurred	19,064,851	17,047,737
Internal expenses	6,263,753	6,579,290
INVESTMENT (EUROS)		
Investment	7,303,004	9,824,268
DEGREE OF IT PENETRATION AMONG USERS		
Number of computers	2,133	2,256
Number of <i>ThinkClients</i>	35	
Number of laptop computers	128	154
Number of printers	648	538
Number of field terminals managed	1,097	1,151
Number of TEMPO ruggedised laptops	15	15
EMPLOYEES		
Employees who log on in one month	2,347	2,311
Employees browsing in the last month	2,031	2,275
Employees with email mobility in the last month	197	2,638

	2016	2017
BILLS (NUMBER) AND AMOUNT (EUROS)		
Electronic bills issued allowing processing	884,486	1,165,448
Hardcopy bills issued	8,071,656	7,990,369
Electronic invoices from suppliers issued allowing processing	10,583	11,144
Hard copy supplier invoices	45,084	44,893
Amount invoiced for payments via payment gateway	299,211	315,436
Amount invoiced to companies for payments via payment gateway	198,326	46,989
Amount invoiced to administration for payments via payment gateway	0	
Amount of online purchases using credit card via down payment	6,135	9,620
Amount of online purchases	7,172,297	7,425,420
In Spain	7,143,860	7,340,702
From other EU countries	28,437	84,717
From rest of countries	0	0
AVAILABILITY		
Critical system availability	99.954	99.980
Availability of important systems	99.944	99.970
SATISFACTION		
% users satisfied with incident management	94.75%	91.73%
% users satisfied with resolution of inquiries	93.78%	92.17%
% users not satisfied with resolution of inquiries	0.04%	0.83%
% users satisfied with IT system services	93.64%	91.69%

Remote Control Figures

REMOTE CONTROL FIGURES	2015	2016	2017
Number of Remote Terminal Units (RTUs) monitored	1,741	1,940	2,262
Direct measurements	22,943	28,005	28,956
Number of remote-controlled facilities	57	58	58
Number of remote controls performed	8,440	6,644	6,382
Availability of field instrument kits (%)	98.150	98.908	99.303

Telecommunications Figures

TELECOMMUNICATIONS FIGURES	2015	2016	2017
Number of telecommunications network hosts	362	385	430
Fibre optic network length (km)	626	636	636
Number of network radio links	153	163	163
Average Telecommunications network availability (%)	99.920	99.947	99.940

An efficient, sound company

Main financial figures (in millions of euros)

	2015	2016	2017
Net turnover	861.27	866.78	885.74
FY profit/loss	232.69	232.69	261.89
Shareholders' equity	2,454.36	2,467.13	2,573.40
Investment	214.07	167.25	153.54
EBITDA	331.96	332.00	367.60
Indebtedness	1,108.04	982.15	879.86
³⁹ Indebtedness/EBITDA	3.34	2.96	2.39

Investment (in euros)

	2015	2016	2017
Total acquisitions of fixed assets	214,071,102	167,250,340	153,544,555
Land and buildings	17,389,615	10,507,601	3,645,843
Catchments and large pipes	18,182,629	24,668,978	13,085,646
DWTPs	11,255,544	4,158,340	2,369,628
Distribution networks	40,377,856	37,585,504	35,538,632
Technical compliance	325,454	8,939,057	10,915,054
Sanitation networks	15,063,160	13,937,326	16,576,375
WWTPs	35,275,701	24,377,407	25,669,654
Reuse networks	6,327,272	12,757,961	12,862,336
Deposits	6,925,933	6,708,384	4,308,889
Information and remote control systems	11,000,660	12,028,610	16,090,290
Other items	51,947,276	11,581,171	12,482,208
Other indicators			
Investments applied to replacement provision	-68,606,885	-64,596,594	-63,015,757
Net additions to fixed assets	145,464,216	102,653,745	104,234,583

Projects completed

	2015	2016	2017
Number of supply projects	11	8	10
Number of sanitation projects	7	17	15
Number of reuse projects	0	1	0
Number of construction/architecture projects	4	6	8
Number of network renovation and other projects	54	48	42
SUM	76	80	75
Budget for supply projects (millions of euros)	52.37	35.78	63
Budget for sanitation projects (millions of euros)	68.00	58.33	26
Budget for reuse projects (millions of euros)	0	10.23	
Budget for construction/architecture projects (millions of euros)	1.66	1.82	11.72
Budget for network renovation and other projects (millions of euros)	77.32	60.74	59.62
SUM (millions of euros)	199.35	166.90	160.34
Number of construction management projects	3	3	2
Budget for construction management projects (millions of euros)	0.42	0.17	1.38
Number of completed environmental procedures	17	23	20
Number of Environmental Impact Statements	6	2	1

Public procurement (procedure type)

	2015	2016	2017
Open procedure			
Number of contracts	272	200	210
Percentage of total contracts	73.9%	80.32%	76.09%
Amount awarded (euros)	289,561,846	365,287,026	331,224,582
Percentage of total amount awarded	78.26%	95.07%	87.58%
Orders to Canal Group companies			
Number of orders	33	18	9
Percentage of total contracts	8.97%	7.23%	3.26%
Amount awarded (euros)	63,718,683	11,634,657	21,328,386
Percentage of total amount awarded	17.22%	3.03%	5.64%
Negotiated procedure			
Number of contracts	58	26	30
Percentage of total contracts	15.76%	10.44%	10.87%
Amount awarded (euros)	14,404,207	4,812,570	9,009,630
Percentage of total amount awarded	3.89%	1.25%	2.38%
Other			
Number of contracts	5	5	27
Percentage of total contracts	1.36%	2.01%	9.78%
Amount awarded (euros)	2,314,650	2,497,856	16,648,382
Percentage of total amount awarded	0.63%	0.65%	4.40%
Detail of procedure type			
Total no. of contracts	368	249	276
Total amount awarded (euros)	369,999,386	384,232,109	378,210,981

Public contracting (type of contract, excluding orders to investee companies)

	2015	2016	2017
Works contract			
Number of contracts	106	68	112
Percentage of total contracts	31.64%	29.44%	41.95%
Amount awarded (euros)	115,992,750	55,809,965	158,429,433
Percentage of total amount awarded	37.87%	14.98%	44.39%
Service contracts			
Number of contracts	166	101	94
Percentage of total contracts	49.55%	43.72%	35.21%
Amount awarded (euros)	91,487,960	217,173,715	94,411,469
Percentage of total amount awarded	29.87%	58.29%	26.45%
Supply contracts			
Number of contracts	63	62	61
Percentage of total contracts	18.81%	26.84%	22.85%
Amount awarded (euros)	98,799,993	99,613,772	104,041,691
Percentage of total amount awarded	32.26%	26.73%	29.15%
Detail of contracts per awarded contract type			
Total no. of contracts	335	231	267

APPENDIX I

APPENDIX II

MAIN AGGREGATE FIGURES OF THE CANAL DE ISABEL II
BUSINESS GROUP (2015-2017)



APPENDIX III

APPENDIX IV

APPENDIX V

APPENDIX VI

NOTE: This appendix includes the Cáceres branch in the Canal de Isabel II data.

Customers and population served

Customers and population served

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Supply												
Supplied population [inhabitants]	6,315,517	6,355,007	6,396,890	3,159,161	3,106,451	2,929,124	396,725	396,760	398,704	9,871,404	9,858,218	9,724,718
Municipalities served	186	183	183	20	20	34	8	8	8	214	211	225
Sanitation												
Population with sewerage service [inhabitants]	5,568,841	5,596,192	5,634,699	2,603,655	2,622,596	2,404,036	339,365	337,725	338,622	8,511,861	8,556,512	8,377,357
Municipalities with sewerage service	143	137	137	14	14	29	8	8	8	165	159	174
Purification												
Covered population [inhabitants]	6,535,306	6,559,838	6,600,063	666,678	769,054	779,525	140,615	337,725	144,312	7,342,599	7,666,617	7,529,900
Municipalities where wastewater is treated	185	182	182	9	10	25	7	7	7	201	199	214
Number of contracts	1,467,247	1,477,788	1,496,605	638,345	669,056	641,159	121,939	122,254	124,680	2,227,531	2,269,098	2,262,444

Breakdown of population served (inhabitants) in 2017 by country, service and company, and coverage in percentage of population

POPULATION	COVERAGE IN 2017					
	SUPPLY	SEWERAGE	PURIFICATION			
Canal de Isabel II Autonomous Community of Madrid	6,286,805	5,536,540	6,498,623	96.61%	85.08%	99.87%
Canal de Isabel II in Castilla La Mancha	11,926	-	4,272	71.91%	0.00%	25.76%
<i>Canal System</i>	<i>6,298,731</i>	<i>5,536,540</i>	<i>6,502,895</i>	<i>96.55%</i>	<i>84.87%</i>	<i>99.68%</i>
Canal de Isabel II Cáceres	98,159	98,159	97,168	100.00%	100.00%	98.99%
Total Canal de Isabel II	6,396,890	5,634,699	6,600,063	96.60%	85.09%	99.67%
Aguas de Alcalá UTE	194,310	194,310	-	100.00%	100.00%	0.00%
Canal Gestión Lanzarote	204,394	144,312	144,312	100.00%	70.60%	70.60%
TOTAL SPAIN	6,795,594	5,973,321	6,744,375	99.55%	87.50%	98.80%
Triple A Barranquilla	2,245,506	1,949,394	558,445	98.19%	85.24%	24.42%
Metroagua	-	-	-			
ASAA	217,395	184,241	-	91.80%	77.80%	0.00%
TOTAL COLOMBIA	2,462,901	2,133,635	558,445	97.59%	84.54%	22.13%
Amagua	187,986	157,085	157,085	100.00%	83.56%	83.56%
Fontes da Serra	57,921	-	-	100.00%	0.00%	0.00%
Aguas de Tumbes	220,316	113,317	63,995	84.00%	43.20%	24.40%
TOTAL GROUP IN LATIN AMERICA	3,295,182	2,734,983	845,074	96.61%	79.29%	25.71%
TOTAL CAN/AL DE ISABEL II GROUP	9,724,718	8,377,357	7,529,900	98.64%	84.98%	76.32%

Integral water cycle management figures

Supply: natural contributions by rivers and water rerouted for consumption of reservoirs and catchments in millions of cubic metres

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Natural contributions												
Natural contributions [hm ³]	481	734	373	142,977	151,900	181,970				143,459	152,634	182,343
Surface catchments												
Number of reservoirs or river or sea surface catchments	18	15	15	9	9	9	6	5	6	33	29	30
Capacity of reservoirs and/or surface catchments [hm ³]	970.56	965.40	965.40	304.45	304.45	301.96	1.89	1.89	1.89	1,276.90	1,271.74	1,269.25
Number of weirs	6	6	6	3	3		1	1	1	10	10	7
Groundwater catchments												
Number of groundwater catchments in operation	82	79	79	41	48	13				123	127	92
Capacity of groundwater catchments [hm ³]	93.00	93.00	93.00	0.07	0.07	6.5				93.07	93.07	99.5
Water rerouted for consumption												
Water rerouted for consumption [hm ³]	506.68	501.20	514.56	308.75	306.29	268.69	41.97	41.14	42.45	857.40	848.60	825.70

Treatment and distribution figures

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Treatment												
DWTP inflow volume [hm ³]	504	499	511	274	276	263	56	57	58	834	832	831
Treated water volume [hm ³]	504	499	510	276	269	255	27	26	27	806	794	793
No. of drinking water treatment plants	17	15	15	8	8	9	5	5	5	30	28	29
Treatment capacity [hm ³ /day]	4.58	4.60	4.60	0.89	0.89	0.77	0.16	0.16	0.16	5.63	5.65	5.53
Distribution												
Number of major pipelines	23	23	23							23	23	23
Number of major regulating deposits	33	33	34	1	1	5	2	2	2	36	36	41
Storage capacity of major deposits [hm ³]	3.20	3.16	3.16	0.05	0.07	0.05	0.10	0.06	0.06	3.35	3.30	3.27
Number of small deposits	315	300	301	47	48	46	63	67	67	425	415	414
Storage capacity of small deposits [hm ³]	0.52	0.53	0.53	0.05	1.68	1.56	0.14	0.11	0.11	0.71	2.32	2.20
Number of major lifting plants	24	25	25	11	11	10	4	4	4	39	40	39
Number of small lifting plants	124	111	111	27	27	16	30	26	26	181	164	153

Sewerage figures

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of WWPS	126	134	134	157	170	186	77	79	78	360	383	398
Number of buffering basins and storm tanks managed	63	65	65				4	4	4	67	69	69
Capacity of storm tanks managed [hm ³]	1.470	1.483	1.483				0.007	0.007	0.007	1.477	1.490	1.490
Spillways and overflow weirs in the entire sewerage system	603	603	603	10	10	14	54	54	54	667	667	671

Wastewater treatment figures

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of wastewater treatment plants	160	160	160	85	93	102	8	8	8	253	261	270
Treated volume in WWTPs (hm ³)	463.82	483.26	451.90	44.06	46.67	51.31	3.24	2.32	3.64	511.12	535.25	506.84
Design flow rate (hm ³ /day)	3.26	3.26	3.24	0.20	0.20	0.24	0.02	0.02	0.02	3.48	3.49	3.51

Contamination removed in wastewater treatment

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
AVERAGE QUALITY OF INFLOWING WATER (mg/l)												
BOD ₅ of inflow water	310	302	323	213	238	225	492	463	399	305	299	315
Suspended solids in inflowing water	274	264	293	199	218	173	286	311	288	269	261	282
AVERAGE QUALITY OF PURIFIED WATER (mg/l)												
BOD ₅ of purified water	10	9	9	61	53	61		14	13	14	13	14
Suspended solids in purified water	12	11	11	45	45	46		21	20	15	14	14
POLLUTION LOAD ELIMINATED (tn/year)												
BOD ₅ of eliminated pollution load	146,032	156,915	142,223	4,334	4,891	5,110	3,185	3,075	3,214	133,878	144,038	128,656
Suspended solids	132,777	135,736	127,822	3,945	4,481	3,717	1,776	2,043	2,284	121,712	124,615	115,544
PURIFICATION YIELD (% eliminated)												
BOD ₅	97	97	97	71	78	73	95	99	99	95	96	95
Suspended solids	96	96	96	73	79	74	91	93	93	94	94	94
COD	93	93	93	50	63	61	90	93	93	91	90	90
Phosphorus	92	91	91	0	18	34	68	92	90	91	85	86
Nitrogen	56	61	60	12	32	29	43	78	74	53	59	57

Regenerated wastewater reuse figures

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of regenerated water plants in service	21	23	25	16	17	18	5	5	5	42	45	48
Number of in-service reuse tanks	35	63	63				4	4	4	39	67	67
Volume of regenerated water produced [hm ³]	13	12	16	4	4	5	3	3	3	20	20	24
Total irrigated surface area [ha]	1,913	2,374	2,699				623	534	730	2,536	2,908	3,429

Efficient resource management figures

Figures in the fight against fraud

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Communications received on suspected acts of fraud	9,521	6,702	7,792	70,509	73,995	62,278	2,800	2,872	2,825	82,830	83,569	75,895
Number of irregularities detected	3,207	212	188	8,209	9,392	11,121	625	782	812	12,041	10,386	12,121
Number of irregularities taken before the courts	138	98	93			27	37	59	89	175	157	209
Amount of water claimed in court [m ³]	815,929	441,004	524,958			27,300	38,022	21,828	92,679	853,951	462,832	644,937
Estimated amount of water by court rulings [m ³]	5,121,099	5,585,580	3,970,461	696,648	973,785	1,009,807		104,281	117,998	5,817,747	6,663,646	5,098,266
Water accounted for in complaints/conviction [m ³]	5,937,028	6,026,584	4,495,418	696,648	973,785	1,037,107	38,022	126,109	210,677	6,671,698	7,126,478	5,743,203
Revenue from court settlements in euros	1,271,421	313,586	136,852			19,666				1,271,421	313,586	156,518
Revenue from penalty proceedings in euros	439,945	12,900								439,945	12,900	
Revenue from out-of-court settlements in euros	2,473	1,629	1,205	695,707	727,843	858,303	35,423	81,254	44,937	733,603	810,726	904,445
Total revenue from fraud proceedings in euros	1,713,839	328,114	138,056	695,707	727,843	877,969	35,423	81,254	44,937	2,444,969	1,137,212	1,060,963
Economic evaluation of fraud claims in court [€]	1,169,989	627,715	623,465			40,090	110,647	160,375	261,373	1,280,636	788,089	924,928
Number of penalty proceedings initiated	2,427	459	668			182			174	2,427	459	1,024
Number of convictions for single connections	827	939	816	5,652	7,001	8,937	35	59	64	6,514	7,999	9,817

Breakage

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Breakage rate for every 1000 km	135.90	116.41	114.73	2,161.61	1,726.89	1,806.04	3,388.47	3,743.09	4,934.70	880.21	783.10	877.67
Breakage rate for every 1000 connections	9.28	7.43	8.12	47.87	44.12	27.52	36.25	40.05	12.95	27.96	25.96	18.99

Data on losses and self-consumption (% of volume rerouted for consumption in the hydrological year)

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Estimation real loss in adduction and distribution	5.51	3.45	3.27	41.09	36.78	33.84	37.05	37.78	37.55	19.86	17.23	15.62
Hidden losses in the distribution network	3.89	1.98	2.53	25.40	19.92	28.82	3.98	4.07	4.11	11.63	8.58	11.73
% self-consumption	1.08	1.02	0.92	5.43	4.89	5.18	0.79	0.40	0.40	2.57	2.39	2.34

Renovation of networks

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Supply												
Length of managed network [km]	17,999	17,859	17,981	5,071	5,295	4,306	2,790	2,359	2,396	25,860	25,512	24,682
Kilometres of network renovated	103	119	102	39	18	29	26	28	32	167	165	164
Renovation rate (% renovated)	0.57	0.67	0.57	0.76	0.35	0.68	0.93	1.17	1.35	0.65	0.65	0.66
Sanitation												
Length of managed network [km]	15,030	15,193	15,307	3,540	3,707	3,472	663	663	673	19,234	19,563	19,452
Large collectors and outfalls [km]	942	935	989	397	430	358	17	17	17	1,355	1,382	1,364
Municipal sewerage networks [km]	14,088	14,258	14,318	3,143	3,277	3,114	647	647	657	17,878	18,181	18,089
Kilometres of network renovated	25.37	13.64	25.12	26.30	20.39	33.90	0.10	0.48	1.30	51.77	34.51	60.33
Renovation rate (% renovated)	0.17	0.09	0.16	0.74	0.55	1.11	0.02	0.07	0.19	0.27	0.18	0.32
Reuse												
Length of managed network [km]	493	512	589				496	508	508	989	1,020	1,097
Kilometres of network renovated	0.07						10.00	12.10		10.07	12.10	
Renovation rate (% renovated)	0.013						2.016	2.381		1.017	1.186	

Water quality figures

Summary of types of checks performed

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
WWTP effluents												
Analysed samples	8,191	9,354	9,423	1,720	1,891	1,469	1,505	1,459	1,118	11,416	12,704	12,010
Analyses performed	58,336	66,412	69,799	20,817	22,110	21,215	11,412	10,728	7,990	90,565	99,250	99,004
Regenerated water												
Analysed samples	5,316	7,265	9,315				986	889	1,003	6,302	8,154	10,318
Analyses performed	29,874	34,066	48,538				7,318	5,787	7,504	37,192	39,853	56,042
Discharges (industrial)												
Analysed samples	149	141	144	384	442	102	26	7	40	559	590	286
Analyses performed	1,452	1,522	1,671	6,371	6,380	2,060	15	41	40	7,838	7,943	3,771
Water at source												
Analysed samples	13,826	16,009	16,354	7,094	7,318	19,017	50	54	55	20,970	23,381	35,426
Analyses performed	109,576	116,397	112,540	40,793	40,652	643,496	350	399	385	150,719	157,448	756,421
Water before distribution												
Analysed samples	56,959	68,396	70,003	12,481	12,391	33,140	2,155	1,492	1,588	71,595	82,279	104,731
Analyses performed	452,526	474,564	485,674	57,970	63,615	1,856,514	13,450	11,397	13,185	523,946	549,576	2,355,373
Distribution network												
Analysed samples	25,420	26,068	25,498	18,910	16,386	18,761	5,883	10,596	8,548	50,213	53,050	52,807
Analyses performed	390,842	393,253	381,264	152,496	150,219	10,079,836	38,019	44,837	44,755	581,357	588,309	10,505,855
Analysis for other organisms												
Analysed samples	691	715	739	3,560	4,996	971				4,251	5,711	1,710
Analyses performed	16,551	16,165	16,388	38,058	34,936	5,643				54,609	51,101	22,031
Automatic surveillance (water for consumption)												
Analysed samples	700,800	700,800	700,800	33	31	38				700,833	700,831	700,838
Analyses performed	6,096,960	6,096,960	6,096,960	15,797,538	13,851,763	279,818				21,894,498	19,948,723	6,376,778

Continued

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Automatic surveillance (regenerated water)												
Analysed samples	498,672	498,672	726,288							498,672	498,672	726,288
Analyses performed	1,102,464	1,102,464	1,557,696							1,102,464	1,102,464	1,556,696
Virus analyses												
Analysed samples	88	90	86							88	90	86
Analyses performed	176	180	172							176	180	172

Customer service quality

Customer service statistics

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of fixed sales offices	11	12	11	41	38	39	9	9	9	61	59	59
No. of telephone calls answered	1,171,581	1,032,732	950,360	851,511	765,388	731,579	51,000	58,922	60,603	2,074,092	1,857,042	1,742,542
HQ visits	36,304	27,716	26,220	325,010	401,008	357,086	74,115	68,812	69,436	435,429	497,536	452,742

Detailed virtual office statistics

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Virtual office customers	195,091	225,951	253,768	907,174	951,677	1,084,154	5,888	6,617	7,335	1,108,153	1,184,245	1,345,257
Virtual office contracts	274,758	312,466	349,352							274,758	312,466	349,352
Customers with electronic billing	86,344	131,514	171,238	65,210	67,080	61,545	7,495	9,111	10,762	159,049	207,705	243,545
Electronic bills issued	634,572	895,434	1,192,271	650,931	791,050	723,290	37,147	56,377	62,984	1,322,650	1,742,861	1,978,545

Degree of compliance with the service charter

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Average compliance rate [%]	99	99	98	100	100	99	100	99	98	99	99	98

Billing claim

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Bills issued	8,593,788	8,767,282	8,873,422	7,216,206	10,905,421	10,576,966	752,812	724,898	704,232	16,562,806	20,397,601	20,154,620
% claims received on invoices issued	0.24	0.25	0.26	0.53	0.36	0.34	0.47	0.28	0.33	0.38	0.31	0.30
% favourable to the customer	72	75	75	29	25	23	70	74	73	46	44	44

Customer satisfaction level

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Company												
Satisfaction level (1-10)	7.8	7.8	8.2	7.5	8.4	7.7	6.9	6.6	6.6	7.7	8.0	7.4
% of customers who would recommend the service	90	90	N/A		86	56				87	88	67

Consumption and energy production

Electricity consumption and production (kWh)

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Electricity consumption by activity												
Supply	136,159,464	141,526,739	204,082,101	155,412,236	151,596,385	153,670,917	121,143,465	108,584,138	112,374,212	412,715,165	401,707,262	470,127,230
Sanitation	267,292,983	271,894,509	278,816,787	15,830,671	17,567,488	17,609,279	9,554,149	9,652,396	9,581,440	292,677,803	299,114,393	306,007,506
Other areas	14,254,084	25,203,703	24,239,279	2,740,900	2,689,421	2,814,480	1,542,136	1,928,090	2,839,036	18,537,120	29,821,214	29,892,796
Electricity consumption per m ³ of rerouted water	0.824	0.874	1.006	0.560	0.561	0.648	3.125	2.921	2.940	0.842	0.861	0.976
Electricity production												
Self-consumption	121,331,347	119,692,156	123,651,638				390,536	669,490	1,558,097	121,721,883	120,361,646	125,209,735
Sold to the grid	61,379,627	141,049,748	119,045,412							61,379,627	141,049,748	119,045,412

Fuel consumption of the two main companies in Canal Group

FUEL TYPE	CANAL DE ISABEL II (AUTONOMOUS COMMUNITY OF MADRID)			TRIPLE A BARRANQUILLA (COLOMBIA)		
	2015	2016	2017	2015	2016	2017
Natural gas in cogeneration facilities (kWh PCS/year)	175,913,794	180,862,708	198,893,397			
Natural gas in building boilers (in m ³ /year)	103,600	121,536	127,000			
Diesel fuel in boilers in company buildings and processes (in litres/year)	230,320	165,975	153,825			
Diesel fuel in vehicles and machinery (in litres/year)	676,981	669,436	647,299	2,793,095	2,283,306	2,593,005
Gasoline in vehicles (in litres/year)	25,985	22,638	22,032	277,920	179,577	156,055
Compressed natural gas in vehicles (tons per year)				238.71	115.83	5.29

Total power consumption of the two main companies in Canal Group (Gigajoules per year)

CONSUMPTION SOURCE	CANAL DE ISABEL II (AUTONOMOUS COMMUNITY OF MADRID)			TRIPLE A BARRANQUILLA (COLOMBIA)		
	2015	2016	2017	2015	2016	2017
Electricity consumption (GJ per year)	1,127,664	1,151,507	1,382,624	307,249	296,948	563,705
Natural gas in cogeneration facilities (GJ per year)	555,557	571,196	628,129			
Biogas in WWTPs (GJ per year)	579,779	597,986	614,036			
Natural gas in building boilers (GJ per year)	3,828	4,491	4,693			
Diesel fuel in boilers of company buildings and processes (GJ per year)	8,982	6,473	5,999			
Diesel fuel in vehicles and machinery (GJ per year)	24,420	24,148	23,350	100,751	82,362	93,535
Gasoline in vehicles (GJ per year)	870	758	738	9,309	6,015	5,226
Compressed natural gas in vehicles (GJ per year)				13,533	6,566	300
SUM	2,301,100	2,356,549	2,659,568	430,842	391,891	662,766

Waste produced and managed by the companies

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			GROUP TOTAL		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Non-hazardous waste (kg)	29,884,885	32,589,503	31,042,991	5,358,418	11,541,528	10,556,583	3,644,471	5,224,673	5,355,066	38,887,773	49,355,703	46,954,639
Hazardous waste (kg)	441,541	282,660	230,757	26,269	11,993	31,967	16,035	18,204	19,915	483,846	312,797	282,639

Employee figures

Workforce diversity

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total workforce	2,517	2,590	2,611	2,954	3,053	3,090	805	826	803	6,276	6,469	6,504
Interns and trainees	75	83	92	188	204	177	16	10	9	279	297	278
According to workday type												
Full-time	2,399	2,476	2,501	2,914	3,052	3,054	775	799	762	6,088	6,327	6,317
Part-time	118	114	110	40	1	36	30	27	41	188	142	187
According to type of contract (full-time staff)												
Indefinite	1,594	1,581	1,540	2,898	2,982	2,943	496	485	483	4,988	5,048	4,966
Temporary	805	895	961	16	71	111	279	314	279	1,100	1,280	1,351
By sex												
Women	774	816	853	773	782	752	135	138	164	1,682	1,736	1,769
Men	1,743	1,774	1,758	2,181	2,271	2,338	670	688	639	4,594	4,733	4,735
Disabled employees												
Workers with some degree of disability	21	22	22	22	18	17	12	11	11	55	51	50
External												
Number of external workers	2,985	3,372	3,256	5,876	2,788	2,757	541	390	442	9,402	6,550	6,455

Retention and hiring

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Men												
Employees entitled to paternity leave	32	35	23	66	25	22	15	14	14	113	74	59
Employees who ended paternity leave in the previous year	34	30	35	21	25	22	10	20	8	65	75	65
Employees reinstated after paternity leave in the previous year	34	32	35	20	25	21	10	19	8	64	76	64
Employees who retained employment 12 months after reinstatement	34	32	35	18	19	21	10	13	8	62	64	64
Rate of reinstatement [%]	100	107	100	95	100	83	100	95	100	98	101	95
Rate of retention [%]	100	100	100	90	76	100	100	68	100	97	84	100
Women												
Employees entitled to maternity leave	17	16	10	85	57	26	4	4	5	106	77	41
Employees who ended maternity leave in the previous year	18	15	13	46	36	26	4	3	2	68	54	41
Employees reinstated after maternity leave in the previous year	18	17	13	45	35	25	4	3	2	67	55	40
Employees who retained employment 12 months after reinstatement	18	17	13	34	41	21	4	2	1	56	60	35
Rate of reinstatement [%]	100	113	100	98	97	100	100	100	100	99	102	100
Rate of retention [%]	100	100	100	76	117	86	100	67	50	84	109	82
TOTAL												
Employees entitled to leave	49	51	33	151	82	48	19	18	19	219	151	100
Employees who ended their leave in the previous year	52	45	48	67	61	48	14	23	10	133	129	106
Employees reinstated after paternity leave in the previous year	52	49	48	65	60	46	14	22	10	131	131	104
Employees who retained employment 12 months after reinstatement	52	49	48	52	60	42	14	15	9	118	124	99
Rate of reinstatement [%]	100	109	100	97	98	96	100	96	100	98	102	98
Rate of retention [%]	100	100	100	80	100	89	100	68	96	90	95	93

Employee turnover

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total hires	375	324	359	759	639	896	110	128	110	1,244	1,091	1,365
Men	276	194	223	620	497	708	98	108	87	994	799	1,018
Women	99	130	136	139	142	188	12	20	23	250	292	347
Under 30 years old	196	231	276	379	297	388	22	37	26	597	565	690
30-50 years old	141	88	75	325	307	454	84	78	76	550	473	605
Over 50 years old	38	5	8	55	35	70	4	13	7	97	53	85
Total departures	286	251	338	676	659	907	99	107	133	1,061	1,017	1,378
Men	214	163	238	518	472	677	91	90	106	823	725	1,021
Women	72	88	100	158	187	230	8	17	27	238	292	357
Under 30 years old	102	104	160	307	264	315	17	20	20	426	388	495
30-50 years old	92	87	123	318	326	511	70	66	94	480	479	728
Over 50 years old	92	60	55	51	69	82	12	21	19	155	150	156
Voluntary departures	55	40	41	182	167	119	13	15	21	250	222	181
Men	35	14	24	126	101	76	12	15	14	173	130	114
Women	20	26	17	56	66	43	1		7	77	92	67
Under 30 years old	30	28	30	83	91	38	5	8	7	118	127	75
30-50 years old	24	12	11	89	66	59	8	6	13	121	84	83
Over 50 years old	1			10	10	22		1	1	11	11	23

Occupational safety and health

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT			
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	
Occupational accidents and diseases													
Total number of workers exposed to occupational risks	2,396	2,486	2,509	2,913	3,057	2,926	808	824	803	6,116	6,367	6,238	
Accidents at work (excluding <i>in itinere</i>)	125	124	111	45	89	91	160	147	147	330	360	349	
Accidents with leave (excluding <i>in itinere</i>)	69	67	54	47	69	28	70	57	73	186	193	155	
Average duration [days]	16	16	15	12	15	12	22	15	19	17	15	16	
Days lost	1,080	1,093	798	570	1,010	341	1,568	867	1,408	3,218	2,970	2,547	
Index of frequency of accidents with sick leave	17	16	13	6	10	3	52	42	55	15	16	14	
Frequency rate of total accidents (excl. <i>in itinere</i>)	31	30	27	6	13	4	119	109	110	26	29	29	
Severity rate	0.27	0.26	0.20	0.08	0.15	0.04	1.17	0.64	1.07	0.26	0.24	0.24	
Incidence rate (excluding <i>in itinere</i>)	28.80	26.95	21.52	16.14	22.57	9.57	86.69	69.18	90.94	30.41	30.31	24.85	
Fatal victims (number)							1				1		
Number of cases of occupational diseases				1							1		
Rate of occupational diseases				0.0001							0.0001		
Hours worked													
Hours worked	4,000,450	4,136,597	4,062,733	7,246,706	6,895,379	7,152,983	1,342,894	1,347,493	1,332,181	12,590,049	12,379,469	12,547,897	
Total hours worked by employees with indefinite contracts	2,648,193	2,667,522	2,578,227	7,139,381	6,811,689	7,079,123	845,015	815,641	819,829	10,632,589	10,294,851	10,477,180	
Total hours worked by employees with temporary contracts	1,352,257	1,469,076	1,484,506	107,325	83,690	73,860	497,879	531,852	512,352	1,957,460	2,084,618	2,070,718	
Absenteeism													
Absenteeism	171,830	178,566	167,750	34,160	70,336	50,951	79,970	62,341	89,056	285,961	311,244	307,757	
Hours lost due to absenteeism of permanent employees	139,107	138,523	125,351	33,944	65,107	46,991	57,051	52,148	59,506	230,102	255,778	231,848	
Hours lost due to absenteeism of temporary employees	32,723	40,044	42,398	216	5,229	3,960	22,920	10,193	29,550	55,859	55,465	75,908	
Total absenteeism	4	4	4	0	1	2	6	5	5	2	3	3	
Absenteeism of employees with indefinite contracts	5	5	5	0.5	1	1	7	6	5	2	3	3	
Absenteeism of employees with temporary contracts	2	3	3	0	6	4	5	2	5	3	3	4	
% workers in Occupational Health and Safety Committees	100	100	100	38	52	92	100	94	100	71	76	96	

Theme-based training

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Technical training [hours]	26,905	24,069	21,065	8,375	7,394	8,027	764	308	1,186	36,043	31,771	30,278
Others [hours]	84,236	86,483	112,461	55,398	43,089	41,593	5,040	5,135	5,978	144,674	134,706	160,032

Average hours of training

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Executives												
Men	15	9	15	70	57	27	58	36	38	26	14	29
Women	19	12	16	50	39	29	7	34	43	27	16	31
Total	16	10	16	61	48	28	45	35	33	26	15	29
Management support												
Men	16	13	13	65	40	29		2	47	20	17	31
Women	18	14	13	64	43	33				26	18	30
Total	17	14	13	65	41	33		2	47	22	17	34
Post-graduate degree holders												
Men	15	11	11	47	43	25	7	16	20	20	16	22
Women	15	14	12	35	38	19	31	30	88	17	15	41
Total	15	12	12	42	42	24	22	22	32	18	15	26
Graduate degree holders												
Men	21	17	14	64	33	89	26	23	36	25	18	48
Women	21	18	14	37	12	42	23	29	31	24	18	34
Total	21	18	14	51	22	58	24	27	36	24	18	42
Middle managers												
Men	15	11	9	21	15	16	15	49	46	16	12	29
Women	14	24	12	15	50	31	80	22	11	17	40	21
Total	15	12	10	19	27	19	25	32	41	16	16	28

Continued

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Technicians												
Men	16	13	7	39	21	17	15	25	21	22	15	18
Women	22	16	19	87	57	52	34	19	16	23	17	34
Total	18	14	9	41	23	17	17	24	23	22	16	18
Clerical and auxiliary staff												
Men	14	12	8	39	20	28	27	14	27	25	15	26
Women	14	11	9	36	23	24	13	12	19	20	14	21
Total	14	12	8	38	22	29	16	13	17	22	15	23
Office staff												
Men	10	10	10	19	13	19	13	13	11	11	10	16
Women	21	10	8	6	93	19	2		8	15	36	15
Total	10	10	10	18	16	17	13	13	11	11	11	15

Wages

	SPAIN			COLOMBIA		
	2015	2016	2017	2015	2016	2017
Starting entry-level annual salary	16,518	16,670	17,453	3,203	2,952	3,212
Annual interprofessional minimum wage in the country	9,080	9,173	9,906	2,542	2,491	2,656
Starting entry-level annual salary/interprofessional minimum wage [%]	182	182	176	126	119	121

Social benefits

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Number of persons with disability or invalidity coverage	4	3	1	15	0	0	3	2	1	22	5	2
Registered in sports activities promoted by the company	813	748	790	560	612	410			22	1,373	1,360	1,222
Social benefit expense [€]	269,761	417,953	484,755	4,122,444	4,937,257	6,189,198	36,803	39,594	25,864	4,429,008	5,394,805	6,699,817

Expenditure in R&D&i and information technology and telecommunications

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
R&D&i & ICT												
Spending on R&D&i [€]	4,831,579	3,530,206	3,328,555	1,706,294	484,711	13,010				6,537,873	4,014,917	3,341,565
Spending on ICT [€]	15,511,725	16,958,098	23,627,028	3,187,870	3,322,367	3,101,697	5,867,150	5,280,537	3,428,675	24,566,746	25,561,002	30,157,400

Economic performance and investments

Main financial figures for Canal de Isabel II (individual) and Canal Group (consolidated)

	CANAL DE ISABEL II, S.A. (individual)				GRUPO CANAL DE ISABEL II (consolidated)		
	2015	2016	2017		2015	2016	2017
Net turnover	861.3	866.8	885.74	Ordinary income	1,120.9	1,104.2	1,146.7
FY profit/loss	232.7	232.0	281.89	FY profit/loss	225.6	245.6	264.0
Net equity	3,151.1	3,172.6	3,285.9	Net equity	2,390.1	2,427.4	2,525.3
EBITDA	332.0	332.0	367.60	EBITDA	378.1	375.6	417.3
Indebtedness	1,108.0	982.2	879.9	Indebtedness	1,186.1	1,082.9	949.2
Indebtedness/EBITDA	3.34	2.96	2.39	Indebtedness/EBITDA	3.14	2.88	1.91

Investment in euros

	CANAL DE ISABEL II			INTERNATIONAL SUBSIDIARIES			DOMESTIC SUBSIDIARIES			TOTAL RESULT		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Land and buildings	17,389,615	10,507,601	3,645,843	1,452,993	855,842	15,292	1,502,476	89,292	107,926	20,345,084	11,452,736	3,769,062
Catchments and large pipes	18,182,630	24,668,978	13,085,646	919,705	553,590	885,410	4,680,756	2,063,949	2,788,841	23,783,090	27,286,517	16,759,897
DWTPs	11,255,544	4,158,340	2,369,628	1,014,306	582,059	946,294			1,583,213	12,269,850	4,740,399	4,899,135
Distribution networks	40,377,856	37,585,504	35,538,632	6,579,672	4,088,356	2,794,160	2,738,626	4,366,731	3,175,220	49,696,154	46,040,591	41,508,012
Technical compliance	325,454	8,939,057	10,915,054	490,479	3,457,023	1,618,490	74,678		15,115	890,611	12,396,080	12,548,660
Sanitation networks	15,063,160	13,937,326	16,576,375	7,102,216	5,793,104	6,324,178	1,582,135	5,036	182,059	23,747,511	19,735,466	23,082,612
WWTPs	35,275,701	24,377,407	25,669,654	602,385	208,293	805,828	1,032,146	1,753	33,490	36,910,232	24,587,453	26,441,990
Reuse networks	6,327,273	12,757,961	12,862,336				366,955	608,963	442,683	6,694,227	13,366,924	13,305,019
Deposits	6,925,933	6,708,384	4,308,889	123,308	50,468	914,162	3,826,787	2,386,473	492,467	10,876,028	9,145,326	5,715,518
Information and remote control systems	11,000,660	12,028,610	16,090,290	663,675	515,022	142,689	353,358	102,758	2,473,305	12,017,693	12,646,390	18,706,284
Other items	51,947,276	11,581,171	12,482,208	7,116,256	8,402,663	4,729,179	745,302	1,406,730	940,868	59,808,834	21,390,563	18,152,255
Total result	175,871,960	214,071,102	167,250,340	26,967,679	26,064,995	24,506,419	4,736,157	16,903,218	11,031,685	207,575,795	257,039,314	202,788,444

APPENDIX I

APPENDIX II

APPENDIX III

BASIC TECHNICAL INFORMATION FOR 2017 OF
COMPANIES IN THE CANAL DE ISABEL II BUSINESS GROUP

APPENDIX IV

APPENDIX V

APPENDIX VI

I. Companies devoted to managing the integrated water cycle

Canal de Isabel II (Autonomous Community of Madrid, Spain)

Canal de Isabel II, S.A. is the parent company of the Canal business group, providing all the services related to the integrated water cycle: catchment, distribution, sanitation and reuse of wastewater. The public entity Canal de Isabel II holds 82.40% of the company's shares, and the remaining 17.60% is held by the town councils of 111 municipalities in the Autonomous Community of Madrid.

The company provides integrated water cycle management services to 179 municipalities in the Autonomous Community of Madrid and seven neighbouring municipalities located in the autonomous communities of Castilla-La Mancha and Castilla y León. The company's main technical figures at 31 December 2017 were as follows:

SUPPLY	
Number of reservoirs	14
Reservoir capacity (cubic hectometres)	945.9
Water rerouted for consumption in reservoirs and wells in 2017 (millions of cubic metres)	504.3
Number of catchment wells in operation	78
Kilometres of network (adduction and distribution)	17,556
Number of drinking water treatment plants	14
Treatment capacity (millions of cubic metres per day)	4.55
Number of major regulating deposits	34
Storage capacity of large deposits (millions of cubic metres)	3.2
Number of small deposits	292
Number of major lifting plants	22
SANITATION	
Kilometres of municipal sewerage networks managed	14,079
Kilometres of network of large collectors and outfalls	877
Number of buffering basins and storm tanks managed	65
Capacity of storm tanks managed (millions of cubic metres)	1.48
Number of wastewater pumping stations managed	133
Number of Wastewater Treatment Plants managed	157
Nominal treatment capacity (millions of equivalent inhabitants)	17.6
Water treated in WWTPs in 2017	443.5

REUSE	
Number of existing reuse plants in 2017	25
Kilometres of regenerated water network managed	589
Regenerated water deposits	63
Volume of water regenerated in 2017 (millions of cubic metres)	15.89
Municipalities having reuse agreements with Canal	23
Golf courses with agreements or contracts	11
Industries and other entities having a reuse agreement with Canal	12

CUSTOMERS AND POPULATION SERVED*	
Number of contracts (millions)	1.47
Population supplied* (millions of inhabitants)	6.30
Supply coverage (% inhabitants)	96.55
Municipalities served by Canal	180
Population served in sewerage management (millions of inhabitants)	5.54
Sewerage management coverage (% inhabitants)	84.87
Municipalities managed in sewerage	134
Population served in wastewater treatment (millions of inhabitants)	6.50
Coverage in wastewater treatment** (% inhabitants)	99.68
Municipalities managed in wastewater treatment***	180

* Includes the Autonomous Community of Madrid and 7 municipalities of Castilla-La Mancha and Castilla y León, which in 2017 totalled 16,585 inhabitants.

** Coverage of wastewater treatment in the Autonomous Community of Madrid is 99.87%.

*** Includes the Autonomous Community of Madrid and Ontígola (Toledo).



For more information on the company's activities, please visit Canal's website at the following link:

<http://www.canaldeisabelsegunda.es/en/>

Canal de Isabel II also has a **delegation in the city of Cáceres**, in the Autonomous Community of Extremadura, which in 2017 provided services to three municipalities in the Cáceres province. At the end of 2017, the main figures for this delegation were as follows:

SUPPLY	
Number of managed catchment inflow points (reservoirs and wells)	2
Water rerouted for consumption in catchments in 2017 (millions of cubic metres)	10.27
Kilometres of network (adduction and distribution)	425
Number of drinking water treatment plants	1
Daily treatment capacity (cubic metres)	47,520
Number of small deposits	9
Storage capacity of deposits (millions of cubic metres)	0.04

SANITATION	
Kilometres of municipal sewerage networks managed	239
Kilometres of network of managed large collectors and outfalls	112
Number of Wastewater Treatment Plants managed	3
Nominal treatment capacity of WWTPs (thousands of equivalent inhabitants)	162.47
Water treated in WWTPs in 2017 (millions of cubic metres)	8.4

CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	29,713
Population supplied (inhabitants)	98,159
Supply coverage (% inhabitants over total area supplied)	100
Number of municipalities supplied	3
Population served in sewerage management (inhabitants)	98,159
Sewerage management coverage (% inhabitants over total area supplied)	100
Number of municipalities managed in sewerage	3
Population served in wastewater treatment (inhabitants)	97,168
Coverage in wastewater treatment (% inhabitants over the total area supplied)	98.99
Number of municipalities managed in wastewater treatment	2

Aguas de Alcalá UTE (Alcalá de Henares, Autonomous Community of Madrid, Spain)

Aguas de Alcalá UTE (also known as UTE Alcalá) is the temporary joint venture of concessionary companies (until 2030) to provide drinking water treatment and distribution services and municipal sewerage management services in the city of Alcalá de Henares (Madrid, Spain).

UTE Alcalá was 50% owned by Canal de Isabel II at the end of 2017. The remaining shares of the joint venture (50%) were owned by Aqualia Gestión Integral del Agua S.A. In 2017, UTE Alcalá provided services to the city's 194,310 inhabitants, its main technical figures being the following:

SUPPLY	
Water derived for consumption in reservoirs and/or catchments (millions of cubic metres)	17
Kilometres of network (adduction and distribution)	521
Number of drinking water treatment plants	1
Treatment capacity (millions of cubic metres per day)	0.07
Large regulating deposits	1
Storage capacity of large deposits (millions of cubic metres)	0.03
Number of small deposits	5
Storage capacity of deposits (millions of cubic metres)	0.039
SANITATION*	
Kilometres of municipal sewerage networks managed	267
Kilometres of network of managed large collectors and outfalls	7
Number of wastewater pumping stations (WWPS's)	6
Number of buffering basins and storm tanks managed	3
Capacity of storm tanks managed (cubic metres)	1,525
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	53,909
Population supplied (inhabitants)	194,310
Supply coverage (% inhabitants)	100
Number of municipalities supplied	1
Population served in sewerage management	194,310
Sewerage management coverage (% inhabitants)	100
Number of municipalities managed in sewerage	1

* Wastewater treatment in Alcalá de Henares is carried out by Canal de Isabel II.



For more information about Aguas de Alcalá, please visit:
<http://www.aguasdealcala.es>

Canal Gestión Lanzarote (Islands of Lanzarote and La Graciosa, Canary Islands, Spain)

Canal Gestión Lanzarote, S.A.U. is a company fully owned by Canal de Isabel II, which started its activities on 1 June 2013. The company manages the integrated 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 which, in 2017, included 204,394 inhabitants and a floating population of 57,371 (permanent transit tourists). At the end of 2017, the company's main figures were as follows:

SUPPLY	
Number of seawater intakes managed	4
Water rerouted for consumption in catchments (millions of cubic metres in 2017)	25.45
Kilometres of network (conveyance + distribution)	1,875
Number of seawater desalination plants	4
Daily treatment capacity of desalination plants (millions of cubic metres)	0.09
Number of major regulating deposits	1
Storage capacity of large deposits (millions of cubic metres)	0.03
Number of small water deposits	62
Storage capacity of deposits (millions of cubic metres)	0.07
SANITATION	
Kilometres of sewerage networks managed	389
Kilometres of network of managed large collectors and outfalls	10
Number of Wastewater Treatment Plants managed	8
Nominal treatment capacity (millions of equivalent inhabitants)	0.16
Water treated in WWTPs in 2017 (millions of cubic metres)	3.64
REUSE	
Number of reuse plants built until 2017	5
Kilometres of regenerated water network built until 2017	508
Volume of water regenerated in 2017 (millions of cubic metres)	3.33
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	70,771
Population supplied* (inhabitants)	204,394
Supply coverage (% inhabitants)	100
Number of municipalities supplied	7
Population served in sewerage system and wastewater treatment management* (inhabitants)	144,312
Sewerage system and wastewater treatment management coverage (% inhabitants)	70.60
Number of municipalities managed in sewerage and wastewater treatment	7

* Includes 57,371 permanent transit tourists.



For more information about the company, visit:
<http://www.canalgestionlanzarote.es>

Triple A (Barranquilla and Atlántico Department, Colombia)

Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A, provides all services related to the integrated water cycle in the city of Barranquilla, the fourth largest city in Colombia, as well as in 14 other municipalities in the Department of Atlántico. Since its creation in 1993, its outstanding achievements include the spectacular extension of service coverage and the fact that all municipalities are supplied 24 hours a day. In addition, the company provides the services of solid waste management and urban cleaning in Barranquilla and three other municipalities of the department.

In 2017, the company supplied a total of 2,245,506 inhabitants. Canal has a 67.91% stake, the District of Barranquilla has another 14.50%, and the rest is in the hands of small shareholders.

The main technical figures relating to Triple A Barranquilla's integrated water cycle management in 2017 are as follows:

SUPPLY	
Number of inflow points managed	4
Annual contributions of the Magdalena River in 2017 (millions of cubic metres)	181,877
Water rerouted for consumption in catchments (millions of cubic metres)	235.68
Kilometres of network (adduction and distribution)	3,470
Number of drinking water treatment plants	4
Daily treatment capacity (millions of cubic metres)	0.72
SANITATION	
Kilometres of municipal sewerage networks managed	2,110
Kilometres of network of managed large collectors and outfalls	246
Number of Wastewater Treatment Plants managed	10
Nominal treatment capacity (millions of equivalent inhabitants)	0.707
Water treated in WWTPs (millions of cubic metres)	37.04
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	503,984
Population supplied (inhabitants)	2,245,506
Supply coverage (% inhabitants)	98.19
Number of municipalities supplied	15
Population served in sewerage management (inhabitants)	1,949,394
Sewerage management coverage (% inhabitants)	85.24
Number of municipalities managed in sewerage	12
Population served in wastewater treatment (inhabitants)	558,442
Coverage in wastewater treatment (% inhabitants)	24.42
Number of municipalities managed in wastewater treatment	10



For more information about Triple A, visit:

<http://www.aaa.com.co>

ASAA (Riohacha, La Guajira Department, Colombia)

Avanzadas Soluciones de Acueducto y Alcantarillado - ASAA S.A. E.S.P., which started its activities in September 2013, is the company responsible for water supply and sewerage management in the Colombian city of Riohacha, capital of La Guajira Department.

At the end of 2017, the company supplied a total of 217,395 inhabitants. Canal holds 32.50% of its shares, the Riohacha District holds 20% and the rest belongs to other small shareholders. The company's main figures at the end of 2017 were as follows:

SUPPLY	
Number of river catchment inflow points managed	1
Water rerouted for consumption in river catchments (millions of cubic metres)	13.30
Kilometres of network (adduction and distribution)	381
Number of drinking water treatment plants	1
Daily treatment capacity (millions of cubic metres)	0.048
Number of small deposits	3
Storage capacity of smaller deposits (millions of cubic metres)	0.012
SANITATION	
Large collectors and outfalls managed (km)	10
Kilometres of municipal sewerage networks managed	217
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	33,285
Population supplied (inhabitants)	217,395
Supply coverage (% inhabitants over total area supplied)	91.80
Number of municipalities supplied	1
Population served in sewerage management (inhabitants)	184,241
Sewerage management coverage (% inhabitants over total area supplied)	77.80
Number of municipalities managed in sewerage	1



For more information about ASAA, visit:
<http://www.asaa.com.co>

Amagua (Samborondón/Daule, Guayas Province, Ecuador)

The Canal de Isabel II business group is one of the main shareholders (57%) in **Aguas de Samborondón, Amagua Compañía de Economía Mixta**, which provides drinking water distribution services, sewerage management, wastewater purification and reuse of regenerated wastewater in the urban development area of Samborondón Cantón and in the parishes of La Puntilla and La Aurora in the cantons of Samborondón and Daule, towns located very close to Guayaquil (Ecuador).

The Municipality of Samborondón holds a 30% stake in the company.

In 2017, Amagua supplied 187,986 inhabitants of both municipalities. Its main technical figures at the end of the fiscal year were as follows:

SUPPLY	
Agua el alta bought in 2017 from the Guayaquil supply company (millions of cubic metres)	15.97
Kilometres of network (adduction and distribution)	455
SANITATION	
Kilometres of municipal sewerage networks managed	426
Kilometres of network of managed large collectors and outfalls	101
Number of Wastewater Treatment Plants managed	92
Nominal treatment capacity (millions of equivalent inhabitants)	0.22
Water treated in WWTPs in 2017 (millions of cubic metres)	14.27
REUSE	
Number of reuse plants managed	18
Volume of water regenerated in 2017 (millions of cubic metres)	4.99
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	47,230
Population supplied (inhabitants)	187,986
Supply coverage (% inhabitants)	100
Number of municipalities supplied	2
Population served in sewerage management (inhabitants)	157,085
Sewerage management coverage (% inhabitants)	83.56
Number of municipalities managed in sewerage	2
Population served in wastewater treatment (inhabitants)	157,085
Coverage in wastewater treatment (% inhabitants)	83.56
Number of municipalities managed in wastewater treatment	2



For more information on the activities of Amagua – Aguas de Samborondón, please visit:

<http://www.amagua.com>

Fontes da Serra (Guapimirim municipality, Rio de Janeiro state, Brazil)

Fontes da Serra Saneamento de Guapimirim Ltda. is a company belonging to Emissão S.A., a company that joined the Canal de Isabel II Group in November 2013. Canal holds 67.97% of Emissão's shares and the rest is owned by private individuals.

Fontes da Serra is responsible for supplying the town of Guapimirim in Brazil, and by the end of 2017 it had 10,521 customers and served a population of 57,921 inhabitants. The company's main figures at the end of 2017 were as follows:

SUPPLY	
Number of river catchment inflow points managed	1
Water rerouted for consumption in catchments (millions of cubic metres)	3.73
Kilometres of managed network (adduction and distribution)	77.6
Number of drinking water treatment plants	1
Daily treatment capacity (millions of cubic metres)	0.010
Number of small deposits	2
Storage capacity of smaller deposits (millions of cubic metres)	1.527
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	10,521
Population supplied (inhabitants)	57,921
Supply coverage (% inhabitants)	100
Number of municipalities supplied	1



For more information about Fontes da Serra, visit:
<http://www.fontesdaserra.com.br/>

Aguas de Tumbes (Tumbes municipality)

Aguas de Tumbes is the concession holder for water supply and sanitation services in the provinces of Tumbes, Zarumilla and Contraalmirante Villar (Peru). It joined the Canal de Isabel II Group on 23 February 2016. Canal holds a 69.05% stake in Aguas de Tumbes.

In 2017, Aguas de Tumbes supplied 220,316 inhabitants. Its main technical figures were as follows:

SUPPLY	
Number of inflow points managed	16
Capacity of managed inflow catchments (millions of cubic metres)	19.76
Water rerouted for consumption in catchments (millions of cubic metres)	17.99
Kilometres of network (adduction and distribution)	575.87
Number of drinking water treatment plants	3
Daily treatment capacity (millions of cubic metres)	0.054
SANITATION	
Kilometres of municipal sewerage networks managed	360.59
Kilometres of network of managed large collectors and outfalls	0.89
Number of waste stabilisation ponds managed	13
Nominal treatment capacity (thousands of equivalent inhabitants)	0.12
Water treated in WWTPs (millions of cubic metres)	9.14
CUSTOMERS AND POPULATION SERVED	
Number of supply contracts with customers	46,139
Population supplied (inhabitants)	220,316
Supply coverage (% inhabitants)	84
Number of municipalities supplied	12
Population served in sewerage management (inhabitants)	113,317
Sewerage management coverage (% inhabitants)	43.24
Number of municipalities managed in sewerage	11
Population served in wastewater treatment (inhabitants)	63,995
Coverage in wastewater treatment (% inhabitants)	24.40
Number of municipalities managed in wastewater treatment	10

II. Companies dedicated to water management support services

Hispanagua (Autonomous Community of Madrid, Spain)

Hispanagua, S.A.U. is a company created in 1995 through the partial spin-off of Hidráulica Santillana. Its main purpose is the construction, maintenance and operation of infrastructures related to water management.

The company is wholly owned by Canal de Isabel II, of which, according to the legislation governing public sector contracts in Spain, it is deemed an instrumental resource. Hispanagua does virtually all its business for Canal de Isabel II in Spain.

Hispanagua S.A.U.'s activity consists of providing services and carrying out works related to supply and sanitation networks (network repairs, connections, inspections, technical assistance, etc.) and the operation of its facilities, such as sewage treatment plants, drinking water treatment plants or pumping stations.

Hispanagua has long experience and is valued and appreciated by other companies in the sector. It manages its own personnel flexibly to meet the needs of the different orders signed with the parent company and of competitive pricing within the sector. Moreover, it is part of a stable and consolidated business group that has been involved in the water sector for many years, which manages the integrated water cycle, giving support to all its companies in necessary matters (technical, financial, support, etc.).

Inassa (Colombia)

Sociedad Interamericana de Aguas y Servicios S.A. (hereinafter **Inassa**) was established in 1996 as a company providing services related to the integrated water cycle in Colombia and other Latin American countries. It was acquired by Canal de Isabel II in 2001.

The Canal de Isabel II business group controls its stake in Inassa with 81.24% of its shares. Sociedad de Aguas Latinas owns 18.76% of the company and small shareholders make up the remaining 1% of the shares.

Inassa's activity includes consulting, technical assistance, project management, provision of services and/or activities inherent to the integrated water cycle and basic sanitation, the design of technological and commercial services and processes that complement each other, improve and lead to excellence in the management of the integral water cycle.

Based in Colombia, Inassa is also the parent company of the **Inassa business group**, which has extensive experience in activities inherent to the integrated water cycle. Either directly or through subsidiaries, it carries out these activities in Latin America where, thanks to its long-standing experience, it has achieved successes in water management by offering different alternatives and raising the level of technical knowledge.

As the head of Canal Group in Latin America, Inassa has a website providing details of all these activities.



This link contains all the information on the Group in Latin America:
<http://www.grupoinassa.com>

AMERIKA TI (Colombia)

Canal Group holds an 81.54% stake in **Amerika T.I.** (Amerika Tecnologías de la Información), established in 2013.

Since 2014, Amerika T.I. has been offering the AMERIKA software, an information system that supports an integrated solution for public utilities in the sector of drinking water, sewerage and sanitation. The AMERIKA software includes complementary services to keep it up to date in each of the business customers. The services provided by Amerika TI with respect to the AMERIKA software include:

- Amerika as SaaS (Software as a Service);
- support;
- management and development of requirements;
- incident management;
- consulting;
- software implementation;
- training.

Amerika TI's business model and participation in the water cycle is horizontal through the companies in which the Inassa Group has implemented the AMERIKA software, working together to achieve their objectives. Therefore, the measurement of the company's results refers not only to economic aspects, but is also oriented towards complying with quality indicators in the provision of services and/or products.



For more information about Amerika TI's activities, please visit:

<http://www.amerikati.co>

GESTUS – Gestión y Servicios (Colombia)

GESTUS – Gestión y Servicios, established in 2000, began its activity as a company whose main activity was the provision of professional integrated tax collection services for entities in the Santa Marta district and the municipality of Villavivencio, in Colombia. Canal Group holds an 80.46% stake in the company.

The current activities of GESTUS consist of:

- Collection, suspension and/or cut-off and reinstallation management services
- Meter reading
- Billing inspection
- Installation and replacement of meters
- Marketing of all types of materials, particular those of a hydraulic nature
- Installation of connections, civil works to replace drinking water meters in the connections of subscribers and/or users of domestic utilities
- Repair and maintenance of public service networks, repair of domestic leaks, installation, replacement, inspection and troubleshooting of utility meters, and civil works
- Express messaging



The following link contains all information on Gestus:

<http://www.gestus.co/>

AAA Dominicana (Dominican Republic)

AAA Dominicana S.A. began its operation in the Dominican Republic with the contract for commercial management and installation of meters in the western part of the city of Santo Domingo, signed with Corporación de Acueducto y Alcantarillado de Santo Domingo (CAASD) to serve a population of almost 1.5 million inhabitants. The Canal de Isabel II business group holds 52.81% of the company's shares.

Currently, AAA Dominicana's customers include the country's public institutions, such as the utility companies that provide public water and sewerage services (CAASD, Coraaplata, Coraavega) and the City Council of Santo Domingo (ADN).

AAA Dominicana's business model involves the implementation of the commercial management of the services provided by each of its customers.

This commercial management includes the following aspects:

- *Value proposal to the customer:* AAA Dominicana involves all the management in a quality system that begins with the collection and updating of basic, cadastral and commercial data of the service's users, allowing daily commercial updates that result in total coverage in billing of the service provided.
- *Customer service:* as the main focus of management, AAA Dominicana uses customer service to maintain direct contact with its service customers.
- *Billing management:* aimed at users who for whichever reason do not pay their monthly bill. AAA Dominicana aims to establish a link with users that allows it to create incentives for payments and includes these users in the group of users who pay their bill on a monthly basis.

Inassa Panamá (Republic of Panama)

Inassa Panamá, a delegation of the Colombian company Inassa, began its activities in 2011. The company provides advisory and operational services for the commercial and technical management of companies in the domestic utilities sector.

Inassa Panamá currently manages the debtor portfolio of Instituto de Acueductos y Alcantarillados Nacionales (National Aqueduct and Sewerage Institute) in much of the Republic of Panama. It is also in charge of taking readings and distributing bills for IAAN.

Thanks to the experience gained from Canal Group, INASSA Panamá advises its customers on the improvement of activities and processes it manages, including an extensive portfolio of services consisting of both operating and technical topics in the integrated water cycle, as well as commercial topics and customer support.



For more detailed information on Inassa's activities in Panama, please visit this link:

<http://www.inassa.com.pa>

Inassa Ecuador (Republic of Ecuador)

Inassa Ecuador, a branch of Colombian company Inassa, started its activities halfway through 2012. The company provides consulting services in the execution of engineering projects and the inspection of works, as well as activities inherent to the integrated water cycle: technical assistance with infrastructure works, design, project supervision and environmental consulting.

Emissão (Rio de Janeiro and other Brazilian states)

In November 2013, Brazilian company **Emissão, S.A.**, headquartered in Rio de Janeiro, Brazil, joined Canal Group. Canal holds 67.97% of Emissão's shares and the rest is owned by private individuals. At the end of 2017, the main activities of the company and its subsidiaries were as follows:

- General execution of hydraulic infrastructure works.
- Waste management and decontamination activities.
- Computerised reading of water meters, with simultaneous delivery of bills.

The company's customers are government agencies such as municipal councils, the State Government and water and sewerage companies.

In addition to these activities, **Emissão**, through its subsidiary **Fontes de Serra**, is in charge of managing the supply to the city of Guapimirim in Brazil, which had 10,521 customers and served a population of 57,921 inhabitants at the end of 2017.



For more information about the company and its services, please visit:

<http://www.emissao.com.br>

Other auxiliary water cycle management companies held by Canal Group

GSS Venture (Spain)

GSS Venture, S.L. is a company in which Canal de Isabel II holds a minority (25%) stake. Its corporate purpose is the provision of telemarketing and customer services, developed through the telephone network or any other telematic means. GSS is currently the company in charge of the call centre providing customer service for Canal de Isabel II customers in Spain.



For more information on the GSS Group and its services, including GSS Venture, please visit the following link:

<http://www.grupogss.com>

III. Companies engaged in activities that are in synergy with integrated water cycle management services

Hidráulica Santillana (Hydroelectric production, Autonomous Community of Madrid, Spain)

Hidráulica Santillana S.A. (hereinafter HS) was acquired in 1965 by Canal de Isabel II. The company split in 1995, separating the activities related to the integral cycle (for which **Hispanagua** was created) from those of energy production, which is the main activity of HS at present. The company is wholly owned by the Canal de Isabel II business group.

HS's activity involves the generation of hydroelectric power by operating eight plants that take advantage of the existing waterfalls in Canal de Isabel II reservoirs in the Autonomous Community of Madrid. Of the eight plants, seven are owned by Canal and one by Hidráulica Santillana. The main technical figures for HS at the end of 2017 were as follows:

INSTALLATIONS AND HYDROELECTRIC POWER PRODUCTION	
Number of hydroelectric power plants managed by Hidráulica Santillana	8
Installed power in hydroelectric power plants (MW)	34.85
Total hydroelectric production in 2017 (millions of kWh)	69.14

Canal de Comunicaciones Unidas – CCU (Telecommunications and information technology, Autonomous Community of Madrid, Spain)

Canal de Comunicaciones Unidas, S.A. Sociedad Unipersonal (hereinafter CCU), wholly owned by the Canal de Isabel II business group, is engaged in the information technology and telecommunications sector. The activities developed by Canal de Comunicaciones Unidas mainly include:

- Integrated technical management of the TETRA digital trunking system in the Autonomous Community of Madrid, which includes the provision of maintenance services for TETRA infrastructures and the unified supervision of the telecommunications systems of Canal de Isabel II, S. A.
- Site management, consultancy and infrastructure maintenance in the area of automation and remote process control of Canal de Isabel II, S.A. (maintenance of more than 1,500 sites).
- Development of information systems and M2M in the field of telecommunications services.

Canal de Comunicaciones Unidas' main customer is Canal de Isabel II. It also has other customers of both Canal Group (Hispanagua) and third parties (Dragados, FCC, etc.) to which it provides localisation services and GPS fleet management.

The main technical figures for Canal de Comunicaciones Unidas at the end of 2017 were as follows:

COMMUNICATIONS	
Number of stations in the digital mobile radio (<i>trunking</i>) network	110
Number of digital <i>trunking</i> terminals	5,608
Number of customers to whom communication services are provided	115
Number of GPS trackers in the fleet management service	956
Coverage of telecommunications systems managed in square kilometres	10,606



For more information about CCU and its services, please visit:
<http://www.canalcom.com>

Triple A Barranquilla (Solid waste management and urban cleaning. Barranquilla and Atlántico Department, Colombia)

In addition to the management of the integrated water cycle, **Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A** provides all the services related to solid urban waste management and urban cleaning in Barranquilla since 1993 and in five municipalities in the Atlántico Department in 2016. Canal de Isabel II holds 67.91% of its shares.

The Los Pocitos Environmental Park landfill is one of Triple A's most important achievements, in terms of the final disposal of rubbish from Barranquilla and its metropolitan area. It was built in 2009 respecting the regulations in force in Colombia and taking into account the latest technologies and engineering standards to minimise environmental impacts.

ACTIVITY INDICATORS AND SANITATION PARAMETERS	
Number of municipalities served in solid waste collection	6
Number of municipalities served in street cleaning	4
Number of inhabitants served in solid waste collection	1,836,070
Number of inhabitants served by street cleaning services	1,827,870
Coverage of cleaning services (in percentage of population)	100%
Number of kilometres of street cleaning	984,461
Quantity of hazardous waste collected, managed and treated (tons)	3,513
Total number of landfills managed	1
Managed landfill capacity (cubic metres)	15,661,591
Amount of household waste collected (tons)	624,440
Quantity of waste dumped in landfills per year (tons)	180,019
Waste collection routes	196
High-volume customers (number)	3,062
Amount of leachate produced (cubic metres)	71,032
Capacity of leachate treated (cubic metres)	63.326



For more information on Triple A Barranquilla's sanitation activities, please visit:
<http://www.aaa.com.co>

Other companies held by Canal Group

Canal Extensia, S.A.U. holds the shares of all the Group's Latin American companies.

Based in Uruguay, Soluciones Andinas de Agua was formed to hold 75% of the shares held by Canal Group in the Brazilian company Emissão.

AAA Ecuador, located in Ecuador, holds 70% of the shares of the company Amagua.

Ocio y Deporte Canal, S.L.U., located in Madrid, is wholly owned by Canal. Its purpose is to manage sports facilities that develop value-added activities or use networks or infrastructures partly managed by Canal de Isabel II, and particularly to exercise commercial and sports activities of the infrastructures which are partly managed by Canal de Isabel II S.A, representing added value for its users.

Other companies and consortia with discontinued activities liquidated at the end of 2017

WATCO Dominican Republic

Inassa Costa Rica

RyT Resultado y Tecnología (Panama)

RyT Panama

RyT S.A. Panama

GIS (Colombia)

Ouanaminthe (Haiti)

AAA del ITSMO (Panama)

Companies and consortia with discontinued activities in liquidation at the end of 2017

Caracol (Haiti)

Jacmel (Haiti)

INFORESA (Dominican Republic)

INAMEX (Mexico)

MEXAQUA (Mexico)

UTE Santa Marta (Colombia)

AAA Venezuela and its subsidiary **AAA servicios de Venezuela LASSA S.A.**

Inassa-Cleop (Panama)

Inassa-Incasur-METROAGUA (Dominican Republic)

Companies with discontinued activities:

Metroagua, S.A, E.S.P. (Colombia) was the company in charge of managing the water cycle in the city of Santa Marta (Magdalena Department, Colombia). Its unrenewed contract ended on 17 April 2017 and has been discontinued since this date (currently in liquidation).

Canal Energía (Spain)

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AUDITOR'S REPORT ON THE CONTENTS OF CANAL DE ISABEL II'S 2017 ANNUAL REPORT

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APPENDIX VI



KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

**Informe de Revisión Independiente
para la Dirección de Canal de Isabel II, S.A.**

A la Dirección de Canal de Isabel II, S.A.

De acuerdo con nuestra carta de encargo, hemos revisado la información no financiera contenida en el Informe Anual 2017 de Canal de Isabel II, S.A. (en adelante Canal de Isabel II) correspondiente al ejercicio cerrado a 31 de diciembre de 2017 (en adelante “el Informe”).

Responsabilidades de la Dirección

La Dirección de Canal de Isabel II es responsable de la preparación y presentación del Informe de conformidad con la Guía para la elaboración de Memorias de Sostenibilidad de Global Reporting Initiative, versión 4.0 (G4), en su opción exhaustiva, según lo detallado en el punto G4-32 del Índice GRI G4 presente en el Anexo 5 del Informe. Asimismo, es responsable del cumplimiento de los criterios del *Materiality Disclosures Service*, habiendo obtenido confirmación de Global Reporting Initiative sobre la correcta aplicación de los mismos. La Dirección también es responsable de la información y las afirmaciones contenidas en el mismo, de la determinación de los objetivos de Canal de Isabel II en lo referente a la selección y presentación de información sobre el desempeño en materia de desarrollo sostenible, incluyendo la identificación de los grupos de interés y de los asuntos materiales; y del establecimiento y mantenimiento de los sistemas de control y gestión del desempeño de los que se obtiene la información.

Estas responsabilidades incluyen el establecimiento de los controles que la Dirección considere necesarios para permitir que preparación de los indicadores con un nivel de aseguramiento limitado estén libres de errores materiales debidos a fraude o errores.

Nuestra responsabilidad

Nuestra responsabilidad es llevar a cabo una revisión limitada y, basado en el trabajo realizado, emitir este informe. Hemos llevado a cabo nuestro trabajo de conformidad con la Norma ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, y con la Norma ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, emitidas por el International Auditing and Assurance Standard Board (IAASB) y con la Guía de Actuación sobre trabajos de revisión de Informes de Responsabilidad Corporativa emitida por el Instituto de Censores Jurados de Cuentas de España (ICJCE). Estas normas exigen que planifiquemos y realicemos nuestro trabajo de forma que obtengamos un nivel significativo de seguridad sobre si el informe está exento de errores materiales.

KPMG aplica la norma ISQC1 (*International Standard on Quality Control 1*) y de conformidad con la misma mantenemos un sistema integral de control de calidad que incluye políticas y procedimientos documentados en relación al cumplimiento de los requerimientos éticos, estándares profesionales y requerimientos legales y regulatorios aplicables.

Hemos cumplido con los requerimientos de independencia y otros requerimientos éticos del *Code of Ethics for Professional Accountants* emitido por el International Ethics Standards Board for Accountants, el cual está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Procedimientos de revisión limitada

Nuestro trabajo de seguridad limitada se ha llevado a cabo mediante entrevistas con la Dirección y las personas encargadas de la preparación de la información incluida en el Informe y la aplicación de procedimientos analíticos y otros dirigidos a recopilar evidencias, como:

- La comprobación de los procesos que dispone Canal de Isabel II para determinar cuáles son los aspectos materiales, así como la participación de los grupos de interés en los mismos.
- La comprobación, a través de entrevistas con la Dirección y con otros empleados relevantes, tanto a nivel de grupo como a nivel de las unidades de negocio seleccionadas, en cuanto a la existencia de una estrategia y políticas de sostenibilidad y Responsabilidad Corporativa para atender a los asuntos materiales, y su implantación a todos los niveles de Canal de Isabel II.
- La evaluación de la consistencia de la descripción sobre de la aplicación de las políticas y la estrategia en materia de sostenibilidad, gobierno, ética e integridad de Canal de Isabel II.
- El análisis de riesgos, incluyendo búsqueda en medios para identificar asuntos materiales durante el ejercicio cubierto por el Informe.
- La revisión de la consistencia de la información que responde a los Contenidos Básicos Generales con los sistemas o documentación interna.
- El análisis de los procesos de recopilación y de control interno de los datos cuantitativos reflejados en el Informe, en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión en base a muestreos.
- La revisión de la aplicación de los requerimientos establecidos en la Guía para la elaboración de Memorias de Sostenibilidad G4 de Global Reporting Initiative para la preparación de informes según la opción de conformidad exhaustiva.
- La lectura de la información incluida en el Informe para determinar si está en línea con nuestro conocimiento general y experiencia, en relación con el desempeño en sostenibilidad de Canal de Isabel II.
- El contraste de la información financiera reflejada en el Informe con la incluida en las cuentas anuales de Canal de Isabel II, auditadas por terceros independientes.

Nuestro equipo multidisciplinar ha incluido especialistas en el desempeño social, ambiental y económico de la empresa.

Los procedimientos llevados a cabo en un encargo de aseguramiento limitado varían en naturaleza y tiempo empleado, siendo menos extensos que los de un encargo de aseguramiento razonable. Consecuentemente, el nivel de aseguramiento obtenido en un trabajo de revisión limitada es inferior al de uno de aseguramiento razonable. El presente informe en ningún caso puede entenderse como un informe de auditoría.

Conclusiones

Nuestra conclusión se basa, y está sujeta a los aspectos indicados en este Informe de Revisión Independiente. Consideramos que la evidencia que hemos obtenido proporciona una base suficiente y adecuada para nuestras conclusiones.

En base a los procedimientos realizados y a la evidencia obtenida, tal y como se describe anteriormente, no se ha puesto de manifiesto ningún aspecto que nos haga creer que el Informe Anual 2017 de Canal de Isabel II, S.A. del ejercicio cerrado a 31 de diciembre de 2017 no haya sido preparado, en todos los aspectos significativos, de acuerdo con la Guía para la elaboración de Memorias de Sostenibilidad de Global Reporting Initiative, versión 4.0 (G4), en su opción exhaustiva, según lo detallado en el punto G4-32 del Anexo 5 del Informe, lo que incluye la fiabilidad de los datos, la adecuación de la información presentada y la ausencia de desviaciones y omisiones significativas.

En otro documento, proporcionaremos a la Dirección de Canal de Isabel II un informe interno que contiene todos nuestros hallazgos y áreas de mejora.

Propósito de nuestro informe

De conformidad con los términos y condiciones de nuestra carta de encargo, este Informe de Revisión Independiente se ha preparado para Canal de Isabel II en relación con su Informe Anual 2017 y por tanto no tiene ningún otro propósito ni puede ser usado en otro contexto.

KPMG Asesores, S.L.



Patricia Reverter Guillot

18 de junio de 2018

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GRI G4 TABLES OF CONTENTS



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GRI G4



GRI G4 GENERAL BASIC CONTENTS

		Chapter	Page in the Report	Identified omissions and direct responses	Reason for the omission	Details of the omission and observations
STRATEGY AND ANALYSIS						
G4-1	<i>Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.</i>	Messages from the Chairman of the Board of Directors and from the Managing Director	11-13			
G4-2	<i>Provide a description of key impacts, risks, and opportunities.</i>	Strategic context: our future challenges	34-39			
ORGANISATIONAL PROFILE						
G4-3	<i>Name of the organisation.</i>	1. Our company	15 (Canal de Isabel II, Sociedad Anónima)			
G4-4	<i>The primary brands, products, and services of the organisation.</i>	Our activity	18-23			
G4-5	<i>Report the location of the organisation's headquarters.</i>		Madrid, Spain			
G4-6	<i>Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.</i>	Canal Group: activities and geographical location	160-161			
G4-7	<i>Report the nature of ownership and legal form.</i>	Organisation of our company	25			
G4-8	<i>Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).</i>	Canal Group: activities and geographical location	160-161			
G4-9	<i>Report the scale of the organisation, including: number of employees, number of operations, net sales or revenues, and quantity of products or services provided.</i>	1. Our company, main figures in the Autonomous Community of Madrid, Canal Group: activities and geographical location	16-17 and 160-161			

	Chapter	Page in the Report	Identified omissions and direct responses	Reason for the omission	Details of the omission and observations	
G4-10	1. Number of employees by employment contract and sex.	Canal's professionals: empowering our people, Group company workforce,	123-124, 168, Appendix 1 and Appendix 2		In 2017 there was a reduction within the Group as Colombian company Metroagua ceased to operate	
	2. Number of permanent employees by employment type and sex.					
	3. Total workforce by employees, contracted workers and sex.					
	4. Total workforce by region and sex.					
	5. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or contracted workers, including employees and employees subcontracted by contractors.					
	6. Report any significant variations in employment numbers.					
G4-11	Report the percentage of employees covered by collective agreements.	Canal's professionals: empowering our people	127-128			
G4-12	Describe the organisation's supply chain.	With our suppliers	154-156			
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or supply chain.			Not applicable, there have been no significant changes	There have been no changes	Canal and its Group contract according to public sector contract regulations
PARTICIPATION IN EXTERNAL INITIATIVES						
G4-14	Report whether and how the precautionary principle is addressed by the organisation.	Environmental management at Canal de Isabel II, Corporate Governance at Canal de Isabel II,	72-73, 111-112			
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Context in which our sector currently operates internationally, Social commitment	31, 121			
	List memberships of associations and national or international advocacy organisations in which the organisation:					
G4-16	1. Holds a position on the governance body;	Our stakeholders			Does not exist	
	2. Participates in projects or committees;	Our stakeholders	44		In AEAS	
	3. Provide substantive funding, beyond routine membership dues;	Our stakeholders			Does not exist	
	4. View membership as strategic.	Our Stakeholders, Social commitment	44, 120-121		AEAS, IWA, United Nations Global Compact	

		Chapter	Page in the Report	Identified omissions and direct responses	Reason for the omission	Details of the omission and observations
PROFILE OF THE REPORT						
G4-28	<i>Reporting period (such as fiscal or calendar year) for information provided.</i>	About this report	177			
G4-29	<i>Date of most recent previous report (if any).</i>		2016			
G4-30	<i>Reporting cycle (such as annual, biennial, etc.).</i>		Annual			
G4-31	<i>Provide the contact point for questions regarding the report or its contents.</i>	About this report	178			
GRI INDEX						
	<i>1. Report which option the organisation has chosen "in accordance" with the guidelines.</i>	About this report	177			
G4-32	<i>2. Report the GRI Content Index for the chosen option.</i>	Appendix 5: GRI Tables of Contents				
	<i>3. Report the reference to the external assurance report, if the report has been externally assured.</i>	Appendix 4: Auditor's Report on the contents of the 2016 Annual Report				
VERIFICATION						
	<i>1. Report the organisation's policy and current practice with regard to seeking external assurance for the report.</i>					
	<i>2. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.</i>		177			
G4-33	<i>3. Report the relationship between the organisation and the assurance providers.</i>	About this report				
	<i>4. Report whether the highest governance body or senior executives are involved in seeking external assurance for the organisation's sustainability report.</i>			Not applicable		The Statutory Auditor is elected by the Company's Shareholders' Meeting as proposed by the Audit Committee
GOVERNANCE						
G4-34	<i>Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.</i>	Organisation of our company	25-27			Decisions regarding economic, social and environmental issues are approved by the Board of Directors
G4-35	<i>Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.</i>	Organisation of our company	27			See Annual Corporate Governance Report on Canal's and the CNMV's websites
G4-36	<i>Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.</i>	Organisation of our company	27			See Annual Corporate Governance Report on Canal's and the CNMV's websites

		Chapter	Page in the Report	Identified omissions and direct responses	Reason for the omission	Details of the omission and observations
G4-37	<i>Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.</i>	Organisation of our company, Our Stakeholders	27, 45			
G4-38	<i>Report the composition of the highest governance body and its committees.</i>	Organisation of our company	25-26			
G4-39	<i>Report whether the Chair of the highest governance body is also an executive officer. (and, if so, his or her function within the organisation's management and the reasons for this arrangement).</i>	Organisation of our company	26			The chairman has some executive functions. The CEO is a proprietary director
G4-40	<i>Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.</i>	Organisation of our company	25			See Annual Corporate Governance Report on Canal's and the CNMV's websites
G4-41	<i>Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.</i>	Organisation of our company. Relations with Public Administrations and Management Transparency.	26 (Board committees), 113 and 110 ("Operation Lezo")			See Annual Corporate Governance Report on Canal's and the CNMV's websites
ROLE OF THE HIGHEST GOVERNANCE BODY IN ESTABLISHING THE ORGANISATION'S PURPOSES, VALUES AND STRATEGY						
G4-42	<i>Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.</i>	Organisation of our company, About this report	25-27, 180			
ASSESSMENT OF THE COMPETENCIES AND PERFORMANCE OF THE HIGHEST GOVERNANCE BODY						
G4-43	<i>Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</i>	Organisation of our company	27 (indicators)			
G4-44	<i>1. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</i>	Organisation of our company	27 (indicators)			
	<i>2. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.</i>	4. Canal's strategic guidelines: our performance in 2017 and future objectives, About this report	48-50, 178-180 (new Strategic Plan drafting process)			

	Chapter	Page in the Report	Identified omissions and direct responses	Reason for the omission	Details of the omission and observations
RISK MANAGEMENT FUNCTIONS OF THE HIGHEST GOVERNANCE BODY					
G4-45	1. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	Corporate governance at Canal de Isabel II	111-112 and 114-115		
G4-45	2. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	About this report	178-180 (process and approval of the new Strategic Plan)		
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	Corporate governance at Canal de Isabel II	114-115		
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Organisation of our company	25		The Board of Directors and its committees generally hold a meeting every month
HIGHEST GOVERNANCE BODY'S ROLE IN DRAFTING THE SUSTAINABILITY REPORT					
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered.		CEO and Management Committee members		The material aspects were defined and approved by the highest governance and management bodies during the drafting process of the new 2018-2030 Strategic Plan
HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE					
G4-49	Report the process for communicating critical concerns to the highest governance body.	Organisation of our company	27		
G4-50	Report the nature and number of critical concerns that were communicated to the highest governance body and describe the mechanism(s) used to address and resolve them.	4. Canal's strategic guidelines: our performance in 2017 and future objectives, About this report	48-50, 178-180 (new Strategic Plan drafting process)	The exact number is unknown	They are not quantified
REMUNERATION AND INCENTIVES					
G4-51	1. Report the remuneration policies for the highest governance body and senior executives. 2. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Corporate governance at Canal de Isabel II	113		

		Chapter	Page in the Report	Identified omissions and direct responses	Reason for the omission	Details of the omission and observations
G4-52	<i>Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation.</i>	Corporate governance at Canal de Isabel II	113			No consultants are used. The remuneration is set by the Department of Economy and Finance of the Autonomous Community of Madrid and the increases are approved with the General Budgets of the Autonomous Community.
G4-53	<i>Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.</i>			Not applicable to Canal	No such enquiries are made	The remuneration is regulated by the Department of Economy and Finance of the Autonomous Community of Madrid
G4-54	<i>Report the ratio of the total annual compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.</i>	Corporate governance at Canal de Isabel II	113			
G4-55	<i>Report the ratio of percentage increase in total annual compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.</i>	Corporate governance at Canal de Isabel II	113			
ETHICS AND INTEGRITY						
G4-56	<i>Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.</i>	Corporate governance at Canal de Isabel II	111 and 114-115			
G4-57	<i>Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.</i>	Relations with Public Administrations and management transparency	107-109			
G4-58	<i>Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.</i>	Corporate governance at Canal de Isabel II	112			

GRI G4 SPECIFIC BASIC CONTENTS

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
ECONOMIC DIMENSION								
ECONOMIC PERFORMANCE								
G4 - WFD		Ensuring sustainable and efficient management	39	Efficient use of economic resources	Internal			
G4-EC1	<i>Direct economic value generated and distributed</i>	Our economic performance, Consolidated Group financial results	140-147 and 169-174	Efficient use of economic resources Alignment of debt to strategy	Internal			
G4-EC2	<i>Financial implications and other risks and opportunities for the organisation's activities due to climate change.</i>	Guaranteed supply: water for everyone, every day, Energy efficiency and climate change	52-53 and 81-83	Adapting to climate change. Development of renewable energy	Internal Mixed (internal and external)	The consequences are expressed in terms of greater energy consumption in the event of drought. Not quantified economically.	They have not been measured	
G4-EC3	<i>Coverage of the organisation's defined benefit plan obligations.</i>	Equal opportunities at Canal de Isabel II	129					Company contribution I Pension Plan is suspended by law.
G4-EC4	<i>Financial assistance received from government</i>	We invest in the Autonomous Community of Madrid	153					See also note 17 to the individual Financial Statements
MARKET PRESENCE								
G4 - WFD		Promoting our professionals' talent, commitment and health	38	Commitment and sense of belonging of the workforce Promotion of managerial activities of professionals	Internal			
G4-EC5	<i>Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.</i>	Appendix 1	Canal employees / Minimum wage	Commitment and sense of belonging of the workforce	Internal			
G4-EC6	<i>Proportion of senior management hired from the local community at significant locations of operation</i>	Appendix 1	Canal employees / Workforce diversity	Promotion of managerial activities of professionals	Internal			100% at both Canal and Triple A Barranquilla

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
INDIRECT ECONOMIC CONSEQUENCES								
G4 - WFD		Develop cooperation with the municipalities of Madrid, Ensure sustainable and efficient management	46, 49	Efficient use of economic resources.	Internal			
G4-EC7	<i>Development and impact of infrastructure investments and types of services.</i>	We invest in the Autonomous Community of Madrid	200-204	Efficient use of economic resources.	Internal			
G4-EC8	<i>Significant indirect economic impacts, including their extent</i>	We invest in the Autonomous Community of Madrid, Social commitment	200, 162	Collaboration and revitalisation of the municipalities of Sierra Norte	External			
ACQUISITION PRACTICES								
G4 - WFD		With our suppliers	154	Greater efficiency in internal processes	Internal			
G4-EC9	<i>Proportion of spending on local suppliers at significant locations of operation</i>	With our suppliers	154-155	Greater efficiency in internal processes	Internal	Total percentage of expense on local suppliers	The exact figure is not available	Canal contracts under public sector contract law and therefore cannot prioritise the local nature of suppliers.
ENVIRONMENTAL DIMENSION								
MATERIALS								
G4 - WFD		Driving environmental quality and energy efficiency	36	Promoting the circular economy	Mixed (internal and external)			
G4-EN1	<i>Materials used by weight or volume</i>	Our environmental performance	74-75	Promoting the circular economy	Mixed (internal and external)			Data on reagents and paper are provided as they are the most significant consumption items.
G4-EN2	<i>Percentage of materials used that are recycled input materials</i>	Message from the CEO, Guaranteeing access to a quality resource for all Madrid's residents, Our environmental performance	13 (struvite), 55 (reuse plan), 75	Extent of regenerated water consumption Promoting the circular economy	Mixed (internal and external)			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
ENERGY								
G4 - WFD		Driving environmental quality and energy efficiency	36	Development of renewable energy	Mixed (internal and external)			
G4-EN3	<i>Energy consumption within the organisation</i>	Our environmental performance	75-76	Development of renewable energy	Mixed (internal and external)			
G4-EN4	<i>Energy consumption outside of the organisation</i>					Not available	Information not available	Not considered significant
G4-EN5	<i>Energy intensity (by activity)</i>	Our environmental performance	76	Development of renewable energy	Mixed (internal and external)			
G4-EN6	<i>Reduction of energy consumption</i>	Energy efficiency and climate change	82	Development of renewable energy	Mixed (internal and external)			
G4-EN7	<i>Reductions in energy requirements of products and services.</i>	Energy efficiency and climate change	82-83	Development of renewable energy	Mixed (internal and external)			
WATER								
G4 - WFD		Guaranteeing supply	35	Maximum efficiency in the use of existing resources	Internal			
				Efficient management of demand	External			
G4-EN8	<i>Total water catchment according to source.</i>	Supply: adduction, Our environmental performance	19-21, 76 (water consumption)	Maximum efficiency in the use of existing resources	Internal			
				Efficient management of demand	External			
G4-EN9	<i>Water sources significantly affected by water catchment.</i>	Supply: adduction,	19-20	Maximum efficiency in the use of existing resources	Internal			
				Efficient management of demand	External			
G4-EN10	<i>Percentage and total volume of water recycled and reused</i>	Guaranteeing access to a quality resource for everyone in Madrid	67-68 (reuse plan),	Expansion of regenerated water consumption	Mixed (internal and external)			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
BIODIVERSITY								
G4 - WFD		Managing biodiversity	84					
G4-EN11	<i>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</i>	Managing biodiversity	84-85					
G4-EN12	<i>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</i>	Managing biodiversity	84-85					
G4-EN13	<i>Habitats protected or restored</i>	Managing biodiversity	85					
G4-EN14	<i>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk</i>	Managing biodiversity	85					
EMISSIONS								
G4 - WFD		Driving environmental quality and energy efficiency	37	Adapting to climate change Development of renewable energy	Internal Mixed (internal and external)			
G4-EN15	<i>Direct greenhouse gas (GHG) emissions</i>	Energy efficiency and climate change,	81	Adapting to climate change	Internal			
G4-EN16	<i>Energy indirect greenhouse gas (GHG) emissions</i>	Energy efficiency and climate change,	81	Adapting to climate change	Internal			
G4-EN17	<i>Other indirect greenhouse gas (GHG) emissions</i>	Energy efficiency and climate change,	81	Adapting to climate change	Internal			
G4-EN18	<i>Greenhouse gas (GHG) emissions intensity</i>	Energy efficiency and climate change,	81	Adapting to climate change	Internal			
G4-EN19	<i>Reduction of greenhouse gas (GHG) emissions</i>	Energy efficiency and climate change,	81-83	Adapting to climate change	Internal			
G4-EN20	<i>Emissions of ozone-depleting substances (ODS)</i>					Not applicable	Not applicable	Canal does not emit such substances
G4-EN21	<i>NOx, SOx, and other significant air emissions</i>	Our environmental performance,	77	Adapting to climate change	Internal			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
EFFLUENTS AND WASTE								
G4 - WFD		Driving environmental quality and energy efficiency	37	Efficiency in wastewater treatment	Internal			
				Excellence in sewerage	Internal			
				Promoting the circular economy	External			
G4-EN22	<i>Total water discharge by quality and destination</i>	Our environmental performance	77-79	Efficiency in wastewater treatment	Internal			
G4-EN23	<i>Total weight of waste by type and disposal method</i>	Our environmental performance	79-80	Promoting the circular economy	External			
G4-EN24	<i>Total number and volume of significant spills</i>	Our environmental performance	79					
G4-EN25	<i>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Appendices I, II, III, and VIII and percentage of waste transported internationally.</i>	Our environmental performance,	79-80	Promoting the circular economy (waste)	External			Waste is not transported to other countries
G4-EN26	<i>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff.</i>	Sanitation: purification of waste water.	22	Efficiency in wastewater treatment Excellence in sewerage	Internal			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
PRODUCTS AND SERVICES								
G4 - WFD		Guarantee the quality of water for consumption	35	Improved water quality at source New treatment technologies Improved network operation and maintenance processes	Internal			
G4-EN27	<i>Extent of impact mitigation of environmental impacts of products and services</i>	Environmental management at Canal de Isabel II	72-73					
G4-EN28	<i>Percentage of products sold and their packaging materials that are reclaimed at the end of their useful life by product category</i>	Guaranteeing access to a quality resource for everyone in Madrid	55	Expansion of regenerated water consumption	Mixed (internal and external)			
REGULATORY COMPLIANCE								
G4 - WFD		Environmental quality and energy efficiency: we take care of your environment	70	Efficiency in wastewater treatment Excellence in sewerage	Internal			
G4-EN29	<i>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</i>	Our environmental performance	80					
TRANSPORT								
G4 - WFD		Environmental quality and energy efficiency: we take care of your environment	70					
G4-EN30	<i>Significant environmental impacts of transporting products and other goods for the organisation's operations, and transporting members of the workforce</i>	Our environmental performance,	81	Adapting to climate change	Internal			The most significant impact is the transport of waste, WWTP sludge and DWTP mud, as well as own vehicle fleet

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
ENVIRONMENTAL INVESTMENT AND EXPENDITURE								
G4 - WFD		Environmental quality and energy efficiency: we take care of your environment	70					
G4-EN31	<i>Total environmental protection expenditures and investments by type</i>	Environmental management at Canal de Isabel II	74					
ENVIRONMENTAL ASSESSMENT OF SUPPLIERS								
G4 - WFD		With our suppliers	154					
G4-EN32	<i>Percentage of new providers that were screened using environmental criteria.</i>	With our suppliers		Greater efficiency in internal processes	Internal	Not available	No evaluations are made	Environmental protection clauses are included in all contracts, but no assessments are carried out. However, supplier performance is monitored
G4-EN33	<i>Significant actual and potential negative environmental impacts in the supply chain and actions taken.</i>					Not available	Not assessed	
ENVIRONMENTAL GRIEVANCE MECHANISMS								
G4 - WFD		Environmental quality and energy efficiency: we take care of your environment	70					

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
SOCIAL DIMENSION								
LABOUR PRACTICES AND DECENT WORK								
EMPLOYMENT								
G4 - WFD		Promoting our professionals' talent, commitment and health	38	Workforce adapted to evolving needs	Internal			
G4-LA1	<i>Number and rates of new employee hires and employee turnover by age group, sex and region.</i>	Workforce structure, Group company workforce,	124	Workforce adapted to evolving needs	Internal			
G4-LA2	<i>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</i>	Equal opportunities at Canal de Isabel II	127-129	Commitment and sense of belonging of the workforce	Internal			There are no differences since the company collective agreement was approved
G4-LA3	<i>Return to work and retention rates after parental leave, by sex</i>	Equal opportunities at Canal de Isabel II,	127	Commitment and sense of belonging of the workforce	Internal			
RELATIONS BETWEEN WORKERS AND MANAGEMENT								
G4 - WFD		Promoting our professionals' talent, commitment and health	38	Commitment and sense of belonging of the workforce	Internal			
G4-LA4	<i>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</i>			Commitment and sense of belonging of the workforce	Internal	Not available	Not formally established	No minimum notice period has been established. Organisational changes are analysed on a per case basis, in order to avoid or mitigate any negative impact on the employees.

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
HEALTH AND SAFETY IN THE WORKPLACE								
G4 - WFD		Promoting our professionals' talent, commitment and health	38	Employee safety	Internal			
G4-LA5	<i>Percentage of workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.</i>	Appendix 1		Employee safety	Internal			The entire workforce is represented
G4-LA6	<i>Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by sex</i>	Ensuring the health and safety of all,	126	Employee safety	Internal			
G4-LA7	<i>Workers with a high incidence or risk of diseases related to their occupation.</i>	Ensuring the health and safety of all,	127	Employee safety	Internal			
G4-LA8	<i>Health and safety topics covered in formal agreements with trade unions.</i>	Ensuring the health and safety of all,	126-127	Employee safety	Internal			The collective agreement explicitly includes the representation of employees in all matters related to occupational health and safety in the company
TRAINING AND EDUCATION								
G4 - WFD		Promoting our professionals' talent, commitment and health	38	Workforce adapted to evolving needs Promotion of managerial activities of professionals	Internal			
G4-LA9	<i>Average hours of training per year per employee by gender, and by employee category.</i>	Training and development of our employees,	125	Workforce adapted to evolving needs	Internal			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
G4-LA10	<i>Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</i>	Training and development of our employees	125	Promotion of managerial activities of professionals	Internal			
G4-LA11	<i>Percentage of employees receiving regular performance and career development reviews, by sex and by employee category.</i>	Corporate governance at Canal de Isabel II	113	Commitment and sense of belonging of the workforce	Internal			100% of employees in all categories receive this type of review
DIVERSITY AND EQUAL OPPORTUNITIES								
G4 – WFD		Promoting our professionals' talent, commitment and health	38	Commitment and sense of belonging of the workforce	Internal			
G4-LA12	<i>Composition of governance bodies and breakdown of employees per employee category according to sex, age group, minority group membership, and other diversity indicators.</i>	Workforce structure, Equal opportunities at Canal de Isabel II.	123-124 and 127	Commitment and sense of belonging of the workforce	Internal			
G4-LA13	<i>Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation</i>	Equal opportunities at Canal de Isabel II	127	Commitment and sense of belonging of the workforce	Internal		There is no difference	Canal's collective agreement and applicable laws prevent any type of difference in this respect
ASSESSMENT OF SUPPLIERS' LABOUR PRACTICES								
G4 – WFD						Not available	No assessments are made	There are mechanisms in place to coordinate occupational health with subcontractors. The contract specifications set out conditions in this respect.
G4-LA14	<i>Percentage of new suppliers that were screened using labour practices criteria</i>	With our suppliers		Greater efficiency in internal processes	Internal	Not available	No assessments are made	All contracts include clauses relating to labour practices, but no evaluations are performed. However, supplier performance is monitored

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
G4-LA15	<i>Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.</i>	With our suppliers				Not available	Not assessed	
GRIEVANCE MECHANISMS WITH RESPECT TO LABOUR PRACTICES								
G4 – WFD		Corporate governance at Canal de Isabel II Canal professionals: empowering our people,	112, 128	Commitment and sense of belonging of the workforce	Internal			
G4-LA16	<i>Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms.</i>	Corporate governance at Canal de Isabel II Canal professionals: empowering our people,		Commitment and sense of belonging of the workforce	Internal	Number not available	Information not available	Workers' grievances are raised by their union representatives through various joint committees.
HUMAN RIGHTS								
G4 – WFD		Enhancing transparency, good governance and commitment to society	38	Maximum transparency in management Commitment to society	External			
INVESTMENT								
G4-HR1	<i>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</i>	With our suppliers	154	Greater efficiency in internal processes	Internal			All contracts include clauses relating to the employment and social practices of subcontractors. No investment agreements were concluded in 2017.
G4-HR2	<i>Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</i>	Corporate governance at Canal de Isabel II, Training and development of our employees	111 and 125	Good Corporate Governance	Internal			Hours of training on the fight against corruption are shown (257)

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
NON-DISCRIMINATION								
G4-HR3	<i>Number of incidents of discrimination and corrective actions taken.</i>			Good Corporate Governance	Internal		None have occurred	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING								
G4-HR4	<i>Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights</i>	Transparency, governance and social commitment: the company of all the people of Madrid		Commitment and sense of belonging of the workforce	Internal	Not applicable	None exist	Spanish laws do not allow such circumstances to occur
CHILD LABOUR								
G4-HR5	<i>Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.</i>	Transparency, governance and social commitment: the company of all the people of Madrid		Commitment to society	External			Spanish law does not permit such practices
FORCED LABOUR								
G4-HR6	<i>Centres and suppliers identified as having significant risk for incidents of forced labour, and measures taken to contribute to the elimination of all forms of forced labour.</i>	Transparency, governance and social commitment: the company of all the people of Madrid		Commitment to society	External			Spanish law does not permit such practices
SECURITY MEASURES								
G4-HR7	<i>Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations.</i>					Not material	Not material	All security team members are trained in relation to fundamental rights
INDIGENOUS PEOPLES' RIGHTS								
G4-HR8	<i>Total number of incidents of violations involving rights of indigenous peoples and actions taken.</i>					Not applicable	There are no indigenous people in the geographical area in which Canal and its Group operates	

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
ASSESSMENT								
G4-HR9	<i>Total number and percentage of operations that have been subject to human rights reviews or impact assessments.</i>					Not available	Not performed	
ASSESSMENT OF SUPPLIERS WITH REGARD TO HUMAN RIGHTS								
G4-HR10	<i>Percentage of new suppliers that were screened using human rights criteria.</i>	With our suppliers		Greater efficiency in internal processes	Internal	Not available	No evaluations are made	All contracts include clauses relating to labour practices, but no evaluations are performed. However, supplier performance is monitored
G4-HR11	<i>Significant actual and potential negative human rights impacts in the supply chain and actions taken</i>	With our suppliers				Not available	Not assessed	
CLAIM MECHANISMS WITH REGARD TO HUMAN RIGHTS								
G4-HR12	<i>Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms</i>					Not available	Information not available	Such types of evaluations are not conducted
SOCIETY								
G4 - WFD		Enhancing transparency, good governance and commitment to society	38	Maximum transparency in management Commitment to society	External			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
LOCAL COMMUNITIES								
G4-SO1	<i>Percentage of operations with implemented local community engagement, impact assessments, and development programmes</i>	Environmental management at Canal de Isabel II	73	Maximum transparency in management Commitment to society	External			
G4-SO2	<i>Operations with significant actual or potential negative impacts on local communities</i>	Commitment to users: at your side, for anything you may need		Collaboration and revitalisation of the municipalities of Sierra Norte	External		There is no evidence of such centres existing.	In accordance with Spanish legal regulations, Canal's facilities may not have a negative impact on local communities. On the contrary, they must provide services of general interest to the community.
FIGHT AGAINST CORRUPTION								
G4-SO3	<i>Total number and percentage of centres assessed for risks related to corruption and the significant risks identified.</i>	Relations with Public Administrations and Management Transparency	107-109 and 110 (Operation Lezo)	Good Corporate Governance	Internal			
G4-SO4	<i>Communication and training on anti-corruption policies and procedures.</i>	Corporate governance at Canal de Isabel II	111-112	Good Corporate Governance	Internal			
G4-SO5	<i>Confirmed cases of corruption and measures adopted.</i>	Relations with Public Administrations and Management Transparency	110 ("Operation Lezo")	Good Corporate Governance	Internal			
PUBLIC POLICY								
G4-SO6	<i>Total value of political contributions by country and beneficiary.</i>					Not applicable	None exist	No contributions are made
UNFAIR COMPETITION PRACTICES								
G4-SO7	<i>Number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.</i>					Not applicable	None have taken place	

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
REGULATORY COMPLIANCE								
G4-SO8	<i>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</i>	Our environmental performance	80	Efficiency in wastewater treatment	Internal			
ASSESSMENT OF THE SOCIAL IMPACT OF SUPPLIERS								
G4-SO9	<i>Percentage of new suppliers that were screened using criteria for impacts on society.</i>	With our suppliers		High efficiency in internal processes	Internal	Not available	No evaluations were made	All contracts include clauses relating to labour practices, but no evaluations are performed. However, supplier performance is monitored
G4-SO10	<i>Significant actual and potential negative impacts on society in the supply chain and actions taken</i>	With our suppliers				Not available	Not assessed	
CLAIM MECHANISMS INVOLVING SOCIAL IMPACT								
G4-SO11	<i>Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms</i>	Suggestions and claims handling, Canal De Isabel II Customer Ombudsman	101-103	Customer experience culture	External			
PRODUCT LIABILITY								
CUSTOMER HEALTH AND SAFETY								
G4 – WFD		Guarantee the quality of water for consumption	35	Improved quality of water at source New treatment technologies Improved operating processes and network maintenance	Internal			
G4-PR1	<i>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement</i>	Ensuring quality: the best water	60-62	Improved quality of water at source New treatment technologies Improved operating processes and network maintenance	Internal			

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
G4-PR2	<i>Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes</i>	Suggestions and claims handling, Canal De Isabel II Customer Ombudsman	101-103	Customer experience culture	External			
LABELLING OF PRODUCTS AND SERVICES								
G4 - WFD		Reinforcing commitment and proximity to the user	37	Customer experience culture	External			
G4-PR3	<i>Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant products and service categories subject to such information requirements</i>	Relationship with our customers and users		Improved commercial processes	Mixed (internal and external)	Not applicable	There are no labels on the products and services provided by Canal	
G4-PR4	<i>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes</i>			Customer experience culture	External	Not applicable	None have taken place	
G4-PR5	<i>Results of surveys measuring customer satisfaction</i>	Customer and user satisfaction	135-136	Customer experience culture	External			
MARKETING COMMUNICATIONS								
G4 - WFD				Improved quality of water at source New treatment technologies Improved operating processes and network maintenance	Internal	Not applicable	This indicator does not apply for Canal's type of activity	

		Chapter	Page in the report	Material aspects identified	Coverage of material aspects	Identified omissions and direct responses	Reason for the omission	Explanation of the omission and observations
G4-PR6	<i>Sale of banned or disputed products</i>			New treatment technologies Improved operating processes and network maintenance	Internal	Not applicable	None have taken place	
G4-PR7	<i>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, broken down by type of outcome.</i>					Not applicable	None have taken place	
CUSTOMER PRIVACY								
G4 - WFD		Data protection relating to customers and suppliers	67	Information security	Internal			
G4-PR8	<i>Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data.</i>	Data protection relating to customers and suppliers	67	Information security	Internal	Not applicable	None have taken place	
REGULATORY COMPLIANCE								
G4-PR9	<i>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</i>					Not applicable	None have taken place	

APPENDIX I

APPENDIX II

APPENDIX III

APPENDIX IV

APPENDIX V

APPENDIX VI

CORRELATION TABLE OF GRI-G4 INDICATORS
AND THE 10 PRINCIPLES OF THE UNITED NATIONS
GLOBAL COMPACT.



PRINCIPLE	GLOBAL COMPACT	GRI INDICATORS	SECTIONS OF THE 2017 ANNUAL REPORT
HUMAN RIGHTS			
1	Businesses should support and respect the protection of internationally proclaimed human rights.	G4-11, G4-LA5, G4-LA12, G4-LA13, G4-HR1, G4-HR11, G4-PR1, G4-PR2, G4-PR8	Canal's professionals: empowering our people Structure of the workforce. Equal opportunities at Canal de Isabel II. With our suppliers. Ensuring quality: the best water. Canal De Isabel II Customer Ombudsman Data protection relating to customers and suppliers.
2	Businesses must make sure that they are not complicit in human rights abuses.	G4-HR1 to G4-HR9, G4-S05	With our suppliers. Transparency, governance and social commitment: the company of the people of Madrid
LABOUR			
3	Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.	G4-11, G4-HR4	Canal's professionals: empowering our people Transparency, governance and social commitment: the company of the people of Madrid
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	G4-HR2, G4-HR6	Transparency, governance and social commitment: the company of all the people of Madrid
5	Businesses should uphold the effective abolition of child labour.	G4-HR2, G4-HR5	Transparency, governance and social commitment: the company of all the people of Madrid
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-EC6, G4-LA1, G4-LA12, G4-LA13, G4-HR3, G4-HR10	Structure of the workforce. Group company workforce Equal opportunities at Canal de Isabel II. With our suppliers.
ENVIRONMENT			
7	Businesses should support a precautionary approach to environmental challenges.	G4-EC2, G4-EN3, G4-EN6, G4-EN19	Guaranteed supply: water for everyone, every day. Energy efficiency and climate change. Our environmental performance.
8	Businesses should undertake initiatives to promote greater environmental responsibility	G4-EN1 to G4-EN34, G4-PR3, G4-PR4	Our environmental performance. Relationship with our customers and users.
9	Businesses should encourage the development and dissemination of environmentally friendly technologies.	G4-EN2, G4-EN6, G4-EN7, G4-EN19, G4-EN27, G4-EN28, G4-EN31	Guaranteeing access for all Madrid's residents to a quality resource. Our environmental performance. Energy efficiency and climate change. Environmental management at Canal de Isabel II
ANTI-CORRUPTION			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	G4-S03 – G4-S08	Relations with Public Administrations and Management Transparency



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