

# ANNUAL REPORT 2015





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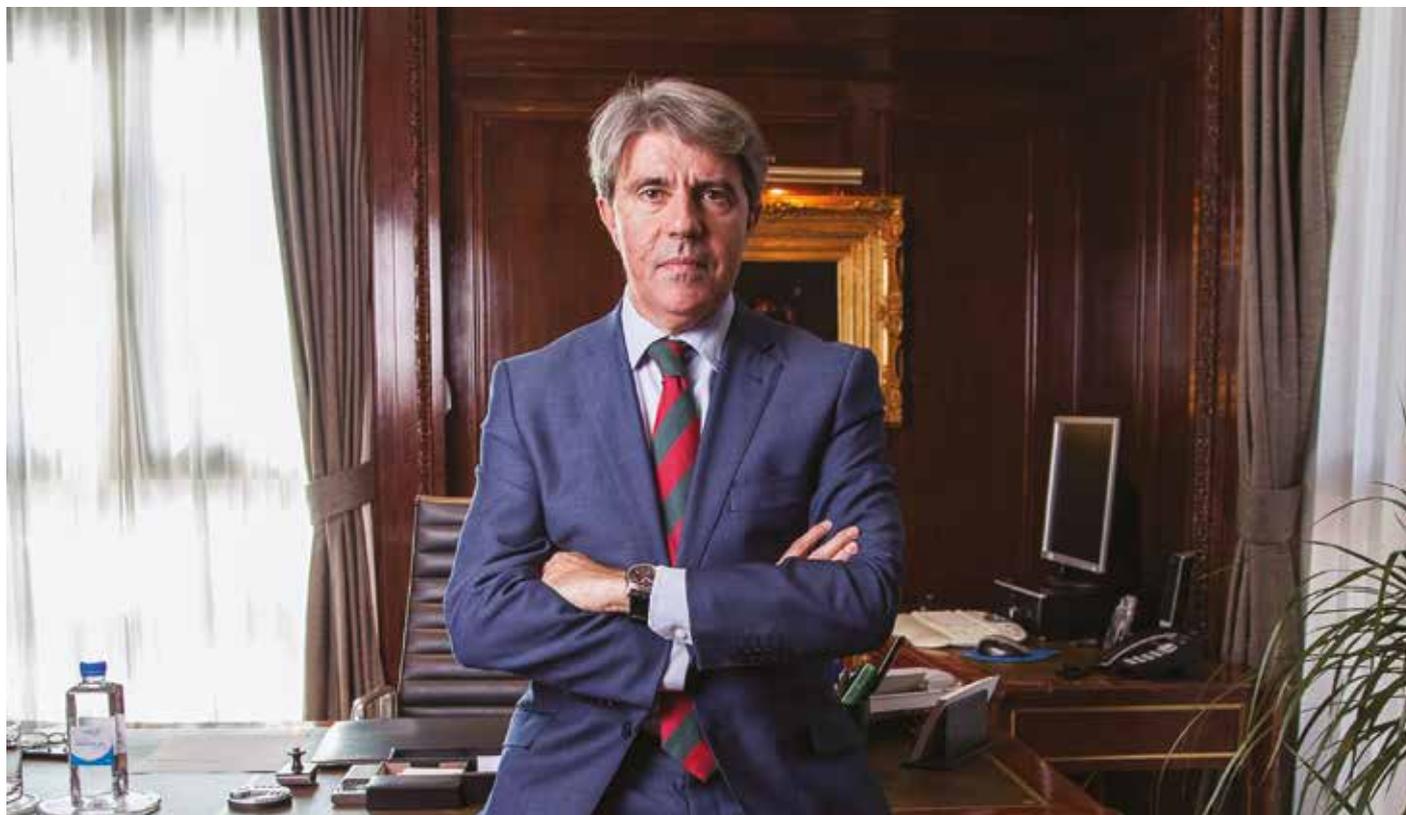


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## Interview with the Chairman Canal de Isabel II Gestión



**Ángel Garrido García**  
Councillor of the Presidency, Justice and  
Spokesperson's Office of the Region of  
Madrid.  
Chairman of Canal de Isabel II Gestión

### **What have been the main achievements in 2015 and the challenges of Canal de Isabel II Gestión for 2016?**

In 2015 we have maintained the investing pace of recent years and managed to implement important infrastructures to expand and improve our water supply and sanitation services systems. In the whole group more than 180 projects have been implemented, and in the Region of Madrid alone, we have invested 214 million euros.

So, among the facilities completed I would like to point out a new section of the second ring of drinking water distribution, the so-called "water M50" (the M50 is one of Madrid's ring roads), or the commissioning of the reuse system of Arroyo Culebro supplying regenerated water to several municipalities in the south of the region.

For 2016, we plan to continue with our investment policy and this makes us one of the public enterprises that allocates the most resources to this area. All this in order to comply with our main mission: to offer excellent quality service to our customers and users.

### **As you say, the recurrent and sustained investments through time are the hallmark of Canal de Isabel II Gestión, but so is maintaining its prices.**

Indeed, we believe that it is important to take into account the economic context in which many families are and, for that, the Region of Madrid has decided to freeze the prices for 2016 and expand the social bonus for those who need it the most. In this regard, the social rate has been extended to all recipients of the Minimum Integration Income, which allows them to automatically access this aid without the need to submit additional documentation. I would like to emphasise that the social rate covers the needs of water of a family for four euros per month.

Let me take this opportunity to remind you that all the information on our prices is available on our *website* and in all our customer service channels, making it more accessible to all users.

.....

The Region of Madrid has decided **to freeze rates** for 2016 and **expand the social bonus** for those who need it the most

.....

In the whole group, more than **180 projects** have been carried out. In the Region of Madrid alone, we have invested **214 million euros**

.....

**What aspects have you proposed to emphasise in the company?**

I would like to convey to the people of Madrid that, beyond its history and its name, Canal de Isabel II Gestión is a public company that is a leader in its sector. I would also like to point out that it's not only about water. It's also about power generation, sustainability, a commitment to research and a policy of corporate social responsibility committed to society.

Canal de Isabel II Gestión is not just a water company. It is the leader in its sector. My commitment is to ensure that it will remain a benchmark public company.

**What plans and objectives have you set for the coming year?**

Our main goal is to provide a public service of the highest quality. This investment package of over 210 million euros will allow us to expand and improve the infrastructure and move forward in terms of efficiency in water supply and sanitation in the region. In this regard, we plan to improve our consumption and energy yields. We are the biggest producer of green energy in the region of Madrid and we will continue supporting this line of work. So, in 2016 we will continue to increase our energy production from the Loeches sludge treatment plant and continue with the installation of micro-turbines in the distribution network.

**Part of the efficiency and sustainability of the company depends on the financial resources available. Canal de Isabel II Gestión held its first bond issue in 2015. What was its impact?**

Indeed, in 2015 we conducted a successful issuance of non-convertible bonds to refinance credits obtained in previous years at higher interest rates. For that, Canal de Isabel II Gestión was subjected to a *public* rating to enable it to be qualified for the issuance, being qualified as *investment grade*. Investor demand multiplied by nearly seven the maximum amount of the emission, exceeding 3,300 million euros when the request was for 500 million euros. At year end the consolidated net financial debt of the Canal Group was reduced by 14%, with a weighted average cost of 2.12% (20% lower than 2014).

**Canal de Isabel II Gestión also promotes activities related to art, education, sports or volunteering, as part of its corporate social responsibility policy. What is your opinion of them?**

I believe that it is essential for a public company with a vocation for public service, like ours, to have people at the core of their activity and be concerned about improving the lives of the citizens in the areas in which we operate.

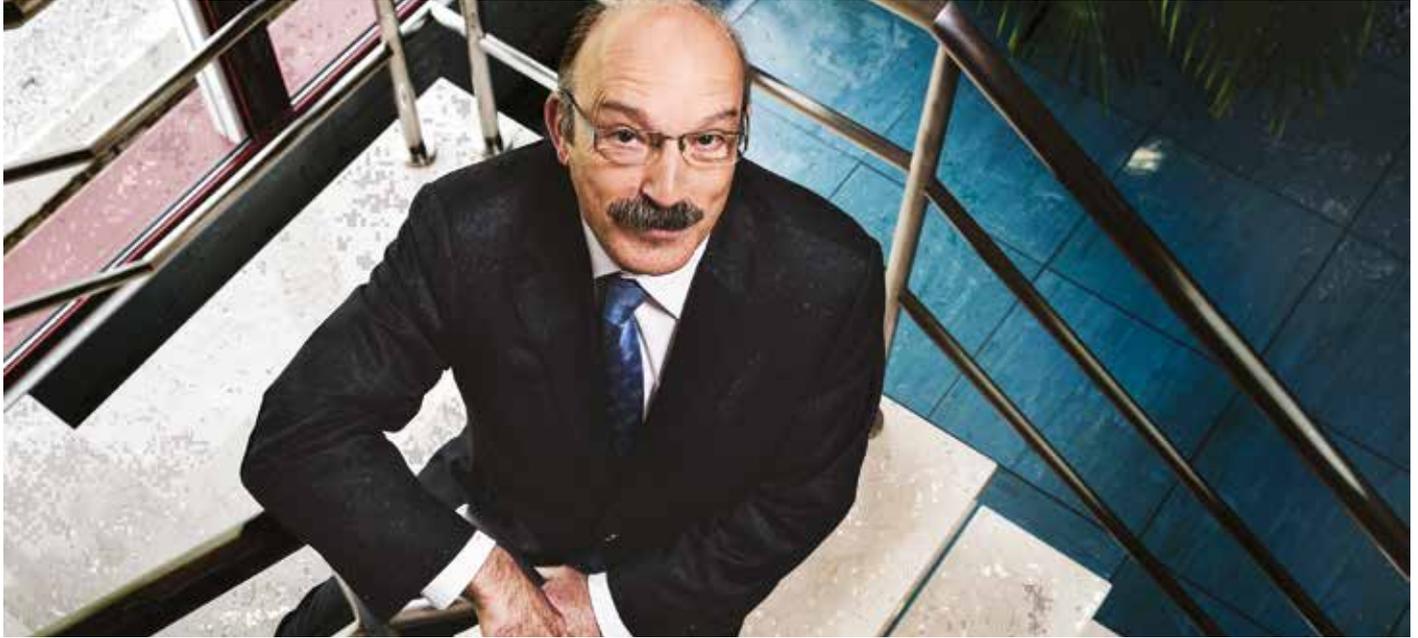
Hence our commitment to art, with major exhibitions like the ones you can visit in Arte Canal, like the current Cleopatra exhibition, which in its first three months has topped 150,000 visitors. We also promote sports among the youngsters through the Canal Sports Club, which has already produced a number of famous professional athletes.

Another aspect that I think is fundamental to the company's corporate responsibility policy is educating people to respect the water that is being promoted by Canal Educa, a programme that more pupils in the Region of Madrid want to enjoy every year.

Finally, I would like to point out our Volunteers Channel programme, in which company employees are involved. Not only are they great professionals, but they also demonstrate that they are committed to society's major concerns and problems. More than 64 projects have already been completed, allowing us to provide safe drinking water and sanitation directly to 500,000 people around the world.

I think that we can be proud of all these activities and how much they bring to society in Madrid, and especially to those who are most in need of our help.

## Message from the Managing Director Canal de Isabel II Gestión Group



Adrián Martín López de las Huertas  
Managing Director of  
Canal de Isabel II Gestión

Canal de Isabel II Gestión is a leading company that has known how to plan, get ahead of its time, and excellently manage a resource that is as essential to life as water. And no doubt it is because, throughout its history, it has been formed by a team of people proud to be part of it, and who have performed their assigned tasks with absolute professionalism and dedication.

Being a leader is not a consideration for those of us who make up the Organisation. It is an external recognition attested by international agencies and institutions that each year express their interest in our management model.

Besides, each year users acknowledge us as the best company in the sector and our customers consider that Canal de Isabel II Gestión generates **trust, quality and security**.

Consolidated fiscal year 2015 has closed with a **profit** of 226 million euros, with a **turnover** of 1,121 million euros and an **EBITDA** of 378 million euros. These ratios have improved with respect to the previous year, and **in relation to 2013 ratios, they have improved 13%, 8.4% and 10.5%, respectively.**

Our leverage ratio is one of the lowest in the sector, standing at 2.72 times our EBITDA. A convertible bond issue amounting to 500 million euros was conducted in 2015 to refinance credits obtained in previous years at higher interest rates. The issue reduced the weighted average cost of our debt from 2.51% in 2012 to 2.12% at the end of 2015.

The solvency of Canal de Isabel II Gestión was demonstrated in this issue, multiplying the initial demand by nearly seven-fold. In this way investors (mostly international) recognised the strength of our management system, previously endorsed by the *rating* of the specialised agencies.

### Ratings

Fitch Ratings

**BBB+**

"Stable outlook"

Moody's

**Baa2**

"Positive outlook"

.....

Each year users acknowledge us as the **best company in the sector** and our customers consider that Canal de Isabel II Gestión generates **trust, quality and security**

.....

Advancing in our actions of corporate governance, over the past years **we have increased** existing control systems to the point that they now exceed those established for public companies, **and in some cases are only mandatory for listed companies.**

.....

Advancing in our actions of corporate governance, over the past years we have increased existing control systems to the point that they now exceed those established for public companies, and in some cases are only mandatory for listed companies. This allows us to minimise possible risks and generate the confidence people require and demand of a company like ours. We have implemented or will be implementing these systems in the rest of the companies of the group, impacting in this way the control and transparency of all our operations. SCIIF had been implemented in Canal Gestión by the end of 2014, and Hispanagua and Canal Gestión Lanzarote joined at the end of 2015. The next two companies will be Triple A of Barranquilla (Colombia) and Emissão (Brazil).

Canal de Isabel II Gestión is one of the sector companies that allocates the most resources to **investments**. In the last financial year, we invested **214 million euros** in Madrid alone, allowing us to improve drinking water and waste water treatment systems, extend the distribution network by 20 kilometres, and add 37 km of sewers and pipelines, in addition to expanding the range of our remote control system. Our investments are recurring, and we allocate 200 million euros a year on average to improve the quality of our service.

Maintaining existing infrastructures is as important as developing new ones. Today, the facilities that were created at the beginning of Canal de Isabel II, that is, more than 160 years ago, are still standing and providing service to our users. They were planned with ambitious horizons and are still in service today thanks to the the company's maintenance and replacement policy. We allocate an average of 200 million euros a year to this end. In this regard, last year we renovated close to 200 kilometres in our distribution network.

We are a company that is committed to the environment, and we take care of the resource we work with from different angles: promoting the responsible use of water, ensuring its quality before it is

returned to the rivers by the corresponding purification systems and, finally, committing to additional tertiary treatments that allow us to recycle it and supply it for industrial uses and irrigation of green areas. In 2015, we increased the **regenerated water supply to 12 cubic hectometres annually**, equivalent to what can be stored in the reservoirs of Navacerrada and Navalmedio.

But we are not just water, we are also energy consumers and producers. Currently, we are working on an **energy efficiency plan that will allow us to reduce our consumption and continue to increase our generation capacity**. Our Loeches thermal sludge and compost drying plant increased its energy production by 26% in 2015.

Our users and customers, both private and institutional, are at the beginning and end of all our projects. Consequently, in addition to making the necessary investments, we are capable of generating the necessary financial resources for the **distribution of dividends**. All of this with frozen prices and enhancing social aspects so that families facing difficulties continue to have access to our service.

As I said at the beginning, we are a leading company. This sustained recognition over time is the result of the work done by those who were part of Canal de Isabel II and those who today are part of Canal de Isabel II Gestión. A team of professionals that managed to equip Madrid with one of the best water supply and sanitation systems in the world.

# 1

## VISION OF THE ORGANISATION AND BUSINESS MODEL



**9.87 million**

**inhabitants** were supplied with water by Canal de Isabel II Gestión Group in 2015 in the four countries where it operates



**6,276**

**workers** within the group and close to

**9,500**

**indirect jobs** generated



**857 hm<sup>3</sup>**

of drinking water

**46,083 km**

in distribution, sewerage and regenerated water networks

**257 million euros**  
**in investments**

in 2015

# 1.1 We Are Water



## Management of the Integral Water Cycle

Management of the integral water cycle in several cities and towns of Spain, Colombia, Ecuador and Brazil. Management of the water cycle accounts for 95% of the business of the Canal Group.



## Support services for the management of the integral cycle

Support services for the management of the integral cycle, such as sector-specific advisory and consulting, civil engineering and hydraulic works, operation of third party plants, installation of new connections and water metres, purchasing supplies, commercial management of water supply and sanitation, management of *call centres* or collection management. For the development of these activities, Canal Group has companies in Spain, Colombia, the Dominican Republic, Brazil, Panama and Ecuador.



## Other synergistic activities related to the management of the integral cycle

Other synergistic activities related to the management of the integral cycle, such as power generation, telecommunications and information technologies, engineering, civil construction and architecture unrelated to water or waste management and urban cleaning, are performed by group companies located in Spain and Colombia.

## Canal de Isabel II Gestión: origin and activities of the group

The Company **Canal de Isabel II Gestión** (Canal Gestión) is a public company. Its shareholders include the Region of Madrid, through the public entity Canal de Isabel II, and one hundred and eleven municipalities of the Region of Madrid (Spain). Canal Gestión 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 Region of Madrid in charge of managing the integral water cycle.

We take care of the management of the **whole water cycle** in almost the entire region, i.e. of **all processes oriented towards the adequate management of water resources and the conservation of the environment**. These processes, which are necessary to develop and maintain the quality of life of the inhabitants of Madrid, involve the collection, treatment and monitoring of water quality, its transport and distribution, and the sanitation and treatment of waste water and its regeneration for later use.

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 Region of Madrid.

Thus, back in the 1960s, Canal de Isabel II began to build a group of thirty-three investee companies that, along with Canal de Isabel II Gestión, constitute the **modern-day Canal de Isabel II Gestión business group**. The companies that form the group are engaged in the three types of activities shown to the left.

By late 2015, the Group was supplying water to **9.87 million people** (**6.71 M** in Spain and 3.16 M in Latin America), and employed **6,276 workers** (3,322 in Spain and 2,954 in Latin America), besides generating close to 9,500 indirect jobs (38% in Spain and 62% in Latin America).

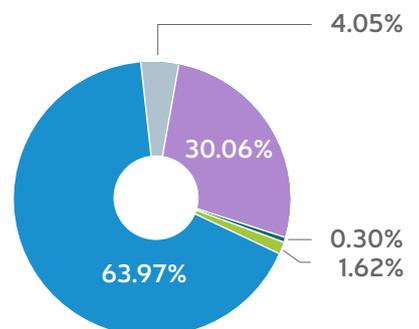
In FY 2015 the Group companies supplied the population managing a total of **857 million cubic metres** of water (548 M in Spain and 309 M in Latin America) and more than **46,000 kilometres** of supply, regenerated water and sanitation networks.

At the close of FY 2015 the group had more than 2,200,000 supply contracts (71% in Spain and 29% in Latin America), of which **86%** are domestic, i.e. with private individuals and households. They are distributed over more than 200 municipalities, with a **98%** supply coverage (**100%** in Spain).

The main figures of the Group Canal at FY 2015 end are detailed in the chapter "Activity Summary: Indicators".

### Distribution of the population supplied in 2015 (Pop. million)

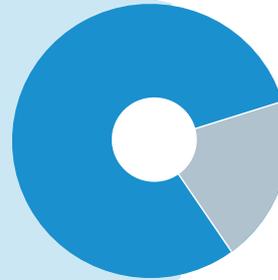
● Canal de Isabel II Gestión (*)	6.32
● Colombia	2.97
● Rest of Spain	0.40
● Ecuador	0.16
● Brazil	0.03



(\*) Canal Gestión includes its office in Cáceres

## International Growth of Canal Group: Current Presence

Distribution of turnover:



**80%**  
Spain

**20%**  
Latin America

### Brazil

Fontes da Serra <a href="http://www.fontesdaserra.com.br">www.fontesdaserra.com.br</a>	●
Emissão <a href="http://www.emissao.com.br">www.emissao.com.br</a>	●

### Dominican Republic

AAA Dominicana <a href="http://www.aaa.com.do">www.aaa.com.do</a>	●
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### Ecuador

Amagua <a href="http://www.amagua.com">www.amagua.com</a>	●
Inassa Ecuador <a href="http://www.grupoinassa.com">www.grupoinassa.com</a>	●

### Panama

Inassa Panamá <a href="http://www.grupoinassa.com">www.grupoinassa.com</a>	●
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### Spain

Canal de Isabel II Gestión <a href="http://www.canalgestion.es">www.canalgestion.es</a>	● ●
Office of Canal Gestión in Cáceres <a href="http://www.canalgestion.es">www.canalgestion.es</a>	●
Aguas de Alcalá UTE <a href="http://www.aguasdealcala.es">www.aguasdealcala.es</a>	●
Canal Gestión Lanzarote <a href="http://www.canalgestionlanzarote.es">www.canalgestionlanzarote.es</a>	●
Hispanagua <a href="http://www.hispanagua.es">www.hispanagua.es</a>	●
Canal de Comunicaciones Unidas <a href="http://www.canalcom.com">www.canalcom.com</a>	●
Hidráulica Santillana <a href="http://www.hidraulicasantillana.com">www.hidraulicasantillana.com</a>	●

### Colombia

Triple A Barranquilla <a href="http://www.aaa.com.co">www.aaa.com.co</a>	● ● ●
Metroagua <a href="http://www.metroagua.com.co">www.metroagua.com.co</a>	●
ASAA Riohacha <a href="http://www.asaa.com.co">www.asaa.com.co</a>	●
R&T <a href="http://www.ryt-sa.com">www.ryt-sa.com</a>	●
Gestión Integral de Suministros <a href="http://www.gis.com.co">www.gis.com.co</a>	●
INASSA <a href="http://www.grupoinassa.com">www.grupoinassa.com</a>	●
Amerika TI <a href="http://www.amerikati.com">www.amerikati.com</a>	●



Management of integral water cycle



Support services for integral water cycle management



Telecommunications and information technology



Power generation



Urban cleaning and waste management

## Our commitments in Lanzarote

The commitments made by the group in Lanzarote are being met quite ahead of time. Specifically, our offer established an investment of almost 58 million euros, calculated at its actual value at the end of the period in which they will be invested, namely the first five years of the thirty years of duration of the concession.

At FY 2015 end, which is the mid-point of the period given by the contract to complete the investments, fully 89% of the committed total **has been paid out**. This ensures that the commitments mentioned above will be completed on time and with operational infrastructures.

The needs identified in the Canary Islands were split almost exclusively into projects distributed in three blocks:

- **Distribution**, which involves the renewal of municipal transport and distribution networks and multiple adjustments to regulatory elements. This block reaches almost 70% of the total.
- **Works dedicated to the improvement of desalination and sustainability processes**, to supplement the energy recovery systems and provide a good return to the environment of the waste from the process. This block accounts for approximately 20%-25% of the total.
- The third investment block, accounting for the remaining 5% to 10% of the total, is dedicated to the **improvement of sanitation and waste water treatment** in the geographical area of the islands.

Having reached an adjustment stage, after having made a detailed study of real needs on the ground, we can say that virtually ninety percent of the investment is under way at this time. Embodied in **a total of 130 works and activities**, of which a total of forty exceed the budget value of 120,000 euros, this has clearly contributed to improve each and every one of the aspects of the integral water cycle in Lanzarote and La Graciosa, with 10 million euros committed to desalination and energy, 37.5 million euros going to distribution and regulation, and 6 million euros to facilities for sanitation, purification and regeneration of waste water. The committed amount is completed by 4 million euros more in general systems.

All these projects assure in the future a **guaranteed supply to meet currently expected demands in the medium term, its effective regulation and distribution, and the subsequent treatment of waste water. Enough water will be regenerated to meet the demand of the emerging agricultural activity of the island and the necessary irrigation of gardens, to contribute to the sustainability of tourism, the area's main economic driver.**

A good example of this reinforcement of service quality guarantees is the **construction of the new reservoir in Zonzamas**, with a storage capacity of 30,000 m<sup>3</sup>. Its recent commissioning ensures the quality and quantity of water that is distributed daily to **eighty percent of the islands' population.**



## 1.2 Main figures



### Customers and population served

**9,871,404** inhabitants served in Spain and Latin America

Degree of coverage (overall) of service: **98%** Supply **93%** sewerage and **86%** waste water treatment

**2,227,531** Supply Contracts

Municipalities managed: **214** Supply, **201** in waste water treatment and **29** in Reuse

**27,344,597** quality controls conducted in the water we managed during 2015

We froze the price in the Region of Madrid

Canal Group customers give us a high grade



### Human Resources

**6,276** employees in the group,

divided between Spain, Colombia, Ecuador, Dominican Republic, Panama and Brazil

Close to **9,500** indirect jobs generated in 2015

More than **180,000** hours of training given to the employees of the group during 2015 (16% in occupational risk prevention)



### Collection

In the Region of Madrid alone we are capable of

Collecting **946 hm<sup>3</sup>**

**857 hm<sup>3</sup>** of drinking water



### Supply

Almost **500** storage tanks with a capacity of **4.06 hm<sup>3</sup>**

**25,860** km supply network

More than **200** DWPS



### Treatment

**26** DWTP and **4** desalination plants

**5.63 hm<sup>3</sup>/day** of water treatment capacity



## Sewerage

**67** storm tanks and flood control

**19,234** kilometres of collectors, pipe lines and sewerage networks

**360** WWPS



## Waste water treatment

**253** WWTP in operation

**3.48 hm<sup>3</sup>** of waste water treatment capacity



## Reuse

**42** regenerated water plants in service

**20 hm<sup>3</sup>** produced from non-potable recycled water that has served to cities, industry and agriculture and irrigated a surface of **2,536 Ha**

Currently the Canal Group reuses the **3.84%** of the treated water



## Environment

The **95%** of the **sludge** generated in the Region of Madrid

are assigned to **agricultural use**

**60%** of the **Energy** that we consume in Canal Gestión is **self-produced**

In the past year the Canal Group, through power generation and the use of hybrid and electric vehicles, has avoided the emission of **41,096 tons of CO<sub>2</sub> equivalent**.

In 2015 the group has increased its **desalination capacity** in a **28%**



## Eco-Fin/Management/Governance

**Consolidated turnover** in 2015:

**€1,121 M.**

**Consolidated EBITDA** in 2015:

**€378 M.**

**Consolidated Net Financial Debt** in 2015:

**€1,030 M.**

**€257 M.** in investments made in 2015

A total of **424 contracts**, totalling **406 million euros**, were awarded in Spain in 2015 through public procurement procedures

**€1,328,979** credit to **projects solidarity and other collaborations** in 2015

In 2015 the first issue of Canal Gestión bonds is launched, managing to place all of the **500 million euros** for which it went to the market.

In 2015 Canal Gestión approves the **Code of Ethics** and the **Internal Rules of Conduct**, and sets up the **Ethics and Compliance Committee**

## 1.3 Business model

The contribution of this capital to each of the activities of the cycle along with the permanent interaction between all of them has a single purpose: **to create value**

### Mission and capital

The mission of the Canal de Isabel II Gestión Group is to guarantee the water supply to all its customers today and in the future, both in quantity and quality, as well as all the other services it provides, with the strong vocation to meet their expectations, actively contributing to the protection and improvement of the environment, for the benefit of all society.

The success of our organisation depends on several forms of capital. We define this capital as stores of value that become part of the transformation process which defines our business model. In this way, we define the capital of the Canal Group de Isabel II Gestión as follows:



#### Financial Capital

Comprising funds used by the group to develop the activities of the integral water cycle: from the capital providers (mainly banks and bondholders), besides public aid in specific instances, like the grant for desalination in Lanzarote (see detail in Chapter 5: "Challenges/Financing and capital markets").



#### Industrial capital

Formed by the infrastructure that we use to provide the highest-quality public service, from the collection of raw water to its return to the environment (see detail in Chapter 6: "Activity summary: indicators").



#### Intellectual Capital

Canal Group has been growing in the sector and providing value for more than 160 years. Its authenticity resides in that it does what it says it will do, and that it understands that excellence in the provision of service is the sole key to lasting and sustainable management. Our processes are subject to the highest standards of quality. In addition, from the outset we have been pioneers in the application of innovation in all our fields (see document "Strengths of a century-old company at the forefront of technology" at [www.canalgestion.es/es/Informacion\\_accionistas/Informacion\\_financiera/Informe\\_anual/2015.html](http://www.canalgestion.es/es/Informacion_accionistas/Informacion_financiera/Informe_anual/2015.html))



#### Social and relational capital

Based on our relationships with regulators, shareholders, strategic partners, potential business generators and investors. In addition to our external and internal suppliers, which are the group companies with whom we work closely, especially to test new services before they are launched on the market (see document "Communication channels with our stakeholders" at [www.canalgestion.es/es/Informacion\\_accionistas/Informacion\\_financiera/Informe\\_anual/2015.html](http://www.canalgestion.es/es/Informacion_accionistas/Informacion_financiera/Informe_anual/2015.html)). Another essential part of our social capital is our commitment to society: the performance of our work and the effort exerted in communities where we operate and/or collaborate to help create a better society (see details in Chapter 5: "Challenges/Shared Value").



#### Natural capital

For Canal Group, water is everything. We are water from the beginning to the end. It is our natural capital and also our final product. It is a human right (so we must assure its affordability) and a limited resource that we try to take care of every day, contributing to guarantee access to the populations of the areas where we operate our businesses and also those where we collaborate to help the most disadvantaged groups. We work with water, through a profound respect for the environment, biodiversity and the health of our ecosystem (see detail in Chapter 5: "Challenges/Conservation of the Environment").



#### Human capital

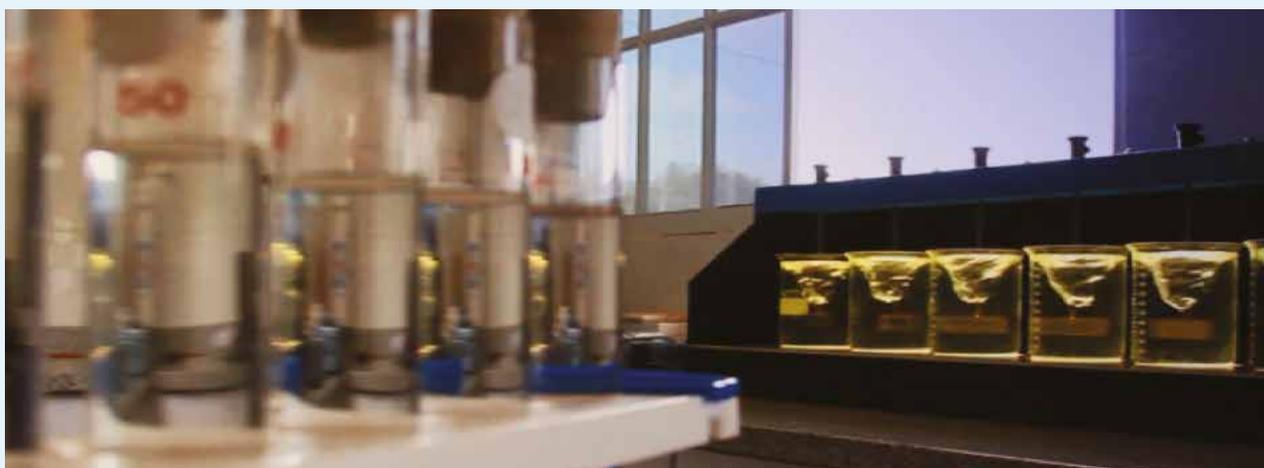
With more than 6,000 group employees who every day show their loyalty, motivation and initiative to innovate in order to improve the processes and the final product that we offer our customers, through their leadership skills, management and collaboration (see details in Chapter 5: "Challenges/Talent and Commitment").

## Taking steps in Riohacha

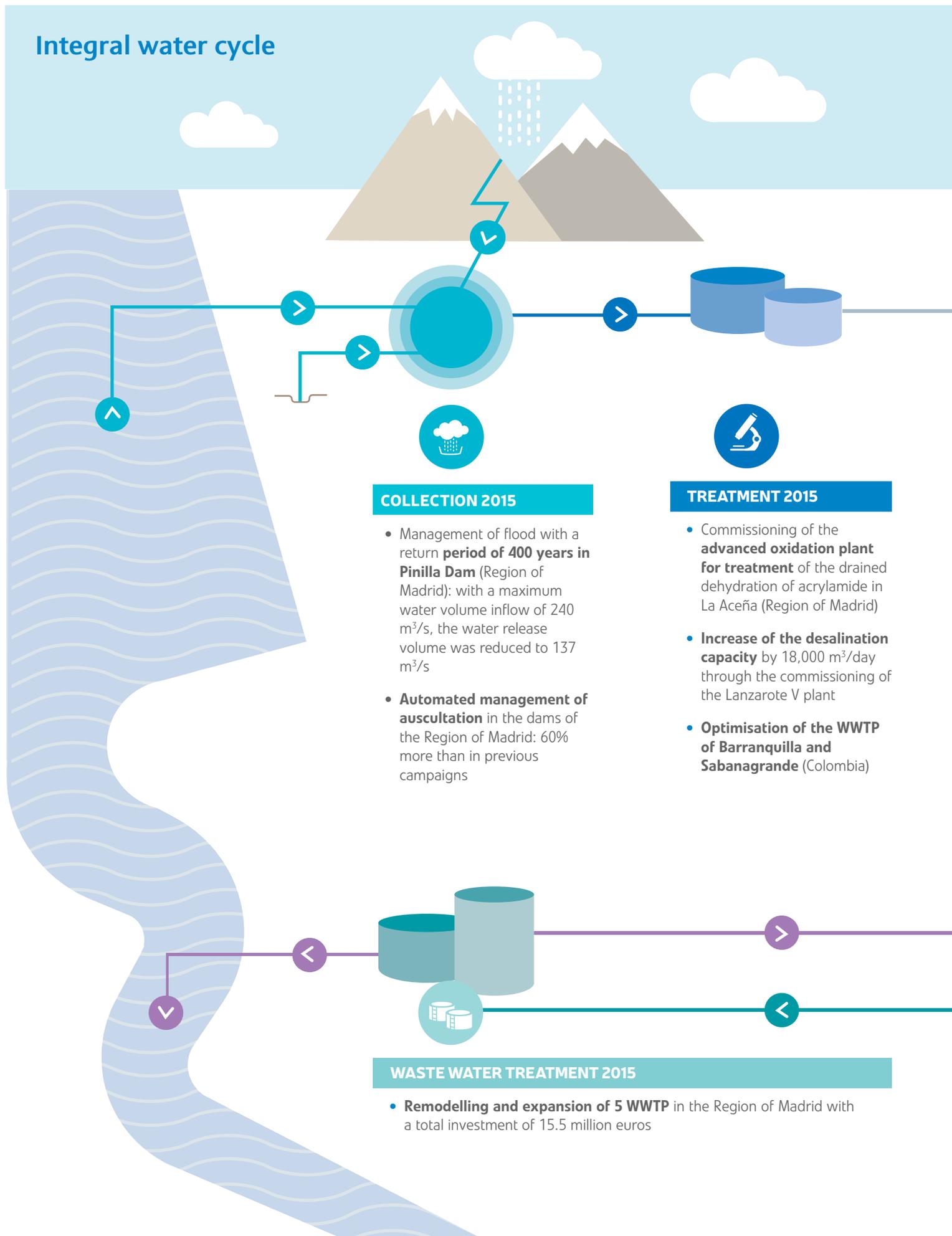
On 2 February 2015, the President of the Republic of Colombia, Juan Manuel Santos, **launched the 24-hour aqueduct service in the pilot area, expanding continuity to 5,000 customers and coverage to 30% of the population.** 470 years after its settlement, the city of Riohacha receives this achievement for the benefit of its inhabitants.



**For the first time**, in 2015 the Health Department issued a favourable judgement without requirement for the operation of the drinking water treatment plant by their good sanitation practices, thanks to the fact that ASAA managed to optimise the production modules and conduct studies on the right dosage application of chemicals for water purification and delivery of optimal quality water to the users in Riohacha.



## Integral water cycle



### COLLECTION 2015

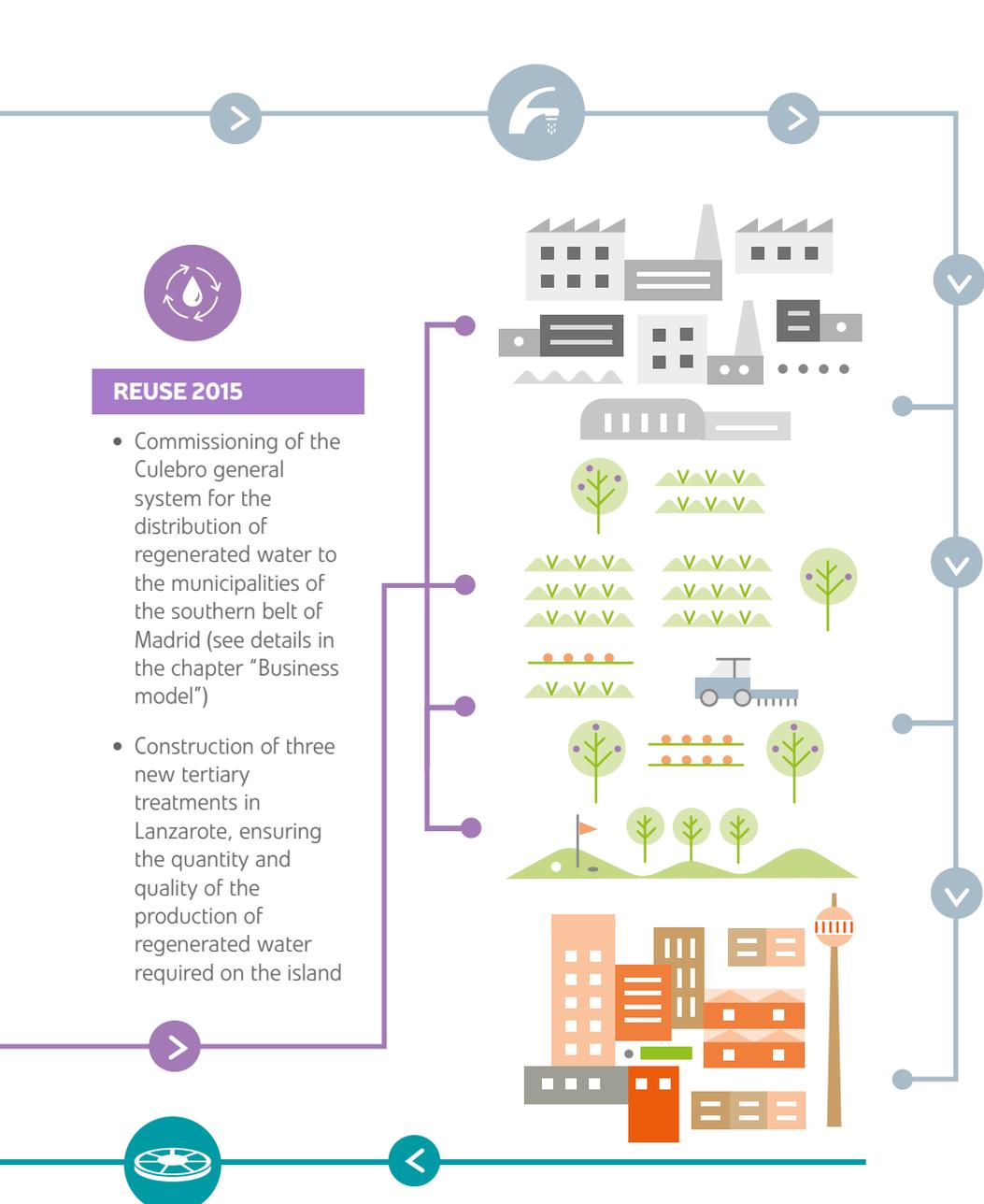
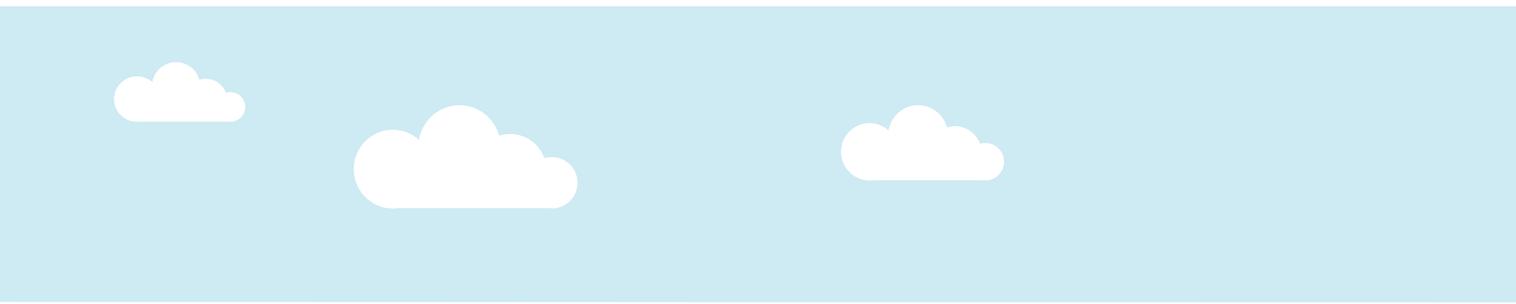
- Management of flood with a return period of **400 years in Pinilla Dam** (Region of Madrid): with a maximum water volume inflow of 240 m<sup>3</sup>/s, the water release volume was reduced to 137 m<sup>3</sup>/s
- **Automated management of auscultation** in the dams of the Region of Madrid: 60% more than in previous campaigns

### TREATMENT 2015

- Commissioning of the **advanced oxidation plant for treatment** of the drained dehydration of acrylamide in La Aceña (Region of Madrid)
- **Increase of the desalination capacity** by 18,000 m<sup>3</sup>/day through the commissioning of the Lanzarote V plant
- **Optimisation of the WWTP of Barranquilla and Sabanagrande** (Colombia)

### WASTE WATER TREATMENT 2015

- **Remodelling and expansion of 5 WWTP** in the Region of Madrid with a total investment of 15.5 million euros



**REUSE 2015**

- Commissioning of the Culebro general system for the distribution of regenerated water to the municipalities of the southern belt of Madrid (see details in the chapter "Business model")
- Construction of three new tertiary treatments in Lanzarote, ensuring the quantity and quality of the production of regenerated water required on the island



**SUPPLY 2015**

- Renovation **projects of the network of large galleries** of Madrid (Santa María de la Cabeza, Ronda de Toledo and Paseo de la Castellana)
- Monitoring of 245 sectors and inspection of 2,000 km of network in the Region of Madrid for the **early detection of leaks**
- Plan of **renovation of the supply network of the Region of Madrid aimed at risk**: 173 km and 9,000 connections, thereby increasing the activities of 2014 by 17%
- Commissioning of the **deposit of Zonzamas in Lanzarote**, guaranteeing **water regulation throughout the island**
- **Consolidation of the continuity of supply on the island of Lanzarote**, by the elimination of the water shortage measures in the summer season for the second consecutive year
- Start of construction in the municipality of Soledad (Barranquilla) to **separate the distribution system**

**SEWERAGE SYSTEM 2015**

- Addition of the **sanitation infrastructure to the Strategic Infrastructure Plan**, which now includes the entire water cycle in the Region of Madrid
- **Commissioning of a new WWPS and integral remodelling of another eleven** in main coastal areas of **Lanzarote**, ending forever the problems affecting tourism
- Sanitation Plan for the municipality of **Soledad** and commissioning of the sewerage system for the municipality of **Palmar de Varela** (Barranquilla, Colombia)
- Inauguration of the **secondary rainwater collectors in Santa Marta** (Colombia), with a direct benefit to 38,000 inhabitants

## 1. VISION OF THE ORGANISATION AND BUSINESS MODEL

### Business model

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Through our companies we have several important **synergies** under way, such as urban cleaning and collection of municipal solid waste

.....

Canal Group directly manages all phases of the cycle in Spain (Canal de Isabel II Gestión, Aguas de Alcalá UTE, Canal Gestión Lanzarote and office in Cáceres of Canal de Isabel II Gestión), Colombia (Triple A in Barranquilla, Metroagua and ASAA), Ecuador (Amagua), and Brazil (Fontes da Serra). Through these companies, in recent years we have diversified our business towards activities where we have launched significant synergies, like street cleaning and collection of urban solid waste.

Also, through our investee companies AAA Dominicana, Inassa, GIS, Amerika and Emissão, we provide support services to other customers, also integral cycle operators. Additionally, Inassa, Amerika and GIS, along with R&T, also perform these same support tasks (commercial and tax management,

consulting and technical assistance, supply management, information technology, engineering, construction and services, etc.) for the companies of Canal Group that manage the Integral Water Cycle in Latin America, this is, Triple A of Barranquilla, Metroagua, ASAA, Amagua and Fontes da Serra.

In Spain, the Spanish subsidiaries Hispanagua and Canal de Comunicaciones Unidas provide support mainly to Canal de Isabel II Gestión in the areas of operations and telecommunications. Hidráulica Santillana, through the operation of eight hydroelectric plants, produces energy to sell to the electric grid and also for self-consumption by Canal de Isabel II Gestión.

### Construction of section VI of the Second Main Ring of drinking water distribution in Madrid

The second ring of distribution of drinking water of the Region of Madrid is designed to bring pressurised water from the large dams of Colmenar Viejo and Valmayor to the areas of demand in the Madrid metropolitan area and the areas of urban development settled along the radial highway system of the Region of Madrid.

The works included on section 6VI of the second ring have affected the municipalities of Boadilla del Monte, Villaviciosa de Odón, Alcorcón, Fuenlabrada and Leganés, running parallel to the motorway ring road M-50, connecting in origin to the 5V section in connection with Arteria de Retamares and ending in the Getafe water tank.

The line consists of **18,200 metres of steel pipe measuring 1,600 mm in diameter, covered with concrete. The large amount of infrastructure required to cross** more than 18 kilometres represented a major management task with the various bodies concerned, in addition to special care in the execution of the work.





Learn more about our stages of collection and treatment of water in only a few minutes in:

[www.canalciclointegraldelagua.es](http://www.canalciclointegraldelagua.es)

## Supply: collection and treatment

The supply system on the **Spanish mainland** is mainly based on **the collection of surface water** (and to a lesser extent, groundwater) through the **14 reservoirs** managed by **Canal de Isabel II Gestión** in the Region of Madrid and the provinces of Ávila and Guadalajara, whose rivers contribute most of the water supplied to the network. In addition, in the Region of Madrid we manage **78 groundwater wells** to support

the supply of surface water, especially in times of water shortage. Canal Gestión 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.

### Main figures of collection and treatment by company in 2015

	Contribution at the end of the year (hm <sup>3</sup> )	Extraction from the environment (%)	Storage capacity of its reservoirs and/or water Collection (hm <sup>3</sup> )	Input capacity of groundwater (hm <sup>3</sup> /year)	Total volume used for consumption (hm <sup>3</sup> )	DWTP No.	Nominal treatment capacity (hm <sup>3</sup> /year)
Canal Gestión (*) <a href="http://www.canalgestion.es">www.canalgestion.es</a>	481	105	971	93	507	17	4.58
Aguas de Alcalá UTE <a href="http://www.aguasdealcala.es">www.aguasdealcala.es</a>	-	-	1.89	-	17	1	0.07
Canal Gestión Lanzarote <a href="http://www.canalgestionlanzarote.es">www.canalgestionlanzarote.es</a>	-	-	-	-	25	4	0.09
Triple A of Barranquilla <a href="http://www.aaa.com.co">www.aaa.com.co</a>	142,845	0.2	266	-	237	4	0.72
Metroagua <a href="http://www.metroagua.com.co">www.metroagua.com.co</a>	23	157	0.16	0.07	37	2	0.11
ASAA <a href="http://www.asaa.com.co">www.asaa.com.co</a>	109	16	38	-	18	1	0.05
Emissão <a href="http://www.emissao.com.br">www.emissao.com.br</a>	-	-	-	-	4	1	0.01

(\*) Canal Gestión includes its office in Cáceres

NOTE: In Latin America the flow of the rivers is often very high, which is why the rates of extraction from the natural waterways are so low. On the contrary, in the case of Metroagua (Santa Marta, Department of Magdalena, Colombia) the population is affected by an acute drought which means that more than 50% of their water supply is from wells. Something similar occurred in Canal Gestión, although to a much lesser extent, this year: it was necessary to pump a large amount of water from our concession in the Alberche River.

See all the Group's collection and treatment figures in chapter 6: "Summary of Activity: Indicators" and also on the *website* of each company.

## 1. VISION OF THE ORGANISATION AND BUSINESS MODEL

### Business model



Learn more about our water distribution phase in only a few minutes in:

[www.canalciclointegraldelagua.es](http://www.canalciclointegraldelagua.es)

## Distribution and regulation

From the WWTP to the user tap, our companies have the necessary facilities to ensure the continuous maintenance of the service while meeting the required quality standards. In the case of **Canal de Isabel II**

**Gestión**, this group of facilities is composed of large pipelines, regulating tanks, water cisterns, lifting stations and, finally, the distribution network.

### Main figures of collection in distribution by company in 2015

	No. of large regulatory tanks/ Storage capacity (hm <sup>3</sup> )	No. of water cisterns/ Storage capacity (hm <sup>3</sup> )	No. of large lifting stations	No. of small lifting stations	Distribution network (km)	No. of municipalities supplied	Service coverage (%)
Canal Gestión (*) <a href="http://www.canalgestion.es">www.canalgestion.es</a>	33/3.2	315/0.52	24	124	17,999	186	100
Aguas de Alcalá UTE <a href="http://www.aguasdealcala.es">www.aguasdealcala.es</a>	1/0.03	5/0.039	1	-	521	1	100
Canal Gestión Lanzarote <a href="http://www.canalgestionlanzarote.es">www.canalgestionlanzarote.es</a>	1/0.065	58/0.105	3	30	2,269	7	100
Triple A of Barranquilla <a href="http://www.aaa.com.co">www.aaa.com.co</a>	1/0.05	23/0.015	7	9	3,358	15	97
Metroagua <a href="http://www.metroagua.com.co">www.metroagua.com.co</a>	-	19/0.024	4	16	929	1	91
ASAA <a href="http://www.asaa.com.co">www.asaa.com.co</a>	-	3/0.012	-	-	310	1	81
Amagua <a href="http://www.amagua.com">www.amagua.com</a>	-	-	-	-	396	2	100
Emissão <a href="http://www.emissao.com.br">www.emissao.com.br</a>	-	2/0.002	-	2	78	1	61

(\*) Canal Gestión includes its office in Cáceres

See all the figures of distribution and regulation of the Group in chapter 6: "Summary of Activity: Indicators" and also on the *website* of each company.



▲ Riosequillo dam



Learn more about our waste water sanitation phase in only a few minutes in:

[www.canalcicointegraldelagua.es](http://www.canalcicointegraldelagua.es)

## Sanitation: urban drainage networks

The collection of sewerage and rainwater in the municipalities and subsequent conveyance to treatment plants is the object of the sewerage and urban drainage networks. **Canal de Isabel II Gestión** manages the unified municipal and supramunicipal network of collectors and outfalls, pipelines that collect and transport the waste water from the municipalities to the corresponding waste water treatment plants (WWTP). Other managed facilities are

the Waste Water Pumping Stations (WWPS), whose object is to lift waste water at points where transport cannot be performed by gravity. Also, Canal Gestión manages storm tanks and flood control facilities, which retain initial rainwater (which is the most polluting), to minimise discharges into waterways of contaminated water and flooding.

### Main figures of sewerage by company in 2015

	Large collectors and outfalls networks (km)	Municipal sewerage networks (km)	No. of WWPS	No. storm tanks and flood abatements	Storm tanks capacity (m <sup>3</sup> )	No. municipalities with sewerage services	Service coverage (%)
Canal Gestión (*) <a href="http://www.canalgestion.es">www.canalgestion.es</a>	942	14,088	126	63	1,470,000	143	100
Aguas de Alcalá UTE <a href="http://www.aguasdealcala.es">www.aguasdealcala.es</a>	7	267	6	3	1,525	1	100
Canal Gestión Lanzarote <a href="http://www.canalgestionlanzarote.es">www.canalgestionlanzarote.es</a>	10	379	71	1	5,250	7	71
Triple A of Barranquilla <a href="http://www.aaa.com.co">www.aaa.com.co</a>	226	1,984	41	-	-	10	83
Metroagua <a href="http://www.metroagua.com.co">www.metroagua.com.co</a>	81	691	13	-	-	1	78
ASAA <a href="http://www.asaa.com.co">www.asaa.com.co</a>	10	214	5	-	-	1	70
Amagua <a href="http://www.amagua.com">www.amagua.com</a>	80	255	98	-	-	2	79

(\*) Canal Gestión includes its office in Cáceres

See all the figures of urban drainage networks of the Group in chapter 6: "Summary of Activity: Indicators" and also on the *website* of each company.



▲ ▲ Preventive cleaning of the sewerage network

## 1. VISION OF THE ORGANISATION AND BUSINESS MODEL

Business model



Learn more about our waste water sanitation phase in only a few minutes in:

[www.canalciclointegraldelagua.es](http://www.canalciclointegraldelagua.es)

### Waste water treatment

Canal de Isabel II Gestión is the entity responsible for waste water sanitation of all the Region of Madrid, including industrial and agricultural activities, in order to return the water to the environment in optimal conditions.

#### Main figures of purification by company in 2015

	No. of WWTPs	Volume of treated water (hm <sup>3</sup> )	Treatment capacity (hm <sup>3</sup> /day)
Canal Gestión (*) <a href="http://www.canalgestion.es">www.canalgestion.es</a>	160	464	3.26
Canal Gestión Lanzarote <a href="http://www.canalgestionlanzarote.es">www.canalgestionlanzarote.es</a>	8	6	0.02
Triple A of Barranquilla <a href="http://www.aaa.com.co">www.aaa.com.co</a>	7	32	0.16
Amagua <a href="http://www.amagua.com">www.amagua.com</a>	78	12	0.04

(\*) Canal Gestión includes its office in Cáceres

See all the figures of waste water treatment of the Group in chapter 6: "Summary of Activity: Indicators" and also on the *website* of each company.

### Works on the Culebro regenerated water supply general system

The 50 kilometre long system transports 30,000 cubic metres per day of regenerated water produced in the Culebro Cuenca Media WWTP to the municipalities of Alcorcón, Fuenlabrada, Humanes de Madrid, Parla, Pinto, Getafe and Leganés. The water is pumped from the pumping station. From deposits and distribution networks of each municipality regenerated water is supplied for urban uses such as watering municipal parks and street cleaning. Its commissioning resulted in saving drinking water, with a consequent increase in the guarantee of the supply system, and a reduction of uncontrolled water. For its implementation 26 pipe jacking drives and 979 crossings with affected services were made.





Learn more about our waste water regeneration phase in only a few minutes in:

[www.canalciclointegraldelagua.es](http://www.canalciclointegraldelagua.es)



▲ Crops on Lanzarote island irrigated with regenerated water



▲ Park in the Region of Madrid irrigated with regenerated water

## Recycling and distribution of purified waste water for reuse

The **Canal de Isabel II Gestión** Group 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 regions where this service is provided. **We promote efficiency in water use**, which is why we are stepping up development of the activity of regenerated water distribution for installations that do not require higher-quality potable water, such as street cleaning, irrigation of public parks and golf courses, or application in industry and agriculture.

In Spain, we regenerate water in the Region of Madrid (**Canal de Isabel II Gestión**) and Lanzarote (**Canal Gestión Lanzarote**). In the Region of Madrid we work in 21 municipalities providing regenerated water for their streets, parks and all other green spaces. Additionally, Canal Gestión works together with the company **Holmen Paper**, one of the world's top **paper mills**, to use regenerated water in almost all of their production processes. For its part, Canal

Gestión Lanzarote provides many services with its network of regenerated water, which mainly supplies **the agriculture sector**. On an island with so little rainfall, water reuse is especially necessary to maintain crops in a sustainable manner, which is why this water is subsidised at the source. In 2015, 51% of the purified water used in the island was regenerated.

In Latin America, given the high rainfall and the abundant water resources in most of the areas in which we operate, the regeneration of waste water for later reuse is a technique that has been used very little so far. However, in Amagua (Ecuador), there are some small waste water treatment plants with tertiary treatment systems through which regenerated water is produced for the irrigation of green areas. Meanwhile, some of the companies of Canal Group in Colombia are already studying the feasibility of projects to implement the production and use of regenerated water in their areas of action.

### Main figures of reuse by company in 2015

	Municipalities with water reuse in service	No. regenerated water plants	Regenerated water networks (km)	No. of deposits of regenerated water	Volume of regenerated water produced (hm <sup>3</sup> )	Total irrigated area (ha)
Canal Gestión (*) <a href="http://www.canalgestion.es">www.canalgestion.es</a>	22	21	493	35	12.9	1,913
Canal Gestión Lanzarote <a href="http://www.canalgestionlanzarote.es">www.canalgestionlanzarote.es</a>	5	5	496	4	3.3	623
Amagua <a href="http://www.amagua.com">www.amagua.com</a>	2	16	-	-	3.6	-

(\*) Canal Gestión includes its office in Caceres

See all the figures of reuse of the Group in chapter 6: "Summary of Activity: Indicators" and also on the *website* of each company.

## 1. VISION OF THE ORGANISATION AND BUSINESS MODEL

Business model

.....  
In the Region of Madrid,  
regenerated water is used to  
irrigate

**1,913 ha,**

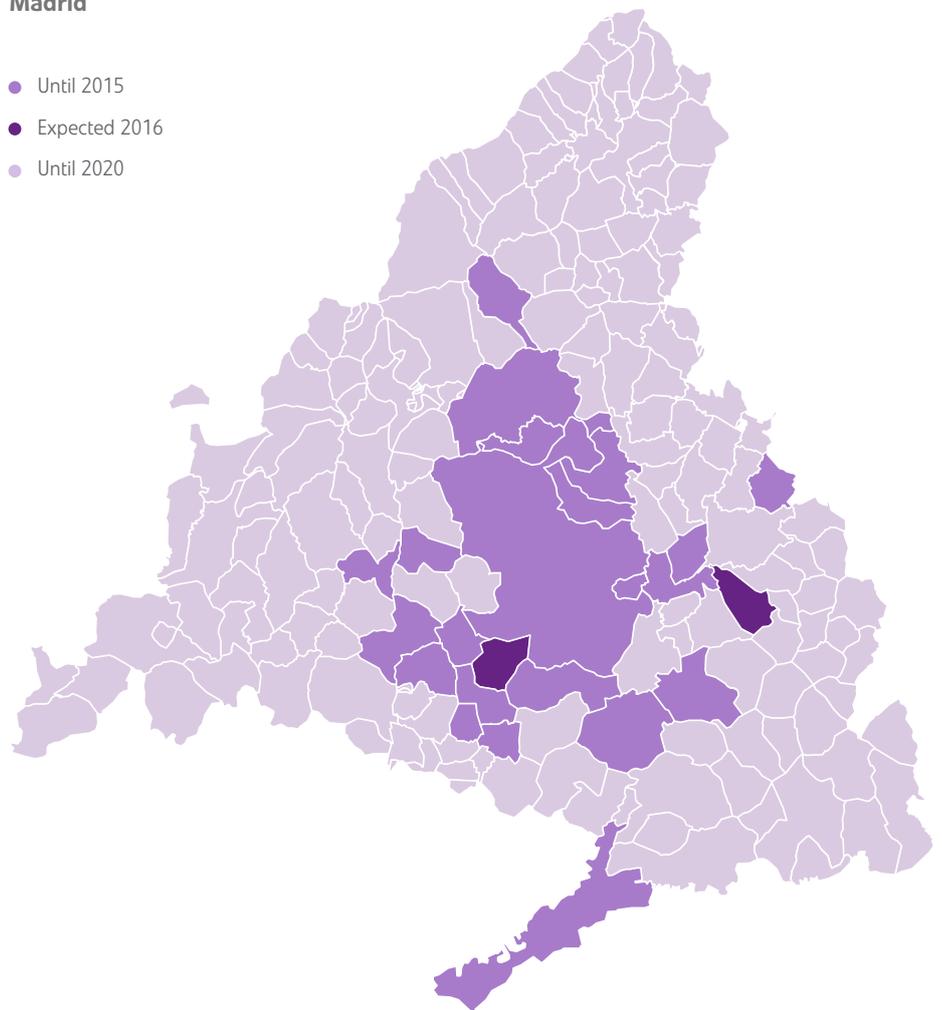
equal to

**2,000**

football fields  
.....

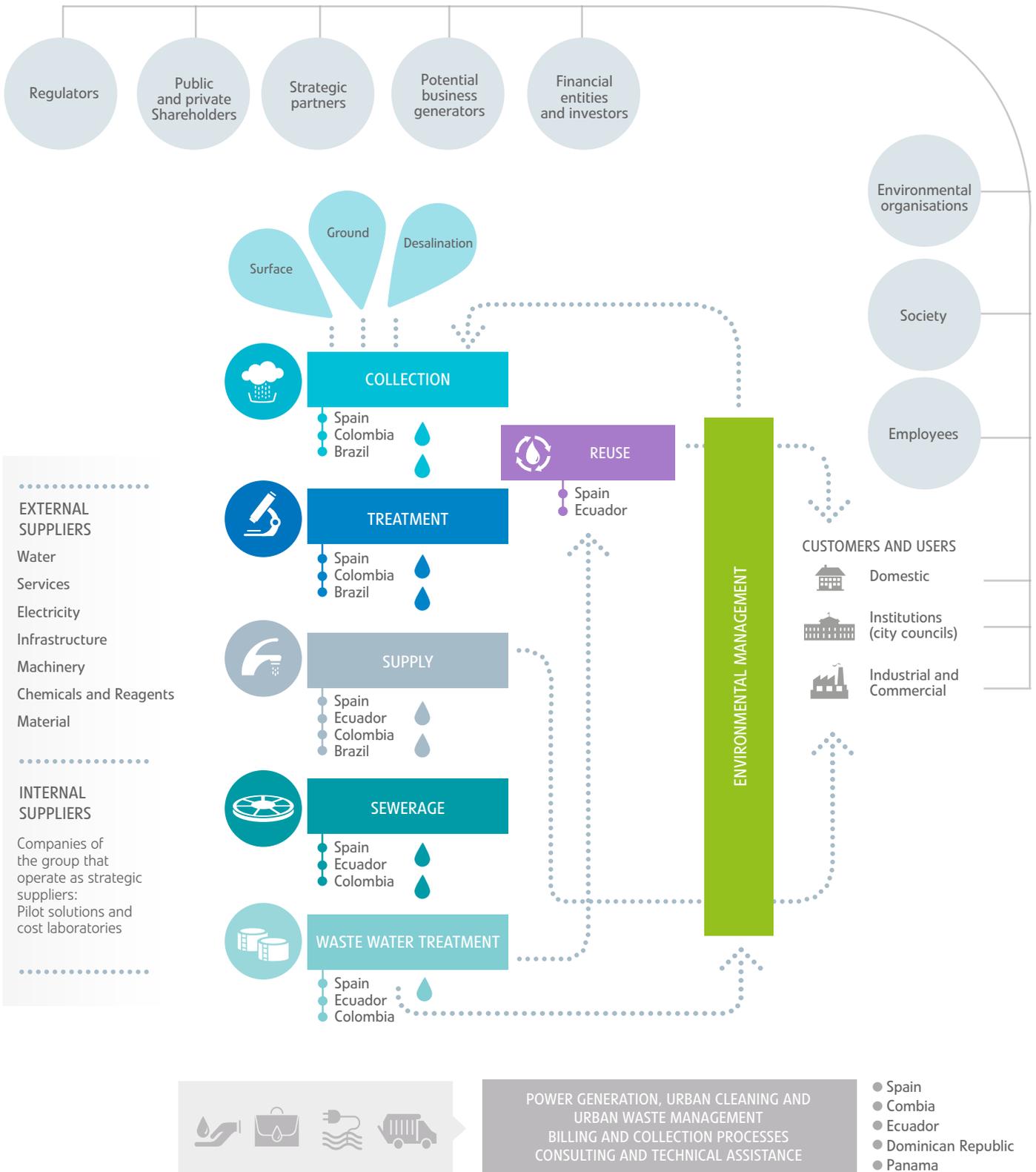
### Expansion of the use of regenerated water in the municipalities of the Region of Madrid

- Until 2015
- Expected 2016
- Until 2020



▲ Waste water regeneration facilities in WWTP Arroyo Culebro

Value chain of the Canal de Isabel II Gestión Business Group



# 2

## CONTEXT IN WHICH THE COMPANY OPERATES



Cuidar el agua es una labor de todos.



- Access to water
- Customer safety and water quality



- Efficient water use and reuse
- Investment, R&D&i and ICT



- Energy efficiency and integration of renewable energies
- Transparency and relations with the Public Administration

## 2.1 What is going on around us and how we respond

### Main socio-economic and technological trends that affect us



**Population growth:** it is estimated that the world population will reach 8,400 M by 2032, although this growth will take place especially in developing countries. This will mean a greater need of infrastructure for water management.

**Water scarcity:** this population growth and the increased demand that will be associated with it, coupled with the adverse effects of climate change, will cause water shortages.

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

**Growth of cities and urban development:** for the first time in history, the world's urban population exceeded its rural population in 2009. Predictably, this trend will continue in the coming decades. Utilities will likely experience the greatest impact in their business models as a result of this trend.

**More accessible technology and at a lower price:** the reduction of technology costs will facilitate access to technology by companies.

**Greater technological competitiveness:** however, there will be competitive pressure by the use of such technology that will allow higher profit yield to companies that use it more.

Source: *Expect the Unexpected: Building business value in a changing world: Executive Summary (KPMG INTERNATIONAL)*

### Sustainable Development Goals approved by the UN Assembly



## 2. CONTEXT IN WHICH THE COMPANY OPERATES

What is going on around us and how we respond

# Context and performance of the company by regions

After studying the macro trends that most directly affect us and the 17 objectives of Sustainable Development proposed for 2015-2030, through the following Country Risk analysis **we have identified the importance and risk posed by each of the issues considered to be material for Canal Group in the two main countries where we operate: Spain and Colombia.** Based on the above, we show the opportunities we have identified and the **answer** that the group is offering in each of the regions:

### Spain



### Colombia



#### Material issues for Canal Group in the country

 **Customer safety and water quality:** notably, problems linked to the removal of persistent pollutants and the condition of water reserves.

 **Efficient water use and reuse:** role that water reuse will have as an alternative resource in relation to the growing world population and its use in activities such as agriculture, industry, street cleaning and irrigation of parks and gardens.

 **R&D&i and ICT:** importance of R&D&i and ICT in improving efficiency in integral water management.

 **Integration of renewable energies:** importance of integration in our value chain, existence of tax obstacles for the implementation of renewable energies and biogas production.

 **Transparency in pricing policies:** transmit to consumers the importance of recovering the costs of maintenance and infrastructure development, which would otherwise have to be supported through increased taxes and subsidies.

 **Relations with the Public Administration:** the importance of the public-private partnership (PPP) agreements is highlighted in water management, as well as the collaboration of private companies with the Public Administration in developing water protection regulations. Finally, reference is made to how a change of government could affect the company.

 **Energy efficiency:** efficient consumption at all stages of the integral water cycle.

 **Compliance of the Water Framework Directive:** participation in the public disclosure phase of the hydrological plans for the second cycle of the Water Framework Directive (WFD) 2015-2021.

 **Customer safety and water quality:** the degree of implementation of environmental and quality management systems is growing strongly in sector companies, although the level of maturity is still low.

 **Risks associated with extreme phenomena:** some regions of the country suffer major flooding and droughts due to extreme weather events like El Niño or La Niña.

 **R&D&i and investment:** the urban and industrial development that the country is experiencing has required a large investment in infrastructure and the participation of private companies in the sector contributing with their experience and technology.

 **Relations with the Public Administration:** in the last decade, public-private agreements (PPP) have proven to be the most effective way to develop infrastructure and management of water supply in Latin America.

 **Integration of renewable energies:** the future energy demands of the country will require investment in alternative sources other than the predominantly hydraulic source, due to the increasing social and environmental costs of reservoirs and the seasonal variability of rainfall.

 **Efficient water use and reuse:** access to water in the required quality and quantity should be linked to social awareness and environmental education measures.

 **Access to water:** many regions of the country, especially in rural areas, lack access to this resource due to a lack of infrastructures.

## Spain



## Colombia



### Main opportunities identified

Despite Spain's high level of development with regard to the management and operation of its water resources, there is still "wiggle room" when it comes to meeting the challenges that must be faced by the public sector and companies participating in the water cycle.

- An example is the **the improvement in the collection and treatment of waste water** of small and medium sized populations (towns having between 10,000 and 150,000 inhabitants), to comply with the requirements of European legislation. One possible solution would consist in the creation of joint water treatment services including several municipalities, so that treatment costs are reduced in scale **> This is how the service has been established in the Region of Madrid.**
- The shortage of water in our country requires a stronger **boost from alternative sources like regenerated water** in water-intensive activities such as agriculture, green and recreational areas or cleaning, with the consequent development of supply networks **> Water regeneration for its reuse is a strategic challenge for Canal Gestión and Canal Gestión Lanzarote.**
- To carry out these measures a sustainable management **model is necessary** in which maintenance and infrastructure costs are covered, informing consumer and interest groups of the real cost of the resources they receive, and encouraging responsible use of the same. The companies in the water sector should **render accounts to consumers, who are increasingly aware of water saving measures.** As a result, **the real cost of the water they consume, and the different items included in its pricing, should be conveyed in a clear and easy-to-understand way.** It is important that consumers know that, despite being a necessary commodity, supply services require the recovery of costs to maintain the service infrastructures **> The campaigns, both in terms of awareness regarding the use of the resource and of disclosure and explanation of our prices and trade policies, are a constant in Canal Gestión.**
- **Safety and health** are also very important issues for subscribers, with special emphasis on the high concentration of **polluting substances** that appear in the more developed countries. This is a high-risk aspect taking into account the limited resources available in our country. If these waters are not treated properly, contaminants can accumulate in the environment, as they are scantily biodegradable substances. This type of risk should be addressed by implementing **new techniques and technologies** allowing a more intensive and specific treatment of pollutants, maintaining the same treatment capacity of the waste water treatment plants **> In Canal Gestión we have activated plans related to improving the quality of discharges and also involving the quality of drinking water. Also, the National Plan for Water Quality, which covers different measures aimed to improve water bodies, is currently being prepared.**
- Another challenge that needs to be addressed is enhancement of **energy efficiency** in all stages of the water cycle. Spain is a country that is highly dependent on energy resources. Wherever possible, the implementation of more efficient equipment must be encouraged, along with the application of remotely controlled technologies to optimise operations and the consumption of renewable energies that reduce energy dependency, like biogas, which is already being used **> At Canal Gestión we cleanly produce 60% of the energy we consume.**

Continued...

- The **encouragement of public-private partnerships** for infrastructure development and use of the services in the integral water cycle remains an important market in Latin America. In Colombia, the experience and technology of private enterprises has been crucial in towns and cities with the poorest performance in terms of water supply, where it was necessary to repair and increase the supply and sewerage networks to the national average, which now stands at 97% and 86% respectively in terms of coverage in urban areas **> PPP projects are common in the three supply companies which Canal Group operates in Colombia.**
- The current challenge requires **providing rural communities with access to resources they currently lack** (74% average coverage in supply). These municipalities usually do not have easily accessible resources, or the resources are polluted, and they are the most vulnerable to extraordinary climate events. In this scenario the purchasing power of the families to which water will be supplied should be evaluated, since often financing schemes should be established to subsidise the connection to the network, or setting special prices. These aids should be developed in line with **awareness and training programmes for the efficient use of water > Both in Santa Marta and Riohacha we are working to increase the percentages of coverage and uninterrupted supply of water each year.**
- According to the opinions of sector prescribers, one of the highest-risk aspects is **customer safety and water quality.** It is a priority challenge to increase the water supply coverage, and that the water supplied meets the necessary quality parameters. The **pollution of surface waters and aquifers due to poor maintenance** or lack of adequate sanitation networks, as well as water-transmitted diseases, are recurring themes in specialised forums **> The water of Barranquilla is one of the best appraised in Colombia, and Riohacha has received the first favourable opinion from the Department of Health regarding the quality of its water.**
- The development of water infrastructure is significant, although it still lacks the maturity to allow it to face **extraordinary episodes of drought or torrential rains,** which require specific systems for regulation and flood control or storage tanks for areas under increased water stress **> The Canal Group companies in Colombia are aware of the importance of the quality of the infrastructure that is built, in which they invest each year.**

Continued...

## 2. CONTEXT IN WHICH THE COMPANY OPERATES

What is going on around us and how we respond

- Finally, it is important to address **how the water management companies face the new 2015-2021 horizon of the hydrographic planning cycle as established by the Water Framework Directive (WFD)**, and the role they have played in preparing these plans during the public participation stages **> In response and compliance with the WFD, at Canal Gestión these plans in relation to the improvement of the quality of discharges, in addition to various measures to optimise resources and manage of environmental flows have been activated.**

- One of the main challenges facing the water service companies in Colombia is the **reduction of unaccounted water**, whether by technical loss, fraudulent or legal consumption not invoiced. Depending on the study, this rate is estimated between 30% -50% of the water for consumption **> All the companies of Canal Group in Colombia have included plans to reduce uncontrolled water among their strategic objectives.**

### Spain



#### ★ 2015 Achievements

- Extending the supply and improvements in the operation of the **regenerated water system** in the Region of Madrid, through the systematisation of maintenance, draining and treatments, with criteria similar to those of drinking water.
- **231 million euros in infrastructure investments** between the Region of Madrid and Lanzarote.
- Adaptation of certain water treatment plants to **WFD discharge quality requirements**.
- First fruits of the **plan for assuring the quality of drinking water** in the Region of Madrid, having **improved in certain parameters up to 60%** over the previous year.
- Completion of project assuring **full redundancy of the remote system** in the Region of Madrid, eliminating the risk of failure by concentration on a single point.
- **Satellite video link with hard-to-access treatment plants** in the Region of Madrid for their operation and safety control. We have continued to work in **the automation and remote control of different drinking water chlorination stations**.
- Creation of a group of operational links representing all areas of the central office and involving **19 units in the 34 active R&D&I projects** during 2015. One of the more salient projects is a methodology that allows **the risks of supply with inadequate water quality** to be assessed.
- Commissioning of the process of sludge co-digestion in the WWTP Culebro Cuenca Media-Alta (Region of Madrid), that has **increased production of biogas** to one million Nm<sup>3</sup>, which means an increase in energy production of more than two million kWh.
- Increased energy production in the cogeneration plant in Loeches and start of the works for **two new biogas cogeneration facilities** in two existing WWTP in the Region of Madrid.
- **6% drop in energy consumption of the integral water cycle in Lanzarote**.
- **90% success in the delivery of emergency water**, with delivery times of less than hour and a half in the Region of Madrid.
- The **detail and composition of our rate** are explained.

### Colombia



- Completion of the projects required to achieve **total coverage in the municipalities operated in Barranquilla**.
- **Increase of 1% in the coverage** of water supply and sewerage in **Santa Marta**.
- **Public-private alliances to provide training for employees and low-income** communities in Barranquilla.
- **Contingency strategy for the drought in Santa Marta: public-private collaboration** to finance 32 wells, 21 of which are already operating, supplying most of the population.
- **Study Final solution for water supply in Santa Marta in the next 50 years** by the University of the Andes, with funding from Metroagua and Findeter.
- Drilling of the **four wells** available and **public support** for the financing of the new **treatment plant in Riohacha**
- Inauguration of the **first pilot sector with 24 h supply in Riohacha**.
- **Barranquilla** and the other 14 municipalities in which Triple A operates the service were rated as having the best water in the country by the Colombian National Institute of Health.
- **For the first time, the Department of Health issued its approval** without requirement of the quality of water for the operation of the WWTP of ASAA.
- **Investments in infrastructure** by the Colombian companies of Canal Group reached **23 million euros** in 2015.
- **Triple A of Barranquilla is the first company in the country to apply the regional rate**, designed so that small municipalities can have an adequate service at a fair and reasonable cost.
- Implementation of a system of **remote reading** oriented to optimising **control of consumption** by customers in Triple A of Barranquilla.
- **Reduction of the rate of Uncontrolled Water (UW) in Barranquilla by 1.7%** between 2014 and 2015.

## Spain



## Colombia



### 2016 Challenges

- Start of construction of the **second intake tower in Valmayor Reservoir** (Region of Madrid), using maritime engineering techniques with more than 8 million euros invested.
  - Completion of the remodelling works of **the WWTP of La Jarosa and Navacerrada**, all in the Region of Madrid, with a total budget of 3.7 million euros.
  - Completion of the **remodelling of two desalination plants in Lanzarote** (Lanzarote IV and Janubio) and the **upgrading of the remaining deposits**.
  - Remodelling and adaptation of several of our WWTPs and start of production in **the plant for phosphorus reduction through controlled precipitation of struvite** in the SUR treatment plant of the Region of Madrid (the first in Spain, with a production of two tons per day, becoming a national benchmark).
  - Start of the **Special Plan for renewal of waste water pumping stations**, to optimising the sewerage network in Lanzarote.
  - Continued **expansion of regenerated water supply** by municipalities in the Region of Madrid.
  - Another **215 million euros** budgeted for **infrastructure investments** in the Region of Madrid, Lanzarote and Cáceres.
  - Continued adaptation of certain water treatment plants to the WFD's **discharge quality requirements**.
  - Continuation of the **plan to assure drinking water quality; in this regard**, the reporting of **ammonia chloramines and chlorine** as precursors, meeting current regulations on biocides, is a noteworthy aspect of this plan.
  - Start of the study on the behaviour of **NH<sub>4</sub><sup>+</sup> (ammonium)** in the Region of Madrid network and its relationship to the subsistence of **disinfectant** in the network.
  - **Monitoring of more than 70%** of the length of our distribution network in the Region of Madrid.
  - The water metre laboratory of Canal Gestión earned the category of **Collaborating Laboratory** from the Spanish Metrology Centre.
  - **R&D&I** intends, among other projects, to establish a methodology that allows the **risks of supply in relation to the pressures and discontinuities to be assessed**.
  - Completion of work on the **hydroelectric power stations** of Torrelaguna and Valmayor (Region of Madrid).
  - **In-depth energy studies** in different facilities and start of adaptation to RD 900/2015, relative to electric self-consumption.
  - **Additional 4% drop in energy consumption in Lanzarote's integral water cycle**.
  - Description of how we address the new **2015-2021 horizon in the hydrographic planning cycle as established by the Water Framework Directive** in the chapter on Environmental Challenges/Conservation.
- Continued **optimisation of the WWTP of Barranquilla and Sabanagrande** and major **improvements in sanitation** through several output channels and discharge pipes.
  - **Further increase in service continuity in Riohacha** and assuring the start-up of the **groundwater backup system**.
  - Operation of the **storm sewer system of Riohacha**.
  - Continued actions derived from the strategy of **drought contingency** and the study for the **final solution in Santa Marta**.
  - **Preservation of the structure of the regional market** within the guidelines of the new tariff framework.
  - Start of construction of the **first sustainable solid waste management plant** in the Los Pocitos (Barranquilla) landfill.
  - The Colombian companies of Canal Group plan to invest **8.5 million euros** in infrastructure in 2016.
  - **National plan for the reduction of uncontrolled water**: all the companies of Canal Group in Colombia have set the strategic objective of reducing UW rates every year.

## 2. CONTEXT IN WHICH THE COMPANY OPERATES

What is going on around us and how we respond

### Spain



### Colombia

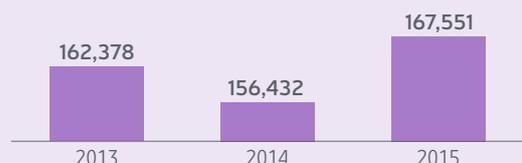


#### Sales evolution (thousands of euros)

##### Consolidated turnover of Canal Group in Spain



##### Consolidated turnover of Canal Group in Colombia



Also in the rest of the Latin American countries where Canal Group operates, actions are being taken with the intention of solving the problems of each place, which in many cases share common circumstances. Some of our actions in the region of **Guayaquil (Ecuador)**



#### Bujo Histórico WWTP Construction

Construction of an aerobic-anaerobic treatment system, with a capacity of 300 m<sup>3</sup>/day; with the possibility of expanding capacity up to 50% and reuse of the effluent for irrigation of green areas. This project will benefit 400 families in the Recinto Bujo Histórico, in the Samborondón Canton.



#### Storm drainage in cycle lane work

As part of the urban regeneration of Samborondón, a storm drain was built contributing to the management of rainwater from the areas of El Cortijo, Ciudad Celeste and the new cycle lane, benefiting 20,000 inhabitants.

At the same time, in the **Dominican Republic and Brazil**, where we operate through companies that in turn work for local water companies in Santo Domingo and Rio de Janeiro, respectively, we find the following opportunities:

- **Significant lack of development in the sanitation sector**, which needs more and more private intervention by groups like ours.

- **Need for investment in infrastructure** improving the supply and above all basic sanitation sectors.
- **Low degree of operational, administrative and commercial efficiency** in public institutions in charge of providing basic services, to which we could transfer our *know-how*.

## Associations with which we collaborate

 <p>UN Global Compact <a href="http://www.pactomundial.org/">http://www.pactomundial.org/</a></p>	 <p>Fundación Sociedad y Empresa Responsable (SERES) <a href="http://www.fundacionseres.org/">http://www.fundacionseres.org/</a></p>	 <p>ProBarranquilla <a href="http://www.probarranquilla.org/">http://www.probarranquilla.org/</a></p>	 <p>Asociación Española de Abastecimientos de Agua y Saneamiento AEAS <a href="http://www.aeas.es">www.aeas.es</a></p>
 <p>EurEau <a href="http://eureau.org">http://eureau.org</a></p>	 <p>the international water association IWA <a href="http://www.iwahq.org">www.iwahq.org</a></p>	 <p>ANDESCO <a href="http://www.andesco.org.co">www.andesco.org.co</a></p>	 <p>ACODAL <a href="http://www.acodal.org.co">www.acodal.org.co</a></p>
 <p>AEDHE <a href="http://www.aedhe.es/">www.aedhe.es/</a></p>	 <p>Madrid Water Institute <a href="http://www.agua.imdea.org">www.agua.imdea.org</a></p>	 <p>Nuevo Arpegio <a href="http://nuevoarpegio.com/">http://nuevoarpegio.com/</a></p>	 <p>Chamber of Commerce of Barranquilla <a href="http://www.camarabaq.org.co">www.camarabaq.org.co</a></p>
 <p>Chamber of Commerce of Santa Marta</p>	 <p>Chamber of Commerce of Guayaquil <a href="http://www.lacamara.org">www.lacamara.org</a></p>	 <p>Colombian Institute of Technical Standards and Certification (ICONTEC) <a href="http://www.icontec.org">www.icontec.org</a></p>	 <p>AENOR <a href="http://www.aenor.es">www.aenor.es</a></p>
 <p>ANALYTICAL INSTRUMENTS SWAN <a href="http://www.swan.ch">www.swan.ch</a></p>	 <p>FELAB <a href="http://www.felab.org">www.felab.org</a></p>	 <p>EUROLAB <a href="http://eurolab.es/">http://eurolab.es/</a></p>	 <p>EURACHEM <a href="http://www.eurachem.org">www.eurachem.org</a></p>
 <p>Transparency for Colombia <a href="http://transparenciacolombia.org.co">transparenciacolombia.org.co</a></p>	 <p>ANDI <a href="http://www.andi.com.co">www.andi.com.co</a></p>	 <p>CAMACOL <a href="http://camacol.co">http://camacol.co</a></p>	 <p>FENALCO <a href="http://www.fenalco.com.co">www.fenalco.com.co</a></p>
 <p>Colombian-American Chamber of Commerce - Barranquilla Section <a href="http://www.amchambaq.com">www.amchambaq.com</a></p>	 <p>ANDESCO <a href="http://www.andesco.org.co">www.andesco.org.co</a></p>	 <p>APELL <a href="http://apellbarranquilla.org">http://apellbarranquilla.org</a></p>	 <p>Colombian Certification Council <a href="http://www.ccs.org.co">www.ccs.org.co</a></p>
 <p><a href="http://www.intergremialatlantico.com">www.intergremialatlantico.com</a></p>	 <p>ACRIP <a href="http://www.acrip.org">www.acrip.org</a></p>	 <p>Spanish Chamber of Commerce of Ecuador <a href="http://www.camaraofespanola.org">www.camaraofespanola.org</a></p>	 <p><a href="http://amchamgye.org.ec">amchamgye.org.ec</a></p>
 <p>Ecuadorian-British Chamber of Industry and Commerce - Guayaquil Section <a href="http://www.camcomeb.com">www.camcomeb.com</a></p>			



Fundación Lealtad  
[www.fundacionlealtad.org](http://www.fundacionlealtad.org)



Spanish Red Cross  
[www.cruzroja.es](http://www.cruzroja.es)



Action against Hunger  
[www.cruzroja.es](http://www.cruzroja.es)



Spanish Association against Cancer  
[www.aecc.es](http://www.aecc.es)

# 3

## BUSINESS STRATEGY

THIS IS  
**MATILDA.**  
A GIRL WHO IS WORRIED  
ABOUT THE ENVIRONMENT  
AND WHO WANTS TO  
EXPLAIN WHERE EACH  
TYPE OF WASTE  
SHOULD GO.



TO BE CONTINUED...

**REMEMBER: EVERY PIECE OF WASTE HAS ITS PLACE.**

A lot of waste generated at home should be thrown away, but not down the sink or toilet. Otherwise, we would be harming the environment and causing very serious problems in our plumbing.



[www.facebook.com/elretodelagua](https://www.facebook.com/elretodelagua)



**Customer**

## 3.1 Strategic lines and commitments to our stakeholders



### Our strategic keys

- **Guaranteeing the management of the integral water cycle**, implementing investments and policies that assure the supply coverage, the quality of supply, and sustainability and environmental requirements.
- **Optimising the efficiency of the resource**, carrying out concrete measures both to reuse water and look for new sources, and to reduce fraud and technical losses.
- **Continue improving the level of service to our customers**, dedicating our best resources to the production of water for human consumption and researching the market to monitor their needs and adapt to them.
- **Maintaining a competitive position** building on the capabilities of our companies, the existing synergies and accumulated knowledge, and promoting the valorisation of the business resources to maintain a sustained and sustainable growth.
- **Continue searching for excellence in the relationship with our employees** ensuring our commitment to health and safety and good labour practices.
- **Improving the efficiency of the support processes:** Energy, ICT, R&D&i, HR, infrastructure security, quality and environmental management systems, and risk and financial management. The application of ICT deserves special mention given the processes they provide for prediction and control of the resource.
- **Strengthening the role of corporate social responsibility (CSR)**, that integrates our commitment to society and sustainable development, including promoting awareness about the use of water.



▲ Canal de Isabel II Exhibition Hall

### 3. BUSINESS STRATEGY

Strategic lines and commitments to our stakeholders

.....

**Canal Gestión materialises its strategy primarily through ten business plans,** led by members of company management through interdisciplinary working groups, and whose monitoring and control is reported on a quarterly basis to the entire structure of the company. A summary list of business plans follows:

.....

**1. Plan for the reduction of uncontrolled water**

**2. Plan for the increase of resources from the Guadarrama River to the Valmayor reservoir**

**3. Plan for improving the supply continuity of drinking water**

**4. Plan for the assurance of the quality of drinking water**

**5. Plan for the implementation of new technologies for network management**

**6. Plan to adapt certain water treatment plants to the discharge quality standards required by the DMA**

**7. Plan for remote control of water treatment**

**8. Expansion plan for the supply of regenerated water to the municipalities of the Region of Madrid**

**9. Plan for budget implementation compliance by departments**

**10. CYCLO Project for the integral control of documentation**

▼ Customer Service Commercial Office at Canal Gestión headquarters



G4-24

With their **stakeholders**, the companies of Canal Group take on **specific commitments they view as being part of the essential elements of their corporate social responsibility**

The **regulators**, like the EU and the Governments of the countries where the company operates, most notably local authorities and regulators in the water supply and sanitation sector in each country. In the case of Canal Gestión, they are the Canal de Isabel II Public Entity, the Regional Government and the Assembly of Madrid. In Canal Gestión Lanzarote, these are the Water Consortium and the Insular Council of Waters of Lanzarote. And in the case of the Canal Gestión office in Cáceres, it is the City Council, as occurs with municipalities in the Latin American countries where we operate.

The **shareholders**, highlighting the case of Canal Gestión in the Region of Madrid and the 111 municipalities that make up our shareholding structure.

**Customers and users:** domestic, commercial and industrial customers, large customers such as residential estates or owners' associations, as well as public administrations and official bodies, and the population of users of the services in Spain and Latin America.

**Business partners:** the employees of companies belonging to Canal Group, suppliers and contractors with whom we work.

**Society in general**, with special interest in certain sectors and agents, including the school community (teachers and students), through the activities of **CanalEduca**; the entities involved in managing the expectations of society (**NGOs, foundations and entities** with whom Canal Group has dealings) and our own, like **Canal Foundation, Triple A Foundation, Metroagua Foundation** or **Canal Voluntarios**; the **media and opinion leaders**; the **scientific community and entities focused on innovation**; **business analysts and experts in the sector**; **managers and persons responsible** for protecting and improving the **environment**.

**Strategic partners:** other companies in the sector that cooperate with us, as well as the sector associations in which we actively participate.

**Business generators:** the need for funding of the integral water cycle services creates a great opportunity for the sector, which is benefited by increased professionalism in its activities, allowing entry in municipal water management to companies like Canal Gestión, which has been in this business for more than 160 years.

**Financial institutions and**

**potential investors** who share the same concept of sustainable value creation in the long term.

#### ▼ Extraordinary General Meeting of Shareholders 2015



### 3. BUSINESS STRATEGY

Strategic lines and commitments to our stakeholders

G4-26

The determination of the key interest groups for Canal de Isabel II Gestión Group was made by gauging the opinion of a selected sample of managers and other employees in different areas. After reaching a consensus, it was validated by the General Management

#### Article 163. Types of Meetings.

The General Meetings of incorporated companies may be ordinary or extraordinary.

[Block 236: #a164]

#### Article 164. Ordinary Meeting.

1. The Ordinary General Meeting, duly called in advance, will necessarily meet within the first six months of each year, to, as the case may be, approve the management of the company and the accounts of the previous financial year, and to decide on the application of the result.

2. The Ordinary General Meeting will be valid even if called or held out of date.

[Block 237: #a165]

#### Article 165. Extraordinary Meeting.

Any meeting which is not provided for in the preceding article will be considered an Extraordinary General Meeting.

However, the Board should, additionally, convene the General Meeting when requested by shareholders representing at least 5% of the Share Capital (Art. 9 Corporate By-laws).

Taking into account the internal prioritisation carried out by the company's management, along with the external prioritisation represented by the different *stakeholders*, the material issues for Canal Group were identified during 2015.

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

- **Customers and users:** we maintain virtually daily contact with our customers. In addition to sending the water bill every two months, we have a very fluid contact with the end-customer through our many commercial offices and telephone campaigns. A good example of this are the campaigns and commercial initiatives made during 2015 (see chapter "Challenges/Quality and Service"). Additionally, a customer satisfaction survey in 2015 contacted a sample of more than 2,800 users of the water service in Madrid.
- **Employees:** we maintain a permanent relationship with our employees, through personal contact and new technologies. An example of this is the daily *CanalRTÚ* bulletin in Canal Gestión's intranet, which includes all the news that affect the day-to-day life of the company. Although this platform has become the fundamental mechanism of communication between the company and the employees, especially relevant and important news or decisions are shared through emails addressed to everyone.

Also, constant meetings are held with worker representatives through the Works Council or other thematic forums like training meetings, overtime or the Committee on Safety and Health at Work.

- **Suppliers:** we also maintain a fluid and constant contact with our suppliers. Daily: through telephone inquiries, via email and the *website*, the management of offers, minor orders and claims through our *web-based* SRM system and our ERP SAP, in addition to the direct contact that each of the services that work with suppliers necessarily have with them. Annually, through the Circularisation of Balances necessary for the audit of annual accounts and also to conduct the annual satisfaction survey.
- **Shareholders:** The General Meeting is convened by the Board of Directors when it sees fit or convenient for the company's interests, and in any case on the dates and in the periods determined by law (Art. 9 Corporate By-laws). Royal Legislative Decree 1/2010 of 2 July, by which the Consolidated Text of the Law on Corporations was approved, establishes in this respect the articles reproduced on the left.

With the rest of our stakeholders: **regulators, strategic partners, potential business generators or society in general**, the relationship is continuous, constant and ever closer. Finally, with respect to **financial entities** and **potential investors**, our relationship, which was already continuous, intensified significantly over the past year, following the approval by Canal de Isabel II Gestión of the first programme to issue Fixed Income Bonds and its immediate positioning in the market at the beginning of 2015, which has received tremendous support from investors.

**We intend to continue building a more fluid relationship with our interest groups, intensifying our contact with them, in the knowledge that we will only achieve our objectives if we all work in the same direction.**



See how we communicate checking the document "Communication Channels with Our Interest Groups" in:

[www.canalgestion.es/es/Informacion\\_accionistas/Informacion\\_financiera/Informe\\_anual/2015.html](http://www.canalgestion.es/es/Informacion_accionistas/Informacion_financiera/Informe_anual/2015.html)

## 3.2 Challenges and Prospects: Main Indicators (KPIs)

In 2015 we achieved most of our goals, and we want to keep moving forward. Following are the **main indicators (KPIs)** with which we measure our level of performance in relation to the defined strategy:

KPI/Time frame and committed companies		2015 Target	2015 Target Met	2016 Target	2017-2020 Prospects	
<b>Operations and water quality</b>  	Achieving continued supply (per production capacity)	Canal Gestión Lanzarote 100% for the first time	●	<ul style="list-style-type: none"> <li>Canal Gestión Lanzarote 100% for the second consecutive year</li> <li>ASAA 15.1 h/day</li> </ul>	Maintaining the supply continuously in Lanzarote and continue advancing in Riohacha until achieving compliance with the minimum requirement (Resolution 2115 of 2007)	
		ASAA 12.6 h/day	●			
	Reduction of uncontrolled water	Canal Gestión 0.5 p.p.	●	<ul style="list-style-type: none"> <li>Canal Gestión 0.75 p.p.</li> <li>Canal Gestión Lanzarote 8 p.p.</li> <li>UTE Alcalá 5 p.p.</li> <li>Triple A of Barranquilla 3 p.p.</li> <li>ASAA 2 p.p.</li> <li>Amagua performance <math>\geq</math> 90%</li> </ul>		Continue reducing the losses, mainly through the sectorisation, the expansion of remote control to the networks and the application of new technologies
		Canal Gestión Lanzarote 4 p.p.	◐ (1.4 p.p.)			
		UTE Alcalá 5 p.p.	◐ (3.3 p.p.)			
		Triple A of Barranquilla 2 p.p.	◐ (1.7 p.p.)			
		Metroagua 2 p.p.	○			
	Expansion of the supply of regenerated water	Canal Gestión: 4 new municipalities	●	<ul style="list-style-type: none"> <li>Canal Gestión: 2 new municipalities</li> <li>Canal Gestión Lanzarote: coverage of 100% of the demand</li> <li>Amagua: +15% volume of regenerated water</li> </ul>		Continue advancing in the expansion of the service, including in new places where we are not yet supplying
		Canal Gestión Lanzarote: coverage of 100% of the demand	●			
		Amagua: 5 new neighbourhoods	●			
Increase of the capacity for treatment of water for consumption	Canal Gestión Lanzarote: start of operation of two new desalination plants with capacity to produce 21,500 m <sup>3</sup> /day	●	<ul style="list-style-type: none"> <li>Canal Gestión: Completion of the remodelling of the La Jarosa and Navacerrada WWTPs</li> <li>Lanzarote: increase in the capacity of desalination by 6,000 m<sup>3</sup>/day</li> <li>Amagua: completion of the WWTP construction project</li> <li>Triple A of Barranquilla: completion of the remodelling of the Barranquilla and Sabanagrande</li> </ul>	Continue adapting the capacity of treatment in Madrid and the construction of the WWTP in Guayaquil		

p.p. = percentage points

Objectives: ACCOMPLISHED ● PARTIALLY ACCOMPLISHED ◐ NOT ACCOMPLISHED ○

### 3. BUSINESS STRATEGY

#### Challenges and Prospects: Main Indicators (KPIs)

KPI/Time frame and committed companies		2015 Target	2015 Target Met	2016 Target	2017-2020 Prospects
<b>Operations and water Quality</b> 	New Master Plan for supply and sanitation, including new sources of supply (Contingency Draught Santa Marta 2014)	Metroagua: definition of the plan	●	Metroagua: continue participating at requirement of the City Hall of as many projects they decide to propose to the Ministry. At the end of 2015, presented the Mayor's Office presented the project for construction of 13 new wells, still without awarding	
	Plan for the assurance of the quality of water for consumption			<ul style="list-style-type: none"> <li>Canal Gestión: improvement of quality parameters by up to 91 nitrites annually</li> <li>Triple A of Barranquilla: maintain the rating of water quality with <math>\text{irca} = 0.23\%</math> by the Colombian National Institute of Health</li> </ul>	Continue advancing in relation to the quality of the water, and in the improvement of the quality by nitrites as in the quantity of points where these are detected, also of other indicative parameters
	Adjustment of 100% of the outfalls of brine in our desalination plants	Canal Gestión Lanzarote	●		

KPI/Time frame and committed companies		2015 Target	2015 Target Met	2016 Target	2017-2020 Prospects
<b>Efficiency and management</b> 	Development and implementation of the new tariff framework	Triple A of Barranquilla: design and implementation of the new tariff framework approved for the region of the Atlantic (Colombia)	●	Adaptation and improvement of the new framework	
	Improvement in customer and customer management services	Canal Gestión Lanzarote: automation of field work orders, implementation of the electronic invoice and of the virtual payment gateway	● (only e-invoice)	<ul style="list-style-type: none"> <li>Canal Gestión: sensitive customers campaign and establishment of appointments</li> <li>Canal Gestión Lanzarote: renewal of 10% of the metres equipped for telematic reading</li> <li>Triple A of Barranquilla: implement remote metre reading to important costumers, implement an application for builders and define the situation regarding the municipality of Soledad's debt</li> </ul>	Continue with politics oriented to offering better assistance to our customers and also to the reduction of commercial debt
		Amagua: automation of field work orders, implementation of the electronic invoice and of the virtual payment gateway	●	<ul style="list-style-type: none"> <li>ASAA: increase the level of collection according to that established in the five year plan</li> <li>Amagua: close complaints &lt;10 days and achieve a customer satisfaction rate of &gt;4.2/5</li> </ul>	
	R&T: increase in collection ratio via <i>call-centre</i>		○		

p.p. = percentage points

Objectives: ACCOMPLISHED ● PARTIALLY ACCOMPLISHED ◐ NOT ACCOMPLISHED ○

KPI/Time frame and committed companies		2015 Target	2015 Target Met	2016 Target	2017-2020 Prospects
<b>Efficiency and management</b>  	HR			<ul style="list-style-type: none"> <li>Canal Gestión: hire the 67 fixed positions authorised for 2016</li> </ul>	Continue with the process of indefinite hiring and integration of policies and guidelines between the different groups in Canal Group
	R&D&i and ICT			<ul style="list-style-type: none"> <li>Canal Gestión: approval of the Strategic R&amp;D&amp;i Plan</li> <li>Canal Gestión: award of the ICT integration project in the companies of Canal Group</li> </ul>	Continue using the advancements in ICT and R&D&i as key elements to improve the management of the resource
	Economic-Financial			<ul style="list-style-type: none"> <li>Canal Gestión: invest a minimum of 200 million euros more in infrastructure</li> <li>Canal Gestión: reduce debt by at least 15%</li> </ul>	Maintain position of solvency as main investor
	Corporate Governance	Canal Gestión: have all the main risks of the company (Top-20) managed through SAP GRC with indicators, controls and automated measures		⌚ (multi-year)	<ul style="list-style-type: none"> <li>Canal Gestión: implement ethical code and guidelines and compliance function in Madrid</li> <li>Canal Gestión: consolidate the implementation of SCIF in Hispanagua and Canal Gestión Lanzarote, and start it in Triple A of Barranquilla</li> <li>Triple A of Barranquilla: design and implement a Human Rights strategy within the organisation</li> </ul>

p.p. = percentage points

Objectives: IN PROGRESS ⌚

## European Benchmarking Co-operation (EBC): 2015 results

Comparison of our 2014 indicators with **42 sector companies from 17 countries**

### We are better than the average companies in:

- Age of the distribution network, breakage and real losses
- 100% treatment
- Electricity consumption and production in supply
- Supply price
- Economic solvency and unit costs
- 100% dried sludge disposal
- Renovation of sewerage networks

### We need to improve in:

- Percentage of households with individual meters
- Complaints regarding supply
- Distribution losses
- Age of the sewerage network

As additional information, within the Spanish context, **the Region of Madrid has the best figure for distribution losses in all of Spain**

Source: National Institute of Statistics

# 4

## GOVERNANCE



We pursue **transparency** and **efficiency** in our organisation



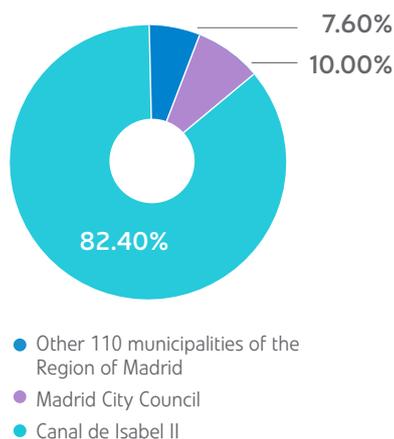
Canal Group Gestión has introduced best practices in its management, such as the Internal Financial Information Control System (**SCIIF**), the creation of an **Audit Committee** or the **Risk Control System** in several of its companies



In 2015 the Board of Directors of Canal Gestión approved the **Code of Conduct and Internal Rules of Procedure of the Stock Market**, setting up the **Ethics and Compliance Committee**

## 4.1 Corporate Organisation and governing bodies

The corporate organisation and governing bodies of Canal Gestión meet the requirements derived from its legal nature as an incorporated company since its creation in June 2012, as well as the objective of transparency and efficiency in its organisation and management, through the **gradual implementation of best practices in excess of the required standards for unlisted companies**. Examples include the **Internal Financial Reporting Control System**, which we have been working on since 2013, and the **internal audit function**, along with the creation in 2014 of the Audit and Control Committee, which is now called the **Audit Committee** after the adaptation to the reform of the Law on Corporations of 2014, the **Risk Management System**, the **registration of the Annual Corporate Governance Report with the CNMV**, the **Appointments and Remuneration Committee** and the **Internal Code of Conduct regarding the Stock Market**.



### Shareholders

The share capital of the parent company Canal de Isabel II Gestión, S.A. is represented by 1,072,032,000 ordinary shares, each with a nominal value of one euro. The shares were issued with a share premium of one euro per share, following the percentages shown in the graph on the left.

The entity Canal de Isabel II is fully owned by the Region of Madrid, and depends on the Ministry of the Presidency, Justice and Government Spokesperson's Office.

The incorporation of the company Canal de Isabel II Gestión, S.A. was authorised by agreement of the Governing Council of the Region of Madrid on 14 June 2012 (Published

in the BOCM of 21 June 2012). The delivery of the shares of the 111 municipalities holding shares in the company was formalised by delivery notices dated 14 December 2012, in compliance with the agreement with said municipalities in the agreements of incorporation signed in 2011 and 2012.

The majority of the Spanish companies of Canal Group are single-shareholder companies, while in most of the foreign companies of the group the adopted shareholding formula which has proven to be effective is to hold a significant majority along with the participation of local partners, the most important of these being the city councils of the places where we operate.

### Governing bodies

The governing bodies of Canal Gestión are the General Meeting, in which all shareholders are represented, and the Board of Directors.

Given the characteristics of the shareholders of the company (100% public), the composition of the Board of Directors is governed mostly by its public nature, with six Nominee Directors and three Independent Directors. The Board generally holds meetings once a month.

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 Region of Madrid, ensuring greater transparency and preventing the occurrence of potential conflicts of interest.

The Board of Directors, at the proposal of its chairman, appoints the Managing Director of the company. In addition, in the Board of Directors, the Chairman of the Audit Committee reports on the results of the work and the meetings held by said committee. In March of 2014 the company carried out an organisational restructuring, optimising the structure in order to make it more agile and dynamic and to more efficiently fulfil the company's objectives.

## 4. GOVERNANCE

### Corporate Organisation and governing bodies

#### The most important agreements adopted by the General Meeting of Shareholders of the company in 2015 include, among others:

- Change of the corporate by-laws to adapt them to the requirements of the reform of the Law on Corporations, adapting the former Audit and Control Committee to the new name of Audit Committee (as mentioned at the beginning of the chapter) and creating the Appointments and Remuneration Committee. Ordinary General Meeting of Shareholders of 23 April 2015.
- Distribution of supplementary dividends in 2014 amounting to €22,567,457.75. Ordinary General Meeting of Shareholders of 23 April 2015.
- Determination of the number of members of the Board of Directors, going from 6 to 9. Extraordinary General Meeting of Shareholders of 9 September 2015.
- Appointment of the new Chairman and new Nominee and Independent Directors. Extraordinary General Meeting of Shareholders of 9 September 2015 and meeting of the Board of Directors of 9 September 2015 (the latter was held following the former).

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

#### DIRECTORS/MEMBERS OF THE BOARD OF DIRECTORS

Name or company name of the Director/Member of the Board	Position	Date of appointment
Salvador Victoria Bolívar	Region of Madrid (Nominee Director)	From 21/11/2012 to 17/06/2015
José Manuel Serra Peris	Independent	From 21/11/2012 to 09/09/2015
Enrique Ossorio Crespo	Region of Madrid (Nominee Director)	From 21/11/2012 to 09/09/2015
Diego Sanjuanbenito Bonal	City Council of Madrid (Nominee Director)	From 26/06/2013 to 24/06/2015
David Pérez García	Rest of City and Town Halls (Nominee Director)	21/11/2012
Agapito Ramos Cuenca	Independent	From 21/11/2012 to 09/09/2015
Ángel Garrido García	Nominee Director	09/09/2015
Engracia Hidalgo Tena	Nominee Director	09/09/2015
Jaime González Taboada	Nominee Director	09/09/2015
Pedro Rollán Ojeda	Nominee Director	09/09/2015
José Antonio Díaz Lázaro-Carrasco	City Council of Madrid (Nominee Director)	09/09/2015
Raúl Canosa Usera	Independent Director	09/09/2015
Jacobo Martínez Pérez de Espinosa	Independent Director	09/09/2015
José Conesa López	Independent Director	09/09/2015



▲ Signing of agreements in the meeting room of the Board of Directors of Canal Gestión (September 2015)

- Re-appointment of external auditors of the company and its consolidated Group. Extraordinary General Meeting of Shareholders of 9 September 2015.
- Distribution of interim dividends of 2015 amounting to €50,264,697.59. Extraordinary General Meeting of Shareholders of 21 December 2015.

In the case of the Spanish companies in which the sole shareholder is Canal Gestión, the Boards of Directors are mostly comprised of senior staff from Canal Gestión.

In the case of the foreign companies of the group, where it does not own a 100% share, the structures of the companies' governing bodies are relatively similar to Canal Gestión, adjusted in each case to the local legislation.

In general, they have board members who do not hold executive positions in the companies, and who act as shareholder representatives.

## Senior Management

The company has a **Board of Directors**, chaired by the Managing Director and formed by the directors of the different areas of Canal Gestión and the Deputy Director of Communication. It meets weekly to try and solve the major issues affecting the company in any matter, according to a set monthly schedule (analysis of economic, operational, commercial, environmental, information etc.), as well as any substantial issue proposed by any of its members.

Additionally Canal Gestión has implemented a system of **ten business plans, aligned with the corporate strategy, which includes the major environmental, economic and social objectives of the group**. In parallel, every year the Board of Directors of the company establishes twenty-six management objectives, which are monitored and controlled monthly through management indicators that affect or include the areas mentioned above. These indicators are grouped in seven areas of analysis: resource management, environmental efficiency, solvency and profitability, pace of investment, efficiency in internal processes, public image and

electricity consumption/production.

**The Management Committee informs the Chairman of the Board of any significant issues that may affect the company's activity.** In addition, every month, a specific point is included in the meetings of the Board of Directors, called **Report by the Managing Director**, which includes the following areas: river contributions, rainfall, basin contributions, derived water, purification system, financial and economic information, and other matters that the Board should be aware of.

In 2014 the SAP-Disclosure Management tool was implemented, as well as the associated corporate processes for the preparation and review of the **Annual Report of Canal Group (Sustainability Report)**, whose review and approval corresponds to the Management Committee. Senior management receives the proposal on the material issues to be addressed in the report and reviews the degree of advancement of the report in its different phases before its final approval and publication.

## 4. GOVERNANCE

Corporate Organisation and governing bodies

### Other committees and commissions

The **Audit Committee**, whose composition and form of operation is detailed in Article 18-bis of the Corporate By-laws, is composed of three directors, two of them independent and one nominee, with one of the independent directors holding the chairmanship:

Name or company name of the Director/ Member of the Audit Committee	Representative	Last date of appointment
José Manuel Serra Peris	Independent Director	From 17/12/2014 to 09/09/2015
Enrique Ossorio Crespo	Nominee Director	From 17/12/2014 to 09/09/2015
Agapito Ramos Cuenca	Independent Director	From 17/12/2014 to 09/09/2015
José Conesa López	Independent Director	09/09/2015
Jacobo Martínez Pérez de Espinosa	Independent Director	09/09/2015
Engracia Hidalgo Tena	Nominee Director	09/09/2015

The **Appointments and Remuneration Committee** está compuesta por tres consejeros, dos de ellos independientes y uno dominical, ejerciendo la presidencia uno de los consejeros independientes:

Name or company name of the Director/ Member of Nomination and Remuneration	Representative	Last date of appointment
José Manuel Serra Peris	Independent Director	From 25/06/2014 to 09/09/2015
Agapito Ramos Cuenca	Independent Director	From 25/06/2014 to 09/09/2015
Raúl Canosa Usera	Independent Director	09/09/2015
Jacobo Martínez Pérez de Espinosa	Independent Director	09/09/2015
David Pérez García	Rest of City and Town Halls (Nominee Director)	25/06/2015

Additionally, Canal Gestión holds regular meetings of various **committees**, composed of members of the Senior Management, who deal with various subject matters.

## List of committees in Canal Gestión

### QUALITY, ENVIRONMENT AND OSH COMMITTEE

Ensures the implementation, follow up, management review and management systems audit plan

General Management and all department heads of Canal Gestión

Biannual

### ENERGY COMMITTEE

Monitoring of the electricity market for the acquisition of electric energy in the futures markets

General Management, Financial, Contracting, Operations, Studies and Programmes and Hidráulica Santillana

Biweekly until the close of the annual purchase

### DEBT COMMITTEE

Monitoring the evolution of the debt and actions for their control and minimisation

General Management, Technical General Secretariat, Financial, Information Systems, Commercial and Studies and Programmes

Bimonthly

### FRAUD COMMITTEE

Court claims/lawsuits, information provided by the group, study of fraud in sectors, commercial and judicial aspects, fraud in metrics, etc.

General Management, Security, Operations, Information Systems, Remote Control, Commercial and Legal Advisory

Bimonthly

### SUPPLY MANAGEMENT COMMITTEE

Proposal for management of the system of supply for the month and probabilistic analysis of the evolution of the stored volume over the next 24 months

Operations and representative of Canal de Isabel II (Public Entity)

Monthly

### ETHICS AND COMPLIANCE COMMITTEE

Implementation in the organisation of a framework of ethics and integrity within the principles and values contained in the Code of Conduct approved by the Board of Directors

Internal Audit, Resources, Technical General Secretariat, Commercial and Business Development

Minimum six times a year

### INTEGRAL SAFETY COMMITTEE

Critical Infrastructure, preparation of emergency drills, operational actions, new electronic systems projects, etc.

Safety, Communication, Human Resources, Operations and Information Systems

One meeting per year. There is a Comprehensive Safety Subcommittee that is convened twice a year



### MADRID CITY COUNCIL ENTRUSTMENT MONITORING COMMITTEE

Group set up in the Distribution and sewerage contracts with the Madrid City Council for monitoring major issues for the development of such contracts, as well as to settle any differences and disagreements that may arise in the performance of the activities

Madrid City Council, Operations, Financial and Commercial

At the request of the parties. In 2015 meetings were held on 14 May and 17 September

### INFORMATION SYSTEMS AND BUSINESS CONTINUITY COMMITTEE

Investment plans and information systems projects, along with transversal strategies for business continuity

All the department heads of Canal Gestión

Biannual

### PROGRAMME CONTRACT MONITORING COMMITTEE

All aspects relating to control, monitoring and compliance of the Programme Contract, with the effective achievement of the objectives, goals and results expected, in terms of efficiency and excellence

Innovation and Engineering, Operations, Technical General Secretariat and Public Entity Canal de Isabel II

Biannual

### CANAL VOLUNTARIOS COMMITTEES

Requirements of entities, submission of applications and technical assessment

Safety, Finance, Studies and Programmes, Communication, Technical General Secretariat, Coordinator and programme participants in the Canal Voluntarios programme

Three times per year

## 4. GOVERNANCE

Corporate Organisation and government bodies

### What does the concept of transparency in Governance practices mean for the Canal de Isabel II Gestión Group?

Canal de Isabel II Gestión Group pursues transparency and efficiency in the organisation. The Group aspires to have its operational and value principles constitute in the future a framework of integrity and good governance that guarantees responsibility in management

In addition to their corresponding direction or management committees, the companies of the Group hold other meetings of committees to address various issues such as quality, safety and health, contracting and purchasing, environmental management, ethics, investment, energy, sectorisation, fraud and loss, etc.

### Relations with Public Administrations

The Canal Group companies generally deal with three levels of Government:

- City and Town Councils of the municipalities where we operate
- Regions where we operate
- General State Administration in countries where we operate

The Spanish companies of the group, being public companies, are obliged to answer any requests for **information and auditing** by any of the political groups having representation in the Assembly of Madrid.

These requests for information reflect **issues that are important to the interest groups affecting all aspects (economic, environmental and social)**, and in addition they serve to render accounts regarding the performance of the companies of Canal Group. Moreover, they help shed light on the main concerns in the fields of responsibility, solvency and sustainability.

The replies to these requests are channelled through the General Management of Canal Gestión to the Ministry of Presidency, Justice and Government Spokesperson's Office, and then forwarded to the Assembly of Madrid.

These requests for information reflect different concerns; for example, details about expenses incurred by the company, structure, application of tariff bonuses, issues relating to the current activity of the company, environmental aspects, etc.

In addition, Canal Gestión's *website* has an electronic communication channel to receive and answer queries from citizens. Also, in compliance with the provisions of **Law 19/2013 of 9 December regarding transparency, access to public information and good governance**, on 17 November 2015 we published a **transparency portal** that contains all the information required by law relative to active advertising, as well as the means to ensure the exercise of the right of access to public information.



At the same time, Canal Gestión and its group of Spanish companies have the obligation of accountability to the **Assembly of Madrid**, and are subject to economic and budgetary control by the Audit Chamber of Madrid, as well as the supervision of the Court of Auditors. These last two bodies are responsible for ensuring that management complies with applicable principles of legality, effectiveness, efficiency and economy.

The Audit Chamber fulfils its supervisory function through the issuance of reports. These reports, as well as allegations and documentation presented by the controlled entities, are integrated into an annual report published in the Official Bulletin of the Region of Madrid.

.....

All Spanish companies have also published their respective **transparency portals**, either on their own *websites* or on the *Canal Gestión web site*

.....

Parliamentary activity of Canal de Isabel II Gestión during 2015	
Questions given oral replies in plenary sessions of the Assembly	5
Questions given oral replies in Parliamentary Committees	4
Questions given written replies from the MPs (PE)	6
Requests for information by the MPs (PI)	7
Appearances by the Chairman or the Managing Director of Canal Gestión in the Madrid Assembly	5
Answer to other requests or questions	7
<b>TOTAL</b>	<b>34</b>



## 4.2 Remuneration and incentives policy

.....

The salary of senior management positions and their annual increments are regulated, as for the rest of the staff, by the **regulations of the Region of Madrid**, and must be approved by the Ministry of Economy and Finance

.....

By agreement of the General Meeting of Shareholders, **the members of the Board of Directors of Canal Gestión do not receive any compensation**, except set fees for attending meetings of the Board and its committees for those Directors who do not incur in any incompatibility by reason of Law 14/1995 of 21 April on incompatibilities for senior officials of the Region of Madrid. These 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 Nominee Directors appointed by the majority shareholder (Region of Madrid), do not receive any compensation for holding this position in the company.

The salary of senior management members and their annual increments are regulated, as for the rest of the staff, by the general regulations of the Region of Madrid, and must be approved by the Ministry of Economy and Finance. These regulations expressly forbid compensation clauses of any type for termination of employment.

As an **incentive policy**, we have defined a variable remuneration system linked mainly to the **annual accomplishment of objectives regarding the company's plans**. This variable remuneration system is established for all personnel with management responsibility in any field of activity, including employees with recognised higher qualifications.

Wages and other income items for the senior management staff of Canal Gestión amounted to 1,016,000 euros in 2015. The fees for attending Board and committee meetings paid to the members of the Board of Directors in 2015 amounted to 37,200 million euros, a figure that is very similar to that of recent years.

Similarly, the terms and conditions of pension commitments for senior management are the same as those applied to the rest of the staff. In 2015 the company has not made contributions, in accordance with the

provisions of General Budget Law 3/2014 of 22 December of the Region of Madrid for 2015.

In the other companies of Canal Group, both Spanish and foreign, the members of the Board of Directors neither receive remuneration for performance of their management duties, except in the case of the Chairman of the Board of Amagua, who is also a municipal delegate, who received 37,000 euros.

Regarding the incentives policy, in the majority of the companies of the Group there is a part of the remuneration of the directors and staff with some responsibility in management defined as variable, linked to the achievement of objectives, covering primarily economic aspects (compliance with the budget or expected return), but also operational, environmental and social (uncontrolled water reduction is one of the most common) considerations.

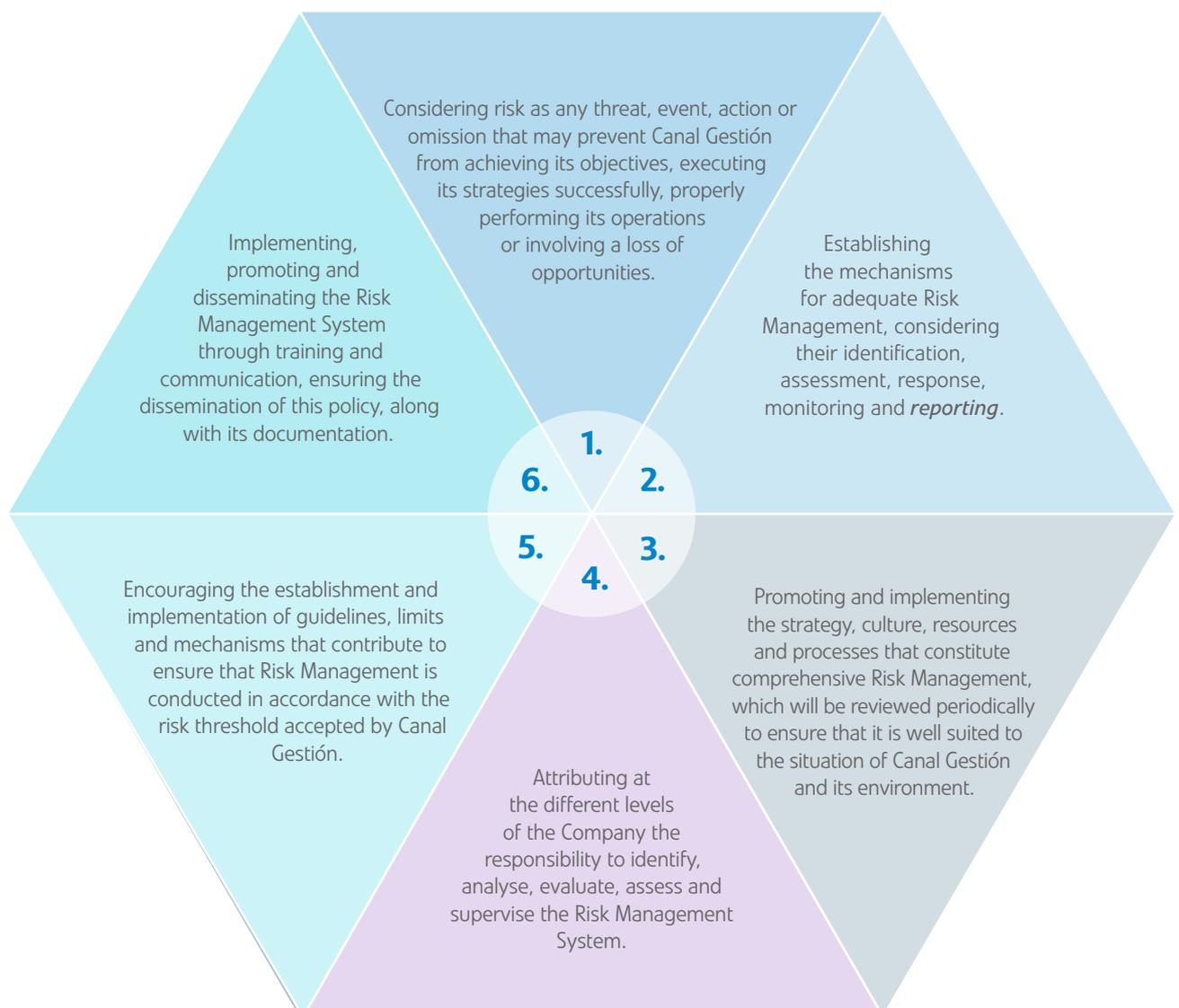
In Spain, the remuneration of the highest-paid person in the group, according to the requirements and responsibilities of the position, was four times the average remuneration for the staff. Moreover, both the highest-paid person and the average staff remuneration of the group in Spain maintained their salary level between 2014 and 2015, as budgetary rules have not allowed any wage update since 2010.

In Colombia, the remuneration of the highest-paid person of the group, according to the requirements and responsibilities of the position, was twelve times that of the average remuneration for the staff. A ratio of 4:1 is established between the total percentage increase of the highest-paid person compared to the percentage increase of the average annual total compensation of all the staff. The companies of the group in Colombia are governed under the norms of mobile and vital salaries, and even rely on wage studies to consider equity and competitiveness regarding the market.

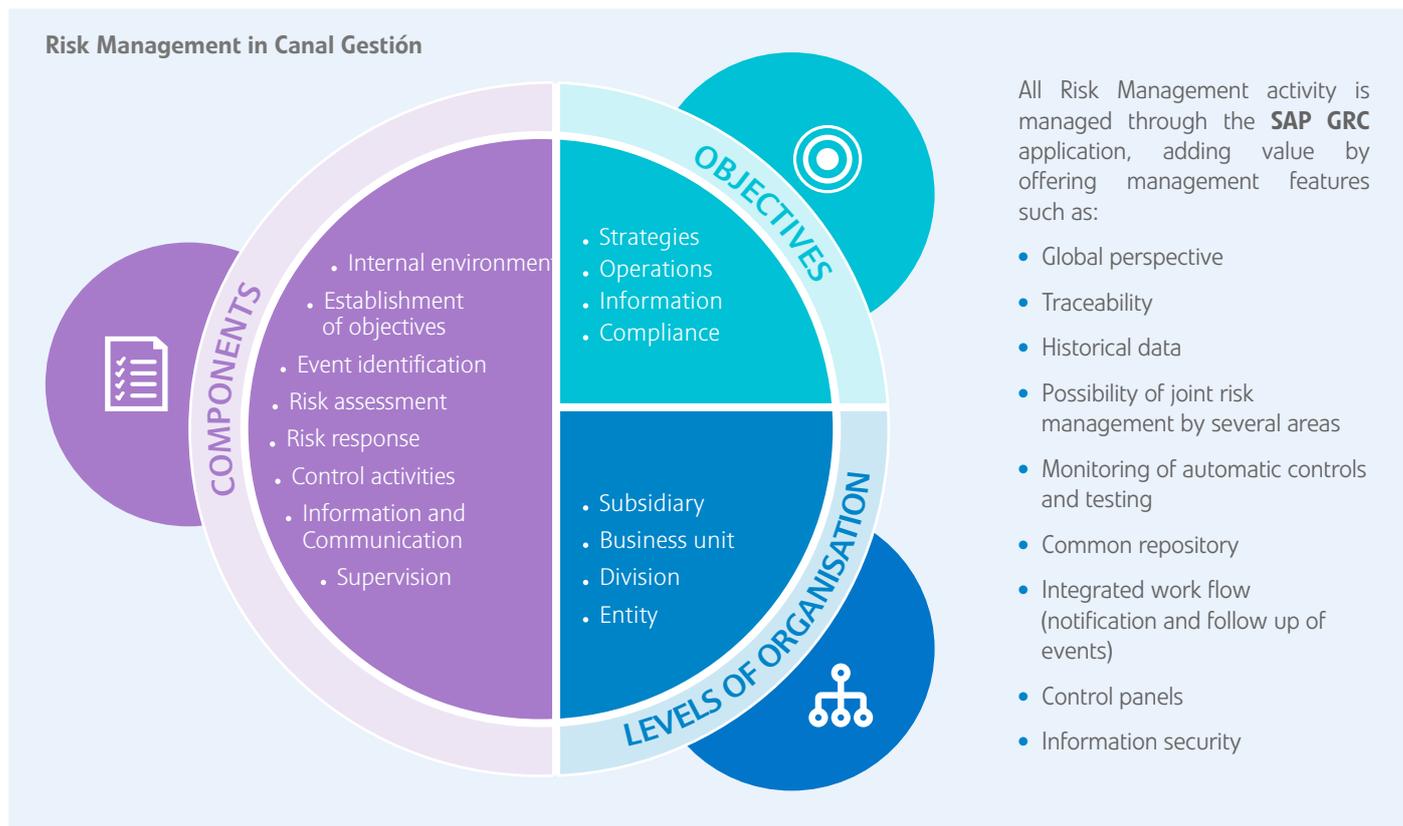
## 4.3 Risk management

The Risk Management System in Canal Gestión aims to assure the knowledge and control of the organisation's activities, as well as to minimise the economic, social and environmental impact of the company and guarantee **compliance with the established strategic objectives**. Thus, the system **includes both financial and non-financial risks**.

Risk management in Canal Gestión is based on the following **principles**:



Corporate Risk Management in Canal Gestión is performed by the Internal Audit area, where best practices have been implemented beyond the standards that apply to unlisted companies. The works are performed using the **COSO** (*Committee of Sponsoring Organisation of the Treadway Commission*) methodology, which bases the approach to Risk Management on three dimensions:



The application itself collects information from various management applications used in the company, and uses them according to control needs. Taking advantage of the benefits provided by the tool, Canal Gestión is taking big steps forward in the automation of indicators and controls.

Over the coming years we will proceed to **expand the function of Risk Management to the subsidiaries of the Group**, although many of them have already defined a preliminary risk matrix that establishes an action plan for different identified and certified processes by their quality systems. In the case of Triple A in Barranquilla, additional steps have been taken and they have already begun implementing their own

Risk Management System, for which currently they have already defined a policy and a drafted a manual. The scope of the project also includes the Internal Audit Manual.

In 2015 an additional step was taken in Risk Management: the operational risks that were already being managed were grouped into higher-level risks so that they can be measured directly by the directors of each area.

This has allowed us to set up an **Operational Risk Map** with the three levels of consolidation (deputy management, management and corporate) **and a Strategic Risk Map**, with higher-level risks.

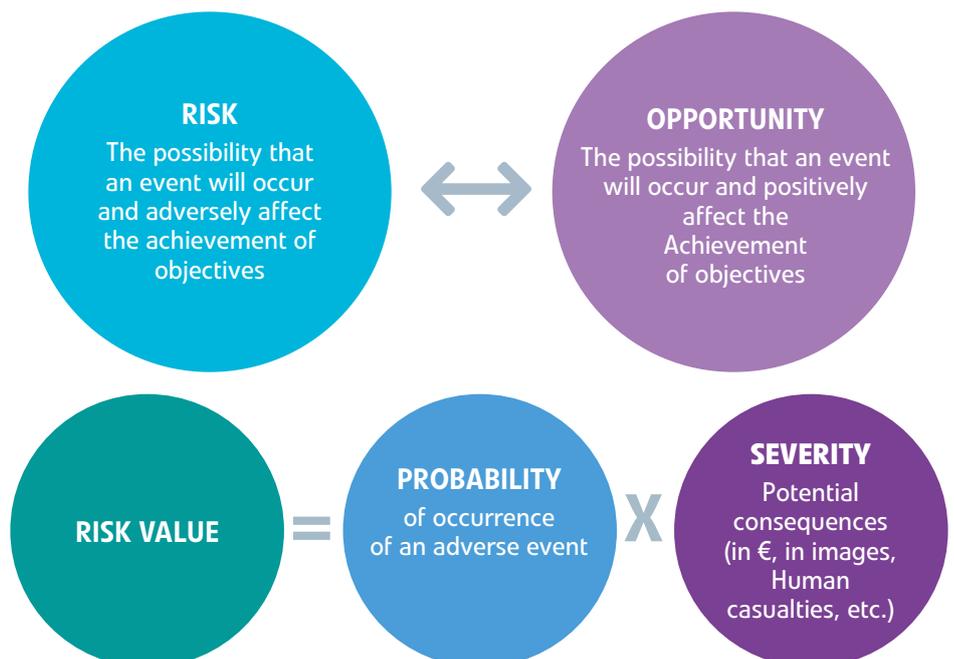
## Past and future

The main milestones, challenges and prospects since the implementation of Risk Management began in Canal Gestión are listed below:

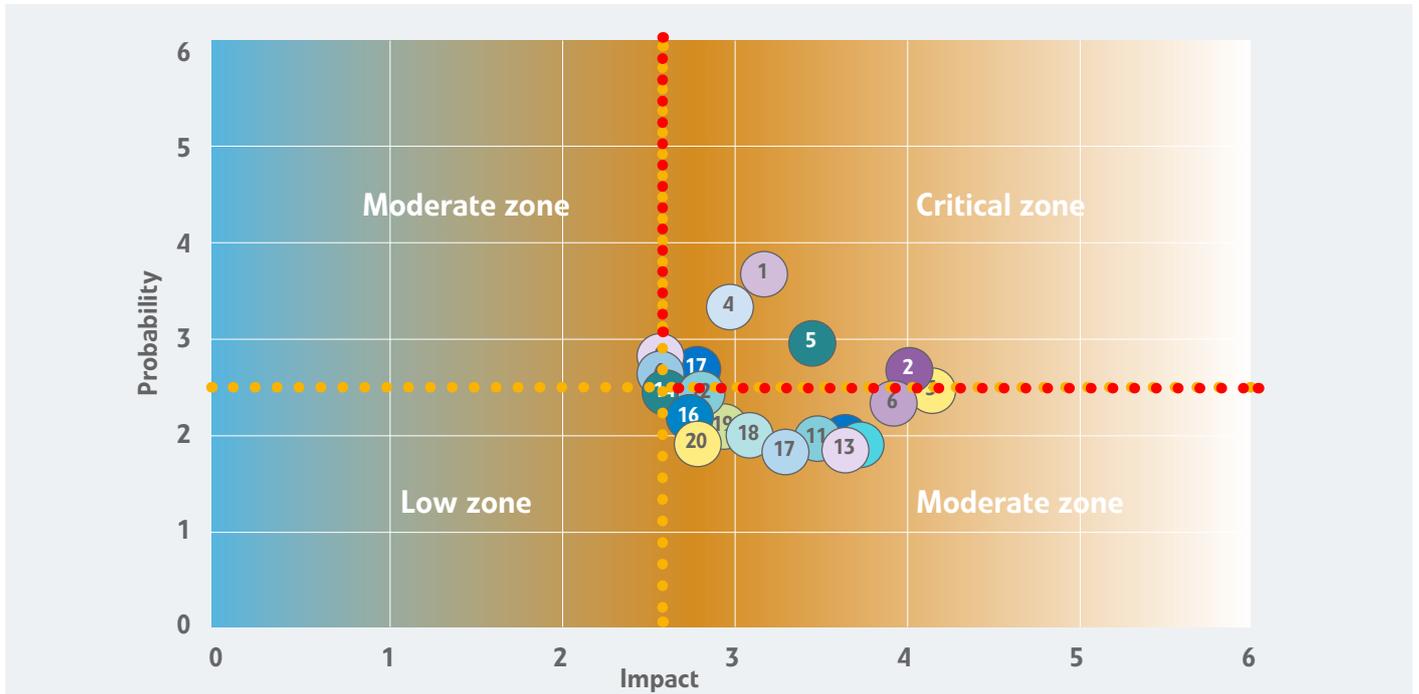
MILESTONES	CHALLENGES
<b>7 updates of the Risk Map</b> (2 in 2015)	<b>Automatic update</b> of the company's Risk Map in order to have an up-to-date assessment of the risks available at all times.
Availability of a <b>set of controls</b> that mitigate the main risks of the company which are measured with impact and probability indicators.	Managing <b>100% of the so-called TOP-20 risks (main risks defined for the company)</b> through SAP GRC with automated indicators, controls and action plans.
Availability of a <b>Risk Map with 118 catalogued risks</b> , of which <b>37%</b> are being managed at a level of additional consolidation.	Extension of Risk Management and internal control systems, especially those referring to financial information, to other companies of the group.
Eleven risks deemed to be strategic or high-level were assessed by Senior Management, consolidating them with the operational risks that had already been assessed by the organisation.	Having an updated risk catalogue with definitions that are more consistent with the new requirements of the company.
Work has been done on the possible grouping of risks existing in the catalogue, as well as on a review of the risk descriptions in the catalogue, in collaboration with Risk Managers.	



These are always assessed considering impact and probability:



Risk Map of Canal Gestión



The graph's circles represent the different risks identified by Canal Gestión

The risks managed by category are:

<p><b>CATEGORY OF RISKS</b></p>	<ul style="list-style-type: none"> <li>• Compliance: relating to compliance with laws and regulations.</li> <li>• Strategy: high level objectives, aligned with the mission and capital of the entity.</li> <li>• Information: reliability of the information provided.</li> <li>• Operations: linked to the effective and efficient use of resources.</li> </ul>
<p><b>CAUSES</b> Events that can cause the risk to materialise</p>	<ul style="list-style-type: none"> <li>• Security.</li> <li>• Customers/Suppliers: main causes related to the demand of suppliers or customers.</li> <li>• Natural conditions.</li> <li>• External factors: external conditions that cause the risk, such as market risks, competition, regulations.</li> <li>• Personal loss/lack of qualified employee: loss of employees in key positions/decrease in the number of qualified employees in the pool of local talent.</li> <li>• Technology: technological conditions causing the risk, from IT to manufacturing technologies.</li> <li>• Communication.</li> </ul>
<p><b>EFFECT</b> The consequences of the risk materialising</p>	<ul style="list-style-type: none"> <li>• Reputation: damage to reputation.</li> <li>• Legal/Regulatory: non-compliance of regulations, including fines and penalties.</li> <li>• Customer Satisfaction: impact on the relationship with the customer.</li> <li>• Operational efficiency: loss of operational efficiency.</li> <li>• Financial: financial loss.</li> </ul>
<p><b>BUSINESS PLAN</b></p>	<p>The risks are grouped according to which business plan they can affect. Risks can affect one or more of the ten business plans established by the company.</p>

Of all the risks managed in SAP GRC

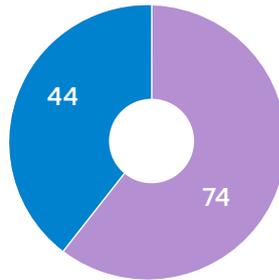
**98%** have indicators,

**89%** have controls and

**20%** have measures

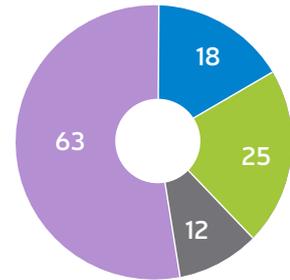
## Where we are

Risks



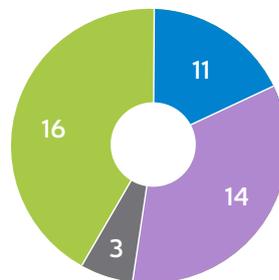
- Unmanaged
- Managed

Risk category



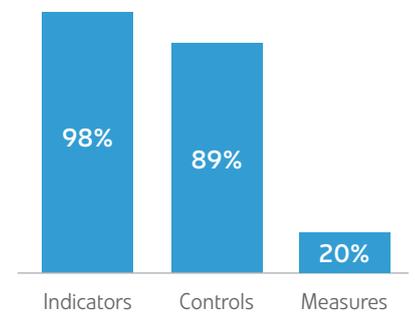
- Compliance
- Strategy
- Information
- Operations

Managed Risk category

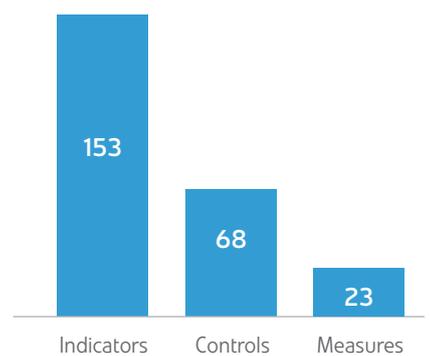


- Compliance
- Strategy
- Information
- Operations

How are risks managed?



Distribution of managed risks





## Roles and responsibilities

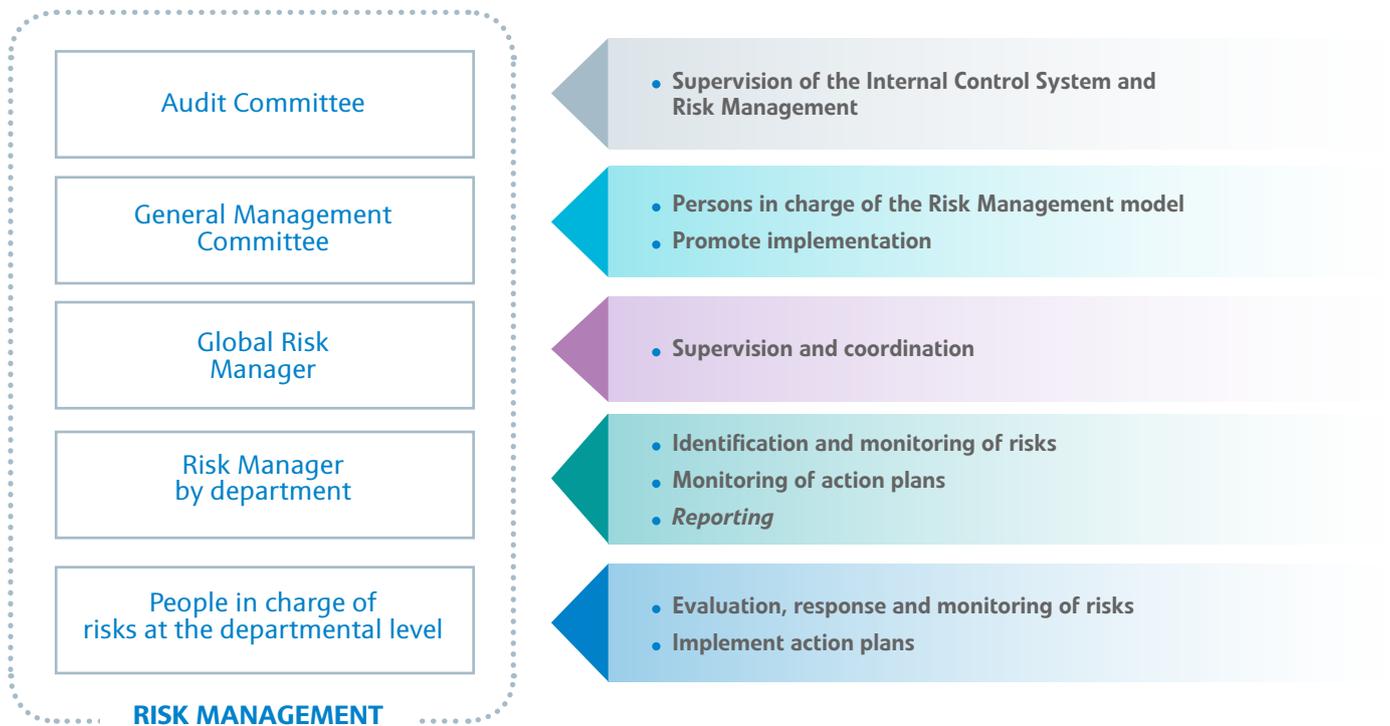
Canal Gestión's Risk Management policy was approved by the Management Committee and ratified by the Managing Director. In this regard, on 15 January 2015 the **Audit Committee was created. A delegated body of the Board of Directors, it is responsible henceforward for overseeing the Risk Management and control policy.**

In particular, in Canal Gestión the bodies responsible for developing and implementing the Risk Management System are:

- **Audit Committee:** A body delegated of the Board of Directors. It is responsible for monitoring the effectiveness of Internal Control, Internal Audit and the Risk Management System.
- **Management Committee:** Formed by the directors of Canal Gestión and Deputy Directors deemed appropriate, chaired by the Managing Director. Its functions include promoting the implemented Risk Management model. Since 2015 also assesses strategic risks.
- **Corporate Risk Manager:** This function is performed by the Internal Audit Department. It consists of supervising, coordinating, supporting and/or advising the internal Risk Management system for the entire organisation.
- **Global Risk Manager:** Responsible for the organisation directly related to day-to-day Risk Management in the company. Its functions can be summarised in the supervision and coordination of Risk Management at the departmental level.

- **Risk manager by organisational unit:** Responsible for identifying and assessing risks within their respective organisational units, monitoring action plans for the main risks that affect it, and reporting the information to those responsible at a higher hierarchical level.
- **Person in charge of risks at the organisational unit level:** Members of the company who evaluate, respond to and monitor the risks considered to be major in their area, and are responsible for the implementation of the action plans previously designed to achieve control of such risks. In addition they will also report information about everything relating to management to their superiors.

The Managing Director and all the Directors, as well as the Risk Managers, have access to the Canal Gestión Risk Map, where they can learn and assess the situation of the risks at the sub-directorate, management and corporate level. The Internal Audit department **has prepared a Risk Management Best Practices Manual**, which is available to all the company, explaining the main concepts, functions and objectives of Risk Management in the company.



## Methodology

To develop the initial Risk Map, 33 interviews were **conducted**, including the Managing Director, all Directors and Deputy Directors, and main departments. The risks that could affect each area were analysed in these interviews, leading to the creation of the initial framework for Risk Management in the company.

A risk manager has been appointed in each department to coordinate this function in their unit. **In 2015 seven meetings were held with the risk managers** and the Internal Audit department to analyse the situation, promote risk control, study risks

that are managed jointly and expose the problems to find common ground.

After the creation of the **Audit Committee**, the Internal Audit department reports on the Risk Management System, as well as the result of the various updates of the Risk Map.

The Internal Audit department prepares a **report on the Risk Management function**, which is presented to the Audit Committee.

In Risk Management any of these four actions **can be chosen**:

For each of the risks the response may be:

**TRANSFER.** Share the effect of a possible event with third parties.

**MITIGATE.** Reduce the probability of risk occurrence.

**ACCEPT** the risk with its impact and probability.

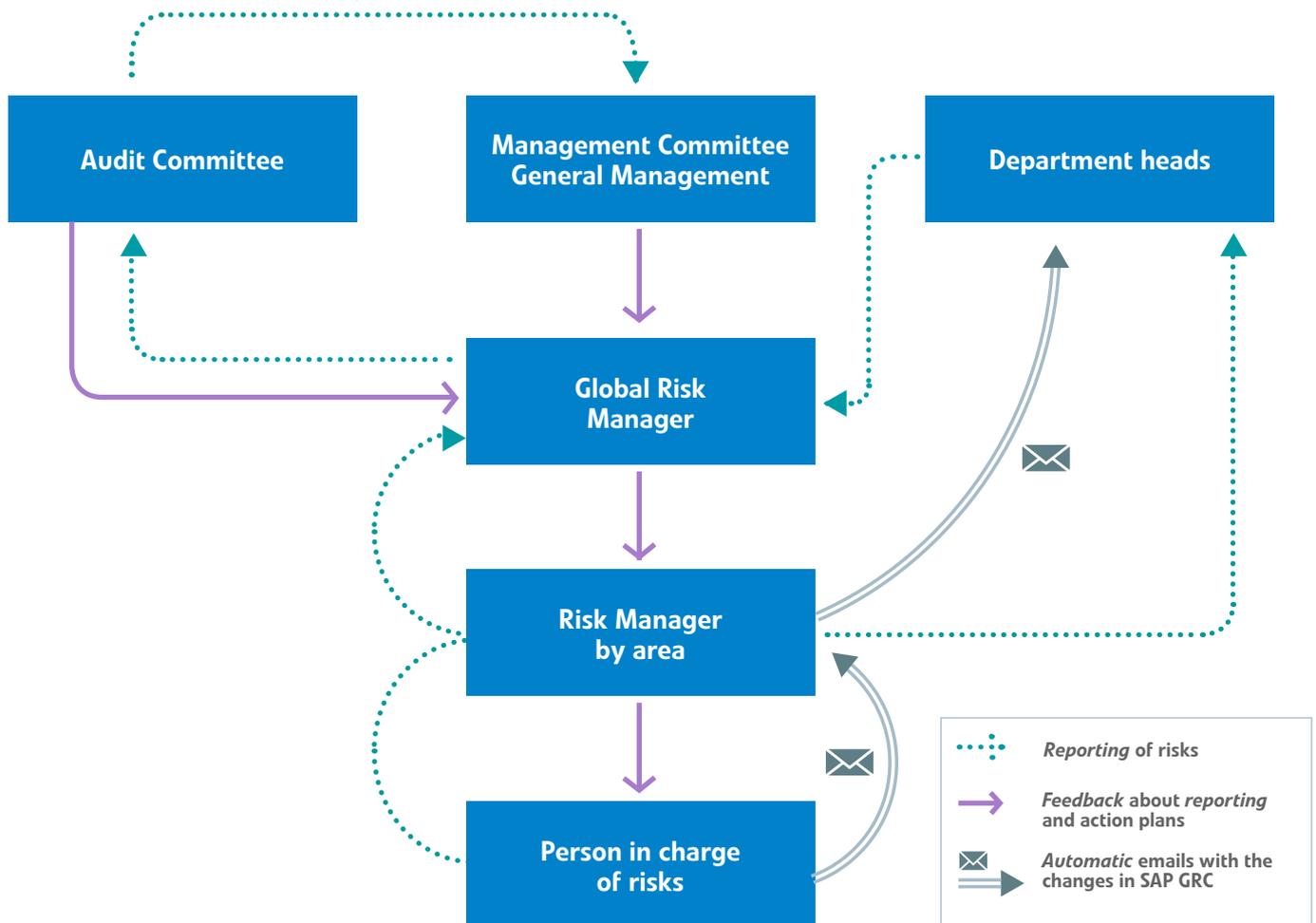
**AVOID.** Do not perform the activities that cause the risk.

Canal Gestión has chosen **to mitigate the main risks.**

The Management Committee has defined basic points in Risk Management, such as:

- Determination of the company's appetite for risk.
- Risk consolidation methodology.
- Designation of risk managers by area.

Both the Managing Director and the Directors can consult the status of risks, as well as their controls and indicators, at any time using the SAP-GRC risk management and internal control application.



## 4.4 Internal Audit and Internal Control

The Internal Audit department performs its function in accordance with the **International Standards for the Practice of Internal Auditing** and counts among its internal auditors with a **Certified Internal Auditor (CIA)**

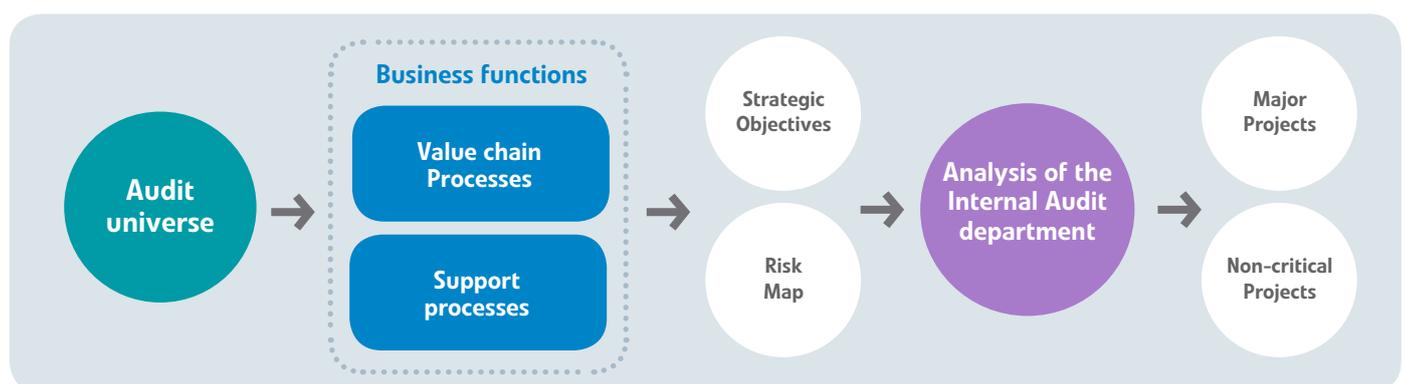
Canal Gestión has an Internal Audit department that reports hierarchically to the General Management. The Internal Audit department's functions include auditing, internal control and risk management.

The Internal Audit department performs its function in accordance with the International Standards for the Practice of Internal Auditing and counts among its internal auditors with a **Certified Internal Auditor (CIA)**, thus guaranteeing excellence in the provision of internal audit services. The Internal Audit department also received the Quality Certificate from the Institute of Internal Auditors **Quality Assurance Review (QA)** in 2012.

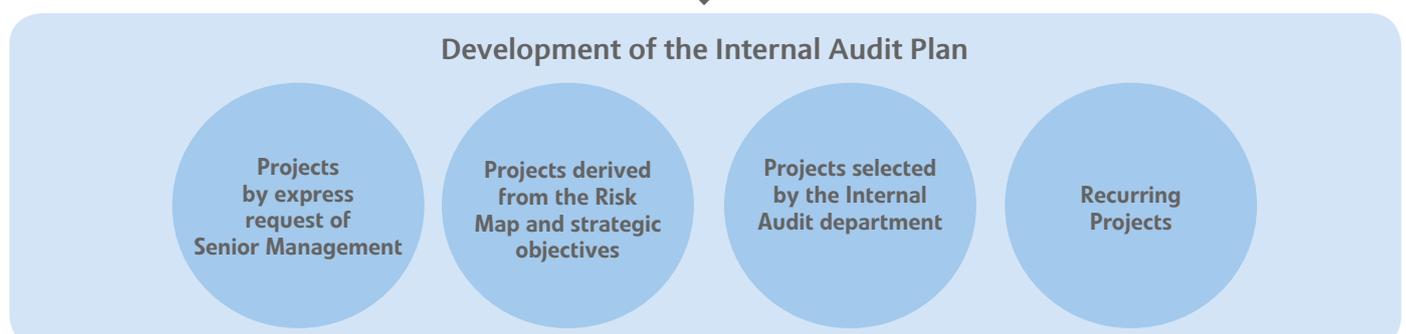
This department carries out various kinds of projects:

- Projects selected by Internal Audit.
  - Recurring projects and follow-up on the recommendations contained in the audit reports.
- We perform compliance audits and consulting audits.
- **Compliance audit:** consists of the analysis of processes (administrative, financial or of any kind) with the objective of establishing if they are in accordance with the rules and procedures applicable to them. With these audits it is determined if the process is operated effectively and is adequate for the achievement of the company's objectives. These audits give rise to recommendations, which are subject to periodical follow-up.
  - **Consulting audit:** consists of analysis of data, evaluation of systems, controls and performance in order to determine whether the company operates efficiently and effectively. Best practices are drawn based on these audits (*Best Practices*).

### Projects derived from the audit universe



### Development of the Internal Audit Plan



## 4. GOVERNANCE

### Internal Control and Internal Audit

Canal Gestión prepares a **report** on the Internal Audit function that is presented to the **Audit Committee**

The internal audit **functions**, as indicated in its **By-laws**, are:

- Drafting the internal audit plan.
- Performing audits: these can be derived from the Risk Map, made by special request, or be recurring.
- Meeting with the persons in charge of the assessed units before the final issue of reports in order to discuss the results.
- Assessing the degree of implementation and effectiveness of the recommendations and approved improvements.
- Reporting activities regularly to the Management Committee and the Secretary of the Board of Directors.
- Responding to requests for information and documentation prepared by the Internal Audit department raised by the

external audit service, as long as the object of such requests and the information required is consistent with the external audit mission, and this does not violate any regulations that the Internal Audit department must comply with.

- Supporting the relevant governing bodies to ensure an adequate internal control system that must comply with the requirements of corporate governance.
- Performing consulting work for the relevant governing bodies on issues relating to internal controls, always maintaining independence and objectivity.

Similarly, the department prepares a report on the Internal Audit function, which is submitted to the Audit Committee.

## Documentation

- **Internal Audit By-laws:** summarise the objective, authority and responsibility of the Internal Audit function as established by international standards for the practice of the profession (international framework for the professional practice of internal auditing).

On 28 April 2015, the Audit Committee approved the Internal Audit By-laws, a document that defines the purpose, continuity and responsibility of the audit function. The By-laws were then approved by the Board of Directors on 27 May 2015.

- **Internal audit function manual:** develops organisational, operational and functional aspects of the internal audit.

- **Good practices manual:** provides support to users during the internal audit process in the company, resolving any issues that may arise. It is available to all the company.
- **Code of ethics:** the principles of integrity, objectivity, confidentiality and competence are defined, as well as the rules of conduct. Following the recommendations of the international framework for the professional practice of internal auditing, it is signed by all members of the department and collaborators.



## Past and future

Canal Gestión, in its drive for continuous improvement and achieving its strategic business objectives, has been in charge of the internal audit function since 2010:

MILESTONES	CHALLENGES
<b>INTERNAL AUDIT</b>	<b>INTERNAL AUDIT</b>
11 regular and 3 special audits.	
Collaboration with the Financial and Business Development department heads in the evolution of the grounds for implementation of the Internal Financial Information Control System ( <b>SCIF</b> ).	Approval of the 2016-2018 Audit Plan by the Audit Committee.
The Internal Audit department has the international QAR ( <i>Quality Assurance Review</i> ) certificate from of the Institute of Internal Auditors of Spain, certifying that the internal audit function of Canal Gestión complies with the international standards for professional practice with the highest rating.	Continue monitoring of recommendations with a view to their automation.
The Internal Audit department has, for all those who are part of it and provide collaboration services, an Internal Ethics Code in accordance with international standards for the professional practice of internal audits.	
146 recommendations made and 75 implemented.	
<b>INTERNAL CONTROL</b>	<b>INTERNAL CONTROL</b>
Collaboration with Financial and Business Development in the maintenance and evolution of the Internal Financial Information Control System, not only in Canal Gestión but also in the subsidiaries Hispanagua and Canal Gestión Lanzarote.	Supervise the effectiveness of the Internal Financial Information Control System.
<b>Assessment of the design</b> of the Internal Controls.	
<b>Automation of controls</b> that allow monitoring of some controls at the organisation-wide level (minor contracts).	Collaboration with Financial and Business Development in implementing the Internal Financial Information Control System in the subsidiaries Triple A in Barranquilla and Emissão.

Following its creation by the Board of Directors, the Audit Committee is in charge, among other functions, of supervising of the effectiveness of the company's internal controls, analysing significant weaknesses in the internal control system detected during the external audit, and supervising the process of preparing and presenting regulated financial information.

.....

Canal Gestión plans to **implement the Compliance function** in 2016

.....

## Other competitive improvements

The Audit Committee meeting held on 24 February 2015, after the presentation by the Internal Audit department, considered the convenience of having a compliance function to reinforce the three lines of defence of the company, approving its implementation.

In 2015 the relevant public tender procedure was drafted, developed and put into effect. The function is scheduled to be implemented in 2016 and following years.

## Work groups and certifications

Some of our staff have professional certification endorsing the capacity and professionalism of the *Certified Internal Auditor (CIA)*, and we are a corporate partner of the Institute of Internal Auditors of Spain since 2010:

- Participation of the Internal Audit department in the Institute of Internal Auditors' technical committee on *Internal Control in Public Companies*.
- Participation of the Internal Audit department in the European Confederation of Institutes of Internal Auditing (ECIIA) work group with the European Organisation of Supreme Audit Institutions (EUROSAI). A document was prepared at the European level on the relationship between internal audits and the European Court of Auditors, analysing, among other

issues, risk management in public companies. We also took part in the cooperation agreement for 2014-2017 between ECIIA and EUROSAI, signed at The Hague in May 2014.

The best practices derived from the application of international standards for the professional practice of internal auditing are approved by the Institute of Internal Auditors. These are recognised and accepted by the most important international organisations (OECD, IMF, World Bank, Basel Convention, etc.). International standards require that the internal audit guidelines include a quality assurance programme and to be evaluated by an independent third party at least every five years. As a result, Canal Gestión will go through new checks to renew QA certification in two years' time.

## Internal Financial Information Control System (SCIIF)

Canal Gestión is committed to strengthening and improving the internal control of the company and including new practices in corporate governance. Consequently, it has continued to implement the Internal Financial Information Control System (hereinafter SCIIF), an effort that began in 2013.

This project has led to a **cultural change in the company**, establishing goals to be achieved in a clear and objective way, as summarised below:

## YEAR 2015 ACTIVITIES

Update of the scope matrix of the Internal Financial Information Control System

Review of key processes

Design of the controls corresponding to Information Systems

Launch of design and control effectiveness tests

Implementation of the system in Hispanagua and in Canal Gestión Lanzarote

Preparation of the high-level controls required according to the components and principles of COSO III

## YEAR 2016 MILESTONES

Supervision of the Internal Financial Information Control System

Update of the scope matrix for the Internal Financial Information Control System

Update of key processes

Launch of the design and effectiveness tests, both of the business and relating to information technology in Canal Gestión, in Hispanagua and in Canal Gestión Lanzarote

Implementation of the system in Triple A of Barranquilla

Launch of high-level controls contained in COSO III

In its **Internal Financial Information Control System Policy** Canal Gestión has defined the system's roles and responsibilities, establishing that the Board of Directors has the ultimate responsibility of the existence and maintenance of an adequate and effective Internal Financial Information Control System.

The **SCIIF General Organisation Manual**, approved by Financial and Business Development on 12 May 2015, explains in greater detail the organisational structure of the financial department and other departments directly linked to SCIIF, associating to each of the positions of responsibility their entrusted mission and the tasks and functions to undertake such a mission.

In this regard, Financial and Business Development, as part of the Management Committee, are responsible for the design,

implementation and maintenance of the SCIIF.

The **Internal Financial Information Control System Policy** was approved by the Audit Committee on 28 April 2015, and the Board of Directors on 27 May 2015.

Following the recommendations of the National Securities Market Commission (CNMV), which determines the content and structure of the **Corporate Governance Annual Report**, this year Canal Gestión published its second report, providing a full and detailed account of the structure and good corporate governance practices of the company. **The new regulatory and normative requirements in the field of corporate governance have been assumed by Canal Gestión with special emphasis on developing a framework of integrity and transparency.**

.....

**The Code of Conduct and the Internal Code of Conduct** were approved in January by the Board of Directors

.....

.....

Also, in 2015 the **Ethics and Compliance Committee** was constituted

.....

## Commitment to ethics and integrity

In this context, this year Canal Gestión started a project to reinforce its commitment to ethical principles and integrity derived from the aforementioned regulations, through the **incorporation of the best practices**. Canal Gestión aspires that its operational principles and values will constitute in the future a **framework of integrity and good governance that guarantee responsibility in management**.

To guide and encourage ethical professional practices, Senior Management has adopted the new integrity and transparency regulations, drafting a **Code of Conduct** that is mandatory for the entire staff of Canal Gestión, where such values and principles are reflected.

The Code of Conduct was approved by the Board of Directors at its meeting of 8 January 2015. It covers the **general ethical principles for all the company, summarised in values to be followed**, including the following aspects:

- Required compliance for all the company's staff.
- Commitment to a culture of compliance and ethics. Conduct guidelines.
- Acceptance of and compliance with of the Code of Conduct.
- The general criteria for conduct at Canal Gestión include integrity and professional responsibility.
- Establishment of a set of standards, which to a greater or lesser extent are related to the reliability of financial information and compliance with applicable regulations, specifically:
  - Obligation to know and comply with internal rules, procedures and processes.
  - Make decisions traceable.
  - Ensure that all information, including financial information, is rigorous and reliable.

Additionally Canal Gestión has an **Internal Code of Conduct** in matters relating to the Securities Markets, which was also approved by the Board of Directors at its meeting of 8 January 2015.

This Code includes, among others, the following aspects in relation to financial information:

- Rules of Conduct relating to personal transactions of obliged persons.
- Rules of conduct in relation to privileged information.
- Rules of conduct in relation to significant information.
- Rules of conduct in relation to manipulation in securities trading.

This regulation applies, among others, to **those persons who may have regular and recurring access to privileged information**, and to this end a Record of Obligated Persons was created in 2015.

Along with these codes an analysis will be performed of the existing controls in the company, in order to cover the principles and values contained therein. This analysis and description of the control environment providing coverage to said codes will be used to draft the policies and procedures described in the control system. At the same time the control environment is analysed, the necessary safeguard elements will be developed and drawn from the said codes.

To this end, **Committee of Ethics and Compliance** was created, whose functions include:

- Informing all the company of the approved Code of Conduct.
- Developing materials for conducting presence training seminars.
- Developing and conducting *online* training courses.
- Senior Management sensitisation.
- Implementation of the Ethics Line and the relevant Response Protocol.

**CURRENT SITUATION 2015**

Approval of the Code of Conduct

Approval of the Internal Rules of Conduct relating to the Securities Market

Review of the control environment that provides coverage to the Code of Conduct

**MILESTONES TO BE ACHIEVED 2016**

Dissemination of the Code of Conduct throughout the company

Training and awareness regarding the principles of ethics and integrity

Implementation of the Code of Ethics

The **Spanish companies**, as well as **Canal Gestión**, have for years **based their hiring policies on the Public Sector Contracts Law**, which helps to avoid bad business practices and prevent potential corruption

Likewise, the **Latin American companies define their ethical commitment through internal rules** like the Internal Work Regulations, the Code of Good Governance or the Code of Ethics

Once these ethics and integrity practices have been further developed in Canal Gestión, our policies will **gradually extend to the other companies of the group**, many of which have been working for some time in this field. Thus, Spanish companies, like Canal Gestión, have for years based their hiring policies on the Public Sector Contracts Law, which helps to avoid bad business practices and prevent potential corruption.

Likewise, Inassa and several of its subsidiaries define their ethical commitment through internal rules such as the Internal Working Regulations, the Code of Good Governance or the Code of Ethics. Also, they have several specific procedures (such as procurement and suppliers), policies for managing conflicts of interest (e.g. separation of duties) and internal control systems (like the fight against fraud).

Triple A of Barranquilla has a Code of Good Governance by which general good

governance policies are established, as well as internal policies and best practices. Internal control that promotes business efficiency, reducing the risk of loss of financial and operating assets, is carried out through an Internal Control Management, the fiscal auditor and the external auditor. In order to guide the performance of the employees to fit the objectives of the company, make the shared vision of success a reality and extend these principles to the interest groups, there is a code of ethics and an established Ethics Committee, as well as a procedure to address and resolve the complaints made to this Committee. Additionally, there are other procedures that support the ethical line of the company (such as purchasing and contracting). In 2015 the Committee handled thirty-seven complaints, received through the ethical contact channel, according to the mechanisms described in the Code. The veracity of the complaints could be verified in 80% of all cases, and 100% were resolved positively.

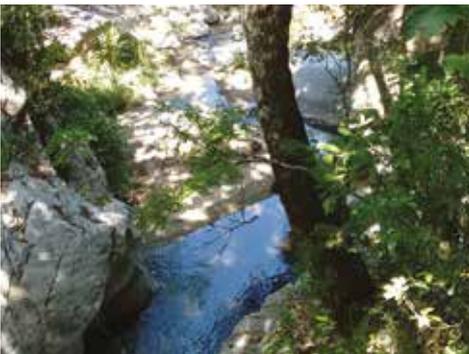
# 5 CHALLENGES



Quality and service

Funding and capital markets

Cutting-edge technology



Environmental conservation

Talent and commitment

Shared value

# 5.1

## Quality and service



Taking care of the services we offer our customers entails not only caring for the water that we supply to them and returning it to natural riverbeds in the best of conditions, but **also meeting the expectations created by contracting such a prestigious company**, strongly rooted in the culture of Madrid, making it possible to extend its *know-how* beyond our borders.

### Our customers

Through agreements with local bodies, the area receiving the service of the integral water cycle by Canal de Isabel II Gestión Group amounts to **9,871,404 inhabitants, spread out over 214 municipalities of Spain, Colombia, Ecuador and Brazil.**

Our customers include **public and private institutions, domestic consumers, large consumers, industry and agriculture.** There are currently **2,227,531 contracts in service**, grouped according to the main activity of the properties supplied.

Mainly due to the type of customers and the high numbers of direct debits that we have, **our uncollectability rates are very low**, an increasingly favourable trend within Canal Gestión and the other Spanish companies. In Latin America, where the payment culture for public services is not yet strongly rooted in society, Canal Group is making significant progress through various customer relations improvement policies. It has managed to collect four times more than last year in Santa Marta (Department of Magdalena, Colombia)

and has been able to sustain continuous growth over the past few years in Triple A in Barranquilla (Department of Atlántico, Colombia), where in 2015 10% more bills were paid compared to the previous year.

The databases that we manage have been duly **protected against third parties**; this level of security is sought both in IT activities and communications, complying with legislation established in each country by regulators, ensuring the confidentiality of the data.

In Spain, we are bound by Organic Law 15/1999, of 13 December, on Personal Data Protection (LOPD in Spanish), whose aim is, in terms of personal data processing, to ensure and protect the public freedoms and fundamental rights of individuals, particularly their honour, personal privacy and that of their family. Its main aim is to regulate personal data processing and files, regardless of the support on which they are processed, the rights of citizens over them and the obligations of those that create or process them.

## Quality and service

### Population and contracts per activity

COMPANY	CANAL GESTIÓN (*)	CANAL GESTIÓN CÁCERES	ALCALÁ UTE	LANZAROTE	TRIPLE A
<b>SUPPLY</b>					
Inhabitants supplied	6.21	0.11	0.20	0.20	2.34
Municipalities supplied	177	9	1	7	15
<b>SEWERAGE</b>					
Inhabitants with sewerage services	5.46	0.11	0.20	0.14	1.94
Municipalities with sewerage services	134	9	1	7	10
<b>PURIFICATION</b>					
Inhabitants with purification services	6.43	0.10	N/A	0.14	0.54
Municipalities with purification services	180	5	N/A	7	7

COMPANY	METROAGUA	AMAGUA	ASAA	FONTES DA SERRA	TOTAL CANAL GROUP
<b>SUPPLY</b>					
Inhabitants supplied	0.47	0.16	0.16	0.03	9.87
Municipalities supplied	1	2	1	1	214
<b>SEWERAGE</b>					
Inhabitants with sewerage services	0.40	0.13	0.13	N/A	8.51
Municipalities with sewerage services	1	2	1	N/A	165
<b>PURIFICATION</b>					
Inhabitants with purification services	N/A	0.13	N/A	N/A	7.34
Municipalities with purification services	N/A	2	N/A	N/A	201

(\*) Canal Gestión comprises seven municipalities in Castilla-La Mancha: Pioz, Pozo de Guadalajara, Tortuero, Uceda, Valdepeñas de la Sierra, Valdesotos and Ontígola.



▲ ▲ Operators of Canal Group carrying out maintenance work on the network

## Quality and service

The service planning is carried out from a **broad and comprehensive perspective**, without compromising the existing supply. This comprehensive perspective allows us to design the necessary infrastructures plan in each case.

### Our service

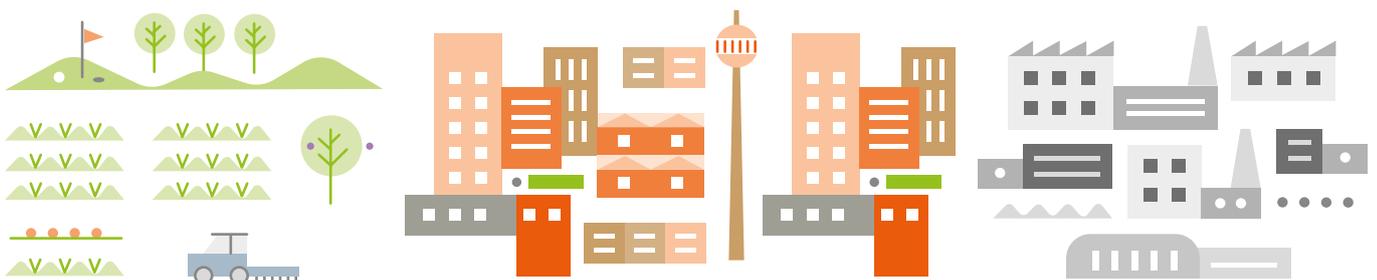
The rising population and compliance with new laws, basically those directed at protecting the environment, banking security, the increase in electronic billing or the defence of consumers and users, are the main drivers for the **approval of investment and process adaptation plans** at all levels within the Group.

The service planning is carried out from a broad, comprehensive perspective, without compromising the supplies. This comprehensive perspective allows us to design the necessary infrastructure plan, the investments to be made, methods of financing them and the order to execute them according to the planned urban developments and the time constraints imposed by Law. In Madrid, all of this is established in the agreements entered into with the city councils. There are currently 802 active agreements of all kinds with municipalities and 311 requests for planning reports, which are responded to within 59 days on average.

The planning of the service ultimately involves **the availability of transport and processing infrastructures**, both upstream and downstream of the user, and must be designed according to reasonable usage time frames. The **Master Plans** provide an accurate assessment of the state of the supply and sewerage networks and also develop the study of investments that should be made in order to adapt the existing infrastructures to the regulations applicable to these type of facilities. These Master Plans are used as the basis on which any future improvement measures are planned.

This preparatory work allows us to ensure that our future customers will receive the supply within **reasonable time frames**, which are currently between three and ten days in Madrid, depending on the characteristics of the works that must be carried out on the property.

All **of the companies of Canal Group**, under various statutory formulas, such as land-use plans or development of municipal by-laws, carry out **planning for resources and introduce the new resources** that enable territorial expansion, as well as the improvement of the sewerage networks and water treatment systems. In our country, the significant investment efforts that are being made on the island of **Lanzarote**, which is managing to change the vision of the service, via new work linking the water production centres to the main hydraulic infrastructures and the comprehensive renovation of the grids in the largest urban centres. In Columbia, of particular interest is the *Aqueduct and Sanitary Sewer Master Plan* of **Santa Marta**, which is contributing to the expansion of supply sources for the coming years (at the end of 2015, there were already 23 new wells), as it is the only area where we operate in Latin America that has been affected by periods of severe drought. Also noteworthy is the plan for the continuity of the service that, given its exceptional results, is being carried out in **Riohacha**, a city where we have been operating the water cycle for two years.



## Quality and service

## Project summary 2015

PROJECTS	CANAL GESTIÓN (*)	INTERNATIONAL SUBSIDIARIES	DOMESTIC SUBSIDIARIES	TOTAL CANAL GROUP
<b>DETAILS OF PROJECTS CARRIED OUT [No.]</b>				
No. of supply projects	12	37	14	63
No. of sanitation projects	7	21	2	30
No. of reuse projects	0	0	2	2
No. of construction projects	4	3	2	9
Others	55	24	1	80
<b>TOTAL PROJECTS CARRIED OUT</b>	<b>78</b>	<b>85</b>	<b>21</b>	<b>184</b>
<b>DETAILS OF PROJECTS CARRIED OUT [BUDGET-€ MILLION]</b>				
Budget for supply projects	52.39	105.74	33.79	191.92
Budget for sanitation projects	68.00	57.31	0.49	125.80
Budget for reuse projects	0	0	1.47	1.47
Budget for construction projects	1.66	2.20	0.32	4.18
Budget for other projects	78.20	18.23	3.49	99.92
<b>TOTAL BUDGET FOR PROJECTS CARRIED OUT (€ MILLION)</b>	<b>200.25</b>	<b>183.48</b>	<b>39.56</b>	<b>423.29</b>
<b>CONSTRUCTION WORKS</b>				
No. of construction works managed	3	N/A	N/A	3
Budget for construction works management (€ million)	0.420	N/A	N/A	0.420
<b>ENVIRONMENTAL PROCEEDINGS</b>				
No. of environmental proceedings completed	17	6	0	23
No. of environmental impact declarations	6	0	0	6

(\*) Canal Gestión includes its branch in Cáceres

## Quality and service

### Main works completed 2015

ACTIVITY	MUNICIPALITY
<b>COLLECTION</b>	
Construction of a warehouse for Dredge-Dock equipment	Barranquilla (Colombia)
Construction of deep wells for the aqueduct support system	Riohacha (Colombia)
<b>SUPPLY (TREATMENT)</b>	
Installation of floodgates in the entrances of the tank at plant no. 4 of the district aqueduct	Barranquilla (Colombia)
Implementation of the leak monitoring system in the chlorinating system of the DWTP	Ponedera (Colombia)
Civil engineering works for active coal preparation and dosage system in the low WWPS no. 1 of the district aqueduct	Barranquilla (Colombia)
Supply of false bottom on HDPE for the optimisation of ten filters of plant no. 4 DWTP	Barranquilla (Colombia)
Adjustments to the flocculation system in the DWTP	Polonuevo (Colombia)
Optimisation of a DWTP	Riohacha (Colombia)
Delivery and installation of four valves with diameters of 800, 1,200, 1,500 and 1,800 mm and ten electric actuators	Rio de Janeiro (Brazil)
<b>SUPPLY (ADDUCTION)</b>	
Second distribution ring of drinking water. Section VI	Boadilla del Monte, Villaviciosa de Odón, Alcorcón, Fuenlabrada, Leganés and Getafe (Spain)
Bending of the adduction to Villaviciosa de Odón	Villaviciosa de Odón (Spain)
Bending of the right stretch of Quiebrahilos	Villarejo de Salvanés (Spain)
Supply to Serranillos del Valle	Serranillos del Valle (Spain)
Supply to Villamanta	Villamanta (Spain)
Brine discharge piping in the Janubio plant	Yaiza (Spain)
Alterations to the ventilation of the transformation centre at the Lanzarote III plant	Arrecife (Spain)
Improvements to the electrical panel at the Janubio plant	Yaiza (Spain)
Designing of macrometers for the drinking water pipes of the aqueduct system	Barranquilla (Colombia)
Designing of pressure-reducing boxes for the drinking water pipes on various streets	Barranquilla (Colombia)
<b>SUPPLY (DISTRIBUTION)</b>	
Supply to Corpa. Pump unit	Corpa (Spain)
New Zonzamas tank	Arrecife (Spain)
New supply connection to the CC. el Viejo borough	Cáceres (Spain)
Renovation of the distribution network in Ciudad del Aire	Alcalá de Henares (Spain)

*Continued*

## Quality and service

ACTIVITY	MUNICIPALITY
Improvements, demolition and rubble removal tanks I, II, III and IV of the Granja del Cabildo tank	Teguise (Spain)
Repair of the Maneje tank covers	Teguise (Spain)
Widening of the transport network to the La Mareta regulation tank	La Graciosa (Spain)
Rehabilitation of the structure of the DWTP overhead tank and of the overhead tank for distribution	Sabanagrande (Colombia)
Construction of truss for pipe crossings of 12" of drinking water and replacement of aqueduct networks	Barranquilla (Colombia)
Replacement of Manifold Alta 3 for the pumping of the Recreo aqueduct	Barranquilla (Colombia)
Extension of piping 600 mm in diameter of GRP in the northern side of the city	Barranquilla (Colombia)
Extension of a water pipeline of 24" of GRP between Cra 42F with CII 95 to the Cra 46 with CII 96	Barranquilla (Colombia)
Repowering of the Booster pump in the Amagua building	Samborondón (Ecuador)
Installation of drinking water piping in the Sabanilla facility	Samborondón (Ecuador)
Installation of drinking water piping in the San Enrique area	Daule (Ecuador)
<b>SANITATION (SEWERAGE)</b>	
Storm tank in the Ajalvir-Daganzo outfall	San Fernando de Henares (Spain)
Wastewater pumping in the Peña Real and Puente Real residential estates	Soto del Real (Spain)
Intake C of Boadilla. Monte Veleta - Olivar de Mirabal Section	Boadilla del Monte (Spain)
Complete reconstruction of the general wastewater intake	Haría (Spain)
Repair of the Naos outfall	Arrecife (Spain)
Renovation of the sanitation network on the Costa Teguis seafront	Teguise (Spain)
Replacement of the sewerage networks on various streets of the city	Barranquilla (Colombia)
Construction of the wastewater intake of Avenida Ferrocarril Stage III	Santa Marta (Colombia)
Expansion and optimisation of the sewerage networks on various streets	Riohacha (Colombia)
Construction of a pumping station and a pumping line	Riohacha (Colombia)
Construction of a rainwater intake at Prati Manglero	Samborondón (Ecuador)
Construction of the rainwater drainage system for a cycle path	Samborondón (Ecuador)
Construction of the sanitation system in the San Nicolás facility	Samborondón (Ecuador)
Construction of a waste treatment plant in the Amagua building	Samborondón (Ecuador)
Construction of the rainwater drainage system in the Entreríos-Bocca area	Samborondón (Ecuador)

*Continued*

## Quality and service

ACTIVITY	MUNICIPALITY
<b>SANITATION (PURIFICATION)</b>	
Improvement in the treatment capacity of the WWTP peat layers	Cabanillas de la Sierra (Spain)
Widening of the WWTP of La Poveda	Arganda del Rey (Spain)
Improvement in the treatment capacity of the WWTP	Torremocha del Jarama (Spain)
Actions to develop the National Water Quality Plan in the WWTP	Miraflores de la Sierra (Spain)
Construction of the Third Line at the WWTP	Galapagar and Torreloz (Spain)
Supply and installation of equipment for third-party discharges	Yaiza (Spain)
Replacement of the recycled water pumping equipment for irrigation at the WWTP	Tías (Spain)
Renovation of the recirculation intake of the WWTP	Tías (Spain)
Construction of a WWPS in the El Encanto and San José II neighbourhoods.	Barranquilla (Colombia)
<b>REUSE</b>	
Supplying irrigation water with reused water from the Culebro General System. Phase II	Getafe, Alcorcón, Fuenlabrada, Humanes de Madrid, Leganés, Parla and Pinto (Spain)
Supplying irrigation water with reused water in Colmenar Viejo. Phase II	Colmenar Viejo (Spain)
Repair of the fencing around the reservoir of the Maneje tank	Tegui (Spain)
Removal of the floating cover of the reservoir of the Maneje tank	Tegui (Spain)
Repair of the fencing for recycled water IRYDA (National Institute for Agricultural Reform and Development)	Tegui (Spain)
<b>OTHERS</b>	
Extension of the Amagua building	Samborombón (Ecuador)

Canal Group invested **€257 million** in infrastructure in 2015



▲ Meter installation jobs in Colombia



▲ Piping installation jobs in Brazil

## Quality and service

### New contracts awarded in 2015



#### Panama

- **Los Pozos (Province of Herrera):** DBOM of the municipal supply system – 6.2 million euros
- **Panamá Metro, Panamá Oeste and Arraiján:** Meter reading contract for these three areas – 10.2 million euros

#### Colombia

- **La Guajira:** Renovation of the technical support contract for the infrastructure and management programme of the drinking water and basic sanitation services (PDA) in the department of La Guajira, with the support of the World Bank – 1 million euros

#### Brazil

- **Nilópolis (Rio de Janeiro):** Continuation of the construction of the municipal sanitation network – 5.4 million euros
- **Magé (Rio de Janeiro):** Continuation of the construction of the municipal supply system – 13.7 million euros
- **São João de Meriti (Rio de Janeiro):** Reform and expansion of the micro and micro rainwater drainage system networks of the municipality – 23 million euros
- **Alagoas (Rio de Janeiro):** Collection of overdue portfolio services for the company Casal – 0.7 million euros
- **Espirito Santo (Rio de Janeiro):** Hydrometer reading contract for the company Cesan – 0.09 million euros
- **Manutenção Centro (Rio de Janeiro):** Maintenance services and operation of the supply and sewage systems of the central area of Rio de Janeiro – Lot 1 for CEDAE – 30 million euros
- **Manutenção Electromecánica (Rio de Janeiro):** Electromechanical maintenance services of supply and sewerage treatment stations for CEDAE – 5.8 million euros
- **Consortio Módulo (Rio de Janeiro):** Reading, installation of hydrometers, invoicing, suspension and re-installation of the services of lots II and III for CEDAE – 26.3 million euros
- **Rio Resolve (Rio de Janeiro):** Administrative collection of overdue portfolio from customers for CEDAE – 5.4 million euros



#### Spain

Furthermore, on **1 April 2015, here at Canal Gestión we resumed service in the city of Cáceres**, which was already a branch of Canal Gestión in the past.

The concession was awarded for a period of 24 years.

## Quality and service

In 2015, we launched the **Canal Gestión app**, which allows customers to view the bills issued to them, request a review of said bills, make payments, notify us of breakdown or provide us with their meter reading by sending a photograph, email a request, etc., all on their mobile device.

### We are improving our customer service

We want to offer a high-quality service to our customers based on proximity. All of the Group companies promote the use of telephone campaigns, particularly those that allow us to directly inform the customer of anomalies observed in their consumption, which results in early detection of potential leaks in their installations and helps minimise the financial impact both on the consumer and on the damage that could be caused to their property. At Canal Gestión, we are proud of the success of the **proactive customer debt management system** that we introduced in 2015, having substantially minimised debt in itself as well as cut-offs for non-payment. At Canal Gestión Lanzarote, we have modernised the *call centre* service and we are carrying out more **language training with our customer service staff**. In Latin America, they are working very hard to strengthen online communication with banks (payment button and gateway and automated payment systems).

The **communication channels** are adapted to the times and the development of new technologies. This year at Canal Gestión, we have created a specific **email address** with a view to making it easier for users to send their requests and associated documents. This has reduced the number of visits to the

sales offices, allowing us to utilise this space for cases that require a physical meeting with the customer to deal with the case in more detail. At the same time, we are continuing to use this same tool alongside **SMS** as means of notification, or the use of **WhatsApp** and the **online chat** for reporting leaks and breakdowns in certain companies of the Group.

In 2015, we launched the **Canal Gestión app**, which allows the customer to view the bills issued to them, request a review of said bills, make payments, notify us of breakdowns or provide us with their meter reading by sending a photograph, email a request, etc., all on their mobile device.

Also noteworthy is the increasing development of the **Virtual Office**, where customers have easy access to the company and can request information about their contract or manage their account. It is being used by ever-increasing numbers.

In addition, the use of **electronic billing** is becoming the quickest and most reliable service for users, and significantly contributes to the sustainable development to which all of the Group companies are committed. **At Canal Gestión, the use of e-billing increased 70% compared to the previous year.**



## Quality and service

Motivated by a desire to improve our processes, last year at Canal Gestión we set up a **Complaints Office**, which operates under the "single teller window" principle, centralising the task of dealing with all complaints received. A **comprehensive view of user dissatisfaction** allows us to streamline the procedures, identify weaknesses in our processes, strengthen staff training and foster bonds between the different departments of our organisation, all with the end goal of improving customer satisfaction. In 2015, we met our goal of resolving 95% of claims and complaints received within 30 calendar days, with the average accumulative resolution time

being 16 days. Additionally, the strengthening of the systematic improvements to meter reading introduced in recent years (Lean, process re-engineering or consumption audits) have enabled us **to improve the efficiency of the readings, exceeding 97% for the first time**. In turn, these advances have afforded us an **all-time low, recording in 2015 only 14.3 complaints per thousand contracts**.

Overall, **complaints received about bills issued at Canal Group declined from 0.44% in 2014 to 0.38% in 2015**. This means that we received fewer complaints, despite having increased the number of bills by 6%.



### CUSTOMERS IN TRIPLE A BARRANQUILLA

For five years, Triple A Barranquilla has been working on strengthening a service culture based on comprehensive and simultaneous management of being, doing and knowing within the framework of the *Gente Máxima* programme. It has reached 9,000 hours of training for over 100 workers, which is the result of having the departments of the organisation focus on a common goal: **to increase the level of satisfaction of our customers**.

By implementing these strategies, the *Gente Máxima* programme has leveraged the positioning of the company as a **cutting-edge organisation** with one of the best 24/7 *call centres* of domestic public utilities companies, **recognised at a national level due to the quality of the services provided and the high levels of customer satisfaction recorded**.

Furthermore, the company has been working with the customer retention programme *Supercliente*, which aims to promote the culture of excellent customer service and focuses on educating a new generation that is more responsible with regard to the payment of water and wastewater management services.

In its beginnings, the programme covered 18% of the total residential consumer segment, a figure that has now reached **33%, represented in 130,000 users**.

Over 600 partnerships with commercial establishments, restaurants, healthcare institutions and others, on top of the 840 fairs where the company has launched its message, make the programme a **success within the community**.



## Quality and service

**We set ourselves targets**, defining actions to be taken and measuring the time it will take to implement them. The level of compliance of the **service charters** is a daily challenge for many of our companies: Canal Gestión, UTE Alcalá, Triple A de Barranquilla and Metroagua, with common targets and with a very high level of compliance. To achieve this, we work hard so that all of our employees, whether they work directly with our customers or not, may take part in the **public service vocation inherent in Canal de Isabel II Gestión Group**.

**Customer satisfaction levels in terms of the service they receive are very high: on a scale of 1 to 10, they give us a score of 8.** Over 2015, more specific surveys were carried out, such as those executed by

Canal Gestión to find out the opinion on the provision of free bottles of water in the event of a supply disruption, or those involving a sample of customers that were assisted by the Customer Ombudsman or the Complaints Office. Interpreting these results will help us continue to improve our processes.

In the Group companies we notice a **constant increase in new sales offices (18 more than last year)**, mainly in the companies where we began service provision or widened the coverage of the service. This, combined with the outreach campaigns of the provisions that are gradually added to our sales management model, are support services that are implemented with the end goal of offering the best possible service.



▲ Customer being served at a sales office of Canal Gestión

## Quality and service



### NEW CONTRACT WITH THE CUSTOMER AT CANAL GESTIÓN

At Canal Gestión we have amended the contract with our customers. The new legislation for the defence of consumers, more protectionist with our users, demanded greater obligations from us and, in addition, that we provide pre-contractual information in cases where the telephone service is used for service contracting. We took advantage of this opportunity to draft a **more explanatory contract**, with a section of general terms and conditions that informs customers in detail about the factors that affect them: billing, service terms and conditions, grounds for termination and suspension of supply, right to abandonment, etc. and that presents the criteria for the fight against bad debt and fraud.

In addition, this is a **more versatile contract**, that includes the full cycle of water from a **broader perspective**, supported by some general terms and conditions that are specifically adapted to the services that we provide to the customer's premises. Therefore, with a single contract model, it is possible to bill only for purification, for example, in cases where we provide this service, but the supply comes from well water.

It provides **clear and accurate information on the rights and obligations** of both parties. The Council for Consumer Affairs of the Region of Madrid ruled favourably on the same and it has been recorded on the General Terms and Conditions of Contract Register.

### PROGRESSING IN AGREEMENTS WITH RESIDENTIAL ESTATES

**There are 500 residential estates in the Region of Madrid** built in the 1950s, whose supply networks are very run-down due to the materials that were used at that time and a lack of maintenance. 80% of these are supplied from the general system of the Region of Madrid and the rest from underground intakes. We maintain different levels of management with them: from supplying them water via a single meter, which pushes us to the limit of our competencies, to taking on the entire management of the area.

**The residential estates are gradually joining our area of management as the water infrastructures are adapted to technical regulations** that apply to this kind of installation, which is a necessary condition for Canal Gestión to take on its management. To this end, two provisions have been established. The first provision ensures that the residential estate obtains enough credit so that it can carry out the adaptations/renovations by contracting it directly. Then it will present the works project to Canal Gestión to ensure its technical compliance. If it fulfils the requirements, Canal

Gestión will simply oversee and monitor development of the works and connections. This process is used in all of the new urban developments. The second provision requires the participation of the municipality in which the residential estate is located, as it must host the water infrastructures to entrust Canal Gestión with their usage, maintenance and renovation works. An agreement is signed so that the financing of the works is carried out by adding a surcharge to the water bill, specifically approved to amortise the renovation works in ten years.

Over 2015, **eight agreements** of this kind were signed and **there is an ever-increasing demand and ongoing negotiations**, since financing the works is comfortable for the residential estate and there is a maximum guarantee for the execution of the works, as Canal Gestión is in charge of bidding and awarding the same.

## Quality and service

Canal Gestión was the **first Spanish company** devoted to the management of the full water cycle to have a **Customer Ombudsman**

Canal Gestión Lanzarote also has a Customer Ombudsman

### Customer Ombudsman

The Customer Ombudsman is a clear example of our conviction and strong belief in the need to improve the service that we provide to our customers, offering them another chance to analyse and study their case and to resolve any disagreements that could not be reconciled through normal procedures.

The Ombudsman's office thus offers the chance to have a second hearing and review of a previously offered resolution. New factors or arguments can be put forward by the customer to study the issue in more depth and enable a new interpretation of the

events, **which brings us closer to our main stakeholder group and demonstrates our commitment.**

The Customer Ombudsman issues an annual report that includes recommendations and proposals to the company on how to improve the service quality and thereby better meet the expectations of its customers. All of the Customer Ombudsman's actions are governed by the **principles of autonomy, equity and justice**, especially ensuring that the customer-company interactions are in good faith and cordial.

### Our product

Canal Group Gestión companies have established a **strict monitoring programme from the origin of the water supply to its ultimate delivery to the consumer**, with the sole aim of ensuring its safety at all times.

This programme is designed to monitor the quality of the water intended for human consumption, before and after the treatment process and during its distribution to users. This allows us to maintain a **permanent alert system via a network of automatic monitoring stations**, strategically located in places such as treatment station exits, large tanks and important junctions in the distribution network.

Canal Gestión is aware of the importance of taking care of its resources during storage, therefore it has set up an **intruder surveillance and monitoring system as an extra security measure**. In the case of large dams, the appropriate emergency plans have been put in place, which consist of establishing the means and resources to control their security, executing timely corrective measures and notifying the bodies involved as well as the people that may potentially be affected. These emergency plans for dams provide the mechanisms to minimise any potential damage that may arise from an incident at one of them.

In the event of **discharges into the sanitation system**, the most polluting companies are located and permanent contact is set up in order to propose corrective measures, including purification prior to the entry of the discharge into the WWTPs. Subsequently, the monitoring of the **discharge of the wastewater** into the riverbeds is subject to exhaustive control procedures by the relevant authorities and by ourselves.

As for the monitoring **of the water quality** prior to distribution and after its usage, it is important to highlight the number of continuous analyses carried out – 6,096,960 in 2015 – which is **one analysis every five seconds**.

This activity supports the daily task that is carried out in the **Water Quality Laboratory**, which has established a strict monitoring programme with the goal of ensuring the safety of the product at all times and which goes above and beyond the requirements in Spanish Royal Decree 140/2003 of 7 February, that sets out the sanitary criteria for the quality of water for human consumption. Their managers represent us before the health-related Administration bodies, such as the Health Council of the Region of Madrid and the Ministry of Health, and before other entities with similar or complementary



▲ A technician working in the Canal Gestión's Water Quality Laboratory

## Quality and service



Learn all about our water quality processes in just a few minutes at:

[www.canalciclointegraldelagua.es](http://www.canalciclointegraldelagua.es)

functions. Canal Gestión's desire to be at the **forefront of technological progress** is evident from the equipment in our water analysis laboratories, which boast the most modern analytical techniques.

In this way, **not only are the legal requirements complied with, but we also have the ability to predict future needs in analysing compounds of interest.** One example could be the acquisition in 2015 of the new liquid chromatography devices with a mass spectrometer to detect and quantify polluting organic compounds and gas chromatography with a hydrocarbon detector to detect them in the discharges.

Throughout 2015, at Canal Gestión we **made a 60% improvement in the quality parameters in removing nitrites compared to the previous year**, fulfilling our business plan to ensure the quality of the water for consumption. In 2016, we plan to continue making progress with this strategic plan, which is initially intended to last for five years, as well as other specific projects such as the launch of a study on the **behaviour of ammonium (NH<sub>4</sub><sup>+</sup>) in the network** and its relationship with the presence of the disinfectant in the same or the research into the behaviour of **active carbon filters** in relation to the presence of chlorine downstream.

Outside of Spain, it is interesting to note that **Triple A Barranquilla** has been acknowledged by the National Institute of

Health in Colombia **as being the company with the best water quality in the country**, and that at ASAA (where we have been operating for a little over two years) the Department of Health issued, for the first time, a favourable ruling on the water quality for the DWTP operation.

Also deserving of special mention is **Canal Gestión's Meter Verification Laboratory**, with a track record stretching over 100 years. It came about as a result of the Royal Decree of 6 February 1903, which stipulated that, henceforth, water would be supplied via the "free pipe with meter" method. The current facilities located in Majadahonda began operations in March 2001, and since July 2009 our Meter Verification Laboratory has been **accredited by the Spanish National Accreditation Body, ENAC**. As such, its test certificates have international validity. The laboratory has five test benches to verify meters and flow meters of diameters between 2 mm and 300 mm. With a flow that can reach 2,000 m<sup>3</sup>/h, **it has the largest capacity in Spain both in number of units (some 10,000 per year) and in flows and diameters**, making it a unique metrology infrastructure.



Our accreditations under ISO 17025 for testing and calibration laboratories.

 **Canal Gestión**

 **Triple A Barranquilla**

 **Metroagua**

Quality and service

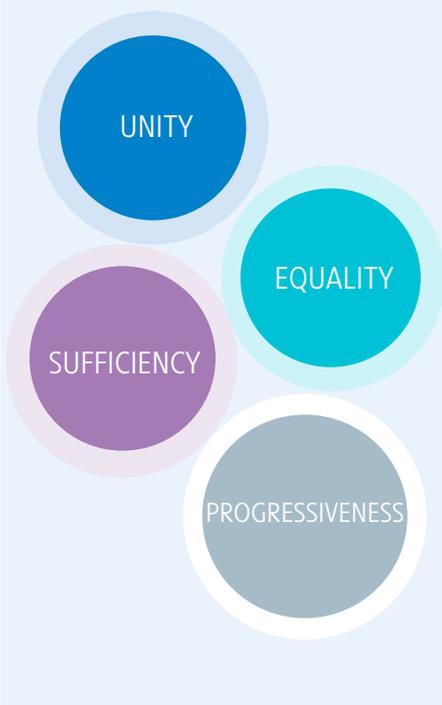
**NEW LABORATORIES FOR CANAL GESTIÓN**

The new peripheral laboratory located in Collado Villalba was opened in 2015. This laboratory will manage the analytical control of the northeast area of the supply, complying with the regulations set by the Health Authorities, and will address customer complaints.

Next year, we hope to begin building another new peripheral laboratory in the north, which will be the last of the four that will make up the **peripheral laboratory network for the analytical control of the supply**. In 2016, the location, design, construction, provision of furniture and analytical equipment will be determined, and eventually the operations will begin (taking samples and analysing consumption water samples).



Essential features of the TARIFF



**Tariffs and allowances**

The water tariffs of Canal Group companies are based on basic principles related to **promoting the responsible and efficient use of water, and pursues a fair and equitable tariff system**.

In the water sector, there are big differences in tariffs depending on the region or municipality where the service operates. Companies have issued proposals to update the tariffs to local councils and governmental consortiums or commissions depending on the country and/or region.

At Canal Gestión in particular, the Region of Madrid is responsible for setting tariffs, so we do not have the power to decide on how tariffs are set or updated.

The information on the websites and on leaflets in sales offices regarding *allowances* on the tariffs has led to an increase in the number of contracts in which any of the available exemptions apply.

In the other group companies, there are also other types of reductions in prices applied directly to tariffs that **pursue a more equitable distribution of what each group of users receives**. For more information on each type of tariff, their composition and updates, visit the *website* of each company.

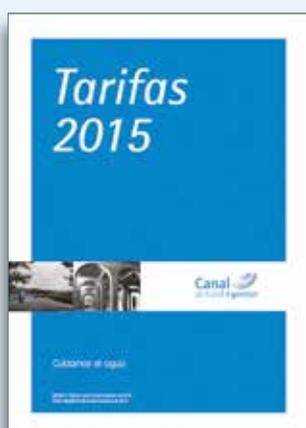
At Canal de Isabel II Gestión Group, we believe it necessary for the pricing of water consumption **to include operating, investment and environmental costs** relating to the water cycle

## Quality and service

### FEATURES OF CANAL GESTIÓN'S TARIFF

- **Progressive and subsidised:** adapting to different needs, promoting responsible use of water and subsidising those who most need it.
- **Differentiated by service and user group.**
- **Seasonal:** encouraging sensible consumption during periods of shortage and high consumption.
- **Committed to the environment:** consolidating a recycled water tariff and penalising pollution.
- **Binomial structure** (service fee and variable fee depending on consumption) **and bimonthly billing** (which enables us to react quickly to any variation).

### New series of tariffs for 2016



.....  
**0% increase** in all coefficients (fixed and variable) **across all services, uses and customers.**  
 .....

Application of the **"social tariff"** for all families receiving **Guaranteed Minimum Income** from the Region of Madrid.  
 .....

Application of the **large family/ household allowance** to households with **users** who are not holders of the contract.  
 .....

**Flat purification tariff** for self-supplying users that discharge into our WWTPs.  
 .....

#### Allowance applied to our customers

CANAL GESTIÓN	Large families and households
	Consumption saving*
	Social exemption
ALCALÁ UTE	Large families
TRIPLE A BQ	Social exemption

(\*) The allowance for consumption saving before 2015 was applied automatically by Canal. In 2015, the new series of tariffs now make it the client's responsibility to apply for such an allowance to Canal, with justification of the measures adopted.

### Social exemption

For the supply and sanitation services provided by Canal de Isabel II Gestión, S.A., contract holders may be subject to a bimonthly allowance of the total amount of the variable portion of their consumption —of up to 25 cubic metres (the equivalent of an average daily consumption of up to 417 litres)— and 50% of the total service fee if they demonstrate that they are unable to pay said amounts, through written certification issued by their social worker approved by the relevant Council Department with powers in this area. Alternatively, they must demonstrate, with the relevant documentation issued by the same Department, that they are beneficiaries of the Guaranteed Minimum Income in the Region of Madrid.

Said certification must be sent to the services of Canal de Isabel II Gestión, and it will be applied to the next bill issued as of the date of submission. This allowance will apply for as long as the contract holder's circumstances remain the same. The Managing Body may adopt measures to update the information regarding the status of the user in such cases. This allowance is compatible with those aforementioned.

Quality and service

A social tariff that subsidises those who need it most



## ¿Cómo entender la factura?

A continuación, desglosamos la factura y te explicamos los conceptos que figuran en ella.

### 1. DATOS DEL SUMINISTRO

Titular del contrato.  
Dirección de la finca suministrada.  
Destino del suministro. Indica el tipo de uso que se hace del agua: viviendas, industrias, locales comerciales, riego, extinción de incendios, etc.  
Datos del contador, Número del contador instalado en la finca (diámetro del contador expresado en milímetros).

### 2. IDENTIFICACIÓN DEL DOCUMENTO

Nº de contrato: Número que Canal Gestión asigna a cada cliente al darse de alta en este servicio.  
Este aparece en todos los recibos y comunicaciones que se le envían.  
Nº de factura.  
Fecha y lugar de emisión de la factura.

### 3. DATOS DE ENVÍO Y DESTINATARIO

### 4. LECTURAS Y CONSUMOS

Periodo facturado.  
Lectura del contador.  
Fórmula de cálculo del consumo.  
Consumo (en metros cúbicos).

### 5. FECHA DE PRÓXIMA LECTURA

Fecha en la que se realizará la próxima lectura del contador.

### 6. INFORMACIÓN SOBRE CONSUMO MEDIO Y COSTE MEDIO

### 7. HISTÓRICO DE CONSUMOS

### 8. DETALLE DE LOS CONCEPTOS FACTURADOS

Descripción amplia en el reverso.

### 9. IMPORTE TOTAL FACTURA

### 10. IMPORTE TOTAL A PAGAR

### 11. DESGLOSE DE IMPORTES SEGÚN PERCEPTORES

### 12. DATOS DE FORMA DE PAGO

**LECTURAS Y CONSUMO**

Periodo	Fecha de lectura anterior	Medidor	Lectura	Ámbito	Medida de consumo	Coste medio	UF
2015-08-01	2015-07-01	65.607	72.808		DIFERENCIA DE BOMBEO	1,708	

**FACTURA**

Concepto	Importe	Importe IVA
ABONOS	1.296,00	194,40
IMPUESTOS	175,00	26,25
<b>Total factura (I.V.A. incluido)</b>	<b>1.471,00 €</b>	<b>220,65 €</b>
<b>Total factura (I.V.A. excluido)</b>	<b>1.250,35 €</b>	



# 5.2

## Funding and capital markets



**Ratings**

FitchRatings **BBB+** "Stable outlook"

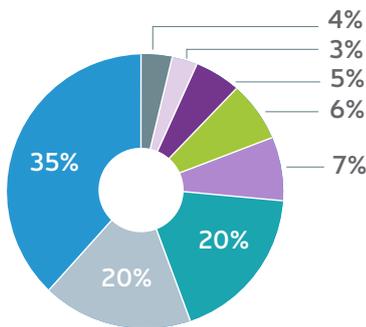
Moody's **Baa2** "Positive outlook"

In FY 2015, Canal de Isabel II Gestión continued with its **financial prudence policy**, basing its management on **sustainable growth** that balances investments made and funds generated, thereby ensuring solvency and viability.

As a result of its solid financial position, the *rating* agencies have maintained the rating and the perspectives of Canal Group.

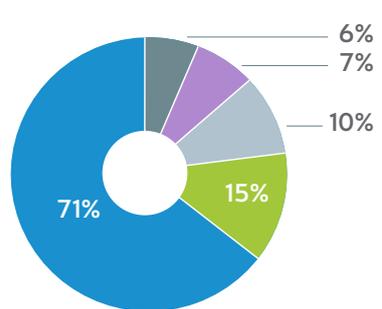
With the dual objective of diversifying the sources of funding and lowering financial costs, Canal Gestión successfully closed the conditions of **an issuance of non-subordinate, straight debentures amounting to 500 million euros, with a coupon of 1.68% and maturity in the year 2025**. The issuance was warmly welcomed by investors, **with a demand that exceeded over 6.5 times the offer**. The following is the distribution of the sale of debentures:

By geographic location



- United Kingdom and Ireland
- Spain
- Germany and Austria
- Benelux
- Switzerland
- France
- Italy
- Others

By type of investor



- Fund managers
- Banks
- Insurance companies
- Pension funds
- Others

## Funding and capital markets

In addition to this bonds issue, in FY 2015 Canal Group signed various long-term financing operations, the most significant of which are:

Country	Company	Total amount	Term	Interest rate
Brazil	Emissão	3.3 M USD (€3.0 M)	1 year	5.36%
Colombia	Triple A Barranquilla	17.473 M COP (€5.1 M)	7 years	DTF + 3.40%
Colombia	Inassa	15.000 M COP (€4.4 M)	5 years	DTF + 4.00%
Dominican Republic	AAA Dominicana	121.5 M DOP (€2.5 M)	3 years	9.44%

USD= US Dollar

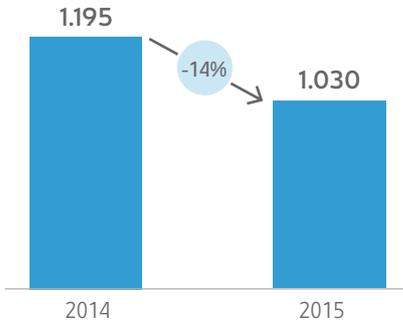
COP= Colombian Peso DOP= Dominican Peso

With the objective of optimising Canal Gestión's liquidity position, we have signed lines of credit amounting to 134 million euros with maturity in December 2016.

Entity	Limit (€)	Interest rate	Maturity
Caixabank	6,000,000	Euribor3M + 0.35%	23/12/16
Kutxabank	6,000,000	Euribor3M + 0.44%	16/12/16
Liberbank	10,000,000	Euribor3M + 0.50%	15/12/16
IbercajaBanco	6,000,000	Euribor6M + 0.50%	15/12/16
CajaRuralCastilla-LaMancha	10,000,000	Euribor6M + 0.50%	16/12/16
BancoSantander	26,000,000	Euribor3M + 0.60%	18/12/16
Cajamar	6,000,000	Euribor3M + 0.63%	28/12/16
Abanca	20,000,000	Euribor3M + 0.70%	18/12/16
Popular	6,000,000	Euribor1M+ 0.75%	16/12/16
Bankinter	6,000,000	Euribor3M + 0.75%	21/12/16
Sabadell	10,000,000	Euribor3M + 0.80%	18/12/16
Targobank	6,000,000	Euribor1M + 0.90%	30/12/16
BancoMareNostrum	6,000,000	Euribor3M + 0.958%	16/12/16
Bankia	10,000,000	Euribor1/3M + 1.1%	19/12/16

## Funding and capital markets

Net financial debt (millions of euros)

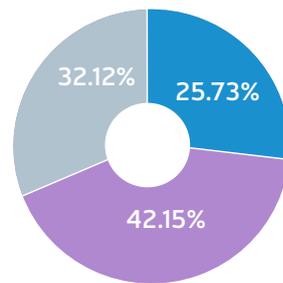


The net consolidated financial debt of Canal Group dropped 14% by the close of 2015, standing at 1,030,000 million euros, compared to 1,195,000 million euros at 31 December 2014, with an average weighted cost of 2.12% (20% lower than in 2014, which was 2.67%).

The strategy for the future is focused on further reducing the debt and improving the net financial debt/EBITDA ratio, which is 2.72 times the EBITDA at 31 December 2015.

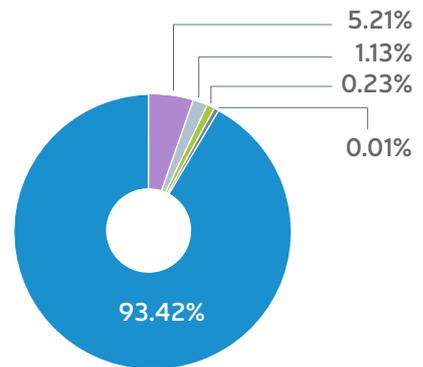
The issuing of debentures has brought about the need for diversification in sources of funding and a fixed/variable rate structure that reaches the objective set in order to overcome the foreseeable future increases in interest rates.

Financial instrument



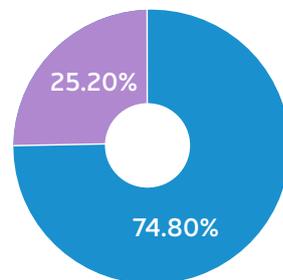
- Loans
- Bonds
- EIB

Currency



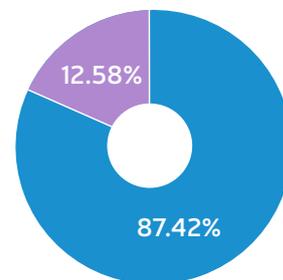
- €
- COP
- USD
- DOP
- RB

Fixed vs Variable



- Fixed
- Variable

Short term vs Long term

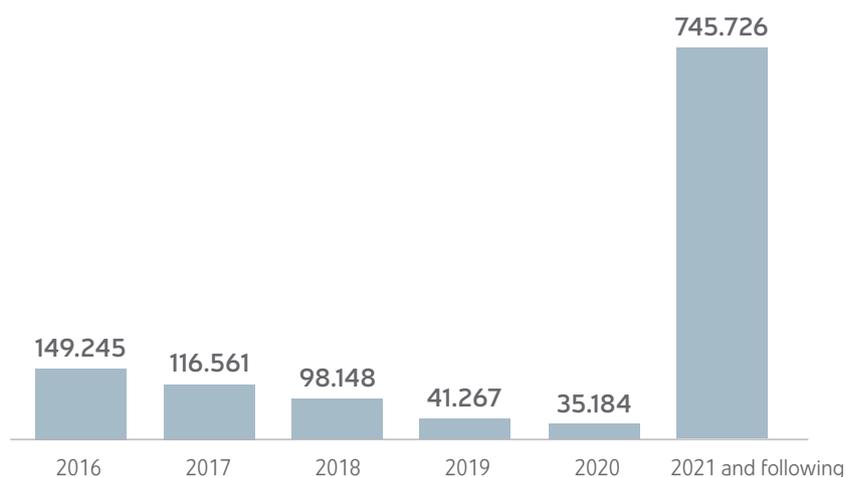


- Long term
- Short term

## Funding and capital markets

The issuing of debentures has also contributed to **extending the debt maturity profile** of Canal Group:

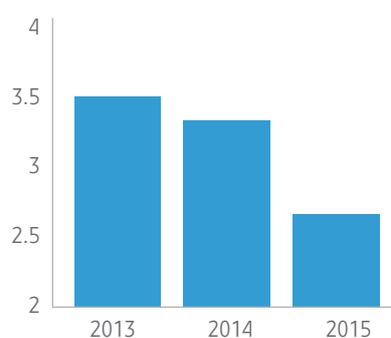
### Maturity profiles (thousands of euros)



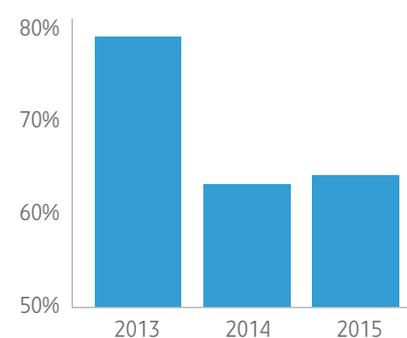
Financial prudence is essential in Canal Group's strategy, setting goals based on three key indicators that ensure **long-term stability**:

Financial Policy	Objective indicator
Net financial debt/EBITDA	<4x
Maximum net financial debt	<€1,200 million
Pay-Out	Between 50%-80%

### Net financial debt/EBITDA



### Pay-Out (%)



# 5.3

## Cutting-edge technology



Canal de Isabel II Gestión is a company at the forefront of technology, whose **innovative spirit is reflected each day in the progress made and in the renovation of the challenges that we take on** year after year, which could not be tackled without using the most up-to-date technologies.

### We look after our water

A large part of our innovative energies are devoted to the **different initiatives for the reduction of uncontrolled water within the Group**, which is the difference between the water that is supplied and that which is measured by customers' meters. This is a general problem across all of our supply systems. This task is multidisciplinary, with different lines of work that converge in the objective of maximising efficiencies in water usage. From reducing leaks and breakages, to detecting unmeasured consumption, improving the measurement quality and fighting against unauthorised usage,

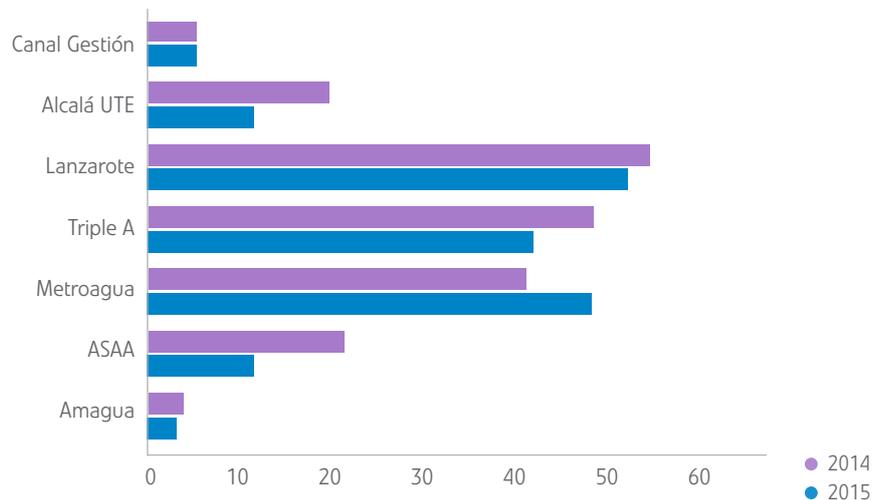
**technology** is a factor present in all of the tasks associated with this goal, which mainly revolve around **efficient management of sectors**. As the establishment of the sectorisation of the supply and distribution networks, the innovative efforts of the Canal Group are now focused on developing applications to interpret logs, the value of the information that is generated and its utilisation to improve the service.

The levels of loss and breakages in the distribution network, as can be seen in the graphs, present diverse values in the various companies of Canal Group.



See document *Strengths of a century-old company at the cutting edge of technology* at [www.canalgestion.es/es/Informacion\\_accionistas/Informacion\\_financiera/Informe\\_anual/2015.html](http://www.canalgestion.es/es/Informacion_accionistas/Informacion_financiera/Informe_anual/2015.html)

Estimated actual losses



NOTE: The graph shows the data for **estimated losses**, a figure that belongs to the concept of uncontrolled water, which is much wider, as it includes not only losses but also all other unmeasured water (fraud, self-consumption, authorised consumption, etc.).

## Cutting-edge technology



▲ Main Control Centre of Canal Gestión (Majadahonda)

In 2015, at Canal Gestión we managed to **reduce the percentage of uncontrolled water (-0.51%) and increase the percentage of billed water more than was expected (+1.07%)**, thereby fulfilling our business plan to reduce uncontrolled water. In 2016, we aim to continue making progress with this multi-year strategic plan, which also includes other indicators, such as the reduction of uncontrolled water by sectors and the reliability of the same.

The objectives of every Canal Group Company include reducing the percentages of uncontrolled water each year. A case that stands out is that of the Spanish subsidiaries, which managed to reduce their losses substantially since last year. **Canal Gestión Lanzarote, via the already launched renovation of the network of its main population areas, hopes to reduce uncontrolled water by approximately 15% in 2016.** In Colombia the **National Plan to reduce uncontrolled water was set in motion.** This sparked the creation of special units in the Group companies operating there and the launch of an overhaul of its internal processes, the first set of results of which have already been obtained. At Triple A Barranquilla, the levels of uncontrolled water decreased by almost 2% compared to last year and ASAA (Riohacha) attained a reduction of almost 5%. However, at Metroagua (Santa Marta) the losses increased as a result of the drought that affected the city and the problem in the network it caused. In Ecuador, Amagua holds a network efficiency rate of 96%.

At Canal Gestión, we have another multi-year business plan to improve the supply of drinking water, that will establish **strict control over the general piping and water connection breakage indicators and their impact and intensity rates**, closely monitoring the maximum number of times that a particular contract is left without water, the number of users affected or time with no supply due to a breakage. It is important to highlight the **decreasing trend in the number of breakages** in recent years, both in general piping and in connections. **This number dropped by 30% since 2010**, the year the business plan was launched. This downward trend is a constant in the majority of the Group's companies, aside from cases such as Canal Gestión Lanzarote, Metroagua and ASAA, who have seen their ratios worsen due to the age of the network and the renovation works that are being carried out.

The efficiency in the supply is not only focused on reducing losses. At Canal Gestión, we have already begun employing new techniques, based on applying neuronal networks, in order to **determine consumption patterns and identify end uses for water in domestic consumption.** This knowledge is of the utmost importance when it comes to being able to properly channel the diverse paths to educate citizens about using water responsibly. In the same vein, in Lanzarote and Ecuador, some of the meters are being substituted by electronic equipment that will facilitate a better understanding of consumption patterns, mainly of larger customers.

The **sectorisation** of the networks and the use of information on a sector level to reduce leaks, the **fight against unauthorised usage** and **the improvement of the measurement quality** of customers' meters are commonplace, with various levels of development, across all of Canal Group's companies. The efforts that are being made in this field, not only in Madrid but in Lanzarote and Colombia too, are worthy of attention. The information obtained from measuring the sectors is being put to good use to reduce leaks and fight against fraud, alongside an efficient renovation of the networks, extending micrometering to all customers and implementing a quicker breakdown service.

## Cutting-edge technology



Learn all about our water processes in just a few minutes at:

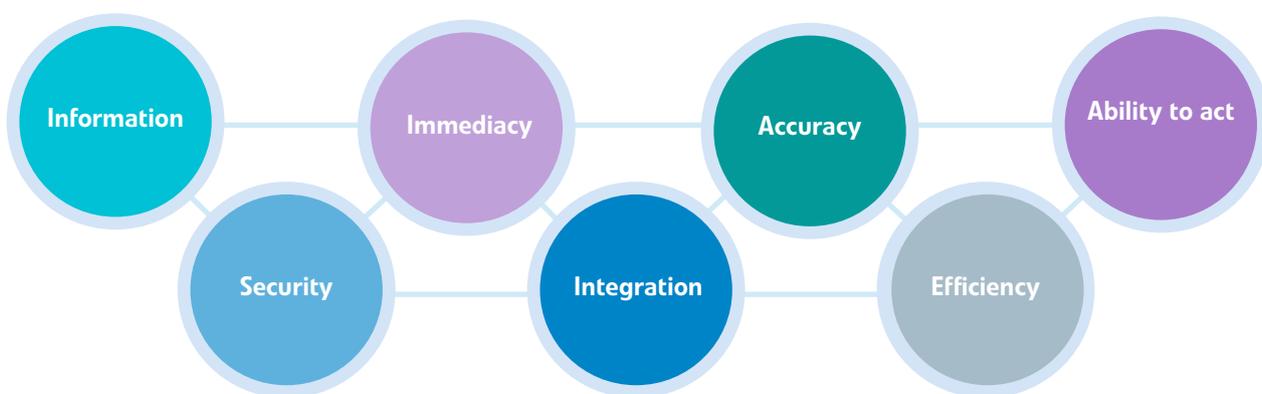
[www.canalciclointegraldelagua.es](http://www.canalciclointegraldelagua.es)

### Through our remote control system

The platform that enables us to monitor our water and that puts Canal Group at the technological forefront is its remote control system and the automation of its facilities. With over 22,000 sensors in 1,741 locations, supported by a network of the most up-to-date telecommunication technologies,

Canal Gestión's remote control system is the tool that underpins the monitoring of the infrastructures for the entire water cycle and has become a true **international benchmark**.

Our goal is to achieve the maximum combined level of the following attributes:



These are the fields in which Canal Gestión is working in order to achieve:

+ Information	2015 Milestones	2016 Goals	2020 Challenges
Widen the telecommunications network	Widening of the fibre optic network by 67 km	<ul style="list-style-type: none"> <li>Widening of the fibre optic network by 55 km</li> <li>Integration of 40 WWTPs into the network</li> <li>Completion of rollout phase 3 of the Tetra network, with 26 new stations (total: 108)</li> </ul>	Renovation of 10% of the fibre optic network
Widening of the remote control system	<ul style="list-style-type: none"> <li>77 new remote facilities (total 1,741)</li> <li>3,358 new sensors (total 22,943)</li> <li>Addition of 8 new remote control WWTPs and 2 DWTPs</li> </ul>	<ul style="list-style-type: none"> <li>Installation of 60 new remote control stations</li> <li>Addition of 3,000 new measurements to the remote control system</li> <li>Addition of 5 new remote control WWTPs and 1 DWTP</li> </ul>	100% of facilities remotely controlled <ul style="list-style-type: none"> <li>200 new remote stations</li> <li>9,000 new measures</li> <li>10 new WWTPs</li> </ul>

## Cutting-edge technology

### + Immediacy

	2015 Milestones	2016 Goals	2020 Challenges
<b>Improvements in incident management</b>	<p>Implementation of the mobile work order management system for:</p> <ul style="list-style-type: none"> <li>• Sewerage system-related incidents</li> <li>• Delivery of water tanks</li> </ul>	<p>Implementation of the work order mobile management system for:</p> <ul style="list-style-type: none"> <li>• Assessment</li> <li>• Health and safety in the workplace</li> </ul> <p>Implementation of a roadblock management system</p>	100% management of preventive and corrective maintenance across all facilities

### + Reliability

	2015 Milestones	2016 Goals	2020 Challenges
<b>Meter laboratory</b>	ENAC accreditation for the calibration of flow meters up to 300 mm	<ul style="list-style-type: none"> <li>• Flow meter calibration extension up to 500 mm</li> <li>• Calibration of pressure gauges</li> <li>• Fulfilling the requirements of a partner laboratory of the Spanish Metrology Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Flow meter calibration extension up to 800 mm</li> <li>• Leading laboratory in flow measurement in Spain</li> <li>• Setting up a system for monitoring, evaluating and calibrating the network monitoring flow meters</li> </ul>
<b>Availability of sector data</b>	8.6% increase in availability of flow measurement data in sectors (up to 86.6%)	Reaching 93% availability of flow measurement data in sectors Exceeding an overall reliability percentage of 75%	Reaching 95% reliability
<b>Availability of instrumentation</b>	0.9% increase in the level of availability (up to 98.2%)	Maintaining availability above 98%	Reaching 99% availability
<b>Availability of the telecommunications network</b>	Overall availability of 99.92%	<ul style="list-style-type: none"> <li>• Maintaining availability above 99.90%</li> <li>• Launch of a new monitoring system</li> </ul>	Overall availability of 99.95%

### + Ability to act

	2015 Milestones	2016 Goals	2020 Challenges
<b>Plant automation</b>	<ul style="list-style-type: none"> <li>• Automation and remote control of 22 new WWPSs</li> <li>• Automation and remote control of 5 new storm tanks</li> </ul>	<p>Implementation of combined WWPS/WWTP remote management of 11 systems</p> <p>Automation and remote control of:</p> <ul style="list-style-type: none"> <li>• 10 new WWPSs</li> <li>• 8 lifting plants in the distribution network</li> <li>• 2 new peripheral systems for recycled water</li> </ul>	<p>Implementation of combined WWPS/WWTP remote management of 76 systems</p> <p>Automation and remote control of:</p> <ul style="list-style-type: none"> <li>• 45 new WWPSs</li> <li>• 20 new storm tanks</li> <li>• 32 lifting plants in the distribution network</li> <li>• 18 new peripheral systems for recycled water</li> <li>• Central metropolitan network for recycled water</li> <li>• North-western metropolitan network for recycled water</li> </ul>

## Cutting edge of technology

<b>+ Security</b>	2015 Milestones	2016 Goals	2020 Challenges
<b>Remote control and communications assurance</b>	Complete redundancy in remote control and data networks	<ul style="list-style-type: none"> <li>• Introduction of a new IP call centre with redundancy</li> <li>• Location change of the redundant node of the telecommunications network</li> <li>• Security audit of the the remote control system</li> </ul>	Complete renovation of the head office communications hall
<b>Installation of surveillance cameras in WWTPs</b>	Installation of surveillance cameras in 4 WWTPs	<ul style="list-style-type: none"> <li>• Installation of surveillance cameras in 13 WWTPs</li> <li>• Procurement of a disaster recovery system to protect the industrial grid</li> </ul>	Installation of surveillance cameras in 100 WWTPs in total

<b>+ Integration</b>	2015 Milestones	2016 Goals	2020 Challenges
<b>Integration of information systems</b>	Integrated management of the full cycle of alarms and Water Sanitation Plans incidents with LIMS (laboratory information management system) and GAYA (incident management)	<ul style="list-style-type: none"> <li>• Integration of LIMS into sector dashboards</li> <li>• Integration of the management of operations of the different areas that are remotely managed from the control centre using a single tool</li> </ul>	Integrated management of the data analysis of operations on a single platform

<b>+ Efficiency</b>	2015 Milestones	2016 Goals	2020 Challenges
<b>Reduction in energy consumption</b>	Launch of three Tetra stations with wind-solar energy		Optimisation of HVAC systems in 100 communications centres
<b>Reduction in unregistered water</b>	<ul style="list-style-type: none"> <li>• Management of 242 distribution sectors focused on reducing unregistered water</li> <li>• 0.51% reduction to 16.98%</li> </ul>	<ul style="list-style-type: none"> <li>• Management of 395 distribution sectors focused on reducing unregistered water</li> <li>• A further 0.75% reduction to 16.23%</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive management of an entire drinking and recycled water distribution network based on division into sectors</li> <li>• Reduction in unregistered water to 11.5%</li> </ul>

## Cutting edge of technology

### Practical application of information technologies

At Canal Group, we understand information and communications technologies (ICT) as being part of the service we provide to our internal and external customers. As such, we work hard to overcome the challenges

with which we are faced on a daily basis both inside and outside of our organisation. Below is a summary of how Canal Gestión responded to challenges faced in 2015:

Category	What problems we have detected	What we did in 2015	What strategy we have to stay on track in the future
<b>Employees</b> 	Coordination of the various services in the management of employee travel	Implementation of a new system for managing authorisations and settling travel expenses	Utilisation of the model for managing small expense settlements
	Availability of information and data collection, and geopositioning in the field by technicians and operators	Implementation of a new meter reading solution via <i>smartphones</i> and extension via tablets of mobility to green area services, occupational risk prevention, collections and inspections. Addition of verification chip readings for elements of the network to work order forms	Extending the accessibility and usability of <i>smartphone</i> and tablet apps in order to provide all of the staff and collaborators working in the field with the necessary information and for collecting data, photos, videos and geopositioning
	Need to align and improve the ICT processes with the business	ICT Governance: The project governance plan for the IT service has been devised based on expectations and demands for ICT services by the various departments of the company	Development of Governance Plan projects
	Lack of knowledge on the IT capabilities and services for new employees.	Preparation of a course designed to get the most out of the current systems and understand the IT services.	Development of specific training packets for different groups, with a view to spreading the capabilities and knowledge of the IT systems.
<b>Customers</b> 	Need to improve communication channels with customers.	Digital transformation: Launch of an application for <i>smartphones</i> for customer sales processes	Expansion of the functionalities of the application, electronic communications and publication of service information.
	Low number of customers registering for online billing.	<i>Direct mail</i> campaign to encourage customer registration for online billing. The number of customers registered doubled, ending 2015 with 86,344 contracts registered for <i>e-billing</i> , which is 70% more than last year	Enhancement of the electronic communication channels with customers.
	Need to reduce customer debt.	Implementation of an outgoing call management system integrated with the sales system.	Proactive management of communication with the customer via different channels with the aim of reaching payment commitments to avoid interruptions to the supply.
	Need to comply with legislation driving online billing.	Implementation of online billing with Management, local and regional bodies and entities, and integration with the telematic presentation and registration system, designed to reduce bad debt, add flexibility and reduce costs.	-
	Launch of the concession in Cáceres	Installation and launch of the Cáceres branch: user equipment, office automation, communications, sales system, integration with the financial SAP and corporate HR systems.	Integration of the Cáceres branch with the rest of the corporate and operational systems

## Cutting edge of technology

Category	What problems we have detected	What we did in 2015	What strategy we have to stay on track in the future
<b>Security</b> 	Cybersecurity threats	Cybersecurity: <i>Ethical hacking</i> audit of the peripheral and Wi-Fi area, renewal of servers in exposed areas going from security level D to level A, review and reclassification of the information asset inventory, implementation of a system for the protection of confidential information	Reinforcement of perimeter security by implementing a new generation firewall, procurement and implementation of a security operation centre (SOC), development of the Security Master Plan project, development of the Remote Control and Telecommunications Security Master Plan, implementation of a management system for business continuity, extension of Business Continuity Plan to external centres.
	Possible improvements observed in IT security audit processes	Drafting of the design project of the new Data Processing Centre (DPC)	Execution of the refurbishment works and entry into service of the new DPC, implementation of an identity management system
<b>Improvement</b> 	Need to reduce energy consumption of computers	Energy Management in Computers and printers (EMC) implemented in Canal Gestión. The energy consumption of equipment has been reduced by 20%	Continue the process of optimisation of consumption in computers and the extension of the control system and savings for network equipment and servers
	Need for improvement in application performance	Expansion of user experience monitoring system in the use of Canal Gestión applications to identify possible improvements in applications	Extension to the different existing applications
<b>Compliance</b> 	Need to prove ICT management to third parties in relation to information systems	IT control: Audit of maintenance contracts applications. Drafting of 73 IT controls for ICFR	Launch of the design and effectiveness control tests and drafting the narrative of ICT processes. <i>Benchmarking</i> ICT service costs
	Need for financial consolidation in accordance with international reporting standards	Adaptation of the consolidation system to the IFRS model	Implementation of BPC system to INASSA as head of the group of international companies in accordance with IFRS

## Cutting edge of technology

A selection of the **main IT** projects in which we have worked and have been completed in 2015 is shown below, along with some others developed by other Group companies:



- Implementation of Energy Management in Computers and printers (EMC) in Canal Gestión.
- Drafting of a governance development plan of the IT function in Canal Gestión.
- Ethical *hacking* audit, renewal of servers in exposed area going from level D to level A, review and reclassification of information asset inventory and implementation of a protection system for confidential information in the field of cybersecurity of Canal Gestión.
- Drafting of the design project of the new Data Processing Centre in Canal Gestión.
- Expansion of user experience monitoring system in the use of Canal Gestión applications.
- Implementation of the new meter reading solution through *smartphones* and extension through tablets of the mobility to green area services, occupational prevention, collections and inspections in Canal Gestión.
- Entry into service of a *smartphone* application for citizen and customer management and in Canal Gestión.
- Audit of application maintenance contracts and drafting of the 73 IT controls in Canal Gestión for IFRS.
- Implementation of a new management system of authorisation and settlement of travel expenses in Canal Gestión.
- Implementation of a management system of outgoing calls integrated with the commercial system of Canal Gestión.
- Installation of 43 km of optical fibre for the remote control of Canal Gestión facilities.
- Installation and setup of users' equipment, office automation, communications, business system, integration in the financial SAP system and in corporate HR at the Cáceres branch.
- Inventory automation. Sub-meter GPS equipment and application for *smartphones* to capture information in Hispanagua.
- Installation of EBRUS system for budget management of contracts integrated with order management and delivery notes in SAP in Hispanagua.
- Customer-oriented digital transformation: digital invoice, facilitating online payment methods in Triple A in Barranquilla.
- Implementation of the new version of Web AMERIKA *software* in Triple A in Barranquilla.
- Launch of a portal for vendor registration in Triple A in Barranquilla.
- Implementation of the new version of Web AMERIKA *software* in Metroagua.
- Implementation of Dober tax information system in Metroagua.
- Adaptation of accounting *software* to international financial reporting standards in Metroagua.
- Implementation of SAP BO in ASAA.
- Payroll *software* implementation in ASAA.
- Implementation of the new version of Web AMERIKA *software* in ASAA.
- Implementation of improvements in infrastructure of the AMERIKA TI Data Centre.
- Implementation of processes for providing IT services in AMERIKA TI.
- Module development indicators in the AMERIKA TI programme.
- Implementation of the new version of Web AMERIKA *software* in Amagua.

## Cutting edge of technology

### CYCLO Project in Canal Gestión

Occasionally, duplicity has been observed in responses to customer communications, organisations and companies. The aim is for these to be unified, homogeneous and resolved by the stated deadline, regardless of the channels through which they are received. In addition, it is sometimes difficult to locate information regarding the same matter or proceeding. Finally, we were using an obsolete document management technology platform.

Thus CYCLO, the consolidation project of the new document management platform, was born. During 2015 we have developed the TRAMYTA application on CYCLO to manage all communications by customers, organisations and companies from their entry in the log, through its distribution to areas of competence, assigning tasks and alerts for deadlines to the different parties involved, and up to their log output.

From 2016 on we want to implement in the CYCLO platform the automation of different communications management processes with third parties through the different channels. In this way the actions required to meet the deadlines will be coordinated, keeping all associated documentation in accordance with the defined documented series, and enabling the search and retrieval of all documents relating to the files managed.

**The path of ICT development in other companies in the Group aims to achieve a degree of excellence on a par with that of Canal Gestión**, following its line of progress in the implementation of corporate management applications (mainly SAP in different areas) and in many cases developing its own solutions. This is the case of different applications for the management of vehicle fleets that is performed from the United Communications Channel in Spain or the proprietary *Amerika software* for business management in the Group companies in Latin America. It is also worth noting the launch of the **shared services centre by Amerika**, the technological Group company that provides support to Latin American companies (which lends its name to the business management

*software*), thus meeting the objectives for which it was born: self-sustainability and corporate cost savings.

**Canal Gestión, as head of the Group**, performed the preliminary work to carry out a project analysing **IT in the Group companies in 2016 and to define and implement an overall model**. With this project, we sought to design and subsequently implement, based on the corporate strategy, as well as on the mission and vision of what IT must provide, an overall corporate model for providing IT services across all Canal de Isabel II Gestión Group companies.

### Investigating constantly and as a team

Beyond the specific projects presented below, it is worth noting the role that R&D+i plays in the Group by standing at the forefront of technology. In this financial year 9 activities and research projects have been taken on which, in addition to those already initiated in previous years and the collaborations already in place, total **34 active projects** throughout the year.

Furthermore, **knowledge, research and innovation reach the highest degree of development when shared**. Fully aware of this, Canal Gestión participates in national and international committees, leading or collaborating in the development of R&D+i such as TRUST, SENSOTUBO (\*), ARTICA4nr, and also in other domestic and international scientific and innovation forums like AEAS and IWA, as well as in other forums such as the Committee for Standardisation of Smart Cities and *Smart Water Network Forum*. Combining the development of innovative projects with the dissemination of the knowledge generated, new issues of the

R&D+i Notebook collection are still being published, reaching **22 publications** as of 31 December 2015.

During 2015, from Canal Gestión the following **background work lines have been maintained**:

- Increasing internal visibility of the R&D+i activities, through stays in the Sub-Directorate, sharing the portfolio of ongoing projects, launching a distribution line of internal documentation on innovation and including all notebooks in the *website*, both in Spanish and English.
- Increasing the involvement of operational areas in R&D+i, through the creation of an operational links committee and the project portfolio of operational innovation, or the preparation of the *Smart Water City* document. 19 areas of the company have been involved in R&D+i projects.

(\* Optimisation system of networks for the transport of water, supported by the Ministry of Science and Innovation (current Ministry of Research, Development and Innovation of the Ministry of Economy and Competitiveness) through the INNPACTO 2011 sub-programme, record IPT-2011-0725-310000.



## Cutting edge of technology

That is, a **major effort has been made to move towards a culture of innovation**, and the **number of active R&D+i projects** has increased, as shown below:

### Introduced in 2014 and completed in 2015.

- Development of technologies for sustainable transition of urban water services (TRUST)
- New planning system for the renewal and adaptation of the supply and distribution network
- SENSOTUBO. Optimisation system of networks intended for transporting water
- Development of a simulator to optimise the operation in the WWTP at Navarrosillos

### Introduced and completed in 2015.

- Identification of pipes through aerospace remote sensing techniques
- Canal de Isabel II Gestión approach on *Smart Water City*

### Introduced in 2015 and being developed

- Sectorisation plan of supply networks
- Study of the evolution of demand and explanatory factors
- Development and update of hourly consumption models by sectors of the supply network
- Development of analysis tools of the supply and distribution network
- Analysis and risk management for the purpose of supply and distribution
- Determining patterns of breaks and structural faults in distribution networks, unique elements, connections and measuring sets
- Development of water quality simulation models in the supply network
- Development of a self-healing biofilter for removing odour-causing compounds in supply reservoirs
- Use of remote detection to control water consumption and outdoor water use information
- Study of the thermal behaviour of the set of measures against freezing. Pilot experience on solutions to prevent freezing of meter boxes
- Analysis of the influence of renewal on the accuracy of meters
- A multi-variable advanced control solution for the sustainable functioning of urban WWTP in nutrient removal (4NR ARTICA)
- Development of a pattern recognition system for the identification of end uses of water in domestic consumption
- Early warning system for extreme rainfall
- Implementation of an advanced system for the operation of the sanitation system at Manzanares
- Observability study to estimate the water status of the sectorised supply network
- Assessment of the potential formation of nitrosamines, specifically n-nitrosodimethylamine (NDMA) as a result of chloramination, and development of analytical prevention and early warning tools in reservoirs
- Analysis of hydraulic transients in the supply network
- Verification of the hydraulic and power models of the distribution network
- Calculation of the resilience of the supply and distribution system

## Cutting edge of technology

The innovative drive is also beginning to take hold in other Group companies. Such is the case of **Triple A in Barranquilla**, which through the **Innova Programme**, during 2015 analysed 7 projects presented by company staff, awarding the first two prizes to the solutions proposed for the reform of the sifting machinery of a WWTP and to

develop a piece of *software* for optimising energy in the pumping system to distribution networks. The programme has already been running for 4 years, generating significant added-value for both the company and employees.

### For the next few years:

For the next few years, and after approval of the **R&D+i Strategic Plan**, Canal Gestión intends to continue making progress in several fields such as:

- Observability of the supply system, critical infrastructure analysis and mitigation proposals
- Assessment of energy use in the supply and distribution network and alternatives to a zero energy balance
- Analysis of useful and profitable lives of meters and pipes
- Observability, detection and management of abnormal issues
- Alarm management systems for drainage due to heavy rain and integrated management system of storm tanks

In addition to other research areas that allow to continue promoting and sharing innovative culture within the company.



▲ Attendees of a recent European project participated by Canal Gestión

# 5.4

## Environmental Conservation



The Canal Isabel II Gestión Group spares no efforts in contributing to the achievement of the **Millennium Development Goals** and the **European and Spanish strategies for sustainable development**.

We are committed to the proper management of water resources, raising environmental awareness and control over its related activity, which particularly affects **Objective 6 of the Sustainable Development Goals** (United Nations, 2000).

Our main reference, Directive 2000/60/EC of 23 October, called the **Water Framework Directive (WFD)**, establishes a European framework for action in the field of water policy. This water planning now provides a more comprehensive and integrated perspective on water management, combining environmental protection and recovery aspects with those of use and use of resources. The WFD is divided into three axes: **environmental sustainability, economic rationality, and transparency and social participation**.

In the Spanish case, **Law 10/2001 of 5 July of the National Hydrological Plan** is the instrument for tackling problems that cannot be resolved using a single planning approach.

The second cycle of the plan covers the 2015-2021 period and is included under Royal Decree 1/2016 of 8 January (RDPH). The programmes of measures included in the plans, which are compulsory and binding, are summarised in the corresponding appendix to the regulations of each hydrological plan, and are developed in detail in its report.



## Environmental conservation

### Canal Gestión's response to the WFD

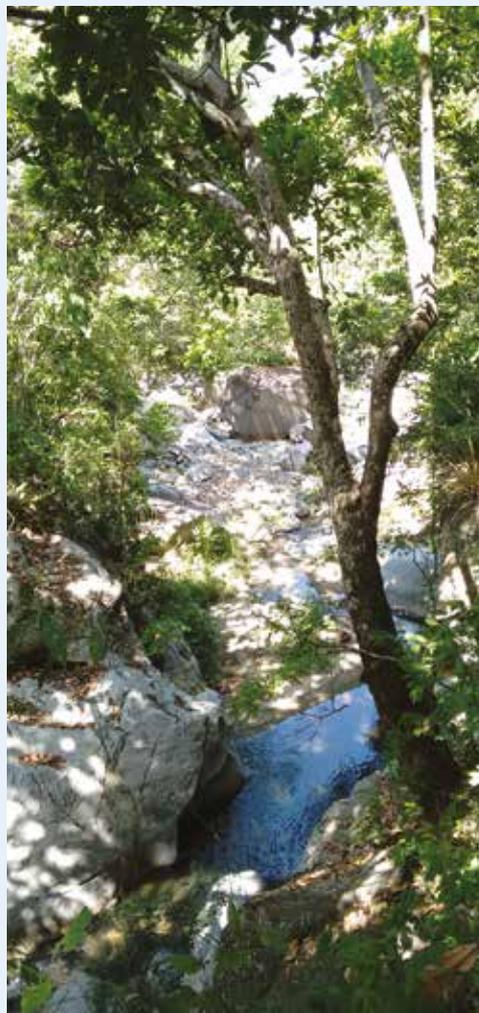
In response to the National Hydrological Plan, at **Canal Gestión we have assessed, designed and planned an extensive programme of measures.** This programme consists of 103 actions related to supply, sanitation and purification, WWTP and reuse of purified water for urban and industrial use, which represents an **investment of €1,500 million euros in the 2015-2021 cycle.**

Of note is the effort made in this second cycle to develop the **Plan for reducing nitrogen in effluents from wastewater treatment plants,** which helps to ensure the good ecological status of water bodies of the demarcation.

At the same time, and in the same spirit of caring for water bodies, Canal Gestión launched the **Business Plan for the intensification of resources from the Guadarrama River to the Valmayor reservoir,** and we have managed **to substantially reduce the energy consumption** required by the pumping from the Alberche River.

With the approval of Royal Decree 270/2014 of 11 April concerning the Hydrological Plan of the Spanish side of the Tagus River, the **environmental flows** of the following bodies of water were set in the new plan for 2015: Jarama River downstream of El Vado dam, Lozoya River from the El Atazar reservoir to the Jarama River, and Manzanares River from the Santillana reservoir to the El Pardo reservoir.

In 2015, environmental discharges to the Jarama, Lozoya and Manzanares rivers represented a total volume of 60 million cubic metres. Given the flow rate provided in other river sections for which there are still no specific studies, it can be said that **in 2015 we have contributed to the conservation of river sections with a total of 66 million cubic metres.**



**Canal Group undertakes to treat the environment, through all its activities, in a responsible, rational and sustainable manner.** We manage our facilities applying sustainable management criteria and we carry out our work conducting relevant environmental impact studies in each case, striving to rationalise consumption of materials and energy, trying to avoid waste and atmospheric emissions, managing waste properly and regularly controlling noise and odours.

The commitment of the Group regarding the **dissemination and accessibility** of environmental information on its activities is mainly shown through **our websites, where you can find extensive information on the handling of the water cycle and environmental care.** Furthermore, at Canal Group, since we are in constant contact with our stakeholders, we are flexible and transparent in answering requests for information on the environmental performance of the company.

## Environmental conservation

### NATIONAL PLAN FOR WATER QUALITY IN CANAL GESTIÓN

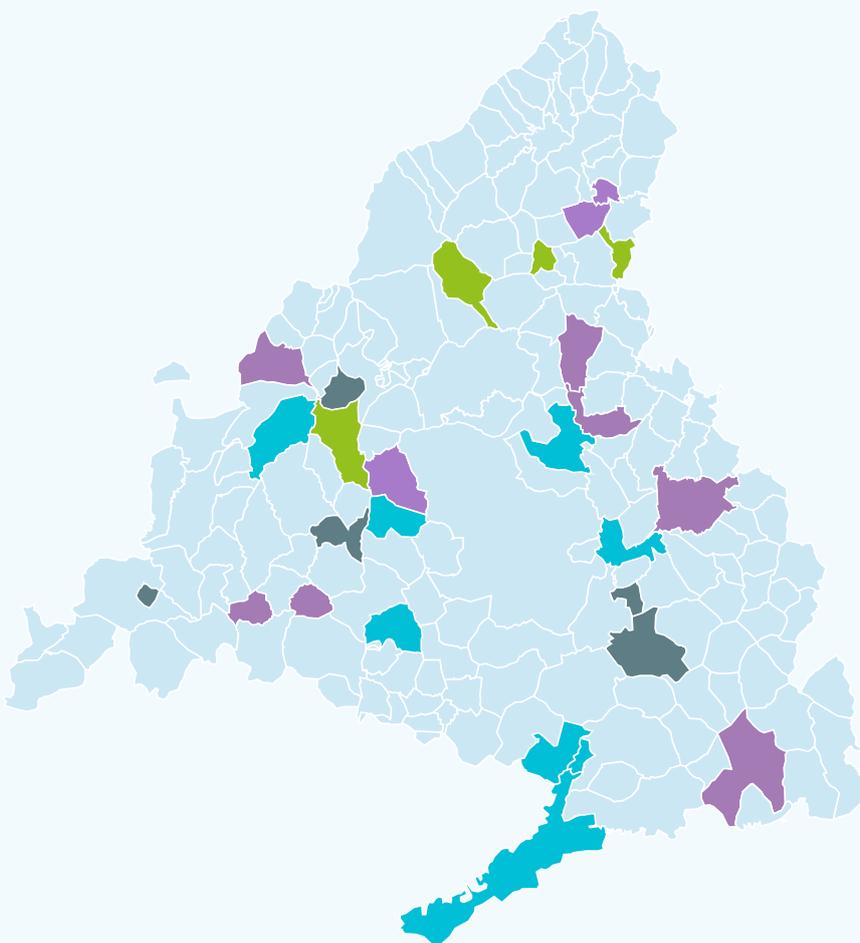
The NPWQ is structured as a set of actions aimed at **reconciling our treatment plants to the objective included in the Water Framework Directive** (Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000): **contributing to improving and maintaining the good ecological status of water bodies.**

In this regard, the Tagus Hydrographic Confederation has included our list of measures in the current Hydrological Plan, which includes the remodelling of the treatment plants whose treated effluents are discharged into the identified and modelled bodies of water, within the water

basin so that the features of these discharges are in line with the required quality in these bodies. Fundamentally, in the first phase, the actions consist of providing the WWTP with nitrogen and phosphorus reduction treatments.

Canal Gestión has been working on this line, although focusing on data in the past 5 years in which we have addressed the project, contracting and implementation of about 50 plants.

#### National Plan For Water Quality (NPWQ)



#### ● COMPLETED ACTIONS 2015

WWTP Cabanillas de la Sierra  
WWTP Torremocha del Jarama  
WWTP Miraflores de la Sierra  
WWTP Galapagar-Torrelodones

#### ● ACTIONS IN PROGRESS

WWTP Villarejo de Salvanés  
WWTP El Molar  
WWTP de Algete II  
WWTP Las Matas Los Peñascales  
WWTP El Chaparral  
WWTP Cervera de Buitrago  
WWTP El Berruoco  
WWTP Alcalá Oeste  
WWTP Villamantilla  
WWTP Sevilla la Nueva

#### ● TENDER ACTIONS

WWTP Aranjuez Sur  
WWTP Titulcia  
WWTP Sotogutierrez  
WWTP Arroyo del Sotogutiérrez  
WWTP Casaquemada  
WWTP Los Escoriales  
WWTP El Plantío  
WWTP Arroyo de la Vega

#### ● FUTURE PLANNED ACTIONS

WWTP El Endrinal  
WWTP La Poveda  
WWTP Picadas  
WWTP Velilla de San Antonio  
WWTP Guadarrama Medio  
WWTP La Acebeda

## Environmental conservation

### Water footprint

The issues of our water systems is linked to human consumption of fresh water, so the scarcity or pollution of water resources can be better understood and managed by taking into account the water cycle from a global perspective.

Water problems are often closely related to the structure of the world's economy. Many countries have significantly externalised their water footprint when importing goods from other places where a high water content is required for their production. This fact creates great pressure on water resources in the exporting regions, where there is often a lack of mechanisms for good governance and conservation. **Canal Group is aware of this and is firmly committed to achieving an increasingly excellent standard of management of water resources.**

In Canal Gestión we focus our actions on the water footprint in two fields:

- 1) **The efficient use of water resources** in the supply of drinking water and reducing the pollutant load in water bodies through sanitation and treatment of wastewater.
- 2) The permanent control of the resource and the effective management of infrastructures are complemented by the strengthening **of specific corrective measures**, such as advanced wastewater treatment focused on nutrients, water reuse to release pre-drinking resources, reducing consumption with public awareness campaigns, reducing uncontrolled water rates, network sectorisation for pressure optimisation, etc.

It is worth noting the pioneer and **national reference project** that we will complete in Canal Gestión in 2016, consisting of the **start of production of the plant for phosphorus reduction by controlled precipitation of struvite in the south treatment plant of the Region of Madrid**

### Observing the rules

In Canal Gestión we have procedures for identification and access to the requirements of environmental laws and for the periodic assessment of their compliance, under the implemented and certified **environmental management system framework**.

**The Water Framework Directive** and its transposition into national legislation by Royal Decree 509/2007 establish the conditions and objectives of the quality of wastewater discharges in effluents, defined in the Wastewater Discharges granted to the 156 WWTPs that we manage in Canal Gestión. Right away we initiated the business plan for the adaptation of certain wastewater treatment plants to the **quality requirements of discharges demanded by the WFD**, where 147 of our 156 facilities reached the agreed 80% rate in 2015. The aim is to achieve the degree of adaptation expected for 100% of the facilities by 2020.

**In 2015, managing 156 wastewater treatment plants, only 18 disciplinary proceedings were filed by the Tagus**

**Hydrographic Confederation in the Region of Madrid**, linked mostly to environmental impact issues. These proceedings are currently at different stages, and have been **mostly appealed** administratively or even by filing the appropriate contentious-administrative appeal. The cumulative amount of the penalties associated with these proceedings at year-end 2015 was 188,248 euros.

**In the other subsidiaries, no particularly noteworthy environmental incidents took place throughout the year** related to discharges of polluted water, waste generation and emissions outside the normal operating parameters of the company. The only issue worth noting is the proceeding opened against Canal Gestión Lanzarote in relation to the discharge of calcium carbonate to the sea, which was appealed on the grounds that it is a food product.

**As a result of the efforts of our entire organisation, and after having proved our high degree of compliance, in 2015 we**

## Environmental conservation

**achieved cost savings on environmental sanctions in the Group of up to 325,648 euros**, despite the increase in the number of our facilities, supply and sanitation networks, and despite the increasingly strict legislation applied. Regarding other sanctions due to reasons such as the quality of wastewater, bad advertising practices,

anti-competitive corporate practices, lobbying, occupational health and safety, child labour, protection of customer data, financing of political parties, employment discrimination, etc., no proceedings were filed against any Canal Group companies.



Our accreditations under ISO 14001:2004 for the environmental management system

 **Canal Gestión**

 **Canal Gestión Lanzarote**

 **Aguas de Alcalá**

 **Hispanagua**

 **CCU**

Being implemented:

 **Canal Gestión branch in Cáceres**

 **Triple A in Barranquilla**

The new ISO 9001:2015 and 14001:2015 standards were published on 15 September 2015. From that date, there is an adjustment period of 3 years, that is, until 15 September 2018, to make the appropriate changes in the implemented management system and the corresponding adaptation audit.

In 2016 the appropriate adjustments in the management system are expected to be made, thus taking advantage of the fact that the 2 current certifications would need to be renewed in May 2017 due to their 3 year expiry period, as required by the new 9001:2015 and 14001:2015 standards, making timely audits of renewal and adaptation.



## Environmental conservation

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In 2015, at Canal Gestión we have continued to implement **energy efficiency upgrades**, such as the installation of microturbines in the distribution network which, together with the biogas cogeneration and generation processes, have led to a **12% increase in the energy generated**

.....

## Energy availability

### Commitment to energy efficiency and climate change

On 12 December 2015, 195 countries meeting at the **COP21 Summit in Paris** signed an agreement against global warming. This pact set the ceiling on greenhouse gases emissions and establishes a financing system, thus becoming the first universal agreement in the history of climate negotiations.

The agreement sets the clear objective of holding the increase in global temperature below 2°C and continuing to make global efforts to try to bring the increase down to 1.5°C. This commitment represents a historic turning point that lays the foundation of the change of course towards 100% clean energy that the world wants and the planet needs.

In recent years Canal Group has been working on the mechanisms needed to contribute to the mitigation of greenhouse gas emissions and to support sustainable development. **We are committed to reducing the consumption of energy and materials and minimising emissions**, streamlining waste, using clean technologies and cogenerating energy from biogas. **Similarly, we encourage the best use of scarce water resources**, reducing leaks, sectorising networks, regenerating wastewater for irrigation and recycling waste such as paper, metal, plastic or glass.

With these measures **Canal Group acknowledges that adapting is a global challenge that concerns everyone**, with local and global dimensions, **considered as a key component of the global long-term response** to fight climate change and to contribute to that response, which aims to protect people, livelihoods and ecosystems, taking into account the urgent and immediate needs of developing communities that are particularly vulnerable to the adverse effects of climate change.

In 2015 Canal Gestión continued to implement energy efficiency improvements, such as the installation of microturbines in the distribution network, which together with the biogas cogeneration and generation processes, have led to a 12% increase in the energy generated, which implies not consuming other imported energy resources with higher emissions. **This improvement is particularly evident in the cogeneration process, where we achieved increases of up to 26%**. However, the low contributions of our rivers have substantially reduced the generation of electric power, causing a 23% drop in total energy generated in Madrid (between Canal Gestión and Hidráulica Santillana).

In addition, this year we launched, among other initiatives, **two major efficiency research projects in production facilities**. The first one through an agreement between Fundación Canal and the Polytechnic University of Valencia, to study the energy footprint of Canal de Isabel II Gestión, which includes a detailed study of two wastewater treatment plants. The second project, developed in this case by Canal Gestión, includes the pilot study of 4 different complete water cycle facilities to establish the applicable methodology in future energy efficiency studies, which will be developed during the 2016-2020 study period.

For its part, Canal Gestión Lanzarote has nearly completed works on the **Lanzarote IV and Janubio desalination plants** involving the renovation of recovery systems, replacing the current ones with isobaric chambers. After the transformation, energy consumption **savings of 40% are expected to be achieved**. In Triple A in Barranquilla, where the entire distribution system works through direct pumping into the network, low and medium voltage

## Environmental conservation

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Similarly, **awareness efforts within organisations** and informing employees of the importance of rationalising electricity consumption are permanent  
.....

variable speed drives are still being installed. Their installation in the **Sabanagrande and Sabanalarga plants** will allow **savings in energy consumption by around 15%**. Energy efficiency improvement works in the water pumping and wastewater systems have also been carried out in Metroagua.

Similarly, awareness efforts within organisations and informing employees of the importance of rationalising electricity consumption are permanent. These efforts are reinforced by additional measures, such as turning off lights and computers at the end of the day, using of low-energy lighting, installation of frequency converters and automatic lighting by sensors, using LED technology, etc.

In general terms, regarding the risk of **extreme weather events**, in order to tackle the detected sensitive factors, adaptation measures have been taken which can be clearly seen in the Group companies in Latin America, especially those located in the Caribbean region. Reinforcement work has been done in their collection systems (direct intake from rivers) and also in the preventive

maintenance of sewer networks. The most significant case is **Metroagua**, which as a result of El Niño has been suffering from a very severe **drought over the last two years**. The company has been working on a contingency plan from the onset of the drought, establishing a risk matrix which includes various measures to address this scenario (operation of new wells, changes in the planning of the supply system, rationing of distribution by sectors, new storage tanks in strategic locations, awareness days, etc.).

In Spain, it is important to mention that the contributions of rain in the last 30 years are significantly lower than the average.



▲ Metroagua workers performing the inspection and maintenance works in Piedras River (Santa Marta, Colombia)

## Environmental conservation

Aware of the importance of this consumption, we have been developing initiatives for the **generation of electric power through processes associated with water management in recent years.**

### Electric power consumption

Canal Group is a major energy consumer. To carry out our processes we need to consume energy from various sources, mainly electrical. Therefore, aware of the importance of such consumption, we have been developing initiatives for the generation of electric power through processes associated with water management in recent years.

In 2015, the electric power consumption for the operation of the facilities and operations of Canal Group was 723,930,087 kWh.

**Total consumption of electric power in Canal Group increased 6% over the previous year**, and was distributed among supply activities (57%), sanitation (40%) and other areas (3%). The reason for the increase in Canal Gestión was mainly due to the lack of contributions during summertime in Madrid, which delayed the rainfall, and made it necessary **to increase water pumping from the Alberche River by more than**

**200% over last year**. Additionally, the energy consumed by the WWTPs also increased due to the remodelling and expansion works of some of them and due to the launch of some others which had been under construction during the past year, in addition to extra consumption required by processes used for the removal of nutrients. Meanwhile, in the rest of Spanish companies consumption was lower thanks to **the efficiency achieved in the desalination process in Lanzarote**. Finally, consumption also increased in Latin America due to adverse weather conditions, mainly due to the drought in Santa Marta, which had to operate its wells to meet the demands of more than half of the population. In addition Triple A in Barranquilla has started operating two new WWTPs.

This put a dent in our energy efficiency, with **an electric power intensity index** (consumption on derived water) that was **3.59%** higher than last year.

		Canal Gestión (*)	Foreign subsidiaries	Domestic subsidiaries	Canal Group Total
<b>SUMMARY OF CONSUMPTIONS</b>					
Network consumption	kWh	296,375,184	103,260,987	131,849,213	531,485,384
Hidráulica Santillana consumption	kWh	20,273,679	-	390,536	20,664,215
WWTP self-consumption	kWh	89,894,727	-	-	89,894,727
Cogeneration self-consumption	kWh	9,630,120	70,722,820	-	80,352,940
Network microturbines	kWh	1,532,821	-	-	1,532,821
<b>Total result</b>	<b>kWh</b>	<b>417,706,531</b>	<b>173,983,807</b>	<b>132,239,749</b>	<b>723,930,087</b>

(\*) Canal Gestión includes its branch in Cáceres

	Energy consumption (kWh)	Volume of water for consumption (hm <sup>3</sup> )	Energy intensity
DEC 2015	1,340,916,353	857.40	1,563,933

(\*) The electric power consumption data in 2014 were restated following the data correction of Hispanagua (domestic subsidiaries)

(\*\*) From 2015 the ratio of energy consumption per derived unit of water shall be calculated based on the total energy consumed, rather than on electric power

## Environmental conservation

If we separate energy consumption absorbed by each of our activities we obtain the following breakdown:

	Units	Canal Gestión (*)	Foreign subsidiaries	Domestic subsidiaries	Canal Group Total
<b>Power consumption by activity</b>					
<b>Supply</b>					
Dams or water catchments	kWh	8,460,311	23,252,540	11,847,421	43,560,272
DWTP	kWh	26,237,705	4,427,834	83,115,197	113,780,735
Lifts	kWh	70,441,288	21,440	11,112,400	81,575,128
Pumping supply	kWh	9,258,880	123,561,194	15,068,447	147,888,521
Wells	kWh	2,931,753	4,149,214	-	7,080,967
Other consumption in supply	kWh	18,829,527	14	-	18,829,541
<b>Subtotal</b>	<b>kWh</b>	<b>136,159,464</b>	<b>155,412,236</b>	<b>121,143,465</b>	<b>412,715,165</b>
<b>Sanitation</b>					
WWPS (wastewater pumping)	kWh	5,369,959	8,772,452	3,560,472	17,702,882
WWTP (wastewater treatment)	kWh	251,167,982	7,058,220	5,993,677	264,219,878
UTL Loeches (only Canal Spain)	kWh	9,795,462	-	-	9,795,462
Other sanitation consumption	kWh	959,580	-	-	959,580
<b>Subtotal</b>	<b>kWh</b>	<b>267,292,983</b>	<b>15,830,671</b>	<b>9,554,149</b>	<b>292,677,803</b>
<b>Other</b>					
Telecommunications facilities	kWh	206,315	-	-	206,315
Offices, warehouses and other	kWh	7,786,852	2,740,900	610,567	11,138,319
Reuse (reclaimed water)	kWh	6,260,917	-	374,588	6,635,505
Other consumption	kWh	-	-	556,981	556,981
<b>Subtotal</b>	<b>kWh</b>	<b>14,254,084</b>	<b>2,740,900</b>	<b>1,542,136</b>	<b>18,537,120</b>
<b>TOTAL</b>	<b>kWh</b>	<b>417,706,531</b>	<b>173,983,807</b>	<b>132,239,749</b>	<b>723,930,087</b>

(\*) Canal Gestión includes its branch in Cáceres

(\*\*) The electricity consumption by activity includes self-generated electric power consumption by Canal Group, which amounted to: 192,450,063 kWh



▲ Navallar Substation (Region of Madrid)

## Environmental conservation

At Canal Group we have made other **important efforts to reduce greenhouse gas emissions in recent years**

## Greenhouse gas emissions (GHG)

In addition to generating electric power from our processes and the implementation of specific energy efficiency measures in consumption, in recent years Canal Group made major efforts to reduce greenhouse gas emissions, including the reduction and control of water and fuel consumption, reforestation, promoting the use of public transport and the implementation of specific innovation and development projects.

In 2015, according to estimates, the emissions of greenhouse gases (GHG) in Canal Group Gestión amounted to **236,993 tons of CO<sub>2</sub>**. As for its origin, the following 3 scopes are established:

- **Direct emissions (scope 1)**, produced by certain processes and/or in production facilities, which represent **36% of the total**. These include sludge drying processes, biogas generation, self-generation with natural gas, heating fuel consumption in buildings or the use of vehicles in our fleet, which in 2015 travelled

nearly 30 million kilometres. We emphasise the use of hybrid and electric vehicles in Canal Gestión, through which we have saved 15,681 litres of petrol in the year, which means we have avoided producing 37 tons of CO<sub>2</sub>.

- **Indirect emissions (scope 2)**, associated with the consumption of electric power in our production processes, which are the most important in percentage terms and **account for 53% of our total emissions**.
- **Indirect emissions of supplies and services provided by third parties (scope 3)**, such as consumption of reagents and paper, among others, which accounted for **11% of our total emissions**.

Ratio of greenhouse gas emissions of Canal Group Gestión in 2015:

	Units	Canal Gestión (*) December 2015	Domestic subsidiaries December 2015	Foreign subsidiaries December 2015
<b>Direct emissions (SCOPE 1)</b>	tCO <sub>2</sub>	34,868	2,186	48,008
Self-generation with natural gas	tCO <sub>2</sub>	32,437	-	37,400
Diesel vehicles and machinery	tCO <sub>2</sub>	1,786	2,144	8,632
Petrol in vehicles	tCO <sub>2</sub>	71	42	1,976
Natural gas building boilers	tCO <sub>2</sub>	208	-	-
Diesel in building boilers	tCO <sub>2</sub>	366	-	-
<b>Indirect emissions (SCOPE 2)</b>				
Electric power consumption of the network	tCO <sub>2</sub>	71,130	40,076	13,705
<b>Other indirect emissions (SCOPE 3)</b>				
Reagent consumption	tCO <sub>2</sub>	15	0	1
External paper consumption	tCO <sub>2</sub>	8,012	476	3,663
Internal paper consumption	tCO <sub>2</sub>	8	6	32
Fuel and energy supply chain	tCO <sub>2</sub>	6,319	1,080	7,408
<b>Biogas emissions</b>				
WWTP biogas	tCO <sub>2</sub>	32,820	-	-

(\*) Canal Gestión includes its branch in Cáceres

## Environmental conservation

Canal Gestión has facilities in water supply and sanitation systems, which can generate renewable energy, streamline subproducts from processes and electricity cogeneration:

- **8 hydroelectric plants** with a total installed capacity of 37.71 Mw.
- **13 plants equipped with biogas power generation engines** produced in the process of sewerage treatment plants, with a total installed power of 24.70 Mw.
- **A cogeneration plant**, associated with the process of thermal drying of sludge in the WWTP, with an installed power of 19.90 Mw.
- **A microturbine on an effluent collector on the south WWTP** with a total installed power of 0.15 MW.
- **8 microturbines installed in the distribution network**, with a total installed power of 0.78 Mw.

Thus, **Canal Gestión is currently the company with the largest installed capacity for electric power production in the Region of Madrid, with a total of 84 Mw.**

Santillana Hydraulic, a Canal Group company, manages hydroelectric reservoirs in the supply system of the Region of Madrid owned by Canal Gestión. These mini-power plants represent an alternative mechanism for power generation, which mitigates our energy dependency. However, **hydroelectric power generation is highly variable, as it depends on the contributions of rivers and water derived from the reservoirs each year.** In 2015, the hydropower generated was 23% lower than in 2014, accounting for 19% of total energy consumed by Canal Gestión.

Similarly, our main subsidiary in Latin America, Triple A in Barranquilla, last year launched its first power generation facility using natural gas and photovoltaic solar energy, which is a very significant milestone in the Latin American context and a step forward in Canal Group's commitment to the environment.



## Environmental conservation

## Energy production

	Units	Canal Gestión	Hidráulica Santillana	Triple A	Canal Group Total
<b>For self-consumption</b>					
Hydroelectric	kWh	20,273,679	390,536	-	20,664,215
WWTP biogas	kWh	89,419,307	-	-	89,419,307
Cogeneration	kWh	9,630,120	-	70,722,820	80,352,940
WWTP waterfall treated water	kWh	475,420	-	-	475,420
Photovoltaic solar	kWh	-	-	5,360	5,360
Microturbines in supply	kWh	1,532,821	-	-	1,532,821
<b>Subtotal</b>	<b>kWh</b>	<b>121,331,347</b>	<b>390,536</b>	<b>70,728,180</b>	<b>192,450,063</b>
<b>To be sold to the network</b>					
Hydroelectric	kWh	-	58,714,970	-	58,714,970
Cogeneration	kWh	61,379,627	-	-	61,379,627
<b>Subtotal</b>	<b>kWh</b>	<b>61,379,627</b>	<b>58,714,970</b>	<b>-</b>	<b>120,094,597</b>
<b>TOTAL</b>	<b>kWh</b>	<b>182,710,974</b>	<b>59,105,506</b>	<b>70,728,180</b>	<b>312,544,660</b>

(\*) Canal Gestión includes its branch in Cáceres

Thanks to the energy generated by processes associated with both supply (hydroelectric and microturbines) and sanitation (streamlining biogas, cogeneration and treated wastewater waterfall), **Canal Gestión has a high degree of electrical and energy self-sufficiency through self-production, which was 60% in 2015.**

In 2015 the increase in **power generation in the sludge processing plant in Loeches was 26% over last year**, as it started operating in a regime of 3,000 equivalent hours. Furthermore, it launched the process of codigestion of sludge in the Culebro Cuenca Media Alta WWTP, which enabled

an increase **in the production of biogas so that more than 2 million kWh of additional energy is being generated.**

**The total electric power generated by Canal Group amounted to 313 million kWh, equal to the annual domestic consumption of a population of about 124,000 inhabitants.**

**The production of electric power by Canal Group in 2015 managed to avoid the emission of 41,059 tons of CO<sub>2</sub>.**

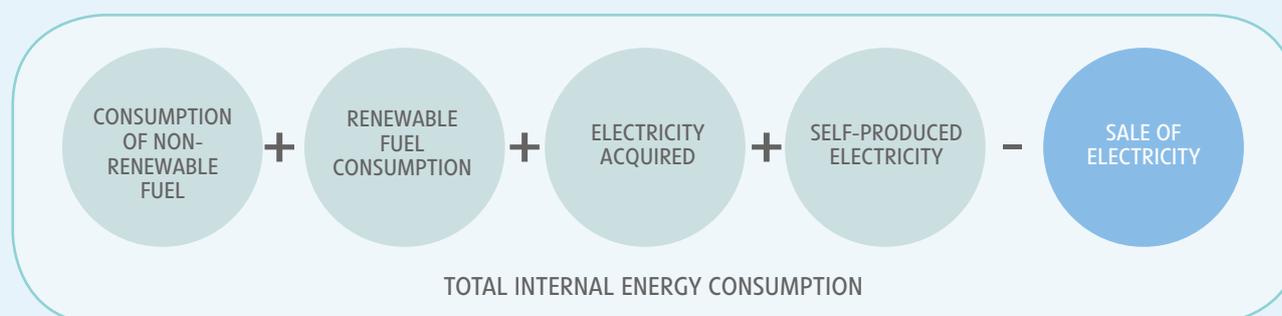
## Environmental conservation

**The energy balance of Canal Group** includes a significant consumption of fuels that are used primarily to generate electricity and heat which is consumed in the plants themselves, although a part of the electricity generated is sold abroad. These fuels are distributed on a 50% basis between non-renewable and renewable energy (biogas from wastewater treatment). Other minor consumptions are associated with the consumption of fossil fuels in buildings and vehicles. The Group also has a large amount of electricity generated from hydraulic technologies. The following table summarises the energy balance of the Group, taking into account all energy purchased, generated and sold abroad.

		Canal Gestión (*)	Domestic subsidiaries	Foreign subsidiaries	Canal Group Total
<b>ENERGY BALANCE</b>					
Consumption of non-renewable fuel	GJ	671,578	30,041	826,104	1,527,723
Consumption of renewable fuel	GJ	692,437	-	-	692,437
Electricity acquired	GJ	1,066,951	474,657	371,740	1,913,348
Self-produced electricity (except from fuel)	GJ	584,774	286,736	254,621	1,126,131
Electricity sold	GJ	-220,967	-211,374	-	-432,341
<b>TOTAL ENERGY CONSUMPTION</b>	<b>GJ</b>	<b>2,794,773</b>	<b>580,060</b>	<b>1,452,465</b>	<b>4,827,299</b>

(\*) Canal Gestión includes its branch in Cáceres

(\*\*) Consumption of electricity purchased includes self-generated electricity by Canal Group amounting to: 692,820 GJ



In Canal Gestión we also developed a programme to control **noise levels** in the external environment generated by facilities that may cause disturbance to the population or specially sensitive areas. In 2015, the number of controlled facilities was 232, with a degree of **compliance of 99%**, according to the criteria of the internal rules of Canal for this type of facility. In relation to **odours**, 53 facilities are controlled and **there have been no breaches**. In the other Group companies the noise levels and odours of their facilities are also controlled and measured

## Environmental conservation

The main consumption of materials by Canal Group are the reagents used in the drinking water treatment plants and in wastewater treatment plants.

## Other consumption

### Water consumption

In 2015, water derived for consumption by Canal Group amounted to 857 hm<sup>3</sup>, its origin being **91% from surface collection and 9% from aquifers**.

Apart from the water we distribute as part of the supply processes, recorded water consumption for the performance of our processes (**self-consumption**) was 21.22 million cubic metres in 2015, that is, **2.5% of water derived for consumption**.

These self-consumption data correspond to:

- Water treatment processes in the DWTPs
- The consumption of our facilities (irrigation, sanitation, drinking, etc.)
- Cleaning of new pipes in network renewal processes
- Cleaning of water tanks
- The water discharged when a setback of the network must be carried out
- The cleaning of the network is sometimes necessary for repair purposes

### Material consumption

The main consumption of materials by Canal Group are the **reagents** used in the drinking water treatment plants and in wastewater treatment plants. In 2015 there was a total consumption of **37,949 tons** of reagents for the treatment of drinking water in the Group. For wastewater treatment **39,017 tons were recorded**.

In administrative and internal management activities, the main consumption of materials recorded is **paper**, of which Canal Group recorded a total consumption of **98 tons in 2015. 38% of the paper used is recycled**.

Paper consumption in commercial activities such as sending invoices or other documents amounted to **245 tons** in 2015. Canal Gestión and other companies which supply the Group make significant efforts to promote the use of *e-invoices*.

In the contracting processes for the services of printing, handling and envelope stuffing of correspondence in Canal Gestión, it was established as a requirement that bidders hold the *FSC certificate (Forest Stewardship Council)* that promotes environmentally responsible forest management, which is socially beneficial and economically viable.



▲ ASAA operator supplying water by means of a tanker truck in Riohacha, Colombia

## Environmental conservation

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Canal Group as a whole treated a total of

**514 hm<sup>3</sup>**

in 2015 and has

**253 wastewater treatment plants** for treating wastewater

.....

### Use and optimisation of resources

#### Rigorous treatment of wastewater

In Canal Gestión we treat all wastewater from the population of the urban centres of the Region of Madrid, including Madrid city. In 2015, our 156 plants treated a total of 458 million cubic metres, equivalent to 92% of water derived for consumption.

In 2015, the quality of the treated effluents in plants managed by Canal Gestión maintains the high level that distinguishes the system, and **a total pollution estimated at around 149,661 tons of organic matter and 128,812 tons of suspended solids** (see plans promoted in Canal Gestión in relation to nitrogen reduction of treated water and the quality of our discharges at the beginning of this chapter "Canal Gestión's response to the WFD" and "Observing the rules") was eliminated.

This initiative includes specific actions to reduce nutrients in wastewater, such as the project for the reduction of nitrogen in the effluent flow of the sludge drying plant in Loeches, currently under study and assessment of the best technique applicable, considering systems such as anamox, stripping or adding methanol.

#### Using new sources

In order to increase the generation of alternative resources that can meet future demands of a limited resource, it is necessary to move towards a sustainable water policy in areas where Canal Group is present, to ensure that a shortage or lack of water does not pose a constraint on economic development in the future. Technological development must be used to ensure that the available resource increases, such as using regeneration techniques of wastewater for reuse, desalination of sea water and others that provide greater efficiency for all water uses, including industrial use.

In our commitment to **reclaimed water**, at **Canal Gestión** we continue with our goal to **extend its supply to the municipalities of the Region of Madrid**, through the aforementioned business plan (see details and scope in the "Business Model" chapter).

In 2015, we supplied a total volume of reclaimed water of 13 hm<sup>3</sup>, representing 2.6% of the volume of derived water. We supply this water to the company Holmen Paper, to the public green areas of 20 municipalities in the Region of Madrid with a total area of 1,214 hectares, and to 10 golf courses with an area of 699 hectares. The length of the reused water network is 493 kilometres. Furthermore, this year we worked on the systematisation of maintenance, draining and cleaning, adopting criteria similar to those applied to drinking water.

**Canal Gestión Lanzarote** has many easements with its reclaimed water network, which mainly supplies the **agricultural sector**. On an island with such low rainfall, water reuse is especially necessary to maintain crops in a sustainable manner, which is why this water is subsidised at the source. In 2015, 51% of treated water was reused.

In Latin America, given the abundance of rainfall and water resources in most areas in which we operate, reclamation of wastewater for reuse has been a little used technique thus far. However, **Amagua (Ecuador)** has aerobic type plants which are suitable for reusing the treated effluent for the irrigation of green areas where tertiary treatment units have been implemented (activated carbon filters, sand and U.V. disinfection).

## Environmental conservation

### Desalination in Canal Group

Group Canal de Isabel II Gestión, which supplies water to almost 10 million people around the world, has taken on, with its arrival at Lanzarote and La Graciosa islands in 2013, the only natural collection method it had yet to use.

Used to having surface, dammed, flowing or underground resources, it was not until 2 years ago that we operated a facility where we had to use **ocean reserves** to meet our goal.

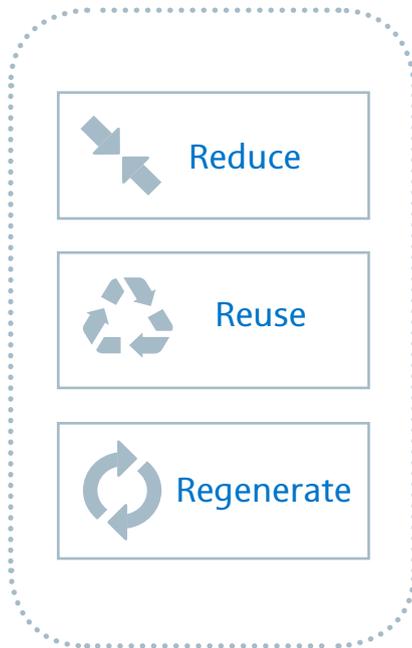
Lanzarote, one of the Canary Islands in the Atlantic Ocean, is probably the driest territory in our country. Its stable population of about 200,000 people lives in a magnificent atmospheric situation and enjoys the benefits of the island thanks, among other things, to a **supply system that guarantees the supply of more than 80,000 cubic metres per day**. This is a triumph in a land that does not have a single watercourse other than those generated only occasionally by heavy rainfall episodes (which occur only a very few times a year). This has been a **huge challenge for Canal Group**, which in 2013 began operating a **supply that is absolutely dependent on seawater**, and in which even knowing the main technology used, **reverse osmosis**, we had to overcome **new challenges, e.g. due to the special hydraulic nature of the deposits, or the detection a new dimension in the contents of the composition of the raw water that we are treating**.

Thus we have taken on the responsibility to carry on with the great challenge that Lanzarote took exactly 50 years ago, with the inauguration of the **first seawater desalination station built in Europe**, on the same premises where Canal Gestión Lanzarote currently maintains and operates **3 of the 4 desalination stations treating a total of 78,000 cubic metres of water**.

One of them in particular, **Lanzarote IV, is carrying out the complex works to adapt the facilities**, consisting of their full renovation, **maintaining the operation of the plant in terms of production rates so as not to jeopardise the already frail supply of water to the island**. To this end, each of the 4 frames were changed one by one, dismantling them in order to make 3 new ones of higher capacity while simultaneously keeping the rest of the facility in service. **The construction of the new support frames, with the assembly of new pressure cases, and the installation of new osmotic membranes together with the effective energy recovery equipment, as well as a sound collection of water and environment-friendly waste disposal**, has allowed us to strengthen this new resource in our first island operation of the integrated water cycle.



## Environmental conservation



### Strict management and streamlining of waste

The waste generated by Canal Gestión's facilities can be grouped into different categories we call sludge (which come from WWTPs or DWTPs), pre-treatment waste or detritus, hazardous waste (reagents, solvents, etc.) and non-hazardous waste (paper, metal, glass, etc.).

**The large amount of sludge and waste generated by the supply and treatment activity is managed effectively, sustainably and safely.**

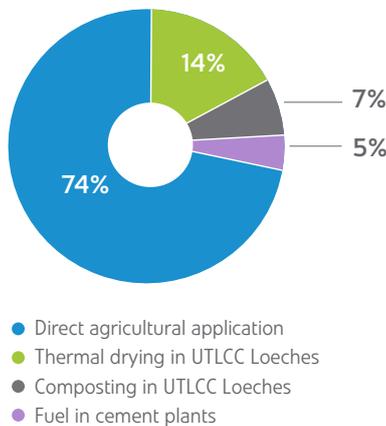
To do this, the management of the sludge in Canal Gestión's facilities, as certified by our quality system, is performed in accordance with the provisions of Law 193/1998 and Royal Decree 1310/1990. **The removal, transportation and final destination for the marketing of sludge in the Region of Madrid is carried out through authorised managers and sludge carriers authorised under code LER 190805.**

Regarding waste, the control of its management in the different production centres is complemented by monitoring of collection routes, made by the managers, ensuring that the carrier performs the functions properly, carrying the proper documentation, the authorised vehicle, the correct signage and other requirements for this type of transport.

For the proper management of **non-hazardous waste**, we are actively working towards the **goal that most of it will be ultimately recycled**. In 2015, in Canal Group we managed to recycle a total of **38,888 tons** of non-hazardous waste, including pre-treatment waste from WWTPs and DWTPs, demolition material, and others. In the case of Canal Gestión, the latter were used in the compost and thermal drying plant with sludge cogeneration in Loeches' WWTP as a structural material for composting.

Regarding **hazardous waste**, we are working towards reducing its volume through process improvements and the **gradual replacement of the use of certain substances**. In 2015, Canal Group managed a total of **484 tons** of hazardous waste not including sludge. These were mainly base acids and salts from the physical-chemical treatment that we give to water, expired chemicals and reagents, motor oils and lubricants and insulation and construction materials containing asbestos. Their final destination is, in most cases, an authorised landfill, although 15% are recovered or reused.

Destination of sludge treated in Canal Gestión



**Most of the sludge produced in Canal Gestión is suitable for agronomic use.** For its implementation the Code on good agrarian practices and Royal Decree 261/1996 of 16 February on protection of water against pollution by nitrates from agricultural sources are followed. An analysis of the soil is performed for monitoring purposes before and after the implementation, and correct dosages are monitored. **As for unsuitable sludge, it is used for energy saving purposes and, ultimately, discarded into a landfill by an authorised manager who issues a final destination certificate.**

**The final destination of 95% of the sludge from WWTPs and DWTPs in Canal Gestión is agriculture.** In 2015, 74% of the **214,080 tonnes** managed by Canal Gestión was allocated to direct agricultural application, 14% assigned to thermal drying and subsequent agricultural application and 7% to compost. Sludge unsuitable for agriculture was reused as fuel in cement plants, accounting for 5% of production.

## Environmental conservation

### Waste in Barranquilla

In Colombia, **Triple A in Barranquilla has extended its high level of excellence in the operation of the integrated water cycle to the collection of urban waste in the city, managing its own landfill or dump at Los Pocitos Environmental Park.**

The company, a leader in sustainability and environmental care, is considering 3 projects:

- **Building a waste rendering plant** in the Los Pocitos Environmental Park landfill, within which the separation, cleaning and sorting of recyclable products for later sale can be made.
- Considering the short-term growth in the production of hazardous liquid waste, the construction of a **Dangerous Waters Treatment Plant is being considered.** The aim of this plant would be to achieve vertical integration in the value chain of the treatment of hazardous liquid waste by developing an infrastructure for collection, transportation, treatment, disposal, use and commercialisation through recoverable oil.

- **Utilisation of biogas:** The company is considering several options, including an alternative use for the final disposal of municipal solid waste. In the degradation process following disposal in ordinary cells, this waste generates gases, mostly methane. The aim of the project is the construction of a biogas utilisation plant, capable of generating usable resources such as energy or fuel, which would, as the most immediate benefit, reduce the emission of greenhouse gases, as already happens in Canal Gestión.



## Sustainable biodiversity



### Protected species present

In the environs of Canal Gestión's facilities there are some high-value plant species, which are cited in different categories in the *Regional Catalogue of Endangered Species of Wild Fauna and Flora*, among which the following stand out:

- **Sensitive to habitat alteration:** *Ilex aquifolium* (holly), *Taxus bacata* (yew) and *Fraxinus excelsior* (common ash).
- **Vulnerable species:** *Amelanchier ovalis* (guillomo) and *Erodium paularense* (El Paular geranium).
- **Species of particular interest:** *Corylus avellana* (common hazel), *Arbutus unedo* (strawberry tree), *Betula alba* (birch), *Fagus sylvatica* (beech), and others.

Within the same *Regional Catalogue of Endangered Species of Wild Fauna and Flora in the Community*, there are **3 trees** located on land owned by the company that fall under the category of unique trees, namely: a *Morus alba* (mulberry from

Valdehondillo) in El Vellón, 2 *Abier numidica* (Algeria fir) in the gardens of Santa Lucía in Torrelaguna, and a *Cedrus deodora* also in Santa Lucía, Torrelaguna.

Regarding the protection of animal or plant species protected in the geographical area in which the companies carry out their operations, **Lanzarote** is certainly worthy of mention, as the entire island is a Biosphere Reserve, with a natural and national park. Also, in the Canal Gestión branch in **Cáceres**, both the reservoir at Guadiloba and the WWTP at Marco are located in an SPA area, which means that they contain protected species. In Latin America, the facility at **Fontes da Serra (Rio de Janeiro, Brazil)** are located in the Sierra de los Órganos natural park, an integral protection conservation unit.

In Canal Gestión we developed a series of operations that arrange, coordinate and control the conservation and improvement actions of green areas to obtain an optimal level of maintenance of the extensive plant heritage.

## Preserving our surroundings



### Plant heritage conservation

Similarly, we coordinate recovery efforts in the affected areas, maintaining the botanical diversity of the various enclaves of high ecological value in which many of these facilities are located, and all in compliance with the environmental legislation.

**In 2015 we planted 19,164 trees, shrubs, seasonal flowers and indoor plant species.**

**Clearing of natural vegetation to prevent fire was conducted on a total surface area of 445 hectares.**

**Plant waste** generated by the maintenance of green areas was disposed of in an authorised landfill for recycling, with a total volume of 446,108 kg of green waste. **95% of this waste was managed and transported to the composting plant in Loeches for the production of compost.**

Due to autumn rainfall and winds, we proceeded to **clear, cut and remove to a landfill a large number of broken or fallen trees**, which, being living plants, deteriorate or die unpredictably. Similarly, due to functional needs because of the construction work we have done at Canal Gestión, 101 trees and shrubs were transplanted.

**Phytosanitary treatments needed to maintain good sanitary conditions in the various facilities and prevent the possible propagation of pests and/or diseases were carried out in a total area of 158 hectares, selecting the least harmful**

**products to the environment.** Furthermore, we continued with the implementation and monitoring of alternative systems for the prevention and treatment of pests and diseases with nesting boxes and pheromone traps, adding 2 new ones this year. We comply with all legal aspects arising from the obligations established by Royal Decree 1311/2012 of 14 September, establishing the framework for action to achieve the sustainable use of phytosanitary products.

In 2015, we performed **landscaping** of the grounds of the Valmayor yacht club, and on the land affected by the construction of the enclosure of the elevated tank at the headquarters, also installing an automated drip irrigation system.

Finally, it is worth noting the **conditioning** of the Poveda stream at the point of discharge of the WWTP of Santos de la Humosa. Its discharge to the stream bed was eroded and affected the adjoining land on both banks.

**In the rest of the Group companies**, landscaping and maintenance works are performed on the green areas of their different locations, aimed at the sustainability of the existing landscape. In addition, in some companies like Triple A in Barranquilla and Metroagua, recovery activities on natural environments are carried out and specific campaigns to raise awareness about biodiversity among the local community are conducted.

## Environmental expenses and investments

Apart from the environmental costs we incur to fulfil our legal obligations (waste management, sewerage treatment, etc.) or those associated with the processes required for managing the integral water cycle (purification costs), **Canal Group engages in other annual expenditure involving**

**voluntary environmental management initiatives, which in 2015 amounted to 17 million euros. These expenses make up 7% of the total costs associated with environmental management which, in 2015, reached a total of 232 million euros.**

## Preserving our surroundings

Keeping in mind the intrinsically environmental nature of our processes, given that we manage a natural resource and make sure to purify waste water, much of our investment is specifically aimed at protecting the environment. Therefore, in 2015,

**investments made by Canal Group for environmental management amounted to 13% of our total investments.**

2015	Canal Gestión (*)	Domestic subsidiaries	International subsidiaries	Canal Group Total
<b>Expenses incurred for environmental reasons</b>				
Purification of waste water	143,265,584	2,854,552	4,383,072	150,503,208
Sewerage	68,345,311	4,140,782	347,840	72,833,933
Recycling/reuse	6,989,957	258,620	-	7,248,577
Other (green zones, waste management)	2,212,152	38,603	62,291	2,313,046
<b>Total</b>	<b>220,813,005</b>	<b>7,292,557</b>	<b>4,793,203</b>	<b>232,898,765</b>
<b>Investment for environmental purposes</b>				
Purification of waste water	19,397,555	17,471	588,029	20,003,055
Sewerage	935,377	474,641	6,606,162	8,016,180
Recycling/reuse	3,461,025	386,101	-	3,847,126
Green zones, forest replanting	-	-	-	-
Renewable energy generation facilities	1,427,961	538,272	-	1,966,233
Other (specify)	-	-	-	-
<b>Total</b>	<b>25,221,918</b>	<b>1,416,484</b>	<b>7,194,191</b>	<b>33,832,593</b>
<b>Voluntary environmental protection and management expenses</b>				
Thermal sludge drying	7,568,209	-	-	7,568,209
Recycling/reuse	6,989,957	258,620	-	7,248,577
Maintenance of green areas and reforestation	1,907,737	-	33,088	1,940,825
Environmental education programme costs	272,812	-	35,355	308,167
Other voluntary environmental costs	160,725	32,362	9,524	202,611
<b>Total</b>	<b>16,899,439</b>	<b>290,982</b>	<b>77,967</b>	<b>17,268,388</b>
<b>Voluntary investments for environmental purposes</b>				
Thermal sludge drying	-	-	-	-
Recycling/reuse	3,461,025	386,101	-	3,847,126
Maintenance of green areas and reforestation	-	-	-	-
Other voluntary environmental investments	-	-	-	-
<b>Total</b>	<b>3,461,025</b>	<b>386,101</b>	<b>-</b>	<b>3,847,126</b>

(\*) Canal Gestión includes its branch in Cáceres.

# 5.5

## Talent and commitment



.....  
**Occupational hazard prevention and health and safety at work** are an absolute priority for Canal Group  
.....

Canal Group is aware that the quality and continuity of its services are essential to our customers' daily lives. Achieving **excellence in this task** is only possible with commitment from the best professionals, **facilitating their continual professional training and developing their skills, making them aware of our Group's policies and objectives, and bringing everyone on board to attain them.**

Moreover, in this sector, occupational hazard prevention and health and safety at work are an absolute priority for Canal Group, and this priority transcends all our activities.

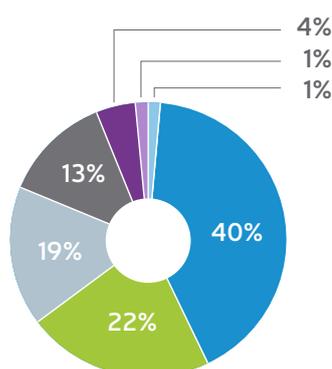


▲ Metroagua staff

## Talent and commitment

53% of Canal Group's workforce belongs to **Spanish companies**, while the remaining 47% are distributed across **five Latin American countries**

Group's employee distribution by country in 2015



- Canal de Isabel II Gestión
- Brazil
- Colombia
- Other investee companies in Spain
- Dominican Republic
- Ecuador
- Panama

(\*) The Canal Gestión workforce figures include employees at its Cáceres branch.

(\*\*) It is worth highlighting that in some Latin American countries, for example Brazil, our subsidiaries do not contract out many of their activities and services, but rather undertake nearly all of the work using their own resources. This is why the staff-to-turnover ratio is relatively high in companies such as Emissão and Fontes da Serra.

(\*\*\*) Staff from our branches in Inassa Ecuador and Panama in 2014 appear under the Inassa Colombia heading.

(\*\*\*\*) Correction to ASAA 2014 data

## Who Are We? Canal Group Gestión's human capital

Canal Group Gestión has 6,276 employees, an increase of 2% on last year.

### CANAL DE ISABEL II GESTIÓN GROUP EMPLOYEES

Companies	2014	2015
Canal de Isabel II Gestión Group (*)	2,440	2,517
Canal Gestión Lanzarote	264	266
Aguas de Alcalá UTE	69	71
Hispanagua	394	404
Hidráulica Santillana	16	16
Canal de Comunicaciones Unidas	51	48
<b>TOTAL SPAIN</b>	<b>3,234</b>	<b>3,322</b>

### CANAL DE ISABEL II GESTIÓN GROUP EMPLOYEES IN LATIN AMERICA

Companies	2014	2015
INASSA Colombia	65	42
Triple A Barranquilla	720	798
GIS	5	-
Metroagua	123	124
R&T	114	70
ASAA (****)	95	89
Amerika	48	48
<b>TOTAL COLOMBIA</b>	<b>1,170</b>	<b>1,171</b>
Amagua	77	78
INASSA Ecuador (***)	-	2
<b>TOTAL ECUADOR</b>	<b>77</b>	<b>80</b>
INASSA Panama (***)	-	23
<b>TOTAL PANAMÁ</b>	<b>-</b>	<b>23</b>
AAA Dominicana	294	278
<b>TOTAL DOMINICAN REPUBLIC</b>	<b>294</b>	<b>278</b>
Emissão and Fontes da Serra	1,360	1,402
<b>TOTAL BRAZIL (**)</b>	<b>1,360</b>	<b>1,402</b>
<b>SUBTOTAL LATIN AMERICA</b>	<b>2,901</b>	<b>2,954</b>
<b>CANAL GROUP TOTAL</b>	<b>6,135</b>	<b>6,276</b>

## Talent and commitment

In 2015 we received approval to issue

**67** new contracts and we plan to request a new intake in 2016



### Process for granting permanent contracts

In recent years, current budgetary regulations in Spain have prevented us entering into permanent contracts.

To counter the difficulties this created, over the last two years we have obtained special approval to offer permanent contracts for 40 and 50 positions respectively, for particularly critical roles at Canal Gestión.

In 2015 we received approval to issue 67 new contracts and we plan to request a new intake in 2016.

The addition of these employees will not be immediate as their recruitment and selection is subject to a public process governed by the principles of equality, transparency and objectivity. However, the new hires will allow us to **reinforce workforce stability and ensure long-term retention of our staff's experience and knowledge of service management.**

### Optimising our resources

In April 2014 Canal Gestión's Board of Directors approved plans for **company restructuring**. The number of departments was reduced to migrate the previous Sanitation, Water and Supply departments to the new Operations Division. **The criteria for skill distribution changed from being linked to water basins** to now grouping together all tasks linked with operating

supply and sanitation networks. This resulted in **better integration of the different company activities as well as significant synergies** which are contributing to a reduction in incident resolution lead times, and ultimately to an increase in the quality of the services we deliver.

In 2015, at Canal Gestión we worked on a project that aims to meet the future needs of a business group which has a presence in six countries, getting the best out of its people: This is achieved through the **Professional Careers and Corporate Development programme**, the first results of which we expect to receive in 2016.

The process of identifying and developing **employees who have the potential to lead new projects** requires preparing our employees so that they acquire, on the one hand, a deep knowledge of the business and, on the other hand, a series of transferable management skills which will enable us to intensify Canal Gestión's presence in its investee companies, so that they are ready at any moment to lead new projects or business deals within the Group.

We are furthering the development of an **integrated Group culture**: policies, guidelines and, ultimately, an increasingly more solid common resource for all companies which join Canal de Isabel II Gestión Group.



▲ Canal Gestión employees

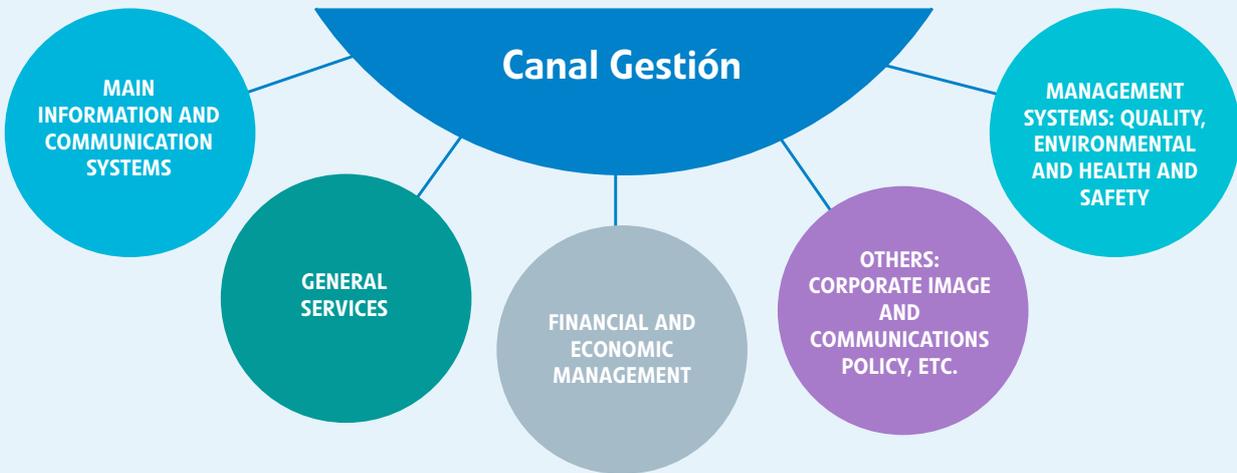
Talent and commitment

**Reincorporating the Cáceres service and its staff**

On 1 April 2015, Canal Gestión took over management of the integral water service in the city of Cáceres, and with it, 93 employees joined our workforce.

Recouping this service, which had been delegated to Canal in the past, proved to be a **human and technical challenge for the organisation, which is again integrating the city of Cáceres in its corporate management model for the provision of public services.**

All support departments have been integrated into Canal Gestión:



From a human resources perspective, the **challenge was to integrate a workforce that had already belonged to the Group in the past, and to resume its management within a very short time frame.** In addition to this immediate challenge in 2015, which we have now overcome, **together with the Cáceres works council and employees we have focused on advancing a more ambitious integration project into Canal Gestión’s policies, management and human resources systems, a process which will continue throughout 2016.**

After these first months, we think that the Canal Gestión branch in Cáceres **is ready to extend our management model and tackle the numerous challenges** which we will face over the next 23 years.



## Talent and commitment

This year, in collaboration with the Madrid College of Engineers, we led a **training programme on the integral water cycle** aimed at young engineers who would like to focus their career on work in our sector



Canal Group's investment in 2015 to train and develop our people totalled

**€1.04 million**, equal to a training investment of **€166 per year**



## Training and development: Pillars of our people management policy

Training has traditionally been a strategic tool and one of the most salient aspects of our human resources policy. As a result of our rigorous selection procedures, we have **highly qualified workforce at all staffing levels**; moreover, we make continued efforts to extend their training.

To summarise these activities, we can highlight that we have delivered a total of 180,716 training hours during 2015. **The average training investment of Canal Group was 29 hours per year per employee in 2015.** This investment from Canal Group in 2015 **to train and develop our people amounted to 1.04 million euros**, equal to a training investment of 166 euros per year per employee.

Given its strategic nature, at Canal Gestión we set out a **training and skills development plan each year** based on a detailed analysis of the company's needs.

Complementing our technical knowledge, for some years we have been working within a **management by skills framework**, developing the abilities which we believe are essential and/or desirable for the performance of the different work role functions. In 2015 we worked with different groups within the company at all hierarchical levels, with 2,255 people belonging to the structural, support, senior and middle management levels.

These programmes combined physical sessions held outside the normal working day with inter-session activities, and concluded with the production of an action plan which each attendee would implement, within which we define how we would apply day-to-day skills.

We should highlight the total benefits the company receives in accordance with regulations from the Spanish Fundación Tripartita for training in employment are reinvested into new training and development initiatives.

We work through agreements with academic

and vocational institutions among which we can highlight our participation in the 'FP Dual' joint education centre and employer-based professional development scheme, and in the START and GAIA grant programmes from the Fundación Universidad-Empresa. In this way, **we actively collaborate in the practical training of university students, who have better opportunities for improved access conditions to the employment market.**

In addition to these training activities, Canal Group has an **ongoing commitment to its employees' development and qualifications.** In several of our companies in Latin America, we work with literacy and qualification programmes to facilitate access to education for our employees. Similarly, we have implemented different support, grant and aid programmes and other means of assistance by which the company contributes, subsidising part or all of the cost of our employees' studies. These same companies are very aware of skill development and promotion for their workers, which they facilitate through specific programmes designed for current and potential managers.

This year, in collaboration with the Madrid College of Engineers, we have led a training programme on the integral water cycle aimed at young engineers who would like to focus their careers on work in our sector.

Canal Gestión professionals have taken on academic leadership of the course and the co-ordination of all its modules. Furthermore, the main companies in the sector have participated in the sessions and have committed, as Canal Gestión also has, to offering training placements in their organisations for the students who obtain the best results.

In view of the course's excellent reception, the positive evaluation of this experience and the **commitment from the sector to create a highly trained pool of staff**, it is likely that the programme will run again in 2016.

Talent and commitment

We develop policies that allow us to measure and **reward individual and team contributions** to our common objectives

### Everyone pulling together to achieve Canal Group's objectives

One of the fundamental aims of Canal Group's human resources policy is to unite all its employees to achieve our set objectives.

In this regard, we establish annual and multi-annual goals, we communicate well with all employees responsible for their achievement and we implement policies that enable us to measure and reward individual and team contributions to these common objectives.

In the case of Canal Gestión, we have established, on the one hand, a performance

**evaluation system** that includes all employees and that allows us to evaluate individual contributions to the company goals, determine person-position suitability and provide guidance to each employee in the areas they may need to develop.

On the other hand, we also have a **'leading by goals'** system where each year we establish a series of company, individual and team objectives and which we use to assess the extent of contribution or achievement of these by each employee.

### Guaranteeing everyone's health and safety



▲ Triple A de Barranquilla employees performing maintenance work

**Monitoring the health and safety of our employees is an absolute priority for Canal Group.** This concern governs each of our activities and is always borne in mind when making any management decision that could have health and safety implications.

**At Canal Gestión, together with employee representatives from the Health and Safety Committee, we put into place a psycho-social risk study** to assess those risk factors present in the organisation that may generate a series of responses which are colloquially known as 'stress'.

In 2016 we are focusing on jointly analysing the results of the study, identifying departments and groups for improvement and evaluating the possible measures that can be taken to improve working conditions.



Our accreditations under OHSAS 18001:2007 for our occupational health and safety policy

🏆 Canal Gestión

🏆 Canal Gestión Lanzarote

🏆 Hispanagua

🏆 Hidráulica Santillana

🏆 Triple A de Barranquilla

Currently being implemented:

🏆 Amagua

## Talent and commitment

28,294 hours

of training on the prevention of occupational hazards



In 2015, in the field of health monitoring we can highlight

1,864 medical examinations carried out.



Certified or non-certified, **all Canal Group companies have an occupational hazard prevention plan** that specifies policy, objectives, roles and responsibilities on the subject as well as the procedures for developing the whole hazard prevention management system implemented in each company.

**Occupational hazard prevention training** features prominently in Canal Group's human resources policy. In 2015, we spent 28,294 hours training on risk prevention, equal to **17% of the total number of hours which our employees dedicated to training.**

**Canal Gestión** has its own **medical service** with the best material and human resources at its disposal. Among its most significant initiatives in 2015 in the field of health monitoring we can highlight the 1,864 medical examinations conducted, including both **routine and specific examinations.** Employees may make appointments for general medicine, nutrition, gynaecology, physical therapy and nursing consultations at our facility. In

2015 we provided 5,601 consultations.

Moreover, all companies in Canal Group have health monitoring programmes. Many of them have implemented a series of **prevention campaigns** on different health topics, focusing on those professions which show the highest risk of illness. All of them have their own medical services or medical services commissioned from health companies at their disposal to care for the health of their employees.

At Canal Gestión we are very aware of the need to increase our efforts in the area of prevention. **We have declared 2016 to be the Year of Prevention**, and we are going to launch a series of initiatives to make this one of the fundamental channels of our activity. Some of these initiatives include: establishing improvements in preventative materials as personal goals for those holding managerial positions, new training activities on prevention, improving communication at all levels about health and safety duties and responsibilities, launching projects directly aimed at improving facilities and equipment, etc.



▲ Training course delivered at our Metroagua facilities

## Talent and commitment

The **non-discrimination** policy prevails in the management of human resources across all Canal Group companies

## In 2015...

Percentage of **women** in the workforce across the whole of Canal Group Gestión



Women occupy **39%** of management positions. In Latin American companies this figure reaches **43%**

## Equal opportunity within Canal Group

At Canal Group, we believe in the principle of non-discrimination set out by UN Global Pact and in the regulations in force in each of the countries where we are present. We respect the political ideologies, beliefs, race, gender and age of our employees from the start of the selection process to the end of their careers with us.

As regards our specific **equality policies**, we would like to emphasise that our head

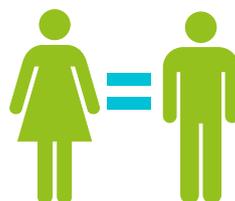
office employment policies ensure that no type of discrimination occurs, as they are governed by the principles of equality, merit and ability. Also, several of the Group's subsidiaries have codes of ethics and internal work regulations which bring together the general rules that regulate employee relations, and in which discriminatory practices are expressly prohibited.



**96%** of **managers** in Canal Group are from the **local community**



In terms of salary, we ensure **pay parity between men and women** across all our companies, and the same salary items and quantities exists for both across all professional categories.



**55** positions adapted to staff who have a **disability**. This represents **0.88%** of the total workforce

## Union representation

**Union representation and the existence of collective agreements** is widespread in our Spanish companies; by contrast, in our Latin American companies, only 36% of the workforce in Triple A de Barranquilla (Colombia) are signed up to a collective company agreement and 97% of the Emissão and Fondes Da Serra (Brazil) workforce have a collective sectoral agreement.

COMPANY	Workforce covered by collective company agreement (%)	Workforce covered by collective sectoral agreement (%)	Employees who are union members
Canal Gestión (*)	-	100	458
Hispanagua	60	40	7
Lanzarote	-	100	123
Canal de Comunicaciones Unidas	-	100	-
Hidráulica Santillana	100	-	-
UTE Alcalá	-	100	1

(\*) Canal Gestión includes its branch in Cáceres.

## Talent and commitment



In 2015 **negotiations** began between the Canal Gestión head office and its employee representatives regarding **homogenising conditions** between the different groups

Employee representatives act as a **works council**, union delegates or sections within the different companies. They hold periodic joint meetings during which they address questions such as training, overtime, preparing schedules, etc.

The role of the **Health and Safety Committees** is vital to occupational hazard prevention, as they are the means for internal collaboration between the company and worker representatives in order to improve occupational health and safety. Other joint company-employee committees also exist in

which both groups discuss different matters of mutual interest.

In 2015 negotiations started between Canal Gestión's head office and its employee representatives, in order to bring together our relevant positions regarding the process of homogenising conditions across the different groups that coexist in the organisation. We expect 2016 to be a year in which important agreements will be reached.

## Internal communication and company benefits



▲ Closing ceremony at Canal Deporte (2015)

Across all the companies in Canal Group, we are improving, year on year, our **communication with our employees**.

At **Canal Gestión** we are working to develop a culture of communication within our organisation. We produce a magazine which we distribute to all employees in which we share news from the company and its employees.

A year after implementing our new Intranet network **Canal&tú (Canal&you)**, in 2015 we have not only **established this as our most powerful communication tool between company and employee**, but we have developed it using audio-visual material and the *site* concept, that is, *web* spaces where each department can include and update its own information.

- sports days for all employees, their families and Canal Group Gestión retired workers in the Region of Madrid. This year 833 people took part in eighteen different sports disciplines that we organised.

The Group's Latin American companies also have communication tools such as Intranets, magazines and regular newsletters, and they organise joint sporting or festival events for employees and their families with the aim of promoting company values as well as teamwork.

**In 2015, Canal Group Gestión invested 4.4 million euros in social initiatives for their employees.** The bulk of this investment was made in Brazil and Colombia, with only 6% targeting Spanish employees given that **the application of the current budget regulations in Spain and in the Region of Madrid means that social benefits for employees of Canal Gestión and the rest of the national subsidiaries have been suspended.** However, we maintain a subsidy system for transport expenses, i.e. for the purchase of transport passes in the Group's Madrid-based companies.



▲ Celebrating International Women's Day at Canal Gestión facilities

Canal Gestión and its employees also take part in several **joint** or **commemorative events** such as the Share a Coffee schemes in aid of the Spanish Association Against Cancer or the Red Cross and events to mark International Women's Day.

**Sports promotion** has become a tool to promote health among the employees, for interaction and socialisation among them and to contribute to the company values. We therefore have several teams of employees engaged in different sports and we arrange their participation in races, competitions and championships. Each year, employees from Canal Gestión and the other subsidiary companies around the Region of Madrid celebrate **Canal Deporte**

Employees and their families can take out medical and dental insurance benefiting from preferential terms from our Group policy. They can also benefit from discounts and preferential access to certain sports and recreational facilities.

# 5.6

## Sharing value



### With our Customers and Service Users

At Canal Group, our **permanent challenge** is to instil a **culture of responsible water use** among citizens as a way of contributing to sustainable development, from schools to companies, encompassing all the different entities and strata which make up our society.

Part of this work entails **awareness-raising campaigns** educating people to save and recognise the value of water through different programmes and educational activities. These are aimed at different sections of society but are especially focused on children and young people.

#### Awareness-raising campaigns on saving water and caring for the environment 2015

Company	Campaign	Media	Target audience	Aims
<b>Spain</b>				
Canal de Isabel II Gestión (Region of Madrid)	<b>Rise to the water challenge</b> 	Media campaign: television, radio, <i>billboards</i> , buses, advertising panels, <i>online</i> media and newspapers and magazines  Other information materials: stickers, posters and leaflets  Other means of communication: <i>website</i> : <a href="http://www.sumatealretodelagua.com">www.sumatealretodelagua.com</a>	Inhabitants of the Region of Madrid (and Santa Marta, Colombia, which adopted the same campaign)  Latin American and Spanish citizens	Raising awareness of saving and understanding the value of water
	<b>Not a single drop of paper</b> 	Envelopes, bills, stickers in Customer Service Centres and emails	Canal de Isabel II Gestión customers	Transitioning customers to electronic invoicing. Educating about environmental awareness.
Canal Gestión Lanzarote	<b>Clean network, healthy network</b> 	Customer service helpline, customer service centres and leaflets.	Inhabitants of Lanzarote island	Preventing bad smells and overflow in the network during the rainy season as well as keeping the environment intact.

## Sharing value

Latin America				
Metroagua (Santa Marta, Colombia)	<p><b>Saving water is part of the solution</b></p> 	Press, bills and leaflets	Schools, universities, foundations, companies, public and private sector entities and the community in general.	Raising public awareness through campaigns, particularly on topics that relate to protecting the environment or tending to water conveyance and sewerage/drainage systems.
Triple A (Barranquilla, Colombia)	<p><b>Water is my key</b></p> 	TV, radio, Internet, leaflets, social media.	Inhabitants of Barranquilla and the other municipalities where the company operates, as well as schools and compa- nies in the commercial and industrial sectors	Contribute to a community culture built around the principles of care for water and its responsible use, and water control and regulation.
	<p><b>Treatment of solid waste</b></p> 			
ASAA (Rioacha, Colombia)	<p><b>Saving water</b></p> <p><b>Proper use of the sewerage/drainage system.</b></p> 	Invoices and press	Inhabitants of Rioacha	Raising awareness of saving and understanding the value of water.
	<p><b>Timely reporting of leaks and damage.</b></p>			
Amagua (Samborondón and Daule, Ecuador)	<p><b>Raising awareness about saving water</b></p> 	Magazines, <i>office banners</i> and leaflets. Social media, <i>smartphone</i>	Inhabitants of Samborondón and Daule	Maintaining domestic facilities in a good state of repair to prevent water leaks.
	<p><b>Maintenance of sewerage and drainage systems</b></p>			Avoiding bad habits in private residences and commercial premises to prevent damage to the sewerage and drainage system.
	<p><b>Detection of domestic leaks.</b></p> 			Learning how to easily detect leaks at home.

Our other main line of action focuses on educational work, which in Spain is managed through the **CanalEduca** programme, aimed at teachers, pupils, non-teaching staff and those groups and institutions committed to education and to sustainable water use.

The programme **offers educational activities at all teaching levels** and also includes an educational portal which provides a resource where one can find a large quantity and variety of teaching material

relating to water, of general interest to all water users. This portal is a fundamental tool for communicating directly with teachers and students. **CanalEduca** completes its offering with a monthly *newsletter* that complements the information disseminated within the educational programme among those registered in the programme and the **CanalEduca** publishing team.

## Sharing value

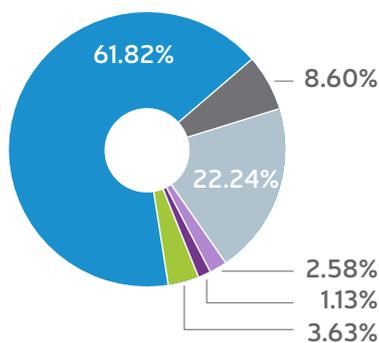
## Awareness-raising campaigns on saving water, hygiene and caring for the environment 2015

Company	Campaign	Programmes and tools	Target audience	Objectives	
<b>Spain</b>					
Canal de Isabel II Gestión (Region of Madrid)		Bilingual classroom courses (English and Castilian Spanish)	Students from different years' programmes	Raising awareness of saving and understanding the value of water, and caring for the environment	
		Online bilingual courses (English and Castilian Spanish)			
		Eco-audits	Students, teaching staff and external collaborators		
		Adult education	Students at specialised education centres		
		Educational itineraries	Students in compulsory secondary education		Practical knowledge of integral water cycle management
		Newsletter			Spreading the word about water, education and the environment
		Education portal <a href="http://www.canaleduca.es">www.canaleduca.es</a>	Students, teaching staff and external collaborators		Spreading the word about water, education and the environment
CanalEduca publishing team		Knowledge about managing the integral water cycle throughout history			
<b>Latin America</b>					
Metroagua (Santa Marta, Colombia)	<b>Together for our planet</b> 	Educational talks	Students from schools, universities and technical colleges	The importance of rational and efficient water use	
Triple A de Barranquilla (Barranquilla, Colombia)	<b>My clean school</b> 	110 hours of training in 42 different educational institutions and the collection of 8,629 kg, which was returned to the production cycle to mitigate environmental impact.	Students	To encourage environment-friendly behaviour in students in order to create a citizen's culture towards hygiene and adequate management of solid waste, PET type 1 collection at school ecological points.	
ASAA (Rioacha, Colombia)	<b>Standing together for water</b> 	Workshops, event participation (World Water Day, World Environment Day and World Tree Day)	Schoolchildren	Awareness-raising on water use	

## Sharing value

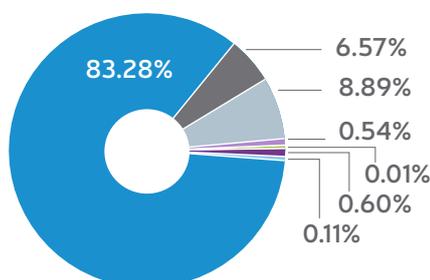
### Purchase volume (million euros)

● Canal de Isabel II Gestión .....	303.27
● Rest of Spain .....	42.21
● Colombia .....	109.08
● Ecuador .....	12.64
● Dominican Republic .....	5.53
● Brazil .....	17.80



### Purchase volume (million euros)

● Canal de Isabel II Gestión .....	214.07
● Rest of Spain .....	16.9
● Colombia .....	22.84
● Ecuador .....	1.39
● Brazil .....	0.02
● Dominican Republic .....	1.54
● Panama .....	0.28



(\*) Includes supplies, external services and other management running expenses.

(\*\*) Includes tangible and intangible assets activated during the financial year.

## With our suppliers

Canal de Isabel II Gestión and the rest of the companies comprising Canal Group in Spain are public companies under the institutional administration of the Region of Madrid, whose contracts are subject to **the relevant regulations on public sector contracts**.

Contracts awarded by Canal de Isabel II Gestión are based on principles of freedom of access to tender, call advertisements and transparency of process, non-discrimination and equal treatment between the potential suppliers, mutual respect and proportionality.

To access the tender process, the bidders are asked to be **free to enter contracts with the public sector**, to not be excluded from entering into agreements and to meet the specified economic and financial solvency, professional and technical conditions.

**The environmental requirements** placed on suppliers include compliance with all the environmental legislation in force and with the Group's own environmental policy. Contractors must also comply with

occupational hazard prevention regulations.

**In order to promote diversity and integrate people with disabilities in the job market**, we require contractors who have more than 50 employees during the term of the contract to have disabled employees representing at least 2% of their workforce, in accordance with the provisions of Royal Legislative Decree 1/2013, dated 29th November, which ratified the consolidated text of the general law on the rights of persons with disability and their social inclusion.

In general, we permit subcontracting within the terms established in current legislation and the specifications of the clauses within the particular contract for tender. The contracts system checks that any **subcontractors** meet both their legally established obligations as well as the requirements for entering into contracts with the public sector.



### Canal Gestión's and its Spanish investee companies' contracts are governed by the following legislation:

- Law 31/2007, dated 30 October, on procurement procedures for the water, energy, transport and postal services sectors.
- Public Sector Contract Law (Consolidated Text approved by Royal Legislative Decree 3/2011 dated 14 November).

In addition, each public company has its own set of internal procurement rules.

## Sharing value

### Procurement procedures at Canal Gestión

Our internal procurement procedure has the following phases:

<b>PHASE I: NEED AND SUITABILITY REPORT</b>	<p>The requesting department approves a Needs and Suitability Report for the contract that sets out the needs they are seeking to meet and the type of procedure to be followed.</p>	
<b>PHASE II: APPROVAL OF THE TENDERING SPECIFICATIONS AND INVITATIONS</b>	<p>The CEO approves the tender specifications or invitations for simplified and negotiated procedures, as proposed by the Procurement Department.</p>	
<b>PHASE III: PUBLICATION OF THE CALL FOR TENDER</b>	<p>Canal de Isabel II Gestión S.A. open procedure calls for tender are published on the Region of Madrid Procurement Portal (contractor profile) and through official press channels as appropriate to the nature and value of the contract: Region of Madrid Official Gazette, Official State Gazette and European Union Official Journal. They are also published on the Canal de Isabel II Gestión S.A. <i>website</i> (<a href="http://www.canalgestion.es">www.canalgestion.es</a>).</p> <p>The award and conclusion of contracts, including</p>	<p>when using simplified procedures without prior tender, are published on the Region of Madrid Procurement Portal (contractor profile); where the contract value exceeds 100,000 euros, they are also published in the Region of Madrid Official Gazette.</p> <p>Information regarding Canal de Isabel II Gestión contracts is regularly sent to the Region of Madrid Contracts Register.</p>
<b>PHASE IV: TENDER RECEIPT AND ANALYSIS</b>	<p>In this phase, the Procurement Department revises the tender documentation received from all bidders. Offers which do not meet the relevant criteria are not considered and this is communicated to the bidders during the opening of tenders (the opening of the technical tender if judged across several criteria, and the opening of the financial tender if judged on the lowest price).</p> <p>In procurement procedures based on multiple criteria, before opening the financial tenders, the technical tenders will be reviewed in order</p>	<p>to evaluate the non-quantitative criteria through the application of formulas before opening the financial bids.</p> <p>Finally, we proceed to the public act of opening the bidders' financial tenders. During procurement procedures which are awarded based on multiple criteria, the technical specifications received are read publicly before opening the sealed bids.</p>
<b>PHASE V: EVALUATION OF TENDERS AND CONTRACT AWARD</b>	<p>The requesting department reports on the bids included in their initial assessment as irregular or disproportionate in value, and issues a final evaluation report on the bids. The contracting authority analyses both reports and issues an award proposal which is referred to the body awarding the contract.</p>	
<b>PHASE VI: CONCLUSION OF THE CONTRACT</b>	<p>The contract is concluded within a period of 15 days from notification of contract award once the selected bidder has provided the corresponding guarantee.</p>	

Sharing value

In FY 2015, Canal de Isabel II Gestión received a total of

**2,919 tenders,**

of which the total number of companies awarded contracts was

**211**



Through public tendering procedures, Canal Group has awarded a total of

**424 contracts,**  
totalling

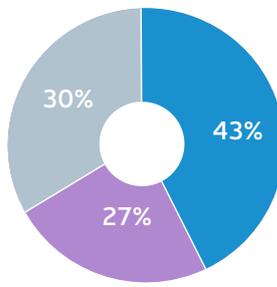
**406 million euros**

**Contracts awarded in 2015**

Among Canal de Isabel II Gestión companies, Canal Gestión Lanzarote, Hispanagua, Canal de Comunicaciones Unidas and Hidráulica Santillana, **following calls to tender we awarded a total of 424 contracts in Spain in 2015, worth a combined total of 406 million euros.** The majority of these contracts related direct to engineering activity and processes, operations and energy.

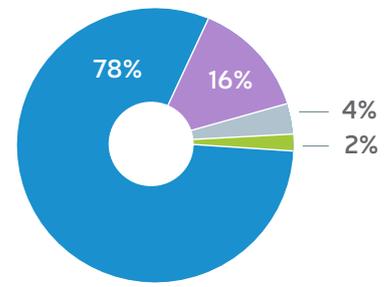
**Volume of tenders awarded in Spain**  
(million euros)

By contract type



- Works
- Services
- Supplies

By procedure type



- Open
- Sourced within the Group
- Negotiated
- Other



▲ Works on the Second Main Distribution Ring for drinking water in Madrid

## Sharing value

In this section we highlight some of the most salient features in relation to awards made by Canal Gestión:

### OPEN PROCESSES



**78%** of the total awarded in 2015

Total value of contracts awarded following open tender process

**€289,561,846**

- The most commonly used process in Canal Gestión procurement is the open tender process, in which any interested company may submit a tender. The process excludes any negotiation of terms of the contract with the potential suppliers. This process was used for **272 contracts** awarded in 2015, i.e. **74% of contracts were awarded following an open tender process**. The value of contracts awarded following an open tender process is **289,561,846 euros**, representing **78% of the total value awarded in 2015**.

- Of the 272 contracts awarded by the open tender process, **238 of these (88%)** were judged to have offered the **lowest price**, having a combined value of **213,926,136 euros**.

- The **average annulment** in contracts awarded following an open tender process was **48%** in the case of works contracts, **33%** for service contracts and **15%** for supply contracts.

### SERVICE DELEGATION AGREEMENTS



**17%** of the total awarded in 2015

Total value of service delegation agreements

**€63,718,683**

- In FY 2015, we implemented **33 service delegation agreements**, i.e. **9% of procedures**, to those companies which, in accordance with the provisions of Article 24.6 of the Consolidated Text of the Public Sector Contracts Law, are deemed a priority resource for Canal de Isabel II Gestión, S.A. Service delegation agreements have been implemented with the following companies:
  - **Hispanagua, S.A.U.**, seven agreements, totalling **51,969,006 euros** and an average term of two years five months.
  - **Canal de Comunicaciones Unidas, S.A.U.**, a total of **twenty-six agreements**, with a total value of **51,969,006 euros** and an average term of one year seven months.
- The total value of these service delegation agreements reaches **63,718,683 euros**, i.e. **17% of the total value awarded**.

### NEGOTIATED PROCEDURES



**4%** of the total awarded in 2015

Total value of service delegation agreements

**€14,404,207**

- In FY 2015, we awarded **58 contracts** using either the **negotiated process** (Law 31/2007) or the **simplified process** (Procurement regulations and Article 191 of the Consolidated Text of the Public Sector Contracts Law), representing **16% of total procedures**. The total value awarded through negotiated procedures was **14,404,207 euros**, equal to **4% of the total awarded in 2015**.
- The negotiated process is used when any of the provisions established in Article 59 of Law 31/2007 applies. The simplified procedure is always used when any of the provisions set out in the above does not require it to go to advertised tender under Articles 170 to 174 of the Consolidated Text of the Public Sector Contracts Law.
- The breakdown of whether the negotiated or simplified process should be followed can be found on the next page.

## Sharing value

### CONTRACTS AWARDED IN 2015 NEGOTIATED/SIMPLIFIED PROCEDURE

Reason for procurement	Number of contracts	% of Number of contracts	Value awarded (euros)	% Value awarded total
Exclusivity or technical reasons *	26	44.83%	8,872,588.56	61.60%
Priority	5	8.62%	630,662.21	4.38%
Additional works and services	3	5.17%	3,006,235.76	20.87%
Value reasons	20	34.48%	739,226.11	5.13%
As replacement	4	6.90%	1,155,494.30	8.02%
<b>TOTAL</b>	<b>58</b>	<b>100%</b>	<b>14,404,206.94</b>	<b>100.00%</b>

(\*) No. of *software* licences supplied: 16

#### OTHER PROCEDURES



1% of the total value awarded in 2015

Total value of service delegation agreements

**€2,314,650**

In the section «Other» we discuss **five contracts**. Of these, four were awarded in accordance with **Article 15.2 of Law 31/2007** regarding procurement procedures for water, energy, transport and postal services sectors. These are contracts for *catering* services for Canal Gestión events and the contracts (three separate commissions) of professional legal services for collection of balances owed to Canal de Isabel II Gestión, S.A. by customers or third parties, using judicial or extra-judicial processes. Similarly, this category includes a contract for postal distribution services (worth 1.4 million euros) signed under the Canal Gestión framework agreement established between the Region of Madrid and the Spanish State Postal and Telegraph Service (Sociedad Estatal de Correos y Telégrafos).

#### IN FIGURES

More than  
**2,000**  
suppliers in 2015  
(Canal Gestión alone)

More than  
**95%**  
of the Group's **suppliers**  
are **local**

**39 days**  
The Group's average  
payment period in 2015

Around  
**9,500**  
indirect jobs created  
by Canal Group  
in 2015

Canal de Isabel II Gestión's  
Supplier Support Line  
recorded in 2015 more  
than 3,000 calls, and  
surveys showed a

**satisfaction  
rate 92%**

## Sharing value

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**In relation to the procurement and purchasing processes of Canal Group's Latin American companies,** Triple A de Barranquilla and the rest of the companies managing the integral water cycle are categorised as public service companies, for which in Colombia there is a specific legal system, set out in Law 142/1994, whose actions and contracts are submitted to the private law system.

.....

In the Inassa Group companies, **transparency in commercial relations with suppliers and contractors** is demonstrated in the following way:

- ✓ Open and transparent communication
- ✓ Compliance with the procurement and purchasing handbook
- ✓ Auditor inspections and monitoring
- ✓ Group discussions with suppliers and contractors

**Canal Group makes it a point to enter into contracts with companies who share its values and who are known for their responsible practices** or who are committed to achieving them. It is important that suppliers and contractors fulfil certain principles:

- ✓ **Human Rights:** Companies must support and uphold human rights.
- ✓ **Employment Standards:** As a requirement, potential suppliers must sign a declaration guaranteeing dignified labour and rejecting discrimination in all that they do.
- ✓ **Environment:** Companies must commit to conserving natural resources.

Before work commences, the procurer and the contractor review all the permits, formats and procedures laid out by Occupational Health and Safety to approve and implement the work covered by the contract, as well as ongoing monitoring by the service procurer.



## Sharing value

### With society



#### Creation of shared value

To fulfil their corporate social responsibility obligations and respond to particular needs in their local environment, Canal Group companies have the goal **of being recognised as active social stakeholders both in Spain and in the Latin American countries** where we have a presence. More specifically, the objectives we set ourselves at head office are the following:

- To promote **sport, culture** and leisure through the organisation of different types of events open to the public.

- To contribute our technical and human resources to **development aid** projects and humanitarian emergency situations in the field of **water and sanitation**.
- To collaborate to improve people's quality of life, especially that of those who belong to **disadvantaged groups and those at risk of social exclusion**.

These goals of creating shared value are directed at society in general in the countries where Canal Group operates, and they are shown in different programmes and concrete activities carried out by the Group's companies and their foundations in Spain and Colombia.



#### Our support for sport and culture

In Spain, **Fundación Canal's** activities are noteworthy in the cultural arena. Set up in 2000, it focuses its activity on the production of cultural exhibitions, music- and performing arts-related activities, literary competitions, photography and video competitions, topical debates and research into water and the environment, among others. In 2015, Fundación Canal organised **four exhibitions and 61 different kinds of cultural, scientific and social events**. **In 2015, more than 84,000 people visited the exhibition venues and other facilities at Fundación Canal headquarters. More than 1,051,000 people took part in activities delivered over**

**social media**. From this year's activities we would like to point out the following high-profile exhibitions *Giacometti: the Man who Watches*, *Watch me move: a Journey through Animation*, *Perceptions: Man and Woman in the History of Photography* and *Vertical River*, a commemorative exhibition for World Water Day in which a light-hearted close-up narration using plasticine figures narrates the story of Canal de Isabel II and the significant benefits the company's creation has brought to the Madrid region. This exhibition also travelled through various municipalities in the region throughout 2015, receiving a significant number of visitors.

## Sharing value



We would also like to mention Fundación Canal's Children's Narration Prize *Cuentagotas 2015*, the online photography competition *Madrid Unsuspecting: Latin American Scenes*, as well as the two sessions of the *A Debate* series, which addressed the most topical current affairs issues with A grade celebrities from public life.

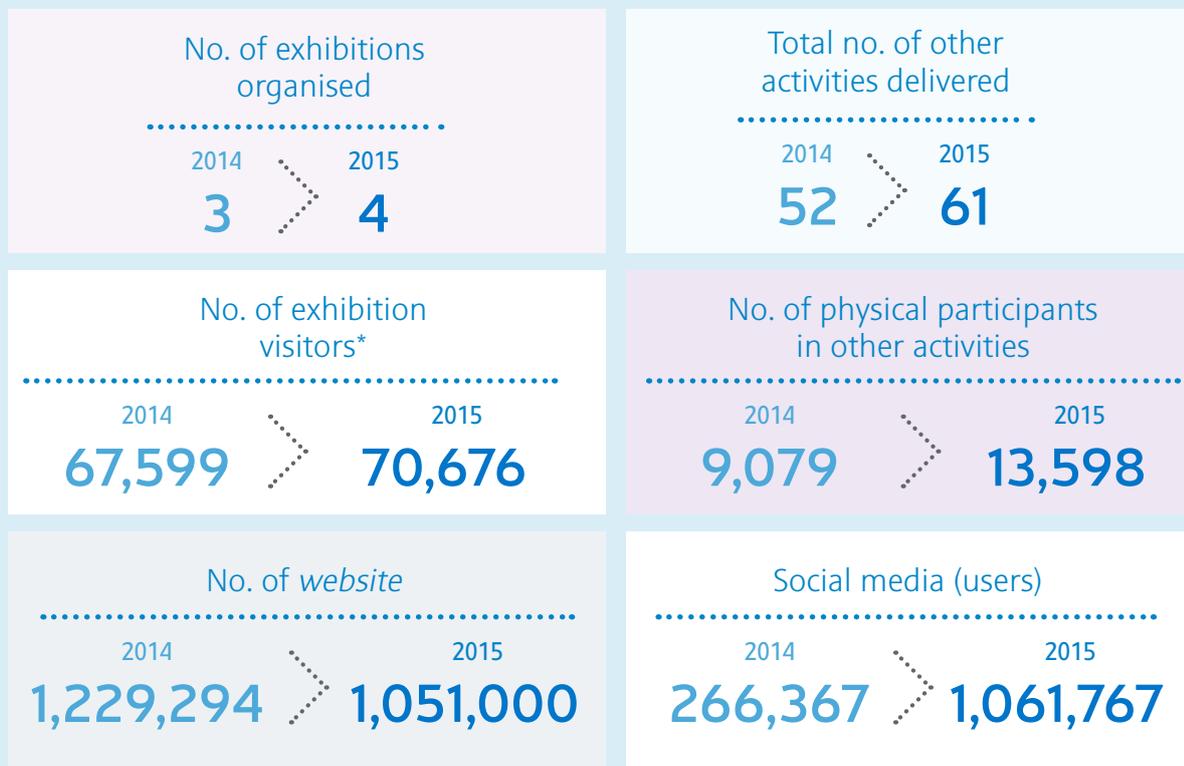
In addition to the Foundation, Canal Gestión has in Madrid alone the **Arte Canal Exhibition Centre**, located in the Fourth Underground Water Reserve, which over

the last eleven years has become **one of the city's main cultural installations**. Its structure dates back to the first half of the 20th century and occupies a surface area of 2,000 square metres that has hosted twelve major exhibitions. In 2015 Canal Art organised two cultural exhibitions: *Itinerary of Hernán Cortés* (until May) and *Cleopatra and the Fascination of Egypt*, both proving extremely popular in terms of visitor numbers.



Find out more at:  
[www.fundacioncanal.com](http://www.fundacioncanal.com)  
[www.artecanal.es](http://www.artecanal.es)

### Main indicators linked to Fundación Canal's activities\*

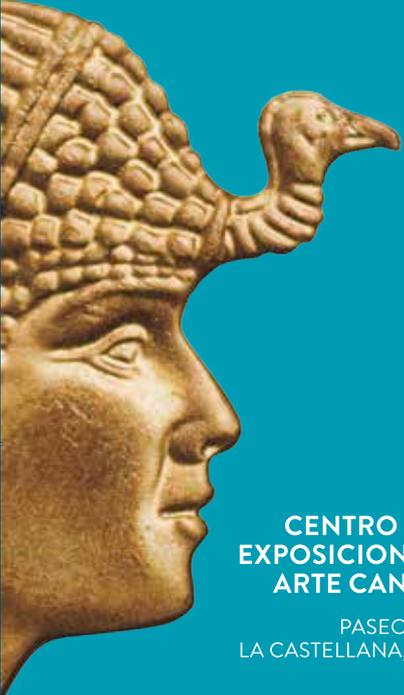


\* Does not include data from the Arte Canal exhibition

## Sharing value

# CLEOPATRA

Y LA FASCINACIÓN DE EGIPTO



**CENTRO DE EXPOSICIONES ARTE CANAL**  
PASEO DE LA CASTELLANA, 214

**3 DE DICIEMBRE DE 2015**  
**8 DE MAYO DE 2016**

[www.exposicioncleopatra.es](http://www.exposicioncleopatra.es)

Organizan: Canal de Isabel II Gestión, Comunidad de Madrid  
Colabora: ARTEMISIA group

### EXHIBITION: CLEOPATRA AND THE FASCINATION OF EGYPT

*Cleopatra and the Fascination of Egypt* is the new 2015 exhibition at Arte Canal which brings together more than 400 archaeological pieces, originating from 80 museums and both Spanish and international collections. It is an exhibition that combines discovery, rigour and quality, and will fascinate each and every visitor. The selection, commissioned by professors Giovanni Genitli and Martin Almagro Gorbea, aims to bring the visitor closer not only to the myth, but also to the people and the period in which they lived. Its central thread is Cleopatra VII herself, the last Queen of Egypt; not one single Cleopatra, but several: the woman, sovereign, mother, lover, stateswoman... as many Cleopatras as have fuelled her legend.

The exhibition is a fascinating voyage through Ancient Egypt, in which its more than four hundred pieces come to life in scenography which shows an image of Egypt and the Nile as the great cradle of civilisation, Alexandria as a cultural crossroads, and Rome as the recipient of Egyptian influence over aspects ranging from tax collection to the introduction of the cult of Isis.

The exhibition was designed in the format of an illustrated story, beginning in the outer courtyard where we installed a large-scale reproduction of a cat-shaped sarcophagus (the cat being the most sacred animal in Egyptian culture and for which we know Cleopatra had a special fascination). Inside, the exhibition is divided into eight chambers. Among the star pieces to see are numerous pieces of gold, silver and precious stone jewellery of Alexandrian style, retrieved from excavations in Pompeii and Herculaneum in Italy; an anthropoid sarcophagus from the beginning of the 4th century B.C. from the University of Padua Anthropological Museum; a portrait of Cleopatra by John William Waterhouse dated 1887 from a private London collection; a head cast of Cleopatra VII from the middle of the 1st century A.D. on loan from the Brooklyn Art Museum in New York; or the well-known Alexander the Great "Guimet", on loan from the Louvre in Paris. Also on exhibit is part of the dressing room used by Elizabeth Taylor in the film *Cleopatra* by Joseph L. Mankiewicz, which premièred in 1963.



▲ ▲ Items on exhibit *Cleopatra and the Fascination for Egypt*

## Sharing value

Also located in the City of Madrid is the **Canal de Isabel II Exhibition Hall** (First Water Tower). Built in 1911, it is a unique exhibition space, managed by the Region of Madrid's Department of Cultural Affairs, which is exclusively dedicated to contemporary photography and audio-visual art. Every year we collaborate with the ARCO and PhotoEspaña competitions. In 2015 we organised four exhibitions: *Pablo Genovés: Noise and Fury (El ruido y la furia)*, *Enrique Meneses: Life of a Reporter (Vida de un reportero)*, *Leopoldo Pomes: Flashback* and *Joan Foncuberta: Imago Ergo Sum*.

Both Canal de Isabel II Gestión and Fundación Canal have **publishing teams**. Fundación Canal focuses its publications on producing exhibition catalogues and publications showcasing other activities, while Canal Gestión puts out a wider series of publications compiled during its long existence, which cover everything from technical studies to more informative works, whose central theme is water.

**Turning to our Latin American companies**, Fundación Metroagua uses its programme *Play and Learn* to drive different cultural and recreational activities for children, while Triple A de Barranquilla actively participates in and sponsors the city's leading cultural event, the **Barranquilla Carnival**, declared by UNESCO in 2006 a masterpiece of the oral and intangible heritage of humanity.

In Spain, Canal Gestión provides the people of Madrid with **various recreational and sporting facilities within the Region of Madrid**. In the city centre, the twelve hectares on the roof of the Third Water Tower are dedicated to football, paddle, golf and jogging as well as general leisure and recreation. Other noteworthy venues within the urban area include the swimming pools and sports facilities at the Campo de Guardias Reservoir and the Fourth Reservoir, located near Plaza de Castilla. Canal Gestión also has three non-urban recreational areas at the Valmayor and El Atazar reservoirs featuring sailing, rowing and canoeing, as well as a third in the Riosequillo reservoir, which boasts one of the Region of Madrid biggest swimming pools. These sites received a total of 55,789 visitors in 2015.

### Number of visitors to non-urban recreational areas

Region	2014	2015
Riosequillo	34,870	46,783
El Atazar	5,282	5,083
Valmayor	4,088	3,923
<b>Total visitors</b>	<b>44,240</b>	<b>55,789</b>



In addition to these facilities, since 1978, Canal Gestión has run the **Canal Sports Club**, whose aim is to promote the practice of sport. Currently it has areas for athletics, canoeing, rowing and sailing, and is open to the Madrid general public. A total of 17,270 people took part in sports activities supported by the club during 2015. The highlight was the **36th Popular Water Race** held on 10th May 2015, which for the first time had separate 5 and 10 kilometre events and posted a record participation of 6,500 athletes. In this race, each entrant donated 2 euros to the **NGO Un inicio para todos (A Start for Everyone)**, which works with young people who are at risk of social exclusion.

Canal Group's companies in Latin America also actively promote sport, all of them delivering programmes for their employees and families, aimed especially at their children.

## Sharing value



### Aid initiatives to disadvantaged groups and communities

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 States and international organisations to provide financial resources, help capacity-building and technology transfer to help countries, in particular developing countries, to provide safe, clean, accessible and affordable drinking water and sanitation for all. [www.pactomundial.org](http://www.pactomundial.org)

Canal Group companies therefore are looking to support the targets in the **Sustainable Development Goals regarding water and sanitation**, approved by the United Nations General Assembly in September 2015. We are aware of the importance of achieving these goals and, to this end, we are designing and delivering aid development and co-operation projects.

**Two of the Group's companies, Canal Gestión and Triple A de Barranquilla, are pact signatories and prepare a yearly progress report which is sent**

**to the United Nations.** Furthermore, Canal Gestión has also been one of the founding members of the Global Compact Local Spanish Network established in March 2006.

At Canal Gestión, our most significant initiative in this field is **Canal Voluntarios**, a corporate volunteer programme aimed at delivering development aid projects for water and sanitation. Its **objective is to provide drinking water and sanitation in parts of the world where the population suffers the serious consequences of the absence of this resource.**

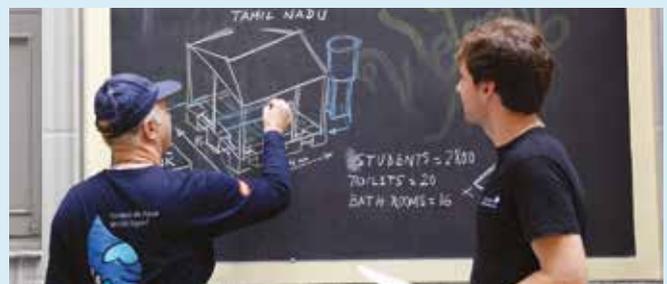
**In 2015, our volunteers put into practice eight collaborative development projects**, whose main work streams centre around guaranteeing access to safe water and/or adequate sanitation for the whole population, by creating supply and sewerage/drainage networks, drilling wells, refurbishing plants, etc. These projects, developed in countries such as Peru, Mozambique, India and Cameroon, have reached **more than 70,000 direct**

**beneficiaries and 240,000 indirect beneficiaries, who have seen their living conditions improve** in a variety of complementary areas, such as health, education or female empowerment. We also help improve their opportunities for development both at the individual and community level. Moreover, Canal Voluntarios dedicates part of its resources to **water management-related training in areas where water is scarce.**



#### PROJECTS

- 7 new co-operation projects
- 1 inter-company collaboration
- 2 awareness-raising



#### TRAINING

- 8 courses
- 94 students
- 162 study hours

## Sharing value

### Development aid projects undertaken by Canal Voluntarios during 2015

 Direct beneficiaries



Countries		Countries	
Argentina	3,010	Mexico	6,300
Cameroon	40,850	Peru	1,425
Colombia	8,000	Tanzania	38,440
Costa Rica	1,650	Ecuador	300
Ethiopia	42,360	India	3,244
Philippines	3,182	Bolivia	803
Guatemala	3,497	Guinea Conakry	82,972
Haiti	49,150	D.R. Congo	10,004
Honduras	20,650	Mozambique	28,030
Kenya	354	Benin	6,000
Mali	30,000	Sierra Leone	15,248
Morocco	1,850	Dominican Rep.	612

Water must be: SUFFICIENT  SAFE  ACCEPTABLE  ACCESSIBLE  AFFORDABLE 



More information:  
[www.canalgestion.es/es/compromiso/voluntarios/](http://www.canalgestion.es/es/compromiso/voluntarios/)

At Canal Gestión we work with other social organisations in Spain, including in 2015 the Spanish Red Cross, Action Against Hunger (Acción Contra el Hambre), Peace Messengers (Mensajeros de la Paz), Oxfam Intermon and the Spanish Association Against Cancer.



More information:  
[www.aaa.com.co/funaaa](http://www.aaa.com.co/funaaa)

In Latin America, our companies operate in urban areas where there are pockets of poverty and people at risk of social exclusion. To combat these issues, in addition to their environmental objectives, our companies and their foundations look to further social and

human development within the communities where they operate. Although many of the Group's subsidiaries deliver work and joint projects that help the local communities, of special note is the work carried out by Triple A and Metroagua foundations:

The **Triple A Foundation**, which this year celebrates its 10th anniversary, focuses its efforts on the eradication of poverty and hunger, gender equality and entrepreneurship. The foundation trains its beneficiaries in different technological and technical careers by preparing rural youth for work, building the **Experimental Environmental Classrooms** centre with the aid of a grant received for training the area's influential population.

The following are Triple A Foundation's main programmes in 2015, benefiting more than 1900 people:

- **ProsperaA:** A programme that works to improve the quality of life or situation of vulnerable sectors of the population (youth, single mothers, among others) who live within Triple A's area of operation and influence (200 beneficiaries in 2015).

- **EducaA:** For training, awareness-raising and environmental education, aimed at teachers and schoolchildren. It provides technical and methodological tools to facilitate skills development for the environmental management of natural resources and water sustainability.

- **Environmental Classrooms:** An environmental training programme with a productive focus, aimed at schoolchildren and single mothers who live in settlements within vulnerable areas in the southwest of Barranquilla and two rural areas in the Galapa and Tubará municipalities (250 pupils and 71 adults took part in 2015).

- **Gente VoluntariA:** Based on the concept of corporate volunteers linked to Triple A, these employees carry out joint initiatives with their foundation (1,167 participants in 2015).

## Sharing value



More information:  
[www.metroagua.com.co/fundacion/wordpress](http://www.metroagua.com.co/fundacion/wordpress)



▲ Children taking part in one of the Metroagua Fundación's activities

**Fundación Metroagua** in turn has the aim of promoting the holistic development of disadvantaged people in Santa Marta through work inclusion initiatives, productive, social and educational ventures. 6,417 people participated in the 46 activities delivered. **The Peace Environmental Community Centre** is the flagship of Metroagua's social activity in Santa Marta and a model for other municipalities in the rest of Colombia. It delivered the following programmes in 2015:

- **Environmental Community Centre and Environmental Promoters Programme:** Contributes to the development of social capital and the generation of development opportunities, wellbeing and environmental awareness in displaced and vulnerable communities who have been resettled in slum areas of Santa Marta.
- **Green and Clean Santa Marta Programme:** Carries out regeneration activities and looks after areas affected by deforestation and dumping of solid waste. This programme includes the permanent care-taking of the gardens in Santa Marta's three main parks, which already boast 3,000 ornamental plants.
- **Promotion and Prevention Programme:** Provides the most vulnerable communities with immunisation, dentistry and medical services, and educates on disease prevention.
- **Work Inclusion Programme:** Offers work opportunities in the private sector to members of vulnerable communities who also receive training from the Foundation.
- **Entrepreneurship for Production Programme:** Trains members of vulnerable communities with the aim of setting up production or business units.
- **Psycho-social Support Programme:** Offers psycho-social guidance to communities through workshops on values, self-esteem, sexual and reproductive rights, life coaching and holistic skills development.
- **Legal Advisory and Conflict Resolution Service:** In collaboration with Universidad Cooperativa de Colombia, this service offers legal advice aimed at helping communities demand their rights and managing conflicts in the community, family and school through "fun workshops".
- **Play and Learn Programme:** Consists in the organisation of play and sport activities for children and young people, providing healthy recreational spaces.

For its part, **ASAA, in collaboration with INASSA and Canal Voluntarios**, has begun a project involving the regeneration and construction of the collection, supply, distribution, purification and sanitation infrastructures in Tomarrazón (Colombia), a community with 2,200 inhabitants of indigenous origin displaced by armed guerrillas.

# 6

## SUMMARY OF ACTIVITIES: INDICATORS



# Access to water, efficiency of use and losses

## Customers and population supplied

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Canal Group Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Supply</b>												
Community with supply services [inhabitants]	6,285,984	6,250,414	6,315,517	2,869,797	3,084,671	3,159,161	398,370	398,370	396,725	9,554,151	9,733,455	9,871,404
Coverage of supply services [% inhabitants]	100	100	100	96	98	95	100	99	100	99	99	98
Municipalities with supply services	187	188	186	19	20	20	8	8	8	214	216	214
<b>Sanitation</b>												
Population with sewerage services [inhabitants]	5,518,602	5,485,401	5,568,841	2,345,003	2,571,742	2,603,655	371,678	371,774	339,365	8,235,283	8,428,917	8,511,861
Sewerage service coverage [% inhabitants]	100	100	100	82	88	81	93	93	86	94	96	93
Municipalities with sewerage services	141	145	143	12	12	14	8	8	8	161	165	165
<b>Treatment</b>												
Population covered [inhabitants]	6,502,365	6,461,390	6,535,306	597,442	1,243,516	666,678	165,678	165,774	140,615	7,265,485	7,870,680	7,342,599
Treatment service coverage [% inhabitants]	100	100	100	31	58	36	86	85	71	84	89	86
Municipalities where waste water is treated	181	183	185	9	10	9	7	7	7	197	200	201
Number of contracts	1,404,609	1,420,144	1,467,247	564,374	612,700	638,345	119,572	123,598	121,939	2,088,555	2,156,442	2,227,531

## Recycling

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Number of recycling plants	14	18	21	7	9	16	6	6	5	27	33	42
Non-potable recycled water reservoirs	25	33	35	N/A	N/A	N/A	3	3	4	28	36	39
Volume of reclaimed water produced [hm <sup>3</sup> ]	10	12	13	3	2	4	2	3	3	16	17	20
Total irrigated ground surface [ha]	1,443	1,740	1,913	N/A	N/A	N/A	588	588	623	2,031	2,328	2,536

## Supply

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Natural contributions</b>												
Natural contributions [hm <sup>3</sup> ]	788	822	481	179,822	174,928	142,977	N/A	N/A	N/A	180,610	175,751	143,459
<b>Surface intakes</b>												
Number of reservoirs or surface river or sea intakes	18	18	18	9	9	9	6	6	6	33	33	33
Capacity of reservoirs / surface intakes	954.79	951.90	970.56	N/A	N/A	304.16	1.89	1.89	1.89	956.68	953.79	1,276.61
No. of dams	6	6	6	3	3	3	1	1	1	10	10	10
<b>Groundwater intakes</b>												
No. of groundwater intakes	78	81	82	21	23	41	-	-	-	99	104	123
Capacity of groundwater intakes	90.00	90.00	93.00	0.03	0.03	0.07	-	-	-	90.03	90.03	93.07
<b>Water derived for consumption</b>												
Water derived for consumption [hm <sup>3</sup> ]	505.73	499.43	506.68	290.15	295.95	308.75	*32.53	*40.39	41.97	828.41	835.77	857.40
<b>Treatment</b>												
Volume that enters Water Treatment Centre [hm <sup>3</sup> ]	489	490	504	266	268	274	35	57	56	791	814	834
Volume of treated water [hm <sup>3</sup> ]	489	490	504	263	270	276	16	25	27	768	785	806
No. of drinking water treatment plants	17	17	17	8	8	8	4	4	5	29	29	30
Treatment capacity [hm <sup>3</sup> /day]	4.58	4.58	4.58	0.89	0.89	0.89	0.14	0.14	0.16	5.61	5.61	5.63
No. of rechloramination or rechlorination facilities	56	58	78	16	16	16	1	1	1	73	75	95
<b>Distribution</b>												
No. of major pipelines	23	23	23	-	-	-	-	-	-	23	23	23
No. of large regulating reservoirs	32	33	33	1	1	1	1	2	2	34	36	36
Storage capacity of large reservoirs [hm <sup>3</sup> ]	3.10	3.20	3.20	**0.05	0.05	0.05	**0.07	0.10	0.10	3.22	3.35	3.35
No. of minor reservoirs	303	307	315	47	47	47	73	63	63	423	417	425
Storage capacity of minor reservoirs [hm <sup>3</sup> ]	0.47	0.48	0.52	0.05	0.05	0.05	0.14	0.14	0.14	0.66	0.67	0.71
No. of large lifting plants	***21	***21	24	11	11	11	4	4	4	36	36	39
No. of minor lifting plants	***120	***120	124	27	27	27	30	30	30	177	177	181

\*Due to changes in criteria when including the derived water for use in 2015, the information for Canal Gestión Lanzarote (domestic subsidiary) for 2013 and 2014 has been corrected.

\*\* The information for ASAA (international subsidiary) and Canal Gestión Lanzarote (domestic subsidiary) for 2013 has been corrected.

\*\*\* The information for Canal Gestión for 2013 and 2014 has been corrected.

## Canal Educa

	Canal Gestión		
	2013	2014	2015
Canal Educa Programme [euros]	217,596	239,233	272,809
Number of beneficiaries	65,784	72,597	77,328

## Network renewal

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Supply</b>												
Length of managed grid [km]	17,367	17,564	17,999	*4,671	*4,865	5,071	2,339	2,370	2,790	24,377	24,799	25,860
Kilometres of renewed network	140	142	****103	20	37	39	8	**6	26	168	185	167
Renewal rate [%]	0.81	0.81	0.57	0.43	0.76	0.76	0.34	0.26	0.93	0.69	0.75	0.65
<b>Sanitation</b>												
Length of managed grid [km]	12,096	14,051	15,030	3,451	***3,505	3,540	629	631	663	16,176	18,187	19,234
Major sewers and outfalls [km]	759	793	942	378	397	397	10	10	17	1,147	1,200	1,355
Municipal sewerage grids [km]	11,337	13,258	14,088	3,073	3,108	3,143	619	621	647	15,029	16,987	17,878
Kilometres of renewed network	41.64	18.73	25.37	2.89	93.37	26.30	0.10	0.01	0.10	44.63	112.11	51.77
Renewal rate [%]	0.34	0.13	0.17	0.08	2.66	0.74	0.02	0.00	0.02	0.28	0.62	0.27
<b>Recycling</b>												
Length of managed grid [km]	366	421	493	N/A	N/A	N/A	496	496	496	862	917	989
Kilometres of renewed network	-	0.03	0.07	N/A	N/A	N/A	-	-	10.00	-	0.03	10.07
Renewal rate [%]	-	0.006	0.013	N/A	N/A	N/A	-	-	2.016	-	0.003	1.017

\*The information of Emissão and Fontes da Serra (international subsidiary) for 2013 and 2014 has been corrected.

\*\* The information of Canal Gestión Lanzarote (domestic subsidiary) for 2014 has been corrected.

\*\* The information of Metroagua (domestic subsidiary) for 2014 has been corrected.

\*\*\*\*This information corresponds to the kilometres renewed and registered in our GIS. However, the actual renewal figures in 2015 were almost 200 km.

## Breakages

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Breakage rate per km [no. breakages per year/km of network]	140.15	148.49	135.90	1,898.43	1,927.63	2,161.61	3,126.55	3,466.24	3,388.47	759.98	811.11	880.21
Breakage rate for every 100 connections per year	10.54	9.00	9.28	52.27	52.27	47.87	14.44	18.02	36.25	28.84	28.49	27.96

## 6. SUMMARY OF ACTIVITIES: INDICATORS

Unlike the 2014 Annual Report, the breakage indicators per 1000 km and per 1000 connections for the three periods are shown.

### Losses

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Water measured in final users [%]	82	82	83	41	40	42	58	56	58	67	66	67
Estimate of real losses in water conveyance and distribution [%]	7	6	6	42	45	41	36	41	37	20	21	20
Unnoticed losses distribution network [%]	5	4	4	22	19	25	28	29	10	12	10	12
Self-consumptions [%]	0.78	0.99	1.08	5.23	3.83	5.43	0.04	0.04	0.79	2.29	1.94	2.57

All the values show the percentage over the volume derived for consumption of the hydrological year (October 2014 - September 2015), unlike the 2014 Annual Report that showed the percentages over the volume derived for consumption for the calendar year (January-December).

### Fraud

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Communications received on events subject to fraud	6,924	10,389	9,521	64,013	76,775	70,509	1,583	1,292	2,800	72,520	88,456	82,830
No. of irregularities detected	N/A	3,012	3,207	10,700	14,669	8,209	215	560	625	10,915	18,241	12,041
No. of irregularities legally processed	78	77	138	N/A	N/A	N/A	14	47	37	92	124	175
Quantity of water claimed in legal proceeding [m <sup>3</sup> ]	1,068,317	642,115	815,929	N/A	N/A	N/A	N/A	N/A	38,022	1,068,317	642,115	853,951
Estimated quantity of water by sentences [m <sup>3</sup> ]	3,018,272	3,259,829	5,121,099	90,355	92,720	696,648	N/A	N/A	N/A	3,108,627	3,352,549	5,817,747
Total water accounted for in complaints and sentences [m <sup>3</sup> ]	4,086,589	3,901,944	5,937,028	90,355	92,720	696,648	N/A	N/A	38,022	4,176,944	3,994,664	6,671,698
Income from settlements reached in legal proceedings [€]	198,320	311,914	1,271,421	N/A	N/A	N/A	N/A	N/A	-	198,320	311,914	1,271,421
Income from penalty proceedings [€]	612,006	419,097	439,945	N/A	N/A	N/A	N/A	N/A	N/A	612,006	419,097	439,945
Income from out-of-court settlements [€]	-	-	2,473	729,020	690,141	695,707	52,072	128,558	35,423	781,092	818,699	733,603
Total income from fraud proceedings [€]	810,326	731,011	1,713,839	729,020	690,141	695,707	52,072	128,558	35,423	1,591,418	1,549,710	2,444,969
Economic assessment of fraud claims in court [€]	1,942,264	930,816	1,169,989	N/A	N/A	N/A	88,309	118,183	110,647	2,030,573	1,048,999	1,280,636
No. of disciplinary proceedings processed	6,960	6,397	2,427	N/A	N/A	N/A	N/A	N/A	N/A	6,960	6,397	2,427
No. of sentences for single connections	544	1,037	827	7,786	5,252	5,652	138	62	35	8,468	6,351	6,514

\*The information of domestic and international subsidiaries for 2013 and 2014 has been corrected.

# Energy efficiency and customer safety

## Fuel consumption: heating, buildings and installations

	Canal Gestión		
	2013	2014	2015
Natural gas in building boilers [m <sup>3</sup> ]	114,195	115,252	103,653
Diesel in building boilers [m <sup>3</sup> ]	154,000	125,670	140,000

## Electrical energy

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Electricity consumption per activity (kWh)**</b>												
Supply	143,331,187	101,230,678	136,159,464	145,903,084	149,566,197	155,412,236	78,567,745	128,875,457	121,143,465	367,802,016	379,672,332	412,715,165
Sanitation	258,607,291	258,661,420	267,292,983	11,039,366	13,515,329	15,830,671	6,616,800	9,919,665	9,554,149	276,263,457	282,096,414	292,677,803
Other areas	14,184,333	14,822,781	14,254,084	2,256,903	2,599,810	2,740,900	1,747,750	2,042,629	1,542,136	18,188,986	19,465,219	18,537,120
Electricity consumption per m <sup>3</sup> of derived water	0.823	0.750	0.824	0.545	0.556	0.560	2.629	3.453	3.125	0.796	0.812	0.842
<b>Electricity production (kWh)</b>												
Self-consumption	88,791,129	96,331,312	121,331,347	2,600	*64,000,670	70,728,180	19,215,648	17,343,772	390,356	108,009,377	177,675,754	192,450,063
Sale to electric power grid	49,464,570	49,045,333	61,379,627	N/A	N/A	N/A	92,956,120	85,629,780	58,714,970	142,420,690	134,675,113	120,094,597

\*The information of Triple A de Barranquilla (international subsidiary) for 2014 has been corrected.

\*\*The electricity consumption by activity includes electrical energy self-generated by Canal Group, which amounts to: 192,450,063 kWh.

## Sewerage

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
No. of WWPs	126	127	126	93	142	157	76	76	77	295	345	360
No. of laminators and storm tanks managed	63	63	63	N/A	N/A	N/A	3	3	4	66	66	67
Capacity of storm tanks managed [hm <sup>3</sup> ]	1,640	1,470	1,470	N/A	N/A	N/A	0.002	0.002	0.007	1.642	1.472	1.477
No. of spillways throughout sewerage grid	578	578	603	10	10	10	54	54	54	642	642	667
N,° of pressure releases produced	242	294	180	N/A	N/A	N/A	N/A	N/A	9	242	294	189

## 6. SUMMARY OF ACTIVITIES: INDICATORS

### Treatment

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Number of treatment plants	157	157	160	75	78	85	8	8	8	240	243	253
Volume treated at WWT (hm <sup>3</sup> )	493.50	494.59	463.82	39.42	39.48	44.06	4.15	6.79	6.44	537.07	540.86	514.32
Volume treated compared to volume derived for consumption (%)	98	99	92	17	16	18	*29	*28	26	71	71	66
Design flow (hm <sup>3</sup> /day)	3.20	3.20	3.26	**0.18	0.18	0.20	0.02	0.02	0.02	3.40	3.40	3.48

\*Due to the change of criteria when including the volume derived for consumption by Canal Gestión Lanzarote (domestic subsidiary), the information for 2013 and 2014 has been changed.

\*\*The information of international subsidiaries for 2013 has been corrected.

### Pollution reduced

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Average quality of supplied water (mg/l)</b>												
DBO5 of input water	309	310	324	250	213	256	492	492	543	306	305	321
Suspended solids in supplied water	264	274	282	224	199	211	296	286	298	261	269	277
<b>Average quality of treated water (mg/l)</b>												
DBO5 of treated water	10	9	10	65	61	61	13	23	13	14	13	14
Suspended solids in treated water	12	10	12	65	54	45	15	24	19	16	13	15
<b>Pollutant load removed (ton/year)</b>												
DBO5 of pollutant removed	145,046	146,032	147,852	3,966	4,334	5,053	1,989	3,185	3,412	133,582	133,878	133,809
Suspended solids	125,889	132,777	127,254	4,333	3,945	4,069	1,163	1,776	1,796	116,000	121,712	115,130
<b>Treatment performance (% eliminated)</b>												
DBO5	97	97	97	71	71	73	97	95	98	95	95	95
Suspended solids	95	96	96	77	73	79	95	91	94	94	94	94
DQO	93	93	93	52	50	61	93	90	93	91	91	90
Phosphorous	91	92	91	0	0	28	73	68	68	91	91	85
Nitrogen	55	56	53	15	12	33	64	43	41	53	53	51

## Water quality controls

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>WWTP effluents</b>												
Samples analysed	7,733	7,399	8,191	946	1,321	1,720	360	750	1,505	9,039	9,470	11,416
Analyses made	61,442	60,276	58,336	17,890	21,801	20,817	3,213	6,528	11,412	82,545	88,605	90,565
<b>Non-potable recycled water</b>												
Samples analysed	3,580	4,855	5,316	-	-	-	432	911	986	4,012	5,766	6,302
Analyses made	25,883	27,994	29,874	-	-	-	3,779	7,648	7,318	29,662	35,642	37,192
<b>Discharges (industrial)</b>												
Samples analysed	82	86	149	344	772	384	-	2	26	426	860	559
Analyses made	873	1,043	1,452	7,930	9,990	6,371	-	10	15	8,803	11,043	7,838
<b>Water at origin</b>												
Samples analysed	7,685	7,946	13,826	2,358	6,989	7,094	36	35	50	10,079	14,970	20,970
Analyses made	97,938	102,464	109,576	22,992	38,647	40,793	377	245	350	121,307	141,356	150,719
<b>Water before distribution</b>												
Samples analysed	19,918	21,773	56,959	5,600	10,773	12,481	512	2,356	2,155	26,030	34,902	71,595
Analyses made	357,443	383,214	452,526	34,273	55,567	57,970	4,061	14,706	13,450	395,777	453,487	523,946
<b>Distribution network</b>												
Samples analysed	25,097	21,645	25,420	15,205	16,340	18,910	2,771	6,232	5,883	43,073	44,217	50,213
Analyses made	378,380	369,918	390,842	133,190	153,200	152,496	18,182	37,906	38,019	529,752	561,024	581,357
<b>Analyses for other bodies</b>												
Samples analysed	727	656	691	2,884	4,071	3,560	-	-	-	3,611	4,727	4,251
Analyses made	16,217	15,352	16,551	24,223	44,948	38,058	-	-	-	40,440	60,300	54,609
<b>Automatic monitoring (consumption water)</b>												
Samples analysed	700,904	700,975	700,800	-	-	33	-	-	-	700,904	700,975	700,833
Analyses made	6,097,708	6,099,129	6,096,960	-	-	15,797,538	-	-	-	6,097,708	6,099,129	21,894,498
<b>Automatic monitoring (recycled water)</b>												
Samples analysed	-	340,704	498,672	-	-	-	-	-	-	-	340,704	498,672
Analyses made	-	681,408	1,102,464	-	-	-	-	-	-	-	681,408	1,102,464
<b>Virus analysis</b>												
Samples analysed	89	94	88	20	-	-	-	-	-	109	94	88
Analyses made	178	188	176	20	-	-	-	-	-	198	188	176

## Status of accreditation from testing laboratories

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
No. of parameters analysed	194	277	293	1,305	42,593	42,124	N/A	N/A	N/A	1,499	42,870	42,417
No. of parameters included in accreditation	163	193	202	1,180	34,893	41,638	N/A	N/A	N/A	1,343	35,086	41,840
Accreditation importance rate [%]	84	70	69	90	82	99	N/A	N/A	N/A	90	82	99

## Emissions and waste generated

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Direct emissions of CO<sub>2</sub> (tons) [Scope 1]***</b>												
Direct emissions	28,913	28,432	34,868	7,302	8,675	48,008	1,803	2,094	2,186	38,018	39,202	85,062
<b>Indirect emissions of CO<sub>2</sub> (tons) [Scope 2]***</b>												
Indirect emissions	75,832	63,094	71,130	20,259	17,428	13,705	26,157	42,597	40,076	122,248	123,119	124,911
<b>Other indirect emissions of CO<sub>2</sub> (tons) [Scope 3]</b>												
Other indirect emissions	7,896	8,006	14,354	1,635	5,182	11,104	516	746	1,562	10,047	13,934	27,020
<b>Other emissions (ton)</b>												
<b>Direct emissions from heating boilers</b>												
NOx	20	19	38	N/A	N/A	N/A	N/A	N/A	N/A	20	19	38
SO <sub>2</sub>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Direct emissions from self-generation</b>												
NOx	87	80	99	N/A	N/A	113	N/A	N/A	N/A	87	80	212
SO <sub>2</sub>	2	2	2	N/A	N/A	3	N/A	N/A	N/A	2	2	5
<b>Direct emissions from managed dump sites</b>												
NOx	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SO <sub>2</sub>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Waste generated (kg)*</b>												
Non-hazardous waste	27,318,606	24,272,806	29,884,885	309,008	1,529,061	5,358,418	5,982,777**	3,665,297**	3,644,471	33,610,391	29,467,164	38,887,773
Hazardous waste	265,121	305,174	441,541	11,014	18,103	26,269	15,266	18,763	16,035	291,401	342,040	483,846

\*The information on non-hazardous and hazardous waste of international subsidiaries for 2013 and 2014 has been corrected.

\*\*The information about non-hazardous waste of Canal de Comunicaciones Unidas (domestic subsidiary) for 2013 and Hispanagua (domestic subsidiary) for 2013 and 2014 has been corrected.

\*\*\*The scope 1 emissions are restated as a result of greater coverage of the information in historical consumption.

# Quality of service and customer assistance

## Customer Assistance service statistics

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
No. of fixed sales offices	13	13	11	23	25	41	2	5	9	38	43	61
No. of telephone calls dealt with	1,084,173	1,177,644	1,171,581	473,995	792,120	851,511	39,706	51,140	51,000	1,597,874	2,020,904	2,074,092
Visits to headquarters	41,200	40,362	36,304	215,965	276,207	325,010	61,072	90,221	74,115	318,237	406,790	435,429

## Detailed statistics of the Virtual Office

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Virtual Office Customers	129,941	158,647	195,091	N/A	213,630	907,174	4,278	5,001	5,888	134,219	377,278	1,108,153
Virtual Office Contracts	186,982	227,487	274,758	N/A	21,767	N/A	N/A	N/A	N/A	186,982	249,254	274,758
Customers with <i>electronic bill</i>	42,854	50,216	86,344	N/A	17,052	65,210	N/A	6,190	7,495	42,854	73,458	159,049
Electronic bills issued	279,011	373,972	634,572	N/A	179,313	650,931	N/A	34,501	37,147	279,011	587,786	1,322,650

## Level of compliance with the Service Charter

	Canal Gestión			International subsidiaries*			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013**	2014**	2015	2013	2014	2015	2013	2014	2015
Compliance average [%]	97	96	99	68	69	100	98	99	100	78	78	100
No. of non-compliances of the service charter	1,365	1,027	390	N/A	N/A	N/A	N/A	N/A	N/A	1,365	1,027	390

\*The information of international subsidiaries for 2014 has been corrected.

\*\*The information of Amagua (international subsidiary) for 2013 and 2014 has been corrected.

## Billing complaints received on the customer service network

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Invoices issued	8,340,652	8,424,834	8,593,788	*3,729,922	6,461,483	7,216,206	301,648	726,723	752,812	12,372,222	15,613,040	16,562,806
Claims received concerning issued invoices [%]	0.32	0.25	0.24	0.93	0.68	0.53	0.05	0.46	0.47	0.50	0.44	0.38
Claims in favour of customer [%]	68	72	72	33	38	29	69	64	70	50	50	46

\*The information of AAA Dominicana (international subsidiary) for 2013 has been corrected,

## Level of customer satisfaction

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Company</b>												
Satisfaction level (1-10)	7.7	7.6	7.8	8.0	7.5	7.5	N/A	N/A	6.9	7.7	7.6	7.7
Customers that would recommend the service [%]	91	87	90	91	92	80	N/A	N/A	N/A	91	88	87
<b>Sector</b>												
Satisfaction level (1-10)	6.9	7.0	7.0	7.1	7.5	7.4	N/A	N/A	N/A	7.0	7.1	7.1
Customers that would recommend the service [%]	76	73	69	94	95	70	N/A	N/A	N/A	80	79	69

## Customer ombudsman

	Canal Gestión			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Claims received at the Customer Ombudsman's office</b>									
No. of claims received that do not fulfil the requirements	243	183	221	2	4	4	245	187	225
No. of claims received accepted for proceedings	723	711	875	17	30	21	740	741	896
Total no. of complaints received	966	894	1,096	19	34	25	985	928	1,121
Claims received for processing [%]	75	80	80	89	88	84	75	80	80
No. complaints resolved fully or in part in favour of the customer	341	317	446	-	-	1	341	317	447
No. complaints resolved not in favour of the customer	339	327	374	17	20	14	356	347	388
No. complaints resolved in the year	680	644	820	17	20	15	697	664	835
% Fully or partially resolved in favour of the customer	50	49	54	-	-	7	49	48	54

(Continued)

	Canal Gestión			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Type of claims accepted for proceedings [%]</b>									
Connections	5	4	7	-	3	-	5	4	7
Water quality	2	1	3	-	-	-	2	1	3
Payments	0	5	4	-	-	-	0	5	4
Contracting	5	7	6	-	3	-	5	7	6
Cut off/Chain	6	11	6	12	10	38	6	11	6
Penalty proceedings	2	2	2	-	-	-	2	2	2
Invoicing	70	61	55	65	60	38	70	61	55
Compensation. Insurance and Risks	3	5	5	-	13	5	3	5	5
Water pressure	2	2	4	-	10	14	2	2	5
Other	5	2	7	24	-	5	5	2	6
<b>Type of customers presenting claims accepted for proceedings</b>									
Private person	540	488	602	17	29	20	557	517	622
Company	58	59	78	-	-	1	58	59	79
Community of owners	80	94	97	-	1	-	80	95	97
Municipal Consumer Information Office	30	42	42	-	-	-	30	42	42
Consumers associations	2	4	13	-	-	-	2	4	13
Arbitration Board	3	5	3	-	-	-	3	5	3
Development estate	4	1	1	-	-	-	4	1	1
Region of Madrid	6	18	39	-	-	-	6	18	39
Ombudsman / Lower Chamber Representative	-	-	-	-	-	0	-	-	0
Other	-	-	-	-	-	-	-	-	-
<b>Total number of customers who present claims accepted for processing</b>	<b>723</b>	<b>711</b>	<b>875</b>	<b>17</b>	<b>30</b>	<b>21</b>	<b>740</b>	<b>741</b>	<b>896</b>

# Best working practices and health and safety at work

## Social benefits

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
No. of people with incapacity/disability coverage	N/A	N/A	4	10	197	15	1	4	3	11	201	22
Registered in sports activities promoted by the company	557	598	813	N/A	N/A	560	N/A	N/A	N/A	557	598	1,373
Expenditure in social benefits [€]	299,447	302,670	269,761	*2,532,413	*3,820,254	4,122,444	53,764	37.653	36,803	2,885,625	4,160,576	4,429,008

\*The information about Triple A de Barranquilla (international subsidiary) for 2014 and Emissão and Fontes da Serra (international subsidiary) for 2013 and 2014 has been corrected.

## Retention and re-integration

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Men</b>												
Employees with right to paternity leave	47	16	32	12	20	66	15	17	15	74	53	113
Employees who ended their paternity leave the previous year	47	16	34	12	20	21	15	17	10	74	53	65
Employees reinstated after paternity leave the previous year	47	13	34	12	19	20	15	17	10	74	49	64
Employees who maintained their job 12 months after reinstatement	47	12	34	12	17	18	15	13	10	74	42	62
Retention rate [% of employees who ended their paternity leave the previous year]	100	81	100	100	95	95	100	100	100	100	92	98
Retention rate [% employees reinstated after paternity leave the previous year]	100	92	100	100	89	90	100	76	100	100	86	97

(Continued)

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Women</b>												
Employees with right to maternity leave	18	7	17	15	45	85	2	5	4	35	57	106
Employees who ended their maternity leave the previous year	18	7	18	15	45	46	2	5	4	35	57	68
Employees reinstated after maternity leave the previous year	18	7	18	15	43	45	2	5	4	35	55	67
Employees who maintained their job 12 months after reinstatement	18	7	18	13	38	34	2	3	4	33	48	56
Retention rate [% of employees who ended their maternity leave the previous year]	100	**100	100	100	96	98	100	100	100	100	96	99
Retention rate [% employees reinstated after maternity leave the previous year]	100	100	100	87	88	76	100	60	100	94	87	84
<b>Total</b>												
Employees with right to maternity/paternity leave	65	23	49	27	65	151	17	22	19	109	110	219
Employees who ended their maternity/paternity leave the previous year	65	23	52	27	65	67	17	22	14	109	110	133
Employees reinstated after maternity/paternity leave the previous year	65	20	52	27	62	65	17	22	14	109	104	131
Employees who maintained their job 12 months after reinstatement	65	19	52	25	55	52	17	16	14	107	90	118
Retention rate [% of employees who ended their maternity/paternity leave the previous year]	100	87	100	100	95	97	100	100	100	100	95	98
Retention rate [% employees reinstated after maternity/paternity leave the previous year]	100	95	100	93	89	80	100	73	100	98	87	90

\*The criterion used when including the staff for indicators of retention and reinstatement, which has changed from including only the permanent staff members to using all the personnel, with the exceptions of Canal Gestión, Hispanagua (domestic subsidiary) and Canal Gestión Lanzarote (domestic subsidiary) has been changed.

\*\*The information about Canal Gestión for 2014 has been corrected.

## Staff rotation

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Total recruitment</b>	<b>21</b>	<b>29</b>	<b>375</b>	<b>211</b>	<b>*912</b>	<b>774</b>	<b>44</b>	<b>106</b>	<b>110</b>	<b>276</b>	<b>1,047</b>	<b>1,259</b>
Men	-	15	276	-	712	627	-	87	98	-	814	1,001
Women	-	14	99	-	200	147	-	19	12	-	233	258
Under 30 years of age	-	3	196	-	463	381	-	21	22	-	487	599
Between 30 and 50	-	20	141	-	402	335	-	80	84	-	502	560
Over 50 years of age	-	6	38	-	47	58	-	5	4	-	58	100
<b>Total redundancies</b>	<b>58</b>	<b>57</b>	<b>286</b>	<b>181</b>	<b>*728</b>	<b>682</b>	<b>60</b>	<b>**59</b>	<b>99</b>	<b>299</b>	<b>844</b>	<b>1,067</b>
Men	-	24	214	-	556	521	-	53	91	-	633	826
Women	-	33	72	-	172	161	-	6	8	-	211	241
Under 30 years of age	-	-	102	-	345	309	-	5	17	-	350	428
Between 30 and 50	-	13	92	-	337	321	-	40	70	-	390	483
Over 50 years of age	-	44	92	-	46	52	-	14	12	-	104	156
<b>Voluntary redundancies</b>	<b>-</b>	<b>1</b>	<b>55</b>	<b>93</b>	<b>*230</b>	<b>188</b>	<b>14</b>	<b>17</b>	<b>13</b>	<b>107</b>	<b>248</b>	<b>256</b>
Men	-	-	35	-	148	129	-	15	12	-	163	176
Women	-	1	20	-	82	59	-	2	1	-	85	80
Under 30 years of age	-	-	30	-	110	85	-	2	5	-	112	120
Between 30 and 50	-	-	24	-	111	92	-	12	8	-	123	124
Over 50 years of age	-	1	1	-	9	11	-	3	-	-	13	12

\*The information about ASAA (international subsidiary) has been corrected.

\*\*The information about Canal Gestión Lanzarote (domestic subsidiary) for 2014 has been corrected.

## Staff diversity

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Total number of workers	2,434	2,440	2,517	*2,834	*2,901	2,954	**751	794	805	6,019	6,135	6,276
Grant students and interns	69	91	75	166	213	221	4	4	16	239	308	312
<b>According to type of working day</b>												
Full time	2,235	2,274	2,399	2,780	2,827	2,914	736	772	775	5,751	5,873	6,088
Part time	199	166	118	54	74	40	15	22	30	268	262	188
<b>According to type of contract</b>												
Permanent	1,568	1,539	1,594	2,764	2,800	2,898	492	471	496	4,824	4,810	4,988
Temporary	667	735	805	16	27	16	256	301	279	939	1,063	1,100
<b>According to gender</b>												
Women	456	445	774	738	751	773	78	74	135	1,272	1,270	1,682
Men	1,112	1,094	1,743	2,026	2,051	2,181	414	397	670	3,552	3,542	4,594
<b>Disabled employees</b>												
Workers with some kind of disability	23	23	21	6	5	22	8	7	12	37	35	55
<b>Indirect work</b>												
No. of indirect job positions***	4,160	4,935	2,985	6,073	6,666	5,876	291	367	541	10,524	11,968	9,402

\*The information about international subsidiaries for 2013 and 2014 has been corrected.

\*\*The information about domestic subsidiaries for 2013 has been corrected.

\*\*\*Only first level contracts have been included due to a change of criteria in 2015.

## Workplace health and safety

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Occupational accidents and illnesses</b>												
Total number of workers exposed to occupational hazards	2,265	2,314	2,396	2,833	2,909	2,913	747	792	808	5,845	6,015	6,116
Occupational accidents at work (excluding accidents on the way to and from work)	128	104	125	66	55	45	117	152	160	311	311	330
Accidents with leave (excluding accidents on the way to and from work)	60	48	69	36	40	47	59	58	70	155	146	186

(Continued)

## 6. SUMMARY OF ACTIVITIES: INDICATORS

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Average duration [days]	10	11	9	8	17	13	12	6	10	10	10	10
Work days lost [days]	1,270	1,159	1,080	516	936	570	1,364	939	1,568	3,150	3,034	3,218
Index of frequency of accidents with sick leave	16	12	17	5	6	6	48	38	52	13	12	15
Index of frequency of total accidents (excluding accidents on the way to and from work)	34	27	31	10	9	6	95	99	119	27	26	26
Severity index	0.33	0.30	0.27	0.08	0.15	0.08	1.11	0.61	1.17	0.27	0.26	0.26
Incidence rate (excluding accidents on the way to and from work)	26.49	20.74	28.80	12.71	13.75	16.14	78.98	73.23	86.69	26.52	24.27	30.41
Fatalities	-	-	-	-	-	-	-	-	-	-	-	-
No. of cases of occupational diseases	-	-	-	-	2	1	-	-	-	-	2	1
Occupational disease rate	-	-	-	-	0.0003	0.0001	-	-	-	-	0.0002	0.0001
<b>Hours worked</b>												
Hours worked	3,815,427	3,853,036	4,000,450	6,690,601	6,418,946	7,246,706	1,226,116	1,538,835	1,342,894	11,732,144	11,810,818	12,590,049
Total hours worked by employees with permanent contract	3,815,427	3,853,036	2,648,193	6,690,601	6,418,946	7,139,381	1,226,116	1,538,835	845,015	11,732,144	11,810,818	10,632,589
Total hours worked by employees with temporary contract	N/A	N/A	1,352,257	N/A	N/A	107,325	N/A	N/A	497,879	N/A	N/A	1,957,460
<b>Absenteeism</b>												
Hours lost due to absenteeism*	126,458	149,191	171,830	55,660	48,475	34,160	66,018	74,239	79,970	248,136	271,906	285,961
Hours lost due to absenteeism by permanent contract employees	126,458	149,191	139,107	55,660	48,475	33,944	66,018	74,239	57,051	248,136	271,906	230,102
Hours lost due to absenteeism by temporary contract employees	N/A	N/A	32,723	N/A	N/A	216	N/A	N/A	22,920	N/A	N/A	55,859
Total absenteeism [% of hours worked]	3	4	4	1	1	0	5	5	6	2	2	2
Absenteeism of employees with permanent contract [% of hours worked by employees with permanent contract]	3.31	3.87	5.25	0.83	0.76	0.48	5.38	4.82	6.75	2.12	2.30	2.16
Absenteeism of employees with temporary contract [% of hours worked by employees with temporary contract]	N/A	N/A	2	N/A	N/A	0	N/A	N/A	5	N/A	N/A	3
% Employees in Labour Health and Safety Committees	99	99	100	38	39	38	100	100	100	70	70	71

\*The information about Hispanagua (domestic subsidiary) for 2013 and 2014 has been corrected.

## Training by theme

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Technical training [hours]	30,172	23,786	26,905	8,721	10,285	8,375	889	3,306	764	39,782	37,377	36,043
Other [hours]	90,904	97,224	84,236	155,298	53,264	55,398	3,205	5,834	5,040	249,407	156,323	144,674

## Average training hours

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Senior management</b>												
Men	-	N/A	15	-	13	70	-	N/A	58	-	13	26
Women	-	N/A	19	-	16	50	-	N/A	7	-	16	27
Total	N/A	N/A	16	N/A	14	61	N/A	N/A	45	N/A	14	26
<b>Senior management support</b>												
Men	-	N/A	16	-	23	65	-	N/A	-	-	23	20
Women	-	N/A	18	-	16	64	-	N/A	-	-	16	26
Total	N/A	N/A	17	N/A	19	65	N/A	N/A	-	N/A	19	22
<b>University graduates</b>												
Men	-	13	15	-	52	47	-	52	7	-	20	20
Women	-	13	15	-	56	35	-	36	31	-	19	17
Total	13	13	15	63	54	42	18	45	22	20	19	18
<b>Diploma holders</b>												
Men	-	14	21	-	34	64	-	28	26	-	24	25
Women	-	13	21	-	37	37	-	21	23	-	18	24
Total	13	13	21	23	35	51	19	25	24	17	20	24
<b>Middle management</b>												
Men	-	N/A	15	-	6	21	-	N/A	15	-	6	16
Women	-	N/A	14	-	28	15	-	N/A	80	-	28	17
Total	N/A	N/A	15	N/A	17	19	N/A	N/A	25	N/A	17	16

(Continued)

## 6. SUMMARY OF ACTIVITIES: INDICATORS

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>Technicians</b>												
Men	-	13	16	-	31	39	-	36	15	-	22	22
Women	-	13	22	-	62	87	-	38	34	-	16	23
Total	13	13	18	335	37	41	18	36	17	71	18	22
<b>Admin. and auxiliary staff</b>												
Men	-	N/A	14	-	24	39	-	N/A	27	-	24	25
Women	-	N/A	14	-	24	36	-	N/A	13	-	24	20
Total	N/A	N/A	14	N/A	24	38	N/A	N/A	16	N/A	24	22
<b>Trades personnel</b>												
Men	-	12	10	-	11	19	-	N/A	13	-	12	11
Women	-	16	21	-	10	6	-	N/A	2	-	16	15
Total	13	13	10	N/A	11	18	N/A	N/A	13	13	13	11

\*New breakdowns for 2015 have been included due a change of criteria. The information for 2013 and 2014 is not available for these cases.

### Salaries in euros

	Spain			Colombia		
	2013	2014	2015	2013	2014	2015
Annual initial salary without seniority of the lowest category of employees	17,219	16,355	16,518	3,219	3,377	3,203
Minimum annual wage of the country	9,034	9,034	9,080	2,850	2,780	2,542
Relation initial salary/ minimum salary [%]	191	181	182	113	121	126

## Investment, ICT, R&D&i and other economic data

### Investment in euros

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Land and buildings	5,988,475	12,617,037	17,389,615	427,346	1,167,554	1,452,993	-	333,572	1,502,476	6,415,821	14,118,163	20,345,084
Intakes and large conducts	31,417,483	22,172,255	18,182,630	488,926	191,476	919,705	14,565	1,732,941	4,680,756	31,920,974	24,096,671	23,783,090
DWTP	7,303,361	4,687,456	11,255,544	3,513,620	1,024,611	1,014,306	-	-	-	10,816,981	5,712,067	12,269,850
Distribution networks	36,553,276	38,248,635	40,377,856	3,691,220	5,453,163	6,579,672	-	294,176	2,738,626	40,244,496	43,995,975	49,696,154
Technical conformities	20,504,186	2,447,327	325,454	-	1,257,420	490,479	-	104,063	74,678	20,504,186	3,808,809	890,611
Sanitation grids	25,856,825	17,108,392	15,063,160	7,394,501	7,150,682	7,102,216	-	138,790	1,582,135	33,251,326	24,397,864	23,747,511
WWTP	30,189,354	32,347,510	35,275,701	528,734	476,473	602,385	-	42,791	1,032,146	30,718,088	32,866,774	36,910,232
Recycling networks	8,208,520	5,630,698	6,327,273	-	-	-	-	43,125	366,955	8,208,520	5,673,823	6,694,227
Reservoirs	11,817,134	6,844,668	6,925,933	229,878	379,003	123,308	-	860,037	3,826,787	12,047,012	8,083,708	10,876,028
Information and remote control system	13,517,800	16,899,493	11,000,660	2,169,248	1,253,163	663,675	95,864	414,821	353,358	15,782,911	18,567,478	12,017,693
Other items	13,104,332	16,868,489	51,947,276	7,407,149	8,614,135	7,116,256	308,919	771,840	745,302	20,820,400	26,254,464	59,808,834
<b>Total</b>	<b>204,460,746</b>	<b>175,871,960</b>	<b>214,071,102</b>	<b>25,850,624</b>	<b>26,967,679</b>	<b>26,064,995</b>	<b>419,348</b>	<b>4,736,157</b>	<b>16,903,218</b>	<b>230,730,718</b>	<b>207,575,795</b>	<b>257,039,314</b>

## Expenditure on R&amp;D&amp;i and main economic variables

	Canal Gestión			International subsidiaries			Domestic subsidiaries			Total Canal Group		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
<b>R&amp;D&amp;i &amp; ICT</b>												
Spending on R&D&i [€]	4,474,529	4,793,800	4,831,579	3,042,060	1,043,742	1,706,294	-	-	-	7,516,589	5,837,542	6,537,873
Spending on ICT [€]	14,344,864	14,217,118	15,511,725	850,630	3,064,125	3,187,870	1,288,439	2,050,501	5,867,150	16,483,933	19,331,744	24,566,746
<b>Main economic figures</b>												
Turnover [€]	828,751,508	830,698,547	861,264,792	144,122,635	165,464,204	185,254,338	61,716,643	68,413,451	74,337,364	1,034,590,787	1,064,576,202	1,120,856,493
EBITDA [€]	290,691,498	310,470,055	331,378,536	42,053,951	36,930,728	44,859,489	8,783,452	-920,207	1,774,432	341,528,901	346,480,576	378,012,457
EBITDA over turnover [%]	35.08	37.37	38.48	29.18	22.32	24.22	14.23	-1.35	2.39	33.01	32.55	33.73
Net financial debt [€]	1,162,930,614	1,130,090,450	974,709,011	67,472,795	74,494,171	64,104,125	-5,300,372	-9,687,314	-9,250,864	1,225,103,037	1,194,897,307	1,029,562,271
Net financial debt over EBITDA [times]	4.00	3.64	2.94	1.60	2.02	1.43	-0.61	10.53	-5.22	3.59	3.45	2.72
Investments over turnover [%]	24.67	21.17	24.86	17.94	16.30	14.07	0.68	6.92	22.74	22.30	19.50	22.93
(Spending on ICT+ R&D&i) / Turnover [%]	2.27	2.29	2.36	2.70	2.48	2.64	2.09	3.00	7.89	2.32	2.36	2.78

## GENERAL NOTES

**Canal Gestión:** Includes the Cáceres office.

**International subsidiaries:** Includes Inassa, Triple A de Barranquilla, Metroagua, ASAA, R&T, Amagua, AAA Dominicana, Emissão and Fontes da Serra, Amerika and GIS.

**Domestic subsidiaries:** Includes UTE Alcalá, Canal Gestión Lanzarote, Hispanagua, Hidráulica Santillana and Canal de Comunicaciones Unidas.

The scope of the information changes according to the date of inclusion of the following companies into the group:

- **Canal Gestión Lanzarote (Spain):** Included on 1 June 2013:  
Scope 2013: 7 months.
- **ASAA (Colombia):** Included on 1 November 2013:  
Scope 2013: 2 months.
- **Emissão and Fontes da Serra (Brazil):** Included in December 2013  
Scope 2013: Some data has been included.
- **The Canal Gestión office in Cáceres** includes the service of the city of Cáceres on 1 April 2015, which was added to the management of the municipalities that were operating up until then.

**N/A:** Information does not apply.      **N/A:** Information not available.

# 7

## ABOUT THIS REPORT



# Process of definition of contents

## Approach and new scope

.....  
The report was prepared in line with the instructions of the **G4 Guidelines** for preparing sustainability reports under the **Global Reporting Initiative (GRI)**  
.....

This report sets out to show the activities and undertakings of Canal Group throughout 2015. The **Canal de Isabel II Gestión Group 2015 Annual Report** combines all the information provided by all the companies that make up the group. This integrative approach was taken in line with current international trends in the business world based on the concept that the information supplied by companies to the various interest groups with which they have dealings needs to include **the most important points**, so that readers can have a **realistic, integrated view** of the current performance and future potential of organisations.

The report was prepared in line with the indications of the G4 Guidelines for preparing sustainability reports under the **Global Reporting Initiative (GRI)** and includes detailed information about most of the contents recommended therein. Canal Group Gestión plans to continue drafting annual

reports based on said standard in the coming financial years, using any new updates proposed by the GRI. The report brings together all those **indicators established in the G4 Guidelines of the GRI that highlight the material features established by the group for 2015**. A detailed list of these indicators and their location in the report can be seen at the end of this chapter (Annexe I). **We feel that the 2015 annual report has been prepared in accordance with G4 in its Comprehensive option**. Likewise, the contents of this report have been subjected to independent verification by the current accounts auditor of Canal de Isabel II Gestión for financial year 2015 (KPMG), and the verification report included in its scope and the results obtained are attached (see Annexe II). The criterion for selecting the verifying company was, both for this financial year and for previous ones, its capacity as auditor of the annual accounts of our parent company.

## Who we are, where we are and where we want to go

G4-23

At Canal Group we have continued in 2015 with the exercise in reflection that we commenced in 2014, in order to transmit to the reader **how we understand our own concept of value**. To do so, we have continued to make efforts to **integrate and consolidate** the information of the companies that make up the group, strengthening the principles of uniformity, reasonableness and balance. The contents are set out using a **combined perspective**, highlighting the differences of each country or company when they are especially significant or stand out for one reason or another. Indeed, in 2015 we wanted to highlight above all **the materiality in local terms**, conducting **country-risk studies for Spain and Colombia, which are the main focal points for group activities**.

We consider that this integrative approach has further strengthened the links between group companies, bringing about **greater cohesion and adding value as a result of the shared knowledge**.

In addition, in 2015 we insisted on defining not only where we are now, but also where **we want to go**. We made considerable efforts to show our main milestones and achievements, and at the same time we prepared a detailed list of the **future challenges and prospects**, shown in our key performance indicators (**KPI**), which are our most immediate objective in terms of achievement. Each chapter of the report describes in great detail the challenges that Canal Group will pursue in the coming years.

## 7. ABOUT THIS REPORT

### Process of definition of contents

The information in the report includes the companies of the group where Canal de Isabel II Gestión possesses majority share ownership, which had staff and were active in 2015. The sole exception in this case is Metroagua, since, although Canal Group has a minority shareholding, we felt that it was important to include the company within the information perimeters because of its representative technical influence.

The programmes and main activities carried out by our foundations in Spain (Fundacion Canal) and Colombia (Fundacion Triple A and Fundacion Metroagua) were also included in the report perimeters.

Some of our companies whose scope changed from 2013 to 2015 are also included as a result of the date they were included in the group. This is the case with:

- Canal Gestión Lanzarote (Spain), which was added on 1 June 2013:
  - ▶ 2013 scope: 7 months.
  - ▶ 2014 scope: 12 months.
  - ▶ 2015 scope: 12 months.
- ASAA (Colombia), added on 1 November 2013:
  - ▶ 2013 scope: 2 months.
  - ▶ 2014 scope: 12 months.
  - ▶ 2015 scope: 12 months.
- Emissão (Brazil): joined the group in December 2013, and some data is included in the annual report for 2013. The data for the complete financial years of 2014 and 2015 is included.
- Amerika and GIS (Colombia): members of Inassa until 31 December 2013, they started to be addressed separately in the 2014 Report, although GIS discontinued activities in 2015.

G4-22

G4-23

This report presents the information for two financial years for comparison purposes (2013 and 2014). As regards the quantitative information for 2013 and 2014, in some cases there were changes of criteria when interpreting the data, which led to some modifications concerning the information published in previous years. Any re-expression of the data published in the 2013 and 2014 Reports that underwent changes in 2015 was identified with footnotes to provide greater clarity and comparability for the reader.

Generally speaking, all the indicators have been calculated using aggregation of data of the companies without including the percentage of the group in its shareholdings (aggregated data), with the sole exception of the consolidated economic data («Main Figures» section). This was done to maintain consistency between the data published in the annual report and in the consolidated annual accounts of the group. The values in euros were calculated using the average exchange rates applied in the profits and losses account of the consolidated annual accounts of the group.

The data that appears in the report is for the activities of the group companies from 1 January to 31 December for each financial year that is reported. The data was compiled from the information systems of the companies of Canal Group in January 2016. All the information may undergo modifications in the future as a result of subsequent events, changes or improvements in the accounting systems of the parameters used to construct the GRI indicators. A footnote is placed whenever there is a lack of information about particular key indicators of any company. In subsequent financial years efforts will be made to reduce any lack of information, so as to give a full account of said parameters in all the group companies.

# Process of materiality and results

## Material features and coverage

G4-18

G4-20

G4-21

G4-27

To answer the above, the information on corporate responsibility that is of interest to the media, other companies of the sector, opinion leaders and the **Dow Jones Sustainability Index (DJSI)** was analysed. A qualitative study was also carried out on the aspects that involve a risk in the main countries where the company has activities (Spain and Colombia).

The process we followed to determine the context of sustainability, contents of the report and the coverage of each feature had the objective of answering the following questions from the outset: What aspects should be regarded as principal in the design of the corporate responsibility strategy of Canal de Isabel II Gestión Group, in accordance with the expectations of the interest groups in the sector? Where, within Canal de Isabel II Gestión Group, should they be regarded as principal in the design of the corporate responsibility strategy?

To answer the above, the information on corporate responsibility that is of interest to the media, other sector companies, opinion leaders and the **Dow Jones Sustainability Index (DJSI)** was analysed. A qualitative study was also carried out on the aspects that involve a risk in the main countries where the company has activities (Spain and Colombia).

In the press analysis, the issues with most risks for Canal de Isabel II Gestión Group were, in order of frequency: "Transparency in Governance Practices", "Active Mechanisms to Prevent Corruption" and "Loss of Water from Transport and Distribution. Technical Losses and Fraud". It should be pointed out that only negative news was included in the study due to the impact it might have on the company's image.

As regards **opinion leaders**, the issue that received the most attention is the one relating to "Client Safety and Water Quality", because of the importance of managing a scarce resource with the best quality guarantees and the formulation of new regulations to deal with emerging challenges.

"Investment in Infrastructures" is the second most important issue considered by opinion leaders, because of growing concerns about lack of investment and ageing infrastructures in Spain. With regard to other countries, the issue was access to infrastructures in more vulnerable areas, guaranteeing sustainable supply.

"Efficiency of Water Use and Reuse" is the third major issue highlighted by opinion leaders, where the key factor is furthering the reuse of reclaimed water as well as preventing waste so as to enable improvements in efficiency and responsible use of resources.

On the other hand, some of the more important issues among those evaluated by the **Dow Jones Sustainability Index** were identified, most notably: "Good Labour Practices" and "Energy Efficiency in Operations to Minimise Climate Change".

Besides the issues identified as being important in the external analysis, an **internal balance** was carried out with managers of the company, ranking the issues from 1st to 24th place, the outcome of which in terms of greatest importance is: "Customer Safety and Water Quality", "Compliance with the Water Framework Directive", and "Loss of Water in Transport and Distribution. Technical Losses and Fraud".

Taking into account the internal arranging of priorities carried out by the company managers and the external prioritisation represented by the interest groups, the issues identified as most important were as follows: "Water Losses in Transport and Distribution. Technical Losses and Fraud" and "Customer Safety and Water Quality". Other important issues were "Efficiency in Use and Reuse", "Access to Water: Availability of Scarce Drinking Water Resources", "Good Labour Practices", "Energy Efficiency in Operations to Minimise Climate Change", and "Transparency in Tariff Setting Policies".

The analysis carried out by Canal Group, based on the series of **selected material features**, of the importance that each one has for the main elements of its **value chain** (both within and outside the organisation), is shown below. At the same time we show, for each material feature, the coverage given to it by each **company** making up the perimeter of information of this report and its link with the value chain of the group.

We group together the issues of the study according to the three initial commitments set by Canal de Isabel II Gestión Group:

- Fulfilling our mission
- Furthering and protecting our environment
- Attending to the needs of our business partners

## 7. ABOUT THIS REPORT

### Process of materiality and results

### ECOLOGICAL ORGANISATIONS

	ENVIRONMENTAL MANAGEMENT					
	 SOCIETY	 ECOLOGICAL ORGANISATIONS	 SUPPLIERS	 COLLECTION	 TREATMENT	 SUPPLY
Fulfilling our mission						
Water losses in treatment, transport and distribution Technical losses and fraud	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra		Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra
Energy efficiency in operations to minimise climate change				Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra
Strengthening and protecting our environment						
Efficient use and reuse of water	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua		Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra		
Access to water: availability of scarce drinking water resources				Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra



SEWERAGE

WASTE WATER TREATMENT

REUSE

OTHER SERVICES

EMPLOYEES

CUSTOMERS

SEWERAGE	WASTE WATER TREATMENT	REUSE	OTHER SERVICES	EMPLOYEES	CUSTOMERS
			INASSA		Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua AAA Dominicana Emissão and Fontes da Serra
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha R&T Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua	Canal de Isabel II Gestión Hidráulica Santillana Triple A Barranquilla	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Hidráulica Santillana CCU INASSA Triple A Barranquilla Metroagua ASAA Riohacha R&T Amagua AAA Dominicana Emissão and Fontes da Serra Amerika TI GIS	
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha R&T Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua			Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua AAA Dominicana Emissão and Fontes da Serra
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha R&T Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua	INASSA		Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua AAA Dominicana Emissão and Fontes da Serra

## 7. ABOUT THIS REPORT

### Process of materiality and results

	ENVIRONMENTAL MANAGEMENT					
	 SOCIETY	 ECOLOGICAL ORGANISATIONS	 SUPPLIERS	 COLLECTION	 TREATMENT	 SUPPLY
Attending to the needs of our business partners						
Transparency in governance practices				Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra
Transparency in tariff setting policies					Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra
Best working practices				Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra
Customer safety and water quality				Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra



SEWERAGE	WASTE WATER TREATMENT	REUSE	OTHER SERVICES	EMPLOYEES	CUSTOMERS
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua			
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua			Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Triple A Barranquilla Metroagua ASAA Riohacha Amagua AAA Dominicana Emissão and Fontes da Serra
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua		Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Hidráulica Santillana CCU INASSA Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua AAA Dominicana Emissão and Fontes da Serra Amerika TI GIS	
Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote Hispanagua Triple A Barranquilla Metroagua ASAA Riohacha Amagua Emissão and Fontes da Serra	Canal de Isabel II Gestión Canal Gestión Lanzarote Amagua			Canal de Isabel II Gestión Canal Gestión Cáceres Aguas de Alcalá UTE Canal Gestión Lanzarote INASSA Triple A Barranquilla Metroagua ASAA Riohacha RRT Amagua AAA Dominicana Emissão and Fontes da Serra

## 7. ABOUT THIS REPORT

### Process of materiality and results

Considering the internal balance of the company managers and the external prioritisation carried out by the *stakeholders*, **the eight issues that were identified as most important** are shown below. The parts of the report where the issue is considered are indicated under each one:

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	 Customer safety and water quality	 Water losses in transport and distribution Technical losses and fraud	 Efficient use and reuse of water	 Access to water: Availability of scarce drinking water resources	 Transparency in tariff setting policies	 Best labour practices	 Energy efficiency in operations to minimise climate change	 Transparency in governance practices
<b>CHAPT. 1: VISION OF THE ORGANISATION AND BUSINESS MODEL</b>								
We Are Water								
Main Figures								
Business model								
<b>CHAPT. 2: THE COMPANY'S OPERATIONAL CONTEXT</b>								
What happens around us and how we respond								
<b>CHAPT. 3: BUSINESS STRATEGY</b>								
Strategic lines and commitments to our interest groups								
Challenges and future prospects: Main KPIs of the Canal Group								
<b>CHAPT. 4: GOVERNANCE</b>								
Company organisation and governing bodies								
Remuneration and incentive policy								
Risk management								
Internal auditing and internal control								
<b>CHAPT. 5: CHALLENGES</b>								
Quality and service								
Financing and capital markets								
Cutting edge technology								
Environmental conservation								
Talent and commitment								
Shared values								
<b>CHAPT. 6: SUMMARY OF ACTIVITIES: INDICATORS</b>								
Access to water, efficiency of use and losses								
Energy efficiency and customer safety								
Quality of service and customer assistance								
Best labour practices and health and safety at work								
Investment, ICT, R&D&I and other economic data								

## Stakeholder participation

.....  
You can send your suggestions by post or email to:

**Canal de Isabel II Gestión**

Santa Engracia, 125

28003 – Madrid (Spain)

Telephone number: 34 915 451 338

Email:

[informeannual@canalgestion.es](mailto:informeannual@canalgestion.es)  
.....

The stakeholders considered by Canal de Isabel II Gestión Group, the commitments adopted with them and the frequency of contact we maintain are specified in this report (see Business Strategy/Strategic lines and commitments with our stakeholders) (G4-24, G4-25 and G4-26).

**Group Canal's intention is to improve the annual report every year** and ensure that it is as interesting as possible for all the parties interested in its activities and the services that its companies provide to society.

Therefore, we are very interested in learning more about your opinion regarding the usefulness and value of the report, and we would like to thank you in advance for any suggestions and comments you might give us. We assure you that your opinion will be taken into account when preparing the next one.

## Legal information about Canal de Isabel II Gestión, S.A. and consolidated companies of Canal Gestión and subsidiary companies.

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The entities that appear in the consolidated financial statements of the organisation can be consulted in the documents we reference below<sup>1</sup>:

- *Report of independent accounts audit of Canal de Isabel II Gestión.*
- *Consolidated annual accounts, report on the annual accounts and management report for financial year 2015 of Canal de*

*Isabel II Gestión.*

- *Report of independent accounts audit of Canal de Isabel II Gestión and subsidiary companies.*
- *Consolidated annual accounts, report on the annual accounts and management report for financial year 2015 of Canal de Isabel II Gestión and subsidiary companies.*

(<sup>1</sup>): Of those entities that form part of the financial statements of Canal de Isabel II Gestión Group, the ones represented in this report are the ones named in the section About this report/Process of definition of contents/Who we are, where we are and where we want to go. The 2015 ANNUAL CORPORATE GOVERNANCE REPORT is included in the Management Report for FY 2015 of Canal de Isabel II Gestión and subsidiary companies.



**KPMG Asesores S.L.**  
Torre Cristal  
Pº. de la Castellana, 259 C  
28046 Madrid

### **Independent Assurance Report for Canal de Isabel II Gestión, S.A.**

(Free translation from the original in Spanish.  
In case of discrepancy, the Spanish language version prevails.)

In accordance with our engagement letter, Grupo Canal de Isabel II Gestión, S.A. management has requested that we provide limited assurance on the non-financial information contained in the Annual Report of Grupo Canal de Isabel II Gestión, S.A. for the year ended 31 December 2015 (hereinafter “the Report”).

Grupo Canal de Isabel II Gestión, S.A. management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in point G4-32 of the GRI G4 Table of contents of the Report and in accordance with Materiality Disclosure Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for determining Canal de Isabel II Gestión objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance review on the preparation and presentation of the other indicators within the review scope, and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 2015. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board (IAASB) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of Canal de Isabel II Gestión’s processes for determining the material issues, and the participation of stakeholder groups therein.
- Interviews with management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies and corporate responsibility for material issues, and the implementation of these across the business of Canal de Isabel II Gestión, S.A.
- Evaluation through interviews concerning the consistency of the description of the application of Canal de Isabel II Gestión’s policies and strategy on sustainability, governance, ethics and integrity.

- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Review of the consistency of information comparing General Standard Disclosures with internal systems and documentation.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Visit to composting and thermal drying plant with electrical co-generation in Loeches (Madrid), selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria.
- Review of the application of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines requirements for the preparation of reports in accordance with comprehensive option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Canal de Isabel II Gestión.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that Annual Report of Canal de Isabel II Gestión, S.A for the year ended 31 December 2015, have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in point G4-32 of the GRI G4 Table of contents, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide Canal de Isabel II Gestión, S.A management with an internal report outlining our complete findings and areas for improvement.

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Canal de Isabel II Gestión, S.A in relation to its Annual Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

14 April 2016

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(1) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.

(2) In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.

(3) In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.

(4) In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.

## BASIC SPECIFIC CONTENTS

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<a href="#">G4-EN3</a>	C5 - Environmental conservation	104			
<a href="#">G4-EN4</a>			Energy consumption outside the organisation	Not available	At present the company does not have systems for compiling this information, which may be reported in the report for 2017

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<a href="#">G4-EN20</a>			Emissions of substances that cause ozone depletion	Not available	Not applicable
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Information about the management approach (DMA) and Indicators	Chapter-subchapter (1)	Page number	Omission(s) identified (2)	Reason(s) for omission(s) (3)	Explanation(s) of omission(s) (4)
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<a href="#">G4-DMA</a>	C5 - Talent and Commitment	120			

## 7. ABOUT THIS REPORT

Information about the management approach (DMA) and Indicators	Chapter-subchapter (1)	Page number	Omission(s) identified (2)	Reason(s) for omission(s) (3)	Explanation(s) of omission(s) (4)
<a href="#">G4-LA4</a>	In accordance with the labour legislation of each country and the collective bargaining agreements in some companies, company management keeps workers' representatives informed of any aspects that might involve adjustments to the organisational structure				
<b>MATERIAL FEATURE: HEALTH AND SAFETY IN THE WORKPLACE</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment + C6 Summary of activities: Indicators	124, 160			
<a href="#">G4-LA5</a>	C5 - Talent and Commitment	126			
<a href="#">G4-LA6</a>	C6 - Summary of activities: Indicators	160			
<a href="#">G4-LA7</a>			Activities that involve a high risk of certain diseases	The Canal de Isabel II Gestión business group has no activities that involve a high risk of certain diseases	Not applicable
<a href="#">G4-LA8</a>			Regulation of health and safety issues	Occupational health and safety issues are regulated by the legislation of each country where the group operates and in the collective bargaining agreements of the companies that have them.	Occupational health and safety issues are regulated by the legislation of each country where the group operates and in the collective bargaining agreements of the companies that have them.
<b>MATERIAL FEATURE: TRAINING AND EDUCATION</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment + C6 Summary of activities: Indicators	123, 161			
<a href="#">G4-LA9</a>	C6 - Summary of activities: Indicators	161			
<a href="#">G4-LA10</a>	C5 - Talent and Commitment	123			
<a href="#">G4-LA11</a>			Percentage of employees that have productivity incentives	In the case of Canal Gestión, the skills-based management model was approved in 2007 and employees have an annual objective-based productivity incentive that is determined by using the skills-based management model. Similar models are applied in other group companies.	In the case of Canal Gestión, the skills-based management model was approved in 2007 and employees have an annual objective-based productivity incentive that is determined by using the skills-based management model. Similar models are applied in other group companies.
<b>MATERIAL FEATURE: DIVERSITY AND EQUAL OPPORTUNITIES</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment	126			
<a href="#">G4-LA12</a>	C5 - Talent and Commitment + C6 Summary of activities: Indicators	126, 159			
<b>MATERIAL FEATURE: EQUAL PAY FOR MEN AND WOMEN</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment	126			

Information about the management approach (DMA) and Indicators	Chapter-subchapter (1)	Page number	Omission(s) identified (2)	Reason(s) for omission(s) (3)	Explanation(s) of omission(s) (4)
<a href="#">G4-LA13</a>			Ratio between salaries for men and women in the company	There is no salary difference between men and women in the group companies. At the same hierarchical and positional levels, the salaries are exactly the same.	There is no salary difference between men and women in the group companies. At the same hierarchical and positional levels, the salaries are exactly the same.
<b>SUBCATEGORY: HUMAN RIGHTS</b>					
<b>MATERIAL FEATURE: INVESTMENT</b>					
<a href="#">G4-DMA</a>	C5 - Shared Values	131			
<a href="#">G4-HR1</a>	C5 - Shared Values	131			
<a href="#">G4-HR2</a>	C5 - Talent and Commitment	123			
<b>MATERIAL FEATURE: NON-DISCRIMINATION</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment	126			
<a href="#">G4-HR3</a>	We have no records of any cases of discrimination in any of the group companies				
<b>MATERIAL FEATURE: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment	126			
<a href="#">G4-HR4</a>	Canal Group carries out its activities in Spain, Colombia, Ecuador, the Dominican Republic, Panama and Brazil, and respects the labour legislation in force in each country. This makes it highly unlikely that there might be risks with regard to the right of freedom of association, incidents of child exploitation or episodes of forced or compulsory labour.				
<b>MATERIAL FEATURE: ASSESSMENT OF SUPPLIERS WITH REGARD TO HUMAN RIGHTS</b>					
<a href="#">G4-DMA</a>	C5 - Shared values + Direct response: the suppliers of Canal Group have not been assessed in terms of human rights criteria	131			
<a href="#">G4-HR10</a>	C5 - Shared Values	131			
<a href="#">G4-HR11</a>	C5 - Shared Values	131			
<b>MATERIAL FEATURE: CLAIM MECHANISMS WITH REGARD TO HUMAN RIGHTS</b>					
<a href="#">G4-DMA</a>	C5 - Talent and Commitment	120			
<a href="#">G4-HR12</a>			Human rights claims	According to channels established by the company, no human rights claims were recorded in 2015	According to channels established by the company, no human rights claims were recorded in 2015

## 7. ABOUT THIS REPORT

Annexe II. GRI G4 Index

Information about the management approach (DMA) and Indicators	Chapter-subchapter (1)	Page number	Omission(s) identified (2)	Reason(s) for omission(s) (3)	Explanation(s) of omission(s) (4)
<b>SUBCATEGORY: SOCIETY</b>					
<b>MATERIAL FEATURE: LOCAL COMMUNITIES</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO1</a>	C5 - Shared Values	141			
<a href="#">G4-SO2</a>	C5 - Environmental conservation	108			
<b>MATERIAL FEATURE: FIGHT AGAINST CORRUPTION</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO3</a>			Operations with the risk of corruption	No analysis has been carried out in this regard and there is no record of cases of corruption. Canal Group has instruments for controlling contracting, commercial activity and human resources that enable this type of conduct to be detected, if it occurs, and that guarantee that practices that do not comply with company ethics can be prevented.	No analysis has been carried out in this regard and there is no record of cases of corruption. Canal Group has instruments for controlling contracting, commercial activity and human resources that enable this type of conduct to be detected, if it occurs, and that guarantee that practices that do not comply with company ethics can be prevented.
<a href="#">G4-SO4</a>			Best practices training for employees	All employees in Spain with decision-making powers for contracts have been trained in best practices. There is a best practices manual available to all employees and courses are regularly given on the subject. In Latin America there are similar manuals to ensure employee best practices in the fight against corruption.	All employees in Spain with decision-making powers for contracts have been trained in best practices. There is a best practices manual available to all employees and courses are regularly given on the subject. In Latin America there are similar manuals to ensure employee best practices in the fight against corruption.
<a href="#">G4-SO5</a>			Cases of corruption	Analyses have been carried out in this regard and there is no record of cases of corruption.	Analyses have been carried out in this regard and there is no record of cases of corruption.

Information about the management approach (DMA) and Indicators	Chapter-subchapter (1)	Page number	Omission(s) identified (2)	Reason(s) for omission(s) (3)	Explanation(s) of omission(s) (4)
<b>MATERIAL FEATURE: PUBLIC POLICY</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO6</a>	No company of the group has made payments or donations to political parties or dependent institutions in 2015 or in previous years. In Spain, the Canal Group companies do not participate in or contribute to the financing of political parties in accordance with the provisions of Organic Law 8/2007, of 4 July, on the financing of political parties (which supersedes Organic Law 3/1987). In those countries where donations to political organisations are permitted by law, the group companies have not made any type of donation or contribution to such organisations in 2015.		Payments or donations to political parties	No company of the group has made payments or donations to political parties or dependent institutions in 2015 or in previous years. In Spain, the Canal Group companies do not participate in or contribute to the financing of political parties in accordance with the provisions of Organic Law 8/2007, of 4 July, on the financing of political parties (which supersedes Organic Law 3/1987). In those countries where donations to political organisations are permitted by law, the group companies have not made any type of donation or contribution to such organisations in 2015.	No company of the group has made payments or donations to political parties or dependent institutions in 2015 or in previous years. In Spain, the Canal Group companies do not participate in or contribute to the financing of political parties in accordance with the provisions of Organic Law 8/2007, of 4 July, on the financing of political parties (which supersedes Organic Law 3/1987). In those countries where donations to political organisations are permitted by law, the group companies have not made any type of donation or contribution to such organisations in 2015.
<b>MATERIAL FEATURE: UNFAIR COMPETITION POLICIES</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO7</a>			Unfair competition	There is no record of any type of legal proceeding or action against group companies relating to cases of unfair competition	There is no record of any type of legal proceeding or action against group companies relating to cases of unfair competition
<b>MATERIAL FEATURE: COMPLIANCE</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO8</a>	C5 - Environmental conservation	102			
<b>MATERIAL FEATURE: ASSESSMENT OF THE SOCIAL IMPACT OF SUPPLIERS</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO9</a>	C5 - Shared values + Direct response: the suppliers of Canal Group have not been assessed in terms of social impact criteria	131			
<a href="#">G4-SO10</a>	C5 - Shared values + Direct response: the suppliers of Canal Group have not been assessed in terms of social impact criteria	131			
<b>MATERIAL FEATURE: CLAIM MECHANISMS INVOLVING SOCIAL IMPACT</b>					
<a href="#">G4-DMA</a>	C1 - Business model + C5 - Environmental conservation and shared values	16, 99, 128, 141			
<a href="#">G4-SO11</a>	C5 - Environmental conservation	131			

## 7. ABOUT THIS REPORT

Information about the management approach (DMA) and Indicators	Chapter-subchapter (1)	Page number	Omission(s) identified (2)	Reason(s) for omission(s) (3)	Explanation(s) of omission(s) (4)
<b>SUBCATEGORY: PRODUCT LIABILITY</b>					
<b>MATERIAL FEATURE: CUSTOMER HEALTH AND SAFETY</b>					
<a href="#">G4-DMA</a>	C5 - Quality and service	67			
<a href="#">G4-PR1</a>	C5 - Quality and service + C6: Summary of activities: indicators	67,151			
<a href="#">G4-PR2</a>			Disciplinary proceedings	In 2011-2015, none of the companies of Canal Group have been involved in any legal proceeding or action as a result of breaches of applicable legislation on water for consumption, advertising and marketing campaigns or data protection for clients	In 2011-2015, none of the companies of Canal Group have been involved in any legal proceeding or action as a result of breaches of applicable legislation on water for consumption, advertising and marketing campaigns or data protection for clients
<b>MATERIAL FEATURE: LABELLING OF PRODUCTS AND SERVICES</b>					
<a href="#">G4-DMA</a>	C5 - Quality and Service	67			
<a href="#">G4-PR3</a>	C5 - Quality and Service	67			
<a href="#">G4-PR4</a>			Breaches of labelling codes	According to channels established by the company, there is no record of claims for any breach of the regulations or voluntary codes of conduct concerning information and labelling of products and services in 2015.	According to channels established by the company, there is no record of claims for any breach of the regulations or voluntary codes of conduct concerning information and labelling of products and services in 2015.
<a href="#">G4-PR5</a>	C6 - Summary of activities: Indicators				
<b>MATERIAL FEATURE: CUSTOMER PRIVACY</b>					
<a href="#">G4-DMA</a>	C5 - Quality and Service	67			
<a href="#">G4-PR8</a>	C5 - Quality and Service	67			
<b>MATERIAL FEATURE: REGULATORY COMPLIANCE</b>					
<a href="#">G4-DMA</a>	C5 - Quality and Service	67			
<a href="#">G4-PR9</a>			Fines for breaches of legislation	There is no record of any significant financial penalty arising from a breach of the legislation on the supply and use of products and services in 2015.	There is no record of any significant financial penalty arising from a breach of the legislation on the supply and use of products and services in 2015.

(1) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.

(2) In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.

(3) In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.

(4) In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.



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