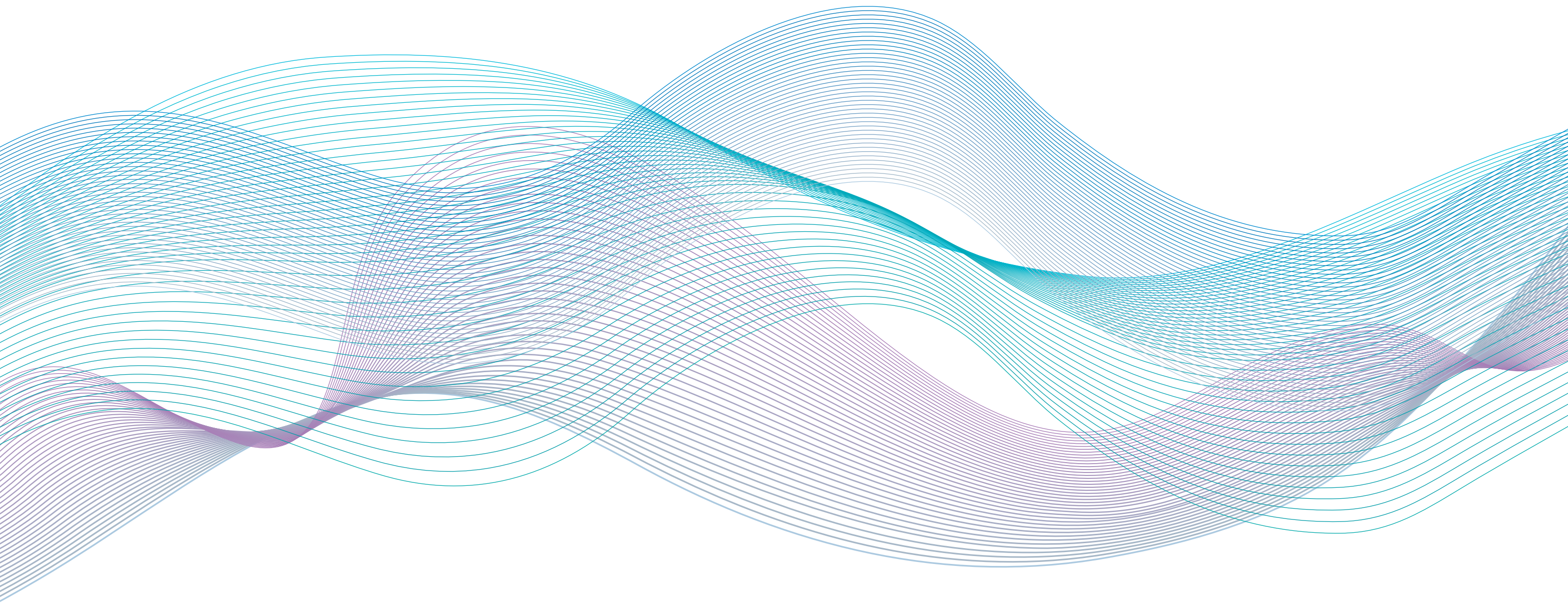


Annual Report 2013



Annual Report 2013



THE CANAL GESTIÓN GROUP IN 2013: MAIN ACHIEVEMENTS

14 January

The President of the Autonomous Region of Madrid inaugurates the new bottling plant of Canal Gestión in Colmenar Viejo. The plant will supply water to users in the case of service interruptions, trebling the company's past capacity.

08 March

Canal de Isabel II Gestión Celebrates the International Women's Day organising an event at its Head Offices.

19 March

The expansion works at the Waste Water Treatment Plant (WWTP) in Tres Cantos are finished. The new plant shall be able to process 31,000 cubic meters of waste water per day and incorporates a new tertiary treatment plant for the regeneration of purified water.

20 March

Canal Gestión celebrates the World Water Day with a meeting of Canal Voluntario with students. Aguas de Alcalá UTE organises The children's drawing contest *El futuro del agua pinta bien porque lo pintas tú [the future of water is looking good because it is drawn up by you]*, in which 902 scholars took part.

04 April

The water reserves in Canal Gestión's reservoirs exceeded 90% of their capacity in April for the first time in 16 years. 96% capacity was reached in May. Hidráulica Santillana almost reaches its historic record producing 18.6 million kilowatts per hour.

15 April

Inassa builds a new company dedicated to information technology named Amerika T.I., which began its activity in September 2013.

23 April

AAA Dominicana signs a new contract with the Corporación de Acueducto y Alcantarillado [Water and Sewer Corporation] in La Vega (Coraavega) for the provision of meter installation and service management services. The activities shall start on 1 August 2013.

02 May

Closure of the exhibition *Pompeya, catástrofe bajo el Vesubio* at the Arte Canal exhibition centre, which has received more than 240,000 visitors.

26 May

The 24th Water Race is held, with a record of more than 4,500 Runners. 20% of the registration fees collected is donated by the Club Deportivo Canal to the charity Mensajeros de la Paz.

27 May

The President of the Autonomous Region of Madrid opens the new Tank in Vallecas, with capacity to supply half a million inhabitants.

01 June

Canal Gestión Lanzarote begins operating, the company in charge of the management of the integral water cycle of Lanzarote and La Graciosa. It services the population of 7 municipalities which in 2013 was of 141,953 inhabitants, with a floating population of 50,417 (permanent tourist traffic).

12 June

His Imperial Highness the Crown Prince of Japan, together with His Royal Highness the Prince of Asturias visit the Main Control Centre, the Purified Water Laboratory and the Drinking Water Treatment Plant (DWTP) of Canal Gestión in Majadahonda.

20 June

Canal Gestión celebrates the closing event of Canal Deporte 2013, a set of sport events in which more than 800 company employees have taken part, from the Spanish group companies and relatives of employees (1,400 registrations in total).

27 June

Within the framework of the celebration of its 50 years, the Instituto Colombiano de Normas Técnicas, (ICONTEC,) granted a Triple A a special acknowledgement for its commitment to quality and its Social Responsibility and Sustainability programme, considered as a role model in the Colombian Caribbean Region.

26 June

Canal de Isabel II Gestión holds its first Ordinary General Meeting of Shareholders in which the company's individual and consolidated accounts are approved, the director's management and the distribution of the income or loss of the 2012 financial year.

30 June

Canal de Isabel II Gestión delivers the awards to the prize winners of the painting contest *El Agua y Tú [Water and you]*, in which more than 800 children and youths have taken part from the Autonomous Region of Madrid.

19 July

The 5th edition of the Canal Isabel II Gestión Freshwater 2.4 mR and Access 303 Adapted Sailing Cup is held at the El Atazar reservoir in collaboration with Fundación También and the Real Federación Española de Vela.

28 August

Triple A organises the activity *Limpiemos Barranquilla en una hora* [Let's clean Barranquilla in one hour] a citizen's mobilization in which thousands of volunteer citizens and institutions collaborate to clean the city's public areas, as a demonstration of their commitment with the cleaning of Barranquilla.

02 Sept.

The new company of Grupo Canal Gestión ASAA (Avanzadas Soluciones de Acueducto y Alcantarillado) begins operating. The company is in charge of the supply and sewerage services in the District of Riohacha, capital of the Department of Guajira in Columbia.

03 Sept.

Recaudos y Tributos (R&T) begins its activities of commercial management and users census in Riohacha for the new company ASAA.

08 Sept.

The Canal Saúl canoeist Craviotto obtains the bronze medal in the world championship of Duisburg, in Germany, in the category K1-200.

30 Sept.

Metroagua announces the termination of the works at the Bastidas - Caribbean Sea Rainwater Collector, a major rainwater drainage work that will contribute greatly to prevent flooding in the city of Santa Marta in Columbia.

25 October

The annual workshops of the European Benchmarking Cooperation begin in the Canal de Isabel II Gestión, an association of companies operating in the water sector that search for the transfer of knowledge between companies through benchmarking and cooperation.

05 Nov.

Her royal highness the Princess of Asturias inaugurates at Fundación Canal the First International Congress Against Gender-based Violence of the Autonomous Region of Madrid, in the presence of the Vice-president of the Government of Spain and the President of the Autonomous Region of Madrid.

13 Nov.

The agreement is signed to incorporate to Canal Gestión Business Group the Brazilian company Emissão Engenharia e Construções, S.A. with headquarters in Rio de Janeiro.

30 Nov.

Inassa Ecuador terminates the multipurpose project of Tahuín.

02 Dec.

The President of the Autonomous Region of Madrid inaugurates the exhibition *Fernando Alonso Collection* at the *Centro de Exposiciones Arte Canal*, an overview of the racer's career organised in cooperation with Fundación Fernando Alonso.

11 Dec.

Extraordinary Shareholders Meeting of Canal de Isabel II Gestión in which the expected results were reported for the closing of the 2013 financial year and an interim dividend of 145,2 million Euros paid against said results was approved.

12 Dec.

A Historic agreement is announced of all the Autonomous Communities of the *Cuenca del Tajo* [Tajo Basin] to share the water resources. This agreement will enable consolidating a concession of 738.07 million cubic meters per year of resources available to supply the Autonomous Region of Madrid.

31 Dec.

Canal de Comunicaciones Unidas ends 2013 with the incorporation of the *Servicio de Urgencia Médica* [Medical Emergency Service] (SUMMA 112) to the TETRA emergencies digital trunking network managed by the company.

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PRESENTATION



Salvador Victoria Bolívar

Regional Minister for the Presidency, Justice and Spokesperson of the Regional Government of Madrid and Chairman of Canal de Isabel II Gestión

This second annual report of Canal de Isabel II Gestión details the progresses we achieved in 2013 in the control and governance processes of the new company. We have held our first two shareholders meetings represented in which are both the Autonomous Region of Madrid, through the public entity Canal de Isabel II, and 111 municipalities. Thanks to their participation in Canal Gestión, these municipalities have received 46.4 million euros in dividends, a contribution to the municipalities in very difficult times for their financing.

We are very aware that guaranteeing the future sustainability of Canal de Gestión and that of our other companies requires provision and effort today. The water we will have available in ten years is being achieved today with our planning and investment efforts. However, although the economic scenario was not the most appropriate for corporate development, our company has continued to grow and develop in the milestones that will enable us, in the future, to continue to comply with our mission in an efficient and sustainable way.

Thus, during the past financial year, we have maintained and increased direct employment, and with our investments in new infrastructures in Spain and Latin America, many direct jobs were also created. To this end, we have spent almost 292 million euros to projects and actions that will guarantee the supply of water of an excellent quality to all our customers.

Moreover, and fulfilling our commitments of giving back to society part of what society has given to us, we have continued with our commitment to the environment and to leisure, culture and sport activities, as well as to solidarity projects with disadvantaged people in Ethiopia, Haiti, Peru, Bolivia, Ecuador, India and Guinea Conakry.

Our main challenge in the upcoming years, will be to consolidate and promote one of the world's best management models for environment and water resources. The model of Canal de Isabel II Gestión and its business group.

MESSAGE FROM THE MANAGING DIRECTOR



Adrián Martín López de las Huertas

Managing Director of Canal de Isabel II Gestión

At the close of 2013 one year and a half has passed since Canal de Isabel II Gestión began operating, strengthening the pillars inherited for the growth and consolidation of our company and its group. Thus, we have continued to develop and grow in all the milestones that will enable us to comply our mission in the future and face our greatest responsibility: the integral water cycle management.

Within the scope of our activity in Spain, there are two important milestones that will shape our future. On the one hand, is the agreement of all the autonomous communities from the Tajo basin which will enable us to: provide a new Hydrological Plan in 2014 that will guarantee the integral management and the protection of the water resources on the long term; consolidating a concession of 738.07 million annual cubic meters to supply the Autonomous region of Madrid and achieve all the planning milestones, with a significant improvement of the quality in the water bodies.

On the other hand, we have grown in Spain, obtaining the concession of the integral water cycle management in the islands of Lanzarote and La Graciosa. A concession in competition with some of the best operators in the sector and that would have been impossible to achieve without the effort of many of the excellent professionals working in our company.

In 2013 we have kept to the objective of providing ourselves with new infrastructures that enable us to have different alternatives in times of drought in order to guarantee water supply. We have also progressed significantly in the area of sanitation, starting the construction of new infrastructures that will improve even further the environmental quality of our rivers. All this with a view to fulfilling the environmental commitments established in the Water Framework Directive.

Canal de Isabel II Gestión has also stood out for its social and cultural commitment, as shown by organising the exhibitions *Pompeya: catástrofe bajo el Vesubio* and *Fernando Alonso Collection*.

This company would undoubtedly not be a national and international benchmark were it not for its human resources. To this end, at Canal Gestión we dedicate more than 54 hours training per employee.

This report accurately reflects all the actions developed to consolidate and improve our company's management and progress in the water management model represented by Canal de Isabel II Gestión.



1

THE SOCIAL AND CORPORATE CHALLENGE OF WATER MANAGEMENT

1.1. PROFILE OF THE CANAL GESTIÓN BUSINESS GROUP

The public limited company **Canal de Isabel II Gestión** (Canal Gestión) is a public company whose shareholding is owned by the Autonomous Region of Madrid, through the **Public Entity Canal de Isabel II** and **one hundred and eleven municipalities** of the Autonomous Region of Madrid, Spain. Canal Gestión began its activity the 1 July 2012 taking on a large part of the competences and activities of the Public Entity Canal de Isabel II, founded in 1851, which since 1984 has been the public company belonging to the Autonomous Region of Madrid in charge of the integrated water cycle management.

Canal de Isabel II Gestión handles the management of the integrated water cycle throughout the region, that is, all the processes aimed at the appropriate administration of water resources and the environmental protection. These processes, necessary for the development and maintenance of the quality of life of Madrid's citizens involve the collection, treatment and supervision of the quality of water, its transportation, distribution, waste water treatment and regeneration for subsequent re-use.

1.1.1. Origin and activities of the group

The experience built up over more than a century and a half running Canal de Isabel II enables us to contribute added value in activities connected with the water sector and in geographical regions other than the Autonomous Region of Madrid.

As a result, in the 1960s Canal Isabel II gradually integrated thirty-three investee companies which, together with **Canal de Isabel II Gestión**, constitute the current **Canal de Isabel II Gestión Business Group**. The companies which make up the group are engaged in three types of activities:

- **Integrated water cycle management**, as well as in various autonomous regions of Spain, in three departments in Colombia, in Ecuador, and since 2013, also in Brazil.



- **Integrated cycle management support services**, such as sector advising and counselling; civil engineering; operating plants belonging to third party companies; construction work and installing connections and meters; purchasing provisions for supply; commercial management of supply and sanitation; managing telephone customer centres and collecting fees and payments. In order to carry out these activities, Canal Gestión Group collaborates with companies in Spain, Columbia, Panama, Dominican Republic and since December 2013, in Brazil.
- **Other synergistic activities related to integral water cycle management**, such as hydroelectricity generation; telecommunications and information technologies, civil engineering, construction and architecture works not related with water; waste management and urban sanitation. These activities are carried out by companies located in Spain, Colombia, Ecuador and Brazil.

At the end of 2013 Canal Isabel II Gestión Business Group supplied more than 9.57 million inhabitants (6.70 in Spain and 2.87 in Latin America) and employed 6.283 people in six countries.

The following sections include a brief description of the activities of the group's companies. Furthermore, a detail of the main figures of all the companies at the end of the financial year 2013 can be consulted.

Our operations around the world

Dominican Republic

- AAA Dominicana

Panama

- Inassa Panamá

Ecuador

- Amagua
- Inassa Ecuador

Colombia

- Triple A Barranquilla
- Metroagua
- ASAA Riohacha
- Recaudos y tributos
- Gestión Integral de Suministros
- INASSA
- Amerika T.I.
- Triple A Barranquilla

Spain

- Canal de Isabel II Gestión
- Branch of Canal Gestión in Caceres
- Aguas de Alcalá UTE
- Canal Gestión Lanzarote
- Hispanagua
- GSS Venture
- Canal de Comunicaciones Unidas
- Hidráulica Santillana
- Canal de Isabel II Gestión
- Canal Extensia

Brasil

- Fontes de Serra
- Emissão engenharia e construções

	Integrated water cycle management
	Integrated water cycle management support services
	Telecommunication and information technologies
	Electricity generation
	Urban sanitation and urban waste management
	Other activities

1.1.2. Companies of the Group: integral water cycle management

In order to provide these type of services, the group has eight companies located in Spain (3), Colombia (3), Ecuador (1) and Brazil (1). These companies are the following:

- **Canal de Isabel II Gestión, S.A.** is the parent company of the business group and is in charge of the integral water cycle management in the Autonomous Region of Madrid (179 municipalities) and 20 municipalities more in Castilla-La Mancha, Castilla y León and Extremadura in Spain. The company services more than 6.52 million inhabitants.
- **Aguas de Alcalá UTE** is a joint venture holding which on 31 December 2013, as well as Canal Gestión (37.5 of the shares) is also owned by the company AQUALIA (37.5%) and by the company Valoriza Agua (25%). It holds the concession to supply and manage the municipal drainage system in the city of Alcalá de Henares (Madrid, Spain).
- **Canal Gestión Lanzarote, S.A.U.**, which began operating on 1 June 2013, is in charge of the integral water cycle management system in the islands of Lanzarote and La Graciosa, in the Autonomous Region of Canarias (Spain). It services the population of 7 towns which in 2013 was of 141, 953 inhabitants, with a floating population of 50, 417 (permanent tourist traffic).
- **Triple A, S.A. E.S.P.**, is the company providing the services connected with the integral water cycle management in the Colombian city of Barranquilla and 13 other municipalities in Colombia's Atlántico Department. The company supplies more than 2.16 million inhabitants.
- **Metroagua S.A. E.S.P.**, is the company responsible for the supply and drainage management in the district of Santa Marta, capital of the department of Magdalena in Colombia. It supplies a population of 444,549 inhabitants.
- **ASAA, S.A. E.S.P.**, is the company that incorporated to the Canal Gestión Group in 2013, and started operating in September. The company is responsible for the supply and drainage management in the district of Riohacha, capital of the Department of Guajira in Colombia. The population supplied by the company in 2013 was 85,371 inhabitants.
- **Aguas de Samborondón Amagua C.E.M.**, has the purpose of providing drinking water distribution services, drain management, waste water treatment and Waste water re-use in Samborondón and Daule, municipalities located In Guayaquil (Ecuador). Amagua supplied 132,315 inhabitants of both municipalities in 2013.

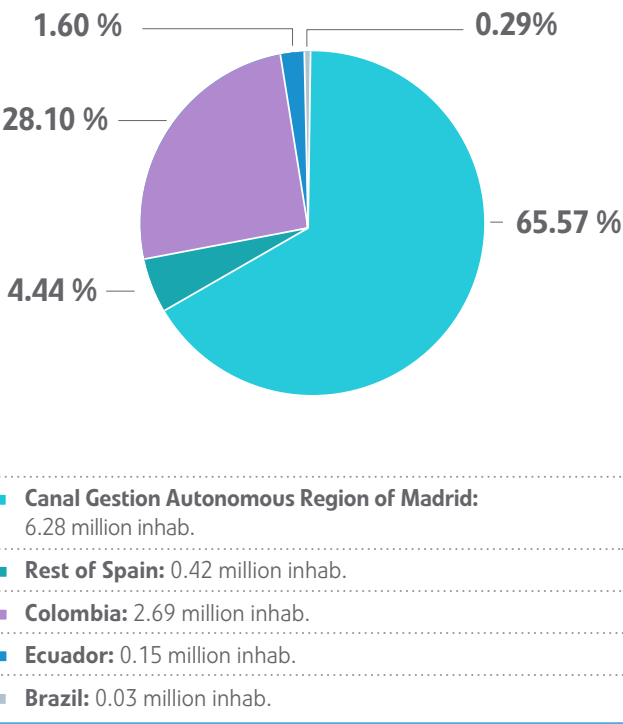
- **Fontes da Serra Saneamento de Guapimirim Ltda.**, company owned by the company Emissão Engenharia e Construções which became part of Canal Gestión Group in December 2013. Fontes de Serra is the company that supplies drinking water to 27,388 inhabitants of the Municipality of Guapimirim, in the State of Rio de Janeiro, in Brazil.

At the end of 2013, the eight companies had supplied 9.57 million inhabitants on four countries: 6.70 million in Spain, 2.69 million in Colombia, 0.15 million in Ecuador and 0.03 million in Brazil. This involves a total coverage of the population living in the areas where the companies operate which reaches 98.51% (95.67% in Latin America and 99.97% in Spain).

During the 2013 financial year the population supplied by the group companies increased by 4.45% regarding 2012. This was due mainly to the incorporation of three new companies (Canal Gestión Lanzarote in Spain, ASAA in Colombia and Fontes da Serra in Brazil) and the growth of the population close to 4% in Triple A and Metroagua in Colombia and greater than 15% in the case of Amagua in Ecuador.

Throughout the 2013 financial year, the companies supplied this population managing a total of 839.82 million cubic meters of water (555.59 in Spain and 284.23 in Latin America) and 41,315 kilometres of supply, sanitation and regenerated water networks. These and other figures are detailed in Annex 2 of this document.

Distribution by countries of the population serviced in supply by Canal de Isabel II Gestión Group in 2013



1.1.3. Companies of the Group: water management support services

This section includes the group companies performing activities connected with integrated water cycle management, such as sector consultancy and engineering, the construction and operation of waste water treatment and purification plants, construction work and installing connections and meters, purchasing provisions for supply, commercial management of supply and sanitation, managing telephone customer centres and collecting fees and payments.

In order to carry out these activities, Canal Gestión Group collaborates with companies in Spain, Columbia, Dominican Republic, Panama, Ecuador and, since December 2013, in Brazil. These companies are the following:

Para el desarrollo de estas actividades, el Grupo Canal Gestión cuenta con empresas en España, Colombia, República Dominicana, Panamá, Ecuador y, desde diciembre de 2013, en Brasil. Dichas empresas son las siguientes:

- **Hispanagua, S.A.**, was set up in 1995 as a result of the partial spin-off of the company Hidráulica Santillana. The company's main purpose is the construction, maintenance and operation of water management-related infrastructures, The operation of DWTP and WWTP and the provision of commercial services such as connection works and installation of meters. The company is, according to the Spanish Public Sector Procurement legislation, is classified as the canal Gestión's own resources, and therefore undertakes practically all its corporate activities for the group's parent company in Spain.
- **The company Sociedad Interamericana de Aguas y Servicios S.A.** (hereinafter Inassa) was incorporated in 1996 to provide the services connected with the integrated water cycle in Colombia and other Latin American countries. Inassa provides consultancy in public service processes and integrated and innovative information technology solutions for public drinking water and sanitation companies in Latin America.

Outstanding among Inassa's activities in 2013 are the design, development and marketing and implementation of **Amerika Software**, a product which offers a definitive and integrated solution for public utility companies, designed on the basis of the water sector and covering the different corresponding aspects by means of its commercial management, technical management, administrative and financial management and executive control modules. In 2013 a new company was created named **Amerika T.I.** which in 2014 will be in charge of developing and marketing the software.

Inassa, which is domiciled in Colombia, is also the parent company of the **Inassa Business Group**, which provides extensive experience in the activities involved in the integrated water cycle. It performs these activities either directly or through subsidiaries in Colombia, Ecuador, Panama, Dominican republic and since the end of 2013, also in Brazil.



- The company **Recaudos y Tributos S.A.** (R&T) which services the different companies of Canal Gestión Group in Latin America, to the district of Santa Marta and the municipality of Villavicencio in Colombia. Among the services its provides are the comprehensive management of collection and the customer portfolio, portfolio evaluation and classification, taxation and commercial consultancy, database management, legal representation in debt negotiation, preparation of the census roll and the administration of assets.

For companies in the water supply sector it also provides commercial management and consultancy, the design and construction of civil works, the management of out-of-court settlements and court settlements, the updating and creation of databases and logical supports, *contact human centre* services, document management and courier services.

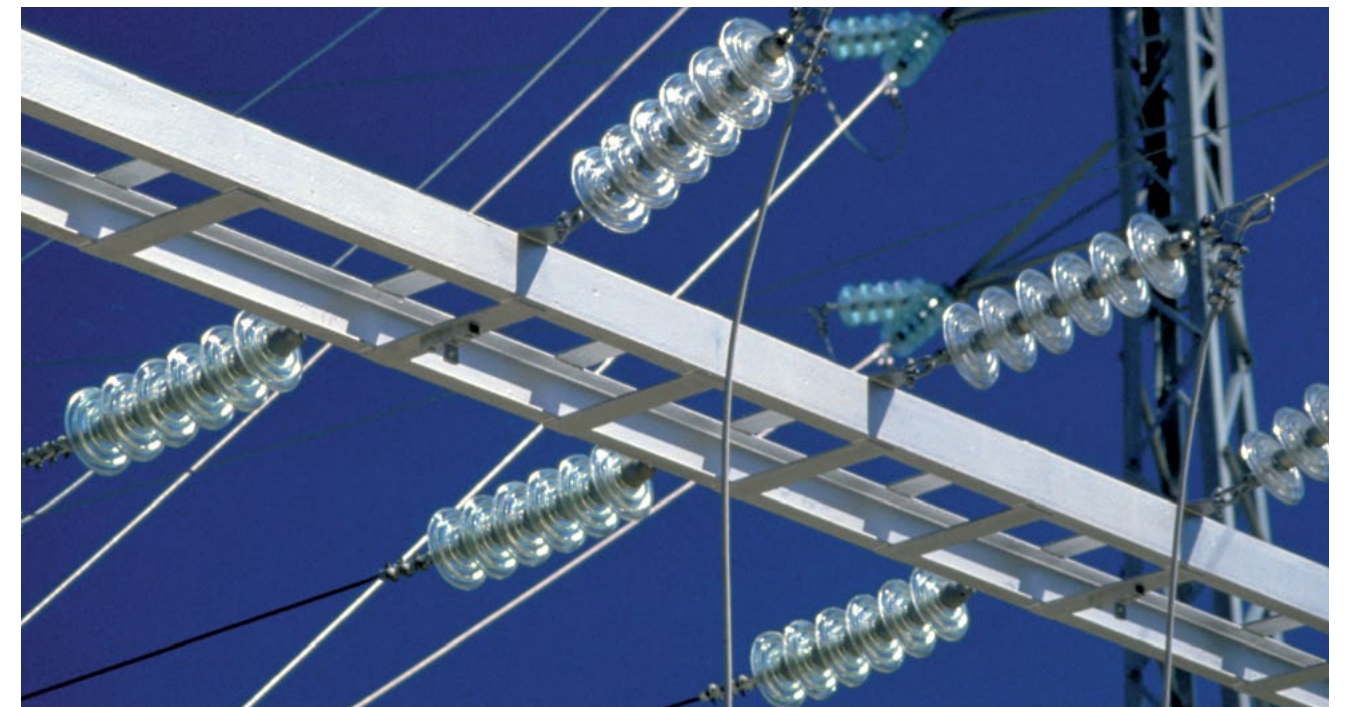
- **AAA Dominicana S.A.** began its operation in the Dominican Republic with a contract for the commercial management and installation of meters in the western part of the city of Santo Domingo to serve the population of almost 1.5 million inhabitants. In the past years, AAA Dominicana S.A. has achieved considerable growth through the expansion of its services in commercial water service management activities and the collection of fees and taxes. The company's main customers are the Local Council of Distrito Nacional, Corporación de Acueducto y Alcantarillado de Santo Domingo (CAASD), the Local Council of Santiago de los Caballeros and since 2013, the Corporación de Acueducto y Alcantarillado de La Vega.

- **Inassa Panama** is a subsidiary of the Colombian company Inassa, began its activity in 2012. The company provides commercial and technical management consultancy services to companies in the public utilities services. Among its customers is the Instituto de Acueductos y Alcantarillados Nacionales in a good part of the Republic of Panama. Thanks to the experience acquired by the company within the Canal Gestión Group, it advises its customers on the improvement of their activities and processes, including a wide range of services covering both operational and technical aspects of the integrated water cycle, such as commercial activities and customer services.
- **Inassa Ecuador** is also a branch of the Colombian company Inassa, which up until 2013 has been in charge of running all the activities inherent to the integrated water cycle in the country, such as infrastructure construction projects, consultancy, technical assistance, design, project supervision and environmental consultancy. Since 2012 the authorities of Ecuador have awarded four major consultancy projects worth a total of 14.2 million Euros.
- **Gestión Integral de Suministros, Ltda. – GiS**, located in Barranquilla (Colombia), is a company specialising in the marketing of goods and services connected with the integrated water cycle. GiS has successfully positioned itself on both the Colombian and international market, offering services which include materials procurement, operational outsourcing and technical support.
- **GSS Venture, S.L.** is a company owned in minority (25%) by Canal de Isabel II Gestión. Its corporate purpose is the provision of telemarketing services and customer service, undertaken by means of the telephone network or any other remote electronic system. GSS currently handles Canal de Isabel II Gestión's customer service call centre in Spain.
- In December 2013, the Brazilian company **Emissão Engenharia e Construções, S.A. Ltda.** was incorporated to Canal Gestión. With its headquarters in Rio de Janeiro, it handles the commercial management of the supply and sanitation services in several states of Brazil; it undertakes consultancy and engineering works within the sector, constructs, manages and maintains other company's supply networks and installation; develops and maintains the remote control systems of installations and is the main operator of the supply to the municipality of Guapimirim (state of Rio de Janeiro) through the company Fontes de Serra.

1.1.4. Other companies of the Group: synergistic integrated cycle activities

Aside from the activities directly connected with integrated water cycle management or activities to support management of the water cycle, the Canal Isabel II Gestión Business Group is engaged in synergistic integrated cycle management activities with a six of its companies. These activities are the generation of hydro-electric power, telecommunications and information technologies, waste management and urban cleaning and engineering and construction. These activities are undertaken in Spain, Columbia and since December 2013, in Brazil by the following companies:

- **Electrical Power output: Hidráulica Santillana S.A.**, is the result of the purchase made by Canal de Isabel II in 1965 of the of the firm of the same name. The company was split in 1995, with those activities connected with integrated cycle management being spun off (through the creation of Hispanagua) From energy generation. The company's main activity is the operation of eight power station, with a total installed power of 39.1 MW. These power stations exploit the heads of water at Canal de Isabel II's reservoirs in the Autonomous Region of Madrid (Spain).



Aside from the activities of Hidráulica Santillana, Canal Gestión is one of the leading electrical power generation companies in the Autonomous Region of Madrid. Canal Gestión generates electrical power taking advantage of synergistic processes connected with sanitation and supply management. These processes are the use of biogas generated in waste water treatment plants, the high efficient co-generation in processes for the thermal drying of treatment plant sludge at the Loeches WWTP sludge thermal drying and composting plant in Madrid, Spain, a head of water located at the output from the South WWTP in Madrid and two micro-turbines installed in two points of the supply network.

The overall installed power at the Canal Gestión Group companies (Canal de Isabel II Gestión and HS) represents a total of 82.05 MW (the highest in the Autonomous region of Madrid). The Canal de Isabel II Gestión Business Group generated 244.63 million kWh of power in 2013.

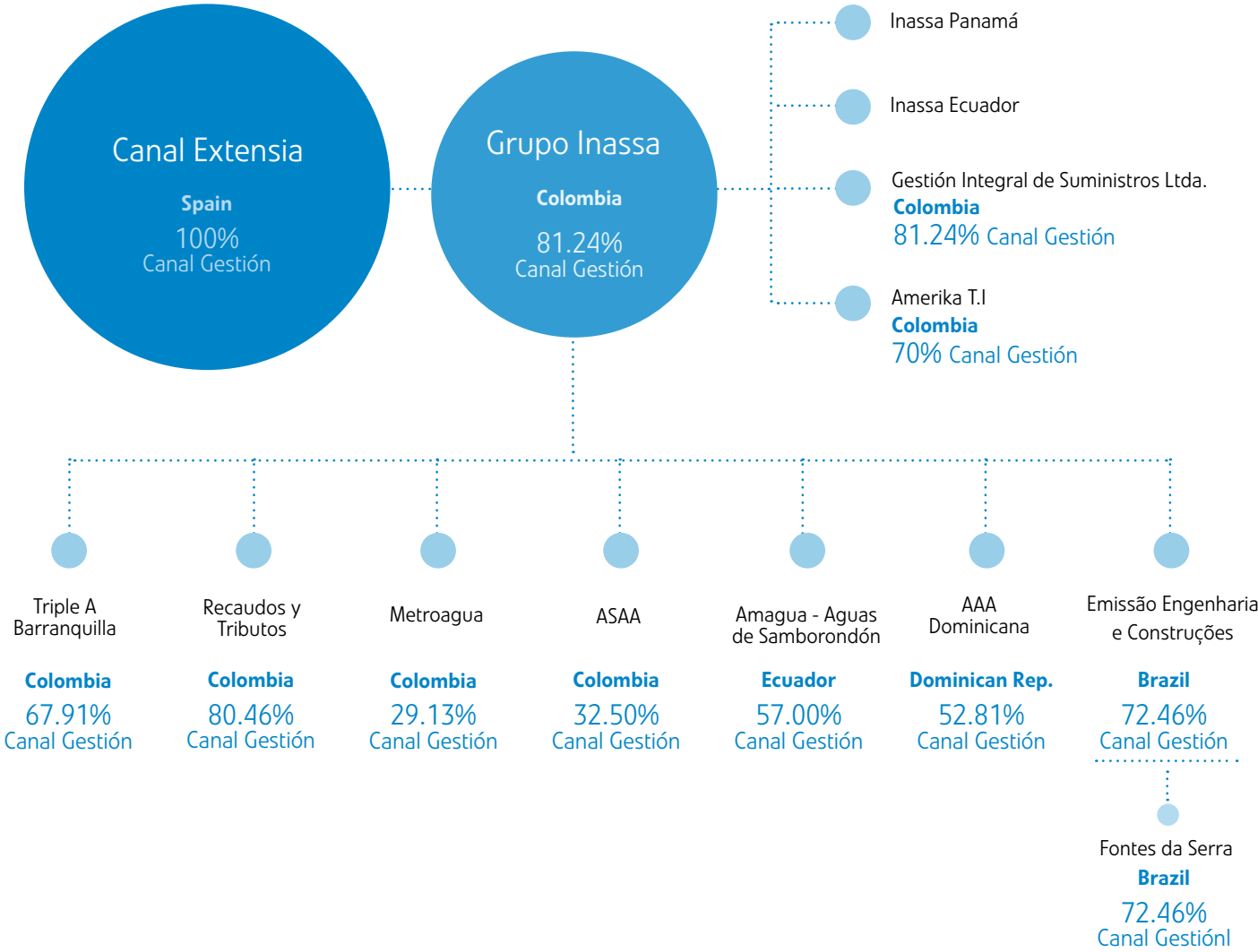
- **Telecommunications and information technologies: Canal de Comunicaciones Unidas, S.A. Sociedad Unipersonal** (hereinafter CCU), is a company one hundred percent owned by the Canal de Isabel II Gestión Business Group and engaged in the information technologies and telecommunications sector. CCU’s main customer is Canal de Isabel II Gestión. It also currently has other customers in the Autonomous region of Madrid which it provides with MPT1327 technology mobile telecommunications services and fleet administration services.
- **Sectoral consultancy and Information technologies:** In 2013 Inassa created a new company named **Amerika T.I.** which in 2014 will be in charge of developing and marketing the software. The new company will be in charge of the design, development and marketing and implementation of **Amerika Software**, a product which offers a definitive and integrated solution for public utility companies, designed on the basis of the water sector and covering the different corresponding aspects by means of its commercial management, technical management, administrative and financial management and executive control modules.
- **Waste management and urban cleaning:** In addition to integrated water cycle management, the company Sociedad de **Acueducto, Alcantarillado y Aseo S.A. E.S.P.- Triple A**, provides all the services connected with solid urban waste management and urban cleaning (named sanitation services in Colombia) in Barranquilla since 1993 and in three more municipalities in the Atlantic Department since 1997. The company provides sanitation services for 1.54 million inhabitants, covering 100% of the population in its area of activity.
- **Engineering and construction of civil works not connected with water:** Since December 2013 the company **Emissão Engenharia e Construções** has become part of Canal Gestión Group in Brazil. Aside from its activities connected with the integrated water cycle management and its ancillary processes, this company has the capacity and experience to undertake construction and civil works in other fields.

1.1.5. Other activities: Canal Extensia

Incorporated in December 2001. **Canal Extensia** is primarily engaged in the business of integrated water cycle process management: collection, channelling, treatment, piping, pumping, storage, distribution, drainage and sanitation, waste treatment, piping and treatment of waste water, along with the re-use and discharge of water for public consumption and irrigation.

It is currently at the forefront of Canal de Isabel II’s expansion and growth in the water sector in Latin America, providing water supply services through its subsidies to 2.87 million people on the continent.

A simplified diagram of the Latin American companies in which Canal Extensia holds a stake would be as follows:



1.2. OUR CORE BUSINESS: MANAGEMENT OF THE INTEGRATED WATER CYCLE

From the point at which a drop of rainwater falls from the sky until it returns to the river or the sea in perfect condition, it passes through a cycle commonly known as the integrated water cycle.

The cycle involves two major phases, the supply and drainage, which correspond to the actions required in order to deliver drinking water to consumers, and to collect and treat the waste water after it has been used. A third stage could be added to this cycle which is the re-use of waste water, that involves the treatment of water to guarantee levels of sanitation, and its re-use in watering gardens, cleaning streets, irrigating sports facilities, and even for industrial use.

The Canal de Isabel II Gestión Business Group currently manages every aforementioned phase and stage in its areas of operation in Spain (Canal de Isabel II Gestión, Aguas de Alcalá UTE, Hispanagua, Canal Gestión Lanzarote and Branch in Cáceres of Canal de Isabel II Gestión), in Colombia (Triple A, Metroagua and ASAA), in Ecuador (Amagua), and Brazil (Fontes de Serra); y also, through our investee companies AAA Dominicana and Inassa, we provide support services for integrated cycle operators in the Dominican Republic, Panama, Honduras, Haiti and Mexico.

1. 2.1. Supply: water sources (collection and treatment)

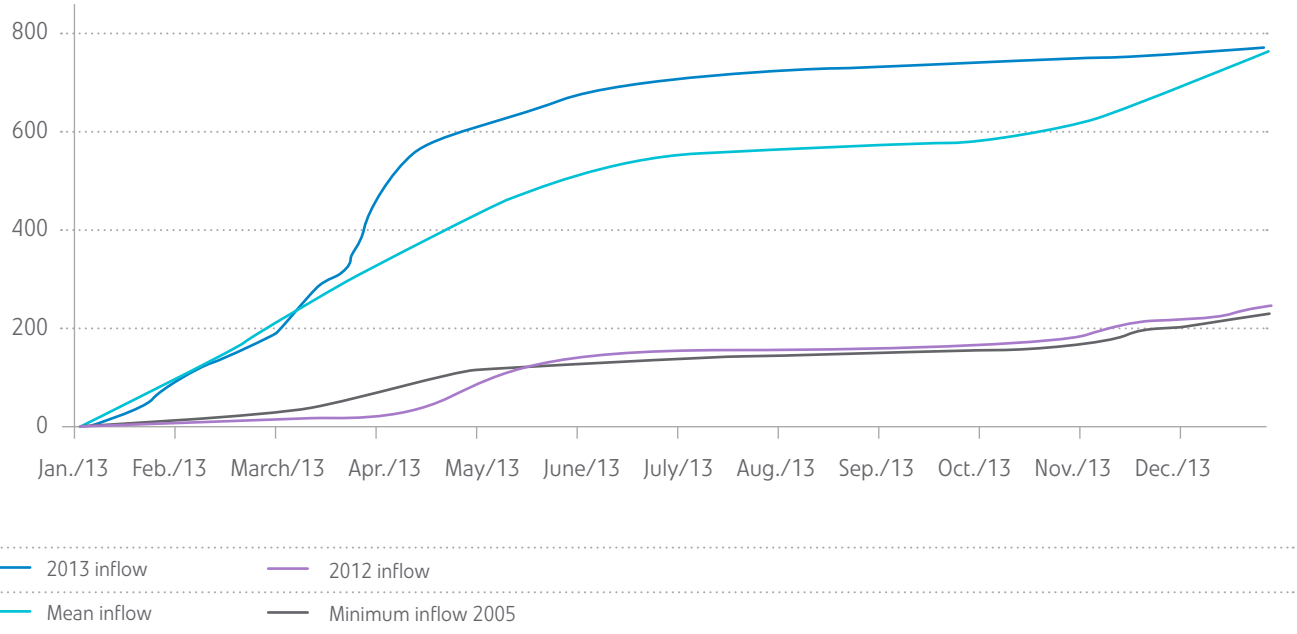
Collection in Spain

The supply system in Spain is mainly based on the collection of surface water (and to a lesser extent ground water) using the fourteen reservoirs managed by Canal de Isabel II Gestión in the Autonomous Region of Madrid, to draw on water from the rivers from which the majority of water supplied to the network comes from.

Aguas de Alcalá UTE does not undertake collection operations and receives the untreated water from a supra-municipal entity in charge of the reservoir management (Mancomunidad de Aguas del Sorbe - MAS). In the case of the Branch in Cáceres of Canal de Isabel II Gestión, four further reservoir collections are managed.

However, the exception in Spain to the exploitation of water at its source by means of surface collection of reservoirs takes place in islands of Lanzarote and La Graciosa, where Canal Gestión Lanzarote operates four seawater water collections.

Cumulative natural inflows to the reservoirs in the Autonomous Region of Madrid (million cubic meters per calendar year)



Natural inflows recorded at reservoirs managed by Canal Gestión (in million cubic meters / year)

Basin	2011	2012	2013
Lozoya	319.7	120.4	394.98
Jarama	142.7	48.6	177.53
Guadalix	51.7	12.8	41.28
Manzanares	115.7	38.4	112.78
Guadarrama-Aulencia	43.2	22.3	39.29
Alberche (Cofio - Morales)	23.2	6.5	22.07
Total natural inflows	696.2	248.8	787.93

Due to Spanish climate conditions, the water which these rivers can supply varies from year to year. In the case of Canal Gestión, the average net inflow is 767.7 million cubic meters per year, although ,on one occasion, the figure raised to more than 1.756 million cubic meters (in 1941) or dropped to 238.8 million cubic meters (in 2005). In 2013, despite that the inflows at spring were exceptionally high (the inflows in March were the highest since 1947), the year ended with an inflow of 787.9 million cubic meters, slightly higher than the average annual inflow (2.60 % higher).

The fourteen reservoirs managed by Canal Gestión have a total storage capacity of 945.9 million cubic meters, 62.2% of which is found in the five reservoirs of the basin of the River Lozoya, which include the El Atazar reservoir, with capacity exceeding 425 million cubic meters, making it the largest reservoir in the region. (Further information on our reservoirs and inflows can be found at: www.canalgestion.es/es/galeria_ficheros/gestionamos/ciclo/Captacion.pdf).

The collection of groundwater, to supplement surface water supply, constitutes a key element in the management of the supply system during periods of drought or water shortage with the capacity to supply up to 90 million cubic meters per year of operation. 75 wells are in operation in order to guarantee this volume.

Canal Gestión can also transfer water from the San Juan and Picadas reservoirs, the River Alberche, and from the River Tajo by means of advanced treatments of the DWTP from the Tajo; from the Rivers Guadarrama and Sorbe by means of the Las Nieves and Pozo de Los Ramos diversion dams, respectively, and since autumn 2012, we now have the option to supply the DWTP of Rozas de Puerto Real with water from the San Juan reservoir.

On the basis of these collection options, Canal Gestión obtains the resources which are subsequently channelled and sent to the treatment plants through a network of major canals and pipelines covering a total length of 530 kilometers. The total volume channelled for consumption in 2013 was of 496.84 million cubic meters, which represents a decent of 5.4% with regard to the previous year. Of the volume channelled, 87.2% came from reservoirs and 12.8% from collections. The water extracted for consumption represented 63% of the natural inflow.

In the islands of Lanzarote and La Graciosa rainfalls are scarce.. the average annual rainfall since 1977 is of 108.23 mm per year and the days of rain is of 45 per year. Due to these limitations, the supply to the islands is carried out with water from the Atlantic Ocean, subsequently desalinated in the four plants operated by Canal Gestión Lanzarote. Four inflows are available for supplying these plants, through which 32.66 million cubic meters of seawater were channelled in 2013.

Volumes channelled for consumption by Canal Gestión (in million cubic meters/year)

	2011	2012	2013
Volumes channelled for consumption from reservoirs			
Lozoya	244.37	172.24	183.51
Jarama	85.23	33.01	105.33
Guadalix	21.69	25.16	19.12
Manzanares	68.6	55.29	48.50
Guadarrama-Aulencia	55.59	147.8	73.90
Alberche (Aceña - Morales)	2.76	3.84	2.82
Total reservoir	478.24	437.34	433.18
Volumes channelled for consumption from collection sources			
Pozo de los Ramos	14.74	0	11.28
Groundwater	11.97	18.11	15.82
Picadas	32.01	58.55	29.66
La Parra	0.86	0.08	0.00
San Juan - Majadahonda	0	0	0.00
San Juan - Rozas de Puerto Real		0.10	0.02
Tajo	3.07	10.79	6.88
Total capture source	62.65	87.63	63.66
Total volume channelled for consumption	540.89	524.97	496.84
Percentage of water extracted over natural inflows	77.69	210.98	63.06

Collection in Latin America

In the case of Colombia, Ecuador and Brazil, the collection is not performed by means of reservoirs, but mainly from direct uptake from the rivers, and in the case of Santa Marta (Colombia), also by means of wells.

The Canal Gestión Group Companies in Colombia (Metroagua, Triple A and ASAA), and in Brazil (Fontes da Serra) manage this type of collections. Amagua (Ecuador) does not perform any channelling operations, as it acquires the water «at height» from the city of Guayaquil.

Except for Santa Marta, which does experience regular periods of drought similar to those in the Autonomous Region of Madrid, for all the other Latin American companies in the Group the lack of inflow is not a significant management factor, given the large amount of flow of the rivers which supply them. An example of this should be the fact that the annual inflow of the River Magdalena, in Barranquilla (Colombia), in 2013 amounted to 179 .230 million cubic meters (5.638 per second, 227 times the figure recorded in all the reservoirs in the Autonomous Region of Madrid).

Triple A in Barranquilla has four different collection points in the final section of the River Magdalena as it flows towards the Caribbean Sea. In 2013, the volume channelled for consumption in these points was of 218.62 million cubic meters, which entails a 0.12% of the river’s natural inflow.

Natural inflows recorded in Barranquilla (million cubic meters/year)			
Basin	2011	2012	2013
River Magdalena	286,441.49	210,240	179,230
Volumes channelled for consumption by Triple A Barranquilla (million cubic meters/year)			
Basin	2011	2012	2013
Barranquilla DWTP	187.09	192.70	199.40
Las Flores	4.66	5.01	4.11
Sabanagrande	6.85	7.84	9.65
Ponedera	4.79	5.09	5.46
Total volume channelled for consumption	203.39	210.63	268.62

Metroagua has three surface water collection points on three rivers to meet the demand in the city of Santa Marta (rivers Piedras, Gaira and Manzanares). The natural inflows recorded during 2013 were 71.8 million cubic meters, 40% lower than the previous year. There is also an underground water reserve operated by means of twenty wells which are placed into operation according to the seasonal need. The total water channelled for consumption in 2013 was of 37.76 million cubic meters, 20% of which came from groundwater. The extraction of water for consumption with regard to the natural inflow was 52.57%.

Natural inflows recorded by Metroagua (in million cubic meters /year)			
Basin	2011	2012	2013
River Piedras	55.44	31.76	19.83
River Manzanares	54.14	36.89	19.89
River Gaira	67.21	50.90	32.11
Total natural inflows	176.79	119.55	71.84
Volumes channelled for consumption by Metroagua (in million cubic meters /year)			
Basin	2011	2012	2013
River Piedras	12.06	11.72	11.53
River Manzanares	10.76	10.42	9.29
River Gaira	8.55	9.10	9.42
Total collection source	31.37	31.24	30.24
Groundwater	7.34	6.79	7.52
Total volumen channelled for consumption	38.70	38.03	37.76
Extraction of water for consumption with regard to renewable source			
Basin	2011	2012	2013
Water extracted (percentage of natural inflow) by Metroagua in Santa Marta (Colombia)	21.89	31.81	52.57
Water extracted (percentage of natural inflow) By Triple A in Barranquilla (Colombia)	0.08	0.07	0.12

ASAA takes the water through a collection of the River Tapias, the average flow of which was of 16.5 m³/s in 2013, which entails a contribution of 520.3 million cubic litres per year, 3% of which was channelled, 17.46 million cubic meters, to supply the municipality of Riohacha.

Fontes da Serra (which is owned by Emissão Engenharia e Construções), which has the concession to supply Guapimirim, in the state of Rio de Janeiro (Brazil), has a surface water collection in the River Soberdo, within the National park of Sierra de los órganos. The volume channelled in 2013 was of 2.52 million cubic meters.

Treatment of raw water

After it is collected, the water is channelled to the water treatment plants to be purified.

Canal Gestión has thirteen DWTPs with a total rated capacity for the treatment of 46.3 cubic meters per second. (Further information on our treatment plants can be found at: www.canalgestion.es/es/galeria_ficheros/gestionamos/ciclo/Tratamiento_y_calidad.pdf).

Hispanagua directly manages one of Canal Gestión's thirteen DWTPs, the Griñón facility, which has a treatment capacity of 83, 000 cubic meters per day.

In turn, Aguas de Alcalá UTE, although most of its water is supplied pre-treated by Mancomunidad de Aguas del Sorbe, has the DWTP of Humanes, with a treatment capacity of 0.07 million cubic meters per day.

The branch of Canal de Isabel II Gestión in Cáceres has another four DWTP to treat raw water supplied to the municipalities in the area.

In Lanzarote, there are four desalination plants available to purify the seawater. Three of these have reverse osmosis technology (Lanzarote II, Lanzarote IV and Janubio O.I.) and one has vapour compression (Janubio C.V.). The joint production capacity is of 67,500 cubic meters per day of fresh water.

In Colombia, Triple A has four DWTPs with a treatment capacity of 0.72 million cubic meters per day, while Metroagua has two DWTP with a capacity to treat 0.095 million cubic meters per day, and ASAA with a DWTP with a treatment capacity of 0.048 million of cubic meters per day. Amagua (Ecuador) does not perform treatment operation as the water which the company purchases is supplied at height by International Water Services (Guayaquil), Interagua Cía. Ltda and reaches its network already treated at facilities that do not belong to the company. In Brazil, Fontes da Serra has a DWTP with capacity to treat 0.011 million cubic meters per day.

1.2.2. Supply: distribution

From the DWTPs up until the user's tap, the companies in the Canal de Isabel II Gestión Group have a series of installations guaranteeing service continuity at the required pressure and quality.

In the case of Canal de Isabel II Gestión in the Autonomous Region of Madrid, this set of installations comprises major pipelines, regulation tanks, pumping stations and lastly, the distribution network which, at the close of 2013, covered 17,163 kilometres (3,449 of which are collection pipelines); 0.4% more than in 2012.

Canal Gestión is also in charge of managing twenty-four major pumping stations and one hundred and thirty nine minor stations, which draw water from the corresponding tanks and raise it to a higher level in order to reach the more elevated areas of the different municipalities. (Further details on distribution can be found at: www.canalgestion.es/es/galeria_ficheros/gestionamos/ciclo/Distribucion.pdf).



The regulation tanks are water-proofed enclosures designed to store water supplied to the population. The company manages 29 large-scale regulation tanks, with a total capacity of 3.1 million cubic meters, along with a further 285 smaller capacity tanks.

Aguas de Alcalá UTE manages a network of 475 kilometres with two concentric ring, which provide different options to supply the different areas of the city. It also has nine storage and regulation tank with a total capacity of 69, 000 cubic meters.

The supply networks managed by the branch of Canal de Isabel II Gestión in Cáceres in 2013 supplied eleven municipalities and had a total length of 204 kilometres.

Canal Gestión Lanzarote manages a transport and distribution network of 1,865 kilometres. It also has 68 minor tanks which total capacity of 172, 000 cubic meters.

In Colombia, Triple A Barranquilla, because of the pronounced relief of the region, has eleven pumping stations which are in charge of providing the energy required to raise the water from the low levels (level of the River Magdalena) up to higher points in the north-west part of the city. The supply to the city and the other municipalities is performed by means of complex networks of pipelines covering a total of 3,122 kilometres at the end of 2013, providing a high level of coverage.

In turn, Metroagua was managing at the end of 2013 a network of 890 kilometres in the district of Santa Marta, and also has six storage tanks with a capacity of 19,000 cubic meters and fourteen main pumping station to guarantee optimal service provision. The supply system in the city of Santa Marta is geographically divided into two different systems: the North and South systems, which are both completely separated.

ASAA in Riohacha, recently part of the Canal de Isabel II Gestión Business Group in Colombia, manages 308 kilometres of network and has a treated water storage capacity of 6,200 cubic meters.

Amagua, in Ecuador, managed at the end of 2013 a distribution network comprising four minor tanks and a total of 274 kilometres of drinking water pipelines.

Lastly, Fontes da Serra, in Brazil, operates a network of 9.1 kilometres, with a storage capacity of 1,000 cubic meters.



1.2.3. Sewerage: sewers and urban drainage

The collection of waste and rainwater from the different municipalities, and its subsequent transportation to the treatment plants is the purpose of the urban drainage and sewerage networks.

Drainage management services in Spain

In the Autonomous Region of Madrid, Canal de Isabel II Gestión and Hispanagua maintained until the 31 December 2013 these networks in 134 municipalities, collecting the waste water generated by 5.51 million inhabitants. The length of the networks managed amounts to a total of 11,148 kilometres of collectors. In turn, Canal Gestión also manages 751 kilometres of supra-municipal collectors and outlet, pipelines that collect waste water from towns and transport it to the corresponding WWTPs. The total length of drainage networks managed by the company amounted to 11, 899 kilometres in 2013.

The maintenance tasks performed include supervision of the networks, inspection and cleaning of pipelines, cleaning of outlets capturing surface drainage water, cleaning of occasional discharges, resolution of alerts and incidents across the network and execution of network improvement and maintenance works. In addition to these tasks, the networks are subject to technical approval procedures for network modification or connection requests. Network renewal works are also performed in the municipalities with agreements for such purpose.

Other major facilities managed were the 125 Waste Water Pumping Stations (WWPS), the function of which is to pump the waste water up to points to which it cannot be transported by gravity. Canal Gestión also has 63 storm tanks and laminators, with a storage capacity of 1.64 million cubic meters. These facilities have the function to retain the first rainwater to fall, which contains the greatest quantity of pollutants, for its subsequent treatment, preventing this from entering watercourses while also avoiding floods.

Drainage networks managed by Canal de Isabel II Gestión and Hispanagua

	2011	2012	2013
Kilometres of major collectors and outlets managed	751	751	751
Kilometres of municipal drainage networks managed by the company	7,089	11,148	11,148
Total kilometers managed in sanitation networks	7,840	11,899	11,899
Number of waste water pumping stations (WWPS)	71	125	125
Number of laminators and storm tanks managed	39	64	63
Capacity of storm tanks managed (m³)	1,396,000	1,464,000	1,642,000

In turn, Aguas de Alcalá UTE manages a network of 272 kilometres, of between 30 and 200 cm diameter. The network has four pumping facilities located at railway underpasses, and three storm tanks with a capacity of 1,525 cubic meters. The network of the city of Alcalá de Henares is in the main supplied by one-single (non-separated) network and is divided into two sections which feed into the two WWTP of Canal de Isabel II Gestión located in the east and west of the city.

Canal Gestión Lanzarote is responsible for the maintenance of 347 kilometres of drainage network, as well as ten additional kilometres of major collectors and outlets. This network corresponds to the seven municipalities where this service is managed, with a supplied population of 115,261 inhabitants. The drainage network facilities are completed with seventy WWPS.

Lastly, the branch of Canal de Isabel II Gestión in Cáceres manages the drainage service in eleven municipalities with a total population of 9,692 inhabitants and 165 kilometres of pipeline.

Drainage management services in Latin America

In Colombia, Triple A manages the drainage networks in the district of Barranquilla, and as in the other municipalities in the area, they operate on a separate system (the drains only handle the water supplied, with a current coverage rate of 85%). Rainwater flows along canals and streets, the maintenance of which is not performed by Triple A.

Waste water is piped almost entirely by gravity up to the point of final disposal, using in some cases a system of 35 pumping stations in those sections in where the final disposal point cannot be reached by gravity.

The drainage system in Barranquilla has an approximate length of 2,194 kilometres of pipeline and is divided into two major sections: the eastern side, which drains or channels the waters to the River Magdalena, and the western side which drains its waters into the coastal lagoon system and comprises the south-western and north-western areas of the city.



In Santa Marta (Colombia), Metroagua manages the system of 685 kilometres of drains in the city, with a current coverage of 75.4%, and this is also a separate system.

The rainwater runs along the streets and canals. Because of the city’s topographical conditions, much of the waste water is piped to its final destination by means of pumping stations.

The system comprises several main collectors (interceptors) measuring 85 kilometres in length., which are responsible for the drainage of the waste water from major areas, including the city’s different districts.

The collection is performed from south to north and from east to west and all the waste water generated in the city is combined at the North Station. From this point, the waste water is pumped to an undersea outflow for its final disposal at sea.

Drain networks managed by Metroagua

	2011	2012	2013
Kilometres of large-scale collectors and outlets managed by the company	81	82	82
Kilometres of municipal drains networks managed by the company	679	683	685
Total Kilometres managed in sanitation networks	760	765	767
Number of waste water pumping stations (WWPS)	11	12	13

Drainage networks managed by Triple A Barranquilla

	2011	2012	2013
Kilometres of large-scale collectors and outlets managed by the company	212.91	225.54	231.09
Kilometres of municipal drainage networks managed by the company	1,858.17	1,888.21	1,962.36
Total Kilometres managed in sanitation networks	2,071.08	2,114.00	2,193.00
Number of waste water pumping stations (WWPS)	17	26	35

The drainage network in the municipality of Riohacha, in Colombia, which is managed by the company ASAA since September 2013, has a network measuring 221 kilometres in length of pipeline and five pumping station. The service coverage reaches 53.8%.

In the Republic of Ecuador, the company Amagua manages the drainage network in two municipalities, covering a total length of 270 kilometres by the end of 2013. The drains in the area managed are of sanitation type, which entails, given the infrastructure in the area, the provision of services involving the treatment of the water supplied by means of specialist technical staff, and the cleaning of septic tanks. The coverage of the drain services in the area supplied by Amagua is of 76.4% of the population.

Drainage networks managed by Amagua			
	2011	2012	2013
Kilometres of large-scale collectors and outlets managed by the company	60	65	65
Kilometres of municipal drainage networks managed by the company	178	185	205
Total Kilometres in sanitation networks	238	250	270
Number of waste water pumping stations (WWPS)	20	40	40

1.2.4. Sanitation: treatment of waste water

Canal de Isabel II Gestión is the body responsible for managing the treatment of waste water for the entire Autonomous Region of Madrid and the town of Ontígola in the province of Toledo. To perform this task, at 31 December 2013, we had 156 waste water treatment plants with a rated treated capacity of 17.12 million equivalent inhabitants and which treated a total of 493.4 million cubic meters throughout the year.

www.canalgestion.es/es/galeria_ficheros/gestionamos/ciclo/Saneamiento.pdf

LARGE-SCALE URBAN DRAINAGE PROJECTS IN COLOMBIA

In the field of urban drainage, the companies forming part of Canal Gestión Group in Colombia are currently working on two large-scale projects aimed at noticeably improving living conditions in Barranquilla and Santa Marta. These projects are as follows:

- **The Bastidas – Caribbean Sea Rainwater Collector:** A project being developed by the district of Santa Marta with support from Metroagua, that consists of building a canal measuring a total of 4.9 km kilometres to safely collect, channel and transport rainwater from the hills in the northern part of the city to the Caribbean Sea. This project was finished in 2013. (Further information at: www.metroagua.com.co/wordpress/?p=467)
- **The Barranquilla Eastern Basin Drainage Plan:** project carried out with resources from the Ministry of Environment, the Corporación Autónoma Regional del Atlántico, the district of Barranquilla and with management services provided by Triple A. The project consist of nine works and will connect the supplied water from the entire south-eastern basin of Barranquilla to later collect and pipe it to a pre-treatment plant (to eliminate pollutants and heavy elements such as sand). It will then be sent to the River Magdalena centre, where it will be diluted and piped to the final outlet.



Waste water treatment plants managed by Canal Gestión and Hispanagua in the Autonomous Region of Madrid: evolution of key figures

	2011	2012	2013
Volume treated at WWTP (in millions of cubic meters)	535.6	486.2	493.5
Volume treated in comparison with volume channelled for consumption (percentage)	99.02	92.58	99.31
Number of WWTP managed at 31 December of each year	150	154	156
Treatment capacity (thousands of equivalent inhabitants* as per design)	16,938	17,123	17,125

* Equivalent inhabitants for the scaling of plants. Calculated in accordance with European Union Directive 271/91 and Spanish Royal Decree 509/96.

Canal Gestión Lanzarote manages a total of eight treatment plants with a joint rated treatment capacity of 160,000 equivalent inhabitants. In 2013, the volume of waste water treated was of 4.15 million cubic meters.

The branch of Canal de Isabel II Gestión in Cáceres, also manages a small treatment station with capacity for 4,930 equivalent inhabitants.

In Latin America, due to the greater rate of flow in the rivers, and therefore a greater natural dilution capacity, waste water treatment operations are less intensive.

In the case of Colombia, Triple A manages seven WWTP handling approximately 15% of n the water supplied. Particularly outstanding is the Barranquilla district waste water treatment plant, designed to treat the waste water from the sanitation drains covering the 53 neighbourhoods in the district, amounting to a total area of 1,575.83 hectares. The remaining WWTP are in general «stabilisation lagoons»: ponds which store waste water for a period of time depending on the characteristics of the water to be treated and to the climate conditions around the lagoon.

Waste water treatment plants (WWTP) managed by Triple A: evolution of key figures

	2011	2012	2013
Volume treated at WWTP (in million of m ³)	38.64	32.82	32.57
Volume treated in comparison with volume channelled from reservoirs and collection sources for consumption (percentage)	19	22	14.90
Number of WWTP managed at 31 December	6	6	7

Metroagua, as it performs its operations in a coastal city (Santa Marta, Colombia) and as it has access to considerable dilution capacity, does not operate any waste water treatment plants, with an undersea outfall being employed- , a dilution treatment system which pipes the waste water out to sea at a certain depth and distance form the coastline, preventing the organic load from causing any health and/or ecological impacts on marine and terrestrial ecosystems and to the surrounding coastal populations.

In Ecuador, Amagua is responsible for the operation and maintenance of the WWTP located in the municipalities of Samborondón and Daule. At the end of 2013 the company managed a total of 68 WWTP treating waste water from urban developments or individual properties, most with a small capacity. In addition it has six WWTP, the main facilities being Los Arcos, Entre Ríos and La Puntilla.

In 2012 Amagua achieved a significant progress in the process of environmental certification of the system for the collection, transportation, treatment and discharge of effluent from its WWTP, for the certification by the Ministry of Environment of Ecuador of the level of compliance with national environmental legislation. After performing the appropriate studies, in November 2012 the citizen participation process on the ex-post studies began to obtain the environmental licence for 51 WWTP. In March 2013 the environmental licence for the WWTP of Entre Ríos was obtained from the Ministry of Environment. In 2013 Amagua is also responsible for the operation of the new WWTP of Tarifa.

Waste water treatment plants managed by Amagua in Ecuador: evolution of key figures*

	2011	2012	2013
Volume treated at WWTP (in millions of m ³)	5.46	6.07	6.82
Volume treated in comparison with volume channelled from reservoirs and collection sources for consumption (percentage)	57.20	60.41	59.92
Number of WWTP managed at 31 December of each financial year	55	64	68
Treatment capacity (thousands of equivalent inhabitants by design)	80.62	98.03	116.66

*In Ecuador, 62 of the 68 are small WWTP serving urban developments or individual properties within Amagua's sphere of operations.

1.2.5. Regeneration and distribution of treated waste water for re-use

The Canal de Isabel II Gestión Business Group considers that the re-use of treated waste water is an essential components in the integral management of the water resource and helps increase the net volume of water available in the region where the service is provided. Therefore, the company is speeding up the development of activity involving the distribution of regenerated water for installations that do not require drinking water, specially to clean streets, irrigate public parks and golf courses.

By the end of 2013, Canal Gestión had built 29 regenerated water production facilities (tertiary treatment) with a capacity to produce 192,028 cubic meters per day for the irrigation of green public spaces and leisure and sport facilities.



The network of regenerated water built in the Autonomous Region of Madrid currently consists of 347 kilometres. The regulation tanks used to supply these networks totalled: 36 in the city of Madrid and 24 elsewhere in the region. Throughout 2013 a total of 10.37 million cubic meters of water was regenerated at Canal Gestión's plants in the Autonomous Region of Madrid, for its subsequent re-use.

In turn, Canal Gestión Lanzarote manages six waste water regeneration plants, and a distribution network measuring 496 kilometres in length. Throughout the entire year 2013 the production of these six plants was of 1.96 cubic meters.

Nonetheless, in Latin America, because of the high rainfall levels and the abundance of water resources in the areas where we operate, the regeneration of waste water for subsequent re-use is a relatively unused technique. Over the course of 2013, Amagua delivered a total of 3.5 million cubic meters of regenerated water through a small network of 15 kilometres long managed by the company.

WATER IN THE AUTONOMOUS REGION OF MADRID (2013): KEY FIGURES

2013 was characterised by inflows very similar to those of an average year, with total accumulated provisions of 787.93 million cubic meters, which means a 2.61% more than the average annual inflow. We closed the year with 654.3 million cubic meters of water in our reservoirs (69.2% of the maximum capacity), 17% more than at the close of 2012, when our reservoirs were at 52.2% capacity.

The volume of water channelled for consumption fell to 496.84 million cubic meters, which is a decrease of 5.36% on 2012. In order to supply the population of Madrid we needed to channel from the reservoirs a total of 433.18 million cubic meters, along with the use of other sources of supply such as the transfer of water resources from the River Alberche, the WWTP of Tajo, the use of our diversion dams and our network of wells. In total, these resources accounted for 63.66 million cubic meters in addition to the volume drawn from the reservoirs.

We have continued with a series measures aimed at guaranteeing the supply and reducing the water consumption. Over the past eight years (2005-2013) and although the population supplied has increased by 9.3%, the water channelled for consumption has been reduced by 18.6%, which entails a cumulative saving over the course of the period of 918.7

Million cubic meters, the equivalent of almost twice (2.16) the capacity of the El Atazar reservoir.

As a result of all the water supplied to our customers, along with the rainwater entering the drainage network the treatment plants that we operate received a total of 493.5 million cubic meters in 2013, which we have treated and discharged into rivers in accordance with quality levels which guarantee environmental protection.

Lastly, in 2013 we regenerated for the first time more than 10 million cubic meters (10.37) at our plants the majority of which was re-used in the irrigation of parks, gardens and sports facilities.



1.3. RISKS AND FUTURE OPPORTUNITIES FOR OUR COMPANIES

The main challenges our companies will have to face in the future in order to guarantee the fulfilment of our core mission (supplying water to the population in the regions where we operate) are connected, in the case of Spain, with the scarcity of this natural resource, and the maintenance of the sustainability of our management model.

In Latin America, the challenges are connected with the extreme climate phenomena, the need to continue extending the coverage of the services and the necessary raising of awareness among users regarding the culture of payment.

To these challenges we should add, both in Spain and Latin America, the efforts still required to raise of awareness and foster a culture of rational water use (which can be extended to the entire society, including among regulators and public authorities) and the maintenance of the demanding levels of future investment in infrastructures.

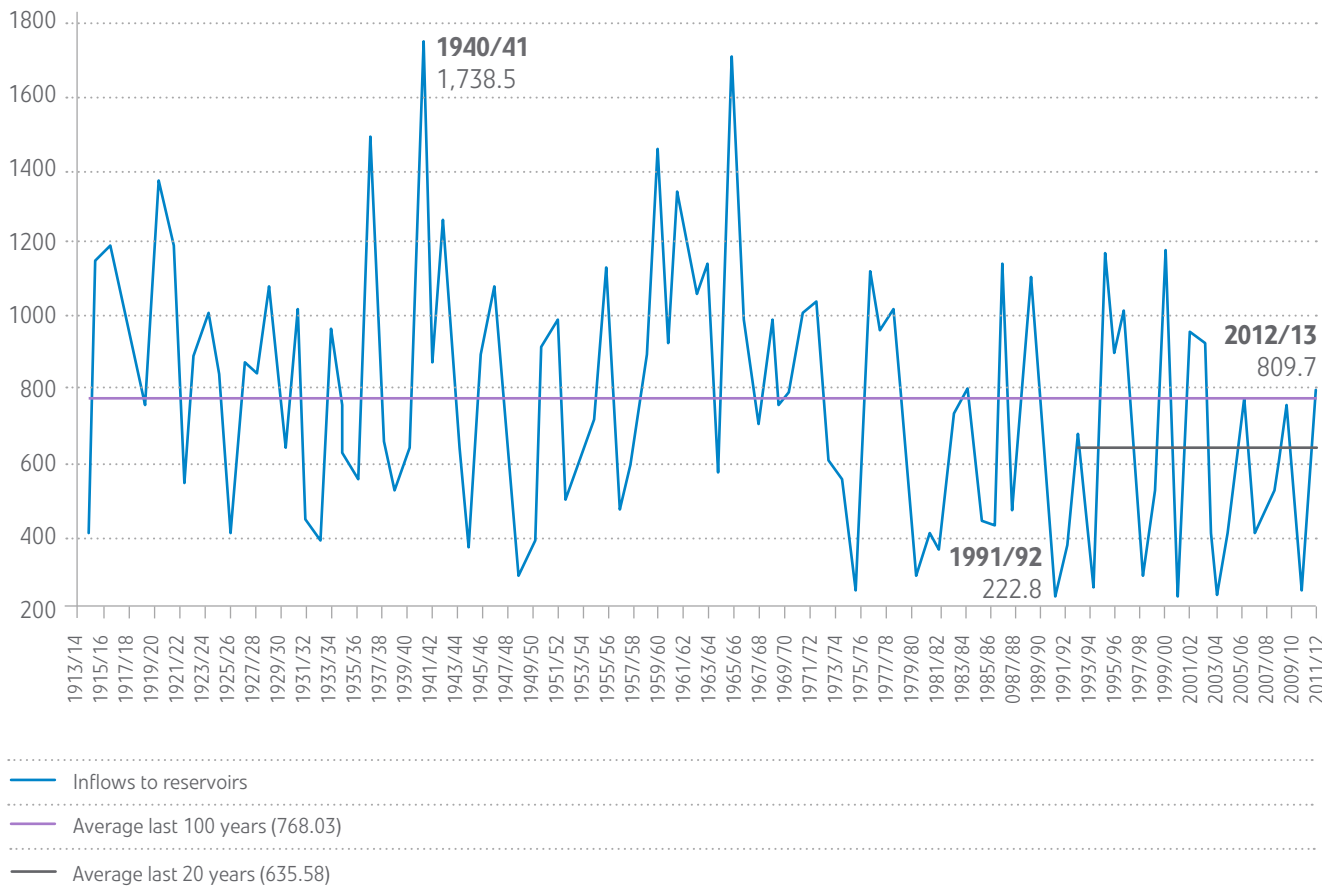
1.3.1. Guaranteeing access to quality resource

Achieving maximum efficiency to continue providing quality and sustainable services over time is one of the main challenges we face. Due to the climate characteristics of the region in which Canal de Isabel II Gestión Business Group operates (centre of the peninsula, Extremadura and the Canary Islands), and due to the irregularity and scarcity of precipitation, water is strategic and a limited natural resource. In the case of the Autonomous Region of Madrid, the average natural flow from rivers to our reservoirs over the past twenty hydrological years (from 1993/94) is 17.25% lower than the average over the last one hundred years (from 1913). In the case of 2013, after an exceptional humid spring, the year was closed with inflows of 787.9 million cubic meters, a figure slightly higher (2.6%) than the average annual inflow.

Despite these reduced inflows, over the past ten years Canal Gestión has, with the same reservoir capacity, been required to supply a considerable increase in population, Which has risen from 5,50 million inhabitants in 2003 to 6.27 million inhabitants in 2013, an increase of 14.1%.

The future trend is for a more moderate increase in the water demand with regard to the previous decade, and for the supply to be increasingly costly to maintain given the effect of climate change on the inflows.

History of inflows in million cubic meters per hydrological year (1913/14 - 2012/13)



In Lanzarote the company has plans which, through the investment committed with the Lanzarote Island Council and the incorporation throughout 2014 of the new desalination plant Lanzarote V, with a capacity of 18,000 cubic meters per day, can significantly increase the guarantee of supply to the population.

In the case of Latin America, significant progress has been made in Colombia in increasing coverage, with the figures in Barranquilla rising from around 60% to close to one hundred percent. However, the population growth in both the region of Barranquilla and Santa Marta could reduce these coverage figures in the future unless appropriate planning procedures are not followed.

In Barranquilla, the population services grew in 2013 by 3.96% with regard to 2012 and in Santa Marta by 3.66%. To face these challenges, Triple A Barranquilla and Metroagua have in place ambitious plans aiming to guarantee the future supply quality. In the case of Metroagua, in 2013 significant progresses were made in the approach and seeking of financing for project that allow identifying and operating new sources of supply to Santa Marta, both superficial and underwater.

A case apart is that of the company ASAA, which has recently joined the Canal Gestión Group and that supplies the municipality of Riohacha, in Colombia. In this city, the coverage of the supply was of only 63.30% of the population and with a service that does not cover the 24 hours of the day. Nonetheless, ASAA has a strategy that will allow it to improve this situation in the short-term by applying that established in the Departmental Water Plan of the department of La Guajira and with an investment effort of over 8 million euros to improve infrastructures.

In Ecuador, Amagua has identified population growth as another of the challenges which will need to be managed in the future. In 2013, the population served by Amagua grew by 15.41% compared with 2012. Therefore and in order to achieve an appropriate scale, the company is working on a drinking water distribution master plan covering a time frame of twenty years, which will deal with these challenges. In 2013 the company obtained the commitment from both local administrations to support the project and obtain the necessary financing to build the Amagua DWTP, an infrastructure that will in allow substantially improving the supply in the future to the growing population.



1.3.2. Maintain the environmental sustainability

In the field of sustainable development, the greatest challenge our companies have to face in Spain is to comply with the quality objectives established by the Water Framework Directive (WFD) of the European Union. Achieving these objectives will allow for the water bodies to considerably improve their quality, yet it requires major technical and financial efforts.

To face this challenge, Canal de Isabel II Gestión has, within its corporate objectives, a plan specifically designed to comply with the WFD in the deadlines set out and is working on new water treatment infrastructures and on the improvement and extension of the already existing ones.

In addition to the efforts in improving the water treatment, thanks to the current technological development it is possible to achieve for the available resource to increase, using waste water regeneration techniques for their subsequent use and others that provide a greater efficiency to the uses of water, including industrial use.

The Canal de Isabel II Gestión Group is promoting in the Autonomous Region of Madrid and in Lanzarote (Spain) the gradual use of re-used water in Spain for purposes other than supply, such as the irrigation of green area, industrial use and street cleaning. In Ecuador, Amagua has already begun to implement this type of solutions.

In Colombia, Triple A Barranquilla began in 2012 and has developed throughout the course of 2013 two major projects which generate an important return from the point of view of environmental sustainability:

The urban waste recycling programme for Barranquilla (VerdeAzul programme) and the capture and use of biogas from the Los Pocitos sanitary landfill site, which within the framework of the Clean Development Framework (CDF) of the Kyoto protocol contributes to the reduction of greenhouse gas emissions and allows obtaining the certified emission reductions (CERs) which can then be treated.

In Riohacha (Colombia), the company ASAA began operating the city's drainage network system in 2013, and that had major deficiencies, and was lacking water treatment systems. One of the priorities of the new company is to reverse this situation in the mid-term.

Lastly, in Ecuador, the changes in the environmental legislation made it necessary for Amagua to dedicate efforts in the last years to improving the processes at the WWTP it manages, to achieve its environmental certification.

1.3.3. Further extending the change required in the consumption habits of users

To supplement the optimisation of resource usage, the companies of the Canal de Isabel II Gestión Business Group will continue to work on raising awareness on the rational use of water and the need to pay for services in order to guarantee their future sustainability. It is highly important for a society to adopt a water culture based on respect for the resource, aware that it is a limited asset, and that efforts must be made to contribute towards the economic sustainability of the service providing companies.

Therefore, and on a permanent basis, all the companies of the Canal Gestión Group conduct constant campaigns and initiatives aimed at raising awareness and education, addressing the entire population and all economic sectors with the aim of encouraging rational water usage and consumptions, minimising in so far as possible its wastage.

In recent years Triple A, Metroagua and AAA Dominicana have made highly significant progresses in the implementation of strategies to improve collection rates and generate a culture of payment. For example, with the Supercustomer Programme, Triple A has achieved customer loyalty from those who pay their bill monthly before their final due date. The programme began in the year 2005 with 32,400 supercustomers and in 2013 had risen to more than 130,000 supercustomers.



1.3.4. Sustainable growth and institutional stability

In Spain, Canal de Isabel II Gestión is recognised as one of Europe's leading integrated cycle operators. The experience acquired over the recent decades and the management model applied in the Autonomous Region of Madrid guarantee that we will be in the position to expand into new businesses and activities over the coming years. This was proven in 2013 with the concession for thirty years of the islands of Lanzarote and la Graciosa.

In Colombia, our companies R&T and Inassa are demonstrating effective and efficient management which could prove a model to be exported to the rest of the continent. Thus, Inassa has incorporated its solutions within third party countries such as Panama, Ecuador, Honduras, Haiti and Mexico, and the potential for growth of R&T in Colombia is one of the Group's greatest opportunities in the country. Triple A Barranquilla demonstrated, with the incorporation in 2013 of the municipality of Palmar de Varela, that there are still opportunities for growth in the company in the Colombian Atlantic Department.

Moreover, Inassa, leading the expansion of Canal Gestión Group in Latin America, has achieved important progresses in 2013 for the group's growth with the incorporation of the companies ASAA in Colombia and Emissão Engenharia e Construções in Brazil.

AAA Dominicana also has important opportunities for growth, once the institutional framework is clarified. The maturity of the management models at a public authority level and the improvement of service quality will be key to such growth. Outstanding in 2013 are the gaining of new contracts with the Dominican authorities and the extension of the already existing ones.



1.4. OUR STAKEHOLDERS AND THEIR EXPECTATIONS

The Canal Gestión Group companies constantly assume their specific commitments to all their stakeholders, which we view as one of the essential elements of our corporate responsibility. The leading stakeholders of our companies include:

- Regulators (such as the European Union and the governments of the countries in which we operate, in particular the local authorities and regulators of the supply and sanitation sector of each country) and, in the of Canal Gestión, the Government and Assembly of the Autonomous Region of Madrid.
- Our public and private shareholders, particularly in the case of Canal Gestión the Autonomous Region of Madrid and the 111 local councils that make up our shareholding.
- Our customers and users: the local councils of the municipalities we serve, as well as the domestic, commercial and industrial customers; major customers such as property developments and community of owners and the population which uses the services provided by our companies in Spain and Latin America.
- Our business partners: the employees of our companies, the suppliers and contractors with which we work.
- Other companies within the sector with which we collaborate, as well as the associations in our sector within which we play an active role (AEAS, AGA, ANDESCO, EUREAU and IWA).
- The society in general, especially certain sectors and agents, such as the school community (teachers and pupils) with which we maintain relations through such activities as CanalEduca; the bodies responsible for administering our society’s expectations (charities, foundations and organisations with which we are involved) the media and opinion formers; the scientific community and organisations focusing on innovation; business analysts and experts in our sector; the agents and managers responsible form protecting and improving our environment surroundings.



Map of the most common channels of communication used by the companies within Canal de Isabel II Gestión Group

Communication channels	Internal Communication	External Communication
Personal/Direct	Meetings	Central headquarters of the companies within the Group (only Spain)
	Training and raising awareness	Commercial customer service offices
Telephone, fax, e-mail	Reports from the fiscal auditor for shareholders in the companies in Latin America	Customer Service
		Costumer Ombudsman (Spain)
Internet		Organised visits to the facilities
		Education campaigns of the companies within the Group
Publications/ Technical Reports		Recreational and sports areas
		Participation and sponsorship of conventions, forums and other gatherings in Spain, Colombia, Ecuador and Dominican Republic
Media: TV, press, radio, etc.		Activities by the foundations of the companies within the Business Group (Fundación Canal, Fundación Triple A and Fundación Metroagua)
		General Shareholders’ meeting
Telephone, fax, e-mail	Telephone, fax, conventional mail.	Shareholders’ service office
	Telephone, fax, e-mail	
Internet	Suggestions box	Customer service hotline
		Supplier response hotline
Publications/ Technical Reports	The corporate intranet of each company within the group.	Educational initiative contact number
	R&D+i blog (only in Spain)	Customer Ombudsman (only Spain)
Media: TV, press, radio, etc.		Virtual customer service offices
		Company websites
Publications/ Technical Reports		Arte Canal Exhibition website (only Spain) CSR e-newsletter (only Triple A)
		Triple A YouTube channel
Media: TV, press, radio, etc.		Canal Gestión YouTube channel
Publications/ Technical Reports	Internal memorandums and reports	Information included with bills
	Internal magazines aimed at employees of the companies within the Group	Personalised information sent to customers
Media: TV, press, radio, etc.		Canal Gestión Group annual report
		Annual report of the companies partly owned in Latin America
Publications/ Technical Reports		Triple A Barranquilla sustainability report
		Publications from the companies within Canal de Isabel II Gestión Business Group
Media: TV, press, radio, etc.		Educational campaigns
		Publications from the foundations
Publications/ Technical Reports		CSR newsletters (only Triple A)
		Canal Gestión R&D+i journals
Media: TV, press, radio, etc.		Press releases
		Announcements to the media
Publications/ Technical Reports		Media sections in the websites of the companies within the Group
		Campaigns to raise awareness aimed at the public in Spain, Ecuador, Dominican Republic and Colombia

The Canal Gestión Group regularly interacts with all these stakeholders. To do so we have the means that allow us to know their expectations and the resources required in order to offer an appropriate response to the specific interest of each group.

To foster fluid communication, the companies within the Canal de Isabel II Gestión Group use the communication channels necessary to become aware of and respond to the demands and queries from the society in economic, environmental and social issues.

In Spain, out of the 25 main management indicators we use at Canal de Isabel II Gestión some of these allow us to gauge the image which the company puts across to its stakeholders. Particularly, the «reputation index» has been established to measure negative information impacts in the media as a percentage of all impacts on the company. This set of indicators also includes others which deal with incidents, claims and complaints registered by the customers and users.



1.5. PARTICIPATION IN SECTORIAL ASSOCIATIONS

For many years, the corporate and social commitment from the companies within the Canal Gestión Group has led to their participation and cooperation with other entities and companies in order to strengthen our own strategies.

The following business initiatives aimed at society and the environment are noteworthy:

- **United Nations Global Compact** is an international initiative proposed by the United Nations with the aim of fostering citizenship and involving companies in handling some of the main social and environmental challenges borne out of the growing globalisation.

In the case of Canal Gestión, it is also one of the founding members of the Spanish Network of the Global Compact since March 2006 (see further information on the association, our commitments and our compliance in Annex 9 of this report and at www.pactomundial.org).

- The **Fundación Sociedad y Empresa Responsable –SERES** (Society and Responsible Enterprise), of which Canal Gestión is a partner and whose mission is to foster and promote corporate social responsibility (CSR) as an essential part of its strategy, contributing to an increase in the resources dedicated by companies to CSR and assisting the business community in raising awareness of the significance of CSR as a mechanism with a positive impact on society (further information at www.fundacionseres.org).
- The **Lealtad Foundation**, a non-profit institution whose mission is to foster trust in ONGs across Spanish society in order to achieve an increase in donations, as well as other types of contribution. Canal Gestión has been a Corporate Friend of the Foundation since 2011 (further information at www.fundacionlealtad.org).
- The **IMDEA Water Foundation**, is an initiative of the Autonomous Region of Madrid to perform research of excellence and contribute the elements of innovation required in such strategic sectors as water. The institute places in common its own knowledge in experimental science, legal and social studies and engineering, with the aim of generating the multidisciplinary approach required to tackle water management in the 21st century (further information at www.agua.imdea.org).

- Triple A is member of **ProBarranquilla**, the investment promotion agency of Barranquilla and the Atlántico Department, a private non-profit organisation sponsored by more than 80 companies in the city aimed at fostering sustainable economic development in the region. ProBarranquilla currently works on offering incentives to investment by national and foreign companies, Which have invested more than 715 million euros and have helped create more than 15, 000 jobs in the Atlántico Department of Colombia (further information at www.probarranquilla.org).
- Through its foundation, Metroagua collaborates with the **UNIDOS** network, that with support from the Presidency of the Republic of Colombia, seeks to take 350, 000 families out of extreme poverty. It is a network that comprises twenty-six State entities involved in the provision of basic social services to the population living in extreme poverty, focusing on ensuring that the poorest families are able to access the programmes for which they are eligible.

Furthermore, the companies in the Canal Gestión Group are actively involved in a wide range of initiatives sponsored by the main business associations and within the integrated water cycle management sector, which in many cases are aimed at encouraging good environmental and social practices. These associations include, in particular, our presence and active involvement as a founder member of Spanish Water Supply and Sanitation Association (**AEAS**), of the European Union of National Associations of Water Suppliers and Waste Water Services (**EUREAU**) and of the international Water Association (**IWA**).

In Latin America we take part in National Association of Public Service and Communication Companies (**ANDESCO**), in the Chamber of Commerce of Barranquilla, in Guayaquil, and in Santa Marta and in the Entrepreneurs' Association of Magdalena «Santa Marta Siglo XXI».





2

CANAL GESTIÓN GROUP: GEARED TOWARDS TACKLING THE WATER MANAGEMENT CHALLENGE

2.1. MISSION AND CREATION OF VALUE

The mission of the Canal de Isabel II Gestión Business Group is «to guarantee to all our customers their present and water supply, both in quantity and quality, as well as other services we provide with a clear commitment to meeting their expectations, actively contributing to the protection and improvement of the environment, for the benefit of all the society».

This mission is established in a set of particular commitment, under the terms of which at the Canal de Isabel II Gestión Business Group:

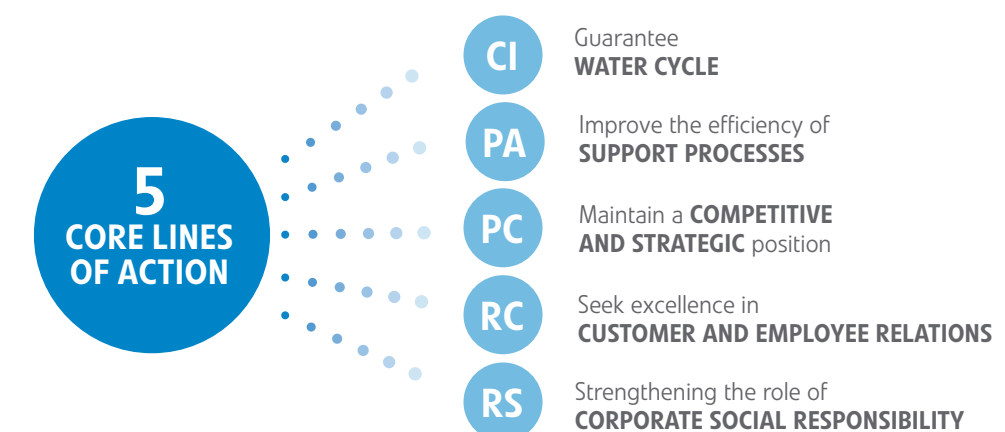
- We perform sustainable management of water as a limited resource optimising its use for supply, while at all times balancing this with other social, economic and environmental interests.
- We integrate environmental management within all our activities and services, treating waste water, re-using resources and helping preserve the natural environment.
- We perform efficient corporate management guaranteeing the economic and finance balance of the companies within the group, maximising its value and developing a competitive position in the sectors within which they operate.
- We focus our management on the customer evaluating and responding to customer needs and offering value-added services.
- We aim our activities towards innovation, research and development, systematically incorporating new technologies to our production, control and management processes.
- We foster the capacity and skills of the employees of the Group companies, encouraging their professional development and placing particular emphasis on the work environment.

2.2. KEY LINES OF ACTION, TARGETS AND COMMITMENTS OF THE GROUP AND ITS COMPANIES

2.2.1. Strategy of the Group companies in Spain

In order to fulfil our mission and commitments, all our activities in Spain are guided by five main lines of action:

1. Guaranteeing management of the integrated water cycle, which includes our actions and investments related with guaranteeing supply, guaranteeing quality of supply and environmental quality.
2. Improving the efficiency of support processes, which include: the management of human resources, technological innovations and R&D+i actions, communications and remote control, infrastructure security, quality management system, financial and risk management.
3. Maintaining a competitive and strategic position, taking advantage of the capacities of our companies, the existing synergies and the accumulated knowledge and promoting the maximisation of corporate resources.
4. Seeking for excellence in our relationships with customers and employees.
5. Strengthening the role of corporate social responsibility inherent to our dedication to society and to sustainable development.



2.2.2. Strategy and objective of Group companies in Latin America

The parent company of the Canal Gestión Group in Latin America, Inassa has the following mission, vision and corporate values:

- **Mission:** to offer integrated and innovative consultancy services, technical assistance and IT solutions, adapted to the customers’ needs in the public utility sector through a highly qualified team of professionals and by applying quality standards to generate value for our stakeholders.
- **Vision:** in 2014 Inassa will have customers highly satisfied with the quality of our products and services, reflected in the recognition of the company within the field of consultancy and IT solutions for the public utility sector in Latin America.
- **Corporate values:** a service attitude, flexibility, innovative attitude and commitment.

In 2012 Inassa underwent a period of transition in which it was decided to design and develop a Strategic Planning process. The **strategic objectives** defined by the company and which it has been working on throughout 2013 are as follows:

1. Increase the number of Group businesses in the Latin American and Caribbean market.
2. Consolidate Inassa as the Group’s holding company in Latin America
3. Increase satisfaction among our stakeholders.
4. Position the Inassa Group as expert in the entire integrated water cycle, sanitation, commercial management, payment collection and engineering in Latin America and the Caribbean.



The other Latin American companies in the Canal Gestión Group have defined their mission, vision and values through strategies and objectives that are in line with those of Inassa.

Specifically, outstanding in 2013 is the case of Triple A Barranquilla, which has continued working towards its strategic direction, defined in 2012 and with time horizon to 2015. The 15 strategic targets defined for Tripe A are as follows:

Strategic targets for Triple A (2012-2015)

PERSPECTIVE	STRATEGIC TARGET
Administrative and financial	F.1. Optimise cost and expenditure management
	F.2. Consolidate the financial structure
	F3. Strengthen financial confidence and credibility.
Customers	C1. Improve the level of customer satisfaction.
	C2. Ensure the implementation of new businesses.
	C3. Consolidate the position of Triple A in the community served.
Processes	P1. Optimise the processes seeking operational efficiency and support in the Integrated Management System (pipelines, sewers and cleaning).
	P2. Improve the infrastructure of Triple A, ensuring the water quality services and its continuity.
	P3. Maintain effectiveness of the customer and communication management process.
	P4. Strengthen relations with local councils, departmental governments, national governments and monitoring bodies.
Triple A talent	A1. Promote expertise among the talent of Triple A.
	A2. Strengthen the culture surrounding Health, Safety and Environment (SISOMA), quality and CSR.
	A3. Guarantee an integrated, flexible, functional and secure technology platform that supports the needs and growth of Triple A.
	A4. Position the organisational culture of Triple A, supported by strengthened internal communication.
	A5. Strengthen the culture of belonging and commitment to Triple A

2.2.3. Our commitments

To accomplish our mission, Canal Gestión has policies implements policies and commitments that enable us to remain true to our corporate values. These policies are as follows:

- Undertake our mission as efficiently as possible as the companies providers of basic social services for the society, facing the challenges and opportunities of the future: to be efficient and financially solvent water management companies.
- Promote the socio-economic and environmental context in which our companies perform their mission, improving day by day our performance and operations in terms of environmental management, fostering through our activities the economic development in the geographic areas where we provide services and responding to the demands and concerns of the surrounding society.
- Respond to our stakeholders’ expectations, in particular those which allow us to perform our mission: our customers (and users), shareholders, suppliers and employees.

Specific commitments to our stakeholders

In accordance with the approach described above, the actions of our companies in Spain and Latin America in the field of corporate social responsibility aim to return to society as a whole the product of its efforts, beyond the provision of reliable, quality service, through specific actions in the fields of education, culture, leisure, sport, social action and support for economic development, solidarity, innovation and environmental protection.

In line with this objective, the Grupo Canal Gestión Group established 12 commitments in 20016, which form the base of our operation in terms of corporate social responsibility:

1. Respond to and, if applicable, support the concerns of the different groups with which we interact in order to improve the quality of life, in particular of those belonging to more underprivileged groups and at risk of social exclusion.
2. Make progresses in the integration of the environmental aspects within our corporate strategies and objectives, giving priority to those initiatives which make more efficient use of resources and minimising the environmental impact of the activities of our companies.
3. Promote actions that contribute to the economic and social development in the geographic areas in which any of our group companies are present, through investment and creation of infrastructures to facilitate economic growth and job creation.
4. Focus our actions on the customer by being aware of customer expectations, developing our relationships and establishing new products and services to foster a rational use of water and social action.
5. Invest in our people, in their skills and potential, through training tools, health and safety at work, fostering equality of opportunities, guaranteeing the non-discrimination and a balance between professional and family life.
6. Advance in the relationship of trust and mutual respect with our providers and contractors, favouring good social and environmental practices within their organisations.
7. Foster culture, sports and leisure by organising and sponsoring events, making some of our facilities available for their use by other organisations and preserving and protecting the historical heritage of our companies.

Canal Gestión’s commitments with its environment and stakeholders



8. Promote a culture of responsible water uses among citizens in Spain and Latin American countries where we operate, from schools, to businesses and local councils, as a way to contribute towards sustainable development.
9. Encourage innovation and research as an engine to improve in all our processes to offer a better service to society.
10. Contribute our technical, human and economic potential on development aid projects in order to provide a fast response to solutions of humanitarian emergency in those fields where we have expertise.
11. Participate and support institutional, national and international initiatives to encourage sustainable development within the geographical areas where we operate.
12. Report regularly on the results of our actions and the level of compliance of our commitments in a responsible and transparent way.

Internal policies to fulfil our commitments

The Canal Gestión Group companies have internal policies that seek to ensure we fulfil our commitments. Outstanding among them are our quality and environment policies and our occupational health and safety policies (named OHS in Spain and SySO in Latin America).

In recent years, the group has progressed in implementing quality system, environmental management systems and OHS systems. Thus, many companies of the Group have currently implemented or are in the process of implementing and certifying different management quality systems according to ISO 9001 standard, environmental management systems according to ISO 14001 standard, and occupational health and safety management systems according to different standards, including BS OHSAS 18001:2007.

Certified quality, environment and OHS* management systems

Company / Country	Type of system		
SPAIN	Quality	Environment	OHS
Canal de Isabel II Gestión***	ISO 9001:2008	ISO 14001:2004	OHSAS 18001:2007
Canal Gestión Lanzarote	UNDER WAY**	UNDER WAY**	UNDER WAY**
Aguas de Alcalá UTE	ISO 9001:2008	ISO 14001:2004	OHSAS 180001:2007
Hispanagua	ISO 9001:2008	ISO 14001:2004	OHSAS 180001:2007
Canal de Comunicaciones Unidas	ISO 9001:2008	ISO 14001:2004	
Hidráulica Santillana	ISO 9001:2008		OHSAS 180001:2007 UNDER WAY**
COLOMBIA	Quality	Environment	OHS
Inassa Colombia (+ Amerika TI)	ISO 9001:2008		
Triple A Barranquilla	ISO 9001:2008	UNDER WAY**	OHSAS 18001:2007
Recaudos y Tributos (R&T)	ISO 9001:2008		
Metroagua	ISO 9001:2008		
ASAA			
ECUADOR	Quality	Environment	OHS
AMAGUA	ISO 9001:2008		
Inassa Ecuador			
PANAMA	Quality	Environment	OHS
Inassa Panamá			
DOMINICAN REPUBLIC	Quality	Environment	OHS
AAA Dominicana	ISO 9001:2008		
Coverage (percentage of turnover)	97.61	77.15	89.66

* Health and safety at work
 **Implementation is expected to conclude in 2013 and certification should take place in 2014
 ***Certifications do not include the branch in Cáceres

All the Canal Gestión Group companies, except for those recently incorporated, have a quality management certified according to ISO 9001 standards. The activity of the certified companies represents 97.61% of the Group's aggregated turnover.

The six companies with greater environmental involvement have environmental management systems (implemented or undergoing implementation) certified according to ISO 14001 standard. The activity of these companies represents 77.15% of the Group's aggregated turnover.

Finally, the companies in the Group have recently begun to implement management systems certified according to OSHAS 18001 standards. Currently, six Group companies (four certified), have this type of system in place and their activity accounts for 89.66% of the aggregate turnover.

2.3. OUR ACTIVITY IN THE EFFICIENT MANAGEMENT OF RESOURCES

Our main commitment and our greatest responsibility as a Group is to undertake an efficient provision of public water supply and sanitation services to all citizens of the regions where we operate. The sustainable management of water as a limited resource, optimising its use for supply and ensuring compatibility with other social, economic and environmental interests, is therefore, the basis for our actions.

2.3.1 Spain: seeking alternatives to fulfil our responsibility

In order to guarantee the present and future water supply of all customers Canal Gestión has established lines of action aimed at increasing the availability of water resources and expanding the flexibility of the system.

New infrastructures to obtain additional resources

Within the field of supply, our aim is to secure new resources that enable us to mitigate the effect of the decline in natural inflows, and also to provide facilities that allow us to operate with sufficient flexibility from the different alternative supply sources we have available.

In recent years Canal Gestión has dedicated considerable efforts to consolidate the concession of 220 million cubic meters from the River Alberche. Furthermore, the construction of the second distribution ring, and the branches interconnecting the current strategic network; the Vallecas regulation tank, finished the first quarter of 2013, and the full completion of the south-east corner transport system, will guarantee the supply to the new areas of consumption.

In recent years we have continued to work to expand our capacity to obtain additional resources through the exploitation of groundwater, a strategic reserve in times of drought. outstanding in this regard is the construction and connection to the network of the Guadarrama Well Field, initially made up of 28 wells. At the end of 2013 18 wells were in operation, with capacity to extract 20 million cubic meters per year; in which works are being performed in terms of equipment and electrification in order to reach the planned peak capacity of 30 million cubic meters per year in operation.

Finally, the new El Tajo DWTP has been in operation since 2010 and, thanks to cutting-edge technology enables us to offer additional resources from this river to the people of Madrid. In this regard, the construction works were awarded at the end of 2012 for a conduit that will enable the DWTP to take water from the Almoguera-Algodor conduit, which will noticeably improve the quality of the raw water treated at the plant.

All these actions enable improving communications between the various supply systems in the Autonomous Region of Madrid, increasing system operation flexibility and our capacity to increase the water availability guarantee for users.

Sanitation initiatives

Sanitation initiatives are essential to preserve the quality of resources once used and to maintain the ecological quality of the rivers in the Autonomous Region of Madrid.

Noteworthy in 2013 in terms of sanitation is the complete refurbishment of the WWTP of Ciempozuelos, which also included the refurbishing of part of the collector.

In the treatment of waste water, we continued with expansion and improvement of various WWTP within the Autonomous Region of Madrid. These include, in particular, the following:

- Extension of the Tres Cantos WWTP (16.1 million euros invested).
- Improvement works at the Talamanca del Jarama WWTP (2.4 million euros invested).
- Improvement works at the Valdepiélagos WWTP (1.0 million euros invested).
- Improvement works at the Valdetorres del Jarama WWTP (1.9 million euros invested).

With the start of operations of these plants, the number of WWTP operated by Canal Gestión rose to 155 by the end of 2013.

In 2013, Canal Gestión continued its efforts on the Nutrient Elimination Plan (nitrogen and phosphorous), which us aimed at meeting the requirements of the Water Framework Directive for the end of 2015. This plan forms part of the National Water Quality Plan. In particular, the improvements to the Miraflores, Galapagar-Torrelodones, las Matas-los Peñascales, el Molar sur and El Berrueco WWTP were contracted in 2013; as well as the contracting of the new WWTP of Algete and the loeches WWTP.

Re-use initiatives

The regeneration of waste water for its subsequent re-use is one of our major future challenges. Thanks to regeneration we will be able to obtain a large volume of water for certain uses not connected with the supply of water for human consumption, but which nevertheless today represents a significant proportion of the demand: irrigation of public parks and gardens, golf courses, street cleaning, and even some industrial uses. Using more reclaimed water will serve to reduce the pressure of the resources stored in our reservoirs, thereby resulting in more rational management. Our main progresses in the recent years include:

- The construction of 25 tertiary treatments (as well as one extension) with a capacity of 192,020 cubic meters per day of reclaimed water. To these plants we must add the four built by the Madrid City Council, three of which are in production.
- The construction of more than 212 kilometres of pipeline network and 24 storage tanks. These pipes are in addition to the 135 kilometres of the Madrid City Council re-use network managed by our company and the 36 tanks on said network.
- Agreements were signed with a total of 43 municipalities and the main water consumer in the region, the Holmen Paper mill in Fuenlabrada.
- Agreements and contracts have been signed with the 18 most important golf courses in the region. It is expected that a total of 21 courses will be supplied with reclaimed water by the time the plan reaches its conclusion.

In 2013 the volume of reclaimed water produced in the plants managed by the company for re-use was of 10.37 million cubic meters.

During 2013 a total of 30 new parks were added, which represents the irrigation of 104 new hectares with reclaimed water. Thus, at the end of the year, Canal Gestión was providing reclaimed water to 100 parks in the region. Furthermore, the reverse osmosis plant was still operating in 2013 to produce up to 4.5 cubic hectometres of reclaimed water per year, to be used by the company Holmen paper.

2.3.2. Colombia: increased coverage and planning the future

The greater rainfall, on occasions excessive, such as in 2010, and the existence of abundant resources, means it is far easier in the Republic of Colombia to achieve supply guarantee than it is in Spain. However, access to supply sources and the search for alternative solutions are also a priority for the Canal de Isabel II Gestión Business Group in this country.

Initiatives in Triple A Barranquilla

Since its creation twenty years ago, Triple A has contributed to social, economic and environmental development in the Atlántico Department of Colombia. In order to cooperate on the Millennium Development Goals, the company is increasing, together with the National Government bodies, the coverage for drinking water and basic sanitation services.

In the initial stage, works are focused on creating distribution systems with 100% coverage in the municipalities where the service is provided, and plans are also in place to provide the service in municipalities in the South Atlántico Department.

Likewise, work is being done to increase coverage of basic sanitation services by implementing the Sanitation and Effluent Handling Plans (PSMV).

In Barranquilla, works have been made over recent years worth 35 million dollars to clean up the city's distribution system through the installation of interceptors, pumping stations, primary treatment and waste water and a subfluvial outlet with a capacity of up to three cubic meters per second that will enter service in 2014.



In the municipality of Soledad, the second-largest in the area services, work continued in 2013 on the construction of collectors, interceptors and pumping stations that, when the project has finished, will directly benefit more than 500,000 people.

Initiatives by Metroagua

Unlike Barranquilla, the city of Santa Marta (Colombia), that is supplied by Metroagua, does experience drought situations and a lack of resources with increasing frequency. For that reason, it is especially important to point out that in 2012, the company and the District of Santa Marta approved the Santa Marta water supply and sewerage improvement plan, through a master plan and the implementation of optimisation, improvement, expansion projects and the construction of a new collection, inflows, transport and distribution infrastructure. The plan includes the construction of a new DWTP collecting 400 litres per second, and storage and channelling works and distribution networks.

2.3.3. Ecuador: seeking alternatives for the future

In Ecuador, Amagua is also committed to projects aimed at ensuring future supply. Hence the company has been working in recent years on initiatives such as:

- The development of Drinking Water master Plans that include forecasting future requirements of the system considering the fast growth of the population and consumption growth in the sector for the next 20 years. These plans define the steps to be taken, such as the installation of a re-pumping station, already operating; the expansion of the main supply networks, finished in 2013 and the negotiation for increased purchase of water at height.
- Furthermore, the municipalities are working on the project for the construction of a DWTP, which would be operated by Amagua, with which independence would be obtained from the current supplier of water at height, thereby achieving cost optimisation.
- Increased drinking water metering points via tele-control in order to have greater control in the sector. PDA technology was implemented in 2013 for remote meter reading, obtaining in real time the results of the process and elimination of errors with software validation.
- Study to reform the drinking water tariff based on a structure of incrementing prices per block (GDP) that would enable discouraging excessive water consumption.
- Study for the implementation of tertiary systems in DWTP for the re-use of treated water for the irrigation of green areas.

With regard to sanitation initiatives, the new tariff DWTP in Tarifa was terminated, with a treatment capacity of 1,500 m³/per day, that will initially benefit 2,000 families from Parroquia Rural Tarifa.

2.3.4. Brazil: geared towards greater efficiency

In the case of Fontes da Serra Saneamento of Guapimirim, there is an important opportunity to improve the efficiency of the supply service with the completion of the works at the water treatment station of Marí Conga. This plant is being built by Emissão Engenharia, which is a company within the Canal de Isabel II Gestión Business Group and owner of Fontes da Serra, and after its completion will supply the neighbourhood municipality of Magé.

The initiatives undertaken by the company in recent years, or that it is planning to undertake in terms of water use efficiency and to guarantee the future supply of water are as follows:

- Plans to reduce breakdowns.
- Plans to renew the networks.
- Pressure zoning and control: there is an already existing zoning of eight sectors and one pressure reduction valve for the entire system. The works to ensure the tightness of the zones should begin in 2014.
- Programmes to reduce non-controlled water: eight macro-meters shall be installed in the eight zones that should be watertight to compare against the meter readings.
- Programmes to detect and minimise leaks: night inspections will be conducted with geophones and push-button valves to detect visible and invisible leaks.
- Saving of internal consumption in processes: implementation of micro-meters in inflows and outflows of the treated water from the DWTP.
- New infrastructures to guarantee alternative supplies in times of scarcity: a new inflow through pumping is already in operation, in process of legalisation from the National Water Agency (ANA).

2.3.5. Seeking the cooperation of all

It is everybody's task to give water the importance it deserves, Therefore, all citizens must at all times take care of this scarce resource. The awareness of the society for it to make an intelligent and sustainable use of water is one of our company's main objectives.

Communication and advertising campaigns

In Spain, the communication campaigns of Canal de Isabel II Gestión and Aguas de Alcalá UTE are ongoing and their high notoriety have enabled Madrid to be one of the most successful regions in reducing water consumption over recent years.

The message of the communication actions undertaken in 2013 may be summarised in the form of the closing words of our advertising «We cannot make more water, but we can make more savings», the idea being to put across the message that with effort from each and every citizen of Madrid we can achieve efficient water usage. This year, the company has continued with its campaign by distributing water saving information material (signs, leaflets and stickers with saving advice) to all the companies which this year have participated in the Reto del agua (water challenge), an heterogeneous group of more than 150 entities, which are united by the common interest of caring for water and the environment (further information at www.sumatealretodelagua.com).

In Colombia, Triple A has an Efficient Water Use Programme based on the need to preserve resources, optimise use and save water in view of its increasing scarcity. In order to make more efficient use of the water in each activity undertaken and to streamline consumption according to the quality required, the company has a number of initiatives that include campaigns to raise awareness on saving water.

One of these initiatives in the programme is related to the water awareness campaign carried out in 2011, 2012 and 2013, which had the aim of informing the community, users and employees about the importance of water for providing the service and its conservation through responsible behaviour by users.

In Santa Marta (Colombia), Metroagua carries out awareness campaigns through advertising strategies which achieve creating a more dynamic, clear and transparent identity with environmental awareness.

To this end, Metroagua develops campaigns to enhance institutional positioning and raise awareness on water saving, looking after drains and recognising the importance of the submarine outlet as a means to treat waste water through dilution. Likewise, campaigns have been designed for the District Mayor's Office on the care of existing rainwater channels.

These campaigns are promoted through the media, street-side advertising, billboards, bus stops, company headquarters and other activities.

In Ecuador, Amagua also carries out awareness campaigns aimed at the rational use of water through savings advice and recommendations on how to avoid bad consumption practices and tipping into the sewer networks, through advertising leaflets, the reverse side of bills and the website.

Educational programmes on the rational water use

In Spain, Canal de Isabel II maintains its commitment to contribute to the education of young people in the Autonomous Region of Madrid and does so through CanalEduca, an educational programme that has been running for more than two decades that develop an extensive programme of activities aimed for elementary, primary and secondary education, training cycle, adult education, special education and since the last school year, for hospital classrooms in the Autonomous Region of Madrid.

During the 2012/13 school year *CanalEduca* developed a programme of activities divided into three major sections: «Water, the Canal which unites us», «face-to-face, encounters with science and culture» and «Water Olympics» with the proposal that besides from raising awareness among the pupils regarding water use and the respect for the environment, have the aim of encouraging values of solidarity, commitment, co-existence, dialogue and integration. Likewise, through its website it has provided scholars, teachers and any person, institution or collective interested in environmental education a wide offer of teaching material, activities and other educational resources, as well as a virtual training platform through which to provide an immediate and flexible assistance with the exclusive dedication of teachers specialising in the different courses. (further information on our education programmes can be found at www.canaleduca.com).



Moreover, in Spain, Canal Gestión and Aguas de Alcalá UTE organises children's drawing and painting contest for children and youngsters related with water management.

Specifically, Canal Gestión organised the 3rd children's painting contest which with the theme «Water and You», was created to foster a greater sense of efficient and rational water use among the youngest citizens. This 3rd edition, held in 2013, had more than seven hundred participants from the Autonomous Region of Madrid, of ages ranging between eight and sixteen. Subsequent to the prize-giving event which was held in the high tank in Plaza de Castilla, the awarded drawings were exhibited. Each participant received a diploma and the award-winners also a catalogue with the drawings exhibited.

In turn, Aguas de Alcalá UTE organised a similar contest, on occasion of the World Water Day. In 2013, the 11th Aguas de Alcalá Children's Drawing Contest was given the slogan «the future of water is looking good because it is drawn up by you», and 902 scholars from Alcalá de Henares contributed their ideas on how to make an intelligent use of water, increasing the number of participants by 34% in comparison with the previous year.

In Colombia Triple A and the Triple A foundation are two of the most active members of the Group as regards communication, awareness and environmental education.

Unlike the work done by other companies in the Group, their educational activity is aimed at integrating youngsters and other members of the community, as well as entrepreneurship. Their work covers various issues related to looking after the city (street cleaning and waste management). During 2013 the most significant environmental education activities carried out by Triple A were:

- The «Heirs of the Planet» Programme: a programme aimed at educating boys and girls stimulating their emotional intelligence and discovering the internal leader which makes them capable of protecting their environment, identifying their environmental surrounding and developing projects to give solution to environmental problems. The programme is developed by teaching a group of multiplier children, enabling them to be the guide of the environmental awareness and development of their education centre for a school year.
- Environmental classes: Through this programme led by the Triple A Foundation with support from the Autonomous Region of Madrid, mother and youths from vulnerable social strata are trained and become fit to be included into today's competitive labour market, ensuring the start of their income generation and the improvement of their quality of life within their family environment. As regards efforts focused on children, every year thousands of primary and secondary school children benefit from these classes, receiving information on environmental education and in production processes aimed at preserving and conserving the environment.

- «Enjoy a clean Barranquilla»: Triple A, in partnership with the District of Barranquilla, began work in 2011, and continued in 2012 and 2013, on this citizen culture strategy that seeks to raise public awareness on the importance of keeping the city free of rubbish, thus fostering a personal responsibility for urban cleaning. With this campaign the company links different groups of society such as businesses, associations, guilds, schools and universities.

Triple A also develops initiatives aimed at specific groups such as journalists, staff of companies in the region and customers.

Metroagua, in Santa Marta (Colombia), has environmental and social education programmes of which have the aim of raising awareness in local children and youths about caring for water and their environment, and marine and terrestrial environmental conservation. Likewise, they are taught about the process to produce drinking water that is distributed throughout the city and the treatment of waste water through the submarine outlet. All this is carried out through age-based recreational activities that seek to raise awareness in the population on the efficient use of these services.

In 2013 the 2nd District Water Forum was held in Santa Marta, giving continuity to the programme established the previous year. The slogan chosen, on the World Water Day was «Cooperation in the water sphere» and promoted social awareness in the city and the good use of water as a renewable natural resource vital for the survival of the human race. Around ten education centres of the district presented cultural activities which generated reflection regarding the good use of water as a vital resource.

2.3.6. Combating water fraud

Illegal connections and other such fraudulent or unlawful activities represent a significant drag every year on the resources made available by the Canal de Isabel II Gestión Group to its customers. These type of actions can sometimes jeopardise supply to certain areas and are often performed in such a way that those who carried out the fraudulent activity do not make rational use of the water they take. To prevent this, the companies in the Canal Gestión Group have specific departments and experts dedicated to combat these types of activities.

The options available to each company vary according to the legislation in each country and the regulations that govern the provision of their services. Some companies have the power to issue fines or bring legal action while others can only take operational action (cutting off the water supply).

Canal de Isabel II has a specific department engaged in combating fraud. The task of detecting fraud involves several stages, the end result of which leads to the majority of cases being reported to the Judicial Authorities as such activity is considered to fall under Chapter VI of the Criminal Code («fraudulent activity»).

In other cases, preventive steps are taken on non-contracted supplies in order to prevent the illegal use by third parties; on other occasions certain cases are passed to other areas of Canal Gestión when the special characteristics thereof dictate that other action should be taken.

In 2013 there has been a 35% increase in the number of disciplinary proceedings were processed, reaching the amount of 7,200. In Latin America, the results reached by our companies in this continent also show the growing activity to combat fraud. Specifically in the case of Triple A in Barranquilla (Colombia), the number of disciplinary procedures processed has increased by 37% in 2013 (reaching 4408) and 49% the amount of water taken (see details on the fraud statistics in Annex 2 of this report).

2.3.7. Efficiency as a priority

Besides from the activities aimed at obtaining more water resources and optimising the consumption, a strategic priority for Canal de Isabel II Gestión Business Group is to implement internal actions which allow managing water more efficiently across the distribution network, and to reduce and control the leaks registered in the distribution system and connections, as well as breakages.

The policy of renewing and improving the distribution network managed by the companies in the Group, has the aim of reducing water losses through breakages and leaks to a minimum while reducing the damage to third parties due to flooding.

Network renewal*

	Canal Gestión		Spain		Latin America		GROUP TOTAL*	
	2012	2013	2012	2013	2012	2013	2012	2013
Length of the network (in kilometres on 31 December)	17,087	17,163	17,559	19,502	4,157	4,593	21,716	24,095
Kilometres of network renewed per year *	129	140	129	148	42	20	171	168

*Does not include Aguas de Alcalá UTE (Spain), Metroagua (Colombia) and Amagua (Ecuador).

The effort made has led to an improvement in the breakage indicators over the past years with a reduction of 6.61% in pipelines last year on the Canal Gestión network.

Distribution network fault statistics

	Canal Gestión		GROUP TOTAL*	
	2012	2013	2012	2013
Length of the network (kilometres at 31 December)	17,087	17,163	21,455	23,821
Number of breakages per year in the network	2,549	2,363	10,455	18,351
Breakage index per kilometre	0.15	0.14	0.49	0.77
Number of connections (at 31 December)	644,099	647,981	1,161,796	1,271,787
Number of breakages in connections per year	7,671	6,836	33,722	36,748
Breakage index per 100 connections	1.19	1.05	2.90	2.89

*Canal Gestión, rest of Spain and America (does not include Amagua, Ecuador).

In Spain, Canal de Isabel II Gestión, Hispanagua and Aguas de Alcalá UTE maintain close collaboration with the local councils to coordinate their actions with the public works undertaken by the different service companies such as «road surfacing» and neighbourhood rehabilitation plans.

With regard to the zoning plan, this is one of the most ambitious targets set by the company and it seeks to divide the network into smaller zones for a greater control of the water resources. More than 660 zones have been implemented, with over 1,500 flow and pressure measuring devices.

This will provide a more detailed control, improved operations and more efficient administration of consumption and uncontrolled water. The true power of zoning lies in the opportunity for control. <the control of the pressure at the inlet to the zones (through pressure regulation valves), to ensure the optimum level required by each zone is maintained at its critical point, enabling to obtain important benefits: reduced volume of leaks, reduced number of breakages, energy savings (in areas supplied by pumping stations) and reduction in pressure oscillations between day and night (causing reduced pipeline material fatigue).

In 2013 the Pressure Management System was implemented in thirty sectors as a test. Throughout 2014 it is foreseen to increase up to one hundred zones, in which the pressure management system is going to be monitored.



In Colombia, the Triple A *Efficient Water Use Programme* includes actions to measure production at the plants, know the region and its water facilities, measure consumption, gather information on meter behaviour and establish the corrective action for maintaining and supervising optimised network operation.

The Efficient Use Programme was mainly aimed at lines of action such as:

- Establish the methodology to carry out audits on large consumers and proposing consumption reduction strategies.
- Prepare regular reports on investments, billing and revenue. Project costs against profit.

- Repair visible and invisible leaks.
- The constant installation and/or replacement of meters.
- Investigation of losses.
- Zoning of the distribution network (282 installed zones), to later develop zone investigation to identify losses, control pressures and definition of minimum nocturnal and maximum consumption.
- Updating network maps.
- Combating fraud.

Besides all the efforts to improve network efficiency and combat fraud, Metroagua began to develop the *City Water Pipeline Network Zoning Project. Stage I* in 2012. Through this project, the company seeks to increase pressure and reduce leaks to thus improve system operation. It aims to establish zones in the most consolidated urban areas of the city, thereby benefiting more than 133, 000 inhabitants. In 2013 the project has been updated, and the collaboration from the district of Santa Maria was obtained for its financing.

In Ecuador, Amagua has implemented measures to ensure the efficiency of its networks that include the following:

- Continuous inspections of ongoing residential construction processes.
- Tests and controls on the drinking water network prior to reception and interconnection with water supply systems (supply at height).
- Re-use of waste water for the irrigation of parks and gardens, providing support and consultancy to new residential development projects.
- Monitoring of pressure at seven points of the network, through telemetering. Implementation of new supply arteries.

The outcome of all these efficiency efforts carried out by the Canal de Isabel II Gestión Business Group is reflected in the figures available on the networks' efficiency. In the case of Canal Gestión, the parent company, the real losses in inflow and distribution have been considerably reduced over the last 10 years.

Water leak and in-house consumption estimates

	Canal Gestión		TOTAL	
	2012*	2013*	2012	2013
Water channelled for consumption (millions of m ³)	539.35	497.16	806.92	804.84
Hidden distribution network losses (percentage of water channelled for consumption)	5.65	4.97	6.30	6.19
In-house consumption (millions of m ³)	3.85	3.89	4.19	4.38

* Data corresponding to the 2011-12 and 2012-13 hydrological years.

The actual loss figures of Canal Gestión are substantially lower than those published by the Spanish National Statistics Agency (INE) in 2013, which gave an average figure for Spain in the year 2011 of 17.2% of water channelled for consumption, with the Autonomous Region of Madrid being the region presenting the lowest losses.

2.4. ECONOMIC RESULTS IN 2013

Being a sound and profitable Business Group means we can guarantee the provision of our quality services to all our customers at an affordable price.

One of the key commitments of the Canal de Isabel II Gestión and the for Canal Gestión Group is to constantly enhance the efficiency of the activities and support processes. Among our strategic objectives for the forthcoming years is the continuous improvement of the existing satisfactory financial management, in order to be permanently up to date with any changes that may take place in terms of management and with a view to managing our economic resources both effectively and efficiently to optimise water management and continuously enhance the quality of the services we provide.

2.4.1. Profit and other economic figures for the Group at the end of 2013

Canal de Isabel II Gestión in 2013 posted a consolidated turnover of 828.75 million euros.

Main consolidated economic figures of Canal de Isabel II Gestión
(data of the individual company Canal Gestión in thousands of)

	2012*	2013
Net turnover	451,006	828,751
Profit after tax	131,504	199,593
Equity	2,209,823	2,215,343
Non-current assets	4,447,162	4,494,417
Investments	155,864	204,459
EBITDA	172,568	293,106
Debt	1,139,904	1,168,518
Debt ratio /EBITDA	6.61	3.99

(*) For 2012 it only includes the data of the companies activity between the 1 July and the 31 December 2012 (6 months)

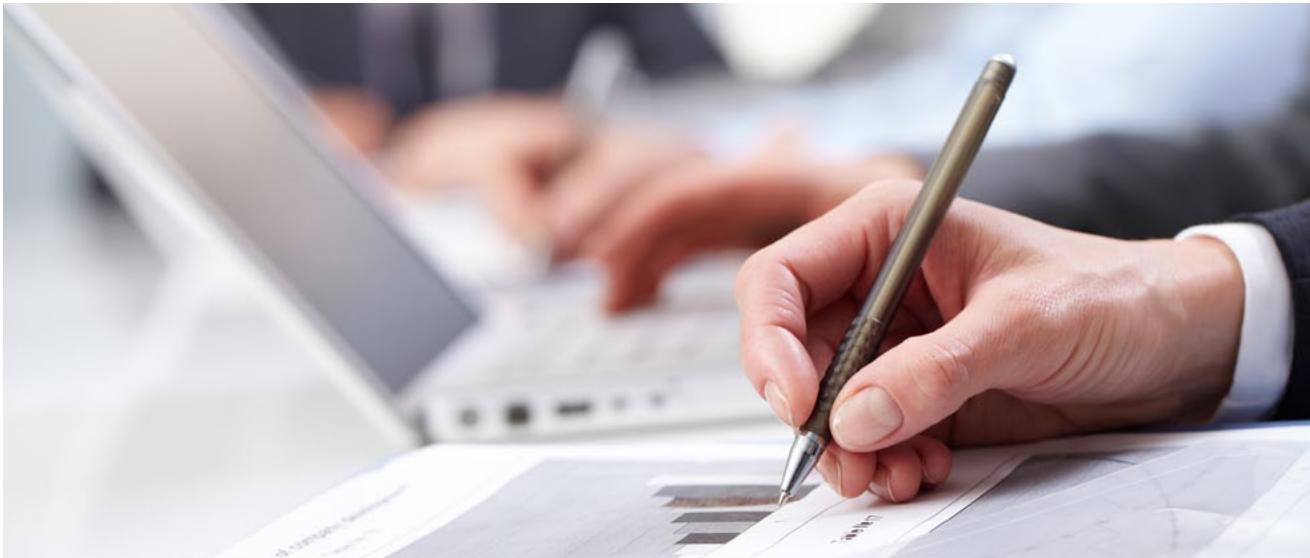
The Canal de Isabel II Gestión Business Group once again exceeded a revenue of 1 billion euros in 2013 and reached an consolidated turnover of 1031.59 million euros.

Key consolidated economic figures for the Canal de Isabel II Gestión Business Group (consolidated data of all the companies of Canal de Isabel II Gestión Group in thousands of euros)

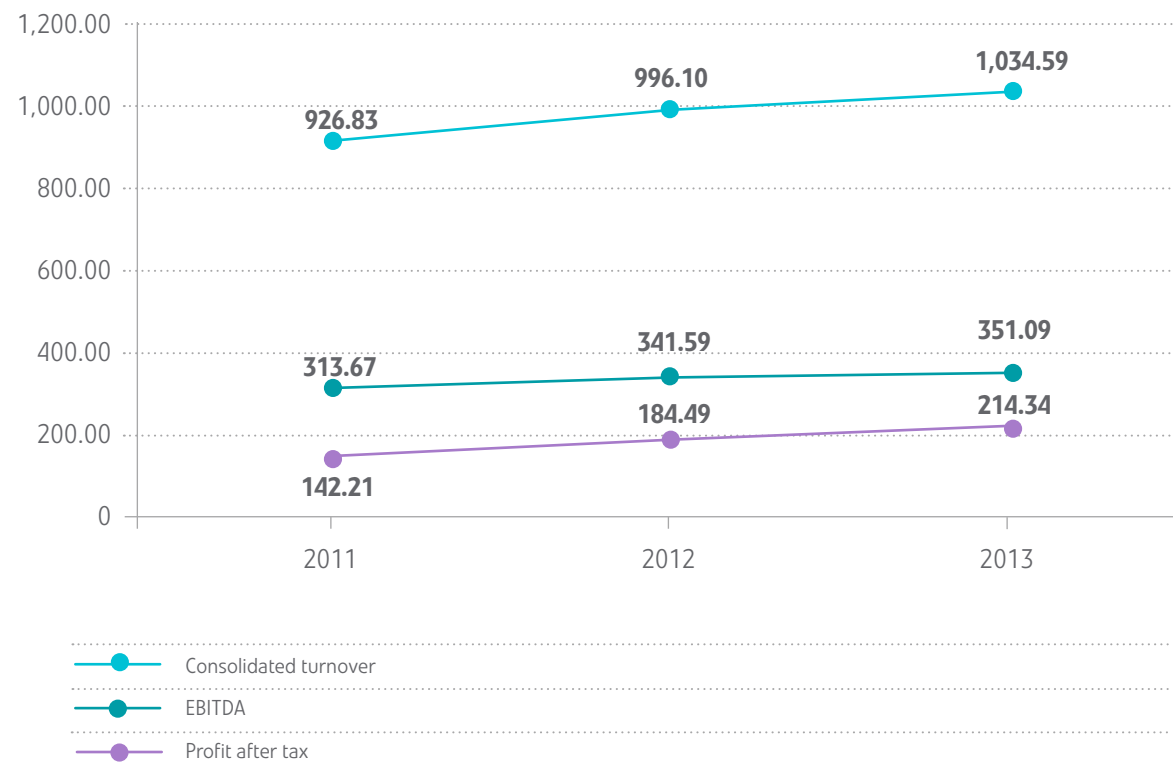
	2012*	2013
Net turnover	544,160	1,034,591
Profit after tax	137,452	214,595
Equity	2,222,324	2,238,556
Non-current assets	4,517,685	4,615,216
Investments	164,245	273,931
EBITDA	198,683	343,732
Debt	1,205,170	1,247,730
Debt ratio /EBITDA	6.07	3.63

(*) for 2012 it only includes from 1 July to 31 December 2012 (6 months)

For the purpose of making a comparison of the last three years, as recommended by *Global Reporting Initiative*, and given that Canal Gestión began operating in July 2012, it is necessary to analyse the trend of the consolidated economic parameters of the Public company Canal de Isabel II.



Trend in turnover, EBITDA and profit after tax of the public company Canal de Isabel II In millions of euros (2011-2013)

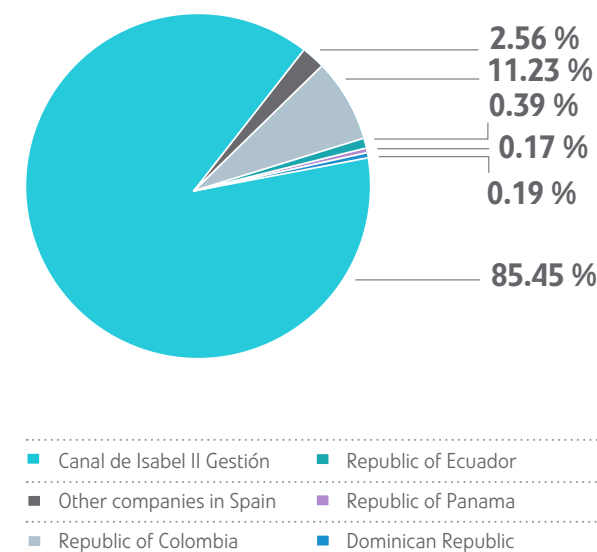


As a result of a significant increase in revenue for the Group, due to its growth in 2013, and a moderate growth of the cost, the after tax consolidated result for the Public entity Canal de Isabel II in 2013 amounts to 214.34 million euros. This is a 16.18% increase compared to 2012. The EBITDA also rose by 2.78% due to the increased activity in Spain and Latin America.

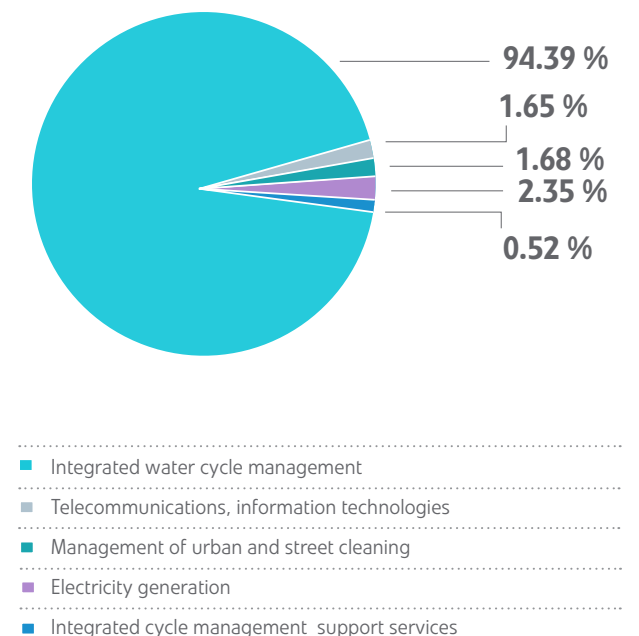
In the case of the Group's parent company, Canal Gestión, its individual profit of 199.59 is a 7.89% increase compared to 2012. This increase is due mainly to a 4.47% reduction of the costs compared to the previous year and to a more moderate increase of the revenues (0.28% compared to 2012).

The distribution of aggregate revenues and EBITDA of Canal Gestión Group, per companies and countries, as well as per company activities in 2013 was as follows:

Distribution of aggregate EBITDA for the companies of the Canal de Isabel II Gestión Corporate Group(% in 2013)



Distribution of aggregate EBITDA per activities of the Canal de Isabel II Gestión Business Group (% in 2013)



The large differences are due to the enormous weight attributable to the activity carried out by Canal de Isabel II Gestión in Spain when compared with that of all the other companies in the Group and to which seven providers are engaged in integrated water cycle management in 2013 (not including Brazil), when compared to the companies engaged in other activities.

In 2013, the Group companies continued with their significant investment which amounted to a consolidated figure of 343.73 million euros, 217.57 of which were invested by Canal de Isabel II Gestión (204.46 without including the capitalization of financial costs).

2.4.2. Group aggregate revenues and expenditure

In 2013 the aggregate revenues for the companies in the Canal de Isabel II Gestión Business Group amounted to 1176.76 million euros with an aggregate turnover of 1080.2 million. This figure is 2.49% higher than the figure recorded in 2012. In the case of Canal Gestión, this increase is more moderate, 0.28%, and the revenues were of 869.53 million euros.

Most of the group’s aggregated revenues correspond to the service provision of the integrated water cycle management which in 2013 amount to 1089.85 million euros, the rest being for the sale of other items of 15.93 million euros. In the case of Canal Gestión, the revenues for the provision of integrated water cycle management services amounted 819.17 million euros in 2013.

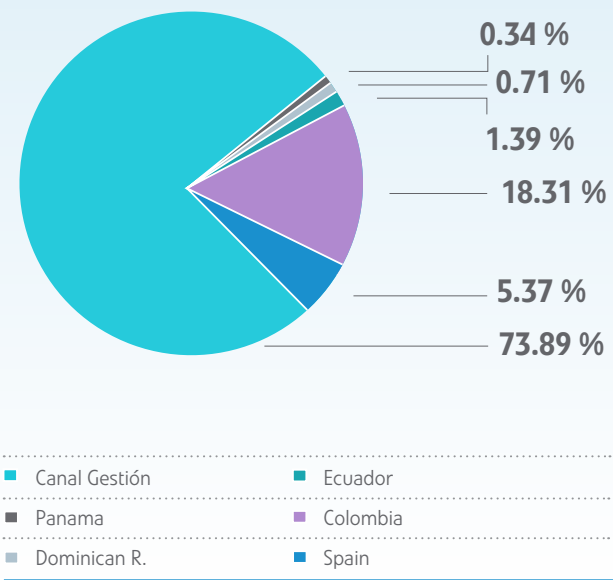
Evolución de los ingresos agregados por países de las empresas del Grupo Canal de Isabel II (miles de euros)

	CANAL DE ISABEL II GESTION		SPAIN		COLOMBIA		ECUADOR		DOMINICAN R.		PANAMA		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Net turnover	819,147	828,752	40,578	61,716	191,542	202,402	11,006	16,216	8,803	8,019	2,475	3,974	1,073,551	1,121,079
Works undertaken by the company on Fixed assets	8,562	5,549	-	-	-	-	-	-	-	-	-	-	8,562	5,549
Other revenue *	39,355	35,231	292	1,464	26,117	13,016	20	100	312	320	-	-	66,096	50,130
Total revenue	867,064	869,531	40,870	63,180	217,659	215,418	11,026	16,316	9,115	8,339	2,475	3,974	1,148,209	1,176,758

* Does not include the allocation of financial fixed assets and other subsidies

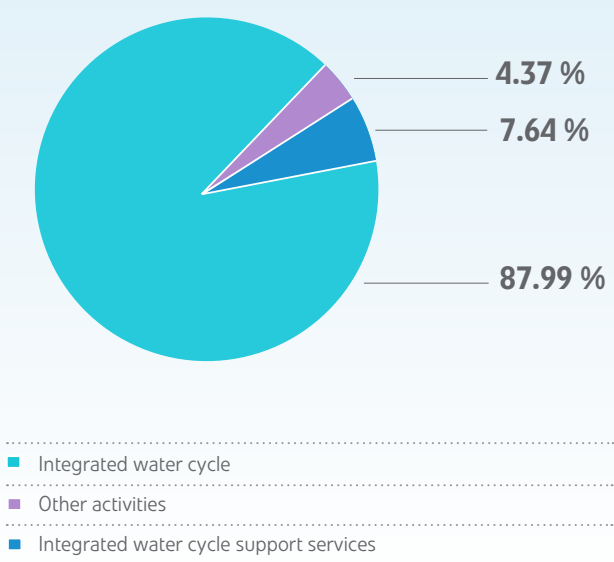
Most of the revenues corresponds to activities undertaken by the Group in Spain (79.26%) and in Colombia (18.31%). Of that, the figures corresponding to Canal de Isabel II Gestión (73.89%) and Triple A (12.82%) are particularly noteworthy, as between them the two companies account for 86.71% of the aggregate revenue for the Group.

Distribution of aggregate revenue for the Business Group per country in the year 2013



As regards activity, those companies dedicated to the integrated water cycle management (Canal de Isabel II Gestión, Aguas de Alcalá UTE, Canal Gestión Lanzarote, Triple A, Metroagua, ASAA and Amagua) account for 87.99% of the aggregate revenue. The companies providing integrated cycle support services (Hispanagua, Inassa, AAA Dominicana and R&T) account for 4.37% and the remaining 7.64% corresponds to other activities (Hidráulica Santillana, CCU, Amerika T.I. and the sewerage activities carried out by Triple A Barranquilla).

Distribution of aggregate revenue for the Business Group per activity in 2013



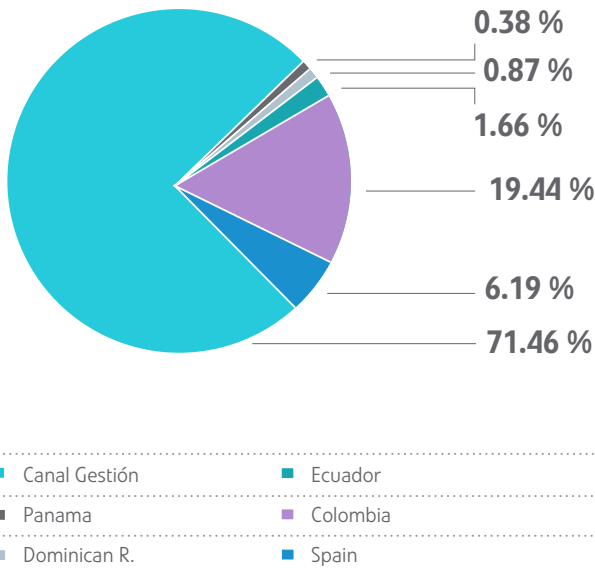
Aggregate expenditure for all the companies in the Canal Gestión Group in 2013, rose moderately by 1.08%, to an overall aggregate total of 930.99 million euros. This increase is due to the incorporation of the two new companies (Canal Gestión Lanzarote and ASSA) and to the increased activity of the companies in Latin America. By contrast, Canal Gestión has significantly reduced its total expenditures by 4.47% compared to those in 2012 (see detail of the breakdown in annual accounts of annex 3).

As regards the distribution of aggregate expenditure per activity, there are no significant differences to the results in terms of revenue. Those companies dedicated to integrated water cycle management account for 87.12% of the aggregate expenditure, the companies providing integrated cycle support services account for 8.40% and the remaining 4.33% correspond to other activities.

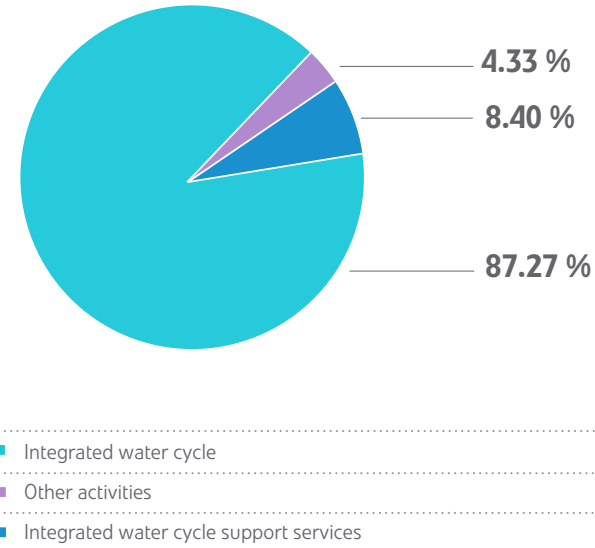
However, differences do exist in the distribution per expenditure category. While supply and labour costs present similar percentages of total expenditure at the companies in Spain, supplies in Colombia account for a larger percentage while labour costs account for less of the total.

Furthermore, in Spain, the application of Order EHA/3362/2010, which adapts the Spanish General Chart of Accounts for use by the concessionary companies of public infrastructures every year (since 2011) records a provision for the future actions of replacement or renewal of the existing infrastructures. This provision in the case of Canal Gestión amounted to 110.8 million euros in 2013 and accounts for 13.33% of the total expenditures.

Distribution of the aggregate expenditures for the Business Group per country in the financial year 2013

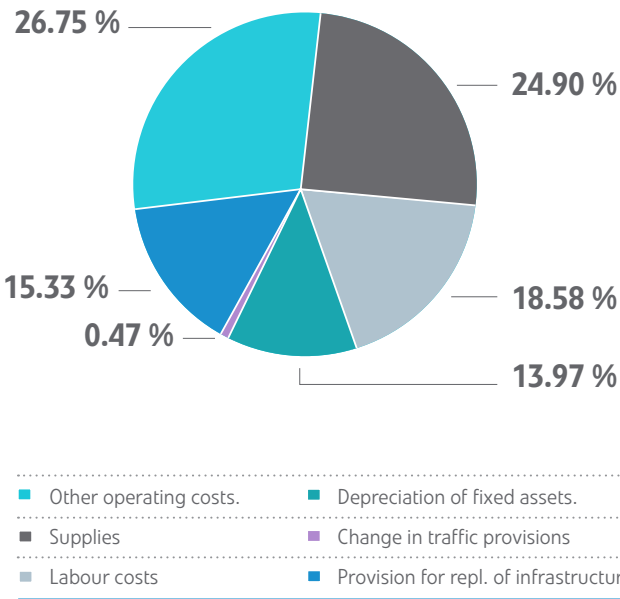


Distribution of the aggregate expenditures of the Business Group per activity in 2013

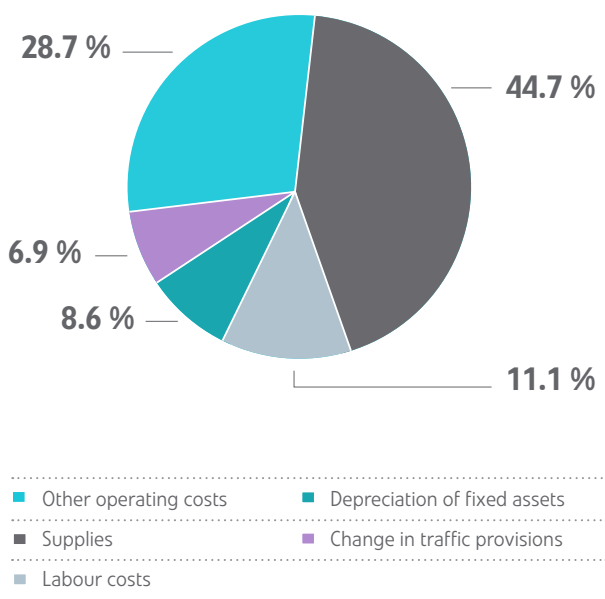


Distribution comparison of the percentage of total expenditure between the companies in the Group located in Spain and in Colombia in the financial year 2012

Spain



Colombia



Labour costs at Group level in 2013 are maintained almost the same as in 2012, recording a slight decline of 0.34%. in the case of Canal de Isabel II Gestión, this decline is somewhat higher (1.31%), due mainly to the reduction of the payments to the Social Security. The expenditures associated to the contribution of Spanish companies to pension plans has continued to be on hold in 2013, in compliance with Royal Decree-Law 20/2011, of 30 December, establishing the suspension of contributions to pension plans in the Spanish public sector (see detail of the breakdown in annual accounts of annex 3).

In terms of total aggregate labour costs, Spain accounted for 85.85% in 2013 and Latin America accounted for 15.15%. Those companies engaged in integrated water cycle management accounted for 83.19% of said labour costs and the support services accounted for 12.61% and the other activities undertaken by the Canal de Isabel II Gestión Business Group accounted for 4.20%.

«PAYMENT CULTURE»: KEY TO THE FUTURE ECONOMIC SUSTAINABILITY OF SERVICE COMPANIES IN LATIN AMERICA

The establishment and implementation of systems to foster the so-called «payment culture» are crucial to guarantee the economic sustainability of our integrated water cycle management companies in Latin America and will significantly contribute to their future development.

In socio-economic environments with little «banking penetration» and where the provision of public services has not yet reached the desired level of quality, there was frequently a large rate of default on payments that occasionally jeopardised the maintenance of economic and financial balance within the companies providing the service.

The Canal de Isabel II Gestión Business Group has been a pioneer in Colombia, Ecuador, Dominican Republic and Panama in implementing strategies that foster the «payment culture» with spectacular results since the late 1990's. These strategies include:

- Noticeable improvement of the quality of services provided, extension of coverage and active communication of progress achieved to the entire populations in order to incentivise the contracting of services and the «payment services».

A particular outstanding example is the management by Triple A in the city of Barranquilla: the water supply service grew from 66% in 1990, to almost 100% in 2013.

Drainage provision has risen from 54% to 86% and the sewerage services (sanitation) rose from 67% to 100%, thus reaching a level of coverage well above the national average in Colombia and even in the Latin American average.

- Implementation of multiple payment methods that enable users to complete payments at payment points located strategically throughout the coverage areas (for example: 466 payment points in the area of Barranquilla in 2013).
- Loyalty and reward strategies for those customers who pay within the established deadlines: the figure of the Supercustomer (further information at www.aaa.com.co)
- Creation of debt negotiation mechanisms (overdue bills), to make it easier for customers to resolve their situation in a flexible way and adapted to their real ability to pay.

All these efforts have proven to be successful, which enables us to operate solvent and profitable companies in Latin America. This situation guarantees the future sustainability of the services we provide to our customers at levels of quality and coverage equal to or better than current levels.

2.4.3. Economic indicators of integrated cycle management companies

The seven companies of the group the activity of which is the integrated water cycle management (Canal de Isabel II Gestión, Aguas de Alcalá UTE, Canal Gestión Lanzarote, Amagua, ASAA, Metroagua and the water supply sewerage activities of Triple A Barranquilla) form the main activity from an economic point of view.

Their combined EBITDA accounts for 93.81% of the total aggregate result for the Group.

Some of the indicators of such activity per country are as follows:

Trend of water leaks and in-hose consumptions

Indicator	SPAIN	COLOMBIA	ECUADOR	LATAM****	TOTAL
Water managed (million of cubic meters)	1,066	304	23	327	1,393
Staff***	2,736	883	75	958	3,694
Total aggregate revenue per m ³ managed (euros)	0.83	0.45	0.47	0.45	0.74
Total aggregate revenue per employee (euros)	324,204	155,861	143,357	154,882	280,292
Total aggregate expenditure per m ³ managed (euros)	0.64	0.39	0.44	0.39	0.58
Total aggregate expenditures per employee (euros)	250,413	132,832	134,195	132,938	219,947
Aggregate EBITDA per m ³ managed (euros)	0.27	0.10	0.05	0.09	0.23
Aggregate EBITDA per employee (euros)	106,516	32,817	14,924	31,416	87,039
Aggregate labour costs per m ³ managed (euros)	0.11	0.04	0.04	0.04	0.09
Aggregate labour costs per employee (euros)	42,866	15,276	12,331	15,046	35,651

(*) Canal de Isabel II, Aguas de Alcalá UTE, Canal Gestión Lanzarote, Triple A Barranquilla, Metroagua, ASAA and Amagua

(**) Water managed = water captured for consumption + water treated in WWTP + water reclaimed for re-use

(***) Total staff of the companies (all employees) at 31 December 2011, except at Triple A where cleaning service employees are not included

(****) Latin America: aggregate of Latin American countries (Colombia + Ecuador)

2.4.4. Subsidies received

The only three companies in the Group that received subsidies over the course of 2011-2013 are Canal de Isabel II Gestión and Canal Gestión Lanzarote in Spain and Amagua in Ecuador. The total capital subsidies received amounted to 35.94 million euros in 2013.

Subenciones recibidas (miles de euros)												
	Canal de Isabel II Gestión			Canal Gestión Lanzarote			Amagua			SUMA		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Operation subsidies received (thousands of euros)	282	708	24	-	-	55	107	-	-	389	708	78
Capital subsidies received	61,832	31,370	35,938	-	-	-	-	-	-	61,832	31,370	35,938
Capital subsidies transferred to income statement	20,385	17,137	12,735	-	-	-	41	47	46	20,426	17,184	12,781



Included among the funds received by Canal de Isabel II Gestión are EU funds (ERDF and Cohesion Funds) and those from the Spanish *Institute for Energy Diversification and saving* (IDAE). In 2013, 3.99 million euros were received for projects subsidised by the EU and 0.71 by IDAE.

Furthermore, the subsidies include «financing third-party projects», corresponding to the amounts received by Canal Gestión from new water supply users for connection rights and network adaptation or extension works. This item totalled 31.23 million euros in 2013.

Canal Gestión Lanzarote received a subsidy granted by the Ministry of Industry, Energy and Tourism for water treatment plants for seawater desalination in the Canary Islands, of 54,528 euros in 2013.

2.4.5. Providers of capital

The financial institutions that acted as providers of capital for Canal de Isabel II Gestión throughout 2013 were, among others, Banco Santander, BBVA, Banco Sabadell, Caixabank, Banco Cooperativo Español, Bankia, Bankinter, Banco Caixa Geral and Banco Popular.

The outstanding debt held by Canal de Isabel II Gestión with financial institutions amounts to 1,168.52 million euros, of which 133.33 million euros correspond to new debt with financial institutions on the long-term, 26.62 million euros drawn down against short-term credit facilities of Canal de Isabel II Gestión and against mirror debt with the parent company, 1 008.7 million euros.

Canal Gestión Lanzarote had as suppliers of external capital in 2013 BBVA and Bankia. The amount of the debt matured on the short term at the end of 2013 was of 13 million euros.

The providers of capital to Hispanagua in 2013 were BBVA, Bankia, Caja Extremadura, Banco Sabadell, Caixabank and Catalunya Caixa. The company had no debt at the end of the financial year.

The other Spanish investee companies (CCU, Hidráulica Santillana and Aguas de Alcalá UTE) held no debt with banks at the end of 2013.

Inassa has credit coupons approved by national banks and international banks such as Bancolombia, Banco de Occidente, Banco Corpbanca, Banco Popular and Helm bank. At December 2013, the existing debt stood at 13.46 million euros, 87.91% of which matures in the short term.

The main providers of capital to Triple A in 2013 were Helm bank, Banco de Bogotá, Banco Colpatria and Banco Corpbanca. Its total debt at the end of 2013 amounted 69.74 million euros, 74.93% of which matures in the long term.

The providers of capital to Recaudos y Tributos (R&T) in 2013 were Helm Bank, Banco de Occidente, Bancolombia and Banco Corpbanca. The company held a total debt of 0.44 million euros, at the end of 2013, all of which in the short term.

The banks providing finance in 2012 to Metroagua were Banco de Occidente, Helm Bank, Corpbanca and Banco de Bogotá. The total debt at the end of 2013 amounted to 4.31 million euros, 49.83% of which mature in the long term.

ASAA worked in 2013 with Banco Colpatria and Banco davivienda, and had no debt at the end of the financial year.

The providers of capital to AAA Dominicana in 2012 were local commercial banks. In 2011, the total debt amounted to 0.02 million euros, all maturing on the short term.

Amagua worked in 2011 with Banco de Machala, Banco de Pichincha, Banco de Bogotá and Banco de Guayaquil. The debt at the end of 2012 amounted to 0.52 million euros, 80.32% of which matures in the short term.

2.4.6. Taxes and duties

The total amount of tax paid by companies in the Canal Gestión Group in 2012 amounted to 42.12 million euros, of which 12.11 correspond to Corporate Income tax and 30.01 to duties. Duties include, among others, property tax, solid waste tax, local taxes and levies on works, land occupation taxes and in the case of companies in Colombia, wealth tax.



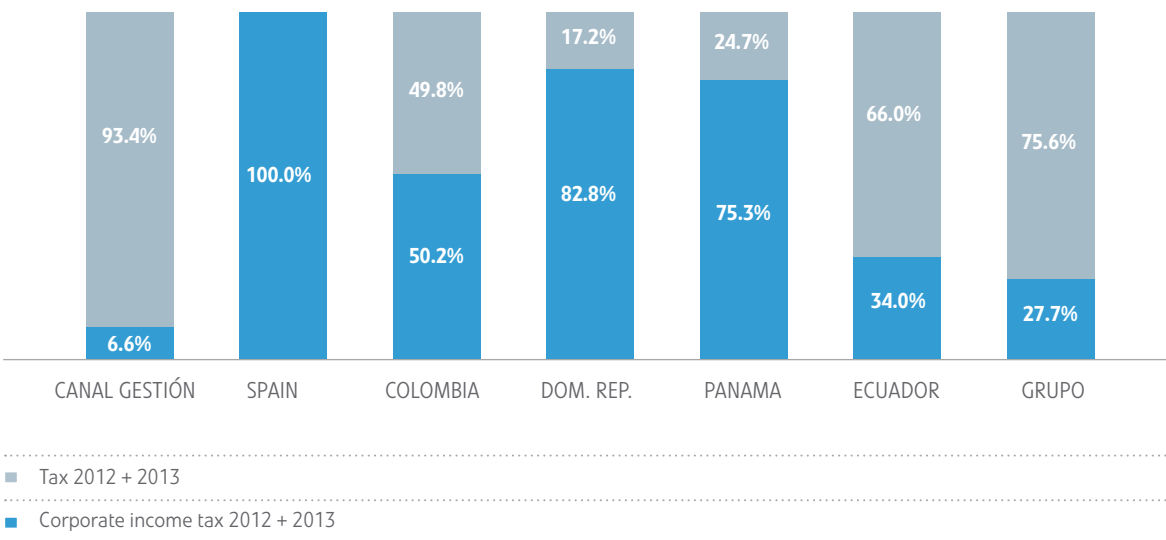
Tax situation (millions of euros)

	CANAL DE ISABEL II GESTION		SPANISH INVESTEE COMPANIES		COLOMBIA		ECUADOR		DOMINICAN R.		PANAMA		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Corporate income tax	1.19	2.05	1.41	2.31	9.19	7.56	0.04	0.15	0.22	0.03	-	0.02	12.05	12.12
Duties*	23.97	21.91	-	-	8.79	7.84	0.13	0.22	0.03	0.03	0.001	0.01	32.92	30.01
Total tax paid	25.16	23.95	1.41	2.31	17.98	15.41	0.17	0.37	0.24	0.06	0.001	0.03	44.97	42.12

*(Property tax, solid waste tax, local taxes and levies on works, land occupation taxes , etc.)

In Spain, Canal de Isabel II Gestión is subject to the general taxation regime and must therefore present an annual corporate income tax return (with the rebates applicable to the water supply companies of Law 43/1995, of 1 January 1996).

Percentage distribution of taxes paid by the companies in the Canal Gestión Group in each country in 2012 and 2013



2.4.7. Generated and distributed profit

The Canal de Isabel II Gestión Business Group plays an important role in the social and economic development of the regions and countries in which it operates.

Its economic impact easily exceeds the direct return on investment it provides to each of its stakeholders. Therefore, the investment in new networks and infrastructures, which in many occasions are financed by the companies themselves, facilitate regional and local development and enables improving the quality of life of the inhabitants.

In the 2012-2013 period, the direct profit distributed by the Canal Gestión Business Group, 1932.34 million euros, accounted for 82.05% of the direct profit generated. In 2013, the 967.39 million euros distributed represented 81.32% of the profit generated during the year (1189.66 million euros). In the case of Canal Gestión, the distributed profit (682,673 thousand euros), accounts for 77.38% of the profit generated in 2013.



Profit generated, distributed and retained by the companies of the Canal de Isabel II Gestión Group (1) (thousands of euros)

Profit generated	CANAL DE ISABEL II GESTION		SPAIN (Includes Canal gestión)		LATIN AMERICA (Colombia, Ecuador, Panama, Dominican R.)		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013
Total income ⁽²⁾	884,201	882,266	925,115	945,564	240,322	244,093	1,165,437	1,189,657
Total profit generated	884,201	882,266	925,115	945,564	240,322	244,093	1,165,437	1,189,657
Profit Distributed	CANAL DE ISABEL II GESTION		SPAIN		LATIN AMERICA		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013
Supplies	167,448	158,192	179,859	180,007	77,227	89,732	257,086	269,739
Labor costs	112,330	110,864	129,282	134,324	29,572	23,985	158,855	158,308
Provision for depreciation of fixed assets	119,150	97,561	121,622	100,982	18,194	16,763	139,816	117,745
Change in traffic provisions ⁽³⁾	10,752	3,404	11,003	3,430	11,389	12,446	22,392	15,876
Other operating costs ⁽⁴⁾	110,219	110,800	110,219	110,800	0	0	110,219	110,800
Provision for the replacement of infrastructures ⁽⁵⁾	176,468	184,447	180,682	193,395	50,999	65,131	231,681	258,526
Financial costs and assimilated costs and Negative exchange rate differences	16,544	15,272	17,043	16,052	14,477	7,832	31,520	23,884
Extraordinary expenditure ⁽⁶⁾	794	87	794	97	867	296	1,661	393
Corporate income tax	1,189	2,045	2,282	4,356	9,445	7,761	11,727	12,117
Total profit distributed	714,894	682,673	752,786	743,444	212,170	223,945	964,956	967,389
Profit Distributed	CANAL DE ISABEL II GESTION		SPAIN		LATIN AMERICA		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013
Total profit retained	169,307	199,593	172,329	202,120	28,152	20,149	200,481	222,268

(1) Calculated using aggregated data for all companies in the Group.

(2) The total revenue figures include: net turnover, work undertaken by the company on its assets, other operating income, allocation of non-financial fixed assets subsidies and other subsidies, provision surpluses, Financial revenue and gains from the disposal of financial instruments, other results.

(3) Losses, impairment and changes in provisions for commercial operations.

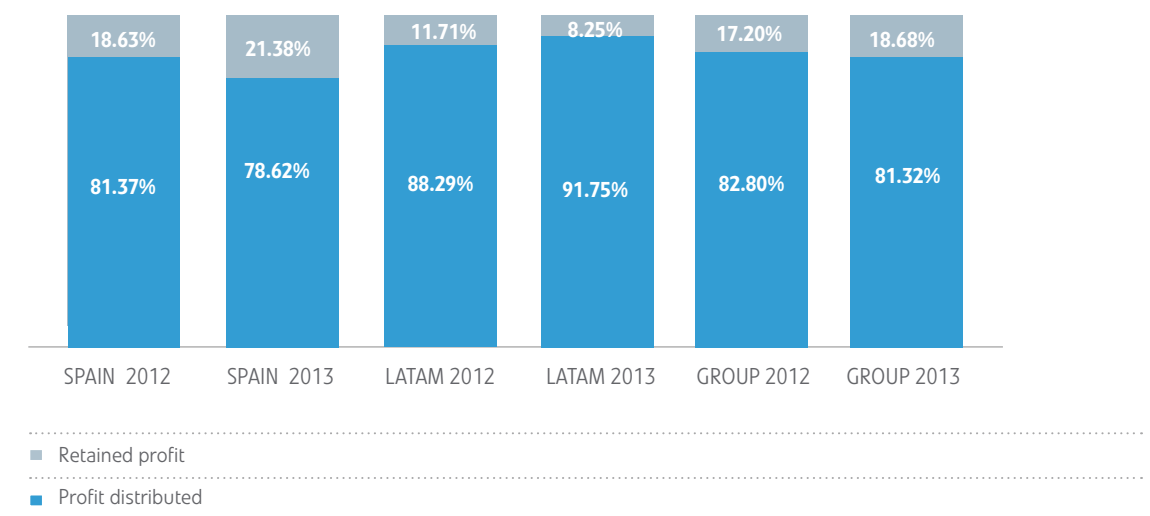
(4) Other taxes are included under other expenditure, among other items.

(5) Provision made from 2011 due to application of Order EHA/3362/2010, of 23 December.

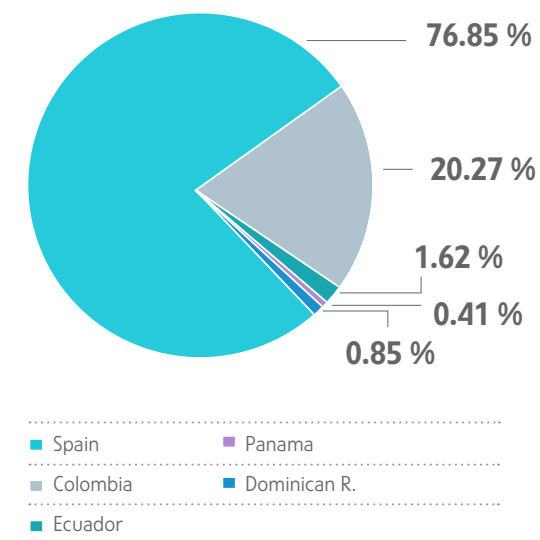
(6) The extraordinary expenditure figures include: variation of the provisions for non-tangible fixed assets, tangible fixed assets and control portfolio, losses derived from fixed assets, extraordinary expenditure and costs and losses from other financial years.

The main recipients of the profit distributed over the period 2012-2013, include suppliers (without considering the provision for replacement of infrastructures) with 27.26% of the total and the employees of Canal Gestión Group, with 16.41%. The expenditure for community and environmental conservation costs amounted in this period 61.52 million euros accounting for 6.36% of the profit distributed.

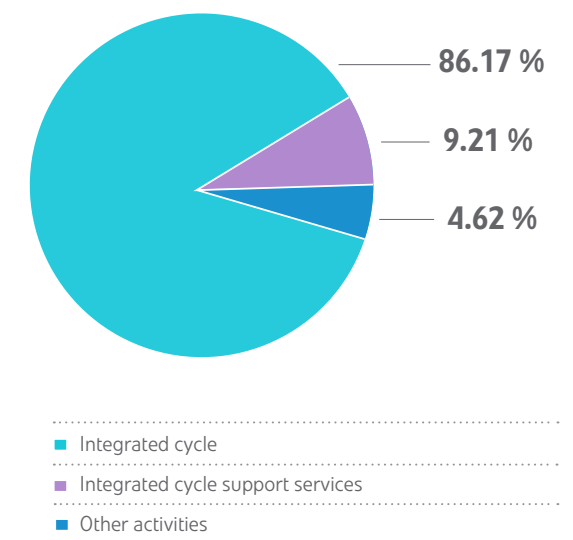
Percentage distribution of distributed and retained profit in 2012 and 2013



Profit distributed by country



Profit distributed by activity



2.4.8. Financial resources dedicated to CSR

The financial resources dedicated by the Canal de Isabel II Gestión Business Group to environmental and social issues amounted , over the period 2012-2013 to a total of 61.52 million euros of which 84.70% (52.11 million euros) were provided by the parent company , Canal Gestión.

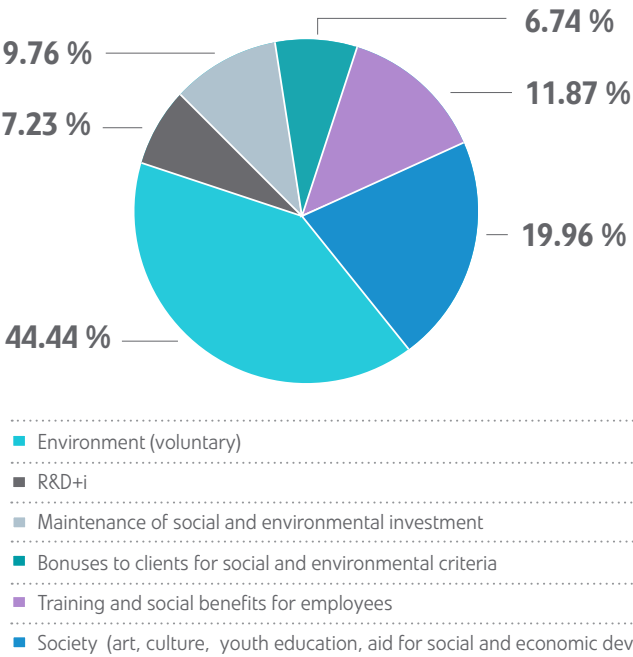
Subsidies received (thousands of euros)				
	Canal Gestión		Group Total	
	2012	2013	2012	2013
Customers	1.61	1.95	1.87	2.20
Employees	2.25	1.15	4.06	2.70
Society and Culture	5.11	5.33	5.51	5.83
Research, development and innovation	0.28	0.85	0.85	4.33
Voluntary environmental management	12.98	14.64	12.99	14.65
Maintenance of environmental infrastructures	1.27	2.21	1.52	2.45
Total expenditure in CSR	23.50	26.13	26.80	32.16
Investments in assets not directly associated with business processes and used for social and/or environmental tasks	1.75	0.72	1.80	0.75
Total expenditures dedicated to CSR and investment in social and environmental infrastructures	25.25	26.86	28.61	32.91

In 2013, expenditure related with CSR initiatives of all the companies in the group amounted to 32.16 million euros.

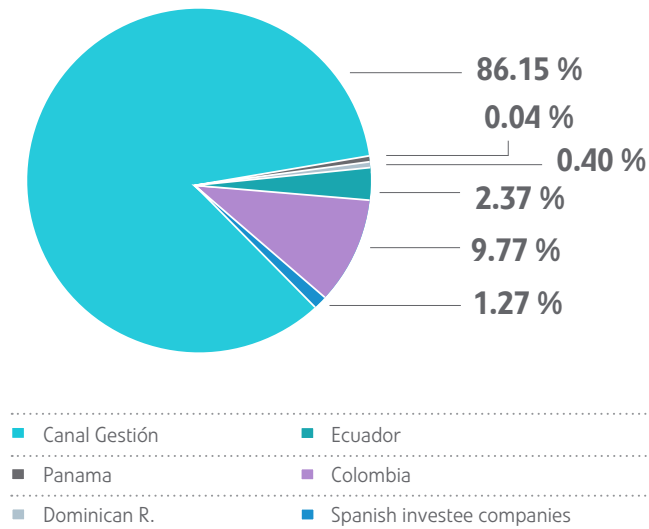
During the 2011-2013n period, out of all the economic resources dedicated by Canal de Isabel II Gestión Group to the community (93.10 million euros) particular mention should be made to the budget allocated to voluntary aspects of environmental management (44.44%) and the expenditure on social activities (19.96%).

The distribution by country is consistent with the volume of business in each country.

Distribution of economic resources (investment + expenditure) dedicated to social and environmental aspects by the Canal de Isabel II Gestión Business Group in the period



Distribution of economic resources (investment + expenditure) allocated to social and environmental aspects by the Canal de Isabel II Gestión Business Group in 2013 in each of the countries where it its companies operate





3

OUR ASSETS FOR SUCCESS




Canal
de Isabel II
gestión

3.1. CARING FOR OUR PROFESSIONALS

Human resources management is a strategic aspect of our processes, as it concerns one of Canal Gestión Group's greatest assets: *our people*.

Our company is aware that to achieve excellence in service quality and customer satisfaction within the context of responsible and efficient management of water resources are goals which can only be achieved with the cooperation and skills of each and every one of our workers who make up the Canal de Isabel II Gestión Group.

3.1.1. The human resources of the Canal de Isabel II Gestión Business Group

The total number of employees of the Canal Gestión Group has increased in the past year by 35.73%, so the amount at 31 December 2013 was of 6,283 employees. Almost 80% of this increase is due to the beginning of the operations of the Business Group in Brazil, through the incorporation of the company Emissão Engenharia e Construções.

Employees of Canal de Isabel II Gestión Group

Companies	2012	2013	% increase
Canal de Isabel II Gestión	2,365	2,422	2.41%
Canal Gestión Lanzarote	-	232	
Agua de Alcalá UTE	72	70	-2.78%
Canal de Isabel II Cáceres	12	12	0.00%
Hispanagua	385	382	-0.78%
Hidráulica Santillana	16	16	0.00%
Canal de Comunicaciones Unidas	53	51	-3.77%
GSS Venture	324	283	-12.65%
Fundación Canal	15	15	0.00%
Club Deportivo Canal	2	2	0.00%
Total Spain	3,244	3,485	7.43%

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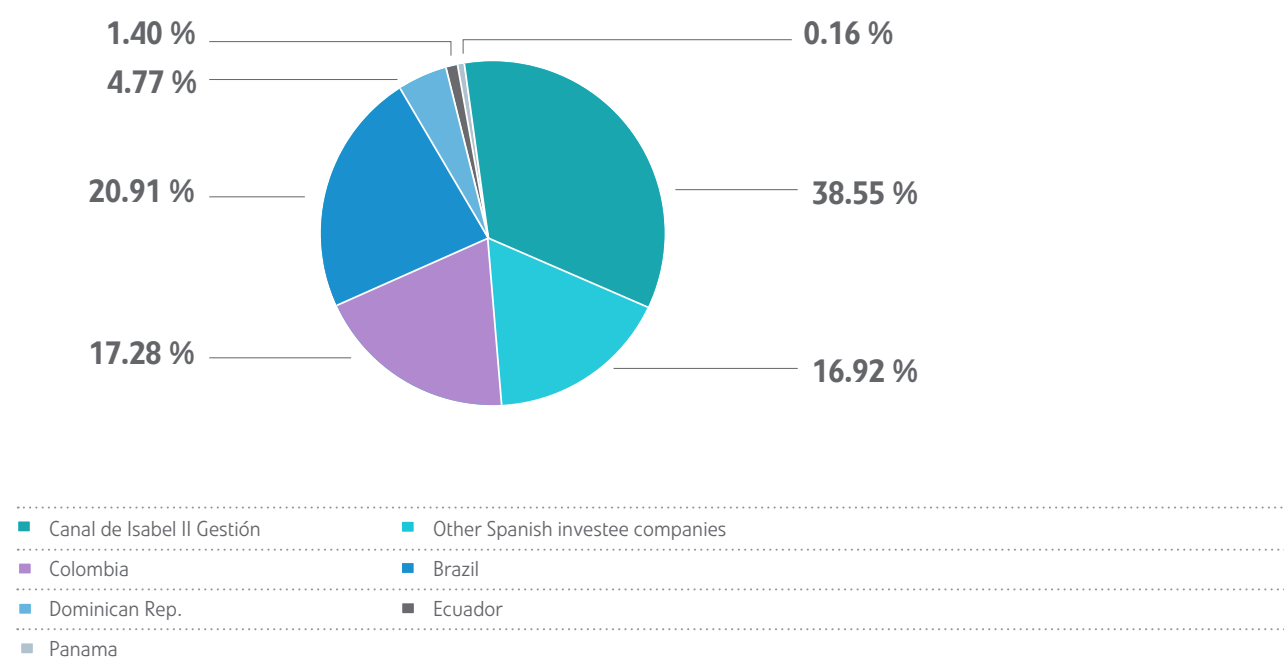
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Empleados del Grupo Canal de Isabel II Gestión:

Empresas	2012	2013	% incremento
Inassa Colombia (+Amerika T.I.)	75	70	-6.67%
Triple A Barranquilla	681	667	-2.06%
GiS	4	4	0.00%
Fundación Triple A	4	4	0.00%
Metroagua	120	139	15.83%
Fundación Metroagua	1	2	100.00%
Recaudos y Tributos	100	104	4.00%
ASAA	-	96	
Total Colombia	985	1,086	10.25%
Amagua	63	75	19.05%
Inassa Ecuador	9	13	44.44%
Total Ecuador	72	88	22.22%
Inassa Panamá	11	10	-9.09%
Total Panama	11	10	-9.09%
AAA Dominicana	317	300	-5.36%
Total Dominican Republic	317	300	-5.36%
Fontes de Serra		38	
Emissão Engenharia e Construções		1,276	
Total Brazil		1,314	
Total Latin America	1,385	2,798	102.02%
Total Canal Gestión Group	4,629	6,283	35.73%

55.47% of the Group's staff belongs to the Spanish companies, whilst the remaining 44% is spread between five Latin American companies.

Distribution of the number of employees of Canal de Isabel II Gestión Group per countries in 2013



Depending on the type of activity carried out by each of the Group's companies, noteworthy with 80% is the number of employees working in the integrated water cycle management; thus clearly defining which is the main activity of the Canal de Isabel II Gestión Business Group.

The average age of the staff remains at the same level as previous years, this being of 39; with an average length of service in 2013 of 9.3 years. More than half of the staff is aged between thirty and fifty.

In relation to the staff turnover, the overall value in the Business Group in 2013 was of 13.3%. The rotation only in Spain was of 3.66% and in Latin America 24.28%.

(Further information on the staff structure and turnover of Canal de Isabel II Gestión Group in annex 2).

3.1.2. Support and development for our staff

Training is a strategic tool within the Canal Gestión Group. In 2013, a total of 93,539 hours were taught during working hours, which means an increase of 6.2% compared to the previous year. 55% of the time dedicated to training corresponds to the companies operating in Colombia, followed by the companies in Spain which account for 41% of the total number of working hours dedicated to training activities. The average time spent on training within the Canal Gestión Group in 2013 was 72.2 hours/year per employee.

The investment made by the Canal Gestión Group in 2013, training and developing our staff amounts to 1.2 million euros, which means an increase of 2.26% on the last year. Investment in training per employee is of 283 euros/year.

(Further information on staff training of Canal de Isabel II Gestión Group, in annex 2)..

The Training and Development Plan of the parent company, Canal de Isabel II Gestión (Spain)

In the case of the parent company, women received 31% of the training hours and men 69%, a distribution in line with the amount of women employed. Training and professional development is considered a strategic issue at Canal Gestión, and therefore demands it to be managed in an optimum way which allows us to obtain efficiency in the service we provide to customers.

Training is generally planned on a year-to-year basis. A training plan is prepared as well as programmes to improve competitiveness based on sound analysis of the company's requirements. Additionally, the so called «development courses» are undertaken, they are voluntary, they take place outside of working hours and are made available to all employees with an interest in knowing more about the work carried out by the company.

The subjects included in the plan deal with all employee's needs from a technical point of view. The methodology used is adapted to everyone and is standard throughout, however, it should be noted that online training is experiencing significant growth due to the advantages that such training presents, including but not limited to, a lack of time and space limitations when taking a course, lower costs and the guarantee that everyone who takes such a course is receiving the same information.

In addition to training, Canal Gestión also designs and implements specific programmes aimed at enhancing management skills and knowledge. In 2013, work was done with different groups at all levels within the company. 321 people of the different groups such as structure, support to structure, qualified staff and intermediate qualifications took part in them.



These programmes combine classroom-based sessions attended outside of working hours with inter-session projects and conclude with a plan of action that is carried out by each employee attending the course, in which they define how the skills they have worked on can be applied in their day-to-day activity at the company.

In 2013, an average of 54.70 hours per employee were taught, including training and development.

It must be noted that the total amount of bonuses received by the company in accordance with legal standards from the Fundación Tripartita are reinvested through training and development actions.

3.1.3. Guaranteeing health and safety for all

In the recent years, the absentee rate fell by 20% at Canal Gestión, and at Triple A, despite it has doubled, the rate is still very low. Furthermore, it is worth noting that no fatal accidents have occurred over the last three years at any of the companies in the Canal Gestión Group.

In the case of Canal Gestión in 2013, out of the 125 labour accidents occurred to its employees in 2013, 22 happened to women and 103 to men.

Occupational health and safety at Canal de Isabel II Gestión and Triple A Barranquilla*

	CANAL GESTIÓN		TRIPLE A	
	2012	2013	2012	2013
Workplace accidents (total number excluding accidents during travel to/from work)	114	125	23	18
Average duration (average number of days lost per accident recorded)	5.75	10.16	4.17	12.89
Days lost (total number)	656	1.270	96	232
Absentee rate (percentage of hours lost)	2.96	3.34	0.40	1.19
Frequency of accidents with time off work (No. of accidents with time off work per million hours worked)	15.05	15.82	5.37	8.18
Frequency of total accidents (No. of accidents per million hours worked)	30.64	32.95	8.24	9.21
Severity index (No. of accidents per thousands of hours worked)	0.18	0.33	0.03	0.12
Incidence index (No. of accidents/thousand workers)	51.17	55.48	33.77	26.71
Fatal victims (Number)	0	0	0	0
Workers represented on health and safety committees (percentage)	100	100	100	100

* Data calculated in accordance with the methodology and formulas established by the Spanish Ministry of Work and Social Affairs according to Technical Notification NT2367, except for the incidence index for which internal practice at Canal Gestión is to calculate this on the basis of 1,000 employees.

Occupational risk prevention at Canal de Isabel II Gestión (Spain)

All accidents are subject to analysis and, where applicable, lead to the adoption of corrective or preventive measures. Worker's representatives also receive information about the accident as soon as these take place and, every month, the most significant accidents occurred during that month are commented at the health and safety committee. So far, no occupational disease associated with the installations and the activities undertaken at the company have been declared.

With the aim of reducing the accidents within the company, the Canal Gestión Risk Prevention Service deals with the main elements included within the risk preventive actions, such as: training and information, emergency measures, health monitoring, prevention resources, and the coordination of company activities.

Among the most significant actions undertaken in 2013 in with regard to health and safety are:

- The renewal of the OHSAS 18001:2007 certification for three year.
- The improvement of the results in the legal occupational risk prevention audit compared to that carried out in 2010.
- More than 500 safety inspections carried out in workplaces and installations, outstanding among which are those carried out to tanks, pumping stations, WWTP, DWTP and elevators.
- More than 200 safety inspections carried out in works with or without a project.
- The review of 69 labour risks and 75 workplaces.
- The awarding and start of the works for the suitability of the work equipment pursuant to that set forth in R.D. 1215/1997.
- The reception of 14 new infrastructures, subject to prior inspection.
- The effective implementation of document control for contracts and subcontracts in terms of coordinating business activities. (CAE).
- The control of the prevention issues regarding minor contracts, reviewing more than 170 contracts.

Prevention plans in the other Spanish companies

An occupational risk prevention plan exists in all the Spanish companies within the Group that establishes the policy, targets and occupational risk prevention duties and responsibilities within the company, as well as the established procedures for developing the entire prevention management system implemented in each company.

In the case of Canal Gestión Lanzarote, incorporated to the Business Group in June 2013, the occupational risk prevention management was evaluated by the prevention service of Canal Gestión, with the aim of undertaking the corrective actions and work jointly in order to achieve a certified management system.

The management of occupational health and safety at companies in Colombia

All the companies within the Canal Gestión Group in Colombia provide a working environment under strict hygiene and safety conditions. It also has implemented preventive health programmes for all employees.

Triple A Barranquilla, has an occupational health and safety management system at the company that has received an Industrial Safety and Occupational Health Certificate according to NTC OHSAS 18001:2007 standard. In 2013, the company passed the renewal audit and, as a result, the certifying body recognised the management undertaken by the company merited the continued validity of the certificate until July 2016.

3.1.3.1 Risk prevention information and training

Occupational risk prevention plays an important role in the human resources policy of the Canal Gestión Group. In 2013, more than 23, 000 training hours were spent on prevention, which represents 14% of the total hours dedicated by our employees to training activities.

At Canal de Isabel II Gestión, a total of 6 working methods were updated in 2013, and more than 370 courses were given in which more than 3,000 employees took part.

At Metroagua (Colombia), decision-making on health and safety performance by staff is included in the managerial meetings, as well as developing an occupational health and safety training process for all employees.

3.1.3.2. Health monitoring

Canal de Isabel II Gestión

Among the most noteworthy actions undertaken during 2103 in terms of health monitoring, is the performance of 1,280 periodic health examinations, other outstanding actions include: the preventive study of glaucoma (330 tonometries), the early diagnosis of osteoporosis (208 densitometries), the prevention of prostate cancer (293 PSA studies), the early detection of colorectal cancer(39 employees older than 50 studies),the campaign to prevent Type II diabetes (work team of 138 people).

Throughout 2013, 6,024 employees were attended at the general medicine services, nutrition, gynaecology, physiotherapy and nursing care.

Triple A Barranquilla (Colombia)

All workers are registered with the Entidades Promotoras de Salud (EPS) [Health Promotion Entities], which cover them in the event of any required medical care for common disease.

The company has a Medical Centre for the provision of first aid by a nurse specialised in occupational health who coordinates the activities related to health promotion and prevention through independent budget and support from the different EPS.

Campaigns are carried out in terms of employee health to encourage healthy lifestyles through training and campaigns during break times, physical training, a health fair, occupational health week, campaigns to detect cancer in men and women, oral health days and regular training on various other issues, such as the prevention of sexually transmitted diseases, HIV prevention, family planning, health during pregnancy, back care, noise prevention and eye care.

Metroagua (Colombia)

Metroagua carries out vaccination days and health days. Moreover, it also performs regular health checks on operational personnel with regard to weight, body mass and diseases such as high blood pressure and diabetes.

AAA Dominicana (Dominican Republic)

Regular preventive healthcare days are organised for all members of staff, which are carried out at on different dates throughout the year and paid for by the company. In 2013 the activities carried out included: blood pressure day, visual operation, dental health day and different talks on prevention.

Amagua (Ecuador)

Since 2012, Amagua has an external doctor for the issue of occupational medical files and internal doctors from the contracted health insurance network. Furthermore, it has a number of clinics located near the offices.

3.1.4. Equality of opportunities in the Canal de Isabel II Gestión Business Group

In compliance with the non-discrimination principle of the UN Global Compact, we respect the political ideology, beliefs, race, gender and age of our workers from the moment they are recruited to the time they leave the company. This non-discrimination policy in the management of human resources applies in all the companies of Canal Gestión Group.

Moreover, the Canal de Isabel II Gestión (Spain) procurement and recruitments standards guarantee the absence of any form of discrimination as they expressly define the principles of equality, merit and ability.

Aguas de Alcalá UTE (Spain) has an internal equality policy and even provides courses on the subject.

Hispanagua (Spain) has an equality policy that forms part of the collective bargaining agreement.

Inassa and Triple A de Barranquilla (Colombia) also have codes of ethics and internal work regulations that contain the general rules that regulate the relations with workers, and that expressly state, in two of their articles, the prohibition against discriminatory practices and harassment.

Amagua (Ecuador) has a Code of Good Corporate Governance and internal work regulations that define the company's internal policies, which include the non-discrimination of employees.

The percentage of women in the staff with full-time indefinite contract in the whole of the companies of Canal Gestión Group was of 21% in 2013, not including executives. 53% of women have administration or similar jobs, while 31% are qualified staff. The number of women in executive positions stands at 35%.

In terms of salaries, equal pay for men and women is guaranteed at all the companies and the same salary items and the same amounts are applied equally to both genders in all professional categories. In countries such as Colombia, Ecuador and the Dominican Republic the minimum salary of an employee of the Canal Gestión Group is 100% of the legal minimum wage of the country where he/she is working. However, in Spain this rate rises to 130% for the Spanish investee companies and to 171% in the case of the parent company Canal de Isabel II Gestión.

In 2013, Canal Gestión Group had 37 jobs adapted to members of staff with a certain level of disability, which represents 0.77% of the total permanent staff.

3.1.5. Union representation

Trade union representation and the existence of collective bargaining agreements is absolute at companies in Spain, yet this is not the case in Latin America, where only 28% of the staff at Triple A Barranquilla (Colombia) is covered by some form of collective bargaining agreement.

Canal de Isabel II Gestión (Spain)

The 4th State Collective Bargaining Agreement for the Industries of Capture, Elevation, Piping, Treatment, Distribution, Sanitation and Purification of Drinking and Waste Water is in force up to 31 December 2013.

The Works Committee, made up of 25 members, is the body which represents workers, with the functions and responsibilities laid down in the worker's statute and the aforementioned collective agreement.

In 2013, the percentage of workers affiliated to the trade union organisations was of 21.38%.

Monitoring meetings are held regularly with the Works Committee to deal with issues affecting the company's employees. These include the following:

- Training monitoring.
- Health and safety Committee.
- Overtime monitoring.
- Calendar establishment.
- Pension Plan Supervisory Committee.
- Equality Plan Monitoring Committee.

Aguas de Alcalá UTE (Spain))

The collective bargaining agreement governing the business activity is the 4th State Collective Bargaining Agreement of the Industries of Capture, Elevation, Piping, Treatment, Distribution, Sanitation and Purification of Drinking and Waste Water. There is a works committee that represents all workers and is elected every four years through trade union election.

Hispanagua (Spain)

There are five collective bargaining agreements at the company, according to the different activities carried out by the employees:

- Hispanagua Collective Bargaining Agreement.
- State Collective Bargaining Agreement of the Industries of Capture, Elevation, Piping, Treatment, Distribution, Sanitation and Purification of Drinking and Waste Water(AGA).
- Collective Bargaining Agreement for Waste Water Treatment and River Flows of the Autonomous Region of Madrid (ADEPUREMA).
- Collective Bargaining Agreement for Construction and Public Works of the Autonomous Region of Madrid.
- Collective Bargaining Agreement for the Capture, Elevation and Distribution of Drinking and waste Water of Extremadura.

The following company-workers joint committees exist: Joint Committee, Negotiating Committee, Social Affairs Committee, Training Committee, Health and Safety Committee.

Canal de Comunicaciones Unidas (Spain)

The last trade union elections were held in October 2010, and gave rise to the formation of the Works Committee with four members representing the entire staff. The company has adopted the State agreement for office and administrative workers. .

Hidráulica Santillana (Spain)

The company has a specific Collective Bargaining Agreement. The size of the company means the is no Work Committee, yet there is a trade union delegate , who is elected on a regular basis according to law.

Collective bargaining agreement and union representation*

INDICATORS	Canal Gestión		Spain		Colombia		GROUP TOTAL**	
	2012	2013	2012	2013	2012	2013	2012	2013
Staff covered by the company's collective bargaining agreement (percentage)	92.58	83.40	84.92	78.34	20.28	17.47	62.17	57.59
Staff covered by the sectoral collective bargaining agreement supply and sanitation (percentage)	7.42	16.60	15.04	21.23	0.00	0.00	10.19	14.51
Total	100.00	100.00	99.96	99.57	20.28	17.47	72.36	72.10
Workers affiliated to trade union organisations(%)	24.61	21.38	21.08	21.23	14.75	13.19	17.65	17.56

*In all other countries, (the Dominican Republic -AAA Dominicana-, Ecuador –Amagua and Inassa Ecuador-, and Panama –Inassa Panama-), the workers are not covered by collective bargaining agreements and there is no trade union representation.

** It does not include companies in Brazil..

In 2013, the average number of Canal Gestión Group employees affiliated to trade union organisations was of 17.6 %, and 72.10% of the staff is covered by one collective bargaining agreement or another. In Spain 99.57% of the staff is covered by one collective bargaining agreement or another.

3.1.6. Internal communications

We foster communication with our employees year after year in every company in the Group. As evidence of the programmes carried out in this regard, below is the detail of the activities performed at three Group companies over the course of 2013.

Activities performed at Canal de Isabel II Gestión (Spain)

Canal Gestión is concerned with facilitating the development of a communication culture within the organisation through the rapid deployment of communication strategies fostering corporate identification of its employees.



Some of the main internal channels of communication used to comply with the above-mentioned objective are the following:

- *Intranet*. In 2013, the last tests of the project «canal&tú» [Canal&You] were completed to implement in 2014 a new intranet with the aim of extending its functionalities.
- *Canal H₂O Magazine*, with the aim of increasing the information made available from all areas of the company, which is published every three months.

Activities are also conducted to raise awareness among employees of the need to make commitments to existing causes both within and beyond the work environment. These activities include the following:

- Charitable events:
 - Organisation of the project «Charity Coffee Event for Spanish Cancer Association-Canal de Isabel II Gestión».
 - Organisation of the «Charity Coffee for Red Cross – Canal de Isabel II Gestión».
- The total funds raised by employees at these two events is doubled by the company and donated in full to the beneficiary organisations.
- Organisation of an activity where the children of employees gave presents as part of the campaign «Let's make other children happy. Bring your toy».
 - Commemoration of World Women's Day.

Sports is another form of communication between employees of Canal Gestión through various events organised for them at both internal and external levels. These include Canal Deporte. The participation of the employees was also coordinated in the races Carrera de las Empresas [Companies' race] and Corre contra el Hambre [Run against Hunger].

The following activities were also organised:

- Employees and relatives: children's drawing contest and exhibition for children of employees, as well as a calendar with the winning drawings and a Christmas party for children and families of employees of Canal Gestión, as well as the traditions Christmas cinema for children of employees.
- Retired former employees: tribute event for employees who retired in 2013.

Internal communication programmes at Triple A Barranquilla (Colombia)

The most important include the following:

Name of the programme	Type of information communicated	Frequency	Medium used to make it known
Triple A TeVe	<ul style="list-style-type: none">▪ Informative content, educational and commercial.	Daily	Virtual notice boards located at main headquarters
Caudal and E-caudal	<ul style="list-style-type: none">▪ Advances in company management▪ Information on outstanding operational tasks▪ Citizen culture▪ Organizational culture▪ Actions related to corporate innovation▪ Advances in company projects▪ Sports issues	Bi-monthly	Printed newsletter Bi-monthly
Prensanet	<ul style="list-style-type: none">▪ Triple A news published in the media.▪ News on the home drainage, sewerage and sanitation public services sector	Daily	E-mail to executives and process managers
Revista Familia Triple A	<ul style="list-style-type: none">▪ Stories of growth, strength and drive about Triple A people.▪ How jobs are done in certain areas of the company.▪ Lifestyle, wellbeing.	Half-yearly	Printed magazine distributed to employee homes
Intranet	<ul style="list-style-type: none">▪ Processes in the areas, policies and quality documentation▪ Internal communication and organisation culture campaigns▪ Information on company procedures.	Weekly	Internal web platform

Internal communication at Metroagua (Colombia)

An internal communication programme entitled «Gerente con su Gente» has been set up to inform on the policies and projects led by the Management, thereby interacting with all the staff.

Information boards are located at the different company headquarters through which the staff is kept informed on the social welfare programmes.

3.1.7. Organisational climate at the companies of the Canal Gestión Group

At the companies Metroagua and R&T (Colombia), as well as at Amagua (Ecuador) a tool is available to regularly measure the work climate.

At R&T a score of 94.6 was obtained when measuring the work climate in 2013, thus demonstrating that employees have a high positive impression of the work climate at the company. At Amagua, the level of satisfaction was also high, reaching 90 %.

In the case of Triple A Barranquilla (Colombia), maintaining actions aimed at fostering its organisation climate is considered essential by the company, and works are being carried out in areas with greater opportunity of improvement, according to the results obtained in the studies. In 2013 actions aimed at personal development and to improve microclimates, aimed especially at: clarity and guidance, trust in the leaders, acknowledgment and psychosocial risk. Thus, this had an impact on 383 people, 56% of the organisation staff.

3.1.8. Social benefits for Group employees

In 2013, Canal de Isabel II Gestión Group invested 1.27 million euros in social activities for employees. 45% of this investment was made by companies in Colombia, 27% was destined for the employees in Spain . The expenditure in social activities of the parent company was of 299.45 thousand euros.

Canal de Isabel II Gestión

Financing of 71.25% of public transport costs for employees on a permanent employment contract. In 2013, 708 employees benefited from this transport subsidy.

Employees and their family can benefit from a medical and dental insurance at reduced rates.

Likewise, employees and their families can access the sports and recreational facilities under advantageous conditions.

Inassa Colombia

Inassa provides financial assistance to its employees for post-graduate studies equivalent to 50% of the total cost of said studies. As regards Inassa's contribution to sport, culture and social activity by its employees, the following activities are carried out over the course of the year:

- Incentives and sponsorship for participation by its employees in women's and men's tournaments.
- Promotion of participation by its employees and their children in tennis and football classes.

Triple A Barranquilla (Colombia)

Due to the collective bargaining agreement, employees and their children benefit every year from an education grant to pay for part of the school enrolment fees.

The company provides transport for the employees working at the Acueducto and Ciudadela headquarters, as these centres are not considered to be in central locations. The company has a programme entitled "*Construyendo Futuro*" [Building Future] through which it fosters the necessary conditions for employees with the lowest incomes to take part in the draw organised by the Caja de Compensación, to acquire their own home. To this end, the company makes a financial contribution to facilitate savings, a requirements for applying for the subsidy offered by the National Government.

Metroagua (Colombia)

The company promotes the creation of micro-companies for the wives of employees., for which courses are organised every year to learn a productive trade for the market, thus increasing household incomes. It also organises a business exhibition, a meeting and exchange point between collaborators and their family, entrepreneurs and businessmen, where they have the opportunity to show, offer and trade products and services.

Likewise, the company has a strong interest in organising sport activities aimed at employees and their families. These activities include the following:

- Professional and amateur softball championships. The employees who are professional players of this sport take part in various championships organised at a local, national and international level. The amateurs in this sport are taking part, as of 2013, in a championship with other companies of the city.
- Plus 42 football championship. The Caja de Compensación, to which the company belongs to, every year organises a football championship for people older than 42, in which the staff from Metroagua take part with full commitment and discipline, enabling it to be crowned champion on many occasions.

- Women's football. Created to instil among the company's women staff the love for sport and integration. It is organised in a recreational manner and on some occasions games with other companies are held.

Recaudos y Tributos (Colombia)

At R&T commemorative dates were established during 2013 such as the «Family Day», on which a programme of special community and integration activities are organised; as well as father's day, mother's day and child and employee's day.

AAA Dominicana (Dominican Republic)

In order to motivate its employees, the company provides its employees and their families access to loans from national banks, health insurance coverage, life insurance, and 24-hour ambulance services in the event of a medical emergency anywhere in the country. The company also helps with the financing to pay for school equipment for the children of its employees.

Amagua (Ecuador)

The company provides numerous benefits to its employees, including: personal accident coverage, private life insurance, private health insurance for all employees, as well as the possibility of including family members, payable by the employee; discount and credit card for a chemist network, direct loans with the company, party and Christmas gifts, finance for higher education studies, transport for employees, partial food subsidy and advantages for mobile phones.



3.2. INVESTING IN INFRASTRUCTURES

Aggregate investments made by the companies in the Canal Gestión Group in 2013 amounted to 291.9 million euros. The distribution of these investments per countries is as follows: Spain, 91.24% (the parent company Canal de Isabel II Gestión invested 74.53% of the total amount of the Group); Colombia, 8.11%; distributing the remaining 0.65% between Ecuador, Dominican Republic and Panama.

3.2.1. Investments by Canal de Isabel II Gestión (Spain)

Canal de Isabel II Gestión is one of the largest investor companies in the Autonomous Region of Madrid. In the period 2011-2013, the investments made reached 1,033.97 million euros.

Since 2011, and as a result of applying the rules for adapting the General Chart of Accounts to concessionaries, the investments made in infrastructures are now classified in accounting terms as an item of intangible assets, specifically, under the heading of Concession Agreements. However, for management purposes, the following tables show these investments according to the type of investment in question.

Likewise, by applying the rules for adapting the General Chart of Accounts to concessionaires, since 1 January 2011, the investments made and considered as replacements for existing infrastructures have not been activated as a greater value under intangible assets, but are applied to the provision made for said purposes under liabilities in the balance sheet.

For this reason, the total of new intangible assets in 2013 amount to 137.51 million euros, 80.06 million less than the total amount of investments made in the year, this amount corresponding to the investments made for the renewal or replacement of existing infrastructures.

Throughout the period 2011-2013, the investments in new infrastructures and the maintenance of the already existing infrastructures have been high. In relative terms, for every 100 euros spent by the people of Madrid on water services over the course of these three years, approximately 35 euros were spent on investments to improve the service provided by Canal Gestión (not including the 189 million euros corresponding to the Reclaimed Water Transport and Supply Management Agreement signed with Madrid City Council in 2011).

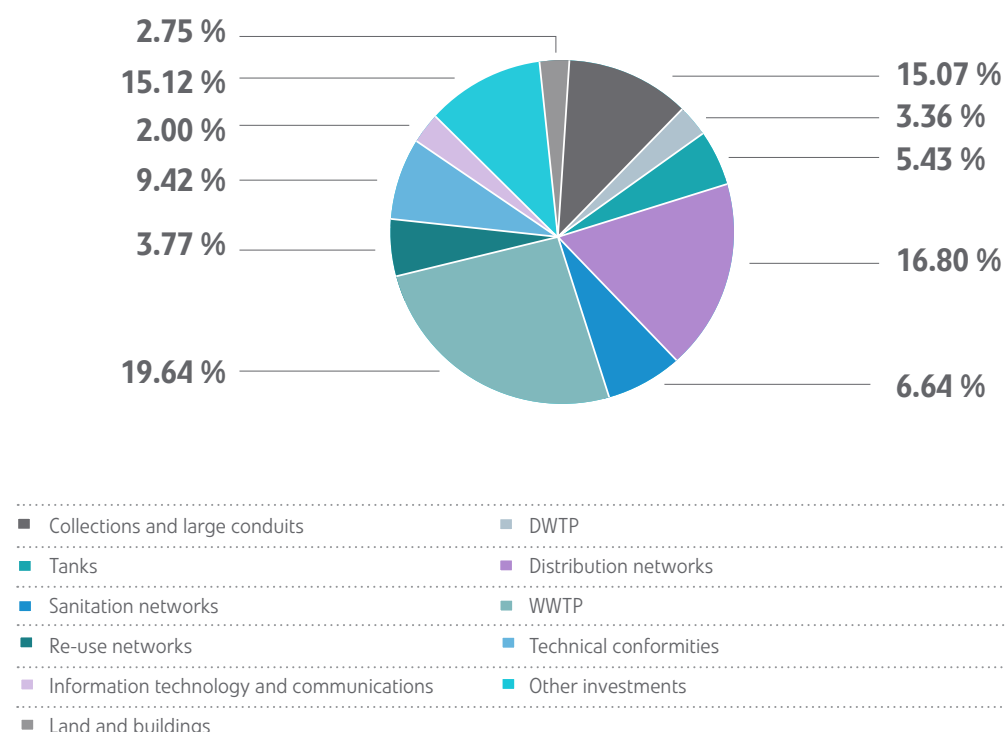
Investments (in thousands of euros)

	2011	2012	2013
Land acquisition and development	3,359	6,104	3,554
Building renovation	2,620	3	1,199
Construction of equipment of intake systems	1,180	2,288	1,530
Transport networks and large conduits	52,158	27,499	30,031
Improvement and enlargement of treatment plants	21,417	7,361	7,303
Distribution network transport works	45,031	42,091	36,553
Construction and enlargement of purification plants	52,233	45,123	42,721
Specialised complex installations	3,518	5,123	4,835
Information processing equipment	8,887	7,154	4,341
Tank installations	23,066	22,870	11,817
Developments, accesses and roads	910	2,049	1,236
Reservoir and dam installations	2,112	1,126	1,221
Madrid sanitation system	13,169	13,823	14,442
Technical conformities	46,356	12,908	20,504
Re-use networks	7,448	16,120	8,209
Madrid City Council Re-use Agreement	189,000		
Other	29,162	103,136	28,071
Total investment made	501,626	314,781	217,567
investments with allocation for replacement provision	-62,999	-74,313	-80,057
Total new assets	438,627	240,469	137,510

Note: The 2012 data correspond to the combined totals for Canal de Isabel II from 1 January to 30 June and for Canal de Isabel II Gestión, s.a. from 1 July to 31 December.

And with regard to the investment programmes in 2013, the most outstanding for their amount are: the projects for the supply guarantee programme, with an investment of 80.19 million euros includes the enlargement of the supply system, with 75.35 million euros invested for this purpose; the environmental commitment programme, with 68.44 million euros; technological innovation, with 20.38 million; quality assurance, with 8.78 million; and the adaptation of the company's general services, with 6.38 million (further information on our investments in annex 2 of this report).

Percentage breakdown of investments made by Canal de Isabel II Gestión in 2013



3.2.2. Main investments in Colombia and Ecuador

In 2013, Triple A has maintained its clear wish to accompany its area of influence in terms of urban and social development. For this reason, the company invested a total of 18.78 million euros.

Works were carried out in supply infrastructure, sewerage infrastructure, sanitation. Investments were also made in environmental projects, buildings and electromechanical assemblies.

Specially outstanding is the operation in 2013 of the subfluvial outlet, that takes the effluent from the Barraquilla WWTP to the River Magdalena. Thus bringing the environmental sanitation project of the eastern Barraquilla to a close, also a significant demonstration of the effective alliance between the public and private sectors to generate high-impact solutions to one of the greatest problems in the city: water pollution, especially the channels that flow through the city.

Main investments made by Triple A in 2012 and 2013 (in euros)

Projects	2012	2013	TOTAL
Replacement of sewer networks in Barraquilla	2,876,641	4,791,264	7,667,905
Energy control project		1,617,386	1,617,386
Replacement of sewer networks in Soledad	1,109,016	947,733	2,056,749
Replacement of water supply networks in Barraquilla	1,031,303	952,745	1,984,048
Draga project		946,943	946,943
Los Pocitos degasification sanitary landfill Project, Civil works, and assembly for biogas capture and use sub programme (MDL project)	734,477		734,477
Environmental sanitation eastern Barraquilla basin	357,978		357,978
Total	6,109,415	9,256,071	15,365,486

The largest investments using company resources carried out in 2013 by Metroagua in Santa Marta (Colombia) amount to 2.12 million euros, outstanding among which are the following:

Main investments made by Metroagua in 2013 with company resources (in euros)

Bastidas-Caribbean Sea rainwater collector stage IV-phase I	267,427
Expansion and replacement of sewer networks	232,699
Ferrocarril II waste water collector	202,041
Optimisation of the submarine outlet	156,073
Zoning	126,784
Expansion and replacement of supply networks	122,634
Construction of Pozo 25 – Pozo Universidad – Pozo Tamaca	93,990
Construction of Sistema Sur sewer system	82,025
Supply and sewer Los Laureles – Brisas del Caribe and El piño	81,179

Finally, in Ecuador, Amagua made the following investment in 2013 which have amounted to 2.03 million euros. The following projects are the most outstanding for the period 2012-2013:

Main investments made by Amagua in 2012 and 2013 (in euros)

Projects	2012	2013	TOTAL
Phase II Northern Pipeline interconnection	534,913	243,864	778,777
Los Arcos sector aeration tank construction	139,578		139,578
Milán- Málaga II pipeline	93,841		93,841
Tarifa treatment plant		307,183	307,183
San Guillermo supply		91,862	91,862
Total investments	768,332	642,909	1,411,241

3.2.3. Projects and works to ensure future development of our areas of action

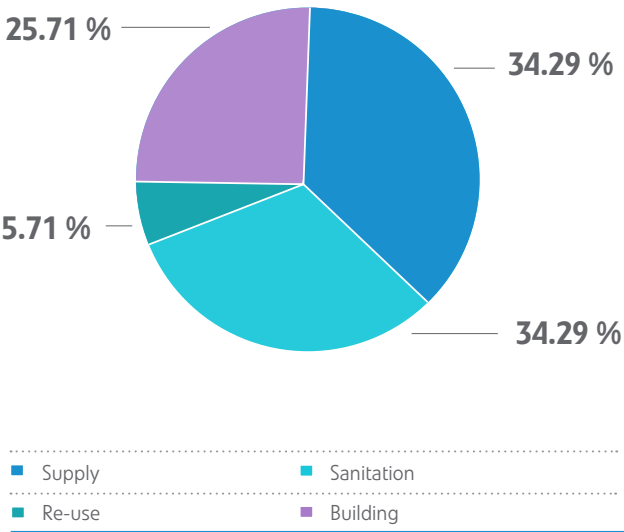
Every year, the integrated water cycle management companies in the Canal Gestión Group prepare and process dozens of general supply and sanitation infrastructure projects defined in the planning forecasts or required to maintain service capacity at the installations. The companies also draft projects and management projects for the architecture and landscaping carried out on our premises and within our buildings.

During the period 2012-2013, 181 infrastructure projects were processes and drafted with a total design works budget of 343.52 million euros in this period.

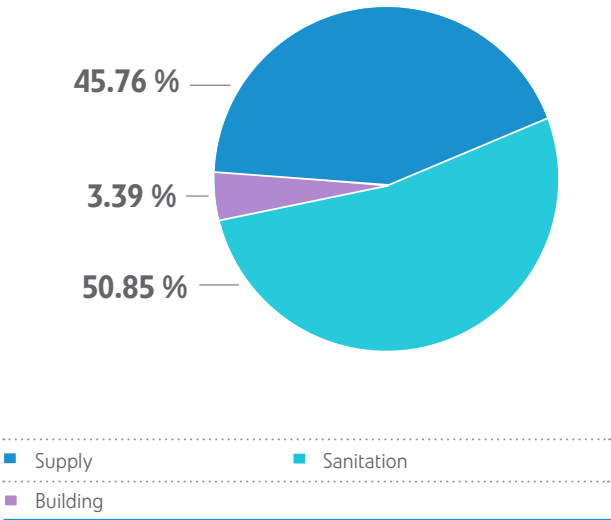
Of the 35 projects carried out in Spain in 2013, the percentage weight is exactly the same for both supply (34.29%) and sanitation (34.29%). This proportion is slightly different in Latin America, where sanitation projects account for 50.85% and supply projects account for 45.76%. This is due to the important sewerage and treatment infrastructures planned in the cities where the Canal Gestión Group operates.

Percentage breakdown of projects carried out in 2013 (not including building works management)

PROJECTS IN SPAIN



PROJECTS IN LATIN AMERICA



Throughout 2013, Canal de Isabel II Gestión awarded a total of 106 works contracts worth a total amount of 286.41 million euros (further information on the projects carried out by the companies of the Canal de Isabel II Gestión Group in annex 2).

3.2.4. Creating jobs

At Canal Gestión Group we contribute to create and maintain jobs in the regions where we provide our services, not only directly by maintaining our own staff and hiring new people but also indirectly through the jobs created as a result of the assets acquired and the activities and services we contract with our suppliers and contractors.

3.3. COMMITTED TO INNOVATION AND TECHNICAL DEVELOPMENT

Since the outset, the Canal de Isabel II Gestión Business, has been committed to innovation and technological development when facing the challenges set out by the management of the integrated water management cycle.

3.3.1. Contributing to R&D&i

The efforts in innovation made at Canal Gestión in Spain over the last few years is reflected in the portfolio of R&D+i projects and developments which at the end of 2013 was of 85, with an accumulated total (2005-2013) of 44 million euros.

Cuadernos de I+D+i

18



Aportación de nutrientes desde la cuenca al embalse de Pinilla. Incidencia en el proceso de eutrofización.

Eight new recruitment, agreements or consortium processes were started in 2013 for the execution of research projects. The sum of the new projects and the projects already started and the partnerships established in previous years amounts to 31 active projects this year.

The amount used from the R&D+i budget of Canal Gestión in 2013, associated to contracts, agreements and sundry expenses amounts to 871, 827 euros. When adding the internal costs arising from the investment of Canal de Isabel II Gestión staff in these projects, as well as activities and investments from other areas of the company related with projects under development, the total amount spent on R&D+i amounts to 4.5 million euros. The most important R&D+i projects that were active in 2013, were the following:

LINE OF RESEARCH	ACTIVE PROJECTS OF CANAL GESTION IN 2013	STATUS AT 31/12/2013
Ensuring balance of availability and demand	Development of sustainable technologies for the integrated water cycle. TECOAGUA-PRESIÓN	Completed
	Development of sustainable technologies for the integrated water cycle. TECNOAGUA-NIEVE	Completed
	Characterization of nocturnal flow components in distribution sectors	Completed
Ensuring the strategic continuity of the service	Zoning plan for the supply networks	Ongoing
	Development and update of hourly consumption models per zones on the supply network	Ongoing
	Development of analysis tools of the supply and distribution network	Ongoing
	Development of technologies for a sustainable transmission of urban waste services. TRUST.	Ongoing
	Service guarantee system. Risk analysis	Started in 2013 and ongoing
	Evaluation of new techniques for the estimate and validation of consumptions in distribution sectors	Started in 2013 and under way
Strategic infrastructure management	Definition of structural breakage and failure patterns on the distribution, supply networks and metering units.	Completed
	Study of the real roughness of conduits in service for the transport of water under pressure	Ongoing
	Development of a new criteria to calculate the waste water flow	Started in 2013 and finished
Water for consumption and health	Model for useful life of infrastructures for water supply	Started in 2013 and under way
	Development of water quality simulation models on the supply network	Ongoing

(Continues)

(Continuation)

LINE OF RESEARCH	ACTIVE PROJECTS OF CANAL GESTION IN 2013	STATUS AT 31/12/2013
Environmental sustainability and integration	Sample taking and analysis of micro-organisms in waste water from The Viveros de la Villa WWTP for the microbial population study	Under way
	Study of the risk factors related to the presence of acanthamoeba and other protozoa in waters of our region	Completed
	Assessment of the levels of biocides and personal hygiene products in Sludge from waste water treatment plants managed	Completed
	Applicability of various techniques for detecting ground substances in areas affected by the exploitation and refill of aquifers	Completed
	Assessment of the carbon footprint and analysis of sustainability in the waste water treatment plant selection process	Ongoing
	Pilot plant for the study of membrane technology in the line of sludge treatment at DWTP	Ongoing
	Feasibility of the development at industrial scale of the procedure to recover phosphorous from waste water in the form of struvite in the South WWTP	Started in 2013 and completed
	Assessment of the high presence of acanthamoeba and other protozoa in water for human consumption. Study and characterisation of the vector role of acanthamoeba in the acquisition of emerging pathologies. New alternatives to diagnosis, treatment and control	Started in 2013 and ongoing
Management efficiency	Assessment of a bioelectrogenic system for purification at the WWTP of El Molar	started in 2013 and under way
	Study of the influence of installation conditions on meter precision and error assessment when measuring non-domestic consumption in the Autonomous Region of Madrid	Ongoing
	Measurement of the influence of the information provided to users on the good use of water	Ongoing
	Optimisation system for the networks intended for water transportation SENSOTUBO	Ongoing
	Development of an automatic early warning system for detecting odours in water installation	Completed
	Development of a simulator to optimise operations at the Navarrosillos WWTP	Ongoing
	Use of remote detection to identify irregularities in water consumption control	Completed
	Study of the thermal performance of the meters against freezing Pilot experience on the solution to the freezing of meters	Ongoing
	Analysis of the influence of the renewal in the precision of the meters	started in 2013 and under way

The spreading of the knowledge produced and the result from some of the most important research projects have led to the publication of two new volumes in the *R&D+i Notebooks Collection*, bringing the total published in previous years to 19.

Over the course of 2013, and in order to share the projects, experiences and activities related to R&D+i carried out by Canal Gestión and to encourage the involvement of the company's R&D+i staff, three **informative and debate sessions** were organised for the staff of Canal Gestión.

An **ideas management platform** was launched in 2010 entitled **GENYAL**.

The project has been conceived as a cross-cutting and permanent activity within the company, with which to foster the involvement and participation of its employees.

The seven campaigns developed up until 2013 consolidate the tool as a systematic system to identify ideas, search for solutions to problems detected and opportunities for improvement.

Furthermore, given the desire to link university research with the reality of urban water management services and with the aim of providing guidance on the possible lines of investigation of common interest, a protocol to identify **doctoral thesis** of interest for Canal de Isabel II Gestión was launched in 2013.

In Barranquilla **Triple A** has the programme Innova, which intends to create and establish a culture of innovation through continuously encouraging creativity, promoting the development of new practices within the company, by means of a participative process to obtain improvements that have a positive impact on the company.

The Innova programme:

- Promotes the value of innovation, encouraging the participation of the employees to strengthen the organisation culture.
- Establishes a mechanism than channels, stimulates and recognises the creativity of our collaborators, fostering continuous improvement and strengthening change.
- Contributes to the strengthening of the organisation by optimising resources and implementing new sector cutting-edge new ideas.

En 2013, 26 innovative solution proposals were presented, and in 2013, 30 proposals were presented, which means an increase of 15% in the number of proposals.

3.3.2 Technology working for our customers (external and internal)

The Canal Gestión Group applies its technology in its processes to foster the use and management of resources, demand and infrastructures. In this regard, the application of advanced information and communication systems is present in every one of our processes.

The actions currently in operation in terms of technology are included in the action entitled «improving the efficiency of support processes», and are focused on progressing in technological innovation and enhancing advanced information, communication and remote control systems and technologies, thus to guarantee the continuity of the operations in the event of contingencies.

Information technology activities at Canal Gestión (Spain)

Over the course of 2013, the following information systems were implemented:

Information technology projects in 2013	
Initiative	Current status
Implementation of the Gema systems for the management of work orders for the maintenance of the dam and water treatment plant infrastructures	Completed
Implementation of a new integrated alarm management module at the infrastructures managed at the main control centre (INSIGNIA)	Completed
Implementation of a network zoning control command and reporting of the monitoring data and parameters from the waste water treatment plants	Completed
Implementation of the financial and human resources systems over the SAP platform for Canal Gestión Lanzarote	Completed
New image of the customer virtual office with improved access in accordance with WCAG AA of the W3C	Completed
Implementation of the electronic bill for customers in the XML-facturae format in accordance with the Administration’s requirements and which enables its treatment by company systems, organisations and city councils.	Completed
Integration with external platform for electronic billing between companies to manage both the certified digitalisation of the paper bills from suppliers and the electronic bills issued by them. (F2F)	Completed
Adaptation of the new human resources system to the water sector’s bargaining agreement and implementation in the employee’s portal of the targeted evaluation system	Completed
Implementation of a workload automated system in the information systems, Which enable a better control and supervision of the processes to be executed in the information systems, minimising the operational risks	Completed
Implementation of information monitoring centralised console of the SAP systems reaching 11,000 monitors at the information system infrastructure	Completed
Adaptation of the information systems for the single payment zone in euros SEPA	Under way

Outstanding within the management of field works is the significant deployment in mobility of 346 smart phones and tablets with applications MC2 (management of mobility orders) and Gisviewer (map consultation), with which 50, 000 work orders were managed, thus improving the information in operations and eliminating the subsequent coding tasks.

In the field of business continuity, the Business operation continuity plan was reported and drafted in 2013 for the headquarters and control centre in Majadahonda, and the provision and launching of the technical procedures and infrastructures for the continuity of the information systems from the backup data process centre were completed.

As regards the actions related to the governance of information technologies, the control of information and the protection carried out in 2013, the most noteworthy are the following:

- Application of the LEAN methodology for the optimisation of the ICT services provided. Specifically this was applied to the provision of solutions in information systems for business requirements (time to market).
- Gathering of high level requirements for the development of the commercial system
- Performance of outsourcing audits for one of the applications maintenance support contracts.
- Security audits (10) on the new implementation of information systems.

Information technology initiatives in Latin America

In Colombia, the main information technology projects carried out by Inassa (Amerika TI) in 2013 were the following:

- Implementation of estimating software.
- Migration of the commercial system Amerika to web platform (Oracle 11g).
- Implementation of project management software phase I.
- Migration of the database engine from Amerika of 10g to 11g.
- Standardisation of accounting interfaces in the core.
- Strengthening of the Amerika Web safety diagram
- Vertical parameterization.
- Strengthening of the virtual classroom.

In turn, in 2013, Triple A has worked restructuring the bargaining agreement modules.

In Metroagua, the ICTs became a determinant factor in 2013 to achieve the corporate objectives, due to the execution of technological improvement projects in information systems, telecommunications, information security and automation of processes. The most outstanding activities with a high impact on the company were the following:

- Document management: the bills no longer travel physically for monthly approvals, which significantly reduces the time for approval and minimises the risk of misplacing documents.
- Call centre system: enables direct communication of the company with the customers wanting to report damages and know all the information related to the provision of supply and sanitary sewerage services. Likewise, the system generates and maintains multiple indicators that measure the call centre’s effectiveness.
- Meter reading system: the project enables the integrated optimisation of the response time from on-field operating staff, having greater control of these resources supported by cutting-edge technologies and simplifying the administration processes derived from this management.
- Website: Redesigning of the website according to the guidelines issued by Grupo Inassa. New on the website are the applications to consult the balances on bills and the publishing of commercial and technical information through layers of the Geographic Information System, SIGME.

Over the course of 2013, the Systems Department of **Recaudos y Tributos** focused its efforts on guaranteeing continuity and improvement of the services that support company operations. Efforts continued with the general software and hardware support in the cities of Santa Marta, Villavicencio, Barranquilla and Riohacha; activity that was undertaken by executing the preventive hardware and software maintenance plans.

It is worth mentioning the launching of the users registry project in the city of Riohacha. Surveys were carried out along which the digitalisation and data filtering. Mobile devices were used that enable storing online the information recorded, as well as the geographic coordinates and photographic records. Special georeferencing devices were also acquired for the post-process of geographic coordinates correction.

Another of the outstanding actions performed in 2013 was the star up of a call centre, with the aim of supporting the payment management carried out by the different business units of R&T.

Finally, the most important initiatives in terms of information technology and information systems carried out by **AAA Dominicana** in 2013 were the following:

- System for the control of turns or queues, with the aim of optimising and controlling waiting times in the customer service department, installed in nine offices.
- Safety improvements, acquiring a new Firebox equipment, which provides greater safety advantages and control of applications and network.
- Hardware updating (servers, laptops, PCs, photo cameras, scanners).
- Implementation of the Business One SAP financial system, due to the need to minimise incidents, response times in processes within the financial area and achieve a greater integration with the Group companies when generating and presenting the financial reports.
- Urban planning system. A new IT system has been designed especially for the urban planning department, with the aim of supporting the entire management process carried out by said department.
- Suppliers and incidents assessment module in the purchases management system.

3.3.3 Tele-control and communications: key to modern water management

Tele-control at companies in the Canal Gestión Group contributes to ensure a modern and efficient management of our facilities, which makes it possible to define the main operating parameters in real time and direct action towards covering priority requirements.

Key figures on tele-control in 2013

	España*	Colombia**	Ecuador	SUMA
Remote stations monitored (No.)	1,523	215	7	1,745
Direct measurements (No.)	18,750	3,193	16	21,959
Tele-control installations (No.)	48	90	1	139
Tele-control operations carried out (No.)	5,237	1,184	1	6,422
Availability of all field instruments(%)	97.93	98.76	95.00	98.02

* Only includes Canal de Isabel II Gestión

** Includes Triple A and Metroagua

82.5% of all remote stations monitored in all the Canal Group companies correspond to facilities managed by Canal Gestión. The parent company is also responsible for 84.8% of the direct measurements taken by the tele-control systems in 2013.

Tele-control and communications at Canal de Isabel II Gestión (Spain)

Canal de Isabel II Gestión has a comprehensive remote control system that provides real-time information of the water situation in its supply and sanitation infrastructures, the status of the water quality, underground water intake systems and other similar parameters. The remote control network currently monitors 1,523 remote stations from the Main Control Centre (MCC) and manages a total of 18, 750 measurements devices. It has 48 remote control installations from which it performs a large number of operations (an average of 14 per day).

Tele-control and communications at Canal Gestión Activities carried out and main milestones -2013

Telecontrol
<div>1. Automation, monitoring of electrical parameters and integration into the tele-control network of:<div><div>a. Twelve waste water pumping stations.</div><div>b. The Pelayos de la Presa, Nuevo Baztán and Arganda pumping stations.</div><div>c. Seven tertiary treatment plants and three regulation tanks from the reclaimed water production and supply system.</div><div>d. Five storm tanks</div></div></div> <div>2. Installation, start-up and integration into the tele-control system of:<div><div>a. Sixty five new control points (flow and pressure) for the company’s distribution network zoning plan.</div><div>b. Sixty five control points (level measurement and flow transformation) in the network of collectors of the company’s sewer system.</div><div>c. Forty five new waste water treatment plants integrated in the tele-control through the project ODYSEA.</div></div></div>

(Continues)

(Continuation)

<div><div>d. Eleven groundwater capture points.</div><div>e. Fifteen lareg client meters</div><div>f. Migration of 100 TEDIS instruments, of disperse tele-control, to new TESEO instruments</div></div> <div>3. Integration with tele-control of:<div><div>a. Five storm tanks</div><div>b. The turbine electricity generation system installed at the Griñón conduit.</div><div>c. Siventy five new auscultation devices</div><div>d. Basin pilot for reclaimed water</div><div>e. Complete overhaul of the tele-control systems (instrumentation and local control) at the Getafe tank.</div></div></div>
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Communications
<div><div>1. Completion of the deployment of the ARCO2 telecommunications network with forty five new locations</div><div>2. Completion of the first phase of the deployment of the TETRA mobile network for the emergency and rescue services in the Autonomous Region of Madrid with eighty two ERB (base stations)</div><div>3. Start-up of the global telecommunications backup system</div><div>4. Connection of thirty eight WWTP and WWPS with Ethernet technology</div><div>5. Connection with fibre optic of Aranjuez, Majadahonda and Cerro Almodóvar.</div><div>6. Awarding of one hundred and seventeen certifications for the telecommunication towers and completion of the project for the replacement of the beaconing in Canal Gestión towers with led technology</div><div>7. Reform of thirty one telecommunication stations</div><div>8. Optimisation of the cooling system in ten local stations, to reduce energy consumption.</div><div>9. Technological change of one hundred and ninety eight GPS systems on board the Canal Gestión vehicles.</div></div>

(Continues)

(Continuation)

Communications:	
10.	Technological development of Ethernet systems on the UHF radio bands for the integration of this technology at the WWTP tele-control
11.	Communication system for specific projects: multi-parameter probes of the reservoir of Atazar and Valmayor, NARICES automatic odour detector for waste water, project of radars and creation of virtual pumping control networks.
12.	Redistribution of twelve analogical trunking base stations, reducing the operation costs by 60%
13.	Replacement of fifty five radio spans, improving the speed and purpose of the system
14.	Extension of the telecommunications network in San Juan, implementing redundant system for the pumping, tolerant to simple failures

Tele-control at Aguas de Alcalá UTE (Spain)

In Alcalá de Henares there is:

- A tele-control and remote control device installed in the tanks that records data and controls valve opening.
- This information is updated every minute in the devices and reports every hour to sixteen additional tele-control devices distributed throughout the city in various flow meters.

Tele-control at Hidráulica de Santillana (Spain)

All the plants mini power plants managed by Hidráulica de Santillana are subject to tele-control and remote control (a total of eight). From the Hydroelectric Control Centre (HCC) it is possible to obtain all sorts of measurements, such as the kilowatts per hour of production, vibration and fault alarms. It is also possible to start up and stop the machines at the plants, including everything this implies for the Canal de Isabel II Gestión water supply system.

Tele-control at Triple A de Barranquilla (Colombia)

The remote control and tele-control system is an automated and digitalised centre created, implemented and launched by the team of engineers from the company’s Technology Development Department. In total there are 88 motorised remote installations, and another subject to tele-control that perform 3,066 direct measurements.

Tele-control and communications at Metroagua (Colombia)

The tele-control systems are designed to monitor the operational variables at the treatment plants, supply and sewerage pumping stations and the flow meters for certain special customers. Furthermore, the fleet of vehicles operated by the company is also monitored.

Three different systems are used for receiving the remote signals. One type of stations establishes communication via radio, while the other two use mobile telephony channels. All stations currently use the general client-server system. In terms of software, the SCADA Intouch application from Wonderware enables us to visualise and record each of the operational variables from the supply and sewerage systems. It also has a web platform which enables all the company members to have real-time information from any point with internet connection.

The instrumentation at each one of the stations basically measures tank levels and output pressure in the lines. All the instrumentation installed to date is currently monitored. In total, our infrastructure has 127 monitoring points.

Tele-control at Amagua (Ecuador)

Amagua has a tele-control system for monitoring seven stations. The measurements carried out at these points relate to pressure and chlorine levels at all of them, except at the pumping station where the pressure, voltage, intensity and power are measures.



3.4. LOOKING AFTER RELATIONS WITH OUR CUSTOMERS

Commitment to public service, responsibility and excellence in the pillars of our business strategy and our approach to relations with the customers and users of the Canal de Isabel II Gestión Business Group.

3.4.1. Growth in customers and users: management of the integrated water cycle

In 2013, the Canal Gestión Group companies dedicated to the urban integrated water cycle management have reached a total of 2,094, 373 current contracts by 31 December, of which, not including Brazil and the branch of Canal Gestión in Cáceres, 85,12% were residential contracts and 8.02 were commercial or industrial.

In Spain, Canal Gestión reached in 2013 the amount of 1, 395, 872 current contracts, of which 82.5% are residential contracts and 7.9% were commercial or industrial.

Number of contracts with customers of Canal Gestion Group in 2013

	SPAIN				COLOMBIA			ECUADOR	BRAZIL
Type of contract	Canal de Isabel II Gestión	Branch of Canal Gestión Cáceres	Canal Gestión Lanzarote	Aguas de Alcalá UTE	Triple A Barranquilla	Metroagua	ASAA	Amagua	Fontes da Serra
Residential single dwelling	1,052,673				401,883		17,369		
Residential Multi-dwelling	98,401				1,634		435		
Total residential	1,151,074		46,259	44,078	403,517	79,477	17,804	27,841	
Trade-industry	110,368		17,437	7,382	24,181	5,839	731	882	
Other uses	134,430		4,249	167	1,430	468	117	1,817	
Total	1,395,872	7,978	67,945	51,627	429,128	85,784	18,652	30,540	6,847

Over the period 2012-2013 the total number of contracts of the Group companies has undergone a significant increase of 6.94%, due mainly to the incorporation of Canal Gestión Lanzarote, ASAA in Colombia and Fontes de Serra in Brazil, as well as the incorporation of a new municipality at Triple A and the significant growth of the population served by Amagua. However, the growth of the number of contracts of Canal Gestión is more moderate, 0.93 %.

The population of the municipalities served by the Canal Gestión Group amounted to 9, 570, 601 inhabitants in 2013, a coverage rate of 98.51% in the water supply service.

With regard to sanitation services, at the end of 2012 Canal Gestión Group managed the sewerage of populations totalling 8, 235, 168 inhabitants, 84.76% of the population of the regions where the Group operates; in waste water treatment we served 74.78% of the population of the region (7, 265, 485 inhabitants).

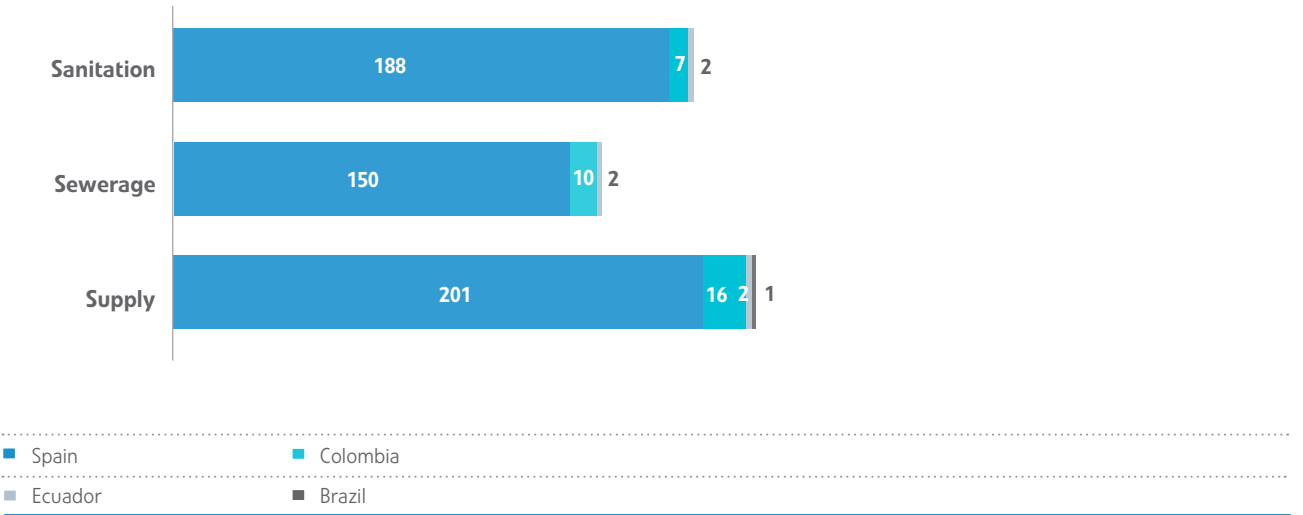
In total, the Canal Gestión Group provides integrated water cycle services to 220 municipalities in Spain, Colombia, Ecuador and Brazil.

The population of the municipalities served in supply by Canal Gestión in the Autonomous Region of Madrid amounted to 6,292,263 inhabitants in 2013, that is, 96.87% of the population registered in the region.

Regarding sanitation systems, our company managed at the end of 2013 the sewerage of populations that amounted 5,509, 972 inhabitants, 84.83% of the population of the Autonomous Region of Madrid, and regarding waste water purification we supply 100% of the population in the region(6,495,551 inhabitants).

Canal Gestión supplies water to nine neighbouring municipalities of the Autonomous Region of Madrid, in the regions of Castilla-La Mancha (Valdesotos, Tamajón, Valdepeñas de la Sierra, Tortuero, Uceda, Pió, Pozo de Guadalajara y Ontígola) and to one municipality in Castilla-León (Sotillo de la Adrada). The population supplied in these ten municipalities was of 16,717 inhabitants in 2013.

Municipalities served in 2013



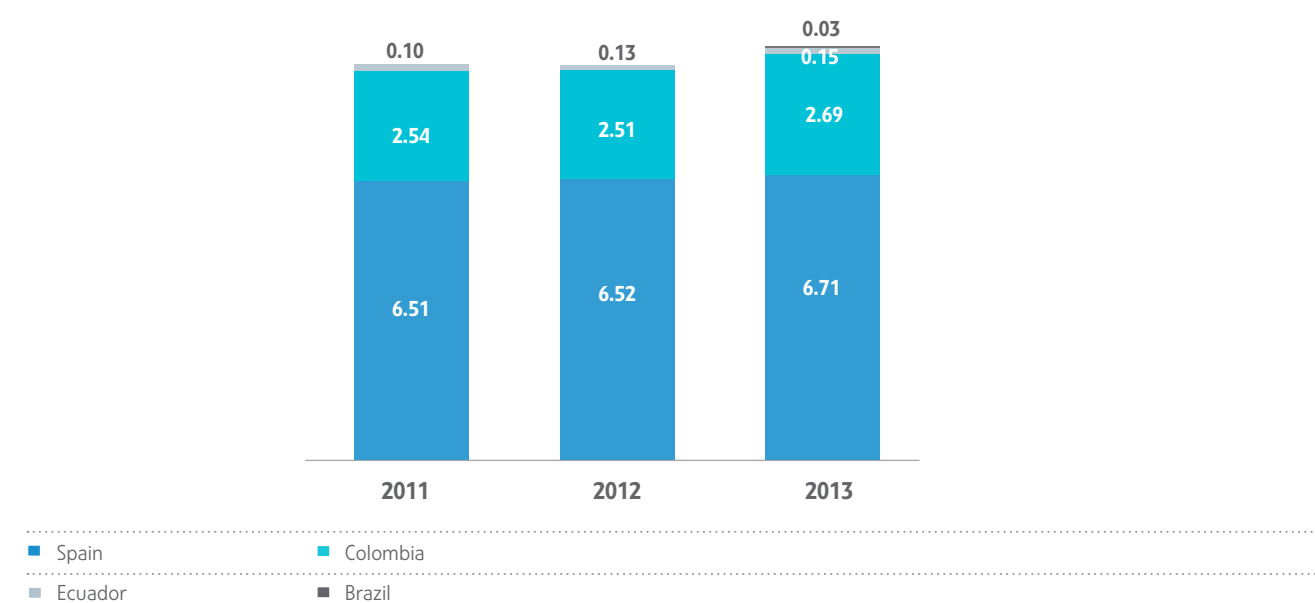
Population served by the companies of the Canal de Isabel II Gestion Group (2011 - 2013)

SUPPLY (conveyance and /or distribution)	POPULATION (inhabitants)		
	2011	2012	2013
Canal Gestión (Autonomous Region of Madrid)	6,281,133	6,291,742	6,275,546
Other Spanish companies	231,924	232,316	425,258
Total Spain	6,513,057	6,524,058	6,700,804
Colombia	2,543,964	2,506,456	2,689,709
Ecuador	102,092	132,315	152,700
Brazil			27,388
Total Latin America	2,646,056	2,638,771	2,869,797
Total Group	9,159,113	9,162,829	9,570,601

SEWERAGE	POPULATION (inhabitants)		
	2011	2012	2013
Canal Gestión (Autonomous Region of Madrid)	4,375,942	5,513,387	5,509,972
Other Spanish companies	213,765	213,847	380,193
Total Spain	4,589,707	5,727,234	5,890,165
Colombia	2,097,667	2,060,226	2,228,348
Ecuador	80,620	98,035	116,655
Total Latin America	2,178,287	2,158,261	2,345,003
Total Group	6,767,994	7,885,495	8,235,168

PURIFICATION	POPULATION (inhabitants)		
	2011	2012	2013
Canal Gestión (Autonomous Region of Madrid)	6,489,281	6,498,495	6,495,551
Other Spanish companies	6,948	6,946	172,492
Total Spain	6,496,229	6,505,441	6,668,043
Colombia	386,739	434,176	480,787
Ecuador	80,620	98,035	116,655
Total Latin America	467,359	532,211	597,442
Total Group	6,963,588	7,037,652	7,265,485

Growth of the population supplied per countries in million inhabitants (2011-2013)



Agreements entered into by Canal de Isabel II Gestión (Spain)

Besides the private contracts signed with private customers (household and companies) in Spain, Canal de Isabel II Gestión establishes management agreements and other types of contracts with municipalities and large customers for the provision of different types of services.

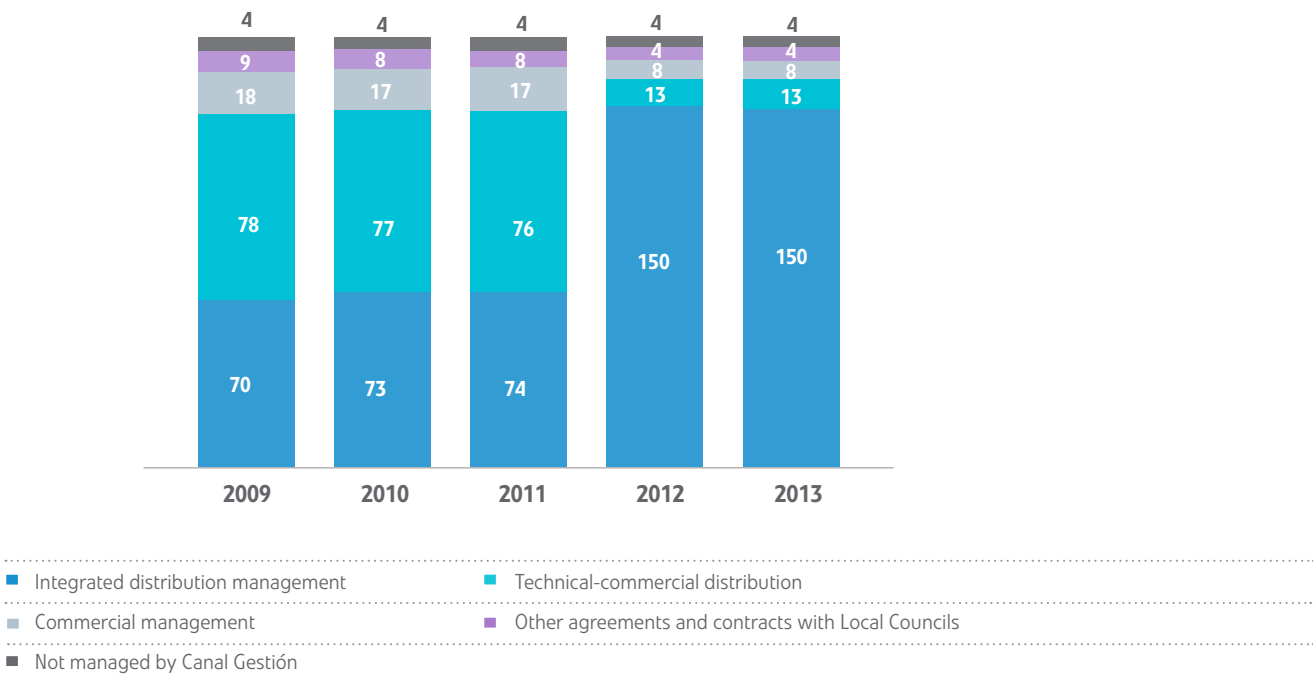
All the agreements and commitments entered into are individually negotiated and signed with each local council or large customer.

Types of agreements entered into by Canal de Isabel II

Type of agreement	Name of agreement	Characteristics of agreement
Management agreements	Business management	Canal de Isabel II Gestión carries out commercial management (contracts, meter readings, invoicing and payments) as well as the adaptation and maintenance of connections.
	Technical and business management of the water supply	Canal Gestión maintains and operates the municipal distribution network. This includes renovating distribution networks with a change in the form of distribution supplement that is paid by the customer.
	Integrated water supply management	Canal Gestión maintains, operates and renovates the distribution network that is registered as part of the general supply system of the Autonomous Region of Madrid.
	Management of the sewerage system	Canal Gestión maintains and operates the municipal sewerage system.
Agreements other than management	Management of sanitation infrastructures	Agreement between the Department of the Environment, Housing and Territorial Regulation, Canal de Isabel II and the Local Councils pursuant to the provisions of Decree 170/1998 of 1 October, regarding the management of waste water sanitation infrastructures in the Autonomous Region of Madrid, which stipulates the responsibilities involved in operating and maintaining sanitation infrastructures.
	Re-use of treated water	Collaboration in the construction of the necessary infrastructures and in the management of the re-usable supply of water from the WWTPs that have the appropriate treatment facilities, used for partial or total watering of green public spaces.

Thus, as at 31 December 2013, the company had agreements and contracts with 175 municipalities out of the 179 existing in the Autonomous Region of Madrid and with nine surrounding municipalities in the regions of Castilla-La Mancha and Castilla-León. In addition, it supplied drinking water to housing estates and industrial parks by means of various forms of management.

Trend in Canal de Isabel II agreements with local councils in the Autonomous Region of Madrid (2009-2013)



3.4.2. Customer and user numbers: support services for the management of the integrated cycle and other activities

The companies of Canal Gestión Group that provide support services for management of the integrated water cycle management outside what is strictly speaking the commercial management of water supply and sanitation (plant operation, works and installation of mains connections and meters, inspections, purchase of materials needed to provide water supply, suspension and reconnection of supply) develop their activity having as clients the companies in the Group that manage the integrated water cycle and public administrations of Colombia, Dominican republic, Panama and from December 2013, of Brazil.

This is the case of Hispanagua, which has Canal de Isabel II Gestión (Spain) as a client, Inassa in Colombia, Panama and Ecuador, Recaudos y Tributos (R&T), whose clients include other public administrations in Colombia and Triple A Barranquilla and Metroagua (Colombia) Amerika T.I. and Emissão Engenharia e Construções.

Up until December 2013, the two Latin American companies with the most activity in the commercial management of supply and sanitation are AAA Dominicana (Dominican Republic) and R&T (Colombia). Between them they provide services in the Dominican Republic and in Colombia which amount to 6.15

million users. Recaudos y Tributos (R&T) provides commercial management services to two companies in the Group (Triple A and Metroagua) and to the municipality of Villavicencio, in Colombia.

These two companies (AAA Dominicana and R&T) also provide tax management services in five municipalities (three in the Dominican Republic and two in Colombia).

Other of the activities carried out by the Group not strictly within the category of integrated water cycle management is the management of waste and urban cleaning in Latin America. As well as activities related to telecommunications and information technologies, and advice and consulting in the sector, provided to users of Canal de Comunicaciones Unidas (CCU) in Spain and Amerika T.I. in Latin America. CCU provides communication services to over one hundred clients (companies, agencies, organisations and security and emergency services).

Amerika T.I., a company segregated from Inassa in 2013, commercialises the Amerika software, a modular IT system that provides an integrated solution to public utilities management, has ten clients in five countries (Colombia, Dominican Republic, Mexico, Honduras and Ecuador), which amount to 2, 094, 025 managed subscribers in 50 municipalities with a population of 11, 229, 857 inhabitants. The group companies Triple A, Metroagua, R&T, ASAA, Amagua and AAA Dominicana are among its clients.

3.4.3. Tariffs and discounts in Spain

The water tariff charge by the companies in the Canal de Isabel II Gestión Group follows a series of basic principles which include: the transposition of the Water Framework Agreement, promotion of the responsible use of water and efficient consumption, and the achievement of a fair and equitable tariff system.

That is why the tariffs are progressive, with a twin structure consisting of a fixed rate plus a variable rate according to consumption and with the price of the variable rate that also increases by consumption band.

The tariffs applied by Canal de Isabel II Gestión have two features:

- Seasonal: encouraging rational use during period of drought and high consumption.
- Environmental friendly: by consolidating a tariff for re-usable water, which is an essential part of integrated water management in keeping with environmental sustainability.

TARIFFS THAT IMPROVE THE SERVICE EVERY DAY

- Two-monthly bill, which enables adapting the payment to the rest of utilities (electricity, gas...), facilitates stricter control of consumption, therefore, making it possible to reach more quickly and more effectively to any leaks or breakages.
- Fairer and more equal tariff that encourages rational and efficient use of water. It is worth highlighting that the bill is being progressively placed on a similar level for all users, regardless of what they use water for.
- Tariff that offers discounts to large families and households for reducing consumption and maintain social exemption of up to 25m3 bimonthly, to relieve situations of extreme poverty or need.
- Tariff that encourages efficient consumption of water by linking tariff blocks to real consumption capacity of the household.
- Tariff that includes the possibility of accessing reclaimed waste water to be re-used for watering green public spaces and golf courses, for street cleaning and industrial purposes.
- Tariff that ensures the sustainability and value of services, including all the costs incurred by providing the service.

In order for the customers to receive more information about the tariffs and understand them better, Canal Gestión conducts an annual awareness campaign with explanatory documents that are available to citizens in our offices and on our website (www.canalgestion.es). Documents with water tariffs are published and available at our offices.

In recent years, water tariffs have varied in line with the general rise in prices (CPI). In the case of the review made in 2013 for the 2014 tariff, this has decreased by 0.1% , amount that corresponds to the CPI at October 2013. This is the first time this happens since Canal de Isabel II belongs to the Autonomous Region of Madrid (since 1984).

Discounts

Canal de Isabel II Gestión offers four types of discounts:

- Monthly discount for large family (3 or more children).
- Monthly discount for large household (5 people or more).
- Discount for social exemption (situation of extreme need).
- Discount for reducing consumption.

Trend in tariff discounts of Canal de Isabel II Gestion			
LARGE FAMILY / HOUSEHOLD DISCOUNTS	2011	2012	2013
No. of contracts with discounts	26,134	28,526	29,700
Amount of discounts (euros)	907,692	1,007,151	1,036,125
DISCOUNTS FOR REDUCING CONSUMPTION	2011	2012	2013
No. of contracts with discounts	101,044	71,468	100,382
Amount of discounts (euros)	867,227	564,819	832,088
DISCOUNTS FOR SOCIAL EXEMPTION	2011	2012	2013
No. of contracts with discount	404	603	1,177
Amount of discounts (euros)	28,389	39,026	82,189
Total No. of contracts with discounts	127,582	100,597	131,259
Total discounts	1,803,308	1,610,996	1,950,403

In the case of Canal Gestión Lanzarote, there is an existing specific tariff for large families, among others. In 2013, 529 company customers benefited from this tariff.

Tariff and discounts in Colombia

In Colombia, the regulatory body for the water sector is the Regulatory Commission for Drinking Water and Basic Sanitation (CRA in Spanish) which is part of the Ministry of Housing, Cities and Territories. The CRA has the aim of regulating monopolies, promoting competition in the sector and achieve the provision of quality services with reasonable tariffs and extensive coverage.

The CRA established for the tariffs to be subject to a regime of regulated freedom, therefore, the service companies freely fix their tariffs by fully applying the methodologies for calculation issued by said administration.

In Colombia, the tariffs have a fixed amount that covers the administrative costs of the service provider and a variable amount for consumption that reflects operational costs, investment, return on assets, and environmental levies.

Moreover, there is system of subsidies and contributions imposed by law that is applies in each municipality according to local resources and the decision of the local government or municipal Councils. This system divides users into two main groups: residential and non-residential. The residential users further subdivided into six categories called strata, which are numbered from 1 to 6, with 1 being the poorest and 6 those with the greatest purchasing power. Non-residential usersiales se subdividen en are subdivided into: industrial, commercial, official and special.

Depending on the category, the user is classified into one of the following three situations:

- Receives a subsidy on the grounds of having a very low purchasing power.
- Pays an additional price for belonging to a category with a high purchasing power or for receiving a profit from the use of land.
- Neither receives a subsidy nor pays extra.

In the case of Triple A Barranquilla, over the course of 2013, discounts were applied to 750 contracts worth 159, 429 euros.

Tariffs and discounts in Ecuador

In the case of Ecuador, the tariff structure is different in each municipality, and is established by municipal order. The basic tariff structure is made up of a fixed rate, a variable rate for drinking water, and a variable rate for sewerage. In addition, in the case of the municipality of Samborondón there is an additional environmental contribution rate.

The fixed rate depends on the diameter of the drinking water meter. The drinking water rate is applied depending on the user's consumption band, and there is a basic consumption band (up to 60 cubic meters per month) and a further 6 bands for increased consumption. The bands increase in price in line with consumption.

The variable sewerage rate corresponds to a percentage of the variable drinking water rate. The percentage depends on the residential estate the customer lives in, as the sewerage system is different for each (the maximum applied in 80 %). The reductions or discounts are applied on the basic consumption (up to sixty cubic meters) of the users in the poor areas of the municipalities. The lower the consumption, the greater the discount, with the basic consumption itself divided into three consumption bands. The consumption of green areas and pensioners also benefit from discounts. In 2013, a total of 1,309 contracts had discounts applied (7.21% more than in the previous year), amounting to 78,130 euros.

Trends in discounts of a social nature in Latin America

	Triple A Barranquilla		Amagua		TOTAL	
	2012	2013	2012	2013	2012	2013
No. of contracts with discounts applied	882	750	1,221	1,309	2,103	2,059
Total discounts (euros)	194,771	159,428	64,805	78,130	259,577	237,559

3.4.3. Initiatives to guarantee correct customer billing at Canal Gestión

Canal de Isabel II Gestión constantly seeks to guarantee the highest level of accuracy in bills issued to its customers based on real consumption, thus, the following actions were undertaken in 2013 to that end.

Meter reading

Over the course of 2013, Canal Gestión carried out more than 8.69 million readings (30% of which were carried out electronically). The percentage of estimated bills, due to not being able to obtain the reading from the meter, was only 3.71%.



Consumption auditing and analysis

To ensure the correct issue of consumption figures for billing, Canal Gestión has a reading and billing quality control system. The auditing of consumption within this system is an effective tool for helping review consumption data that present significant variations.

Maintenance and verification of metering equipment

As an essential support to the billing process, there are actions to improving meter precision which can be summarised in: maintenance and constant renewal of all meters. In 2013, a total of 67,220 meters were renewed. Metrological tests were also carried out on-site or in the lab.

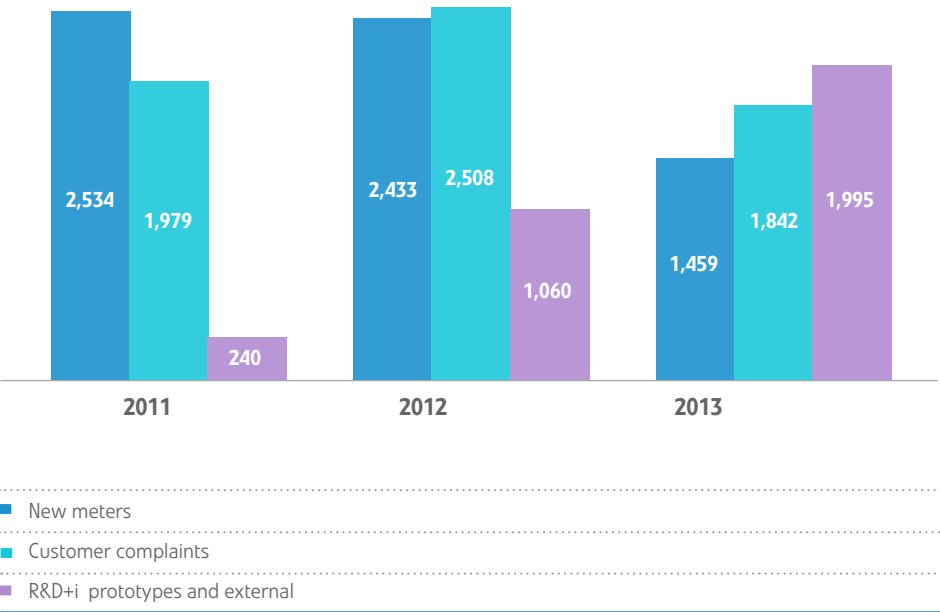
3.4.4 Metrology at Canal Gestión

In order to ensure the correct operation of our customer’s water meters, Canal Gestión has meter Verification Laboratory that meets all the requirements for its verifications and certifications to have the required quality and recognition by both national and international authorities. Our laboratory has ENAC accreditation since 2009. In 2013 it has successfully completed the first complete re-evaluation of the Quality System Management Standard de ISO 17025 implemented in the lab.

Our meters control is carried out at the following levels:

- Control of new meters.
- Customer complaints.
- Performance of R&D+i projects related to meter operation and assessment of prototypes presented by manufacturers.

Number of meters checked at the meter laboratory



The number of new meters assessed and customer complaints have decreased in 2013, due to the fact that fewer meters were purchases thus generating less customer complaints. On the contrary, there has been an increase on the prototypes assessed as well as R&D+i projects, this latter due to the participation in the R&D+i project assessing the operation of the meters at the connections.

In Colombia, Triple A Barranquilla also has a meter verification laboratory which has accreditation from the National Accreditation Body (ONAC in Spanish) which guarantees the calibrations made to the water meters of 15 to 40 millimetres meet the requirements established in NTC ISO 17025:2005 standard.

Metroagua also has a meter verification laboratory accredited by the standard since 2011, which enables the company to guarantee the transparency, impartiality and confidentiality in the meter calibrations and the quality of the results obtained.

3.4.5. Customer service

All the Spanish companies in the Canal Gestión Group dedicated to the integrated water cycle management have taken on a number of specific commitments related to customer service. The breach of these commitments for reasons applicable to the company will give rise to a financial compensation for those affected.

In the case of Colombian companies, the relations between customers and the company are governed by the so called Domestic Public Utilities Contract, through which the company sets conditions for service provision that are the same for all customers, so it is all called the Uniform Conditions Contract. This contract has a list of rights and obligations for both users of the service and the service provision company, aimed at guaranteeing customers’ prerogatives and rights at all times, and in general, to satisfy their needs and expectations.

The same Colombian legislation establishes the sanctions that may be applied if the public utility service rules are breached. For this purpose there is a public agency called the Superintendencia de Servicios Públicos Domiciliarios (Domestic Public Utilities Supervisory Board), which is in charge of inspecting, overseeing and controlling all companies providing services and imposing sanctions under the law if the law or the Uniform Conditions Contract is broken.

Commitments of the Canal Gestión service charter

The service charter drawn up by Canal de Isabel II Gestión adopts as its customer service commitment the quality criteria for administrative actions as approved by the Autonomous Region of Madrid (decree 85/2002, of 23 May).

Furthermore, it includes the Canal Gestión quality policy, information about how the suggestion and complaints system works, the figure of the ombudsman and information on ways to contact the company.

Our level of fulfilment with the service charter has improved over recent years and is now close to 100% in all cases.

Level of compliance with the service charter of Canal Gestión (%)

Commitments included	2011	2012	2013
New connection	95.61	97.24	98.31
Secondary meter	99.92	99.89	99.96
Settle complaint	97.47	96.79	94.62
Check meter	99.63	99.27	99.13
Waiting time of less than 10 minutes at the central office	82.41	86.30	92.90
Average compliance	95.01	95.90	96.98

In turn, Canal Gestión Lanzarote regulates its customer obligations by means of the drinking water and sanitation supply service of the island of Lanzarote, established in 2003 by the Island Council.

Customer communications channels

The Canal Gestión Group makes four main channels of communication available to its customers and users, through which they can contact the company:

- Phone. The most popular means of contact used by customers is the telephone. Customers can choose to be answered by specialised agents or use automated solutions for various standard procedures.
- Customer service centres. We have a network of customer service centres and mobile offices at which any query related to commercial management can be solved. Canal Gestión has two mobile offices, which provide service in municipalities that do not have a permanent customer service centre. It also has 12 customer service centres strategically distributed throughout the region.

- Website and virtual office. Within the framework of new information technologies and in order to increase the convenience and simplicity in automated procedures, the main companies forming part of Canal Gestión Group have a virtual office on the internet.
- Service in writing. Canal Gestión Group provides a customer service facility in writing, by letter or fax, through which any procedure can be dealt with without the need to wait or make trips.

According to statistics from the customer service departments of the different companies in the Group, the most popular communication channel for customers in 2013 was the virtual office, with 2.80 million entries, followed by phone communications, with 1.61 million calls handled.

A form of communication with customers which in the recent years has developed in a spectacular way is the specific portal (<https://oficinavirtual.canalgestion.es>), the use of which increases day by day, as can be seen on the following table:

Statistics on virtual office of Canal de Isabel II Gestión

Indicator	2011	2012	2013
Virtual office customers	81,806	103,062	129,941
Virtual office contracts	118,163	148,058	186,982
Customers with e-bill	20,621	20,637	42,854
Electronic bills issued	201,552	237,994	279,011

In the case of Triple A Barranquilla the use of digital media for communicating with customers is the following:

- Website: considering global trends in websites, Triple A has a website that allows customers to navigate in an easier and more intuitive way, providing updated content and information about services and infrastructures, and offering a new way of contacting by the use of the chat.
- E-newsletter: this type of publication has become a vital tool for communicating information of interest to customers.
- Chat: this new means has enabled direct contact to be made with customers and provides a fast and effective response from any location.
- Facebook Supercustomer: we have a Facebook page for the Supercustomer commercial strategy, which interacts in the social networks of Triple A Supercustomers, while it promotes and strengthens the message of «it pays to be punctual».

Further information regarding customer services per country and company is included in annex 2 of this report.

Management of suggestions and claims at Canal Gestión

The companies in the Canal Gestión Group have a complete system for the reception and handling of customer suggestions, complaints and claims. Customers can use any of the communication channels available:

- Call centre – phone claims.
- Central office and peripheral offices – claims form.
- Mobile offices – claims form.
- Virtual office – claim form.
- Written communication – letter, fax, e-mail.

Complaints in Canal Gestión Group in 2013 have reduced by 16.74 %, decreasing from 36, 611 in 2012 to 30, 481 in 2013. This means that only 1.46% of customers or 0.32% of users within the group companies have filed a complaint in 2013.

Statistics of complaints in Canal Gestion in 2013

Reason for complaint	2013
Complaints regarding the commercial circuit	4,305
Complaints regarding the water wuality and supply	917
Complaints regarding insurance	202
Complaints due to activities of other areas	27
Total complaints received	5,451

Claims involving billing received by the companies of Canal Gestión Group that manage the integrated water cycle amounted to 57,661 in 2013, 10.21% more than in 2012. This is mainly due to the increase in the population supplied owing to the incorporation of Canal Gestión Lanzarote and ASAA in Colombia. Taking into consideration that 10.53 million bills were issued in 2013, the claims only represent 0.55% of said bills.

In the case of Canal de Isabel II Gestión the number of complaints has increased in 2013 by 0.79% compared to 2012 and amount to 26, 966 (0.32% of the bills issued).

CANAL GESTIÓN CUSTOMER OMBUDSMAN

The Canal de Isabel II Gestión Ombudsman operates independently from company management. It has set up in 2001 as a pioneering tool in the public service sector.

Its main mission is to defend and protect the rights of the Canal de Isabel II Gestión customers. It responds to anyone who files a complaint with the company's customer service departments and who is not satisfied with the response they received or does not receive a reply to their complaint within a period of two months. It is a last-resort response mechanism within the company that is governed by the principles of autonomy, equality and justice.

The work undertaken by the Customer Ombudsman is focused on managing the complaints received. In 2013 it received 966 complaints, of which 723 were accepted after it was considered they met the requirements provided in the Customer Ombudsman Charter. Of these, 341, 50.15%, were fully or partially resolved in favour of the customer.

The types of claims accepted for processing by the Customer Ombudsman in 2013 were as follows: 63.39% related to water billing issues, 4.98% related to the connection, 4.29% related to contracting issues, and the rest related to other Canal Gestión services (further information regarding Customer Ombudsman in annex 2 of this report).

Of the complaints dealt with in 2013 by the Canal Gestión Group companies, in 48.66% of cases they were resolved in favour of the customer. In the case of Canal Gestión, 67.79% were favourable for the customer.

Additionally to the claims and complaints received through the commercial circuit, incidents were also recorded concerning the provision of the various services. The number of notification of incidents recorded in 2013 by the companies of the group amounted to 125, 233, 7.30% more than in 2012, due to the incorporation of two new companies. In the case of Canal Gestión, the number of notification of incidents recorded in 2013 amounted to 82,716, 4.75% more than in 2012.

Addition to the internal complaint and claim management processes, customers can apply to the higher administration bodies responsible for ensuring consumer rights.

3.4.6 Customer and user satisfaction

We are concerned about what our customers think of the services we offer and we make an effort to improve every day and meet their expectations. That is why we carry out surveys to discover the satisfaction level of our customers.

Customer satisfaction level in 2013

	Customer satisfaction level (scale 1 to 10)	% of customers who would recommend the service
INTEGRATED WATER CYCLE MANAGEMENT		
Canal de Isabel II Gestión	7.65	90.60
Triple A	8.00	96.30
Metroagua		78.37
Amagua	8.60	49.00
INTEGRATED CYCLE MANAGEMENT SUPPORT SERVICES		
Recaudos y Tributos	9.00	90.00
AAA Dominicana	9.80	
OTHER ACTIVITIES		
Inassa / Amerika T.I.	8.66	86.59

3.4.7. Advertising and communication campaigns

The Canal Gestión Group develops an intensive work toward raising environmental awareness to foster sustainable practices.

In the case of Canal Gestión, as we are a 100% public company, our advertising practices and communication campaigns are governed by the regulations on institutional advertising, outstanding among which is the sixth additional provision of the Madrid Regional Budget Law 5/2013, of 23 December, which stipulates the obligation of transparency when contracting media and also the need for our investments in advertising to be previously approved by the Regional Government of Madrid.

In the case of Triple A, it has adopted the principles defined by the Colombian Advertising Self-regulation Code, by which any information published must comply the prevailing constitutional, legal and ethic rules, according to the objectives established for the economic, cultural, social and environmental development of Colombia.

3.4.8. Product quality

The companies in the Canal Gestión Group dedicated to the integrated water cycle management have established a strict programme of water monitoring up to its final delivery to the consumer with the aim of guaranteeing security.

In the case of Canal de Isabel II Gestión, the analyses corresponding to the water supply quality monitoring and control programme are performed in three laboratories integrated in the Water Quality Area and in another thirteen integrated in the area of treatment operation, where the determinations required by *Royal Decree 140/2003, of 7 February, establishing the health criteria for water quality for human consumption are performed* . Canal Gestión also manages the control of the quality of the treated effluents from the WWTPs and the quality of reclaimed water for watering green spaces, by means of the purified water laboratory in Majadahonda (Madrid)

It also has a network of Automatic Monitoring Stations (AMS), to control drinking water quality.

Aguas de Alcalá UTE continued with the Alcalá de Henares water Supply Quality Control Plan in 2013, carrying out a more exhaustive analytical control than that established by the prevailing legislation (Royal Decree 140/2003).

Canal Gestión Lanzarote (Spain) has two laboratories, one for drinking water , certified according to ISO 9.011 standard, and another for waste and reclaimed water, certified according to ISO 9.001 standard (quality) and ISO 14.001 standard (environment).

Triple A Barranquilla (Colombia), broadly complies with Colombian legislation on drinking water with the result that the water supplied by Triple A is one of the best in the country. The company has one quality control laboratory with two accreditations or recognitions of its technical capacity, by two entities such as the Industry Superintendence (SIC) and the Institute of for Hydrology, Meteorology and Environmental Studies (IDEAM), which guarantee the tests made to the water are carried out according to NTC ISO 17025:2005 standard.

Metroagua (Colombia) also has a quality control laboratory accredited by the IDEAM, in August 2012, which operates according to that established in NTC ISO/IEC 17025:2005 standard. Said laboratory, besides from servicing Metroagua, also works for external clients conducting physical-chemical and micro-biological analyses on water samples.

Amagua in Ecuador commissions the performance of sample analyses of the distribution network as well as purified and reclaimed water to certified external laboratories.

Summary of quality controls carried out in 2012 and 2013

		Canal de Isabel II Gestión		TOTAL GROUP	
		2013	2012	2013	2012
Total analytical work performed	Samples analysed	722,400	758,302	752,580	793,954
	Analyses performed	6,309,941	7,010,234	6,555,891	7,302,111
Total analytical work performed (not including works for other organisations)	Samples analysed	721,627	757,575	735,872	776,030
	Analysis performed	6,292,206	6,994,017	6,441,614	7,158,647

Over the course of 2013, the companies of Canal Gestión Group have performed 7.30 million analyses from 793, 954 water samples (5.50% more samples than in 2012). Canal Gestión has performed 96% of the analyses carried out by the Group. Further information on the types of analyses performed by the companies of the Group is included in annex 2 of this report.

Monitoring the water at the intake and the water supplied by Canal de Isabel II Gestión

In the case of Canal de Isabel II Gestión, the intake water control is performed at the two possible sources; surface and underground water.

The monitoring of surface water is carried out by means of a limnological study of the reservoirs and rivers used for the intake, whilst the underground water monitoring has aimed at the analytical characterisation of the resource, in compliance with that established in the environmental conditions for underground water by the Environmental Department of the Autonomous Region of Madrid.

The surface water used to produce drinking water usually has a high quality; most of the surface water collected is classified into the two highest quality levels established by the prevailing legislation.

To monitor the water that has been treated and supplied, two programmes are used based on traditional manual sampling: a sample is systematically taken from the water intake and output pipes at the WWTPs, from the headwater tanks and regulators and official sampling points located in the network; together with another un-programmed auxiliary point established to attend claims and specific studies.

The manual sampling system was complemented in 2013 with a network of 40 automatic monitoring stations (AMS) installed in the outflows of the WWTPs, large water tanks and the most important junctions of the water supply. All the stations are equipped with sensors that continuously measure a series of chemical variables and send the results in real time to the main control centre — located in the main offices in Majadahonda—, using the communication network of Canal de Isabel II Gestión itself.



Accreditation laboratories

Canal de Isabel II (Spain)

The National Certification Organisation (ENAC in Spanish) awarded Canal the UNE-EN ISO/IEC 17025, certification in 2011 to perform physical, chemical and microbiological analyses at the Central Laboratory and the laboratories in Arganda and Griñón. The certification has since been extended after new testing methods were incorporated and currently includes continental water, water for consumption and reclaimed water.

Moreover, all the Canal Gestión laboratories and the Automatic Monitoring Stations (AMS) are included in the scope of the quality and environmental management systems implemented by the Company and certified since 1977, in accordance with standards UNE-EN ISO 9001 and UNE-EN ISO 14001. In 2011, these certifications were reassessed and confirmed by TÜV International. Likewise, all the activities carried out in the different laboratories meet the occupational health and safety requirements in accordance with standard OHSAS 18001, both regarding permanent facilities and the use of chemical products, and in the actions carried out on-site (sampling, monitoring station networks, etc.).

Triple A Barranquilla (Colombia)

The company's quality control laboratory has two accreditations: one from the Industry and Trade Supervisory Board (SIC in Spanish) for 31 water quality tests and the other from the Institute of Hydrology, Meteorology and Environmental Studies (IDEAM in Spanish) for 22 environmental-type trials. These accreditations demonstrate the capacities of the laboratories to carry out tests that allow us to control processes and provide a better service to customers.

Metroagua (Colombia)

The company's metering laboratory has been accredited with the International ISO17025:2005 standard by the National Accreditation Body of Colombia (ONAC). This enables it to carry out calibrations of meters of 15 mm to 20 mm diameters, thus guaranteeing transparency in procedures, impartiality when it comes to making calibrations, confidentiality of the results issued, and compliance with legislation.

3.4.9. Customer security and security at our facilities

To ensure the provision of services we offer our customers, the companies in the Canal Gestión Group have to guarantee the management and control of security at all the facilities and offices where we operate.

To do so, key aspects are addressed in a coordinated way, including building and facility security services, self-protection plans, security of large dams, water fraud control, coordination of enforcement agencies and customer data protection.

Operational security

The parent company Canal de Isabel II Gestión, has its own team of security specialist and together with the other companies in the Group it also contracts security staff. The Canal Gestión Group only contracts security companies that are accredited to carry out activities under the national legislation of each of the different countries in which we operate. This ensures that the staff has received training in constitutional rights and fundamental rights and freedoms. At Triple A and other Latin American companies in the Canal Gestión Group, the training of security staff specifically includes information on human rights and the legislation of each country relating to individual rights and freedoms.

Self-protection in buildings and facilities

All the companies within the Group in Spain and Colombia have self-protection plans that are organised on two key elements: training and involvement. The staff which is going to form part of these teams is selected and then all the staff is given theoretical and practical training on handling fire extinguishing resources, performing drills where evacuation and action procedures are practiced, including the staff who are to be in the building, the members of the Primary Intervention Teams (PIT), and the Alarm and Evacuation Teams.

Canal de Isabel II Gestión dam safety

In 2013, Canal Gestión carried out more than 2,000 maintenance and inspection operations on dams and analysed more than 265, 000 auscultation figures.

In addition to this and in the case of large dams, the pertinent emergency plans are implemented which consist in establishing means and resources to control dam safety, executing the appropriate corrective actions and warning the organisations involved and the nearby population that could be potentially affected. Dam emergency plans are required by the civil protection law and contain the mechanisms to minimise the possible damage caused by a dam bursting or not working properly.

Customer and supplier data protection

All the companies in the Canal de Isabel II Gestión Group guarantee the privacy of customers and the protection of their personal data pursuant to the provisions of the prevailing legislation on data protection at a national level in each country in which the Group operates.

Canal de Isabel II Gestión maintains an ongoing improvement system in the processes related to the compliance of the personal data protection legislation, in order to guarantee the privacy of customers and the protection of their personal data. Therefore, controls have been implemented within the quality system and the following action has been taken in 2013:

- The data collection documents have continued to be updated, reviewing the purpose for which they will be used.
- The data collection documents inform the customers about who is responsible for the file, the purposes for which the data will be used and the how they may exercise their right to access, rectify, cancel and contest that information (ARCO in Spanish).
- Canal de Isabel II Gestión has replied in writing to all the customers that requested to access, rectify, contest or cancel their personal data. Responses are processed in accordance with the provisions of the regulations provided for the Data Protection Law (LOPD in Spanish)
- Professional training courses on the Data Protection Law were completed with the aim of reinforcing the knowledge of our employees.

Over the course of 2013, no claims from the Spanish Data protection agency were recorded due to infringement of the data protection legislation prevailing in Spain.



3.5. MANAGING THE IMPACT WE HAVE ON THE ENVIRONMENT

The Canal de Isabel II Business group has been entrusted by local, regional and national authorities the management of one of its key natural resources: water. Because our mission is to manage a resource that is vital for the life and development of society, we have for many years paid particular attention to ensure that our processes take the environmental variable into account.

3.5.1. Environmental management approach

The Canal de Isabel II Business Group develops all its activities according to its quality and environmental policies, as well as its occupational health and safety (OHS) policies. Therefore, most of the companies in the Group have implemented, or are in the process of implementing and certifying various quality management systems that meet ISO 9001 standards, environmental systems that meet ISO 14001 standards, and occupational health and safety systems that meet different standards including BS OHSAS 18001:2007.

In terms of the environment, the Group has progressed in recent years on issues related to environmental management. Currently, the five companies with the greatest environmental involvement have a certified environmental management system that meets ISO 14001 standards, (implemented in Canal Gestión, Hispanagua, CCU and Aguas de Alcalá UTE and, undergoing implementation, at Triple A and Canal Gestión Lanzarote). The activity of these companies accounts for 77.15% of the Group's aggregated turnover. This section will set out the policies in force at the two main companies with the most activity and interactions with the environment: Canal de Isabel II Gestión, in Spain and Triple A Barranquilla, in Colombia.

Environmental policies and organisation at Canal Gestión (Spain)

Canal de Isabel II Gestión develops all its activities taking into account its quality and environmental policy, as well as its occupational health and safety policy. To guarantee compliance, the company has implemented and certified a quality and environmental management system according to ISO 9001:2008 and ISO 14001:2004 standards, and an occupational health and safety management system according to BS OHSAS 18001:2007 standards, which cover the collection, treatment, commercialisation, distribution and quality control of drinking water in the Autonomous Region of Madrid, as well as the treatment of waste water in the same area, except in the municipality of Madrid.

Further information on our environmental commitments can be found on our website:
<http://www.canalgestion.es/es/gestionamos/cuidamos/>

Canal Gestión monitors the quality system, the centralised waste management, spillage control and the coordination of issues related to occupational health and safety through specific areas of the company's management structure.

The Quality, Environmental and Occupational Health and Safety Committee is the specific body that manages and drives the management system, is responsible for all the aspects of coordination and decision-making (quality, environment and health and safety). It is chaired by the Managing Director and also comprises all other company Directors, the Assistant Director for Quality, Water Quality and Communication and Public Relations System, as well as the department heads for Environment Quality and Prevention Systems and the Customer Ombudsman.

The most important decisions adopted by the Quality, Environment and Occupational health and Safety Committee in 2013 were as follows.

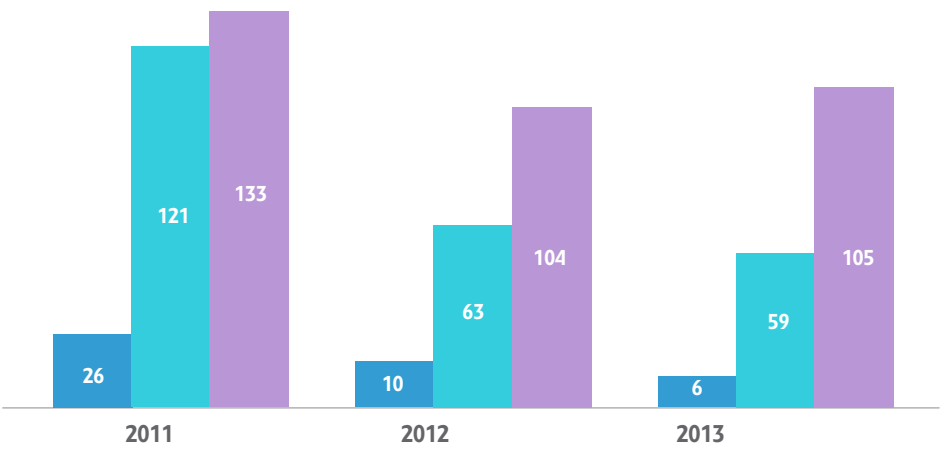
- Approve the 2013 targets for management systems (quality, environment and occupational health and safety).
- Propose the approval of the internal audit programme for 2014, according to ISO 9001:2008 y 14001:2004 standards and BS OHSAS 18001 standards.
- Carry out the Incorporation Plan of the Bottling Plant of Colmenar to the company's Quality, Environment and Occupational health and safety Management before May 2014.
- Monitoring of 31 objectives the majority of which are associated to 10 business plans for the period 2010-2015, and all integrated into the management systems, providing a better access to information about them.

The documentary basis for the management system, as at 31 December 2013, comprised 526 documents which included the *Quality and Environmental Manual*, the *Occupational Health and Safety Manual* and the *Prevention Plan*, general procedures, technical instructions and standardised working procedures. In 2013, changes were made to 111 documents.

The planned internal audits for 2013 were carried out. A total of 68 different organisational units and 68 facilities were audited.

The results of the internal audits carried out show the efficiency of the management system implemented and its capacity to identify areas for improvement.

Results from the internal audits on the quality, environmental and OHS systems at Canal Gestión



- Deviations
- Observations
- Opportunities for improvement



Environmental policies and management at Triple A (Barranquilla, Colombia)

In Colombia, Triple A has a quality system certified according to ISO 9001:2008 standards and industrial safety and occupational health certified according to OHSAS 18001:2007 standards. Work is currently under way on the implementation of the environmental management system according to ISO 14001:2004 standards, which is expected to be in place and certified 2014. The systems cover the main company activities (supply, sewerage, street cleaning and urban waste management) in Barranquilla and in most of the municipalities where Triple A provides its services. Moreover, since 2011, Triple A has an environmental policy in line with the approach taken by ISO 14001 standards.

ENVIRONMENTAL POLICY AT TRIPLE A

Sociedad de Acueducto, Alcantarillado y Aseo de Barranquilla S.A., E.S.P., as the company responsible for provision of drinking water and basic sanitation, declares its commitment to the provision of safe, reliable and efficient services and bases its management on the principles of sustainable development in accordance with current environmental law and the regulations governing the utilities sector in which it carries out its mission.

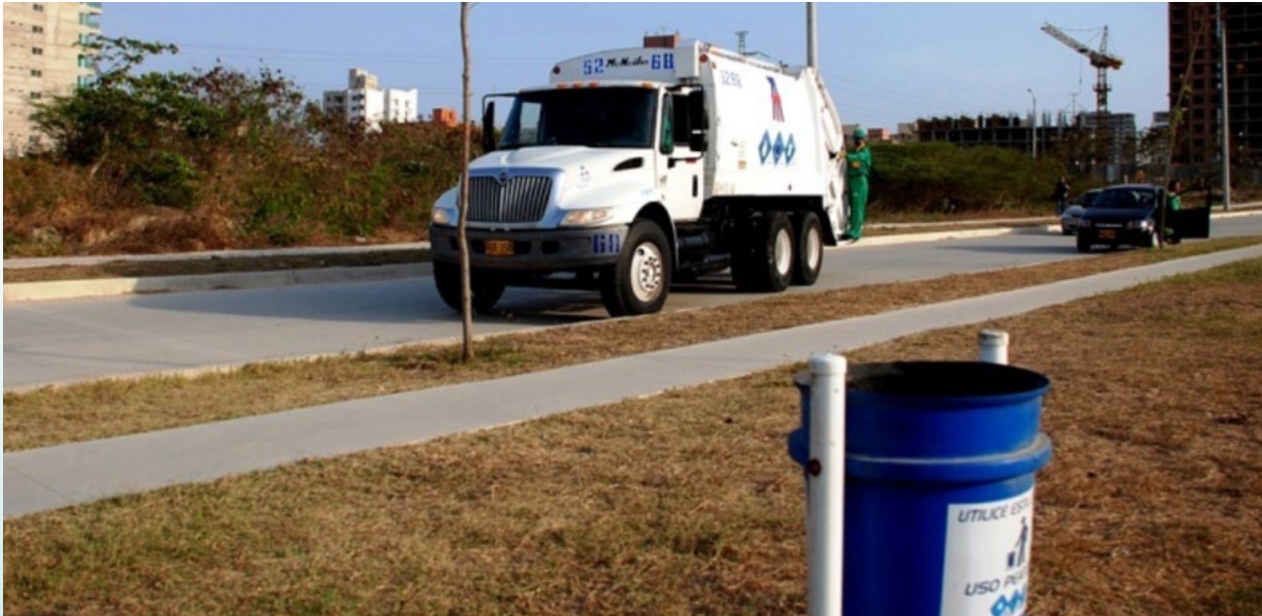
Likewise, it undertakes to comply with obligations to The environmental authorities at a local, regional and national level and those that may result from its contractual relations.

It also undertakes to improve the environmental performance of its operations through process

optimisation, continuous improvement and the prevention of pollution, strengthening the skills of our human resources and promoting stakeholder relations in our search to improve the local environment.

Aware that the best way of handling environmental aspects is with the collaboration of all those involved, a commitment is made to disclose to local communities any possible impacts that we may cause through activities inherent to our operations and the measures adopted to prevent or minimise them.

To this end, the management undertakes to offer the necessary resources by creating incentives for all its staff to acquire a clear environmental awareness and knowledge of the environmental effects that may be generated by their operations.



Triple A has indicators that measure the management of processes forming part of the management system. At the same time, the company’s policy has 18 strategic objectives directly related to the company’s management systems, the progress of which is measured by analysing certain indicators.

The company plans its internal quality, industrial safety and occupational health audits every year. Likewise, follow-up or renewal audits (as the case may be) on these management systems carried out by the certifying body IONTEC. The internal management system audits are carried out by the company’s auditors with the skills to perform this task.

Given the size of the company and the average detail of the audits, the internal audit plans last four months.

3.5.2. Managing and preventing the impact of our activities

Prevention of potential adverse impacts at source

The Canal de Isabel II Business group include prevention as part of its philosophy, «the best way of correcting an environmental impact is to prevent it from taking place», with a focus based on analysing the life cycle of our processes and activities.



Main initiatives carried out by the Canal Group to prevent and reduce environmental impacts	
Processes /Facilities	Actions to prevent environmental impacts
Projects and works	Assessment of environmental aspects in planning and projects
	Preparation of environmental impact studies
	Adoption of preventive, protective and corrective measures
	Monitoring and control of environmental aspects on works and subsequently
	Correction and mitigation of environmental impacts.
Reservoirs / River intakes	Reservoir protection plans (only in Spain)
	Control of ecological quality in the areas surrounding our reservoirs and intakes
	Emergency dam plans (only in Spain)
	Maintenance of the environmental flows (only in Spain and Colombia)
Wells	Sustainable exploitation of underground resources
	Artificial Aquifer Recharge Plan (only in Spain)
DWTP and seawater desalination plants	Efficiency in the treatment and reduction of rejections and wastage
	Treatment of 100% of slurry at DWTP (only in Spain)
Tanks and networks	Continuous quality monitoring
	Zoning plans and pressure control
	Renewal of networks
	Unbilled water reduction plans
	Breakage reduction plans
WWTP and DWTP	Improvement of treatment systems
	Nutrient elimination plan (only in Spain)
	Implementation of the National Water Quality Plan (only in Spain)
	Monitoring of discharge
	Thermal drying of sludge with co-generation (only in Spain)
	Reclaimed water re-use plan (only in Canal Gestión, Lanzarote and Ecuador)
Commercial management and support process	Electricity generation using biogas (only Canal Gestión)
	Communication campaigns on rational use
	Virtual office and e-billing (only in Spain and Colombia)
	Environmental education programmes
	Paper saving plans
	Energy saving plans (only in Spain and Colombia)
	Mobile offices
	Fleet of low-emission, hybrid and electric vehicles
	Natural gas vehicles in company fleets (only Triple A in Colombia)

Information on environmental management and impact

In Spain, Canal Gestión and the companies Hispanagua, Canal de Comunicaciones Unidas and Aguas de Alcalá UTE have certified environmental management systems that include the principle of continuous improvement in their performance, and its objectives are the prevention and minimisation of pollution, a commitment to compliance with prevailing environmental legislation and the monitoring and control of significant environmental aspects.

All the projects drafted by Canal de Isabel II Gestión are assessed for their environmental impact in accordance to that established by the Autonomous Region of Madrid Law 2/2002 on environmental assessment and Law 21/2013, of 9 December, on environmental assessment, as well as other standards applicable in the different autonomous regions where the company operates. These assessments analyse both the natural and physical environments and social and economic aspects and, if necessary, any relevant impact on local communities.

Over the course of 2013, a total of 19 Canal Gestión projects in the areas of Sanitation and Treatment, Supply and Construction were subjected to the process of environmental impact assessment. Furthermore, a positive declaration was obtained this year regarding the environmental impact of three initiatives.

In Colombia, Triple A has a clear policy of developing the significant aspects and impacts generated in each of the organisation's processes. In response to this assessment, a number of environmental have been implemented, outstanding among which are sanitation and waste management plans aimed at the environmental sanitation of the western bank of the River Magdalena, with works such as the construction of a preliminary waste water treatment plant with a capacity to treat three cubic meters of water per second.

Other programmes that have achieved good results include the use of natural gas in the company's mobile fleet and the management of solid waste by building a landfill in the Los Pocitos nature reserve. These projects include environmental monitoring and controls aimed at preventing or mitigating environmental impacts.

In the case of Metroagua, environmental impact plans are carried out on the most important projects that it considers may have associated negative environmental effects. In this regard, significantly important is the oceanographic study carried out by the University of Magdalena-INTROPIC research group with the University of Antioquia, on the effectiveness and contribution to the environmental conservation from the Santa Marta submarine outlet. The study carried out up until 2013 concluded that the waste water dilution treatment system preserves marine and land ecosystems.

In Ecuador, Amagua has established environmental impact studies and an environmental licence as an obligatory part of the project management process. These studies are contracted by Amagua in the case the project is to be carried out by the company, or are required from the developer/constructor if the feasibility of services is requested for a development constructed by them.

Also in 2012, Amagua began the application process for an ex-post environmental licence from the Ecuadorian Ministry of Environment for the Los Arcos waste water treatment plant, which has a capacity to treat 2,400 cubic meters per day, and presented the terms of reference and all the necessary documentation to the ministry for obtaining environmental licences for 51 minor WWTPs managed by the company. In 2013, the company obtained the environmental licence for its largest plant, the WWTP of Entre Ríos, and the progresses achieved in the procedures for the rest of the WWTP (further information at this link: www.amagua.com/index.php/obrasproyectos/conciencia-ambiental).

Prevention and communication on the environmental aspects of our operations

The prevention of potentially negative environmental effects arising from the operations and facilities of Canal Gestión comprises internal procedures and instructions for their identification, analysis and assessment and for their monitoring and control.

The centralised management of waste from the entire company and the control of emissions is performed by the Environmental Management Department. The control of discharges and the quality of effluents from WWTPs are the responsibility of the Water Quality Department. In addition, communication channels have been established with interested internal and external parties.

Regarding the execution of projects subject to administrative procedure for environmental impact assessment, there is always constant bilateral communication between the regional administrative service responsible for environmental affairs and our company with the aim of requesting and providing the sufficient documentation for the correct definition of works and their impact. Furthermore, consultation processes are carried out with other entities that could be affected.

In addition and within the framework of our management system, documented internal procedures exist related to the environmental and occupational health and safety communications with the parties interested. The results from 2011 to 2013 are shown on the following tables.

Communications of an environmental nature received by Canal Gestión*

	2011	2012	2013
Internal	4	5	6
External	63	34	62
Total	67	39	68

Types of external communications of an environmental nature received*

	2011	2012	2013
Waste water discharge	25	7	15
Noise	5		2
Works	-	6	22
Odours	13	5	5
Waste management	9	8	10
Effects on flora and fauna	9	4	6
Otras	2	4	2
Others	63	34	62

* Communications monitored by the Environmental Quality Systems Department

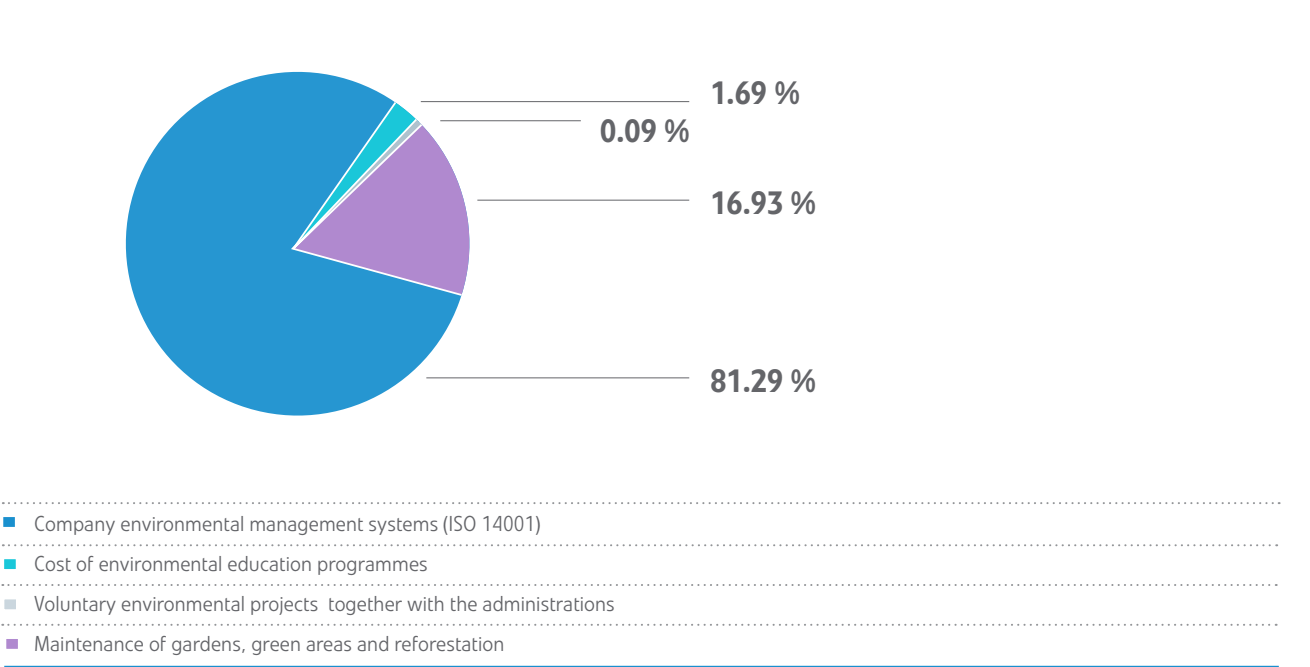
At Triple A, the assessment of environmental aspects is carried out on a continuous basis by those responsible for each of the activities with ongoing support from the Environmental Management Department. Likewise, a review is performed of compliance with environmental legislation and the requirements imposed by the environmental authorities. All the above is supported by the people in charge of the IT processes and applications with different user profiles according to needs, which allow for a continuous communication and provide each user with the decision-making tool required as a preventive measure with regard to environmental impacts.

In the other companies of the Canal Gestión Group in Spain and Latin America, the units responsible for monitoring the environmental compliance and responding to requests for environmental information are the quality and environmental departments of each company, in some cases with support from the communication and legal departments.

Expenditure and investment on environmental management and activities

Aside from the environmental expenses linked to the compliance of our legal obligations (waste management, sludge management, etc.) or associated with the process needed for the management of our business areas (treatment costs and urban waste management costs), the Canal de Isabel II Gestión Business Group has other annual expenses related to voluntary aspects of environmental management (nrelacionados con aspectos Environmental management (not governed by legislation) that in 2013 amounted to 14.93 million euros, which corresponds to 1.60% of the total aggregate expenditure by the Group. In the case of Canal Gestión, these expenses account for 7.42% of the total expenditure associated with environmental management, which in 2013 amounted to a total of 225.25 million euros.

Distribution of voluntary environmental expenditure by the Canal de Isabel II Gestión Business Group in 2013



Bearing in mind the intrinsically environmental nature of many of our procedures (we manage a natural resource and we deal with waste water treatment), much of our investments are specifically aimed at aspects linked to environmental protection. Thus, investments of an environmental nature in 2013 by Canal de Isabel II Gestión amounted to 34.35 million euros (15.79% of all investments carried out by the company).

3.5.3. Our environmental performancel

The Canal de Isabel II Gestión Business Group manages its facilities according to sustainable management criteria, aiming to rationalise the consumption of resources and energy, and to avoid discharges and emissions into the atmosphere managing waste correctly and regularly checking for noise and odours.

Consumption of materials

The main resources consumed by the Canal Gestión Group are the reagents used at the DWTP and WWTPs (see detail per reagents in annex 2 of this report).

In 2013, total consumption of reagents for the treatment of drinking water amounted to 28, 801 tons. In the same period, 38, 675 tons were used for the treatment of waste water. .

The second largest consumption of resources in terms of weight by the Canal de Isabel II Gestión Business Group corresponds to water meters. In 2013, the Canal Gestión Group «consumed» a total of 93,839 water meters, amounting to a total weight of 99.63 tons. The diameter of the meters, of 58 different types, installed by Canal Gestión in Spain, varies from 13 to 400 millimetres.

Main recorded consumption of resources: reagents from DWTP , desalination plants and WWTPs (tons per year)

	Canal de Isabel II Gestión		Spain*		Colombia**		Ecuador		Total Canal Gestión Group	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Reagents consumed in DWTP and desalination plants	29,177.07	24,728.91	29,244.03	25,052.15	3,460.55	3,749.34			32,704.59	28,801.49
Reagents consumed in WWTP	37,421.94	38,378.00	37,421.94	38,662.63	1.50	7.32	5.44	5.44	37,428.88	38,675.39
Total reagents consumed	66,599.02	63,106.91	66,665.98	63,714.78	3,462.05	3,756.66	5.44	5.44	70,133.47	67,476.88

* Canal Gestión, Aguas de Alcalá UTE and Canal Gestión Lanzarote

** Triple A Barranquilla, Metroagua and ASAA

Main recorded consumption of resource: water meters

SPAIN	Units		Weight (t/year)	
	2012	2013	2012	2013
Canal Gestión* - Hispanagua	138,008	75,659	163.04	84.20
Canal Gestión Lanzarote		3,607		3.47
Total Spain*	138,008	79,266	163.04	87.66
COLOMBIA	2012	2013	2012	2013
Triple A Barranquilla	40,792	42,293	26.77	37.80
Metroagua	10,042	8,414	6.59	7.52
Total Colombia**	50,834	50,707	33.36	45.32
ECUADOR	2012	2013	2012	2013
Amagua	3,820	6,159	2.6	4.4
Total	151,870	93,839	172.25	99.63

* Does not include branch in Cáceres and Aguas de Alcalá UTE

** Does not include ASAA



Paper is the main recorded resource consumed by administrative activities, which in 2013 amounted to 107.15 tons. 34.74% of the paper used is recycled (61.05% in Spain).

In the case of Canal Gestión in Spain, a printing rationalisation programme was carried out for employees at the headquarters in 2013. To this end, shared multifunction devices were installed as well as a centralised printing management console for users which, by applying printing policies and quotas allows reducing the environmental impact and costs, mainly due to the reduction in the consumption of paper, energy and consumables, and improves the service availability. In 2013, the overall consumption of paper in administration activities ay Canal Gestión has decreased by 17.38% compared to the previous year.

The consumption of paper in commercial activities, such as mailing bills and other documents amounted to 171.46 tons in 2013, this is a decrease of 5.04%.

In the case of Canal Gestión, the printing of commercial documents in 2013, was produced through a service provider with certification from the Forest Stewardship Council (FSC), which guarantees that said provider only uses paper produced from forests managed according to FSC principles.

Main recorded consumption of resources (tons per year)

	Canal de Isabel II Gestión		Spain*		Colombia		Ecuador		Dominican Republic		Panamá		Total Canal Gestión Group	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
White paper	13.65	13.16	21.22	19.59	23.45	30.42	1.68	3.17	15.08	14.62	7.32	2.12	68.75	69.92
Recycled paper	28.62	21.77	33.07	30.71	0.35	0.40	0.01	0.01	4.52	4.30	-	1.81	37.95	37.22
Total consumption	42.27	34.92	54.29	50.30	23.79	30.82	1.69	3.18	19.60	18.92	7.32	3.93	106.70	107.15

*Includes Canal Gestión and the rest of Spanish companies. For 2012 it does not include Aguas de Alcalá UTE, or Canal Gestión Lanzarote

Main recorded consumption of resources: consumption of paper in mailing of bills and commercial documents (tons per year)

	Canal de Isabel II Gestión		Colombia*		Ecuador**		República Dominicana		Panamá		Total Canal Gestión Group	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Bill envelopes	45.50	43.18	0.004	0.12	-	-	-	-	-	-	45.50	43.30
Bills	53.52	46.45	22.99	26.44	1.69	1.91	20.43	15.39	-	0.09	98.64	90.28
Commercial document envelopes	6.49	7.84	-	-	-	-	-	-	0.67	1.36	7.16	9.20
Commercial documents	15.57	12.74	11.98	15.29	0.47	0.50	1.26	0.15	-	-	29.28	28.68
Total Consumption	121.08	110.20	34.97	41.85	2.15	2.41	21.69	15.54	0.67	1.45	180.57	171.46

*Does not include Metroagua

**Only includes Amagua

Energy consumption

The Canal de Isabel II Gestión Business Group is a major energy consumer. Its processes require the consumption of energy from various sources, mainly electricity. Therefore, aware of the importance of this consumption, we have been developing initiatives in recent years to generate electricity through processes that make use of synergies with water management, and at the end of 2013 we were also the company with the largest installed electricity generation capacity in the Autonomous Region of Madrid, with a total of 82.05 megawatts installed.

In 2013, direct energy consumption from various resources and used to run the facilities and operations of the Canal de Isabel II Gestión Business Group amounted to 3,111 million gigajoules, of which 77.98% corresponds to electricity consumption (for further detail on consumptions refer to annex 2 of this report).

Recorded energy consumption

	Canal de Isabel II Gestión		Spain*		Colombia		Ecuador		Dominican Republic		Panamá		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Total consumption of electricity from the grid (kWh per year)	483,458	314,778	498,271	413,923	152,297	155,873	2,469	2,692	380	399	71	111	653,489	572,998
Self produced (kWh per year)	99,938	100,156	100,609	100,836	3	3	-	-	-	-	-	-	100,609	100,836
Total electricity consumption (kWh per year)	583,396	414,934	598,880	514,758	152,300	155,876	2,469	2,692	380	399	71	111	754,098	673,834

*Includes Canal Gestión and the rest of Spanish investee companies, except the branch in Cáceres

Recorded energy consumption (in thousands of Gigajoules)

	Canal de Isabel II Gestión		Spain*		Colombia		Ecuador		Dominican Republic		Panamá		TOTAL GRUPO	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Electricity consumption (Thousands of GJ)	2,100.22	1,493.76	2,155.97	1,853.13	548.27	561.14	8.89	9.69	1.37	1.44	0.26	0.40	2,714.75	2,425.80
Consumption of fossil fuels (thousands of GJ)	516.26	521.84	536.88	576.17	108.04	101.30	3.13	3.13	2.64	3.17	2.85	1.13	653.54	684.90
Total electricity consumed (thousands of GJ per year)	2,616.49	2,015.60	2,692.85	2,429.30	656.31	662.44	12.01	12.82	4.01	4.61	3.11	1.53	3,368.29	3,110.70

*Includes Canal Gestión and the rest of Spanish investee companies, except the branch in Cáceres

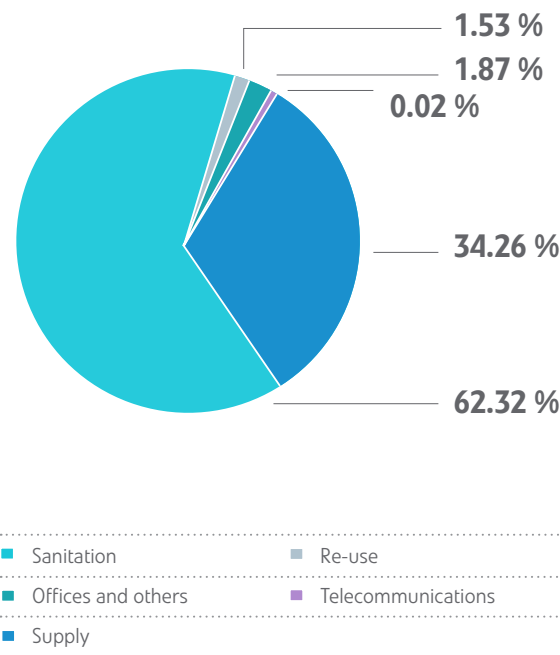
In the case of Canal Gestión, slightly higher inflows to the reservoirs and a lesser use of the alternative resources (wells, the Rivers Tajo and Alberche) compared to 2012, mean that energy consumption in 2013 decreased significantly. The energy consumption by Canal Gestión was 28.88% lower than in 2012 and the total energy consumption was 22.97% lower than in 2012.

The total energy consumption by the companies in the Group in the 2012-2013 amounted to 1,427.93 million Kilowatts per hour. Of these, 77.99% was consumption by Spanish companies and 22.01% by Latin American companies.

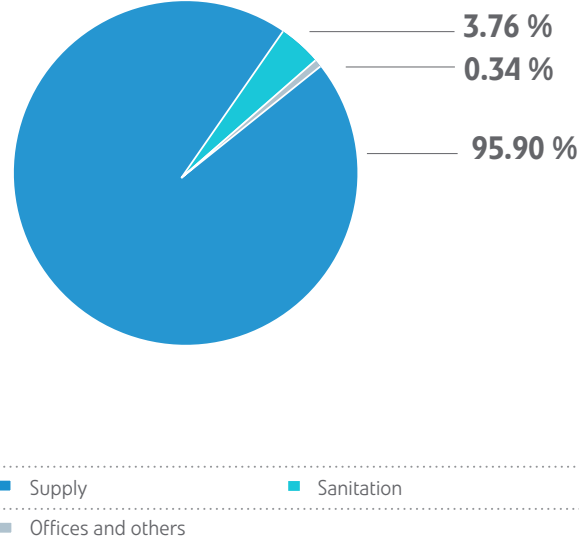
The distribution of consumption by activities is very different in Spain and in Latin America, due to the differences in the relative proportion of the services supplied. (see graphs below with distribution of consumptions by Canal Gestión and Triple A).

Regarding specific Group consumption data, taking into account the differences indicated above, vary greatly according to the precipitation during the year. Hence, when inflow from rivers is very low in Spain and Santa Marta (Colombia), as happened in 2012, a greater use of the well fields and water lifting facilities is needed. Therefore, energy consumption can almost double. Of special mention is Canal Gestión Lanzarote, whose high consumptions are due to the seawater desalination activity, which consumes a high amount of energy. The following specific consumption was recorded in recent years:

Percentage breakdown of recorded electricity consumption by Canal Gestión in 2013 per integrated water cycle management activity



Percentage breakdown of recorded electricity consumptions by Triple A Barranquilla in 2013 per integrated water cycle activity



Specific electricity consumption of the main Group companies in integrated water cycle management

	Canal de Isabel II Gestión		Canal Gestión Lanzarote		Triple A Barranquilla		Metroagua		Amagua	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Specific consumption of electricity for supply (in kWh/m³ of water channelled for consumption)	0.585	0.286		2.364	0.635	0.629	0.208	0.224	0.019	0.017
Specific consumption of electricity for sanitation* (in kWh/m³ of treated water)	0.550	0.524		1.591	0.177	0.164			0.254	0.305
Total specific consumption of electricity (in kWh/m³ of managed water)	0.572	0.415		2.168	0.578	0.571	0.293	0.311	0.119	0.116

*Includes sewerage, treatment, re-use (only Spain and Ecuador) and sludge thermal treatment (only Canal Gestión).

With regard to Canal de Isabel II Gestión in Spain in 2013, and according to the generation mix in the Iberian Peninsula supply, the indirect consumption of primary energy attributable to the consumption of electricity by Canal Gestión is estimated at 1.13 million gigajoules, of which 42.33% come from renewable sources.

Indirect consumption of primary energy attributable to the recorded consumption of electricity from the grid by Canal Gestión (in GJ/year)

	2012	2013	% for 2013
NON-RENEWABLE SOURCES			
Coal	220,745	169,266	14.94
Natural gas	504,534	244,408	21.57
Oil derivatives	120,904	0	0.00
Nuclear	574,586	239,819	21.16
Total non-renewable sources	1,420,769	653,492	57.67
RENEWABLE SOURCES			
Hydro-electric sources	58,953	145,500	12.84
Hydro-electric in special regime, wind, solar and other renewable	260,728	334,209	29.49
Total renewable sources	319,681	479,709	42.33
Total indirect primary energy consumption	1,740,450	1,133,202	100.00



Water consumption

Besides the water that we distribute through the supply services, we also keep records of the water we consume ourselves for our own processes (in-house consumption). This consumption can be detailed as follows:

- Water treatment processes at the DWTPs.
- Consumption on our premises.
- Cleaning of new piping during network renewal processes.
- Cleaning of water tanks.
- Water that is discharged when pipes need to be replaced.
- Purges from the network that are occasionally necessary for repair purposes.

In the case of Canal Gestión in Spain, the in-house consumptions amounted to 3.89 million cubic meters of water in the 2012/2013 hydrological year, which represents 0.78% of the water channelled for consumption in the same period. This is a slight increase of 1.04% compared to the previous hydrological year.

At all the Group companies engaged in the integrated water cycle management , in-house consumptions amounted to 4.38 million cubic meters in 2013, 0.58% of the water channelled for consumption.

Atmospheric emissions

Atmospheric emissions of greenhouse gases, acidifying substances and tropospheric ozone precursors attributable to operations by the Canal Gestión Group, come from:

- Indirect emissions caused by the generation of the electricity we consume from the grid. Besides our own consumption figures, these emissions also depend on the methods used to generate electricity of each country or region.
- Emissions associated with the sludge composting processes from the WWTPs.
- Direct emissions from the existing combustion facilities on Canal Gestión premises, which include those produced by the Loaches STP.
- Emissions of exhaust fumes from our 1,432 vehicles and works machinery, which in 2013 travelled more than 48 million kilometres (649 vehicles of Canal Gestión have travelled 10.10 million kilometres).

Atmospheric emissions

	POLLUTANT	2012	2013
Indirect emissions (the whole Group)			
Due to recorded electricity consumption (1)	CO ₂ (t/year)	171,989	125,259
Direct emissions from existing combustion facilities (only Canal Gestión in fixed sources)			
Slurry heating boilers Loaches STP and flares (2), natural gas boilers (3) and Gas-boilers in buildings (3)	CO ₂ (t/year)	101,732.51	102,249.80
	CH ₄ (t/year)	1.75	1.75
	N ₂ O (t/year)	4.12	4.14
	NO _x (t/year)	177.54	178.28
	SO ₂ (t/year)	3.26	3.23
	CO (t/year)	38.39	38.50
	COVNM (t/year)	2.57	2.57
Direct emissions in sludge composting processes (only Canal Gestión)			
Sludge composting at WWTPs (5)	CH ₄ (t/year)	34.25	54.67
	N ₂ O (t/year)	2.57	4.10
Direct emissions from mobile sources (Gas-oil, petrol and natural gas in vehicles- the whole Group)			
Exhaust gases from vehicles and machinery (4)	CO ₂ (t/year)	11,521.67	11,364.36
	CH ₄ (t/year)	1.09	0.87
	N ₂ O (t/year)	0.02	0.03
	NO _x (t/year)	54.81	54.84
	SO ₂ (t/year)	0.35	0.35
	CO (t/year)	74.60	61.06
	COVNM (t/year)	13.41	11.02

(1) Emissions estimated according to the electricity generation mix in the mainland power system and IPCC emission factors.

(2) Emissions estimated using the CORINAIR Emission Inventory Guidebook at the European Environmental Agency and the consumption and characteristics of the biogas obtained.

(3) Emissions estimated using the CORINAIR Emission Inventory Guidebook of the European Environmental Agency and the consumption and characteristics of fuels.

(4) Emissions estimated using the CORINAIR Emission Inventory Guidebook of the European Environmental Agency taking into consideration the emission factors from road transport in Spain and the consumption and characteristics of fuels.

(5) Estimated emissions based on IPCC 2006

Waste water treatment

Among the main activities carried out by the Group is waste water treatment in Spain, Colombia and Ecuador.

In the case of Canal de Isabel II Gestión, the company treats almost all the waste water from the population living in the urban centres of the Autonomous Region of Madrid, including the city of Madrid, through 156 facilities that treat waste water in 179 municipalities in the region and one municipality in the province of Toledo (Ontígola). In 2012, these plants treated a total of 493.49 million cubic meters, equivalent to 99.33% of the water channelled for consumption. The Group, including Canal Gestión, operate a total of 240 WWTPs which in 2013 treated 537.38 million cubic meters.

In 2013, the quality of the effluent treated at plants managed by Canal de Isabel II Gestión Maintained the high level of that characterises the system, having eliminated a total contamination estimated at 145,046 tons of organic matter and 125,889 tons of suspended solids.

In Latin America, due to a higher flow rate in the rivers and hence their increased natural dilution capacity, waste water treatment operations are less intensive. Triple A in Barranquilla manages 7 WWTPs that treat around 15 % of the water supply. In 2013, the plants managed by Triple A treated 32.82 million cubic meters.

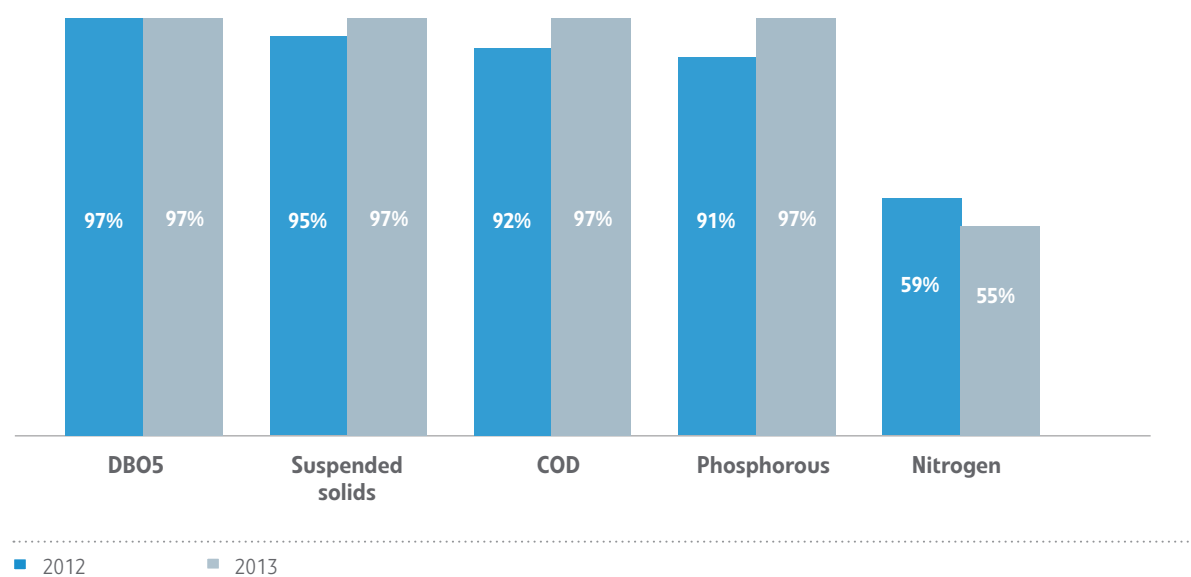
Amagua managed a total of 68 waste water treatment plants in 2013, which treated 6.82 million cubic meters.



Pollution eliminated at the WWTPs managed by the Canal de Isabel II Gestión Business Group

	CANAL GESTION		CANAL GESTION LANZAROTE		TRIPLE A		AMAGUA	
	2012	2013	2012	2013	2012	2013	2012	2013
Average input water quality (mg/l)								
DBO5	318	309	492	255	260	200	200	
Suspended solids	286	264	296	226	229	200	200	
Average quality of treated water (mg/l)								
DBO5	10	10	13	51	62	74	77	
Suspended solids	13	12	15	64	68	51	52	
Pollution load eliminated (t/year)								
DBO5	149,217	145,046	1,989	6,681	4,620	765	839	
Suspended solids	139,177	125,889	1,163	5,294	5,028	905	1,010	

Treatment performance in Canal Gestión (% pollution load eliminated)



To guarantee compliance with requirements on the elimination of phosphorous, in 2013 we have continued our works on the necessary changes at treatment plants included in our Nutrients Elimination Plan (nitrogen and phosphorous). This plan aims to comply with the Water Framework Directive in terms of discharged water in sensitive areas (practically the entire Autonomous Region of Madrid), by the end of 2015. This plan is part of the National Water Quality Plan.

In 2013, Canal de Isabel II Gestión continued to develop the Minerva Project, for the constant control of input pollution levels at the WWTPs and the quality of output effluent, and the Artemis Project, for updating the automation of the existing WWTPs.

In Colombia, the management by Triple A of the sanitary landfill at the Los Pocitos Natural Reserve close to Barranquilla, implies the management of the leachates generated at the facility (the data on the management of said leachates can be found in a separate section of this document focusing on waste management).

The activities of the companies in the Canal de Isabel II Gestión Business Group do not produce discharges of chemicals during the normal operation of their facilities. No notable incident took place in this regard over the course of 2013.

Waste management

In Spain, the control of waste management at the various production centres and collection points of Canal de Isabel II Gestión and the Spanish investee companies is based on the correct separation of waste at source and complemented by the monitoring of collection routes, programmed fortnightly, followed by the waste managers to ensure compliance with current legislation.

Centres producing waste and waste collection points in 2013

	Canal Gestión	Spain*	Colombia**	Ecuador	Dominican Republic	Panamá	TOTAL
Number of centres producing waste (hazardous and non-hazardous)	282	394	9	73	1	4	481
Number of centres declared and authorised as producers of hazardous waste	175	185	5				190
Number of waste collection points	17	31	8				39
Number of associated facilities	413	414					414

*Includes Canal Gestión and other Spanish investee companies

**Only includes Inassa and Triple A

The Canal Group companies managed a total of 34,883 tons of waste in 2013, of which 99.16% were non-hazardous waste (34,591 tons) and 0.84% hazardous waste (292 tons).

Waste managed by the Group companies (tons per year)

	Canal de Isabel II Gestión		Spain*		Colombia**		Ecuador		Panamá		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Non-hazardous waste managed	28,130	27,319	33,886	34,547	50	24	12	12	23	8	33,972	34,591
Hazardous waste managed	264	265	278	271	7	20	-	1			284	292
Total waste managed	28,394	27,584	34,165	34,818	57	44	12	13	23	8	34,265	34,883

*Incluye Canal Gestión y el resto de participadas españolas, excepto delegación en Cáceres

**Solo incluye Triple A Barranquilla

No hay información disponible de R. Dominicana

Canal Gestión is actively working for the appropriate management of non-hazardous waste in order for most of it to be re-used, or recycled. In 2013, a total of 6,298 tons of non-hazardous waste were managed for recycling, of which 94.60 tons were paper and cardboard, whilst 494.52 were vegetable waste used at the Loeches cogeneration composting and thermal sludge drying plant as structural material for the preparation of compost and 5,516 tons of sand from WWTP filters and WWTP de-sanding processes that were recycled at construction and demolition waste recovery plants.

Recycled or re-used non-hazardous waste in Spain

	CANAL GESTION		OTHER SPANISH COMPANIES		TOTAL SPAIN	
	2012	2013	2012	2013	2012	2013
Managed non-hazardous waste (kg)	28,129,832	27,318,606	5,756,467	7,228,835	33,886,299	34,547,441
Recycled or re-used waste (kg)	8,436,992	6,297,698	27,410	26,525	8,464,402	6,324,223
Percentage of recycled or re-used waste	29.99%	23.05%	0.48%	0.37%	24.98%	18.31%

Over the course of 2013, Canal Gestión and the Spanish investee companies managed a total of 34, 547 tons of non-hazardous waste of which 92.88% was from WWTPs and WWTS treatment processes.

In Latin America, our companies are gradually adopting the Canal Gestión waste management model. Significant progress was made in terms of waste management over the course of 2013, especially in Triple A Barranquilla which is implementing its environmental management system in accordance with ISO 14.001 standard.

The hazardous waste generated by Canal Gestión and the Spanish investee companies in 2013, has reached the amount of 270.75 tons (45.47% were recycled or recovered at destination).

Recycles or recovered hazardous waste in Spain

	CANAL GESTION		OTHER SPANISH COMPANIES		TOTAL SPAIN	
	2012	2013	2012	2013	2012	2013
Hazardous waste managed (kg)	264,228	265,121	13,530	5,626	277,758	270,747
Waste recycled or re-used (kg)	106,053	121,576	595	1,531	106,648	123,107
Percentage of hazardous waste Recycled or re-used	40.14%	45.86%	4.40%	27.22%	38.40%	45.47%

As in the case of non-hazardous waste, the progresses in the environmental legislation in Latin America are making our companies manage an increasing amount of hazardous waste. In 2013, our companies in Ecuador and Colombia managed 21.39 tons of this waste.

(Further information on waste managed by our companies, in annex 2 of this report).

THE “VERDEAZUL” PROGRAMME: PROGRESSING ON RECYCLING IN COLOMBIA

In Colombia, Triple A Barranquilla launched its «Verdeazul» programme in 2012, one of the first and most ambitious solid urban waste collection initiatives to be undertaken in the country and in Latin America.

The programme, developed over the course of 2013, in the north of the city of Barranquilla, aiming to collect recyclable material from buildings, residential areas, hotels, universities, restaurants shopping centres and other establishments to achieve a commitment to the responsible disposal of waste. This means that the this amount of plastics, paper, tetra pack material, bottles, cardboard, metals and other material must not be sent to the city’s sanitary landfill of the Los Pocitos Environmental Park, yet can be used for other purposes, thus contributing to a longer useful life for the landfill

and helping to look after the environment as it does not turn into rubbish.

Triple A has a collection centre where workers, who were previously informal recyclers perform the task of separation and preparation of the material to then sell it to the different companies operating in the industrial sector that reincorporate the material into the production cycle based on their own activity. Therefore, Triple A contributes to the environmental and economic sustainability of the city.

With campaigns like this, Triple A establishes links with different social entities, such as business leaders, trade associations, associations, schools and universities, to promote citizen culture initiatives that seek to raise awareness in the population about the importance of public services.



Management of sludge at the WWTPs and slurries from DWTPs

As well as the hazardous and non-hazardous waste associated with our processes, a significant amount of slurry is generated during drinking water treatment at our DWTPs and sludge during waste water treatment at our WWTPs.

Sludge generated at the WWTPs managed by the Grupo canal Gestion companies (tons per year)

Type of waste	CANAL GESTION*		CANAL GESTION LANZAROTE		TRIPLE A**		AMAGUA		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Dehydrated sludge (t/year)	181,508	175,224		4,548		2,281	1,986	2,096	183,495	184,149
Dry matter (t/year)	40,308	39,694		662			198.60	209.55	40,506	40,566

* The sludge generated at the treatment plants operated by the City Council of Madrid are not included. The drying of the sludge generated at these facilities and their final destination is not included in our management and is the responsibility of the companies contracted by the Madrid City Council directly.

**Triple A does not recover the sludge from its WWTP every year and we do not have details on dry matter.

Firstly, most of the dehydrated sludge from our WWTPs is used for agriculture. In 2013, 71.70% of the 175, 224 tons produced by the Canal Gestión WWTPs was used for this purpose. Secondly, the characteristics of certain types of sludge prevent its use in agriculture which in the case of Canal Gestión accounted for 20.50% of the total sludge produced at the WWTPs the final destination of which is the Loeches sludge treatment unit» of these, 201.5 tons were used as light fuel or in cement plants.



Final destination in percentage of the sludge generated at the WWTP and slurry at DWTPs*(%)

Tipo de residuo	CANAL GESTION*		AGUAS DE ALCALA UTE		CANAL GESTION LANZAROTE		TRIPLE A***		AMAGUA	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Landfill	0.00	0.00	100.00	100.00		100				
Direct application of the dehydrated sludge on land	76.51	71.70							100.00	100.00
Composting	4.72	7.80								
Other treatments (**)	18.77	20.50					100.00			

* Does not include the sludge generated at the treatment plants operated by the Madrid City Council.

**The other treatments include the sludge processed at the Loeches STP

***Triple A has slurries in land next to its facilities and the sludge goes to the landfill.

The compost produced at the Loeches STP was registered in 2011 with the Spanish Ministry of Agriculture as a fertiliser that can be sold for agricultural or gardening purposes.

In Spain, Canal de Isabel II Gestión has slurry treatment plants at all its DWTPs. In 2013, the amount of slurry treated at these plants amounted to 30, 681 tons, the equivalent of 4,264 tons of dry matter. In Colombia, the large amount of solids swept by the River Magdalena as it flows through Barranquilla means that the sludge production at the DWTPs is considerably greater than in Spain. In Ecuador, the company Amagua does not produce drinking water itself as the water it distributes is treated by the supply system to the city of Guayaquil.

Slurry generated at the DWTPs (tons per year)

Type of waste	CANAL GESTION		AGUAS DE ALCALA UTE*		TRIPLE A***		TOTAL	
	2012	2013	2012	2013	2012	2013	2012	2013
Sludge generated (t/year)	30,680.54	21,907.37	2.80	-	14,381,830	11,138,278	14,412,513	11,160,185
Dry matter (t/year)	4,264.03	3,394.00	0.70	-	46,208	40,506,187	50,473	40,509,581

*In 2013 Aguas de Alcalá UTE did not extract sludge from its DWTP

**The high figure of Triple A are due to the large amount of solids carried by the River Magdalena in its mouth in Barranquilla

The final destination of the dehydrated sludge and slurry from the DWTPs and WWTPs in Spain and Ecuador is mainly for agriculture.

Use of sludge in agriculture in Spain

	2011	2012	2013
No. of composting plants	6	4	45
Hectares composted directly with dehydrated sludge	5,086	3,837	4,565

Provision of urban waste management services and street cleaning services in Colombia

Besides the internal management of the Atlántico department (Colombia), the Canal de Isabel II Business Group manages solid urban waste and carries out street cleaning services through Triple A Barranquilla.

The main activity indicators and key figures of the cleaning activity (sanitation) undertaken by Triple A in the past years are the following:

Activity indicators and parameters regarding the cleaning services provided by Triple A in Barranquilla (Colombia)

	2011	2012	2013
No. of municipalities served with solid waste collection services	4	4	4
No. of municipalities provided with cleaning services	4	4	4
No. of inhabitants provided with solid waste collection services	1,391,270	1,475,924	1,543,695
No. of inhabitants provided with cleaning services	1,391,270	1,475,924	1,543,695
Coverage by cleaning services as percentage of the population	100%	100%	100%
No. of kilometres swept	433,707	455,148	491,174
No. of major producers receiving services	2,550	2,752	2,885
Amount of pruning waste collected (tons)	11,398	9,154	8,844
Amount of rubble collected (tons)	26,281	23,269	25,218
Amount of hazardous waste collected, managed and treated (tons)			43
Total No. of sanitary landfills managed	1	1	1

(Continues)

(Continuation)

	2011	2012	2013
Total N° of filled sanitary landfills managed closed	1	1	1
Production of Biogas in sanitary landfills (million cubic meters)			15.58
Biogas burnt in flares (million cubic meters)			0.25
Amount of household waste dumped (tons)	594,132	321,291	525,529
Amount of non-hazardous industrial waste dumped (tons)	38,435	62,297	40,269
Amount of inert waste dumped (tons)	26,281	30,951	27,480
Amount of leachates produced (cubic meters)	135,053	57,183	120,787
Amount of leachates treated (cubic meters)	127,544	63,293	32,733
Leachates treatment capacity (litres/second)	7	7	7
BOD eliminated in leachates (percentage)	97.00	93.18	94.99
COD eliminated in leachates (percentage)	97.00	83.90	89.81
TSS eliminated in leachates (percentage)	96.30	82.73	76.52
Fats eliminated in leachates (percentage)	92.20	95.83	80.17
N° Of environmental checks performed	33	28	33
Fumigations carried out in the sanitary landfills	110	106	102
Odour controls carried out in the sanitary landfills	60	718	312

Control of noise, odour and radio-electric transmissions

In 2004, a monitoring programme was launched in Canal Gestión to control the levels of external environmental noise generated by the facilities operated by our companies and that could cause disturbances to the population or in areas of particular sensitivity.

In 2013, the number of facilities monitored was 178, with a level of compliance above 97% according to criteria based on the internal standards of Canal Gestión for this type of control .

Results from the noise level control programme at Canal Gestion

	2011	2012	2013
No. of facilities controlled	140	145	178
No. of non-compliances recorded	4	5	5

In addition, the emission of odorous substances from the deodorisation equipment at the WWTPs in Spain is controlled within the framework of the Atmospheric Emission regulatory inspections defined by the current legislation, which had 49 control points in 2013. In the 2006-2013 period 100% level of compliance was achieved.

Results from the hydrogen sulphide emission control programme at the WWTPs

	2011	2012	2013
No. of facilities controlled	72	75	49
No. of non-compliances recorded	0	0	0

Canal de Comunicaciones Unidas (CCU) carries out an annual campaign to measure and certify the telecommunication stations managed by the company in order to check that emission levels in the area around the stations and in the areas where people may normally be are below the limits established in the regulations approved by *Royal Decree 1066/2001*, on conditions for the protection of the public radio-electric domain, restrictions on radio-electric transmissions and measures for health protection against radio-electric transmissions.

Compliance with environmental legislation

Within the framework of the environmental management system, Canal de Isabel II Gestión has procedures for the identification and access to requirements established by the environmental law and for the regular assessment of their compliance.

In 2013, 22 penalty proceedings were recorded by the Tajo Hydrographic Confederation, amount to at 31 December 2013 a total of 41, 100 euros. Of these proceeding only five are directly related with the environment, as its is involuntary dumping matter. None of these penalties subject to these proceedings are of a significant nature.

As a result of efforts made by the entire organisation in Spain, in the last five years environmental penalties have been reduced despite that the number of facilities, networks and municipalities managed has grown considerably.

The rest of the Canal Gestión Group companies were not subject to penalties in 2013, except for Amagua, to which the prefecture of Guayas (Ecuador) opened a proceeding due to odours in the WWTP of Plaza Madeira, proceeding that was finally closed and resolved in favour of the company.

3.5.4. Energy efficiency and climate change

Most experts agree in pointing out to the importance that the potential effects of climate change may have on the water resources at a global level.

In the case of Spain, the best estimates conclude «water resources will suffer significant reductions as a result of climate change. By 2030 we can expect average reductions of between 5% and 14%, whilst by 2060 an overall average reduction of 17% is expected in water resources on the Iberian Peninsula. These figures rise to over 20-22% for the scenarios forecast for the end of the century. Together with the reduction in resources, an increased variation is expected in the yearly figures».

In the case of Latin America, the companies in the Group, and mainly those in Colombia, have had to face the extreme consequences in recent years of the climate phenomena of «El Niño» and «La Niña». Extreme climate phenomena make our companies vulnerable to the effects of climate change, which can cause serious problems in the operation of supply and sanitation systems.

In terms of supply, problems exist in most processes, for example, in collection where the quality of untreated water is reduced by major increases in water turbidity. These effects also lead to significant erosion and, with that, conduit failures, mainly in the regional water pipelines, forcing companies to frequently suspend services.

In the last four years, Metroagua has had to face seasons of intense draught resulting from «El Niño» phenomena, which produced a drastic reduction in the flows of surface and underground sources that supply the city. Following these droughts, the company was faced with the challenge of confronting the opposite and no less traumatic climate situation: «La Niña», which caused torrential rains and led to flooding with serious damage to the water supply and sewerage systems in the city.

The companies in the Canal de Isabel II Gestión Business Group must, therefore, share the concerns regarding the future sustainability of our supply model and work both in the area of mitigating greenhouse gas emissions (GGE) and in the field of adapting to the consequences of climate change and thereby achieve readiness to face adverse effects in the future.

Our greenhouse gas emissions (GGE)

In 2013, estimates indicate that greenhouse gas emissions (GGE) by the Canal Gestión Group amounted to 240.06 kilotons of CO₂ equivalent, which represents a decrease in our total GGE of 17.53% compared with 2012. This decrease in 2013, when compared to 2012, is mainly due to a decrease of the emissions associated to the consumption of electricity from the grid (27.17% on 2012) caused by less use of alternative supply sources in Spain such as the wells and the Rivers Tajo and Alberche, due to the natural inflows into the reservoirs of Canal Gestión in 2013 were similar to the historical average.

Regarding the source of our emissions, these can be divided into three areas:

1. Direct emissions, produced by Canal Gestión Group processes and/or facilities (area 1) which account for 25.31% of the total in 2013. They include our main combustion activities, the sludge composting processes and the processes associated with the emissions from the 1,432 company vehicles.
2. Indirect emissions, associated with the consumption of electricity by the companies in the Group (area 2), which are the most important in terms of percentage at 52.18% of the total in 2013. The calculation is based on the average emission by kilowatt/hour produced by the electricity system in Spain, Colombia, Ecuador, Dominican Republic and Panama.
3. Indirect emissions associated with supplies and services provided by the companies in the Group (area 3) such as waste transport, the consumption of reagents and paper consumption. These emissions accounted for 22.51% of our emissions in 2013 and also include emissions associated with travel by company employees to and from work (19 million kilometres in 2013).

With regard to specific emissions, our emissions in 2013 were 0.172 kilograms of CO₂ equivalent per cubic meter managed¹. This represents a decrease of 20.49% compared to 2012.

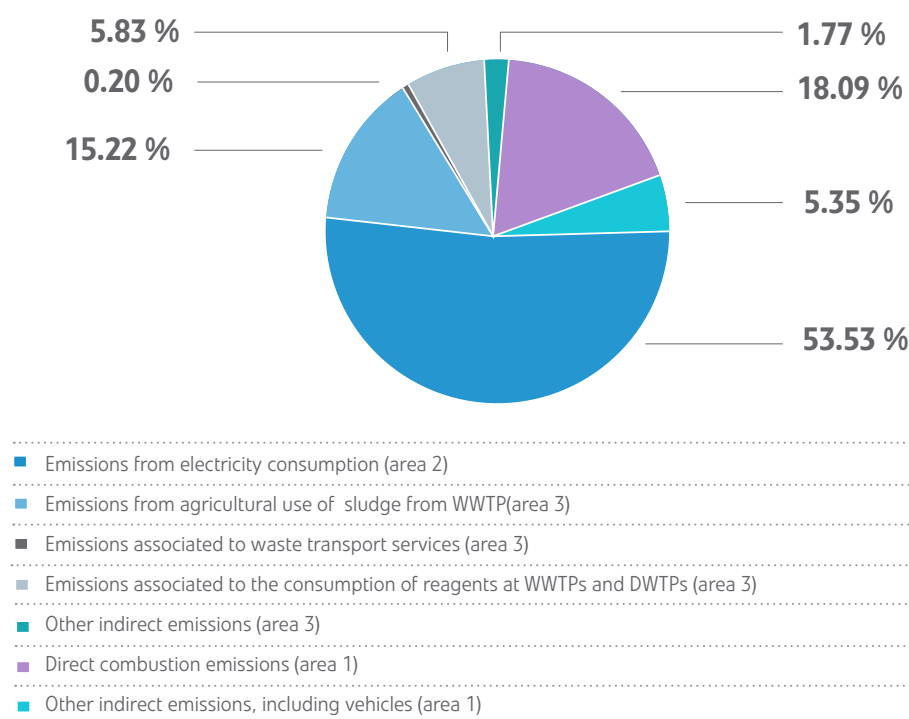
¹ Sum of water channelled for consumption, the water treated at the WWTPs and the reclaimed water for re-use over the course of the year.

Estimated greenhouse gas emissions (GGE) by the Canal Group (in thousands of tons of CO₂ equivalent)

SOURCE OF EMISSIONS	2011	2012	2013	TOTAL 3 AÑOS	% EN 2013
Direct GGE associated with Canal processes (area 1)	59.35	59.50	60.76	179.61	25.31%
Emissions from boilers for slurry heating, cogeneration and flares*	46.77	45.64	46.19	138.59	19.24%
Emissions from sludge composting processes at WWTPs*	1.49	1.52	2.42	5.43	1.01%
Emissions from natural gas boilers in buildings*	0.22	0.26	0.25	0.74	0.11%
Emissions from gas boilers in buildings*	0.50	0.54	0.51	1.54	0.21%
GGE from mobile sources (vehicles and machinery) **	10.37	11.55	11.39	33.31	4.75%
Indirect emissions related to electricity consumption (area 2)	112.80	171.99	125.26	410.05	52.18%
Indirect emissions associated with electricity generation **	112.80	171.99	125.26	410.05	52.18%
Indirect emissions from supplies, services and other activities (area 3)	62.71	59.58	54.04	176.32	22.51%
Emissions from employee travel to and from work*	3.963	3.695	3.902	11.56	1.63%
Emissions from de-sanding and sand screening waste removal transport services*	0.098	0.090	0.086	0.27	0.04%
Emissions from other non-hazardous waste transport*	0.006	0.005	0.006	0.02	0.00%
Emissions from hazardous waste transport*	0.001	0.001	0.001	0.00	0.00%
Emissions from the transport of WWTPs sludge and DWTP slurry*	0.443	0.432	0.401	1.28	0.17%
Emissions associated with the agricultural use of WWTP sludge by third parties*	42.543	39.572	34.452	116.57	14.35%
Emissions associated with the landfill use of WWTP sludge*	-	-	-	-	0.00%
Emissions due to manufacture of reagents used in water supply and sanitation**	15.056	15.078	14.505	44.64	6.04%
Emissions due to supply of paper consumed by the Canal Gestión Group**	0.594	0.705	0.683	1.98	0.28%
Total GGE (areas 1,2 and 3)	234.85	291.07	240.06	765.97	100.00%
Emissions in kg of CO ₂ equivalent per m ³ managed(channelled for consumption + treated at WWTPs + reclaimed water)	0.167	0.217	0.172		

* Only Canal de Isabel II Gestión in Spain
** All the companies in the Canal Group

Contribution from the different sources to greenhouse gas emissions in the period 2011-2013



As seen in 2013, the factor with the greatest influence on our emissions in Spain is the natural inflow from rivers into our reservoirs. Hence, years with low levels of inflow imply a significant increase in our consumption of electricity as resources have to be obtained from alternative sources, such as wells, the eater lifting facilities on the Rivers Alberche and the Tajo DWTP. Therefore, taking into account that the main source of GGE is electricity consumption(around 40/60% of the total), Canal Gestión and the companies in the Canal Gestión Group are focusing their efforts on reducing emissions through the generation of clean energy and the search for energy efficiency.



Generating clean energy

EIn Spain, Canal de Isabel II Gestión and Hidráulica Santillana have facilities that work in synergy with the processes of water supply and sanitation, allowing us to generate renewable energy, take advantage of sub-products from our processes and co-generate electricity.

At the end of 2013, Canal Gestión and its Business Group managed the following electricity generation facilities:

- 8 hydro-electric power stations, with a total installed power of 39.10 megawatts, managed by Hidráulica Santillana, a company in the Canal Gestión Group.
- 11 WWTP with electricity generation engines using biogas produced during the treatment process , with an installed power of 23.40 megawatts.
- One cogeneration plant associated with the WWTP thermal sludge drying process, with an installed power of 19.2 megawatts.
- A small waste water head of water at the Sur WWTP that uses the height difference at the discharge point, with an installed power of 0.150 megawatts.
- 2 microturbines installed on the distribution network with an installed power of 0.2 megawatts.

Thereby, Canal Gestión is currently the company with the largest installed capacity for the production of electricity in the Autonomous Region of Madrid, (a total of 82.05 megawatts).

The generation of hydro-electric power varies substantially, as it depends on river flows and the water available in reservoirs each year.

Therefore, the average inflows in 2013 led to an increase in the production of 128.19% compared with 2012, which was a year of scarce inflows.

Hydro-electric power generated and its proportion of total energy consumed by Canal Gestión and its business Group in Spain

	2011	2012	2013
Hydro-electric power generated (in kWh/year)	117,518,166	47,032,271	107,321,698
Percentage of hydro-electric power generated out of the total energy consumed by Canal Gestión	29.19%	8.06%	25.86%
Hydro-electric power generated and used by the Canal Business Group* (in kWh/year)	16,436,530	12,136,435	13,344,853
Hydro-electric power delivered to the national grid(in kWh/year)	101,081,636	34,895,836	93,976,845

(*) In-house consumptions by Hidráulica Santillana and consumption by Canal Gestión

Furthermore, we manage a number of WWTPs that have electricity cogeneration plants that recover energy from the biogas produced during the sludge digestion process. They also use heat recovered from combustion gases produced by engines and refrigeration housings to heat the sludge digestion process and thus avoid the direct consumption of natural gas for this purpose.

Since 2010, Canal Gestión also has a cogeneration plant at the Loeches Sludge Treatment Plant, which as well as producing the head needed to dry the sludge from the WWTP, it has generated a total of 57.52 million kilowatts in 2013.

Electricity generated at the water treatment facilities of Canal Gestión in Spain and comparison with total consumption

	2011	2012	2013
Electricity generated from biogas at the WWTP (kWh/year)	71,632,865	78,820,316	78,832,357
Electricity generated by the thermal drying of sludge at Loeches (kWh/year)	56,106,321	57,731,000	57,525,288
Total power generated by the head of water of the Sur WWTP ater treatment activities (kWh/year)	569,725	553,922	492,566
Total power generated through water treatment activities (kWh/year)	128,308,911	137,105,238	136,850,211
Percentage of hydro-electric power generated out of the total energy consumed by Canal Gestión	31.87%	23.48%	32.98%
Electricity generated and used by Canal Gestión (in kWh/year)	81,269,423	88,083,762	87,385,641
Electricity delivered to the national grid (in kWh/year)	47,039,488	49,021,476	49,464,570

Besides these facilities, Canal Gestión has begun to install microturbines at particular points on the supply network to enable generating electricity. The first of these microturbines entered into service in 2012 with an initial power of 100 kilowatts in the Majadahonda tank and in 2013 the second microturbine was installed with a similar power and located in the DWTP of Griñón. They have both produced in 2013 a total of 456.46 megawatts per hour.

Thanks to the energy generated in both processes associated with the water supply and sanitation, Canal Gestión has a high level of self-supply.

Total production and level of electricity and energy self-supply by Canal Gestión in Spain			
	2011	2012	2013
Total energy produced by Canal Gestión and Hidráulica Santillana (millions of kWh/year)	245,83	184,42	244,63
Electricity produced and supplied to the national grid (GWh/year)	148,12	83,92	143,44
Percentage of electricity self-supply at Canal Gestión	61,07%	31,59%	58,96%

The degree of self-supply each year depends mainly on the availability of water resources to produce hydro-electric power.

Electricity generation by Canal Gestión has avoided the emission in 2013 of 42, 565 tons of CO₂, 59.10% of the emissions from electricity consumption by Canal Gestión in Spain and 17.73% of the total emissions by Canal Gestión Group.

Actions aimed at reducing emissions

As well as generating electricity, the Canal de Isabel II Business Group has undertaken major efforts in recent years to reduce greenhouse gas emissions, outstanding among which are:

Raising awareness to reduce water consumption and promote the rational use of water

In Spain, due to the current climate and hydrological characteristics, most of the reduction in our emissions is directly related to the reduction achieved through water consumption savings by our customers and users. If we total the savings of the last eight years (2006-2013), the emissions avoided thanks to the efforts by the people of Madrid (918.67 million cubic meters) would amount to (using our specific emissions for 2013) 158.314 tons of CO₂ equivalent.

In the case of Latin America, the efforts in savings campaigns have also achieved a significant reduction in emissions, as less electricity is needed to supply the population.

The efforts by the Group to raise awareness on efficiency and the rational use of water therefore have a direct effect on lowering GGE.

Reforestation initiatives

Over the course of 2013 Canal Gestión has planted 696 trees and 5,590 bushes on degraded land. In Colombia, Triple A has planted 1,719 trees and 1,114 bushes in the last two years in the woody boundary area of Los Pocitos and the El Pueblo WWTP.

The development of the newly planted and sowed vegetation constitutes one way to absorb carbon, a short-term response to the global warming caused by the accumulation of carbon dioxide in the atmosphere.

Encouraging the use of public transport

In Spain, Canal de Isabel II Gestión and Hispanagua finance 75% and 50% respectively, of the cost of the public transport travel pass in the Autonomous Region of Madrid to approximately one third of the employees who ask for it.

The use by Canal Gestión employees of public transport has avoided 5.71 million kilometres of travel to work in private vehicles in 2013, the equivalent to saving 774 tons of CO₂ equivalent.

In the case of Triple A, in Colombia, six routes are operated to bring employees to work. These services carry 200 employees every day. Amagua in Ecuador, also operates two transport routes for its employees.

Sustainable mobility

One of the most important elements to be valued among the current terms and conditions for vehicle procurement at Canal Gestión is the vehicle's rate of CO₂ emissions. The lower the rate, the higher the valuation of the vehicle. Other criteria used are lower consumption as well as possible use of bio-fuels.

Moreover, since 2011 our vehicle fleet has included 22 hybrid vehicles and since 2012, and 5 electric vehicles. Canal Gestión's hybrid and electric vehicles have travelled a total of 231, 734 kilometres in 2013, thus avoiding the emission of 24.84 tons of CO₂ equivalent.

In turn, Aguas de Alcalá UTE has the aim of reducing its vehicle fleet by 3% . This target will involve maintenance of the current fleet and its regular inspection.

In Barranquilla (Colombia), Triple A has undertaken an ambitious project in recent years to replace the petrol-powered vehicle fleet by vehicles powered by natural gas. In 2013, natural gas accounted for 10.84% of the fuel supply to the vehicle fleet in Colombia.

Innovation and development

In 2012, the first of the microturbines installed on the supply networks of Canal Gestión began to generate electricity by making use of the network pressure . In 2013, the second has begun operating and phase II of the installation plan has been tendered which will allow having a total of eight at the end of 2014.



Seeking energy efficiency

Since 2010, at Canal Gestión we have been developing our «Canal de Isabel II Energy Improvement Plan ». This plan seeks efficiency, from a comprehensive operational, technological, economic and environmental perspective) in energy management by improving coordination between the different areas of the company.

The plan is made up of three programmes which include the investment to increase the company's generating capacity (hydro-electric and using biogas); the renewal of facilities that are less efficient in terms of energy consumption and the review of operational processes and energy procurement and sale.

Triple A Barranquilla has begun a very relevant project for its operations: the self-generation of 9 mW of power with natural gas, within the DWTP in the district of Barranquilla.

The project aims to achieve significant saving in energy costs and a more sustainable and competitive operation. This project allows the company to obtain its own gas-based energy, for almost 90% of the

operations of the DWTP of Barranquilla. It is expected for the motorgenerators to start operating the first three months in 2014.

Furthermore, Triple A began in 2013 an energy efficiency programme aimed at optimising energy in its pumping and distribution processes, and to improve the water supply pressures to cover the demand.

The project includes public, electric and electro-mechanical works at the stations of Oasis (Soledad), Delicias, Recreo and Ciudadela (Barranquilla), to benefit its customers with a reinforced sewerage. Among other things, pumps and medium-voltage speed variator equipment was incorporated which are key elements to achieve energy efficiency in the pumping systems. This is electronic control technology to module water supply volumes and pressures, with service demand.

The start-up of the project will entail an annual saving for the company of 3,562 megawatts per hour.

Greenhouse gas emissions avoided by Canal Gestión in 2013 (tons CO ₂ eq/year)			
Emissions avoided by hydro-electric generation, biogas, cogeneration and microturbines.	54,632.25	44,420.85	42,565.00
Use of recycled paper	27.61	27.36	35.59
Employee public transport travel pass	907.43	871.14	773.86
Use of hybrid and electric vehicles in the fleet	6.83	17.96	24.84
Planting of trees and bushes (estimate)	136.93	84.62	139.57
Reduction of the percentage of sludge to landfill (compared with 2008)	4,099.81	3,846.17	4,177.23
Total emissions avoided	59,810.87	49,268.10	47,716.09
Percentage of emissions avoided compared with the emissions by Canal Gestión Group	25.5%	16.9%	19.9%

Moreover, the Group has ambitious projects underway in Colombia to take advantage of the energy available from the biogas generated at the sanitary landfill of Los Pocitos, located in the municipality of Tubará

CAPTURE AND USE OF BIOGAS FROM THE SANITARY LANDFILL OF LOS POCITOS (TUBARÁ, COLOMBIA)

The sanitary landfill of Los Pocitos, located in the municipality of Tubará, receives around 1,400 tons per day of solid urban waste from the metropolitan area of Barranquilla, which has a population of close to 1.15 million inhabitants.

Within the framework of the Clean Development Mechanism (CDM) of the Kyoto protocol, the company Triple A, as operator of the sanitary landfill, has the opportunity to make a technological development in the management of solid waste by capturing and using the gases produced by the waste dumped in the landfill. To do so, it has decided to use the benefits of trading certified emission reductions (CERs) produced by the activity.

The facilities included in the project, which began operating in November 2012, comprise a system for the active extraction of biogas from the anaerobic decomposition of the biodegradable part of the waste. The system of capture consist of installing extraction wells (high-density variable diameter polyethylene piping) that will enable the gases to flow from inside the waste mass to the conduction pipes (various diameters of PVC piping) on the surface of the sanitary landfill.

This piping will transport the gases to an enclosed flare that will burn the biogas flows effectively in controlled conditions. The flare has the capacity to burn biogas flows of over 1,500 cubic meters per hour. In the future, the gases that are not sent to the flare will be carried by the transport piping to a treatment unit that will clean them until they have the quality of fuel for feeding the internal combustion engines that will power the generation to produce electricity for the national grid.

The entire project is controlled by an automatic system that monitors the operating variables and registers all the resulting data required for a CDM-eligible project.

The implementation of this project will mean a reduction in greenhouse gases of over 700,000 tons of CO₂-equivalent for the period 2012-2019, corresponding to an accreditation period of seven years. An average annual reduction of over 70,000 tons of CO₂-equivalent is expected.

3.5.5. Managing biodiversity

Presence in protected areas

In Spain, the location of reservoirs managed by the Canal de Isabel II Gestión Business Group in the middle and upper river basins and in non-frequented areas, has boosted the local ecosystems associated with water and has attracted the migration of bird species that have been displaced by the gradual pressure on wetlands. Therefore, this has led to the creation of special and very interesting ecosystems in our reservoirs and their surrounding areas, which have coexisted with agricultural and livestock activities in the mountain regions.

These ecosystems perform a very important role in modulating the climate conditions and the hydrological cycle, as well as providing other values such as landscape and socio-cultural interests.

The catalogue of reservoirs and wetland areas in the Autonomous Region of Madrid, drawn up according to Law 7/1990, includes nine reservoirs belonging to the water supply system managed by Canal de Isabel II Gestión among the reservoirs selected for their singular value and unique characteristics.

Reservoirs in the supply system of the Autonomous Region of Madrid managed by Canal Gestión, included in the catalogue of reservoirs and wetland areas in the Autonomous Region of Madrid (*)

Reservoir	River	Year of entry into service	Dam height (meters)	Capacity (hm3)	A Water surface area in ha (**)	B Surface area of influence in ha (**)	Surface A+B in ha	Comments
Basin: Lozoya								
El Villar	Lozoya	1879	50	22.4	136	926	1,062	SCI Basin of River Lozoya and Sierra Norte
Puentes Viejas	Lozoya	1939	66	53	268	2,021	2,289	SCI Basin of River Lozoya and Sierra Norte
Riosequillo	Lozoya	1958	56	50	322	1,140	1,462	SCI Basin of River Lozoya and Sierra Norte
Pinilla	Lozoya	1967	33	38	113	776	1,219	SIC Basin of River Lozoya and Sierra Norte
El Atazar	Lozoya	1972	134	425.3	1,055	2,716	3,771	SIC Basin of River Lozoya and Sierra Norte

(Continues)

(Continuation)

Reservoir	River	Year of entry into service	Dam height (meters)	Capacity (hm3)	A Water surface area in ha (**)	B Surface area of influence in ha (**)	Surface A+B in ha	Comments
Basin: Jarama								
El Vado	Jarama	1960	69	55.7				
Basin: Guadalix								
Predezuela	Guadalix	1968	52	40.9	415	2,095	2,510	SCi Basin of River Guadalix
Basin: Manzanares								
Navacerrada	Samburiel	1969	47	11	91	260	351	Reservoirs and wetlands Autonomous Region of Madrid
Manzanares el Real	Manzanares	1971	40	91.2				
Basin: Guadarrama-Aulencia								
Navalmedio	Navalcarnero	1969	41	0.7				
La Jarosa	La Jarosa	1969	54	7.2	58	295	353	Partially included, Area of Influence in SCI: Basin of River Guadarrama
Valmayor	Aulencia	1976	60	124.4	775	877	1,652	Regional park regional Average course of River Guadarrama and its surrounding are
Basin: Alberche								
Los Morales	Los Morales	1988	28	2.3				
La Aceña	La Aceña	1991	67	23.7				

(*) Source: Canal de Isabel II Gestión and Environmental and Regional Planning Department of the Autonomous Region of Madrid
(**) According to catalogue of reservoirs or revised management plan
SCI: Site of community importance in accordance with the Habitats Directive 92/43/EEC

The surface area occupied by the facilities and infrastructures managed by Canal Gestión on land subject to some legal form of protection, amounted to 106.47 hectares in 20017, of which 9% were Special Bird Protection Areas (SBPAs), 52% Sites of Community Importance(SCI) under the European Union's Habitat Directive, and 39% other protected areas.

In order to update the information on the land we occupy in nature reserves, a document was drafted in 2012 entitled «Geolocation of Facilities belonging to Canal de Isabel II Gestión, located and subject to Environmental Protection Areas». By undertaking this project, in 2014 we will have the information together with the corresponding layered cartography, and a database will be created associated with each protected area and the facilities located therein.

In 1993, the island of Lanzarote was declared «Biosphere Reserve» by the UNESCO, becoming the second island of the Canary islands to have this rating. The presence of natural sites of interest, including the Timanfaya National Park , the existence of a higher environmental culture among the island's population, the existence of a vast catalogue of singular works adapted to the environment and the preservation of a model of territorial intervention based on agriculture which represents one of the most beautiful and singular heritages to be found in the world's extensive island culture. Thus, all the facilities of Canal Gestión Lanzarote are located within a protected area

In Colombia, Triple A Barranquilla has facilities in natural protected areas covering an area of 29.9 hectáreas.

Especies protegidas presentes

Some plant species of great value are present in the environmentl surrounding the facilities managed by Canal Gestión in Spain, which bare included in the Regional Catalogue of Engaged Wild flora and Fauna species, and include: Ilex aquifolium (holly), taxus baccata (yew), arbutus unedo (starwberry tree) Corylus avellana (common hazel), Fraxinus excelsior (European ash) Ulmus glabra (Which elm), Betula alba (silver birch), Sorbus aria (common whitebeam), Sorbus aucuparia (serbal de cazadores), Fagussylvatica (European beech), Quercus sober (Cork oak) and Viburnum opulus (Water elder).

Within the Regional Catalogue of Singular Flora and Ecosystems of the Autonomous Region of Madrid there are three examples of singular trees on land owned by the company:

- Category of notable trees:** a *Morus alba* (white mulberry), in El Vellón.
- Category of outstanding trees:** one *Abies Numidica* (Algerian fir) and one *Cedrus Deodara* (Deodar cedar), in the gardens of Santa Lucia in Torrelaguna.

In some areas where Triple A operates in Colombia the Cotton-top tamarin (*Saguinus Oedipus*) may be found, one of the primates in great danger of extinction in the world. This primate is found in the western part of the municipality of Sabanalarga, where Triple A manages the water supply and sewerage services. The waste water treated in the municipality of Sabanalarga are discharged into the western basin of the River Sabanalarga through a stream that crosses the areas where this species or primate is found.

In the case of Fontes da Serra sanitation of Guapimirim (Brazil), the DWTP water collection is carried out in the National Park of Sierra de los Órganos (Portuguese acronym: PARNASO). This park is an environmental preservation area (EPA) established by the Federal government. The park protects around 118 species of threatened animals, including one terrestrial invertebrate, sixteen amphibious, one reptile, seventy two birds and twenty eight mammals. Of these we should mention the Muriqui (*Brachyteles Arachnoides*) the largest primate of America. The Park was declared Biosphere Reserve by the UNESCO in 1991. Fontes da Serra every month assigns two employees to work in the National Park, one for gardening and the other to monitor the activities carried out in the park (hunting and illegal logging, among others)



Maintaining plant heritage

Within the process of preservation and improvement of the extensive plant heritage that Canal de Isabel II Gestión has associated to its facilities, the company annually analyses the maintenance requirements according to the particularities of each green area, both of the facilities managed directly by this division and other facilities according to the demands of the people responsible for them.

One of the company’s objectives is to contribute to the environmental improvement and plan the conservation of its natural heritage in the protected areas of the Autonomous Region of Madrid. Therefore, reforestation works are undertaken after the completion of new works or the extension of the already existing facilities, by planting local species to protect the biological balance, given the vast richness and botanical diversity of the different enclaves of a high ecological value.

In 2013, Canal Gestión has planted 696 trees, 5,590 bushes and 17,879 sub-shrubs with seasonal flower. The clearing of spontaneous vegetation for the prevention of forest fires was carried out by Canal Gestión on 191 hectares.

Restoration activities carried out in natural habitats

	2011	2012	2013
Works completes, including the corresponding collectors and outlets (No.)	8	7	-
Trees plantes (No. units)	532	683	572
Bushes planted (No. units)	6,088	2,345	672

Activities carried out to maintain the plant heritage

	2011	2012	2013
Conservation and improvement of areas around Canal de Isabel II Gestión, facilities, area of action (ha)	369	408	426
Reforestation, including newly planted trees and gardening work (No. units)	56,752	34,133	24,165
Clearing and preparation of land (ha)	190	186	191
Phytosanitary treatments of vegetation, area treated (ha)	200	223	219

The plant debris generated in the maintenance works of the green areas have been removed to authorised landfills to be recycled, with a total volume of 711, 120 kilograms of green waste, of which 335, 740 kilograms were managed and transported by Canal Gestión to the Loeches UTL for the production of compost.

Regarding the prevention and treatment of plagues and diseases, the company has continued to monitor the next box alternative systems installed the year before. Only in the cases in which where all the other alternatives are not viable and always choosing the less harmful products fro the environment, phytosanitary treatments were conducted on 218.55 hectares, 3,085 linear meters of hedges and 4,260 individual units.

The second phase of the reforestation of La Cañada Real Segovianaa was conducted in 2013, following the execution of the works to supply Miraflores de la Sierra and Soto del Real according to the commitment acquired by Canal de Isabel II Gestión, with the Área de Vías Pecuarias of the Autonomous Region of Madrid. A total of 535 trees and 445 bushes were planted, in the appropriate season, which are irrigated according to the water needs required by the vegetation according to the climate. Furthermore, uprooted or damaged species due to acts of vandalism along this route were replanted, as the case of seven junipers, ten scotch brooms and ten Pyrenean oaks.

This year it is worth noting the landscape improvement undertaken in the surrounding area of the reclaimed water tank of Cerro de Buenavista in Getafe, with 44 trees and 282 bushes and the s y el enclosure of the area surrounding the tank in Villaviciosa de Odón with hedge made up by thirteen cedars with the aim of minimising the visual impact of this large tank.

Furthermore, and within the improvement and conditioning works of the areas open to the public for the use and enjoyment of visitors, a rose garden has been created in the park build on the roof of the fourth tank of Plaza Castilla which is a new attraction, as is combines different types of multicoloured roses, valued for their great beauty and fragrance. Costs are economised in this rose garden, both in maintenance labour and in the reposition of 24,000 seasonal flowers in two campaigns per year, one in spring and the other in autumn.

At the work centre of Santa Lucía (Torrelaguna, Madrid, Spain), between the historical building of the Hydro-electrical plant and the modern facilities of Canal de Isabel II Gestión, the works continue to recover the French-style garden built in the first quarter of the 20th century which was enlarged in recent years. The old plant, originally known as the house of the machines, was also restored and modernised.

In this historic garden, considered of special interest in the Autonomous Region of Madrid, 490 box tree bushes were planted recovering the profile of the hedge that outline and form the characteristic French garden landscape, forming geometries, figures and spirals. 128 bushes and plants complete this harmonious scenery which is a delight for the senses.

Likewise, the landscaping plans at the Loeches UTL have continued, and the third planting phase was carried out with a total of 29 trees and 126 bushes planted to prevent the visual impact and the dust emissions caused by the processes that take place in therein.

Within the framework of its sustainability policy, Triple A has planted a total of 1,719 trees and 1,114 bushes in the last years in the wooded boundary between Los Pocitos and the El Pueblo WWTP. Moreover, the company has undertaken the care and conservation of the Sagrado Corazón park, the largest park in the city (32, 000 square meters), with extensive green areas for use by the community.

The activities carried out by the Environmental Management Department of Metroagua include raising awareness and reforestation, which are carried out in partnership with Metroagua Foundation. Work is carried out with different communities, which are offered the skills needed for the process and informed of the importance of carrying out these types of activities and the benefits they bring for the environment. At the end of the training it is decided which area needs reforestation and which kind of plants are needed. Gardening work at facilities is also carried out by the Metroagua Foundation, which has staff with the skills needed to care for the gardens and the different company headquarters, and also the most important parks of Santa Marta (Colombia). It is worth highlighting that Metroagua Foundation has been training, since 2009, children and adolescents environmental promotion officers, with the responsibility of explaining the the culture of conserving the environment to the people in the area.



Environmental flows

For Canal Gestión in Spain, the Hydrological Plan of the River Tajo basin, approved by Royal Decree 1604/1998, of 14 July, establishes the environmental requirements that must be met by the regulating reservoirs in the basin.

Specifically, the following environmental requirements are established:

El Vado: 9.36 cubic hectometres /year (equivalent to 297 litres/second).

El Atazar: 27,84 cubic hectometres/year (equivalent to 884 litres/second).

For the water supply system of Canal de Isabel II Gestión , the River Basin Plan also establishes a table with a monthly «minimum level» values for the normal operation of the supply managed by the company. The environmental requirements defined in the plan are not applicable at below these levels.

For the other river stretches, environmental guidance is provided in terms of a monthly volume equivalent to 50% of the average monthly inflow in the summer months, measured in the natural inflow figures considered in the plan, yet without specific studies. These studies must be carried out by the Tajo Hydrographical confederation.

In 2013, the compensation flows into the Rivers Jarama and Lozoya amounted to a total volume of 41.3 million cubic meters. When also taking into account the inflows from the other river stretches where there are still no specific studies, a total of 55.2 million cubic meters of compensation flows were contributed to the conservation of river stretches in 2013.

Compensation flows carried out by Canal Gestión (millions of cubic meters per year)

	2011	2012	2013
Compensation flows into the Rivers Jarama and Lozoya	40.00	33.68	41.31
Operating flows	145.07	1.50	142.28
Total	185.07	35.18	183.59

Apart from Canal de Isabel II Gestión in Spain, the other company in the Group that has regulated compensation flows at its collections points is Metroagua in Santa Marta (Colombia). The compensation flows carried out by Metroagua are as follows:

Compensation flows carried out by Metroagua- Colombia (in millions of cubic meters per year)

	2011	2012	2013
To the River Piedras	43.38	20.04	8.30
To the River Manzanares	43.37	26.47	10.60
To the River Gaira	58.67	41.80	22.69
Total compensation flows	145.42	88.31	41.59
Operating flows	0.43	0.42	0.41
Total	145.85	88.73	42.00

3.6. GETTING INVOLVED IN THE COMMUNITIES WHERE WE OPERATE

The Canal de Isabel II Gestión Business Group is firmly committed to becoming a reference in terms of culture, sport, leisure and the support of social initiatives in the areas where our companies operate. To that end, we carry out projects and make our facilities and our technological, human and economic resources available to society.

3.6.1. Supporting culture

The Canal Foundation

In 2000, Canal de Isabel II created a foundation of the same name as a sign of its social commitment with the Autonomous Region of Madrid. Through its foundation, Canal Gestión aims to give back some of its profits to citizens by organising activities of general interest.

The Fundación Canal organises its activities through seven «channels of activity»: Canal Actualidad, Canal Arte, Canal Ciencia, Canal Entorno, Canal Imagen, Canal Música and Canal Solidario (further information on its objectives and activities can be found at www.fundacioncanal.es).

In the period 2011-2013, the Fundación Canal organised nine exhibitions and 152 events of varying nature. Over the last three years more than 164, 000 people have visited the exhibitions centre at the Fundación Canal and more than 236, 000 people have participated in the activities performed by the Foundation over the same period.

Among the activities carried out this years particularly noteworthy are the exhibition entitled Magnum’s First, the contest Comprometi2.0, the 2013 Cuentagotas children’s Narrative Prize, and three sessions of the «A Debate» series that dealt with highly topical current affairs issues with leading figures from the public life.

Key figures on the activities carried out by the Fundación Canal

Indicator	2011	2012	2013
No. of exhibitions organised	3	3	3
Total No. of other activities carried out	45	43	58
Total No. of visitors*	77,508	78,465	80,416
No. of visitors to exhibitions*	57,429	49,061	58,100
No. of visitors to other activities	10,654	11,753	10,179
No. of online visitors to other activities	9,425	17,651	12,137

*Data exclusively from the Fundación Canal. Does not include visitors to the Sala Arte Canal managed by Canal de Isabel II Gestión.

Arte Canal Exhibition Centre

Located in Plaza de Castilla in Madrid, this exhibition centre is located inside the Underground Water Tank Four. The structure dates back to the first half of the 20th Century and covers an area of 2,000 square metres. Opened in November 2004, it has housed eight large themed exhibitions and has become an authentic cultural benchmark in the region.

This space, designed to display diverse and plural exhibitions aimed at the general public, has received more than 2.6 million visitors by 2013, to the ten exhibitions organised since 2004, among the most popular in terms of visitor numbers were «Guerreros de Xi’an» (2004-2005), «Faraón» (2005-2006) and «Leonardo da Vinci. El Genio» (2011-2012). Further information can be found on all the exhibitions organised by Arte Canal at : www.artecanal.es.

Canal de Isabel II Exhibition Centre (Raised water tank one)

The Canal de Isabel II Raised Water Tank , finished in 1911, is currently a unique space for exhibitions run by the Regional Department of Culture of Madrid and located in the former Raised Water Tank One of Madrid. In 1986, it was restored and fitted out as an exhibition hall. (Further information on the water tank can be found at: www.canalgestion.es/es/galeria_ficheros/comunicacion/publicaciones/Cien_anos_historia.pdf).

FERNANDO ALONSO COLLECTION

The Centro de Exposiciones Arte Canal hosted two major exhibitions in 2013: «Pompeii, catastrophe below Vesuvius» (2012-2013) and «Fernando Alonso Collection», which is showing from 3 December 2013 to 4 May 2014.

«Fernando Alonso Collection» is the first world exhibition on the professional career of the Spanish Formula 1 driver, which includes 270 pieces that give an insight of his sports career.

The exhibition includes from the first motorbike suit hand-sewn by Fernando Alonso's mother for his first competition at the age of 3, to the latest trophies won, as well as the nine karts and the eleven formula cars with which he has raced from 1999 up until 2011. Gathered for the first time are the single-seater from the Minardi, Renault, McLaren and Ferrari racing teams with which the driver has competed since he began racing in Formula 1, as well as boots, helmets, gloves, and 123 trophies, including the Formula 1 World Champion trophy.

There is also room for curiosities, such as the Fernando Alonso's first driving licence from 1985, gifts from

other fellow racers and personal photographs with the memories from the first years of his career.

At the large interactive table «Alo circuit» we can look at the success achieved in the karts championships, promotion formulas and formula 1, but also get an insight of the pilot's twofold dimension. Behind the driver's sport achievements is a physical training that reveals surprising details, a photo album with his most personal facet and the value of a team with who Fernando Alonso shares his success.

Through an audiovisual tunnel with multi-screen projections on both sides of the room, the visitor is shrouded by the fast rhythm and excitement of sound and speed. An impressive large-format installation that shows why formula 1 is considered one of the greatest shows in the world.

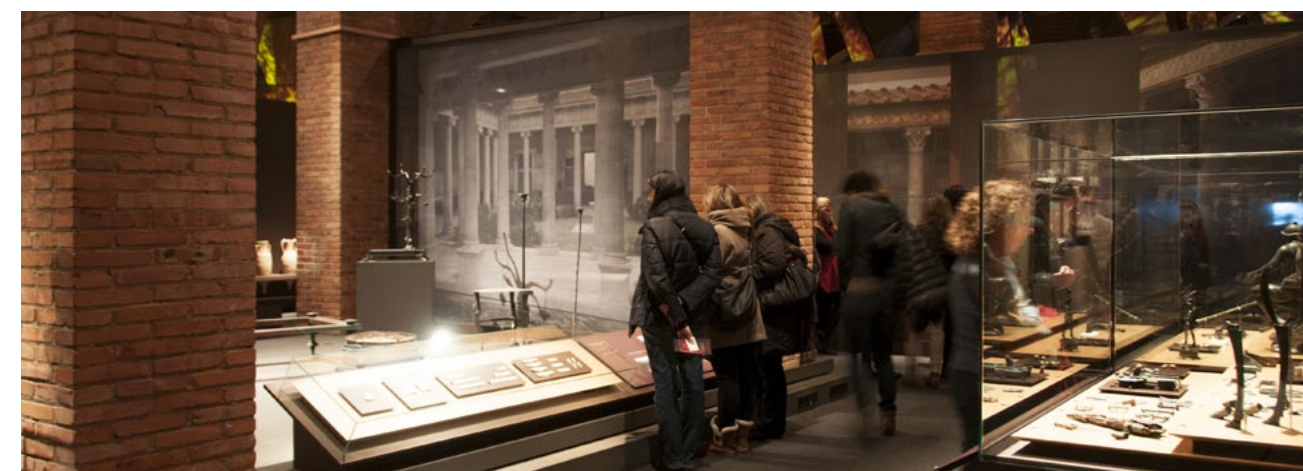
This show was organised by the Autonomous Region of Madrid, Canal de Isabel II Gestión and the Fernando Alonso Foundation.



This space is currently devoted exclusively to contemporary and audiovisual photography, and is becoming an established and emblematic space for the dissemination of the latest trends in this form of art. The gallery has hosted the most interesting proposals and artists on the national and international scene, cooperating annually with the ARCO and PhotoEspaña competitions.

Over the course of 2013 the gallery has hosted four exhibitions: «verweilen», by Aitor Ortiz; «La Oscuridad Natural de las Cosas», by Laura Torrado; «Around», by Dionisio González and, and at the end of December the exhibition «Nicolás Muller. Obras Maestras» was shown which ended in February 2014 and commemorated the hundredth anniversary of the artist's birth in 1913. (Further information on the exhibition's programme at:

www.madrid.org/cs/Satellite?c=CM_InfPractica_FA&cid=1142504171770&idConsejeria=1142697631805&idListConsj=1109265444710&idOrganismo=1109266228350&pagename=ComunidadMadrid%2FEsctructura&pv=1142507259435).



Other cultural activities of the Canal Gestión Group companies

Regarding the companies in Latin America, the Metroagua Foundation promotes a number of programmes, such as the Santa Marta Verde y Limpia programme through which various activities have been carried out to care for and preserve the environment. It also provides psychosocial support and legal advice, as well as psychosocial, educational and recreational activities for young people and children.

In Barranquilla, Triple A actively takes part and is a sponsor of the main cultural event in the city; the Barranquilla Carnival, which was declared Oral and Intangible Heritage of Humanity by UNESCO in 2006.

The company Amagua carried out activities for children from the Buijo Histórico school in the district of Samborondón and donated computer equipment to schools in various parts of Samborondón.

Publications by Canal Gestión and the Fundación Canal

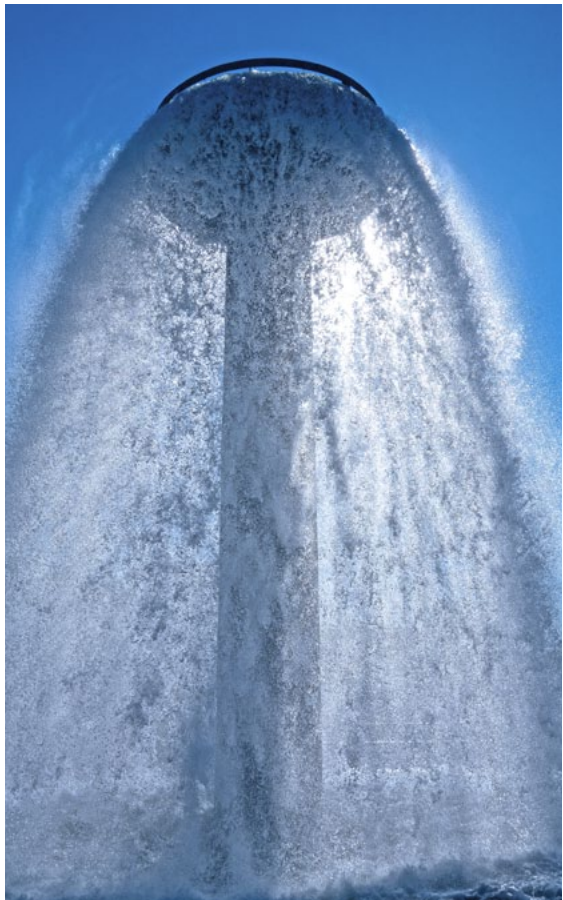
Both Canal de Isabel II Gestión and the Fundación Canal have a publishing line. The foundation focuses on publishing catalogues for exhibitions and other activities, while Canal has a more extensive editorial background accumulated over the years of history, which ranges from technical studies to more discursive works that focus on the central theme of water.

(a list of the titles published by Canal Gestión in 2013 and previous years is available at: www.canalgestion.es/es/comunicacion/documentacion/publicaciones.

A list of the publications by the Foundation can be found at: www.fundacioncanal.com/cat/publicaciones.

Conservation of business historical heritage

Canal de Isabel II Gestión is continuing the restoration and maintenance task it began years ago on its facilities and documentation archive, particularly those considered historical heritage, due to what they represent for the company and the people of Madrid.



Our historical and archaeological heritage (the Old Canal), in the process of being declared an Asset of Cultural Heritage, covers a valuable group of works and infrastructures spread along 77 kilometres of piping and include 4 dams, 28 aqueducts, 4 siphons, 35 mines, 32 beacons, a divider and 3 tanks as the main features of this legacy.

Likewise, projects have been carried out aimed at restoring and promoting storage and water channelling facilities, including the restoration work on Raised Water Tank One (Calle Santa Engracia in Madrid), which first entered service in 1912, one hundred years ago.

(An interesting presentation on our history and its technological and innovative milestones can be found at: www.canalgestion.es/es/gestionamos/innovacion/hitos/1848.html).

3.6.2. Promoting leisure and sport

In Spain, Canal Gestión has several leisure facilities and sport areas in the Autonomous Region of Madrid.

Urban recreational areas

Our company manages and provides the people of Madrid with several leisure facilities and sports areas in the Autonomous Region of Madrid. Right in the centre of the city, the company has 12 hectares of land located on the roof of Water Tank Three on Avenida de Filipinas. These facilities have received more than 2.5 million visitors since they opened in 2007.

Of these 12 hectares, one part is dedicated to a variety of facilities: football, paddle tennis, golf and leisure, and the other, located around the edge, is used for jogging and walking.

Also noteworthy in the centre of the city, are the swimming pools and a variety of sports facilities in the Campo de Guardias Water Tank and Water Tank Four, located near Plaza de Castilla.

Non-urban leisure areas

Canal de Isabel II Gestión, also has three non-urban leisure areas that are intended to reconcile the guarantee of water supply quality with the recreational use of the reservoirs. Therefore, this activity promotes water as a generator of economic activity and minimises the pressure on reservoirs near large cities.

The recreational areas are the Valmayor and El Atazar reservoirs, focused on sailing, rowing and canoeing; and the Riosequillo reservoir, which has one of the largest swimming pools in the Autonomous Region of Madrid, with a capacity for two thousand people. (Further information can be found at: www.canalgestion.es/es/compromiso/deporte/areas/valmayor/index.html).

Visitors to non-urban leisure areas of Canal de Isabel II Gestión (No. of visitors /year)

Area	2011	2012	2013
Riosequillo	40,379	49,000	49,218
El Atazar	5,930	3,352	4,704
Valmayor	5,352	3,719	4,238
Total	51,661	56,071	58,160

Club Deportivo Canal

The Club Deportivo Canal was founded in 1978, with the aim of promoting sport among the employees of Canal de Isabel II and their families. At present, the club has sections devoted to golf, athletics, canoeing, rowing, sailing, rugby, Olympic shooting and skeet shooting, and is open to all the society in Madrid. In total, more than 8,000 athletes have benefited wither directly or indirectly from the investment made by Canal Gestión through the Club Deportivo Canal, thereby complying its commitment as a public company to the people of Madrid.

Titles achieved by Club Deportivo Canal over the course of its history
15 Olympic titles
3 Olympic diplomas
6 Individual World Championships
10 Individual World Championship runner-ups
7 European Championships
48 Spanish team Championships
23 Spanish team Championship runner-ups
7 King’s cups
170 Individual Spanish Championships
183 Individual Spanish Championships
4 Iberian Championships
58 Madrid Regional Team Championships
62 Madrid Regional Team Championship runner-ups
307 Madrid Regional Individual Championships
349 Madrid Regional Individual Championship runner-ups
97 Club athletes that have formed part of the Spanish national team in various sports

The Club Deportivo Canal organised the 34th edition of the Water Fun Run on 26 May 2013. Two euros of every entry fee were donated to a good cause. In this case to the Non Profit Organisation Mensajeros de la Paz, represented by father Ángel. The winners of the race were Chema Martínez in the male category and Vanessa Veiga in the women’s category.

The canoeing and rowing section has achieved the greatest success. Saúl Craviotto (who already won a gold medal at the Beijing Olympics), won the bronze medal in the K1 200 category at the World championships held in Duisburg (Germany). It is also worth highlighting the agreements established with the Madrid Canoeing Federation and the Madrid Rowing Federation, which will enable promoting these sports in the region.

In the Sailing section, we have the aim of promoting this activity further, which is experiencing a boost in popularity, and becoming a benchmark centre for sport in the Autonomous Region of Madrid. In 2013 it is also worth mentioning the participation of Víctor Pérez, the first athlete from Madrid who has competed in a World Championship, held in Río de Janeiro. It is also worth pointing out the Spanish Sailing Championship, which was once again organised in partnership with the Foundation.

Other outstanding activities carried out by the club in 2013 were the organisation of the Triathlon water circuit, creating three events in the three leisure areas of Canal de Isabel II Gestión (Ríosequillo, Valmayor and El Atazar) in which more than 1,500 participants took part. Moreover, the Club took part in other events such as the Spanish Championship in a wheelchair by provinces, organising match/ presentation with Carlos Moyá for physical and intellectually disabled people, and organised a charity match with Javier Gómez Noya (in the event he received the gold medal for sports merit) for a triathlete who was disabled after an accident occurred while practicing her favourite sport. Finally, also noteworthy is the commitment for our Canal de Isabel II-Chema Martínez Children’s Athletics Academy, coordinated by the Olympic athlete from Madrid and which aims to support grass roots sport.

(Further information on the activities and achievements of our sports club can be found on the Internet at, www.clubdeportivocanal.es).

The promotion of sport by our companies in Latin America

As is the case in Spain, the investee companies of the Canal Gestión Group in Latin America also promote sport in their respective countries.

In Colombia, Triple A in the recent years has been linked to a number of sport events that include the World Junior Tennis Tournament, the Under-20 Football World Cup and the *Barranquilla Corre 10 km run*, which benefits some social projects in Barranquilla.

In Santa Marta (Colombia), Metroagua and its foundation participate in and sponsor activities designed to promote sport, including football leagues, skating, cycling and swimming. A significant amount of employees of Metroagua belong to the Magdalena Softball Team, which is the runner-up champion of the 46th Senior Softball fast ball National Championship, held in October 2013. In addition, the Metroagua team won the football championship, entitled under-42 which is traditionally organised by the Caja de Compensación of Magdalena, with the participation of the main companies of Santa Marta.

In Ecuador, the social activities carried out by Amagua include the sponsorship of a 5-K run for children organised by Fundación Acción Solidaria and the 8th Challenger Guayaquil organised by the Guayaquil Tennis Club.

3.6.3. Water and sanitation development support activities

The Millennium Declaration, adopted by the Member States of the United Nations in 2000, stated that access to drinking water and basic sanitation is one of the indispensable foundations for a more peaceful, more prosperous and more just world.

Included in these goals, number 7 (*«to ensure environmental sustainability»*) includes two targets, numbers 10 and 11, which are directly related to water supply and sanitation.

- 1. Target 10:** halve, by 2015, the percentage of people without sustainable access to safe drinking water and basic sanitation.
- 2. Target 11:** have achieved by 2020, a significant improvement in the lives of at least 100 million inhabitants of slum areas.

At Canal Isabel II Gestión Business Group we are aware of the importance of achieving both targets for the health and development of many communities, which is why a large part of our corporate social responsibility actions are aimed at development support and cooperation projects related to the issue of water.

In the period 2011-2013, the company has dedicated a total of 1.63 million euros to supporting development aid projects, which is an average of 0.32% of the profit after tax in that period.

In Latin America, our companies carry out their activities in urban environments where there are pockets of poverty and people at risk of exclusion. That is why our companies and their foundations (Triple A Foundation and Metroagua Foundation) focus, as well as on environmental objective, on those that aim to support the social and human development of these people. personas.

The Triple A Foundation

In Colombia, the Triple A Foundation is a non-profit organisation dedicated to support activities and projects that reflect corporate social responsibility through the creation and management of projects that promote sustainable development and international cooperation in the area of productive environmental education, with an impact on the area affected by the business and the Colombian Caribbean.

The foundation bases its lines of action on three of the eight Millennium Goals: the eradication of poverty and hunger, the achievement of gender equality, and environmental sustainability. To do this, the foundation carries out its activities through two core lines of action:

Environmental education: It seeks to educate children and young people about protecting the environment and hone leadership skills.

Entrepreneurship: the goal is to encourage families in poor neighbourhoods to rise out of poverty and improve their living conditions and quality of life with the generation of income through the use of natural resources.

Through its agreement with SENA (the National Learning Service), the foundation trains beneficiaries in different technical and technological careers, and training for work and young people in rural areas, and four years ago, the foundation built the Centro Aulas Ambientales Experimentales (Experimental Environmental Workshop Centre) with help from a subsidy granted by the Autonomous Region of Madrid and the support from Triple A. The centre carries out training activities for the people in the area.

(Further information on the activities carried out by the foundation at www.aaa.com.co:8088/funaaa/).

The Metroagua Foundation

The Metroagua Foundation was established in 2009 with the aim of contributing to strengthen the human fabric in the city of Santa Marta and improve the quality of life of its inhabitants by promoting integrated and sustainable development based on aspects related to public water supply and sewerage services, basic sanitation, ecology, environmental protection, scientific and technological research, health research, education, leisure, culture and sports.

Outstanding among the programmes and activities of the foundation are:

LABOUR MARKET INCLUSION PROGRAMME: arises from the need to connect the vulnerable population to the labour market. Customised recruitments are carried out through the SENA, according to the entrepreneurs' needs.

ENTREPRENEUR PROGRAMME FOR PRODUCTION PURPOSES: courses are carried out for production purposes in which the population is grouped generating business initiatives.

INCLUYENTE PRODUCTION PROGRAMME: promotes the inclusion into the labour market of disabled people. The Metroagua foundation has two trainees with a hearing impairment, providing the tools so they can embark upon their professional career.

SANTA MARTA VERDE Y LIMPIA PROGRAMME: various type of activities have been carried out through this programme in order to care for and preserve the environment. In 2013, 105 environmental promoters had training who raise awareness on good practices among the population.

PROMOTION AND PREVENTION: the foundation carries out vaccination, health and dental care campaigns through social brigades, and conducts disease prevention courses. In 2013, the World Health Day was commemorated over the course of which two hundred people were assisted in medicine, dentistry and psychology, and one hundred children were vaccinated.

PSYCHOSOCIAL SUPPORT: workshops were carried out for children and youths with the aim of recovering lost moral principles and values. Works are also aimed at helping build a life project, contributing to the integral formation of the human being, psychological guidance in situations of family mistreatment, home abandonment, truancy, pregnancy in adolescents, mourning.

LEGAL ADVICE SERVICE: In partnership with the Legal Advice Service of the Universidad de Magdalena, the foundation has launched a legal advice service at the Environmental Community Centre for people with low incomes.

PLAY AND LEARN: carries out leisure, sports and cultural activities as well as recreational vacations and Christmas songs. In 2013, thirty children learnt how to make handicrafts with recycled material. Furthermore, a group of fifty children participated in a workshop on values, in which a specific value is reinforced every week.

(Further information on the activities carried out by the foundation can be found at: www.metroagua.com.co/fundacion/wordpress/).

LA PAZ ENVIRONMENTAL COMMUNITY CENTRE (SANTA MARTA-COLOMBIA)

La Paz is the flagship of the social work carried out by Metroagua in Santa Marta and an example to be followed by other municipalities in Colombia.

The Environmental Community Centre is the result of the sense of social responsibility felt by Metroagua S.A. E.S.P. to its environment, subsidised with resources from the Autonomous Region of Madrid.

It is located in a deprived district of Santa Marta, called La Paz, of stratum 1, which is home to a vulnerable population, mainly those affected by forced displacement and attempts at the social reinsertion of groups who are outside the law. Despite its vulnerability, this community centre is close to the city's tourist zone.

This geographical located has generated an opportunity for development and refurbishment given the design and feasibility of this social project.

The reconstruction of the social fabric, the design of a production plan and increasing environmental awareness are the three major priorities of the project at the Environmental Community Centre.

In 2013, 1730 were trained in arts and trades, which enables them access a job opportunity or entrepreneurship. In the period 2009-2013, a total of 6,985 people benefited from these training courses.



Social initiatives by AAA Dominicana

The greatest contribution made by AAA Dominicana was made to the NGO Centro de Innovación Atabey, a non-profit organisation that promotes sustainable local development thus preserving the environment.

Atabey belongs to the Fundación Frontera, which is dedicated to the development of the border area of Rio Limpio (Dominican Republic–Haiti) which sends young people to the country’s capital to attend local universities. AAA Dominicana contributes monthly funds to pay scholarships for the students from Rio Limpio and also makes occasional contributions, including one every year for a bazaar run by the country’s Diplomatic Ladies’ Association, all the profits of which are used to help a school for poor children.

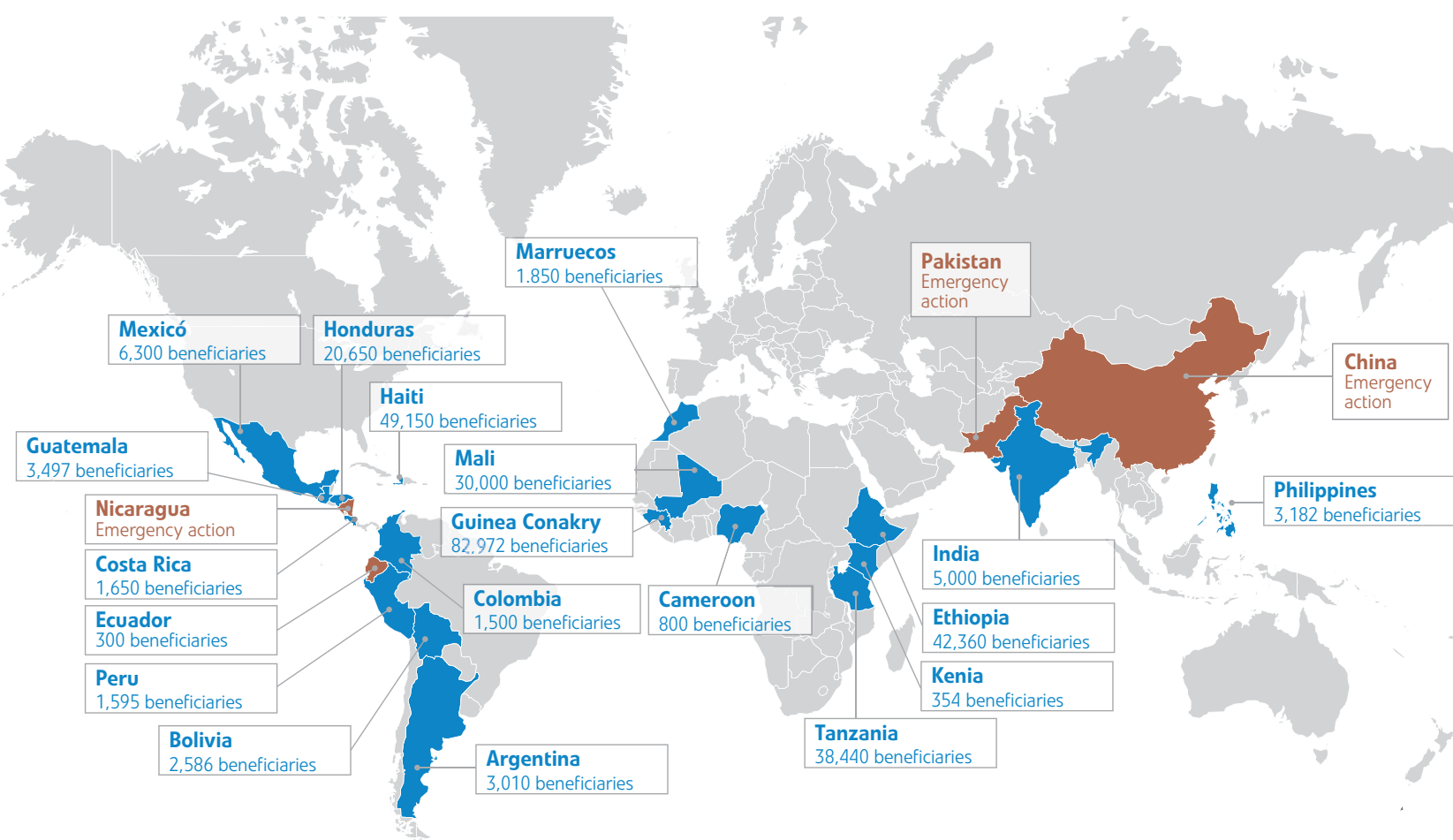
Collaborating on what we do best: Canal Voluntarios

Aware of the importance of taking action in development issues to achieve the Millennium Development Goals and the clear vocation of Canal de Isabel II Gestión in terms of responsibilities with the society, Canal Voluntarios was created in 2007, a programme of corporate volunteers formed by Canal Gestión employees who offer their experience, time and effort to help in any situation around the world where there the lack of water and/or sanitation endangers the health of the population.

Consisting of 129 members, 32 of whom joined this year, they not only undertake their professional work within the company but are also involved in development aid projects all over the world, thus spreading their experience to regions where drinking water has become a privilege rather than a right for the people who live there.

In 2013, the work done by the volunteers of Canal Gestión has been recognised with a number of publishing, such as the one developed by Fundación Codespa together with Boston Consulting Group and IESE, and co-financed by the European Union: *Voluntariado Corporativo para el desarrollo: Una herramienta estratégica para integrar empresa y empleados en la lucha contra la pobreza* (Corporate volunteering for development: A strategic tool to engage the company and employees in the fight against poverty); and the Estudio de Buenas prácticas y Enseñanzas (Study on good practices and Teachings) by Fundación SERES.

Since its creation, Canal Voluntarios has carried out 47 projects in 22 countries, developed or renovated more than 240 infrastructures (24 wells, 52 tanks, one reservoir, etc.) which have allowed more than 295, 000 direct beneficiaries to have guaranteed their drinking and/or sanitation water right, most of who are women and children , the most vulnerable collectives due to the lack of water in different part of the world.



Actions in **22** countries

295,196 Direct beneficiaries

CANAL VOLUNTARIOS IN 2013: DROP BY DROP

In 2013, Canal Voluntarios has continued striving towards its objective to bring drinking water and sanitation to the parts of the world where the population suffer serious consequences due to the lack of this resource; diseases such as cholera or diarrhoea, malnutrition, truancy or discrimination against women, among others.

This year, projects were concluded in countries such as Peru, Kenia, Guatemala and Cameroon, and following the 3rd annual announcement of aid for development cooperation in water and sanitation —for which 49 project presented application—, six new projects have been launched in:

1. Ethiopia: extend and improve the coverage of the supply and distribution of water in Wukro, Tigray.
2. Peru: where a basic sanitation system is going to be installed in the community of Cahuide, the first of these characteristics in the department of Loreto.
3. India: guarantee the access to drinking water to the population and to two schools in the district of Sivagangai, Tamil Nadu.

4. Bolivia: the supply of water for human consumption is going to be improved in four indigenous Guaraní communities in the municipality of Charagua.
5. Haiti: design of a sanitation system based on the Sanitario Ecologico Seco, environmental friendly, for the students of secondary technical school centre of Hinche (Pandiassou, Hinche).
6. Guinea Conakry: improvement of conditions to access water, hygiene and sanitation in four health centres in the region of Labé.

In 2013, we have continued with project that promote professional exchange with companies, on this occasion through a project to solve the water supply problems in Chorrón and Palo Blanco, in Ecuador.

Finally, over the course of 2013 seven courses were given, included in the training plan designed exclusively for the volunteers (120 learning hours in total), which covered aspects such as the use of cartography and GPS, water quality measuring technique or the management of field security.



«Urban Water Management Course» for Latin American specialists

Thanks to an agreement entered into with the Spanish Institute for Foreign Trade for the Economic and Technological Development (CEDDET), the first edition of the on-line course on the management of urban waste was held in November 2008, targeting specialists from water utilities and development aid organisations that operate in Latin America. The course was conducted on the internet through the Foundation Telefónica Educared Platform.

The CEDDET Foundation is a non-profit organisation devoted to development aid, which was created following a proposal by the Spanish Ministry of Economic Affairs and the Treasury and the World Bank. Its mission is to cooperate on improving the management skills of public administration services by sharing and exchanging knowledge and experiences. This mission is developed using methods and tools that enable new information and communication technologies.

Canal de Isabel II Gestión was the partners responsible for academic and teaching leadership in the years comprising the period 2008 -2013. Collaboration is provided by various areas of the company for planning the content and teaching the modules. The programme includes a classroom-based seminar, of one week, at the Canal Gestión centre, for the students achieving the best results.

More than 170 applicants from Latin American countries have participated in the six editions organised. The usual enrolment consists of 30 students from approximately 15 different countries each year.

The educational content consists of seven modules: Using the virtual classroom; Sustainability and development; General concepts regarding supply and distribution; Treatment and quality of water from human consumption; Water treatment and re-use; Administration and management of water in urban services; Water company finances and the commercial management and quality of service.

The programme is highly popular and highly valued by both students and institutions in Latin America

8th Water for Development Forum

The 8th edition of the Water for Development Forum took place at the headquarters of the Fundación Canal on 5 June 2013. It was dedicated to analysing the relation between water and earth, specially in that regarding food safety, to the extent that through the same two fully recognised human rights are put forward such as food and the access to water and sanitation.

During the forum, the study «virtual water and international cooperation», was presented financed by the Fundación Canal and in partnership with the *Universidad Politécnica de Madrid*.

The forum was attended by representatives from the International Land Coalition, and the World Bank and various United Nations agencies took part, as well as the Spanish Agency for International Development Cooperation, the Universities of Valencia, Córdoba and the *Universidad politécnica de Madrid* and non-governmental organisations specialising in the water and food sectors.

3.6.4. Collaborating with other organisations on their social environmental initiatives

As a result of our commitment to society, many organisations (foundations, NGOs, and associations) regularly request collaboration and support from the companies in the Canal de Isabel II Gestión Group on their social and environmental initiatives.

Thereby the Canal Gestión Group collaborates with these organisations by way of sponsorships, technical cooperation, deliverables, provision of space for organising activities and financial contributions.

In 2013, Canal Gestión has collaborated with a large number of organisations on different types of projects, the following being the most noteworthy:

Action Against Hunger	Fundación Madrid Rumbo al Sur
AEAS	SERES Foundation
Spanish Association Against Cancer	Spanish Guardia Civil
Spanish Global Impact Association	CEDDET Foundation
Red Cross Spain	Ruta Quetzal BBVA
Universidad Politécnica Madrid General Foundation	También Foundation
Lealtad 2001 Foundation	Mensajeros de la Paz

In Colombia, Triple A Barranquilla has collaborated with a number of organisations in 2013, including the following:

National Association of Public Utilities Companies (ANDESCO)	Lonja de Propiedad Raíz de Barranquilla
Colombian Chamber of Construction (Camacol)	Gestión Humana Colombian Association (Acrip)
National Retailers Federation (Fenalco)	UN Global Compact
Federación Nacional de Comerciantes (Fenalco)	ProBarranquilla
Colombian-American Federation	Icontec
Transparency for Colombia	

Metroagua and its Foundation in Santa Marta, Colombia, collaborated with a number of organisations in 2013, including the following:

Chamber of Commerce Santa Marta	SEMPRENDE
ACODAL	Corporación Minuto de Dios
ACULCO	INTERASEO
ANDESCO	Fundemicromag
Comité de Vigilancia de Reestructuración de Pasivos Santa Marta District	Colombian Agency for Reinsertion – ACR -
ASOCIE	PNUD (United Nations)
Departamento para la Prosperidad Social (President’s Office of the Republic)	Fundación de Rehabilitación Integral
COTELCO	SENA (National Apprenticeship Service)
FENALCO	Magdalena Business Association
FENOCO	Universidad del Magdalena
District Mayor’s Office	Fundación Caminos de Esperanza

Finally, Amagua, in Ecuador, has collaborated with the Chamber of Commerce of Guayaquil, the Ecuador-British Chamber of Industries and Commerce, and the Spanish Official Chamber of Commerce of Ecuador. And AAA Dominicana with the Atabey Innovation Centre and the Diplomatic Ladies’ Association.

6TH INTER-COMPANY TOURNAMENT AGAINST HUNGER

In May 2013, Canal de Isabel II Gestión Participated, together with another 14 companies in the 6th Inter-Company Tournament against Hunger, organised by the NGO Action Against Hunger, to combat child malnutrition through a series of four sports events held at the Green Canal Golf facilities and Las Rejas Open Club, in Madrid.

All the funds raised through entry fees for the tournament (53, 000 euros from the 15 companies) went towards financing the nutrition treatments of more than 1000 children.

Sportsmanship, solidarity, corporate social responsibility and trophies in all four sport events were the main reasons for the group of 35 employees of Canal Gestión to give up their free time to achieve the success proven at the 6th Inter-Company tournament against Hunger.

In terms of the sport that took place on competition day, the Canal Gestión employees won silver in paddle tennis, gold and bronze in athletics, won the seven-a-side football consolation match and won bronze in golf. (further information at: www.accioncontraelhambre.org/acciones/torneoscontraelhambre/).



3.6.5 Sponsorships

In addition to the educational programmes developed by Canal Gestión through Canaleduca, our company also sponsors and actively collaborates in the development of two important initiatives: Madrid Rumbo al Sur and Ruta Quetzal BBVA.

Madrid Rumbo al Sur

Canal de Isabel II Gestión continues to sponsor the eighth edition of the Madrid Rumbo al Sur project, run by the Autonomous Region of Madrid.

Madrid Rumbo al Sur is an intercultural programme that was created as part of the General Cooperation Plan of the Autonomous Region of Madrid. The 2013 exhibition travelled to Morocco, in which one hundred youth from Madrid took part and learned about the projects promoted by the region in Morocco which forms part of the Group of priority countries for the receipt of aid from Madrid

After the 8th edition of Madrid Rumbo al Sur, a total of nearly 800 young people from Madrid have been able to gain first-hand experience of the cooperation projects being run by the Regional Government of Madrid in developing countries in Africa. In short, 800 young people demonstrating solidarity. (further information at 2013.madridrumboalsur.com/).

Ruta Quetzal BBVA

The collaboration between Canal Gestión and the Ruta Quetzal began 10 years ago, when the company donated three pumps and one regulator tank to the Dominican Republic, the destination of the expedition members of that edition. In 2008, the support provided was enriched with the incorporation of the corporate volunteer programme of Cana Voluntarios.

The Ruta Quetzal BBVA held its 28th edition in 2013, commemorating the 500th anniversary of the discovery of the Pacific Ocean by Vasco Núñez de Balboa in 1513: 225 youths from 53 countries travelled to Panama and crossed the jungle of Darién to the South Sea, following the steps of the discoverer from Extremadura.

(More extensive and detailed information on this and previous expeditions can be found at: www.rutabbva.com/TLRQ/index.php?id=34).

3.6.6. Sharing our knowledge

Many national and international delegations, universities and education centres visited Canal Gestión in 2013, with the aim of sharing knowledge and experiences related to the world of water.

Outstanding in 2013 is the organisation in the headquarters of Canal de Isabel II Gestión in Madrid of the European Benchmarking Co-operation (EBC) Workshops the 24 and 25 October. The purpose of these workshops was to perform an annual comparison of the performance of the water companies taking part and exchange experiences and good practices.

40 companies in the water supply and sanitation sector took part from 18 countries and 90 technicians from other companies of around the world and 16 from Canal Gestión.

Furthermore, the visits by authorities representing national and international organisations in 2013, included the following:

- Delegation of Aguas de Valencia.
- Delegation of the Ministry of Energy and Water from Israel.
- H.I.H the Crown Prince of Japan Naruhito and H.R.M. the Prince of Asturias.
- Delegation of the World Bank.
- Members of the National Water Secretariat of Ecuador (SENAGUA).
- Delegation of business leaders from the Dominican Republic.
- Delegation from the United Arab Emirates.
- Delegation of water business leaders from Costa Rica.
- Heath Minister of Panama.
- Delegation of business leaders from South Korea.
- Delegation from the municipality of Ceyhan in Turkey.
- Delegation from the Banco Interamericano de Desarrollo.

- Delegation from the Government of Uzbekistan.
- Delegation of the Indian Ministry of Water Secretary.
- Delegation of Mozambican Waters.
- Delegation from Peru (congressmen and mayors).
- Environment and Energy Commission CEIM
- USACE (Us Army Corps of Engineers).
- State Water Corporation Sidney Australia.
- ADASA System.
- Academy of Army Engineers.
- Delegation of SEDAPAL (Drinking Water and Sewerage in Lima).

Furthermore, we also received more than 100 visits over the course of 2013, during which more than 2,600 people from Universities in the Autonomous Region of Madrid and students studying Masters Degrees in Engineering and Water Management visited our facilities.



PRINCE NARUHITO FROM JAPAN VISITS THE CANAL GESTIÓN FACILITIES

His imperial highness, the crown prince of Japan, Naruhito, and H.R.H. the Prince of Asturias, Felipe de Borbón, accompanied by the president of Autonomous Region of Madrid, Ignacio González, visited the Canal de Isabel II Gestión facilities in Majadahonda, in the framework of the official trip to Spain of Naruhito on occasion of the 400th anniversary of the relationship between Japan and Spain.

The fact of including this visit into the programme was an initiative by the Japanese Embassy, given the interest of the Crown Prince in issues regarding water management and in knowing first-hand the work carried out by Canal Gestión.

Thus, Canal de Isabel II Gestión was the only Spanish company which the Crown Prince of Japan visited during his stay in Spain, in which he got a first-hand look at the main control centre, the purified water lab and the active carbon filter building at the DWTP of Majadahonda.



3.7. COLLABORATING WITH OUR SUPPLIERS

Suppliers and contractors are our real *business partners*. Without their help and collaboration our company could not have achieved many of its successes. Our commitment is to maintain a relationship of mutual respect and collaboration with all of them that contributes added value to our processes.

3.7.1. Our purchases

The volume of goods and services acquired by all the companies in the Group in 2013 amounted to more than 462.22 million euros, 290.44 in the case of Canal Gestión.

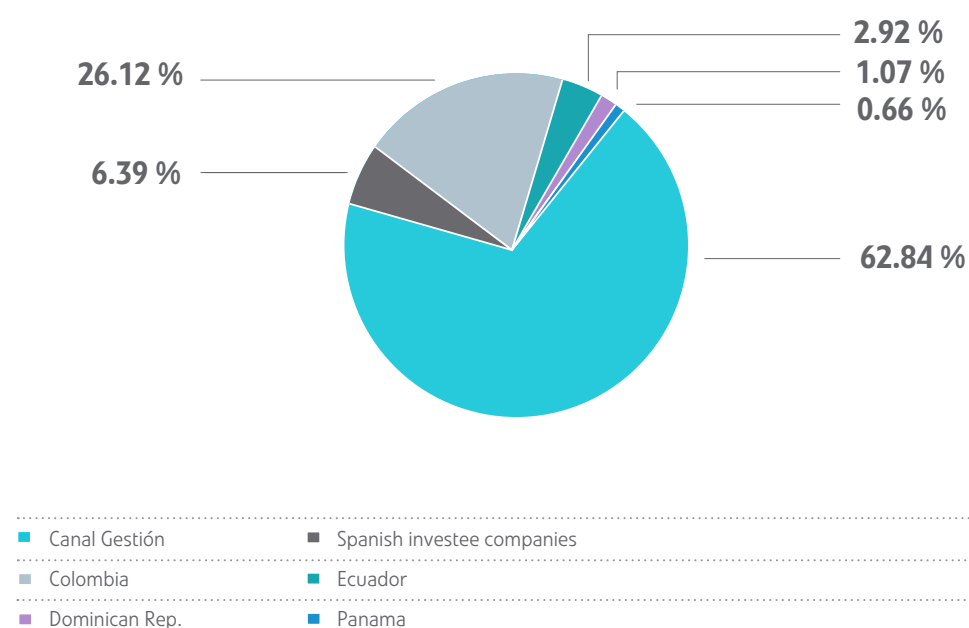
Expenditure on external supplies and services (millions of euros)

	CANAL GESTION		SPAIN **		COLOMBIA		ECUADOR		DOMINICAN REPUBLIC		PANAMA		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2012	2013	2012	2013	2012	2011	2012
Supply of raw materials and consumables	78.10	69.52	82.92	81.88	30.64	33.38	2.36	2.19	0.10	0.18	-	-	116.02	117.62
Other supplies*	89.35	88.67	96.93	98.12	39.14	47.49	3.74	4.64	0.24	0.15	1.01	1.72	141.06	152.11
External services	126.15	132.25	130.40	139.97	29.47	39.88	3.00	6.68	4.99	4.61	1.14	1.34	169.00	192.48
Total expenditure on external supplies and services	293.60	290.44	310.26	319.98	99.25	120.74	9.10	13.50	5.33	4.94	2.15	3.06	426.08	462.22
Operating costs	696.37	665.27	732.82	722.94	166.76	180.94	10.40	15.46	8.58	8.14	2.51	3.52	921.06	930.99
Expenditure on external supplies and services regarding the total operating costs (%)	42.16	43.66	42.34	44.26	59.52	66.73	87.43	87.29	62.13	60.72	85.69	87.00	46.26	49.65

* Works carried out by other companies

** Total Canal Gestión and the rest of Spanish investee companies

Expenses for supplies and external services in 2013 by countries



Two companies stand out from the rest of the Group, the parent company Canal de Isabel II Gestión, accounting for 90.77% of the supplies and services acquired in Spain, and Triple A de Barranquilla, accounting for 67.53% of acquisitions in Colombia.

In 2013, the main suppliers to Canal Gestión, and therefore to Canal Gestión Group, were the constructions companies and service providers related to the integrated water cycle.

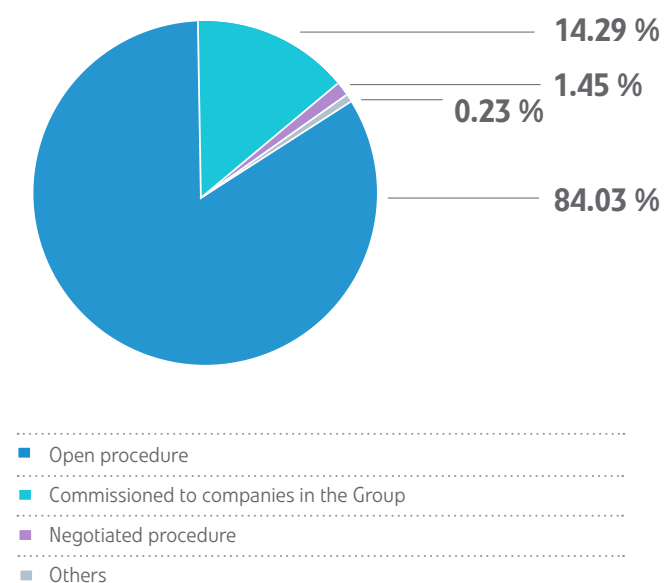
A high percentage of the acquisitions made by Canal de Isabel II Gestión (estimated at over 95%) were purchased from Spanish companies, many of them based in the Autonomous Region of Madrid. In the case of Triple A Barranquilla, almost 100% of the suppliers are Colombian companies.

Tenders awarded by Canal Gestión in 2013

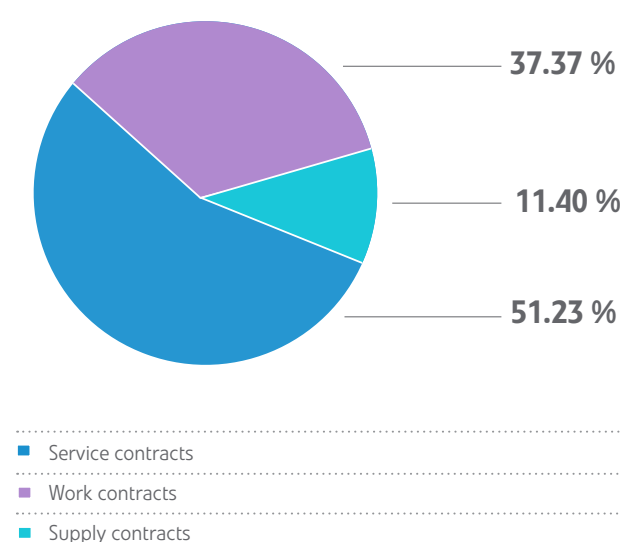
For all contracts worth 18,000 euros or more, Canal Gestión has established public tenders in accordance with prevailing legislation and its own internal contracting rules. The standard contracting procedure adopted by the company is the *Open Procedure*.

The parent company, Canal Gestión, awarded a total of 397 contracts in 2013, all of which were subject to tender, for a total value of 766.32 million euros (some of the contracts are to be conducted over several financial years).

Percentage distribution of procedures used by Canal Gestión Tenders in 2013 (percentage of amounts awarded)



Percentage distribution by type of contract awarded in the tenders from Canal Gestión in 2013 (percentage of amounts awarded)



3.7.2. Management approach to relations with contractors and suppliers

Canal de Isabel II Gestión and the rest of Spanish investee companies of Canal Gestión Group in Spain are public companies, reporting to the Regional Government of Madrid, for which reason all contracting processes must be public and transparent.

All the contracts managed by Canal Gestión and its Spanish investee companies may be subject to taxation, parliamentary control, third-part auditing and exposure to public opinion, among others. Canal Gestión and the Spanish investee companies are basically affected by the following laws and regulations:

- Public Sector Contract Law (new amended text approved on 14 November 2011).
- Contracting Procedures Law regarding water, energy, transport and postal service sector.
- Internal contracting rules.
- Public Contracting Regulations in the Autonomous Region of Madrid.

All our relations with contractors and suppliers, how they are selected, how their offers are assessed and how contracts are awarded are based on the following principles:

- Transparency.
- Non-discrimination.
- Free access to tenders.
- Equal treatment of candidates.
- Public nature.
- Mutual Recognition.

Under these principles, contractors are required to be authorised to enter into a contract with the public sector, to not be subject to prohibitions and to provide proof that they are economically and financially sound and meet the professional and technical conditions that are established in order to be eligible for contracting. Likewise, they are also required to be up-to-date with their tax and Social Security obligations, and to meet current regulatory requirements in terms of occupational risk prevention. Canal Gestión's contracting rules are available at: www.canalgestion.es/es/galeria_ficheros/pie/normativa/normativa/Normas_de_contratacion_2013.pdf.

As regards the environmental requisites imposed on suppliers, they must comply with all prevailing environmental legislation and the environmental policy implemented at our company.

In order to ensure compliance with Royal Decree 140/2003, which establishes the health criteria for the quality of water for human consumption, all suppliers of construction goods in contact with water are required to demonstrate they are registered with the Spanish Ministry of Health and Consumer Affairs.

In order to foster diversity and the incorporation of disabled people into the labour market, at least 2% of the employees of those contractors that employ more than 50 workers during the term of the contract must be disabled, in accordance with Law 13/1982, of 7 April, on Social Integration for Disabled.

Generally, Canal de Isabel II Gestión permits subcontracting under the terms established by prevailing legislation and the terms and conditions of the administrative clauses of the contract under tender.

The contracting system established by Canal Gestión ensures that subcontractors fulfil both legal obligations and also the requisite of being able to enter into a public sector contract. Thus, a series of requisites are established, outstanding among which are the following:

- Limits are established regarding the type of monetary value of partial services that the successful bidder can subcontract to third parties.
- Subcontractors are required to be up-to-date with their tax and Social Security obligations and to comply with employment legislation.
- The contractor must pay subcontractors and suppliers the price agreed upon in equivalent conditions to those that the successful bidder has agreed with Canal.

In the case of the Group companies in Latin America it is different. Triple A de Barranquilla and the other integrated water cycle management companies are public service companies (P.S.C.), for which in Colombia there is a special legal framework, defined by Law 142/1994, whose activities and contracts are subject to private law.

Triple A Barranquilla ensures transparency in its commercial relations with suppliers in the following ways:

- Open and transparent communication: provided from the moment a commercial relationship is established, in the contractor and supplier selection process in our value chain.
- Compliance with the acquisitions and contracting guidelines: helping to ensure the required transparency.
- Inspection and oversight by the auditor: the auditor, a key control point at the company, is responsible for direct communication with our suppliers and contractors.
- Group meetings with suppliers and contractors: to inform of the progresses at the company.

At Triple A they are committed to contracting with companies that share principles in common with us and that are recognised for their responsible practices or working on making that the case. It is important for us for suppliers and contractors to comply with certain principles such as the following:

- Human rights: companies should support and respect the protection of human rights.
- Employment standards: we require interested companies to provide a statement ensuring they guarantee defined working conditions and non-discrimination.
- Environment: companies must be committed to conserving the natural resources.

Before any works can begin, the contract auditor and the contractor review all permits, format and established procedures in terms of occupational health and safety before approving and implementing the contract works, as well as a permanent system of oversight through the contract auditor.

3.7.3. Fostering relations with «our partners»

All the companies in the Canal de Isabel II Gestión Group maintain a relationship of mutual trust and respect with their suppliers.

Supplier services

We strive to establish appropriate communication channels with our suppliers and provide them with personalised attention and advice in regard to any queries, clarifications or claims they make regarding our existing commercial relationships.

To this end, the parent company Canal de Isabel II Gestión provides specific technical means of communication, such as the telephone service (91 545 13 13) and an e-mail address (atproveedores@canalgestión.es).

None of the other companies in the Group have a single and specific system for providing a point of contact for suppliers, although their respective quality management systems do stipulate the mechanisms and procedures for the standardisation of suppliers and the management of purchases. In the case of Triple A de Barranquilla (Colombia), works are being done on a Supplier Management projects aimed at creating an IT tool enabling the department responsible for suppliers and logistics to control the purchases and contracts undertaken by the department and to enable all other company departments that deal with suppliers to evaluate the performance thereof. This tool will enable suppliers to query financial issues, aspects of the quality management system related to them and the results of their performance evaluation.

With the aim of ascertaining the appropriateness of the service offered to suppliers, Canal Gestión drafts a contractor and supplier satisfaction survey every year. As regards the results of this survey, it is worth highlighting that the company is highly rated by its suppliers, as evidenced by the fact that the general satisfaction index in 2013 stood at 95%.

Payment conditions

In the case of Canal Gestión, the payment for goods and services subject to contracts is made following acceptance of the corresponding goods or service by means of bank transfer or a cheque within 60 days from the date on which the invoice is received at Canal de Isabel II Gestión, in accordance with article 4.3 of Law 3/2004, of 29 December, which establishes measures to combat late payment in commercial transactions, and in accordance with the content of Royal Decree 4/2013, 22 February, on measures to support entrepreneurship and to encourage growth and the creation of employment and according to report 58/10, of 23 May 2011, of the Administrative Contract Consultation Board.

without prejudice to the above, as an additional self-imposed quality requirement in its internal processes and in order to favour the liquidity of suppliers to Canal de Isabel II Gestión and contribute to boost the economic cycle, efforts are made to make payments before the afore-mentioned deadline expires.

The average amount of time elapsed between the moment an invoice is received at Canal Gestión and settlements of payment to suppliers (both commercial creditors and asset providers) was of 42 days in 2013. In the Canal de Isabel II Gestión Business Group, the payment time to suppliers was of 54.49 days in the period 2011-2013 when weighting the values of the annual purchases of each of the companies.

4

SOUND GOVERNANCE STRUCTURE

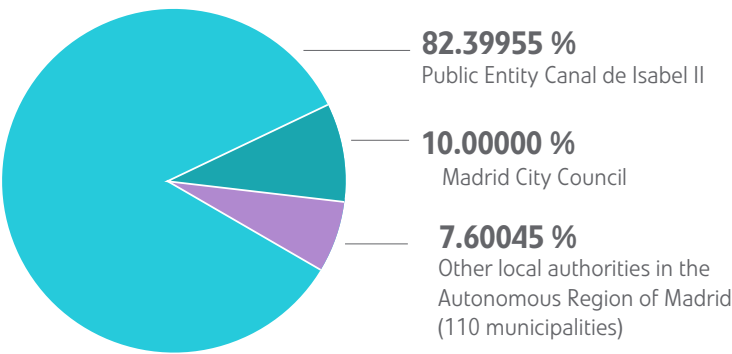


Canal de Isabel II Gestión was incorporated pursuant to Article 16.1 of Law 3/2008 on Fiscal and Administrative Measures in the Autonomous Region of Madrid.

4.1. OUR SHAREHOLDERS

The company Canal de Isabel II Gestión was incorporated on 27 June 2012 with a share capital of **1, 074, 032, 000** euros. Said share capital is divided and represented by **1, 074, 032, 000** nominal shares of **1 euro** face value each . The shares were issued with an issue premium of **1, 074, 032, 000** euros, an issue premium per share of 1 euro.

Shareholding structure of Canal de Isabel II Gestión



The 111 city councils in Madrid included in the new management model, in order of population, from largest to smallest) are as follows:

1	Madrid	38	Meco	75	Valdilecha
2	Móstoles	39	Velilla de San Antonio	76	Navas del Rey
3	Fuenlabrada	40	Valdemorillo	77	Tielmes
4	Getafe	41	Villalbilla	78	Pelayos de la Presa
5	Alcorcón	42	Griñón	79	Los Santos de la Humosa
6	Parla	43	Daganzo de Arriba	80	Chapinería
7	Torrejón de Ardoz	44	Sevilla la Nueva	81	Villar del Olmo
8	Alcobendas	45	El Álamo	82	Fuentidueña de Tajo
9	Las Rozas de Madrid	46	San Martín de Valdeiglesias	83	Cenicientos

10	Pozuelo de Alarcón	47	Soto del Real	84	Fresno de Torote
11	San Sebastián de los Reyes	48	Colmenar de Oreja	85	Carabaña
12	Rivas-Vaciamadrid	49	El Molar	86	Rascafría
13	Valdemoro	50	Loeches	87	Belmonte de Tajo
14	Majadahonda	51	Torres de la Alameda	88	Colmenar del Arroyo
15	Collado Villalba	52	Morata de Tajuña	89	Fresnedillas de la Oliva
16	Aranjuez	53	Villarejo de Salvanés	90	Zarzalejo
17	Arganda del Rey	54	Cobeña	91	Estremera
18	Boadilla del Monte	55	Collado Mediano	92	Villanueva de Perales
19	Colmenar Viejo	56	Fuente el Saz de Jarama	93	Villamantilla
20	Pinto	57	Nuevo Baztán	94	Titulcia
21	Tres Cantos	58	Guadaliخ de la Sierra	95	Santa María de la Alameda
22	San Fernando de Henares	59	Campo Real	96	Anchuelo
23	Villaviciosa de Odón	60	Cubas de la Sagra	97	Valdemaqueda
24	Navalcarnero	61	Chinchón	98	Valdelaguna
25	Arroyomolinos	62	Moraleja de Enmedio	99	Santorcaz
26	Ciempozuelos	63	Torrelaguna	100	Villamanrique de Tajo
27	Mejorada del Campo	64	Ajalvir	101	Ribatejada
28	Torrelodones	65	Torrejón de Velasco	102	Valdaracete
29	Paracuellos de Jarama	66	Valdetorres de Jarama	103	Corpa
30	Algete	67	Robledo de Chavela	104	Ambite
31	San Martín de la Vega	68	Serranillos del Valle	105	Valdepiélagos
32	Humanes de Madrid	69	Valdeolmos-Alalpardo	106	Brea de Tajo
33	Villanueva de la Cañada	70	Casarrubuelos	107	Rozas de Puerto Real
34	San Lorenzo de El Escorial	71	Talamanca de Jarama	108	Valverde de Alcalá
35	Villanueva del Pardillo	72	Quijorna	109	Garganta de los Montes
36	El Escorial	73	Perales de Tajuña	110	Gargantilla del Lozoya y Pinilla de Buitrago
37	Alpedrete	74	Cadalso de los Vidrios	111	La Acebeda

The 111 local authorities shareholders of Canal Gestión in 2013 amounted to 5, 805, 408 inhabitants, 89.38% of the population of the Autonomous Region of Madrid, 92.28% not including Alcalá de Henares.

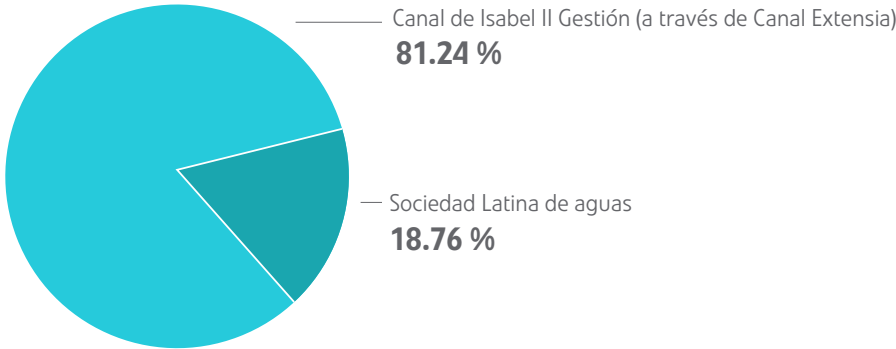
Pursuant to Law 3/2008 on fiscal and administrative measures in the Autonomous Region of Madrid, Canal Gestión is the parent company of the investee companies, both Spanish and Latin American, making up the Canal de Isabel II Gestión Business Group.

In the case of Spanish investee companies, the shareholding structure thereof and the stake held by Canal Gestión at the end of 2013 in the shareholding is as follows:

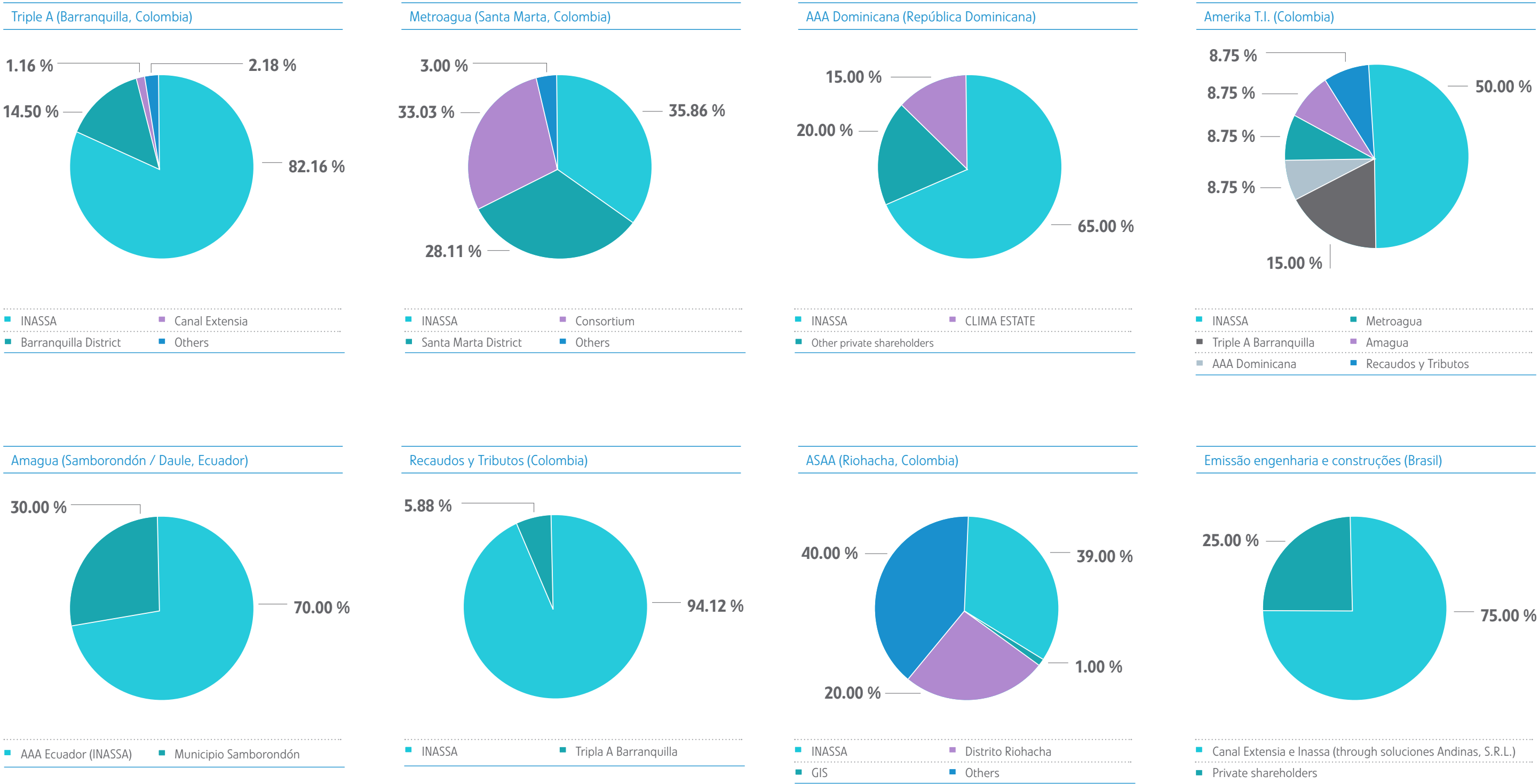
Spanish companies in the Canal Gestión Group	SHAREHOLDERS			
	Canal de Isabel II Gestión	Aqualia	Valoriza Agua	GSS LINE
Canal Gestión Lanzarote	100%			
Aguas de Alcalá UTE	37.5%	37.5%	25%	
Hispanagua	100%			
Hidráulica Santillana	100%			
Canal de Comunicaciones Unidas (CCU)	100%			
GSS Venture	25%			75%
Canal Extensia	100%			

Inassa is the parent company leading the growth of the Canal de Isabel II Gestión Business Group in Latin America. Its shareholding in 2013 was as follows:

Inassa (Colombia, Panamá y Ecuador)



The remaining Latin American companies in the Group presented the following shareholding structure at the close of 2013:



First shareholders' meetings in 2013

Over the course of 2013, Canal de Isabel II held its first Ordinary General Shareholders' Meeting on 26 June, and an Extraordinary General Shareholders' Meeting on 11 December 2013. Both meetings were held in the presence of a notary public, who drew up the corresponding minutes as required by the Board of Directors.

In the first Ordinary General Shareholders' Meeting the company's individual and consolidated accounts were approved, corresponding to the 2012 financial year, as well as the Director's management and the distribution of the income, which amounted to 131.5 million euros in 2012. The Meeting approved to distribute 118.3 million euros of the income. Of this amount, 69.5 million euros were distributed as interim dividends at the close of 2012, whilst the remaining 48.8 million were approved by the Board as complementary dividend.

The Extraordinary General Shareholders' Meeting held in December unanimously approved the distribution, according to the projected results at the close of the year, of 145.2 million euros of the dividend on account of profit of 2013 among the shareholders. 63 shareholders attended the meeting, 26 in person and 37 by delegation. All of them represented 98.9% of the company shares.



4.2. GOVERNING BODIES OF THE COMPANIES IN THE GROUP

4.2.1. Governing bodies of Canal de Isabel II Gestión

The highest governing body of Canal de Isabel II Gestión, in accordance with current legislation governing public limited companies, is the General Shareholders' Meeting, at which all company shareholders are represented. The General Shareholders' Meeting is responsible for appointing members of the Board of Directors.

The Board of Directors of Canal de Isabel II Gestión, S.A., in accordance with article 15 of the company's articles of association, is formed by a minimum of six members plus a non-board member secretary. The board members comprise the Chairman, the Vice-chairman and the four members. The following is a list of their names at the close of 2013:

- **Chairman of the Board:** Mr. Salvador Victoria Bolívar
- **Vice-chairman of the Board:** Mr. José Manuel Serra Peris
- **Member:** Mr. Enrique Ossorio Crespo
- **Member:** Mr. Diego Sanjuanbenito Bonal
- **Member:** Mr. David Pérez García
- **Member:** Mr. Agapito Ramos Cuenca
- **Non-board member secretary:** Mr. Fernando de Cevallos Aguarón

The Board of Directors, which meets as often as necessary to ensure proper corporate governance, appoints the managing director of the company.

In compliance with the Articles of Association and the Agreement of the General Shareholders' Meeting of 26 June 2013, the directors of Canal Gestión who are not subject to a conflict of interest pursuant to Law 14/1995, of 21 April, on Incompatibilities of Senior Management of the Autonomous Region of Madrid, only receive per diems for attending.

4.2.2. Governing bodies of investee companies in Spain

In the case of investee companies in Spain, the governing bodies are directly appointed by the Board of Directors of Canal de Isabel II Gestión. All companies, except Canal Gestión Lanzarote, have a Boar of Directors. Canal de Comunicaciones Unidas (CCU) and Hispanagua are, in accordance with the terms of the public sector procurement legislation, the «own resources» of the parent company Canal de Isabel II Gestión.

In the case of Aguas de Alcalá UTE, the representatives of Canal are also appointed by Canal de Isabel II Gestión.

4.2.3. Governing bodies of investee companies in Latin America

In the case of the 6 main investee companies in Latin America (Inassa, Triple A, Metroagua, Recaudos y Tributos, Amagua and AAA Dominicana), as they are mainly privately owned or public-private partnership enterprises, there is a General Shareholders’ meeting and Board of Directors (or Management Board) to govern the different companies.

Inassa, the parent company of the Group in Latin America, has General Shareholders’ Meetings and a Management Board, including independent directors and executive Group Directors. As is the case for all investee companies in Canal Gestión (except Amagua), the members of their board receive no form of remuneration. The duties of the Chairman include a number of an executive nature. Over the course of 2013, Inassa has held two Shareholders’ Meetings and ten Boar of Directors meetings. The government structure of Triple A is similar to that of Inassa with one Shareholders’ Meeting and Board of Directors.

4.3. ORGANISATION OF OUR COMPANIES

In order to carry out our activities, we require flexible organisations on a suitable scale to ensure effective management. To this end, and to fulfil our mission, commitments and strategic objectives the Canal de Isabel II Gestión Group companies have an organisational structure based both on the operational requirements of the companies and the elements that comprise the management of the integrated water cycle .

In the case of **Canal de Isabel II Gestión**, the current organisational structure at a management level at the close of 2013, is set out below.

Organisational structure at a management level of Canal de Isabel II Gestión

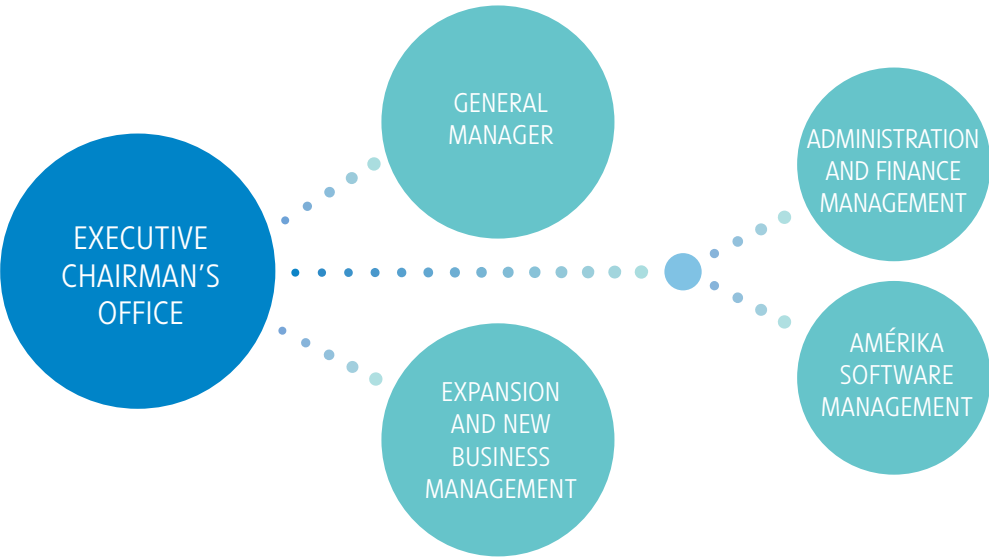


The management structure of Canal Gestión is designed to cover the various executive and management areas of a public business entity (General Management and General Technical Secretariat), purely operational areas (Water Management, Sanitation Management and Commercial Management) and those for the necessary support processes for the whole organisation(Finance Management, Engineering Management, Safety Management and Human Resources and Quality Management).

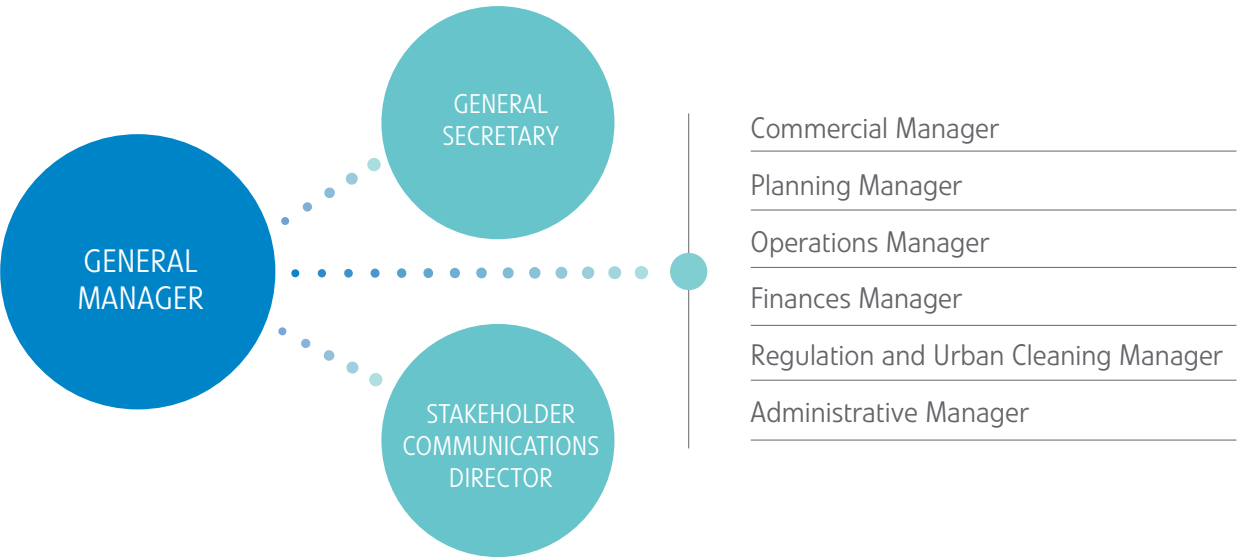
The Steering Committee of Canal Gestión was made up on 31 December 2013 of nine members who generally meet in a weekly basis. This committee is responsible for coordinating and managing the most important issues related to the management of our company.

There is a specific Corporate Social Responsibility Committee to deal with issues related to Corporate Responsibility and Sustainability.

Inassa, the leader of the of the Canal Gestión Group in Latin America, was structured as follows at the close of 2012:



Triple A, our largest company in Latin America, was structured as follows at the close of 2013:



4.4. CSR STRUCTURE AT OUR COMPANY

The Canal de Isabel II Gestión Business Group develops its activities with the aim of balancing the creation of economic value with care for the social and environmental context. The commitments assumed in the field of CSR and the desire to constantly create economic, environmental and social value are handed down directly from our Chairman’s office and the Management of the Canal Gestión Group, as the company’s highest levels of decision-making and representation.

With a view to achieving more coordinated actions in terms of Social Responsibility, Canal Gestión has a Corporate Social Responsibility Committee with representatives from all company departments that carry out internal and external activities associated with meeting our CSR commitments.

The main specific responsibilities and functions of the Committee are:

- Advise the Chairman’s office and General Management on all the aspects related with social responsibility.
- Assess and propose strategic lines, objectives and actions in the field of corporate social responsibility.
- Assess possibilities, options and the convenience of involving the company in the external initiatives in the field CSR, signing up to external codes of conduct or adopting international standards / guidelines.
- Collaborate, participate and review the documents and information needed to draw up the annual report of Canal Gestión and the annual report of Canal Gestión Group.

In addition to the CSR Committee, Canal Gestión has a specific department, the Sub-management for studies, Programmes and Corporate Social Responsibility, integrated in the General Management whose mission is to coordinate actions and help ensure that sustainable development is one of the guiding principles for the activities of our company.

In Colombia, Triple A Barranquilla has a CSR department which forms part of the Administrative Control Management , which in turn reports to the General Management. This department has the following functions: design, direct, promote and supervise the CSR management approach, and ensure its compliance in the organisation’s processes, and with its stakeholder groups, so as to guarantee the inclusion of sustainability and categorise possible legal, social and environmental risks in the implementation thereof.

At the other companies in Latin America, the organisation of the CSR is currently being developed. Inassa has an organisation model similar to that of Triple A, with a social responsibility Commission in place which is made up of various company departments.

4.5. CORPORATE RISK MANAGEMENT AND INTERNAL CONTROL IN SPAIN

Canal Gestión has a specific Internal Auditing Department responsible for internal control and corporate risk management at the company. This department hierarchically reports to the General Management. The internal auditing department complies with the international Standards to carry out the profession in accordance with the international certificate obtained in 2012.

Internal auditing activity

Over the course of 2013, Canal de Isabel II Gestión has maintained its internal auditing activity functions to provide independent and objective advice and consultation to add value and improve the organisation's operations, which is a flagship within public companies.

The following internal audit projects were carried out included in the Triennial Auditing Strategic Plan:

- Review of billing and payment procedures.
- Review of the works, supplies and service procurement processes.
- Monitoring and implementation of the recommendations approved in previous year.



In addition and following a request from the Management, an additional project was carried out in 2013 to review and assess purchases from minor contracts.

Over the course of 2013 the implementation of the IT application SAP AUDIT has been completed, which has the aim of supporting the management and control of the internal audits carried out at the company.

The staff at the Internal Auditing Department have the professional certificate that guarantees the Auditors' capacity and professionalism named Certified Internal Auditor (CIA).

In June 2012 the Internal Auditing Department received the International QAR (Quality Assurance Review) Certificate from the Spanish Institute of Internal Auditors to certify that the internal auditing process at Canal de Isabel II Gestión meets the international standards established for this professional activity.

Corporate Risk Management

Over the course of 2013, Canal Gestión has consolidated the corporate risk management that it began in 2010, applying the COSO III method.

The organisation's risk map has been updated, on this occasion on the new risk management and internal control application named SAP-GRC.

7 coordination workshops were organised with the risk managers to jointly monitor the implementation of the risk management, and meetings were held with various risk supervisors and managers to provide them with guidance on risk management and the use of the computer software now in place.

The risk supervisors and managers have worked on defining and approving the controls and action plans that enable each of the main risks at the company to be managed. 85% of the risks included in the TOP-20 were managed with their corresponding controls and 66% of them have action plans.



4.6. GOOD GOVERNANCE PRACTICES

As Canal de Isabel II Gestión is an unlisted company, it is not subject to the regulations of the Securities Market. Nevertheless, in 2012, Canal Gestión voluntarily began a process to incorporate the best practices in terms of Corporate Governance contained in said regulations at our company.

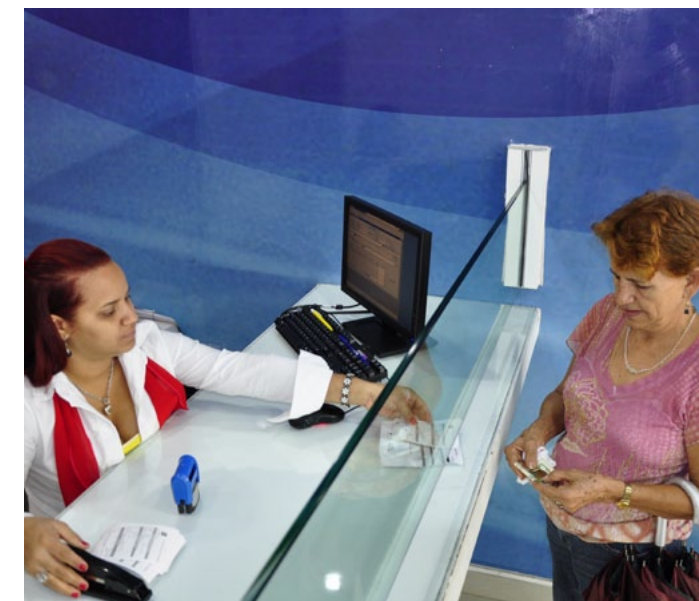
To this end, we followed the example set by the standards commonly accepted at a corporate level in our country, derived from the *Unified Code of Good Governance of Listed Companies* and from the *Securities Market Law 24/1988*, reformed by the Sustainable Economic Law, which related to the Annual Corporate Governance Report, as well as the reports published by the National Securities Market Commission (CNMV in Spanish) on this regard.



Further efforts were made at Canal Gestión in 2013, in terms of the control environment of the company and particularly on drafting a code of ethics for both employees and suppliers by following the code already in place in the Internal Auditing Department for our company, as well as on a channel which enable informing the executive management of possible irregular activities or conducts within the organisation.

As part of these good practices, a process was launched to implement the recommendations from the Internal Control and Risk Management System related to the Process of Issuing Financial Information.

Once the corresponding training exercises were carried out, an application has been implemented, for the Economic-Financial Department and other company departments, to identify and document the most relevant processes that may have an impact on the financial information and the main risks associated with their corresponding controls.



In Colombia, Triple A, in addition to being subject to the legal provision in force, also has internal codes and manuals that establish and regulate internal policy and best practices for good corporate governance, such as: Code of Good Corporate Governance, Code of Ethics and Corporate Purchasing and Procurement Manual.

Likewise, it is important to mention that the company's internal code acts as an independent assessor, overseeing compliance with internal and external provisions and determining and preventing the risk of fraud.

In addition, the company has a Code of Ethics that defines the general guidelines on the conduct to be followed by employees in the performance of their activities. This is reflected in optimal relations with employees, customers, contractors, suppliers and the society en general within the context of good citizenship.

In 2013 Triple A established and approved its transparency policy, in which it declares its desire of being ethical individuals and entrepreneurs and maintaining total management transparency as socially responsible company.

Amagua has a Code of Good Governance that focuses on action based on observing principles and a transparency of approach to defining the conducts for collaborators and the company in their relations with shareholders, suppliers, customers or any other individual or entity willing to undertake or maintain commercial dealings with the company.

AAA Dominicana has a quality system to control and improve management, which allows for early detection or correction of possible corporate risks. It is based on eight principles: customer focus, process focus, leadership, staff involvement, management system focus, continuous improvement,

focus based on circumstances for continuous improvement, and mutually beneficial relations with suppliers. The quality management system is implemented in accordance with these guidelines.

Inassa has Internal Work Regulations, a Good Governance Code, a Procurement and Supplier Management Procedure and a Customer Satisfaction Procedure that contain guidelines on ethical conduct for the company.

4.7. EXTERNAL EXAMINATION OF OUR PERFORMANCE

Due to their nature as mercantile companies, the companies of the Canal de Isabel II Gestión Business Group are subject to all the corporate reporting and accountability requirements of the countries in which they operate.

Besides the economic-financial results, the companies of the Canal Gestión Group are audited as often as necessary to measure their performance in terms of the environment, quality, occupational risk prevention, compliance with rules on the application of European Funds, compliance with data protection and information security legislation, among other issues.

Moreover, all our operations are also monitored by the regulatory entities of the water supply and sanitation sector in each country and by the municipal entities to which we provide our services.

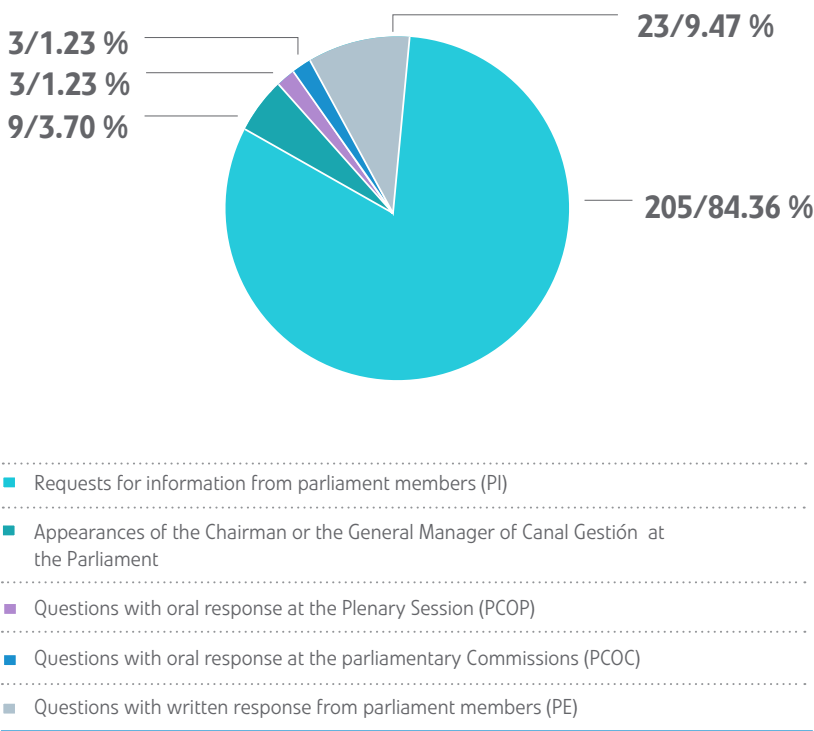
Furthermore, in the case of Spain, our public company status imposes two additional controls for Spanish companies:

- Examination of our accounts and activities by the Chamber of Accounts of the Autonomous Region of Madrid.
- Our obligation to respond to requests for information and examination by the members of the four parliamentary groups (Partido Popular, Partido Socialista de Madrid, Izquierda Unida and Unión Progreso y Democracia) represented in the regional parliament (Autonomous Region of Madrid Assembly).



In 2013, the Public Entity Canal de Isabel II, Canal de Isabel II Gestión and the Fundación Canal reported to a total of 243 parliamentary consultations approved by the Council of the Autonomous Region of Madrid Assembly. The distribution by type of consultation made by the four parliamentary groups present in the Assembly is as follows:

Distribution by type of consultation made by the Madrid Assembly to Canal de Isabel II, Canal de Isabel II Gestión and the Fundación Canal in 2013



All these controls and examinations are a guarantee for our customers, users and other stakeholders regarding our performance and contribute to guarantee the responsible, solvent and sustainable nature of the companies in the Canal Gestión Group.

5

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ANNEX 1.
2013 BASIC TECHNICAL INFORMATION ON THE GROUP COMPANIES

I. Companies engaged in the integrated water cycle management

CANAL DE ISABEL II GESTIÓN
(Autonomous Region of Madrid, Spain)

Canal de Isabel II Gestión, S.A. is the lead company of the Canal Gestión Business Group and provides all services connected to the integrated water cycle: supply, sanitation and re-use of waste water. The company is 82.40% owned by the Public Entity Canal de Isabel II and 17.60% by the City Councils of 111 municipalities of the Autonomous Region of Madrid.

Canal Gestión provides services related to the integrated water cycle management to 179 municipalities in the Autonomous Region of Madrid in Spain and to nine bordering municipalities in the Autonomous regions of Castilla-La Mancha and Castilla-León. The main technical figures for the company at 31 December 2013 were as follows:

Supply	
Number of Reservoirs	14
Reservoir capacity (millions of cubic metres)	945.9
Water channelled for consumption in reservoirs and wells in 2013 (million of cubic metres)	496.8
Number of groundwater wells in operational condition	75
Kilometres of network (collection and distribution)	17,163
Number of drinking water treatment plants	13
Treatment capacity (millions of cubic metres per day)	4.57
Number of major regulation tanks	29
Major storage tank capacity (millions of cubic metres)	3.1
Number of minor tanks	285
Number of major pumping stations	20

Sanitation	
Kilometres of municipal drainage networks managed	11,148
Kilometres of major collector and emissary network	751
Number of laminators and storm tanks managed	63
Capacity of storm tanks managed (millions of cubic metres)	1.64
Number of waste water pumping stations managed	125
Number of Waste Water Treatment Plants (WWTP) managed	156
Rated treatment capacity (millions of equivalent inhabitants)	17.1
Water processed at WWTPs in 2013	493.5

Reuse	
Number of reuse plants in 2013	29
Kilometres of reclaimed water network managed	347.2
Reclaimed water storage tanks	60
Volume of reclaimed water in 2013 (millions of cubic metres)	10.37
Municipalities with reuse agreements with Canal Gestión	43
Golf courses with reuse agreements or contracts	18
Industrial operators and other entities with reuse agreements with Canal Gestión	3

Customers and population served*	
Number of contracts (millions)	1.4
Population supplied * (millions of inhabitants)	6.29
Supply coverage (% of population)	96.62
Municipalities supplied by Canal Gestión	182
Population provided with drain management service (millions of inhabitants)	5.51
Drain management coverage (% of population)	84.61
Municipalities with drain management	135
Population provided with waste water treatment Service (millions of inhabitants)	6.5
Waste water treatment coverage ** (% of population)	99.80
Municipalities provided with treatment management ***	180

*Including Autonomous Region of Madrid and 9 municipalities in Castilla-La Mancha and Castilla -León amounting to 16,717 inhabitants in 2013

**Coverage of treatment in Autonomous Region of Madrid is 99,999%

***Including Autonomous Region of Madrid and Ontígola (Toledo)

Further information on the companies' activities can be found on the Canal Gestión website at:

www.canalgestion.es

Furthermore, Canal de Isabel II Gestión has **a branch in Cáceres**, in the Autonomous Region of Extremadura, which in 2013 supplied services to 11 municipalities in the region of Cáceres. The key figures of this branch at the close of 2013 were as follows:

Supply	
Number of water withdrawals managed	4
Water channeled for consumption in reservoirs, rivers and wells in 2013 (millions of cubic metres)	8.89
Kilometres of network (collection and distribution)	204
Number of drinking water treatment plants	4
Treatment capacity (millions of cubic metres per day)	12,510
Number of minor regulation tanks	18
Storage tank capacity (millions of cubic metres)	12,510

Sanitation	
Kilometres of municipal drainage networks managed	160
Kilometres of major collector and emissary network	5
Number of Waste Water Treatment Plants (WWTP) managed	1
Rated treatment capacity (equivalent inhabitants)	4,930
Water processed at WWTPs in 2013 (cubic metres)	90,000

Customers and population served	
Number of contracts (millions)	7.978
Population supplied (inhabitants)	11,348
Supply coverage (% of population)	100
Municipalities supplied	11
Population provided with drain management Service (inhabitants)	9,692
Drain management coverage (% of population)	85.41
Municipalities with drain management	8
Population provided with waste water treatment Service (inhabitants)	2,877
Waste water treatment coverage (% of population)	25.35
Municipalities provided with treatment management	1

AGUAS DE ALCALÁ UTE
(Alcalá de Henares, Autonomous Region of Madrid, Spain)

Aguas de Alcalá UTE is a joint venture holding the concession up until the year 2030, to provide treatment and drinking water distribution and municipal drainage management services in the city of Alcalá de Henares (Madrid, Spain).

In 2013, the Canal Isabel II Gestión Business Group holds 37.5% stake in the Alcalá Joint Venture. The other companies involved in the JV are Aqualia Gestión Integral del Agua S.A (37.5%) and Valoriza Agua (25%). In 2013, the Alcalá JV served the city’s 204, 924 inhabitants, with its main technical figures being as follows:

Supply	
Water channeled for consumption in reservoirs and rivers (millions of cubic metres)	18.20
Kilometres of network (collection and distribution)	475
Number of drinking water treatment plants	1
Treatment capacity (millions of cubic metres per day)	0.07
Number of minor regulation tanks	9
Minor storage tank capacity (millions of cubic metres)	0.07

Sanitation*	
Kilometres of municipal drainage networks managed	272
Number of waste water pumping stations managed	6
Number of laminators and storm tanks managed	3
Capacity of storm tanks managed (cubic metres)	1,525

Customers and population served	
Number of supply contracts	50,297
Population supplied (inhabitants)	204,823
Supply coverage (% of population)	100
Municipalities supplied	1
Population provided with drain management Service (inhabitants)	204,823
Drain management coverage (% of population)	100
Municipalities provided with drain management	1

*Waste water treatment in Alcalá de Henares is managed by Canal de Isabel II Gestión

Further information on Aguas de Alcalá availbale at: www.aguasdealcala.es



CANAL GESTIÓN LANZAROTE
(Islands of Lanzarote and La Graciosa, Autonomous Community of the Canary Islands, Spain)

Canal Gestión Lanzarote, S.A.U. is a company fully owned by Canal de Isabel II Gestión, which began operating the 1 June 2013, is in charge of the integrated water cycle management on the islands of Lanzarote and La Graciosa, in the Autonomous Region of the Canary Islands (Spain). It services the population of seven towns which in 2013 was of 141, 953 inhabitants, with a floating population of 50, 417 (permanent tourist traffic). At the close of 2013, the company’s key figures were as follows:

Supply	
Number of sea water withdrawals managed	4
Capacity of sea water withdrawals managed (estimated million of cubic meters per year)	33.00
Water channeled for consumption in sea water withdrawals in 2013 (millions of cubic metres)	32.66
Water desalinated and channeled for consumption in 2013 (millions of cubic metres)	14.32
Water refused from desalination plants (millions of cubic metres)	18.34
Kilometres of network (collection and distribution)	1,865
Number of sea water desalination plants	4
Treatment capacity in desalination plants (millions of cubic metres)	0.07
Number of regulation tanks	68
Tank capacity (millions of cubic metres)	172,000

Sanitation	0
Kilometres of municipal drainage networks managed	347
Kilometres of major collector and emissary network	10
Number of Waste Water Treatment Plants (WWTP) managed	8
Rated treatment capacity (millions of equivalent inhabitants)	0.16
Water processed at WWTPs in 2013 (millions of cubic metres)	4.15

Reuse	
Number of reuse plants built up until 2013	6
Kilometres of reclaimed water network managed	496
Volume of reclaimed water in 2013 (millions of cubic metres)	1.96

Customers and population served	0
Number of supply contracts	67,945
Population supplied * (inhabitants)	192,370
Supply coverage (% of population)	100
Municipalities supplied	7
Population provided with drainage and waste water treatment Service * (inhabitants)	165,678
Coverage of drainage and waste water treatment Service (% of inhabitants)	86.12
Municipalities provided with drainage and treatment management	7

* Including 50 417 tourist

Further information on the company at: www.canalgestionlanzarote.es

TRIPLE A
(Barranquilla and Atlántico Department, Colombia)

Since 1993, the company **Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A**, has been providing all services connected with the integrated water cycle management in the city of Barranquilla, the fourth-largest city in Colombia, along with a further thirteen other municipalities in the Atlántico Department. In 2012 the company celebrated its 20th anniversary, and can include among its achievements since it began operating in 1993 can be highlighted the spectacular expansion of the coverage of its services and ensuring that all the municipalities served enjoy 24 hour service. Furthermore, the company also provides solid waste management services and urban cleaning services in Barranquilla and a further three municipalities in the area.

In 2013, the company supplied a total of 2, 159, 789 inhabitants. Canal Gestión holds 67.91% of the stock, the District of Barranquilla holds 14.50% and the remaining stock belongs to small shareholders.

The main technical figures in terms of Triple A Barranquilla’s integrated cycle management for 2013 are as follows:

Supply	
Number of river water withdrawals managed	4
Magdalena river annual inflows in 2013 (millions of cubic metres)	179.230
Water channeled for consumption in withdrawals in 2013 (millions of cubic metres)	218.62
Kilometres of network (collection and distribution)	3,122
Number of drinking water treatment plants	4
Treatment capacity (millions of cubic metres per day)	0.72

Sanitation	
Kilometres of municipal drainage networks managed	1,963
Kilometres of major collector and emissary network	231
Number of Waste Water Treatment Plants (WWTP) managed	7
Rated treatment capacity (millions of equivalent inhabitants)	2.06
Water processed at WWTPs in 2013 (millions of cubic metres)	32.82

Customers and population served	
Number of supply contracts	429,128
Population supplied (inhabitants)	2,159,789
Supply coverage (% of population)	99.97
Municipalities supplied	14
Population provided with drainage service (inhabitants)	1,779,704
Coverage of drainage service (% of inhabitants)	85.63
Municipalities drained	8
Population provided with waste water treatment service (inhabitants)	480,787
Coverage of waste water treatment service (% of inhabitants)	27.00
Municipalities provided with treatment management	7

Further information on Triple A can be found at: www.aaa.com.co

METROAGUA
(Santa Marta, Department of Magdalena, Colombia)

Metroagua S.A. E.S.P. is the company responsible for supply and drainage management in the district of Santa Marta, in Colombia. The company, set up in 1989, has the legal status of a private sector public utility enterprise. The Canal de Isabel II Gestión Business Group holds a 29.13% stake in the company. The remaining stock is held by the Santa Marta District Government itself, other local companies and individual small shareholders.

Furthermore, the company offers supply and sanitation project management and design services, the preparation of terms & conditions and the technical, administrative and financial supervision of works projects. In 2013, the company supplied a population of 444,549 inhabitants, with its main technical figures being as follows:

Supply	
Number of river water withdrawals managed	3
Water channeled for consumption in withdrawals in 2013 (millions of cubic metres)	35.36
Number of groundwater wells in operational condition managed	21
Kilometres of network (collection and distribution)	890
Number of drinking water treatment plants	2
Treatment capacity (millions of cubic metres per day)	0.095
Major storage tank capacity (millions of cubic metres)	19,000

Sanitation	
Kilometres of municipal drainage networks managed	685
Kilometres of major collector and emissary network	85
Number of waste water pumping stations managed	13
Rated capacity of waste water discharge in undersea outflow (cubic metres per second)	2.50
Waste water discharged in undersea outflow (millions of cubic metres)	28.38
Environmental monitoring in undersea outflows (number)	7

Customers and population served	
Number of supply contracts	88,984
Population supplied (inhabitants)	444,549
Supply coverage (% of population)	89.27
Municipalities supplied	1
Population provided with drainage service (inhabitants)	375,467
Coverage of waste water treatment service (% of inhabitants)	75.40
Municipalities provided with treatment management	1

Further information on Metroagua, at: www.metroagua.com.co

ASAA
(Riohacha, Department of La Guajira, Colombia)

Avanzadas Soluciones de Acueducto y Alcantarillado - ASAA S.A. E.S.P., which began operating in September 2013, is the company responsible for the supply and drainage management in the Colombian city of Riohacha, capital of the Department of La Guajira.

The population supplied by the company at the close of 2013 amounted to 85, 371 inhabitants and Canal Gestión holds 32.50% of its stake, the District of Riohacha 20% and the other shares belong to small shareholders. The company’s main figures at the close of 2013 were as follows:

Supply	
Number of river withdrawals managed	1
Water channeled for consumption in river withdrawals in 2013 (millions of cubic metres)	17.46
Kilometres of network (collection and distribution)	307.5
Number of drinking water treatment plants	1
Treatment capacity (millions of cubic metres per day)	0.048
Major tanks storage capacity (millions of cubic metres)	0.006

Sanitation	
Kilometres of municipal drainage networks managed	221.4
Water discharged through the sanitation network discharge points (millions of cubic metres)	7.199

Customers and population served	
Number of supply contracts	18,652
Population supplied (inhabitants)	85,371
Supply coverage (% of population)	62.30
Municipalities supplied	1
Population provided with drainage service (inhabitants)	73,177
Coverage of drainage management services (% of inhabitants)	53.40
Number of municipalities drained	1



AMAGUA
(Samborondón/Daule, province of Guayas, Ecuador)

The Canal de Isabel II Gestión Business Group is the main shareholder (57%) in **Aguas de Samborondón Amagua Compañía de Economía Mixta**, the purpose of which is the provision of drinking water distribution services, drain management, waste water treatment and reclaimed waste water re-use in the Cantón Samborondón urban development zone and the parishes of La Puntilla and La Aurora in the Samborondón and Daule districts, all of which are municipalities located in the immediate vicinity of Guayaquil, Ecuador. The Municipality of Samborondón holds a 30% stake in the company.

In 2013, Amagua supplied the 152,700 inhabitants of the two municipalities, its main technical figures at the close of the financial year being the financial year being as follows:

Supply	
Water acquired «at height» from the Guayaquil supply company in 2013 (millions of cubic metres)	11.35
Kilometres of network (collection and distribution)	274
Minor storage tanks managed	4

Sanitation	
Kilometres of municipal drainage networks managed	205
Kilometres of major collector and emissary network	65
Number of Waste Water Treatment Plants (WWTP) managed	68
Rated treatment capacity (millions of equivalent inhabitants)	0.12
Water processed at WWTPs in 2013 (millions of cubic metres)	6.82

Reuse	
number of reuse plants managed	7
Kilometres of reclaimed water network	15
Volume of reclaimed water in 2013 (millions of cubic metres)	3.47

Customers and population served	
Number of supply contracts	30,540
Population supplied (inhabitants)	152,700
Supply coverage (% of population)	100
Municipalities supplied	2
Population provided with drainage service (inhabitants)	116,655
Coverage of drainage service (% of inhabitants)	76.39
Municipalities drained	2
Population provided with waste water treatment service (inhabitants)	116,655
Coverage of waste water treatment service (% of inhabitants)	76.3900
Municipalities provided with treatment management	2

Further information on the activities of Amagua – Aguas de Samborondón at: www.amagua.com

FONTES DA SERRA
(Municipality of Guapimirim, sate of Rio de Janeiro, Brazil)

Fontes de Serra Saneamento de Guapimirim Ltda. Is owned by the company Emissão Engenharia e Construções S.A., which incorporated to the Canal de Isabel II Gestión Group in December 2013. Canal Gestión holds 72.46% of the shares of Emissão and the other is owned by private shareholders.

Fontes da Serra supplies the city of Guapimirim in Brazil and at the close of 2013 it had 6,847 customers and a serviced population of 27, 388 inhabitants. The company’s main figures at the close of 2013 were as follows:

Supply	
Number of river water withdrawals managed	1
Capacity of river water withdrawals managed (cubic metres per day)	11,750
Water channelled for consumption in withdrawals in 2013 (millions of cubic metres)	2.52
Kilometres of network (collection and distribution)	9.10
Number of drinking water treatment plants	1
Treatment capacity (millions of cubic metres per day)	0.011
Major tanks storage tank capacity (cubic metres)	1,000

Customers and population served	
Number of supply contracts	6,847
Population supplied (inhabitants)	27,388
Supply coverage (% of population)	53.19
Municipalities supplied	1



II. COMPANIES ENGAGED IN THE WATER MANAGEMENT SUPPORT SERVICES

HISPANAGUA
(Autonomous Region of Madrid, Spain)

Hispanagua, S.A. was set up in 1995 as a result of the partial spin-off of the company Hidráulica Santillana. The company’s essential purpose is the construction, maintenance and operation of water management-related infrastructure.

One hundred percent of the company belongs to Canal de Isabel II Gestión, and under Spanish public sector procurement legislation is classified as the Group’s own resources. Hispanagua undertakes practically all its corporate activities for Canal de Isabel II Gestión. These activities are connected with:

- Management of water treatment handled by Canal de Isabel II Gestión (pumping, treatment, regeneration and processing).
- Execution of all works required to handle the commercial relationship between Canal de Isabel II Gestión and its customers (inspections, connections, meters, etc.).
- Technical support on Canal de Isabel II Gestión works and projects.
- Maintenance of Canal de Isabel II Gestión’s distribution and sanitation networks.

The main technical figures for Hispanagua at the close of the 2013 financial year were as follows:

Supply	
Number of actions per year on general conducts on the distribution network	668
Number of actions per year on inlets on the distribution network	815
Number of actions per year on meters on the distribution network	1,220
Number of inspections per year on the distribution network	5,263
Number of drinking water treatment plants managed	1
Daily treatment capacity (millions of cubic metres per day)	83,000

Sanitation	
Number of actions on the drainage network	1,669
Number of elements of the drainage networks inspected per year with pole	21
Number of elements of the drainage networks inspected per year with closed-circuit television	125,040
Number of major network elements (wells, chambers, manholes, connections, etc.) inspected	19.795
Kilometres of municipal drainage networks maintained	449
Kilometres of large collectors and outlets network maintained	103
Number of waste water pumping stations operated	56
Number of waste water treatment plants operated	43
Related treatment capacity (millions of equivalent inhabitants)	233,483
Water treated at waste water treatment plants in 2013 (millions of cubic metres)	10.58

Reuse	
Number of reuse plants managed	1

Customers and population served	
Population supplied (inhabitants)	326,355
Supply networks coverage (% of the total population of the Autonomous Region of Madrid)	5.02%
Number of municipalities with supply network maintained	65
Population provided with drain maintenance services	120,672
Drain coverage (% of the total population of the Autonomous Region of Madrid)	1.86%
Number of municipalities with drain maintained	49

Works and investments	
Number of works projects executed on the supply network	49
Amount of the works executed on the supply network (euros)	1,688,262
Number of works projects executed on the sanitation network	5
Amount of the works executed on the sanitation network (euros)	336,362

INASSA Y AMÉRICA T.I.
(Colombia)

The **Sociedad Interamericana de Aguas y Servicios S.A. (Inassa)** was incorporated in 1996 to provide service s connected with the integrated water cycle in Colombia and in other Latin American countries.

The Canal de Isabel II Gestión Business Group holds an 81.24% stake in Inassa. Sociedad de Aguas Latinas has an 18.76% stake in the company.

Inassa provides consultancy in public service processes and integrated, innovative information technology solutions for public drinking water and sanitation companies in Latin America.

Inassa’s activities include, in particular, the design, development, marketing and implementation of **Amerika Software**, a product which offers a definitive and integrated solution for public utility companies, designed on the basis of the water sector and covering the corresponding aspects by means of its various commercial management, technical management, administrative and financial management and executive control modules. A new company was incorporated in 2013 named **Amerika T.I.** (Amerika Tecnologías de la Información) which as of 2014 will be engaged on the development and marketing of this software. Inassa holds 50% of this new company, the other shares are divided between the five companies of Canal Gestión Group in Latin America which are users of the Amerika software.

Over recent years Amerika has proved itself to be a successful solution for companies within the sector and is currently employed by nine firms in the water supply and sanitation sector in five countries, supplying 11.3 million inhabitants. Inassa is domiciled in the Republic of Colombia and is also the parent company of the **Inassa Business Group**, which boasts extensive experience in the activities involved in the integrated water cycle. It performs these activities either directly or through subsidiaries within Latin America where, thanks to its extensive experience, it has achieved success in water management by offering different alternatives and raising the bar in terms of technical know-how. The Group operates in Colombia, Ecuador, Panama, Dominican Republic, and since the end of 2013, in Brazil.

The key data on Inassa’s operations at the close of 2013 were as follows:

Technical support and consultancy	
Number of jobs performed	17
Number of customers	5
Number of countries	3

Information systems	
Number of software developments performed	1
Number of computer applications maintained	21
Number of users / licences with access to the information systems maintained	1.526

Amerika software services	
Number of customers (entities)	10
Number of countries	5
Number of municipalities managed by the client entities	50
Population served by the client entities	11,229,857
Number of subscribers managed	2,094,025

Inassa, as the leader of the Canal Gestión Group in Latin America, it has a website on which details of all our activities can be found. Comprehensive information on the Group in Latin America can be found at: www.grupolnassa.com

RECAUDOS Y TRIBUTOS – R&T
(Republic of Colombia)

The company **Recaudos y Tributos S.A. (R&T)**, incorporated in the year 2000, began operating as a company mainly engaged in the provision of comprehensive professional tax collection services for entities in the district of Santa Marta and the municipality of Villavicencio, in Colombia. It also currently manages the portfolios of various companies forming part of the Canal Gestión Group in Latin America. Canal Gestión holds 80.46% of the company’s stock.

R&T provides its services by means of contracts for the comprehensive management of collection and the customer portfolio, portfolio evaluation and classification, taxation and commercial consultancy, database management, legal representation in debt negotiation, preparation of the census roll, administration of assets and other aspects.

For companies providing public services in people’s homes, R&T is a strategic ally for the commercial management of those services, in consultancy on and the modernisation of taxation management, in the design and construction of public works, in the management of out-of-court settlements and court settlements, in the updating and creation of databases and logical supports, in contact human centre services, in document management and in courier services. Some of the main technical figures for R&T at the close of the 2013 financial year were as follows:

Payment collection process	
Collection (millions of euros)	53.93
Number of bills issued	1,292,085
Number of users	164,137

Water supply metering and billing	
Number of meters installed (including re-established)	34.876
Number of meter readings performed	4.633.581
Number of billing inspections	510.121

Further information on the activities of Recaudos y Tributos, at:
www.recaudosytributos.com

AAA DOMINICANA
(Dominican Republic)

AAA Dominicana S.A. began its operations in the Dominican Republic as a result of a contract for the commercial management and installation of meters in the western part of the city of Santo Domingo, signed with the Corporación de Acueducto y Alcantarillado de Santo Domingo (CAASD), to serve a population of almost 1.5 million inhabitants. The Canal de Isabel II Gestión Business Group holds a 52.81% stake in the company.

AAA Dominicana S.A. has achieved considerable growth through the expansion of its services in commercial water service management activities and the collection of rates and taxes. The main customers of the company are Corporación de Acueducto y Alcantarillado de la Romana (COAAROM), the Local Council of Distrito Nacional, the Local Council of Santo Domingo Este and the Local Council of Santiago de los Caballeros, and since 2013, the Corporación de Acueducto y Alcantarillado de La Vega.

In 2003, the World Bank selected it as a model private company in the management of public institutions. The main technical figures for AAA Dominicana at the close of the 2013 financial year were as follows:

Commercial management	
Collection of fees for water pipeline and drainage services (millions of euros)	14.12
Number of municipalities with pipeline and drainage services	8
Number of users billed for water pipeline and drainage services	229,417
Collection of fees in the waste management services (millions of euros)	7.39
Number of municipalities with waste management and urban cleaning services	1
Number of waste management and urban cleaning services	143,256

Tax administration	
Annual collection (millions of euros)	3.04
Number of taxpayers	73,057

Further information on the activities of AAA Dominicana at: www.aaa.com.do

INASSA PANAMÁ
(Republic of Panamá)

Since 2011 and through the Colombian company **Inassa**, the Canal Gestión Group has operated through a subsidiary in Panama providing commercial and technical management consultancy and operation services to companies in the Public Utilities Sector.

Inassa Panamá currently manages the portfolio of debtors of the Institute for National Water Pipelines and Sewerage Networks in a good part of the Republic of Panama. Furthermore, the company is responsible for meter readings and bill distribution for the same institution.

Thanks to the experience acquired by the companies within the Canal Gestión Group, INASSA Panamá advises its customers on the improvement of activities and processes for which they are responsible, including a wide range of services covering both operational and technical aspects of the integrated water cycle, such as commercial activity and customer services.

In 2012, the National Sustainable Development Council of Panama awarded a contract for the Design and Construction of the Sewerage System in La Pintada (province of Coclé) to Inassa Panamá, worth 3.1 million euros. The main figures of the company at the close of 2013 were as follows:

Customers, population served and collection in commercial services	
Number of municipalities served	4
Population served (inhabitants)	2,200,000
Collection in 2013 (millions of euros)	3.19
Users billed	418,039

Cuts and reconnections	
Number of cuts carried out	13,373
Efficiency in the execution (percentage of cuts carried out versus programmed)	59.81%
Efficiency of the measure (percentage of cuts reconnect after payment)	59.81%
Number of reconexions	7,998

Meter readings and billing	
Number of meter readings within the period	786,543
Number of billing inspection	81,934
Number of daily average readings per worker	350
Bills released	1,262,319

Further information on the activities of Inassa in Panama, at:
<http://www.inassa.com.pa>

INASSA ECUADOR
(Republic of Ecuador)

Inassa Ecuador is also a subsidiary of the Colombian company Inassa, which up until 2013 has been in charge of running all the activities inherent to the integrated water cycle management in the country, such as infrastructure construction projects, consultancy, technical assistance, design, project supervision management and environmental consultancy.

Over the course of 2012, the authorities of Ecuador awarded four projects to Inassa Ecuador worth a total of 14.2 million euros.

The projects awarded, which have developed significantly over the course of 2013, are the Milagro Flood Control Project, the Jama Multipurpose Project, the Coaque Multipurpose Project and the Tahuin Multipurpose Project (terminated in 2013).

EMISSÃO ENGENHARIA E CONSTRUÇÕES

(Rio de Janeiro and other states in Brazil)

In December 2013, the Brazilian company Emissão Engenharia e Construções, S.A., was incorporated to the Canal Gestión Group, with headquarters in Rio de Janeiro (Brazil). Canal Gestión holds 67.97% of Emissão's shares and the other are owned by private shareholders. The main activities of the company and its subsidiaries at the end of 2013 were as follows:

- **Provides services to third companies:** the most outstanding are the reading and notification of suspension of supply in the State of Alagoas; the installation and replacement of water meters in the State of Espírito Santo; the collection of domestic and hospital waste in the municipality of Nilópolis; the administrative payment of aqueduct and sewerage accounts in Alagoas and the preventive and corrective maintenance of remote control equipment, macro-measurement and operational control centres of DWTP of the city of Guandú.

These services account for 30% of the company's activities, and do not include the integrated cycle management services.

- **Construction of infrastructure works:** these services include the installation of drainage networks in the municipality of Nilópolis and Vassouion of macro-measurement devices and outflow regulation valves in the municipality of Baixada Fluminense; the development and drainage works in the city of Sao Joao de Merití; construction of the Municipal theatre in the town of Porto Real; renovation of elevators in Porto Real; extension of the water system in the municipality of Magé, improvement in the water supply in the Island Governador; construction of the third phase of new headquarters of the municipal parliament in Resende.
- These services account for 70% of the company's activities and do not include the integrated cycle management services. cluyendo las de gestión del ciclo integral.

In addition to these activities, **Emissão** is also responsible, through its subsidiary **Fontes de Serra**, for managing the supply to the city of Guapimirim in Brazil, city which at the close of 2013 had 6,847 customers and a supplied population of 27,388 inhabitants.

Further information on the company and its services is available at: www.emissao.com.br

Other ancillary water cycle management companies in which Canal Gestión Group holds a stake

Gestion Integral de Suministros – GiS (Republic of Colombia)

Gestión Integral de Suministros, Ltda. – GiS, located in Barranquilla (Colombia), is a company specialising in the marketing of goods and services connected with the integrated water cycle. GiS LTDA has successfully positioned itself on both the domestic and international market, offering services which include materials procurement, operational outsourcing and technical support. Canal Gestión owns 81.24% of GiS.

Further information on the company and its services at: www.gis.com.co

GSS Venture (Spain)

The Canal Gestión Group has a minority stake (25%) in Spain in the company **GSS Venture, S.L.**, the corporate purpose of which is the provision of telemarketing services and customer service, undertaken by means of the telephone network or any other remote electronic system.

GSS currently handles Canal de Isabel II Gestión's customer service call centre in Spain

In 2012, GSS was considered by IFAES (International Faculty for Executives) and AEERC (Spanish Association of Customer Relations Experts) as the «Best Outsourcer 2012» for its Information Services programme for Canal de Isabel II Gestión and for its Customer Loyalty and Retention programme for BBVA.

Further information on Group GSS, which includes GSS Venture, and its services at: www.grupogss.com

III. COMPANIES ENGAGED IN SYNERGIC ACTIVITIES WITH THE INTEGRATED WATER CYCLE MANAGEMENT SERVICES

HIDRÁULICA SANTILLANA

(Hydro-Electric power generation. Autonomous Region of Madrid, Spain)

Hidráulica Santillana S.A. (HS) is the result of the purchase made by Canal de Isabel II in 1965 of the firm of the same name. The company was split in 1995, with those activities connected with integrated cycle management being spun off (through the creation of **Hispanagua**) from energy generation, which is now the main business of HS. The Canal de Isabel II Gestión Business Group owns 100% of HS..

The business of HS is hydro-electric power generation by means of the operation of eight power stations which exploit the heads of water at Canal de Isabel II’s reservoirs in the region. Of these eight power stations, seven are owned by Canal Gestión, and one by HS. The main technical figures for HS at the close of 2013 were as follows:

Hydro-electric power output	
Number of hydro-electric power stations managed by Hidráulica Santillana	8
Installed power at hydro-electric power stations (MW)	39,10
Total hydro-electric output in 2012 (millions of kWh)	107,32

From activities directly connected with integrated water cycle management, **Canal de Isabel II** Gestión is also one of the leading electrical power generation companies in the Autonomous Region of Madrid.

Canal Gestión generates electrical power by taking advantage of synergistic processes associated with sanitation and supply management, namely:

- Using biogas generated in waste water treatment processes.
- Through highly efficient co-generation in processes for the thermal drying of treatment plant sludge at the Loeches WWTP sludge thermal drying and composting plant in Madrid, Spain.
- Through two small production facilities: a 170-kilowatt power head of water located at the output from the South WWTP in Madrid and two 100-kilowatt power micro turbines installed on the Majadahonda and Griñón supply networks (Madrid).

The main technical figures of Canal Gestión as electricity generator in 2013 are as follows:

Electrical power output	
Number of waste water treatment biogas electricity generating plants	11
Installed power at waste water treatment plants (WWTP) * (MW)	23,55
Electrical output using biogas in WWTP in 2013 * (MW)	78,83
Thermal WWTP sludge drying co-generation plants	1
Installed power at WWTP sludge co-generation plants (MW)	19,20
Electrical output through thermal WWTP sludge drying co-generation in 2013 (millions of kWh)	57,53
Number of micro turbines on supply networks	1
Installed power in micro turbines on supply networks (MW)	0,20
Electrical output through micro turbines on supply networks in 2013 (millions of kWh)	0,49

* Includes 170 kW waterfall of the Sur WWTP

The overall installed power at the Canal Gestión Group companies (Canal de Isabel II Gestión and Hidráulica Santillana) represents a total of 82.05 MW (the highest in the Autonomous Region of Madrid).

The Canal de Isabel II Gestión Business Group generated 224.63 million kWh of power in 2013 in Spain.

CANAL DE COMUNICACIONES UNIDAS – CCU

(Telecomunicaciones y tecnologías de la información. Autonomous Region of Madrid, Spain)

Canal de Comunicaciones Unidas, S.A.U. (CCU) is a company one hundred percent owned by the Canal de Isabel II Gestión Business Group which is engaged in the information technologies and telecommunications sector. The activities undertaken by CCU include in particular:

- Integrated technical management of the TETRA digital trunking system in the Autonomous Region of Madrid, including provision of the TETRA infrastructure maintenance service and supervision of Canal de Isabel II Gestión’s telecommunications systems.
- Public mobile communications operator using MPT1327 technologies.
- Works management, consultancy and infrastructure maintenance in the field of Canal de Isabel II Gestión’s remote control processes and automation (maintenance of more than 1,100 sites).
- Development of information and M2M systems in the field of telecommunication services.

CCU main customer is Canal de Isabel II Gestión. It also currently has other customers which it provides with MPT1327 technology mobile communications services and fleet administration services. The main technical figures on CCU at the close of the 2013 financial year were as follows:

Communications	
Number of analogue mobile radio-telephony network stations (trunking)	28
Number of analogue trunking terminals	890
Number of digital mobile radio-telephony network stations (trunking)	83
Number of digital trunking terminals	4,922
Number of customers provided with communication services	136
Number of GPS devices in the fleet management service	888
Coverage of managed telecommunications systems	10,076

Tele-control

Number of tele-controlled installations	1,537
Number of remote controlled installations	108

Information systems

Number of software developments performed	2
Number of computer applications maintained	5
Number of users / licenses with access to the information systems maintained	309

Further information on Canal de Comunicaciones Unidas, at:
www.canalcom.com

AMERIKA T. I.
(Information Technologies. Colombia)

In 2013 Inassa created a new company named **Amerika T.I.** which in 2014 will be in charge of developing and marketing the software. The new company will be in charge of the design, development and marketing and implementation of **Amerika Software**, a product which offers a definitive and integrated solution for public utility companies, designed on the basis of the water sector and covering the different corresponding aspects by means of its commercial management, technical management, administrative and financial management and executive control modules.

Further information on Amerika T.I. and its services at: www.amerika-e.com

TRIPLE A BARRANQUILLA

(Solid waste management and urban cleaning. Barranquilla and Atlántico Department, Colombia)

In addition to integrated water cycle management, the company **Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P. - Triple A**, has been providing services connected with solid urban waste management and urban cleaning in Barranquilla since 1993, and in a further three municipalities in the Atlantic Department since 1997. The company provides sanitation services for 1.48 million inhabitants, covering 100% of the population in its sphere of operation.

Canal de Isabel II Gestión holds a 67.91% stake in the company. The main technical figures on the sanitation services provided by Triple A in 2013 are as follows:

Waste collection	
Number of municipalities served	4
Population provided with waste collection (inhabitants)	1,543,695
Number of collection routes	159
Quantity of waste collected in 2013 (cubic metres)	472,291
Number of major producers attended	2,885

Urban cleaning	
Number of municipalities served	4
Population of municipalities served	1,543,695
Kilometres swept in municipalities served	491,174
Percentage of cleaning performed using mechanical resources	100
Number of pavement bins managed and maintained	1,679

Final disposal of waste	
Number of landfills managed	1
Capacity in cubic metres of landfills	17,772,177
Tons dumped at landfills	524,558
Number of municipalities using the landfill	4
Volume of leachates produced	120,787
Volume of leachates treated	32,733
Efficacy of leachate treatment (average figure for percentage removal of BOD, COD, TSS and fats)	85

The *Los Pocitos Environmental Park* landfill represents one of the most significant recent achievements of Triple A in terms of the final disposal of waste from Barranquilla and its metropolitan area.

Designed in technical terms to last 30 years, and with an estimated capacity to receive 30 million tons of refuse, the Los Pocitos Environmental Park was constructed in 2009 in accordance with Colombian regulations, and has in place the latest technologies and engineering standards to minimise environmental impact. The Los Pocitos Environmental Park caters for 1,600 tonnes of waste per day in its disposal area.

In November 2012, the landfill biogas extraction and flare system built by **Triple A Barranquilla** in the Los Pocitos Environment Park began operations. This project was undertaken under the Clean Development Mechanism defined by the Kyoto Protocol as a contribution to the reduction of greenhouse gas emissions.

Further information on the urban cleaning activities of Triple A Barranquilla at: www.aaa.com.co

ANNEX 2.

STATISTICAL DATA AND FIGURES OF THE CANAL ISABEL II GESTIÓN GROUP

I. Basic information on the integrated water cycle management activity per countries in 2013

Supply	Canal Gestión	Others Spain	Total Spain	Colombia	Ecuador	Brazil	Total America	Total Group
Number of reservoirs or river intakes	14	5	19	8	-	1	9	28
Number of wells in operation	75	-	75	21	-	-	21	96
Number of sea water intakes	-	4	4	-	-	-	-	4
Total intakes managed	89	9	98	29	-	1	30	128
Number of DWTP and desalination plants managed	13	9	22	7	-	1	8	30
Treatment capacity in million cubic meters per day	4.500	0.150	4.650	0.863	-	0.011	0.874	5.524
Kilometers of supply networks managed	17,163	2,544	19,707	4,319	274	9	4,602	24,309
Number of municipalities supplied	193	8	201	16	2	1	19	220
Population supplied (millions of inhabitants)	6.292	0.409	6,701	2.690	0.153	0.027	2.870	9.571

Sanitation	Canal Gestión	Others Spain	Total Spain	Colombia	Ecuador	Brazil	Total America	Total Group
Kilometres of sewerage networks managed	11,899	794	12,693	3,815	270	-	3,455	16,148
Number of WWPS managed	125	76	201	53	40	-	93	294
Number of WWTP managed	156	9	165	7	68	-	75	240
Treatment capacity in WWTP (millions of inh. equivalent of design)	17.12	0.16	17.28	2.06	0.12	-	2.18	19.46
Municipalities supplied in drainage	134	16	150	10	2	-	12	162
Population supplied in drainage (millions of inhabitants)	5.510	0.330	5.840	2.228	0.117	-	2.345	8.185
Number of municipalities supplied in treatment	180	8	188	7	2	-	9	197
Population supplied in treatment (millions of inhabitants)	6.495	0.118	6.614	0.481	0.117	-	0.597	7.211

Re-use of generated waste water	Canal Gestión	Others Spain	Total Spain	Colombia	Ecuador	Brazil	Total America	Total Group
Number of reclaimed waste water plants	29	6	35	-	7	-	7	42
Kilometres of reclaimed water network	347	496	843	-	15	-	15	858

Water managed	Canal Gestión	Others Spain	Total Spain	Colombia	Ecuador	Brazil	Total America	Total Group
Water channelled for consumption in 2013 (million cubic meters)	496,85	58,74	555,59	271,44	12,58	0,21	284,23	839,82
Water treated at the WWTP in 2013 (million cubic meters)	493,49	4,24	497,73	32,82	6,82	-	39,64	537,38
Waste water reclaimed in tertiary treatments in 2013 (million cubic meters)	10,37	1,96	12,33	-	3,47	-	3,47	15,80
TOTAL WATER MANAGED IN 2013	1,000.72	64.94	1,065.65	304.26	22.87	0.21	327.35	1,393.00

II. Population served and municipalities by Group companies in the integrated water cycle management services

Supply (Channelling and/or distribution)	Population (inhabitants)			Municipalities			Coverage in 2013
	2011	2012	2013	2011	2012	2013	
Canal de Isabel II Gestión en la Autonomous Region of Madrid	6,281,133	6,291,742	6,275,546	175	175	173	96.61%
Aguas de Alcalá UTE	203,686	203,924	204,823	1	1	1	100.00%
Total Autonomous Region of Madrid	6,484,819	6,495,666	6,480,369	176	176	174	99.77%
Canal de Isabel II Gestión in Castilla La Mancha	11,686	11,987	11,887	8	8	8	100.00%
Canal de Isabel II Gestión in Castilla-León	4,821	4,845	4,830	1	1	1	100.00%
Canal de Isabel II Gestión branch in Cáceres	11,731	11,560	11,348	11	11	11	100.00%
Canal Gestión Lanzarote			192,370			7	100.00%
TOTAL OTHER AUTONOMOUS COMMUNITIES	28,238	28,392	220,435	20	20	27	100.00%
TOTAL Spain	6,513,057	6,524,058	6,700,804	196	196	201	99.77%
Triple A Barranquilla	2,127,162	2,077,604	2,159,789	13	13	14	99.97%
Metroagua	416,802	428,852	444,549	1	1	1	89.27%
ASAA			85,371			1	62.30%
TOTAL COLOMBIA	2,543,964	2,506,456	2,689,709	14	14	16	96.22%
Amagua	102,092	132,315	152,700	2	2	2	100.00%
TOTAL ECUADOR	102,092	132,315	152,700	2	2	2	100.00%
Fontes da Serra			27,388			1	53.19%
TOTAL BRASIL	-	-	27,388	-	-	1	53.19%
TOTAL LATIN AMERICA	2,646,056	2,638,771	2,869,797	16	16	19	95.67%
TOTAL	9,159,113	9,162,829	9,570,601	212	212	220	98.51%

Sewerage	Population (inhabitants)			Municipalities			Coverage in 2013
	2011	2012	2013	2011	2012	2013	
Canal de Isabel II Gestión in the Autonomous Region of Madrid	4,375,942	5,513,387	5,509,972	58	133	134	84.88%
Aguas de Alcalá UTE	203,686	203,924	204,823	1	1	1	100.00%
TOTAL AUTONOMOUS REGION OF MADRID	4,579,628	5,717,311	5,714,795	59	134	135	87.98%
Canal de Isabel II Gestión branch in Cáceres	10,079	9,923	9,692	8	8	8	85.41%
Canal Gestión Lanzarote			165,678			7	86.12%
TOTAL OTHER AUTONOMOUS COMMUNITIES	10,079	9,923	175,370	8	8	15	79.56%
TOTAL SPAIN	4,589,707	5,727,234	5,890,165	67	142	150	87.70%
Triple A Barranquilla	1,746,425	1,697,054	1,779,704	7	7	8	85.63%
Metroagua	351,242	363,172	375,467	1	1	1	75.40%
ASAA	-	-	73,177			1	53.40%
TOTAL COLOMBIA	2,097,667	2,060,226	2,228,348	8	8	10	79.71%
Amagua	80,620	98,035	116,655	2	2	2	76.39%
TOTAL ECUADOR	80,620	98,035	116,655	2	2	2	76.39%
TOTAL LATIN AMERICA	2,178,287	2,158,261	2,345,003	10	10	12	78.18%
TOTAL	6,767,994	7,885,495	8,235,168	77	152	162	84.76%

Treatment	Population (inhabitants)			Municipalities			Coverage in 2013
	2011	2012	2013	2011	2012	2013	
Canal de Isabel II Gestión in the Autonomous Region of Madrid	6,489,281	6,498,495	6,495,551	178	178	179	100.00%
TOTAL AUTONOMOUS REGION OF MADRID	6,489,281	6,498,495	6,495,551	178	178	179	
Canal de Isabel II Gestión in Castilla La Mancha (Ontígola)	3,979	4,042	3,937	1	1	1	100.00%
Canal de Isabel II Gestión branch in Cáceres	2,969	2,904	2,877	0	0	1	25.35%
Canal Gestión Lanzarote	-	-	165,678	0	0	7	86.12%
TOTAL OTHER AUTONOMOUS COMMUNITIES	6,948	6,946	172,492	1	1	9	78.25%
TOTAL SPAIN	6,496,229	6,505,441	6,668,043	179	179	188	96.72%
Triple A Barranquilla	386,739	434,176	480,787	6	6	7	27.00%
TOTAL COLOMBIA	386,739	434,176	480,787	6	6	7	17.20%
Amagua	80,620	98,035	116,655	2	2	2	76.39%
TOTAL ECUADOR	80,620	98,035	116,655	2	2	2	76.39%
TOTAL LATIN AMERICA	467,359	532,211	597,442	8	8	9	19.92%
TOTAL	6,963,588	7,037,652	7,265,485	187	187	197	74.78%

III. Information on initiatives to combat water fraud

Statistics on water fraud	Spain		
	2011	2012	2013,
WATER FRAUDS RECORDED			
Number of reports managed on events subject to be considered some form of fraudulent activity against Canal de Isabel II Gestión	4,290	6,120	8,430
Number of frauds or irregularities legally processes	164	148	92
REPERCUSSIONS OF WATER FRAUDS RECORDED			
Amount of water taken (m³)	893,699	685,537	1,068,317
Economic assessment of the fraud (in euros)	1,275,960	806,892	1,984,850
DISCIPLINARY PROCEEDINGS			
Number of disciplinary proceedings processed	3,990	5,326	6,974
PREVENTIVE STEPS NON-CONTRACTED SUPPLIES			
Number of cuts or preventive steps for non-contracted supplies due to fraud	966	739	682

, Data of 2013 include the activity developed by Canal Gestión Lanzarote.

Irregularities and water fraud	Triple A Barranquilla			Metroagua			Amagua		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
WATER FRAUDS RECORDED									
Number of notifications received on events subject to be considered as some form of fraud or irregularity	18,281	43,983	62,118	423	459	1,065	53	68	187
Number of irregularities or frauds detected	10,089	6,744	9,881			344			
REPPERCUSSIONS OF WATER FRAUDS RECORDED									
Amount of water taken (m³)	893,699	685,537	1,068,317	174,410	96,109	90,355	Not available (a fine is charged)		
Economic assessment of the fraud (in euros)	1,275,960	806,892	1,984,850	48,866	49,496	36,229			
DISCIPLINARY PROCEEDINGS									
Number of disciplinary proceedings processed	8,683	3,213	4,408	589	319	229	53	68	187
PREVENTIVE STEPS NON-CONTRACTED SUPPLIES									
Number of cuts or preventive steps for non-contracted supplies due to fraud	4,838	4,301	7,146	741	425	285	53	68	187

IV. Information on human resources of the Canal Gestión Group companies

	Canal Gestión		Spanish investee companies *		Colombia **		Ecuador		Dominican Republic		Panama		Brazil	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
STAFF STRUCTURE ON 31 DECEMBER OF EACH YEARDE DICIEMBRE DE CADA AÑO														
Total No. of employees	2,365	2422	526	751	976	1,076	72	88	317	300	11	10	-	1,314
Staff breakdown according to type of working day														
Full-time	2,151	2,223	509	736	976	1,076	72	86	317	300	11	10	-	1,308
Part-time	214	199	17	15	0	0	0	2	0	0	0	0	-	6
Breakdown according to type of contract (full-time)														
Permanent	1,605	1,568	339	512	976	1,064	63	73	317	297	11	10	-	1,263
Temporary	546	655	170	224	0	12	9	13	0	3	0	0	-	45
Breakdown according to professional categories (PERMANENT STAFF)														
Qualified staff	274	270	39	49	330	365	10	22	69	65	5	6	-	n,d,
Medium level qualified staff	124	122	16	25	48	66	10	4	27	25	1	1	-	n,d,
Middle managers	156	156	44	53	46	63	0	3	38	36	5	3	-	n,d,
Technicians	180	179	40	45	76	105	2	3	48	45	0	0	-	n,d,
Administration staff and office assistants	334	319	40	75	201	184	20	22	57	53	0	0	-	n,d,
Officers	534	521	67	160	238	236	4	7	11	10	0	0	-	n,d,
Other auxiliary staff	3	1	93	105	37	45	17	12	67	63	0	0	-	n,d,
Breakdown according to gender NOT INCLUDING DIRECTORS														
Women	416	406	54	84	299	327	25	35	100	108	7	7	-	304
Men	1,031	1,002	294	476	590	656	43	53	212	192	4	2	-	1,010
Breakdown according to age ***														
Average age (years)	42	42	43	43	40	39	31	26	28	32	35	35	-	35
Younger than 30 years of age (employees)	274	351	35	44	152	131	43	48	203	135	5	4	-	538
Between 30 and 50 years of age (employees))	1,377	1,337	361	493	667	768	23	34	104	152	4	3	-	597
Older than 50 years of age (employees))	500	535	113	198	158	177	6	6	11	13	2	2	-	143
Breakdown according to nationality (PERMANENT STAFF)														
Nationals of the country	1,602	1565	328	499	974	1,061	63	73	311	288	11	9	-	1,262
Other nationalities	3	3	11	13	2	3	0	0	6	9	0	0	-	1
Disability (PERMANENT STAFF)														
Employees with some degree of disability	29	23	3	8	5	4	2	2	0	0	0	0	-	-
Seniority (PERMANENT STAFF)														
Average seniority of the staff (years)	14	13	12	15	8	9	4	4	3	4	1	2		2

* Does not include: Branch of Canal de Isabel II Gestión in Cáceres, GSS Venture, Fundación Canal, Club Deportivo Canal.

** Does not include: GIS, Fundación Triple A, Fundación metroagua.

*** on Full-time staff for Spain..

	Spain*			Latin America**			TOTAL GROUP		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
STAFF STRUCTURE ON 31 DECEMBER OF EACH YEAR									
Total number of employees	2,958	2,891	3,173	1,412	1,376	2,788	4,370	4,267	5,961
Staff breakdown according to type of working day									
Full-time	2,729	2,660	2,959	1,411	1,376	2,780	4,140	4,036	5,739
Part-time	229	231	214	1	0	8	230	231	222
Breakdown according to type of contract (FULL-TIME)									
Permanent	2044	1944	2,080	1386	1367	2707	3,430	3,311	4,787
Temporary	689	716	879	25	9	73	714	725	952
Breakdown according to professional categories (PERMANENT STAFF)									
Qualified staff	323	313	319	155	414	458	478	727	777
Medium level qualified staff	142	140	147	136	86	96	278	226	243
Middle managers	204	200	209	230	89	105	434	289	314
Technicians	223	220	224	189	126	153	412	346	377
Administration staff and office assistants	397	374	394	367	278	259	764	652	653
Officers	639	601	681	294	253	253	933	854	934
Other auxiliary staff	119	96	106	41	121	120	160	217	226
Breakdown according to gender NOT INCLUDING DIRECTORS									
Women	490	470	490	455	431	781	945	901	1,271
Men	1,379	1,325	1,478	897	849	1,913	2,276	2,174	3,391
Breakdown according TO AGE ***									
Average age (years)	42	42	42	31	37	35	38	40	39
Younger than 30 years of age (employees)	314	309	395	422	403	856	736	712	1,251
Between 30 and 50 years of age (employees)	1,782	1,737	1,830	821	798	1,554	2,603	2,535	3,384
Older than 50 years of age (employees)	633	613	733	168	177	341	801	790	1,074
Breakdown according to nationality (PERMANENT STAFF)									
Nationals of the country	2,032	1,930	2,064	1,405	1,359	2,694	3,437	3,289	4,758
Other nationalities	15	14	16	7	8	13	22	22	29
Disability (PERMANENT STAFF)									
Employees with some degree of disability	35	32	31	6	7	6	41	39	37
Seniority (PERMANENT STAFF)									
Average age of the staff (years)	12.7	13.7	13.4	4.3	6.8	4.6	10.0	11.5	9.3

* Does not include: branch of Canal de Isabel II Gestión in Cáceres, GSS Venture, Fundación Canal, Club Deportivo Canal.

** Does not include: GIS, Fundación Triple A, Fundación Metroagua.

*** On Full-time staff in Spain.

	Canal Gestión		Spanish Investee companies*		Colombia**		Ecuador		Dominican Republic		Panama		Brasil	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
STAFF ROTATION														
Recruitments (employees)	27	19	0	44	75	122	29	30	39	54		0		9
Total redundancies (employees)	91	56	16	60	76	96	10	14	105	64		2		501
Voluntary redundancies (employees)	0	0	2	14	40	35	10	11	62	42		0		69
Net employment creation (%)	-2.63	-1.56	-3.04	-3.04	-0.10	2.66	36.54	22.22	-17.46	-3.15		-18.18		-37.44
Total rotation (%)	3.85	2.31	3.04	7.99	7.79	8.92	13.89	15.91	33.12	21.33		20.00		38.13

	Spain			Latin America			TOTAL GROUP		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
STAFF ROTATION									
Recruitments (employees)	33	27	63	174	143	215	207	170	278
Total redundancies (employees)	114	107	116	225	191	677	339	298	793
Voluntary redundancies (employees)	1	2	14	112	112	157	113	114	171
Net employment creation (%)	-2.74	-2.70	-1.83	-3.61	-3.40	-33.58	-3.02	-2.93	-12.07
Total rotation (%)	3.85	3.70	3.66	15.93	13.88	24.28	7.76	6.98	13.30

* Does not include: branch of Canal de Isabel II Gestión in Cáceres, GSS Venture, Fundación Canal, Club Deportivo Canal..

** Does not include: GIS, Fundación Triple A, Fundación Metroagua.

	Canal Gestión		Spanish Investee companies*		Colombia		Ecuador		Dominican Republic	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
TRAINING										
Total Number of Training hours										
During the working hours	38,773	49,152	8,256	4,053	39,595	35,065	448	1,301	1,016	3,904
Outside the working hours	64,902	63,037		70	15,844	16,139	525	699	6,663	2,828
Practice at the job posit	6,849	8,527	400		141,571	117,097	840	1,620		
Total number of employees	2,151	2,207	531	524	988	1,076	63	88	317	300
Number of employees who have had training	2,443	2,340	396	245	772	781	63	75	1,570	334
Average number of hours / employee	51.38	54.70	16.30	7.87	199.40	156.41	28.78	41.14	24.22	22.44
Average number of hours / employee who has had training	45.24	51.59	21.86	16.83	255.19	215.49	28.78	48.27	4.89	20.15

continues

	Canal Gestión		Spanish Investee companies*		Colombia		Ecuador		Dominican Republic	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
TRAINING DETAILED BY CATEGORIES										
Total number of training hours										
Qualified staff	30,432	45,461	1,403	749	38,356	31,803	1,124	2,335		
Medium level qualified staff	10,936	5,191	162	371	5,441	5,123	464	486		
Technicians	17,818	18,556	1,878	772	134,311	109,111	70	64		
Unqualified staff	51,337	51,508	5,213	2,231	8,814	9,018	156	735		
Average training hours										
Qualified staff	11.26	13.87	48.38	19.71	48.31	40.41	35.11	93.40		
Medium level qualified staff	11.26	13.87	20.25	18.55	4.78	4.99	1.50	97.20		
Technicians	11.26	13.87	56.91	16.43	93.79	87.36	2.19	21.33		
Unqualified staff	11.26	13.87	15.94	13.05	6.02	5.98	0.10	16.33		
Attendants by category										
Qualified staff	2,707	3,398	29	38	794	787	32	25	27	59
Medium level qualified staff	971	388	8	20	1,138	1,027	309	5	47	120
Technicians	1,582	1,387	33	47	1,432	1,249	32	3	133	32
Unqualified staff	4,558	3,850	327	171	1,465	1,507	1,528	45	110	135
TRAINING COSTS										
Total Number of training hours										
Direct costs (€)	968,734	1,010,676	71,517	29,830	178,319	168,241	23,948	21,347	5,942	8,804
Indirect cost (€)	63,356	104,955			38,560	49,442			3,888	5,522
Cost of subsidies for employee education (€)	25,479	12,856	2,239		76,533	61,534	5,445	7,507		
Incomes from subsidies/financing received (€)	284,192	278,203	7,139	4,197	9,172	8,598				
Total cost (€)	773,376	850,283	66,618	25,633	284,240	270,619	29,393	28,854	9,830	14,326

continues

	Canal Gestión		Spanish Investee companies*		Colombia		Ecuador		Dominican Republic	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
TRAINING DETAILED BY THEME										
Training										
Languages	21,141	25,641	145	168	289	3,800				
Administration and IT management systems	2,728	2,494		105	3,311	4,162	78	77	144	
Quality	2,183	2,374	63	66	6,441	4,560	77	132	108	51
Commercial and customer relations	2,455	1,995		344	4,321	3,951	21	625	166	38
Skill development	9,966	12,508	964		12,551	11,969	178	158	1,894	213
CYII training technique	25,118	30,172	1,210	889	9,892	6,747	151	407	2,870	2,612
Legal economic	5,620	2,475		20	1,124	1,120	184	68	227	96
CYII IT applications and office programmes	14,042	17,187	630	274	2,988	1,466	124	70	327	142
Occupational risk prevention	20,186	15,867	5,212	2,029	5,815	5,213	155	59	6	434
Other + practices at the job post	7,085	10,005	432	228	150,278	123,119	847	2,024	1,937	3,145
Total	110,523	120,716	8,656	4,123	197,010	166,107	1,813	3,620	7,679	6,732
TRAINING ASSESSMENT										
Assessment of the monitoring of the training action(maximum=5)	4.12	4.15	5.00	5.00	4.50	4.63	3.58	3.75		
Assessment of the management's perception	3.34	3.45	5.00	5.00	4.51	4.65	3.58	3.75		
Assessment of the attendee's perception	3.26	3.34	4.66	3.98	4.44	1.91	4.35	4.30		

	Spain			Latin America			TOTAL GROUP		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
TRAINING									
Total number of training hours									
During working hours	41,054	47,029	53,205	44,696	41,059	40,334	85,750	88,088	93,539
Outside the working hours	68,181	64,902	63,107	19,304	23,032	19,666	87,485	87,934	82,772
Practice at the job post	6,269	7,249	8,527	8,209	142,411	118,717	14,478	149,660	127,244
Total number of employees	2,739	2,682	2,731	1,411	1,368	1,473	4,150	4,050	4,204
Number of employees who have received training		2,839	2,585	1,204	2,405	1,196	1,204	5,244	3,781
Average No. hours / employee	42.17	44.44	45.71	51.18	150.95	121.33	45.23	80.42	72.21
Average No. hours / employee who has had training		41.98	48.29	59.97	85.86	149.43	155.91	62.11	80.28
TRAINING DETAILS BY CATEGORIES									
Total numbers of training hours									
Qualified staff	30,141	31,835	46,210	12,146	39,480	34,154	42,287	71,315	80,364
Medium level qualified staff	10,168	11,098	5,562	19,351	5,905	5,609	29,519	17,003	11,171
Technicians	17,658	19,696	19,328	18,241	134,381	109,175	35,899	154,077	128,503
Unqualified staff	57,538	56,550	53,739	18,367	8,970	9,801	75,905	65,520	63,540
Average Training hours									
Qualified staff	12.07	11.64	13.45	20.24	46.28	39.12	13.65	19.87	18.65
Medium level qualified staff	12.13	11.34	13.63	12.98	3.95	4.87	12.67	6.88	7.16
Technicians	12.02	12.20	13.48	12.37	84.15	85.03	12.20	47.97	47.28
Unqualified staff	12.10	11.58	13.36	8.58	2.89	5.80	11.01	8.20	11.12
Attendees by category									
Qualified staff	2,497	2,736	3,436	600	853	873	3,097	3,589	4,309
Medium level qualified staff	838	979	408	1,491	1,494	1,152	2,329	2,473	1,560
Technicians	1,469	1,615	1,434	1,475	1,597	1,284	2,944	3,212	2,718
Unqualified staff	4,754	4,885	4,021	2,141	3,103	1,691	6,895	7,988	5,712

continues

	Spain			Latin America			TOTAL GROUP		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
TRAINING COSTS									
Total number of training hours									
Direct costs (€)	1,319,685	1,040,251	1,040,506	175,912	208,209	198,391	1,495,597	1,248,461	1,238,897
Indirect cost (€)	87,836	63,356	104,955	13,571	42,448	54,964	101,407	105,804	159,919
Cost of subsidies form employee education (€)	32,971	27,718	12,856	53,910	81,977	69,041	86,881	109,695	81,897
Incomes from subsidies/financing received (€)	-294,418	-291,331	-282,400		-9,172	-8,598	-294,418	-300,503	-290,998
Total cost (€)	1,146,074	839,994	875,917	243,393	323,463	313,798	1,389,467	1,163,457	1,189,715
TRAINING DETAILED BY THEME									
Training themes									
Languages	19,770	21,286	25,809	125	289	3,800	19,895	21,575	29,609
Administration and IT management systems	6,240	2,728	2,599	6,438	3,533	4,255	12,678	6,261	6,854
Quality	3,272	2,246	2,440	5,420	6,626	4,743	8,692	8,872	7,183
Commercial and customer relations	2,187	2,455	2,339	8,729	4,508	4,630	10,916	6,963	6,969
Skill development	16,018	10,930	12,508	7,241	14,623	12,340	23,259	25,553	24,848
CYII training technique	21,814	26,328	31,061	10,087	12,913	9,798	31,901	39,240	40,860
Legal economic	2,880	5,620	2,495	1,034	1,535	1,284	3,914	7,155	3,779
CYII IT applications and office programmes	18,786	14,672	17,461	1,691	3,439	1,678	20,477	18,111	19,139
Occupational risk prevention	17,617	25,398	17,896	9,681	5,976	5,706	27,298	31,373	23,602
Other + practice at the job post	6,921	7,517	10,233	21,763	153,062	128,288	28,684	160,579	138,521
Total	115,504	119,179	124,839	72,209	206,502	176,523	187,713	325,681	301,362
TRAINING ASSESSMENT									
Assessment of the monitoring of the training action (maximum=5)	4.08	4.18	4.18	4.60	4.49	4.61	4.28	4.38	4.43
Assessment of the management's perception	3.61	3.46	3.50	4.60	4.50	4.63	3.99	4.12	4.16
Assessment of the attendee's perception	3.49	3.36	3.36	4.65	4.44	1.96	3.94	4.04	2.54

	Canal Gestión		Spanish investee companies		Colombia		Ecuador		Dominican Republic		Panama		Brazil	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
DIVERSITY OF THE STAFF AND EQUALITY OF OPPORTUNITIES. BREAKDOWN FOR MANAGERS														
Women	50	50	4	9	34	29	3	3	3	5	0	0		2
Men	108	110	10	22	54	44	1	2	1	2	1	1		5
Younger than 30 years	0	0	0	0	3	3	0	1	0	0	0	0		0
Between 30 and 50 years	85	89	10	17	69	55	4	4	4	7	0	0		6
Older than 50 years	73	71	4	14	15	15	0	0	0	0	1	1		1
With some degree of disability	0	0	0	0	2	1	0	0	0	0	0	0		0
Other nationalities	1	1	0	0	1	0	0	0	3	4	1	1		0
DIVERSITY OF THE STAFF AND EQUALITY OF OPPORTUNITIES. BREAKDOWN FOR NON-MANAGEMENT STAFF, PERMANENT AND FULL-TIME CONTRACT														
Women														
Qualified staff	74	72	9	15	152	158	3	11	6	5	5	3		25
Technicians and Medium level qualified staff	71	33	8	8	24	42	8	4	30	33	1	1		5
Administration staff and similar	265	232	29	49	125	78	13	15	63	69	5	3		45
Other salaried staff	6	7	1	1	4	10	0	2	1	1	0	0		1
Employees of other nationalities														
Qualified staff	2	2	0	2	1	3	0	0	1	5	0	0		1
Technicians and Medium level qualified staff	0	0	1	0	0	0	0	0	1	1	0	0		0
Administration staff and similar	0	0	0	0	0	0	0	0	1	0	0	0		0
Other salaried staff	0	0	10	11	0	0	0	0	0	0	0	0		0
Diusability														
Employees with some degree of disability	29	23	3	8	4	3	2	2	0	0	0	0		0

continues

	Canal Gestión		Spanish investee companies		Colombia		Ecuador		Dominican Republic		Panama		Brazil	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Breakdown according to age. Younger than 30 years														
Qualified staff	2	0	0	0	90	65	5	10	1	23	1	1		11
Technicians and Medium level qualified staff	1	0	1	1	13	28	7	3	21	29	1	1		5
Administration staff and similar	5	3	1	1	41	9	19	25	62	42	5	1		22
Other salaried staff	12	6	7	9	8	7	12	12	91	41	0	0		515
Breakdown according to age. Between 30 and 50 years														
Qualified staff	123	122	25	29	192	220	6	8	7	34	3	2		23
Technicians and Medium level qualified staff	183	183	43	57	95	92	7	4	18	46	0	0		10
Administration staff and similar	286	292	32	49	145	123	2	2	24	31	0	2		33
Other salaried staff	352	366	131	206	161	141	8	13	78	41	0	0		543
Breakdown according to age. Older than 50 years														
Qualified staff	39	38	3	3	17	16	1	2	0	2	1	2		10
Technicians and Medium level qualified staff	84	80	6	11	22	22	0	0	0	1	0	0		2
Administration staff and similar	187	173	17	27	10	14	0	0	2	2	0	0		12
Other salaried staff	173	151	56	109	94	97	5	4	9	8	0	0		120

	Spain			Latin America			TOTAL GROUP		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
DIVERSITY OF THE STAFF AND EQUALITY OF OPPORTUNITIES. BREAKDOWN FOR MANAGEMENT STAFF									
Women	55	54	59	40	40	39	95	94	98
Men	124	118	132	58	57	54	182	175	186
Younger than 30 years	-	-	-	4	3	4	4	3	4
Between 30 and 50 years	111	95	106	76	77	72	187	172	178
Older than 50 years	68	77	85	16	16	17	84	93	102
With some degree of disability	-	-	-	2	2	1	2	2	1
Other nationalities	1	1	1	4	5	5	5	6	6
DIVERSITY OF THE STAFF AND EQUALITY OF OPPORTUNITIES. BREAKDOWN FOR NON MANAGEMENT STAFF, PERMANENT AND FULL-TIME CONTRACT									
Women									
Qualified staff	85	83	87	163	166	202	248	249	289
Technicians and medium level qualified staff	80	79	41	68	63	85	148	142	126
Administration staff and similar	344	294	281	204	206	210	548	500	491
Other salaried staff	10	7	8	5	5	14	15	12	22
Employees of other nationalities									
Qualified staff	3	2	4	-	2	9	3	4	13
Technicians and medium level qualified staff	1	1	-	1	1	1	2	2	1
Administration staff and similar	-	-	-	-	1	-	-	1	-
Other salaried staff	10	10	11	-	-	-	10	10	11
Disability									
Employees with some degree of disability	35	32	31	5	6	5	40	38	36
Breakdown according to age. Younger than 30 years									
Qualified staff	3	2	-	80	97	110	83	99	110
Technicians and medium level qualified staff	6	2	1	42	42	66	48	44	67
Administration staff and similar	13	6	4	105	127	99	118	133	103
Other salaried staff	26	19	15	80	111	575	106	130	590

continues

	Spain			Latin America			TOTAL GROUP		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Breakdown according to age. Between 30 and 50 years									
Qualified staff	154	148	151	210	208	287	364	356	438
Technicians and medium level qualified staff	256	226	240	186	120	152	442	346	392
Administration staff and similar	349	318	341	153	171	191	502	489	532
Other salaried staff	534	483	572	181	247	738	715	730	1.310
Breakdown according to age. Older than 50 years									
Qualified staff	38	42	41	19	19	32	57	61	73
Technicians and medium level qualified staff	77	90	91	57	22	25	134	112	116
Administration staff and similar	193	204	200	10	12	28	203	216	228
Other salaried staff	223	229	260	68	108	229	291	337	489

	Canal Gestión		Spanish investee companies		Colombia		Ecuador		Dominican Republic		Panama	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
RELATION BETWEEN INITIAL SALARY AND LOCAL MINIMUM SALARY												
Annual initial salary without seniority of the lowest category of employee	15,436.92	15,436.92	14,804.70	11,745.02	3,445.26	2,849.92	2,725.42	2,873.17	2,351.19	2,441.10	5,133.49	5,872.83
Minimum annual wage of the country	8,979.60	9,034.20	8,979.60	9,034.20	2,943.08	2,849.92	2,725.42	2,873.17	2,351.19	2,441.10	3,416.10	4,641.79
Relation initial salary /minimum salary (%)	171.91	170.87	164.87	130.01	117.06	100.00	100.00%	100.00	100.00	100.00	150.27	126.52

	Canal Gestión		Spanish investee companies		Colombia		Ecuador		Dominican Republic		Panama	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
SOCIAL BENEFITS												
Social action for Group employees												
Company contributions to the pensions plan	-	-	-	-	63.79	164.79	52.25	87.97	105.28	97.25	39.67	9.04
Voluntary medical insurance	1,041.71	-	199.54	-	24.46	88.68	38.50	61.72	21.55	39.38	-	-
Subsidy for employee's transport	364.36	299.45	7.03	8.00	163.50	195.63	29.67	43.67	2.20	4.80	-	-
Subsidies for disabled children	-	-	1.40	-	-	1.74	-	-	-	-	-	-
Subsidies for the studies of employees' children	-	-	40.53	22.88	108.15	103.54	-	-	-	-	-	-
Other non-itemised subsidies	-	-	1.97	14.60	20.23	13.32	-	-	16.64	11.97	-	-
TOTAL SUBSIDIES (THOUSAND OF €)	1,406.07	299.45	250.47	45.47	380.14	567.69	120.42	193.35	145.67	153.40	39.67	9.04

	Spain			Latin America			Total Group		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
SOCIAL BENEFITS									
Social action for Group employees									
Company contributions to the pensions plan	331.12	-	-	148.74	261.00	359.04	479.86	261.00	359.04
Voluntary medical insurance	1,210.97	1,241.25	-	90.19	84.52	189.77	1,301.15	1,325.77	189.77
Subsidy for employee's transport	370.85	371.39	307.45	150.56	195.37	244.10	521.42	566.76	551.54
Subsidies for disabled children	1.36	1.40	-	-	-	1.74	1.36	1.40	1.74
Subsidies for the studies of employees' children	12.22	40.53	22.88	92.26	108.15	103.54	104.48	148.68	126.42
Other non-itemised subsidies	0.74	1.97	14.60	30.95	36.87	25.29	31.69	38.84	39.89
TOTAL SUBSIDIES (THOUSAND OF €)	1,927.26	1,656.54	344.92	512.70	685.90	923.47	2,439.96	2,342.45	1,268.40

V. Detailed information on customer services

CUSTOMER SERVICE STATISTICS IN THE CANAL GROUP COMPANIES UNDERTAKING COMMERCIAL ACTIVITIES

	Canal de Isabel II Gestión		Spanish companies *		Colombia **		Ecuador		Panamá		Dominican Republic		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Number of payment points ***	-	-	-	2	439	491	1	1	-	-	725	931	1,165	1,425
Number of fixed commercial offices	12	12	13	14	15	17	1	1	-	1	8	8	37	41
Number of mobile commercial offices	2	3	2	3	2	2	-	-	-	-	48	253	52	258
Number of telephone calls attended	1,027	1,076	1,042	1,116	417	426	1.38	4.30	-	2.17	337.82	56.80	1,798	1,606
Visits to headquarters	35,666	40,160	67,086	101,232	153,497	190,493	5,300	6,524	-	-	39,780	19,108	265,663	317,357
Visits to regional offices	96,235	120,707	96,235	120,707	214,651	239,849	-	-	-	-	74,016	31,280	384,902	391,836
Visits to mobile offices	5,397	1,647	5,397	1,647	7,242	8,610	-	-	-	-	5,000	2,700	17,639	12,957
Virtual office (in thousands)	1,112	1,550	1,112	1,550	1,117	987	-	-	-	-	272	268	2,501	2,805
By letter	23,049	28,965	23,049	30,206	21,659	63,369	2,928	3,540	-	-	14,151	4,437	61,787	101,552
Personalised assistance	-	-	-	10	260,517	280,791	-	-	-	-	-	-	260,517	280,801
By fax	77,808	64,354	77,808	64,354	1,270	791	-	-	-	-	32	-	79,110	65,145
By chat	1,261	1,726	1,261	1,726	3,464	4,480	17	27	-	-	-	-	4,742	6,233
By e-mail	2,615	11,621	2,615	11,621	14,453	13,346	102	255	-	80	-	83,068	17,170	108,370
Telephone self-assistance	39,447	35,803	39,447	35,803	561,591	525,560	-	-	-	-	-	-	601,038	561,363
Property inspection visits ***,	28,529	27,295	28,529	27,295	-	904	-	-	-	-	-	-	28,529	28,199
Automatic advisors ***	-	-	-	-	49,994	17,868	-	-	-	-	113,796	50,388	163,790	68,256

* Total of Canal Gestión, Aguas de Alcalá UTE and Canal Gestión Lanzarote (Does not include Canal Gestión in Cáceres).

** Total of Metroagua, Triple A, ASAA and R&T. In the case of Metroagua, for 2012 it only includes data on number of payment points, number of fixed and mobile commercial offices.

*** Applies to Latin American companies and Canal Gestión Lanzarote in the case of the payment points (2 bank offices).

**** Reflects only visits to property with customer (does not include internal Canal de Gestión inspections and those associated to claims, among others).

VI. Information on recorded complaints, claims and incident reports from customers of the Canal Gestión Group

TYPE OF COMPLAINTS RECEIVED IN THE COMMERCIAL CIRCUIT, BY PROCESSES, AT THE COMPANIES ENGAGED IN THE INTEGRATED WATER CYCLE MANAGEMENT AND ITS COMMERCIAL PROCESSES

	Canal de Isabel II Gestión		Spanish companies *		Colombia **		Ecuador		Panama		Dominican Republic		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Billing procedure	629	954	650	1,092	13,064	14,363	208	315	-	-	2,558	2,119	16,480	17,889
Payment management process	102	521	102	529	2,907	2,523	-	-	-	48	425	384	3,434	3,484
Inspection process	355	370	546	371	1,473	1,705	1,540	1,629	-	-	-	-	3,559	3,705
Process in the execution of supply works	546	422	546	422	394	639	760,00	927,00	-	820,00	-	-	1,700	2,808
Procurement, assistance and other processes	940	2,038	957	2,053	271	166	-	-	-	-	10,210	376	11,438	2,595
TOTAL	2,572	4,305	2,801	4,467	18,109	19,396	2,508	2,871	-	868	13,193	2,879	36,611	30,481

* Total complaints of Canal Gestión and Aguas de Alcalá UTE.

** Triple A Barranquilla, Metroagua, ASAA and R&T.

CLAIMS ON BILLS RECEIVED AT THE CUSTOMER SERVICE NETWORK BY THE COMPANIES ENGAGED IN THE INTEGRATED WATER CYCLE MANAGEMENT

	Canal de Isabel II Gestión		Spanish companies *		Colombia **		Ecuador		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Bills issued	8,574,110	8,316,215	8,871,061	8,617,863	1,609,216	1,881,819	26,487	30,540	10,506,764	10,530,222
Number of claims received	27,211	26,996	27,439	27,158	23,840	29,499	1,042	1,004	52,321	57,661
Number of claims resolved	26,497	27,247	26,725	27,409	23,620	28,861	1,036	1,004	51,381	57,274
Number of claims rejected	10,225	8,776	10,288	8,827	17,605	19,316	739.00	689.00	28,632	28,832
Number of Favourable claims	16,272	18,471	16,437	18,582	6,015	9,545	297	315	22,749	28,442
Percentage of claims on bills issued	0.32	0.32	0.31	0.32	1.48	1.57	0.04	0.03	0.50	0.55
Percentage of totally or partially favourable claims for the customer	61.41	67.79	61.50	67.80	25.47	33.07	0.29	0.31	44.28	49.66
Percentage of non-favourable claims for the customer	38.59	32.21	38.50	32.20	74.53	66.93	0.71	0.69	55.72	50.34

* Total claims of Canal Gestión and Aguas de Alcalá UTE.

** Triple A Barranquilla, Metroagua and ASAA.

SUMMARY OF INCIDENT REPORTS RECEIVED RELATED TO THE WATER SUPPLY AND EVACUATION

	Canal de Isabel II Gestión		Spanish companies *		Colombia **		Ecuador		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Incident reports related with water quality	6,158	6,797	6,158	6,807	214	140	49	37	6,421	6,984
Incident reports related with sanitation	26,739	28,455	27,319	29,557	23,738	25,059	1,063	950	52,120	55,566
Incident reports related with supply continuity	35,796	36,474	36,023	38,437	11,657	12,029	113	119	47,793	50,585
Incident reports related with water pressure	10,273	10,990	10,273	11,987	18	13	89,00	98,00	10,380	12,098
No. of incident reports recorded related with supply and sanitation	78,966	82,716	79,773	86,788	35,627	37,241	1,314	1,204	116,714	125,233

* Total claims Canal Gestión,Aguas de Alcalá UTE and Canal Gestión Lanzarote.

** Triple A Barranquilla, Metroagua and ASAA.

VII. Statistics of Canal de Isabel II Gestión Customer Ombudsman

COMPLAINTS RECEIVED AT THE CUSTOMER OMBUDSMAN OFFICE			
	2011	2012	2013
No. of claims received that do not fulfil the requirements to be processed	270	232	243
No. of complaints received accepted for proceedings	803	693	723
Total No. of complaints received	1,073	925	966
Percentage of claims accepted for proceedings	74.84	74.92	74.84
No. of complaints resolved fully or in part in favour of the customer	479	377	341
No. of complaints resolved not in favour of the customer	318	295	339
No. of total complaints resolved in the year	797	672	680
Percentage of complaints fully or partially resolved in favour of the customer	60.10	56.10	50.15

TYPE OF COMPLAINTS ACCEPTED FOR PROCEEDINGS AT THE CUSTOMER OMBUDSMAN OFFICE (percentage)

	2011	2012	2013
Billing complaints	65%	67%	66%
Supply complaints	13%	8%	5%
Contracting complaints	6%	5%	4%
Other	16%	20%	24%

TYPE OF CUSTOMERS WHO HAVE PRESENTED CLAIMS ACCEPTED FOR PROCEEDINGS AT THE CUSTOMER OMBUDSMAN OFFICE			
	2011	2012	2013
Natural person	567	507	540
Company	104	63	58
Community of owners	94	91	80
Municipal consumer information office	24	21	30
Consumer association	3	3	2
Arbitration Board	3	6	3
Residential area	2	2	4
Autonomous Region of Madrid	6	0	6
Total	803	693	723

VIII. Statistics on the water quality laboratory works

WATER QUALITY CONTROLS UNDERTAKEN BY THE CANAL GESTION GROUP COMPANIES IN 2012 AND 2013

		Canal de Isabel II Gestión		Other Spanish investee companies		Triple A Barranquilla		Metroagua		ASAA		Amagua		TOTAL GROUP	
		2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Water before supply	<i>Samples analysed</i>	17,441	16,553	353	897	2,001	4,882	750	718	-	-	-	-	20,545	23,050
	Analysis carried out	345,555	342,078	7,817	11,429	16,948	25,501	9,156	8,772	-	-	-	-	379,476	387,780
Supply network	<i>Samples analysed</i>	20,741	21,447	2,092	5,901	10,500	11,396	2,561	2,554	-	955	259	300	36,153	42,553
	Analysis carried out	343,691	365,890	5,018	27,447	104,913	105,245	19,205	19,570	-	5,975	2,310	2,400	475,137	526,527
Analysis carried out for other entities	<i>Samples analysed</i>	773	727	-	-	7,989	2,884	-	-	-	-	-	-	8,762	3,611
	Analysis carried out	17,735	16,217	-	-	37,121	24,223	-	-	-	-	-	-	54,856	40,440
Automatic monitoring	<i>Samples analysed</i>	665,760	700,904	-	-	-	-	-	-	-	-	-	-	665,760	700,904
	Analysis carried out	5,431,200	6,097,708	-	-	-	-	-	-	-	-	-	-	5,431,200	6,097,708
WWTP effluent	<i>Samples analysed</i>	6,938	7,730	-	360	514	556	-	-	-	-	368	390	7,820	9,036
	Analysis carried out	54,218	61,430	-	3,213	11,377	13,210	-	-	-	-	2,092	4,680	67,687	82,533
Analysis reclaimed water	<i>Samples analysed</i>	3,262	3,580	-	432	-	-	-	-	-	-	-	-	3,262	4,012
	Analysis carried out	20,816	25,883	-	3,779	-	-	-	-	-	-	-	-	20,816	29,662

continues

		Canal de Isabel II Gestión		Other Spanish investee companies		Triple A Barranquilla		Metroagua		ASAA		Amagua		TOTAL GROUP	
		2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Studies on sewers	<i>Samples analysed</i>	258	295	-	13	-	4	-	-	-	-	-	-	258	312
	Analysis carried out	2,762	3,691	-	70	-	18	-	-	-	-	-	-	2,762	3,779
Waste	<i>Samples analysed</i>	73	82	24	21	82	332	-	-	-	12	-	-	179	447
	Analysis carried out	567	873	552	460	3,241	7,888	-	-	-	42	-	-	4,360	9,263
Inspections by official entities	<i>Samples analysed</i>	296	305	-	89	-	-	-	-	-	62	-	-	296	456
	Analysis carried out	1,635	1,836	-	487	-	-	-	-	-	727	-	-	1,635	3,050
Analysis of Viruses	<i>Samples analysed</i>	90	89	-	-	-	20	-	-	-	-	-	-	90	109
	Analysis carried out	180	178	-	-	-	20	-	-	-	-	-	-	180	198
Irrigation network	<i>Samples analysed</i>	-	-	-	24	-	-	420	420	-	-	-	-	420	444
	Analysis carried out	-	-	-	100	-	-	2,460	2,460	-	-	-	-	2,460	2,560
Total analysis work carried out	<i>Samples analysed</i>	722,400	758,302	2,505	7,809	22,234	21,339	4,814	4,773	-	1,041	627	690	752,580	793,954
	Analysis carried out	6,309,941	7,010,234	14,191	48,154	186,529	188,853	40,828	40,791	-	6,999	4,402	7,080	6,555,891	7,302,111
Total analysis work carried out (Canal Group without other entities)	<i>Samples analysed</i>	721,627	757,575			14,245	18,455							735,872	776,030
	Analysis carried out	6,292,206	6,994,017			149,408	164,630							6,441,614	7,158,647

IX. Consumption of materials recorded

MAIN CONSUMPTIONS OF MATERIALS RECORDED: REACTIVES FROM WWTP AND DESALINATION PLANTS (tons)

Reactives	Canal de Isabel II Gestión		Spain *		Colombia **		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013
Chlorine	1,793	1,761	1,825	1,761	738.91	810.61	2,564	2,572
Alumina sulphate	14,653	11,367	14,653	11,367	517.78	426.26	15,171	11,793
Alumina Polyvinyl chloride	813	1,105	815	1,110	1,647.82	1,800.18	2,462	2,910
Polyelectrolytes	68	35	68	44	342.83	372.89	411	417
Potassium permanganate	14	5	14	5	-	-	14	5
Ammonia	210	198	210	198	-	-	210	198
Powder active carbon	234	236	235	236	16.26	43.03	251	279
Sodium chlorite	222	212	222	212	-	-	222	212
Sodium hypochlorite	2,951	2,442	2,984	2,474	194.08	294.54	3,178	2,769
Copper sulphate	-	-	-	-	2.87	1.83	3	2
Sodium hydroxide	746	589	746	589	-	-	746	589
Calcium hydroxide	2,282	2,757	2,282	2,757	-	-	2,282	2,757
Ammonia in solution	205	188	205	188	-	-	205	188
Liquid oxygen	3,717	2,636	3,717	2,636	-	-	3,717	2,636
Hydrochloric acid	235	314	235	314	-	-	235	314
Poly Dadmac	238	284	238	284	-	-	238	284
Starch	89	141	89	141	-	-	89	141
Phosphonate	-	-	-	28	-	-	-	28
Sodium carbonate	496	312	496	382	-	-	496	382
Calcium chloride	41	40	41	190	-	-	41	190
Calcium hypochlorite	168	108	168	137	-	-	168	137
TOTAL:	29,177	24,729	29,244	25,052	3,461	3,749	32,705	28,801

* Canal Gestión, Aguas de Alcalá UTE and Canal Gestión Lanzarote.

** Triple A Barranquilla, Metroagua and ASAA.

MAIN CONSUMPTIONS OF MATERIALS RECORDED: REACTIVES WWTP AND TERTIARY TREATMENTS (tons)

Reactives	Canal de Isabel II Gestión		Spain *		Colombia **		Ecuador		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Ferric chloride	35,962.96	37,040.00	35,962.96	37,040.00	-	-	-	-	35,962.96	37,040.00
Polyelectrolyte	1,098.12	1,094.00	1,098.12	1,103.38	-	-	-	-	1,098.12	1,103.38
Lime	360.86	244.00	360.86	244.00	1.50	1.50	-	-	362.36	245.50
Disinfectant Sodium hypochlorite	-	-	-	267.96	-	-	-	-	-	267.96
Caustic soda for cleaning of tertiaries	-	-	-	5.18	-	-	-	-	-	5.18
Citric acid for cleaning of tertiaries	-	-	-	0.10	-	-	-	-	-	0.10
Sodium hypochlorite cleaning of tertiaries	-	-	-	2.02	-	-	-	-	-	2.02
Bio-augmentation	-	-	-	-	-	5.47	-	-	-	5.47
Antifoam	-	-	-	-	-	0.35	-	-	-	0.35
Chlorine in tablets	-	-	-	-	-	-	5.44	5.44	5.44	5.44
TOTAL:	37,421.94	38,378.00	37,421.94	38,662.63	1.50	7.32	5.44	5.44	37,428.88	38,675.39

* Canal Gestión, Aguas de Alcalá UTE and Canal Gestión Lanzarote.

** Triple A Barranquilla, Metroagua and ASAA.

X. Energy consumptions recorded

ENERGY CONSUMPTIONS RECORDED

	Canal de Isabel II Gestión		Spain *		Colombia		Ecuador		Dominican Republic		Panama		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Electricity consumptions (MWh / year)														
Total electricity consumption from the grid	483,458	314,778	498,271	413,923	152,297	155,873	2,469	2,692	380	399	71	111	653,489	572,998
Hydro-electric consumptions generated by Hidráulica Santillana**	11,570	12,314	12,241	12,994	-	-	-	-	-	-	-	-	12,241	12,994
Consumption of electricity generated from biogas at WWTP**	79,374	79,325	79,374	79,325	-	-	-	-	-	-	-	-	79,374	79,325
In-house electricity consumption in sludge treatment at UTL Loeches*	8,710	8,061	8,710	8,061	-	-	-	-	-	-	-	-	8,710	8,061
Micro-turbines in the supply network**	284	456	284	456	-	-	-	-	-	-	-	-	284	456
In-house consumption of photovoltaic solar energy ***	-	-	-	-	3	3	-	-	-	-	-	-	3	3
TOTAL CONSUMPTION OF ELECTRICITY (MWh /year)	583,396	414,934	598,880	514,758	152,300	155,876	2,469	2,692	380	399	71	111	754,098	673,834
Fuel consumptions														
Natural gas in thermal drying of sludge at UTL Loeches (mWh/year pcs) **	142,031	142,762	142,031	142,762	-	-	-	-	-	-	-	-	142,031	142,762
Natural gas in boilers in buildings (in thousand m3/year)	118	114	118	114	-	-	-	-	-	-	-	-	118	114
Diesel in boilers in buildings (in thousand litres/year)	152	154	184	174	-	-	-	-	-	-	-	-	184	174
Diesel in vehicles and machinery (in thousand litres/year)	695	712	1,199	1,341	2,121	2,122	49	49	19	23	-	-	3,388	3,535
Gasoline in vehicles (in thousand litres/year)	21	24	57	79	651	411	40	40	59	71	85	34	892	634
Natural gas in vehicles (thousand m3/year) ***	-	-	-	-	271	272	-	-	-	-	-	-	271	272

* Includes Canal Gestión and the other Spanish investee companies, except the branch in Cáceres.

** Only in Spain.

*** Only Triple A in Barranquilla (Colombia).

ENERGY CONSUMPTIONS RECORDED IN THOUSAND OF GIGAJULES

	Canal de Isabel II Gestión		Spain *		Colombia		Ecuador		Dominican Republic		Panama		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Electricity consumption (thousand of GJ / year)														
Total electricity consumption from the grid	1,740.45	1,133.20	1,793.78	1,490.12	548.27	561.14	8.89	9.69	1.37	1.44	0.26	0.40	2,352.56	2,062.79
Hydro-electric consumptions generated by Hidráulica Santillana**	41.65	44.33	44.07	46.78	-	-	-	-	-	-	-	-	44.07	46.78
Consumption of electricity generated from biogas at WWTP**	285.75	285.57	285.75	285.57	-	-	-	-	-	-	-	-	285.75	285.57
In-house electricity consumption in sludge treatment at UTL Loeches*	31.35	29.02	31.35	29.02	-	-	-	-	-	-	-	-	31.35	29.02
Micro-turbines in the supply network**	1.02	1.64	1.02	1.64	-	-	-	-	-	-	-	-	1.02	1.64
In-house consumption of photovoltaic solar energy ***	-	-	-	-	0.01	0.01	-	-	-	-	-	-	0.01	0.01
TOTAL CONSUMPTION OF ELECTRICITY (thousand GJ year)	2,100.22	1,493.76	2,155.97	1,853.13	548.27	561.14	8.89	9.69	1.37	1.44	0.26	0.40	2,714.75	2,425.80
Fuel consumptions														
Natural gas in thermal drying of sludge at UTL Loeches **	479.96	484.92	479.96	513.94	-	-	-	-	-	-	-	-	479.96	513.94
Natural gas in boilers in buildings	4.61	4.45	4.61	4.45	-	-	-	-	-	-	-	-	4.61	4.45
Diesel in boilers in buildings	5.93	6.01	7.17	6.77	-	-	-	-	-	-	-	-	7.17	6.77
Diesel in vehicles and machinery	25.07	25.67	43.25	48.36	76.50	76.56	1.78	1.78	0.67	0.81	-	-	122.20	127.51
Gasoline in vehicles	0.70	0.79	1.90	2.64	21.79	13.76	1.35	1.35	1.97	2.36	2.85	1.13	29.86	21.25
Natural gas in vehicles ***	-	-	-	-	9.75	10.98							9.75	10.98
TOTAL CONSUMPTION OF FUEL (thousand GJ year)	516.26	521.84	536.88	576.17	108.04	101.30	3.13	3.13	2.64	3.17	2.85	1.13	653.54	684.90
TOTAL ENERGY CONSUMPTION (thousand GJ year)	2,616.49	2,015.60	2,692.85	2,429.30	656.31	662.44	12.01	12.82	4.01	4.61	3.11	1.53	3,368.29	3,110.70

* Includes Canal Gestión and the other Spanish investee companies, except the branch in Cáceres.

** Only in Spain.

*** Only Triple A in Barranquilla (Colombia).

XI. Statistics on waste management in Spain

NON-HAZARDOUS WASTE MANAGED BY SPANISH COMPANIES OF THE CANAL GESTIÓN GROUP (kilograms year)

Type of waste	Canal Gestión		Other Spanish companies		TOTAL SPAIN		Main destination in 2013*
	2012	2013	2012	2013	2012	2013	
Vegetal waste	432,440	494,520	-	12,840	432,440	507,360	Re-use
Waste from printer toners	1,995	2,270	73	101	2,068	2,371	Re-use
Mixture of construction materials	73,080	277,114	4,523,960	5,751,260	4,597,040	6,028,374	Recovery, landfill
Rubber and plastic from the mechanical treatment of waste	-	400	-	-	-	400	Recycling
Paper and carton	79,180	94,590	3,068	3,522	82,248	98,112	Recycling
Glass	3,940	3,680	-	-	3,940	3,680	Recycling
Biodegradable waste from kitchens and restaurants, oils and edible fats	70	135	-	-	70	135	Recycling
Discarded electronic and electric equipment	6,900	5,345	349	657	7,249	6,002	Recycling
Wood not containing hazardous substances	60,760	48,718	9,140	1,860	69,900	50,578	Recycling
Plastic	48,730	64,560	14,780	7,545	63,510	72,105	Recycling
Metal	266,770	172,790	27,400	66,160	294,170	238,950	Recycling
Fractions of waste to classify at destination	55,160	213,360	-	-	55,160	213,360	Recovery, landfill
Mixture of waste	65,970	67,480	-	-	65,970	67,480	Recovery, landfill
Drinking water filter sand	139,460	337,260	-	-	139,460	337,260	Recycling
Office USW	130,510	131,340	-	150	130,510	131,490	biomethanisation
WWTP and DWTP pre-treatment waste *	26,739,747	25,374,124	1,177,697	1,384,740	27,917,444	26,758,864	Authorised landfill prior conditioning
Aqueous liquid waste- LER-161002	25,120	30,920	-	-	25,120	30,920	
TOTAL NON –HAZARDOUS WASTE	28,129,832	27,318,606	5,756,467	7,228,835	33,886,299	34,547,441	
De-sanding waste from the DWTP sent to construction and demolition recycling plants	7,737,007	5,516,000	-	-	-	-	

* In the case of Canal Gestión.

HAZARDOUS WASTE MANAGED BY THE SPANISH COMPANIES OF THE CANAL GESTIÓN GROUP (kilograms year)

Type of waste	Canal Gestión		Other Spanish companies		TOTAL SPAIN		Main destination in 2013*
	2012	2013	2012	2013	2012	2013	
Calcium hydroxide use waste	35,099	9,869	-	-	35,099	9,869	Elimination: F-q treatment
Sodium hydroxide and potassium hydroxide	5,883	12,817	-	-	5,883	12,817	Elimination: F-q – recovery treatment
Halogenated dissolvent	545	534	-	-	545	534	Recovery
Non-halogenated dissolvent	3,094	2,361	38	-	3,132	2,361	Recycling: Energy recovery
Fixing-developing solutions	-	-	-	-	-	-	Elimination: F-q treatment
Waste from engine non-chlorate mineral oils	60,475	76,005	31	150	60,506	76,155	Recovery
Other oils from engines, mechanical transmissions and lubricants -grease	53	40	-	120	53	160	Elimination
Container with remains of hazardous substances	35,988	38,961	414	1,188	36,402	40,148	Recovery
Impregnated cloths and papers	-	-	29	128	29	128	Elimination
Mineral absorbents impregnated with hazardous substances	9,070	8,439	66	63	9,136	8,502	Elimination
Transformers and capacitors containing PCBs	600	1,860	-	-	600	1,860	Elimination: Incineration- Recycling
Gases in pressure containers	215	20	-	-	215	20	Elimination: incineration
Laboratory chemicals: contaminated water analysis	326	443	-	100	326	543	Elimination
Laboratory chemicals: expired reactivities	1,662	2,543	-	-	1,662	2,543	Elimination: incineration
Laboratory chemicals: aqueous solutions	0	0	4,100	3,650	4,100	3,650	Elimination
Photographic and x-ray waste	-	-	-	-	-	-	Silver regeneration
Oil filters not specified in other categories	1,635	1,277	21	40	1,656	1,317	Recovery
Organic waste containing hazardous substances	371	0	-	-	371	-	Elimination: F-q – Recovery treatment
Potassium permanganate	0	0	-	-	-	-	Elimination: F-q treatment
Lead batteries	1,596	951	-	52	1,596	1,003	Recovery
Alkaline batteries managed as HW	629	465	58	68	687	533	Recovery
Aqueous liquid waste containing hazardous substances	104,231	107,025	-	-	104,231	107,025	Elimination: F-q treatment
Insulation material containing asbestos	140	0	8,720	-	8,860	-	Elimination: Safety deposit
Waste from medical services	527	491	-	-	527	491	Elimination: incineration
Fluorescent bulbs and other waste containing mercury	2,093	1,023	33	32	2,126	1,055	Recovery
Printer inks	0	0	-	2	-	2	Recycling
Empty aerosols	0	0	20	34	20	34	
TOTAL	264,228	265,121	13,530	5,626	277,758	270,747	

XII. Proyectos realizados por las empresas del Grupo Canal Gestión

	Canal Gestión		INASSA Colombia		Triple A Barranquilla		Metroagua		ASAA		Amagua		TOTAL GROUP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
NUMBER OF PROJECTS													-	-
No. supply projects (intake treatment and supply)		12	-	-	8	19	2	2	-	5	2	1	23	39
No. Sanitation projects (sewerage and treatment)		12	-	-	16	20	2	3	-	5	1	2	26	42
No. Re-use projects		2	-	-	-	-	-	-	-	-	-	-	9	2
No. Construction projects		9			1	2	-	-	-	-	1	-	6	11
No. Of construction management projects	3	4	8	3	4	1	-	-	-	-	-	-	15	8
Total number of projects	34	39	8	3	29	42	4	5	-	10	4	3	79	102
Budget of the Projects (million euros)														
Budget supply projects	40.79	41.00	-	-	9.38	21.29	1.26	2.11	-	0.28	0.63	0.09	52.05	64.77
Budget sanitation projects	25.88	37.20	-	-	19.92	51.41	2.86	10.32	-	0.66	0.14	0.58	48.80	100.18
Budget re-use projects	55.73	12.15	-	-	-	-	-	-	-	-	-	-	55.73	12.15
Budget construction projects	1.37	1.12	-	-	0.30	0.08	-	-	-	-	0.03	-	1.69	1.20
Budget construction management projects	1.95	1.56	0.08	0.00	3.04	0.31	-	-	-	-	-	-	5.07	1.87
Total budget	125.72	93.03	0.08	0.00	32.64	73.09	4.12	12.43	-	0.95	0.79	0.67	163.35	180.17

XIII. Detail of the multi-annual investment plan of Canal de Isabel II Gestión – investments per programmes





MULTI-ANNUAL INVESTMENT PLAN (in thousands of €)

	Executed in 2012	Executed in 2013
4.1. Supply guarantee	94,185.22	80,192.81
4.1.1. Development of strategic resources	2,288.18	1,529.89
4.1.1.a. Well filed of Guadarrama	904.24	1,304.25
4.1.1.b. General groundwater systems	1,383.94	225.64
4.1.2. Consolidation of the concessional volumes	4,022.29	3,315.71
4.1.3. Extension of the supply systems	87,874.74	75,347.20
4.1.3.a. Extension of the strategic network	25,673.66	27,524.92
4.1.3.b. Reinforcement of the local systems	1,713.10	2,374.20
4.1.3.c. Extension of the regulation capacity	20,544.72	10,264.78
4.1.3.d. Renewal of the supply network	39,943.26	35,183.31
4.2. Quality guarantee	9,950.11	8,783.90
4.2.1. Treatment of consumption water	9,214.74	8,433.89
4.2.2. Monitoring of the quality of consumption water	735.37	350.01
4.3. Infrastructure safety	162.46	171.25
4.3.1. Dam emergency plan	49.88	39.38
4.3.2. Safety plan for channels and galleries	112.58	131.87
4.4. Environmental commitment	77,632.29	68,439.26
4.4.2. Adaptation plan of the treatment system	61,338.74	57,749.14
4.4.4. Sludge treatment and disposal	-	36.75
4.4.5. Extension of the re-usable water supply	16,293.56	10,653.36
4.5. Technological innovation	22,167.53	20,375.13

	Executed in 2012	Executed in 2013
4.5.2. Telecontrol and communication systems	11,480.80	9,540.06
4.5.2.a. IT system of facilities	7,270.93	6,211.16
4.5.2.b. IT systems of communications	4,209.87	3,328.90
4.5.3. Continuous improvement of information systems	7,421.49	5,347.71
4.5.3.a. IT applications	4,466.40	4,335.75
4.5.3.b. Administration IT equipment	2,955.09	1,011.96
4.5.4. Technical assistance of support to operation	3,265.24	5,487.36
4.6. Adaptation of the Canal de Isabel II General services	8,509.07	6,383.66
4.6.1. Buildings. Enclosures and accesses	2,052.70	2,434.95
4.6.2. Renewal of installations and general equipment	351.97	395.19
4.6.3. Management of assets	6,104.40	3,553.52
Total Investment programmes	212,606.68	184,346.01
Technical conformities	12,907.98	20,504.19
Transfer of municipal sewerage networks	71,933.64	189.00
Financial activation concession agreement Madrid City Council	11,856.13	12,755.01
Activation financial costs EIB	642.27	350.95
Land registrations	1,163.14	1,241.22
Other property	3,671.63	-1,819.67
Total Investments	314,781.47	217,566.70
Investments applied to restoration provision	-74,312.89	-80,056.70
Total property additions	240,468.58	137,510.01

ANNEX 3.

LEGAL INFORMATION OF CANAL DE ISABEL II GESTIÓN, S.A. AND CONSOLIDATED
OF CANAL GESTIÓN AND SUBSIDIARY COMPANIES

<i>Auditors' Report on the Annual Accounts of Canal de Isabel II Gestión, S.A.</i>	
<i>Annual Accounts and Directors' Report of Canal de Isabel II Gestión, S.A.</i>	
<i>Auditors' Report on the Consolidated Annual Accounts of Canal de Isabel II Gestión, S.A. and subsidiaries</i>	
<i>Canal de Isabel II Gestión, S.A. and Subsidiaries: Consolidated Annual Accounts and Consolidated Directors' Report</i>	

ANNEX 4.

PROFILE OF THE 2013 ANNUAL REPORT OF THE BUSINESS GROUP; SCOPE AND LIMITATIONS

Note on the incorporation of Canal de Isabel II Gestión S.A. in 2012 and the content of the 2013 Annual Report

The new company, Canal de Isabel II Gestión, S.A., began operating on 1 July 2012 after its incorporation was authorised by the Board of Directors of Canal de Isabel II and then by the Government Council of the Autonomous Region of Madrid. The corporate purpose of the new company is to provide the services of drinking water supply, waste water treatment and re-use of reclaimed waste water, including customer services and commercial activity.

Bearing in mind that the new company began operating in mid-2012 and in order to convey to the readers of this report a true image of the reality at our company, this report contains, with regard to Canal Gestión in 2012, the parameters and indicators from the **«aggregate activity» of the new company** (Canal Gestión) **and its predecessor** regarding integrated water cycle management in the Autonomous Region of Madrid (the Public Entity Canal de Isabel II).

Therefore, all the information of a non-financial nature, as well as the financial information regarding the financial year 2012 and included in the «2013 Annual Report on the Canal de Isabel II Gestión Business Group», corresponds to the sum total of activities by both companies and specifically:

- The activities by the Public Entity Canal de Isabel II from 1 January 2012 to 30 June 2012.
- The activities by Canal de Isabel II Gestión, S.A. from 1 July 2012 to 31 December 2012.

Furthermore, all the historical data corresponding to financial years prior to 2012 correspond to the activities and activity indicators of the Public Entity Canal de Isabel II. In the case of 2013, all the information contained in the report fully corresponds to Canal de Isabel II Gestión.

The legal information of a financial nature (annual accounts, accounts report and management report, among others) is included in Annex 3 of this document.

Coverage of the report and limitations in scope

The purpose of this report is to reflect the activity and commitments of the Canal Gestión Group over the course of 2013. **The 2013 Annual Report on the Canal de Isabel II Business Group** combines the content of the earlier Management and Annual Financial Statement Reports and the CSR Report, produced by the Group companies. This step was taken in line with current trends in the world of international business regarding the need for the information provided by companies to their various stakeholders to include both financial and non-financial aspects, presenting readers with a clear and integrated overview of the current and potential future performance of organisations.

This report has been drawn up in accordance with the recommendations of the *Global Reporting Initiative 2006 Sustainability Reporting Guidelines* (G-3.1) and includes detailed information on most of the content recommended therein. It is the intention of the Canal Group to continue producing annual reports over the coming years based on these standards, incorporating any new updates that the GRI may propose. The report in general covers all indicators recommended by Global Reporting, the only exceptions and the reasons for them being indicated in the notes and comments in Annex 6.

Content and materiality

Definition of the report contents, the materiality thereof and the identification of stakeholders was carried out by means of a purely internal analysis based on the experience of the companies in the Canal Group in previous years and on the information requests received regularly by our companies from third parties. In the future, the Business Group will advance the development of tools to identify and assess these aspects on the basis of internationally accepted good practices and methodologies.

The information contained in the report covers those companies in the Group in which Canal de Isabel II Gestión owns a majority stake and which had staff and were active in 2013.

The only exception is Metroagua given that, despite the fact that the Canal Gestión Group owns a minority stake in the company, Global Reporting advises the inclusion of said company within the scope of the information due to the representative technical influence it has.

A Four new companies have incorporated to the Canal Gestión Group in 2013: Canal Gestión Lanzarote (June), Amerika T.I. (due to splitting-up of Inassa in April), ASAA (September) and Emissão Engenharia e Construções. These companies have been included in the scope of the report, yet due to their recent incorporation, some of their data is not available. In the case of Amerika T.I., the information has been dealt with jointly with that of Inassa, and in the case of Emissão only information of its staff and the supply activities of its subsidiary company Fontes da Serra are included in the report.

However, and for informative purposes, Chapter 1 and Annex 1 of the report includes short sections describing the activities and main management parameters of another three companies that do not meet the afore-mentioned criteria but that do form part of the Group: GSS, GiS and Canal Extensia.

Also included within the scope of the report are the programmes and main activities undertaken by our foundations in Spain (Canal Foundation) and Colombia (Triple A Foundation and Metroagua Foundation).

The information corresponding to the recently-launched activities by the company Inassa in Panama and Ecuador have been broken down in this edition of the report.

The activity of the branch of Canal de Isabel II in Caceres (Spain) has been included in this edition of the report. The financial information included in the annexes to this report contain the main economic parameters of said branch in a consolidated manner together with Canal de Isabel II and Aguas de Alcalá UTE.

In essence, the report corresponds to the financial year 2013. However, attempts have been made wherever possible to provide additional information with the data corresponding to the previous financial year (2012) and occasionally of 2011, in accordance with the criterion that seeing the trend from previous years may be of interest to the reader.

Generally-speaking, all indicators have been calculated by combining data from the companies regardless of the stake held by the Group in their shareholdings (aggregate data), the only exception being that of the consolidated economic data (Section 2.4.1.). This has been done in order to maintain coherence between the data published in the Annual Report and those published in the consolidated annual accounts for the Group. The values in euros have been calculated using the exchange rates applied in the income statement of the consolidated annual accounts of the Group.

The data set out in the report correspond to operations by the companies between 1 January and 31 December for each of the years reported on. In the specific case of 2013, the data were gathered from the information systems of the companies in the Canal Group in the month of January 2014. Slight deviations or insignificant changes may have occurred since that date (adjustments, invoices paid after the close of the financial year, re-allocations of expenditure, etc.). In accordance with the recommendations of the verifier, these modifications will be taken into consideration in subsequent editions of the Annual Report on the Canal de Isabel II Gestión Business Group so as to provide readers with the definitive data on the close of the year.

All the information contained in the Annual Report has been obtained from the internal information systems of the companies of the Group. This information may be subject to modification in the future as a result of subsequent events, changes or improvements in the systems employed to account for the parameters used to construct the GRI indicators. Wherever there is a lack of information on certain specific parameters from any of the companies, this is indicated in a footnote. Attempts will be made in subsequent years to reduce the amount of such missing information in order to enable information to be provided on said parameters for 100% of the companies in the Group.

Independent verification of the non-financial information

The information on GRI indicators and much of the qualitative information on the companies of the Canal de Isabel II Gestión Business Group has been verified by the current accounts auditor of Canal de Isabel II for the financial year 2013 (KPMG). The verification report that includes the corresponding scope and the results obtained is attached. The selection criteria used by the verifying company was, both this year and in previous years, based on its position as auditor of the annual accounts of our parent company.

ANNEX 5.

ASSURANCE REPORT ON THE NON FINANCIAL INFORMATION INCLUDED IN THE ANNUAL REPORT



KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Assurance Report to the Management of Canal de Isabel II Gestión Business Group

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

We performed a limited assurance review on the non-financial information contained in the Annual Report of Canal de Isabel II Gestión Business Group for the year ended 31 December 2013 (hereinafter “the Report”). The information reviewed corresponds to the economic, environmental and social indicators referred to in the Annex 6 of the Report entitled “Global Reporting Initiative Contents and Indicators”.

Canal de Isabel II Gestión Business Group management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.1 (G3.1) of the Global Reporting Initiative as described in the Annex 8 of the Report entitled “Level of GRI G3.1 compliance”. This Annex details the self-declared application level, which has been confirmed by Global Reporting Initiative. Management is also responsible for the information and assertions contained within the Report; for determining its objectives in respect of the selection and presentation of sustainable development performance; 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 engagement and, based on the work performed, to issue a report. 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) of the International Federation of Accountants (IFAC) 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. It concerns a review performed according to KPMG assurance engagement independence rules, as well as the requirements from the International Ethics Standards Board for Accountants Code of Ethics on integrity, objectivity, confidentiality, professional behaviours and qualifications.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. This report should by no means be considered as an audit report.

Our limited assurance engagement work has consisted of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying the following analytical and other evidence gathering procedures:

- Interviews with relevant Canal de Isabel II Gestión Business Group staff concerning the application of sustainability strategy and policies.
- Interviews with relevant Canal de Isabel II Gestión Business Group staff responsible for providing the information contained in the Report.
- Visit to a Waste Water Treatment Plant selected based on a risk analysis considering quantitative and qualitative criteria.

KPMG Asesores S.L., a limited liability Spanish company,
is a subsidiary of KPMG Europe LLP and a member firm of
the KPMG network of independent member firms affiliated
with KPMG International Cooperative (“KPMG International”),
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N.I.F. B-62496650

2

- Analysing 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.
- 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 Business Group.
- Verifying that the financial information reflected in the Report was taken from the annual accounts of Canal de Isabel II Gestión Business Group, which were audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Annual Report of Canal de Isabel II Gestión Business Group for the year ended 31 December 2013 have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative as described in the Annex 8 of the Report entitled “Level of GRI G3.1 compliance”.

Under separate cover, we will provide Canal de Isabel II Gestión Business Group management with an internal report outlining our complete findings and areas for improvement.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

4 April 2014

ANNEX 6.

CONTENTS AND INDICATORS GLOBAL REPORTING INITIATIVE

GRI Table 

Notes on the table of GRI contents and indicators

Note 1. The governing bodies of the parent company of the Group, Canal de Isabel II Gestión Business Group, are those that are established by legislation on public limited companies and in the articles of association of the company. Canal Gestión is not a listed company and hence has no independent directors. The chairman and the rest of the members of the Board of Directors are appointed by the General Shareholders' Meeting. The duties of the chairman are governed by the articles of association, a number of which are of an executive nature.

Note 2. No form of specific process has been implemented. At Canal de Isabel II Gestión and the Spanish investee companies, given their nature as public enterprises, the members of the highest governing body are subject to the regulations regarding disqualifications and conflicts of interest provided for in Act 53/1984, of 26 December, on disqualifications of staff in the service of the public authorities; and Act 30/1992, of 26 November, on the legal system for public authorities and common administrative procedures, which govern grounds for abstention and challenge.

Note 3. The data gathering and management systems of the Business Group do not currently provide reliable information about all data on operations required to estimate the total amount of indirect emissions associated with the value chain of all the companies in the Group..

Note 4. Information not available. Indicator not significant. The Canal de Isabel II Gestión Business Group does not use this type of substance in its processes and has taken action to comply with the standards in this regard in the refrigeration and fire-fighting equipment on its premises.

Note 5. Under the terms of the employment regulations of each country and the collective bargaining agreements that exist at a number of the companies, the senior management of the companies inform the workers' representatives of all aspects that could lead to changes to the organisational structure.

Note 6. Issues of occupational health and safety are governed by the legislation of each one of the countries where the Group operates and by the collective bargaining agreements currently in force at those companies where such agreements exist.

In the case of Canal de Isabel II Gestión, Hispanagua and CCU, the Health and Safety Committee is a consultative body based on equal representation that exists for regular and periodic consultation regarding the company's actions in the field of health and safety. It is made up of 14 members, seven of them appointed by the Works Committee.

Note 7. In the case of Canal de Isabel II Gestión, the skills-based management model was approved in 2007 and is currently in place. All employees have an annual productivity incentive and the structure with a target-based incentive, for the assessment of which the skills-based management model is used. Similar models are applied at the other Group companies.

Note 8. There is no record of any incidents of discrimination having been reported at any of the Group companies in 2013.

Note 9. The Canal Gestión Group undertakes its operations in Spain, Colombia, Ecuador, the Dominican Republic, Panama and Brazil in accordance with applicable employment regulations, making it unlikely that any risks would exist in connection with:

- The right to freedom of association.
- Incidents of child exploitation.
- Occurrences of forced or compulsory labour.

Note 10. There are no indigenous communities within the scope of activity of the companies in the Canal Group.

Note 11. No payments or donations were made to political parties or dependent entities in 2013 or previous years. In Spain, the companies of the Canal Group do not participate in or contribute to the funding of political parties, in accordance with the terms of Constitutional Law 8/2007, of 4 July, on the funding of political parties (repealing Constitutional Law 3/1987). Neither have the companies in the Group made any form of donation or contribution to political parties in 2013, in those countries where such donations are permitted by law.

Note 12. There is no record of any type of legal action or proceedings being brought against the companies in the Canal Gestión Group with regard to instances of unfair competition.

Note 13. In the period 2011-2013, none of the companies in the Canal de Isabel II Gestión Business Group was subject to any legal action or proceedings based on issues related to a breach of the regulations applicable to water for consumption, advertising and communication campaigns, or the protection of customer data.

Note 14. No incident of this type was recorded in 2013 at any of the companies in the Group.

Note 15. There are no salary differences between men and women at the companies in the Group. Salaries are exactly the same at the same hierarchical level and employment position.

Note 16. En In their capacity as public sector companies, the companies in the Group in Spain contract works, supplies and services that are governed by the regulations for the public sector and excluded sectors. All contractors are subject to protection clauses for workers' employment rights, occupational health and safety guarantees, environmental protection guarantees and protection guarantees regarding the data of corporate clients in the Canal Group.

In Latin America, the procurement procedures of the companies in the Group also include protection clauses for workers' employment rights, occupational health and safety guarantees, environmental protection guarantees and protection guarantees regarding customer data.

Note 17. No such analyses have been performed, nor is there any record of any case of corruption. The Canal de Isabel II Gestión Business Group has in place instruments to monitor procurement, commercial tasks and human resource management, which would serve to detect any such conduct were it to occur and guarantee that no practices in violation of business ethics are undertaken.

Note 18. The treatment of waste water from the Autonomous Region of Madrid in Spain, from Barranquilla and Santa Marta and Riohacha in Colombia and Samborondón and Daule in Ecuador forms a part of the mission for the companies in the Canal Group, dictating the final volume of water discharged by said companies. Given this specific aspect, information is provided on the total volume of water processed at WWTPs (an indicator of the water ultimately returned to the environment) and the pollutant load eliminated. All water discharged by the companies in the Canal Gestión Group is returned to the public water domain (rivers or Caribbean Sea).

Note 19. The companies in the Canal de Isabel II Gestión Business Group do not themselves transport any hazardous waste. All hazardous waste generated in their operations is removed by authorised carriers or managers, which assume the waste as their own once it leaves their premises. Until 2013, hazardous waste was excluded from the domestic collection activities forming part of the urban cleaning services provided by Triple A in Barranquilla.

Note 20. La Efficient resource management and the reduction of environmental impacts are undertakings that form part of the mission for the companies in the Canal de Isabel II Gestión Business Group, and dictate operations by the Group and the sourcing of its main product - water. The initiatives to mitigate environmental impacts are described in detail in the section of this report describing our commitments to excellence in resource management. The members of the corporate structure (executives) and those employees whose function is to support this structure have, at a number of the companies, a variable compensation system which in 2013 depended on the achievement of company targets directly related to efficient resource use and protection of the environment.

Note 21. There are no records of any type of complaint connected with human rights in 2013.



ANNEX 7.
DEGREE OF ALIGNMENT WITH GLOBAL COMPACT PRINCIPLES

Canal de Isabel II Gestión, since 2006 in Spain and Triple A Barranquilla, in Colombia since 2012, have been signatories to the Global Compact – the international initiative established by the United Nations to achieve voluntary commitment by organisations to social responsibility through the implementation of 10 principles based on human, employment and environmental rights and the fight against corruption. Those entities signing up to the initiative undertake to incorporate these principles into their corporate strategy.

In Spain Canal Gestión is a founding member of the Spanish Global Compact Network and has drawn up its progress reports between 2006 and 2012, reporting on the implementation of the 10 principles and on the steps taken to achieve compliance. The reports may be consulted on the website of the Global Compact (www.pactomundial.org).

Triple A Barranquilla has drawn up its progress reports between 2010 and 2012, which may be consulted on the website of the Global Compact and the website of the company (www.aaa.com.co).

Area	Global Compact Principles	GRI indicators*
Human Rights	Principle 1: businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.	EC5, LA4, LA6 a LA9, LA13 to LA14, HR1 to HR9, SO5, PR1, PR2, PR8
	Principle 2: businesses should ensure they are not complicit in human rights abuses.	HR1 to HR9, SO5
Employment	Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4 to LA5, HR1 to HR3, HR5, SO5
	Principle 4: businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1 to HR3, HR7, SO5
	Principle 5: businesses should uphold the effective abolition of child labour.	HR1 to HR3, HR6, SO5
	Principle 6: businesses should uphold the elimination of discrimination in respect of employment and occupation.	EC7, LA2, LA13 to LA14, HR1 to HR4, SO5
The environment	Principle 7: businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26, EN30, SO5
	Principle 8: businesses should undertake initiatives to promote greater environmental responsibility.	EN1 to EN30, SO5, PR3 to PR4
	Principle 9: businesses should undertake initiatives to promote greater environmental responsibility.	EN2, EN5 to EN7, EN10, EN18, EN26, EN27, EN30, SO5
Anti-corruption	Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.	SO2 to SO6

* United Nations Global Compact Office (2007), *Making the Connection. The GRI Guidelines and the UNGC Communication on Progress.*

ANNEX 8.

LEVEL OF GRI 3.1 COMPLIANCE

The levels of application defined by the *Sustainability Reporting Guidelines*, Version 3.0, of the Global Reporting Initiative (GRI), approved in 2006, provide the reader with information as to the extent to which the reference framework established by the GRI has been followed when drawing up the report.

The Canal Gestión Group Annual Report 2013 was subject to all GRI G3.1 principles and guidelines regarding the definition of its content, the quality of the information presented and its limits.

The report includes information regarding all actions with significant impacts. It establishes the general context of its performance through a description of its strategy, its profile and its governance. It provides the context required to understand its performance in the various areas by explaining the management and administrative approach. It includes information and data on most of the «core» performance indicators, applying the principle of materiality to the context of operations by Canal Gestión Group.

Our company believes that the Canal Gestión Group Annual Report 2013 achieves the level of application A+.

Canal Gestión Group has also followed the procedure established by the GRI and submitted its self-assessment to external verification by KPMG, which was confirmed by the auditor as A+. This level of application has also been ascertained by means of the check performed by the GRI Services.



Statement

GRI Application Level Check

GRI hereby states that **Canal de Isabel II Gestión Business Group** has presented its report "2013 Annual Report of the Canal de Isabel II Gestión Business Group" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 19 March 2014

A handwritten signature in dark ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The "+" has been added to this Application Level because Canal de Isabel II Gestión Business Group has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 12 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

ANNEX 9.
CONTACT FOR SUGGESTING IMPROVEMENTS



Among its objectives, Canal Gestión Group aims to improve its annual report and ensure it is of the greatest possible interest to all stakeholders associated with our activities and the services we provide to our regional community.

We are therefore particularly keen to hear your opinion about the usefulness and value of the report, and wish to express in advance our thanks for any suggestions or comments you may wish to pass on to us. Rest assured that your opinion will be taken into consideration when preparing the reports in future years.

You can send us your suggestions by post or by e-mail to:

Spain:

Canal de Isabel II
Santa Engracia, 125
28003 – Madrid (España)
Teléfono: 34 915 451 000
e-mail: atención_rsc@canalgestion.es

Colombia:

Sociedad de Acueducto, Alcantarillado y Aseo S.A. E.S.P.
Triple A Barranquilla
Carrera 58 N° 67-09
Teléfono: 57 361 41 73
e-mail: rse@aaa.com.co

Ecuador:

Aguas de Samborondón, AMAGUA C.E.M.
Km 10 vía a Samborondón
La Puntilla, Samborondón (Ecuador)
Teléfono: 593 4 500 11 60
e-mail: atencion_rsc@AMAGUA-cem.com

GLOSSARY

OF CERTAIN TERMS USED IN THE DOCUMENT

The terms in this glossary have been drawn from the text produced by the corporate social responsibility (CSR) working group of the AEAS (Spanish Association of Water Supply and Sanitation) and published in the CSR Guidelines for the Water Supply and Sanitation Sector in 2008.

ACTIVE SLUDGE

Biological water treatment process based on the culture of a specific type of microorganism, in a flocculated form within the body of water, which is capable of eliminating nitrogenous and/or carbon-based organic matter from the water.

ADDITIONAL GRI INDICATORS

Those which display one or more of the following characteristics: they represent a notable practice in economic, environmental and social measurement, although they are not yet particularly widely used among reporting organisations; they offer significant information for those stakeholders which are particularly important to the reporting entity; they are considered suitable for research in order to be included in the future within the core indicator category.

BIOGAS

Gas derived from the process of anaerobic decomposition of organic or biodegradable matter, the main component of which is methane (CH₄). This biogas is used at the facilities themselves.

BIODIVERSITY

Variety of living organisms of any type, including terrestrial and marine ecosystems, and other aquatic ecosystems, along with the ecological complexes to which they belong; this covers the diversity within each species, between species, and that of ecosystems.

BIO-HAZARDOUS OR BIO-RISK WASTE

Type of waste inherent in healthcare and/or associated research operations which, because of the biological pollutants it contains, is legally classified as representing a risk of infection.

BIOLOGICAL TREATMENT

Water treatment process performed through the intervention of microorganisms which mainly act on the organic matter present in the water.

BIOMASS

Combustible organic matter of vegetable or animal origin employed as a raw material in the generation of renewable energy.

BOD

Biochemical Oxygen Demand (mg/l) at five days. A standardised test used to evaluate the consumption of oxygen through biological means by the organic matter contained in a sample of waste water at 20°C in the dark over 5 days.

BOD (BIOLOGICAL OXYGEN DEMAND)

Oxygen consumed by organisms for the aerobic decomposition of the organic matter present in water. BOD establishes the level of pollution.

CERTIFICATION

Process by which an authorised institution (public or private) evaluates and acknowledges that an individual, an organisation, a product or a service meets the requirements or criteria predefined in a standard.

CFC (chlorofluorocarbon)

Greenhouse gases included in the 1987 Montreal Protocol and used for refrigeration, air conditioning, packaging, insulation, solvents and as propellants of aerosols. As they are not destroyed in the lower atmosphere, CFCs move into the upper atmosphere where, under the right conditions, they decompose ozone.

CLIMATE CHANGE

Set of alterations caused as a result of the emission into the atmosphere of greenhouse gases, produced both by natural and anthropogenic processes. These gases absorb and reflect infrared radiation towards the surface of the Earth. The greenhouse gases covered by the Kyoto Protocol are as follows: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs) and sodium hexafluoride (SF₆).

CO

Carbon monoxide. Toxic gas derived from the incomplete combustion of fossil fuels.

CO₂

Carbon dioxide. Dense, colourless, relatively non-reactive gas generated by the combustion of fossil fuels such as diesel oil. The most significant greenhouse gas.

COAGULATION

Process by means of which dissolved solids present in water are altered so as to separate out from the water, forming a gelatinous, insoluble solid phase.

COD (CHEMICAL OXYGEN DEMAND)

Oxygen consumed in the chemical decomposition of organic and inorganic matter. The COD test establishes the level of pollution in a flow.

CO-GENERATION

Combined generation of thermal energy (refrigeration or heating) and electrical energy.

COLLECTOR

Large-scale pipeline which forms part of the sewerage system and collects rain and waste water, to be channelled to a treatment plant.

COMPOSTING

Controlled biological process to transform and re-purpose the organic components of by-products and waste as a stabilised, hygienically treated organic product similar to loam and rich in humus: compost.

CORE GRI INDICATORS

Those which are of interest to most reporting organisations and of interest to most stakeholders.

CORPORATE GOVERNANCE

The systems and processes whereby a company is managed and controlled. The governance structure establishes the distribution of rights and obligations among the various parties (board, executives, shareholders and other stakeholders) and establishes the rules for corporate decision-making.

CORPORATE REPUTATION

Public recognition of the ability of a company to create permanent value for its shareholders, clients, employees and the community at large.

CORPORATE SOCIAL RESPONSIBILITY

The European Union in its Green Paper defines CSR (Corporate Social Responsibility) as «the voluntary integration of social and ecological concerns by enterprises in their commercial activities and their relations with their stakeholders».

CORPORATE VOLUNTEERING

Process of making use of, incentivising and channelling the potential of a company's staff in order to meet the needs of society and of volunteer associations within the community where they work.

DROUGHT

Long period with precipitation and net water inflows considerably below the average. It also expresses the effect of a lack of water on living organisms, above all plants and the soil.

DWTP

Drinking water treatment plant. Facility used to treat water to make it drinkable, in other words suitable for human consumption.

ENVIRONMENT

Context and circumstances within which an organism, individual or organisation exists and with which it interacts. This includes air, water, soil, flora, fauna, human, socioeconomic, cultural, political, hereditary and heritage aspects.

ENVIRONMENTAL IMPACT STATEMENT (EIS)

Declaration by the body or authority responsible for the environment as to the viability of a project in accordance with the environmental impact study, arguments, objections and communications resulting from the public participation and institutional consultation process which, with regard to the foreseeable ecological impacts, establishes whether or not it is desirable to undertake the planned activity, and if so, the conditions which must be established for the proper protection of the environment and natural resources.

ENVIRONMENTAL POLICY

Public, formally documented declaration by senior management as to the intentions and principles of action by an organisation regarding its environmental performance, in particular its overall objectives, including compliance with regulatory environmental requirements.

EQUIVALENT INHABITANT

Defined as the biodegradable organic load with a biochemical oxygen demand at five days (BOD5) of 60 g of oxygen per day (Royal Decree-Law 11/1995). The concept has been established in order to express the pollutant load of discharges in a uniform manner, taking into consideration not only population but also industries, livestock, etc. The number of equivalent inhabitants is therefore always greater than the actual population.

EUTROPHICATION

Process of the accumulation of mineral salts, nutrients in fresh and salt water leading to the mass development of organisms, essentially algae, and a reduction in the concentration of oxygen.

FLOCCULANT

Agent or substance which induces flocculation. Iron or aluminium salts may be employed, or more commonly synthetic products known as poly-electrolytes, which unlike the former do not affect the pH of the medium. Their function is to neutralise the negative charges of certain particles of a colloidal nature, holding them in suspension. Because of the effect of the flocculant, these particles join together to form larger flocs which can be easily eliminated through filtration process.

FLOCCULATION

Treatment applied to non-aggregated disperse solids in water in order to aggregate them into particles, allowing them to be separated out by sedimentation or filtration.

GLOBAL REPORTING INITIATIVE (GRI)

An organisation founded in 1997 as a joint initiative of the United States NGO CERES (Coalition for Environmentally Responsible Economies) and the UNEP (United Nations Environment Programme), with the essential aim of establishing a globally applied framework for sustainability reporting. It has in this regard drawn up a series of voluntary guidelines for all manner of organisations reporting on the economic, social and environmental dimension of their activity. GRI is an official partner of the United Nations Global Compact Programme.

GREENHOUSE EFFECT

Natural phenomenon based on the insulating effect of CO₂ and other atmospheric gases, partially reflecting the infrared radiation emitted by the Earth's surface, thereby preventing it from cooling down excessively, and allowing life to exist on Earth.

GREENHOUSE GAS (GHG)

A gas which when emitted into the atmosphere causes the greenhouse effect. The most significant are CO₂ (carbon dioxide), CO (carbon monoxide), CH₄ (methane) and chlorofluorocarbons (CFCs).

HAZARDOUS CHEMICAL WASTE

Waste which, because of its chemical composition, is classified as hazardous under individual regulations or specific legislation governing toxic and hazardous waste.

HUMAN RIGHTS

Universal principles defined in the 1948 Universal Declaration of Human Rights. They are based on the recognition of the intrinsic dignity and equality of all members of humanity, thereby serving as the foundation for liberty, justice and peace in the world.

INERTISATION

Physical-chemical conditioning treatment applied to waste, by mixing it with specific reactants in order to obtain waste which is suitable for elimination at a controlled landfill site.

ISO 9000

International standards published by ISO for the implementation of quality management systems. Applicable to any type of company or activity.

ISO 14000

International standards published by ISO for the implementation of environmental management systems. Applicable to any type of company or activity.

NATURAL RESOURCES

In the broad sense, goods derived from nature and not transformed by mankind and which can satisfy human needs.

NON-RENEWABLE RESOURCES

Resources the physical quantity of which does not increase significantly over time, meaning that their use leads to their progressive exhaustion. Examples would be: fossilised organic matter (oil and natural gas) or inorganic natural resources, such as metal ores.

NO_x (NITROGEN OXIDES)

Chemical compounds generated by the reaction of nitrogen and oxygen, as a result of high pressures and temperatures.

OHS

Occupational health and safety.

OHSAS 1800

International standards published by British Standard for the implementation of occupational health and safety systems. Applicable to any type of company or activity.

ORGANOLEPTIC

Those properties of water which can be perceived by the sensory organs, such as colour, smell, taste or texture.

PHYSICAL-CHEMICAL TREATMENT

Water treatment process which combines physical methods with the addition of chemical products in order to reduce the pollutant load present in the water.

POLLUTANT

Any form of matter or energy capable of altering, interfering with or modifying in a negative manner elements of the environment, potentially representing a risk factor for mankind and other living beings.

POLYELECTROLYTE (ANIONIC AND CATIONIC)

Natural or synthetic polymer with ionic components (cationic or anionic) used to bind together non-dissolved particles in the form of floccules, or to thicken sludge.

PRE-TREATMENT

The separation of large and sandy matter and bodies which are carried along in the water.

PRIMARY TREATMENT

Reduction of solids in suspension by up to 85%, and of water pollution to a level of less than 20%. This includes physicalchemical techniques, such as sedimentation, flotation, coagulation and neutralisation.

QUALITY POLICY

Overall intentions and guidelines of an organisation regarding quality, as formally expressed by senior management.

RECYCLING

Transformation of waste as part of a production process to be used for its initial function or other purposes.

RENEWABLE ENERGY

Energy obtained from non-exhaustible or renewable sources. Renewable energy employs the power of wind (wind farms), water (hydro-electric), the sun (solar power), etc.

RENEWABLE RESOURCES

Resources which are available over different time periods. The use of current sources does not reduce future availability provided that the rate of consumption does not exceed the rate of generation.

REPURPOSING

Procedure which serves to make use of the resources contained in waste without jeopardising human health and without employing methods which could cause harm to the environment.

RE-USE

Process of minimising the generation of waste by recovering the products employed which would otherwise be discarded (for example, the re-use of waste water following treatment).

SECONDARY TREATMENT

Includes chemical and, in particular, biological processes, with performance levels which eliminate up to 90% of organic matter. Use is made of bacteria that act within large tanks, which are stirred and assisted through oxygenation of the water; they feed on the pollutant organic matter and are then separated from the water by a further decantation process. There are various types of secondary treatment (active sludge, prolonged aeration, bacterial beds, etc.) which operate in accordance with similar principles.

SELECTIVE COLLECTION

System of separate collection of fermentable organic materials and recyclable matter, along with any other system allowing for the separation of recoverable materials contained in waste.

SLUDGE

Viscous waste with a variable percentage of water derived from waste water treatment.

SO₂ (SULPHUR DIOXIDE)

Chemical compound resulting from combustion reactions when sulphur forms part of the fuel (for example in coal and oil derivatives). Sulphur dioxide is toxic when inhaled in large quantities.

STAKEHOLDERS

Individuals or groups with expectations regarding the behaviour of an organisation.

SUSPENDED SOLIDS (SS)

Solid organic or inorganic particles (disperse, coagulated or flocculated) which are found in water but are not dissolved. These particles do not sediment by gravity, meaning that a flocculant agent must be added in or der to separate them out.

SUSTAINABILITY REPORT/CSR REPORT

Additional processes which eliminate more than 95% of organic matter, and other nitrogen and phosphorus compounds which are largely not eliminated by simpler treatments and lead to the growth of algae which exhaust the oxygen in the water. Nitrogen

is eliminated by biological means, using microorganisms which assimilate the nitrogen or turn it into gas. Phosphorus can be eliminated likewise or by chemical means, through the addition of reactants.

TERTIARY TREATMENT

Additional processes which eliminate more than 95% of organic matter, and other nitrogen and phosphorus compounds which are largely not eliminated by simpler treatments and lead to the growth of algae which exhaust the oxygen in the water. Nitrogen is eliminated by biological means, using microorganisms which assimilate the nitrogen or turn it into gas. Phosphorus can be eliminated likewise or by chemical means, through the addition of reactants.

VERIFICATION

Confirmation by examination and annotation of objective evidence that the specified requirements have been met.

WASTE WATER TREATMENT

Set of operations required in order to eliminate pollutants (dissolved or in suspension) from waste water, down to a level allowing the water to be discharged either into continental waters (surface or groundwater) or into the sea, or to be used for other purposes.

WWPS

Waste water pumping station. A facility used to pump out waste water.

WWTP

Waste water treatment plant. Facility intended to reduce the pollutant load in waste water before discharge into a receiving medium.



Santa Engracia, 125. 28003 Madrid

www.canalgestion.es